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# **Spending Affordability Briefing**

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

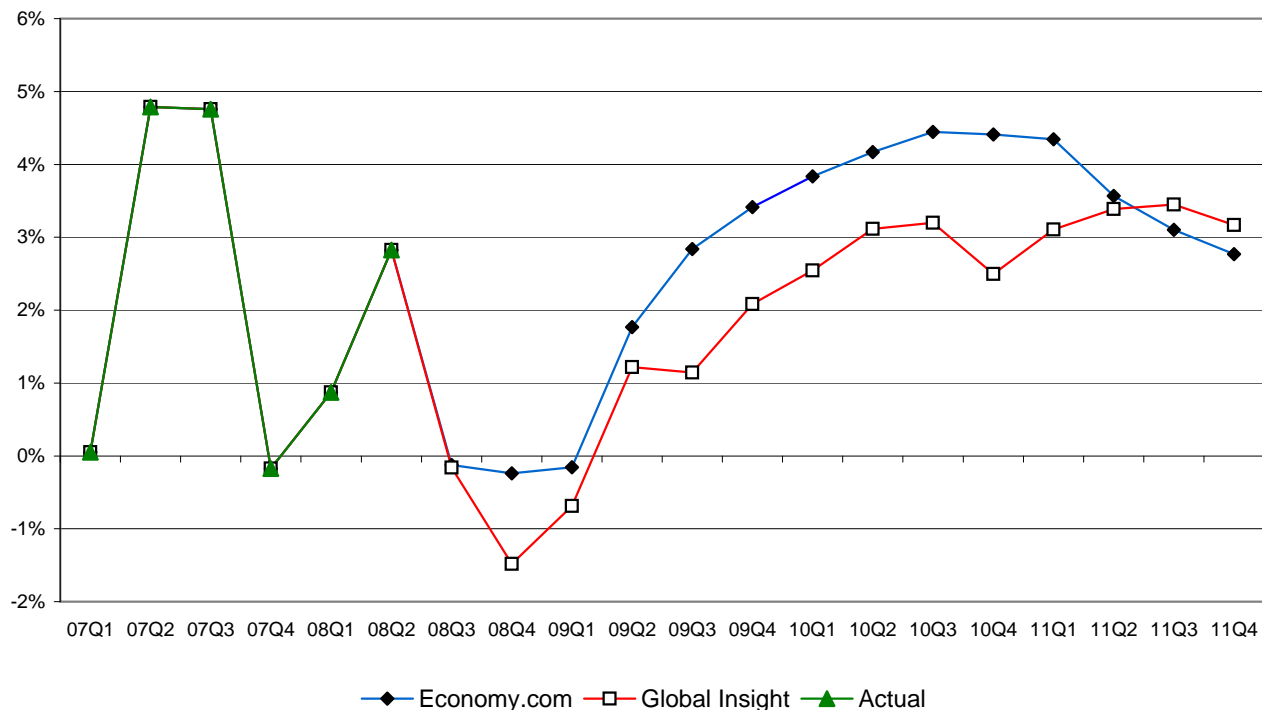
**October 14, 2008**

## U.S. Economic Outlook

### Year-over-year Percent Change

Calendar Year	Real GDP		Employment		Personal Income		
	<u>E.com</u>	<u>Global Insight</u>	<u>E.com</u>	<u>Global Insight</u>	<u>E.com</u>	<u>Global Insight</u>	
2005	2.9%	2.9%	1.7%	1.7%	5.6%	5.6%	
2006	2.8%	2.8%	1.8%	1.8%	7.1%	7.1%	
2007	2.0%	2.0%	1.1%	1.1%	6.1%	6.1%	
2008	E	1.6%	1.5%	0.0%	-0.1%	4.1%	4.4%
2009	E	1.0%	0.2%	-0.7%	-1.0%	3.2%	2.7%
2010	E	3.7%	2.4%	1.3%	0.8%	4.6%	3.7%
2011	E	4.0%	3.1%	2.3%	1.7%	5.0%	5.1%

### Inflation-adjusted U.S. Gross Domestic Product Annualized Percent Change



Note: The forecasts from Economy.com and Global Insight were both last updated October 6, 2008.

Real GDP: inflation-adjusted gross domestic product

E.com: Moody's Economy.com, Inc.

**Maryland Economic Performance**  
**Year-over-year Percent Change**  
**Calendar 2005-2008**

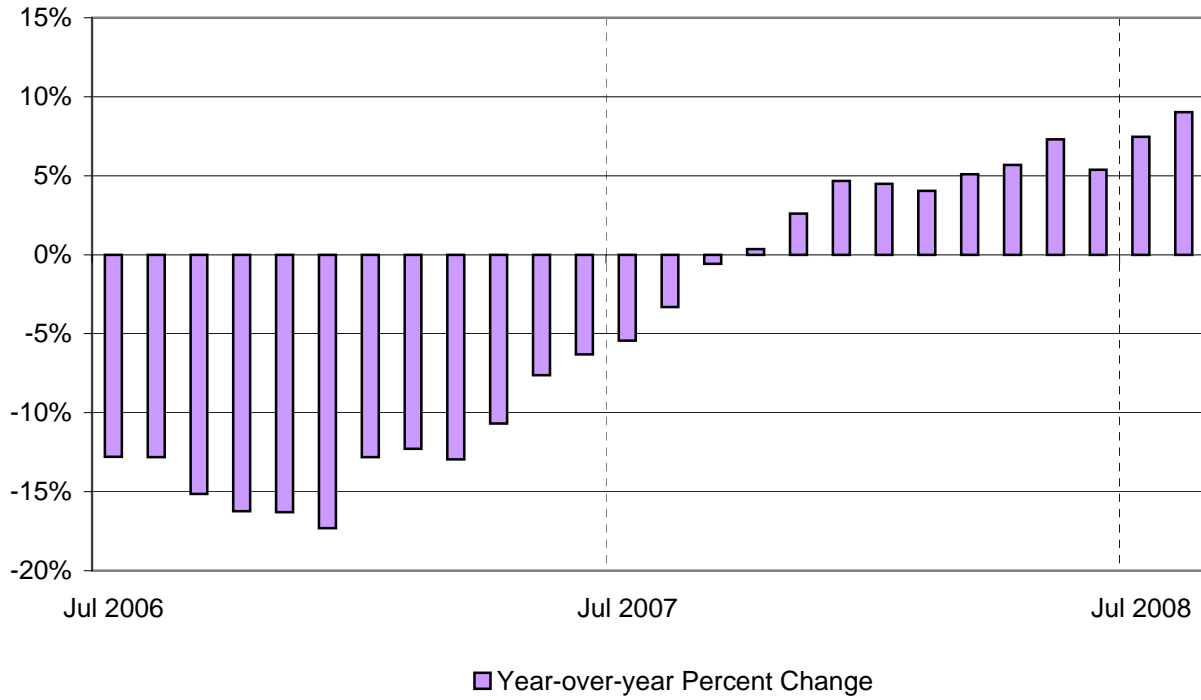
	<u>CY 2005</u>	<u>CY 2006</u>	<u>CY 2007</u>	<u>Year-to-date CY 2008</u>	<u>2008 Notes</u>
Employment (QCEW)	1.6%	1.3%	0.7%	0.4%	January-March
Initial UI Claims	-6.1%	-3.1%	9.4%	20.9%	January-August
Unemployment Rate	4.1%	3.8%	3.6%	4.5%	August
Personal Income	5.8%	5.8%	6.3%	4.0%	January-June
Wage & Salary Income	5.8%	5.4%	5.0%	3.6%	January-June
Existing Home Sales	0.3%	-20.9%	-22.9%	-32.5%	January-August
Median Home Price	20.8%	7.1%	-0.3%	-6.2%	January-August
Vehicle Sales	-0.2%	-2.6%	-3.6%	-10.3%	January-August
Sales Tax <sup>(1)</sup>	7.0%	5.0%	1.5%	-1.6%	January-August

QCEW: Quarterly Census of Employment and Wages

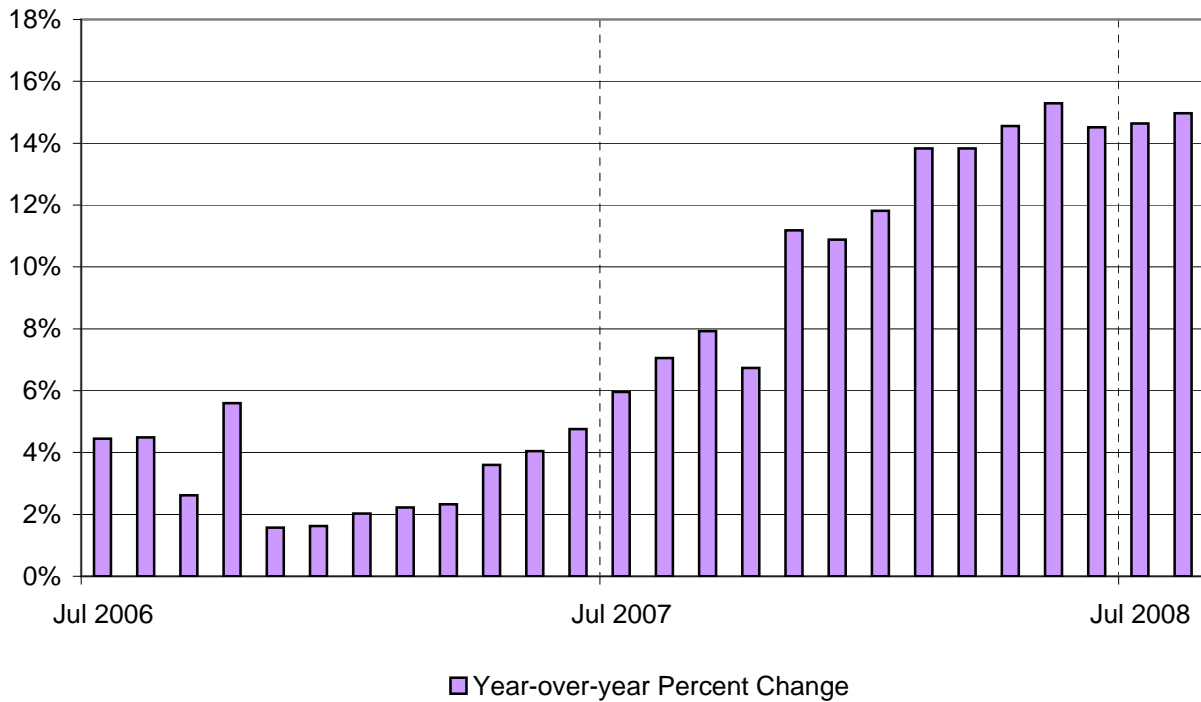
UI: Unemployment Insurance

<sup>(1)</sup> Gross receipts (excluding assessments) adjusted for law changes.

