
Spending Affordability Committee Technical Supplement

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

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Fiscal 2015 Baseline Budget Technical Supplement Overview

The Baseline Process

The baseline budget is an estimate of the cost of government services in the next budget year assuming:

- current laws, policies, and practices are continued;
- legislation, federal mandates, and multi-year commitments supported by the legislature are implemented and funded;
- efficiency is maintained at current levels;
- nondiscretionary changes in workload are recognized;
- unavoidable shortfalls in budgeted expenditures during the current fiscal year are funded as deficiencies;
- inflationary increases in costs are provided; and
- salary adjustments are funded consistent with statutory requirements and known legislative or executive intent.

General Assumptions

Forecasts of individual agency budget requirements are based on amounts appropriated for fiscal 2014. Adjustments are made to remove funds allowed for one-time purposes and to add funds as required to recognize expenses associated with legislation, new facilities, changes in caseloads, and continuing expenses related to fiscal 2014 budget deficiencies. The baseline estimate also allows for changes in personnel costs and inflationary increases in the cost of operating expenses.

Personnel Operating Cost Assumptions

With respect to State employees, the following assumptions are made:

- ***Fiscal 2015 General Salary Increase:*** The baseline assumes that a 2% general salary adjustment will be awarded to all State employees on July 1, 2014. The increase raises salaries \$66.0 million (\$39.6 million in general funds) for State agencies (excluding higher education). The baseline also assumes that higher education institutions receive a similar general salary increase, which adds \$44.8 million (\$28.8 million in general funds) to higher education spending.
- ***Fiscal 2015 Merit Pay Increases:*** The baseline also assumes merit pay increases in fiscal 2015. This is expected to increase State agency (excluding higher education) costs by \$59.4 million (\$35.6 million in general funds). The baseline also assumes that higher education institutions receive a similar merit increase, which adds \$40.3 million (\$25.9 million in general funds) to higher education spending.
- ***Deleting Annual Salary Review (ASR) Is Assumed:*** The fiscal 2014 budget appropriated approximately \$3.6 million (\$2.5 million in general funds) for ASRs. This provides salary increases for emergency medical services communication staff, Department of Assessments and Taxation assessors, parole and probation agents, and State Police aviation technicians and pilots. The baseline budget assumes no additional ASRs and deletes these funds.
- ***Employee and Retiree Health Insurance:*** State health insurance expenditures support employee and retiree pay-as-you-go health insurance costs. The baseline budget projects that fiscal 2015 claims will total \$1.39 billion. This estimate assumes that costs will increase by 7%, consistent with recent claims activity, the State's recently negotiated premium levels, and membership growth due to new positions and additional contractual full-time equivalents eligible for subsidized health insurance. State agency appropriations into the general fund are projected to be \$98.2 million less than the fiscal 2014 appropriation due to a high fund balance in fiscal 2013, and 2014 being drawn down in fiscal 2015. Increased employee and retiree contributions are assumed for six months in fiscal 2015 based upon historical trends.
- ***Employees' Retirement and Pensions:*** Fiscal 2015 baseline expenditures are expected to increase when compared to fiscal 2014. After deducting changes attributable to salary enhancements, spending in major plans increases by \$48.8 million (\$30.1 million in general funds). Specific changes are:
 - an additional \$43.8 million (\$26.3 million in general funds) for the Employees' State Retirement and Pension Systems;

- State Police retirement plan appropriations increase by \$13.9 million (\$10.4 million in general funds);
- appropriations to the Law Enforcement Officers' Pensions System decrease by \$5.9 million (\$3.6 million in general funds);
- the Teachers' Retirement Plan appropriations, for members who are State employees, increase by approximately \$83,000 (\$50,000 in general funds); and
- a decrease of \$3.1 million (all general funds) for the judges' plan.

Nonpersonnel Operating Cost Assumptions

The baseline also assumes inflationary changes in specific subobjects. Specific inflation assumptions are:

- vehicle gas and oil (4.2%);
- medical contracts and supplies (3.9%);
- prescription drugs for State facilities (3.9%);
- postage (2.1%);
- natural gas and propane (2.2%);
- electricity (1.5%); and
- food (2.1%).

Baseline Results

Overall, the baseline budget projects budget growth as indicated below by fund type.

Projected Baseline Budget				
Fiscal 2014-2015				
(\$ in Millions)				
Fund⁽¹⁾	2014 Adjusted Appropriation	2015 Baseline	2014-2015 \$ Increase	2014-2015 % Change
General ⁽²⁾	\$15,939.0	\$16,520.3	\$581.3	3.6%
Special/Higher Education ⁽³⁾	11,429.2	12,485.0	1,055.8	9.2%
Federal	9,787.5	10,370.2	582.7	6.0%
Total	\$37,155.8	\$39,375.6	\$2,219.8	6.0%

⁽¹⁾Excludes reimbursable and nonbudgeted funds.

⁽²⁾Net of reversions.

⁽³⁾Higher education funds include current restricted and unrestricted funds net of general and special fund appropriations.

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

The tables on the following pages summarize the budgetary changes by major category of expenditure. Separate sections of the technical supplement dissect the assumptions used for estimates for aid to local governments, entitlements, State agencies, debt service, and capital programs. The baseline estimates described in this document represent the judgments of the Department of Legislative Services as of October 30, 2013. Actions subsequent to that date, including reductions made by the Administration or further changes to the economic picture, are not reflected here.

**State Expenditures – General Funds
Fiscal 2013-2015
(\$ in Millions)**

<u>Category</u>	2013	2014	2015	2014-2015	
	<u>Adjusted Work. Appr.</u>	<u>Leg. Appr.</u>	<u>Baseline</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$0.0	\$83.0	\$233.0	\$150.0	180.7%
County/Municipal	159.0	245.0	244.4	-0.6	-0.3%
Community Colleges	252.4	286.6	307.7	21.1	7.4%
Education/Libraries	5,448.0	5,762.8	5,669.0	-93.8	-1.6%
Health	37.3	40.0	41.1	1.0	2.5%
Aid to Local Governments	\$5,896.7	\$6,334.5	\$6,262.2	-\$72.3	-1.1%
Foster Care Payments	\$234.3	\$237.9	\$230.9	-\$7.1	-3.0%
Assistance Payments	101.0	76.4	61.2	-15.3	-20.0%
Medical Assistance	2,312.1	2,334.8	2,534.7	199.9	8.6%
Property Tax Credits	82.0	80.2	83.3	3.0	3.8%
Entitlements	\$2,729.4	\$2,729.4	\$2,910.0	\$180.6	6.6%
Health	\$1,473.7	\$1,552.8	\$1,636.3	\$83.6	5.4%
Human Resources	326.8	337.8	351.2	13.4	4.0%
Children’s Cabinet Interagency Fund	16.9	21.5	22.5	1.0	4.6%
Juvenile Services	270.7	283.3	298.6	15.3	5.4%
Public Safety/Police	1,319.0	1,367.2	1,447.2	79.9	5.8%
Higher Education	1,105.3	1,239.5	1,365.1	125.6	10.1%
Other Education	370.3	376.4	409.7	33.4	8.9%
Agric./Nat’l. Res./Environment	109.1	116.5	118.8	2.3	1.9%
Other Executive Agencies	594.0	664.9	760.9	96.0	14.4%
Legislative	78.3	81.3	84.7	3.4	4.1%
Judiciary	387.4	411.8	420.6	8.8	2.1%
State Agencies	\$6,051.6	\$6,453.0	\$6,915.6	\$462.5	7.2%
Deficiencies	\$0.0	\$264.0	\$0.0	-\$264.0	-100.0%
Total Operating	\$14,677.7	\$15,863.9	\$16,320.7	\$456.8	2.9%
Capital ⁽¹⁾	\$3.2	\$49.9	\$1.4	-\$48.5	-97.2%
Subtotal	\$14,680.9	\$15,913.8	\$16,322.1	\$408.3	2.6%
Reserve Funds	\$37.8	\$55.3	\$228.2	\$173.0	313.0%
Appropriations	\$14,718.7	\$15,969.0	\$16,550.3	\$581.3	3.6%
Reversions	-\$30.0	-\$30.0	-\$30.0	\$0.0	0.0%
Grand Total	\$14,688.7	\$15,939.0	\$16,520.3	\$581.3	3.6%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2013 adjusted working appropriation includes deficiencies, \$19.6 million in targeted reversions, and legislative reductions to the deficiencies.

State Expenditures – Special and Higher Education Funds*
Fiscal 2013-2015
(\$ in Millions)

<u>Category</u>	2013	2014	2015	2014-2015	
	<u>Work. Appr.</u>	<u>Leg. Appr.</u>	<u>Baseline</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,102.4	\$1,100.0	\$1,052.5	-\$47.5	-4.3%
County/Municipal	285.7	268.8	293.0	24.2	9.0%
Community Colleges	19.9	0.0	0.0	0.0	n/a
Education/Libraries	422.2	350.3	550.2	199.9	57.1%
Health	0.8	0.0	0.0	0.0	n/a
<i>Aid to Local Governments</i>	<i>\$728.6</i>	<i>\$619.1</i>	<i>\$843.2</i>	<i>\$224.1</i>	<i>36.2%</i>
Foster Care Payments	\$2.5	\$5.1	\$7.1	\$2.1	40.4%
Assistance Payments	19.4	18.6	18.7	0.1	0.8%
Medical Assistance	1,028.1	903.5	934.3	30.8	3.4%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
<i>Entitlements</i>	<i>\$1,050.0</i>	<i>\$927.1</i>	<i>\$960.2</i>	<i>\$33.0</i>	<i>3.6%</i>
Health	\$540.9	\$526.9	\$529.5	\$2.7	0.5%
Human Resources	82.7	77.4	81.4	4.0	5.2%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	4.4	4.4	4.6	0.2	3.4%
Public Safety/Police	223.9	223.1	222.5	-0.7	-0.3%
Higher Education	4,112.6	4,145.6	4,197.7	52.1	1.3%
Other Education	94.1	57.7	54.4	-3.3	-5.7%
Transportation	1,522.5	1,586.6	1,721.2	134.6	8.5%
Agric./Nat'l. Res./Environment	213.8	223.6	231.1	7.5	3.3%
Other Executive Agencies	734.4	578.5	666.2	87.7	15.2%
Legislative	0.4	0.0	0.0	0.0	n/a
Judiciary	58.6	54.4	62.4	8.0	14.7%
<i>State Agencies</i>	<i>\$7,588.3</i>	<i>\$7,478.2</i>	<i>\$7,771.0</i>	<i>\$292.7</i>	<i>3.9%</i>
Deficiencies	\$0.0	-\$35.5	\$0.0	\$35.5	-100.0%
Total Operating	\$10,469.3	\$10,089.0	\$10,626.9	\$537.9	5.3%
Capital	\$1,344.9	\$1,340.3	\$1,858.2	\$517.9	38.6%
Grand Total	\$11,814.2	\$11,429.2	\$12,485.0	\$1,055.8	9.2%

* Includes higher education fund (current unrestricted and current restricted) net of general and special funds.

Note: The fiscal 2013 working appropriation reflects deficiencies, \$430.3 million from the Budget Restoration Fund, legislative reductions to the deficiencies, and \$3.1 million in additional special fund spending due to funding swaps. The fiscal 2014 legislative appropriation includes \$1.7 million in additional special fund spending due to funding swaps.

State Expenditures – Federal Funds
Fiscal 2013-2015
(\$ in Millions)

<u>Category</u>	2013	2014	2015	2014-2015	
	<u>Work. Appr.</u>	<u>Leg. Appr.</u>	<u>Baseline</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$12.2	\$12.4	\$12.4	\$0.0	0.0%
County/Municipal	51.9	59.3	59.3	0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	796.9	754.3	754.3	0.0	0.0%
Health	4.5	4.5	4.5	0.0	0.0%
<i>Aid to Local Governments</i>	<i>\$853.3</i>	<i>\$818.1</i>	<i>\$818.1</i>	<i>\$0.0</i>	<i>0.0%</i>
Foster Care Payments	\$79.5	\$84.0	\$89.1	\$5.2	6.1%
Assistance Payments	1,117.4	1,197.7	1,277.9	80.2	6.7%
Medical Assistance	3,566.4	3,911.4	4,597.1	685.7	17.5%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
<i>Entitlements</i>	<i>\$4,763.2</i>	<i>\$5,193.0</i>	<i>\$5,964.1</i>	<i>\$771.1</i>	<i>14.8%</i>
Health	\$1,229.7	\$1,310.5	\$1,309.8	-\$0.7	-0.1%
Human Resources	513.2	523.1	516.2	-6.9	-1.3%
Children’s Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	8.3	7.4	7.7	0.3	3.4%
Public Safety/Police	29.2	26.5	28.1	1.6	5.9%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	269.8	244.9	250.4	5.5	2.2%
Transportation	85.5	98.4	98.8	0.4	0.4%
Agric./Nat’l. Res./Environment	72.7	66.5	66.5	0.1	0.1%
Other Executive Agencies	557.0	534.9	551.2	16.4	3.1%
Judiciary	6.0	4.3	4.4	0.1	2.0%
<i>State Agencies</i>	<i>\$2,771.5</i>	<i>\$2,816.5</i>	<i>\$2,833.1</i>	<i>\$16.6</i>	<i>0.6%</i>
Deficiencies	\$0.0	\$6.1	\$0.0	-\$6.1	-100.0%
Total Operating	\$8,400.1	\$8,846.1	\$9,627.7	\$781.6	8.8%
Capital	\$938.8	\$941.4	\$742.5	-\$198.9	-21.1%
Grand Total	\$9,338.9	\$9,787.5	\$10,370.2	\$582.7	6.0%

Note: The fiscal 2013 working appropriation includes deficiencies and legislative reductions to the deficiencies.

State Expenditures – All Funds
Fiscal 2013-2015
(\$ in Millions)

<u>Category</u>	2013		2015 <u>Baseline</u>	2014-2015	
	<u>Adjusted</u> <u>Work. Appr.</u>	2014 <u>Leg. Appr.</u>		<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,114.6	\$1,195.3	\$1,297.9	\$102.5	8.6%
County/Municipal	496.6	573.1	596.7	23.6	4.1%
Community Colleges	272.3	286.6	307.7	21.1	7.4%
Education/Libraries	6,667.1	6,867.4	6,973.5	106.1	1.5%
Health	42.5	44.5	45.6	1.0	2.3%
<i>Aid to Local Governments</i>	<i>\$7,478.6</i>	<i>\$7,771.7</i>	<i>\$7,923.5</i>	<i>\$151.8</i>	<i>2.0%</i>
Foster Care Payments	\$316.4	\$327.0	\$327.1	\$0.1	0.0%
Assistance Payments	1,237.8	1,292.7	1,357.8	65.1	5.0%
Medical Assistance	6,906.5	7,149.6	8,066.1	916.5	12.8%
Property Tax Credits	82.0	80.2	83.3	3.0	3.8%
<i>Entitlements</i>	<i>\$8,542.6</i>	<i>\$8,849.6</i>	<i>\$9,834.3</i>	<i>\$984.7</i>	<i>11.1%</i>
Health	\$3,244.3	\$3,390.1	\$3,475.6	\$85.5	2.5%
Human Resources	922.7	938.3	948.8	10.5	1.1%
Children's Cabinet Interagency Fund	16.9	21.5	22.5	1.0	4.6%
Juvenile Services	283.4	295.2	310.8	15.7	5.3%
Public Safety/Police	1,572.1	1,616.9	1,697.7	80.9	5.0%
Higher Education	5,218.0	5,385.1	5,562.8	177.7	3.3%
Other Education	734.2	679.0	714.6	35.5	5.2%
Transportation	1,608.0	1,685.0	1,820.0	135.0	8.0%
Agric./Nat'l. Res./Environment	395.6	406.6	416.4	9.8	2.4%
Other Executive Agencies	1,885.4	1,778.3	1,978.3	200.1	11.3%
Legislative	78.8	81.3	84.7	3.4	4.1%
Judiciary	451.9	470.5	487.4	16.9	3.6%
<i>State Agencies</i>	<i>\$16,411.3</i>	<i>\$16,747.8</i>	<i>\$17,519.6</i>	<i>\$771.8</i>	<i>4.6%</i>
Deficiencies	\$0.0	\$234.6	\$0.0	-\$234.6	-100.0%
Total Operating	\$33,547.1	\$34,799.0	\$36,575.3	\$1,776.3	5.1%
Capital ⁽¹⁾	\$2,286.9	\$2,331.5	\$2,602.1	\$270.6	11.6%
<i>Subtotal</i>	<i>\$35,834.0</i>	<i>\$37,130.5</i>	<i>\$39,177.4</i>	<i>\$2,046.9</i>	<i>5.5%</i>
Reserve Funds	\$37.8	\$55.3	\$228.2	\$173.0	313.0%
Appropriations	\$35,871.8	\$37,185.8	\$39,405.6	\$2,219.8	6.0%
Reversions	-\$30.0	-\$30.0	-\$30.0	\$0.0	0.0%
Grand Total	\$35,841.8	\$37,155.8	\$39,375.6	\$2,219.8	6.0%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2013 adjusted working appropriation reflects deficiencies, \$19.6 million in targeted reversions, \$430.3 million from the Budget Restoration Fund, legislative reductions to the deficiencies, and \$3.1 million in additional special fund spending due to funding swaps. The fiscal 2014 legislative appropriation includes \$1.7 million in additional special fund spending due to funding swaps.

State Aid to Local Governments

State aid includes direct grants to local governments for various public services such as education, libraries, community colleges, transportation, public safety, health, and recreation; and State-paid retirement costs for public school teachers, librarians, and community college faculty. Although the grants may be for specific programs or purposes, local governments usually have considerable flexibility in the expenditure of these funds.

State Aid by Governmental Entity Fiscal 2012-2015 (\$ in Thousands)

<u>Entity</u>	2012	2013	2014	2015	2014-2015	
	<u>Actual</u>	<u>Working</u>	<u>Working</u>	<u>Baseline</u>	<u>\$ Increase</u>	<u>% Change</u>
Public Schools	\$5,778,642	\$5,847,613	\$6,061,755	\$6,160,863	\$99,107	1.6%
County/Municipal	385,892	457,771	533,668	560,147	26,479	5.0%
Community Colleges	263,066	272,320	286,579	307,722	21,143	7.4%
Libraries	64,743	67,068	70,522	72,290	1,767	2.5%
Health	38,273	38,051	40,049	41,006	957	2.4%
Total	\$6,530,615	\$6,682,822	\$6,992,573	\$7,142,027	\$149,454	2.1%

Overview

State aid is projected to total \$7.1 billion in fiscal 2015, representing a \$149.5 million (2.1%) increase over the prior year. Most of the State aid in fiscal 2015, as in prior years, is targeted to public schools, while funding for counties and municipalities will account for 7.8% of total State aid. Public schools will receive \$6.2 billion in fiscal 2015, or 86.2% of total State aid. Counties and municipalities will receive \$560.1 million; community colleges will receive \$307.7 million; libraries will receive \$72.3 million; and local health departments will receive \$41.0 million. In terms of year-over-year funding enhancements, State aid for public schools will increase by \$99.1 million (1.6%); library aid will increase by \$1.8 million (2.5%); community college aid will increase by \$21.1 million (7.4%); and local health department grants will increase by \$1.0 million (2.4%). Also, county and municipal governments will realize a \$26.5 million (5.0%) increase in State aid.

Public Schools

Public schools will receive an estimated \$6.2 billion in fiscal 2015, representing a \$99.1 million (1.6%) increase over the prior fiscal year. The per-pupil foundation amount is estimated at \$6,860, a 0.5% increase from fiscal 2014. For fiscal 2012 through 2015, the per-pupil foundation amount is inflated by the lesser of (1) the increase in the Implicit Price Deflator (IPD) for State and Local Government Purchases in the second prior fiscal year; (2) the increase in the Consumer Price Index for all urban consumers for the Washington-Baltimore Metropolitan Area in the second prior year; or (3) 1%. For fiscal 2015, the 0.5% increase in the per-pupil foundation amount is equivalent to the change in the IPD. The per-pupil foundation amount is an important factor in determining State education aid because it is used in five of the major State aid formulas (the foundation program; the Geographic Cost of Education Index (GCEI); and the compensatory education, special education, and limited English proficiency formulas) that together account for approximately three-quarters of total education aid. Limited inflation results in limited growth in State education aid.

