
Spending Affordability Briefing

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

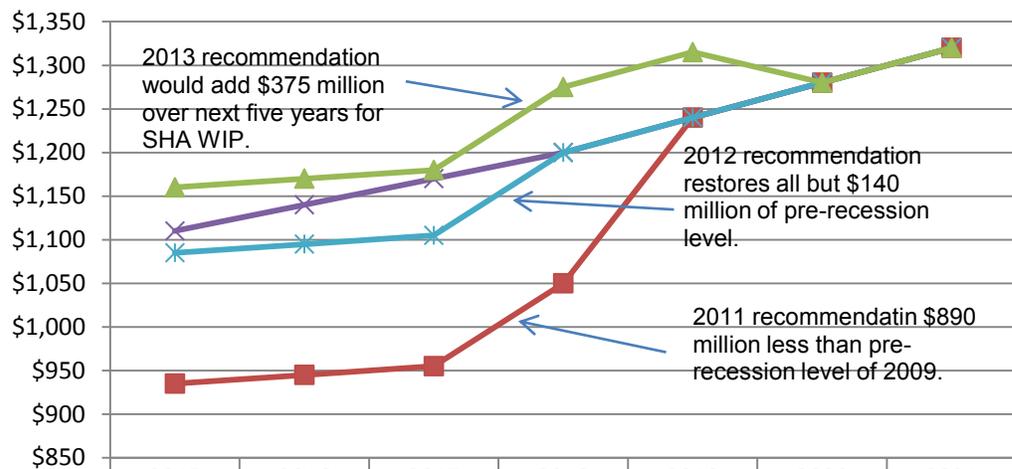
November 14, 2013

Capital Program – Impact of Fiscal Pressures

Recent and Proposed Increases in General Obligation (GO) Bond Authorizations

- 2012 Capital Debt Affordability Committee Recommendation:** restored GO bond authorizations to pre-recession levels by adding \$150 million annually – \$750 million over fiscal 2014 through 2018 as adopted in the State Five-year Capital Improvement Plan (CIP).
- 2013 Recommendation:** would add \$75 million annually – \$375 million over the next five years for the purposes of assisting the State Highway Administration with Watershed Implementation Plan (WIP) compliance as required in the Transportation Infrastructure Act of 2013.

General Obligation Bond Limits
Comparison of Recent CDAC Recommendations
Fiscal 2015-2021
(\$ in Millions)



	2015	2016	2017	2018	2019	2020	2021
Sept 2009 Recommendation	\$1,110	\$1,140	\$1,170	\$1,200	\$1,240	\$1,280	\$1,320
Dec 2011 Recommendation	\$935	\$945	\$955	\$1,050	\$1,240	\$1,280	\$1,320
Dec 2012 Recommendation	\$1,085	\$1,095	\$1,105	\$1,200	\$1,240	\$1,280	\$1,320
Sept 2013 Recommendation	\$1,160	\$1,170	\$1,180	\$1,275	\$1,315	\$1,280	\$1,320

CDAC: Capital Debt Affordability Committee
 SHA: State Highway Administration
 WIP: Waterway Improvement Program

Note: 2010 and 2011 recommended levels both reflected reduced authorization levels due to the recession. However, the 2011 recommendation included moving \$150 million up from fiscal 2018 to fiscal 2012 which delayed the programmed return to pre-recession levels by one year to fiscal 2019 when compared to the 2010 recommendation.

Capital Program (cont.)

Increased Authorizations Not Used to Support Traditional GO bond Funded Capital Infrastructure Investments

- **Bond Replacement Diverts Funds from Capital Infrastructure Investments:** \$1.4 billion, or 25%, of total GO bond authorizations, have been used as a source of replacement funding for transfers and PAYGO replacement from fiscal 2010 through 2014.

- **Multi-year Transfer Plans and SHA WIP Compliance Will Expand the Use of Bonds as Replacement Funds:** The \$750.0 million of additional GO bond authorizations adopted last session was intended to return debt levels to pre-recession write-down levels. However, the BRFA of 2013 programmed \$405.0 million (\$277.7 million in the five-year CIP and another \$127.7 million in fiscals 2019 and 2020 beyond the scope of the CIP) as a source of bond replacement for a multi-year plan that diverted transfer tax revenues to the general fund. The proposed \$375.0 million increase would similarly not be used to expand the traditional GO bond funded capital program but instead be used to fund SHA's share of WIP-related retrofits (\$375.0 million of the \$395.0 million scheduled in the Transportation Infrastructure Act of 2013).

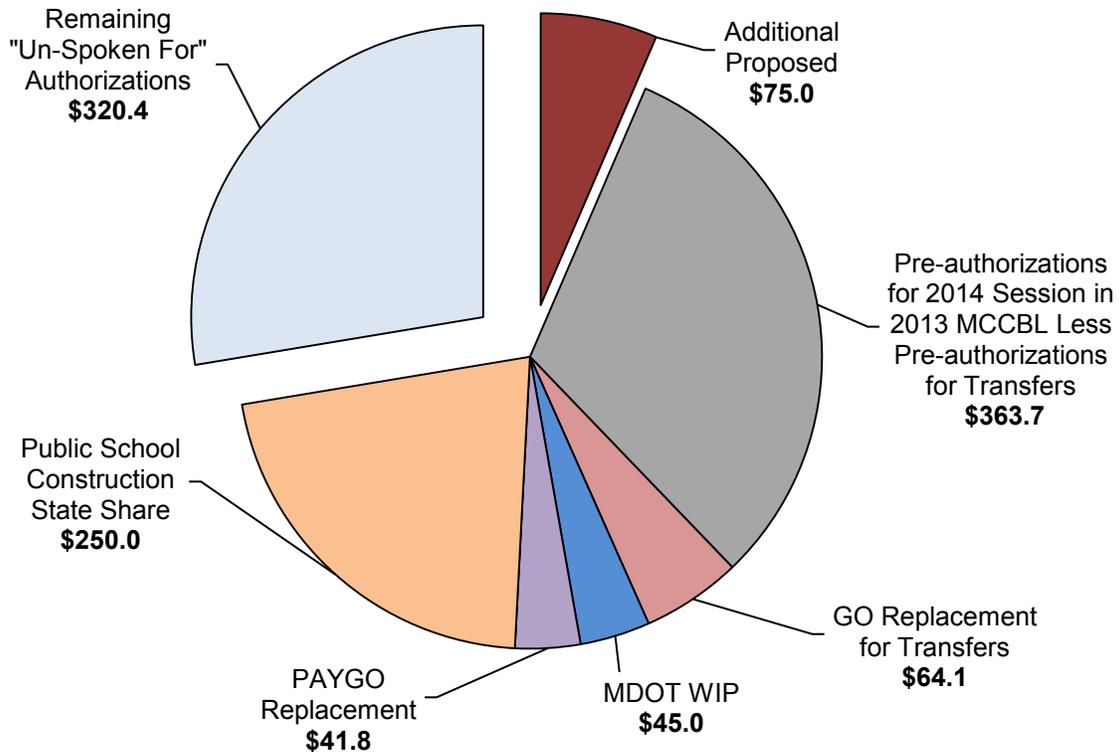
General Obligation (GO) Bond Use for Operating and Replacement Funds Fiscal 2010-2014 Actual and Fiscal 2015-2020 Estimate (\$ in Millions)



MDOT: Maryland Department of Transportation
WIP: Waterway Improvement Program

Capital Program (cont.)

Outlook for 2014 Session (\$ in Millions)



Fiscal 2015 Requests – Competition for Available “Un-Spoken For” Authorizations

- State Facilities: \$112 million
- Health and Social Services: \$51 million (excludes pre-authorizations)
- Environment: \$112 million (excludes fund transfer replacement)
- Education: \$387 million (net of CIP level for Public School Construction)
- Higher Education: \$240 million (excludes pre-authorizations)
- Public Safety: \$41 million (excludes pre-authorizations)
- Housing: \$62 million
- Miscellaneous – including legislative initiatives: \$74 million

CIP: *Capital Improvement Program*
MCCBL: Maryland Consolidated Capital Bond Loan
MDOT: Maryland Department of Transportation
WIP: Waterway Improvement Program

Source: Department of Budget and Management

State Debt Policy

Capital Debt Affordability Committee Recommends Increasing Authorizations

- The recommendation is to increase authorizations by \$75 million annually from fiscal 2015 to 2019, adding \$375 million.
 - After all the debt has been issued, these bonds increase annual debt service costs by \$43 million.
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Cost of Increasing GO Bond Authorizations by \$375 Million Fiscal 2015-2023 (\$ in Millions)

<u>Fiscal Year</u>	<u>Increase in Authorizations</u>	<u>Additional Debt Service</u>
2015	\$75.0	\$0.2
2016	75.0	1.7
2017	75.0	4.1
2018	75.0	8.5
2019	75.0	14.3
2020	0.0	20.8
2021	0.0	26.8
2022	0.0	32.7
2023	0.0	36.2

GO: general obligation

Source: Department of Legislative Services

- Last year, the Capital Debt Affordability Committee (CDAC) increased annual authorizations by \$150 million from fiscal 2014 to 2018, which increased total spending by \$750 million.
- Since last year, total general obligation (GO) bond authorizations have increased by \$1,125 million over what was planned by CDAC in 2011. By fiscal 2022, annual debt service costs associated with these higher authorizations exceed \$100 million. Additional costs peak at \$130 million.

State Debt Policy (cont.)

State Debt Is within Affordability Ratios

- CDAC 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.
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State Affordability Ratios Fiscal 2014-2023

<u>Fiscal Year</u>	<u>Debt Outstanding as a % of Personal Income</u>	<u>Debt Service as % of Revenues</u>
2014	3.36%	6.82%
2015	3.52%	7.13%
2016	3.60%	7.40%
2017	3.59%	7.54%
2018	3.61%	7.74%
2019	3.58%	7.70%
2020	3.52%	7.64%
2021	3.41%	7.61%
2022	3.27%	7.63%
2023	3.19%	7.70%

Source: Department of Legislative Services

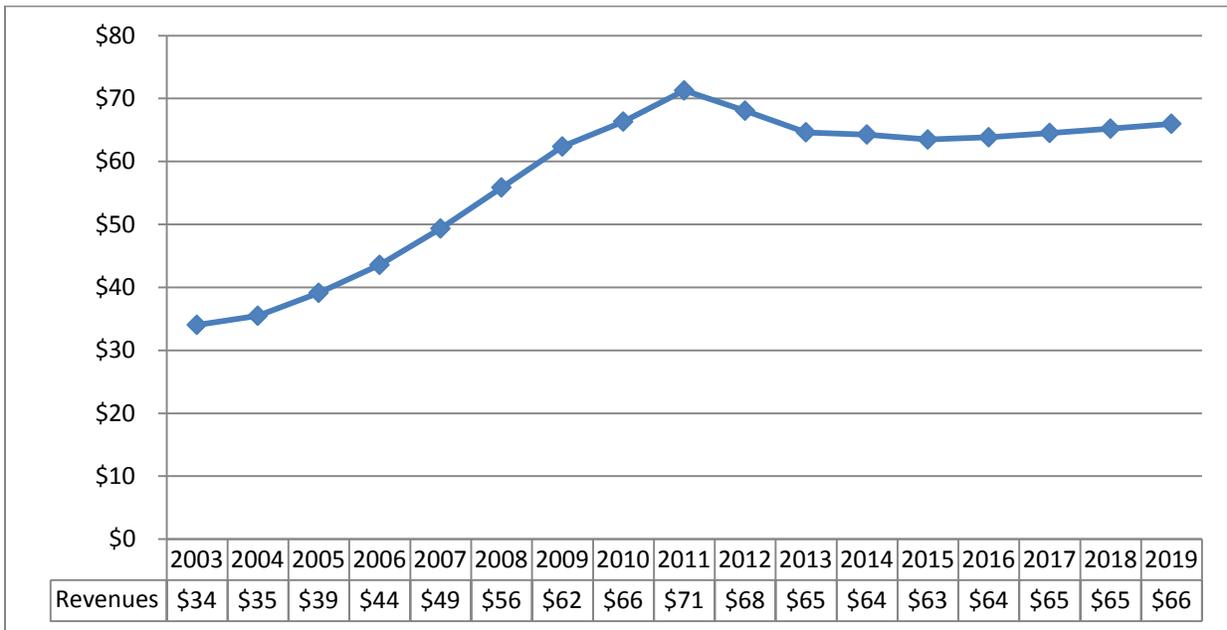
Annuity Bond Fund (ABF) Supports General Obligation (GO) Bond Debt Service Costs

- 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.

State Debt Policy (cont.)

- State property tax revenues lag real estate market trends, primarily due to the Homestead Tax Credit and three-year phasing of assessments.
 - Revenues per penny on the property taxes peaked in fiscal 2011 and are expected to continue declining until fiscal 2016.
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Revenues Generated by One Cent of State Property Taxes
Fiscal 2003-2019
 (\$ in Millions)

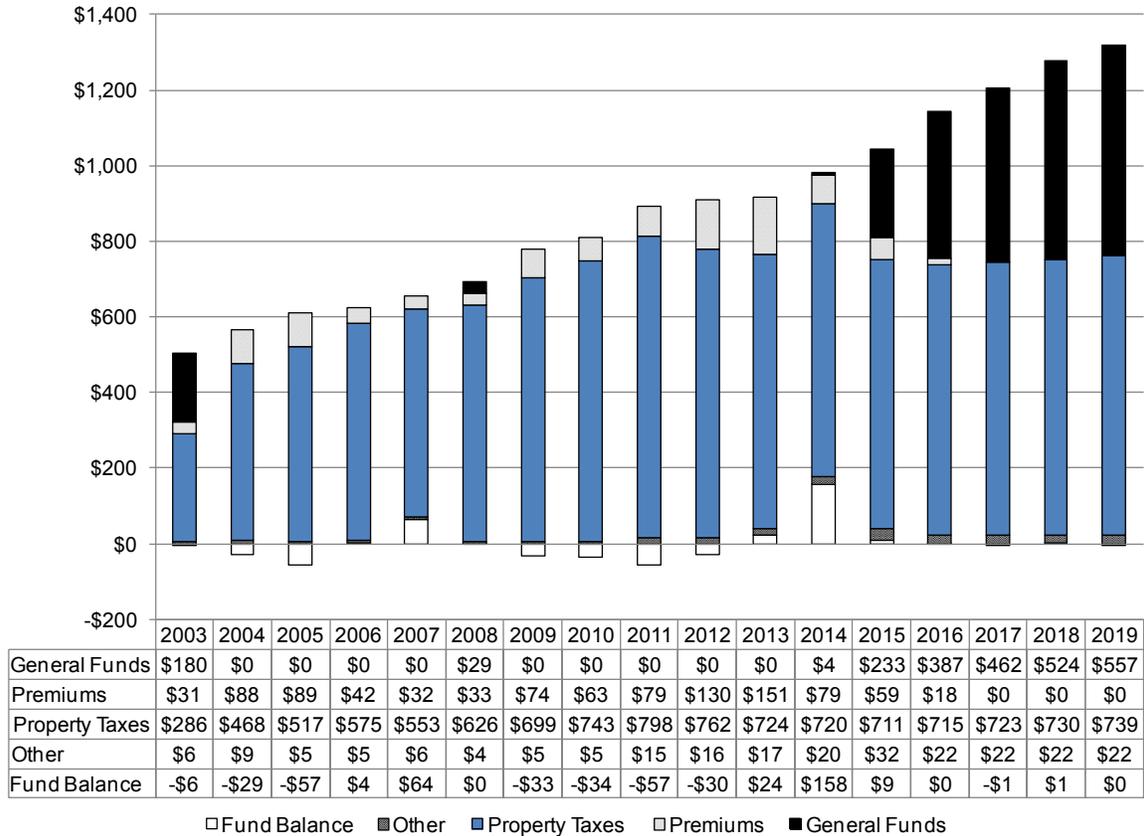


Source: State Treasurer's Office; Department of Legislative Services

State Debt Policy (cont.)

GO Bond Debt Service Costs Exceed State Property Tax Revenues

**Estimated Annuity Bond Fund (ABF) Activity
Fiscal 2003-2019
(\$ in Millions)**



Source: Department of Legislative Services

- In fiscal 2015, an estimated \$233 million in general funds will be needed to support GO bond debt service costs. However, estimates could be revised substantially due to revised State property tax estimates, interest rate changes, and the amount of bonds sold.
- Estimated bond sale premiums total \$29.8 million in March 2014, \$28.2 million in August 2014, \$31.2 in March 2015, and \$18.4 million in August 2015.
- The Department of Legislative Services estimates that fiscal 2014 bond sale premiums are sufficient to reduce the general fund appropriations from \$83.0 million to \$4.0 million.

