
**Budget Reconciliation and Financing Act
of 2017
(HB 152/SB 172)**

**Budget Summary, Provisions, and
Recommendations**

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

March 2017

Contributing Staff

Writers

Andrew D. Gray	Rebecca J. Ruff
Garret T. Halbach	Kyle D. Sieferting
Lindsey B. Holthaus	Jody J. Sprinkle
Jason A. Kramer	Laura M. Vykol
Jordan D. More	Benjamin B. Wilhelm
Simon G. Powell	Tonya D. Zimmerman

Reviewers

David B. Juppe
Simon G. Powell
David C. Romans
Jody J. Sprinkle

For further information concerning this document contact:

Library and Information Services
Office of Policy Analysis
Department of Legislative Services
90 State Circle
Annapolis, Maryland 21401

Baltimore Area: 410-946-5400 • Washington Area: 301-970-5400

Other Areas: 1-800-492-7122, Extension 5400

TTY: 410-946-5401 • 301-970-5401

TTY users may also use the Maryland Relay Service
to contact the General Assembly.

Email: libr@mlis.state.md.us

Home Page: <http://mgaleg.maryland.gov>

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at the telephone numbers shown above.

Contents

	<u>Page</u>
2017 Session BRFA “To Do” List	1
Summary of Provisions – Budget Reconciliation and Financing Act of 2017 (HB 152/SB 172)	3
Detail on Alternative and Additional Recommendations on HB 152/SB 172	11
Joseph A. Sellinger Program for Independent Colleges and Universities	13
Senior Prescription Drug Assistance Program.....	14
Shelter and Transitional Housing Grant Program.....	15
Seed Community Development Anchor Institution Fund.....	16
Baltimore Regional Neighborhood Initiative Program Fund.....	17
State Department of Assessments and Taxation Local Cost Share.....	18
Maryland Correctional Enterprises Revolving Fund	19
Rates Set by the Interagency Rates Committee	21
Housing Counseling and Foreclosure Mediation Fund.....	22
Lottery Agent Commissions	23
Maryland Small Business Development Financing Authority	24
Jane E. Lawton Conservation Loan Fund Transfer.....	26
Community Health Resources Commission Fund Balance Transfer.....	27
Targeted Reversion for Utilization Review	28
Department of Housing and Community Development	29
Administering Agency for the Maryland Emergency Medical System Operations Fund.....	30
Maryland Park Service Own-sourced Revenue Specification	31

	<u>Page</u>
Limit Provider Rate Increases for Nonpublic Placements	32
Temporary Assistance for Needy Families Deficit Reduction	33
Maryland Transportation Authority Financial Requirements	34
Triennial Review of Interagency Agreements	36
Block Grants and the Medicaid and the Supplemental Nutrition Assistance Program	38

2017 Session BRFA “To Do” List

Balance Before Proposals Requiring Legislative Approval: 2017 Session	-\$279.3
Revenue Actions	
Lottery Revenue: Repeal Chapter 727 of 2016	\$2.0
<i>Subtotal</i>	<i>\$2.0</i>
Transfers	
Rainy Day Fund Balance	\$170.0
Maryland Correctional Enterprises	2.5
<i>Subtotal</i>	<i>\$172.5</i>
2016 Session Contingent Reductions	
DHCD Chapter 30 of 2016 Strategic Demolition and Smart Growth Impact Fund	\$25.6
DHMH Payments to Prince George’s Regional Medical Center Chapter 13 of 2016	15.0
DHCD Chapter 29 of 2016 Baltimore Regional Neighborhood Initiative Program	12.0
MSDE Repeal Chapter 740 of 2016 Teacher Stipend and Retention Grants	8.0
MSDE Repeal Chapter 32 of 2016 Public Schools Opportunities	7.5
MSDE Repeal Chapter 33 of 2016 Next Generation Scholars	5.0
DHCD Chapter 31 of 2016 Seed Community Development Anchor Institution Fund	5.0
Disparity Grants Repeal Chapter 738 of 2016	4.7
USM Reduce Funding Guideline Mandate in Chapter 25 of 2016	4.0
MSDE Repeal Chapters 714 and 715 of 2016 Enoch Pratt Expanded Hours	3.0
DHCD Chapters 698 and 699 of 2016 Shelter and Transitional Housing Facilities Grant Program	3.0
MDA Phase-in Next Generation Farmland Funding Over Two Years Chapter 10 of 2016	2.5
DLLR Repeal Chapter 34 of 2016 Maryland Center for Construction Education and Innovation	0.3
MSDE Repeal Chapters 681 and 682 of 2016 Robotics Grants	0.3
<i>Subtotal</i>	<i>\$95.8</i>

Other Contingent Reductions

Reduce Pension Sweeper Mandate for One Year	\$50.0
Reserve Fund	40.0
DHMH DDA Cut Provider Rate Increase to 2%	8.4
MHEC Sellinger Grants Fund at the Fiscal 2017 Level	6.6
Level Fund Disparity Grants at Fiscal 2017 Level	3.7
DHMH Level Fund Local Health Formula Grants at the Fiscal 2017 Level	0.7
GOCCP Level Fund Police Aid at Fiscal 2017 Level	0.5
<i>Subtotal</i>	<i>\$110.0</i>

Fund Swaps

DHMH Medicaid Delay Deficit Assessment Buydown for One Year	\$25.0
SDAT Increase Local Cost Share to 70% and include Executive Direction	10.9
DHMH Community Services for the Uninsured	3.8
DLLR Funding Racing Commission from the Purse Dedication Account	2.5
DHMH Use Senior Prescription Drug Revenue for Mental Health Services	1.1
<i>Subtotal</i>	<i>\$43.2</i>

Ending General Fund Balance **\$144.2**

DDA: Developmental Disabilities Administration
DHCD: Department of Housing and Community Development
DHMH: Department of Health and Mental Hygiene
DLLR: Department of Labor, Licensing, and Regulation
GOCCP: Governor’s Office of Crime Control and Prevention
MDE: Maryland Department of the Environment
MHEC: Maryland Higher Education Commission
MSDE: Maryland State Department of Education
SDAT: State Department of Assessments and Taxation
USM: University System of Maryland

Summary of Provisions

Budget Reconciliation and Financing Act of 2017 (HB 152/SB 172)

