

MARYLAND

BUDGET HIGHLIGHTS | FY 2012



Governor Martin O'Malley
January 21, 2011

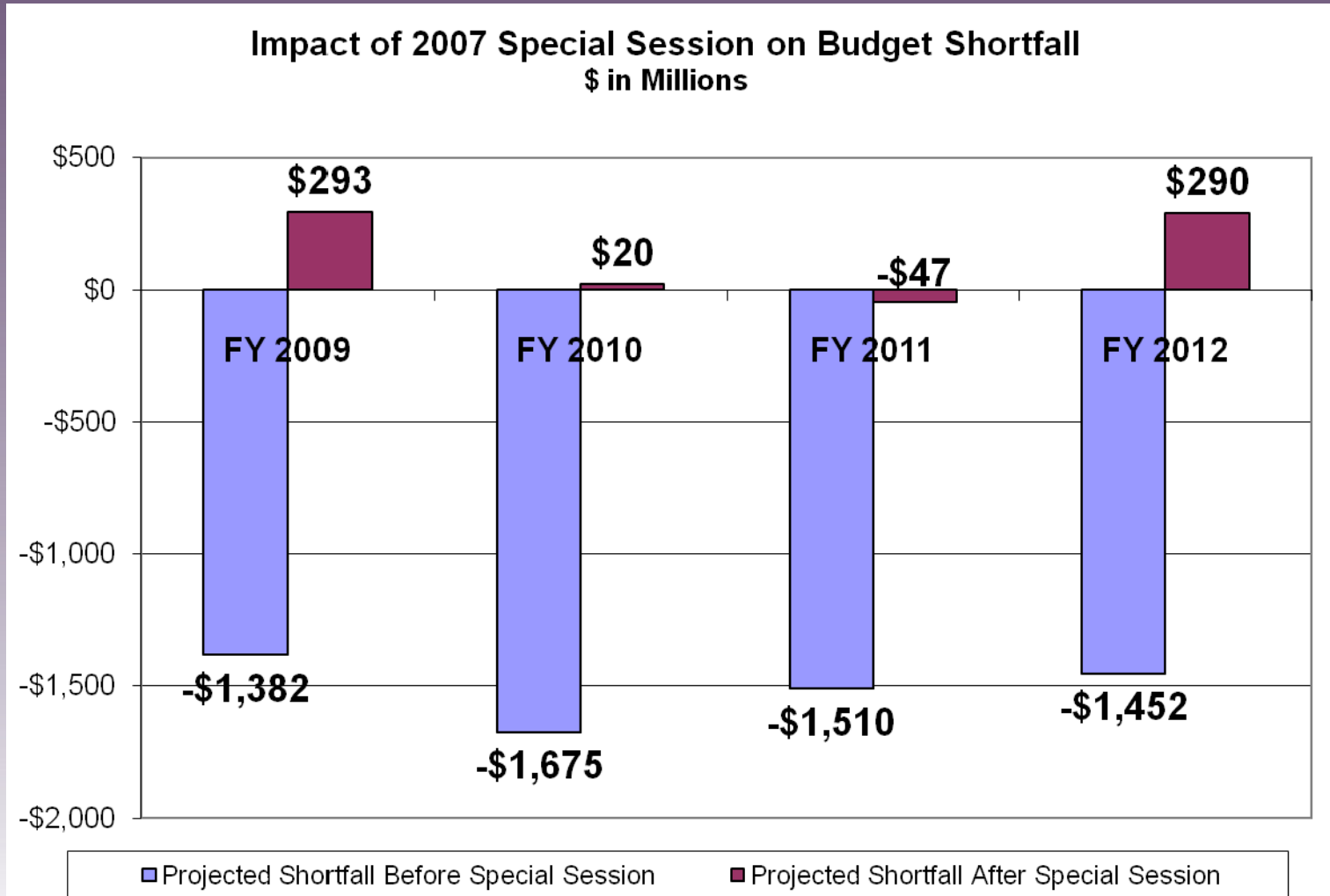
Maintaining Fiscal Responsibility

- Maryland remains 1 of only 8 states with a Triple A bond rating certified by all three rating agencies.
- During the first term of the O'Malley-Brown Administration, the State adopted \$5.6 billion of spending reductions and abolished almost 4,200 positions.
- With the proposed FY12 budget, total spending reductions rise to \$6.6 billion and position abolishments exceed 4,700.
- Despite fiscal pressures, Maryland has preserved its Rainy Day Fund.
- Maryland's fiscal challenges are the result of the national recession which dramatically reduced anticipated revenues.

Resolved an Inherited Structural Deficit During the 2007 Special Session

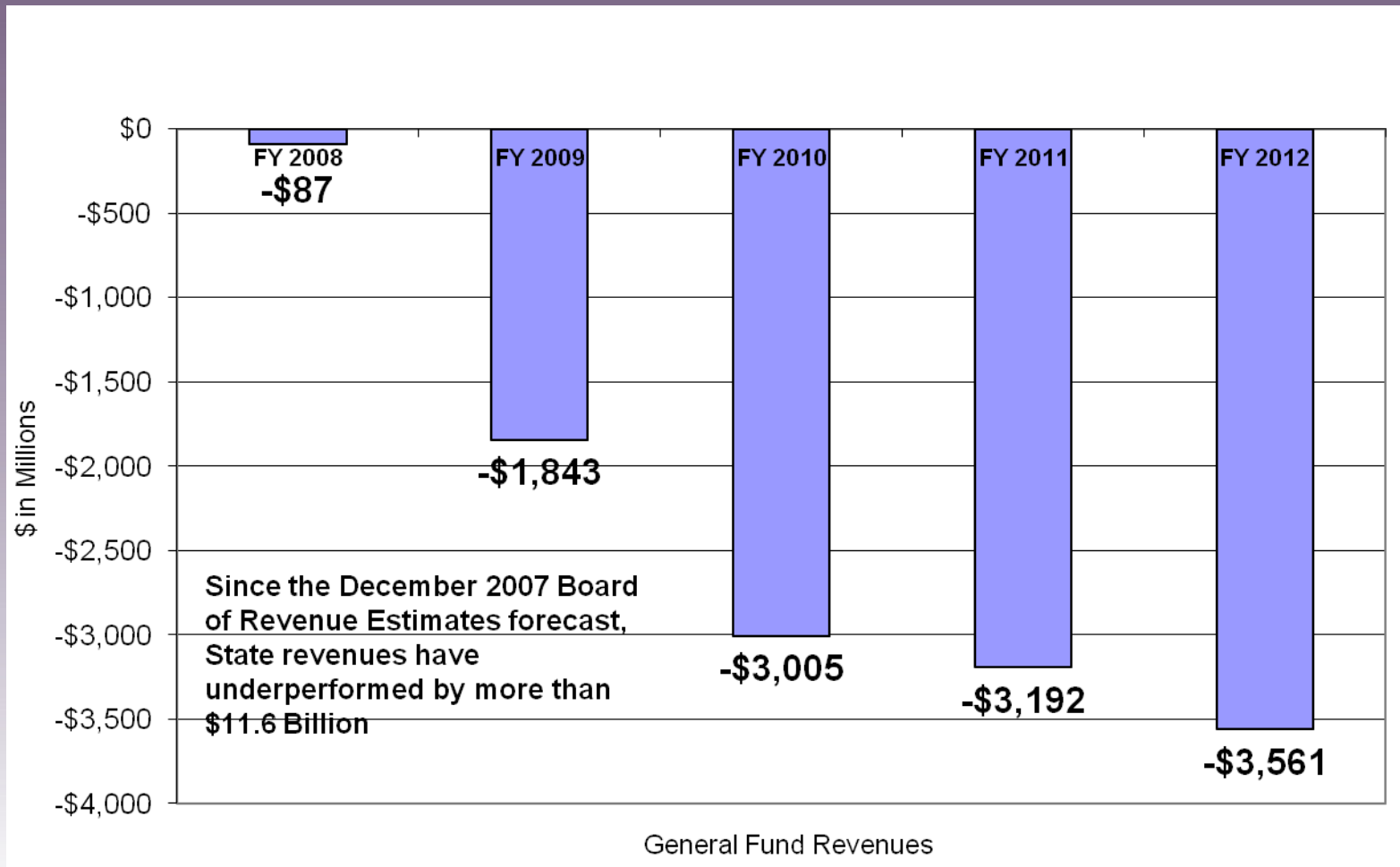
- **The inherited structural budget deficit approached \$1.7 Billion**
- **Special Session Actions**
 - Reduced spending by \$550 M in FY09
 - Increased General Fund revenues by more than \$800M in FY09
 - Approved new recurring revenue source from Video Lottery Terminals (VLT's)
 - Erased structural deficit by FY12
 - Projected FY12 Cash Surplus of \$290M

