
Fiscal Briefing

**Department of Legislative Services
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Contents

The Governor’s Fiscal 2016 Plan	1
The Governor’s Proposed Budget Resolves the Structural Deficit – Ongoing Revenues Match Ongoing Spending – Fiscal 2007-2016	3
Budget Plan Compared to Baseline Estimates	4
General Fund: Recent History and Outlook – Fiscal 2014-2016.....	5
2015 Session "To Do" List	6
Economic and Revenue Outlook	7
Maryland Economic Performance	9
Maryland General Fund Revenue Forecast.....	10
Fiscal 2015 General Fund Revenues.....	11
Gaming Program – Revenues and Impact on the Education Trust Fund.....	12
Operating Budget	13
Status of the General Fund – Fiscal 2015.....	15
Fiscal 2015 Deficiencies Total \$188.2 Million	16
Status of the General Fund – Fiscal 2016.....	17
Revenue Assumptions – Fiscal 2015-2016.....	18
Proposed Transfers to General Fund – Fiscal 2015-2016	19
General Fund Reductions Contingent on Legislation – Fiscal 2015-2016.....	20
State Expenditures – General Funds	21
Medicaid: General Fund Growth for Anticipated Enrollment and Utilization and Other Program Changes Is Limited by Rate Actions and Other Cost Containments	22
State Retirement and Pension System	24
Regular Full-time Equivalent Position Changes (Fiscal 2002 Actual to Fiscal 2016 Allowance).....	26
Employee and Retiree Health Insurance Account (Fiscal 2013-2016)	27
State Aid to Local Governments	29
State Aid by Governmental Entity.....	31
Limited Growth in State Aid in Recent Years	32
State Aid by Governmental Entity and Program – Fiscal 2015 and 2016.....	33
Board of Public Works Reductions (Fiscal 2015).....	34
Proposed Reductions to State Aid Programs – Fiscal 2016.....	35

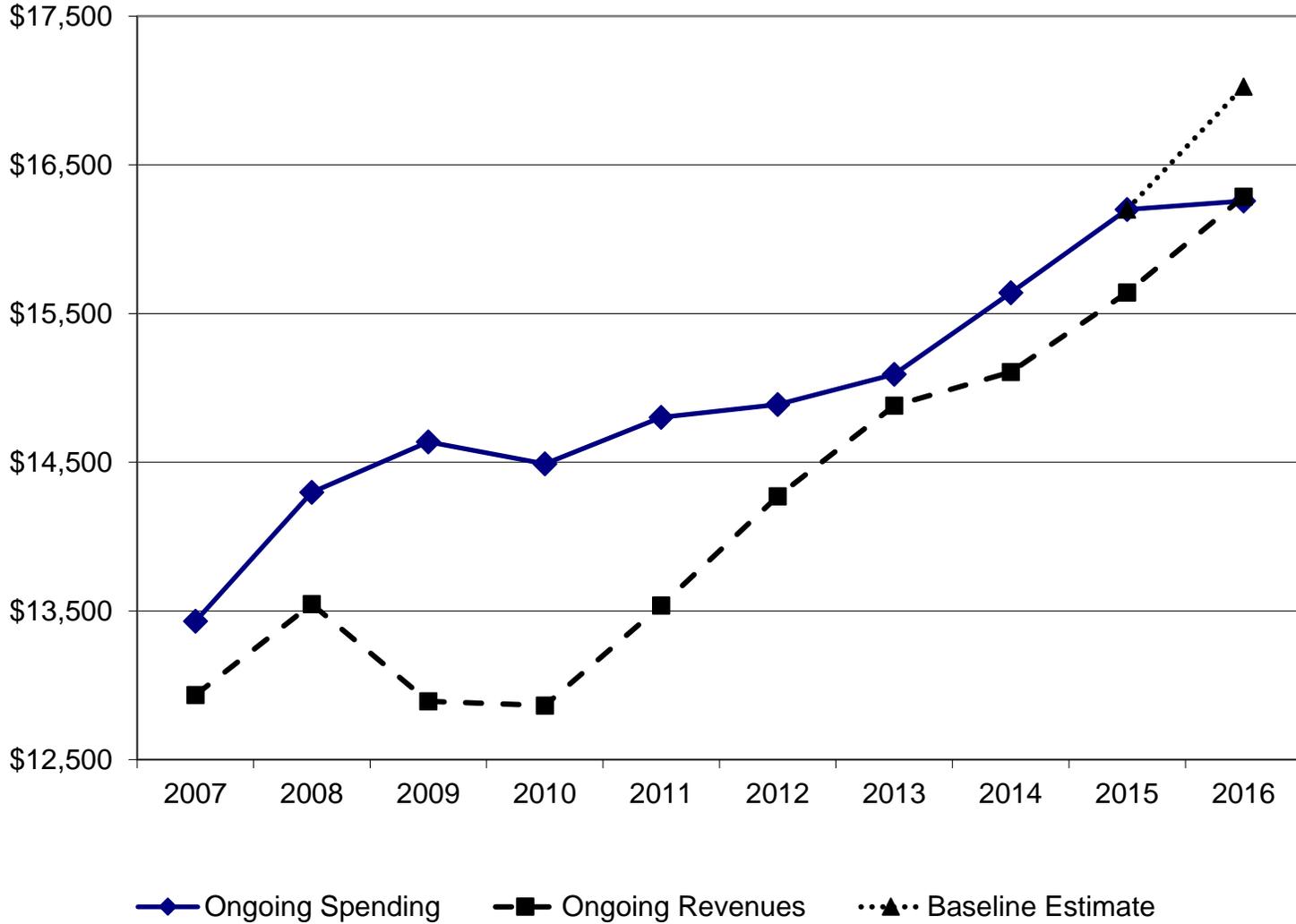
Proposed Reductions to State Aid Programs from Current Law Funding Levels – Fiscal 2016.....	36
Proposed Change in State Aid to Local Governments – Fiscal 2016	37
State Aid to Local Governments – Comparison by Per Capita Aid and Annual Change – Fiscal 2015-2016.....	38
Transportation	39
Fiscal 2015 to 2020 Transportation Trust Fund Forecasts – September 2014 vs. January 2015.....	41
Capital Budget	43
Capital Budget – All Funds – Fiscal 2016	45
Capital Budget – All Funds – Fiscal 2016	46
Fiscal 2016 Capital Budget	47
Notable GO Bond Project Deferrals and Reductions.....	50
Annuity Bond Fund Forecast – Fiscal 2015-2020.....	52
State Reserve Fund Activity – Fiscal 2015-2016	53
Local Income Tax Reserve Account – GAAP Analysis	54
Governor’s Forecast	55
Governor’s Forecast of Future General Fund Budgets – Fiscal 2015-2020.....	57
Appendices	59
Appendix 1 Perspectives on Budget Change – Budget as Submitted, Including Reversions and Contingent Reductions – Fiscal 2015-2016	61
Appendix 2 Fiscal 2015 Deficiencies	62
Appendix 3 Changes from General Fund Baseline Expenditures Growth – Fiscal 2016 Proposed Budget	64
Appendix 4 Fiscal 2016 Change Over Fiscal 2015 Spending – General Funds	65
Appendix 5 Spending Affordability Analysis – Governor’s Proposed Budget – fiscal 2016	67
Appendix 6 State Expenditures – All Funds	68
Appendix 7 State Expenditures – State Funds.....	69
Appendix 8 State Expenditures – Federal Funds.....	70
Appendix 9 State Expenditures – Special and Higher Education Funds	71
Appendix 10 Contractual Full-time Equivalent Positions – Fiscal 2002 Actuals to 2016 Allowance.....	72
Appendix 11 Board of Public Works Reductions by County – Fiscal 2015.....	73
Appendix 12 State Aid to Local Governments – Fiscal 2016 Allowance.....	74

Appendix 13	State Aid to Local Governments – Fiscal 2015 Working Appropriation	75
Appendix 14	State Aid to Local Governments – Dollar Difference Between Fiscal 2016 Allowance and Fiscal 2015 Working Appropriation	76
Appendix 15	State Aid to Local Governments – Percent Change: Fiscal 2016 Allowance Over Fiscal 2015 Working Appropriation	77
Appendix 16	State Expenditures – Total and Adjusted for Reserve Fund Transfers – Fiscal 2006-2016	78
Appendix 17	Top Funded Programs and Projects – All Funds – Fiscal 2016	79
Appendix 18	Budget Reconciliation and Financing Act of 2015 (HB 72/SB 57)	81

The Governor's Fiscal 2016 Plan

The Governor's Proposed Budget Resolves the Structural Deficit
Ongoing Revenues Match Ongoing Spending
Fiscal 2007-2016
(\$ in Millions)

3



Budget Plan Compared to Baseline Estimates (\$ in Millions)

	<u>FY 2015</u>	<u>FY 2016</u>
Estimated Cash Shortfall (December 2014 DLS)	-\$414.4	-\$710.4
BPW – January 2015	85.0	
Personnel		
Voluntary Separation	7.5	30.0
Salary Reduction – Fiscal 2015 COLA		73.2
Fiscal 2016 COLA and Increments		161.9
Local Aid		
Geographic Cost of Education Index		68.1
Freeze Foundation Grant in Education Aid		63.9
Other State Aid Reductions Contingent on Legislation	4.1	45.1
Net Other Reductions from Baseline		12.4
State Agencies		
Health Care Provider Rates		94.0
Other Reductions Contingent on Legislation	45.0	99.6
Net Other Reductions from Baseline	42.2	18.4
2% Across-the-board	112.8	118.0
School Construction PAYGO		-30.0
Transfers		
Transfer Tax to General Fund		37.7
Other Transfers/Revenues	54.8	28.6
Local Income Tax Reserve	100.0	-100.0
Balance Forward		\$37.0
Ending Balance	\$37.0	\$47.5

BPW: Board of Public Works

COLA: cost-of-living adjustment

DLS: Department of Legislative Services

PAYGO: pay-as-you-go

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>Allowance</u>
Funds Available			
Ongoing Revenues	\$15,106	\$15,641	\$16,285
Balances and Transfers	645	291	84
Short-term Revenues	0	85	40
Total Funds Available	\$15,750	\$16,017	\$16,409
Appropriations, Deficiencies, and Cost Containment			
Net Ongoing Operating Costs and Deficiencies	\$15,640	\$16,205	\$16,257
One-time Spending	0	11	0
One-time Spending/Reductions	-126	-252	-76
Pay-as-you-go Capital	33	1	31
Appropriations to Reserve Fund	55	15	150
Total Spending	\$15,603	\$15,981	\$16,362
Cash Balance/Shortfall	\$148	\$37	\$48
Structural			
Balance (Ongoing Revenues Less Operating Costs)	-\$535	-\$565	\$28
Ratio (Ongoing Revenues/Operating Costs)	96.6%	96.5%	100.2%
Reserve Fund Activity			
Appropriations to the Rainy Day Fund	\$55	\$15	\$50
Transfers to General Fund	0	0	34
Estimated Rainy Day Fund Balance – June 30	\$764	\$786	\$814
Total Cash (Rainy Day Fund and General Fund Balance)	\$911	\$823	\$862

2015 Session "To Do" List

Balance Before Proposals Requiring Legislative Approval: 2015 Session	-\$502.1
Revenue Actions	
DHMH: Early Medical Loss Ratio Payment	\$10.0
Divert Chesapeake Bay 2010 Fund Revenue	8.6
Other	2.8
Sunny Day Fund Repayment Diversion	2.7
Limit Refundable Earned Income Tax Credit to In-state	2.0
Subtotal	\$26.1
Transfers	
Local Income Tax Reserve Account	\$100.0
Transfer Tax	37.7
Program Open Space Unencumbered Balance	10.5
State Unemployment Compensation Fund	8.0
Strategic Energy Investment Fund	6.0
Baltimore City Community College	4.0
Lawton Conservation Loan Fund	3.0
Mortgage Lender Originator Fund	3.0
Board of Nursing	2.5
Waterway Improvement Fund	2.2
Other	7.7
Subtotal	\$184.6
Contingent Reductions	
Employee Increments	\$81.2
Education Level Fund Per Pupil Foundation	63.9
Repeal Program Open Space Repayment	50.0
Delay Reducing Medicaid Deficit Assessment from Hospital Savings	14.5
Reduce Funding to Community Colleges	13.0
Delay Net Taxable Income for Education Formulas by One Year	12.1
Reduce Developmental Disabilities Administration Provider Rate Increases	9.2
Level Fund Local Health Grants	7.8
Reduce Private Colleges Funding	6.5
Level Fund Police Aid	3.7
Eliminate Natural Resources Payment In Lieu of Taxes	2.5
Modify Library Funding Enhancements	2.3
Other	8.7
Subtotal	\$275.5
Fund Swaps	
Medicaid (Use MD Health Insurance Plan and Cigarette Restitution Fund)	\$52.2
Education (Use Video Lottery Terminal Local Impact Aid)	8.0
Housing (Use Housing Counseling Fund)	2.4
Other	0.9
Subtotal	\$63.4
Ending General Fund Balance	\$47.5

DHMH: Department of Health and Mental Hygiene

Economic and Revenue Outlook

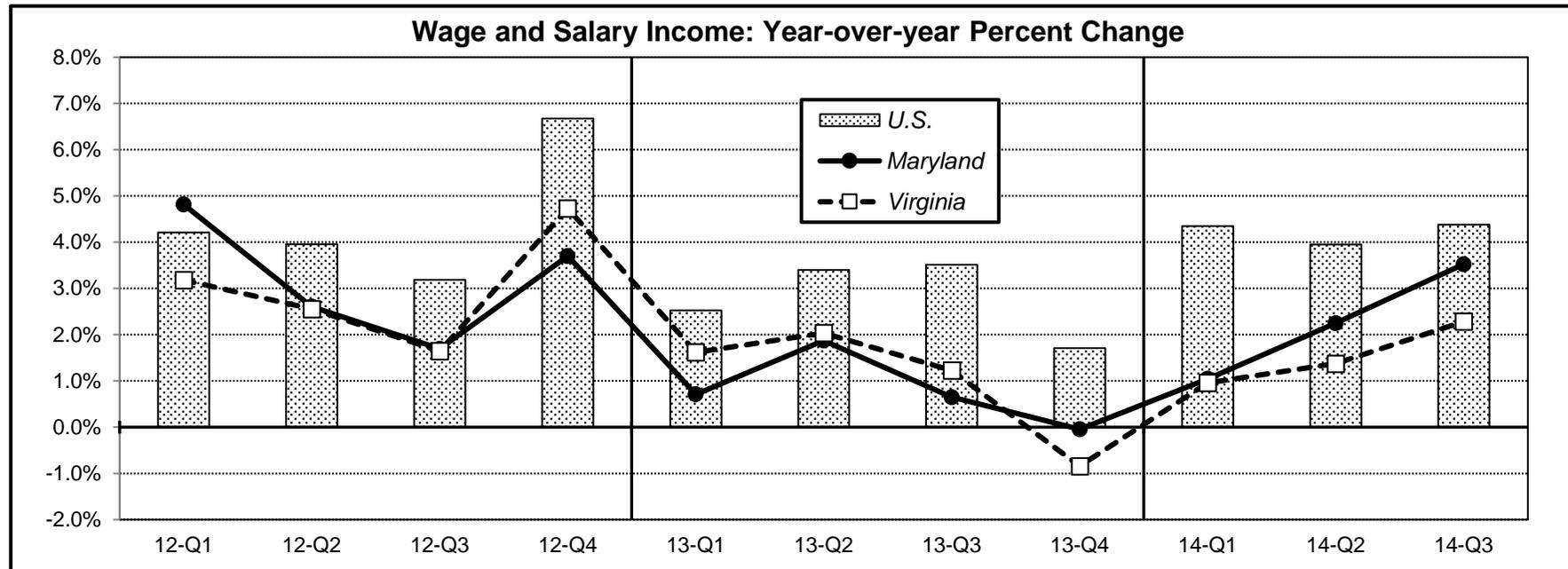
Maryland Economic Performance Year-over-year Percent Change

<u>Month-Year</u>	<u>Employment</u>		<u>Unemployment</u>	<u>Initial</u>	<u>Existing</u>	<u>Median</u>	<u>Vehicle</u>
	<u>CES</u>	<u>QCEW</u>	<u>Rate</u>	<u>UI Claims</u>	<u>Home Sales</u>	<u>Home Price</u>	<u>Sales</u>
Jan-14	0.4%	0.3%	5.8%	-15.4%	1.1%	5.6%	-3.0%
Feb-14	0.3%	0.1%	5.6%	-15.3%	-0.2%	7.7%	-4.6%
Mar-14	0.5%	0.1%	5.6%	-22.4%	-4.8%	1.8%	-7.8%
Apr-14	1.0%	0.7%	5.5%	-21.9%	-4.0%	-0.6%	-1.2%
May-14	0.5%	0.9%	5.6%	-29.7%	-0.3%	0.4%	-3.4%
Jun-14	1.1%	0.9%	5.8%	-15.1%	2.6%	-0.2%	8.3%
Jul-14	0.7%		6.1%	-33.3%	-3.4%	-2.8%	4.1%
Aug-14	0.5%		6.4%	-33.1%	0.5%	-0.4%	2.7%
Sep-14	0.6%		6.3%	-25.1%	5.2%	0.4%	10.2%
Oct-14	0.7%		6.0%	-37.9%	9.2%	-0.7%	6.9%
Nov-14	0.5%		5.6%	-18.8%	7.0%	-2.8%	-2.6%
Dec-14				-13.5%	20.1%	-1.8%	

6

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 General Fund Revenue Forecast (\$ in Millions)

<u>Source</u>	<u>FY 2014</u>	<u>FY 2015 Estimate</u>			<u>% Change over FY 14</u>	<u>FY 2016 Estimate</u>			<u>% Change over FY 15</u>
	<u>Actual</u>	<u>Sep.</u>	<u>Dec.</u>	<u>Difference</u>		<u>Sep.</u>	<u>Dec.</u>	<u>Difference</u>	
Personal Income Tax	\$7,773.8	\$8,284.9	\$8,168.4	-\$116.6	5.1%	\$8,743.4	\$8,628.7	-\$114.7	5.6%
Sales and Use Tax	4,143.2	4,319.7	4,334.8	15.1	4.6%	4,524.2	4,529.5	5.2	4.5%
State Lottery ⁽¹⁾	501.1	503.5	500.0	-3.5	-0.2%	486.0	476.0	-10.0	-4.8%
Corporate Income Tax	761.2	787.3	767.6	-19.7	0.8%	837.1	822.1	-15.0	7.1%
Business Franchise Taxes	228.4	230.3	230.3	0.0	0.8%	233.6	233.6	0.0	1.5%
Insurance Premiums Tax	334.8	319.9	312.9	-7.1	-6.6%	308.7	301.5	-7.3	-3.6%
Estate and Inheritance Taxes	213.8	235.6	239.4	3.8	12.0%	211.5	216.3	4.8	-9.6%
Tobacco Tax	402.4	401.6	393.2	-8.3	-2.3%	400.1	391.6	-8.5	-0.4%
Alcohol Beverages Tax	31.1	31.5	31.6	0.1	1.5%	32.0	31.8	-0.2	0.4%
Motor Vehicle Fuel Tax ⁽²⁾	5.0	5.0	5.0	0.0	0.0%	4.6	4.6	0.0	-7.5%
District Courts	77.7	77.9	78.5	0.6	1.1%	77.7	78.9	1.2	0.4%
Clerks of the Court	35.4	36.0	36.6	0.6	3.5%	37.0	35.4	-1.6	-3.3%
Hospital Patient Recoveries	63.0	57.4	63.3	5.9	0.4%	50.1	63.3	13.2	0.0%
Interest on Investments	21.4	20.4	20.4	0.0	-4.8%	31.2	31.2	0.0	53.2%
Miscellaneous	424.7	360.0	365.8	5.8	-13.9%	338.2	323.2	-15.0	-11.7%
Subtotal	\$15,017.0	\$15,670.9	\$15,547.7	-\$123.2	3.5%	\$16,315.5	\$16,167.5	-\$147.9	4.0%
Transfer Tax ⁽³⁾	89.2	144.2	144.2	0.0	n.a.	77.7	77.7	0.0	n.a.
Total Revenues	\$15,106.2	\$15,815.1	\$15,691.9	-\$123.2	3.9%	\$16,393.1	\$16,245.2	-\$147.9	3.5%

⁽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 \$5.0 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.

⁽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.

