
Spending Affordability Briefing

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

November 12, 2014

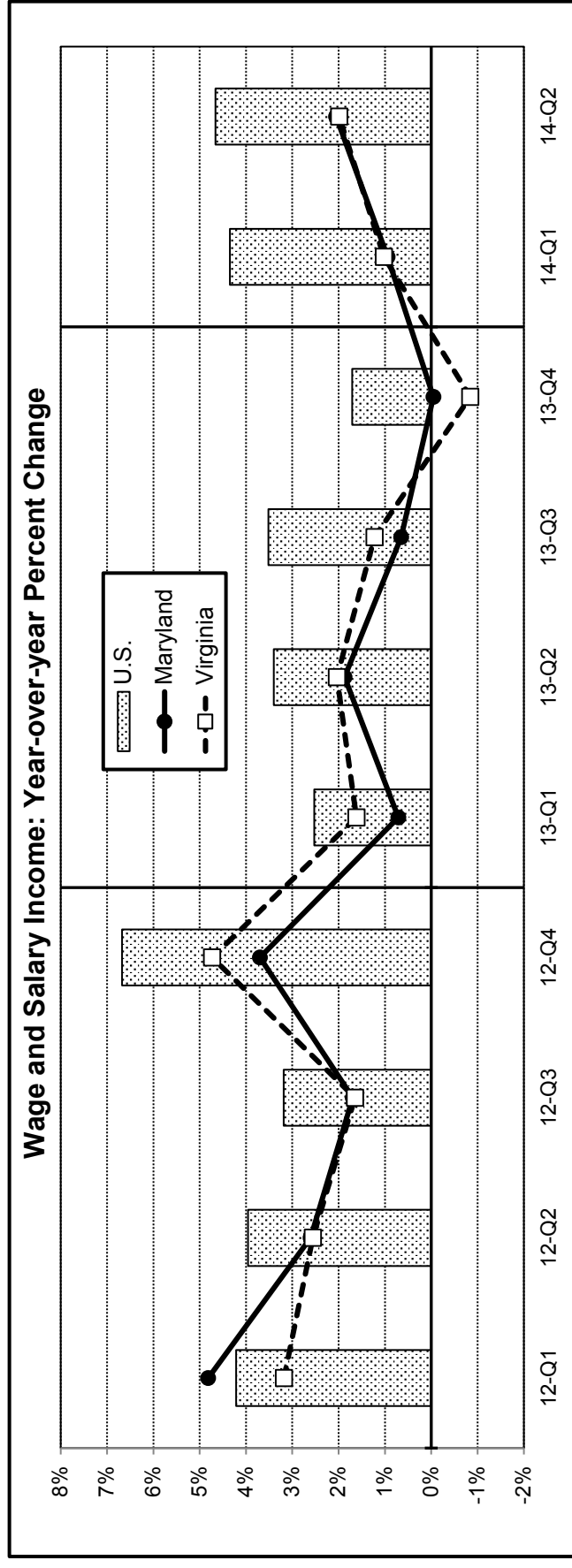
Maryland Economic Performance

Year-over-year Percent Change

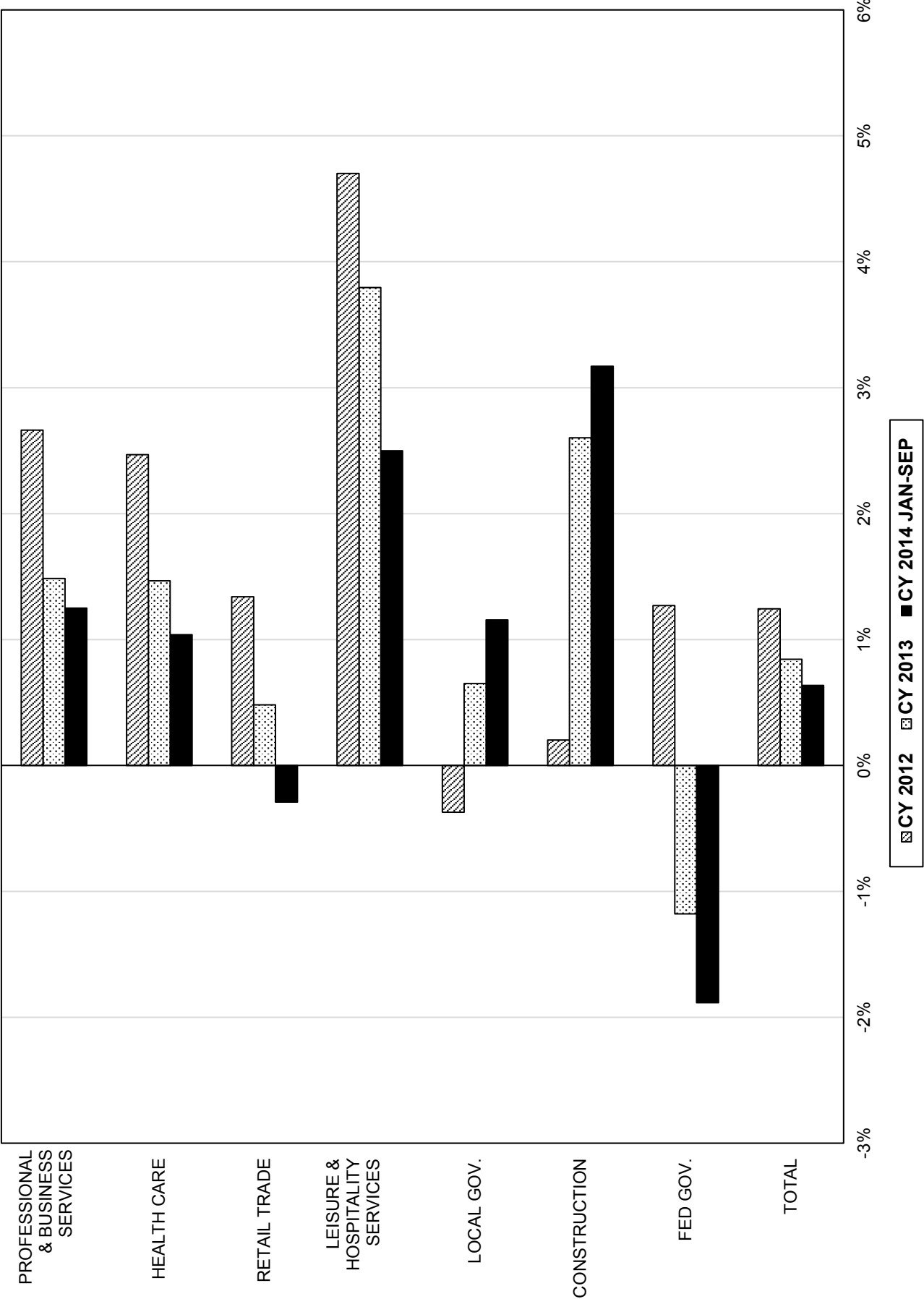
| <u>Month-Year</u> | <u>Employment</u> | | <u>Unemployment</u> | | <u>Initial</u> | | <u>Existing</u> | | <u>Median</u> | | <u>Vehicle</u> | |
|-------------------|-------------------|-------------|---------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|--------------|
| | <u>CES</u> | <u>QCEW</u> | <u>Rate</u> | <u>UI Claims</u> | <u>Home Sales</u> | <u>Home Price</u> | <u>Home Sales</u> | <u>Home Price</u> | <u>Home Sales</u> | <u>Home Price</u> | <u>Sales</u> | <u>Sales</u> |
| Jan-14 | 0.4% | 0.4% | 5.8% | -15.4% | 1.1% | 5.6% | 1.1% | 5.6% | -3.0% | 5.6% | -3.0% | -3.0% |
| Feb-14 | 0.3% | 0.1% | 5.6% | -15.3% | -0.2% | 7.7% | -0.2% | 7.7% | -4.6% | 7.7% | -4.6% | -4.6% |
| Mar-14 | 0.5% | 0.1% | 5.6% | -22.4% | -4.8% | 1.8% | -4.8% | 1.8% | -7.8% | 1.8% | -7.8% | -7.8% |
| Apr-14 | 1.0% | | 5.5% | -21.9% | -4.0% | -0.6% | -4.0% | -0.6% | -1.2% | -0.6% | -1.2% | -1.2% |
| May-14 | 0.5% | | 5.6% | -29.7% | -0.3% | 0.4% | -0.3% | 0.4% | -3.4% | 0.4% | -3.4% | -3.4% |
| Jun-14 | 1.1% | | 5.8% | -15.1% | 2.6% | -0.2% | 2.6% | -0.2% | 8.3% | -0.2% | 8.3% | 8.3% |
| Jul-14 | 0.7% | | 6.1% | -33.3% | -3.4% | -2.8% | -3.4% | -2.8% | 4.1% | -2.8% | 4.1% | 4.1% |
| Aug-14 | 0.5% | | 6.4% | -33.1% | 0.5% | -0.4% | 0.5% | -0.4% | 2.7% | -0.4% | 2.7% | 2.7% |
| Sep-14 | 0.6% | | 6.3% | -25.1% | 5.2% | 0.4% | 5.2% | 0.4% | 10.2% | 0.4% | 10.2% | 10.2% |
| Oct-14 | | | | | 9.2% | -0.7% | 9.2% | -0.7% | | -0.7% | | |

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

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



Maryland Payroll Employment by Major Industries: Year-over-year Percent Change



Maryland Economic Forecasts

Year-over-year Percent Change

| <u>Calendar Year</u> | <u>Employment</u> | | <u>Personal Income</u> | |
|--------------------------|-------------------|------------------|------------------------|------------------|
| | <u>Dec. 2013</u> | <u>Sep. 2014</u> | <u>Dec. 2013</u> | <u>Sep. 2014</u> |
| 2011 | 1.1% | 1.0% | 5.6% | 5.3% |
| 2012 | 1.2% | 1.2% | 3.5% | 3.6% |
| 2013 | 0.9% | 0.9% | 1.9% | 1.1% |
| 2014E | 1.5% | 0.7% | 4.6% | 3.3% |
| 2015E | 1.8% | 1.2% | 5.1% | 4.0% |
| 2016E | 1.8% | 1.4% | 5.2% | 4.3% |
| 2017E | 1.3% | 1.0% | 4.8% | 4.8% |

| <u>Calendar Year</u> | <u>Wage and Salary Income</u> | | <u>Taxable Capital Gains Income*</u> | |
|--------------------------|-------------------------------|------------------|--------------------------------------|------------------|
| | <u>Dec. 2013</u> | <u>Sep. 2014</u> | <u>Dec. 2013</u> | <u>Sep. 2014</u> |
| 2011 | 3.7% | 3.6% | 26.7% | 26.7% |
| 2012 | 3.3% | 3.2% | 50.0% | 41.1% |
| 2013 | 1.9% | 0.8% | 20.0% | -20.0% |
| 2014E | 3.9% | 3.5% | 6.0% | 5.0% |
| 2015E | 5.0% | 4.4% | 4.0% | 6.0% |
| 2016E | 4.9% | 4.4% | 6.0% | 6.0% |
| 2017E | 4.5% | 4.2% | 6.0% | 6.0% |

* Calendar 2012 figures are estimates for December 2013, and calendar 2013 figures are estimates for both December 2013 and September 2014.

Source: Board of Revenue Estimates

Fiscal 2014 General Fund Revenues

(\$ in Millions)

| <u>Source</u> | <u>FY 2013 Actual</u> | <u>FY 2014</u> | | <u>FY 2013-2014</u> | |
|---------------------------------------|---------------------------|-------------------|-------------------|---------------------|---------------|
| | | <u>Estimate*</u> | <u>Actual</u> | <u>Estimated</u> | <u>Actual</u> |
| Personal Income Tax | \$7,691.4 | \$7,943.1 | \$7,773.8 | 3.3% | 1.1% |
| Sales and Use Tax | 4,067.8 | 4,131.4 | 4,143.2 | 1.6% | 1.9% |
| State Lottery | 526.0 | 501.1 | 501.1 | -4.7% | -4.7% |
| Corporate Income Tax ⁽¹⁾ | 818.2 | 716.8 | 761.2 | -12.4% | -7.0% |
| Business Franchise Taxes | 201.6 | 211.8 | 228.4 | 5.1% | 13.3% |
| Insurance Premiums Tax | 303.8 | 310.1 | 334.8 | 2.1% | 10.2% |
| Estate and Inheritance Taxes | 234.6 | 203.3 | 213.8 | -13.4% | -8.9% |
| Tobacco Tax | 415.9 | 413.0 | 402.4 | -0.7% | -3.3% |
| Alcohol Beverages Tax | 31.2 | 30.9 | 31.1 | -1.0% | -0.1% |
| Motor Vehicle Fuel Tax ⁽²⁾ | 13.0 | 5.0 | 5.0 | -61.5% | -61.5% |
| District Courts | 75.5 | 80.7 | 77.7 | 7.0% | 2.9% |
| Clerks of the Court | 38.5 | 39.2 | 35.4 | 1.8% | -8.3% |
| Hospital Patient Recoveries | 64.5 | 56.9 | 63.0 | -11.7% | -2.2% |
| Interest on Investments | 14.5 | 15.0 | 21.4 | 3.4% | 47.4% |
| Miscellaneous | 371.1 | 386.1 | 424.7 | 4.0% | 14.4% |
| Subtotal | \$14,867.5 | \$15,044.3 | \$15,017.0 | 1.2% | 1.0% |
| Transfer Tax ⁽³⁾ | | \$89.2 | \$89.2 | | |
| GAAP Transfer | \$17.5 | | | | |
| Total Revenues | \$14,885.0 | \$15,133.5 | \$15,106.2 | 1.7% | 1.5% |

* From the Board of Revenue Estimates, March 2014, with adjustments for action at the 2014 legislative session.

⁽¹⁾ The Budget Reconciliation and Financing Act of 2011 (Chapter 397) set the Transportation Trust Fund's share of the corporate income tax at 9.5% of net receipts (excluding the first 15.15%) in fiscal 2013 and 19.5% in fiscal 2014. Adjusted for this law change, baseline general fund corporate income tax revenues were up 3.2% in fiscal 2014.

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

⁽³⁾ The Budget Reconciliation and Financing Act of 2013 (Chapter 424) established a distribution of transfer tax revenues to the general fund for fiscal 2014 to 2018.

Maryland General Fund Revenue Forecast

(\$ in Millions)

| <u>Source</u> | <u>FY 2014 Actual</u> | <u>FY 2015 Estimate</u> | | <u>% Change over FY 2014</u> | <u>FY 2016 Estimate</u> | <u>% Change over FY 2015</u> |
|---------------------------------------|---------------------------|-------------------------|-------------------|----------------------------------|-----------------------------|----------------------------------|
| | | <u>Mar.</u> | <u>Sept.</u> | | | |
| Personal Income Tax | \$7,773.8 | \$8,468.6 | \$8,284.9 | -\$183.6 | \$8,743.4 | 5.5% |
| Sales and Use Tax | 4,143.2 | 4,350.5 | 4,319.7 | -30.8 | 4,524.2 | 4.7% |
| State Lottery ⁽¹⁾ | 501.1 | 510.2 | 503.5 | -6.8 | 486.0 | -3.5% |
| Corporate Income Tax | 761.2 | 780.8 | 787.3 | 6.5 | 837.1 | 6.3% |
| Business Franchise Taxes | 228.4 | 215.4 | 230.3 | 14.9 | 233.6 | 1.5% |
| Insurance Premiums Tax | 334.8 | 317.9 | 319.9 | 2.0 | 308.7 | -3.5% |
| Estate and Inheritance Taxes | 213.8 | 224.3 | 235.6 | 11.3 | 211.5 | -10.2% |
| Tobacco Tax | 402.4 | 412.0 | 401.6 | -10.4 | 400.1 | -0.4% |
| Alcohol Beverages Tax | 31.1 | 31.1 | 31.5 | 0.5 | 32.0 | 1.4% |
| Motor Vehicle Fuel Tax ⁽²⁾ | 5.0 | 5.0 | 5.0 | 0.0 | 4.6 | -7.5% |
| District Courts | 77.7 | 75.8 | 77.9 | 2.1 | 77.7 | -0.3% |
| Clerks of the Court | 35.4 | 40.3 | 36.0 | -4.2 | 37.0 | 2.8% |
| Hospital Patient Recoveries | 63.0 | 57.4 | 57.4 | 0.0 | 50.1 | -12.8% |
| Interest on Investments | 21.4 | 20.4 | 20.4 | 0.0 | 31.2 | 53.2% |
| Miscellaneous | 424.7 | 338.4 | 360.0 | 21.6 | 338.2 | -6.0% |
| Subtotal | \$15,017.0 | \$15,848.0 | \$15,670.9 | -\$177.1 | \$16,315.5 | 4.1% |
| Transfer Tax ⁽³⁾ | \$89.2 | \$144.2 | \$144.2 | \$0.0 | \$77.7 | -46.1% |
| Total Revenues | \$15,106.2 | \$15,992.2 | \$15,815.1 | -\$177.1 | \$16,393.1 | 3.7% |

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

⁽²⁾ The Budget Reconciliation and Financing Act of 2011 diverted \$5 million in motor fuel tax revenue to the general fund that would otherwise have gone to the Chesapeake Bay 2010 Fund for fiscal 2012 through 2015 and \$4.6 million in fiscal 2016.

⁽³⁾ The Budget Reconciliation and Financing Act of 2013 (Chapter 424) established a distribution of transfer tax revenues to the general fund for fiscal 2014 to 2018. The Budget Reconciliation and Financing Act of 2014 (Chapter 464) increased the distribution in fiscal 2015 by \$69.1 million for a total of \$144.2 million.

Note: The estimate from March 2014 has been adjusted for actions taken at the 2014 legislative session.

