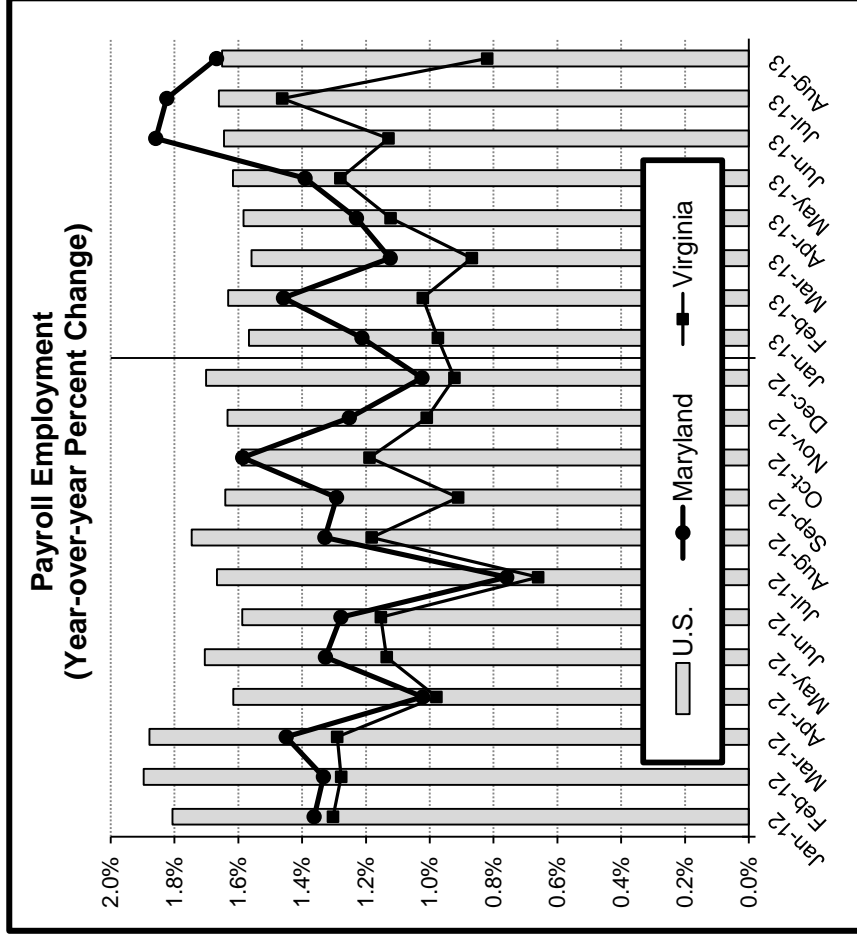

Spending Affordability Briefing

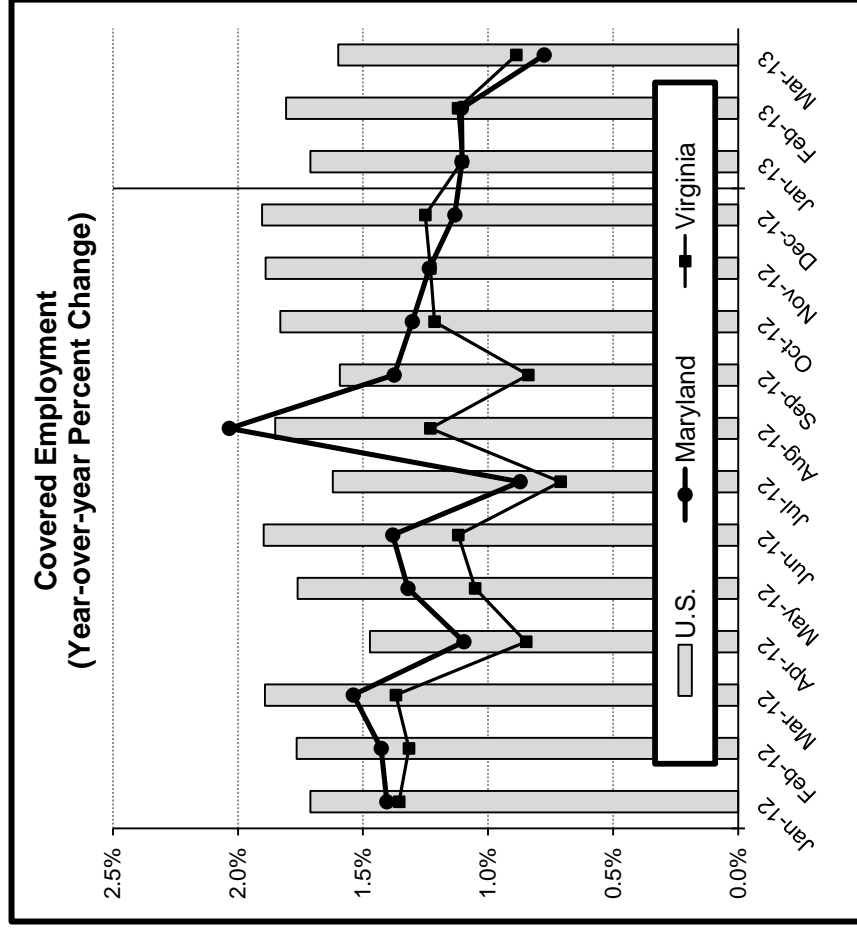
**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

October 16, 2013

LABOR MARKET

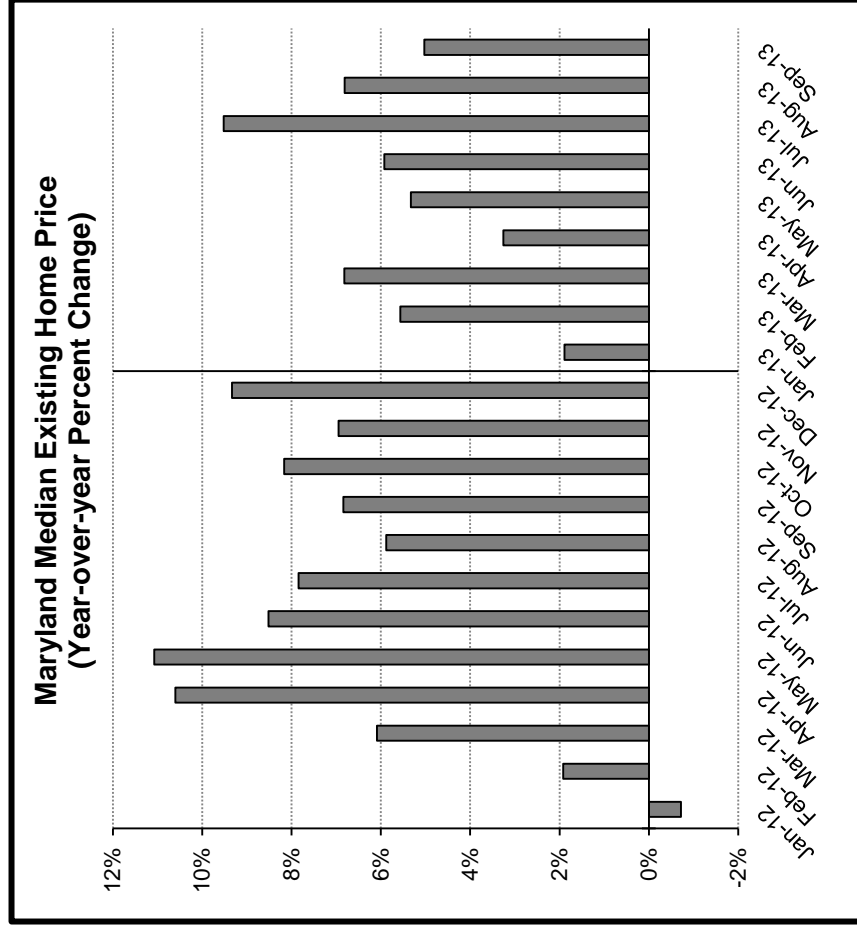
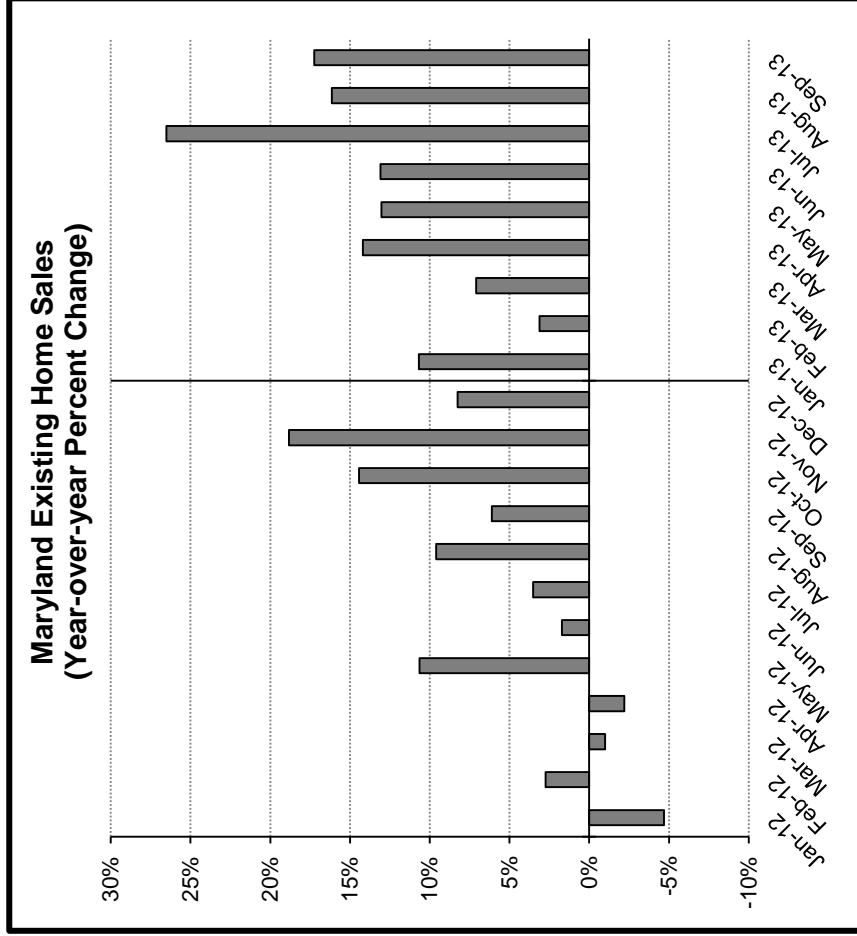


Payroll employment data comes from the monthly Current Establishment Survey (CES). This series shows Maryland employment growth accelerating sharply through the first half of 2013. Maryland generally grew slower than the United States, but faster than Virginia over this time period. In June, July, and August, the CES data shows Maryland growth faster than or even with the United States. As the CES data comes from a survey, it is subject to sampling errors which sometimes results in significant revisions as more accurate data becomes available.



