
Maryland Fiscal Update

**Presentation to the
Joint Legislative Workgroup to Study State,
County, and Municipal Fiscal Relationships**

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

November 19, 2009

Revenues Projected to Fall for Second Straight Year and to Grow in Fiscal 2011

(\$ in Millions)

<u>Source</u>	<u>FY 2009</u>	<u>FY 2010 Estimate</u>			<u>% Change over FY 2009</u>	<u>FY 2011 Estimate</u>	<u>% Change over FY 2010</u>
	<u>Actual</u>	<u>March</u>	<u>Sept.</u>	<u>Difference</u>			
Personal Income Tax	\$6,477.2	\$6,602.2	\$6,121.8	-\$480.3	-5.5%	\$6,358.2	3.9%
Sales and Use Tax	3,620.4	3,605.4	3,523.9	-81.6	-2.7%	3,647.2	3.5%
State Lottery ⁽¹⁾	473.2	507.1	523.0	15.9	10.5%	530.4	1.4%
Corporate Income Tax ⁽²⁾	550.7	555.5	495.0	-60.5	-10.1%	541.1	9.3%
Business Franchise Taxes	201.4	216.1	216.1	0.0	7.3%	216.1	0.0%
Insurance Premiums Tax	275.2	305.2	275.8	-29.5	0.2%	281.3	2.0%
Estate and Inheritance Taxes	205.5	177.6	180.2	2.6	-12.3%	178.3	-1.1%
Tobacco Tax	405.6	399.1	380.3	-18.9	-6.2%	375.7	-1.2%
Alcohol Beverages Tax	29.2	29.6	29.5	-0.1	1.2%	29.9	1.2%
Motor Vehicle Fuel Tax	6.5	8.4	8.4	0.0	29.0%	0.0	-100.0%
District Courts	89.4	88.8	88.6	-0.2	-0.9%	87.5	-1.2%
Clerks of the Court	40.5	32.8	42.0	9.2	3.7%	40.2	-4.4%
Hospital Patient Recoveries	96.5	66.4	65.7	-0.7	-31.9%	67.1	2.0%
Interest on Investments	83.0	73.0	38.0	-35.0	-54.2%	48.5	27.6%
Miscellaneous	338.3	329.8	326.0	-3.8	-3.6%	332.5	2.0%
GAAP Transfer	<u>7.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>-100.0%</u>	<u>0.0</u>	<u>n/a</u>
Total Revenues	\$12,900.5	\$12,997.0	\$12,314.2	-\$682.8	-4.5%	\$12,733.9	3.4%

(1) Legislation from the 2009 session (HB 101) lowered the agent commission from 5.5 to 5.0% for fiscal 2010 to 2012.

(2) General fund corporate income tax revenues in fiscal 2009 and 2010 reflect distributions to the Higher Education Investment Fund. Under current law, there will be no distribution in fiscal 2011.

Legislative Staff Develops Baseline Spending Estimate

- Informs Spending Affordability Committee deliberations fall of each year
- Assumes current law and policies
- Recognizes inflationary increases
- Includes costs associated with new facilities
- Identifies current budget year deficiencies

Additional Expenditures May Be Required in Current Year

Potential Fiscal 2010 Budget Deficiencies (\$ in Millions)

Medicaid: Medicaid and children's health program costs	\$145
Public Safety: Personnel costs due to reduced vacancies and turnover (\$34 million) and inmate medical costs (\$6 million)	40
Human Resources: Temporary Disability Assistance Program (\$17 million) and loss of federal funds for preplacement expenses (\$10 million)	27
Juvenile Services: Disallowed federal IV-E claims (\$14 million); various operating expenses (\$4 million); and per diem payments (\$1 million)	19
Health and Mental Hygiene: Mental hygiene community provider costs (\$16 million) and breast and cervical cancer treatment program (\$1 million)	17
Education: Assessment contracts	10
Assessment and Taxation: Homeowners Tax Credit Program	5
Other	<u>16</u>
	\$279