Source: Board of Revenue Estimates

Fiscal 2015 General Fund Revenues

(\$ in Millions)

| <u>Source</u> | <u>FY 2014</u> | <u>FY 2015</u> | <u>Fiscal Year through October*</u> <u>\$ Difference</u> | <u>% Difference</u> | <u>Full Year Estimated Growth Rate</u> |
|---|------------------|------------------|---|---------------------|--|
| Personal Income Tax | \$2,120.9 | \$2,223.5 | \$102.6 | 4.8% | 6.6% |
| Sales and Use Tax ⁽¹⁾ | 1,041.2 | 1,086.2 | 45.0 | 4.3% | 4.3% |
| State Lottery | 119.6 | 121.9 | 2.3 | 1.9% | 0.5% |
| Corporate Income Tax | 170.1 | 178.8 | 8.7 | 5.1% | 3.4% |
| Business Franchise Taxes | 49.1 | 46.1 | -3.0 | -6.1% | 0.8% |
| Insurance Premiums Tax | 88.3 | 79.6 | -8.6 | -9.8% | -4.4% |
| Estate and Inheritance Taxes | 62.4 | 92.0 | 29.6 | 47.4% | 10.2% |
| Tobacco Tax | 113.1 | 112.2 | -0.8 | -0.7% | -0.2% |
| Alcohol Beverages Tax | 7.5 | 7.9 | 0.4 | 5.7% | 1.3% |
| District Courts | 31.7 | 32.1 | 0.4 | 1.3% | 0.3% |
| Clerks of the Court | 18.0 | 18.0 | -0.1 | -0.5% | 1.9% |
| Interest and Miscellaneous ⁽²⁾ | 59.6 | 49.9 | -9.7 | -16.2% | -14.8% |
| Total Revenues | \$3,881.5 | \$4,048.3 | \$166.8 | 4.3% | 4.4% |

* Lottery revenues are through September.

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

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

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

| | Video Lottery Terminals | | | | |
|----------------------------------|--------------------------------|----------------------|-------------------------|-------------------------|---------------------------------|
| | Fiscal 2014 | | Fiscal 2015 | | Fiscal 2016 Estimate |
| | <u>Mar. Est.</u> | <u>Actual</u> | <u>Mar. Est.</u> | <u>Sep. Est.</u> | |
| Education Trust Fund | \$282.7 | \$277.1 | \$338.1 | \$330.2 | \$341.4 |
| Casino Operators | 205.7 | 202.1 | 274.6 | 268.6 | 318.5 |
| Local Impact Grants | 31.5 | 30.8 | 39.1 | 38.1 | 41.7 |
| Small, Minority, and Women-Owned | 8.6 | 8.4 | 10.7 | 10.4 | 11.4 |
| Purse Dedication | 39.8 | 38.9 | 49.3 | 48.1 | 52.7 |
| Racetracks Facility | | | | | |
| Renewal Account | 9.7 | 9.5 | 6.9 | 7.4 | 7.4 |
| State Lottery Agency | 11.8 | 11.6 | 12.4 | 12.5 | 8.3 |
| Total Gross Revenues | \$589.7 | \$578.4 | \$731.0 | \$715.4 | \$781.3 |
| | | | -\$11.3 | | -\$15.7 |

| | Table Games | | | | |
|-----------------------------|-------------------------|----------------------|-------------------------|-------------------------|---------------------------------|
| | Fiscal 2014 | | Fiscal 2015 | | Fiscal 2016 Estimate |
| | <u>Mar. Est.</u> | <u>Actual</u> | <u>Mar. Est.</u> | <u>Sep. Est.</u> | |
| Education Trust Fund | \$52.1 | \$51.0 | \$69.2 | \$65.8 | \$72.8 |
| Casino Operators | 208.4 | 203.9 | 276.8 | 263.1 | 291.1 |
| Total Gross Revenues | \$260.5 | \$254.9 | \$346.0 | \$328.9 | \$363.9 |
| | | | -\$5.6 | | -\$17.1 |

Note: Per statute, the ownership of the majority of video lottery terminal machines will transfer to facility operators as of March 31, 2015. State general fund savings from this transfer is estimated at \$42.9 million in fiscal 2015.

Source: Board of Revenue Estimates, March 2014 and September 2014

General Fund: Recent History and Outlook
Fiscal 2014-2016
(\$ in Millions)

| | <u>2014</u> <u>Actual</u> | <u>2015</u> <u>Working</u> | <u>2016</u> <u>Baseline</u> |
|--|------------------------------|-------------------------------|--------------------------------|
| Funds Available | | | |
| Ongoing Revenues | \$15,106 | \$15,766 | \$16,413 |
| Balances and Transfers | 652 | 149 | 33 |
| One-time Generally Accepted Accounting Principles Transfer | 0 | 0 | 0 |
| Short-term Revenues | 0 | 71 | 0 |
| Total Funds Available | \$15,758 | \$15,986 | \$16,446 |
| Appropriations, Deficiencies, and Cost Containment | | | |
| Net Ongoing Operating Costs and Deficiencies | \$15,648 | \$16,411 | \$16,938 |
| One-time Spending | 0 | 11 | 0 |
| One-time Spending/Reductions | -126 | -166 | 0 |
| PAYGO Capital | 33 | 1 | 1 |
| Appropriations to Reserve Fund | 55 | 20 | 100 |
| Total Spending | \$15,610 | \$16,277 | \$17,039 |
| Cash Balance/Shortfall | \$148 | -\$291 | -\$593 |
| Structural | | | |
| Balance (Ongoing Revenues Less Operating Costs) | -\$542 | -\$645 | -\$525 |
| Ratio (Ongoing Revenues/Operating Costs) | 96.5% | 96.1% | 96.9% |
| Reserve Fund Activity | | | |
| Appropriations to State Reserve Fund | \$55 | \$20 | \$50 |
| Transfers to General Fund | 0 | 0 | 33 |
| Estimated Rainy Day Fund Balance – June 30 | \$763 | \$791 | \$820 |
| Total Cash (Rainy Day, General Fund Balance) | \$911 | \$500 | \$227 |

PAYGO: pay-as-you-go

Potential Fiscal 2015 General Fund Deficiencies and Adjustments (\$ in Millions)

| | |
|---|----------------|
| Health and Mental Hygiene: Medicaid enrollment and program changes (\$91.9 million); Medicaid fiscal 2014 carryover deficit (\$38.7 million); timing of potential restoration of Cigarette Restitution Funds due to appeal of arbitration ruling (\$40.0 million); Office of Health Care Quality overspending of federal grants (\$2.5 million); and other (\$0.9 million) | \$174.0 |
| K-12 and Higher Education: Foundation aid support based on shortfall in the Education Trust Fund revenues (\$17.2 million); Student assessment costs (\$17.0 million); health manpower and statewide programs grants (\$2.7 million); and other (\$1.3 million) | 38.2 |
| Public Safety and Correctional Services: Overtime (\$10.9 million); inmate medical contract expenses (\$6.5 million); inmate food costs (\$3.5 million); and other (\$0.5 million) | 21.4 |
| Statewide Health Insurance Costs: Underfunding of fiscal 2015 health insurance costs (\$13.8 million) | 13.8 |
| Other: Maryland Health Benefit Exchange revised funding methodology (\$8.9 million); Baltimore City Convention Center State share of operating deficit (\$2.2 million); Office of the Public Defender panel attorney and other case-related expenses (\$1.9 million); Department of Juvenile Services overtime (\$1.0 million); State Police aviation fleet and general operating expenses (\$1.0 million) and other (\$1.2 million) | 16.2 |
| Subtotal Deficiencies | \$263.7 |
| Transfer Tax Underattainment: Underattainment of transfer tax revenues that support the general fund | \$31.2 |
| Subtotal Adjustments | \$31.2 |
| Total Deficiencies and Adjustments | \$294.9 |

2016 Baseline Budget Forecast Assumptions

Baseline Budget Concepts

- The baseline budget is an estimate of the cost of government services in the next budget year based on a set of assumptions.
- Assumptions include that current laws, policies, and practices are continued; federal mandates and multi-year commitments are observed; legislation adopted at the prior session is funded; and full year costs of programs, rate increases, and any other enhancements started during the previous year are included.
- Major inflation assumptions include medical care and medicine/drugs at State facilities (3.84%), food (2.38%), natural gas/propane and utilities/electricity (2.14%), motor fuel (2.32%), and postage (2.32%).
- Employee compensation costs include the:
 - annualization of the 2.0% general salary increase to be implemented on January 1, 2015;
 - general salary increase of 2.0% effective July 2015 and funding for employee increments on regular July-January schedule;
 - employee health insurance inflation (15.2%); and
 - employee retirement costs (6.1%)

Caseload Assumptions

| | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> | <u>% Change FY 2015-2016</u> |
|--|----------------|----------------|----------------|----------------------------------|
| Pupil Enrollment* | 827,999 | 834,524 | 840,747 | 0.8% |
| Medicaid: | | | | |
| <i>Base Medicaid</i> | 930,244 | 930,063 | 955,718 | 2.8% |
| <i>Children's Health</i> | 116,869 | 118,037 | 119,411 | 1.2% |
| <i>Expansion under Affordable Care Act</i> | 168,093 | 232,490 | 251,089 | 8.0% |
| Temporary Cash Assistance | 63,746 | 61,392 | 58,753 | -4.3% |
| Foster Care/Adoption/Guardianship | 14,563 | 14,509 | 14,412 | -0.7% |
| Adult Prison Population | 20,889 | 20,614 | 20,875 | 1.3% |

*Data for fiscal 2014, 2015, and 2016 reflect September 2012, September 2013, and September 2014 (est.) full-time equivalent enrollments.

State Expenditures – General Funds

(\$ in Millions)

| <u>Category</u> | <u>Working Appropriation FY 2014</u> | <u>Revised Legislative Appropriation FY 2015</u> | <u>Baseline FY 2016</u> | <u>FY 2015 to FY 2016 \$ Change</u> | <u>% Change</u> |
|--|--|--|-----------------------------|---|-----------------|
| Debt Service | \$83.0 | \$140.0 | \$268.0 | \$128.0 | 91.4% |
| County/Municipal | 245.0 | 254.5 | 271.6 | 17.1 | 6.7% |
| Community Colleges | 281.3 | 297.3 | 316.1 | 18.8 | 6.3% |
| Education/Libraries | 5,605.5 | 5,728.7 | 5,909.7 | 180.9 | 3.2% |
| Health | 41.7 | 46.9 | 48.9 | 2.0 | 4.3% |
| <i>Aid to Local Governments</i> | \$6,173.6 | \$6,327.5 | \$6,546.3 | \$218.8 | 3.5% |
| Foster Care Payments | \$256.9 | \$223.1 | \$205.8 | -\$17.3 | -7.7% |
| Assistance Payments | 71.5 | 73.9 | 77.4 | 3.5 | 4.8% |
| Medical Assistance | 2,478.8 | 2,769.5 | 2,888.6 | 119.1 | 4.3% |
| Property Tax Credits | 80.2 | 82.0 | 86.1 | 4.1 | 5.0% |
| <i>Entitlements</i> | \$2,887.4 | \$3,148.4 | \$3,258.0 | \$109.5 | 3.5% |
| Health | \$1,573.2 | \$1,289.0 | \$1,359.2 | \$70.2 | 5.4% |
| Human Resources | 331.1 | 330.6 | 355.4 | 24.8 | 7.5% |
| Children's Cabinet Interagency Fund | 20.1 | 21.4 | 23.0 | 1.6 | 7.4% |
| Juvenile Services | 278.7 | 282.9 | 307.9 | 25.0 | 8.8% |
| Public Safety/Police | 1,384.9 | 1,423.5 | 1,567.2 | 143.7 | 10.1% |
| Higher Education | 1,214.2 | 1,332.1 | 1,449.9 | 117.8 | 8.8% |
| Other Education | 386.3 | 377.7 | 436.5 | 58.9 | 15.6% |
| Agric./Nat'l. Res./Environment | 114.4 | 111.5 | 130.6 | 19.1 | 17.1% |
| Other Executive Agencies | 663.4 | 702.6 | 715.2 | 12.6 | 1.8% |
| Legislative | 79.6 | 82.8 | 86.8 | 4.0 | 4.8% |
| Judiciary | 404.3 | 429.5 | 453.6 | 24.1 | 5.6% |
| Across-the-board Cuts | -42.1 | -19.4 | 0.0 | 19.4 | -100.0% |
| <i>State Agencies</i> | \$6,408.1 | \$6,364.3 | \$6,885.4 | \$521.1 | 8.2% |
| Deficiencies | \$0.0 | \$294.9 | \$0.0 | -\$294.9 | -100.0% |
| Total Operating | \$15,552.1 | \$16,275.1 | \$16,957.6 | \$682.5 | 4.2% |
| Capital ⁽¹⁾ | \$42.7 | \$12.5 | \$11.0 | -\$1.5 | -12.0% |
| <i>Subtotal</i> | \$15,594.8 | \$16,287.6 | \$16,968.6 | \$681.0 | 4.2% |
| Reserve Funds | \$55.3 | \$19.7 | \$100.0 | \$80.3 | 407.3% |
| Appropriations | \$15,650.0 | \$16,307.4 | \$17,068.6 | \$761.3 | 4.7% |
| Reversions | -\$67.2 | -\$30.3 | -\$30.0 | \$0.3 | -0.9% |
| Grand Total | \$15,582.8 | \$16,277.1 | \$17,038.6 | \$761.6 | 4.7% |

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

Note: The fiscal 2014 working appropriation includes deficiencies, supplemental deficiencies, \$255.3 million in cost containment, \$51.0 million in targeted reversions, and legislative reductions to the deficiencies. The revised fiscal 2015 legislative appropriation reflects \$79.4 million in general fund reductions and targeted reversions approved by the Board of Public Works on July 2, 2014.

State Expenditures – All Funds

(\$ in Millions)

| <u>Category</u> | <u>Working Appropriation FY 2014</u> | <u>Revised Legislative Appropriation FY 2015</u> | <u>Baseline FY 2016</u> | <u>FY 2015 to FY 2016</u> | |
|-------------------------------------|--|--|-----------------------------|---------------------------|-----------------|
| | | | | <u>\$ Change</u> | <u>% Change</u> |
| Debt Service | \$1,195.3 | \$1,294.8 | \$1,421.1 | \$126.3 | 9.8% |
| County/Municipal | 581.3 | 575.7 | 598.1 | 22.4 | 3.9% |
| Community Colleges | 281.3 | 297.3 | 316.1 | 18.8 | 6.3% |
| Education/Libraries | 6,749.5 | 6,938.4 | 7,126.2 | 187.8 | 2.7% |
| Health | 46.2 | 51.4 | 53.4 | 2.0 | 3.9% |
| Aid to Local Governments | \$7,658.3 | \$7,862.8 | \$8,093.8 | \$231.0 | 2.9% |
| Foster Care Payments | \$346.3 | \$319.2 | \$298.9 | -\$20.3 | -6.4% |
| Assistance Payments | 1,287.7 | 1,445.6 | 1,347.5 | -98.0 | -6.8% |
| Medical Assistance | 7,248.7 | 8,673.7 | 9,781.7 | 1,108.0 | 12.8% |
| Property Tax Credits | 80.2 | 82.0 | 86.1 | 4.1 | 5.0% |
| Entitlements | \$8,963.0 | \$10,520.4 | \$11,514.2 | \$993.8 | 9.4% |
| Health | \$3,511.9 | \$2,672.5 | \$2,687.5 | \$15.0 | 0.6% |
| Human Resources | 950.8 | 941.3 | 995.3 | 54.0 | 5.7% |
| Children's Cabinet Interagency Fund | 20.1 | 21.4 | 23.0 | 1.6 | 7.4% |
| Juvenile Services | 290.6 | 295.0 | 320.4 | 25.4 | 8.6% |
| Public Safety/Police | 1,640.8 | 1,670.3 | 1,824.4 | 154.0 | 9.2% |
| Higher Education | 5,358.6 | 5,518.1 | 5,796.1 | 277.9 | 5.0% |
| Other Education | 797.7 | 674.7 | 717.6 | 43.0 | 6.4% |
| Transportation | 1,703.1 | 1,745.7 | 1,932.3 | 186.6 | 10.7% |
| Agric./Nat'l. Res./Environment | 407.6 | 424.6 | 466.2 | 41.7 | 9.8% |
| Other Executive Agencies | 1,875.3 | 1,912.2 | 1,864.4 | -47.8 | -2.5% |
| Legislative | 79.6 | 82.8 | 86.8 | 4.0 | 4.8% |
| Judiciary | 463.5 | 492.9 | 518.6 | 25.7 | 5.2% |
| Across-the-board Cuts | -63.2 | -19.4 | 0.0 | 19.4 | -100.0% |
| State Agencies | \$17,036.5 | \$16,432.1 | \$17,232.6 | \$800.5 | 4.9% |
| Deficiencies | \$0.0 | \$281.2 | \$0.0 | -\$281.2 | -100.0% |
| Total Operating | \$34,853.2 | \$36,391.3 | \$38,261.7 | \$1,870.4 | 5.1% |
| Capital ⁽¹⁾ | \$2,430.8 | \$2,686.9 | \$3,066.5 | \$379.6 | 14.1% |
| – Transportation | 2,025.8 | 2,348.7 | 2,694.4 | 345.6 | 14.7% |
| – Environment | 245.6 | 239.9 | 239.2 | -0.7 | -0.3% |
| – Other | 159.4 | 98.3 | 132.9 | 34.6 | 35.2% |
| Subtotal | \$37,284.0 | \$39,078.2 | \$41,328.2 | \$2,250.0 | 5.8% |
| Reserve Funds | \$55.3 | \$19.7 | \$100.0 | \$80.3 | 407.3% |
| Appropriations | \$37,339.3 | \$39,097.9 | \$41,428.2 | \$2,330.2 | 6.0% |
| Reversions | -\$67.2 | -\$30.3 | -\$30.0 | \$0.3 | -0.9% |
| Grand Total | \$37,272.0 | \$39,067.7 | \$41,398.2 | \$2,330.5 | 6.0% |

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

Note: The fiscal 2014 working appropriation includes deficiencies, supplemental deficiencies, \$287.3 million in cost containment, \$51.0 million in targeted reversions, and legislative reductions to the deficiencies. The fiscal 2015 appropriation includes \$0.1 million in additional special funds due to funding swaps. The revised fiscal 2015 legislative appropriation reflects \$70.3 million in reductions and targeted reversions approved by the Board of Public Works on July 2, 2014.