General funds are expected to decrease by \$94.3 million. Special funds increase by \$195.4 million while general obligation (GO) bond funding (for the Aging Schools Program) decreases by \$2.0 million. Special funds (Education Trust Fund) derived from the video lottery program relieve general fund expenditures for public schools. These special funds are estimated to total \$550.3 million in fiscal 2015.

Foundation Program

The baseline includes \$2.9 billion for the State's foundation program, a \$24.6 million (0.9%) increase from the fiscal 2014 appropriation. Part of the increase is attributable to the rise in the per-pupil foundation amount from \$6,829 to \$6,860. Another portion of the increase is attributable to a 4,279.3 (0.5%) increase in full-time equivalent students (FTES).

Geographic Cost of Education Index

The GCEI is a discretionary formula that accounts for differences in the costs of educational resources among local school systems and provides additional funding to school systems where educational resource costs are above the State average. Thirteen local school systems are eligible for the GCEI funds in fiscal 2015. The formula applies a cost index to the foundation amount calculated for a school system; each eligible school system receives additional funds equal to the product of the foundation amount and the cost index. The baseline assumes the formula will be fully funded in fiscal 2015, with funding reaching \$132.1 million.

Foundation Special Grants

Chapter 397 of 2011 limited decreases in direct education aid to 6.5% from fiscal 2011 to 2012, resulting in a \$779,300 grant to Allegany County and a \$640,600 grant to Garrett County for fiscal 2012. Chapter 1 of the First Special Session of 2012 limited decreases in direct education

aid to 5.0% from fiscal 2012 to 2013, resulting in a fiscal 2013 grant of approximately \$1.2 million to Garrett County. Chapter 425 of 2013 specifies that, for fiscal 2014 only, if a local board of education's total direct education aid is less than the prior fiscal year by more than 1.0%, the State must provide a grant equal to 25.0% of the decrease in total direct education aid. Carroll, Garrett, Harford, and Kent counties receive grants in fiscal 2014 which combine for a total of \$2.1 million. No similar adjustment is assumed for the fiscal 2015 baseline.

Supplemental Grants

To mitigate the impact of a freeze in the per-pupil foundation amount in fiscal 2009 and 2010, Chapter 2 of the 2007 special session established supplemental grants that ensured at least a 1% annual increase in State funding for each local school system in each fiscal year of the freeze. Beginning in fiscal 2011, as approved in the 2007 special session and amended by Chapter 487 of 2009, the supplemental grants continue at the amount provided in the prior year. Eligibility is not redetermined each year. Chapter 425 of 2013 made a technical change to the program to assure that the supplemental grant to a county does not fall below \$0. Supplemental grants to nine counties total \$46.6 million in fiscal 2015, the same amount as in fiscal 2014.

Net Taxable Income Education Grants

Approximately 75% of State aid to public schools is distributed inversely to local wealth, whereby the less affluent school systems receive relatively more State aid. Net taxable income (NTI) is one component of calculating local wealth for purposes of State aid for education. Chapter 4 of 2013 provides additional education grants in counties whose formula aid is higher using November NTI as compared to September NTI. Chapter 4 phases in the grant amounts such that counties receiving them realize 20% of the resulting increase in fiscal 2014, 40% in fiscal 2015, 60% in fiscal 2016, 80% in fiscal 2017, and the full calculated increase beginning in fiscal 2018. NTI education grants to 18 counties totaled \$8.3 million in fiscal 2014 and increase to an estimated \$19.7 million in fiscal 2015.

Compensatory Aid

The compensatory aid program is expected to total \$1.2 billion in fiscal 2015, representing a \$28.9 million (2.4%) increase. This program provides additional funding to local school systems based on their enrollment of students eligible for free and reduced-price meals. The statewide funding level is calculated using the number of eligible students multiplied by a factor of the per-pupil foundation amount. The projected increase is due to an expected increase in the number of children who are eligible for free and reduced-price meals and from the increase in the per-pupil foundation amount.

Students with Disabilities Funding

The Bridge to Excellence in Public Schools Act of 2002 (Chapter 288) identified students with disabilities as a population with higher needs. Funding for the special education formula is expected to increase by \$2.9 million (1.1%), to a total of \$272.2 million in fiscal 2015. The increase is attributable to a projected increase in the enrollment of students with disabilities and the increase in the per-pupil foundation amount. An increase of \$2.7 million is anticipated for the nonpublic placement of special education students. This would bring the State's contribution to the program to \$112.6 million in fiscal 2015, a 2.5% increase.

Limited English Proficiency Grants

Another at-risk population identified for additional resources in Chapter 288 of 2002 is students for whom English is a second language. Funding is based on estimated limited English proficient (LEP) enrollment counts and the per-pupil foundation amount. This program is expected to increase by \$17.6 million (9.1%), to a total of \$211.0 million in fiscal 2015. This increase is driven by anticipated LEP enrollment growth of 8.4% and the increase in the per-pupil foundation amount.

Guaranteed Tax Base Program

The baseline budget includes \$51.8 million in funding for the guaranteed tax base program, a \$509,000 (1%) decrease compared to the fiscal 2014 amount. This program provides additional State funding to local education agencies with less than 80% of statewide wealth per pupil through a formula based on local wealth and the amount of local funding each jurisdiction provides to the local school system. As currently estimated, nine local school systems will receive funding under this program in fiscal 2015.

Student Transportation Funding

The baseline estimate for student transportation includes \$233.6 million to fund the transportation formula, an increase of \$3.8 million (1.7%) over the fiscal 2014 appropriation. In addition, \$24.9 million is included for the transportation of disabled students, representing a \$143,000 increase in funding. Changes in the student transportation formula are attributable to projected increases in full-time equivalent enrollment in 16 school systems. The increase in the disabled student transportation formula reflects an expected rise in the enrollment of students with special transportation needs; the State provides \$1,000 annually for each qualifying student.

Operating Funding for Public School Facilities

Funding for public school facilities in the operating budget includes the Aging Schools Program and lease payments for the Technology in Maryland Schools (TIMS) Program. The fiscal 2015 baseline budget assumes \$6.1 million in funding for the Aging Schools Program and

assumes funding in the form of GO bonds. Estimated lease repayments for the TIMS Program total \$42,137 in fiscal 2015, a 50% decrease from the fiscal 2014 total.

Teacher Retirement

During the 2011 legislative session, the General Assembly passed comprehensive pension reform that affects pension benefits for almost all current and future State employees and public school teachers in the State. Changes to the State Teachers' Pension System require local school board employees to pay more toward retirement costs and reduce the benefits that local school board employees hired after June 30, 2011, will receive. Because of these changes, State payments on behalf of local school boards were reduced by a total of \$74.4 million in fiscal 2012. The pension reform provisions also require local school boards and community colleges to pay their prorated share of the administrative costs of the State Retirement Agency.

Chapter 1 of the First Special Session of 2012 requires local school boards to share in the costs of teachers' retirement by phasing in school board payments of the annual normal cost over four years. Chapter 1 specifies the payment required from each school board for fiscal 2013 through 2016.

State retirement costs for public school teachers and other professional personnel will total an estimated \$863.2 million in fiscal 2015, representing a \$10.3 million increase (1.2%) from the prior fiscal year. This modest increase is attributed to an increase in the State contribution rate as well as an increase in the salary base for teachers, largely offset by an increase in local government contributions. In addition to the State's share of teacher pension costs, local governments will contribute approximately \$235.6 million in fiscal 2015: \$221.6 million for the local share of pension contributions as well as \$14.1 million toward State Retirement Agency administrative costs.

County and Municipal Governments

Approximately 7.8% of State aid is allocated to county and municipal governments to finance general government, transportation, public safety, and recreation projects. County and municipal governments will receive \$560.1 million in fiscal 2015, an increase of \$26.5 million (5.0%) above the prior fiscal year. The major State aid programs assisting county and municipal governments include highway user revenues (HUR), disparity grants, teacher retirement supplemental grants, police aid, video lottery terminal (VLT) local impact aid, and Program Open Space (POS).

Transportation

The State shares various transportation revenues, commonly referred to as HURs, with the counties and municipalities. Prior to fiscal 2010 cost containment reductions, Maryland's local governments received 30.0% of HURs. For fiscal 2011 and 2012, Chapter 484 of 2010

lowered the local shares to 8.5 and 8.1%, respectively. However, the BRFA of 2011 increased the fiscal 2012 local share to 8.9% and set the fiscal 2013 local share at 10.0%. The local share for fiscal 2014 and subsequent fiscal years is set at 9.6%. The local government share of the distribution of HURs is projected to total \$172.0 million in fiscal 2015, a \$4.5 million increase when compared to the fiscal 2014 working appropriation. This estimate is based on projected Transportation Trust Fund revenue of motor fuel taxes, motor vehicle titling taxes, motor vehicle registration fees, and corporate income taxes. State aid for elderly/handicapped transportation programs and paratransit grants remain constant in fiscal 2015 at \$7.2 million.

Disparity Grants

Disparity grants were initiated to address the differences in the abilities of counties to raise revenues from the local income tax, which is one of the larger revenue sources for counties. Counties with per-capita local income tax revenues less than 75.0% of the statewide average receive grants, assuming all counties impose a 2.54% local tax rate and assuming that the county received aid through this program in fiscal 2010. Chapter 487 of 2009 capped each county's funding under the program at the fiscal 2010 level. Chapter 484 2010 modified the program to use November net taxable income. Chapter 425 of 2013 further modified the program in order to provide a floor funding level in conjunction with the fiscal 2010 cap for an eligible county based on the income tax rate of that county. Beginning in fiscal 2014, an eligible county or Baltimore City may receive no more than the amount distributed in fiscal 2010 or a minimum of (1) 20.0% of the total grant if the local income tax rate is at least 2.8% but less than 3.0%; (2) 40.0% of the total grant if the rate is at least 3.0% but less than 3.2%; or (3) 60.0% of the total grant if the rate is at least 3.2%.

Based on the statutory formula, Baltimore City and 10 counties (Allegany, Caroline, Cecil, Dorchester, Garrett, Kent, Prince George's, Somerset, Washington, and Wicomico) will qualify for disparity grants in fiscal 2015. Funding for this program is projected to total \$128.2 million in fiscal 2015, which is a \$0.4 million increase from fiscal 2014.

Teacher Retirement Supplemental Grants

Chapter 1 of the First Special Session of 2012 included provisions to require local jurisdictions to share a portion of the cost of teachers' retirement. To mitigate the impact on local government finances, the cost is phased in over four years, and other actions were taken to partially offset the additional expense. One such action was the creation of the Teacher Retirement Supplemental Grants, totaling \$27.7 million beginning in fiscal 2013. The grant amount does not change in future fiscal years and, thus, is funded at this level in the fiscal 2015 baseline.

Public Safety

Maryland's counties and municipalities receive grants for police protection through the police aid formula and special crime grants. The police aid formula allocates funds on a

per capita basis, and jurisdictions with higher population density receive greater per-capita grants. Municipalities receive additional grants based on the number of sworn officers. However, Chapter 484 of 2010 limited the amount a local government may receive through the police aid formula in both fiscal 2011 and 2012 to the amount the jurisdiction received in fiscal 2010. This resulted in \$45.4 million in total police formula aid in those fiscal years. Chapter 148 of 2012 maintained the budgeted police aid formula for fiscal 2013 at the \$45.4 million level. Police aid was fully funded in fiscal 2014 at \$67.3 million and in fiscal 2015 is projected to total \$68.0 million.

Chapter 429 of 2013 expresses legislative intent to increase annual fire and rescue funding from the \$10.0 million level (where it has been since fiscal 2000) to \$11.7 million in fiscal 2015, \$13.3 million in fiscal 2016, and \$15.0 million in fiscal 2017. Therefore, the fiscal 2015 baseline assumes a \$1.7 million funding increase. Vehicle theft prevention grants are projected to total \$1.9 million and emergency 9-1-1 grants are projected to total \$18.4 million in fiscal 2015. Other public safety grants totaling \$20.3 million (targeted crime grants, State's Attorney's grant, etc.) are level funded in the fiscal 2015 baseline.

Video Lottery Terminal Local Impact Grants

Jurisdictions in which VLT operations are located receive impact grants derived from revenues generated at VLT facilities. Grant funds must be used for infrastructure, facilities, public safety, sanitation, development, and other public services improvements. Eighty-two percent of this aid goes to the local jurisdictions with VLT facilities, based on each jurisdiction's percentage of overall gross revenues from VLTs. The remaining 18% of this aid is allocated to the Pimlico Community Development Authority for 20 years beginning in fiscal 2012, after \$1 million annually is provided to Prince George's County to be used for public safety surrounding Rosecroft Raceway. (Local impact aid from table games, amounting to 5% of table game revenues, does not begin until a Prince George's County facility is issued an operating license.)

Chapter 1 of the Second Special Session of 2012 makes several changes to the State's VLT program, contingent upon results of a November 2012 referendum question required by Chapter 1. Chapter 1 specifies that once a Baltimore City license is issued, of the revenues dedicated to local impact grants, 100% of the local impact grants from the proceeds of the video lottery facilities in Allegany, Cecil, and Worcester counties must be distributed to those jurisdictions. In fiscal 2015, local impact grants are estimated to total \$54.1 million, an increase of 62.1%.

Program Open Space

Under POS, the State provides grants to counties and Baltimore City for land acquisition and the development of parks and recreation facilities. Generally, State transfer tax revenues fund POS and related programs. However, reduced transfer tax revenues and the diversion of a portion of POS funding to the operation of State forests and parks have contributed to a

significant decrease (of about 90%) in funding available for local POS efforts from fiscal 2007 to 2011. Further, the fiscal 2011 capital budget authorized and pre-authorized the replacement of all transfer tax revenues diverted from local POS with GO debt over the course of fiscal 2011 through 2013. Chapter 444 of 2012 authorized \$13.6 million in bond funds over several years. In fiscal 2014, a total of \$23.7 million is transferred from the POS local share, leaving \$29.7 million for fiscal 2014 including \$17.8 million in GO bonds. Under the Administration's budget plan, all of the transferred local funds would be replaced with GO bonds in fiscal 2015 and 2016. Baseline fiscal 2015 funding for local POS increases by \$14.3 million (44.4%) to an estimated total of \$46.5 million. This assumes \$22.2 million in special funds and \$22.8 million in GO bonds for local POS in addition to the minimum grant of \$1.5 million for Baltimore City.

Community Colleges

Funding for the State's locally operated community colleges is based on per-pupil support provided to selected public four-year institutions of higher education in Maryland. This funding is distributed through the Senator John A. Cade Funding formula and also takes into account community college enrollments. In fiscal 2015, the Cade formula grant is to receive either 19.7% of funds per FTES that the selected public four-year institutions receive per FTES or \$1,839.47 per FTES, whichever is higher. In fiscal 2015, per FTES funding is estimated to be \$2,144.77 using the 19.7% calculation, resulting in a total of \$231.1 million. This represents an increase of \$18.1 million, or 8.5%. Baltimore City Community College is a State agency and receives funding through a separate funding formula.

The fiscal 2015 baseline also includes \$5.7 million for the English Speakers of Other Languages Program, and \$6.0 million for statewide and regional programs. In addition, small colleges are estimated to receive \$5.0 million in Small College and Mountain grants and reciprocity agreement funding. The baseline also includes \$60.0 million for retirement benefits to employees of community colleges, a \$2.4 million (4.1%) increase over the fiscal 2014 working appropriation.

Local Health Departments

The State provides funds to support the delivery of public health services. These services include child health, communicable disease prevention, maternal health, family planning, environmental health, and administration of the departments. Due to declining revenues, the fiscal 2010 appropriation for grants to local health departments was reduced from \$57.4 million to \$37.3 million by the Board of Public Works in August 2009. Chapter 484 of 2010 maintained fiscal 2011 and 2012 aid for local health departments at the \$37.3 million level. However, fiscal 2012 grants did increase by \$989,300 due to one-time employee bonuses. Fiscal 2013 grants totaled \$38.1 million, including the \$37.3 million base formula amount and a cost-of-living adjustment (COLA). Due to inflation and population adjustments, as well as

projected COLAs, fiscal 2015 aid increases by \$957,200 over fiscal 2014, or 2.4%, for a total of \$41.0 million.

Libraries

The baseline estimates an increase of \$395,700 (1.2%) in the State library aid formula, with total funding in fiscal 2015 estimated at \$34.4 million. Chapter 397 of 2011 sets per-capita funding for local library grants at \$14 through fiscal 2016. The baseline also reflects an anticipated increase in the State Library Network of \$126,500 (0.8%), bringing total funding for this program to \$16.3 million in fiscal 2015. The network includes the Central Library of the Enoch Pratt Free Library System in Baltimore City, regional resource centers and regional libraries, and metropolitan cooperative service programs. Finally, retirement costs for librarians will total an estimated \$21.6 million, representing a \$1.3 million (6.1%) increase. Unlike the boards of education and community colleges, the State will continue to pay the State Retirement Agency's administrative costs for local library employees.

Entitlement Programs

Entitlements include the State Department of Assessments and Taxation's tax credit programs, the Department of Health and Mental Hygiene's Medicaid program, and the Department of Human Resources' (DHR) foster care and cash assistance programs. Although not an entitlement program, DHR's Temporary Disability Assistance Program (TDAP), which is part of the Family Investment Assistance Payments and provides assistance to childless adults who are temporarily disabled or are disabled and in the process of applying for federal Supplemental Security Income benefits, has seen increased funding as a result of rising caseloads associated with the economic downturn. Unless and until the Administration changes recent funding practices to limit caseload rolls or reduce benefits, the TDAP will be treated for baseline purposes as if it were an entitlement. The following table shows State support for entitlement programs.

Expenditures, Funds, and Positions for Entitlement Programs Fiscal 2012-2015 (\$ in Thousands)

	<u>2012 Actual</u>	<u>2013 Working</u>	<u>2014 Leg. Approp.</u>	<u>2015 Baseline</u>	<u>2014-2015 Increase</u>	<u>% Increase</u>
Expenditures						
SDAT Tax Credit Programs	\$82,878	\$82,218	\$80,232	\$83,280	\$3,048	3.8%
DHMH Medicaid Program	6,738,021	6,991,266	7,226,846	8,145,739	918,893	12.7%
DHR Social Services Foster Care Maintenance Payments	306,403	316,359	327,007	327,136	129	0%
DHR Family Investment Assistance Payments	1,301,487	1,237,781	1,292,686	1,357,782	65,096	5.0%
Total	\$8,428,788	\$8,627,624	\$8,926,772	\$9,913,937	\$987,165	11.1%
Fund						
General Fund	\$2,824,713	\$2,730,688	\$2,730,615	\$2,911,278	\$180,663	6.6%
Special Fund	867,535	1,049,989	927,146	960,187	33,041	3.6%
Federal Fund	4,668,219	4,764,729	5,194,674	5,965,904	771,230	14.9%
Reimbursable Fund	68,321	82,219	74,337	76,567	2,230	3.0%
Total	\$8,428,788	\$8,627,624	\$8,926,772	\$9,913,937	\$987,165	11.1%
Personnel						
Regular Positions	26.0	26.0	26.0	26.0	0.0	0%
FTE Contractuals	1.0	2.0	2.0	2.0	0.0	0%

DHMH: Department of Health and Mental Hygiene
DHR: Department of Human Resources
FTE: full-time equivalent
SDAT: State Department of Assessment and Taxation

Tax Credit Programs

There are four budgeted property tax credit programs authorized in statute and considered entitlements: the Homeowners' Tax Credit Program, the Renters' Tax Credit Program, the Urban Enterprise Zone Tax Credit Program, and the Base Realignment and Closure (BRAC) Revitalization and Incentive Zones Credit Program. The fiscal 2015 baseline reflects a \$3.0 million increase in these tax credit entitlements as follows:

- The Homeowners' Tax Credit Program will require a deficiency of \$750,000 in fiscal 2014 and increase in fiscal 2015 by \$1.5 million to \$64.5 million. This increase is due to a greater number of eligible recipients throughout the State, driven by both economic and demographic changes. Large increases in the number of retirees with low retirement incomes are resulting in an increasing number of eligible recipients despite the fact that an improving economy would normally reduce the number of eligible recipients as incomes rise.
- Funding for the Renters' Tax Credit Program is expected to decrease by \$55,250 to \$2.38 million. This is due to a declining number of under-60 recipients qualifying for the tax credit due to increasing employment and changes in the status of dependents.
- The Urban Enterprise Zone Tax Credit Program provides property and income tax credits for businesses that locate or expand within designated areas. Under this program, a business that locates or expands in a designated area is eligible for reduced property taxes for a number of years. The State then reimburses the locality one-half of the lost revenues which otherwise would have been realized from the increased property assessment. The fiscal 2015 appropriation for the Urban Enterprise Zone Tax Credit Program is expected to increase by \$1.3 million to a total of \$15.75 million. This is mainly due to more commercial properties finishing construction in these zones, thus making them eligible under this credit.
- The BRAC Revitalization and Incentive Zones Credit Program credit will decrease by \$400,000 to \$650,000 for fiscal 2015 reflecting a lack of growth in this credit. This decline is tied to properties falling out of the program as their 10-year term expires. However, as more eligible counties begin enrolling in the program, this credit could increase in future years.

