

House Appropriations Committee

Summary Document on

House Bill 70 – the Budget Bill

**House Bill 72 – the Budget Reconciliation and
Financing Act**

Maryland General Assembly
Annapolis, Maryland

March 16, 2015

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**Fiscal 2016 Budget
Budget Bill (HB 70) and the Budget Reconciliation and
Financing Act (HB 72)
As Amended by the House Appropriations Committee**

- 1. Makes Sufficient Reductions to Exceed Affordability Guidelines and to Restore Funding for Legislative Priorities** – The House Appropriations Committee’s budget proposal reduces general fund spending \$464 million across fiscal 2015 and 2016. The structural gap between revenues and spending is reduced by about 74%, well above the 50% target recommended by the Spending Affordability Committee. In addition, the savings make it possible to significantly scale back education reductions proposed by the Governor and to restore funding not included in the budget by the Governor for education, health care providers, and State employee salaries.

- 2. Preserves State Fund Balances** – Although the State’s revenues were revised downward in the fall by over \$300.0 million across fiscal 2015 and 2016, budget actions result in a general fund balance of over \$50.0 million, and the Rainy Day Fund balance will continue at 5.0% of general fund revenues, an amount estimated to be \$814.1 million.

- 3. Continues to Constrain Spending and the Growth in State Positions** – Growth in total State spending, is 1.3%. Spending supported by general tax dollars – the general fund – grows 2.5%. This budget growth is below the 3.8% to 4.1% forecasted growth in Maryland’s personal income for calendar 2015 and 2016. In addition to the Voluntary Separation Program proposed by the Governor, the committee reduced almost 200 vacant positions from the budget.

- 4. Maintains the State’s Commitment to the Public Schools** – Under the legislative budget proposal, State support for public schools will be almost \$6.2 billion. Distributions to local school systems will increase an estimated \$139 million, or 2.6%. This increase reflects full funding of the foundation program that the Governor proposed to level fund and, with the cooperation of the Governor, the restoration of funding

for the Geographic Cost of Education Index made possible by other budgetary savings.

- 5. Accelerates Funding Pension Systems at the Actuarially Determined Amount and Continues a Supplemental Payment –** Providing the actuarially determined amount each year ensures the pension funds will be 100% funded by 2039. Under the legislative plan, the State moves to full actuarial funding seven years early and continues to make a \$75 million supplemental payment until the systems are 85% funded.
- 6. Continues to Provide Safety Net Health Care Services to Over One-fifth of Maryland's Population –** Maryland's ongoing commitment to taking advantage of the opportunity to expand Medicaid coverage under the federal Affordable Care Act has resulted in almost 1.2 million of our residents having access to health care. Total funding for health care providers in the Medicaid program approaches \$9 billion. However, the fiscal 2016 budget as introduced challenges the vibrancy of the Medicaid provider network as it included provider rate reductions of \$625 million compared to fiscal 2015 plus other cost containment. The committee has worked to mitigate some of those rate reductions, for example to physicians and community providers. The committee's budget proposal would also maintain coverage to pregnant women and for family planning, coverage that was not funded in the budget as introduced. In addition, funding for the developmentally disabled increases by almost \$100 million over the current year.
- 7. Recognizes Efforts of State Workforce –** This year's constrained budget does not include funds for a general salary increase or merit increases in fiscal 2016; however, the committee has identified other budgetary savings that would allow the restoration of the modest 2% cost-of-living raise received by employees in January 2015 that has been rescinded in the fiscal 2016 budget.

**Budget Summary
Fiscal 2015 and 2016
(\$ in Millions)**

General Fund

	<u>Admin.</u>	<u>APP</u>
<u>Fiscal 2015</u>		
Ending Balance Before Legislative Action	-\$175.2	-\$175.2
Revenues – Legislation	10.8	10.8
Fund Transfers – Legislation	142.7	142.5
Expenditure Reductions – Deficiency Approp.*	3.7	20.0
Expenditure Reductions – Contingent on BRFA	49.1	50.7
Adjusted Ending Balance	\$31.1	\$48.8
<u>Fiscal 2016</u>		
Revenues – BRE Estimate	\$16,241.7	\$16,241.7
Other Revenues	36.3	36.3
Revenues – Legislation	17.0	15.1
Fund Transfers – Legislation	42.2	42.2
Transfer from Rainy Day Fund	34.0	34.0
Total Revenues and Balance	\$16,402.2	\$16,418.0
Expenditures – Allowance	\$16,581.6	\$16,581.6
Expenditure Reductions – Contingent on BRFA	-208.6	-113.5
Expenditure Reductions*	-11.1	-280.4
Legislative Priorities for Funding Restoration	0.0	178.6
Rainy Day Fund	0.0	0.0
Total Expenditures	\$16,361.8	\$16,366.4
Ending Balance (Revenues Less Expenditures)	\$40.4	\$51.6

Cash Position

General Fund Balance	\$40.4	\$51.6
Rainy Day Fund Balance – June 30, 2016	814.1	814.1
Total	\$854.5	\$865.7
Cash and Rainy Day Fund Over 5%	\$40.4	\$51.6

BRE: Board of Revenue Estimates
BRFA: Budget Reconciliation and Financing Act

*Expenditure reductions for the Administration are assumed reversions in fiscal 2015 and 2016.

**Proposed Budget Reductions
House Bill 70
Fiscal 2016 Budget and Fiscal 2015 Deficiency Appropriations
(\$ in Millions)**

