

NONPROFITS, FEDERAL STIMULUS AND MARYLAND'S BUDGET

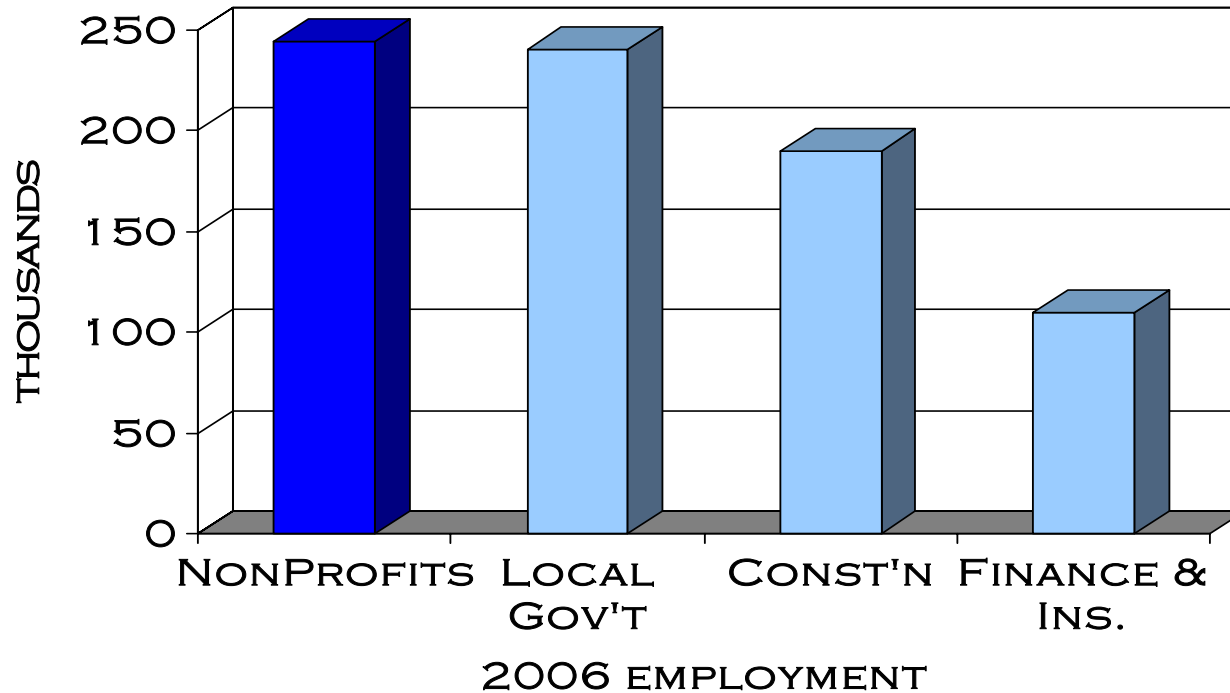
Neil Bergsman
Maryland Budget & Tax Policy Institute
**Congressman C.A. Dutch Ruppersberger's
Non-Profit Stimulus Workshop**
July 27, 2009

- Nonprofits in Maryland's Economy
- 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?