Covered employment comes from the Quarterly Census of Employment & Wages (QCEW) and reflects all private and government employers covered by unemployment insurance laws. The QCEW is used to revise the monthly survey data each year. Available through March, the QCEW series shows that Maryland's employment growth did not outpace either the United States or Virginia in the first quarter of 2013. Maryland, in fact, experienced employment growth similar to Virginia. Both states saw growth decelerate from late 2012 through the first quarter of 2013.

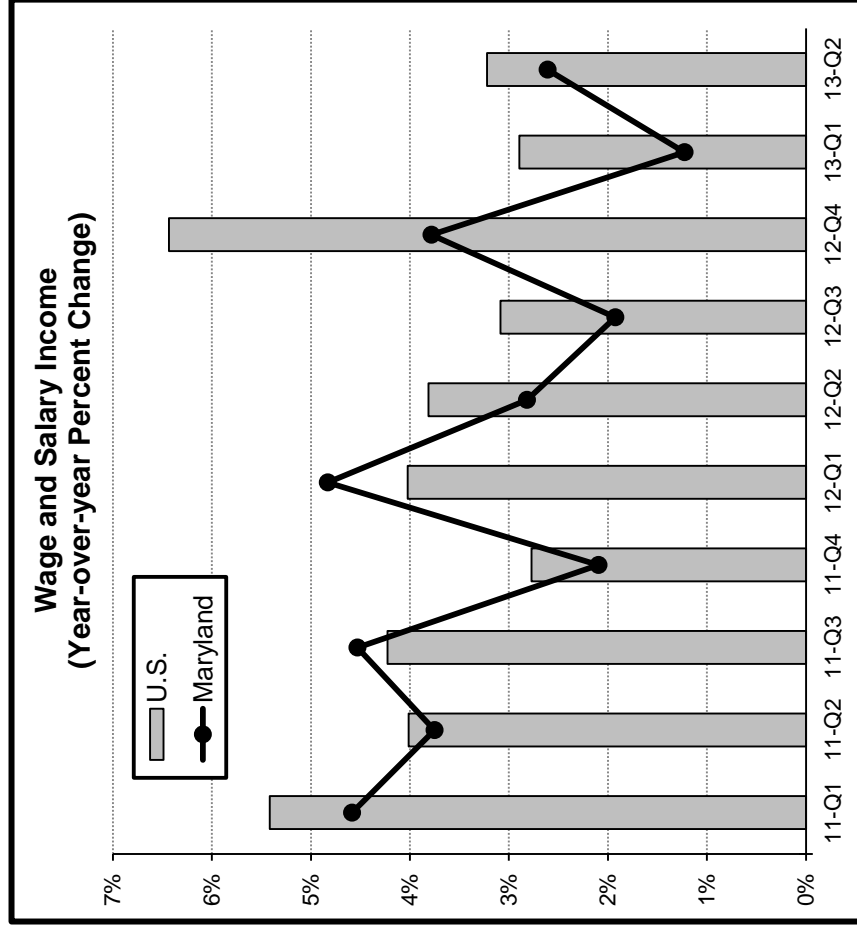
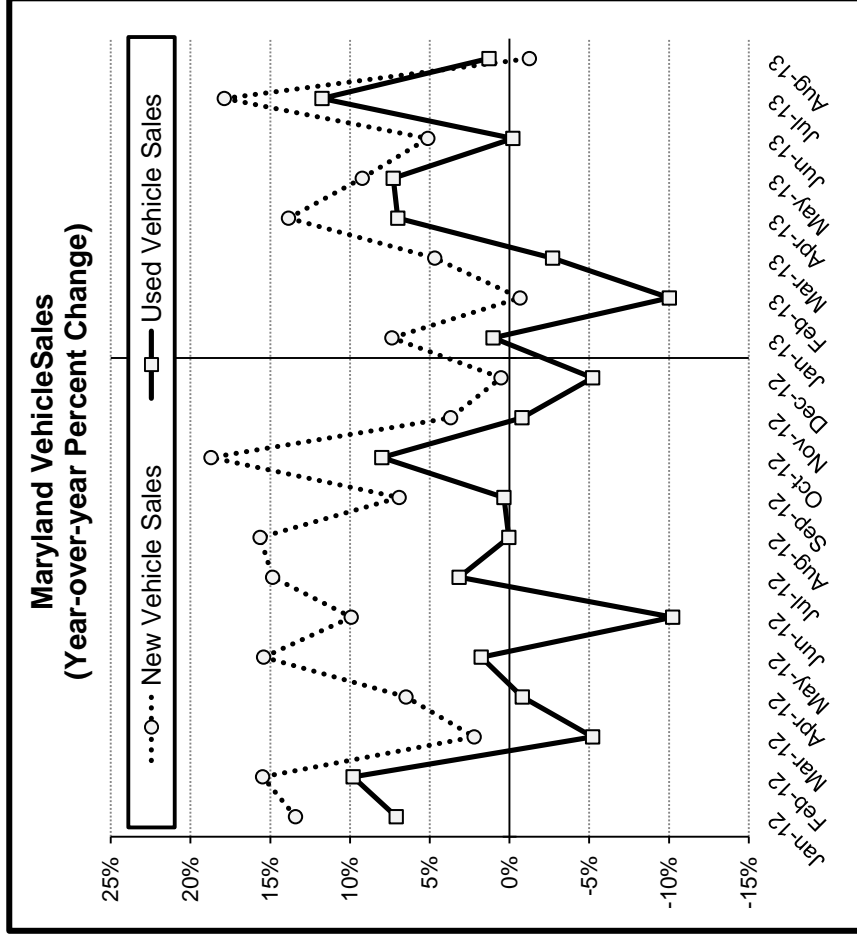
HOUSING MARKET



Maryland's existing housing market began to turn around in early 2012. Existing home sales have increased on a year-over-year basis for 16 straight months, the longest streak of growth since the federal homebuyers tax credit expired in June 2010. Home sales increased 5.6% in 2012 after falling 5.8% in 2011. In the first 9 months of 2013, sales are up 14.1% according to data from the Maryland Association of Realtors.

Statewide, the median existing home price fell on a year-over-year basis for 54 months from August 2007 to January 2012. In February 2012, the State saw its first increase in the median home price in four and a half years. Prices continued to increase every month since, rising 5% in September 2013. The inventory of homes for sale fell rapidly during 2012 (down around 25%), which may be a factor behind the growth in the median price. The inventory-to-sales ratio from June-August was around four, the lowest it has been since 2006.

CONSUMER MARKET



Vehicle sales were weak even prior to the recession, falling each year from 2005 to 2009. Sales grew 4.2% in 2010, 2.2% in 2011, and 3.4% in 2012. In each of those years, new vehicle sales grew much stronger than used sales. In 2012, new car sales were up 10.1%, while used car sales grew just 0.3%. That pattern has continued in 2013 with new car sales up 7.1% and used sales up 1.9% in the first eight months. In August, however, new vehicle sales fell for the first time since February. The average new vehicle price is up 1.6% in 2013, while the averaged used price is up 3.7%.

Wage and salary income growth has generally decelerated over the past few years. In the last five quarters, wage growth in Maryland has trailed the United States mirroring the State's slower employment growth. The spike in the fourth quarter of 2012 probably reflects additional or accelerated bonus payments given out prior to the increase in federal income tax rates for higher income individuals that went into effect in 2013.

Maryland Economic Forecasts

Year-over-year Percent Change

Calendar Year	Employment		Personal Income	
	<u>Dec. 2012</u>	<u>Sep. 2013</u>	<u>Dec. 2012</u>	<u>Sep. 2013</u>
2010	-0.2%	-0.2%	3.5%	2.7%
2011	1.1%	1.1%	5.0%	5.6%
2012	1.2%	1.2%	4.1%	3.5%
2013E	0.9%	1.2%	2.8%	2.1%
2014E	1.5%	1.5%	4.9%	4.3%
2015E	1.8%	1.8%	5.2%	4.3%
2016E	1.8%	1.8%	5.2%	4.6%

4

Calendar Year	Wage and Salary Income		Taxable Capital Gains Income*	
	<u>Dec. 2012</u>	<u>Sep. 2013</u>	<u>Dec. 2012</u>	<u>Sep. 2013</u>
2010	2.1%	2.2%	18.2%	18.2%
2011	3.6%	3.7%	15.0%	26.7%
2012	3.8%	3.3%	35.0%	50.0%
2013E	3.4%	2.0%	-10.0%	10.0%
2014E	3.9%	3.9%	10.0%	6.0%
2015E	4.4%	4.4%	8.0%	4.0%
2016E	4.5%	4.5%	8.0%	6.0%

* Calendar 2012 figures are estimates for both December 2012 and September 2013.

