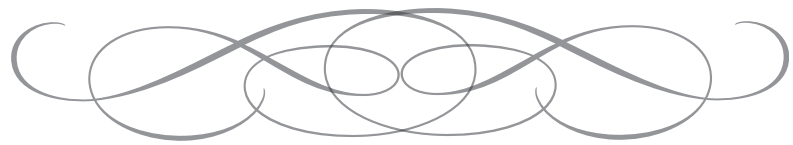


Spending Affordability Committee



2014 Interim Report



Annapolis, Maryland
December 2014

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MARYLAND GENERAL ASSEMBLY
SPENDING AFFORDABILITY COMMITTEE

December 17, 2014

The Honorable Martin O'Malley
Governor, State of Maryland
State House
Annapolis, Maryland 21401

Dear Governor O'Malley:

We are pleased to submit the fiscal policy recommendations of the Spending Affordability Committee made during the 2014 interim. These recommendations were adopted by the committee at its meeting on December 17, 2014. The committee reviewed data concerning the economic condition of the State, revenue, and expenditure trends during the past several years, personnel data, the Transportation Trust Fund, and the results of the Capital Debt Affordability Committee report.

Recommendations were made concerning the fiscal 2016 spending limit, future budget sustainability, reserve fund balances, capital debt, transportation debt, and State positions.

The Spending Affordability Committee has completed its assigned tasks. As required by law, the recommendations of the committee have been submitted to the Governor and the Legislative Policy Committee.

We are most appreciative of the time and effort expended by each member of the committee. A special note of thanks and appreciation is extended to the members of the Citizens Advisory Committee for their valuable assistance and input.

Sincerely,

Delegate John L. Bohanan, Jr.
Presiding Chair

Senator Roger Manno
Senate Chair

Enclosure

JLB:RM/ESS/kjl



MARYLAND GENERAL ASSEMBLY
SPENDING AFFORDABILITY COMMITTEE

December 17, 2014

The Honorable Thomas V. Mike Miller, Jr., Co-Chairman
The Honorable Michael E. Busch, Co-Chairman
Members of the Legislative Policy Committee

Ladies and Gentlemen:

We are pleased to submit the fiscal policy recommendations of the Spending Affordability Committee made during the 2014 interim. These recommendations were adopted by the committee at its meeting on December 17, 2014. The committee reviewed data concerning the economic condition of the State, revenue, and expenditure trends during the past several years, personnel data, the Transportation Trust Fund, and the results of the Capital Debt Affordability Committee report.

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Sincerely,

Delegate John L. Bohanan, Jr.
Presiding Chair

Senator Roger Manno
Senate Chair

Enclosure

JLB:RM/ESS/kjl

**Maryland General Assembly
Spending Affordability Committee
2014 Interim
Membership Roster**

**Delegate John L. Bohanan, Jr., Presiding Chair
Senator Roger Manno, Senate Chair**

Senators

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James E. DeGrange, Sr.
George C. Edwards
Joseph M. Getty
Edward J. Kasemeyer
Richard S. Madaleno, Jr.
Nathaniel J. McFadden
Thomas M. Middleton
Thomas V. Mike Miller, Jr.
Douglas J. J. Peters
James N. Robey

Delegates

Kumar P. Barve
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Michael E. Busch
Norman H. Conway
Adelaide C. Eckardt
Sheila E. Hixson
Adrienne A. Jones
Nicholaus R. Kipke
James E. Proctor, Jr.
Samuel I. Rosenberg

Citizens Advisory Committee

Dana M. Jones
Robert R. Neall

Committee Staff

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2014 Spending Affordability Committee Report and Recommendations to the Governor and the Legislative Policy Committee

The Spending Affordability Committee was created in 1982 (Chapter 585). The committee is composed of equal numbers of senators and delegates and includes the Presiding Officers, the majority and minority leaders, the chairmen of the fiscal committees (or their designees), and other members appointed by the Presiding Officers. A citizen advisory committee assists the committee.

The committee's primary responsibility is to recommend to the Governor and the General Assembly a level of spending for the State operating budget that is reflective of the current and prospective condition of the State's economy. Efforts to close the structural budget gap have been the focus of the committee's recommendations in recent years. The committee's prior recommendations and legislative action on the operating budget are reflected in the table on the following page.

The committee notes that operating spending in relation to the State's economy, as measured by the personal income statistic, has fluctuated between 6.7% and 7.6%. The unprecedented increases under the Bridge to Excellence in Public Schools Act raised spending as a percentage of income during the period of 2004 to 2008. By 2009, the ratio reached 7.4%, the highest level since 1991, in part, due to falling income. Conversely, rising income and reduced State spending caused the ratio to drop to 7.1% in 2010; the rate has steadily increased to 7.5% since. Since 2010 growth in State spending has outpaced personal income largely due to increases in State personnel costs (*i.e.*, general salary increases and retirement costs), as well as growing debt service payments and inflationary increases for mandated education aid.

The committee's statutory responsibility is to consider spending in relation to the State's economy. In its review of the State's economy, the committee considered income and wealth factors in developing a broad understanding of Maryland's economic position. In determining the spending recommendation, the committee has considered economic performance, revenue estimates, and budget requirements.

**Prior Recommendations and Legislative Action on the Operating Budget
(\$ in Millions)**

<u>Session Year</u>	<u>Committee Recommendation</u>		<u>Legislative Action</u>	
	<u>Growth Rate</u>	<u>Amount</u>	<u>Growth Rate</u>	<u>Amount</u>
1983	9.00%	\$428.0	5.70%	\$269.8
1984	6.15%	326.7	8.38%	402.0
1985	8.00%	407.2	7.93%	404.6
1986	7.70%	421.5	7.31%	402.2
1987	7.28%	430.2	7.27%	429.9
1988	8.58%	557.5	8.54%	552.9
1989	8.79%	618.9	8.78%	618.2
1990	9.00%	691.6	8.98%	689.7
1991	5.14%	421.8	5.00%	410.0
1992	No recommendation		10.00%	823.3
1993	2.50%	216.7	2.48%	215.0
1994	5.00%	443.2	5.00%	443.2
1995	4.50%	420.1	4.50%	420.0
1996	4.25%	415.0	3.82%	372.8
1997	4.15%	419.6	4.00%	404.6
1998	4.90%	514.9	4.82%	506.6
1999	5.90%	648.8	5.82%	640.6
2000 ¹	6.90%	803.0	6.87%	800.0
2001 ²	6.95%	885.3	6.94%	884.6
2002	3.95%	543.2	3.40%	468.1
2003	2.50%	358.2	0.94%	134.1
2004	4.37%	635.2	4.33%	629.0
2005 ³	6.70%	1,037.1	6.69%	1,036.3
2006 ³	9.60%	1,604.7	9.57%	1,599.0
2007	7.90%	1,450.0	7.51%	1,378.4
2008	4.27%	848.7	4.16%	826.8
2009 ⁴	0.70%	145.7	0.19%	39.2
2010 ⁴	0.00%	0.0	-3.00%	-626.9
2011	Reduce FY 2012 structural deficit by 33½%		36.90%/46.00% ⁵	
2012	Reduce FY 2013 structural deficit by 50.0%		50.60%	
2013	Reduce FY 2014 structural deficit by \$200.0 million		-211.2	
2014	4.00%	937.8	2.76%	646.4
	Reduce FY 2015 structural deficit by \$125.0 million		-126.1	

¹2000 legislative action does not reflect \$266 million of Cigarette Restitution Fund (CRF) appropriations. CRF dollars were excluded because it had not previously been available to the State. The 2000 growth rate, including CRF dollars, was 9.16%.

²Methodology revised effective with the 2001 session.

³The committee initially approved a limit of 5.70% for 2005 and 8.90% for 2006.

⁴Legislative action calculation includes federal funds under the American Recovery and Reinvestment Act of 2009 used in lieu of ongoing general fund spending.

⁵Spending reduction/total reduction.

Economy

The recession that began in December 2007, officially ended in June 2009. While the recession in Maryland was less severe than for the nation as a whole, it was still the worst economic contraction that the State had experienced since the recession of the early 1990s. Recovery from the recession has lagged the nation, especially in the last few years. The federal budget reductions of recent years along with the government shutdown in fall 2013 had a significant impact on Maryland's economy. Employment increased by less than 1.0% in 2013, and wage income growth slowed from 3.2% in 2012 to just 0.8% in 2013. In the first six months of 2014, personal income was up 2.3%, and wage and salary income was up 1.5%.

In September, the Board of Revenue Estimates (BRE) issued a revised economic forecast for Maryland, its first since December 2013. BRE revised the economic outlook largely in line with recent performance. Employment growth for 2014 was revised down from 1.5% to 0.7%. The projection for personal income growth was lowered in 2014, in part, due to a downward revision to the estimate of wage income. BRE also lowered its long-term assumptions with employment growth peaking at 1.4% in 2016 down from 1.8% in the previous forecast. In December 2014, BRE made a downward adjustment to employment growth in 2015 and 2016 and wage growth over the period from 2015 to 2018.

Revenues

Fiscal 2014 general fund revenues were below the estimate by \$27.4 million. General fund revenues totaled \$15.1 billion in fiscal 2014, an increase of 1.5% over fiscal 2013. The biggest source of underattainment was the personal income tax. General fund personal income tax revenues were under the estimate by \$169.0 million and grew just 1.1% over fiscal 2013.

Fiscal 2015 general fund revenues through November are up 3.7% over fiscal 2014. In September, BRE lowered its estimate for fiscal 2015 general fund revenues by \$177.0 million. The personal income tax estimate was revised down by \$184.0 million in line with the underattainment in fiscal 2014. In December, BRE reduced its general fund estimate for fiscal 2015 by \$123.2 million, in part, due to distributing an extra \$45.0 million to the local income tax reserve account to work down the underfunding of the account. BRE lowered the revenue estimate for fiscal 2016 by \$147.9 million in December.

Budget Requirements

Taking into consideration the revenue projections by BRE in December 2014, the committee is currently projecting an ending general fund deficit of \$414.0 million at the close of fiscal 2015. This deficit is in spite of \$79.4 million in general fund reductions and targeted reversions approved by the Board of Public Works (BPW) on July 2, 2014. Thus, the Administration will need to take additional action to reduce spending or identify additional revenues to balance the current fiscal year. This projected deficit takes into account anticipated spending shortfalls requiring fiscal 2015 general fund deficiency appropriations plus the underattainment of transfer tax revenues totaling

2014 Spending Affordability Committee Report

\$294.9 million. Major areas that are expected to require deficiency funding include Medicaid, due to the loss of special fund revenue, and higher than budgeted enrollment in both fiscal 2014 and 2015; education foundation aid based on projected shortfalls in Education Trust Fund revenues; student assessment contracts; personnel and operating expenses in the Department of Public Safety and Correctional Services; and State employee health insurance costs.

The baseline estimate for fiscal 2016 projects general fund growth of 4.8% when capital and reserve fund appropriations are included, resulting in an ending deficit of \$760.0 million. Much of the general fund budget growth is driven by entitlements, mandated formulas, and other statutory increases. For example, education aid formulas increase by \$172.7 million, due primarily to a 1.4% increase in the per pupil foundation aid formula and to an increase in compensatory aid, which is based on the foundation aid formula and the number of children eligible for free and reduced-price meals, which has also grown; debt service payments are projected to require \$128.0 million from general funds given the existing property tax rate; and Medicaid (including behavioral health) increases by an estimated \$113.0 million to meet enrollment levels plus the assumption of modest rate increases for most providers.

The growth in the fiscal 2016 baseline also reflects actions taken in the 2014 session. Legislation or legislative intent, as expressed in budget bill language, adds almost \$60 million to fiscal 2016 costs while the decision to allow mid-year rate and salary adjustments in fiscal 2015 carries a \$57 million cost into fiscal 2016.

In terms of State agency spending, 72% of the total baseline increase is driven by personnel costs (excluding the annualization cost of the fiscal 2015 general salary increase). These costs, including higher education, increase by \$296.2 million in general funds. The baseline assumes a 2% general salary increase for fiscal 2016 effective July 1, 2015, with a general fund cost of \$75.4 million plus regular increment increases totaling \$77.3 million. Health insurance costs increase by \$103.0 million reflecting the one-time use of balances within the Employee Health and Welfare Benefits Fund in fiscal 2015, and employee retirement costs grow by \$27.3 million.

The committee projects that the State will close fiscal 2015 with a balance of \$791 million in the Rainy Day Fund, which represents 5.0% of general fund revenues. The statutorily mandated appropriation for fiscal 2016 will be \$50 million. State law requires that at least \$50 million be appropriated into the Rainy Day Fund if the projected fund balance is less than 7.5% of general fund revenues. It should be noted that an additional \$50 million in unappropriated general fund balance, at the close of fiscal 2014, is transferred to the Dedicated Purpose Account to repay Program Open Space for transfer tax revenues previously used to support the general fund.

The baseline assumes that funds in excess of 5% of general fund revenues will be transferred to the general fund, leaving an estimated Rainy Day Fund balance at the close of fiscal 2016 of \$812.1 million.

Recommendations

In light of the considerations discussed earlier, the committee proposes the following recommendations for the 2015 session:

1. Operating Budget Spending Limit and Sustainability

The spending affordability process was put in place in 1982 with the goal of calibrating the growth in State spending to growth in the State's economy. In implementing that objective, a unique method of classifying and accounting for State spending was developed and has been periodically revised as circumstance has required. In its 2010 report, the committee recognized that the extraordinary fiscal issues of recent years – plummeting revenues, huge mid-year spending reductions, massive federal assistance, and extensive reliance on one-time supports – necessitated a new approach. As such, rather than establish a growth limit, the committee recommended that measurable progress be made in reducing the State's structural deficit over the remainder of this term. The committee's 2014 recommendation to reduce the structural deficit by at least \$125 million, in addition to limiting growth in State spending to 4%, was the fourth consecutive year addressing the need to reduce the structural general fund gap.