General Funds

	<u>APP</u>
<u>Local Aid</u>	
Community College Formula	\$9.0
C Education Aid Formulas – Delay Phase-in of Net Taxable Income Adjustment for One Year	11.9
C Quality Teacher Incentives – Limit to Teachers Eligible for Stipend in Fiscal 2014	13.4
C <i>Out of County Foster Placement Payments Overbudgeted in Fiscal 2015</i>	0.9
C Extend Phase-in of Library Aid Enhancements	2.3
Reduce Aid for Local Health Departments	3.9
Level Fund Police Aid to Fiscal 2014	3.7
Total	\$45.2
<u>Medicaid</u>	
C <i>Reduce General Funds Due to Availability of MHIP Funds for Medicaid Scale Back Deficiency Based on More Recent Estimates of Medicaid Costs</i>	\$47.0
C Delay Reducing Medicaid Deficit Assessment from Hospital Savings	14.5
Less Funding for Hospital Presumptive Eligibility	10.0
Reduce Academic Health Center CRF Monies to Fund Medicaid	3.6
Fiscal Agent Early Takeover Funding Not Required in Fiscal 2016	5.0
Less Funding for Health Homes	4.0
C Reduce Medicaid Hospital Expenditures by Eliminating the MHIP Assessment	3.2
Less Grant Funding/CRF Available	1.1
Total	\$108.3
<u>Higher Education</u>	
Level Fund Baltimore City Community College	\$1.5
Reduce Aid for Private Higher Education Institutions	5.1
Total	\$6.6
<u>Personnel</u>	
C Repeal Pension Corridor Funding Method and Maintain \$75 Million Extra Payment	\$62.7
Judiciary – Employee Increments	5.2
Total	\$67.8
<u>State Agencies</u>	
New Positions – Judiciary	\$1.4
Eliminate Funding for Salary Reclassifications – Judiciary	9.5
Reduce Operating Expenses – Judiciary	3.4
Apply 2% Across-the-board Reduction to Judiciary and General Assembly	3.0
No Funds for Medicaid Enterprise Restructuring Information Technology Project	7.8
Use Available CRF Funds for Tobacco Compliance Efforts – Behavioral Health Admin.	2.0
Reduce General Funds for Medical Marijuana Commission	1.0
Scale Back Developmental Disabilities Provider Rate Increase	6.5
Reduce Funds for Temporary Cash Assistance to Reflect Additional Federal Funds	10.0
C <i>Autism Waiver Overbudgeted in Fiscal 2015</i>	2.8
C Allow Use of Housing Counseling Fund for Operating Costs	2.4
Replace General Funds with Special Funds Available from Higher Vacancy Rate (DHCD)	1.2

C MD Park Service Payments to Counties in Lieu of Taxes	2.3
C Use More Waterway Improvement Funds for Administrative Costs	0.9
MARBIDCO – Reduce Grants to \$2.9 Million	1.1
Reduce Cybersecurity Tax Credit from \$2.0 Million to \$1.5 Million	0.5
Other Reductions	0.7
Total	\$56.6
<u>Debt Service/State Reserve Fund</u>	
Additional Bond Premiums for Debt Service	\$40.0
Pay Back Local Income Tax Reserve Over 10 Years	90.0
Delay Repay of Fiscal 2006 Transfer of Transfer Tax to General Fund	50.0
Total	\$180.0
Total General Funds	\$464.5
Reductions Also Incorporated in the Governor’s Budget Proposal	\$171.6
Total Reductions Proposed in Addition to the Governor’s Proposal	\$292.9

Note: Fiscal 2015 deficiency reductions in italics.

Special Funds

	<u>APP</u>
Salary Reclassifications and Increments – Judiciary	\$0.9
Reduce Funds for Academic Health Centers – Use Savings for Medicaid	3.6
Delete Funds for Consulting Contract – Child Support Enforcement	0.7
Reduce Nonpublic School Textbook Funding Consistent with Fiscal 2014 Expenditures	0.3
EmPower Funds Overbudgeted – Housing and Community Development	8.0
C Reduce Programs Funded from Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	8.6
C Repeal Pension Corridor Funding Method and Maintain \$75 Million Extra Payment	6.0
Other Reductions	1.1
Total	\$28.3
<u>Pay-as-you-go Capital</u>	
C Reduce Funds for Open Space, Rural Legacy, and Agricultural Land Preservation	\$37.7
Total	\$37.7
Total Special Funds	\$66.0

CRF: Cigarette Restitution Fund

DHCD: Department of Housing and Community Development

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

MHIP: Maryland Health Insurance Program

C: These Items Are Contingent on Passage of the Budget Reconciliation and Financing Act (HB 72).

House Appropriations Committee Budget Priorities (\$ in Millions)

Administration Contingent Reductions Rejected or Modified by Committee

	<u>Admin.</u>	<u>APP</u>	<u>Diff.</u>
Level Fund Education Per Pupil Foundation	\$66.0	\$0.0	\$66.0
Reduce VLT Impact Aid and Transfer to Education Trust Fund	3.9	0.0	3.9
Phase-in State Support for Library for Blind and Handicapped	1.9	0.0	1.9
Delay Establishment of Deaf Culture Digital Library	0.2	0.0	0.2
Community College Formula	13.0	9.0	4.0
Aid to Private Colleges and Universities	6.5	5.1	1.4
Level Fund Local Health Grants to Fiscal 2014	7.8	3.9	3.9
Reduce Academic Health Center CRF Monies to Fund Medicaid	7.2	3.6	3.6
Provider Rates for Developmental Disabilities Administration	9.2	6.5	2.6
Level Fund Juvenile Services Provider Rates to Fiscal 2014	0.8	0.0	0.8
Park Service Payments in Lieu of Taxes in Fiscal 2016	2.5	2.3	0.2
Level Fund Maryland Arts Council to Fiscal 2014	1.4	0.0	1.4
Level Fund Disparity Grant to Fiscal 2014	2.1	0.0	2.1
Total Reductions	\$122.5	\$30.5	\$92.1

Budgeted Funds Restricted for Priorities Not Funded by Governor

Fiscal 2015 2% General Salary Increase	\$68.7
Geographic Cost of Education Index	68.0
Primary Care Physician Rates	14.4
Psychiatrist Evaluation and Management Rates	1.6
Community Mental Health Provider Rates	6.5
Home and Community Based Care Provider Rates	4.8
Medicaid Coverage for Pregnant Women and Family Planning	4.8
Developmental Disabilities Purchase of Care Grants	2.2
Adult Day Care Center Grants	2.1
Substance Abuse Treatment – Heroin Addiction	2.0
Maryland School for the Blind Additional Program Support	1.8
Nonpublic Special Education Placements Provider Rates	1.7
Total Funding for Priorities Not Funded by Governor	\$178.6

