
Mandated Appropriations in the Maryland State Budget

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

January 2021

Mandated Appropriations in the Maryland State Budget

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.

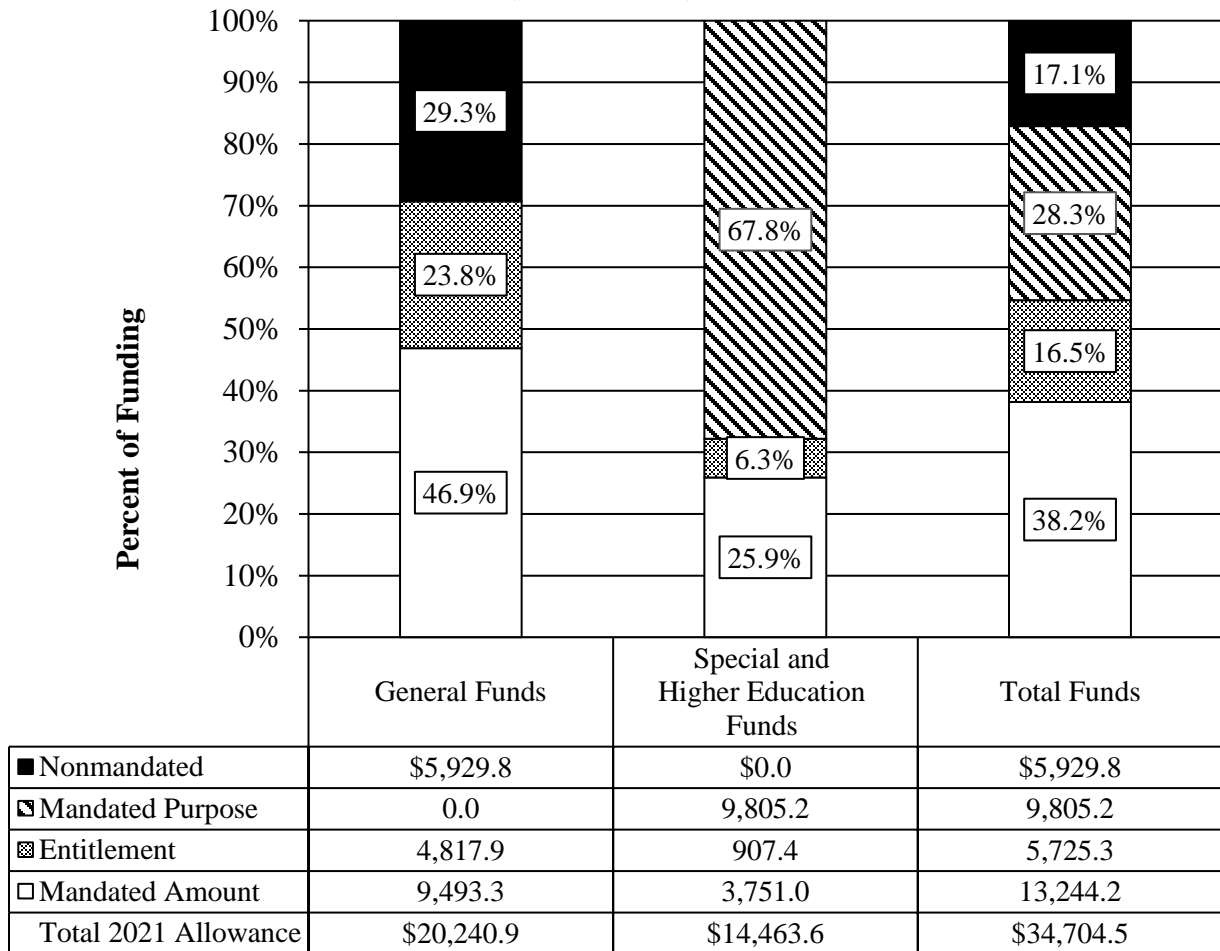
The State's own-source budget totals \$34.7 billion for fiscal 2021. For purposes of the report, spending is categorized as:

- ***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 2021 appropriations with a mandated amount total \$13.2 billion, and entitlements total an additional \$5.7 billion, for a combined 54.7% of the State-sourced portion of the budget. From fiscal 2011 through 2021, spending on mandates and entitlements has ranged from a low of 50% of the State-sourced portion of the budget to a high of 54.7%. The main drivers of these expenditures are education and health related; these two categories have ranged from a low of 68.3% to a high of 75.7% of the State-sourced mandated and entitlement spending over that period, as shown in **Appendix 1**. As seen in **Exhibit 1**, 70.7%

of the fiscal 2021 general fund allowance and 32.2% of the special fund and higher education allowance are mandates or entitlements. The remaining 67.8% 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 2021 Allowance
 (\$ in Millions)

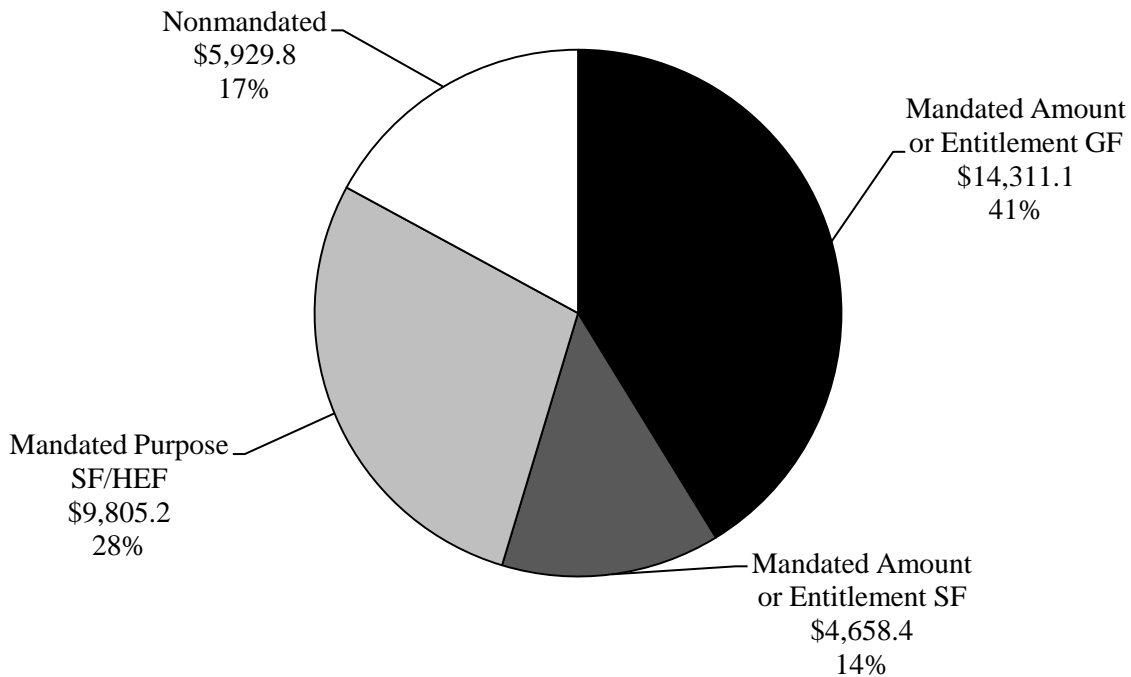


Note: Numbers may not sum to total due to rounding. Fiscal 2021 special and higher education funds exclude the general and special fund portions of current unrestricted funds. General fund allowance total excludes \$35 million of unspecified reversions.

Source: Governor’s Budget Books, Fiscal 2021; Department of Legislative Services

Exhibit 2 shows the distribution of mandates, entitlements, funds with mandated purposes, and nonmandated funds as a percent of State-sourced spending.

Exhibit 2
Detailed Spending from Own-source Budget
Fiscal 2021
(\$ in Millions)



GF: general fund

HEF: higher education funds (revenues derived from tuition and fees, auxiliary enterprises, federal grants and contracts, etc.)