The baseline projection for fiscal 2016 reflects 6.2% growth in State spending and results in an estimated structural deficit of \$700 million, which is estimated to increase to nearly \$1.5 billion in fiscal 2020. **In recognition of this outlook and the continued decline in revenue estimates put forth by BRE in December, the committee recommends that the approach to spending affordability exercised in recent years be continued for fiscal 2016. To that effect, the fiscal 2016 budget, as introduced and enacted, should reduce the gap between estimated ongoing general fund revenues and ongoing spending by at least 50.0%.**

2. Rainy Day Fund

In addition to its general fund recommendations, the committee also continues to recommend a prudent use of the Revenue Stabilization Account ("Rainy Day" Fund) to address general fund needs. The committee projects a Rainy Day Fund balance at the end of fiscal 2016 of \$812.1 million, which would maintain the balance at 5.0% of estimated fiscal 2016 general fund revenues. The Governor will be required to include \$50.0 million for the Rainy Day Fund in the fiscal 2016 allowance, based on the requirement that at least \$50.0 million must be appropriated into the Rainy Day Fund if the fund balance is projected to be less than 7.5% of general fund revenues.

The committee recommends that the balance in the Rainy Day Fund be maintained at or above 5% of estimated revenue. This balance is essential to protect State services due to the budgetary and economic uncertainty.

3. Capital Budget

A. General Obligation Debt

The Capital Debt Affordability Committee (CDAC) has recommended that a maximum of \$1,170 million in general obligation (GO) bonds may be authorized at the 2015 session. CDAC has recommended that an additional \$300 million be added to the GO bond authorization over the next four years with a primary use of the funds to meet the State transportation Watershed Implementation Plan obligations and other projects accelerated by the General Assembly during the 2014 session. With BRE's revenue write-down in December 2014, the levels of debt proposed by CDAC are no longer affordable. The committee's policy is that State tax-supported debt outstanding should not exceed 4% of Maryland personal income, and State tax-supported debt service payments should not exceed 8% of State revenues. Current projections suggest debt service payments will exceed the 8% limit by fiscal 2018. To avoid this, debt issuances will need to be moderated in calendar 2015. For this reason, and given the current economic climate, the committee believes that caution should continue to be exercised. **Therefore, the committee does not support the additional \$75 million for fiscal 2016 and recommends that the level remain at \$1,095 million. The committee further recommends that the *Capital Improvement Program (CIP)* submitted at the 2015 legislative session not incorporate the \$300 million increase over the next four years. To implement this recommendation, the committee recommends that the level of new GO bond authorizations programmed in the 2015 session CIP be held to no greater than the currently programmed levels. In recognition of the uncertain revenue outlook, the committee also recommends that the Treasurer and the Governor shall coordinate in the management of future issuances of State tax-supported debt so that debt limits are observed going forward.**

B. Higher Education Debt

For fiscal 2016, the University System of Maryland (USM) intends to issue up to \$34.5 million in academic debt, which is \$2.5 million more than the amount issued in fiscal 2015. The increase will support additional USM projects and includes \$5.0 million to support a long-term campuswide infrastructure improvement program at the University of Maryland, College Park, which began in fiscal 2013. This level of issuance will result in a debt service ratio within the 4.5% of current unrestricted funds and the mandatory transfers criterion recommended by the system's financial advisers. Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College do not plan on issuing any academic revenue debt in fiscal 2016. **The committee concurs in the recommendation of CDAC that \$34.5 million in new academic revenue bonds may be authorized at the 2015 session for USM.**

4. State Employment

Personnel costs comprise approximately 20% of the State's operating budget; the use of position ceilings and other controls resulted in a decline in the size of the State's regular workforce from 81,113 in fiscal 2002 to 80,787 at the start of fiscal 2015. Declines have been sharpest in

2014 Spending Affordability Committee Report

Executive Branch agencies, dropping from 55,980 in fiscal 2002 to 51,025 in fiscal 2015. Almost 3,900 positions have been added in higher education during this period.

To date, in fiscal 2015, 53 positions have been created by BPW, 61 positions have been deleted by BPW, and 301 positions have been added in higher education as authorized by statute. Currently, the State has 81,081 positions.

The committee finds that given the State's fiscal condition, 81,081 positions are appropriate for the delivery of State services. The fiscal 2016 budget should not exceed this maximum number of positions across all functions (including the Executive, Legislative, and Judicial branches, and higher education). Agencies should make maximum use of existing vacant positions to address staffing needs. The Governor should use the budget and his authority to abolish and create positions to reallocate personnel resources as necessary to address service needs. Layoffs should be avoided as sufficient opportunities for savings should exist within the existing State workforce authorization.

5. Revenue Revisions Are a Matter of Concern to the Committee

The committee notes that in April 2014, the fiscal 2015 budget was balanced to an estimate of \$15.8 billion in economic general fund revenues. Come December 2014, that estimate was reduced to \$15.5 billion in equivalent revenue notwithstanding an apparently consistent economic environment. The committee is concerned that a pattern of inaccuracies has developed, which has hampered budgeting and contributed to budget shortfalls. **In order to better understand and help improve the process of revenue estimation, the Comptroller shall report to the Senate Budget and Taxation Committee, the House Ways and Means Committee, and the House Appropriations Committee before February 1, 2015, to explain the process used to track and forecast revenue collections and to identify any issues or barriers that may exist to more accurate forecasts. The Comptroller shall also discuss any resource, legal, or operational barriers that exist to improving taxpayer compliance and collection of taxes owed.**

2014 Spending Affordability Committee Report

Part 1

Economic Outlook

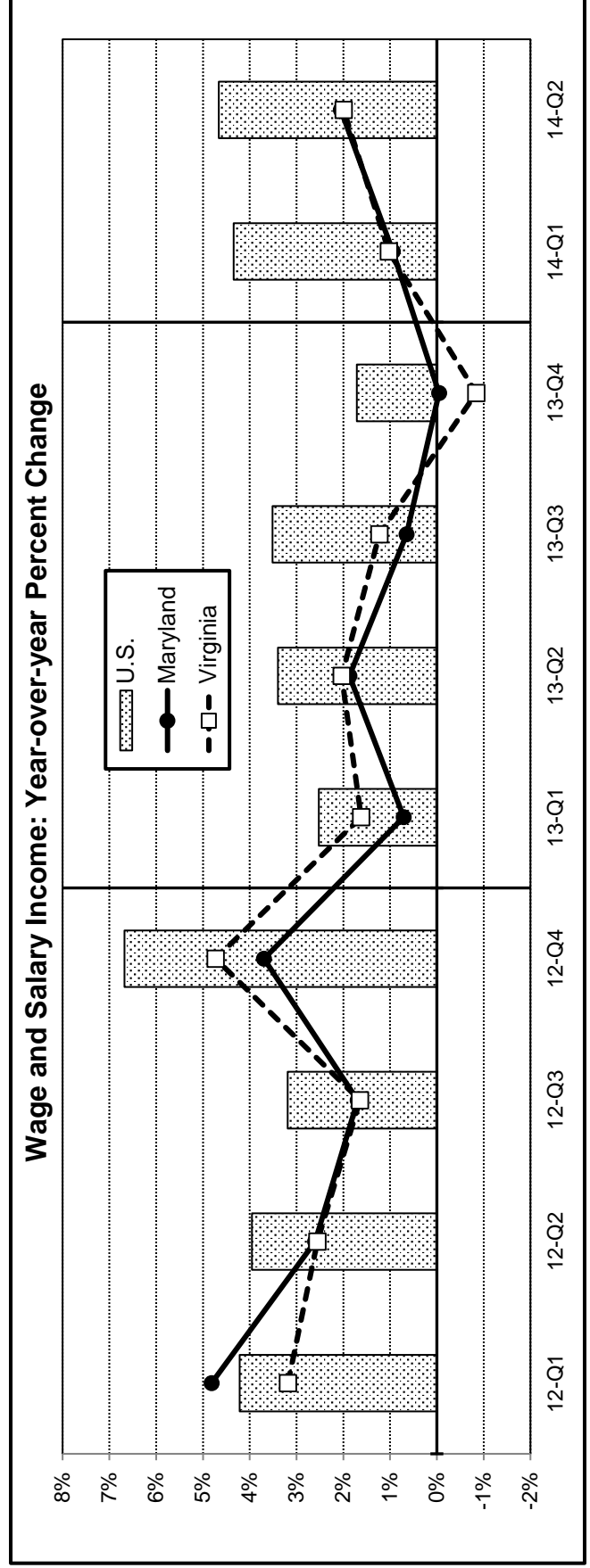
Maryland Economic Performance

Year-over-year Percent Change

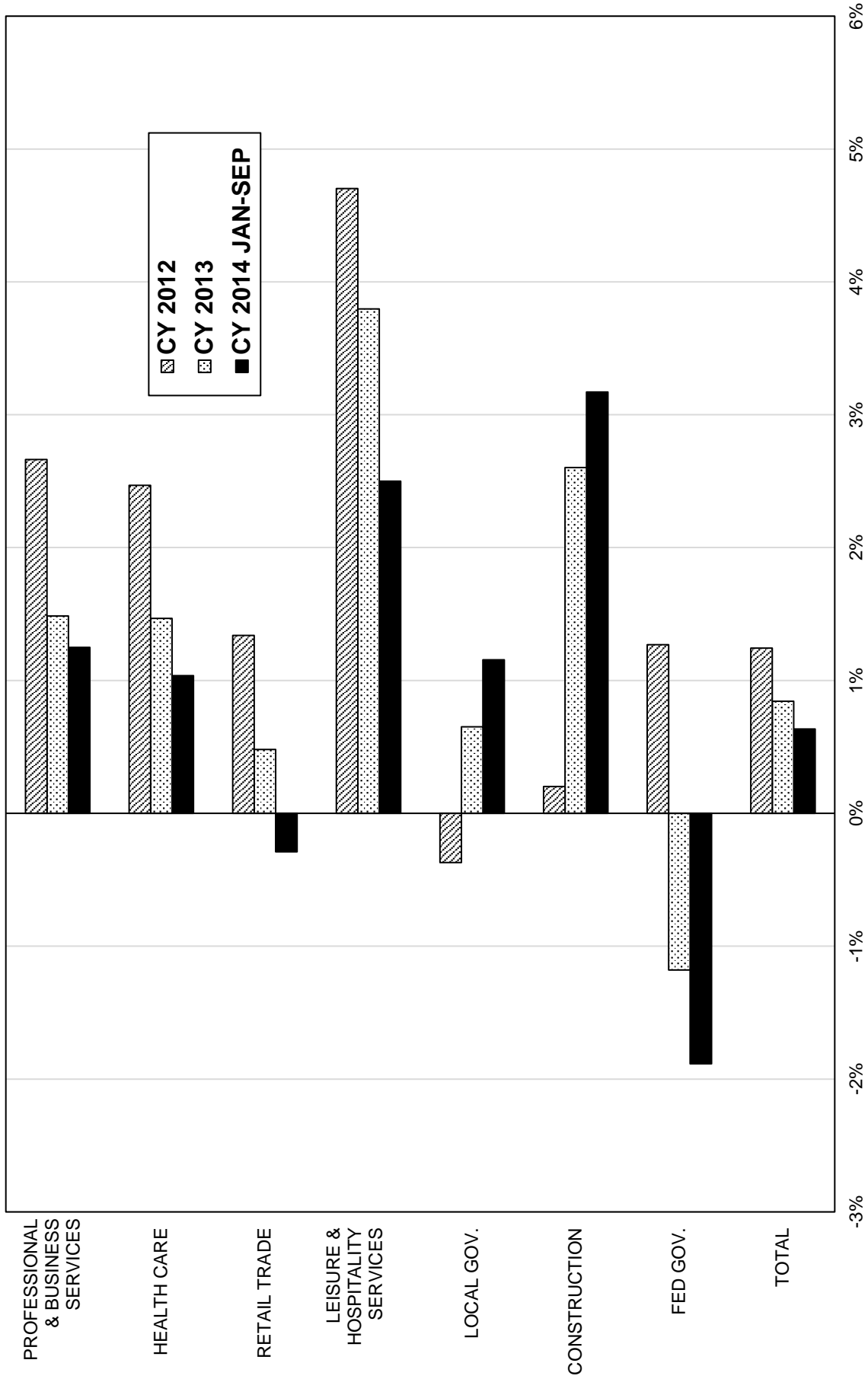
Month-Year	Employment		Unemployment		Initial		Existing		Median		Vehicle	
	CES	QCEW	Rate	Rate	UI Claims	Home Sales	Home Sales	Home Price	Home Price	Sales	Sales	
Jan-14	0.4%	0.4%	5.8%	1.1%	-15.4%	1.1%	5.6%	-3.0%				
Feb-14	0.3%	0.1%	5.6%	-0.2%	-15.3%	-0.2%	7.7%	-4.6%				
Mar-14	0.5%	0.1%	5.6%	-4.8%	-22.4%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

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

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



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



Maryland Economic Forecasts

Year-over-year Percent Change

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

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

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

Source: Board of Revenue Estimates

Part 2

General Fund Revenues

Fiscal 2014 General Fund Revenues (\$ in Millions)

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

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

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

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

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

Fiscal 2015 General Fund Revenues (\$ in Millions)

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

* Lottery revenues are through September.