Mandate Relief

- ***Teacher Induction, Retention, and Advancement*** – Repeals the \$5.0 million mandate included in Chapter 740 of 2016 that funds the Teacher Induction, Retention, and Advancement Pilot program that encourages mentoring, planning assistance, and other preparation activities.
- ***Teacher Stipends*** – Repeals the mandate and lowers the per individual amount for stipends for teachers that hold specified teaching certificates (Chapter 740 of 2016).
- ***Anne Arundel County Teacher Stipends*** – Repeals the mandate for a stipend for specified teachers in Anne Arundel County (Chapter 740 of 2016).
- ***Robotics Grant Program*** – Repeals the mandate of \$250,000 for the Robotics Grant Program under the Maryland State Department of Education (Chapters 681 and 682 of 2016).
- ***Public Schools Opportunities Enhancement Program*** – Repeals the mandated funding (\$7.5 million) for the Public Schools Opportunities Enhancement Program (Chapter 32 of 2016), which expands extended day and summer enhancement programs.
- ***Sellinger Program*** – Reduces the mandated funding under the Sellinger Program to fund fiscal 2018 at the fiscal 2017 cost containment level.
 - The Department of Legislative Services (DLS) recommends that the reduced fiscal 2018 funding be allocated to the institutions through the funding formula rather than the prior year's amounts.
- ***Next Generation Scholars Program*** – Repeals the mandate of \$5.0 million for the Next Generation Scholars Program (Chapter 33 of 2016).
- ***Enoch Pratt Free Library*** – Repeals the mandated funding (\$3.0 million) to enable the Enoch Pratt Free Library to increase its operating hours (Chapters 714 and 715 of 2016).
- ***Core Public Health Services*** – Reduces the mandated funding amount for localities under the Core Public Health Services Program to fund fiscal 2018 at the fiscal 2017 level.

- ***Developmental Disabilities Administration Provider Rates*** – Reduces the provider rate increase under the Developmental Disabilities Administration from 3.5% to 2.0% in fiscal 2018.
- ***Prince George’s County Regional Medical System*** – Reduces the mandated funding by \$15.0 million for an operating grant for the Prince George’s County Regional Medical System (Chapter 13 of 2016) and extends expected out-year funding by an additional year, while maintaining the same total contribution.
- ***Shelter and Transitional Housing Facilities Grant Program*** – Repeals the mandate of \$3.0 million for the Shelter and Transitional Housing Facilities Grant Program and authorizes the use of general obligation bond (GO) funding for the program (Chapters 698 and 699 of 2016).
 - DLS recommends rejecting the provision but authorizing the use of GO bond funds to replace the general funds.
- ***Strategic Demolition and Smart Growth Impact Fund*** – Requires the mandated funding of \$25.625 million for the Strategic Demolition and Smart Growth Impact Fund (Project C.O.R.E. – Chapter 30 of 2016) to be provided in the capital budget through proceeds of GO bonds in fiscal 2018. Use of GO bonds to comply with the mandate is also authorized for fiscal 2019.
- ***Seed Community Development Anchor Institution Fund*** – Repeals the mandated funding of \$5.0 million for the Seed Community Development Anchor Institution Fund and instead authorizes the use of GO bond funding for the program beginning in fiscal 2019 (Chapter 31 of 2016).
 - DLS recommends rejecting the provision but authorizing the use of GO bond funds to replace the general funds.
- ***Baltimore Regional Neighborhood Initiative*** – Alters the mandated funding level for the Baltimore Regional Neighborhood Initiative (Chapter 29 of 2016) to allow a reduced mandate (\$12.0 million reduced to \$3.0 million) to be funded through the capital budget using GO bond funds in fiscal 2018. Repeals any mandated funds in fiscal 2019 and thereafter.
 - DLS recommends that the program be funded with \$12.0 million in GO bond funds or in general funds in fiscal 2018 through 2022.
- ***Maryland Center for Construction Education and Innovation*** – Repeals the mandated funding of \$250,000 for the Maryland Center for Construction Education and Innovation (Chapter 34 of 2016).

- ***Disparity Grant*** – Alters the mandated funding for the Disparity Grant in order to level fund it at the fiscal 2017 cost containment level and repeals Chapter 738 of 2016, which increased the minimum grant amount for certain counties in fiscal 2018 and 2019.
- ***State Aid for Police Protection*** – Alters the mandated funding under the State Aid for Police Protection grants program to level fund it at the fiscal 2017 level.
- ***Next Generation Farmland Acquisition Program*** – Reduces the mandated funding level under the Maryland Resource-based Industry Development Corporation’s Next Generation Farmland Acquisition program from \$5.0 million to \$2.5 million in fiscal 2018 and extends funding of the remaining \$2.5 million to fiscal 2019. It should be noted that DLS recommends eliminating the fiscal 2018 appropriation through the budget bill and instead restricting \$5.0 million in Maryland Agricultural Land Preservation Program pay-as-you-go special funds for this purpose.
- ***University System of Maryland Funding Guideline Attainment*** – Repeals the requirement (Chapter 25 of 2016) that at least \$4.0 million be included in the allowance for the University System of Maryland Office to increase the estimated funding guideline attainment for institutions with the lowest estimated funding guideline attainment in fiscal 2016 (Towson University and the University of Maryland Baltimore County).
- ***Curb Mandate Growth*** – Caps the growth of any mandated appropriation to not more than the projected general fund revenue growth, less 1.0%, exempting specified mandates related to K-12 education funding, Reserve Fund requirements, and debt service requirements.

Revenue Actions

- ***Horse Racing/Lottery Revenues*** – Repeals the provision of Chapter 727 of 2016 that established the mandated funding, from lottery revenues, for the Maryland International thoroughbred race. Also repeals the mandate that lottery funds be used for a grant to the Maryland Humanities Council of Maryland, a youth and amateur sports grant program and a bonus award program for Maryland-bred horses. Requires funding for the Maryland International and bonus award program from the Purse Dedication Account.

New or Expanded Uses of Existing Revenues

- ***Horse Racing Commission*** – Allows the expenses of the State Racing Commission, purse funds for the Maryland International thoroughbred race, and the bonus award for Preakness Maryland-bred horses to be funded through the Purse Dedication Account.

- ***Housing Counseling and Foreclosure Mediation Fund*** – Allows the use of up to \$1 million in the Housing Counseling and Foreclosure Mediation Fund for the Department of Housing and Community Development administrative expenses in fiscal 2018.
 - DLS recommends rejecting this provision.
- ***Wastewater Treatment Plants*** – Allows the Maryland Department of the Environment to use up to \$60 million of revenue bond proceeds and funds in the Bay Restoration Fund for biological nutrient removal upgrades of wastewater treatment plants.

Transfers to the General Fund

	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>
Revenue Stabilization Account	\$170,000,000	\$0
Maryland Correctional Enterprises	0	2,500,000

- DLS recommends transferring \$7.0 million from the Maryland Correctional Enterprises Revolving Fund to the General Fund in fiscal 2017 in lieu of the existing provision that transfers \$2.5 million in fiscal 2018.

Cost Control and Miscellaneous Provisions

- ***Senior Prescription Drug Assistance Program*** – Allows the use of excess funds from the Senior Prescription Drug Assistance Program for mental health services for the uninsured without going through the budget amendment process.
 - DLS concurs with the provision for fiscal 2018 but recommends that future funding from the Senior Prescription Drug Assistance Program be used only for that program.
- ***Community Health Resources Commission Fund*** – Allows the Community Health Resources Commission Fund to be used for the mental health services for the uninsured.
- ***Pension Sweeper*** – Repeals the mandate to sweep funds to the State Retirement and Pension System for fiscal 2018 only.

