
Spending Affordability Briefing

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

November 18, 2015

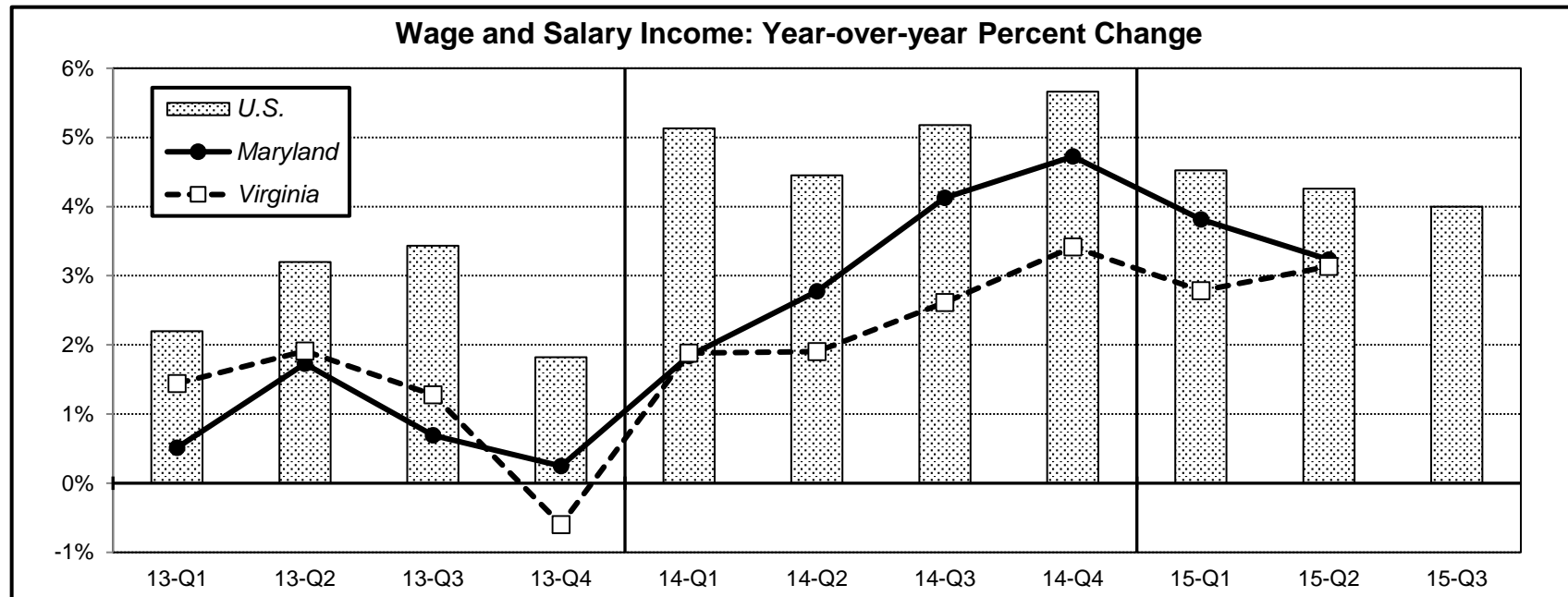
Maryland Economic Performance

Year-over-year Percent Change

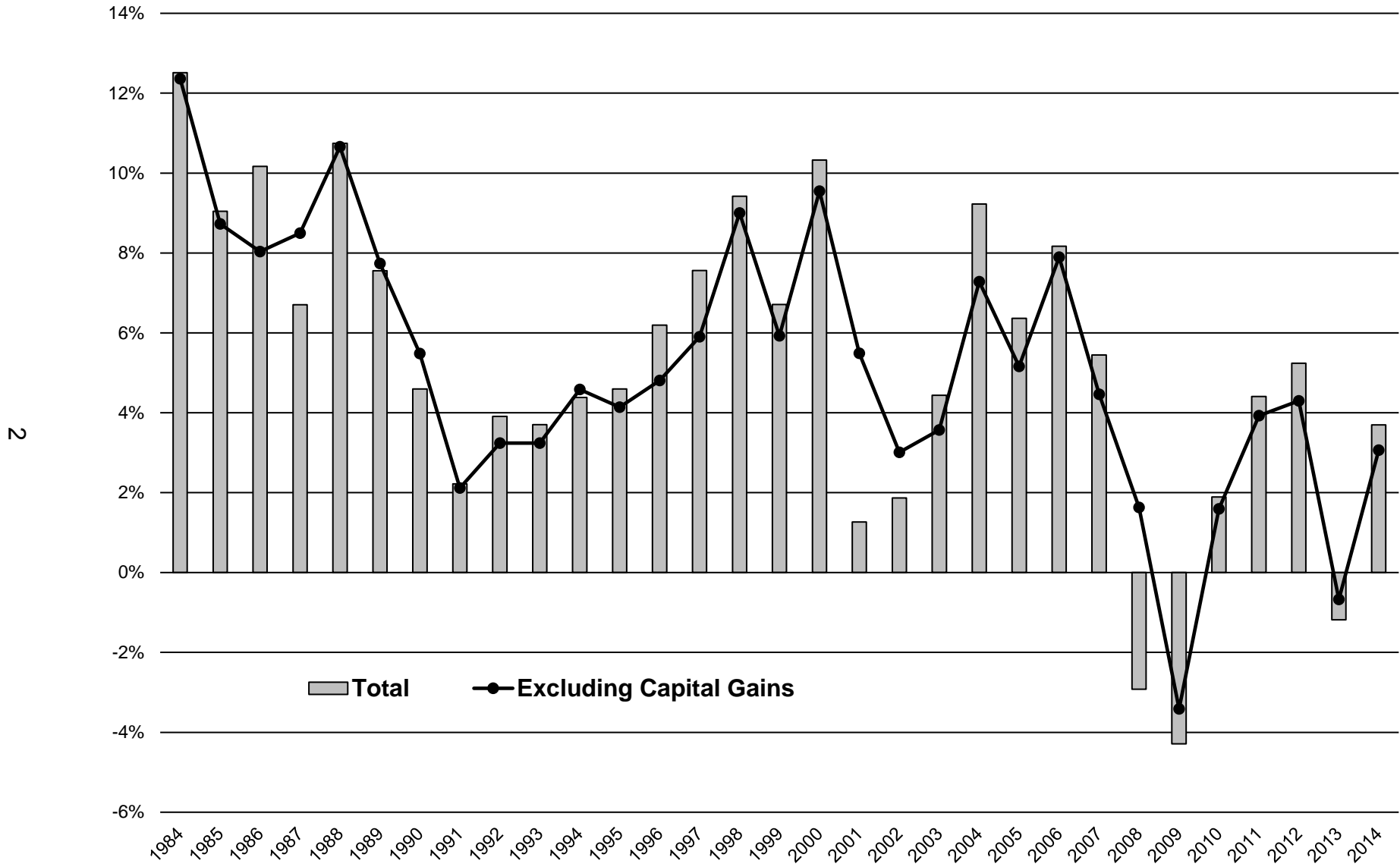
<u>Month-Year</u>	<u>Employment</u>		<u>Unemployment</u>	<u>Initial</u>	<u>Existing</u>	<u>Median</u>	<u>Vehicle</u>
	<u>CES</u>	<u>QCEW</u>	<u>Rate</u>	<u>UI Claims</u>	<u>Home Sales</u>	<u>Home Price</u>	<u>Sales</u>
Jan-15	1.5%	1.3%	5.5%	-13.7%	12.3%	-1.5%	7.9%
Feb-15	1.8%	1.5%	5.4%	-3.6%	16.3%	-3.7%	10.7%
Mar-15	1.4%	1.2%	5.4%	2.0%	24.4%	0.2%	6.5%
Apr-15	1.7%		5.3%	-15.3%	20.2%	-1.0%	6.0%
May-15	1.6%		5.3%	-12.5%	13.2%	0.6%	-1.1%
Jun-15	1.9%		5.2%	-4.4%	22.6%	-1.3%	-2.7%
Jul-15	2.3%		5.2%	-7.2%	20.8%	-0.3%	4.1%
Aug-15	2.0%		5.1%	0.7%	14.9%	-1.3%	4.5%
Sep-15	1.6%		5.1%	-10.8%	15.9%	-0.1%	2.9%
Oct-15					12.9%	0.5%	5.9%

CES: Current Establishment Survey; QCEW: Quarterly Census of Employment and Wages; UI: unemployment insurance

Note: The unemployment rate is based on seasonally adjusted data. Monthly unemployment insurance claims from the U.S. Bureau of Labor Statistics with seasonal adjustment by Moody's Analytics.



Taxable Income Proxy*: Year-over-year Percent Change



* Equals components of personal income that are generally subject to the income tax plus taxable capital gains income.

Maryland Economic Forecasts

Year-over-year Percent Change

Calendar Year	Employment		Personal Income*	
	<u>Dec. 2014</u>	<u>Sep. 2015</u>	<u>Dec. 2014</u>	<u>Sep. 2015</u>
2012	1.2%	1.2%	3.6%	3.3%
2013	0.9%	0.9%	1.1%	-0.2%
2014	0.7%	0.9%	3.3%	3.8%
2015E	1.1%	1.3%	3.8%	4.3%
2016E	1.3%	1.3%	4.1%	4.7%
2017E	1.0%	1.0%	4.7%	5.1%
2018E	0.5%	0.8%	4.2%	4.5%

Calendar Year	Wage and Salary Income		Taxable Capital Gains Income**	
	<u>Dec. 2014</u>	<u>Sep. 2015</u>	<u>Dec. 2014</u>	<u>Sep. 2015</u>
2012	3.2%	3.1%	41.1%	41.1%
2013	0.8%	0.8%	-10.0%	-15.6%
2014	3.5%	3.4%	5.0%	24.5%
2015E	4.0%	4.2%	6.0%	-10.0%
2016E	4.2%	4.2%	6.0%	1.3%
2017E	4.1%	4.1%	6.0%	3.8%
2018E	3.7%	4.0%	6.0%	6.9%

* The payroll tax holiday expired in calendar 2013 depressing growth in total personal income for that year. Total personal income growth in calendar 2013 was about 0.6% excluding the impact of the tax holiday expiration.

** The calendar 2013 figure is an estimate for Dec. 2014, and calendar 2014 figures are estimates for both Dec. 2014 and Sep. 2015.

Fiscal 2015 General Fund Revenues

(\$ in Millions)

<u>Source</u>	FY 2014	Fiscal 2015			FY 2014-2015 Percent Change	
	<u>Actual</u>	<u>Estimate⁽¹⁾</u>	<u>Actual</u>	<u>Difference</u>	<u>Estimated</u>	<u>Actual</u>
Personal Income Tax	\$7,773.8	\$8,168.4	\$8,346.1	\$177.7	5.1%	7.4%
Sales and Use Tax	4,143.2	4,334.8	4,350.7	15.9	4.6%	5.0%
State Lottery	501.1	500.5	506.5	6.0	-0.1%	1.1%
Corporate Income Tax	761.2	767.6	777.3	9.7	0.8%	2.1%
Business Franchise Taxes	228.4	230.3	225.7	-4.6	0.8%	-1.2%
Insurance Premiums Tax	334.8	312.9	316.1	3.2	-6.6%	-5.6%
Estate and Inheritance Taxes	213.8	239.4	243.4	4.1	12.0%	13.9%
Tobacco Tax	402.4	393.2	391.5	-1.8	-2.3%	-2.7%
Alcohol Beverages Tax	31.1	31.6	31.3	-0.3	1.5%	0.5%
Motor Vehicle Fuel Tax ⁽²⁾	5.0	5.0	5.0	0.0	0.0%	0.0%
District Courts	77.7	78.5	77.7	-0.8	1.1%	0.0%
Clerks of the Court	35.4	36.6	34.4	-2.2	3.6%	-2.6%
Hospital Patient Recoveries	63.0	63.3	65.2	1.9	0.4%	3.4%
Interest on Investments	21.4	20.4	10.7	-9.7	-4.8%	-49.9%
Miscellaneous	424.7	381.9	396.7	14.8	-10.1%	-6.6%
Subtotal	\$15,017.0	\$15,564.3	\$15,778.4	\$214.1	3.6%	5.1%
Transfer Tax ⁽³⁾	\$89.2	\$144.2	\$144.2	\$0.0	61.6%	61.6%
Total Revenues	\$15,106.2	\$15,708.4	\$15,922.6	\$214.1	4.0%	5.4%

⁽¹⁾ From the Board of Revenue Estimates, March 2015, with adjustments for action at the 2015 legislative session.

⁽²⁾ The Budget Reconciliation and Financing Act (BRFA) of 2011 (Chapter 397) diverted \$5.0 million in motor fuel tax revenue to the general fund that would otherwise have gone to the Chesapeake Bay 2010 Fund for fiscal 2012 through 2015.

⁽³⁾ The BRFA of 2013 (Chapter 424) established a distribution of transfer tax revenues to the general fund for fiscal 2014 to 2018. The BRFA of 2014 (Chapter 464) increased the distribution in fiscal 2015 by \$69.1 million.

Maryland General Fund Revenue Forecast

(\$ in Millions)

<u>Source</u>	<u>FY 2015 Actual</u>	<u>FY 2016 Estimate</u>			<u>% Change Over FY 2015</u>	<u>FY 2017 Estimate</u>	<u>% Change Over FY 2016</u>
		<u>March</u>	<u>September</u>	<u>Difference</u>			
Personal Income Tax	\$8,346.1	\$8,638.4	\$8,745.3	\$106.9	4.8%	\$9,173.3	4.9%
Sales and Use Tax	4,350.7	4,543.1	4,543.1	0.0	4.4%	4,710.1	3.7%
State Lottery ⁽¹⁾	506.5	477.4	487.7	10.3	-3.7%	494.7	1.4%
Corporate Income Tax ⁽²⁾	777.3	830.7	823.0	-7.7	5.9%	878.6	6.8%
Business Franchise Taxes	225.7	233.6	230.4	-3.2	2.1%	235.2	2.1%
Insurance Premiums Tax	316.1	301.6	304.8	3.2	-3.6%	316.1	3.7%
Estate and Inheritance Taxes	243.4	216.3	215.4	-0.8	-11.5%	199.9	-7.2%
Tobacco Tax	391.5	391.6	388.9	-2.7	-0.7%	387.1	-0.5%
Alcohol Beverages Tax	31.3	31.6	31.2	-0.3	-0.2%	31.4	0.4%
Motor Vehicle Fuel Tax ⁽³⁾	5.0	4.6	4.6	0.0	-7.5%	0.0	-100.0%
9 District Courts	77.7	78.8	77.7	-1.1	0.0%	77.6	-0.1%
Clerks of the Court	34.4	35.4	36.7	1.3	6.5%	38.5	4.9%
Hospital Patient Recoveries	65.2	63.3	63.3	0.0	-2.9%	63.3	0.0%
Interest on Investments	10.7	31.2	11.0	-20.2	2.7%	20.0	81.8%
Miscellaneous	396.7	330.2	325.4	-4.8	-18.0%	313.3	-3.7%
Subtotal	\$15,778.4	\$16,207.9	\$16,288.5	\$80.6	3.2%	\$16,939.0	4.0%
Transfer Tax ⁽⁴⁾	\$144.19	\$115.37	\$115.37	\$0.00	-20.0%	\$82.8	-28.3%
Total Revenues	\$15,922.6	\$16,323.3	\$16,403.9	\$80.6	3.0%	\$17,021.8	3.8%

⁽¹⁾ Fiscal 2016 and 2017 reflect a distribution of \$20 million to the Stadium Authority required by the Baltimore City Public Schools Construction and Revitalization Act of 2013 (Chapter 647).

⁽²⁾ The Budget Reconciliation and Financing Act (BRFA) of 2011 (Chapter 397) set the Transportation Trust Fund's share of the corporate income tax at 9.5% of net receipts (excluding the first 15.15%) in fiscal 2013, 19.5% in fiscal 2014 to 2016, and 17.2% for fiscal 2017 and beyond. Adjusted for this law change, baseline general fund corporate income tax revenues are expected to grow 4.1% in fiscal 2017.

⁽³⁾ The BRFA of 2011 diverted \$5.0 million in motor fuel tax revenue to the general fund that would otherwise have gone to the Chesapeake Bay 2010 Fund for fiscal 2012 through 2015 and \$4.6 million in fiscal 2016.

⁽⁴⁾ The BRFA of 2013 (Chapter 424) established a distribution of transfer tax revenues to the general fund for fiscal 2014 to 2018. The BRFA of 2014 (Chapter 464) increased the distribution in fiscal 2015 by \$69.1 million, and the BRFA of 2015 (Chapter 489) increased the distribution in fiscal 2016 by \$37.7 million.

Note: The estimate from March 2015 has been adjusted for actions taken at the 2015 legislative session.

