
Mandated Appropriations in the Maryland State Budget

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

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The rise of funding mandates within the Maryland State budget is a fairly recent phenomenon. The Maryland legislature may not increase spending or transfer spending between programs and can only strike or reduce appropriations. In 1977, a court case ruled legislation to require parity in foster care payments unconstitutional. This led to a 1978 constitutional amendment allowing the General Assembly to require the Governor to include a minimum level of funding for a program in a future budget. The definition of a mandated appropriation has since been further clarified by the Attorney General's opinion of Chapter 851 of 1980, which is that a statutory mandate must clearly prescribe a dollar amount or an objective basis from which a level of funding can easily be computed.

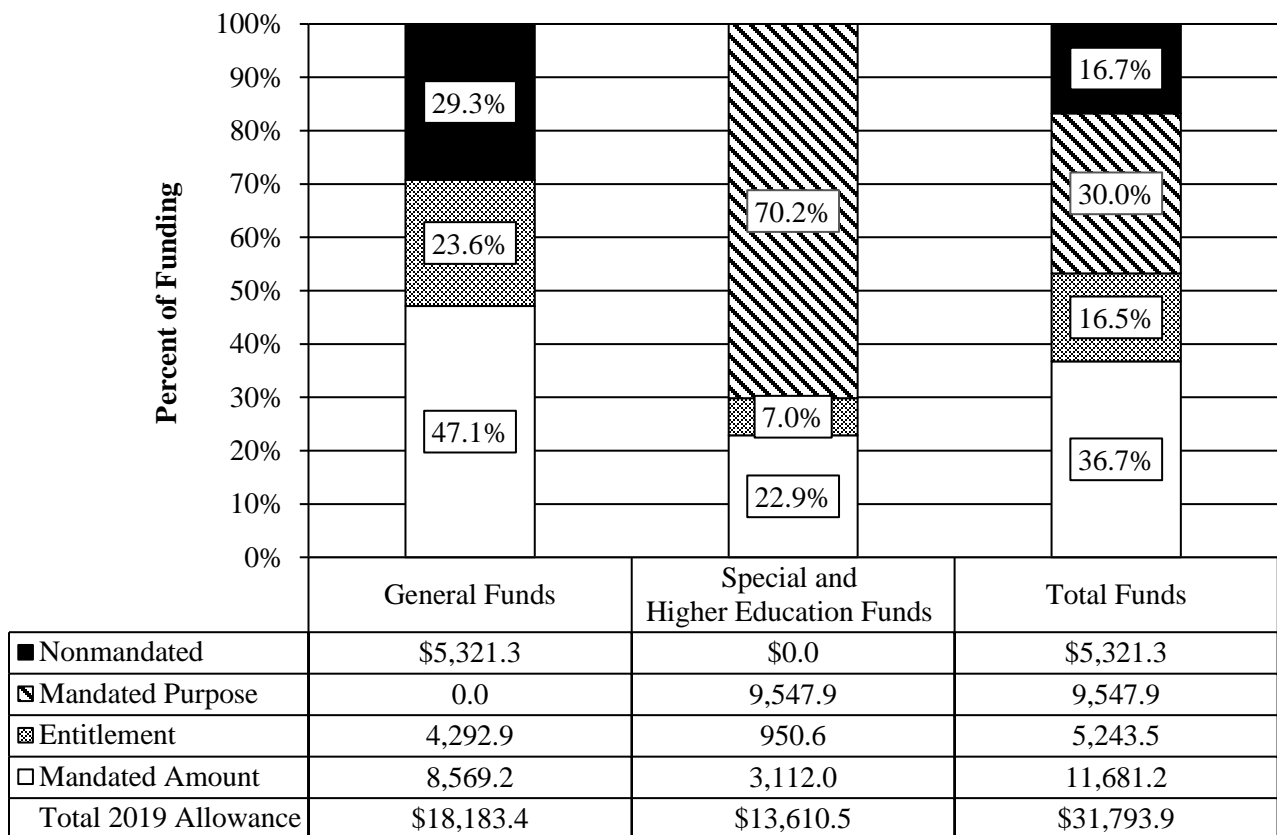
The State's own-source budget totals \$31.8 billion for fiscal 2019. For purposes of the report, spending is categorized as:

- ***Mandated Amounts:*** General or special funds that have a statutory or constitutional requirement that designates a specific amount be appropriated or a specific formula be used to calculate an appropriation.
- ***Entitlements:*** General or special funds that have a statutory or constitutional requirement that designates certain benefits to all individuals or groups that meet eligibility criteria. In contrast to mandated amounts, the Governor has some flexibility to adjust funding for entitlements. For example, the Medical Care Program Administration (Medicaid) provider payment rates can be reduced without a law change.
- ***Funds with Mandated Purposes:*** Special and higher education funds that have statutory dedications identifying a broad purpose for the funds but that allow the Governor discretion on how much funding is appropriated and as to how the funds are allocated and used.
- ***Nonmandated Funds:*** General funds that allow the Governor substantial flexibility as to the administration and funding levels of the programs with which they are associated. In many cases, State law requires expenditures for these programs without specifically mandating the amount or purpose.

Additionally, throughout this report, references to the Governor's allowance excludes the impact of \$405.6 million in proposed reductions contingent upon the enactment of provisions in the Budget Reconciliation and Financing Act as introduced or other statutory changes. That amount included a decrease in general fund mandated expenditures of \$173.9 million due to the reduction or elimination of 20 general fund mandates. While these adjustments were integral to the Governor's overall plan to balance the budget, the budget as submitted also fully funded each mandate that the General Assembly did not amend.

Altogether, proposed fiscal 2019 appropriations with a mandated amount total \$11.7 billion, and entitlements total an additional \$5.2 billion, for a combined 53.2% of the State-sourced portion of the budget. As seen in **Exhibit 1**, 70.7% of the fiscal 2019 general fund allowance and 29.8% of the special fund and higher education allowance are mandates or entitlements. The remaining 70.2% of the special fund and higher education allowance is dedicated for specific purposes.

Exhibit 1
Maryland State Spending from Own-source Budget
As Included in the Fiscal 2019 Allowance
(\$ in Millions)