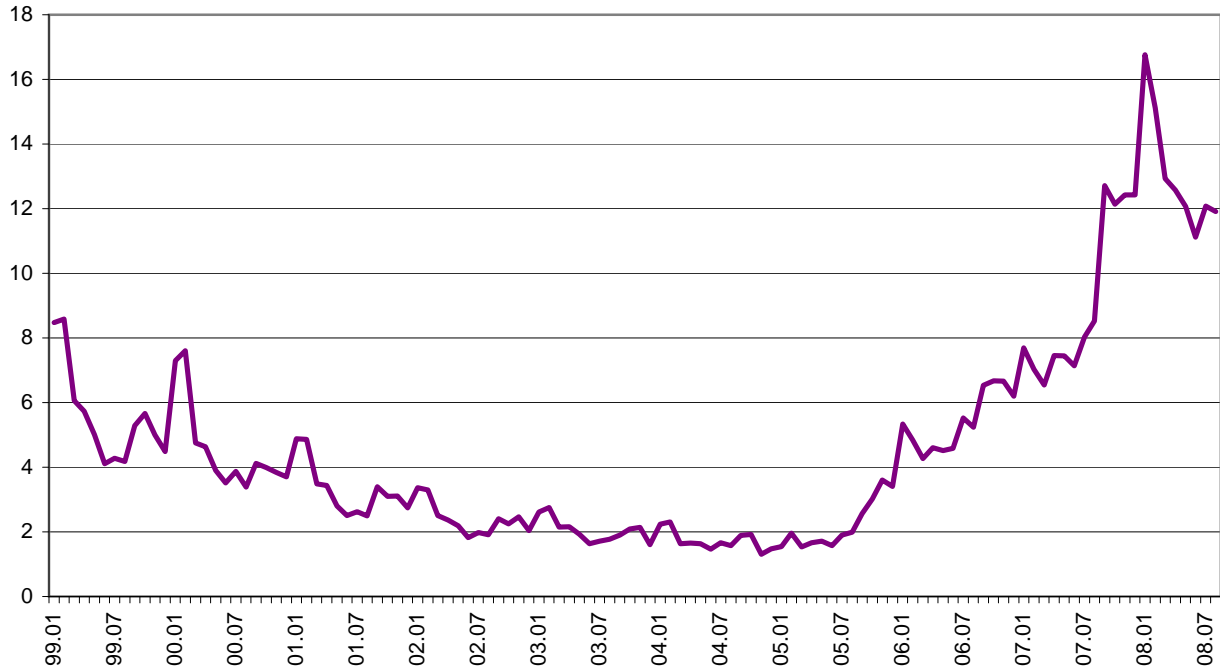
### Temporary Cash Assistance Caseloads July 2006 to August 2008



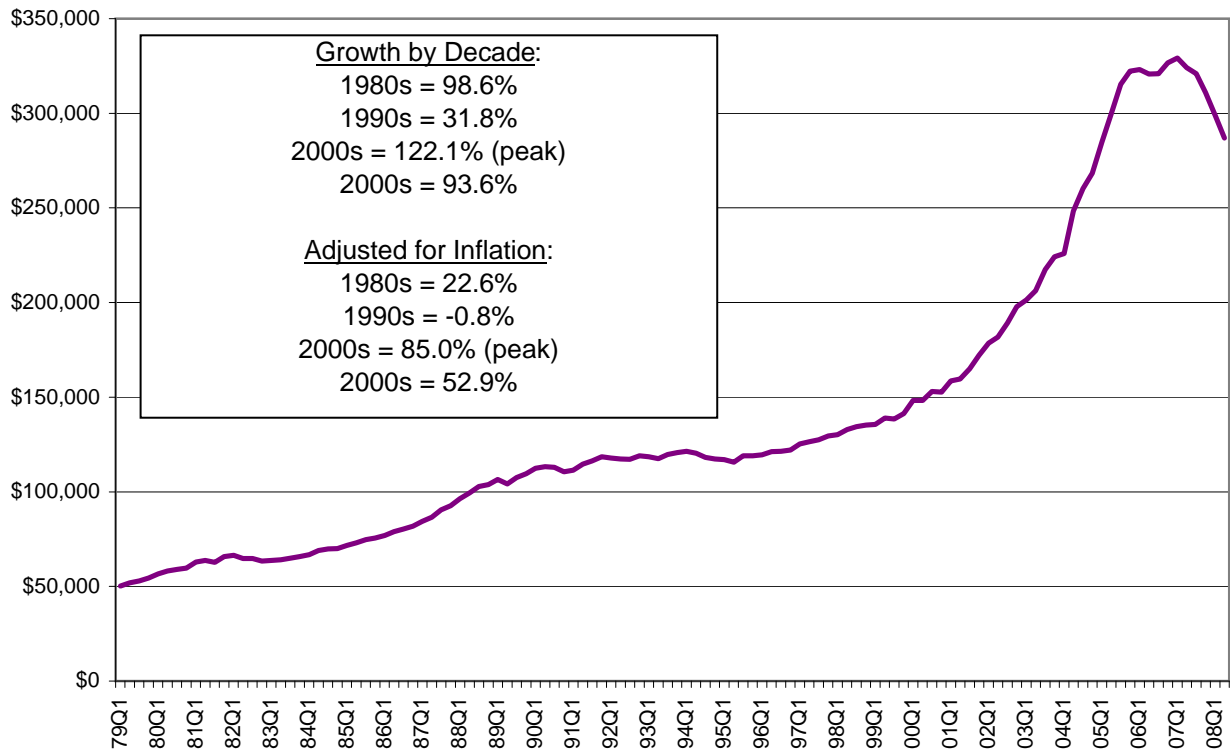
### Food Stamps Caseloads July 2006 to August 2008



**Maryland Existing Homes – Ratio of Inventory to Sales  
January 1999 to August 2008**



**Maryland Existing Single-family Median Home Price  
1979Q1 to 2008Q2**



# Maryland Economic Forecasts

## Year-over-year Percent Change

Calendar <u>Year</u>	Employment			Personal Income		
	<u>Mar. 2008</u>	<u>Sep. 2008</u>	<u>Oct. 2008</u>	<u>Mar. 2008</u>	<u>Sep. 2008</u>	<u>Oct. 2008</u>
2005	1.5%	1.5%	1.5%	5.7%	5.5%	5.8%
2006	1.2%	1.3%	1.3%	5.7%	5.7%	5.8%
2007	0.8%	0.8%	0.7%	5.7% *	5.4%	6.3%
2008E	1.1%	0.6%	0.4%	4.7%	4.4%	4.3%
2009E	1.8%	0.3%	-0.4%	5.0%	3.4%	3.0%
2010E	1.9%	1.2%	1.0%	5.5%	4.9%	4.4%
2011E	1.8%	1.8%	1.8%	6.0%	5.5%	5.6%

\* Estimate

Source: March and September from Board of Revenue Estimates; October from Department of Legislative Services

Calendar <u>Year</u>	<u>Employment</u>	<u>Personal Income</u>
1989	2.5%	8.0%
1990	0.8%	5.9%
1991	-3.3%	3.4%
1992	-0.9%	4.8%
1993	1.0%	3.4%
1994	2.1%	4.6%

**Fiscal 2008 General Fund Revenues**  
**(\$ in Millions)**

<u>Source</u>	FY 2007	----- Fiscal 2008 -----		<u>FY 2007-2008</u> <u>% Change</u>	
	<u>Actual</u>	<u>Estimate*</u>	<u>Actual</u> <u>Difference</u>		
Personal Income Tax	\$6,679.2	\$6,986.4	\$6,940.1	-\$46.3	3.9%
Sales and Use Tax	3,420.1	3,751.7	3,675.3	-76.5	7.5%
State Lottery <sup>(1)</sup>	473.1	497.1	497.1	0.0	5.1%
Corporate Income Tax	589.8	558.8	551.7	-7.1	-6.5%
Business Franchise Taxes	206.6	209.1	208.0	-1.1	0.7%
Insurance Premiums Tax	283.3	289.6	301.8	12.2	6.5%
Estate and Inheritance Taxes	224.3	220.5	243.5	23.1	8.6%
Tobacco Tax	278.2	393.3	376.1	-17.1	35.2%
Alcohol Beverages Tax	28.7	29.6	29.0	-0.6	1.0%
Motor Vehicle Fuel Tax	13.2	13.3	13.2	-0.1	0.0%
District Courts	97.0	99.0	91.3	-7.7	-5.9%
Clerks of the Court	52.3	46.9	42.6	-4.3	-18.6%
Hospital Patient Recoveries	84.9	85.1	86.6	1.4	1.9%
Interest on Investments	178.9	122.6	166.5	43.9	-6.9%
Miscellaneous	330.5	313.8	322.9	9.1	-2.3%
<b>Grand Total</b>	<b>\$12,940.2</b>	<b>\$13,616.8</b>	<b>\$13,545.6</b>	<b>-\$71.2</b>	<b>4.7%</b>
<b>Estimated Baseline Growth</b>					<b>1.5%</b>

\* From the Board of Revenue Estimates, March 2008, with adjustments for action at the 2008 legislative session.

<sup>(1)</sup> Fiscal 2008 net receipts after the distribution to the Maryland Stadium Authority totaled \$507.9 million, \$10.8 million above the estimate. The \$10.8 million overattainment was transferred to a special fund per Senate Bill 545 (2008 session).

Note: Fiscal 2008 revenues reflect numerous changes enacted at the 2007 special session impacting the personal income tax, sales tax, corporate income tax, and the tobacco tax. In general these changes went into effect in January 2008 thus impacting half of fiscal 2008 revenues.

**Fiscal 2009 General Fund Revenues**  
(\$ in Millions)

<u>Source</u>	<i>Fiscal Year through September</i>			
	<u>FY 2008</u>	<u>FY 2009</u>	<u>\$ Difference</u>	<u>% Difference</u>
Personal Income Tax	\$1,238.5	\$1,279.3	\$40.9	3.3%
Sales and Use Tax <sup>(1)</sup>	567.2	645.6	78.4	13.8%
State Lottery	114.0	99.2	-14.7	-12.9%
Corporate Income Tax	96.5	133.9	37.4	38.8%
Business Franchise Taxes	40.7	42.3	1.6	3.8%
Insurance Premiums Tax	69.9	71.7	1.9	2.7%
Estate and Inheritance Taxes	50.4	54.4	4.0	7.9%
Tobacco Tax	55.1	82.5	27.4	49.7%
Alcohol Beverages Tax	5.0	4.9	-0.1	-2.8%
Motor Vehicle Fuel Tax	1.2	1.1	-0.1	-8.0%
District Courts	23.8	24.6	0.8	3.5%
Clerks of the Court	14.9	11.7	-3.1	-21.0%
Hospital Patient Recoveries <sup>(2)</sup>	2.3	9.1	6.8	298.5%
Interest on Investments <sup>(3)</sup>	13.9	15.0	1.1	8.2%
Miscellaneous	36.1	27.3	-8.8	-24.5%
<b>Total Revenues</b>	<b>\$2,329.4</b>	<b>\$2,502.7</b>	<b>\$173.4</b>	<b>7.4%</b>
<b>Estimated Baseline Growth</b>				<b>1.3%</b>

<sup>(1)</sup> Data reflects sales tax revenue remitted to the Comptroller in August and September which were collected by retailers in July and August.

<sup>(2)</sup> Includes revenues from Medicare, insurance, and sponsors only. Fiscal 2009 includes \$6.5 million from a Medicaid cost settlement.

<sup>(3)</sup> Adjusted to reflect accrued interest earnings.

Note: Legislation enacted at the 2007 special session and the 2008 session impacted the personal income tax, sales tax, corporate income tax, tobacco tax, motor fuel tax, and certain miscellaneous revenues. In general, these changes went into effect in January 2008 thus impacting the second half of fiscal 2008 revenues but all of fiscal 2009.



