

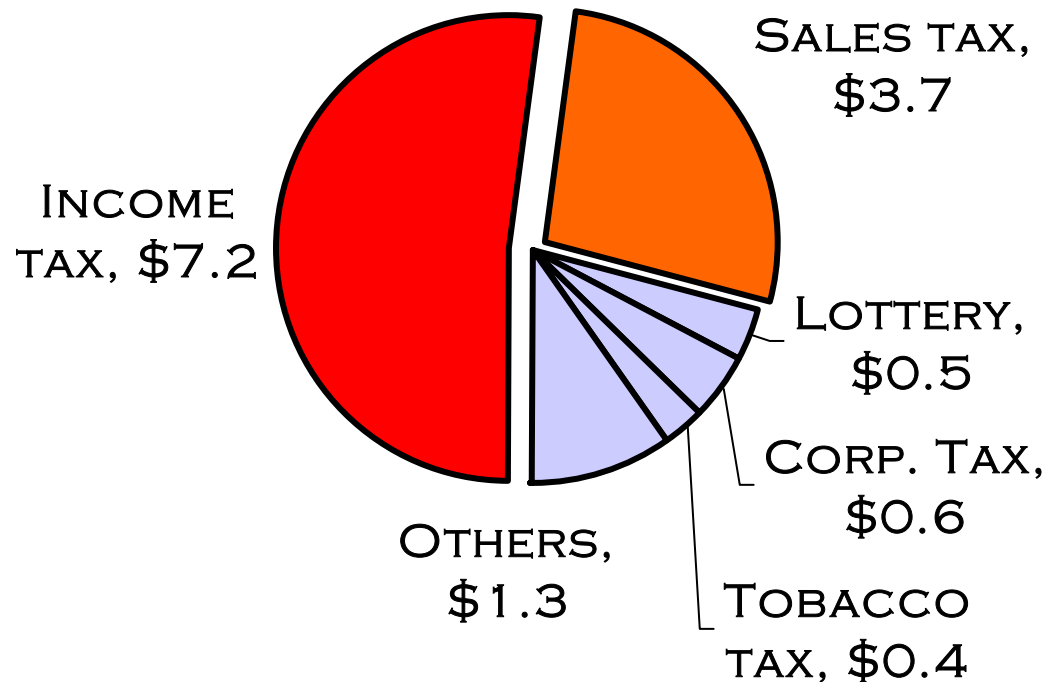


FEDERAL STIMULUS AND MARYLAND'S BUDGET

Neil Bergsman
Maryland Budget & Tax Policy Institute
May 20, 2009

- How does the economy affect the Maryland budget?
- How does the federal stimulus funding affect the Maryland budget?
- How is the budget balanced?
- What will happen in the future?

