



# MARYLAND'S BUDGET AND MONTGOMERY COUNTY

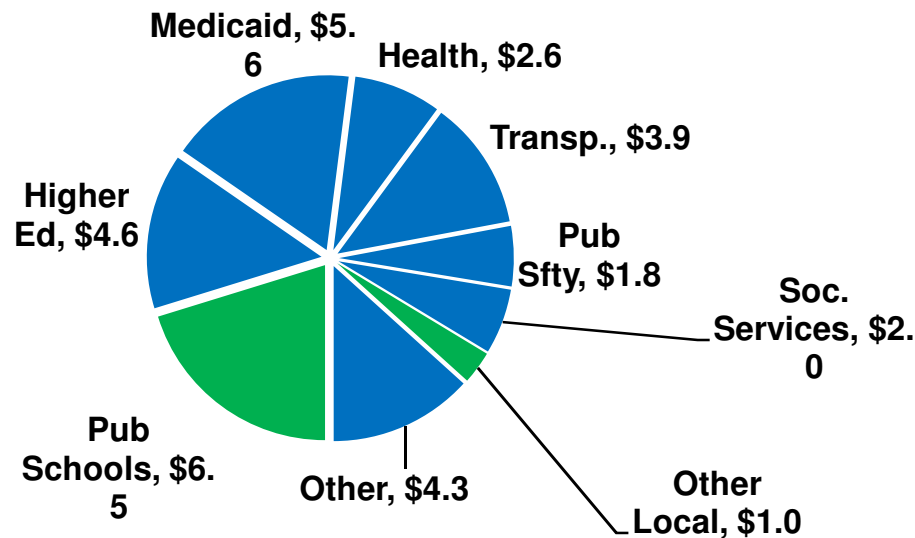
Neil Bergsman  
Presentation to Committee for Montgomery  
February 1, 2010

# BACKGROUND BRIEFING

## WHAT'S IN THE STATE BUDGET?



FY 2010 - \$ billions  
Total \$32.3 B

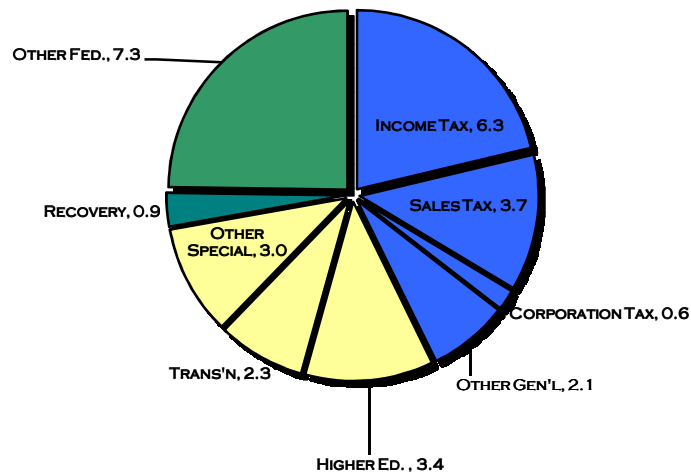


- 75% of budget =
  - Education +
  - Health +
  - Transport-ation +
  - Public Safety

# BACKGROUND BRIEFING: WHERE DOES IT COME FROM?



\$BILLIONS - ALL FUNDS  
TOTAL = \$29.6 B



- **General funds are less than ½ of the whole budget**
- **Income and sales taxes are very sensitive to economic changes**