Resolved Inherited Budget Challenge During 2007 Special Session



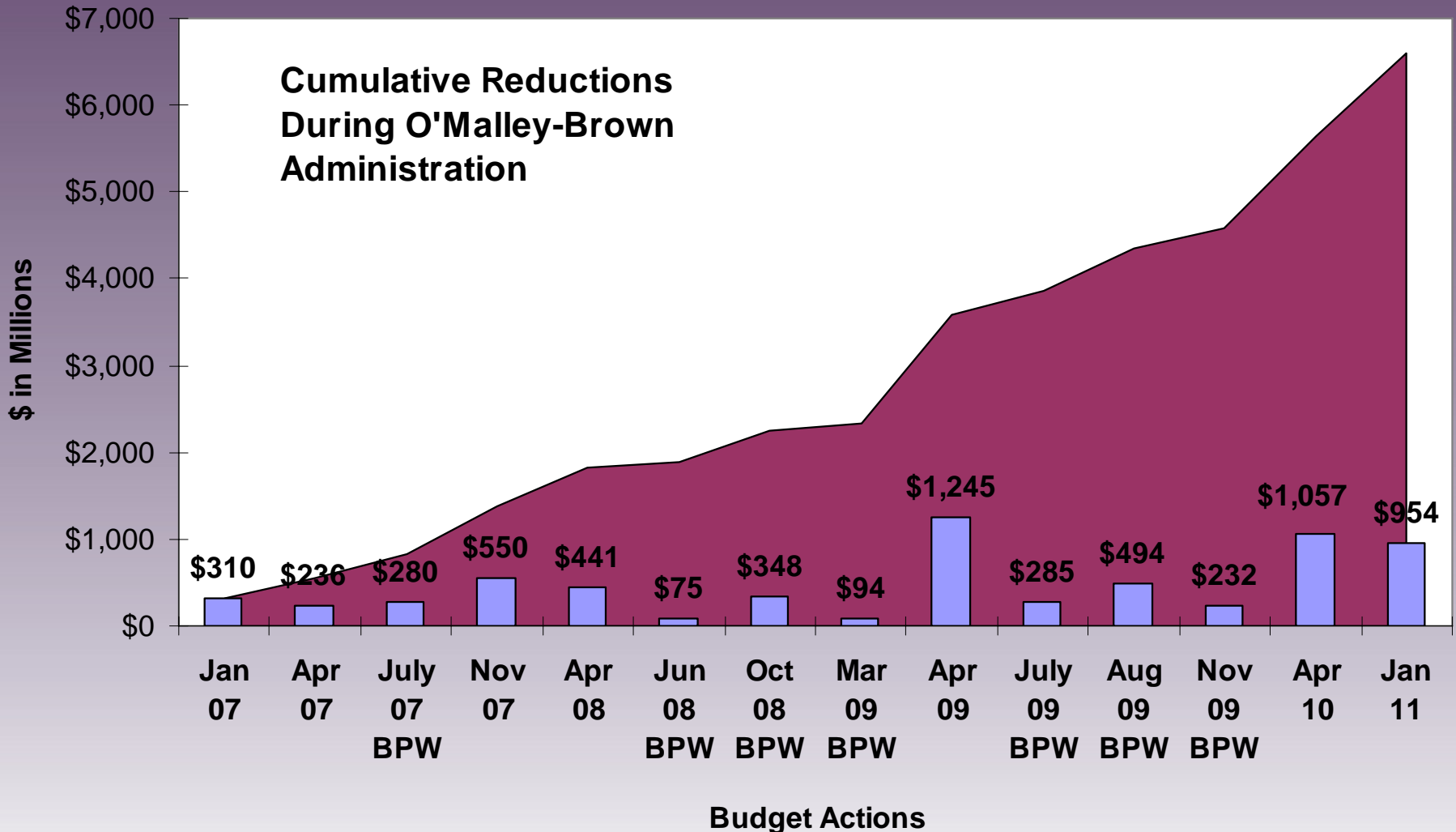
IMPACT OF THE RECESSION ON REVENUES

*Nearly \$12B in Revenue Underperformance
(Since December 2007 Estimates)*



A Steady Diet of Cuts

**Cumulative Reductions
During O'Malley-Brown
Administration**



Balancing Budget without Recovery Dollars

- Temporary federal Recovery dollars fund \$1.4B of Medicaid, public safety, and K-12 education expenses in FY11.
- No federal Recovery dollars are available to support ongoing expenses in FY12.
- Due to the O'Malley-Brown Administration's judicious financial management, the State has preserved almost \$700M of fund balance to ease the transition away from Recovery dollars in FY12.
- The availability of fund balance and other transfers allows growth in General Fund spending in FY12 to offset loss of federal recovery dollars.

Tough Choices to Move Maryland Forward

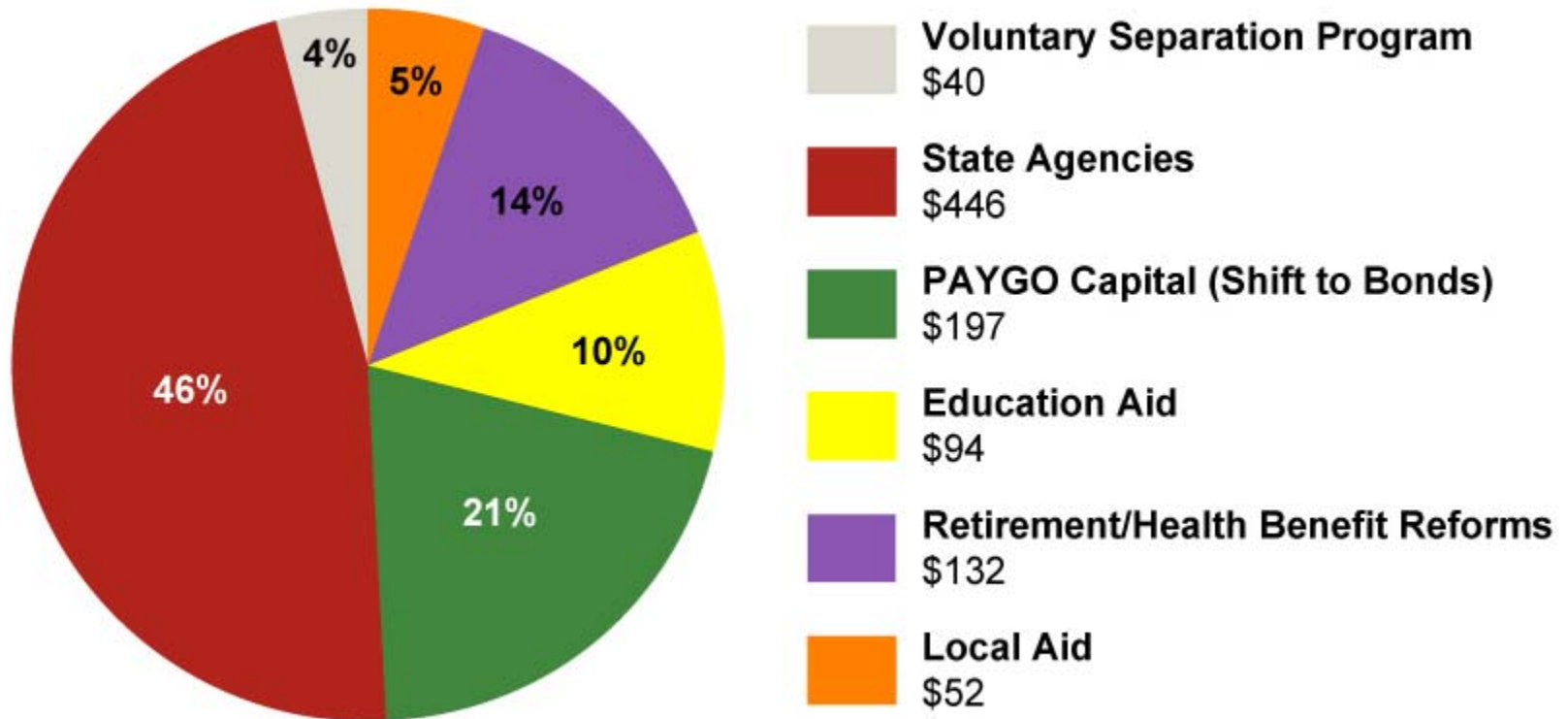
- **Balance the budget without tax increases**
- **Close a \$1.4B General Fund budget shortfall**
- **Cut General Fund spending by nearly \$1B**
- **Reduce the structural deficit by \$730M (37%)**
- **Make the State pension system more sustainable**
- **Erase almost half the unfunded retiree health liability**

A Fiscally Responsible Budget

- Spending growth limited to just 3%
- FY12 budget includes more than \$950 million of reductions bringing total reductions during the O'Malley-Brown Administration to \$6.6B
- Governor's Budget Plan improves outlook for FY13 by more than \$800M
- For 5th consecutive year, proposed budget complies with the General Assembly's Spending Affordability Guideline
 - Committee goal is 33% reduction to structural deficit achieved through budget cuts
 - Proposed spending cuts exceed goal - reduce structural deficit by 37%
- \$802 million of cash resources are preserved in the Rainy Day Fund (\$682M) and unallocated fund balance (\$120M)
 - Rainy Day Fund balance maintained at 5% of revenues