Note: Personal income and wage income for 2010-2012 under the September 2013 column reflect the latest revised data from the U.S. Bureau of Economic Analysis (BEA).

Source: Board of Revenue Estimates; U.S. Bureau of Labor Statistics; U.S. Internal Revenue Service; BEA

Fiscal 2013 General Fund and Budget Restoration Fund Revenues

(\$ in Millions)

<u>Source</u>	FY 2012		FY 2013		FY 2012-2013	
	<u>Actual</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	<u>Estimated</u>	<u>Actual</u>
						Percent Change
Personal Income Tax	\$7,114.7	\$7,686.1	\$7,691.4	\$5.3	8.0%	8.1%
Sales and Use Tax	4,039.3	4,074.5	4,067.8	-6.7	0.9%	0.7%
State Lottery	536.3	526.2	526.0	-0.2	-1.9%	-1.9%
Corporate Income Tax ⁽¹⁾	646.5	872.9	818.2	-54.7	35.0%	26.6%
Business Franchise Taxes	207.2	203.4	201.6	-1.8	-1.9%	-2.7%
Insurance Premiums Tax	304.0	314.5	303.8	-10.8	3.5%	-0.1%
Estate and Inheritance Taxes	196.9	217.8	234.6	16.8	10.6%	19.2%
Tobacco Tax	411.4	417.8	415.9	-1.9	1.6%	1.1%
Alcohol Beverages Tax	31.0	31.1	31.2	0.1	0.3%	0.5%
Motor Vehicle Fuel Tax ⁽²⁾	5.0	13.0	13.0	0.0	160.0%	160.0%
District Courts	79.4	77.0	75.5	-1.5	-3.0%	-4.9%
Clerks of the Court	35.1	40.0	38.5	-1.5	13.8%	9.7%
Hospital Patient Recoveries	66.4	60.9	64.5	3.6	-8.3%	-2.9%
Interest on Investments	17.9	10.0	14.5	4.5	-44.2%	-19.0%
Miscellaneous	380.0	393.5	371.1	-22.4	3.5%	-2.3%
Subtotal	\$14,071.1	\$14,938.7	\$14,867.5	-\$71.2	6.2%	5.7%
Highway User Revenue ⁽³⁾	\$186.7					
GAAP Transfer		\$17.5	\$17.5	\$0.0		
Total Revenues	\$14,257.8	\$14,956.2	\$14,885.0	-\$71.2	4.9%	4.4%

GAAP: generally accepted accounting principles

* From the Board of Revenue Estimates, March 2013, with adjustments for action at the 2013 legislative session.

⁽¹⁾ The Budget Reconciliation and Financing Act (BRFA) of 2011 (Chapter 397) lowered the Transportation Trust Fund's share of the corporate income tax from 24.0% of net receipts (excluding the first 15.15%) to 9.5% in fiscal 2013. Adjusted for this law change, baseline general fund corporate income tax revenues were up 8.5% in fiscal 2013.

⁽²⁾ The BRFA of 2011 diverted \$5.0 million in motor fuel tax revenue to the general fund that would otherwise have gone to the Chesapeake Bay 2010 Trust Fund for fiscal 2012 through 2015 and \$4.6 million in fiscal 2016. The BRFA of 2012 diverted \$8.0 million in motor fuel tax revenue to the Budget Restoration Fund (BRF) that otherwise would have gone to the Chesapeake Bay 2010 Trust Fund. The \$13.0 million in fiscal 2013 is thus a combination of \$5.0 million for the general fund and \$8.0 million for the BRF.

⁽³⁾ The BRFA of 2010 (Chapter 484) established a distribution from the Gasoline and Motor Vehicle Revenue Account to the general fund of 19.5% in fiscal 2010, 23% in fiscal 2011, and 20.4% in fiscal 2012. The BRFA of 2011 lowered the fiscal 2012 distribution to 11.3% and eliminated the distribution starting in fiscal 2013.

Maryland General Fund Revenue Forecast

(\$ in Millions)

<u>Source</u>	<u>FY 2013 Actual</u>	<u>FY 2014 Estimate</u>		<u>Difference</u>	<u>% Change over FY 2013</u>	<u>FY 2015 Estimate</u>	<u>% Change over FY 2014</u>
		<u>Mar.</u>	<u>Sept.</u>				
Personal Income Tax	\$7,691.4	\$7,958.8	\$8,072.8	\$114.1	5.0%	\$8,446.5	4.6%
Sales and Use Tax	4,067.8	4,223.7	4,192.5	-31.1	3.1%	4,352.6	3.8%
State Lottery ⁽¹⁾	526.0	528.2	508.2	-20.0	-3.4%	481.6	-5.2%
Corporate Income Tax ⁽²⁾	818.2	822.6	755.5	-67.1	-7.7%	824.9	9.2%
Business Franchise Taxes	201.6	204.8	198.0	-6.8	-1.8%	200.9	1.5%
Insurance Premiums Tax	303.8	319.2	297.3	-21.8	-2.1%	293.6	-1.2%
Estate and Inheritance Taxes	234.6	218.6	227.1	8.4	-3.2%	230.5	1.5%
Tobacco Tax	415.9	417.7	409.4	-8.3	-1.6%	408.5	-0.2%
Alcohol Beverages Tax	31.2	31.7	31.5	-0.2	1.0%	32.0	1.7%
Motor Vehicle Fuel Tax ⁽³⁾	13.0	5.0	5.0	0.0	-61.5%	5.0	0.0%
District Courts	75.5	78.3	75.9	-2.4	0.5%	75.8	-0.1%
Clerks of the Court	38.5	39.8	39.3	-0.5	2.0%	41.0	4.1%
Hospital Patient Recoveries	64.5	60.1	60.1	0.0	-6.8%	51.1	-15.0%
Interest on Investments	14.5	15.0	15.0	0.0	3.4%	20.4	35.7%
Miscellaneous	371.1	381.6	355.5	-26.1	-4.2%	322.2	-9.4%
Subtotal	\$14,867.5	\$15,305.1	\$15,243.2	-\$61.9	2.5%	\$15,786.6	3.6%
Transfer Tax		\$89.2	\$89.2			\$75.1	
GAAP Transfer	\$17.5						
Total Revenues	\$14,885.0	\$15,394.3	\$15,332.4	-\$61.9	3.0%	\$15,861.7	3.5%

GAAP: generally accepted accounting principles

⁽¹⁾ Per Senate Bill 1 of the Second Special Session of 2012, lottery agent commissions increased from 5.0 to 5.5% on January 1, 2013, and will rise to 6.0% in fiscal 2015 when the Baltimore City casino opens. Fiscal 2015 also reflects a \$20 million distribution to the Stadium Authority required by the Baltimore City Public Schools Construction and Revitalization Act of 2013 (Chapter 647).

⁽²⁾ The Budget Reconciliation and Financing Act (BRFA) of 2011 lowered the Transportation Trust Fund's share of the corporate income tax from 24.0% of net receipts (excluding the first 15.15%) to 9.5% in fiscal 2013. In fiscal 2014 and 2015, the share increases to 19.5%. Adjusted for this law change, baseline general fund corporate income tax revenues are projected to increase 2.5% in fiscal 2014 and total revenues would be up 3.6%.

⁽³⁾ The BRFA of 2011 diverted \$5.0 million in motor fuel tax revenue to the general fund that would otherwise have gone to the Chesapeake Bay 2010 Trust Fund for fiscal 2012 through 2015, and \$4.6 million in fiscal 2016. The BRFA of 2012 diverted \$8.0 million in motor fuel tax revenue to the Budget Restoration Fund (BRF) that otherwise would have gone to the Chesapeake Bay 2010 Trust Fund. The \$13.0 million in fiscal 2013 is thus a combination of \$5.0 million for the general fund and \$8.0 million for the BRF.

Note: The estimate from March 2013 has been adjusted for actions taken at the 2013 legislative session. The fiscal 2013 actual shows general fund revenues before the transfer of \$276.5 million to the BRF required by the BRFA of 2012 (Chapter 1 of the First Special Session).

Source: Board of Revenue Estimates

Fiscal 2014 General Fund Revenues (\$ in Millions)

<u>Source</u>	<i>Fiscal Year through September</i>			
	<u>FY 2013</u>	<u>FY 2014</u>	<u>\$ Difference</u>	<u>% Difference</u>
Personal Income Tax	\$1,397.3	\$1,501.8	\$104.5	7.5%
Sales and Use Tax ⁽¹⁾	688.5	688.7	8.2	1.2%
State Lottery	120.8	119.7	-1.1	-0.9%
Corporate Income Tax ⁽²⁾	208.0	161.1	-46.9	-22.5%
Business Franchise Taxes	38.9	46.6	7.7	19.8%
Insurance Premiums Tax	76.8	87.6	10.8	14.1%
Estate and Inheritance Taxes	46.8	44.8	-2.0	-4.2%
Tobacco Tax	84.2	77.3	-6.9	-8.2%
Alcohol Beverages Tax	5.2	5.3	0.1	1.6%
Motor Vehicle Fuel Tax	2.2	1.1	-1.1	-50.2%
District Courts	22.2	23.1	0.9	4.2%
Clerks of the Court	12.1	14.8	2.8	23.0%
Interest and Miscellaneous ⁽³⁾	34.3	44.2	9.9	28.9%
Total Revenues	\$2,729.1	\$2,816.0	\$86.9	3.2%

⁽¹⁾ Data reflects sales tax revenue remitted to the Comptroller from August through September which were collected by retailers from July through August.

