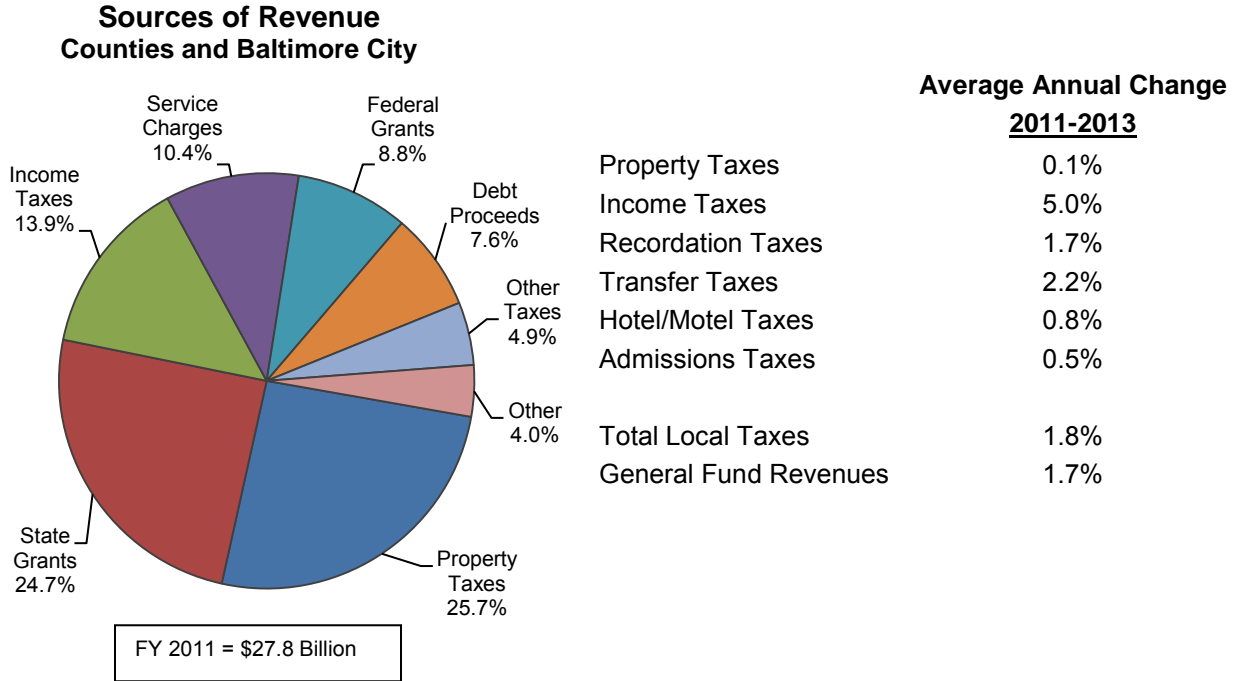

Spending Affordability Briefing

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

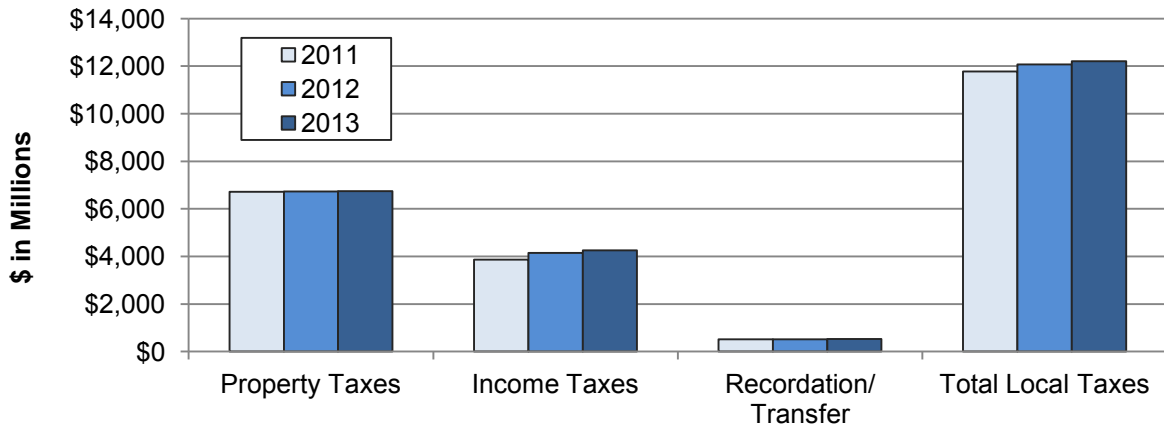
November 13, 2012

Local Government Revenue Outlook

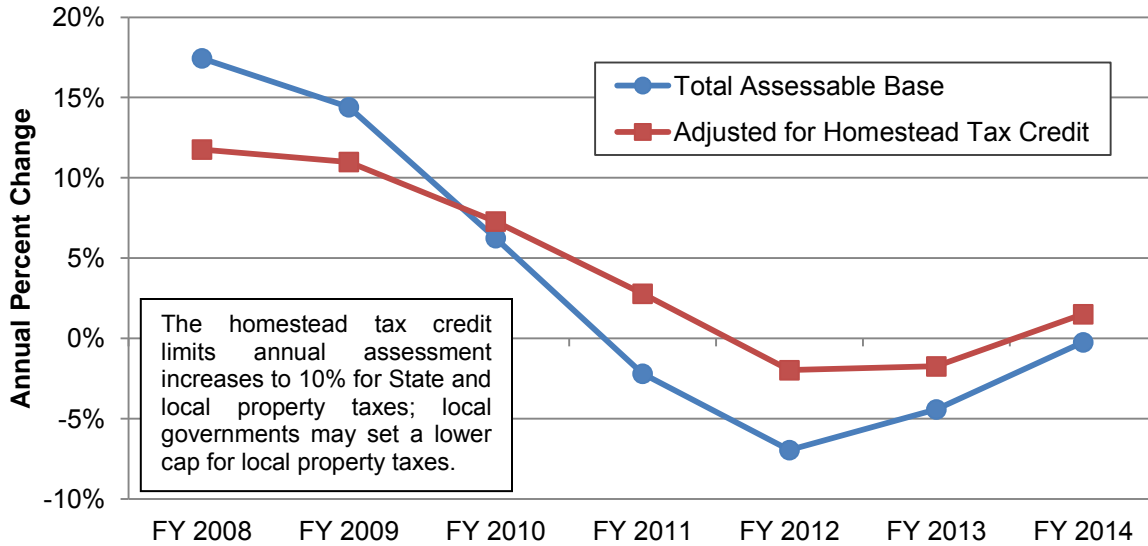
Limited Growth in Local Tax Revenues Fiscal 2012 and 2013



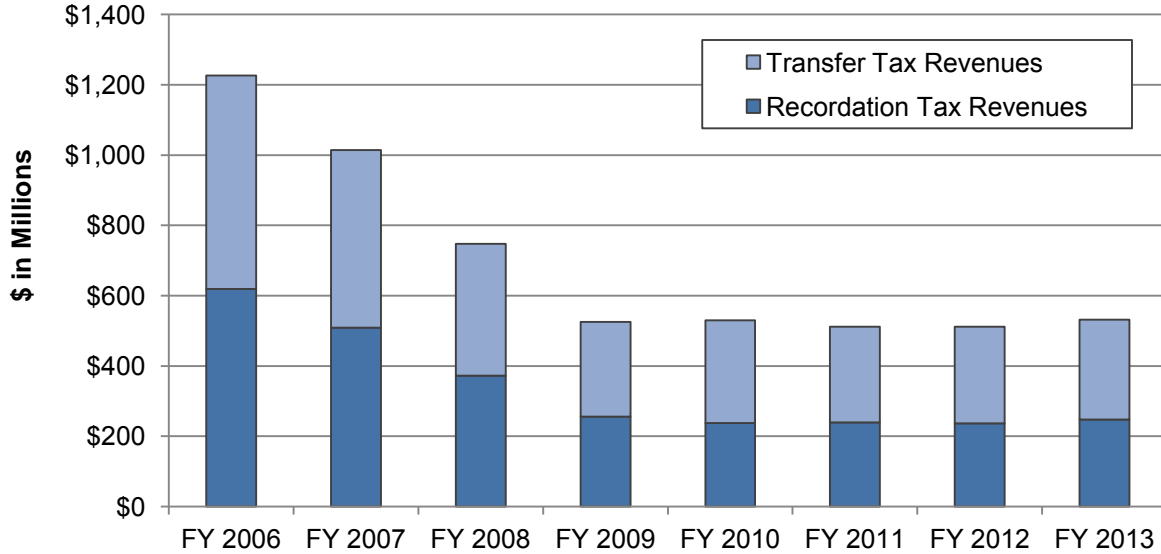
Local Tax Revenue Inches Upwards Fiscal 2011-2013



Homestead Tax Credit Softened Impact on County Assessable Base



Real Estate Meltdown Impacts Recordation and Transfer Taxes



Local Government Tax Actions

Limited revenue growth at the local level resulted in nearly one-half of county governments raising at least one major local tax in fiscal 2013 in order to balance local budgets; however, two county governments reduced local property taxes slightly and one county eliminated its admissions and amusement tax. In addition, Talbot County became the first jurisdiction to exercise the authority to exceed the charter limit on property taxes by establishing a 2.6 cent supplemental property tax rate for the local board of education. This authorization was granted at the 2012 session.

Jurisdictions with Tax Increases in Fiscal 2013

Anne Arundel County – Property Tax (+3.1 cents) and Income Tax (2.49 to 2.56%)
 Caroline County – Property Tax (+2.0 cents)
 Cecil County – Property Tax (+5.1 cents)
 Charles County – Property Tax (+5.4 cents)
 Garrett County – Hotel/Motel Tax (5 to 6%)
 Howard County – Property Tax (+4.0 cents)
 Montgomery County – Property Tax (+4.4 cents)
 Prince George’s County – Recordation Tax (\$2.50 to \$2.75)
 Talbot County – Property Tax (+4.3 cents) and Income Tax (2.25 to 2.4%)
 Wicomico County – Property Tax (+7.1 cents) and Income Tax (3.1 to 3.2%)
 Worcester County – Property Tax (+ 7.0 cents)

Jurisdictions with Tax Decreases in Fiscal 2013

Allegany County – Property Tax (- 0.1 cent)
 Carroll County – Property Tax (-1.0 cent)
 Frederick County – Admissions and Amusement Tax (5 to 0%)

Number of Counties Changing Local Tax Rates Fiscal 2011-2013

	<u>2011</u>		<u>2012</u>		<u>2013</u>	
	▲	▼	▲	▼	▲	▼
Real Property	2	5	8	2	9	2
Local Income	1	0	1	1	3	0
Recordation	0	0	2	0	1	0
Transfer	0	0	0	0	0	0
Admissions/Amusement	0	0	0	0	0	1
Hotel/Motel	1	0	1	0	1	0

Note: ▲ represents a tax rate increase. ▼ represents a tax rate decrease.

Local Government Salary Actions

<u>Salary Action</u>	County Government		Public Schools	
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2013</u>
COLA/GSI Amount				
No COLA/GSI	22	18	22	15
1.0 to 2.9%	2	6	2	8
3% and greater	0	0	0	1
Stipend/Bonus¹	2	3	0	0
Step/Merit Increases	4	6	9	17
Furlough/Salary Reductions	7	0	2	2
Layoffs	5	1	8	5
	State Government		CPI-Urban Consumers	
	<u>FY 2012</u>	<u>FY 2013²</u>	<u>FY 2012³</u>	<u>FY 2013³</u>
COLA Amount ³	0.0%	2.0%	2.95%	2.05%
One-time Bonus	\$750	\$0		
Furloughs	No	No		
Step/Merit Increases	No	No		

COLA: cost-of-living adjustment
CPI: Consumer Price Index
GSI: general salary increase

¹Two counties, Garrett and St. Mary's, provided stipends in addition to a COLA in fiscal 2013. Washington County provided a stipend in addition to a step increase in fiscal 2013.

²COLA effective January 1, 2013.

³Forecast of the CPI for 2012 (actual) and 2013 (estimate) comes from Moody's Analytics.

Regular Full-time Equivalent Position Changes Fiscal 2002 Actual to Fiscal 2014 Baseline

<u>Department/Service Area</u>	<u>2002 Actual</u>	<u>2013 Legis. Appropriation</u>	<u>2002-2013 Change</u>	<u>2014 Baseline</u>	<u>2013-2014 Change</u>
Health and Human Services					
Health and Mental Hygiene	8,555	6,446	-2,109	6,449	4
Human Resources	7,364	6,539	-825	6,539	0
Juvenile Services	2,123	2,133	10	2,081	-52
Subtotal	18,041	15,118	-2,923	15,069	-49
Public Safety					
Public Safety and Correctional Services	11,663	11,050	-612	11,167	117
Police and Fire Marshal	2,590	2,393	-197	2,378	-15
Subtotal	14,252	13,443	-809	13,545	102
Transportation	9,538	8,730	-809	8,730	0
Other Executive					
Legal (Excluding Judiciary)	1,364	1,499	135	1,499	0
Executive and Administrative Control	1,603	1,579	-23	1,617	38
Financial and Revenue Administration	2,151	1,973	-178	1,973	0
Budget and Management	517	451	-66	454	3
Retirement	194	205	12	205	0
General Services	793	576	-217	576	0
Natural Resources	1,618	1,296	-323	1,300	4
Agriculture	480	384	-96	384	0
Labor, Licensing, and Regulation	1,706	1,650	-56	1,650	0
MSDE and Other Education	1,956	1,897	-59	1,949	52
Housing and Community Development	416	317	-99	317	0
Business and Economic Development	324	225	-99	225	0
Environment	1,028	931	-97	932	1
Subtotal	14,149	12,981	-1,168	13,079	98
Executive Branch Subtotal	55,980	50,271	-5,709	50,422	151
Higher Education	21,393	24,727	3,335	24,970	243
Position Reduction*	0	-100	-100	-100	0
Executive and Higher Education Subtotal	77,373	74,899	-2,474	75,293	394
Judiciary	3,010	3,585	575	3,585	0
Legislature	730	748	18	749	1
Grand Total	81,113	79,231	-1,881	79,626	395

MSDE: Maryland State Department of Education

*Required in Section 25 of the Budget Reconciliation and Financing Act of 2012.

