Spending Affordability Briefing

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

November 8, 2005

Debt Management

General Obligation Bonds

2005 Capital Debt Affordability Committee Recommendations

- The Capital Debt Affordability Committee (CDAC) recommends that the General Assembly authorize up to $690 million in GO bonds in the 2006 legislative session.

- This provides a $20 million increase over the authorization in the 2005 legislative session.

- This represents a change in the committee's authorization policy. Previously, the committee recommended that authorizations increase by $15 million annually. The policy was modified to allow for 3 percent annual increases.

Proposed Debt Levels Meet CDAC Criteria

- CDAC criteria are that:

  - tax-supported debt outstanding should not exceed 3.2 percent of Maryland personal income; and

  - tax-supported debt service payments should not exceed 8 percent of State revenues.

- The table below shows the projections based on authorizing $690 million in fiscal 2007. The proposed authorization meets the affordability criteria:

Fiscal Year	Debt Outstanding as a Percent of Personal Income	Debt Service as a Percent of Revenues
2006	2.80%	5.69%
2007	2.79%	5.86%
2008	2.91%	5.98%
2009	2.91%	6.35%
2010	2.94%	6.36%
2011	2.92%	6.52%

Total State Debt

Unused State Debt Capacity Is Reduced
($ in Millions)

Debt Outstanding June 30, 2010	January 2005	November 2005	Variance
GO Bonds	$5,760	$5,920	$160
Capital Leases	93	171	79
Transportation Bonds	1,760	1,850	90
Grant Anticipation Revenue Vehicles (GARVEEs)	0	608	608
Stadium Authority Bonds	236	236	0
Bay Restoration Bonds	339	349	10
Total Debt Outstanding	**$8,188**	**$9,135**	**$947**
Estimated Personal Income in 2010	**$301,297**	**$310,234**	**$8,937**
Unused Capacity	**$1,453**	**$792**	**-$661**
Fiscal 2010 Debt Outstanding as Percent of Personal Income	**2.72%**	**2.94%**	**0.23%**

Factors Influencing State Debt Capacity

- Total excess capacity is reduced $661 million since January 2005.
- GARVEE issuances are now included as State debt, reducing capacity by $608 million.
- Policy to authorize more GO bonds adds $160 million in GO debt outstanding, thus reducing unused capacity.
- Increased issuances are offset by higher personal income estimates, which provide an additional $285 million in State debt capacity.

General Obligation Bonds

Taxable Debt Costs More

- The State's capital program supports a number of different public policy objectives such as health, environmental, public safety, education, housing, and economic development objectives. Federal government regulations allow the State to issue debt that does not require the buyer to pay federal taxes on interest earnings.

- Federal laws and regulations limit the kinds of activities that can be supported with proceeds from tax-exempt bonds.

- To avoid exceeding the private activity limits imposed in the federal regulations, the State has previously appropriated funds in the operating budget instead of issuing debt for private activity programs and projects. Recent years' fiscal constraints have limited the amount of operating funds available for capital projects.

- In 2005 the State reached its limit, with respect to private activity exemptions in tax-exempt issuances, and the State sold taxable debt.

- In March 2005, Maryland issued $25 million in taxable debt, all maturing within three years.

  - The True Interest Cost (TIC) was 3.87 percent, which is 125 basis points higher than a comparable tax-exempt issuance (2.62 percent).

  - Taxable debt service costs exceed tax-exempts costs by over $500,000.

- In July 2005, Maryland issued $20 million in taxable debt, all maturing within seven years.

  - The TIC was 4.43 percent, which is 131 basis points higher than a comparable tax-exempt issuance (3.12 percent).

  - Taxable debt issued at this bond sale increased State expenditures by approximately $1.1 million.

General Obligation Bonds

Efficiency Recommendation – Minimize GO Bond Debt Service Budget

Recommend Appropriating Operating Funds Instead of Issuing Taxable Debt

- As a by-product of the most recent fiscal downturn, the State reduced operating budget support for the capital program and has issued taxable debt.

- Taxable debt has resulted in higher borrowing costs. The State's 2005 issuances of $45 million in taxable debt cost $1.6 million more than issuing tax-exempt debt.

- **To reduce borrowing costs and provide for a more efficient capital program, it is recommended that the Administration appropriate general funds for capital programs and projects that are not eligible to receive bond proceeds from tax-exempt bonds.**

Recommend One-time Exclusion to Migrate Taxable Debt Back into the Operating Budget

- Current Spending Affordability Committee (SAC) policy is to include revolving loan fund capital programs receiving general funds in the SAC spending limit.

- This could create a disincentive to move funding for these capital programs back into the general fund.

- **To eliminate a potential disincentive to restore general fund appropriations for capital programs and projects that are not eligible to receive bond proceeds from tax-exempt bonds, it is recommended that SAC exclude PAYGO capital general fund appropriations made in the 2006 legislative session from the affordability calculation. This exclusion should be limited to projects previously funded with GO bonds that are funded with general funds instead.**

General Obligation Bonds' Capital Program

- As required by State Finance and Procurement Article §8-113 the Governor provided a preliminary determination of the allocation of new general obligation (GO) debt for general construction projects, school construction, and other grant and loan capital projects for the upcoming session. The table below compares the Governor's preliminary allocation to the 2005 *Capital Improvement Plan* (CIP) and to recent actual allocations.

Actual and Proposed Allocation of GO Authorizations
Fiscal 2004 –2007
($ in Millions)

	FY 04 Actual	FY 05 Actual	FY 06 Actual	FY 07 CIP	FY 07 Proposed
State-owned Projects	$358.5	$274.7	$187.8	$341.5	$343.4
Public School Construction	104.1	114.2	234.4*	97.6	150.0
Grant and Loan Projects	279.9	274.8	248.2	245.6	196.6
Total	**$742.5**	**$663.7**	**$670.4**	**$684.7**	**$690.0**

* Public school construction received a total of $251.8 million which includes $234.4 million in GO ($79.2 million added by the General Assembly), $15 million available in the IAC contingency fund from unexpended school construction funds budgeted in prior years and $2.4 million from the Maryland Stadium Authority budget as required by §13-715.2 of the Financial Institutions Article.

Source: Department of Budget and Management, Department of Legislative Services, November 2005

- The Governor's $150 million preliminary fiscal 2007 allocation for public school construction projects while significantly more than what was planned in the 2005 CIP is also significantly less than the fiscal 2006 amount authorized by the General Assembly.

- The preliminary fiscal 2007 allocation indicates that the additional authorizations proposed by the Governor above the amount planned in the 2005 CIP will be shifted from the amount planned for grant and loan programs. This may indicate that the Administration will propose funding capital grant and loan programs that require the issuance of taxable bonds with PAYGO general funds instead.

Escalating Construction Costs

- Significant inflation in the construction market is driving up the cost of capital projects. Factors influencing construction costs include:

  - ***International Demand for Building Materials:*** Demand for construction materials, particularly in Asia, has contributed to the rising price of construction materials, most notably steel.

  - ***Active Construction Market in Maryland:*** The active construction market in Maryland has caused a tight labor market which is driving up wages.

  - ***Oil Prices:*** Domestic and international demand for oil has contributed to the rising oil prices.

  - ***Impact of Hurricane Katrina and Hurricane Rita:*** Rebuilding efforts are expected to create a great deal of uncertainty concerning the availability and cost of construction materials.

- The table below compares the Building Construction Index (BCI) with the Consumer Price Index (CPI) for the Baltimore regional market. The BCI measures the effects of inflation on construction materials and labor costs, and the CPI is a indicator of inflation in general.

Comparison of Building Construction Index to Consumer Price Index

Calendar 2001 – 2005

Calendar Year	Consumer Price Index	Building Construction Index
2001	2.7%	0.3%
2002	2.2%	2.9%
2003	2.9%	6.9%
2004	2.7%	9.0%
2005	n/a	7.9%

Source: BCI = Engineering New – Record and CPI = Urban Consumer

- The BCI index increased at an annual rate of 8 percent while the CPI grew by slightly less than 3 percent annually from 2003 through 2005. Over the past 24 months ending September 2005, the cost of structural steel products increased at an annual rate of 16.8 percent, concrete products increased by 8.5 percent, gypsum products by 16.9 percent, and lumber products by 8.0 percent.

- Since it can take up to two to three years for a project to proceed from the initial design phase to receipt of construction bids, annual increases in construction costs in the range of eight percent significantly impact the cost of capital projects.