⁽²⁾ The Budget Reconciliation and Financing Act (BRFA) of 2011 increased the Transportation Trust Fund's share of the corporate income tax from 9.5% of net receipts (excluding the first 15.15%) in fiscal 2013 to 19.5% in fiscal 2014. Adjusted for this law change, general fund corporate income tax receipts would be down 14.1% and total general fund revenues would be up 4.0%.

⁽³⁾ Includes interest on investments; hospital patient recovery revenues from Medicare, insurance, and sponsors; and other miscellaneous revenues.

Note: Fiscal 2013 revenues are shown before transfers to the Budget Restoration Fund required by the BRFA of 2012 (Chapter 1 of the First Special Session).

**State's Gaming Program
Revenues and Impact on the Education Trust Fund
(\$ in Millions)**

	<u>Video Lottery Terminals</u>			<u>Fiscal 2014</u>	<u>Fiscal 2015</u>
	<u>Fiscal 2013 Estimate</u>	<u>Fiscal 2013 Actual</u>	<u>Difference</u>		
Education Trust Fund	\$244.5	\$274.7	\$30.3	\$296.9	\$506.0*
State Lottery Agency	10.0	11.2	1.2	12.3	17.5
Purse Dedication	34.9	39.1	4.2	42.3	68.6
Race Tracks Facility Renewal Account	9.7	10.8	1.1	10.4	9.7
Local Impact Grants	27.4	30.7	3.3	33.4	54.1
Small, Minority, and Women-owned Businesses	7.5	8.4	0.9	9.1	14.5
Casino Operators	164.4	185.4	20.9	212.2	369.3
Total Gross	\$498.3	\$560.3	\$62.0	\$616.6	\$995.8

*Includes savings from most facility operators owning their video lottery terminal machines as of 3/31/15.

	<u>Table Games</u>			<u>Fiscal 2014</u>	<u>Fiscal 2015</u>
	<u>Fiscal 2013 Estimate</u>	<u>Fiscal 2013 Actual</u>	<u>Difference</u>		
Education Trust Fund	\$6.6	\$9.6	\$3.0	\$25.4	\$44.2
Casino Operators	26.6	38.4	11.8	101.5	176.8
Total Gross	\$33.2	\$48.0	\$14.8	\$126.9	\$221.1

- Revenues from the State's gaming program exceed estimates by \$76.8 million in fiscal 2013. This overattainment results in an increase of \$33.3 million for the Education Trust Fund (ETF).
- Projected revenues will be revised by the Board of Revenue Estimates in December.
- Statute requires the transfer of ownership of the majority of video lottery terminal machines to the facility operators as of March 31, 2015. Savings from this transfer accrues to the ETF. Estimate of this savings is \$44.2 million in fiscal 2015.

Potential Fiscal 2014 General Fund Deficiencies
(\$ in Millions)

Health and Mental Hygiene: Loss of Cigarette Restitution Funds due to arbitration ruling (\$70.0 million); Medicaid enrollment and utilization (\$46.6 million); DDA federal audit penalty (\$20.6 million); DDA community services shortfall in fiscal 2013 and 2014 (\$20.5 million); MCHP enrollment and utilization (\$7.3 million); and other (\$2.0 million)	\$167
Human Resources: Foster care maintenance payments shortfall in fiscal 2013 (\$19.3 million); Legal Services shortfall in fiscal 2013 and 2014 (\$3.7 million); Child Support Enforcement federal fund underattainment (\$2.0 million)	25
Public Defender: Panel attorneys to meet the court requirements of the <i>DeWolfe v. Richmond</i> decision (\$18.8 million) and normal staffing shortfalls for panel attorneys (\$3.2 million)	22
Education: Assessment contract (\$11.9 million); Quality Teacher Incentives (\$6.5 million); study to improve charter school program (\$0.5 million); and additional school construction staff (\$50,000)	19
Public Safety and Correctional Services: Overtime (\$6.5 million); Baltimore City Detention Center operations (\$6.5 million); inmate food and other supplies (\$5.2 million); and other (\$0.8 million)	19
Higher Education: Health manpower and statewide programs grants (\$3.0 million); community college optional retirement program (\$0.5 million); and Riley Scholarships (\$0.4 million)	4
Juvenile Services: Overtime (\$2.0 million) and emergency facility maintenance projects (\$1.0 million)	3
Other: Comptroller (\$1.7 million); State Police (\$1.6 million); General Services (\$1.0 million); Veterans Affairs (\$0.8 million); Baltimore City Convention Center (\$0.6 million); Judiciary (\$0.3 million); State Prosecutor (\$0.1 million); and other (\$0.1 million)	6
Total	\$264

DDA: Developmental Disabilities Administration

MCHP: Maryland Children's Health Program

Status of the General Fund

Fiscal 2014
(\$ in Millions)

Starting Balance		\$501.9
Revenues		
BRE Estimated Revenue	\$15,394.3	
Revenue Revision September 2013	-61.9	
Total		\$15,332.4
Transfers		
Sustainable Communities and Biotechnology Tax Credits	\$17.1	
Total		\$17.1
Funds Available		\$15,851.4
Spending		
Fiscal 2014 Allowance	\$15,705.1	
Estimated Deficiencies	264.0	
Estimated Agency Reversions	-30.0	
Net Expenditures		\$15,939.0
Ending Balance		-\$87.6

Menu of Spending Offsets		
Education Trust Fund Overattainment	\$33.0	
Debt Service Fiscal 2014 Bond Premiums	78.8	
MEA SEIF Overattainment Withdraw PAYGO	7.2	
Cost Containment	100.0	

The Case of the Disappearing Fund Balance

Estimated Fiscal 2014 Closing Fund Balance	\$293.9
Fiscal 2013 Closeout	-55.7
DLS Estimated Deficiencies	-264.0
BRE September 2013 Revenue Revision	-61.9
Revised Fiscal 2014 Closing Fund Balance	-\$87.6

BRE: Board of Revenue Estimates
DLS: Department of Legislative Services
MEA: Maryland Energy Administration
PAYGO: pay-as-you-go
SEIF: Strategic Energy Investment Fund

2015 Baseline Budget Forecast Assumptions

Baseline Budget Concepts

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

Caseload Assumptions

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Change FY 2014-2015</u>
Pupil Enrollment*	823,452	827,999	832,278	0.5%
Medicaid	838,958	870,622	900,450	3.4%
Children's Health	111,132	116,472	121,389	4.2%
Expansion under Affordable Care Act		93,255	114,863	23.2%
Temporary Cash Assistance	67,876	62,717	57,647	-8.1%
Foster Care/Adoption/Guardianship	15,386	15,518	15,550	0.2%
Adult Prison Population	21,111	21,164	21,361	0.9%

* Data for fiscal 2013, 2014, and 2015 reflect September 2011, September 2012, and September 2013 (est.) full-time equivalent enrollments.

2015 Baseline Budget Forecast Assumptions (Cont.)

Inflation Assumptions

- Employee health insurance claims cost (6.0%).
- Vehicle gas and oil (4.2%).
- Medical contracts and supplies (3.9%).
- Prescription drugs for State facilities (3.9%).
- Postage (2.5%).
- Natural gas and propane (2.2%).
- Food (2.1%).
- Electricity (1.5%).

Employee Compensation

- Annualization of 3.0% general salary increase to be implemented on January 1, 2014, and the partial-year employee increments to be awarded in April 2014.
- General salary increase of 2.0% effective July 2014 and funding for employee increments on regular July-January schedule.

Other Assumptions

- Cost increases for the University System of Maryland and Morgan State University are allocated between general funds and tuition and fees based on the fiscal 2013 ratio of general funds to tuition and fees; a 3.0% tuition increase is assumed.

State Expenditures – General Funds
(\$ in Millions)