NONPROFITS IN MARYLAND'S ECONOMY



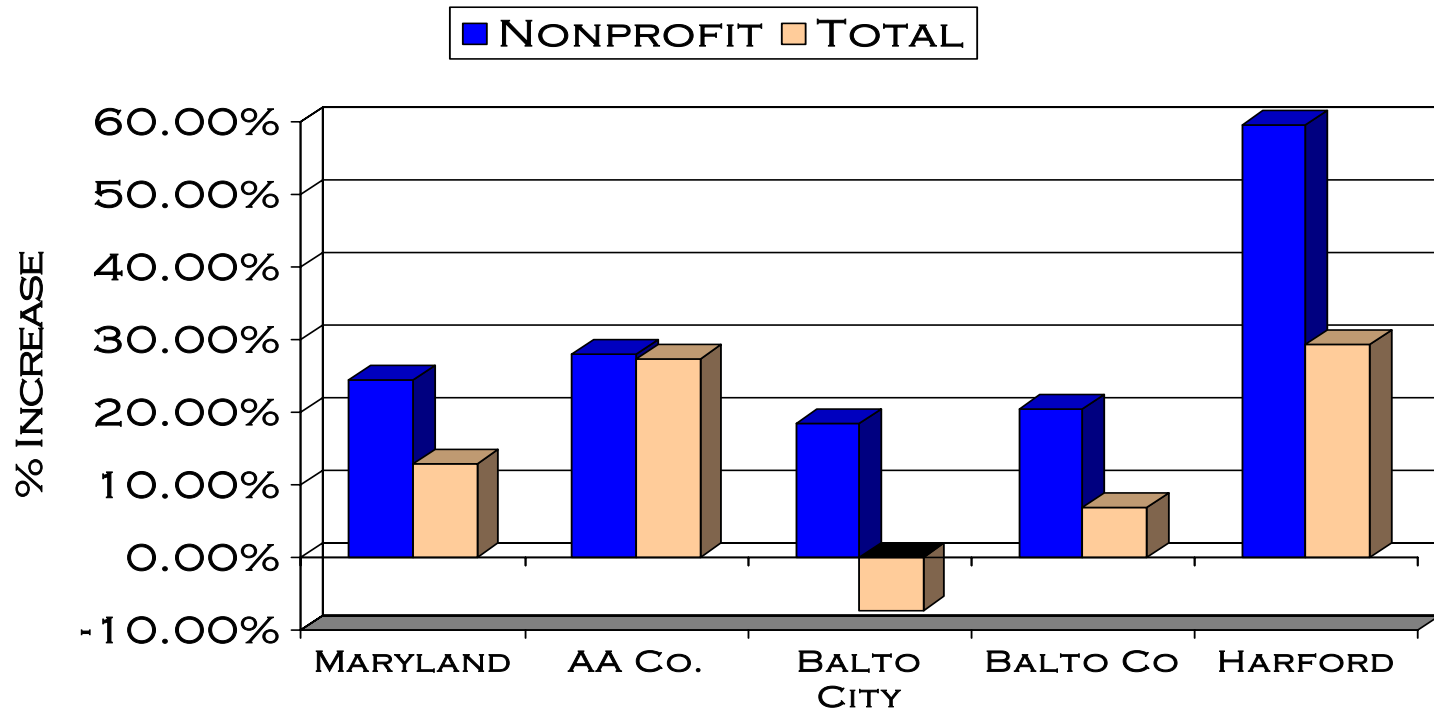
NONPROFIT EMPLOYMENT COMPARED



■ Source: Johns Hopkins Nonprofit Economic Data Project

EMPLOYMENT GROWTH 1998-2006

NONPROFITS ADD JOBS EMPLOYMENT GROWTH FASTER THAN OVERALL



■ Source: Maryland Nonprofits



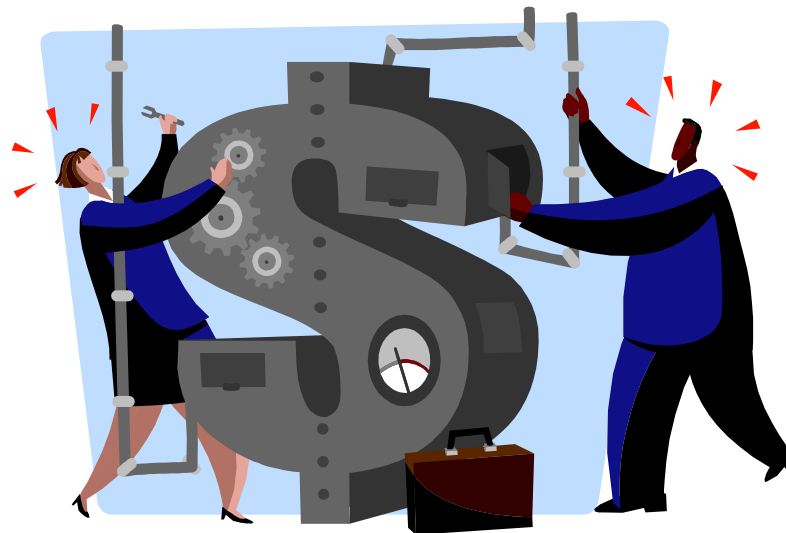
NONPROFIT EMPLOYMENT 2006

NONPROFITS PROVIDE 1 OF 8 EVERY JOBS IN MARYLAND

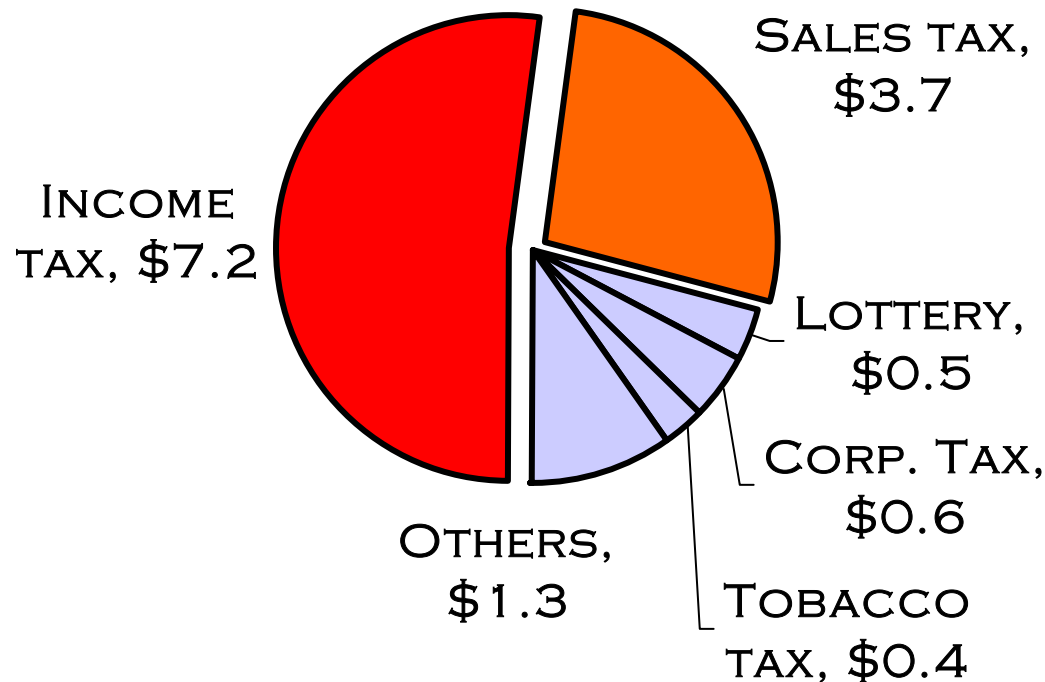
Maryland	243,000	12.9%
Anne Arundel	13,000	5.5%
Balto City	84,000	23.8%
Balto Co	34,000	9.1%
Harford	5,000	5.8%