Transportation Trust Fund

Fiscal 2005 Closeout Adds to Transportation Trust Fund Balance
($ in Millions)

	Projected FY 2005	Actual FY 2005	Variance
Fund Balance			
Starting Fund Balance	$288.0	$288.0	$0.0
Ending Fund Balance	100.0	245.0	145.0
Change in Fund Balance	**-$188.0**	**-$43.0**	**$145.0**
Gross Tax and Fee Revenue Summary	$2,207.0	$2,214.0	$7.0
Other Receipts and Adjustments	510.0	536.0	26.0
Bond Sale Proceeds	35.0	0.0	-35.0
Bond Premium	0.0	0.0	0.0
Total Revenues and Adjustments	**$2,752.0**	**$2,750.0**	**-$2.0**
Expenditures			
Operating Expenditures	$1,211.0	$1,238	$27.0
Capital Expenditures	964.0	789.0	-175.0
Fund Transfers and Deductions to Other Agencies	159.0	156.0	-3.0
Highway User Revenues to Local Jurisdictions	452.0	456.0	4.0
Maryland Department of Transportation Debt Service	154.0	154.0	0.0
To TTF as Changed Fund Balance	-188.0	-43.0	145.0
Total Funds by Use	**$2,752.0**	**$2,750.0**	**-$2.0**

TTF = Transportation Trust Fund

Source: Maryland Department of Transportation, October 2005

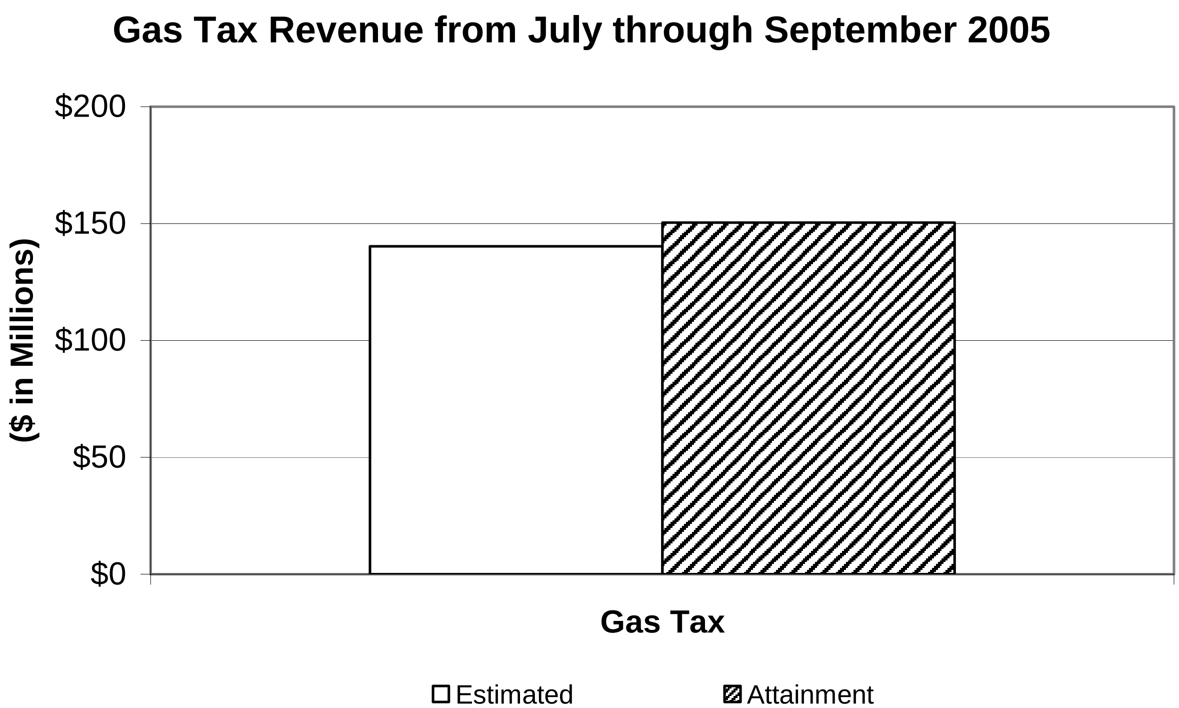
- The Transportation Trust Fund (TTF) closing balance increased by $145 million over projected levels.

- Capital expenditures were $175 million lower than anticipated mainly due to cash flow changes related to ongoing projects. Nearly half of the change is attributable to State Highway Administration (SHA) projects. SHA received a large sum of federal funds at the end of fiscal 2005, which freed up State funds that then rolled forward to fiscal 2006.

- The Maryland Department of Transportation (MDOT) anticipated a bond sale of $35 million, but the bond sale was not necessary and not issued.

- Corporate income tax receipts were $29 million higher than anticipated largely due to the change in the law relating to the use of Delaware holding companies.

People Are Still Buying Gasoline



- Gas tax revenues have come in at higher than anticipated levels.

- Using a six-year average, the gas tax was projected at $140.3 million from July through September 2005. Gas tax revenue for the period came in at $150.4 million ($10.1 million higher than anticipated).

- Given current trends, gas tax revenues are on pace to come in at much higher levels than anticipated for the full year of fiscal 2006.

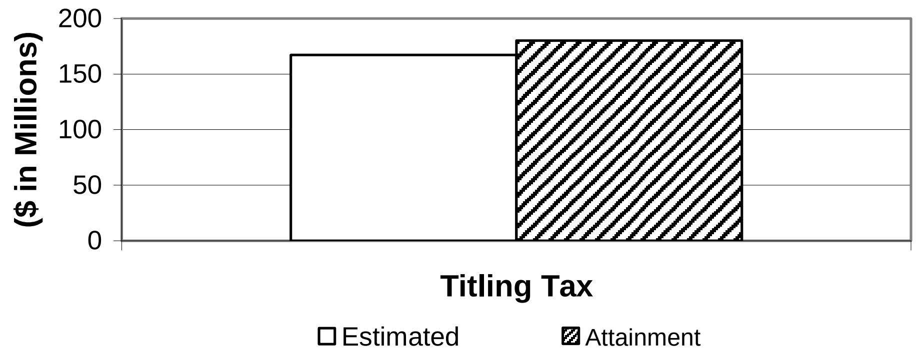
- Although gas tax revenues are up, it is unlikely that the current rate will continue. Only three months of the fiscal year have been recorded, and it will take more data to determine a significant revenue trend.

- The Department of Legislative Services' (DLS) current forecast for gas tax revenues projects nearly 3 percent growth from fiscal 2005 to 2006.

- Even with high gas prices, demand for gas has remained inelastic. Many consumers have chosen to cut back in other areas but continue to purchase gas.

People Are Still Buying Automobiles

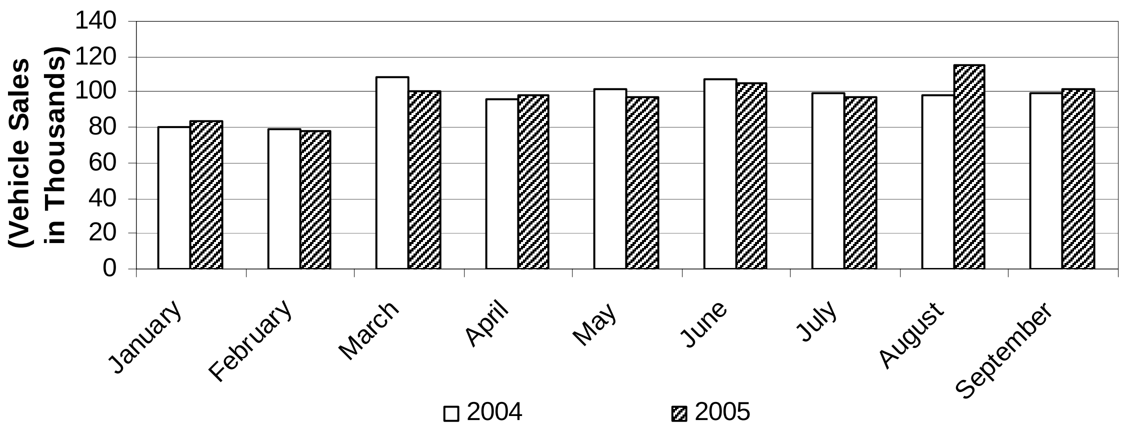
Titling Tax Revenue from July through September 2005



- Using a six-year average, the titling tax was projected at $167.2 million from July through September 2005. Titling tax revenue for the period came in at $180.1 million ($12.2 million higher than anticipated).

- Given current trends, titling tax revenues are on pace to come in at much higher levels than anticipated for the full year of fiscal 2006.

Total Maryland Vehicle Sales in 2004 and 2005



- August was a particularly strong month for vehicle sales. The General Motors “employee discount” promotion and other similar promotions contributed to the high revenue numbers.

- Although titling tax revenues are up, it is unlikely that the current rate will continue. Automakers have reported that October sales are down industry-wide.

- The current DLS forecast projects titling tax revenue growth of just under 4 percent from fiscal 2005 to 2006.

Federal Reauthorization of Transportation Aid

- On August 10, 2005, the President signed "Safe, Accountable, Flexible and Efficient Transportation Equity Act—A Legacy for Users" (SAFETEA-LU). The Act reauthorizes federal surface transportation programs through the end of federal fiscal 2009.

- SAFETEA-LU will provide $286.4 billion in guaranteed funding for federal highway, transit, and safety programs from federal fiscal 2004 through 2009. This is a significant increase over the previous authorization, "Transportation Equity Act for the 21st Century" (TEA-21), which provided $218 billion over a six-year period.

- Although SAFETEA-LU is considered a six-year authorization from federal fiscal 2004 to 2009, in reality it is a five-year bill. Only two months remained in federal fiscal 2005 when the bill was passed. A more useful representation of SAFETEA-LU is that it provides $244 billion in guaranteed funding from federal fiscal 2005 to 2009.

- There are three issues related to SAFETEA-LU of particular interest to Maryland.