CRF: Cigarette Restitution Fund

VLT: video lottery terminals

House Appropriations Committee Status as of March 16, 2015

	<u>FY 2015</u>	<u>FY 2016</u>
Starting General Fund Balance	\$147,557,417	\$48,770,857
Revenues		
BRE Estimated Revenues – December 2014	\$15,691,891,844	\$16,245,199,325
BRE Revenue Revision – March 2015	-4,308,871	-3,510,156
Prior Budget Reconciliation Legislation	1,000,000	0
Budget Reconciliation Legislation – Revenues	10,828,500	15,074,265
Budget Reconciliation Legislation – Transfers	142,482,741	42,212,700
Additional Revenues	23,288,420	36,250,077
Subtotal Revenues	\$15,865,182,634	\$16,335,226,211
Net Transfer to the General Fund from the Rainy Day Fund	\$0	\$34,000,000
Subtotal Available Revenues	\$16,012,740,051	\$16,417,997,068
Appropriations		
General Fund Appropriations	\$16,084,276,186	\$16,611,588,954
Deficiencies	254,434,775	0
Board of Public Works Withdrawn Appropriations	-273,750,229	0
Legislative Reductions/Contingent Legislation	-70,700,000	-215,213,551
Estimated Agency Reversions	-30,291,538	-30,000,000
Subtotal Appropriations	\$15,963,969,194	\$16,366,375,403
Closing General Fund Balance	\$48,770,857	\$51,621,665

BRE: Board of Revenue Estimates

Spending Affordability Analysis
House Appropriations Committee
Fiscal 2016
(\$ in Millions)

Target

Estimated Structural Gap (Dec. 2014)	\$650
Target Reduction	325

Revenues

	\$16,297
BRE March 2015 Revenue Revision	-4
Chesapeake and Atlantic Coastal Bays 2010	-9
Other One-time Items	-3
<i>Subtotal</i>	\$16,282

Spending

	\$16,366
Rainy Day Fund	-50
Medicaid CRF Funding	40
One-time Reductions to Mandated Appropriations	28
2% Across-the-board Reduction	91
Other One-time Reductions	4
PAYGO Capital	-31
<i>Subtotal</i>	\$16,449

Amount Reduced from Structural Shortfall	\$483
Remaining Structural Gap	\$167

BRE: Board of Revenue Estimates

CRF: Cigarette Restitution Fund

PAYGO: pay-as-you-go

State Expenditures – General Funds (\$ in Millions)

<u>Category</u>	<u>Working Appropriation FY 2015</u>	<u>Allowance FY 2016</u>	<u>APP Reductions FY 2016</u>	<u>APP Add Backs FY 2016</u>	<u>APP Appropriation FY 2016</u>	<u>FY 2015 to FY 2016</u>	
						<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$140.0	\$274.0	-\$40.0	\$0.0	\$234.0	\$94.0	67.1%
County/Municipal	246.0	256.5	-3.7	0.0	252.8	6.8	2.8%
Community Colleges	290.5	307.3	-11.2	0.0	296.1	5.6	1.9%
Education/Libraries	5,770.0	5,878.0	-66.5	69.7	5,881.3	111.3	1.9%
Health	41.7	49.6	-3.9	0.0	45.7	3.9	9.4%
Aid to Local Governments	\$6,348.2	\$6,491.4	-\$85.3	\$69.7	\$6,475.9	\$127.6	2.0%
Foster Care Payments	222.8	193.0	0.0	0.0	193.0	-29.9	-13.4%
Assistance Payments	73.9	76.4	-10.0	0.0	66.4	-7.5	-10.1%
Medical Assistance	2,823.3	2,863.0	-41.3	32.1	2,853.8	30.5	1.1%
Property Tax Credits	82.0	81.7	0.0	0.0	81.7	-0.2	-0.3%
Entitlements	\$3,202.0	\$3,214.1	-\$51.3	\$32.1	\$3,194.9	-\$7.1	-0.2%
Health	1,264.8	1,289.8	-9.5	12.6	1,292.9	28.1	2.2%
Human Resources	324.5	358.3	0.0	3.3	361.6	37.1	11.4%
Children's Cabinet Interagency Fund	20.8	22.5	0.0	0.0	22.5	1.7	8.1%
Juvenile Services	278.1	279.4	0.0	2.4	281.8	3.6	1.3%
Public Safety/Police	1,410.1	1,431.5	0.0	15.6	1,447.2	37.1	2.6%
Higher Education	1,287.9	1,305.5	-1.5	31.0	1,334.9	47.0	3.6%
Other Education	389.8	399.7	-5.1	3.7	398.3	8.5	2.2%
Agric./Nat'l. Res./Environment	132.1	118.1	-4.3	1.5	115.3	-16.7	-12.7%
Other Executive Agencies	664.8	653.6	-12.6	6.7	647.7	-17.1	-2.6%
Legislative	82.3	84.3	-0.7	0.9	84.5	2.2	2.7%
Judiciary	429.9	475.0	-23.6	3.6	455.0	25.0	5.8%
Across-the-board Cuts	-7.5	-30.0	-19.9	0.0	-49.9	-42.4	565.0%
State Agencies	\$6,277.7	\$6,387.7	-\$77.2	\$81.3	\$6,391.8	\$114.1	1.8%
Total Operating	\$15,967.9	\$16,367.3	-\$253.8	\$183.1	\$16,296.6	\$328.7	2.1%
Capital ⁽¹⁾	11.5	39.8	0.0	0.0	39.8	28.2	244.6%
Subtotal	\$15,979.5	\$16,407.0	-\$253.8	\$183.1	\$16,336.4	\$356.9	2.2%
Reserve Funds	14.8	200.0	-140.0	0.0	60.0	45.2	305.8%
Appropriations	\$15,994.2	\$16,607.0	-\$393.8	\$183.1	\$16,396.4	\$402.1	2.5%
Reversions	-30.3	-30.0	0.0	0.0	-30.0	0.3	-0.9%
Grand Total	\$15,964.0	\$16,577.0	-\$393.8	\$183.1	\$16,366.4	\$402.4	2.5%

⁽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, \$67.0 million in House Appropriations Committee reductions to the deficiencies of which \$47.0 million is contingent on legislation, \$3.7 million in targeted reversions, and \$7.5 million in savings from Section 22 of the budget bill (HB 70). The fiscal 2016 allowance reflects \$297.9 million in reductions from Sections 19, 20, 21, and 23 of the budget bill and targeted reversions. The House Appropriation Committee reductions include \$22.2 million contingent on legislation.