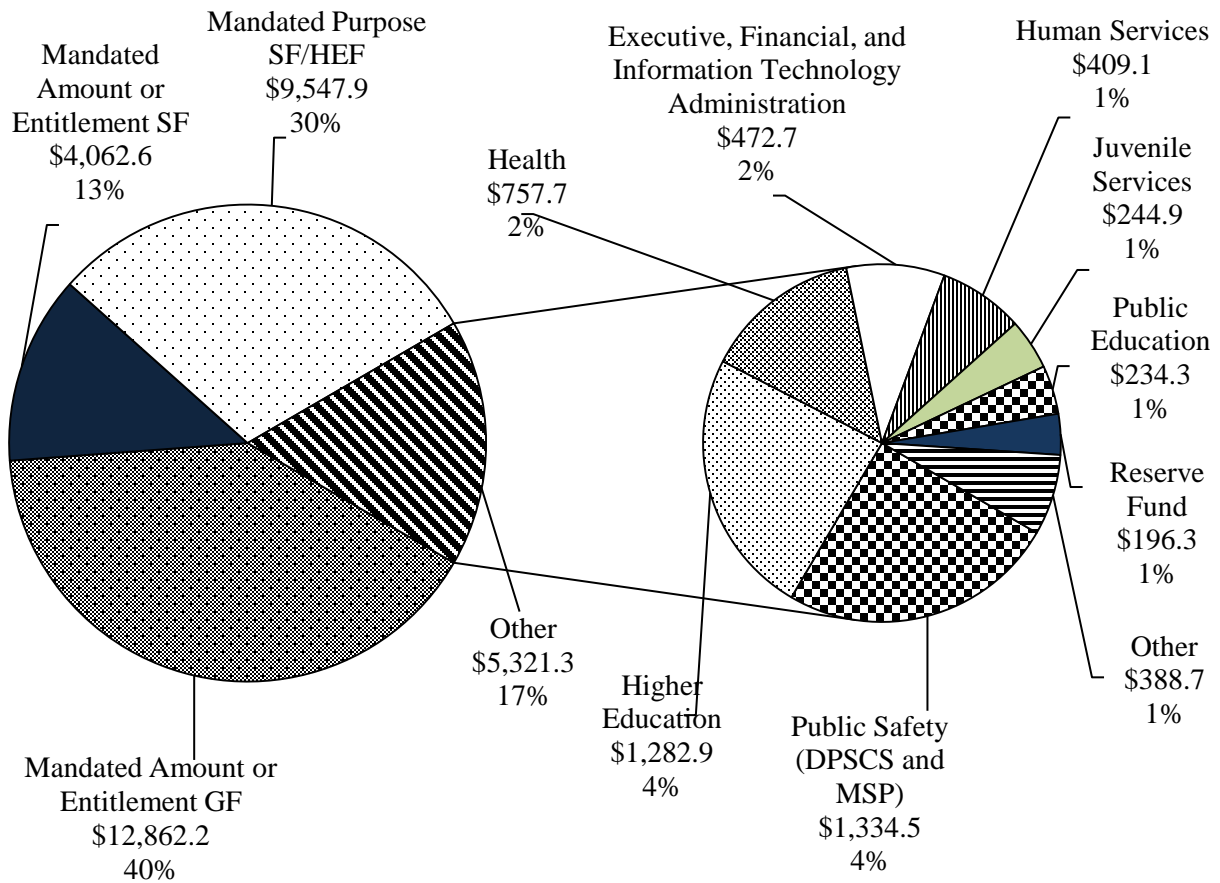


Note: Numbers may not sum to total due to rounding. Fiscal 2019 special and higher education funds exclude the general and special fund portions of current unrestricted funds. General fund allowance total excludes \$35 million of unspecified reversions.

Source: Governor's Budget Books, Fiscal 2019; Department of Legislative Services

Exhibit 2 shows the distribution of mandates, entitlements, and funds with mandated purposes as a percent of State-sourced spending. Of the approximately \$5.3 billion in nonmandated general funds, the allowances for higher education, public safety, and health account for 63.4%.

Exhibit 2
Detailed Spending from Own-source Budget
Fiscal 2019
(\$ in Millions)



DPSCS: Department of Public Safety and Correctional Services
 GF: general fund
 HEF: higher education funds (revenues derived from tuition and fees, auxiliary enterprises, federal grants and contracts, etc.)
 MSP: Maryland State Police
 SF: special fund

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

Source: Department of Legislative Services

Exhibit 3 illustrates that K-12 education and health programs receive a combined 79.1% of all mandated general fund spending in the allowance. Health, transportation, and debt service for the State's capital program account for 76.2% of all special fund mandates in the allowance.

Exhibit 3
Statutorily Mandated Appropriations and Entitlements by Policy Area
Fiscal 2019 Allowance
(\$ in Millions)

| <u>Policy Area</u> | <u>GF</u> | <u>% of GF</u> | <u>SF</u> | <u>% of SF</u> | <u>Total</u> | <u>% of Total</u> |
|---|-------------------|----------------|------------------|----------------|-------------------|-------------------|
| Education, K-12 | \$6,053.1 | 47.1% | \$502.9 | 12.4% | \$6,556.0 | 38.7% |
| Health | 4,115.1 | 32.0% | 1,001.9 | 24.7% | 5,117.0 | 30.2% |
| General Obligation Bond Debt Service | 289.3 | 2.2% | 1,004.0 | 24.7% | 1,293.3 | 7.6% |
| Transportation | 0.0 | 0.0% | 1,090.3 | 26.8% | 1,090.3 | 6.4% |
| Administration and Legislative | 653.0 | 5.1% | 188.0 | 4.6% | 841.0 | 5.0% |
| Judiciary | 524.2 | 4.1% | 62.2 | 1.5% | 586.4 | 3.5% |
| Education, Postsecondary | 604.9 | 4.7% | 0.0 | 0.0% | 604.9 | 3.6% |
| Agriculture, Environment, and Natural Resources | 51.3 | 0.4% | 199.4 | 4.9% | 250.8 | 1.5% |
| Human Services | 226.2 | 1.8% | 0.0 | 0.0% | 226.2 | 1.3% |
| Nonspecific Aid | 168.5 | 1.3% | 3.2 | 0.1% | 171.7 | 1.0% |
| Economic Development and Housing | 93.3 | 0.7% | 10.5 | 0.3% | 103.8 | 0.6% |
| Public Safety | 83.3 | 0.6% | 0.2 | 0.0% | 83.5 | 0.5% |
| Total | \$12,862.2 | 100.0% | \$4,062.6 | 100.0% | \$16,924.7 | 100.0% |

GF: general fund

SF: special fund

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

Source: Department of Legislative Services

The 15 general fund programs that have mandates or entitlements exceeding \$100 million account for 90.7% of all general fund mandated spending, as seen in **Exhibit 4**. Funding for the 2 largest mandated general fund programs, the Foundation Program and Medicaid, account for 48.2% of all mandated general fund spending. With respect to special and higher education funds, 9 programs exceeded \$100 million, totaling 94.9% of all mandated special fund and higher education spending.

