
Mandated Appropriations in the Maryland State Budget

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

January 2022

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.

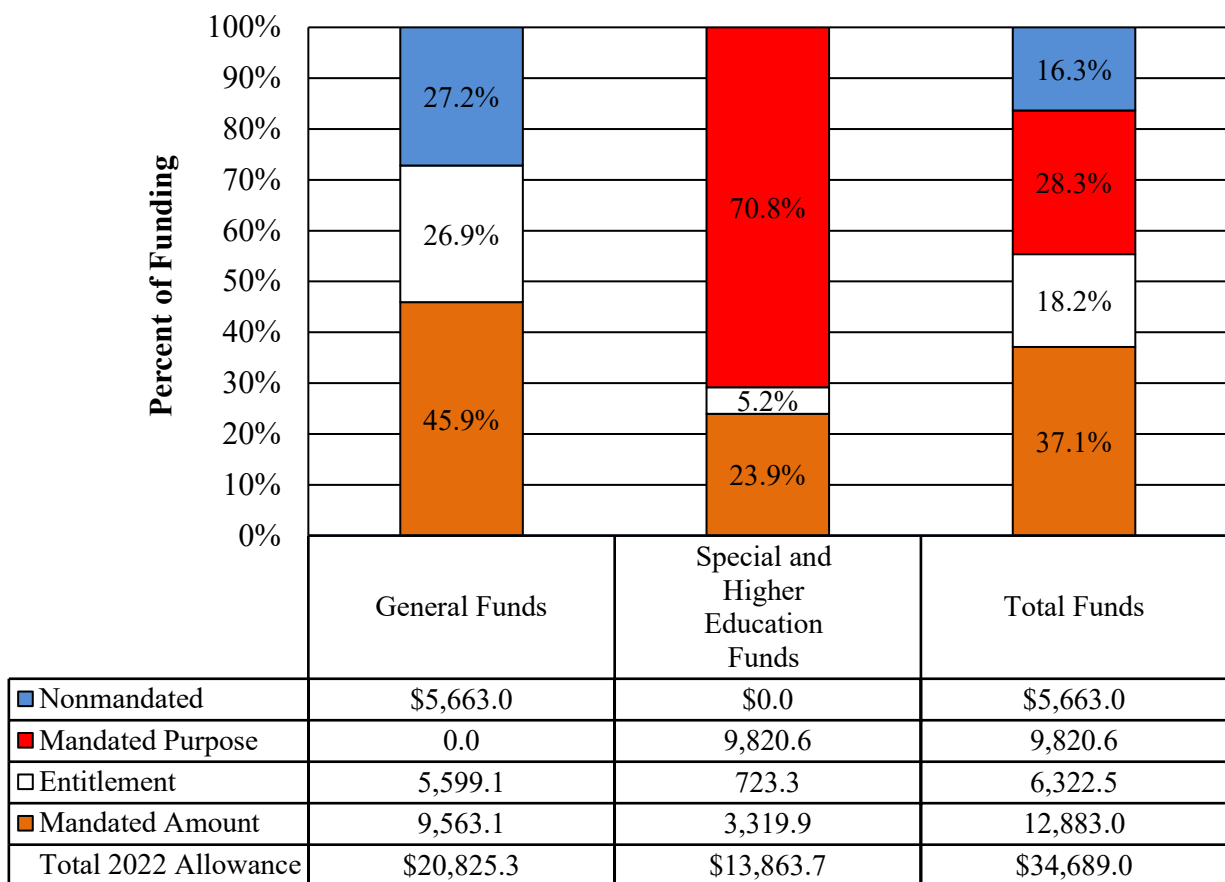
The State's own-source budget totals \$34.7 billion for fiscal 2022. For purposes of this report, spending is categorized as:

- ***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 Programs 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 2022 appropriations with a mandated amount total \$12.9 billion, and entitlements total an additional \$6.3 billion, for a combined 55.4% of the State-sourced portion of the budget. From fiscal 2012 through 2022, spending on mandates and entitlements has ranged from a low of 50% of the State-sourced portion of the budget to a high of 55.4% in the current year. The main drivers of these expenditures are education and health related, which are greater than two-thirds in all years of the State-sourced mandated and entitlement spending over that period, as shown in **Appendix 1**. However, the share has declined slightly over

time from 75.7% in fiscal 2012 to 68.2% in fiscal 2022. As seen in **Exhibit 1**, 72.8% of the fiscal 2022 general fund allowance and 29.2% of the special fund and higher education allowance are mandates or entitlements. The remaining 70.8% 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 2022 Allowance
(\$ in Millions)

