
Fiscal Briefing

Department of Legislative Services

Office of Policy Analysis

Annapolis, Maryland

January 21, 2002

Contents

General Fund Revenues -- Fiscal 2002 Year-to-Date Collections	1
General Fund Revenue Projections	2
Economic and Revenue Outlook	3
Basic Observations on the Fiscal 2003 Budget	4
Relationship of Current Revenues to Operating Costs Under Current Law	5
How the Budget Addresses the General Fund Budget Gap	6
Fiscal 2002 -- Status of the General Fund	7
Fiscal 2002 -- Budget Detail	8
Fiscal 2003 -- Status of the General Fund	9
Fiscal 2003 -- Budget Detail	10
Reserve Fund Activity -- Fiscal 2002 and 2003	11
Revenue Stabilization Fund -- Fiscal 2001 through 2003 (Rainy Day Fund)	12
Extending the Executive Budget Plan to Fiscal 2004	13
State Expenditures -- General Funds	14
Mandated/Expected Spending -- Fiscal 2003 General Fund Increase Over Amended Fiscal 2002 Appropriation	15
Discretionary Increases/Enhancements -- Fiscal 2003 General Fund Increase Over Amended Fiscal 2002 Appropriation	16
Costs Deferred Until Future	17
Medicaid Obligation Deferred	18
Pension Board Certified Contribution Rates Not Funded	19
Regular Full-time Equivalent Employees -- Fiscal 2001 through 2003 Allowance	21
Regular Full-time Equivalent Employees -- Fiscal 2002 Vacancy Rate and Necessary Vacancy Rate Under Cost Containment	22
Cigarette Restitution Funds	23
Cigarette Restitution Fund -- Escrow Account Balance	24

Contents (Continued)

Funding for the Woodrow Wilson Bridge and Addison Road/Largo Metro Extension -- Fiscal 2001 through 2007	25
Capital Budget	26
Summary of the Capital Program Request for the 2002 Session	27
Capital -- All Funds	28
General Fund and General Obligation Bond -- Capital Program Comparison -- Fiscal 2002 vs. Fiscal 2003 Capital Improvement Plans	29
State Aid to Local Governments	30
State Education Aid Increases	31
Other State Aid Programs	32
State Aid by Governmental Entity -- Fiscal 2002 to 2003	33
Fiscal 2003 State Aid Reductions Contingent on Legislation	34
Spending Affordability Analysis -- 2002 Session	35
Appendix	36
Higher Education Components of General Fund Change	38
General Funds: Non-Higher Education Regular Employee Compensation	39
State Assistance to Local Governments -- Fiscal 2003 Adjusted Allowance	40
State Assistance to Local Governments -- Dollar Difference Between Fiscal 2003 Adjusted Allowance & Fiscal 2002 Working Appropriations	41
State Assistance to Local Governments -- Percent Difference Between Fiscal 2003 Adjusted Allowance & Fiscal 2002 Working Appropriation	42
State Expenditures -- Special and Higher Education Funds	43
State Expenditures -- Federal Funds	44
State Expenditures -- All State Funds	45
State Expenditures -- All Funds	46

General Fund Revenues
Fiscal 2002 Year-to-Date Collections
(\$ in Millions)

<u>Source</u>	<i>Fiscal Year Through December</i>				<u>Over/Under Estimate</u> ⁽²⁾
	<u>FY 2001</u>	<u>FY 2002</u> ⁽¹⁾	<u>\$ Difference</u>	<u>% Difference</u>	
Personal Income Tax	\$1,806.4	\$1,780.7	(\$25.6)	(1.4)	(\$18.6)
Sales and Use Tax ⁽³⁾	1,076.9	1,088.9	12.1	1.1	(1.1)
State Lottery	186.4	192.5	6.1	3.3	1.3
Corporate Income Tax	145.8	78.0	(67.8)	(46.5)	(7.7)
Business Franchise Taxes	76.4	74.4	(1.9)	(2.5)	3.1
Insurance Premiums Tax	87.7	90.5	2.8	3.2	(0.3)
Estate & Inheritance Taxes	80.5	95.9	15.5	19.2	2.6
Tobacco Tax	90.1	87.6	(2.4)	(2.7)	1.1
Alcohol Beverages Tax	10.9	11.3	0.4	3.5	(0.0)
Motor Vehicle Fuel Tax	4.1	4.2	0.1	3.4	0.0
District Courts	34.3	35.1	0.8	2.2	(0.2)
Clerks of the Court	18.3	18.8	0.5	2.9	0.4
Hospital Patient Recoveries ⁽⁴⁾	4.7	8.4	3.7	78.6	0.4
Interest on Investments	44.0	33.5	(10.5)	(23.9)	(0.2)
Miscellaneous	66.2	51.5	(14.7)	(22.2)	(5.9)
Total	\$3,732.5	\$3,651.4	(\$81.1)	(2.2)	(\$25.1)

(1) FY 2002 does not include amnesty payments.

(2) Estimate from the Board of Revenue Estimates, December 2001.

(3) FY 2002 reflects the impact of the tax-free week in August.

(4) Does not include Medicaid recoveries and disproportionate share payments.

General Fund Revenue Projections
Fiscal 2002 to 2003
(\$ in Millions)

<u>Source</u>	<u>Actual</u>	<u>Fiscal 2002</u>		<u>\$ Difference</u>	<u>% Change</u>	<u>Estimate</u>	<u>% Change</u>
	<u>FY 2001</u>	<u>May</u> ⁽¹⁾	<u>Dec 01</u>		<u>FY01-02</u>	<u>FY 2003</u>	<u>FY02-03</u>
Personal Income Tax ⁽²⁾	\$5,133.7	\$5,227.9	\$5,113.5	(\$114.4)	(0.4)	\$5,197.9	1.7
Sales and Use Tax ⁽³⁾	2,626.8	2,763.6	2,635.5	(128.0)	0.3	2,731.4	3.6
State Lottery	385.0	396.4	396.7	0.3	3.0	403.3	1.7
Corporate Income Tax	374.4	341.3	245.2	(96.1)	(34.5)	302.4	23.3
Business Franchise Taxes	167.4	171.8	157.4	(14.4)	(6.0)	168.6	7.1
Insurance Premiums Tax	190.4	182.0	192.7	10.6	1.2	197.1	2.3
Estate & Inheritance Taxes ⁽²⁾	168.8	133.2	171.6	38.4	1.7	139.2	(18.9)
Tobacco Tax	205.6	187.8	203.6	15.9	(1.0)	199.9	(1.9)
Alcohol Beverages Tax	24.5	25.0	25.1	0.1	2.4	25.0	(0.4)
Motor Vehicle Fuel Tax	12.0	11.7	12.0	0.3	(0.0)	12.1	0.8
District Courts	69.6	73.9	70.8	(3.1)	1.7	72.1	1.7
Clerks of the Court	39.5	39.0	40.2	1.2	1.7	38.6	(3.9)
Hospital Patient Recoveries ⁽⁴⁾	66.2	76.4	87.7	11.3	32.4	63.9	(27.1)
Interest on Investments	140.6	82.5	72.6	(9.9)	(48.3)	70.3	(3.3)
Miscellaneous ⁽⁵⁾	197.8	166.4	179.3	12.9	(9.3)	165.6	(7.6)
Tax Amnesty	0.0	30.0	28.5	(1.5)	n.a.	0.0	n.a.
Subtotal	\$9,802.4	\$9,908.9	\$9,632.5	(\$276.3)	(1.7)	\$9,787.3	1.6
Transfer ⁽⁶⁾	0.0	0.0	119.5	119.5	n.a.	0.0	n.a.
Grand Total	\$9,802.4	\$9,908.9	\$9,752.0	(\$156.8)	(0.5)	\$9,787.3	0.4

(1) Board of Revenue Estimates, March 2001 with adjustments for the legislative action of the 2001 session.

(2) FY 2003 reflects the impact of the federal Economic Growth and Tax Relief Reconciliation Act of 2001.

(3) FY 2002 reflects the partial impact, and FY 2003 reflects the full impact of transferring 100% of the sales tax on short-term rental vehicles to the Transportation Trust Fund (HB 309, 2001 session).

(4) FY 2001-03 reflect new federal caps on disproportionate share payments that limit the amount that can be recovered for state hospitals. FY 2001 includes \$5.4 million and FY 2002 includes about \$12 million in one-time Medicaid & Medicare recoveries from appeals to the Federal government for underpayment in prior years.

(5) FY 2002 reflects the transfer of \$6 million of uninsured motorist penalty fees to the Transportation Trust Fund (TTF). FY 2003 reflects the transfer of all of those fees, \$9 of the \$14 security interest filing fees and special licence plate fees to the TTF (HB 309, 2001 session).

(6) FY 2002 includes a one-time accounting adjustment due to overfunding the local income tax reserve account.