**Fiscal 2009 General Fund Revenue Projections**  
(\$ in Millions)

<u>Source</u>	<u>---- BRE Estimates ----</u>			<u>FY 2008-2009</u>	<u>DLS</u>	<u>Over BRE</u>	<u>FY 2008-2009</u>
	<u>May*</u>	<u>Sept.</u>	<u>\$ Chg.</u>	<u>% Change</u>	<u>Estimate</u>	<u>Sept.</u>	<u>% Change</u>
Personal Income Tax	\$7,444.9	\$7,309.8	-\$135.0	5.3%	\$7,249.9	-\$59.9	4.5%
Sales and Use Tax	4,052.6	3,787.4	-265.3	3.1%	3,776.8	-10.6	2.8%
State Lottery <sup>(1)</sup>	511.3	495.2	-16.1	-0.4%	495.2	0.0	-0.4%
Corporate Income Tax	672.7	672.7	0.0	21.9%	612.0	-60.7	10.9%
Business Franchise Taxes	206.5	200.9	-5.6	-3.4%	200.9	0.0	-3.4%
Insurance Premiums Tax	295.8	309.4	13.6	2.5%	309.4	0.0	2.5%
Estate and Inheritance Taxes	213.0	210.4	-2.6	-13.6%	210.4	0.0	-13.6%
Tobacco Tax	451.0	433.0	-18.0	15.1%	433.0	0.0	15.1%
Alcohol Beverages Tax	30.3	28.7	-1.6	-1.0%	28.7	0.0	-1.0%
Motor Vehicle Fuel Tax	6.5	6.5	0.0	-50.8%	6.5	0.0	-50.8%
District Courts	101.1	93.5	-7.6	2.4%	93.5	0.0	2.4%
Clerks of the Court	46.8	40.8	-6.0	-4.1%	40.8	0.0	-4.1%
Hospital Patient Recoveries	75.3	75.3	0.0	-13.0%	75.3	0.0	-13.0%
Interest on Investments	97.1	122.0	24.9	-26.7%	93.7	-28.3	-43.7%
Miscellaneous	316.1	303.5	-12.6	-6.0%	303.5	0.0	-6.0%
<b>Total</b>	<b>\$14,521.0</b>	<b>\$14,089.2</b>	<b>-\$431.9</b>	<b>4.0%</b>	<b>\$13,929.7</b>	<b>-\$159.4</b>	<b>2.8%</b>
<b>Estimated Baseline Growth</b>				<b>1.4%</b>			<b>-0.4%</b>
<b>May 2008 Estimate growth over fiscal 2008</b>				<b>6.6%</b>			

\* From the Board of Revenue Estimates, March 2008, with adjustment for actions taken at the 2008 session.

<sup>(1)</sup> Fiscal 2008 net receipts after the distribution to the Maryland Stadium Authority totaled \$507.9 million, \$10.8 million above the estimate. The \$10.8 million overattainment was transferred to a special fund per Senate Bill 545 (2008 session). The fiscal 2009 estimate is about 2.5% below the total net receipts in fiscal 2008 of \$507.9 million.

BRE: Board of Revenue Estimates  
DLS: Department of Legislative Services

Note: Legislation enacted at the 2007 special session and the 2008 session impacted the personal income tax, sales tax, corporate income tax, tobacco tax, motor fuel tax, and certain miscellaneous revenues. In general, these changes went into effect in January 2008 thus impacting half of fiscal 2008 revenues and all of fiscal 2009. Provisions of this legislation also resulted in different fund distributions for some revenue sources beginning in fiscal 2009 although in some cases those new distributions are limited in fiscal 2009 and become fully effective in fiscal 2010.

## Fiscal 2010 General Fund Revenue Projections (\$ in Millions)

<u>Source</u>	<u>BRE</u> <u>Sept.</u>	<u>FY 2009-2010</u> <u>% Change</u>	<u>DLS</u> <u>Oct.</u>	<u>\$ Chg.</u>	<u>FY 2009-2010</u> <u>% Change</u>
Personal Income Tax	\$7,697.7	5.3%	\$7,532.2	-\$165.5	3.9%
Sales and Use Tax <sup>(1)</sup>	3,932.8	3.8%	3,837.6	-95.2	1.6%
State Lottery	507.8	2.5%	507.8	0.0	2.5%
Corporate Income Tax <sup>(2)</sup>	746.5	11.0%	737.0	-9.5	20.4%
Business Franchise Taxes	209.4	4.2%	209.4	0.0	4.2%
Insurance Premiums Tax	317.1	2.5%	317.1	0.0	2.5%
Estate and Inheritance Taxes	214.1	1.7%	214.1	0.0	1.7%
Tobacco Tax	427.9	-1.2%	427.9	0.0	-1.2%
Alcohol Beverages Tax	29.3	2.0%	29.3	0.0	2.0%
Motor Vehicle Fuel Tax <sup>(3)</sup>	0.0	-100.0%	0.0	0.0	-100.0%
District Courts	95.8	2.4%	95.8	0.0	2.4%
Clerks of the Court	40.4	-1.0%	40.4	0.0	-1.0%
Hospital Patient Recoveries	62.0	-17.7%	62.0	0.0	-17.7%
Interest on Investments	115.0	-5.7%	97.0	-18.0	3.4%
Miscellaneous	306.0	0.8%	306.0	0.0	0.8%
<b>Total</b>	<b>\$14,701.7</b>	<b>4.3%</b>	<b>\$14,413.5</b>	<b>-\$288.3</b>	<b>3.5%</b>
<b>Estimated Baseline Growth</b>		<b>3.9%</b>			<b>3.4%</b>

<sup>(1)</sup> In fiscal 2009, \$18.5 million of the short-term rental vehicle tax went to the general fund. In fiscal 2010, the entire amount of the tax is split between the Transportation Trust Fund and the Chesapeake Bay 2010 Fund.

<sup>(2)</sup> In fiscal 2009, the Higher Education Investment Fund will receive an estimated \$50.7 million from the corporate income tax. In fiscal 2010 there is no distribution and the money remains in the general fund.

<sup>(3)</sup> The distribution of motor fuel tax revenue to the general fund ends in fiscal 2010.

BRE: Board of Revenue Estimates

DLS: Department of Legislative Services

# 2010 Baseline Budget Forecast Assumptions

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## Baseline Budget Concepts

- Current laws, policies, and practices are continued.
- Inflationary increases are recognized.
- Large one-time purchases and nonrecurring PAYGO expenditures are removed.
- Anticipated deficiencies are identified.
- Federal mandates and multi-year commitments are observed.
- Legislation adopted at the prior session is funded.
- Nondiscretionary changes in workload are recognized.
- Full year costs of programs started during the previous year are included.
- Positions and operating expenses associated with new facilities are recognized.
- Employee turnover is adjusted to reflect recent experience.

## Caseload Assumptions

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>Percent Change FY 2009-2010</u>
Pupil Enrollment*	823,732	815,742	811,363	-0.5%
Medicaid	531,635	540,865	550,456	1.8%
Medicaid Exp. to Parents	0	36,420	38,075	4.5%
Medicaid Exp. to Childless Adults	0	0	36,344	N/A
Children's Health	108,504	112,368	116,402	3.6%
Temporary Cash Asst.	51,554	53,358	53,892	1.0%
Foster Care/Adoption	14,795	15,048	15,334	1.9%
Adult Prison Population	22,943	22,750	23,046	1.3%

\* Data for 2008, 2009, and 2010 reflect 9/06, 9/07, and 9/08(est.) full-time equivalent enrollments.

## 2010 Baseline Budget Forecast Assumptions (Cont.)

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### Inflation Assumptions

- Employee health insurance (7.0% increase).
- Medical contracts and supplies (5.1%).
- Prescription drugs for State facilities (5.1%).
- Natural gas, propane, and electricity (3.6%).
- Postage (2.1%) and supplies (2.0%).

### Employee Compensation

- Merit increases (increments) of 2.0 or 4.0% based on salary schedule.
- 2.0% general salary increase for fiscal 2010.

### Other Assumptions

- Cost increases for the University System of Maryland and Morgan State University are allocated between general funds and tuition and fees based on the fiscal 2008 ratio of general funds to tuition and fees.
- The fiscal 2010 forecast includes the full anticipated costs for both employee and retiree health insurance, including the use of a \$54 million projected surplus in the State Employees and Retirees Health and Welfare Benefits Fund.

PAYGO: pay-as-you-go

## Fiscal 2009 General Fund Deficiencies (\$ in Millions)

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	<u>Dollars</u>
<b>Human Resources:</b> Underfunding of foster care (\$22.1 million), low-income energy assistance (\$19.1 million), and legal services (\$0.7 million)	\$41.9
<b>Juvenile Services:</b> Underfunding of per diem placements (\$10.1 million), contractual staffing (\$4.6 million), and overtime and other personnel expenses (\$3.5 million)	18.2
<b>Medicaid:</b> Medicaid and children's health program costs (\$16.7 million).	16.7
<b>Public Safety:</b> Overtime (\$7.0 million), local jail reimbursements (\$6.3 million), inmate transportation (\$0.5 million), Drinking Driver Monitor Program fee shortfall (\$0.5 million)	14.3
<b>Health Department:</b> Breast and Cervical Cancer (\$2.6 million), newborn screening (\$1.1 million), Mental Hygiene Administrative Service Organization contract (\$0.9 million), gambling study (\$0.5 million)	5.1
<b>Higher Education Commission:</b> Community College Optional Retirement Program underfunding (\$3.6 million)	3.6
<b>Education:</b> Teacher Quality stipend (\$2.8 million), out-of-county living arrangements (\$0.7 million)	3.4
<b>Other</b>	1.5
<b>Total</b>	<b>\$104.8</b>

**State Expenditures – General Funds**  
(\$ in Millions)

<u>Category</u>	<u>Work. Appr.</u> <u>FY 2008</u>	<u>Adjusted</u> <u>Leg. Appr.</u> <u>FY 2009</u>	<u>Baseline</u> <u>FY 2010</u>	<u>FY 2009 to FY 2010</u> <u>\$ Change</u> <u>% Change</u>	
Debt Service	\$29.3	\$0.0	\$0.0	\$0.0	n/a
<b>Aid to Local Governments</b>					
County/Municipal	242.6	215.5	222.5	7.1	3.3%
Community Colleges	241.7	262.9	303.7	40.8	15.5%
Education/Libraries	5,224.0	5,418.9	5,632.5	213.5	3.9%
Health	67.0	68.8	70.6	1.8	2.6%
	<b>\$5,775.2</b>	<b>\$5,966.0</b>	<b>\$6,229.3</b>	<b>\$263.3</b>	<b>4.4%</b>
<b>Entitlements</b>					
Foster Care Payments	246.3	239.6	268.3	28.6	11.9%
Assistance Payments	35.5	35.5	48.8	13.3	37.6%
Medical Assistance	2,236.0	2,353.2	2,542.9	189.8	8.1%
Property Tax Credits	61.0	64.3	65.5	1.2	1.9%
	<b>\$2,578.9</b>	<b>\$2,692.6</b>	<b>\$2,925.6</b>	<b>\$233.0</b>	<b>8.7%</b>
<b>State Agencies</b>					
Health	1,371.0	1,415.0	1,497.7	82.7	5.8%
Human Resources	294.8	326.5	349.4	22.9	7.0%
Systems Reform Initiative	44.7	39.4	40.1	0.8	1.9%
Juvenile Services	265.2	261.4	289.4	28.0	10.7%
Public Safety/Police	1,218.7	1,293.5	1,395.2	101.7	7.9%
Higher Education	1,129.4	1,165.9	1,320.9	155.0	13.3%
Other Education	387.4	414.9	420.2	5.3	1.3%
Agric./Natl. Res./Environment	147.9	137.8	145.8	8.0	5.8%
Other Executive Agencies	565.8	602.9	674.7	71.8	11.9%
Judicial/Legislative	419.3	451.1	468.4	17.3	3.8%
Cost-of-living Allowance	0.0	0.0	64.2	64.2	n/a
	<b>\$5,844.2</b>	<b>\$6,108.3</b>	<b>\$6,665.9</b>	<b>\$557.5</b>	<b>9.1%</b>
Deficiencies	0.0	104.8	0.0	-104.8	-100.0%
<b>Total Operating</b>	<b>\$14,227.6</b>	<b>\$14,871.8</b>	<b>\$15,820.8</b>	<b>\$949.0</b>	<b>6.4%</b>
Capital/Heritage Reserve Fund	41.9	30.9	40.2	9.3	30.1%
Transfer to MDTA	0.0	85.0	63.0	-22.0	-25.9%
Reversions	-70.8	-30.0	-30.0	0.0	0.0%
<b>Appropriations</b>	<b>\$14,198.7</b>	<b>\$14,957.7</b>	<b>\$15,893.9</b>	<b>\$936.3</b>	<b>6.3%</b>
Reserve Funds <sup>(1)</sup>	262.8	146.5	175.7	29.2	19.9%
<b>Grand Total</b>	<b>\$14,461.5</b>	<b>\$15,104.2</b>	<b>\$16,069.7</b>	<b>\$965.5</b>	<b>6.4%</b>

MDTA: Maryland Transportation Authority

<sup>(1)</sup> Excludes \$85 million in fiscal 2009 and \$63 million in fiscal 2010 appropriated to the Dedicated Purpose Account that is to be transferred to MDTA. These monies are included in the transfer to MDTA line.