FY2012 Budget Reductions

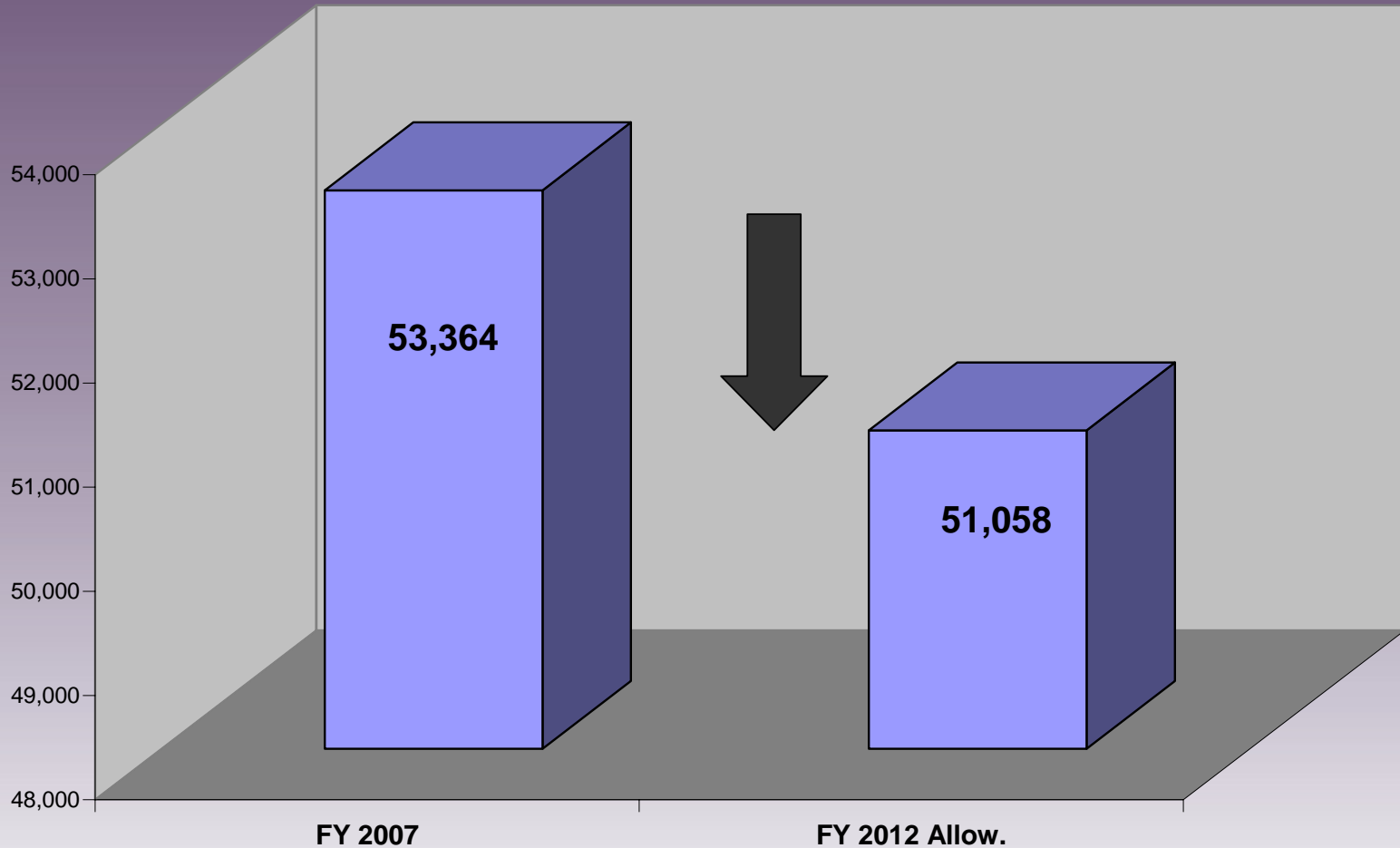
\$ in millions



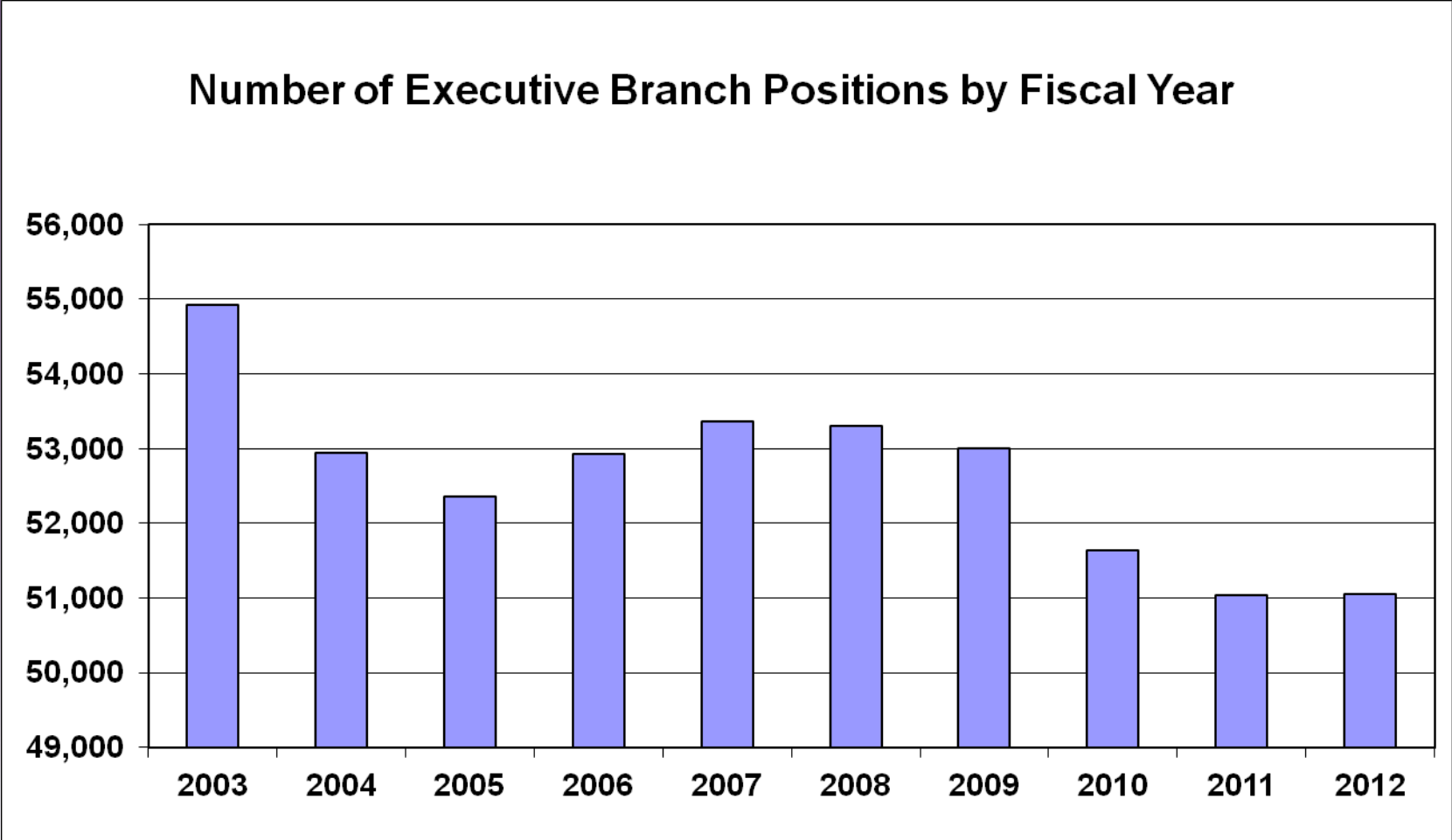
Reducing the Size of Government: State Employees Share of Sacrifice

- **More than 4,200 State positions have been eliminated during the O'Malley-Brown Administration.**
- **Over the last three years, employees have absorbed more than \$580M of reductions to salaries and benefits**
 - Furloughs & Temporary Salary Reductions in FY09 – FY11
 - No COLAs or Step Increases in FY10 & FY11
 - No Deferred Compensation Match
- **Voluntary Separation Program**
 - Almost 1,400 applicants
 - FY12 budget assumes about 1,000 applications accepted/positions abolished
 - \$40 million of recurring savings beginning in FY12
- **There are fewer executive branch employees today than in FY07**