Source: Department of Budget and Management; Department of Legislative Services

Description of Position Changes in Fiscal 2014 Baseline Budget

New or Abolished Positions

- Higher education positions were created in fiscal 2013 by the University System of Maryland consistent with Chapter 239 of 2004.
- Department of Public Safety and Correctional Services includes an additional 117 regular positions for the new Dorsey Run Correctional Facility.
- Maryland Health Benefit Exchange receives an additional 33 regular positions that were created by the Board of Public Works as part of the rule of 100. The positions are initially federally funded and will later be supported by fees collected by the exchange.
- The Department of State Police loses 15 regular positions as the resident trooper program in Westminster ends.
- The Department of Natural Resources receives 4 additional positions to support the Harriet Tubman Underground Railroad State Park in Dorchester County.
- The Division of Drug Control in the Department of Health and Mental Hygiene (DHMH) receives 3 positions to support additional inspections of drug dispensing permit holders required by Chapter 267 of 2012.
- The Maryland Insurance Administration receives 2 additional positions to investigate civil insurance fraud as required by Chapter 588 of 2012.
- The Department of Information Technology is provided an additional 2 positions to support operations of the Public Safety Communications System.
- Agencies receiving a single, workload-related increase in positions include the Maryland Energy Administration, the State Labor Relations Board, the Department of Planning, the Department of Legislative Services, and the Department of Budget and Management.

Position Transfers

- The Maryland State Department of Education (MSDE) receives 52 education positions from the Department of Juvenile Services (DJS) to implement the transfer of educational services in DJS facilities from DJS to MSDE.
- The Governor's Office receives 1 position from the Governor's Office on Community Initiatives.
- Chapter 667 of 2012 transfers the State Board of Environmental Sanitarians and 1 regular position from the Maryland Department of the Environment to DHMH.

Analysis of Vacancies and Turnover Rate
Fiscal 2013 Legislative Appropriation Compared to October 2012 Vacancies

<u>Department/Service Area</u>	<u>Positions</u>	<u>Turnover Rate</u>	<u>Vacancies to Meet Turnover</u>	<u>Vacancies</u>	<u>Vacancies Above or (Below) Turnover</u>
Health and Human Services					
Health and Mental Hygiene	6,446	5.6%	359	630	271
Human Resources	6,539	6.8%	448	477	29
Juvenile Services	2,133	4.2%	89	209	120
Subtotal	15,118	5.9%	893	1,316	420
Public Safety					
Public Safety and Correctional Services	11,050	4.7%	518	469	-49
Police and Fire Marshal	2,393	8.7%	207	168	-40
Subtotal	13,443	5.7%	762	637	-89
Transportation	8,730	3.4%	300	443	143
Other Executive					
Legal (Excluding Judiciary)	1,499	5.7%	85	190	105
Executive and Administrative Control	1,461	4.4%	64	128	64
Financial and Revenue Administration	1,973	4.0%	80	151	71
Budget and Management	451	2.4%	11	58	47
Retirement	202	4.4%	9	18	9
General Services	576	5.9%	34	40	6
Natural Resources	1,296	6.4%	83	95	12
Agriculture	384	4.6%	18	29	11
Labor, Licensing, and Regulation	1,650	4.1%	68	115	47
MSDE and Other Education	1,897	6.5%	122	177	54
Housing and Community Development	317	3.9%	12	54	42
Business and Economic Development	225	4.1%	9	16	7
Environment	931	6.2%	58	64	6
Subtotal	12,860	5.1%	657	1,135	482
Executive Branch Subtotal	50,150	5.2%	2,593	3,530	957

Source: Department of Budget and Management; Department of Legislative Services

Contractual Full-time Equivalent Positions Fiscal 2002 Actuals to 2014 Baseline

<u>Department/Service Area</u>	<u>2002 Actual</u>	<u>2011 Actual</u>	<u>2012 Work. Approp.</u>	<u>2013 Leg. Approp.</u>	<u>2014 Baseline</u>
Health and Human Services					
Health and Mental Hygiene	409	319	370	396	396
Human Resources	111	102	73	73	73
Juvenile Services	119	86	108	107	107
Subtotal	639	508	550	576	576
Public Safety					
Public Safety and Correctional Services	298	270	345	404	404
Police and Fire Marshal	46	31	29	29	29
Subtotal	344	301	374	433	433
Transportation	142	86	140	132	132
Other Executive					
Legal (Excluding Judiciary)	99	47	48	49	53
Executive and Administrative Control	208	236	204	205	202
Financial and Revenue Administration	35	49	43	53	53
Budget and Management	33	16	10	13	13
Retirement	30	11	15	15	15
General Services	35	25	36	33	33
Natural Resources	332	401	389	386	388
Agriculture	36	45	45	44	44
Labor, Licensing, and Regulation	176	237	245	263	263
MSDE and Other Education	218	242	286	304	304
Housing and Community Development	49	33	76	78	78
Business and Economic Development	49	10	14	16	16
Environment	32	30	51	56	56
Subtotal	1,332	1,381	1,460	1,513	1,516
Executive Branch Subtotal	2,457	2,275	2,524	2,655	2,658
Higher Education	6,079	6,356	6,247	6,286	6,286
Judiciary	371	390	405	446	446
Grand Total	8,907	9,022	9,176	9,387	9,390

Source: Department of Budget and Management; Department of Legislative Services

**Employee and Retiree Health Insurance Funding
Fiscal 2011 Actual to Fiscal 2014 Estimate
(\$ in Millions)**

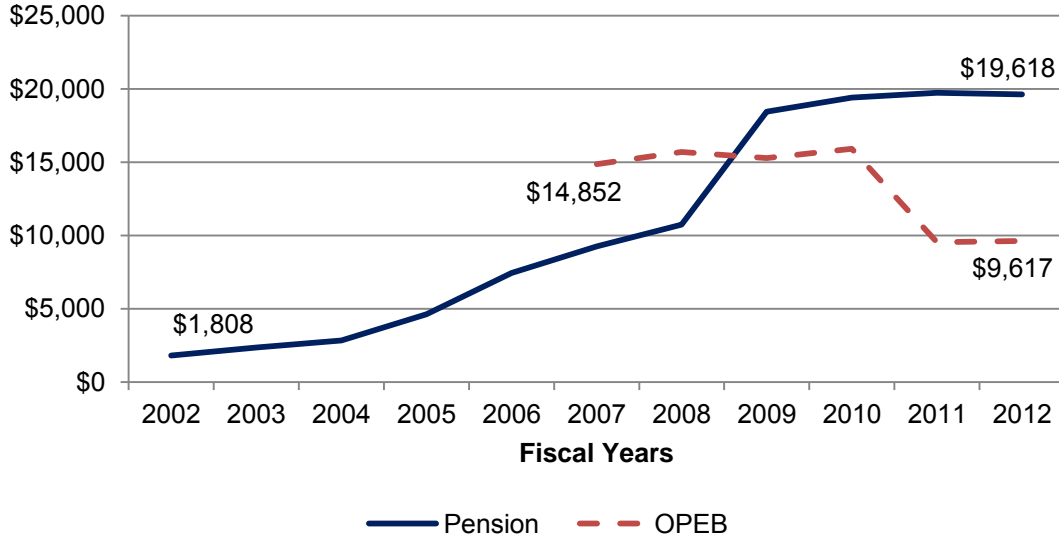
	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Budget</u>	<u>2014 Estimate</u>
Beginning Balance	\$185	\$162	\$172	\$151
Receipts				
Agencies (Employer Contribution)	\$921	\$985	\$1,046	\$1,111
Employees/Retirees Contribution	227	239	248	258
Rebates, Recoveries, and Other	33	42	16	16
Total Receipts	\$1,180	\$1,266	\$1,310	\$1,385
% Growth in Receipts	0.6%	7.3%	3.5%	5.7%
Expenditures				
Payments	\$1,203	\$1,256	\$1,331	\$1,411
% Growth in Payments	6.8%	4.4%	6.0%	6.0%
Ending Balance	\$162	\$172	\$151	\$125

- State agency appropriations are now expected to exceed \$1 billion.
- State has shifted the share of cost increases to State employees and retirees by:
 - increasing prescription drug co-pay and higher out-of-pocket limits in fiscal 2012; and
 - adding co-pays with an out-of-pocket maximum for Preferred Provider Organization (PPO) and Point of Service (POS) plans in fiscal 2013.
- Some revenues are also expected to decline as Medicare Part D is directed to the general fund and federal Early Retirement Reinsurance Program reimbursements end.
- Out-year costs are expected to increase consistent with recent trends:
 - June 2012 open enrollment data shows a shift from PPO and POS into Exclusive Provider Organization (EPO) as EPO gained approximately 19,000 enrollees, PPO lost 11,000 enrollees, and POS lost 9,000 enrollees; and
 - cost data will need to be evaluated to determine the effect on costs.

Source: Department of Budget and Management; Department of Legislative Services

State Retirement and Pension System and Other Postemployment Benefits

Unfunded Actuarial Liabilities (\$ in Millions)



Source: State Retirement Agency; Department of Budget and Management

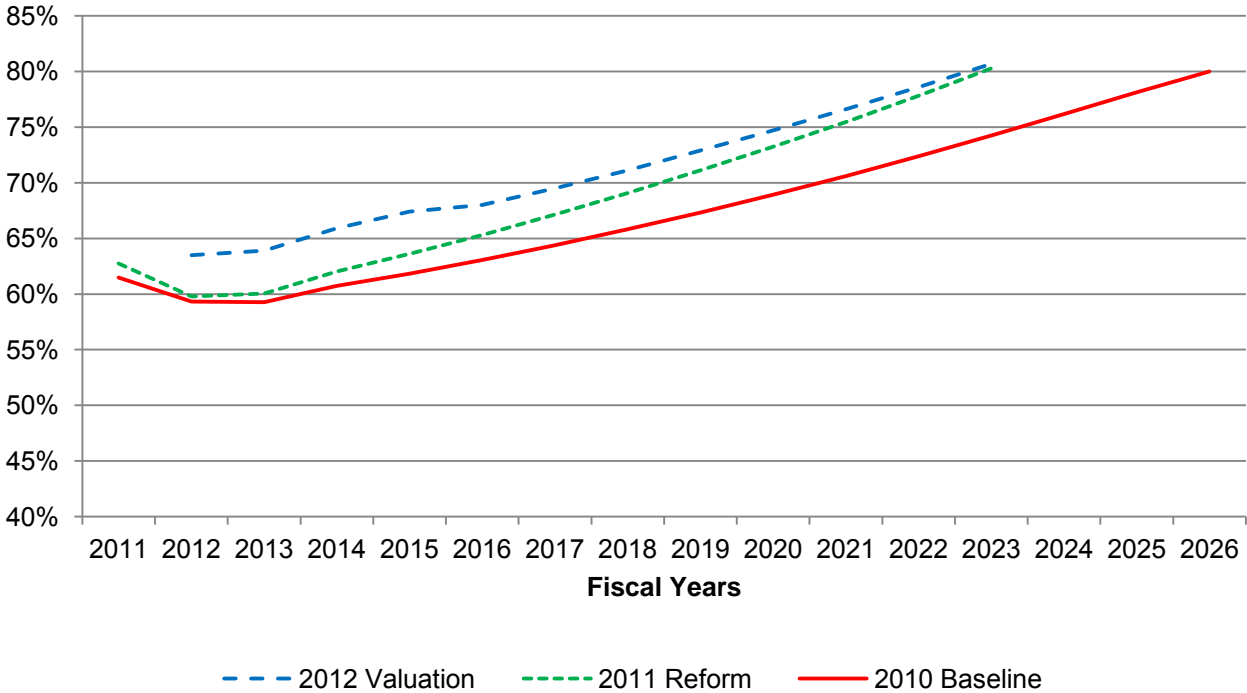
- The growth of unfunded pension liabilities accelerated dramatically during the financial market collapse of 2008-2009, when the fund experienced back-to-back annual investment losses of 5.4 and 20.0%.
- Pension benefit and funding reforms adopted during the 2011 session curbed the growth of unfunded liabilities, which are now projected to begin to decline in fiscal 2013.
- Retiree health benefit and eligibility changes adopted during the 2011 session reduced the State's other postemployment benefit (OPEB) liability by \$6.3 billion.

Breakdown of State Pension Contribution Increase

	(\$ in Millions)
Projected Fiscal 2013 State Pension Contribution	\$1,549.0
Increased Reinvestment	108.6
Demographic Assumption Changes	24.3
Experience and Corridor	110.1
Projected Fiscal 2014 State Pension Contribution	\$1,792.0

- The largest single factor contributing to the increase in State pension contributions from fiscal 2013 to 2014 is the mandated increase in the reinvestment of savings generated by the 2011 pension reforms into the pension trust fund. The reinvestment increases from \$191.4 million to \$300.0 million.
- Changes in demographic assumptions used in the actuarial valuation of liabilities and assets, which were adopted by the Board of Trustees to align them more closely with actual experience, resulted in a net increase in contributions of \$24.3 million.