State Expenditures – State Funds (\$ in Millions)

Category	Working Appropriation FY 2015	Allowance FY 2016	APP		APP Add Backs FY 2016	Appropriation FY 2016	FY 2015 to FY 2016	
			Reductions FY 2016				\$ Change	% Change
Debt Service	\$1,283.3	\$1,402.0	-\$40.0		\$0.0	\$1,362.0	\$78.7	6.1%
County/Municipal	508.9	543.3	-16.6		0.0	526.8	17.9	3.5%
Community Colleges	290.5	307.3	-11.2		0.0	296.1	5.6	1.9%
Education/Libraries	6,160.8	6,272.0	-66.5		69.7	6,275.3	114.4	1.9%
Health	41.7	49.6	-3.9		0.0	45.7	3.9	9.4%
Aid to Local Governments	\$7,002.0	\$7,172.2	-\$98.1		\$69.7	\$7,143.8	\$141.8	2.0%
Foster Care Payments	228.3	197.8	0.0		0.0	197.8	-30.5	-13.4%
Assistance Payments	92.5	93.0	-10.0		0.0	83.0	-9.5	-10.2%
Medical Assistance	3,808.4	3,817.7	-41.3		36.0	3,812.4	4.0	0.1%
Property Tax Credits	82.0	81.7	0.0		0.0	81.7	-0.2	-0.3%
Entitlements	\$4,211.2	\$4,190.2	-\$51.3		\$36.0	\$4,174.9	-\$36.3	-0.9%
Health	1,739.3	1,720.1	-13.3		15.3	1,722.2	-17.1	-1.0%
Human Resources	421.4	449.6	-0.8		3.4	452.2	30.9	7.3%
Children's Cabinet Interagency Fund	20.8	22.5	0.0		0.0	22.5	1.7	8.1%
Juvenile Services	283.1	284.3	0.0		2.4	286.7	3.6	1.3%
Public Safety/Police	1,628.2	1,652.1	0.0		17.2	1,669.2	41.0	2.5%
Higher Education	5,381.4	5,490.9	-1.5		31.0	5,520.3	138.9	2.6%
Other Education	451.6	447.4	-5.4		3.9	445.9	-5.7	-1.3%
Transportation	1,671.4	1,751.9	0.0		6.6	1,758.5	87.1	5.2%
Agric./Nat'l. Res./Environment	360.5	379.5	-12.9		4.0	370.6	10.0	2.8%
Other Executive Agencies	1,356.0	1,328.0	-21.1		13.7	1,320.6	-35.4	-2.6%
Legislative	82.3	84.3	-0.7		0.9	84.5	2.2	2.7%
Judiciary	494.0	540.8	-24.7		3.6	519.7	25.6	5.2%
Across-the-board Cuts	-7.5	-30.0	-25.7		0.0	-55.7	-48.2	642.1%
State Agencies	\$13,882.6	\$14,121.5	-\$106.1		\$101.9	\$14,117.3	\$234.7	1.7%
Total Operating	\$26,379.1	\$26,886.0	-\$295.5		\$207.6	\$26,798.1	\$419.0	1.6%
Capital ⁽¹⁾	1,712.4	2,042.1	-24.9		1.5	2,018.8	306.4	17.9%
– Transportation	1,449.4	1,726.5	0.0		0.0	1,726.5	277.0	19.1%
– Environment	198.6	194.0	0.0		0.0	194.0	-4.6	-2.3%
– Other	64.3	121.6	-24.9		1.5	98.3	34.0	52.8%
Subtotal	\$28,091.5	\$28,928.1	-\$320.4		\$209.2	\$28,816.9	\$725.4	2.6%
Reserve Funds	14.8	200.0	-140.0		0.0	60.0	45.2	305.8%
Appropriations	\$28,106.3	\$29,128.1	-\$460.4		\$209.2	\$28,876.9	\$770.6	2.7%
Reversions	-30.3	-30.0	0.0		0.0	-30.0	0.3	-0.9%
Grand Total	\$28,076.0	\$29,098.1	-\$460.4		\$209.2	\$28,846.9	\$770.9	2.7%

⁽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, \$67.0 million in House Appropriations Committee reductions to the deficiencies of which \$47.0 million is contingent on legislation, \$3.7 million in targeted reversions, and \$7.5 million in savings from Section 22 of the budget bill (HB 70). The fiscal 2016 allowance reflects \$25.0 million in spending from Supplemental Budget No. 1, \$326.4 million in reductions from Sections 19, 20, 21, and 23 of the budget bill and targeted reversions. House Appropriation Committee reductions include \$68.6 million contingent on legislation. The committee add backs include \$10.5 million in additional special fund targeting due to funding swaps.

State Expenditures – All Funds (\$ in Millions)

