

MARYLAND'S VULNERABLE PUBLIC SECTOR
EDUCATION, HEALTH AND
PUBLIC SAFETY AT RISK

Maryland Budget & Tax Policy Institute
Presentation to
Reservoir Hill Improvement Council
May 5, 2009

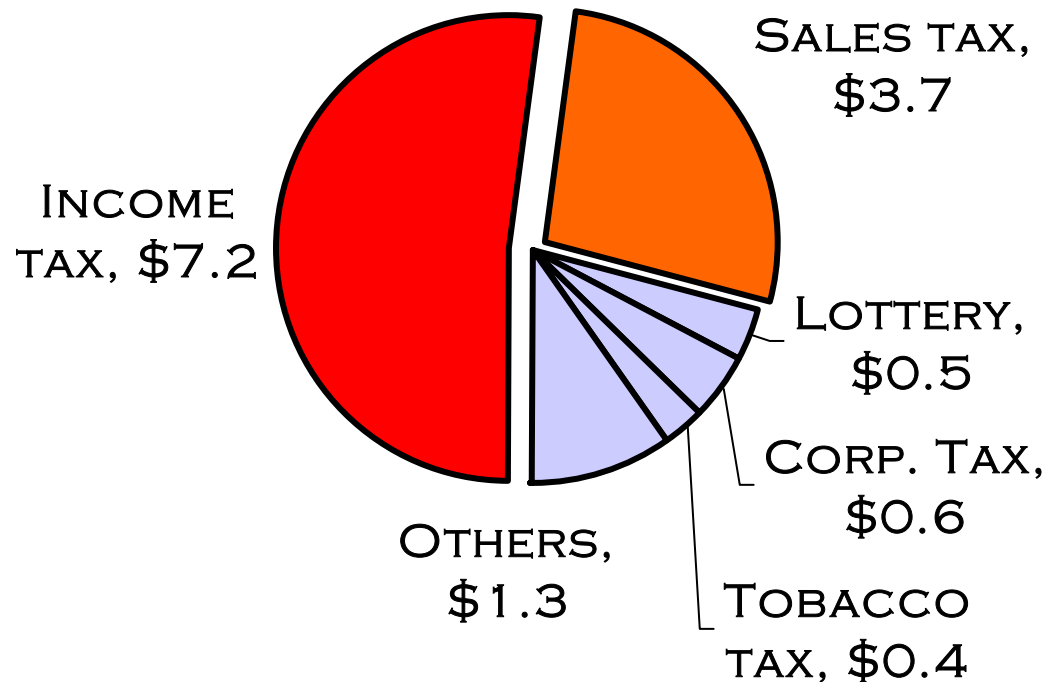
THE 2 MOST IMPORTANT THINGS ABOUT MARYLAND'S BUDGET PROCESS



1. The budget must be
balanced

2. The legislature cannot add

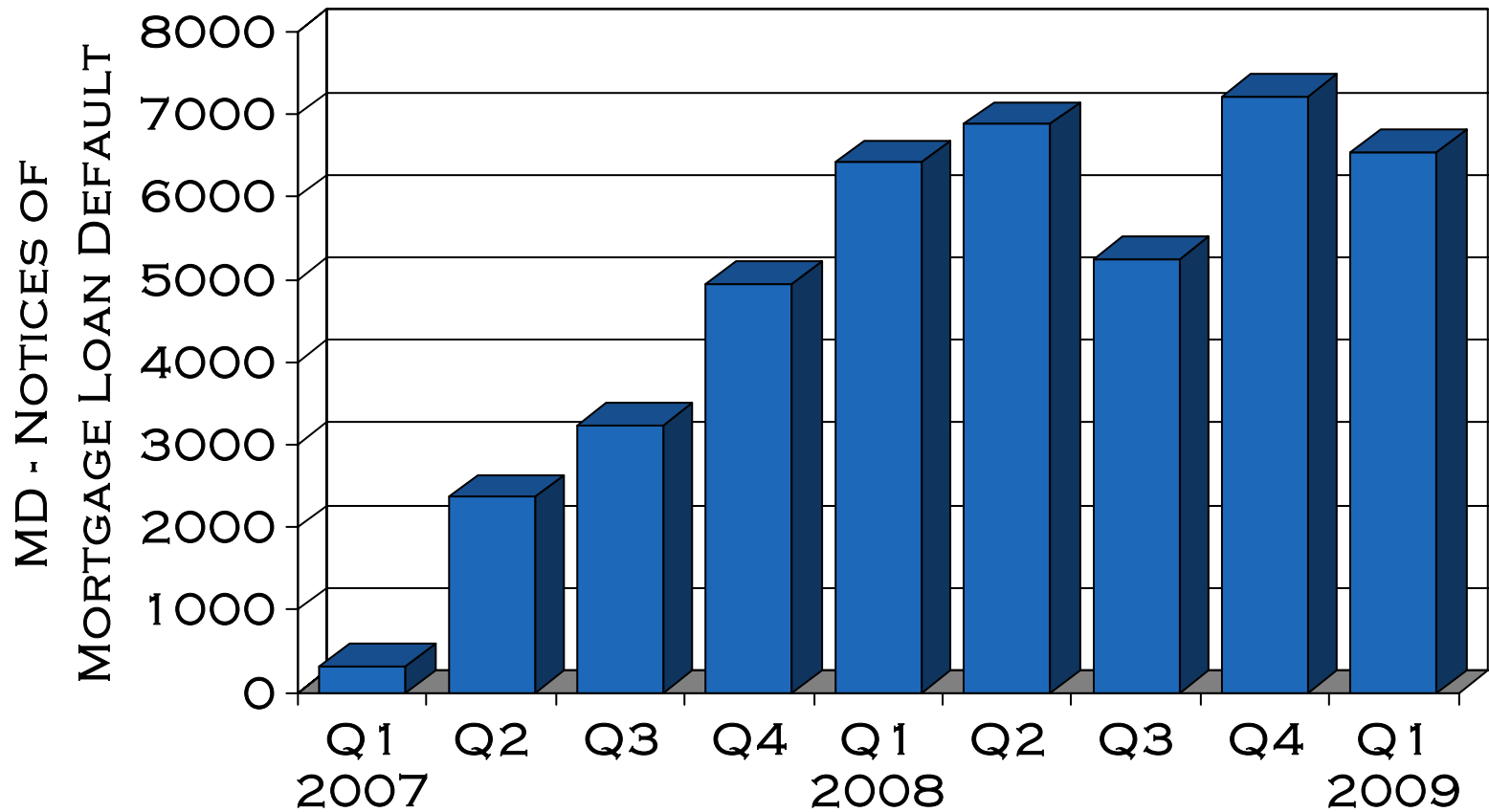
OVER $\frac{3}{4}$ OF OUR REVENUE BASE IS EXTREMELY SENSITIVE TO ECONOMIC CONDITIONS