Note: Fiscal 2008 includes \$46.5 million in targeted reversions and \$77.5 million in deficiencies. Fiscal 2009 reflects withdrawn appropriations of \$50.1 million approved by the Board of Public Works in June and anticipated deficiencies of \$104.8 million.

## Components of Budget Change (\$ in Millions)

Summary of Budget Change Compared to Working Appropriation	<u>Dollars</u>	<u>Share of Growth</u>
Ongoing Requirements/Entitlements	\$483.5	45.9%
Legislation	9.0	0.9%
Commitments	81.4	7.7%
State Agency Costs	479.9	45.5%
<b>Subtotal Operating Budget</b>	<b>\$1,053.8</b>	
Pay-as-you-go (PAYGO)/Transfer to Maryland Transportation Authority	-12.7	
Appropriation to Reserve Fund	29.2	
<b>Total Baseline Increase in State Expenditures</b>	<b>\$1,070.3</b>	
<b>Ongoing Requirements/Entitlements</b>	<b>\$483.5</b>	
Medical Assistance – Enrollment, Inflation, and Managed Care Organization Rates	182.8	
Teachers’ and Librarians’ Retirement	130.4	
Education Formulas	35.4	
Community Colleges	35.8	
Foster Care – Cost Up in Fiscal 2009/Lower Federal Fund Attainments	28.6	
Mental Hygiene – Enrollment, Inflation, and Utilization	21.1	
Temporary Cash Assistance – Caseloads Up in 2008	13.3	
Selling Aid for Private Higher Education Institutions	10.8	
Local Jail Reimbursements	7.6	
Disparity Grant for Low Wealth Counties	6.8	
St. Mary’s College/Baltimore City Community College	5.2	
Local Libraries – Formula Aid	3.5	
Formula Aid to Local Governments for Police Protection and Health	2.5	
Mandated Increases for the MARBIDCO and Soil Conservation Districts	1.2	
Private Donation Incentive Grant Program	-1.4	
<b>Legislation Adopted at 2008 Session</b>	<b>\$9.0</b>	
Prince George’s Hospital Authority	4.0	
Reimbursement to Local Governments for BRAC Zone Tax Credits	2.5	
Other Legislation with Impact Less Than \$1 million	2.5	
<b>Commitments</b>	<b>\$81.4</b>	
Geographic Cost of Education – Second Year of Phase-in	49.3	
Increased Cost of Electric Universal Service Program	15.6	
Annualization of Costs for New Fiscal 2009 Services – DDA	9.5	
Medicaid – Phase-two of the Dental Rate Increases	7.0	
<b>State Agency Costs</b>	<b>\$479.9</b>	
University System of Maryland (USM) and Morgan State University	83.0	
Higher Education Investment Funds Replaced with General Funds (USM/Morgan)	66.9	
2% General Salary Increase (Includes Higher Education)	64.2	
Employee Retirement	48.7	
Employee and Retiree Health Insurance	42.0	
Provider Rate Increase of 3.58% (DDA, MHA, ADAA)	38.0	
Employee Increments	35.0	
Major Information Technology Projects	28.2	

## Components of Budget Change (Cont.)

Summary of Budget Change Compared to Working Appropriation	<u>Dollars</u>
Juvenile Services – Fiscal 2009 Underfunding and Ineligibility for Federal Funds	18.2
Correctional Institutions Overtime Costs	12.0
Increase in Electricity, Natural Gas, and Propane	10.6
Clifton T. Perkins Hospital Center – Opening of New 48-bed Ward	9.7
Correctional Institutions – Inmate Medical Contract	7.0
Increase in Vehicle Fuel	6.3
Workers’ Compensation Premiums	5.0
New Judgeships and Related Personnel for Circuit and District Courts	4.8
Additional Public Defenders and Related Personnel to Meet Caseload Standards	4.6
Need-based Scholarships	3.8
Breast and Cervical Cancer Program – Cost Growing 5% Per Year	3.5
Higher Ed. Investment Funds for Workforce Dev. Grants Replaced with GF	3.0
Correctional Institutions – Increased Prison Population and Food Contracts	2.4
Other Changes	1.5
Closure of Rosewood Hospital – Net Savings	-18.5
<b>PAYGO</b>	<b>\$9.3</b>
Public Safety Communication System	10.0
Housing Programs	3.4
Drinking Water and Water Quality Programs – Less Federal Funds to Match	-1.9
Other PAYGO	-2.2
<b>Transfer to Maryland Transportation Authority for the InterCounty Connector</b>	<b>-\$22.0</b>
<b>State Reserve Fund</b>	<b>\$29.2</b>
Unappropriated Fund Balance from Fiscal 2008	175.7
Remove Appropriation to Rainy Day Fund of Fiscal 2007 Fund Balance in Excess of \$10 Million	-146.5

ADAA: Alcohol and Drug Abuse Administration

BRAC: Base Realignment and Closure

DDA: Developmental Disabilities Administration

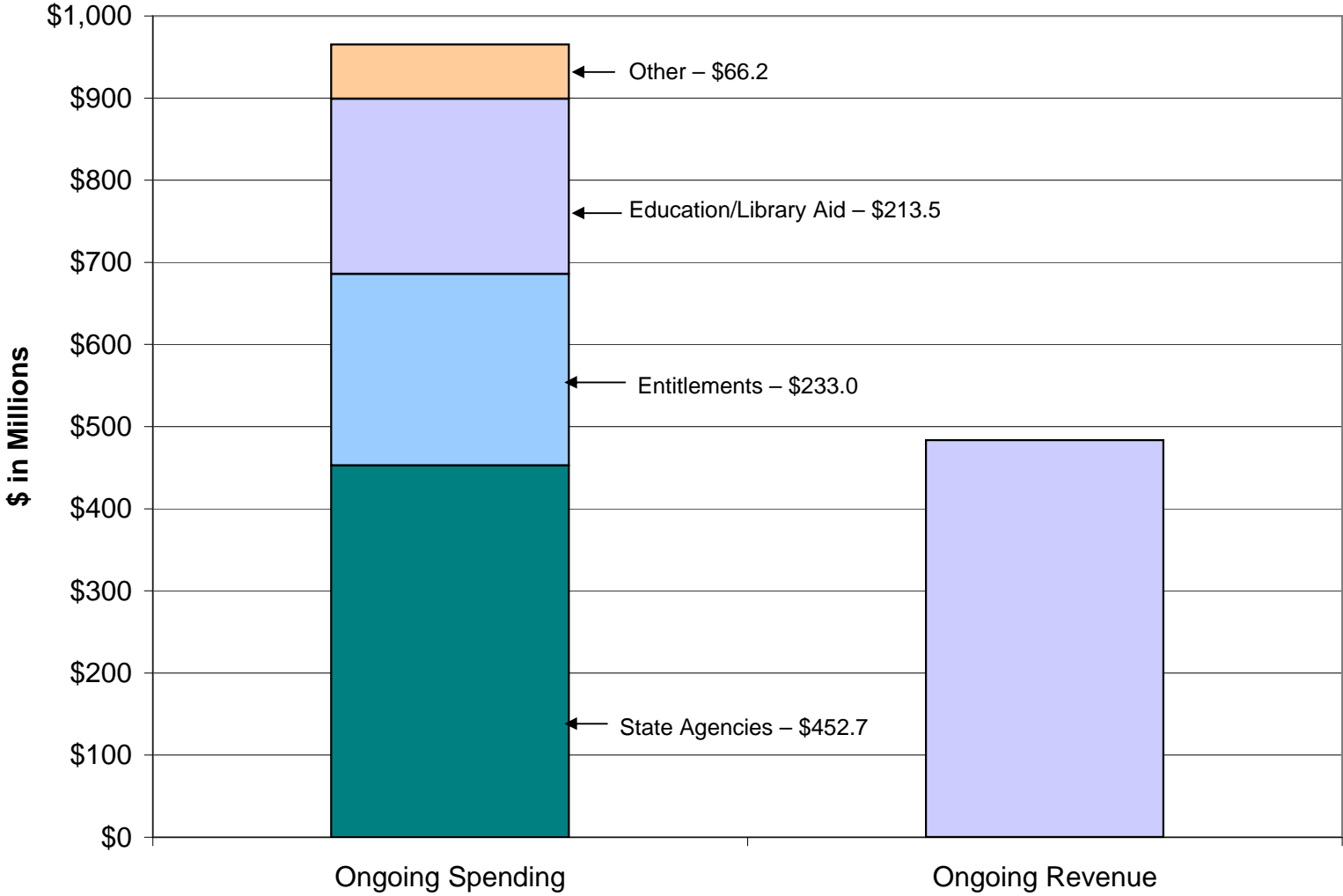
GF: General Funds

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

MHA: Maryland Hygiene Administration



# Fiscal 2010 Ongoing Spending Exceeds Projected Growth in Ongoing Revenue



**State Reserve Fund Activity**  
**Fiscal 2009 and 2010**  
**(\$ in Millions)**

	<u>Rainy Day</u> <u>Fund</u>	<u>Dedicated</u> <u>Purpose Acct.</u>	<u>Catastrophic</u> <u>Event Acct.</u>
<b>Estimated Balances 6/30/08</b>	<b>\$684.8</b>	<b>\$21.0</b>	<b>\$8.3</b>
<b>Fiscal 2009 Appropriations</b>	146.5	85.0	0.0
<b>Expenditures</b>			
Transfer to MDTA for ICC		-85.0	
Substance Abuse Case Mgmt. Compact		-1.0	
Prince George's County Hospital Authority		-20.0 <sup>1</sup>	
<b>Transfers to General Fund (GF)</b>	-125.0		
<b>Estimated Interest</b>	25.3		
<b>Estimated Balances 6/30/09</b>	731.6	0.0	8.3
<b>Fiscal 2010 Appropriations</b>	175.7	63.0 <sup>2</sup>	0.0
<b>Expenditures</b>			
Transfer to MDTA for ICC		-63.0 <sup>2</sup>	
<b>Transfers to GF</b>	-219.0		
<b>Estimated Interest</b>	32.7		
<b>Estimated Balances 6/30/10</b>	<b>\$721.0</b>	<b>\$0.0</b>	<b>\$8.3</b>
<b>Balance in Excess of 5% GF Revenues<sup>3</sup></b>	<b>\$0.4</b>		