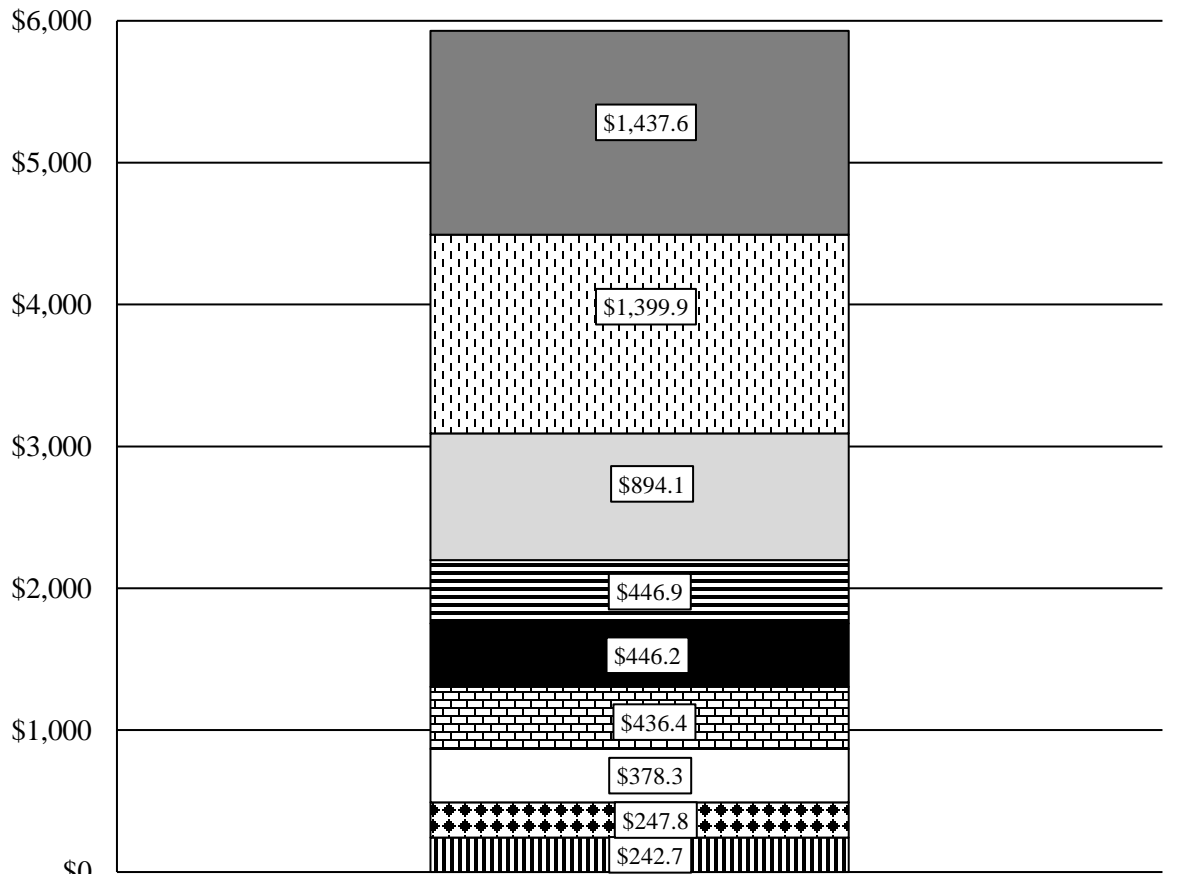
SF: special fund

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

Source: Department of Legislative Services

Exhibit 3 shows that allowances for higher education, public safety, and health account for 62.9% of the nonmandated general funds.

Exhibit 3
Detailed Spending from Own-source Budget on Nonmandated General Funds
Fiscal 2021
(\$ in Millions)



- Juvenile Services
- Human Services
- Other
- Health
- Higher Education
- Public Education
- Reserve Fund
- Executive, Financial, and Info Tech Admin
- Public Safety (DPSCS and MSP)

DPSCS: Department of Public Safety and Correctional Services
 MSP: Maryland State Police

Source: Department of Legislative Services

Exhibit 4 illustrates that K-12 education and health programs receive a combined 78.9% of all mandated general fund spending in the allowance. Health, transportation, and debt service for the State's capital program account for 75.2% of all special fund mandates in the allowance.