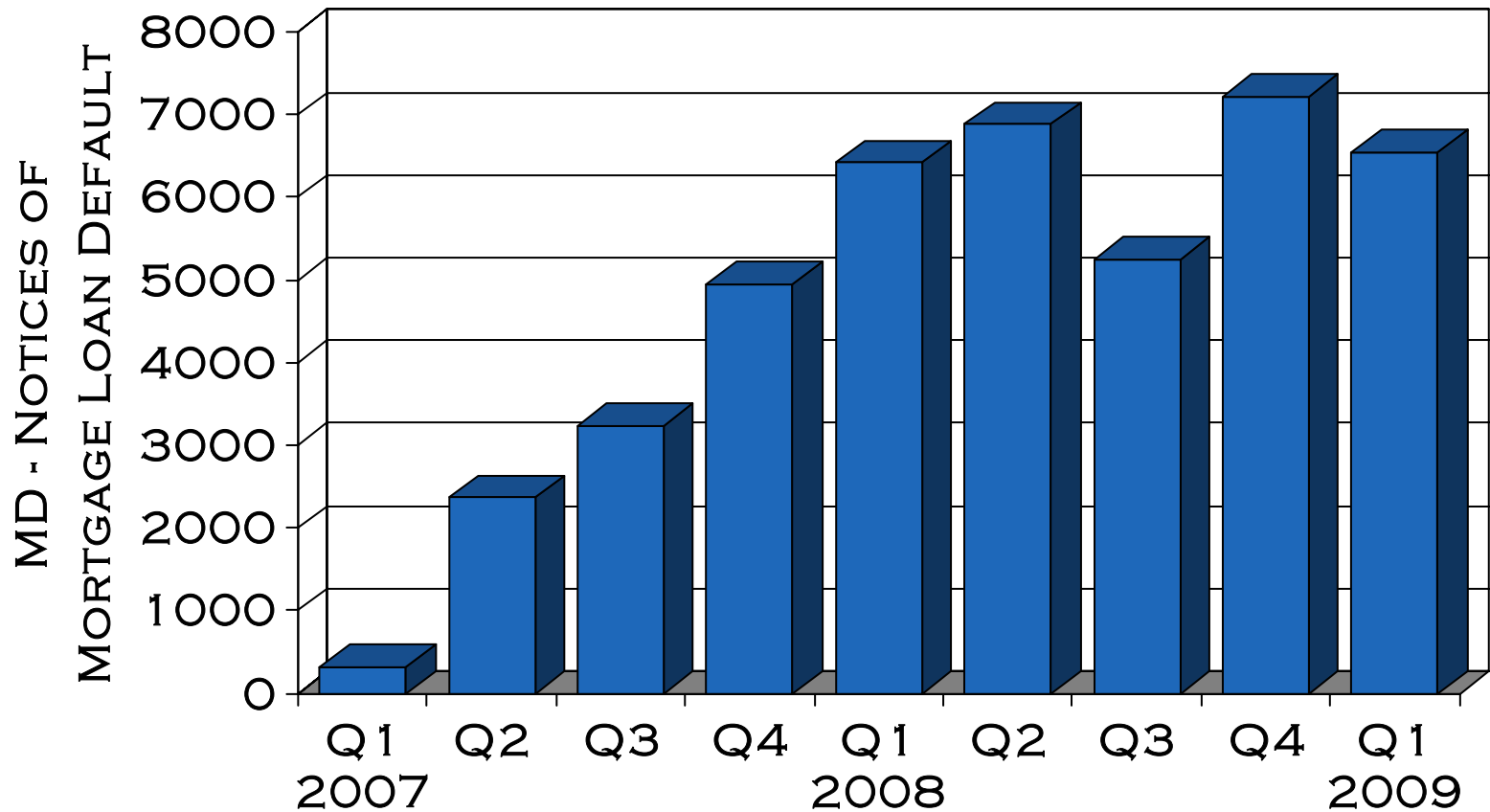
OVER $\frac{3}{4}$ OF OUR REVENUE BASE IS EXTREMELY SENSITIVE TO ECONOMIC CONDITIONS