Exhibit 4
Programs with Statutorily Mandated Appropriations or Entitlements
Exceeding \$100 Million
Fiscal 2019 Allowance
(\$ in Millions)

| | <u>Allowance</u> | <u>% of Funds</u> |
|---|-------------------|-------------------|
| General Fund Programs | | |
| Medical Care Program Administration (Medicaid) | \$3,375.7 | 26.2% |
| Foundation Program – Education* | 2,823.2 | 21.9% |
| Compensatory Education | 1,308.3 | 10.2% |
| Aid for Local Employees Fringe Benefits | 732.9 | 5.7% |
| Developmental Disabilities Administration Medical Assistance | 610.9 | 4.7% |
| Judiciary | 524.2 | 4.1% |
| State Retirement Contribution | 501.1 | 3.9% |
| Students with Disabilities – Formula | 290.8 | 2.3% |
| General Obligation Bond Debt Service | 289.0 | 2.2% |
| Limited English Proficiency Grant | 288.0 | 2.2% |
| Student Transportation – Formula | 256.5 | 2.0% |
| Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State | 252.0 | 2.0% |
| Foster Care Payments | 143.5 | 1.1% |
| Disparity Grants | 140.8 | 1.1% |
| Students with Disabilities – Nonpublic Placements | 123.5 | 1.0% |
| Subtotal | \$11,660.5 | 90.7% |
| Other | \$1,201.7 | 9.3% |
| Total General Funds | \$12,862.2 | 100.0% |
| Special Fund Programs | | |
| General Obligation Bond Debt Service | \$1,004.0 | 24.7% |
| Medicaid | \$938.2 | 23.1% |
| Foundation Program – Education | 502.9 | 12.4% |
| Washington Metropolitan Area Transit Authority (WMATA) – Operating Subsidy | 366.0 | 9.0% |

Exhibit 4 (Continued)

| | <u>Allowance</u> | <u>% of Funds</u> |
|---|------------------|-------------------|
| Transportation Debt Service | 333.8 | 8.2% |
| Outdoor Recreation Land Loan Program that includes Program Open Space | 191.2 | 4.7% |
| State Retirement Contribution | 186.2 | 4.6% |
| Local Highway User Revenue Grants | 178.1 | 4.4% |
| WMATA – Capital/Debt Service Subsidy | 155.9 | 3.8% |
| Subtotal | \$3,856.4 | 94.9% |
| Other | \$206.2 | 5.1% |
| Total Special Funds | \$4,062.6 | 100.0% |

*Foundation Program – Education includes the Geographic Cost of Education Index and supplemental grants.

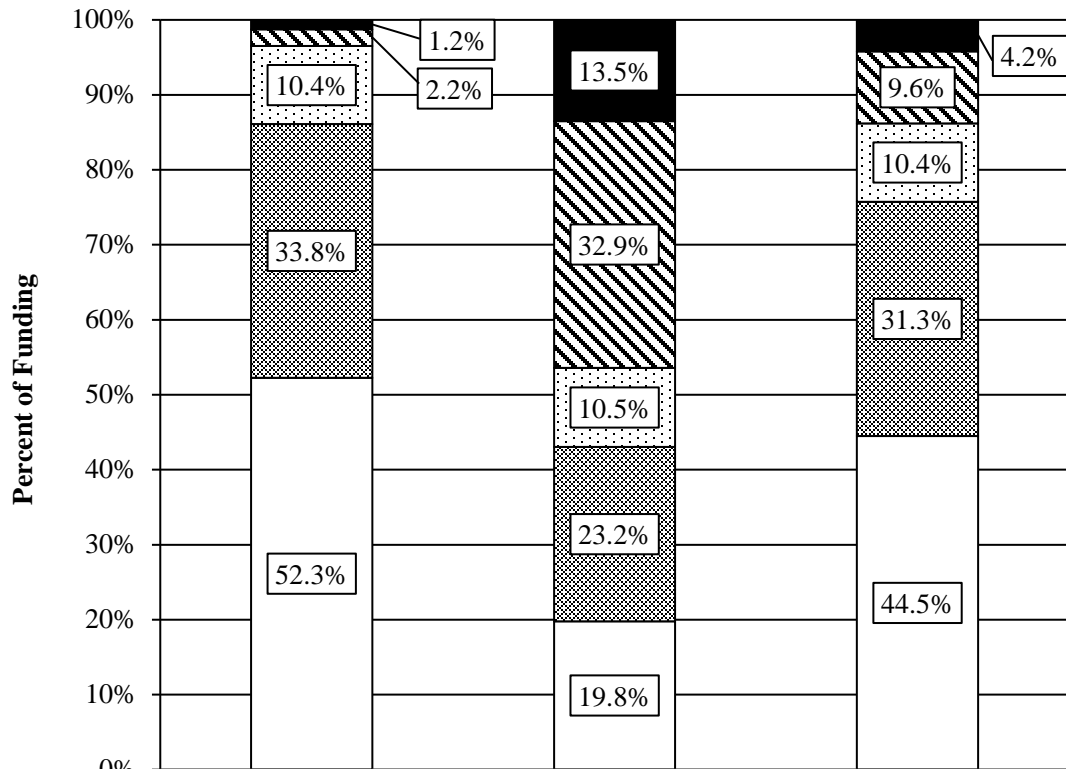
Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