Economic and Revenue Outlook

Year over Year Percent Change

Calendar Year	U.S.		Maryland			Fiscal Year	General Fund Revenues ⁽¹⁾
	Real Gross Domestic Product	Employment	Personal Income	Wage & Salary Income			
1996 A	3.6%	1.3%	4.2%	5.0%	1996 A	1.9%	
1997 A	4.4%	2.5%	5.7%	7.2%	1997 A	5.7%	
1998 A	4.3%	2.5%	6.5%	7.1%	1998 A	5.9%	
1999 A	4.1%	2.7%	5.5%	6.7%	1999 A	5.9%	
2000 A	4.1%	2.7%	6.8%	7.8%	2000 A	8.2%	
2001 E	1.1%	1.0%	6.1%	7.4%	2001 A	6.3%	
2002 E	0.7%	0.0%	3.6%	4.1%	2002 E	-1.7%	
2003 E	4.5%	1.4%	5.0%	5.6%	2003 E	1.6%	
2004 E	3.2%	1.9%	5.7%	6.5%	2004 E	5.4%	
2005 E	3.1%	2.1%	5.7%	6.5%	2005 E	4.4%	
2006 E	3.0%	2.2%	5.8%	6.5%	2006 E	5.2%	

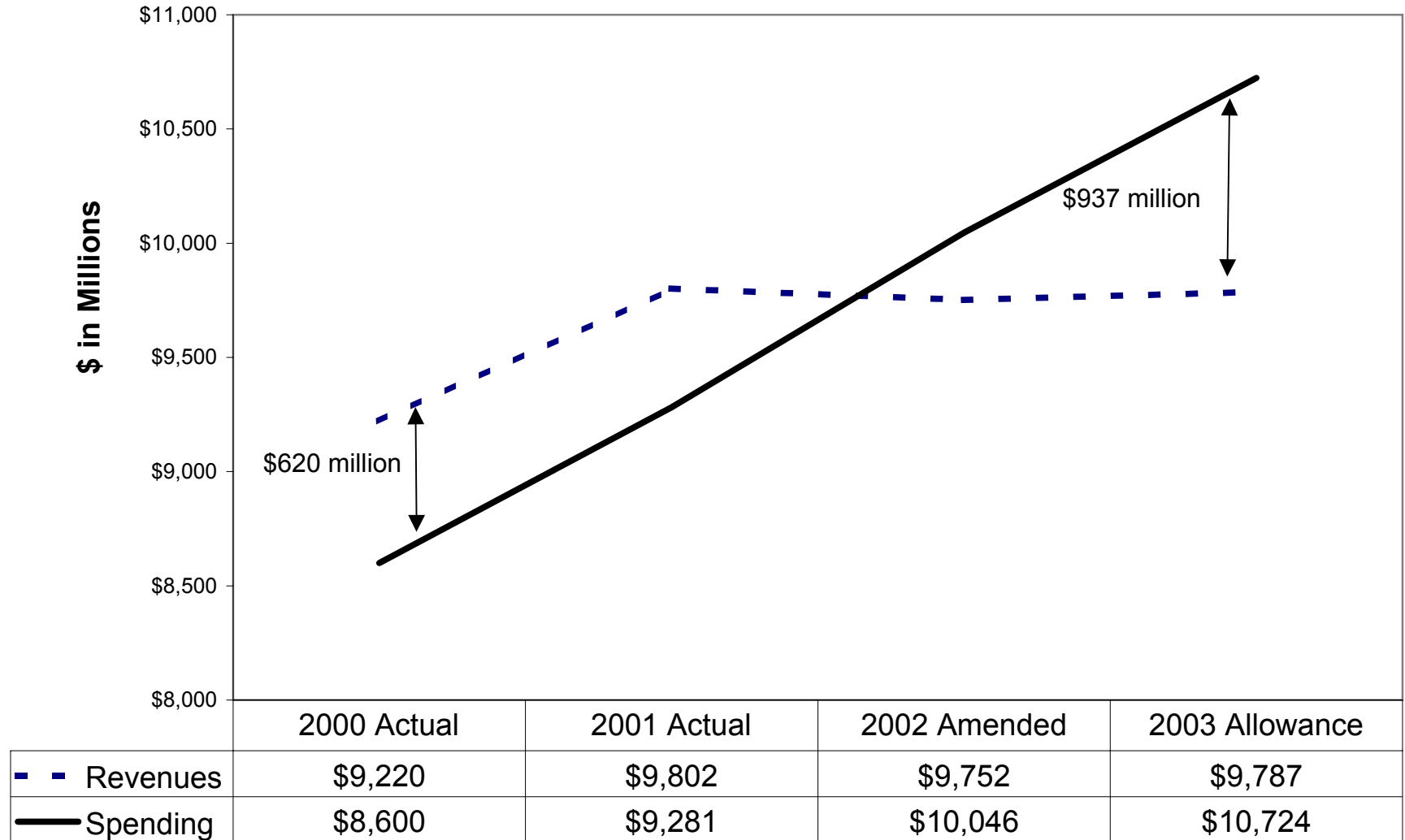
(1) Excluding transfers.

Source: Report of the Board of Revenue Estimates, December 2001

Basic Observations on the Fiscal 2003 Budget

- The budget is balanced to its assumptions which include many changes to statutory law. A \$500 million balance remains in the “Rainy Day” Fund at the end of fiscal 2003.
- The budget is not balanced to estimated revenues in fiscal 2002 or fiscal 2003. In 2003 the gap is nearly \$1 billion, or twice the “Rainy Day” balance.
- Budget growth supports:
 - Mandated increases for primary and secondary education.
 - Increases for Medicaid and certain health programs.
 - Employee merit increases and a 2% COLA effective 1/1/2003.
- Budget growth requires legislation to:
 - Defer or cancel last phase of the income tax reduction.
 - Transfer from special funds, MAIF and the MdTA.
 - Reduce mandated funding for retirement accounts and other programs.
- Under current laws and revenue assumptions, general fund spending cannot be sustained past fiscal 2003.

Relationship of Current Revenues to Operating Costs Under Current Law



How the Budget Addresses the General Fund Budget Gap

	<u>FY 2002</u>	<u>FY 2003</u>
Budget Gap		
BRE Revenues	\$9,752,017,496	\$9,787,339,642
Operating and PAYGO Appropriations*	<u>10,787,568,930</u>	<u>10,818,206,937</u>
Total Gap	(1,035,551,434)	(1,030,867,295)
Gap Closers		
Defer Income Tax Reduction Phase Starting Jan. 2002 **	-	177,400,000
Other Revenues	1,100,000	6,644,000
Use of Revenue Stabilization Fund Balance	391,409,278	67,971,223
Reduction in General Fund Balance	66,459,237	467,509,038
Transfers from Other Funds**	<u>324,158,894</u>	<u>137,277,758</u>
Subtotal Revenue Actions	783,127,409	856,802,019
Contingent Reductions**	-	128,065,276
"Targeted" Reversions	227,424,025	-
Ordinary Reversions	<u>25,000,000</u>	<u>46,000,000</u>
Subtotal Budget Actions	252,424,025	174,065,276
Total Actions	1,035,551,434	1,030,867,295
Impact on General Fund Balance		
Starting Balance	538,352,823	471,893,586
Reduction in Balance	(66,459,237)	(467,509,038)
Ending Balance	\$471,893,586	\$4,384,548

* Fiscal 2002 incorporates announced cost containment. Does not include appropriations to the Revenue Stabilization Fund.

** Legislation required.

**Fiscal 2002
Status of the General Fund
(\$ in Millions)**

Starting Balance		\$538.4
Revenues		
May 2001 Forecast	9,908.9	
Downward revenue estimate adjustment	(276.3)	
Local reserve account transfer	<u>119.5</u>	
December 2001 BRE Forecast	9,752.0	
Adjustment:		
Transfer from Transitional Education Fund	1.1	
Revenue Subtotal		<u>9,753.1</u>
Transfer from the Revenue Stabilization Fund		533.2
Transfers Contingent on Legislation		324.2
Funds Available		11,148.8
Spending		
Fiscal 2002 Legislative Appropriations	10,814.4	
Reductions Approved by BPW, November 2001	(57.5)	
Fiscal 2002 Deficiencies	172.5	
Specific Reversions	(227.4)	
Estimated Agency Reversions	(25.0)	
Appropriations Subtotal		<u>10,676.9</u>
Ending Balance		\$471.9

Fiscal 2002 Deficiencies

Medicaid/Maryland Children's Health Program	\$139.5
State Reserve Fund -- Tax Amnesty	30.0
Foster care	8.4
Office of the Public Defender	3.5
Department of Public Safety & Correctional Services -- Oil, gas, and utilities	2.5
Department of Labor, Licensing and Regulation	2.5
Department of General Services -- Security	2.1
Contingency fee for hospital patient recoveries	1.2
Department of State Police -- Overtime and new recruit class	1.1
Withdraw appropriation for Medevac helicopter payment	(2.0)
State Department of Education -- Non-public placements	(9.5)
Withdraw appropriation to Dedicated Purpose Fund for welfare	(9.6)
Other	<u>2.8</u>
Total	\$172.5

**Fiscal 2002
Budget Detail
(\$ in Millions)**

Transfers Contingent on Legislation

	<u>Transfers</u>
Maryland Automobile Insurance Fund	\$70.0
DPF -- Woodrow Wilson Bridge/Addison Road Metro extension	69.9
General fund capital projects authorized prior to FY 2002	67.8
Program Open Space unexpended balances	30.0
Department of Business and Economic Development capital programs	23.0
Transfer tax revenues over estimates	15.6
Department of Housing and Community Development capital programs	11.0
State Self-Insurance Fund (Treasurer)	11.0
Waterway Improvement Fund	8.0
911 Emergency Number Fund	5.0
Health Services Cost Review Commission Uncompensated Care	2.9
Insurance Regulation Fund	2.0
State Use Industries	2.0
Maryland Stadium Authority (Camden Station development)	1.8
Used Tire Cleanup Fund	1.0
Foreign Vehicle Registration Fund	0.8
DHMH Boards and Commissions (includes Board of Nursing)	0.7
Small Business Pollution Control Fund	0.6
Lead Poisoning Prevention Fund	0.5
Telecommunication Access of Maryland	0.3
Central Collection Unit (DBM)	0.2
Health Services Cost Review Commission Administration Fund	0.1
Total	\$324.2

Specific Reversions

	<u>Reversions</u>
General fund capital projects	\$210.0
Higher education hiring freeze	8.6
Department of Human Resources -- restricted TANF funds	7.2
Judiciary -- cost containment	1.4
Legislative -- cost containment	0.2
Total	\$227.4

**Fiscal 2003
Status of the General Fund
(\$ in Millions)**

Starting Balance		\$471.9
Revenues		
December 2001 BRE Forecast	9,787.3	
Administration Assumptions:		
Lottery Revenues (reduce transfer to Stadium Authority)	5.0	
Revenues contingent on delay of income tax reduction	177.4	
Enforcement and compliance by Comptroller's Office	1.6	
Revenue Subtotal		<u>9,971.4</u>
Transfer from the Revenue Stabilization Fund		249.0
Transfers Contingent on Legislation		137.3
Funds Available		10,829.6
Spending		
Fiscal 2003 Allowance	10,999.2	
Reductions Contingent on Legislation	(128.1)	
Estimated Agency Reversions	(46.0)	
Appropriations Subtotal		<u>10,825.2</u>
Ending Balance		\$4.4

