Spending Affordability Committee Technical Supplement

Department of Legislative Services
Office of Policy Analysis
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Contents

Part 1
Fiscal 2011 Baseline Budget
Technical Supplement Overview

The Baseline Process

The baseline budget is an estimate of the cost of government services in the next budget year assuming:

- current laws, policies, and practices are continued;
- legislation, federal mandates, and multi-year commitments supported by the legislature are implemented and funded;
- efficiency is maintained at current levels;
- nondiscretionary changes in workload are recognized;
- unavoidable shortfalls in budgeted expenditures during the current year are funded as deficiencies;
- inflationary increases in costs are provided;
- large one-time purchases and nonrecurring pay-as-you-go (PAYGO) expenditures are removed;
- full year costs of programs started during the previous year are included;
- positions and operating expenses associated with new facilities are recognized;
- selected salary increases are funded; and
- employee turnover is adjusted to reflect recent experience.

General Assumptions

Forecasts of individual agency budget requirements are based on amounts appropriated for fiscal 2010. Adjustments are made to remove funds allowed for one-time purposes and to add funds as required to recognize expenses associated with legislation, new facilities, changes in caseloads, and continuing expenses related to fiscal 2010 budget deficiencies. The baseline estimate also allows for changes in employee compensation and inflationary increases in the cost of operating expenses.

With respect to State employees, the following assumptions are made:

- ***Merit Increases for State Employees:*** Providing merit increases in fiscal 2011 is expected to add $111.6 million ($58.1 million in general funds) to the baseline, including that attributable to higher education. Based on wage data, the average merit increase is expected to be 2.4% during fiscal 2011. Approximately half of employees receiving merit increases receive them in July, while the other half receive them in January. Because no merit increases were included in the fiscal 2010 budget, no annualization of prior years is required.

- ***Fiscal 2011 General Salary Increase for State Employees:*** The fiscal 2011 baseline budget assumes that State employees will receive a 2.0% salary increase and adjusts fringe benefits (social security, retirement, unemployment insurance, and turnover) accordingly. Including higher education, the general salary increase adds $124.0 million, $64.6 million of which is general funds, to the baseline budget. Due to the absence of a fiscal 2010 general salary increase, a reset of the typically centrally funded salary adjustment did not need to be made in the baseline.

- ***Annual Salary Reviews (ASRs):*** The fiscal 2010 budget did not include ASRs, and none are contemplated in the fiscal 2011 baseline.

- ***Employee and Retiree Health Insurance:*** State health insurance costs support employee and retiree PAYGO health insurance costs. The baseline budget projects that the fiscal 2011 claims will exceed $1.2 billion. This estimate assumes that costs will increase by 7.0%, consistent with recent claims activity, membership growth due to the addition of dependents, and a survey of projected cost increases. State agency appropriations into the fund are projected to increase by over 11.0%. The State is not projected to have a fund balance to draw down in fiscal 2011, so appropriations are projected to exceed the growth in health insurance costs.

- ***Workers' Compensation Assessments:*** The Injured Workers' Insurance Fund (IWIF) administers the workers' compensation claims of State employees through a nonprofit agreement. The projected claims cost for fiscal 2011 uses the actual claims experience in fiscal 2009 as the cost base, and then IWIF's administrative fees are added to calculate the operational cost for the year. Monies to fund the long-term liability are also typically set aside each year. The budgeted fiscal 2011 operational costs for workers' compensation claims are $59.6 million, down $1.3 million from fiscal 2010, due to the discontinuation of the State Employees Risk Management Administration program and the absence of several high-cost claim payments made in fiscal 2010. The baseline does not include funding for the long-term liability, as none was included in the fiscal 2010 budget.

- ***Employees' Retirement and Pensions:*** Fiscal 2011 baseline budget expenditures are expected to increase when compared to fiscal 2010. The increase is primarily attributable to large investment losses and the amortization of past actuarial errors. The result is to increase baseline spending, as described:

  - an additional $91.0 million ($55.0 million in general funds) for the Employees' State Retirement and Pension Systems;

  - State Police retirement plan appropriations increase by $25.7 million ($15.4 million in general funds);

  - appropriations to the Law Enforcement Officers Pensions System increase by $6.1 million ($3.7 million in general funds);

  - the teachers' retirement plan appropriations, for members who are State employees, increase by $2.5 million ($1.5 million in general funds); and

  - an additional $4.3 million ($2.6 million in general funds) for the judges' plan.

Nonpersonnel Operating Cost Assumptions

The baseline also assumes inflationary changes in specific subobjects. Overall, few inflationary changes were made to the baseline due to a national recession which has suppressed inflation. The most significant increases are reflected in medical contracts and supplies (5.1%) and prescription drugs (4.9%) due to higher inflation in the health sector. Postage, which increases annually based on the previous year's inflation, increased by 2 cents in May 2009. A postage rate increase of 1.8% for May 2010 was assumed in the baseline; however, it was recently announced that there will be no rate increase next year. Specific inflation assumptions are:

- medical contracts and supplies (4.9%);

- prescription drugs for State facilities (4.9%);

- food (1.9%); and

- postage (1.8%).

Statewide Reductions in Spending

Since the General Assembly adjourned in April 2009, the nationwide recession has continued and Maryland revenues have continued to underperform. In August 2009, the Comptroller reported that fiscal 2009 closeout revenues were lower than anticipated by $347.9 million. In September 2009, the Board of Revenue Estimates (BRE) released its revised revenue forecast and decreased fiscal 2010 revenue estimates by $682.8 million.

Section 7-231 of the State Finance and Procurement Article authorizes the Governor to withdraw up to 25% of an agency's total funding through the Board of Public Works (BPW). The Governor may not withdraw appropriations for debt service, mandated education aid, salaries of constitutional officers, or funding for legislative and judicial branches. In response to the ongoing decline in revenues, the Governor prepared two rounds of spending reductions to propose to BPW. In addition to withdrawn appropriations and position abolitions, the Governor's proposal included projected one-time fund balance transfers, reversions, and other actions totaling nearly $1.1 billion in all funds. However, many of the transfers require legislative approval and projected reversions cannot be verified until the end of the fiscal year, so only the withdrawn appropriations and position abolitions are considered here.

Withdrawn appropriations totaled $777.8 million and 421.0 positions were abolished. These actions are summarized in the chart on page seven and further detail is available on the next few pages. The withdrawn appropriations include both one-time savings and ongoing cost-saving measures. In each of the agencies, the appropriations are withdrawn from the fiscal 2010 appropriation. If the withdrawn appropriation was a one-time cost savings and the spending will return again in fiscal 2011, the item was then added back into the fiscal 2011 baseline.

July 2009 Board of Public Works Reductions

On July 22, 2009, the Governor proposed and BPW adopted $267.7 million in reductions to the fiscal 2010 appropriation and abolished 57.5 positions, of which 39.0 were filled. The reductions include $205.3 million in general funds, $8.0 million in special funds, and $54.3 million in federal funds.

Actions over $10.0 million include:

- $75.0 million reduction in general funds for Medicaid due to higher than expected federal stimulus funds received in the form of a higher Medicaid match rate;
- $46.8 million reduction in federal matching funds tied to the general fund reductions to the Medicaid program;

- $19.8 million from higher education, including $17.7 million from the University System of Maryland, $1.5 million from Baltimore City Community College, and $696,000 from Morgan State University;

- $16.6 million in reductions to a variety of provider rates, including nursing home rates ($8.9 million), Managed Care Organization rates ($6.5 million), provider rates at the Kennedy Krieger Institute ($0.4 million), and Medicaid fee-for-service rates at the Children's National Medical Center ($0.8 million); and

- $11.3 million reduction in general funds for Medicaid, which will be replaced by hospital assessment revenue, based on higher than expected enrollment in the expansion to parents.

August 2009 Board of Public Works Reductions

On August 26, 2009, the Governor proposed and BPW adopted $510.1 million in reductions to the fiscal 2010 appropriation. The reductions include $223.3 million in general funds, $197.1 million in special funds, $68.0 million in federal funds, and $21.7 million in current unrestricted funds. With respect to personnel, a total of 363.5 positions were abolished, including 202.0 filled positions. Of these, 160.5 filled positions came from the Department of Health and Mental Hygiene (DHMH), chiefly related to the closure of one facility and two wards.

Actions over $10.0 million include:

- $159.5 million reduction in special funds for local Highway User Revenues;

- $94.7 million reduction in all funds, for employee salary savings due to a combination of five service reduction days and up to five furlough days;

- $38.6 million reduction in federal matching funds largely tied to the general fund reductions to the Medicaid program;

- $28.2 million fund swap of federal stimulus funds from higher education and community colleges that are being reallocated to the Department of Public Safety and Correctional Services to replace general funds;

- $20.6 million reduction in general funds for police aid to local jurisdictions;

- $20.1 million reduction in general funds for health grants to local jurisdictions;

- $12.7 million reduction in general funds to effect a 2% reduction in community provider rates in DHMH;

- $12.0 million fund swap to replace general funds for Medicaid with Cigarette Restitution Fund (CRF) special funds; and

- $11.9 million reduction in special funds for CRF programs.

Fiscal 2010 Board of Public Works Actions

	Reductions			PIN Abolitions		
	July 2009	August 2009	Total	July 2009	August 2009	Total
Office of the Public Defender	$403,298	$2,273,022	$2,676,320	0.0	4.0	4.0
Office of the Attorney General	200,230	924,953	1,125,183	0.0	0.0	0.0
Office of the State Prosecutor	0	43,015	43,015	0.0	0.0	0.0
Maryland Tax Court	0	12,637	12,637	0.0	0.0	0.0
Public Service Commission	0	358,398	358,398	0.0	0.0	0.0
Office of the People's Counsel	0	52,504	52,504	0.0	0.0	0.0
Subsequent Injury Fund	0	39,198	39,198	0.0	0.0	0.0
Uninsured Employer's Fund	0	24,333	24,333	0.0	0.0	0.0
Workers' Compensation Commission	0	231,470	231,470	0.0	0.0	0.0
Board of Public Works	0	25,008	25,008	0.0	0.0	0.0
Executive Department – Governor	0	274,727	274,727	0.0	0.0	0.0
Office of the Deaf and Hard of Hearing	0	7,976	7,976	0.0	0.0	0.0
Department of Disabilities	0	169,510	169,510	0.0	0.0	0.0
Maryland Energy Administration	0	42,047	42,047	0.0	0.0	0.0
Boards, Commissions, and Offices	75,453	106,907	182,360	0.0	0.0	0.0
Governor's Office of Crime Control and Prevention	0	20,881,147	20,881,147	0.0	0.0	0.0
Secretary of State	75,000	131,066	206,066	0.0	0.0	0.0
Historic St. Mary's Commission	0	22,799	22,799	0.0	0.0	0.0
Governor's Office for Children	50,000	101,006	151,006	0.0	1.0	1.0
Interagency Committee for School Construction	0	34,447	34,447	0.0	0.0	0.0
Department of Aging	287,513	278,901	566,414	0.0	0.0	0.0
Commission on Human Relations	190	80,308	80,498	0.0	0.0	0.0
Maryland Stadium Authority	100,000	0	100,000	0.0	0.0	0.0
State Board of Elections	229,999	220,176	450,175	0.0	0.0	0.0

	Reductions			PIN Abolitions		
	July 2009	August 2009	Total	July 2009	August 2009	Total
Maryland State Board of Contract Appeals	0	17,771	17,771	0.0	0.0	0.0
Department of Planning	283	932,505	932,788	0.0	1.0	1.0
Military Department	509,000	912,711	1,421,711	0.0	0.0	0.0
Maryland Institute for Emergency Medical Services Systems	0	193,398	193,398	0.0	0.0	0.0
Department of Veterans Affairs	291,000	81,449	372,449	0.0	0.0	0.0
State Archives	94,598	267,420	362,018	0.0	0.0	0.0
Maryland Health Insurance Plan	0	26,743	26,743	0.0	0.0	0.0
Maryland Insurance Administration	0	546,847	546,847	0.0	0.0	0.0
Canal Place Preservation and Development Authority	0	3,322	3,322	0.0	0.0	0.0
Comptroller of Maryland	820,398	1,719,632	2,540,030	0.0	0.0	0.0
State Treasurer's Office	75,000	189,139	264,139	0.0	2.0	2.0
State Department of Assessments and Taxation	182,494	1,606,101	1,788,595	0.0	0.0	0.0
State Lottery Agency	5,615,033	358,425	5,973,458	1.0	0.0	1.0
Property Tax Assessment Appeals Boards	0	12,018	12,018	0.0	0.0	0.0
Department of Budget and Management	8,321	6,358,972	6,367,293	0.0	0.0	0.0
Department of Information Technology	833,155	2,899,647	3,732,802	0.0	0.0	0.0
State Retirement Agency	0	433,860	433,860	0.0	0.0	0.0
Maryland Supplemental Retirement Plans	0	27,354	27,354	0.0	0.0	0.0
Department of General Services	3,575,000	2,632,161	6,207,161	0.0	0.0	0.0
Maryland Department of Transportation	0	174,974,941	174,974,941	0.0	66.5	66.5
Department of Natural Resources	4,681,282	5,865,613	10,546,895	23.5	14.0	37.5
Department of Agriculture	2,205,427	1,789,139	3,994,566	6.0	7.0	13.0
Department of Health and Mental Hygiene	198,413,577	142,050,471	340,464,048	11.0	175.0	186.0
Department of Human Resources	5,157,589	11,658,207	16,815,796	1.0	0.0	1.0
Department of Labor, Licensing, and Regulation	574,470	1,986,867	2,561,337	1.0	1.0	2.0
Department of Public Safety and Correctional Services	1,418,159	50,338,001	51,756,160	0.0	88.0	88.0

	Reductions			*PIN Abolitions*		
	July 2009	**August 2009**	**Total**	**July 2009**	**August 2009**	**Total**
Maryland State Department of Education	4,278,963	4,129,336	8,408,299	0.0	2.0	2.0
Children's Cabinet Interagency Fund	1,017,000	1,800,000	2,817,000	0.0	0.0	0.0
Maryland Public Broadcasting Commission	234,000	323,800	557,800	0.0	0.0	0.0
Morgan State University	0	1,505,306	1,505,306	0.0	0.0	0.0
University System of Maryland	0	20,051,173	20,051,173	0.0	0.0	0.0
Baltimore City Community College	0	96,541	96,541	0.0	0.0	0.0
Maryland Higher Education Commission	3,033,581	17,852,680	20,886,261	0.0	0.0	0.0
State Support for Higher Education	19,840,201	17,786,938	37,627,139	0.0	0.0	0.0
Department of Housing and Community Development	453,418	443,893	897,311	0.0	0.0	0.0
Department of Business and Economic Development	3,511,163	2,340,221	5,851,384	11.0	0.0	11.0
Maryland Technology Development Corporation	3,000,000	0	3,000,000	0.0	0.0	0.0
Department of the Environment	774,623	2,448,786	3,223,409	0.0	0.0	0.0
Department of Juvenile Services	3,115,277	3,822,615	6,937,892	0.0	0.0	0.0
Department of State Police	2,546,769	3,256,512	5,803,281	3.0	2.0	5.0
Total	**$267,681,464**	**$510,076,070**	**$777,757,534**	**57.5**	**363.5**	**421.0**

Baseline Results

Overall, the baseline budget forecast projects budget growth as indicated below by fund type.

Projected Baseline Budget
Fiscal 2010-2011
($ in Millions)

Fund[1]	2010 Adjusted Appropriation[4]	2011 Baseline	2010-2011 $ Increase	2010-2011 % Change
General[2]	$13,627.5	$14,893.8	$1,266.3	9.3%
Special/Higher Education[3]	8,973.8	9,327.9	354.1	3.9%
Federal	9,375.8	8,851.9	-524.0	-5.6%
Total	**$31,977.2**	**$33,073.6**	**$1,096.4**	**3.4%**

(1) Excludes reimbursable and nonbudgeted funds.
(2) Net of reversions.
(3) Higher education funds include current restricted and unrestricted funds net of general, special, and federal fund appropriations.
(4) Fiscal 2010 appropriation adjusted to reflect $777.8 million in withdrawn appropriations and $10.6 million in additional reversions approved by the Board of Public Works in July and August 2009 and anticipated deficiencies of $530.7 million.

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

The tables on the following pages summarize the budgetary changes by major category of expenditure. Separate sections of the technical supplement dissect the assumptions used for estimates for general fund aid to local governments, entitlements, State agencies, debt service, capital programs, and general fund revenue projections. The baseline estimates described in this document represent the judgments of the Department of Legislative Services as of October 15, 2009. Actions subsequent to that date, including reductions made by the Administration, or further changes to the economic picture, are not reflected here.

The fiscal 2010 appropriations in the summary tables (on pages 11 through 14) have been adjusted to reflect the reductions taken by BPW in July and August 2009. In contrast, the discussions of individual agency budgets reflect the fiscal 2010 legislative appropriation. In addition, the summary tables show statewide totals by fund for the projected fiscal 2011 general salary increase and for employee increments, whereas the individual agency discussions include these expenses as part of each agency's projected budget.

State Expenditures – General Funds
Fiscal 2009-2011
($ in Millions)

Category	Work. Appr. FY 2009	Adjusted Leg. Appr. FY 2010	Baseline FY 2011	FY 2010 to FY 2011 $ Change	FY 2010 to FY 2011 % Change
Debt Service	$0.0	$0.0	$0.0	$0.0	n/a
County/Municipal	214.7	190.0	214.6	24.5	12.9%
Community Colleges	254.7	252.2	288.1	35.9	14.2%
Education/Libraries	5,436.8	5,230.0	5,287.8	57.8	1.1%
Health	57.4	37.3	40.2	2.9	7.8%
Aid to Local Governments	***$5,963.5***	***$5,709.6***	***$5,830.7***	***$121.1***	***2.1%***
Foster Care Payments	243.0	240.4	244.6	4.2	1.8%
Assistance Payments	38.2	34.5	98.0	63.5	184.1%
Medical Assistance	1,904.3	1,524.1	2,404.1	879.9	57.7%
Property Tax Credits	57.3	60.4	66.5	6.1	10.1%
Entitlements	***$2,242.7***	***$1,859.4***	***$2,813.2***	***$953.8***	***51.3%***
Health	1,401.3	1,367.9	1,461.2	93.3	6.8%
Human Resources	308.5	276.5	305.3	28.8	10.4%
Systems Reform Initiative	30.7	26.2	26.2	0.0	0.0%
Juvenile Services	267.0	255.2	268.8	13.7	5.4%
Public Safety/Police	1,256.7	1,163.7	1,267.1	103.4	8.9%
Higher Education	1,131.9	1,145.2	1,220.8	75.6	6.6%
Other Education	398.5	360.6	384.7	24.1	6.7%
Agric./Natl. Res./Environment	122.8	107.7	117.6	9.9	9.2%
Other Executive Agencies	549.9	526.8	610.2	83.4	15.8%
Judicial/Legislative	445.5	451.5	477.5	26.0	5.8%
State Agencies	***$5,912.8***	***$5,681.2***	***$6,139.4***	***$458.1***	***8.1%***
Deficiencies	0.0	278.7	0.0	-278.7	-100.0%
Salary Enhancement/Deferred Comp (1)	0.0	0.0	134.5	134.5	n/a
Total Operating	**$14,119.1**	**$13,528.9**	**$14,917.8**	**$1,388.9**	**10.3%**
Capital/Heritage Reserve Fund	23.0	5.1	6.0	0.9	18.6%
Transfer to MDTA	65.0	0.0	0.0	0.0	n/a
Reversions	-38.4	-46.5	-30.0	16.5	-35.4%
Appropriations	**$14,168.7**	**$13,487.5**	**$14,893.8**	**$1,406.2**	**10.4%**
Reserve Funds (2)	146.5	139.9	0.0	-139.9	-100.0%
Grand Total	**$14,315.2**	**$13,627.5**	**$14,893.8**	**$1,266.3**	**9.3%**

MDTA: Maryland Transportation Authority

(1) Includes cost-of-living adjustment, increments, and the employer match for deferred compensation.
(2) Excludes $65 million in fiscal 2009 appropriated to the Dedicated Purpose Account that is to be transferred to MDTA. These monies are included in the transfer to MDTA line.

Note: The adjusted fiscal 2010 legislative appropriation reflects $428.6 million in withdrawn appropriations and $10.6 million in additional reversions approved by the Board of Public Works in July and August 2009.