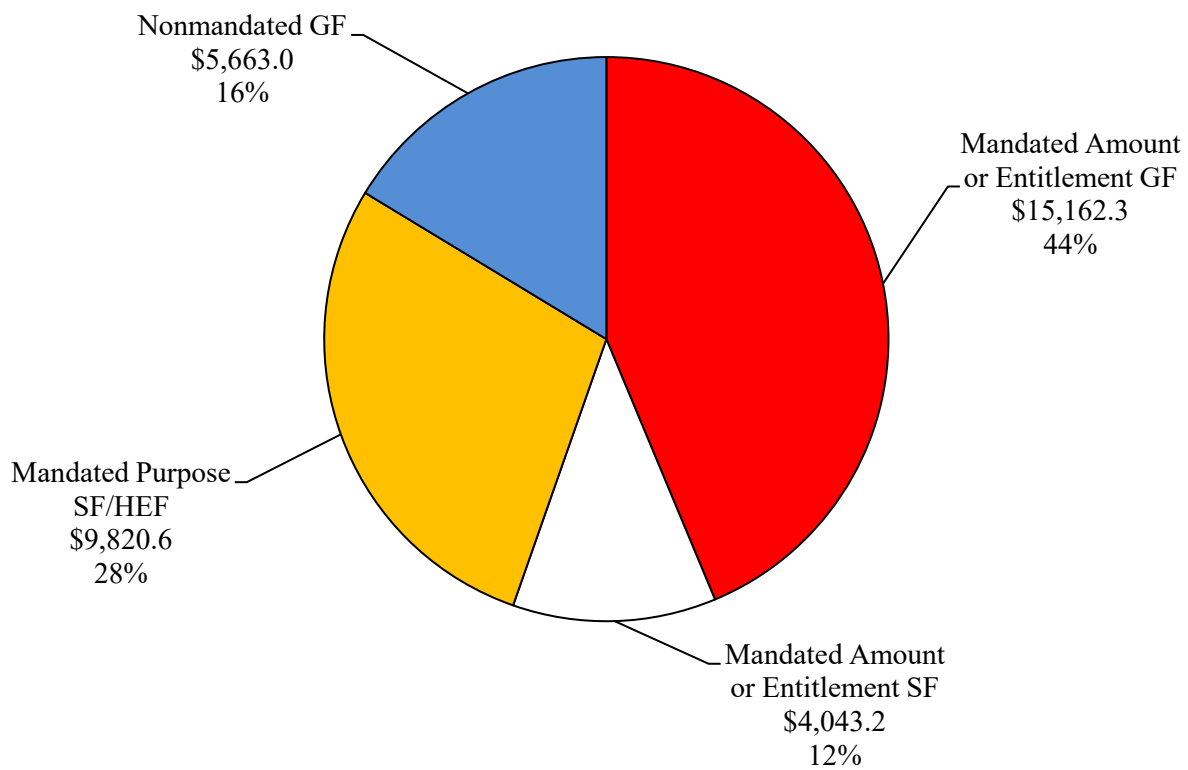


Note: Numbers may not sum to total due to rounding. Fiscal 2022 special and higher education funds exclude the general and special fund portions of current unrestricted funds. General fund allowance total excludes \$35 million of unspecified reversions.

Source: Governor's Fiscal 2022 Budget Books; 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 2022
(\$ in Millions)