**80% Funded Ratio Projections
State Retirement and Pension System**



Source: State Retirement Agency; Department of Legislative Services

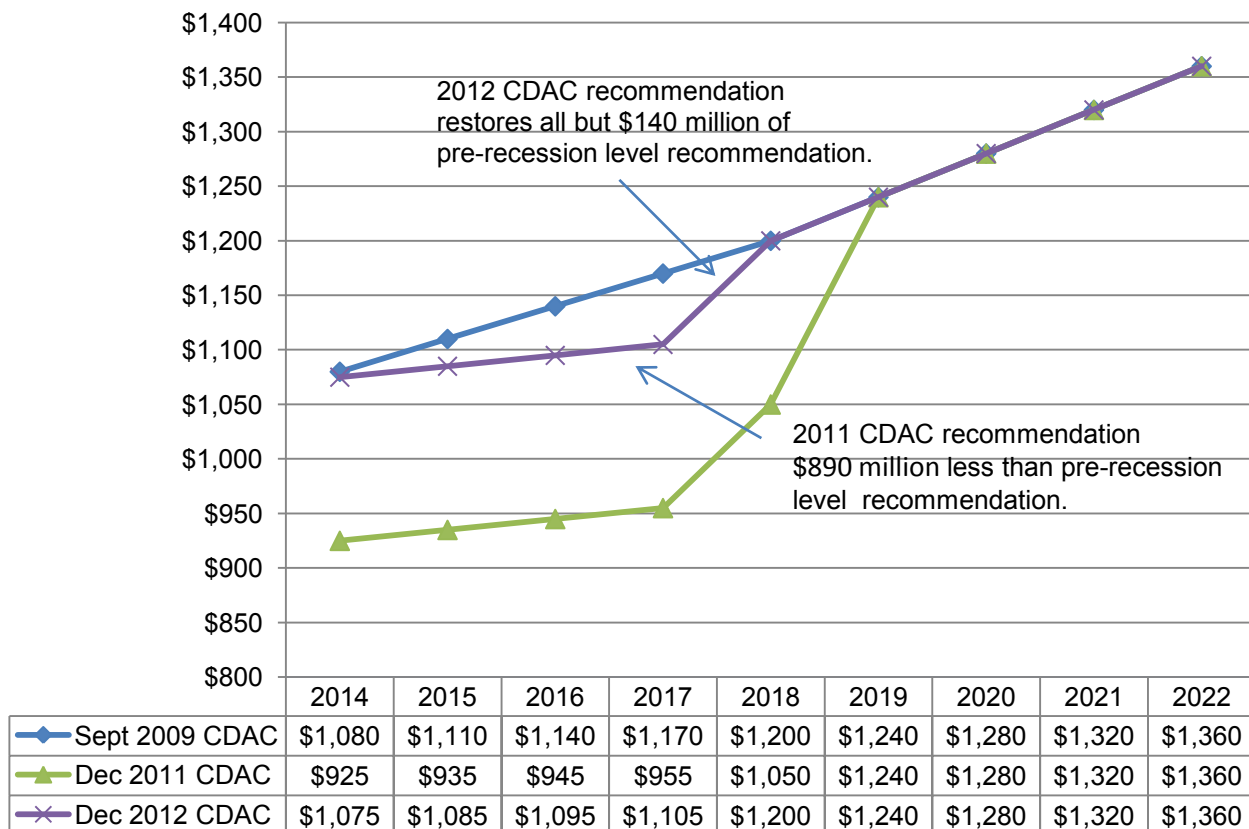
- At the time they were proposed, the 2011 pension benefit and funding reforms were projected to enable SRPS to reach the 80% funded level three years earlier than it otherwise would.
- Two years later, the system is still on track to achieve the 80% funded level by fiscal 2023.

Capital Program – Impact of Fiscal Pressures

Proposed Increase in General Obligation (GO) Bond Authorizations Could Offer Relief to Bond Program Squeezed from Both Ends

- Recommendation adds \$150 million annually – \$750 million over next five years.
- The Capital Debt Affordability Committee recommendation would restore GO bond authorizations to pre-recession levels.

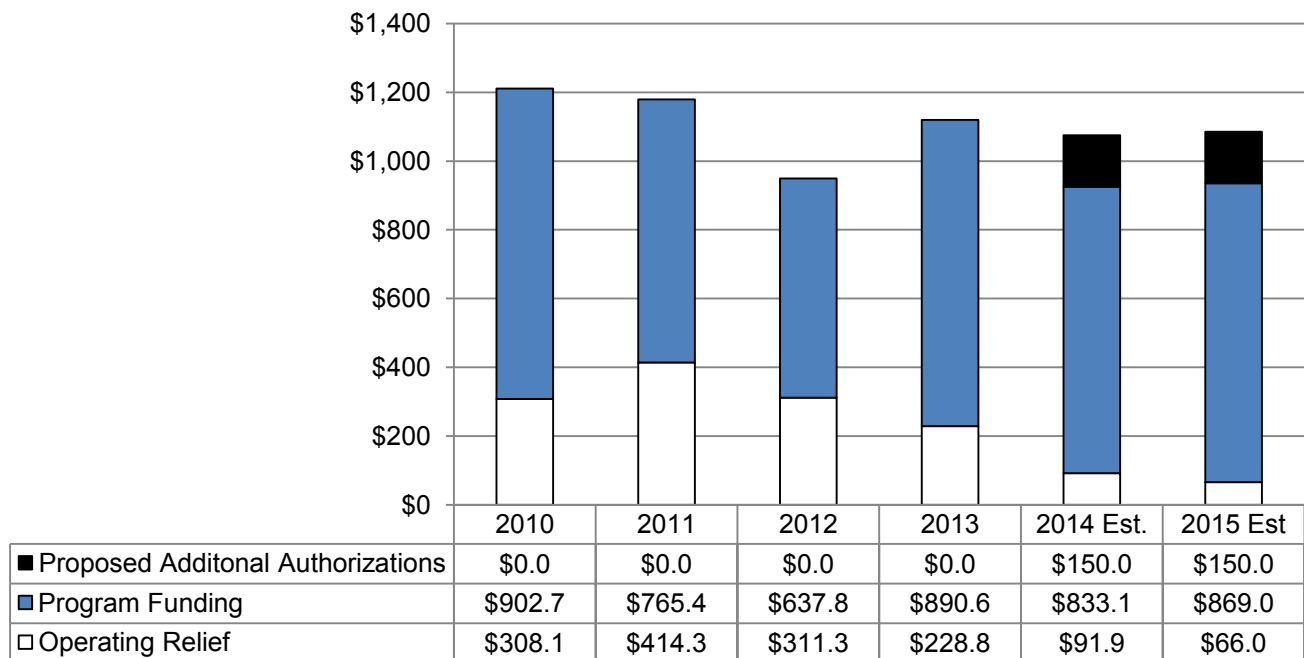
GO Bond Limits
Comparison of Recent CDAC Five-year Recommendations
Fiscal 2014-2022
(\$ in Millions)



CDAC: Capital Debt Affordability Committee
 GO: general obligation

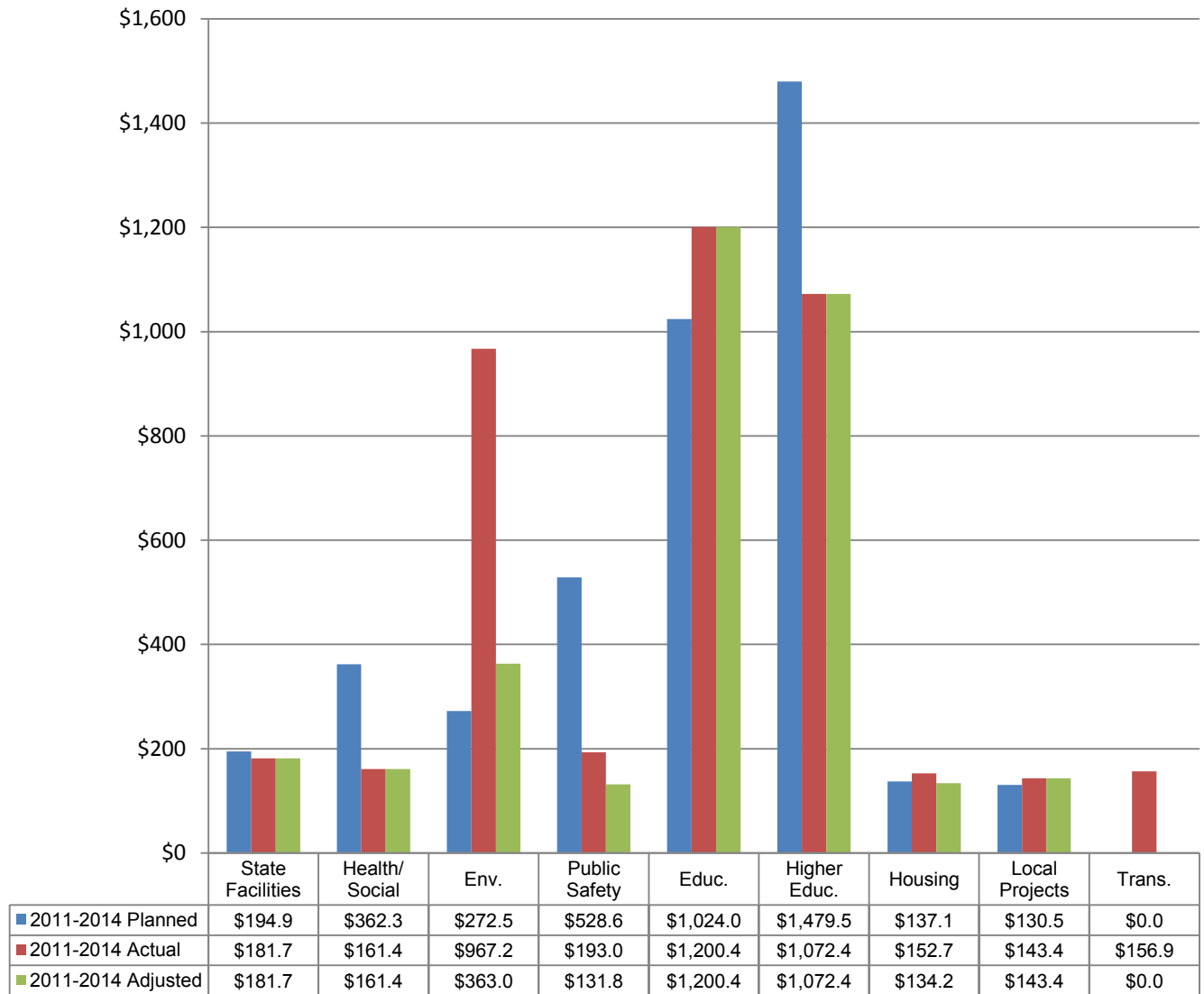
- **The Governor’s preliminary GO bond allocation for the 2013 session as required by § 8-113 of the State Finance and Procurement Article:**
 - \$428 million for grant and loan programs to local governments;
 - \$397 million for design and construction of State-owned facilities; and
 - \$250 million for public school construction grants to local governments.
- **In addition to GO debt the Governor’s preliminary allocation contemplates \$375 million in transportation debt, \$150 million in bay restoration bonds, and \$37.5 million for capital leases.**
- **GO Bond Authorizations and Operating Budget Relief:** \$1.26 billion of GO bond authorizations used in fiscal 2010 through 2013 to replace fund transfers and pay-as-you-go. Prior year replacement commitments would require \$91 million in fiscal 2014 and \$66 million in fiscal 2015.

**Use for Operating Relief
Fiscal 2010-2013 Actual and Fiscal 2014-2015 Estimate
(\$ in Millions)**



- **Impact of Reduced Authorizations and Bond Replacement on Anticipated Capital Expenditures:** Actual capital investments in juvenile services, public safety, and higher education reduced from programmed levels to fund GO bond replacement for environmental programs.

GO Program Planned Versus Actual (\$ in Millions)



CIP: *Capital Improvement Program*

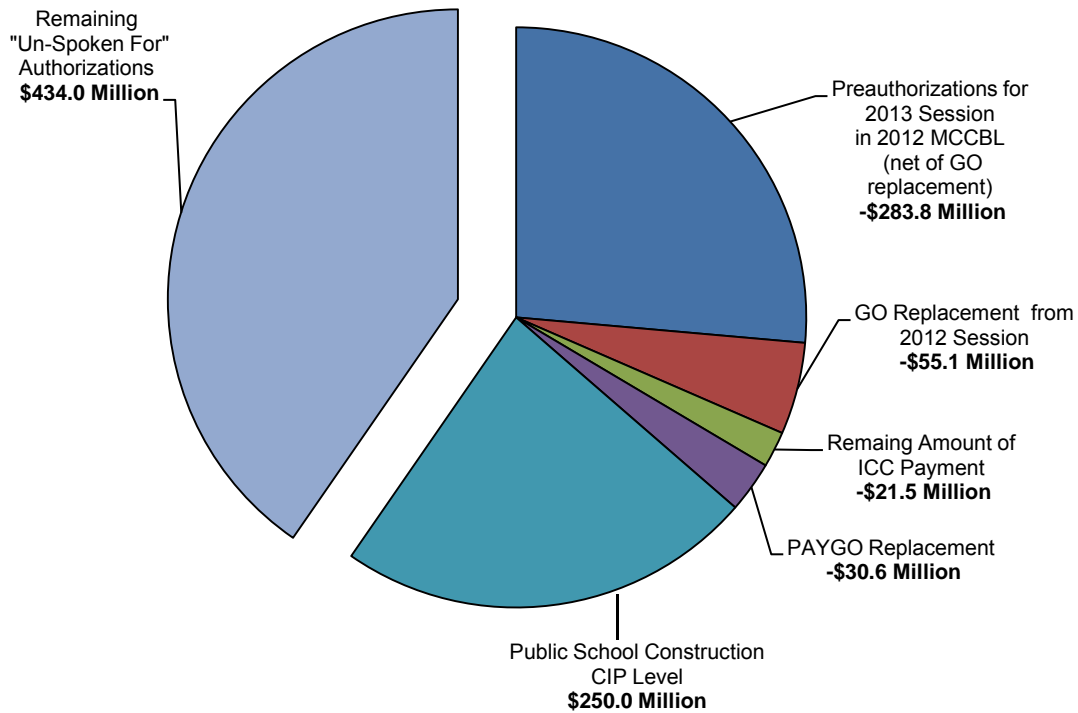
Educ.: Education

Env.: Environment

Trans.: Transportation

Note: Adjusted does not include GO funds used to provide operating relief.