Medicaid Enrollment and Expenditure Trends

Overview

Maryland's Medical Assistance Programs (Medicaid, Maryland Children's Health Program (MCHP), Primary Adult Care (PAC), Employed Individuals with Disabilities, etc.)

provide eligible low-income individuals with comprehensive health care coverage. Funding is derived from both federal and State sources with a federal fund participation rate of 50% for Medicaid and 65% for the MCHP. The fiscal 2015 Medicaid baseline estimate also includes the annualized impact of the expansion of Medicaid under the federal Patient Protection and Affordable Care Act (ACA), *i.e.*, up to 138% of the federal poverty level effective January 1, 2014. Under the ACA, states availing themselves of that opportunity benefit from an enhanced match rate for certain new coverage groups (100% in the first years). Under the same expansion provisions, PAC coverage ends January 1, 2014.

Fiscal 2014 Outlook

The fiscal 2014 Medical Assistance Programs working appropriation of over \$7.2 billion (just over \$2.3 billion in general funds), at this point, appears to be insufficient to meet projected needs. The fiscal 2015 baseline assumes the need for \$123.9 million in general fund deficiencies. Of this amount, \$70.0 million is derived from less than anticipated Cigarette Restitution Fund (CRF) revenues in fiscal 2014 as a result of the State suffering an adverse arbitration ruling in the ongoing litigation over the treatment of nonparticipating manufacturers to the Master Settlement Agreement. At the time of writing, it is unclear if the State will seek to appeal this ruling or otherwise enter into some other agreement with the tobacco companies that would alter this revenue loss. Although the CRF supports a variety of programming beyond Medicaid (including agricultural, other health, and education programs), the fiscal 2015 baseline assumes that the reduction will be taken entirely within the Medicaid program.

The remaining \$53.9 million general fund deficiency is based on current utilization, enrollment, and cost trends across the Medicaid and MCHP programs. In its simplest terms, the deficiency can be attributed to the proposed 6.8% increase in calendar 2014 managed care organization (MCO) rates. This increase includes an allowance of 2% to compensate MCOs for a fee to be levied on health insurers under the ACA beginning on January 1, 2014, as well as an assumption of \$12.0 million to continue a rural access incentive payment.

Fiscal 2015 Forecast

In fiscal 2015, expenditures for the Medical Assistance Programs are estimated to be just over \$8.1 billion, a \$913 million (12.6%) increase over the fiscal 2014 legislative appropriation. The principal driver of this growth is the annualization of costs associated with the expansion of Medicaid under the ACA. Costs for this expansion are anticipated to increase by almost \$535 million in fiscal 2015. However, for fiscal 2015, all of these costs are supported with federal funds.

In terms of other budget growth, the fiscal 2015 baseline forecast includes an estimate of enrollment growth outside of the ACA expansion of 3.9%. This enrollment growth includes an assumption of some unforeseen impact on the existing Medicaid program as a result of renewed efforts to enroll individuals under the new ACA Medicaid expansion eligibility criteria or to provide access to insurance coverage through the Maryland Health Benefit Exchange. The fiscal 2015 baseline forecast includes the full impact of the proposed calendar 2014 MCO rate

increase, a more modest MCO rate increase in calendar 2015, similarly modest increases for other medical expenses, rate increases for waiver services as established through regulation, and ongoing cost containment for nursing home services.

Fiscal 2015 general fund need is expected to grow by \$201 million (8.6%) over the fiscal 2014 legislative appropriation. Special fund support in fiscal 2015 is expected to grow to \$929 million: CRF support is anticipated to return to the original fiscal 2014 appropriation level (\$72 million); revenues continue to be anticipated from a variety of provider assessments; and revenue into the Rate Stabilization Fund and available to Medicaid is anticipated to increase as a result of higher premium income for MCOs due to the ACA Medicaid expansion.

Per-capita costs are expected to fall slightly between fiscal 2013 and 2014 before increasing in fiscal 2015. Per-capita cost growth for the regular Medicaid population (excluding ACA expansion) is expected to increase more slowly than when combined with the ACA expansion population. This primarily reflects the fact that the fiscal 2014 estimate only includes six months of costs for the ACA population as well as the assumption that this population will, at least initially, have above average health care costs.

Enrollment and Service Year Expenditures*
Fiscal 2013-2015

	FY 2013 <u>Actual</u>	FY 2014 <u>Estimate</u>	FY 2015 <u>Estimate</u>	FY 2014-2015 <u>% Change</u>
Enrollment by Category				
Medicaid	838,958	870,622	900,450	3.43%
MCHP	111,132	116,472	121,389	4.22%
ACA Medicaid Expansion		93,255	114,863	23.17%
Total	950,090	1,080,349	1,136,703	5.22%
Cost Per Enrollee	\$7,120	\$6,726	\$7,154	6.37%
Cost Per Enrollee Excluding ACA Expansion		6,988	7,071	1.18%
Total Funds (\$ in Millions)	\$6,765	\$7,266	\$8,132	11.92%

ACA: federal Patient Protection and Affordable Care Act

MCHP: Maryland Children's Health Program

*Expenditures by fiscal year are based on the cost of providing services during that fiscal year rather than the year that the bills were actually paid. Cases and funding associated with the Maryland Primary Adult Care Program and the Kidney Disease Program are excluded from the chart. Cost estimates are based on provider reimbursements and expenditures in programs MQ0103 and MQ0107 only. Expenditures cited in the main body of the text may be different from those noted in the chart based on these exclusions and that the text references the fiscal 2014 legislative appropriation versus the actual estimate of spending shown in the exhibit. Fiscal 2014 average cost per enrollee is artificially lowered due to ACA expansion halfway through fiscal 2014. For purposes of comparison, the exhibit includes per-capita cost data with and without ACA expansion enrollment and expenditures.

Source: Department of Legislative Services

Department of Human Resources

DHR oversees two areas of entitlement spending: foster care and subsidized adoption/guardianship payments; and cash assistance for needy children and their parents or relative caretakers.

Foster Care and Subsidized Adoption/Guardianship Caseloads and Expenditures

The State's foster care and subsidized adoption/guardianship programs provide temporary and permanent homes for children in need of out-of-home placements due to abuse or neglect. Foster care placements – such as family homes, group homes, and institutions – offer temporary out-of-home care until implementation of a permanency plan. Permanency options include reunification with family, adoption, and guardianship. Families that accept legal custody of a child with special needs may receive monthly payments under the subsidized adoption program. The goal of subsidized guardianships is to encourage relative caregivers to become legal guardians of children who have been placed in their home by a local department of social services by removing financial barriers.

To help address a budget shortfall caused primarily by underattainment of federal Title IV-E foster care funding, DHR deferred payment of \$24.2 million in foster care maintenance bills in fiscal 2013. A deficiency appropriation of this amount is anticipated for fiscal 2014. In order to show the true changes between fiscal years, this amount has been added to the fiscal 2013 numbers discussed below.

The slow decline in the foster care caseload is expected to continue into fiscal 2015 as DHR continues to focus efforts on reducing the number of children entering into care and expeditiously moving children in care to permanent homes. The average monthly foster care caseload is projected to decline by 1.4% per year between fiscal 2013 and 2015. The focus on permanency is the primary factor in the increasing subsidized adoption/guardianship caseload, which is expected to grow at a rate of 1.5% per year between fiscal 2013 and 2015. The combined caseload increases at a rate of 0.5% per year during this period. The subsidized adoption/guardianship caseload has been larger than the foster care caseload since fiscal 2006.

The monthly cost per case for foster care is expected to increase 1.9% per year between fiscal 2013 and 2015, reflecting a 1.8% provider rate increase in fiscal 2014 and an estimated provider rate increase of 1.9% for fiscal 2015. The monthly cost per case for subsidized adoptions/guardianships is expected to remain constant during this period. The combined caseload average cost per case increases 4.5% per year. Total expenditures for the combined caseload are expected to increase by 4.7% during this period.

With the expensive foster care caseload falling, the combined programs are projected to have a modest \$1.7 million surplus at the end of fiscal 2014, despite increases in the subsidized adoption/guardianship program.

**Foster Care and Subsidized Adoption/Guardianship
Caseloads and Expenditures
Fiscal 2013-2015**

	<u>2012</u>	<u>2013</u>	<u>2014 DLS Estimate</u>	<u>2015 DLS Estimate</u>	<u>2013-2015 Average Annual % Change</u>
Caseload					
Foster Care	5,714	5,177	5,105	5,033	-1.4%
Subsidized Adoption/Guardianship	10,199	10,209	10,413	10,517	1.5%
Total Combined	15,913	15,386	15,518	15,550	0.5%
Expenditures					
Monthly Cost Per Case					
Foster Care	\$3,291	\$3,419	\$3,482	\$3,547	1.9%
Subsidized Adoption/Guardianship	664	707	707	707	0.0%
Combined Average Cost	\$1,477	\$1,488	\$1,620	\$1,626	4.5%
Total Cost (\$ in Millions)	\$331.2	\$298.4	\$325.3	\$327.1	4.7%
Projected General Fund Surplus			\$1.7		

DLS: Department of Legislative Services

Note: The total cost for fiscal 2012 includes \$24.8 million of incurred expenses for which the Department of Human Resources deferred payment until fiscal 2013, and \$24.2 million in fiscal 2013 payments deferred until fiscal 2014. This deferred amount is also included in the cost per case calculations for foster care in fiscal 2012 and 2013.

Source: Department of Human Resources; Department of Legislative Services

Temporary Cash Assistance Caseloads and Expenditure Trends

Temporary Cash Assistance (TCA) provides monthly cash grants to needy children and their parents or relative caretakers. The program is funded with general funds, federal Temporary Assistance for Needy Families block grant dollars, and certain child support collections.

After several years of decline in the average monthly caseload prior to the 2008 recession, the TCA program experienced significant growth in the caseload with increases of 13.5 and 15.7% in fiscal 2009 and 2010, respectively. Growth in the average monthly caseload

continued through fiscal 2012 but at a slower rate of growth (7.1% in fiscal 2011 and 0.3% in fiscal 2012). The decline in TCA continued at an accelerated rate in fiscal 2013, declining 6.3% to an average monthly enrollment of 67,876 individuals, and every month but two was lower than the preceding month. That trend is expected to continue in fiscal 2014, with an average monthly decline projected at 7.6%, assuming the economic recovery continues. Based on this trend, the Department of Legislative Services (DLS) is projecting an average monthly caseload decline of 8.1% through fiscal 2015. This would bring TCA enrollment to 57,647, close to the program’s fiscal 2009 levels. The table below shows the average monthly enrollment, monthly grant amount, and total program funding requirements for fiscal 2013 through 2015.

TCA Enrollment and Funding Trends
Fiscal 2013-2015

	<u>2013</u> <u>Actual</u>	<u>2014</u> <u>Approp.</u>	<u>2014</u> <u>Estimate</u>	<u>2015</u> <u>Estimate</u>	<u>2014-2015</u> <u>% Change</u>
Average Monthly Enrollment	67,876	65,184	62,717	57,647	-8.1%
Average Monthly Grant	\$174.82	\$181.48	\$181.64	\$183.00	0.7%
<u>Budgeted Funds (\$ in Millions)</u>					
General Funds	\$37.9	\$30.0	\$24.8	\$14.6	-40.8%
Total Funds	\$142.4	\$142.0	\$136.7	\$126.6	-7.4%
2013 Estimated Surplus			\$5.3		

TCA: Temporary Cash Assistance

Source: Department of Human Resources; Department of Legislative Services

The fiscal 2015 average monthly grant amount includes a 1% increase to ensure that the TCA benefit, in combination with the Supplemental Nutrition Assistance Program benefit, equals at least 61% of the Maryland Minimum Living Level as required by statute. DLS is projecting a surplus of \$5.3 million in TCA funding in fiscal 2014 due to lower caseload estimates than assumed in the working budget.

Department of Health and Mental Hygiene

The Department of Health and Mental Hygiene (DHMH) regulates Maryland's health care system, coordinates the delivery of public health services, and acts as a direct care provider. For the purposes of this section, provider reimbursements made under the Medical Care Programs Administration (Medicaid) are excluded from the budget information provided below and are instead discussed in the Entitlements section. Thus, for example, Medicaid payments for nursing homes and somatic health care are excluded from this discussion, while Medicaid payments for specialty mental health care and services for the developmentally disabled are included.

Expenditures, Funds, and Positions for the Department of Health and Mental Hygiene Fiscal 2012-2015 (\$ in Thousands)

	<u>2012 Actual</u>	<u>2013 Working</u>	<u>2014 Leg. Approp.</u>	<u>2015 Baseline</u>	<u>2014-2015 Increase</u>	<u>% Increase</u>
Expenditures						
Administration	\$47,046	\$50,634	\$51,599	\$51,345	-\$254	-0.5%
Office of Health Care Quality	17,206	17,470	18,518	19,022	504	2.7%
Health Professional Boards and Commission	26,981	31,538	31,897	32,828	931	2.9%
Public Health Administration	58,221	62,458	68,028	80,588	12,560	18.5%
Health Systems and Infrastructure Administration	1,730	2,577	2,577	2,646	69	2.7%
Prevention & Health Promotion Administration	340,939	354,897	356,367	360,828	4,461	1.3%
Chronic Disease Services	45,661	46,555	48,204	51,490	3,286	6.8%
Alcohol and Drug Abuse Administration	147,798	158,463	154,005	155,989	1,983	1.3%
Mental Hygiene Administration	1,081,293	1,068,877	1,142,465	1,211,572	69,107	6.1%
Developmental Disabilities Administration	845,863	908,104	949,974	1,017,403	67,429	7.1%
Medical Care Programs Administration	82,893	103,475	117,389	123,084	5,695	4.9%
Health Regulatory Commissions	164,789	178,511	175,873	195,892	20,019	11.4%
Total	\$2,860,421	\$2,983,560	\$3,116,897	\$3,302,687	\$185,790	6.0%
Fund						
General Fund	\$1,448,015	\$1,465,738	\$1,532,100	\$1,636,380	\$104,280	6.8%
Special Fund	327,774	371,979	350,702	375,120	24,417	7.0%
Federal Fund	1,056,124	1,121,950	1,211,520	1,269,105	57,585	4.8%
Reimbursable Fund	28,508	23,891	22,575	22,083	-492	-2.2%
Total	\$2,860,421	\$2,983,560	\$3,116,897	\$3,302,687	\$185,790	6.0%
Personnel						
Regular Positions	6,350.0	6,388.0	6,406.0	6,421.0	16.0	0.2%
Full-time Equivalent Contractuals	356.0	404.0	385.0	387.0	2.0	0.5%

Major Program Changes

Other than increases in personnel costs, which can be very significant in any given program based on the extent of the direct care mission of the various programs within the department, the most significant baseline changes within the various programs in DHMH are detailed below.

DHMH Administration

The major baseline change in the DHMH Administration budget is a \$354,000 decrease in funding due to revised master equipment lease requirements.

Health Occupation Boards

The following changes were made to the baseline budget of the Health Occupation Boards:

- a \$380,815 increase in general funds to reflect four additional positions in the Board of Pharmacy to implement Chapter 397 of 2013, which requires the board to regulate sterile compounding facilities; and
- a \$100,000 increase in special funds to support an information technology project for the Board of Dental Examiners.

Public Health Administration

The following changes were made to the baseline budget of the Public Health Administration:

- a \$12.3 million increase in general funds to reflect annualized rent and related payments associated with the new Public Health Laboratory facility;
- a reduction of \$10.1 million in general funds due to the elimination of one-time moving and equipment expenses associated with the new Public Health Laboratory;
- a \$353,003 increase in general funds to reflect four additional positions to implement Chapter 403 of 2013, which establishes the Natalie M. LaPrade Medical Marijuana Commission as an independent commission within the department; and
- a \$118,033 increase in general funds to reflect contractual services and one additional part-time position in the Vital Statistics Administration to implement Chapter 549 of 2013, which requires the department to establish and maintain the Advance Directive

Registry (this amount is net of the \$91,000 included in the fiscal 2014 budget which is assumed to continue in the baseline).

Health Systems and Infrastructure Administration

There is one adjustment for the Health Systems and Infrastructure Administration that affects the fiscal 2015 baseline budget. Expenses associated with funding for local health departments (including annualization of cost-of-living increases as well as adjustments under the Core Public Health formula) increase the budget by \$1 million in general funds.

Prevention and Health Promotion Administration

There is one adjustment for the Prevention and Health Promotion Administration that affects the fiscal 2015 baseline budget: an increase of \$75,934 in general funds to reflect one additional position to implement Chapter 255 of 2013, which expands vaccination reporting requirements.

Cancer and Chronic Disease Bureau

There are two baseline adjustments for the Cancer and Chronic Disease Bureau that affect the fiscal 2015 baseline budget:

- a \$440,285 deficiency (including \$191,870 in general funds and \$248,415 in special funds) for Deer's Head Hospital Center; and
- a \$18,361 general fund deficiency for Western Maryland Hospital Center.

Alcohol and Drug Abuse Administration

In the Alcohol and Drug Abuse Administration, the fiscal 2015 baseline includes the following adjustments:

- The addition, for fiscal 2014 only, of \$1.6 million in special funds from the Dedicated Purpose Account to offset a reduction in available federal Substance Abuse Block Grant funding due to federal sequestration. At this point, although the federal budget remains unresolved, the baseline assumes that this funding is only for fiscal 2014.
- An increase of \$1.3 million in special funds available from the Problem Gambling Fund based on the expectation that fees will be levied on table games in addition to video lottery terminals.
- An anticipated \$49,000 general fund deficiency primarily to fund a position to implement Chapter 299 of 2013 requiring the implementation of an Overdose Response Program.

Mental Hygiene Administration

The Mental Hygiene Administration's (MHA) fiscal 2015 baseline budget includes several significant items:

- The baseline includes \$433,000 in a general fund deficiency to implement that portion of Chapter 427 of 2013, the Firearms Safety Act, for which MHA is responsible. The majority of the funding is to support four new regular positions and two new contractual full-time equivalents. These costs are expected to continue into fiscal 2015.
- Funding for another piece of legislation passed in the 2013 session, Chapter 511, creating a State Brain Injury Trust Fund, is also included in the baseline. Although the bill anticipated that the fund will ultimately be a special fund, because there is no specific dedicated funding source, the fiscal note assumes an initial general fund capitalization of \$500,000 which is the bulk of the anticipated \$564,000 general fund cost. The legislation goes into effect for fiscal 2015.
- The baseline also assumes \$770,000 in general fund costs in fiscal 2015 to fund the Chrysalis House diversion program for pregnant women. This program was formerly funded through the Department of Public Safety and Correctional Services (with much of this funding recognized as reimbursable funds in MHA).
- Excluding the Affordable Care Act (ACA) Medicaid expansion population which will begin to get services after January 1, 2014, enrollment growth (2.1%) in the fee-for-service community mental health services system combined with estimated rate increases of 4.0% for non-rate-regulated providers (as provided for under Chapters 497 and 498 of 2010) and between 1.65 and 2.0% for rate-regulated providers adds just over \$22.3 million (total funds) to the baseline. However, because it is estimated that the fiscal 2014 federal fund appropriation is overstated, most of this amount is general fund growth (\$22.0 million). It should be noted that the estimated rate increase for non-rate-regulated providers is below the 5.5% rate increase that would apply based on the criteria specified in Chapters 497 and 498, but rather reflects the 4.0% rate increase cap established in that legislation.
- The assumption of a 4.0% provider adjustment on MHA grants and contracts (in line with that provided for fee-for-service expenditures) adds almost \$2.2 million (all general funds) to the baseline.
- Annualization of funding for expenditures associated with the new ACA expansion population adds \$30.0 million (total funds) to the baseline. Since MHA offers non-Medicaid eligible services to this population (for example, residential rehabilitation and supported employment), there is a small general fund component (\$3.5 million) to this increase.