State Expenditures – Special and Higher Education Funds*
Fiscal 2009-2011
($ in Millions)

Category	Work. Appr. FY 2009	Adjusted Leg. Appr. FY 2010	Baseline FY 2011	FY 2010 to FY 2011 $ Change	FY 2010 to FY 2011 % Change
Debt Service	$887.4	$944.7	$1,003.4	$58.7	6.2%
County/Municipal	536.1	196.8	415.1	218.3	110.9%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	1.4	41.2	14.8	-26.4	-64.0%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	***$537.5***	***$238.0***	***$429.9***	***$191.9***	***80.6%***
Foster Care Payments	0.1	0.1	0.1	0.0	-17.8%
Assistance Payments	13.4	13.4	17.1	3.6	27.2%
Medical Assistance	395.8	425.8	362.8	-63.0	-14.8%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	***$409.3***	***$439.3***	***$380.0***	***-$59.4***	***-13.5%***
Health	266.8	266.0	288.8	22.9	8.6%
Human Resources	58.5	74.4	90.7	16.4	22.0%
Systems Reform Initiative	0.7	0.0	0.0	0.0	n/a
Juvenile Services	0.2	0.2	0.2	0.0	-0.4%
Public Safety/Police	213.7	219.8	237.5	17.8	8.1%
Higher Education	3,387.4	3,392.8	3,462.6	69.8	2.1%
Other Education	42.8	44.8	49.7	5.0	11.2%
Transportation	1,460.1	1,454.6	1,576.3	121.7	8.4%
Agric./Natl Res./Environment	179.6	188.7	241.7	53.0	28.1%
Other Executive Agencies	541.5	540.3	549.2	8.8	1.6%
Judicial/Legislative	54.1	53.1	37.0	-16.1	-30.3%
State Agencies	***$6,205.4***	***$6,234.6***	***$6,533.9***	***$299.3***	***4.8%***
Deficiencies	0.0	61.9	0.0	-61.9	-100.0%
Salary Enhancement/Deferred Comp (1)	0.0	0.0	81.6	81.6	n/a
Total Operating	**$8,039.6**	**$7,918.5**	**$8,428.8**	**$510.3**	**6.4%**
Capital	1,155.3	1,055.3	899.1	-156.2	-14.8%
Appropriations	**$9,194.9**	**$8,973.8**	**$9,327.9**	**$354.1**	**3.9%**
Reserve Funds	0.0	0.0	0.0	0.0	n/a
Grand Total	**$9,194.9**	**$8,973.8**	**$9,327.9**	**$354.1**	**3.9%**

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

(1) Includes cost-of-living adjustment, increments, and the employer match for deferred compensation.

Note: Fiscal 2010 reflects withdrawn appropriations of $226.8 million approved by the Board of Public Works in July and August 2009.

State Expenditures – Federal Funds
Fiscal 2009-2011
($ in Millions)

Category	Work. Appr. FY 2009	Adjusted Leg. Appr. FY 2010	Baseline FY 2011	FY 2010 to FY 2011 $ Change	FY 2010 to FY 2011 % Change
Debt Service	$0.0	$0.0	$0.0	$0.0	n/a
County/Municipal	45.5	82.0	82.0	0.0	0.0%
Community Colleges	0.0	4.0	4.0	0.0	0.0%
Education/Libraries	699.4	1,271.5	1,385.7	114.2	9.0%
Health	4.5	4.5	4.5	0.0	0.0%
Aid to Local Governments	***$749.4***	***$1,362.0***	***$1,476.2***	***$114.2***	***8.4%***
Foster Care Payments	133.6	125.4	103.7	-21.8	-17.3%
Assistance Payments	515.7	615.5	675.7	60.3	9.8%
Medical Assistance	3,183.3	3,436.3	3,529.9	93.6	2.7%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	***$3,832.6***	***$4,177.2***	***$4,309.3***	***$132.0***	***3.2%***
Health	883.2	885.2	946.1	60.9	6.9%
Human Resources	528.8	515.3	504.7	-10.6	-2.0%
Systems Reform Initiative	7.3	7.3	7.3	0.0	0.0%
Juvenile Services	11.7	15.1	8.7	-6.3	-41.9%
Public Safety/Police	29.1	73.6	109.9	36.3	49.3%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	244.3	237.3	239.3	2.0	0.9%
Transportation	80.1	80.6	78.3	-2.2	-2.8%
Agric./Natl Res./Environment	66.1	70.9	79.4	8.6	12.1%
Other Executive Agencies	473.0	597.0	536.5	-60.5	-10.1%
Judicial/Legislative	4.4	4.2	4.3	0.1	3.1%
State Agencies	***$2,328.0***	***$2,486.4***	***$2,514.7***	***$28.3***	***1.1%***
Deficiencies	0.0	190.1	0.0	-190.1	-100.0%
Salary Enhancement/Deferred Comp [1]	0.0	0.0	30.4	30.4	n/a
Total Operating	**$6,910.0**	**$8,215.7**	**$8,330.6**	**$114.9**	**1.4%**
Capital	788.6	1,160.1	521.3	-638.8	-55.1%
Grand Total	**$7,698.5**	**$9,375.8**	**$8,851.9**	**-$524.0**	**-5.6%**

(1) Includes cost-of-living adjustment, increments, and the employer match for deferred compensation.

Note: Fiscal 2010 reflects withdrawn appropriations of $122.3 million approved by the Board of Public Works in July and August 2009.

State Expenditures – All Funds
($ in Millions)

Category	Work. Appr. FY 2009	Adjusted Leg. Appr. FY 2010	Baseline FY 2011	FY 2010 to FY 2011 $ Change	FY 2010 to FY 2011 % Change
Debt Service	$887.4	$944.7	$1,003.4	$58.7	6.2%
County/Municipal	796.3	468.8	711.7	242.8	51.8%
Community Colleges	254.7	256.2	292.0	35.9	14.0%
Education/Libraries	6,137.6	6,542.8	6,688.4	145.6	2.2%
Health	61.9	41.8	44.7	2.9	7.0%
Aid to Local Governments	***$7,250.5***	***$7,309.6***	***$7,736.8***	***$427.2***	***5.8%***
Foster Care Payments	376.6	365.9	348.4	-17.5	-4.8%
Assistance Payments	567.3	663.4	790.8	127.4	19.2%
Medical Assistance	5,483.4	5,386.3	6,296.8	910.5	16.9%
Property Tax Credits	57.3	60.4	66.5	6.1	10.1%
Entitlements	***$6,484.6***	***$6,476.0***	***$7,502.4***	***$1,026.5***	***15.9%***
Health	2,551.3	2,519.1	2,696.2	177.1	7.0%
Human Resources	895.7	866.1	900.7	34.6	4.0%
Systems Reform Initiative	38.7	33.6	33.6	0.0	0.0%
Juvenile Services	278.9	270.4	277.8	7.3	2.7%
Public Safety/Police	1,499.5	1,457.1	1,614.6	157.5	10.8%
Higher Education	4,519.3	4,538.0	4,683.4	145.5	3.2%
Other Education	685.7	642.6	673.8	31.1	4.8%
Transportation	1,540.2	1,535.2	1,654.6	119.4	7.8%
Agric./Natl. Res./Environment	368.5	367.2	438.7	71.5	19.5%
Other Executive Agencies	1,564.4	1,664.1	1,695.8	31.7	1.9%
Judicial/Legislative	503.9	508.7	518.8	10.1	2.0%
State Agencies	***$14,446.2***	***$14,402.2***	***$15,188.0***	***$785.7***	***5.5%***
Deficiencies	0.0	530.7	0.0	-530.7	-100.0%
Salary Enhancement/Deferred Comp (1)	0.0	0.0	246.6	246.6	n/a
Total Operating	**$29,068.7**	**$29,663.2**	**$31,677.2**	**$2,014.0**	**6.8%**
Capital/Heritage Reserve Fund	1,966.9	2,220.5	1,426.3	-794.1	-35.8%
Transfer to MDTA	65.0	0.0	0.0	0.0	n/a
Reversions	-38.4	-46.5	-30.0	16.5	-35.4%
Appropriations	**$31,062.2**	**$31,837.2**	**$33,073.6**	**$1,236.4**	**3.9%**
Reserve Funds (2)	146.5	139.9	0.0	-139.9	-100.0%
Grand Total	**$31,208.7**	**$31,977.2**	**$33,073.6**	**$1,096.4**	**3.4%**

MDTA: Maryland Transportation Authority

(1) Includes cost-of-living adjustment, increments, and the employer match for deferred compensation.
(2) Excludes $65 million in fiscal 2009 appropriated to the Dedicated Purpose Account that is to be transferred to MDTA. These monies are included in the transfer to MDTA line.

Note: The adjusted fiscal 2010 legislative appropriation reflects $777.8 million in withdrawn appropriations and $10.6 million in additional reversions approved by the Board of Public Works in July and August 2009.

Aid to Local Governments

State aid includes direct grants to local governments for various public services such as education, libraries, community colleges, transportation, public safety, health, and recreation; and State paid retirement costs for public school teachers, librarians, and community college faculty. Although the grants may be for specific programs or purposes, local governments usually have considerable flexibility in the expenditures of these funds.

State Aid by Governmental Entity
Fiscal 2008-2011
($ in Thousands)

Entity	2008 Actual	2009 Working	2010 Working	2011 Baseline	2010-2011 $ Increase	2010-2011 % Change
Public Schools	$5,166,341	$5,379,330	$5,506,988	$5,644,316	$137,327	2.5%
County/Municipal	906,750	750,809	386,873	629,661	242,788	62.8%
Community Colleges	241,700	254,713	256,173	292,049	35,876	14.0%
Health	66,991	57,359	37,283	40,200	2,917	7.8%
Libraries	64,136	63,770	64,082	65,963	1,881.	2.9%
Total	**$6,445,920**	**$6,505,983**	**$6,251,401**	**$6,672,192**	**$420,790**	**6.7%**

Source: Department of Legislative Services

Overview

State aid is projected to total $6.7 billion in fiscal 2011, representing a $420.8 million (6.7%) increase over the prior year. This annual increase is significantly higher than the growth rate in fiscal 2010 (-3.9%), due to the assumption that State aid programs will be funded at their statutory levels in fiscal 2011. Due to the State's continual fiscal crisis, State aid was reduced by $480.4 million in fiscal 2010. The General Assembly reduced State aid by $268.7 million at the 2009 legislative session, while BPW made an additional $211.7 million reduction in August. Nearly two-thirds of the reductions ($321.4 million) came from State transportation funding for the local highway user revenues program. Other programs receiving sizable reductions include community college aid, police aid, local health grants, and education grants.

As in prior years, most of the State aid in fiscal 2011 is targeted to public schools, while funding for counties and municipalities will account for less than 10.0% of total aid. Public schools will receive $5.6 billion in fiscal 2011 or approximately 85.0% of total State aid. Counties and municipalities will receive $629.7 million; community colleges will receive $292.0 million; libraries will receive $66.0 million; and local health departments will receive $40.2 million. In terms of year-over-year funding enhancements, State aid for public schools will increase by $137.3 million (2.5%); library aid will increase by $1.9 million (2.9%); community college aid will increase by $35.9 million (14.0%); and local health aid will increase by $2.9 million (7.8%). County and municipal governments will realize a $242.8 million (62.8%) increase in State aid due to rebasing the aid amounts to statutory funding levels.

Public Schools

Public schools will receive an estimated $5.6 billion in fiscal 2011, representing a $137.3 million (2.5%) increase over the prior year. The per-pupil foundation amount is no longer constrained by the inflationary freeze enacted by Chapter 2 of the 2007 special session; however, both the Implicit Price Deflator and the Consumer Price Index (CPI) decreased during fiscal 2009, freezing the per-pupil foundation amount for the third consecutive year. The per-pupil foundation amount is used in five of the larger State aid formulas (the foundation program, geographic cost of education index, and the compensatory education, special education, and limited English proficiency formulas) that together account for more than three-quarters of total education aid. Limited inflation results in limited growth in State education aid.

General funds are expected to increase by $50.9 million due mainly to a reduction in video lottery terminal (VLT) special fund revenue. VLT revenue is expected to decline from $39.3 million to $12.9 million. Federal funds through the federal American Recovery and Reinvestment Act of 2009 (ARRA) increase by $114.2 million and are being used to fund increases through the Bridge to Excellence (BTE) formulas.

Foundation Program

The baseline includes $2.8 billion for the State's foundation program, a $26.4 million increase from the fiscal 2010 appropriation. With a stable per-pupil funding level, the increase in funding is mostly attributable to the one-time reduction in fiscal 2010 foundation funding that was enacted to recapture $30.8 million in mistaken fiscal 2009 aid overpayments to 17 school systems. Slight declines in enrollment and variations in wealth also account for the change in fiscal 2011 foundation aid.

Student Enrollment and Foundation Amount
Fiscal 2007-2011

	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Estimated
Enrollment*	827,596	823,732	815,742	814,609	814,126
Percent Change	-0.2%	-0.5%	-1.0%	-0.1%	0.0%
Foundation	$5,959	$6,694	$6,694	$6,694	$6,694
Percent Change	8.4%	12.3%	0.0%	0.0%	0.0%

*Represents full-time equivalent enrollment.

Geographic Cost of Education Index

The geographic cost of education index (GCEI) is a discretionary formula that accounts for differences in the costs of educational resources among the local school systems, and provides additional funding to school systems where educational resource costs are above the State average. Thirteen local school systems are eligible for GCEI funds in fiscal 2011. The formula applies a cost index to the foundation amount calculated for a school system; each eligible school system receives additional funds equal to the product of the foundation amount and the cost index. The baseline assumes the formula will be fully funded in fiscal 2011, with funding reaching $126.1 million. The fully funded GCEI includes $37.9 million in general funds and $88.2 million in federal ARRA dollars.

Supplemental Grants

To mitigate the impact of the two-year freeze in the per-pupil foundation amount, Chapter 2 of the 2007 special session established supplemental grants that ensure at least a 1% annual increase in State funding for each local school system in both years of the inflationary freeze. After fiscal 2010, the supplemental grants were to be equal to the amount received in fiscal 2010. However, an overpayment of supplemental grants was made in fiscal 2010 due to a mistake in the calculation of the wealth factor included in the BTE formulas. Chapter 487, the Budget Reconciliation and Financing Act of 2009 (BRFA), corrects for the mistake in the calculation of the supplemental grants and codifies that the new annual grant amount will be equal to the fiscal 2011 supplemental grant award for eligible counties. In fiscal 2011, the supplemental grant appropriation is $46.5 million, $4.7 million less than the fiscal 2010 appropriation.

Compensatory Aid Formula

The compensatory aid program is expected to reach $945.1 million in fiscal 2011, representing a $4.9 million (0.5%) increase. This program provides additional funding to local school systems based on their enrollments of students eligible for free and reduced-price meals. The statewide funding level is calculated using the number of eligible students multiplied by a factor of the per-pupil foundation amount. The projected funding increase is due to an expected slight increase in the number of children statewide who are eligible for free and reduced-price meals.

Students with Disabilities Funding

The Bridge to Excellence Act identified students with disabilities as a second population with higher needs. The Act replaced the prior special education formula with one in which funding is a function of the special education enrollment, the per-pupil foundation amount, and a weighting factor. Funding for the special education formula is expected to decrease by $1.9 million (0.7%), to a total of $265.5 million in fiscal 2011. The decrease is attributable to a projected decline in the enrollment of students with disabilities. An increase of $5.3 million is anticipated for the nonpublic placement of special education students. This would bring the State's contribution to the program to $118.1 million in fiscal 2011, a 4.7% increase.

Limited English Proficiency Formula

The third at-risk population identified for additional resources in the Bridge to Excellence Act is students for whom English is a second language. Funding is based on estimated limited English proficient (LEP) enrollment counts and the per-pupil foundation amount. This program is expected to increase by $9.1 million (6.1%), to a total of $157.8 million in fiscal 2011. This increase is driven by anticipated LEP enrollment growth.

Guaranteed Tax Base Program

The baseline budget includes $56.9 million in funding for the guaranteed tax base program, a 10.8% decrease from the fiscal 2010 appropriation of $63.8 million. This program provides additional State funding to local education agencies with less than 80.0% of statewide wealth per pupil through a formula that uses local wealth and the amount of local funding each jurisdiction provides to the local school system. As currently estimated, eight local school systems will receive funding under this program in fiscal 2011, two fewer than fiscal 2010.

Student Transportation Funding

The baseline estimate for student transportation includes $224.2 million under the transportation formula, an increase of $7.1 million (3.2%) over the fiscal 2010 appropriation. In addition, $24.3 million is included for the transportation of disabled students, representing a

$51,000 decrease in funding. Changes in the student transportation formula are attributable to projected increases in full-time equivalent (FTE) enrollment in 13 school systems and the 3.0% inflationary increases established for the formula. Inflation is measured by the change in the private transportation category of the CPI for the Washington-Baltimore area, but annual changes to the transportation formula may not be less than 3.0% or more than 8.0%. The decrease in the disabled student transportation formula reflects an expected drop in the enrollment of students with special transportation needs. The State provides $1,000 annually per-qualifying pupil.

Retirement

State retirement costs for public school teachers and other professional personnel will total an estimated $857.2 million in fiscal 2011, representing a $98.1 million increase (12.9%) from the prior fiscal year. Increases in the State grant for teachers' retirement reflect 4.6% growth in the total salary base of school system employees and an increase in the State's retirement contribution rate from 13.15% to approximately 14.19%.

Operating Funding for Public School Facilities

Funding for public school facilities in the operating budget includes the Aging Schools Program and lease payments for the Technology in Maryland Schools (TIMS) Program. Funding for the Aging Schools Program is level, but in fiscal 2010, the $6.1 million program was funded with general obligation bonds, and the baseline budget assumes this program will be funded with general funds in the operating budget in fiscal 2011. Estimated lease repayments for the TIMS program decrease from $6.1 million in fiscal 2010 to $4.6 million in fiscal 2011, a decrease of $1.4 million (23%).

County and Municipal Governments

Approximately 9.4% of State aid is allocated to county and municipal governments to finance transportation, public safety, public works, and recreation projects. County and municipal governments will receive $629.7 million in fiscal 2011, an increase of $242.8 million (62.8%) above the prior year. The large annual increase in funding is partly due to the discontinuation of the one-time reductions to local highway user revenues made by BPW in August 2009. The major State aid programs assisting county and municipal governments include highway user revenues, disparity grants, police aid, and Program Open Space (POS).

Transportation

The local government share of the distribution of highway user revenues is projected to total $375.0 million in fiscal 2011, a $226.0 million increase when compared to the fiscal 2010 working appropriation. This estimate is based on projected Transportation Trust Fund revenue of motor fuel taxes, motor vehicle titling taxes, motor vehicle registration fees, and corporate income taxes. In addition, it reflects a $101.9 million transfer in local highway user revenues to the State's general fund as specified in the BRFA. Local aid for elderly/handicapped transportation programs and paratransit grants remain constant in fiscal 2011 at $7.1 million.

Disparity Grants

Disparity grants address the differences in the abilities of counties to raise revenues from the local income tax, which is the third largest revenue source for counties after State aid and property taxes. Counties with per-capita local income tax revenues less than 75.0% of the statewide average receive grants, assuming all counties impose a 2.5% local income tax rate. Aid received by a county equals the dollar amount necessary to raise the county's per-capita income tax revenues to 75.0% of the statewide average. Based on the statutory formula, Baltimore City and seven counties (Allegany, Caroline, Dorchester, Garrett, Prince George's, Somerset, and Wicomico) will qualify for disparity grants in fiscal 2011. The fiscal 2011 grant is based on 2008 population estimates and tax year 2008 income tax revenues. Funding for this program is projected to total $121.4 million in fiscal 2011, the same amount as in fiscal 2010. A provision in the BRFA caps each county's funding under the program at the fiscal 2010 level.

Public Safety

Maryland's counties and municipalities receive grants for police protection through the police aid formula and special crime grants. The police aid formula allocates funds on a per-capita basis and jurisdictions with higher population density receive greater per-capita grants. Municipalities receive additional grants based on the number of sworn officers. Police aid grants in fiscal 2011 are projected to total $66.7 million, representing a $21.3 million (46.8%) increase. The large increase reflects the rebasing of aid amounts to statutory funding levels. BPW in August 2009 reduced funding for the police aid formula in fiscal 2010 by $20.6 million.

Emergency 9-1-1 grants are projected to total $16.4 million in fiscal 2011. Other public safety grants totaling $28.9 million (targeted crime grants, fire and rescue aid, vehicle theft prevention, Baltimore City State's Attorney's grant, etc.) are mostly level funded in the fiscal 2011 baseline.

Program Open Space

Under POS, the State provides grants to counties and Baltimore City for land acquisition and the development of parks and recreation facilities. State transfer tax revenues fund POS and related programs. Due to the continual slow down in the real estate market which has resulted in a downturn in State transfer tax collections and due to legislation enacted at the 2007 special session that redirected $21.0 million of local POS funds to the Maryland Park Service, funding for POS is projected to total $1.5 million in fiscal 2011, which includes only funding for the special grant to Baltimore City.

Community Colleges

Most funding for community colleges is based on per-pupil State support provided to selected public four-year institutions of higher education in Maryland. The baseline includes $228.3 million for the Senator John A. Cade Funding Formula, which provides aid to the 15 community colleges that are operated locally. Baltimore City Community College is a State agency and receives funding through a separate formula. For fiscal 2011, the Cade formula is equal to 24% of the State funding per student at the selected four-year institutions (an estimated $10,267) multiplied by the audited fiscal 2009 FTE enrollment (92,638) at community colleges. By fiscal 2014, the percentage used in the formula will increase to 29% of the per-pupil funding provided to select four-year institutions.

This is the first year funding for community colleges under the Cade formula uses current year funding at the selected four-year institutions. Before the General Assembly altered the Cade formula in the 2009 session, it was based on prior year funding at those institutions.

The fiscal 2011 baseline also includes $4.0 million for the English for Speakers of Other Languages program and $8.0 million for statewide and regional programs. In addition, colleges will receive $3.9 million through small college grants. The baseline also contains $48.0 million for benefits to employees of community colleges, a $5.8 million (13.7%) increase over the fiscal 2010 appropriation.