Components of General Fund Budget Change

(\$ in Millions)

| Summary of Budget Growth Compared to Working Appropriation | <u>Dollars</u> | <u>Share of Growth</u> |
|---|------------------|------------------------|
| Ongoing requirements/entitlements | \$450.7 | 46.1% |
| Legislation and other 2014 session actions | 117.0 | 12.0% |
| State agency costs | 410.1 | 41.9% |
| Growth in Operating Budget, Including Anticipated Deficiencies | \$977.7 | |
| Pay-as-you-go (PAYGO) | -\$1.5 | |
| Appropriation to reserve fund | 80.3 | |
| Total Baseline Increase in State Expenditures | \$1,056.5 | |
| Less deficiency appropriations | -\$294.9 | |
| Total | \$761.6 | |

Ongoing Requirements/Entitlements

| | |
|---|---------|
| Education aid formulas | \$152.5 |
| Debt service – general funds to supplement property tax revenues | 128.0 |
| Medical assistance – modest enrollment and rate increases; full impact of calendar 2015 managed care organization rate cut and substance abuse transfer | 81.2 |
| Medicaid Behavioral Health – modest enrollment and rate increases plus the annualized cost of Substance Abuse services transferred to Behavioral Health | 31.8 |
| Teachers and librarians retirement payments | 22.7 |
| Development Disabilities Administration – annualize cost of new community placements and other expenses | 17.3 |
| Disparity grant formula | 10.3 |
| Sellinger Formula for Aid to Private Colleges and Universities excluding 2014 BRFA action | 5.8 |
| Property Tax Credit programs | 4.1 |
| Community college retirement | 3.5 |
| Temporary Cash Assistance payments – enrollment declines and stabilized federal funds | 3.5 |
| Community college formulas – increase in enrollment and per-pupil funding excluding 2014 BRFA action | 3.2 |
| Local health department funding | 2.0 |
| St. Mary's College of Maryland mandated formula | 2.0 |
| Quality Teacher Incentive program | 1.5 |
| State Aid for Police Protection grant | 0.7 |
| Library aid formulas (excluding Chapter 500 of 2014) | 0.3 |
| Foster Care payments – reduced institutional placements and increased federal funds | -19.7 |

New Legislative Requirements and Other 2014 Session Actions

| | |
|--|--------|
| Annualization of mid-year fiscal 2015 general salary cost-of-living adjustment | \$37.7 |
| Mandated 3.5% rate increase for Developmental Disabilities community providers (Chapter 262 of 2014) | 18.9 |
| Annualization of mid-year rate adjustments in the Department of Health and Mental | 15.9 |
| Impact of the BRFA of 2014 on Community College formula | 12.0 |
| Optical Scan Voting System lease payments and operations costs (BRFA of 2014) | 6.6 |
| 100 new additional correctional officers (fiscal 2015 budget bill language) | 3.9 |
| Changes to library aid (Chapter 500 of 2014) | 3.2 |
| Impact of the BRFA of 2014 on Sellinger Formula | 3.1 |
| Summer Career Academy (Chapter 568 of 2014) | 2.6 |
| Maryland Library for the Blind (Chapter 498 of 2014) | 2.4 |
| Annualization of mid-year rate adjustment for foster care payments | 2.4 |
| E-Nnovation program (Chapter 532 of 2014) | 1.4 |
| 2+2/Maryland Teaching Fellows Awards (Chapter 543 of 2014) | 1.4 |
| Additional general fund support for DNR based on 2014 BRFA allocation of special funds | 1.3 |
| Annualization of mid-year rate adjustment for DJS per diem payments | 1.2 |
| Mandated appropriation for MARBIDCO (BRFA of 2014) | 1.1 |
| Other 2014 legislation | 1.8 |

Components of Budget Change (cont.)

State Agency Costs

Statewide Personnel Expenses (Including Higher Education):

| | |
|---|---------|
| Health insurance – return to regular funding methodology after one-time use of accumulated balance in fiscal 2015 | \$103.0 |
| Merit pay (increments) | 77.3 |
| General salary increase (2% assumed) | 75.4 |
| Employee retirement | 27.3 |
| Annualization of fiscal 2014 merit pay increases | 13.2 |

Agency Programmatic and Operating Expenses:

| | |
|--|--------|
| MSDE: Assessment contract (\$17.0 million), child care subsidy to backfill federal fund balances used in fiscal 2015 and rate increase (\$11.0 million), and backfill of Race to the Top federal funds for Information Technology (IT) (\$5.0 million) | \$33.0 |
| Department of Public Safety and Correctional Services overtime (\$11.4 million), inmate medical expenses (\$11.4 million), food costs (\$6.5 million), part-year funding of new Dorsey Run facility including 109 full-time equivalent (FTE) new positions (\$3.6 million) | 33.0 |
| University System of Maryland – enrollment growth and other program expenses | 25.6 |
| Restoration of one-time IWIF Board of Public Works (BPW) July reduction | 19.4 |
| Restoration of one-time BPW across various agencies not separately accounted for | 11.0 |
| DJS: Per diems (including rate increase), overtime, and part-year funding of new Cheltenham facility (including 28 FTE new positions) | 4.2 |
| MHEC: Educational Excellence Awards | 3.9 |
| Developmental Disability Administration transitioning youth fiscal 2016 expansion | 2.9 |
| DSP – Computer-aided Dispatch/Records Management System maintenance | 2.6 |
| Major IT projects | 2.5 |
| Public Safety Communication System maintenance | 1.6 |
| Children's Cabinet Fund backfilling for nonbudgeted fund balances used in fiscal 2015 | 1.6 |
| Morgan State University – enrollment growth and other program expenses | 1.4 |
| Dept. of Human Resources Enterprise Content Management System maintenance | 1.4 |
| Funding to supplement Drinking Driver Monitor Program fees to support program costs | 1.0 |
| Cyber Investment Fund | 1.0 |
| State Police – removal of one-time IT funding | -1.2 |
| Richmond Court Smart Technology (one-time cost) | -1.8 |
| DBED – removal of supplemental grants including those related to the War of 1812 | -3.5 |
| Department of Housing and Community Development – removal of one-time expenses related to departmental move | -4.1 |
| State Share of Baltimore City Convention Center debt service | -5.0 |
| Maryland Health Benefit Exchange – replacement of general funds with special funds | -15.3 |
| Reduction in VLT lease costs to account for ownership transfer to facility owners | -48.7 |
| Other | 47.3 |

Reserve Fund and PAYGO

| | |
|--|--------|
| Program Open Space repayment | \$50.0 |
| Rainy Day Fund sweeper of unappropriated fiscal 2013 general fund balance and appropriation needed to reach mandated reserve balance | 30.3 |
| PAYGO one-time grants | -1.5 |

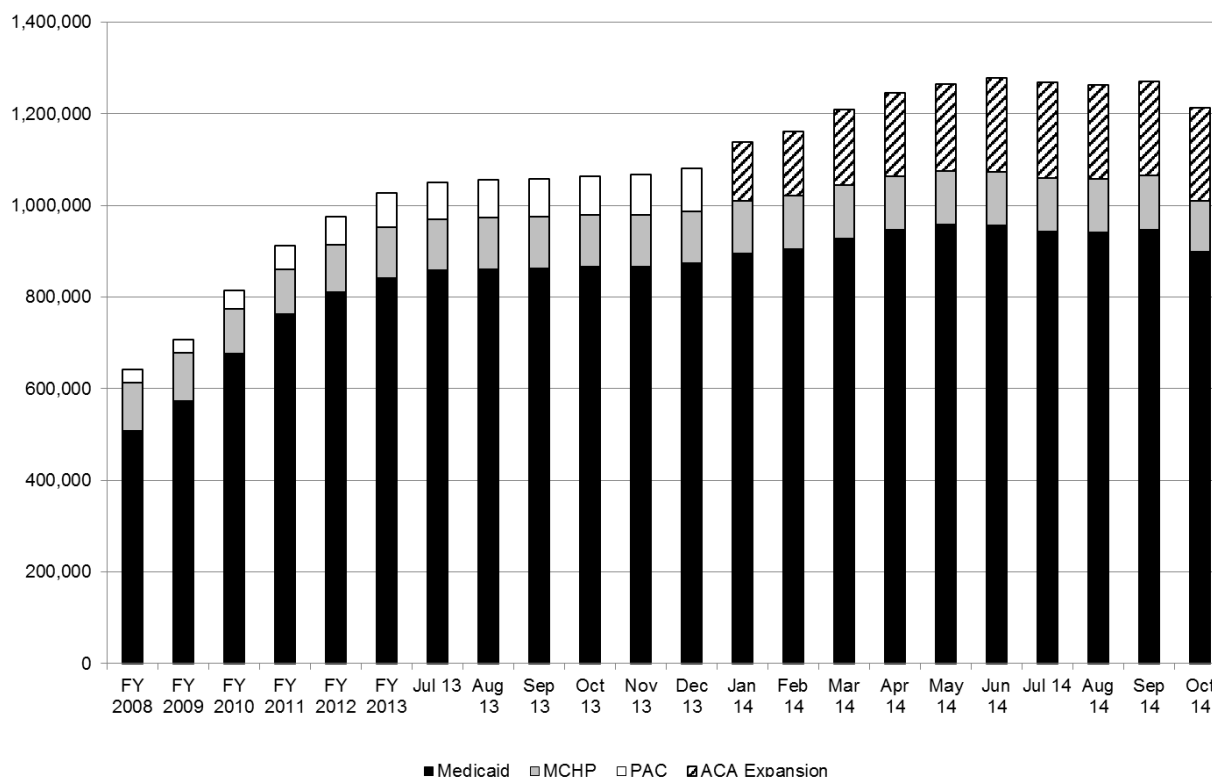
Total

\$1,056.5

| | |
|---|--|
| BRFA: Budget Reconciliation and Financing Act | MSDE: Maryland State Department of Education |
| DBED: Department of Business and Economic Development | MHEC: Maryland Higher Education Commission |
| DJS: Department of Juvenile Services | VLT: video lottery terminal |
| DNR: Department of Natural Resources | |
| DSP: Department of State Police | |
| IWIF: Injured Workers' Insurance Fund | |
| MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation | |

Medicaid

Medicaid and Maryland Children's Health Program Enrollment Fiscal 2008-2015 Year-to-date

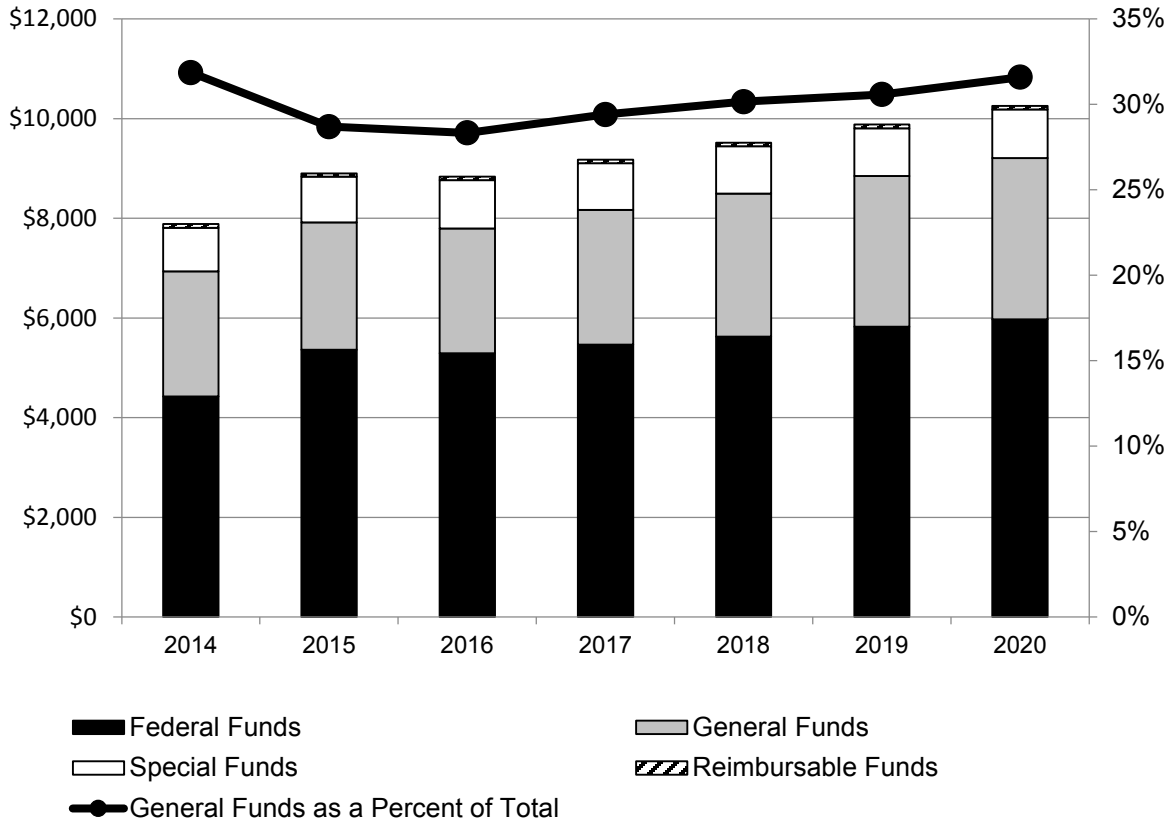


ACA: Patient Protection and Affordable Care Act
MCHP: Maryland Children's Health Program
PAC: Primary Adult Care Program

- Medicaid enrollment growth rate in the first six months of fiscal 2014 was 3.6%, the lowest since 2008.
- Enrollment growth jumped in the second half of the fiscal year to 27.0%. Most of this growth is due to Medicaid expansion under the ACA, but also the "woodwork" effect and redetermination delays.
- Predicting enrollment in fiscal 2015 and 2016 is complicated by the redetermination delay and uncertainty around the impact of the upcoming open enrollment period.

Medicaid (cont.)

Pressure on the General Fund from Medicaid Expected to Grow Fiscal 2014-2020 (\$ in Millions)



- Most of the growth in the Medicaid budget in fiscal 2015 and 2016 is derived from the federal Affordable Care Act's Medicaid expansion. The State must begin to pay for a share of costs for these enrollees in fiscal 2017.
- The fiscal 2016 Medicaid budget is forecast to be below the anticipated fiscal 2015 budget because of modest enrollment growth, minimal rate increases, the full impact of the calendar 2015 managed care organization rate cut, tapering of demand for the new Hepatitis C drugs, and the transfer of funds to Medicaid behavioral health.
- General fund growth is further muted by assumptions of Cigarette Restitution Fund support, an enhanced federal match for the Maryland Children's Health Program, and even lower enrollment growth in State-supported eligibility categories.

State Aid

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

| | <u>FY 2016 State Aid Amount</u> | <u>% of Total</u> |
|--------------------|--|------------------------------|
| Public Schools | \$6,255.4 | 86.0% |
| County/Municipal | 574.8 | 7.9% |
| Community Colleges | 316.1 | 4.3% |
| Libraries | 74.6 | 1.0% |
| Local Health | 48.9 | 0.7% |
| Total | \$7,269.8 | 100.0% |

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

| | <u>FY 2016 Aid Change</u> | <u>% Change</u> |
|--------------------|--------------------------------------|----------------------------|
| Public Schools | \$182.4 | 3.0% |
| County/Municipal | 28.9 | 5.3% |
| Community Colleges | 18.8 | 6.3% |
| Libraries | 4.8 | 6.9% |
| Local Health | 2.0 | 4.3% |
| Total | \$237.0 | 3.4% |

State Aid (cont.)