- At the State-run psychiatric facilities, the fiscal 2015 baseline assumes a \$311,000 fiscal 2014 deficiency appropriation at Spring Grove Hospital Center associated with the facility's pharmacy contract. The baseline assumes this level of need continues in fiscal 2015. Likewise, based on actual expenditures on overtime at Clifton T. Perkins in fiscal 2013, the baseline assumes a \$625,000 shortfall in the current year's budget for overtime. Again, the baseline assumes this level of overtime expense will continue into fiscal 2015.

Developmental Disabilities Administration

The following changes were made to the baseline budget of the Developmental Disabilities Administration:

- deficiencies totaling \$20.5 million in general funds for fiscal 2013 and 2014 combined in the Community Services Program;
- a deficiency of \$20.6 million in general funds to reflect claimed costs for unallowable room and board and other residential habilitation costs under the Community Pathways Waiver Program;
- a \$15.1 million increase in total funds (including \$8.4 million in general funds) to account for annualization of community services provided for first-time clients in fiscal 2014 that will be ongoing in fiscal 2015 as well as funding for new transitioning youth placements;
- a \$35.6 million increase in total funds (including \$19.7 million in general funds) to reflect provider inflation (4%) associated with community service contracts as provided for under Chapters 497 and 498 of 2010.

Health Regulatory Commissions

Baseline changes to the Health Regulatory Commission include:

- In the Maryland Health Care Commission, the baseline assumes the need for an additional \$500,000 in fiscal 2014 for the Small Business Partnership based on the delay in the opening of the small business portion of the Maryland Health Benefit Exchange. However, for fiscal 2015, the baseline assumes the need for only \$1.85 million compared to \$2.6 million budgeted in fiscal 2014. Funding for the Small Business Partnership is derived from the Maryland Health Care Coverage Fund. Appropriate adjustments in fund availability are made in the baseline estimate for the Medicaid program.
- In the Health Services Cost Review Commission, the baseline assumes an increase of \$20.0 million in Uncompensated Care Fund expenditures. Given uncertainty surrounding

the State's Medicare waiver as well as the impact of the ACA on hospital uncompensated care, this figure should be considered a place-holder.

Department of Human Resources

The Department of Human Resources (DHR) administers its programs through a State supervised and locally administered system. DHR is responsible for programs related to child and adult welfare, child support enforcement, and family investment. Spending related to cash assistance and foster care maintenance payments is discussed in the Entitlements Programs section.

Expenditures, Funds, and Positions for the Department of Human Resources Fiscal 2012-2015 (\$ in Thousands)

	<u>2012 Actual</u>	<u>2013 Working</u>	<u>2014 Leg. Approp.</u>	<u>2015 Baseline</u>	<u>2014-2015 Increase</u>	<u>% Increase</u>
Expenditures						
Administration	\$179,172	\$181,976	\$183,091	\$190,958	\$7,867	4.3%
Social Services	244,158	291,925	289,206	302,944	13,738	4.8%
Child Support Enforcement	88,461	87,854	88,408	91,454	3,046	3.4%
Family Investment	214,032	215,371	227,060	231,362	4,302	1.9%
Office of Home Energy Programs	120,279	145,580	142,983	132,117	-10,866	-7.6%
Total	\$846,100	\$922,706	\$930,750	\$948,835	\$18,086	1.9%
Fund						
General Fund	\$323,404	\$326,814	\$333,433	\$351,206	\$17,774	5.3%
Special Fund	83,827	82,719	77,332	81,428	4,096	5.3%
Federal Fund	438,869	513,173	519,985	516,201	-3,784	-0.7%
Reimbursable Fund	0	0	0	0	0	0%
Total	\$846,100	\$922,706	\$930,750	\$948,835	\$18,086	1.9%
Personnel						
Regular Positions	6,545.0	6,529.0	6,529.0	6,529.0	0.0	0%
FTE Contractuals	111.0	73.0	82.0	82.0	0.0	0%

FTE: full-time equivalent

Administration

The fiscal 2015 baseline for DHR Administration includes anticipated deficiency appropriations for the Maryland Legal Services Program. In the fiscal 2013 closing documents, DHR recorded an unprovided-for payable of \$1.1 million (\$0.8 million in general funds and

\$0.3 million in federal funds). The fiscal 2015 baseline includes a fiscal 2014 deficiency appropriation to fund that payable. A second deficiency appropriation in that program adds \$2.2 million to fund the program at the level of the fiscal 2013 expenditures and adjusts the fund split (adds \$2.9 million in general funds and decreases \$0.8 million of federal funds) based on assumption of a lower receipt of federal funds than were budgeted in that program. The deficiency appropriations carry forward into fiscal 2015.

Other adjustments in the DHR Administration include:

- \$235,692 (\$141,881 in general funds, \$3,424 in special funds, and \$90,387 in federal funds) as a result of the annual salary review; and
- An increase in the funding for the information technology hosting contract to the level anticipated in fiscal 2015. The increase is larger than might otherwise have occurred due to underfunding of this contract in fiscal 2014, an increase of \$664,763 (\$249,963 in general funds and \$414,800 in federal funds).

Child Support Enforcement Administration

The fiscal 2015 baseline for the Child Support Enforcement Administration includes a deficiency appropriation to replace a portion of the special funds included in the appropriation from the Child Support Offset Fund with general funds (\$1.7 million). The Child Support Offset Fund was included in the fiscal 2014 appropriation at a level that is higher than is expected to be received.

Family Investment Administration

Assistance Payments

The baseline includes an increase of \$40,800 in federal funds and \$27,200 in general funds to account for implementation of the Couples Advancing Together Pilot Program, approved during the 2013 legislative session (Chapter 367). The pilot program provides additional work skills, relationship training, and job search assistance.

Adjustments to account for the Earned Income Disregard Pilot Program are made as well, with \$205,600 split evenly between general and federal funds. This pilot program, enacted in Chapter 526 of 2013, allows eligibility for Temporary Cash Assistance (TCA) to reach higher income levels for employed low-income individuals, with the goal of long-term self-sufficiency.

Work Opportunities Program

The Work Opportunities Program uses federal Temporary Assistance for Needy Families funding to help local departments of social services provide workforce training and job search activities for TCA recipients. DHR is reporting a deficiency in this program for fiscal 2013 of \$1.7 million in federal funds, which is accounted for in the baseline estimates.

Office of Home Energy Programs

The fiscal 2015 baseline for the Office of Home Energy Programs (OHEP) is adjusted to provide fiscal 2014 funding at the level of fiscal 2013 expenditures, a reduction of \$10.9 million, and adjusts the fund split based on several revenue assumptions. The assumptions used to develop the revenue estimates for this program are:

- that Maryland's share of the federal Low Income Home Energy Assistance Program (LIHEAP) funds will be the same in fiscal 2014 as it was in fiscal 2013, and that OHEP will use the carryover funds available to the program in fiscal 2014;
- the Electric Universal Service Program surcharge is collected only at the level allowed by law;
- the fund balance in the energy assistance account of the Strategic Energy Investment Fund (SEIF) at the close of fiscal 2013 is not used in fiscal 2014 and continues to grow because the SEIF revenue in fiscal 2014 is higher than the level included in the budget.

The fiscal 2015 funding continues at the same level as in fiscal 2014; however, the fund split is adjusted to eliminate the value of the LIHEAP carryover from fiscal 2013 available in fiscal 2014. The federal fund decrease (\$7.75 million) is replaced with special funds from the SEIF, which are available to the program despite a lower allocation of Regional Greenhouse Gas Initiative carbon dioxide emission allowance auction proceeds in the SEIF and a lower allowance cap, due to higher than expected proceeds in fiscal 2013 and 2014.

Department of Juvenile Services

The Department of Juvenile Services (DJS) has responsibility for handling the admission of most juveniles who come into contact with the criminal justice system. DJS staffs detention facilities for juveniles awaiting court hearings, as well as juveniles adjudicated delinquent but pending placement in a residential facility. The department also staffs residential facilities for juveniles who have been adjudicated delinquent and funds residential and nonresidential placements for adjudicated youth. DJS also offers programs to develop a level of competency in juvenile offenders to reduce the risk of recidivism.

Expenditures, Funds, and Positions for the Department of Juvenile Services Fiscal 2012-2015 (\$ in Thousands)

	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Working</u>	<u>2014 Leg.</u> <u>Approp.</u>	<u>2015</u> <u>Baseline</u>	<u>2014-2015</u> <u>Increase</u>	<u>% Increase</u>
Expenditures						
Department of Juvenile Services	\$286,220	\$283,488	\$292,800	\$310,990	\$18,190	6.2%
Total	\$286,220	\$283,488	\$292,800	\$310,990	\$18,190	6.2%
Fund						
General Fund	\$269,179	\$270,702	\$280,804	\$298,584	\$17,781	6.3%
Special Fund	4,668	4,371	4,439	4,589	150	3.4%
Federal Fund	11,792	8,347	7,410	7,662	252	3.4%
Reimbursable Fund	581	69	148	155	7	4.7%
Total	\$286,220	\$283,488	\$292,800	\$310,990	\$18,190	6.2%
Personnel						
Regular Positions	2,140.0	2,109.0	2,077.0	2,077.0	0.0	0%
FTE Contractuals	168.0	146.0	170.0	170.0	0.0	0%

FTE: full-time equivalent

Projected Deficiencies

The fiscal 2015 baseline budget for DJS includes anticipated deficiency appropriations totaling \$3 million in general funds. This includes \$1 million for facility maintenance projects to address critical needs at the department's State-operated facilities. An additional \$2 million is provided to recognize ongoing concerns with the recruitment and retention of facility direct care staff. Both anticipated deficiencies are assumed to be ongoing increases for fiscal 2015.

Other Changes

Other changes incorporated into the department's fiscal 2015 baseline include:

- an assumed 2% rate increase for residential providers totaling nearly \$1.3 million;
- a \$3.7 million increase to reflect the full implementation of the contract expansion for residential services at the Silver Oak Academy in Carroll County. The program's capacity increases from 48 to 96 beds for male youth. Additional funding was provided in fiscal 2014 for the expansion; however, the approval of the expansion was delayed six months. The excess funding in fiscal 2014 resulting from the delayed award provides resources to fund other residential per diems, avoiding the need for an anticipated deficiency appropriation. The fiscal 2015 baseline budget reflects the full operation of 96 beds at Silver Oak Academy;
- a \$48,506 general fund increase for the annual salary review; and
- a \$50,271 increase for alterations to the department's Master Lease Equipment Purchase Program.

Department of Public Safety and Correctional Services

The Department of Public Safety and Correctional Services (DPSCS) is a unit of State government whose primary focus is the supervision and management of Maryland's criminal population. The department's primary functions include the operation of State correctional and Baltimore City pretrial facilities, as well as the supervision of offenders in the community via parole and/or probation. The other agencies within the department include the Office of the Secretary, the Maryland Parole Commission, the Inmate Grievance Office, the Police and Correctional Training Commissions, the Criminal Injuries Compensation Board, and the Maryland Commission on Correctional Standards.

Expenditures, Funds, and Positions for the Department of Public Safety and Correctional Services Fiscal 2012-2015 (\$ in Thousands)

	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Working</u>	<u>2014 Leg.</u> <u>Approp.</u>	<u>2015</u> <u>Baseline</u>	<u>2014-2015</u> <u>Increase</u>	<u>% Increase</u>
Expenditures						
Administration	\$244,771	\$261,020	\$271,154	\$266,432	-\$4,722	-1.7%
Maryland Parole Commission	4,948	5,317	5,676	5,791	115	2.0%
Inmate Grievance Office	957	892	933	969	36	3.8%
Police and Correctional Training Commissions	9,101	9,039	9,386	10,028	642	6.8%
Criminal Injuries Compensation Board	5,068	5,764	4,346	5,075	729	16.8%
MD Commission on Correctional Standards	543	538	541	588	47	8.6%
Operations	994,100	1,013,267	1,021,008	1,087,532	66,524	6.5%
Total	\$1,259,488	\$1,295,836	\$1,313,044	\$1,376,414	\$63,370	4.8%
Fund						
General Fund	\$1,081,243	\$1,104,203	\$1,124,686	\$1,195,224	\$70,538	6.3%
Special Fund	142,111	154,381	155,723	146,949	-8,774	-5.6%
Federal Fund	26,810	28,772	25,800	27,579	1,780	6.9%
Reimbursable Fund	9,324	8,480	6,835	6,661	-173	-2.5%
Total	\$1,259,488	\$1,295,836	\$1,313,044	\$1,376,414	\$63,370	4.8%
Personnel						
Regular Positions	11,052.0	11,050.0	11,046.0	11,146.0	100.0	0.9%
FTE Contractuals	275.0	397.0	396.0	396.0	0.0	0%

FTE: full-time equivalent

Projected Deficiencies

The baseline for fiscal 2015 includes \$20.8 million in anticipated deficiency appropriations for fiscal 2014, of which approximately \$18.8 million, or 90%, are general funds.

New Legislation

Implementation of three pieces of legislation passed during the 2013 legislative session require more than \$2.4 million in fiscal 2014 deficiency appropriations. The new legislation includes:

- \$2.0 million in ongoing special fund spending associated with Chapter 313 of 2013, which increased revenue for the Emergency Number Systems Board to pass through to local jurisdictions for 9-1-1 call center operations. The revenue is generated by extending the 9-1-1 surcharge to include prepaid cell phones. An additional \$2.0 million in revenue is anticipated in fiscal 2015 for a total increase of \$4.0 million in local pass-through spending;
- \$421,000 in one-time general fund expenditures associated with implementation of the Firearm Safety Act of 2013 (Chapter 427). The legislation requires the department's Information Technology and Communication Division to conduct additional background checks, establish data reporting capabilities between courts and mental health care facilities, and assist in the creation of a new gun registry system; and
- \$4,624 in ongoing special fund expenditures for the Criminal Injuries Compensation Board resulting from enactment of legislation (Chapter 652 of 2013) to include inmate earnings as a revenue source for crime victim compensation.

Operational Deficiencies

The fiscal 2015 baseline includes \$11.7 million in ongoing general fund deficiency appropriations for custodial agency operating expenses, detailed as follows:

- \$6.5 million for employee overtime. Fiscal 2013 actual overtime expenditures across the department exceed the current fiscal 2014 appropriation by approximately \$6.2 million;
- \$4.6 million for inmate food purchases. Fiscal 2013 actual spending on inmate food purchases exceeds the fiscal 2014 appropriation by approximately \$2.4 million. In addition, the department has seen food costs rise by 8.1 and 9.9% over the past two fiscal years. The estimated deficiency reflects a 9.0% increase over fiscal 2013 actual expenditures;

- \$600,000 for non-food supply purchases. Historically, the department spends approximately \$19.3 million on non-food material and supply purchases. The fiscal 2014 appropriation is approximately \$400,000 below prior fiscal year actual expenditures; and
- \$219,500 for contract monitoring payments relating to an energy performance contract in Jessup. The payment was inadvertently omitted in the fiscal 2014 budget and will be required in both fiscal 2014 and 2015.

Enhancements to Security and Staffing

In response to issues with corruption and security within the department, primarily at the Baltimore City Detention Center (BCDC), the fiscal 2015 baseline includes an adjustment to provide nearly \$6.5 million in additional resources in fiscal 2014. This includes nearly \$4.2 million to implement a managed access system at BCDC to curb the illegal use of cell phones by inmates and \$555,000 to upgrade the facility's video recording system. The remainder of the funding addresses staffing needs in the following areas:

- Internal Investigative Unit;
- Recruitment and Examination Unit;
- Central Hiring Unit;
- Applicant Polygraph Unit; and
- Employee Relations Unit.

The baseline assumes only additional funding for staffing, not additional positions. The additional staffing will be created through the realignment of existing vacancies within the department.

Approximately \$2.1 million of the \$6.5 million total deficiency appropriation is anticipated to be ongoing spending in fiscal 2015.

Administration

Significant administrative adjustments in the fiscal 2015 baseline are as follows:

- a \$117,000 reduction in the amount of funding provided to local correctional facilities for housing inmates who are sentenced to DPSCS custody and are awaiting transfer;

- a \$1,168,786 increase for the annual salary review, including \$881,148 to increase parole and probation agent salaries;
- a \$966,000 general fund reduction for alterations in the department's Master Equipment Lease Purchase Program; and
- a \$473,000 fund swap to reflect a change in policy by the Administration to fund capital project contractual positions with general funds, as opposed to reimbursable capital construction funds.

DPSCS Operations

The baseline for fiscal 2015 includes a variety of adjustments pertaining to the operations branch of the department, with the majority addressing operations within the correctional and detention facilities.

Facility Operations

The fiscal 2015 baseline adds \$6.3 million in general funds to fund an additional 100 correctional officer positions. The positions are in response to language included in the fiscal 2014 operating budget expressing legislative intent for DPSCS to add 100 positions annually, beginning in fiscal 2015, until the department has successfully added 377 additional positions.

The baseline budget includes a \$2.1 million general fund increase in fiscal 2015 for resources to improve security at the BCDC and to enhance the department's hiring processes and internal investigation unit. This increase is the ongoing fiscal impact from the \$6.5 million fiscal 2014 deficiency appropriation as noted above. In addition, the baseline assumes an additional \$638,000 to begin the phased-in expansion of in-service training from 18 to 40 hours. The phase-in is estimated to require four years to complete.

Offsetting these funding increases is a \$13.4 million special fund decrease in Inmate Welfare Funds due to the privatization of commissary purchases. Previously, DPSCS supported all commissary operations, which required the department to purchase and maintain commissary inventory in each facility. With the privatization of the commissary function, offenders will order commissary items directly through the vendor, thus eliminating all commissary related expenditures for the department.

Additionally, the fiscal 2015 baseline is further reduced by approximately \$770,000 to reflect the transfer of funding for Chrysalis House to the Mental Health Administration within the Department of Health and Mental Hygiene (DHMH). Chrysalis House acts as a diversion program providing halfway house services to pregnant female offenders who might otherwise become part of the correctional system. Historically, DPSCS paid DHMH for the operation of

Chrysalis House via reimbursable funds. Beginning in fiscal 2015, funding will reside solely within the DHMH budget.

Community Supervision

The fiscal 2015 baseline includes a \$670,000 general fund appropriation for the Drinking Driver Monitor Program (DDMP). The DDMP operations are typically supported through special fund revenue generated from monthly fees paid by participants. Fiscal 2013 actual expenditures and fiscal 2014 spending estimates indicate that the DDMP revenues are inadequate to continue to fully support program operations. As such, a \$1.3 million cash balance that existed at the beginning of fiscal 2013 is anticipated to be exhausted by the end of fiscal 2014, and general fund support will be required to maintain the existing level of program operations in fiscal 2015.

Maryland Correctional Enterprises

The fiscal 2015 baseline reflects a \$2.0 million decrease in supply and material purchases for Maryland Correctional Enterprises based on estimated sales activity. Despite the slight decline compared to the fiscal 2014 appropriation, the fiscal 2015 estimate reflects 10.8% growth over fiscal 2013 actual sales.

Criminal Injuries Compensation Board

The fiscal 2015 baseline for the Criminal Injuries Compensation Board recognizes an anticipated budget amendment to make an additional \$1.6 million in federal fund revenue available in fiscal 2014 for making awards to victims of crime. This increases the potential funding available for awards to nearly \$5.0 million. The fiscal 2015 baseline anticipates the award funding level to be approximately \$4.0 million, of which \$2.5 million is special funds. The special and federal fund distributions have been reallocated, resulting in slightly less special funds and more federal funds being apportioned to victims of crime than the prior fiscal year.

Maryland Department of Transportation

The Maryland Department of Transportation (MDOT) is responsible for statewide transportation planning and the development, operation, and maintenance of key elements of the transportation system. It is involved in all modes of transportation within the State, including owning and operating the Baltimore-Washington International Thurgood Marshall Airport, Martin State Airport, and the public terminals at the Port of Baltimore; constructing and maintaining State roads; regulating and licensing drivers and vehicles; and operating bus and rail transit systems.