Source: Board of Revenue Estimates

Fiscal 2016 General Fund Revenues

(\$ in Millions)

<u>Source</u>	<i>Fiscal Year through October</i>				Full-year Estimated
	<u>FY 2015</u>	<u>FY 2016</u>	<u>\$ Difference</u>	<u>% Difference</u>	<u>Growth Rate</u>
Personal Income Tax	\$2,223.5	\$2,282.5	\$59.0	2.7%	4.8%
Sales and Use Tax ⁽¹⁾	1,086.2	1,117.2	31.0	2.9%	4.4%
State Lottery	160.3	166.1	5.8	3.6%	-3.7%
Corporate Income Tax	178.8	210.0	31.2	17.5%	5.9%
Business Franchise Taxes	46.1	46.6	0.5	1.1%	2.1%
Insurance Premiums Tax	79.6	78.7	-0.9	-1.1%	-3.6%
Estate and Inheritance Taxes	92.1	81.4	-10.7	-11.6%	-11.5%
Tobacco Tax	112.2	112.5	0.2	0.2%	-0.7%
Alcohol Beverages Tax	7.9	8.1	0.2	3.0%	-0.2%
District Courts	32.1	29.7	-2.5	-7.7%	0.0%
Clerks of the Court	18.0	19.0	1.0	5.5%	6.5%
Interest and Miscellaneous ⁽²⁾	51.0	51.0	0.0	-0.1%	-15.4%
Total Revenues	\$4,087.9	\$4,202.8	\$114.9	2.8%	3.2%

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

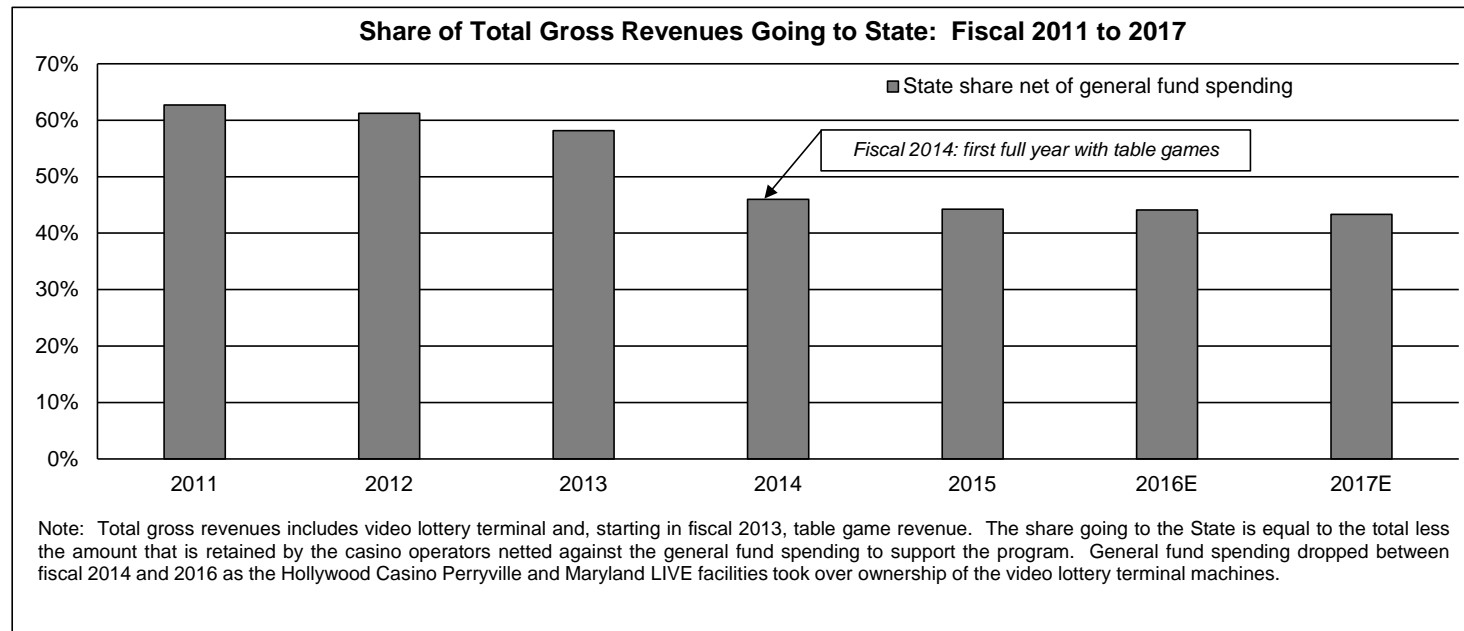
(2) Includes interest on investments, hospital patient recovery revenues from Medicare, insurance, and sponsors; general fund motor fuel tax revenue; and other miscellaneous revenues.

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

Video Lottery Terminals							
	FY 2015			FY 2016			FY 2017
	Estimate	Actual	Difference	Mar. Est.	Sep. Est.	Difference	Estimate
Education Trust Fund	\$318.6	\$316.1	-\$2.5	\$314.5	\$304.6	-\$10.0	\$375.5
Casino Operators	255.1	253.6	-1.5	296.4	287.6	-8.8	400.2
Local Impact Grants	36.6	36.4	-0.2	38.7	37.5	-1.2	49.2
Small, Minority, and Women-Owned Businesses	10.0	9.9	-0.1	10.6	10.2	-0.3	13.4
Purse Dedication	46.2	46.0	-0.3	48.9	47.3	-1.5	56.8
Race Tracks Facility Renewal Account	7.1	7.1	0.0	6.8	6.6	-0.2	8.7
State Lottery Agency	12.0	11.9	-0.1	7.6	7.4	-0.2	9.5
Total Gross Revenues	\$685.7	\$681.0	-\$4.8	\$723.5	\$701.3	-\$22.2	\$913.3

Table Games							
	FY 2015			FY 2016			FY 2017
	Estimate	Actual	Difference	Mar. Est.	Sep. Est.	Difference	Estimate
Education Trust Fund	\$70.8	\$71.3	\$0.4	\$76.0	\$75.0	-\$1.0	\$76.0
Casino Operators	283.4	285.1	1.7	303.9	300.1	-3.8	355.0
Local Impact Grants	0.0	0.0	0.0	0.0	0.0	0.0	12.7
Total Gross Revenues	\$354.2	\$356.4	\$2.2	\$379.8	\$375.1	-\$4.8	\$443.7

Source: Board of Revenue Estimates, September 2015; assumes the Prince George's facility opens in January 2017



Potential Fiscal 2016 General Fund Deficiencies and Medicaid Surplus (\$ in Millions)

Health and Maryland Health Benefit Exchange (Excluding Medicaid):

Developmental Disabilities Administration federal audit disallowance (\$30.7 million); and Maryland Health Benefit Exchange fiscal 2015 and 2016 legal fees and call center costs (\$4.0 million).

\$34.7

K-12: Offset for Education Trust Fund cumulative revenue shortfall (\$19.9 million) and student assessment costs (\$7.0 million).

26.9

Public Safety and Correctional Services: Overtime (\$16.7 million); underfunding anticipated from the non-implementation of roll call (\$3.5 million); 10-hour shifts (\$1.0 million); lack of savings from the closure of the Men's Detention Center (\$1.9 million); and 2015 legislation (\$0.1 million).

23.2

State Police: Backfilling of unattained 2% cost containment (\$5.2 million) and fiscal 2015 shortfall in operating expenditures (\$4.5 million).

9.8

Human Resources: Offset of federal child care subsidy funds with program transfer to the Maryland State Department of Education (\$4.5 million); Temporary Assistance for Needy Families and Temporary Disability Assistance Payments (\$1.9 million); and backfill of child support enforcement fees (\$0.7 million).

7.1

Higher Education: Health manpower shortage and statewide program grants (\$2.7 million); community colleges optional retirement program (\$2.2 million); and backfilling of unattained 2% cost containment (\$2.0 million).

6.9

Office of the Public Defender: Underfunding of fiscal 2016 expenses for panel attorneys and other operating costs based on fiscal 2015 spending (\$4.9 million) and backfilling of unattained 2% cost containment (\$1.4 million).

6.3

Other: Stadium Authority backfilling of unattained 2% cost containment covering State share of Baltimore City and Ocean City convention centers operating deficit (\$1.3 million); various 2015 legislation (\$0.4 million); and other (\$0.3 million).

2.0

Total Deficiencies

\$116.9

Medicaid Surplus Fiscal 2016 savings driven by enrollment decline in the traditional Medicaid program, increased special fund availability, and a calendar 2015 mid-year managed care organization (MCO) rate adjustment partially offset by increased costs for a calendar 2016 MCO rate increase, higher Medicare premium buy-in costs, higher enrollment in the Maryland Children's Health Program, and higher costs for behavioral health services for the uninsured (\$151.9 million).

-\$151.9

Deficiencies Net of Medicaid Surplus

-\$35.0

Fiscal 2017 Baseline Budget Forecast Assumptions

Baseline Budget Concepts

- The baseline budget is an estimate of the cost of government services in the next budget year based on a set of assumptions.
- Assumptions include that current laws, policies, and practices are continued; federal mandates and multi-year commitments are observed; legislation adopted at the prior session is funded; and full-year costs of programs, rate increases, and any other enhancements started during the previous year are included.
- Major inflation assumptions include medical care and medicine/drugs at State facilities (3.38%), utilities/electricity (2.73%), postage (2.62%), and food (2.28%).
- Employee compensation costs include:
 - a general salary increase of 2.0% effective July 2016, and funding for employee increments on the regular July-January schedule;
 - employee health insurance inflation (8.5%); and
 - employee retirement costs (1.6%).
- Higher education grant is calculated assuming a 3.0% tuition increase.

Caseload Assumptions

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>% Change FY 2016-2017</u>
Pupil Enrollment*	834,524	842,229	850,292	1.0%
Medicaid	923,487	861,795	878,314	1.9%
Children's Health	122,955	135,251	139,308	3.0%
Expansion under Affordable Care Act	218,597	228,434	233,003	2.0%
Temporary Cash Assistance	61,739	57,636	53,945	-6.4%
Foster Care/Adoption/Guardianship	13,477	13,155	12,858	-2.3%
Adult Prison Population	20,920	19,871	19,871	0.0%

* Data for fiscal 2015, 2016, and 2017 reflect September 2013, September 2014, and September 2015 (est.) full-time equivalent enrollments.

State Expenditures – General Funds

(\$ in Millions)

<u>Category</u>	<u>Work. Appr. FY 2015</u>	<u>Leg. Appr. FY 2016</u>	<u>Baseline FY 2017</u>	<u>FY 2016 to FY 2017 \$ Change</u>	<u>% Change</u>
Debt Service	\$140.0	\$252.4	\$334.0	\$81.6	32.3%
County/Municipal	246.0	255.3	260.8	5.5	2.2%
Community Colleges	290.5	296.1	310.8	14.7	5.0%
Education/Libraries	5,770.3	5,813.1	5,938.7	125.6	2.2%
Health	41.7	44.7	48.4	3.7	8.3%
Aid to Local Governments	\$6,348.6	\$6,409.2	\$6,558.8	\$149.6	2.3%
Foster Care Payments	\$222.8	\$193.0	\$179.9	-\$13.0	-6.8%
Assistance Payments	73.9	63.4	57.6	-5.8	-9.2%
Medical Assistance	2,815.1	2,862.3	2,959.4	97.1	3.4%
Property Tax Credits	82.0	81.3	79.3	-2.0	-2.5%
Entitlements	\$3,193.9	\$3,200.0	\$3,276.2	\$76.2	2.4%
Health	\$1,262.0	\$1,286.5	\$1,385.1	\$98.6	7.7%
Human Resources	324.5	356.1	382.9	26.8	7.5%
Children's Cabinet Interagency Fund	20.8	22.5	22.5	0.0	0.0%
Juvenile Services	278.1	279.1	292.7	13.5	4.8%
Public Safety/Police	1,421.1	1,430.6	1,555.8	125.2	8.8%
Higher Education	1,287.9	1,330.8	1,442.5	111.7	8.4%
Other Education	389.8	395.5	433.8	38.3	9.7%
Agric./Nat'l. Res./Environment	132.1	112.8	121.2	8.4	7.5%
Other Executive Agencies	664.8	643.2	682.1	38.9	6.0%
Judiciary	429.9	452.9	482.4	29.5	6.5%
Legislative	82.3	84.5	89.0	4.5	5.3%
Across-the-board Cuts	-7.5	0.0	0.0	0.0	n/a
State Agencies	\$6,285.8	\$6,394.5	\$6,890.0	\$495.5	7.7%
Deficiencies	\$0.0	-\$35.0	\$0.0	\$35.0	-100.0%
Total Operating	\$15,968.3	\$16,221.1	\$17,059.0	\$837.9	5.2%
Capital ⁽¹⁾	\$11.5	\$29.6	\$29.4	-\$0.2	-0.6%
Subtotal	\$15,979.8	\$16,250.7	\$17,088.4	\$837.8	5.2%
Reserve Funds	\$14.8	\$60.0	\$285.3	\$225.3	375.6%
Appropriations	\$15,994.6	\$16,310.7	\$17,373.8	\$1,063.1	6.5%
Reversions	-\$30.3	-\$62.9	-\$30.0	\$32.9	-52.3%
Grand Total	\$15,964.3	\$16,247.8	\$17,343.8	\$1,096.0	6.7%

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

Note: The fiscal 2015 working appropriation reflects \$197.8 million in reductions approved by the Board of Public Works on January 7. It also includes deficiencies, legislative reductions to the deficiencies, \$3.7 million in targeted reversions, and \$7.5 million in savings from Section 22 of the budget bill (HB 70). The fiscal 2016 legislative appropriation reflects \$201.7 million in reductions and \$118.7 million in restorations from Section 48 of the budget bill.

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

Summary of Budget Growth Compared to Working Appropriation	<u>Dollars</u>	<u>Share of Growth</u>
Ongoing Requirements/Entitlements	\$307.5	38.3%
State Agency Costs	495.5	61.7%
Growth in Operating Budget, Including Anticipated Deficiencies	\$803.0	
Pay-as-you-go (PAYGO)	-\$0.2	
Appropriation to Reserve Fund	225.3	
Total Baseline Increase in State Expenditures	\$1,028.1	
Deficiency Appropriations	\$35.0	
Total	\$1,063.1	
Ongoing Requirements/Entitlements		
Education Aid Formulas		\$139.4
Medical Assistance – Slow enrollment growth off a lower enrollment base mitigates increase associated with managed care organization rate increase, modest provider rate increases, less reliance on special funds, and the initial impact of 5% State funding of the Affordable Care Act expansion population		92.7
Debt Service – General funds to supplement property tax revenues		81.6
Community College Formula Plus Miscellaneous Grants		11.5
Disparity Grant Formula		4.8
State Aid for Police Protection Grant		4.4
Medicaid Behavioral Health		4.4
Community College Retirement Including Optional Retirement Program		3.2
Local Health Department Funding		2.7
Library Aid Formulas		1.4
Property Tax Credit Programs		-2.1
Assistance Payments – Primarily in Temporary Cash Assistance and Temporary Disability Assistance Program payments due to enrollment decline		-5.8
Quality Teacher Incentive Program		-7.5
Teachers and Librarians Retirement Payments		-7.7
Foster Care Payments – Reduced institutional placements and caseload decline		-13.0
Other Aid		-2.6
State Agency Costs		
Statewide Personnel Expenses (Including Higher Education)		
Merit Pay (increments)		\$77.7
General Salary Increase (2% assumed)		75.9
Health Insurance		57.2
Employee Retirement		52.2

Components of General Fund Budget Change (cont.)

Agency Programmatic and Operating Expenses

Fiscal 2016 Deficiency Expenses that Continue into Fiscal 2017 – Department of Public Safety and Correctional Services (DPSCS) overtime and operating expenses (\$23.1 million), State Police operating expenses (\$9.8 million), Office of the Public Defender panel attorneys and operating expenses (\$6.3 million), Maryland State Department of Education (MSDE) Partnership for Assessment of Readiness for College and Careers testing (\$6.0 million), Department of Human Resources (DHR) offset of loss of child care subsidy federal funds (\$4.5 million), and Stadium Authority State share of operating subsidies at Baltimore City and Ocean City convention centers	\$50.9
Developmental Disabilities Administration – Mandated 3.5% provider rate increase (\$20.6 million), annualization of fiscal 2016 expansion (\$13.9 million), and transitioning youth fiscal 2017 expansion (\$2.9 million)	37.3
MSDE – Additional child care subsidies based on change in federal authorization (\$10.0 million) and Autism waiver including 2% provider rate increase (\$7.4 million)	17.4
Behavioral Health Administration – Behavioral health services for the uninsured	15.9
Department of Commerce – State film incentive program (\$14.4 million) and CyberMaryland program (\$1.0 million)	15.4
Department of Health and Mental Hygiene – Increase in fiscal 2017 base funding to reflect implementation of fiscal 2016 2% reduction	13.8
University System of Maryland – Enrollment growth and other program expenses	12.8
Sellingier Formula for Aid to Private Colleges and Universities	9.2
Major Information Technology Projects	6.9
DPSCS – Fiscal 2017 opening of Youth Detention Center	5.9
DHR – Increase in fiscal 2017 base funding to reflect implementation of the fiscal 2016 2% reduction	3.2
Department of Budget and Management (DBM) – Enterprise Business System	3.1
Maryland Higher Education Commission – Educational Excellence Awards	2.3
Department of Natural Resources – Park service mandated funding	2.2
Maryland Health Benefit Exchange – Requirement over special fund statutory minimum	1.7
Judiciary – New judges (7) and clerks (5)	1.2
DBM – Annual salary review based on five-year average	1.1
Public Safety Communication System Operating Costs	1.0
St. Mary's College of Maryland Mandated Formula	0.5
State Share of Ocean City Convention Center Debt Service	-1.4
Other	32.2

Reserve Fund and PAYGO

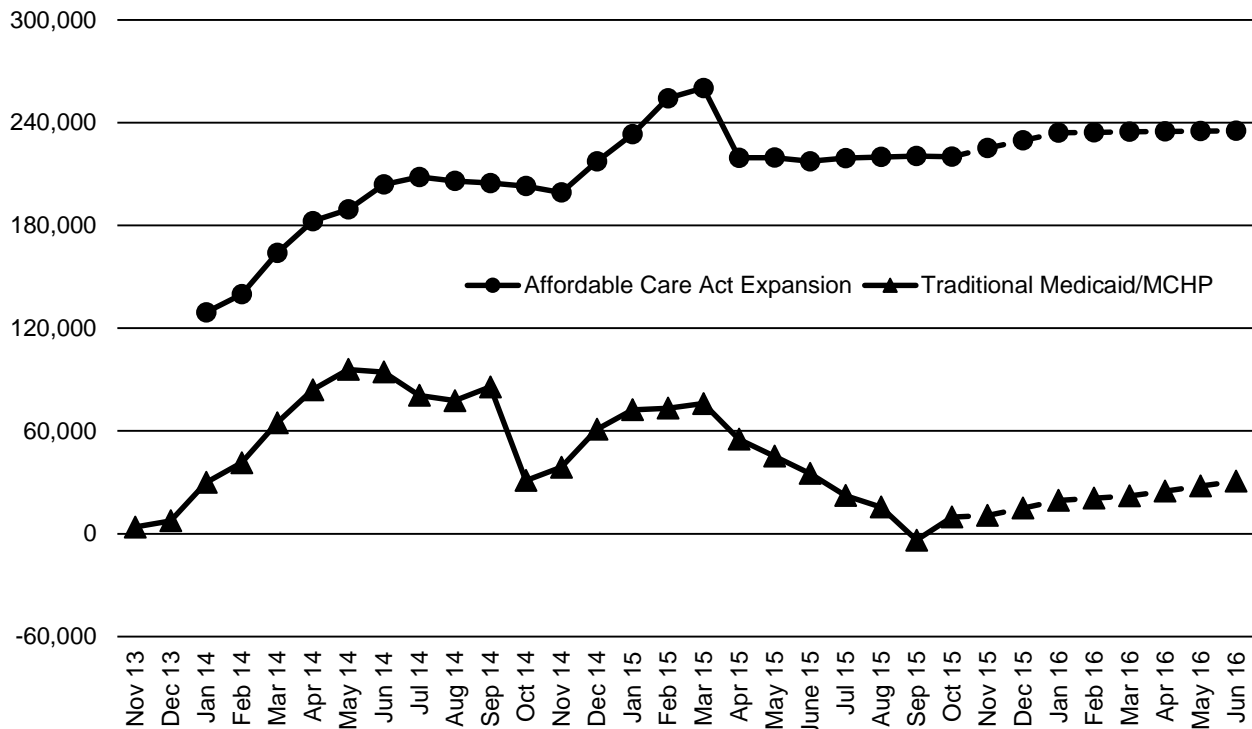
Increase in Rainy Day Fund Sweeper of Unappropriated Fiscal 2015 General Fund Balance	\$185.3
Pension Sweeper as Required under the Budget Reconciliation and Financing Act of 2015	50.0
Removal of Repayment of Local Income Tax Reserve	-10.0
PAYGO One-time Grants – Removal of fiscal 2016 school construction PAYGO earmarked for housing, Sinai Hospital, and turf fields offset by \$20.0 million in PAYGO for enrollment growth, and relocatable classrooms per Chapter 355 of 2015	-0.2

Total	\$1,028.1
--------------	------------------

Declining Enrollment Drives Anticipated Combined Fiscal 2015 and 2016 General Fund Surplus in Medicaid of \$185 Million

- Medicaid/Maryland Children's Health Program (MCHP) monthly enrollment peaked in March 2015 at 1.32 million. Through October 2015, total enrollment has dropped by 106,000, to 1.21 million, or 8.1%.
- The drop in enrollment coincides with the end of a three-month eligibility redetermination delay for individuals originally enrolled through the Health Information Exchange eligibility system, the requirement that most individuals originally enrolled in the Department of Human Resources Client Automated Resource and Eligibility System (CARES) enroll in the Maryland Health Connection as they come up for redetermination, and the elimination of categorization errors within the disabled adult eligibility population.
- This decline, combined with higher than budgeted attainment of special funds and pharmacy rebates, resulted in a fiscal 2015 reversion of \$16.5 million in general funds. The Department of Legislative Services anticipates that Medicaid has over-accrued by \$32.9 million in fiscal 2015 which will result in an additional reversion of that amount.