Outlook for 2013 Session



Fiscal 2014 Requests – Competition for Available “Un-Spoken For” Authorizations

- State Facilities: \$115 million
- Health and Social Services: \$61 million (excludes preauthorizations)
- Environment: \$115 million (excludes fund transfer replacement)
- Education: \$418 million (net of *Capital Improvement Program* level for Public School Construction)
- Higher Education: \$227 million (excludes preauthorizations)
- Public Safety: \$50 million (excludes preauthorizations)
- Housing: \$52 million
- Miscellaneous – including legislative initiatives: \$117 million

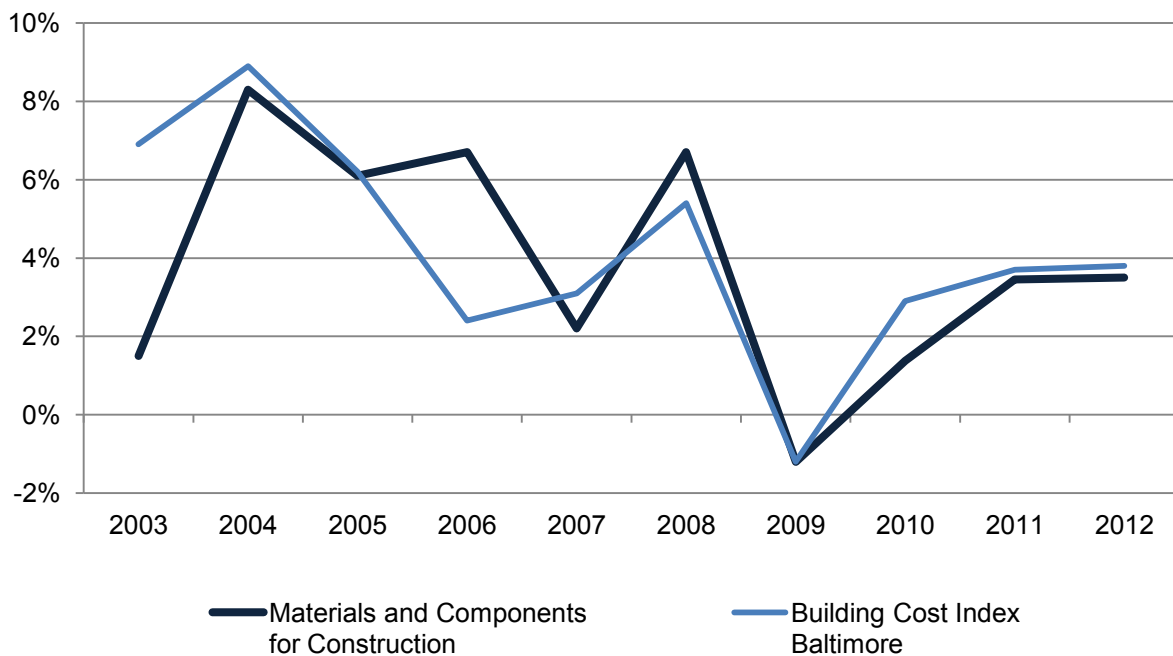
CIP: *Capital Improvement Program*
 GO: general obligation
 MCCBL: Maryland Consolidated Capital Bond Loan
 ICC: InterCounty Connector
 PAYGO: pay-as-you-go

Source: Department of Budget and Management

Construction Costs Increase

- **Construction Costs on the Rise:** The year-over-year measure for inflation in the building and construction market nationally and regionally reflect increased construction costs.
- **Increased Escalation Rates Used in Cost Estimating:** Base square foot costs increase by 3.7% for projects requested in the 2013 session compared to 3.0% for 2012 session, and -1.0% for 2011 session. Annual escalation rates for projects requested in the 2013 session set at 3.0% annually for calendar 2012, and 4.0% for calendar 2013 through 2015, as compared to 1.0% for calendar 2011, 2.5% for calendar 2012, and 3.0% annually for calendar 2013 and 2014 used for projects authorized in the 2011 session

**Construction Cost Inflation
Calendar 2003-2012**



Source: Bureau of Labor Statistics; Engineering New-Record

- **Increased School Construction Costs:** The Interagency Committee on School Construction (IAC) reports increased construction bids. Recent increases in material costs are reflected in increased square foot construction rates which the IAC has set at \$241 a square foot for projects requested in the 2013 session compared to \$224 and \$232 for the 2011 and 2012 sessions, respectively.

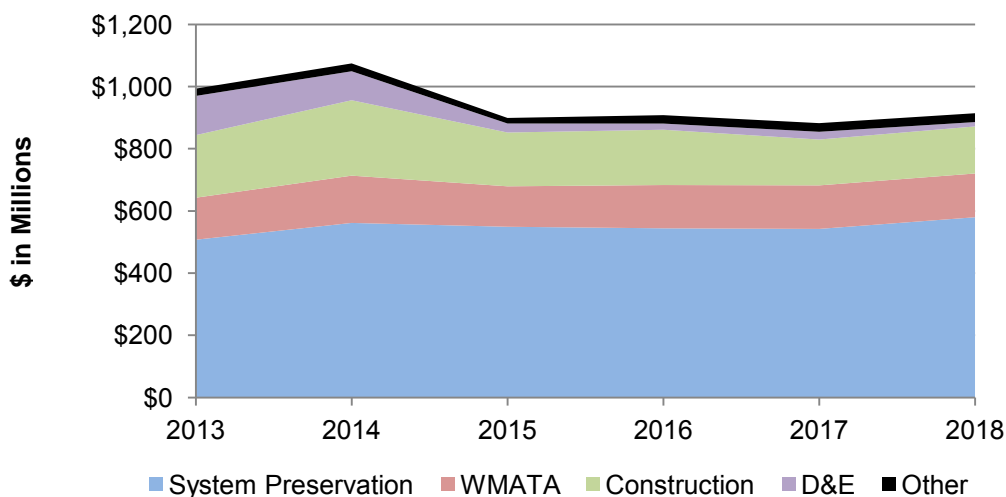
Transportation Trust Fund

Maryland Department of Transportation's (MDOT) Financial Forecast Is Based on Optimistic Assumptions

MDOT's \$5.7 Billion Special Fund Capital Program Could Be Overstated by More Than \$2 Billion

- MDOT has estimated robust growth in the titling tax; however, there is still uncertainty in the economy, and revenues could be less than estimated. Other revenues could be adversely impacted should the economy contract.
 - While MDOT has been able to constrain operating budget growth in recent fiscal years, the long-term forecast of constrained operating budget spending appears unrealistic. In particular, estimates of total transit spending, winter maintenance, and employee compensation appear to be underbudgeted.
 - MDOT assumes almost \$1.9 billion in bonds over the six-year period to support capital spending. If revenues and/or spending do not meet the estimates, then MDOT's ability to issue debt could be severely curtailed.
 - **The special fund capital program put forth by MDOT likely represents the best case scenario for capital spending moving forward.**
-

The Special Fund Transportation Capital Program Will Largely Be Spent On System Preservation Projects Fiscal 2013-2018



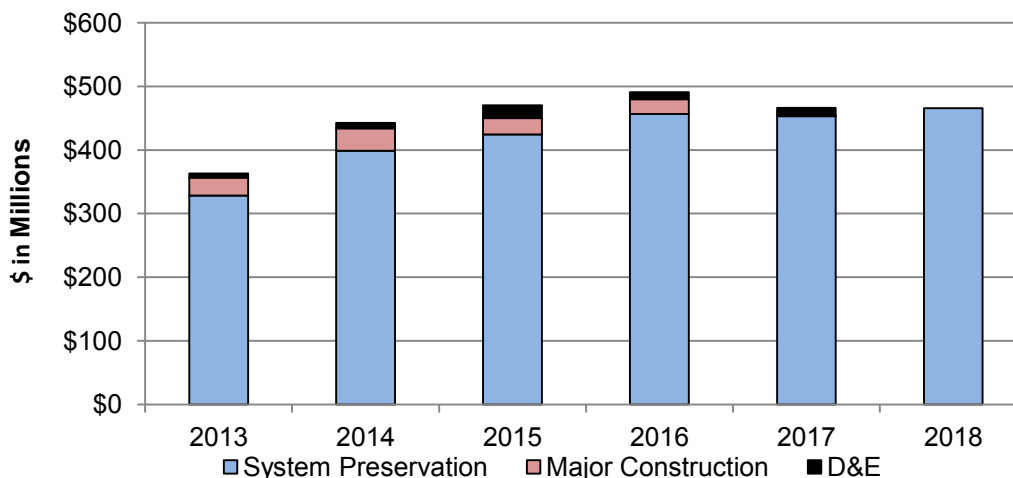
WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland Department of Transportation, 2013-2018 draft *Consolidated Transportation Program*

Transportation Capital Program Funding Issues

- Funding of system preservation and the Washington Metropolitan Area Transit Authority (WMATA) represent the first draws on capital spending. Over the six-year period, funding for these obligations account for anywhere from 65 to 79% of spending in a given fiscal year.
- Major construction spending to enhance and expand the transportation network declines over the six-year period, totaling approximately \$150 million in fiscal 2018. As shown below, by fiscal 2018, there is no funding for major projects or planning of major projects for the State Highway Administration.

By Fiscal 2018 the State Highway Administration's Special Fund Capital Budget Will Only Fund System Preservation Fiscal 2013-2018



D&E: development and evaluation

Source: Maryland Department of Transportation, 2013-2018 draft *Consolidated Transportation Program*

- **Even under MDOT's forecast, its draft fiscal 2013 to 2018 *Consolidated Transportation Program* (CTP) does not include funding for:**
 - construction of the Red and Purple Lines or the Corridor Cities Transitway;
 - Watershed Implementation Plan obligations after fiscal 2017;
 - the planned intermodal facility in Baltimore City; or
 - highway projects to expand and enhance the network after fiscal 2017.

Alternative Finance and Revenue Options to Construct the Major Transit Lines

- It is estimated that the cost to construct the Purple Line is \$1.9 billion, and the Red Line is \$2.1 billion. The State is assuming federal aid for the construction of the projects, but the State's share of construction will be significant. For example, to construct all three transit lines simultaneously, the State would need an additional \$725 million of revenue in fiscal 2018 based upon the current cash flow plan for construction.
- Instead of relying on traditional revenue sources to construct the transit lines, the State may want to consider alternative transit financing options including:
 - **Public-private Partnerships (P3) Utilizing Availability Payments:** The State could enter into a long-term agreement with a private entity to design, build, finance, operate, and maintain a transit line through availability payments. Availability payments are annual payments to the private contractor for the operating and capital costs of the project.
 - **Transportation Infrastructure Finance and Innovation Act (TIFIA):** A federal loan/credit assistance program that provides below market interest rates for transportation projects.
 - **Value Capture:** Refers to the idea of using the increase in land value due to the construction of a transit project to pay for the construction of that project. This could be accomplished through special taxing districts, developer fees, etc., to support Tax Increment Financing bonds.
 - **Local Option Revenues:** Consideration could be given to authorizing local option revenues (e.g., sales and motor fuel tax) for the construction of a transit line.
 - **General Fund Revenue/General Obligation Bonds (GO):** Other jurisdictions use general fund revenue/general obligation bonds to support transit spending.
- **P3s and federal TIFIA loans are financing options that will still require an increase in revenue to support repayment. In addition, these options are more expensive than either State debt or use of cash for the project.**
- **Value capture and local option revenues are likely to be insufficient as standalone revenue tools to support the construction of the transit lines.**
- **The General Assembly may want to consider dedicating all or a portion of the additional \$150 million in GO bond authorizations to MDOT.**

State Debt Policy

Capital Debt Affordability Committee Recommends Increasing Authorizations

- The recommendation is to increase authorizations by \$150 million annually from fiscal 2014 to 2018, adding \$750 million.
-

Cost of Increasing GO Bond Authorizations by \$750 Million Fiscal 2014-2022 (\$ in Millions)

<u>Fiscal Year</u>	<u>Increase in Authorizations</u>	<u>Additional Debt Service</u>
2014	\$150.0	\$0.5
2015	150.0	3.3
2016	150.0	8.0
2017	150.0	16.2
2018	150.0	28.0
2019	0.0	41.3
2020	0.0	53.8
2021	0.0	65.0
2022	0.0	72.3

GO: general obligation

Source: Department of Legislative Services

State Debt Policy (cont.)

State Debt Is within Affordability Ratios

- The Capital Debt Affordability Committee advises the General Assembly on State debt policy. The committee's policy is that State tax-supported debt outstanding should not exceed 4% of Maryland personal income, and State tax-supported debt service payments should not exceed 8% of State revenues.
-

State Affordability Ratios Fiscal 2013-2022

<u>Fiscal Year</u>	<u>Debt Outstanding as a % of Personal Income</u>	<u>Debt Service as % of Revenues</u>
2013	3.35%	6.54%
2014	3.35%	6.88%
2015	3.30%	7.07%
2016	3.19%	7.31%
2017	3.07%	7.43%
2018	2.96%	7.46%
2019	2.86%	7.20%
2020	2.74%	6.98%
2021	2.55%	6.79%
2022	2.55%	6.78%

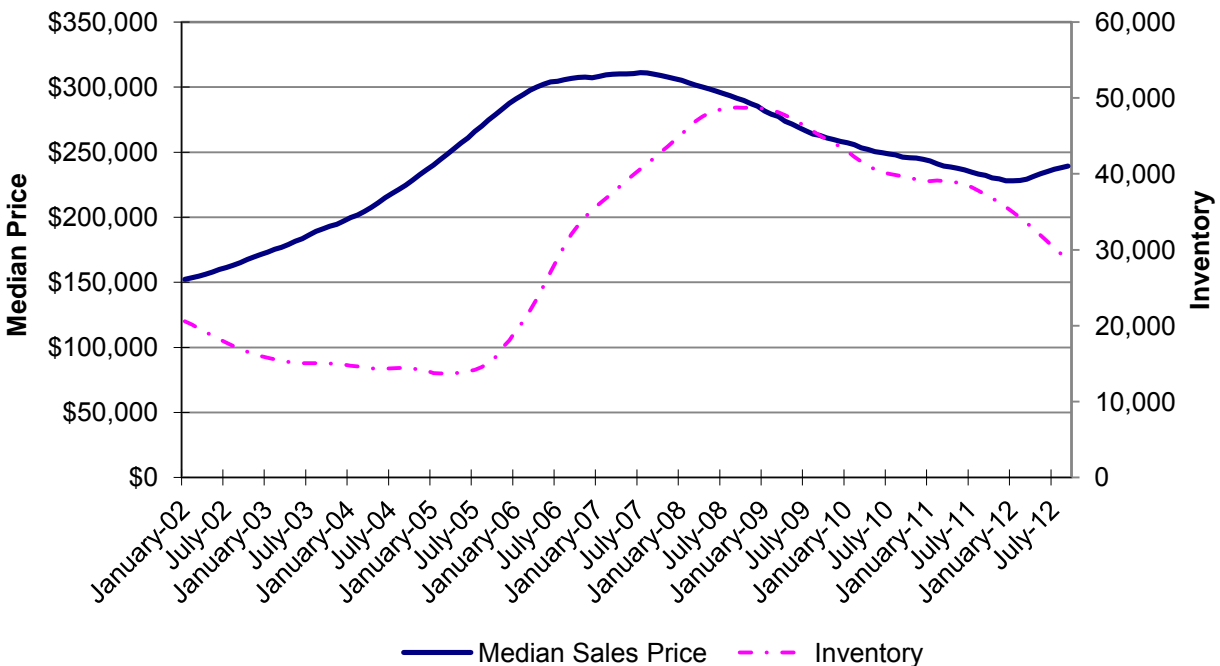
Source: Department of Legislative Services

State Debt Policy (cont.)