MDOT is funded through the Transportation Trust Fund, a nonlapsing special fund account whose revenue sources include motor fuel tax receipts, titling tax revenues, vehicle registration fees, a portion of the State's corporate income and sales tax, revenues generated by the individual modes, and proceeds from the sale of bonds.

This section discusses MDOT's operating budget. Debt service, local highway user revenue grants, and capital programs are discussed elsewhere in this report. Changes in the baseline operating budgets of the individual modes are discussed in more detail below.

Expenditures, Funds, and Positions for the Maryland Department of Transportation Fiscal 2012-2015 (\$ in Thousands)

	<u>2012 Actual</u>	<u>2013 Working</u>	<u>2014 Leg. Approp.</u>	<u>2015 Baseline</u>	<u>2014-2015 Increase</u>	<u>% Increase</u>
Expenditures						
The Secretary's Office	\$71,382	\$79,522	\$79,972	\$82,435	\$2,463	3.1%
Washington Metropolitan Area Transit Authority	256,722	263,899	287,000	318,000	31,000	10.8%
State Highway Administration	226,708	215,111	227,455	263,877	36,423	16.0%
Maryland Port Administration	41,612	46,665	47,599	49,034	1,435	3.0%
Motor Vehicle Administration	161,329	171,109	185,916	193,544	7,628	4.1%
Maryland Transit Administration	646,795	663,486	676,608	743,482	66,874	9.9%
Maryland Aviation Administration	167,415	176,526	178,943	177,958	-985	-0.6%
Total	\$1,571,963	\$1,616,318	\$1,683,492	\$1,828,330	\$144,838	8.6%
Fund						
Special Fund	\$1,479,226	\$1,530,835	\$1,586,434	\$1,729,525	\$143,091	9.0%
Federal Fund	92,738	85,484	97,058	98,806	1,747	1.8%
Total	\$1,571,963	\$1,616,318	\$1,683,492	\$1,828,330	\$144,838	8.6%
Personnel						
Regular Positions	6,926.0	6,995.0	7,037.0	7,058.0	21.0	0.3%
Full-time Equivalent Contractuals	89.0	110.0	110.0	165.0	55.0	50.0%

Secretary's Office

The fiscal 2015 baseline budget includes the annualization of funding for an alternative to Paratransit Services Pilot Program and annualization of funding for one position to implement Chapter 437 of 2013 entitled Procurement – Purchase of American Manufactured Goods.

Washington Metropolitan Area Transit Authority

The operating grant subsidy for the Washington Metropolitan Area Transit Authority increases by \$31 million, or 10.8%, in fiscal 2015. This increase is due to escalating operating costs for personnel, paratransit services, and other formula driven costs for bus and rail services that are not paid from farebox revenues. The increase is based on the department's assumed cost in its draft financial forecast.

State Highway Administration

The fiscal 2015 baseline budget assumes winter maintenance funding at the five-year average of \$67.2 million, which is a \$21.2 million increase over the amount budgeted in fiscal 2014. The fiscal 2015 baseline also includes an increase of \$12.0 million in summer maintenance activities to restore reductions made as part of fiscal 2012 cost containment actions.

Maryland Port Administration

Security services expenditures at the Port of Baltimore are expected to increase \$250,000 and debt service payments on the M-real warehouse are expected to increase approximately \$60,000.

Motor Vehicle Administration

The fiscal 2015 baseline budget for the Motor Vehicle Administration includes a \$600,000 increase for the Vehicle Emissions Inspection Program contract, annualizes the salaries of 10 positions created pursuant to Chapter 309 of 2013 (The Maryland Highway Safety Act), and adds \$36,000 for computer system modifications needed to comply with Chapter 273 of 2013 (Physician Assistants – Authority to Practice Act).

Maryland Transit Administration

The fiscal 2015 baseline budget for the Maryland Transit Administration (MTA) includes a \$4.8 million increase in the pension contribution to reflect the actuarial estimate; annualization of Commuter Bus Service and the Maryland Area Regional Commuter (MARC) weekend service expenses (\$2.0 million and \$3.7 million, respectively); and \$2.0 million each for local bus service in Montgomery County and for locally operated transit, representing a portion of enhanced funding made possible by passage of the Transportation Infrastructure Investment Act of 2013. Enhanced funding was also added to the fiscal 2014 budget and flows through into fiscal 2015. Fiscal 2014 enhanced funding comprises:

- Montgomery County Ride On bus service – \$6.0 million;
- Prince George’s County The Bus bus service – \$5.6 million;
- Weekend Penn Line MARC service – \$4.0 million;
- MARC Camden Line additional service – \$1.3 million; and
- MTA Commuter Bus service – \$1.3 million.

Maryland Aviation Administration

Adjustments totaling approximately \$2 million were made to debt service costs for projects at the Baltimore-Washington International Thurgood Marshall Airport. There is also a \$500,000 increase for security services provided by MTA. There were savings recognized from a rebid bus service contract totaling \$750,000.

Higher Education – State Colleges and Universities

The baseline budget is comprised of estimated current unrestricted and restricted revenues for the University System of Maryland (USM), Morgan State University (MSU), St. Mary's College of Maryland (SMCM), and Baltimore City Community College (BCCC). Current unrestricted revenues are based on estimated general funds, the Higher Education Investment Fund (HEIF), tuition and fees, and other fund sources such as the sale of auxiliary and educational services, and grants and contracts at each institution. The following table shows total State support for USM institutions, MSU, SMCM, and BCCC.

Expenditures, Funds, and Positions for Higher Education Fiscal 2012-2015 (\$ in Thousands)

	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Working</u>	<u>2014 Leg.</u> <u>Approp.</u>	<u>2015</u> <u>Baseline</u>	<u>2014-2015</u> <u>Increase</u>	<u>% Increase</u>
Expenditures						
Morgan State University	\$209,558	\$223,440	\$236,324	\$240,208	\$3,884	1.6%
St Mary's College of Maryland	67,511	74,496	75,524	77,204	1,679	2.2%
University of Maryland, Baltimore	983,259	1,040,141	1,062,518	1,096,793	34,275	3.2%
University of Maryland, College Park	1,684,782	1,735,865	1,806,814	1,889,799	82,985	4.6%
Bowie State University	102,359	105,849	110,668	114,900	4,231	3.8%
Towson University	406,611	424,577	443,620	455,562	11,942	2.7%
University of Maryland Eastern Shore	128,506	130,184	135,161	141,539	6,378	4.7%
Frostburg State University	100,919	102,500	107,387	111,602	4,215	3.9%
Coppin State University	88,894	88,895	93,005	94,250	1,246	1.3%
University of Baltimore	120,832	141,466	128,488	135,458	6,970	5.4%
Salisbury University	158,760	165,508	172,540	177,637	5,097	3.0%
UM University College	416,552	433,049	437,641	451,896	14,254	3.3%
UM Baltimore County	347,183	370,303	382,277	398,732	16,455	4.3%
UM Center for Environmental Science	41,968	46,721	45,573	48,161	2,588	5.7%
University System of Maryland Office	27,295	28,349	30,459	31,246	787	2.6%
Baltimore City Community College	90,591	106,621	96,710	97,799	1,089	1.1%
Total	\$4,975,580	\$5,217,963	\$5,364,710	\$5,562,786	\$198,076	3.7%
Fund						
Unrestricted Fund	\$3,722,352	\$3,864,854	\$4,013,106	\$4,168,365	\$155,258	3.9%
Restricted Fund	1,253,228	1,353,109	1,351,604	1,394,422	42,818	3.2%
Total	\$4,975,580	\$5,217,963	\$5,364,710	\$5,562,786	\$198,076	3.7%
Personnel						
Regular Positions	24,735.0	24,965.0	25,010.0	25,362.0	352.0	1.4%
Full-time Equivalent Contractuals	6,692.0	6,515.0	6,630.0	6,630.0	0.0	0%

UM: University of Maryland

General Fund Changes

- Fiscal 2014 included the use of \$17.2 million of HEIF revenues that were carried forward from previous years. Since this was a one-time use of the HEIF fund balance and not an ongoing revenue source, there is a corresponding increase in the general fund.
- The baseline budget provides the State funding portion of USM's mandatory costs. In fiscal 2015, the State funding portion of mandatory costs is estimated to increase \$102.0 million, or 8.7%, over fiscal 2014. This includes increases for personnel, new facilities, normal enrollment growth, and other operating costs.
- The State funding portion of MSU's mandatory costs is estimated to increase by \$4.3 million, or 5.1%, over fiscal 2014. This includes increases for personnel, normal enrollment growth, and other operating costs.
- The fiscal 2014 cost-of-living adjustment (COLA) and salary increment was annualized for USM and MSU totaling \$107.4 million. Of this amount, \$69.0 million was presumed to be State funds (comprised of general funds and the HEIF). The remaining share was assumed to be other current unrestricted and restricted funds.
- In fiscal 2015, a 2.0% COLA and a salary increment totaling \$44.8 million and \$40.3 million, respectively, was assumed for USM and MSU. Of these amounts, \$28.8 million of the COLA and \$25.9 million of the increment was presumed to be State funds, and the remaining portion was comprised of other current unrestricted and restricted funds.
- Resident undergraduate enrollment growth accounts for \$10.8 million of the total increase in mandatory costs, of which \$10.0 million and \$0.8 million are attributed to USM and MSU, respectively. The cost of enrollment growth was calculated by multiplying the projected fiscal 2014 enrollment by the fiscal 2014 to 2015 growth rate projected by the Maryland Higher Education Commission. The estimated fiscal 2015 enrollment was multiplied by a per-student funding rate, which is based on USM's fiscal 2009 rate that has been inflated by a three-year Higher Education Price Index average.
- SMCM receives State support through a statutory formula that increases the working appropriation by the funds required to offset inflation as determined by the implicit price deflator for State and local government. The implicit price deflator is estimated to be 2.15% in fiscal 2015. General funds, through this formula for SMCM, are expected to increase \$0.4 million, and tuition and fee revenues 4.6%, or \$1.5 million, primarily due to enrollment growing after a decrease in fiscal 2014. Beginning in fiscal 2013, SMCM was authorized to receive funds from the HEIF, and \$0.4 million was provided to offset a 2.0% increase in tuition. In addition, it is assumed that \$1.1 million in the HEIF will be

transferred to SMCM by budget amendment in fiscal 2014 to support a tuition freeze and expand financial aid programs. Due to recent legislation (Chapters 563 and 564 of 2013), in fiscal 2015, support for these two programs will increase by \$1.1 million.

- General funds for BCCC are determined by a statutory formula that takes into account enrollment and State support for selected public four-year institutions. In fiscal 2015, BCCC is to receive either 61.0% of funds per full-time equivalent student (FTES) that the selected public four-year institutions receive per FTES or \$5,695.63 per FTES, whichever is higher. In fiscal 2015, per-FTES funding is estimated to be \$6,641.16 using the 61.0% calculation, for a total of \$39.5 million, which is a decrease of \$1.4 million compared to fiscal 2014. The Department of Legislative Services (DLS) is assuming, however, that BCCC will be held harmless at the fiscal 2014 funding level. BCCC also receives funding through the English for Speakers of Other Languages Program, estimated to be \$1.0 million in fiscal 2015.

Other Unrestricted Fund Changes

- In the past, USM proposed its tuition rate plan before the baseline budget was calculated. In the absence of this information, DLS has assumed a 3.0% increase in undergraduate resident tuition, a 2.0% increase in nonresident tuition, and a 3.0% increase in fees. Based on this assumption, it was calculated that undergraduate tuition and fee revenues net of revenue toward institutional aid will increase 2.6%, or \$39.4 million.
- For MSU, undergraduate tuition and fee revenues are estimated to increase \$2.4 million, or 4.1%, based on the assumption that undergraduate resident tuition will increase 3.0% (net of revenue toward institutional aid), 3.0% for nonresident tuition, and a 3.0% increase in fees.
- Of the \$39.4 million in USM undergraduate tuition and fee revenues, \$12.3 million is attributable to new enrollments, which was based on each institution's projected enrollment growth and the projected fiscal 2015 resident and nonresident tuition and fee rate. For MSU, \$0.8 million of the \$2.4 million of undergraduate tuition and fee revenues is attributable to new enrollments.
- Graduate tuition and fee revenues for USM institutions and MSU are estimated to increase by \$11.2 million and \$0.3 million, respectively, assuming a 3.0% increase in tuition and fees at USM and 4.5% increase at MSU.
- Other current revenues are estimated to increase by \$31.5 million for USM institutions, assuming auxiliary and other sources increase 3.0%.

- Other current revenues are estimated to increase by \$1.2 million for MSU assuming auxiliary and other sources increase by 3.0%.

Other State Agencies

This section describes significant general, special, and federal fund baseline activity in State agencies not included in other sections.

C00A Judiciary

The Judiciary is composed of four courts and six agencies which support the administrative, personnel, and regulatory functions of the Judicial Branch of government. The four courts are the Court of Appeals, Court of Special Appeals, circuit courts, and the District Court. The fiscal 2015 baseline budget is primarily driven by the following adjustments:

- a projected increase of \$7.4 million in special funds from the Land Records Improvement Fund to reflect the increase in costs of major information technology projects;
- consistent with Joint Resolution 5 of 2012, judicial salaries are to increase by roughly 3% for all judges in fiscal 2015. These changes have all been calculated into the baseline with a total increase of \$2.0 million in general funds. Furthermore, the salaries of the Public Defender, State Prosecutor, and Workers' Compensation Commissioners are all tied to the judicial salary schedule, and the appropriate adjustments have been made within their respective baseline projections;
- consistent with the judicial certification of need introduced during the 2013 session, it is projected that the Judiciary will request an additional five circuit court and two District court judges during the 2014 session. These judgeships, as well as the support positions and operational funds, have been included and constitute a \$1.8 million increase in general funds in fiscal 2015; and
- consistent with Chapters 53 and 54 of 2013, the maximum salary for a Clerk of the Circuit Court was increased from \$98,500 to \$114,500. The subsequent impact included in the fiscal 2015 baseline is \$268,270 in general funds.

C80B Office of the Public Defender

The Office of the Public Defender (OPD) provides indigent defendants with legal representation in criminal cases throughout the State. OPD operates 12 district offices throughout the State as well as five divisions and two specialized units. The fiscal 2015 baseline budget is driven by the following adjustments:

- an increase of \$3.0 million in general funds for case-related expenses due to an ongoing and increased need for panel attorneys and other case-related fees from fiscal 2013; and

- an anticipated deficiency of \$18.8 million in fiscal 2014, with a cumulative increase in the fiscal 2015 baseline of \$27.5 million in general funds, for OPD to provide indigent representation at commissioner initial appearances due to the recent Court of Appeals decision in the case *DeWolfe v. Richmond*. The baseline assumes that 333 positions will be created to implement this decision.

C81C Office of the Attorney General

The Attorney General acts as legal counsel to the Governor; General Assembly; Judiciary; and all departments, boards, and commissions. The Office of the Attorney General (OAG) represents the State in all matters of interest to the State, including civil litigation and criminal appeals in all State and federal courts. The fiscal 2015 baseline budget is driven by the following adjustments:

- an increase of \$5.0 million in special funds from the Mortgage Loan Servicing Practices Settlement Fund to provide OAG with funds for neighborhood stabilization grants to Baltimore City and Prince George's County; and
- an increase of \$1.8 million in general funds with a concurrent decrease of that amount in special funds for the Consumer Protection Division based on the three-year average of the general fund and special fund split for this division.

C82D Office of the State Prosecutor

The Office of the State Prosecutor is an independent agency which investigates and prosecutes certain criminal offenses committed by public officials, including criminal offenses under the State election and conflict of interest laws; violations of the State bribery laws; criminal malfeasance, misfeasance, or nonfeasance committed by a public officer or employee in office; all multi-jurisdictional offenses; and violations of State obstruction of justice, perjury, and extortion laws. The fiscal 2015 baseline reflects an anticipated deficiency of \$98,048 in fiscal 2014, with a cumulative annualized cost of \$116,074 in general funds in the fiscal 2015 baseline for an additional prosecutor and investigator due to increased workload from Chapter 419 of 2013 (Campaign Finance Reform Act).

C90G00 Public Service Commission

The Public Service Commission (PSC) regulates gas, electric, telephone, water, sewage disposal, and certain for-hire passenger transportation companies doing business in Maryland. Adjustments were made to the fiscal 2015 baseline to:

- account for the higher transfer from the Strategic Energy Investment Fund (SEIF) to PSC for consultant services related to the implementation of the Chapter 3 of 2013 (Maryland Offshore Wind Energy Act) to a total of \$2.0 million in fiscal 2015;
- increase the amount for grants to non-State agencies receiving funds from the Customer Investment Fund created as a condition of the approval of the merger between Exelon Corporation and Constellation Energy Group consistent with the anticipated allocation in fiscal 2015, providing a total of \$26.8 million;
- add a total of 2.5 positions and associated funding (\$140,850) including one-time equipment funding that PSC needs to implement Chapter 3, Chapter 161 of 2013 (Gas Companies – Rate Regulation – Infrastructure Replacement Surcharge), and Chapter 670 of 2013 (Electric Companies – Service Restoration – Special Medical Needs Facilities).
- account for the annual salary review;
- remove the one-time funding allocated to PSC for administrative expenses associated with the Customer Investment Fund (\$1.1 million); and
- remove the remaining funding available from the American Recovery and Reinvestment Act of 2009 and replace a portion of those funds, those supporting contractual full-time equivalents, with special funds consistent with fiscal 2014 budget actions.

C91H00 Office of People’s Counsel

The Office of People’s Counsel (OPC) represents the interests of residential users of gas, electricity, telephones, water, and sewer before PSC, various federal agencies, and the courts. The fiscal 2015 baseline for OPC includes two adjustments adding funds (totaling \$350,000) for consultant services associated with Chapters 3 and 161 of 2013.

D13A13 Maryland Energy Administration

The Maryland Energy Administration (MEA) is an independent unit of State government created, in part, to promote the conservation and efficient use of energy, and to evaluate and coordinate energy-related policies and activities among State and local agencies. The primary source of funding for MEA is the SEIF. Absent any legislative change in the 2014 session, in fiscal 2015, the allocation of Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auction proceeds (the primary source of revenue in the SEIF) will revert from the allocation created through Chapter 387 of 2011 to the allocation provided in the

legislation creating the SEIF, Chapters 127 and 128 of 2008. Therefore, in the fiscal 2015 baseline, RGGI auction proceeds are provided under the original allocation:

- energy assistance (17.0% rather than 50.0%);
- residential rate relief (23.0% rather than 0.0%);
- energy efficiency and conservation programs (46.0% rather than 20.0%), with half of that amount allocated to low and moderate-income programs and the remainder to all other sectors;
- renewable and clean energy and climate change programs (10.5% rather than 20.0%); and
- administration (3.5% rather than 10.0%) but no more than \$4.0 million of the allocation.

A reduced allowance cap beginning in calendar 2014 also impacts the availability of the SEIF in the fiscal 2015 baseline, which assumes an allowance price of \$2.89 per auction. The adjustments in MEA's budget as a result of the change in estimated revenue:

- provide funding for residential rate relief at \$9.1 million;
- increase available funding for low and moderate income by \$5.6 million and general energy efficiency programs funded with the SEIF by \$5.6 million, for a total of \$8.6 million and \$6.2 million, respectively; and
- decrease available SEIF funding for renewable and clean energy programs by \$2.9 million, to a total of \$3.1 million.

Other adjustments in MEA:

- increase the funds available to MEA from the Customer Investment Fund created as a condition of approval of the merger between Exelon Corporation and Constellation Energy Group from \$5.4 million to \$5.9 million consistent with the anticipated allocation by PSC;
- increase the funds for the Maryland Offshore Wind Business Development Fund based on the assumption of a \$2.0 million contribution from an approved applicant within 60 days of approval as required by Chapter 3 of 2013; and
- reduce the funding from the federal Better Buildings Grant based on the anticipated availability of these funds (\$90,637), a portion of which is replaced by special funds.

D15A05 Executive Department – Boards, Commissions, and Offices

The Boards, Commissions, and Offices unit of the Executive Department contains various entities created by executive order to provide planning and coordination for the Executive Branch functions or to investigate and make recommendations on problems affecting the administration of government or the welfare of the State. The unit includes Survey Commissions; the Office of Minority Affairs; the Governor’s Office of Community Initiatives; the State Ethics Commission; the Health Care Alternative Dispute Resolution Office; the Governor’s Office of Crime Control and Prevention (GOCCP); the State Commission on Criminal Sentencing Policy; the Governor’s Grants Office; and the State Labor Relations Board. The Department of Legislative Services prepares a separate analysis for GOCCP. The fiscal 2015 baseline includes a \$50,000 increase in special funds to the Governor’s Office of Community Initiatives for Maryland’s Asian American Business Conference’s annual event and outreach activities statewide.

