
Mandated Appropriations in the Maryland State Budget

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

November 2019

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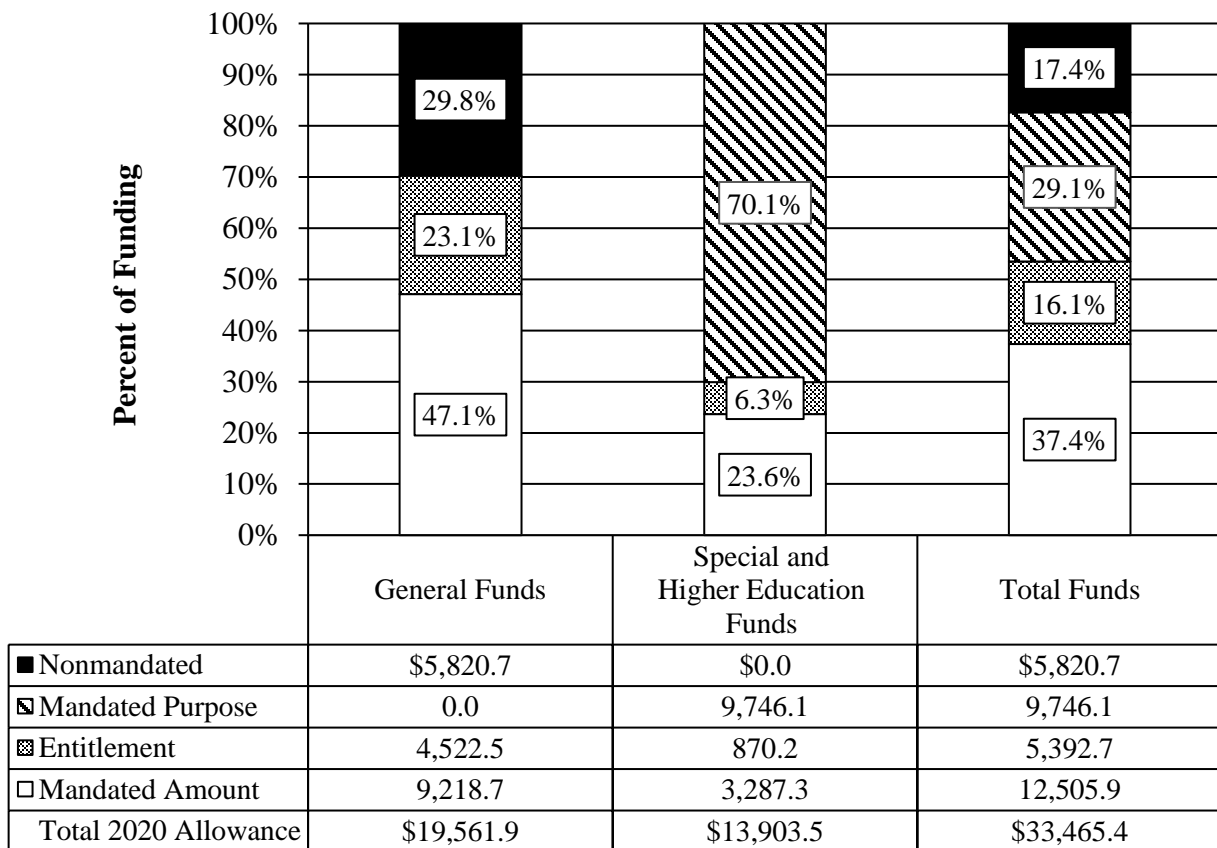
The rise of funding mandates within the Maryland State budget is a relatively recent phenomenon. The Maryland legislature may not increase spending or transfer spending between programs and can only strike or reduce appropriations. In 1977, a court case ruled legislation to require parity in foster care 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 \$33.5 billion for fiscal 2020. 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, some 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.