Local Health Departments

The general fund portion of core public health funds is expected to total $40.2 million in fiscal 2011, representing a $2.9 million increase over the prior year which reflects growth in population and inflation. BPW reduced the fiscal 2010 funding of the core public health formulas to $37.3 million, which is below the 1997 base funding level. These funds will be distributed to local health departments based on need (derived from poverty and mortality statistics) and local effort (incentive grants).

Libraries

The baseline estimates a decrease of $78,000 (0.2%) in the State library aid formula, with total funding in fiscal 2011 estimated at $33.1 million. The formula remains stable due to a freeze in the funding at $14 per capita and stable population.

The baseline also reflects an anticipated increase in the State Library Network of $49,200 (0.3%), bringing total funding for this program to $15.7 million in fiscal 2011. The network includes the Central Library of the Enoch Pratt Free Library System in Baltimore City, regional resource centers and regional libraries, and metropolitan cooperative service programs. Like the library aid formula, the per-capita funding amount is frozen for both the State library resource center and the regional centers.

Finally, retirement costs for librarians will total an estimated $17.2 million, representing a $1.9 million (12.5%) increase. As with teachers' retirement payments, the growth is attributable to an increased salary base and an increase in the State's retirement contribution rate from 13.15% to approximately 14.19%.

Entitlement Programs

Entitlements include the State Department of Assessments and Taxation's tax credit programs, the Department of Health and Mental Hygiene's Medicaid program, and the Department of Human Resource's (DHR) foster care and cash assistance programs. Although not an entitlement program, DHR's Temporary Disability Assistance Program (TDAP), which is part of the Family Investment Assistance Payments and provides assistance to childless adults who are temporary disabled or are disabled and in the process of applying for federal Supplemental Security Income benefits, has seen increased funding as a result of rising caseloads associated with the economic downturn. Unless and until the Administration changes recent funding practices to limit caseload rolls or reduce benefits, the TDAP will be treated for baseline purposes as if it were an entitlement.

Expenditures, Funds, and Positions for Entitlement Programs
($ in Thousands)

	FY 08	FY 09	FY 10	FY 11	FY 10-11	
	Actual	Working	Leg Approp.	Baseline	$ Increase	% Increase
Expenditures						
Department of Assessments and Taxation Tax Credit Programs	$56,833	$62,815	$61,041	$66,499	$5,458	8.9%
DHMH Medicaid Program	4,907,195	5,551,864	5,658,708	6,296,790	638,082	11.3%
DHR Social Services Foster Care Maintenance Payments	352,622	376,619	370,197	348,357	-21,840	-5.9%
DHR Family Investment Assistance Payments	558,421	568,337	664,373	790,797	126,424	19.0%
Total	**$5,875,072**	**$6,559,636**	**$6,754,318**	**$7,502,443**	**$748,125**	**11.1%**
Fund						
General Fund	$2,550,894	$2,261,969	$2,016,915	$2,813,207	$796,292	39.5%
Special Fund	245,379	409,286	439,312	379,951	-59,361	-13.5%
Federal Fund	3,036,100	3,837,570	4,252,359	4,309,285	56,926	1.3%
Reimbursable Fund	42,699	50,810	45,732	0	-45,732	-100.0%
Total	**$5,875,072**	**$6,559,636**	**$6,754,318**	**$7,502,443**	**$748,125**	**11.1%**

DHMH: Department of Health and Mental Hygiene
DHR: Department of Human Resources

Tax Credit Programs

The fiscal 2011 baseline reflects an additional $5.5 million in tax credit entitlements for the Renters' Tax Credit, Homeowners' Property Tax, Urban Enterprise Zone Tax Credit, and the Base Realignment and Closure (BRAC) Revitalization and Incentive Zones Credit programs.

This increase is the result of the following adjustments to fiscal 2010 and to the fiscal 2011 baseline budget:

- the Homeowners' Tax Credit Program is expected to require a $5.0 million general fund deficiency in fiscal 2010, and the fiscal 2011 appropriation is expected to grow by an additional $425,000 in general funds;

- the baseline includes an additional $250,000 in general funds for BRAC Revitalization and Incentive Zones credits. Chapter 338 of 2008, which was later modified by Chapter 728 of 2009, created financial incentives for local subdivisions with approved BRAC zones. The baseline assumes that two properties will qualify for the credit in fiscal 2011; and

- consistent with recent trends, funding for the Renters' Tax Credit Program is expected to decline by $217,000.

Medicaid Enrollment and Expenditure Trends

Overview

Maryland's Medical Assistance Programs (Medicaid, Maryland Children's Health Program (MCHP), Primary Adult Care, Employed Individuals with Disabilities, etc.) provide eligible low-income individuals with comprehensive health care coverage. Funding is derived from both federal and State sources with a federal fund participation rate of 50% for Medicaid and 65% for the MCHP. The federal matching rate has been temporarily increased by the federal American Recovery and Reinvestment Act of 2009 (ARRA).

In fiscal 2009, the budget for the Medical Assistance Programs accounted for 13.6% of State general fund expenditures and is one of the fastest growing segments of the State budget. Over the next five years, general fund expenditures for Medical Assistance Programs are expected to rise at a rate of about 15.1% annually compared to expected general fund revenue growth of 5.1%. However, general fund expenditures for the Medical Assistance Programs are expected to increase 37.3% in fiscal 2011 and 20.7% in fiscal 2012 for the reasons outlined below.

The Administration is allocating the entire amount of federal enhanced matching funds (from the ARRA) for Medicaid in the Medical Care Programs Administration rather than in all the different agencies with Medicaid spending. Federal funds in these other programs (the Mental Hygiene Administration, the Developmental Disability Administration, and school-based health programs funded through Aid to Education) are understated, and general funds, conversely, are overstated. The baseline estimates within the Medical Care Programs Administration has been adjusted to correct for this fund-split imbalance. As a result, the spending in the Medical Care Programs Administration has a lower proportion of general funds than might otherwise be expected.

Fiscal 2010 Outlook

The fiscal 2009 Medical Care Programs working appropriation of $5.6 billion ($1.5 billion in general funds) appears to be $513.6 million ($144.8 million in general funds) less than the anticipated need. The additional need for fiscal 2010 funding above what was originally assumed to be adequate is attributed to:

- anticipated budget amendments bringing various special and federal funds into the fiscal 2010 working appropriation due to the Budget Reconciliation and Financing Act of 2009 provisions and the Board of Public Work's July and August 2009 actions, which will increase special funds by $109.0 million and federal funds by $75.0 million;
- the Medicaid expansion to parents. Throughout fiscal 2009, the enrollment for the new Medicaid expansion to parents continued to exceed the estimates and the enrollees were more expensive than anticipated. Together these factors have increased the estimated fiscal 2010 expenditures for the Medicaid expansion to parents by $96.8 million;
- higher than expected enrollment growth. The fiscal 2009 enrollment was higher than expected during the 2009 legislative session, which results in higher anticipated enrollment for Medicaid and the MCHP, which translates into a $90.8 million increase;
- a 5.9% calendar 2010 managed care rate increase ($80.8 million);
- MCHP enrollment is expected to be higher than originally anticipated, which is expected to increase expenditures by $20.0 million; and
- inclusion of substance abuse benefits for the Primary Adult Care program ($6.6 million).

Expenditures for fiscal 2010 services are expected to exceed fiscal 2009 costs by about 9.9% due to medical inflation (4.0%) and enrollment growth (5.5%).

Fiscal 2011 Forecast

In fiscal 2011, the expenditures for the Medical Care Programs are estimated to be $6.3 billion, which is a 6.7% increase from the fiscal 2010 estimate. General fund need is expected to grow by $672.3 million (37.3%) over fiscal 2010. Factors contributing to the anticipated expenditure growth include enrollment increases of almost 3.3% and changes in medical inflation/utilization (5.0%).

The major budgetary change between fiscal 2010 and 2011 is the fund split for the Medical Care Programs. The fiscal 2010 working appropriation includes special and federal funds that are not expected to be available to fund Medicaid in fiscal 2011. Additional federal funds are available in fiscal 2010 due to the ARRA that provides states with an enhanced federal matching rate for the Medicaid program from October 2008 through December 2010. The loss of the enhanced ARRA match in the middle of fiscal 2011 will increase the general fund need by $354.6 million.

Also, special funds from various fund balances or budget reductions in other State programs have been directed to the Medical Care Programs in fiscal 2010 to reduce the general fund need. However, it is anticipated these special funds will no longer be available to reduce the general fund need of the Medical Care Programs Administration after fiscal 2010, which is expected to increase general funds by $193.9 million.

The fiscal 2011 forecast assumes the State will provide rate increases to the following providers:

- managed care organizations (5.1% increase amounting to $148.4 million);
- nursing homes (2.0% increase amounting to $21.4 million);
- physicians and dentists (2.0% increase amounting to $10.4 million); and
- community providers (2.0% increase amounting to $5.9 million).

Enrollment and Service Year Expenditures*

Fiscal 2009-2011

	2009 Actual	2010 Estimate	2011 Estimate	2010-2011 % Change
Enrollment by Category				
Medicaid	564,637	598,991	618,264	3.22%
MCHP	108,504	110,428	112,349	1.74%
Medicaid Expansion to Parents	44,209	47,746	51,566	8.00%
Total	**717,350**	**757,165**	**782,179**	**3.30%**
Cost per Enrollee	**$7,372**	**$7,686**	**$7,941**	**3.31%**
Total Funds ($ in Millions)	**$5,289**	**$5,820**	**$6,211**	**6.72%**

MCHP: Maryland Children's Health Program

*Expenditures by fiscal year are based on the cost of providing services during that fiscal year rather than the year that the bills were actually paid. Cases and funding associated with the Maryland Primary Adult Care Program and the Kidney Disease Program are excluded from the chart.

Source: Department of Legislative Services

Department of Human Resources

Foster Care and Subsidized Adoption Caseloads

The State's foster care and subsidized adoption programs provide temporary and permanent homes for children in need of out-of-home placements due to abuse, neglect, or abandonment. Foster care placement – such as family homes, group homes, and institutions – offer temporary, out-of-home care until achievement of a permanency plan. Permanency options include reunification with family and adoption. Families that accept legal custody of a child with special needs may receive monthly payments under the subsidized adoption program.

The following table shows an anticipated decrease of 1% per year in the combined foster care/subsidized adoption caseload from fiscal 2009 to 2011. This reflects the efforts to reduce the number of children in out-of-home care through DHR's Place Matters initiative. In fiscal 2002, the combined caseload was over 60% foster care, but since fiscal 2006, subsidized adoptions have made up at least half of the total caseload.

Foster Care and Subsidized Adoption Caseload and Expenditures
Fiscal 2008-2011

Caseload	2008	2009	2010 DLS Estimate	2011 DLS Estimate	2009-2011 Avg. Annual % Change
Foster Care	7,243	7,173	7,103	7,030	-1.0%
Adoptions	7,552	7,119	7,048	6,977	-1.0%
Total	**14,795**	**14,292**	**14,151**	**14,007**	**-1.0%**
Expenditures					
Monthly Cost Per Case	$1,883	$1,925	$1,951	$1,979	2.5%
Total Cost ($ in Millions)	**$352.6**	**$351.3**	**$351.3**	**$352.7**	**0.0%**

DLS: Department of Legislative Services

Source: Department of Human Resources; Department of Legislative Services

Funding

The average annual growth in total program costs is expected to be almost flat at an average growth of 0.2% from fiscal 2009 to 2011. Cost containment actions in fiscal 2009 and 2010, which reduced foster care provider rates, plays a major factor in slowing the growth in funding.

Temporary Cash Assistance Caseload and Expenditure Trends

Background

Temporary Cash Assistance (TCA) provides monthly cash grants to needy children and their parents or relative caretakers. The program is funded with general funds, federal Temporary Assistance for Needy Families (TANF) block grant dollars, and certain child support collections.

Caseload Trends

In the early years of welfare reform, efforts to transition individuals from welfare to work and a growing economy led to a rapid reduction in the number of TCA recipients. After dropping at rates exceeding 20.0% per year during the 1990s, the pace of caseload decline slowed considerably in the early years of this decade. With the recovering economy and the implementation of a universal engagement policy in fall 2003 – a policy that requires participation in activities such as up-front job search, orientation, assessment of employability, development of an Independence Plan, training, and subsidized employment – the caseload decline accelerated again falling by 1.0% in fiscal 2004, 7.2% in fiscal 2005, 12.5% in fiscal 2006, and 12.9% in fiscal 2007. Deteriorating economic conditions reversed this trend and led to increases in the average monthly caseload of 2.4 and 13.5% in fiscal 2008 and 2009, respectively.

Fiscal 2010 and 2011 Forecast

As shown in the following table, the Department of Legislative Services (DLS) assumes that the TCA caseload will again substantially increase in fiscal 2010 with the average monthly enrollment rising to 68,921 and remain at that level for fiscal 2011. This represents an 18.2% increase in fiscal 2010. The caseload is projected to exceed 74,700 by the end of fiscal 2010 and then begin falling during fiscal 2011, resulting in a flat average monthly caseload between fiscal 2010 and 2011.

The calculated fiscal 2010 average monthly TCA grant amount increases slightly over fiscal 2009 as an artifact of $17 million in increased funding added via the supplemental budget. In actuality, the grant amount is likely to remain unchanged through fiscal 2011. This flat grant amount is made possible because of the increase in the food stamp benefit provided by the ARRA. State law provides that the combined value of the TCA and food stamp benefits should be no less than 61% of the Maryland Minimum Living Level (MML.) The bump up in the food stamp benefit amount will obviate the need to increase the TCA grant amount in order to meet the MML.

TCA Enrollment and Funding Trends
Fiscal 2009-2011

	2009 Actual	2010 Approp.	2010 Estimate	2011 Estimate	2010-2011 % Change
Average Monthly Enrollment	58,426	59,512	68,921	68,921	0.0%
Average Monthly Grant	$175.70	$179.05	$175.70	$175.70	0.0%
General Fund ($ in Millions)	$3.6	$6.6	$6.6	$50.6	668.7%
Total Funds ($ in Millions)	**$123.2**	**$127.9**	**$145.3**	**$145.3**	**0.0%**

TCA: Temporary Cash Assistance

Source: Department of Human Resources; Department of Legislative Services

The fiscal 2010 budget for TCA is projected to be $17.4 million short of the need based on the estimated caseload increase. It is expected that this shortfall can be covered by TANF funds. The same cannot be said of fiscal 2011. With the projected depletion of the TANF balance by the end of fiscal 2010, general fund support is projected to grow to $50.6 million, an increase of $44.0 million over fiscal 2010.

Temporary Disability Assistance Program Caseload and Expenditure Trends

Background

The TDAP, the State's program for childless disabled adults, provides a limited monthly cash benefit. The State is responsible for clients with a short-term disability (at least 3 months but less than 12 months). If the disability will last longer, the client may be eligible for federal disability payments through Supplemental Security Income (SSI). If so, they are required to pursue an SSI application and may receive help doing so. Those clients receive State cash assistance until their SSI applications are approved. SSI applicants reimburse the State for cash assistance received during their SSI application approval process. This program is funded entirely with State funds.

Caseload and Expenditure Trends and Forecast

The table below shows that both the average monthly caseloads and total funding for the TDAP were fairly stable between fiscal 2006 through 2008. With the deterioration of the economy, the caseload and program funding increased substantially in fiscal 2009 as people with disabilities experienced high rates of unemployment. The caseload is expected to continue to increase throughout fiscal 2010, topping 21,000 by the end of the year. While the caseload is projected to begin declining in fiscal 2011, the average monthly caseload in fiscal 2011 is expected to match that of fiscal 2010. The increased caseload in fiscal 2010 results in an expected deficiency of $16.6 million with the higher level of funding carried forward into fiscal 2011.

TDAP Enrollment and Funding Trends
Fiscal 2006-2011 Actual
($ in Millions)

Fiscal Year	Average Monthly Caseload	Total Funding
2006	10,972	$23.8
2007	11,491	24.2
2008	11,645	24.9
2009	15,355	33.4
2010 Est	19,597	42.6
2011 Est	19,597	42.6

TDAP: Temporary Disability Assistance Program

Source: Department of Human Resources; Department of Legislative Services

Department of Health and Mental Hygiene

The Department of Health and Mental Hygiene (DHMH) regulates Maryland's health care system, coordinates the delivery of public health services, and acts as a direct care provider. For the purposes of this section, provider reimbursements made under the Medical Care Programs Administration are excluded from the budget information provided below and are instead discussed in the Entitlements section. Thus, for example, Medicaid payments for somatic health care are excluded, although Medicaid payments for specialty mental health care are included. Also excluded are core public health funds distributed by formula to local health departments. They are discussed under Aid to Local Governments.

Expenditures, Funds, and Positions for the Department of Health and Mental Hygiene
($ in Thousands)

	FY 08 Actual	FY 09 Working	FY 10 Leg. Approp.	FY 11 Baseline	FY 10-11 $ Increase	FY 10-11 % Increase
Expenditures						
Administration	$44,446	$49,220	$46,618	$47,556	$938	2.0%
Office of Health Care Quality	15,388	17,172	17,474	17,839	365	2.1%
Health Occupation Boards	23,332	26,279	28,040	28,789	749	2.7%
Infectious Disease and Env. Health Administration	107,129	111,070	107,915	110,124	2,209	2.1%
Family Health Administration	200,180	228,900	197,451	218,098	20,647	10.5%
Office of the Chief Medical Examiner	9,094	9,433	9,725	10,239	514	5.3%
Chronic Disease Services	43,813	45,252	46,186	48,468	2,283	4.9%
Laboratories Administration	22,927	24,425	24,250	25,745	1,496	6.2%
Alcohol and Drug Abuse Admin.	140,470	148,691	149,639	142,788	-6,850	-4.6%
Mental Hygiene Administration	898,906	944,801	978,500	1,008,884	30,383	3.1%
Developmental Disabilities Admin.	744,104	787,187	817,440	820,922	3,482	0.4%
Medical Care Programs Admin.	55,931	59,642	56,903	92,861	35,958	63.2%
Health Regulatory Commissions	133,589	151,019	156,185	162,703	6,518	4.2%
Total	**$2,439,310**	**$2,603,092**	**$2,636,326**	**$2,735,018**	**$98,692**	**3.7%**
Fund						
General Fund	$1,372,427	$1,411,260	$1,431,382	$1,472,099	$40,717	2.8%
Special Fund	239,525	284,435	279,046	290,408	11,362	4.1%
Federal Fund	808,531	883,174	902,824	948,923	46,100	5.1%
Reimbursable Fund	18,826	24,223	23,074	23,588	514	2.2%
Total	**$2,439,310**	**$2,603,092**	**$2,636,326**	**$2,735,018**	**$98,692**	**3.7%**
Personnel						
Regular Positions	7,494.0	7,235.0	6,822.0	6,571.0	-251.0	-3.7%
Full-time Equivalent Contractuals	401.0	450.0	384.0	358.0	-27.0	-6.9%

Major Program Changes

Other than increases in personnel costs, which can be very significant in any given program based on the extent of the direct care mission of the various programs within the department, the most significant baseline changes within the various programs in DHMH are detailed below.

DHMH Administration

Aside from baseline adjustments related to reductions made by the Board of Public Works (BPW) in July and August 2009, the only other baseline change is a small reduction of $112,000 due to revised master equipment lease requirements.

Office of Health Care Quality

An adjustment was made to rebuild salary expenses in fiscal 2011 to replace the federal American Recovery and Reinvestment Act of 2009 funding that was used in fiscal 2010 to support positions.

Health Occupations Boards

An adjustment was made to account for legislation enacted during the 2009 session that will require the Maryland Board of Physicians to license and regulate athletic trainers.

Family Health Administration

The Family Health Administration (FHA) has three issues that resulted in adjustments to the fiscal 2010 and 2011 baseline budget:

- The fiscal 2011 Cigarette Restitution Fund support for public health initiatives is restored to the legislatively mandated level by increasing the special fund appropriation by $11.9 million. The mandated levels were temporarily reduced, through the Budget Reconciliation and Financing Act of 2009, to $7.0 million for tobacco use and prevention activities and $10.0 million for the statewide academic health centers. The August 2009 BPW actions withdrew $7.5 million for the statewide academic health centers, $3.0 million for the cancer programs, and $1.3 million for tobacco cessation from the fiscal 2010 appropriation.

- An adjustment in the amount of $3.0 million increases the funding the State is committing to the Prince George’s County Hospital Authority. This adjustment increases the State’s commitment (which is to be matched by Prince George’s County) to $15.0 million, and this level of operating support is committed through fiscal 2015. The baseline assumes general funds for this expenditure; special funds used in 2010 will not be available.

- Adjustments are needed in the Breast and Cervical Cancer Diagnosis and Treatment Program where the fiscal 2009 expenditures exceed the fiscal 2010 working appropriation. Since the program costs are expected to continue growing at a rate of roughly 3%, FHA is expected to require a $1.2 million general fund deficiency appropriation in fiscal 2010, and the fiscal 2010 appropriation is expected to grow by an additional $0.6 million in general funds.