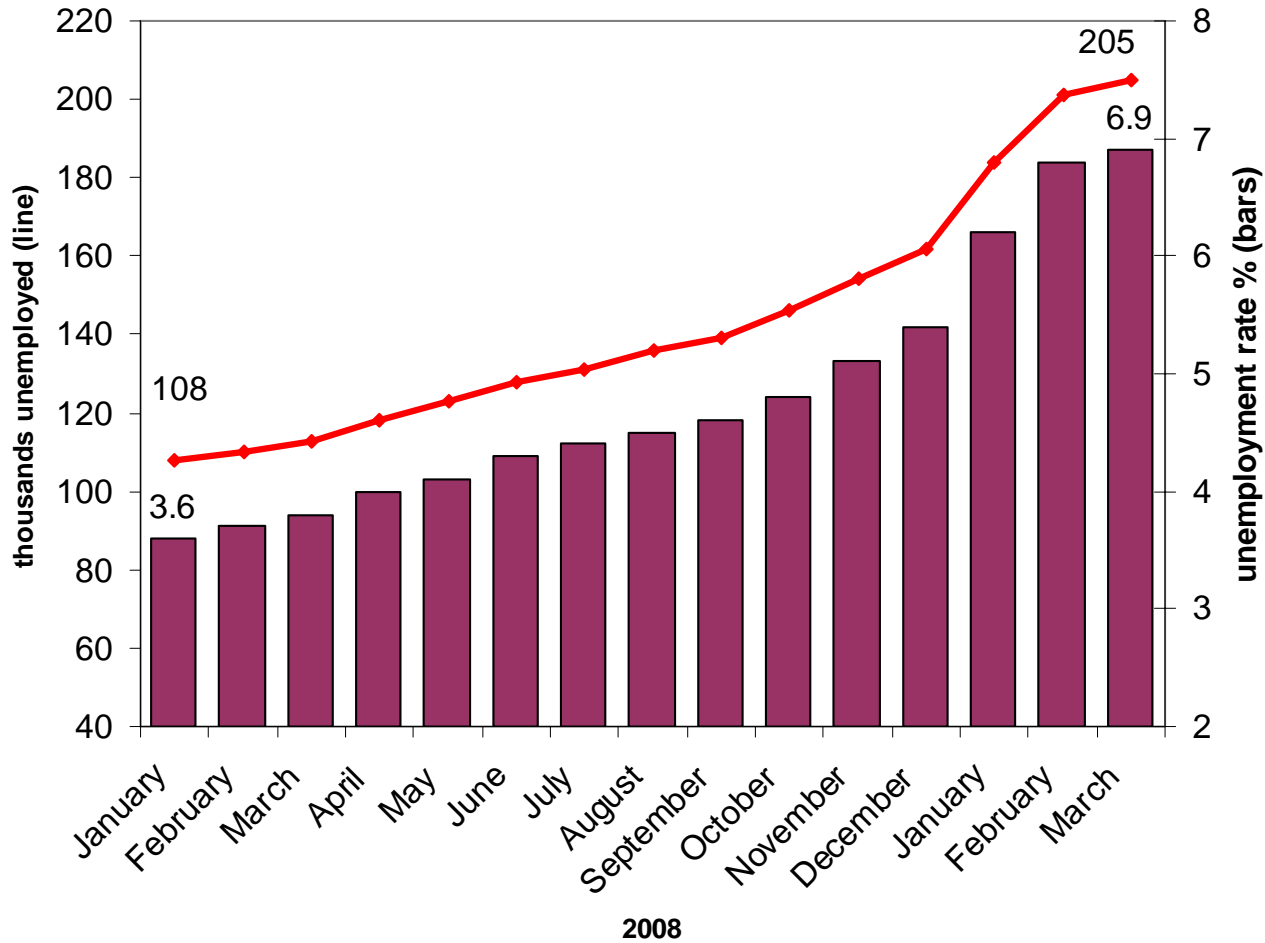
Maryland General Fund
FY 2010 Revenues
(\$ Billions)
Total = \$13.7 billion

MD Board of Revenue Estimates 12/08. Federal & Special funds not included.