**Fiscal 2003
Budget Detail
(\$ in Millions)**

Transfers Contingent on Legislation

	<u>Transfers</u>
Dedicated Purpose Fund -- welfare reserve	\$50.0
Injured workers' insurance reserve	32.2
Maryland Transportation Authority	18.0
University System of Maryland	16.6
Transfer tax revenues over estimates	11.2
Emergency Medical System	5.0
Racing Facility Redevelopment Bond Fund	3.7
Maryland Environmental Services (Donation)	0.4
Central Collection Unit	<u>0.2</u>
Total	\$137.3

Reductions Contingent on Legislation

	<u>Reductions</u>
Contribution to the retirement systems	\$64.8
Electricity Generating Equipment Property Tax Grant	30.6
Aid to Community Colleges	15.4
Private Donation Incentive Program	6.6
Baltimore City Community College	5.0
Aid to Non-Public Institutions of Higher Education	3.2
Tourism Board	<u>2.5</u>
Total	\$128.1

Reserve Fund Activity -- Fiscal 2002 and 2003

(\$ in Millions)

	Rainy Day Fund	Dedicated Purpose Fund	Catastrophic Event Fund	Joseph Fund
Balances on Hand 6/30/01	888.2	115.6	1.7	10.6 ²
Fiscal 2002 Appropriations:				
Unappropriated FY 00 Balance	141.8 ¹			5.0
Wilson Bridge/Metro Expansion		45.0		
TANF Reallocation		9.6 ³		
Fiscal 2002 Deficiency Appropriations:	30.0	(9.6) ³		
Expenditures:				
PSC: Public education utility restruct.		(2.8)		
DDA Waiting List Initiative -- DHMH		(5.0) ⁴		
Welfare Programs		(22.1) ³		
Transfer to General Fund:	(533.2) ⁵	(69.9) ⁶		
Estimated interest:	21.5			0.4
Balances on Hand 6/30/02	548.3	60.9	1.7	16.0
Fiscal 2003 Appropriations:	181.0 ¹	-	-	5.0
Expenditures:				
Welfare Programs		(10.0) ³		
Transfers:				
General Fund	(249.0) ⁵	(50.0) ⁶		
Estimated interest:	19.9			0.6
Estimated Balances 6/30/03	500.2	0.9	1.7	21.6
Balance in Excess of 5% GF Revenues	1.7 ⁷			

¹ Per Chapter 4, Acts of 1998, in fiscal 2002 this represents the unappropriated fiscal 2000 general fund balance in excess of \$10.0 million; in fiscal 2003 it represents the excess balance from fiscal 2001.

² Chapter 517, Acts of 1999 created the Joseph Fund beginning in fiscal 2001. The Act provides that an appropriation may be included in the fiscal 2001 budget equivalent to the lesser of 40% of the fiscal 1999 unappropriated general fund surplus or \$10 million. In fiscal 2002 and thereafter, the transfer may total the lesser of \$5.0 million or 20% of the two years' prior unappropriated general fund surplus. Interest earnings are credited to the Joseph Fund and not to the Revenue Stabilization Fund (Rainy Day Fund).

³ These monies represent a negative deficiency and transfers to the Department of Human Resources. The fiscal 2002 negative deficiency of \$9.6 million represents an offset to the "excess" TANF monies originally set aside in the Dedicated Purpose Fund from the Department of Human Resources (DHR). The fiscal 2002 transfer of \$22.1 million to DHR as a deficiency also represents TANF and other monies previously set aside for future welfare costs. Fiscal 2003 funds going to the Department of Human Resources include the remaining balance of \$10.0 million originating in the Citizen's Tax Reduction and Fiscal Reserve Account appropriated to the Dedicated Purpose Fund in fiscal 1999.

⁴ Special funds totaling \$15.0 million were deposited in fiscal 1999 to be appropriated in \$5 million increments in fiscal 2000, 2001, and 2002.

⁵ Represents total funds transferred to support operating and PAYGO spending under the Governor's allowances.

⁶ These monies represent anticipated transfers to the general fund through the Budget Reconciliation Act. The fiscal 2002 transfer, the balance of fiscal 2001 appropriations (\$24.9 million) and fiscal 2002 appropriations (\$45.0 million), was originally intended for transportation projects. The fiscal 2003 \$50.0 million transfer to the general fund is the balance of TANF funds set aside for future welfare needs.

⁷ Based on the Governor's revenue assumptions, including deferral of the income tax acceleration.

Source: Department of Budget and Management

**Revenue Stabilization Fund -- Fiscal 2001 through 2003
(Rainy Day Fund)
(\$ in Millions)**

	<u>Fund</u>	<u>Balance As % of GF Revenue</u>	<u>Balance Over 5% GF Revenue</u>	<u>Balance As % of GF Approp</u>
Fiscal 2001				
Beginning Balance	581.9			
Unappropriated FY 99 Balance ¹	235.0			
Transfer from Dedicated Purpose Fund ²	38.9			
FY 2001 Deficiency ³	(30.0)			
Interest	62.4			
Ending Balance	\$888.2	9.1%	\$398.1	8.7%⁷
Fiscal 2002				
Beginning Balance	888.2			
Unappropriated FY 00 Balance ¹	141.8			
Fiscal 2002 Deficiency Appropriation ³	30.0			
Transfer to General Fund ⁴	(533.2)			
Estimated Interest ⁵	21.5			
Estimated Ending Balance	\$548.3	5.7%⁶	\$66.6	5.1%⁷
Fiscal 2003				
Beginning Balance	548.3			
Unappropriated FY 01 Balance ¹	181.0			
Transfer to General Fund ⁴	(249.0)			
Estimated Interest ⁵	19.9			
Estimated Ending Balance	\$500.2	5.0%⁶	\$1.7	4.6%⁷

1 Per Chapter 4, Acts of 1998. This "sweeper provision" provides for the appropriation of unallocated surplus revenues from two years prior to the year of appropriation.

2 Represents the transfer of the remaining balance of funds appropriated to the Dedicated Purpose Fund in fiscal 1996 to offset changes in federal law, regulation, or policy. The law provides that unspent balances revert to the Revenue Stabilization Fund four years after the end of the fiscal year in which funds were appropriated.

3 A \$30.0 million fiscal 2002 deficiency appropriation is also made to the Revenue Stabilization Fund, representing funds collected through the tax amnesty program (Chapter 275, Acts of 2001). These funds were transferred as a negative deficiency in fiscal 2001.

4 Represents total funds transferred to support operating and PAYGO spending under the Governor's allowances.

5 For projected interest earnings, estimated interest represents the assumed interest rates multiplied by appropriations and transfers, which are moved out of the rainy day fund on the schedule anticipated by the Department of Budget and Management. Actual earned interest income for July, 2001 through November, 2001 is used in fiscal 2002.

6 The calculation of the rainy day balance as a percent of general fund revenue is based on the BRE revenue projection for fiscal 2002 and 2003, plus adjustments assumed by the Governor. Those adjustments include the addition of a \$1.1 million transfer from the Transitional Education Fund in fiscal 2002. Fiscal 2003 assumptions include \$177.4 million from the delay of the last phase of the income tax reduction, \$5.0 million due to increased lottery revenues resulting from a reduced transfer to the Stadium Authority, and \$1.6 million due to tighter enforcement and compliance of laws under the purview of the Comptroller's office.

7 The calculation of the rainy day balance as a percent of general fund appropriations is based on actual appropriations in fiscal 2001, appropriations in the Fiscal Digest with DBM savings assumptions (fiscal 2002), and appropriations assumed in the Governor's allowance with DBM's savings assumptions (fiscal 2003). In fiscal 2003, if the reductions contingent on legislation and estimated agency reversions are not made, the rainy day balance as a percent of general fund appropriations is 4.5%.

Source: Department of Budget and Management and Department of Legislative Services

Extending the Executive Budget Plan to Fiscal 2004

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004 -- A ⁽¹⁾</u>	<u>FY 2004 -- B ⁽²⁾</u>
Budget Gap				
BRE Revenues	\$9,752,017,496	\$9,787,339,642	\$10,315,524,000	\$10,315,524,001
Operating and PAYGO Appropriations ⁽³⁾	<u>10,787,568,930</u>	<u>10,818,206,937</u>	<u>11,467,299,353</u>	<u>11,467,299,353</u>
Total Gap	(1,035,551,434)	(1,030,867,295)	(1,151,775,353)	(1,151,775,352)
Gap Closers				
Defer Income Tax Reduction Phase Starting Jan. 2002 ⁽⁴⁾	-	177,400,000	61,480,000	116,600,000
Other Revenues	1,100,000	6,644,000	-	-
Use of Revenue Stabilization Fund Balance	391,409,278	67,971,223	-	-
Reduction in General Fund Balance	66,459,237	467,509,038	4,384,548	4,384,548
Transfers from Other Funds ⁽⁴⁾	<u>324,158,894</u>	<u>137,277,758</u>	-	-
Subtotal Revenue Actions	783,127,409	856,802,019	65,864,548	120,984,548
Contingent Reductions	-	128,065,276	-	-
"Targeted" Reversions	227,424,025	-	-	-
Ordinary Reversions	<u>25,000,000</u>	<u>46,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
Subtotal Budget Actions	252,424,025	174,065,276	25,000,000	25,000,000
Total Actions	1,035,551,434	1,030,867,295	90,864,548	145,984,548
Remaining Gap	-	-	(1,060,910,805)	(1,005,790,804)
Reserve Fund Balance			\$500,200,000	\$500,200,000

Note: Assumes budget costs increase 6% in the aggregate for fiscal 2004.

(1) Assumes the last phase of the income tax reduction goes into effect January 1, 2004.

(2) Assumes the last phase of the income tax reduction does not go into effect January 1, 2004.

(3) Fiscal 2002 incorporates announced cost containment. Does not include appropriations to the Revenue Stabilization Fund.

(4) Legislation required.