Source: Maryland Nonprofits

HOW THE ECONOMY AFFECTS THE STATE BUDGET



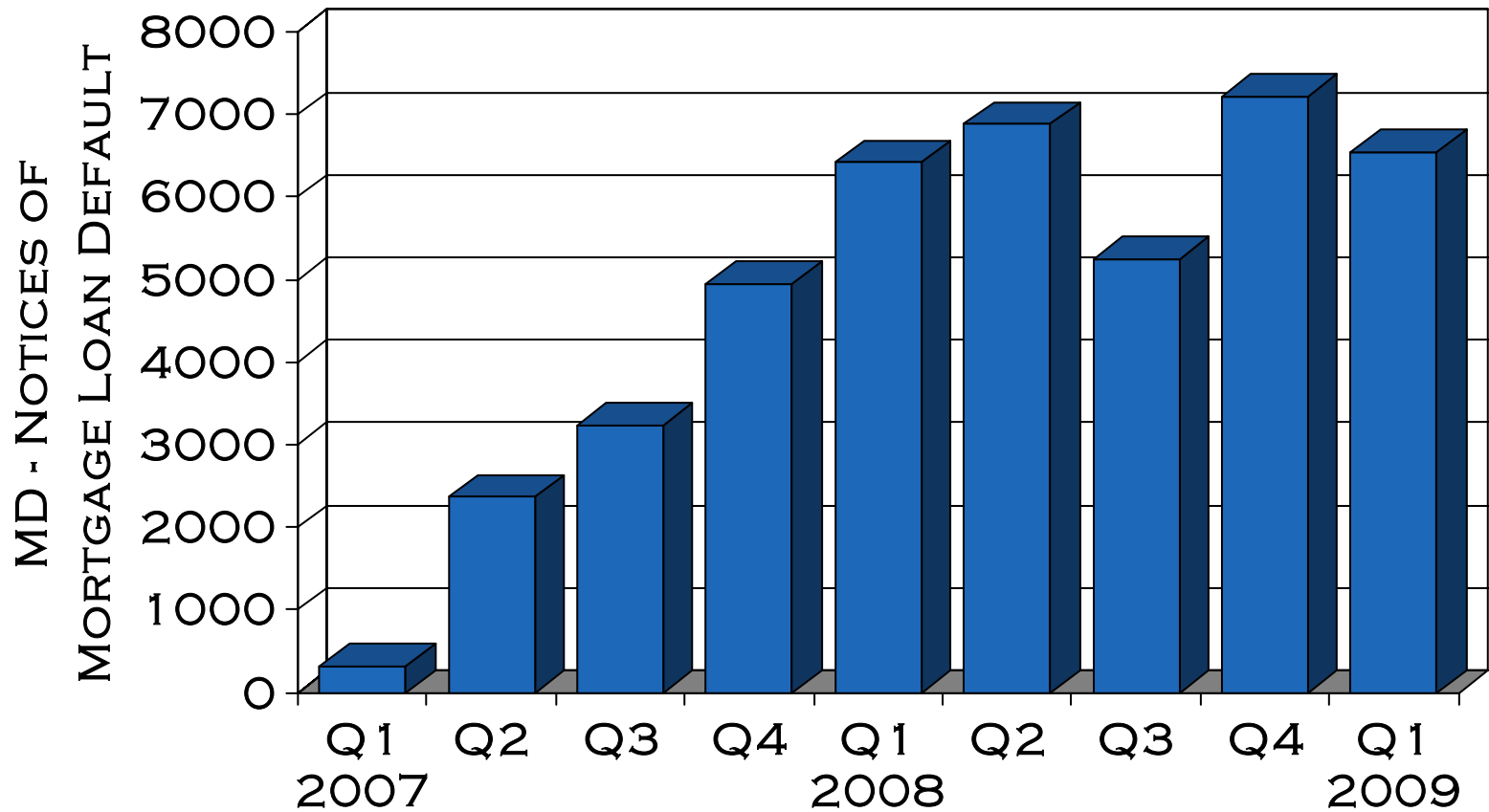
OVER $\frac{3}{4}$ OF OUR REVENUE BASE IS EXTREMELY SENSITIVE TO ECONOMIC CONDITIONS



