
Fiscal Briefing

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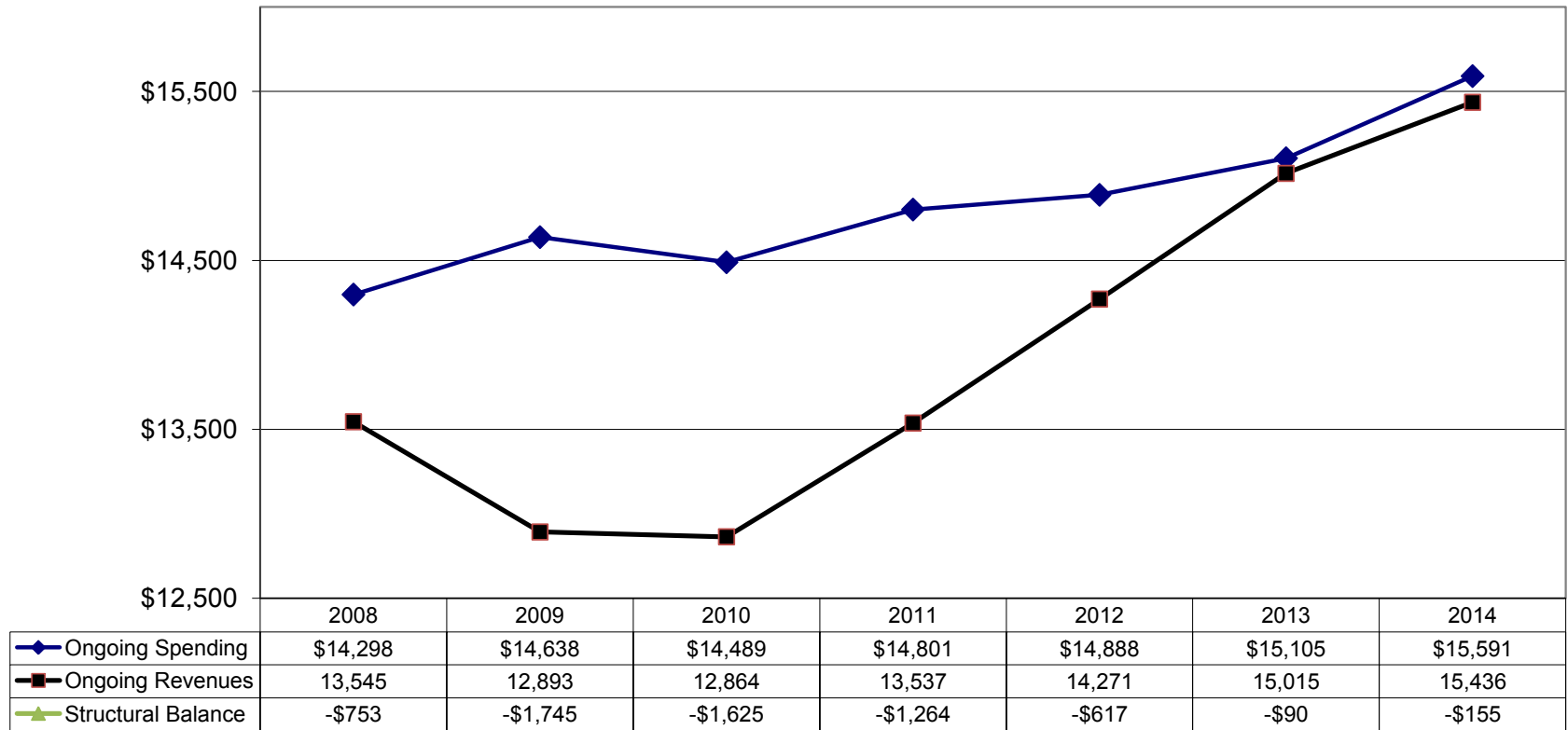
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The Governor's Fiscal 2014 Plan

The Structural Deficit Nearly Resolved Under the Governor's Fiscal 2014 Plan

Fiscal 2008-2014 (\$ in Millions)



Fiscal 2009 through 2011 data reflects ongoing general fund spending supplanted by the American Recovery and Reinvestment Act of 2009. Fiscal 2013 data reflects ongoing spending and revenues associated with the Budget Restoration Fund.

General Fund: Recent History and Outlook

Fiscal 2012-2014

(\$ in Millions)

	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Working</u>	<u>2014</u> <u>Allowance</u>
Funds Available			
Ongoing Revenues ⁽¹⁾	\$14,271	\$15,015	\$15,436
Balances and Transfers	1,231	709	795
Short-term Revenues	0	1	9
Subtotal Funds Available	\$15,502	\$15,742	\$16,239
Appropriations, Deficiencies, and Cost Containment			
Net Ongoing Operating Costs and Deficiencies ⁽¹⁾	\$14,888	\$15,105	\$15,591
One-time Spending	15	0	5
One-time Reductions/Withdrawn Appropriations	0	0	-51
PAYGO Capital	48	1	37
Appropriations to Reserve Fund	0	23	421
Subtotal Spending	\$14,951	\$15,129	\$16,003
Cash Balance/Shortfall	\$551	\$614	\$236
Structural			
Balance (Ongoing Revenues Less Operating Costs)	-\$617	-\$90	-\$155
Ratio (Ongoing Revenues/Operating Costs)	95.9%	99.4%	99.0%
Reserve Fund Activity			
Appropriations to State Reserve Fund	\$0	\$23	\$371
Transfers to General Fund	0	0	166
Estimated Rainy Day Fund Balance – June 30	\$672	\$701	\$921
Total Cash (Rainy Day, General Fund Balance)	\$1,223	\$1,315	\$1,157

PAYGO: pay-as-you-go

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

Initiatives, Funding Restoration, and Program Expansion

General and Special Funds

(\$ in Millions)

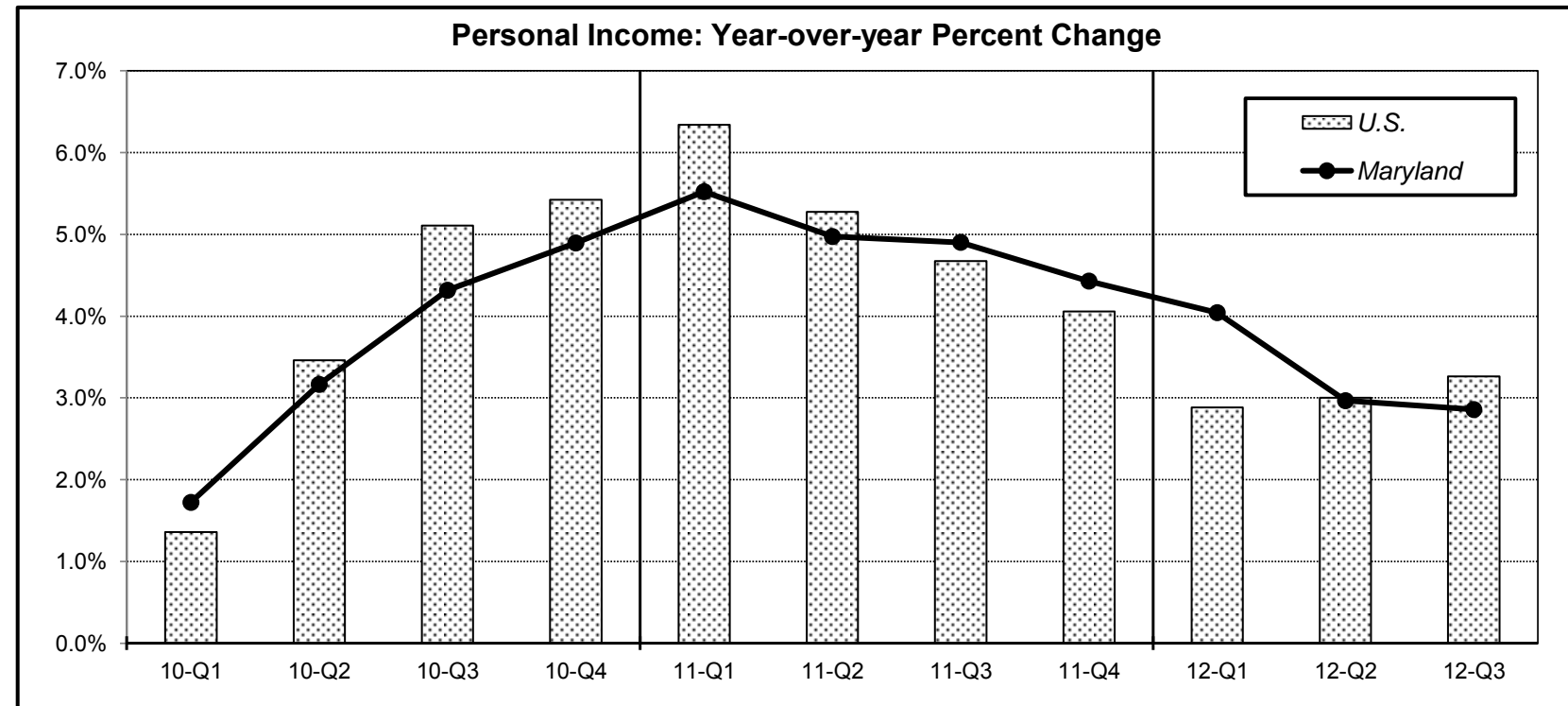
	<u>GF</u>	<u>SF</u>
Education		
Capital Funds for School Security	\$25.0	
Academic Transformation/Course Redesign (USM))	11.3	
Increase Aid to Education by Changing the Date of Calculating Net Taxable Income	8.3	
M Power Technology Transfer Initiatives (UMCP and UMB)	6.7	
Digital Learning Innovation Fund	5.0	
State-aided Educational Institutions	2.0	
Early College Innovation Fund	2.0	
New Faculty and Contractual Conversions (Morgan State University)	1.5	
Maryland Meals for Achievement In-classroom Breakfast	1.8	
Grant to the Maryland Science Center	0.5	
College Park Academy (USM)	0.5	
Nonpublic Student Textbook Program		1.1
Environment		
Capital Funds for Energy Efficiency Grants	\$11.7	
Marcellus Shale Safe Drilling Initiative (Fiscal 2013 Deficiency)	1.5	
Programs Supported by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund		\$6.5
General Government		
General Salary Increase and Merit Pay Increases for State Employees	\$66.5	\$16.4
Government Innovation Fund	5.0	
Deferred Maintenance Funds	4.0	
Health		
Grants to Entities That Will Serve as Navigators for Individuals Using the Health Benefit Exchange	\$8.8	
Home- and Community-based Waiver for Children with Autism Spectrum Disorder	1.2	
Statewide Academic Health Centers Cancer Research		\$7.2
Tobacco Use Prevention and Cessation Programs		4.1
Jobs and Economy		
Film Production Tax Credit (Reduction to Revenue)	\$13.6	\$3.9
Cybersecurity Tax Credit	3.0	
Sustainable Communities Tax Credit	3.0	
Employment Advancement Right Now (EARN) Program	2.5	
Biotechnology Tax Credit	2.0	
Research and Development Tax Credit (Reduction to Revenue)	1.5	0.5
Literacy Works Program	1.0	
Public Safety		
State Aid for Police Protection	\$21.9	
Center for School Safety	0.5	
Automation of Gun Licensing Background Checks (Fiscal 2013 Deficiency)	0.4	
Transportation		
Transportation Grants for Municipalities		\$15.4
Total	\$212.7	\$55.0

UMB: University of Maryland, Baltimore
 UMCP: University of Maryland, College Park
 USM: University System of Maryland

Economic and Revenue Outlook

Maryland Economic Performance Year-over-year Percent Change*

<u>Month-Year</u>	<u>Employment</u>	<u>Unemployment Rate</u>	<u>Initial UI Claims</u>	<u>Existing Home Sales</u>	<u>Median Home Price</u>	<u>Vehicle Sales</u>
Jan-12	1.7%	6.5%	-4.8%	-4.8%	-0.6%	9.2%
Feb-12	2.0%	6.5%	-0.9%	2.4%	2.0%	11.4%
Mar-12	1.8%	6.6%	-13.1%	-2.0%	5.9%	-3.0%
Apr-12	1.4%	6.7%	-6.3%	-2.2%	10.6%	1.5%
May-12	1.4%	6.7%	-2.9%	10.5%	11.1%	6.1%
Jun-12	1.1%	6.9%	-7.2%	1.7%	8.5%	-3.9%
Jul-12	0.8%	7.0%	2.1%	3.5%	7.8%	6.8%
Aug-12	1.0%	7.1%	-13.3%	9.6%	5.9%	4.8%
Sep-12	1.1%	6.9%	-22.2%	6.1%	6.8%	2.5%
Oct-12	0.9%	6.7%	0.4%	14.4%	8.2%	11.4%
Nov-12	0.7%	6.6%	-6.2%	18.8%	6.9%	0.7%
Dec-12	0.9%	6.6%	-7.9%	8.2%	9.3%	-3.3%
CY 2012	1.2%	6.7%	-6.9%	5.5%	6.9%	3.4%



UI: Unemployment Insurance
* Except the unemployment rate.

Note: The unemployment rate is based on seasonally adjusted data. Monthly unemployment insurance claims from the U.S. Bureau of Labor Statistics. Data on existing home sales and the median home price comes from the Maryland Association of Realtors. Vehicle sales data is from the Maryland Motor Vehicle Administration.

Maryland General Fund Revenue Forecast
(\$ in Millions)

<u>Source</u>	<u>FY 2012</u>	<u>FY 2013 Estimate</u>			<u>% Change Over FY12</u>	<u>FY 2014 Estimate</u>			<u>% Change Over FY13</u>
	<u>Actual</u>	<u>Sep.</u>	<u>Dec.</u>	<u>Difference</u>		<u>Sep.</u>	<u>Dec.</u>	<u>Difference</u>	
Personal Income Tax ⁽¹⁾	\$7,114.7	\$7,650.6	\$7,686.1	\$35.5	8.0%	\$7,967.3	\$7,971.3	\$4.0	3.7%
Sales and Use Tax	4,039.3	4,127.7	4,131.6	3.9	2.3%	4,259.4	4,252.2	-7.2	2.9%
State Lottery	536.3	536.4	526.2	-10.3	-1.9%	543.8	528.2	-15.6	0.4%
Corporate Income Tax ⁽²⁾	646.5	821.8	892.6	70.9	38.1%	783.9	844.7	60.9	-5.4%
Business Franchise Taxes	207.2	208.9	203.4	-5.6	-1.9%	210.7	204.8	-5.9	0.7%
Insurance Premiums Tax	304.0	311.6	314.5	3.0	3.5%	319.3	319.2	-0.2	1.5%
Estate and Inheritance Taxes	196.9	214.8	217.8	3.0	10.6%	218.8	218.8	0.0	0.5%
Tobacco Tax ⁽¹⁾	411.4	415.1	417.8	2.7	1.6%	414.1	417.7	3.6	0.0%
Alcohol Beverages Tax	31.0	31.6	31.1	-0.5	0.3%	32.2	31.7	-0.5	2.0%
Motor Vehicle Fuel Tax	5.0	13.0	13.0	0.0	160.0%	5.0	5.0	0.0	-61.5%
District Courts	79.4	78.6	77.0	-1.6	-3.0%	79.0	76.2	-2.8	-1.0%
Clerks of the Court	35.1	37.9	40.0	2.1	13.8%	37.7	39.8	2.1	-0.5%
Hospital Patient Recoveries	66.4	70.0	60.9	-9.1	-8.3%	68.0	60.1	-7.9	-1.3%
Interest on Investments	17.9	10.0	10.0	0.0	-44.2%	15.0	15.0	0.0	50.0%
Miscellaneous	380.0	379.8	380.1	0.3	0.0%	363.3	366.4	3.1	-3.6%
Subtotal	\$14,071.1	\$14,907.8	\$15,002.1	\$94.3	6.6%	\$15,317.5	\$15,351.2	\$33.7	2.3%
Highway User Revenue ⁽³⁾	186.7	0.0	0.0	0.0	-100.0%	0.0	0.0	0.0	n.a.
GAAP Transfer	0.0	0.0	32.9	32.9	n.a.	0.0	0.0	0.0	-100.0%
Total Revenues	\$14,257.8	\$14,907.8	\$15,035.0	\$127.1	5.5%	\$15,317.5	\$15,351.2	\$33.7	2.1%

GAAP: generally accepted accounting principles

⁽¹⁾ Fiscal 2013 and 2014 reflect the impact of the The State and Local Revenue Financing Act of 2012 (Chapter 2 of the 2012 First Special Session). Personal income tax rates were increased and exemptions lowered for certain taxpayers. Fiscal 2013 reflects a one and half year impact. The tax on other tobacco products was increased 15 to 30%. Fiscal 2013 reflects the rate increase and the payment of the floor tax.