Fiscal 2015 General Fund Revenues
(\$ in Millions)

<u>Source</u>	<i>Fiscal Year through December</i>				Full Year Estimated Growth Rate
	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Difference</u>	<u>% Difference</u>	<u>FY 2015</u>
Personal Income Tax	\$3,116.9	\$3,314.2	\$197.4	6.3%	5.1%
Sales and Use Tax ⁽¹⁾	1,710.8	1,792.6	81.9	4.8%	4.6%
State Lottery	247.0	237.7	-9.3	-3.8%	-0.2%
Corporate Income Tax	273.7	292.1	18.4	6.7%	0.8%
Business Franchise Taxes	82.1	83.3	1.2	1.4%	0.8%
Insurance Premiums Tax	163.0	140.8	-22.3	-13.7%	-6.6%
Estate and Inheritance Taxes	105.7	135.7	30.0	28.4%	12.0%
Tobacco Tax	182.7	179.1	-3.6	-2.0%	-2.3%
Alcohol Beverages Tax	13.0	13.2	0.2	1.8%	1.5%
District Courts	44.1	45.2	1.2	2.6%	0.0%
Clerks of the Court	21.8	24.0	2.3	10.4%	1.1%
Interest and Miscellaneous ⁽²⁾	116.5	108.0	-8.5	-7.3%	-11.6%
Total Revenues	\$6,077.2	\$6,366.0	\$288.8	4.8%	3.5%

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

⁽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 2015			Fiscal 2016		
	<u>Sep. Est.</u>	<u>Dec. Est</u>	<u>Difference</u>	<u>Sep. Est.</u>	<u>Dec. Est</u>	<u>Difference</u>
Education Trust Fund	\$330.2	\$320.5	-\$9.7	\$341.4	\$315.9	-\$25.5
Casino Operators	268.6	256.2	-12.4	318.5	297.8	-20.7
Local Impact Grants	38.1	36.8	-1.3	41.7	38.9	-2.9
Small, Minority, and Women-Owned Businesses	10.4	10.0	-0.4	11.4	10.6	-0.8
Purse Dedication	48.1	46.5	-1.6	52.7	49.1	-3.6
Racetracks Facility Renewal Account	7.4	7.2	-0.2	7.4	6.9	-0.5
State Lottery Agency	12.5	12.1	-0.4	8.3	7.7	-0.6
Total Gross Revenues	\$715.4	\$689.4	-\$25.9	\$781.3	\$726.8	-\$54.6

Table Games

	Fiscal 2015			Fiscal 2016		
	<u>Sep. Est.</u>	<u>Dec. Est</u>	<u>Difference</u>	<u>Sep. Est.</u>	<u>Dec. Est</u>	<u>Difference</u>
Education Trust Fund	\$65.8	\$73.2	\$7.4	\$72.8	\$78.1	\$5.3
Casino Operators	263.1	292.9	29.8	291.1	312.3	21.2
Total Gross Revenues	\$328.9	\$366.1	\$37.2	\$363.9	\$390.4	\$26.5

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

Operating Budget

Status of the General Fund
Fiscal 2015
(\$ in Millions)

Starting Balance		\$147.6
Revenues		
BRE Estimated Revenue September 2014	\$15,815.1	
BRE December 2014 Revision	-123.2	
Administration Revenue Assumptions	16.6	
Total		\$15,708.4
Transfers		
Budget Reconciliation and Financing Act of 2014	\$1.0	
Budget Reconciliation and Financing Act of 2015	142.9	
Budgeted Tax Credits	17.6	
Total		\$161.5
Funds Available		\$16,017.5
Spending		
Fiscal 2015 Appropriation	\$16,091.8	
Deficiencies Net of Contingent Reduction	205.4	
Voluntary Separation Program	-7.5	
July 2014 BPW Withdrawn Appropriations	-75.9	
January 2015 BPW Withdrawn Appropriations	-197.8	
Estimated Agency Reversions	-35.4	
Net Expenditures		\$15,980.5
Ending Balance		\$37.0
Fund Balance Reconciliation Since July 1, 2014		
July 2014 Estimated Ending Fund Balance	\$83.5	
BRE Revisions	-307.5	
Closeout	20.6	
BPW Cuts July 2014/January 2015	273.8	
Deficiencies	-205.4	
Administration Transfer/Revenue/Reversion Assumptions	172.1	
Revised Fiscal 2015 Closing Fund Balance	\$37.0	

BPW: Board of Public Works

BRE: Board of Revenue Estimates

Fiscal 2015 Deficiencies Total \$188.2 Million (\$ in Millions)

	<u>GF</u>	<u>SF</u>	<u>FF</u>	<u>CUF</u>
Funds Reduced for Cost Containment				
Reduce calendar 2015 managed care organization rates to -9.5%	-\$16.5			
Reduce funding of Program Open Space		-\$7.1		
Reduce video lottery terminal (VLT) support of local impact grants		-4.1		
Eliminate Park Service PILOT program		-2.3		
Reduce Stem Cell grant funding	-1.0			
Reduce funding for Sustainable Tax Credits	-1.0			
Reduce funding for the Arts Council	-0.8			
Reduce rate increase for various residential providers in DHR, MSDE, and DJS	-0.8			
Reduce funding for the MSDE longitudinal data system	-0.3			
Reduce funding for heritage area grants		-0.3		
Reduce general fund support for MDE operations and backfill with SEIF	-0.3	0.3		
Subtotal	-\$20.7	-\$13.5		
General Fund/Special Fund Swaps Contingent on Legislation				
Medicaid: Reduced general fund support required for higher than budgeted enrollment and utilization contingent on legislation authorizing the use of MHIP fund balance for Medicaid	-\$45.0	\$45.0		
MSDE: Reduced general fund support for education foundation aid contingent on legislation transferring VLT revenue from local impact grants to the Education Trust Fund	-4.1	4.1		
Subtotal	-\$49.1	\$49.1		
General Funds Needed to Offset Underattained Special Funds				
Medicaid: Lower than anticipated CRF revenue	\$53.0	-\$45.6		
DNR: Undert attainment of transfer tax revenue	22.8	-22.8		
MSDE: Underattainment of VLT revenues for education foundation aid	20.5	-20.5		
Subtotal	\$96.3	-\$88.8		
New Spending (See Appendix 2 for Details)	\$1.9		\$1.5	
Operational Expenses (See Appendix 2 for Details)	\$176.9	\$21.6	\$13.8	-\$0.9
Deficiencies Total	\$205.4	-\$31.6	\$15.4	-\$0.9

CRF: Cigarette Restitution Fund

DHR: Department of Human Resources

DJS: Department of Juvenile Services

MDE: Maryland Department of the Environment

MHIP: Maryland Health Insurance Plan

MSDE: Maryland State Department of Education

DNR: Department of Natural Resources

SEIF: Strategic Energy Investment Fund

Status of the General Fund
Fiscal 2016
(\$ in Millions)

Starting Balance		\$37.0
Revenues		
BRE Estimated Revenue September 2014	\$16,393.1	
BRE December 2014 Revision	-147.9	
Administration Assumptions	34.1	
Total		\$16,279.3
Transfers		
Rainy Day Fund	\$34.0	
Budget Reconciliation and Financing Act of 2015	41.7	
Budgeted Tax Credits	17.4	
Total		\$93.1
Funds Available		\$16,409.4
Spending		
Fiscal 2016 Allowance	\$16,909.5	
ATB: Employee Salary Reduction	-68.7	
ATB: 2% Reduction	-118.0	
Contingent Reductions	-289.8	
Voluntary Separation Program	-30.0	
Additional Reversion Assumptions	-11.1	
Estimated Agency Reversions	-30.0	
Net Expenditures		\$16,361.8
Ending Balance		\$47.5

ATB: Across-the-board

BRE: Board of Revenue Estimates

Revenue Assumptions Fiscal 2015-2016

Revenue Assumptions	<u>2015</u>	<u>2016</u>
Comptroller: Tax Compliance Initiatives		\$12,000,000
* DHMH MCO Medical Loss Ratio Payment	\$10,000,000	
* Chesapeake and Atlantic Coastal Bays 2010 Trust Fund		8,639,632
Attorney General: Medicaid Fraud and Securities Divisions		5,300,000
Stadium Authority Rent	3,000,000	
* Limit Earned Income Tax Credit to In-state		2,000,000
* Bechtel Settlement	828,500	1,842,750
DLLR: Special Administrative Expense Fund	1,630,000	
* Health Benefit Exchange		1,498,276
Lottery: Revenue Estimate	919,804	1,082,917
* DBED: Film Tax Credit		683,763
* Comptroller: Unclaimed Property Advertising		580,000
Lottery: Increments and General Salary Increase Savings		345,541
Veteran's: Federal Cemetery Reimbursement		125,000
Maryland Environmental Service	642,304	
Lottery: Instant Tickets	-463,688	
Total	\$16,556,920	\$34,097,879

DBED: Department of Business and Economic Development

DHMH: Department of Health and Mental Hygiene

DLLR: Department of Labor, Licensing, and Regulation

MCO: managed care organizations

* Items require a statutory change through legislation.

Proposed Transfers to General Fund Fiscal 2015-2016

	<u>2015</u>	<u>2016</u>
Transfers Contingent on Budget Reconciliation Legislation		
Local Income Tax Reserve Fund	\$100,000,000	
Transfer Tax		\$37,712,700
DNR: Program Open Space Unencumbered Balance	10,500,000	
MEA: Strategic Energy Investment Fund	6,000,000	
Baltimore City Community College	4,000,000	
State Unemployment Trust Fund	4,000,000	4,000,000
MEA: Jane E. Lawton Conservation Trust Fund	3,000,000	
DLLR: Mortgage Lendor Originator Fund	3,000,000	
DHMH: Board of Nursing	2,500,000	
DNR: Waterway Improvement Fund	2,180,000	
DHMH: Board of Physicians	1,800,000	
DHMH: Board of Pharmacists	1,600,000	
DHMH: Spinal Cord Injury Trust Fund	1,000,000	
MHEC: Health Personnel Shortage Incentive Fund	1,700,000	
MDA: Bay Restoration Fund	1,375,000	
Helicopter Replacement Fund	269,741	
Total	\$142,924,741	\$41,712,700

General Fund Reversion Assumptions

Specific Reversion Assumptions	<u>2015</u>	<u>2016</u>
Judiciary: Increments		\$6,605,000
Judiciary: Salary Reduction – Fiscal 2015 COLA		3,606,000
General Assembly: General Salary Increase		938,000
MSDE: Autism Waiver	\$2,800,000	
MSDE: Out-of-county Placements	1,500,000	
MSDE: Montgomery County Library Retirement Costs	500,000	
Heritage Areas	209,000	
Sustainable Communities Tax Credit Operating Revenue	58,000	
Retirement: Share of MDTimesystem	5,769	
OAH: Share of MDTimesystem	5,769	
Total	\$5,078,538	\$11,149,000

COLA: cost-of-living adjustment
 DHMH: Department of Health and Mental Hygiene
 DLLR: Department of Labor, Licensing, and Regulation
 DNR: Department of Natural Resources
 MDA: Maryland Department of Agriculture

MEA: Maryland Energy Administration
 MHEC: Maryland Higher Education Commission
 MSDE: Maryland State Department of Education
 OAH: Office of Administrative Hearings

General Fund Reductions Contingent on Legislation

Fiscal 2015-2016

	<u>2015</u>	<u>2016</u>
Mandate Relief Contingent on Budget Reconciliation Legislation		
Statewide: Employee Increments		\$81,219,924
Repeal Program Open Space Repayment		50,000,000
Authorize MHIP Balance for Medicaid	\$45,000,000	
DHMH: Delay Reducing Medicaid Deficit Assessment		14,500,000
DHMH: Reduce DDA Provider Rates by 50%		9,152,894
DHMH: Reduce CRF Funding for Academic Health Centers		7,200,000
MHEC: Reduce Sellinger Aid to Private Colleges		6,461,675
DHCD: Expand Uses of Housing Counseling Fund		2,400,000
MSDE: Phase-in Library for the Blind Enhancement		1,940,983
DBED: Reduce State Arts Council Grants to Fiscal 2014 Level		1,361,571
Level Fund MARBIDCO		1,125,000
DNR: Waterway Improvement Fund Swap		875,000
DJS: Reduce Provider Rates to the Fiscal 2014 Level		806,661
DBED: Reduce CyberMaryland Tax Credit		500,000
Reduce Maryland School for the Deaf Formula		309,290
MSDE: Delay Deaf Culture Digital Library Mandate		232,672
MSDE: Reduce Maryland School for the Blind		199,591
MSDE: Reduce SEED School Funding		139,007
Subtotal	\$45,000,000	\$178,424,268
Local Aid		
MSDE: Level Fund Per Pupil Foundation		\$63,915,440
MSDE: Reduce VLT Local Impact Aid and Transfers to ETF	4,073,964	3,887,697
MHEC: Reduce Community College Aid		13,045,513
MSDE: Delay NTI Phase-in for One Year		12,062,805
DHMH: Reduce Local Health Grants to the Fiscal 2014 Level		7,841,378
GOCCP: Reduce Police Aid to the Fiscal 2014 Level		3,720,710
DNR: Eliminate PILOTs		2,498,953
MSDE: Phase-in Library Aid Formula Enhancement		2,319,544
Reduce the Disparity Grant to the Fiscal 2014 Level		2,111,335
Subtotal	\$4,073,964	\$111,403,375
Total	\$49,073,964	\$289,827,643

CRF: Cigarette Restitution Fund
 DBED: Department of Business and Economic Development
 DDA: Developmental Disabilities Administration
 DHCD: Department of Housing and Community Development
 DHMH: Department of Health and Mental Hygiene
 DJS: Department of Juvenile Services
 DNR: Department of Natural Resources
 ETF: Education Trust Fund
 GOCCP: Governor's Office of Crime Control and Prevention

MARBIDCO: Maryland Agricultural and Resource-Based
 Industry Development Corporation
 MHEC: Maryland Higher Education Commission
 MHIP: Maryland Health Insurance Plan
 MSDE: Maryland State Department of Education
 NTI: net taxable income
 PILOTs: payment in lieu of taxes
 VLT: video lottery terminals

State Expenditures – General Funds (\$ in Millions)

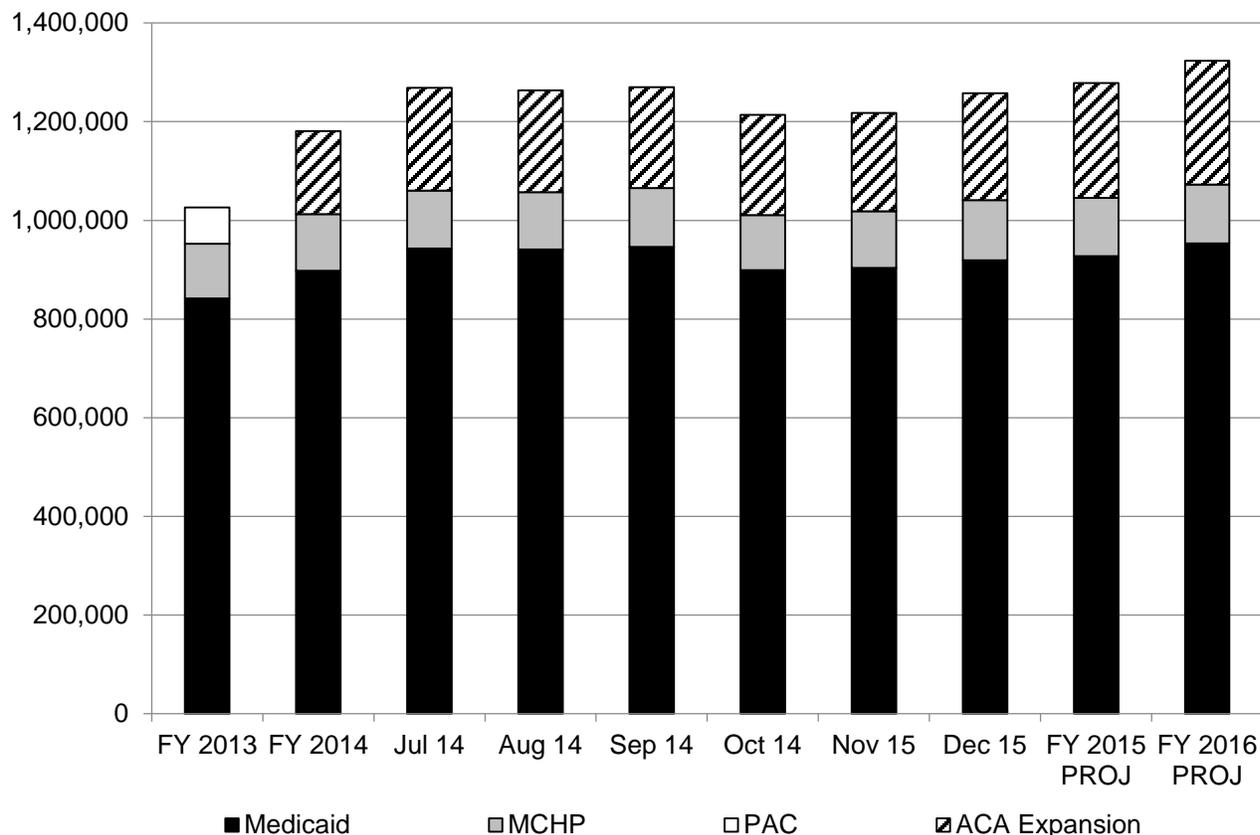
<u>Category</u>	<u>Actual FY 2014</u>	<u>Working Appropriation FY 2015</u>	<u>Allowance FY 2016</u>	<u>Contingent Reductions</u>	<u>Adjusted Allowance FY 2016</u>	<u>FY 2015 to FY 2016</u>	
						<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$83.0	\$140.0	\$274.0	\$0.0	\$274.0	\$134.0	95.7%
County/Municipal	245.6	246.0	256.5	5.8	250.7	4.7	1.9%
Community Colleges	281.3	290.5	307.3	13.0	294.3	3.7	1.3%
Education/Libraries	5,601.9	5,764.8	5,878.0	82.3	5,795.7	30.9	0.5%
Health	41.7	41.7	49.6	7.8	41.7	0.0	0.0%
Aid to Local Governments	\$6,170.6	\$6,343.1	\$6,491.4	\$109.0	\$6,382.4	\$39.3	0.6%
Foster Care Payments	230.6	222.8	193.0	0.0	193.0	-29.9	-13.4%
Assistance Payments	65.6	73.9	76.4	0.0	76.4	2.5	3.4%
Medical Assistance	2,478.8	2,845.3	2,863.0	21.7	2,841.3	-4.0	-0.1%
Property Tax Credits	78.4	82.0	81.7	0.0	81.7	-0.2	-0.3%
Entitlements	\$2,853.5	\$3,224.0	\$3,214.1	\$21.7	\$3,192.4	-\$31.6	-1.0%
Health	1,559.4	1,264.8	1,297.4	16.7	1,280.6	15.8	1.3%
Human Resources	355.9	324.5	361.9	3.6	358.3	33.8	10.4%
Children's Cabinet Interagency Fund	20.1	20.8	22.5	0.0	22.5	1.7	8.1%
Juvenile Services	275.6	278.1	283.1	4.6	278.6	0.5	0.2%
Public Safety/Police	1,363.7	1,410.1	1,446.1	14.5	1,431.5	21.4	1.5%
Higher Education	1,205.0	1,287.9	1,349.2	43.7	1,305.5	17.6	1.4%
Other Education	383.5	389.8	400.8	10.3	390.5	0.7	0.2%
Agric./Nat'l. Res./Environment	112.1	132.1	119.8	6.2	113.6	-18.5	-14.0%
Other Executive Agencies	644.0	664.5	658.8	9.5	649.3	-15.2	-2.3%
Legislative	78.4	82.3	84.3	0.0	84.3	2.0	2.4%
Judiciary	400.3	429.9	475.0	6.6	468.4	38.5	8.9%
Across-the-board Cuts	0.0	-7.5	-30.0	0.0	-30.0	-22.5	300.0%
State Agencies	\$6,397.9	\$6,277.4	\$6,469.0	\$115.7	\$6,353.3	\$75.8	1.2%
Total Operating	\$15,504.9	\$15,984.5	\$16,448.5	\$246.4	\$16,202.1	\$217.6	1.4%
Capital ⁽¹⁾	42.7	11.5	39.8	0.0	39.8	28.2	244.6%
Subtotal	\$15,547.6	\$15,996.0	\$16,488.3	\$246.4	\$16,241.8	\$245.8	1.5%
Reserve Funds	55.3	14.8	200.0	50.0	150.0	135.2	914.5%
Appropriations	\$15,602.8	\$16,010.8	\$16,688.3	\$296.4	\$16,391.8	\$381.0	2.4%
Reversions	0.0	-30.3	-30.0	0.0	-30.0	0.3	-0.9%
Grand Total	\$15,602.8	\$15,980.5	\$16,658.3	\$296.4	\$16,361.8	\$381.3	2.4%

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

Note: The fiscal 2015 working appropriation reflects \$197.8 million in reductions approved by the Board of Public Works on January 7. It also includes deficiencies, \$49.1 million in reductions contingent on legislation, \$5.1 million in targeted reversions, and \$7.5 million in savings from Section 22 of the budget bill (HB 70/SB 55). The fiscal 2016 allowance reflects \$216.7 million in reductions from Sections 19, 20, and 23 of the budget bill and \$4.5 million in targeted reversions. The fiscal 2016 adjusted allowance reflects \$208.6 million in reductions contingent on legislation, \$81.2 million in reductions from Section 21 of the budget bill, and \$6.6 million in targeted reversions.