Category	Adjusted	Leg. Appr.	Baseline	FY 2014 to FY 2015	
	Work. Appr.	FY 2014	FY 2015	\$ Change	% Change
	FY 2013				
Debt Service	\$0.0	\$83.0	\$258.8	\$175.8	211.8%
County/Municipal	159.0	245.0	244.4	-0.6	-0.3%
Community Colleges	252.4	286.6	313.7	27.2	9.5%
Education/Libraries	5,448.0	5,762.8	5,669.0	-93.8	-1.6%
Health	37.3	40.0	41.1	1.0	2.5%
Aid to Local Governments	\$5,896.7	\$6,334.5	\$6,268.2	-66.3	-1.0%
Foster Care Payments	\$234.3	\$237.9	\$230.9	-\$7.1	-3.0%
Assistance Payments	101.0	76.4	61.2	-15.3	-20.0%
Medical Assistance	2,312.1	2,334.8	2,534.7	199.9	8.6%
Property Tax Credits	82.0	80.2	83.3	3.0	3.8%
Entitlements	\$2,729.4	\$2,729.4	\$2,910.0	180.6	6.6%
Health	\$1,473.7	\$1,552.8	\$1,646.1	\$93.3	6.0%
Human Resources	326.8	337.8	357.0	19.3	5.7%
Children's Cabinet Interagency Fund	16.9	21.5	22.5	1.0	4.6%
Juvenile Services	270.7	283.3	302.6	19.3	6.8%
Public Safety/Police	1,319.0	1,367.2	1,473.3	106.1	7.8%
Higher Education	1,105.3	1,239.5	1,398.9	159.4	12.9%
Other Education	370.3	376.4	412.7	36.3	9.7%
Agric./Nat'l. Res./Environment	109.1	116.5	120.5	4.0	3.4%
Other Executive Agencies	594.0	664.9	768.2	103.4	15.5%
Legislative	78.3	81.3	86.2	4.9	6.0%
Judiciary	387.4	411.8	426.8	15.0	3.6%
Health Insurance Savings	0.0	0.0	-96.0	-96.0	n/a
State Agencies	\$6,051.6	\$6,453.0	\$6,919.0	\$465.9	7.2%
Deficiencies	\$0.0	\$264.0	\$0.0	-\$264.0	-100.0%
Total Operating	\$14,677.7	\$15,863.9	\$16,355.9	\$492.0	3.1%
Capital ⁽¹⁾	\$3.2	\$49.9	\$1.4	-\$48.5	-97.2%
Subtotal	\$14,680.9	\$15,913.8	\$16,357.3	\$443.6	2.8%
Reserve Funds	\$37.8	\$55.3	\$228.2	\$173.0	313.0%
Appropriations	\$14,718.7	\$15,969.0	\$16,585.6	\$616.5	3.9%
Reversions	-\$30.0	-\$30.0	-\$30.0	\$0.0	0.0%
Grand Total	\$14,688.7	\$15,939.0	\$16,555.6	\$616.5	3.9%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2013 adjusted working appropriation includes deficiencies, \$19.6 million in targeted reversions, and legislative reductions to the deficiencies.

State Expenditures – State Funds
(\$ in Millions)

Category	Adjusted	Leg. Appr.	Baseline	FY 2014 to FY 2015	
	Work. Appr.	FY 2014	FY 2015	\$ Change	% Change
	FY 2013				
Debt Service	\$1,102.4	\$1,183.0	\$1,285.1	\$102.1	8.6%
County/Municipal	444.8	513.8	537.4	23.6	4.6%
Community Colleges	272.3	286.6	313.7	27.2	9.5%
Education/Libraries	5,870.2	6,113.1	6,219.2	106.1	1.7%
Health	38.1	40.0	41.1	1.0	2.5%
Aid to Local Governments	\$6,625.3	\$6,953.6	\$7,111.4	\$157.8	2.3%
Foster Care Payments	\$236.8	\$243.0	\$238.0	-\$5.0	-2.1%
Assistance Payments	120.4	95.0	79.9	-15.1	-15.9%
Medical Assistance	3,340.2	3,238.3	3,469.0	230.7	7.1%
Property Tax Credits	82.0	80.2	83.3	3.0	3.8%
Entitlements	\$3,779.4	\$3,656.5	\$3,870.2	\$213.6	5.8%
Health	\$2,014.6	\$2,079.7	\$2,176.8	\$97.2	4.7%
Human Resources	409.5	415.2	438.7	23.5	5.7%
Children's Cabinet Interagency Fund	16.9	21.5	22.5	1.0	4.6%
Juvenile Services	275.1	287.7	307.3	19.5	6.8%
Public Safety/Police	1,542.9	1,590.3	1,698.4	108.1	6.8%
Higher Education	5,218.0	5,385.1	5,615.3	230.2	4.3%
Other Education	464.4	434.1	467.4	33.3	7.7%
Transportation	1,522.5	1,586.6	1,730.0	143.4	9.0%
Agric./Nat'l. Res./Environment	322.8	340.1	354.0	13.8	4.1%
Other Executive Agencies	1,328.3	1,243.4	1,439.2	195.8	15.7%
Legislative	78.8	81.3	86.2	4.9	6.0%
Judiciary	446.0	466.2	489.8	23.6	5.1%
Health Insurance Savings	0.0	0.0	-128.0	-128.0	n/a
State Agencies	\$13,639.9	\$13,931.3	\$14,697.5	\$766.2	5.5%
Deficiencies	\$0.0	\$228.5	\$0.0	-\$228.5	-100.0%
Total Operating	\$25,147.0	\$25,952.9	\$26,964.2	\$1,011.3	3.9%
Capital ⁽¹⁾	\$1,348.1	\$1,390.1	\$1,861.7	\$471.5	33.9%
Subtotal	\$26,495.1	\$27,343.0	\$28,825.9	\$1,482.9	5.4%
Reserve Funds	\$37.8	\$55.3	\$228.2	\$173.0	313.0%
Appropriations	\$26,532.8	\$27,398.3	\$29,054.1	\$1,655.8	6.0%
Reversions	-30.0	-30.0	-30.0	0.0	0.0%
Grand Total	\$26,502.8	\$27,368.3	\$29,024.1	\$1,655.8	6.1%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2013 adjusted working appropriation reflects deficiencies, \$19.6 million in targeted reversions, \$430.3 million from the Budget Restoration Fund, legislative reductions to the deficiencies, and \$3.1 million in additional special fund spending due to funding swaps. The fiscal 2014 legislative appropriation includes \$1.7 million in additional special fund spending due to funding swaps.

Components of General Fund Budget Change (\$ in Millions)

Summary of Budget Growth Compared to Working Appropriation	<u>Dollars</u>	<u>Share of Growth</u>
Ongoing Requirements/Entitlements	\$373.9	49.5%
Legislation	55.4	7.3%
State Agency Costs	326.8	43.2%
Growth in Operating Budget, including Anticipated Deficiencies	\$756.0	
Pay-as-you-go (PAYGO)	-\$48.5	
Appropriation to Reserve Fund	173.0	
Total Baseline Increase in State Expenditures	\$880.5	
Less Deficiency Appropriations	-\$264.0	
Total	\$616.5	

Ongoing Requirements/Entitlements

Medical assistance – modest enrollment and rate increases	\$199.9
Debt service – general funds to supplement property tax revenues	175.8
Mandated provider rate increases for Mental Hygiene and Developmental Disabilities	31.5
Community college formulas – increase in enrollment and per-pupil funding	24.8
Development Disabilities Administration – annualize cost of new community placements, including fiscal 2014 deficiency	23.5
Mental Hygiene Administration – enrollment, utilization, ACA expansion, and rate increases	15.9
Teachers and librarians retirement payments	11.5
Increase Quality Teacher Incentive program to fiscal 2013 actual spending level	6.5
Sellinger Formula for Aid to Private Colleges and Universities	5.8
Property Tax Credit programs, including deficiency	3.0
Community college retirement	2.4
Mandated appropriation for MARBIDCO	1.1
Local health department funding	1.0
State Aid for Police Protection grant	0.7
Arts Council mandated formula	0.5
Library aid formulas	0.5
St. Mary's College of Maryland and Baltimore City Community College mandated formulas	0.5
Disparity grant formula	0.4
Foster Care payments – reduced institutional placements and increased federal funds	-7.1
Temporary Cash Assistance payments – enrollment declines and stabilized federal funds	-15.3
Education aid formulas – GF decrease more than offset by \$199.9 million increase in the ETF	-109.2

New Legislative Requirements

Savings from transfer of VLT ownership for appropriation to the ETF	\$44.2
Optical scan voting system (Chapters 547 and 548 of 2007)	6.3
College and Career Readiness and College Completion Act (Chapter 533 of 2013)	2.0
Other legislation, including deficiencies	2.9

State Agency Costs

Statewide Personnel Expenses (including higher education):

General salary increase (2% assumed)	\$68.4
Merit pay (increments)	61.5
Employee retirement	34.1
Health insurance savings due to favorable cost trends and accumulated balance	-96.0
Annualization of fiscal 2014 cost-of-living adjustment and merit pay increases	124.7

Components of Budget Change (Cont.)

Agency Programmatic and Operating Expenses:

USM and Morgan State University enrollment growth and increases in certain mandatory costs	\$53.2
Additional personnel in Office of Public Defender to meet requirements of <i>Richmond</i> decision	28.1
Various agency information technology projects	13.4
Full-year cost of occupancy at the State Public Health Laboratory	12.3
Increased scholarships, based on assumption of tuition increase and anticipated fiscal 2014 expenditures	11.5
Food and other supplies at correctional facilities, including fiscal 2014 shortfall	7.6
Overtime at correctional facilities, including fiscal 2014 shortfall	6.5
Additional 100 correctional officer positions, per budget bill language	6.3
Department of Housing and Community Development moving expenses	6.0
Head Start grants – continued replacement of reduced federal funds	4.1
Additional judges and related personnel per judicial staffing plan	1.8
Continued phase-out of Distinguished Scholar program	-1.0
Final payment for touchscreen voting system in fiscal 2014	-1.7
One-time costs associated with Public Health Laboratory move	-2.2
One-time wiring and software upgrades for VLT program	-2.3
One-time start-up costs for Firearm Safety Act and the Gun Center	-2.7
Removal of one-time funding in excess of formula mandate for Tourism Development Board	-3.5
Statewide Personnel System	-9.1
Increased special funds available to support administration of VLT program	-9.3
Maryland Health Benefit Exchange funding shifted to special funds	-14.2
Other	29.4

Reserve Fund and PAYGO

Rainy Day Fund sweeper of unappropriated fiscal 2013 general fund balance	\$173.0
Increase in Hazardous Substance Cleanup program, per Capital Improvement program	0.7
Removal of one-time PAYGO for the Baltimore Regional Neighborhoods Initiative	-3.0
One-time PAYGO grants in the Board of Public Works budget	-4.0
One-time general fund PAYGO in the Energy Administration	-7.2
Sustainable Communities Tax Credit expires at end of fiscal 2014	-10.0
One-time security improvements initiative in the Public School Construction program	-25.0