Alcohol and Drug Abuse Administration

The major baseline changes for the Alcohol and Drug Abuse Administration (ADAA) are two-fold:

- Pursuant to Chapters 331 and 332 of 2009, the transfer of just over $3.3 million in general funds from ADAA to Medicaid in order to fund the expansion of substance abuse services to participants in the Primary Adult Care (PAC) program and to increase Medicaid substance abuse treatment rates effective January 1, 2010. Similarly, the fiscal 2011 baseline assumes that the annualized cost of the PAC expansion/Medicaid rate increase is also reduced from the ADAA budget.

- The assumption of a 2% provider adjustment for prevention and treatment grants and contracts. This amounts to an increase of just over $2.9 million. This increase is calculated off of a base adjusted by July and August 2009 BPW reductions as well as the transfer of funds from ADAA to Medicaid noted earlier.

Mental Hygiene Administration

The Mental Hygiene Administration's (MHA) fiscal 2011 baseline budget includes several significant items. These items can be divided between adjustments in the community mental health budget and those in the institutions.

Community Services

On the community side, significant adjustments include:

- Deficiencies. The baseline includes both fiscal 2009 deficiencies of almost $7.9 million (almost $6.9 million reported as unprovided for general fund payables, plus an additional $1.0 million deficiency anticipated by the Department of Legislative Services) and anticipated deficiencies of $8.3 million in fiscal 2010.

- Utilization and enrollment growth in the fee-for-service community mental health services system combined with assumed rate increases of 2.0% for non rate-regulated providers, and 2.78% for rate-regulated providers adds $43.8 million to the baseline.

- The assumption of a 2.0% provider adjustment on MHA grants and contracts adds almost $1.0 million to the baseline.

State-run Psychiatric Facilities

There are a significant number of changes made to the State-run psychiatric facilities in the fiscal 2011 baseline. For the most part, these changes annualize reductions made during fiscal 2010 budget deliberations as well as by BPW in July and August 2009. Specifically:

- The fiscal 2011 baseline significantly reduces the number of positions and the appropriation at the Carter Center in Baltimore City. This reduction reflects the closure of the center effective October 1, 2009. As directed in the fiscal 2010 budget bill, the bulk of these positions are transferred to Perkins Hospital.

- At the Eastern Shore Hospital Center, 7.5 full-time equivalent positions are deleted from the 2011 baseline as a result of a unit at that facility being converted to a lower intensity assisted living unit. Funds to effect this reduction were reduced by BPW in July 2009, but the positions were not deleted.

- The reduction made by BPW in August 2009 as a result of closing the Upper Shore Community Mental Health Center effective February 2010 is annualized.

Developmental Disabilities Administration

Community Services

The following baseline changes were made in the community services area:

- Annualization of services provided for first time clients in fiscal 2010 that will be ongoing in fiscal 2011.

- Rebuild of expenses associated with community service contracts in the Community Services Program to reflect a 2% increase in fiscal 2011. The increase was based on the number of clients served in fiscal 2010 and is calculated off of a base adjusted by BPW reductions.

State Residential Centers

At the State residential centers, major baselines changes included:

- Personnel and operating budget adjustments at the Potomac Center to account for the relocation of the Center for Excellence, which will serve dually diagnosed individuals transitioning from State psychiatric hospitals. The center will also require 16 additional staff members.

- Similarly, an adjustment was made to account for the loss of positions at the Brandenburg Center, the original placement for the Center for Excellence.

Health Regulatory Commissions

The major baseline changes to the Health Regulatory Commissions are:

- Rebuilding expenses for the Small Business Health Insurance Partnership to account for a $1 million increase in fiscal 2011.

- An adjustment to account for legislation enacted during the 2009 session that will require the Maryland Health Care Commission to enter into a contract for electronic health records.

- An adjustment within the Health Services Cost Review Commission to account for an increased collection and distribution of uncompensated care savings from hospitals.

Department of Human Resources

The Department of Human Resources (DHR) administers its programs through a State supervised and locally administered system. DHR is responsible for programs related to child and adult welfare, child support enforcement, and family investment. Spending related to cash assistance and foster care maintenance payments is discussed in the Entitlement Programs section.

Expenditures, Funds, and Positions for the Department of Human Resources
($ in Thousands)

	FY 08 Actual	FY 09 Working	FY 10 Leg. Approp.	FY 11 Baseline	FY 10-11 $ Increase	FY 10-11 % Increase
Expenditures						
Administration	$204,218	$211,522	$195,125	$194,801	-$324	-0.2%
Social Services	253,998	279,111	287,536	297,493	9,957	3.5%
Child Support Enforcement	90,037	87,837	87,053	90,279	3,226	3.7%
Family Investment	203,000	222,174	211,182	219,153	7,971	3.8%
Office of Home Energy Programs	112,041	101,755	97,094	113,274	16,180	16.7%
Total	**$863,295**	**$902,400**	**$877,990**	**$914,999**	**$37,010**	**4.2%**
Fund						
General Fund	$295,703	$312,882	$286,857	$310,427	$23,570	8.2%
Special Fund	86,145	58,501	74,463	91,006	16,543	22.2%
Federal Fund	475,579	528,796	516,295	513,190	-3,105	-0.6%
Reimbursable Fund	5,868	2,219	375	376	1	0.3%
Total	**$863,295**	**$902,400**	**$877,990**	**$914,999**	**$37,010**	**4.2%**
Personnel						
Regular Positions	6,961.0	6,851.0	6,643.0	6,735.0	92.0	1.4%
Full-time Equivalent Contractuals	78.0	128.0	74.0	74.0	0.0	0%

Fiscal 2010 Deficiencies

Three fiscal 2010 deficiencies are expected for DHR.

- In Administration – a one-time deficiency appropriation for three planned enhancements to the Child Support Enforcement System of $6.7 million is anticipated. The funding for these enhancements is available as a result of a provision in the American Recovery and

Reinvestment Act of 2009 that allows the State to match Child Support Reinvestment Funds with federal funds during federal fiscal 2009 and 2010.

- In Child Welfare Services – a general fund deficiency of $9.6 million to replace denied federal fund claims for Title IV-E funding for foster care pre-placement services.

- In the Office of Home Energy Programs – a one-time federal fund deficiency appropriation of approximately $59.2 million associated with a higher than anticipated allocation of the federal Low-income Home Energy Assistance Program funding in fiscal 2010.

Administration

The fiscal 2011 baseline for DHR Administration anticipates a decrease of seven positions and a total of $520,000 ($208,000 in general funds) in the Citizen's Review Board for Children as a result of the implementation of Chapters 629 and 630 of 2009 limiting the type of cases required to be reviewed by the board. The fiscal 2011 baseline also decreases by a total of $3.6 million ($2.1 million of general funds) associated with changes in capital lease payment expenditures in two programs in fiscal 2011. The capital lease payment in one of these programs is expected to end in fiscal 2010.

Social Services

General funds are increased in the baseline by $19.0 million and federal funds decreased by a like amount to reflect the cessation of federal Title IV-E reimbursement for foster care pre-placement services.

Child Support Enforcement Administration

The fiscal 2011 baseline for the Child Support Enforcement Administration (CSEA) increases by $1.2 million (approximately $400,000 in general funds) for medical support, administrative garnishments, and hard to collect cases contracts. This increase is required to fund these three contracts which in fiscal 2010 are expected to be paid through encumbered funds and as a result are not funded in that year.

The fiscal 2011 baseline brings the funding sources of CSEA in line with the most recent budget allowance, an increase of approximately $1.2 million in general funds and decreases of approximately $119,000 in special funds and $1.1 million in federal funds.

Family Investment

The baseline for Family Investment was adjusted to add 100 new Family Investment Specialist I positions to reflect the creation of these positions by the Board of Public Works. These positions are 100% federally funded.

Office of Home Energy Programs

The fiscal 2011 baseline for the Office of Home Energy Programs (OHEP) includes an anticipated increase in the fiscal 2010 appropriation of $35.6 million to bring in additional Strategic Energy Investment Funds (SEIF) pursuant to a change to the allocation of the funds through Chapter 487, the Budget Reconciliation and Financing Act of 2009. The fiscal 2010 budget bill reduced $35.6 million of general funds as a result of this change, but the related special fund increase did not occur at that time.

The fiscal 2011 baseline for OHEP was then adjusted to reflect the special funds anticipated to be available for energy assistance from the SEIF to approximately $34.2 million. This adjustment accounts for the lower number of allowances to be sold and lower anticipated allowance price ($2.19 compared to $3.38) in Regional Greenhouse Gas Initiative carbon dioxide allowance auctions in fiscal 2011 compared to fiscal 2010.

Department of Juvenile Services

The Department of Juvenile Services (DJS) has responsibility for handling the admission of most juveniles who come into contact with the criminal justice system. DJS staffs detention facilities for juveniles awaiting court hearings as well as juveniles adjudicated delinquent but pending placement in a residential facility. The department also staffs residential facilities for juveniles who have been adjudicated delinquent and funds residential and nonresidential placements for adjudicated youth. DJS also offers programs to develop a level of competency in juvenile offenders to reduce the risk of recidivism.

Expenditures, Funds, and Positions for the Department of Juvenile Services
($ in Thousands)

	FY 08 Actual	FY 09 Working	FY 10 Leg. Approp.	FY 11 Baseline	FY 10-11 $ Increase	FY 10-11 % Increase
Expenditures						
Department of Juvenile Services	$276,929	$282,932	$277,832	$283,278	$5,446	2.0%
Total	**$276,929**	**$282,932**	**$277,832**	**$283,278**	**$5,446**	**2.0%**
Fund						
General Fund	$266,735	$269,758	$262,123	$273,264	$11,141	4.3%
Special Fund	424	203	203	207	4	2.2%
Federal Fund	9,449	11,687	15,057	9,390	-5,667	-37.6%
Reimbursable Fund	321	1,284	449	417	-32	-7.1%
Total	**$276,929**	**$282,932**	**$277,832**	**$283,278**	**$5,446**	**2.0%**
Personnel						
Regular Positions	2,222.0	2,276.0	2,253.0	2,253.0	0.0	0%
Full-time Equivalent Contractuals	157.0	126.0	126.0	126.0	0.0	0%

Continuing Deficits

As has become a common occurrence in recent years, the Department of Legislative Services anticipates a variety of deficits in DJS' fiscal 2011 baseline:

- DJS recorded just over $1.8 million in fiscal 2009 general fund unprovided for payables. This deficit is attributed to a wide variety of operating expenses.

- A significant deficiency in per diem expenditures (just under $14.4 million). This deficiency is primarily derived from the fact that federal Title IV-E fund attainment for these expenditures is in doubt (accounting for just over $13.5 million of the projected deficiency going back to fiscal 2008) as well as projections of fiscal 2010 costs based on current levels of per diem expenditures compared to the legislative appropriation ($833,000).

  The department's eligibility to claim Title IV-E funds was a significant issue in the 2009 session. Legislation was enacted at the request of DJS which was intended to remove obstacles to the department's ability to claim IV-E funds. However, at the time the baseline was prepared, the federal government was still denying DJS' IV-E claims. In addition, it should be noted that DJS and the Department of Human Resources has declared the intent of not commingling youth under their respective care in residential facilities. Based on federal IV-E law, this policy could result in DJS not being able to claim IV-E funds regardless of other issues.

  The fiscal 2011 baseline for residential per diems actually envisages a continued decline in the use of private committed residential placements. However, at this point, the baseline continues to assume that there will be no federal fund attainment.

- A fiscal 2010 deficiency of $2.5 million in operating expenditures based on recent expenditure patterns. It should be noted that DJS is taking measures to limit potential deficiencies by making reductions above and beyond those presented to the Board of Public Works in July and August 2009. These additional reductions may ameliorate the department's fiscal 2010 budget problems. However, the baseline assumes that these expenditures carry over into fiscal 2011.

Other Changes

Aside from the ongoing changes noted above which are the major drivers of expenditures in the fiscal 2011 baseline, no other significant changes are incorporated into the baseline estimate.

Department of Public Safety and Correctional Services

The Department of Public Safety and Correctional Services (DPSCS) is a unit of State government whose primary focus is the supervision and management of Maryland's criminal population. Three agencies focus on those criminals sentenced to terms of confinement by the courts: the Division of Correction, the Patuxent Institution, and the Division of Pretrial Detention and Services (DPDS). Additionally, DPDS also manages those awaiting trial in Baltimore City. The Division of Parole and Probation focuses on criminals sentenced to probation by the courts or released from a correctional facility. The other agencies within the department include the Office of the Secretary, the Maryland Parole Commission, the Inmate Grievance Office, the Police and Correctional Training Commissions, the Criminal Injuries Compensation Board, and the Maryland Commission on Correctional Standards. The Capital Program is discussed in the PAYGO Capital Programs Section.

Expenditures, Funds, and Positions for the Department of Public Safety and Correctional Services
($ in Thousands)

	FY 08 Actual	FY 09 Working	FY 10 Leg. Approp.	FY 11 Baseline	FY 10-11 $ Increase	FY 10-11 % Increase
Expenditures						
Office of the Secretary	$138,106	$140,972	$132,844	$137,067	$4,223	3.2%
Division of Correction	762,983	810,650	799,355	866,866	67,511	8.5%
Maryland Parole Commission	4,868	5,316	5,236	5,386	149	2.9%
Division of Parole and Probation	94,059	105,882	101,632	110,171	8,539	8.4%
Patuxent Institution	47,031	46,834	47,438	50,535	3,096	6.5%
Inmate Grievance Office	593	587	610	640	29	4.8%
Police and Correctional Training Commissions	8,006	8,349	8,588	9,441	853	9.9%
Criminal Injuries Compensation Board	6,873	6,581	7,037	7,803	766	10.9%
Maryland Commission on Correctional Standards	422	504	516	572	57	11.0%
Division of Pretrial Detention and Services	152,071	151,989	158,104	167,973	9,869	6.2%
Total	**$1,215,013**	**$1,277,664**	**$1,261,360**	**$1,356,453**	**$95,093**	**7.5%**
Fund						
General Fund	$1,034,830	$1,083,622	$1,049,669	$1,099,160	$49,491	4.7%
Special Fund	157,137	159,124	165,043	172,523	7,481	4.5%
Federal Fund	14,033	17,955	39,367	76,161	36,794	93.5%
Reimbursable Fund	9,013	16,963	7,281	8,609	1,327	18.2%
Total	**$1,215,013**	**$1,277,664**	**$1,261,360**	**$1,356,453**	**$95,093**	**7.5%**
Personnel						
Regular Positions	11,642.0	11,623.0	11,395.0	11,307.0	-88.0	-0.8%
Full-time Equivalent Contractuals	265.0	409.0	395.0	395.0	0.0	0%

Projected Deficiencies

The baseline for fiscal 2011 includes $42.4 million in anticipated deficiency appropriations for fiscal 2010.

Underfunded Employee Staffing Expenses

The department has significantly improved correctional officer recruitment and retention and made a noticeable effort to reduce overtime expenditures. As noted during the 2009 legislative session, inadequate funds were appropriated in the fiscal 2010 budget to maintain the improved levels of staffing. The baseline for fiscal 2011, therefore, includes an approximate $34 million deficiency appropriation for employee salaries and wages based on the improved staffing and retention efforts.

Housing Federal Inmates at Maryland Correctional Adjustment Center

The agreement with the U.S Federal Marshal to house federal detainees at the Maryland Correctional Adjustment Center (MCAC) in Baltimore City was modified at the beginning of fiscal 2009. The modification to increase the total number of federal detainees held at MCAC was not implemented in time for inclusion in the fiscal 2010 budget. The fiscal 2011 baseline includes an adjustment to increase federal funds by $1 million in the form of an anticipated deficiency for fiscal 2010 to reflect the additional revenue received from housing an increased number of federal detainees at MCAC. The increased level of funding is anticipated to be ongoing for fiscal 2011.

Inmate Medical Services

Inadequate funds were appropriated in the fiscal 2010 budget for inmate medical expenses. The baseline for fiscal 2011, therefore, includes a $6 million deficiency appropriation in order to adequately fund the contracts.

Drinking Driver Monitor Program

The Drinking Driver Monitor Program (DDMP), within the Division of Parole and Probation, has required supplemental general fund appropriations since fiscal 2006. During the 2009 legislative session, actions were taken to increase the DDMP fee to $55 per month. This fee is paid in addition to the $40 monthly supervision fee, for a total monthly fee of $95. As such, the baseline for fiscal 2011 includes a $1.4 million anticipated special fund deficiency appropriation, to reflect the increased revenue collected as a result of the fee increase.

Office of the Secretary

Although growth in personnel expenses account for the majority of the overall increase, the Office of the Secretary's fiscal 2011 baseline budget includes four additional significant adjustments:

- a $600,000 reimbursable fund increase for a federal American Recovery and Reinvestment Act of 2009 (ARRA) grant received through the Governor's Office of Crime Control and Prevention to support a Local Law Enforcement Dashboard that will connect DPSCS and local criminal databases;

- a $110,000 general fund reduction for alterations in the department's Master Equipment Lease Purchase program;

- a $276,000 federal fund increase related to new legislation, Chapter 711 of 2009, that provides ARRA funding to support the notification of protective orders; and

- an $80,000 general fund increase for additional reimbursement costs to local jurisdictions related to new legislation, Chapter 524 of 2009, that expands the crimes eligible for inclusion in the Sex Offender Registry.

Division of Correction

Growth in personnel expenses comprises the majority of the increase in the fiscal 2011 baseline budget for the Division of Correction. Additional significant adjustments include:

- a decrease of $550,000 in general funds to reflect the savings in variable costs associated with a decrease in the average daily population of approximately 275 inmates in fiscal 2011;

- an estimated $10.0 million increase for inmate medical expenses, in addition to the $6.0 million deficiency for fiscal 2010;

- a $13.3 million general fund adjustment to restore funding eliminated in Chapter 487 (the Budget Reconciliation and Financing Act of 2009) for the grant to assist local detention centers with operating expenses; and

- an additional $3.0 million in special funds to increase raw material and production supplies based on historical growth in sales volumes for Maryland Correctional Enterprises.

Criminal Injuries Compensation Board

The fiscal 2011 baseline includes an adjustment to increase funding available for financial assistance to victims of crime by a net $571,000. The net increase is based on a federal formula which reimburses for 60% of all eligible State compensation payments during the federal fiscal year two years previous to the grant award year.

Maryland Department of Transportation

The Maryland Department of Transportation (MDOT) is responsible for statewide transportation planning and the development, operation, and maintenance of key elements of the transportation system. It is involved in all modes of transportation within the State including owning and operating the Baltimore/Washington International Thurgood Marshall Airport, Martin State Airport, and the public terminals at the Port of Baltimore; constructing and maintaining State roads; regulating and licensing drivers and vehicles; and operating bus and rail transit systems.

MDOT is funded through the Transportation Trust Fund, a non-lapsing special fund account whose revenue sources include motor fuel tax receipts, titling tax revenues, vehicle registration fees, a portion of the State's corporate income and sales tax, revenues generated by the individual modes, and proceeds from the sale of bonds.

This section discusses MDOT's operating budget. Debt service, local highway user revenue grants, and capital programs are discussed elsewhere in this report. Changes in the baseline operating budgets of the individual modes are discussed in more detail below.

Expenditures, Funds, and Positions for the Maryland Department of Transportation
($ in Thousands)

	FY 08 Actual	FY 09 Working	FY 10 Leg. Approp.	FY 11 Baseline	FY 10-11 $ Increase	FY 10-11 % Increase
Expenditures						
The Secretary's Office	$69,693	$76,398	$76,501	$77,767	$1,266	1.7%
Washington Metropolitan Area Transit Authority	193,026	213,300	215,150	225,908	10,758	5.0%
State Highway Admin.	238,793	221,988	221,384	252,920	31,537	14.3%
Maryland Port Admin.	104,887	112,290	109,457	106,729	-2,728	-2.5%
Motor Vehicle Admin.	145,838	156,037	156,695	175,009	18,314	11.7%
Maryland Transit Admin.	556,602	589,822	595,962	653,164	57,202	9.6%
Maryland Aviation Admin.	178,072	185,628	183,651	187,547	3,896	2.1%
Total	**$1,486,911**	**$1,555,463**	**$1,558,799**	**$1,679,043**	**$120,244**	**7.7%**
Fund						
Special Fund	$1,407,675	$1,475,319	$1,478,247	$1,599,910	$121,663	8.2%
Federal Fund	79,228	80,144	80,553	79,133	-1,420	-1.8%
Reimbursable Fund	8	0	0	0	0	0%
Total	**$1,486,911**	**$1,555,463**	**$1,558,799**	**$1,679,043**	**$120,244**	**7.7%**
Personnel						
Regular Positions	7,112.0	7,237.0	7,222.0	7,156.0	-67.0	-0.9%
Full-time Equivalent Contractuals	133.0	145.0	146.0	146.0	0.0	0%

The Secretary's Office

The fiscal 2011 budget includes a $500,000 increase in information technology contracts due to inflation increases built into existing contracts.

Washington Metropolitan Area Transit Authority

The operating grant subsidy for the Washington Metropolitan Area Transit Authority increases $10.8 million (5%) in the fiscal 2011 baseline budget. This increase is due to escalating operating costs for personnel, paratransit services, and other formula driven costs for bus and rail services that are not paid for from farebox revenues.