Medicaid: General Fund Growth for Anticipated Enrollment and Utilization and Other Program Changes Is Limited by Rate Actions and Other Cost Containment

**Medicaid and Maryland Children's Health Program Enrollment
Fiscal 2013-2016 (Projected)**



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

- Total enrollment growth is anticipated to moderate to 3.6% in fiscal 2016, down from 8.2% in fiscal 2015. Growth in the Affordable Care Act expansion population is expected to be 8.0%, with growth in the traditional Medicaid program only 2.7%.
- Enrollment in all eligibility categories jumped in December 2014 as a second eligibility determination deferral period began for those individuals who enrolled in Medicaid through the Maryland Health Benefit Exchange at the end of 2013.

**Medicaid: Fiscal 2016 General Fund Growth and Program Change
Accommodated Largely by Rate Actions, Fund Swaps, and
Other Cost Containment
(\$ in Millions)**

Enrollment and utilization	\$155.4
Additional general funds needed due to expectation of lower pharmacy rebates	28.6
Implementation of hospital presumptive eligibility	25.0
Additional general funds needed due to the phase-out of the Balanced Incentive Payment Program	21.6
Increased utilization of Community First Choice (CFC) services	17.0
Managed care organization (MCO) supplemental payments	5.0
MCO kick payments for new Hepatitis C Drugs	3.4
Other programmatic changes	1.7
Non-rate-related cost containment including ending coverage for pregnant women above 185% of federal poverty level effective January 1, 2016; deleting funding for adult day care centers; reducing pharmacy dispensing fees; reduced rates for CFC services; and ending funding for extended family planning services, effective January 1, 2016	-11.4
Assumption of enhanced federal funding for Maryland Children's Health Program	-39.2
Transfer of funding for MCO substance abuse services to new fee-for-service system	-47.0
Rate reductions and assumptions: -9.5% MCO calendar 2015 rate reduction; annualizing Board of Public Works physician evaluation and management rate reduction; reducing most provider rates to fiscal 2014 levels; and assuming additional savings from lower hospital rates due to lower levels of uncompensated care	-209.8
Total	-\$49.4

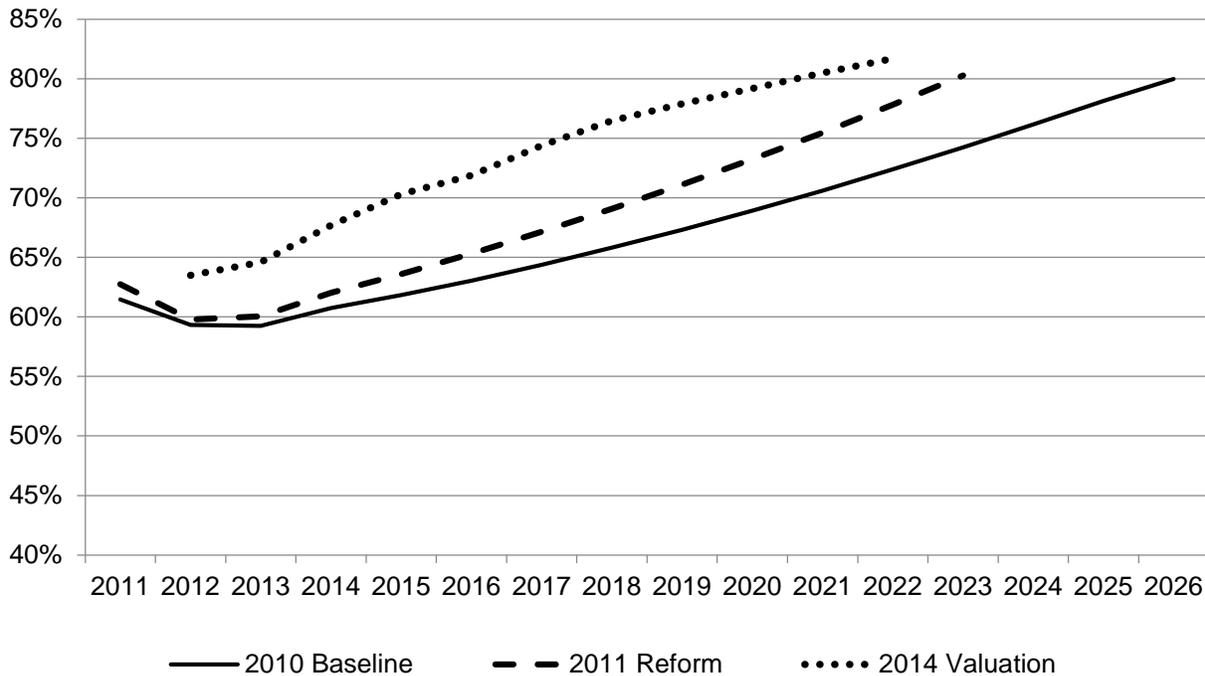
Note: Compares adjusted fiscal 2015 and 2016 budgets for Medicaid excluding behavioral health.

- Pressure on the general fund is also relieved by continuing reliance on special funds, \$966.0 million, including a delay in an anticipated reduction in hospital assessment funding contingent on the Budget Reconciliation and Financing Act (BRFA) of 2015 (\$14.5 million), an assumption of additional Cigarette Restitution Funds (CRF) revenue related to an appeal of an adverse national arbitration panel ruling (\$40.0 million), and additional CRF support also contingent on the BRFA of 2015 from a reduction in funding to cancer research at the academic health centers (\$7.2 million).

State Retirement and Pension System

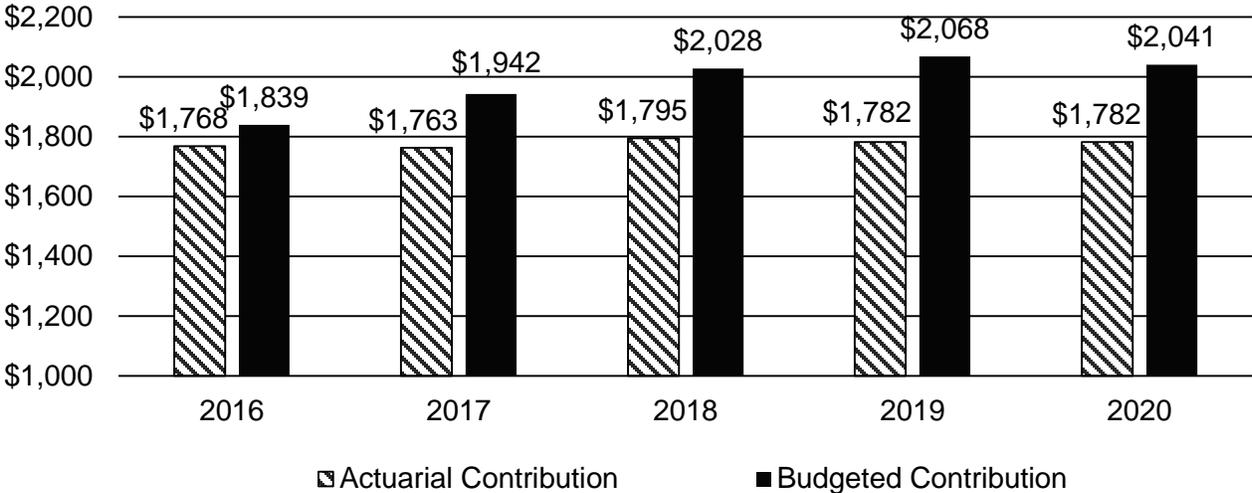
- Strong investment returns combined with the benefit reforms enacted in fiscal 2011 and finance reforms enacted in fiscal 2013 have improved the financial condition of the State's pension fund.
- The pension fund is currently 67.7% funded, up from a low of 63.4% in fiscal 2010.
- Prior to the enactment of reforms, the pension fund was forecast to reach the 80.0% funded level in fiscal 2026. The reforms pushed that forecast up to fiscal 2023, and the most recent actuarial valuation as of June 30, 2014, now has it reaching 80.0% funding in fiscal 2021.

**Projections for Reaching 80% Funding Level
Fiscal 2011-2026**



- For fiscal 2016 and the next four fiscal years, the budgeted employer contributions are projected to exceed the actuarial contributions that are necessary to fully fund retirement obligations over the remainder of the closed 25-year amortization period.
- For fiscal 2016, the budgeted employer contribution rate is 18.32% of payroll, compared with an actuarial rate of 17.61%. By fiscal 2019, the budgeted contribution rate is expected to grow to 18.70% of payroll, but the actuarial rate is expected to drop to 16.11%.
- Budgeted contribution reflects both the corridor funding calculation and the supplemental contribution.
- Actuarial contribution is the amount necessary to fully fund pension obligations within the current 25-year closed amortization period.
- Corridor method is being phased out over 10 years; fiscal 2016 marks the second year of the phaseout period.
- Supplemental contribution enacted in 2011 as part of comprehensive pension reform was designed to close the funding gap between the corridor contribution and the actuarial contribution.

**Budgeted vs. Actuarial Employer Pension Contributions
Fiscal 2016-2020
(\$ in Millions)**



Source: State Retirement Agency; Department of Legislative Services

Regular Full-time Equivalent Position Changes Fiscal 2002 Actual to Fiscal 2016 Allowance

<u>Department/Service Area</u>	<u>2002 Actual</u>	<u>2014 Actual</u>	<u>2015 Work. Approp.</u>	<u>2016 Allowance</u>	<u>2015-2016 Change</u>
Health and Human Services					
Health and Mental Hygiene	8,555	6,407	6,394	6,428	34
Human Resources	7,364	6,529	6,532	6,509	-23
Juvenile Services	2,123	2,078	2,062	2,062	0
Subtotal	18,041	15,014	14,988	14,999	11
Public Safety					
Public Safety and Correctional Services	11,663	11,046	11,126	11,123	-3
Police and Fire Marshal	2,590	2,425	2,446	2,446	0
Subtotal	14,252	13,471	13,572	13,569	-3
Transportation	9,538	8,819	9,179	9,179	0
Other Executive					
Legal (Excluding Judiciary)	1,364	1,505	1,503	1,513	10
Executive and Administrative Control	1,603	1,640	1,647	1,646	-1
Financial and Revenue Administration	2,151	2,113	2,109	2,136	27
Budget and Management and DoIT	517	442	456	458	2
Retirement	194	205	205	217	12
General Services	793	594	585	585	0
Natural Resources	1,618	1,295	1,302	1,329	27
Agriculture	480	383	383	384	1
Labor, Licensing, and Regulation	1,706	1,628	1,641	1,640	-1
MSDE and Other Education	1,956	1,965	1,984	1,987	3
Housing and Community Development	416	337	339	345	6
Business and Economic Development	324	222	221	221	0
Environment	1,028	937	955	958	3
Subtotal	14,149	13,265	13,329	13,417	89
Executive Branch Subtotal	55,980	50,568	51,067	51,164	97
Higher Education	21,393	25,344	25,543	25,544	1
Executive and Higher Education Subtotal	77,373	75,912	76,610	76,708	98
Judiciary	3,010	3,639	3,733	3,966	233
Legislature	730	748	749	749	0
Total	81,113	80,299	81,092	81,422	331
Less: Voluntary Separation and Vacancy Positions Deleted				-500	-500
Adjusted Total	81,113	80,299	81,092	80,922	-169

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

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>Estimate</u>	<u>2016</u> <u>Estimate</u>
Beginning Balance	\$173	\$288	\$216	\$42
Receipts				
Agencies (Employer Contribution)	\$1,034	\$955	\$932	\$1,177
Employee/Retiree Contribution	253	231	239	301
Rebates, Recoveries, and Other	52	62	64	57
Total Receipts	\$1,338	\$1,248	\$1,235	\$1,536
Percent Growth in Receipts	5.0%	-6.7%	-1.0%	24.3%
Expenditures				
Payments	\$1,223	\$1,320	\$1,409	\$1,504
Percent Growth in Payments	-3.1%	7.9%	6.8%	6.7%
Ending Balance	\$288	\$216	\$42	\$74
Incurred but Not Received (IBNR)	-\$100	-\$106	-\$106	-\$106
Balance After IBNR	\$188	\$110	-\$64	-\$32

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

- The State ended fiscal 2013 with an exceptionally high fund balance. To reduce the fund balance, agency, employee, and retiree contributions were reduced in fiscal 2014 and 2015.
- Fiscal 2014 costs exceeded estimates by \$31 million, and fiscal 2015 cost estimates have been revised upward by \$58 million.
- By the end of fiscal 2015 there is a negative balance after deducting unpaid liabilities and reserves. IBNR is sufficient to make the payments that are due from a cash accounting perspective.
- Fiscal 2016 includes additional revenues to reduce this payable deficit.

State Aid to Local Governments

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

(\$ in Millions)

	<u>FY 2016 State Aid Amount</u>	<u>Percent of Total</u>
Public Schools	\$5,360.5	76.0%
Libraries	52.0	0.7%
Community Colleges	250.1	3.5%
Local Health	41.7	0.6%
County/Municipal	515.4	7.3%
<i>Subtotal – Direct Aid</i>	\$6,219.8	88.2%
Retirement Payments	831.4	11.8%
Total	\$7,051.1	100.0%

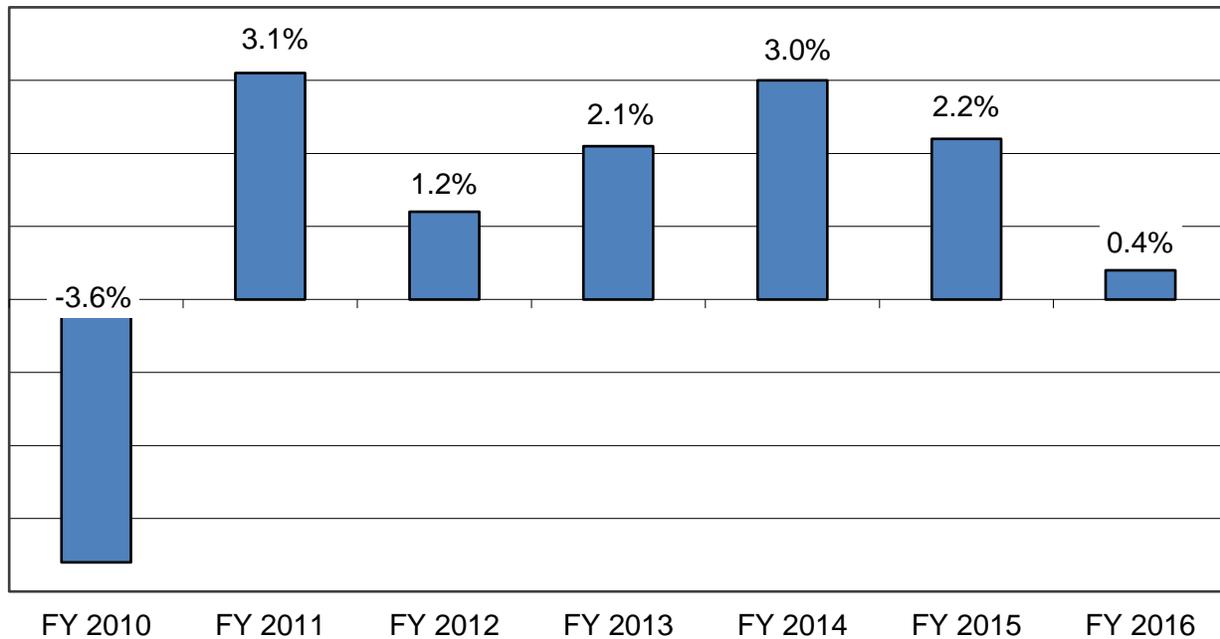
Change in State Aid by Governmental Entity

(\$ in Millions)

	<u>FY 2016 Annual Change</u>	<u>Percent Change</u>
Public Schools	\$16.4	0.3%
Libraries	1.2	2.5%
Community Colleges	-0.1	0.0%
Local Health	0.0	0.0%
County/Municipal	-21.0	-3.9%
<i>Subtotal – Direct Aid</i>	-\$3.5	-0.1%
Retirement Payments	34.0	4.3%
Total	\$30.5	0.4%

Note: State aid amounts reflect proposed reductions.

Limited Growth in State Aid in Recent Years



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

	<u>FY 2011</u>	<u>FY 2016</u>	<u>Difference</u>	<u>Percent Difference</u>	<u>Avg. Annual Difference</u>
Public Schools	\$4,865.0	\$5,360.5	\$495.4	10.2%	2.0%
Libraries	48.7	52.0	3.3	6.8%	1.3%
Community Colleges	224.4	250.1	25.7	11.5%	2.2%
Local Health	37.3	41.7	4.5	12.0%	2.3%
County/Municipal	381.0	515.4	134.4	35.3%	6.2%
Subtotal – Direct Aid	\$5,556.4	\$6,219.8	\$663.4	11.9%	2.3%
Retirement Payments	899.8	831.4	-68.4	-7.6%	-1.6%
Total	\$6,456.2	\$7,051.1	\$594.9	9.2%	1.8%

Note: State aid amounts in fiscal 2016 reflect proposed reductions.

State Aid by Governmental Entity and Program
Fiscal 2015 and 2016
(\$ in Millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>Difference</u>	<u>Percent Difference</u>
Public Schools				
Foundation Program	\$2,882.4	\$2,907.2	\$24.8	0.9%
Supplemental Grant	46.6	46.6	0.0	0.0%
Geographic Cost of Education Index	132.7	67.2	-65.5	-49.4%
Net Taxable Income Grants	26.9	23.7	-3.2	-11.9%
Foundation – Special Grants	0.6	0.1	-0.5	-78.8%
Compensatory Aid	1,251.7	1,287.3	35.7	2.8%
Student Transportation	258.4	266.2	7.9	3.0%
Special Education – Formula Aid	271.7	272.2	0.5	0.2%
Special Education – Nonpublic Placements	110.9	120.9	10.0	9.0%
Limited English Proficiency Grants	197.7	214.3	16.6	8.4%
Guaranteed Tax Base	59.4	55.0	-4.4	-7.3%
Aging Schools Program	6.1	6.1	0.0	0.0%
Head Start/Pre-Kindergarten	6.1	6.1	0.0	0.0%
Other Education Programs	92.9	87.4	-5.6	-6.0%
Subtotal Direct Aid	\$5,344.1	\$5,360.5	\$16.4	0.3%
Retirement Payments	738.6	767.5	28.9	3.9%
Total Public School Aid	\$6,082.6	\$6,127.9	\$45.3	0.7%
Libraries				
Library Aid Formula	\$34.4	\$35.4	\$1.0	2.8%
State Library Network	16.3	16.6	0.3	1.8%
Subtotal Direct Aid	\$50.8	\$52.0	\$1.2	2.5%
Retirement Payments	18.5	19.7	1.2	6.6%
Total Library Aid	\$69.3	\$71.8	\$2.5	3.6%
Community Colleges				
Community College Formula	\$219.5	\$218.7	-\$0.8	-0.4%
Other Programs	30.7	31.4	0.7	2.2%
Subtotal Direct Aid	\$250.2	\$250.1	-\$0.1	0.0%
Retirement Payments	40.3	44.1	3.9	9.6%
Total Community College Aid	\$290.5	\$294.3	\$3.7	1.3%
Local Health	\$41.7	\$41.7	\$0.0	0.0%
County/Municipal				
Transportation	\$192.9	\$176.5	-\$16.4	-8.5%
Public Safety	116.2	117.9	1.7	1.5%
Program Open Space	26.4	16.0	-10.4	-39.5%
Disparity Grant	127.7	127.7	0.0	0.0%
Video Lottery Terminal Local Impact Aid	36.7	35.0	-1.7	-4.6%
Teacher Retirement Supplemental Grant	27.7	27.7	0.0	0.0%
Other Grants	8.8	14.6	5.8	65.6%
Total County/Municipal Aid	\$536.5	\$515.4	-\$21.0	-3.9%
Total State Aid	\$7,020.7	\$7,051.1	\$30.5	0.4%

Note: State aid amounts in fiscal 2016 include proposed reductions.