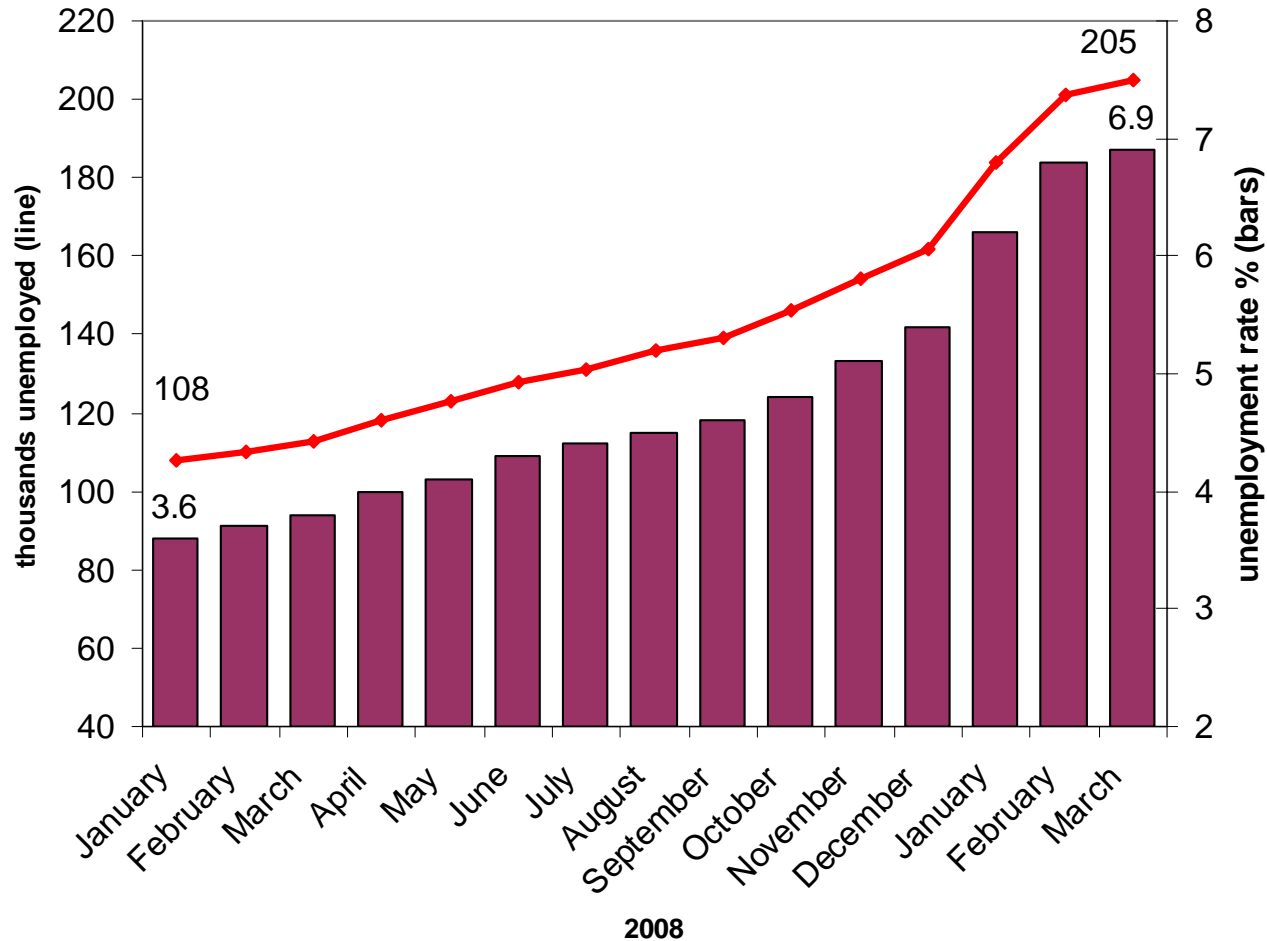
Maryland General Fund
FY 2010 Revenues
(\$ Billions)
Total = \$13.7 billion