Cumulative Monthly Additional Enrollment in Medicaid/MCHP November 2013 to June 2016 Will the Missing Medicaid Enrollees Return?



- Public awareness of Medicaid during the upcoming open enrollment period is anticipated to see some additional growth in Medicaid enrollment; but that impact is muted by the ongoing redetermination of individuals from CARES to the Maryland Health Connection. That process should be complete by March 2016.
- Combined with overattainment in special funds and pharmacy rebates, unless there is a significant bounce-back in enrollment, the fiscal 2016 Medicaid budget is overbudgeted by \$151.9 million. This surplus is after considering a proposed calendar 2016 5.9% managed care organization (MCO) rate increase.

**A Lower Fiscal 2016 Base Budget Results in a Modest Increase in General Funds
In Fiscal 2017 Compared to Fiscal 2016 Appropriations
(\$ in Millions)**

Funds	<u>FY 2015 Legis. App.</u>	<u>FY 2015 Projected</u>	<u>FY 2016 Budgeted</u>	<u>FY 2016 Projected</u>	<u>FY 2017 Baseline</u>
General	\$2,452.3	\$2,333.6	\$2,477.0	\$2,325.2	\$2,587.1
Special	960.6	1,003.5	943.6	979.7	924.8
Federal	4,484.0	5,144.8	5,231.8	5,532.7	5,702.1
Reimbursable	65.6	63.7	59.9	59.9	59.9
Total	\$7,962.4	\$8,545.6	\$8,712.3	\$8,897.4	\$9,273.9

Note: Budgeted 2016 includes adjustments for 2% reductions taken in Medicaid.

Source: Department of Legislative Services

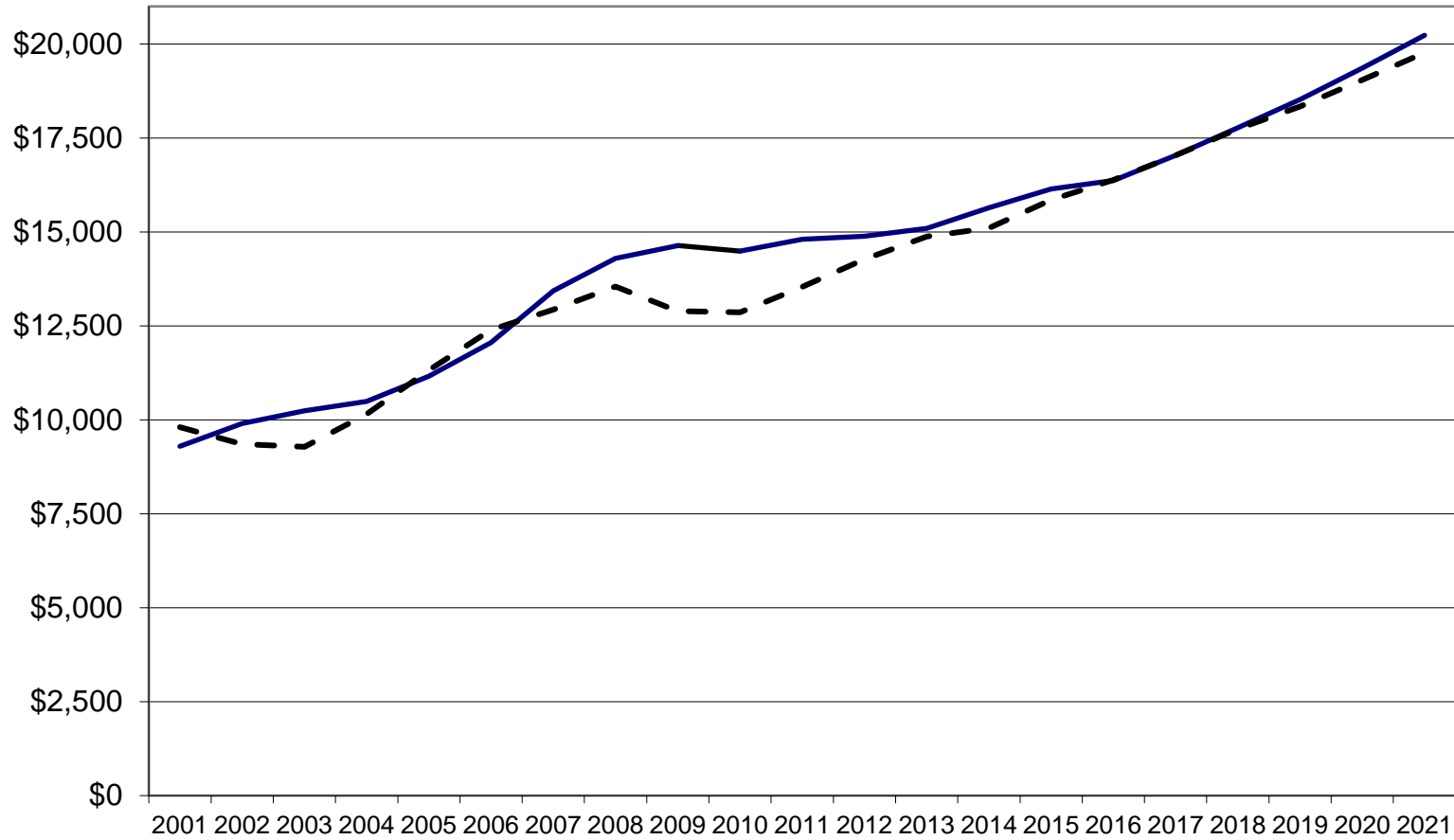
-
- General fund growth in Medicaid in the fiscal 2017 baseline over the fiscal 2016 budgeted amount is modest due to the projected lower fiscal 2016 costs.
 - However, overall general fund growth from the fiscal 2016 projected budget is more robust at \$261.9 million, or 11.3%. This general fund budget growth accommodates modest enrollment growth in fiscal 2017, or 2.1%; annualization of the calendar 2016 MCO rate increase of 5.9%; provider rate increases for most services; the beginning of the State's assumption of a share of the costs associated with the new Affordable Care Act expansion eligibility category in January 2017; and a decline of \$54.9 million, or 5.6%, in available special funds (primarily lower cigarette restitution funds and hospital assessments).
 - Risk remains in terms of enrollment uncertainty, and also if MCOs require a significant adjustment to calendar 2016 rates based on case mix associated with the lower enrollment.

General Fund: Recent History and Outlook
Fiscal 2015-2017
(\$ in Millions)

	<u>2015</u> <u>Actual</u>	<u>2016</u> <u>Working</u>	<u>2017</u> <u>Baseline</u>
Funds Available			
Ongoing Revenues	\$15,856	\$16,385	\$17,039
Balances and Transfers	290	346	521
Short-term Revenues	85	38	0
Total Funds Available	\$16,231	\$16,769	\$17,560
Appropriations, Deficiencies, and Cost Containment			
Net Ongoing Operating Costs and Deficiencies	\$16,141	\$16,369	\$17,038
One-time Spending	10	0	0
One-time Spending/Reductions	-258	-201	0
Pay-as-you-go Capital	3	21	20
Appropriations to Reserve Fund	15	60	285
Total Spending	\$15,911	\$16,248	\$17,344
Cash Balance/Shortfall	\$320	\$521	\$216
Structural			
Balance (Ongoing Revenues Less Operating Costs)	-\$285	\$16	\$1
Ratio (Ongoing Revenues/Operating Costs)	98.2%	100.1%	100.0%
Reserve Fund Activity			
Appropriations to Rainy Day Fund	\$15	\$50	\$235
Transfers to General Fund	0	21	0
Estimated Rainy Day Fund Balance – June 30	\$786	\$814	\$1,070
Total Cash (Rainy Day Fund and General Fund Balance)	\$1,107	\$1,335	\$1,286

History and Projections of General Fund Structural Deficits

Fiscal 2001-2021
(\$ in Millions)



— Ongoing Spending - - Ongoing Revenues

General Fund Budget Outlook
Fiscal 2016-2021
(\$ in Millions)

	<u>FY 2016</u> <u>Work. App.</u>	<u>FY 2017</u> <u>Baseline</u>	<u>FY 2018</u> <u>Est.</u>	<u>FY 2019</u> <u>Est.</u>	<u>FY 2020</u> <u>Est.</u>	<u>FY 2021</u> <u>Est.</u>	<u>Average</u> <u>Annual</u> <u>Change</u>
Revenues							
Opening Fund Balance	\$320	\$522	\$217	\$0	\$0	\$0	
Transfer	64	0	0	258	185	33	
Subtotal One-time Revenue	\$384	\$522	\$217	\$258	\$185	\$33	
Ongoing Revenues	\$16,385	\$17,039	\$17,740	\$18,336	\$19,042	\$19,767	
Subtotal Ongoing Revenue	\$16,385	\$17,039	\$17,740	\$18,336	\$19,042	\$19,767	3.8%
Total Revenues & Fund Balance	\$16,768	\$17,560	\$17,957	\$18,594	\$19,227	\$19,800	3.0%
Ongoing Spending							
Operating Spending	\$16,738	\$17,481	\$18,292	\$19,048	\$19,892	\$20,773	
Education Trust Fund ¹	-380	-451	-527	-534	-542	-551	
Multi-year Commitments	9	9	9	9	9	9	
Subtotal Ongoing Spending	\$16,368	\$17,038	\$17,774	\$18,523	\$19,359	\$20,232	4.4%
One-time Spending							
PAYGO Capital	\$21	\$20	\$21	\$21	\$21	\$21	
Legislation/One-time Adjustments/Swaps	-201	0	0	0	0	0	
Appropriation to Reserve Fund	60	285	207	50	50	83.3	
Subtotal One-time Spending	-\$121	\$306	\$228	\$71	\$71	\$104	
Total Spending	\$16,247	\$17,344	\$18,002	\$18,594	\$19,430	\$20,336	4.1%
Ending Balance	\$522	\$217	-\$46	\$0	-\$203	-\$536	
Rainy Day Fund Balance	\$814	\$1,070	\$1,251	\$1,067	\$952	\$989	
Balance over 5% of General Fund Revenues	-5	218	364	150	0	0.5	
As % of General Fund Revenues	4.97%	6.28%	7.05%	5.82%	5.00%	5.00%	
Structural Balance	\$17	\$1	-\$34	-\$187	-\$317	-\$465	

PAYGO: pay-as-you-go

¹ Education Trust Fund is supported by revenues from video lottery terminals and table games.

State Reserve Fund Activity

Fiscal 2016 and 2017

(\$ in Millions)

	<u>Rainy Day Fund</u>	<u>Dedicated Purpose Acct.</u>	<u>Catastrophic Event Acct.</u>
Estimated Balances 6/30/15	\$773.1	\$0.0	\$0.1
Fiscal 2016 Appropriations	\$50.0	\$150.0	\$0.0
Transfer to General Fund	-21.3	0.0	0.0
Transfer to Local Income Tax Reserve Account	0.0	-10.0	0.0
Section 48 Initiatives Funded by Administration	0.0	-118.6	0.0
General Fund Reversion	0.0	-21.4	0.0
Interest	12.1	0.0	0.0
Estimated Balances 6/30/16	\$813.8	\$0.0	\$0.1
Fiscal 2017 Appropriations	\$235.3	\$50.0	\$0.0
Transfer to Pension Fund	0.0	-50.0	0.0
Interest	20.8	0.0	0.0
Estimated Balances 6/30/17	\$1,070.0	\$0.0	\$0.1
Percent of Revenues in Reserve	6.3%		

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

	<u>FY 2017 State Aid Amount</u>	<u>Percent of Total</u>
Public Schools	\$6,323.8	86.1%
County/Municipal	588.3	8.0%
Community Colleges	310.8	4.2%
Libraries	72.5	1.0%
Local Health	48.4	0.7%
Total	\$7,343.8	100.0%

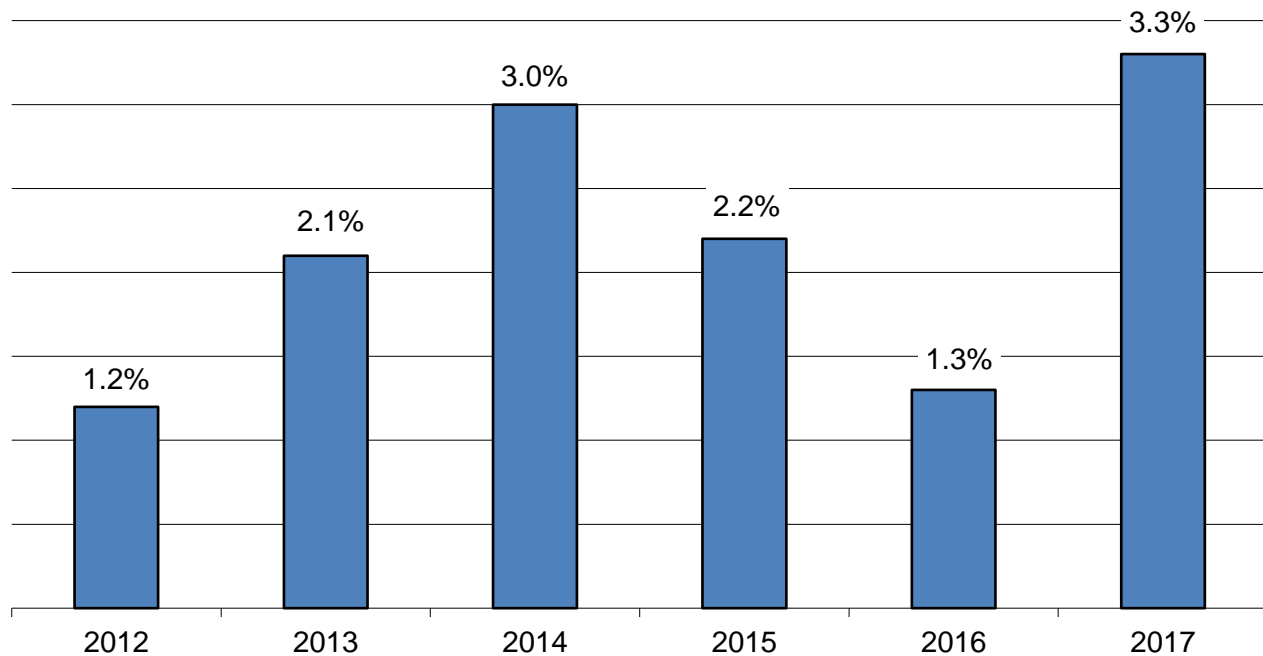
Change in State Aid
State Funds
(\$ in Millions)

	<u>FY 2017 Aid Change</u>	<u>Percent Change</u>
Public Schools	\$181.7	3.0%
County/Municipal	31.3	5.6%
Community Colleges	14.7	5.0%
Libraries	1.4	2.0%
Local Health	2.7	6.0%
Total	\$231.8	3.3%

State Aid by Major Programs
Fiscal 2015-2017
State Funds
(\$ in Millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>Baseline FY 2017</u>	<u>\$ Change 2016-2017</u>	<u>% Change 2016-2017</u>
Public Schools					
Foundation Program	\$2,882.4	\$2,947.1	\$2,977.2	\$30.1	1.0%
Supplemental Grant	46.6	46.6	46.6	0.0	0.0%
Geographic Cost Index	132.7	68.1	138.0	69.9	102.6%
Net Taxable Income Education Grants	26.9	23.8	37.4	13.6	56.9%
Foundation – Special Grants	0.6	0.1	0.0	-0.1	-100.0%
Compensatory Aid	1,251.7	1,305.1	1,357.1	51.9	4.0%
Student Transportation	258.4	266.2	271.5	5.2	2.0%
Special Education – Formula Aid	271.7	276.0	278.9	2.9	1.1%
Special Education – Nonpublic Placements	110.9	122.6	126.0	3.4	2.8%
Limited English Proficiency Grants	197.7	217.2	236.8	19.6	9.0%
Guaranteed Tax Base	59.4	53.8	54.9	1.1	2.1%
Aging Schools Program	6.1	6.1	6.1	0.0	0.0%
Head Start/Pre-kindergarten	6.1	6.1	6.1	0.0	0.0%
Other Education Programs	92.3	73.9	65.6	-8.3	-11.2%
Subtotal Direct Aid	\$5,343.5	\$5,412.8	\$5,602.2	\$189.4	3.5%
Retirement Payments	\$738.6	\$729.3	\$721.6	-\$7.7	-1.1%
Total Public School Aid	\$6,082.0	\$6,142.1	\$6,323.8	\$181.7	3.0%
Libraries					
Library Aid Formula	\$34.4	\$35.4	\$36.4	\$1.0	2.7%
State Library Network	16.3	16.6	17.0	0.4	2.4%
Subtotal Direct Aid	\$50.8	\$52.0	\$53.4	\$1.4	2.6%
Retirement Payments	\$18.5	\$19.1	\$19.2	\$0.0	0.2%
Total Library Aid	\$69.3	\$71.1	\$72.5	\$1.4	2.0%
Community Colleges					
Community College Formula	\$219.5	\$222.7	\$233.7	\$11.0	4.9%
Other Programs	30.7	31.4	32.7	1.3	4.1%
Subtotal Direct Aid	\$250.2	\$254.1	\$266.4	\$12.3	4.8%
Retirement Payments	\$40.3	\$42.0	\$44.4	\$2.4	5.8%
Total Community College Aid	\$290.5	\$296.1	\$310.8	\$14.7	5.0%
Local Health Grants	\$41.7	\$45.7	\$48.4	\$2.7	6.0%
County/Municipal Aid					
Transportation	\$192.9	\$201.5	\$205.9	\$4.4	2.2%
Public Safety	116.2	117.9	123.9	6.0	5.1%
Program Open Space	26.4	23.5	17.7	-5.8	-24.6%
Disparity Grant	127.7	129.8	134.7	4.8	3.7%
Gaming Impact Grants	36.8	38.9	61.9	23.0	59.1%
Teacher Retirement Supplemental Grant	27.7	27.7	27.7	0.0	0.0%
Other Grants	9.2	17.7	16.5	-1.2	-6.8%
Total County/Municipal Aid	\$537.0	\$557.0	\$588.3	\$31.3	5.6%
Total State Aid	\$7,020.6	\$7,112.0	\$7,343.8	\$231.8	3.3%