Category	Working	Allowance	APP	APP	APP	APP	FY 2015 to FY 2016 \$ Change	% Change
	Appropriation FY 2015	FY 2016	Reductions FY 2016	Add Backs FY 2016	Appropriation FY 2016	FY 2016		
Debt Service	\$1,294.8	\$1,413.5	-\$40.0	\$0.0	\$1,373.5	\$78.7	6.1%	
County/Municipal	562.0	609.2	-16.6	0.0	592.7	30.7	5.5%	
Community Colleges	290.5	307.3	-11.2	0.0	296.1	5.6	1.9%	
Education/Libraries	6,963.2	7,119.3	-66.5	69.7	7,122.5	159.4	2.3%	
Health	46.2	54.1	-3.9	0.0	50.2	3.9	8.5%	
Aid to Local Governments	\$7,861.9	\$8,089.9	-\$98.1	\$69.7	\$8,061.5	\$199.6	2.5%	
Foster Care Payments	319.0	296.5	0.0	0.0	296.5	-22.5	-7.1%	
Assistance Payments	1,457.0	1,352.6	-10.0	0.0	1,342.6	-114.5	-7.9%	
Medical Assistance	9,920.9	9,742.2	-73.5	96.4	9,765.2	-155.7	-1.6%	
Property Tax Credits	82.0	81.7	0.0	0.0	81.7	-0.2	-0.3%	
Entitlements	\$11,778.9	\$11,473.0	-\$83.5	\$96.4	\$11,486.0	-\$292.9	-2.5%	
Health	2,751.2	2,662.1	-75.2	16.5	2,603.4	-147.8	-5.4%	
Human Resources	935.9	947.4	-1.1	7.0	953.3	17.4	1.9%	
Children's Cabinet Interagency Fund	20.8	22.5	0.0	0.0	22.5	1.7	8.1%	
Juvenile Services	290.2	291.7	0.0	2.4	294.1	3.8	1.3%	
Public Safety/Police	1,658.2	1,682.0	0.0	17.4	1,699.4	41.2	2.5%	
Higher Education	5,381.4	5,490.9	-1.5	31.0	5,520.3	138.9	2.6%	
Other Education	715.2	695.0	-5.4	5.2	694.8	-20.5	-2.9%	
Transportation	1,765.1	1,846.8	0.0	6.7	1,853.5	88.4	5.0%	
Agric./Nat'l. Res./Environment	431.6	443.6	-12.9	4.5	435.3	3.6	0.8%	
Other Executive Agencies	1,932.7	1,894.9	-21.2	15.4	1,889.1	-43.6	-2.3%	
Legislative	82.3	84.3	-0.7	0.9	84.5	2.2	2.7%	
Judiciary	495.8	540.9	-24.8	3.6	519.8	24.0	4.8%	
Across-the-board Cuts	-7.5	-30.0	-31.6	0.0	-61.6	-54.1	721.6%	
State Agencies	\$16,453.2	\$16,572.1	-\$174.5	\$110.6	\$16,508.3	\$55.1	0.3%	
Total Operating	\$37,388.7	\$37,548.6	-\$396.1	\$276.7	\$37,429.2	\$40.5	0.1%	
Capital ⁽¹⁾	2,544.1	3,007.3	-24.9	2.2	2,984.7	440.6	17.3%	
- Transportation	2,213.3	2,587.3	0.0	0.0	2,587.3	374.1	16.9%	
- Environment	239.9	238.9	0.0	0.0	238.9	-1.0	-0.4%	
- Other	90.9	181.1	-24.9	2.2	158.4	67.6	74.3%	
Subtotal	\$39,932.8	\$40,555.9	-\$420.9	\$278.9	\$40,413.9	\$481.1	1.2%	
Reserve Funds	14.8	200.0	-140.0	0.0	60.0	45.2	305.8%	
Appropriations	\$39,947.6	\$40,755.9	-\$560.9	\$278.9	\$40,473.9	\$526.3	1.3%	
Reversions	-30.3	-30.0	0.0	0.0	-30.0	0.3	-0.9%	
Grand Total	\$39,917.3	\$40,725.9	-\$560.9	\$278.9	\$40,443.9	\$526.6	1.3%	

⁽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, \$67.0 million in House Appropriations Committee reductions to the deficiencies of which \$47.0 million is contingent on legislation, \$3.7 million in targeted reversions, and \$7.5 million in savings from Section 22 of the budget bill (HB 70). The fiscal 2016 allowance reflects \$25.0 million in spending from Supplemental Budget No. 1, \$344.1 million in reductions from Sections 19, 20, 21, and 23 of the budget bill and targeted reversions. House Appropriation Committee reductions include \$68.6 million contingent on legislation. The committee add backs include \$10.5 million in additional special fund spending due to funding swaps.

Fiscal Note Summary of the Budget Bill – House Bill 70

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Education Funds</u>	<u>Total Funds</u>
Governor's Allowance					
Fiscal 2015 Budget	\$16,034,669,194	\$8,084,705,890	\$11,841,285,714	\$4,024,798,408	\$39,985,459,206 ⁽¹⁾
Fiscal 2016 Budget	16,581,588,954	8,382,472,744	11,627,804,125	4,113,590,873	40,705,456,696 ⁽²⁾
Supplemental Budget No. 1					
Fiscal 2015 Deficiencies	\$0	\$0	\$0	\$0	\$0
Fiscal 2016 Budget	0	25,000,000	0	0	25,000,000
Subtotal	\$0	\$25,000,000	\$0	\$0	\$25,000,000
Budget Reconciliation and Financing Act of 2015					
Fiscal 2015 Deficiencies	-\$47,000,000	\$0	\$0	\$0	-\$47,000,000
Fiscal 2016 Contingent Reductions	-84,863,497	-29,528,332 ⁽³⁾	3,365,000	0	-111,026,829
Subtotal	-\$131,863,497	-\$29,528,332	\$3,365,000	\$0	-\$158,026,829
Appropriations Committee Reductions					
Fiscal 2015 Deficiencies	-\$23,700,000	\$2,535,000 ⁽⁴⁾	\$0	\$0	-\$21,165,000
Fiscal 2016 Budget	-130,350,054	-10,986,386 ⁽⁵⁾	-34,191,396 ⁽⁵⁾	0	-175,527,836
Total Reductions	-\$154,050,054	-\$8,451,386	-\$34,191,396	\$0	-\$196,692,836
Appropriations					
Fiscal 2015 Budget	\$15,963,969,194	\$8,087,240,890	\$11,841,285,714	\$4,024,798,408	\$39,917,294,206
Fiscal 2016 Budget	16,366,375,403	8,366,958,026	11,596,977,729	4,113,590,873	40,443,902,031
Change	\$402,406,209	\$279,717,136	-\$244,307,985	\$88,792,465	\$526,607,825

⁽¹⁾ Reflects \$188.2 million in proposed deficiencies, including \$205.4 million in general funds, -\$31.6 million in special funds, \$15.4 million in federal funds, and -\$0.9 million in current unrestricted funds. Reversion assumptions total \$35.1 million, including \$30.0 million in unspecified reversions and \$0.6 million in targeted reversions. There is also a -\$7.5 million across-the-board reduction to reflect savings from a Voluntary Separation Program. This also includes \$4.8 million in special funds that will be added back by budget amendment in fiscal 2015 to replace general fund reductions adopted by the Board of Public Works on January 7, 2015.

⁽²⁾ Reflects estimated general fund reversions of \$30.0 million. Across-the-board reductions total \$344.1 million reflecting a statewide 2% reduction, the Voluntary Separation Program, no funding for employee increments, and elimination of the 2% general salary increase provided in fiscal 2015.

⁽³⁾ Includes \$22.8 million in special funds that will be added back to the budget by budget amendment in fiscal 2016 to replace general fund reductions.

⁽⁴⁾ Includes \$2.0 million in special funds that will be added back to the budget by budget amendment in fiscal 2016 to replace general fund reductions.

⁽⁵⁾ Includes \$3.2 million in special funds and \$69.7 million in federal funds that will be added back to the budget by budget amendment in fiscal 2016 related to restricted funds to restore legislative priorities or general fund reductions.