GF: general fund

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

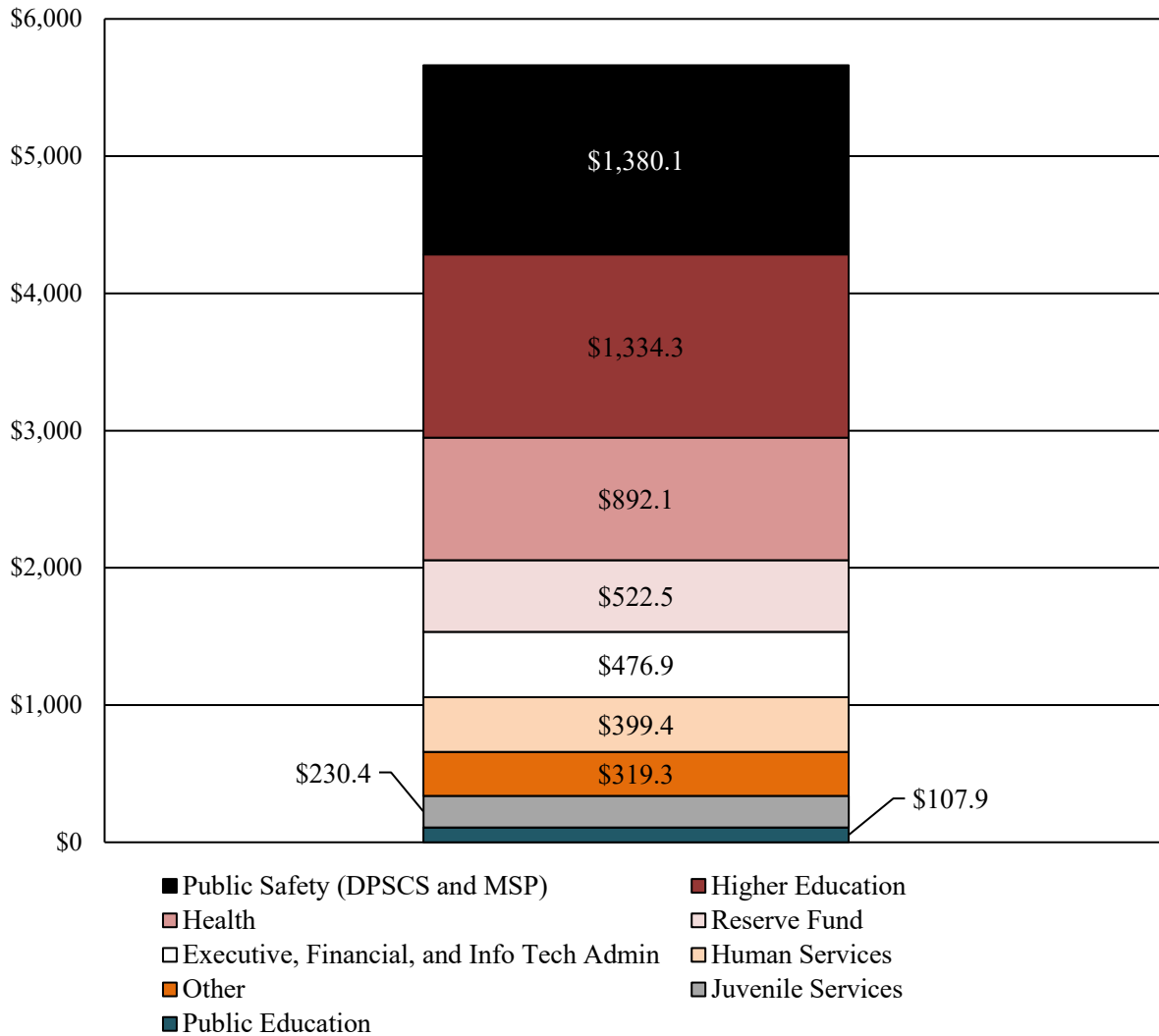
SF: special fund

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 63.7% of the nonmandated general funds.

Exhibit 3
Detailed Spending from Own-source Budget on Nonmandated General Funds
Fiscal 2022
(\$ in Millions)



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 79.4% of all mandated general fund spending in the allowance. Health, transportation, and debt service for the State's capital program account for 81.6% of all special fund mandates in the allowance.

Exhibit 4
Statutorily Mandated Appropriations and Entitlements by Policy Area
Fiscal 2022 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	\$6,725.8	44.4%	\$269.3	6.7%	\$6,995.1	36.4%
Health	5,320.6	35.1%	788.5	19.5%	6,109.1	31.8%
Capital Program	260.0	1.7%	1,123.0	27.8%	1,383.0	7.2%
Transportation	0.0	0.0%	1,388.1	34.3%	1,388.1	7.2%
Administration and Legislative	708.3	4.7%	216.8	5.4%	925.1	4.8%
Education, Postsecondary	702.3	4.6%	0.3	0.0%	702.5	3.7%
Judiciary	604.4	4.0%	68.0	1.7%	672.3	3.5%
Agriculture, Environment, and Natural Resources	124.4	0.8%	182.9	4.5%	307.3	1.6%
Human Services	332.8	2.2%	0.0	0.0%	332.8	1.7%
Nonspecific Aid	186.6	1.2%	1.7	0.0%	188.3	1.0%
Economic Development and Housing	108.8	0.7%	4.0	0.1%	112.8	0.6%
Public Safety	88.4	0.6%	0.6	0.0%	89.0	0.5%
Total	\$15,162.3	100.0%	\$4,043.2	100.0%	\$19,205.4	100.0%