MORTGAGE DEFAULTS CONTINUE TO INCREASE



MARYLAND UNEMPLOYMENT SURGES

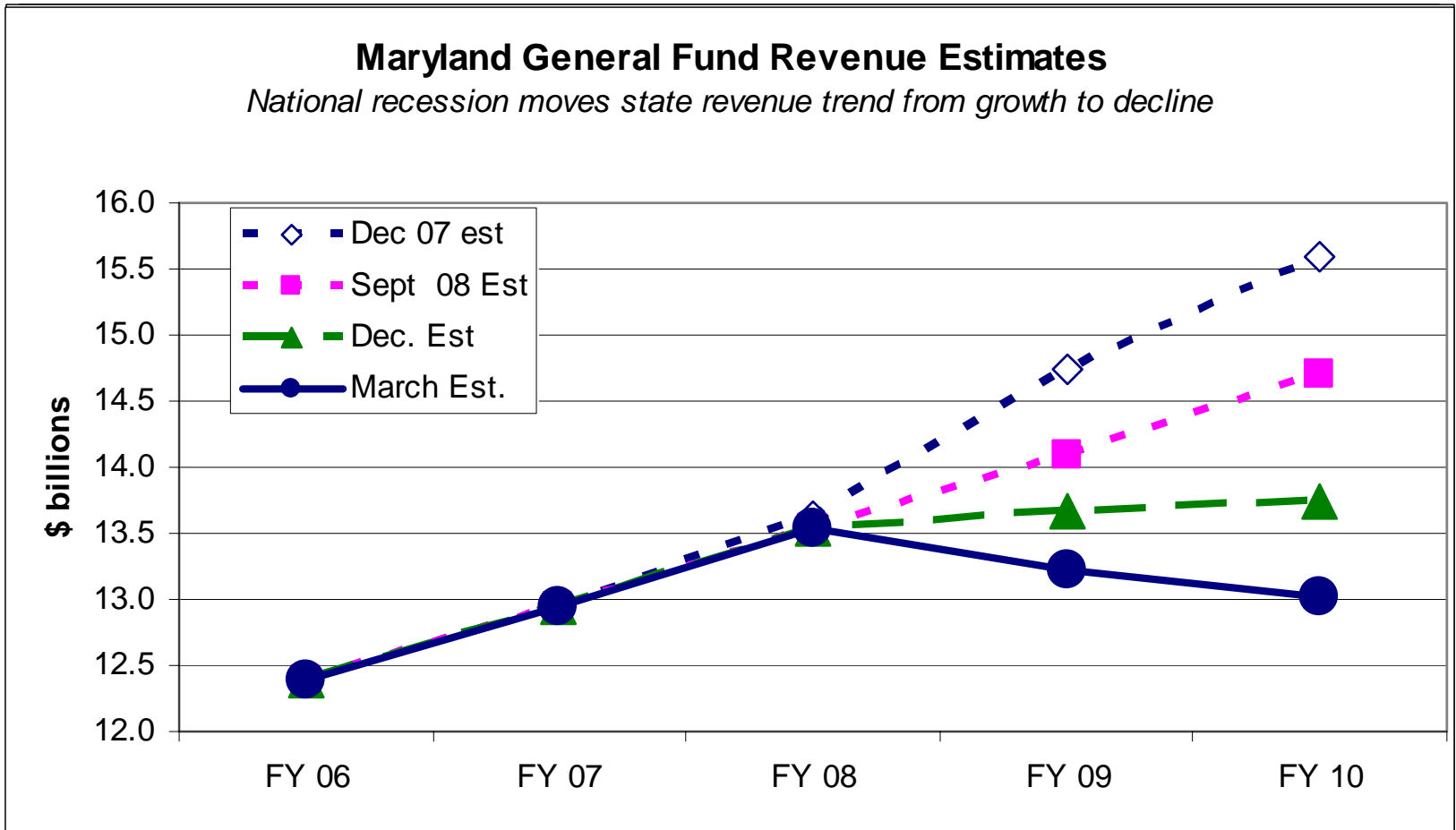


STATE REVENUE ESTIMATES

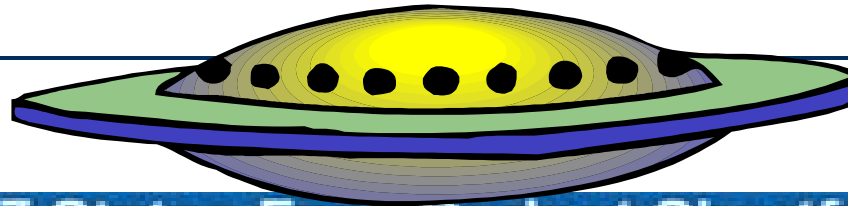


Maryland General Fund Revenue Estimates

National recession moves state revenue trend from growth to decline



WE ARE NOT ALONE



47 States Face Budget Shortfalls

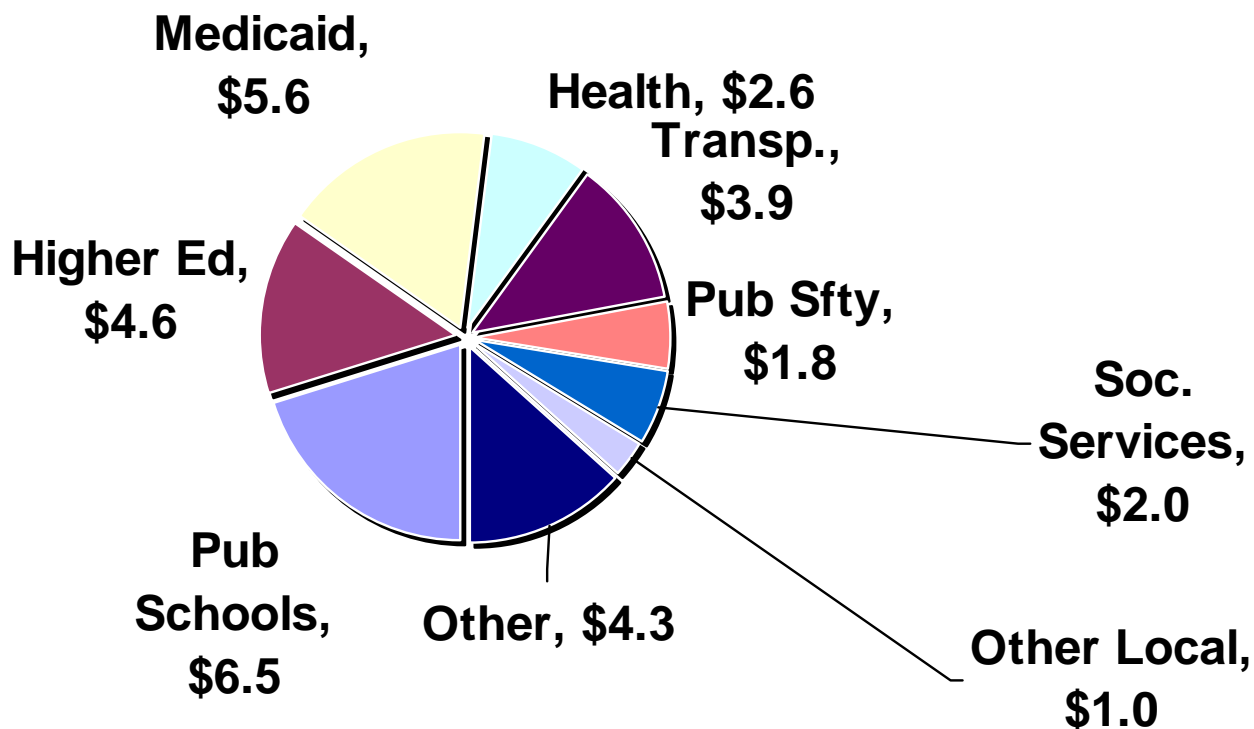


Note: Includes states with shortfalls in fiscal 2009 or projected shortfalls for fiscal 2010.

■ Source: Center for Budget and Policy Priorities 5/13/09

WHAT IS THERE TO CUT?

Maryland Budget - All Funds FY 2010 - \$ billions Total \$32.3 B



KEEPING SCORE?

STATE BUDGET REDUCTIONS SO FAR ...



\$ millions – general funds

“Down-payment” July '07	200
Governor’s budget Jan. '08	550
Legislative reductions April '08	227
Required by Budget Bill July '08	50
Board of Public Works Oct. '08	297
BPW Mar '09	67
Governor’s budget Jan. '09*	697
Legislative cuts Apr. '09	577
Cumulative Total	2,665

* Excludes “contingent” reductions proposed by Governor.

FEDERAL ECONOMIC STIMULUS



- National Totals
 - \$787 billion
 - \$223 billion for state and local government

WHY WAS THIS SUCH A GOOD IDEA?