General Fund Revenues
Budget Reconciliation and Financing Act (HB 72)
Fiscal 2015 and 2016
(\$ in Millions)

	<u>Admin.</u>	<u>APP</u>
<u>Fiscal 2015 Revenues</u>		
Accelerate MCO Medical Loss Ratio Payment	\$10.0	\$10.0
Divert Sunny Day Repayment to General Fund	0.8	0.8
Total Fiscal 2014 Revenues	\$10.8	\$10.8
<u>Fiscal 2016 Revenues</u>		
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	\$8.6	\$8.6
Limit Earned Income Tax Credit to State Residents	3.8	3.8
Less Premium Tax Revenues for Health Benefit Exchange	1.5	0.1
Abandoned Property – Repeal Notification in Newspapers	0.6	0.0
Divert Sunny Day Repayment to General Fund	1.8	1.8
Unallocated Film Tax Credit	0.7	0.7
Total Fiscal 2015 Revenues	\$17.0	\$15.1

MCO: managed care organization (Medicaid)

**General Fund Transfers
Contingent on the Budget Reconciliation
and Financing Act (HB 72)
(\$ in Millions)**

	Admin. <u>Plan</u>	<u>APP</u>
<u>Transfers – Fiscal 2015</u>		
Program Open Space Unencumbered Balance	\$10.5	\$10.5
Waterway Improvement Fund	2.2	2.2
Bay Restoration Fund	1.4	1.4
Strategic Energy Investment Fund	6.0	6.0
Jane E. Lawton Conservation Loan Fund	3.0	3.0
Heritage Areas Authority Financing Fund	0.2	0.0
Sustainable Communities Tax Credit Fund	0.1	0.1
Baltimore City Community College	4.0	4.0
Board of Nursing	2.5	2.5
Board of Physicians	1.8	1.8
Board of Pharmacists	1.6	1.6
Spinal Cord Trust Fund	0.5	0.5
Health Personnel Shortage Incentive Fund (MHEC)	1.7	1.7
Mortgage Lender Originator Fund	3.0	3.0
Helicopter Replacement Fund	0.3	0.3
State Unemployment Trust Fund	4.0	4.0
Local Income Tax Reserve Fund	100.0	100.0
Total Transfers	\$142.7	\$142.5
<u>Transfers – Fiscal 2016</u>		
Transfer Tax	\$37.7	\$37.7
Spinal Cord Trust Fund	0.5	0.5
State Unemployment Trust Fund	4.0	4.0
Total Transfers	\$42.2	\$42.2

MHEC: Maryland Higher Education Commission

**General Fund Reductions
Contingent on the Budget Reconciliation
and Financing Act (HB 72)
(\$ in Millions)**

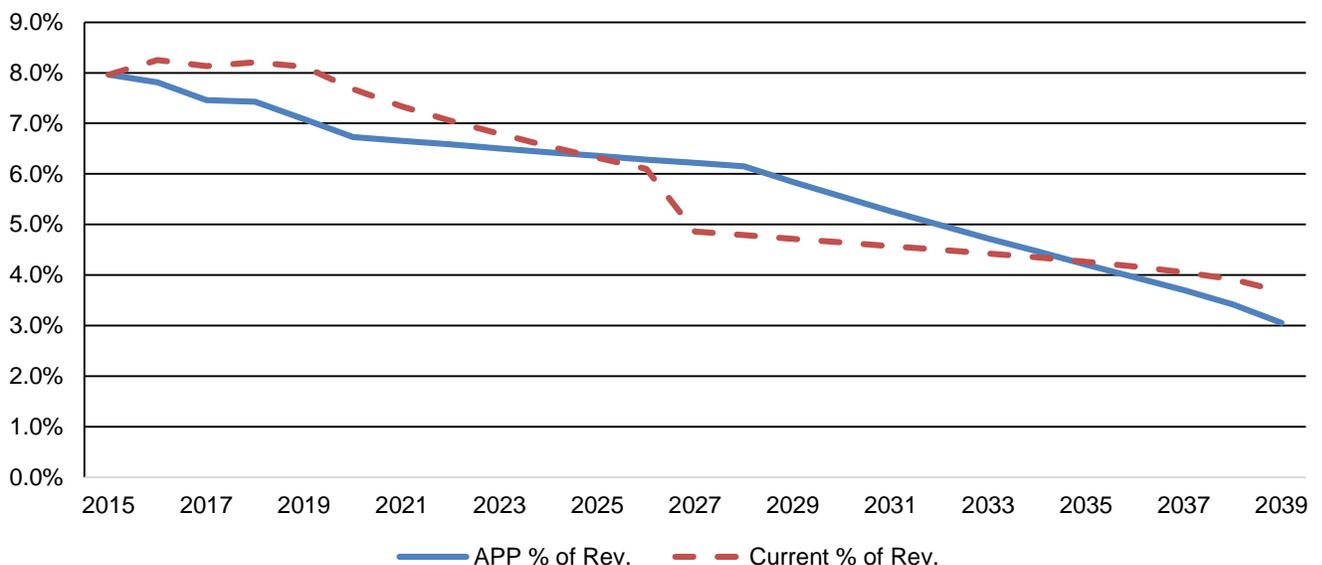
	<u>APP</u>
Contingent Reductions – Fiscal 2015	
Authorize Maryland Health Insurance Program Balance for Medicaid	\$47.0
Autism Waiver/Out of County Placements Overbudgeted	3.7
Total Reductions	\$50.7
 Contingent Reductions – Fiscal 2016	
Delay Net Taxable Income Formula Phase-in for One Year	\$11.9
Quality Teacher Incentives – Limit Teachers Eligible for Stipend	13.4
Phase-in Library Aid Formula Enhancements	2.3
Delay Reducing Medicaid Deficit Assessment from Hospital Savings	14.5
Medicaid Savings from Eliminating Hospital Assessment for MHIP	3.2
Eliminate Park Service Payments in Lieu of Taxes in Fiscal 2016	2.3
Swap Waterway Improvement Funds for General Funds	0.9
Allow Use of Housing Counseling Fund for Operating Costs	2.4
Repeal Pension Corridor Funding/Maintain \$75 Million Extra Payment	62.7
Total Reductions	\$113.5

MHIP: Maryland Health Insurance Program

House Appropriations Committee Pension Funding Plan

- The House Appropriations Committee’s pension funding plan requires the State to make annual supplemental payments to the pension fund of \$75 million in excess of the actuarially determined contribution until the system is 85% funded, which is projected to be fiscal 2028.
- Under the plan, the pension fund is projected to reach the 80% funding level by fiscal 2023, the original goal established by the 2011 pension reform legislation.
- The plan will make Maryland the only AAA-rated state that is required by law to make an annual supplemental contribution to its pension fund, even though several AAA-rated states (including Virginia) have worse pension funding levels than Maryland.
- According to the General Assembly’s consulting actuary, the plan is a “substantial step forward” in implementing a pension funding plan that is consistent with current actuarial practice. It also, according to the State Retirement and Pension System’s own actuary, achieves 100% funded status at the same time as current law.