Exhibit 4
Statutorily Mandated Appropriations and Entitlements by Policy Area
Fiscal 2021 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	\$6,718.4	46.9%	\$673.8	14.5%	\$7,392.2	39.0%
Health	4,586.0	32.0%	971.9	20.9%	5,557.9	29.3%
Capital Program	226.0	1.6%	1,113.0	23.9%	1,339.0	7.1%
Transportation	0.0	0.0%	1,415.1	30.4%	1,415.1	7.5%
Administration and Legislative	700.1	4.9%	216.3	4.6%	916.4	4.8%
Education, Postsecondary	698.6	4.9%	0.3	0.0%	698.9	3.7%
Judiciary	578.0	4.0%	69.7	1.5%	647.7	3.4%
Agriculture, Environment, and Natural Resources	148.4	1.0%	165.4	3.6%	313.8	1.7%
Human Services	292.4	2.0%	0.0	0.0%	292.4	1.5%
Nonspecific Aid	186.3	1.3%	1.8	0.0%	188.2	1.0%
Economic Development and Housing	87.4	0.6%	30.5	0.7%	117.9	0.6%
Public Safety	89.4	0.6%	0.6	0.0%	90.0	0.5%
Total	\$14,311.1	100.0%	\$4,658.4	100.0%	\$18,969.5	100.0%

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 89.6% of all general fund mandated spending, as seen in **Exhibit 5**. Funding for the 2 largest mandated general fund programs, the Foundation Program and Medicaid, account for 48.8% of all general fund spending for mandates and entitlements. With respect to special and higher education funds, 10 programs exceeded \$100 million, totaling 93.3% of all mandated special fund and higher education spending.

Exhibit 5
Programs with Statutorily Mandated Appropriations or Entitlements
Exceeding \$100 Million
Fiscal 2021 Allowance
(\$ in Millions)

	<u>Allowance</u>	<u>% of Funds</u>
General Fund Programs		
Medical Care Program Administration (Medicaid)	\$3,797.6	26.5%
Foundation Program – Education*	3,193.7	22.3%
Compensatory Education Grant	1,363.2	9.5%
Aid for Local School Employees Fringe Benefits	750.3	5.2%
Developmental Disabilities Administration (DDA) Medical Assistance	675.7	4.7%
Judicial Branch	578.0	4.0%
State Retirement Contribution	537.1	3.8%
Students with Disabilities – Formula	314.9	2.2%
Limited English Proficiency Grant	348.2	2.4%
General Obligation Bond Debt Service	226.0	1.6%
Student Transportation – Formula	282.2	2.0%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	298.8	2.1%
Foster Care Payments	169.6	1.2%
Disparity Grants	158.3	1.1%
Students with Disabilities – Nonpublic Placements	123.9	0.9%
Subtotal	\$12,817.5	89.6%
Other	\$1,493.6	10.4%
Total General Funds	\$14,311.1	100.0%

	<u>Allowance</u>	<u>% of Funds</u>
Special Fund Programs		
General Obligation Bond Debt Service	\$1,113.0	23.9%
Medical Care Program Administration (Medicaid)	908.5	19.5%
Washington Metropolitan Area Transit Authority (WMATA) – Operating Subsidy	444.3	9.5%
Transportation Debt Service	415.9	8.9%
Blueprint for Maryland's Future	350.0	7.5%
Foundation Program – Education	291.9	6.3%
Local Highway User Capital Grants	264.2	5.7%
State Retirement Contribution	215.3	4.6%
Outdoor Recreation Land Loan Program which includes Program Open Space	156.4	3.4%
WMATA Maryland Metro/Transit Funding Act	167.0	3.6%
Subtotal	\$4,326.5	92.9%
Other	\$331.9	7.1%
Total Special Funds	\$4,658.4	100.0%