Current Services Forecast

Significant Budget Challenges in Fiscal 2011

- Current services requirements forecast to grow almost 12.8% above the current FY 2010 appropriation in FY 2011 (\$1.7 billion)
 - Medicaid (Less ARRA and Special Funds) \$880 M
 - State Personnel (Salaries & Benefits) 318 M
 - Local Aid (Primarily Statutory Mandates) 116 M
 - Higher Ed (\$45 million is HEIF shift) 76 M
 - Foster Care/Assistance Payments 68 M
 - MHA/DDA (Enrollment/Utilization) 54 M
 - Major IT Projects (Prior Year Deferrals) 40 M

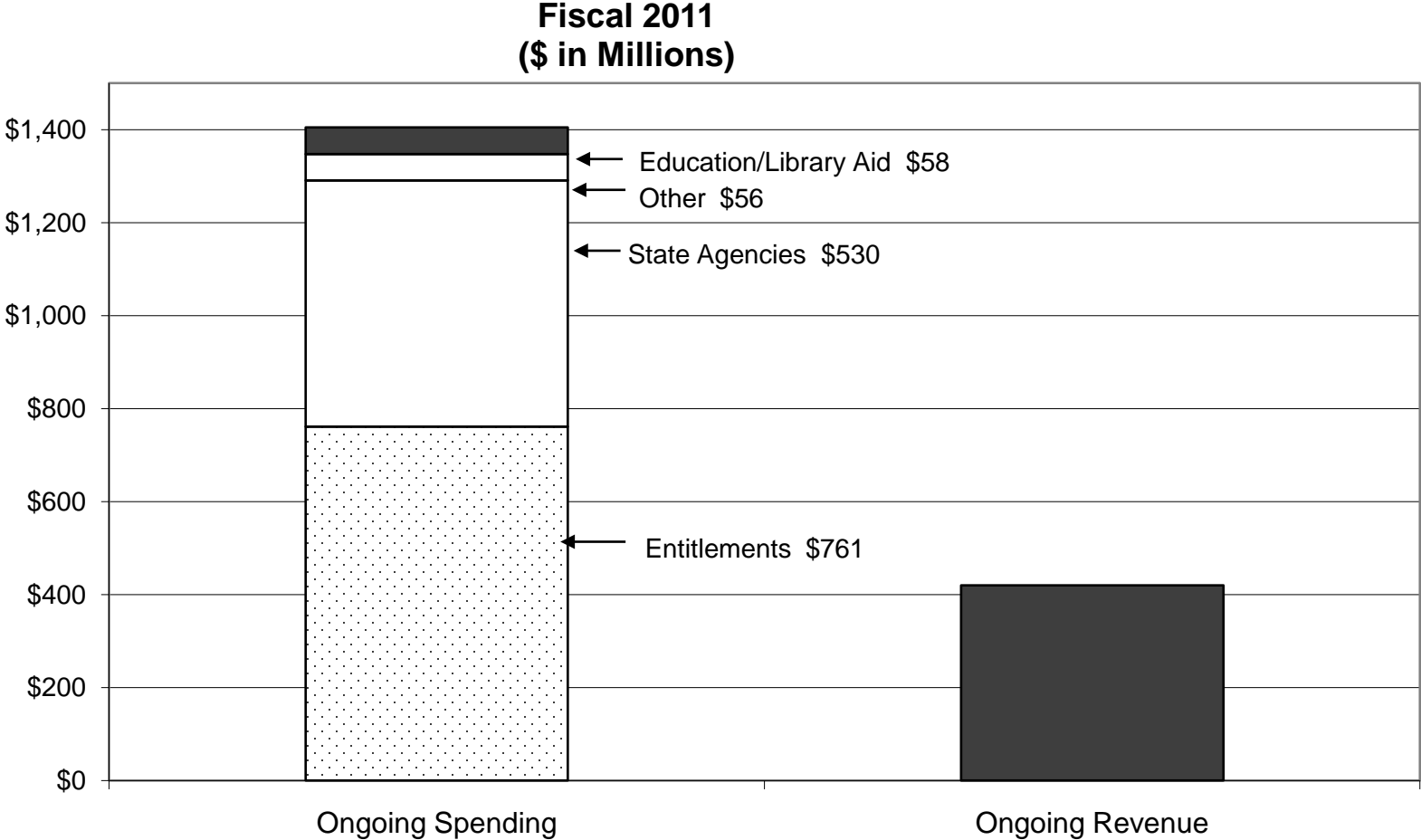
MHA – Mental Hygiene Administration

DDA – Developmental Disabilities Administration

ARRA – American Recovery and Reinvestment Act

HEIF – Higher Education Investment Fund