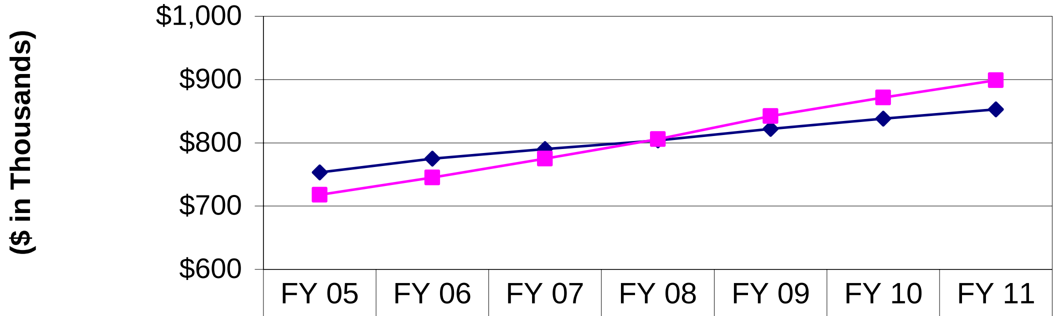
  - **Minimum Guarantee Levels:** Under TEA-21, each state was guaranteed at least 90.5 percent of the federal taxes paid in that state. Under SAFETEA-LU, the minimum guarantee will rise to 91.5 percent in federal fiscal 2007 and to 92 percent in federal fiscal 2008. Maryland, a donor state (receives less funds than it contributes), receives the minimum guarantee amount.

  - **Average Annual Highway and Transit Funding:** The expected average annual highway and transit funding for Maryland will increase under SAFETEA-LU. Under TEA-21, Maryland received an annual average of $443.2 million in federal highway funds. Under SAFETEA-LU, Maryland expects to receive an annual average of $583.2 million, an increase of $140 million (31.6 percent) over TEA-21 levels. For transit, Maryland received an annual average of $100 million for transit formula programs. Under SAFETEA-LU, Maryland expects to receive an annual average of $140 million, an increase of $40 million (40.0 percent) over TEA-21 levels.

  - **Earmarks:** Maryland received 92 highway-related earmarks ($307.7 million) and 21 transit-related earmarks ($295.0 million) for a total of 113 earmarks and $602.7 million. All highway and most transit projects require an 80/20 federal/state match in funds. With the exception of five projects totaling $27 million (including $10 million for the InterCounty Connector), all earmarks count toward Maryland's annual share of highway and transit funding.

DLS Transportation Trust Fund Forecast

Gas and Titling Tax Gross Revenue
Fiscal 2005 – 2011
($ in Thousands)



	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Gas Tax	753	775	790	804	822	838	853
Titling Tax	718	745	775	806	842	872	899

Revenue Assumptions

- ***Gross Taxes and Fees:*** Gas and titling tax revenues historically make up nearly 70 percent of all gross taxes and fees. Other taxes and fees include the corporate income tax, vehicle registration fees, miscellaneous Motor Vehicle Administration fees, and the rental car sales tax. Gas tax revenues are expected to achieve average annual growth of nearly 2.0 percent from fiscal 2006 through 2011. Titling tax revenues are expected to achieve average annual growth of 3.8 percent from fiscal 2006 to 2011.

- ***Debt****:* DLS has adjusted bond sales to increase debt capacity and still stay within the $2 billion debt outstanding limit and the 2.5 net income coverage ratio (net income relative to debt service). MDOT has the ability to issue $1.3 billion in debt from fiscal 2006 to 2011.

Expenditure Assumptions

- ***Operating Budget:*** DLS has allowed for operating budget growth of between 3 and 5 percent for MDOT modes and included annual cost-of-living increases.

- ***Federal Capital Program:*** DLS has assumed an average annual amount of $720 million in federal funds for capital projects from fiscal 2007 through 2011. This number is based on the funding Maryland expects to receive for highways and transit under the new federal transportation authorization.

- ***Total Capital Program:*** Anticipated federal funds, combined with State capital funds, could allow MDOT to maintain an average annual capital program of roughly $1.5 billion from fiscal 2006 through 2011. DLS has removed grant anticipation revenue vehicle (GARVEE) debt service from the capital program.

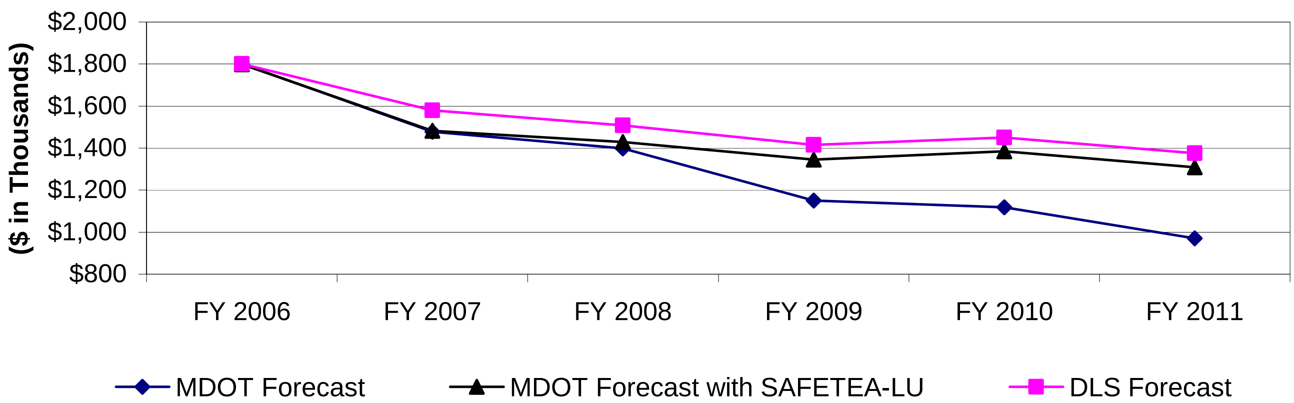
MDOT Capital Program Has Additional Capacity

MDOT January vs. October Forecast
Fiscal 2006 – 2010
($ in Millions)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Total FY 06 – 10
January Forecast						
State Capital	$1,040	$794	$685	$669	$677	$3,865
Federal Capital	738	662	572	433	441	2,846
Total Capital	1,778	1,456	1,257	1,102	1,118	6,711
October Forecast						
State Capital	1,024	806	739	687	731	3,988
Federal Capital	776	671	600	463	388	2,898
Total Capital	1,800	1,477	1,399	1,150	1,119	6,886
Total Capital Change	**$22**	**$21**	**$142**	**$48**	**$1**	**$175**

- MDOT's January 2005 forecast projected a $6.71 billion total capital program from fiscal 2006 through 2010, and the October 2005 forecast projected a $6.89 billion program during the same period.

Total Capital Program
MDOT vs. DLS Forecast



- The October 2005 MDOT forecast projects a $7.9 billion total capital program from fiscal 2006 through 2011. However, the forecast has not assumed expected federal funds under SAFETEA-LU. If the MDOT forecast is adjusted for SAFETEA-LU less GARVEE debt service, the total capital program is $8.7 billion.

- The October 2005 DLS forecast projects a $9.1 billion total capital program from fiscal 2006 through 2011 and adjusts for SAFETEA-LU and GARVEE debt service. The DLS forecast has assumed higher revenue growth and bond sales, resulting in additional capacity.

InterCounty Connector Update

- The draft environmental impact statement for the InterCounty Connector (ICC) was issued in November 2004. It is expected that the final environmental impact statement will be released in December 2005. After the Final Environmental Impact Statement is issued, a record of decision is expected a few weeks later. It is possible that litigation could delay the project.

- If the ICC project is approved with a build corridor selected by the Federal Highway Administration, right-of-way acquisition could begin in early 2006. Construction could also begin in 2006.

ICC Financing Plan

Source	Amount	Comments
MdTA Bonds	$1,200	Bonds are backed by MdTA revenues.
GARVEE Bonds	750	Assumes issuance of $375 million in fiscal 2006, $325 million in fiscal 2008, and $50 million in fiscal 2010.
TTF and General Fund	445	This amount includes $265 million to be transferred from the general fund (payback of prior transfer from the TTF). The amount also includes roughly $180 million from the TTF.
Federal Funds	18	New federal authorization provides $18 million for the ICC.
Total	**$2,413**	

Woodrow Wilson Bridge Update

- The Woodrow Wilson Bridge project is on budget and on schedule. The project is expected to cost $2.5 billion, financed by Virginia, Maryland, and Washington, DC.

- The Maryland share of the project is $1.3 billion with most of that amount covered through federal funds. Maryland is estimated to receive $1.2 billion in federal funds and provide around $123 million in State-matching funds over the life of the project.

- As of September 30, 2005, the Maryland portion of the project is 49 percent complete and about 93 percent of construction is under contract.

- The outer loop is scheduled for completion by 2006. At that time, all traffic will switch to the new outer loop bridge. The inner loop is scheduled for completion in 2008. At that time, traffic will open to both new bridge spans, with a total of 12 lanes.

State Employment

Regular Full-time Equivalent Positions
Fiscal 2006 Allowance to 2006 Working Appropriation

Department/Service Area	FY 2006 Allowance	Specific Legislative Reductions	Section 38 Abolitions and Other Changes[1]	FY 2006 Legis. Approp.	BPW & Other Changes	FY 2006 Working Approp.
Legislative Branch	740	0	0	740	0	740
Judicial Branch	3,328	-30	-7	3,291	0	3,291
Executive Branch:						
Legal	1,601	-36	2	1,567	1	1,568
Executive and Administrative Control	1,540	-29	1	1,512	76	1,588
Financial and Revenue Administration	2,042	-18	-1	2,023	0	2,023
Budget and Management	441	-9	1	433	0	433
Retirement	187	-1	0	186	0	186
General Services	657	-15	0	642	1	643
Transportation	9,087	-19	-56	9,012	0	9,012
Natural Resources	1,377	-3	-7	1,367	0	1,367
Agriculture	429	-1	0	428	0	428
Health and Mental Hygiene	7,548	-3	-27	7,518	56	7,574
Human Resources	7,248	-48	-21	7,180	-217	6,963
Labor, Licensing, and Regulation	1,448	-2	0	1,447	13	1,460
Public Safety and Correctional Services	11,352	-26	-47	11,279	-1	11,279
MSDE and Other Education	1,944	-10	-1	1,933	201	2,134
Housing and Community Development	385	-12	20	393	-73	320
Business and Economic Development	298	-6	0	292	0	292
Environment	956	-3	-5	948	1	949
Juvenile Services	2,119	-31	-3	2,085	-4	2,081
Police and Fire Marshal	2,479	0	-14	2,465	-1	2,464
Executive Branch Subtotal	**53,136**	**-271**	**-158**	**52,707**	**54**	**52,760**
Higher Education	21,353	0	-3	21,350	349	21,699
Total	**78,557**	**-301**	**-168**	**78,088**	**402**	**78,490**

[1] Reductions are net of Section 38 abolitions, additions made through the Board of Public Works, and agency-generated abolitions.