- ***Property Tax Assessment Cost Share*** – Increases the local share of the costs of certain activities of the State Department of Assessments and Taxation (including real property valuation, business personal property valuation, and the Office of Information Technology) from 50% to 70% in fiscal 2018 and 90% in fiscal 2019, and thereafter. Adds the costs of the Office of the Director to the new cost-share arrangement.
 - DLS recommends striking this provision.
- ***Medicaid Deficit Assessment*** – Delays the \$25 million reduction to the Medicaid Deficit Assessment until fiscal 2019.
- ***Interagency Rates Committee – Provider Rates*** – Limits growth in fiscal 2018 rates paid to providers with rates set by the Interagency Rates Committee to no more than 2% over the rates in effect on June 30, 2017.
 - DLS recommends limiting the growth in fiscal 2018 rates to 1% over fiscal 2017 rates.
- ***Revenue Stabilization Account*** – Reduces the fiscal 2018 funding to the Revenue Stabilization Account by \$40 million to reflect a fund balance at 5% of projected fiscal 2018 general fund revenues.
- ***Volkswagen Settlement*** – Authorizes the Comptroller to transfer up to \$12 million from the Consumer Protection Recoveries to the General Fund if the Office of the Attorney General does not transfer \$12 million of the recovery from the Volkswagen Clean Diesel settlement.

Additional Recommendations to HB 152/SB 172

Revenue Actions

- Reduce the sales commission for lottery retailers from 5.5% to 5.0%.

Fund Balance Transfers

- Transfer \$4 million in fund balance from the Maryland Small Business Development Financing Authority to the Maryland Venture Fund.
- Transfer \$2 million from the Jane E. Lawton Conservation Loan Fund to the State Agency Loan Program Loan Fund.
- Transfer \$700,000 from the Community Health Resources Commission to the General Fund in fiscal 2017.

Targeted Reversions and Cancellations

- Reduce \$1.46 million in general funds in fiscal 2017 under the Development Disabilities Administration for utilization review audit contracts.
- Withdraw a fiscal 2017 special fund appropriation of \$187,500 under the Department of Housing and Community Development related to administrative fees and return the funds to the Department of Commerce to be redistributed for small business assistance under the Small, Minority, and Women-Owned Business Account.

Cost Control and Miscellaneous Provisions

- Establish the Comptroller of Maryland as the administering agency for the Maryland Emergency Medical System Operations Fund, responsible for accounting all transactions and performing year-end reconciliation.
- Specify that the requirement to budget 100% of the Maryland Park Service's own-sourced revenues be based on the actual revenues from two fiscal years preceding the proposed budget year.

- Limit growth in fiscal 2018 rates to providers of nonpublic special education placements to no more than 1% over the fiscal 2017 rates.
- Require the Department of Human Resources to use savings in the Assistance Payments Program in fiscal 2017 to reduce the Temporary Assistance for Needy Families deficit.
- Establish minimum levels of unrestricted cash, debt service coverage ratios, and rate covenant compliance ratios under the Maryland Transportation Authority to maintain financial stability.
- Establish a staggered triennial review cycle and annual reporting requirement related to interagency agreements that have been in place for three or more years and have actual expenditures exceeding \$750,000.
- Expand legislative review of any programmatic change that results in a federal block grant by broadening the definition of a block grant and, in relation to Medicaid and the Supplemental Nutrition Assistance Program, extend that review to program changes that would make it harder to qualify for benefits, expand beneficiary cost-sharing, or impose limitations on benefits.

**Detail on Alternative and Additional
Recommendations on HB 152/SB 172**

Proposed Amendment to HB 152/SB 172 as Introduced

Joseph A. Sellinger Program for Independent Colleges and Universities

Provision in BRFA as Introduced: In fiscal 2018, the Administration gives each eligible independent institution the same funding from the Joseph A. Sellinger program as was appropriated in fiscal 2017. The funding formula is unchanged by this action in fiscal 2019 and beyond.

Provision as Recommended by DLS: Amend the provision. In order to preserve the intent of the Sellinger formula, DLS recommends that Sellinger funding specified in the BRFA be allocated among the institutions that qualify for Sellinger funding in proportion to the number of full-time equivalent students enrolled at each institution during the fall semester of fiscal 2017, as determined by the Maryland Higher Education Commission, rather than allocating Sellinger aid by the prior year's per institution allocations.

Agency: Maryland Higher Education Commission

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation vs. Current Law: None.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: None.

Background/Recent History: The BRFA of 2014 (Chapter 464) increased the statutory funding percentages in fiscal 2016 to 2019. The BRFA of 2015 (Chapter 489) reduced Sellinger aid by \$9 million in fiscal 2016, but reallocated funding based upon more recent enrollment figures rather than the prior year's funding allocations. The Board of Public Works reduced fiscal 2017 funding by \$4.0 million.

State Effect: Fiscal 2018 and future year general fund expenditures are unchanged. Specifying the method for allocating how Sellinger aid is distributed to independent institutions causes no net change to expenditures.

Local Effect: None.

Proposed Amendment to HB 152/SB 172 as Introduced

Senior Prescription Drug Assistance Program

Provision in BRFA as Introduced: Removes the requirement that funding from the Senior Prescription Drug Assistance Program (SPDAP) Fund used for the benefit of the Kidney Disease Program (KDP) or for community mental health services to the uninsured must be transferred by budget amendment. In so doing, the BRFA allows the fiscal 2018 budget to recognize the use of \$1,086,000 in the SPDAP fund balance to support community mental health services to the uninsured and reduce General Fund need by the same amount.

Provision as Recommended by DLS: Authorize the funding for fiscal 2018 but require future funding from SPDAP to be used only for that program.

Agency: Department of Health and Mental Hygiene

Type of Action: Administrative

Fiscal Impact of DLS Recommendation vs. Current Law: No impact.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: No impact.

Recent History: In recent years, various BRFA actions have transferred surplus SPDAP fund balance to the General Fund as well as broadening the use for the SPDAP funds to include the KDP and community mental health services for the uninsured. As a result, for example, in the fiscal 2017 budget, \$8.3 million in the SPDAP fund balance was included to support community mental health services for the uninsured although that figure has since been reduced to \$6.1 million based on concerns about available funding.

Similarly, based on current projections of revenue and expenditures for the SPDAP, including the proposed \$1.1 million funding of community mental health services for the uninsured, the SPDAP is estimated to have a negative fiscal 2018 closing fund balance of \$445,000. However, DLS would advise that SPDAP's estimates of program expenditures in fiscal 2017 and 2018 contain significant uncertainty as the program implemented a new "donut hole" subsidy in fiscal 2017 and projected take-up is unknown.