State Expenditures -- General Funds

(\$ in Millions)

<u>Category</u>	<u>Actual FY 2001</u>	<u>Work. App. FY 2002</u>	<u>Allowance FY 2003</u>	<u>Contingent Reductions</u>	<u>Adjusted Allowance</u>	<u>FY 2002 to FY 2003</u>	
						<u>\$ Difference</u>	<u>% Difference</u>
Debt Service	\$204.5	\$204.0	\$197.9	\$0.0	\$197.9	(\$6.1)	(3.0)
Aid to Education							
General Government	174.5	203.0	230.3	30.8	199.5	(3.5)	(1.7)
Community Colleges	163.3	178.5	205.4	17.4	187.9	9.4	5.3
Education/Libraries	2,718.1	2,848.3	3,058.2	46.7	3,011.5	163.2	5.7
Health	52.5	56.9	62.1	0.0	62.1	5.2	9.1
	<u>3,108.4</u>	<u>3,286.8</u>	<u>3,556.1</u>	<u>94.9</u>	<u>3,461.1</u>	<u>174.4</u>	<u>5.3</u>
Entitlements							
Foster Care Payments	126.9	137.8	132.9	0.0	132.9	(4.9)	(3.6)
Assistance Payments	34.5	55.5	62.7	0.0	62.7	7.2	13.0
Medical Assistance	1,320.3	1,547.0	1,602.2	0.0	1,602.2	55.3	3.6
Property Tax Credits	52.6	55.7	55.8	0.0	55.8	0.1	0.2
	<u>1,534.3</u>	<u>1,795.9</u>	<u>1,853.5</u>	<u>0.0</u>	<u>1,853.5</u>	<u>57.7</u>	<u>3.2</u>
State Agencies							
Health	1,006.6	1,090.2	1,189.6	0.0	1,189.6	99.4	9.1
Human Resources	303.8	289.9	301.1	0.0	301.1	11.1	3.8
Systems Reform Initiative	46.9	43.1	41.1	0.0	41.1	(2.0)	(4.7)
Juvenile Justice	150.3	162.2	178.7	0.0	178.7	16.5	10.2
Public Safety/Police	863.9	920.9	979.5	0.0	979.5	58.5	6.4
Higher Education	886.5	961.3	1,001.2	5.0	996.2	35.0	3.6
Other Education	248.6	275.5	310.0	9.8	300.2	24.7	9.0
Agriculture/Nat. Resources/Environment	125.5	147.3	164.2	0.0	164.2	16.9	11.5
Other Executive Agencies	520.6	553.1	598.5	2.5	596.0	42.9	7.8
Judicial/Legislative	281.4	316.1	352.7	0.0	352.7	36.6	11.6
Across-the-Board Cuts	0.0	0.0	0.0	15.9	(15.9)	(15.9)	n.a.
	<u>4,434.2</u>	<u>4,759.7</u>	<u>5,116.5</u>	<u>33.1</u>	<u>5,083.3</u>	<u>323.7</u>	<u>6.8</u>
Subtotal	\$9,281.4	\$10,046.3	\$10,724.0	\$128.1	\$10,595.9	\$549.6	5.5
Capital	638.4	478.8	89.2	0.0	89.2	(389.6)	(81.4)
Transfers	2.0	0.0	0.0	0.0	0.0	0.0	n.a.
Reserve Fund	315.8	176.8	186.0	0.0	186.0	9.3	5.2
Appropriations	\$10,237.5	\$10,701.9	\$10,999.2	\$128.1	\$10,871.2	\$169.3	1.6
Reversions	0.0	(25.0)	(46.0)	0.0	(46.0)	(21.0)	84.0
Grand Total	\$10,237.5	\$10,676.9	\$10,953.2	\$128.1	\$10,825.2	\$148.3	1.4

Note: FY 2002 includes deficiencies and \$227.4 million in specific reversions.

**Mandated/Expected Spending
Fiscal 2003 General Fund Increase Over
Amended Fiscal 2002 Appropriation
(\$ in Millions)**

	<u>Allowance Increase</u>	<u>Contingent Reduction</u>	<u>Proposed Increase</u>
Constitutional/Statutory			
Debt Service	(\$6.1)		(\$6.1)
Legislature	2.4		2.4
Judiciary	34.1		34.1
Public Schools/Libraries			
Mandated Program Increases	181.8	\$46.7	135.1
Programs Previously Funded by CRF	24.2		24.2
Community Colleges	25.7	17.4	8.3
Other Local Aid	27.9	30.8	(2.9)
Baltimore City Community College	6.2	5.0	1.2
Aid to Private Colleges and Universities	6.3	3.2	3.1
Private Donation Incentive Grant Program	4.9	6.6	(1.6)
Tourism Board	2.6	2.5	0.1
Local Health Formula	2.0		2.0
Substance Abuse Partnership (S.T.O.P.)	4.0		4.0
Wage Initiative (DDA)	11.2		11.2
Entitlements			
Medical Assistance	30.3		30.3
Foster Care	(4.9)		(4.9)
Assistance Payments	7.2		7.2
Other			
Correctional Education	1.8		1.8
HBCU Grants (MHEC)	6.9		6.9
Current Community Services (MHA/DDA)	25.5		25.5
New Facilities (DJJ)	8.3		8.3
Voting Systems	1.2		1.2
Subtotal	\$403.5	\$112.2	\$291.3
Ongoing Personnel Costs*	129.4	15.9	113.5
Total	\$532.9	\$128.1	\$404.8

*Includes \$3.2 million for local health departments

**Discretionary Increases/Enhancements
Fiscal 2003 General Fund Increase Over
Amended Fiscal 2002 Appropriation
(\$ in Millions)**

	<u>Allowance Increase</u>
Public Schools	
Allegany County Grant	(\$1.0)
Reconstitution Eligible Schools	2.0
Appalachian Mountain Community Colleges	1.1
Baltimore City Circuit Court/State's Attorney	(2.1)
Colleges and Universities	33.1
Hope Scholarships	5.6
Medical Assistance -- Physician Rates	25.0
Substance Abuse Grants -- City Enhancement	9.0
Program Expansion (MHA)	5.0
Waiting List/Downsizing Initiatives (DDA)	19.5
Additional Personnel (DPSCS)	7.7
Community Services (DJJ)	2.5
Nutrient Management	1.1
General Salary Increase (Include Higher Ed.)	25.0
Total	\$133.4

**Costs Deferred Until Future
(\$ in Millions)**

	<u>General Funds</u>
Medicaid underfunded in FY 2002 (\$20 million) and FY 2003 (\$80 million)	\$100
Pension contributions do not fund rate certified by board	65
Funds borrowed from MAIF	50
Annualization of general salary increase and increments proposed for January 2003	36
Transfers increase unfunded liability for workers' compensation payments	32
Electricity Generating Equipment Property Tax Credit	31
Formulas for community colleges and non-public higher education facilities	24
Mental health deficit accumulated prior to fiscal 2001	20
Private Donation Incentive Program	7
Tourism Board	3
Turnover rate of 81% for 64 new child welfare positions and 75% for 17 new parole and probation staff	1
Total	\$369

Medicaid Obligation Deferred (\$ in Millions)

<u>Explanation</u>	<u>GF Amount</u>
Fiscal 2002	
Deficiency does not adequately account for growth in medical costs	\$20
Fiscal 2003	
Allowance built upon understated base	20
Average monthly enrollment will exceed allowance by 10,700	30
No MCO rate increase assumed for calendar 2003	15
Changes in medical inflation and utilization understated. Allowance assumes about 6% compared to DLS estimate of almost 7%	<u>15</u>
Fiscal 2003 Total	\$80
Combined Underfunding	\$100

Fiscal 2002

- Revised caseload forecast of 464,400 appears reasonable. About a 1% difference in medical inflation and utilization trends accounts for difference in projected fiscal 2002 costs.

Fiscal 2003

- Allowance based on average monthly enrollment rising a mere 1% to 470,000.
- Caseload forecast is inconsistent with recent trends. December 2001 enrollment of 463,667 was 5% higher than December 2000 enrollment.
- DLS assumes 3.5% caseload increase in fiscal 2003. Sustained recession could produce even higher caseload.
- Six percent inflation rate inconsistent with State and national trends. Actuary retained by Department of Health and Mental Hygiene forecast 8% increase in HealthChoice costs for calendar 2002. New federal study citing 7% increase in calendar 2000 health spending concludes, the year 2000 marks “the end of an era of reasonable health care cost growth.”

Pension Board Certified Contribution Rates Not Funded

- Fiscal 2003 rates increase from fiscal 2002 due to investment losses and other actuarial changes

<u>Fiscal Year</u>	<u>Aggregate</u>	<u>Employees'</u>	<u>Teachers'</u>	<u>State Police</u>	<u>Judges</u>	<u>LEOPS</u>
2002	7.98%	4.73%	9.35%	5.83%	42.66%	32.41%
2003	8.70%	5.74%	9.87%	5.78%	43.92%	36.10%

- Board certification of rates made contingent on board study of pension enhancements
- Using new rates, contributions would increase \$89 million (total funds) versus fiscal 2002 and \$52 million versus fiscal 2003 payroll with fiscal 2002 rates.
- However, the Governor's budget reduces pension contributions by \$65 million
 - Agency allowances reflect full funding, but subsequent "bottom line" budget language provides reduction contingent on statutory changes
 - Current law requires State to contribute at least the product of payroll times current certified rate

- Calculation of savings differs between local retirement contributions (aid to local governments, community colleges, libraries and boards of education) and contributions for State employees.