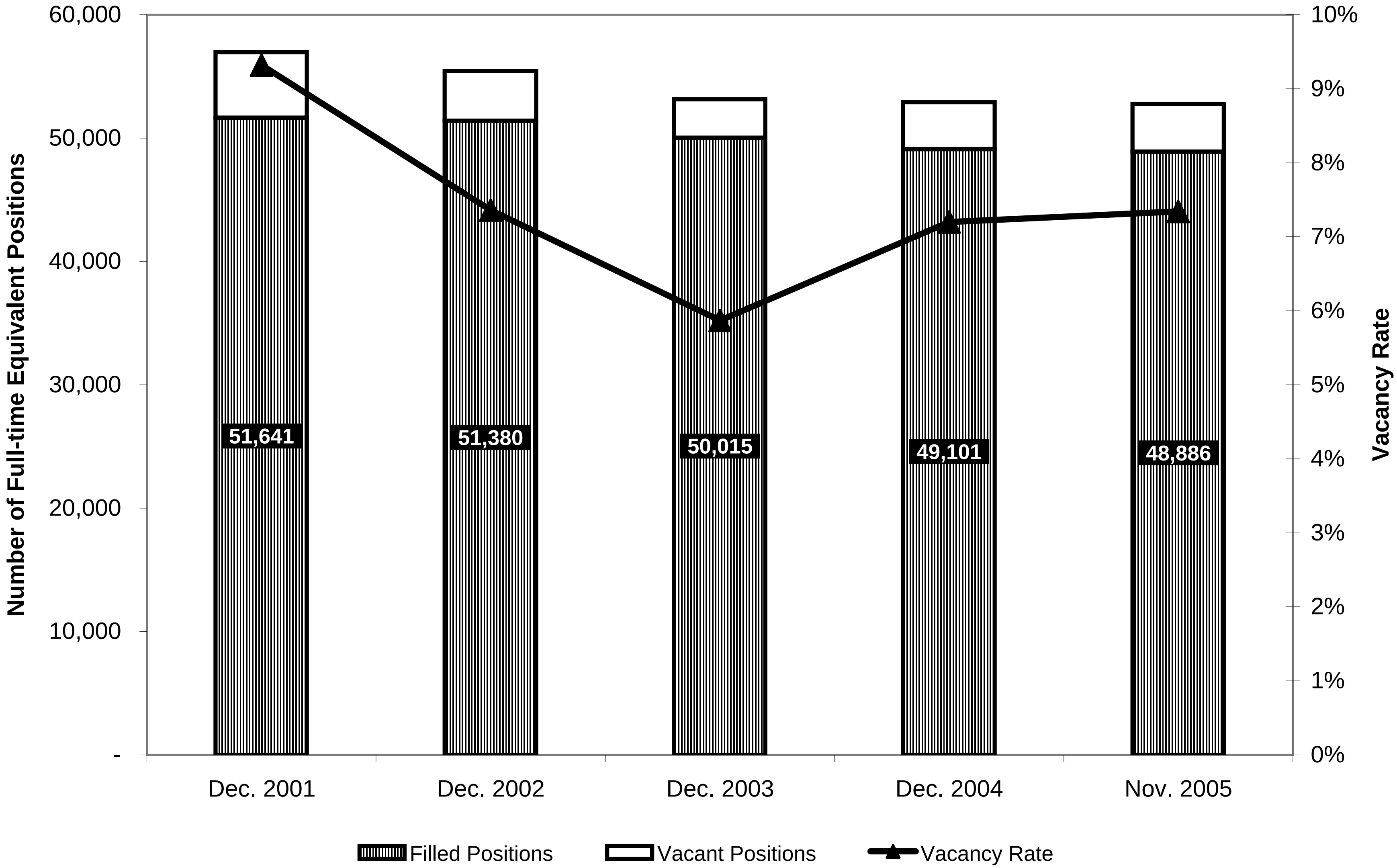
Regular Full-time Equivalent Positions
Fiscal 2002 Actuals to 2006 Working Appropriation

Department/Service Area	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Working Approp.	Growth Rate FY 02-06 Working
Legislative Branch	730	730	731	740	740	1.4%
Judicial Branch	3,010	3,224	3,224	3,217	3,291	9.4%
Executive Branch:						
Legal	1,381	1,397	1,445	1,515	1,568	13.5%
Executive and Administrative Control	1,619	1,604	1,572	1,570	1,588	-1.9%
Financial and Revenue Administration	2,158	2,098	2,032	2,037	2,023	-6.3%
Budget and Management	524	531	472	474	433	-17.5%
Retirement	194	185	181	180	186	-3.9%
General Services	793	807	728	714	643	-18.9%
Transportation	9,538	9,319	9,096	9,028	9,012	-5.5%
Natural Resources	1,629	1,577	1,454	1,415	1,367	-16.1%
Agriculture	480	460	434	431	428	-10.9%
Health and Mental Hygiene	8,536	8,212	7,710	7,548	7,574	-11.3%
Human Resources	8,273	7,729	7,379	7,289	6,963	-15.8%
Labor, Licensing, and Regulation	1,706	1,617	1,519	1,492	1,460	-14.4%
Public Safety and Correctional Services	11,663	11,563	11,231	11,195	11,279	-3.3%
MSDE and Other Education	1,955	2,019	1,892	1,939	2,134	9.2%
Housing and Community Development	449	425	393	409	320	-28.8%
Business and Economic Development	324	318	299	299	292	-9.9%
Environment	1,028	1,032	951	952	949	-7.7%
Juvenile Services	2,123	1,996	1,939	1,963	2,081	-2.0%
Police and Fire Marshal	2,590	2,573	2,480	2,475	2,464	-4.9%
Executive Branch Subtotal	**56,961**	**55,460**	**53,205**	**52,923**	**52,760**	**-7.4%**
Higher Education	21,386	21,403	20,966	21,212	21,699	1.5%
Total	**82,087**	**80,816**	**78,126**	**78,092**	**78,490**	**-4.4%**

Contractual Full-time Equivalent Positions
Fiscal 2002 Actuals to 2006 Legislative Appropriation

Department/Service Area	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Wkg Approp.	FY 2006 Leg. Approp.	FY 02-06 Growth Rate
Judiciary	371	390	390	391	359	-3.2%
Legal	99	71	82	110	108	8.9%
Executive and Administrative Control	208	206	205	172	153	-26.5%
Financial and Revenue Administration	35	29	32	42	35	2.0%
Budget and Management	33	27	16	21	12	-63.9%
Retirement	30	24	21	30	32	5.6%
General Services	35	26	24	28	27	-23.5%
Transportation	142	122	110	169	161	13.3%
Natural Resources	332	378	317	439	343	3.4%
Agriculture	36	44	35	47	44	22.3%
Health and Mental Hygiene	409	357	411	489	499	21.9%
Human Resources	111	73	51	135	135	22.0%
Labor, Licensing, and Regulation	176	114	155	178	171	-2.9%
Public Safety and Correctional Services	298	281	235	488	464	55.5%
MSDE and Other Education	218	190	188	184	192	-11.9%
Housing and Community Development	49	50	49	62	66	35.3%
Business and Economic Development	49	47	37	36	32	-33.9%
Environment	32	23	16	46	44	34.7%
Juvenile Services	119	98	306	276	217	82.2%
Police and Fire Marshal	46	32	30	47	45	-2.6%
Subtotal	**2,828**	**2,582**	**2,707**	**3,389**	**3,138**	**11.0%**
Higher Education	6,079	5,700	5,704	5,922	6,117	0.6%
Total	**8,907**	**8,282**	**8,412**	**9,311**	**9,255**	**3.9%**
Non-higher Education Executive Branch Total	**2,457**	**2,192**	**2,317**	**2,998**	**2,779**	**13.1%**

Non-higher Education Executive Branch Positions
Filled and Vacant Positions
December 2001 – November 2005



Vacant Positions, Turnover Rate, and Necessary Vacancies
Fiscal 2006 Legislative Appropriation

Department/Service Area	Turnover Rate	Necessary Vacancies	Vacancy Rate	Vacant Positions[1]	Funded Vacancies/ (Unfunded Filled)
Legislative	1.9%	14	2.6%	19	5
Judiciary	3.0%	98	4.7%	155	56
Legal (no Judiciary)	6.9%	108	11.4%	179	71
Executive and Administrative Control	3.4%	52	6.2%	99	47
Financial and Revenue Administration	3.8%	78	6.2%	125	47
Budget and Management	1.6%	7	10.4%	45	38
Retirement	3.9%	7	8.6%	16	9
General Services	5.1%	33	8.8%	57	24
Transportation	3.6%	326	5.3%	475	149
Natural Resources	6.4%	88	7.9%	108	20
Agriculture	5.0%	21	7.6%	33	11
Health and Mental Hygiene	4.3%	320	8.8%	666	346
Human Resources	4.0%	286	6.0%	420	134
Labor, Licensing, and Regulation	3.4%	49	8.7%	127	78
Public Safety and Correctional Services	5.2%	583	8.6%	972	389
MSDE and Other Education	5.2%	101	5.4%	115	14
Housing and Community Development	2.0%	8	6.6%	21	13
Business and Economic Development	2.8%	8	5.1%	15	7
Environment	3.4%	32	8.2%	78	46
Juvenile Services	7.0%	145	9.2%	192	46
Police and Fire Marshal	4.1%	102	5.4%	133	31
Subtotal	**4.3%**	**2,467**	**7.1%**	**4,047**	**1,581**
Higher Education	2.5%	542	4.1%	863 [2]	321
Total	**3.8%**	**3,009**	**6.3%**	**4,911**	**1,902**

[1] The number of vacancies are as of November 1, 2005, with the exception of transportation, which is as of October 1, 2005, and higher education, which is as of September 30, 2005.