Board of Public Works Reductions
Fiscal 2015
(\$ in Millions)

Public Schools – Out-of-county Placements ¹	-\$1.5
Montgomery County Library System – Optional Retirement ¹	-0.5
Community Colleges	-6.8
Police Aid Formula	-0.6
Local Health Grants	-5.9
Disparity Grants	-8.1
Total State Aid Reductions	-\$23.4

¹ Funding to be reverted to align with prior year actual expenditure levels.

Proposed Reductions to State Aid Programs

Fiscal 2016

(\$ in Millions)

Contingent Reductions

Public School Funding Formulas	-\$76.1
Library Aid Formula and State Library Network	-2.3
Community Colleges	-13.0
Police Aid Formula	-3.7
Local Health Grants	-7.8
Program Open Space	-12.9
Disparity Grants	-2.1
Video Lottery Local Impact Grants	-3.9
Payments in Lieu of Taxes – Park Service	-2.5
Subtotal	-\$124.4

Discretionary Reductions

Geographic Cost of Education Index	-\$68.1
Early College Innovation – Public Schools	-2.0
Digital Learning – Public Schools	-3.5
Subtotal	-\$73.6

Total State Aid Reductions **-\$198.0**

Note: Reduction amounts reflect difference from current law funding level in fiscal 2016.

Proposed Reductions to State Aid Programs from Current Law Funding Levels Fiscal 2016

County	Public Schools Formulas	Library Aid Formulas	Community Colleges	Police Aid Formula	Health Grants	Program Open Space	Disparity Grants	VLT Impact Grants	GCEI Grants	Total
Allegany	-\$1,203,950	-\$38,291	-\$334,416	\$0	-\$188,735	-\$141,913	\$0	-\$109,631	\$0	-\$2,016,937
Anne Arundel	-4,746,876	-106,240	-1,861,007	-89,434	-660,086	-1,510,311	0	-1,808,061	-4,836,646	-15,618,662
Baltimore City	-10,237,485	-310,370	0	0	-1,400,401	-1,354,370	0	-1,198,449	-11,610,141	-26,111,217
Baltimore	-7,708,873	-280,339	-2,194,928	-2,744,228	-915,871	-1,708,529	0	0	-2,945,833	-18,498,600
Calvert	-1,253,028	-20,482	-135,117	-6,317	-81,015	-149,666	0	0	-1,138,627	-2,784,252
Caroline	-739,651	-14,144	-80,720	-8,228	-108,502	-66,442	0	0	0	-1,017,688
Carroll	-2,105,769	-46,716	-413,871	0	-254,600	-339,187	0	0	-1,241,508	-4,401,650
Cecil	-1,758,893	-37,450	-311,801	-19,713	-167,208	-174,855	-7,464	-372,319	0	-2,849,704
Charles	-2,903,937	-48,795	-462,554	-23,842	-207,357	-307,740	0	0	-1,767,220	-5,721,445
Dorchester	-580,009	-13,359	-60,160	-2,713	-88,314	-56,697	0	0	0	-801,253
Frederick	-3,289,397	-68,473	-505,935	-26,420	-313,661	-350,811	0	0	-3,309,089	-7,863,786
Garrett	-310,505	-6,909	-144,724	0	-89,284	-69,869	0	0	0	-621,290
Harford	-3,246,088	-74,737	-618,639	-14,628	-360,538	-502,540	0	0	0	-4,817,170
Howard	-2,938,462	-44,469	-899,856	-110,483	-258,462	-890,916	0	-8,929	-2,736,808	-7,888,384
Kent	-39,568	-4,118	-29,265	-1,814	-68,469	-42,267	0	0	-68,497	-253,998
Montgomery	-7,764,591	-148,435	-2,282,512	-313,622	-660,306	-2,243,993	0	0	-17,744,167	-31,157,625
Prince George's	-17,699,643	-353,243	-1,484,108	-273,807	-1,063,851	-1,930,773	-1,393,523	-105,357	-20,297,767	-44,602,073
Queen Anne's	-497,006	-7,096	-90,078	-2,584	-85,763	-90,303	0	0	-286,002	-1,058,831
St. Mary's	-1,589,496	-32,023	-147,287	-11,170	-166,594	-170,205	0	0	-117,933	-2,234,708
Somerset	-411,553	-14,108	-43,299	-2,847	-86,912	-40,869	0	0	0	-599,588
Talbot	-151,904	-5,538	-85,457	0	-67,493	-94,708	0	0	0	-405,100
Washington	-2,614,988	-61,190	-431,464	0	-283,181	-267,238	0	0	0	-3,658,061
Wicomico	-1,969,021	-49,399	-301,686	-38,800	-194,367	-178,526	-710,348	0	0	-3,442,145
Worcester	-217,548	-7,537	-126,629	-30,060	-70,407	-168,501	0	-284,951	0	-905,633
Unallocated	-139,007	-526,084	0	0	0	0	0	0	0	-8,664,044
Total	-\$76,117,249	-\$2,319,545	-\$13,045,513	-\$3,720,710	-\$7,841,378	-\$12,851,229	-\$2,111,335	-\$3,887,698	-\$68,100,236	-\$197,993,845

Note: Unallocated also includes two public schools programs, Early College Innovation (\$2.0 million) and Digital Learning (\$3.5 million), as well as Park Service payments in lieu of taxes (\$2.5 million).

Proposed Change in State Aid to Local Governments Fiscal 2016

County	Fiscal 2015 Appropriation	Fiscal 2016 Current Law	Difference	Percent Difference	Proposed Reductions ¹	Fiscal 2016 Proposed Aid	Difference vs. FY 2015	Percent Difference
Allegany	\$107,493,984	\$108,754,790	\$1,260,806	1.2%	-\$2,016,937	\$106,737,853	-\$756,131	-0.7%
Anne Arundel	465,282,807	488,421,637	23,138,830	5.0%	-15,618,662	472,802,975	7,520,168	1.6%
Baltimore City	1,255,641,752	1,240,926,230	-14,715,522	-1.2%	-26,111,217	1,214,815,013	-40,826,739	-3.3%
Baltimore	763,071,420	801,831,718	38,760,298	5.1%	-18,498,600	783,333,118	20,261,698	2.7%
Calvert	103,540,344	103,316,180	-224,164	-0.2%	-2,784,252	100,531,928	-3,008,416	-2.9%
Caroline	60,284,826	62,318,738	2,033,912	3.4%	-1,017,688	61,301,050	1,016,224	1.7%
Carroll	172,984,030	171,289,926	-1,694,104	-1.0%	-4,401,650	166,888,276	-6,095,754	-3.5%
Cecil	129,121,260	130,179,120	1,057,860	0.8%	-2,849,704	127,329,416	-1,791,844	-1.4%
Charles	199,785,772	204,306,982	4,521,210	2.3%	-5,721,445	198,585,537	-1,200,235	-0.6%
Dorchester	47,839,957	50,297,071	2,457,114	5.1%	-801,253	49,495,818	1,655,861	3.5%
Frederick	288,906,705	292,237,710	3,331,005	1.2%	-7,863,786	284,373,924	-4,532,781	-1.6%
Garrett	33,176,183	33,142,065	-34,118	-0.1%	-621,290	32,520,775	-655,408	-2.0%
Harford	257,246,060	258,908,784	1,662,724	0.6%	-4,817,170	254,091,614	-3,154,446	-1.2%
Howard	310,150,680	325,648,477	15,497,797	5.0%	-7,888,384	317,760,093	7,609,413	2.5%
Kent	14,140,052	13,795,607	-344,445	-2.4%	-253,998	13,541,609	-598,443	-4.2%
Montgomery	870,734,914	913,297,334	42,562,420	4.9%	-31,157,625	882,139,709	11,404,795	1.3%
Prince George's	1,208,630,784	1,288,051,808	79,421,024	6.6%	-44,602,073	1,243,449,735	34,818,951	2.9%
Queen Anne's	44,915,748	45,983,158	1,067,410	2.4%	-1,058,831	44,924,327	8,579	0.0%
St. Mary's	118,194,589	121,820,390	3,625,801	3.1%	-2,234,708	119,585,682	1,391,093	1.2%
Somerset	39,276,400	40,027,032	750,632	1.9%	-599,588	39,427,444	151,044	0.4%
Talbot	21,306,002	21,578,405	272,403	1.3%	-405,100	21,173,305	-132,697	-0.6%
Washington	203,595,203	203,899,550	304,347	0.1%	-3,658,061	200,241,489	-3,353,714	-1.6%
Wicomico	160,722,038	167,235,208	6,513,170	4.1%	-3,442,145	163,793,063	3,071,025	1.9%
Worcester	34,765,992	35,285,304	519,312	1.5%	-905,633	34,379,671	-386,321	-1.1%
Unallocated	109,861,802	126,584,166	16,722,364	15.2%	-8,664,044	117,920,122	8,058,320	7.3%
Total	\$7,020,669,304	\$7,249,137,391	\$228,468,087	3.3%	-\$197,993,845	\$7,051,143,546	\$30,474,242	0.4%

¹ Includes \$73.6 million in reductions to discretionary State aid programs.

State Aid to Local Governments – Comparison by Per Capita Aid and Annual Change Fiscal 2015-2016

County	Fiscal 2015	Fiscal 2016	Difference	Percent Difference	Per Capita State Aid		Annual Change in State Aid	
	Appropriation	Proposed Aid						
Allegany	\$107,493,984	\$106,737,853	-\$756,131	-0.7%	1. Baltimore City	\$1,953	1. Dorchester	3.5%
Anne Arundel	465,282,807	472,802,975	7,520,168	1.6%	2. Caroline	1,875	2. Prince George's	2.9%
Baltimore City	1,255,641,752	1,214,815,013	-40,826,739	-3.3%	3. Wicomico	1,623	3. Baltimore	2.7%
Baltimore	763,071,420	783,333,118	20,261,698	2.7%	4. Dorchester	1,515	4. Howard	2.5%
Calvert	103,540,344	100,531,928	-3,008,416	-2.9%	5. Somerset	1,501	5. Wicomico	1.9%
Caroline	60,284,826	61,301,050	1,016,224	1.7%	6. Allegany	1,452	6. Caroline	1.7%
Carroll	172,984,030	166,888,276	-6,095,754	-3.5%	7. Prince George's	1,397	7. Anne Arundel	1.6%
Cecil	129,121,260	127,329,416	-1,791,844	-1.4%	8. Washington	1,339	8. Montgomery	1.3%
Charles	199,785,772	198,585,537	-1,200,235	-0.6%	9. Charles	1,299	9. St. Mary's	1.2%
Dorchester	47,839,957	49,495,818	1,655,861	3.5%	10. Cecil	1,249	10. Somerset	0.4%
Frederick	288,906,705	284,373,924	-4,532,781	-1.6%	11. Frederick	1,178	11. Queen Anne's	0.0%
Garrett	33,176,183	32,520,775	-655,408	-2.0%	12. Calvert	1,111	12. Charles	-0.6%
Harford	257,246,060	254,091,614	-3,154,446	-1.2%	13. St. Mary's	1,091	13. Talbot	-0.6%
Howard	310,150,680	317,760,093	7,609,413	2.5%	14. Garrett	1,088	14. Allegany	-0.7%
Kent	14,140,052	13,541,609	-598,443	-4.2%	15. Howard	1,043	15. Worcester	-1.1%
Montgomery	870,734,914	882,139,709	11,404,795	1.3%	16. Harford	1,020	16. Harford	-1.2%
Prince George's	1,208,630,784	1,243,449,735	34,818,951	2.9%	17. Carroll	996	17. Cecil	-1.4%
Queen Anne's	44,915,748	44,924,327	8,579	0.0%	18. Baltimore	952	18. Frederick	-1.6%
St. Mary's	118,194,589	119,585,682	1,391,093	1.2%	19. Queen Anne's	926	19. Washington	-1.6%
Somerset	39,276,400	39,427,444	151,044	0.4%	20. Montgomery	868	20. Garrett	-2.0%
Talbot	21,306,002	21,173,305	-132,697	-0.6%	21. Anne Arundel	851	21. Calvert	-2.9%
Washington	203,595,203	200,241,489	-3,353,714	-1.6%	22. Kent	679	22. Baltimore City	-3.3%
Wicomico	160,722,038	163,793,063	3,071,025	1.9%	23. Worcester	666	23. Carroll	-3.5%
Worcester	34,765,992	34,379,671	-386,321	-1.1%	24. Talbot	558	24. Kent	-4.2%
Unallocated	109,861,802	117,920,122	8,058,320	7.3%				
Total	\$7,020,669,304	\$7,051,143,546	\$30,474,242	0.4%	Statewide Average	\$1,189	Statewide Average	0.4%

Note: State aid amounts in fiscal 2016 include proposed reductions.

Transportation

Fiscal 2015 to 2020 Transportation Trust Fund Forecasts
September 2014 vs. January 2015
(\$ in Millions)

	<u>2015 Draft</u>	<u>2015 Final</u>	<u>Difference</u>
Net Revenues	\$20,526	\$19,859	-\$667
Highway User Revenues – Local	1,067	1,032	-35
Bond Proceeds/Premiums	3,612	3,602	-10
Debt Service	2,066	2,009	-57
Operating Budget	11,993	12,026	33
Special Fund Capital	10,121	9,531	-590
Federal Fund Capital	4,476	4,964	488
Subtotal – Capital	\$14,597	\$14,495	-\$102

Fiscal 2015 to 2020 Capital Transportation Program
September 2014 vs. January 2015
(\$ in Millions)

All Funds	<u>2015 Draft</u>	<u>2015 Final</u>	<u>Change</u>
Mode			
Secretary's Office	\$265.6	\$280.6	\$15.0
Washington Metropolitan Area Transit Authority	1,578.8	1,578.9	0.1
State Highway Administration	7,398.3	7,188.8	-209.5
Maryland Port Administration	948.1	971.3	23.2
Motor Vehicle Administration	122.2	125.3	3.1
Maryland Transit Administration	5,029.3	5,047.0	17.7
Maryland Aviation Administration	583.5	651.0	67.5
Total	\$15,925.8	\$15,842.9	-\$82.9

- The Budget Reconciliation and Financing Act of 2015 makes funding of Watershed Implementation Plan projects the responsibility of the Transportation Trust Fund (TTF) and will require the Maryland Department of Transportation to eliminate or delay \$285 million in current programmed projects.
- The Consolidated Transportation Program (CTP) reflects the priorities of the previous administration. While the Red and Purple Lines are in the CTP, the new Administration may decide to cancel or delay one or both projects.

Capital Budget

Capital Budget
All Funds
Fiscal 2016
(\$ in Millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>Variance</u>
Uses			
State Facilities	\$55.8	\$81.9	\$26.1
Health/Social	77.6	53.5	-24.1
Environment	482.0	413.9	-68.1
Public Safety	38.7	34.3	-4.4
Education	308.3	312.6	4.3
Higher Education	406.5	413.5	7.0
Housing/Economic Development	124.0	110.6	-13.4
Local Projects Administration	42.3	19.1	-23.2
Local Projects Legislative	18.8	0.0	-18.8
Subtotal	\$1,554.0	\$1,439.4	-\$114.6
Transportation	2,282.4	2,657.2	374.8
Total	\$3,836.4	\$4,096.6	\$260.2
Funds			
General Obligation (GO)	\$1,160.0	\$994.6	-\$165.4
Addition GO from De-authorizations	20.5	9.0	-11.5
Revenue Bonds	32.0	34.5	2.5
QZAB	4.6	4.6	0.0
General	11.6	39.8	28.2
Special	257.4	252.5	-4.9
Federal	67.9	104.4	36.5
Transportation	2,282.4	2,657.2	374.8
Total	\$3,836.4	\$4,096.6	\$260.2

QZAB: Qualified Zone Academy Bonds

Note: Fiscal 2016 figures reflect the following adjustments: (1) \$37.7 million of contingent special fund reductions reflecting the proposed diversion of fiscal 2016 transfer tax revenue in the Budget Reconciliation and Financing Act of 2015; (2) \$65.0 million of GO bond funds contingent on the failure to enact legislation in the 2015 General Assembly session to remove the requirement of Section 8-613.3 of the Transportation Article that the Governor appropriate funds for State Highway Administration Watershed Implementation Plan projects.

Capital Budget
All Funds
Fiscal 2016
(\$ in Millions)

	<u>FY 2016 CIP</u>	<u>FY 2016 Gov</u>	<u>Variance</u>
Uses			
State Facilities	\$58.8	\$81.9	\$23.1
Health/Social	90.1	53.5	-36.6
Environment	501.8	413.9	-87.9
Public Safety	33.5	34.3	0.8
Education	294.8	312.6	17.8
Higher Education	421.9	413.5	-8.4
Housing/Economic Development	80.6	110.6	30.0
Local Projects Administration	8.4	19.1	10.7
Local Projects Legislative	15.0	0.0	-15.0
Subtotal	\$1,504.9	\$1,439.4	-\$65.5
Transportation	2,780.2	2,657.2	-123.0
Total	\$4,285.1	\$4,096.6	-\$188.5
Funds			
General Obligation (GO)	\$1,095.0	\$994.6	-\$100.4
Addition GO from De-authorizations	0.0	9.0	9.0
Revenue Bonds	32.0	34.5	2.5
QZAB	4.6	4.6	0.0
General	1.0	39.8	38.8
Special	317.3	252.5	-64.8
Federal	55.0	104.4	49.4
Transportation	2,780.2	2,657.2	-123.0
Total	\$4,285.1	\$4,096.6	-\$188.5

CIP: *Capital Improvement Program*

QZAB: *Qualified Zone Academy Bonds*

Note: Fiscal 2016 figures reflect the following adjustments: (1) \$37.7 million of contingent special fund reductions reflecting the proposed diversion of fiscal 2016 transfer tax revenue in the Budget Reconciliation and Financing Act of 2015; (2) \$65.0 million of general obligation bond funds contingent on the failure to enact legislation in the 2015 General Assembly session to remove the requirement of Section 8-613.3 of the Transportation Article that the Governor appropriate funds for State Highway Administration Watershed Implementation Plan projects.

Fiscal 2016 Capital Budget

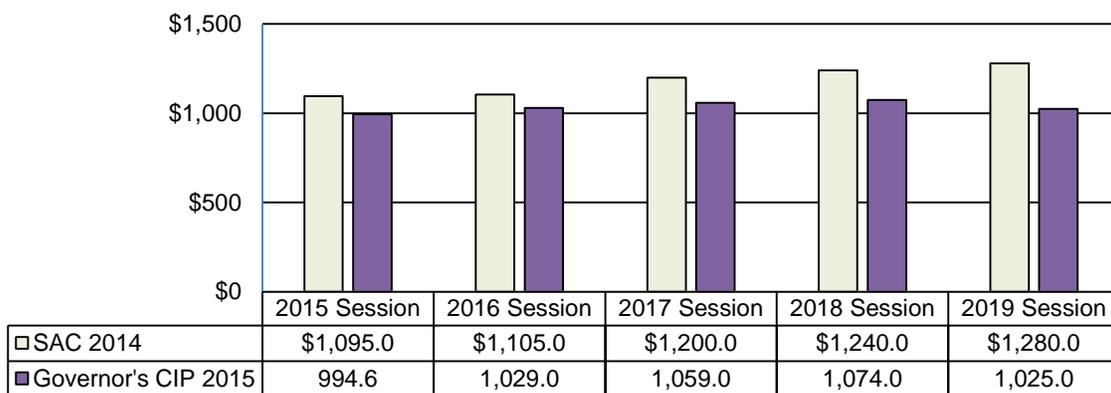
Fiscal 2016 Capital Budget Totals \$1.44 Billion

- **Debt components** include \$994.6 million of new general obligation (GO) bonds plus another \$9.0 million of GO bonds recycled from de-authorizations, \$34.5 million of Academic Revenue Bonds, and \$4.6 million of Qualified Zone Academy Bonds (QZAB).
- **Pay-as-you-go (PAYGO) components** include \$34.5 million in general funds, \$252.5 million in special funds, and \$104.4 million in federal funds.
- Funding for State-owned projects comprises 36% of the total and grants and loans to support projects in partnership with local jurisdictions and nonprofits amount to 64% of the budget.

Funding Highlights

- **GO Bond Authorization Levels Are Below Spending Affordability Limits:** In each year of the Governor's five-year *Capital Improvement Program*, the level of new GO bond authorizations is below the level established by the Spending Affordability Committee. Over the five-year plan, the Governor's proposal removes \$738 million of planned new GO bond authorizations.