ICC: InterCounty Connector

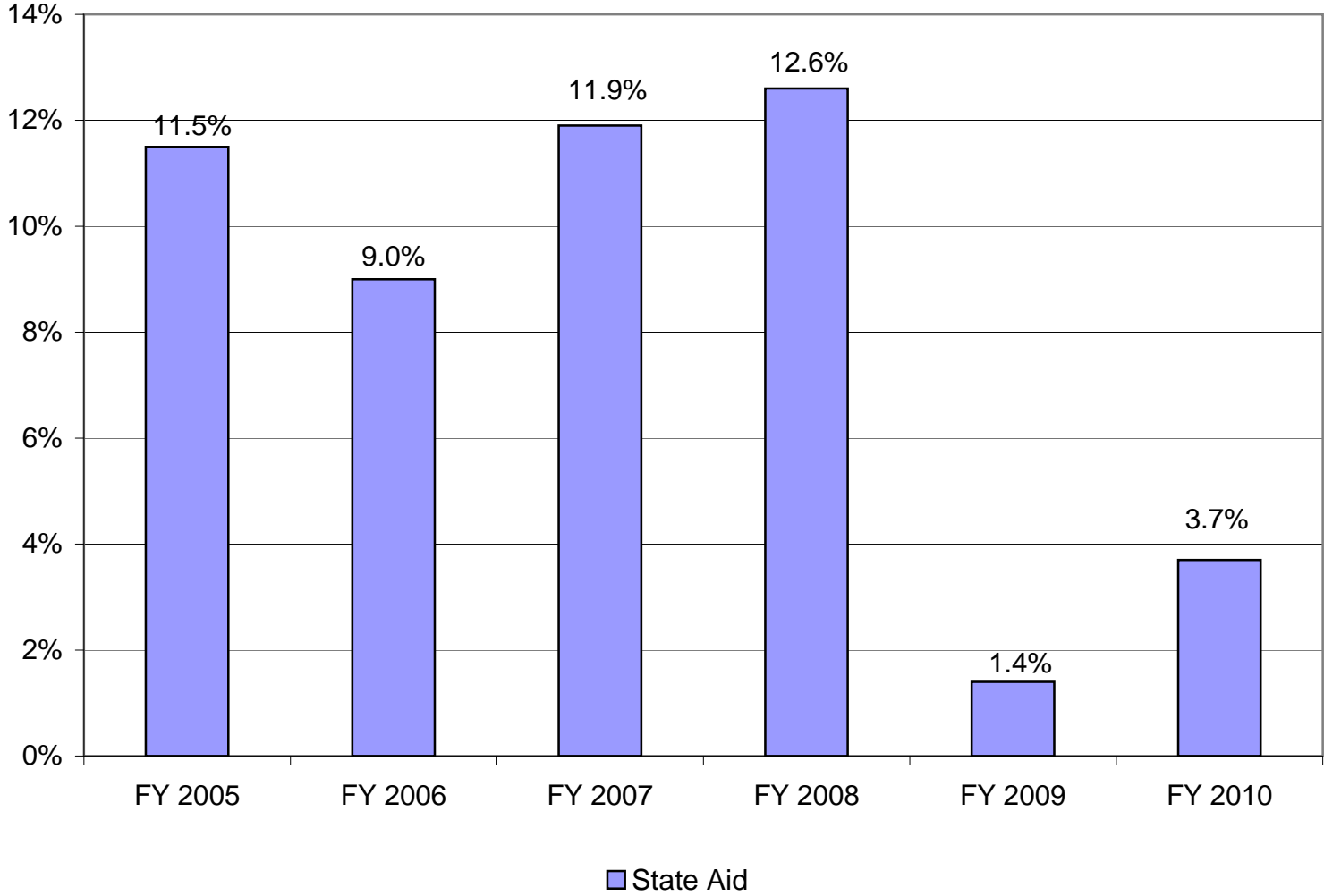
MDTA: Maryland Transportation Authority

<sup>1</sup> The fiscal 2008 budget included \$20 million appropriated toward the closure of the Prince George's County Hospital. Chapter 680 of 2008 modified this purpose to permit a budget amendment processed through the Department of Health and Mental Hygiene to support operations of the hospital contingent on a long-term comprehensive solution being reached between the State and Prince George's County.

<sup>2</sup> Senate Bill 182 passed at the 2008 session modifies the general fund repayment for the ICC to require an appropriation of at least \$63.0 million in fiscal 2010 and final payment of \$63.913 million in fiscal 2011.

<sup>3</sup> Assumes the Department of Legislative Services' October 2008 projections.

# Annual Growth in State Aid to Local Governments General and Special Funds



**State Aid by Governmental Entity**  
**Amount and Percent of Total**  
**State Funds**  
**(\$ in Millions)**

	<b><u>FY 2010</u></b> <b><u>State Aid Amount</u></b>	<b><u>Percent</u></b> <b><u>of Total</u></b>
Public Schools	\$5,563.4	81.6%
County/Municipal	807.3	11.8%
Community Colleges	303.7	4.5%
Local Health	70.6	1.0%
Libraries	69.8	1.0%
<b>Total</b>	<b>\$6,814.8</b>	<b>100.0%</b>

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**Change in State Aid**  
**State Funds**  
**(\$ in Millions)**

	<b><u>FY 2010</u></b> <b><u>Aid Change</u></b>	<b><u>Percent</u></b> <b><u>Change</u></b>
Public Schools	\$207.5	3.9%
County/Municipal	-14.6	-1.8%
Community Colleges	40.8	15.5%
Local Health	1.8	2.6%
Libraries	6.0	9.5%
<b>Total</b>	<b>\$241.6</b>	<b>3.7%</b>

**State Aid by Major Programs**  
**State Funds**  
**Fiscal 2008-2010**  
**(\$ in Millions)**

	<u>FY 2008</u>	<u>FY 2009</u>	<u>Baseline FY 2010</u>	<u>\$ Change 2009-2010</u>	<u>% Change 2009-2010</u>
<b>Public Schools</b>					
Foundation Program	\$2,782.7	\$2,793.6	\$2,781.4	-\$12.2	-0.4%
Compensatory Aid	902.1	914.2	915.0	0.8	0.1%
Student Transportation	219.0	225.1	241.4	16.3	7.2%
Special Education – Formula Aid	280.0	272.7	271.0	-1.7	-0.6%
Special Education – Nonpublic Placements	125.2	127.6	132.8	5.2	4.1%
Limited English Proficiency Grants	126.2	144.0	154.6	10.6	7.3%
Guaranteed Tax Base	78.9	90.0	100.4	10.4	11.5%
Geographic Cost Index	0.0	75.8	125.1	49.3	65.1%
Other Education Programs	87.5	91.0	97.2	6.1	6.7%
<b>Subtotal Direct Aid</b>	<b>\$4,601.6</b>	<b>\$4,734.1</b>	<b>\$4,818.8</b>	<b>\$84.7</b>	<b>1.8%</b>
Retirement Payments	566.4	621.8	744.6	122.8	19.7%
<b>Total Public School Aid</b>	<b>\$5,168.1</b>	<b>\$5,355.8</b>	<b>\$5,563.4</b>	<b>\$207.5</b>	<b>3.9%</b>
<b>Libraries</b>					
Library Aid Formula	\$33.9	\$34.5	\$37.1	\$2.6	7.5%
State Library Network	16.3	16.4	17.3	1.0	5.8%
<b>Subtotal Direct Aid</b>	<b>\$50.2</b>	<b>\$50.9</b>	<b>\$54.4</b>	<b>\$3.5</b>	<b>6.9%</b>
Retirement Payments	11.5	12.9	15.4	2.5	19.4%
<b>Total Library Aid</b>	<b>\$61.6</b>	<b>\$63.8</b>	<b>\$69.8</b>	<b>\$6.0</b>	<b>9.5%</b>
<b>Community Colleges</b>					
Community College Formula	\$194.5	\$210.8	\$247.7	\$36.9	17.5%
Other Programs	24.9	27.9	27.4	-0.5	-1.9%
<b>Subtotal Direct Aid</b>	<b>\$219.4</b>	<b>\$238.7</b>	<b>\$275.1</b>	<b>\$36.3</b>	<b>15.2%</b>
Retirement Payments	22.3	24.2	28.7	4.5	18.6%
<b>Total Community College Aid</b>	<b>\$241.7</b>	<b>\$262.9</b>	<b>\$303.7</b>	<b>\$40.8</b>	<b>15.5%</b>
<b>Local Health Grants</b>	<b>\$67.0</b>	<b>\$68.8</b>	<b>\$70.6</b>	<b>\$1.8</b>	<b>2.6%</b>
<b>County/Municipal Aid</b>					
Transportation	\$573.9	\$557.8	\$541.1	-\$16.7	-3.0%
Public Safety	108.5	109.2	112.7	3.5	3.2%
Program Open Space/Environment	97.8	20.7	12.9	-7.9	-38.0%
Disparity Grant	114.8	115.5	122.3	6.8	5.9%
Utility Restructuring Grant	29.6	0.0	0.0	0.0	
Other Grants	15.7	16.6	16.1	-0.5	-2.9%
<b>Subtotal Direct Aid</b>	<b>\$940.3</b>	<b>\$819.8</b>	<b>\$805.1</b>	<b>-\$14.7</b>	<b>-1.8%</b>
Retirement Payments	2.2	2.2	2.2	0.0	2.0%
<b>Total County/Municipal Aid</b>	<b>\$942.5</b>	<b>\$822.0</b>	<b>\$807.3</b>	<b>-\$14.6</b>	<b>-1.8%</b>
<b>Total State Aid</b>	<b>\$6,480.9</b>	<b>\$6,573.3</b>	<b>\$6,814.8</b>	<b>\$241.6</b>	<b>3.7%</b>

## Local Government Tax Actions Fiscal 2008 and 2009

	2008		2009	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Property Taxes	1	5	0	5
Income Taxes	1	0	1	0
Recordation Taxes	2	0	1	0
Transfer Taxes	0	0	0	0
Admissions Taxes	0	0	0	0
Lodging Taxes	0	0	1	0

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## Local Government Salary Actions Fiscal 2008 and 2009

<u>COLA Amount</u> <sup>1</sup>	County Government		Public Schools	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
No COLA	0	3	0	1
1.0% to 2.9%	11	7	0	6
3.0% to 3.9%	8	9	2	6
4.0% to 4.9%	3	3	9	5
5.0% to 5.9%	1	0	8	3
6.0% and Greater	1	1	5	2
Still Pending	0	1	0	1

<b>COLA Amount</b>	State Government		CPI-Urban Consumers	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u> <sup>2</sup>
	2.0%	2.0%	3.7%	3.8%

COLA: cost-of-living adjustment

CPI: Consumer Price Index

<sup>1</sup> The COLA amount includes market adjustments.

<sup>2</sup> Forecast of the CPI for fiscal 2009 comes from Moody's Economy.com.