Proposed Amendment to HB 152/SB 172 as Introduced

Shelter and Transitional Housing Grant Program

Provision in BRFA as Introduced: Eliminates the requirement that the Governor include \$3 million in the allowance for the Shelter and Transitional Housing Grant Program in fiscal 2018 to 2022.

Provision as Recommended by DLS: Amend the requirement to allow the Governor to use general obligation (GO) bond funds to meet the mandate requirement in fiscal 2018 to 2022.

Agency: Department of Housing and Community Development

Type of Action: Mandate Relief and Discretionary Funding

Fiscal Impact of DLS Recommendation vs. Current Law:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Exp.	\$0.0	-\$3.0	-\$3.0	-\$3.0	-\$3.0	-\$3.0
GO Bonds	0.0	3.0	3.0	3.0	3.0	3.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GO Bonds	\$0.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0

Background/Recent History: Chapters 698 and 699 of 2016 mandated an annual appropriation of \$3 million to the Shelter and Transitional Housing Grant Program, which provides grants to local governments and nonprofits in order to develop emergency shelters and transitional housing for homeless individuals and families. The 2017 *Capital Improvement Program* includes \$3 million in GO bonds in fiscal 2018 to 2022.

State Effect: No effect in fiscal 2018. General fund expenditures decrease by \$3 million per year in fiscal 2019 to 2022, and GO bond funding increases by \$3 million per year in fiscal 2019 to 2022.

Proposed Amendment to HB 152/SB 172 as Introduced

Seed Community Development Anchor Institution Fund

Provision in BRFA as Introduced: Eliminates the requirement that the Governor include \$5 million in the allowance for the Seed Community Anchor Institution Fund in fiscal 2018 to 2022.

Provision as Recommended by DLS: Reject the provision and keep the mandate in place, but allow the Governor to use general obligation bond (GO) funds in place of general funds.

Agency: Department of Housing and Community Development

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation vs. Current Law:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GO Bond	\$0.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0
GF Exp.	0.0	-5.0	-5.0	-5.0	-5.0	-5.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GO Bond	\$0.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0

Background/Recent History: Chapter 31 of 2016 created the Seed Community Anchor Development Institution Fund, and required a \$5 million appropriation in fiscal 2018 to 2022.

State Effect: General fund expenditures are unchanged. GO bond funds increase by \$5 million per year from fiscal 2018 to 2022.

Proposed Amendment to HB 152/SB 172 as Introduced

Baltimore Regional Neighborhood Initiative Program Fund

Provision in BRFA as Introduced: Eliminates the requirement that the Governor include \$12 million in the allowance for the Baltimore Regional Neighborhood Initiative (BRNI) Program in fiscal 2018 to 2022. Adds a provision requiring the Governor to include \$3 million in general obligation (GO) bonds for the program in fiscal 2018.

Provision as Recommended by DLS: Amend the provision to require the Governor to include \$12 million in GO bonds or general funds in fiscal 2018 to 2022.

Agency: Department of Housing and Community Development

Type of Action: Mandate Relief and Discretionary Funding

Fiscal Impact of DLS Recommendation vs. Current Law:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GO Bond	\$0.0	\$9.0	\$12.0	\$12.0	\$12.0	\$12.0
GF Exp.	0.0	-12.0	-12.0	-12.0	-12.0	-12.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GO Bond	\$0.0	\$9.0	\$12.0	\$12.0	\$12.0	\$12.0

Background/Recent History: Chapter 29 of 2016 codified BRNI, a previously existing program within the Department of Housing and Community Development’s Division of Neighborhood Revitalization, and mandated a \$12 million appropriation in fiscal 2018 to 2022. The 2017 *Capital Improvement Program* includes \$3 million in GO bonds per year in fiscal 2019 to 2022.

State Effect: General fund expenditures are unchanged. GO bond funds increase by \$9 million in fiscal 2018 and by \$12 million in fiscal 2019 to 2022.

Proposed Amendment to HB 152/SB 172 as Introduced

State Department of Assessments and Taxation Local Cost Share

Provision in BRFA as Introduced: Changes the allocation of the costs of conducting property tax assessments by increasing the portion paid by each county and Baltimore City to the State Department of Assessments and Taxation (SDAT) for real property valuation, business personal property valuation, and information technology (IT). For fiscal 2018, local units are required to reimburse the State for 70% of these costs, which increases to 90% beginning in fiscal 2019. The bill also adds the Office of the Director of SDAT to shared costs.

Provision as Recommended by DLS: Reject the provision.

Agency: State Department of Assessments and Taxation

Type of Action: Fund Swap

Fiscal Impact of DLS Recommendation vs. Current Law: None.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Exp.	\$0.0	\$10.9	\$20.8	\$21.4	\$22.0	\$22.7
SF Rev.	0.0	-10.9	-20.8	-21.4	-22.0	-22.7
SF Exp.	0.0	-10.9	-20.8	-21.4	-22.0	-22.7

Background/Recent History: Prior to fiscal 2012, all costs associated with property tax assessments were paid by the State. Chapter 397 of 2011 (the Budget and Reconciliation and Finance Act of 2011) required local units to fund 90% of the costs for real property valuation, business personal property valuation, and SDAT IT for fiscal 2012 and 2013, and 50% of those costs thereafter.

State Effect: General fund expenditures increase by \$10.9 million in fiscal 2018 and \$20.8 million in fiscal 2019. Special fund revenues and expenditures decrease by the same amount.

Local Effect: Local expenditures decrease by \$10.9 million in fiscal 2018 and \$20.8 million in fiscal 2019.

Proposed Amendment to HB 152/SB 172 as Introduced

Maryland Correctional Enterprises Revolving Fund

Provision in BRFA as Introduced: Authorizes the transfer of \$2.5 million from the Maryland Correctional Enterprises Revolving Fund (MCERF) to the General Fund in fiscal 2018.

Provision as Recommended by DLS: Amend the provision to authorize the transfer of \$7 million from the MCERF to the General Fund in fiscal 2017.

Agency: Department of Public Safety and Correctional Services

Type of Action: Fund Balance Transfer

Fiscal Impact of DLS Recommendation vs. Current Law:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Rev.	\$7.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Rev.	\$7.0	-\$2.5	\$0.0	\$0.0	\$0.0	\$0.0

Background/Recent History: Maryland Correctional Enterprises (MCE) (formerly State Use Industries) provides work and job training for inmates incarcerated in State correctional facilities. MCE produces goods and supplies services at a cost that does not exceed the prevailing average market price. These goods and services are used by local, State, and federal agencies. These goods are also available for use by charitable, civic, educational, fraternal, or religious organizations. In fiscal 2015, MCE employed 2,041 inmates and generated revenues of \$54.1 million, resulting in a net profit of \$430,000, following a \$1.0 million transfer from the revolving fund to the General Fund. In fiscal 2016, inmate employment declined slightly to 2,035 offenders, while revenues increased to \$61.4 million. MCE closed fiscal 2016 with a net profit of \$3.2 million. With the exception of fiscal 2016, MCE has transferred a portion of its revenue to the General Fund each year since fiscal 2010.