Annuity Bond Fund (ABF) Supports General Obligation (GO) Bond Debt Service Costs

- State property taxes are the ABF's largest revenue source. The current State property tax rate is \$0.112 per \$100 of assessable base.
- House prices peaked in calendar 2007. Year-over-year house prices declined for 55 uninterrupted months. Prices have increased since February 2012.

Maryland Housing – Median Prices and Inventory 12-month Moving Average January 2002 to September 2012



Source: Maryland Association of Realtors

State Debt Policy (cont.)

GO Bond Debt Service Costs Exceed State Property Tax Revenues

Estimated Annuity Bond Fund (ABF) Activity Fiscal 2013-2018 (\$ in Millions)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Special Fund Revenues						
State Property Tax Receipts	\$728	\$726	\$720	\$728	\$735	\$754
Bond Sale Premiums ¹	136	105	97	19	0	0
Other Revenues	3	3	3	3	3	3
Fund Balance Transferred from Prior Year	182	147	10	1	1	1
Subtotal Special Fund Revenues Available	\$1,050	\$981	\$829	\$750	\$739	\$757
General Funds	\$0	\$0	\$211	\$392	\$475	\$537
Reimbursable Funds	2	6	6	6	7	7
Federal Funds	12	12	12	12	12	12
Total Revenues	\$1,063	\$1,000	\$1,059	\$1,160	\$1,232	\$1,313
Projected Debt Service Expenditures	\$916	\$990	\$1,058	\$1,160	\$1,231	\$1,312
ABF End-of-year Fund Balance	\$147	\$10	\$1	\$1	\$1	\$1

¹ Estimated bond premiums total \$62.1 million in March 2013, \$47.4 million in August 2013, \$57.7 million in March 2014, \$48.4 million in August 2014, \$48.4 million in March 2015, and \$18.8 million in August 2015.

Source: Department of Legislative Services

- In fiscal 2014, estimated GO bond debt service costs exceed State property tax revenues by \$264 million. Prior year fund balances and bond premiums are expected to be sufficient to fully fund debt service in fiscal 2014. However, estimates could be revised substantially due to:
 - **Revised Property Tax Estimates:** For example, the November 2004 revision added \$17 million to the State property tax revenue estimate;
 - **Interest Rates Changes:** Either increasing the true interest cost or reducing the coupon rate by a combination of 0.25% (25 basis points) reduces the projected March 2013 premium by \$12 million; or
 - **The Amount of Bonds Sold:** Adding \$25 million to the sale adds \$3 million to the premium.

State Debt Policy (cont.)

Additional Costs Attributable to Limiting Additional Authorizations to Two Years Fiscal 2014-2022 (\$ in Millions)

<u>Fiscal Year</u>	<u>Increase in Authorizations</u>	<u>Additional Debt Service</u>
2014	\$150.0	\$0.5
2015	150.0	3.3
2016	0.0	7.3
2017	0.0	12.9
2018	0.0	20.2
2019	0.0	25.5
2020	0.0	28.9
2021	0.0	30.9
2022	0.0	31.7

Source: Department of Legislative Services

- Increasing GO bond authorizations adds to the out-year revenue shortfall.
- Authorizations are increased beyond the current term.
- It is unclear what the additional authorizations will support.
- The transportation capital program for major projects declines in the out-years.
- **The Department of Legislative Services (DLS) recommends limiting the additional authorizations to two years and reconsider in the 2015 interim. The General Assembly may also consider dedicating a portion, or all of these funds, for transportation.**

Video Lottery Terminals (VLTs) and Senate Bill 1 of the Second Special Session of 2012

Existing VLT Licensees/Awardees

- The Video Lottery Facility Location Commission has awarded video lottery operation licenses for each of the five geographic locations approved by the voters in 2008.
- Facilities in Anne Arundel, Cecil, and Worcester counties are currently operating. The facility in Allegany County at the Rocky Gap Lodge and Resort is scheduled to open in mid-2013, and the facility in Baltimore City is scheduled to open in mid-2014.

Senate Bill 1

- **Question 7:**
 - increases the number of video lottery operation licenses authorized from five to six, and also authorizes a license for a 3,000 VLT facility in Prince George's County;
 - increases the statewide cap on VLTs from 15,000 to 16,500; and
 - authorizes video lottery operation licensees to offer table games.
- **Additional Provisions Contingent on or Related to Question 7:**
 - authorizes 24 hour per day operations at video lottery facilities;
 - provides/authorizes additional marketing and capital improvement allowances for the Anne Arundel County, Baltimore City, and Cecil County licensees after issuance of a license in Prince George's County; and
 - reduces from 7 to 6% the percentage of VLT revenues dedicated to the Purse Dedication Account for horse racing purses and bred funds.
- **Provisions Not Contingent on Question 7:**
 - shifts VLT procurement from the State to licensees, except in Allegany and Worcester counties;

- increases the operator share for the Worcester County licensee beginning in fiscal 2014, assuming a certain amount of annual capital improvements are made at the facility; and
 - increases the operator share for the Allegany County licensee after 10 years of operations, assuming a certain amount of annual capital improvements are made at the facility.
-
- **Impacts of Question 7 Passing Statewide and in Prince George's County:**
 - 24 hour per day operations may begin at existing facilities;
 - State Lottery and Gaming Control Commission will develop procedures for facilities to request table games, with operations expected to begin in spring 2013; and
 - Location Commission may issue a Request for Proposals for the Prince George's County license.

Increase in Revenues to the Education Trust Fund under Senate Bill 1
(\$ in Millions)

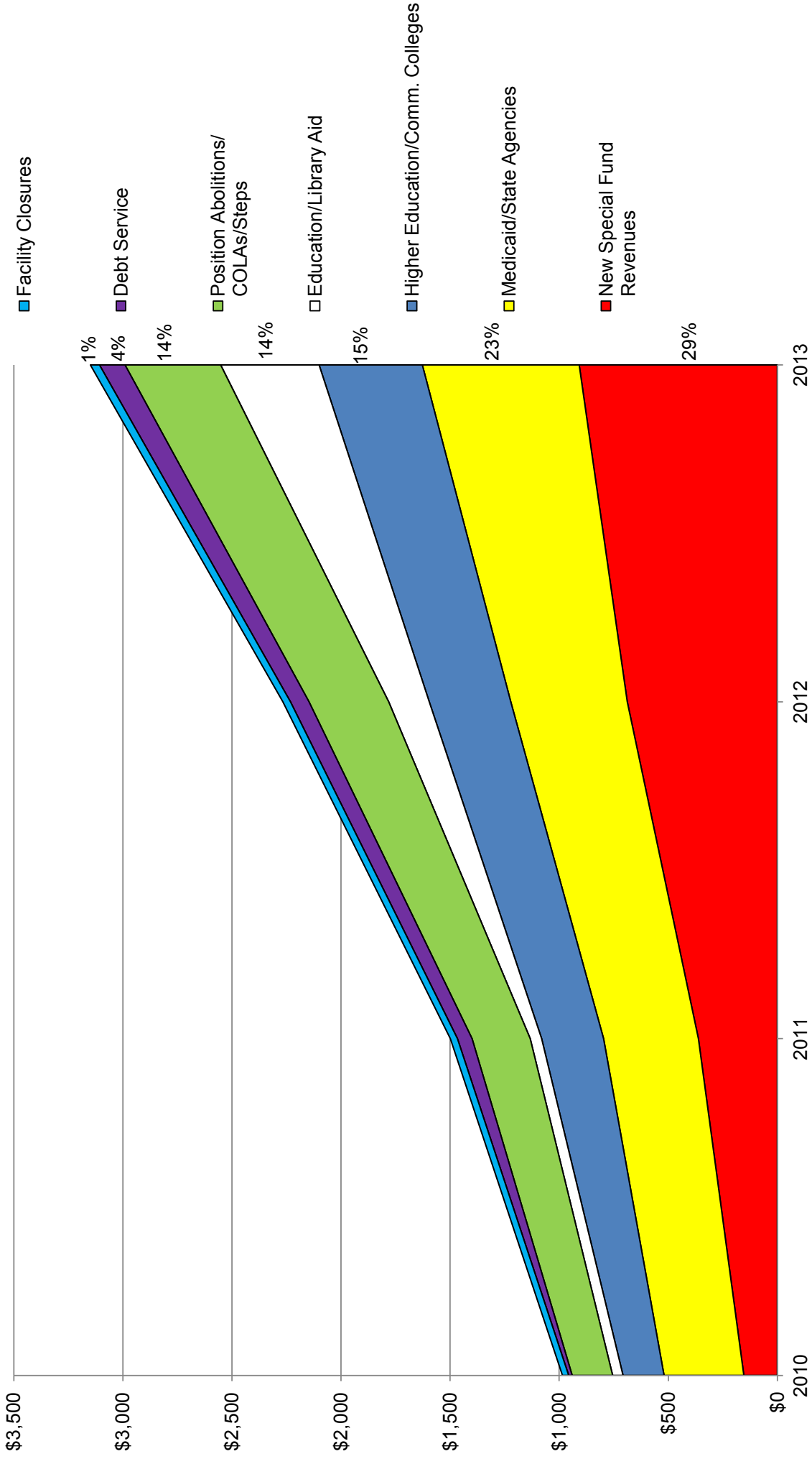
	<u>2013</u>	<u>2014</u>	<u>2016</u>	<u>2017</u>	<u>2019</u>
Video Lottery Terminals	\$11	\$15	\$37	\$66	\$88
Table Games	7	27	50	50	55
Shift of VLT Costs to Licensees	0	0	34	59	56
License Fees*		18			
Total to Education Trust Fund	\$18	\$60	\$121	\$175	\$199

*Assumes license awarded for Prince George's County and the facility opening in July 2016.

Constraining Growth in General Fund Spending from Baseline Estimates

Fiscal 2010-2013

(\$ in Millions)



COLA: cost-of-living adjustment

General Fund Budget Outlook

Fiscal 2013-2018
(\$ in Millions)

Revenues	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Avg. Annual
	Actual	Work. App.	Baseline	Est.	Est.	Est.	Est.	Change 2014-2018
Opening Fund Balance	\$990	\$551	\$482	\$0	\$0	\$0	\$0	\$0
Transfer	239	169	280	68	63	57	54	
Subtotal One-time Revenue	\$1,244	\$721	\$762	\$68	\$63	\$57	\$54	-48.4%
Ongoing Revenues	\$14,258	\$14,908	\$15,317	\$15,942	\$16,715	\$17,455	\$18,186	
Subtotal Ongoing Revenue	\$14,258	\$14,908	\$15,317	\$15,942	\$16,715	\$17,455	\$18,186	4.4%
Total Revenues & Fund Balance	\$15,502	\$15,628	\$16,079	\$16,010	\$16,777	\$17,512	\$18,240	3.2%
Ongoing Spending								
Operating Spending	\$14,982	\$14,979	\$16,049	\$16,895	\$17,623	\$18,324	\$19,071	
VLT Revenues Supporting Education	-101	-286	-372	-608	-663	-753	-788	
Multi-year Commitments	7	0	57	57	57	57	57	
Budget Restoration Fund Spending	0	430	0	0	0	0	0	
Subtotal Ongoing Spending	\$14,888	\$15,123	\$15,734	\$16,344	\$17,018	\$17,628	\$18,341	3.9%
One-time Spending								
PAYGO Capital	\$48	\$1	\$0	\$1	\$1	\$1	\$1	
Appropriation to Reserve Fund	15	23	371	50	50	50	50	
Subtotal One-time Spending	\$63	\$23	\$372	\$51	\$51	\$51	\$51	-39.1%
Total Spending	\$14,951	\$15,146	\$16,106	\$16,395	\$17,069	\$17,679	\$18,392	3.4%
Ending Balance	\$551	\$482	-\$27	-\$385	-\$292	-\$166	-\$152	
Rainy Day Fund Balance	\$673	\$703	\$766	\$798	\$835	\$873	\$910	
Balance over 5% of GF Revenues	-40	-43	0	1	0	0	1	
As % of GF Revenues	4.72%	4.71%	5.00%	5.01%	5.00%	5.00%	5.00%	
Structural Balance	-\$630	-\$215	-\$417	-\$402	-\$303	-\$172	-\$154	