# Local Government Salary Actions in Fiscal 2009

County	County Government Generally		Board of Education Teachers		<u>Comments</u>
	COLA	Step	COLA	Step	
Allegany <sup>1</sup>	3.0%	Yes	6.0%	Yes	<p><sup>1</sup> Allegany County road and nursing home employees received a 5.0% cost-of-living adjustment (COLA), and E-911 communications, animal control, detention center, and sheriff employees received a 5.5% COLA.</p> <p><sup>2</sup> Anne Arundel County teaching assistants and board of education secretaries, operations, maintenance, transportation, and food service employees received a 3.0% COLA; while school administrators received a 6.0% COLA.</p> <p><sup>3</sup> Baltimore City fire officers received a 3.0% COLA and managerial employees received a 2.0% COLA. Salary adjustments for nurses and general, police, and technical employees are still pending.</p> <p><sup>4</sup> Garrett County employees received a \$750 across the board increase; whereas, employees represented by AFSCME received a 4.0% COLA.</p> <p><sup>5</sup> Harford County employees received a 3.0% COLA and a 3.0% market adjustment.</p> <p><sup>6</sup> Howard County police personnel received a 5.0% COLA and fire personnel received a 6.0% COLA. Corrections, blue collar, and dispatchers received a 3.0% COLA. School administrators received a 4.75% COLA.</p> <p><sup>7</sup> Montgomery County police and fire personnel received a 4.0% COLA.</p> <p><sup>8</sup> Prince George's County police, corrections, and sheriff personnel received a 3.0% COLA.</p> <p><sup>9</sup> Queen Anne's County school administrators and support staff received a 2.0% COLA.</p> <p><sup>10</sup> Somerset County school administrators and classified employees received a 3.5% COLA.</p> <p><sup>11</sup> Talbot County school administrators received a 2.5% COLA.</p>
Anne Arundel <sup>2</sup>	3.0%	Yes	5.0%	Yes	
Baltimore City <sup>3</sup>	Pending	Pending	4.0%	Yes	
Baltimore	0.0%	Yes	0.0%	Yes	
Calvert	3.3%	Yes	4.5%	Yes	
Caroline	0.0%	Yes	2.0%	Yes	
Carroll	2.0%	Yes	2.0%	No	
Cecil	3.0%	Yes	4.0%	Yes	
Charles	2.0%	Yes	3.5%	Yes	
Dorchester	3.0%	No	1.6%	Yes	
Frederick	2.0%	Yes	2.0%	Yes	
Garrett <sup>4</sup>	4.0%	Yes	6.0%	Yes	
Harford <sup>5</sup>	6.0%	Yes	1.6%	Yes	
Howard <sup>6</sup>	3.0%	Yes	5.0%	Yes	
Kent	2.0%	Yes	3.0%	Yes	
Montgomery <sup>7</sup>	4.5%	Yes	5.0%	Yes	
Prince George's <sup>8</sup>	2.5%	Yes	Pending	Pending	
Queen Anne's <sup>9</sup>	\$1,800	No	3.5%	Yes	
St. Mary's	3.0%	Yes	4.0%	Yes	
Somerset <sup>10</sup>	2.5%	Yes	4.0%	Yes	
Talbot <sup>11</sup>	2.5%	Yes	3.5%	Yes	
Washington	0.0%	Yes	2.0%	Yes	
Wicomico	3.0%	No	3.0%	No	
Worcester	3.5%	Yes	3.5%	Yes	
<b>Number Granting</b>	<b>20</b>	<b>20</b>	<b>22</b>	<b>21</b>	

AFSCME: American Federation of State, County and Municipal Employees

## Property Tax Rates Exceed Constant Yield Rate in Fiscal 2009

<u>County</u>	<u>Actual FY 2008</u>	<u>Actual FY 2009</u>	<u>Difference</u>	<u>Constant Yield Rate</u>	<u>Difference</u>	<u>Amount in Excess of Constant Yield Ranking by Highest to Lowest</u>
Allegany	\$0.983	\$0.983	\$0.000	\$0.897	\$0.086	1. Baltimore City \$0.189
Anne Arundel	0.891	0.888	-0.003	0.839	0.049	2. Prince George's 0.099
Baltimore City	2.268	2.268	0.000	2.079	0.189	3. Harford 0.096
Baltimore	1.100	1.100	0.000	1.034	0.066	4. Somerset 0.089
Calvert	0.892	0.892	0.000	0.803	0.089	5. Calvert 0.089
Caroline	0.870	0.870	0.000	0.807	0.063	6. Cecil 0.087
Carroll	1.048	1.048	0.000	0.965	0.083	7. Allegany 0.086
Cecil	0.960	0.960	0.000	0.873	0.087	8. Charles 0.085
Charles*	1.026	1.026	0.000	0.941	0.085	9. Carroll 0.083
Dorchester	0.896	0.896	0.000	0.823	0.073	10. Montgomery 0.082
Frederick*	1.064	1.064	0.000	0.985	0.080	11. Garrett 0.082
Garrett	1.000	1.000	0.000	0.918	0.082	12. Kent 0.082
Harford	1.082	1.082	0.000	0.986	0.096	13. Worcester 0.081
Howard*	1.150	1.150	0.000	1.079	0.071	14. Frederick 0.080
Kent	0.972	0.972	0.000	0.890	0.082	15. St. Mary's 0.075
Montgomery*	0.916	0.915	-0.001	0.833	0.082	16. Dorchester 0.073
Prince George's*	1.319	1.319	0.000	1.220	0.099	17. Howard 0.071
Queen Anne's	0.770	0.770	0.000	0.715	0.055	18. Washington 0.070
St. Mary's	0.857	0.857	0.000	0.782	0.075	19. Baltimore 0.066
Somerset	0.940	0.920	-0.020	0.831	0.089	20. Caroline 0.063
Talbot	0.475	0.449	-0.026	0.437	0.012	21. Queen Anne's 0.055
Washington	0.948	0.948	0.000	0.878	0.070	22. Anne Arundel 0.049
Wicomico	0.881	0.814	-0.067	0.798	0.016	23. Wicomico 0.016
Worcester	0.700	0.700	0.000	0.619	0.081	24. Talbot 0.012

\* Includes Special Property Tax Rates

Source: State Department of Assessments and Taxation; Department of Legislative Services



**Revenue Yield from Property Tax Rates Above Constant Yield  
Fiscal 2009**

<u>County</u>	<u>Assessable Base</u>	<u>Actual Rate</u>	<u>Constant Yield Rate</u>	<u>Difference</u>	<u>Estimated Revenue Yield</u>	<u>Per Capita Yield</u>
Allegany	\$3,020,903,294	\$0.983	\$0.897	\$0.086	\$2,586,000	\$35.62
Anne Arundel	55,150,244,580	0.888	0.839	0.049	27,024,000	52.77
Baltimore City	25,756,822,189	2.268	2.079	0.189	48,680,000	76.37
Baltimore	62,128,137,845	1.100	1.034	0.066	41,005,000	51.97
Calvert	10,661,836,765	0.892	0.803	0.089	9,489,000	107.56
Caroline	2,331,645,289	0.870	0.807	0.063	1,469,000	44.64
Carroll	16,441,113,978	1.048	0.965	0.083	13,646,000	80.64
Cecil	9,018,211,704	0.960	0.873	0.087	7,846,000	78.70
Charles*	14,679,497,952	1.026	0.941	0.085	12,478,000	88.85
Dorchester	2,646,751,314	0.896	0.823	0.073	1,932,000	60.67
Frederick*	24,037,510,513	1.064	0.985	0.080	19,110,000	85.04
Garrett	3,975,642,809	1.000	0.918	0.082	3,260,000	110.03
Harford	22,698,268,876	1.082	0.986	0.096	21,790,000	90.79
Howard*	34,701,921,303	1.150	1.079	0.071	24,534,000	89.65
Kent	2,450,924,835	0.972	0.890	0.082	2,010,000	100.57
Montgomery*	157,010,766,999	0.915	0.833	0.082	128,906,000	138.49
Prince George's*	62,845,456,912	1.319	1.220	0.099	62,343,000	75.22
Queen Anne's	6,804,684,103	0.770	0.715	0.055	3,743,000	80.37
St. Mary's	9,149,979,847	0.857	0.782	0.075	6,862,000	68.36
Somerset	1,425,992,754	0.920	0.831	0.089	1,269,000	48.78
Talbot	6,466,380,385	0.449	0.437	0.012	776,000	21.44
Washington	11,176,015,688	0.948	0.878	0.070	7,823,000	53.91
Wicomico	6,214,192,022	0.814	0.798	0.016	994,000	10.62
Worcester	18,000,553,400	0.700	0.619	0.081	14,580,000	295.30
<b>Total</b>	<b>\$568,793,455,356</b>				<b>\$464,155,000</b>	<b>\$82.61</b>

\* Includes Special Property Tax Rates

Source: State Department of Assessments and Taxation; Department of Legislative Services

**Local Government Revenue Growth**  
**Amount and Percent of Total**  
**County General Funds**  
**(\$ in Millions)**

	<b>FY 2009</b>	<b>Percent</b>
	<b><u>Local Tax Revenues</u></b>	<b><u>of Total</u></b>
Property Taxes	\$5,653.7	50.1%
Income Taxes	4,329.8	38.4%
Transfer Taxes	364.6	3.2%
Recordation Taxes	357.2	3.2%
Other Local Taxes	570.7	5.1%
<b>Total Taxes</b>	<b>\$11,276.0</b>	<b>100.0%</b>

Source: County budgets for fiscal 2009

**Change in Local Tax Revenues**  
**County General Funds**  
**(\$ in Millions)**

	<b>FY 2008</b>		<b>FY 2009</b>	
	<b><u>\$ Change</u></b>	<b><u>% Change</u></b>	<b><u>\$ Change</u></b>	<b><u>% Change</u></b>
Property Taxes	\$308.6	6.5%	\$590.8	11.7%
Income Taxes	126.4	3.1%	115.0	2.7%
Recordation Taxes	-92.3	-20.0%	-11.4	-3.1%
Transfer Taxes	-141.5	-27.0%	-18.2	-4.7%
Other Local Taxes	23.5	4.4%	7.3	1.3%
<b>Total Taxes</b>	<b>\$224.7</b>	<b>2.2%</b>	<b>\$683.5</b>	<b>6.5%</b>

Source: County budgets for fiscal 2009

## Regular Full-time Equivalent Positions Fiscal 2002-2010

<u>Department/Service Area</u>	<u>2002 Actual Approp.</u>	<u>2009 Work. Approp.</u>	<u>2002-2009 Change</u>	<u>2010 Baseline Estimate</u>	<u>2009-2010 Change</u>
<b>Health and Human Services</b>					
Health and Mental Hygiene	8,536	7,430	-1,106	7,150	-280
Human Resources	8,273	6,955	-1,318	6,933	-23
Juvenile Services	2,123	2,297	174	2,297	0
<b>Subtotal</b>	<b>18,932</b>	<b>16,682</b>	<b>-2,250</b>	<b>16,380</b>	<b>-303</b>
<b>Public Safety</b>					
Public Safety and Correctional Services	11,663	11,837	174	11,837	0
Police and Fire Marshal	2,590	2,466	-125	2,468	2
<b>Subtotal</b>	<b>14,253</b>	<b>14,302</b>	<b>49</b>	<b>14,304</b>	<b>2</b>
<b>Transportation</b>	<b>9,538</b>	<b>9,201</b>	<b>-338</b>	<b>9,205</b>	<b>4</b>
<b>Other Executive</b>					
Legal (Excluding Judiciary)	1,381	1,590	209	1,675	85
Executive and Administrative Control	1,619	1,680	61	1,689	9
Financial and Revenue Administration	2,158	2,046	-113	2,098	52
Budget and Management	524	449	-75	451	2
Retirement	194	203	9	203	0
General Services	793	635	-158	636	1
Natural Resources	1,629	1,404	-226	1,404	0
Agriculture	480	437	-44	437	1
Labor, Licensing, and Regulation	1,706	1,461	-245	1,653	193
MSDE and Other Education	1,955	2,176	221	2,004	-173
Housing and Community Development	449	311	-138	311	0
Business and Economic Development	324	274	-50	275	1
Environment	1,028	932	-96	965	33
<b>Subtotal</b>	<b>14,240</b>	<b>13,596</b>	<b>-644</b>	<b>13,799</b>	<b>203</b>
<b>Executive Branch Subtotal</b>	<b>56,963</b>	<b>53,781</b>	<b>-3,182</b>	<b>53,687</b>	<b>-94</b>
<b>Higher Education</b>	<b>21,386</b>	<b>23,700</b>	<b>2,314</b>	<b>23,700</b>	<b>0</b>
<b>Judiciary</b>	<b>3,010</b>	<b>3,569</b>	<b>559</b>	<b>3,614</b>	<b>45</b>
<b>Legislature</b>	<b>730</b>	<b>747</b>	<b>17</b>	<b>747</b>	<b>0</b>
<b>Grand Total</b>	<b>82,089</b>	<b>81,798</b>	<b>-291</b>	<b>81,749</b>	<b>-49</b>

MSDE: Maryland State Department of Education

Note: Fiscal 2009 Work. Approp. includes position abolitions made at the June 25, 2008 Board of Public Works meeting.