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

MORTGAGE DEFAULTS CONTINUE TO INCREASE



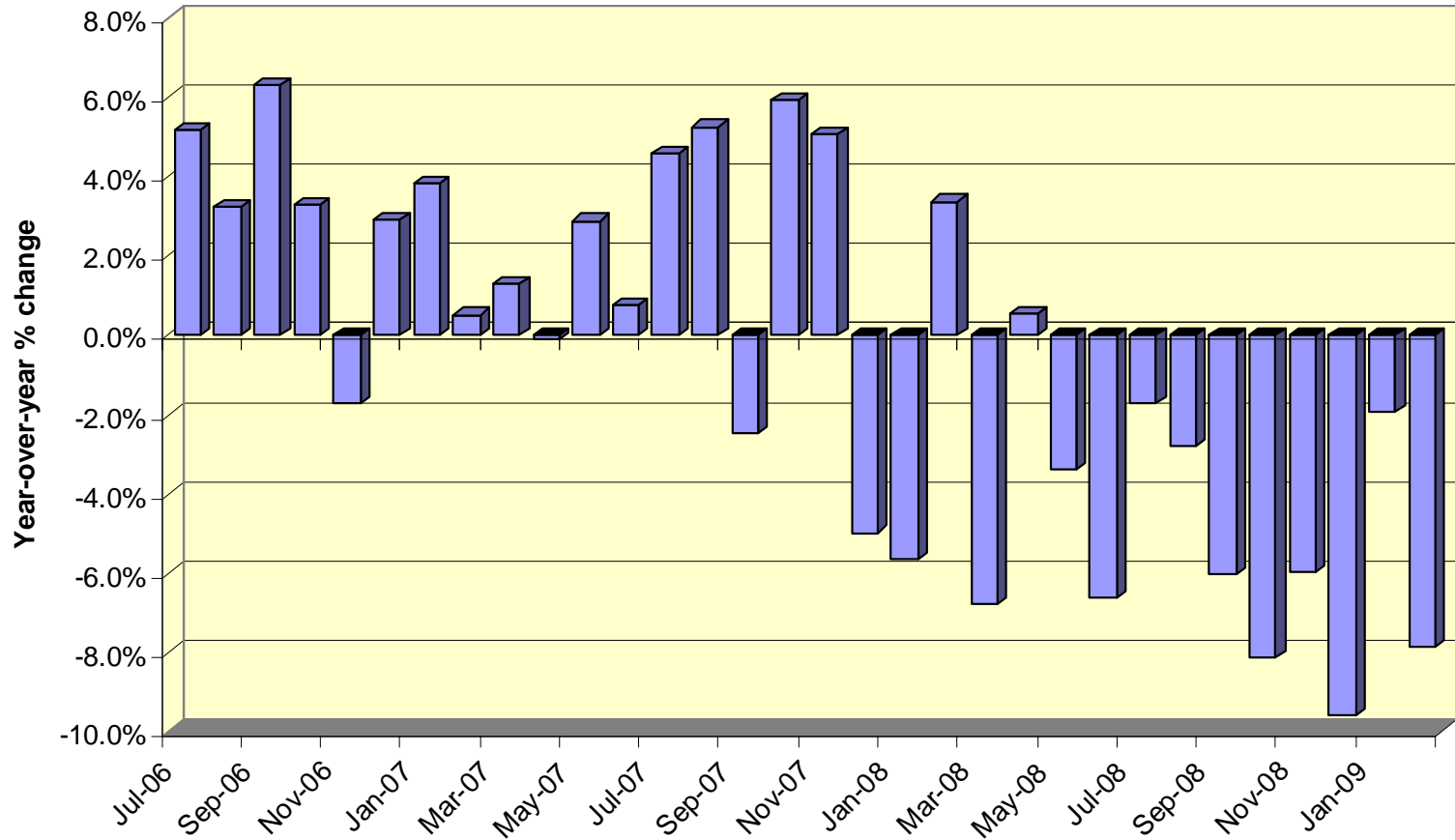
MARYLAND UNEMPLOYMENT SURGES



TAXABLE SALES DECLINE



Sales of Taxable Goods

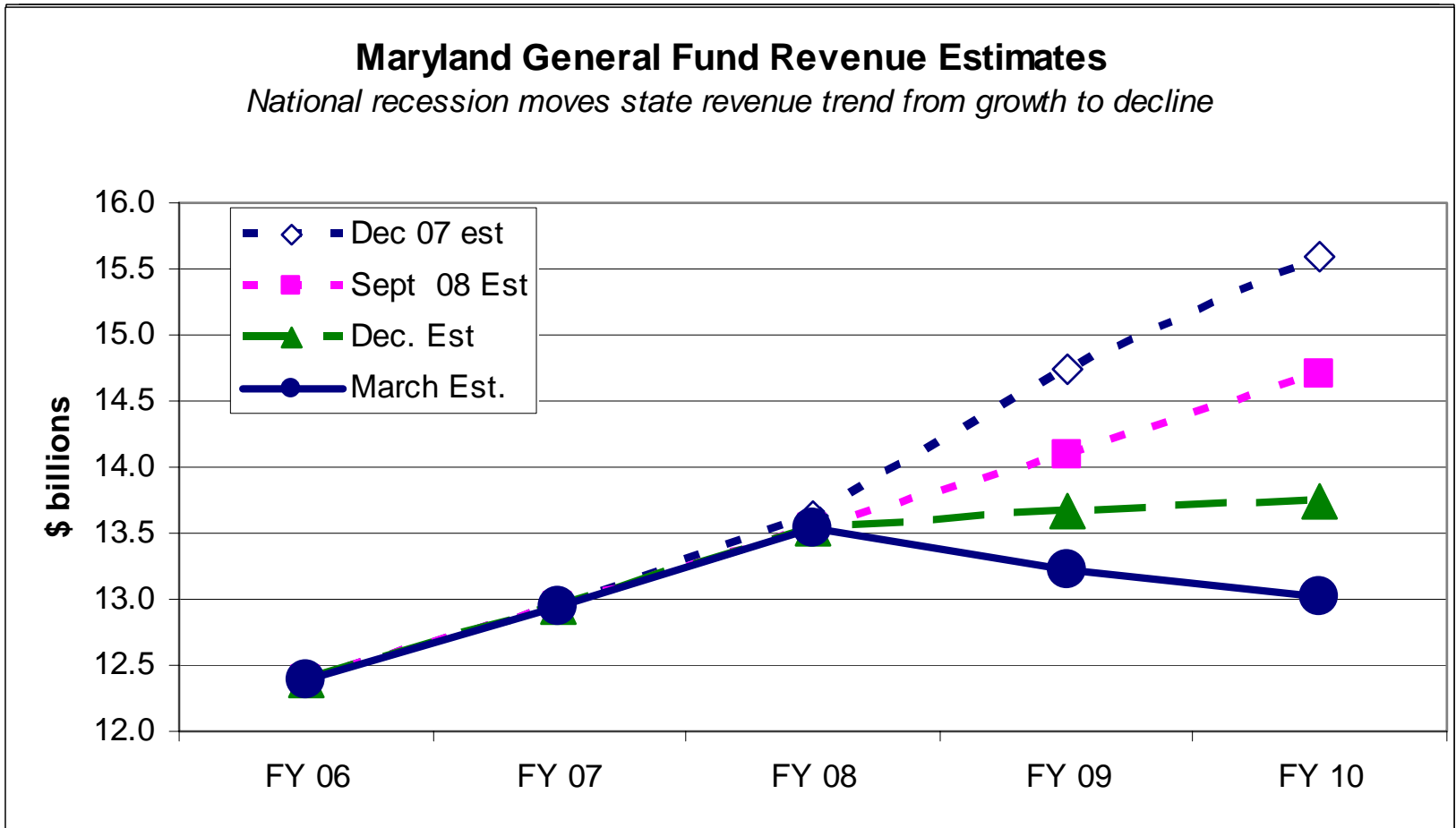


STATE REVENUE ESTIMATES



Maryland General Fund Revenue Estimates

National recession moves state revenue trend from growth to decline



WHAT ABOUT THE SLOT MACHINES?



- Already assumed in the budget numbers that the Governor and legislature have been using
 - Estimated gross \$1.4 billion
 - Estimated to state in 2013 = \$660 million
- Applicants bid for fewer than the maximum number of machines
 - Possibility of legislation to make terms more favorable to operators.
- Will not help solve this year's problem
 - Will not fully solve the long-term problem
 - Other revenues or more cuts will still be needed

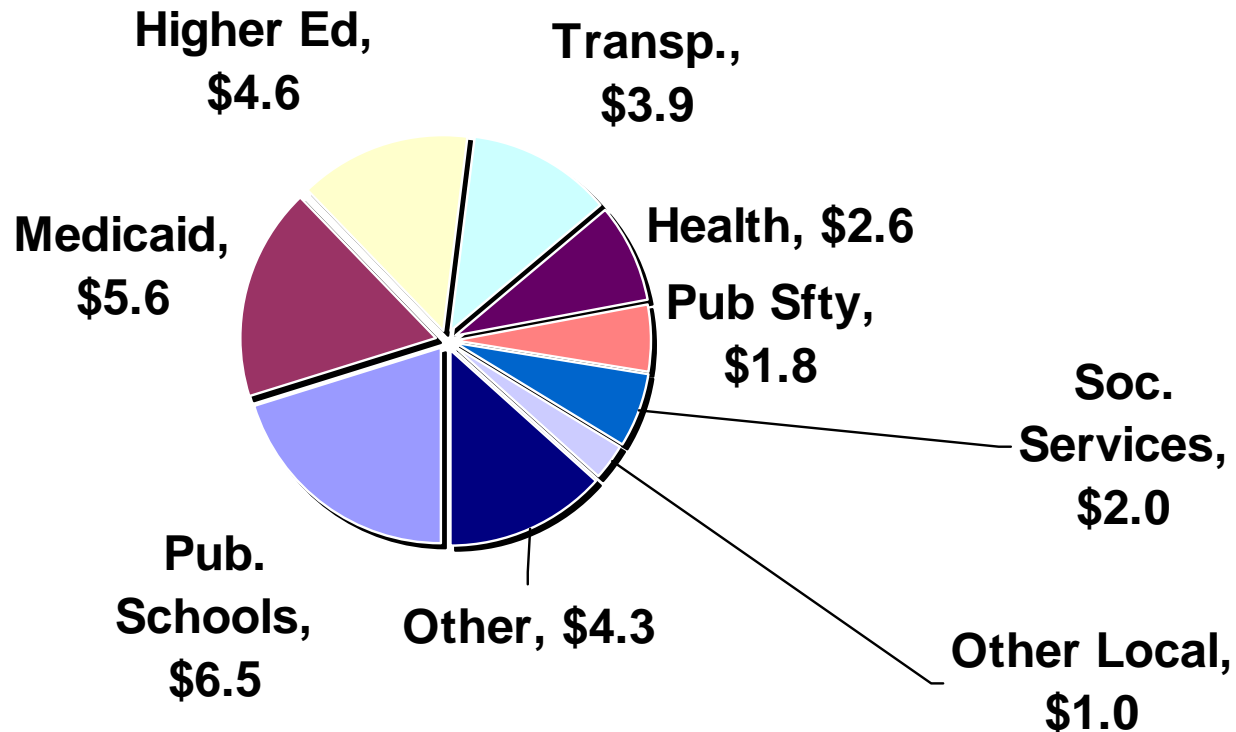
WHAT IS THERE TO CUT?