GF: general funds

SF: special funds

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 89.7% of all general fund mandated spending, as seen in **Exhibit 5**. Funding for the two largest mandated general fund programs, Medicaid and the Foundation Program, accounts for 50.8% of all general fund spending for mandates and entitlements. With respect to special and higher education funds, 9 programs exceeded \$100 million, totaling 91.8% of all mandated special fund and higher education spending.

Exhibit 5
Programs with Statutorily Mandated Appropriations or Entitlements
Exceeding \$100 Million
Fiscal 2022 Allowance
(\$ in Millions)

	<u>Allowance</u>	<u>% of Funds</u>
General Fund Programs		
Medical Care Programs Administration (Medicaid)	\$4,453.5	29.4%
Foundation Program – Education*	3,244.5	21.4%
Compensatory Education Grant	1,286.7	8.5%
Aid for Local School Employees Fringe Benefits	779.0	5.1%
Developmental Disabilities Administration Medical Assistance	750.4	4.9%
Judicial Branch	604.4	4.0%
State Retirement Contribution	539.7	3.6%
Limited English Proficiency Grant	334.3	2.2%
Students with Disabilities – Formula	306.6	2.0%
Community Colleges – Formula	302.7	2.0%
Student Transportation – Formula	285.0	1.9%
GO Bond Debt Service	260.0	1.7%
Foster Care Payments	167.5	1.1%
Disparity Grants	158.2	1.0%
Students with Disabilities – Nonpublic Placements	123.9	0.8%
Subtotal	\$13,596.3	89.7%
Other	\$1,566.0	10.3%
Total General Funds	\$15,162.3	100.0%

	<u>Allowance</u>	<u>% of Funds</u>
Special Fund Programs		
GO Bond Debt Service	\$1,123.0	27.8%
Medical Care Programs Administration (Medicaid)	721.1	17.8%
Transportation Debt Service	451.3	11.2%
WMATA – Operating Subsidy	438.1	10.8%
Local Highway User Capital Grants	254.2	6.3%
State Retirement Contribution	214.9	5.3%
Outdoor Recreation Land Loan Program (Includes Program Open Space)	173.4	4.3%
Foundation Program – Education	168.9	4.2%
WMATA Maryland Metro/Transit Funding Act	167.0	4.1%
Subtotal	\$3,712.0	91.8%
Other	\$331.2	8.2%
Total Special Funds	\$4,043.2	100.0%

GO: general obligation

WMATA: Washington Metropolitan Area Transit Authority

*Includes the Geographic Cost of Education Index and supplemental grants.