State Aid by Major Programs Fiscal 2014-2016 State Funds (\$ in Millions)

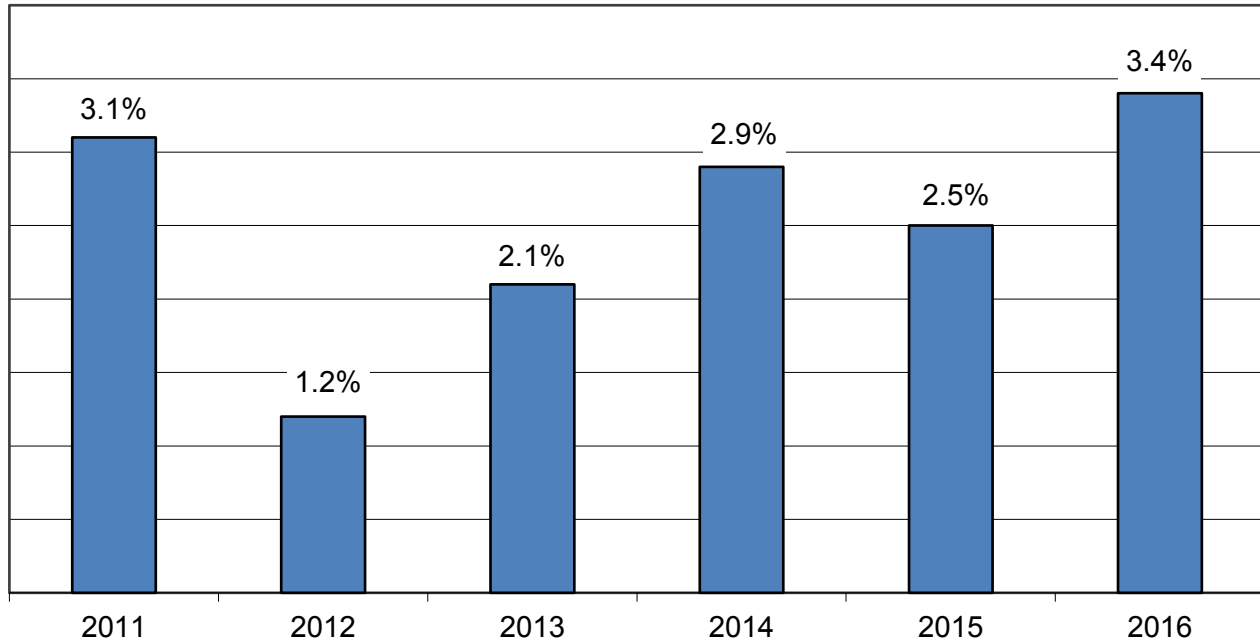
| | <u>FY 2014</u> | <u>FY 2015</u> | <u>Baseline FY 2016</u> | <u>\$ Change 2015-2016</u> | <u>% Change 2015-2016</u> |
|--|------------------|------------------|-----------------------------|--------------------------------|-------------------------------|
| Public Schools | | | | | |
| Foundation Program | \$2,850.5 | \$2,882.4 | \$2,941.7 | \$59.2 | 2.1% |
| Supplemental Grant | 46.5 | 46.6 | 46.6 | 0.0 | 0.0% |
| Geographic Cost Index | 130.8 | 132.7 | 135.6 | 2.9 | 2.2% |
| NTI Education Grants | 8.3 | 26.9 | 35.1 | 8.3 | 30.7% |
| Foundation – Special Grants | 0.0 | 0.6 | 0.0 | -0.6 | -100.0% |
| Compensatory Aid | 1,196.0 | 1,251.7 | 1,315.9 | 64.2 | 5.1% |
| Student Transportation | 254.5 | 258.4 | 265.2 | 6.8 | 2.6% |
| Special Education – Formula Aid | 269.3 | 271.7 | 277.1 | 5.4 | 2.0% |
| Special Education – Nonpublic Placements | 109.8 | 110.9 | 114.0 | 3.1 | 2.8% |
| Limited English Proficiency Grants | 193.4 | 197.7 | 216.1 | 18.5 | 9.3% |
| Guaranteed Tax Base | 52.3 | 59.4 | 51.3 | -8.1 | -13.6% |
| Aging Schools Program | 8.1 | 6.1 | 6.1 | 0.0 | 0.0% |
| Head Start/Pre-Kindergarten | 5.9 | 6.1 | 6.1 | 0.0 | 0.0% |
| Other Education Programs | 81.1 | 83.2 | 84.5 | 1.2 | 1.5% |
| Subtotal Direct Aid | \$5,206.5 | \$5,334.4 | \$5,495.4 | \$161.0 | 3.0% |
| Retirement Payments | 728.1 | 738.6 | 760.0 | 21.4 | 2.9% |
| Total Public School Aid | \$5,934.7 | \$6,072.9 | \$6,255.4 | \$182.4 | 3.0% |
| Libraries | | | | | |
| Library Aid Formula | \$34.0 | \$34.4 | \$37.2 | \$2.7 | 7.9% |
| State Library Network | 16.2 | 16.3 | 17.1 | 0.8 | 5.0% |
| Subtotal Direct Aid | \$50.2 | \$50.8 | \$54.3 | \$3.5 | 6.9% |
| Retirement Payments | 18.3 | 19.0 | 20.3 | 1.3 | 6.7% |
| Total Library Aid | \$68.5 | \$69.8 | \$74.6 | \$4.8 | 6.9% |
| Community Colleges | | | | | |
| Community College Formula | \$213.0 | \$226.1 | \$239.9 | \$13.8 | 6.1% |
| Other Programs | 30.3 | 30.9 | 32.4 | 1.5 | 4.7% |
| Subtotal Direct Aid | \$243.3 | \$257.0 | \$272.3 | \$15.2 | 5.9% |
| Retirement Payments | 38.1 | 40.3 | 43.8 | 3.5 | 8.8% |
| Total Community College Aid | \$281.3 | \$297.3 | \$316.1 | \$18.8 | 6.3% |
| Local Health Grants | \$41.7 | \$46.9 | \$48.9 | \$2.0 | 4.3% |
| County/Municipal Aid | | | | | |
| Transportation | \$196.5 | \$192.9 | \$180.9 | -\$12.0 | -6.2% |
| Public Safety | 113.9 | 116.8 | 119.1 | 2.3 | 2.0% |
| Program Open Space/Environment | 31.0 | 28.9 | 47.3 | 18.4 | 63.7% |
| Disparity Grant | 127.8 | 135.8 | 146.1 | 10.3 | 7.6% |
| VLT Impact Grants | 31.5 | 39.1 | 41.7 | 2.7 | 6.9% |
| Teacher Retirement Supplemental Grant | 27.7 | 27.7 | 27.7 | 0.0 | 0.0% |
| Other Grants | 4.5 | 4.8 | 12.1 | 7.3 | 152.6% |
| Total County/Municipal Aid | \$532.9 | \$545.9 | \$574.8 | \$28.9 | 5.3% |
| Total State Aid | \$6,859.1 | \$7,032.8 | \$7,269.8 | \$237.0 | 3.4% |

NTI: net taxable income

VLT: video lottery terminal

State Aid (cont.)

Annual Change in State Aid to Local Governments Fiscal 2011-2016



State Aid by Governmental Entity (\$ in Millions)

| | <u>FY 2011</u> | <u>FY 2016</u> | <u>\$ Change</u> | <u>% Change</u> |
|------------------------------|------------------|------------------|------------------|-----------------|
| Public Schools | \$4,865.0 | \$5,495.4 | \$630.4 | 13.0% |
| Libraries | 48.7 | 54.3 | 5.6 | 11.5% |
| Community Colleges | 224.4 | 272.3 | 47.9 | 21.3% |
| Local Health | 37.3 | 48.9 | 11.6 | 31.1% |
| County/Municipal | 381.0 | 574.8 | 193.8 | 50.9% |
| Subtotal – Direct Aid | \$5,556.4 | \$6,445.7 | \$889.2 | 16.0% |
| Retirement Payments | \$899.8 | \$824.1 | -\$75.7 | -8.4% |
| Total | \$6,456.2 | \$7,269.8 | \$813.6 | 12.6% |

Regular Full-time Equivalent Positions Changes Fiscal 2002 Actual to Fiscal 2016 Baseline

| <u>Department/Service Area</u> | <u>2002 Actual</u> | <u>2015 Legis. Approp.</u> | <u>2016 Baseline</u> | <u>2015-2016 Change</u> | <u>2002-2016 Change</u> |
|--|------------------------|------------------------------------|--------------------------|-----------------------------|-----------------------------|
| Health and Human Services | | | | | |
| Health and Mental Hygiene | 8,555 | 6,388 | 6,392 | 4 | -2,163 |
| Human Resources | 7,364 | 6,487 | 6,532 | 45 | -832 |
| Juvenile Services | 2,123 | 2,074 | 2,090 | 16 | -33 |
| Subtotal | 18,041 | 14,949 | 15,014 | 65 | -3,027 |
| Public Safety | | | | | |
| Public Safety and Correctional Services | 11,663 | 11,126 | 11,336 | 210 | -327 |
| Police and Fire Marshal | 2,590 | 2,445 | 2,445 | 0 | -145 |
| Subtotal | 14,252 | 13,571 | 13,780 | 210 | -472 |
| Transportation | 9,538 | 9,179 | 9,179 | 0 | -360 |
| Other Executive | | | | | |
| Legal (Excluding Judiciary) | 1,364 | 1,503 | 1,505 | 3 | 141 |
| Executive and Administrative Control | 1,603 | 1,650 | 1,650 | 0 | 48 |
| Financial and Revenue Administration | 2,151 | 2,107 | 2,135 | 28 | -16 |
| Budget and Management and DoIT | 517 | 450 | 451 | 1 | -66 |
| Retirement | 194 | 205 | 205 | 0 | 12 |
| General Services | 793 | 592 | 590 | -2 | -204 |
| Natural Resources | 1,618 | 1,302 | 1,311 | 10 | -307 |
| Agriculture | 480 | 385 | 383 | -2 | -97 |
| Labor, Licensing, and Regulation | 1,706 | 1,641 | 1,647 | 6 | -59 |
| MSDE and Other Education | 1,956 | 1,980 | 1,982 | 3 | 26 |
| Housing and Community Development | 416 | 339 | 340 | 1 | -76 |
| Business and Economic Development | 324 | 219 | 220 | 1 | -104 |
| Environment | 1,028 | 955 | 955 | 0 | -73 |
| Subtotal | 14,149 | 13,327 | 13,374 | 47 | -775 |
| Executive Branch Subtotal | 55,980 | 51,025 | 51,347 | 322 | -4,633 |
| Higher Education | 21,393 | 25,282 | 25,574 | 292 | 4,181 |
| Executive and Higher Education Subtotal | 77,373 | 76,307 | 76,921 | 614 | -452 |
| Judiciary | 3,010 | 3,733 | 3,752 | 19 | 742 |
| Legislature | 730 | 748 | 748 | 0 | 18 |
| Grand Total | 81,113 | 80,787 | 81,421 | 633 | 308 |

DoIT: Department of Information Technology

MSDE: Maryland State Department of Education

Note: Positions are compared to fiscal 2002 to show reductions since Executive Branch positions peaked.

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

Fiscal 2016 Baseline Budget Position Changes

Fiscal 2015 Actions

- 310 positions created in higher education in fiscal 2015 through its statutory flex authority.
- 61 positions were deleted in the July 2014 cost containment actions taken by the Board of Public Works (BPW). Deleted positions include 36 in the University System of Maryland, 12 at the Department of Juvenile Services, 6 at Morgan State University, 2 at the Maryland Department of Agriculture, 2 at the Military Department, 2 at the Department of General Services, and 1 at the Maryland Department of Planning.
- 45 created by BPW in October 2014 for the Department of Human Resources to support workload required by the Health Benefit Exchange.

Fiscal 2016 Actions

- 109 new positions to support the new Dorsey Run Correction Facility II at the Department of Public Safety and Correctional Services (DPSCS).
- 100 new correctional officers for DPSCS as required by a provision added by the General Assembly in the fiscal 2014 budget bill.
- 45 permanent positions added to convert contractual positions to permanent positions and 14 positions abolished at Morgan State University.
- 28 new positions at the Department of Juvenile Services' Cheltenham Youth Facility to support replacement facility.
- 24 new positions for the State Lottery and Gaming Control Agency to support a new gaming facility in Prince George's County.
- 19 judges and staff at the Judiciary consistent with the judges' certification of need plan.
- 10 positions added to the Department of Natural Resources to support recent capital improvements at State parks and natural resources management areas.

Fiscal 2016 Baseline Budget Position Changes (cont.)

Legislation

- 6 positions at the Department of Labor, Licensing, and Regulation to enforce local minimum wage laws (Chapter 411).
- 3 positions at the Attorney General's Office to support patent (Chapter 307) and Internet ticket sales (Chapter 42) laws.
- 3 positions at the Department of Health and Mental Hygiene to gather criminal history data for specified applicants (Chapters 559 and 560) and to support a new Naturopathic Medicine Advisory Committee (Chapters 153 and 399).
- 2 positions at State Department of Assessment and Taxation to support tax credits for Regional Institution Strategic Enterprise Zones (Chapters 530 and 531) and additional Uniform Commercial Code filings (Chapter 58).
- 2 positions at the State Department of Education to support a Deaf Culture Digital Library (Chapter 606).
- 1 position at the Department of Housing and Community Development to support the Endow Maryland Tax Credit (Chapter 511).
- 1 Attorney General position at the Secretary of State to support the enforcement of rules relating to charitable organizations (Chapter 654).
- 1 part-time position at DPSCS' Police Training Commission for training and oversight of speed monitoring systems (Chapter 490).
- 1 part-time position at the Maryland Higher Education Commission to support community college scholarship administration and questions from applicants (Chapter 340).

Analysis of Vacancies and Turnover Rate
Fiscal 2015 Legislative Appropriation Compared to October 2014 Vacancies

| <u>Department/Service Area</u> | <u>Positions</u> | <u>Turnover Rate</u> | <u>Vacancies to Meet Turnover</u> | <u>Vacancies</u> | <u>Vacancies Above or (Below) Turnover</u> |
|---|------------------|----------------------|-----------------------------------|------------------|--|
| Health and Human Services | | | | | |
| Health and Mental Hygiene | 6,388 | 6.1% | 390 | 520 | 130 |
| Human Resources | 6,487 | 7.2% | 467 | 486 | 20 |
| Juvenile Services | 2,074 | 6.0% | 125 | 187 | 62 |
| Subtotal | 14,949 | 6.5% | 979 | 1,193 | 211 |
| Public Safety | | | | | |
| Public Safety and Correctional Services | 11,126 | 4.3% | 484 | 779 | 295 |
| Police and Fire Marshal | 2,445 | 4.8% | 117 | 191 | 74 |
| Subtotal | 13,571 | 4.5% | 606 | 970 | 369 |
| Transportation | 9,179 | 3.8% | 347 | 665 | 319 |
| Other Executive | | | | | |
| Legal (Excluding Judiciary) | 1,503 | 5.2% | 78 | 118 | 39 |
| Executive and Administrative Control | 1,650 | 5.3% | 87 | 162 | 75 |
| Financial and Revenue Administration | 2,107 | 5.5% | 116 | 160 | 44 |
| Budget and Management and DoIT | 450 | 3.8% | 17 | 52 | 35 |
| Retirement | 205 | 4.5% | 9 | 15 | 6 |
| General Services | 592 | 6.3% | 37 | 39 | 1 |
| Natural Resources | 1,302 | 4.4% | 57 | 97 | 40 |
| Agriculture | 385 | 7.0% | 27 | 18 | -9 |
| Labor, Licensing, and Regulation | 1,641 | 4.5% | 74 | 145 | 71 |
| MSDE and Other Education | 1,980 | 6.4% | 126 | 192 | 65 |
| Housing and Community Development | 339 | 5.6% | 19 | 27 | 8 |
| Business and Economic Development | 219 | 4.4% | 10 | 17 | 7 |
| Environment | 955 | 7.1% | 67 | 95 | 27 |
| Subtotal | 13,327 | 5.4% | 724 | 1,135 | 410 |
| Executive Branch Total | 51,025 | 5.2% | 2,645 | 3,963 | 1,308 |

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

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

Employee and Retiree Health Insurance Account
Fiscal 2013-2016
(\$ in Millions)

| | <u>2013</u> <u>Actual</u> | <u>2014</u> <u>Actual</u> | <u>2015</u> <u>Projected</u> | <u>2016</u> <u>Projected</u> |
|---|--|--|---|---|
| Beginning Balance | \$173.4 | \$287.8 | \$191.3 | \$111.4 |
| Expenditures | | | | |
| DBM Personnel Administrative Cost | \$6.8 | \$6.8 | \$7.1 | \$7.3 |
| Payments of Claims | | | | |
| Medical | \$809.5 | \$858.0 | \$906.0 | \$960.4 |
| Mental Health | 14.0 | 13.6 | 14.1 | 14.9 |
| Rx | 346.4 | 392.8 | 420.3 | 445.6 |
| Dental | 46.6 | 48.2 | 49.8 | 52.8 |
| Contractual | 0.0 | 0.0 | 3.8 | 4.0 |
| Payments to Providers | \$1,216.5 | \$1,312.6 | \$1,394.1 | \$1,477.7 |
| Percent Growth in Payments | -3.1% | 7.9% | 6.2% | 6.0% |
| Receipts | | | | |
| State Agencies | \$1,033.6 | \$922.6 | \$1,003.5 | \$1,138.9 |
| Employee Contributions | 167.3 | 152.0 | 159.4 | 194.6 |
| Retiree Contributions | 85.2 | 79.2 | 78.6 | 99.1 |
| Rx Rebates, Recoveries, and Other | 30.3 | 51.5 | 56.8 | 60.2 |
| Injured Workers' Insurance Fund | 21.3 | 17.6 | 0.0 | 0.0 |
| Total Receipts | \$1,337.7 | \$1,222.9 | \$1,298.3 | \$1,492.9 |
| Percent Growth in Receipts | 5.0% | -8.6% | 8.0% | 13.0% |
| Deficiency Appropriation | \$0.0 | \$0.0 | \$23.0 | \$0.0 |
| Ending Balance | \$287.8 | \$191.3 | \$111.4 | \$119.2 |
| Incurred but Not Received | -\$99.5 | -\$105.9 | -\$110.6 | -\$116.1 |
| Reserve for Future Provider Payments | \$188.3 | \$85.4 | \$0.8 | \$3.1 |

DBM: Department of Budget and Management

Rx: prescription drug

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

State Retirement and Pension System

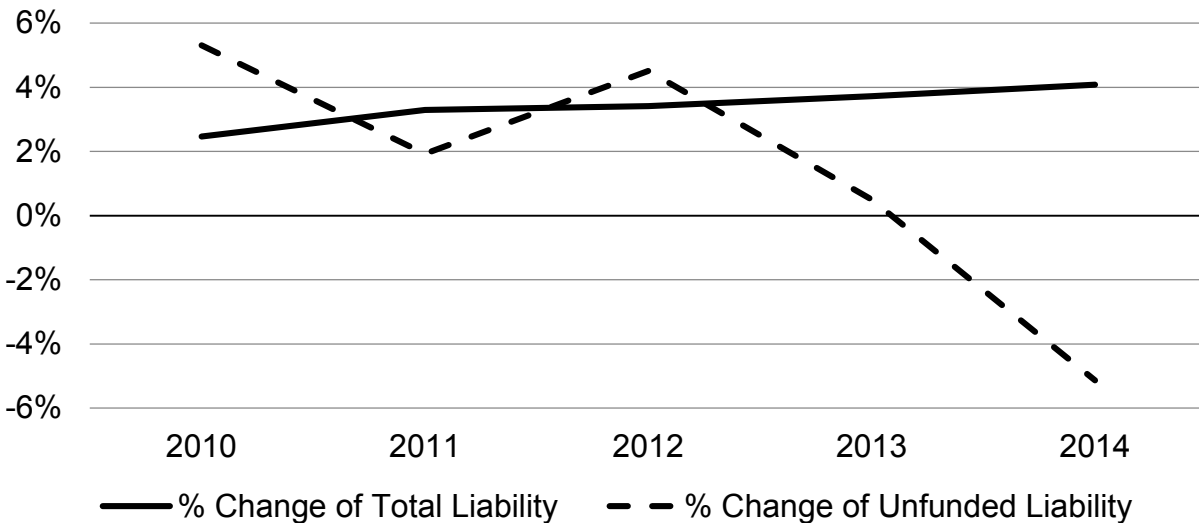
| Funding Status as of June 30 (\$ in Millions) | | | | 2013-2014 <u>% Change</u> |
|--|-----------------|-----------------|-----------------|---------------------------------|
| | <u>2012</u> | <u>2013</u> | <u>2014</u> | |
| Actuarial Liabilities | \$53,707 | \$55,707 | \$57,981 | |
| Actuarial Value of Assets | 34,089 | 35,992 | 39,277 | |
| Unfunded Actuarial Liabilities | \$19,618 | \$19,715 | \$18,704 | -5.1% |
| Funded Ratio | 63.5% | 64.6% | 67.7% | |
| Employer Contributions (\$ in Millions) | | | | FY 2015-2016 <u>% Change</u> |
| | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> | |
| Required State Contribution | \$1,319 | \$1,387 | \$1,433 | |
| Supplemental Contribution | 100 | 100 | 150 | |
| Total State Contribution | \$1,419 | \$1,487 | \$1,583 | 6.5% |
| School Board Contributions | \$173 | \$222 | \$255 | |
| Total Contributions | \$1,592 | \$1,709 | \$1,838 | 7.5% |

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

Source: State Retirement Agency; Department of Legislative Services

State Retirement and Pension System (cont.)