Maryland Budget - All Funds

FY 2010 - \$ billions

Total \$32.3 B



KEEPING SCORE?

STATE BUDGET REDUCTIONS SO FAR ...

	State general funds
“Down-payment” July '07	\$200 m
Governor’s budget Jan. '08	550 m
Legislative reductions April '08	227 m
Required by Budget Bill July '08	50 m
Board of Public Works Oct. '08	297 m
Employee Furloughs Dec. '08	34 m
Governor’s budget Jan. '09	1,146 m
Cumulative total	\$2,504 m

FEDERAL ECONOMIC STIMULUS

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



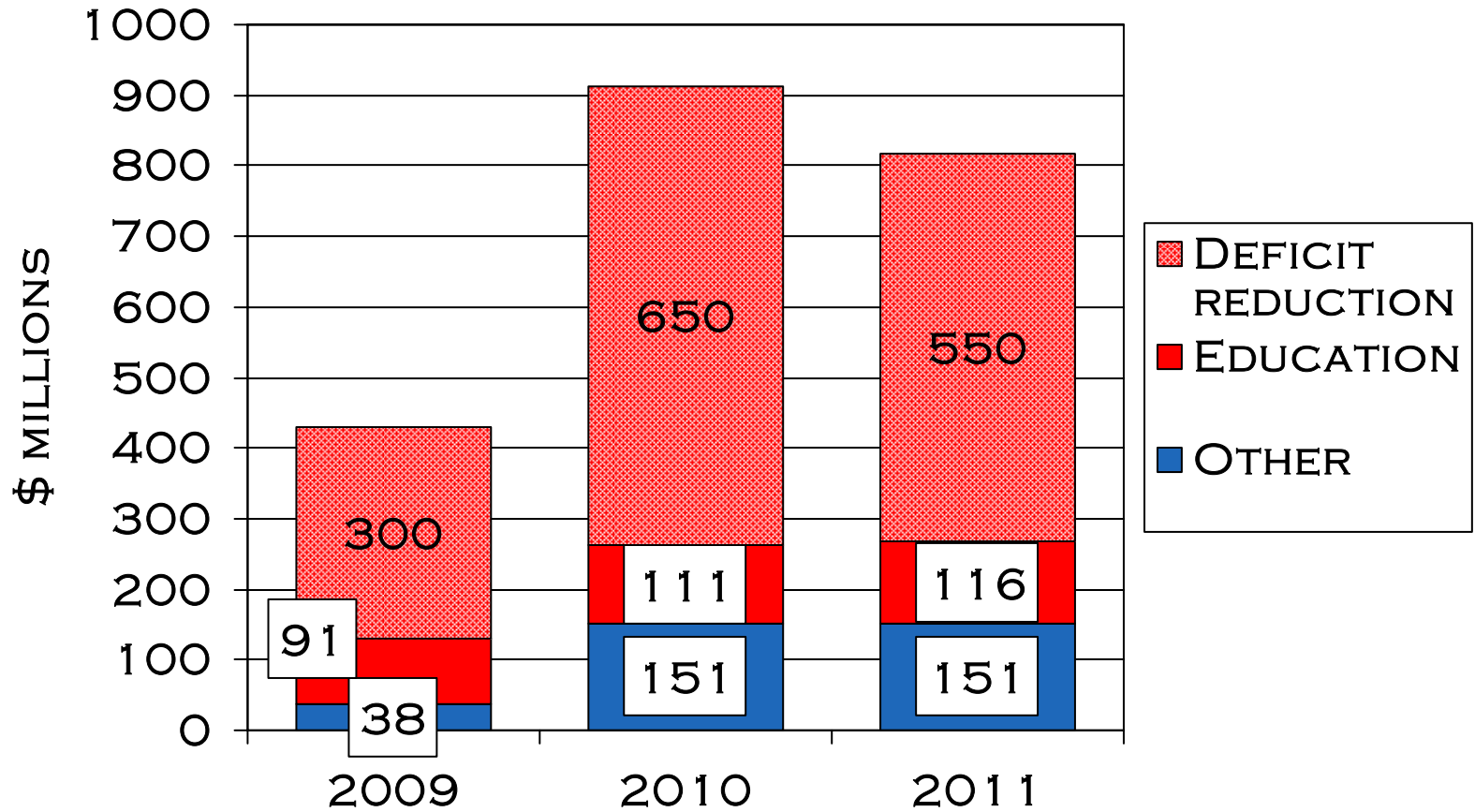
STIMULUS AID FOR MARYLAND



- 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
- Competitive grants
 - Over \$19 billion nationally

TIMING OF STIMULUS EXPENDITURES

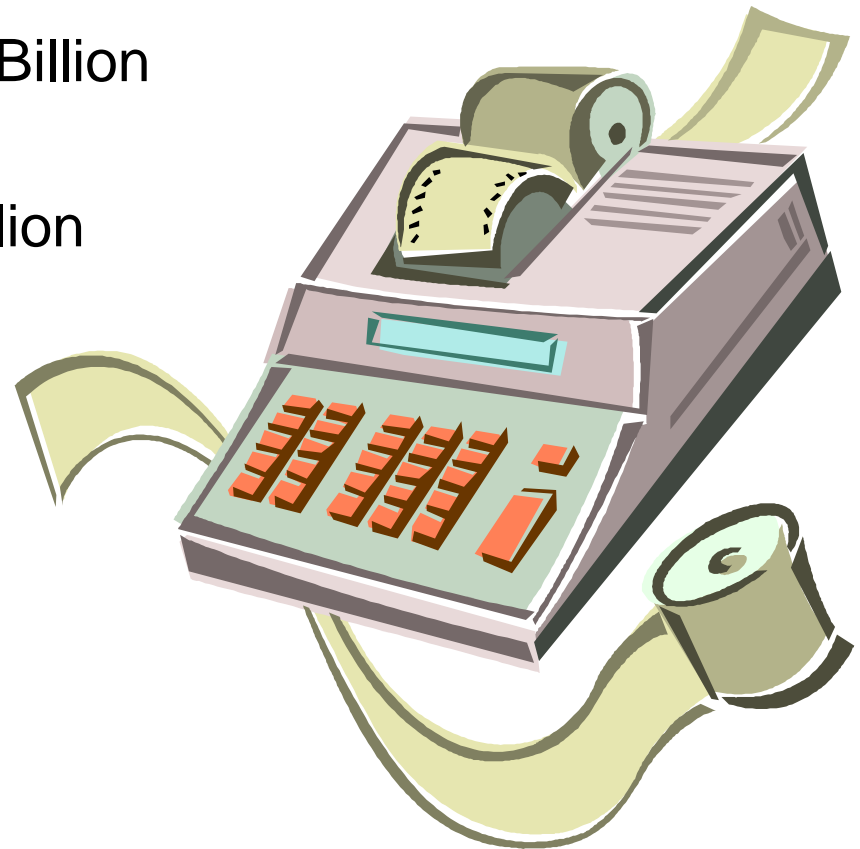
TOTAL \$658 MILLION



APPROVED BUDGET APRIL 13, 2009

THE NUMBERS...