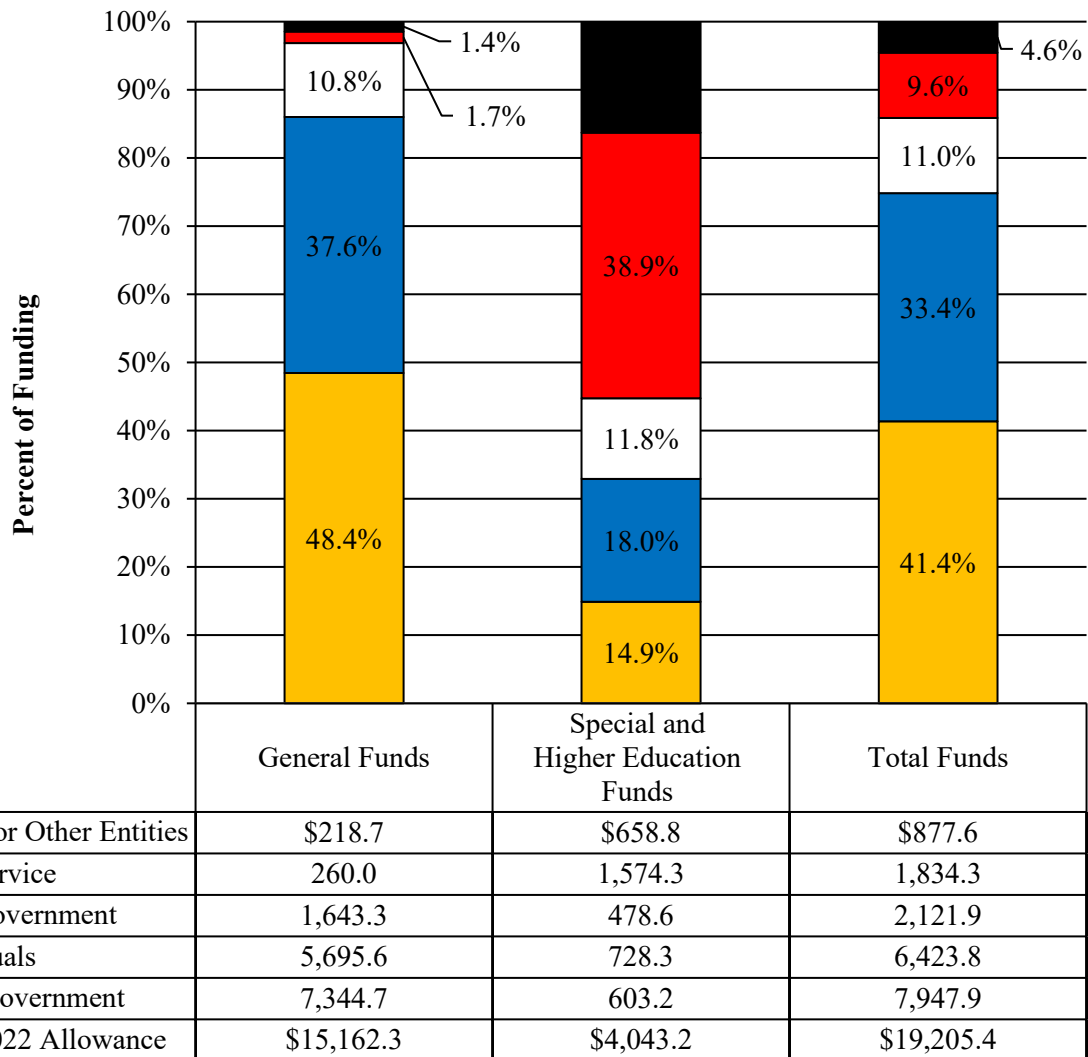
Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

When considering who benefits from mandated appropriations and entitlement programs, **Exhibit 6** demonstrates that 74.8% 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 through the Medicaid program.

Approximately \$2.1 billion, or 11.0%, 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 2022 allowance, receiving approximately 38.9% 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 2022 Allowance
(\$ in Millions)



Note: Numbers may not sum to total due to rounding. Fiscal 2022 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**, \$33.6 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 2022 allowance, which would have increased the sum of mandated appropriations.

Exhibit 7
Statutorily Mandated Appropriations Funded by General Obligation Debt
Fiscal 2022 Allowance
(\$ in Millions)

School Safety Capital Grants	\$10.0
Interagency Committee on School Construction – Aging School Program	6.1
Comprehensive Flood Mitigation Program	6.0
County Library Capital Grant Program	7.5
Shelter and Transitional Housing Facilities Grant Program	3.0
African American Heritage Preservation Program	1.0
Total	\$33.6

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

Source: Department of Legislative Services

Significant actions were taken by the legislature to reduce general fund mandated and entitlement spending, in large part due to the availability of additional federal funds. As seen in **Exhibit 8**, the legislature reduced general fund spending by \$539.4 million, while special fund and GO fund spending increased by \$109.5 million and \$17.8 million, respectively, from the allowance. Of the general fund decrease, \$317.4 million was the result of the availability of an enhanced federal match for Medicaid in the first six months of fiscal 2022 and therefore does not impact total anticipated spending. When excluding federal funds, the total percentage reduction in mandated and entitlement spending made to the fiscal 2022 allowance was 2.2%, the largest reduction since fiscal 2013 when there was a 2.6% reduction in mandated and entitlement spending. A full breakdown of mandate relief actions taken by the legislature from fiscal 2012 through 2022 can be seen in **Appendix 4**.