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

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

Maryland General Fund Revenue Forecast (\$ in Millions)

Source	FY 2014 Actual	FY 2015 Estimate		Difference	% Change over FY 2014	FY 2016 Estimate	% Change over FY 2015
		Mar.	Sept.				
Personal Income Tax	\$7,773.8	\$8,468.6	\$8,284.9	-\$183.6	6.6%	\$8,743.4	5.5%
Sales and Use Tax	4,143.2	4,350.5	4,319.7	-30.8	4.3%	4,524.2	4.7%
State Lottery ⁽¹⁾	501.1	510.2	503.5	-6.8	0.5%	486.0	-3.5%
Corporate Income Tax	761.2	780.8	787.3	6.5	3.4%	837.1	6.3%
Business Franchise Taxes	228.4	215.4	230.3	14.9	0.8%	233.6	1.5%
Insurance Premiums Tax	334.8	317.9	319.9	2.0	-4.4%	308.7	-3.5%
Estate and Inheritance Taxes	213.8	224.3	235.6	11.3	10.2%	211.5	-10.2%
Tobacco Tax	402.4	412.0	401.6	-10.4	-0.2%	400.1	-0.4%
Alcohol Beverages Tax	31.1	31.1	31.5	0.5	1.3%	32.0	1.4%
Motor Vehicle Fuel Tax ⁽²⁾	5.0	5.0	5.0	0.0	0.0%	4.6	-7.5%
District Courts	77.7	75.8	77.9	2.1	0.3%	77.7	-0.3%
Clerks of the Court	35.4	40.3	36.0	-4.2	1.9%	37.0	2.8%
Hospital Patient Recoveries	63.0	57.4	57.4	0.0	-8.9%	50.1	-12.8%
Interest on Investments	21.4	20.4	20.4	0.0	-4.8%	31.2	53.2%
Miscellaneous	424.7	338.4	360.0	21.6	-15.3%	338.2	-6.0%
Subtotal	\$15,017.0	\$15,848.0	\$15,670.9	-\$177.1	4.4%	\$16,315.5	4.1%
Transfer Tax ⁽³⁾	\$89.2	\$144.2	\$144.2	\$0.0	\$0.6	\$77.7	-46.1%
Total Revenues	\$15,106.2	\$15,992.2	\$15,815.1	-\$177.1	4.7%	\$16,393.1	3.7%

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

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

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

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

Source: Board of Revenue Estimates

Maryland General Fund Revenue Forecast (\$ in Millions)

Source	FY 2014 Actual	FY 2015 Estimate			FY 2016 Estimate			% Change over FY15	
		Sep.	Dec.	Difference	% Change over FY14	Sep.	Dec.		Difference
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 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.

Source: Board of Revenue Estimates

Part 3

General Fund Budget and Forecast

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

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

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

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Working</u>	<u>2016</u> <u>Baseline</u>
Funds Available			
Ongoing Revenues	\$15,106	\$15,643	\$16,265
Balances and Transfers	652	149	41
One-time Generally Accepted Accounting Principles Transfer	0	0	0
Short-term Revenues	0	71	0
Total Funds Available	\$15,758	\$15,863	\$16,306
Appropriations, Deficiencies, and Cost Containment			
Net Ongoing Operating Costs and Deficiencies	\$15,648	\$16,411	\$16,965
One-time Spending	0	11	0
One-time Spending/Reductions	-126	-166	0
PAYGO Capital	33	1	1
Appropriations to Reserve Fund	55	20	100
Total Spending	\$15,610	\$16,277	\$17,066
Cash Balance/Shortfall	\$148	-\$414	-\$760
Structural			
Balance (Ongoing Revenues Less Operating Costs)	-\$542	-\$768	-\$700
Ratio (Ongoing Revenues/Operating Costs)	96.5%	95.3%	95.9%
Reserve Fund Activity			
Appropriations to State Reserve Fund	\$55	\$20	\$50
Transfers to General Fund	0	0	41
Estimated Rainy Day Fund Balance – June 30	\$763	\$791	\$812
Total Cash (Rainy Day, General Fund Balance)	\$911	\$376	\$52

PAYGO: pay-as-you-go

2016 Baseline Budget Forecast Assumptions

Baseline Budget Concepts

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

Caseload Assumptions

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

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

State Expenditures – General Funds

(\$ in Millions)

<u>Category</u>	Revised		Baseline <u>FY 2016</u>	FY 2015 to FY 2016	
	Working Appropriation <u>FY 2014</u>	Legislative Appropriation <u>FY 2015</u>		<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$83.0	\$140.0	\$268.0	\$128.0	91.4%
County/Municipal	245.0	254.5	271.6	17.1	6.7%
Community Colleges	281.3	297.3	316.4	19.1	6.4%
Education/Libraries	5,605.5	5,728.7	5,937.2	208.5	3.6%
Health	41.7	46.9	48.9	2.0	4.3%
<i>Aid to Local Governments</i>	\$6,173.6	\$6,327.5	\$6,574.1	\$246.7	3.9%
Foster Care Payments	\$256.9	\$223.1	\$205.8	-\$17.3	-7.7%
Assistance Payments	71.5	73.9	77.4	3.5	4.8%
Medical Assistance	2,478.8	2,769.5	2,888.6	119.1	4.3%
Property Tax Credits	80.2	82.0	86.1	4.1	5.0%
<i>Entitlements</i>	\$2,887.4	\$3,148.4	\$3,258.0	\$109.5	3.5%
Health	\$1,573.2	\$1,289.0	\$1,359.2	\$70.2	5.4%
Human Resources	331.1	330.6	355.4	24.8	7.5%
Children's Cabinet Interagency Fund	20.1	21.4	23.0	1.6	7.4%
Juvenile Services	278.7	282.9	307.9	25.0	8.8%
Public Safety/Police	1,384.9	1,423.5	1,567.2	143.7	10.1%
Higher Education	1,214.2	1,332.1	1,449.9	117.8	8.8%
Other Education	386.3	377.7	436.5	58.9	15.6%
Agric./Nat'l. Res./Environment	114.4	111.5	130.4	18.9	17.0%
Other Executive Agencies	663.4	702.6	715.2	12.6	1.8%
Legislative	79.6	82.8	86.8	4.0	4.8%
Judiciary	404.3	429.5	453.6	24.1	5.6%
Across-the-board Cuts	-42.1	-19.4	0.0	19.4	-100.0%
<i>State Agencies</i>	\$6,408.1	\$6,364.3	\$6,885.2	\$520.9	8.2%
Deficiencies	\$0.0	\$294.9	\$0.0	-\$294.9	-100.0%
Total Operating	\$15,552.1	\$16,275.1	\$16,985.3	\$710.1	4.4%
Capital ⁽¹⁾	\$42.7	\$12.5	\$11.0	-\$1.5	-12.0%
Subtotal	\$15,594.8	\$16,287.6	\$16,996.3	\$708.6	4.4%
Reserve Funds	\$55.3	\$19.7	\$100.0	\$80.3	407.3%
Appropriations	\$15,650.0	\$16,307.4	\$17,096.3	\$788.9	4.8%
Reversions	-\$67.2	-\$30.3	-\$30.0	\$0.3	-0.9%
Grand Total	\$15,582.8	\$16,277.1	\$17,066.3	\$789.2	4.8%

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

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

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

Summary of Budget Growth Compared to Working Appropriation	<u>Dollars</u>	<u>Share of Growth</u>
Ongoing requirements/entitlements	\$478.6	47.6%
Legislation and other 2014 session actions	117.0	11.6%
State agency costs	409.8	40.8%
Growth in Operating Budget, Including Anticipated Deficiencies	\$1,005.3	
Pay-as-you-go (PAYGO)	-\$1.5	
Appropriation to reserve fund	80.3	
Total Baseline Increase in State Expenditures	\$1,084.1	
Less deficiency appropriations	-\$294.9	
Total	\$789.2	
Ongoing Requirements/Entitlements		
Education aid formulas		\$172.7
Debt service – general funds to supplement property tax revenues		128.0
Medical assistance – modest enrollment and rate increases; full impact of calendar 2015 managed care organization rate cut and substance abuse transfer		81.2
Medicaid Behavioral Health – modest enrollment and rate increases plus the annualized cost of Substance Abuse services transferred to Behavioral Health		31.8
Teachers and librarians retirement payments		30.0
Development Disabilities Administration – annualize cost of new community placements and other expenses		17.3
Disparity grant formula		10.3
Sellinger Formula for Aid to Private Colleges and Universities excluding 2014 BRFA action		5.8
Property Tax Credit programs		4.1
Community college retirement		3.9
Temporary Cash Assistance payments – enrollment declines and stabilized federal funds		3.5
Community college formulas – increase in enrollment and per-pupil funding excluding 2014 BRFA action		3.2
Local health department funding		2.0
St. Mary's College of Maryland mandated formula		2.0
Quality Teacher Incentive program		1.5
State Aid for Police Protection grant		0.7
Library aid formulas (excluding Chapter 500 of 2014)		0.3
Foster Care payments – reduced institutional placements and increased federal funds		-19.7
New Legislative Requirements and Other 2014 Session Actions		
Annualization of mid-year fiscal 2015 general salary cost-of-living adjustment		\$37.7
Mandated 3.5% rate increase for Developmental Disabilities community providers (Chapter 262 of 2014)		18.9
Annualization of mid-year rate adjustments in the Department of Health and Mental Impact of the BRFA of 2014 on Community College formula		15.9
Optical Scan Voting System lease payments and operations costs (BRFA of 2014)		12.0
100 new additional correctional officers (fiscal 2015 budget bill language)		6.6
Changes to library aid (Chapter 500 of 2014)		3.9
Impact of the BRFA of 2014 on Sellinger Formula		3.2
Summer Career Academy (Chapter 568 of 2014)		3.1
Maryland Library for the Blind (Chapter 498 of 2014)		2.6
Annualization of mid-year rate adjustment for foster care payments		2.4
E-Nnovation program (Chapter 532 of 2014)		2.4
2+2/Maryland Teaching Fellows Awards (Chapter 543 of 2014)		1.4
Additional general fund support for DNR based on 2014 BRFA allocation of special funds		1.4
Annualization of mid-year rate adjustment for DJS per diem payments		1.3
Mandated appropriation for MARBIDCO (BRFA of 2014)		1.2
Other 2014 legislation		1.1
		1.8

Components of Budget Change (cont.)

State Agency Costs

Statewide Personnel Expenses (Including Higher Education):

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

Agency Programmatic and Operating Expenses:

MSDE: Assessment contract (\$17.0 million), child care subsidy to backfill federal fund balances used in fiscal 2015 and rate increase (\$11.0 million), and backfill of Race to the Top federal funds for Information Technology (IT) (\$5.0 million)	\$33.0
Department of Public Safety and Correctional Services overtime (\$11.4 million), inmate medical expenses (\$11.4 million), food costs (\$6.5 million), part-year funding of new Dorsey Run facility including 109 full-time equivalent (FTE) new positions (\$3.6 million)	33.0
University System of Maryland – enrollment growth and other program expenses	25.6
Restoration of one-time IWIF Board of Public Works (BPW) July reduction	19.4
Restoration of one-time BPW across various agencies not separately accounted for	11.0
DNR: Additional general funds required to backfill for lower than anticipated transfer tax revenues (\$6.9 million), and removal of Program Open Space funding for administration per Chapter 425 of 2013 (1.2 million)	8.1
DJS: Per diems (including rate increase), overtime, and part-year funding of new Cheltenham facility (including 28 FTE new positions)	4.2
MHEC: Educational Excellence Awards	3.9
Developmental Disability Administration transitioning youth fiscal 2016 expansion	2.9
DSP – Computer-aided Dispatch/Records Management System maintenance	2.6
Major IT projects	2.5
Public Safety Communication System maintenance	1.6
Children's Cabinet Fund backfilling for nonbudgeted fund balances used in fiscal 2015	1.6
Morgan State University – enrollment growth and other program expenses	1.4
Dept. of Human Resources Enterprise Content Management System maintenance	1.4
Funding to supplement Drinking Driver Monitor Program fees to support program costs	1.0
Cyber Investment Fund	1.0
State Police – removal of one-time IT funding	-1.2
Richmond Court Smart Technology (one-time cost)	-1.8
DBED – removal of supplemental grants including those related to the War of 1812	-3.5
Department of Housing and Community Development – removal of one-time expenses related to departmental move	-4.1
State Share of Baltimore City Convention Center debt service	-5.0
Maryland Health Benefit Exchange – replacement of general funds with special funds	-15.3
Reduction in VLT lease costs to account for ownership transfer to facility owners	-48.7
Other	39.0

Reserve Fund and PAYGO

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

Total

\$1,084.1

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

State Expenditures – Special and Higher Education Funds*

(\$ in Millions)

<u>Category</u>	Working	Revised	Baseline	FY 2015 to FY 2016	
	Appropriation	Legislative		FY 2015	FY 2016
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,100.0	\$1,143.3	\$1,141.6	-\$1.7	-0.1%
County/Municipal	277.0	265.9	271.2	5.3	2.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	389.7	407.3	394.0	-13.3	-3.3%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	\$666.6	\$673.2	\$665.2	-\$8.0	-1.2%
Foster Care Payments	\$5.5	\$5.5	\$7.1	\$1.7	30.1%
Assistance Payments	18.6	18.6	18.8	0.2	1.0%
Medical Assistance	833.5	972.2	982.3	10.1	1.0%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$857.5	\$996.3	\$1,008.2	\$11.9	1.2%
Health	\$538.4	\$472.8	\$422.3	-\$50.4	-10.7%
Human Resources	98.7	96.9	97.9	1.0	1.0%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	4.4	5.0	4.8	-0.1	-2.6%
Public Safety/Police	226.4	217.6	225.8	8.2	3.8%
Higher Education	4,144.4	4,186.0	4,346.0	160.0	3.8%
Other Education	72.7	57.0	50.9	-6.1	-10.8%
Transportation	1,606.0	1,653.0	1,838.8	185.8	11.2%
Agric./Nat'l. Res./Environment	225.2	247.1	265.9	18.8	7.6%
Other Executive Agencies	638.6	661.1	612.8	-48.3	-7.3%
Legislative	0.0	0.0	0.0	0.0	n/a
Judiciary	53.8	63.1	64.7	1.6	2.5%
Across-the-board Cuts	-12.3	0.0	0.0	0.0	n/a
State Agencies	\$7,596.3	\$7,659.5	\$7,929.8	\$270.3	3.5%
Deficiencies	\$0.0	-\$22.6	\$0.0	\$22.6	-100.0%
Total Operating	\$10,220.5	\$10,449.6	\$10,744.9	\$295.2	2.8%
Capital	\$1,588.7	\$1,814.4	\$2,096.5	\$282.0	15.5%
– Transportation	1,316.1	1,555.4	1,817.0	261.6	16.8%
– Environment	200.7	197.6	193.3	-4.3	-2.2%
– Other	71.9	61.4	86.1	24.7	40.2%
Grand Total	\$11,809.2	\$12,264.0	\$12,841.3	\$577.3	4.7%