State Highway Administration

Historically, the State Highway Administration has budgeted $26.0 million for snow removal expenditures without any increases for inflation or weather changes. The fiscal 2011 baseline includes an additional $25.0 million to more accurately reflect the actual cost of snow removal based upon historical averages. In addition, there is a $2.2 million increase, 5% compared to fiscal 2010, in contracted summer maintenance to reflect inflation and increased expenses.

Maryland Port Administration

The fiscal 2011 baseline budget includes the following adjustments:

- $4.7 million decrease in the stevedoring contract due to a change in the payment method between a shipper and the International Longshoremen's Association (ILA). The payment, which previously passed through the Maryland Port Administration (MPA), will now be paid directly from the shipper to the ILA, decreasing both revenues and expenditures of MPA by $4.7 million;

- $317,773 increase for debt service payments for the Series 2006 Certificates of Participation and the operating lease payments to the Maryland Transportation Authority (MDTA) for Seagirt Marine Terminal due to established repayment schedules;

- $234,475 increase for the security contracts with MDTA Police, Meridian, and Securitas due to cost-of-living increases; and

- $75,000 increase in shuttle bus services at the cruise ship terminal due to the increased number of cruises being offered.

Motor Vehicle Administration

The fiscal 2011 baseline includes a $12 million increase in the Vehicle Emissions Inspection Program to reflect the total cost of the program, with a corresponding revenue increase from the program also reflected in the budget. A $195,000 increase was added to reflect the charges the Motor Vehicle Administration pays for each credit card transaction due to the increased usage of credit card transactions.

Maryland Transit Administration

The following increases were made to the fiscal 2011 baseline budget:

- $22.0 million for prior year contract increases to be paid in fiscal 2011;
- $19.4 million for MARC contracts, including $9.4 million in fiscal 2010 and $10.0 million in fiscal 2011, due to increased ridership and contract expenses;
- $4.5 million for paratransit Mobility services due to increasing contract costs and ridership; and
- $2.2 million for Commuter Bus due to increased usage and contract costs.

Maryland Aviation Administration

The fiscal 2011 baseline budget includes the following adjustments:

- $744,707 increase for the security contracts with MDTA Police and AKAL Security due to a 3% annual increase;
- $552,337 increase for maintenance contracts based on a 3% annual increase;
- $437,222 decrease for rent expenses due to a relocation of certain employees from privately leased office space to office space at the airport terminal;
- $436,683 increase for the contract for janitorial services based on a 3% annual increase; and
- $85,787 decrease in debt service for the Series 1999 and 2004 Certificates of Participation and the Series 2003 Maryland Economic Development Corporation lease revenue bonds due to established payment schedules.

Higher Education – State Colleges and Universities

The baseline budget is comprised of estimated current unrestricted and restricted revenues for the University System of Maryland (USM), Morgan State University (MSU), St. Mary's College of Maryland (SMCM), and Baltimore City Community College (BCCC). Current unrestricted revenues are based on estimated general funds, tuition and fee revenues, and other fund sources such as the sale of auxiliary and educational services, and grants and contracts at each institution. The following table shows total State support for USM institutions, MSU, SMCM, and BCCC.

Expenditures, Funds, and Positions for Higher Education
Fiscal 2008-2011
($ in Thousands)

	2008	2009	2010	2011	2010-2011	
	Actual	Working	Leg. Approp.	Baseline	$ Increase	% Increase
Expenditures						
Morgan State University	$178,670,527	$201,377,491	$194,949,657	$203,312,210	$8,362,553	4.3%
St. Mary's College of Maryland	59,561,493	64,633,730	67,868,672	68,881,169	1,012,497	1.5%
University of Maryland, Baltimore	867,794,813	924,140,713	935,016,903	963,513,757	28,496,854	3.0%
University of Maryland, College Park	1,432,705,486	1,524,982,678	1,548,036,226	1,610,767,970	62,731,744	4.1%
Bowie State University	86,393,143	96,396,527	95,513,976	99,824,831	4,310,855	4.5%
Towson University	330,847,329	363,121,595	377,883,479	394,097,677	16,214,198	4.3%
University of Maryland Eastern Shore	101,124,459	105,664,439	107,551,385	113,668,529	6,117,144	5.7%
Frostburg State University	89,378,543	92,352,881	91,673,267	95,946,629	4,273,362	4.7%
Coppin State University	71,798,181	84,443,554	88,181,192	92,309,570	4,128,378	4.7%
University of Baltimore	95,387,860	100,885,384	100,192,738	104,468,707	4,275,969	4.3%
Salisbury University	120,715,997	135,227,389	134,320,156	139,145,675	4,825,519	3.6%
UM University College	281,107,560	290,256,845	297,626,253	309,481,168	11,854,915	4.0%
UM Baltimore County	325,643,167	343,960,364	344,540,548	362,296,158	17,755,610	5.2%
UM Center for Environmental Science	36,022,577	45,176,056	44,263,739	45,558,071	1,294,332	2.9%
University System of Maryland Office	73,258,717	75,849,765	75,321,065	77,257,114	1,936,049	2.6%
Baltimore City Community College	77,418,495	88,525,950	94,315,967	94,456,054	140,087	0.1%
Total	**$4,227,828,347**	**$4,536,995,361**	**$4,597,255,223**	**$4,774,985,289**	**$177,730,066**	**3.9%**
Fund						
General Fund	$1,129,467,033	$1,149,577,849	$1,165,157,102	$1,270,641,496	$105,484,394	9.1%
Special Fund	6,803,113	73,452,615	7,541,189	7,944,995	403,806	5.4%
Federal Fund	0	0	17,636,938	0	-17,636,938	-100.0%
Current Unrestricted	2,103,336,239	2,215,685,263	2,278,671,365	2,325,918,895	47,247,530	2.1%
Restricted	988,221,962	1,098,279,634	1,128,248,629	1,170,479,902	42,231,273	3.7%
Total	**$4,227,828,347**	**$4,536,995,361**	**$4,597,255,223**	**$4,774,985,289**	**$177,730,066**	**3.9%**
Personnel						
Regular Positions	23,612.8	23,990.8	24,126.6	24,126.6	0.0	0%
Full-time Equivalent Contractuals	6,147.1	6,147.3	6,217.1	6,217.1	0.0	0%

UM: University of Maryland

Note: Includes current unrestricted funds net of general, special, and federal funds.

General Fund Changes

- The baseline budget assumes the Higher Education Investment Fund (HEIF) will not continue in fiscal 2011. This results in an additional $45.0 million in general funds to replace HEIF funds that were used in lieu of general funds in fiscal 2010. HEIF funds were authorized to be added by budget amendment.

- In fiscal 2011, a 2.0% cost-of-living adjustment (COLA), totaling $40.4 million, was assumed for USM and MSU. Of this amount, $26.3 million was presumed to be the general fund share of the COLA. The remaining share was assumed to be other current unrestricted and restricted funds.

- The baseline budget provides the general fund portion of USM's mandatory costs. In fiscal 2011, the general fund portion of mandatory costs is estimated to increase $72.5 million, or 6.8%, over fiscal 2010. This includes increases for personnel and operating costs and funds for enrollment growth.

- USM's enrollment growth accounts for $8.3 million of the increase in mandatory costs. To estimate new enrollment costs, USM's projected enrollment in fiscal 2010 was multiplied by the fiscal 2010 through 2011 growth rate reflected in the Maryland Higher Education Commission (MHEC) enrollment projections. The enrollment growth was multiplied by USM's fiscal 2009 per-student funding rate which has been inflated by a three-year Higher Education Price Index average. For fiscal 2011, the rate was 3.5%.

- The general fund portion of MSU's mandatory costs are estimated to increase $4.4 million, or 5.9%, over fiscal 2010. This includes increases for personnel and operating costs and funds for enrollment growth.

- MSU's enrollment growth accounts for $0.8 million of the increase in mandatory costs. To estimate new enrollment costs, MHEC's enrollment projection for fiscal 2010 was multiplied by the average enrollment growth rate between fiscal 2007 and 2009.

- For SMCM, general funds increase 1.6%, and tuition and fee revenues increase 7.4%. SMCM receives general funds through a statutory formula that increases the prior year appropriation by the funds required to offset inflation. The calculation involves multiplying the prior year appropriation by the implicit price deflator for State and local government, set at 1.6% for the fiscal 2011 baseline. This results in a general fund increase of about $275,000.

- The baseline projection for BCCC yields a general fund increase of 6.3%, or about $2.6 million. The college is also expected to receive $676,068 for the English Speakers of Other Languages Program.

Other Unrestricted Fund Changes

- A 2.0%, or $40.4 million, COLA was assumed for MSU and all USM institutions. Of this amount, $9.8 million was presumed to be other current unrestricted and restricted funds.

- In the past, USM proposed its tuition rate plan before the baseline budget was calculated. In the absence of this information, the Department of Legislative Services calculated that undergraduate tuition and fee revenues will increase 3.7%, or $42.7 million. The fiscal 2011 undergraduate resident and non-resident tuition was calculated to increase 5.0%, and the fee rate increase was 4.0%.

- For MSU, undergraduate tuition and fee revenues are estimated to increase $2.7 million, or 5.6%, over fiscal 2010. The fiscal 2011 undergraduate resident and non-resident tuition was calculated to increase 5.0%, and the fee rate increase was 5.5%.

- Of the $42.7 million in USM undergraduate tuition and fee revenues, $10.3 million is attributable to new enrollments, which was based on each institution's projected enrollment growth and the projected fiscal 2011 resident and non-resident tuition and fee rate. For MSU, $0.9 million of the $2.7 million of undergraduate tuition and fee revenues is attributable to new enrollments.

- Graduate tuition and fee revenues for USM institutions are estimated to increase 4.0%, or $12.4 million, and 5.0%, or $0.2 million for MSU.

- Other current unrestricted revenues increase $34.6 million, or 3.5%, for USM and $0.8 million, or 2.1% for MSU.

Other State Agencies

This section describes significant general, special, and federal fund baseline activity in State agencies not included in other sections.

C00A Judiciary

The Judiciary is composed of four courts and six agencies which support the administrative, personnel, and regulatory functions of the Judicial Branch of government. The four courts are the Court of Appeals, Court of Special Appeals, circuit courts, and District Courts. The following adjustments were made to the fiscal 2011 baseline budget:

- $12.0 million in general funds to support major information technology (IT) development programs. Legislation enacted during the 2007 special session expanded the scope of the Circuit Court Real Property Records Improvement Fund to include special funds for major IT in fiscal 2009 and 2010 only. It is anticipated that general funds will be needed to continue support for these programs beginning in fiscal 2011.

- Decreased earnings for the Maryland Legal Services Corporation in the amount of $5.4 million in special funds.

C80B Office of the Public Defender

The Office of the Public Defender provides counsel and related services to indigent persons. Representation is provided in criminal trials, appeals, juvenile cases, post-conviction proceedings, parole and probation revocations, and involuntary commitments to mental institutions. The baseline estimate includes $2.2 million in general funds for an anticipated fiscal 2010 deficiency. The agency has a long history of requesting deficiencies and is expected to need the additional funding in fiscal 2011. The baseline estimate also reflects decreased general fund expenditures for the Master Equipment Lease-Purchase Program for telephone/communications systems in the amount of $34,285.

C81C Office of the Attorney General

The Attorney General acts as legal counsel to the Governor; General Assembly; Judiciary; and all departments, boards, and commissions. The Office of the Attorney General represents the State in all matters of interest to the State, including civil litigation and criminal appeals in all State and federal courts. The fiscal 2011 baseline estimate includes an adjustment of $844,496 to restore general funds in the Division of Consumer Protection that were deleted during the 2009 legislative session and replaced with special funds.

C90G00 Public Service Commission

The Public Service Commission (PSC) regulates gas, electric, telephone, water, sewage disposal, and certain passenger transportation companies doing business in Maryland. The fiscal 2011 baseline anticipates a fiscal 2010 special fund deficiency appropriation of $770,956 that is expected to be carried forward into fiscal 2011. The deficiency appropriation would bring the consultant services appropriation in line with the average of recent year spending.

C91H00 Office of People's Counsel

The Office of People's Counsel represents the interests of residential users of gas, electricity, telephones, water, and sewer before the PSC, various federal agencies, and the courts. The fiscal 2011 baseline includes an anticipated fiscal 2010 special fund deficiency appropriation of $400,000 that is expected to be carried forward into fiscal 2011. The deficiency appropriation would bring the appropriation for consultant services more in line with the average actual spending over the last few years.

D13A13 Maryland Energy Administration

The Maryland Energy Administration (MEA) is an independent unit of State government created, in part, to promote the conservation and efficient use of energy, and to evaluate and coordinate energy-related policies and activities among State and local agencies. The fiscal 2011 baseline was adjusted to reflect a decrease in available Strategic Energy Investment Funds (SEIF) due to a lower number of allowances to be sold in the Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions in fiscal 2011 compared to fiscal 2010, as well as a lower estimated price per allowance, a decrease from $41.9 million to $27.3 million in MEA's operating budget, and a decrease of $1.6 million for Energy Performance Contracts. The SEIF is used for programs in the areas of rate relief, energy efficiency, renewable energy, and administrative expenses in the operating budget of MEA. The baseline was based on the September 2009 RGGI auction results of $2.19 per allowance. The fiscal 2010 appropriation was based on an allowance price of $3.38.

An increase of $11.5 million in the fiscal 2011 baseline reflects the anticipated funding from the State Energy Program award through the federal American Recovery and Reinvestment Act of 2009 (ARRA) available for use in MEA's operating budget in fiscal 2011. Four contractual full-time equivalent positions are also added to the baseline; however, these positions are anticipated to be paid for through encumbered funds from the Energy Efficiency and Conservation Block Grant awards through the ARRA.

A decrease of $83,630 in the fiscal 2011 baseline reflects a change in the anticipated funding available from the Energy Overcharge Restitution Fund, the final year that funding is expected to be available for use in MEA's operating budget.

D15A0516 Governor's Office of Crime Control and Prevention

The Governor's Office of Crime Control and Prevention (GOCCP) is responsible for the development of Maryland's Comprehensive State Crime Control and Prevention Plan. GOCCP also administers many of the State's law enforcement grants and performs strategic planning, statistical analysis, and best practices research. The baseline assumes a $660,000, or 1%, increase in general funds for the State Aid for Police Protection Fund.

D16A06 Secretary of State

The Secretary of State has a variety of responsibilities, including attesting to the Governor's signature on all public papers and documents, and registering charitable organizations. The office also operates the Division of State Documents, which publishes the *Code of Maryland Regulations* and the *Maryland Register*. These two publications are now available on the Internet and demand for print copies is down. For these reasons, the fiscal 2011 baseline assumes a $100,000 decrease in printing costs.

D27L00 Maryland Commission on Human Relations

The Maryland Commission on Human Relations (COHR) is responsible for prosecuting discrimination cases in the areas of housing, employment, and public accommodations and works closely with the federal Department of Housing and Urban Development and the Equal Employment Opportunity Commission. Parts of COHR's budget are supported by federal grants that are expected to decline by $260,000 in fiscal 2011. Three positions associated with this funding will also be abolished.

D28A03 Maryland Stadium Authority

The Maryland Stadium Authority (MSA) manages facilities for professional baseball and football teams and studies, constructs, and finances other projects such as convention centers. Statute requires that MSA contribute two-thirds of the operating deficit of the Baltimore City Convention Center and one-half of the operating deficit of the Ocean City Convention Center.

The current economic conditions are negatively impacting the profitability of the convention centers. As such, the baseline reflects a deficiency of $2.1 million for the expected increase in the operating deficits of the convention centers.

D38I01 State Board of Elections

The State Board of Elections (SBE) supervises and manages elections and ensures compliance with State and federal election laws. The fiscal 2011 baseline includes a fiscal 2010 deficiency of $1.5 million to provide funding for costs associated with the implementation of the new voting system and early voting not anticipated during the fiscal 2010 budget development. The fiscal 2011 baseline increases by an additional $18.9 million (approximately $8.4 million of general funds and $11.9 million special funds) for contractual services and equipment costs, including capital lease payments associated with the implementation of early voting and the new voting system in fiscal 2011. The general fund portion of the capital lease payment expenses associated with the new voting system and early voting are contained within the Major Information Technology Development Project Fund. The fiscal 2011 baseline also reflects an increase of $114,391 associated with changes in capital lease payment expenses for the existing touch screen voting system and ePollbooks compared to fiscal 2010.

The fiscal 2011 baseline includes a one-time fiscal 2010 deficiency appropriation of $2.1 million to fully fund fiscal 2009 suspended and withheld payments from Premier Elections Systems (Premier) as a result of the dispute between SBE and Premier. An adjustment to increase the fiscal 2010 special fund appropriation (of $819,000) is expected to be carried forward into fiscal 2011. This increase is required to fully fund contracts related to the statewide voter registration system and project management in Prince George's County.

A decrease of $553,460 (primarily in federal funds) reflects a delay in the creation of an interface between SBE and the Motor Vehicle Administration for voter registration.

The fiscal 2011 baseline also reflects an adjustment in the funding source for two contracts to more accurately reflect anticipated expenditures, an increase in general ($100,000) and special ($183,000) funds and reduction in federal funds ($283,000).

D40W01 Maryland Department of Planning

The Maryland Department of Planning develops, coordinates, reviews, and monitors public and private sector plans for growth and development in the State. The fiscal 2011 baseline assumes the following changes:

- a reduction of $2.7 million in the Maryland Heritage Area Authority's special funds received from the State transfer tax allocation in order to balance the State transfer tax formula;

- an increase of $0.2 million in federal funds usually brought in via budget amendment; and

- an increase of $0.1 million in general funds and two positions to reflect estimated staffing and operating costs for maintaining and interpreting the Jefferson Patterson Park and Museum's Riverside Interpretive Trails and Exhibits Stations.

D79Z02 Maryland Health Insurance Plan

The Maryland Health Insurance Plan includes the Maryland Health Insurance Program (MHIP) and the Senior Prescription Drug Assistance Program (SPDAP). The MHIP is the State's high-risk health insurance pool that provides access to affordable, comprehensive health benefits for the medically uninsurable. The SPDAP provides Medicare Part D premium and coverage gap assistance to moderate-income Maryland residents who are eligible for Medicare.

Over the past three years, the expenditures for the MHIP have experienced an average annual increase of a little more than 16%. As a result, the fiscal 2011 baseline includes a 16% increase over the fiscal 2010 working appropriation.

Chapter 557 of 2008 provided a subsidy for the Medicare Part D coverage gap, which was a new benefit provided through the SPDAP. The subsidy program has a sunset date of December 31, 2010, so the fiscal 2011 baseline has a $3.5 million special fund decrease to reflect the program ending mid-year.

E00A Comptroller of the Treasury

The Comptroller of the Treasury is charged with the general supervision of the State's fiscal matters, including collecting taxes, distributing revenues, and administering financial accounts. The fiscal 2011 baseline includes an adjustment to reflect the implementation of a new Modernized Integrated Tax System (MITS). The MITS will house records for all tax types, negating the need to search multiple systems for one taxpayer. The system will also have a data warehouse component and data analysis capability, allowing the office to target collection efforts more efficiently. The baseline reflects approximately $16.6 million in general, special, and Major Information Technology Development funds for the next phase of the system rollout. The baseline also includes 22 new positions to operate MITS.

E75D State Lottery Agency

The State Lottery Agency is responsible for administering and operating lottery games that generate revenue for the State. Chapter 4 of the 2007 special session outlines the agency's new responsibilities for administering a system of video lottery terminals (VLT). The baseline reflects increases in spending for the procurement of VLT machines to be placed in each facility and the procurement of a new central system to oversee and monitor the operation of VLTs. The baseline also reflects the addition of contractual staff to serve as security personnel at each facility as required by statute. The additional VLT costs total approximately $10.4 million.

F10A Department of Budget and Management

The Department of Budget and Management (DBM) is responsible for managing the expenditure of State resources.

Administration

The following adjustments were made to the fiscal 2010 baseline for DBM:

- Financial functions ($200,000) were transferred out of general funded programs in the Offices of Budget Analysis and Personnel Services and into the special funded Central Collections Unit.
- The Quest program was transferred to the Maryland State Department of Education, reducing DBM's budget by $39,946 in general funds.

Office of Personnel Services and Benefits

- The baseline centrally allocates $23.1 million ($11.8 million in general funds) in DBM for the statutorily required State contribution to the employee deferred compensation match program. The program was temporarily suspended for fiscal 2010 through language in Chapter 487 of 2009, the Budget Reconciliation and Financing Act of 2009 (BRFA).
- $5.4 million in general funds projected to be saved on employee/retiree health insurance costs due to changes to the prescription program provided by the State was removed from the baseline appropriation. Another $3.0 million for this purpose is removed from the Department of Public Safety and Correctional Services (DPSCS) budget.

F50 Department of Information Technology

The major baseline adjustment in the Department of Information Technology (DoIT) is an increase of almost $24.0 million from the fiscal 2010 appropriation level related to major information technology development projects. More importantly, this represents an increase of just over $28.4 million in general funds.

This increase reflects the need for significant out-year funding for a variety of ongoing major information technology projects (*e.g.*, the Comptroller's tax modernization system and an offender case management system in DPSCS); costs related to projects for which contracts have not yet been awarded (*e.g.*, the Department of State Police's dispatch and records system and a replacement Medicaid information system); and funding for projects deferred by fiscal 2010 budget decisions.