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

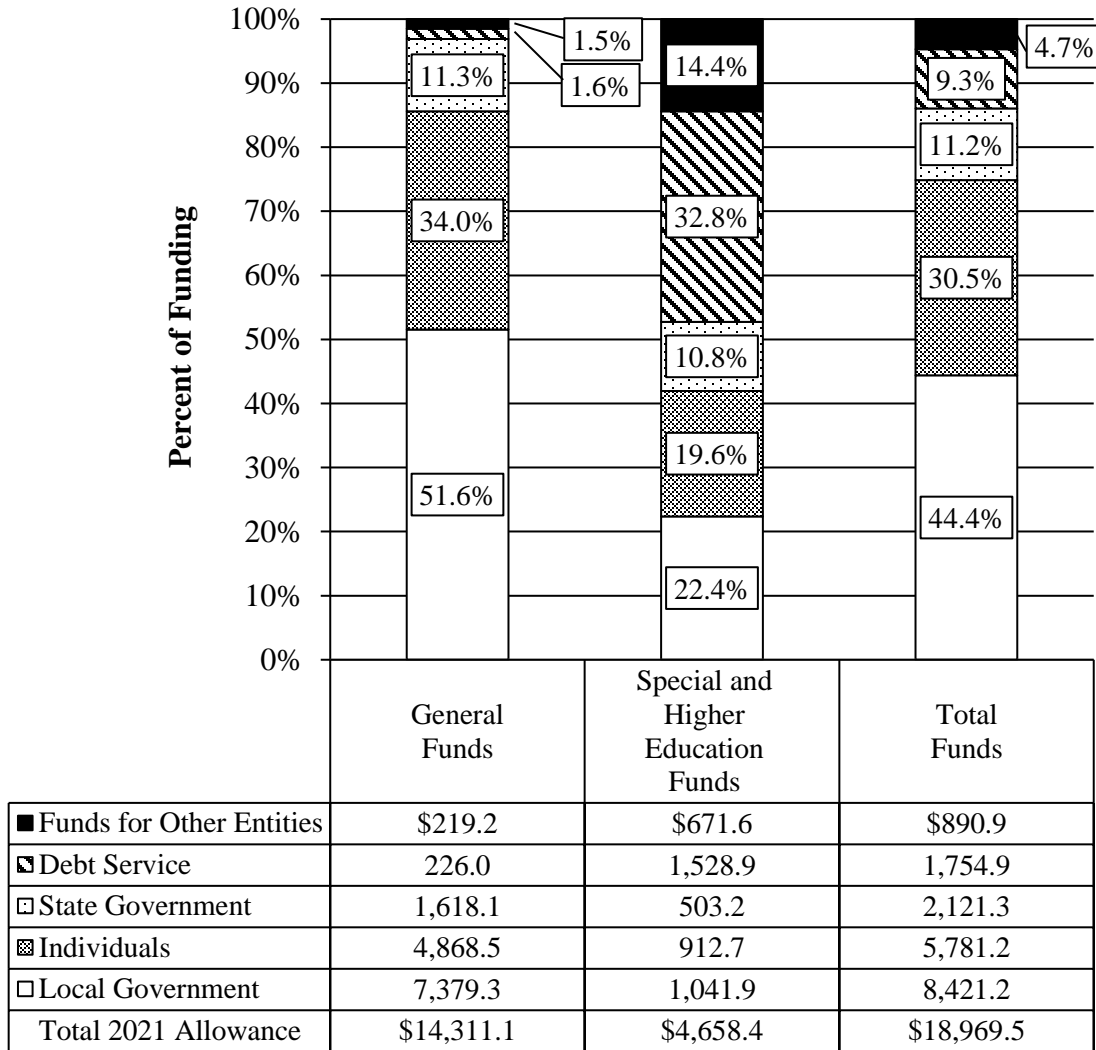
Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

When considering who benefits from mandated appropriations and entitlement programs, **Exhibit 6** demonstrates that 74.9% 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 \$2.1 billion, or 11.3%, 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 2021 allowance, receiving approximately 32.8% of the spending. Additional proposed spending detail by recipient is shown in **Appendix 2** for general funds and **Appendix 3** for special funds.

Exhibit 6
Mandated Appropriations and Entitlements by Type of Recipient
Fiscal 2021 Allowance
(\$ in Millions)



Note: Numbers may not sum to total due to rounding. Fiscal 2021 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 7**, \$27.4 million of these PAYGO general fund mandates were funded through GO authorizations in the capital budget bill. Had the Governor chosen not to use GO debt, then this amount would have had to have been included in the fiscal 2021 allowance, which would have increased the sum of mandated appropriations.

Exhibit 7
Statutorily Mandated Appropriations Funded by General Obligation Debt
Fiscal 2021 Allowance
(\$ in Millions)

School Safety Capital Grants	\$10.0
Interagency Committee on School Construction – Aging School Program	6.1
County Library Capital Grant Program	7.3
Shelter and Transitional Housing Facilities Grant Program	3.0
African American Heritage Preservation Program	1.0
Total	\$27.4

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

Source: Department of Legislative Services

As a consequence of the negative impact that the COVID-19 pandemic had on the State budget, significant actions were taken by the legislature to reduce general fund mandated and entitlement spending. As seen in **Exhibit 8**, the legislature reduced general fund spending by \$258.6 million and special fund spending by \$14.6 million from the allowance. When excluding federal funds, the total percentage reduction in mandate and entitlement spending made to the fiscal 2021 allowance was 1.5%, the largest reduction since fiscal 2014 when there was also a 1.5% reduction in mandated and entitlement spending. A full breakdown of mandate relief actions taken by the legislature from fiscal 2011 through 2021 can be as seen in **Appendix 4**.