GF: general fund

PAYGO: pay-as-you-go

VLT: video lottery terminal

Total Local Tax Revenues for Fiscal 2011-2013

County	2011	2012	2013	2011-2012 \$ Difference	2012-2013 \$ Difference	Average Annual Difference
Allegany	\$69,365,992	\$66,992,978	\$67,684,274	-\$2,373,014	\$691,296	-1.2%
Anne Arundel	1,012,718,122	1,044,885,000	1,077,251,000	32,166,878	32,366,000	3.1%
Baltimore City	1,192,450,695	1,191,511,475	1,184,144,772	-939,220	-7,366,703	-0.3%
Baltimore	1,448,848,945	1,534,999,547	1,520,982,116	86,150,602	-14,017,431	2.5%
Calvert	215,745,005	213,958,680	211,803,264	-1,786,325	-2,155,416	-0.9%
Caroline	36,239,430	35,923,602	36,282,397	-315,828	358,795	0.1%
Carroll	333,823,149	334,322,480	334,638,530	499,331	316,050	0.1%
Cecil	153,291,414	150,846,945	156,787,322	-2,444,469	5,940,377	1.1%
Charles	297,031,129	303,084,500	315,416,900	6,053,371	12,332,400	3.0%
Dorchester	42,287,569	42,726,034	42,733,179	438,465	7,145	0.5%
Frederick	461,017,713	447,469,469	446,535,741	-13,548,244	-933,728	-1.6%
Garrett	63,635,194	63,222,317	63,209,998	-412,877	-12,319	-0.3%
Harford	443,185,476	436,287,411	444,932,874	-6,898,065	8,645,463	0.2%
Howard	860,907,446	874,258,586	911,987,753	13,351,140	37,729,167	2.9%
Kent	40,523,567	39,773,033	40,881,548	-750,534	1,108,515	0.4%
Montgomery	2,903,014,487	3,108,733,835	3,159,461,233	205,719,348	50,727,398	4.3%
Prince George's	1,394,180,035	1,379,602,600	1,375,232,600	-14,577,435	-4,370,000	-0.7%
Queen Anne's	92,598,747	100,247,256	101,170,737	7,648,509	923,481	4.5%
St. Mary's	183,533,062	176,840,305	188,344,241	-6,692,757	11,503,936	1.3%
Somerset	22,905,437	23,100,251	20,816,925	194,814	-2,283,326	-4.7%
Talbot	54,498,914	57,672,650	61,924,000	3,173,736	4,251,350	6.6%
Washington	192,855,390	191,845,693	192,461,660	-1,009,697	615,967	-0.1%
Wicomico	104,155,821	97,776,027	104,781,310	-6,379,794	7,005,283	0.3%
Worcester	156,206,988	151,633,710	153,980,767	-4,573,278	2,347,057	-0.7%
Total	\$11,775,019,727	\$12,067,714,384	\$12,213,445,141	\$292,694,657	\$145,730,757	1.8%

Source: Department of Legislative Services, County Budgets

Property Tax Revenue Trend for Fiscal 2011-2013

County	2011	2012	2013	2011-2012 \$ Difference	2012-2013 \$ Difference	Average Annual Difference
Allegany	\$42,100,003	\$41,162,899	\$40,822,274	-\$937,104	-\$340,625	-1.5%
Anne Arundel	549,850,967	567,145,000	586,351,000	17,294,033	19,206,000	3.3%
Baltimore City	793,716,814	777,640,768	769,782,914	-16,076,046	-7,857,854	-1.5%
Baltimore	837,056,222	847,295,407	850,131,607	10,239,185	2,836,200	0.8%
Calvert	146,790,799	146,076,046	140,550,264	-714,753	-5,525,782	-2.1%
Caroline	23,892,084	23,873,000	23,973,000	-19,084	100,000	0.2%
Carroll	208,296,512	204,596,100	198,595,000	-3,700,412	-6,001,100	-2.4%
Cecil	101,811,471	101,326,773	103,014,603	-484,698	1,687,830	0.6%
Charles	193,909,891	202,432,400	204,953,900	8,522,509	2,521,500	2.8%
Dorchester	29,425,126	31,029,064	30,725,976	1,603,938	-303,088	2.2%
Frederick	289,625,441	277,765,069	256,826,572	-11,860,372	-20,938,497	-5.8%
Garrett	46,688,168	47,860,017	46,898,998	1,171,849	-961,019	0.2%
Harford	255,054,626	252,687,411	251,910,102	-2,367,215	-777,309	-0.6%
Howard	503,917,484	502,466,074	526,078,633	-1,451,410	23,612,559	2.2%
Kent	30,680,082	30,332,956	30,175,475	-347,126	-157,481	-0.8%
Montgomery	1,430,240,240	1,446,153,740	1,471,151,242	15,913,500	24,997,502	1.4%
Prince George's	726,867,670	712,105,000	695,790,600	-14,762,670	-16,314,400	-2.2%
Queen Anne's	60,061,951	65,852,256	65,415,329	5,790,305	-436,927	4.4%
St. Mary's	99,665,180	99,515,305	100,459,241	-149,875	943,936	0.4%
Somerset	16,117,612	16,665,776	14,228,925	548,164	-2,436,851	-6.0%
Talbot	29,154,651	30,065,650	32,591,000	910,999	2,525,350	5.7%
Washington	125,482,580	124,284,530	121,396,960	-1,198,050	-2,887,570	-1.6%
Wicomico	60,530,124	59,008,117	60,006,246	-1,522,007	998,129	-0.4%
Worcester	122,233,623	120,973,710	121,320,767	-1,259,913	347,057	-0.4%
Total	\$6,723,169,321	\$6,728,313,068	\$6,743,150,628	\$5,143,747	\$14,837,560	0.1%

Note: Property tax revenues for Charles, Frederick, and Howard counties include special fire district tax. Property tax revenues for Montgomery County include special fire, mass transit, and recreation district taxes.

Source: Department of Legislative Services, County Budgets

Local Income Tax Revenue Trend for Fiscal 2011-2013

County	2011	2012	2013	2011-2012 \$ Difference	2012-2013 \$ Difference	Average Annual Difference
Allegany	\$24,248,781	\$23,000,000	\$23,820,000	-\$1,248,781	\$820,000	-0.9%
Anne Arundel	363,798,661	379,600,000	389,400,000	15,801,339	9,800,000	3.5%
Baltimore City	234,955,011	250,353,000	253,183,270	15,397,989	2,830,270	3.8%
Baltimore	514,714,431	579,475,131	561,371,932	64,760,700	-18,103,199	4.4%
Calvert	62,668,488	61,517,634	64,800,000	-1,150,854	3,282,366	1.7%
Caroline	10,627,737	10,300,000	10,600,000	-327,737	300,000	-0.1%
Carroll	116,171,871	120,000,000	126,460,000	3,828,129	6,460,000	4.3%
Cecil	46,835,947	44,836,172	48,644,519	-1,999,775	3,808,347	1.9%
Charles	92,049,627	88,744,000	98,113,000	-3,305,627	9,369,000	3.2%
Dorchester	9,799,801	8,600,000	9,227,702	-1,199,801	627,702	-3.0%
Frederick	157,826,635	155,843,000	171,226,300	-1,983,635	15,383,300	4.2%
Garrett	10,137,038	9,300,000	10,100,000	-837,038	800,000	-0.2%
Harford	166,483,042	161,600,000	175,068,772	-4,883,042	13,468,772	2.5%
Howard	315,353,675	325,465,000	339,929,120	10,111,325	14,464,120	3.8%
Kent	8,200,260	8,040,000	9,045,000	-160,260	1,005,000	5.0%
Montgomery	1,039,234,850	1,227,074,018	1,242,879,546	187,839,168	15,805,528	9.4%
Prince George's	454,342,603	469,123,900	470,515,400	14,781,297	1,391,500	1.8%
Queen Anne's	29,527,496	31,100,000	32,428,656	1,572,504	1,328,656	4.8%
St. Mary's	71,984,221	65,500,000	76,000,000	-6,484,221	10,500,000	2.8%
Somerset	6,295,530	5,977,003	6,069,000	-318,527	91,997	-1.8%
Talbot	18,551,894	20,000,000	21,635,000	1,448,106	1,635,000	8.0%
Washington	59,279,436	59,380,000	62,476,000	100,564	3,096,000	2.7%
Wicomico	39,186,250	34,376,000	40,472,224	-4,810,250	6,096,224	1.6%
Worcester	10,459,699	9,200,000	11,200,000	-1,259,699	2,000,000	3.5%
Total	\$3,862,732,984	\$4,148,404,858	\$4,254,665,441	\$285,671,874	\$106,260,583	5.0%

Source: Department of Legislative Services, County Budgets

Local Government Tax Rates in Fiscal 2012 and 2013

County	Real Property		Local Income		Recordation		Transfer		Admissions/ Amusement		Hotel/Motel	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Allegany	\$0.982	\$0.981	3.05%	3.05%	\$3.50	\$3.50	0.5%	0.5%	7.5%	7.5%	8.0%	8.0%
Anne Arundel	0.910	0.941	2.49%	2.56%	3.50	3.50	1.0%	1.0%	10.0%	10.0%	7.0%	7.0%
Baltimore City	2.268	2.268	3.20%	3.20%	5.00	5.00	1.5%	1.5%	10.0%	10.0%	9.5%	9.5%
Baltimore	1.100	1.100	2.83%	2.83%	2.50	2.50	1.5%	1.5%	10.0%	10.0%	8.0%	8.0%
Calvert	0.892	0.892	2.80%	2.80%	5.00	5.00	0.0%	0.0%	1.0%	1.0%	5.0%	5.0%
Caroline	0.870	0.890	2.63%	2.63%	5.00	5.00	0.5%	0.5%	0.0%	0.0%	5.0%	5.0%
Carroll	1.028	1.018	3.05%	3.05%	5.00	5.00	0.0%	0.0%	10.0%	10.0%	5.0%	5.0%
Cecil	0.940	0.991	2.80%	2.80%	4.10	4.10	0.0%	0.0%	6.0%	6.0%	3.0%	3.0%
Charles	1.067	1.121	2.90%	2.90%	5.00	5.00	0.0%	0.0%	10.0%	10.0%	5.0%	5.0%
Dorchester	0.976	0.976	2.62%	2.62%	5.00	5.00	0.75%	0.75%	0.5%	0.5%	5.0%	5.0%
Frederick	1.064	1.064	2.96%	2.96%	6.00	6.00	0.0%	0.0%	5.0%	5.0%	3.0%	3.0%
Garrett	0.990	0.990	2.65%	2.65%	3.50	3.50	1.0%	1.0%	4.5%	4.5%	6.0%	6.0%
Harford	1.042	1.042	3.06%	3.06%	3.30	3.30	1.0%	1.0%	5.0%	5.0%	0.0%	0.0%
Howard	1.150	1.190	3.20%	3.20%	2.50	2.50	1.0%	1.0%	7.5%	7.5%	7.0%	7.0%
Kent	1.022	1.022	2.85%	2.85%	3.30	3.30	0.5%	0.5%	4.5%	4.5%	5.0%	5.0%
Montgomery	0.959	1.003	3.20%	3.20%	3.45	3.45	1.0%	1.0%	7.0%	7.0%	7.0%	7.0%
Prince George's	1.319	1.319	3.20%	3.20%	2.50	2.75	1.4%	1.4%	10.0%	10.0%	5.0%	5.0%
Queen Anne's	0.847	0.847	3.20%	3.20%	4.95	4.95	0.5%	0.5%	5.0%	5.0%	5.0%	5.0%
St. Mary's	0.857	0.857	3.00%	3.00%	4.00	4.00	1.0%	1.0%	2.0%	2.0%	5.0%	5.0%
Somerset	0.884	0.884	3.15%	3.15%	3.30	3.30	0.0%	0.0%	4.0%	4.0%	5.0%	5.0%
Talbot	0.448	0.491	2.25%	2.40%	6.00	6.00	1.0%	1.0%	5.0%	5.0%	4.0%	4.0%
Washington	0.948	0.948	2.80%	2.80%	3.80	3.80	0.5%	0.5%	5.0%	5.0%	6.0%	6.0%
Wicomico	0.769	0.840	3.10%	3.20%	3.50	3.50	0.0%	0.0%	6.0%	6.0%	6.0%	6.0%
Worcester	0.700	0.770	1.25%	1.25%	3.30	3.30	0.5%	0.5%	3.0%	3.0%	4.5%	4.5%

Notes: The real property tax rates shown for Charles, Frederick, Howard, Montgomery, and Prince George's counties include special tax rates. Real property tax is per \$100 of assessed value. Income is a percentage of taxable income. Recordation tax is per \$500 of transaction.

Source: 2012 Local Government Budget and Tax Rate Survey; Department of Legislative Services; Maryland Association of Counties

Local Government Salary Actions in Fiscal 2013

County	County Government		Board of Education	
	COLA/GSI/Stipend	Step/Merit	COLA/GSI	Step/Merit
Allegany	0.0%	No	0.0%	Yes
Anne Arundel ¹	0.0%	No	1.25%	No
Baltimore City ²	0.0%	Yes	1.5%	No
Baltimore ³	0.0%	Yes	0.0%	Yes
Calvert ⁴	0.0%	No	0.0%	No
Caroline	0.0%	No	0.0%	Yes
Carroll	0.0%	No	0.0%	Yes
Cecil	1.0%	No	0.0%	Yes
Charles ⁵	0.0%	Yes	0.0%	Yes
Dorchester ⁶	1.0%	No	1.0%	Yes
Frederick ⁷	1.0%	Yes	0.0%	Yes
Garrett ⁸	2.0% + \$500	No	0.0%	No
Harford	0.0%	No	1.0%	Yes
Howard ⁹	0.0%	Yes	0.0%	Yes
Kent ¹⁰	0.0%	No	1.0%	Yes
Montgomery ¹¹	0.0%	No	0.0%	Yes
Prince George's ¹²	0.0%	No	2.0%	No
Queen Anne's	0.0%	No	0.0%	No
St. Mary's ¹³	2.0% + \$500	No	1.5%	No
Somerset ¹⁴	0.0%	No	0.0%	Yes
Talbot	0.0%	No	3.5%	Yes
Washington ¹⁵	\$1,000	Yes	0.0%	Yes
Wicomico	2.0%	No	1.0%	Yes
Worcester ¹⁶	0.0%	No	0.0%	Yes
Number Granting	7	6	9	17

COLA: cost-of-living adjustment

GSI: general salary increase

Comments:

¹Anne Arundel County school employees will receive a mid-year 1.25% salary/wage increase, two-day reduction in the work year, and a healthcare premium holiday for one pay period.

²Baltimore City school administrators will receive a 3.0% COLA, paraprofessional and school-related personnel will receive a 2.35% COLA, and Fraternal Order of Police (FOP) will receive a 1.5% COLA and 1.5% longevity GSI. City Union of Baltimore employees will be placed on the next full interval above current salary (maximum \$750). School system is still in negotiations with AFSCME and unaffiliated employees.

³Baltimore County is still in negotiations with AFSCME and FOP; all other employee groups will receive step increases.

⁴Calvert County Public Schools is still in negotiations with administrators.