The increase also assumes:

- no significant changes in the general fund requests as noted in the fiscal 2010 budget submission except to the extent that changes are currently known. In practice, significant changes will occur, for example, as project scope and timelines change and perhaps as funding availability is impacted by the ongoing budget situation; and

- no significant accumulation of special fund revenues into the Major Information Technology Development Project Fund to offset general fund requirements.

Other changes to DoIT for fiscal 2011 are less significant: a $406,000 reduction based on the latest Master Equipment Lease-Purchase Program schedule; a $357,000 general fund fiscal 2010 deficiency related to the replacement of Medicaid's information system; a $123,913 increase in general funds related to anticipated main frame printer costs in the Annapolis Data Center; and a $140,000 increase in general funds for the implementation of Chapters 558 and 559 of 2009, the State Funding Accountability Act.

G20J01 State Retirement Agency

The State Retirement Agency, under the supervision of a board of trustees, manages a $29 billion pension fund. It also administers retirement, death, and disability benefits for more than 250,000 current and former teachers and State and municipal employees. The changes in fiscal 2011 are attributable to the following factors:

- A change order settlement with the primary contractor (Saber) of the agency's Maryland Pension Administration System (MPAS-1) information technology system project has been incorporated into the budget and will add $4.3 million in special funds to the baseline budget.

- An additional $1.5 million in special funds for the second phase of the project (MPAS-2) is also included. Together, these figures represent an increase of $1.1 million over the funding included for the two phases of the MPAS project in fiscal 2010.

H00 Department of General Services

The Department of General Services (DGS) performs a variety of functions including planning, design, and construction management; facilities maintenance; procurement of goods and services; receipt and distribution of excess property; and provision of real estate services. The following adjustments were made to the budget:

- Chapter 408 of 2009 requires DGS to procure recycling bins for State facilities. The baseline assumes that the department will require a general fund deficiency appropriation of $161,600 to carry out the requirements of the bill.

- The fiscal 2011 baseline reflects the State's assumption of operating expenses associated with the new Rockville District Court and the Calvert Multiservice Center. The budget includes an additional $680,184 for contractual services, utility, and personnel expenditures.

- The baseline assumes that $1.7 million will be required for debt service on the Calvert Street Garage.

K00A Department of Natural Resources

The Department of Natural Resources manages the protection, enhancement, and use of the State's natural resources. The fiscal 2011 baseline includes the following adjustments:

- an increase of $33.9 million in special funds for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund allocation which comes from a portion of the motor fuel tax and short-term rental vehicle tax;

- an increase of $4.3 million in federal funds for National Oceanic and Atmospheric Administration funding for crab disaster recovery;

- an increase of $3.5 million in special funds to reflect the debt service requirement of Transfer Tax – Program Open Space Bonds – Land and Easement Acquisition (Chapter 419 of 2009) based on a $70.0 million bond issuance in fiscal 2010 leading to a 5% debt service payment for fiscal 2011;

- an increase of $2.6 million in federal funds and $0.7 million in special funds for a proposed Maritime Law Enforcement Information Network project and an Intelligence Sharing Hardware and Technology project;

- a reduction of $2.3 million in federal funds for the assumed one-time funding of the statewide police computer aided dispatch and record management system modernization initiative;

- an increase of $1.9 million in special funds for the Payment in Lieu of Taxes revenue from revenue sharing payments that were not made to counties per the BRFA;

- an increase of $0.8 million in special funds in the Office of the Secretary to reflect the use of the Waterway Improvement Fund for administrative expenses per the BRFA;

- an increase of $0.4 million in federal funds for ongoing High Intensity Drug Trafficking law enforcement equipment;

- an increase of $0.3 million in federal funds for a Joint Enforcement Agreement between the National Oceanic and Atmospheric Administration and the Fisheries Service;

- an increase of $0.1 million in special funds and two positions to reflect funding needs associated with Aquaculture – Shellfish – Leasing (Chapters 173 and 174 of 2009); and

- an increase of $30,000 in special funds to reflect funding for the Greenhouse Gas Emissions Reduction Act of 2009 (Chapters 171 and 172).

L00A Maryland Department of Agriculture

The Maryland Department of Agriculture administers and promotes agricultural activities throughout the State. The fiscal 2011 baseline includes the following adjustments:

- an increase of $1.7 million in general funds to reflect the statutorily-mandated funding level for the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) per the BRFA;

- a reduction of $1.2 million in special funds for Tobacco Transition Program operating expenses based on the assumption that a proposed revised bond repayment plan is not approved;

- an increase of $1.1 million in federal funds to reflect a possible increase in emerald ash borer funding to support the eradication effort;

- an increase of $0.8 million in general funds and 10 positions to reflect the statutorily mandated fiscal 2011 funding of $10.0 million for Soil Conservation Districts and the assumption that this funding will be used for new positions in order to help meet the 110 field position statutory mandate;

- a reduction of $0.4 million in special funds to reflect inadequate agricultural transfer tax funding for MARBIDCO's Next Generation Farmland Acquisition Program now budgeted in the operating budget;

- a reduction of $0.2 million in special funds and $0.2 million in federal funds to reflect additional operating savings in fiscal 2011 due to the closure of the Oakton, College Park, and Centreville Animal Health Laboratories;

- an increase of $0.2 million in special funds to support expenditures due to Maryland Horse Industry Fund – Assessments on Commercial Equine Feed (Chapter 702 of 2009);

- an increase of $0.1 million and two positions to reflect the Chesapeake Bay Phosphorous Reduction Act of 2009 (Chapters 278 and 279);

- an increase of $0.1 million in general funds and $0.1 million in special funds and one position to reflect funding for Agriculture – Emerald Ash Borer Grant Fund (Chapter 421 of 2009); and

- an increase of $17,000 in special funds and $13,000 in federal funds to reflect funding for Department of Agriculture – Organic Certification Program – Fees (Chapter 19 of 2009).

R00A01 Maryland State Department of Education Headquarters

The Maryland State Department of Education coordinates the State's K-12 education policies. In the current fiscal 2010 budget, an anticipated $10.2 million general fund deficiency was added for accountability and assessment contracts. For fiscal 2011, $324,013 in general funds was added to implement legislation passed during the 2009 legislative session.

R15P00 Maryland Public Broadcasting Commission

The Maryland Public Broadcasting Commission is responsible for operating the Maryland public broadcasting affiliate, Maryland Public Television. Adjustments made for this agency include a reduction to the Master Equipment Lease-Purchase Program ($589,251) and an expected loss of federal grants ($1.2 million).

R62I Maryland Higher Education Commission

The Maryland Higher Education Commission is the State's coordinating body for the 13 campuses of the University System of Maryland (USM), Morgan State University, St. Mary's College of Maryland, 16 community colleges, and the State's private colleges and universities. Adjustments to the fiscal 2011 baseline budget include:

- Scholarship programs were adjusted upward by 5.0% to reflect an assumed 5.0% tuition increase for undergraduates at USM institutions. The largest program, Educational Excellence Awards, is set at $79.3 million in general funds.

- The Sellinger appropriation to private institutions is calculated at $55.4 million. These institutions receive general funds through a statutory formula, which in fiscal 2011 is 13.0% of the current year appropriation to select public four-year institutions on a per-student basis.

S00A Department of Housing and Community Development

The Department of Housing and Community Development (DHCD) works to encourage homeownership, expand affordable rental housing, and revitalize communities. The agency was the recipient of nearly $81.0 million in federal stimulus funds under the ARRA. The baseline estimate includes an $81.0 million decrease in federal funds because the stimulus funding will be expended or encumbered prior to fiscal 2011. In addition, a $99,903 decrease is reflected in the fiscal 2011 baseline due to a projected decrease in RGGI funds available to support low-income weatherization.

T00 Department of Business and Economic Development

The Department of Business and Economic Development aims to increase business investment and promote job creation. The fiscal 2010 baseline assumes level funding in most of the department's financing programs. The BRFA made other changes to spending mandates based on cost containment efforts. The baseline for the State Arts Council adds $211,366 to the appropriation based on the BRFA. Also, the BRFA restored funding to the Maryland Tourism Board. As such, the baseline reflects $6 million in funding for the board.

U00A Maryland Department of the Environment

The Maryland Department of the Environment (MDE) is responsible for protecting and restoring the quality of the State's air, land, and water resources and safeguarding citizens from health risks associated with pollution. The fiscal 2011 baseline includes the following adjustments:

- an increase of $7.8 million in special funds to reflect the debt service on Bay Restoration Fund revenue bonds based on June 2009 issuance data;
- an increase of $1.8 million in special funds to reflect the use of the Used Tire Clean-up and Recycling Fund for administrative expenses per the BRFA;
- a reduction of $0.9 million in special funds to reflect a projected decrease in Strategic Energy Investment Fund allocation based on the conservative estimate of $2.19 per carbon dioxide allowance received at the September 2009 auction;
- an increase of $0.6 million in general funds and $30,000 in special funds and 10 positions to reflect costs associated with the Greenhouse Gas Emissions Reduction Act of 2009 (Chapters 171 and 172);
- an increase of $0.5 million in special funds and 11 positions to reflect funding for Environment – Coal Combustion By-products – Fees (Chapter 480 of 2009);
- a reduction of $121,000 in special funds to reflect the most recent Information Technology Project Request funding information for the web revamp project;
- an increase of $63,000 in special funds and one position for the Chesapeake Bay Nitrogen Reduction Act of 2009 (Chapter 280);
- an increase of $62,000 in special funds and one position for Mercury Switch Removal from Vehicles (Chapter 713 of 2009); and
- an increase of $53,000 in special funds and one position for State Government – Recycling Program – Aluminum, Glass, Paper, and Plastic (Chapter 408 of 2009).

W10A00 Department of State Police

The Maryland State Police exists to safeguard persons within the State, protect property, and assist in providing all persons equal protection under the law. The fiscal 2011 baseline assumes the following:

- $1.0 million in general funds will be required for additional motor vehicle purchases;

- $2.3 million in general funds will be needed to fund an additional trooper class; and

- $291,600 in special funds will be required to electronically review and sign citations for speed violations. Chapter 500 of 2009 authorized the use of speed monitoring systems in designated work zones.

Y01A State Reserve Fund

The State Reserve Fund baseline budget consists of the Revenue Stabilization Account (Rainy Day Fund), Dedicated Purpose Account, and Catastrophic Event Account. There is no activity projected in the Catastrophic Event Account or the Dedicated Purpose Account. The Rainy Day Fund was created to retain revenues to meet future needs. Section 7-311 of the State Finance and Procurement Article requires that an amount equal to the unappropriated general fund surplus exceeding $10.0 million from two fiscal years prior to the allowance year shall be appropriated into the Rainy Day Fund. There was no unappropriated general fund surplus in fiscal 2009, so no appropriation is required under this provision. An appropriation totaling $50.0 million is also required if projected revenues are less than 7.5% of general fund revenues. The BRFA suspended this requirement, so no appropriation is required under this provision also. This represents a reduction of $139.9 million compared to the fiscal 2010 legislative appropriation.

Expenditures and Funds in Other State Agencies
General, Special, and Federal Funds Only
Fiscal 2008-2011
($ in Thousands)

		2008 Actual	2009 Working	2010 Leg. Approp.	2011 Baseline	2010-2011 $ Increase	2010-2011 % Increase
Expenditures							
B75	General Assembly	$71,066,013	$76,696,734	$76,502,622	$80,699,263	$4,196,641	5.5%
C00A00	Judiciary	386,195,958	432,810,925	432,238,317	448,817,172	16,578,855	3.8%
C80B00	Office of the Public Defender	88,167,350	92,827,447	88,436,711	94,834,801	6,398,090	7.2%
C81C	Office of the Attorney General	25,112,435	25,623,752	25,694,917	26,297,110	602,193	2.3%
C82D00	Office of the State Prosecutor	1,281,861	1,357,846	1,232,608	1,318,342	85,734	7.0%
C85E00	Maryland Tax Court	572,787	628,756	636,289	678,781	42,492	6.7%
C90G00	Public Service Commission	16,239,776	19,468,062	14,772,586	16,084,898	1,312,312	8.9%
C91H00	Office of People's Counsel	3,024,386	2,849,223	2,782,982	3,300,700	517,718	18.6%
C94I00	Subsequent Injury Fund	1,769,157	1,884,684	1,953,126	2,046,386	93,260	4.8%
C96J00	Uninsured Employers' Fund	1,041,381	1,083,479	1,104,431	1,160,961	56,530	5.1%
C98F00	Worker's Compensation Commission	13,287,258	13,686,532	13,870,841	14,711,857	841,016	6.1%
D05E01	Board of Public Works	6,674,654	7,699,948	7,795,700	7,851,865	56,165	0.7%
D10A01	Executive Department – Governor	9,228,601	9,582,067	9,832,246	10,342,343	510,097	5.2%
D11A0401	Office of the Deaf and Hard of Hearing	240,009	279,496	288,383	299,989	11,606	4.0%
D12A02	Department of Disabilities	4,362,634	4,988,127	5,348,015	5,425,203	77,188	1.4%
D13A13	Maryland Energy Administration	4,455,797	4,318,988	43,538,300	38,952,825	-4,585,475	-10.5%
D15A05	Executive Dept – Boards, Commissions, and Offices	8,074,044	11,050,856	12,115,960	12,417,407	301,447	2.5%
D15A0516	Governor's Office of Crime Control and Prevention	37,649,616	105,347,432	113,512,808	114,376,031	863,223	0.8%
D16A06	Secretary of State	2,537,188	2,658,682	2,725,687	2,763,655	37,968	1.4%
D17B0151	Historic St Mary's City Commission	2,972,241	2,850,753	2,650,762	2,768,298	117,536	4.4%
D18A18	Governor's Office for Children	2,102,875	2,920,810	2,823,654	2,833,555	9,901	0.4%
D25E03	Interagency Committee on School Construction	1,487,154	1,495,352	1,503,094	1,628,202	125,108	8.3%
D26A07	Department of Aging	51,921,223	52,036,764	51,690,306	51,726,317	36,011	0.1%
D27L00	Maryland Commission on Human Relations	3,346,071	3,482,932	3,417,488	3,153,889	-263,599	-7.7%

		2008 Actual	2009 Working	2010 Leg. Approp.	2011 Baseline	2010-2011 $ Increase	2010-2011 % Increase
D28A03	Maryland Stadium Authority	35,583,446	34,229,757	34,405,274	36,436,717	2,031,443	5.9%
D38I01	State Board of Elections	24,437,686	27,086,068	21,320,597	42,046,652	20,726,055	97.2%
D39S00	Maryland State Board of Contract Appeals	587,290	599,036	608,416	654,481	46,065	7.6%
D40W01	Department of Planning	19,123,013	20,341,597	18,455,747	16,022,827	-2,432,920	-13.2%
D50H01	Military Department	74,781,965	79,222,072	100,244,926	78,050,032	-22,194,894	-22.1%
D53T00	MD Institute Emergency Medical Services Systems	11,598,443	12,287,540	12,425,248	12,948,288	523,040	4.2%
D55P00	Department of Veterans Affairs	16,515,297	18,311,030	18,992,833	19,243,467	250,634	1.3%
D60A10	State Archives	11,000,252	9,868,414	9,557,084	9,883,808	326,724	3.4%
D79Z02	Maryland Health Insurance Plan	83,320,707	107,925,783	129,511,382	143,605,133	14,093,751	10.9%
D80Z01	Maryland Insurance Administration	32,744,968	39,562,680	27,448,344	29,407,999	1,959,655	7.1%
D90U00	Canal Place Preservation and Development Authority	462,724	471,011	539,999	539,862	-137	0.0%
D99A11	Office of Administrative Hearings	21,913	48,213	48,213	50,874	2,661	5.5%
E00A	Comptroller of the Treasury	89,948,230	92,003,426	108,394,149	105,728,960	-2,665,189	-2.5%
E20B	State Treasurer	5,918,900	6,523,560	7,125,657	7,167,626	41,969	0.6%
E50C	Department of Assessments and Taxation	47,181,077	46,307,702	45,991,111	48,542,331	2,551,220	5.5%
E75D	State Lottery Agency	58,444,706	61,590,009	61,471,934	68,093,230	6,621,296	10.8%
E80E	Property Tax Assessment Appeals Boards	872,073	981,976	970,247	1,046,497	76,250	7.9%
F10A	Department of Budget and Management – Secretary	18,342,695	21,404,423	21,036,363	21,420,898	384,535	1.8%
F10A02	Department of Budget and Management – Personnel	6,758,741	30,414,479	18,340,004	31,969,881	13,629,877	74.3%
F50	Department of Information Technology	19,987,205	59,071,925	41,436,384	65,210,497	23,774,113	57.4%
G20J01	State Retirement Agency	21,775,538	29,398,494	30,313,457	32,343,736	2,030,279	6.7%
G50L00	Maryland Supplemental Retirement Plans	1,383,759	1,501,588	1,506,382	1,568,816	62,434	4.1%
H00	Department of General Services	60,179,584	59,367,040	62,780,901	61,429,075	-1,351,826	-2.2%
K00A	Department of Natural Resources	166,741,656	186,833,803	187,766,890	233,666,409	45,899,519	24.4%
L00A	Department of Agriculture	59,379,029	60,860,280	59,843,155	60,969,665	1,126,510	1.9%
P00	DLLR Workforce Development	129,226,578	143,519,357	212,849,601	218,511,506	5,661,905	2.7%
P00C	DLLR Business Regulation	34,656,961	36,294,663	38,375,830	39,650,409	1,274,579	3.3%
R00A01	MSDE Headquarters	210,077,459	264,662,940	227,973,646	233,469,689	5,496,043	2.4%
R00A03	MSDE Funding for Educational Organizations	28,285,296	27,398,169	27,674,120	26,382,971	-1,291,149	-4.7%
R00A04	Children's Cabinet Interagency Fund	54,185,255	45,444,493	36,380,464	33,563,464	-2,817,000	-7.7%

		2008 Actual	2009 Working	2010 Leg. Approp.	2011 Baseline	2010-2011 $ Increase	2010-2011 % Increase
R00A99	MSDE Early Childhood Development	40,301,026	36,860,131	37,882,771	38,699,582	816,811	2.2%
R15P00	Maryland Public Broadcasting Commission	29,473,754	30,723,909	29,871,627	28,779,417	-1,092,210	-3.7%
R62I0001	Maryland Higher Education Commission (MHEC)	87,879,596	84,959,497	85,122,691	89,334,690	4,211,999	4.9%
R62I0010	MHEC Scholarship Programs	104,429,558	108,607,966	105,916,826	113,202,784	7,285,958	6.9%
R99E	Maryland School for the Deaf	28,570,164	28,751,888	23,486,468	23,363,368	-123,100	-0.5%
S00A	Department of Housing and Community Development	223,054,227	251,785,814	302,966,686	258,289,841	-44,676,845	-14.7%
S50B	Maryland African American Museum Corporation	2,135,719	2,100,000	2,100,000	2,100,000	0	0.0%
T00	Department of Business and Economic Development	113,794,841	122,434,185	105,797,679	105,393,456	-404,223	-0.4%
T50T01	Maryland Technology Development Corporation	28,026,000	22,332,000	19,068,192	16,068,192	-3,000,000	-15.7%
U00A	Department of the Environment	95,491,069	126,067,883	137,361,825	151,623,923	14,262,098	10.4%
W10A00	Department of State Police	247,648,872	262,775,946	279,352,283	318,862,796	39,510,513	14.1%
Y01A	State Reserve Fund	262,794,899	211,543,342	139,947,579	0	-139,947,579	-100.0%
Total		**3,329,932,640**	**3,690,103,736**	**3,749,130,818**	**3,769,833,696**	**20,702,878**	**0.6%**
Fund							
General Fund		$1,980,162,592	$2,031,082,843	$1,914,323,651	$1,908,572,234	-$5,751,417	-0.3%
Special Fund		717,631,992	926,136,553	946,440,436	1,008,961,957	62,521,521	6.6%
Federal Fund		632,138,056	732,884,340	888,366,731	852,299,505	-36,067,226	-4.1%
Total		**3,329,932,640**	**3,690,103,736**	**3,749,130,818**	**3,769,833,696**	**20,702,878**	**0.6%**
Personnel							
Regular Positions		21,018.3	20,880.9	20,942.1	20,928.1	-14.0	-0.1%
Full-time Equivalent Contractuals		1,720.6	1,804.6	1,689.5	1,685.5	-4.0	-0.2%

DLLR: Department of Labor, Licensing, and Regulation
MSDE: Maryland State Department of Education

Debt Service

State tax supported debt includes general obligation (GO) bonds sold by the State Treasurer and Consolidated Transportation Bonds sold by the Maryland Department of Transportation (MDOT). GO bonds are secured by the full faith and credit of the State and are supported by property taxes and other funds, such as premiums realized at bond sales deposited into the Annuity Bond Fund (ABF). Transportation bonds are supported by pledged taxes (motor fuel taxes, vehicle excise taxes, motor vehicle registration fees, and a portion of the corporate income tax) and other Transportation Trust Fund revenues (such as modal operating revenues).