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

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

State Expenditures – Federal Funds

(\$ in Millions)

<u>Category</u>	<u>Working Appropriation FY 2014</u>	<u>Revised Legislative Appropriation FY 2015</u>	<u>Baseline FY 2016</u>	<u>FY 2015 to FY 2016</u>	
				<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$12.4	\$11.5	\$11.5	\$0.0	0.0%
County/Municipal	59.3	55.3	55.3	0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	754.3	802.3	802.3	0.0	0.0%
Health	4.5	4.5	4.5	0.0	0.0%
Aid to Local Governments	\$818.1	\$862.1	\$862.1	\$0.0	0.0%
Foster Care Payments	\$84.0	\$90.6	\$85.9	-\$4.7	-5.2%
Assistance Payments	1,197.7	1,353.1	1,251.3	-101.8	-7.5%
Medical Assistance	3,936.4	4,932.0	5,910.8	978.8	19.8%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$5,218.0	\$6,375.7	\$7,248.0	\$872.3	13.7%
Health	\$1,400.3	\$910.7	\$905.9	-\$4.8	-0.5%
Human Resources	521.0	513.9	542.1	28.2	5.5%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	7.4	7.1	7.7	0.6	7.7%
Public Safety/Police	29.5	29.2	31.4	2.2	7.4%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	338.7	240.0	230.3	-9.8	-4.1%
Transportation	97.2	92.7	93.4	0.7	0.7%
Agric./Nat'l. Res./Environment	68.1	65.9	69.7	3.8	5.7%
Other Executive Agencies	573.3	548.4	536.3	-12.1	-2.2%
Judiciary	5.4	0.3	0.3	0.0	1.9%
Across-the-board Cuts	-8.8	0.0	0.0	0.0	n/a
State Agencies	\$3,032.1	\$2,408.3	\$2,417.0	\$8.7	0.4%
Deficiencies	\$0.0	\$8.9	\$0.0	-\$8.9	-100.0%
Total Operating	\$9,080.6	\$9,666.5	\$10,538.6	\$872.1	9.0%
Capital	\$799.4	\$860.0	\$959.0	\$99.0	11.5%
– Transportation	709.8	793.3	877.4	84.0	10.6%
– Environment	44.6	41.3	44.9	3.6	8.6%
– Other	45.1	25.4	36.8	11.4	45.0%
Grand Total	\$9,880.0	\$10,526.5	\$11,497.6	\$971.1	9.2%

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

State Expenditures – State Funds

(\$ in Millions)

<u>Category</u>	Revised		<u>Baseline FY 2016</u>	FY 2015 to FY 2016	
	<u>Working Appropriation FY 2014</u>	<u>Legislative Appropriation FY 2015</u>		<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,183.0	\$1,283.3	\$1,409.6	\$126.3	9.8%
County/Municipal	522.0	520.4	542.8	22.4	4.3%
Community Colleges	281.3	297.3	316.4	19.1	6.4%
Education/Libraries	5,995.2	6,136.0	6,331.2	195.2	3.2%
Health	41.7	46.9	48.9	2.0	4.3%
Aid to Local Governments	\$6,840.2	\$7,000.7	\$7,239.4	\$238.7	3.4%
Foster Care Payments	\$262.4	\$228.6	\$213.0	-\$15.6	-6.8%
Assistance Payments	90.1	92.5	96.2	3.7	4.0%
Medical Assistance	3,312.3	3,741.7	3,870.9	129.2	3.5%
Property Tax Credits	80.2	82.0	86.1	4.1	5.0%
Entitlements	\$3,744.9	\$4,144.7	\$4,266.1	\$121.4	2.9%
Health	\$2,111.6	\$1,761.8	\$1,781.6	\$19.8	1.1%
Human Resources	429.8	427.4	453.2	25.8	6.0%
Children's Cabinet Interagency Fund	20.1	21.4	23.0	1.6	7.4%
Juvenile Services	283.2	287.9	312.7	24.8	8.6%
Public Safety/Police	1,611.3	1,641.1	1,793.0	151.9	9.3%
Higher Education	5,358.6	5,518.1	5,796.0	277.8	5.0%
Other Education	459.0	434.7	487.4	52.7	12.1%
Transportation	1,606.0	1,653.0	1,838.8	185.8	11.2%
Agric./Nat'l. Res./Environment	339.5	358.7	396.3	37.7	10.5%
Other Executive Agencies	1,302.1	1,363.7	1,328.0	-35.7	-2.6%
Legislative	79.6	82.8	86.8	4.0	4.8%
Judiciary	458.1	492.6	518.3	25.7	5.2%
Across-the-board Cuts	-54.4	-19.4	0.0	19.4	-100.0%
State Agencies	\$14,004.4	\$14,023.8	\$14,815.0	\$791.2	5.6%
Deficiencies	\$0.0	\$272.3	\$0.0	-\$272.3	-100.0%
Total Operating	\$25,772.6	\$26,724.8	\$27,730.1	\$1,005.4	3.8%
Capital ⁽¹⁾	\$1,631.4	\$1,826.9	\$2,107.5	\$280.5	15.4%
– Transportation	1,316.1	1,555.4	1,817.0	261.6	16.8%
– Environment	201.0	198.6	194.3	-4.3	-2.2%
– Other	114.3	72.9	96.1	23.2	31.8%
Subtotal	\$27,404.0	\$28,551.7	\$29,837.6	\$1,285.9	4.5%
Reserve Funds	\$55.3	\$19.7	\$100.0	\$80.3	407.3%
Appropriations	\$27,459.2	\$28,571.4	\$29,937.6	\$1,366.2	4.8%
Reversions	-\$67.2	-\$30.3	-\$30.0	\$0.3	-0.9%
Grand Total	\$27,392.0	\$28,541.1	\$29,907.6	\$1,366.5	4.8%

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

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

State Expenditures – All Funds

(\$ in Millions)

<u>Category</u>	Revised		<u>Baseline FY 2016</u>	<u>FY 2015 to FY 2016</u>	
	<u>Working Appropriation FY 2014</u>	<u>Legislative Appropriation FY 2015</u>		<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,195.3	\$1,294.8	\$1,421.1	\$126.3	9.8%
County/Municipal	581.3	575.7	598.1	22.4	3.9%
Community Colleges	281.3	297.3	316.4	19.1	6.4%
Education/Libraries	6,749.5	6,938.4	7,133.6	195.2	2.8%
Health	46.2	51.4	53.4	2.0	3.9%
Aid to Local Governments	\$7,658.3	\$7,862.8	\$8,101.5	\$238.7	3.0%
Foster Care Payments	\$346.3	\$319.2	\$298.9	-\$20.3	-6.4%
Assistance Payments	1,287.7	1,445.6	1,347.5	-98.0	-6.8%
Medical Assistance	7,248.7	8,673.7	9,781.7	1,108.0	12.8%
Property Tax Credits	80.2	82.0	86.1	4.1	5.0%
Entitlements	\$8,963.0	\$10,520.4	\$11,514.2	\$993.8	9.4%
Health	\$3,511.9	\$2,672.5	\$2,687.4	\$15.0	0.6%
Human Resources	950.8	941.3	995.3	54.0	5.7%
Children's Cabinet Interagency Fund	20.1	21.4	23.0	1.6	7.4%
Juvenile Services	290.6	295.0	320.4	25.4	8.6%
Public Safety/Police	1,640.8	1,670.3	1,824.4	154.0	9.2%
Higher Education	5,358.6	5,518.1	5,796.0	277.8	5.0%
Other Education	797.7	674.7	717.7	43.0	6.4%
Transportation	1,703.1	1,745.7	1,932.2	186.5	10.7%
Agric./Nat'l. Res./Environment	407.6	424.6	466.0	41.5	9.8%
Other Executive Agencies	1,875.3	1,912.2	1,864.3	-47.8	-2.5%
Legislative	79.6	82.8	86.8	4.0	4.8%
Judiciary	463.5	492.9	518.6	25.7	5.2%
Across-the-board Cuts	-63.2	-19.4	0.0	19.4	-100.0%
State Agencies	\$17,036.5	\$16,432.1	\$17,232.0	\$799.9	4.9%
Deficiencies	\$0.0	\$281.2	\$0.0	-\$281.2	-100.0%
Total Operating	\$34,853.2	\$36,391.3	\$38,268.8	\$1,877.5	5.2%
Capital ⁽¹⁾	\$2,430.8	\$2,686.9	\$3,066.5	\$379.6	14.1%
– Transportation	2,025.8	2,348.7	2,694.4	345.6	14.7%
– Environment	245.6	239.9	239.2	-0.7	-0.3%
– Other	159.4	98.3	132.9	34.6	35.2%
Subtotal	\$37,284.0	\$39,078.2	\$41,335.3	\$2,257.0	5.8%
Reserve Funds	\$55.3	\$19.7	\$100.0	\$80.3	407.3%
Appropriations	\$37,339.3	\$39,097.9	\$41,435.3	\$2,337.3	6.0%
Reversions	-\$67.2	-\$30.3	-\$30.0	\$0.3	-0.9%
Grand Total	\$37,272.0	\$39,067.7	\$41,405.3	\$2,337.6	6.0%

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

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

General Fund Budget Outlook
Fiscal 2015-2020
 (\$ in Millions)

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

PAYGO: pay-as-you-go

¹ Includes revenues from video lottery terminals and table games.

General Fund Budget Outlook

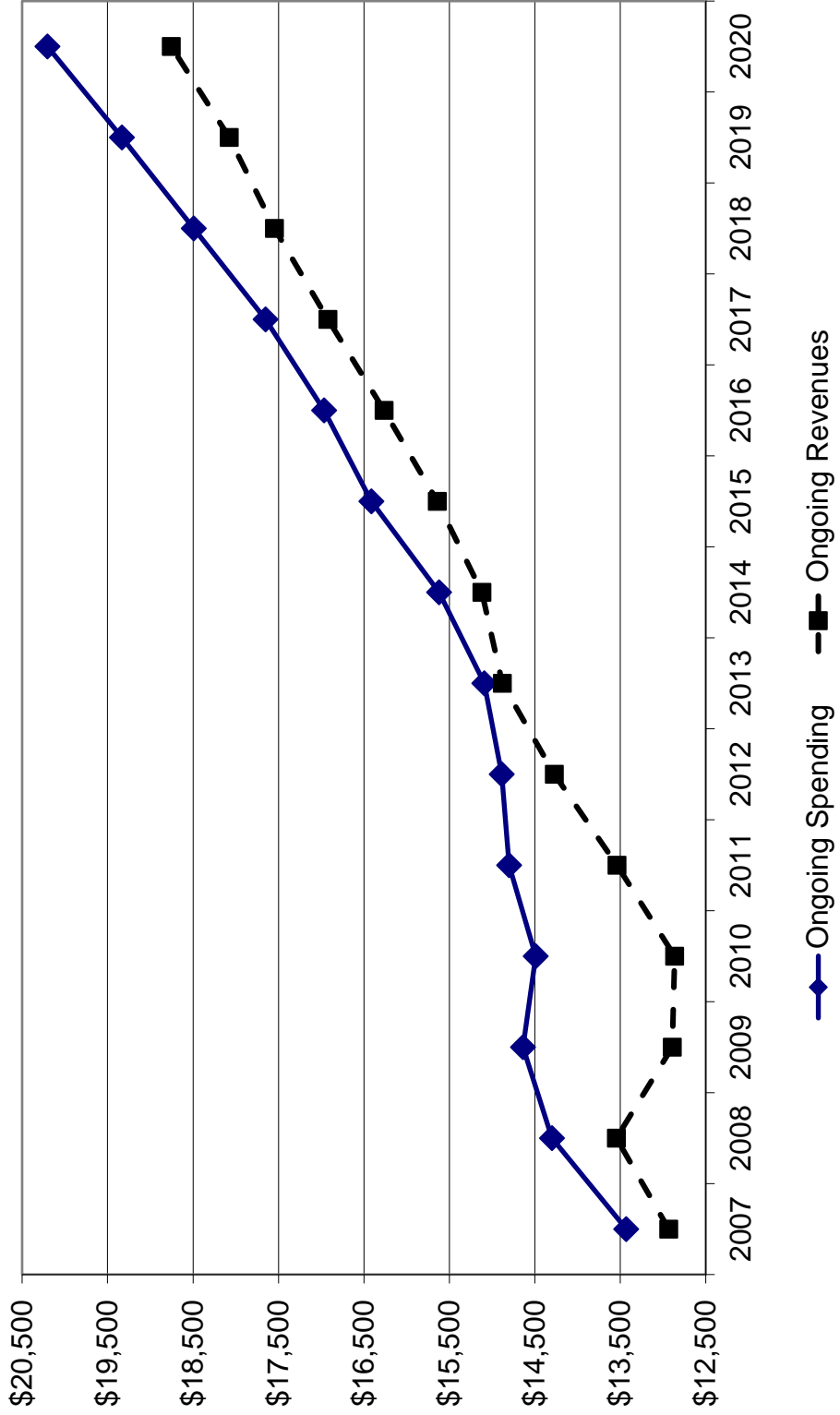
Fiscal 2015-2020
(\$ in Millions)