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

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

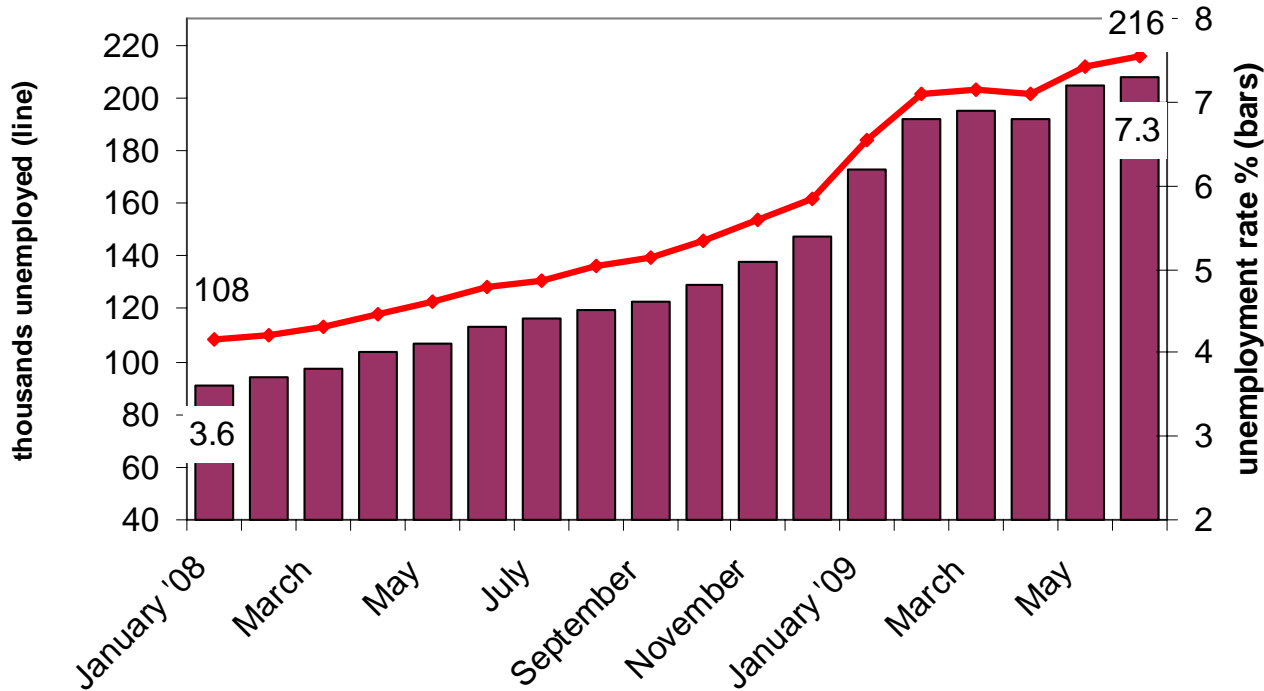
MORTGAGE DEFAULTS CONTINUE TO INCREASE



MARYLAND UNEMPLOYMENT SURGES



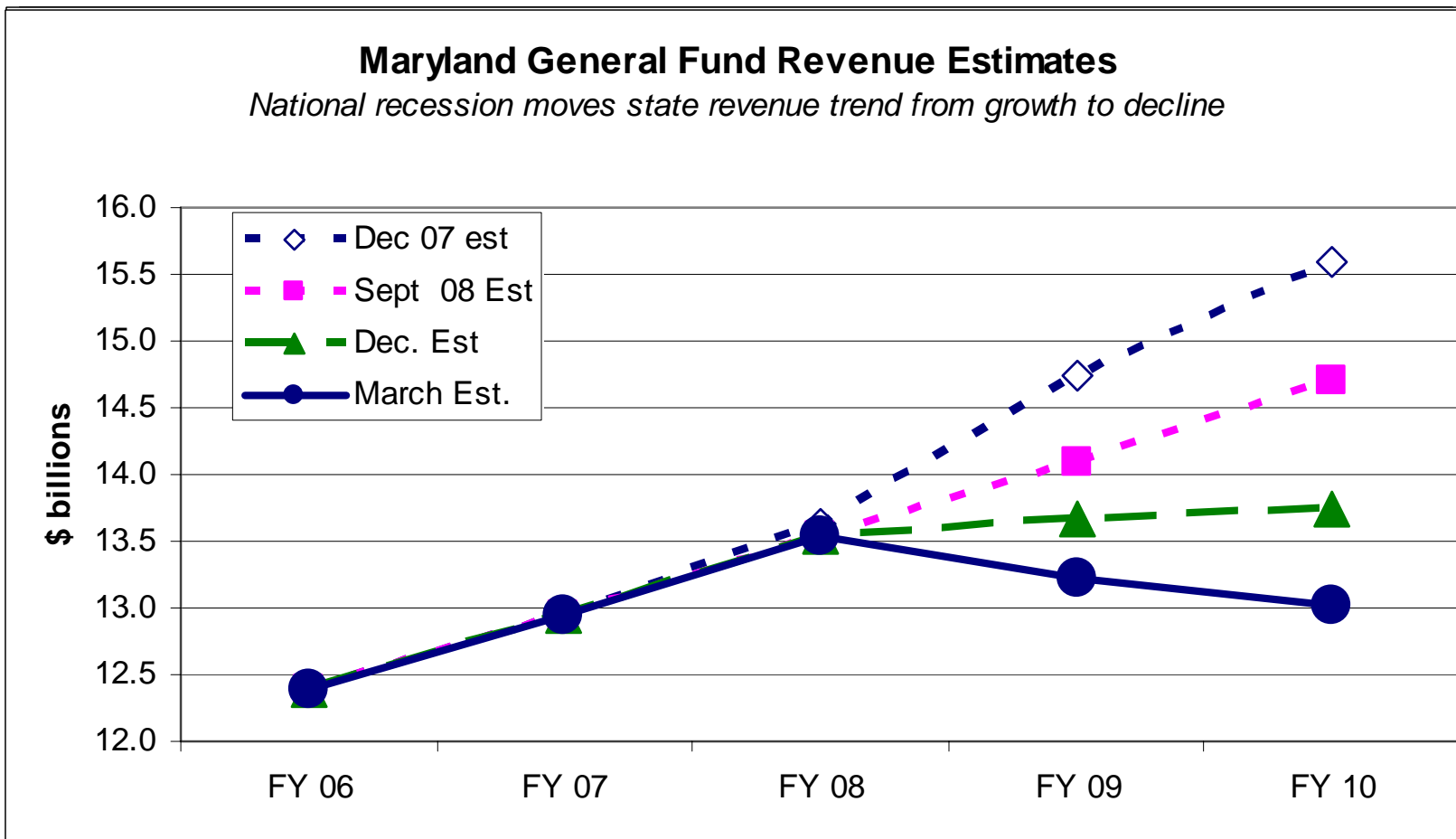
Maryland data



STATE REVENUE ESTIMATES

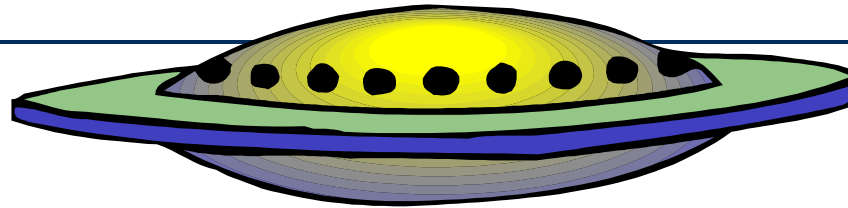
Maryland General Fund Revenue Estimates

National recession moves state revenue trend from growth to decline

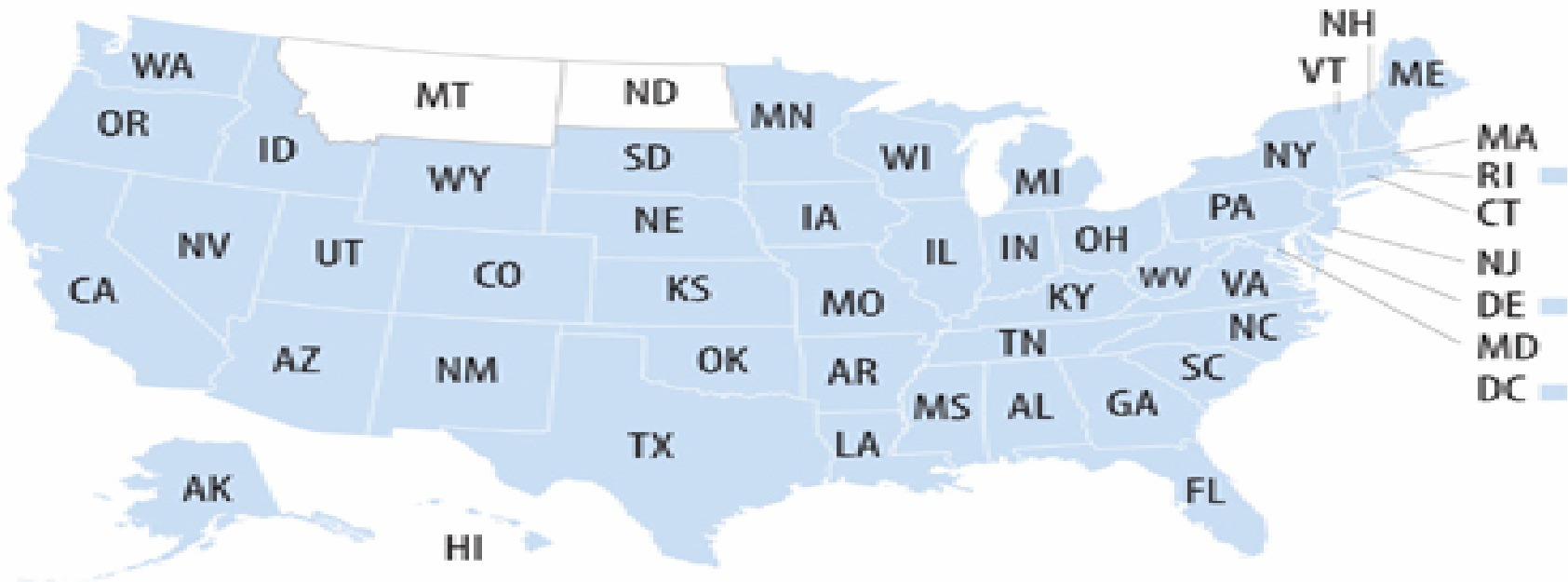