(\$ in Millions)

	<u>General Fund Savings</u>	<u>Source of Savings</u>
State Employees	\$16	Apply fiscal 2002 rate (rather than higher fiscal 2003 rate) to fiscal 2003 payroll
State Retirement Contributions on Behalf of Local Employees	49	Contribute same as fiscal 2002 working appropriation
Total	\$65	

- Impact of less than full pension funding
 - No immediate impact on employees -- defined benefit system guarantees benefits based on formula
 - No impact on local boards of education -- pension contributions for local teachers are State responsibility
 - But State pension system loses \$65 million of actuarially anticipated contributions
 - Increases system's liabilities and slightly decreases system's funded status (currently 97.5% funded)
 - Next year's contributions will increase by \$65 million plus amortization of this year's missed contributions
 - Breaks fiscally prudent precedent of contributing full amount specified by actuary
 - While other states have employed similar tactics, DLS can find no examples of an AAA state doing so

Regular Full-time Equivalent Employees Fiscal 2001 through 2003 Allowance

<u>Agency</u>	<u>2001 Actuals</u>	<u>2002 Legislative Approp.</u>	<u>2002 Working Approp.</u>	<u>2002 Leg. to 2002 Working Change</u>	<u>2003 Allowance</u>	<u>2002 Working to 2003 Allowance Change</u>
Legislative	723.0	729.0	730.0	1.0	730.0	-
Judiciary & Legal	4,188.2	4,388.7	4,377.7	(11.0)	4,693.7	316.0
Executive & Administrative Control	1,564.5	1,606.5	1,603.5	(3.0)	1,654.4	50.9
Financial & Revenue Administration	2,141.2	2,168.2	2,158.2	(10.0)	2,162.7	4.5
Budget & Management	509.8	509.8	517.3	7.5	549.3	32.0
Retirement	186.5	193.5	193.5	-	193.5	-
General Services	689.0	725.0	793.0	68.0	848.5	55.5
Transportation	9,256.0	9,551.0	9,538.0	(13.0)	9,653.0	115.0
Natural Resources	1,587.7	1,631.2	1,631.2	-	1,643.2	12.0
Agriculture	471.0	480.0	480.0	-	473.5	(6.5)
Health & Mental Hygiene	8,413.1	8,551.8	8,535.8	(16.0)	8,572.8	37.0
Human Resources	7,652.4	8,272.7	8,279.6	6.9	8,426.7	147.1
Labor, Licensing, & Regulation	1,708.0	1,706.0	1,706.0	-	1,716.0	10.0
Public Safety & Correctional Services	11,227.7	11,662.5	11,662.5	-	11,924.5	262.0
Higher Education	20,303.8	20,821.6	21,373.2	551.6	21,696.5	323.4
Other Education	1,904.0	1,949.0	1,955.0	6.0	1,985.5	30.5
Housing & Community Development	421.1	449.0	449.0	-	453.0	4.0
Business & Economic Development	319.0	323.0	324.0	1.0	325.0	1.0
Environment	1,011.4	1,034.0	1,028.0	(6.0)	1,114.0	86.0
Juvenile Justice	1,612.5	2,122.7	2,122.7	-	2,128.2	5.5
Police & Fire Marshal	2,555.5	2,589.5	2,589.5	-	2,621.5	32.0
Total	78,445.3	81,464.6	82,047.5	583.0	83,565.4	1,517.9

**Regular Full-time Equivalent Employees
Fiscal 2002 Vacancy Rate and
Necessary Vacancy Rate Under Cost Containment**

<u>Agency</u>	FTEs FY 2003 <u>Allowance</u>	12/31/01 Vacancy <u>Rate</u>	Necessary Percent Vacant with Cost <u>Containment</u>
Legislative	730.0	0.0%	1.3%
Judiciary & Legal	4,693.7	4.7%	3.5%
Executive & Administrative Control	1,654.4	13.2%	5.8%
Financial & Revenue Administration	2,162.7	5.8%	6.0%
Budget & Management	549.3	10.4%	7.7%
Retirement	193.5	7.8%	13.0%
General Services	848.5	16.5%	8.3%
Transportation	9,653.0	6.5%	5.8%
Natural Resources	1,643.2	11.1%	4.9%
Agriculture	473.5	7.9%	7.1%
Health & Mental Hygiene	8,572.8	10.5%	8.3%
Human Resources	8,426.7	8.7%	12.9%
Labor, Licensing, & Regulation	1,716.0	10.3%	6.8%
Public Safety & Correctional Services	11,924.5	8.4%	6.1%
Higher Education	21,696.5	4.0%	5.3%
Other Education	1,985.5	5.7%	6.9%
Housing & Community Development	453.0	8.9%	10.3%
Business & Economic Development	325.0	4.7%	7.9%
Environment	1,114.0	7.9%	6.1%
Juvenile Justice	2,128.2	31.5%	7.9%
Police & Fire Marshal	2,621.5	7.0%	4.0%
Total	83,565.4	7.7%	6.4%

Cigarette Restitution Funds (\$ in Millions)

	<u>FY 2002 Legislative Appropriation</u>	<u>Contingent Funds</u>	<u>FY 2002 Working Appropriation</u>	<u>FY 2003 Allowance</u>
Revenues Less 25% in Escrow				
Beginning Fund Balance	\$10.0		\$10.0	\$7.7
Payments and Tax Refund	125.8		119.5	125.9
Total Available Revenue	\$135.8		\$129.5	\$133.6
Health				
Tobacco	\$30.7	(\$10.7)	\$20.0	\$23.2
Cancer*	43.0	(8.0)	34.0	34.7
Substance Abuse	18.5		18.5	18.5
MD Health Care Foundation	1.5	(0.5)	1.0	1.0
Medical Provider Reimbursement	\$0.0		\$0.0	\$31.0
Subtotal	\$93.7	(\$19.2)	\$73.5	\$108.4
Education (K-12)				
Teachers Salaries	\$0.0		\$0.0	\$0.0
Baltimore City Partnership	3.2		3.2	0.0
Academic Intervention	19.5		19.5	0.0
Aid to Non-Public Schools	8.0		5.0	5.0
Judy Hoyer Centers	4.0		4.0	4.0
School Wiring	3.6	(3.6)	0.0	1.9
Education Modernization	0.0		0.0	0.0
Teacher Mentoring	2.5		2.5	2.5
Teacher Certification	2.0		2.0	1.5
Technology Academy	1.7		1.7	1.7
Readiness and Accreditation	3.0		3.0	0.0
Subtotal	\$47.5	(\$3.6)	\$40.9	\$16.6
Higher Education				
MAITI Technology	\$3.7	(\$3.7)	\$0.0	\$0.0
Access/Success	1.0		1.0	1.0
Digital Library	0.5	(0.5)	0.0	0.0
Subtotal	\$5.2	(\$4.2)	\$1.0	\$1.0
Crop Conversion	\$6.3		\$6.3	\$6.3
Attorney General	\$0.1		\$0.1	\$0.1
Total Expenses	\$152.8	(\$27.0)	\$121.8	\$132.4
Ending Fund Balance	(\$17.0)		\$7.7	\$1.2

* Difference between legislative and working appropriation includes \$1 million in cost containment savings.

Note: \$3 million in aid to non-public schools was withheld in fiscal 2002 and reverted to the CRF.

**Cigarette Restitution Fund
Escrow Account Balance
(\$ in Millions)**

Fiscal 2000

Payments	\$46.3	
Interest and fees	0.8	
Disbursement to Outside Counsel	(5.3)	
		\$41.9

Fiscal 2001

Payments	35.4	
Interest and fees	2.7	
		\$80.0

Fiscal 2002 (estimated)

Payments	39.8	
Interest	3.3	
		\$123.1

**Funding for the Woodrow Wilson Bridge
and Addison Road/Largo Metro Extension
Fiscal 2001 through 2007
(\$ in Millions)**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY01-07 Total</u>
2001 Consolidated Transportation Program								
General Funds	\$24	\$79	\$140	\$77	\$29	\$16	-	\$365
Special Funds	0	0	0	0	0	0	-	0
Federal Funds	52	240	275	207	201	132	-	1,107
Total Funds	\$76	\$319	\$415	\$284	\$230	\$148	-	\$1,472
2002 Consolidated Transportation Program								
General Funds	\$25	\$0	\$0	\$70	\$125	\$10	\$0	\$230
Special Funds	2	69	133	19	-95 *	5	12	145
Federal Funds	7	179	307	249	240	137	119	1,238
Total Funds	\$34	\$248	\$440	\$338	\$270	\$152	\$131	\$1,612

* Fiscal 2005 negative special fund cash flow reflects payback of special funds used for Addison Road when federal funds were not available at start of construction.

Source: Maryland Department of Transportation, *Consolidated Transportation Program*

Capital Budget

The fiscal 2003 capital improvement program totals \$2.7 billion

- The program is funded by debt (\$1.1 billion, 40.7%) and current funds (\$1.6 billion, 59.3%).
- The Capital Debt Affordability Committee recommended a general obligation debt limit of \$520 million and a \$40 million limit for academic revenue bonds -- both limits were increased by \$15 million when compared to the prior year.
- The Spending Affordability Committee recommended the authorization of up to \$200 million additional general obligation debt to replace previously authorized general fund PAYGO.
- The capital program as introduced includes \$211.1 million in additional general obligation debt and a PAYGO replacement of \$237.5 million.

Major programs/projects include:

- Public School Construction -- \$150.5 million*
- POS Land Acquisition & Local Program -- \$56.9 million
- Water Quality Revolving Loan Fund -- \$46.4 million
- Rural Legacy Program -- \$37.7 million
- Maryland Economic Development Assistance Fund (MEDAF) -- \$35 million
- Community College Grant Program -- \$32 million*
- Agriculture Land Preservation Program -- \$25.1 million
- GreenPrint -- \$25 million
- CBWQ: Biological Nutrient Removal Program -- \$19.6 million
- MSU New Communications Center -- \$18.4 million
- Baltimore City Community College -- \$17 million
- Community Parks and Playgrounds -- \$15 million

*Excludes general obligation bond funding that is replacing previously authorized PAYGO.