Total **\$880.5**

ACA: Affordable Care Act

ETF: Education Trust Fund

GF: general fund

HEIF: Higher Education Investment Fund

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

USM: University System of Maryland

VLT: video lottery terminal

General Fund: Recent History and Outlook

Fiscal 2013-2015

(\$ in Millions)

	<u>FY 2013</u> <u>Working</u>	<u>FY 2014</u> <u>Approp.</u>	<u>FY 2015</u> <u>Baseline</u>
Funds Available			
Ongoing Revenues ⁽¹⁾	\$14,880	\$15,335	\$15,879
Balances and Transfers	732	516	211
Short-term Revenues	0	0	0
Subtotal Funds Available	\$15,630	\$15,851	\$16,090
Appropriations, Deficiencies, and Cost Containment			
Net Ongoing Operating Costs and Deficiencies ⁽¹⁾	\$15,092	\$15,845	\$16,326
One-time Spending	0	0	0
One-time Reductions/Withdrawn Appropriations	0	-1	0
PAYGO Capital	3	40	1
Appropriations to Reserve Fund	33	55	228
Subtotal Spending	\$15,128	\$15,939	\$16,556
Cash Balance/Shortfall	\$502	-\$88	-\$466
Structural			
Balance (Ongoing Revenues Less Operating Costs)	-\$211	-\$510	-\$447
Ratio (Ongoing Revenues/Operating Costs)	98.6%	96.8%	97.3%
Reserve Fund Activity			
Appropriations to State Reserve Fund	\$33	\$55	\$228
Transfers to General Fund	0	0	211
Estimated Rainy Day Fund Balance – June 30	\$701	\$765	\$793
Total Cash (Rainy Day, General Fund Balance)	\$1,203	\$677	\$327

PAYGO: pay-as-you-go

⁽¹⁾ Fiscal 2013 revenue and spending adjusted to include the Budget Restoration Fund.

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

	<u>FY 2015</u> <u>State Aid Amount</u>	<u>Percent</u> <u>of Total</u>
Public Schools	\$6,160.9	86.2%
County/Municipal	560.1	7.8%
Community Colleges	313.7	4.4%
Libraries	72.3	1.0%
Local Health	41.0	0.6%
Total	\$7,148.0	100.0%

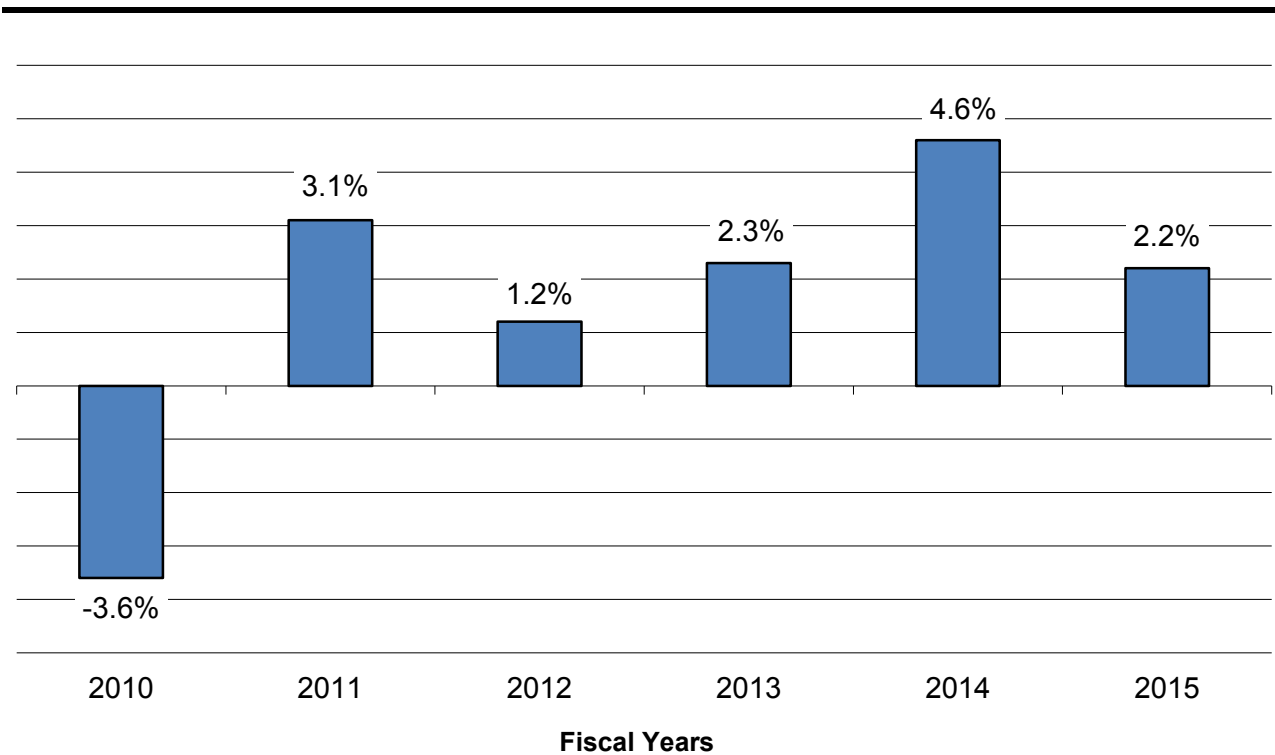
Change in State Aid
State Funds
(\$ in Millions)

	<u>FY 2015</u> <u>Aid Change</u>	<u>Percent</u> <u>Change</u>
Public Schools	\$99.1	1.6%
County/Municipal	26.5	5.0%
Community Colleges	27.2	9.5%
Libraries	1.8	2.5%
Local Health	1.0	2.4%
Total	\$155.5	2.2%

State Aid by Major Programs
Fiscal 2013-2015
State Funds
(\$ in Millions)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>Baseline FY 2015</u>	<u>\$ Change 2014-2015</u>	<u>% Change 2014-2015</u>
Public Schools					
Foundation Program	\$2,810.4	\$2,850.5	\$2,875.1	\$24.6	0.9%
Supplemental Grant	46.5	46.6	46.6	0.0	0.0%
Geographic Cost Index	128.8	130.8	132.1	1.3	1.0%
Net Taxable Income Education Grants	0.0	8.3	19.7	11.4	136.8%
Foundation – Special Grants	1.2	2.1	0.0	-2.1	-100.0%
Compensatory Aid	1,146.3	1,196.0	1,224.9	28.9	2.4%
Student Transportation	251.3	254.5	258.5	4.0	1.6%
Special Education – Formula Aid	266.5	269.3	272.2	2.9	1.1%
Special Education – Nonpublic Placements	113.9	109.8	112.6	2.7	2.5%
Limited English Proficiency Grants	177.4	193.4	211.0	17.6	9.1%
Guaranteed Tax Base	44.2	52.3	51.8	-0.5	-1.0%
Aging Schools Program	31.1	8.1	6.1	-2.0	-24.7%
Other Education Programs	74.7	87.1	87.2	0.0	0.0%
Subtotal Direct Aid	\$5,092.2	\$5,208.9	\$5,297.7	\$88.8	1.7%
Retirement Payments	\$755.4	\$852.8	\$863.2	\$10.3	1.2%
Total Public School Aid	\$5,847.6	\$6,061.8	\$6,160.9	\$99.1	1.6%
Libraries					
Library Aid Formula	\$33.7	\$34.0	\$34.4	\$0.4	1.2%
State Library Network	\$16.1	\$16.2	\$16.3	\$0.1	0.8%
Subtotal Direct Aid	\$49.7	\$50.2	\$50.7	\$0.5	1.0%
Retirement Payments	\$17.3	\$20.3	\$21.6	\$1.2	6.1%
Total Library Aid	\$67.1	\$70.5	\$72.3	\$1.8	2.5%
Community Colleges					
Community College Formula	\$199.2	\$213.0	\$237.0	\$24.1	11.3%
Other Programs	36.0	30.3	31.2	0.9	2.9%
Subtotal Direct Aid	\$235.1	\$243.3	\$268.2	\$24.9	10.3%
Retirement Payments	\$37.2	\$43.3	\$45.5	\$2.2	5.1%
Total Community College Aid	\$272.3	\$286.6	\$313.7	\$27.2	9.5%
Local Health Grants	\$38.1	\$40.0	\$41.0	\$1.0	2.4%
County/Municipal Aid					
Transportation	\$167.7	\$190.1	\$179.2	-\$10.9	-5.7%
Public Safety	91.3	115.9	120.3	4.4	3.8%
Program Open Space/Environment	17.3	32.5	46.7	14.3	44.0%
Disparity Grant	119.9	127.8	128.2	0.4	0.3%
Video Lottery Terminal Impact Grants	28.9	33.4	54.1	20.7	62.1%
Teacher Retirement Supplemental Grant	27.7	27.7	27.7	0.0	0.0%
Other Grants	5.0	6.3	3.9	-2.4	-38.5%
Total County/Municipal Aid	\$457.8	\$533.7	\$560.1	\$26.5	5.0%
Total State Aid	\$6,682.8	\$6,992.6	\$7,148.0	\$155.5	2.2%