D15A0516 Governor’s Office of Crime Control and Prevention

GOCCP is responsible for the development of Maryland’s Comprehensive State Crime Control and Prevention Plan. GOCCP also administers many of the State’s law enforcement grants and performs strategic planning, statistical analysis, and best practices research. Funding for Police Aid is discussed in the Aid to Local Governments section. The fiscal 2015 baseline includes a \$673,183 increase in general funds for the State Aid for Police Protection Grant Program.

D16A06 Secretary of State

The Office of the Secretary of State monitors and enforces the standards of law in a variety of areas, including charitable solicitations; notaries; condominiums; and certifications and publication of State regulations. An adjustment of \$24,346 in general funds was made to the fiscal 2015 baseline in order to add a 0.5 full-time equivalent (FTE) to support additional workload created by changes to the approval of notary public applications (Chapter 450 of 2013).

D25E03 Interagency Committee on School Construction

School construction spending is shared by the State and local government. The Interagency Committee on School Construction administers the State Public School Construction Program under the authority of the Board of Public Works (BPW). The fiscal 2015 baseline budget assumes a decrease in payment toward Technology in Maryland Schools due to the completion of the master equipment lease.

D26A07 Department of Aging

The Department of Aging has responsibility for administering community-based long-term care programs and services for older Marylanders, evaluating services they need, and determining the extent to which public and private programs meet those needs. Due to lower federal funds as a result of federal budget cuts referred to as the “sequester,” \$1.4 million in special funds from the Dedicated Purpose Account was transferred to the department to support senior services such as home-delivered and congregate meals, programs that are normally funded with federal grants. The baseline does not anticipate the return of federal funds for these programs, and general funds are used in their place.

D28A03 Maryland Stadium Authority

The Maryland Stadium Authority manages facilities for professional baseball and football teams and studies, constructs, and finances other projects such as convention centers. The baseline includes updated debt service payments for the Baltimore City Convention Center (BCCC), the Ocean City Convention Center (OCCC), the Montgomery County Conference Center, and the Hippodrome Performing Arts Center. Additionally, the baseline assumes updated estimates of the State’s share of the operating deficits for the BCCC and the OCCC. This includes a fiscal 2014 deficiency for the BCCC’s operating deficit.

D38I01 State Board of Elections

The State Board of Elections (SBE) supervises and manages elections and ensures compliance with State and federal election laws. The fiscal 2015 baseline includes funding to begin the implementation of an optical scan voting system, which is required under Chapters 547 and 548 of 2007 but has not been implemented. The fiscal 2014 budget included funds for the planning of the new system only. These funds (\$1.15 million) are removed in the baseline. A total of \$12.6 million is included in the fiscal 2015 baseline for the optical scan system. A portion of these funds, \$5.5 million, represents the general fund share of the costs of one lease payment for the optical scan system, ballot marking devices for use by voters with disabilities, ballot on demand printers for efficiency in the early voting process, and the purchase of optical scan related equipment, as well as related contractual services included in the Major Information Technology Development Project Fund. The remaining funds (\$7.1 million) represent the local share of those costs (\$5.5 million) and the State (\$0.8 million) and local share (\$0.8 million) of other necessary costs related to this system (ballot printing, supplies, maintenance, and voter outreach).

Other adjustments to SBE’s fiscal 2015 baseline:

- provides one-time deficiency funding from the Fair Campaign Financing Fund to conduct studies required in Chapters 157 and 158 of 2013 (Improving Access to Voting) (\$250,000);
- adds funding to support certain software licenses and program costs due to the end of some terms of the settlement related to the existing voting system in 2011 (\$490,000);
- adds four positions and associated funding for personnel and information technology (\$216,606) needed to implement Chapter 419 of 2013;
- provides ongoing funding associated with the implementation of Chapters 157 and 158 of 2013;
- adds funding related to the annual salary review; and
- removes the final payment for the existing voting system and ePollbooks purchased for the 2008 elections (\$3.6 million).

D40W01 Maryland Department of Planning

The Maryland Department of Planning develops, coordinates, reviews, and monitors public and private-sector plans for growth and development in the State. The fiscal 2015 baseline assumes an increase of \$0.1 million in general funds in the administration program for an information technology consultant to upgrade the Capital Improvement Database as part of the Baltimore City Schools Construction and Revitalization Act of 2013 (Chapter 647 of 2013).

D50H01 Military Department

The Military Department provides overall direction, development, and maintenance of the Maryland National Guard, which is comprised of the Maryland Army Guard and the Maryland Air Guard. The fiscal 2015 baseline includes a small increase in general funds due to an annual salary review.

D50H0106 Maryland Emergency Management Agency

The Maryland Emergency Management Agency (MEMA) is operated by the Military Department. MEMA works with local, State, federal, private, and volunteer organizations to provide overall statewide direction, development, implementation, and coordination of emergency response activities. Major changes to the 2015 baseline budget are as follows:

- an increase of \$510,983 in special funds to the Volunteer Company Assistance Fund to reflect the collection of additional special fund revenues anticipated by imposing a \$7.50 surcharge on moving violations to any *fine* rather than to *court costs*, per Chapter 425 of 2013; and
- an increase of \$1.7 million in special funds from the Maryland Emergency Medical System Operations Fund to the Senator William H. Amoss Fire, Rescue, and Ambulance Fund, per the Transportation Infrastructure Investment Act of 2013 (Chapter 429 of 2013).

D53T00 Maryland Institute for Emergency Medical Services Systems

The Maryland Institute for Emergency Medical Services Systems oversees and coordinates all components of the State's emergency medical services system. Major changes to the 2015 baseline budget are as follows:

- an increase of \$29,326 in special funds to reflect the annualized costs of a lease purchase to upgrade server equipment;
- an increase of \$52,110 in special funds due to an annual salary review;
- an increase of \$165,000 in special funds to cover the cost of emergency medical technician and responder testing;
- a decrease of \$427,513 in special funds to back out one-time expenditures in fiscal 2014 to purchase radios for the 700 MHz communication system project; and
- an increase of \$1,548,421 in special funds to cover maintenance costs of the communication system.

D55P00 Department of Veterans Affairs

The Department of Veterans Affairs provides a variety of administrative, outreach, and support services to the State's veterans, their families, dependents, and survivors, manages five veterans' cemeteries, and the Charlotte Hall Veterans Home (CHVH) in St. Mary's County. There were four baseline adjustments made for this department:

- CHVH contracts with a medical services provider for care administered within the home, and the contract includes a management fee that declines as the home's population increases. The fiscal 2014 budget overestimated the average monthly population and the

baseline estimate includes a deficiency appropriation of \$540,000 to cover higher than budgeted management contract fees.

- The department also indicated a likely shortfall in operating expenses by \$250,000 in general funds.
- The Maryland Veterans Trust and Fund, created by Chapter 681 of 2013, creates the Maryland Veterans Trust as a corporate body and transfers authority of the Maryland Veterans Trust Fund from the department to the Maryland Veterans Trust, resulting in a \$100,000 reduction in special funds as they are transferred from the department to the trust.
- Finally, general fund expenditures are expected to increase by \$11,875 as a result of a completed capital project at the Rocky Gap Veterans Cemetery.

D60A10 State Archives

The State Archives preserves, describes, and makes accessible – to government and the public – records deemed to have permanent historical, educational, and administrative value. The following adjustments were made to the fiscal 2015 budget:

- \$4,629 in general funds for the annual salary review;
- an increase of \$24,457 in general funds to comply with legislation passed during the 2013 session (Chapter 603). Chapter 603 requires funding for a part-time contractual employee and operating equipment associated with the Commission on the Commemoration of the 100th Anniversary of the Passage of the 19th Amendment to the United States Constitution; and
- a general fund increase of \$70,000 to fund fine art conservation requested in the *Joint Chairmen’s Report*.

D79Z02 Maryland Health Insurance Plan

The Maryland Health Insurance Plan (MHIP) administers the State’s health insurance policy of last resort and the Senior Prescription Drug Assistance Program, which provides a limited prescription drug subsidy for seniors on Medicare. With the availability of insurance coverage regardless of pre-existing medical conditions through the Maryland Health Benefit Exchange starting January 1, 2014, the fiscal 2015 baseline budget assumes the end of the federally funded pre-existing condition insurance plan established by the federal Affordable Care Act and administered by MHIP. It is estimated that this will result in the termination of

1,618 members. MHIP also plans to end its subsidized plan options, MHIP State Plus, which provides additional subsidies for low- and moderate-income individuals. Again, members currently covered through these plans will be able to access insurance products through the Exchange. An estimated 7,132 MHIP State Plus members will see MHIP coverage terminated. Again, the fiscal 2015 baseline anticipates a reduction in spending based on this change.

For the remaining 13,202 members that are estimated to remain in MHIP coverage after January 1, 2014, although there is an expectation that they will also transition from coverage through MHIP to the Exchange, there is currently no time-line for this transition.

D80Z01 Maryland Insurance Administration

The Maryland Insurance Administration is an independent State agency that regulates Maryland's insurance industry and enforces the State's insurance laws. The following adjustments were made in the fiscal 2015 baseline budget:

- a reduction of \$69,100 in special fund payments to contractual employees used to prepare analyses and reports on the practices of corporate and individual sureties in the State, which was required by Chapter 299 of 2012. Fewer contractual employees will be required in fiscal 2015; and
- a reduction of approximately \$1.4 million in special funds to reflect the progress in the updating of the Enterprise Complaint Tracking System, a browser-based document management system intended to improve the agency's complaint resolution efficiency percentages.

D99A11 Office of Administrative Hearings

The Office of Administrative Hearings holds hearings in contested cases involving State agencies as well as provides mediations during foreclosures pursuant to Chapter 485 of 2010. The fiscal 2015 baseline includes an additional \$306,867 in special funds to provide for more administrative law judges to conduct foreclosure mediations due to large increases in requests for those mediations.

E00A Comptroller of the Treasury

The Comptroller of the Treasury is charged with the general supervision of the State's fiscal matters, including collecting taxes, distributing revenues, and administering financial accounts. Major changes to the fiscal 2015 baseline budget include:

- \$37,869 in general funds for the annual salary review;

- a fiscal 2014 general fund deficiency of \$400,000 to fund 11 contractual employees and computer equipment to research tax filings for undocumented individuals applying for State ID cards;
- a fiscal 2014 general fund deficiency of \$500,000 for an independent audit of the agency's information technology (IT) data and systems security;
- an increase of \$3,549,600 in general funds and \$626,400 in special funds to assume the operations and maintenance of the Data Warehouse;
- an additional \$340,000 in special funds to solicit bids for a new tax return processing and collections system vendor;
- an increase of \$75,000 in general funds to fund the statewide independent audit contract increase;
- an increase of \$60,000 in general funds to fund the Statistics of Income reports development contract increase;
- an additional \$90,000 in special funds to upgrade the Field Enforcement Division's vehicle radios to the new 700 MHz radio system; and
- an increase of \$570,330 in general funds to comply with legislation passed during the 2013 session (Chapters 278, 279, 313, 390, 513, 517, 518, and 659). The Acts require tax form changes and related computer expenses associated with modifications to the State income tax.

E75D State Lottery Agency

The State Lottery Agency is responsible for administering and operating lottery games that generate revenue for the State and for regulating the gaming industry. The baseline reflects a small increase in the contracts for the online lottery games and instant ticket game vendors.

The fiscal 2015 baseline also reflects changes to the video lottery terminal (VLT) and gaming program as enacted by Chapter 1 of the Second Special Session of 2012. Specifically, the baseline includes \$52.0 million for the cost of leasing VLTs for four facilities. This cost is reduced from the fiscal 2014 budget due to the change in ownership of the majority of VLTs from State ownership to facility ownership in March 2015. The savings to the State from the transfer of ownership, estimated at \$44.2 million, will be credited to the Education Trust Fund as required by Chapter 1. The baseline also reflects the additional costs of a fifth gaming facility to open in early fiscal 2015. The costs (\$536,395) include an increase in lottery agency personnel to staff the facility in Baltimore City. Conversely, the lottery will incur one-time costs related to

the Baltimore City facility in fiscal 2014 that will not be reflected in the fiscal 2015 baseline budget.

F50 Department of Information Technology

The Department of Information Technology (DoIT) provides IT leadership to manage State IT resources. DoIT's fiscal 2015 baseline budget adjustments relate to major IT projects funded by the Major Information Technology Development Project Fund (MITDPF) and major IT projects managed by DoIT for the Department of Budget and Management (DBM). The MITDPF adjustments are:

- rebuilding the cost of currently approved projects by adding \$8.0 million in general funds to reflect cash flow changes in statewide major IT projects. The most substantial increase is attributable to a \$7.0 million increase for the Medicaid Enterprise Restructuring Program;
- rebuilding the funding for the purchase of Public Safety Communications System equipment. DoIT advises that general fund costs are expected to increase to \$6.7 million, compared to \$3.4 million in fiscal 2014;
- modifying budget system replacement to reflect spending levels projected in the Information Technology Project Request;
- rebuilding project oversight by adding \$1.2 million to reflect increased use of oversight contracts; and
- adding \$5.5 million in general funds for an Optical Scan Voting System project required by Chapters 547 and 548 of 2007. The project supports the operations of SBE.

DoIT is also managing two IT projects for DBM. The baseline adjusts the cash flow of these projects. DoIT advises that the cost estimates did not change between January and October 2012. The adjustments made will:

- reduce special funds for the Central Collection Unit project by \$3.2 million (from \$4.1 million in fiscal 2014 to \$0.9 million in fiscal 2015); and
- reduce the reimbursable funds appropriated for the Statewide Personnel System project to \$15.0 million. Fiscal 2014 appropriations totaled \$25.8 million. Approximately 88% of the appropriation is supported by general funds. Consequently, the baseline assumes that approximately \$13.2 million of the fiscal 2015 cost is supported by general funds.

G20J01 State Retirement Agency

The State Retirement Agency, under the supervision of a board of trustees, manages the pension fund. It also administers retirement, death, and disability benefits for more than 250,000 current and former teachers and State and municipal employees. The fiscal 2015 baseline reflects a reduction of \$200,000 due to a one-time expenditure in fiscal 2014 to upgrade the agency's interactive voice response system. Also, special fund expenditures are expected to decrease by \$118,000 in fiscal 2015 for the second year of the data scrubbing component of the Maryland Pension Administration System.

H00 Department of General Services

The Department of General Services performs a variety of functions including planning, design, and construction management; facilities maintenance; procurement of goods and services; receipt and distribution of excess property; and provision of real estate services. Major changes to the fiscal 2015 baseline budget include:

- \$11,680 in general funds for the annual salary review;
- an additional \$50,000 in general funds for the new governor's transition;
- a fiscal 2014 general fund deficiency of \$720,166 to update the agency's IT system;
- an additional \$1,153,792 to fund contract increases for security services and maintenance services;
- an increase of \$227,300 in general funds to comply with legislation passed during the 2013 session. Chapters 343 and 437/438 each require a new position, with a total estimated cost of \$80,000. The remaining \$147,300 of this general fund increase is to handle the volume of Baltimore City Public School construction project reviews associated with Chapter 647 of 2013;
- an additional \$289,109 in reimbursable funds for fuel maintenance equipment through the Master Equipment Purchase Lease Program; and
- a reduction of \$10,750 in the debt service payment for the Calvert Street Garage.

K00A Department of Natural Resources

The Department of Natural Resources manages the protection, enhancement, and use of the State's natural resources. The fiscal 2015 baseline assumes the following adjustments:

- An increase of \$7.5 million in special funds in Watershed Services for a total of \$38.9 million to reflect funding of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund based on estimated revenues and a Chapter 1 of the First Special Session of 2012 provision transferring \$8.0 million of the revenues to the general fund;
- a decrease of \$1.5 million in federal funds in Fisheries Service based on the anticipated final National Oceanic and Atmospheric Administration's federal crab fishery disaster designation funding;
- an increase of \$1.2 million in special funds to reflect the backfilling of Program Open Space (POS) administrative expense special funds that replace a commensurate amount of general funds per the provision in the BRFA of 2013;
- a decrease of \$0.5 million in special funds in the IT Service program for final formal development cost of the Maryland Outdoor Customer Service Delivery System information technology project;
- an increase of \$0.2 million in special funds, four positions, and two contractual FTEs in the Maryland Park Service to reflect operating expenses associated with the Harriet Tubman Underground Railroad State Park capital project;
- an increase of \$0.1 million in general funds to reflect the voluntary fitness bonus for Natural Resources Police officers as part of the State Law Enforcement Officers Labor Alliance agreement;
- an increase of \$0.1 million in special funds in the Boating Services program for contractual costs associated with developing required reports and staffing the Task Force to Study Enhancing Boating and Boating Industry in Maryland as part of Chapter 180 of 2013;
- a decrease of \$0.1 million in special funds in the Land Acquisition and Planning Program to reflect revenue adjustments associated with Chapter 603 of 2012, which created the Calvert County Youth Recreational Opportunities Fund for increasing youth recreational opportunities in the county; and
- a decrease of less than \$0.1 million in special funds in the Forest Service Program to reflect final fire assistance program equipment and vehicle lease payment costs.

L00A Maryland Department of Agriculture

The Maryland Department of Agriculture administers and promotes agricultural services and activities throughout the State. The fiscal 2015 baseline includes the following adjustments:

- an increase of \$1.1 million in general funds in the Maryland Agricultural and Resource-Based Industry Development Corporation to reflect a provision in Chapter 1 of the First Special Session of 2012, which raises the funding level from \$2,875,000 in fiscal 2014 to \$4,000,000 in fiscal 2015;
- an increase of \$0.8 million in special funds in State Board of Veterinary Medical Examiners to reflect the personnel costs, operating expenditures, and grants associated with implementing the Spay/Neuter Fund set up by Chapters 561 and 562 of 2013;
- a decrease of \$0.1 million in the Executive Direction Program to reflect the end of computer hardware lease payment costs; and
- a \$0.1 million increase in special funds in Marketing and Agriculture Development to reflect the operating expenses associated with the Tobacco Transition Program.

P00 Department of Labor, Licensing, and Regulation

The Department of Labor, Licensing, and Regulation is responsible for administering programs related to business regulation, worker safety, occupational and professional licensing, workforce development, and unemployment insurance. The fiscal 2015 baseline reflects the costs associated with new legislation that expands enforcement of prevailing wage regulations and expands cosmetology licenses (Chapters 630 and 412 of 2013, respectively). The baseline also assumes increases in the funds related to the State's VLT program. Specifically, special funds are increased for local impact aid and horse racing purse enhancements. However, funds for racetrack redevelopment are expected to decline in fiscal 2015 due to a change in the distribution of VLT revenues under Chapter 1 of the Second Special Session of 2012. Additionally, the baseline assumes that local impact aid from horse racing fees will remain at a reduced level due to flagging revenues. Finally, the baseline assumes that general funds (\$1.1 million) will supplant special funds used to mitigate the impact of the federal sequestration within adult education and workforce training programs.

R00A01 Maryland State Department of Education Headquarters

The Maryland State Department of Education coordinates the State's K-12 education policies. The fiscal 2015 baseline budget includes:

- a general fund deficiency of \$11.9 million for student assessment costs. A similar deficiency was provided in fiscal 2013 but fiscal 2014 funding levels were not increased at a commensurate level. It is assumed this amount will carry forward into the fiscal 2015 budget; and
- an increase of \$710,765 in general funds related to legislation passed during the 2013 session. Most of this is due to Chapter 372 (Maryland Center for School Safety). Small adjustments were made due to Chapter 647 (Baltimore City Schools Construction and Revitalization Act) and Chapter 451 (Charter Schools – Study to Recommend Improvements to the Maryland Public Charter School Program). Those pieces of legislation also resulted in \$993,868 in deficiencies for fiscal 2014.

R00A04 Children’s Cabinet Interagency Fund

The Maryland Children’s Cabinet works to ensure the effective, efficient, and comprehensive delivery of services to Maryland’s children and families by coordinating the programs, policies, and budgets of the State’s child-serving agencies. In the Children’s Cabinet Interagency Fund, an adjustment was made to replace \$1 million of the nonbudgeted funds assumed in the fiscal 2014 budget with general funds. Fiscal 2015 is the final year local agencies will use accrued prior year funds to support services, which had been used in the form of nonbudgeted funds.