Modest Revenue Growth Funds Less Than 1/3 of Baseline Budget Growth



Administration's Latest Proposed Actions Close Current Budget Gap and Leave a Balance to Cover Some Fiscal 2010 Budget Deficiencies

Fiscal 2010 Budget (\$ in Millions)

-\$240.6	Gap After September Revenue Forecast
102.8	November 18 BPW Reductions
129.0	Corporate Income Tax – CEG Asset Sale
98.4	Other Revenues/Transfers
<u>31.4</u>	Additional Reversions
\$121.0	Estimated Fiscal 2010 Balance
-278.7	Potential Budget Deficiencies (DLS Estimate)

DLS: Department of Legislative Services

BPW : Board of Public Works

CEG: Constellation Energy Group

Revenues Minus Baseline Spending Estimate = \$2 Billion Fiscal 2011 Hole

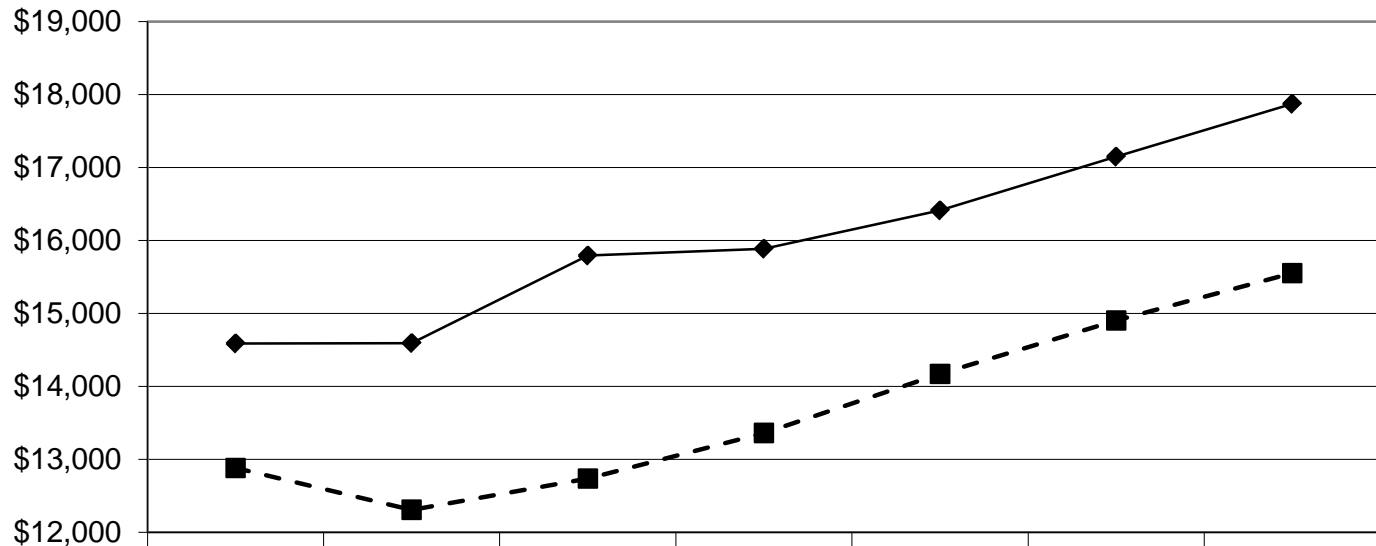
Fiscal 2011 General Fund Budget (\$ in Millions)