**2015 CIP Comparison to 2014 SAC
(\$ in Millions)**



SAC: Spending Affordability Committee

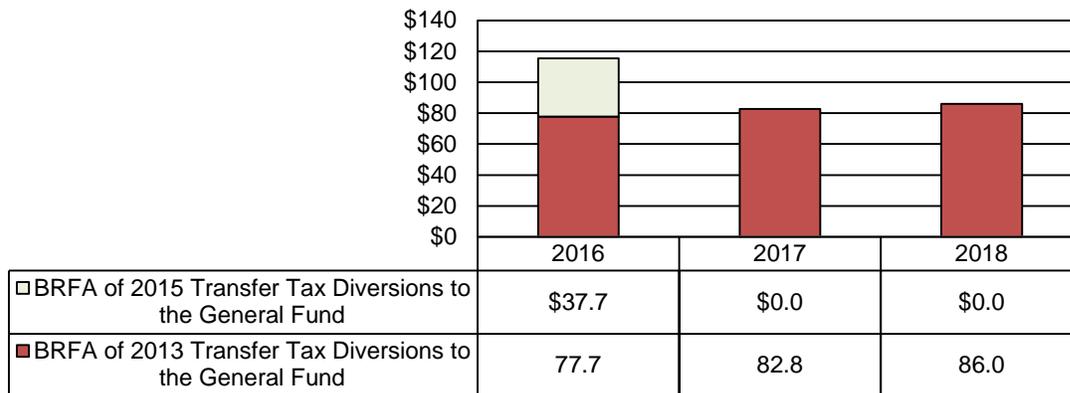
CIP: *Capital Improvement Program*

Note: The 2014 SAC recommendation kept the new general obligation bond authorization levels recommended by SAC in 2013, which provided the basis for authorization levels established in the 2014 session CIP. The 2014 CIP did not fully allocate to the established limit leaving some capacity for future considerations.

Transfer Tax

- Transfer Tax Diversions Continue:** The Budget Reconciliation and Financing Act (BRFA) of 2015 proposes \$37.7 million of transfers in fiscal 2016 in addition to the \$77.7 million already included in the BRFA of 2013. No additional out-year transfers are proposed over what was already included in the BRFA of 2013.

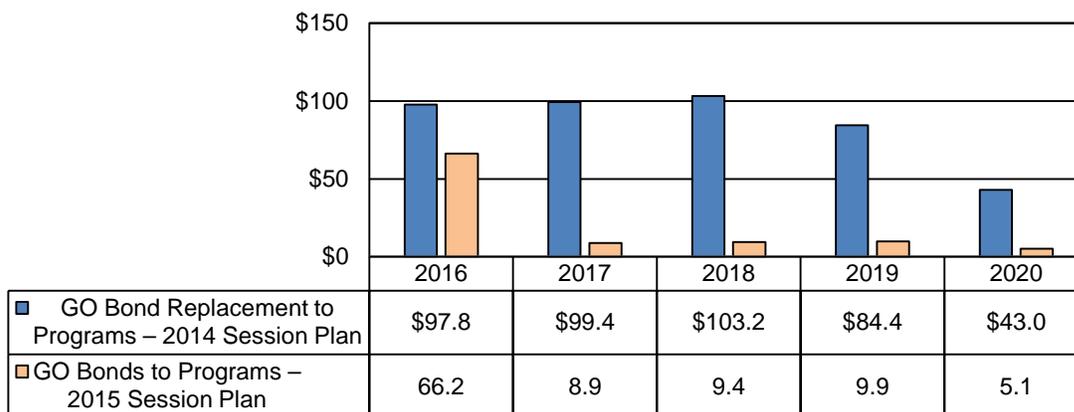
Remaining – Proposed Transfer Tax Diversions to the General Fund (\$ in Millions)



BRFA: Budget Reconciliation and Financing Act

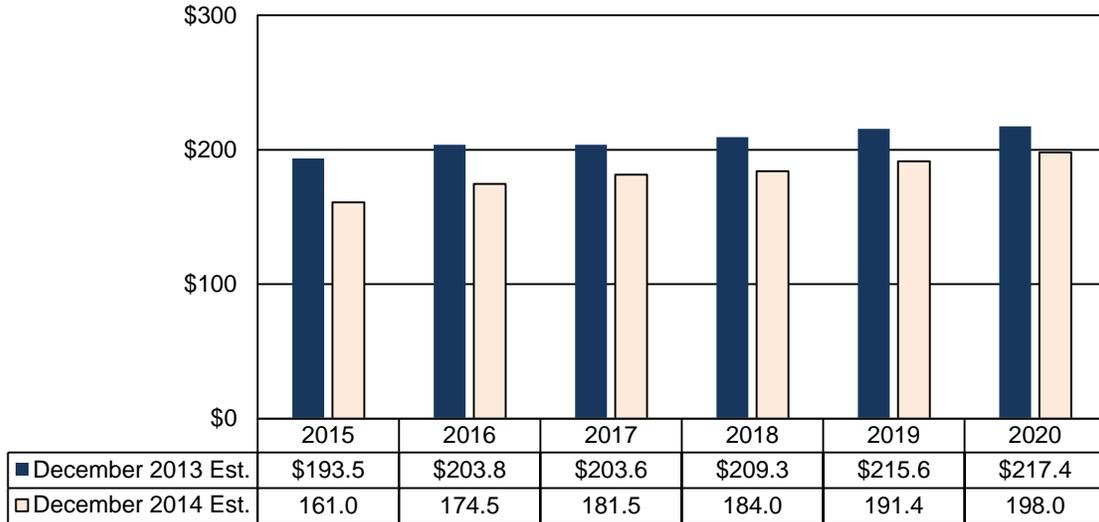
- GO Bond Replacement Curtailed:** The previous Administration's plan included \$427.8 million of GO bonds through fiscal 2020 to replace diverted transfer tax; \$97.8 million of which was programmed for fiscal 2016. As proposed, the Governor's plan provides \$66.2 million in fiscal 2016 and a total of 99.5 million through fiscal 2020.

General Obligation Bonds to Programs (\$ in Millions)

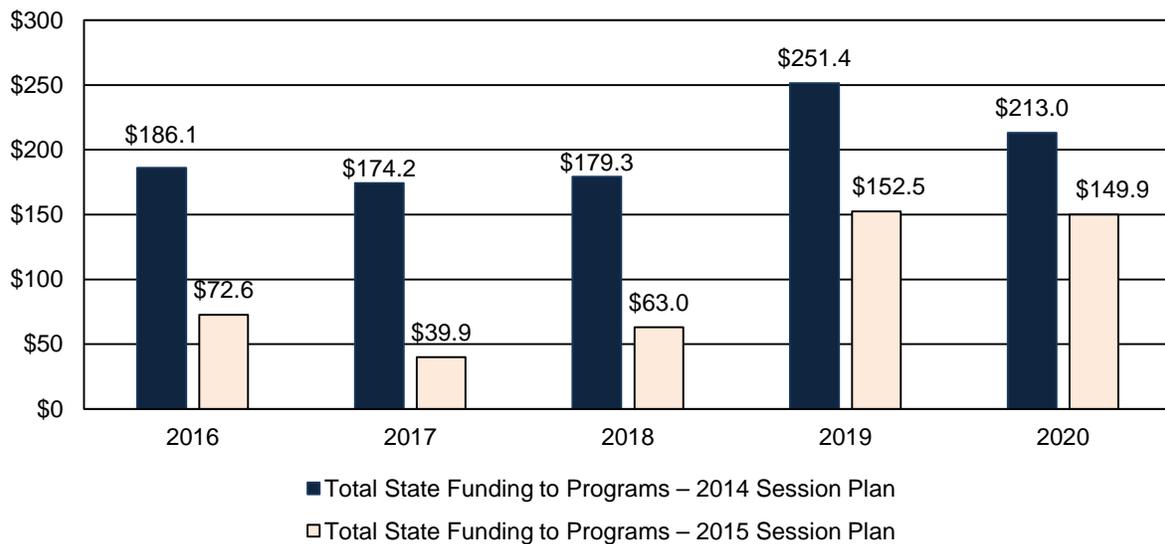


- Reduced use of GO Bonds and lower transfer tax revenue estimates impact program funding levels.

Transfer Tax Revenue Estimates (\$ in Millions)



Total State Funds to Programs (\$ in Millions)



Notable GO Bond Project Deferrals and Reductions

<u>Project/Program</u>	<u>Planned</u>	<u>Proposed</u>	<u>Purpose</u>
Maryland School for the Deaf – Water Main Replacement Project	\$3.2	\$0.0	Design delay – programmed in fiscal 2017
State Library Resource Center	25.9	16.9	Multi-year funding plan extended one year through fiscal 2019
Department of Health and Mental Hygiene – Secure Evaluation and Therapeutic Treatment Center	7.9	0.0	Project size and scope under review – initial construction funds moved back one year to fiscal 2017
Community College Facilities Grant Program	80.0	57.9	Proposed amount based on project readiness and availability of local matching funds
Department of Juvenile Services – Baltimore Regional Treatment Facility	2.5	0.0	Acquisition funds moved to fiscal 2020 in CIP
Department of Juvenile Services – New Female Detention Facility	27.5	2.5	Design delays related to infrastructure and utilities studies – construction schedule moved back one year with initial construction funding now in fiscal 2017
Morgan State University – Student Services Building	2.5	0.0	Initial design funding moved to fiscal 2017
Department of Public Safety and Correctional Services – Simulated Training Environment Facility	3.2	0.0	Project no longer appears in CIP
Board of Public Works – Annapolis Post Office Renovation and Addition	4.6	0.0	Design delays – initial construction funding moved to fiscal 2017
Board of Public Works – Facilities Renewal	15.0	7.5	Reduced based on encumbrance activity and available funds
University of Maryland Medical System – New Ambulatory Care Center and Neonatal Intensive Care Unit	10.0	3.5	Although the CIP did not reflect any funding commitment in fiscal 2016, budget language expressed intent that \$10.0 million annually be provided through fiscal 2018 – the project scope no longer includes the Ambulatory Care Center

<u>Project/Program</u>	<u>Planned</u>	<u>Proposed</u>	<u>Purpose</u>
University of Maryland College Park – New Bioengineering Building	42.2	1.0	The 2014 CIP did not program funding in fiscal 2016, but the project was accelerated by the General Assembly in the 2014 session with a pre-authorization of \$42.2 million for construction in fiscal 2016 – the funding is programmed in fiscal 2017 where it was scheduled in the 2014 CIP
Towson University – New Science Facility	3.5	0.0	Addition design funds moved back one year to fiscal 2017 – project scope evaluation
University of Baltimore – Langsdale Library Renovation	11.6	0.0	The 2014 CIP programmed \$4.2 million for fiscal 2016, but reductions taken in the project in fiscal 2015 were added in a pre-authorization for fiscal 2016 in the amount of \$11.6 million – project construction moved back one year to fiscal 2017 due to slow pace of private fundraising for the project
Coppin State University – Percy Julian	1.2	0.0	Not scheduled for funding in the 2014 CIP until fiscal 2017 – pre-authorization added initial design funding for fiscal 2016 – funding remains scheduled in fiscal 2017
University System of Maryland Office – Southern Maryland Regional Higher Education Center	5.7	0.0	Funding moved to fiscal 2019 to 2020 – program plan review required before funding is to be made available
Prince George’s Regional Medical Center	40.0	30.0	The 2014 CIP scheduled \$30.0 million for fiscal 2016, but language added to the fiscal 2015 authorization reflected the intent that \$40.0 million be provided in fiscal 2016 to account for reductions taken to the project in fiscal 2015. The budget plan keeps the programmed CIP amount and adds \$15.0 million to the fiscal 2018 plan

CIP: *Capital Improvement Program*
GO: general obligation

Annuity Bond Fund Forecast

Fiscal 2015-2020

(\$ in Millions)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Change 2015- 2020</u>
Special Fund Revenues							
State Property Tax Receipts	\$726	\$741	\$757	\$768	\$779	\$799	\$73
Bond Sale Premiums	109	0	0	0	0	0	-109
Other Revenues	3	3	3	3	3	3	0
ABF Fund Balance Transferred from Prior Year	128	97	2	2	2	2	-126
Subtotal Special Fund Revenues	\$966	\$841	\$762	\$773	\$784	\$803	-163
General Funds	140	274	420	478	502	547	407
Transfer Tax Special Funds	6	6	7	7	7	7	1
Federal Funds	12	11	11	11	11	11	0
Total Revenues	\$1,124	\$1,133	\$1,200	\$1,269	\$1,304	\$1,369	\$245
Debt Service Expenditures	\$1,027	\$1,131	\$1,199	\$1,267	\$1,302	\$1,367	\$340
ABF End-of-year Fund Balance	\$97	\$2	\$2	\$2	\$2	\$2	-\$96

ABF: Annuity Bond Fund

Source: Department of Budget and Management, January 2015

- This year, the Administration assumes that the winter 2015 bond sale will generate a \$39 million premium, which reduces the general fund appropriation correspondingly.
- The Governor's budget assumes no bond sale premiums in fiscal 2016. The Department of Legislative Services estimates that fiscal 2016 bond sale premiums could total \$40 million – \$23 million in summer 2015 and \$17 million in the winter 2016 bond sales.

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

	<u>Rainy Day Fund</u>	<u>Dedicated Purpose Acct.</u>	<u>Catastrophic Event Acct.</u>
Estimated Balances 6/30/14	\$763.6	\$0.0	\$0.2
Fiscal 2015 Appropriations	19.7	0.0	0.0
Board of Public Works Reduction	-4.9	0.0	0.0
Transfer to General Fund	0.0	0.0	0.0
Estimated Interest	7.7	0.0	0.0
Estimated Balances 6/30/15	\$786.1	\$0.0	\$0.2
Fiscal 2016 Appropriations	50.0	100.0 ¹	0.0
Transfer to General Fund	-34.0	0.0	0.0
Transfer to Local Income Tax Reserve Account	0.0	-100.0	0.0
Interest	12.0	0.0	0.0
Estimated Balances 6/30/16	\$814.1	\$0.0	\$0.2
Percent of Revenues in Reserve	5.0%		

¹ As required by law, the allowance includes \$50 million to partially reimburse Program Open Space for \$90 million in Transfer Tax funds deposited into the general fund in fiscal 2006. The Budget Reconciliation and Financing Act of 2015 proposes to repeal this requirement.

Local Income Tax Reserve Account GAAP Analysis (\$ in Millions)

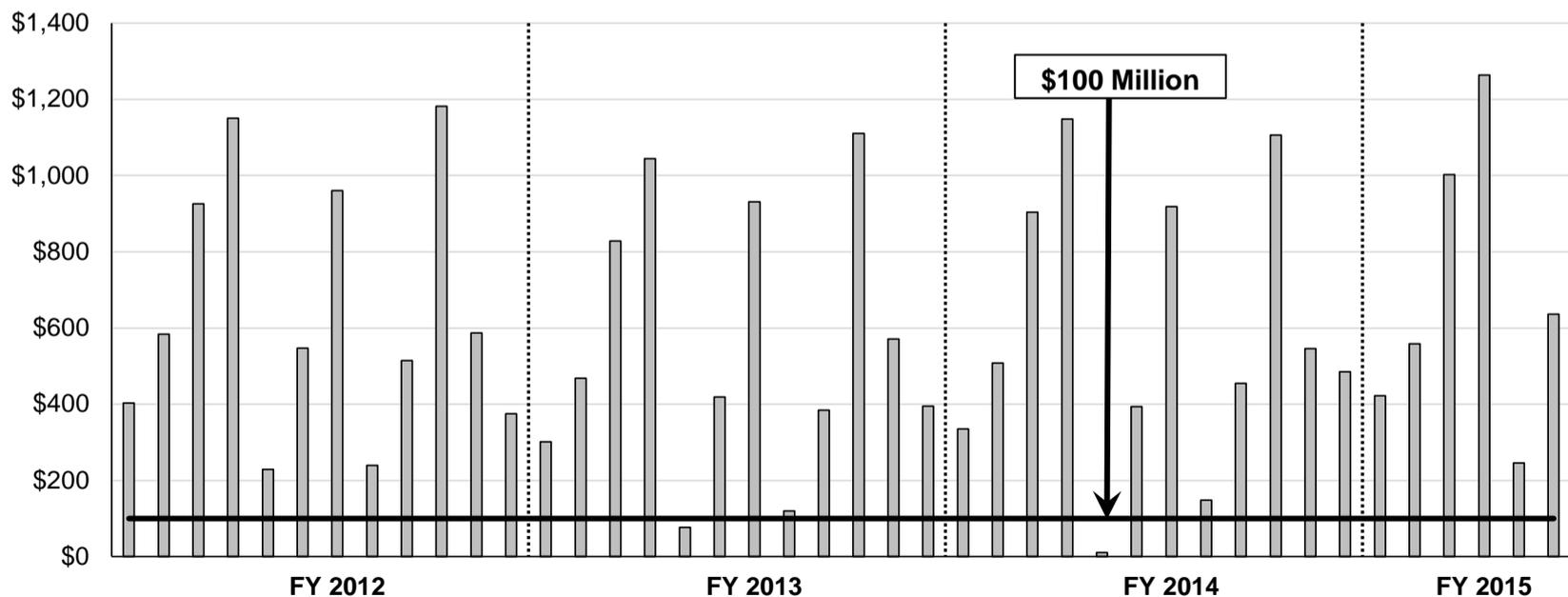
	FY 2010	FY 2011	FY 2012*	FY 2013	FY 2014
Total Liability (End of FY)	\$1,213.6	\$1,426.6	\$1,425.1	\$1,541.4	\$1,577.6
Total Assets (End of FY)	\$1,110.7	\$1,403.8	\$927.7	\$594.4	\$685.1
- Cash Balance	\$385.4	\$482.0	\$375.2	\$394.4	\$485.1
- Future Repayments	725.3	921.7	552.5	200.0	200.0
Over (Under) Funding	-102.9	-22.8	-497.4	-947.0	-892.5
Cancelled Repayments			366.8	716.8	716.8
Adjusted Underfunding			-130.6	-230.2	-175.7

* The original GAAP analysis for fiscal 2012 done in October 2012 showed the account overfunded by \$32.9 million, exclusive of the cancelled repayments. In fiscal 2013, the \$32.9 million was transferred out of the account with \$15.4 million used to fund municipal transportation grants. In October 2013, the Comptroller's office determined that the original fiscal 2012 GAAP analysis was in error and the account was actually underfunded at the end of fiscal 2012 by \$130.6 million.

Recent History

- The BRFA of 2009 authorized the transfer of \$366,778,731 to the general fund in fiscal 2009 with the amount to be repaid by lowering the distributions to local governments by \$36,678,873 for 10 years from fiscal 2013 to 2022. The BRFA from the first special session of 2012 cancelled this repayment.
- The BRFA of 2010 authorized the transfer of \$350,000,000 to the general fund in fiscal 2010 with the amount to be repaid from the general fund by \$50 million per year for fiscal 2014 to 2020. The BRFA of 2013 cancelled this repayment.
- The BRFA of 2010 authorized the transfer of \$200,000,000 to the general fund in fiscal 2011 with the amount to be repaid from the general fund by \$33 million per year for fiscal 2021 to 2026.
- In fiscal 2014, the Board of Revenue Estimates (BRE) included in their December 2013 estimate of the personal income tax an extra distribution of \$99.5 million to the local income tax reserve account to work down the underfunding as shown in the GAAP analysis. The additional \$99.5 million is reflected in the cash balance at the end of fiscal 2014.
- In fiscal 2015, BRE included in their December 2014 estimate of the personal income tax an extra distribution of \$45 million to the local income tax reserve account to continue working down the underfunding of the account in the GAAP analysis.
- The Governor's proposed budget reflects transferring \$100 million from the local income tax reserve account in fiscal 2015 and repaying that amount in fiscal 2016. Language to accomplish this is included in the BRFA of 2015 (HB 72/SB 57).

Local Income Tax Reserve Account Monthly Cash Balance: Fiscal 2012-2015 (\$ in Millions)



BRFA: Budget Reconciliation and Financing Act
GAAP: generally accepted accounting principles

Governor's Forecast

Governor's Forecast of Future General Fund Budgets
Fiscal 2015-2020
(\$ in Millions)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues	\$16,018	\$16,409	\$17,014	\$17,652	\$18,147	\$18,813
Spending	15,981	16,362	16,959	17,643	18,317	18,964
Balance	\$37	\$47	\$55	\$9	-\$169	-\$150
 Major Sources of Spending Pressure						
Debt Service	\$140	\$274	\$419	\$474	\$492	\$529
Medicaid	2,849	2,841	3,149	3,386	3,606	3,854
Total	\$2,989	\$3,115	\$3,568	\$3,860	\$4,098	\$4,383
 Annual Increase		\$126	\$453	\$292	\$238	\$285

Policy Assumptions in the Governor's Forecast

- No tax cuts are assumed.
- Several policies reduce out-year expenses.
 - Education aid foundation grant is frozen in fiscal 2016 and capped at 1% growth from fiscal 2017 to 2020.
 - Other formula increases are capped at the lesser of formula growth or general fund revenue growth less 1%.
 - Tuition at public higher education institutions is increased by 5% in fiscal 2016 and 4% annually thereafter.
 - Employee salaries are reduced 2% in fiscal 2016 to remove the 2015 cost-of-living adjustment, and no increments are allowed. Increments resume in fiscal 2017, but, as with previous Administration forecasts, no general salary increases are assumed.