# HOW BIG IS THE SHORTFALL?

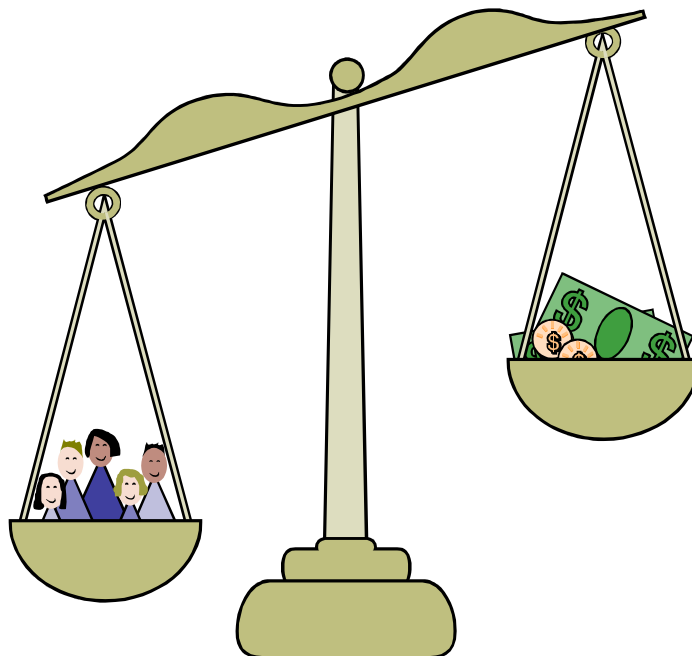


■ \$2 Billion

■ Equals:

■ The combined budgets of the Departments of

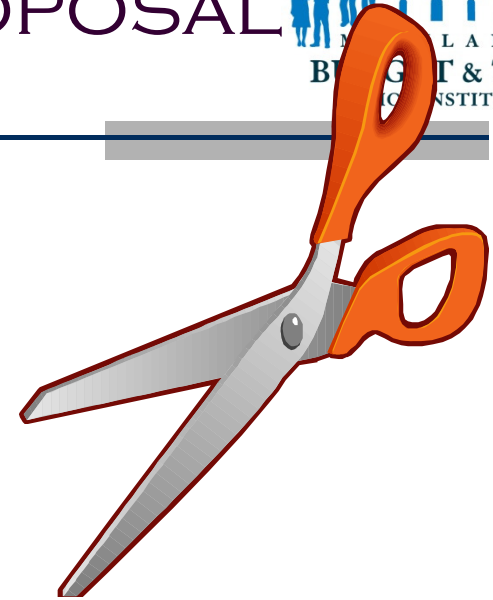
- Agriculture,
- Business & Economic Development,
- Housing and Community Development,
- Human Resources,
- Environment,
- Natural Resources,
- Public Safety & Correctional Services
- State Police



# GOVERNOR O'MALLEY'S PROPOSAL



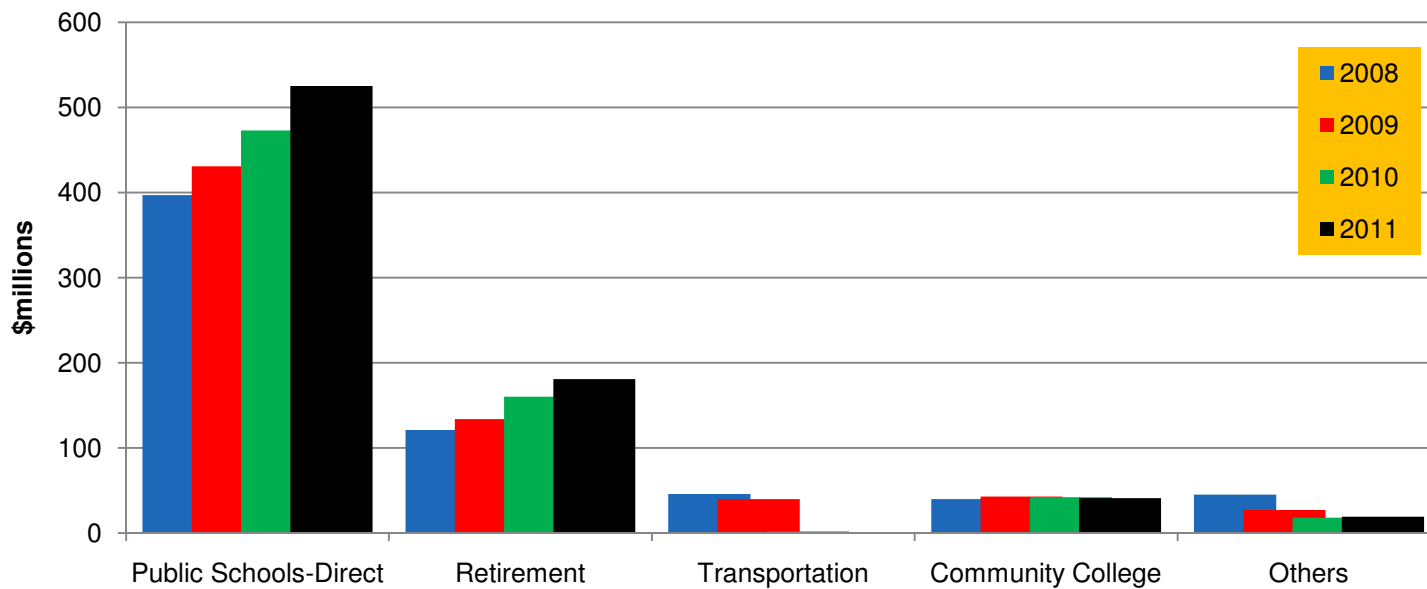
- \$1.014 billion in cuts
- \$913 million in fund transfers
- \$389 million extended Federal Medicaid stimulus
- Medicaid and K-12 education are the only large increases