[2] Vacancies are for the University System of Maryland, Morgan State, and Baltimore City Community College. Data from St. Mary's College are not available.

Source: Department of Budget and Management

The State Workforce: Considerations for Fiscal 2007

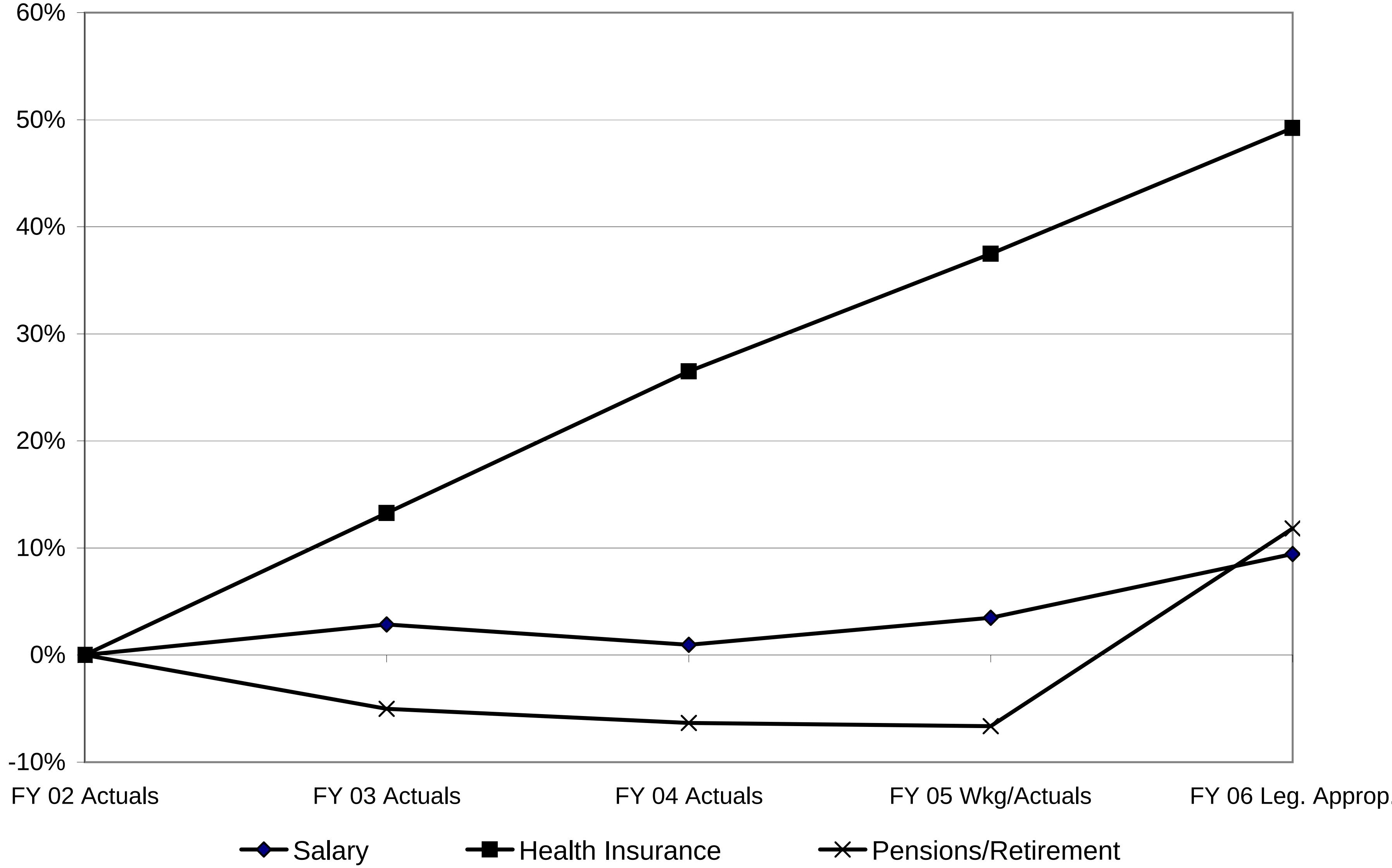
- **The Office of the Public Defender**: The final phase of the three-year Caseload Initiative, for which 85 positions were requested, was scheduled for fiscal 2006. However, 22 of the positions were deleted from the 2006 budget and funds for those positions were used to mitigate the statewide health care funding gap. In fiscal 2007, 22 Public Defender I positions will be added to complete the initiative.

- **Department of Health and Mental Hygiene**: A 48-bed facility at Clifton T. Perkins Hospital Center to accommodate developmentally disabled individuals with forensic involvement is scheduled for opening on July 1, 2007. In the fourth quarter of fiscal 2007, 135.8 new regular and 5.9 full-time equivalent contractual positions are anticipated to staff start-up activities.

- **Contractual Employment:** During the 1998 session the General Assembly passed legislation (Chapter 510 of 1998) authorizing DBM to convert contractual employees to regular positions after six months of satisfactory job performance, if certain requirements are met. Since fiscal 2002, the number of contractual positions in non-higher education Executive Branch agencies has increased by 11 percent, while the number of regular positions has decreased by 7.4 percent. **The Spending Affordability Committee may want to consider its policy to promote the conversion of contractual positions in functions for which there is continuing need in establishing any position cap increase.**

- **Are New Positions Being Filled?**: There were almost 900 new positions created in the Fiscal 2005 budget including 139 for higher education institutions. The high number of funded vacant positions suggests that agencies are unable or unwilling to fill them, possibly holding these or other positions open to cover expenditures not related to personnel.

Cumulative Increase in Spending for Major Components of Compensation Since Fiscal 2002



How Has State Employee Health and Prescription Coverage Changed In the Last Year?

- Beginning in January 2005, the Department of Budget and Management implemented a number of changes including:

  - increasing primary doctor's office visit copayments from $5 to $15 for POS and HMO plans and increasing specialist doctor's office visit copayments from $10 or $20 to $25 for all types of plans;

  - increasing emergency room hospital charge copayments from $25 to $50 if emergency criteria are not met and implementing physician's charge copayments of $50 per emergency room visit; and

  - covering for up to 50 rather than 100 visits per year of physical therapy.

- Program restructuring in fiscal 2006 includes:

  - increasing the point-of-service health insurance copremiums from 15 to 17 percent of the total cost;

  - increasing prescription copayments to $5 for generic drugs, $15 for preferred brand name drugs, and $25 for non-preferred brand name drugs from $3, $5, and $10 for the three existing tiers;

  - implementing a $700 spending cap per family for prescriptions;

  - requiring two copayments instead of one copayment for 90 days of medication;

  - implementing a 30-day maximum for the first fill of a new drug;

  - requiring prior authorization for certain medications; and

  - implementing a number of other changes such as required step therapy, managed quantities of drugs, and voluntary mail order and specialty drug pharmacies.

Health, Prescription, and Dental Insurance Spending
Total Cost
First Quarter Fiscal 2005 and 2006

	Fiscal 2005	Fiscal 2006	% Change
Active Employees			
PPO	$47,876,128	$49,903,401	4.23%
POS	36,740,972	36,110,594	-1.72%
HMO	15,458,433	20,229,064	30.86%
MH/SA	2,308,906	2,372,757	2.77%
Subtotal Medical	***$102,384,439***	***$108,615,816***	***6.09%***
Prescription	40,758,340	34,052,917	-16.45%
Dental	4,871,889	5,969,649	22.53%
Subtotal Actives	***$148,014,668***	***$148,638,382***	***0.42%***
Retirees			
PPO	$26,131,960	$24,698,906	-5.48%
POS	9,125,490	9,409,550	3.11%
HMO	2,557,897	3,353,929	31.12%
MH/SA	778,248	668,917	-14.05%
Subtotal Medical	***$38,593,595***	***$38,131,302***	***-1.20%***
Prescription	36,472,724	32,031,752	-12.18%
Dental	1,123,931	1,441,115	28.22%
Subtotal Retirees	***$76,190,250***	***$71,604,169***	***-6.02%***
Total			
PPO	$74,008,088	$74,602,307	0.80%
POS	45,866,462	45,520,144	-0.76%
HMO	18,016,330	23,582,993	30.90%
MH/SA	3,087,154	3,041,674	-1.47%
Subtotal Medical	***$140,978,034***	***$146,747,118***	***4.09%***
Prescription	77,231,064	66,084,669	-14.43%
Dental	5,995,820	7,410,764	23.60%
Total	**$224,204,918**	**$220,242,551**	**-1.77%**