Maryland Department of Transportation

Transportation Trust Fund Closeout Comparison of Fiscal 2013 Projected and Actual Revenues (\$ in Millions)

	<u>Projected FY 2013</u>	<u>Actual FY 2013</u>	<u>Variance</u>
Starting Fund Balance	\$187	\$187	\$0
Revenues			
Titling Taxes	\$682	\$685	\$3
Motor Fuel Taxes	738	746	8
Sales Tax	24	25	1
Corporate Income, Registrations, and Misc. Motor Vehicle Administration Fees	718	711	-7
Other Receipts and Adjustments	509	572	63
Bond Proceeds and Premiums	265	180	-85
Total Revenues	\$2,936	\$2,919	-\$17
Uses of Funds			
MDOT Operating Expenditures	\$1,646	\$1,638	-\$8
MDOT Capital Expenditures	985	863	-122
MDOT Debt Service	180	174	-6
Highway User Revenues	160	161	1
Other Expenditures	52	52	0
Total Expenditures	\$3,023	\$2,888	-\$135
Final Ending Fund Balance	\$100	\$218	\$118

MDOT: Maryland Department of Transportation

- The fiscal 2013 ending fund balance totaled \$218 million, \$118 million more than was estimated.
- The major revenue sources were largely in line with estimates. Other receipts and adjustments were \$63.0 million higher than expected. This is largely due to capital reimbursements at the State Highway Administration coming in higher than estimated. In addition, the \$15.4 million one-time grant to municipalities was deposited into the Transportation Trust Fund (TTF) at the end of fiscal 2013 to be spent in fiscal 2014.
- Spending was \$135 million less than estimated, with capital spending \$122 million less than estimated. The decline in capital spending is due to cash flow changes in a number of projects across all modes.

Maryland Department of Transportation (cont.)

Review of Actions Taken During the 2013 Session Relating to Transportation Trust Fund Revenues

2013 Revenue Session Actions (\$ in Millions)

	<u>July 1, 2013</u>	<u>Jan 1, 2015</u>	<u>July 1, 2015</u>	<u>Jan 1, 2016*</u>	<u>July 1, 2016*</u>
Sales and Use Tax Equivalent Rate Changes	1%	2%	3%	4%	5%

*Rate increases to 5% if Congress fails to pass the Marketplace Equity Act. If legislation passes, the Maryland Department of Transportation (MDOT) receives 4% of the general sales and use tax revenue.

- Index the excise tax rate to the increase in the Consumer Price Index (CPI) starting on July 1, 2013.
- Fare increases for Maryland Transit Administration services based upon the increase in the CPI.
- \$395 million in general obligation bonds authorized to fund the department's obligations under the Watershed Implementation Plan.

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Total Transportation Revenue	\$116	\$247	\$512	\$717	\$767

Other Provisions

- Increased Maryland Emergency Medical System Operations Fund fee by \$3.50 and identified how the additional revenue will be spent.
- The transportation debt outstanding limit was increased from \$2.6 billion to \$4.5 billion in recognition of the new revenue.
- Make it more difficult to transfer funds from the Transportation Trust Fund (TTF).
- A constitutional amendment, in separate legislation, prohibits the transfer of funds from the TTF to the general fund unless the Governor declares a fiscal emergency and the legislation is passed by a three-fifths majority. The constitutional amendment will be considered by the voters in 2014.

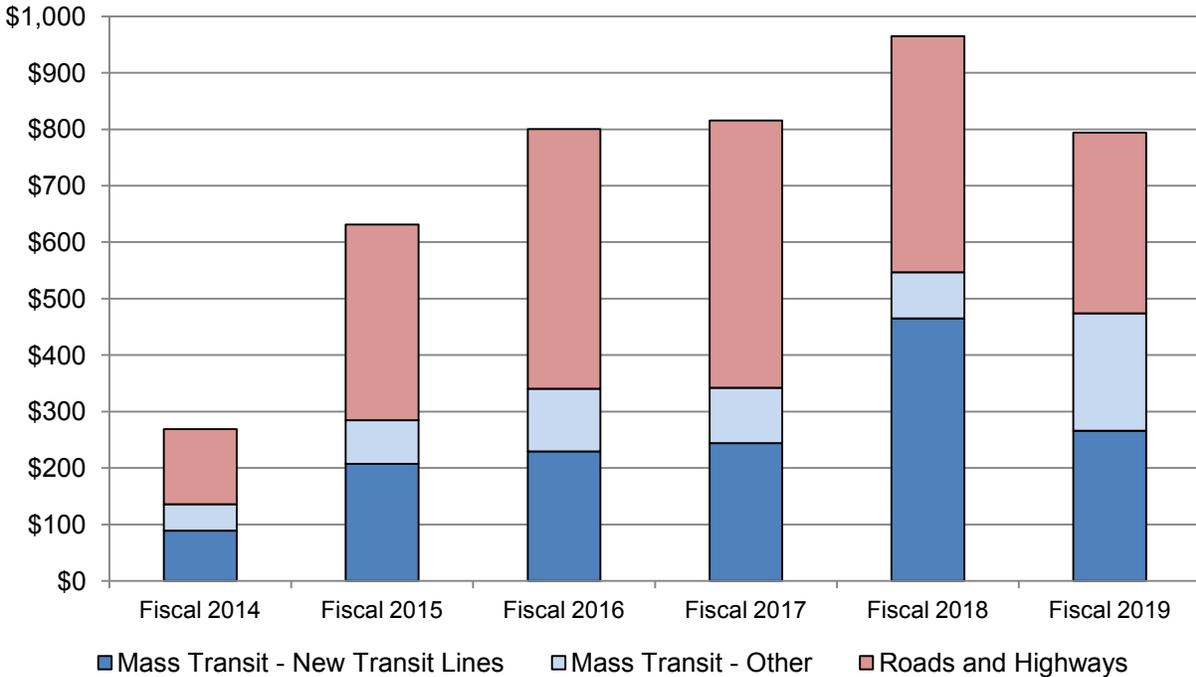
Maryland Department of Transportation (cont.)

Actions Taken During the 2013 Session Result in \$4.4 Billion Of New Revenue through Fiscal 2019 in MDOT's TTF Forecast

- MDOT's financial forecast reflects an increase in the motor fuel excise tax based upon the increase in the CPI and a 1% tax on the average wholesale price as of July 1, 2013. The fiscal 2013 determination for the CPI resulted in a 0.4 cent increase and a 3.1 cent increase for the sales and use tax equivalent rate.
 - **The Department of Legislative Services' (DLS) fiscal 2014 to 2019 forecast of motor fuel tax revenues is greater than MDOT's forecast. This is largely due to variances in the estimates of future fuel prices and the CPI. This discrepancy highlights the difficulty in estimating motor fuel tax revenues.**
- MDOT assumes Congress will pass the Marketplace Equity Act and that 4% of the sales and use tax will be distributed to the TTF starting January 1, 2016.
- The operating budget forecast assumes modest out-year increases in spending, particularly in the area of transit.
 - **DLS assumes that transit operating spending and winter maintenance expenditures will be higher than MDOT assumed in its forecast. In addition, future employee compensation increases are assumed. If operating budget spending is higher than expected, less cash will be available to support the capital program.**
- MDOT has increased its bond sales to reflect the additional revenue from this past session's actions. Over the six years, bond issuances are expected to total \$3,340 million compared to \$1,825 million over the six-year period last year.
 - **MDOT's ability to issue this level of debt may be constrained by a downturn in revenues or an increase in operating spending. The cost of issuing this debt results in debt service costs increasing from \$203 million in fiscal 2014 to \$376 million in fiscal 2019.**
- The special fund capital program totals \$9,885 million over the six-year period and reflects an additional \$4.4 billion in spending from the 2013 revenue enhancement.
 - **If revenues are less than estimated or spending is greater than estimated, this reduces the amount of cash available to support the capital program. Other spending pressures on the capital program (e.g., the Red and Purple lines) may result in the need for more capital spending than currently projected.**

Maryland Department of Transportation (cont.)

New Revenue Programmed Spending Special Funds (\$ in Millions)



Note: Roads and Highway amounts include spending for Watershed Implementation Plan projects.

Source: Maryland Department of Transportation, 2014 draft *Consolidated Transportation Program*

- Programmed spending of revenue available due to the passage of the Transportation Infrastructure Improvement Act of 2013 (Chapter 429) is evenly split between spending on roads and spending on mass transit over the six-year period covered in the 2014 draft *Consolidated Transportation Program* (CTP).
- Spending related to the three major transit projects (Red Line, Purple Line, and Corridor Cities Transitway) accounts for nearly 71% of the new mass transit spending.

Maryland Department of Transportation (cont.)

Major Projects Added to Construction Program (\$ in Millions)

<u>Mode</u>	<u>Project</u>	<u>County</u>	<u>Total Cost</u>
MTA	Baltimore Red Line	Baltimore and Baltimore City	\$2,220.7
MTA	Purple Line	Montgomery and Prince George's	1,439.6
MTA	Baltimore Metro Signal System Preservation and Replacement	Baltimore and Baltimore City	313.7
MTA	Corridor Cities Transitway	Montgomery	205.6
SHA	Watkins Mill Road Extended; Interchange at Watkins Mill Road extended	Montgomery	165.3
SHA	Pennsylvania Avenue Interchange at Suitland Parkway	Prince George's	160.7
MAA	D/E Connector at Baltimore-Washington International Thurgood Marshall Airport	Statewide	125.0
SHA	Indian Head Highway; Interchange at Kirby Hill/Livingston Road	Prince George's	101.7
SHA	I-695, Baltimore Beltway; US 40 to MD 144	Baltimore	97.1
SHA	US 15, Catoclin Mountain Highway; Interchange at Monocacy Boulevard	Frederick	83.1

MAA: Maryland Aviation Administration
 MTA: Maryland Transit Administration
 SHA: State Highway Administration

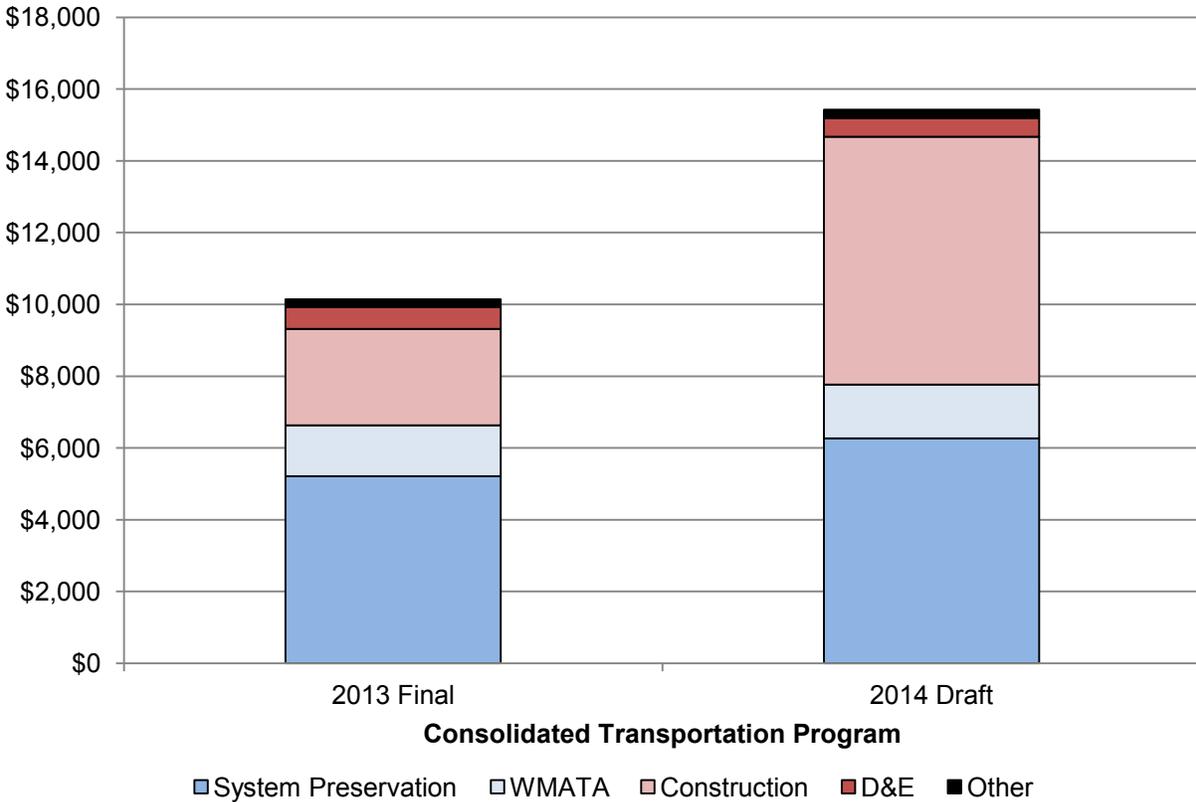
Note: The total cost of the Baltimore Red and Purple lines excludes funding assumed to be provided by a private partner under a public-private partnership agreement.

Source: Maryland Department of Transportation, 2014 draft *Consolidated Transportation Program*

- In addition to allowing major projects to be added to the construction program, the new revenue from the enactment of Chapter 429 allows for an increase of \$512.0 million in State Highway Administration system preservation funding and \$427.1 million for Watershed Implementation Plan projects to reduce the amount of pollution entering the Chesapeake Bay.

Maryland Department of Transportation (cont.)

Comparison of Six-year Capital Spending by Category
All Funds
(\$ in Billions)



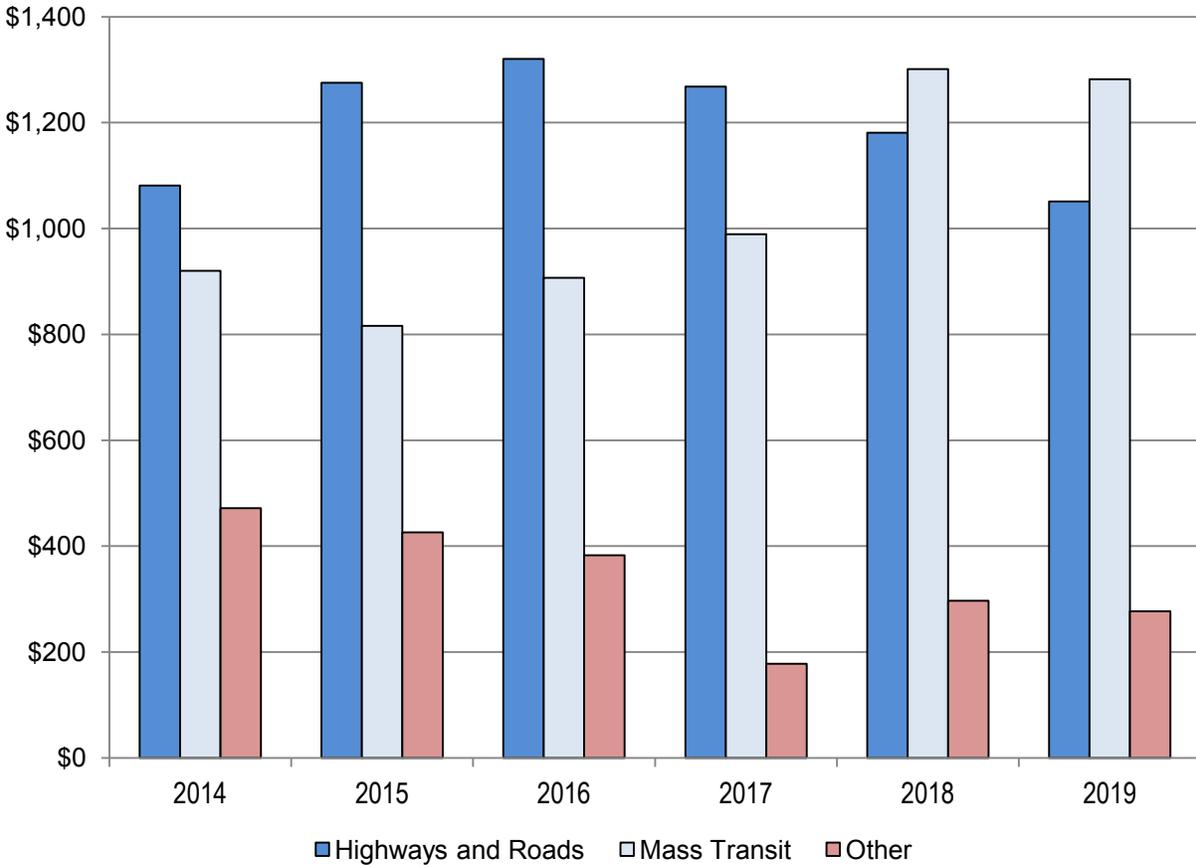
D&E: development and evaluation
 WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland Department of Transportation, 2013 final *Consolidated Transportation Program*, 2014 draft *Consolidated Transportation Program*

- Six-year spending on system preservation increases over \$1.0 billion between the 2013 final and the 2014 draft CTPs but falls as a percent of total spending from 51.4% in the 2013 CTP to 40.6% in the 2014 CTP.
- Construction spending increases in both total dollars (\$4.2 billion) and as a percent of total spending, increasing to 44.8% of total spending in the 2014 CTP from 26.5% in the 2013 CTP.

Maryland Department of Transportation (cont.)