⁽²⁾ The Budget Reconciliation and Financing Act of 2011 lowered the Transportation Trust Fund's share of the corporate income tax from 24% of net receipts (excluding the first 15.15%) to 9.5% in fiscal 2013. In the fiscal 2014, the share will rise to 19.5%.

⁽³⁾ The Budget Reconciliation and Financing Act 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 Budget Reconciliation and Financing Act of 2011 lowered the fiscal 2012 distribution to 11.3% and eliminated the distribution starting in fiscal 2013.

Note: The fiscal 2013 estimates from both September and December show general fund revenues before the transfer of \$276.5 million to the Budget Restoration Fund required by the Budget Reconciliation and Financing Act of 2012 (Chapter 1, First Special Session of 2012).

Source: Board of Revenue Estimates

Fiscal 2013 General Fund Revenues

(\$ in Millions)

<u>Source</u>	<i>Fiscal Year through December</i>			
	<u>FY 2012</u>	<u>FY 2013</u>	<u>\$ Difference</u>	<u>% Difference</u>
Personal Income Tax	\$2,781.6	\$2,992.3	\$210.7	7.6%
Sales and Use Tax ⁽¹⁾	1,649.9	1,681.9	32.0	1.9%
State Lottery	244.2	261.2	16.9	6.9%
Corporate Income Tax ⁽²⁾	229.7	341.4	111.7	48.6%
Business Franchise Taxes	76.9	73.3	-3.6	-4.7%
Insurance Premiums Tax	140.0	143.4	3.4	2.4%
Estate and Inheritance Taxes	100.8	126.8	26.0	25.8%
Tobacco Tax	188.7	190.7	2.0	1.1%
Alcohol Beverages Tax	13.0	13.2	0.2	1.6%
District Courts	40.8	40.3	-0.5	-1.3%
Clerks of the Court	17.6	21.3	3.7	21.1%
Interest and Miscellaneous ⁽³⁾	83.5	91.2	7.6	9.2%
Total Revenues	\$5,566.9	\$5,977.0	\$410.1	7.4%

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

(2) The Budget Reconciliation and Financing Act 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. Adjusted for this law change, general fund corporate income tax receipts would be up \$62.8 million (27.3%) and total general fund revenues would be up \$361.2 million (6.5%).

(3) Includes motor fuel tax, 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 Budget Reconciliation and Financing Act of 2012 (Chapter 1, 2012 First Special Session).

Operating Budget

General Fund Balance

Administration's Plan

(\$ in Thousands)

	<u>2013</u>	<u>2014</u>	<u>Detail</u>
Revenues			
BRE Estimate	\$15,002,093	\$15,351,176	
GAAP Adjustment			
Available	\$32,863		
Grant to Municipalities	-15,380		
Total	\$17,483		
Transfers			
Budget Restoration Fund	-\$273,323		p. 16
Revenue Stabilization (Rainy Day Fund)		\$166,000	p. 16
Other	11,251	18,101	p. 16
Total	-\$262,072	\$184,101	
Revenue Adjustments/Legislation			
Transfer Tax		\$89,196	p. 17
New Revenue	\$2,990	15,310	p. 17
Increase Tax Credits		-14,104	p. 17
Total	\$2,990	\$90,402	
Balance from Prior Year	\$551,153	\$613,714	
Available	\$15,311,646	\$16,239,393	
Spending			
Appropriations	\$14,623,004	\$16,141,026	
Deficiencies	124,574		
Specified Reversions/Reductions	-19,646	-5,000	p. 18
Contingent Reductions		-102,676	p. 18
Normal Reversions	-30,000	-30,000	p. 18
Total	\$14,697,932	\$16,003,351	
Remaining Balance	\$613,714	\$236,043	

BRE: Board of Revenue Estimates

GAAP: Generally Accepted Accounting Principles

Proposed Transfers/Revenue Adjustments Fiscal 2013-2014

	<u>2013</u>	<u>2014</u>
Budget Restoration Fund		
Ongoing Revenue Shown in BRE Estimate	-\$276,528,400	
Excess Balance	3,205,036	
<i>Subtotal</i>	-\$273,323,364	\$0
 Transfers		
Rainy Day Fund		\$166,000,000
Treasurer – State Insurance Trust Fund		\$1,000,000
Refundable Tax Credits	11,250,892	17,101,298
<i>Subtotal</i>	\$11,250,892	\$184,101,298
 Grand Total	 -\$262,072,472	 \$184,101,298

BRE: Board of Revenue Estimates

Revenue Assumptions Fiscal 2013-2014

	<u>2013</u>	<u>2014</u>
* Transfer Tax		\$89,196,000
Other Revenue Assumptions		
Telecommunication Revenue		\$7,000,000
Attorney General – Medicaid Recoveries		4,000,000
* Special Fund for the Preservation of Cultural Arts in Maryland	\$1,900,500	1,957,500
DLLR – SAEF Revenues		1,328,000
Stadium Authority Rent Payment	637,000	
* Comptroller – Unclaimed Property		500,000
MES Revenue Transfer	452,630	
Federal Reimbursement for Veterans Affairs PAYGO		414,000
Maryland School for the Deaf – Tuition Reimbursement		110,221
Subtotal	\$2,990,130	\$15,309,721
Tax Credit Assumptions		
* Maryland Mined Coal Tax Credit		\$6,000,000
* Research and Development Tax Credit		-1,549,085
Biotechnology Tax Credit		-2,000,000
* Cyber Tax Credit		-3,000,000
* Film Tax Credit		-13,554,494
Subtotal		-\$14,103,579
Grand Total	\$2,990,130	\$90,402,142

DLLR: Department of Labor, Licensing, and Regulation

MES: Maryland Environmental Service

PAYGO: pay-as-you-go

SAEF: Special Administrative Expense Fund

* Items require a statutory change through legislation.

General Fund Reductions

Fiscal 2013-2014

	<u>2013</u>	<u>2014</u>
Targeted Reversions		
DoIT – Statewide Personnel System	\$12,785,972	
MSDE – Nonpublic Placements	6,780,000	
MSDE – Education Jobs Fund	60,000	
GOC – Salaries	20,000	
Subtotal	\$19,645,972	
Across-the-board Reduction		
Overbudgeted Health Insurance		\$5,000,000
Subtotal		\$5,000,000
Contingent on Legislation		
Reserve Fund – Local Reserve Account Repayment		\$50,000,000
Reserve Fund – Transfer Tax Repayment		50,000,000
MSDE – Charge Local Schools for DJS Education Services		\$1,458,671
DNR – Allow Use of Transfer Tax for Operations		1,217,000
Subtotal		\$102,675,671
Total	\$19,645,972	\$107,675,671

DJS: Department of Juvenile Services

DNR: Department of Natural Resources

DoIT: Department of Information Technology

GOC: Governor's Office for Children

MSDE: Maryland State Department of Education

Fiscal 2013 Deficiencies Total \$103.0 Million (\$ in Millions)

	<u>GF</u>	<u>SF</u>	<u>FF</u>
<i>Where General Funds Are Needed to Supplement Appropriation</i>			
Education: School assessment contracts (\$17.3 million); federal grants for assessment and data analysis (\$3.9 million); educational services at juvenile facilities (\$0.8 million); and retirement agency fees for local libraries (\$0.3 million)	\$18.3		\$3.9
Budget and Management: Workers' compensation claims (\$12.4 million) and to provide funds to settle additional claims (\$2.0 million)	14.4		
Public Safety and Correctional Services: Overtime (\$7.8 million); inmate food and other supplies (\$2.9 million); substance abuse treatment (\$0.9 million); cell phone managed access contract (\$0.6 million); and vehicle operating expenses (\$0.3 million)	12.5		
Juvenile Services: Residential per diem payments statewide	8.1	\$1.1	
Information Technology: 700 MHz Public Safety Communications System	5.2		
Higher Education Commission: Health and Statewide Manpower grants	3.0		
Agriculture: Cover crops program	1.6		
Office of the Public Defender: Case-related expenses	1.1		
Health and Mental Hygiene: Favorable Medicaid enrollment trends	-46.9		-46.9
Other Agencies: Boards, Commissions, and Offices (\$0.2 million); Planning (\$0.2 million); Veterans Affairs (\$0.5 million); Assessments and Taxation (\$0.7 million); Natural Resources (\$0.3 million); Higher Education Commission (\$0.4 million); Maryland African American Museum Corporation (\$0.4 million); Business and Economic Development (\$0.5 million); Environment (\$0.1 million); and State Police (\$0.4 million)	3.0	0.8	
<i>Subtotal</i>	\$20.3	\$1.9	-\$43.0
<i>Where Additional Funds Are Provided for Emerging Needs</i>			
Health Care Reform			
Health Benefit Exchange: Positions, consultants, grants to Health Navigators, and information technology	\$6.1		\$21.4
Insurance Administration: Rate review expenses			1.1
State Lottery and Gaming Control Agency: Positions for monitoring table games, Rocky Gap facility, and for administration of expanded program	2.0		
Marcellus Shale Safe Drilling Initiative			
Natural Resources: Surface and ground water quality monitoring	0.5		
Environment: Stream sampling and air monitoring	1.0		
State Police: Automation of firearm background checks	0.4		
<i>Subtotal</i>	\$10.0		\$22.4

	<u>GF</u>	<u>SF</u>	<u>FF</u>
Where Additional Funds Support Normal Program Activity			
Health and Mental Hygiene: Use of Cigarette Restitution Funds in Medicaid per the Budget Reconciliation and Financing Act of 2012 (\$21.3 million); emergency preparedness activities (\$5.9 million); mental health services (\$2.4 million); public health network (\$1.9 million); WIC program (\$1.8 million); Maryland Health Care Commission (\$1.1 million); Board of Nursing (\$1.1 million); and Board of Physicians (\$0.6 million)		\$24.0	\$12.0
Health Services Cost Review Commission: Uncompensated Care Fund		11.0	
Higher Education Commission: Scholarship carry-over balances (\$6.8 million); Nurse Support II Program (\$2.0 million); Health Personnel Shortage Incentive grants (\$0.5 million); foundation grant for scholarships (\$0.3 million); and online program registration system (\$0.1 million)		9.7	
Housing and Community Development: Section 8 Housing Assistance program (\$5.0 million) and grants from the Maryland Affordable Housing Trust (\$0.5 million)		0.5	5.0
Labor, Licensing and Regulation: GED exam tracking system			1.8
Other Agencies: Natural Resources (\$0.9 million); Public Debt (\$0.2 million); and School for the Deaf (\$48,000)		0.1	1.0
Subtotal		\$45.3	\$19.8
Where General Funds Are Needed in Lieu of Underattained Special or Federal Funds			
Human Resources: Title IV-E funds that will not be realized	\$40.8		-\$40.8
Human Resources: TANF funds that will not be realized	19.3		-24.5
Education: Unrealized TANF funds from 2002	12.9		
Human Resources: Title IV-E funds disallowed from 2009	9.6		
State Police: To replace funds incorrectly reverted in 2005	5.8		
Natural Resources: Chesapeake and Atlantic Coastal Bays Trust Fund	2.8		
State Police: In lieu of MEMSOF funds	2.7	-2.7	
Labor, Licencing, and Regulation: Shortfall in fee revenue	0.4		
Subtotal	\$94.3	-\$2.7	-\$65.3
Grand Total	\$124.6	\$44.5	-\$66.1

GED: General Education Diploma

MEMSOF: Maryland Emergency Medical System Operations Fund

TANF: Temporary Assistance for Needy Families

WIC: Women, Infants, and Children Food Program

State Expenditures – General Funds
(\$ in Millions)

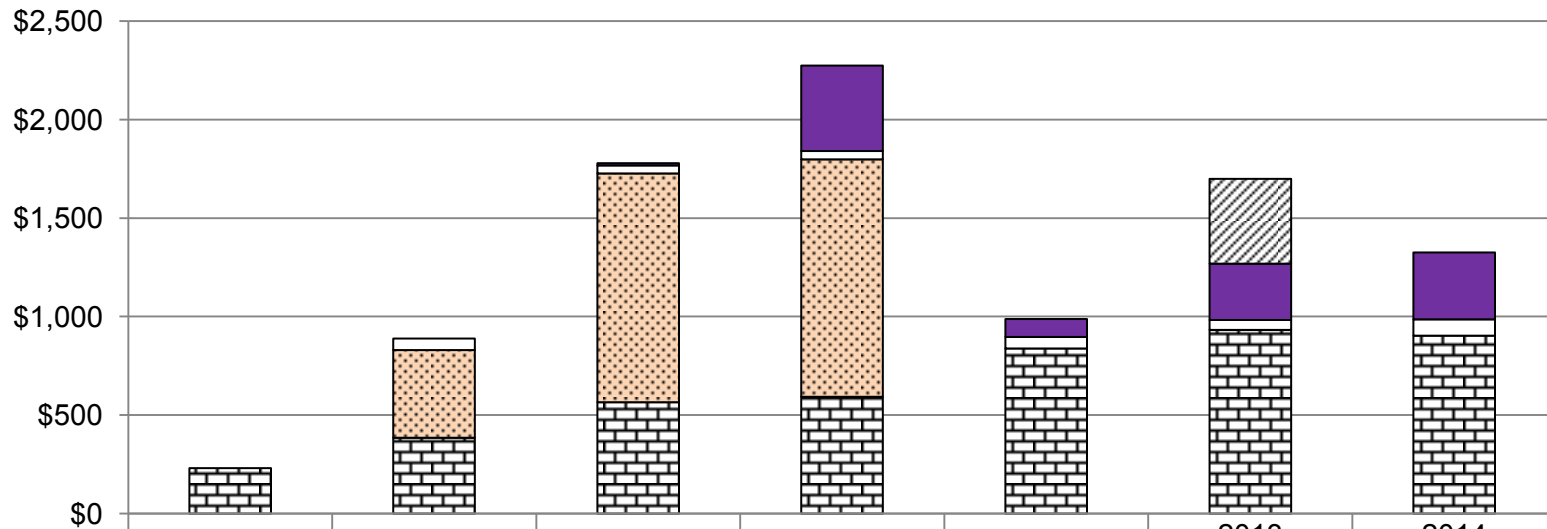
<u>Category</u>	<u>Actual FY 2012</u>	<u>Adjusted Work. Appr. FY 2013</u>	<u>Allowance FY 2014</u>	<u>Contingent Reductions</u>	<u>Adjusted Allowance FY 2014</u>	<u>FY 2013 to FY 2014</u>	
						<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$0.0	\$0.0	\$101.0	\$0.0	\$101.0	\$101.0	n/a
County/Municipal	186.6	159.0	238.2	0.0	238.2	79.2	49.8%
Community Colleges	263.3	252.4	286.6	0.0	286.6	34.2	13.5%
Education/Libraries	5,616.6	5,448.0	5,772.8	0.0	5,772.8	324.8	6.0%
Health	38.3	37.3	40.0	0.0	40.0	2.8	7.4%
Aid to Local Governments	\$6,104.7	\$5,896.7	\$6,337.6	\$0.0	\$6,337.6	440.9	7.5%
Foster Care Payments	208.8	234.3	237.9	0.0	237.9	3.6	1.5%
Assistance Payments	69.9	101.0	76.4	0.0	76.4	-24.6	-24.3%
Medical Assistance	2,462.9	2,342.8	2,348.2	0.0	2,348.2	5.4	0.2%
Property Tax Credits	81.8	82.0	80.2	0.0	80.2	-1.7	-2.1%
Entitlements	\$2,823.3	\$2,760.1	\$2,742.8	\$0.0	\$2,742.8	-17.2	-0.6%
Health	1,449.7	1,471.4	1,542.1	0.0	1,542.1	70.7	4.8%
Human Resources	323.4	325.6	333.4	0.0	333.4	7.8	2.4%
Children's Cabinet Interagency Fund	21.2	16.9	21.5	0.0	21.5	4.6	27.0%
Juvenile Services	269.2	270.2	280.3	0.0	280.3	10.1	3.8%
Public Safety/Police	1,273.9	1,316.0	1,345.5	0.0	1,345.5	29.5	2.2%
Higher Education	1,136.7	1,105.3	1,213.8	0.0	1,213.8	108.4	9.8%
Other Education	382.3	370.2	370.6	1.5	369.2	-1.0	-0.3%
Agric./Nat'l. Res./Environment	104.1	109.6	113.0	1.2	111.8	2.2	2.0%
Other Executive Agencies	541.6	591.7	720.3	0.0	720.3	128.5	21.7%
Legislative	76.8	78.3	80.6	0.0	80.6	2.2	2.9%
Judiciary	374.3	387.4	409.9	0.0	409.9	22.5	5.8%
State Agencies	\$5,953.1	\$6,042.7	\$6,430.9	\$2.7	\$6,428.3	\$385.6	6.4%
Total Operating	\$14,881.2	\$14,699.5	\$15,612.4	\$2.7	\$15,609.7	\$910.2	6.2%
Capital ⁽¹⁾	54.5	0.7	47.4	0.0	47.4	46.7	6673.4%
Subtotal	\$14,935.7	\$14,700.2	\$15,659.8	\$2.7	\$15,657.1	\$956.9	6.5%
Reserve Funds	15.0	27.8	476.3	100.0	376.3	348.5	1255.5%
Appropriations	\$14,950.7	\$14,727.9	\$16,136.0	\$102.7	\$16,033.4	\$1,305.4	8.9%
Reversions	0.0	-30.0	-30.0	0.0	-30.0	0.0	0.0%
Grand Total	\$14,950.7	\$14,697.9	\$16,106.0	\$102.7	\$16,003.4	\$1,305.4	8.9%

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

Note: The fiscal 2013 adjusted working appropriation includes \$124.6 million in deficiencies and \$19.6 million in targeted reversions. The fiscal 2014 allowance includes \$5.0 million in reductions from Section 19 of the budget bill (HB 100/SB 125). The fiscal 2014 adjusted allowance includes \$102.7 million in reductions contingent on legislation.