State Effect: General fund revenues increase by \$7.0 million in fiscal 2017 under the DLS recommendation, compared to \$2.5 million in fiscal 2018, as is proposed in the BRFA as introduced. Future years are not affected. The projected fiscal 2017 closing fund balance for the MCERF is \$29.0 million. The proposed transfer in the BRFA as introduced would leave an assumed fund balance of approximately \$26.5 million. MCE has indicated that \$22.0 million of the fund balance is restricted to account for fluctuations in accounts receivable, expansion projects,

vehicle and equipment purchases, and utility reimbursements. This recommendation would transfer the remaining undedicated fund balance to the General Fund and also transfer the funds in fiscal 2017, as an accurate projection of fund balance is not known for fiscal 2018.

Local Effect: None.

Proposed Amendment to HB 152/SB 172 as Introduced

Rates Set by the Interagency Rates Committee

Provision in BRFA as Introduced: Limits growth in fiscal 2018 rates paid to providers with rates set by the Interagency Rates Committee (IRC) to no more than 2% over the rates in effect on June 30, 2017.

Provision as Recommended by DLS: Amend the provision to limit growth in fiscal 2018 rates paid to providers with IRC to no more than 1% over the rates in effect on June 30, 2017.

Agency: Department of Human Resources; Department of Juvenile Services

Type of Action: Cost Control

Fiscal Impact of DLS Recommendation vs. Current Law: Rate increases are currently determined by IRC and are not set in statute. The fiscal 2018 budget as introduced includes funding for a 2% increase for providers whose rates are set by IRC.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Exp.	\$0.0	-\$1.69	-\$2.11	-\$2.54	-\$2.99	-\$3.44

Recent History: Budget reconciliation legislation in 2009 through 2011 froze rates set by IRC for three consecutive years. Budget reconciliation legislation in 2012, 2013, and 2014 limited rate increases to 1.0%, 2.5%, and 1.5% respectively. Budget reconciliation legislation in 2015 froze fiscal 2016 rates at the fiscal 2015 level.

State Effect: The fiscal 2018 budget currently includes funding to provide 2% provider rate increases for providers who have rates set by IRC (\$2.5 million in the Department of Human Resources (DHR) and \$0.6 million in the Department of Juvenile Services (DJS)). DLS estimates a 1% provider rate increase in DHR would cost \$1.3 million resulting in general fund savings compared to the amount budgeted of \$1.2 million. DJS altering the provider rate increase to 1% reduces spending by \$364,000. Savings continue in the out-years due to lower rates in fiscal 2018.

Local Effect: None.

Proposed Amendment to HB 152/SB 172 as Introduced

Housing Counseling and Foreclosure Mediation Fund

Provision in BRFA as Introduced: Authorizes the Department of Housing and Community Development (DHCD) to use up to \$1 million in funds from the Housing Counseling and Foreclosure Mediation Fund for administrative expenses in fiscal 2018.

Provision as Recommended by DLS: Reject the provision.

Agency: Department of Housing and Community Development; Department of Labor, Licensing, and Regulation (DLLR); Judiciary

Type of Action: New Use of Existing Revenue

Fiscal Impact of DLS Recommendation vs. Current Law: None.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Exp.	\$0.0	-\$1.0	\$0.0	\$0.0	\$0.0	\$0.0

Background/Recent History: Chapter 489 of 2015 authorized DHCD to use up to \$2.4 million in funds from the fund for administrative expenses in fiscal 2016. Including an opening balance of \$4.2 million and estimated revenues of \$4.5 million, a total of \$8.7 million will be available in the fund in fiscal 2018. The Governor’s proposed fiscal 2018 budget includes \$6.4 million in appropriations from the fund (\$6.1 million for DHCD, \$223,930 for the Judiciary, and \$58,545 for DLLR), leaving a \$2.3 million balance before the proposed transfer.

State Effect: Special fund expenditures decrease by \$1 million in fiscal 2018.

Proposed Amendment to HB 152/SB 172

Lottery Agent Commissions

Provision as Recommended by DLS: Decrease the sales commission for lottery retailers from 5.5% to 5.0% in fiscal 2018 and 2019.

Agency: State Lottery and Gaming Control Commission

Type of Action: Revenue Enhancement

Fiscal Impact vs. Current Law:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Rev.	\$0.0	\$9.6	\$9.8	\$10.0	\$10.2	\$10.4

Background/Recent History: According to the State Lottery and Gaming Control Commission, (SLGCA) as of the end of calendar 2016, there were 4,451 lottery retailers. Of these, 330 retailers participate in the Expanded Cashing Authority Program and are allowed to cash winnings of up to \$5,000. All other retailers may cash winning tickets up to \$600. Agents earn 5.5% of sales at retail establishments as well as 3.0% in cashing commissions. As part of a cost containment initiative, the BRFA of 2009 (Chapter 487) decreased the agent sales commission from 5.5% to 5.0% in fiscal 2010 through 2012. The BRFA of 2012 (Chapter 1 of the first special session) kept the commission at 5.0% for fiscal 2013. Chapter 1 of the 2012 second special session increased the commission back to 5.5% effective January 1, 2013.

According to SLGCA, as of fiscal 2015, Maryland retailers earn the third highest commission of any in the country when accounting for sales commission plus cashing commission (blended commission). In addition, SLGCA pays for all equipment and promotional material for the licensed retailers. Retailers pay no application or licensing fees. They must, however, employ sufficient staff to respond to lottery customers.

State Effect: Reducing the agent commission from 5.5% to 5.0% in fiscal 2018 would increase general fund revenues by approximately \$9.6 million. The annual earnings range from just over \$25,000 to just over \$29,000. Increases in ticket sales and the increases in prizes (for cashing commissions) significantly benefit retailers. This action would, on average, reduce each agent's earnings by approximately \$2,100.

Proposed Amendment to HB 152/SB 172

Maryland Small Business Development Financing Authority

Provision as Recommended by DLS: Transfer \$4 million in fund balance from the Maryland Small Business Development Financing Authority (MSBDFA) to the Maryland Venture Fund.

Agency: Department of Commerce; Maryland Technology Development Corporation (TEDCO)

Type of Action: Fund Balance Transfer

Fiscal Impact vs. Current Law: This provision would transfer funds related to the InvestMaryland program from one special fund to another in order to increase venture investments into Maryland early-stage companies and consequently to increase investment returns to the State.

Background/Recent History: MSBDFA is designed to provide financing options for small businesses that are not able to qualify for financing from private lending institutions or owned by socially and economically disadvantaged persons. Specifically, the program provides funding for working capital; supplies and materials; machinery and equipment acquisition; construction or renovation; franchise fees; and bid, performance, and payment bonds assistance.