Appendices

Perspectives on Budget Change
Budget as Submitted, Including
Reversions and Contingent Reductions
Fiscal 2015-2016
(\$ in Millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>\$ Change</u>	<u>% Change</u>
<i>Legislative Appropriations</i>				
General	\$16,041.8	\$16,211.8	\$170.1	1.1%
Special	8,164.5	8,351.8	187.2	2.3%
Federal	10,513.3	11,620.5	1,107.2	10.5%
Higher Education	4,117.3	4,113.6	-3.7	-0.1%
Total	\$38,836.9	\$40,297.7	\$1,460.8	3.8%
<i>Amendments and Deficiencies</i>				
			<u>Explanation</u>	
General			-\$76.0 Medicaid/other deficiencies, BPW cuts, cont. cuts	
Special			-84.7 Transportation PAYGO, POS, VLT shortfall	
Federal			1,328.0 Medicaid enrollment, Health Benefit Exchange	
Higher Education			-92.5 Higher Education federal grants and contracts	
Total			\$1,074.8	
<i>Underlying Budget Growth Estimate</i>				
General	\$15,965.7	\$16,211.8	\$246.1	1.5%
Special	8,079.9	8,351.8	271.9	3.4%
Federal	11,841.3	11,620.5	-220.8	-1.9%
Higher Education	4,024.8	4,113.6	88.8	2.2%
Total	\$39,911.7	\$40,297.7	\$386.0	1.0%
Reserve Fund Appropriations	\$14.8	\$150.0	\$135.2	
Total	\$39,926.5	\$40,447.7	\$521.2	1.3%

BPW: Board of Public Works

PAYGO: pay-as-you-go

POS: Program Open Space

VLT: video lottery terminal

Note: General fund amounts exclude the Rainy Day Fund appropriation.

Fiscal 2015 Deficiencies (\$ in Millions)

	<u>GF</u>	<u>SF</u>	<u>FF</u>	<u>CUF</u>
Funds Reduced for Cost Containment				
Reduce calendar 2015 managed care organization rates to -9.5%	-\$16.5			
Reduce funding of Program Open Space		-\$7.1		
Reduce video lottery terminal (VLT) support of local impact grants		-4.1		
Eliminate Park Service PILOT program		-2.3		
Reduce Stem Cell grant funding	-1.0			
Reduce funding for Sustainable Tax Credits	-1.0			
Reduce funding for the Arts Council	-0.8			
Reduce rate increase for various residential providers in DHR, MSDE, and DJS	-0.8			
Reduce funding for the MSDE longitudinal data system	-0.3			
Reduce funding for heritage area grants		-0.3		
Reduce general fund support for MDE operations and back-fill with SEIF	-0.3	0.3		
Subtotal	-\$20.7	-\$13.5		
General Fund/Special Fund Swaps Contingent on Legislation				
Medicaid: Reduced general fund support required for higher than budgeted enrollment and utilization contingent on legislation authorizing the use of MHIP fund balance for Medicaid	-\$45.0	\$45.0		
MSDE: Reduced general fund support for education foundation aid contingent on legislation transferring VLT revenue from local impact grants to the Education Trust Fund	-4.1	4.1		
Subtotal	-\$49.1	\$49.1		
General Funds Need to Offset Underattained Special Funds				
Medicaid: Lower than anticipated CRF revenue	\$53.0	-\$45.6		
DNR: Underattainment of transfer tax revenue	22.8	-22.8		
MSDE: Underattainment of VLT revenues for education foundation aid	20.5	-20.5		
Subtotal	\$96.3	-\$88.8		
New Spending				
Outside legal counsel for the Maryland Health Benefit Exchange	\$1.2			
Funding for previously approved BPW positions: DHR 45 positions for Medicaid eligibility determination; and State Treasurer's Office 2 positions to manage the IWIF contract	0.6		\$1.5	
Funding for new positions: OHCQ 5 positions and associated funding in the developmental disabilities monitoring unit (\$0.1 million); and Comptroller's Office 12 positions and associated funding for tax compliance initiatives (\$0.1 million)	0.1			
Subtotal	\$1.9		\$1.5	

Appendix 2 (Cont.)

	<u>GF</u>	<u>SF</u>	<u>FF</u>	<u>CUF</u>
Operational Expenses				
Medicaid: Enrollment and utilization (\$112.5 million), fiscal 2014 roll-over (\$38.0 million), and Hepatitis C drugs (\$17.3 million)	\$110.8	\$12.0		
MSDE: Assessment testing (\$16.8 million), nonpublic placements (\$10.8 million), and advanced certification teacher stipends (\$10.6 million)	38.2			
DPSCS: Inmate medical expenses (\$6.5 million), overtime (\$3 million), utilities (\$1.5 million), food (\$1.8 million), and vehicles (\$0.4 million)	12.8	0.4		
DHR: TCA payments (\$11.5 million) and funding adjustment (\$-0.8 million)			\$10.7	
DDA: Financial management consultants (\$1.9 million) and locally funded day grants (\$2.7 million)	1.1	2.7	0.8	
Lottery: Final bond payment for VLTs (\$1.0 million), expenses related to instant ticket lottery game (\$3.0 million), and funding for IT system (\$0.6 million)	1.6	3.0		
Health Benefit Exchange: Call center expenses (\$2.0 million), and the new eligibility system (\$2.3 million)	4.3			
Office of the Public Defender: Caseload and unpaid fiscal 2014 expenses	2.5			
Elections/DolT: Lease payments for new voting system		2.4		
Stadium Authority: Baltimore City convention center operating subsidy	2.4			
State Police: Reduce turnover to allow for a trooper class	2.0			
DNR: Various federal fund grants			1.8	
Comptroller: Vendor payments related to abandoned property		1.0		
Other	1.2	0.1	0.5	-\$0.9
Subtotal	\$176.9	\$21.6	\$13.8	-\$0.9
Deficiencies Total	\$205.4	-\$31.6	\$15.4	-\$0.9

BPW: Board of Public Works

CRF: Cigarette Restitution Fund

DDA: Developmental Disabilities Administration

DHR: Department of Human Resources

DJS: Department of Juvenile Services

DNR: Department of Natural Resources

DolT: Department of Information Technology

DPSCS: Department of Public Safety and Correctional Services

IT: information technology

IWIF: Injured Workers' Insurance Fund

MDE: Maryland Department of the Environment

MHIP: Maryland Health Insurance Plan

MSDE: Maryland State Department of Education

OHCQ: Office of Health Care Quality

PILOT: payments in lieu of taxes

SEIF: Strategic Energy Investment Fund

TCA: Temporary Cash Assistance

VLT: video lottery terminal

**Changes from General Fund Baseline Expenditure Growth
Fiscal 2016 Proposed Budget
(\$ in Millions)**

Aid to Local Governments	-\$190
Education Aid – freeze foundation and delay net taxable income grant (-\$76.0 million)*	
Education Aid – reduce geographic cost of education funding by 50% (-\$68.0 million)	
Level fund community college aid (-\$13.0 million)*	
Level fund local health aid, police aid, and disparity grant (-\$14.0 million)*	
Eliminate funding for early college and digital learning initiatives (-\$5.5 million)	
Entitlements	-66
Medicaid funding less than baseline estimates (-\$26.0 million)	
Shift Cigarette Restitution Funds for academic health centers to Medicaid (-\$7.0 million)*	
Delay reduction in hospital assessment resulting from hospital savings (-\$14.5 million)*	
Assistance payments/foster care – caseloads/more federal funds (-\$14.0 million)	
State Agencies – Operations/Programs	-486
Employee compensation – no fiscal 2016 general salary or merit increases* and elimination of fiscal 2015 general salary increase (-\$235.0 million)	
Voluntary Separation Program (-\$30.0 million)	
2% across-the-agencies reduction (-\$91.0 million)	
Judiciary – new positions, salary reclassifications, info. tech., and other costs (\$29.0 million)	
State Colleges and Universities – including 2% across-the-board reduction (-\$38.0 million)	
Private higher education level funded (-\$6.0 million)*	
Lower school assessment costs (-\$10.0 million)	
Developmental disabilities provider increases – 50% reduction (-\$9.0 million)*	
Corrections – lower overtime/food/inmate medical costs (-\$15.0 million)	
Corrections – no new positions/no expansion of phone managed access (-\$15.0 million)	
Juvenile Services – lower costs assumed (-\$14.0 million)	
Other	86
Repayment of fiscal 2015 local income tax reserve transfer (\$100.0 million)	
Public school construction (\$30.0 million)	
No repayment of open space funds sent to general fund in fiscal 2006 (-\$50.0 million)*	
Total Difference from Baseline	-\$655

*Contingent on legislation.

Fiscal 2016 Changes Over Fiscal 2015 Spending

General Funds (\$ in Millions)

Aid to Local Governments	\$39.3
Education and library aid	30.9
Other aid	4.7
Community colleges	3.7
Entitlements	-\$31.6
Increased support for assistance payments	2.5
Property tax credits	-0.2
Medicaid	-4.0
Foster care payments	-29.9
Major Personnel Costs (Including Institutions of Higher Education)	\$59.3
Employee and retiree health insurance	107.1
Retirement contributions	31.7
Reclassifications	9.5
New positions (excluding Judiciary)	2.2
2% pay cut	-68.7
Annualization of Voluntary Separation Program and elimination of vacant positions	-22.5
Judiciary	\$22.1
New positions including contractual conversions (233)	16.7
Contractual services associated with the Maryland Electronic Courts project	4.9
Communications charges	1.3
General fund replacement of federal grant funds	1.0
Reduced reliance on contractual support	-1.8
State Agency Operations	-\$4.4
DDA: Additional funding for annualization and expansion	25.0
Major Information Technology Development Project Fund	13.9
USM and Morgan State University: Operating expenses	13.2
DDA: 1.75% rate increase for community providers	9.2
MSDE: Autism waiver funding	6.2
DPSCS: Inmate medical care contract expenses	3.5
Behavioral Health: Replacement of one-time use of Maryland Community Health Resources Commission Funds	3.0
Behavioral Health: Enhanced tobacco counter-marketing activities	2.6
Public Health: Rent payments and operating costs for the new public health laboratory	2.5
DHR: Legal services expenses	2.4
St. Mary's College of Maryland State support	2.2
Behavioral Health: Replacement of Emergency Demonstration Waiver one-time fund swap	2.2
State Police: Computer maintenance contracts	2.0
Baltimore City Community College State support	1.6
DBED: Cyber tax credit	1.0
DHMH: Start-up funding for Medical Marijuana Commission	1.0

Appendix 4 (Cont.)

DJS: Residential per diems	-1.0
DNR: Oyster bar rehabilitation	-1.2
State Police: Equipment costs	-1.2
DBED: Removal of War of 1812 funding	-2.0
DHR: Reduction in grant funds	-3.4
DHCD: Removal of one-time costs related to DHCD's headquarters move	-3.4
Stadium Authority: Debt payments for the Baltimore Convention Center Expansion	-4.9
Increase in the across-the-board reduction in fiscal 2016 relative to fiscal 2015	-5.1
DPSCS: Expansion of cell phone managed access systems	-7.2
MSDE: Assessment funding	-10.3
Public Health: Ending of Prince George's County Hospital operating subsidy	-15.0
DNR: Removal of general fund support for operations (backfilled with special funds)	-20.2
Maryland Health Benefit Exchange: Removal of general fund support (backfilled with special funds)	-21.0
Miscellaneous	\$297.4
Debt Service	134.0
Appropriation to Dedicated Purpose Account to repay Local Income Tax Reserve Account	100.0
Appropriation to Rainy Day Fund	35.2
Public school construction PAYGO	30.0
Other PAYGO	-1.8
Other	-0.8
Total	\$381.3

DBED: Department of Business and Economic Development
 DDA: Developmental Disabilities Administration
 DHCD: Department of Housing and Community Development
 DHMH: Department of Health and Mental Hygiene
 DHR: Department of Human Resources
 DJS: Department of Juvenile Services
 DNR: Department of Natural Resources
 DPSCS: Department of Public Services and Correctional Services
 MSDE: Maryland State Dept. of Education
 PAYGO: pay-as-you-go
 USM: University System of Maryland

Note: Represents spending in fiscal 2016 over fiscal 2015 as adjusted for deficiencies and contingent reductions.

Spending Affordability Analysis
Governor's Proposed Budget
Fiscal 2016
(\$ in Millions)

Target

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

Revenues

	\$16,334
Transfer Tax	-38
Chesapeake and Atlantic Coastal Bays 2010	-9
Other One-time Items	-3

Subtotal**\$16,285****Spending**

	\$16,362
State Reserve Fund	-150
Medicaid CRF Funding	40
Hospital Deficit Assessment	15
Delay NTI Phase-In	12
Other Ongoing Spending	10
PAYGO Capital	-31

Subtotal**\$16,257****Amount Reduced from Structural Shortfall****\$678****Remaining Structural Gap****-\$28****Spending Affordability Committee Position Reconciliation**

Positions in Fiscal 2016 Allowance	81,422
Positions Abolished through Voluntary Separation Program and Deleted Vacancies	-500
Proposed Positions	80,922
Spending Affordability Committee Limit	81,081
Positions Over (Under) Spending Affordability Limit	-159

CRF: Cigarette Restitution Fund

NTI: net taxable income

PAYGO: pay-as-you-go

State Expenditures – All Funds (\$ in Millions)

<u>Category</u>	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Contingent</u>	<u>Adjusted</u>	<u>FY 2015 to FY 2016</u>	
	<u>FY 2014</u>	<u>Appropriation</u> <u>FY 2015</u>	<u>FY 2016</u>	<u>Reductions</u>	<u>Allowance</u> <u>FY 2016</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,181.2	\$1,294.8	\$1,413.5	\$0.0	\$1,413.5	\$118.7	9.2%
County/Municipal	566.0	562.0	584.2	22.6	561.7	-0.3	-0.1%
Community Colleges	281.3	290.5	307.3	13.0	294.3	3.7	1.3%
Education/Libraries	6,724.4	6,958.0	7,119.3	78.4	7,040.9	82.9	1.2%
Health	46.2	46.2	54.1	7.8	46.2	0.0	0.0%
Aid to Local Governments	\$7,617.9	\$7,856.7	\$8,064.9	\$121.9	\$7,943.0	\$86.3	1.1%
Foster Care Payments	303.4	319.0	296.5	0.0	296.5	-22.5	-7.1%
Assistance Payments	1,354.6	1,457.0	1,352.6	0.0	1,352.6	-104.5	-7.2%
Medical Assistance	7,585.6	9,940.9	9,742.2	0.0	9,742.2	-198.7	-2.0%
Property Tax Credits	78.4	82.0	81.7	0.0	81.7	-0.2	-0.3%
Entitlements	\$9,322.0	\$11,798.9	\$11,473.0	\$0.0	\$11,473.0	-\$325.9	-2.8%
Health	3,342.9	2,748.2	2,671.0	34.0	2,637.0	-111.2	-4.0%
Human Resources	918.0	935.9	954.2	6.8	947.4	11.5	1.2%
Children's Cabinet Interagency Fund	20.1	20.8	22.5	0.0	22.5	1.7	8.1%
Juvenile Services	287.7	290.2	295.4	4.7	290.7	0.5	0.2%
Public Safety/Police	1,585.7	1,658.2	1,698.1	16.2	1,682.0	23.7	1.4%
Higher Education	5,150.8	5,381.4	5,534.6	43.7	5,490.9	109.5	2.0%
Other Education	770.1	715.2	697.6	11.8	685.8	-29.4	-4.1%
Transportation	1,835.3	1,765.1	1,852.0	5.3	1,846.8	81.7	4.6%
Agric./Nat'l. Res./Environment	377.0	431.2	447.4	16.0	431.4	0.2	0.0%
Other Executive Agencies	1,768.1	1,930.5	1,904.7	12.2	1,892.5	-38.1	-2.0%
Legislative	78.4	82.3	84.3	0.0	84.3	2.0	2.4%
Judiciary	450.2	495.8	540.9	6.6	534.3	38.5	7.8%
Across-the-board Cuts	0.0	-7.5	-30.0	0.0	-30.0	-22.5	300.0%
State Agencies	\$16,584.4	\$16,447.5	\$16,672.8	\$157.2	\$16,515.7	\$68.1	0.4%
Total Operating	\$34,705.5	\$37,397.9	\$37,624.3	\$279.1	\$37,345.2	-\$52.7	-0.1%
Capital ⁽¹⁾	2,129.6	2,544.1	3,009.2	26.7	2,982.5	438.4	17.2%
Transportation	1,726.5	2,213.3	2,589.1	0.0	2,589.1	375.9	17.0%
Environment	245.6	239.9	238.9	0.0	238.9	-1.0	-0.4%
Other	157.5	90.9	181.1	26.7	154.4	63.6	69.9%
Subtotal	\$36,835.1	\$39,942.0	\$40,633.4	\$305.8	\$40,327.7	\$385.7	1.0%
Reserve Funds	55.3	14.8	200.0	50.0	150.0	135.2	914.5%
Appropriations	\$36,890.4	\$39,956.8	\$40,833.4	\$355.8	\$40,477.7	\$520.9	1.3%
Reversions	0.0	-30.3	-30.0	0.0	-30.0	0.3	-0.9%
Grand Total	\$36,890.4	\$39,926.5	\$40,803.4	\$355.8	\$40,447.7	\$521.2	1.3%

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

Note: The fiscal 2015 working appropriation reflects \$205.3 million in reductions approved by the Board of Public Works on January 7. It also includes deficiencies, \$49.1 million in reductions contingent on legislation, \$5.1 million in targeted reversions, and \$7.5 million in savings from Section 23 of the budget bill (HB 70/SB 55). The fiscal 2016 allowance reflects \$241.6 million in reductions from Sections 19, 20, and 22 of the budget bill and \$4.5 million in targeted reversions. The fiscal 2016 adjusted allowance reflects \$275.5 million in reductions contingent on legislation, \$102.5 million in reductions from Section 21 of the budget bill, \$6.6 million in targeted reversions, and \$28.9 million in additional special fund spending due to funding swaps.