Annual Change in State Aid to Local Governments Fiscal 2012-2017



State Aid by Governmental Entity (\$ in Millions)

	<u>FY 2012</u>	<u>FY 2017</u>	<u>\$ Change</u>	<u>% Change</u>
Public Schools	\$4,945.5	\$5,602.2	\$656.7	13.3%
Libraries	48.8	53.4	4.6	9.4%
Community Colleges	230.4	266.4	35.9	15.6%
Local Health	38.3	48.4	10.1	26.4%
County/Municipal	386.4	588.3	201.9	52.3%
Subtotal – Direct Aid	\$5,649.4	\$6,558.6	\$909.2	16.1%
Retirement Payments	\$881.7	\$785.2	-\$96.5	-10.9%
Total	\$6,531.1	\$7,343.8	\$812.7	12.4%

Regular Full-time Equivalent Positions Changes Fiscal 2014 Actual to Fiscal 2017 Baseline

<u>Department/Service Area</u>	<u>2014 Actual</u>	<u>2015 Work. Approp.</u>	<u>2016 Leg. Approp.*</u>	<u>2017 Baseline</u>	<u>2016-2017 Change</u>
Health and Human Services					
Health and Mental Hygiene	6,407	6,394	6,357	6,357	0
Human Resources	6,529	6,532	6,359	6,359	0
Juvenile Services	2,078	2,062	2,055	2,055	0
Subtotal	15,014	14,988	14,771	14,771	0
Public Safety					
Public Safety and Correctional Services	11,046	11,126	11,025	11,105	80
Police and Fire Marshal	2,425	2,446	2,438	2,441	3
Subtotal	13,471	13,572	13,463	13,546	83
Transportation	8,819	9,179	9,086	9,086	0
Other Executive					
Legal (Excluding Judiciary)	1,505	1,503	1,498	1,502	4
Executive and Administrative Control	1,640	1,647	1,635	1,640	5
Financial and Revenue Administration	2,113	2,109	2,117	2,129	12
Budget and Management and DoIT	442	456	448	448	0
Retirement	205	205	216	216	0
General Services	594	585	578	578	0
Natural Resources	1,295	1,302	1,321	1,322	1
Agriculture	383	383	380	380	0
Labor, Licensing, and Regulation	1,628	1,641	1,603	1,603	0
MSDE and Other Education	1,965	1,984	1,940	1,942	2
Housing and Community Development	337	339	343	346	3
Business and Economic Development	222	221	217	218	1
Environment	937	955	939	942	3
Subtotal	13,265	13,329	13,234	13,265	31
Executive Branch Subtotal	50,568	51,067	50,553	50,667	114
Higher Education	25,344	25,543	25,613	25,613	0
Executive and Higher Education Subtotal	75,912	76,610	76,166	76,280	114
Judiciary	3,639	3,733	3,914	3,929	15
Legislature	748	749	749	749	0
Total	80,299	81,092	80,828	80,957	129

* Fiscal 2016 Legislative Appropriation is adjusted to reflect 2% across-the-board reduction, positions created by the Board of Public Works, and Higher Education Flex Positions added.

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

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

Analysis of Vacancies and Turnover Rate

Fiscal 2016 Legislative Appropriation Compared to October 2015 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	6,357	7.0%	445	685	240
Human Resources	6,359	7.5%	480	461	-19
Juvenile Services	2,055	7.3%	150	241	91
Subtotal	14,771	7.3%	1,074	1,386	313
Public Safety					
Public Safety and Correctional Services	11,025	6.0%	658	938	279
Police and Fire Marshal	2,438	4.8%	117	251	134
Subtotal	13,463	5.7%	775	1,189	414
Transportation	9,086	3.9%	356	665	309
Other Executive					
Legal (Excluding Judiciary)	1,498	8.3%	125	117	-8
Executive and Administrative Control	1,635	5.2%	85	170	85
Financial and Revenue Administration	2,117	5.8%	123	222	99
Budget and Management and DoIT	448	3.7%	17	35	18
Retirement	216	5.4%	12	21	9
General Services	578	7.2%	41	53	11
Natural Resources	1,321	7.4%	98	73	-25
Agriculture	380	6.7%	25	49	23
Labor, Licensing, and Regulation	1,603	4.4%	71	239	168
MSDE and Other Education	1,940	6.3%	123	158	36
Housing and Community Development	343	5.9%	20	35	15
Business and Economic Development	217	5.2%	11	34	23
Environment	939	7.4%	69	96	27
Subtotal	13,234	6.2%	819	1,300	481
Executive Branch Subtotal	50,553	5.9%	3,024	4,540	1,516

* Fiscal 2016 Legislative Appropriation is adjusted to reflect 2% across-the-board reduction, positions created by the Board of Public Works and Higher Education Flex Positions added.

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

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

Employee and Retiree Health Insurance Account
Fiscal 2014 to 2017
(\$ in Millions)

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>	<u>2016</u> <u>Working</u>	<u>2017</u> <u>Baseline</u>
Beginning Balance	\$287.8	\$215.8	\$79.9	\$92.0
Expenditures				
DBM Personnel Administrative Cost	\$7.3	\$7.1	\$7.6	\$7.6
Payments of Claims				
Medical	\$871.6	\$906.3	\$950.8	\$1,001.6
Prescription Drug (Rx)	392.8	463.4	500.5	555.6
Dental	48.2	46.9	49.4	49.4
New Positions	0.0	0.0	0.0	1.6
Contractual	0.0	0.0	14.9	15.7
Payments to Providers	\$1,312.6	\$1,416.7	\$1,515.7	\$1,623.9
Percent Growth in Payments	7.9%	7.9%	7.0%	7.1%
Receipts				
State Agencies	\$955.1	\$958.5	\$1,177.3	\$1,271.5
Employee Contributions	152.0	162.0	201.9	218.1
Retiree Contributions	79.2	78.4	99.4	107.4
Rx Rebates, Recoveries, and Other	61.6	88.9	56.8	56.8
Total Receipts	\$1,247.9	\$1,287.9	\$1,535.4	\$1,653.7
Percent Growth in Receipts	-6.7%	3.2%	19.2%	7.7%
Ending Balance	\$215.8	\$79.9	\$92.0	\$114.1
Incurred But Not Received	-\$105.5	-\$105.5	-\$105.5	-\$105.5
Reserve for Future Provider Payments	\$110.3	-\$25.6	-\$13.5	\$8.6

DBM: Department of Budget and Management

Note: Mental health costs are merged with medical costs.

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

State Retirement and Pension System

Funding Status as of June 30 (\$ in Millions)

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Actuarial Liabilities	\$53,707	\$55,707	\$58,027	\$61,414
Actuarial Value of Assets	34,089	35,992	39,277	42,154
Unfunded Actuarial Liabilities	\$19,618	\$19,715	\$18,750	\$19,260
Funded Ratio	63.5%	64.6%	67.7%	68.6%

Employer Contributions (\$ in Millions)

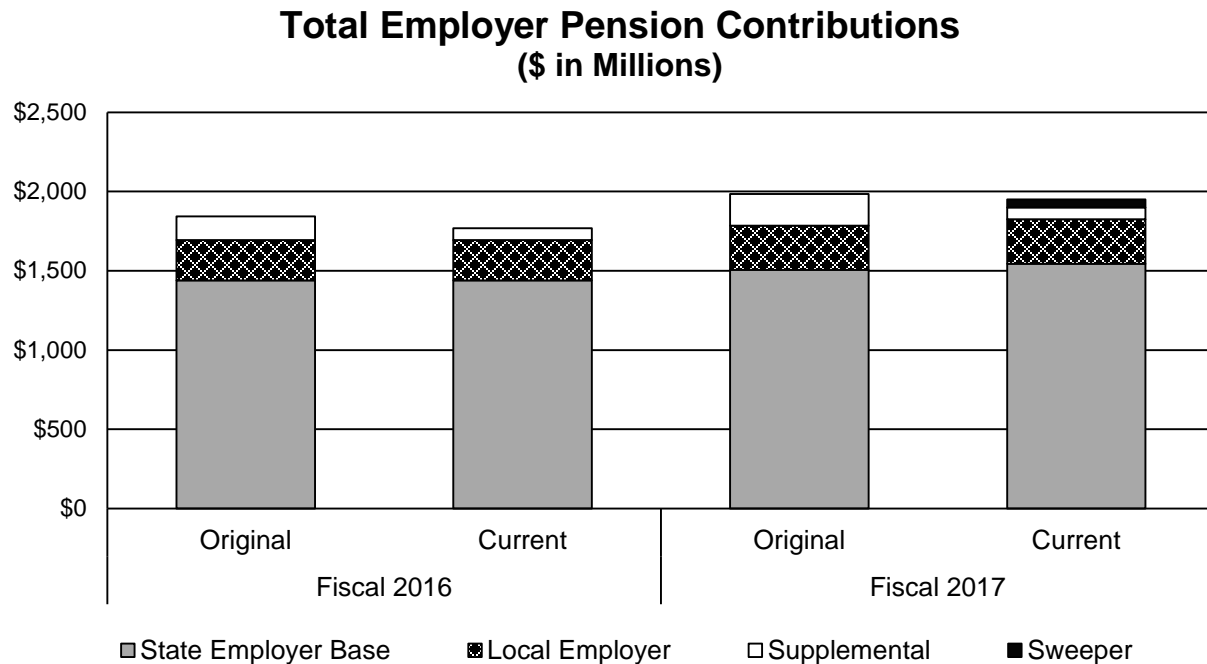
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Required State Contribution	\$1,319	\$1,387	\$1,439	\$1,545
Supplemental Contribution	100	100	75	75
General Fund Balance Sweeper*				50
Total State Contribution	\$1,419	\$1,487	\$1,514	\$1,670
School Board Contributions	\$173	\$222	\$255	\$280
Total Contributions	\$1,592	\$1,709	\$1,769	\$1,950

*Legislation enacted in 2015 required up to a \$50 million appropriation to the retirement system when there is an unappropriated general fund balance in the second prior fiscal year.

Note: Exhibit does not include assets and liabilities for participating governmental units.

Source: State Retirement Agency; Department of Legislative Services

State Retirement and Pension System (cont.)

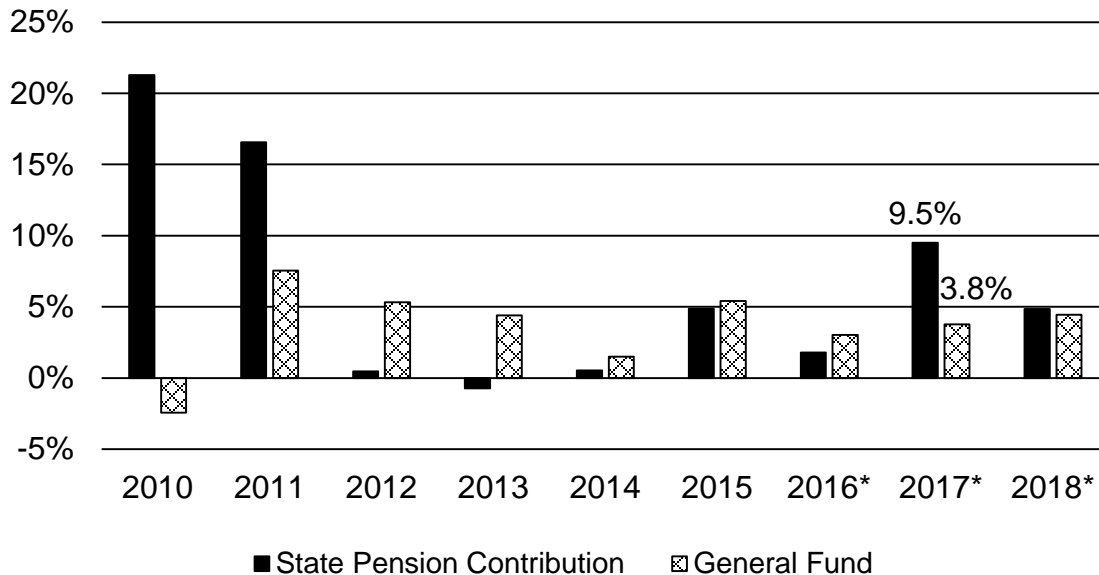


Source: State Retirement Agency; Department of Legislative Services

- Total State contributions for teacher and employee pensions is projected to be \$1.67 billion in fiscal 2017, an increase of \$156.0 million over the fiscal 2016 contribution.
- Local school systems are projected to contribute \$279.8 million, an increase of \$25.0 million over fiscal 2016 levels.
- The State contribution includes a supplemental contribution of \$75.0 million from the 2011 pension reform legislation and an additional \$50.0 million from the pension sweeper provision passed during the 2015 session which requires an appropriation of up to \$50.0 million when there is an unappropriated general fund surplus in the second prior fiscal year.
- The base State employer contribution is \$39.3 million higher than it otherwise would have been due to the repeal of the corridor funding method.
- In total, the fiscal 2017 pension contribution is projected to be \$35.7 million less than it would have been if no changes had been made to the funding formula during the 2015 session.

State Retirement and Pension System (cont.)

Annual Percent Change in State Pension Contributions and General Fund Revenues Fiscal 2010-2018



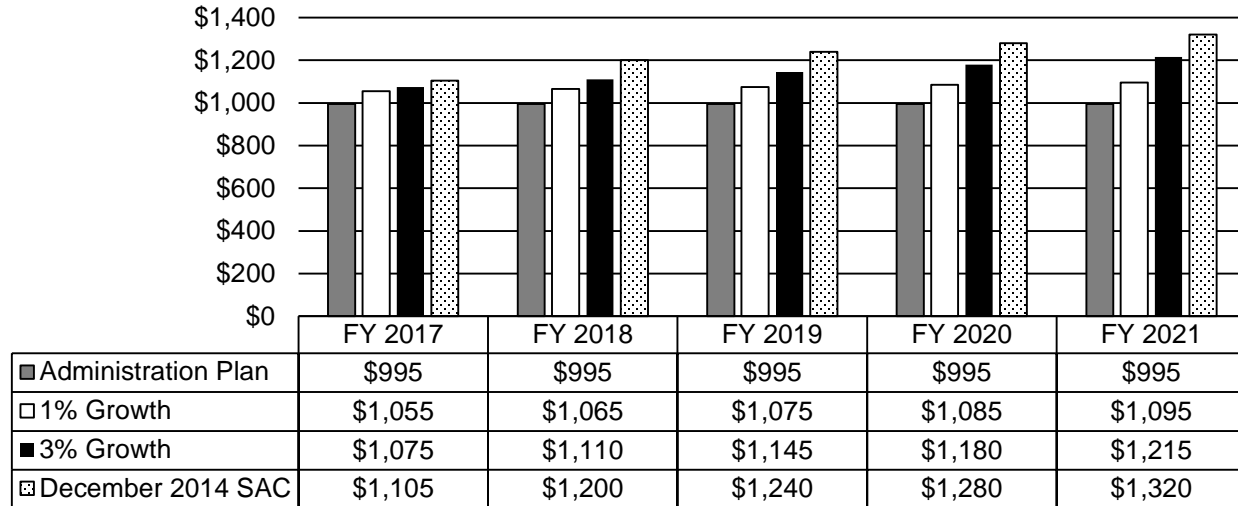
*Projected.

Source: State Retirement Agency; Department of Legislative Services; Board of Revenue Estimates

- Pension reform and investment returns have mitigated volatility in State pension contributions.
- Contributions are generally tracking general fund revenue growth rates; significant growth in State pension contributions in fiscal 2017 is due to (1) the repeal of the corridor funding method; and (2) the new pension sweeper provision.

Capital Program

CDAC Recommends Reduced GO Bond Authorization Levels Fiscal 2017-2021 (\$ in Millions)



CDAC: Capital Debt Affordability Committee

GO: general obligation

SAC: Spending Affordability Committee

Note: The General Assembly authorized \$1,045 million of new GO bonds for 2015 session and the 1% and 3% annual growth scenarios are based on \$1,045 million 2015 session level. The level was later reduced to \$1,043 million through Governor line item veto.