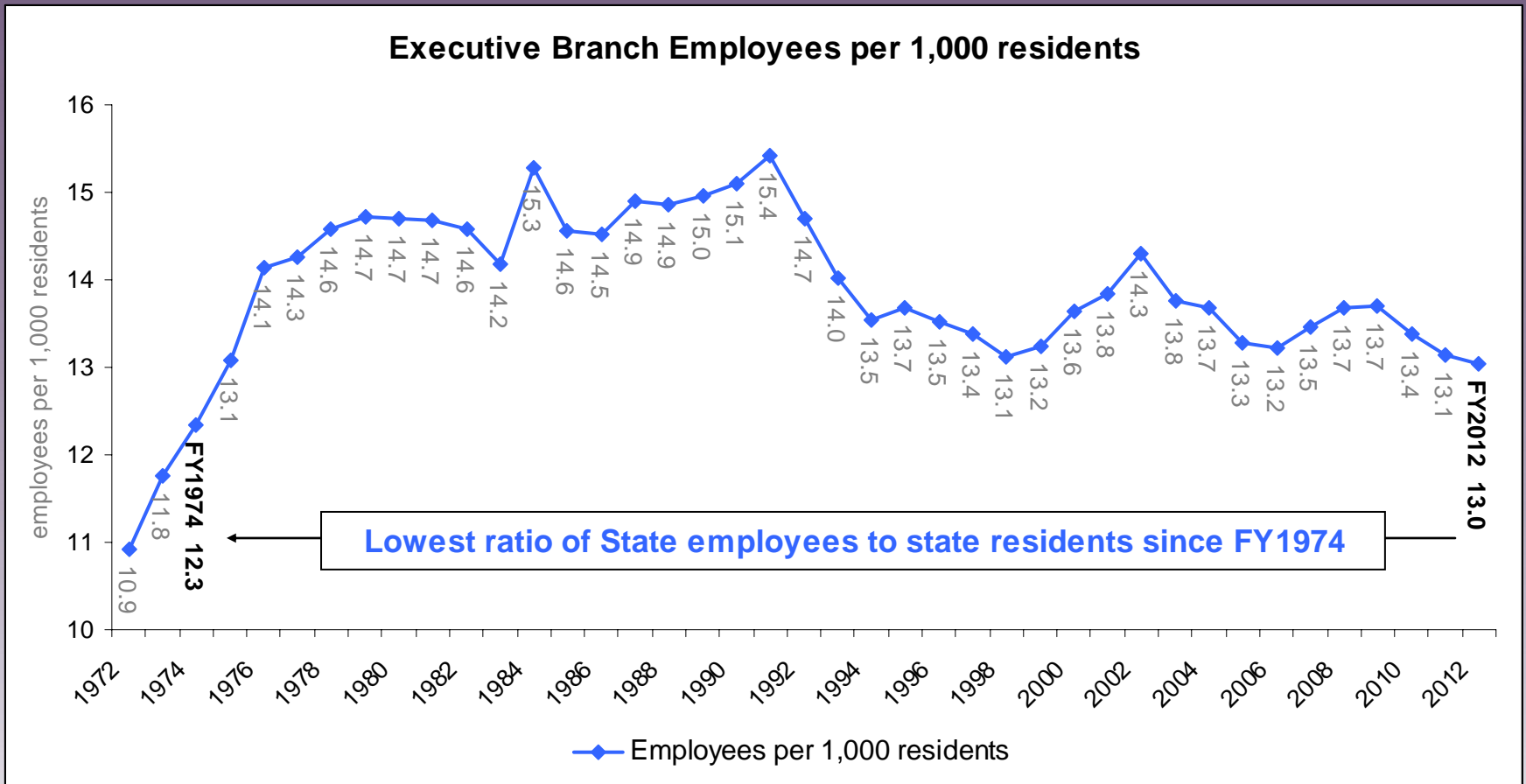
Executive Branch Employees FY 2007 - FY2012 Comparison



Executive Branch Positions Have Declined Under O'Malley-Brown Administration



There are fewer government employees per Maryland resident than since FY1974



Streamlining Government

Prior Actions

- Consolidated State Print Shops (\$500k)
- Centralized Classification Unit (\$396k)
- Applied Stricter Standard for Payment of Emergency Room Claims & Enhanced Audits of Out-of-State Hospitals (\$5.5 M)
- Eliminated DNR Helicopter Unit (\$372k)
- Consolidated Correctional Pre-Release Facilities (\$4.7 M)
- Eliminated Grant for Wine Promotion & Destination Imagination
- Downsized MHEC (\$0.7M)
- Eliminated 14 DJS management positions (\$1M)
- Reduced OT at DPSCS (\$4M)
- Improved Management of Accident Leave (\$3M)

New Actions

- **Consolidations (\$4M)**
 - Higher Education Commission with State Department of Education
 - Consolidate Certain Programs with Department of Natural Resources
 - Transportation Police Forces
 - Consolidate Policing Most State Facilities with General Services Police
 - Consolidate Highway Maintenance Facilities
- **Voluntary Separation Program – 1,000 position abolitions expected (\$40M)**
- **Close Brandenburg Center (\$2.7M)**
- **Discontinue High School Civics Assessment (\$1.9M)**
- **Discontinue Tolbert Scholarships (\$200,000)**

Facility Closures During O'Malley-Brown Administration

- Maryland House of Correction
- Four State Hospitals
 - Carter Center, Rosewood, Upper Shore, RICA So. MD
- Welcome Centers (8)
- DBED Foreign Offices (3)
- Annapolis State Police Barrack
- O'Farrell Center
- Animal Health Laboratories (3)
- Dismas House
- Upper Shore Planning Office