Starting Balance		\$0.0
Revenues		
BRE Estimated Revenue September 2009	\$12,733.9	
Transfers	161.6	
Funds Available		\$12,895.5
Spending		
DLS Baseline Estimate	\$14,923.8	
Estimated Agency Reversions	-30.0	
Net Expenditures		\$14,893.8
Ending Balance		-\$1,998.2

DLS: Department of Legislative Services
BRE: Board of Revenue Estimates

General Fund Revenues Fund about 85% of Current Services Spending Estimates

Fiscal 2009-2015
(\$ in Millions)

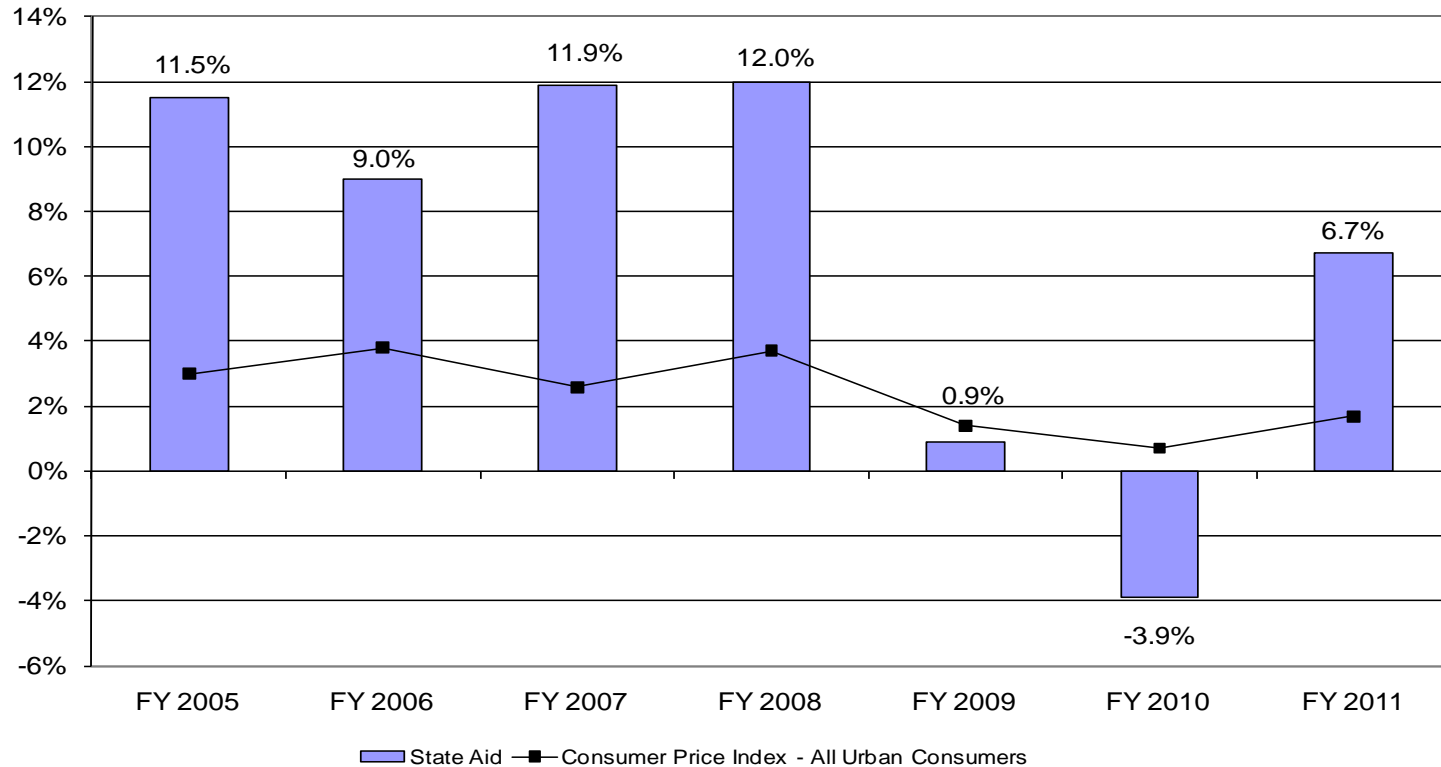


	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
—◆— Ongoing Spending	\$14,585	\$14,590	\$15,790	\$15,884	\$16,410	\$17,147	\$17,872
-■- Ongoing Revenues	\$12,879	\$12,308	\$12,734	\$13,360	\$14,170	\$14,903	\$15,552
Structural Balance	-\$1,706	-\$2,282	-\$3,057	-\$2,524	-\$2,240	-\$2,244	-\$2,321

Note: Fiscal 2009, 2010, and 2011 adjusted to reflect federal stimulus funds. Fiscal 2010 does not include November 2009 Board of Public Works reductions.

Are Statutorily Required Aid Increases Sustainable in Fiscal 2011?

**Annual Growth in State Aid to Local Governments
General and Special Funds
Fiscal 2005-2011**



Components of Growth Conducive to Level Funding about \$350 Million

(\$ in Millions)

• Level Fund Mandated Formulas	\$72
• No Employee COLAs/Increments	123
• Continue State Employee Furloughs	45
• No Deferred Compensation Match	12
• Continue to Defer IT Projects	40
• Level Fund Higher Education	28
• Constrain Agency Operating Costs	15
• No Community Provider Rate Increases	12

COLA: Cost-of-living Adjustment