- Based on actual collections to date, fiscal year 2009 revenues will be well below the March estimate
 - and fiscal year 2010 revenue estimates will be reduced in September.

WE ARE NOT ALONE



48 States Face Budget Shortfalls

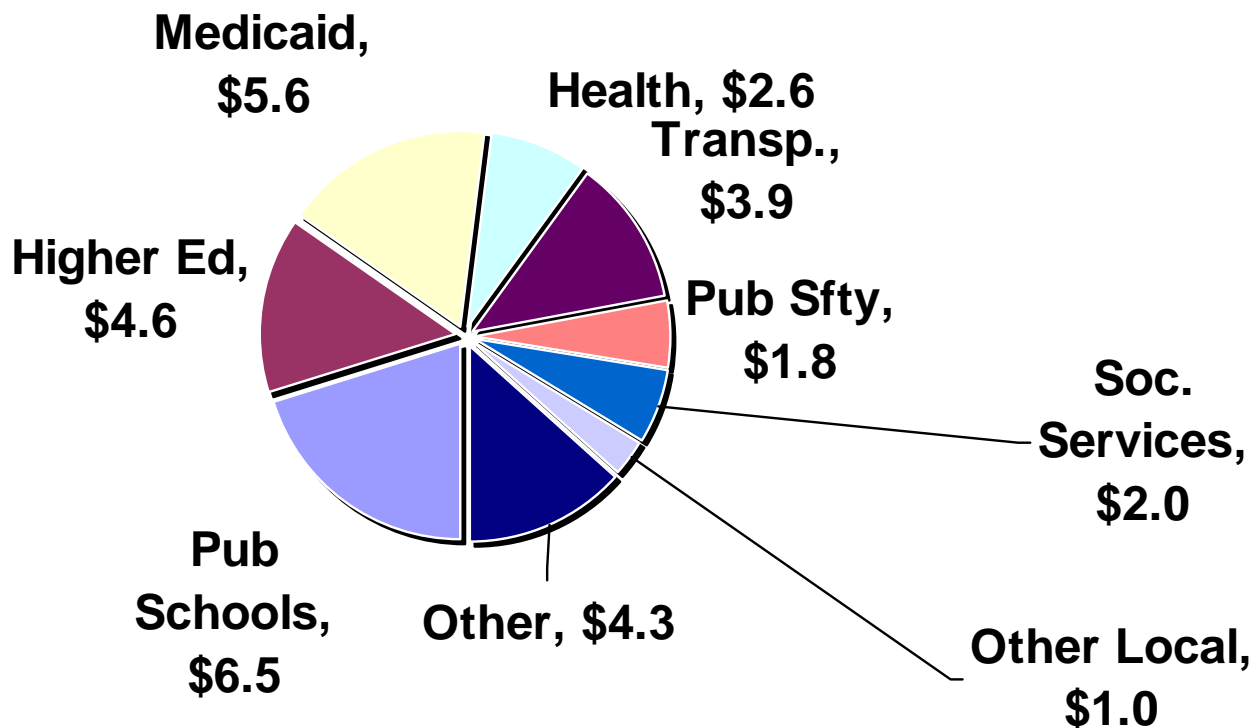


Note: Includes states with shortfalls in fiscal 2010.

■ Source: Center for Budget and Policy Priorities 7/24/09

WHAT IS THERE TO CUT?

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





KEEPING SCORE?

STATE BUDGET REDUCTIONS SO FAR ...