# The State Workforce

## Fiscal 2010 Baseline Budget Position Changes

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- **Department of Health and Mental Hygiene (DHMH) (-280.4):** The closure of Rosewood Center removes 518.9 full-time equivalent positions from the baseline. The reductions are partially offset by the addition of another 136.5 positions supporting the opening of a new maximum security ward at the Perkins facility and the opening of two forensic wards in the Developmental Disabilities Administration that require 94 new positions.
- **Public Defender (80.5):** Another 55 assistant public defenders and 25.5 secretaries, law clerks, and social workers are added to meet higher caseloads, primarily in District Operations.
- **Judiciary (45):** Another seven circuit court judges, seven circuit court clerks, seven circuit court law clerks, eight District Court judges, eight District Court clerks, and eight District Court bailiffs have been added to the baseline.
- **State Lottery Agency (30):** Another 30 positions have been added to administer a system of video lottery terminals (VLTs), subject to public approval of constitutional amendment authorizing VLTs.
- **Comptroller (22):** Another 16 new revenue examiners and 6 compliance auditors are added for the implementation of the Modernized Integrated Tax System.
- **Department of Labor, Licensing, and Regulation (14):** The baseline includes 14 new positions for additional mortgages licensing requirements, fraud investigations, and investigating violations of the new foreclosure act.
- **Legislation:** Positions supporting legislation enacted in 2008 include:
  - 15 positions supporting the Maryland Department of the Environment's (MDE) Water Management Administration's Wetlands and Waterways regulatory program (Chapter 142);
  - 7 deficiency positions to implement changes to the newborn screening program in DHMH's Laboratories Administration (Chapter 256);
  - 6 new positions for MDE's Regional Greenhouse Gas Initiative program (Chapters 127 and 128);

## **The State Workforce Fiscal 2010 Baseline Budget Position Changes (Cont.)**

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- 6 new positions for regulatory capacity in MDE's Clean Air Permit Fees (Chapter 141);
- 4 positions (an Assistant Attorney General, administrator, investigator, and secretary) added to the Attorney General's Office supporting increased regulatory requirements of the Homebuilder Guaranty Fund (Chapter 480);
- 4 positions supporting the reorganization of the Department of Information Technology (Chapter 9);
- 2 positions due to expanded responsibilities of DHMH's Board of Residential Child Care Program (Chapter 218);
- 2 positions supporting the Maryland State Department of Education's (MSDE) Fitness and Athletics Equity for Students with Disabilities Act (Chapters 464 and 465); and
- 2 positions supporting MSDE's Truancy Rate legislation (Chapters 367 and 368).

**Vacant Positions, Turnover Rate, and Positions Above Turnover  
Fiscal 2009 Working Appropriation**

<u>Department/Service Area</u>	<u>2009 Work. Approp</u>	<u>October 2008 Vacancies</u>	<u>October 2008 Vacancy Rate</u>	<u>Turnover Rate</u>	<u>Positions to Meet Turnover</u>	<u>Positions Above Turnover</u>
<b>Health and Human Services</b>						
Health and Mental Hygiene	7,430	754	10.1%	5.3%	390	364
Human Resources	6,955	585	8.4%	5.1%	354	231
Juvenile Services	2,297	220	9.6%	3.4%	79	141
<b>Subtotal</b>	<b>16,682</b>	<b>1,558</b>	<b>9.3%</b>	<b>5.5%</b>	<b>823</b>	<b>736</b>
<b>Public Safety</b>						
Public Safety and Correctional Services	11,837	1,124	9.5%	4.1%	489	635
Police and Fire Marshal	2,466	199	8.1%	4.9%	121	78
<b>Subtotal</b>	<b>14,302</b>	<b>1,323</b>	<b>9.3%</b>	<b>4.4%</b>	<b>611</b>	<b>712</b>
<b>Transportation</b>	<b>9,201</b>	<b>531</b>	<b>5.8%</b>	<b>5.8%</b>	<b>537</b>	<b>-7</b>
<b>Other Executive</b>						
Legal (Excluding Judiciary)	1,590	125	7.9%	6.0%	96	30
Executive and Administrative Control	1,680	174	10.3%	4.9%	82	91
Financial and Revenue Administration	2,046	137	6.7%	4.2%	86	51
Budget and Management	449	39	8.7%	4.2%	19	20
Retirement	203	17	8.1%	6.1%	12	4
General Services	635	69	10.8%	6.0%	38	31
Natural Resources	1,404	132	9.4%	5.2%	73	59
Agriculture	437	38	8.8%	7.4%	32	6
Labor, Licensing, and Regulation	1,461	103	7.0%	4.3%	63	40
MSDE and Other Education	2,176	162	7.5%	6.3%	138	25
Housing and Community Development	311	30	9.6%	4.2%	13	17
Business and Economic Development	274	18	6.6%	4.0%	11	7
Environment	932	99	10.6%	6.9%	65	34
<b>Subtotal</b>	<b>13,596</b>	<b>1,142</b>	<b>8.4%</b>	<b>5.6%</b>	<b>728</b>	<b>415</b>
<b>Executive Branch Subtotal</b>	<b>53,781</b>	<b>4,554</b>	<b>8.5%</b>	<b>5.3%</b>	<b>2,698</b>	<b>1,856</b>
<b>Higher Education</b>	<b>23,700</b>	<b>1,119</b>	<b>4.7%</b>	<b>2.9%</b>	<b>693</b>	<b>426</b>
<b>Judiciary</b>	<b>3,569</b>	<b>236</b>	<b>6.6%</b>	<b>5.0%</b>	<b>178</b>	<b>58</b>
<b>Legislature</b>	<b>747</b>	<b>18</b>	<b>2.4%</b>	<b>1.5%</b>	<b>11</b>	<b>7</b>
<b>Grand Total</b>	<b>81,798</b>	<b>5,927</b>	<b>7.2%</b>	<b>4.4%</b>	<b>3,566</b>	<b>2,362</b>

MSDE: Maryland State Department of Education

NOTE: Fiscal 2009 Work Approp includes position abolitions and personnel funding reductions made at the 6/25/08 BPW Meeting. Vacancy totals for Higher Education are from 6/30/2008.

## Employee and Retiree Health Care and Dental Insurance Funding

Fiscal 2007-2012

(\$ in Millions)

	<u>2007</u> <u>Actual</u>	<u>2008</u> <u>Actual</u>	<u>2009</u> <u>Budget</u>	<u>2010</u> <u>Est.</u>	<u>2011</u> <u>Est.</u>	<u>2012</u> <u>Est.</u>
<b>Beginning Balance</b>	<b>\$193</b>	<b>\$305</b>	<b>\$232</b>	<b>\$142</b>	<b>\$94</b>	<b>\$99</b>
<b>Receipts</b>						
Agencies (Employer Contribution)	\$804	\$675	\$735	\$821	\$922	\$986
Employees/Retirees Contribution	203	219	221	250	281	301
Rebates, Recoveries	36	32	22	24	26	28
<b>Total Receipts</b>	<b>\$1,043</b>	<b>\$925</b>	<b>\$979</b>	<b>\$1,095</b>	<b>\$1,229</b>	<b>\$1,315</b>
% Growth in Receipts		-11.3%	5.8%	11.9%	12.3%	7.0%
<b>Expenditures</b>						
Health and Dental Payments	-\$931	-\$998	-\$1,069	-\$1,144	-\$1,224	-\$1,309
% Growth in Payments		7.2%	7.1%	7.0%	7.0%	7.0%
<b>Ending Balance</b>	<b>\$305</b>	<b>\$232</b>	<b>\$142</b>	<b>\$94</b>	<b>\$99</b>	<b>\$106</b>

- Fiscal 2008 contributions from the State fell from fiscal 2007 levels because a portion of the fund balance was utilized in lieu of appropriating the required retiree funds.
- Fiscal 2009 employee/retiree contributions grew by only 2.3% while the State's share grew by 8.9% because a portion of the fund balance was used to provide State workers with a premium holiday.
- By fiscal 2010, the fund balance will have been fully utilized, and will therefore no longer be available to reduce the amount that must be budgeted to meet costs. So, fiscal 2010 and 2011 receipts must grow by a larger percentage than expenditures to match budgeted funds to payments.

Note: The balances cited for fiscal 2010 and beyond will only provide funding for claims accrued, but not paid for in that year.

**General Fund: Recent History and Outlook**  
**Fiscal 2008-2010**  
(\$ in Millions)

	<b>Actual 2008</b>	<b>Working 2009</b>	<b>Baseline 2010</b>
<b>Funds Available</b>			
Ongoing Revenues	\$13,545	\$13,905	\$14,503
Balances and Transfers	1,430	686	248
One-time Generally Accepted Accounting Principles Transfer	0	0	0
Short-term Revenues	0	0	0
<b>Subtotal Funds Available</b>	<b>\$14,975</b>	<b>\$14,591</b>	<b>\$14,751</b>
<b>Appropriations, Deficiencies, and Cost Containment</b>			
Net Ongoing Operating Costs and Deficiencies	\$14,298	\$14,941	\$15,868
One-time Contingent Reductions	0	0	0
PAYGO Capital	27	16	25
Appropriations to Reserve Fund	163	147	176
<b>Subtotal Spending</b>	<b>\$14,488</b>	<b>\$15,104</b>	<b>\$16,070</b>
<b>Cash Balance/Shortfall</b>	<b>\$487</b>	<b>-\$513</b>	<b>-\$1,318</b>
<b>Structural</b>			
<b>Balance</b> (Ongoing Revenues Less Operating Costs)	<b>-\$753</b>	<b>-\$1,037</b>	<b>-\$1,365</b>
<b>Ratio</b> (Ongoing Revenues/Operating Costs)	<b>95%</b>	<b>93%</b>	<b>91%</b>
<b>Reserve Fund Activity</b>			
Appropriations to Rainy Day Fund	\$163	\$147	\$176
Transfers to General Fund	-978	-125	-219
<b>Estimated Rainy Day Fund Balance – June 30</b>	<b>\$685</b>	<b>\$732</b>	<b>\$721</b>
<b>Total Cash (Rainy Day, General Fund Balance)</b>	<b>\$1,172</b>	<b>\$218</b>	<b>-\$597</b>