87% of General Fund Dollars Allocated to Education, Health, and Public Safety



39%
**Elementary &
Secondary
Education**

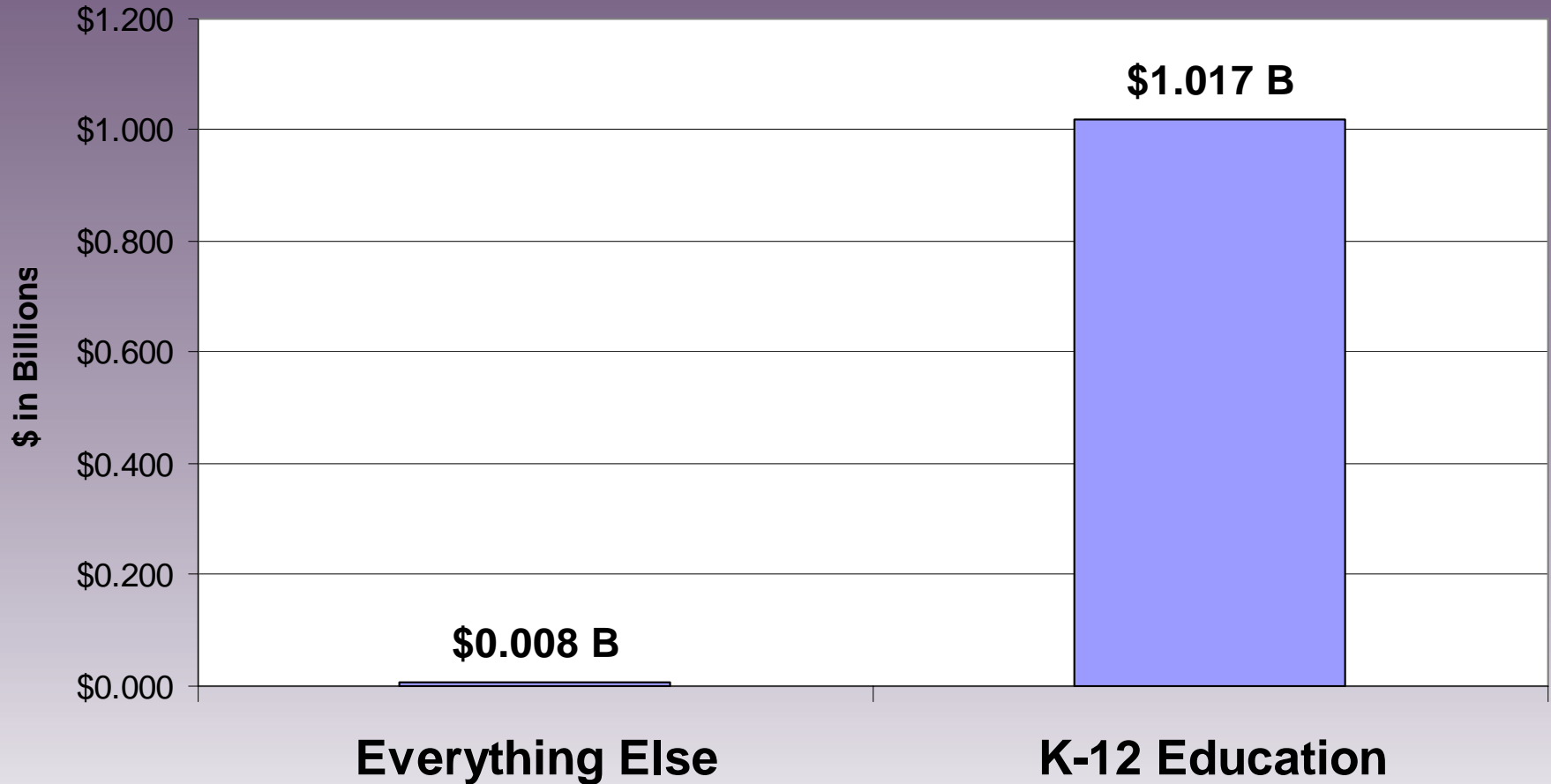
11%
**Higher
Education**

27%
Health

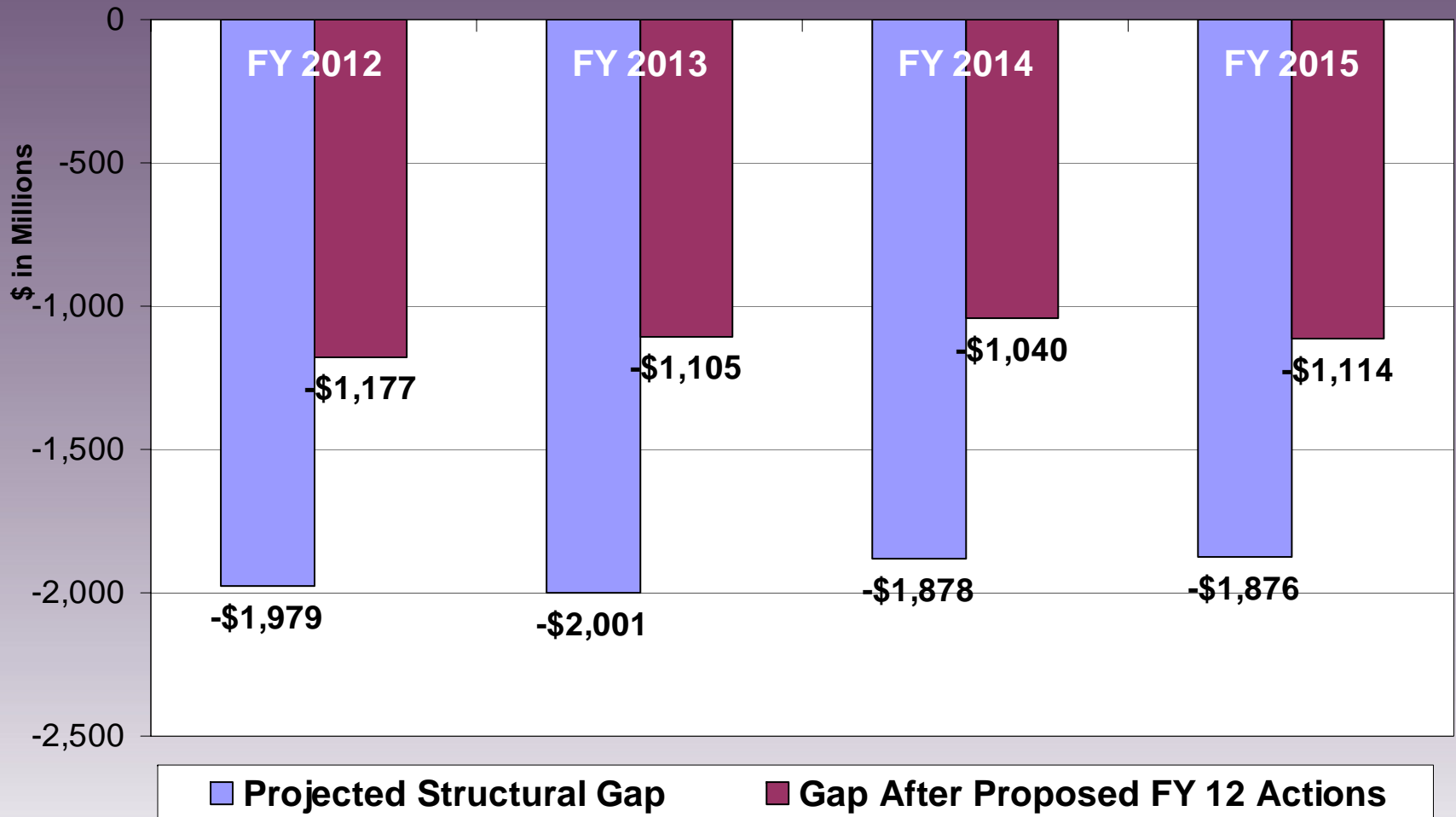
10%
**Public
Safety**

13%
Other

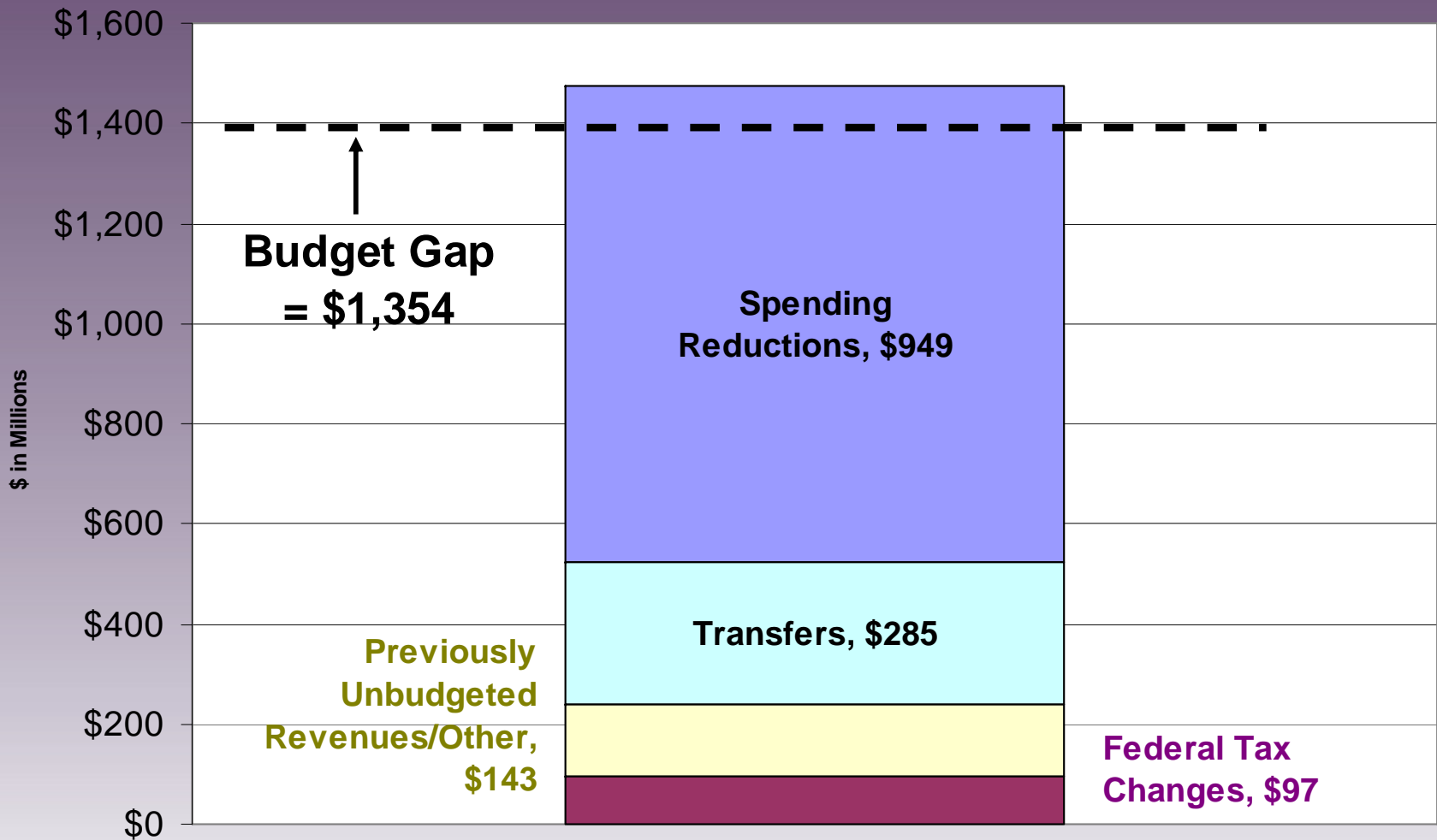
General Fund Spending Growth FY 2007 to FY 2012



FY 12 Budget Plan Improves Structural Outlook by 37% in FY 12



How the \$1.4 B Budget Gap was Closed



FY 2012 Budget Balancing Plan

FY 2012 Projected Shortfall (millions) **\$-1,354**

Solutions

Budget Reductions – General Funds **949**

Redirection of Existing Revenues **285**

- Fund Capital Eligible Costs w/Bonds Rather than Cash (\$191M)
- Divert Revenues from Transportation Trust Fund and Replace with Bonds (\$60M)
- Fund Balance Transfers and Diversions (\$34M)

Revenue Additions/Other **143**

- Federal Retiree Drug Subsidy – FY 11 & FY 12 (\$47M)
- Level Fund Payments to Businesses for Collecting Sales Tax (\$18M)
- Tax Compliance – No Renewal of Vehicle Registration Until Tax Liabilities Addressed (\$20M)
- Assess Bad Driver (\$5M) and Parole & Probation Supervision (\$4M) Surcharges
- Recoveries (\$10M), Interest Earnings (\$11M), Other (\$17M)
- Eliminate Preferential Treatment for Maryland Mined Coal/IWIF (\$11M)

Net Impact of Federal Tax Cut & Pay Freeze on Revenue **97**

Closing FY 2012 Fund Balance **\$120**

Budget Highlights

- Maintains record operating funding of \$5.7B for K-12 education.
- *Invest Maryland* to grow the state's knowledge-based industries by stimulating up to \$100M in venture capital funds, creating thousands of jobs.
- \$3.1B capital budget – State construction spending will support nearly 15,000 construction jobs in FY12.
- \$25M for Bay 2010 Fund; a 25% increase over FY11 funding.
- Second consecutive year of a modest 3% increase for in-state tuition at four-year public colleges and universities – after a four-year tuition freeze.
 - USM tuition rates have declined from 6th highest in nation to an estimated 25th in FY 2012.
- \$5M Making College Affordable Fund allocation to community colleges that hold tuition growth to 3% or less in FY12.
- Fund health care coverage for 916,000 low-income children and adults.
 - Nearly 310,000 more people than were covered when Governor took office.
- No furloughs and a \$750 bonus for State employees.