Exhibit 8
Mandate/Entitlement Relief from the 2020 Session
Fiscal 2021 Budget
Allowance vs. Appropriation
(\$ in Millions)

	<u>General Funds</u>	<u>Special Funds</u>	<u>GO Bonds</u>	<u>Total All Funds</u>
Allowance	\$14,311.1	\$4,658.4	\$27.4	\$18,996.9
Appropriation	14,052.5	4,643.7	27.4	18,723.7
Fiscal 2021 Reductions	\$258.6	\$14.6	\$0.0	\$273.2

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

Source: Department of Legislative Services

In addition to the legislature, on July 1, 2020, the Board of Public Works (BPW) also took actions to reduce State spending as a consequence of the negative budget outlook resulting from the COVID-19 pandemic. As seen in **Exhibit 9**, the BPW reduced general fund mandated expenditures by \$118.7 million and special fund expenditures by \$1.8 million. The additional \$36.7 million special fund total represents revenue designed to backfill a portion of a \$41.0 million cut for Medicaid.

Exhibit 9
BPW Mandate/Entitlement Relief
Fiscal 2021
(\$ in Millions)

	<u>General Funds</u>	<u>Special Funds</u>	<u>Special Fund Backfill</u>
Entitlement Expenditures	\$45.0	\$0.2	-\$36.7
Mandate Expenditures	73.6	1.6	0.0
Total	\$118.7	\$1.8	-\$36.7

BPW: Board of Public Works

Source: Department of Legislative Services

Appendix 1
Education and Health Spending on Mandates and Entitlements
Fiscal 2011-2021
(\$ in Millions)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Mandates	\$8,563.7	\$8,960.7	\$9,033.9	\$9,459.6	\$9,606.1	\$10,488.9	\$10,981.5	\$11,242.1	\$11,681.2	\$12,505.9	\$13,244.2
Entitlements	3,402.0	4,639.0	4,763.1	4,550.9	4,844.4	4,674.5	4,724.8	5,063.4	5,243.5	5,392.7	5,725.3
Total	\$11,965.7	\$13,599.7	\$13,797.0	\$14,010.5	\$14,450.5	\$15,163.4	\$15,706.3	\$16,305.5	\$16,924.7	\$17,898.6	\$18,969.5
Total Allowance	\$23,416.3	\$25,353.6	\$26,910.8	\$27,635.7	\$28,895.7	\$29,062.3	\$30,198.5	\$30,602.5	\$31,793.9	\$33,465.4	\$34,704.5
% of State Sourced Portion of the Budget	51.1%	53.6%	51.3%	50.7%	50.0%	52.2%	52.0%	53.3%	53.2%	53.5%	54.7%
Education, K-12	\$5,282.7	\$5,964.0	\$5,872.0	\$5,945.3	\$6,061.4	\$6,065.7	\$6,398.2	\$6,411.4	\$6,556.0	\$7,053.7	\$7,392.2
Health	\$3,058.8	\$4,328.2	\$4,437.3	\$4,224.4	\$4,502.2	\$4,463.9	\$4,553.7	\$4,871.1	\$5,117.0	\$5,199.7	\$5,557.9
Education, K-12 %	44.1%	43.9%	42.6%	42.4%	41.9%	40.0%	40.7%	39.3%	38.7%	39.4%	39.0%
Health %	25.6%	31.8%	32.2%	30.2%	31.2%	29.4%	29.0%	29.9%	30.2%	29.1%	29.3%
Total % Education, K-12, and Health on Mandates and Entitlements	69.7%	75.7%	74.7%	72.6%	73.1%	69.4%	69.7%	69.2%	69.0%	68.5%	68.3%

Source: Department of Legislative Services

Appendix 2
General Fund
Mandated Appropriations and Entitlements by Type of Recipient
Fiscal 2021 Allowance
(\$ in Millions)