When considering who benefits from mandated appropriations and entitlement programs, **Exhibit 5** demonstrates that 75.8% of all general and special fund mandates are received by units of local government or individuals. Local governments receive substantial general fund amounts for K-12 education, while individuals primarily receive general funded health services. Individuals are the second largest recipient of general fund mandated spending, largely due to the Medicaid program.

Approximately \$1.8 billion, or 10.4%, of the allowance's general and special fund mandated spending is directed toward State government functions. The largest general fund appropriation for State government functions is the Judicial Branch, followed by the State employee retirement contribution. Debt service accounts for the largest portion of mandated special fund and higher education spending in the fiscal 2019 allowance, receiving approximately 32.9% of the spending. Additional proposed spending detail by recipient is shown in **Appendix 1** for general funds and **Appendix 2** for special funds.

Exhibit 5
Mandated Appropriations and Entitlements by Type of Recipient
Fiscal 2019 Allowance
(\$ in Millions)



| | General Funds | Special and Higher Education Funds | Total Funds |
|-----------------------------|-------------------|------------------------------------|-------------------|
| ■ Funds for Other Entities | \$160.5 | \$548.2 | \$708.7 |
| ▣ Debt Service | 289.0 | 1,337.8 | 1,626.8 |
| ▢ State Government | 1,338.9 | 428.5 | 1,767.4 |
| ▤ Individuals | 4,350.2 | 944.2 | 5,294.3 |
| ▢ Local Government | 6,723.6 | 803.9 | 7,527.5 |
| Total 2019 Allowance | \$12,862.2 | \$4,062.6 | \$16,924.7 |

Note: Numbers may not sum to total due to rounding. Fiscal 2019 special and higher education funds exclude the general and special fund portions of current unrestricted funds.

Source: Department of Legislative Services

Appendix 1
General Fund Mandated Appropriations and Entitlements by
Type of Recipient
Fiscal 2019 Allowance
(\$ in Millions)

| <u>General Fund Programs</u> | <u>Allowance</u> | <u>% of Total Mandated Appropriation or Entitlement</u> |
|--|------------------|---|
| Local Government | | |
| Foundation Program – Education* | \$2,823.2 | 21.9% |
| Compensatory Education | 1,308.3 | 10.2% |
| Aid for Local Employees Fringe Benefits | 732.9 | 5.7% |
| Students with Disabilities – Formula | 290.8 | 2.3% |
| Limited English Proficiency Grant | 288.0 | 2.2% |
| Student Transportation – Formula | 256.5 | 2.0% |
| Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State | 252.0 | 2.0% |
| Disparity Grants | 140.8 | 1.1% |
| Students with Disabilities – Nonpublic Placements | 123.5 | 1.0% |
| Other | 507.5 | 3.9% |
| Total | \$6,723.6 | 52.3% |
| Individuals | | |
| Medical Care Program Administration | \$3,375.7 | 26.2% |
| Developmental Disabilities Administration (DDA) Medical Assistance | 610.9 | 4.7% |
| Foster Care Payments | 143.5 | 1.1% |
| Need-based Higher Education Awards | 90.4 | 0.7% |
| Property Tax Credits | 63.0 | 0.5% |
| Temporary Cash Assistance | 7.1 | 0.1% |
| DDA Community Services Providers Reimbursement Rate | 20.6 | 0.2% |
| Other | 39.0 | 0.3% |
| Total | \$4,350.2 | 33.8% |

