

To: Members, Staff and Officers of the American Federation of State, County and Municipal Employees Maryland Council 67

Date: Tuesday April 13, 2010

Re: Maryland General Assembly 2010 Session Wrap-Up

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## I. THE BUDGET

### Introduction and Background

The Maryland Constitution mandates that the Governor propose the Budget. The Maryland Constitution only allows the General Assembly to cut the Budget – legislators are not allowed to increase the Budget. The Constitution further mandates the Budget be balanced through the elimination of budget surpluses and shortfalls.

The **Budget** is actually two bills:

- 1) the traditional **Budget** (Senate Bill 140) contains the funding allocations for agencies, programs, personnel, etc.
- 2) the **Budget Reconciliation and Financing Act** (Senate Bill 141) contains all adjustments needed make a balanced budget: proposed cuts, fund transfers, reallocations and other modifications.

The **Budget** is made up of two entities: The Capital Budget and the Operating Budget

### Summary of the Fiscal Year 2011 Budget

- 1) General Funds: \$13.19 billion (\$13.43 billion last year)
  - 2) Special Funds: \$5.91 billion (\$5.65 billion last year)
  - 3) Federal Funds: \$9.35 billion (\$9.8 billion last year)
  - 4) Education Funds: \$3.54 billion (\$3.42 billion last year)
- Total Spending:** \$31.9 billion (\$32.3 billion last year)  
**Overall:** \$298 million below last year's budget  
**Cash balance:** \$829 million  
**Rainy day fund:** \$195 million

Overall, AFSCME Council 67 diligently worked on behalf of its 25,000 members in Annapolis. As a result, AFSCME Council 67 members avoided significant reductions in services and budget cuts statewide. The most significant budget cuts were seen in transportation and local health. Aid to counties and municipalities was slightly reduced. Prince George's County avoided an \$18 million budget loss though disparity grants, meaning no furloughs this year. Next year, the budget shortfall is projected to be at least \$1.5 billion.

## **Discussion**

Maryland faced the largest budget deficit since the Great Depression. The major focus of 2010 Session of Maryland General Assembly was balancing a **\$2 billion budget shortfall**. This deficit is twice the size as last year's shortfall. To eliminate the \$2 billion shortfall, on January 20, 2010, Governor O'Malley proposed budget cuts, fund transfers, extensions of federal stimulus payments, altering funding formulae, and other legal changes.

Governor O'Malley proposed **\$1 billion in FY2011 budget cuts**. AFSCME Maryland Council 67 members are heavily affected by budget cuts, especially in aid to **local governments and municipalities** and **local aid funding**. **\$290 million of that money came from cuts to local aid and local governments**. The cuts to local aid came from the Highway User Revenue Fund, aid to community colleges, aid to police, and funding to local health departments.

## **Our Strategy**

In light of the State's declining revenues and the various interim cuts made by the Board of Public Works, it was clear that the best strategy for AFSCME Council 67 was to prevent the General Assembly from further cutting aid to local governments and municipalities; recover some Highway User Revenue funding; and recover some funding to local health departments.

## **Our Strategy: The Senate**

The Senate was the first chamber to act on the Budget and their signals indicated a need for concern. The Senate was poised to cut an additional \$500 million from the Governor's Budget. Through long hours of advocacy, AFSCME MD Council 67 was able to avoid the Senate's dire proposal. The Budget passed out of the Senate needing more work.

For example, the Senate voted to shift a \$330 million teacher pension liability to local governments. Cash-strapped local governments surely could not afford to pay this without affecting AFSCME MD Council 67 members. Furthermore, the Senate created new funding formulae for highway user revenues by transferring \$40 million from the Transportation Trust Fund. Maintaining this funding level was a priority for Council 67. Unfortunately, the Senate agreed to the Governor's \$3.7 million cut to local health departments. However, Council 67 won a major victory by having the Senate approve a funding formula for annual increases in the budget for local health departments.

## **Our Strategy: The House of Delegates**

Once the Senate passed the Budget, it went to the House of Delegates. Our efforts in the House focused on eliminating the \$330 million teacher pension liability, maintaining equitable funding formulae for local highway user revenues, salvaging the Highway User Revenue Program, and maintaining the local health department formulaic increases.

## **Our Strategy: Local Governments and Municipalities**

AFSCME MD Council 67 worked with the various local governments and municipalities plus the Maryland Association of Counties. We avoided millions of dollars in cuts and saved many local government jobs. Furthermore, we worked on restoring funding for disparity grants for the counties. Prince George's County was able to avoid an \$18 million cut.

### **The Results**

The final budget differs little from the version proposed by Governor Martin O'Malley in January. Its total is slightly less than the budget for the current year, whether measures in terms of total budget (0.9% reduction) or state general funds (0.3% reduction).