**Annual Change in State Aid to Local Governments
Fiscal 2010-2015**

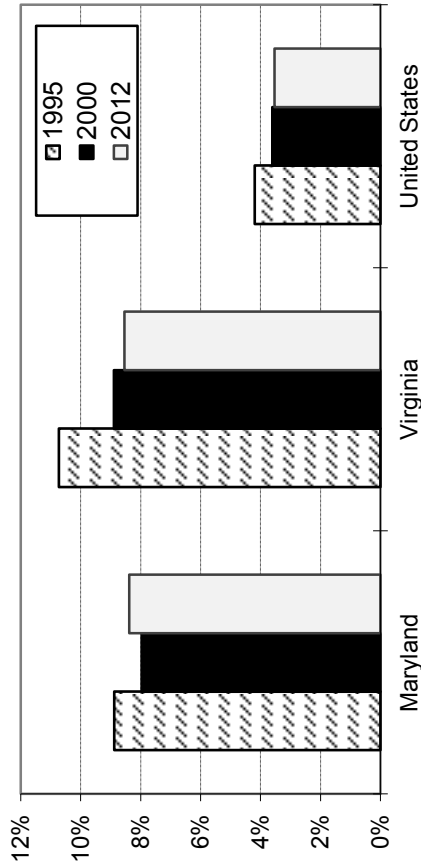


**State Aid by Governmental Entity
(\$ in Millions)**

	<u>FY 2010</u>	<u>FY 2015</u>	<u>\$ Change</u>	<u>% Change</u>
Public Schools	\$4,747.3	\$5,297.7	\$550.4	11.6%
Libraries	48.8	50.7	1.9	3.9%
Community Colleges	226.9	268.2	41.3	18.2%
Local Health	37.3	41.0	3.7	10.0%
County/Municipal	397.2	560.1	163.0	41.0%
Subtotal – Direct Aid	\$5,457.5	\$6,217.8	\$760.3	13.9%
Retirement Payments	\$803.4	\$930.3	\$126.9	15.8%
Total	\$6,260.9	\$7,148.0	\$887.2	14.2%

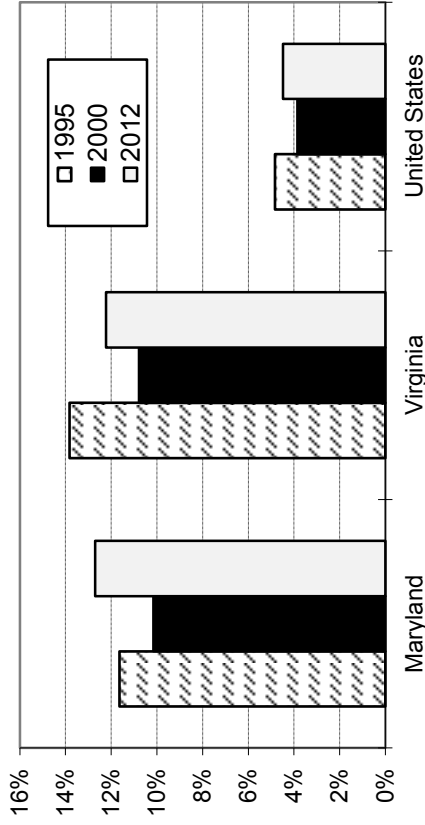
FEDERAL GOVERNMENT IN MARYLAND

Federal Government Employment as a Percent of Total Employment



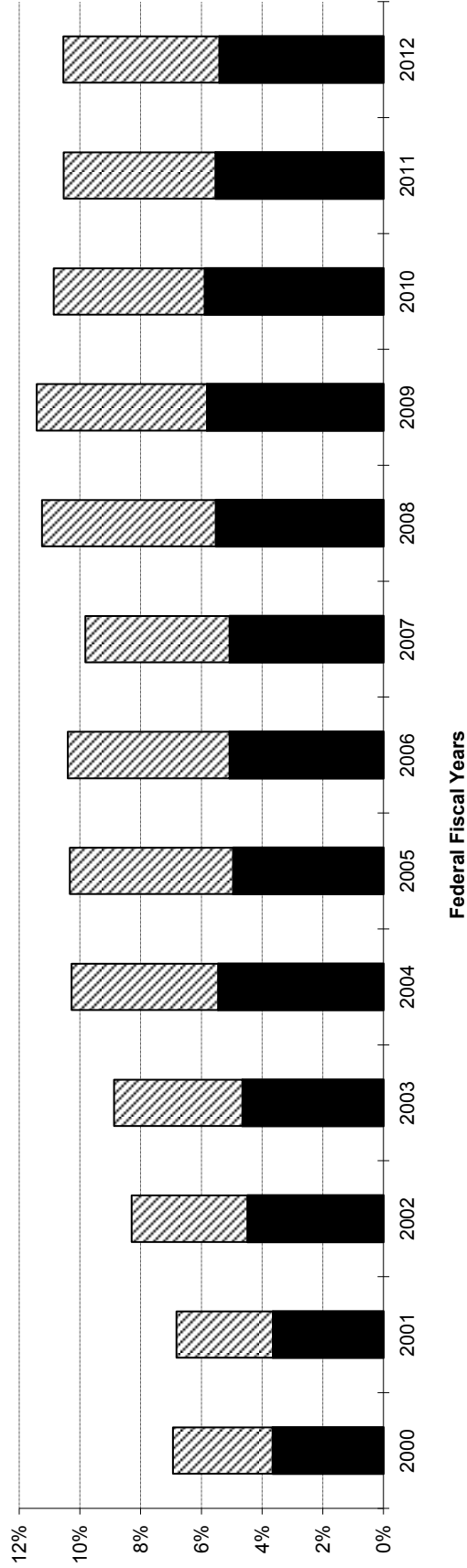
Note: Federal government includes civilian and military employment.

Federal Government Wage Income as a Percent of Total Wage Income



Note: Federal government includes civilian and military federal employment.

Federal Contract Spending in Maryland



Legend:
 ■ Defense Spending as a Percent of Maryland Private-sector Gross State Product (GSP)
 ■ Non-defense Spending as a Percent of Maryland Private-sector GSP

Federal Government Shutdown

Based on the 2012 American Community Survey, approximately 280,000 Maryland residents work full-time year-round for the federal government, not including the uniform military. With median annual earnings of about \$87,000, the total wage base of Maryland's civilian full-time federal employees is roughly \$24 billion. Using an average tax rate and making some assumptions about spending, the Department of Legislative Services (DLS) estimates that the State loses around \$5 million a day in income and sales tax revenue due to a governmentwide shutdown.

- A number of factors mitigate this loss:
 - Self-funded agencies like the U.S. Postal Service are not impacted by the shutdown. According to the Quarterly Census on Employment and Wages, there were 12,400 postal service jobs in Maryland in 2012, with total wages of \$752 million.
 - On September 30, the "Pay Our Military Act" was enacted, which ensures that military personnel will receive their paychecks during the shutdown. The Act also allows for pay for civilian federal employees and contractors who support the members of the Armed Forces. Determining which civilian employees and contractors support members of the military was left to the discretion of the Secretary of U.S. Department of Defense. Secretary Chuck Hagel announced on October 5 that civilian workers who were already required to work during the shutdown would be covered by the Act and also recalled to work most, but not all, civilian workers who were furloughed. These workers would also be covered by the Act and would thus receive paychecks during the shutdown.
 - On October 5, the House of Representatives passed the "Federal Employee Retroactive Pay Fairness Act," which ensures federal employees will be retroactively paid for the period they were furloughed once the shutdown ends. Although the bill has not yet passed the Senate, the President and the Senate Democrats indicate they support the measure, and it seems very likely that federal employees will be fully paid, as was true during the shutdown in the mid-1990s.
- The shutdown is also impacting federal contractors, some of whom, such as Lockheed Martin, have already announced layoffs. The effect on contractors and their employees further compounds the negative hit to Maryland's economy from the shutdown.

- The United States hit the statutory debt ceiling in May but since then the U.S. Department of Treasury has used a variety of measures to manage the federal government's cash flow and remain under the debt limit. The Treasury Secretary has indicated that after October 17 those measures will be exhausted and at some point in the following days and weeks the Treasury will be unable to pay all the bills that come due on any given day. Since the United States has never put itself in this situation before, it is difficult to predict precisely what will happen and much depends on the reaction of financial markets. U.S. government securities are the foundation of the global financial system so the impacts could be wide-ranging and severe. Even if the Treasury manages to make all interest payments and market reaction is limited, failing to raise the debt ceiling would still require a rapid reduction in government spending. Most economists believe that if the debt limit impasse lasted through November, the fiscal contraction would be enough to push the economy back into a significant recession.

- DLS examined a sample (appropriations of \$10.0 million or more) of federal discretionary grants in the State fiscal 2014 budget totaling \$9.0 billion. Of this amount:
 - \$7.4 billion (82.2%) is not affected by the federal government shutdown – in many cases, carryover funding from prior years can be used; in other cases, funding was provided through the federal fiscal 2013 budget or spending authority derives from federal stimulus legislation;
 - \$858.0 million (9.6%) will not be impacted by a short shutdown – some grants are forward funded or have funding awards through some part of federal fiscal 2014;
 - \$662.0 million (7.4%) may experience a delay in the receipt of federal funds but will not see a loss of funding amount; and
 - \$78.7 million (0.9%) may experience limited impacts such as the loss of funding to administer a grant during the shutdown.

State Reserve Fund Activity
Fiscal 2014 and 2015
(\$ in Millions)

	<u>Rainy Day Fund</u>	<u>Dedicated Purpose Acct.</u>	<u>Catastrophic Event Acct.</u>
Estimated Balances 6/30/13	\$701.1	\$10.0	\$0.6
Fiscal 2014 Appropriations	55.3	87.1	
Expenditures			
Federal Sequestration		-8.8	
Federal Sequestration Impact/Pension Reinvestment		-87.1	
Estimated Interest	8.5		
Estimated Balances 6/30/14	\$764.8	\$1.2	\$0.6
Fiscal 2015 Appropriations	\$228.2		
Transfer to General Fund	-211.0		
Fiscal 2015 Budget Bill			
Estimated Interest	11.1		
Estimated Balances 6/30/15	\$793.1	\$1.2¹	\$0.6
Percent of Revenues in Reserve	5.0%		

¹ Dedicated Purpose Fund balance includes \$1.2 million to offset federal reductions attributable to federal sequestration.