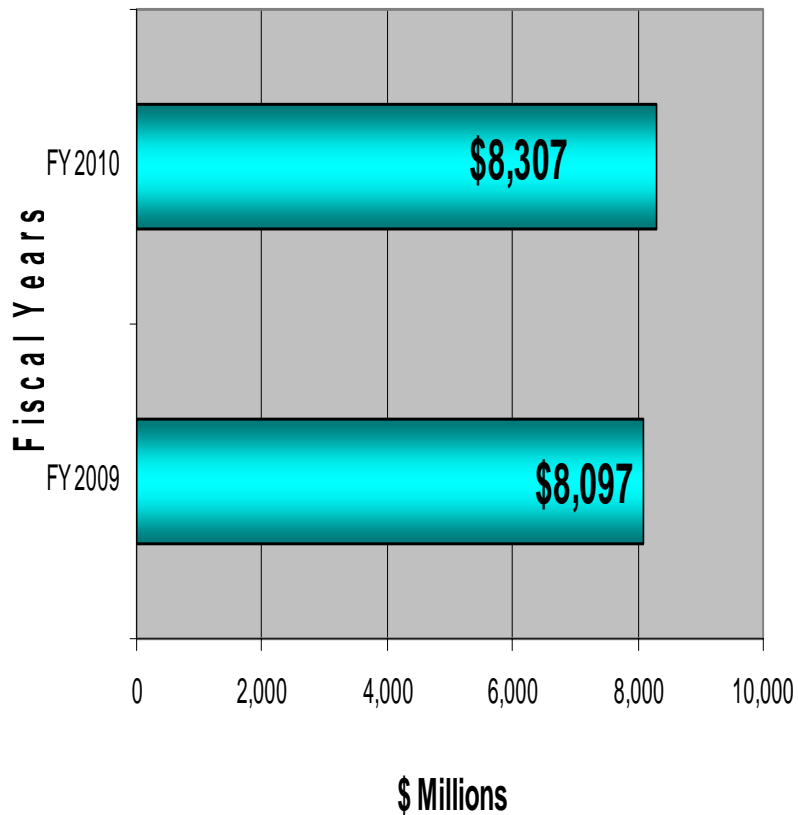
- Total: \$32.3 Billion
 - 3.5% increase
- General funds: \$13.8 Billion
 - 3.3% DECREASE
- Federal funds \$9.3 billion
 - 21% increase