Annual % Change in Total and Unfunded Pension Liabilities
As of June 30

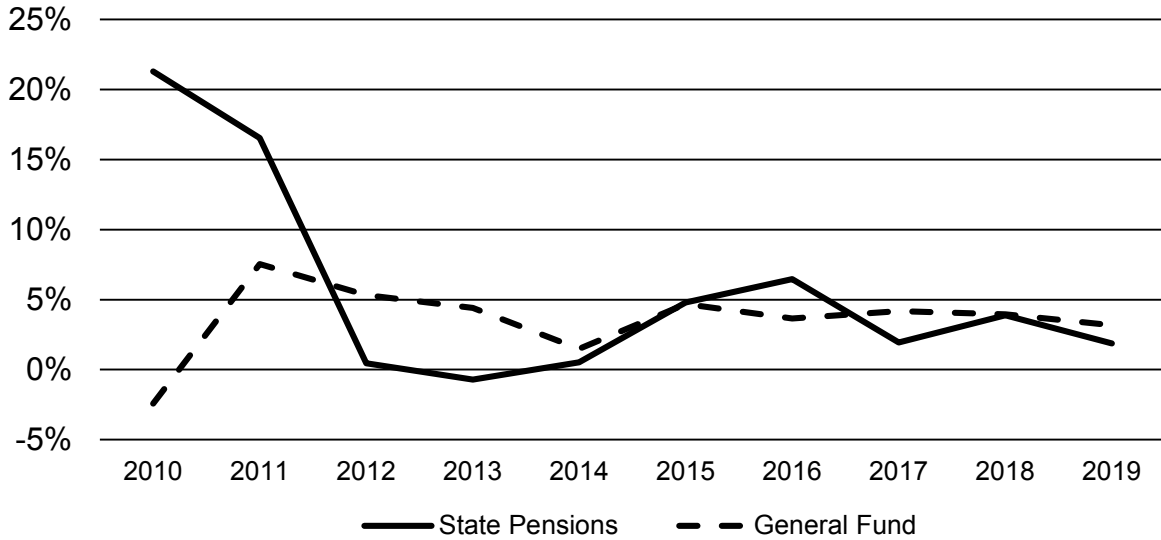


Source: State Retirement Agency

- Growth in total liabilities influenced largely by payroll growth; growing at steady 4% pace.
- Unfunded liabilities actually declined for first time in six years as of June 2014.
- There are \$2.3 billion in unrecognized investment gains still to be recognized over the next four years, including \$930 million in the June 2015 valuation.
- In the absence of investment losses, funding policies should continue to diminish unfunded liabilities.

State Retirement and Pension System (cont.)

**Annual % Change in State Pension Contributions and
General Fund Revenues
Fiscal 2010-2019**



Source: State Retirement Agency; Department of Legislative Services

- Pension reform and investment returns have mitigated volatility in State pension contributions.
- Contributions are generally tracking general fund revenue growth rates.

State Debt Policy

Capital Debt Affordability Committee Recommends Increasing Authorizations

- Capital Debt Affordability Committee (CDAC) reviews State debt policy each year and issues a recommendation for the following legislative session by October 1 of the year. In 2013, CDAC recommended increasing authorizations by \$75 million annually from fiscal 2015 to 2019, adding \$375 million.
 - The Spending Affordability Committee approved the fiscal 2015 increase but recommended against the additional \$300 million from fiscal 2016 to 2019.
 - In 2014, CDAC again recommends increasing authorizations by \$75 million annually from fiscal 2016 to 2020. This provides \$1,170 million in fiscal 2016.
 - After all the debt has been issued, these additional bonds would increase annual debt service costs by \$39 million.
-

Cost of Increasing GO Bond Authorizations by \$375 Million Fiscal 2016-2024 (\$ in Millions)

| <u>Fiscal Year</u> | <u>Increase in Authorizations</u> | <u>Additional Debt Service</u> |
|--------------------|-----------------------------------|--------------------------------|
| 2016 | \$75.0 | \$0.0 |
| 2017 | 75.0 | 1.2 |
| 2018 | 75.0 | 3.3 |
| 2019 | 75.0 | 7.5 |
| 2020 | 75.0 | 13.4 |
| 2021 | 0.0 | 20.7 |
| 2022 | 0.0 | 26.8 |
| 2023 | 0.0 | 32.6 |
| 2024 | 0.0 | 36.3 |

GO: general obligation

Source: Department of Legislative Services

State Debt Policy (cont.)

State Debt Is within Affordability Ratios

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

State Affordability Ratios Fiscal 2015-2020

| <u>Fiscal Year</u> | <u>Debt Outstanding as a % of Personal Income</u> | <u>Debt Service as % of Revenues</u> |
|--------------------|---|--|
| 2015 | 3.45% | 7.01% |
| 2016 | 3.61% | 7.44% |
| 2017 | 3.74% | 7.73% |
| 2018 | 3.76% | 7.98% |
| 2019 | 3.73% | 7.91% |
| 2020 | 3.70% | 7.86% |

Source: Department of Legislative Services

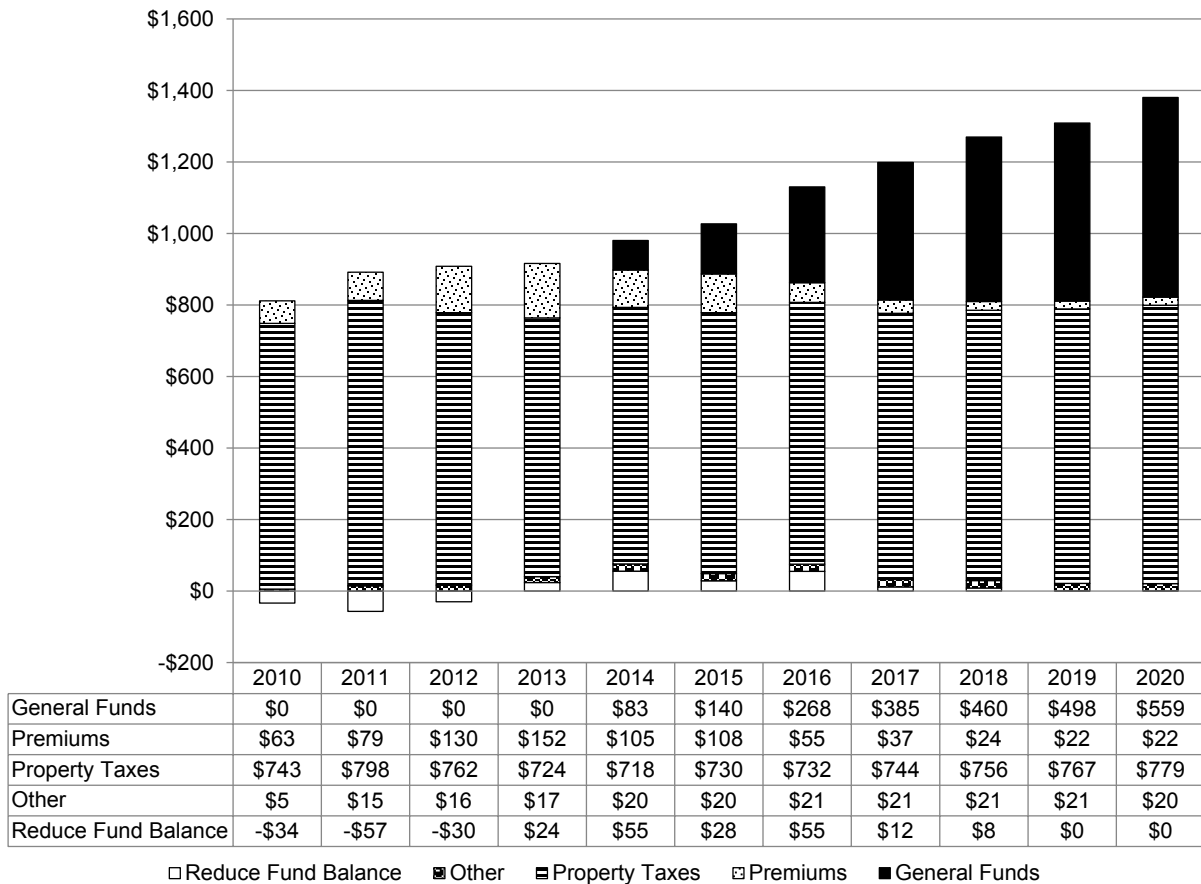
Annuity Bond Fund Supports General Obligation Bond Debt Service Costs

- State property taxes are the Annuity Bond Fund's (ABF) largest revenue source. The current State property tax rate is \$0.112 per \$100 of assessable base.
- House prices peaked in calendar 2007. Year-over-year house prices declined for 55 uninterrupted months. Prices consistently increased from February 2012 to March 2014. Since March, prices have been fairly flat.

State Debt Policy (cont.)

General Obligation Bond Debt Service Costs Exceed State Property Tax Revenues

Estimated Annuity Bond Fund Activity
Fiscal 2010-2020
(\$ in Millions)

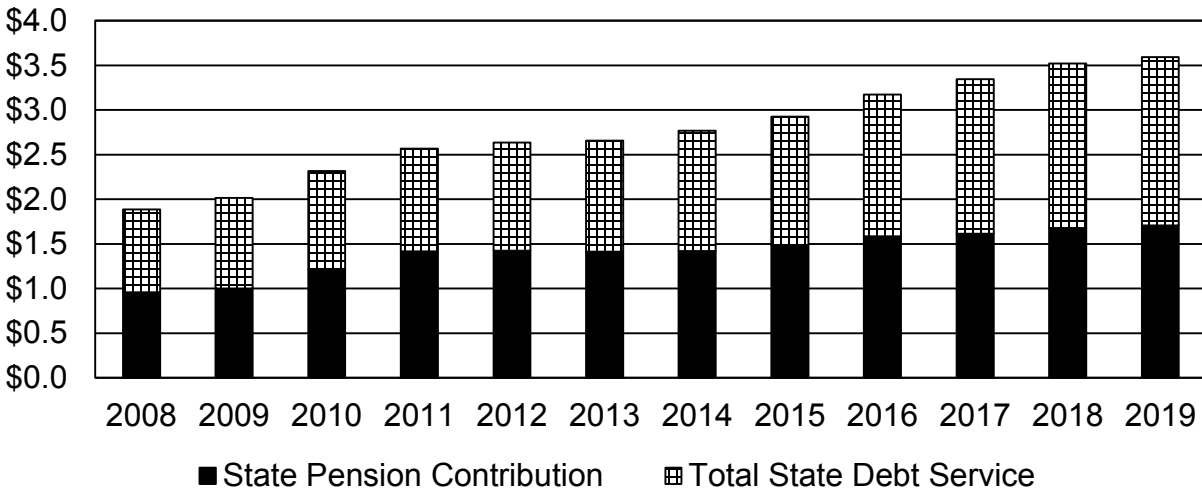


Source: Department of Legislative Services

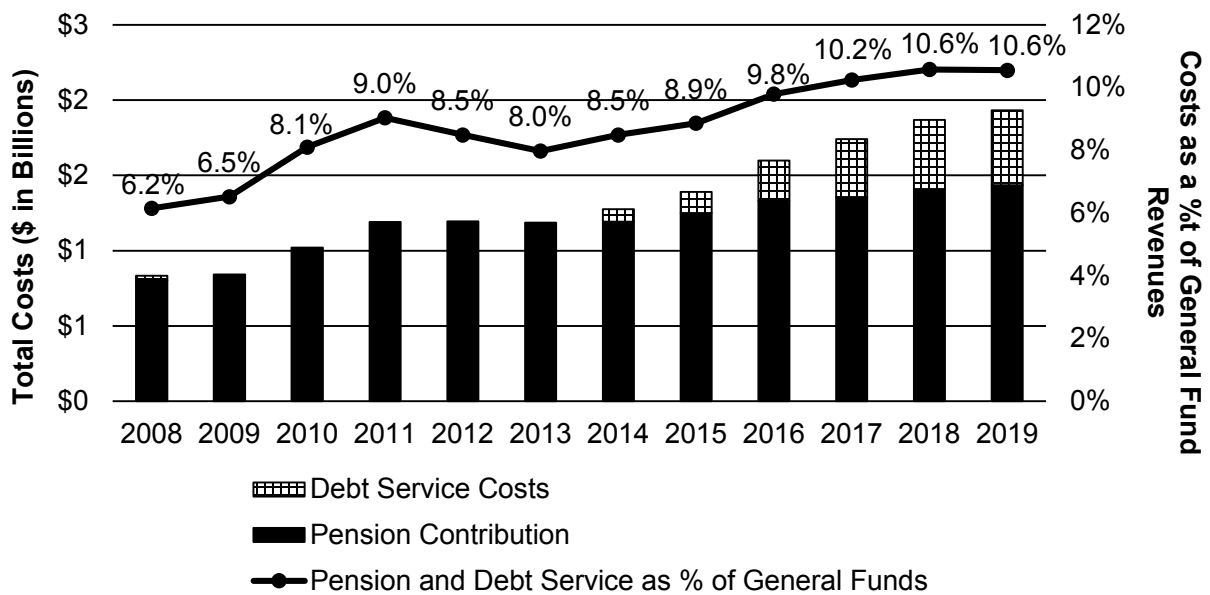
- In fiscal 2016, an estimated \$268.0 million in general funds will be needed to support general obligation (GO) bond debt service costs. However, estimates could be revised substantially due to revised State property tax estimates, interest rate changes, and the amount of bonds sold.
- Estimated bond sale premiums total \$38.2 million in March 2015, \$26.9 million in August 2015, \$28.3 million in March 2016, \$19.0 million in August 2016, \$18.5 million in March 2017, and about \$20.0 million per year thereafter.

State Debt Policy (cont.)

Cumulative Debt Service and Pension Costs Continue to Increase
Fiscal 2008-2019
(\$ in Billions)



Debt Service General Fund Subsidy and State Pension Costs Compared to General Fund Revenues
Fiscal 2008-2019



Source: Gabriel Roeder Smith and Company; Cheiron, Inc.; Segal Consulting; State Treasurer's Office

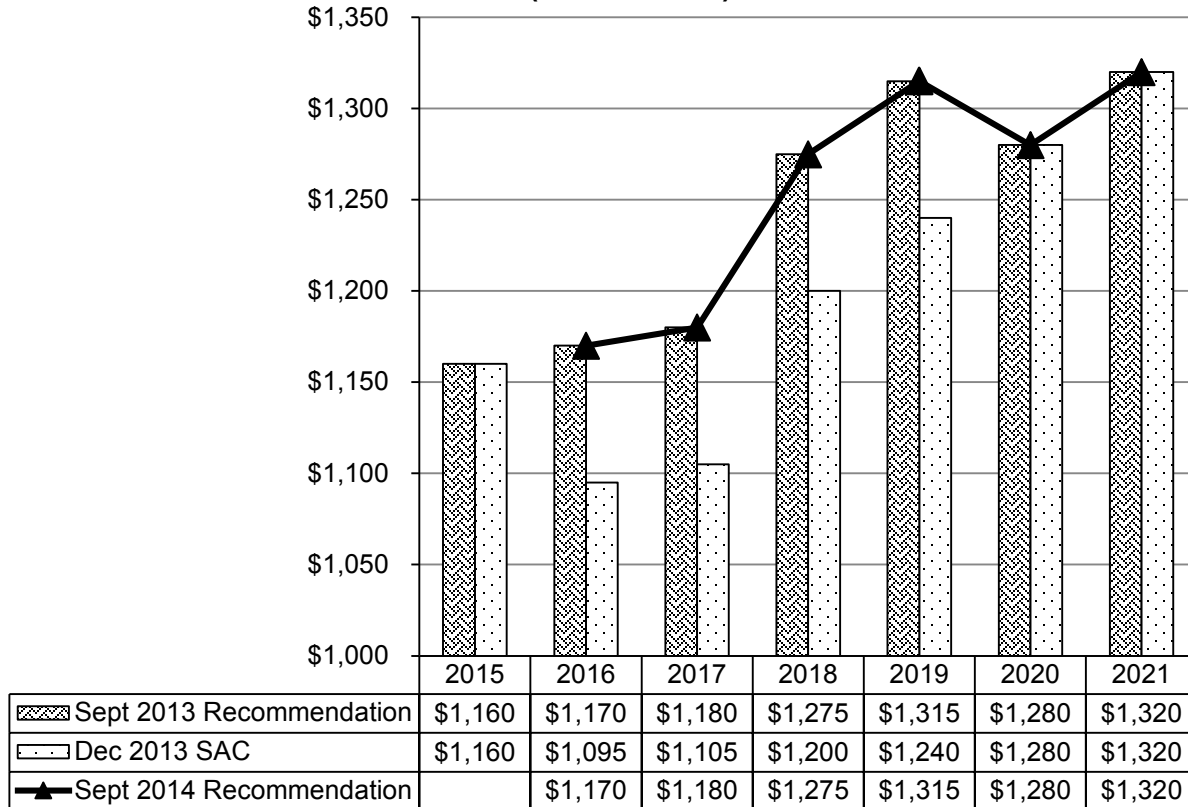
State Debt Policy (cont.)