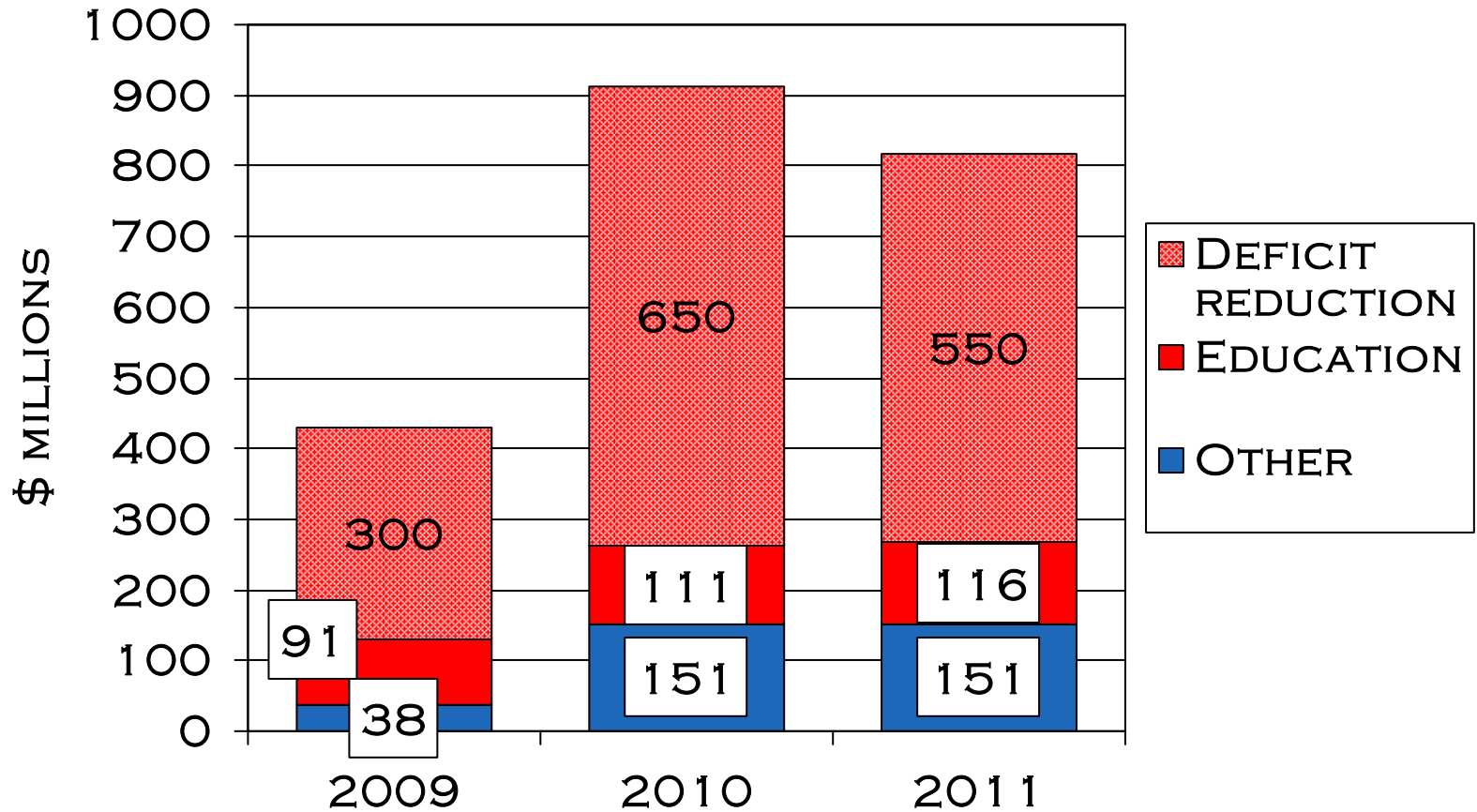
- Helps the economy
 - Business and consumer spending is DOWN. Government has to step in to prop up employment and production.
 - States have to balance budgets. Service cuts further weaken the economy.
- Helps people in need
 - State-run programs like medical assistance, unemployment insurance and income support, are the critical strands in the “safety net.”

STIMULUS AID FOR MARYLAND



- Medicaid, Education Aid, Flexible Aid
 - \$2.1 billion
 - Can help the budget shortfall
- Infrastructure
 - \$781 million
 - Transportation, water quality, housing
- Other Formula Funding
 - \$780 million
 - Education, nutrition, unemployment, training, weatherization
- Competitive grants
 - Over \$19 billion nationally

GOVERNOR O'MALLEY'S PLAN 3 YEARS 2009-2011 - \$2.1 BILLION



“Deficit Reduction”