PPO = Preferred Provider Organization
POS = Point of Service
HMO = Health Maintenance Organization
MH/SA = Mental Health and Substance Abuse

Source: Department of Budget and Management

Health, Prescription, and Dental Insurance Enrollment
First Quarter Fiscal 2005 and 2006

	Fiscal 2005	Fiscal 2006	% Change
Active Employees			
PPO	27,979	29,324	4.81%
POS	27,640	26,257	-5.00%
HMO	13,590	14,208	4.55%
Total Medical	**69,209**	**69,789**	**0.84%**
Prescription	65,725	65,875	0.23%
Dental	58,391	59,785	2.39%
Retirees			
PPO	21,199	22,253	4.97%
POS	7,514	7,862	4.63%
HMO	3,157	3,304	4.66%
Total Medical	**31,870**	**33,419**	**4.86%**
Prescription	31,614	33,078	4.63%
Dental	16,060	17,671	10.03%
Total Enrollment			
PPO	49,178	51,577	4.88%
POS	35,154	34,119	-2.94%
HMO	16,747	17,512	4.57%
Total Medical	**101,079**	**103,208**	**2.11%**
Prescription	97,339	98,953	1.66%
Dental	74,451	77,456	4.04%

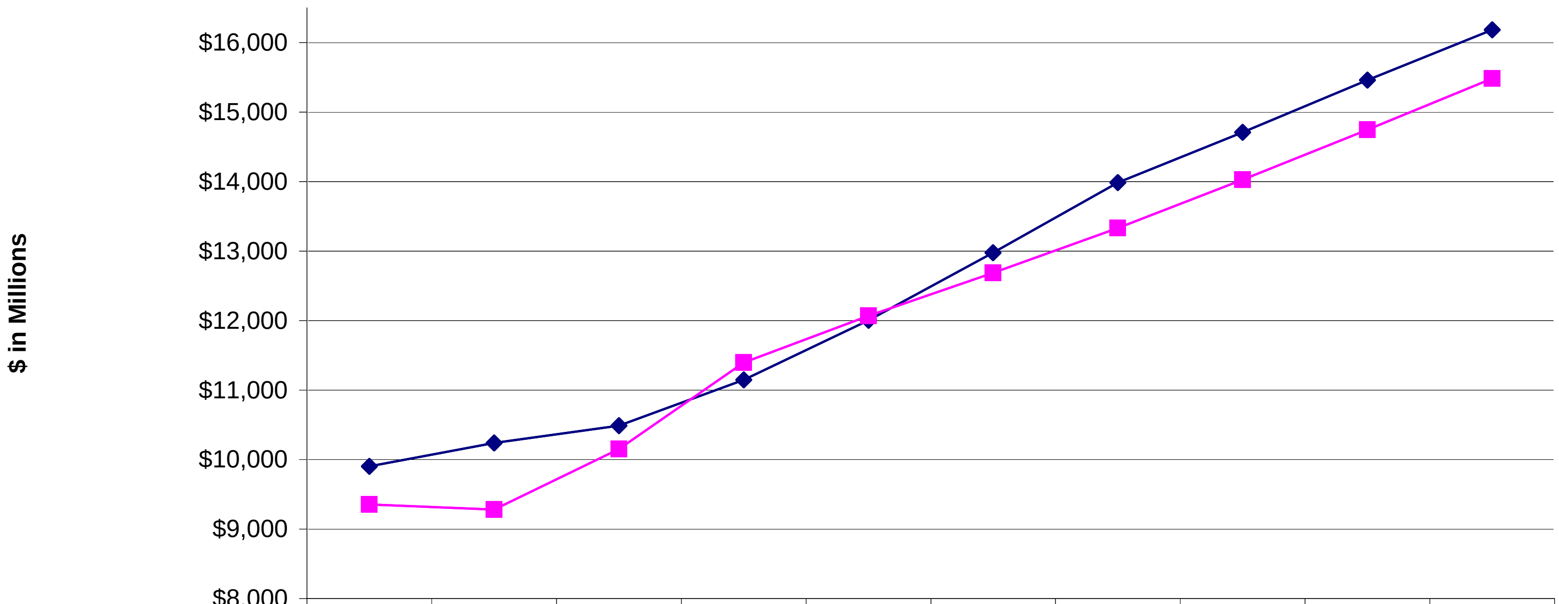
Source: Department of Budget and Management

General Fund Forecast

General Fund Projections

	Leg. Approp. FY 2006	Baseline FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Annual Growth Rate FY 07-08	Avg. Annual Growth Rate FY 08-11
Revenues – October 2005 DLS Estimate								
Individual Income	$6,127	$6,538	$6,980	$7,426	$7,880	$8,342	6.8%	6.1%
Sales and Use	3,319	3,481	3,648	3,837	4,028	4,229	4.8%	5.1%
Lottery	478	492	508	526	545	565	3.3%	3.6%
Other	2,147	2,176	2,193	2,239	2,291	2,345	0.8%	2.3%
One-time	27	4	22	29	17	3		
Subtotal	**$12,097**	**$12,690**	**$13,352**	**$14,056**	**$14,761**	**$15,485**	**5.2%**	**5.1%**
Adjustments								
Balance	$1,174	$1,057	$97	$36	$0	$0		
Rainy Day Fund Transfer	0	0	655	95	0	0		
Transfers	139	0	0	0	0	0		
Total Revenues	**$13,410**	**$13,748**	**$14,104**	**$14,188**	**$14,761**	**$15,485**	**2.6%**	**3.2%**
Expenditures								
Debt Service	$0	$0	$0	$19	$56	$58	n/a	n/a
Local Aid – Education\Libraries	4,073	4,626	5,182	5,412	5,630	5,825	12.0%	4.0%
Local Aid – Other	464	492	514	536	559	583	4.4%	4.3%
Entitlements	2,305	2,602	2,788	2,988	3,201	3,429	7.1%	7.1%
State Operations	5,001	5,277	5,521	5,774	6,034	6,308	4.6%	4.5%
Reversions	-22	-20	-20	-20	-20	-20	0.0%	0.0%
Deficiencies	184	0	0	0	0	0		
Subtotal	***$12,004***	***$12,977***	***$13,984***	***$14,709***	***$15,460***	***$16,183***	***7.8%***	***5.0%***
Capital	$23	$31	$33	$3	$2	$2	7.2%	-60.7%
Reserve Fund	326	643	50	50	115	0	-92.2%	-100.0%
Total Expenditures	**$12,353**	**$13,651**	**$14,067**	**$14,762**	**$15,577**	**$16,185**	**3.1%**	**4.8%**
Surplus (Shortfall)	**$1,057**	**$97**	**$36**	**-$574**	**-$817**	**-$700**		
Ongoing Revenues vs. Operating Expenses	**$66**	**-$291**	**-$655**	**-$681**	**-$717**	**-$701**		
Revenue Stabilization Fund								
Ending Balance	$747	$1,380	$769	$707	$740	$775		
As a Percent of Revenues	6.2%	10.9%	5.8%	5.0%	5.0%	5.0%		
Ratio of Operating Revenues to Expenditures	1.01	0.98	0.95	0.96	0.95	0.96		

The Structural Deficit Was Mitigated, but Returns When Education Enhancements Are Implemented in 2008



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ongoing Spending	$9,901	$10,240	$10,488	$11,148	$12,004	$12,977	$13,984	$14,709	$15,460	$16,183
Ongoing Revenues	$9,356	$9,281	$10,151	$11,395	$12,070	$12,686	$13,329	$14,027	$14,744	$15,482
Structural Balance	-$545	-$959	-$337	$247	$66	-$291	-$655	-$681	-$717	-$701

Fiscal Years

Ongoing Spending Ongoing Revenues

Maryland's IWIF Long-term Liability Account

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Estimated Reserves Needed (June 30)	**$194,802,000**	**$212,103,000**	**$222,334,000**	**$231,000,000**	**$240,000,000**	**$249,600,000**
Estimated Long-term Liability Account Balance						
Beginning Balance	$107,518,959	$97,542,503	$4,853,610	$4,188,004	$4,278,573	$14,364,604
State's contribution (June 30)	20,000,000	20,000,000			10,000,000	
Transfer – 2002 BRFA (June 30)		-39,200,000				
Transfer – 2003 BRFA (June 30)		-75,000,000				
2003)			-800,000			
Interest	4,023,544	1,511,107	134,394	90,569	86,031	287,292
Total balances at IWIF (June 30)	**$97,542,503**	**$4,853,610**	**$4,188,004**	**$4,278,573**	**$14,364,604**	**$14,651,896**
Balance of operating account[1] (June 30)	8,878,842	28,747,480	2,547,781	1,063,952	-1,045,528	-90,544
Unfunded Long-term Liability (June 30)	**$88,380,655**	**$178,501,910**	**$215,598,215**	**$225,657,475**	**$226,680,924**	**$235,038,647**

[1] The balance of the operating account offsets the long-term liability of the State.

- The unfunded long-term liability of the State has increased by 166 percent since fiscal 2002, largely due to transfers out of the account into the general fund in fiscal 2003 and 2004.
- Payment into the long-term liability account is made through agency assessments. In fiscal 2006, after two years without contributions to the account, the Governor chose to appropriate $10.0 million to offset future liability.
- There are no current plans to increase agency assessments in fiscal 2007 to lower the State's long-term liability.

Pension Contribution Rates and Corridor Funding

- Chapter 440, Acts of 2002 established what is known as the "corridor method" of pension funding. By this method, the contribution rates for the Employees' and Teachers' pension systems are frozen at 2002 levels, so long as the systems remain actuarially funded between 90 and 110 percent inclusive. Once a system "falls outside" the corridor, there is an increase in the contribution rate equal to 20 percent of the difference between the true actuarial rate for that year and the prior year's rate.