**Cash Balance:** The proposed budget leaves the state with a projected cash balance of \$829 million at the end of fiscal year 2011. This includes the 5% "Rainy Day Fund" and \$195 million in general fund surplus. Even so, projections for future years show shortfalls of \$1.5 billion to \$1.6 billion each year for 2012 through 2015.

**Counties and Municipalities:** Local governments received \$188.9 million in funding, down approximately \$800,000 from last year. Local governments were able to avoid a crippling teacher pension liability this year. However, transportation has taken the biggest hit as funding for highway user revenues has been cut indefinitely. Baltimore City has fared the worst, despite our best efforts. Beginning in 2013, Baltimore City will receive \$20 million less transportation dollars per year. This \$20 million will be divided by all other local governments and added to their transportation funding. Prince George's County was able to avoid an \$18 million penalty

**Aid to Local Health:** Local health grants are at \$37.3 million, reflecting a budget cut \$3.7 million. Inflationary increases of this budget, however, have been preserved.

**Transportation:** Transportation is down substantially - a 90% cut for most jurisdictions. Highway User Revenues allocated to local governments have been permanently cut. Reduced funding for construction and maintenance plus sharp reductions to local transportation aid account for this drop. Beginning in FY 2013 the distribution among the local governments is altered, as the share directed to Baltimore City is reduced by roughly \$20 million per year, and the share remaining for other local governments is increased by a corresponding amount. Furthermore, municipal roads will receive disproportionately more funding than county roads because of a new distribution formula.

**Public K-12 Education:** Education aid will be about \$5.7 billion, fully funding major aid programs. With the exception of a \$4.3 million scaling back of the increase in school bus transportation grants, aid to local schools, on a per-pupil basis, will 1% increase through 2015.

**Library Aid:** Libraries are funded at the same level as 2010. Of note are future per capita payments for the county library grants, regional resource centers, and State Library Resource

Center. Going forward, libraries will be funded at the fiscal 2012 level for fiscal 2013 and every year thereafter.

**Public Safety and Correctional Services:** The budget funds and personnel levels the Division of Corrections at 2010.

**Teacher Pension:** The final budget does not alter the existing state payment of retirement benefits – counties will not be saddled with a \$330 million dollar liability. However, a commission has been established to study this possibility and report in 2011.

**Legislative Scholarships:** Funding for state scholarships remain fully funded.

**Disparity Grants:** A formula change saved Prince George's County \$18 million.

**Senior Centers:** Senior Activity Centers remained at the same funding levels as 2010.

**Aid to Community Colleges:** Aid for community colleges slightly increases less than 1% over 2010 levels.

**Aid to Higher Education:** Colleges and universities received essentially the same funding as last year, \$1.2 billion. Tuitions will increase, however. After four years of an in-state undergraduate tuition freeze, State institutions are held to a maximum 3.0% tuition increase.

**Medicaid and Health Care:** This budget freezes rates for providers of group homes and other residential services through 2012. Providers will not receive a 0.9% inflationary increase this year. Medicaid funding grows over \$220.0 million, and there is no reduction in services or eligibility for services.

### **Next Steps: Priorities for Next Year**

AFSCME MD Council 67 wisely engaged allies, especially local government officials. Considering our economic downturn and unprecedented deficits, the Budget news is as good as can be. While the budget enacted by the legislature is balanced, it depends on payments from the federal Recovery and reinvestment Act, and on transfers from special funds. Only 86% of general fund expenditures are supported by ongoing revenues. Therefore, AFSCME Council 67 must continue to advocate for funding for its membership.

## THE AFSCME MD COUNCIL 67 LEGISLATIVE REPORT

Beyond budget issues, AFSCME MD Council 67 also had major legislative victories. These included:

**THE FAIRNESS IN NEGOTIATIONS ACT: [PASSED]** School personnel will be able to appeal labor disputes to a new, neutral third-party panel. Before, decisions were appealed to the county boards of education. This was a legislative **victory** for AFSCME MD Council 67.

**CORRECTIONAL OFFICERS BILL OF RIGHTS: [PASSED]** Correctional officers now have a Bill of Rights similar to other law enforcement officers. An internal hearing board now decides correctional officer disciplinary cases and officers may remain on payroll throughout the appeals process. AFSCME International and AFSCME Council 982 were instrumental in this victory.

**ASSAULT ON PAROLE AND PROBATIONS OFFICERS, CORRECTIONAL OFFICERS, AND LAW ENFORCEMENT OFFICERS [PASSED]:** Assault on parole and probations officers, all correctional officers and law enforcement officers is now a mandatory second-degree assault offense with a maximum fine of \$5000. AFSCME International and AFSCME Council 982 were instrumental in this victory.