Revenues	FY 2015 Work. App.	FY 2016 Baseline	FY 2017 Est.	FY 2018 Est.	FY 2019 Est.	FY 2020 Est.	Average
							Annual Change 2016-2020
Opening Fund Balance	\$148	\$0	\$0	\$0	\$0	\$0	
Transfer	1	41	33	36	42	35	
One-time Revenues/Legislation	71	0	0	0	0	0	
Subtotal One-time Revenue	\$220	\$41	\$33	\$36	\$42	\$35	-3.9%
Ongoing Revenues	\$15,643	\$16,265	\$16,923	\$17,548	\$18,077	\$18,754	
Subtotal Ongoing Revenue	\$15,643	\$16,265	\$16,923	\$17,548	\$18,077	\$18,754	3.6%
Total Revenues & Fund Balance	\$15,863	\$16,306	\$16,956	\$17,584	\$18,119	\$18,789	3.6%
Ongoing Spending							
Operating Spending	\$16,809	\$17,349	\$18,152	\$19,029	\$19,877	\$20,756	
Education Trust Fund ¹	-407	-394	-511	-538	-545	-554	
Multi-year Commitments	10	10	10	0	0	0	
Subtotal Ongoing Spending	\$16,411	\$16,965	\$17,651	\$18,491	\$19,331	\$20,202	4.5%
One-time Spending							
PAYGO Capital	\$3	\$1	\$1	\$1	\$1	\$1	
One-time Reductions	-166	0	0	0	0	0	
Legislation/One-time Adjustments/Swaps	10	0	0	0	0	0	
Appropriation to Reserve Fund	20	100	50	50	50	50	
Subtotal One-time Spending	-\$134	\$101	\$51	\$51	\$51	\$51	
Total Spending	\$16,277	\$17,066	\$17,702	\$18,542	\$19,382	\$20,253	4.4%
Ending Balance	-\$414	-\$760	-\$747	-\$958	-\$1,263	-\$1,465	
Rainy Day Fund Balance	\$791	\$812	\$846	\$878	\$904	\$937	
Balance over 5% of General Fund Revenues	9	0	0	0	0	0	
As % of GF Revenues	5.06%	5.00%	5.00%	5.00%	5.00%	5.00%	
Structural Balance	-\$768	-\$700	-\$729	-\$943	-\$1,254	-\$1,449	

PAYGO: pay-as-you-go

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

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



Ongoing Spending and Revenues
 Fiscal 2016 to 2020
 (\$ in Millions)

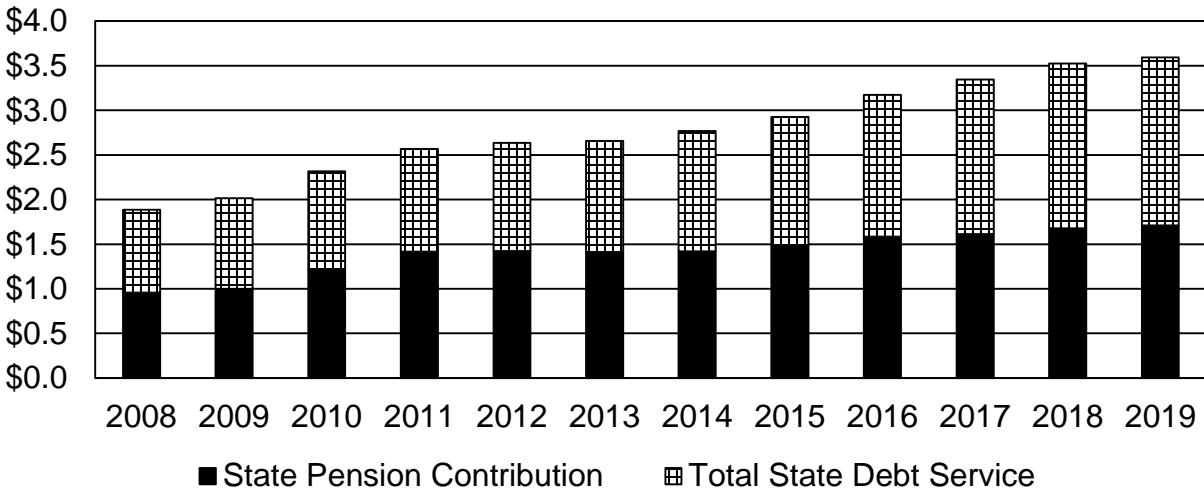
<u>Ongoing Spending</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Average Annual Percent Change</u>
Debt Service	\$268	\$385	\$460	\$498	\$559	20.2%
Local Aid	6,968	7,206	7,564	7,942	8,252	4.3%
Entitlements	3,258	3,465	3,660	3,833	4,075	5.8%
State Agencies – Personnel Costs ¹	3,539	3,683	3,837	3,996	4,161	4.1%
State Agencies – Nonpersonnel Costs	3,317	3,413	3,508	3,609	3,708	2.8%
Sustainable Communities Tax Credit	10	10	0	0	0	-100.0%
Subtotal	\$17,359	\$18,162	\$19,029	\$19,877	\$20,756	4.6%
Education Trust Fund ²	\$394	\$511	\$538	\$545	\$554	8.9%
Total	\$16,965	\$17,651	\$18,491	\$19,331	\$20,202	4.4%
Change	\$720	\$686	\$839	\$841	\$871	
Percent Change	4.4%	4.0%	4.8%	4.5%	4.5%	
Ongoing Revenues	\$16,265	\$16,923	\$17,548	\$18,077	\$18,754	3.6%
Change	\$622	\$658	\$625	\$529	\$677	
Percent Change	4.0%	4.0%	3.7%	3.0%	3.7%	

¹Includes Higher Education Institutions.

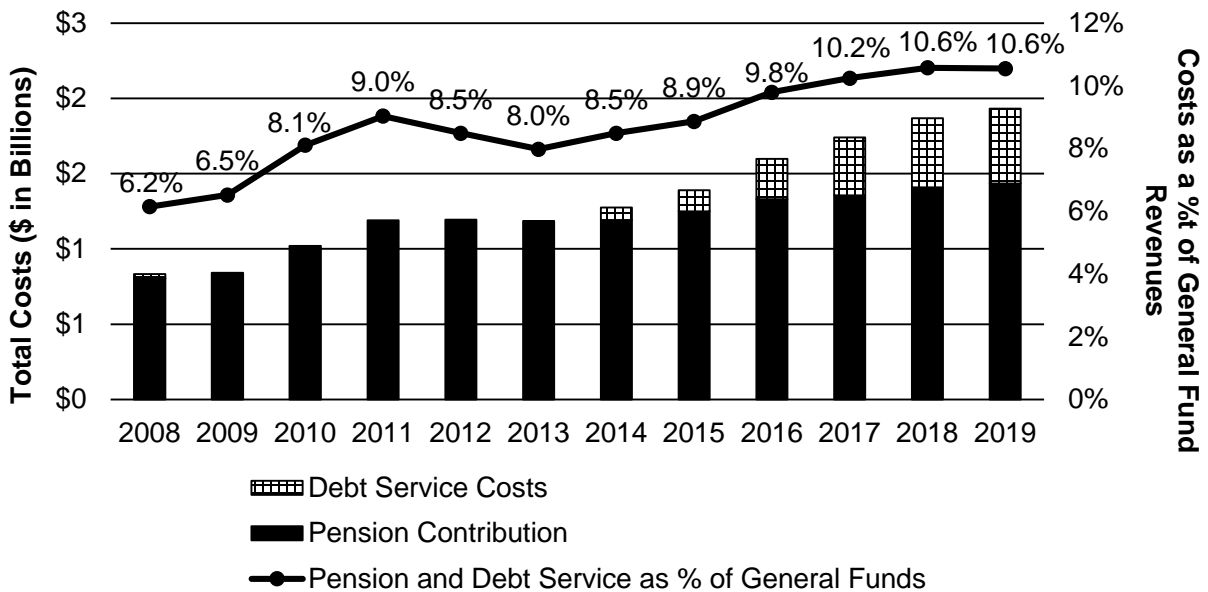
²Includes revenues from video lottery terminals and table games.

Totals may not sum due to rounding.

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



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



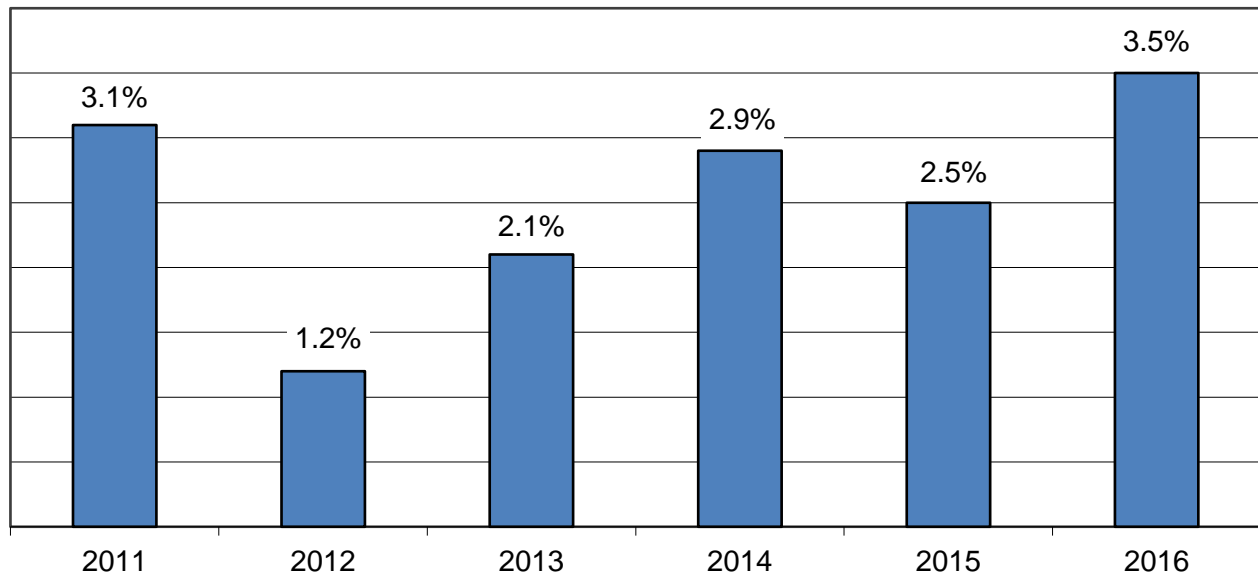
Source: Gabriel Roeder Smith and Company; Cheiron, Inc.; Segal Consulting; State Treasurer's Office

Part 4

Local Government Assistance

State Aid

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



State Aid by Governmental Entity (\$ in Millions)

	<u>FY 2011</u>	<u>FY 2016</u>	<u>\$ Change</u>	<u>% Change</u>
Public Schools	\$4,865.0	\$5,495.4	\$630.4	13.0%
Libraries	48.7	54.3	5.6	11.5%
Community Colleges	224.4	272.3	47.9	21.3%
Local Health	37.3	48.9	11.6	31.1%
County/Municipal	381.0	574.8	193.8	50.9%
Subtotal – Direct Aid	\$5,556.4	\$6,445.7	\$889.2	16.0%
Retirement Payments	\$899.8	\$831.8	-\$68.0	-7.6%
Total	\$6,456.2	\$7,277.5	\$821.2	12.7%

State Aid (Cont.)

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

	FY 2016 <u>State Aid Amount</u>	% <u>of Total</u>
Public Schools	\$6,262.6	86.1%
County/Municipal	574.8	7.9%
Community Colleges	316.4	4.3%
Libraries	74.7	1.0%
Local Health	48.9	0.7%
Total	\$7,277.5	100.0%

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

	FY 2016 <u>Aid Change</u>	% <u>Change</u>
Public Schools	\$189.6	3.1%
County/Municipal	28.9	5.3%
Community Colleges	19.1	6.4%
Libraries	4.9	7.1%
Local Health	2.0	4.3%
Total	\$244.6	3.5%

State Aid (Cont.)