Altogether, proposed fiscal 2020 appropriations with a mandated amount total \$12.5 billion, and entitlements total an additional \$5.4 billion, for a combined 53.5% of the State-sourced portion of the budget. As seen in **Exhibit 1**, 70.2% of the fiscal 2020 general fund allowance and 29.9% of the special fund and higher education allowance are mandates or entitlements. The remaining 70.1% 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 2020 Allowance
 (\$ in Millions)

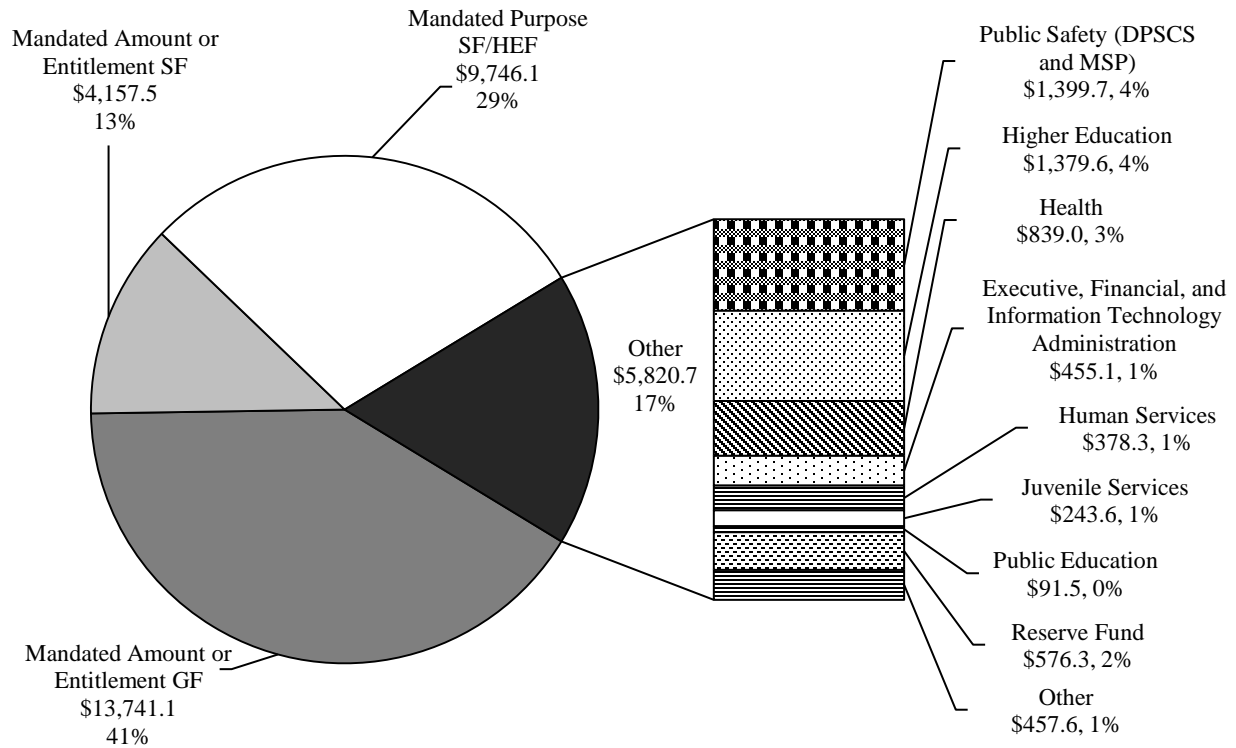


Note: Numbers may not sum to total due to rounding. Fiscal 2020 special and higher education funds exclude the general and special fund portions of current unrestricted funds. General fund allowance total excludes \$35 million of unspecified reversions.

Source: Governor's Budget Books, Fiscal 2020; 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 \$5.8 billion in nonmandated general funds, the allowances for higher education, public safety, and health account for 62.2%.

Exhibit 2
Detailed Spending from Own-source Budget
Fiscal 2020
(\$ 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 79.3% of all mandated general fund spending in the allowance. Health, transportation, and debt service for the State's capital program account for 78.2% of all special fund mandates in the allowance.