Use of Special and Federal Funds for Major Programs Has Skewed General Fund Budgets in Recent Years

Fiscal 2008-2014
(\$ in Millions)



	2008	2009	2010	2011	2012	2013 Working	2014 Allowance
BRF						\$430.3	
ETF			\$10.8	\$432.8	\$91.1	\$286.1	\$340.3
HEIF		\$57.9	\$41.0	\$42.1	\$58.4	\$50.0	\$82.3
ARRA/Ed Jobs		\$445.0	\$1,161.3	\$1,204.8			
SF-Medicaid	\$231.4	\$386.0	\$565.5	\$593.9	\$837.8	\$933.1	\$903.7

ARRA: American Recovery and Reinvestment Act of 2009
BRF: Budget Restoration Fund
ETF: Education Trust Fund
HEIF: Higher Education Investment Fund
SF: special funds

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

<u>Category</u>	<u>Actual FY 2012</u>	<u>Adjusted Work. Appr. FY 2013</u>	<u>Allowance FY 2014</u>	<u>Contingent Reductions</u>	<u>Adjusted Allowance FY 2014</u>	<u>FY 2013 to FY 2014</u>	
						<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$0.0	\$0.0	\$101.0	\$0.0	\$101.0	\$101.0	n/a
County/Municipal	186.6	209.1	238.2	0.0	238.2	29.0	13.9%
Community Colleges	263.3	272.3	286.6	0.0	286.6	14.3	5.2%
Education/Libraries	5,707.7	5,870.2	6,113.1	0.0	6,113.1	242.9	4.1%
Health	38.3	38.1	40.0	0.0	40.0	2.0	5.3%
Aid to Local Governments	\$6,195.9	\$6,389.6	\$6,677.9	\$0.0	\$6,677.9	288.2	4.5%
Foster Care Payments	208.8	235.7	237.9	0.0	237.9	2.2	0.9%
Assistance Payments	69.9	101.0	76.4	0.0	76.4	-24.6	-24.3%
Medical Assistance	3,300.7	3,370.9	3,252.0	0.0	3,252.0	-118.9	-3.5%
Property Tax Credits	81.8	82.0	80.2	0.0	80.2	-1.7	-2.1%
Entitlements	\$3,661.1	\$3,789.6	\$3,646.6	\$0.0	\$3,646.6	-143.0	-3.8%
Health	1,449.7	1,492.5	1,542.1	0.0	1,542.1	49.6	3.3%
Human Resources	323.4	326.9	333.4	0.0	333.4	6.5	2.0%
Children's Cabinet Interagency Fund	21.2	16.9	21.5	0.0	21.5	4.6	27.0%
Juvenile Services	269.2	271.3	280.3	0.0	280.3	9.0	3.3%
Public Safety/Police	1,273.9	1,322.9	1,345.5	0.0	1,345.5	22.6	1.7%
Higher Education	1,195.1	1,207.7	1,296.1	0.0	1,296.1	88.4	7.3%
Other Education	382.3	386.4	370.6	1.5	369.2	-17.2	-4.4%
Agric./Nat'l. Res./Environment	104.1	110.3	113.0	1.2	111.8	1.5	1.4%
Other Executive Agencies	541.6	615.5	720.3	0.0	720.3	104.8	17.0%
Legislative	76.8	78.8	80.6	0.0	80.6	1.8	2.3%
Judiciary	374.3	389.6	409.9	0.0	409.9	20.2	5.2%
State Agencies	\$6,011.5	\$6,218.7	\$6,513.2	\$2.7	\$6,510.6	\$291.9	4.7%
Total Operating	\$15,868.5	\$16,397.9	\$16,938.7	\$2.7	\$16,936.0	\$538.2	3.3%
Capital ⁽¹⁾	54.5	7.7	47.4	0.0	47.4	39.7	515.8%
Subtotal	\$15,923.0	\$16,405.6	\$16,986.1	\$2.7	\$16,983.4	\$577.9	3.5%
Reserve Funds	15.0	27.8	476.3	100.0	376.3	348.5	1255.5%
Appropriations	\$15,938.0	\$16,433.3	\$17,462.4	\$102.7	\$17,359.7	\$926.4	5.6%
Reversions	0.0	-30.0	-30.0	0.0	-30.0	0.0	0.0%
Grand Total	\$15,938.0	\$16,403.3	\$17,432.4	\$102.7	\$17,329.7	\$926.4	5.6%

* Selected special funds include the Budget Restoration Fund, the Education Trust Fund, the Higher Education Investment Fund and special funds in Medicaid.

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

Note: The fiscal 2013 adjusted working appropriation reflects \$145.9 million in deficiencies, \$19.6 million in targeted reversions and includes \$430.3 million from the Budget Restoration Fund. The fiscal 2014 allowance includes \$5 million in reductions from Section 19 of the budget bill (HB 100/SB 125). The fiscal 2014 adjusted allowance reflects \$102.7 million in reductions contingent on legislation.

Fiscal 2014 Changes Over Fiscal 2013 Spending

General Funds and Selected Special Funds*

(\$ in Millions)

Mandated Grants and Aid

Education Aid	\$124.4
Teacher and Librarian Retirement	100.7
State Aid for Police Protection	21.9
DHMH Community Providers Inflation Adjustment Per Ch. 497 and 498 of 2010	19.6
Cade Formula for Community College Aid	13.9
Community College Retirement	3.3
Selling Aid to Nonpublic Institutions of Higher Education	3.2
State Arts Council and Tourism Development Board	2.5
Core Funding Formula for Local Health Departments	2.0
Disparity Grant	1.5
Baltimore City Community College	1.3
Library Aid and State Library Network	0.5
Residential Boarding School for At-risk Youth	0.4
St. Mary's College of Maryland	0.4

Entitlements

Foster Care Payments	\$2.2
Property Tax Credits	-1.7
Temporary Cash Assistance; One-time General Fund Deficiency to Correct for TANF Funds	-24.6
Medicaid	-118.9

Initiatives

Capital Funds for School Security	\$25.0
Capital Funds for Energy Efficiency Grants	11.7
Government Innovation Fund	5.0
Digital Learning Innovation Fund	5.0
Cybersecurity Tax Credit	3.0
Employment Advancement Right Now (EARN) program	2.5
Early College Innovation Fund	2.0

Personnel

Annualization of Fiscal 2013 General Salary Increase	\$33.8
Fiscal 2014 General Salary Increase – 3% Effective January 1, 2014	53.8
Merit Pay/Increments	12.7
Employee and Retiree Health Insurance	37.9
Employee Retirement	39.9

Discretionary Programs

University System of Maryland and Morgan State University	\$74.8
Mental Hygiene Enrollment, Utilization, and Grants	5.5
Sustainable Communities Tax Credit	3.0
Biotechnology Investment Tax Credit	2.0
State-aided Educational Institutions	2.0
Maryland Meals for Achievement In-classroom Breakfast Program	1.8
Home and Community Based Waiver for Children with Autism Spectrum Disorder	1.2
Grants to the Maryland Science Center and Baltimore Symphony Orchestra	1.1
Literacy Works Program	1.0
Regional Higher Education Centers	0.8
Continued phase-out of Distinguished Scholar Program	-1.0

State Agency Operations

Local Share of Assessments and Taxation Operations Reduced to 50%	\$16.4
Video Lottery Terminal and Gaming Control Operations	13.5
State Public Health Laboratory Rent Payment to the Maryland Economic Development Corporation	6.2
Residential Per Diems for Juvenile Services Placements	5.7
Children's Cabinet Interagency Fund	4.6
Grants to Entities That Will Serve as Navigators for Individuals Using the Health Benefit Exchange	4.4
Deferred Maintenance Funds for State-owned Facilities	4.0
Resource Coordination for Clients of the Developmental Disabilities Administration	4.0
New Judgeships and Related Personnel and Operating Costs	3.0
Educational Excellence Scholarships	2.6
Public Safety Death Benefit Fund	2.0
Two State Trooper Classes	1.7
Longitudinal Data System Center	1.6
General Funds in Lieu of Special Funds for the Maryland Electronic Court	1.5
State Public Health Laboratory Equipment	1.4
State Match to Federal Emergency Shelter Grant	1.0
Maryland Health Benefit Exchange Information Technology Project	0.7
State's Share of Operating Deficits and Debt Service Related to MD Stadium Authority Projects	-0.3
Anticipated Savings in Personnel, Overtime, Food, and Supplies Under New Earned Release Program	-8.3
Major Information Technology Projects	-8.8
School Assessment Contracts	-22.6
One-time Fiscal 2013 Deficiencies to Cure Prior Year General Fund Deficits in Agency Budgets	-31.3
Other Changes	-0.1

Other

Debt Service	\$101.0
Appropriation to the Rainy Day Fund	343.5

DHMH: Department of Health and Mental Hygiene

TANF: Temporary Assistance for Needy Families

* Selected special funds include the Budget Restoration Fund, the Education Trust Fund, the Higher Education Investment Fund, and special funds in Medicaid.

Medicaid (\$ in Millions)

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Reimb. Funds</u>	<u>Total</u>
Fiscal 2013 Working Appropriation	\$2,343	\$1,028	\$3,513	\$82	\$6,966
Fiscal 2014 Allowance	2,348	904	3,937	74	7,263
\$ Change	\$5	-\$124	\$423	-\$8	\$297
% Change	0.2%	-12.1%	12.0%	-9.3%	4.3%

Note: Fiscal 2013 Working Appropriation includes deficiencies.

- Fiscal 2013 Medicaid expenditures are adjusted to reflect significantly lower than anticipated expenditures due to lower enrollment, changing case mix, favorable utilization trends, and a reduction in calendar 2013 Managed Care Organization (MCO) rates that was not assumed in the fiscal 2013 budget.
- Fiscal 2014 budget growth is driven primarily by the expansion of Medicaid to 138% of the federal poverty limit, an option provided for under the federal Patient Protection and Affordable Act of 2010 (ACA). Until fiscal 2017, funding for the newly covered population is 100% financed by federal Medicaid dollars.
- Beyond the proposed Medicaid expansion, how is Medicaid able to meet anticipated fiscal 2014 service demand without new general funds **and** the reduction of special funds (largely Budget Restoration Funds) from 2013?
 - Certain ACA provisions generate general fund savings: the elimination of the Primary Adult Care program effective January 1, 2014, with enrollees moving to full Medicaid 100% federally funded; transferring some medically-needy eligible individuals to the new Medicaid expansion category; and claiming an enhanced federal match for certain long-term care services.
 - Carrying forward favorable enrollment, case mix, regulated rate and utilization trends as well as fiscal 2013 cost containment actions into fiscal 2014.
 - More than offsetting the cost of moderate rate increases by new cost containment actions such as tightening verification of Medicaid eligibility, converting Medicaid patients to Medicare, and reducing rates for durable medical equipment.
 - Limiting initiatives to those largely funded through additional federal or reimbursable funds.
 - Other than the removal of Budget Restoration Funds, keeping special fund support for Medicaid at a constant level.
 - Making assumptions about the extent of necessary adjustments that will be required to accurately capture costs through the Medicaid Management Information System II.

Regular Position Changes

Fiscal 2012 Actual to Fiscal 2014 Allowance

<u>Department/Service Area</u>	<u>FY 2012 Actual</u>	<u>FY 13 Leg. Approp.</u>	<u>BPW/ Flex Adjust.</u>	<u>Section 25 Abol.</u>	<u>Transfer</u>	<u>FY 13 Work. Approp.</u>	<u>Transfer</u>	<u>Abolished Positions</u>	<u>New Positions</u>	<u>FY 14 Allowance</u>	<u>FY 13 Leg. to FY 14 Allowance</u>
Health and Human Services											
Health and Mental Hygiene	6,350	6,446	0	-58	0	6,388	6	-2	15	6,407	-39
Human Resources	6,545	6,539	0	-10	0	6,529	0	0	0	6,529	-10
Juvenile Services	2,140	2,133	0	-2	-22	2,109	-32	0	0	2,077	-56
Subtotal	15,035	15,118	0	-70	-22	15,026	-26	-2	15	15,013	-105
Public Safety											
Public Safety and Correctional Services	11,052	11,050	0	0	0	11,050	0	0	0	11,050	0
Police and Fire Marshal	2,367	2,393	0	-4	1	2,390	0	-11	0	2,379	-14
Subtotal	13,419	13,443	0	-4	1	13,440	0	-11	0	13,429	-14
Transportation	8,745	8,730	0	0	2	8,732	0	0	3	8,735	5
Other Executive											
Legal (Excluding Judiciary)	1,498	1,499	0	-7	0	1,492	0	0	11	1,503	4
Executive and Administrative Control	1,574	1,579	34	-9	0	1,605	-6	-2	35	1,632	53
Financial and Revenue Administration	1,972	1,973	44	-7	0	2,010	0	0	36	2,046	73
Budget and Management and IT	427	451	0	-10	-3	438	0	0	3	441	-10
Retirement	200	205	0	0	0	205	0	0	0	205	0
General Services	574	576	0	0	0	576	0	0	4	580	4
Natural Resources	1,279	1,296	0	-2	0	1,294	0	0	1	1,295	-1
Agriculture	392	384	0	0	0	384	0	-1	0	383	-1
Labor, Licensing, and Regulation	1,649	1,650	0	-3	0	1,646	0	0	0	1,646	-3
MSDE and Other Education	1,918	1,897	0	-3	22	1,916	32	0	20	1,967	71
Housing and Community Development	320	317	0	-1	0	316	0	0	11	327	10
Business and Economic Development	225	225	0	-1	0	224	0	0	0	224	-1
Environment	931	931	0	-2	0	929	0	0	8	937	6
Subtotal	12,958	12,981	78	-45	19	13,033	26	-3	129	13,185	204
Executive Branch Subtotal	50,157	50,271	78	-119	0	50,231	0	-16	146	50,362	90
Higher Education	24,735	24,727	240	-3	0	24,965	0	0	0	24,965	237
Judiciary	3,581	3,585	0	0	0	3,585	0	0	82	3,667	82
Legislature	748	748	0	0	0	748	0	0	0	748	0
Grand Total	79,221	79,331	319	-122	0	79,529	0	-16	228	79,741	410

MSDE: Maryland State Department of Education

Analysis of Vacancies and Turnover Rate

Fiscal 2013 Working Appropriation Compared to January 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	6,388	5.5%	354	574	220
Human Resources	6,529	6.7%	436	495	59
Juvenile Services	2,109	4.2%	88	199	111
Subtotal	15,026	5.8%	876	1,268	390
Public Safety					
Public Safety and Correctional Services	11,050	5.2%	571	482	-89
Police and Fire Marshal	2,390	6.5%	156	156	-1
Subtotal	13,440	5.5%	740	638	-89
Transportation	8,732	3.4%	298	432	134
Other Executive					
Legal (Excluding Judiciary)	1,492	5.6%	84	119	34
Executive and Administrative Control	1,605	5.2%	83	161	78
Financial and Revenue Administration	2,010	5.7%	114	142	28
Budget and Management and DoIT	438	2.3%	10	50	40
Retirement	205	4.3%	9	16	7
General Services	576	5.9%	34	42	8
Natural Resources	1,294	4.8%	62	109	47
Agriculture	384	4.4%	17	25	8
Labor, Licensing, and Regulation	1,646	4.2%	69	131	62
MSDE and Other Education	1,916	6.6%	126	150	24
Housing and Community Development	316	5.5%	17	49	32
Business and Economic Development	224	4.1%	9	15	6
Environment	929	6.2%	58	65	7
Subtotal	13,033	5.3%	691	1,072	381
Executive Branch Subtotal	50,231	5.2%	2,592	3,410	815

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

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

Contractual Full-time Equivalent Positions

Fiscal 2002 Actuals to 2014 Allowance

<u>Department/Service Area</u>	<u>2002 Actual</u>	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Work. Approp.</u>	<u>2014 Allow.</u>
Health and Human Services					
Health and Mental Hygiene	409	319	356	404	385
Human Resources	111	102	111	73	82
Juvenile Services	119	86	168	146	170
Subtotal	639	508	635	622	638
Public Safety					
Public Safety and Correctional Services	298	270	275	397	396
Police and Fire Marshal	46	31	24	29	29
Subtotal	344	301	300	425	425
Transportation	142	86	114	132	131
Other Executive					
Legal (Excluding Judiciary)	99	50	44	54	53
Executive and Administrative Control	208	236	243	213	203
Financial and Revenue Administration	35	49	54	53	50
Budget and Management	33	16	13	17	18
Retirement	30	11	15	15	15
General Services	35	25	17	30	33
Natural Resources	332	401	366	393	404
Agriculture	36	45	43	46	42
Labor, Licensing, and Regulation	176	237	251	294	259
MSDE and Other Education	218	242	241	321	336
Housing and Community Development	49	33	50	86	71
Business and Economic Development	49	10	13	16	19
Environment	32	30	25	50	68
Subtotal	1,332	1,385	1,375	1,585	1,570
Executive Branch Subtotal	2,457	2,279	2,424	2,765	2,764
Higher Education	6,079	6,356	6,692	6,515	6,630
Judiciary	371	390	405	446	447
Grand Total	8,907	9,025	9,521	9,726	9,841

MSDE: Maryland State Department of Education

Source: Department of Budget and Management

Employee and Retiree Health Insurance

Fiscal 2013-2014

(\$ in Millions)

- State spending in fiscal 2014 increases by \$66.2 million, or 6.6%, compared to the fiscal 2013 appropriation.