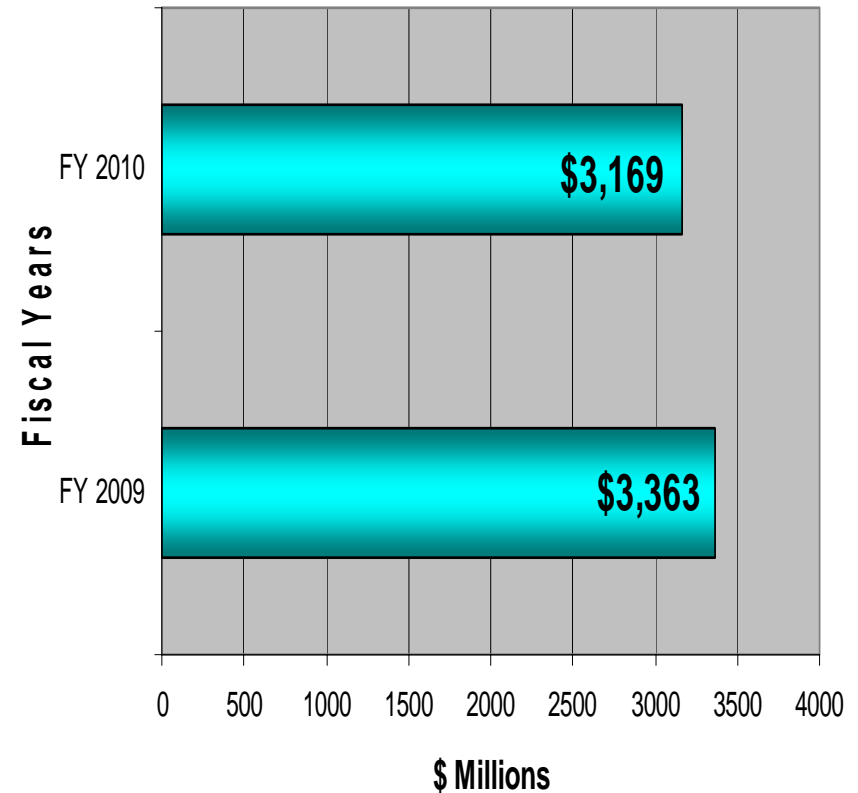
*HEALTH: ALL FUNDS VS. GENERAL FUNDS



All Funds



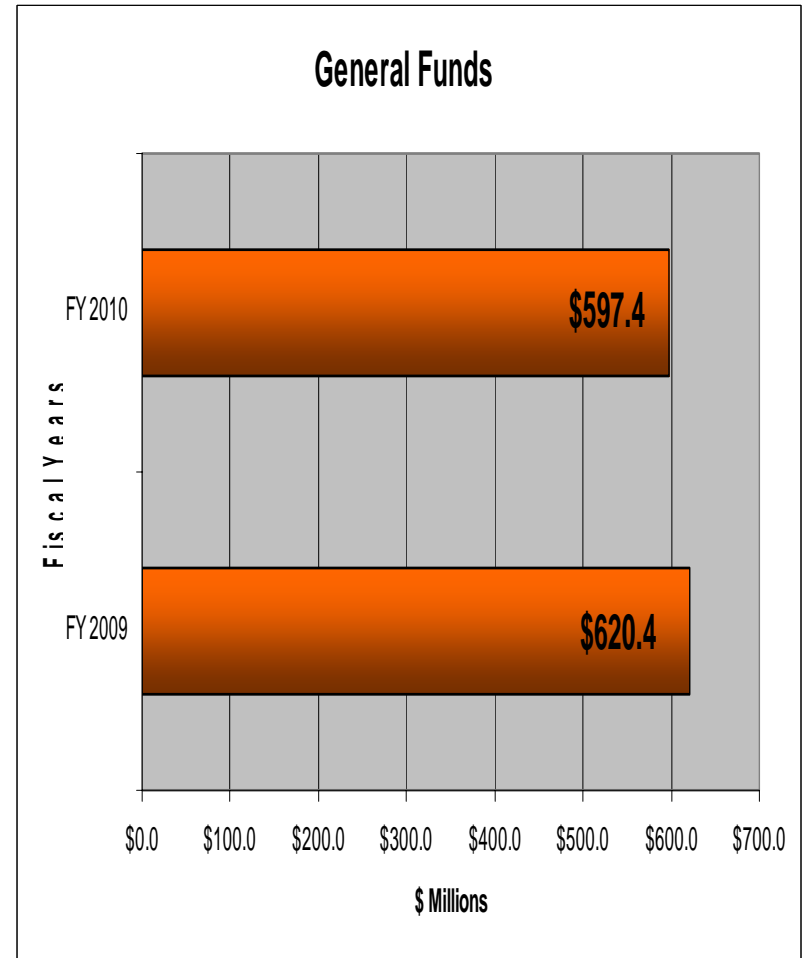
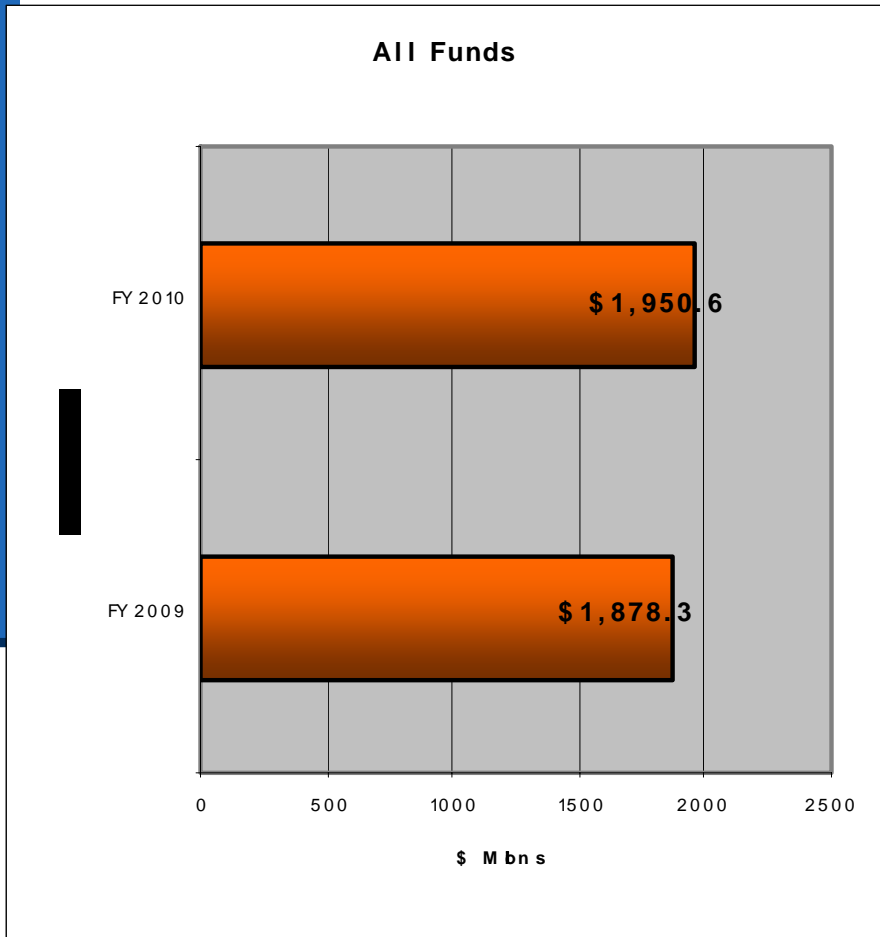
General Funds



HEALTH TAKE-A-WAYS

- Growth is principally in Medicaid program
- Cigarette Restitution Funds
 - Less \$ for health centers and tobacco cessation, *more for Medicaid*= \$4.4M
 - Reduced CRF programs, *instead fund breast & cervical cancer*= \$15M
- Less for drug treatment= \$1M
- No rate increase for most medical care providers
- Reduced \$ for *targeted case management in anticipation of federal \$= \$3.5M

*SOCIAL SERVICES: ALL FUNDS VS. GENERAL FUNDS

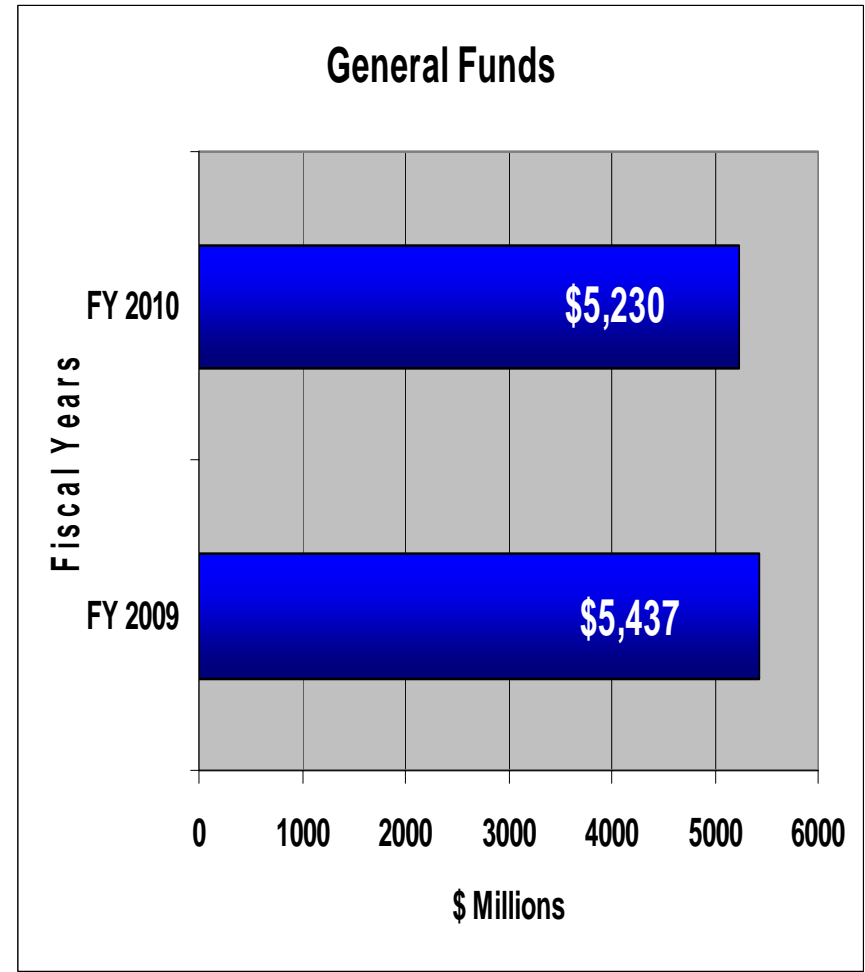
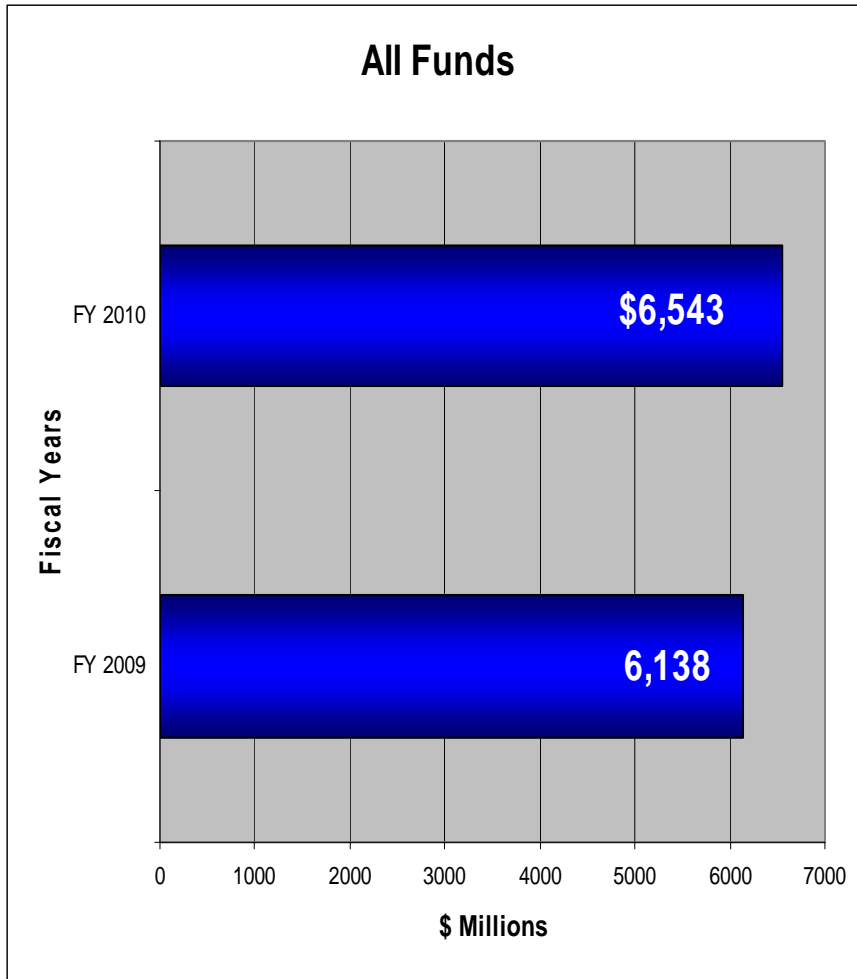