Projected State Pension Funding as a Percent of General Fund Revenues



APP: House Appropriations Committee

Source: Cheiron, Department of Legislative Services

House Appropriations Committee Action on the Budget Reconciliation and Financing Act of 2015 (HB 72)

The Budget Reconciliation and Financing Act of 2015, as amended¹ by the House Appropriations Committee, accomplishes the following for the general fund:

Fiscal 2015 Fund Transfers	\$142.5 million	
Fiscal 2016 Fund Transfers	42.2 million	
Fiscal 2015 Revenues	10.8 million	
Fiscal 2016 Revenues	15.1 million	
Fiscal 2015 Expenditure Reductions	50.7 million	
Fiscal 2016 Expenditure Reductions	113.5 million	
Total Budgetary Action	\$374.8 million	

Amend. No.

Strikes the requirement that the Comptroller publish in newspapers of general circulation notices of abandoned property, authorizes the establishment of an electronic database with access via a website (bill pages 6-8)

2

Maryland Agricultural and Resource-Based Industry Development Corporation – Reduces the mandated funding level from \$4.0 million to \$2.875 million for fiscal 2016 through 2024 and extends the period for the corporation to receive a grant by three years (pages 8-9)

Requires local school boards to report to the State if that system has a structural deficit that requires a transfer of reserve funds (pages 9-11)

3

Education Aid – Strikes a provision that would have frozen the target per pupil foundation amount for fiscal 2016 at the fiscal 2015 level and would have moderated the mandated growth rates for fiscal 2017 through 2020 (pages 11-12)

4

Education Aid – Extends the phase-in of the Net Taxable Income grants by one year to fiscal 2019 (pages 12-13)

Community College Funding Formula – Strikes the provisions as introduced to reduce the Cade formula funding by \$13 million and instead reruns the formula and restores \$4 million (pages 13-17)

5

Sellinger Formula – Strikes the provision to reduce the Sellinger formula by \$6.5 million and instead restores \$1.4 million in fiscal 2016 (pages 17-19)

6

¹ Provisions added or amended in whole or in part, except by a technical amendment, are noted in *italics*.

Deaf Culture Digital Library – Strikes the provision to delay the implementation of the Deaf Culture Digital Library (page 9)

7

Library Aid – Slows and extends the phase-in of mandated increases to the per resident amount for aid to regional and State library centers and local public libraries through fiscal 2025 (pages 20-21)

Maryland Library for the Blind and Physically Handicapped – Strikes a provision that would have phased-in mandated State support for the library (pages 21-22)

8

Local Health Grants – Strikes a provision that would have frozen fiscal 2016 funding for local health grants at the fiscal 2014 level (pages 22-23)

9

Developmental Disabilities Administration Provider Rates – Strikes a provision that would have reduced the mandated rate increase for community service providers from 3.5% to 1.75% for fiscal 2016 (page 23)

10

Academic Health Centers – Strikes a provision that would have reduced the mandated funding from the Cigarette Restitution Fund for academic health centers (page 23)

11

Maryland Health Benefit Exchange – Strikes a provision that would have removed the mandated funding requirement for the exchange (page 24)

12

Disparity Grant – Strikes the provision that would have frozen the disparity grant at a reduced level beginning in fiscal 2016 (pages 24-25)

13

Park Revenue Sharing – Modifies a provision that prohibits park revenue sharing payments to counties in fiscal 2015 and 2016 to also exclude payments from concession earnings (page 25)

14

Waterway Improvement Fund – Allows the use of the fund for fund-related administrative expenses under the Department of Natural Resources, allowing for a contingent reduction of \$875,000 in general funds in fiscal 2016 (pages 25-26)

State Police Helicopter Replacement Fund – Permanently repeals the fund (page 26)

Local Police Aid – Alters the mandated funding level for State Aid for Police Protection grants to \$67,277,067 for fiscal 2015 and 2016 (pages 26-27)

Transfer Tax Repayment – Strikes a provision that would have repealed the requirement that transfer tax funds diverted to the general fund since fiscal 2006 be repaid and instead modifies a provision to delay repayment until fiscal 2019 (pages 27, 31)

15

Maryland State Arts Council – Strikes a provision that would have set the fiscal 2016 mandated funding level at the fiscal 2014 level (page 27)

16

Prevailing Wage Penalties – Adds a provision to increase liquidated damages for specific violations under the Prevailing Wage law (pages 27-28) 17

Local Income Tax Reserve – Modifies the repayment of funds from the local income tax reserve account to \$10 million per year through fiscal 2025 (pages 28, 45) 18

Short-term Vehicle Rentals – Revenue from the sales tax on vehicle rentals that is credited to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be redirected to the general fund in fiscal 2016 by a total of \$8.6 million (page 28)

Earned Income Tax Credit – Modifies a provision to specify that the earned income tax credit is applicable to Maryland residents only (page 29) 19

Film Production Activity Tax Credit – Reduces the cap on the film production activity tax credit in fiscal 2016 from \$7.5 million to \$6,816,237 (page 29)

Cybersecurity Tax Credit – Reduces the mandated level of general funds from \$2.0 million to \$1.5 million in fiscal 2016 (page 30)

Transfer Tax Underattainment – Provides that transfer tax underattainment will not be applied in fiscal 2017 for Program Open Space since it is being applied to the fiscal 2015 budget (pages 30-31)

Modifies the transfer tax underattainment provision to allow for the use of any fiscal 2015 transfer tax overattainment in fiscal 2016 only due to timing concerns (pages 30-31) 20

Transfer Tax – Increases the revenue from the transfer tax that is directed to the general fund in fiscal 2015 by \$37,712,700 (page 32)

Medicaid Deficit Assessment – Requires a reduction to the Medicaid Deficit Assessment of \$20 million per year beginning in fiscal 2017 (page 33) 21

Watershed Implementation Plan – Strikes the provision that permanently transfers the funding mandate requirement for transportation projects necessary to comply with the Watershed Implementation Plan to the Transportation Trust Fund, but instead allows the use of the Transportation Trust Fund for one year for this purpose (page 32) 22