Chapter 409 of 2011 created the InvestMaryland program, a State-supported venture capital program that was funded through an auction of tax credits against the insurance premium tax for insurance companies. The majority of the funding was provided to private venture companies and to the State's Maryland Venture Fund. The legislation also provided a three-year revenue stream for MSBDFA's Equity Participation Program. This program provides equity financing to help companies scale up to the next level, for franchising opportunities, or business acquisition. The program received over \$6.8 million over fiscal 2012, 2013, and 2014.

The majority of InvestMaryland funding was transferred to TEDCO by Chapter 141 of 2015. As such, the annual reporting requirement was transferred as well. The annual report detailed the investment history of the program, including details of invested companies and jobs created. The report also shows the InvestMaryland activity under MSBDFA. As shown in **Exhibit 1**, the program was only able to invest \$900,000 of the total \$6.8 million in funding. In fiscal 2016, MSBDFA only invested \$47,000 in one company. Over \$5.9 million remains to be invested. The fund balance summary submitted with the fiscal 2018 budget submission shows no planned investments from the InvestMaryland funding for fiscal 2017 and 2018. However, the department advises that it has a pipeline of \$2.3 million for future investments. This seems ambitious given the performance since fiscal 2012. In contrast, the Maryland Venture Fund, under the purview of the Department of Commerce and subsequently of TEDCO starting in fiscal 2016, has invested about 79% of its available InvestMaryland funding.

Exhibit 1
Maryland Small Business Development Financing Authority
InvestMaryland Funding

	<u>Total Funds</u>	<u>Total Capital Invested through 2016</u>	<u>Fair Market Value</u>	<u>Returns on Investments</u>	<u>Remaining Funds to be Invested</u>	<u>% Invested</u>
MSBDFA	\$6,867,500	\$900,000	\$900,000	\$6,785	\$5,967,500	13%
Maryland Venture Fund	20,602,500	16,217,388	14,013,193	1,312,462	4,385,112	79%

MSBDFA: Maryland Small Business Development Financing Authority

Source: Maryland Venture Fund Annual Report Fiscal 2016

Venture investments are not historically the types of investments that comprise MSBDFA's portfolio. In fact, the department acknowledges that MSBDFA has challenges in identifying potential early-stage companies in which to invest. This is in contrast to the program's performance under its other capabilities. For example, the department's fiscal 2016 Jobs Development Act report shows that MSBDFA provided financing to 26 companies totaling \$7.8 million.

State Effect: Transferring the funds to the Maryland Venture Fund would significantly improve the likelihood of venture investment funds to Maryland companies. It would allow a portion of funding to remain within MSBDFA in order to provide follow-on funding for current investments or to fund potential projects that are close to approval.

Proposed Amendment to HB 152/SB 172

Jane E. Lawton Conservation Loan Fund Transfer

Provision as Recommended by DLS: Transfer \$2.0 million from the Jane. E. Lawton Conservation Loan Fund (Lawton Loan Fund) to the State Agency Loan Program Loan Fund (SALP).

Agency: Maryland Energy Administration (MEA)

Type of Action: Expanded Use of a Special Fund/Transfer between Funds

Fiscal Impact vs. Current Law: Overall, special fund revenues and expenditures are neither increased nor decreased, but the program from which expenditures occur is altered.

Background/Recent History: In fiscal 2017, the SALP had requests for loans that exceeded the appropriated level (requests totaling \$3.3 million, appropriation \$2.2 million). To accommodate the additional demand, the fiscal 2018 budget bill includes a \$1.0 million deficiency appropriation for the program and includes an additional \$500,000 in fiscal 2018 beyond what was planned in the 2016 *Capital Improvement Program*. At the close of fiscal 2016, the special fund balance in the SALP was less than \$900,000. Given the available special fund balance, the ability to support these special fund increases in spending depended on a replacement of federal funds in the program with special funds (\$5.0 million). The source of the special funds in the replacement was Strategic Energy Investment Funds (SEIF). Unexpected declines in the primary source of revenue from the SEIF has led MEA to put a hold on the federal fund/special fund replacement. Without this fund swap, MEA reports that it does not have sufficient fund balance to support the proposed deficiency appropriation and the fiscal 2018 allowance. The lack of special fund balance also limits future spending in the program.

The Jane E. Lawton Conservation Loan Program has been underutilized since the program's formation. The program has encumbered more than \$850,000 only three times between fiscal 2009 and 2016. As a result of the low program utilization, the Lawton Loan Fund (which supports the program), has a significant balance, which is not needed for program operations in the near term. The Lawton Loan Fund had a \$4.3 million balance at the close of fiscal 2016. Even if the program were to encumber its entire fiscal 2017 appropriation, which is unlikely, the loan fund balance is projected to be approximately \$3.6 million.

State Effect: This action decreases the fund balance of the Lawton Loan Fund by \$2.0 million. After this transfer at least \$1.57 million would remain in the loan fund, which is more than sufficient to cover the fiscal 2018 allowance of \$850,000. This action would increase the special fund balance of the SALP by \$2.0 million. Absent this action, MEA reports that the SALP loan fund would not have sufficient balance to support the proposed deficiency appropriation for fiscal 2017 and the fiscal 2018 allowance.

Local Effect: None. Even after the transfer the Lawton Loan Fund balance is sufficient to support the fiscal 2018 allowance of \$850,000.

Proposed Amendment to HB 152/SB 172

Community Health Resources Commission Fund Balance Transfer

Provision as Recommended by DLS: Transfer \$700,000 from the fund balance of the Community Health Resources Commission in fiscal 2017 to the General Fund.

Agency: Maryland Community Health Resources Commission; Department of Health and Mental Hygiene

Type of Action: Fund Balance Transfer

Fiscal Impact vs. Current Law:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Rev.	\$0.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Background/Recent History: According to the commission, there is going to be an estimated \$744,236 in unspent appropriations from various Health Enterprise Zone projects. This action would transfer those unspent balances to the General Fund.

State Effect: General Fund revenues increase by \$700,000 in fiscal 2017.

Proposed Amendment to HB 152/SB 172

Targeted Reversion for Utilization Review

Provision as Recommended by DLS: DLS recommends a targeted reversion of \$2.5 million (\$1.46 million in general funds and \$1.04 million in federal funds) for utilization review. As of February 2017, there is no contract for utilization review, and the agency will likely not spend the funds for fiscal 2017.

Agency: Developmental Disabilities Administration

Type of Action: Fiscal 2017 Budget Reduction

Fiscal Impact vs. Current Law:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Rev.	\$1.46	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Background/Recent History: Utilization review services include determining a level of need for all individuals who are newly entering services funded by the Developmental Disabilities Administration (DDA) fee payment system, which includes residential, day, and supported employment services. This includes conducting utilization review audits of DDA-funded services to ensure that funded services are provided and to evaluate consumer satisfaction with services. No funding was appropriated in either fiscal 2015 or 2016 for utilization review audits. The agency notes that a vendor was hired, but the contract was terminated three months later by mutual agreement, and a solicitation was issued in fall 2014 but was canceled in March 2015. As of February 2017, there is no contract for utilization review, and funding for 2017 will likely not be utilized.