	FY 2013 Working Appropriation	FY 2014 Allowance	Difference	% Change
Total Health Insurance Budget	\$1,000.0	\$1,066.2	\$66.2	6.6%
General Fund Share	600.0	639.7	39.7	6.6%

- The fiscal 2014 allowance does not have any changes in the benefits, copays, coinsurance, or employee/retiree premiums.
- Total health care expenditures are expected to increase by \$110.0 million (8.5%).
- Fiscal 2013 is expected to end with a balance of \$168.8 million, which is \$73.3 million greater than the Estimated Liabilities and Reserves. The Administration plans to reduce this fund balance by \$60.6 million. The fund balance allows the Administration to reduce fiscal 2014 appropriations.
- Fiscal 2013 includes a one-time, \$21.0 million payment from the Injured Workers' Insurance Fund (IWIF). Chapter 570 of 2012 converted IWIF from an independent State entity into a statutorily created, private, nonprofit, nonstock workers' compensation insurer named Chesapeake Employers' Insurance Company (CEIC). The agreement required that CEIC reimburse the State for health care benefits. This initial payment represents the estimated value of benefits earned by vested employees. Should CEIC employees choose to retain State benefits, the State health insurance would incur additional costs and CEIC would make additional payments.
- In fiscal 2014, the State will again be moving back to a calendar year plan (instead of the current fiscal year plan) and have open enrollment in November and December. The Department of Budget and Management advises that this gives the State an opportunity to reduce retiree prescription drug costs without affecting benefits. Under the plan, the State becomes a secondary insurer with Medicare Part D as the primary insurer. The subsidies and discounts received by the State are larger if the State is a secondary insurer. This is projected to generate \$25.0 million in savings annually.

Source: Department of Budget and Management

State Pension System – Contribution Rates and Budgeted Funding Levels

Fiscal 2012 Actual to Fiscal 2014 Allowance

(\$ in Millions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>\$ Change 2013 to 2014</u>
Employees' System – State Rate	13.40%	14.05%	16.84%	
Employees' System – State	\$363	\$447	\$532	\$85
Teacher System – State/Local Rate	15.45%	15.30%	17.94%	
Teacher System – State	\$918	\$845	\$956	\$111
Teacher System – Local	\$0	\$137	\$173	\$37
Other Systems* State	\$113	\$121	\$131	\$10
Total Contribution	\$1,394	\$1,549	\$1,792	\$243

Factors increasing the contribution rate include underattaining investment returns, revising demographic and economic assumptions, and increasing reinvestment.

Teacher plan normal cost for fiscal 2014 is a 5.83% contribution rate or a \$355 million appropriation.

The fiscal 2014 appropriation includes \$300 million of savings achieved through the 2011 pension reform that is reinvested into the fund. This provides \$203 million for the teachers pension system and \$88 million for the employees pension system.

*Other systems represent those serving State Police, judges, and law enforcement officers. Maryland Transportation Authority police officers are not included because they are nonbudgeted.

Source: Gabriel Roeder Smith & Company, Chapter 1 of the First Special Session of 2012

State Aid to Local Governments

**State Aid by Governmental Entity
Amount and Percent of Total**

(\$ in Millions)

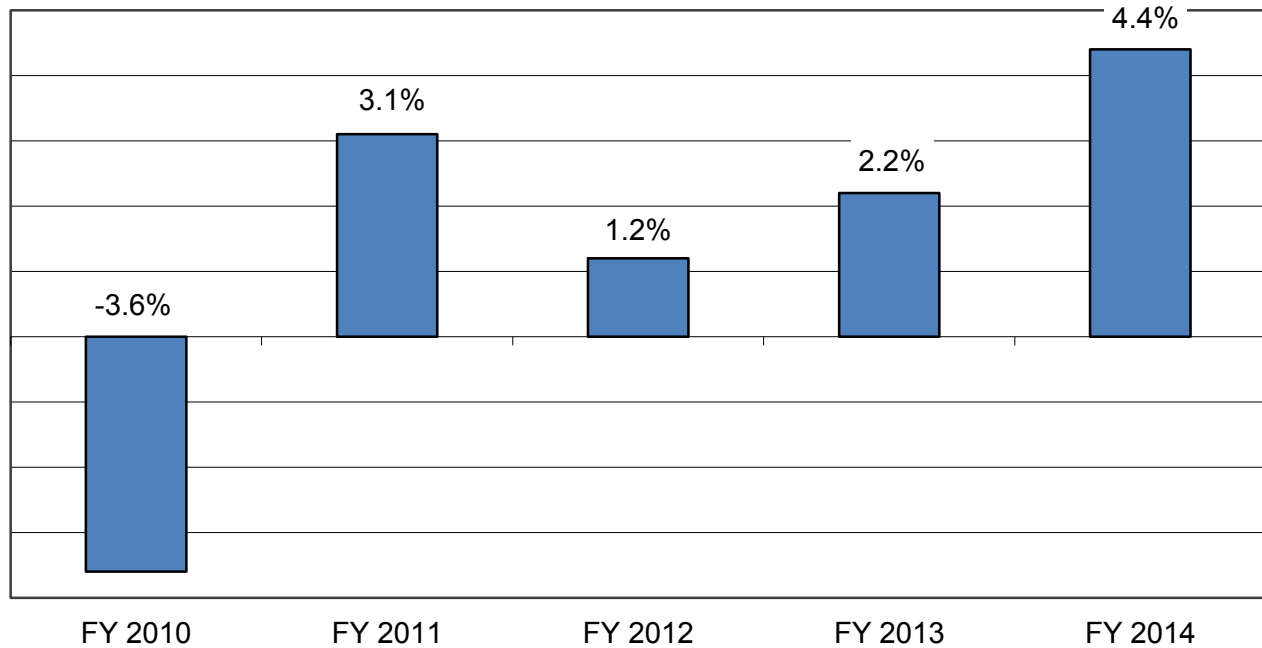
	<u>FY 2014 State Aid Amount</u>	<u>Percent of Total</u>
Public Schools	\$5,195.8	74.5%
Libraries	50.2	0.7%
Community Colleges	243.3	3.5%
Local Health	40.0	0.6%
County/Municipal	524.8	7.5%
Subtotal – Direct Aid	\$6,054.1	86.9%
Retirement Payments	916.5	13.1%
Total	\$6,970.6	100.0%

Change in State Aid by Governmental Entity

(\$ in Millions)

	<u>FY 2014 Aid Difference</u>	<u>Percent Difference</u>
Public Schools	\$110.1	2.2%
Libraries	0.5	1.0%
Community Colleges	8.1	3.4%
Local Health	2.0	5.3%
County/Municipal	67.0	14.6%
Subtotal – Direct Aid	\$187.7	3.2%
Retirement Payments	106.6	13.2%
Total	\$294.3	4.4%

State Aid Rebounds from Prior Funding Levels



State Aid by Governmental Entity – Funding Trend (\$ in Millions)

	<u>FY 2010</u>	<u>FY 2014</u>	<u>Difference</u>	<u>Percent Difference</u>
Public Schools	\$4,747.3	\$5,195.8	\$448.6	9.4%
Libraries	48.8	50.2	1.4	2.8%
Community Colleges	226.9	243.3	16.3	7.2%
Local Health	37.3	40.0	2.8	7.4%
County/Municipal	397.2	524.8	127.6	32.1%
Subtotal – Direct Aid	\$5,457.5	\$6,054.1	\$596.6	10.9%
Retirement Payments	803.4	916.5	113.1	14.1%
Total	\$6,260.9	\$6,970.6	\$709.8	11.3%

State Aid by Governmental Entity and Program

Fiscal 2013 and 2014

(\$ in Millions)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>Difference</u>	<u>Percent Difference</u>
Public Schools				
Foundation Program	\$2,810.4	\$2,850.2	\$39.8	1.4%
Supplemental Grant	47.7	46.5	-1.2	-2.4%
Geographic Cost of Education Index	128.8	130.8	2.0	1.6%
Net Taxable Income Allocation	0.0	8.3	8.3	
Compensatory Aid	1,146.3	1,195.6	49.4	4.3%
Student Transportation	251.3	256.8	5.4	2.2%
Special Education – Formula	266.5	269.1	2.6	1.0%
Special Education – Nonpublic	113.9	109.8	-4.1	-3.6%
Limited English Proficiency	177.4	193.4	16.0	9.0%
Guaranteed Tax Base	44.2	52.3	8.1	18.3%
Other Education Programs	99.3	82.9	-16.4	-16.5%
Subtotal Direct Aid	\$5,085.7	\$5,195.8	\$110.1	2.2%
Retirement Payments	755.4	852.9	97.5	12.9%
Total Public School Aid	\$5,841.1	\$6,048.7	\$207.6	3.6%
Libraries				
Library Aid Formula	\$33.7	\$34.0	\$0.3	1.0%
State Library Network	16.1	16.2	0.1	0.9%
Subtotal Direct Aid	\$49.7	\$50.2	\$0.5	1.0%
Retirement Payments	17.3	20.3	3.0	17.1%
Total Library Aid	\$67.1	\$70.5	\$3.5	5.2%
Community Colleges				
Community College Formula	\$199.2	\$213.0	\$13.8	6.9%
Other Programs	36.0	30.3	-5.7	-15.8%
Subtotal Direct Aid	\$235.1	\$243.3	\$8.1	3.4%
Retirement Payments	37.2	43.3	6.2	16.6%
Total Community College Aid	\$272.3	\$286.6	\$14.3	5.2%
Local Health	\$38.1	\$40.0	\$2.0	5.3%
County/Municipal				
Transportation	\$167.7	\$190.1	\$22.5	13.4%
Public Safety	91.3	113.4	22.1	24.2%
Program Open Space/Critical Areas	17.3	32.5	15.1	87.2%
Disparity Grant	119.9	121.4	1.5	1.3%
Video Lottery Local Impact Aid	28.9	33.4	4.5	15.7%
Teacher Retirement Supplemental Grant	27.7	27.7	0.0	0.0%
Other Grants	5.0	6.3	1.3	25.9%
Total County/Municipal Aid	\$457.8	\$524.8	\$67.0	14.6%
Total State Aid	\$6,676.3	\$6,970.6	\$294.3	4.4%

Proposed State Aid Enhancements and Contingent Reduction
Fiscal 2014
(\$ in Millions)

Enhanced Public School Funding

Net Taxable Income Allocation	\$8.3
Digital Learning Innovation Fund	5.0
Early College Innovation Fund	2.0
Maryland Meals for Achievement – School Breakfast Program	1.8
Adult Education	1.0
Subtotal	\$18.1

Enhanced County/Municipal Government Funding

Municipal Transportation Grants	\$15.4
Subtotal	\$15.4

Total Enhanced State Funding **\$33.5**

Contingent Reduction to Local Program Open Space* **-\$23.7**

Net Effect on State Funding to Local Governments **\$9.8**

*Under the Administration's budget plan, the reduction is replaced with general obligation bonds in subsequent years.

State Aid to Local Governments – Comparison by Per Capita Aid and Annual Change Fiscal 2013 and 2014

County	Fiscal 2013 Appropriation	Fiscal 2014 Allowance	Difference	Percent Difference	Per Capita State Aid		Annual Change in State Aid	
Allegany	\$104,416,663	\$107,514,737	\$3,098,074	3.0%	1. Baltimore City	\$2,033	1. Somerset	10.8%
Anne Arundel	445,124,790	475,170,834	30,046,044	6.8%	2. Caroline	1,782	2. Talbot	9.3%
Baltimore City	1,216,018,737	1,259,499,499	43,480,762	3.6%	3. Wicomico	1,536	3. Worcester	7.8%
Baltimore	718,026,421	759,852,455	41,826,034	5.8%	4. Somerset	1,446	4. Anne Arundel	6.8%
Calvert	104,935,480	106,959,504	2,024,024	1.9%	5. Allegany	1,439	5. Dorchester	6.4%
Caroline	56,012,326	58,794,851	2,782,525	5.0%	6. Dorchester	1,399	6. Baltimore	5.8%
Carroll	177,819,023	179,850,796	2,031,773	1.1%	7. Charles	1,344	7. Montgomery	5.8%
Cecil	126,946,682	127,012,021	65,339	0.1%	8. Washington	1,341	8. Caroline	5.0%
Charles	192,152,789	200,431,279	8,278,490	4.3%	9. Prince George's	1,341	9. Howard	4.8%
Dorchester	42,930,725	45,658,161	2,727,436	6.4%	10. Cecil	1,249	10. Wicomico	4.4%
Frederick	276,386,165	288,596,711	12,210,546	4.4%	11. Frederick	1,219	11. Frederick	4.4%
Garrett	34,119,177	33,913,323	-205,854	-0.6%	12. Calvert	1,198	12. Prince George's	4.4%
Harford	257,212,040	259,765,981	2,553,941	1.0%	13. Garrett	1,129	13. Washington	4.4%
Howard	301,488,896	315,869,902	14,381,006	4.8%	14. St. Mary's	1,097	14. Charles	4.3%
Kent	14,078,131	14,115,235	37,104	0.3%	15. Howard	1,078	15. Queen Anne's	4.2%
Montgomery	825,109,536	872,921,554	47,812,018	5.8%	16. Carroll	1,075	16. Baltimore City	3.6%
Prince George's	1,119,238,615	1,168,343,778	49,105,163	4.4%	17. Harford	1,054	17. Allegany	3.0%
Queen Anne's	42,676,803	44,471,194	1,794,391	4.2%	18. Baltimore	938	18. St. Mary's	2.1%
St. Mary's	115,514,300	117,924,153	2,409,853	2.1%	19. Queen Anne's	920	19. Calvert	1.9%
Somerset	34,373,238	38,079,951	3,706,713	10.8%	20. Montgomery	882	20. Carroll	1.1%
Talbot	19,009,615	20,772,126	1,762,511	9.3%	21. Anne Arundel	873	21. Harford	1.0%
Washington	190,430,116	198,756,631	8,326,515	4.4%	22. Kent	699	22. Kent	0.3%
Wicomico	145,868,634	152,354,804	6,486,170	4.4%	23. Worcester	692	23. Cecil	0.1%
Worcester	33,076,205	35,642,583	2,566,378	7.8%	24. Talbot	546	24. Garrett	-0.6%
Unallocated	83,324,552	88,346,536	5,021,984	6.0%				
Total	\$6,676,289,659	\$6,970,618,599	\$294,328,940	4.4%	Statewide Average	\$1,196	Statewide Average	4.4%

Capital Budget

Capital Budget

All Funds

Fiscal 2013-2014

(\$ in Millions)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>Variance</u>
Uses			
State Facilities	\$139.3	\$66.6	-\$72.7
Health/Social	43.5	81.9	38.4
Environment	585.4	499.3	-86.1
Public Safety	51.3	15.1	-36.2
Education	382.8	345.0	-37.8
Higher Education	309.6	354.7	45.1
Housing	119.1	108.4	-10.7
Economic Development	7.0	10.0	3.0
Bond Bill Projects	15.0	15.0	0.0
Local Projects	24.9	38.9	14.0
InterCounty Connector	0.0	21.5	21.5
Subtotal	\$1,677.9	\$1,556.4	-\$121.5
Transportation	1,602.0	1,998.6	396.6
Total	\$3,279.9	\$3,555.0	\$275.1
Funds			
General Obligation	\$1,119.4	\$1,103.0	-\$16.4
Revenue Bonds	32.0	32.0	0.0
QZAB	15.3	4.5	-10.8
General	7.7	47.4	39.7
Special	355.6	282.2	-73.4
Federal	147.9	87.2	-60.7
Transportation	1,602.0	1,998.6	396.6
Total	\$3,279.9	\$3,554.9	\$275.0

QZAB: Qualified Zone Academy Bonds

Note: Fiscal 2014 figures reflect the following adjustment: \$89.2 million of contingent reductions reflecting the proposed diversion of fiscal 2014 transfer tax revenue. The Governor's budget provides a multi-year general obligation bond replacement plan. The fiscal 2014 GO bond figure includes \$28 million in de-authorizations of prior year authorizations that are reprogrammed as additional new authorizations for fiscal 2014.