Source: 2015 CDAC report, 2014 SAC report

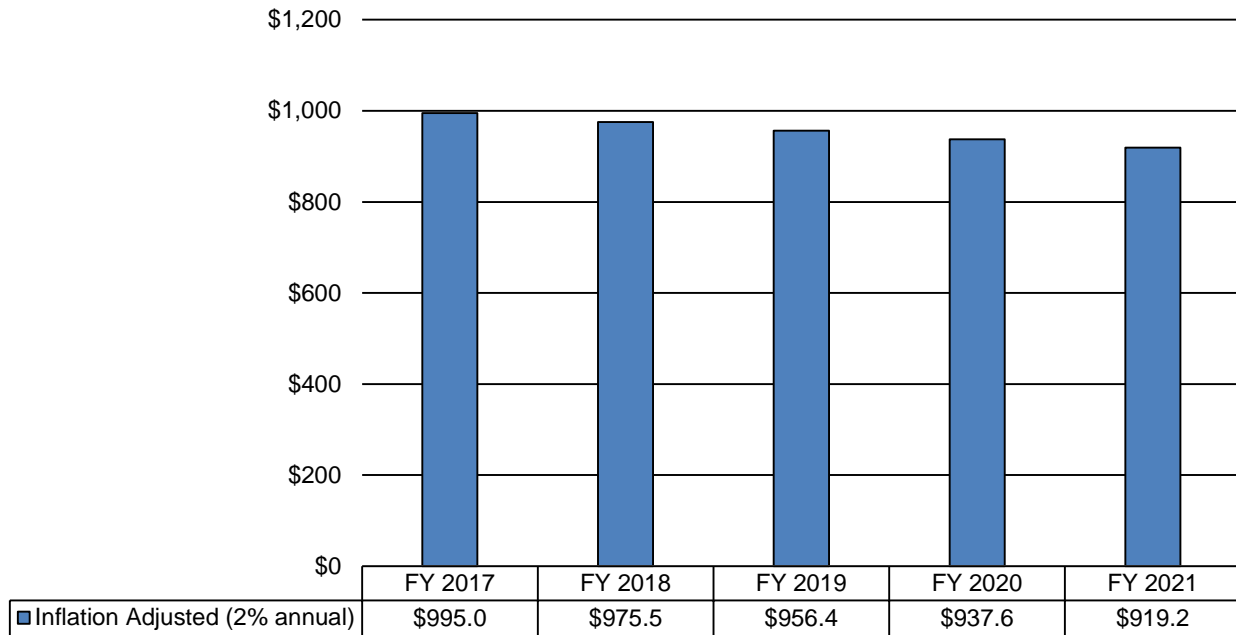
- 2015 Capital Debt Affordability Committee (CDAC) recommended a limit of \$995 million for new general obligation (GO) bond authorizations for the 2016 session. The recommendation is \$50 million below what the General Assembly authorized for new GO bond authorizations in the 2015 session and \$110 million below what the Spending Affordability Committee (SAC) recommended for the 2016 session in December 2014.
- If new GO bond authorizations are maintained at \$995 million annually through the five-year planning period, the capital program would be reduced by \$1.17 billion below what SAC recommended for the planning period and would be \$400 million below a 1% annual increase level and \$750 million below a 3% annual increase level through the five-year planning period.
- Maintaining a \$995 million new GO bond authorization level would also necessitate removing \$210 million of authorizations already programmed in the 2015 session *Capital Improvement Program* for fiscal 2017 through 2020.

Capital Program (cont.)

CDAC Proposed New GO Bond Authorization Levels – Impact of Annual Construction Cost Inflation

Fiscal 2017-2021

(\$ in Millions)



CDAC: Capital Debt Affordability Committee

GO: general obligation

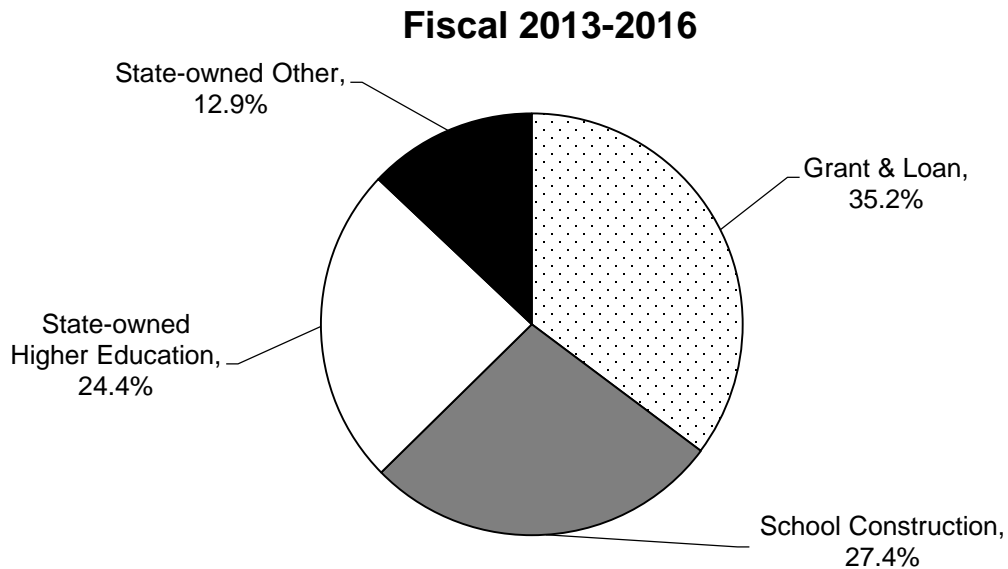
Note: Construction inflation has increased at an average annual rate of 1.8% from January 2011 through October 2015.

Source: Bureau of Labor Statistics Producer Price Index for Materials and Components of Construction

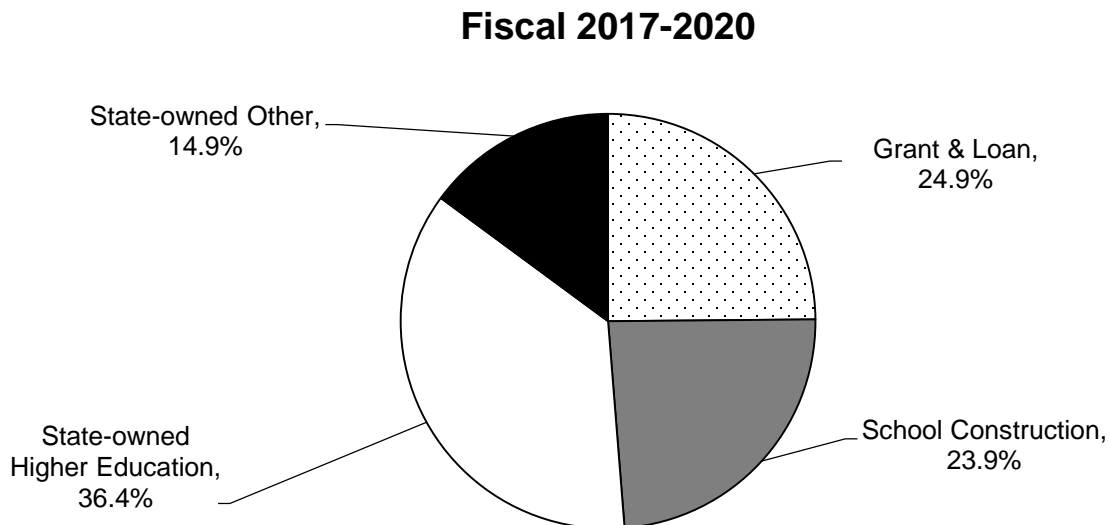
- Maintaining a \$995 million GO bond limit reduces the purchasing power of the available funds. In fiscal 2017 dollars, \$995 million equates to \$919 million by fiscal 2021 using a 2% annual construction inflation rate. Construction inflation at 2% per-annum will diminish the purchasing power by a total of \$191 million in 2017 dollars from fiscal 2017 through 2021.

Capital Program (cont.)

Bond Funding Shares for State-owned Projects, Public School Construction, and Grant and Loan Programs



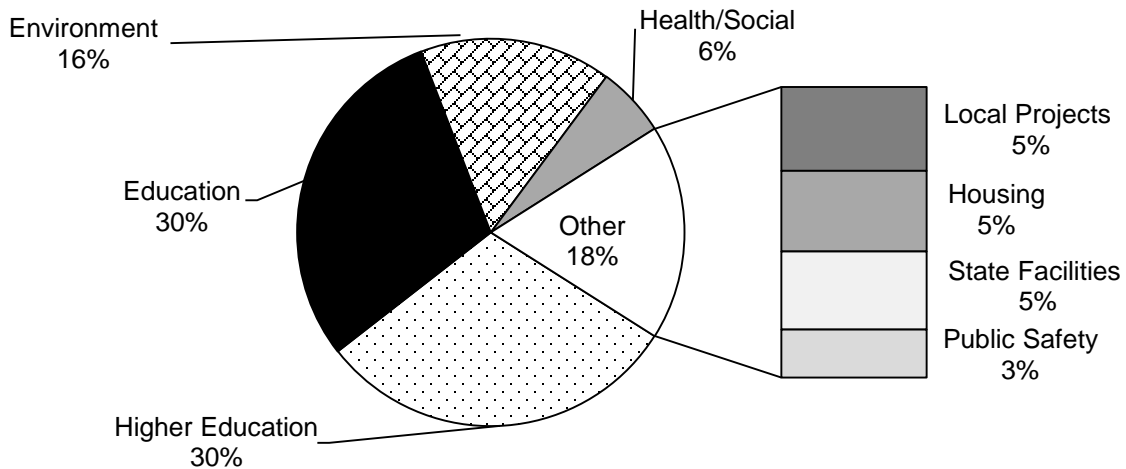
Note: General Assembly general obligation (GO) bond authorizations totaled \$5.6 billion from fiscal 2013 through 2016.



Note: Current Capital Improvement Program projects total new GO bond authorizations at \$4.2 billion for fiscal 2017 through 2020.

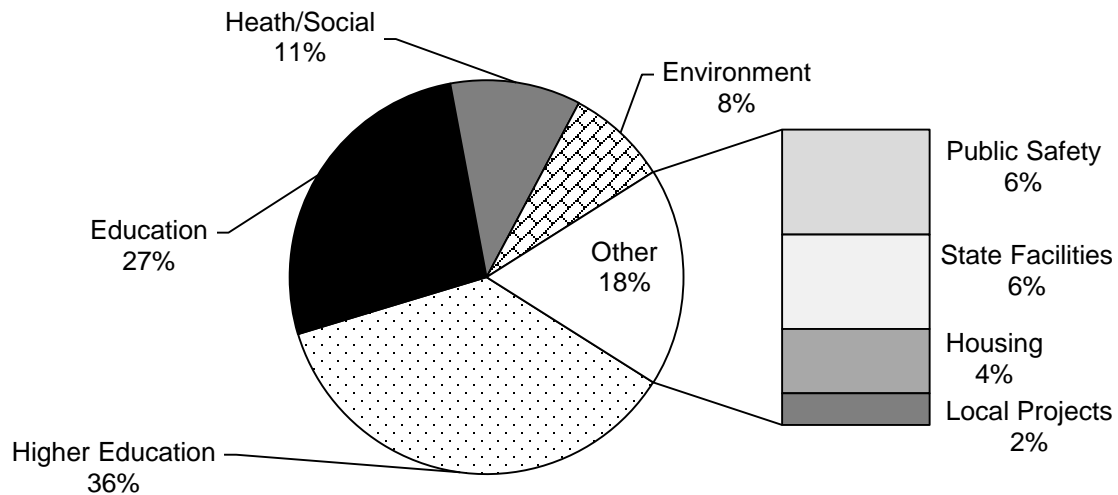
Capital Program (cont.)

General Obligation Bond Uses Fiscal 2013-2016



Note: General Assembly general obligation (GO) bond authorizations totaled \$5.6 billion from fiscal 2013 through 2016.

Capital Improvement Program Fiscal 2017-2020



Note: Current Capital Improvement Program projects total new GO bond authorizations at \$4.2 billion for fiscal 2017 through 2020.

State Debt Policy

Capital Debt Affordability Committee Recommends Decreasing Authorizations

- Capital Debt Affordability Committee (CDAC) reviews State debt policy each year and issues a recommendation for the following legislative session by October 1. In 2015, CDAC recommended authorizing \$995 million in general obligation (GO) bonds for the fiscal 2017 capital program. For planning purposes, the committee also recommended maintaining annual expenditures at \$995 million through fiscal 2025.
- The recommended authorization is \$50 million less than the fiscal 2016 capital program, which totaled \$1,045 million.

State Debt Is within Affordability Ratios

- CDAC's policy is that State tax-supported debt outstanding should not exceed 4% of Maryland personal income, and State tax-supported debt service payments should not exceed 8% of State revenues.

State Affordability Ratios Fiscal 2016-2021

<u>Fiscal Year</u>	<u>Debt Outstanding as a % of Personal Income</u>	<u>Debt Service as % of Revenues</u>
2016	3.52%	7.31%
2017	3.59%	7.58%
2018	3.57%	7.89%
2019	3.51%	7.68%
2020	3.43%	7.64%
2021	3.35%	7.63%

Source: Department of Legislative Services

State Debt Policy (cont.)

Annuity Bond Fund Forecast Fiscal 2016-2021 (\$ in Millions)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Special Fund Revenues						
State Property Tax Receipts	\$750	\$757	\$768	\$779	\$791	\$802
Bond Sale Premiums	35	0	0	0	0	0
Other Revenues	3	3	3	3	3	3
ABF Fund Balance Transferred from Prior Year	139	76	2	1	1	1
Subtotal Special Fund Revenues	\$927	\$837	\$772	\$784	\$795	\$806
General Funds	\$252	\$334	\$464	\$482	\$525	\$532
Transfer Tax Special Funds	6	7	7	7	7	7
Federal Funds	11	11	11	11	11	10
Total Revenues	\$1,197	\$1,189	\$1,255	\$1,284	\$1,338	\$1,355
Debt Service Expenditures	\$1,121	\$1,187	\$1,253	\$1,283	\$1,337	\$1,354
ABF End-of-year Fund Balance	\$76	\$2	\$1	\$1	\$1	\$1

ABF: Annuity Bond Fund

Source: Department of Legislative Services

- Fiscal 2017 begins with a \$76 million fund balance, which can be used to reduce the general fund appropriation.
- From fiscal 2018 to 2021, general fund expenditures increase 4.7% annually while total debt service costs increase 2.6% annually. The higher general fund growth rate is attributable to slower property tax growth rates, which increase 1.5% annually.

State Debt Policy (cont.)

Four Options

Comparing Capital Programs Fiscal 2016-2021 (\$ in Millions)

<u>Fiscal Year</u>	<u>Administration Plan</u>	<u>1% Growth</u>	<u>3% Growth</u>	<u>December 2014 SAC</u>
2016	\$1,045	\$1,045	\$1,045	\$1,095
2017	995	1,055	1,075	1,105
2018	995	1,065	1,110	1,200
2019	995	1,075	1,145	1,240
2020	995	1,085	1,180	1,280
2021	995	1,095	1,215	1,320
2017-2021 Total	\$4,975	\$5,375	\$5,725	\$6,145
Increase Over Administration Plan		\$400	\$750	\$1,170

SAC: Spending Affordability Committee

Source: Department of Legislative Services

Debt Service to Revenues Affordability Ratio Fiscal 2016-2021

<u>Fiscal Year</u>	<u>Administration Plan</u>	<u>1% Growth</u>	<u>3% Growth</u>	<u>December 2014 SAC</u>
2016	7.31%	7.31%	7.31%	7.31%
2017	7.58%	7.58%	7.58%	7.58%
2018	7.89%	7.90%	7.90%	7.91%
2019	7.68%	7.70%	7.70%	7.72%
2020	7.64%	7.67%	7.69%	7.73%
2021	7.63%	7.68%	7.72%	7.77%

SAC: Spending Affordability Committee

Source: Department of Legislative Services

State Debt Policy (cont.)

Comparing Debt Service Costs Fiscal 2017 Authorizations (\$ in Million)

	<u>Administration Plan</u>	<u>1% Increase</u>	<u>3% Increase</u>	<u>December 2014 SAC</u>
Total Principal Payments	\$995	\$1,055	\$1,075	\$1,105
Total Interest Payments	482	511	520	535
Total Debt Service Payments	\$1,477	\$1,566	\$1,595	\$1,640
Percent Increase		6%	8%	11%
Additional Principal		\$60	\$80	\$110
Additional Interest		29	39	53
Total Additional		\$89	\$119	\$163

Source: Department of Legislative Services

- The cost of the Administration's plan, which authorizes \$995 million in fiscal 2017, is \$1,477 million. Interest payments total \$482 million.
- The cost of increasing the fiscal 2016 authorization 1.0% is \$1,566 million. Interest payments are \$29 million more than the Administration's proposal. Remaining costs are principal for additional projects.
- The cost of increasing the fiscal 2016 authorization 3.0% is \$1,595 million. Interest payments are \$39 million more than the Administration's proposal. Remaining costs are principal for additional projects.
- The cost of authorizing the level proposed by the Spending Affordability Committee in December 2014 is \$1,640 million. Interest payments are \$53 million more than the administration proposal. Remaining costs are principal for additional projects.

Draft Consolidated Transportation Program

- The draft fiscal 2016 to 2021 *Consolidated Transportation Program* (CTP) reflects a major shift in priorities from those of the previous Administration and those embraced by the General Assembly through enactment of the Transportation Infrastructure Investment Act of 2013 (Chapter 429).
 - **Less capital spending**
-

Comparison of Six-year Capital Spending by Fund Source Fiscal 2015-2021 (\$ in Millions)

	<u>2015-2020 CTP</u>	<u>Draft 2016-2021 CTP</u>	<u>Change</u>	<u>Percent Change</u>
Special Funds	\$9,533.2	\$9,482.2	-\$51.0	-0.5%
Federal Funds	4,964.4	4,870.0	-94.4	-1.9%
Other Funds*	1,345.3	1,144.5	-200.8	-14.9%
Total Funds	\$15,842.9	\$15,496.7	-\$346.2	-2.2%

CTP: *Consolidated Transportation Program*

*Other Funds include funds from customer and passenger facility charges and certain types of federal aid that do not pass through the Transportation Trust Fund.

Source: Maryland Department of Transportation 2015 final CTP, 2016 draft CTP

- **Much more aid to local governments** – the draft Transportation Trust Fund (TTF) forecast allocates \$743 million from fiscal 2017 to 2021 to increase the local share of Highway User Revenues (HUR) by approximately 2.5 percentage points per year as part of the Administration's proposal to increase local HUR to 30% by fiscal 2024. This phased increase will require enactment of legislation. Similar legislation was proposed by the Administration at the 2015 session but it did not pass.
- **Less for mass transit** – programmed transit capital funding is reduced by over one quarter over the six-year period covered by the draft CTP, a decline of \$1.4 billion (27.1%) from the previous six-year plan.

Draft Consolidated Transportation Program (cont.)

- **More for highways** – programmed spending on highway projects in the draft CTP increases by \$1.1 billion (15.2%) over the previous six-year plan.
 - 25 projects (22 of which are bridges) with six-year programmed spending totaling \$342.6 million added to the construction program; and
 - 11 projects with six-year programmed spending totaling \$721.7 million moved from the development and evaluation program to the construction program.