FY12 Capital Budget = \$3.1B

- **\$1.4B for State Facilities and Capital Programs**
- **\$1.7B for Transportation projects**
- **State construction spending will support nearly 15,000 jobs in FY12.**

FY12 Capital Budget = \$3.1 Billion

\$1.4B for State Facilities and Capital Programs

Education - \$488.5M

- \$250M for Public School Construction
- \$151.3M for Public 4-Year Campuses
- \$63M for 20 Community College projects

Health & Environment - \$493.1M

- \$247.2M for Bay Restoration projects
- \$162M for improvements to local water systems and wastewater treatment plants
- \$41.7M for Land Preservation Programs
- \$38.2M for Health-Related Projects, including funding for hospitals and community health facilities

FY12 Capital Budget

Public Safety - \$48.1M

- \$22.7M for State Police Helicopter replacement
- \$14.7M for Correctional Facilities
- \$10M for a Statewide Wireless Communications System

Other Projects - \$191.9M

- \$57.6M for the InterCounty Connector
- \$31.5M for Rental Housing
- \$14.3M for Community Revitalization

Economic Development - \$64.5M

- \$49.6 M for One Maryland Broadband Network
- \$8.3M for Tourist and Cultural Attractions
- \$6.8M for Neighborhood Business Development and East Baltimore Biotech Park

FY12 Capital Budget

\$1.7B for Transportation projects

Transit Improvements - \$639M

- \$34.0M for the Red Line Transitway engineering
- \$30.0M for the Purple Line Transitway engineering
- \$12.4M for engineering the Corridor Cities Transitway
- \$47.4M for various MARC enhancements
- \$36.1M for improvements at the Silver Spring Transit Center
- \$10.3M for engineering the Takoma/ Langley Park Transit Center
- \$28.5M for bus replacements

Roadway Improvements - \$815.9M

- \$14.3M for BRAC intersections around the National Naval Medical Center
- \$25.3M for BRAC intersections near Fort Meade
- \$10.6M for the interchange at US 40 and MD 715 around Aberdeen Proving Grounds
- \$11.1M for I-695 at Charles Street
- \$8.3M to replace the I-695 bridge over MD 26
- \$16.4M for I-70 (Phase 2D)
- \$6.4M to upgrade I-81/ I-70 interchange

A Focus on Jobs & the New Economy

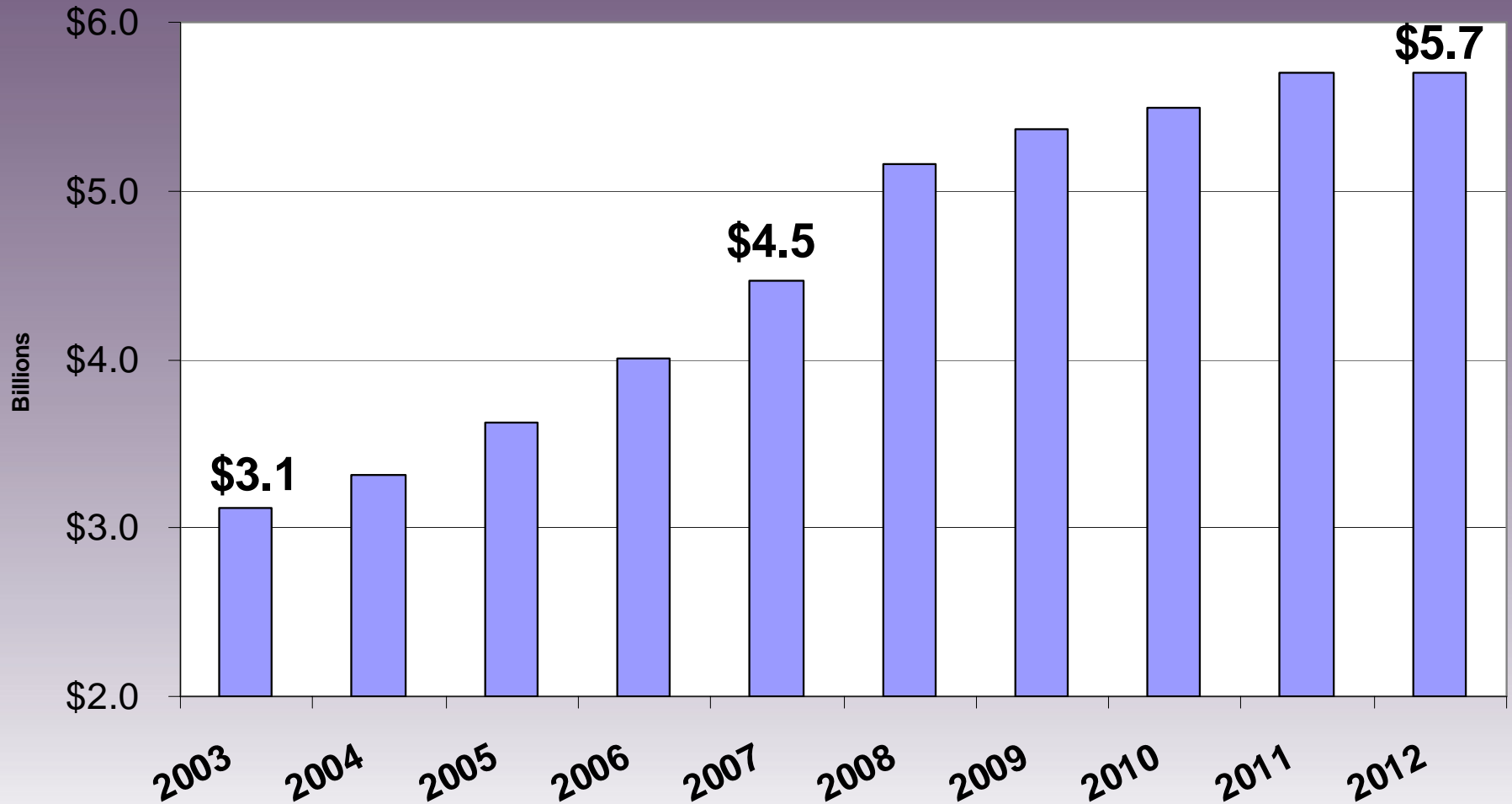
- **\$3.5B included across operating/capital budget focused on jobs and job creation.**
- ***Invest*Maryland to grow the state's knowledge-based industries by stimulating up to \$100M in venture capital funds, creating thousands of jobs.**
- **\$15M for the Maryland Economic Development Assistance Fund to help stimulate business growth and economic development – a 25% increase.**
- **\$12.4M for stem cell research, bringing five-year total under the O'Malley-Brown Administration to \$76.2M.**
- **\$10M in Sustainable Communities Tax Credits to promote urban redevelopment and create jobs.**
- **\$8M for tax credits to spur investment in biotechnology companies.**
- **\$3.8M for the Maryland Biotechnology Center.**

A Focus on Skills and Education

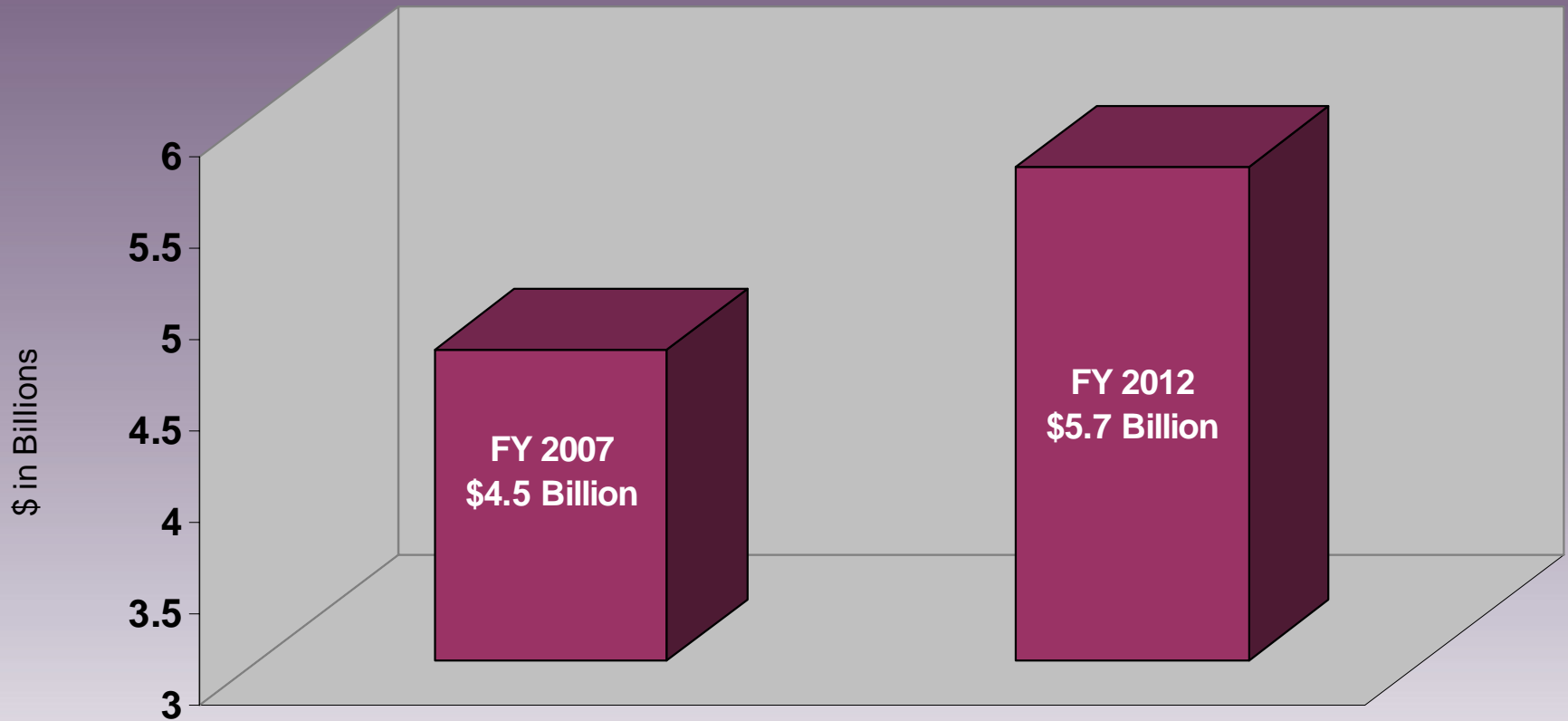
- **Second year of record operating funding for Maryland's top ranked Public Schools - \$5.7B; bringing five-year total to \$27.4B**
 - \$4.9B direct aid to local school systems for FY12 including \$128.4M for GCEI – 3rd consecutive year of full funding
 - \$88M from four-year \$250M Race to Top Grant to reform schools and close achievement gap
- **\$250M for School Construction, bringing five-year total to more than \$1.5B**
 - Five consecutive years meeting or exceeding Kopp Commission recommendations