# HOW DID MONTGOMERY DO?



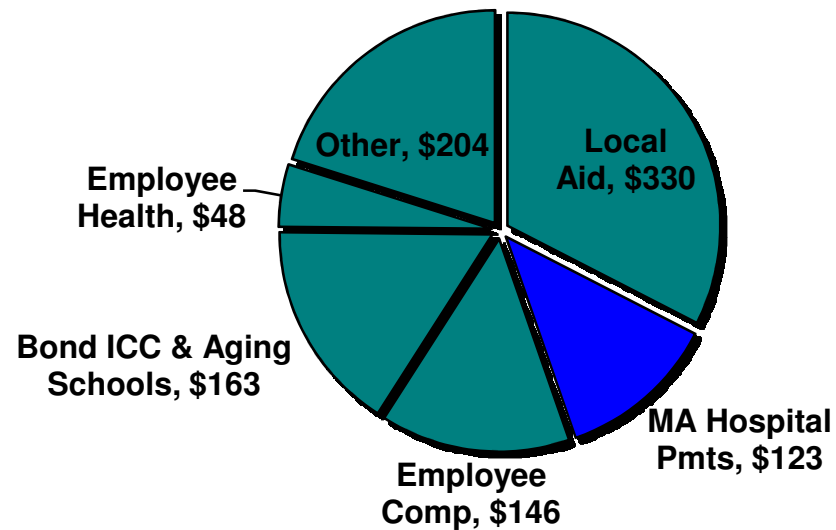
## State Aid to Montgomery County Fiscal 2008-2011