Exhibit 3
Statutorily Mandated Appropriations and Entitlements by Policy Area
Fiscal 2020 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	\$6,625.7	48.2%	\$428.0	10.3%	\$7,053.7	39.4%
Health	4,277.1	31.1%	922.7	22.2%	5,199.7	29.1%
General Obligation Bond Debt Service	287.0	2.1%	1,034.0	24.9%	1,321.0	7.4%
Transportation	0.0	0.0%	1,292.8	31.1%	1,292.8	7.2%
Administration and Legislative	691.3	5.0%	203.0	4.9%	894.2	5.0%
Education, Postsecondary	619.2	4.5%	0.0	0.0%	619.2	3.5%
Judiciary	549.1	4.0%	65.3	1.6%	614.5	3.4%
Agriculture, Environment, and Natural Resources	76.8	0.6%	178.9	4.3%	255.7	1.4%
Human Services	261.4	1.9%	0.0	0.0%	261.4	1.5%
Nonspecific Aid	173.8	1.3%	1.7	0.0%	175.5	1.0%
Economic Development and Housing	90.7	0.7%	30.6	0.7%	121.3	0.7%
Public Safety	89.1	0.6%	0.5	0.0%	89.6	0.5%
Total	\$13,741.1	100.0%	\$4,157.5	100.0%	\$17,898.6	100.0%

GF: general fund

SF: special fund

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

Source: Department of Legislative Services

The 16 general fund programs that have mandates or entitlements exceeding \$100 million account for 90.0% 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 47.7% of all general fund spending for mandates and entitlements. With respect to special and higher education funds, 9 programs exceeded \$100 million, totaling 92.4% of all mandated special fund and higher education spending.

Exhibit 4
Programs with Statutorily Mandated Appropriations or Entitlements
Exceeding \$100 Million
Fiscal 2020 Allowance
(\$ in Millions)

	<u>Allowance</u>	<u>% of Funds</u>
General Fund Programs		
Medical Care Program Administration (Medicaid)	\$3,534.7	25.7%
Foundation Program – Education*	3,016.1	21.9%
Compensatory Education	1,330.4	9.7%
Aid for Local Employees Fringe Benefits	767.9	5.6%
Developmental Disabilities Administration Medical Assistance	662.1	4.8%
Judicial Branch	549.1	4.0%
State Retirement Contribution	528.9	3.8%
Students with Disabilities – Formula	303.3	2.2%
Limited English Proficiency Grant	311.1	2.3%
General Obligation Bond Debt Service	287.0	2.1%
Student Transportation – Formula	275.7	2.0%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	262.0	1.9%
Foster Care Payments	150.2	1.1%
Disparity Grants	146.2	1.1%
Education Aid – Constitutional Amendment	125.0	0.9%
Students with Disabilities – Nonpublic Placements	121.5	0.9%
Subtotal	\$12,371.2	90.0%
Other	\$1,370.0	10.0%
Total General Funds	\$13,741.1	100.0%

	<u>Allowance</u>	<u>% of Funds</u>
Special Fund Programs		
General Obligation Bond Debt Service	\$1,034.0	24.9%
Medical Care Program Administration (Medicaid)	859.0	20.7%
Foundation Program – Education	403.8	9.7%
Washington Metropolitan Area Transit Authority (WMATA) – Operating Subsidy	392.9	9.5%
Transportation Debt Service	354.8	8.5%
Local Highway User Capital Grants	255.9	6.2%
State Retirement Contribution	202.0	4.9%
Outdoor Recreation Land Loan Program which includes Program Open Space	171.0	4.1%
WMATA Maryland Metro/Transit Funding Act	167.0	4.0%
Subtotal	\$3,840.4	92.4%
Other	\$317.0	7.6%
Total Special Funds	\$4,157.5	100.0%