Fiscal 2014 Capital Budget

Fiscal 2014 Capital Budget Totals \$1.56 Billion

- **Debt components** include \$1.075 billion of general obligation (GO) bonds, \$32.0 million of Academic Revenue Bonds, and \$4.5 million of Qualified Zone Academy Bonds (QZAB).
- **PAYGO components** include \$47.4 million in general funds, \$282.2 million in special funds, and \$87.2 million in federal funds.

Use of GO Bonds for Operating Relief

- The Budget Reconciliation and Financing Act (BRFA) of 2013 transfers \$89.2 million of fiscal 2014 transfer tax revenues to the general fund which represents two-thirds of the revenue that supports capital expenditures. The remaining one-third of capital eligible revenues would support Program Open Space and other capital programs by formula.
- The BRFA of 2013 includes a multi-year transfer of the transfer tax to the general fund of \$321.5 million which represents 50% of the estimated revenue that by formula would fund capital eligible stateside and local POS programs. The remaining 50% of capital eligible revenues would support Program Open Space and other capital programs by formula.
- The fiscal 2014 budget provides \$9.0 million of GO bond replacement for the transferred fiscal 2014 revenues with the remaining \$74.5 million of GO bond replacement pre-authorized for fiscal 2015 and 2016. Fiscal 2014 also includes \$55.0 million of GO bond replacement from prior year transfers.
- Bond replacement for proposed out-year transfers is scheduled over a two-year period following the year of transfer. Overall, the plan provides pre-authorizations of \$321.5 million of fiscal 2015 through 2018 revenues to be repaid over a six-year period through fiscal 2020. Another \$29.8 million is pre-authorized for fiscal 2015 representing the final replacement of prior year transfers

Funding Highlights

- **Public School Construction – Funding for Green Schools Initiative and Safety Enhancements:** The budget provides \$325.0 million for public school construction – this includes \$25.0 million earmarked for the installation of central air conditioning units and another \$25.0 million in general funds for the installation of safety enhancements. This is supplemented with an additional \$5.4 million of QZAB funds and \$6.1 million of funding for the Aging Schools Program.
- **Housing Initiatives**
 - \$25.0 million for the "Rental Housing Works" initiative that will provide bridge financing for up to 1,100 affordable rental units across the State, and;
 - \$7.5 million for the Strategic Demolition and Smart Growth Impact Project Fund that will provide grants and loans to local governments and private entities for targeted demolition, housing development/redevelopment, and revitalization projects in areas that will be designated through the implementation of PlanMaryland.
- **Stormwater and Oyster Restoration:** The budget enhances the funding for the Chesapeake Bay 2010 trust fund with \$36.6 million of GO bonds for the implementation of stormwater management and wetlands restoration projects. The budget also provides \$10.0 million for oyster restoration rehabilitation activities in the Harris Creek and Little Choptank River.
- **Land Preservation programs:** Funded with GO bond and PAYGO at \$118.7 million. This includes \$64.0 million in GO bond replacement of proposed and prior revenue transfers.
- **Prince George's Hospital System:** The budget proposes \$10.0 million to complete the multi-year commitment to provide \$24.0 million toward infrastructure improvements to system hospitals. Another \$20.0 million is proposed to initiate the State's multi-year funding commitment toward the construction of a new regional hospital.
- **Maryland Energy Efficiency Grant Program:** The budget proposes \$11.7 million in general funds to provide grants for capital projects designed to reduce energy consumption.

**Proposed Fiscal 2014 Fund Transfers and Multi-year
General Obligation Bond Replacement Plan**
(\$ in Millions)

<u>Program</u>	<u>FY 2014 Special Funds Available</u>	<u>FY 2014 Special Funds to Programs</u>	<u>FY 2014 Special Funds Transferred</u>	<u>Fund Replacement</u>			
				<u>FY 2014 Special Funds – Replaced in FY 2014</u>	<u>FY 2014 Special Funds – Replaced in FY 2015</u>	<u>FY 2014 Special Funds – Replaced in FY 2016</u>	<u>Total Amount of Fund Transfers to Be Replaced in the CIP</u>
Program Open Space (POS) – Stateside ⁽¹⁾	\$32.916	\$10.972	\$21.944	\$0.000	\$10.972	\$10.972	\$21.944
POS – Local	35.590	11.863	23.727	0.000	11.864	11.863	23.727
Rural Legacy	16.092	5.364	10.728	0.000	5.364	5.364	10.728
Natural Resources Development Fund (NRDF)	10.223	0.000	10.223	4.562	0.000	0.000	4.562
Critical Maintenance Program	4.620	0.153	4.467	4.467	0.000	0.000	4.467
Tobacco Transition Program ⁽²⁾	2.236	0.319	1.917	1.917	0.000	0.000	1.917
Agricultural Land Preservation Program	27.160	9.053	18.107	0.000	9.054	9.053	18.107
Total	\$128.837	\$37.724	\$91.113	\$10.946	\$37.254	\$37.252	\$85.452
Special Fund Transfer Sources				Funds Not Replaced			
Transfer Tax	\$89.2			NRDF		<u>\$5.661</u>	
Total to Be Transferred to General Fund	\$89.2			Total Not Replaced		\$5.661	

CIP: *Capital Improvement Program*

⁽¹⁾ Special funds available to transfer from POS-Stateside in fiscal 2014 assumes \$1.217 million is left in cash for items not eligible for general obligation (GO) bonds.

⁽²⁾ Reflects GO bond replacement of Cigarette Restitution Funds not allocated to the Tobacco Transition Program.

Governor's Proposed Fiscal 2014 through 2020 Special Fund Transfers and General Obligation Bond Replacement Plan

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Special Funds Transferred to the General Fund	\$89.2	\$75.1	\$77.7	\$82.8	\$86.0	\$0.0	\$0.0	\$410.7
Special Funds to Programs	\$37.4	\$75.1	\$77.7	\$82.8	\$86.0	n/a*	n/a*	\$358.9
GO Bond Replacement to Programs	9.0	37.3	74.8	76.4	80.0	84.4	43.0	404.9
Prior GO Bond Replacement to Programs	55.0	29.8	0.0	0.0	0.0			84.8
Total Funding to Programs	\$101.5	\$142.1	\$152.4	\$159.1	\$166.1	\$84.4	\$43.0	\$848.6

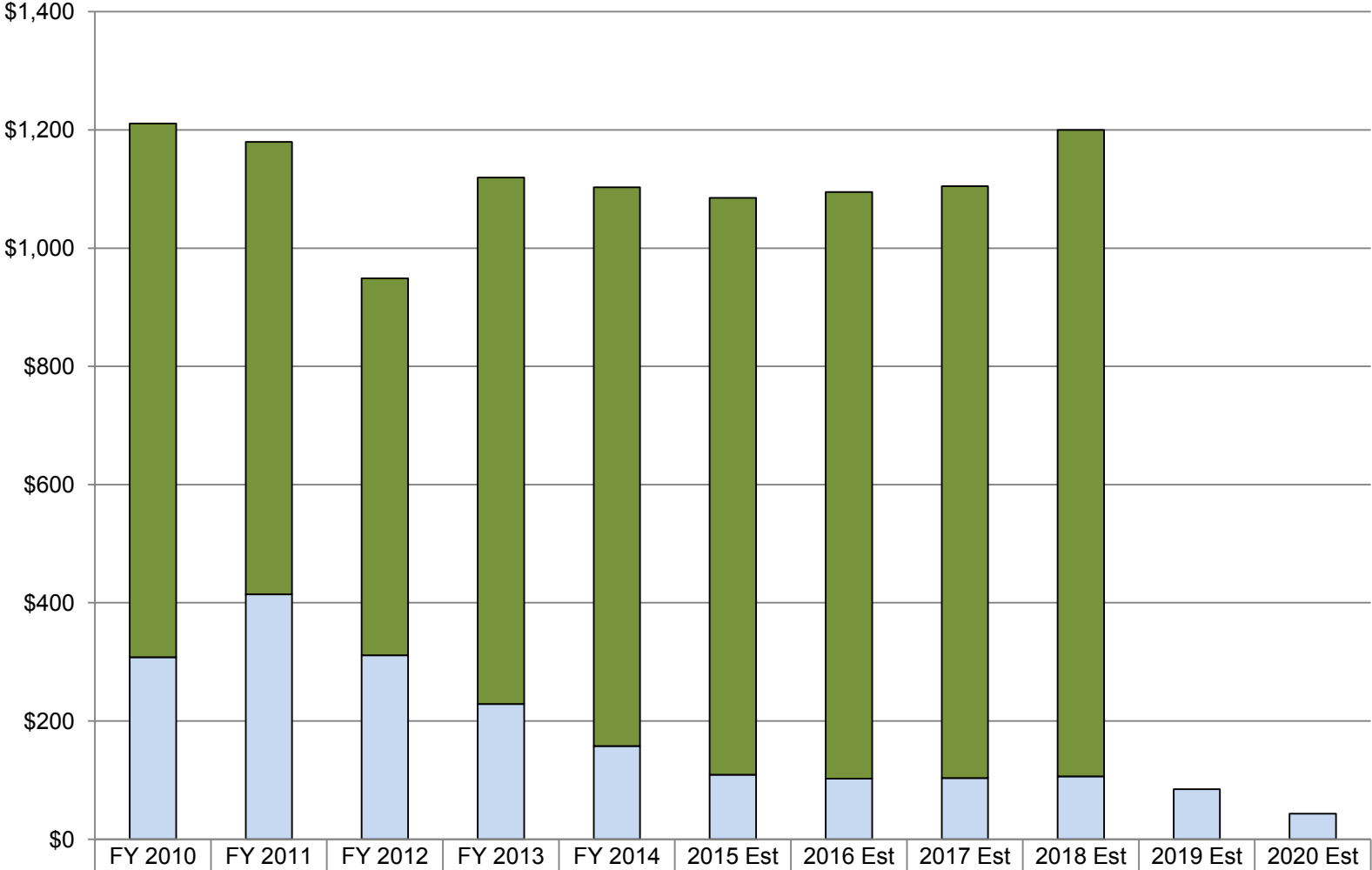
GO: general obligation

Fiscal 2014: Transfer 67% of the capital eligible transfer tax allocations for land preservation programs and 100% of the capital eligible transfer tax allocation for capital development programs to the general fund. Bond replacement for land preservation programs is scheduled in fiscal 2015 and 2016.

Fiscal 2015-2018: Transfer 50% of the capital eligible transfer tax allocation to the general fund and replace with GO bonds in the following two fiscal years.

Note: Transfer tax revenue estimates for fiscal 2019 and 2020 are unavailable to reflect estimates of program funding.

Use of Bond Program for Operating Budget Relief (\$ in Millions)



Top Funded Programs and Projects – All Funds

Fiscal 2014

<u>Project Title</u>	<u>GO</u>					<u>Total Funds</u>
	<u>Bond</u>	<u>Revenue</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	
Public School Construction Program	\$300.0	\$0.0	\$25.0	\$0.0	\$0.0	\$325.0
Water Quality Revolving Loan Program	6.8	0.0	0.0	89.0	34.2	130.0
Enhanced Nutrient Removal Program	0.0	0.0	0.0	88.0	0.0	88.0
New Science and Technology Center (Coppin State Univ.)	50.4	10.0	0.0	0.0	0.0	60.4
Community College Facilities Grant Program (MHEC)	52.0	0.0	0.0	0.0	0.0	52.0
Rental Housing Programs	25.0	0.0	0.0	20.1	6.0	51.1
New School of Business Complex and Bridge (MSU)	50.5	0.0	0.0	0.0	0.0	50.5
Agricultural Land Preservation Program	12.7	0.0	0.0	24.1	0.0	36.7
Chesapeake Bay 2010 Trust Fund	36.6	0.0	0.0	0.0	0.0	36.6
New Performing Arts and Humanities Facility (UMBC)	35.2	0.0	0.0	0.0	0.0	35.2
Program Open Space – Stateside	15.1	0.0	0.0	11.0	4.5	30.6
Program Open Space – Local	17.8	0.0	0.0	11.9	0.0	29.7
Biological Nutrient Removal Program	29.2	0.0	0.0	0.0	0.0	29.2
New Engineering and Aviation Sciences Building (UMES)	22.7	0.0	0.0	0.0	0.0	22.7
Public Safety Communications System	22.3	0.0	0.0	0.0	0.0	22.3
Drinking Water Revolving Loan Fund	2.8	0.0	0.0	8.8	10.4	22.0
InterCounty Connector	21.5	0.0	0.0	0.0	0.0	21.5
Cheltenham Youth Facility – New Detention Center	21.4	0.0	0.0	0.0	0.0	21.4
Prince George's Hospital System New Regional Medical Ctr.	20.0	0.0	0.0	0.0	0.0	20.0
Rural Legacy Program	14.5	0.0	0.0	5.4	0.0	19.8
Capital Facilities Renewal (USMO)	0.0	17.0	0.0	0.0	0.0	17.0
Hlth. Sciences Research Facility III and Surge Bldg. (UMB)	16.6	0.0	0.0	0.0	0.0	16.6
Facilities Renewal Fund	15.0	0.0	0.0	0.0	0.0	15.0
Septic System Upgrade Program	0.0	0.0	0.0	15.0	0.0	15.0
High Performance Data Center	12.0	0.0	0.0	0.0	0.0	12.0
Maryland Energy Efficiency Grant Program	0.0	0.0	11.7	0.0	0.0	11.7
One Maryland Broadband Network	1.2	0.0	0.0	0.0	9.8	11.0
Special Loan Programs	6.6	0.0	0.0	0.8	3.0	10.4
New Ambulatory Care Unit and NICU and Labor and Delivery Units (UMMS)	10.0	0.0	0.0	0.0	0.0	10.0
Sustainable Communities Tax Credit	0.0	0.0	10.0	0.0	0.0	10.0
Prince George's Hospital System Infrastructure Improvements	10.0	0.0	0.0	0.0	0.0	10.0
Oyster Restoration Program	10.0	0.0	0.0	0.0	0.0	10.0
Community Development Block Grant Program	0.0	0.0	0.0	0.0	10.0	10.0
Campuswide Building System and Infrastructure Improvements (UMCP)	5.0	5.0	0.0	0.0	0.0	10.0
Subtotal: Top Funded Program and Projects	\$842.9	\$32.0	\$46.7	\$273.9	\$77.9	\$1,273.4
Subtotal: Other Funded Programs and Projects	\$236.7	\$0.0	\$0.7	\$8.3	\$9.3	\$254.9
Grand Total	\$1,079.5	\$32.0	\$47.4	\$282.2	\$87.2	\$1,528.4

MHEC: Maryland Higher Education Commission
MSU: Morgan State University
NICU: Neonatal Intensive Care Unit
UMB: University of Maryland, Baltimore
UMBC: University of Maryland Baltimore County

UMCP: University of Maryland, College Park
UMES: University of Maryland Eastern Shore
UMMS: University of Maryland Medical System
UMSO: University of Maryland System Office

Federal Fiscal Issues

Federal Fiscal Issues – Update

- On January 1, Congress passed the American Taxpayer Relief Act of 2012 (ATRA). The legislation extended and made permanent most of the Bush-era tax cuts, extended certain tax provisions from the 2009 stimulus bill, provided permanent relief from the alternative minimum tax and extended a variety of individual and business tax provisions generally through 2013. It imposed higher income and capital gains/dividend tax rates on households with income over \$400,000 for single filers and \$450,000 for joint filers and brought back the limitation on personal exemptions and itemized deductions for households with an income over \$250,000 (single) and \$300,000 (joint). The legislation also extended emergency unemployment insurance benefits for a year. In addition, the payroll tax cut that had been in effect for 2011 and 2012 was allowed to expire.
- The ATRA delayed the effective date for sequestration to March 1, 2013. Half the delay is to be offset by unspecified discretionary cuts (defense and non-defense), the other half is to be offset by additional tax revenues expected to occur from changes that make it easier to convert a traditional retirement account, such as a 401(k), to a Roth 401(k). The fate of the sequestration budget cuts remains unresolved but if the full cuts are allowed to go through, the State budget is estimated to lose around \$117 million in federal funds over the next two years. The federal budget cuts would also have a significant impact on the State's economy, and therefore, tax revenues. In its December 2012 forecast, the Board of Revenue Estimates assumed that the sequestration budget cuts would be partially mitigated.
- In addition to the sequestration issue, the continuing resolution that is funding the government for federal fiscal 2013 expires on March 27. Before that point, Congress will need to either pass appropriation bills or another continuing resolution to avoid a shutdown of many government services.
- At the end of December 2012, the Treasury Department announced that the United States had reached the statutory debt limit. For a period of time, Treasury can take certain actions to avoid defaulting on the government's legal obligations. However, sometime between mid-February and early March these measures will no longer suffice. At that point, Treasury could pay bills only up to the cash available on hand on any given day. Failure to raise the debt limit could not only result in much of the federal government shutting down but also cause severe disruptions to financial markets as U.S. government debt is a key asset in world markets.