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

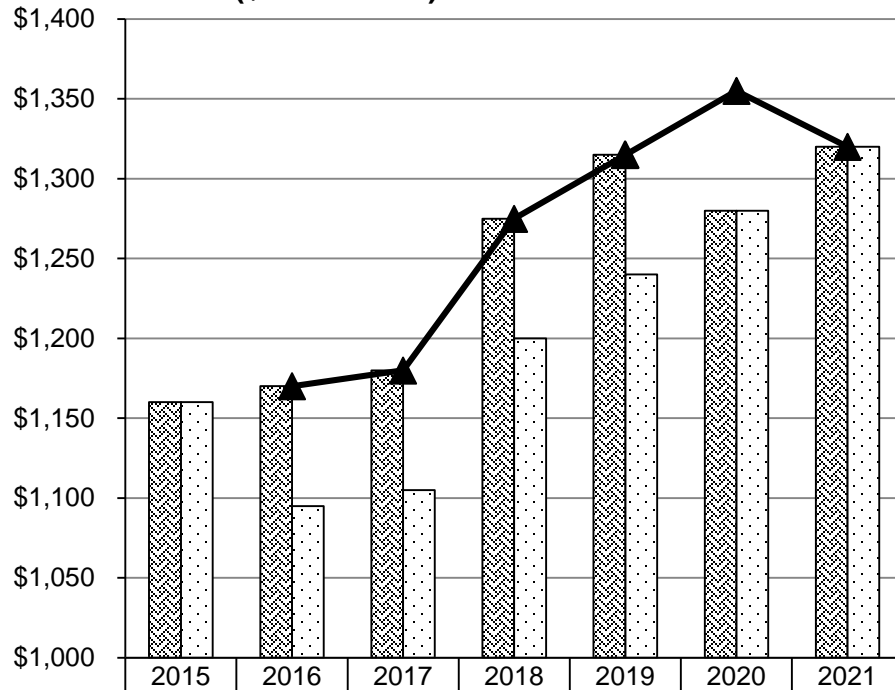
	<u>FY 2014</u>	<u>FY 2015</u>	<u>Baseline FY 2016</u>	<u>\$ Change 2015-2016</u>	<u>% Change 2015-2016</u>
Public Schools					
Foundation Program	\$2,850.5	\$2,882.4	\$2,941.7	\$59.2	2.1%
Supplemental Grant	46.5	46.6	46.6	0.0	0.0%
Geographic Cost Index	130.8	132.7	135.6	2.9	2.2%
Net Taxable Income Education Grants	8.3	26.9	35.1	8.3	30.7%
Foundation – Special Grants	0.0	0.6	0.0	-0.6	-100.0%
Compensatory Aid	1,196.0	1,251.7	1,315.9	64.2	5.1%
Student Transportation	254.5	258.4	265.2	6.8	2.6%
Special Education – Formula Aid	269.3	271.7	277.1	5.4	2.0%
Special Education – Nonpublic Placements	109.8	110.9	114.0	3.1	2.8%
Limited English Proficiency Grants	193.4	197.7	216.1	18.5	9.3%
Guaranteed Tax Base	52.3	59.4	51.3	-8.1	-13.6%
Aging Schools Program	8.1	6.1	6.1	0.0	0.0%
Head Start/Pre-Kindergarten	5.9	6.1	6.1	0.0	0.0%
Other Education Programs	81.1	83.2	84.5	1.2	1.5%
Subtotal Direct Aid	\$5,206.5	\$5,334.4	\$5,495.4	\$161.0	3.0%
Retirement Payments	728.1	738.6	767.2	28.6	3.9%
Total Public School Aid	\$5,934.7	\$6,072.9	\$6,262.6	\$189.6	3.1%
Libraries					
Library Aid Formula	\$34.0	\$34.4	\$37.2	\$2.7	7.9%
State Library Network	16.2	16.3	17.1	0.8	5.0%
Subtotal Direct Aid	\$50.2	\$50.8	\$54.3	\$3.5	6.9%
Retirement Payments	18.3	19.0	20.4	1.4	7.4%
Total Library Aid	\$68.5	\$69.8	\$74.7	\$4.9	7.1%
Community Colleges					
Community College Formula	\$213.0	\$226.1	\$239.9	\$13.8	6.1%
Other Programs	30.3	30.9	32.4	1.5	4.7%
Subtotal Direct Aid	\$243.3	\$257.0	\$272.3	\$15.2	5.9%
Retirement Payments	38.1	40.3	44.1	3.9	9.6%
Total Community College Aid	\$281.3	\$297.3	\$316.4	\$19.1	6.4%
Local Health Grants	\$41.7	\$46.9	\$48.9	\$2.0	4.3%
County/Municipal Aid					
Transportation	\$196.5	\$192.9	\$180.9	-\$12.0	-6.2%
Public Safety	113.9	116.8	119.1	2.3	2.0%
Program Open Space/Environment	31.0	28.9	47.3	18.4	63.7%
Disparity Grant	127.8	135.8	146.1	10.3	7.6%
Video Lottery Terminal Impact Grants	31.5	39.1	41.7	2.7	6.9%
Teacher Retirement Supplemental Grant	27.7	27.7	27.7	0.0	0.0%
Other Grants	4.5	4.8	12.1	7.3	152.6%
Total County/Municipal Aid	\$532.9	\$545.9	\$574.8	\$28.9	5.3%
Total State Aid	\$6,859.1	\$7,032.8	\$7,277.5	\$244.6	3.5%

Part 5

Capital Program

Capital Program

CDAC Recommends Increased GO Bond Authorization Levels (Revised December 17, 2014) Fiscal 2015-2021 (\$ in Millions)



	2015	2016	2017	2018	2019	2020	2021
Sept 2013 Recommendation	\$1,160	\$1,170	\$1,180	\$1,275	\$1,315	\$1,280	\$1,320
Dec 2013 SAC	\$1,160	\$1,095	\$1,105	\$1,200	\$1,240	\$1,280	\$1,320
Sept 2014 Recommendation		\$1,170	\$1,180	\$1,275	\$1,315	\$1,355	\$1,320

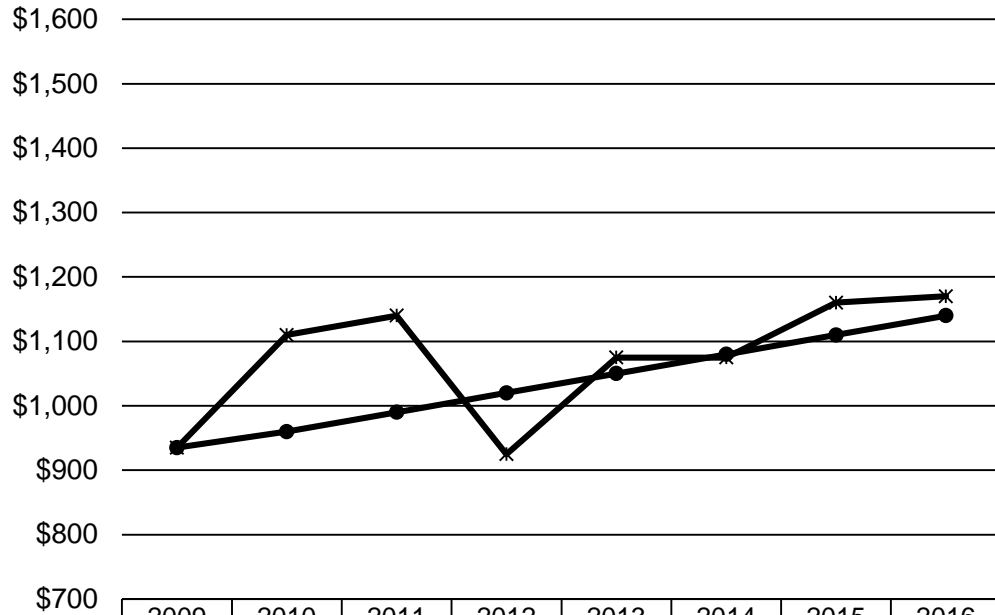
CDAC: Capital Debt Affordability Committee
GO: general obligation
SAC: Spending Affordability Committee

Note: 2013 and 2014 CDAC report.

- 2013 Capital Debt Affordability Committee's (CDAC) recommendation added \$75 million annually for a total of \$375 million over what the committee recommended in 2012. The Spending Affordability Committee only adopted a \$75 million increase for the 2014 session.
- 2014 CDAC recommendation would add \$75 million annually through fiscal 2020, which is the same recommendation CDAC made in 2013 with the exception that it extends one more year to fiscal 2020.

Capital Program (Cont.)

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



	2009	2010	2011	2012	2013	2014	2015	2016
● CDAC 2008 Session	\$935	\$960	\$990	\$1,020	\$1,050	\$1,080	\$1,110	\$1,140
* Actual	\$935	\$1,110	\$1,140	\$925	\$1,075	\$1,075	\$1,160	\$1,170

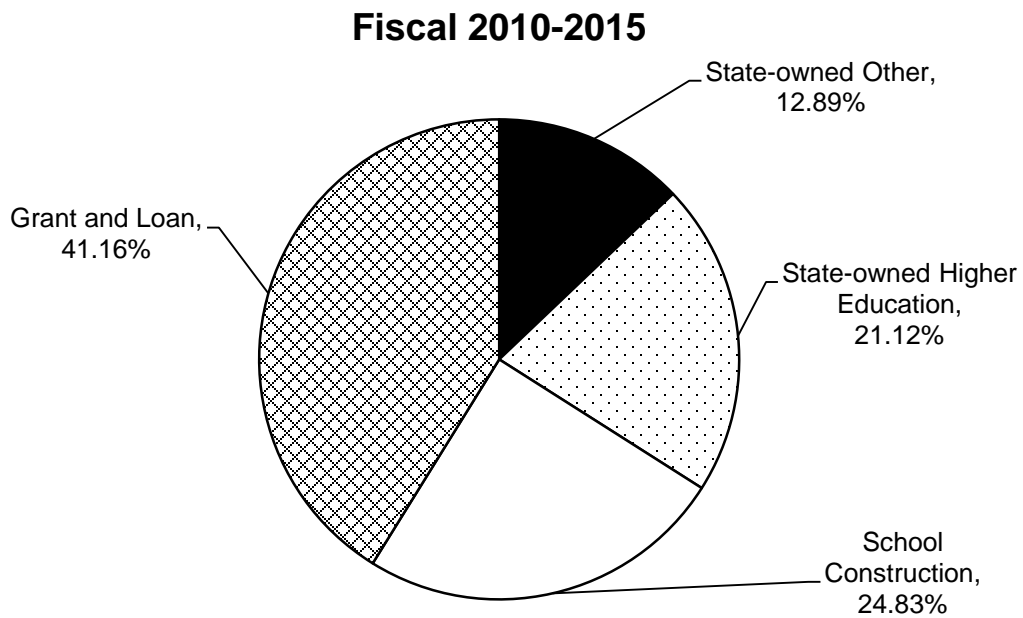
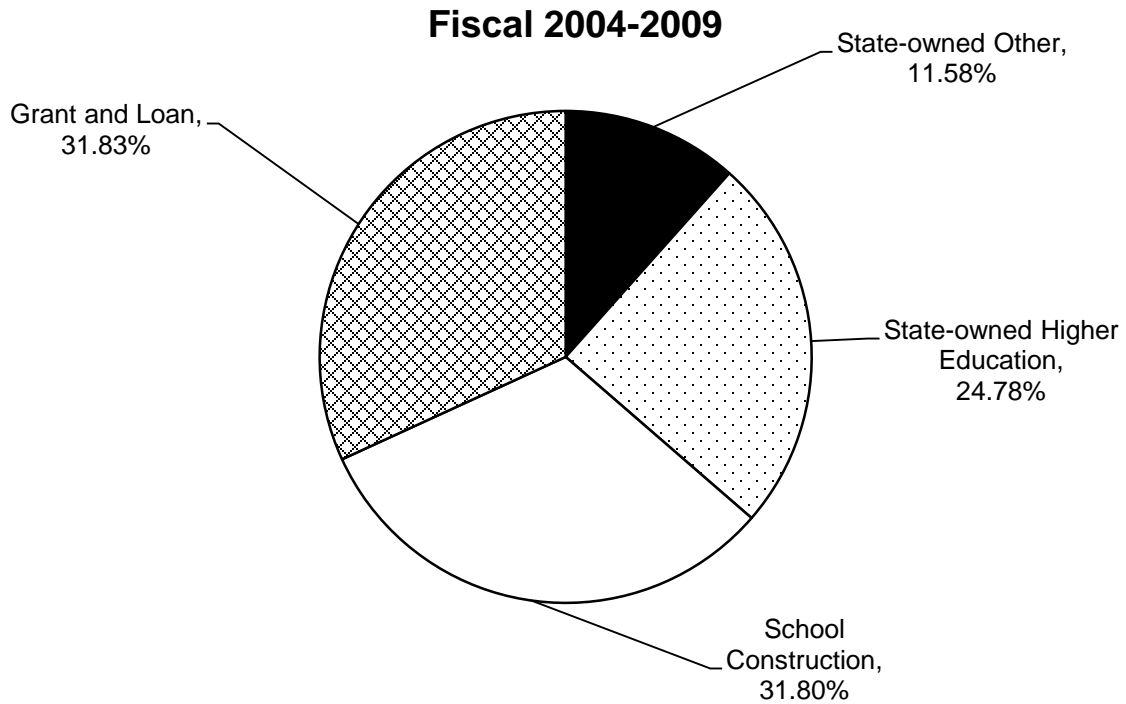
● CDAC 2008 Session * Actual

CDAC: Capital Debt Affordability Committee
GO: general obligation

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

Capital Program (Cont.)

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

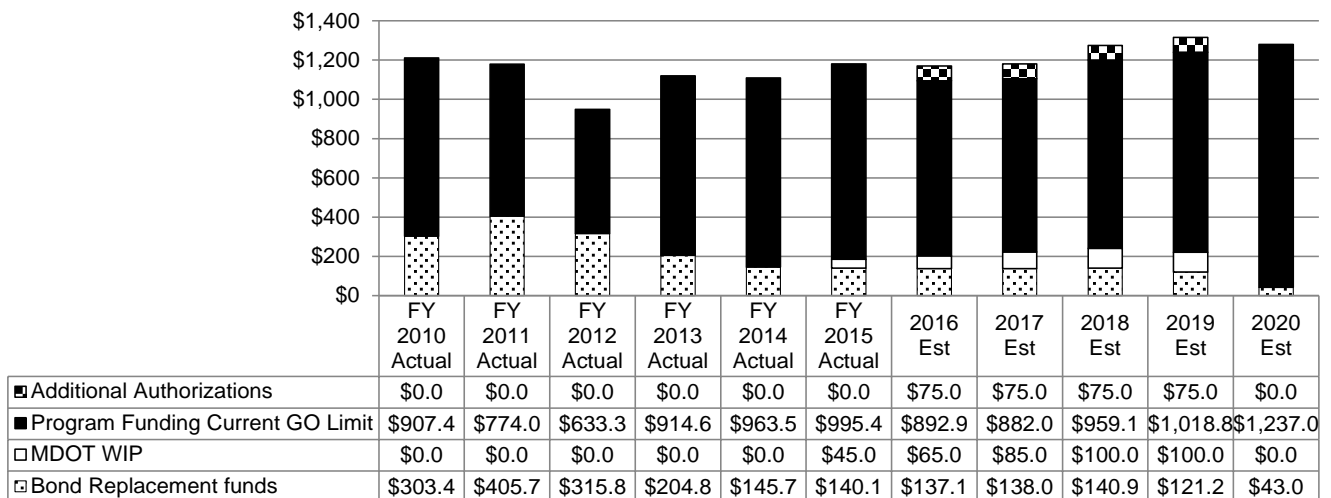


Capital Program (Cont.)