Comparison of Six-year Capital Spending by Mode Fiscal 2015-2021 (\$ in Millions)

	<u>2015-2020 CTP</u>	<u>Draft 2016-2021 CTP</u>	<u>Change</u>	<u>% Change</u>
Administration	\$280.6	\$267.9	-\$12.7	-4.53%
WMATA	1,578.9	1,581.4	2.5	0.16%
State Highways	7,188.8	8,279.1	1,090.3	15.17%
Port	971.3	949.0	-22.3	-2.30%
Motor Vehicle	125.3	127.3	2.0	1.60%
Mass Transit	5,047.0	3,680.2	-1,366.8	-27.08%
Airport	651.0	611.8	-39.2	-6.02%
Total	\$15,842.9	\$15,496.7	-\$346.2	-2.19%

CTP: Consolidated Transportation Program

WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland Department of Transportation 2015 final CTP, 2016 draft CTP

Transportation Trust Fund Forecast

Transportation Trust Fund Forecast Comparison Fiscal 2016-2021 Six-year Total (\$ in Millions)

	<u>MDOT</u>	<u>DLS</u>	<u>Variance</u>
Revenues			
Taxes and Fees			
Motor Vehicle Fuel Taxes	\$6,550	\$7,461	\$911
Titling Taxes	5,333	5,387	54
Sales Tax – General (online)	948	0	-948
Sales Tax – Rental Vehicles	218	212	-6
Corporate Income Tax	1,046	1,056	10
Registration Fees	2,314	2,314	0
Miscellaneous Motor Vehicle Fees	1,824	1,824	0
Subtotal – Taxes and Fees	\$18,233	\$18,255	\$22
Other Revenues			
Operating Revenues	\$2,774	\$2,774	\$0
Miscellaneous Revenues	869	869	0
Watershed Implementation Plan	200	0	-200
Revenue Reserve	0	-197	-197
Subtotal – Other Revenues	\$3,843	\$3,446	-\$397
Fiscal 2015 Balance Above Projected	0	119	119
Total Revenues	\$22,076	\$21,820	-\$256
Expenditures			
Operating Budget	11,816	12,501	685
Combined Revenue and Expenditure Effect			-\$942

DLS: Department of Legislative Services
MDOT: Maryland Department of Transportation

-
- Lower revenues and higher operating expenses reduce the ability of the Transportation Trust Fund to support both the capital program and local transportation aid at the levels assumed in the Maryland Department of Transportation (MDOT) forecast.

Transportation Trust Fund Forecast (cont.)

Capital Program and Highway User Revenue Funding Scenarios Six-year Totals (\$ in Millions)

	<u>Highway User Revenue</u>	<u>Bond Proceeds</u>	<u>Capital Program</u>	<u>Lowest Debt Service Coverage Ratio</u>
Maryland Department of Transportation (MDOT) Forecast	\$1,810	\$3,490	\$9,464	2.7
Department of Legislative Forecast				
Scenario 1: MDOT Capital Program & Current Law Highway User Revenue	\$1,083	\$3,728	\$9,461	2.6
Scenario 2: Proposed Highway User Revenue Increase	1,837	2,129	7,278	2.5
Difference	\$754	-\$1,599	-\$2,184	

- If maintaining the level of the capital program included in the MDOT forecast is the priority:
 - no capacity to increase Highway User Revenues going to local governments;
 - issuance of debt must be increased by \$238 million compared to MDOT forecast; and
 - debt service coverage ratio falls to 2.6 (MDOT administrative policy is to maintain ratio at no less than 2.5).
- If increasing HUR as assumed in MDOT's forecast is the priority:
 - debt issuance capacity decreases by \$1.4 billion compared to MDOT's forecast;
 - capital program reduced by \$2.2 billion; and
 - debt service coverage ratio falls to 2.5 minimum level.

Status of the General Fund

Fiscal 2016
(\$ in Millions)

Starting Balance **\$320.4**

Revenues

BRE Estimated Revenue July 2015	\$16,280.1
September 2015 BRE Revision	86.0

Total **\$16,366.2**

Transfers

Rainy Day Fund	\$21.3
Budget Reconciliation and Financing Act of 2015	42.2
Budgeted Tax Credits	18.8

Total **\$82.3**

Funds Available **\$16,768.9**

Spending

Fiscal 2016 Allowance	\$16,428.8
DLS Estimated Deficiencies	116.9
DLS Estimated Medicaid Surplus	-151.9
Estimated Agency Reversions	-146.0

Net Expenditures **\$16,247.8**

Ending Balance **\$521.1**

Fund Balance Reconciliation Since July 1, 2015

July 2015 Estimated Ending Fund Balance	\$27.6
BRE Revisions	86.0
Rainy Day Fund Transfer	-12.7
Closeout	267.7
Deficiencies	35.0
Reversions (PG Hospital, GCEI, and Medicaid), Tax Credit	117.4
Revised Fiscal 2016 Closing Fund Balance	\$521.1

BRE: Board of Revenue Estimates

DLS: Department of Legislative Services

GCEI: Geographic Cost of Education Index

PG: Prince George's County

Status of the General Fund

Fiscal 2017
(\$ in Millions)

Starting Balance		\$521.1
Revenues		
BRE Estimated Revenue September 2015	\$17,021.8	
Total		\$17,021.8
Transfers		
Budgeted Tax Credits	\$17.1	
Total		\$17.1
Funds Available		\$17,560.0
Spending		
Fiscal 2017 DLS Baseline Estimate	\$17,373.8	
Estimated Agency Reversions	-30.0	
Net Expenditures		\$17,343.8
Ending Balance		\$216.2

DLS: Department of Legislative Services

BRE: Board of Revenue Estimates

State Expenditures – State Funds

(\$ in Millions)

<u>Category</u>	<u>Work. Appr. FY 2015</u>	<u>Leg. Appr. FY 2016</u>	<u>Baseline FY 2017</u>	<u>FY 2016 to FY 2017 \$ Change</u>	<u>% Change</u>
Debt Service	\$1,283.3	\$1,380.4	\$1,497.1	\$116.6	8.4%
County/Municipal	511.9	534.4	587.7	53.2	10.0%
Community Colleges	290.5	296.1	310.8	14.7	5.0%
Education/Libraries	6,157.1	6,207.1	6,390.2	183.1	3.0%
Health	41.7	44.7	48.4	3.7	8.3%
Aid to Local Governments	\$7,001.3	\$7,082.3	\$7,337.1	\$254.7	3.6%
Foster Care Payments	\$228.3	\$197.8	\$182.2	-\$15.6	-7.9%
Assistance Payments	92.5	80.0	73.4	-6.6	-8.3%
Medical Assistance	3,800.3	3,818.0	3,895.3	77.3	2.0%
Property Tax Credits	82.0	81.3	79.3	-2.0	-2.5%
Entitlements	\$4,203.1	\$4,177.1	\$4,230.3	\$53.2	1.3%
Health	\$1,736.5	\$1,724.5	\$1,837.6	\$113.1	6.6%
Human Resources	421.4	446.7	486.1	39.3	8.8%
Children's Cabinet Interagency Fund	20.8	22.5	22.5	0.0	0.0%
Juvenile Services	283.1	284.1	297.9	13.8	4.9%
Public Safety/Police	1,639.2	1,652.1	1,784.9	132.8	8.0%
Higher Education	5,381.4	5,516.2	5,745.6	229.4	4.2%
Other Education	451.6	443.4	493.3	49.9	11.3%
Transportation	1,671.4	1,756.5	1,832.5	76.0	4.3%
Agric./Nat'l. Res./Environment	357.5	362.2	406.9	44.8	12.4%
Other Executive Agencies	1,376.0	1,314.9	1,362.0	47.1	3.6%
Judiciary	494.0	517.6	543.5	25.9	5.0%
Legislative	82.3	84.5	89.0	4.5	5.3%
Across-the-board Cuts	-7.5	0.0	0.0	0.0	n/a
State Agencies	\$13,907.8	\$14,125.2	\$14,901.9	\$776.6	5.5%
Deficiency	\$0.0	-\$29.1	\$0.0	\$29.1	-100.0%
Total Operating	\$26,395.4	\$26,736.0	\$27,966.3	\$1,230.3	4.6%
Capital ⁽¹⁾	\$1,712.4	\$2,007.5	\$2,119.2	\$111.7	5.6%
– Transportation	1,449.4	1,725.4	1,807.7	82.3	4.8%
– Environment	198.6	194.0	194.2	0.2	0.1%
– Other	64.3	88.1	117.3	29.2	33.1%
Subtotal	\$28,107.8	\$28,743.5	\$30,085.6	\$1,342.0	4.7%
Reserve Funds	\$14.8	\$60.0	\$285.3	\$225.3	375.6%
Appropriations	\$28,122.6	\$28,803.5	\$30,370.9	\$1,567.4	5.4%
Reversions	-\$30.3	-\$62.9	-\$30.0	\$32.9	-52.3%
Grand Total	\$28,092.3	\$28,740.7	\$30,340.9	\$1,600.2	5.6%

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

Note: The fiscal 2015 working appropriation reflects \$205.3 million in reductions approved by the Board of Public Works on January 7 and additional special funds spending of \$6.8 million due to funding swaps. It also includes deficiencies, reductions to the deficiencies, \$3.7 million in targeted reversions, and \$7.5 million in savings from Section 22 of the budget bill (HB 70). The fiscal 2016 legislative appropriation reflects \$201.7 million in general fund reductions and \$118.7 million in general fund restorations from Section 48 of the budget bill. The fiscal 2016 legislative appropriation also reflects \$12.9 million in additional special fund spending due to funding swaps and \$15.6 million in special funds to restore the 2% reduction in State salaries that was included in Section 20 of the budget bill.

State Expenditures – Special and Higher Education Funds*

(\$ in Millions)

<u>Category</u>	<u>Work. Appr. FY 2015</u>	<u>Leg. Appr. FY 2016</u>	<u>Baseline FY 2017</u>	<u>FY 2016 to FY 2017 \$ Change</u>	<u>% Change</u>
Debt Service	\$1,143.3	\$1,128.0	\$1,163.1	\$35.0	3.1%
County/Municipal	265.9	279.1	326.8	47.7	17.1%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	386.8	394.0	451.5	57.5	14.6%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	\$652.7	\$673.1	\$778.3	\$105.2	15.6%
Foster Care Payments	\$5.5	\$4.8	\$2.3	-\$2.5	-51.7%
Assistance Payments	18.6	16.6	15.8	-0.8	-4.6%
Medical Assistance	985.1	955.7	935.9	-19.8	-2.1%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$1,009.2	\$977.1	\$954.1	-\$23.0	-2.4%
Health	\$474.5	\$438.0	\$452.5	\$14.5	3.3%
Human Resources	96.9	90.6	103.1	12.5	13.8%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	5.0	4.9	5.2	0.3	5.7%
Public Safety/Police	218.1	221.6	229.1	7.6	3.4%
Higher Education	4,093.5	4,185.4	4,303.1	117.6	2.8%
Other Education	61.8	47.9	59.5	11.6	24.3%
Transportation	1,671.4	1,756.5	1,832.5	76.0	4.3%
Agric./Nat'l. Res./Environment	225.5	249.4	285.7	36.3	14.6%
Other Executive Agencies	711.2	671.7	679.9	8.2	1.2%
Judiciary	64.1	64.7	61.1	-3.6	-5.6%
Legislative	0.0	0.0	0.0	0.0	n/a
Across-the-board Cuts	0.0	0.0	0.0	0.0	n/a
State Agencies	\$7,621.9	\$7,730.7	\$8,011.8	\$281.1	3.6%
Deficiencies	\$0.00	\$5.91	\$0.00	-\$5.91	-100.0%
Total Operating	\$10,427.1	\$10,514.9	\$10,907.3	\$392.4	3.7%
Capital	\$1,700.9	\$1,977.9	\$2,089.8	\$111.9	5.7%
– Transportation	1,449.4	1,725.4	1,807.7	82.3	4.8%
– Environment	197.6	193.3	193.8	0.5	0.3%
– Other	53.8	59.2	88.3	29.1	49.1%
Grand Total	\$12,128.0	\$12,492.9	\$12,997.1	\$504.3	4.0%

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

Note: The fiscal 2015 working appropriation reflects \$7.5 million in reductions approved by the Board of Public Works on January 7, additional special fund spending of \$6.8 million due to funding swaps, deficiencies, and legislative reductions to the deficiencies. The fiscal 2016 legislative appropriation reflects \$12.9 million in additional special fund spending due to funding swaps and \$15.6 million to restore the 2% reduction in State salaries that was included in Section 20 of the budget bill (HB 70).

State Expenditures – Federal Funds

(\$ in Millions)

<u>Category</u>	<u>Work. Appr. FY 2015</u>	<u>Leg. Appr. FY 2016</u>	<u>Baseline FY 2017</u>	<u>FY 2016 to FY 2017 \$ Change</u>	<u>% Change</u>
Debt Service	\$11.5	\$11.5	\$11.5	\$0.0	0.0%
County/Municipal	53.1	65.9	65.9	0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	802.3	847.3	847.3	0.0	0.0%
Health	4.5	4.5	4.5	0.0	0.0%
Aid to Local Governments	\$859.9	\$917.7	\$917.7	\$0.0	0.0%
Foster Care Payments	\$90.6	\$98.7	\$73.5	-\$25.1	-25.5%
Assistance Payments	1,364.5	1,259.5	1,255.6	-4.0	-0.3%
Medical Assistance	6,112.5	5,970.8	6,325.7	354.9	5.9%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$7,567.7	\$7,329.0	\$7,654.8	\$325.8	4.4%
Health	\$1,011.9	\$883.6	\$932.4	\$48.8	5.5%
Human Resources	514.6	498.6	510.7	12.0	2.4%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	7.1	7.4	7.8	0.4	5.5%
Public Safety/Police	30.0	30.0	31.7	1.7	5.6%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	263.6	248.0	254.8	6.8	2.7%
Transportation	93.7	94.9	95.7	0.8	0.8%
Agric./Nat'l. Res./Environment	71.1	64.4	67.3	2.9	4.5%
Other Executive Agencies	576.7	567.5	588.3	20.8	3.7%
Judiciary	1.7	0.2	0.2	0.0	7.3%
Across-the-board Cuts	0.0	0.0	0.0	0.0	n/a
State Agencies	\$2,570.5	\$2,394.5	\$2,488.7	\$94.2	3.9%
Deficiencies	\$0.0	-\$0.4	\$0.0	\$0.4	-100.0%
Total Operating	\$11,009.6	\$10,652.3	\$11,072.6	\$420.4	3.9%
Capital	\$831.7	\$965.4	\$998.1	\$32.7	3.4%
– Transportation	763.8	860.4	928.8	68.5	8.0%
– Environment	41.3	44.9	44.4	-0.5	-1.1%
– Other	26.5	60.1	24.9	-35.2	-58.6%
Grand Total	\$11,841.3	\$11,617.7	\$12,070.7	\$453.1	3.9%

Note: The fiscal 2015 working appropriation includes \$15.4 million in deficiencies. The fiscal 2016 legislative appropriation reflects \$77.8 million to restore funding per Section 48 of the budget bill (HB 70).

State Expenditures – All Funds

(\$ in Millions)

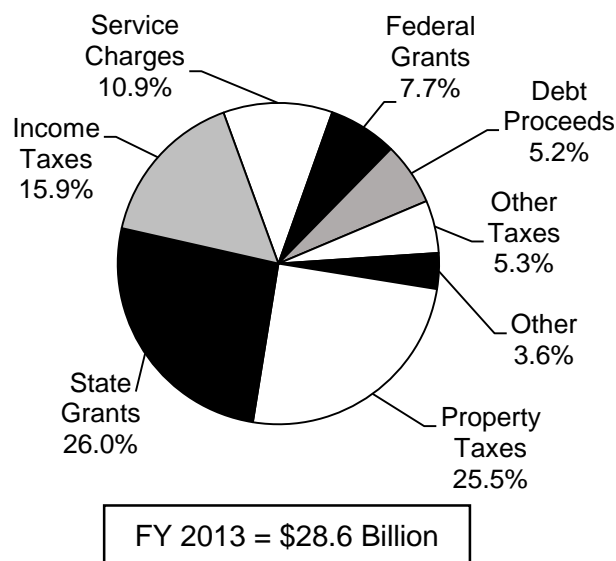
<u>Category</u>	<u>Work. Appr. FY 2015</u>	<u>Leg. Appr. FY 2016</u>	<u>Baseline FY 2017</u>	<u>FY 2016 to FY 2017 \$ Change</u>	<u>% Change</u>
Debt Service	\$1,294.8	\$1,391.9	\$1,508.6	\$116.6	8.4%
County/Municipal	565.0	600.3	653.6	53.2	8.9%
Community Colleges	290.5	296.1	310.8	14.7	5.0%
Education/Libraries	6,959.5	7,054.4	7,237.5	183.1	2.6%
Health	46.2	49.2	52.9	3.7	7.6%
Aid to Local Governments	\$7,861.2	\$8,000.0	\$8,254.7	\$254.7	3.2%
Foster Care Payments	\$319.0	\$296.5	\$255.8	-\$40.7	-13.7%
Assistance Payments	1,457.0	1,339.6	1,329.0	-10.6	-0.8%
Medical Assistance	9,912.8	9,788.8	10,221.0	432.2	4.4%
Property Tax Credits	82.0	81.3	79.3	-2.0	-2.5%
Entitlements	\$11,770.8	\$11,506.1	\$11,885.1	\$379.0	3.3%
Health	\$2,748.3	\$2,608.1	\$2,770.0	\$161.9	6.2%
Human Resources	935.9	945.4	996.7	51.4	5.4%
Children's Cabinet Interagency Fund	20.8	22.5	22.5	0.0	0.0%
Juvenile Services	290.2	291.4	305.6	14.2	4.9%
Public Safety/Police	1,669.2	1,682.1	1,816.6	134.5	8.0%
Higher Education	5,381.4	5,516.2	5,745.6	229.4	4.2%
Other Education	715.2	691.4	748.1	56.7	8.2%
Transportation	1,765.1	1,851.4	1,928.2	76.8	4.1%
Agric./Nat'l. Res./Environment	428.6	426.5	474.2	47.7	11.2%
Other Executive Agencies	1,952.7	1,882.4	1,950.3	68.0	3.6%
Judiciary	495.8	517.8	543.7	25.9	5.0%
Legislative	82.3	84.5	89.0	4.5	5.3%
Across-the-board Cuts	-7.5	0.0	0.0	0.0	n/a
State Agencies	\$16,478.3	\$16,519.8	\$17,390.6	\$870.8	5.3%
Deficiency	\$0.0	-\$29.5	\$0.0	\$29.5	-100.0%
Total Operating	\$37,405.0	\$37,388.3	\$39,039.0	\$1,650.7	4.4%
Capital ⁽¹⁾	\$2,544.1	\$2,972.9	\$3,117.3	\$144.4	4.9%
– Transportation	2,213.3	2,585.8	2,736.6	150.8	5.8%
– Environment	239.9	238.9	238.6	-0.3	-0.1%
– Other	90.9	148.2	142.2	-6.1	-4.1%
Subtotal	\$39,949.1	\$40,361.2	\$42,156.3	\$1,795.1	4.4%
Reserve Funds	\$14.8	\$60.0	\$285.3	\$225.3	375.6%
Appropriations	\$39,963.9	\$40,421.2	\$42,441.6	\$2,020.5	5.0%
Reversions	-\$30.3	-\$62.9	-\$30.0	\$32.9	-52.3%
Grand Total	\$39,933.6	\$40,358.3	\$42,411.6	\$2,053.3	5.1%

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

Note: The fiscal 2015 working appropriation reflects \$205.3 million in reductions approved by the Board of Public Works on January 7 and additional special fund spending of \$6.8 million due to funding swaps. It also includes deficiencies, legislative reductions to the deficiencies, \$3.7 million in targeted reversions, and \$7.5 million in savings from Section 22 of the budget bill (HB 70). The fiscal 2016 legislative appropriation reflects: (1) \$201.7 million in general fund reductions and \$118.7 million in general fund restorations from Section 48 of the budget bill; (2) \$12.9 million in additional special fund spending due to funding swaps and \$15.6 million in special funds to restore the 2% reduction in State salaries that was included in Section 20 of the budget bill; and (3) \$77.8 million in federal funds to restore funding per Section 48 of the budget bill.