Exhibit 8
Mandate/Entitlement Relief from the 2021 Session
Fiscal 2022 Budget
Allowance vs. Appropriation
(\$ in Millions)

	<u>General Funds</u>	<u>Special Funds</u>	<u>GO Funds</u>	<u>Total All Funds</u>
Allowance	\$15,162.3	\$4,043.2	\$33.6	\$19,239.0
Appropriation	14,622.9	4,152.6	51.4	18,826.9
Fiscal 2022 Reductions	-\$539.4	\$109.5	\$17.8	-\$412.1

GO: general obligation

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

Source: Department of Legislative Services

Although relatively minimal in amount, **Exhibit 9** highlights the six programs that were underfunded by the Governor relative to their mandated spending level. The total amount below the mandated spending level for these programs reached \$1.8 million below the funding level that these programs were supposed to meet.

Exhibit 9
Underfunded Mandates
Fiscal 2022 Appropriation

	<u>Mandate</u>	<u>Appropriation</u>	<u>Amount Below Mandate</u>
Underfunded			
Maryland State Arts Council	\$26,317,737	\$25,317,737	-\$1,000,000
Maryland Racing Grants	350,000	0	-350,000
Construction Education and Innovation Fund	250,000	0	-250,000
Video Lottery Terminals Market Analysis	125,000	0	-125,000
Office of the Commissioner for Financial Regulation	300,000	270,130	-29,870
Mel Noland Fellowship Program	50,000	25,000	-25,000
Subtotal	\$27,392,737	\$25,612,867	-\$1,779,870

Source: Department of Legislative Services

Appendix 1
Education and Health Spending on Mandates and Entitlements
Fiscal 2012-2022
(\$ in Millions)

	<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>	<u>2022</u>
Mandates	\$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	\$12,883.0
Entitlements	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	6,322.5
Total	\$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	\$19,205.4
Total Allowance	\$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	\$34,689.0
% of State-sourced Portion of the Budget	53.6%	51.3%	50.7%	50.0%	52.2%	52.0%	53.3%	53.2%	53.5%	54.7%	55.4%
Education, K-12	\$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	\$6,995.1
Health	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	6,109.1
Education, K-12 %	43.9%	42.6%	42.4%	41.9%	40.0%	40.7%	39.3%	38.7%	39.4%	39.0%	36.4%
Health %	31.8%	32.2%	30.2%	31.2%	29.4%	29.0%	29.9%	30.2%	29.1%	29.3%	31.8%
Total % Education, K-12, and Health on Mandates and Entitlements	75.7%	74.7%	72.6%	73.1%	69.4%	69.7%	69.2%	69.0%	68.5%	68.3%	68.2%

Source: Department of Legislative Services

Appendix 2
General Fund
Mandated Appropriations and Entitlements by Type of Recipient
Fiscal 2022 Allowance
(\$ in Millions)

<u>General Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Approp. or Entitlement</u>
Local Government		
Foundation Program – Education*	\$3,244.5	21.4%
Compensatory Education Grant	1,286.7	8.5%
Aid for Local School Employees Fringe Benefits	779.0	5.1%
Limited English Proficiency Grant	334.3	2.2%
Students with Disabilities – Formula	306.6	2.0%
Senator John A. Cade Memorial Formula for the Distribution of Funds to the Community Colleges in the State	302.7	2.0%
Student Transportation – Formula	285.0	1.9%
Disparity Grants	158.2	1.0%
Students with Disabilities – Nonpublic Placements	123.9	0.8%
Other	523.9	3.5%
Total	\$7,344.7	48.4%
Individuals		
Medical Care Programs Administration (Medicaid)	\$4,453.5	29.4%
Developmental Disabilities Administration Medical Assistance	750.4	4.9%
Foster Care Payments	167.5	1.1%
Need-based Higher Education Awards	92.7	0.6%
Property Tax Credits	68.4	0.5%
Other	163.1	1.1%
Total	\$5,695.6	37.6%
State Government		
Judicial Branch	\$603.9	4.0%
State Retirement Contribution	539.7	3.6%
Legislative Branch	104.4	0.7%
Program Open Space Repayment	90.2	0.6%
Supplemental Pension Contribution – Dedicated Purpose Account	50.0	0.3%
Baltimore City Community College	39.8	0.3%
Maryland School for the Deaf	34.8	0.2%
Pension Sweeper	25.0	0.2%
Other	155.4	1.0%
Total	\$1,643.3	10.8%
Debt Service		
General Obligation Bond Debt Service	\$260.0	1.7%
Total	\$260.0	1.7%
Funds for Other Entities		