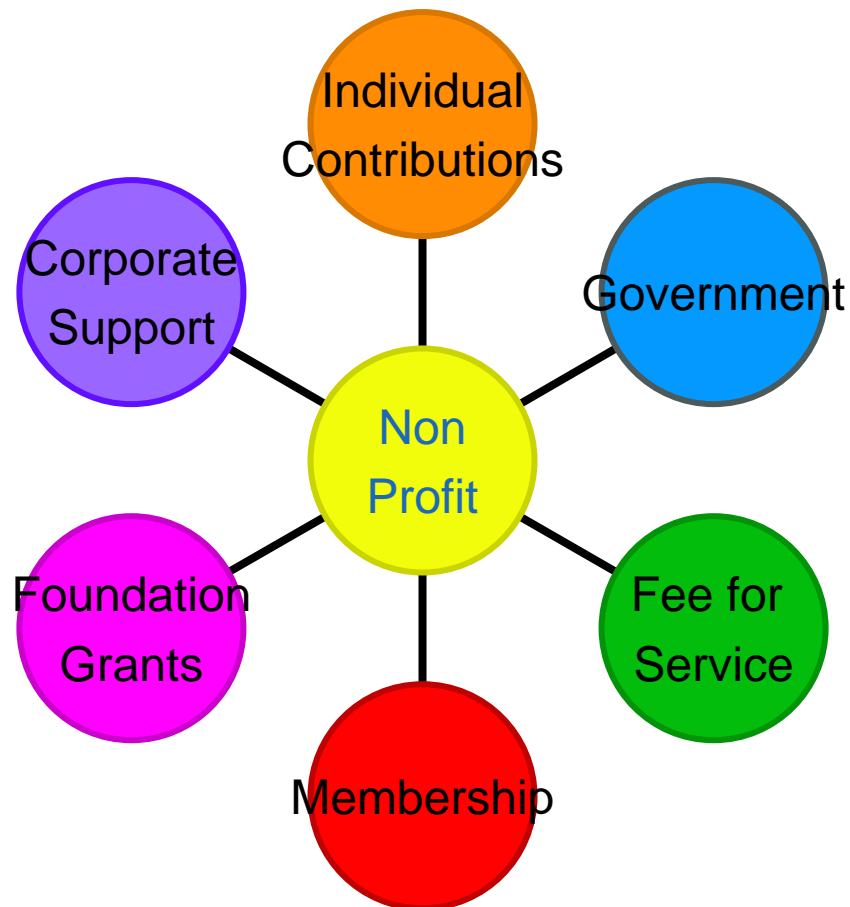
\$ millions – general funds

“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
BPW July '09	281
Cumulative Total	2,946

* Excludes “contingent” reductions proposed by Governor.

NONPROFITS UNDER STRESS

TYPICAL FUND SOURCES



NONPROFITS UNDER STRESS

FEB '08 – MAR '09



- 52% of organizations experienced a decrease in contributions.
- 31% of grantmakers gave less money in grants
- 35% percent of organizations cut their annual budgets from 2008 to 2009.
 - 59% cited increase in demand for services
 - Of organizations that have cut their budgets
 - 57% cut services
 - 45% freezing staff salaries
 - 30% layoffs
- 8% in imminent danger of closing their doors

Source: GuideStar

FEDERAL ECONOMIC STIMULUS



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

WHY WAS THIS SUCH A GOOD IDEA?



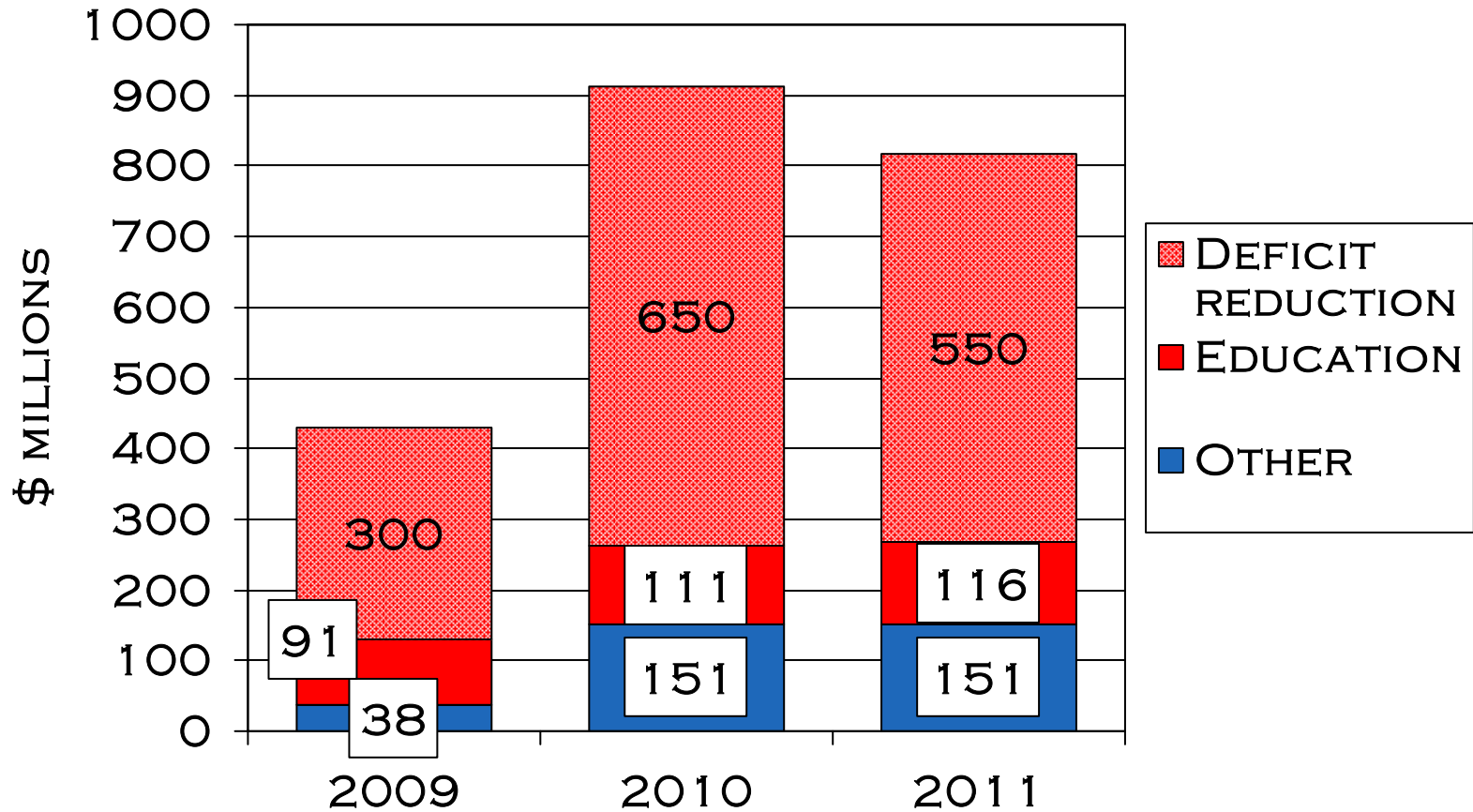
- Helps the economy
 - Business and consumer spending is DOWN. Government has to step in to prop up employment and production.
 - States have to balance budgets. Service cuts further weaken the economy.
- Helps people in need
 - State-run programs like medical assistance, unemployment insurance and income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