Local Fiscal Update

Sources of Revenue for Counties and Baltimore City



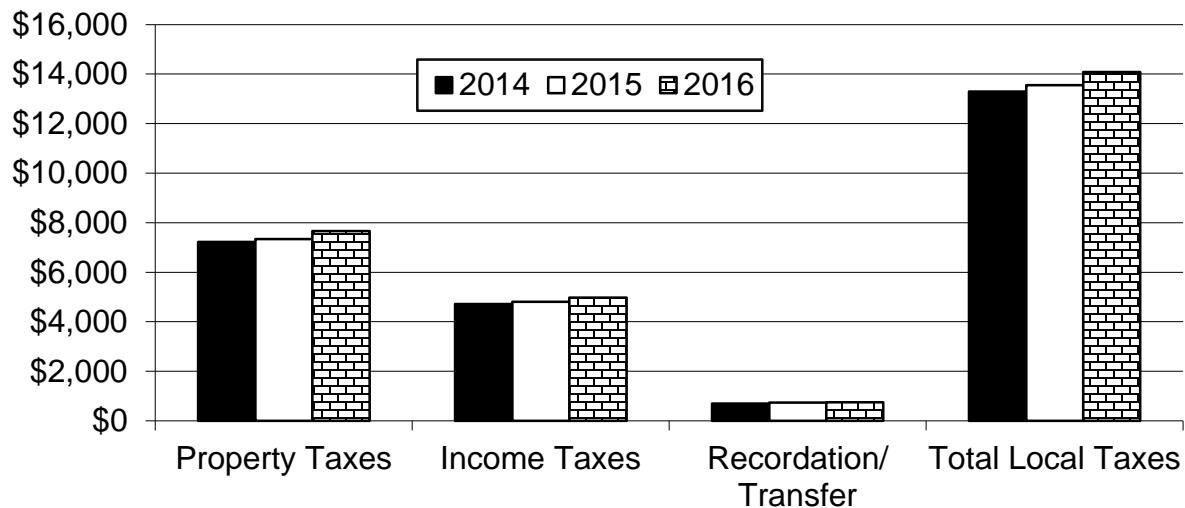
Average Annual Change Fiscal 2014-2016

Property Taxes	3.0%
Income Taxes	2.8%
Recordation Taxes	2.4%
Transfer Taxes	4.5%
Hotel/Motel Taxes	5.2%
Admissions Taxes	3.3%

Total Local Taxes	2.9%
General Fund Revenues	3.2%

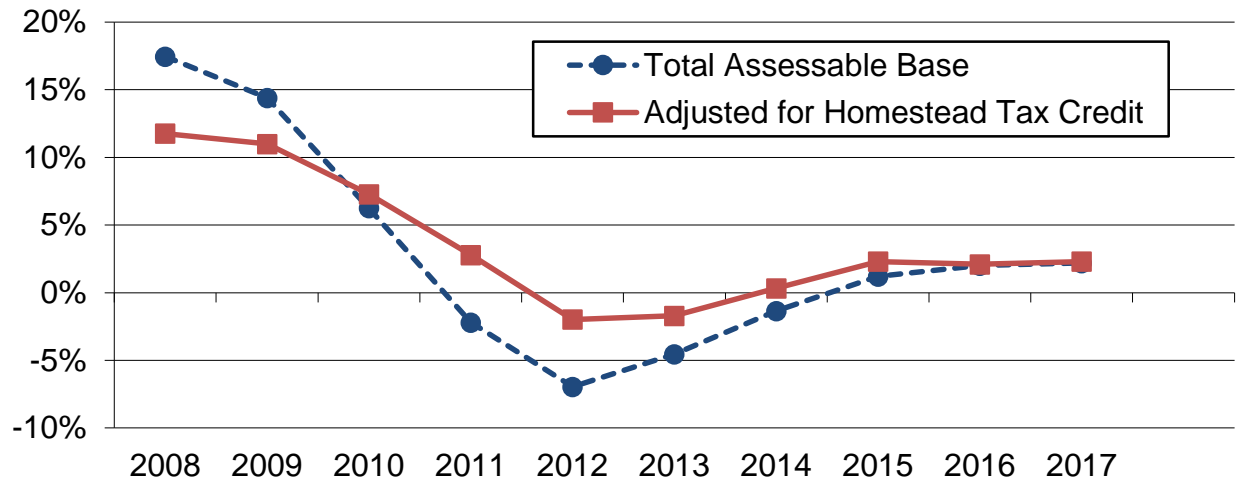
Source: Department of Legislative Services; county budgets

Local Tax Revenue Growth Fiscal 2014-2016 (\$ in Millions)



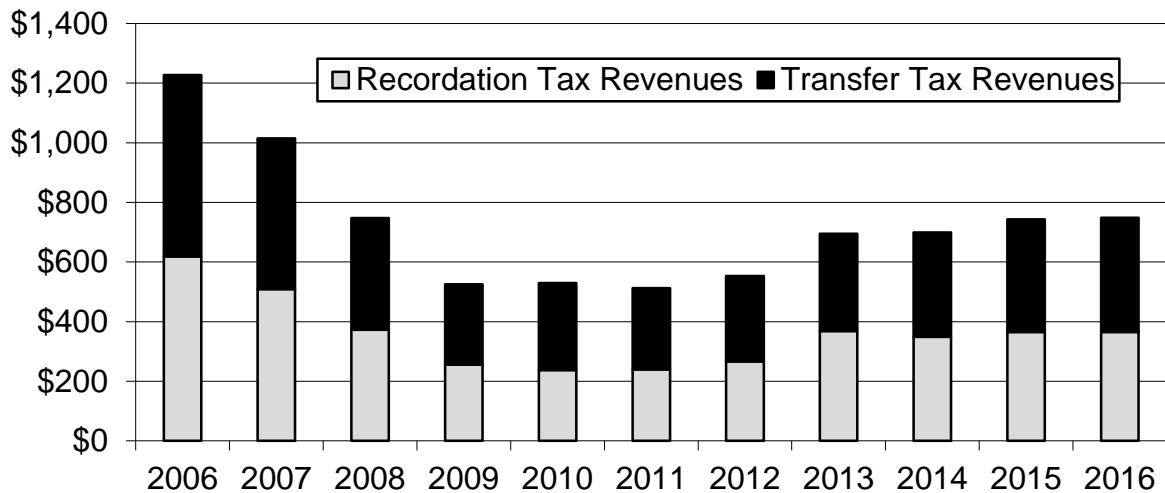
Source: Department of Legislative Services; county budgets

Homestead Tax Credit Softened Impact on County Assessable Base



Source: Department of Legislative Services; county budgets

Real Estate Meltdown Impacts Recordation and Transfer Taxes Fiscal 2006-2016 (\$ in Millions)



Source: Department of Legislative Services; county budgets

**Total Local Taxes
Fiscal 2014-2016**

County	2014	2015	2016	2014-2015 \$ Difference	2015-2016 \$ Difference	Average Annual Difference
Allegany	\$71,751,521	\$69,677,192	\$69,193,541	-\$2,074,329	-\$483,651	-1.8%
Anne Arundel	1,190,748,304	1,228,085,700	1,250,040,300	37,337,396	21,954,600	2.5%
Baltimore City	1,251,051,146	1,297,696,740	1,320,373,191	46,645,594	22,676,451	2.7%
Baltimore	1,645,650,001	1,695,009,171	1,746,589,846	49,359,170	51,580,675	3.0%
Calvert	213,775,519	217,761,755	221,957,103	3,986,236	4,195,348	1.9%
Caroline	37,747,761	39,630,149	38,430,884	1,882,388	-1,199,265	0.9%
Carroll	341,132,496	349,003,364	357,457,910	7,870,868	8,454,546	2.4%
Cecil	158,933,466	161,438,962	167,793,853	2,505,496	6,354,891	2.7%
Charles	323,923,133	340,571,019	346,466,900	16,647,886	5,895,881	3.4%
Dorchester	44,703,064	44,156,490	44,391,359	-546,574	234,869	-0.3%
Frederick	468,914,049	490,130,799	497,342,360	21,216,750	7,211,561	3.0%
Garrett	66,393,929	62,008,041	63,021,883	-4,385,888	1,013,842	-2.6%
Harford	496,721,706	506,400,302	516,893,631	9,678,596	10,493,329	2.0%
Howard	1,025,978,866	1,063,285,503	1,098,435,307	37,306,637	35,149,804	3.5%
Kent	45,699,070	45,357,432	45,398,006	-341,638	40,574	-0.3%
Montgomery	3,387,029,982	3,339,549,506	3,496,584,928	-47,480,476	157,035,422	1.6%
Prince George's	1,668,445,556	1,718,750,500	1,906,449,700	50,304,944	187,699,200	6.9%
Queen Anne's	111,504,509	114,711,580	117,189,232	3,207,071	2,477,652	2.5%
St. Mary's	194,526,554	200,000,814	205,106,992	5,474,260	5,106,178	2.7%
Somerset	21,480,914	21,315,196	22,030,255	-165,718	715,059	1.3%
Talbot	70,291,603	73,980,408	72,621,500	3,688,805	-1,358,908	1.6%
Washington	198,539,955	202,788,617	204,025,180	4,248,662	1,236,563	1.4%
Wicomico	109,264,341	113,591,118	108,495,095	4,326,777	-5,096,023	-0.4%
Worcester	155,309,740	156,209,723	165,167,382	899,983	8,957,659	3.1%
Total	\$13,299,517,185	\$13,551,110,081	\$14,081,456,338	\$251,592,896	\$530,346,257	2.9%

Source: Department of Legislative Services; county budgets

Property Tax Revenue Trend **Fiscal 2014-2016**

County	2014	2015	2016	2014-2015 \$ Difference	2015-2016 \$ Difference	Average Annual Difference
Allegany	\$43,948,121	\$41,517,379	\$40,922,513	-\$2,430,742	-\$594,866	-3.5%
Anne Arundel	637,146,238	666,265,700	676,898,300	29,119,462	10,632,600	3.1%
Baltimore City	767,274,258	789,820,376	841,683,112	22,546,118	51,862,736	4.7%
Baltimore	853,316,698	866,353,971	884,330,446	13,037,273	17,976,475	1.8%
Calvert	138,767,620	138,218,958	138,857,103	-548,662	638,145	0.0%
Caroline	24,572,670	24,885,387	24,916,884	312,717	31,497	0.7%
Carroll	195,629,457	194,524,589	195,795,700	-1,104,868	1,271,111	0.0%
Cecil	102,794,019	102,140,123	106,987,439	-653,896	4,847,316	2.0%
Charles	211,618,749	212,150,819	216,776,500	532,070	4,625,681	1.2%
Dorchester	30,035,415	29,778,613	29,422,696	-256,802	-355,917	-1.0%
Frederick	267,861,854	265,712,782	276,694,557	-2,149,072	10,981,775	1.6%
Garrett	48,830,814	45,271,941	45,919,783	-3,558,873	647,842	-3.0%
Harford	283,876,461	285,102,318	287,941,010	1,225,857	2,838,692	0.7%
Howard	579,525,056	609,118,768	633,762,164	29,593,712	24,643,396	4.6%
Kent	30,212,616	30,266,171	30,241,483	53,555	-24,688	0.0%
Montgomery	1,537,763,867	1,546,213,650	1,582,612,215	8,449,783	36,398,565	1.4%
Prince George's	958,421,063	970,562,400	1,119,574,500	12,141,337	149,012,100	8.1%
Queen Anne's	63,302,160	63,428,628	63,474,887	126,468	46,259	0.1%
St. Mary's	103,014,068	104,543,652	105,081,992	1,529,584	538,340	1.0%
Somerset	14,650,189	14,507,089	15,343,255	-143,100	836,166	2.3%
Talbot	33,660,872	34,705,300	34,924,500	1,044,428	219,200	1.9%
Washington	120,699,081	118,902,962	118,695,180	-1,796,119	-207,782	-0.8%
Wicomico	60,958,529	62,434,326	61,938,432	1,475,797	-495,894	0.8%
Worcester	117,311,192	117,100,704	127,042,299	-210,488	9,941,595	4.1%
Total	\$7,225,191,067	\$7,333,526,606	\$7,659,836,950	\$108,335,539	\$326,310,344	3.0%

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

Source: Department of Legislative Services, County Budgets

Local Income Tax Revenue Trend Fiscal 2014-2016

County	2014	2015	2016	2014-2015 \$ Difference	2015-2016 \$ Difference	Average Annual Difference
Allegany	\$24,112,733	\$25,132,434	\$24,859,683	\$1,019,701	-\$272,751	1.5%
Anne Arundel	435,870,098	437,600,000	450,560,000	1,729,902	12,960,000	1.7%
Baltimore City	284,437,489	307,764,022	293,109,000	23,326,533	-14,655,022	1.5%
Baltimore	667,924,145	689,605,200	718,939,400	21,681,055	29,334,200	3.7%
Calvert	66,768,748	70,967,658	74,550,000	4,198,910	3,582,342	5.7%
Caroline	11,461,356	12,279,932	11,800,000	818,576	-479,932	1.5%
Carroll	131,533,099	139,356,970	143,410,440	7,823,871	4,053,470	4.4%
Cecil	50,800,381	53,415,920	53,900,000	2,615,539	484,080	3.0%
Charles	99,513,353	109,710,000	111,931,000	10,196,647	2,221,000	6.1%
Dorchester	12,258,240	11,829,991	11,966,549	-428,249	136,558	-1.2%
Frederick	174,145,880	195,202,656	192,924,600	21,056,776	-2,278,056	5.3%
Garrett	10,992,150	10,700,000	10,821,000	-292,150	121,000	-0.8%
Harford	190,046,278	198,729,650	203,407,621	8,683,372	4,677,971	3.5%
Howard	392,660,793	394,985,296	407,366,530	2,324,503	12,381,234	1.9%
Kent	13,696,595	13,000,000	13,000,000	-696,595	0	-2.6%
Montgomery	1,376,763,653	1,333,119,043	1,433,417,237	-43,644,610	100,298,194	2.0%
Prince George's	492,264,430	515,937,000	527,812,000	23,672,570	11,875,000	3.5%
Queen Anne's	40,326,921	43,135,362	44,767,650	2,808,441	1,632,288	5.4%
St. Mary's	77,384,719	81,002,813	86,700,000	3,618,094	5,697,187	5.8%
Somerset	6,296,565	6,323,715	6,150,000	27,150	-173,715	-1.2%
Talbot	27,108,102	28,562,935	28,000,000	1,454,833	-562,935	1.6%
Washington	68,864,506	72,618,745	74,910,000	3,754,239	2,291,255	4.3%
Wicomico	43,553,322	46,070,753	41,496,963	2,517,431	-4,573,790	-2.4%
Worcester	13,673,793	13,690,331	14,900,000	16,538	1,209,669	4.4%
Total	\$4,712,457,349	\$4,810,740,426	\$4,980,699,673	\$98,283,077	\$169,959,247	2.8%

Source: Department of Legislative Services, County Budgets

Local Government Tax Actions

More local jurisdictions chose to increase local tax rates in fiscal 2016 than chose to decrease them. Nine counties changed their local property tax rates, with five counties increasing their rates and four counties decreasing them. The rate increase in Prince George's County exceeded the county's charter limit. In addition, Anne Arundel County lowered its local income tax rate, while Worcester County increased its income tax rate. No county altered its recordation tax rate, but a few counties increased their transfer, admissions and amusement, and hotel rental tax rates.