Summary of the Capital Program Request for the 2002 Session
(\$ in Millions)

<u>Function</u>	<u>Bonds</u>			<u>Current Funds (Paygo)</u>			<u>Total</u>
	<u>General Obligation</u>	<u>Agency</u>	<u>Recycled</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	
State Facilities							\$55.1
Facilities Renewal	\$16.3	\$0.0	\$0.0	\$0.0	\$0.3	\$0.0	
Other	25.9	0.0	0.0	10.0	0.0	2.5	
Health/Social							\$28.6
State Facilities	8.0	0.0	0.0	0.0	1.4	0.0	
Private Hospitals	5.0	0.0	0.0	0.0	0.0	0.0	
Other	14.3	0.0	0.0	0.0	0.0	0.0	
Environment							\$290.0
Natural Resources	65.0	0.0	0.0	3.0	88.7	2.0	
Agriculture	6.6	0.0	0.0	0.0	31.4	0.0	
Environment	28.9	0.0	0.0	9.6	50.6	0.0	
MD Envir. Services	3.4	0.0	0.0	0.0	0.0	0.0	
Energy	0.0	0.0	0.0	0.0	1.0	0.0	
Public Safety							\$23.3
State Corrections	8.9	0.0	0.0	0.0	0.0	0.0	
Local Jails	5.2	0.0	0.0	0.0	0.0	0.0	
Other	6.1	0.0	0.0	0.0	3.2	0.0	
Education							\$244.3
School Construction	223.6	0.0	0.0	3.0	2.4	10.5	
Other	4.8	0.0	0.0	0.0	0.0	0.0	
Higher Education							\$272.2
University System	134.4	25.8	0.0	0.0	0.0	0.0	
Morgan State University	26.1	4.1	0.0	0.0	0.0	0.0	
St. Mary's College	2.4	0.0	0.0	0.0	0.0	0.0	
Community Colleges	37.8	0.0	0.0	0.0	0.0	0.0	
Private Colleges/Univers.	16.1	0.0	0.0	0.0	0.0	0.0	
Other	25.6	0.0	0.0	0.0	0.0	0.0	
Housing/Community Development							\$89.7
Housing	14.8	0.0	0.0	29.7	17.8	14.8	
Other	12.2	0.0	0.0	0.2	0.3	0.0	
Economic Development							\$72.8
Economic Development	0.0	0.0	0.0	32.8	40.0	0.0	
Local Projects							\$52.0
Administration	36.0	0.0	0.0	1.0	0.0	0.0	
Legislative	15.0	0.0	0.0	0.0	0.0	0.0	
Transportation							\$1,615.3
Transportation - Other	0.0	350.0	0.0	0.0	474.9	790.3	
Deauthorizations							\$-11.1
Deauthorization	-11.1	0.0	0.0	0.0	0.0	0.0	
Total Fiscal 2003	\$731.1	\$379.9	\$0.0	\$89.2	\$711.8	\$820.2	\$2,732.3
Total Fiscal 2002	\$505.0	\$260.0	\$0.0	\$478.9¹	\$766.0	\$843.3	\$3,063.1

Note: Numbers may not sum to total due to rounding

¹Includes cost containment actions

Capital -- All Funds (\$ in Millions)

	2000		2001		2002		2003	
	<u>Legis. Approp.</u>	<u>% of Total</u>	<u>Legis. Approp.</u>	<u>% of Total</u>	<u>Legis. Approp.</u>	<u>% of Total</u>	<u>Gov. Allow</u>	<u>% of Total</u>
Uses:								
State Facilities	\$53.8	4.8	\$71.9	5.7	\$52.1	4.0	\$55.1	4.9
Health/Social	37.2	3.3	33.0	2.6	37.7	2.9	28.6	2.6
Environment	346.1	30.6	246.0	19.6	349.8	26.8	290.0	26.0
Public Safety	73.0	6.4	51.0	4.1	73.3	5.6	23.3	2.1
Education	268.5	23.7	238.3	19.0	221.0	16.9	244.3	21.9
Higher Education	159.1	14.1	372.5	29.7	347.4	26.6	272.2	24.4
Housing/Comm. Devel.	68.5	6.1	63.4	5.1	63.3	4.8	89.7	8.0
Economic Development	74.0	6.5	66.9	5.3	73.6	5.6	72.8	6.5
Local Projects	55.1	4.9	114.8	9.1	87.0	6.7	52.0	4.7
Deauthorizations	-3.7	-0.3	-2.0	-0.2	0.0	0.0	-11.1	-1.0
Subtotal	\$1,131.5	100.0	\$1,256.0	100.0	\$1,305.1	100.0	\$1,117.0	100.0
Transportation	1,134.9		1,315.1		1,511.4		1,615.3	
Grand Total	\$2,266.4		\$2,571.1		\$2,816.4		\$2,732.3	
Sources:								
General	\$312.7	13.8	\$555.6	21.6	\$433.9	15.4	\$89.2	3.3
Special	672.8	29.7	655.4	25.5	766.0	27.2	711.8	26.1
Federal	570.9	25.2	680.3	26.5	843.3	29.9	820.2	30.0
General Obligation	445.0	19.6	460.0	17.9	505.0	17.9	731.1	26.8
QZABs	0.0	0.0	9.8	0.4	8.3	0.3	0.0	0.0
Revenue Bonds	265.0	11.7	210.0	8.2	260.0	9.2	379.9	13.9
Recycled	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	\$2,266.4	100.0	\$2,571.1	100.0	\$2,816.4	100.0	\$2,732.3	100.0

Notes:

Reflects the following 2002 session proposed general fund cost containment actions:

Non-transportation	\$2.7	\$64.4	\$209.9
Transportation		\$24.9	\$45.0
Total	\$2.7	\$89.3	\$254.9

Does not reflect proposed transfers to the general fund of special fund balances as follows (\$ in millions): DNR -- \$38.0; transfer tax supported capital -- \$26.8; DHCD -- \$11.0; and DBED -- \$23.0. The transfers are not tied to specific year appropriations.

Includes the following deficiencies:

General:	\$17.0	\$0.3
Special:	\$0.8	

Source:

Fiscal 2000 - 2002: Department of Legislative Services

Fiscal 2003: Department of Budget and Management

**General Fund and General Obligation Bond Capital Program Comparison
Fiscal 2002 vs. Fiscal 2003 Capital Improvement Programs
(\$ in Millions)**

Project	Four Year Change		
	General Funds	G.O. Bonds	Total
Health and Mental Hygiene	(\$37.3)	(\$35.0)	(\$72.3)
University System of Maryland*	(86.2)	29.5	(56.6)
Public Safety and Correctional Services	0.0	(41.4)	(41.4)
Public School Construction	(37.0)	5.5	(31.5)
Housing and Community Development	(18.3)	(9.2)	(27.5)
Public Works	(58.5)	42.0	(16.4)
School for the Deaf	0.0	(16.3)	(16.3)
Business and Economic Development	(14.5)	0.0	(14.5)
Higher Education Commission	(1.1)	(12.9)	(14.0)
Historic St. Mary's City Commission	(18.6)	6.4	(12.2)
Juvenile Justice	0.0	(10.8)	(10.8)
Natural Resources	(91.0)	80.5	(10.5)
St. Mary's College	(54.5)	47.0	(7.5)
Maryland Technology Development Corporation	(6.5)	0.0	(6.5)
Education	0.0	(5.0)	(5.0)
Baltimore City Community College	0.0	(2.0)	(2.0)
Canal Place	(0.9)	0.0	(0.9)
Military	0.0	(0.8)	(0.8)
Southern Maryland Higher Ed Center	0.0	(0.5)	(0.5)
Other	(9.0)	8.7	(0.3)
Eastern Shore Higher Education Center	(0.7)	0.6	(0.1)
Public Broadcasting	0.0	(0.1)	(0.1)
University of Maryland Medical System	0.0	0.0	0.0
Environmental Service	0.0	0.4	0.4
Department of Aging	0.0	1.3	1.3
African American Museum	0.0	7.9	7.9
State Police	0.0	8.5	8.5
Environment	(4.8)	14.5	9.7
Legislative Initiatives	0.0	10.0	10.0
Department of Agriculture	(1.2)	12.0	10.8
The Johns Hopkins University	0.0	11.0	11.0
Morgan State University	0.0	12.8	12.8
Baltimore City Revitalization Projects	22.2	10.8	33.0
Total	(\$417.9)	\$175.6	(\$242.3)

*Includes Academic Revenue Bonds

Note: The \$237.5 million in general obligation bond funding in fiscal 2003 that is replacing previously authorized general fund PAYGO is excluded.

State Aid to Local Governments

- In fiscal 2003, State aid to local governments will increase by 4.0%, or \$152.6 million.
- Direct aid will increase by 4.4%, or \$152.8 million.
- For comparison purposes, direct aid increased by 8% in fiscal 2001 and by almost 7% in fiscal 2002.
- Retirement payments on behalf of local governments were scheduled to increase by \$49 million, or 14.0% in fiscal 2003 due to a higher contribution rate and increased salary levels. However, the Governor has proposed freezing retirement payments at fiscal 2002 levels for the year.
- This would have been the first time since fiscal 1997 that retirement expenditures increased. Between fiscal 1997 and 2002, retirement payments decreased by \$129.8 million, or 27.1%.

Summary of State Aid General and Special Funds -- \$ in Millions

<u>Fiscal Year</u>	<u>Direct State Aid</u>	<u>Payments on Behalf</u>	<u>Total State Aid</u>	<u>Percent Change</u>
1993	\$2,012.3	\$387.4	\$2,399.7	9.5%
1994	2,085.3	383.8	2,469.1	2.9%
1995	2,217.0	423.1	2,640.1	6.9%
1996	2,327.3	455.6	2,782.9	5.4%
1997	2,441.4	479.7	2,921.2	5.0%
1998	2,659.6	474.8	3,134.5	7.3%
1999	2,910.2	442.5	3,352.7	7.0%
2000	3,029.7	420.5	3,450.3	2.9%
2001	3,273.7	389.8	3,663.5	6.2%
2002	3,497.2	349.9	3,847.0	5.0%
2003	3,650.0	349.6	3,999.6	4.0%

State Education Aid Increases

- Funding for public schools accounts for most of the increase in State aid (82%). Public schools receive an additional \$125.5 million in direct aid in fiscal 2003, representing a 4.9% increase in funding over last year.
- The largest increase occurs in the current expense, compensatory aid, and limited English proficiency programs. These programs will grow by an additional \$116.3 million.
- The Governor's budget does not provide funding for recommendations proposed by the Commission on Education Finance, Equity, and Excellence (Thornton Commission). This commission has proposed that State education funding be increased by an additional \$140 million in fiscal 2003 and by \$1.1 billion over the next five years.
- The commission's proposal includes additional funding for at-risk, special education, and limited English proficient students, as well as increased funding for basic education programs.
- In fiscal 2003, the increase in direct State education aid ranges from 0.7% in Dorchester County to 11% in Calvert County. Three counties (Allegany, Talbot, and Worcester) will receive a decrease in State education aid in fiscal 2003, ranging from a 1.8% decrease in Allegany County to a 12.8% decrease in Talbot County.