State Effect: Withdraw appropriation of \$1.46 million and credit to the General Fund balance in fiscal 2017.

Proposed Amendment to HB 152/SB 172

Department of Housing and Community Development

Provision as Recommended by DLS: DLS recommends adding a provision to the BRFA of 2017 that would withdraw \$187,500 in special fund appropriation from the fiscal 2017 Department of Housing and Community Development (DHCD) budget and return that amount to the Small, Minority, and Women-Owned Business Account (SMWOBA).

Agency: Department of Housing and Community Development

Type of Action: Budget Reduction

Fiscal Impact vs. Current Law: A decrease of \$187,500 in special funds for DHCD in fiscal 2017, and an increase of \$187,500 in special fund revenue for SMWOBA.

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Exp.	-\$187,500	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Background/Recent History: The fiscal 2017 working appropriation for DHCD includes \$187,500 in special funds for miscellaneous adjustments. The money is the administrative fee DHCD received when funds from the SMWOBA were transferred to DHCD for emergency assistance for flooding victims in Ellicott City. As these funds are budgeted as a miscellaneous adjustment, and fiscal 2017 personnel costs are fully funded, it appears that the funds are excess to the department's spending needs.

State Effect: A decrease of \$187,500 in special funds for DHCD in fiscal 2017 and an increase of \$187,500 in special fund revenue for SMWOBA.

Proposed Amendment to HB 152/SB 172

**Administering Agency for the
Maryland Emergency Medical System Operations Fund**

Provision as Recommended by DLS: Establish the Comptroller of Maryland as the administering agency for the Maryland Emergency Medical System Operations Fund (MEMSOF), responsible for accounting all transactions and performing year-end reconciliation.

Agency: Comptroller of Maryland

Type of Action: Administrative

Fiscal Impact vs. Current Law: None.

Background/Recent History: At the request of the budget committees, in response to budgeting errors discovered during preparation of the fiscal 2017 to 2022 MEMSOF forecast that projected premature insolvency for the fund, the Office of Legislative Audits (OLA) conducted a special audit of MEMSOF. In the December 2016 audit report, OLA found that the budgeting errors leading to the false assumptions of early insolvency were due to a lack of oversight for MEMSOF. There is no statutory provision for an individual or agency to administer the fund. As a result, there has been no reconciliation of MEMSOF at year-end. OLA advised that the General Assembly may wish to amend State law to designate an administering agency for MEMSOF, which would include responsibility for accounting for all transactions and performing a year-end reconciliation.

State Effect: There is no fiscal impact. This recommendation is generally consistent with the observation made by OLA in its 2016 report. Any additional responsibilities resulting from year-end reconciliation or other administrative duties should be easily accommodated within the existing resources of the Comptroller.

Local Effect: None.

Proposed Amendment to HB 152/SB 172

Maryland Park Service Own-sourced Revenue Specification

Provision as Recommended by DLS: Modify the existing statutory provision concerning the Maryland Park Service's (MPS) own-sourced revenue budgeting to require the Department of Natural Resources (DNR) to budget 100% of MPS's two fiscal years preceding actual Forest or Park Reserve Fund own-sourced revenue.

Agency: Department of Natural Resources – Maryland Park Service

Type of Action: Mandate Specification

Fiscal Impact vs. Current Law: Depends on fiscal 2017 actual Forest or Park Reserve Fund own-sourced revenue for MPS.

Background/Recent History: Chapter 389 of 2015 (MPS – Operations Revenue – Mandated Appropriation) required the Governor to include in the State budget an appropriation for MPS – from revenues in the Forest or Park Reserve Fund that are attributable to MPS operations – equal to (1) at least 60% of the revenues for fiscal 2016; (2) at least 80% of the revenues for fiscal 2017; and (3) 100% of the revenues for fiscal 2018, and each fiscal year thereafter. The provisions require the percentages to be applied to the revenues in the Forest or Park Reserve Fund that are attributable to MPS operations less any amount of those revenues that are allocated for specified administrative costs. The Attorney General has advised that as drafted, the current law is not a mandate since it is based on estimated revenue. Thus, DNR did not appropriate 100% of MPS revenue for fiscal 2018.

State Effect: Special fund expenditures increase to the extent that the two fiscal years preceding actual Forest or Park Reserve Fund own-sourced revenue for MPS is greater than would otherwise have been budgeted by DNR.

Local Effect: None.

Proposed Amendment to HB 152/SB 172

Limit Provider Rate Increases for Nonpublic Placements

Provision as Recommended by DLS: Limit growth in fiscal 2018 rates to providers of nonpublic special education placements to no more than 1% over the rates in effect on June 30, 2017.

Agency: Maryland State Department of Education

Type of Action: Cost Control

Fiscal Impact vs. Current Law:

(\$ in Millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Exp.	\$0.0	-\$0.7	-\$0.7	-\$0.8	-\$0.8	-\$0.8

Background/Recent History: The BRFA of 2009 (Chapter 487) decreased the State share of funding for nonpublic placements from 80.0% to 70.0% of the costs exceeding the base local contribution. Chapter 487 also limited fiscal 2010 increases in the rates paid to providers of nonpublic placements to 1.0%. Budget reconciliation legislation enacted in 2010 (Chapter 484) and 2011 (Chapter 397) prohibited any increases in the fiscal 2011 and 2012 rates paid to these providers, while budget reconciliation legislation enacted in 2012 (Chapter 1 of the 2012 first special session) limited the rate increase to 1.0% in fiscal 2013. The BRFA of 2013 (Chapter 425) limited the rate increase to 2.5% in fiscal 2014. The BRFA of 2014 (Chapter 464) limited the rate increase in fiscal 2015 to 1.5%, effective July 1, 2014. The BRFA of 2015 (Chapter 489) limited the rate increase in fiscal 2016 to be no higher than the rates effective July 1, 2014.

State Effect: Reducing provider rates for nonpublic placements to no more than 1.0% over the fiscal 2017 amount results in a savings of \$734,000 in fiscal 2018. This assumes a 1.6% provider rate increase would have been provided in fiscal 2018 absent this provision, based on a \$2 million increase for the nonpublic placements program in the fiscal 2018 allowance.

Local Effect: None.

Proposed Amendment to HB 152/SB 172

Temporary Assistance for Needy Families Deficit Reduction

Provision as Recommended by DLS: Require the Department of Human Resources (DHR) to use savings in the Assistance Payments Program in fiscal 2017 to reduce the Temporary Assistance for Needy Families (TANF) deficit.

Agency: Department of Human Resources

Type of Action: Administrative

Fiscal Impact vs. Current Law: Fiscal 2017 general fund savings estimated at \$9.5 million will not revert to the General Fund.