Capital Spending by Category
All Funds
Fiscal 2014-2019
(\$ in Millions)



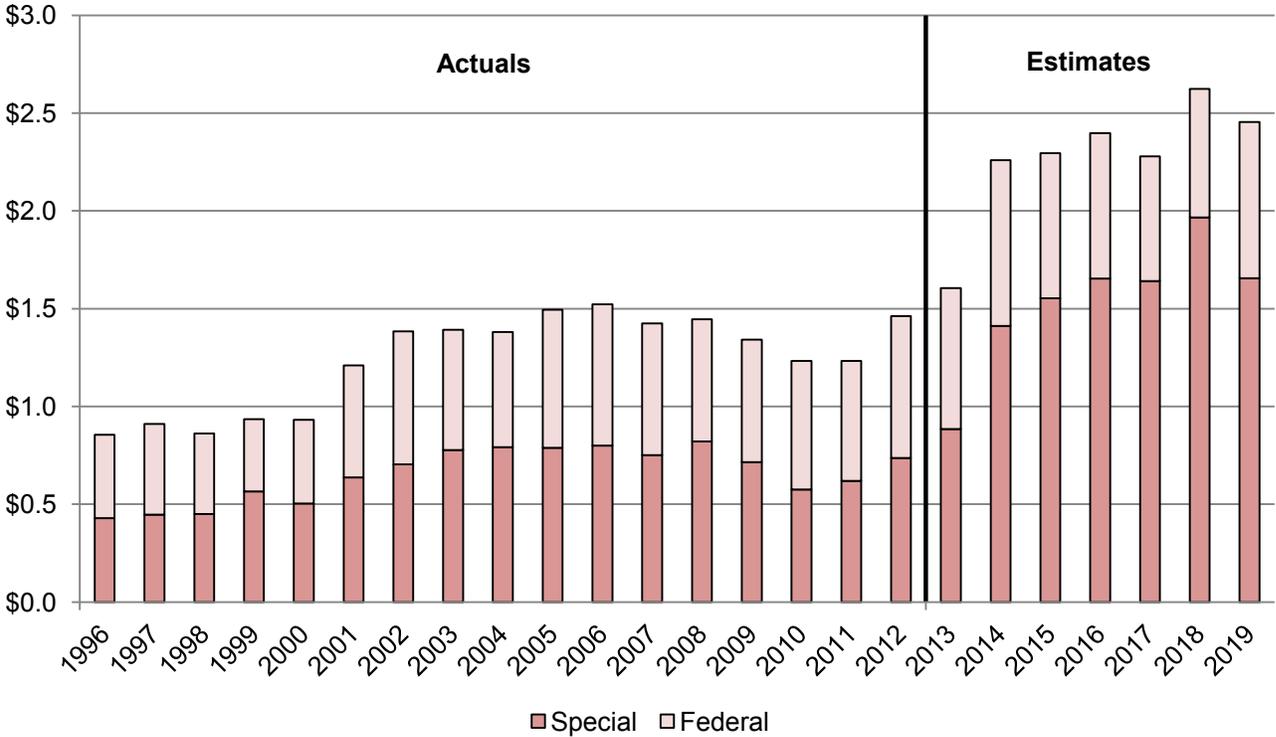
Note: "Other" comprises the Secretary's Office, the Maryland Port Administration, the Motor Vehicle Administration, and the Maryland Aviation Administration. "Mass Transit" includes the grant to the Washington Metropolitan Area Transit Authority.

Source: Maryland Department of Transportation, 2014 draft *Consolidated Transportation Program*

- Over the six-year period covered in the 2014 draft CTP, spending on highways and roads is projected to be \$7.2 billion, or 46.5%, of total capital spending.
- During this same time period, spending on mass transit is projected to be \$6.2 billion, or 40.3%, of total capital spending.

Maryland Department of Transportation (cont.)

**Capital Program
Fiscal 1996-2019
(\$ in Billions)**



Source: Maryland Department of Transportation

- The size of the capital program forecast in the 2014 draft CTP is significantly larger than any previous capital program managed by MDOT. Prior to fiscal 2013, annual spending exceeded \$1.5 billion only once since fiscal 1996.
- Peak spending on the three major transit lines is projected to occur in fiscal 2018 and 2019 at just over \$800 million in each of those fiscal years.

Maryland Department of Transportation (cont.)

Major Transit Project Status

	<u>Purple Line</u>	<u>Red Line</u>	<u>Corridor Cities Transitway</u>
Estimated Project Cost	\$2.2 Billion	\$2.6 Billion	\$545.0 Million
Construction Start	Calendar 2015	Calendar 2015	n/a
Operations Begin	Calendar 2020	Calendar 2022	n/a
Procurement Method	P3	Conventional/P3	n/a
Federal Funding Anticipated	\$927.4 Million	\$921.8 Million	\$1.5 Million
Local Contribution Anticipated	\$220.0 Million	\$250.0 Million	n/a

P3: public-private partnership

Source: Maryland Department of Transportation, 2014 draft *Consolidated Transportation Program*

- The Board of Public Works has approved the Purple Line transit project for procurement as a public-private partnership (P3) and MDOT has started the procurement by issuing a Request for Qualifications to identify syndicates of companies interested in competing to be the private partner on this project.
- Maryland’s P3 private partner on the Purple Line will finance a portion of the construction costs through the use of debt to be repaid by the State over 30 years as part of the annual “availability payments.” MDOT is assuming that the debt repayment portion of the availability payments will be non-traditional MDOT debt and not State tax-supported debt. The State Treasurer, in coordination with the Comptroller, is charged in the P3 legislation with analyzing the impact on the State’s capital debt affordability limits of the P3 agreement. Should the Treasurer’s analysis indicate that the debt portion of the availability payments is State tax-supported debt, the Purple Line debt will need to be included in the State’s debt affordability calculations and may delay other debt-supported projects to avoid a breach of the debt affordability limits.
- Significant levels of federal and local contributions are assumed for both the Purple and the Red lines. Should actual commitments from either source be less than assumed in the CTP, additional State resources would need to be committed and/or a reevaluation would need to be made on whether the projects are still feasible.

Fiscal 2013 Health Insurance Closeout
(\$ in Millions)

	<u>2013 Projected</u>	<u>2013 Actual</u>	<u>Variance</u>
Beginning Balance	\$173.4	\$173.4	\$0.0
Expenditures			
DBM – Personnel Administrative Cost	\$7.3	\$8.2	\$0.9
Payments of Claims			
Medical	\$855.8	\$822.0	-\$33.8
Mental Health	20.1	14.0	-6.1
Rx	364.3	346.4	-17.9
Dental	45.9	46.6	0.7
Other	0.0	0.0	0.0
Payments to Providers	\$1,293.4	\$1,237.2	-\$56.2
Receipts			
State Agencies	\$1,000.0	\$1,028.0	\$28.0
Employee Contributions	168.5	167.3	-1.2
Retiree Contributions	76.5	85.4	8.9
Rx Rebates, Recoveries, and Other	22.8	37.0	14.2
Injured Workers' Insurance Fund	21.0	21.0	0.0
Total Receipts	\$1,288.8	\$1,338.7	\$49.9
Ending Balance	\$168.8	\$274.9	\$106.1
Estimated Incurred But Not Received	-\$99.5	-\$99.5	\$0.0
Reserve for Future Provider Payments	\$69.3	\$175.4	\$106.1

DBM: Department of Budget and Management

- The health insurance account closed with a fund balance that was \$106.1 million greater than originally estimated.
- Payments to providers were \$56.2 million less than what was estimated and actually declined by \$26.0 million compared to fiscal 2012. Medical claims experienced savings as more individuals were treated in outpatient settings as opposed to hospitals. Prescription drug costs declined as the use of generic drugs increased, and changes to the retiree drug program were implemented.
- In total, receipts were \$49.9 million greater than estimated. Premium payments from retirees and State agency payments were higher than originally estimated. The State also received more in prescription drug rebates and recoveries than was originally estimated.

Employee and Retiree Health Insurance Funding
Fiscal 2012 Actual to Fiscal 2015 Estimate
(\$ in Millions)

	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>	<u>2014</u> <u>Estimate</u>	<u>2015</u> <u>Estimate</u>
Beginning Balance	\$162	\$173	\$275	\$336
Receipts				
Agencies (Employer Contribution)	\$986	\$1,028	\$1,066	\$906
Employees/Retirees Contribution	253	253	276	281
Rebates, Recoveries, Other	36	58	23	37
Total Receipts	\$1,274	\$1,339	\$1,365	1,224
% Growth in Receipts	3.8%	5.0%	1.9%	-10.3%
Expenditures				
Payments	\$1,263	\$1,237	\$1,303	\$1,394
% Growth in Payments	5.1%	-2.0%	5.4%	7.0%
Ending Balance	\$173	\$275	\$336	\$166

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

- In fiscal 2014, it is assumed that expenditures will grow by 5.4%, but that growth is from a lower level of spending in fiscal 2013. The budgeted level of receipts in fiscal 2014 remains unchanged, except for retirees due to higher growth in fiscal 2013.
- Since fiscal 2014 receipts do not reflect a lower level of spending, the fund balance in fiscal 2014 is expected to increase to \$336 million, before having to cover expenses that were incurred in fiscal 2014 but that will be paid in fiscal 2015.
- Expenditures are expected to increase 7.0% in fiscal 2015. This higher level of growth accounts for the over 900 new positions in the baseline budget. The estimate also assumes that contract employees who are eligible for subsidized health insurance through the Affordable Care Act will receive benefits beginning on January 1, 2015.
- Agency receipts decline by \$160 million in fiscal 2015 across all funds to draw down the fund balance built up in the account in fiscal 2013 and 2014. Employee and retiree premiums are not estimated to increase in fiscal 2015, except for the amount that new employees or contractual eligible employees pay.

Regular Full-time Equivalent Positions Changes

Fiscal 2002 Actual to Fiscal 2015 Baseline

<u>Department/Service Area</u>	<u>2002 Actual</u>	<u>2014 Legis. Approp.</u>	<u>2015 Baseline</u>	<u>2014-2015 Change</u>	<u>2002- 2015 Change</u>
Health and Human Services					
Health and Mental Hygiene	8,555	6,406	6,421	16	-2,134
Human Resources	7,364	6,529	6,529	0	-835
Juvenile Services	2,123	2,077	2,077	0	-46
Subtotal	18,041	15,012	15,027	16	-3,014
Public Safety					
Public Safety and Correctional Services	11,663	11,046	11,146	100	-517
Police and Fire Marshal	2,590	2,414	2,434	20	-156
Subtotal	14,252	13,460	13,580	120	-673
Transportation	9,538	8,774	8,795	21	-744
Other Executive					
Legal (Excluding Judiciary)	1,364	1,503	1,840	338	476
Executive and Administrative Control	1,603	1,633	1,638	5	35
Financial and Revenue Administration	2,151	2,046	2,059	13	-92
Budget and Management	517	441	441	0	-76
Retirement	194	205	205	0	12
General Services	793	580	582	2	-211
Natural Resources	1,618	1,295	1,299	4	-319
Agriculture	480	383	384	1	-96
Labor, Licensing, and Regulation	1,706	1,646	1,648	2	-58
MSDE and Other Education	1,956	1,972	1,975	3	19
Housing and Community Development	416	327	337	10	-79
Business and Economic Development	324	224	224	0	-100
Environment	1,028	937	937	0	-91
Subtotal	14,149	13,190	13,569	377	-580
Executive Branch Subtotal	55,980	50,436	50,970	534	-5,010
Higher Education	21,393	25,010	25,362	352	3,969
Executive and Higher Education Subtotal	77,373	75,446	76,332	886	-1,041
Judiciary	3,010	3,639	3,658	19	648
Legislature	730	748	748	0	18
Total	81,113	79,832	80,738	905	-374

MSDE: Maryland State Department of Education

Note: Numbers may not sum due to rounding.

Explaining Fiscal 2015 Baseline Position Identification Number Changes

Fiscal 2014 Actions

- 352 positions in higher education created in fiscal 2014 based upon their statutory flex authority.
- 10 new positions to have two pilots per helicopter at the State Police.
- 10 new positions in the Department of Housing and Community Development to reflect additional activities associated with the Exelon/Constellation merger.
- 8 positions for weekend Maryland Area Regional Commuter service, and 2 positions for weekend service at the Maryland Transit Administration.
- 10 positions to implement the Highway Safety Act of 2013 at the Motor Vehicle Administration. (Chapter 309 of 2013)
- 4 positions for the Firearm Safety Act of 2013 at the Mental Hygiene Administration. (Chapter 427 of 2013)
- 7 positions to implement various pieces of legislation passed during the 2013 session.

Fiscal 2015 Actions

- 333 new positions to reflect the judicial decision to require attorneys at each bail hearing. (Note: The Department of Legislative baseline budget assumes panel attorneys in fiscal 2014 to perform the activities required under the court decision.)
- 7 new judges and 12 supporting positions based upon the plan to increase the number of judges.
- 100 positions in the Department of Public Safety and Correctional Services to reflect budget bill language from fiscal 2012 to add 100 positions annually until the need of 377 new positions is achieved to meet the minimum standard to safely and securely staff facilities.
- 10 more new positions to have two pilots per helicopter at the State Police. (20 total)
- 13 positions at the Lottery for the opening of the Baltimore City gaming facility.
- 4 positions for the Medical Marijuana Commission created in Chapter 403 of 2013.
- 22 positions to implement various pieces of legislation passed during the 2013 session.

Analysis of Vacancies and Turnover Rate
Fiscal 2014 Legislative Appropriation Compared to November 2013 Vacancies

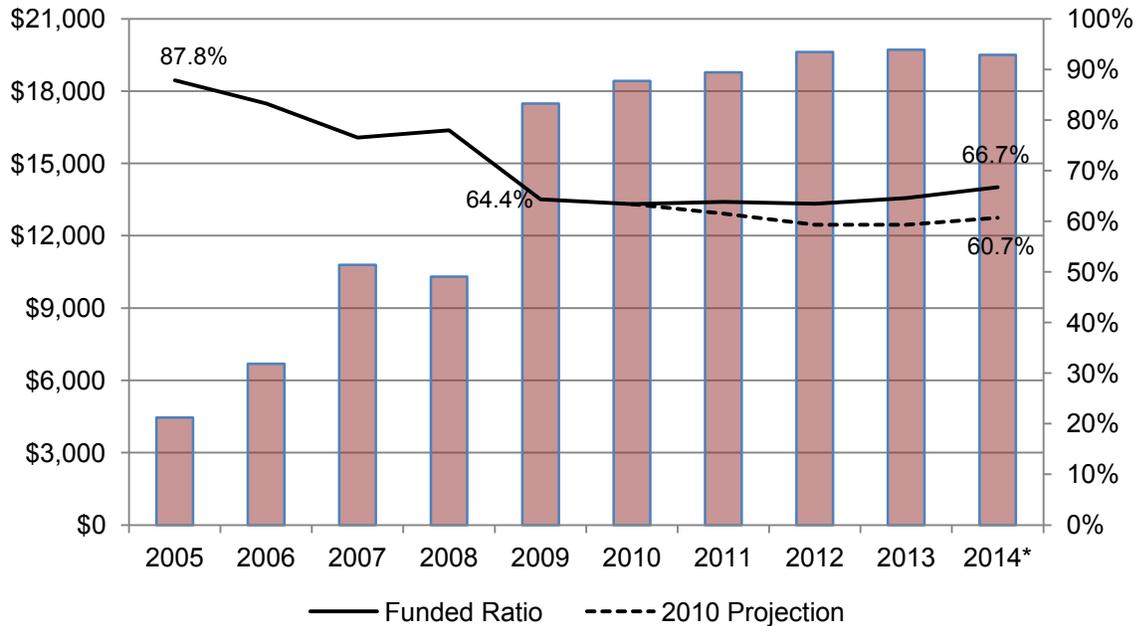
<u>Department/Service Area</u>	<u>Positions</u>	<u>Turnover Rate</u>	<u>Vacancies to Meet Turnover</u>	<u>Vacancies</u>	<u>Vacancies Above or (Below) Turnover</u>
Health and Human Services					
Health and Mental Hygiene	6,406	5.5%	354	615	261
Human Resources	6,529	6.3%	415	529	114
Juvenile Services	2,077	5.8%	121	163	42
Subtotal	15,012	5.9%	888	1,307	417
Public Safety					
Public Safety and Correctional Services	11,046	4.1%	457	550	93
Police and Fire Marshal	2,414	5.0%	121	193	71
Subtotal	13,460	4.4%	587	742	164
Transportation*	8,774	2.9%	251	507	255
Other Executive					
Legal (Excluding Judiciary)	1,503	4.6%	70	125	55
Executive and Administrative Control	1,633	4.5%	73	180	107
Financial and Revenue Administration	2,046	4.3%	88	154	66
Budget and Management and DoIT	441	2.6%	12	45	33
Retirement	205	3.8%	8	22	14
General Services	580	5.9%	34	49	14
Natural Resources	1,295	4.2%	54	102	48
Agriculture	383	6.3%	24	28	4
Labor, Licensing, and Regulation	1,646	5.7%	93	138	45
MSDE and Other Education	1,972	5.8%	115	220	105
Housing and Community Development	327	5.5%	18	22	4
Business and Economic Development	224	4.3%	10	14	4
Environment	937	6.5%	61	89	28
Subtotal	13,190	5.0%	659	1,187	527
Total	50,436	4.6%	2,329	3,742	1,363

DoIT: Department of Information Technology
MSDE: Maryland State Department of Education

*Transportation data is for October 2013.