IT: Information Technology

Other Gap Closers

(\$ in Millions)

- Enhanced Medicaid Match for Extra Six Months per House Health Bill \$384
- Continue One-time BPW Reductions or Transfers for Another Year 175
- Maximize Use of Bonds to Benefit the General Fund 120
- Additional Federal TANF Monies 85

BPW: Board of Public Works

TANF: Temporary Assistance for Needy Families

Revenue Attainments a Concern

Next Several Months Crucial

(\$ in Millions)

<u>Source</u>	Fiscal Year through October			
	<u>FY 2009</u>	<u>FY 2010</u>	<u>\$ Difference</u>	<u>% Difference</u>
Personal Income Tax	\$1,758.2	\$1,621.8	-\$136.4	-7.8%
Sales and Use Tax ⁽¹⁾	947.5	884.1	-63.4	-6.7%
State Lottery	135.0	155.8	20.8	15.4%
Corporate Income Tax	125.1	108.4	-16.7	-13.3%
Business Franchise Taxes	44.5	43.4	-1.1	-2.6%
Insurance Premiums Tax	67.3	65.7	-1.6	-2.3%
Estate and Inheritance Taxes	78.4	56.4	-22.0	-28.1%
Tobacco Tax	116.2	114.5	-1.7	-1.5%
Alcohol Beverages Tax	7.3	7.3	0.0	0.6%
Motor Vehicle Fuel Tax	2.2	2.2	0.0	1.9%
District Courts	30.9	32.2	1.3	4.3%
Clerks of the Court	14.2	14.4	0.2	1.4%
Hospital Patient Recoveries ⁽²⁾	10.2	3.7	-6.5	-63.7%
Interest on Investments ⁽³⁾	24.0	7.0	-16.9	-70.6%
Miscellaneous	42.2	42.0	-0.1	-0.3%
Total Revenues	\$3,403.1	\$3,159.1	-\$244.0	-7.2%

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

⁽²⁾ Includes revenues from Medicare, insurance, and sponsors only. Fiscal 2009 includes \$6.5 million from a Medicaid cost settlement.

⁽³⁾ Adjusted to reflect accrued interest earnings.