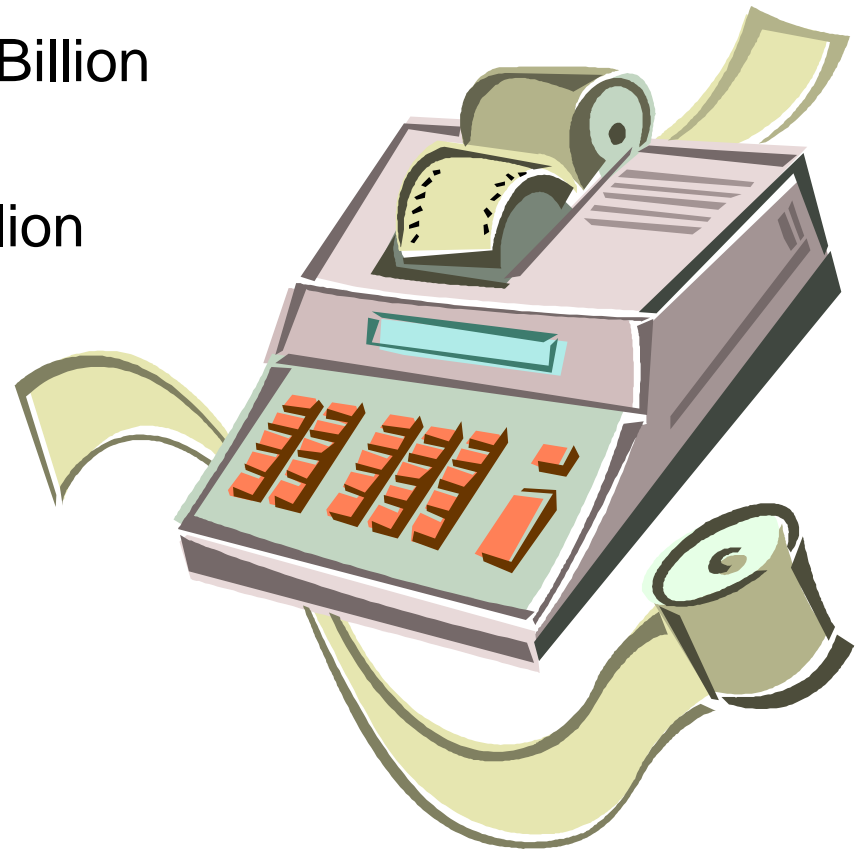
means

education, health, public
safety and assistance
programs that would
otherwise been cut.

APPROVED BUDGET APRIL 13, 2009

THE NUMBERS...

- Total: \$32.3 Billion
 - 3.5% increase
- General funds: \$13.8 Billion
 - 3.3% DECREASE
- Federal funds \$9.3 billion
 - 21% increase



HOW WAS IT BALANCED?

- Federal Stimulus payments
 - \$2.5 billion in fiscal year 2009 and 2010
- Fund transfers & balances
 - \$1.8 billion over 2 years
- Cuts: \$840 million
 - (\$577 million in general funds)



THE BIGGEST LOSERS (LEGISLATIVE ACTION)



- Aid to local government -113 million
 - Biggest hits to local transportation funds
- Medicaid -84 million
 - Many of the reductions are actually fund switches
- Higher Education
 - Private colleges -14 million
 - UM and other public colleges -9.5 million

INCREASES THAT WON'T HAPPEN:



- Employee compensation
- Most Medicaid providers
- Most group homes
- Local aid formulas