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

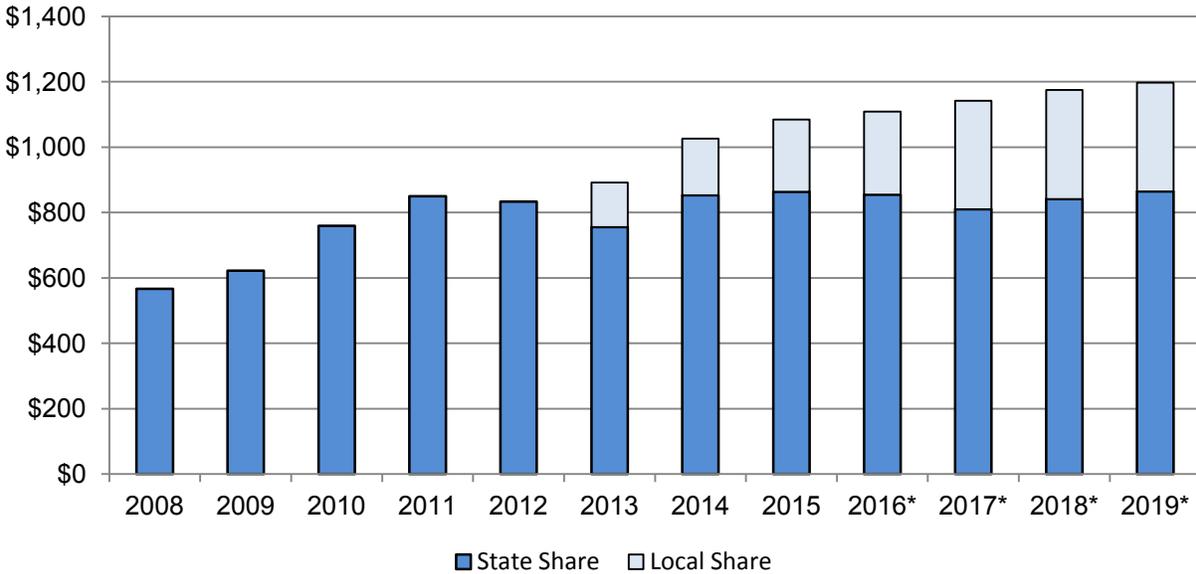
**State Retirement and Pension System
Unfunded Liabilities and Funded Ratio
Fiscal 2005-2014
(\$ in Millions)**



*Fiscal 2014 figures are the Department of Legislative Services estimates based on actuarial projections.

- 2011 pension reform and 2013 funding reform kept funding ratio from falling further, which translated into unfunded liabilities leveling off instead of continuing to grow.
- Funded ratio is projected to rise to 66.7% in fiscal 2014 as the pension fund benefits from unrecognized gains and the phase out of the corridor funding method.
- Unfunded liabilities will likely remain level for at least one more year but may begin to decrease after that to the extent that the pension fund meets its investment and other actuarial targets.

Teacher Pension Contributions
State and Local Share
Fiscal 2008-2019
(\$ in Millions)



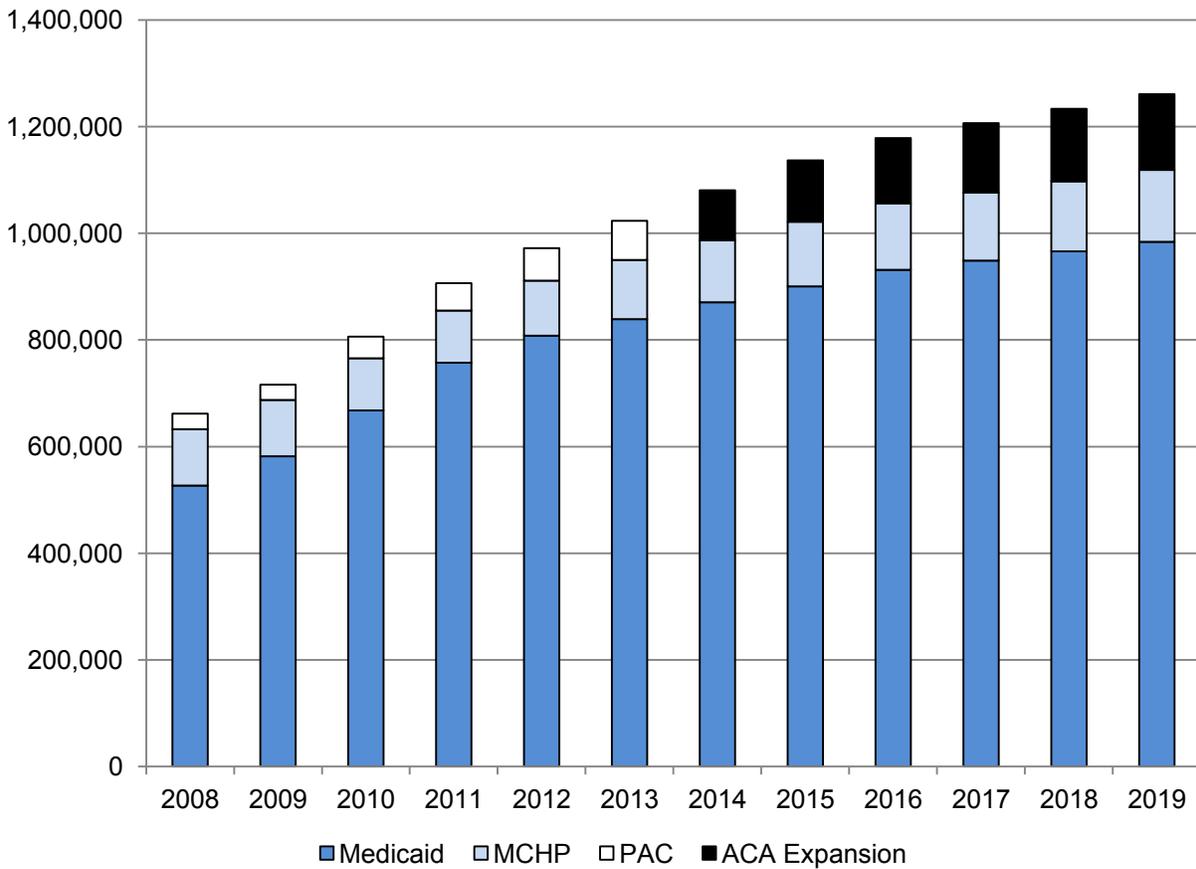
* Values for fiscal 2016-2019 are projected based on current actuarial assumptions.

- Total employer contributions increase, but the State share decreases in fiscal 2016 and 2017 as local governments pick up an increasing share of teacher pension contributions; the local share is projected to stabilize after fiscal 2017, resulting in the State share of the total employer contribution increasing thereafter.
- Beginning in fiscal 2017, local governments pay 100% of the actual normal cost. That figure is now projected to be higher than originally estimated, due primarily to changes in actuarial assumptions made by the Board of Trustees of the State Pension and Retirement System. Until fiscal 2017, the State is paying the difference between the projected and actual normal cost.
- Beyond fiscal 2017, the normal cost rate is projected to decrease gradually each year; actual local contributions will vary, depending primarily on salary growth.

The Impact of the Affordable Care Act on the Fiscal 2015 Baseline and General Fund Forecast

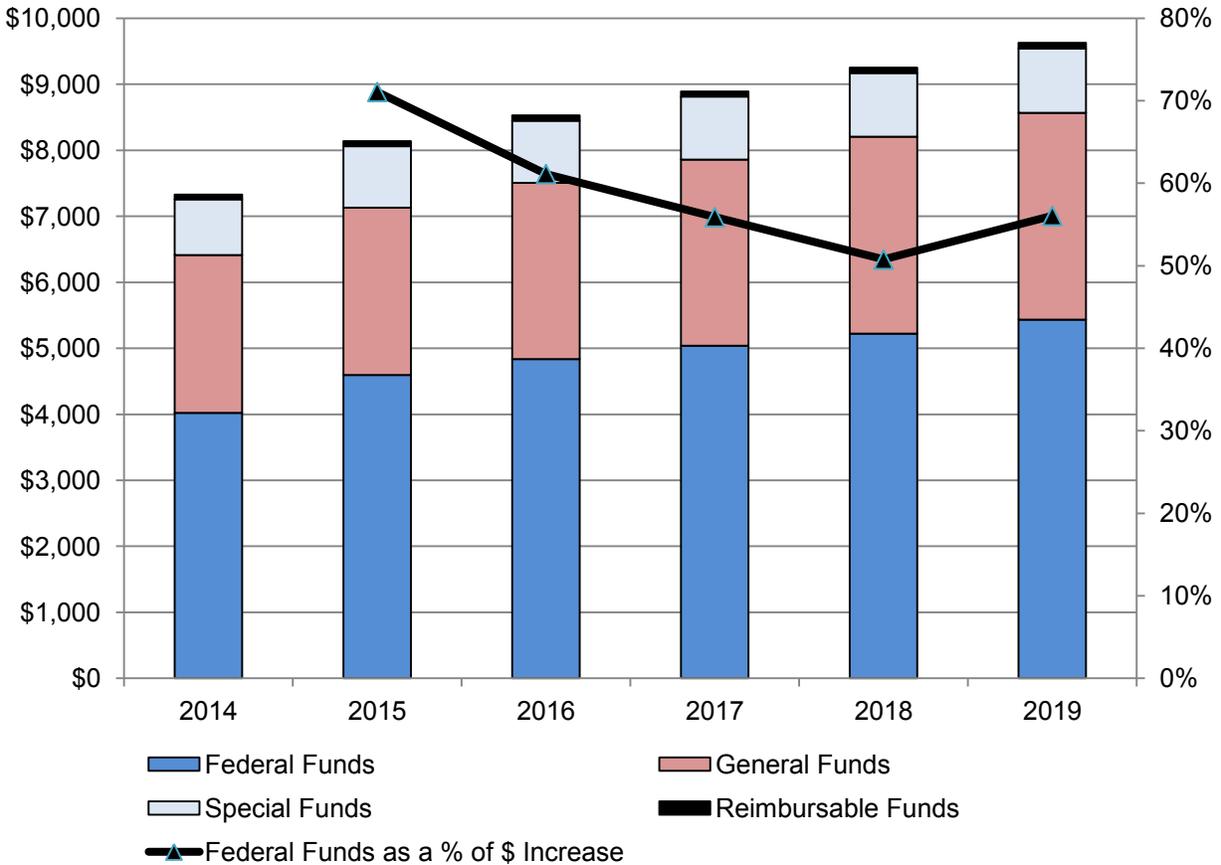
The Affordable Care Act (ACA) and Medicaid

**Medicaid and Maryland Children's Health Program Enrollment
Fiscal 2008-2019 Est.**



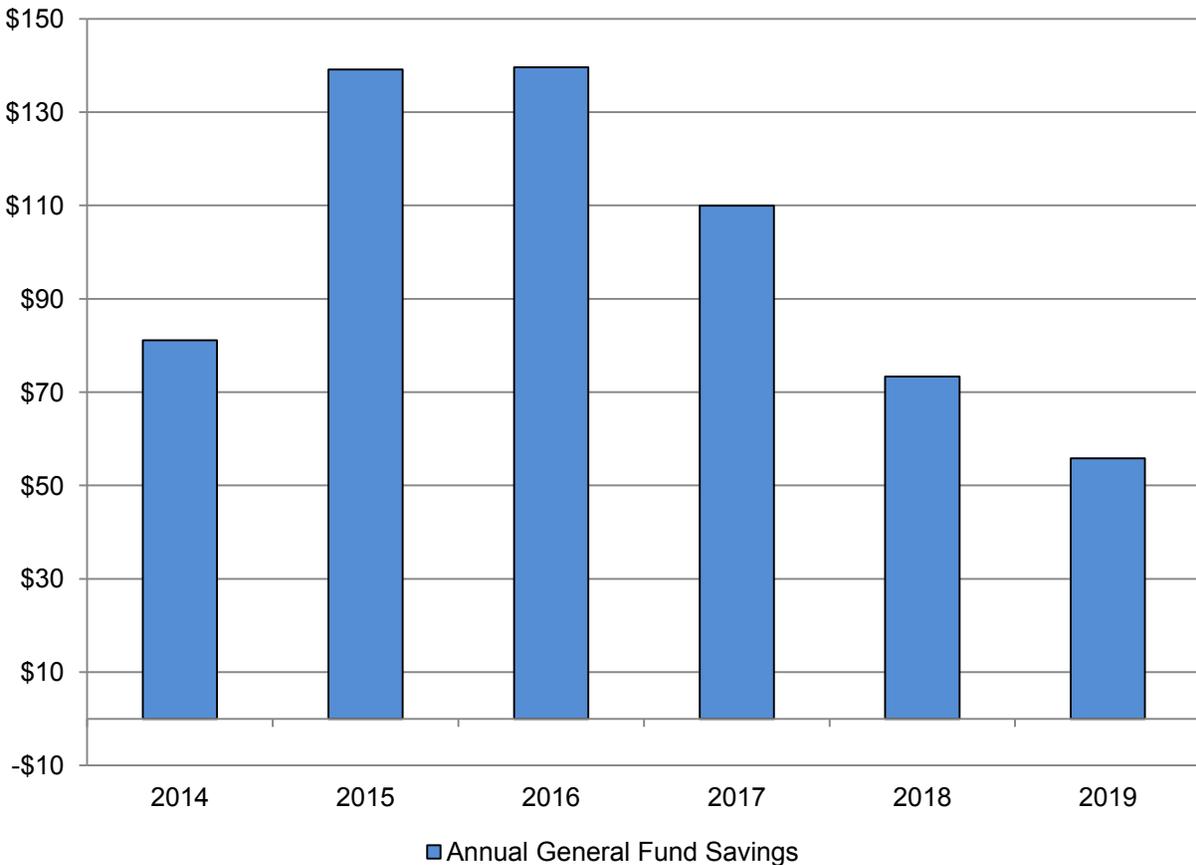
- Medicaid enrollment is expected to increase at a greater rate because of the ACA primarily due to the expansion of Medicaid to 138% federal poverty level (FPL) and to a lesser extent to the increased awareness of Medicaid due to advertizing of health care access through the Maryland Health Benefit Exchange.
- Most of the increased enrollment will be single adults currently enrolled in the Primary Adult Care (PAC) Program which will end on January 1, 2014.

Medicaid Forecast by Fund Source
Fiscal 2014-2019
(\$ in Millions)



- The Medicaid fiscal 2015 baseline forecast projects 11.0% growth over projected expenditures in fiscal 2014.
- The largest driver of growth is the annualization of costs associated with the ACA expansion of Medicaid.
- Other cost drivers are the calendar 2014 MCO rate increase (6.8%), more modest rate increases for other medical services, and general enrollment growth.
- Federal funds will cover over 70.0% of the increased funding need in the fiscal 2015 baseline, primarily due to the 100.0% funding of the ACA expansion.
- The forecast assumes that special fund support from existing sources continues.

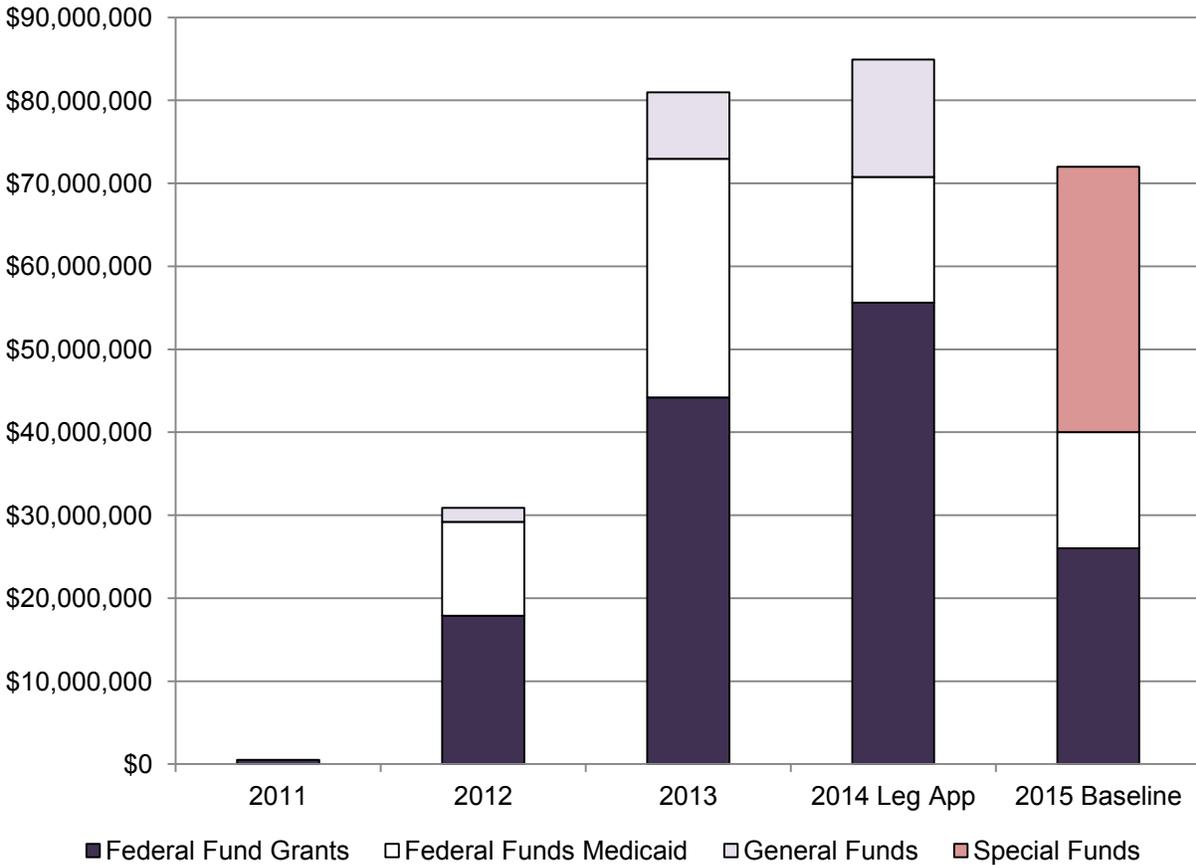
**General Fund Savings Attributed to the Affordable Care Act in the
Medicaid Forecast
Fiscal 2014-2019
(\$ in Millions)**



-
- Overall, the fiscal 2015 baseline budget and out-year forecast assumes significant general fund savings as a result of the ACA. Savings from PAC, the movement of certain current Medicaid enrollees into the new ACA expansion category, enhanced pharmacy rebates, and enhanced matching rates for MCHP more than offset higher costs from such things as higher base enrollment, maintaining higher physician fees, and the State sharing costs for the ACA expansion population beginning in fiscal 2017.
 - Between fiscal 2014 and 2019, cumulative general funds savings to Medicaid derived from the ACA total \$600 million.
 - The benefits to the budget from the ACA are higher in the beginning of the forecast period.