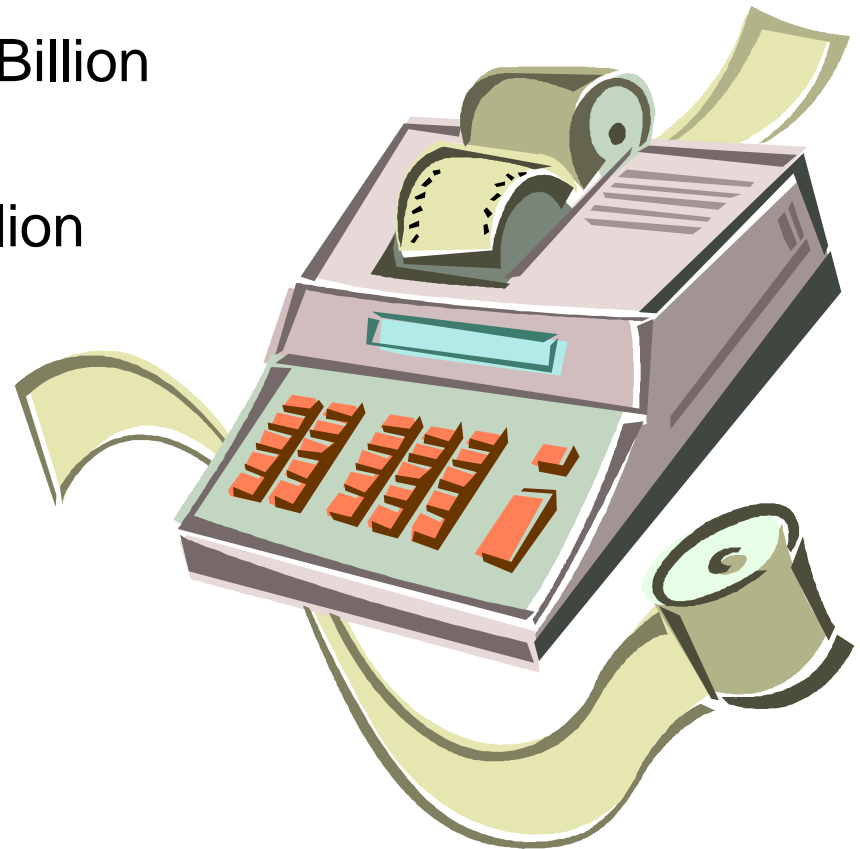
means

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)



INCREASES THAT WON'T HAPPEN:



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

JULY 2009 BPW CUTS



- **Health and higher education are the biggest losers**
- **Half of the cuts are “fund swaps” or transfers**
- **Revenues continue to deteriorate**
- **More cuts to come**
 - **\$400 million by Labor Day**

“NOTABLE COST SAVING ACTIONS”



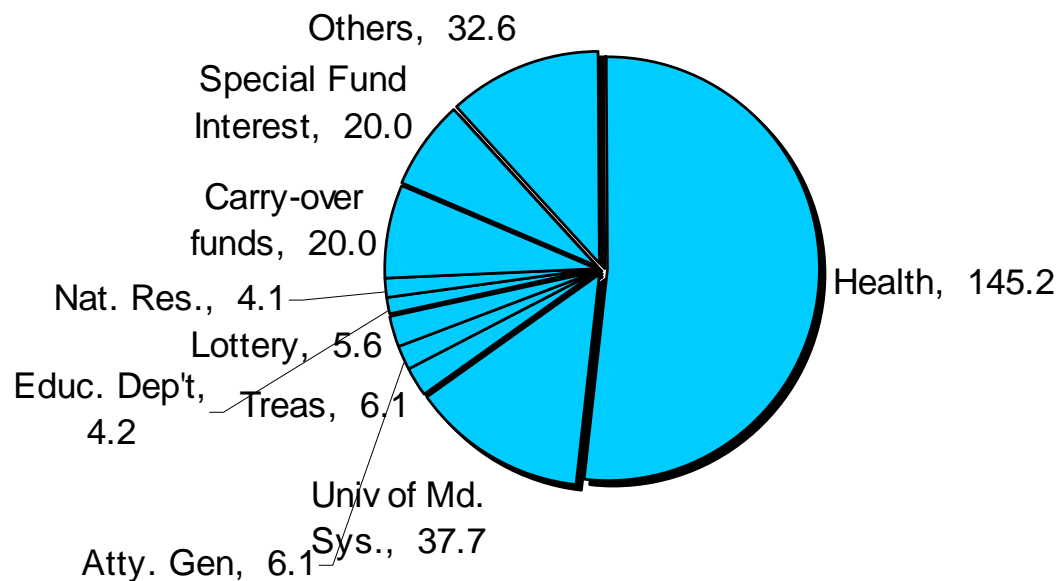
- \$75 M due to enhanced federal Medicaid match
- \$34 M from reductions in Medicaid payments to hospitals, nursing homes, managed care organizations, & other health care providers
- \$40 M of higher education savings related to USM, Morgan, and aid to private colleges
- \$3 M (20%) reduction to stem cell funding leaves \$12.4 million
- \$10 M from assigning interest earned on special fund balances to general fund
- \$5.5 M cut from lottery advertising budget