State Expenditures – State Funds
(\$ in Millions)

<u>Category</u>	Actual	Working	Allowance	Contingent	Adjusted	FY 2015 to FY 2016	
	<u>FY 2014</u>	<u>Appropriation</u> <u>FY 2015</u>	<u>FY 2016</u>	<u>Reductions</u>	<u>Allowance</u> <u>FY 2016</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,169.8	\$1,283.3	\$1,402.0	\$0.0	\$1,402.0	\$118.7	9.3%
County/Municipal	507.1	508.9	518.3	22.6	495.8	-13.1	-2.6%
Community Colleges	281.3	290.5	307.3	13.0	294.3	3.7	1.3%
Education/Libraries	5,991.6	6,155.7	6,272.0	78.4	6,193.6	37.9	0.6%
Health	41.7	41.7	49.6	7.8	41.7	0.0	0.0%
Aid to Local Governments	\$6,821.7	\$6,996.8	\$7,147.2	\$121.9	\$7,025.4	\$28.6	0.4%
Foster Care Payments	231.8	228.3	197.8	0.0	197.8	-30.5	-13.4%
Assistance Payments	66.6	92.5	93.0	0.0	93.0	0.5	0.6%
Medical Assistance	3,348.9	3,828.4	3,817.7	0.0	3,817.7	-10.8	-0.3%
Property Tax Credits	78.4	82.0	81.7	0.0	81.7	-0.2	-0.3%
Entitlements	\$3,725.8	\$4,231.2	\$4,190.2	\$0.0	\$4,190.2	-\$41.0	-1.0%
Health	2,071.2	1,736.3	1,728.1	25.8	1,702.3	-34.0	-2.0%
Human Resources	459.7	421.4	453.3	3.7	449.6	28.2	6.7%
Children's Cabinet Interagency Fund	20.1	20.8	22.5	0.0	22.5	1.7	8.1%
Juvenile Services	279.8	283.1	288.1	4.6	283.5	0.4	0.1%
Public Safety/Police	1,553.3	1,628.2	1,668.0	16.0	1,652.1	23.8	1.5%
Higher Education	5,150.8	5,381.4	5,534.6	43.7	5,490.9	109.5	2.0%
Other Education	445.7	451.6	448.9	10.5	438.3	-13.3	-2.9%
Transportation	1,744.8	1,671.4	1,757.0	5.2	1,751.9	80.5	4.8%
Agric./Nat'l. Res./Environment	318.2	360.1	382.8	15.6	367.2	7.1	2.0%
Other Executive Agencies	1,223.7	1,353.8	1,336.1	10.5	1,325.6	-28.2	-2.1%
Legislative	78.4	82.3	84.3	0.0	84.3	2.0	2.4%
Judiciary	445.2	494.0	540.8	6.6	534.2	40.1	8.1%
Across-the-board Cuts	0.0	-7.5	-30.0	0.0	-30.0	-22.5	300.0%
State Agencies	\$13,790.8	\$13,877.0	\$14,214.4	\$142.1	\$14,072.3	\$195.3	1.4%
Total Operating	\$25,508.0	\$26,388.3	\$26,953.9	\$264.0	\$26,689.9	\$301.6	1.1%
Capital ⁽¹⁾	1,299.6	1,712.4	2,043.3	26.1	2,017.3	304.9	17.8%
Transportation	985.4	1,449.4	1,727.7	0.0	1,727.7	278.2	19.2%
Environment	201.0	198.6	194.0	0.0	194.0	-4.6	-2.3%
Other	113.2	64.3	121.6	26.1	95.6	31.2	48.5%
Subtotal	\$26,807.6	\$28,100.7	\$28,997.2	\$290.1	\$28,707.2	\$606.5	2.2%
Reserve Funds	55.3	14.8	200.0	50.0	150.0	135.2	914.5%
Appropriations	\$26,862.9	\$28,115.5	\$29,197.2	\$340.1	\$28,857.2	\$741.7	2.6%
Reversions	0.0	-30.3	-30.0	0.0	-30.0	0.3	-0.9%
Grand Total	\$26,862.9	\$28,085.2	\$29,167.2	\$340.1	\$28,827.2	\$742.0	2.6%

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

Note: The fiscal 2015 working appropriation reflects \$205.3 million in reductions approved by the Board of Public Works on January 7. It also includes deficiencies, \$49.1 million in reductions contingent on legislation, \$5.1 million in targeted reversions, and \$7.5 million in savings from Section 23 of the budget bill (HB 70/SB 55). The fiscal 2016 allowance reflects \$232.3 million in reductions from Sections 19, 20, and 22 of the budget bill and \$4.5 million in targeted reversions. The fiscal 2016 adjusted allowance reflects \$268.2 million in reductions contingent on legislation, \$94.1 million in reductions from Section 21 of the budget bill, \$6.6 million in targeted reversions, and \$28.9 million in additional special fund spending due to funding swaps.

State Expenditures – Federal Funds (\$ in Millions)

<u>Category</u>	<u>Actual FY 2014</u>	<u>Working Appropriation FY 2015</u>	<u>Adjusted Allowance FY 2016</u>	<u>FY 2015 to FY 2016</u>	
				<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$11.4	\$11.5	\$11.5	\$0.0	-0.1%
County/Municipal	58.9	53.1	65.9	12.8	24.1%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	732.8	802.3	847.3	45.0	5.6%
Health	4.5	4.5	4.5	0.0	0.0%
<i>Aid to Local Governments</i>	\$796.2	\$859.9	\$917.7	\$57.8	6.7%
Foster Care Payments	71.6	90.6	98.7	8.0	8.8%
Assistance Payments	1,287.9	1,364.5	1,259.5	-105.0	-7.7%
Medical Assistance	4,236.8	6,112.5	5,924.6	-187.9	-3.1%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
<i>Entitlements</i>	\$5,596.2	\$7,567.7	\$7,282.8	-\$284.9	-3.8%
Health	1,271.8	1,011.9	934.7	-77.2	-7.6%
Human Resources	458.3	514.6	497.8	-16.7	-3.3%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	7.9	7.1	7.3	0.2	2.1%
Public Safety/Police	32.4	30.0	29.9	-0.1	-0.4%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	324.4	263.6	247.5	-16.1	-6.1%
Transportation	90.6	93.7	94.9	1.2	1.3%
Agric./Nat'l. Res./Environment	58.8	71.1	64.2	-6.9	-9.8%
Other Executive Agencies	544.4	576.7	566.9	-9.9	-1.7%
Judiciary	5.1	1.7	0.2	-1.6	-90.8%
<i>State Agencies</i>	\$2,793.6	\$2,570.5	\$2,443.4	-\$127.2	-4.9%
Total Operating	\$9,197.5	\$11,009.6	\$10,655.3	-\$354.4	-3.2%
Capital	830.0	831.7	965.2	133.6	16.1%
Transportation	741.1	763.8	861.5	97.6	12.8%
Environment	44.6	41.3	44.9	3.6	8.6%
Other	44.4	26.5	58.9	32.3	121.9%
Grand Total	\$10,027.5	\$11,841.3	\$11,620.5	-\$220.8	-1.9%

Note: The fiscal 2015 working appropriation includes \$15.4 million in deficiencies. The fiscal 2016 adjusted allowance reflects \$17.7 million in reductions from Sections 20 and 21 of the budget bill (HB 70/SB 55) and \$7.3 million in reductions contingent on legislation.

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

<u>Category</u>	<u>Actual FY 2014</u>	<u>Work. Appr. FY 2015</u>	<u>Adjusted Allowance FY 2016</u>	<u>FY 2015 to FY 2016</u>	
				<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,086.8	\$1,143.3	\$1,128.0	-\$15.3	-1.3%
County/Municipal	261.5	262.9	245.1	-17.8	-6.8%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	389.7	390.9	397.9	7.0	1.8%
Health	0.0	0.0	0.0	0.0	n/a
<i>Aid to Local Governments</i>	<i>\$651.1</i>	<i>\$653.7</i>	<i>\$643.0</i>	<i>-\$10.8</i>	<i>-1.6%</i>
Foster Care Payments	1.2	5.5	4.8	-0.7	-12.0%
Assistance Payments	1.0	18.6	16.6	-2.0	-10.5%
Medical Assistance	870.1	983.1	976.4	-6.8	-0.7%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
<i>Entitlements</i>	<i>\$872.3</i>	<i>\$1,007.2</i>	<i>\$997.8</i>	<i>-\$9.4</i>	<i>-0.9%</i>
Health	511.8	471.5	421.6	-49.9	-10.6%
Human Resources	103.8	96.9	91.3	-5.6	-5.8%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	4.2	5.0	4.9	-0.1	-2.1%
Public Safety/Police	189.7	218.1	220.5	2.4	1.1%
Higher Education	3,945.8	4,093.5	4,185.4	91.9	2.2%
Other Education	62.2	61.8	47.8	-14.0	-22.7%
Transportation	1,744.8	1,671.4	1,751.9	80.5	4.8%
Agric./Nat'l. Res./Environment	206.1	228.0	253.6	25.6	11.2%
Other Executive Agencies	579.8	689.3	676.3	-13.0	-1.9%
Legislative	0.0	0.0	0.0	0.0	n/a
Judiciary	44.9	64.1	65.8	1.7	2.6%
<i>State Agencies</i>	<i>\$7,392.9</i>	<i>\$7,599.6</i>	<i>\$7,719.0</i>	<i>\$119.5</i>	<i>1.6%</i>
Total Operating	\$10,003.1	\$10,403.8	\$10,487.9	\$84.1	0.8%
Capital	1,256.9	1,700.9	1,977.5	276.6	16.3%
Transportation	985.4	1,449.4	1,727.7	278.2	19.2%
Environment	200.7	197.6	193.3	-4.3	-2.2%
Other	70.8	53.8	56.5	2.7	5.0%
Grand Total	\$11,260.1	\$12,104.7	\$12,465.4	\$360.7	3.0%

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

Note: The fiscal 2015 working appropriation reflects \$7.5 million in reductions approved by the Board of Public Works on January 7 and deficiencies. The fiscal 2016 adjusted allowance reflects \$28.5 million in reductions from Sections 20 and 21 of the budget bill (HB 70/SB 55), \$59.6 million in reductions contingent on legislation, and \$28.9 million in additional special fund spending due to funding swaps.

Contractual Full-time Equivalent Positions Fiscal 2002 Actuals to 2016 Allowance

<u>Department/Service Area</u>	<u>2002 Actual</u>	<u>2014 Actual</u>	<u>2015 Work. Approp.</u>	<u>2016 Allowance</u>	<u>2015-16 Change</u>
Health and Human Services					
Health and Mental Hygiene	409	362	420	450	29
Human Resources	111	146	83	74	-9
Juvenile Services	119	161	142	143	1
Subtotal	639	669	645	667	22
Public Safety					
Public Safety and Correctional Services	298	272	400	398	-2
Police and Fire Marshal	46	26	57	68	11
Subtotal	344	297	457	466	9
Transportation	142	131	41	41	0
Other Executive					
Legal (Excluding Judiciary)	99	38	63	62	-1
Executive and Administrative Control	208	227	188	201	13
Financial and Revenue Administration	35	64	64	50	-14
Budget and Management and DoIT	33	16	16	11	-4
Retirement	30	16	17	10	-7
General Services	35	15	24	24	0
Natural Resources	332	370	445	438	-7
Agriculture	36	42	40	43	3
Labor, Licensing, and Regulation	176	258	276	294	17
MSDE and Other Education	218	303	339	296	-43
Housing and Community Development	49	48	80	55	-25
Business and Economic Development	49	18	18	18	0
Environment	32	25	53	48	-5
Subtotal	1,332	1,441	1,622	1,548	-74
Executive Branch Subtotal	2,457	2,539	2,764	2,722	-42
Higher Education	6,079	6,645	6,021	6,005	-16
Judiciary	371	446	431	334	-97
Grand Total	8,907	9,630	9,216	9,061	-155

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

Source: Department of Budget and Management

Board of Public Works Reductions by County Fiscal 2015

County	Out-of-county Placements ¹	Optional Retirement ¹	Community Colleges	Police Aid Formula	Health Grants	Disparity Grants	Total
Allegany	\$0	\$0	-\$122,478	\$0	-\$143,701	\$0	-\$266,179
Anne Arundel	0	0	-606,989	-44,676	-498,235	0	-1,149,900
Baltimore City	0	0	0	0	-1,057,011	0	-1,057,011
Baltimore	0	0	-1,006,183	-48,734	-692,186	0	-1,747,103
Calvert	0	0	-106,579	-216	-61,725	0	-168,520
Caroline	0	0	-6,821	-8,604	-81,599	0	-97,024
Carroll	0	0	-249,270	0	-191,845	0	-441,115
Cecil	0	0	-190,664	-16,364	-126,052	-230,822	-563,902
Charles	0	0	-361,829	-7,696	-156,359	0	-525,884
Dorchester	0	0	-5,107	-1,215	-66,916	0	-73,238
Frederick	0	0	-136,068	-17,269	-236,484	0	-389,821
Garrett	0	0	-109,113	0	-67,524	0	-176,637
Harford	0	0	-345,048	-14,470	-271,825	0	-631,343
Howard	0	0	-698,671	-57,279	-195,262	0	-951,212
Kent	0	0	-2,454	-4,698	-51,877	0	-59,029
Montgomery	0	-500,000	-1,508,693	-163,881	-500,280	0	-2,672,854
Prince George's	0	0	-798,510	-131,191	-803,888	-5,808,685	-7,542,274
Queen Anne's	0	0	-7,917	-4,413	-64,593	0	-76,923
St. Mary's	0	0	-119,799	-6,379	-125,529	0	-251,707
Somerset	0	0	-10,282	-3,211	-65,445	0	-78,938
Talbot	0	0	-7,365	0	-50,822	0	-58,187
Washington	0	0	-300,283	0	-213,236	-432,250	-945,769
Wicomico	0	0	-70,570	-38,207	-146,348	-1,587,120	-1,842,246
Worcester	0	0	-29,306	-29,747	-54,923	0	-113,976
Unallocated	-1,500,000	0	0	0	0	0	-1,500,000
Total	-\$1,500,000	-\$500,000	-\$6,799,999	-\$598,250	-\$5,923,665	-\$8,058,878	-\$23,380,792

¹ Funding to be reverted to align with prior year actual expenditure levels.

State Aid to Local Governments
Fiscal 2016 Allowance
(\$ in Thousands)

County	Direct State Aid						Retirement	Total	Change	
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal			Over FY 2015	Percent Change
Allegany	\$12,269	\$5,944	\$77,063	\$752	\$1,051	\$97,079	\$9,659	\$106,738	-\$756	-0.7%
Anne Arundel	29,796	29,439	335,530	2,138	3,507	400,410	72,393	472,803	7,520	1.6%
Baltimore City	251,734	0	878,032	6,096	7,449	1,143,311	71,504	1,214,815	-40,827	-3.3%
Baltimore	20,795	41,038	612,940	5,545	4,812	685,130	98,203	783,333	20,262	2.7%
Calvert	2,811	2,484	78,737	410	426	84,867	15,664	100,532	-3,008	-2.9%
Caroline	4,178	1,644	49,644	278	597	56,342	4,959	61,301	1,016	1.7%
Carroll	3,965	8,159	129,573	929	1,371	143,997	22,892	166,888	-6,096	-3.5%
Cecil	6,087	5,836	99,279	740	899	112,840	14,490	127,329	-1,792	-1.4%
Charles	3,331	8,504	160,412	967	1,109	174,322	24,264	198,586	-1,200	-0.6%
Dorchester	3,817	1,225	39,667	263	488	45,460	4,036	49,496	1,656	3.5%
Frederick	5,949	9,746	228,831	1,360	1,685	247,571	36,803	284,374	-4,533	-1.6%
Garrett	3,858	3,686	20,614	138	495	28,791	3,730	32,521	-655	-2.0%
Harford	5,786	11,259	201,897	1,483	1,936	222,360	31,731	254,092	-3,154	-1.2%
Howard	7,319	17,336	226,983	869	1,359	253,866	63,894	317,760	7,609	2.5%
Kent	940	596	9,626	83	383	11,627	1,915	13,542	-598	-4.2%
Montgomery	24,939	46,778	629,476	2,902	3,388	707,483	174,657	882,140	11,405	1.3%
Prince George's	60,577	27,694	1,030,550	6,965	5,599	1,131,386	112,064	1,243,450	34,819	2.9%
Queen Anne's	1,477	1,834	34,455	144	465	38,376	6,549	44,924	9	0.0%
St. Mary's	2,360	2,708	98,336	636	900	104,939	14,647	119,586	1,391	1.2%
Somerset	6,398	680	28,746	277	479	36,580	2,848	39,427	151	0.4%
Talbot	1,499	1,740	13,482	108	365	17,196	3,978	21,173	-133	-0.6%
Washington	5,236	8,635	164,064	1,206	1,536	180,676	19,566	200,241	-3,354	-1.6%
Wicomico	11,073	4,741	132,468	971	1,053	150,305	13,488	163,793	3,071	1.9%
Worcester	4,821	1,990	19,596	147	393	26,948	7,432	34,380	-386	-1.1%
Unallocated	34,423	6,422	60,463	16,613	0	117,920	0	117,920	8,058	7.3%
Total	\$515,436	\$250,121	\$5,360,462	\$52,019	\$41,743	\$6,219,782	\$831,362	\$7,051,144	\$30,474	0.4%

Notes: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.
State aid amounts in fiscal 2016 reflect proposed reductions.

State Aid to Local Governments
Fiscal 2015 Working Appropriation
(\$ in Thousands)

County	Direct State Aid						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	\$13,521	\$6,113	\$76,562	\$744	\$1,051	\$97,990	\$9,504	\$107,494
Anne Arundel	31,033	30,990	330,065	2,101	3,507	397,697	67,586	465,283
Baltimore City	256,116	0	913,587	6,053	7,449	1,183,205	72,437	1,255,642
Baltimore	21,213	41,218	594,959	5,327	4,812	667,528	95,543	763,071
Calvert	3,239	2,480	81,897	385	426	88,427	15,114	103,540
Caroline	4,513	1,622	48,598	270	597	55,600	4,685	60,285
Carroll	5,000	8,114	134,554	902	1,371	149,942	23,042	172,984
Cecil	6,562	5,845	101,099	719	899	115,123	13,998	129,121
Charles	3,990	8,420	161,780	920	1,109	176,219	23,567	199,786
Dorchester	4,229	1,214	37,746	252	488	43,930	3,910	47,840
Frederick	7,857	9,869	232,977	1,334	1,685	253,722	35,184	288,907
Garrett	4,116	3,755	20,986	114	495	29,465	3,711	33,176
Harford	6,768	11,211	203,136	1,450	1,936	224,501	32,745	257,246
Howard	7,883	16,404	222,895	838	1,359	249,379	60,772	310,151
Kent	1,122	584	9,934	81	383	12,103	2,037	14,140
Montgomery	28,146	45,919	625,037	2,813	3,388	705,303	165,432	870,735
Prince George's	64,773	26,868	1,002,891	6,759	5,599	1,106,890	101,741	1,208,631
Queen Anne's	1,678	1,883	34,675	138	465	38,839	6,077	44,916
St. Mary's	2,528	2,788	97,276	612	900	104,104	14,091	118,195
Somerset	6,502	728	28,579	268	479	36,555	2,721	39,276
Talbot	2,090	1,751	13,067	107	365	17,380	3,926	21,306
Washington	6,647	8,704	166,277	1,172	1,536	184,336	19,259	203,595
Wicomico	12,026	4,999	128,705	943	1,053	147,726	12,997	160,722
Worcester	5,247	2,076	19,588	144	393	27,448	7,318	34,766
Unallocated	29,669	6,679	57,191	16,323	0	109,862	0	109,862
Total	\$536,467	\$250,233	\$5,344,061	\$50,769	\$41,743	\$6,223,273	\$797,396	\$7,020,669

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

State Aid to Local Governments

Dollar Difference Between Fiscal 2016 Allowance and Fiscal 2015 Working Appropriation (\$ in Thousands)

County	<i>Direct State Aid</i>						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	-\$1,252	-\$168	\$500	\$8	\$0	-\$911	\$155	-\$756
Anne Arundel	-1,238	-1,551	5,465	37	0	2,713	4,807	7,520
Baltimore City	-4,382	0	-35,555	43	0	-39,894	-933	-40,827
Baltimore	-418	-180	17,981	219	0	17,602	2,660	20,262
Calvert	-428	4	-3,159	24	0	-3,559	551	-3,008
Caroline	-334	22	1,046	9	0	742	274	1,016
Carroll	-1,036	45	-4,982	27	0	-5,946	-150	-6,096
Cecil	-475	-9	-1,820	20	0	-2,284	492	-1,792
Charles	-660	84	-1,368	46	0	-1,897	697	-1,200
Dorchester	-413	11	1,921	11	0	1,530	126	1,656
Frederick	-1,909	-123	-4,147	27	0	-6,151	1,619	-4,533
Garrett	-258	-69	-371	24	0	-673	18	-655
Harford	-982	48	-1,240	33	0	-2,140	-1,014	-3,154
Howard	-564	932	4,089	31	0	4,488	3,122	7,609
Kent	-182	12	-309	2	0	-476	-122	-598
Montgomery	-3,207	859	4,439	88	0	2,180	9,225	11,405
Prince George's	-4,196	826	27,660	206	0	24,496	10,323	34,819
Queen Anne's	-201	-48	-220	6	0	-463	471	9
St. Mary's	-168	-80	1,060	23	0	835	556	1,391
Somerset	-104	-48	167	9	0	24	127	151
Talbot	-590	-11	415	2	0	-185	52	-133
Washington	-1,411	-70	-2,213	34	0	-3,660	306	-3,354
Wicomico	-953	-258	3,763	28	0	2,580	491	3,071
Worcester	-425	-86	8	3	0	-501	114	-386
Unallocated	4,754	-257	3,272	290	0	8,058	0	8,058
Total	-\$21,030	-\$112	\$16,402	\$1,249	\$0	-\$3,491	\$33,966	\$30,474

Notes: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.
State aid amounts in fiscal 2016 reflect proposed reductions.