- The Employees and Teachers' systems have both fallen out of the corridor with actuarial funding levels at the end of fiscal 2005 of 84.9 and 89.3 percent, respectively. Additionally, the current rate for the Employees' system under the corridor is 0.67 percent less that the "normal cost" rate of 7.5 percent which represents the cost of benefits being earned in the current year.

Plan	FY 2005 Rate	FY 2006 Rate	FY 2007 Rate	FY 2007 True Rate	Normal Cost Rate	Actuarial Funding Level	FY 2007 Budget Increase	Contribution Amount below Normal Cost
Corridor-Funded Plans								
Employees	4.73%	5.76%	6.83%	11.11%	7.50%	84.9%	$36.5	$19.1
Teachers	9.35%	9.35%	9.71%	11.17%	7.70%	89.3%	42.5	-
Non-Corridor-Funded Plans								
State Police	0.00%	8.22%	13.83%	13.83%	25.05%*	100.3%	4.9	-
Judges	36.72%	41.12%	42.43%	42.43%	28.15%	79.3%	0.7	-
LEOPS	37.73%	38.47%	40.60%	40.60%	21.25%	59.8%	3.1	-
Aggregate	**7.97%**	**8.46%**	**9.18%**	-	-	87.8%	87.7	19.1

Note: Funding levels reflect State funds only and exclude any municipal contributions or funds.
*State Police Unfunded Actuarial Amortization Rate is -11.22%, which offsets the normal cost rate.

Source: Milliman, USA

Retiree Health Care Liabilities
Shown on State's Financial Statement in Fiscal 2008

- Governmental Accounting Standards Board (GASB) Statement No. 45 will require the State to apply an accounting methodology similar to the one used for pension liabilities to Other Post Employment Benefits (OPEB), including retiree health benefits, beginning in fiscal 2008.

- The Department of Budget and Management contracted with AON Consulting to perform an actuarial valuation of retiree health care liabilities for the Task Force to Study Retiree Health Care Funding Options (established by Chapter 298, Acts of 2005).

- The report submitted by AON estimated the actuarial accrued liability for retiree health benefits is approximately $20.4 billion. Under the GASB 45 standards, this will result in an Annual Required Contribution (ARC) amount of $1.96 billion.

- Any amount of the ARC that the State does not pay in a fiscal year will appear on the State's financial statement as a Net OPEB Obligation (NOO). Because the ARC incorporates the approximately $311 million in costs that the State would have paid for retiree benefits on a pay-as-you-go basis, if no additional contributions are made, the NOO shown on the State's financial statement will be $1.65 billion.

- If the State establishes a mechanism to prefund liabilities similar to the pension system, to the extent the State pays into the fund, the State can use a similar long-term investment return assumption (7.75 percent) as opposed to the return on other State investments (5 percent).

Discount Rate	**5.0% ($ Billions)**	**7.75% ($ Billions)**
Actuarial Accrued Liability for Retiree Health Benefits	$20.4	$13.0
Annual Required Contribution Amount	$1.9	$1.4
Net OPEB Obligation (on Financial Statement)	$1.6	$1.1

Why Does the State Care About GASB 45?

Bond rating agencies will be looking to see how states are dealing with the following OPEB liabilities:

- **Fitch Ratings:** "*… will view OPEB liabilities, like pensions, as soft liabilities, that fluctuate based on assumptions and actual experience. Reality dictates that an entity may opt to defer OPEB funding in times of budget stress. However, indefinite deferrals are damaging to credit quality. While not debt, pension and OPEB accumulated costs are legal or practical contractual commitments that form a portion of fixed costs. Long-term deferral of such obligations is a sign of fiscal stress that will be reflected in ratings.*"

- **Moody's:** "…*does not anticipate that the liability disclosures will cause immediate rating adjustments on a broad scale… It is more likely that rating levels will be affected by observations of changes in OPEB funding measurements over time. Plan for UAAL (unfunded actuarial accrued liability) amortization, amortization periods, use of debt, and differences between actual and required contributions will also figure into the analysis. Issuers' flexibility under relevant statutes or contracts to modify their post-employment health benefit offering will also likely be another focal point… state or local government's effectiveness and initiative in OPEB liability management probably will influence our overall assessment of the government's management strength.*"

- **Standard & Poor's:** "*… will analyze OPEB obligations in the same way it currently evaluates pension obligations. As unfunded actuarial assumed liabilities of public pension plans are considered in the rating process as tantamount to bonded debt of the fund's sponsors, the unfunded OPEB liabilities will be viewed in a similar way… an increasing net OPEB obligation would be a negative rating factor, just as an increasing net pension obligation would be… Close attention will be paid to the newly quantified OPEB unfunded liabilities, given their expected magnitude, and to employers' strategies for managing them."*

Appendices

Transportation Trust Fund Forecast
Fiscal 2006 – 2011

	Actual FY 05	Current Year FY 06	Est. FY 07	Est. FY 08	Est. FY 09	Est. FY 10	Est. FY 11
Opening Fund Balance	**$288**	**$245**	**$100**	**$100**	**$100**	**$100**	**$100**
Closing Fund Balance	**$245**	**$100**	**$100**	**$100**	**$100**	**$100**	**$100**
Net Revenues							
Taxes and Fees	$1,602	$1,622	$1,681	$1,726	$1,779	$1,823	$1,867
Operating and Misc.	493	432	437	416	429	439	450
Transfers between TTF and GF	0	50	0	0	0	0	0
MdTA Transfer	43	43	43	0	0	0	0
Net Revenues Subtotal	2,138	2,147	2,161	2,142	2,208	2,262	2,317
Bonds Sold	0	155	215	240	205	270	240
Bond Premiums	0	0	0	0	0	0	0
Total Revenues	**$2,138**	**$2,302**	**$2,376**	**$2,382**	**$2,413**	**$2,532**	**$2,557**
Expenditures							
Debt Service	$154	$146	$131	$141	$159	$172	$193
Operating Budget	1,238	1,277	1,343	1,410	1,479	1,549	1,622
State Capital	789	1,025	902	831	775	811	742
Total Expenditures	**$2,181**	**$2,448**	**$2,376**	**$2,382**	**$2,413**	**$2,532**	**$2,557**
Debt							
Debt Outstanding	$1,070	$1,218	$1,366	$1,537	$1,663	$1,850	$1,996
Debt Coverage – Net Income	4.7	5.8	5.4	4.4	3.4	3.0	2.7
Local Highway User Revenues	**$559**	**$561**	**$578**	**$592**	**$610**	**$624**	**$638**
Transferred to General Fund	-102	-48	0	0	0	0	0
Net HUR to Counties	**$457**	**$513**	**$578**	**$592**	**$610**	**$624**	**$638**
Capital Summary							
State Capital	$789	$1,025	$902	$831	$775	$811	$742
Total Federal Capital	705	776	720	720	720	720	720
GARVEE Debt Service (Paid from Federal Funds			-43	-43	-80	-80	-86
Net Capital Expenditures	**$1,494**	**$1,801**	**$1,579**	**$1,508**	**$1,415**	**$1,451**	**$1,376**

MdTA = Maryland Transportation Authority
HUR = Highway User Revenues

Source: Maryland Department of Transportation

Outside of Health Insurance, There Has Been Very Little Growth in Personnel Costs

Fiscal 2002 Actuals to Fiscal 2006 Legislative Appropriation
($ in Millions)

	FY 02 Actuals	FY 03 Actuals	FY 04 Actuals	FY 05 Wkg/ Actuals[1]	FY 06 Leg. Approp.	Change FY 02 - 06 Leg. Approp.	Growth Rate FY 02 - 06 Leg. Approp.
Regular Employees							
Full-time Equivalent Positions	82,087	80,816	78,126	78,092	78,088	-3,999	-4.9%
Regular Salary[2]	$3,458	$3,557	$3,491	$3,578	$3,784	$327	9.4%
Other Earnings (Overtime, Shift Differential, etc.)	138	154	148	143	116	-22	-16.1%
Total Salary	**$3,596**	**$3,711**	**$3,639**	**$3,722**	**$3,900**	**$304**	**8.5%**
Health Insurance[2]	$487	$551	$616	$669	$726	$240	49.2%
Pensions/Retirement[2]	240	228	225	224	268	28	11.8%
Variable Fringes (Social Security, Unemployment)[2]	$259	$266	$266	$272	$287	$28	11.0%
Other Fringes	114	115	68	93	105	-8	-7.1%
Other	$35	$38	$37	$29	$29	-$6	-16.1%
Total Regular Payments	**$4,729**	**$4,908**	**$4,850**	**$5,009**	**$5,316**	**$587**	**12.4%**
Without Health Insurance	**$4,242**	**$4,357**	**$4,234**	**$4,340**	**$4,590**	**$347**	**8.2%**
Contractual Employees							
Full-time Equivalent Positions	8,907	8,282	8,412	9,311	9,255	348	3.9%
Contractual Salary	$160	$157	$157	$178	$175	$15	9.2%
Total Fringes	12	12	12	14	14	2	13.3%
USM Contractual	$211	$204	$213	$219	$220	$9	4.1%
Total Contractual Payments	**$384**	**$373**	**$383**	**$411**	**$409**	**$25**	**6.5%**

[1] For fiscal 2005, agencies for which actual expenditures are available are used; for other agencies, working appropriations are used.

[2] Turnover and cost containment are distributed among regular salaries, health insurance, pensions/retirement, and variable fringes in fiscal 2005 and 2006.