Appendices

Status of the General Fund
Fiscal 2013
(\$ in Millions)

Starting Balance		\$551.2
Revenues		
BRE Estimated Revenue December 2012	\$14,725.6	
Administration Assumptions	3.0	
Total		\$14,728.6
Transfers		
Sustainable Communities and Biotechnology Tax Credits	\$11.3	
GAAP Adjustment	17.5	
Budget Restoration Fund	3.2	
Total		\$31.9
Funds Available		\$15,311.6
Spending		
Fiscal 2013 Appropriation	\$14,623.0	
Deficiencies	124.6	
Targeted Reversions	-19.6	
Estimated Agency Reversions	-30.0	
Net Expenditures		\$14,697.9
Ending Balance		\$613.7

BRE: Board of Revenue Estimates

GAAP: Generally Accepted Accounting Principles

Status of the General Fund
Fiscal 2014
(\$ in Millions)

Starting Balance		\$613.7
Revenues		
BRE Estimated Revenue December 2012	\$15,351.2	
Administration Assumptions	1.2	
Total		\$15,352.4
Transfers		
Sustainable Communities and Biotechnology Tax Credits	\$17.1	
Budget Reconciliation Legislation	90.2	
Revenue Stabilization Account	166.0	
Total		\$273.3
Funds Available		\$16,239.4
Spending		
Fiscal 2014 Allowance	\$16,141.0	
Contingent Reductions	-102.7	
Across-the-board Reductions	-5.0	
Estimated Agency Reversions	-30.0	
Net Expenditures		\$16,003.4
Ending Balance		\$236.0

BRE: Board of Revenue Estimates

Overview

2013 Session Budget Plan

(\$ in Millions)

Budget Problem

Fiscal 2014 General Fund Baseline Structural Gap	\$383	
Additional One-time Fiscal 2014 Spending ¹	102	
Fiscal 2013 General Fund Deficiencies	<u>125</u>	
		\$609

Budget Solution

General Fund Balance (FY 2013)²		\$731
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Proposed Budget Compared to Current Services Baseline

Net Change Due to Enrollments, Caseloads, Costs, Etc.	\$274	
Lower Bond Premium/VLT Revenues and Federal Fund Assumptions	-123	
New Initiatives/Enhanced Funding	-102	
Reductions Contingent on Legislation	103	
Additional Fiscal 2013 Reversions	20	
		\$172

Additional Revenues

Revenues Contingent on Legislation	\$84	
Other Revenues	26	
		\$110

Transfers Contingent on Legislation		-\$14
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Additional 1% to Rainy Day Fund		-\$154
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Ending General Fund Balance		\$236
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¹Additional expenditure requirements that are not ongoing including \$50.0 million to repay previous transfer of transfer tax revenues to the general fund and \$52 million to ensure that the Rainy Day Fund balance is 5% of general fund revenues.

²Estimated balance before deficiencies, proposed transfers and revenues, and reversions. Under the Administration's plan, the fiscal 2013 ending balance is estimated to be \$613.7 million.

State Reserve Fund Activity
Fiscal 2013-2014
(\$ in Millions)

	<u>Rainy Day Fund</u>	<u>Dedicated Purpose Acct.</u>	<u>Catastrophic Event Acct.</u>
Estimated Balances 6/30/12	\$671.5	\$0.0	\$1.0
Fiscal 2013 Appropriations	27.8	0.0	0.0
Supplemental Teacher Retirement Grants	-5.0		
Estimated Interest	6.8		
Estimated Balances 6/30/13	\$701.1	\$0.0	\$1.0
Fiscal 2014 Appropriations	\$371.3	\$105.0	\$0.0
Expenditures			
* Program Open Space Contingent Cut		-50.0	
* Local Reserve Account Contingent Cut		-50.0	
Government Innovation Fund		-5.0	
Transfers to General Fund			
Fiscal 2014 Budget Bill	-166.0		
Estimated Interest	14.8		
Estimated Balances 6/30/14	\$921.1	\$0.0	\$1.0
Percent of Revenues in Reserve	6.0%		

* Funding would be reduced contingent on enactment of HB 102/SB 127, the Budget Reconciliation and Financing Act of 2013.

Spending Affordability Analysis

Governor's Proposed Budget

(\$ in Millions)

Target

Estimated Structural Gap (December 2012)	\$383
Target Reduction	200

Revenues

	\$15,459	
50% of Transfer Tax	-14	
Telecomm Revenues to General Fund	-7	
Other One-time Items	-2	

Subtotal		\$15,436

Spending

	\$16,003	
Rainy Day Fund	-371	
Government Innovation Fund	-5	
POS for Administration	1	
PAYGO Capital	-37	

Subtotal		15,591

Amount Reduced from Structural Shortfall	\$228
Remaining Structural Deficit	\$155

Authorized Positions

	<u>Executive Branch</u>¹	<u>All State Agencies</u>
Fiscal 2013 Legislative Appropriation	50,271.4	79,331.3
Positions Created through BPW or Flex Autonomy	78.4	318.8
Section 25 Position Abolition of 100 Positions	-118.6	-121.6
Fiscal 2014 Abolished Positions	-15.5	-15.5
Fiscal 2014 Positions Created	146.0	228.0
Total Fiscal 2014 Positions	50,361.7	79,741.0
Positions Excluded by SAC		
Contractual Conversions		26.0
Revenue Generating ²		74.0
Health Benefit Exchange		28.0
<i>Subtotal</i>		128.0
Total SAC Positions		79,613.0
SAC Limit		79,626.0
Positions Over (Under) SAC		-13.0

BPW: Board of Public Works

SAC: Spending Affordability Committee

¹ Excluding higher education institutions.

² Includes 44 positions approved by BPW in November 2012.

Changes from General Fund Baseline Expenditure Growth
Fiscal 2014 Proposed Budget
(\$ in Millions)

Aid to Local Governments	\$83
Current Aid Programs – net change from baseline estimates (\$7 million)	
Net Taxable Income – formula wealth adjustment (\$8 million)	
School Safety Capital Grants (\$25 million)	
New Programs/Discretionary Aid Enhancements (\$10 million)	
Lower video lottery revenue estimate requires more general funds (\$31 million)	
Entitlements	-241
Medicaid funding less than baseline estimates (-\$263 million)	
Accelerated resolution of prior years' assistance payment shortfalls (\$27 million)	
State Agencies – Operations/Programs	0
No general funds for low-income energy assistance – additional federal funds assumed (-\$21 million)	
Social services operations – less federal funds (\$20 million)	
Health Insurance Exchange/New health laboratory (\$15 million)	
Lower costs estimated for mental health services (-\$15 million)	
Larger increase for higher education institutions (\$19 million)	
Lower high school assessment costs (-\$20 million)	
Lower correctional system costs (-\$32 million)	
Energy Efficiency Grants – pay-as-you-go capital (\$12 million)	
Various economic development initiatives (\$16 million)	
Reserve Fund Accounts/Debt Service	6
No repayments for open space monies transferred to the general fund in fiscal 2006 and local income tax reserves transferred in fiscal 2011 (-\$100 million)*	
Lower estimate of bond premiums available for debt service (\$101 million)	
Government Innovation Fund (\$5 million)	
Total Difference from Baseline	-\$152

*Contingent on legislation.

Budget Reconciliation and Financing Act of 2013 (HB 102/SB 127)

Mandate Relief

- Modifies the distribution of racing revenue impact aid to provide for pro-rata allocations of local impact grants if revenues are insufficient (bill pages 3-4)
- Repeals the requirement that the State repay \$50.0 million annually, from fiscal 2014 to 2020, to replenish the Local Income Tax Reserve Account (bill page 7)
- Defers until fiscal 2016 the requirement that transfer tax funds diverted to the general fund in fiscal 2006 be repaid by unappropriated general fund balance in excess of \$10.0 million (bill page 8)

General and Special Fund Revenue Actions

- Repeals the requirement that the Comptroller publish, in newspapers of general circulation, notice of abandoned property; authorizes the establishment of an electronic database with access via an Internet website (bill pages 4-6)
- Requires county boards of education to reimburse the Department of Juvenile Services a portion of the costs to educate a child in detention in a facility for 15 consecutive days or more (bill page 6)
- Repeals the provision that directs 5% of the admissions and amusement tax on electronic bingo and electronic tip jars to the Special Fund for the Preservation of Cultural Arts in Maryland and directs that share to the general fund (bill pages 6-7)
- Repeals the Maryland-mined Coal Tax Credit effective January 1, 2013 (bill page 8)

New or Expanded Uses of Existing Revenues

- Program Open Space – continues the authorization through fiscal 2015 that \$1.2 million of the State share may be used for program administration expenses in the Department of Natural Resources, the Department of General Services, and the Department of Planning (bill page 6)

Transfers

- From the Local Reserve Account held by the Comptroller, \$15.4 million to a special fund in the Department of Transportation to provide transportation grants to municipalities (bill page 7)
- From the balance in the State Insurance Trust Fund, \$1.0 million to the general fund in fiscal 2013 (bill page 8)
- From the Small, Minority, Women-Owned Business Account established with the revenues from the video lottery terminal program, \$2.0 million to the Maryland Small Business Development Financing Authority in fiscal 2014 (bill page 8)
- From transfer tax revenues to the general fund: \$89.2 million in fiscal 2014; \$75.1 million in fiscal 2015; \$77.7 million in fiscal 2016; \$82.8 million in fiscal 2017; and \$86.0 million in fiscal 2018 (bill page 8)

Cost Control and Miscellaneous Provisions

- Limits, for fiscal 2014, the increase in rates paid to group homes and nonpublic placements to 2.5% over the rates in effect on January 16, 2013 (bill page 9)
- Requires the Health Services Cost Review Commission to study the projected savings that will accrue to Medicaid through the application of tiered rates for hospital outpatient and emergency department services and to take certain action to ensure that general fund savings of \$30.0 million are realized for fiscal 2014 (bill pages 9-10)

State Expenditures – All Funds
(\$ in Millions)

<u>Category</u>	<u>Actual FY 2012</u>	<u>Adjusted Work. Appr. FY 2013</u>	<u>Allowance FY 2014</u>	<u>Contingent Reductions & Fund Swaps</u>	<u>Adjusted Allowance FY 2014</u>	<u>FY 2013 to FY 2014</u>	
						<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,050.6	\$1,114.6	\$1,195.8	\$0.0	\$1,195.8	\$81.2	7.3%
County/Municipal	481.5	496.6	590.0	23.7	566.2	69.6	14.0%
Community Colleges	263.3	272.3	286.6	0.0	286.6	14.3	5.2%
Education/Libraries	6,471.3	6,667.1	6,867.4	0.0	6,867.4	200.3	3.0%
Health	42.8	42.5	44.5	0.0	44.5	2.0	4.7%
Aid to Local Governments	\$7,258.9	\$7,478.6	\$7,788.5	\$23.7	\$7,764.7	\$286.2	3.8%
Foster Care Payments	306.4	316.4	327.0	0.0	327.0	10.6	3.4%
Assistance Payments	1,301.5	1,237.8	1,292.7	0.0	1,292.7	54.9	4.4%
Medical Assistance	6,665.8	6,884.3	7,188.6	0.0	7,188.6	304.3	4.4%
Property Tax Credits	81.8	82.0	80.2	0.0	80.2	-1.7	-2.1%
Entitlements	\$8,355.5	\$8,520.4	\$8,888.5	\$0.0	\$8,888.5	\$368.1	4.3%
Health	3,010.8	3,228.9	3,377.8	0.0	3,377.8	148.9	4.6%
Human Resources	846.1	921.0	932.1	0.0	932.1	11.1	1.2%
Children's Cabinet Interagency Fund	21.2	16.9	21.5	0.0	21.5	4.6	27.0%
Juvenile Services	285.6	282.9	292.9	0.0	292.9	10.0	3.5%
Public Safety/Police	1,518.1	1,564.5	1,593.7	0.0	1,593.7	29.3	1.9%
Higher Education	4,975.6	5,218.0	5,360.6	0.0	5,360.6	142.6	2.7%
Other Education	677.7	734.2	684.1	0.0	684.1	-50.1	-6.8%
Transportation	1,564.7	1,608.0	1,676.5	0.0	1,676.5	68.5	4.3%
Agric./Nat'l. Res./Environment	364.6	396.1	400.0	0.0	400.0	4.0	1.0%
Other Executive Agencies	1,661.8	1,879.3	1,805.6	0.5	1,805.1	-74.2	-3.9%
Legislative	76.8	78.8	80.6	0.0	80.6	1.8	2.3%
Judiciary	423.8	451.9	468.0	0.0	468.0	16.1	3.6%
State Agencies	\$15,426.9	\$16,380.5	\$16,693.5	\$0.5	\$16,693.0	\$312.5	1.9%
Total Operating	\$32,091.8	\$33,494.0	\$34,566.2	\$24.2	\$34,542.0	\$1,048.0	3.1%
Capital ⁽¹⁾	1,808.0	2,284.4	2,395.0	65.5	2,329.6	45.2	2.0%
Subtotal	\$33,899.7	\$35,778.5	\$36,961.3	\$89.7	\$36,871.6	\$1,093.1	3.1%
Reserve Funds	15.0	27.8	476.3	100.0	376.3	348.5	1255.5%
Appropriations	\$33,914.7	\$35,806.2	\$37,437.5	\$189.7	\$37,247.8	\$1,441.6	4.0%
Reversions	0.0	-30.0	-30.0	0.0	-30.0	0.0	0.0%
Grand Total	\$33,914.7	\$35,776.2	\$37,407.5	\$189.7	\$37,217.8	\$1,441.6	4.0%

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

Note: The fiscal 2013 adjusted working appropriation reflects \$103.0 million in deficiencies, \$19.6 million in targeted reversions and includes \$430.3 million from the Budget Restoration Fund. The fiscal 2014 allowance includes \$7.4 million in reductions from Section 19 of the budget bill (HB 100/SB 125). The fiscal 2014 adjusted allowance reflects \$192.4 million in reductions contingent on legislation offset by \$2.7 million in additional special fund spending due to funding swaps.