<u>General Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Approp. Entitlement</u>
Local Government		
Foundation Program – Education*	\$3,193.7	22.3%
Compensatory Education Grant	1,363.2	9.5%
Aid for Local School Employees Fringe Benefits	750.3	5.2%
Limited English Proficiency Grant	348.2	2.4%
Students with Disabilities – Formula	314.9	2.2%
Student Transportation – Formula	282.2	2.0%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	298.8	2.1%
Disparity Grants	158.3	1.1%
Students with Disabilities – Nonpublic Placements	123.9	0.9%
Other	545.8	3.8%
Total	\$7,379.3	51.6%
Individuals		
Medical Care Program Administration (Medicaid)	\$3,797.6	26.5%
Developmental Disabilities Administration Medical Assistance	675.7	4.7%
Foster Care Payments	169.6	1.2%
Need-based Higher Education Awards	95.7	0.7%
Property Tax Credits	71.0	0.5%
Other	58.9	0.4%
Total	\$4,868.5	34.0%
State Government		
Judicial Branch	577.5	4.0%
State Retirement Contribution	537.1	3.8%
Legislative Branch	101.0	0.7%
Pension Sweeper	25.0	0.2%
Program Open Space Repayment	84.5	0.6%
Baltimore City Community College	40.1	0.3%
Maryland School for the Deaf	34.1	0.2%
Other	168.8	1.2%
Total	\$1,618.1	11.3%
Debt Service		
General Obligation Bond Debt Service	\$226.0	1.6%
Total	\$226.0	1.6%
Funds for Other Entities		

<u>General Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Approp. Entitlement</u>
Joseph A. Sellinger Program for Aid to Nonpublic Institutions of Higher Education	\$91.1	0.6%
Property Tax Credits – Enterprise Zones	26.2	0.2%
Maryland School for the Blind	24.8	0.2%
Maryland State Arts Council	23.9	0.2%
Prince George's Regional Medical Center	15.0	0.1%
Baltimore Regional Development Initiative	12.0	0.1%
SEED School of Maryland	10.8	0.1%
Other	15.3	0.1%
Total	\$219.2	1.5%
 Total Mandated and Entitlement General Funds	 \$14,311.1	 100.0%

SEED: School for Education Evolution and Development

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

Note: Retirement contributions for employees of the Legislative and Judicial branches, the Maryland School for the Deaf, and the Maryland Public Television totaling \$79.1 million are not included. These funds are included in mandates directed specifically to those agencies.

Source: Department of Legislative Services

Appendix 3
Special and Higher Education Fund
Mandated Appropriations and Entitlements by Type of Recipient
Fiscal 2021 Allowance
(\$ in Millions)

<u>Special Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Approp. or Entitlement</u>
Local Government		
Blueprint for Maryland's Future	\$350.0	7.5%
Foundation Program – Education	\$291.9	6.3%
Local Highway User Capital Grants	264.2	5.7%
Montgomery and Prince George's County Bus Service Operating Subsidies	56.0	1.2%
Outdoor Recreation Land Loan Program which includes Program Open Space – Local Share	44.2	0.9%
Other	35.6	0.8%
Total	\$1,041.9	22.4%
Individuals		
Medical Care Program Administration (Medicaid)	\$908.5	19.5%
Other	4.2	0.1%
Total	\$912.7	19.6%
State Government		
State Retirement Contribution	\$215.3	4.6%
Outdoor Recreation Land Loan Program which includes Program Open Space – State Share	112.3	2.4%
Judicial Branch	69.7	1.5%
Maryland Health Benefit Exchange	35.0	0.8%
Maryland Transit Administration – Operating Enhancement	36.3	0.8%
Other	34.7	0.7%
Total	\$503.2	10.8%
Debt Service		
General Obligation Bond Debt Service	\$1,113.0	23.9%
Transportation Debt Service	415.9	8.9%
Total	\$1,528.9	32.8%
Funds for Other Entities		
Washington Metropolitan Area Transit Authority (WMATA) – Operating Subsidy	\$444.3	9.5%
WMATA Maryland Metro/Transit Funding Act	\$167.0	3.6%
Other	60.3	1.3%
Total	\$671.6	14.4%
Total Mandated and Entitlement Special Funds	\$4,658.4	100.0%

Source: Department of Legislative Services

Appendix 4
Mandate Relief Taken by Legislature
Fiscal 2011-2021
(\$ in Millions)