Other State Aid Programs

- State aid to counties and municipalities increases by \$10.1 million or 1.5% in fiscal 2003 with major increases occurring in the disparity grant and transportation programs. The disparity grant increases to \$115.2 million in fiscal 2003, a \$25.9 million increase over the prior year. Transportation funding increases to \$440.6 million, a \$15.3 million increase.
- These increases, however, are partially offset by the elimination of the electricity generating equipment property tax grant. This grant program provides \$30.6 million to eleven jurisdictions to partially offset the revenue losses from legislation that restructured Maryland's electric utility tax system. The legislation enacted in 1999 phased in over two years (beginning in fiscal 2001) provides a 50% personal property tax exemption for machinery and equipment used to generate electricity for sale. Contingent on legislation, counties will be permitted to collect personal property taxes on electricity generating equipment in fiscal 2003.
- In addition, \$4.2 million in Program Open Space funding was eliminated in fiscal 2003, due to the transfer of revenue to the general fund.
- Local health departments will receive an additional \$5.2 million in fiscal 2003.
- Direct aid to local community colleges increases by \$9.4 million in fiscal 2003. This includes a \$5.9 million or 3.9% increase in the formula program. The formula program was scheduled to increase by \$21 million or 14%; however, the Governor reduced funding for the program by \$15.4 million contingent on legislation.
- As shown in the following table, nearly \$100 million in State aid is reduced in fiscal 2003 contingent on legislation. Of this amount, \$50.2 million is for direct aid and \$48.7 million is for retirement payments.

State Aid by Governmental Entity
Fiscal 2002 to 2003
(\$ in Millions)

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Difference</u>	<u>Percent Change</u>
General Government				
Transportation	\$425.2	\$440.6	\$15.3	3.6
Public Safety	89.1	90.7	1.6	1.8
Disparity Grants	89.3	115.2	25.9	29.0
Program Open Space	38.1	36.5	(1.6)	(4.2)
Utility Restructuring Grant	30.6	0.0	(30.6)	(100.0)
Other	10.6	10.1	(0.5)	(5.1)
Subtotal Direct Aid	683.0	693.1	10.1	1.5
Retirement -- Certain County Employees	1.2	1.2	0.0	0.0
Total General Government Aid	684.1	694.2	10.1	1.5
Local Health	56.9	62.1	5.2	9.1
Public Schools				
Current Expense Formula	1,681.2	1,764.5	83.3	5.0
Compensatory Aid	117.1	141.9	24.8	21.2
Special Education -- Non-public	94.9	100.2	5.3	5.6
Student Transportation	133.3	138.9	5.6	4.2
Limited English Proficiency Grants	30.1	34.2	4.1	13.7
Teacher Salary Challenge Program	85.2	72.5	(12.7)	(14.9)
Intervention Strategies/School Readiness	29.7	29.7	0.0	0.0
Early Education Initiatives	19.0	19.0	0.0	0.0
Baltimore City Partnership	70.5	70.5	0.0	0.0
School Technology/Modernization	16.1	17.3	1.2	7.4
Teacher Quality/Class Size Reduction	30.2	38.3	8.2	27.1
Food Services/Student Nutrition	6.3	6.3	0.0	0.0
Other	241.0	246.6	5.7	2.4
Subtotal Direct Aid	2,554.5	2,680.0	125.5	4.9
Teachers' Retirement	328.2	328.2	0.0	0.0
Total Education Aid	2,882.7	3,008.2	125.5	4.4
Community Colleges				
Formula	151.1	157.0	5.9	3.9
Other	14.7	18.3	3.6	24.3
Subtotal Direct Aid	165.8	175.2	9.4	5.7
Teachers' Retirement	12.7	12.7	0.0	0.0
Total Community College Aid	178.5	187.9	9.4	5.3
Libraries				
Formula	26.0	27.1	1.1	4.1
State Library Network	11.0	12.6	1.5	14.0
Subtotal Direct Aid	37.0	39.6	2.6	7.0
Librarians' Retirement	7.8	7.5	(0.3)	(3.6)
Total Library Aid	44.8	47.1	2.3	5.2
Total State Aid	\$3,847.0	\$3,999.6	\$152.6	4.0

Fiscal 2003
State Aid Reductions Contingent on Legislation

<u>County</u>	<u>Electric Generating Equipment Property Tax Grant</u>	<u>Program Open Space</u>	<u>Community College Aid</u>	<u>Total Direct Aid</u>	<u>Retirement Payments</u>	<u>Total State Aid Reductions</u>
Allegany	\$0	\$46,955	\$290,553	\$337,508	\$585,773	\$923,281
Anne Arundel	7,820,202	508,266	2,023,643	10,352,111	4,044,745	14,396,855
Baltimore City	453,421	335,467	0	788,888	5,326,220	6,115,108
Baltimore	1,794,835	573,583	3,708,105	6,076,523	6,379,463	12,455,986
Calvert	6,096,574	51,149	118,864	6,266,587	836,030	7,102,617
Caroline	0	22,150	93,833	115,984	286,314	402,297
Carroll	0	114,788	725,583	840,371	1,378,540	2,218,911
Cecil	0	58,742	275,122	333,864	825,409	1,159,273
34 Charles	2,522,612	103,723	660,833	3,287,167	1,237,355	4,524,523
Dorchester	187,442	19,093	95,841	302,376	280,129	582,505
Frederick	0	120,933	350,955	471,888	1,986,325	2,458,214
Garrett	11,907	23,729	188,712	224,348	287,745	512,093
Harford	860,767	169,887	423,823	1,454,477	2,019,180	3,473,657
Howard	0	300,932	1,009,446	1,310,378	2,857,326	4,167,704
Kent	0	14,315	48,131	62,446	165,911	228,357
Montgomery	2,765,553	765,194	2,699,102	6,229,849	9,649,794	15,879,644
Prince George's	7,744,806	647,399	1,133,319	9,525,524	6,685,698	16,211,222
Queen Anne's	0	31,050	115,947	146,996	376,219	523,215
St. Mary's	0	57,167	181,447	238,614	767,689	1,006,303
Somerset	0	13,607	68,536	82,143	177,000	259,142
Talbot	0	32,792	111,446	144,238	261,257	405,495
Washington	357,082	89,450	456,631	903,163	1,087,235	1,990,397
Wicomico	0	59,831	411,234	471,065	798,306	1,269,370
Worcester	0	58,630	197,308	255,938	420,385	676,322
Statewide	\$30,615,201	\$4,218,830	\$15,388,414	\$50,222,445	\$48,720,047	\$98,942,492

Spending Affordability Analysis 2002 Session

	<u>Spending Affordability Recommendation</u>	<u>Allowance w/ Medicaid Exclusion</u>	<u>Relative to SAC</u>	<u>Allowance w/o Medicaid Exclusion</u>	<u>Relative to SAC</u>
General	\$10,623.1	\$10,600.3	(\$22.8)	\$10,739.9	\$139.5
Special	2,425.9	2,408.5	(17.4)	2,408.5	0.0
Higher Education	<u>1,246.6</u>	<u>1,276.0</u>	<u>29.4</u>	<u>1,276.0</u>	<u>0.0</u>
Total Growth	\$14,295.6	\$14,284.8	(\$10.8)	\$14,424.4	\$139.5
Change over 2001 Session	\$543.2	\$532.4	(\$10.8)	\$671.9	\$139.5
Percent Growth	3.95%	3.87%		4.89%	

Medicaid Deficiency Exclusion Issue:

The Spending Affordability Committee recommended that "To ensure proper funding for the [Medicaid] program, the committee recommends excluding the entire Medicaid deficiency. The exclusion shall only apply to the extent that the budget provides adequate funding for fiscal 2003 and fully funds the fiscal 2002 deficit."

The Department of Legislative Services estimates that the Medicaid program is underfunded in fiscal 2002 by \$20 million, and that the fiscal 2003 allowance is underfunded by \$80 million.

Appendix

Higher Education
Components of General Fund Change
Fiscal 2002 Appropriated -- Fiscal 2002 Revised -- Fiscal 2003 Allowance
(\$ in Thousands)

	<u>General Funds</u>	<u>% Change from Legis. 2002</u>	<u>% Change from Revised 2002</u>
Fiscal 2002 Legislative Appropriation for Public, Four-year Higher Education Institutions	\$944,591		
Cost Containment	(4,488)		
Hiring Freeze ¹	(8,581)		
Fiscal 2002 Revised Appropriation for Public, Four-year Higher Education Institutions	\$931,522	(1.4)%	
University System of Maryland			
Annualize Fiscal 2002 Cost-of-living Adjustment (COLA)	16,958		
Debt Service and New Facilities Costs	15,817		
Other Current Services Budget Request	19,272		
Initiatives	300		
Subtotal, University System of Maryland	\$52,347		
St. Mary's College (Formula Increase and Enrollment Expansion)	\$717		
Morgan State University (2002 COLA, Scholarship Inflation, Faculty/Staff Salary Increases)	\$3,430		
2003 Cost Containment	(\$22,726)		
Net Increase for Four-year Public Higher Education	\$33,768	2.2%	
Total Allowance	\$965,290		3.6%
Other General Fund Constraint			
2003 Fund Balance ^{1,2}	(16,600)		
Net 2003 State Support³	\$948,690	0.4%	1.84%

⁽¹⁾ Anticipated.

⁽²⁾ Requires legislation.

⁽³⁾ Funding for a COLA, effective 1/1/03, is included in the allowance for the Department of Budget and Management.