⁵Charles County employees will receive a merit increase equal to 3.0% of the salary midpoint of their current grade. School system employees will receive a step increase.

⁶Dorchester County teachers will receive a 1.0% COLA and a step increase; administrators and support employees negotiated a revised salary scale, resulting in a tiered increase.

⁷Frederick County employees will receive a merit increment; corrections and law enforcement personnel also will receive catch-up based on years of service and firefighters are placed in a new step system.

⁸Garrett County Public Schools was not able to provide a contracted step increase. Roads Department employees (AFSCME) will receive a 4.0% COLA; all nonunion, full-time employees will receive a 2.0% COLA and a \$500 bonus.

⁹While Howard County employees in general did not receive a COLA, police officers and sergeants will receive a 2.0% COLA January 1, 2013.

¹⁰Kent County school employees will receive a 1.0% COLA and step increase January 1, 2013.

¹¹While Montgomery County school employees in general did not receive a COLA, employees that did not receive a merit/step or longevity increase will receive a 2.0% GSI.

¹²Prince George's County teachers also receive a one-day reduction in the work year. The school system is still in negotiations with its other employee unions. County and FOP are in arbitration.

¹³St. Mary's County employees will receive a 2.0% COLA and a permanent \$500 stipend.

¹⁴Somerset County teachers and support staff will receive a step increase March 15, 2013; school administrators will receive a \$1,000 bonus December 5, 2012.

¹⁵While Washington County teachers in general will not receive a COLA, teachers already in the top step will receive a 1.0% COLA. Teachers on Step 4 and greater will receive an additional midyear step increase to recover a negotiated, but unfunded increase from 2010. County full-time employees will receive a \$1,000 stipend; full time and permanent part-time employees will receive a 3.5% step increase effective January 1, 2013; temporary employees will receive a 3.0% increase upon return to seasonal employment.

¹⁶While Worcester County teachers and support personnel in general will not receive a COLA or GSI, employees already in the top step will receive a 1.5% increase.

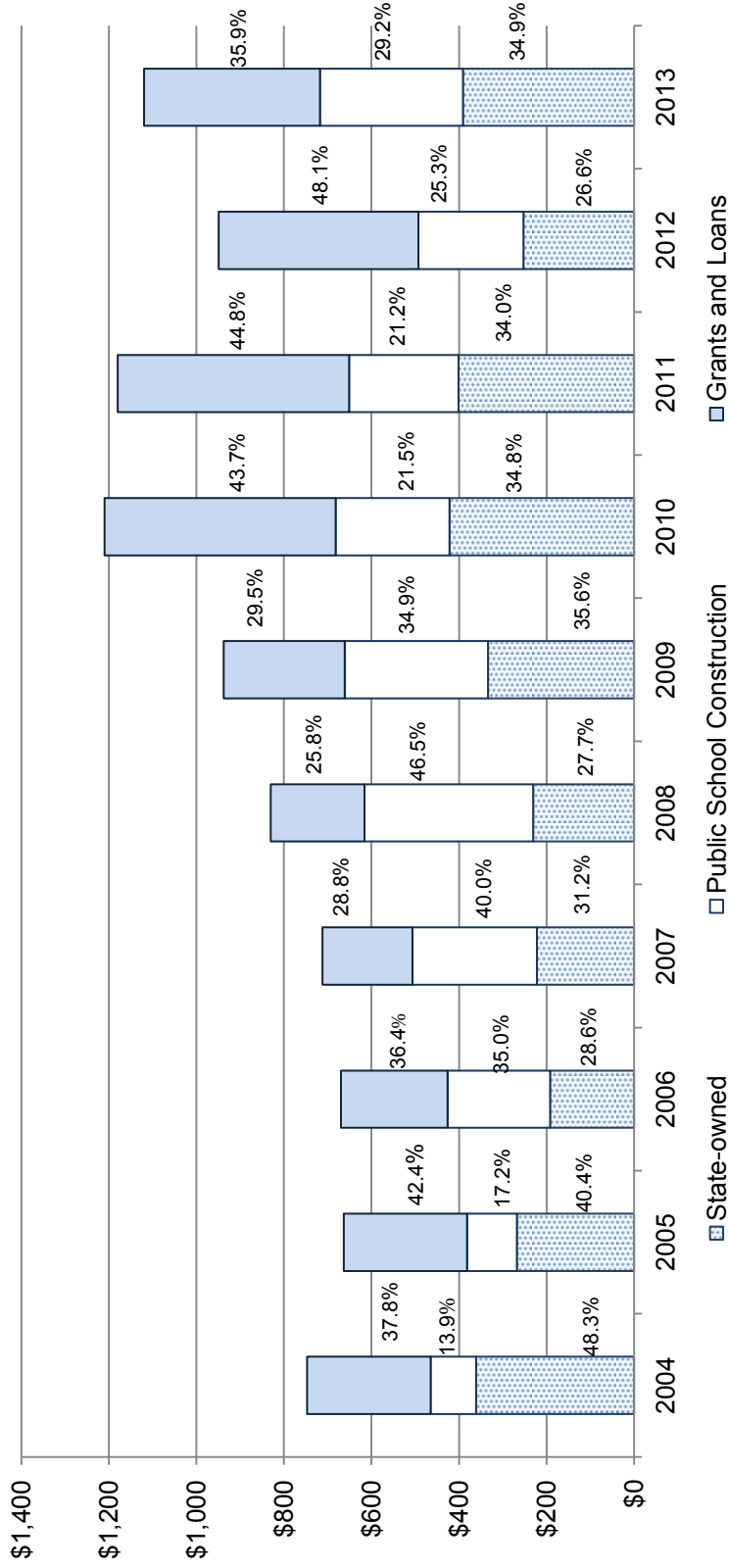
Local Government Furlough, Salary Reduction, and Layoff Plans in Fiscal 2013

County	Furlough/ Reduction	Layoffs	
Allegany	No	No	School system has eliminated 106.4 positions through attrition over the past three fiscal years; 63 of the positions were eliminated in fiscal 2013.
Anne Arundel	No	No	
Baltimore City	No	Yes	City does not plan any furloughs or salary reductions, but has not determined whether there will be any layoffs. School system does not plan any furloughs or salary reductions, but has indicated that it is currently processing layoffs of up to 46 non-teacher employees. School system is still in negotiations with AFSCME and unaffiliated employees.
Baltimore	No	No	
Calvert	No	No	School system does not plan any furloughs, salary reductions, or layoffs, but is still in negotiations with administrators.
Caroline	No	Yes	County does not plan any furloughs or salary reductions, but laid off one employee.
Carroll	No	Yes	School system does not plan any furloughs or salary reductions, but laid off one employee.
Cecil	No	No	County does not plan to implement any salary reductions, and has indicated that no furloughs or layoffs are planned at this time.
Charles	No	No	
Dorchester	No	No	
Frederick	No	Yes	County does not plan to implement any furloughs or salary reductions, and has indicated that no layoffs are planned at this time. School system laid off two employees and indicated that furloughs and salary reductions are not planned at this time.
Garrett	No	Yes	School system laid off 18 employees, including 11 teachers, and was not able to provide a contracted step increase, but does not plan to implement any furloughs or salary reductions.
Harford	No	No	
Howard	No	No	
Kent	No	No	
Montgomery	No	No	School system indicated that all budget reductions were handled through attrition or transfer and no furloughs, salary reductions, or layoffs are planned.
Prince George's	Pending	Pending	School system does not anticipate implementing any furloughs, but is still in negotiations with some of its employee unions and has not yet determined whether there will be salary reductions or layoffs. County and the Fraternal Order of Police are in arbitration.
Queen Anne's	No	No	
St. Mary's	No	No	
Somerset	Yes	Yes	School system has not determined whether to implement any furloughs, but had salary reductions resulting from the transfer of 2 employees and the replacement of 2 retirees, and layoffs of 19 employees, including 7 teachers.
Talbot	No	No	County does not plan to implement any furloughs, salary reductions, or layoffs at this time.

County	Furlough/ Reduction	Layoffs	
Washington	No	No	
Wicomico	Yes	No	School system does not plan any furloughs or layoffs, but reduced salaries and work schedules for 4 pupil personnel workers. School system has also eliminated positions through attrition and retirement incentives.
Worcester	No	No	
Total Jurisdictions Implementing Plans	2	6	

Source: Department of Legislative Services; Maryland Association of Counties

**Capital Spending GO Bond Funds – Percent of Total Spending
Fiscal 2004-2013
(\$ in Millions)**

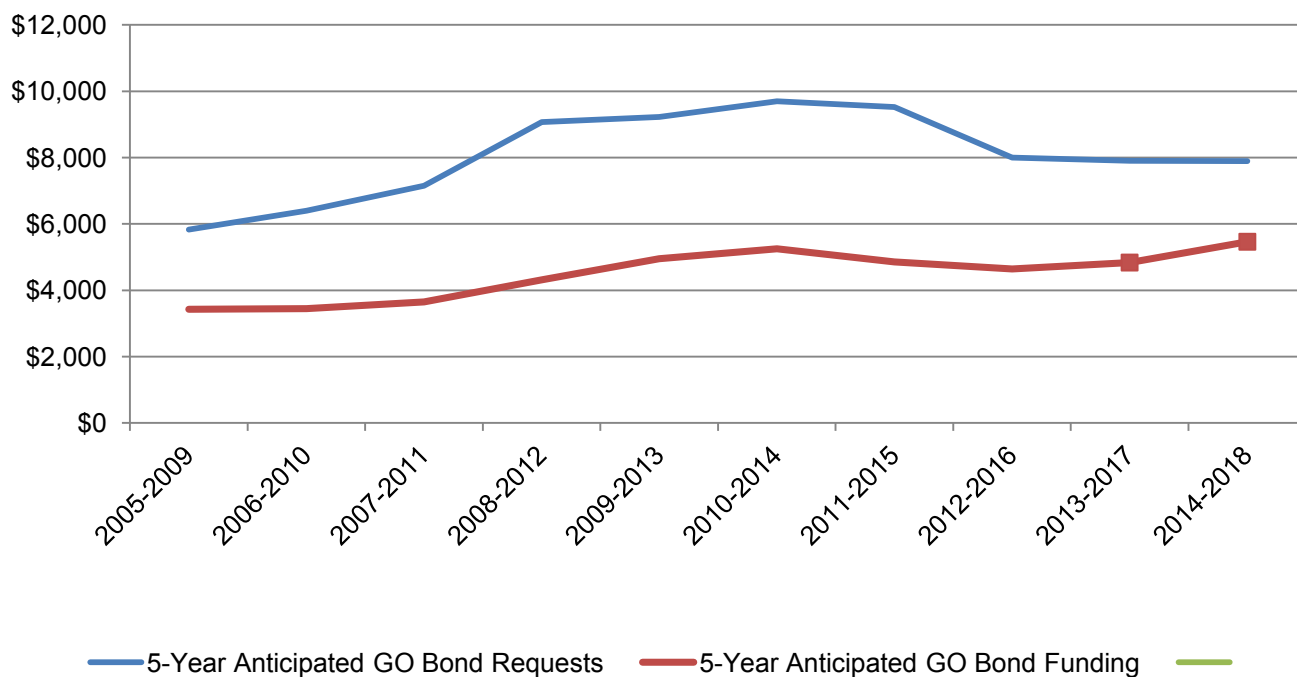


GO: general obligation

Capital Requests Exceed Capacity

- Recession Impacts Demand:** Annual five-year planning cycle general obligation (GO) bond requests remain stable at \$8.0 billion for each of the past three request cycles compared to levels in excess of \$9.5 billion for the five previous annual request cycles.
- Local Capacity:** The decline is largely attributable to reduced local school construction requests which has averaged \$2.8 billion over the past three annual five-year request cycles compared to levels in excess of \$4.1 billion for the five previous annual request cycles.

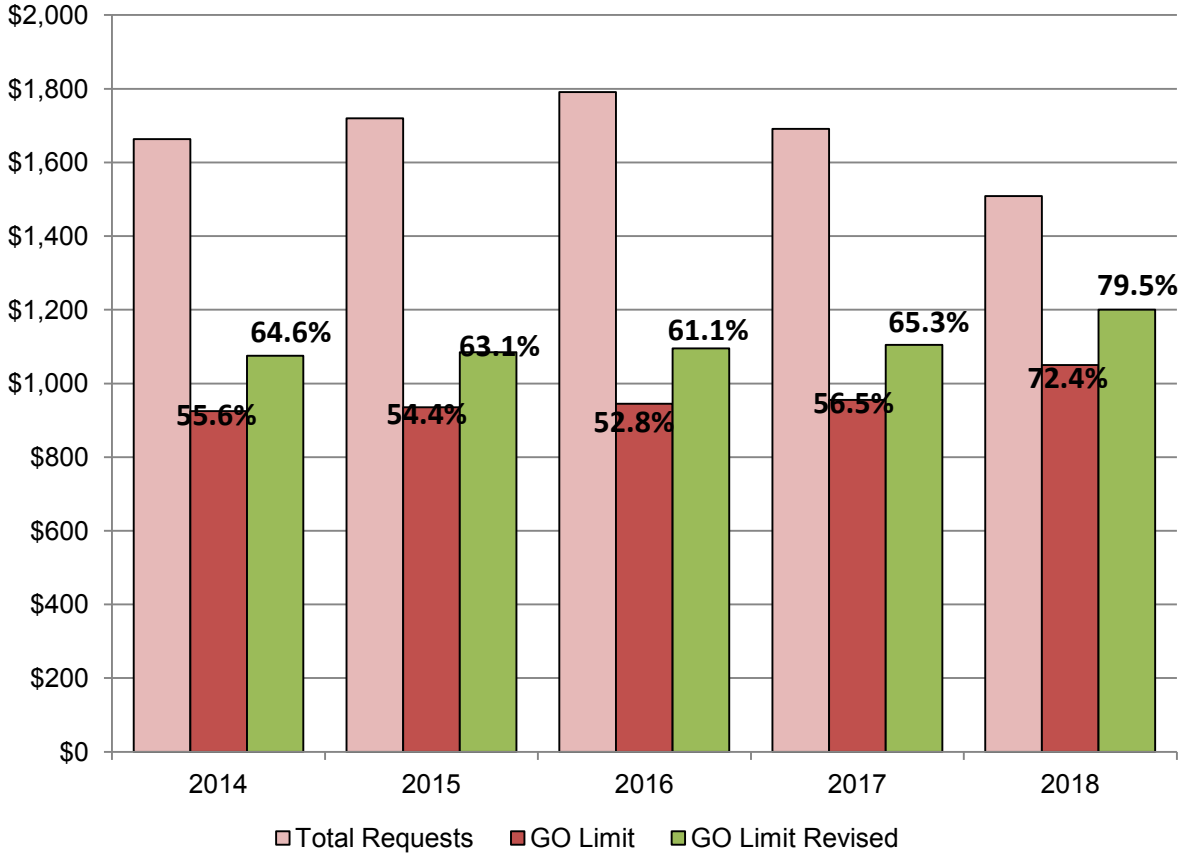
GO Bond Requests and Anticipated Authorizations
Fiscal Years
(\$ in Millions)



Source: Department of Budget and Management

- Increased Authorization Levels Would Close Some of the Demand-funding Gap:** Increase in new out-year GO authorization limits would fund between 65 and 79% of requests compared to 56 to 72% based on the recommended limits set last year. GO bond requests exceed the recommended new authorization limit by \$550 for fiscal 2014. Over the five-year planning period, requests exceed capacity by almost \$3.2 billion.