Counties Changing Local Tax Rates Fiscal 2014-2016

	<u>Fiscal 2014</u>		<u>Fiscal 2015</u>		<u>Fiscal 2016</u>	
	▲	▼	▲	▼	▲	▼
Real Property	7	2	3	4	5	4
Local Income	2	1	0	1	1	1
Recordation	0	0	0	0	0	0
Transfer	0	0	0	0	2	0
Admissions/Amusement	0	0	0	0	1	0
Hotel Rental	0	0	1	0	1	0

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

Source: 2015 Local Government Budget and Tax Rate Survey, Department of Legislative Services/Maryland Association of Counties

Local Tax Rates
Fiscal 2015 and 2016

County	Real Property		Local Income		Recordation		Transfer		Admissions/ Amusement		Hotel Rental	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Allegany	\$0.979	\$0.978	3.05%	3.05%	\$3.50	\$3.50	0.5%	0.5%	7.5%	7.5%	8.0%	8.0%
Anne Arundel	0.943	0.923	2.56%	2.50%	3.50	3.50	1.0%	1.0%	10.0%	10.0%	7.0%	7.0%
Baltimore City	2.248	2.248	3.20%	3.20%	5.00	5.00	1.5%	1.5%	10.0%	10.0%	9.5%	9.5%
Baltimore	1.100	1.100	2.83%	2.83%	2.50	2.50	1.5%	1.5%	10.0%	10.0%	8.0%	8.0%
Calvert	0.892	0.892	2.80%	2.80%	5.00	5.00	0.0%	0.0%	1.0%	1.0%	5.0%	5.0%
Caroline	0.960	0.980	2.73%	2.73%	5.00	5.00	0.5%	0.5%	0.0%	0.0%	5.0%	5.0%
Carroll	1.018	1.018	3.03%	3.03%	5.00	5.00	0.0%	0.0%	10.0%	10.0%	5.0%	5.0%
Cecil	0.991	0.991	2.80%	2.80%	4.10	4.10	0.0%	0.5%	6.0%	6.0%	3.0%	3.0%
Charles	1.205	1.205	3.03%	3.03%	5.00	5.00	0.0%	0.5%	10.0%	10.0%	5.0%	5.0%
Dorchester	0.976	0.976	2.62%	2.62%	5.00	5.00	0.75%	0.75%	0.5%	0.5%	5.0%	5.0%
Frederick	1.060	1.060	2.96%	2.96%	6.00	6.00	0.0%	0.0%	0.0%	0.0%	3.0%	3.0%
Garrett	0.990	0.990	2.65%	2.65%	3.50	3.50	1.0%	1.0%	4.5%	6.0%	6.0%	6.0%
Harford	1.042	1.042	3.06%	3.06%	3.30	3.30	1.0%	1.0%	5.0%	5.0%	6.0%	6.0%
Howard	1.190	1.190	3.20%	3.20%	2.50	2.50	1.0%	1.0%	7.5%	7.5%	7.0%	7.0%
Kent	1.022	1.022	2.85%	2.85%	3.30	3.30	0.5%	0.5%	4.5%	4.5%	5.0%	5.0%
Montgomery	1.008	0.999	3.20%	3.20%	3.45	3.45	1.0%	1.0%	7.0%	7.0%	7.0%	7.0%
Prince George's	1.319	1.374	3.20%	3.20%	2.75	2.75	1.4%	1.4%	10.0%	10.0%	5.0%	7.0%
Queen Anne's	0.847	0.847	3.20%	3.20%	4.95	4.95	0.5%	0.5%	5.0%	5.0%	5.0%	5.0%
St. Mary's	0.857	0.852	3.00%	3.00%	4.00	4.00	1.0%	1.0%	2.0%	2.0%	5.0%	5.0%
Somerset	0.915	1.000	3.15%	3.15%	3.30	3.30	0.0%	0.0%	4.0%	4.0%	5.0%	5.0%
Talbot	0.527	0.536	2.40%	2.40%	6.00	6.00	1.0%	1.0%	5.0%	5.0%	4.0%	4.0%
Washington	0.948	0.948	2.80%	2.80%	3.80	3.80	0.5%	0.5%	5.0%	5.0%	6.0%	6.0%
Wicomico	0.952	0.952	3.20%	3.20%	3.50	3.50	0.0%	0.0%	6.0%	6.0%	6.0%	6.0%
Worcester	0.770	0.835	1.25%	1.75%	3.30	3.30	0.5%	0.5%	3.0%	3.0%	4.5%	4.5%

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

Source: 2015 Local Government Budget and Tax Rate Survey, Department of Legislative Services/Maryland Association of Counties

Local Government Salary Actions

Fiscal 2015 and 2016				
<u>Salary Action</u>	County Government		Public Schools	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
COLA/GSI				
No COLA/GSI	8	10	12	10
COLA/GSI	16	12	12	14
Still Pending	0	2	0	0
Stipend/Bonus¹	2	1	3	2
Step/Merit Increases²	16	12	18	21
Furlough/Salary Reductions	0	0	1	0
Layoffs	1	0	2	4
	State Government		CPI-Urban Consumers³	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
COLA Amount	2.0% ⁴	0.0%	0.7%	0.8%
One-time Bonus	\$0	\$0		
Furloughs	No	No		
Step/Merit Increases	Yes ⁵	No		

COLA: cost-of-living adjustment

CPI: Consumer Price Index

GSI: general salary increase

¹ In fiscal 2015, Garrett County employees received a performance incentive in addition to a GSI; Frederick County Public Schools employees received a payment to offset insurance premium increases in addition to a COLA; Baltimore County and Baltimore County Public Schools employees received a bonus in addition to a step increase; and Carroll County Public Schools employees received a bonus. For fiscal 2016, Charles County employees receive a bonus; Carroll County Public Schools employees receive a bonus in addition to a COLA; and in Somerset County, teachers with national certification receive a bonus as well as teachers and administrators with advanced degrees.

² Although included in the count as a general step increase in fiscal 2015 and 2016, Wicomico County limited its step increase in both fiscal years to its police officers.

³ Forecast of the CPI for fiscal 2016 comes from IHS, Inc.

⁴ Fiscal 2015 COLA effective January 1, 2015.

⁵ Fiscal 2015 increment effective July 1, 2014, or January 1, 2015, depending on date hired.

Source: 2015 Local Government Salary Action Survey, Department of Legislative Services

Local Government Salary Actions in Fiscal 2016

County	County Government Generally		Board of Education Teachers	
	COLA/GSI	Step/Merit	COLA/GSI	Step/Merit
Allegany	3.0%	No	1.0%	Yes
Anne Arundel	2.0%-3.0% ¹	No	2.0%	No
Baltimore City	Varies ²	Yes ³	1.0% ⁴	Yes ⁵
Baltimore	3.0%	Yes	5.0% ⁶	Yes
Calvert	0.0%	No	0.0% ⁷	No
Caroline	Varies ⁸	No	0.0%	Yes ⁹
Carroll	1.25% ¹⁰	Yes	2.5% ¹¹	No
Cecil	Pending	Pending	1.3%	Yes
Charles	0.0% ¹²	No	0.0%	Yes ¹³
Dorchester	0.5%	Yes	1.0% ¹⁴	Yes ¹⁵
Frederick	0.0%	No	0.0%	Yes ¹⁶
Garrett	0.0%	No	Limited ¹⁷	Yes ¹⁸
Harford	0.0%	Yes	1.0%	Yes ¹⁹
Howard	Limited ²⁰	Yes	0.0%	Yes ²¹
Kent	Varies ²²	No	0.0%	Yes
Montgomery	2.0%	Yes ²³	2.0%	Yes
Prince George's	Pending	Pending	1.0% ²⁴	Limited ²⁵
Queen Anne's	1.5%	Yes ²⁶	1.0%	Yes
St. Mary's	0.0%	Yes	0.0%	Yes ²⁷
Somerset	2.5%	No	1.0%	Yes ²⁸
Talbot	0.0%	Yes ²⁹	0.0%	Yes
Washington	0.0%	Yes	0.0% ³⁰	Yes ³¹
Wicomico	0.0%	Limited ³²	0.8%	Yes
Worcester	0.0%	No	0.0%	Yes ³³
Number Granting	12	12	14	21

COLA: cost-of-living adjustment

GSI: general salary increase

Comments

¹ In Anne Arundel County, nonunion employees, correctional program specialists, and park rangers receive 2% COLA; all others receive 3%.

² Baltimore City firefighters receive no salary increase, City Union of Baltimore employees receive 1%, and police officers 6%; all others receive 2%.

³ Eligible Baltimore City employees, with the exception of Managerial and Professional Society, receive built-in step increases.

⁴ Baltimore City teachers and administrators receive 1.0% COLA; paraprofessionals 1.5%. Contract negotiations are pending for other school employees.

⁵ Eligible Baltimore City teachers, administrators, and paraprofessionals receive step increases; contract negotiations are pending for other school employees.

⁶ Baltimore County teachers and administrators receive 5% COLA; other professional employees and support staff receive 3%.

⁷ Calvert County teachers and administrators will not receive a COLA increase.

⁸ Caroline County employees receive GSI ranging from \$250 to \$1,750.

⁹ In lieu of a step increase, Caroline County teachers and support personnel on longevity steps (step 15 or above) receive a 1.5% salary increase.

¹⁰ Carroll County employees in general receive a 1.25% COLA, with the exception of sheriff's office employees who are under a new salary plan.

¹¹ In addition to a 2.5% COLA increase, Carroll County Public Schools employees receive a 1.0% bonus.

¹² Charles County employees awarded a one-time \$1,500 bonus.

¹³ In lieu of a step increase, Charles County teachers and administrators at the highest step receive 2% COLA; support staff at step 17 or higher receive 1%.

¹⁴ Dorchester County teachers and administrators receive 1% GSI; support personnel receive 2%.

¹⁵ All eligible Dorchester County Public Schools employees receive a one-step increase, and longevity stipends are awarded, starting at 28 years of service for teachers and administrators and 30 years for support staff. Employees at the top of the scale receive a 1% salary increase in lieu of a step increase.

¹⁶ Eligible Frederick County Public Schools employees receive a delayed step increase (effective December 1, 2015), equal to an average of 3.5%.

¹⁷ With the exception of teachers, who receive a step increase, all Garrett County Public Schools employees receive a 1.5% COLA; administrators receive 2.0%.

¹⁸ Garrett County teachers receive a step increase; no step increases for administrators and support

personnel (although those employees do receive a COLA increase).

¹⁹ All eligible Harford County Public Schools employees receive a 3% step increase, except for noncertificated supervisors and administrators, who receive 1%.

²⁰ Howard County police officers, police sergeants, and fire and rescue receive a 4% GSI; the remaining county employees did not receive a general salary increase.

²¹ Howard County Public Schools employees will receive a delayed step increase on December 24, 2015.

²² Kent County employees transitioned to a new salary plan; increases awarded based on formula yielding one of three possible outcomes of at least a 1% increase for all.

²³ With the exception of Management Leadership Service employees, all eligible employees of Montgomery County receive a 3.5% increment.

²⁴ Prince George's County teachers and custodial staff receive 1% COLA, support staff 2%, and no COLA increase for administrators.

²⁵ Prince George's County teachers and administrators receive a delayed step increase; no step increases for custodial and support staff.

²⁶ Queen Anne's County employees receive merit increases of 1%, 2%, or 3%.

²⁷ St. Mary's County teachers and support personnel receive three reclaimed steps; administrators receive two.

²⁸ In addition to step increases for eligible employees, Somerset County teachers with national certification receive a \$2,000 bonus; teachers and administrators receive bonuses of \$1,500 for Master's degree plus 30 credits or \$2,100 for a doctorate.

²⁹ Talbot County employees receive a delayed step increase ranging from 1% to 3%, effective January 1, 2016.

³⁰ No COLA for Washington County teachers and administrators; support staff still in negotiations.

³¹ Washington County teachers, support staff, and administrators receive one step; administrators at top of scale receive 1% GSI; one step added to teachers' pay scale.

³² Wicomico County police officers receive a 1-1/2 step increase; all other county employees received no increases.

³³ In lieu of a step increase, Worcester County teachers and support personnel at the top of the scale receive a 1% salary increase.

Local Government Furloughs, Salary Reductions, and Layoffs: Plans for Fiscal 2016 and Changes Made During Fiscal 2015

County	Furlough/ Reduction	Layoffs	
Allegany	No	Yes	School system indicated that 1 position was involuntarily eliminated in fiscal 2016. Since the beginning of fiscal 2014, an additional 80.1 positions have been eliminated through attrition, including 28 positions in fiscal 2016.
Anne Arundel	No	No	
Baltimore City	No	Yes	City laid off 41 employees in fiscal 2015; school system indicated plans to lay off 78 administrative support positions in fiscal 2016.
Baltimore	No	No	
Calvert	No	Yes	School system indicated plans to lay off 9 teachers and 18 support staff in fiscal 2016.
Caroline	No	No	
Carroll	Yes	No	School system indicated that the work year for 10-month clerical and instructional assistants was reduced by 1 day each in fiscal 2013, 2014, and 2015.
Cecil	No	No	
Charles	No	No	
Dorchester	No	No	
Frederick	No	Yes	School system indicated that 13 employees were laid off in fiscal 2015 and 81.7 teacher positions were eliminated in fiscal 2016. All but 3 of the positions eliminated in fiscal 2016 were absorbed by attrition.
Garrett	No	No	
Harford	No	No	
Howard	No	No	
Kent	No	Yes	School system did not renew two teachers in fiscal 2015.
Montgomery	No	No	
Prince George's	No	No	
Queen Anne's	No	No	
St. Mary's	No	No	
Somerset	No	No	
Talbot	No	No	
Washington	No	No	
Wicomico	No	No	
Worcester	No	No	
Total Jurisdictions Implementing Plans	1	5	

Fiscal 2017 Baseline Budget Position Changes

Fiscal 2016: Adjustments to the Legislative Appropriation

- 284 positions were deleted through the Administration's 2% across-the-board reduction to State agencies. The largest reductions include:
 - 192 in higher education institutions;
 - 82 at the Department of Human Resources; and
 - 6 at the Department of Health and Mental Hygiene.
- 271 positions created in higher education in fiscal 2016 through its statutory flex authority.
- 6 created by the Board of Public Works in August and September 2015, of which 5 support foreclosure mediation at the Secretary of State and 1 which supports the Maryland Solicitations Act at the Secretary of State.

Fiscal 2017: Workload Adjustments

- 78 new positions to support the new Baltimore City Youth Detention Center at the Department of Public Safety and Correctional Services (DPSCS).
- 15 for 7 judges and new staff at the Judiciary consistent with the judges' certification of need plan.
- 12 new positions for the State Lottery and Gaming Control Agency to support a new gaming facility in Prince George's County.
- 4 new flight training positions at the Department of State Police. The net gain is 3, since the department also abolished one Lieutenant Colonel position.
- 1 position added to the Department of Natural Resources to support recent capital improvements at Elk Neck State Park.

Fiscal 2017 Baseline Budget Position Changes (cont.)

Fiscal 2017: Legislation Adjustments

- 4 positions in the Governor's Office to create a new State economic development entity organization that coordinates the activities of the Department of Commerce (DEC), Maryland Economic Development Organization, Maryland Technology Development Corporation, and Maryland Public-private Partnership Marketing Corporation.
- 3 positions at the Attorney General's Office, including an ombudsman, assistant attorney general, and support staff, to support requirements for the Public Information Act (Chapters 135 and 136).
- 3 positions at the Department of Housing and Community Development to develop and implement a process to review alternative energy efficiency code proposals (Chapter 239).
- 3 positions at the Maryland Department of the Environment to administer new watershed protection and restoration requirements (Chapter 124).
- 2 polygraph examiners at DPSCS (Chapter 407).
- 1 position at the Public Service Commission to support transport network services (Chapter 204).
- 1 position in the Maryland Insurance Administration to adopt principle-based reserving life insurance, health insurance, and deposit-type contracts (Chapter 367).
- 1 position at DEC to create a director of the new Advisory Council on the Impact of Regulations on Small Business (Chapter 137).
- 1 position at the Maryland Higher Education Commission to support State Authorization Reciprocity Agreements to offer distance learning programs.
- 1 part-time position at the Maryland State Department of Education to support the Charter School Improvement Act (Chapter 311) and another part-time position to support the Maryland Council on Advancement of School-based Health Centers (Chapter 417).

Transportation Trust Fund Closeout
Comparison of Fiscal 2015 Projected and Actual Revenues and Expenditures
(\$ in Millions)

	Projected 2015	Actual 2015	<u>Variance</u>
Starting Fund Balance	\$255	\$255	\$0
Revenues			
Motor Fuel Taxes	\$877	\$924	\$47
Titling Taxes	786	796	10
Sales Tax – Rental Vehicles	32	31	-1
Corporate Income, Registrations, and Misc. Motor Vehicle Administration Fees	823	833	10
Maryland Department of Transportation (MDOT) Operating Revenues (MD Aviation Admin., MD Port Admin., and MD Transit Admin.)	407	414	7
Other Receipts and Adjustments	56	114	58
Bond Proceeds and Premiums	490	449	-41
Total Revenues	\$3,471	\$3,561	\$90
Uses of Funds			
MDOT Operating Expenditures	\$1,711	\$1,770	\$59
MDOT Capital Expenditures	1,467	1,299	-168
MDOT Debt Service	220	248	28
Highway User Revenues	167	172	5
Other Expenditures	61	58	-3
Total Expenditures	\$3,626	\$3,547	-\$79
Ending Fund Balance	\$100	\$269	\$169

- The fiscal 2015 ending fund balance totaled \$269 million, \$169 million more than was projected.
- Overall, non-bond-related revenues exceeded projections by \$131 million. Bond sales were \$89 million below projections reflecting reduced cash flow needs and receipt of \$48 million in bond premiums.
- Spending was a net \$79 million less than estimated. Increases related to a bond refunding, winter maintenance, and other department operations were offset by decreased capital spending, the majority of which was due to suspended spending on the Red and Purple Line transit projects as they were being reevaluated.

**Department of Legislative Services
Transportation Trust Fund Forecast
Fiscal 2016-2021
(\$ in Millions)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total 2016-2021</u>
Opening Fund Balance	\$269	\$125	\$125	\$125	\$150	\$150	
Closing Fund Balance	\$125	\$125	\$125	\$150	\$150	\$150	
Net Revenues							
Taxes and Fees	\$2,539	\$2,657	\$2,748	\$2,853	\$2,937	\$3,045	\$16,799
Operating and Miscellaneous	526	546	576	584	580	634	3,446
Subtotal	\$3,065	\$3,203	\$3,324	\$3,437	\$3,517	\$3,679	\$20,225
Bond Proceeds/Premiums	700	849	721	571	449	438	3,728
Fund Balance (Increase)/Use	144			-25			
Total Net Revenues	\$3,910	\$4,052	\$4,045	\$3,983	\$3,966	\$4,117	\$24,072
Expenditures							
Debt Service	\$265	\$323	\$371	\$362	\$361	\$427	\$2,110
Operating Budget	1,860	1,937	2,028	2,124	2,224	2,328	12,501
State Capital	1,785	1,791	1,646	1,497	1,381	1,362	9,461
Total Expenditures	\$3,910	\$4,052	\$4,045	\$3,983	\$3,966	\$4,117	\$24,072
Debt							
Debt Outstanding	\$2,546	\$3,188	\$3,641	\$3,980	\$4,216	\$4,387	
Debt Coverage – Net Income	3.3	3.4	3.0	2.9	2.7	2.6	
Local Highway User Revenue	\$175	\$176	\$179	\$182	\$184	\$187	\$1,083
Capital Summary							
State Capital	\$1,785	\$1,791	\$1,646	\$1,497	\$1,381	\$1,362	\$9,461
Net Federal Capital (Cash Flow)	895	994	891	706	638	746	\$4,870
Total Capital Expenditures	\$2,680	\$2,785	\$2,537	\$2,203	\$2,019	\$2,108	\$14,331
GARVEE Debt Service	\$87	\$87	\$87	\$87	\$51	\$0	\$401

GARVEE: Grant Anticipation Revenue Vehicle

Note: Reflects current law – proposed increase in Highway User Revenue to local governments not included.

Source: Department of Legislative Services