Background/Recent History: DHR receives \$229.1 million annually under the regular TANF block grant. In all years since fiscal 2009, DHR has also received TANF contingency funds that are available to states under certain conditions including having a Food Supplement Program caseload that is 110% of the caseload in a comparable period in 1994 or 1995. DHR has maintained a TANF deficit since fiscal 2011. The deficit was \$20.4 million at the close of fiscal 2016. DHR covers the deficit annually by using funds available from the block grant received in the following year. DHR is anticipating reducing the deficit in fiscal 2017 and 2018, but based on the current spending plans the deficit would be approximately \$11.0 million at the close of fiscal 2018. DLS currently projects a surplus in the Temporary Cash Assistance (TCA) Program of nearly \$9.4 million in fiscal 2017. DLS also projects a surplus in the Temporary Disability Assistance Program (TDAP). The general fund savings in TDAP could be used to support TCA allowing for a greater reduction in the TANF deficit.

State Effect: This action reduces a potential general fund reversion by requiring DHR to attribute any savings in the Assistance Payments Program to federal funds from TANF rather than general funds. DLS currently projects a \$9.5 million general fund surplus in the Assistance Payments Program.

Local Effect: None.

Proposed Amendment to HB 152/SB 172

Maryland Transportation Authority Financial Requirements

Provision as Recommended by DLS: In order to maintain the Maryland Transportation Authority’s (MDTA) financial stability, this provision would set minimum levels of unrestricted cash, debt service coverage ratio, and rate covenant compliance ratio for fiscal 2018 to 2022.

Agency: Maryland Transportation Authority

Type of Action: Administrative

Fiscal Impact vs. Current Law: None.

Exhibit 1 shows the proposed levels for three of MDTA’s financial measures.

Exhibit 1
Proposed Levels for Three of MDTA’s Financial Measures
Fiscal 2018-2022
(\$ in Millions)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Unrestricted cash	\$625.0	\$501.0	\$441.0	\$350.0	\$350.0
Debt Service Coverage Ratio	3.16	3.25	3.20	3.16	3.02
Rate Covenant Compliance Ratio	2.52	2.59	2.55	2.44	2.35

Source: Department of Legislative Services

Exhibit 2 shows current law in two categories that would be affected by DLS recommended provision.

Exhibit 1
Current Law
Fiscal 2018-2020
(\$ in Millions)

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Unrestricted cash	\$350.0	\$350.0	\$350.0
Debt Service Coverage Ratio	2.5	2.5	2.5

Source: Department of Legislative Services

Background/Recent History: Chapter 489 of 2015 included a provision that set fiscal requirements in fiscal 2016 to 2020. The provision set a minimum operating expense level of \$275 million, a capital expense minimum of \$275 million, an unrestricted cash balance minimum of \$350 million, a maximum outstanding debt level of \$2.325 billion, and a minimum debt service coverage ratio of 2.5.

State Effect: None.

Proposed Amendment to HB 152/SB 172

Triennial Review of Interagency Agreements

Provision as Recommended by DLS: Adopt language that establishes a triennial review cycle of interagency agreements that have been in place for three or more years and have actual cumulative expenditures exceeding \$750,000 over the most recent three fiscal years. The review shall encompass an analysis of whether the service is needed, the service could be provided more efficiently by the agency if additional positions were available, and a competitive procurement should be conducted. Additionally, the department is required to submit an annual report summarizing the findings of this review. The first report shall be submitted by December 1, 2017, and will include a review of interagency agreements with cumulative expenditures over fiscal 2015, 2016, and 2017 exceeding \$750,000.

Agency: Department of Budget and Management – Secretary

Type of Action: Administrative

Fiscal Impact vs. Current Law: The review is expected to generate indeterminate ongoing savings by identifying services that can be provided more efficiently by a State agency or through competitive procurement. The Department of Budget and Management (DBM) currently reviews and approves interagency agreements with higher education that meet the criteria with existing staff. Implementing a triennial review cycle will require a change in procedures but should be manageable with existing staff.

Background/Recent History: Interagency agreements are used by State agencies to obtain services from State institutions of higher education. These agreements can be beneficial to agencies as a means of tapping research, knowledge, and skills that can support operations and services. Interagency agreements are exempt from certain State procurement and personnel laws and subject to indirect cost recovery or overhead charges. Due to various audit findings and concerns over improper usage and potentially excessive overhead charges, interagency agreements have come under scrutiny and prompted annual budget bill language requiring reporting and review.

Annual budget bill language requires the Secretary of Budget and Management to review each current higher education interagency agreement in excess of \$500,000 to determine why the services cannot be provided by State agencies and, is therefore, appropriate for using higher education. The Secretary of Budget and Management must ensure that agencies maintain documentation of all agreements, amendments, task orders, and invoices that overhead charges and direct service costs are not excessive and that all work performed by higher education is documented.

Annual budget bill language also requires the Secretary of Budget and Management to collect information on all interagency agreements between State agencies and public institutions of higher education having a total potential expenditure over the term of the agreement in excess

of \$100,000 and submit consolidated information to the budget committees and DLS by December 1 of each year.

State Effect: Establishing a triennial review cycle for interagency agreements exceeding \$750,000 in cumulative expenditures over the most recent three fiscal years would require a change in procedures in how DBM currently reviews interagency agreements. The department should be able to implement this review cycle with existing staff resources.

Local Effect: None

Proposed Amendment to HB 152/SB 172

Block Grants and the Medicaid and the Supplemental Nutrition Assistance Program

Provision as Recommended by DLS: Expand existing statute regarding legislative review of any programmatic change that results in a federal block grant and add a time-limited provision requiring legislative review of programmatic changes to Medicaid and the Supplemental Nutrition Assistance Program (SNAP) that make it harder to qualify for benefits, expand beneficiary cost-sharing, or impose certain limitations on benefits unless required by federal law for the receipt of federal funds. The changes are recommended given potential overhaul of these key safety net programs at the federal level.

Agency: Department of Health and Mental Hygiene; Department of Human Resources

Type of Action: Administrative

Fiscal Impact vs. Current Law: No Impact.

Background: State Finance and Procurement Article Section 2-202 provides that it is the policy of the State that the General Assembly and the Governor consult before the Executive Branch participates in, accepts responsibility for, or transfers money between a block grant. A block grant is defined as any federal grant-in-aid program that consolidates funding for one or more programs and is designated by Congress as a block grant. The policy specifically gives the Legislative Policy Committee 60 days to review the adoption of any State policy on a block grant.

Since the election of a new Administration at the federal level, there has been renewed speculation about the possibility that one or both of the State's two largest safety net programs, Medicaid and SNAP, could be turned into some form of block grant. The proposal expands the existing definition of block grants to encompass other forms of major programmatic change and also adds a provision requiring legislative review of certain significant programmatic changes to Medicaid and SNAP unless required by federal law for the receipt of federal funds. The change in the block grant definition would be permanent, but the additional provision regarding certain programmatic changes would sunset after two years.