State Aid to Local Governments

Percent Change: Fiscal 2016 Allowance Over Fiscal 2015 Working Appropriation

County	<i>Direct State Aid</i>						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	-9.3%	-2.8%	0.7%	1.1%	0.0%	-0.9%	1.6%	-0.7%
Anne Arundel	-4.0%	-5.0%	1.7%	1.8%	0.0%	0.7%	7.1%	1.6%
Baltimore City	-1.7%	n/a	-3.9%	0.7%	0.0%	-3.4%	-1.3%	-3.3%
Baltimore	-2.0%	-0.4%	3.0%	4.1%	0.0%	2.6%	2.8%	2.7%
Calvert	-13.2%	0.2%	-3.9%	6.3%	0.0%	-4.0%	3.6%	-2.9%
Caroline	-7.4%	1.3%	2.2%	3.2%	0.0%	1.3%	5.8%	1.7%
Carroll	-20.7%	0.6%	-3.7%	3.0%	0.0%	-4.0%	-0.7%	-3.5%
Cecil	-7.2%	-0.1%	-1.8%	2.8%	0.0%	-2.0%	3.5%	-1.4%
Charles	-16.5%	1.0%	-0.8%	5.0%	0.0%	-1.1%	3.0%	-0.6%
Dorchester	-9.8%	0.9%	5.1%	4.3%	0.0%	3.5%	3.2%	3.5%
Frederick	-24.3%	-1.2%	-1.8%	2.0%	0.0%	-2.4%	4.6%	-1.6%
Garrett	-6.3%	-1.8%	-1.8%	21.0%	0.0%	-2.3%	0.5%	-2.0%
Harford	-14.5%	0.4%	-0.6%	2.3%	0.0%	-1.0%	-3.1%	-1.2%
Howard	-7.2%	5.7%	1.8%	3.7%	0.0%	1.8%	5.1%	2.5%
Kent	-16.2%	2.1%	-3.1%	2.3%	0.0%	-3.9%	-6.0%	-4.2%
Montgomery	-11.4%	1.9%	0.7%	3.1%	0.0%	0.3%	5.6%	1.3%
Prince George's	-6.5%	3.1%	2.8%	3.1%	0.0%	2.2%	10.1%	2.9%
Queen Anne's	-12.0%	-2.6%	-0.6%	4.6%	0.0%	-1.2%	7.8%	0.0%
St. Mary's	-6.7%	-2.9%	1.1%	3.8%	0.0%	0.8%	3.9%	1.2%
Somerset	-1.6%	-6.6%	0.6%	3.4%	0.0%	0.1%	4.7%	0.4%
Talbot	-28.2%	-0.6%	3.2%	1.5%	0.0%	-1.1%	1.3%	-0.6%
Washington	-21.2%	-0.8%	-1.3%	2.9%	0.0%	-2.0%	1.6%	-1.6%
Wicomico	-7.9%	-5.2%	2.9%	3.0%	0.0%	1.7%	3.8%	1.9%
Worcester	-8.1%	-4.1%	0.0%	2.0%	0.0%	-1.8%	1.6%	-1.1%
Unallocated	16.0%	-3.8%	5.7%	1.8%	n/a	7.3%	n/a	7.3%
Total	-3.9%	0.0%	0.3%	2.5%	0.0%	-0.1%	4.3%	0.4%

Notes: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.
State aid amounts in fiscal 2016 reflect proposed reductions.

State Expenditures
Total and Adjusted for Reserve Fund Transfers
Fiscal 2006-2016
(\$ in Millions)

Table 1. General Funds

Fiscal Year	General Fund Expenditures	Percent Change	Appropriations to Reserve Fund ⁽²⁾	Adjusted General Fund Expenditures	Percent Change	Calendar Year	Maryland Personal Income ⁽³⁾	Percent Change
2006	12,356.4	9.6%	299.4	12,057.0	8.0%	2006	260,939	6.5%
2007	14,204.4	15.0%	638.4	13,566.0	12.5%	2007	272,798	4.5%
2008	14,488.2	2.0%	162.8	14,325.4	5.6%	2008	282,984	3.7%
2009	14,352.9	-0.9%	146.5	14,206.4	-0.8%	2009	282,425	-0.2%
2010	13,442.3	-6.3%	114.9	13,327.4	-6.2%	2010	289,560	2.5%
2011	13,280.8	-1.2%	15.0	13,265.8	-0.5%	2011	304,808	5.3%
2012	14,950.7	12.6%	15.0	14,935.7	12.6%	2012	315,776	3.6%
2013	14,697.0	-1.7%	37.8	14,659.2	-1.9%	2013	319,125	1.1%
2014	15,602.8	6.2%	55.3	15,547.6	6.1%	2014	329,708	3.3%
2015 ⁽¹⁾	15,980.5	2.4%	14.8	15,965.7	2.7%	2015	342,249	3.8%
2016 ⁽¹⁾	16,361.8	2.4%	150.0	16,211.8	1.5%	2016	356,428	4.1%

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

Fiscal Year	State Fund Expenditures	Percent Change	Appropriations to Reserve Fund ⁽²⁾	Adjusted State Fund Expenditures	Percent Change	Calendar Year	Maryland Personal Income ⁽³⁾	Percent Change
2006	19,967.7	9.8%	308.6	19,659.1	8.8%	2006	260,939	6.5%
2007	22,393.0	12.1%	638.4	21,754.6	10.7%	2007	272,798	4.5%
2008	23,008.1	2.7%	162.8	22,845.3	5.0%	2008	282,984	3.7%
2009	23,111.6	0.5%	146.5	22,965.1	0.5%	2009	282,425	-0.2%
2010	22,208.1	-3.9%	114.9	22,093.1	-3.8%	2010	289,560	2.5%
2011	22,732.5	2.4%	15.0	22,717.5	2.8%	2011	304,808	5.3%
2012	24,856.4	9.3%	15.0	24,841.4	9.3%	2012	315,776	3.6%
2013	25,935.3	4.3%	37.8	25,897.6	4.3%	2013	319,125	1.1%
2014	26,862.9	3.6%	55.3	26,807.6	3.5%	2014	329,708	3.3%
2015 ⁽¹⁾	28,085.2	4.6%	14.8	28,070.4	4.7%	2015	342,249	3.8%
2016 ⁽¹⁾	28,827.2	2.6%	150.0	28,677.2	2.2%	2016	356,428	4.1%

Table 3. All Funds

Fiscal Year	Total Expenditures	Percent Change	Appropriations to Reserve Fund ⁽²⁾	Adjusted Total State Expenditures	Percent Change	Calendar Year	Maryland Personal Income ⁽³⁾	Percent Change
2006	26,174.2	8.8%	308.6	25,865.6	8.0%	2006	260,939	6.5%
2007	28,756.5	9.9%	638.4	28,118.1	8.7%	2007	272,798	4.5%
2008	29,569.4	2.8%	162.8	29,406.6	4.6%	2008	282,984	3.7%
2009	30,870.5	4.4%	146.5	30,724.0	4.5%	2009	282,425	-0.2%
2010	32,033.1	3.8%	114.9	31,918.1	3.9%	2010	289,560	2.5%
2011	32,683.8	2.0%	15.0	32,668.8	2.4%	2011	304,808	5.3%
2012	33,914.7	3.8%	15.0	33,899.7	3.8%	2012	315,776	3.6%
2013	35,119.5	3.6%	37.8	35,081.8	3.5%	2013	319,125	1.1%
2014	36,890.4	5.0%	55.3	36,835.1	5.0%	2014	329,708	3.3%
2015 ⁽¹⁾	39,926.5	8.2%	14.8	39,911.7	8.4%	2015	342,249	3.8%
2016 ⁽¹⁾	40,447.7	1.3%	150.0	40,297.7	1.0%	2016	356,428	4.1%

⁽¹⁾ Fiscal 2015 is the working appropriation including deficiencies, targeted reversions, expected general fund reversions, reductions contingent on legislation, and reductions approved by the Board of Public Works on January 7, 2015. Fiscal 2016 is the Governor's adjusted allowance reflecting reductions from the back of the budget bill, reductions contingent on legislation, expected reversions, and additional special fund spending related to fund swaps.

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

⁽³⁾ The history through 2013 comes from the U.S. Department of Commerce, Bureau of Economic Analysis and reflects their December 2014 release of state personal income data. The forecast for 2014 to 2016 is from the Maryland Board of Revenue Estimates, December 2014.

Top Funded Programs and Projects – All Funds

Fiscal 2016
(\$ in Millions)

<u>Project Title</u>	<u>GO</u> <u>Bond</u>	<u>Revenue</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Total</u> <u>Funds</u>
BPW: Public School Construction Program	\$250.0	\$0.0	\$30.0	\$0.0	\$0.0	\$280.0
MDE: Maryland Water Quality Revolving Loan Fund	6.8	0.0	0.0	89.3	33.9	130.0
UMB: Health Sciences Research Facility III	81.6	0.0	0.0	0.0	0.0	81.6
MDE: Enhanced Nutrient Removal Program	0.0	0.0	0.0	80.0	0.0	80.0
UMCP: Edward St. John Learning and Teaching Center	65.7	0.0	0.0	0.0	0.0	65.7
MHEC: Community College Facilities Grant Program	57.9	0.0	0.0	0.0	0.0	57.9
SU: New Academic Commons	40.7	12.5	0.0	0.0	0.0	53.2
BSU: New Natural Sciences Center	39.7	0.0	0.0	0.0	0.0	39.7
DHCD: Rental Housing Program	10.0	0.0	0.0	24.8	3.0	37.8
MDA: Maryland Agricultural Land Preservation Program	22.7	0.0	0.0	9.1	0.0	31.8
MSU: New Behavioral and Social Sciences Center	31.0	0.0	0.0	0.0	0.0	31.0
Miscellaneous: Prince George's Hospital System	30.0	0.0	0.0	0.0	0.0	30.0
DoIT: Public Safety Communication System	30.0	0.0	0.0	0.0	0.0	30.0
MDE: Biological Nutrient Removal Program	26.5	0.0	0.0	0.0	0.0	26.5
MDE: Maryland Drinking Water Revolving Loan Fund	3.0	0.0	0.0	10.0	11.0	24.0
DPSCS: New Youth Detention Center	21.6	0.0	0.0	0.0	0.0	21.6
DNR: Program Open Space – Stateside	14.5	0.0	0.0	1.5	3.0	19.0
DNR: Rural Legacy Program	17.5	0.0	0.0	0.7	0.0	18.2
USMO: Capital Facilities Renewal Program	0.0	17.0	0.0	0.0	0.0	17.0
MSDE: State Library Resource Center	16.9	0.0	0.0	0.0	0.0	16.9
MES: Infrastructure Improvement Fund	16.5	0.0	0.0	0.0	0.0	16.5
DNR: Program Open Space – Local	14.5	0.0	0.0	0.0	0.0	14.5

<u>Project Title</u>	<u>GO Bond</u>	<u>Revenue</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Total Funds</u>
MDE: Septic System Upgrade Program	0.0	0.0	0.0	14.0	0.0	14.0
MD: Easton Readiness Center	0.0	0.0	0.0	0.0	13.8	13.8
DHCD: Homeownership Programs	11.8	0.0	0.0	1.2	0.7	13.7
MD: Harve de Grace Readiness Center	0.6	0.0	0.0	0.0	12.4	13.0
SMCM: Anne Arundel Hall Reconstruction	10.5	0.0	0.0	0.0	0.0	10.5
DHCD: Special Loan Program	5.9	0.0	0.0	1.6	3.0	10.4
DHCD: Community Development Block Grant Program	0.0	0.0	0.0	0.0	10.0	10.0
UMCP: Campuswide Building System and Infrastructure Improvements	5.0	5.0	0.0	0.0	0.0	10.0
Subtotal: Top Funded Programs and Projects	\$830.7	\$34.5	\$30.0	\$232.2	\$90.8	\$1,218.1
Subtotal: Other Funded Programs and Projects	\$177.5	\$0.0	\$9.8	\$20.4	\$13.6	\$221.2
Total	\$1,008.2	\$34.5	\$39.8	\$252.5	\$104.4	\$1,439.3
De-authorizations as Introduced	-\$9.0	\$0.0	\$0.0	\$0.0	\$0.0	-\$9.0
Grand Total New Funding	\$999.2	\$34.5	\$39.8	\$252.5	\$104.4	\$1,430.4

BPW: Board of Public Works
 BSU: Bowie State University
 DHCD: Department of Housing and Community Development
 DNR: Department of Natural Resources
 DoIT: Department of Information Technology
 DPSCS: Department of Public Safety and Correctional Services
 MD: Military Department
 MDA: Maryland Department of Agriculture
 MDE: Maryland Department of the Environment

MES: Maryland Environmental Services
 MHEC: Maryland Higher Education Commission
 MSDE: Maryland State Department of Education
 MSU: Morgan State University
 SMCM: St. Mary's College of Maryland
 SU: Salisbury University
 UMB: University of Maryland, Baltimore
 UMCP: University of Maryland, College Park
 USMO: University System of Maryland Office

Note: Figures are adjusted for \$37.7 million of contingent special fund reductions reflecting transfer tax diversion to the general fund, and \$65.0 million of general obligation (GO) bond funds for the State Highway Administration Watershed Implementation Plan projects, which is contingent upon the failure to include a provision in the Budget Reconciliation and Financing Act of 2015 removing the requirement of Section 8-613.3 of the Transportation Article that the Governor appropriate funds with either general or GO bond funds. GO bond figures include \$4.6 million of Qualified Zone Academy Bonds.

Budget Reconciliation and Financing Act of 2015 (HB 72/SB 57)

Mandate Relief

- Maryland Agricultural and Resource-based Industry Development Corporation – Reduces the mandated funding level from \$4.0 million to \$2.875 million for fiscal 2016 through 2024 and extends the period for the corporation to receive a grant by three years (bill page 7)
- Education Aid – Freezes the target per pupil foundation amount for fiscal 2016 at the fiscal 2015 level and moderates the mandated growth rates for fiscal 2017 through 2020 and extends the phase-in of the Net Taxable Income grants by one year to fiscal 2019 (bill pages 7-9)
- Community College Funding Formula – Reduces the amount provided through the Cade formula by \$13.0 million to \$218.7 million for fiscal 2016 and caps the annual growth to not more than the projected growth in general fund revenues less 1% (bill pages 9-13)
- Sellinger Formula – Reduces the amount provided to private colleges and universities through the Sellinger formula by \$6.5 million to \$41.4 million for fiscal 2016 and caps the annual growth to not more than the projected growth in general fund revenues less 1.0% (bill pages 13-15)
- Library Aid – Slows and extends the phase-in of mandated increases to the per-resident amount for aid to regional and State Library centers and local public libraries through fiscal 2025 and phases-in State support for the Maryland Library for the Blind and Physically Handicapped through fiscal 2025 (bill pages 16-19)
- Local Health Grants – Freezes fiscal 2016 funding for local health grants at the fiscal 2014 level (bill page 19)
- Development Disabilities Administration Provider Rates – Reduces the mandated rate increase for community service providers from 3.5% to 1.75% for fiscal 2016 (bill page 19)
- Academic Health Centers – Reduces the mandated funding from the Cigarette Restitution Fund for academic health centers by \$7.2 million to \$5.8 million beginning in fiscal 2016, allowing for a contingent general fund reduction under Medicaid (bill pages 19-20)

- Maryland Health Benefit Exchange – Removes the mandated funding requirement under the Maryland Health Benefit Exchange, enabling a contingent reduction of \$1,498,276 in special funds in fiscal 2016; which results in additional premium tax revenue to the general fund (bill page 20)
- Disparity Grant – Freezes the total amount of the disparity grant at \$127,708,537 beginning in fiscal 2016; allowing for a contingent reduction of \$2,111,335 in general funds. Future allocations within the \$127.7 million will be prorated according to the formula (bill pages 20-21)
- Watershed Implementation Plan – Transfers the mandated funding requirement for transportation projects necessary to comply with the Watershed Implementation Plan from the general fund or general obligation bonds to the Transportation Trust Fund (bill page 27)
- Local Police Aid – Alters the mandated funding level for State Aid for Police Protection grants to \$67,277,067 for fiscal 2015 and 2016, enabling a contingent reduction of \$3,720,710 in fiscal 2016 (bill pages 22-23)
- State Arts Council – Sets fiscal 2016 general fund support for the Maryland State Arts Council at the fiscal 2014 level of \$15,418,942 (bill page 23)
- Cybersecurity Tax Credit – Reduces the mandated level of general funds from \$2.0 million to \$1.5 million in fiscal 2016 (bill page 25)
- Repayment to Program Open Space – Repeals the requirement that transfer tax funds diverted to the general fund in fiscal 2006 be repaid by unappropriated general fund balance in excess of \$10.0 million (bill pages 25-26)
- Curb Mandate Growth – Caps the growth of any mandated appropriation to not more than the projected general fund revenue growth, less 1.0%, exempting specified mandates related to K-12 education funding and State pension contributions (bill pages 31-32)

General and Special Fund Revenue Actions

- Park Payments to Counties in Lieu of Taxes – Reduces park revenue sharing payments to counties from the Department of Natural Resources in fiscal 2015 and 2016 (bill page 21)
- Short-term Vehicle Rentals – Revenue from the sales tax on vehicle rentals that is credited to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be redirected to the general fund in 2016 by a total of \$8.6 million (bill pages 23-24)

- Transfer Tax – Increases the revenue from the transfer tax that is directed to the general fund in fiscal 2015 by \$37,712,700 (bill page 27)
- Abandoned Property Database – Alters the requirement that the Comptroller publish in newspapers of general circulation notices of abandoned property; authorizes the establishment of an electronic database with access via a website; and enables a contingent reduction of \$580,000 in special funds (bill pages 5-6)
- Sunny Day Fund – Requires any repayments received by the Department of Business and Economic Development related to loans under the Sunny Day Fund be deposited into the general fund in fiscal 2015 and 2016 (bill page 30)
- Medical Loss Ratios – Authorizes the early clawback of savings for calendar 2014 managed care organization (MCO) payments to recognize failure of MCOs to meet certain medical loss ratios, which increases general fund revenues by \$10.0 million (bill page 32).

New or Expanded Uses of Existing Revenues

- Waterway Improvement Fund – Allows the use of the fund for fund-related administrative expenses under the Department of Natural Resources; allowing for a contingent reduction of \$875,000 in general funds in fiscal 2016 (bill pages 21-22)
- Housing Counseling and Foreclosure Mediation Fund – Allows the use of the fund for operational expenses under the Department of Housing and Community Development; allowing for a contingent reduction of \$2.4 million in general funds in fiscal 2016 (bill page 29)
- Maryland Health Insurance Plan fund balance – Allows non-federal fund balance under the Maryland Health Insurance Plan to be used by the Department of Health and Mental Hygiene to fund provider reimbursements in the Medicaid program (bill pages 29-30)
- Local Impact Aid – Redirects a portion of video lottery terminal revenues for local impact aid to the Education Trust Fund in fiscal 2015 and 2016; allowing for a contingent general fund reduction of \$4.1 million in fiscal 2015 and \$3.9 million in fiscal 2016 under Aid to Education (bill page 31)

Transfers to the General Fund

	<u>Fiscal 2015</u>	<u>Fiscal 2016</u>
Local Income Tax Reserve Account	\$100,000,000	
Program Open Space	10,500,000	
Strategic Energy Investment Fund	6,000,000	
Baltimore City Community College	4,000,000	
State Unemployment Trust Fund	4,000,000	\$4,000,000
Jane E. Lawton Conservation Loan Fund	3,000,000	
Mortgage Lender-Originator Fund	3,000,000	
Board of Nursing	2,500,000	
Waterway Improvement Fund	2,180,000	
Board of Physicians	1,800,000	
Health Personnel Shortage Incentive Fund	1,700,000	
Board of Pharmacy	1,600,000	
Bay Restoration Fund	1,375,000	
Spinal Cord Injury Research Trust Fund	1,000,000	
State Police Helicopter Replacement Fund	269,741	

(bill pages 30-31)

Cost Control and Miscellaneous Provisions

- Deaf Culture Digital Library – Delays the establishment of the Deaf Culture Digital Library until October 2015 (bill page 16)
- Earned Income Tax Credit – Provides that the refundable portion of the earned income tax credit is only applicable to Maryland residents (bill page 24)
- Film Production Activity Tax Credit – Reduces the cap on the film production activity tax credit in fiscal 2016 from \$7.5 million to \$6,816,237 (bill page 24)
- State Employee Salary Adjustment – Prohibits merit or cost-of-living increases for State employees in fiscal 2016 with specified exemptions (bill page 29)
- Nonpublic Placements – Freeze any increase in rates for payments to providers of nonpublic placements for fiscal 2016 (bill page 29)
- Transfer Tax underattainment – Provides that transfer tax underattainment will not be applied in fiscal 2017 for Program Open Space since it is being applied to the fiscal 2015 budget (bill page 25)

- Health Services Cost Review Commission – Requires the commission to enact policies to save general funds in Medicaid in fiscal 2015 (\$8.0 million) and fiscal 2016 (\$16.7 million) to recognize savings from lower uncompensated care. If savings from those policies fail to materialize, the commission may seek savings by discounting Medicare and Medicare hospital rates and, if still necessary, increasing the Medicaid deficit assessment (bill page 28)
- Medicaid Deficit Assessment – Delays until fiscal 2017 the requirement that any savings that accrue to Medicaid through the implementation of the new Maryland All-Payer Model Contract are used to reduce the Medicaid deficit assessment, reducing general fund need by \$14.5 million (bill pages 27-28)
- State Police Helicopter Replacement Fund – Permanently repeals the fund (bill page 22)