	<u>GF</u>	<u>SF</u>	<u>GO</u> <u>Funds</u>	<u>Total</u> <u>State Funds</u>
<u>Fiscal 2021</u>				
Allowance	\$14,311.1	\$4,658.4	\$27.4	\$18,996.9
Appropriation	14,045.3	4,643.7	34.6	18,723.7
Fiscal 2021 Reductions	\$265.8	\$14.6	-\$7.2	\$273.2
Reduction Percentage of State Mandate/Entitlement Expenditures				1.5%
<u>Fiscal 2020</u>				
Allowance	\$13,741.1	\$4,157.5	\$30.1	\$17,928.7
Appropriation	13,463.6	4,433.0	29.1	17,925.7
Fiscal 2020 Reductions	\$277.5	-\$275.5	\$1.0	\$3.0
Reduction Percentage of State Mandate/Entitlement Expenditures				0.0%
<u>Fiscal 2019</u>				
Allowance	\$12,862.2	\$4,062.6	\$19.0	\$16,943.8
Appropriation	12,760.1	4,063.3	26.0	16,849.4
Fiscal 2019 Reductions	\$102.1	-\$0.7	-\$7.0	\$94.4
Reduction Percentage of State Mandate/Entitlement Expenditures				0.6%
<u>Fiscal 2018</u>				
Allowance	\$12,270.8	\$4,034.7	\$47.7	\$16,353.2
Appropriation	12,321.6	4,037.0	51.7	16,410.3
Fiscal 2018 Reductions	-\$50.8	-\$2.3	-\$4.0	-\$57.1
Reduction Percentage of State Mandate/Entitlement Expenditures				-0.3%
<u>Fiscal 2017</u>				
Allowance	\$12,003.3	\$3,703.0	\$16.1	\$15,722.4
Appropriation	11,999.0	3,673.7	10.0	15,682.7
Fiscal 2017 Reductions	\$4.3	\$29.3	\$6.1	\$39.7
Reduction Percentage of State Mandate/Entitlement Expenditures				0.3%

	<u>GF</u>	<u>SF</u>	<u>GO</u> <u>Funds</u>	<u>Total</u> <u>State Funds</u>
<u>Fiscal 2016</u>				
Allowance	\$11,619.8	\$3,543.6	\$17.1	\$15,180.5
Appropriation	11,577.7	3,525.9	12.1	15,115.7
Fiscal 2016 Reductions	\$42.1	\$17.7	\$5.0	\$64.8
Reduction Percentage of State Mandate/Entitlement Expenditures				0.4%
<u>Fiscal 2015</u>				
Allowance	\$11,102.0	\$3,348.6	\$17.1	\$14,467.7
Appropriation	10,925.8	3,322.1	17.1	14,265.0
Fiscal 2015 Reductions	\$176.2	\$26.5	\$0.0	\$202.7
Reduction Percentage of State Mandate/Entitlement Expenditures				1.4%
<u>Fiscal 2014</u>				
Allowance	\$10,761.9	\$3,248.5	\$35.9	\$14,046.3
Appropriation	10,625.9	3,176.4	33.6	13,835.9
Fiscal 2014 Reductions	\$136.0	\$72.1	\$2.3	\$210.4
Reduction Percentage of State Mandate/Entitlement Expenditures				1.5%
<u>Fiscal 2013</u>				
Allowance	\$10,724.7	\$3,072.3	\$74.7	\$13,871.7
Appropriation	10,258.5	3,179.8	83.3	13,521.6
Fiscal 2013 Reductions	\$466.2	-\$107.5	-\$8.6	\$350.1
Reduction Percentage of State Mandate/Entitlement Expenditures				2.6%
<u>Fiscal 2012</u>				
Allowance	\$10,728.9	\$2,870.8	\$74.7	\$13,674.4
Appropriation	10,601.8	2,802.7	59.8	13,464.3
Fiscal 2012 Reductions	\$127.1	\$68.1	\$14.9	\$210.1
Reduction Percentage of State Mandate/Entitlement Expenditures				1.6%
<u>Fiscal 2011</u>				
Allowance	\$9,181.8	\$2,783.9	\$10.0	\$11,975.7
Appropriation	8,935.2	2,476.4	85.0	11,496.6
Fiscal 2011 Reductions	\$246.6	\$307.5	-\$75.0	\$479.1
Reduction Percentage of State Mandate/Entitlement Expenditures				4.2%

GF: general funds

SF: special funds

GO: general obligation

Note: Excludes Federal Spending

Source: Department of Legislative Services