Health Insurance Expenditures
Calendar 1999 – 2004

	CY 1999	CY 2000	CY 2001	CY 2002	CY 2003	CY 2004	Avg. Annual Growth Rate CY 99-04
Active Employee Expenditures							
Health[1]	$251.6	$260.2	$292.8	$334.3	$358.1	$387.0	9.0%
Prescription	67.7	83.7	100.5	118.8	134.1	151.5	17.5%
Dental	7.0	15.7	17.3	18.8	19.5	19.4	22.5%
Total	**$326.3**	**$359.5**	**$410.7**	**$471.9**	**$511.7**	**$557.9**	**11.3%**
Retiree Expenditures							
Health[1]	$77.3	$80.5	$93.3	$106.8	$118.3	$136.8	12.1%
Prescription	55.1	67.4	81.3	96.2	112.0	132.7	19.2%
Dental	1.7	2.7	3.1	3.4	3.9	4.4	21.2%
Total	**$134.1**	**$150.5**	**$177.6**	**$206.4**	**$234.2**	**$273.9**	**15.4%**
Total Expenditures							
Health[1]	$328.8	$340.6	$386.1	$441.0	$476.4	$523.8	9.8%
Prescription	$122.8	$151.0	$181.8	$215.0	$246.0	$284.2	18.3%
Dental	$8.7	$18.4	$20.4	$22.2	$23.4	$23.8	22.3%
Total	**$460.4**	**$510.0**	**$588.3**	**$678.2**	**$745.8**	**$831.8**	**12.6%**
Retiree Expenditures, As a Percent of Total Expenditures							
Health[1]	23.5%	23.6%	24.2%	24.2%	24.8%	26.1%	
Prescription	44.9%	44.6%	44.7%	44.7%	45.5%	46.7%	
Dental	19.4%	14.6%	15.0%	15.5%	16.7%	18.5%	
Total	**29.1%**	**29.5%**	**30.2%**	**30.4%**	**31.4%**	**32.9%**	

[1] Includes mental health and vision coverage.

Source: Department of Budget and Management

Plan Enrollment
Health, Prescription, and Dental Insurance
Calendar 2001 – July 2005

Active Employees	CY 2001	CY 2002	CY 2003	CY 2004	Jan 2005	July 2005	Avg. Annual Growth Rate CY 01-July 05
Health Insurance – HMO	14,948	13,408	12,931	13,318	13,714	14,208	-1.3%
Health Insurance – POS[1]	28,186	28,842	28,988	27,856	27,287	26,257	-1.8%
Health Insurance – PPO[1]	26,890	27,735	28,121	28,041	28,881	29,324	2.2%
Health Insurance – Total	**70,024**	**69,985**	**70,040**	**69,215**	**69,882**	**69,789**	**-0.1%**
Prescription Insurance	67,346	67,529	66,847	65,920	66,254	65,875	-0.6%
Dental Insurance	56,642	58,020	58,314	58,329	56,927	59,785	1.4%
Retired Employees							
Health Insurance – HMO	3,031	2,951	3,002	3,110	3,148	3,304	2.2%
Health Insurance – POS[1]	6,464	6,685	7,014	7,387	7,488	7,862	5.0%
Health Insurance – PPO[1]	19,489	19,808	20,382	21,042	21,492	22,253	3.4%
Health Insurance – Total	**28,984**	**29,444**	**30,398**	**31,539**	**32,128**	**33,419**	**3.6%**
Prescription Insurance	28,655	29,163	30,167	31,289	31,861	33,078	3.7%
Dental Insurance	12,384	13,212	14,435	15,763	15,470	17,671	9.3%

Proportion in Each Type of Health Insurance

Active Employees						
Health Insurance – HMO	21%	19%	18%	19%	20%	20%
Health Insurance – POS	40%	41%	41%	40%	39%	38%
Health Insurance – PPO	38%	40%	40%	41%	41%	42%
Retired Employees						
Health Insurance – HMO	10%	10%	10%	10%	10%	10%
Health Insurance – POS	22%	23%	23%	23%	23%	24%
Health Insurance – PPO	67%	67%	67%	67%	67%	67%

[1] Mental health coverage is provided through a separate carrier to each enrollee in the point of service and preferred provider option plans. Health maintenance organization enrollees are provided mental health coverage directly through their plans.

Source: Department of Budget and Management

Monthly Health, Prescription, Mental Health, and Dental Premiums
Paid by Enrollees
Increases in Fiscal 2006

	Employee Only	Employee & Child	Employee & Spouse	Family
Actives and Retirees Not Eligible for Medicare				
Kaiser Permanente HMO	$3.61	$7.22	$7.22	$9.04
Optimum Choice HMO	4.15	8.65	8.65	10.31
BlueChoice HMO	2.03	4.27	4.27	5.28
CareFirst PPO	8.54	15.39	15.39	21.36
MLH-Eagle PPO	5.86	10.55	10.55	14.65
CareFirst POS	8.58	15.44	15.44	21.45
MD IPA Preferred POS	6.68	12.01	12.01	16.68
Aetna POS	6.99	12.58	12.58	17.46
Prescription	-4.32	-5.74	-7.17	-8.63

Retirees Eligible for Medicare

	1M	1M + 1	2M	2+1M	2M+1	3M	Other
Kaiser Permanente HMO	$1.20	$4.81	$2.39	$9.04	$6.00	$3.59	$9.05
Optimum Choice HMO	2.74	6.90	5.49	10.31	9.42	8.24	10.31
BlueChoice HMO	1.01	3.02	2.20	5.04	3.21	2.75	5.02
CareFirst PPO	4.28	12.82	8.54	19.66	17.09	12.82	21.36
MLH-Eagle PPO	2.93	8.79	5.86	13.47	11.72	8.79	14.65
CareFirst POS	4.29	12.87	8.58	19.73	17.16	12.87	21.45
MD IPA Preferred POS	3.33	10.01	6.68	15.35	13.34	10.01	16.68
Aetna POS	3.49	10.48	6.99	16.07	13.97	10.48	17.46

M = Medicare eligible

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

Monthly Health, Prescription, Mental Health, and Dental Premiums
Paid by Enrollees
January 1, 2005 – June 30, 2005 Rates

	Employee Only	Employee & Child	Employee & Spouse	Family
Actives and Retirees Not Eligible for Medicare				
Kaiser Permanente HMO	$36.11	$72.22	$72.22	$90.45
Optimum Choice HMO	39.32	81.77	81.77	97.50
BlueChoice HMO	40.66	85.32	85.32	105.71
CareFirst PPO	74.14	133.44	133.44	185.35
MLH-Eagle PPO	66.34	119.42	119.42	165.87
CareFirst POS	44.67	80.41	80.41	111.68
MD IPA Preferred POS	45.41	81.74	81.74	113.54
Aetna POS	41.8	75.24	75.24	104.51
Prescription	39.68	52.74	65.86	79.36

	1M	1M + 1	2M	2+1M	2M+1	3M	Other
Retirees Eligible for Medicare							
Kaiser Permanente HMO	$23.94	$60.05	$47.89	$90.46	$84.00	$71.83	$90.45
Optimum Choice HMO	25.97	65.28	51.93	97.50	89.15	77.89	97.50
BlueChoice HMO	20.04	60.37	44.04	100.70	64.23	55.09	100.22
CareFirst PPO	37.07	111.19	74.14	170.50	148.27	111.19	185.35
MLH-Eagle PPO	33.18	99.51	66.34	152.59	132.69	99.51	165.87
CareFirst POS	22.33	67.01	44.67	102.75	89.34	67.01	111.68
MD IPA Preferred POS	22.71	68.12	45.41	104.45	90.83	68.12	113.54
Aetna POS	20.90	62.69	41.80	96.14	83.60	62.69	104.51

M = Medicare eligible

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

Monthly Health, Prescription, Mental Health, and Dental Premiums
Paid by Enrollees
July 1, 2005 – June 30, 2006 Rates

	Employee Only	Employee & Child	Employee & Spouse	Family
Actives and Retirees Not Eligible for Medicare				
Kaiser Permanente HMO	$39.72	$79.44	$79.44	$99.49
Optimum Choice HMO	43.47	90.42	90.42	107.81
BlueChoice HMO	42.69	89.59	89.59	110.99
CareFirst PPO	82.68	148.83	148.83	206.71
MLH-Eagle PPO	72.20	129.97	129.97	180.52
CareFirst POS	53.25	95.85	95.85	133.13
MD IPA Preferred POS	52.09	93.75	93.75	130.22
Aetna POS	48.79	87.82	87.82	121.97
Prescription	35.36	47.00	58.69	70.73

	1M	1M + 1	2M	2+1M	2M+1	3M	Other
Retirees Eligible for Medicare							
Kaiser Permanente HMO	$25.14	$64.86	$50.28	$99.50	$90.00	$75.42	$99.50
Optimum Choice HMO	28.71	72.18	57.42	107.81	98.57	86.13	107.81
BlueChoice HMO	21.05	63.39	46.24	105.74	67.44	57.84	105.24
CareFirst PPO	41.35	124.01	82.68	190.16	165.36	124.01	206.71
MLH-Eagle PPO	36.11	108.30	72.20	166.06	144.41	108.30	180.52
CareFirst POS	26.62	79.88	53.25	122.48	106.50	79.88	133.13
MD IPA Preferred POS	26.04	78.13	52.09	119.80	104.17	78.13	130.22
Aetna POS	24.39	73.17	48.79	112.21	97.57	73.17	121.97

M = Medicare eligible

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