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

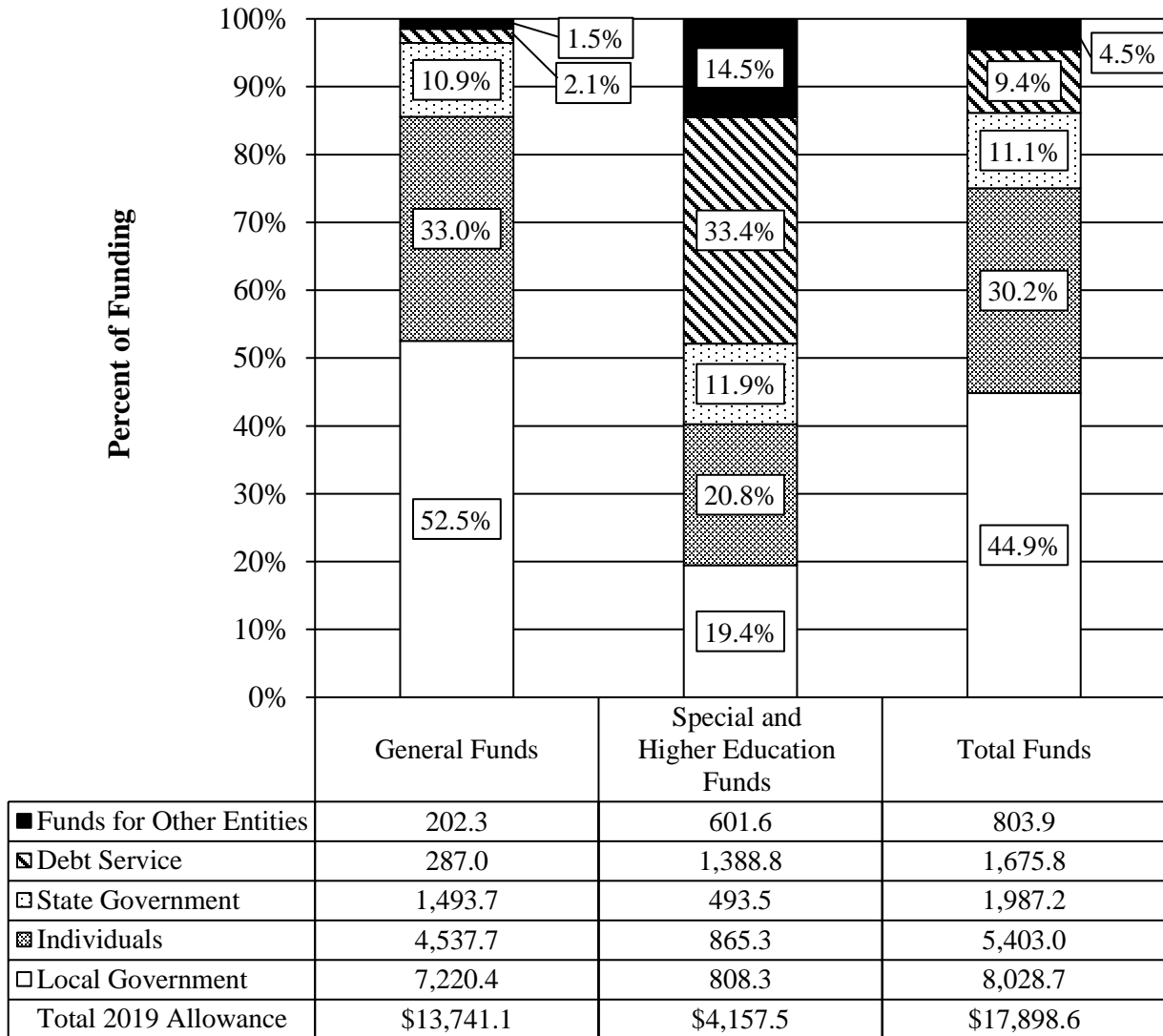
Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

When considering who benefits from mandated appropriations and entitlement programs, **Exhibit 5** demonstrates that 75.0% 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 \$2.0 billion, or 11.1%, 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 2020 allowance, receiving approximately 33.4% 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 2020 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.

Source: Department of Legislative Services

Although the legislature cannot mandate general obligation (GO) bond authorizations, it has become common practice to mandate general fund pay-as-you-go (PAYGO) capital spending with the stipulation that the Governor can fund the project or program with GO debt. As seen in **Exhibit 6**, \$30.1 million of these PAYGO general fund mandates were funded through GO authorizations in the capital budget bill. Had the Governor chosen to not use GO debt, then this amount would have had to have been included in the fiscal 2020 allowance, which would have increased the sum of mandated appropriations.