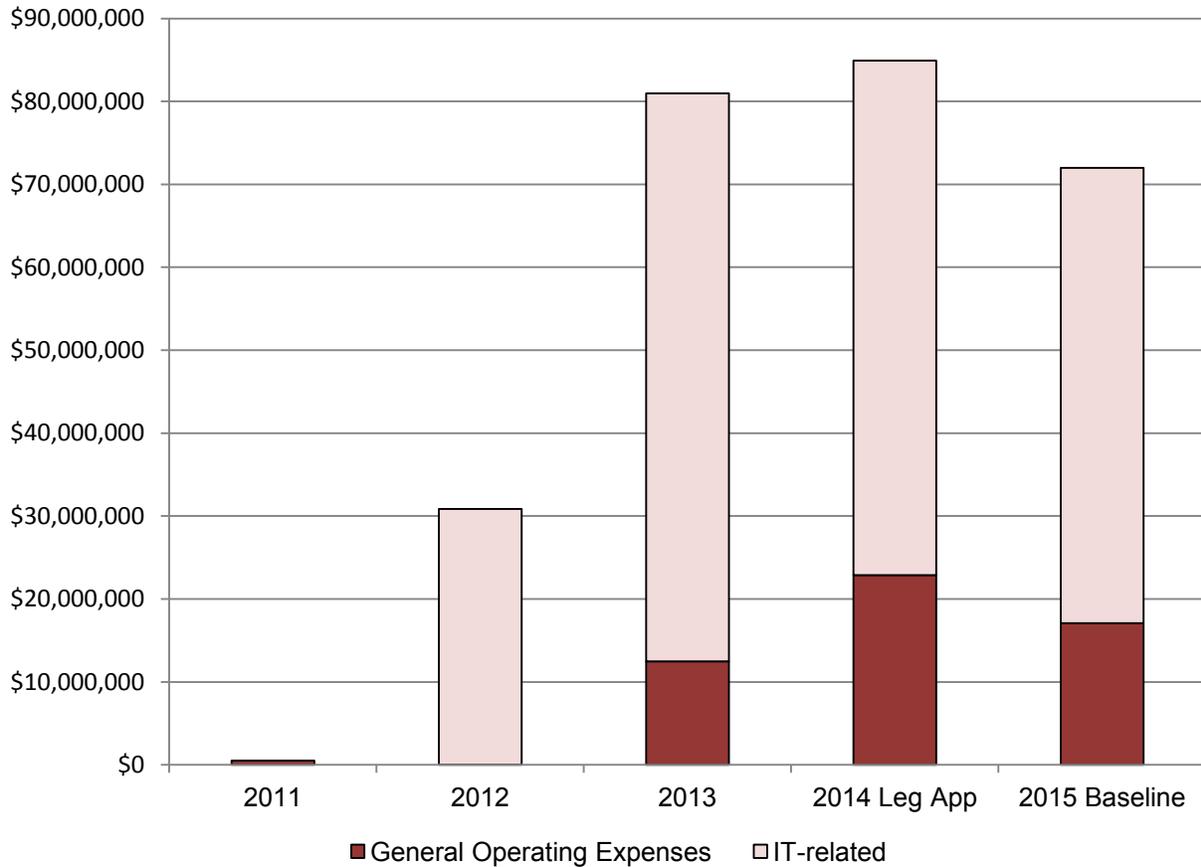
The Maryland Health Benefit Exchange

**Maryland Health Benefit Exchange
Expenditures by Fund Source
Fiscal 2011-2015 Baseline**



-
- Funding levels for the Exchange are expected to fall in the fiscal 2015 baseline after the significant start-up costs of the two prior fiscal years.
 - Federal grant funds used to establish the Exchange will not be available after January 1, 2015. At that point, State support (in the form of special funds derived from the premium tax on health insurers) will assume a larger share of the Exchange's budget.

Maryland Health Benefit Exchange Total Expenditures Fiscal 2011-2015 Baseline



-
- Exchange expenditures will continue to be dominated by broadly IT-related costs (e.g. the eligibility system, call center, system hosting, etc.) although spending should reflect more ongoing operations and maintenance rather than system development.

ACA Impact on the State as an Employer

The ACA also impacts the State as an employer. Some of the major provisions that impact the State and employees include:

- **Employer Mandate:** The State is required to provide health insurance to eligible individuals who work 30 hours a week or more. The Department of Budget and Management estimates this provision could impact up to 2,000 State employees. The State may not need to provide coverage to these individuals provided that 95% of the State workforce is covered; currently 97% is covered. This provision was delayed and takes effect January 1, 2015.
- **Tax on Expensive Plans (“Cadillac Tax”):** In an effort to reduce the over-use of insurance by employees and reduce overall health care costs, the ACA includes a tax on employer sponsored health plans that exceed \$10,200 for individual coverage and \$27,500 for families beginning in calendar 2018. The tax will be 40% of the value of the plan that exceeds the specified amounts and will be paid by the State. Current estimates show the State could exceed these amounts by 2020 or sooner.
- **Required Fees:** The ACA requires the State to pay two different fees. One is a fee per individual to assist in providing funding for a re-insurance pool through 2016. In fiscal 2014 the fee amount is \$63, costing the State \$5.4 million. In subsequent years the fee will decline. The other fee is \$1, increasing to \$2 on October 1, 2013, for each individual covered to help support research on the clinical effectiveness of medical treatments. This is expected to cost approximately \$0.5 million in fiscal 2014.
- **Other Requirements:** The age of individuals eligible for dependent care was increased to 26. The ACA also eliminated cost sharing for certain preventive care services. The amount of the pre-tax deduction individuals may claim for a health care flexible spending account was reduced to \$2,500.

General Fund Budget Outlook

Fiscal 2014-2019
(\$ in Millions)

Revenues	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Avg Annual
	Work. App.	Baseline	Est.	Est.	Est.	Est.	Change
							2015-2019
Opening Fund Balance	\$502	\$0	\$0	\$0	\$0	\$0	
Transfer	14	211	24	29	28	34	
Subtotal One-time Revenue	\$516	\$211	\$24	\$29	\$28	\$34	-36.6%
Ongoing Revenues	\$15,336	\$15,888	\$16,616	\$17,389	\$18,182	\$18,883	
Subtotal Ongoing Revenue	\$15,336	\$15,888	\$16,616	\$17,389	\$18,182	\$18,883	4.4%
Total Revenues & Fund Balance	\$15,852	\$16,099	\$16,640	\$17,418	\$18,210	\$18,917	4.1%
Ongoing Spending							
Operating Spending	\$16,184	\$16,841	\$17,648	\$18,309	\$19,100	\$19,873	
Education Trust Fund*	-350	-550	-607	-676	-705	-734	
Multi-year Commitments	10	0	0	0	0	0	
Subtotal Ongoing Spending	\$15,844	\$16,291	\$17,041	\$17,633	\$18,395	\$19,139	4.1%
One-time Spending							
PAYGO Capital	\$40	\$1	\$1	\$1	\$1	\$1	
Appropriation to Reserve Fund	55	228	50	50	50	50	
Subtotal One-time Spending	\$95	\$230	\$51	\$51	\$51	\$51	-31.3%
Total Spending	\$15,939	\$16,520	\$17,092	\$17,684	\$18,446	\$19,190	3.8%
Ending Balance	-\$87	-\$421	-\$452	-\$267	-\$236	-\$273	
Rainy Day Fund Balance	765	793	832	870	910	945	
Balance over 5% of GF Revenues	-2	0	1	1	1	1	
As % of GF Revenues	4.99%	5.00%	5.01%	5.00%	5.01%	5.01%	
Structural Balance	-\$508	-\$402	-\$425	-\$245	-\$213	-\$256	

GF: general fund

PAYGO: pay-as-you-go

VLT: video lottery terminal

*Includes revenues from video lottery terminals (VLT), table games, and savings from shifting responsibility for ownership or leasing of VLTs to facility operators.

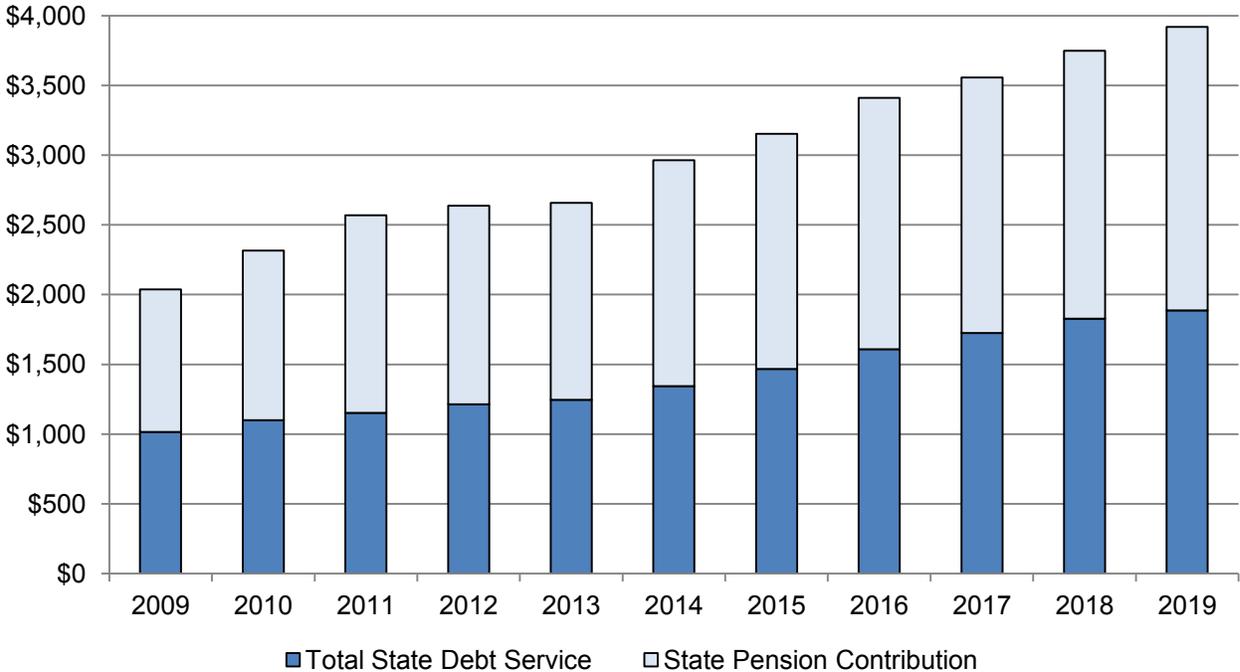
Ongoing Spending and Revenues
Fiscal 2015-2019
(\$ in Millions)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Average Annual Percent Change</u>
Ongoing Spending						
Debt Service	\$233	\$387	\$462	\$524	\$557	24.3%
Local Aid	6,812	7,002	7,189	7,490	7,807	3.5%
Entitlements	2,910	3,043	3,187	3,351	3,501	4.7%
State Agencies	6,886	7,217	7,471	7,735	8,008	3.8%
Subtotal	\$16,841	\$17,648	\$18,309	\$19,100	\$19,873	4.2%
Education Trust Fund*	\$550	\$607	\$676	\$705	\$734	7.5%
Total	\$16,291	\$17,041	\$17,633	\$18,395	\$19,139	4.1%
Change	\$457	\$750	\$592	\$762	\$744	
Percent Change	2.8%	4.6%	3.5%	4.3%	4.0%	
Ongoing Revenues						
Change	\$552	\$728	\$773	\$793	\$701	
Percent Change	3.6%	4.6%	4.7%	4.6%	3.9%	

*Includes revenues from video lottery terminals (VLT), table games, and savings from shifting responsibility for ownership or leasing of VLTs to facility operators.

Total may not sum due to rounding.

**Cumulative Debt Service and Pension Costs Continue to Increase
Fiscal 2009 to 2019
(\$ in Millions)**

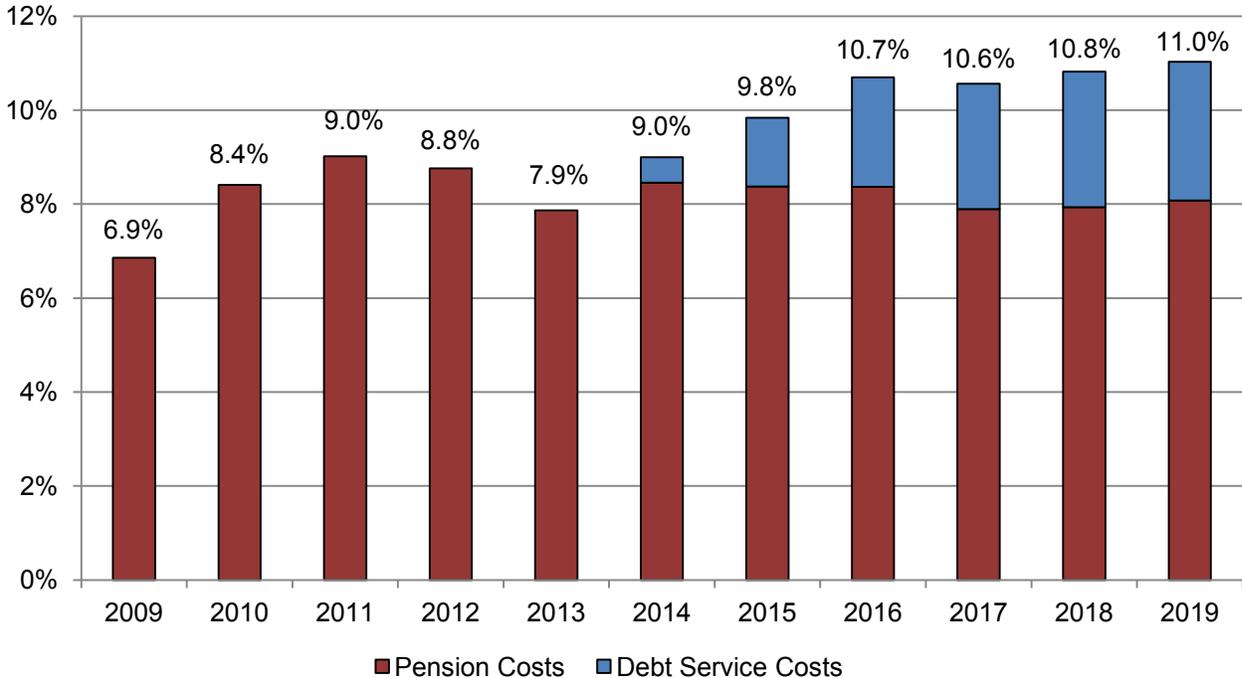


Note: Total State debt service includes Transportation, Bay Restoration, capital leases, and Stadium Authority debt. State pension contribution excludes local teacher pension cost sharing.

Source: Gabriel Roeder Smith and Company, State Treasurer’s Office, Department of Legislative Services, November 2013

- Debt service costs are projected to increase 6.1% annually over the next five years while State property tax revenues are projected to increase 0.5% annually.
- Pension costs are also projected to increase in the out-years. From fiscal 2013 to 2019, State pension costs are expected to increase 6.0% annually.

Debt Service General Fund Subsidy and State Pension Costs Compared to General Fund Revenues Fiscal 2009-2019



Note: Fiscal 2010 and 2011 pension costs include federal funds from the American Recovery and Reinvestment Act.