<u>General Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Approp. or Entitlement</u>
Sellinger Program – Aid to Nonpublic Institutions of Higher Education	\$88.8	0.6%
Property Tax Credits – Enterprise Zones	25.3	0.2%
Maryland State Arts Council	25.3	0.2%
Maryland School for the Blind	23.8	0.2%
Baltimore Regional Development Initiative	12.0	0.1%
SEED School of Maryland	10.9	0.1%
Prince George’s Regional Medical Center	10.0	0.1%
Other	22.5	0.1%
Total	\$218.7	1.4%
 Total Mandated and Entitlement General Funds	 \$15,162.3	 100.0%

SEED: School for Education Evolution and Development

*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 2022 Allowance
(\$ in Millions)

<u>Special Fund Programs</u>	<u>Allowance</u>	<u>% of Total Mandated Approp. or Entitlement</u>
Local Government		
Local Highway User Capital Grants	\$254.2	6.3%
Foundation Program – Education	168.9	4.2%
Outdoor Recreation Land Loan Program (Includes Program Open Space – Local Share)	48.7	1.2%
Montgomery and Prince George’s County Bus Service Operating Subsidies	46.1	1.1%
Blueprint for Maryland’s Future	38.5	1.0%
Other	46.7	1.2%
Total	\$603.2	14.9%
Individuals		
Medical Care Programs Administration (Medicaid)	\$721.1	17.8%
Other	7.1	0.2%
Total	\$728.3	18.0%
State Government		
State Retirement Contribution	\$214.9	5.3%
Outdoor Recreation Land Loan Program (Includes Program Open Space – State Share)	124.7	3.1%
Judicial Branch	68.0	1.7%
Maryland Health Benefit Exchange	35.0	0.9%
Other	36.0	0.9%
Total	\$478.6	11.8%
Debt Service		
General Obligation Bond Debt Service	\$1,123.0	27.8%
Transportation Debt Service	451.3	11.2%
Total	\$1,574.3	38.9%
Funds for Other Entities		
WMATA – Operating Subsidy	\$438.1	10.8%
WMATA Maryland Metro/Transit Funding Act	167.0	4.1%
Other	53.7	1.3%
Total	\$658.8	16.3%
Total Mandated and Entitlement Special Funds	\$4,043.2	100.0%

WMATA: Washington Metropolitan Area Transit Authority

Source: Department of Legislative Services

Appendix 4
Mandate Relief Taken by Legislature
Fiscal 2011-2022
(\$ in Millions)

	<u>GF</u>	<u>SF</u>	<u>GO</u> <u>Funds</u>	<u>Total</u> <u>State Funds</u>
Fiscal 2022				
Allowance	\$15,162.3	\$4,043.2	\$33.6	\$19,239.0
Appropriation	14,622.9	4,152.6	51.4	18,826.9
Fiscal 2022 Reductions	-\$539.4	\$109.5	\$17.8	-\$412.1
Reduction Percentage of State Mandate/Entitlement Expenditures				-2.2%
Fiscal 2021				
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
Reduction Percentage of State Mandate/Entitlement Expenditures				-1.5%
Fiscal 2020				
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%
Fiscal 2019				
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%
Fiscal 2018				
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%
Fiscal 2017				
Allowance	\$12,003.3	\$3,703.0	\$16.1	\$15,722.4

	<u>GF</u>	<u>SF</u>	<u>GO Funds</u>	<u>Total State Funds</u>
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%
Fiscal 2016				
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%
Fiscal 2015				
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%
Fiscal 2014				
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%
Fiscal 2013				
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>GF</u>	<u>SF</u>	<u>GO</u> <u>Funds</u>	<u>Total</u> <u>State Funds</u>
Fiscal 2012				
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%
Fiscal 2011				
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
GO: general obligation
SF: special funds

Note: Excludes federal spending.

Source: Department of Legislative Services