R15P00 Maryland Public Broadcasting Commission

The Maryland Public Broadcasting Commission operates Maryland Public Television, the State’s public broadcasting affiliate. The following adjustments were made in the fiscal 2015 baseline budget:

- a reduction in Master Equipment Lease Purchase Program payments of \$256,344 in special funds;
- an increase of \$7,581 in general funds for the annual salary review;
- a fiscal 2014 budget amendment increased spending on special programming by approximately \$3.9 million. The special funds were raised after the enactment of the fiscal 2014 budget; and
- a reduction of \$2 million in one-time special funds used for special programming related to the War of 1812 commemorations.

R62I Maryland Higher Education Commission

The Maryland Higher Education Commission is the State's coordinating body for the 13 campuses of the University System of Maryland (USM), Morgan State University, St. Mary's College of Maryland, 16 community colleges, and the State's private colleges and universities. Adjustments to the fiscal 2015 baseline budget include the following:

- a decrease of \$0.1 million due to the conclusion of a study on regional higher education needs;
- an increase of \$4.6 million in general funds for the Sellinger Program for private institutions to reflect funding at 9.4% of the current year appropriation to select public four-year institutions on a per-student basis; and
- an increase of about \$2.1 million related to startup and administrative costs for a new financial aid program and for administration and incentive funding for a new college readiness and completion program, as enacted by Chapters 374 and 533 of 2013, respectively.

Financial aid programs were adjusted upward 5% to reflect an assumed tuition increase for undergraduates at USM institutions. The largest program, Educational Excellence Awards, increases by \$4.2 million for a total of \$88.2 million in general funds. Additional financial aid adjustments to the fiscal 2015 baseline budget include the following:

- a decrease of \$1,020,500 in general funds to the Distinguished Scholar Program to reflect its phasing out by fiscal 2016;
- an increase of \$358,000 so that the Charles W. Riley Tuition Reimbursement Program can phase into a scholarship program;
- an increase of \$430,500 to begin the Maryland First Scholarship; and
- an increase of \$62,739 in general funds in Workforce Shortage Student Assistance Grants due to the anticipated increase in tuition.

R99E01 Maryland School for the Deaf

The Maryland School for the Deaf (MSD) provides comprehensive preK-12 education to deaf students through day and residential programs. An adjustment is made in the fiscal 2015 baseline to reflect a fund swap due to sequestration. MSD also had a general fund adjustment of \$7,500 in fiscal 2014 due to the annual salary review.

S00A Department of Housing and Community Development

The Department of Housing and Community Development (DHCD) works to encourage homeownership, expand affordable rental housing, and revitalize communities. The fiscal 2015 baseline budget includes the following adjustments:

- an increase of \$16,373 in federal funds for the annual salary review;
- a reduction from \$5.0 million in fiscal 2014 to approximately \$3.4 million in fiscal 2015 in special funds received from the Mortgage Loan Servicing Practices Settlement Fund;
- a \$6.0 million increase in general funds to reflect the costs associated with the agency's move of its headquarters from Crownsville to New Carrollton in fiscal 2015;
- a special fund deficiency of \$4.0 million in fiscal 2014 in the EmPOWER Maryland program, which provides DHCD \$70.8 million over three years from Maryland's electric utility companies. An adjustment from \$28.2 million (after the deficiency) in fiscal 2014 to \$26.1 million in fiscal 2015 was also made;
- a special fund increase from \$2.65 million in fiscal 2014 to \$13.0 million in fiscal 2015 from the Consumer Investment Fund, which provides DHCD \$28.0 million over three years for weatherization programs. The funds are being used, in part, to pay for 10 new full-time positions added in this adjustment; and
- an expected \$10.9 million amendment in fiscal 2014 for an increase in federal funds from the U.S. Department of Housing and Urban Development for the administration of the Section 811 program.

T00 Department of Business and Economic Development

The Department of Business and Economic Development aims to increase business investment and promote job creation. The fiscal 2015 baseline includes an increase in funding under the department's Enterprise Fund. This represents the final year of funding for the InvestMaryland Program. Also, the baseline assumes an increase (\$5.7 million) in the Small, Minority, and Women-Owned Business account based on the increase in the VLT proceeds expected in fiscal 2015. The baseline for the State Arts Council and the Maryland Tourism Board reflect spending levels that are mandated by statute. Finally, the fiscal 2015 baseline restores the funding that was eliminated in fiscal 2014 for the Preservation of the Cultural Arts Program (\$1.9 million).

U00A Maryland Department of the Environment

The Maryland Department of the Environment is responsible for protecting and restoring the quality of the State's air, land, and water resources and safeguarding citizens from health risks associated with pollution. The fiscal 2015 baseline includes the following adjustments:

- a decrease of \$3.0 million in special funds in the Waste Management Administration Program to reflect unneeded special fund appropriation due to general fund appropriation in the fiscal 2014 supplemental budget that was provided as a result of the failure of Senate Bill 875 (2013 session) to increase the fee assessed on oil transferred into the State;
- a decrease of \$0.3 million in special funds in the Bay Restoration Fund Debt Service based on current Bay Restoration Fund revenue bond issuance projections for fiscal 2014 and thus a modified debt service schedule; and
- a decrease of \$0.1 million in general and special funds in the Coordinating Offices program to reflect reduced master lease payments across the agency.

W10A00 Department of State Police

The Maryland State Police exists to safeguard persons within the State, protect property, and assist in providing all persons equal protection under the law. Major changes to the fiscal 2015 baseline budget include the following:

- an increase of \$200,000 for a new inspection and billing program for the Office of the State Fire Marshal;
- a decrease of \$200,000 to remove one-time expenses in fiscal 2014 for the Gun Center;
- an increase of \$322,663 in general (\$84,054) and special (\$238,609) funds due to an annual salary review, primarily for aviation pilots, technicians, and inspectors;
- a decrease of \$450,000 in general funds to reflect a transfer of funds to DoIT in fiscal 2014 to provide automation for the Licensing Division;
- a decrease of \$315,000 in general funds to reflect fiscal 2015 costs of space leased in fiscal 2014 for the Licensing Division surge to address the backlog of firearm applications;
- a decrease of \$524,373 in general funds to remove one-time expenses in fiscal 2014 to enact the Firearm Safety Act of 2013 (Chapter 427);

- a decrease of \$550,000 in general funds to remove a fiscal 2014 deficiency expected for the Licensing Division to address the backlog of firearm applications;
- a decrease of \$481,594 in general funds to reflect fiscal 2015 costs of trailers leased in fiscal 2014 for the Licensing Division to remove staff during renovations to the building;
- an increase of \$617,750 in general (\$123,550) and special (\$494,200) funds to hire 10 additional pilots starting in fiscal 2014, as approved by BPW;
- an increase of \$632,131 in general funds for a physical fitness bonus for sworn officers in fiscal 2015, as part of a collective bargaining agreement for the State Law Enforcement Officers Labor Alliance;
- an increase of \$690,736 in general (\$138,147) and special (\$552,589) funds to hire 10 additional pilots in fiscal 2015 based on legislative intent expressed in the Transportation Infrastructure Act of 2013 (Chapter 429);
- an increase of \$882,437 in general (\$176,487) and special (\$705,950) funds to increase pilot salaries to at least \$70,000 based on legislative intent expressed in Chapter 429;
- a decrease of \$1.2 million in special funds for the Computer Aided Dispatch/Records Management System project; and
- an increase of \$2.7 million in special funds for the E-9-1-1 project.

Y01A State Reserve Fund

The State Reserve Fund baseline budget consists of the Revenue Stabilization Account (Rainy Day Fund), Dedicated Purpose Account (DPA), and Catastrophic Event Account. There is no activity projected in the DPA or the Catastrophic Event Account.

The Rainy Day Fund was created to retain revenues to meet future needs. Section 7-311 of the State Finance and Procurement Article requires that an amount equal to the unappropriated general fund surplus exceeding \$10.0 million from two fiscal years prior to the allowance year shall be appropriated into the Rainy Day Fund. An appropriation totaling \$50.0 million is also required if projected revenues are less than 7.5% of general fund revenues. Fiscal 2013 ended with an unappropriated general fund balance totaling \$238.2 million, requiring a \$228.2 million appropriation into the Rainy Day Fund.

Expenditures, Funds, and Positions for Other State Agencies
Fiscal 2012-2015
(\$ in Thousands)

<u>Expenditures</u>		<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Working</u> <u>Approp.</u>	<u>2014</u> <u>Leg. Approp.</u>	<u>2015</u> <u>Baseline</u>	<u>2014-2015</u>	
						<u>\$</u> <u>Increase</u>	<u>%</u> <u>Increase</u>
B75	General Assembly	\$76,837,235	\$78,756,988	\$80,463,550	\$84,651,002	\$4,187,452	5.2%
C00A00	Judiciary	423,810,097	451,941,063	463,134,387	487,371,932	24,237,545	5.2%
C80B00	Office of the Public Defender	86,875,630	92,561,060	93,002,436	132,058,768	39,056,332	42.0%
C81C	Office of the Attorney General	23,812,740	26,705,991	26,845,502	32,836,978	5,991,476	22.3%
C82D00	Office of the State Prosecutor	1,260,898	1,256,091	1,285,063	1,513,207	228,144	17.8%
C85E00	Maryland Tax Court	582,678	578,276	605,486	632,122	26,636	4.4%
C90G00	Public Service Commission	18,425,923	16,602,897	43,774,658	46,391,309	2,616,651	6.0%
C91H00	Office of People's Counsel	3,375,194	3,528,810	3,506,260	3,938,649	432,389	12.3%
C94I00	Subsequent Injury Fund	1,961,778	2,174,534	2,147,847	2,232,322	84,475	3.9%
C96J00	Uninsured Employers' Fund	1,137,049	1,177,268	1,386,990	1,463,825	76,835	5.5%
C98F00	Workers' Compensation Commission	13,630,892	13,961,289	13,967,475	14,448,331	480,856	3.4%
D05E01	Board of Public Works	7,123,959	7,418,549	8,073,199	8,141,076	67,877	0.8%
D10A01	Executive Department – Governor	10,375,647	11,087,835	11,382,491	11,944,605	562,114	4.9%
D11A0401	Office of the Deaf and Hard of Hearing	319,231	330,631	329,101	346,681	17,580	5.3%
D12A02	Department of Disabilities	4,723,318	4,590,451	4,544,745	4,560,735	15,990	0.4%
D13A13	Maryland Energy Administration	23,817,920	32,747,626	26,972,304	46,823,620	19,851,316	73.6%
D15A05	Executive Dept. – Boards, Commissions and Offices	10,745,049	11,865,403	10,567,397	10,799,218	231,821	2.2%
D15A0516	Governor's Office of Crime Control and Prevention	101,611,274	97,317,144	118,400,408	119,352,550	952,142	0.8%
D16A06	Secretary of State	2,282,641	2,257,786	2,291,400	2,416,812	125,412	5.5%
D17B0151	Historic St Mary's City Commission	2,812,710	3,023,660	3,073,757	3,121,335	47,578	1.5%
D18A18	Governor's Office for Children & Interagency Fund	23,219,845	19,107,400	23,161,570	24,238,330	1,076,760	4.6%
D25E03	Interagency Committee on School Construction	3,091,379	1,718,543	1,767,370	1,745,210	-22,160	-1.3%
D26A07	Department of Aging	53,231,125	48,645,377	47,321,324	49,118,173	1,796,849	3.8%
D27L00	Maryland Commission on Civil Rights	3,147,016	3,109,727	3,120,872	3,264,037	143,165	4.6%
D28A03	Maryland Stadium Authority	37,054,834	34,898,465	34,745,855	35,058,054	312,199	0.9%
D38I01	State Board of Elections	22,588,974	18,642,539	18,907,781	22,139,497	3,231,716	17.1%
D39S00	Maryland State Board of Contract Appeals	622,269	633,676	654,515	715,155	60,640	9.3%
D40W01	Department of Planning	16,651,180	17,445,697	17,954,747	18,448,718	493,971	2.8%
D50H01	Military Department	24,384,358	26,096,446	24,897,255	25,605,267	708,012	2.8%
D50H0106	Maryland Emergency Management Agency	87,623,209	53,685,709	51,192,997	53,741,329	2,548,332	5.0%
D53T00	MD Institute Emergency Medical Services Systems	12,754,762	13,581,862	13,169,271	15,000,618	1,831,347	13.9%

<u>Expenditures</u>		<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Working</u> <u>Approp.</u>	<u>2014</u> <u>Leg. Approp.</u>	<u>2015</u> <u>Baseline</u>	<u>2014-2015</u>	
						<u>\$</u> <u>Increase</u>	<u>%</u> <u>Increase</u>
D55P00	Department of Veterans Affairs	20,041,940	22,632,051	21,261,400	22,124,194	862,794	4.1%
D60A10	State Archives	8,517,772	9,252,185	8,698,489	9,154,105	455,616	5.2%
D78Y01	Maryland Health Benefit Exchange	30,867,960	81,012,954	84,914,916	71,843,712	-13,071,204	-15.4%
D79Z02	Maryland Health Insurance Plan	148,054,146	203,632,522	202,521,156	123,188,124	-79,333,032	-39.2%
D80Z01	Maryland Insurance Administration	26,973,269	29,878,609	31,129,376	31,433,400	304,024	1.0%
D90U00	Canal Place Preservation and Development Authority	499,821	544,067	653,867	665,927	12,060	1.8%
D99A11	Office of Administrative Hearings	674,304	1,163,021	877,450	1,243,041	365,591	41.7%
E00A	Comptroller of Maryland	93,324,508	98,215,276	99,465,193	108,897,272	9,432,079	9.5%
E20B	State Treasurer	5,642,086	7,735,075	7,604,601	7,808,965	204,364	2.7%
E50C	State Department of Assessments and Taxation	47,012,404	50,807,133	51,659,669	54,864,200	3,204,531	6.2%
E75D	State Lottery and Gaming Control Agency	153,027,749	314,165,246	155,854,327	180,747,477	24,893,150	16.0%
E80E	Property Tax Assessment Appeals Boards	967,654	985,891	1,042,549	1,139,944	97,395	9.3%
F10A	Department of Budget and Management – Secretary	19,121,012	21,516,629	21,237,736	21,397,295	159,559	0.8%
F10A02	Department of Budget and Management – Personnel	21,203,458	22,256,298	108,230,105	9,733,068	-98,497,037	-91.0%
F50	Department of Information Technology	25,550,630	63,670,526	43,797,198	64,063,804	20,266,606	46.3%
G20J01	State Retirement Agency	25,535,432	3,464,851	18,008,025	18,311,310	303,285	1.7%
G50L00	Maryland Supplemental Retirement Plans	1,482,557	1,504,513	1,527,145	1,556,623	29,478	1.9%
H00	Department of General Services	58,881,362	59,224,855	65,981,900	69,030,836	3,048,936	4.6%
K00A	Department of Natural Resources	180,778,559	199,504,384	210,893,710	220,791,844	9,898,134	4.7%
L00A	Department of Agriculture	69,710,062	66,947,962	61,758,799	64,969,022	3,210,223	5.2%
P00	DLLR Workforce Development	204,607,015	201,853,684	203,359,933	210,020,739	6,660,806	3.3%
P00C	DLLR Business Regulation	64,220,674	118,453,265	128,379,787	175,517,369	47,137,582	36.7%
R00A01	MSDE Headquarters	260,764,883	292,830,188	256,014,963	276,504,814	20,489,851	8.0%
R00A03	MSDE Funding for Educational Organizations	27,025,389	27,230,860	32,001,824	32,001,824	0	0.0%
R00A99	MSDE Early Childhood Development	136,072,668	140,617,657	140,669,972	146,167,930	5,497,958	3.9%
R15P00	Maryland Public Broadcasting Commission	23,990,124	25,971,598	24,773,161	26,913,960	2,140,799	8.6%
R62I0001	Maryland Higher Education Commission	75,240,054	72,388,018	76,316,217	83,002,312	6,686,095	8.8%
R62I0010	MHEC – Student Financial Assistance	102,341,132	109,400,037	106,870,773	114,172,667	7,301,894	6.8%
R99E	Maryland School for the Deaf	28,083,557	28,601,528	29,419,233	29,514,677	95,444	0.3%
S00A	Department of Housing and Community Dev.	316,499,897	313,499,329	315,291,811	346,074,305	30,782,494	9.8%
S50B	Maryland African American Museum Corporation	2,450,000	2,430,000	2,000,000	2,000,000	0	0.0%
T00	Department of Business and Economic Dev.	90,369,326	124,254,306	134,937,515	145,111,456	10,173,941	7.5%
T50T01	TEDCO – Maryland Technology Development Corp.	15,673,192	18,573,192	18,573,192	18,573,192	0	0.0%

<u>Expenditures</u>		<u>2012 Actual</u>	<u>2013 Working Approp.</u>	<u>2014 Leg. Approp.</u>	<u>2015 Baseline</u>	<u>2014-2015</u>	
						<u>\$ Increase</u>	<u>% Increase</u>
U00A	Department of the Environment	114,424,419	131,030,010	131,262,697	132,585,653	1,322,956	1.0%
W10A00	Department of State Police	282,868,734	300,888,261	310,328,044	348,295,396	37,967,352	12.2%
Y01A	State Reserve Fund	15,000,000	37,757,774	55,256,263	228,213,999	172,957,736	313.0%
Total		\$3,797,388,563	\$4,301,342,548	\$4,315,221,009	\$4,661,753,920	\$346,532,911	8.0%
Fund							
	General Fund	\$1,797,173,632	\$1,886,613,327	\$2,129,894,189	\$2,411,149,527	\$281,255,338	13.2%
	Special Fund	997,033,878	1,394,653,967	1,222,648,298	1,328,922,086	106,273,788	8.7%
	Federal Fund	1,003,181,053	1,020,075,254	962,678,522	921,682,307	-40,996,215	-4.3%
Total		\$3,797,388,563	\$4,301,342,548	\$4,315,221,009	\$4,661,753,920	\$346,532,911	8.0%

DLLR: Department of Labor, Licensing, and Regulation
MHEC: Maryland Higher Education Commission
MSDE: Maryland State Department of Education
TEDCO: Maryland Technology Development Corporation

Debt Service

State tax supported debt includes general obligation (GO) bonds sold by the State Treasurer and Consolidated Transportation Bonds sold by the Maryland Department of Transportation (MDOT). GO bonds are secured by the full faith and credit of the State and are supported by property taxes and other funds, such as premiums realized at bond sales deposited into the Annuity Bond Fund (ABF). Transportation bonds are supported by pledged taxes (motor fuel taxes, vehicle excise taxes, motor vehicle registration fees, and a portion of the corporate income tax) and other Transportation Trust Fund revenues (such as modal operating revenues).

Expenditures and Funds for Debt Service Fiscal 2012-2015 (\$ in Thousands)

	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Working</u>	<u>2014 Leg.</u> <u>Approp.</u>	<u>2015</u> <u>Baseline</u>	<u>2014-2015</u> <u>Increase % Increase</u>	
Expenditures						
MDOT Debt Service Requirements	\$172,342	\$191,915	\$212,224	\$253,000	\$40,776	19.2%
Public Debt	878,209	922,666	983,125	1,044,866	61,741	6.3%
Total	\$1,050,551	\$1,114,582	\$1,195,349	\$1,297,866	\$102,517	8.6%
Fund						
General Fund	\$0	\$0	\$83,000	\$233,000	\$150,000	180.7%
Special Fund	1,039,053	1,102,429	\$1,099,968	1,052,485	-47,483	-4.3%
Federal Fund	11,498	12,152	12,381	12,381	0	0%
Total	\$1,050,551	\$1,114,582	\$1,195,349	\$1,297,866	\$102,517	8.6%

MDOT: Maryland Department of Transportation

Public Debt

The fiscal 2014 budget for GO bond debt service reflects steady increases in debt issuance, from \$675 million in fiscal 2007 to approximately \$1 billion annually since fiscal 2010. Reflecting these changes, debt service costs are increased by \$62 million in the fiscal 2015 baseline.

Federal funds represent the federal reimbursement for Build America Bonds, Qualified Zone Academy Bonds, Qualified School Construction Bonds, and Qualified Energy Conservation Bonds issued by the State. Federal reimbursements are affected by sequestration.