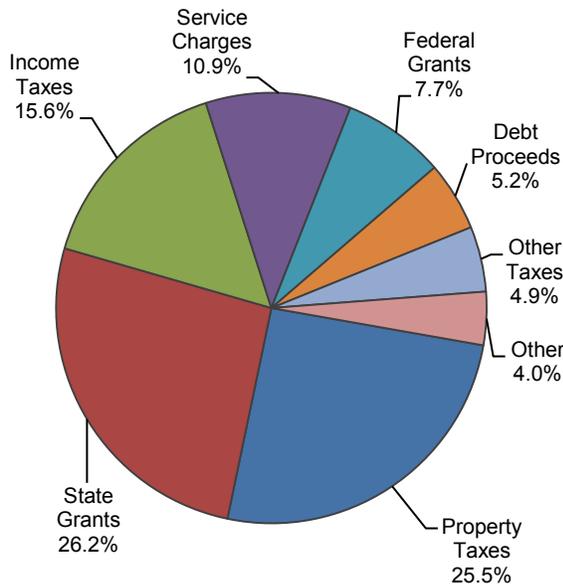
Source: Gabriel Roeder Smith and Company; State Treasurer's Office; Department of Legislative Services, November 2013

- Pension and debt service costs increase from 7.9% in fiscal 2013 to 11.0% of general fund revenues in fiscal 2019.
- Unless pension payments are reduced (they are now \$300 million above the actuarially required level), the remaining lever to provide relief from this ongoing fiscal squeeze is through moderation of the burden of debt service. This can be accomplished by constraining, rather than increasing, the level of debt to be incurred, or through the Board of Public Works by increasing the property tax.
- **As one step toward constraining the growth in long-term obligations, DLS recommends that the previously established debt authorization levels be maintained.**

Local Government Revenue Outlook

Limited Growth in Local Tax Revenues Fiscal 2013 and 2014

Sources of Revenue
Counties and Baltimore City



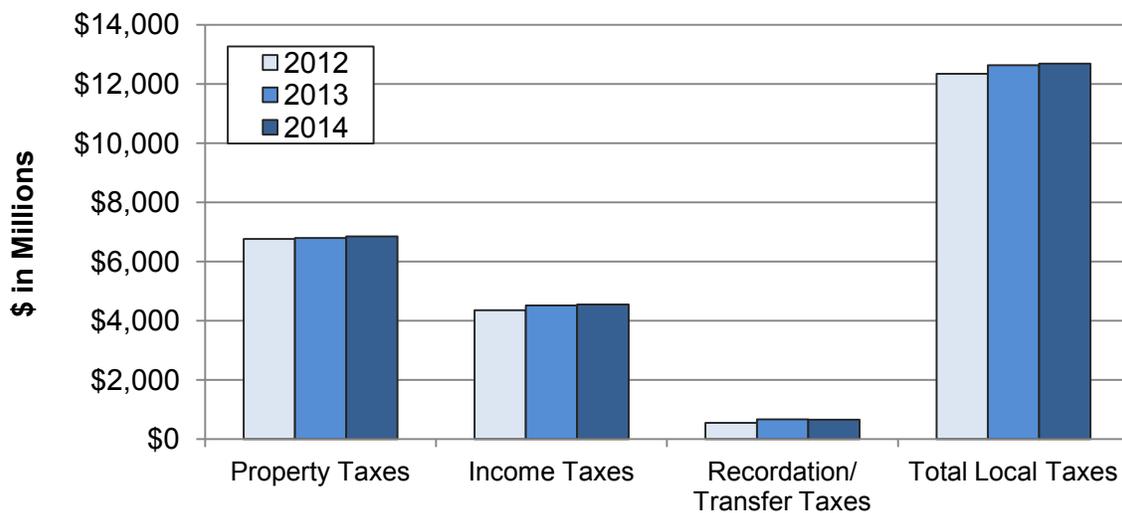
FY 2012 = \$27.9 Billion

**Average Annual
Change
FY 2012-14**

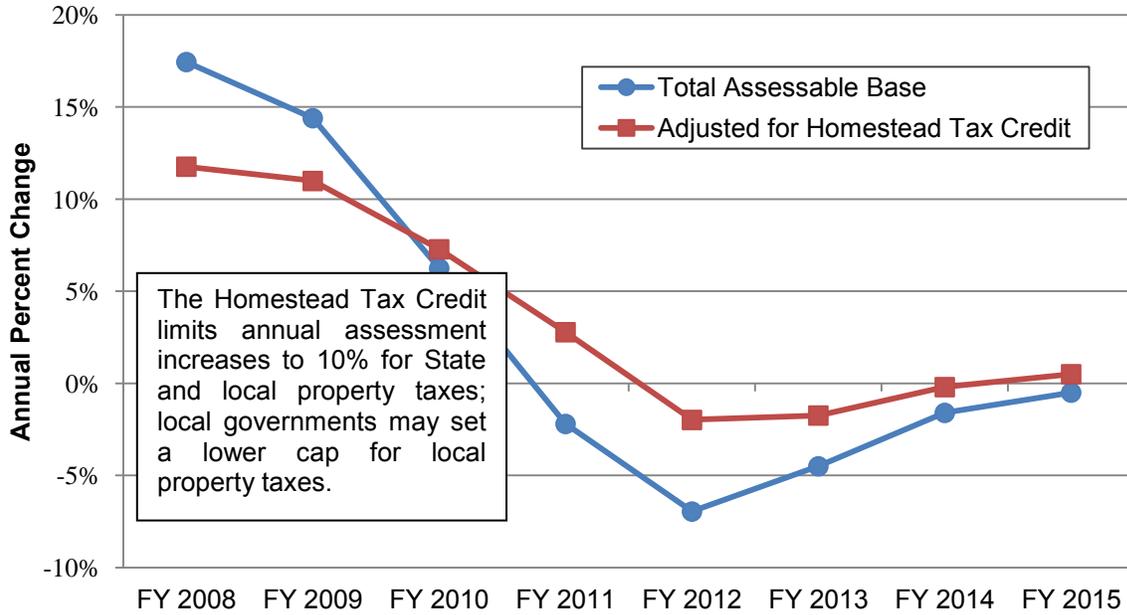
Property Taxes	0.6%
Income Taxes	2.2%
Recordation Taxes	12.3%
Transfer Taxes	5.8%
Hotel/Motel Taxes	-2.4%
Admissions Taxes	0.9%

Total Local Taxes	1.4%
General Fund Revenues	2.1%

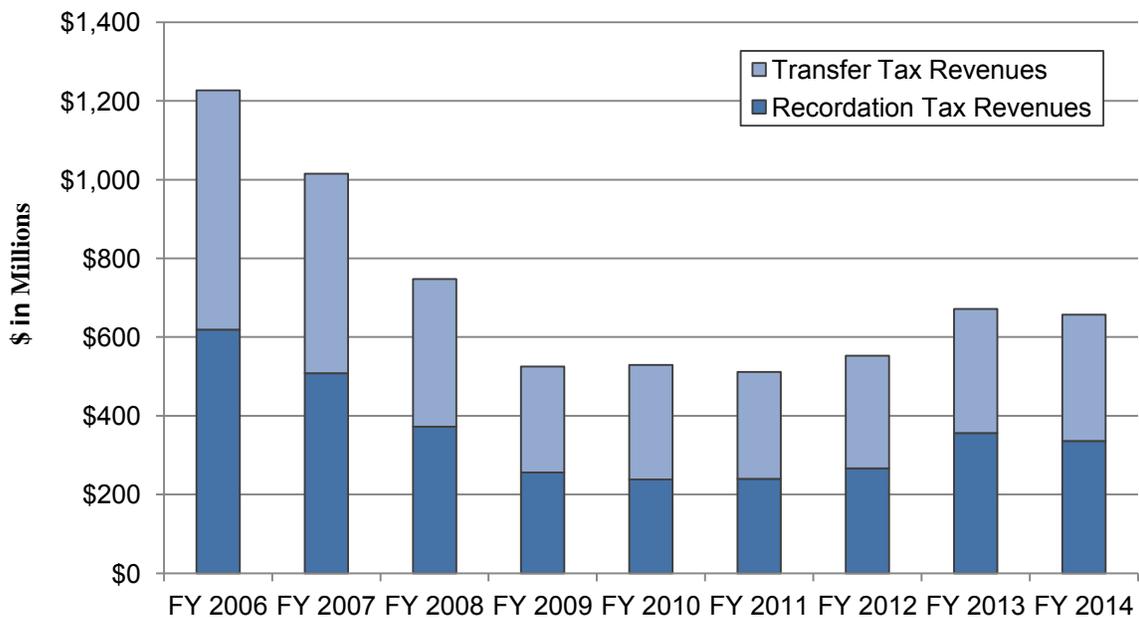
Local Tax Revenue Inches Upwards Fiscal 2012-2014



Homestead Tax Credit Softened Impact on County Assessable Base



Real Estate Meltdown Impacts Recordation and Transfer Taxes



Total Local Tax Revenues for Fiscal 2012-2014

County	FY 2012	FY 2013	FY 2014	FY 2012-2013 \$ Difference	FY 2013-2014 \$ Difference	Average Annual Difference
Allegany	\$69,621,830	\$69,477,653	\$68,805,954	-\$144,177	-\$671,699	-0.6%
Anne Arundel	1,062,681,587	1,107,102,000	1,134,369,000	44,420,413	27,267,000	3.3%
Baltimore City	1,199,058,511	1,215,967,101	1,200,858,461	16,908,590	-15,108,640	0.1%
Baltimore	1,545,610,239	1,584,822,591	1,584,576,239	39,212,352	-246,352	1.3%
Calvert	216,741,616	212,872,981	215,910,392	-3,868,635	3,037,411	-0.2%
Caroline	36,545,448	37,163,125	36,809,797	617,677	-353,328	0.4%
Carroll	342,792,114	337,442,690	340,840,045	-5,349,424	3,397,355	-0.3%
Cecil	156,172,343	161,293,505	159,349,264	5,121,162	-1,944,241	1.0%
Charles	303,149,031	312,342,590	331,104,500	9,193,559	18,761,910	4.5%
Dorchester	44,561,724	44,339,249	42,754,449	-222,475	-1,584,800	-2.0%
Frederick	472,370,847	465,269,417	465,353,765	-7,101,430	84,348	-0.7%
Garrett	64,632,753	66,098,114	65,734,751	1,465,361	-363,363	0.8%
Harford	493,125,398	493,159,471	495,379,656	34,073	2,220,185	0.2%
Howard	909,349,447	955,967,566	964,801,516	46,618,119	8,833,950	3.0%
Kent	42,208,389	42,901,268	42,926,975	692,879	25,707	0.8%
Montgomery	3,149,212,615	3,277,677,734	3,280,671,352	128,465,119	2,993,618	2.1%
Prince George's	1,402,760,797	1,394,289,300	1,404,964,500	-8,471,497	10,675,200	0.1%
Queen Anne's	106,422,517	111,686,007	107,806,429	5,263,490	-3,879,578	0.6%
St. Mary's	188,492,856	190,914,298	196,609,371	2,421,442	5,695,073	2.1%
Somerset	22,024,182	21,169,718	20,999,866	-854,464	-169,852	-2.4%
Talbot	58,720,843	65,129,624	68,196,000	6,408,781	3,066,376	7.8%
Washington	194,769,654	198,717,130	197,115,860	3,947,476	-1,601,270	0.6%
Wicomico	104,580,993	104,831,400	108,850,887	250,407	4,019,487	2.0%
Worcester	157,255,089	159,072,808	151,590,468	1,817,719	-7,482,340	-1.8%
Total	\$12,342,860,823	\$12,629,707,340	\$12,686,379,497	\$286,846,517	\$56,672,157	1.4%

Property Tax Revenue Trend for Fiscal 2012-2014

County	FY 2012	FY 2013	FY 2014	FY 2012-2013 \$ Difference	FY 2013-2014 \$ Difference	Average Annual Difference
Allegany	\$42,049,578	\$41,631,193	\$41,131,229	-\$418,385	-\$499,964	-1.1%
Anne Arundel	567,829,147	587,532,000	602,719,000	19,702,853	15,187,000	3.0%
Baltimore City	770,250,847	769,512,000	754,959,199	-738,847	-14,552,801	-1.0%
Baltimore	845,238,303	854,651,204	860,143,219	9,412,901	5,492,015	0.9%
Calvert	146,449,619	140,969,187	137,227,392	-5,480,432	-3,741,795	-3.2%
Caroline	23,932,023	24,106,972	24,442,955	174,949	335,983	1.1%
Carroll	203,651,235	198,243,342	195,668,370	-5,407,893	-2,574,972	-2.0%
Cecil	102,147,108	104,661,472	101,764,411	2,514,364	-2,897,061	-0.2%
Charles	195,722,484	200,012,954	212,432,300	4,290,470	12,419,346	4.2%
Dorchester	31,155,678	31,969,716	30,154,734	814,038	-1,814,982	-1.6%
Frederick	282,116,563	261,627,970	263,838,803	-20,488,593	2,210,833	-3.3%
Garrett	47,490,734	48,312,114	48,378,651	821,380	66,537	0.9%
Harford	294,566,509	286,910,662	284,472,646	-7,655,847	-2,438,016	-1.7%
Howard	503,063,730	527,378,634	540,722,652	24,314,904	13,344,018	3.7%
Kent	30,405,080	30,174,622	30,267,675	-230,458	93,053	-0.2%
Montgomery	1,447,857,234	1,470,949,276	1,514,487,152	23,092,042	43,537,876	2.3%
Prince George's	719,136,540	693,263,100	693,725,100	-25,873,440	462,000	-1.8%
Queen Anne's	64,724,361	65,651,274	62,739,716	926,913	-2,911,558	-1.5%
St. Mary's	100,050,654	100,809,676	101,669,371	759,022	859,695	0.8%
Somerset	15,355,665	14,623,206	14,470,866	-732,459	-152,340	-2.9%
Talbot	30,002,020	32,876,624	33,293,000	2,874,604	416,376	5.3%
Washington	122,689,802	123,609,730	119,215,860	919,928	-4,393,870	-1.4%
Wicomico	58,468,272	60,006,246	61,683,755	1,537,974	1,677,509	2.7%
Worcester	121,243,588	121,348,615	117,680,468	105,027	-3,668,147	-1.5%
Total	\$6,765,596,774	\$6,790,831,789	\$6,847,288,524	\$25,235,015	\$56,456,735	0.6%

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.

Local Income Tax Revenue Trend for Fiscal 2012-2014

County	FY 2012	FY 2013	FY 2014	FY 2012-2013 \$ Difference	FY 2013-2014 \$ Difference	Average Annual Difference
Allegany	\$24,854,127	\$24,249,252	\$24,534,600	-\$604,875	\$285,348	-0.6%
Anne Arundel	394,480,856	401,400,000	417,300,000	6,919,144	15,900,000	2.9%
Baltimore City	257,892,892	267,365,960	274,386,334	9,473,068	7,020,374	3.1%
Baltimore	593,204,019	607,429,599	604,292,819	14,225,580	-3,136,780	0.9%
Calvert	64,199,044	65,091,797	71,723,000	892,753	6,631,203	5.7%
Caroline	11,088,210	11,103,026	10,800,000	14,816	-303,026	-1.3%
Carroll	128,967,957	127,555,768	133,803,415	-1,412,189	6,247,647	1.9%
Cecil	49,813,198	50,421,108	52,139,853	607,910	1,718,745	2.3%
Charles	97,179,582	99,440,598	106,240,200	2,261,016	6,799,602	4.6%
Dorchester	10,767,858	9,692,631	9,809,329	-1,075,227	116,698	-4.6%
Frederick	169,760,329	176,068,392	176,363,100	6,308,063	294,708	1.9%
Garrett	10,808,277	11,000,000	11,125,000	191,723	125,000	1.5%
Harford	179,177,637	184,160,982	190,600,000	4,983,345	6,439,018	3.1%
Howard	357,346,674	374,358,094	370,000,000	17,011,420	-4,358,094	1.8%
Kent	10,335,245	11,047,174	10,800,000	711,929	-247,174	2.2%
Montgomery	1,255,089,822	1,331,386,818	1,299,191,344	76,296,996	-32,195,474	1.7%
Prince George's	485,231,677	497,429,000	509,066,400	12,197,323	11,637,400	2.4%
Queen Anne's	35,969,879	39,438,906	38,984,963	3,469,027	-453,943	4.1%
St. Mary's	76,289,036	76,746,270	82,000,000	457,234	5,253,730	3.7%
Somerset	6,246,160	6,035,956	6,100,000	-210,204	64,044	-1.2%
Talbot	20,269,343	23,500,000	26,000,000	3,230,657	2,500,000	13.3%
Washington	64,578,939	65,763,209	68,730,000	1,184,270	2,966,791	3.2%
Wicomico	41,845,360	40,472,224	42,593,604	-1,373,136	2,121,380	0.9%
Worcester	12,900,072	12,676,852	12,200,000	-223,220	-476,852	-2.8%
Total	\$4,358,296,193	\$4,513,833,616	\$4,548,783,961	\$155,537,423	\$34,950,345	2.2%

Source: Department of Legislative Services, County Budgets

Local Government Tax Actions

Limited revenue growth at the local level resulted in seven county governments raising at least one major local tax in fiscal 2014 in order to balance local budgets; however, two county governments reduced local property taxes slightly, and one county reduced its local income tax rate. Unlike fiscal 2013 when 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, no jurisdiction exercised this authority in fiscal 2014.