Use of GO Bonds for Operating Relief and Replacement Funds

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

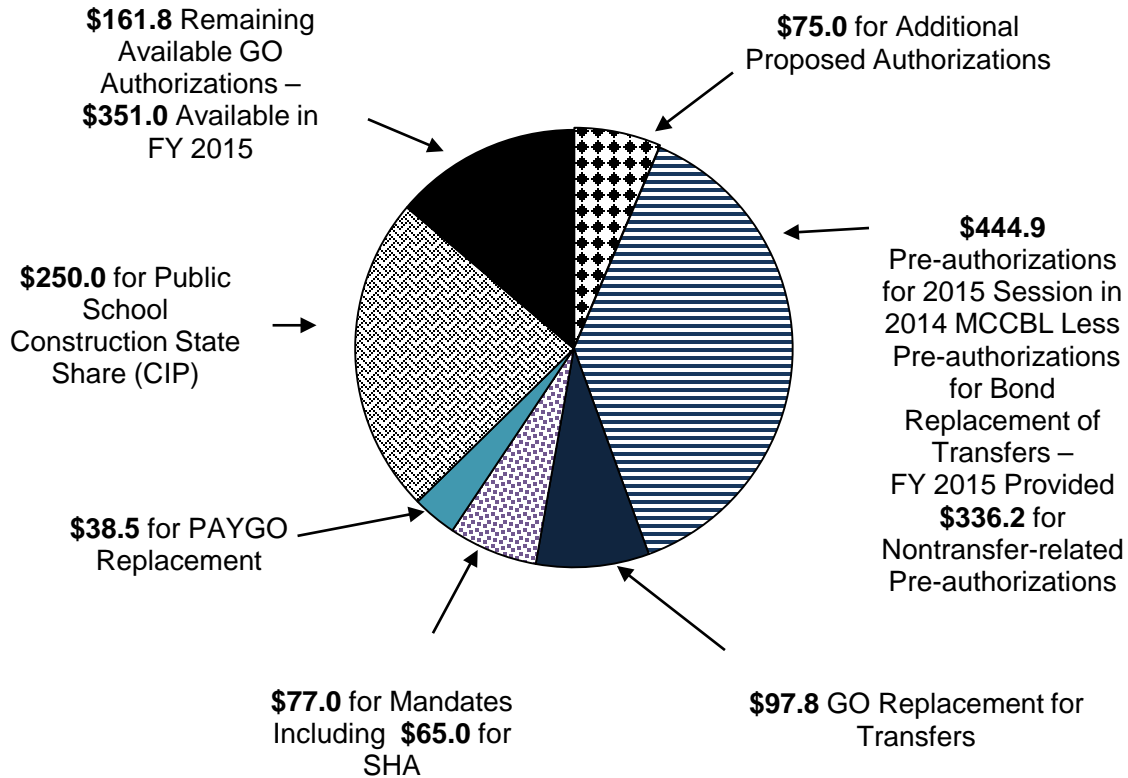
GO Bond Use for Operating and Replacement Funds Fiscal 2010-2015 Actual and Fiscal 2016-2020 Estimate (\$ in Millions)



GO: general obligation
 MDOT: Maryland Department of Transportation
 WIP: Waterway Implementation Plan

Capital Program (Cont.)

Outlook for 2015 Session (\$ in Millions)



Fiscal 2016 Requests – Competition for Available Authorizations

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

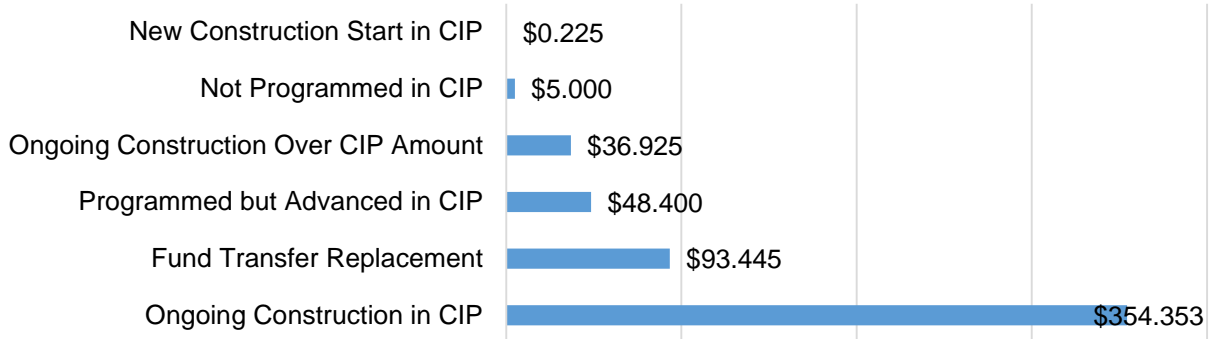
CIP: *Capital Improvement Program*
 GO: general obligation
 MCCBL: Maryland Consolidated Capital Bond Loan

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

Source: Department of Budget and Management

Pre-authorizations for the 2015 Session

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



CIP: *Capital Improvement Program*

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

State Debt Policy

Capital Debt Affordability Committee Recommends Increasing Authorizations

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

Cost of Increasing GO Bond Authorizations by \$300 Million Fiscal 2016-2024 (\$ in Millions)

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

GO: general obligation

Source: Department of Legislative Services

State Debt Policy (Cont.)

State Debt Exceeds Affordability Ratios

- The committee’s policy is that State tax-supported debt outstanding should not exceed 4% of Maryland personal income, and State tax-supported debt service payments should not exceed 8% of State revenues. Proposed levels of debt were affordable in November, but are no longer affordable after revenue estimates were reduced in December.
-

State Affordability Ratios Fiscal 2015-2020

<u>Fiscal Year</u>	<u>Debt Outstanding as a % of Personal Income</u>	<u>November Debt Service as % of Revenues</u>	<u>December Debt Service as % of Revenues</u>
2015	3.45%	7.01%	7.05%
2016	3.61%	7.44%	7.49%
2017	3.74%	7.73%	7.81%
2018	3.76%	7.98%	8.08%
2019	3.73%	7.91%	8.01%
2020	3.70%	7.86%	7.98%

Source: Department of Legislative Services

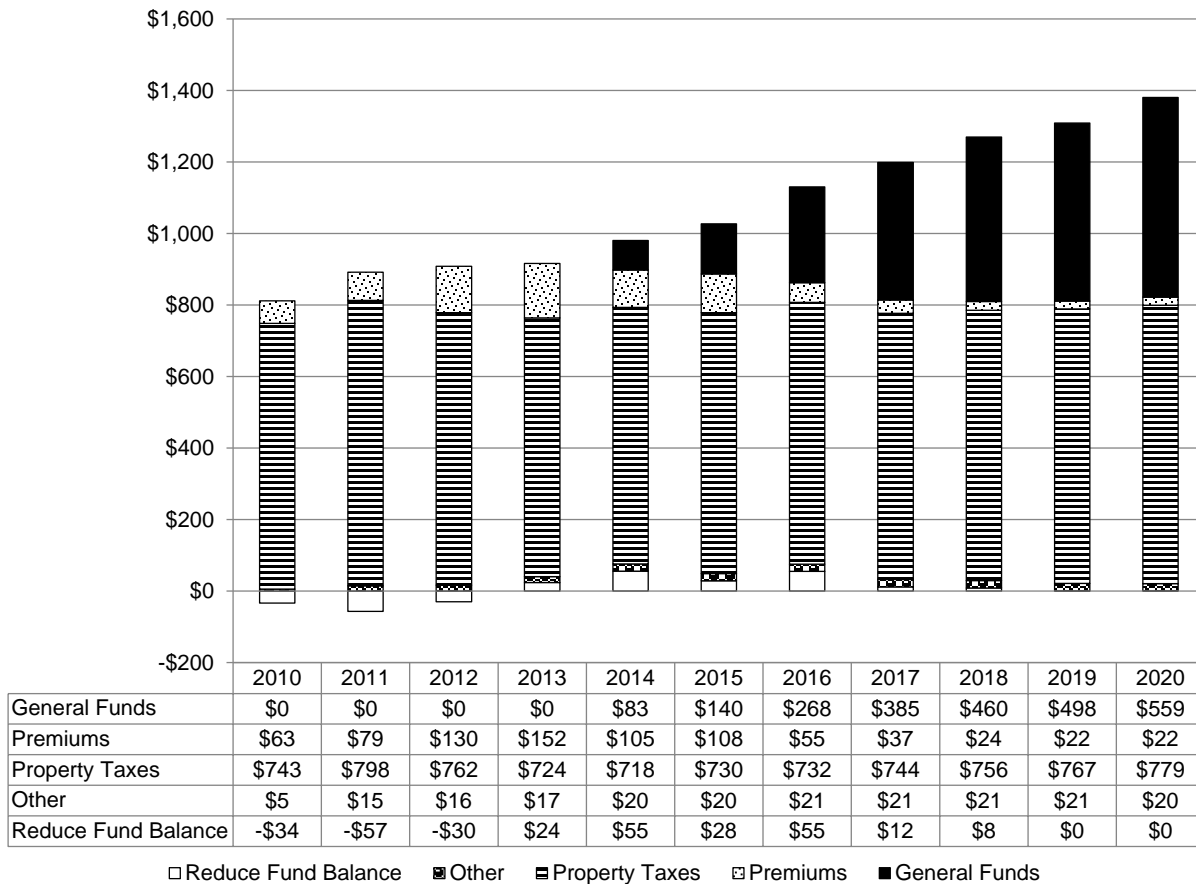
Annuity Bond Fund Supports General Obligation Bond Debt Service Costs

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

State Debt Policy (Cont.)

General Obligation Bond Debt Service Costs Exceed State Property Tax Revenues

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



Source: Department of Legislative Services

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

Part 6

Transportation

Maryland Department of Transportation

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

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

MDOT: Maryland Department of Transportation

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

Maryland Department of Transportation (Cont.)

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

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

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

CPI: Consumer Price Index
DLS: Department of Legislative Services

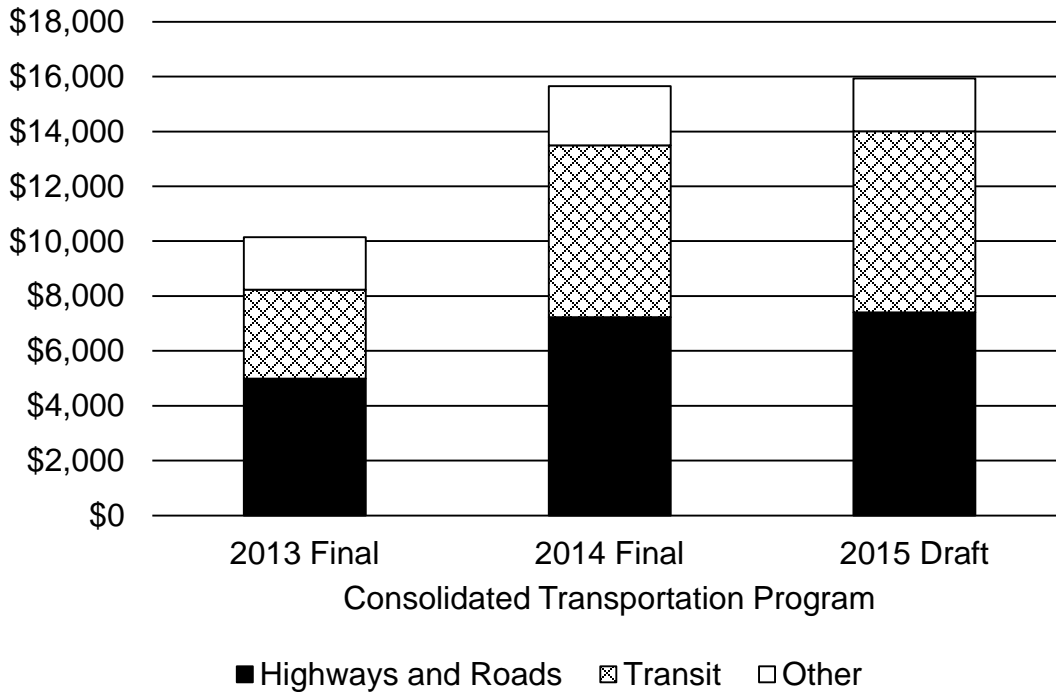
Note: Sales and Use Tax Equivalent rates and revenues assume the contingent rate increases effective beginning fiscal 2016 if Congress fails to enact a sales tax on online purchases by December 1, 2015.

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

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

Maryland Department of Transportation (Cont.)

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



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

Part 7

State Employment and Employee Benefits

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

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

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

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

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

Fiscal 2016 Baseline Budget Position Changes

Fiscal 2015 Actions

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

Fiscal 2016 Actions

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

Fiscal 2016 Baseline Budget Position Changes (Cont.)