Source: Governor Martin O'Malley

JULY 2009 BPW CUTS

\$281 MILLION

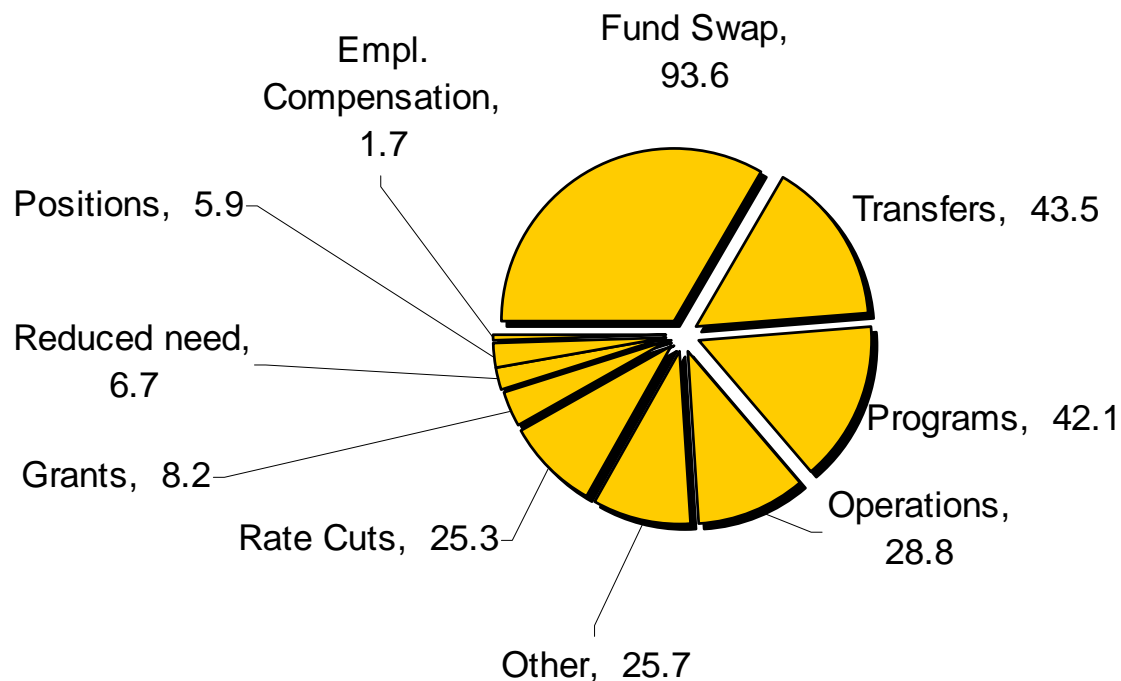
General Fund Cuts by Agency
\$millions ~ total = \$281 m



JULY 2009 BPW CUTS

\$281 MILLION

General Fund Cuts by Type
\$millions ~ total = \$281 m



THE FUTURE

- Next year (2010 session, FY 2011 budget)
 - Shortfall in the \$1 to \$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?

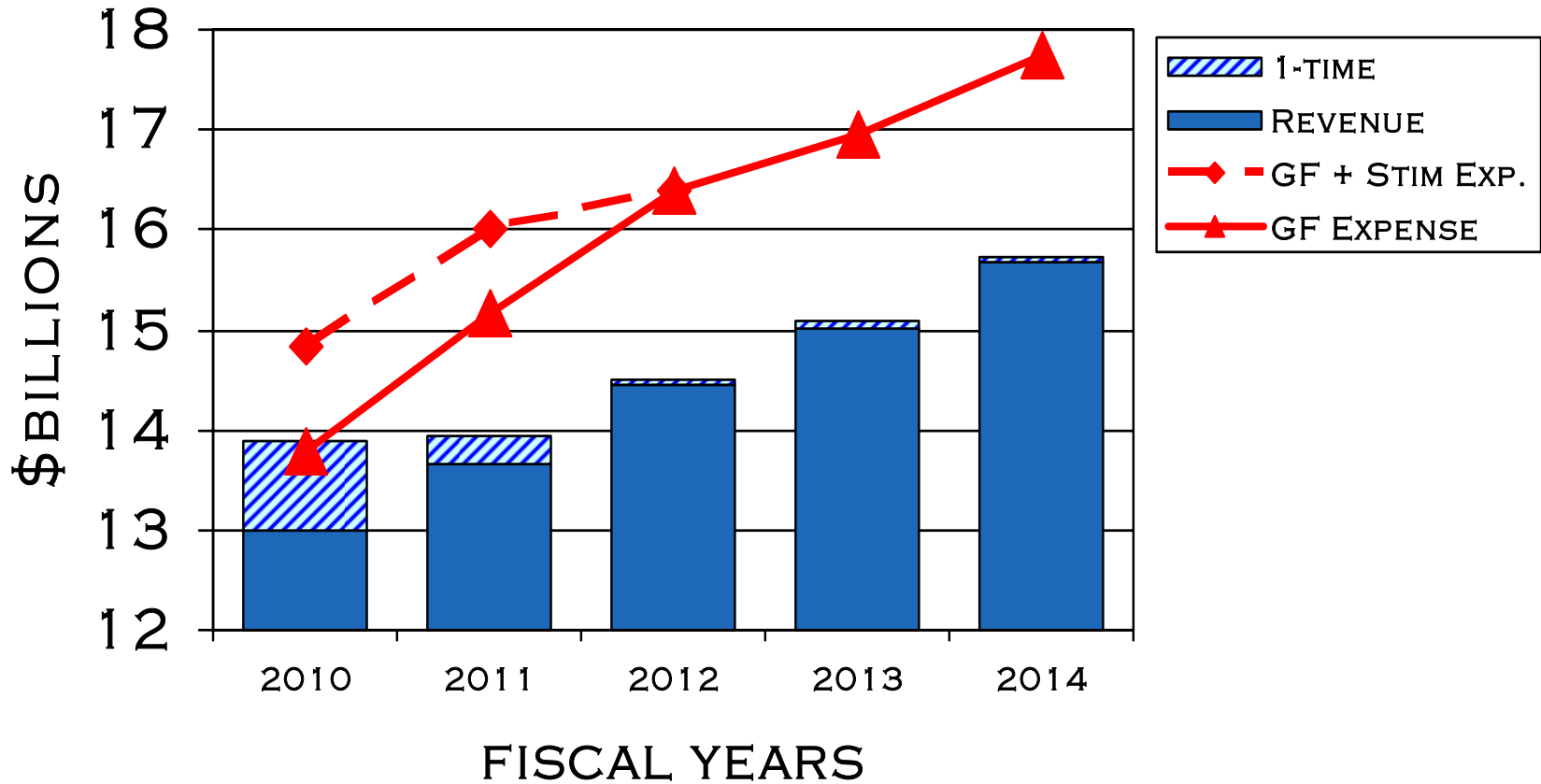


BUDGET FORECAST

AS OF APRIL '09



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
- GuideStar
- Johns Hopkins Nonprofit Economic Data Project
- 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
- Maryland Nonprofits
- US Bureau of Economic Analysis
- US Bureau of Labor Statistics