Jurisdictions with Tax Increases in Fiscal 2014

Anne Arundel County – Property Tax (+0.9 cent)
 Caroline County – Property Tax (+5.0 cents) and Income Tax (2.63 to 2.73%)
 Charles County – Property Tax (+ 8.4 cents) and Income Tax (2.90 to 3.03%)
 Montgomery County – Property Tax (+ 1.8 cents)
 Somerset County – Property Tax (+ 3.13 cents)
 Talbot County – Property Tax (+2.1 cents)
 Wicomico County – Property Tax (+6.82 cents)

Jurisdictions with Tax Decreases in Fiscal 2014

Allegany County – Property Tax (- 0.1 cent)
 Baltimore City – Property Tax (-2.0 cents)
 Carroll County – Income Tax (3.05 to 3.04%)

Number of Counties Changing Local Tax Rates Fiscal 2012-2014

	<u>2012</u>		<u>2013</u>		<u>2014</u>	
	▲	▼	▲	▼	▲	▼
Real Property	8	2	9	2	7	2
Local Income	1	1	3	0	2	1
Recordation	2	0	1	0	0	0
Transfer	0	0	0	0	0	0
Admissions/Amusement	0	0	0	1	0	0
Hotel/Motel	1	0	1	0	0	0

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

Local Tax Rates – Fiscal 2013 and 2014

County	Real Property		Local Income		Recordation		Transfer		Admissions/Amusement		Hotel Rental	
	FY 2013	FY 2014	CY 2013	CY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014
Allegany	\$0.981	\$0.980	3.05%	3.05%	\$3.50	\$3.50	0.5%	0.5%	7.5%	7.5%	8.0%	8.0%
Anne Arundel	0.941	0.950	2.56%	2.56%	3.50	3.50	1.0%	1.0%	10.0%	10.0%	7.0%	7.0%
Baltimore City	2.268	2.248	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	0.890	0.940	2.63%	2.73%	5.00	5.00	0.5%	0.5%	0.0%	0.0%	5.0%	5.0%
Carroll	1.018	1.018	3.05%	3.04%	5.00	5.00	0.0%	0.0%	10.0%	10.0%	5.0%	5.0%
Cecil	0.991	0.991	2.80%	2.80%	4.10	4.10	\$10/deed	\$10/deed	6.0%	6.0%	3.0%	3.0%
Charles	1.121	1.205	2.90%	3.03%	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%	0.0%	0.0%	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	1.190	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	1.003	1.021	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%	2.75	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	0.915	3.15%	3.15%	3.30	3.30	0.0%	0.0%	4.0%	4.0%	5.0%	5.0%
Talbot	0.491	0.512	2.40%	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	0.840	0.909	3.20%	3.20%	3.50	3.50	0.0%	0.0%	6.0%	6.0%	6.0%	6.0%
Worcester	0.770	0.770	1.25%	1.25%	3.30	3.30	0.5%	0.5%	3.0%	3.0%	4.5%	4.5%

CY: calendar year

Local Government Salary Actions
Fiscal 2013 and 2014

<u>Salary Action</u>	County Government		Public Schools	
	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>
COLA/GSI				
No COLA/GSI	16	6	16	16
COLA/GSI	8	16	8	7
Still Pending	0	2	0	1
Stipend/Bonus¹	8	0	1	1
Step/Merit Increases	7	10	19	20
Furlough/Salary Reductions	0	0	2	0
Layoffs	2	0	5	4
	State Government		CPI-Urban Consumers	
	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013²</u>	<u>FY 2014²</u>
COLA Amount ³	2.0%	3.0%	1.67%	1.60%
One-time Bonus	\$0	\$0		
Furloughs	No	No		
Step/Merit Increases ⁴	No	Yes		

COLA: cost-of-living adjustment

CPI: Consumer Price Index

GSI: general salary increase

¹ In fiscal 2013, Garrett and St. Mary's counties provided stipends in addition to a COLA; Washington County provided a stipend in addition to a step increase; and Calvert, Carroll, Montgomery, Prince George's, and Queen Anne's counties provided a one-time payment to most employees. In addition, in fiscal 2013, Queen Anne's County Public Schools provided a bonus to all employees. For fiscal 2014, Carroll County Public Schools will provide a bonus.

² Forecast of the CPI for 2013 (actual) and 2014 (estimate) comes from Moody's Analytics.

³ Fiscal 2013 COLA was implemented December 31, 2012; fiscal 2014 COLA effective January 1, 2014.

⁴ Increment effective April 1, 2014.

Source: 2013 Local Government Salary Action Survey, Department of Legislative Services

Local Government Salary Actions in Fiscal 2014

County	County Government			Board of Education Teachers		
	Generally	COLA/GSI	Step/Merit	COLA/GSI	Step/Merit	Step/Merit
Allegany ¹	3.0%	No	0.0%	Yes	Yes	Yes
Anne Arundel ²	3.0%	Yes	1.0%	Yes	Yes	Yes
Baltimore City ³	most groups pending	most groups pending	pending	pending	pending	pending
Baltimore ⁴	varies	Yes	0.0%	Yes	Yes	Yes
Calvert ⁵	1.0%	Yes	3.5%	Yes	Yes	Yes
Caroline ⁶	1.0%	No	0.0%	Yes	Yes	Yes
Carroll ⁷	1.5%	Yes	0.0%	No	No	No
Cecil	1.5%	No	1.8%	Yes	Yes	Yes
Charles	2.0%	Yes	0.0%	Yes	Yes	Yes
Dorchester	1.0%	No	0.0%	Yes	Yes	Yes
Frederick	1.0%	Yes	0.0%	Yes	Yes	Yes
Garrett	0.0%	No	0.0%	2 steps	2 steps	2 steps
Harford	0.0%	No	0.0%	No	No	No
Howard ⁸	2.0%	Yes	0.0%	Yes	Yes	Yes
Kent	\$2,000	No	0.0%	No	No	No
Montgomery ⁹	3.25%	Yes	0.0%	Yes	Yes	Yes
Prince George's ¹⁰	some groups pending	some groups pending	3.0%	Yes	Yes	Yes
Queen Anne's ¹¹	3.0%	No	1.0%	Yes	Yes	Yes
St. Mary's ¹²	0.0%	2 steps	0.0%	Yes	Yes	Yes
Somerset ¹³	0.0%	No	1.0%	Yes	Yes	Yes
Talbot ¹⁴	3.0%	Yes	0.0%	Yes	Yes	Yes
Washington ¹⁵	0.0%	No	0.0%	Yes	Yes	Yes
Wicomico	1.7%	No	1.0%	Yes	Yes	Yes
Worcester ¹⁶	2.0%	No	0.0%	Yes	Yes	Yes
Number Granting	16	10	7	20	7	20

COLA: cost-of-living adjustment

GSI: general salary increase

Footnotes

- ¹ Most Allegany County employees will receive a 3.0% COLA; transit employees will receive an increase of \$0.35 per hour; and sheriff negotiations are pending.
- ² Anne Arundel County nonrepresented employees, except uniformed police, will receive a 2.0% COLA in January 2014 and a 2.0% COLA in April 2014; detention officers and sergeants will receive a 2.0% COLA in January 2014 and a 1.0% COLA in April 2014; all other employees will receive a 3.0% COLA in January 2014. All employees, except police who are on a new scale, receive a 3.0% merit increase. Anne Arundel County Public Schools teachers receive a 1.0% COLA on July 1, 2013, and a step increase January 22, 2014; administrators and supervisors receive a 1.0% COLA and 2 steps effective July 1, 2013; American Federation of State, County and Municipal Employees (AFSCME) receive 2.0% effective January 1, 2014; Secretaries and Assistants Association of Anne Arundel County receive 1.5% effective July 1, 2013, and 1 step mid-year; and nonunion employees receive 3.0% effective July 1, 2013.
- ³ Baltimore City fire suppression employees will receive 14% increase for new schedule on January 1, 2014; other fire employees receive a 2.0% COLA; both groups receive a step increase; Baltimore City is still negotiating with other employee groups. Baltimore City Public Schools teachers, administrators, and supervisors are still negotiating. The City Union of Baltimore members receive 1.4% COLA; L44 members receive 2.1%; and paraprofessionals and school-related personnel receive 1.75%; most employees also will receive interval increase.
- ⁴ Baltimore County is still in negotiations with police officers. AFSCME employees received a 3% COLA on July 1, 2013.
- ⁵ Calvert County Public Schools teachers are repositioned on compressed salary scales, then receive a 1 step increase and 1.0% COLA, resulting in average GSI of 3.5%. Teachers on top step receive pensionable salary adjustment of 1.0% for fiscal 2014 that will not be incorporated into the base. Similar for support staff and supervisors and administrators, except that supervisors and administrators at top step receive pensionable salary adjustment of 1.5%.
- ⁶ Caroline County State's Attorney and circuit court employees will not receive the 1.0% GSI.
- ⁷ Carroll County Public Schools employees receive a 2.5% bonus.
- ⁸ All Howard County employees will receive a 2.0% COLA January 1, 2014.
- ⁹ Most Montgomery County employees receive a 3.25% general wage adjustment and, except management and medical doctors, a 3.5% service increment; firefighters receive a 2.75% general wage adjustment; police receive 2.1%, fire and police management also receive catch up increments; and seasonal employees receive a \$0.50/hour increase. While Montgomery County Public Schools employees in general will not receive a COLA, employees that did not receive a merit step or longevity increase will receive a 2.0% GSI.
- ¹⁰ Increases for Prince George's County correctional officers, police, deputy sheriffs, fire/EMS, police, and sheriff civilian employees not determined at this time; AFSCME employees receive an increase of 2.5% effective July 1, 2013, and 2.5% effective March 1, 2014; firefighters receive a 3.5% merit increase, but no COLA; other employees in general receive 2.5% COLA effective August 25, 2013, and 2.5% COLA effective March 9, 2014. Prince George's County Public Schools teachers will receive a delayed step increase on January 1, 2014; Association of Classified Employees/AFSCME members receive a 3% COLA and a step increase; Service Employees International Union members receive a 2% COLA and a step increase; administrators, supervisors, and other professional positions are still in negotiations.
- ¹¹ Queen Anne's County Public Schools certificated and support employees that did not receive the step increase will receive an additional 1.0% increase; administrators and supervisors will not receive the step increase.
- ¹² St. Mary's County employees at top of grade receive a \$800 stipend in lieu of step increases. St. Mary's County Public Schools teachers and classified/noncertificated employees receive a step and step recovery or \$800 stipend if no step increase; administrators are on a new salary scale and receive \$800 if no increase.
- ¹³ Somerset County Public Schools employees will receive a step increase in January 2014.
- ¹⁴ Talbot County Public Schools 180-day staff receive a \$100 stipend in lieu of one day reduction in calendar days.
- ¹⁵ While Washington County Public Schools employees in general will not receive a COLA, teachers in the top 2 steps receive a 0.5% increase; teachers, education support personnel, and administrators and supervisors receive a step increase; teachers in the top step receive a one-time stipend of \$375; and education support personnel, administrators, and supervisors in the top step receive a 1.0% stipend.
- ¹⁶ Worcester County Public Schools employees will receive a 1.0% increase if beyond step.

Local Government Furlough, Salary Reduction, and Layoff Plans in Fiscal 2014

County	Furlough/Reduction	Layoffs	
Allegany	No	No	School system indicated that 113.8 positions have been eliminated through attrition since fiscal 2012, including 26 positions in fiscal 2014.
Anne Arundel	No	No	
Baltimore City	No	Yes	School system does not plan any furloughs or salary reductions, but plans to lay off up to 53 nonteacher employees.
Baltimore	No	No	
Calvert	No	No	
Caroline	No	No	
Carroll	No	No	
Cecil	No	No	
Charles	No	No	
Dorchester	No	No	
Frederick	Undecided	Yes	County has not decided whether to implement any furloughs or salary reductions, but indicated that an undetermined number of layoffs are planned at this time. School system has laid off three employees and has not yet determined whether to implement furloughs or additional layoffs.
Garrett	No	Undetermined	School system does not plan to implement any furloughs or salary reductions, but recently closed three schools and has not determined whether to implement any layoffs.
Harford	No	Yes	School system does not plan to implement any furloughs or salary reductions, but laid off 46 teachers.
Howard	No	No	
Kent	No	Yes	School system does not plan to implement any furloughs or salary reductions, but laid off 15 employees, including 6.5 teachers.
Montgomery	No	No	
Prince George's	No	No	
Queen Anne's	No	No	County indicated that 23 employees took advantage of a retirement incentive offered in fiscal 2012.

County	Furlough/Reduction	Layoffs
St. Mary's	No	No
Somerset	No	No
Talbot	No	No
Washington	No	No
Wicomico	No	No
Worcester	No	No
Total Jurisdictions Implementing Plans	0	4

Source: 2013 Local Government Salary Action Survey, Department of Legislative Services

**Contractual Full-time Equivalent Positions
Fiscal 2002 Actuals to 2015 Baseline**

<u>Department/Service Area</u>	<u>2002 Actual</u>	<u>2013 Actual</u>	<u>2014 Leg. App.</u>	<u>2015 Baseline</u>	<u>2014 -2015 Change</u>
Health and Human Services					
Health and Mental Hygiene	409	356	385	387	2
Human Resources	111	111	82	82	0
Juvenile Services	119	168	170	170	0
Subtotal	639	635	638	639	2
Public Safety					
Public Safety and Correctional Services	298	275	396	396	0
Police and Fire Marshal	46	24	29	29	0
Subtotal	344	299	425	425	0
Transportation	142	114	131	186	55
Other Executive					
Legal (Excluding Judiciary)	99	44	53	53	0
Executive and Administrative Control	208	243	203	204	1
Financial and Revenue Administration	35	54	50	50	0
Budget and Management	33	13	18	18	1
Retirement	30	15	15	15	1
General Services	35	17	33	33	0
Natural Resources	332	366	404	406	2
Agriculture	36	43	42	42	0
Labor, Licensing, and Regulation	176	251	259	259	0
MSDE and Other Education	218	240	336	337	1
Housing and Community Development	49	50	71	71	1
Business and Economic Development	49	13	19	19	0
Environment	32	25	68	68	0
Subtotal	1,332	1,374	1,570	1,575	5
Executive Branch Subtotal	2,457	2,422	2,764	2,825	61
Higher Education	6,079	6,692	6,630	6,630	0
Judiciary	371	405	447	451	4
Total	8,907	9,519	9,841	9,906	65

Source: Department of Budget and Management

Recent History General Obligation (GO) Bond Authorization Level Increases 2001 through 2019 Session

- Year-over-year change in GO bond authorization Levels: The State has used GO bond debt capacity as a means of addressing fiscal pressures that reduced the availability of general fund support of the capital program and as a mechanism for replacing various special fund revenues and fund balances in capital accounts transferred to the general funds in support of the operating budget. The following matrix illustrates the year-over-year revisions in authorization levels.

	Session																		
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	CDAC
2013													1160	1170	1180	1275	1315	1280	2013
2012												1075	1085	1095	1105	1200	1240	1280	2012
2011											1075	925	935	945	955	1200	1240	1280	2011
2010										925	925	925	935	945	955	1200	1240	1280	2010
2009									1140	1020	1050	1080	1110	1140	1170	1200	1240		2009
2008								1110	990	1020	1050	1080	1110	1140	1170	1200			2008
2007							935	960	990	1020	1050	1080	1110	1140	1170				2007
2006						810	835	860	890	920	950	980	1010	1040					2006
2005					690	710	730	745	770	795	820	845	870						2005
2004				670	685	700	715	630	645	660	675	690							2004
2003			650	665	680	695	710	630	645	660	675								2003
2002		740	555	570	585	600	615	625	640	655									2002
2001	520	535	550	565	580	595	610	625	640										2001

CDAC: Capital Debt Affordability Committee

GO Debt Expansion

- Adding debt does not just expand capital spending but also supports capital projects previously funded in the operating budget. GO bond authorizations provided operating budget relief for the State as general fund revenues declined and the State increasingly turned to fund transfers and with GO bond replacement funding.

<u>Initial Authorization</u>	<u>Amount Authorized</u>	<u>Effect on Capital Spending</u>
Chapter 111 of 2001	\$30 million annually	Increase the State capital program
Chapter 103 of 2002	\$5 million annually	Fund Tobacco Transition Program
Chapter 290 of 2002	\$200 million in fiscal 2003	Move PAYGO capital projects into GO bond program
Chapter 204 of 2003	\$200 million in fiscal 2004	Move PAYGO capital projects into GO bond program
Chapter 432 of 2004	\$100 million annually for five years	Increase the State capital program
Chapter 46 of 2006	Increase escalation to 3%, \$100 million annually in fiscal 2010	Increase the State capital program
Chapter 488 of 2007	\$100 million annually	Increase the State capital program
Chapter 336 of 2008	\$100 million annually	Increase the State capital program
Chapter 485 of 2009	\$150 million in fiscal 2010	Move PAYGO capital projects into GO bond program
Chapter 419 of 2009	\$70 million in fiscal 2010	Maintain POS spending in fiscal 2010
Chapter 483 of 2010	\$150 million in fiscal 2011	Move PAYGO capital projects into GO bond program
Chapter 444 of 2012	\$150 million in fiscal 2013	Increase the State capital program
Chapter 424 of 2013	\$150 million each of fiscal 2014-2018	Increase the State capital program - restore authorization levels to pre 2010 session levels

PAYGO: pay-as-you-go
POS: Program Open Space

Watershed Implementation Plan

- The most recent estimated cost of implementing the Phase II Watershed Implementation Plan (WIP) from all sectors illustrates that local stormwater upgrades likely represent the largest WIP implementation costs. The State, through the Bay Restoration Fund, is well on its way to addressing the municipal wastewater component.

Maryland's Estimated Phase II WIP Implementation Costs Fiscal Years (\$ in Millions)

Source Sector	<u>2010-2017 Cost</u>	<u>2010-2025 Total Costs</u>
Agriculture	\$498	\$928
Municipal Wastewater	2,368	2,368
Major Municipal Plants	2,306	2,306
Minor Municipal Plants	62	62
Stormwater	2,546	7,388
Maryland Department of Transportation	467	1,500
Local Government	2,079	5,888
Septic Systems	824	3,719
Upgrades	562	2,358
Connections	237	1,273
Pumping	25	88
Total	\$6,236	\$14,403

Note: The exhibit does not reflect costs associated with controlling combined sewer and sanitary overflows or the implementation of the Healthy Air Act. The exhibit reflects the final Phase II WIP estimate released October 26, 2012.