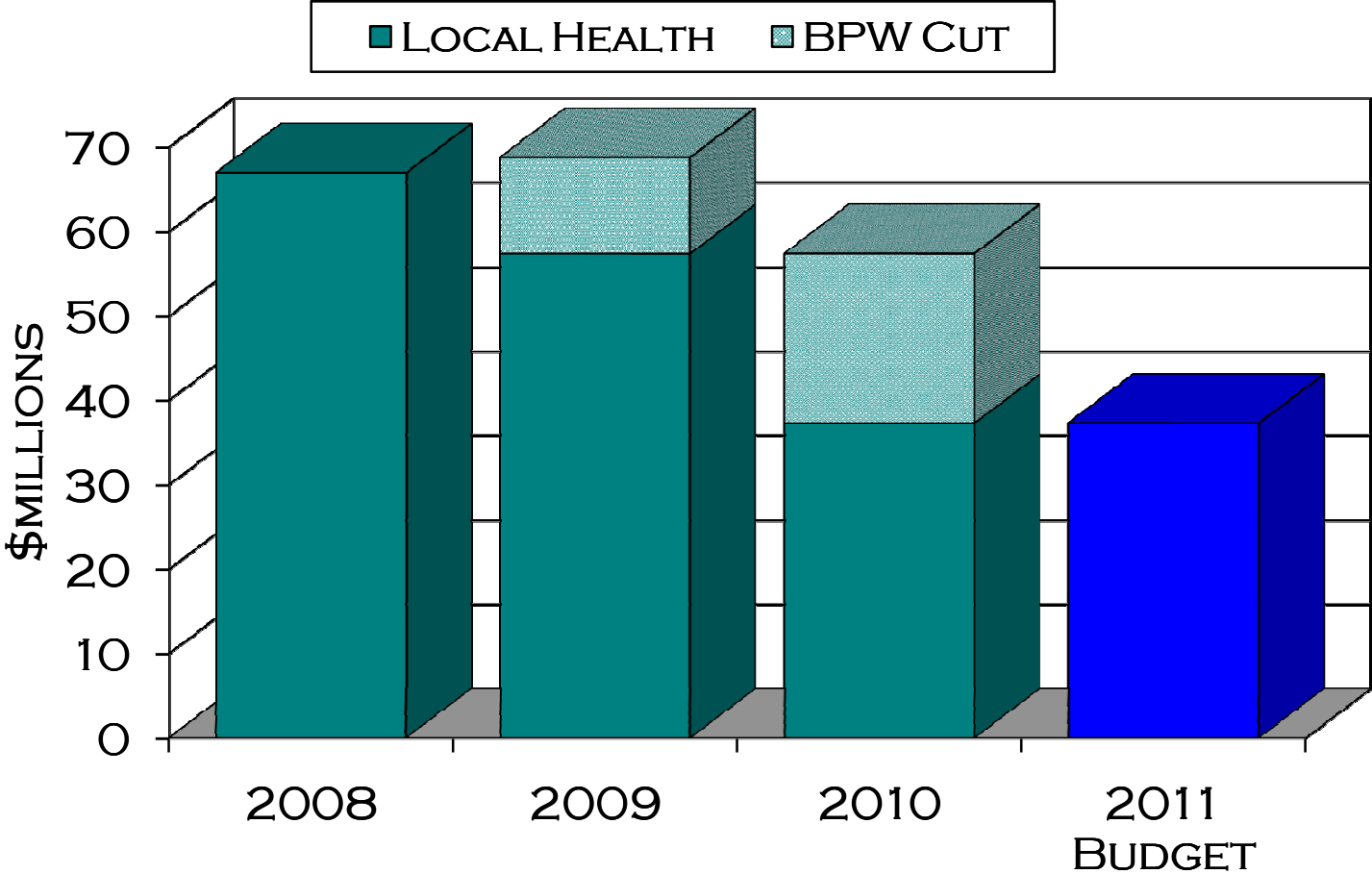
# 2011 BUDGET CUTS FOCUSED ON LOCAL AID, MEDICAID RATES & STATE EMPLOYEES



\$ MILLIONS - TOTAL \$1,014



# EXAMPLE OF “LEVEL FUNDING” LOCAL HEALTH AID



# LEGISLATIVE SERVICES' ADVICE TO THE BUDGET COMMITTEES



- \$389 million in Federal Medicaid funds are not certain
- “You need a Plan B”
- Options
  - \$274 million projected fund balance
  - \$635 million Rainy Day Fund
  - Budget cuts
    - Legislative Services suggests \$250 million in cuts to cover the risk of federal funding not being extended, and leave a fund balance

# THE ALL-CUTS SOLUTION IS A BAD IDEA



- Cuts to programs harm those most affected by recession
- Cuts to education, transportation, infrastructure disinvest in Maryland's future
- Cuts to state jobs, contracts and services harm the economic recovery