The State Treasurer's Office expects that fiscal 2014 will be reduced by \$1.1 million if sequestration remains in place the entire year.

The largest revenue source for the ABF is State property taxes. The current rate is \$0.112 per \$100 of assessable base. In recent years, debt service costs have increased at a higher rate than State property tax revenues. Fiscal 2015 State property tax receipts are projected to be \$711 million compared to debt service costs that total \$1,044 million (after adjusting for federal funds and savings from bond refunding). Since the baseline budget assumes that tax rates remain constant, a shortfall in the ABF would require a general fund appropriation. General fund appropriations are offset by \$138 million in bond sale premiums expected from four bond sales in fiscal 2014 and 2015. The assumption is that the Federal Reserve Board's low interest rate policies will remain in place through fiscal 2015.

Maryland Department of Transportation Bonds

MDOT's fiscal 2015 baseline budget debt service requirements represent steady increases in debt issuance. The baseline adjustments reflect large bond issuances from fiscal 2008 to 2010 and fiscal 2012 to 2014.

PAYGO Capital Programs

The baseline for capital programs includes programs funded with pay-as-you-go (PAYGO) funds for economic development, housing, and environmental programs for which the use of tax-exempt general obligation (GO) debt is limited under federal tax guidelines. In addition, the baseline includes estimated funding for transportation programs supported by Transportation Trust Fund revenues, federal funds, and transportation revenue bonds.

The baseline assumes that the State's fiscal condition will continue to restrain the use of general funds to support grant and loan programs administered by the Department of Housing and Community Development (DHCD) and the Maryland Department of the Environment. Accordingly, the baseline maximizes the use of estimated special and federal funds with the goal of level funding programs to the fiscal 2014 legislative appropriation or to the level of anticipated fiscal 2015 encumbrance activity programmed in the State five-year *Capital Improvement Program* (CIP). However, to the extent that these funds are not sufficient to level fund the programs, the use of GO bond funds may be considered in much the same manner that bond funds have been used in place of general funds in recent budgets. The baseline assumes that special fund revenues, in particular those derived from the State transfer tax, will be partially transferred to the general fund consistent with the multi-year transfer plan included in the Budget Reconciliation and Financing Act of 2013 (Chapter 425). The baseline assumes all other special funds will be available and distributed according to statutory requirements.

**Expenditures, Funds, and Positions for
PAYGO Capital Programs
Fiscal 2012-2015
(\$ in Thousands)**

	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Working</u>	<u>2014</u> <u>Leg. Approp.</u>	<u>2015</u> <u>Baseline</u>	<u>2014-2015</u> <u>Increase</u>	<u>% Increase</u>
Expenditures						
Board of Public Works (BPW)	\$0	\$0	\$3,950	\$0	-\$3,950	-100.0%
BPW – Public School Construction	47,500	0	25,000	0	-25,000	-100.0%
Maryland Energy Administration	3,703	4,250	10,850	3,200	-7,650	-70.5%
Department of Planning	7,032	7,120	10,100	200	-9,900	-98.0%
Military Department	28,073	18,723	1,998	0	-1,998	-100.0%
MIEMSS	0	0	0	8,541	8,541	0.0%
Department of Veterans Affairs	3,765	700	6,397	2,950	-3,447	-53.9%
DoIT	46,063	51,678	9,838	0	-9,838	-100.0%
MDOT Secretary's Office	27,147	87,093	100,419	102,020	1,601	1.6%
WMATA	129,926	132,449	153,149	133,100	-20,049	-13.1%
MDOT – SHA	894,517	951,208	987,271	1,273,039	285,768	29.0%
MDOT – MPA	58,532	103,750	113,588	109,931	-3,656	-3.2%
MDOT – MVA	12,514	23,792	26,445	21,791	-4,654	-17.6%
MDOT – MTA	380,690	451,895	538,285	563,885	25,600	4.8%
MDOT – MAA	61,615	73,675	79,143	90,007	10,864	13.7%
Department of Natural Resources	4,288	18,335	36,909	64,288	27,379	74.2%
Department of Agriculture	12,204	9,592	24,380	29,253	4,873	20.0%
DPSCS	2,100	7,900	0	0	0	0.0%
DHCD	42,186	67,550	48,915	47,250	-1,665	-3.4%
Department of the Environment	163,000	349,700	255,300	249,000	-6,300	-2.5%
Total	\$1,924,854	\$2,359,411	\$2,431,936	\$2,698,455	\$266,519	11.0%
Fund						
General Fund	\$54,500	\$3,200	\$49,864	\$1,400	-\$48,464	-97.2%
Special Fund	867,479	1,346,417	1,371,219	1,884,004	512,784	37.4%
Federal Fund	990,506	990,672	1,000,691	803,979	-196,712	-19.7%
Reimbursable Fund	12,369	19,122	10,162	9,073	-1,089	-10.7%
Total	\$1,924,854	\$2,359,411	\$2,431,936	\$2,698,455	\$266,519	11.0%
Personnel						
Regular Positions	1,820.0	1,737.0	1,737.0	1,737.0	0.0	0%
Full-time Equivalent Contractuals	25.0	22.0	21.0	21.0	0.0	0%

DHCD: Department of Housing and Community Development

DoIT: Department of Information Technology

DPSCS: Department of Public Safety and Correctional Services

MDOT: Maryland Department of Transportation

MIEMSS: Maryland Institute for Emergency Medical Services Systems

MAA: Maryland Aviation Administration

MPA: Maryland Port Administration

MTA: Maryland Transit Administration

MVA: Motor Vehicle Administration

SHA: State Highway Administration

WMATA: Washington Metropolitan Area Transit Authority

Board of Public Works

Several one-time grants funded with general funds in the aggregate amount of \$3.95 million are removed from the baseline estimate for fiscal 2015. These include \$2.5 million for the Eastern Family Resource Center, \$1.35 million provided for continued revitalization of the East Baltimore Revitalization project, and \$100,000 for facility improvements at Parkville Middle School.

Board of Public Works – Public School Construction

The baseline removes \$25 million in general fund appropriations for security improvements at public schools. The one-year initiative supports a range of projects such as facility risk assessments, security cameras, photo identification systems for visitor sign-in, lockset changes for interior and exterior doors, hardening glass areas, relocating school office areas to a school's primary entrance area, and moving relocatable classrooms to improve supervision.

Maryland Energy Administration

The Maryland Energy Administration (MEA) operates two ongoing capital programs: the Jane E. Lawton Conservation Loan Program (JELLP), and the State Agency Loan Program (SALP). The JELLP provides low-interest loans for energy conservation projects to nonprofits, businesses, and local governments. The SALP provides zero interest loans with a 1% administrative fee for energy conservation projects to State agencies. The SALP loans have typically been made in conjunction with energy performance contracts. In fiscal 2014, MEA received general funds for one-time PAYGO programs for commercial and industrial energy efficiency programs, emergency generation at fuel stations, and the installation of electric vehicle charging stations at the MARC and Metrorail stations with parking lots. The fiscal 2015 baseline of the MEA PAYGO programs:

- removes the funding (\$7.2 million) for one-time general fund PAYGO programs;
- increases the funding for the JELLP from \$1.75 million to \$2.0 million consistent with MEA's planned loan activity; and
- removes the federal fund portion of the SALP appropriation (\$700,000) based on MEA's decision to wait until additional loan repayments are received before spending the federal fund portion of the SALP.

Maryland Department of Planning

The fiscal 2015 baseline estimate for the Maryland Department of Planning includes \$200,000 in special funds for the Maryland Historical Trust Revolving Loan Fund, which is consistent with the 2013 CIP and estimated special fund revenues. No funding is included in the baseline estimate for the Sustainable Communities Tax Credit Program since the program sunsets at the end of fiscal 2014 per Chapter 487 of 2010. It is anticipated that legislation extending the program will be introduced in the 2014 legislative session.

Military Department

The Military Department's capital improvements are typically made on a 75% federal and 25% State cost-share basis for eligible project costs. Grants from the National Guard Bureau provide the source for the federal fund portion of the cost-share. The baseline removes \$2 million in federal funds appropriated in the fiscal 2014 budget for the renovation of the Gunpowder Military Reservation Firing Range.

Maryland Institute for Emergency Medical Services Systems

The fiscal 2015 baseline includes \$8.5 million in special funds to continue renovations and systems replacement of the Maryland Institute for Emergency Medical Services Systems communication system. The project was initiated by budget amendment in fiscal 2013 and is estimated to cost \$12.0 million over five years. Funding is available through the Maryland Emergency Medical System Operations Fund, due to an increase of the motor vehicle registration fee authorized by Chapter 429 of 2013. The 2014 legislative appropriation does not reflect funding for the project, but a special fund budget amendment is expected to bring in \$2.5 million for the upgrade to continue.

Maryland Department of Veterans Affairs

The Department of Veterans Affairs management of veterans' cemeteries includes maintaining and expanding veterans' cemeteries as needed. The improvement and expansion of the cemeteries is an ongoing process, funded by the U.S. Department of Veterans Affairs. Capital spending on Maryland's veterans cemeteries programmed in the 2013 CIP is reduced from \$6.4 million in fiscal 2014 to \$3.0 million in fiscal 2015. Fiscal 2015 funding is anticipated for design of a project at Rocky Gap Veterans Cemetery and construction at the Eastern Shore Veterans Cemetery.

Department of Information Technology

The Department of Information Technology administers the One Maryland Broadband Network project. The project's objectives include the installation of approximately 1,300 miles of fiber optic lines across Maryland. These lines will be constructed in all 24 of Maryland's jurisdictions to connect over 1,000 community anchor institutions, such as schools, libraries, and government buildings. The total costs are estimated to be \$158.4 million, including \$115.2 million in federal funds. The remaining funds are GO bonds, State in-kind contributions, local funds, and other in-kind contributions. All federal funds must be expended by August 31, 2013. The fiscal 2015 baseline deletes federal funds since encumbrance of the federal grant funds is complete.

Maryland Department of Transportation

For Maryland Department of Transportation PAYGO capital programs, adjustments were made to conform to the draft *Consolidated Transportation Program: Fiscal 2014-2019*.

Maryland Department of Natural Resources

The fiscal 2015 baseline for the Department of Natural Resources' (DNR) Program Open Space (POS) includes \$43.7 million in special funds and \$3.0 million in federal funds reflecting a \$18.0 million increase over the fiscal 2014 legislative appropriation. The baseline assumes that transfer tax revenues used to fund POS will be allocated first in accordance with the statutory formula, and then distributed in accordance with provisions in Chapter 425 of 2013 which requires the transfer of \$75.1 million in overall transfer tax allocation PAYGO capital funding to the general fund. Chapter 425 also allows for \$1.2 million in transfer tax funding to be used in the operating budget for administrative expenses in fiscal 2014 and 2015. The increase in the baseline is accounted for by (1) the statutory formula allocation based on an estimated increase in transfer tax revenues; (2) a reduction in the amount transferred to the general fund from \$89.2 million in fiscal 2014 to \$75.1 million in fiscal 2015; and (3) the \$9.1 million overattainment in fiscal 2013 that impacts the fiscal 2015 estimate. In addition, the baseline includes \$3.0 million in federal funds, which is \$1.5 million less than fiscal 2014 legislative appropriation. Although GO bond funding is not included in the operating baseline budget, to fully appreciate the overall funding to DNR programs funded through the transfer tax, it is helpful to note planned and programmed GO bond funding to the extent it is used as a means of replacing transfer tax revenues diverted to the general fund instead of to programs as stipulated in statute. To this end, pre-authorization of \$41.6 million in GO bond funds comprised of \$18.9 million for POS State and \$22.8 million for POS local is programmed for fiscal 2015 in order to replace fiscal 2011, 2013, and 2014 State transfer tax funding directed to the general fund as part of actions to balance the operating budget.

The baseline includes \$9.2 million in special funds for the Rural Legacy Program, which provides funds for the acquisition of conservation easements. As is the case with POS, the

baseline assumes an increase in the transfer tax revenue estimate, the transfer of \$75.1 million in transfer tax revenue to the general fund, and the overattainment of revenue from fiscal 2013, which, in total, account for the increase in the baseline estimate for this program. A preauthorization of \$10.2 million in GO bond funds is programmed for fiscal 2015 in order to replace fiscal 2011, 2013, and 2014 State transfer tax funding directed to the general fund as part of actions to balance the operating budget. Assuming the mandated \$5.0 million GO bond appropriation in fiscal 2015, the baseline includes \$24.4 million (\$9.2 million in special funds and \$15.2 million in GO bond appropriation), an increase of \$10.9 million relative to the fiscal 2014 legislative appropriation, all funds included.

Full funding of \$2.0 million is assumed for the Ocean City Beach Maintenance Program in the fiscal 2015 baseline because the Ocean City Beach Maintenance Fund balance will be below the \$15.0 million cap. Funding is shared between the State (\$1.0 million from the transfer tax) and Worcester County and Ocean City (\$1.0 million).

The fiscal 2015 baseline includes an increase in both special fund and federal fund revenue for the Waterway Improvement Program (WIP) relative to the amount of funding in the fiscal 2014 legislative appropriation. The total fiscal 2015 baseline is \$6.4 million, which reflects \$2.5 million in special fund revenue due to an anticipated improvement in boat sales fueling the vessel excise tax revenue and \$2.9 million in new motor fuel tax revenue net of the estimated revenue cap on the vessel excise tax as provided for in Chapter 180 of 2013. The WIP provides grants and loans to local, State, and federal government agencies for projects that improve and promote recreational and commercial capabilities, conditions, and safety of Maryland's waterways for the benefit of the general boating public.

Maryland Department of Agriculture

The 2015 baseline for the Maryland Agricultural Land Preservation Program consists of \$26.5 million in special funds and \$15.2 million in GO bond funds. Overall, the baseline reflects an aggregate increase of \$7.4 million relative to the fiscal 2014 legislative appropriation of \$24.1 million in special funds and \$10.2 million in GO bond funds. The special fund baseline estimate is comprised of funding from the State transfer tax statutory distribution as adjusted by the transfer to the general fund (\$16.9 million), the counties (\$8.5 million), and agricultural transfer tax and miscellaneous fees (\$1.1 million). A pre-authorization of \$15.2 million in GO bond funds is programmed for fiscal 2015 in order to replace fiscal 2011, 2013, and 2014 State transfer tax funding directed to the general fund as part of actions to balance the operating budget. No federal funds are assumed due to ongoing concerns about federal Farm and Ranchland Protection Program restrictions.

The baseline for the Cigarette Restitution Fund-supported Tobacco Transition Program reflects the end of the tobacco buyout special fund appropriation and full funding for agricultural land preservation. The Tobacco Transition Program's fiscal 2015 PAYGO baseline reflects only a minor difference from the funding level reflected in the 2013 CIP due to a slightly greater

allocation to the operating budget. The Tobacco Transition Program provides funds for the voluntary tobacco buyout program and agricultural land preservation efforts.

Maryland Department of Housing and Community Development

DHCD works to encourage homeownership, expand affordable rental housing, and revitalize communities. The fiscal 2015 baseline includes changes in various PAYGO capital grant and loan programs based on the agency's estimates of revenues, encumbrances, fund balances, and the 2014 CIP. Overall, the fiscal 2015 baseline assumes that DHCD's PAYGO programs will decrease by about \$1.7 million compared to the fiscal 2014 legislative appropriation. In recent fiscal years, GO bonds have substituted for general funds and provided the source of replacement funds for revenue and fund balance transfers in support of the annual operating budget, and their continued use is anticipated in the current CIP and in the Department of Legislative Services baseline budget as follows:

- ***Neighborhood Business Development Program:*** The fiscal 2015 baseline for the Neighborhood Business Development Program is reduced by approximately \$2.9 million. The baseline removes \$3.0 million in general funds used in fiscal 2014 for the Baltimore Regional Neighborhoods Demonstration Initiative, a program designed to provide funds to implement comprehensive revitalization strategies in two to three target "Sustainable Community" areas in the Baltimore region. Also removed is \$490,000 in reimbursable funds the department received from the Department of Business and Economic Development for activities associated with the State Small Business Credit Initiative. The reductions noted above are offset by increased utilization of special funds which includes \$500,000 from the program's special fund balance and an expected increase of \$200,000 in loan repayment revenues.
- ***Rental Housing Programs:*** The fiscal 2015 baseline reflects an increase of \$375,000; however, many of the funding sources for the program have significant changes. The adjustment reflects an increase of approximately \$3.2 million in special funds and a decrease of about \$2.8 million in federal funds. Funding from the Consumer Investment Fund (CIF) in the PAYGO budget increases by \$4.3 million. The CIF is funded by a \$28 million contribution over three years from the Exelon Corporation, ordered by PSC as a condition of approval of the Exelon-Constellation merger. Funding from the Weinberg Foundation – \$1.0 million in fiscal 2014 – has ended. EmPOWER Maryland funding, now in its third year, decreases by \$500,000. Federal Energy Efficiency and Conservation Block Grant funding is reduced by approximately \$1.2 million, and a one-time Multifamily Energy Innovation Fund grant of \$1.2 million used mostly in fiscal 2014 has been removed from the fiscal 2015 baseline. Finally, the baseline for fiscal 2015 also accounts for an approximately \$460,000 reduction in federal HOME funds.

- **Homeownership Programs:** The baseline assumes an increase of \$100,000 in special funds for homeownership programs based on the CIP.
- **Maryland Base Realignment and Closure Preservation Loan:** Funding for this program increases by \$750,000 in the fiscal 2015 baseline.

Funding for the Special Loan, the Community Development Block Grant, the Community Legacy, the Strategic Demolition and Smart Growth Impact Fund, the Partnership Rental Housing, and the Shelter and Transitional Housing Facilities Grant programs are expected to remain unchanged from the fiscal 2014 appropriation levels.

Maryland Department of the Environment

The Maryland Department of the Environment's baseline assumes that Water Quality Revolving Loan Fund Program funding will be even with what is planned in the 2013 CIP, but that the amount from the fund sources will change. A projected increase of \$14.3 million in federal funds relative to the CIP reflects funding levels anticipated in a federal continuing resolution funding instead of the planned appropriation bill that would have funded the program at a lower level. The special fund appropriation increases by a modest \$2.9 million relative to the 2013 CIP. The 20% match for federal funds is assumed to be \$6.5 million in GO bonds – the fund source used in the fiscal 2014 legislative appropriation and the source reflected in the 2012 CIP. The program provides low-interest loans to local governments and eligible private entities for water quality improvement projects such as upgrading wastewater treatment plants and capping closed landfills.

The Drinking Water Revolving Loan Fund Program baseline estimate of \$22.0 million reflects \$10.4 million in special funds and \$9.0 million in federal funds, which is a \$1.3 million increase in special funds and a \$1.0 million decrease in federal funds relative to the 2013 CIP. The total federal funding is \$13.1 million, which requires the 20% match of \$2.6 million in GO bonds, but only \$9.0 million is reflected in the PAYGO budget because the remainder of \$4.1 million is reflected in the operating budget as nonproject set aside funding. The program provides low-interest loans to local governments and eligible private entities for drinking water projects such as the construction of water distribution mains, water storage facilities, and water treatment plant upgrades.

The baseline of \$1.0 million in general funds for the Hazardous Substance Cleanup Program is consistent with the 2013 CIP and will provide for additional funding beyond the \$300,000 in site assessment funding provided for in the fiscal 2014 appropriation. The program provides funds for cleanup of uncontrolled sites listed on the federal National Priorities List (Superfund) and other uncontrolled waste sites within the State that do not qualify for federal funding through the Superfund program.

Chapter 150 of 2012 roughly doubled the revenue from the Bay Restoration Fund (BRF) fee on septic system users and public sewer/water users, although the final revenue available reflects the exclusion of Garrett County, Ocean City, and a portion of Cecil County from the fee increase and approved hardship waivers. The baseline estimate of \$15 million for the capital grant program associated with the BRF fee on septic system users is even with the 2013 CIP. The baseline estimate for the Enhanced Nutrient Removal Program funded by a fee on public sewer/water users is \$81 million in special funds, which is a modest increase relative to the \$74 million reflected in the 2013 CIP. No GO bond authorization is needed in fiscal 2015 or in the out-years due to sufficient revenues from the fee increase. No new revenue bond authorization is anticipated in fiscal 2015 as the program has reached its planned \$530 million revenue bond authorization level.