PAYGO: pay-as-you-go



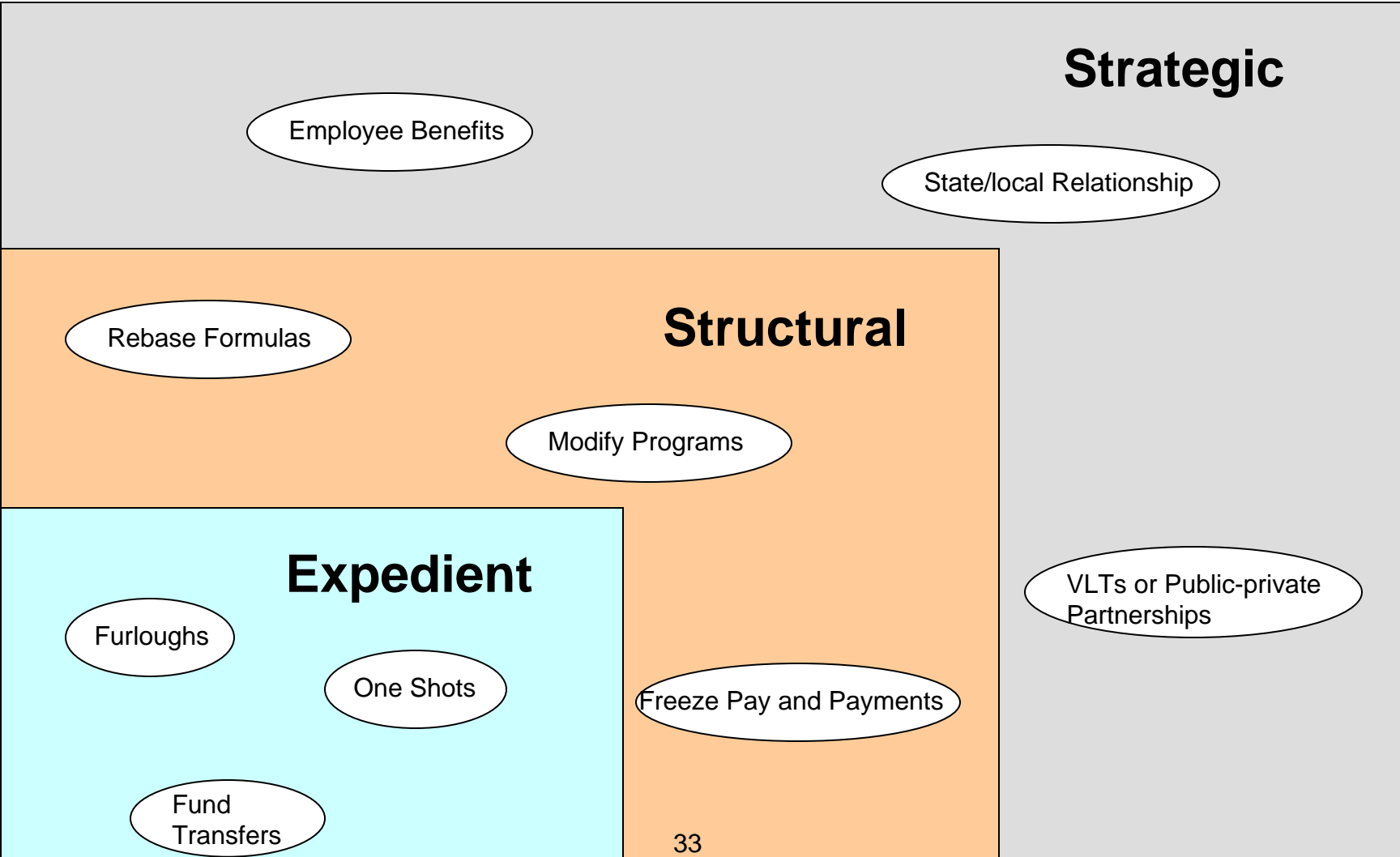
**General Fund Budget Outlook – Assumes Video Lottery Terminals**  
**Fiscal 2008-2014**  
(\$ in Millions)

	2008	2009	2010	2011	2012	2013	2014	2010-2014
	Actual	Working	Baseline	Est.	Est.	Est.	Est.	Avg. Annual Change
<b>Revenues</b>								
Opening Fund Balance	\$285	\$487	\$0	\$0	\$0	\$0	\$0	
Transfers	996	149	248	59	45	49	55	
One-time Revenues/Legislation	150	50	0	0	0	0	0	
<b>Subtotal One-time Revenue</b>	<b>\$1,430</b>	<b>\$686</b>	<b>\$248</b>	<b>\$59</b>	<b>\$45</b>	<b>\$49</b>	<b>\$55</b>	
Ongoing Revenues	\$13,545	\$13,905	\$14,413	\$15,266	\$16,074	\$16,942	\$17,753	
Net Video Lottery Terminal Revenue	0	0	90	70	453	604	604	
<b>Subtotal Ongoing Revenue</b>	<b>\$13,545</b>	<b>\$13,905</b>	<b>\$14,503</b>	<b>\$15,336</b>	<b>\$16,527</b>	<b>\$17,546</b>	<b>\$18,357</b>	<b>6.1%</b>
<b>Total Revenues and Fund Balance</b>	<b>\$14,975</b>	<b>\$14,591</b>	<b>\$14,751</b>	<b>\$15,395</b>	<b>\$16,572</b>	<b>\$17,595</b>	<b>\$18,412</b>	
<b>Ongoing Spending</b>								
Operating Spending	\$14,183	\$14,842	\$15,791	\$16,660	\$17,373	\$18,182	\$19,063	
Health Care Expansion	0	0	0	70	188	205	219	
Multi-year Commitments	115	100	78	64	0	0	0	
<b>Subtotal Ongoing Spending</b>	<b>\$14,298</b>	<b>\$14,941</b>	<b>\$15,868</b>	<b>\$16,793</b>	<b>\$17,562</b>	<b>\$18,388</b>	<b>\$19,281</b>	<b>5.0%</b>
<b>One-time Spending</b>								
PAYGO Capital	\$27	\$16	\$25	\$38	\$38	\$37	\$37	
Appropriation to Reserve Fund	163	147	176	50	50	50	50	
<b>Subtotal One-time Spending</b>	<b>\$190</b>	<b>\$163</b>	<b>\$201</b>	<b>\$88</b>	<b>\$88</b>	<b>\$87</b>	<b>\$87</b>	
<b>Total Spending</b>	<b>\$14,488</b>	<b>\$15,104</b>	<b>\$16,070</b>	<b>\$16,881</b>	<b>\$17,649</b>	<b>\$18,475</b>	<b>\$19,368</b>	
<b>Ending Balance</b>	<b>\$487</b>	<b>-\$513</b>	<b>-\$1,318</b>	<b>-\$1,487</b>	<b>-\$1,077</b>	<b>-\$880</b>	<b>-\$956</b>	
Rainy Day Fund Balance	685	732	721	767	827	877	918	
Balance Over 5% of GF Revenues	3	36	0	0	0	0	0	
As % of GF Revenues	5.02%	5.26%	5.00%	5.00%	5.00%	5.00%	5.00%	
<b>Structural Balance</b>	<b>-\$753</b>	<b>-\$1,037</b>	<b>-\$1,365</b>	<b>-\$1,457</b>	<b>-\$1,035</b>	<b>-\$842</b>	<b>-\$924</b>	

PAYGO: pay-as-you-go  
GF: general funds

\* Chapter 7 of the 2007 special session expresses the intent that the expansion of health care services continue beyond fiscal 2009 subject to specified general fund and education trust fund (from video lottery terminals) revenue attainments. Current revenue estimates fall short of the attainment specified in the bill.

# Responses to a Fiscal Crisis



# Hard Decisions Ahead

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- Reduce and rebase formula grants
  - Sellinger, GCEI, Retirement, Highway User
- Restructure Employee and Retiree Benefits
  - Extend vesting for retirement and retiree health
  - Make health benefits more comparable to private sector
- Restrain recent costly initiatives
  - Health care expansion, bay fund, tuition freeze
- Freeze pay and provider rates. Cut vacant PINs
- Maximize use of Capital Budget to support GF short/long term
  - POS, ICC, Medevac
- Setting SAC limit, policies for positions, using Rainy Day
- Further revenue opportunities

**Medicaid Outlook  
Fiscal 2010  
(\$ in Millions)**

<b>Fiscal 2009</b>	
Working Appropriation	\$5,354.7
Deficiency Appropriation	126.8
<b>Total Estimated Expenditures</b>	<b>\$5,481.5</b>

<b>Fiscal 2010</b>	
<b><u>Annual Growth</u></b>	
Provider Rates	
Managed Care Organizations (MCOs) – 5.1% Increase	\$98.4
Nursing Homes – 6.5% Increase	70.5
Community Providers – 3.6% Increase	8.3
Physicians – 4.9% Increase	3.8
Fee-for-service Cost of Medical Inflation (5.1%) and Increased Utilization	114.3
Enrollment Growth of 2.1%	56.5
<b>Total</b>	<b>\$351.8</b>

<b><u>Additional Costs</u></b>	
Full Year of Expansion to Parents	\$73.8
Expansion to Childless Adults	69.0
Physician Rate Enhancement	20.5
Phase Two of the Dental Rate Enhancement	14.0
Readjusting the Timing of the MCO Quality Incentive Payment	2.5
<b>Total</b>	<b>\$179.9</b>

<b>Estimated Expenditures</b>	<b>\$6,013.1</b>
General Fund	2,542.9
Special Fund	439.3
Federal Fund	2,986.3
Reimbursable Fund	44.5

**Total Growth** **9.7%**

**Underlying Growth** **6.4%**

**Total Growth Over Working Appropriation** **12.3%**

## Unfunded Liabilities (\$ in Millions)

\$15,400.0	OPEB Retiree Health Care Liability as of June 30, 2007
10,800.0	Retirement and Pensions Unfunded Liability as of June 30, 2007
<u>236.7</u>	Workers' Compensation Unfunded Liability as of June 30, 2008
<b>\$26,436.7</b>	

## Accounts Payable and Unfunded Receivables (\$ in Millions)

\$32.8	Medicaid inadequate support for rates claimed for school based health services
13.3	MSDE unsubstantiated TANF revenues as of June 30, 2007
13.0	Medicaid disallowed claims for funds spent on student health services
4.6	Community College Statewide Programs and Health Manpower accounts payable from the fiscal 2008 closeout
5.5	State Police accounting error
2.9	DHR TANF unfunded prior year receivable
<u>5.3</u>	Various accounts payable from prior closeouts
<b>\$77.4</b>	

OPEB: Other Post Employment Benefits

MSDE: Maryland State Department of Education

DHR: Department of Human Resources

TANF: Temporary Assistance for Needy Families

**Status of the General Fund**  
**Fiscal 2009**  
**(\$ in Millions)**

<b>Starting Balance</b>		<b>\$487.1</b>
<b>Revenues</b>		
BRE Estimated Revenue March 2008	\$14,521.0	
BRE Estimated Revision September 2008	-431.9	
DLS Estimated Revisions October 2008	-159.4	
<b>Total</b>		<b>\$13,929.7</b>
<b>Transfers</b>		
Revenue Stabilization Account	\$125.0	
DBM Central Collection Unit	25.0	
From Reserve for Heritage and Biotechnology Tax Credits	24.1	
<b>Total</b>		<b>\$174.1</b>
<b>Funds Available</b>		<b>\$14,591.0</b>
<b>Spending</b>		
Fiscal 2009 Allowance	\$15,079.6	
BPW June 2008 Withdrawn Appropriations	-50.1	
DLS Estimated Deficiencies	104.8	
Estimated Agency Reversions	-30.0	
<b>Net Expenditures</b>		<b>\$15,104.2</b>
<b>Ending Balance</b>		<b>-\$513.2</b>

BRE: Board of Revenue Estimates

BPW: Board of Public Works

DBM: Department of Budget and Management

DLS: Department of Legislative Services

**Status of the General Fund**  
**Fiscal 2010**  
**(\$ in Millions)**

<b>Starting Balance</b>		<b>\$0.0</b>
<b>Revenues</b>		
DLS Estimated Revenue October 2008	\$14,413.5	
DLS Estimated VLT Revenue	90.0	
<b>Total</b>		<b>\$14,503.5</b>
<b>Transfers</b>		
Revenue Stabilization Account	\$219.0	
From Reserve for Heritage and Biotechnology Tax Credits	28.9	
<b>Total</b>		<b>\$247.9</b>
<b>Funds Available</b>		<b>\$14,751.4</b>
<b>Spending</b>		
DLS Baseline	\$16,099.7	
Estimated Agency Reversions	-30.0	
<b>Net Expenditures</b>		<b>\$16,069.7</b>
<b>Ending Balance</b>		<b>-\$1,318.3</b>

DBM: Department of Budget and Management

DLS: Department of Legislative Services

VLT: Video Lottery Terminals