Legislation

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

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

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

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

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

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

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

DBM: Department of Budget and Management

Rx: prescription drug

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

State Retirement and Pension System

	Funding Status as of June 30 (\$ in Millions)			2013-2014
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>% Change</u>
Actuarial Liabilities	\$53,707	\$55,707	\$57,981	
Actuarial Value of Assets	34,089	35,992	39,277	
Unfunded Actuarial Liabilities	\$19,618	\$19,715	\$18,704	-5.1%
Funded Ratio	63.5%	64.6%	67.7%	

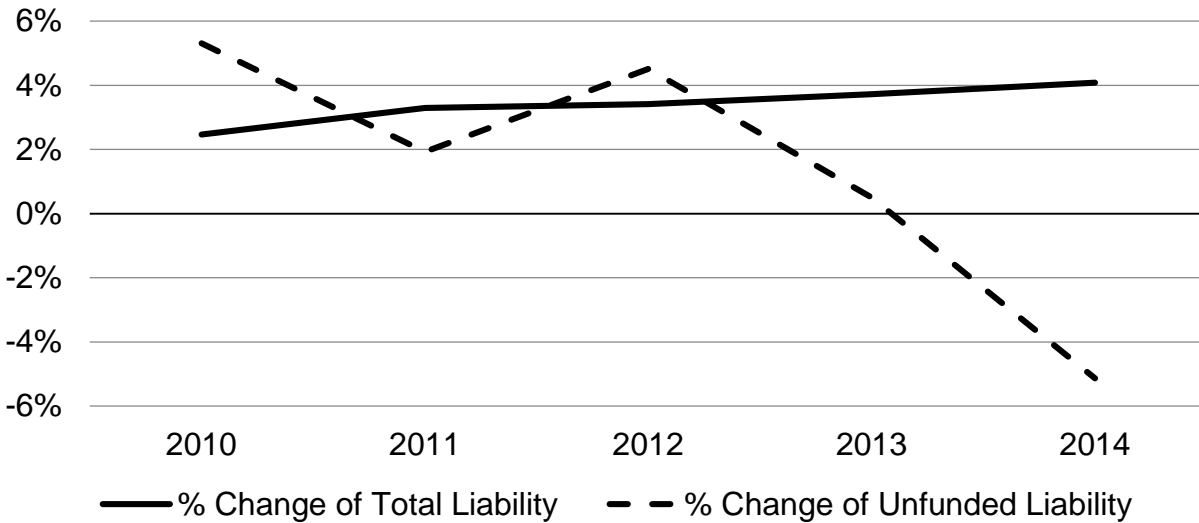
	Employer Contributions (\$ in Millions)			FY 2015-2016
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>% Change</u>
Required State Contribution	\$1,319	\$1,387	\$1,445	
Supplemental Contribution	100	100	150	
Total State Contribution	\$1,419	\$1,487	\$1,595	7.2%
School Board Contributions	\$173	\$222	\$255	
Total Contributions	\$1,592	\$1,709	\$1,850	8.2%

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

Source: State Retirement Agency; Department of Legislative Services

State Retirement and Pension System (Cont.)

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

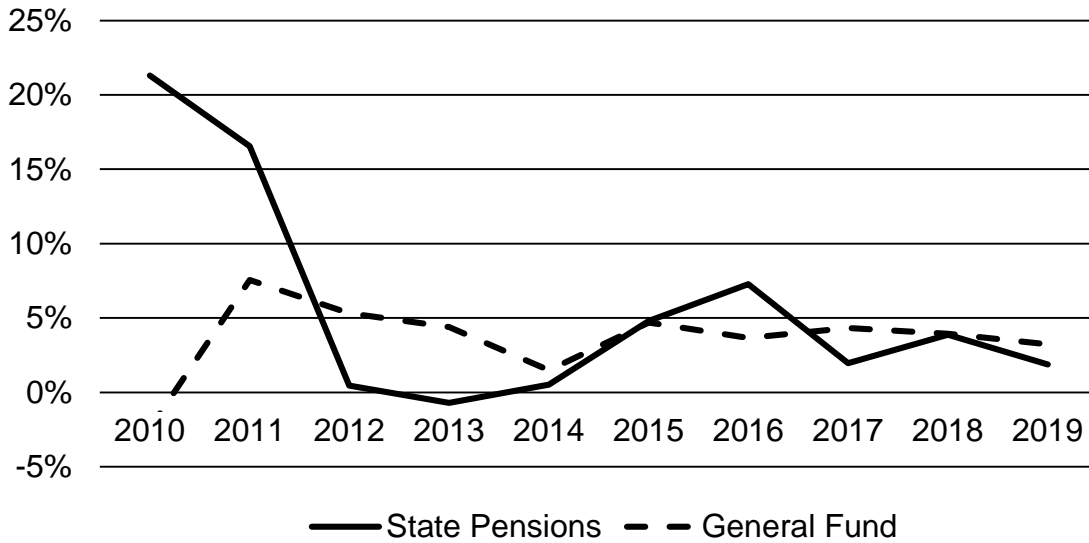


Source: State Retirement Agency

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

State Retirement and Pension System (Cont.)

**Annual % Change in State Pension Contributions and
General Fund Revenues
Fiscal 2010-2019**
(As of November 19, 2014)



Source: State Retirement Agency; Department of Legislative Services

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

Part 8

Supporting Material

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

	Video Lottery Terminals			Table Games		
	FY 2015	FY 2015	FY 2016	FY 2015	FY 2015	FY 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
Race Tracks 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
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

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	
July 2014 BPW Revenue Assumptions	2.2	
Total		\$15,694.1
Transfers		
Budget Reconciliation Legislation	\$1.0	
Budgeted Tax Credits	20.1	
Total		\$21.1
Funds Available		\$15,862.7
Spending		
Fiscal 2015 Allowance	\$16,091.8	
DLS Estimated Deficiencies	294.9	
July 2014 BPW Withdrawn Appropriations	-75.9	
Estimated Agency Reversions	-33.7	
Net Expenditures		\$16,277.1
Ending Balance		-\$414.4

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

* Denotes items contingent on budget reconciliation legislation.

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

Starting Balance		\$0.0
Revenues		
BRE Estimated Revenue September 2014	\$16,393.1	
BRE December 2014 Revision	-147.9	
Total		\$16,245.2
Transfers		
Rainy Day Fund	\$41.0	
Budgeted Tax Credits	19.9	
Total		\$60.9
Funds Available		\$16,306.1
Spending		
Fiscal 2016 Baseline	\$17,096.1	
Estimated Agency Reversions	-30.0	
Net Expenditures		\$17,066.1
Ending Balance		-\$760.0

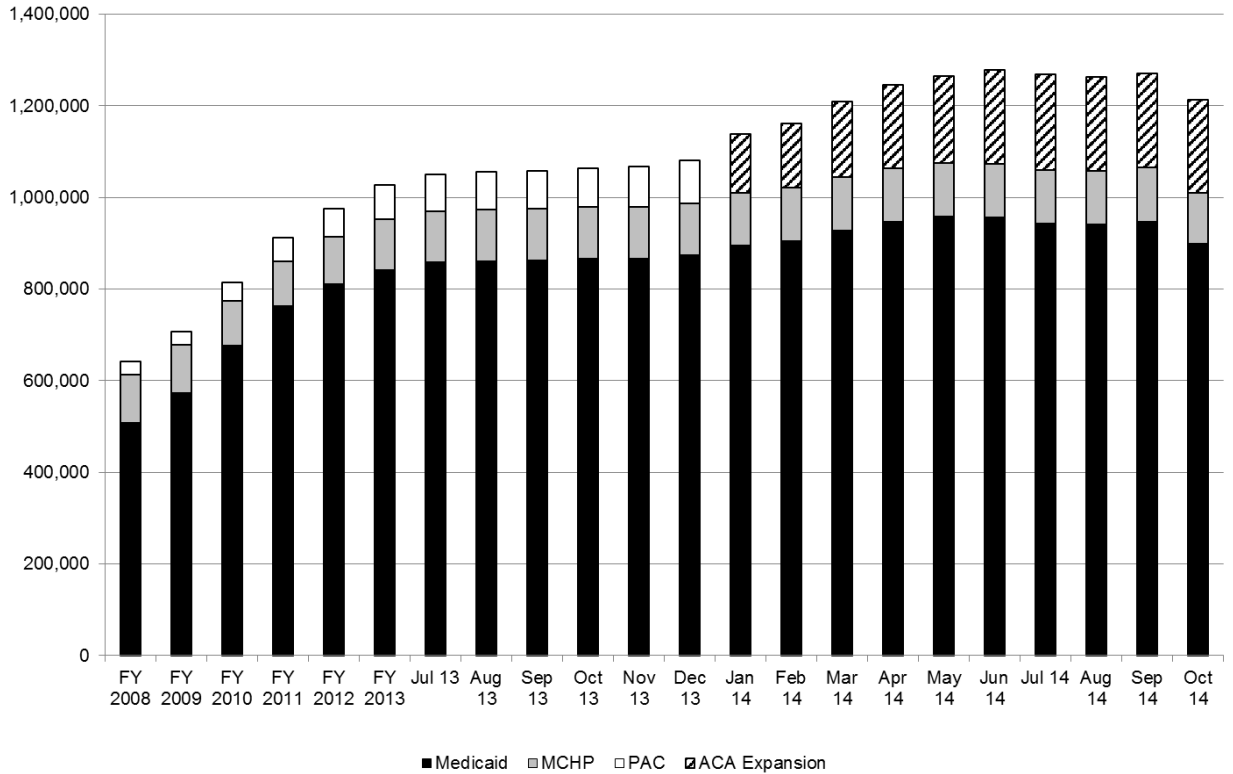
BRE: Board of Revenue Estimates

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

	<u>Rainy Day Fund</u>	<u>Dedicated Purpose Acct.</u>	<u>Catastrophic Event Acct.</u>
Estimated Balances 6/30/14	\$763.3	\$0.0	\$0.2
Fiscal 2015 Appropriations	19.7	0.0	0.0
Estimated Interest	7.8		
Estimated Balances 6/30/15	\$790.8	\$0.0	\$0.2
Fiscal 2016 Appropriations	50.0	0.0	0.0
Transfer to General Fund	-41.0		
Interest	12.3		
Estimated Balances 6/30/16	\$812.1	\$0.0	\$0.2
Percent of Revenues in Reserve	5.0%		

Medicaid

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

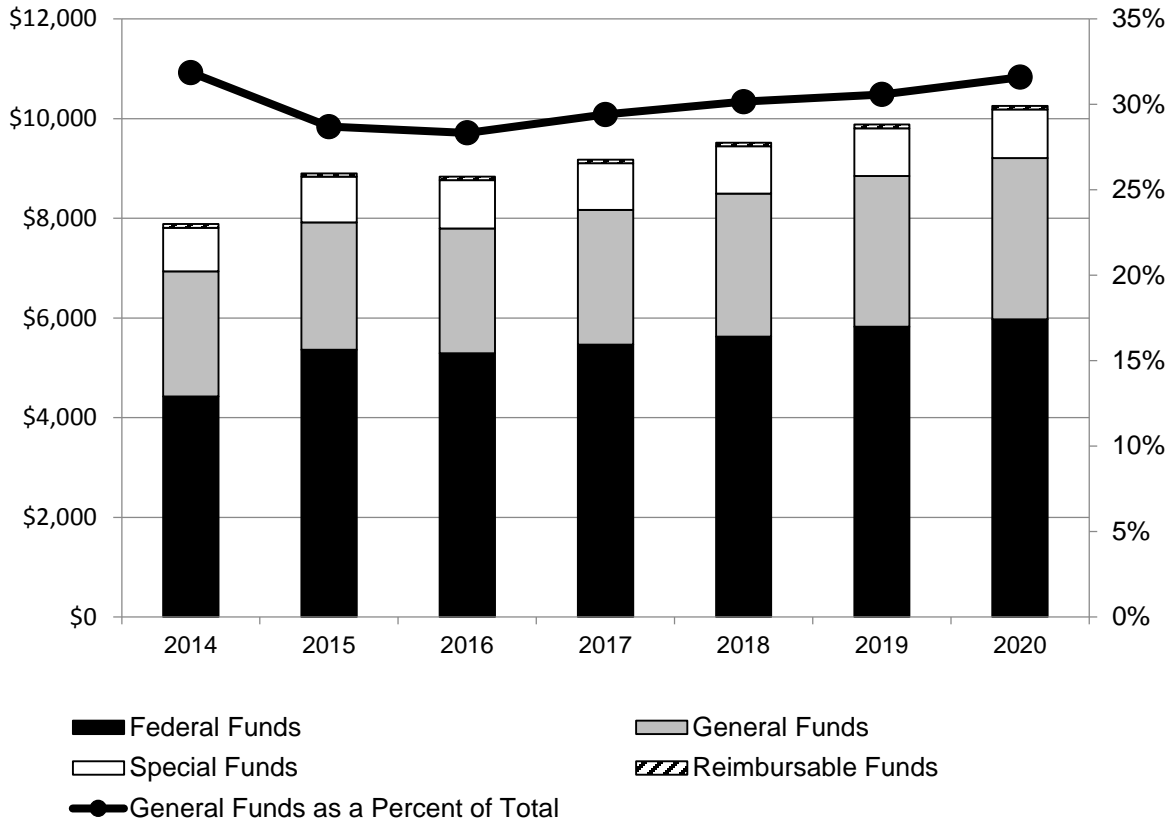


ACA: Patient Protection and Affordable Care Act
MCHP: Maryland Children’s Health Program
PAC: Primary Adult Care Program

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

Medicaid (Cont.)

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



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