GO Bond Requests as Percentage of Limit
Fiscal 2014-2018
(\$ in Millions)



Source: Department of Budget and Management

Use of General Obligation Bond Program to Support Operating Budget Relief (\$ in Millions)

	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>	<u>Fiscal 2012</u>	<u>Fiscal 2013</u>
<p>Special Fund Revenue Replacement: Partial general obligation (GO) bond replacement for special fund revenue transfers from multiple capital program accounts to the general fund. Transferred revenue sources include transfer tax, Bay Restoration Fund, Waterway Improvement Fund, and various housing programs. The GO bonds authorizations reflects partial repayment over a multi-year repayment plan.</p>	\$31.2	\$98.4	\$133.7	\$107.0
<p>Fund Balance Replacement: Partial GO bond replacement for unexpended fund balance from multiple capital program accounts transferred to the general fund. Transferred revenue sources include transfer tax, Bay Restoration Fund, Waterway Improvement Fund, and various housing programs. The GO bonds authorizations reflects partial repayment over a multi-year repayment plan.</p>	141.3	176.9	71.8	0.0
<p>InterCounty Connector Funding: Multi-year plan to use GO bond funds in place of general funds statutorily committed for the InterCounty Connector.</p>	55.0	89.3	46.2	0.0
<p>Medevac Helicopter Replacement: Multi-year plan to use GO bond funds to fund the replacement of the Medevac helicopter fleet in place of using special funds from the Helicopter Replacement Fund.</p>	52.5	0.0	22.7	38.5
<p>Use of GO Bond Funds to Fund Capital Programs Traditionally Funded with General Funds: This principally includes funding for grant and loan programs administered by the Department of Housing and Community Development and the Maryland Department of the Environment and use of bonds to fund the Aging Schools Program.</p>	28.1	45.7	36.9	83.5
Total	\$308.1	\$414.3	\$311.3	\$229.0

Fiscal 2010 through 2013 Fund Transfers and Multi-Year General Obligation Bond Replacement Plan (\$ in Millions)

Program	<u>Transfers</u>				<u>Fund Replacement</u>							Total Amount of Fund Transfers to Be Replaced in the CIP	Not Replaced	
	Special Fund Balances	Special Funds 2010	Special Funds 2011	Special Funds 2012	Special Funds 2013	Total Transfers	2010	2011	2012	2013	2014			2015
Waterway Improvement Program	\$12.5	\$0.0	\$3.9	\$1.1	\$0.0	\$17.5	\$0.0	\$10.2	\$7.3	\$0.0	\$0.0	\$0.0	\$17.5	\$0.0
Program Open Space (POS) – Stateside	172.3	4.6	13.1	24.2	14.7	228.9	172.3	11.0	4.8	12.8	15.1	7.9	223.9	4.9 ***
POS – Local	103.1	0.0	12.4	24.0	13.6	153.1	0.0	54.1	23.6	46.6	17.9	10.9	153.1	0.0
Rural Legacy	10.6	0.0	12.6	14.2	12.8	50.2	0.0	17.0	4.5	5.6	9.4	4.9	41.4	8.9 ***
Ocean City Beach Replenishment – POS	2.1	0.0	1.0	1.0	0.0	4.1	0.0	3.1	1.0	0.0	0.0	0.0	4.1	0.0
Ocean City Beach Replenishment – Local	3.4	0.0	0.0	0.0	0.0	3.4	0.0	3.4	0.0	0.0	0.0	0.0	3.4	0.0
Natural Resources Development Fund	17.7	0.0	0.0	4.6	4.2	26.5	0.0	10.1	3.5	8.9	0.0	0.0	22.5	4.0 *
Critical Maintenance Program	3.2	0.0	3.2	4.0	4.0	14.4	0.0	6.3	3.0	4.0	0.0	0.0	13.3	1.0 *
Dam Rehabilitation Program	0.7	0.0	0.0	0.5	0.0	1.2	0.0	0.2	1.0	0.0	0.0	0.0	1.2	0.0
House Assessment Program	0.9	0.0	0.0	0.0	0.0	0.9	0.0	0.3	0.4	0.1	0.0	0.0	0.8	0.2 *
Hurricane Isabel Funds	0.2	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2 *
Neighborhood Business Development	3.6	0.0	3.2	0.0	0.0	6.8	0.0	6.7	0.0	0.0	0.0	0.0	6.7	0.1 **
Community Legacy Program	0.4	0.0	0.0	0.0	0.0	0.4	0.0	0.4	0.0	0.0	0.0	0.0	0.4	0.0
Homeownership Programs	0.0	0.0	3.0	1.5	0.0	4.5	0.0	3.0	1.5	0.0	0.0	0.0	4.5	0.0
Special Loan Programs	2.1	0.0	2.5	2.2	0.0	6.8	0.0	4.7	2.2	0.0	0.0	0.0	6.9	0.0
Tobacco Transition Program	0.0	0.0	2.0	1.5	1.9	5.4	0.0	2.0	1.5	1.9	0.0	0.0	5.4	0.0
Agricultural Land Preservation Program	10.0	0.0	11.8	21.1	16.2	59.1	0.0	17.8	4.4	8.7	12.7	6.1	49.7	9.4 ***
Bay Restoration Fund	205.0	0.0	45.0	40.0	0.0	290.0	0.0	125.0	146.8	18.2	0.0	0.0	290.0	0.0
Helicopter Replacement Fund	113.7	0.0	0.0	0.0	0.0	113.7	52.5	0.0	22.7	38.5	0.0	0.0	113.7	0.0 ****
Total	\$661.5	\$4.6	\$113.7	\$139.9	\$67.4	\$987.1	\$224.8	\$275.3	\$228.2	\$145.3	\$55.1	\$29.8	\$958.5	\$28.7

* Indicates amount not to be replaced based on other budget priorities or funds not needed to complete projects.

**The Budget Reconciliation and Financing Act (BRFA) of 2011 included the transfer of \$2.1 million of special funds from the Neighborhood Business Development Program that was replaced with \$2.1 million in general obligation (GO) bonds. The 2012 capital budget bill deletes the bonds replaced in recognition that the program received \$2.1 million of special fund appropriation through budget amendment, thereby making the replacement unnecessary.

*** In the 2010 session, the General Assembly also reduced the fiscal 2011 GO bond amount for the Maryland Agricultural Land Preservation Foundation (MALPF) by \$4.0 million to reflect the availability of special funds available from funds not used by the Maryland Agricultural and Resource-Based Industry Development Corporation. In the 2011 session, the General Assembly reduced the fiscal 2012 GO bond amount for Rural Legacy by \$4.6 million which is not being replaced. In the 2012 session, the General Assembly reduced the fiscal 2013 GO bond replacement funding for Stateside Program Open Space (POS) by \$4.908 million, Rural Legacy by \$4.267 million, and MALPF by \$5.418 million and made no provision to replace these funds in future years choosing instead to redirect the funds to provide additional funding for shovel ready environmental and natural resources projects.

**** Helicopter Replacement Fund transfers include both fund balance transfers and revenue diversions – the amount needed to complete the new fleet purchase will exceed the amount transferred, therefore, the amount shown as replacement only reflects replacement of the transfers and diversions.

Preauthorizations Included in 2012 MCCBL for 2013 through 2015 Sessions

<u>Project Title</u>	<u>2013 Session</u>	<u>Amount over CIP</u>	<u>2014 Session</u>	<u>2015 Session</u>
BPW: Old Senate Chamber	\$5,100,000	\$3,000,000		
DNR: Program Open Space – Local	17,846,000	2,753,000	\$10,899,000	
DNR: Program Open Space – Stateside	15,093,000	0	7,900,000	
DNR: Rural Legacy	9,456,000	0	4,867,000	
MDA: Agricultural Land Preservation Program	12,653,000	0	6,134,000	
DHMH: Henryton Center – Demolition	3,050,000	0		
DPSCS: House of Correction Deconstruction	3,022,000	3,022,000		
UMCP: New Bioengineering	5,000,000	5,000,000		
TU: Campuswide Safety and Circulation	7,812,000	7,812,000		
FSU: Center for Communications and Info. Tech.	4,700,000	0		
CSU: New Science and Technology Center	47,050,000	0		
SU: New Library	4,000,000	4,000,000	49,000,000	\$51,200,000
UMBC: Campuswide Safety and Circulation	10,000,000	10,000,000		
UMBC: New Performing Arts Complex	30,600,000	0		
USM: Biomedical Sciences Engineering Shady Grove	5,000,000	5,000,000		
MHEC: Community College Grant Program	30,437,000	1,100,000		
MSU: New School of Business Complex	43,550,000	0	3,050,000	
DJS: Southern Maryland Children's Center	2,068,000	0		
DSP: Helicopter Replacement	24,250,000	0	8,000,000	
MISC: InterCounty Connector	21,475,000	0		
MISC: Ocean City Convention Center Expansion	3,500,000	3,500,000		
MISC: Maryland School for the Blind	5,000,000	5,000,000		
MISC: Johns Hopkins High Performance Data Center	12,000,000	12,000,000	15,000,000	
MISC: Southern Maryland Higher Education Center	10,000,000	10,000,000		
MISC: St. Mary's County Detention Center	6,266,000	1,266,000		
Total	\$338,928,000	\$73,453,000	\$104,850,000	\$51,200,000

The proposed preauthorization for the Maryland Higher Education Commission Community College Grant Program would allow for the split funding of community college projects started last session by the legislature. This year's list includes \$11.7 for Cecil College Engineer and Math Building; \$1.1 million for Anne Arundel Community College Administration Building Renovation and Expansion; \$12.95 million for the Community College of Baltimore County Catonsville F Building Renovation and Expansion; and \$4.7 million for Harford Community College New Nursing and Allied Health Building.

BPW: Board of Public Works
 CSU: Coppin State University
 DNR: Department of Natural Resources
 DHMH: Department of Health and Mental Hygiene
 DPSCS: Department of Public Safety and
 DSP: Department of State Police
 FSU: Frostburg State University
 MCCBL: Maryland Consolidated Capital Bond Loan
 MDA: Maryland Department of Agriculture
 MDE: Maryland Department of Environment

MHEC: Maryland Higher Education Commission
 MSU: Morgan State University
 SU: Salisbury University
 TU: Towson State University
 UMBC: University of Maryland Baltimore County
 UMCP: University of Maryland, College Park
 USM: University System of Maryland Office

Transportation Trust Fund Forecast
Fiscal 2012-2018
(\$ in Millions)

	<u>Actual 2012</u>	<u>Est. 2013</u>	<u>Est. 2014</u>	<u>Est. 2015</u>	<u>Est. 2016</u>	<u>Est. 2017</u>	<u>Est. 2018</u>	<u>Total 2013-2018</u>
Opening Fund Balance	\$221	\$187	\$100	\$100	\$100	\$100	\$100	
Closing Fund Balance	\$187	\$100	\$100	\$100	\$100	\$100	\$100	
Net Revenues								
Taxes and Fees	\$1,801	\$1,912	\$2,074	\$2,139	\$2,193	\$2,210	\$2,242	\$12,770
Operating and Miscellaneous	566	495	491	492	501	509	519	3,007
Net Revenues Subtotal	\$2,317	\$2,407	\$2,565	\$2,631	\$2,694	\$2,719	\$2,761	\$15,777
Bonds Sold	\$115	\$100	\$70	\$40	\$30	\$0	\$0	\$240
Total Revenues	\$2,447	\$2,507	\$2,635	\$2,672	\$2,724	\$2,719	\$2,761	\$16,018
Expenditures								
Debt Service	\$174	\$180	\$199	\$213	\$216	\$230	\$220	\$1,258
Operating Budget	1,572	1,660	1,740	1,857	1,965	2,079	2,196	11,497
State Capital	736	754	696	599	543	411	345	3,348
Total Expenditures	\$2,482	\$2,594	\$2,635	\$2,672	\$2,724	\$2,719	\$2,761	\$16,108
Debt								
Debt Outstanding	\$1,459	\$1,565	\$1,504	\$1,397	\$1,271	\$1,093	\$919	
Debt Coverage – Net Income	3.4	3.5	3.2	3.6	3.3	3.1	2.9	
Local Highway User Revenues								
HUR Transfer to GF	\$187	\$0	\$0	\$0	\$0	\$0	\$0	\$187
Capital Summary								
State Capital	\$736	\$754	\$696	\$599	\$543	\$411	\$345	\$3,348
Net Federal Capital (Cash Flow)	690	835	769	514	368	350	359	3,195
Subtotal Capital Expenditures	\$1,426	\$1,589	\$1,465	\$1,113	\$911	\$761	\$704	\$6,543
GARVEE Debt Service	\$87	\$87	\$87	\$87	\$87	\$87	\$87	\$525

GARVEE: Grant Anticipation Revenue Vehicle

GF: general fund

HUR: highway user revenue

TTF: Transportation Trust Fund

Note: Numbers may not sum due to rounding.