Health Services Cost Review Commission – Modifies a provision to limit expected savings to Medicaid from lower rates for uncompensated care to fiscal 2016 only and makes other clarifying changes (page 34) 23

Quality Teacher Incentives – Freeze eligibility under the Quality Teacher Incentive program in fiscal 2016 to teachers who teach in a school identified as a comprehensive needs school in fiscal 2014 and sunset a portion of the program after fiscal 2016 (pages 35-36) 24

Retirement Funding – Repeals the corridor funding method, and retains a \$75 million supplemental contribution for the State Retirement and Pension System until the system is 85% funded (pages 36-42) 25

Nonpublic Placements – Modifies a provision to freeze nonpublic placement provider rates at the fiscal 2015 level rather than the fiscal 2014 level (page 42) 26

Provider Rates – Modifies a provision to freeze provider rates set by the Interagency Rates Committee at the fiscal 2015 level rather than the fiscal 2014 level (page 42) 27

Cost-of-living Adjustments – Modifies a provision to allow cost-of-living salary adjustments in fiscal 2016 (page 42) 28

Housing Counseling and Foreclosure Mediation Fund – Allows the use of the fund for operational expenses under the Department of Housing and Community Development, allowing for a contingent reduction of \$2.4 million in general funds in fiscal 2016 (page 42)

Maryland Health Insurance Plan Fund Balance – Modifies a provision to increase the amount of the fund balance transfer under the Maryland Health Insurance Plan fund balance (pages 42-43) 29

Sunny Day Fund – Requires any repayments received by the Department of Business and Economic Development related to loans under the Sunny Day Fund be deposited into the general fund in fiscal 2015 and 2016 (page 43)

Make the following transfers to the general fund:

	<u>Fiscal 2015</u>	<u>Fiscal 2016</u>	
Local Income Tax Reserve Account	\$100,000,000		
Program Open Space Unencumbered Balance	10,500,000		
Program Open Space		37,712,700	
Strategic Energy Investment Fund	6,000,000		
Baltimore City Community College	4,000,000		
State Unemployment Trust Fund	4,000,000	\$4,000,000	
Jane E. Lawton Conservation Loan Fund	3,000,000		
Mortgage Lender – Originator Fund	3,000,000		
Board of Nursing	2,500,000		
Waterway Improvement Fund	2,180,000		
Board of Physicians	1,800,000		
Health Personnel Shortage Incentive Fund	1,700,000		
Board of Pharmacy	1,600,000		
Bay Restoration Fund	1,375,000		
<i>Spinal Cord Injury Research Trust Fund</i>	<i>500,000</i>	<i>500,000</i>	
State Police Helicopter Replacement Fund	269,741		
<i>Sustainable Communities Tax Credit Reserve</i>	<i>58,000</i>		
Total	\$142,482,741	\$42,212,700	31 and 32

(pages 43-44)

Strategic Energy Investment Fund – Modifies the provision to specify that any transferred funds come from the non-energy assistance accounts within the fund (page 44) 30

State Police Helicopter Replacement Fund – Adds a provision that specifies that certain ticket surcharge revenue be redirected from the repealed State Police Helicopter Replacement Fund to the general fund (page 44) 33

Video Lottery Terminal Local Impact Aid – Strikes the provision that would have transferred video lottery terminal revenue for local impact aid to the Education Trust Fund in fiscal 2015 and 2016 (page 44) 34

Mandate Relief – Strikes a provision that would have capped growth in certain mandated appropriations (page 45) 35

Medical Loss Ratios – Authorizes the early clawback of savings for calendar 2014 managed care organization payments to recognize failure of managed care organizations to meet certain medical loss ratios, which increases general fund revenues by \$10.0 million – Technical changes are made by amendment (page 45) 36

Baltimore City School Construction Program – Adds a provision to remove the financial contribution requirement of the Baltimore City School System to the Baltimore City School Revitalization Program in fiscal 2016 only (page 46) 37

Planned Reversions – Adds a provision to ensure that planned reversions to two programs under the Maryland State Department of Education are realized in fiscal 2015 (page 46) 38

DeWolfe v Richmond – Adds a provision to continue the authority to implement the DeWolfe v. Richmond decision in fiscal 2016 (page 46) 39

Exelon Merger – Adds a provision to require any funds coming to the State as a result of an approved merger between Exelon Corporation and Pepco to be appropriated in the State budget (page 46) 40

Hospital Rate Assessments – Adds a provision to reduce the assessment going to the Maryland Health Insurance Plan for fiscal 2016 only (page 47) 41

Convention Centers – Adds a provision to cap the fiscal 2016 State’s share of the operating deficit subsidies of the convention centers to the fiscal 2016 cost containment level (page 47) 42

Technical Amendments:

• *Purpose and function paragraphs* 1

• *Renumbering and other technical* 43

Committee Budget Plan Compared to Administration Budget Plan

Fiscal 2017-2020

(\$ in Millions)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Administration Budget's Structural Balance	-\$81	-\$73	-\$195	-\$160
Committee Reductions				
Accelerate Pension Full Funding	-\$108	-\$155	-\$200	-\$175
Other Reductions	-34	-22	-33	-30
Total Reductions	-\$142	-\$176	-\$233	-\$205
Significant Committee Restorations				
K-12 Education Foundation – No Cap on Growth	\$105	\$164	\$234	\$305
Geographic Cost of Education Index	70	72	74	76
Community College Formula – No Cap on Growth	0	12	33	52
Private College Funding – No Cap on Growth	6	9	12	15
Developmental Disabilities Administration – No Cap on Growth	3	8	18	19
State Employee Salaries	75	76	78	79
Other Restorations	44	56	64	72
Total Restorations	\$302	\$397	\$513	\$620
House Budget's Structural Balance	-\$241	-\$294	-\$475	-\$574

The Administration's budget proposed a cap on education foundation spending, reducing State employee salaries by 2%, reducing the Geographic Cost of Education Index by 50%, caps on the growth of private and community college formula spending, and a general cap on other State mandated spending, including the Developmental Disabilities Administration. The House Appropriations Committee did not agree with these policies and did not limit future mandated funding as proposed by the Governor. Structural balances assume the unspecified 2% across-the-board reductions (excluding the higher education share) that are part of the Administration's budget plan are not structural.