The Department of Legislative Services Recommends Maintaining Fiscal 2016 GO Bond Authorizations at the Level Proposed by the Spending Affordability Committee Last Year

- CDAC recommended a limit of \$1,170 million for new authorizations of GO bonds during the 2015 session. This recommendation is \$75 million more than SAC proposed in its 2013 report.
- DLS is concerned that GO bond debt service costs are increasing at a higher rate than the State property tax revenues supporting them.
- In recent years, the General Assembly has made it a priority to reduce the unfunded pension liability and slow the growth in out-year pension contributions. Actions taken include:
 - reducing benefits;
 - increasing employee payments;
 - implementing local pension cost sharing; and
 - modifying how annual contributions are calculated by adopting an actuarially approved funding approach.
- Since last year, the State has come closer to the debt affordability limits. A year ago, CDAC estimated that debt service would be 7.67% of revenues. CDAC now estimates that debt service will be 7.93% of revenues, and DLS estimates that debt service will peak at 7.98% of revenues.
- Last year, CDAC recommended increasing GO bond authorizations by \$75 million annually for five years. The Department of Legislative Services (DLS) recommended against this increase. Not much has changed since last year; in fact, the case against increasing authorizations is now stronger than it was last year. **As one step toward constraining the growth in long-term obligations, DLS recommends that the debt authorization level previously established by SAC be maintained.**

Capital Program

CDAC Recommends Increased GO Bond Authorization Levels Fiscal 2015-2021 (\$ in Millions)



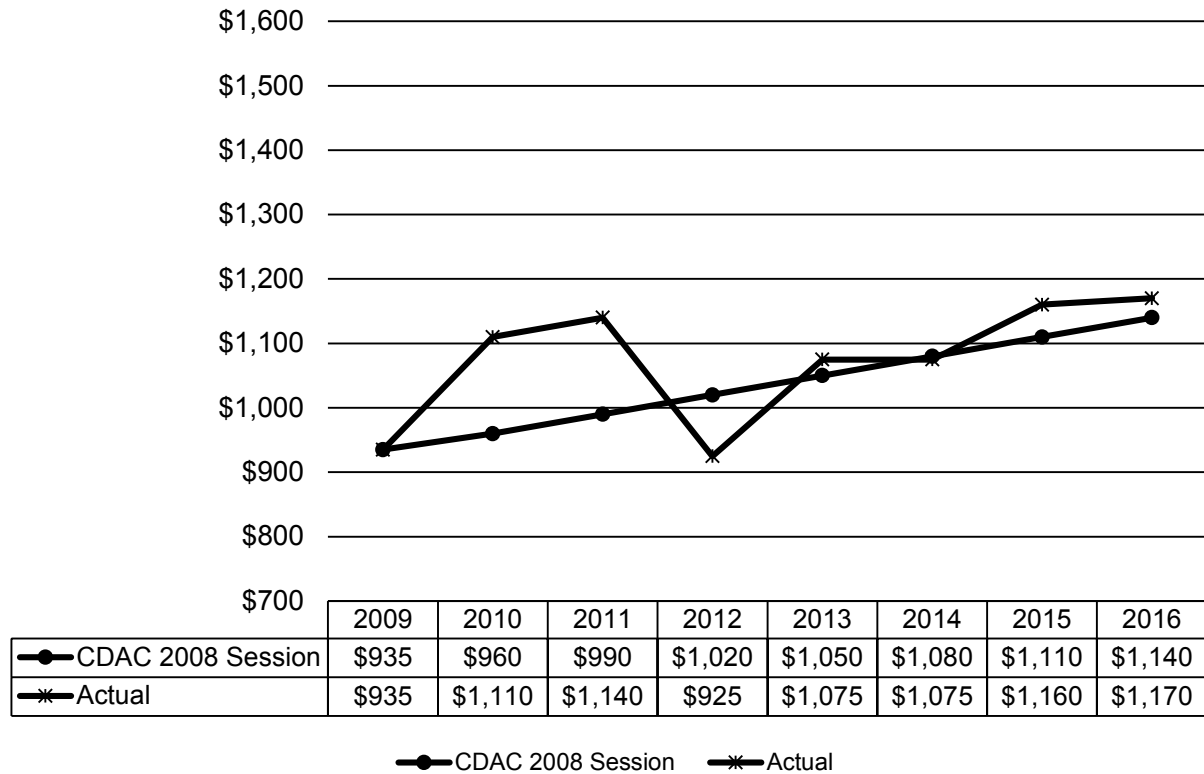
CDAC: Capital Debt Affordability Committee
GO: general obligation
SAC: Spending Affordability Committee

Note: 2013 and 2014 CDAC report.

- 2013 Capital Debt Affordability Committee's (CDAC) recommendation added \$75 million annually for a total of \$375 million over what the committee recommended in 2012. The Spending Affordability Committee only adopted a \$75 million increase for the 2014 session.
- 2014 CDAC recommendation would add \$75 million annually through fiscal 2019, which is the same recommendation CDAC made in 2013.

Capital Program (cont.)

Actual New GO Bond Authorizations Compared to 2008 CDAC Levels Fiscal 2009-2016 (\$ in Millions)

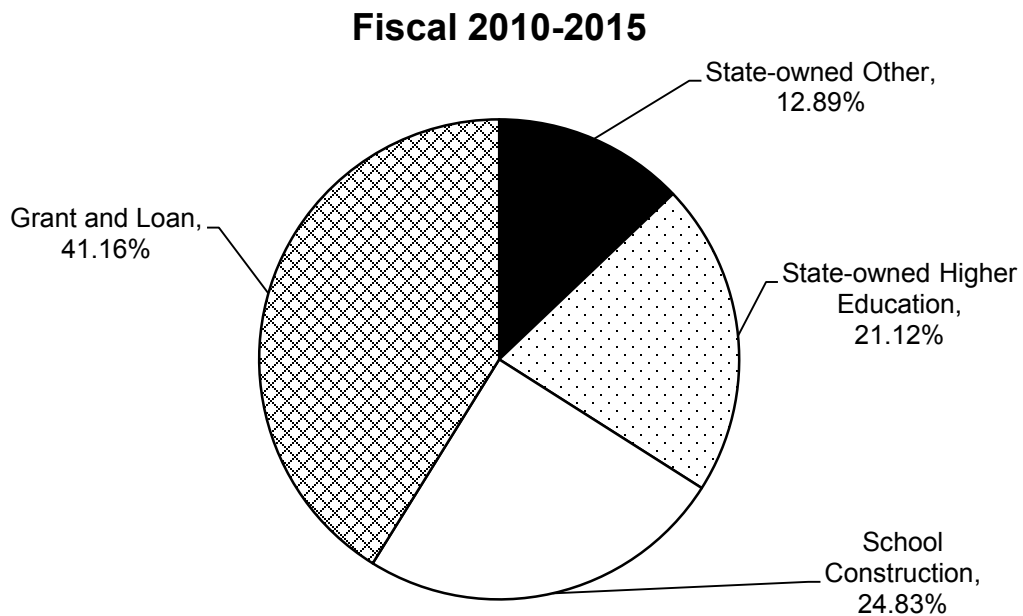
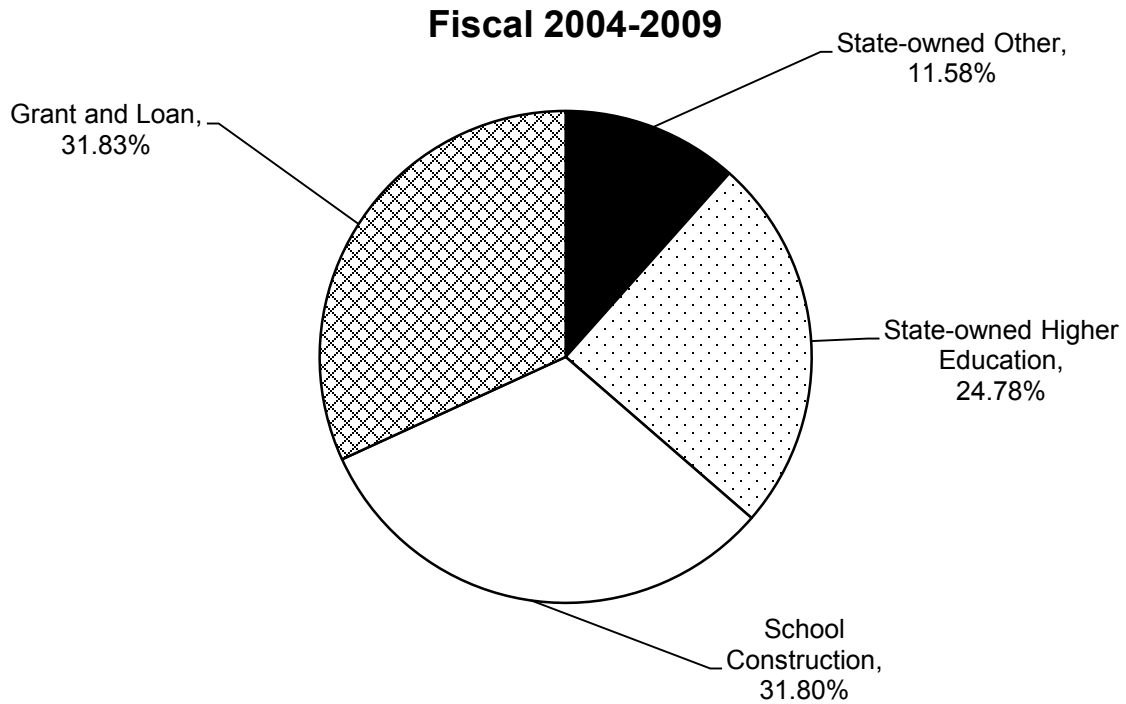


CDAC: Capital Debt Affordability Committee
GO: general obligation

Note: Fiscal 2016 figure reflects CDAC recommendation and not actual new authorizations.

Capital Program (cont.)

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

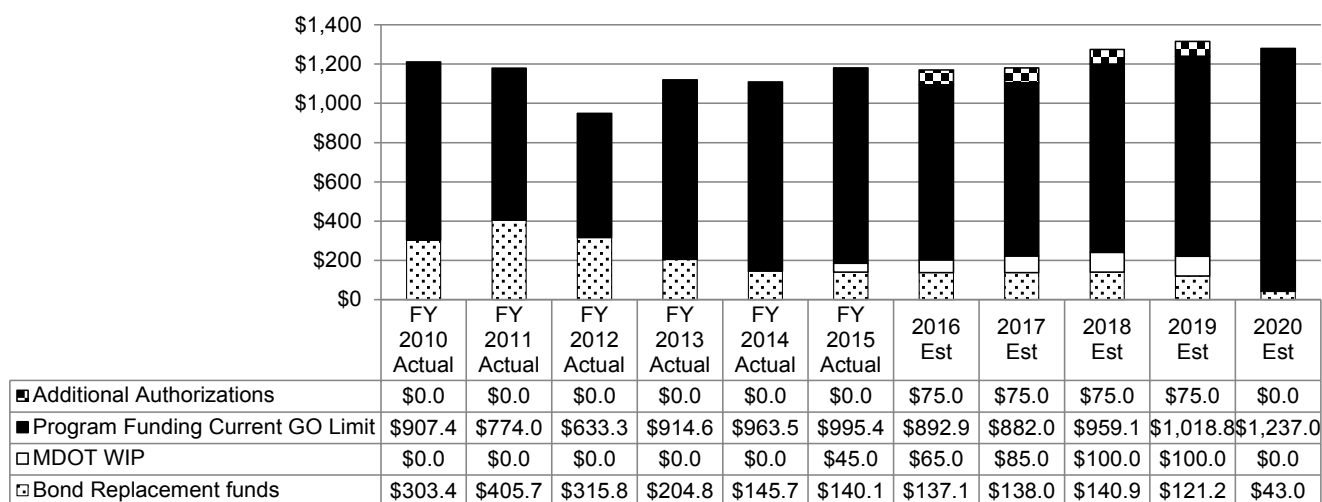


Capital Program (cont.)

Use of GO Bonds for Operating Relief and Replacement Funds

- Bond Replacement Diverts Funds from Capital Infrastructure Investments:** \$1.56 billion, or 23%, of total general obligation (GO) bond authorizations, have been used as a source of replacement funding for transfers and pay-as-you-go (PAYGO) reductions from fiscal 2010 through 2015.
- Bond Replacement Future Commitments:** Current commitments to bond replace transfer tax diversions to the general fund, continued use of GO bonds for PAYGO programs, and potential use of GO bonds to fund State Highway Administration's Waterway Implementation Plan related retrofits scheduled in the Transportation Infrastructure Act of 2013 adds another \$930 million of out-year GO bond replacement funding.

GO Bond Use for Operating and Replacement Funds Fiscal 2010-2015 Actual and Fiscal 2016-2020 Estimate (\$ in Millions)



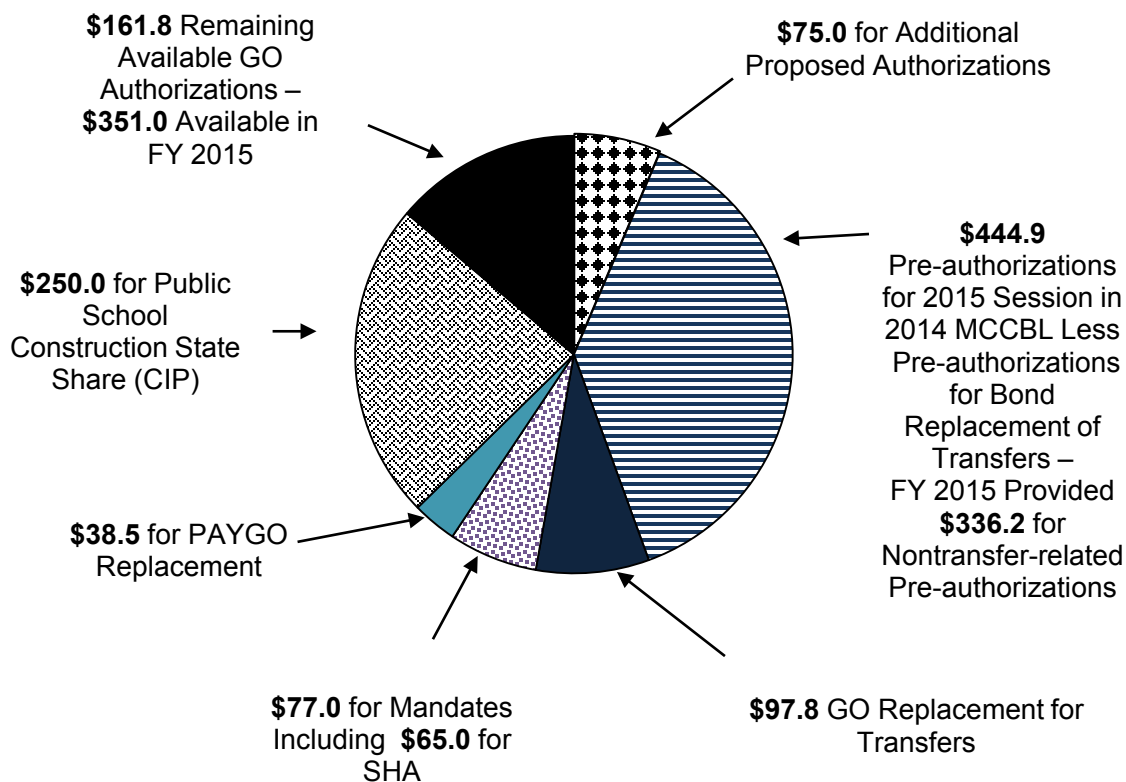
GO: general obligation

MDOT: Maryland Department of Transportation

WIP: Waterway Implementation Plan

Capital Program (cont.)