Exhibit 6
Statutorily Mandated Appropriations Funded by General Obligation Debt
Fiscal 2020 Allowance
(\$ in Millions)

<u>Policy Area</u>	<u>Total</u>
School Safety Capital Grants	\$10.0
Interagency Committee on School Construction – Aging School Program	6.1
Rural Legacy	5.0
County Library Capital Grant Program	5.0
Shelter and Transitional Housing Facilities Grant Program	3.0
African-American Heritage Preservation Program	1.0
Total	\$30.1

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

Source: Department of Legislative Services

Appendix 1
General Fund Mandated Appropriations and Entitlements by
Type of Recipient
Fiscal 2020 Allowance
(\$ in Millions)

<u>General Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Appropriation or Entitlement</u>
Local Government		
Foundation Program – Education*	\$3,016.1	21.9%
Compensatory Education	1,330.4	9.7%
Aid for Local Employees Fringe Benefits	767.9	5.6%
Limited English Proficiency Grant	311.1	2.3%
Students with Disabilities – Formula	303.3	2.2%
Student Transportation – Formula	275.7	2.0%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	262.0	1.9%
Disparity Grants	146.2	1.1%
Education Aid – Constitutional Amendment	125.0	0.9%
Students with Disabilities – Nonpublic Placements	121.5	0.9%
Other	561.2	4.1%
Total	\$7,220.4	52.5%
Individuals		
Medical Care Program Administration (Medicaid)	\$3,534.7	25.7%
Developmental Disabilities Administration Medical Assistance	662.1	4.8%
Foster Care Payments	150.2	1.1%
Need-based Higher Education Awards	91.3	0.7%
Property Tax Credits	70.9	0.5%
Other	28.5	0.2%
Total	\$4,537.7	33.0%

<u>General Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Appropriation or Entitlement</u>
State Government		
Judicial Branch	\$548.6	4.0%
State Retirement Contribution ⁽¹⁾	528.9	3.8%
Legislative Branch	95.5	0.7%
Pension Sweeper	50.0	0.4%
Program Open Space Repayment	46.4	0.3%
Baltimore City Community College	40.9	0.3%
Maryland School for the Deaf	32.7	0.2%
Other	100.8	0.7%
Total	\$1,493.7	10.9%
Debt Service		
General Obligation Bond Debt Service	\$287.0	2.1%
Total	\$287.0	2.1%
Funds for Other Entities		
Joseph A. Sellinger Program for Aid to Nonpublic Institutions of Higher	\$59.4	0.4%
Property Tax Credits – Enterprise Zones	26.3	0.2%
Maryland School for the Blind	23.9	0.2%
Maryland State Arts Council	22.4	0.2%
Prince George’s Regional Medical Center	15.0	0.1%
Baltimore Regional Development Initiative	12.0	0.1%
The SEED School of Maryland	10.7	0.1%
Other	32.5	0.2%
Total	\$202.3	1.5%
Total Mandated and Entitlement General Funds	\$13,741.1	100.0%

*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 \$73.8 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 2020 Allowance
(\$ in Millions)

<u>Special Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Appropriations or Entitlement</u>
Local Government		
Foundation Program – Education	\$403.8	9.7%
Local Highway User Capital Grants	255.9	6.2%
Montgomery and Prince George’s County Bus Service Operating Subsidies	56.0	1.3%
Outdoor Recreation Land Loan Program which includes Program Open Space – Local Share	48.0	1.2%
Other	44.5	1.1%
Total	\$808.3	19.4%
Individuals		
Medical Care Program Administration	\$859.0	20.7%
Other	6.3	0.2%
Total	\$865.3	20.8%
State Government		
State Retirement Contribution	\$202.0	4.9%
Outdoor Recreation Land Loan Program which includes Program Open Space – State Share	122.9	3.0%
Judicial Branch	65.3	1.6%
Maryland Health Benefit Exchange	35.0	0.8%
Maryland Transit Administration – Operating Enhancement	34.5	0.8%
Other	33.8	0.8%
Total	\$493.5	11.9%

<u>Special Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Appropriations or Entitlement</u>
Debt Service		
General Obligation Bond Debt Service	\$1,034.0	24.9%
Transportation Debt Service	354.8	8.5%
Total	\$1,388.8	33.4%
Funds for Other Entities		
Washington Metropolitan Area Transit Authority – Operating Subsidy	\$392.9	9.5%
Statewide Academic Health Centers	13.0	0.3%
Other	195.6	4.7%
Total	\$601.6	14.5%
Total Mandated and Entitlement Special Funds	\$4,157.5	100.0%

Source: Department of Legislative Services