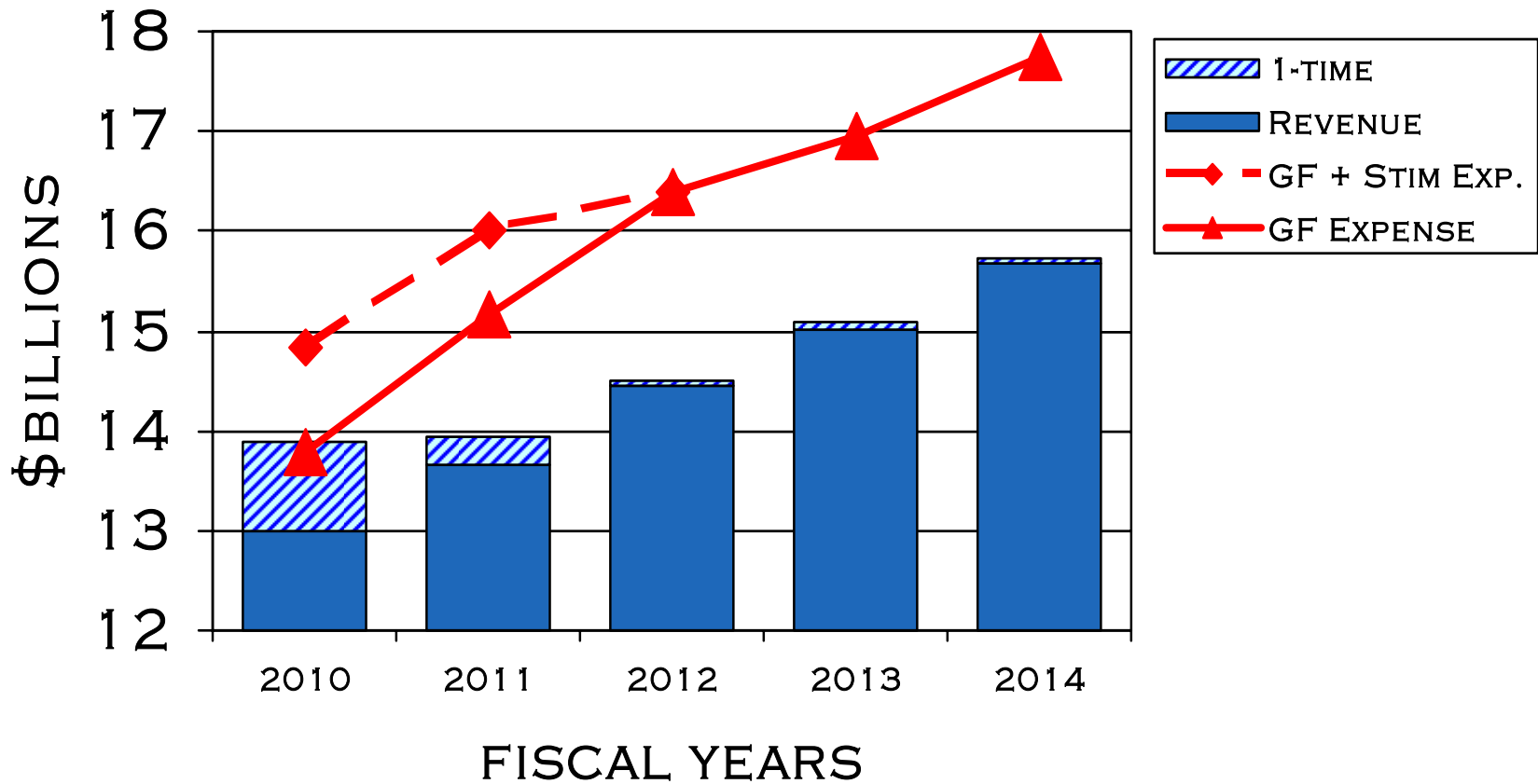
THE FUTURE

- Next year (2010 session, FY 2011 budget)
 - Shortfall in the \$1.2 billion range
 - Election year – revenues are considered “off the table”
 - \$650 million in reserve fund
 - Other 1-time actions exhausted
 - The all-cuts solution?
- 2 years out (2011 session 2012 budget)
 - Stimulus Aid runs out
 - Additional shortfall
 - Economic recovery?
 - Revenues?



BUDGET FORECAST

DEPT. OF LEGISLATIVE SERVICES FORECAST GENERAL FUNDS



Projected Shortfalls (\$b)				
-	\$1.2	\$1.9	\$1.9	\$2.0

THANK YOU

www.marylandpolicy.org

SOURCES



- Center on Budget and Policy Priorities
- Md Department of Budget and Management
- Md Department of Legislative Services
- Md Department of Housing & Community Development
- Md Bureau of Revenue Estimates
- Md Office of the Governor
- US Bureau of Economic Analysis
- US Bureau of Labor Statistics