Expenditures and Funds for Debt Service

($ in Thousands)

	FY 08 Actual	FY 09 Working	FY 10 Leg. Approp.	FY 11 Baseline	FY 10-11 $ Increase	FY 10-11 % Increase
Expenditures						
MDOT Debt Service	$118,987	$141,934	$159,698	$168,643	$8,944	5.6%
Public Debt	692,539	745,505	784,987	834,781	49,794	6.3%
Total	**$811,525**	**$887,439**	**$944,685**	**$1,003,424**	**$58,738**	**6.2%**
Fund						
General Fund	$29,349	$0	$0	$0	$0	0%
Special Fund	782,176	887,439	944,685	1,003,424	58,738	6.2%
Total	**$811,525**	**$887,439**	**$944,685**	**$1,003,424**	**$58,738**	**6.2%**

MDOT: Maryland Department of Transportation

The fiscal 2011 baseline budget for GO bond debt service costs reflects steady increases in debt issuance, from $675 million in fiscal 2007 to $840 million in fiscal 2009. The estimate assumes that coupon rates paid on the bonds remain at 5.0% until the summer 2010 bond sale, when they increase to 5.25%. To reflect these changes, debt service costs were increased by $49.8 million in fiscal 2011. Bond sale premiums realized from bonds sold in 2009 provide sufficient revenues in the ABF so that no general funds are assumed in the baseline budget.

Similarly, MDOT's fiscal 2011 baseline budget debt service requirements represent steady increases in debt issuance. The baseline assumes that bonds essentially sell at par, resulting in no sizeable bond sale premiums. Increasing use of debt added $8.9 million to the fiscal 2011 baseline.

PAYGO Capital Programs

The baseline for capital programs includes programs funded with pay-as-you-go (PAYGO) funds for economic development, housing, and environmental programs for which the use of tax-exempt general obligation (GO) debt is limited under federal tax guidelines. In addition, the baseline includes estimated funding for transportation programs supported by Transportation Trust Fund revenues, federal funds, and transportation revenue bonds.

Expenditures, Funds, and Positions for PAYGO Capital Programs
($ in Thousands)

	FY 08 Actual	FY 09 Working	FY 10 Leg. Approp.	FY 11 Baseline	FY 10-11 $ Increase	FY 10-11 % Increase
Expenditures						
Board of Public Works	$9,410	$34,606	$0	$0	$0	0%
Public School Construction	2,400	0	0	0	0	0%
Maryland Energy Administration	2,987	3,700	4,000	8,000	4,000	100.0%
Department of Planning	14,800	14,900	7,150	5,200	-1,950	-27.3%
Military Department	0	0	13,900	0	-13,900	-100.0%
Department of Veterans Affairs	7,122	1,810	4,436	0	-4,436	-100.0%
MDOT – Secretary’s Office	29,422	51,386	36,189	25,490	-10,699	-29.6%
WMATA	79,975	70,270	72,041	102,041	30,000	41.6%
MDOT – State Highway Administration	926,091	887,688	942,045	564,292	-377,754	-40.1%
MDOT – Maryland Port Administration	122,926	125,759	114,528	77,044	-37,484	-32.7%
MDOT – Motor Vehicle Administration	19,096	32,021	31,522	19,373	-12,149	-38.5%
MDOT – Maryland Transit Admin.	202,482	315,664	519,914	302,944	-216,970	-41.7%
MDOT – Maryland Aviation Admin.	62,987	36,149	27,880	25,864	-2,016	-7.2%
Department of Natural Resources	240,420	99,298	39,458	29,195	-10,262	-26.0%
Department of Agriculture	72,735	51,735	17,920	21,143	3,223	18.0%
DLLR – Capital Acquisition Fund	348	744	0	0	0	0%
DPSCS – Office of the Secretary	0	0	10,000	5,000	-5,000	-50.0%
MSDE – County Library Capital Grant Program	2,025	0	0	0	0	0%
DHCD	60,750	80,624	78,804	46,650	-32,154	-40.8%
DBED	4,000	3,435	0	0	0	0%
Department of the Environment	121,593	154,079	287,466	175,966	-111,500	-38.8%
Total	**$1,981,569**	**$1,963,866**	**$2,207,253**	**$1,408,202**	**-$799,051**	**-36.2%**
Fund						
General Fund	$41,933	$28,385	$7,060	$6,000	-$1,060	-15.0%
Special Fund	1,248,941	1,143,561	1,040,090	877,893	-162,198	-15.6%
Federal Fund	690,563	788,550	1,160,103	524,309	-635,794	-54.8%
Reimbursable Fund	132	3,370	0	0	0	0%
Total	**$1,981,569**	**$1,963,866**	**$2,207,253**	**$1,408,202**	**-$799,051**	**-36.2%**

Expenditures, Funds, and Positions for PAYGO Capital Programs (Continued)

	FY 08 Actual	FY 09 Working	FY 10 Leg. Approp.	FY 11 Baseline	FY 10-11 $ Increase	FY 10-11 % Increase
Personnel						
Regular Positions	1,882.0	1,898.0	1,858.0	1,858.0	0.0	0%
Full-time Equivalent Contractuals	14.0	24.0	23.0	23.0	0.0	0%

DBED: Department of Business and Economic Development
DHCD: Department of Housing and Community Development
DLLR: Department of Labor, Licensing, and Regulation
DPSCS: Department of Public Safety and Correctional Services
MDOT: Maryland Department of Transportation
MSDE: Maryland State Department of Education
PAYGO: pay-as-you-go
WMATA: Washington Metropolitan Area Transit Authority

Board of Public Works – Public School Construction

In prior years, $2.4 million of special funds were made available annually from the Maryland Stadium Authority (MSA) as required under Section 10-652 of the Economic Development Article, which required MSA to contribute $24.0 million in funds to the Public School Construction Program over 10 years from fiscal 2001 to 2010. The General Assembly relieved MSA of this obligation in the fiscal 2009 and 2010 budgets to allow for a reduction in the amount of Maryland Lottery proceeds transferred to MSA. The statutory obligation expired with the fiscal 2010 budget and is, therefore, not included in the fiscal 2011 baseline.

Maryland Energy Administration

The Maryland Energy Administration (MEA) has two capital programs: the Jane E. Lawton Loan Program (JELLP) and the State Agency Loan Program (SALP). The JELLP provides low-interest loans for energy conservation projects to nonprofits, small businesses, and local governments. The SALP provides zero interest loans for energy conservation projects to State agencies.

The fiscal 2011 baseline for the JELLP increases by $2.8 million compared to the fiscal 2010 legislative appropriation; however, the total funding for the JELLP is equal to the fiscal 2010 appropriation after making an adjustment to reflect funding available through the federal American Recovery and Reinvestment Act of 2009 (ARRA) brought into MEA's budget through a budget amendment. The fiscal 2011 baseline includes a slightly higher level of federal funds available from the ARRA for fiscal 2011 compared to fiscal 2010 ($3.1 million compared to $2.8 million).

The fiscal 2011 baseline for the SALP increases by $1.3 million compared to the fiscal 2010 legislative appropriation; however, the total funding provided for the SALP in the fiscal 2011 baseline is actually a decrease of $2.5 million after adjusting for a fiscal 2010 federal fund budget amendment that brought in funding available through the ARRA. The fiscal 2011 baseline assumes the funding for the SALP will come primarily from federal funds ($2.0 million) available through the ARRA with the remainder from loan repayments.

Maryland Department of Planning

The baseline estimate for the Maryland Department of Planning includes $5.0 million in general funds for the Maryland Heritage Structure Rehabilitation Tax Credit Program, which is level with the fiscal 2010 appropriation after the anticipated $2.0 million reversion included in the Governor's budget plan announced in conjunction with BPW cuts in August 2009. The baseline assumes that there will be no change in the $300,000 overall amount of funding, relative to the 2009 *Capital Improvement Program* (CIP), for the Maryland Historical Trust Revolving Loan Fund. The 2009 CIP assumes $200,000 in GO bonds and $100,000 in special funds, while the baseline assumes that the loans to assist in the protection of historic property can be made from $200,000 in special funds and $100,000 in GO bonds due to the available special fund balance.

Military Department

The Military Department's capital improvements are typically made on a 75% federal and 25% State cost-share basis for eligible project costs. Grants from the National Guard Bureau provide the source for the federal fund portion of the cost share. The baseline removes $13.9 million in federal funds appropriated in the fiscal 2010 budget of which $9.8 million was provided for the construction of an addition and renovation project at the Salisbury Armory, and $4.1 million to replace the HVAC system at the Edgewood Armory.

Maryland Department of Veterans Affairs

The fiscal 2011 baseline budget removes $4.4 million of PAYGO general and federal funds for the Department of Veterans Affairs (DVA). This includes $60,000 in general funds and $676,000 in federal funds for planning and constructing columbarium structures at the Eastern Shore and Rocky Gap DVA cemeteries, respectively, and $3.7 million in federal funds for the design and construction of an emergency generator at the Charlotte Hall Veterans Home. General funds for DVA projects are used for project planning and design and subsequently reimbursed by the U.S. Department of Veterans Affairs.

Department of Information Technology

The fiscal 2011 baseline budget for the Department of Information Technology does not include PAYGO funds for the infrastructure build-out of the Public Safety Communications System. PAYGO funding was not included in the fiscal 2010 budget due to the lack of available general funds to support the capital budget program. Instead, the fiscal 2010 budget included $7.5 million in GO bond funds to support the continued build-out of the interoperable communication system throughout the State. The 2009 CIP assumes that funding in fiscal 2011 will again be provided using GO bond funds estimated at $10.0 million.

Maryland Department of Transportation

Based in part on lower revenue estimates, baseline adjustments in each of the modes reduced the department's capital budget by $627.0 million, including $451.4 million in federal funds and $175.7 million in special funds. The largest reductions were in the Maryland Transit Administration and the State Highway Administration which received a sizable amount of ARRA funds in fiscal 2010 that are not available in fiscal 2011. Spending for the Washington Metropolitan Area Transit Authority increases in fiscal 2011 due to additional funds to match newly made available federal funds.

Maryland Department of Natural Resources

The baseline for the Department of Natural Resource's (DNR) Program Open Space (POS) funding is expected to decrease relative to the fiscal 2010 legislative appropriation to a total of $22.7 million. This decrease primarily reflects the projected decrease in transfer tax revenue between fiscal 2010 (originally estimated to be $114.7 million) and fiscal 2011 (currently projected to be $112.4 million), and the fiscal 2009 $53.6 million underattaiment, which for the purposes of the baseline, is reflected in the amount of funds budgeted for fiscal 2011. In addition, the baseline includes the removal of one-time fiscal 2010 funding of $8.9 million in federal funds for the Harriet Tubman Underground Railroad State Park and $1.4 million in ARRA funds for the Union Dam rehabilitation.

Chapter 419 of 2009 (Transfer Tax – Program Open Space Bonds – Land and Easement Acquisition) authorized $70.0 million in POS special bonds for fee simple and conservation easement purchases. The baseline includes $3.5 million in special funds in DNR's operating budget to reflect the debt service requirement for these bonds based on a $70.0 million issuance in fiscal 2010 and a 5% debt service rate. POS funds are split between the State and local governments. The State uses these funds for land acquisition, capital improvements, maintenance, and operations, while local recreation and parks departments use their share for planning, land acquisition, and recreation facilities.

The baseline assumes $10.8 million in special fund expenditures associated with the Rural Legacy Program, which provides funds for the acquisition of conservation easements. This is down from the overall Rural Legacy Program's fiscal 2010 appropriation of $11.8 million, due to the lower transfer tax revenue attainment which is used to fund the program. This reflects an increase in special fund expenditures because the fiscal 2010 appropriation is funded with GO bonds which allowed for the diversion of the transfer tax revenue to the general fund as part of the overall balancing of the fiscal 2010 budget.

Ocean City Beach Maintenance Program funding of $1.0 million in special funds is assumed in the baseline for fiscal 2011 because the Ocean City Beach Maintenance Fund balance is expected to fall below the $15.0 million cap. While $1.0 million was appropriated for the Ocean City Beach Maintenance Program in fiscal 2010, this was due to the need for an appropriation to make expenditures and not because Worcester County and Ocean City were required to make payments. The $15.0 million cap on the fund was breached in fiscal 2010 and so no payments were required.

The baseline includes a downward adjustment in the amount of federal fund revenue available to support the Waterway Improvement Program (WIP) for fiscal 2011. Based on current revenue attainment estimates, the baseline includes a level amount of $5.0 million in special funds and a reduction of $500,000 in federal funds for a total of $5.5 million for the WIP. The special fund revenue reflects a $5.0 million decrease from the 2009 CIP while the $0.5 million federal fund estimate is consistent with the 2009 CIP. The recent decline in these revenues is attributed to reduced boat sales and subsequently the reduced vessel excise tax revenue available to fund the WIP. The WIP provides grants and loans to local, State, and federal government agencies for projects that improve and promote recreational and commercial capabilities, conditions, and safety of Maryland's waterways for the benefit of the general boating public.

Chapter 6 of the 2007 special session established a Chesapeake Bay 2010 Trust Fund to be used to implement the State's tributary strategy. Subsequently, Chapters 120 and 121 of 2008 established a framework for how the trust fund money must be spent, expanded the fund to apply to the Atlantic Coastal Bays, and established a Chesapeake and Atlantic Coastal Bays Nonpoint Source Fund, administered by the Maryland Department of the Environment (MDE). The revenue for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund comes from allocations of the State motor fuel tax and short-term vehicle rental tax, a portion of which is allocated to the Nonpoint Source Fund in MDE based on an annual work plan. In fiscal 2011, it is anticipated that approximately $41.9 million will be allocated for nonpoint source pollution control projects to restore the Chesapeake Bay. Fiscal 2011 allocations are anticipated for DNR, the Maryland Department of Agriculture (MDA), and MDE; however, the baseline assumes that the entirety of the funding is allocated to DNR's operating budget with allocations for specific programs and initiatives anticipated through the budget amendment process.

Maryland Department of Agriculture

MDA's Maryland Agricultural Land Preservation Program's (MALPP) overall fiscal 2011 baseline funding is estimated to decrease by $7.3 million relative to the 2009 CIP. The MALPP received $13.0 million in GO bonds in fiscal 2010 instead of transfer tax revenue as part of budget deliberations. The $7.3 million decrease relative to the 2009 CIP primarily results from an estimated $4.0 million decrease in special funds from counties and a $3.3 million decrease in the amount of special fund transfer tax allocation available for fiscal 2011. For fiscal 2011, it is also assumed that there will be the continued diversion of $4.0 million of the transfer tax allocation to the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) for the installment purchase agreement program, now budgeted in MDA's operating budget. MARBIDCO's next generation farmland acquisition program, now also funded in the operating budget, is not anticipated to receive any funding in fiscal 2011 due to weak agricultural transfer tax returns. The MALPP purchases conservation easements on agricultural lands and woodlands.

The baseline for the Cigarette Restitution Fund-supported Tobacco Transition Program was decreased by $1.5 million due to BPW's reductions on October 15, 2008 and funding continues at that level. The Tri-county Council for Southern Maryland has submitted a revised Tobacco Buyout bond repayment plan that would temporarily increase appropriations by $1.5 million in fiscal 2011 and 2012 across MDA's operating and PAYGO budgets and then reduce the appropriation by $500,000 below the baseline for fiscal 2013 through 2018. The baseline does not reflect the proposed revised repayment plan as it is still under consideration by the budget committees. Therefore, relative to the 2009 CIP, the Tobacco Transition Program's fiscal 2011 PAYGO baseline decreases by $600,000 in special funds. The Tobacco Transition Program provides funds for the voluntary tobacco buyout program and agricultural land preservation efforts.

In addition, MDA is expected to receive an allocation in fiscal 2011 from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. This allocation would provide additional funding in the Maryland Agricultural Cost-share Program for implementation of forest buffers, grass buffers, wetland restoration, and animal waste management systems. However, the funding level for fiscal 2011 is uncertain and so the funding is reflected in DNR's operating baseline budget.

Maryland Department of Public Safety and Correctional Services

The baseline budget for fiscal 2011 includes $5.0 million in federal funds to assist the State with the design and construction of a minimum security complex at the Jessup Community Correctional Facility. When completed, the facility will provide 1,120 minimum security beds and related support spaces. The fiscal 2010 budget included $13.2 million in GO bond funds and $10.0 million in federal funds for design and construction of the first 560-bed compound, consisting of two dormitory-style housing units and a support services building. In exchange for being able to house 500 federal detainees at the Maryland Correctional Adjustment Center in Baltimore City and having sole use of the facility, the federal authorities have indicated a willingness to provide $20.0 million for capital construction costs, in addition to a per diem fee for each federal detainee held. Half of the federal funding was included in the fiscal 2010 budget, with the remaining $10.0 million programmed in the 2009 CIP in $5.0 million increments in fiscal 2011 and 2012 to support the two phases of construction for the second compound.

Maryland Department of Housing and Community Development

The Department of Housing and Community Development (DHCD) works to encourage homeownership, expand affordable rental housing, and revitalize communities. The baseline budget includes changes in various PAYGO capital grant and loan programs based on the agency's estimates of revenues, encumbrances, and fund balances as well as the 2009 CIP. Overall, the fiscal 2011 baseline assumes DHCD's PAYGO programs will decrease $115.3 million compared to fiscal 2010 appropriation levels. This is the net effect of (1) a $113.0 million decrease in one-time ARRA funds made available in fiscal 2010; (2) a $4.0 million decrease in special funds for a MacArthur Foundation award that will not be available in fiscal 2011; (3) a $2.1 million increase in special funds to reflect available fund balances; and (4) an overall decline of $350,000 in federal funds for existing programs, exclusive of ARRA funds.

Overall, five of six programs are level-funded in the baseline estimate when factoring out the one-time funds. DHCD's capital programs are not funded with general funds, and the baseline budget does not reflect GO bond funds, which will be essential in bridging gaps in specials funds to level-fund the programs. Four programs are expected to experience shifts in fund sources based on declining fund balances and the availability of federal funds, and the following adjustments were made to the fiscal 2011 baseline budget:

- ***Rental Housing Program:*** The baseline estimate includes an additional $2.5 million in special funds and $450,000 in federal funds. Special funds in the form of loan repayments are sufficient to maintain the program at its current level. Federal funds, excluding ARRA-funded programs, are expected to increase slightly. The increases in special and federal funds would eliminate the need for GO bonds as compared to the fiscal 2010 working appropriation.

  ARRA funds are mainly concentrated in the Rental Housing Program. DHCD will encumber or expend $31.7 million for the Tax Credit Assistance Program and $79.1 million in federal monetization funds in fiscal 2010. These funds will not be available in fiscal 2011, thus, the baseline estimate includes a $110.8 million decrease in federal funds.

In addition, DHCD received $4.0 million in special funds for a one-time MacArthur Foundation award for rental housing initiatives that will be unavailable in fiscal 2011.

- ***Homeownership Programs:*** The baseline estimate for fiscal 2011 reflects a $100,000 decrease in special funds. The program's fiscal 2010 estimated fund balance is expected to be insufficient to level-fund the program. It is anticipated that a $100,000 increase in GO bonds would offset the loss of special funds.

- ***Special Loan Programs:*** The baseline estimate for fiscal 2011 reflects a $300,000 decrease in special funds. However, the agency anticipates a $200,000 increase in federal funds, and the remaining $100,000 is expected to be offset with GO bonds. This would level-fund the program compared to its fiscal 2010 working appropriation.

- ***Community Development Block Grant Program:*** The fiscal 2011 baseline estimate includes an adjustment for $2.2 million in ARRA funds that are only available in fiscal 2010. DHCD expects a $1.0 million decrease in annual funding for the existing federal program as well, making this the only capital program not expected to be level-funded in fiscal 2011.

Funding for the Community Legacy and Neighborhood Business Development programs are expected to remain unchanged. The above actions result in a $2.0 million decrease in special funds and a $113.3 million decrease in federal funds, including federal stimulus funds and a one-time MacArthur Foundation award. These actions maximize the availability of special funds while striving to level-fund programs from fiscal 2010 to 2011.

Department of State Police

The fiscal 2011 baseline does not include funding for the procurement of new Medevac helicopters. Chapter 487 (the Budget Reconciliation and Financing Act of 2009) includes the transfer of the $51.5 million fund balance from the State Police Helicopter Replacement Fund to the general fund which effectively eliminated the use of PAYGO funds for the purpose of procuring Medevac helicopters. The fiscal 2010 capital budget included $52.5 million in GO bond funds for the purchase of three new helicopters in fiscal 2010. The 2009 CIP reflects the continued use of GO bond funds for all new helicopter purchases; therefore, the baseline no longer includes PAYGO funds for this purpose.

Maryland Department of the Environment

MDE's baseline assumes that Water Quality Revolving Loan Fund Program expenditures will be greater than what is planned in the 2009 CIP. A projected $30.0 million increase in special funds in fiscal 2011 reflects funds available from loan repayments, which have increased substantially in the last two years due to the availability of funds derived from revenue bond issuances and the $92.8 million in the ARRA funds received in fiscal 2010. The baseline removed the ARRA funds since they are considered one-time in nature. The baseline assumes federal funds at $16.5 million after removing the one-time ARRA funds. The 20% match for the federal funds is assumed to be $3.3 million in GO bonds – the fund source used in the fiscal 2010 appropriation. The Water Quality Revolving Loan Fund Program provides low-interest loans to local governments and eligible private entities for water quality improvement projects such as upgrading wastewater treatment plants and capping closed landfills.