# EXTENSIONS OF ECONOMIC STIMULUS



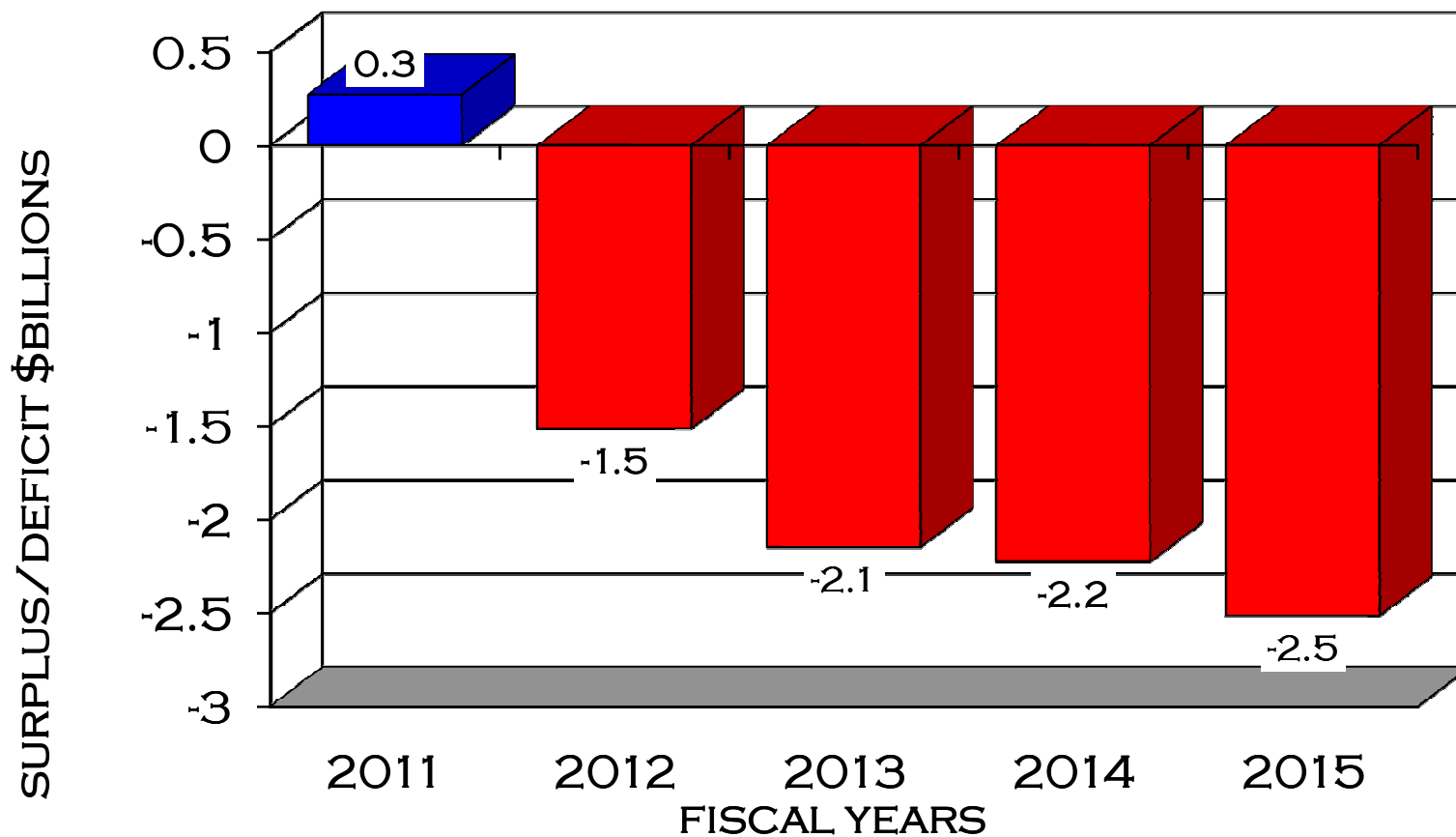
- Included in House jobs bill
- Could provide \$400 to 500 million
- Governor assumes \$389 million in budget balancing strategy
- Effect of US Senate balance?

# THESE WON'T GET US THERE



- Maryland needs a **BALANCED** approach to balancing the budget.

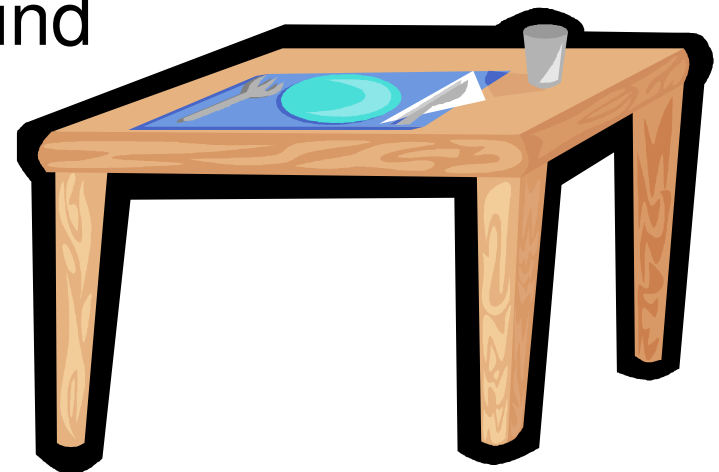
# LONG RUN ESTIMATES REMAIN BILLIONS IN THE RED



# IT'S TIME TO PUT REVENUES BACK ON THE TABLE



- Continue “millionaire tax”
- Reform corporate tax
- Gasoline tax
- Alcohol tax
- Sales tax on consumer services
- Prudent use of reserve fund



- Total of possible revenues could be up to \$1.8 billion in 2011
- Aren't taxes bad?
  - Need to weigh tax increases against damage from the equivalent level of service cuts
- Maryland needs a balanced approach to balancing the budget

# *THANK YOU*



- Play The Maryland Budget Game
- [www.marylandpolicy.org](http://www.marylandpolicy.org)