Outlook for 2015 Session (\$ in Millions)



Fiscal 2016 Requests – Competition for Available Authorizations

- State Facilities: \$83.0 million
- Health and Social Services: \$72.0 million
- Environment: \$126.5 million (excludes fund transfer replacement)
- Education: \$418.0 million (net of CIP level for Public School Construction)
- Higher Education: \$388.0 million (excludes pre-authorizations)
- Public Safety: \$29.2 million (excludes pre-authorizations)
- Housing: \$81.0 million
- Miscellaneous – Including Legislative Initiatives: \$45.0 million

CIP: *Capital Improvement Program*
 GO: general obligation
 MCCBL: Maryland Consolidated Capital Bond Loan

PAYGO: pay-as-you-go
 SHA: State Highway Administration
 WIP: Watershed Implementation Plan

Source: Department of Budget and Management

Maryland Department of Transportation

Transportation Trust Fund Closeout Comparison of Fiscal 2014 Projected and Actual Revenues and Expenditures (\$ in Millions)

| | <u>Projected FY 2014</u> | <u>Actual FY 2014</u> | <u>Variance</u> |
|--|------------------------------|---------------------------|-----------------|
| Starting Fund Balance | \$218 | \$218 | \$0 |
| Revenues | | | |
| Motor Fuel Taxes | \$849 | \$813 | -\$36 |
| Titling Taxes | 728 | 741 | 13 |
| Sales Tax – Rental Vehicles | 32 | 30 | -2 |
| Corporate Income, Registrations, and Misc. | | | |
| Motor Vehicle Administration Fees | 803 | 808 | 5 |
| MDOT Operating Revenues (MD Aviation | | | |
| Admin., MD Port Admin., MD Transit Admin.) | 397 | 410 | 13 |
| Other Receipts and Adjustments | 117 | 149 | 32 |
| Bond Proceeds and Premiums | 455 | 345 | -110 |
| Total Revenues | \$3,381 | \$3,296 | -\$85 |
| Uses of Funds | | | |
| MDOT Operating Expenditures | \$1,740 | \$1,843 | \$103 |
| MDOT Capital Expenditures | 1,336 | 1,001 | -335 |
| MDOT Debt Service | 203 | 200 | -3 |
| Highway User Revenues | 164 | 163 | -1 |
| Other Expenditures | 56 | 53 | -3 |
| Total Expenditures | \$3,499 | \$3,260 | -\$239 |
| Ending Fund Balance | \$100 | \$255 | \$155 |

MDOT: Maryland Department of Transportation

- The fiscal 2014 ending fund balance totaled \$255 million, \$155 million more than was projected.
- Overall, non-bond-related revenues exceeded projections by \$25 million. Bond sales were \$110 million below projections reflecting reduced cash flow needs.
- Spending was \$239 million less than estimated, comprising a \$103 million increase in operating expenditures – primarily related to winter maintenance – offset by a \$335 million decrease in projected capital spending. The decline in capital spending was partially due to a fund swap with federal funds (\$105 million) and also due to cash flow changes in a number of projects across all modes.

Maryland Department of Transportation (cont.)

Motor Fuel Tax Increase Rate Components Fiscal Note Estimate vs. Fiscal 2014 Actual and DLS Forecast

| <u>Rates</u> | <u>Fiscal Year</u> | | | | |
|--|--------------------|--------------|--------------|--------------|--------------|
| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| HB 1515 of 2013 Fiscal Note | | | | | |
| Sales and Use Tax Equivalent | 3.3¢ | 7.0¢ | 14.1¢ | 18.0¢ | 18.3¢ |
| CPI Cumulative Rate | 0.5¢ | 1.0¢ | 1.6¢ | 2.2¢ | 2.8¢ |
| Combined Rate | 3.8¢ | 8.0¢ | 15.7¢ | 20.2¢ | 21.1¢ |
| FY 2014 Actual and DLS Forecast | | | | | |
| Sales and Use Tax Equivalent | 3.1¢ | 4.6¢ | 12.5¢ | 16.7¢ | 17.0¢ |
| CPI Cumulative Rate | 0.4¢ | 0.8¢ | 1.3¢ | 1.9¢ | 2.5¢ |
| Combined Rate | 3.5¢ | 5.4¢ | 13.8¢ | 18.6¢ | 19.5¢ |
| Variance | -0.3¢ | -2.6¢ | -1.9¢ | -1.6¢ | -1.6¢ |

| | Fiscal Year | | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| <u>Revenue (in Millions)</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Total</u> |
| HB 1515 of 2013 Fiscal Note | | | | | | |
| Sales and Use Tax Equivalent | \$100.4 | \$157.4 | \$383.3 | \$543.6 | \$560.4 | \$1,745.1 |
| CPI Cumulative Rate | 15.7 | 30.7 | 49.4 | 68.3 | 87.4 | \$251.5 |
| Subtotal | \$116.1 | \$188.1 | \$432.7 | \$611.9 | \$647.8 | \$1,996.6 |
| FY 2014 Actual and DLS Forecast | | | | | | |
| Sales and Use Tax Equivalent | \$99.7 | \$144.8 | \$348.8 | \$532.2 | \$543.4 | \$1,668.9 |
| CPI Cumulative Rate | 13.1 | 24.6 | 38.1 | 54.2 | 70.3 | \$200.3 |
| Subtotal | \$112.8 | \$169.5 | \$386.9 | \$586.4 | \$613.7 | \$1,869.1 |
| Variance | -\$3.3 | -\$18.6 | -\$45.8 | -\$25.5 | -\$34.1 | -\$127.5 |

CPI: Consumer Price Index

DLS: Department of Legislative Services

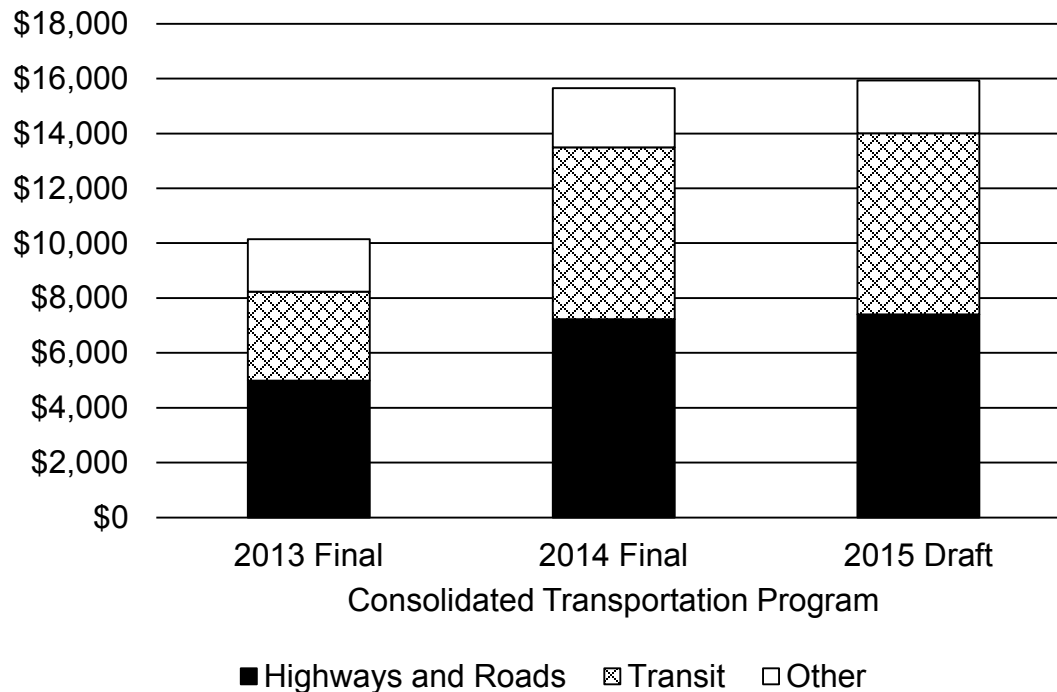
Note: Sales and Use Tax Equivalent rates and revenues assume the contingent rate increases effective beginning fiscal 2016 if Congress fails to enact a sales tax on online purchases by December 1, 2015.

Source: Maryland Office of the Comptroller; Department of Legislative Services

- Revenues from the rate increase were \$3.3 million less in fiscal 2014 than assumed in the fiscal note; over the five-year period ending with fiscal 2018, the DLS forecast of revenues from the increased rates is \$127.5 million lower than was estimated in the fiscal note.

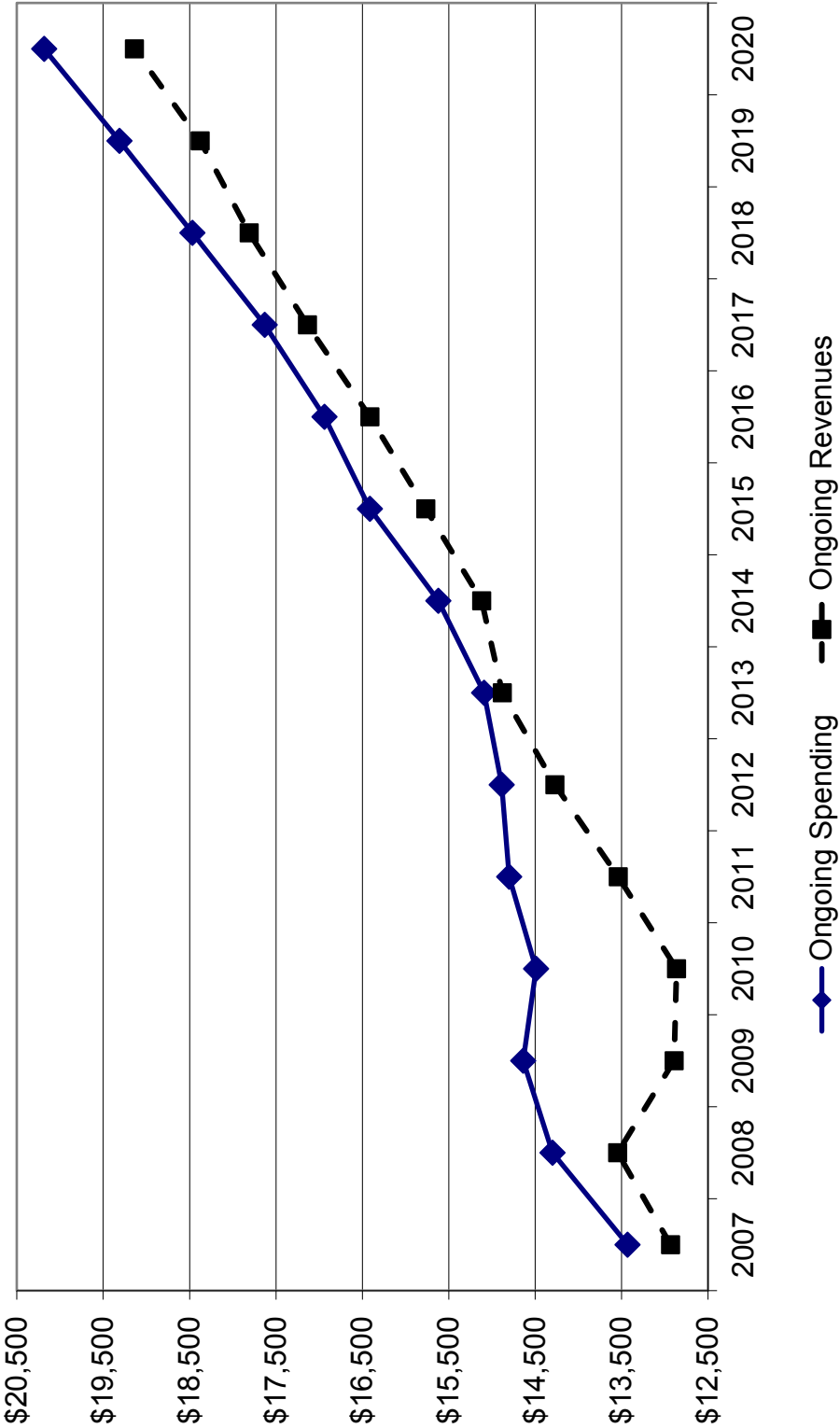
Maryland Department of Transportation (cont.)

**Comparison of Six-year Capital Spending by Category
All Funds
(\$ in Billions)**



- Programmed spending increased by \$5.5 billion between the 2013 and 2014 *Consolidated Transportation Programs* (CTP) due to passage of the transportation revenue increase during the 2013 session. Between the 2014 and 2015 CTPs, programmed spending increases by \$278.0 million.
 - Programmed spending on highways and roads increases by \$165.3 million in the 2015 CTP, transit spending increases \$345.2 million, and all other spending decreases by \$232.6 million.
-

Ongoing General Fund Revenue vs. Ongoing Spending
Spending and Revenue Actions Worsen the Shortfall
 Fiscal 2007-2020
 (\$ in Millions)



General Fund Budget Outlook

Fiscal 2015-2020

(\$ in Millions)

| | FY 2015 Work. App. | FY 2016 Baseline | FY 2017 Est. | FY 2018 Est. | FY 2019 Est. | FY 2020 Est. | Average Annual Change 2016-2020 |
|--|-----------------------|---------------------|-----------------|-----------------|-----------------|-----------------|--|
| Revenues | | | | | | | |
| Opening Fund Balance | \$148 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| Transfer | 1 | 33 | 30 | 34 | 40 | 31 | |
| One-time Revenues/Legislation | 71 | 0 | 0 | 0 | 0 | 0 | |
| Subtotal One-time Revenue | \$220 | \$33 | \$30 | \$34 | \$40 | \$31 | -1.6% |
| Ongoing Revenues | \$15,766 | \$16,413 | \$17,137 | \$17,810 | \$18,379 | \$19,138 | |
| Subtotal Ongoing Revenue | \$15,766 | \$16,413 | \$17,137 | \$17,810 | \$18,379 | \$19,138 | 3.9% |
| Total Revenues & Fund Balance | \$15,986 | \$16,446 | \$17,167 | \$17,844 | \$18,419 | \$19,169 | 3.9% |
| Ongoing Spending | | | | | | | |
| Operating Spending | \$16,809 | \$17,342 | \$18,152 | \$19,029 | \$19,877 | \$20,756 | |
| Education Trust Fund ¹ | -407 | -414 | -532 | -560 | -567 | -573 | |
| Multi-year Commitments | 10 | 10 | 10 | 0 | 0 | 0 | |
| Subtotal Ongoing Spending | \$16,411 | \$16,938 | \$17,630 | \$18,469 | \$19,310 | \$20,183 | 4.5% |
| One-time Spending | | | | | | | |
| PAYGO Capital | \$3 | \$1 | \$1 | \$1 | \$1 | \$1 | |
| One-time Reductions | -166 | 0 | 0 | 0 | 0 | 0 | |
| Legislation/One-time Adjustments/Swaps | 10 | 0 | 0 | 0 | 0 | 0 | |
| Appropriation to Reserve Fund | 20 | 100 | 50 | 50 | 50 | 50 | |
| Subtotal One-time Spending | -\$134 | \$101 | \$51 | \$51 | \$51 | \$51 | |
| Total Spending | \$16,277 | \$17,039 | \$17,681 | \$18,520 | \$19,361 | \$20,234 | 4.4% |
| Ending Balance | -\$291 | -\$593 | -\$514 | -\$676 | -\$942 | -\$1,065 | |
| Rainy Day Fund Balance | \$791 | \$820 | \$857 | \$891 | \$919 | \$957 | |
| Balance Over 5% of General Fund Revenues | 3 | 1 | 0 | 0 | 0 | 1 | |
| As % of General Fund Revenues | 5.02% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | |
| Structural Balance | -\$645 | -\$525 | -\$493 | -\$659 | -\$931 | -\$1,045 | |

PAYGO: pay-as-you-go

¹ Includes revenues from video lottery terminals and table games.

Ongoing Spending and Revenues

Fiscal 2016-2020

(\$ in Millions)

| <u>Ongoing Spending</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>Average Annual Percent Change</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|--|
| Debt Service | \$268 | \$385 | \$460 | \$498 | \$559 | 20.2% |
| Local Aid | 6,961 | 7,206 | 7,564 | 7,942 | 8,252 | 4.3% |
| Entitlements | 3,258 | 3,465 | 3,660 | 3,833 | 4,075 | 5.8% |
| State Agencies – Personnel Costs ¹ | 3,539 | 3,683 | 3,837 | 3,996 | 4,161 | 4.1% |
| State Agencies – Nonpersonnel Costs | 3,317 | 3,413 | 3,508 | 3,609 | 3,708 | 2.8% |
| Sustainable Communities Tax Credit | 10 | 10 | 0 | 0 | 0 | -100.0% |
| Subtotal | \$17,352 | \$18,162 | \$19,029 | \$19,877 | \$20,756 | 4.6% |
| Education Trust Fund ² | \$414 | \$532 | \$560 | \$567 | \$573 | 8.4% |
| Total | \$16,938 | \$17,630 | \$18,469 | \$19,310 | \$20,183 | 4.4% |
| Change | \$693 | \$692 | \$839 | \$841 | \$874 | |
| Percent Change | 4.3% | 4.1% | 4.8% | 4.6% | 4.5% | |
| Ongoing Revenues | \$16,413 | \$17,137 | \$17,810 | \$18,379 | \$19,138 | 3.9% |
| Change | \$647 | \$724 | \$673 | \$569 | \$759 | |
| Percent Change | 4.1% | 4.4% | 3.9% | 3.2% | 4.1% | |

¹Includes Higher Education Institutions.

²Includes revenues from video lottery terminals and table games.