State Expenditures – State Funds
(\$ in Millions)

<u>Category</u>	<u>Actual</u>	<u>Adjusted</u>	<u>Allowance</u>	<u>Contingent</u>	<u>Adjusted</u>	<u>FY 2013 to FY 2014</u>	
	<u>FY 2012</u>	<u>Work. Appr.</u> <u>FY 2013</u>	<u>FY 2014</u>	<u>Reductions &</u> <u>Fund Swaps</u>	<u>FY 2014</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,039.1	\$1,102.4	\$1,183.4	\$0.0	\$1,183.4	\$81.0	7.3%
County/Municipal	378.5	444.8	530.7	23.7	507.0	62.2	14.0%
Community Colleges	263.3	272.3	286.6	0.0	286.6	14.3	5.2%
Education/Libraries	5,707.7	5,870.2	6,113.1	0.0	6,113.1	242.9	4.1%
Health	38.3	38.1	40.0	0.0	40.0	2.0	5.3%
Aid to Local Governments	\$6,387.8	\$6,625.3	\$6,970.4	\$23.7	\$6,946.7	\$321.4	4.9%
Foster Care Payments	213.4	236.8	243.0	0.0	243.0	6.2	2.6%
Assistance Payments	94.0	120.4	95.0	0.0	95.0	-25.4	-21.1%
Medical Assistance	3,300.7	3,370.9	3,252.0	0.0	3,252.0	-118.9	-3.5%
Property Tax Credits	81.8	82.0	80.2	0.0	80.2	-1.7	-2.1%
Entitlements	\$3,689.9	\$3,810.1	\$3,670.2	\$0.0	\$3,670.2	-\$139.8	-3.7%
Health	1,910.5	2,012.8	2,068.3	0.0	2,068.3	55.6	2.8%
Human Resources	407.2	408.3	411.2	0.0	411.2	2.9	0.7%
Children's Cabinet Interagency Fund	21.2	16.9	21.5	0.0	21.5	4.6	27.0%
Juvenile Services	273.8	274.6	284.8	0.0	284.8	10.2	3.7%
Public Safety/Police	1,482.9	1,535.3	1,567.4	0.0	1,567.4	32.1	2.1%
Higher Education	4,975.6	5,218.0	5,360.6	0.0	5,360.6	142.6	2.7%
Other Education	447.0	464.3	440.6	0.0	440.6	-23.8	-5.1%
Transportation	1,471.9	1,522.5	1,579.4	0.0	1,579.4	56.9	3.7%
Agric./Nat'l. Res./Environment	298.1	323.3	334.1	0.0	334.1	10.7	3.3%
Other Executive Agencies	1,019.6	1,324.1	1,263.0	0.5	1,262.5	-61.6	-4.7%
Legislative	76.8	78.8	80.6	0.0	80.6	1.8	2.3%
Judiciary	419.3	446.0	463.8	0.0	463.8	17.8	4.0%
State Agencies	\$12,804.2	\$13,624.8	\$13,875.3	\$0.5	\$13,874.8	\$250.0	1.8%
Total Operating	\$23,920.9	\$25,162.6	\$25,699.3	\$24.2	\$25,675.1	\$512.5	2.0%
Capital ⁽¹⁾	920.5	1,345.6	1,453.6	65.5	1,388.2	42.5	3.2%
Subtotal	\$24,841.4	\$26,508.2	\$27,153.0	\$89.7	\$27,063.3	\$555.0	2.1%
Reserve Funds	15.0	27.8	476.3	100.0	376.3	348.5	1255.5%
Appropriations	\$24,856.4	\$26,536.0	\$27,629.2	\$189.7	\$27,439.5	\$903.5	3.4%
Reversions	0.0	-30.0	-30.0	0.0	-30.0	0.0	0.0%
Grand Total	\$24,856.4	\$26,506.0	\$27,599.2	\$189.7	\$27,409.5	\$903.5	3.4%

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

Note: The fiscal 2013 adjusted working appropriation reflects \$169.0 million in deficiencies, \$19.6 million in targeted reversions and includes \$430.3 million from the Budget Restoration Fund. The fiscal 2014 allowance includes \$6.4 million in reductions from Section 19 of the budget bill (HB 100/SB 125). The fiscal 2014 adjusted allowance reflects \$192.4 million in reductions contingent on legislation offset by \$2.7 million in additional special fund spending due to funding swaps.

State Expenditures – Federal Funds
(\$ in Millions)

<u>Category</u>	<u>Actual FY 2012</u>	<u>Work. Appr. FY 2013</u>	<u>Allowance FY 2014</u>	<u>FY 2013 to FY 2014 \$ Change</u>	<u>% Change</u>
Debt Service	\$11.5	\$12.2	\$12.4	\$0.2	1.9%
County/Municipal	103.0	51.9	59.3	7.4	14.3%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	763.6	796.9	754.3	-42.6	-5.3%
Health	4.5	4.5	4.5	0.0	0.0%
<i>Aid to Local Governments</i>	\$871.1	\$853.3	\$818.1	-\$35.2	-4.1%
Foster Care Payments	93.0	79.5	84.0	4.4	5.6%
Assistance Payments	1,207.5	1,117.4	1,197.7	80.3	7.2%
Medical Assistance	3,365.1	3,513.5	3,936.6	423.2	12.0%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
<i>Entitlements</i>	\$4,665.6	\$4,710.4	\$5,218.3	\$507.9	10.8%
Health	1,100.3	1,216.1	1,309.4	93.3	7.7%
Human Resources	438.9	512.7	520.9	8.2	1.6%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	11.8	8.3	8.1	-0.2	-2.6%
Public Safety/Police	35.1	29.2	26.3	-2.9	-9.9%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	230.7	269.8	243.6	-26.3	-9.7%
Transportation	92.7	85.5	97.1	11.6	13.5%
Agric./Nat'l. Res./Environment	66.6	72.7	65.9	-6.8	-9.3%
Other Executive Agencies	642.1	555.2	542.7	-12.6	-2.3%
Judiciary	4.5	6.0	4.2	-1.8	-29.9%
<i>State Agencies</i>	\$2,622.7	\$2,755.6	\$2,818.2	\$62.6	2.3%
Total Operating	\$8,170.9	\$8,331.4	\$8,866.9	\$535.5	6.4%
Capital	887.5	938.8	941.4	2.6	0.3%
Grand Total	\$9,058.3	\$9,270.2	\$9,808.3	\$538.1	5.8%

Note: The fiscal 2013 working appropriation includes -\$66.1 million in deficiencies. The fiscal 2014 allowance includes \$1 million in reductions from Section 19 of the budget bill (HB 100/SB 125).

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

<u>Category</u>	<u>Actual</u>	<u>Work. Appr.</u>	<u>Allowance</u>	<u>Contingent</u>	<u>Adjusted</u>	<u>FY 2013 to FY 2014</u>	
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>Reductions & Fund Swaps</u>	<u>FY 2014</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,039.1	\$1,102.4	\$1,082.4	\$0.0	\$1,082.4	-\$20.0	-1.8%
County/Municipal	191.9	285.7	292.5	23.7	268.8	-17.0	-5.9%
Community Colleges	0.0	19.9	0.0	0.0	0.0	-19.9	-100.0%
Education/Libraries	91.1	422.2	340.3	0.0	340.3	-81.8	-19.4%
Health	0.0	0.8	0.0	0.0	0.0	-0.8	-100.0%
Aid to Local Governments	\$283.1	\$728.6	\$632.8	\$23.7	\$609.1	-\$119.5	-16.4%
Foster Care Payments	4.6	2.5	5.1	0.0	5.1	2.6	102.3%
Assistance Payments	24.2	19.4	18.6	0.0	18.6	-0.8	-4.2%
Medical Assistance	837.8	1,028.1	903.7	0.0	903.7	-124.3	-12.1%
Property Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Entitlements	\$866.6	\$1,050.0	\$927.4	\$0.0	\$927.4	-\$122.6	-11.7%
Health	460.8	541.3	526.2	0.0	526.2	-15.1	-2.8%
Human Resources	83.8	82.7	77.8	0.0	77.8	-4.9	-5.9%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Juvenile Services	4.7	4.4	4.4	0.0	4.4	0.1	1.6%
Public Safety/Police	209.1	219.3	221.9	0.0	221.9	2.7	1.2%
Higher Education	3,838.9	4,112.6	4,146.9	0.0	4,146.9	34.2	0.8%
Other Education	64.7	94.1	69.9	-1.5	71.4	-22.7	-24.2%
Transportation	1,471.9	1,522.5	1,579.4	0.0	1,579.4	56.9	3.7%
Agric./Nat'l. Res./Environment	194.0	213.8	221.1	-1.2	222.3	8.5	4.0%
Other Executive Agencies	478.1	732.4	542.7	0.5	542.2	-190.2	-26.0%
Legislative	0.0	0.4	0.0	0.0	0.0	-0.4	-100.0%
Judiciary	45.1	58.6	54.0	0.0	54.0	-4.6	-7.9%
State Agencies	\$6,851.0	\$7,582.2	\$7,444.4	-\$2.2	\$7,446.5	-\$135.6	-1.8%
Total Operating	\$9,039.7	\$10,463.1	\$10,087.0	\$21.6	\$10,065.4	-\$397.7	-3.8%
Capital	866.0	1,344.9	1,406.2	65.5	1,340.7	-4.2	-0.3%
Grand Total	\$9,905.7	\$11,808.1	\$11,493.2	\$87.0	\$11,406.2	-\$401.9	-3.4%

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

Note: The fiscal 2013 working appropriation reflects \$44.5 million in deficiencies and includes \$430.3 million from the Budget Restoration Fund. The fiscal 2014 allowance includes \$1.4 million in reductions from Section 19 of the budget bill (HB 100/SB 125). The fiscal 2014 adjusted allowance reflects \$89.7 million in reductions contingent on legislation offset by \$2.7 million in additional special fund spending due to funding swaps.

State Expenditures
Total and Adjusted for Reserve Fund Transfers
Fiscal 2004-2014
(\$ in Millions)

Table 1. General Funds

Fiscal Year	General Fund Expenditures	Percent Change	Appropriations to Reserve Fund ⁽²⁾	Adjusted General Fund Expenditures	Percent Change	Calendar Year	Maryland Personal Income ⁽³⁾	Percent Change
2004	\$10,261.5	-1.0%	\$10.0	\$10,251.5	0.7%	2004	\$224,646.0	7.1%
2005	11,275.2	9.9%	114.7	11,160.5	8.9%	2005	237,146	5.6%
2006	12,356.4	9.6%	299.4	12,057.0	8.0%	2006	252,432	6.4%
2007	14,204.4	15.0%	638.4	13,566.0	12.5%	2007	264,798	4.9%
2008	14,488.2	2.0%	162.8	14,325.4	5.6%	2008	277,793	4.9%
2009	14,352.9	-0.9%	146.5	14,206.4	-0.8%	2009	271,729	-2.2%
2010	13,442.3	-6.3%	114.9	13,327.4	-6.2%	2010	281,305	3.5%
2011	13,280.8	-1.2%	15.0	13,265.8	-0.5%	2011	295,236	5.0%
2012	14,950.7	12.6%	15.0	14,935.7	12.6%	2012	305,883	3.6%
2013 ⁽¹⁾	14,697.9	-1.7%	27.8	14,670.2	-1.8%	2013	316,780	3.6%
2014 ⁽¹⁾	16,003.4	8.9%	376.3	15,627.1	6.5%	2014	330,994	4.5%

Table 2. State Funds (General, Special, and Higher Education)

Fiscal Year	State Fund Expenditures	Percent Change	Appropriations to Reserve Fund ⁽²⁾	Adjusted State Fund Expenditures	Percent Change	Calendar Year	Maryland Personal Income ⁽³⁾	Percent Change
2004	\$16,701.7	-2.2%	\$10.0	\$16,691.7	-1.2%	2004	\$224,646.0	7.1%
2005	18,188.1	8.9%	114.7	18,073.5	8.3%	2005	237,146	5.6%
2006	19,967.7	9.8%	308.6	19,659.1	8.8%	2006	252,432	6.4%
2007	22,393.0	12.1%	638.4	21,754.6	10.7%	2007	264,798	4.9%
2008	23,008.1	2.7%	162.8	22,845.3	5.0%	2008	277,793	4.9%
2009	23,111.6	0.5%	146.5	22,965.1	0.5%	2009	271,729	-2.2%
2010	22,208.1	-3.9%	114.9	22,093.1	-3.8%	2010	281,305	3.5%
2011	22,732.5	2.4%	15.0	22,717.5	2.8%	2011	295,236	5.0%
2012	24,856.4	9.3%	15.0	24,841.4	9.3%	2012	305,883	3.6%
2013 ⁽¹⁾	26,506.0	6.6%	27.8	26,478.2	6.6%	2013	316,780	3.6%
2014 ⁽¹⁾	27,409.5	3.4%	376.3	27,033.3	2.1%	2014	330,994	4.5%

Table 3. All Funds

Fiscal Year	Total Expenditures	Percent Change	Appropriations to Reserve Fund ⁽²⁾	Adjusted Total State Expenditures	Percent Change	Calendar Year	Maryland Personal Income ⁽³⁾	Percent Change
2004	\$22,547.2	0.4%	\$10.0	\$22,537.2	1.2%	2004	\$224,646.0	7.1%
2005	24,066.3	6.7%	114.7	23,951.7	6.3%	2005	237,146	5.6%
2006	26,174.2	8.8%	308.6	25,865.6	8.0%	2006	252,432	6.4%
2007	28,756.5	9.9%	638.4	28,118.1	8.7%	2007	264,798	4.9%
2008	29,569.4	2.8%	162.8	29,406.6	4.6%	2008	277,793	4.9%
2009	30,870.5	4.4%	146.5	30,724.0	4.5%	2009	271,729	-2.2%
2010	32,033.1	3.8%	114.9	31,918.1	3.9%	2010	281,305	3.5%
2011	32,683.8	2.0%	15.0	32,668.8	2.4%	2011	295,236	5.0%
2012	33,914.7	3.8%	15.0	33,899.7	3.8%	2012	305,883	3.6%
2013 ⁽¹⁾	35,776.2	5.5%	27.8	35,748.5	5.5%	2013	316,780	3.6%
2014 ⁽¹⁾	37,217.8	4.0%	376.3	36,841.6	3.1%	2014	330,994	4.5%

⁽¹⁾ Fiscal 2013 is the working appropriation including reversions, deficiencies, and targeted reversions. Fiscal 2014 is the Governor's allowance reflecting expected reversions, across the board reductions from section 19 of the budget bill (HB 100/SB 135), reductions contingent on legislation and additional special fund spending related to fund swaps.

⁽²⁾ Includes appropriations to the Revenue Stabilization Account, the Dedicated Purpose Account, the Catastrophic Event Fund, the Citizen's Tax Reduction Reserve Fund, and the Joseph Fund. Money that was appropriated to the Dedicated Purpose Account to be transferred to the Maryland Transportation Authority is excluded (\$50.0 million in fiscal 2006, \$53.0 million in fiscal 2007, and \$65.0 million in fiscal 2009). Money appropriated to the Dedicated Purpose Account for the Other Post Employment Benefits liability is also excluded (\$100.0 million each in fiscal 2007 and 2008).

⁽³⁾ The history through 2011 comes from the U.S. Department of Commerce, Bureau of Economic Analysis and reflects their December 2012 release of state personal income data. The forecast for 2012-2014 is from the Board of Revenue Estimates, December 2012.

Description of Position Changes Fiscal 2013 and 2014 Budgets

Interim Position Creations

- The fiscal 2013 working appropriation includes 240 full-time equivalent positions created by higher education institutions through “flex” personnel autonomy.
- 78 positions were created by the Board of Public Works (BPW), of which:
 - 44 positions were created in the State Lottery and Gaming Control Agency to support expanded gambling operations approved by a referendum in November 2012;
 - 33 positions were created in the Maryland Health Benefit Exchange to support State efforts to offer an health exchange;
 - in the State Labor Relations Board, a part-time Attorney General was converted to full-time to manage increased workload resulting from collective bargaining legislation; and
 - one position was created in the Maryland Energy Administration to support efforts to improve energy efficiency in State buildings. The position is federally funded and will be abolished after 3 years, when federal funding ends. The position is also excluded from the “Rule of 100” position limit.

Section 25 Required Abolition of 100 Positions

- The 2012 Budget Reconciliation and Financing Act requires that the administration abolish at least 100 positions.
- On January 2, 2013, the BPW approved the abolition of 122 positions.
- Agencies with the largest reductions include the Department of Health and Mental Hygiene (DHMH) with 58 position abolitions, Department of Information Technology (DoIT) with 10 position abolitions, Department of Human Resources (DHR) with 10 abolitions, Military Department with 7 abolitions, and Office of the Public Defender with 7 abolitions.