| <u>General Fund Programs</u> | <u>Allowance</u> | <u>% of Total Mandated Appropriation or Entitlement</u> |
|---|-------------------------|--|
| State Government | | |
| Judicial Branch | \$524.2 | 4.1% |
| State Retirement Contribution ⁽¹⁾ | 501.1 | 3.9% |
| Legislative Branch | 91.0 | 0.7% |
| Baltimore City Community College | 40.6 | 0.3% |
| Maryland School for the Deaf | 31.5 | 0.2% |
| Other | 100.5 | 0.8% |
| Total | \$1,338.9 | 10.4% |
| Debt Service | | |
| General Obligation Bond Debt Service | \$289.0 | 2.2% |
| Total | \$289.0 | 2.2% |
| Funds for Other Entities | | |
| Joseph A. Sellinger Program for Aid to Nonpublic Institutions of Higher Education | \$56.3 | 0.4% |
| Property Tax Credits – Enterprise Zones | 25.5 | 0.2% |
| Maryland School for the Blind | 22.3 | 0.2% |
| Maryland State Arts Council | 20.8 | 0.2% |
| SEED School of Maryland | 10.5 | 0.1% |
| Other | 25.1 | 0.2% |
| Total | \$160.5 | 1.2% |
| Total Mandated and Entitlement General Funds | \$12,862.15 | 100.0% |

SEED: School for Education Evolution and Development

*Foundation Program – Education includes the Geographic Cost of Education Index and supplemental grants.

⁽¹⁾ Retirement contributions for employees of the Legislative and Judicial branches, the Maryland School for the Deaf, and the Maryland Public Television totaling \$69.6 million are not included. These funds are included in mandates directed specifically to those agencies.

Source: Department of Legislative Services

Appendix 2
Special and Higher Education Fund Mandated Appropriations and Entitlements
By Type of Recipient
Fiscal 2019 Allowance
(\$ in Millions)

| <u>Special Fund Programs</u> | <u>Allowance</u> | <u>% of Total Mandated Appropriations or Entitlement</u> |
|---|------------------|--|
| Local Government | | |
| Foundation Program – Education | \$502.9 | 12.4% |
| Local Highway User Revenue Grants | 178.1 | 4.4% |
| Montgomery and Prince George’s Counties Bus Service Operating Subsidies | 54.2 | 1.3% |
| Outdoor Recreation Land Loan Program That Includes Program Open Space – Local Share | 52.4 | 1.3% |
| Other | 16.3 | 0.4% |
| Total | \$803.9 | 19.8% |
| Individuals | | |
| Medical Care Program Administration | \$938.2 | 23.1% |
| Other | 6.0 | 0.1% |
| Total | \$944.2 | 23.2% |
| State Government | | |
| State Retirement Contribution | \$186.2 | 4.6% |
| Outdoor Recreation Land Loan Program That Includes Program Open Space – State Share | 138.8 | 3.4% |
| Judicial Branch | 62.2 | 1.5% |
| Maryland Health Benefit Exchange | 35.0 | 0.9% |
| Other | 6.3 | 0.2% |
| Total | \$428.5 | 10.5% |

| <u>Special Fund Programs</u> | <u>Allowance</u> | <u>% of Total Mandated Appropriations or Entitlement</u> |
|--|-------------------------|---|
| Debt Service | | |
| General Obligation Bond Debt Service | \$1,004.0 | 24.7% |
| Transportation Debt Service | 333.8 | 8.2% |
| Total | \$1,337.8 | 32.9% |
| Funds for Other Entities | | |
| Washington Metropolitan Area Transit Authority (WMATA) – Operating Subsidy | \$366.0 | 9.0% |
| WMATA – Capital/Debt Service Subsidy | 155.9 | 3.8% |
| Statewide Academic Health Centers | 13.0 | 0.3% |
| Other | 13.3 | 0.3% |
| Total | \$548.2 | 13.5% |
| Total Mandated and Entitlement Special Funds | \$4,062.6 | 100.0% |

Source: Department of Legislative Services