SOCIAL SERVICES TAKE-A-WAYS



- Scaled back \$ for community-based services for children = \$3.5 million
- Eliminated \$ for social services info system enhancements = \$3 million
- Froze foster care group home rates = \$36 m

*K-12 EDU: ALL FUNDS VS. GENERAL FUNDS



EDUCATION TAKE-A-WAYS



- K-12 increase is from federal stimulus funds.
- Bridge to Excellence formulas are fully funded, including *GCEI (\$296 million of ARRA funds)
- Reduced GF to Head Start by \$1.2 million (**FF going up)
- Reduced Child Care subsidies by \$2 million

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
 - (\$529 million in general funds)



THE BIGGEST LOSERS (LEGISLATIVE ACTION)



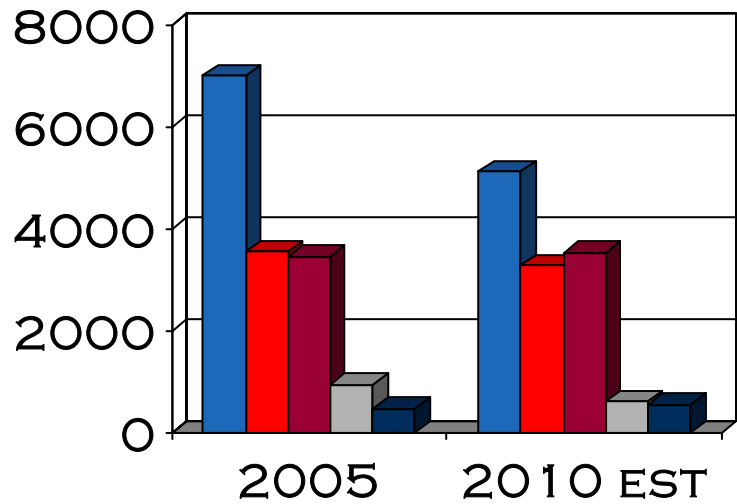
- Aid to local government -113 million
 - Biggest hits to local transportation funds
- Medicaid -84 million
 - Many of the reductions are actually fund switches
- Higher Education
 - Private colleges -14 million
 - UM and other public colleges -9.5 million

INCREASES THAT WON'T HAPPEN:

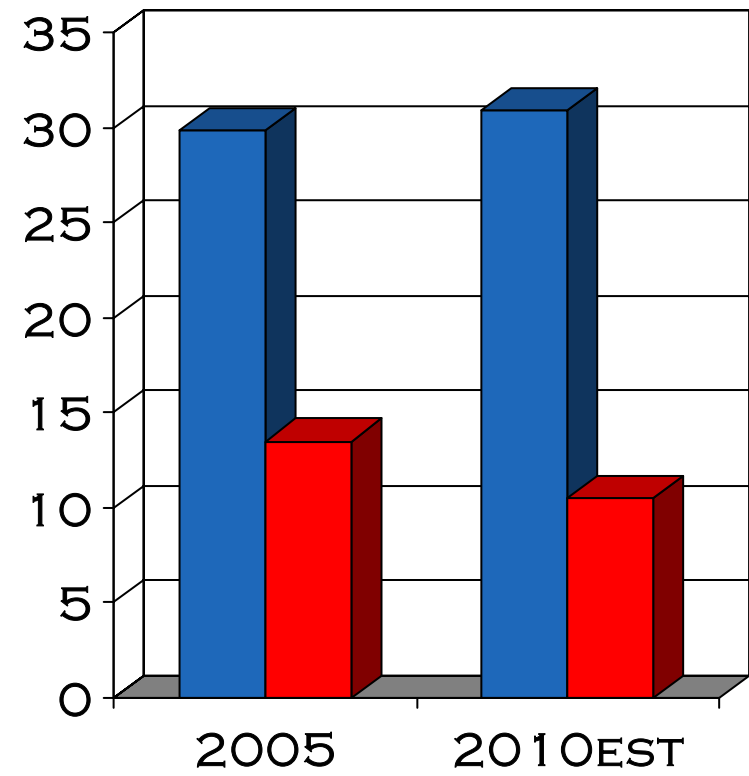


- Employee compensation
- Most Medicaid providers
- Most group homes
- Local aid formulas