2013 Session Changes in Positions

- New positions that are excluded from the Spending Affordability Committee's (SAC) position cap:
 - 28 positions are created in the Maryland Health Benefit Exchange to support operating the exchange;
 - 21 positions are created in the State Lottery and Gaming Control Agency, including 17 positions to support expanded gambling operations (such a 24/7 facilities and gaming) and 4 contractual conversions;
 - 11 positions at the Department of Housing and Community Development to convert special fund contractual positions into permanent positions. The positions are professional positions that perform financial, accounting, underwriting, IT, construction management, and other functions;
 - 9 positions support a new Medicaid fraud unit in the Office of the Attorney General to enforce the State False Claims Act. Three-quarters of the funding is federal funds;
 - 8 contractual position conversions in DHMH, including 4 positions supporting the Health Professional Boards and another 4 supporting the Nursing Board. These are special fund positions;
 - 4 contractual archivist positions are converted to permanent positions. The positions are funded with special funds generated by the State Archives; and
 - 3 positions at the Motor Vehicle Administration from converting 2 contractual positions supporting electronic liens and 1 contractual position supporting moped registration to regular positions. These positions are funded with special fund revenues.
- New positions that are not excluded from the SAC position cap:
 - 82 positions are created in the Judiciary. This includes 31 positions that support legislation creating new court judgeships, 37 contractual conversions, and 14 other positions;
 - 20 positions in the Maryland State Department of Education (MSDE) including 15 positions to support the collection of longitudinal data and 5 positions to support educating children in Department of Juvenile Services (DJS) facilities;
 - 15 positions at the State Department of Assessment and Taxation to assist assessing State property values;

- 8 positions at the Maryland Department of the Environment (MDE) supporting an initiative to reduce the incidence of lead poisoning required in Chapter 387 of 2012;
- 6 positions at DHMH's Medicaid program to allow quicker long term care determinations;
- 4 maintenance positions at the Department of General Services;
- 3 positions at DoIT to provide support for the 700 MHz radio system, IT project management, and fiscal and administrative functions;
- 2 positions to convert contractual positions into regular positions at the Department of Aging;
- 2 positions at the Uninsured Employers' Fund;
- 1 liaison position in the Department of Planning;
- 1 management position at the Department of Natural Resources for the new Harriett Tubman Underground Railroad State Park in Dorchester County; and
- a partial position in DHMH to support the Board of Environmental Sanitarians, which was moved from MDE by legislation.
- Positions abolished include (14 positions):
 - 11 State Police positions were abolished. The positions are not needed because the Westminster's Barrack's resident trooper program is ending;
 - 2 positions in DHMH's Infectious Disease and Environmental Health Services agency due to declining federal funds; and
 - 1 Department of Agriculture position in the Nutrient Management Division was abolished because of workload.
- Transferred positions include (38 positions):
 - 32 positions are transferred from DJS to MSDE to complete the transfer of juvenile education services from DJS to MSDE; and
 - 6 positions are transferred from Department of Aging to DHMH's Medicaid program to reflect the transfer of responsibility for the Community First Choice program to Medicaid.

State Aid to Local Governments
Fiscal 2014 Allowance
(\$ in Thousands)

County	County - Municipal	Community Colleges	Direct State Aid				Subtotal	Retirement	Total	Change Over FY 2013	Percent Change
			Public Schools	Libraries	Health						
Allegany	\$13,051	\$6,039	\$75,495	\$753	\$977	\$96,316	\$11,199	\$107,515	\$3,098	3.0%	
Anne Arundel	37,006	30,516	323,983	2,126	3,375	397,005	78,166	475,171	30,046	6.8%	
Baltimore City	246,689	0	914,824	6,035	7,163	1,174,712	84,788	1,259,499	43,481	3.6%	
Baltimore	22,493	39,982	577,050	5,250	4,621	649,397	110,456	759,852	41,826	5.8%	
Calvert	4,122	2,369	81,379	379	399	88,648	18,312	106,960	2,024	1.9%	
Caroline	4,468	1,637	46,455	268	577	53,404	5,391	58,795	2,783	5.0%	
Carroll	5,185	7,996	137,482	924	1,323	152,910	26,941	179,851	2,032	1.1%	
Cecil	6,198	5,705	97,319	713	866	110,802	16,210	127,012	65	0.1%	
Charles	3,862	8,050	159,337	895	1,069	173,213	27,218	200,431	8,278	4.3%	
Dorchester	4,113	1,345	34,990	249	461	41,157	4,501	45,658	2,727	6.4%	
Frederick	7,944	9,822	228,039	1,327	1,623	248,756	39,841	288,597	12,211	4.4%	
Garrett	4,141	3,552	21,043	119	470	29,325	4,588	33,913	-206	-0.6%	
Harford	7,019	10,763	200,910	1,454	1,865	222,011	37,755	259,766	2,554	1.0%	
Howard	8,265	15,837	221,530	821	1,307	247,760	68,110	315,870	14,381	4.8%	
Kent	1,127	586	9,589	82	361	11,745	2,370	14,115	37	0.3%	
Montgomery	29,714	44,178	608,512	2,771	3,244	688,418	184,503	872,922	47,812	5.8%	
Prince George's	64,728	25,992	945,286	6,524	5,378	1,047,908	120,435	1,168,344	49,105	4.4%	
Queen Anne's	1,628	1,827	33,277	135	449	37,317	7,155	44,471	1,794	4.2%	
St. Mary's	2,608	2,673	95,091	601	868	101,840	16,084	117,924	2,410	2.1%	
Somerset	6,500	717	26,897	270	461	34,846	3,234	38,080	3,707	10.8%	
Talbot	1,923	1,621	12,419	106	353	16,423	4,349	20,772	1,763	9.3%	
Washington	5,002	8,431	160,717	1,155	1,483	176,788	21,969	198,757	8,327	4.4%	
Wicomico	7,620	4,966	123,407	911	1,018	137,921	14,433	152,355	6,486	4.4%	
Worcester	5,297	1,981	19,390	144	338	27,150	8,492	35,643	2,566	7.8%	
Unallocated	24,092	6,665	41,393	16,197	0	88,347	0	88,347	5,022	6.0%	
Total	\$524,796	\$243,250	\$5,195,812	\$50,211	\$40,049	\$6,054,118	\$916,501	\$6,970,619	\$294,329	4.4%	

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

State Aid to Local Governments
Fiscal 2013 Working Appropriation
(\$ in Thousands)

County	County - Municipal	Community Colleges	Direct State Aid				Subtotal	Retirement	Total
			Public Schools	Libraries	Health				
Allegany	\$10,853	\$6,006	\$75,952	\$767	\$928	\$94,506	\$9,911	\$104,417	
Anne Arundel	26,764	29,753	314,518	2,114	3,207	376,355	68,770	445,125	
Baltimore City	238,401	0	891,310	6,034	6,809	1,142,554	73,464	1,216,019	
Baltimore	16,413	37,638	558,906	5,256	4,391	622,604	95,423	718,026	
Calvert	3,376	2,226	82,209	367	378	88,556	16,379	104,935	
Caroline	3,958	1,519	44,980	268	549	51,273	4,739	56,012	
Carroll	3,201	7,638	141,088	941	1,257	154,125	23,694	177,819	
Cecil	7,136	5,423	98,420	703	823	112,505	14,442	126,947	
Charles	2,644	7,377	157,031	861	1,016	168,929	23,224	192,153	
Dorchester	3,556	1,310	33,492	249	438	39,045	3,886	42,931	
Frederick	4,771	9,181	224,928	1,298	1,543	241,721	34,665	276,386	
Garrett	3,676	3,421	22,347	119	446	30,010	4,109	34,119	
Harford	4,507	10,610	205,597	1,487	1,773	223,972	33,240	257,212	
Howard	5,634	14,441	221,219	812	1,241	243,347	58,142	301,489	
Kent	841	602	10,046	85	343	11,916	2,162	14,078	
Montgomery	18,369	43,527	595,145	2,721	3,079	662,842	162,268	825,110	
Prince George's	56,075	23,644	913,326	6,289	5,110	1,004,445	114,794	1,119,239	
Queen Anne's	1,206	1,674	32,761	134	426	36,201	6,476	42,677	
St. Mary's	1,921	2,506	95,243	590	825	101,085	14,429	115,514	
Somerset	6,224	726	23,907	263	438	31,558	2,815	34,373	
Talbot	1,176	1,459	12,120	106	336	15,196	3,814	19,010	
Washington	3,026	8,065	158,050	1,158	1,409	171,709	18,721	190,430	
Wicomico	6,034	4,862	120,267	897	967	133,027	12,841	145,869	
Worcester	4,064	1,940	19,111	144	320	25,579	7,497	33,076	
Unallocated	23,946	9,601	33,718	16,059	0	83,325	0	83,325	
Total	\$457,771	\$235,148	\$5,085,691	\$49,724	\$38,051	\$5,866,384	\$809,906	\$6,676,290	

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

State Aid to Local Governments

Dollar Difference Between Fiscal 2014 Allowance and Fiscal 2013 Working Appropriation (\$ in Thousands)

County	<i>Direct State Aid</i>						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	\$2,198	\$33	-\$457	-\$14	\$49	\$1,810	\$1,289	\$3,098
Anne Arundel	10,242	763	9,465	12	168	20,650	9,396	30,046
Baltimore City	8,288	0	23,515	0	354	32,158	11,323	43,481
Baltimore	6,080	2,344	18,144	-5	230	26,793	15,033	41,826
Calvert	746	144	-830	12	21	92	1,932	2,024
Caroline	510	118	1,475	0	28	2,131	652	2,783
Carroll	1,984	359	-3,606	-18	66	-1,215	3,246	2,032
Cecil	-938	282	-1,101	11	43	-1,703	1,769	65
Charles	1,217	673	2,306	33	54	4,284	3,994	8,278
Dorchester	558	35	1,497	-1	23	2,112	615	2,727
Frederick	3,173	641	3,111	29	81	7,035	5,176	12,211
Garrett	466	131	-1,304	0	23	-684	479	-206
Harford	2,513	154	-4,687	-33	93	-1,961	4,515	2,554
Howard	2,631	1,397	311	9	66	4,413	9,968	14,381
Kent	286	-16	-456	-2	18	-171	208	37
Montgomery	11,345	651	13,366	50	164	25,577	22,235	47,812
Prince George's	8,653	2,348	31,960	235	268	43,464	5,642	49,105
Queen Anne's	422	153	516	2	22	1,116	679	1,794
St. Mary's	687	166	-152	10	43	755	1,655	2,410
Somerset	277	-9	2,990	7	23	3,287	419	3,707
Talbot	748	162	298	1	18	1,227	536	1,763
Washington	1,975	366	2,668	-3	74	5,079	3,247	8,327
Wicomico	1,585	104	3,140	14	51	4,894	1,592	6,486
Worcester	1,233	42	278	0	18	1,571	996	2,566
Unallocated	146	-2,936	7,674	138	0	5,022	0	5,022
Total	\$67,026	\$8,102	\$110,121	\$487	\$1,998	\$187,734	\$106,595	\$294,329

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Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

State Aid to Local Governments

Percent Change: Fiscal 2014 Allowance over Fiscal 2013 Working Appropriation

County	Direct State Aid						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	20.3%	0.6%	-0.6%	-1.8%	5.3%	1.9%	13.0%	3.0%
Anne Arundel	38.3%	2.6%	3.0%	0.6%	5.2%	5.5%	13.7%	6.8%
Baltimore City	3.5%	n/a	2.6%	0.0%	5.2%	2.8%	15.4%	3.6%
Baltimore	37.0%	6.2%	3.2%	-0.1%	5.2%	4.3%	15.8%	5.8%
Calvert	22.1%	6.5%	-1.0%	3.1%	5.5%	0.1%	11.8%	1.9%
Caroline	12.9%	7.7%	3.3%	-0.1%	5.2%	4.2%	13.8%	5.0%
Carroll	62.0%	4.7%	-2.6%	-1.9%	5.2%	-0.8%	13.7%	1.1%
Cecil	-13.1%	5.2%	-1.1%	1.6%	5.3%	-1.5%	12.2%	0.1%
Charles	46.0%	9.1%	1.5%	3.9%	5.3%	2.5%	17.2%	4.3%
Dorchester	15.7%	2.7%	4.5%	-0.2%	5.3%	5.4%	15.8%	6.4%
Frederick	66.5%	7.0%	1.4%	2.3%	5.2%	2.9%	14.9%	4.4%
Garrett	12.7%	3.8%	-5.8%	-0.4%	5.2%	-2.3%	11.6%	-0.6%
Harford	55.8%	1.4%	-2.3%	-2.2%	5.2%	-0.9%	13.6%	1.0%
Howard	46.7%	9.7%	0.1%	1.1%	5.3%	1.8%	17.1%	4.8%
Kent	34.0%	-2.6%	-4.5%	-2.7%	5.2%	-1.4%	9.6%	0.3%
Montgomery	61.8%	1.5%	2.2%	1.9%	5.3%	3.9%	13.7%	5.8%
Prince George's	15.4%	9.9%	3.5%	3.7%	5.2%	4.3%	4.9%	4.4%
Queen Anne's	35.0%	9.1%	1.6%	1.2%	5.2%	3.1%	10.5%	4.2%
St. Mary's	35.7%	6.6%	-0.2%	1.8%	5.2%	0.7%	11.5%	2.1%
Somerset	4.4%	-1.2%	12.5%	2.6%	5.2%	10.4%	14.9%	10.8%
Talbot	63.6%	11.1%	2.5%	0.6%	5.3%	8.1%	14.1%	9.3%
Washington	65.3%	4.5%	1.7%	-0.3%	5.2%	3.0%	17.3%	4.4%
Wicomico	26.3%	2.1%	2.6%	1.6%	5.2%	3.7%	12.4%	4.4%
Worcester	30.3%	2.1%	1.5%	0.1%	5.6%	6.1%	13.3%	7.8%
Unallocated	0.6%	-30.6%	22.8%	0.9%	n/a	6.0%	n/a	6.0%
Total	14.6%	3.4%	2.2%	1.0%	5.3%	3.2%	13.2%	4.4%

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Use of General Obligation Bond Program to Support Operating Budget

Fiscal 2010-2014

(\$ in Millions)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</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	\$107.0	\$64.1
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
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
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
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	65.0
Total	\$308.1	\$414.3	\$311.3	\$229.0	\$157.7

Fund Transfers and Multi-year General Obligation Bond Replacement Plan (\$ in Millions)

<u>Program</u>	<u>Transfers</u>					<u>Fund Replacement</u>				
	<u>Special Fund Balances</u>	<u>Revenues 2010-13</u>	<u>Revenues 2014</u>	<u>Revenues 2015-18</u>	<u>Total Transfers</u>	<u>Replaced 2010-13</u>	<u>Replaced 2014</u>	<u>Replaced 2015-20</u>	<u>Total Amount of Fund Transfers to Be Replaced</u>	<u>Not Replaced</u>
Waterway Improvement Program	\$12.5	\$5.0	\$0.0	\$0.0	\$17.5	\$17.5	\$0.0	\$0.0	\$17.5	\$0.0
Program Open Space (POS) – Stateside	172.3	56.6	22.0	91.3	342.2	200.9	15.1	121.2	337.2	4.9 ***
POS – Local	103.1	50.0	23.7	88.9	265.7	124.3	17.9	123.5	265.7	0.0
Rural Legacy	10.6	39.6	10.7	36.2	97.1	27.1	9.4	51.7	88.2	8.9 ***
Ocean City Beach Replenishment – POS	2.1	2.0	0.0	2.0	6.1	4.1	0.0	2.0	6.1	0.0
Ocean City Beach Replenishment – Local	3.4	0.0	0.0	0.0	3.4	3.4	0.0	0.0	3.4	0.0
Natural Resources Development Fund	17.7	8.8	10.2	27.7	64.4	22.5	4.5	27.5	54.5	9.7 *
Critical Maintenance Program	3.2	11.2	4.5	8.0	26.9	13.3	4.5	8.0	25.8	1.0 *
Dam Rehabilitation Program	0.7	0.5	0.0	0.0	1.2	1.2	0.0	0.0	1.2	0.0
House Assessment Program	0.9	0.0	0.0	0.0	0.9	0.8	0.0	0.0	0.8	0.2 *
Hurricane Isabel Funds	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.2 *
Neighborhood Business Development	3.6	3.2	0.0	0.0	6.8	6.7	0.0	0.0	6.7	0.1 **
Community Legacy Program	0.4	0.0	0.0	0.0	0.4	0.4	0.0	0.0	0.4	0.0
Homeownership Programs	0.0	4.5	0.0	0.0	4.5	4.5	0.0	0.0	4.5	0.0
Special Loan Programs	2.1	4.7	0.0	0.0	6.8	6.9	0.0	0.0	6.9	0.0
Tobacco Transition Program	0.0	5.4	0.0	0.0	5.4	5.4	0.0	0.0	5.4	0.0
Agricultural Land Preservation Program	10.0	49.1	18.1	67.6	144.8	30.9	12.7	91.9	135.5	9.4 ***
Bay Restoration Fund	205.0	85.0	0.0	0.0	290.0	290.0	0.0	0.0	290.0	0.0
Helicopter Replacement Fund	113.7	0.00	0.00	0.00	113.70	113.70	0.00	0.00	113.70	0.0 ****
Total	\$661.5	\$325.6	\$89.2	\$321.7	\$1,398.0	\$873.6	\$64.1	\$425.8	\$1,363.5	\$34.4

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

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

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

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