The Drinking Water Revolving Loan Fund Program baseline estimate of $14.3 million reflects $6.1 million in special funds and $8.2 million in federal funds, which is a $2.1 million increase in special funds and a $300,000 increase in federal funds relative to the 2009 CIP. The baseline also reflects the one-time nature of $26.4 million in ARRA funds received in fiscal 2010, which are budgeted as special funds in subsequent years as loan repayments become available as a funding source for new project requests from local governments. The 20% match of $2.2 million for the federal funds is projected to be made in GO bonds, the same way as handled in the fiscal 2010 appropriation. The Drinking Water Revolving Loan Fund Program provides low-interest loans to local governments and eligible private entities for drinking water projects such as the construction of water distribution mains, water storage facilities, and water treatment plant upgrades.

The baseline for the Hazardous Substance Cleanup Program assumes that the program will receive $1.0 million in general funds, which is level with the 2009 CIP, and a $1.0 million increase from the fiscal 2010 appropriation. The program has had difficulty expending funds in previous years which led to no appropriation being made in fiscal 2010; however, the Dwyer site project is planned to require a substantial amount of prior year funding as well as fiscal 2011 funding. The Hazardous Substance Cleanup Program provides funds for cleanup of uncontrolled sites listed on the federal National Priorities List (Superfund) and other uncontrolled waste sites within the State that do not qualify for federal funding through the Superfund program.

The baseline estimate for the capital grant program associated with the Bay Restoration Fund fee on septic system users increases substantially due to increased interest while the baseline estimate remains level for the program funded with public sewer/water fees. The Septic System Upgrade Program baseline increases by $3.0 million relative to the 2009 CIP. This reflects an $8.0 million increase over the original fiscal 2010 appropriation which was later increased by an additional $9.0 million through a budget amendment to bring in funds available in the fund balance. The increase in appropriation reflects the increased level of expenditures due at least partially to the Chesapeake Bay Nitrogen Reduction Act of 2009 (Chapter 280), which prohibited new installation of or replacement of existing on-site waste disposal systems on property in the Chesapeake and Atlantic Coastal Bays Critical Area unless the systems utilize the best available nitrogen removal technology. The baseline estimate for the Enhanced Nutrient Removal Program funded by a fee on public sewer/water users is $45.0 million in special funds, which is level with the 2009 CIP and a $5.0 million reduction from the fiscal 2010 appropriation. An additional $150.0 million in revenue bonds also is assumed for the Enhanced Nutrient

Removal Program, which is reflected as an increase of $7.8 million in special funds in the operating budget baseline in order to reflect the debt service on the bonds.

In addition, MDE is expected to receive an allocation in fiscal 2010 from the Chesapeake and Atlantic Coastal Bays Nonpoint Source Fund. This allocation would provide funding for urban/suburban stormwater projects and would replace the GO bond-funded Small Creeks and Estuaries Restoration Program and Stormwater Pollution Control Program. However, the funding level for fiscal 2011 is uncertain; therefore, the funding is reflected in DNR's operating baseline budget.

Part 2
General Fund Revenue Projections
Fiscal 2010-2015

Introduction

In September 2009, the Board of Revenue Estimates (BRE) issued a new short-term forecast of the Maryland economy and general fund revenues. BRE released revised estimates for fiscal 2010 and 2011 and the Department of Legislative Services (DLS) prepared projections of general fund revenues for fiscal 2012 to 2014. The projections are done by revenue source and reflect a combination of modeling and trend analysis. The major revenue sources are modeled based on the historical relationship between the sources and various economic factors. Therefore, the revenue projection process begins with developing an economic forecast.

United States and Maryland Economic Projections

The State contracts with two private economic consulting firms to provide economic projections for the United States: Moody's Economy.com and IHS Global Insight. While these firms update their U.S. forecasts monthly, for the purposes of the revenue projections, we used their forecasts from September 2009. The U.S. forecasts are important because we assume that the Maryland economy will generally follow the broad trends in the U.S. economy.

United States

The U.S. economy officially entered a recession in December 2007. Employment fell 0.4% in 2008. The unemployment rate increased from 4.9% at the beginning of the year to 7.2% by the end. Personal income grew 2.9% in 2008, down from growth of 5.6% in 2007. Inflation adjusted gross domestic product (GDP), the broadest measure of the economy, grew just 0.4% in 2008 compared to growth of 2.1% in 2007.

During 2009, the recession has deepened to be the worst of the post-World War II era. Through the first nine months of 2009, employment is down 3.8% compared to the same period in 2008. Since the recession began, the U.S. economy has lost 7.2 million jobs, a decline of 5.2%. The unemployment rate as of September 2009 was 9.8%, the highest it has been since June 1983. The contracting labor market has pulled wage and salary income down 4.5% in the first nine months of 2009. Total personal income has also fallen, dropping 2.3% from the same period in 2008. This is the first decline in nominal personal income since 1949. Nominal wage and salary income has not fallen since 1954. Adjusted for inflation, however, both total personal income and wage and salary income fell in 2008 as weak nominal growth was combined with the strongest inflation in 18 years.

Inflation adjusted GDP peaked in the second quarter of 2008, helped by government stimulus checks that were mailed out in the spring. The economy then contracted for the next four quarters for a total decline of 3.8%. The string of declines was broken in the third quarter of 2009 as GDP advanced 3.5% at an annualized rate. Growth was supported by government efforts to stimulate the economy through both monetary and fiscal policy. The cash-for-clunkers program helped induce a big increase in car sales and motor vehicles accounted for one percentage point of growth in the third quarter. But consumer spending for non-durable goods and services also increased in the third quarter. Residential housing construction contributed to growth for the first time since 2005. There was also the first increase since 2007 in business investment in equipment and software.

Another area of improvement has been the stock market. The market as measured by the S&P 500 index peaked in October 2007 and by March 2009 had fallen 57%. Since March, the index is up almost 58%, although it remains 32% below the peak. The housing market has also improved, showing signs of stabilizing over the summer thanks to low-interest rates, improved affordability, and the government's first time home-buyers tax credit. Existing home sales nationwide were up 6% in the third quarter of 2009 compared to the same period in 2008, the first increase in four years. Home prices, while still down significantly on a year-over-year basis, have increased modestly since the spring.

Most economists believe the economy bottomed out in the summer of 2009. While growth in subsequent quarters is not expected to be as strong as the third quarter, economists expect the economy to continue to expand and slowly recover from the recession. But the labor market will lag the economy with the unemployment rate continuing to rise until the middle part of 2010. Forecasts currently project the unemployment rate will peak a bit above 10%.

Although deep recessions historically have been followed by rapid recoveries, the rebound from this recession is expected to be muted and full recovery will take several years. Weighing on the economy will be high unemployment and resulting weak wage growth. The struggling labor market combined with continuing tight credit will keep consumers from being a driving engine of the economy. Despite some improvement in the housing market, foreclosures continue to rise. Rising foreclosures undermine the financial position of households and also makes it difficult for the housing market to truly recover. Problems in the non-residential real estate market are only just emerging as defaults and foreclosures begin to rise.

U.S. Economic Outlook
Year-over-year Percent Change*

	Actual 2008	Estimate 2009	Estimate 2010	Estimate 2011	Estimate 2012	Estimate 2013	Estimate 2014
Real Gross Domestic Product							
Economy.com	0.4%	-2.6%	1.8%	3.9%	5.4%	3.6%	2.8%
Global Insight	0.4%	-2.5%	2.0%	2.9%	3.6%	2.9%	2.6%
U.S. Payroll Employment							
Economy.com	-0.4%	-3.7%	-1.0%	2.2%	3.5%	3.3%	1.5%
Global Insight	-0.4%	-3.7%	-0.5%	1.8%	2.4%	2.0%	1.3%
U.S. Unemployment Rate							
Economy.com	5.8%	9.2%	10.0%	8.9%	7.0%	5.8%	5.4%
Global Insight	5.8%	9.2%	9.9%	9.3%	8.5%	7.9%	7.6%
U.S. Personal Income							
Economy.com	2.9%	-2.2%	1.8%	4.9%	6.1%	5.6%	4.9%
Global Insight	2.9%	-2.0%	2.6%	3.9%	5.2%	5.3%	5.3%
Consumer Price Index							
Economy.com	3.8%	-0.5%	1.7%	1.9%	2.1%	2.0%	2.0%
Global Insight	3.8%	-0.5%	1.3%	2.3%	2.1%	1.9%	1.9%
30-year Fixed Mortgage Rate							
Economy.com	6.0%	5.2%	6.2%	7.0%	7.2%	6.7%	6.5%
Global Insight	6.0%	5.1%	5.2%	5.5%	6.1%	6.4%	7.1%

*Except unemployment and mortgage rates. The projections for Economy.com and Global Insight are from their respective September 2009 forecasts.

Source: Moody's Economy.com and IHS Global Insight

Maryland

While the national recession officially began in December 2007, Maryland's employment peaked in February 2008. In calendar 2008, employment fell 0.4% and the unemployment rate increased from 3.6% in January to 5.4% by the end of the year. Personal income growth slowed from 4.6% in 2007 to 3.1% in 2008. Wage and salary income growth went from 5.0% in 2007 to just 2.4% in 2008.

The economic contraction deepened in 2009. As of September 2009, the unemployment rate was 7.2%, the highest it has been since July 1984. Employment fell 2.2% in the first nine months of 2009 compared to the same period in 2008 and the data probably understates the true decline. Since peaking in early 2008, employment in Maryland has fallen by 82,000 jobs or 3.1%. In the first six months of 2009, personal income growth was just 1.2% and wage and salary income fell 1.1%.

Vehicle sales have fallen by 8.3% in the first eight months of 2009 but rose 3.1% in August, thanks to the cash-for-clunkers program. This was the first increase in total sales since January 2008 and the first increase in new vehicle sales since September 2006. Existing home sales are up 1.4% for January through September compared to the same period in 2008, the first increase since 2005. The median home price continues to fall, down 10.1% in the first nine months of 2009.

In September, BRE issued a revised economic forecast for Maryland, its first since March. Recognizing the continuing problems in the State's economy, especially in the labor market, BRE forecasts a 2.9% decline in employment in 2009 and a decline in personal income of 0.7%. Employment is expected to fall slightly in 2010 as weakness in the first half of the year is only partially offset by stronger growth in the second half. Personal income is expected to rise modestly in 2010 as employers restore hours and begin hiring late in the year. Growth picks up considerably in 2011 and 2012 as the economy continues to rebound from the recession and the direct impact of the Base Realignment and Closure process is felt.

Maryland Economic Outlook
Forecasted Year-over-year Percentage Change

Calendar	Employment			Personal Income		
Year	**Dec. 2008**	**Mar. 2009**	**Sep. 2009**	**Dec. 2008**	**Mar. 2009**	**Sep. 2009**
2006	1.3%	1.3%	1.3%	5.8%	5.8%	6.4%
2007	0.8%	0.8%	0.7%	6.3%	6.3%	4.6%
2008	-0.2%	-0.5%	-0.4%	3.9%	3.6%	3.1%
2009E	-2.0%	-2.6%	-2.9%	1.7%	1.1%	-0.7%
2010E	0.1%	-0.2%	-0.4%	3.4%	2.7%	2.5%
2011E	1.5%	1.9%	1.6%	5.9%	5.8%	4.7%
2012E	2.1%	2.1%	2.3%	5.8%	5.7%	5.8%

Note: The figures for 2008 for personal income under the December 2008 and March 2009 columns are BRE's estimates.

Source: Board of Revenue Estimates

General Fund Revenue Projections

The process of doing long-term revenue projections begins with the close-out of the recently completed fiscal year, fiscal 2009 in this case. Based on the revenue performance in fiscal 2009, relative to the estimate, as well as revised economic assumptions, the revenue estimate for the current fiscal year (fiscal 2010) is revised. Future fiscal years (2011 to 2015) are then built off the newly revised estimate for the current fiscal year.

Fiscal 2009 Close-out

Fiscal 2009 general fund revenues were below the estimate by $347.9 million. General fund revenues totaled $12.9 billion in fiscal 2009, a decline of 4.8% from fiscal 2008. Legislation from the 2007 special session and the 2008 session made changes in the income tax, the sales tax, the corporate income tax, the tobacco tax, and some miscellaneous revenues. In general, these changes went into effect in January 2008, thus impacting half of fiscal 2008 but all of fiscal 2009. Adjusting for these law changes, it is estimated that general fund revenues in 2009 fell 7.5%.

The personal income tax accounted for most of the underattainment, falling $304.3 million below expectations. Withholding was slightly below the estimate but the real problems were in quarterly estimated payments and final payments with returns. At the same time, refunds were a bit more than expected. General fund corporate income tax revenues were below the estimate by $31.6 million as net receipts fell 9.4% when adjusted for the rate change.

The sales tax exceeded the estimate by $9.5 million and fell 1.5% from fiscal 2008. The sales tax rate was increased from 5.0 to 6.0% effective January 3, 2008, and the vendor credit was capped at $500 per month. In addition, $50 million of sales tax receipts was transferred to a special fund in fiscal 2008 to pay for the replacement of State Police helicopters. In fiscal 2009, a new distribution to the Transportation Trust Fund began. General fund revenues, adjusted for these law changes, fell an estimated 0.4% in fiscal 2008 and 5.5% in fiscal 2009, the first back-to-back declines.

The Lottery exceeded the estimate in fiscal 2009 by $17.4 million but fell 4.8% from fiscal 2008. Lottery sales were up 1.5% but sales for the largest game, Instant tickets, were down 1.3%, the first decline in 10 years. Prize payouts were extraordinarily high for the Pick 3 and Pick 4 games, pushing total prize expenses up 6.8%. As a result, net revenues were down almost 9.0%, but heavy use of the unclaimed prize fund limited the drop in final net receipts to 6.8%.

The insurance premiums tax and the estate tax both significantly fell below expectations. Falling wealth was a likely factor in the almost 16% decline in the estate and inheritance taxes. The poor economy contributed to the drop in the insurance premiums tax which was the first decline since fiscal 2000. There was also almost $3 million in heritage tax credits claimed against the insurance premiums tax in fiscal 2009 versus none in fiscal 2008.

Fiscal 2010 general fund revenues through September are down 9.2% from last year. Personal income tax revenues are down 8.4% with quarterly estimated payments down 28% and withholding essentially flat with last year. General fund sales tax revenues are down 8.5% through September. The one bright spot is the Lottery where general fund revenues are up almost 18.0% through September due to a significant decline in prize payouts and a 3.1% increase in sales. At this time last year, prize payouts were unusually high for the Pick 3 and Pick 4 games and the return to more normal prize payouts for those games results in substantial revenue growth. Also contributing to the strong growth in general fund Lottery revenues is a reduction in the agent commission from 5.5 to 5.0%.

Fiscal 2009 General Fund Revenues
($ in Millions)

	Actual	——— Fiscal 2009 ———			% Change
Source	**FY 2008**	**Estimate***	**Actual**	**Difference**	**FY 2008-2009**
Personal Income	$6,940.1	$6,781.5	$6,477.2	-$304.3	-6.7%
Sales and Use Tax	3,675.3	3,611.0	3,620.4	9.5	-1.5%
State Lottery	497.1	455.8	473.2	17.4	-4.8%
Corporate Income Tax	551.7	582.3	550.7	-31.6	-0.2%
Business Franchise Taxes	208.0	209.2	201.4	-7.9	-3.2%
Insurance Premiums Tax	301.8	298.3	275.2	-23.1	-8.8%
Estate and Inheritance Taxes	243.5	226.6	205.5	-21.1	-15.6%
Tobacco Tax	376.1	413.8	405.6	-8.2	7.8%
Alcohol Beverages Tax	29.0	29.0	29.2	0.2	0.7%
Motor Vehicle Fuel Tax	13.2	6.5	6.5	0.0	-50.8%
District Courts	91.3	88.3	89.4	1.1	-2.1%
Clerks of the Court	42.6	32.4	40.5	8.1	-4.8%
Hospital Patient Recoveries	86.6	94.7	96.5	1.7	11.4%
Interest on Investments	166.5	103.0	83.0	-20.0	-50.1%
Miscellaneous	322.9	307.9	338.3	30.4	4.8%
GAAP Transfer	0.0	7.9	7.9	0.0	n/a
Grand Total	**$13,545.6**	**$13,248.4**	**$12,900.5**	**-$347.9**	**-4.8%**

GAAP: generally accepted accounting practices

*From the Board of Revenue Estimates, March 2009 with adjustments for actions at the 2009 legislative session.

Fiscal 2010 Revised Estimate

The significant underattainment in fiscal 2009 combined with the weak year-to-date performance and deteriorating economic conditions results in a substantial downward revision to the general fund forecast for fiscal 2010. In September, BRE lowered its estimate for fiscal 2010 general fund revenues by $682.8 million. BRE now expects revenues to fall 4.5% in fiscal 2010 compared to its previous estimate of a 1.6% decline.

The largest revision was to the personal income tax which was lowered by $480.3 million. This reflects the large underattainment in fiscal 2009 as well as the revised economic forecast which now has income falling in calendar 2009. Also reflecting the downward revision to the economic outlook is the sales tax. Despite exceeding the estimate in fiscal 2009, the sales tax estimate for fiscal 2010 was lowered by $81.6 million. The forecasted decline of 2.7% will make for the third year in a row of declining baseline sales tax receipts.

The corporate income tax was revised down by $61.0 million reflecting the disappointing performance in fiscal 2009 and the expectation that corporate profits will continue to fall in calendar 2009 relative to calendar 2008. The $18.9 million reduction to the tobacco tax estimate reflects underattainment in fiscal 2009 and a full year at the new higher federal tax rate which went into effect at the end of March. The estimate for interest earnings on investments was lowered by $35.0 million and is projected to fall 54% from fiscal 2009. This comes on top of a 50% decline in fiscal 2009. Lower balances, falling revenues, and historically low interest rates create a poor environment for maximizing interest earnings.

Fiscal 2011 – 2015 Revenue Projections

Revenue growth is expected to improve in fiscal 2011, rising 3.4% over fiscal 2010. The economy should be improving throughout fiscal 2011, with a likely bounce back in capital gains income. The State should also begin to see the impact from the U.S. Department of Defense's Base Realignment and Closure process, which is expected to bring a net 15,800 direct and indirect jobs to Maryland. Rising interest rates should also boost earnings on investments by a considerable amount. The increase in general fund corporate income tax revenues in fiscal 2011 is due largely to the end of the distribution to the Higher Education Investment Fund. The fund is projected to receive around $40 million in fiscal 2010 but no corporate income tax revenue in fiscal 2011 under current law. Were there to be a distribution to the fund in fiscal 2011, general fund corporate income tax revenues would be up an estimated 1.1%.

Growth further improves in fiscal 2012 to 4.9% and to 6.1% in fiscal 2013. General fund revenue growth slows in fiscal 2014 to 5.2% reflecting, in part, the increase in the Transportation Trust Fund's share of the sales tax from 5.3 to 6.5%.

Board of Revenue Estimates/Department of Legislative Services
General Fund Revenue Projections
($ in Millions)

Revenue Source	Actual FY 2009	Estimate FY 2010	Estimate FY 2011	Estimate FY 2012	Estimate FY 2013	Estimate FY 2014	Estimate FY 2015
Personal Income Tax	$6,477.2	$6,121.8	$6,358.2	$6,677.9	$7,136.6	$7,622.2	$8,046.0
Sales and Use Tax	3,620.4	3,523.9	3,647.2	3,866.9	4,124.0	4,284.6	4,447.4
State Lottery	473.2	523.0	530.4	513.5	495.0	502.1	509.0
Corporate Income Tax	550.7	495.0	541.1	588.0	650.9	683.9	696.1
Business Franchise Taxes	201.4	216.1	216.1	216.8	217.6	216.9	217.9
Tax on Insurance Premiums	275.2	275.8	281.3	293.6	304.8	316.3	328.6
Estate & Inheritance Taxes	205.5	180.2	178.3	190.6	203.4	216.7	231.3
Tobacco Tax	405.6	380.3	375.7	371.3	366.6	362.6	358.6
Alcohol Beverages Tax	29.2	29.5	29.9	30.2	30.6	31.0	31.4
Motor Vehicle Fuel Tax	6.5	8.4	0.0	0.0	0.0	0.0	0.0
District Courts	89.4	88.6	87.5	88.9	90.4	91.8	93.3
Clerks of the Court	40.5	42.0	40.2	42.6	44.9	46.9	48.6
Hospital Patient Recoveries	96.5	65.7	67.1	68.0	69.0	70.0	71.0
Interest on Investments	83.0	38.0	48.5	75.0	101.9	118.7	127.7
Miscellaneous	338.3	326.0	332.5	336.7	334.1	339.3	344.9
GAAP Transfer	7.9	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenues	**$12,900.5**	**$12,314.2**	**$12,733.9**	**$13,360.1**	**$14,169.9**	**$14,902.9**	**$15,551.6**
percent change		*-4.5%*	*3.4%*	*4.9%*	*6.1%*	*5.2%*	*4.4%*

GAAP: Generally accepted accounting principles

Note: General fund Lottery revenues for fiscal 2012 to 2014 reflect the expected decline in sales due to slot machines.