State Expenditures – Special and Higher Education Funds*
(\$ in Millions)

Category	Work. Appr. FY 2013	Leg. Appr. FY 2014	Baseline FY 2015	FY 2014 to FY 2015 \$ Change	% Change
Debt Service	\$1,102.4	\$1,100.0	\$1,026.3	-\$73.7	-6.7%
County/Municipal	285.7	268.8	293.0	24.2	9.0%
Community Colleges	19.9	0.0	0.0	0.0	n/a
Education/Libraries	422.2	350.3	550.2	199.9	57.1%
Health	0.8	0.0	0.0	0.0	n/a
Aid to Local Governments	\$728.6	\$619.1	\$843.2	\$224.1	36.2%
Foster Care Payments	\$2.5	\$5.1	\$7.1	\$2.1	40.4%
Assistance Payments	19.4	18.6	18.7	0.1	0.8%
Medical Assistance	1,028.1	903.5	934.3	30.8	3.4%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$1,050.0	\$927.1	\$960.2	\$33.0	3.6%
Health	\$540.9	\$526.9	\$530.7	\$3.8	0.7%
Human Resources	82.7	77.4	81.7	4.3	5.5%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	4.4	4.4	4.7	0.2	4.9%
Public Safety/Police	223.9	223.1	225.1	2.0	0.9%
Higher Education	4,112.6	4,145.6	4,216.4	70.8	1.7%
Other Education	94.1	57.7	54.7	-3.0	-5.3%
Transportation	1,522.5	1,586.6	1,730.0	143.4	9.0%
Agric./Nat'l. Res./Environment	213.8	223.6	233.4	9.8	4.4%
Other Executive Agencies	734.4	578.5	671.0	92.5	16.0%
Legislative	0.4	0.0	0.0	0.0	n/a
Judiciary	58.6	54.4	63.0	8.6	15.8%
State Agencies	\$7,588.3	\$7,478.2	\$7,810.5	\$332.3	4.4%
Deficiencies	\$0.0	-\$35.5	\$0.0	\$35.5	-100.0%
Total Operating	\$10,469.3	\$10,089.0	\$10,640.3	\$551.3	5.5%
Capital	\$1,344.9	\$1,340.3	\$1,860.3	\$520.0	38.8%
Grand Total	\$11,814.2	\$11,429.2	\$12,500.5	\$1,071.3	9.4%

* Includes higher education fund (current unrestricted and current restricted) net of general and special funds.

Note: The fiscal 2013 working appropriation reflects deficiencies, \$430.3 million from the Budget Restoration Fund, legislative reductions to the deficiencies, and \$3.1 million in additional special fund spending due to funding swaps. The fiscal 2014 legislative appropriation includes \$1.7 million in additional special fund spending due to funding swaps.

State Expenditures – Federal Funds
(\$ in Millions)

Category	Work. Appr.	Leg. Appr.	Baseline	FY 2014 to FY 2015	
	FY 2013	FY 2014	FY 2015	\$ Change	% Change
Debt Service	\$12.2	\$12.4	\$12.4	\$0.0	0.0%
County/Municipal	51.9	59.3	59.3	0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	796.9	754.3	754.3	0.0	0.0%
Health	4.5	4.5	4.5	0.0	0.0%
Aid to Local Governments	\$853.3	\$818.1	\$818.1	\$0.0	0.0%
Foster Care Payments	\$79.5	\$84.0	\$89.1	\$5.2	6.1%
Assistance Payments	1,117.4	1,197.7	1,277.9	80.2	6.7%
Medical Assistance	3,566.4	3,911.4	4,597.1	685.7	17.5%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$4,763.2	\$5,193.0	\$5,964.1	\$771.1	14.8%
Health	\$1,229.7	\$1,310.5	\$1,311.8	\$1.3	0.1%
Human Resources	513.2	523.1	522.7	-0.4	-0.1%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	8.3	7.4	7.8	0.4	4.7%
Public Safety/Police	29.2	26.5	28.6	2.1	7.9%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	269.8	244.9	252.4	7.5	3.1%
Transportation	85.5	98.4	99.0	0.6	0.6%
Agric./Nat'l. Res./Environment	72.7	66.5	67.5	1.0	1.5%
Other Executive Agencies	557.0	534.9	554.1	19.2	3.6%
Judiciary	6.0	4.3	4.4	0.2	4.0%
Health Insurance Savings	0.0	0.0	-32.0	-32.0	n/a
State Agencies	\$2,771.5	\$2,816.5	\$2,816.5	\$0.0	0.0%
Deficiencies	\$0.0	\$6.1	\$0.0	-\$6.1	-100.0%
Total Operating	\$8,400.1	\$8,846.1	\$9,611.1	\$765.0	8.6%
Capital	\$938.8	\$941.4	\$744.7	-\$196.7	-20.9%
Grand Total	\$9,338.9	\$9,787.5	\$10,355.8	\$568.3	5.8%

Note: The fiscal 2013 working appropriation includes deficiencies and legislative reductions to the deficiencies.

State Expenditures – All Funds (\$ in Millions)

<u>Category</u>	Adjusted			FY 2014 to FY 2015	
	Work. Appr. FY 2013	Leg. Appr. FY 2014	Baseline FY 2015	\$ Change	% Change
Debt Service	\$1,114.6	\$1,195.3	\$1,297.5	\$102.1	8.5%
County/Municipal	496.6	573.1	596.7	23.6	4.1%
Community Colleges	272.3	286.6	313.7	27.2	9.5%
Education/Libraries	6,667.1	6,867.4	6,973.5	106.1	1.5%
Health	42.5	44.5	45.6	1.0	2.3%
Aid to Local Governments	\$7,478.6	\$7,771.7	\$7,929.5	\$157.8	2.0%
Foster Care Payments	\$316.4	\$327.0	\$327.1	\$0.1	0.0%
Assistance Payments	1,237.8	1,292.7	1,357.8	65.1	5.0%
Medical Assistance	6,906.5	7,149.6	8,066.1	916.5	12.8%
Property Tax Credits	82.0	80.2	83.3	3.0	3.8%
Entitlements	\$8,542.6	\$8,849.6	\$9,834.3	\$984.7	11.1%
Health	\$3,244.3	\$3,390.1	\$3,488.6	\$98.5	2.9%
Human Resources	922.7	938.3	961.5	23.2	2.5%
Children's Cabinet Interagency Fund	16.9	21.5	22.5	1.0	4.6%
Juvenile Services	283.4	295.2	315.0	19.9	6.7%
Public Safety/Police	1,572.1	1,616.9	1,727.1	110.2	6.8%
Higher Education	5,218.0	5,385.1	5,615.3	230.2	4.3%
Other Education	734.2	679.0	719.9	40.9	6.0%
Transportation	1,608.0	1,685.0	1,829.0	144.0	8.5%
Agric./Nat'l. Res./Environment	395.6	406.6	421.5	14.9	3.7%
Other Executive Agencies	1,885.4	1,778.3	1,993.3	215.1	12.1%
Legislative	78.8	81.3	86.2	4.9	6.0%
Judiciary	451.9	470.5	494.2	23.7	5.0%
Health Insurance Savings	0.0	0.0	-160.0	-160.0	n/a
State Agencies	\$16,411.3	\$16,747.8	\$17,514.0	\$766.3	4.6%
Deficiencies	\$0.0	\$234.6	\$0.0	-\$234.6	-100.0%
Total Operating	\$33,547.1	\$34,799.0	\$36,575.3	\$1,776.3	5.1%
Capital ⁽¹⁾	\$2,286.9	\$2,331.5	\$2,606.4	\$274.8	11.8%
Subtotal	\$35,834.0	\$37,130.5	\$39,181.6	\$2,051.2	5.5%
Reserve Funds	\$37.8	\$55.3	\$228.2	\$173.0	313.0%
Appropriations	\$35,871.8	\$37,185.8	\$39,409.9	\$2,224.1	6.0%
Reversions	-\$30.0	-\$30.0	-\$30.0	\$0.0	0.0%
Grand Total	\$35,841.8	\$37,155.8	\$39,379.9	\$2,224.1	6.0%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2013 adjusted working appropriation reflects deficiencies, \$19.6 million in targeted reversions, \$430.3 million from the Budget Restoration Fund, legislative reductions to the deficiencies, and \$3.1 million in additional special fund spending due to funding swaps. The fiscal 2014 legislative appropriation includes \$1.7 million in additional special fund spending due to funding swaps.

Status of the General Fund
Fiscal 2015
(\$ in Millions)

Starting Balance		\$0.0
Revenues		
BRE Estimated Revenue September 2013	\$15,861.7	
Total		\$15,861.7
Transfers		
Sustainable Communities and Biotechnology Tax Credits	\$17.1	
Revenue Stabilization Account	211.0	
Total		\$228.1
Funds Available		\$16,089.8
Spending		
Fiscal 2015 Baseline	\$16,681.6	
Health Insurance Surplus	-96.0	
Estimated Agency Reversions	-30.0	
Net Expenditures		\$16,555.6
Ending Balance		-\$465.8

BRE: Board of Revenue Estimates