Preserving Record K-12 Education Funding

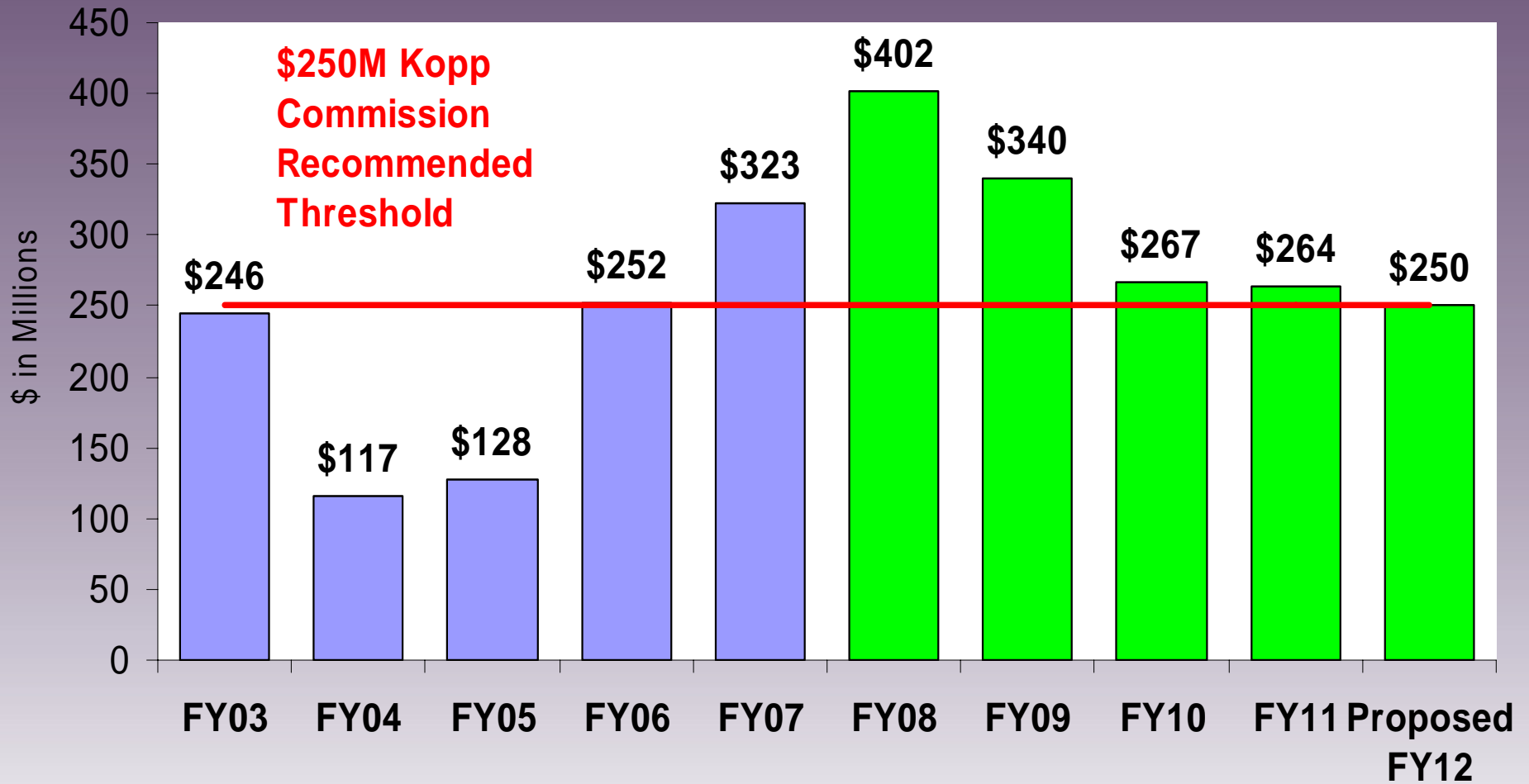
K-12 Operating Education Aid



Preserving Our Record Level Investment in Maryland's Top Ranked Public Schools



O'Malley-Brown 5-Year Total for Public School Construction Exceeds \$1.5 Billion

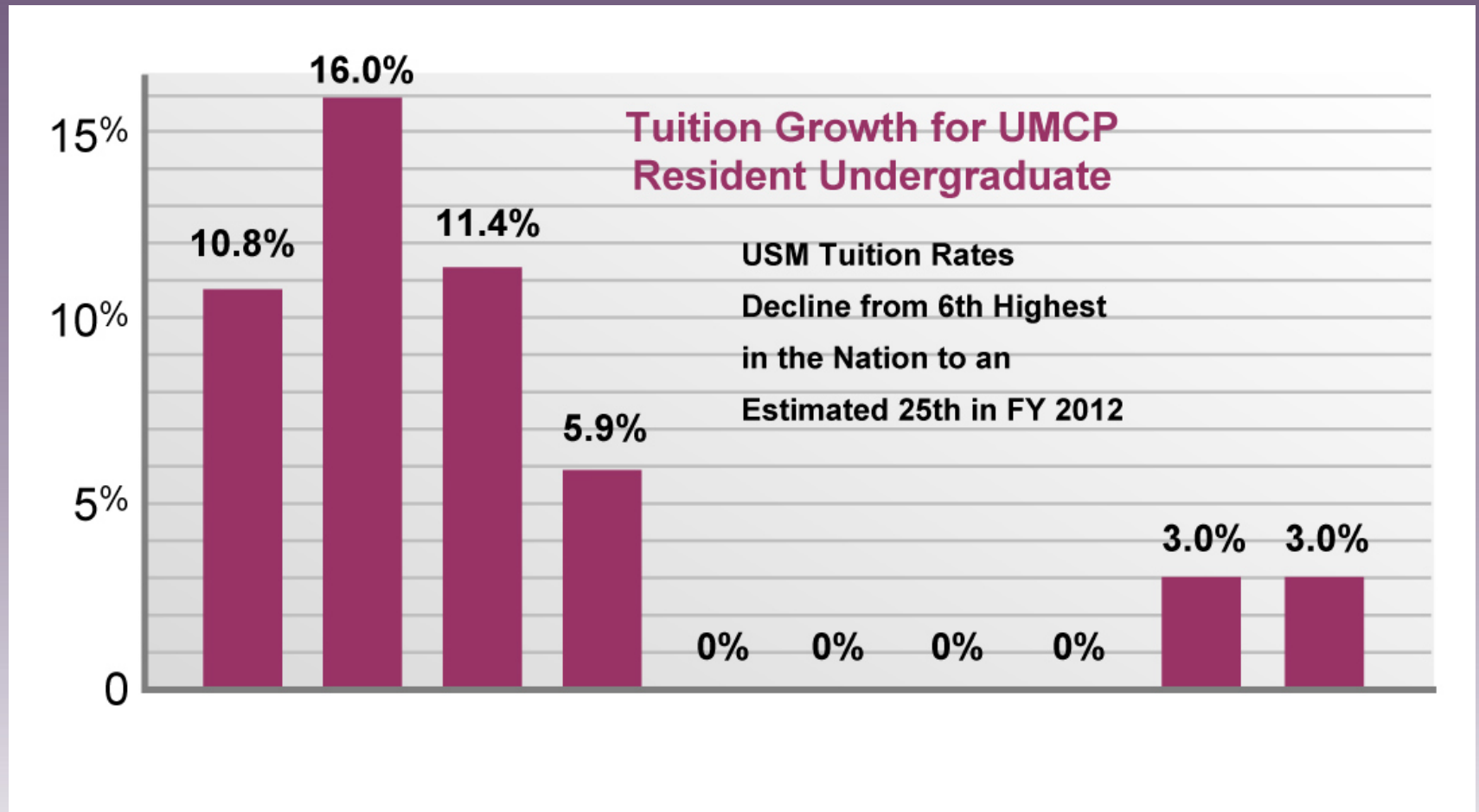


A Focus on Higher Education

\$5.3B for public higher education

- **\$9M to keep tuition growth at 3% at USM and Morgan State University, only the second increase in six years.**
 - Enrollment at State colleges and universities estimated at 130,255 in FY12 – 13% increase since FY07.
- **\$263.1M for the local community colleges**
 - Enrollment at local community colleges estimated at 109,237 in FY12 – 26% increase since FY07.
- **\$94.2M for Baltimore City Community College**
- **\$5M to promote tuition affordability at the community colleges.**
- **\$1M to establish Complete College Maryland, a competitive grant program to support best practices that increase degree completion.**