APPENDICES

State Reserve Fund Activity
Fiscal 2015 and 2016
(\$ in Millions)

| | <u>Rainy Day</u> <u>Fund</u> | <u>Dedicated</u> <u>Purpose Acct.</u> | <u>Catastrophic</u> <u>Event Acct.</u> |
|---------------------------------------|---|--|---|
| Estimated Balances 6/30/14 | \$763.3 | \$0.0 | \$0.2 |
| Fiscal 2015 Appropriations | \$19.7 | \$0.0 | \$0.0 |
| Estimated Interest | 7.8 | | |
| Estimated Balances 6/30/15 | \$790.8 | \$0.0 | \$0.2 |
| Fiscal 2016 Appropriations | \$50.0 | \$0.0 | \$0.0 |
| Transfer to General Fund | -33.0 | | |
| Interest | 12.3 | | |
| Estimated Balances 6/30/16 | \$820.1 | \$0.0 | \$0.3 |
| Percent of Revenues in Reserve | 5.0% | | |

Status of the General Fund

Fiscal 2015

(\$ in Millions)

| | | |
|--|------------|-------------------|
| Starting Balance | | \$147.6 |
| Revenues | | |
| BRE Estimated Revenue July 2014 | \$15,992.2 | |
| BRE September 2014 Revision | -177.1 | |
| July 2014 BPW Revenue Assumptions | 2.2 | |
| Total | | \$15,817.2 |
| Transfers | | |
| Budget Reconciliation Legislation | \$1.0 | |
| Budgeted Tax Credits | 20.1 | |
| Total | | \$21.1 |
| Funds Available | | \$15,985.9 |
| Spending | | |
| Fiscal 2015 Allowance | \$16,091.8 | |
| DLS Estimated Deficiencies | 294.9 | |
| July 2014 BPW Withdrawn Appropriations | -75.9 | |
| Estimated Agency Reversions | -33.7 | |
| Net Expenditures | | \$16,277.1 |
| Ending Balance | | -\$291.2 |

BPW: Board of Public Works
BRE: Board of Revenue Estimates
DLS: Department of Legislative Services

Status of the General Fund

Fiscal 2016
(\$ in Millions)

| | | |
|--------------------------------------|------------|-------------------|
| Starting Balance | | \$0.0 |
| Revenues | | |
| BRE Estimated Revenue September 2014 | \$16,393.1 | |
| Total | | \$16,393.1 |
| Transfers | | |
| Rainy Day Fund | \$33.0 | |
| Budgeted Tax Credits | 19.9 | |
| Total | | \$52.9 |
| Funds Available | | \$16,446.0 |
| Spending | | |
| Fiscal 2016 Baseline | \$17,068.6 | |
| Estimated Agency Reversions | -30.0 | |
| Net Expenditures | | \$17,038.6 |
| Ending Balance | | -\$592.6 |

BRE: Board of Revenue Estimates

State Expenditures – Special and Higher Education Funds*

(\$ in Millions)

| <u>Category</u> | <u>Working Appropriation FY 2014</u> | <u>Revised Legislative Appropriation FY 2015</u> | <u>Baseline FY 2016</u> | <u>FY 2015 to FY 2016 \$ Change</u> | <u>% Change</u> |
|-------------------------------------|--|--|-----------------------------|---|-----------------|
| Debt Service | \$1,100.0 | \$1,143.3 | \$1,141.6 | -\$1.7 | -0.1% |
| County/Municipal | 277.0 | 265.9 | 271.2 | 5.3 | 2.0% |
| Community Colleges | 0.0 | 0.0 | 0.0 | 0.0 | n/a |
| Education/Libraries | 389.7 | 407.3 | 414.2 | 6.9 | 1.7% |
| Health | 0.0 | 0.0 | 0.0 | 0.0 | n/a |
| Aid to Local Governments | \$666.6 | \$673.2 | \$685.4 | \$12.2 | 1.8% |
| Foster Care Payments | \$5.5 | \$5.5 | \$7.1 | \$1.7 | 30.1% |
| Assistance Payments | 18.6 | 18.6 | 18.8 | 0.2 | 1.0% |
| Medical Assistance | 833.5 | 972.2 | 982.3 | 10.1 | 1.0% |
| Property Tax Credits | 0.0 | 0.0 | 0.0 | 0.0 | n/a |
| Entitlements | \$857.5 | \$996.3 | \$1,008.2 | \$11.9 | 1.2% |
| Health | \$538.4 | \$472.8 | \$422.3 | -\$50.4 | -10.7% |
| Human Resources | 98.7 | 96.9 | 97.9 | 1.0 | 1.0% |
| Children's Cabinet Interagency Fund | 0.0 | 0.0 | 0.0 | 0.0 | n/a |
| Juvenile Services | 4.4 | 5.0 | 4.8 | -0.1 | -2.6% |
| Public Safety/Police | 226.4 | 217.6 | 225.7 | 8.1 | 3.7% |
| Higher Education | 4,144.4 | 4,186.0 | 4,346.2 | 160.1 | 3.8% |
| Other Education | 72.7 | 57.0 | 50.9 | -6.1 | -10.8% |
| Transportation | 1,606.0 | 1,653.0 | 1,839.0 | 186.0 | 11.3% |
| Agric./Nat'l. Res./Environment | 225.2 | 247.1 | 266.0 | 18.8 | 7.6% |
| Other Executive Agencies | 638.6 | 661.1 | 612.8 | -48.3 | -7.3% |
| Legislative | 0.0 | 0.0 | 0.0 | 0.0 | n/a |
| Judiciary | 53.8 | 63.1 | 64.7 | 1.6 | 2.5% |
| Across-the-board Cuts | -12.3 | 0.0 | 0.0 | 0.0 | n/a |
| State Agencies | \$7,596.3 | \$7,659.5 | \$7,930.2 | \$270.7 | 3.5% |
| Deficiencies | \$0.0 | -\$22.6 | \$0.0 | \$22.6 | -100.0% |
| Total Operating | \$10,220.5 | \$10,449.6 | \$10,765.4 | \$315.8 | 3.0% |
| Capital | \$1,588.7 | \$1,814.4 | \$2,096.5 | \$282.0 | 15.5% |
| – Transportation | 1,316.1 | 1,555.4 | 1,817.0 | 261.6 | 16.8% |
| – Environment | 200.7 | 197.6 | 193.3 | -4.3 | -2.2% |
| – Other | 71.9 | 61.4 | 86.1 | 24.7 | 40.2% |
| Grand Total | \$11,809.2 | \$12,264.0 | \$12,861.9 | \$597.8 | 4.9% |

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

Note: The fiscal 2014 working appropriation reflects deficiencies, supplemental deficiencies, and \$18.9 million in cost containment. The fiscal 2015 revised appropriation includes \$0.1 million in additional special funds due to funding swaps and \$4.8 million in spending approved by the Board of Public Works on July 2, 2014.

State Expenditures – Federal Funds

(\$ in Millions)

| <u>Category</u> | <u>Working Appropriation FY 2014</u> | <u>Revised Legislative Appropriation FY 2015</u> | <u>Baseline FY 2016</u> | <u>FY 2015 to FY 2016 \$ Change</u> | <u>% Change</u> |
|--|--|--|-----------------------------|---|---------------------|
| Debt Service | \$12.4 | \$11.5 | \$11.5 | \$0.0 | 0.0% |
| County/Municipal | 59.3 | 55.3 | 55.3 | 0.0 | 0.0% |
| Community Colleges | 0.0 | 0.0 | 0.0 | 0.0 | n/a |
| Education/Libraries | 754.3 | 802.3 | 802.3 | 0.0 | 0.0% |
| Health | 4.5 | 4.5 | 4.5 | 0.0 | 0.0% |
| <i>Aid to Local Governments</i> | <i>\$818.1</i> | <i>\$862.1</i> | <i>\$862.1</i> | <i>\$0.0</i> | <i>0.0%</i> |
| Foster Care Payments | \$84.0 | \$90.6 | \$85.9 | -\$4.7 | -5.2% |
| Assistance Payments | 1,197.7 | 1,353.1 | 1,251.3 | -101.8 | -7.5% |
| Medical Assistance | 3,936.4 | 4,932.0 | 5,910.8 | 978.8 | 19.8% |
| Property Tax Credits | 0.0 | 0.0 | 0.0 | 0.0 | n/a |
| <i>Entitlements</i> | <i>\$5,218.0</i> | <i>\$6,375.7</i> | <i>\$7,248.0</i> | <i>\$872.3</i> | <i>13.7%</i> |
| Health | \$1,400.3 | \$910.7 | \$905.9 | -\$4.8 | -0.5% |
| Human Resources | 521.0 | 513.9 | 542.1 | 28.2 | 5.5% |
| Children's Cabinet Interagency Fund | 0.0 | 0.0 | 0.0 | 0.0 | n/a |
| Juvenile Services | 7.4 | 7.1 | 7.7 | 0.6 | 7.7% |
| Public Safety/Police | 29.5 | 29.2 | 31.4 | 2.2 | 7.4% |
| Higher Education | 0.0 | 0.0 | 0.0 | 0.0 | n/a |
| Other Education | 338.7 | 240.0 | 230.3 | -9.8 | -4.1% |
| Transportation | 97.2 | 92.7 | 93.4 | 0.7 | 0.7% |
| Agric./Nat'l. Res./Environment | 68.1 | 65.9 | 69.7 | 3.8 | 5.7% |
| Other Executive Agencies | 573.3 | 548.4 | 536.4 | -12.1 | -2.2% |
| Judiciary | 5.4 | 0.3 | 0.3 | 0.0 | 1.9% |
| Across-the-board Cuts | -8.8 | 0.0 | 0.0 | 0.0 | n/a |
| <i>State Agencies</i> | <i>\$3,032.1</i> | <i>\$2,408.3</i> | <i>\$2,417.0</i> | <i>\$8.7</i> | <i>0.4%</i> |
| Deficiencies | \$0.0 | \$8.9 | \$0.0 | -\$8.9 | -100.0% |
| Total Operating | \$9,080.6 | \$9,666.5 | \$10,538.7 | \$872.1 | 9.0% |
| Capital | \$799.4 | \$860.0 | \$959.0 | \$99.0 | 11.5% |
| – Transportation | 709.8 | 793.3 | 877.4 | 84.0 | 10.6% |
| – Environment | 44.6 | 41.3 | 44.9 | 3.6 | 8.6% |
| – Other | 45.1 | 25.4 | 36.8 | 11.4 | 45.0% |
| Grand Total | \$9,880.0 | \$10,526.5 | \$11,497.7 | \$971.1 | 9.2% |

Note: The fiscal 2014 working appropriation includes deficiencies, supplemental deficiencies, \$13.1 million in cost containment, and legislative reductions to the deficiencies. The fiscal 2015 revised appropriation includes \$4.3 million in additional federal fund spending approved by the Board of Public Works on July 2, 2014.

State Expenditures – State Funds

(\$ in Millions)

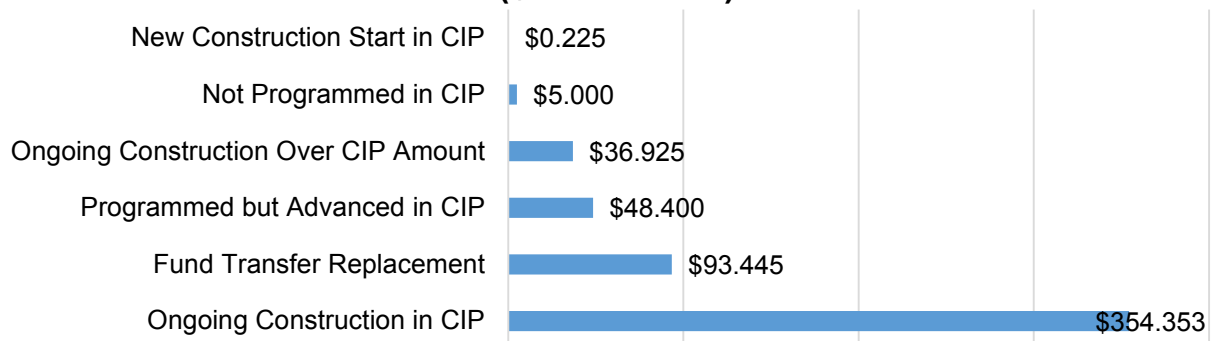
| <u>Category</u> | <u>Working Appropriation FY 2014</u> | <u>Revised Legislative Appropriation FY 2015</u> | <u>Baseline FY 2016</u> | <u>FY 2015 to FY 2016 \$ Change</u> | <u>% Change</u> |
|-------------------------------------|--|--|-----------------------------|---|-----------------|
| Debt Service | \$1,183.0 | \$1,283.3 | \$1,409.6 | \$126.3 | 9.8% |
| County/Municipal | 522.0 | 520.4 | 542.8 | 22.4 | 4.3% |
| Community Colleges | 281.3 | 297.3 | 316.1 | 18.8 | 6.3% |
| Education/Libraries | 5,995.2 | 6,136.0 | 6,323.9 | 187.8 | 3.1% |
| Health | 41.7 | 46.9 | 48.9 | 2.0 | 4.3% |
| Aid to Local Governments | \$6,840.2 | \$7,000.7 | \$7,231.7 | \$231.0 | 3.3% |
| Foster Care Payments | \$262.4 | \$228.6 | \$213.0 | -\$15.6 | -6.8% |
| Assistance Payments | 90.1 | 92.5 | 96.2 | 3.7 | 4.0% |
| Medical Assistance | 3,312.3 | 3,741.7 | 3,870.9 | 129.2 | 3.5% |
| Property Tax Credits | 80.2 | 82.0 | 86.1 | 4.1 | 5.0% |
| Entitlements | \$3,744.9 | \$4,144.7 | \$4,266.1 | \$121.4 | 2.9% |
| Health | \$2,111.6 | \$1,761.8 | \$1,781.6 | \$19.8 | 1.1% |
| Human Resources | 429.8 | 427.4 | 453.2 | 25.8 | 6.0% |
| Children's Cabinet Interagency Fund | 20.1 | 21.4 | 23.0 | 1.6 | 7.4% |
| Juvenile Services | 283.2 | 287.9 | 312.7 | 24.8 | 8.6% |
| Public Safety/Police | 1,611.3 | 1,641.1 | 1,793.0 | 151.9 | 9.3% |
| Higher Education | 5,358.6 | 5,518.1 | 5,796.1 | 277.9 | 5.0% |
| Other Education | 459.0 | 434.7 | 487.4 | 52.7 | 12.1% |
| Transportation | 1,606.0 | 1,653.0 | 1,839.0 | 186.0 | 11.3% |
| Agric./Nat'l. Res./Environment | 339.5 | 358.7 | 396.5 | 37.9 | 10.6% |
| Other Executive Agencies | 1,302.1 | 1,363.7 | 1,328.0 | -35.7 | -2.6% |
| Legislative | 79.6 | 82.8 | 86.8 | 4.0 | 4.8% |
| Judiciary | 458.1 | 492.6 | 518.3 | 25.7 | 5.2% |
| Across-the-board Cuts | -54.4 | -19.4 | 0.0 | 19.4 | -100.0% |
| State Agencies | \$14,004.4 | \$14,023.8 | \$14,815.6 | \$791.8 | 5.6% |
| Deficiencies | \$0.0 | \$272.3 | \$0.0 | -\$272.3 | -100.0% |
| Total Operating | \$25,772.6 | \$26,724.8 | \$27,723.0 | \$998.3 | 3.7% |
| Capital ⁽¹⁾ | \$1,631.4 | \$1,826.9 | \$2,107.5 | \$280.5 | 15.4% |
| – Transportation | 1,316.1 | 1,555.4 | 1,817.0 | 261.6 | 16.8% |
| – Environment | 201.0 | 198.6 | 194.3 | -4.3 | -2.2% |
| – Other | 114.3 | 72.9 | 96.1 | 23.2 | 31.8% |
| Subtotal | \$27,404.0 | \$28,551.7 | \$29,830.5 | \$1,278.8 | 4.5% |
| Reserve Funds | \$55.3 | \$19.7 | \$100.0 | \$80.3 | 407.3% |
| Appropriations | \$27,459.2 | \$28,571.4 | \$29,930.5 | \$1,359.1 | 4.8% |
| Reversions | -\$67.2 | -\$30.3 | -\$30.0 | \$0.3 | -0.9% |
| Grand Total | \$27,392.0 | \$28,541.1 | \$29,900.5 | \$1,359.4 | 4.8% |

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

Note: The fiscal 2014 working appropriation includes deficiencies, supplemental deficiencies, \$274.2 million in cost containment, \$51.0 million in targeted reversions, and legislative reductions to the deficiencies. The fiscal 2015 appropriation includes \$0.1 million in additional special funds due to funding swaps. The revised fiscal 2015 legislative appropriation reflects \$74.6 million in reductions and targeted reversions approved by the Board of Public Works on July 2, 2014.

Pre-authorizations for the 2015 Session

Categories of Pre-authorizations for the 2015 Session (\$ in Millions)



CIP: *Capital Improvement Program*

| Project/Program Title | Amount |
|--|----------------------|
| Military Department – Havre de Grace Readiness Center | \$225,000 |
| Department of Natural Resources – Program Open Space | 58,225,000 |
| Department of Natural Resources – Rural Legacy Program | 12,494,000 |
| Department of Agriculture – Maryland Agricultural Land Preservation Program | 22,726,000 |
| Department of Public Safety and Correctional Services – New Youth Detention Center | 18,350,000 |
| Department of Public Safety and Corrections Services – Maryland Correctional Training Center | 3,900,000 |
| Department of Public Safety and Correctional Services – Dorsey Run Correctional Facility | 3,575,000 |
| State Department of Education – State Library Resource Center | 25,850,000 |
| University of Maryland, Baltimore – Health Sciences III | 81,550,000 |
| University of Maryland, College Park (UMCP) – Edward St. John Learning and Teaching Center | 65,650,000 |
| UMCP – Bioengineering Building | 42,200,000 |
| UMCP – University of Maryland Sports Performance and Academic Research Building | 5,000,000 |
| Bowie State University – New Natural Sciences Center | 48,300,000 |
| University of Maryland Eastern Shore – New Engineering and Aviation Sciences Building | 1,500,000 |
| Coppin State University – Percy Julian Building | 1,200,000 |
| University of Baltimore – Langsdale Library | 11,600,000 |
| Salisbury University – New Academic Commons | 47,550,000 |
| University of Maryland Center for Environmental Science – New Environmental Sustainability Research Laboratory | 758,000 |
| University System of Maryland – Southern Maryland Higher Education Facility | 5,000,000 |
| St. Mary's College of Maryland – Anne Arundel Hall Reconstruction | 8,700,000 |
| Maryland Higher Education Commission – Community College Facilities Grant Program | 32,033,000 |
| Morgan State University (MSU) – Campuswide Utilities Upgrade | 3,700,000 |
| MSU – New Behavioral and Social Sciences Complex | 32,250,000 |
| Maryland Environmental Service | 6,012,000 |
| Total | \$538,348,000 |