LEVEL DOLLARS = FEWER SERVICES



- HOME MEALS
- SENIOR CARE
- MA WAIVERS
- CONG. HSG.
- ASST. LIVING



- \$
- % OF NEED

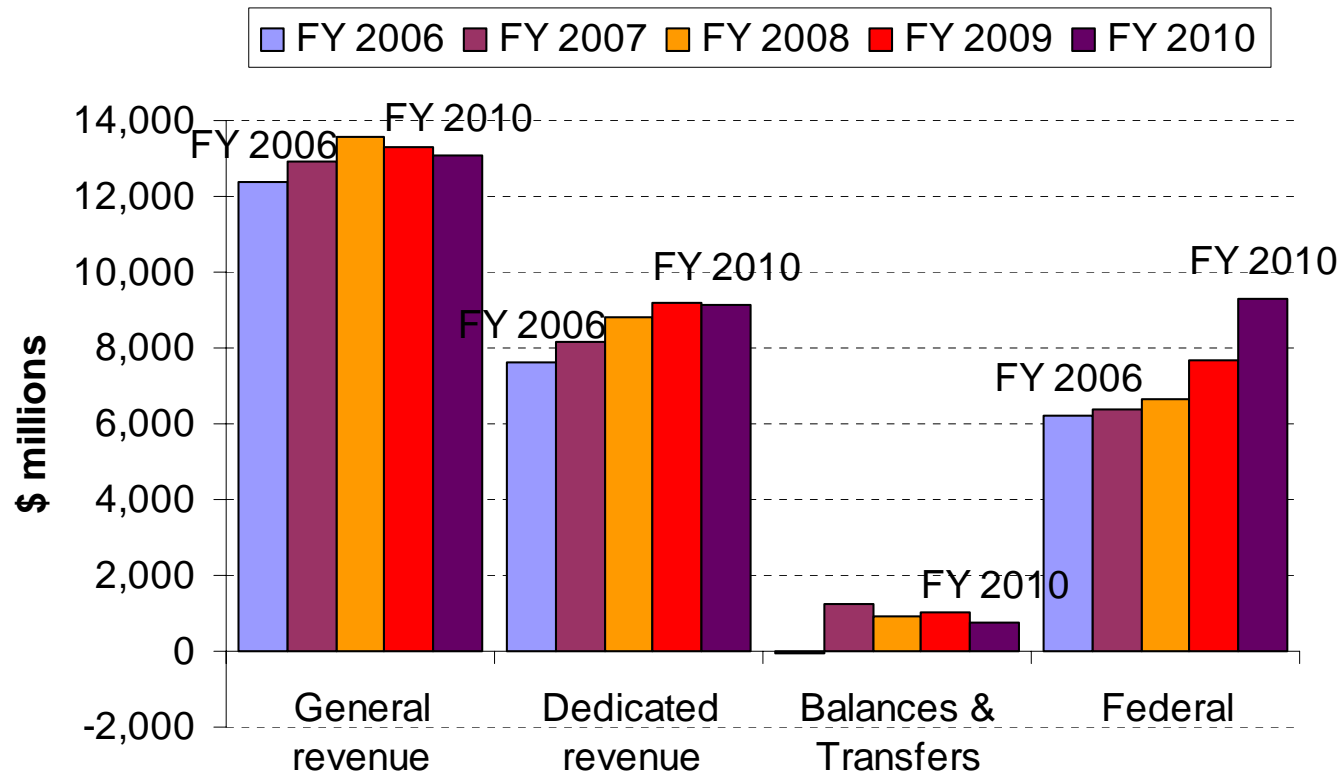
THE FUTURE

- Next year (2010 session, FY 2011 budget)
 - Shortfall in the \$1.2 billion range
 - Election year – revenues are considered “off the table”
 - \$700 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?



WHAT'S PAST IS PROLOGUE

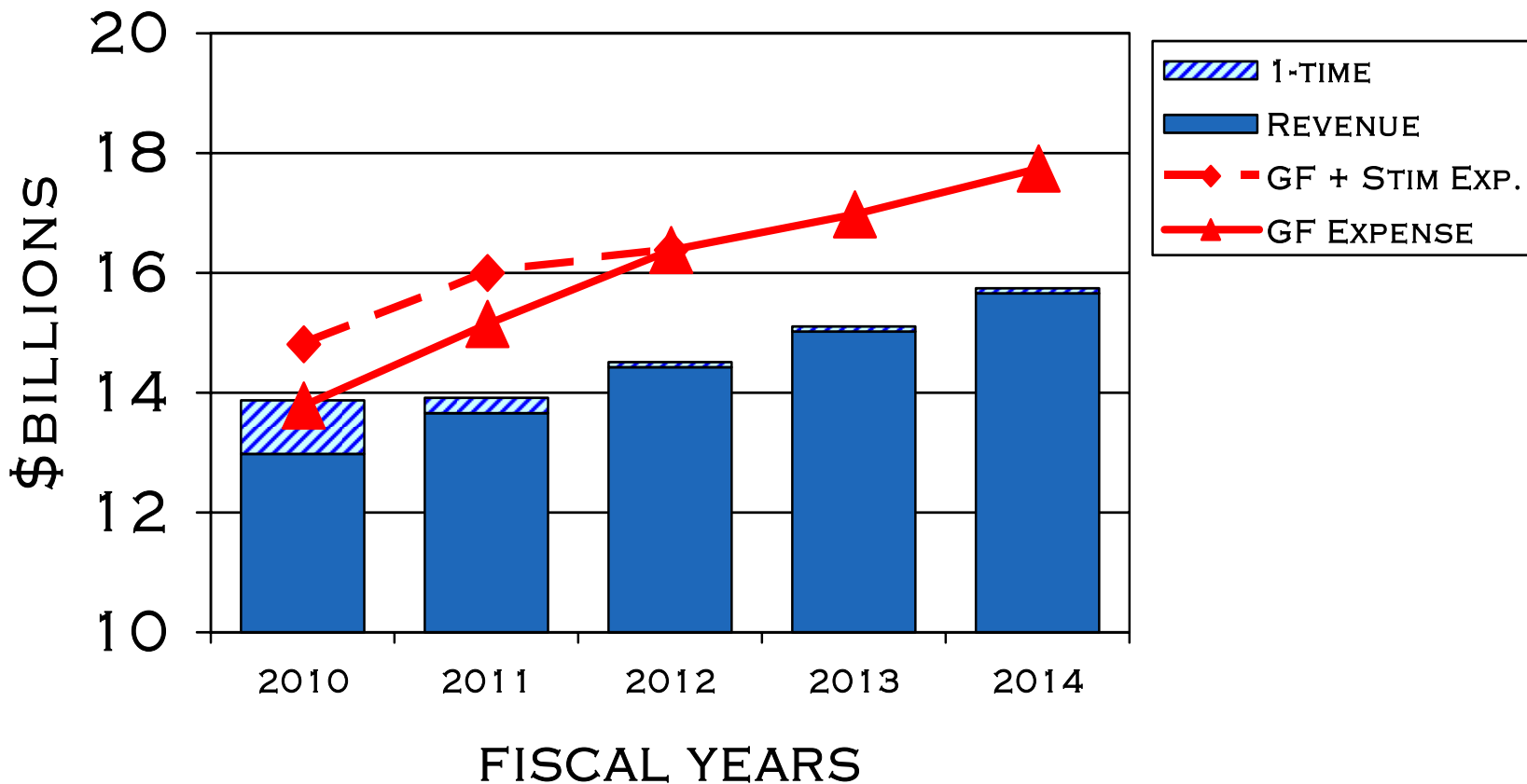
State Budget Sources 2006-2010



- General revenues declining – increased reliance on federal funds – continued use of 1-time sources.

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