**WASHINGTON SUBURBAN SANITARY COMMISSION:** WSSC was prevented from circumventing oversight of their human resources practices (hiring, notifications of vacancies). This was a legislative victory for AFSCME MD Council 67.

**HOME CARE WORKERS AND UNEMPLOYMENT INSURANCE:** The legislature attempted to exclude all home care workers from unemployment insurance benefits, regardless of independent contractor status. AFSCME Council 67 managed to prevent this measure. This is a legislative victory for AFSCME MD Council 67

**PRIVATE SCHOOL TAX CREDITS FAIL (BOAST):** Legislation to use public dollars for private schools failed, citing constitutionality issues. AFSCME Council 67 opposed this legislation, also known as BOAST. This legislation would have provided a tax credit to businesses, costing the state at least \$50 million dollars. This was a legislative **victory** for AFSCME MD Council 67.

## II. NOTABLE LEGISLATION PASSED

AFSCME MD Council 67 also informs its membership of notable legislation passed this session:

**CHILD SUPPORT GUIDELINES:** For the first time in 21 years, the General Assembly passed has raised financial guidelines for child support payments. However, the guidelines do not apply to combined adjusted actual incomes between \$10,000 to \$15,000 per month, or to individuals making \$180,000 annually. This law goes into effect October 1.

**SEX OFFENDER REFORMS PASS:** Several sex offender law reforms passed that will: lengthen some sentences, repeal good behavior prison credits, and require lifetime supervision for violent and repeat offenders.

**BAN ON CELL PHONE USE WHILE DRIVING:** Motorists are now banned from using a hand-held cell phone while driving. Motorists cannot be pulled over for only using a hand-held cell phone, but a \$40 fine will be attached if pulled over for another offense. The law goes into effect October 1.

**TRAFFIC COURT DATES:** Drivers are now required to request a court date if they want to challenge a citation; court dates will not be automatically set for moving violations.

**TEACHER TENURE:** Maryland teachers now have a 3-year waiting period before they can earn tenure. During their probationary period, teachers may also receive mentoring.

**FORECLOSURE MEDIATION:** Marylanders have another option to delay foreclosure. Homeowners may request mediation sessions with their lenders to discuss ways to stay in their homes. Lenders pursuing foreclosure must pay a filing fee of \$300 to offset the cost of mediation. Lenders are also required to send homeowners applications for a loan-modification or loss-mitigation program at least 45 days before a foreclosure action is filed in court. This bill goes into effect July 1.

**GANG PROSECUTIONS:** Legislation to make it easier to prosecute gang members and stiffen penalties against them was approved. The bill also expands the list of gang-related offenses including witness intimidation and second-degree assault.

**GANGS IN SCHOOLS:** This measure requires Maryland educators and law enforcement to report the arrests of students for gang-related activity to school personnel. The law also requires educators and law enforcement to report gang-activity to school personnel.

**VOTER REGISTRATION:** Though unable to vote until 18, 16-year olds may register to vote when they get their driver's license or at another registration location.

**JOB CREATION TAX CREDIT:** As part of Governor O'Malley's jobs initiatives, employers will receive a \$5000 tax credit for hiring an unemployed resident.

**UNEMPLOYMENT INSURANCE:** Because of the recession, joblessness increased causing a strain on the Unemployment Insurance Trust Fund. Unemployment benefits are maintained, and increases benefits for workers seeking training while unemployed. Unemployment insurance benefits are preserved for part-time workers (20 hours/week or more).

**FALSE CLAIMS:** The Maryland False Health Claims Act creates civil penalties for people who make false health insurance claims

**SHIFT BREAKS:** Retail businesses are required give employees a 15-minute break if they work four to six consecutive hours and a 30-minute break for more than six consecutive hours.

**AUTO INSURANCE:** The minimum coverage limit has been raised \$20,000 for an individual and \$40,000 for multiple people to \$30,000 and \$60,000, respectively. This is the first change in liability limits since Maryland made auto insurance mandatory in 1972. Motorist should expect higher insurance premiums.

**MILITARY RECRUITMENT IN SCHOOLS:** Maryland schools will no longer send student scores from the Armed Services Vocational Aptitude Battery test to military – students will have to send it the information themselves.

**COLLECTIVE BARGAINING:** Childcare providers are now allowed to collectively bargain. Statewide collective bargaining rights for librarians failed. Binding arbitration for Baltimore City Police also failed, but Maryland Transportation Authority Police Officers won collective bargaining rights.

**ELECTED SCHOOL BOARD:** Baltimore City and Baltimore County, two of only five appointed school board systems in the State, failed to allow elected school boards this session.

**CHANGES IN NURSING LICENSURE REQUIREMENTS:** Changes in the requirements in nursing licensure take effect on October 1.