Source: *Phase II Watershed Implementation Plan*; Maryland Department of the Environment

- Transportation Infrastructure Act of 2013:** Requires the Governor to include in the operating or capital budget specified appropriations to the State Highway Administration for use in complying with the WIP. The required appropriations equal \$45.0 million in fiscal 2015, \$65.0 million in fiscal 2016, \$85.0 million in fiscal 2017, and \$100.0 million in each of fiscal 2018 and 2019.

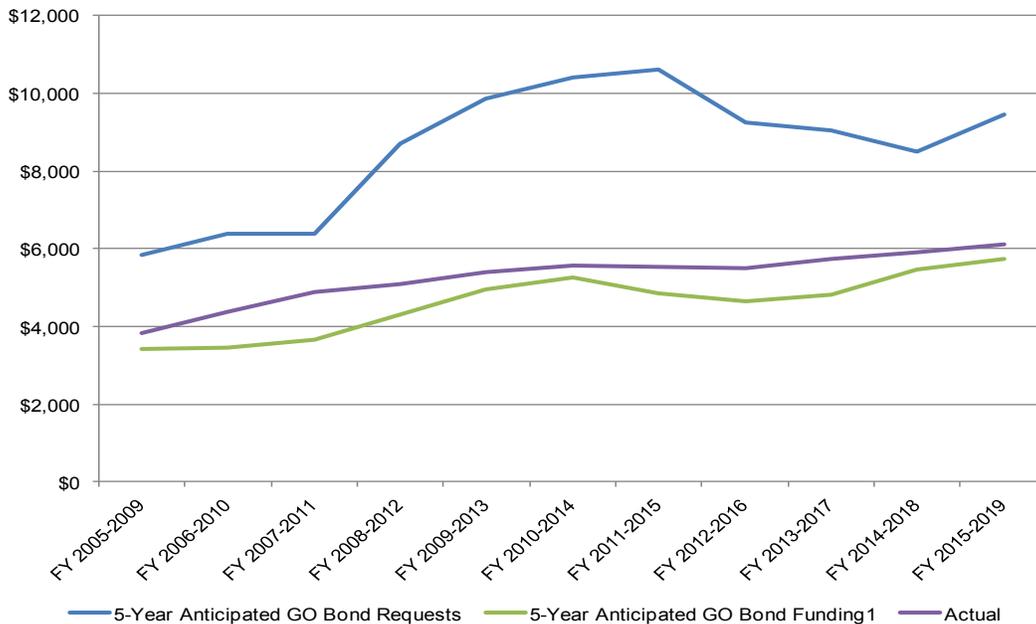
Use of General Obligation Bond Program to Support Operating Budget Relief
Fiscal 2010-2015
(\$ in Millions)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Special Fund Revenue Replacement: Partial general obligation (GO) bond replacement for special fund revenues 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.	\$31.2	\$98.4	\$133.7	\$106.8	\$62.2	\$67.1
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.	141.3	176.9	71.8	0.0	0.0	0.0
InterCounty Connector Funding: Multi-year plan to use GO bond funds in place of general funds statutorily committed for the InterCounty Connector.	55.0	89.3	46.2	0.0	21.5	0.0
State Highway Administration: The Transportation Infrastructure Investment Acts of 2013 requires Governor to budget funds for SHA to use in complying with the Watershed Implementation Plan. The Act requires \$395 million from fiscal 2015 through fiscal 2019 as follows: \$45 million in fiscal 2015, \$65 million in fiscal 2016, \$85 million in fiscal 2017, and \$100 million in both fiscal 2018 and fiscal 2019.	0.0	0.0	0.0	0.0	0.0	45.0
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.	52.5	0.0	22.7	38.5	7.1	0.0
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.	28.1	45.7	36.9	83.5	56.0	41.8
Total	\$308.1	\$414.3	\$311.3	\$228.8	\$146.8	\$153.9

Capital Requests Exceed Capacity

- Recession Impacts Demand but Most Recent Five-year Request Cycle Shows Increased Demand:** General Obligation (GO) bond request declined during the recession to approximately \$8.5 billion compared to levels in excess of \$10.3 billion for the annual five-year request cycles prior to the recession. The most recent five-year request cycle covering fiscal 2015 through 2019 increased relative to the previous four cycles each of which declined on a year-over-year basis.
- School Construction and Local Capacity:** Demand declined during the recession largely due to reduced local school construction requests. During the recession, the annual five-year request averaged \$2.3 billion compared to \$4.1 billion for the three annual five-year request cycles prior to the recession. The most recent uptick is largely attributable to increased demand from local governments for State support of school construction projects – the five-year request cycle covering fiscal 2015 through 2019 totaled \$2.9 billion.

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

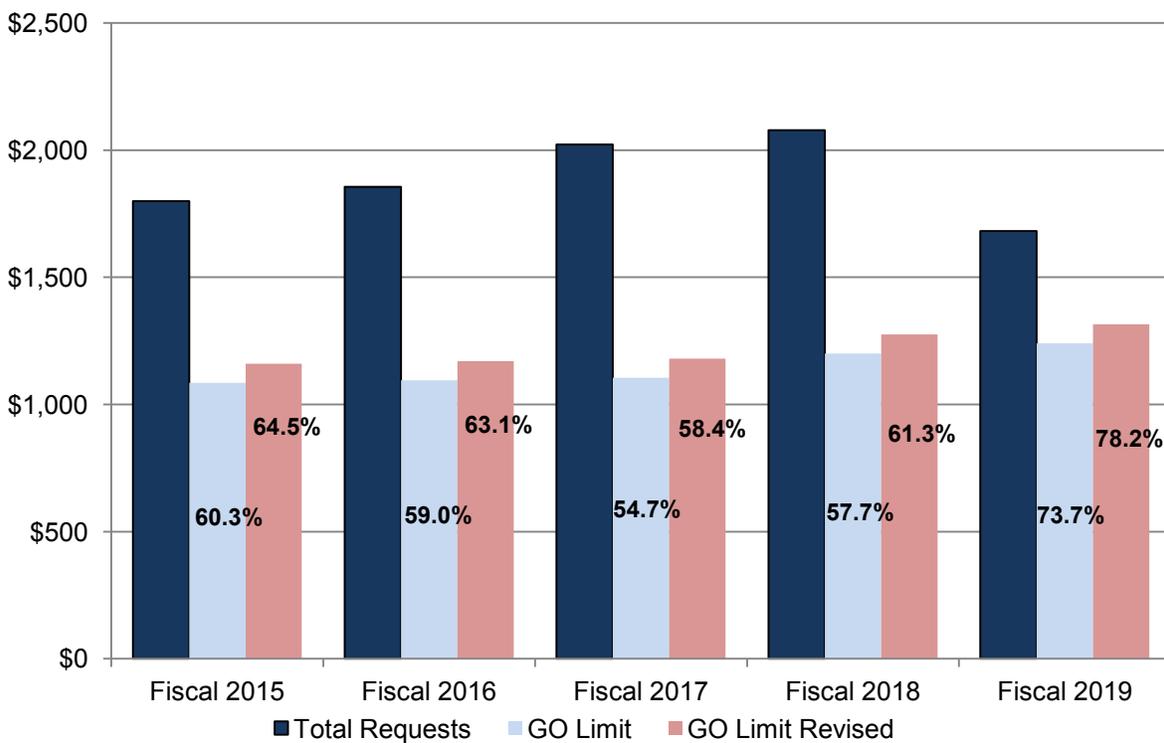


GO: general obligation

Source: Department of Budget and Management

- Increased Authorization Levels Would Close Some of the Funding-Demand Gap:** Increase in new out-year GO authorization limits would fund between 58 and 78% of requests compared to 55 to 73% based on the recommended limits set last year. GO bond requests exceed the recommended new authorization limit by \$700 for fiscal 2015. Over the five-year planning period, requests exceed capacity by almost \$3.9 billion.

**GO Bond Limit as Percentage of Requests
Fiscal 2015-2019
(\$ in Millions)**



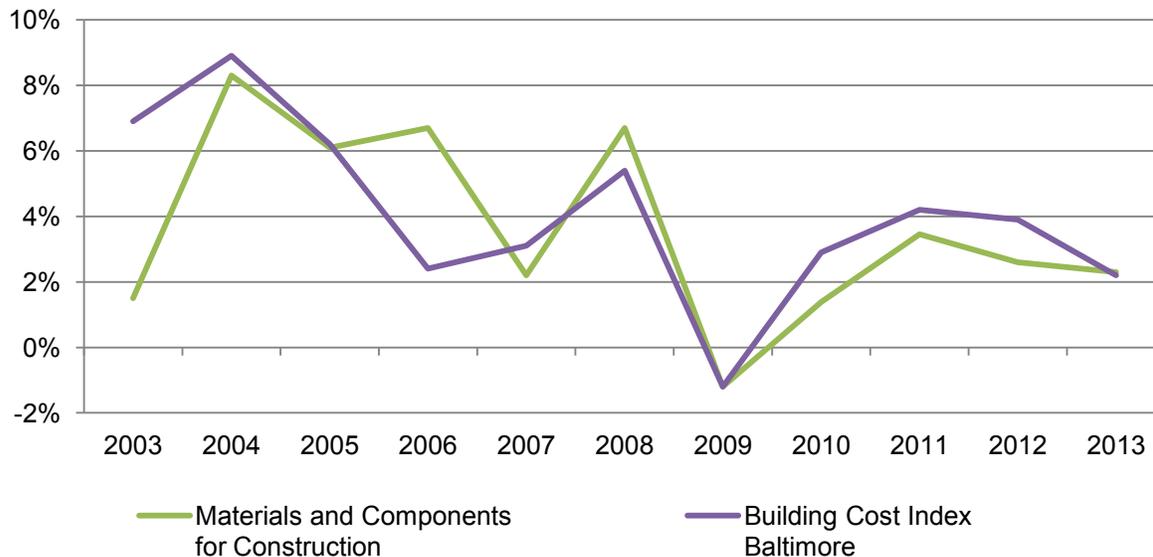
GO: general obligation

Source: Department of Budget and Management

Construction Costs Stabilize

- The year-over-year measure for inflation in the building and construction market nationally and regionally has stabilized in 2012 and 2013 compared to the sharp increase from 2009 to 2011.

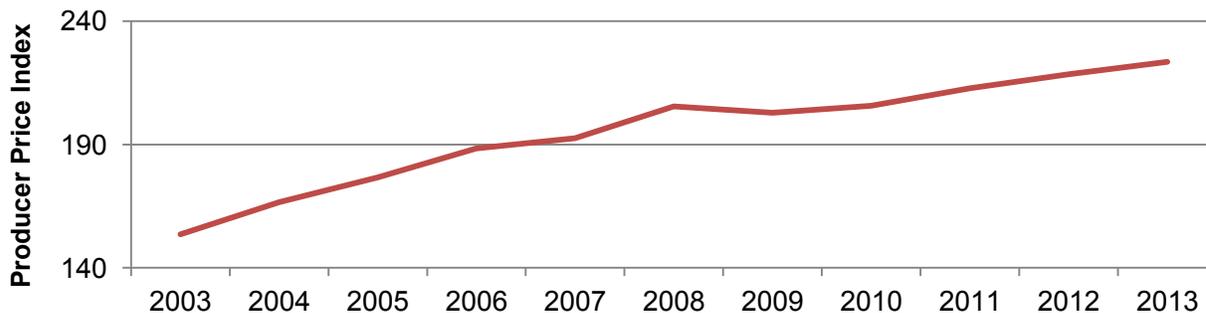
**Year-over-year Construction Cost Inflation
Calendar 2003-2013**



Source: Bureau of Labor Statistics; Engineering New-Record

- Construction inflation has increased at an average annual rate of 3.8% from calendar 2003 through September of calendar 2013.

**Indexed Average Annual Construction Cost Inflation
Calendar 2003-2013**



Source: Bureau of Labor Statistics; Engineering New-Record

Pre-authorizations Included in the MCCBL of 2013

<u>Project/Program Title</u>	2014		2015		2016		2017		2018		2019		<u>Total</u>
	<u>Session</u>	<u>Session</u>	<u>Session</u>	<u>Session</u>	<u>Session</u>	<u>Session</u>	<u>Session</u>	<u>Session</u>	<u>Session</u>	<u>Session</u>	<u>Session</u>	<u>Session</u>	
DNR Program Open Space	\$41,635,000	\$43,718,000	\$42,558,000	\$44,928,000	\$47,505,000	\$24,251,000	\$244,595,000						
DNR Rural Legacy Program	10,231,000	9,718,000	8,785,000	9,017,000	9,268,000	4,683,000	51,702,000						
MDA MALPP	15,188,000	16,967,000	16,093,000	16,877,000	17,727,000	9,029,000	91,881,000						
DHMH Henryton Center	3,600,000						3,600,000						
DPSCS Dorsey Run Mimimum Security Compound	18,850,000						18,850,000						
UMB Health Sciences Research Facility III and Surge Building	49,000,000	80,000,000	53,000,000	1,000,000			183,000,000						
UMES New Engineering and Aviation Science Building	56,850,000	350,000					57,200,000						
TU Softball Facility	1,500,000						1,500,000						
CSU New Science and Technology Center	6,016,000						6,016,000						
SU New Academic Commons	59,250,000	37,750,000					97,000,000						
UMBC Campus Traffic Safety and Circulation Improvements	10,000,000						10,000,000						
SMCM Anne Arundel Hall	17,700,000	8,900,000					26,600,000						
MSD New Fire Alarm	1,700,000						1,700,000						
MHEC Community College Facilities Grant Program	66,854,000						66,854,000						
Morgan State University (MSU) New School of Business Complex	3,000,000						3,000,000						
MSU Soper Library Demolition	2,100,000						2,100,000						
MES Infrastructure Improvement Fund	5,430,000						5,430,000						
DJS Cheltenham Youth Facility	31,000,000						31,000,000						
DSP Helicopter Replacement	12,900,000						12,900,000						
Misc.: Green Branch Athletic Complex	3,000,000						3,000,000						
Misc.: High Performance Computing Data Center	15,000,000						15,000,000						
Total	\$430,804,000	\$197,403,000	\$120,436,000	\$71,822,000	\$74,500,000	\$37,963,000	\$932,928,000						
CSU: Coppin State University	MES: Maryland Environmental Service												
DHMH: Department of Health and Mental Hygiene	MHEC: Maryland Higher Education Commission												
DJS: Department of Juvenile Services	MSD: Maryland School for the Deaf												
DNR: Department of Natural Resources	SMCM: St. Mary's College of Maryland												
DPSCS: Department of Public Safety and Correctional Services	SU: Salisbury University												
DSP: Department of State Police	TU: Towson University												
MCCBL: Maryland Consolidated Capital Bond Loan	UMB: University of Maryland, Baltimore												
MDA: Maryland Department of Agriculture	UMBC: University of Maryland Baltimore County												
	UMES: University of Maryland Eastern Shore												

Transportation Trust Fund Forecast
Fiscal 2014-2019
(\$ in Millions)

	<u>2014</u> <u>Est.</u>	<u>2015</u> <u>Est.</u>	<u>2016</u> <u>Est.</u>	<u>2017</u> <u>Est.</u>	<u>2018</u> <u>Est.</u>	<u>2019</u> <u>Est.</u>	<u>2014-2019</u> <u>Total</u>
Opening Fund Balance	\$218	\$100	\$100	\$125	\$125	\$125	
Closing Fund Balance	\$100	\$100	\$125	\$125	\$125	\$150	
Net Revenues							
Taxes and Fees	\$2,182	\$2,320	\$2,651	\$2,819	\$2,888	\$2,963	\$15,823
Operating & Miscellaneous	497	518	530	564	573	568	3,250
Net Revenues Subtotal	\$2,679	\$2,838	\$3,181	\$3,383	\$3,461	\$3,531	\$19,073
Bonds Sold	\$490	\$760	\$580	\$450	\$725	\$470	\$3,475
Total Revenues	\$3,169	\$3,599	\$3,761	\$3,833	\$4,911	\$4,001	\$23,274
Expenditures							
Debt Service	\$204	\$257	\$286	\$320	\$355	\$370	\$1,794
Operating Budget	1,668	1,861	1,935	2,014	2,093	2,178	11,749
State Capital	1,413	1,526	1,581	1,586	1,837	1,529	9,472
Total Expenditures	\$3,285	\$3,646	\$3,803	\$3,919	\$4,286	\$4,077	\$23,015
Debt							
Debt Outstanding	\$1,759	\$2,372	\$2,794	\$3,061	\$3,589	\$3,868	
Debt Coverage – Net Income	3.2	3.5	3.0	3.4	3.1	2.8	
Local Highway User Revenues							
	\$166	\$171	\$175	\$177	\$179	\$181	\$1,049
Capital							
State Capital	\$1,413	\$1,526	\$1,581	\$1,586	\$1,837	\$1,529	\$9,472
Net Federal Capital (Cash Flow)	849	741	744	637	658	798	\$4,427
Subtotal Capital Expenditures	\$2,262	\$2,267	\$2,325	\$2,223	\$2,495	\$2,327	\$13,899
GARVEE Debt Service	\$87	\$87	\$87	\$87	\$87	\$87	\$525

GARVEE: Grant Anticipation Revenue Vehicles