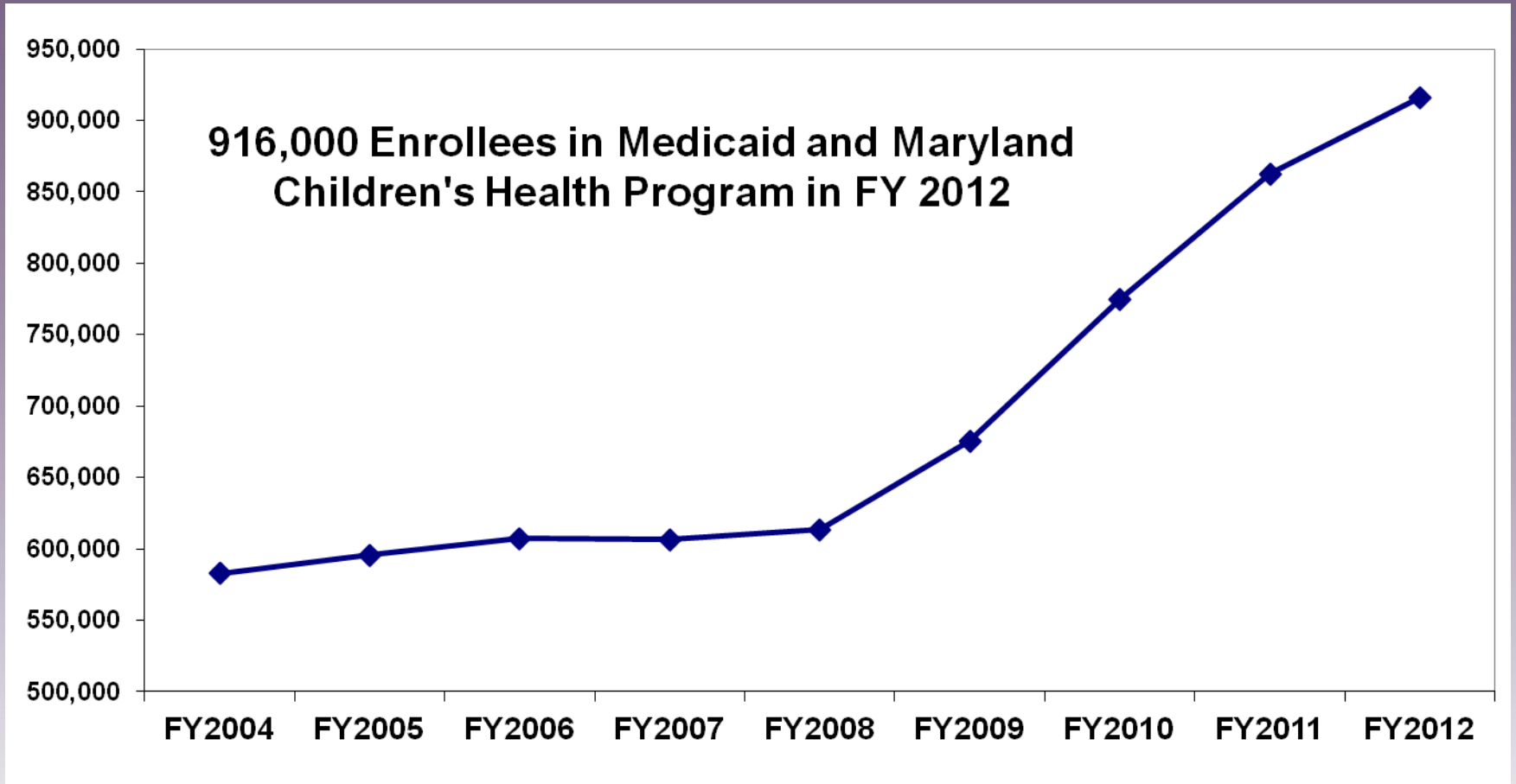
Making College Affordable for Marylanders



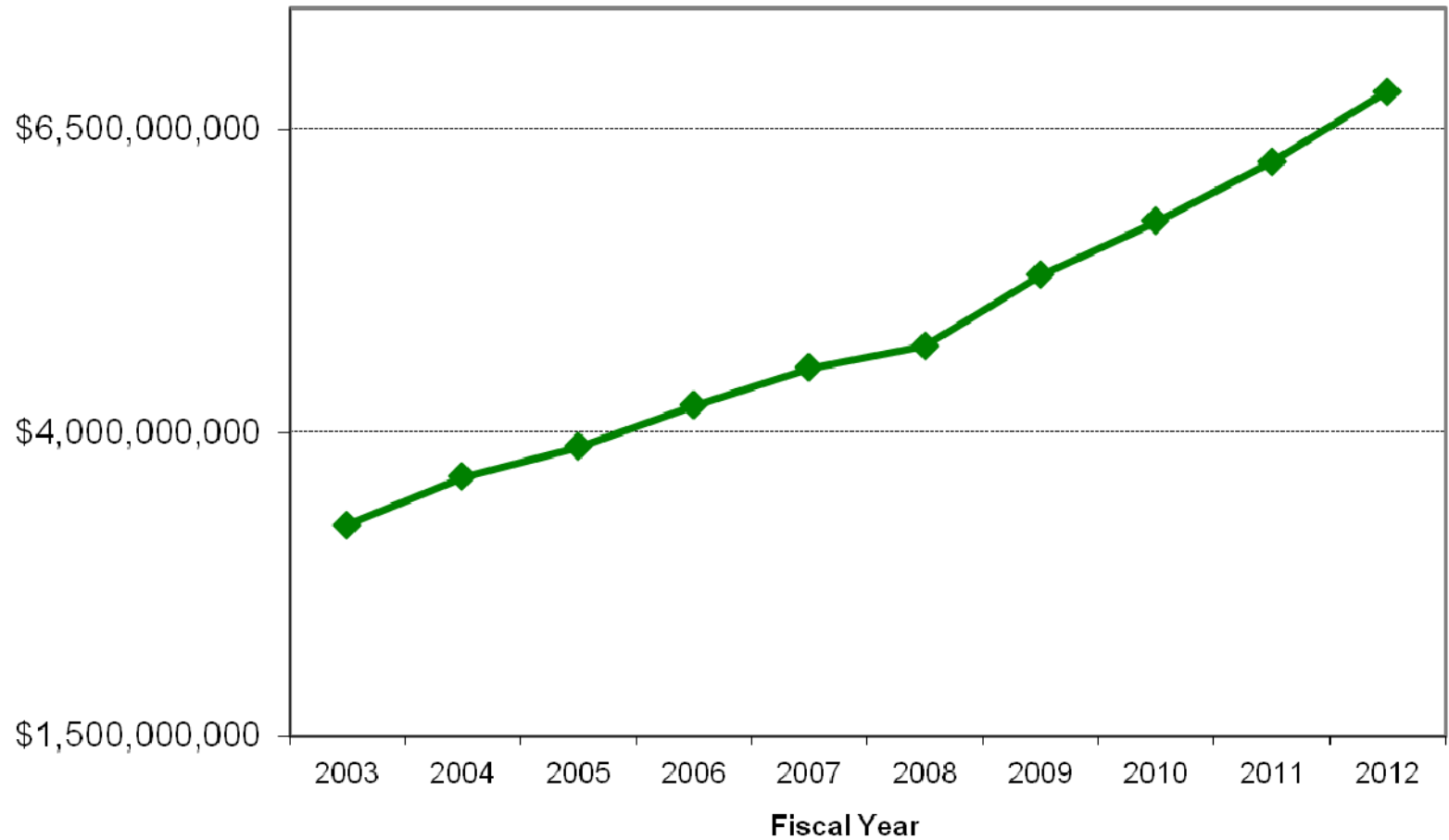
A Stronger Healthier Future

- \$7B to provide comprehensive health care coverage to more than 900,000 low-income, disabled, and chronically ill children and adults.
- \$17M to expand placements for people with developmental disabilities.
- \$8M for to raise payment rates for providers of services to developmentally disabled.

Expanding Access to Health Care by More than 300,000 Marylanders Over Five Years



Medicaid Spending Has More than Doubled Since FY 2003



Smart, Green, and Growing

- **\$25M for the Chesapeake Bay 2010 Trust Fund, an increase of 25% over FY 2011.**
- **Maintain full funding for Program Open Space (POS).**
- **\$16.2M for the cover crop program, which experienced record levels of participation in FY11.**
- **\$7M from Strategic Energy Investment Funds for clean renewable energy grants and \$1M to support Climate Change programs**
- **\$6.1M for weatherization grants to improve the energy performance of nearly 4,300 low income homes.**
- **\$4.7M for energy efficiency programs, primarily to assist low and moderate income Maryland residents.**

A Safer, More Secure Maryland

- **Total public safety budget of nearly \$2.18B.**
- **\$108M for Violence Prevention Initiatives targeting more than 2,000 of the State's most violent offenders.**
- **Funding for a trooper class of 80 new recruits.**
- **\$45.4M in police aid to local governments and municipalities.**
- **\$20.3M in local law enforcement grants to target domestic violence, substance abuse, and gun trafficking.**
- **\$10M for public safety wireless communication system**
- **\$1.7M for continued implementation of the Computer Aided Dispatch and Records Management System to assist law enforcement agencies and emergency responders with real-time information. Brings total investment to \$11.6M.**
- **\$562,000 for the Offender Case Management System, bringing the total allocated to \$14.8M. System tracks inmates from initial booking through community release.**

Tough Decisions to Balance the Budget

\$949 Million of General Fund Reductions

- Medicaid Payments to Hospitals (\$264M)
- Federal Fund Maximization (\$139M)
 - Fund K-12 Costs w/FY 11 savings from Education Jobs Grant
 - Medicaid Revenue Maximization Contract
- Retirement Reform Savings (\$104M)
- Level Fund K-12 Education Aid (\$94M)
- Public Higher Education Costs (\$55M)
- Other Local Aid Reductions (\$52M)
- Voluntary Separation Program (\$40M)
- Employee/Retiree Rx Costs (\$28M)