Source: Maryland State Budget, fiscal 2003, and Department of Budget and Management

General Funds: Non-Higher Education Regular Employee Compensation
Fiscal 2003 Increase Over Fiscal 2002 Expenditures
(\$ in Millions)

	Fiscal 2002 Working <u>Approp.</u>	Fiscal 2003 <u>Allowance</u>	\$ <u>Increase</u>	% <u>Increase</u>
Salaries				
Base salary - existing employees	\$1,482.6	\$1,496.3	\$13.7	
Additional assistance, overtime earnings, shift differential	72.4	69.8	(2.6)	
Annualization of fiscal 2002 general salary increase		31.0	31.0	
January 1 to June 30 fiscal 2003 general salary increase		16.7	16.7	
Salary schedule increments		19.3	19.3	
New employees' salaries		23.8	23.8	
Annualization of fiscal 2002 reclassifications (ASRs)		3.2	3.2	
Total Salaries	1,555.0	1,660.0	105.1	6.8%
Incentives				
Sick leave incentive program	0.4	0.4	0.0	
Pay for Performance bonuses	3.0	6.5	3.5	
Employee transit program	0.0	1.7	1.7	
Total Incentives	3.4	8.6	5.2	155.4%
Health Insurance				
Existing employees	245.9	278.3	32.3	13.1%
New employees		4.2	4.2	
Deferred Compensation Match				
	12.4	10.0	(2.3)	-19.0%
Retirement				
	96.9	113.2	16.3	16.8%
Rate Impact ⁽¹⁾			10.3	
Payroll Changes			6.0	
Other ⁽²⁾				
	152.4	166.7	14.3	9.4%
Turnover expectancy				
	(144.8)	(114.4)	30.4	-21.0%
	-7.40%	-5.50%	1.91%	
Cost Containment				
	<u>0.0</u>	<u>(31.1)</u>	<u>(31.1)</u>	
Total	\$1,921.1	\$2,091.2	\$170.2	8.9%

⁽¹⁾ The budget bill contains a reduction of approximately \$10.3 million, contingent on passage of the Budget Reconciliation Act.

⁽²⁾ Social Security, Unemployment Compensation, Workers' Compensation.

State Assistance to Local Governments
Fiscal 2003 Adjusted Allowance*
(\$ in Millions)

County	General	Community		Libraries	Health	Total	Retirement	Total	Change	Percent
	Government ⁽¹⁾	Colleges	Education			Direct Aid		State Aid		
Allegany	\$15.6	\$5.1	\$43.4	\$0.6	\$1.6	\$66.3	\$4.1	\$70.4	\$2.8	4.2
Anne Arundel	37.6	22.2	180.3	1.8	5.2	247.1	28.8	275.9	0.8	0.3
Baltimore City	265.9	0.0	553.8	5.5	11.0	836.3	39.2	875.5	24.0	2.8
Baltimore County	51.4	34.4	281.2	3.9	7.1	377.9	45.3	423.2	18.0	4.4
Calvert	6.5	1.0	48.4	0.3	0.6	56.9	6.0	62.8	(1.0)	(1.5)
Caroline	7.4	0.9	24.2	0.2	0.9	33.6	2.0	35.7	2.1	6.2
Carroll	14.0	5.0	85.3	0.7	2.0	107.1	9.9	116.9	6.0	5.5
Cecil	8.0	3.5	55.4	0.5	1.4	68.7	5.9	74.6	3.8	5.4
Charles	10.2	5.6	77.0	0.6	1.6	95.1	8.8	103.8	2.5	2.5
Dorchester	7.4	1.0	18.1	0.2	0.7	27.4	2.0	29.4	0.2	0.5
Frederick	18.6	6.3	108.5	0.9	2.5	136.7	14.2	150.9	9.2	6.5
Garrett	9.1	2.8	18.7	0.2	0.8	31.6	2.0	33.6	1.3	3.9
Harford	17.1	8.2	120.5	1.1	2.9	149.8	14.4	164.3	6.1	3.8
Howard	19.4	9.2	102.4	0.6	2.0	133.7	20.4	154.1	5.8	3.9
Kent	3.0	0.5	8.1	0.1	0.6	12.3	1.2	13.5	0.4	2.9
Montgomery	58.9	31.2	221.2	2.1	5.1	318.6	69.9	388.5	12.6	3.3
Prince George's	71.4	19.9	499.0	5.2	8.2	603.7	47.6	651.3	36.8	6.0
Queen Anne's	5.6	1.2	19.1	0.1	0.7	26.7	2.7	29.4	0.8	2.7
St. Mary's	7.7	1.5	49.8	0.5	1.3	60.8	5.5	66.3	3.0	4.7
Somerset	7.8	0.5	13.4	0.2	0.7	22.6	1.3	23.9	1.4	6.2
Talbot	4.7	1.1	4.7	0.1	0.6	11.2	1.9	13.1	(0.4)	(2.9)
Washington	14.4	5.3	64.4	0.8	2.3	87.2	7.7	94.9	3.8	4.2
Wicomico	12.5	3.0	51.2	0.6	1.6	68.9	5.7	74.6	5.1	7.3
Worcester	7.2	1.4	7.8	0.1	0.7	17.3	3.0	20.3	0.2	0.9
Unallocated	11.7	4.3	24.1	12.6	0.0	52.6	0.0	52.6	7.4	16.3
Total	\$693.1	\$175.2	\$2,680.0	\$39.6	\$62.1	\$3,650.0	\$349.6	\$3,999.6	\$152.6	4.0

⁽¹⁾ Includes municipal share of police aid, highway user revenue and fire aid.

* Reflects reductions contingent on legislation.

State Assistance to Local Governments
Dollar Difference Between Fiscal 2003 Adjusted Allowance* & Fiscal 2002 Working Appropriation
(\$ in Millions)

<u>County</u>	<u>General Government</u> ⁽¹⁾	<u>Community Colleges</u>	<u>Education</u>	<u>Libraries</u>	<u>Health</u>	<u>Total Direct Aid</u>	<u>Retirement Payments</u>	<u>Total State Aid</u>
Allegany	\$2.5	\$0.8	(\$0.8)	\$0.1	\$0.2	\$2.8	\$0.0	\$2.8
Anne Arundel	(7.0)	0.9	6.5	(0.0)	0.3	0.8	0.0	0.8
Baltimore City	15.4	0.0	7.7	0.3	0.7	24.0	0.0	24.0
Baltimore County	(0.5)	1.4	16.5	0.3	0.2	18.0	0.0	18.0
Calvert	(5.9)	0.0	4.8	0.0	0.1	(1.0)	0.0	(1.0)
Caroline	0.3	0.0	1.6	(0.0)	0.1	2.1	0.0	2.1
Carroll	0.2	0.2	5.4	(0.1)	0.3	6.0	0.0	6.0
Cecil	0.2	0.1	3.3	0.0	0.2	3.8	0.0	3.8
Charles	(2.3)	0.2	4.3	(0.0)	0.2	2.5	0.0	2.5
Dorchester	(0.1)	0.0	0.1	0.0	0.1	0.2	(0.0)	0.2
Frederick	0.6	0.3	7.9	0.0	0.3	9.2	0.0	9.2
Garrett	0.2	0.5	0.4	0.0	0.2	1.3	0.0	1.3
Harford	(0.5)	0.4	6.0	(0.0)	0.2	6.1	0.0	6.1
Howard	0.5	0.4	4.7	(0.0)	0.2	5.8	0.0	5.8
Kent	0.1	0.0	0.1	(0.0)	0.1	0.4	0.0	0.4
Montgomery	(1.7)	1.6	12.6	0.1	0.4	12.9	(0.3)	12.6
Prince George's	1.2	0.8	34.2	0.3	0.3	36.8	0.0	36.8
Queen Anne's	0.1	0.1	0.5	(0.0)	0.1	0.8	0.0	0.8
St. Mary's	0.2	0.1	2.7	(0.0)	0.1	3.0	0.0	3.0
Somerset	0.6	0.0	0.7	0.0	0.0	1.4	0.0	1.4
Talbot	0.1	0.0	(0.7)	0.0	0.1	(0.4)	0.0	(0.4)
Washington	1.3	0.2	2.0	0.0	0.3	3.8	0.0	3.8
Wicomico	2.4	0.1	2.2	0.1	0.2	5.1	0.0	5.1
Worcester	0.2	0.1	(0.3)	0.0	0.2	0.2	0.0	0.2
Unallocated	1.8	1.0	3.1	1.5	0.0	7.4	0.0	7.4
Total	\$10.1	\$9.4	\$125.5	\$2.6	\$5.2	\$152.9	(\$0.3)	\$152.6

⁽¹⁾ Includes municipal share of police aid, highway user revenue and fire aid.

* FY 2003 reflects reductions contingent on legislation.

State Assistance to Local Governments
Percent Difference Between Fiscal 2003 Adjusted Allowance* & Fiscal 2002 Working Appropriation

<u>County</u>	<u>General Government</u> ⁽¹⁾	<u>Community Colleges</u>	<u>Education</u>	<u>Libraries</u>	<u>Health</u>	<u>Total Direct Aid</u>	<u>Retirement Payments</u>	<u>Total State Aid</u>
Allegany	19.6%	19.2%	(1.8%)	10.4%	12.8%	4.4%	0.0%	4.2%
Anne Arundel	(15.7%)	4.3%	3.7%	(0.6%)	6.9%	0.3%	0.0%	0.3%
Baltimore City	6.2%	n.a.	1.4%	5.4%	6.3%	3.0%	0.0%	2.8%
Baltimore County	(1.0%)	4.3%	6.2%	10.0%	3.6%	5.0%	0.0%	4.4%
Calvert	(47.8%)	4.5%	11.0%	2.2%	23.2%	(1.7%)	0.0%	(1.5%)
Caroline	3.7%	4.5%	7.2%	(0.8%)	18.9%	6.6%	0.0%	6.2%
Carroll	1.4%	4.8%	6.8%	(7.6%)	14.1%	6.0%	0.0%	5.5%
Cecil	2.7%	4.3%	6.3%	3.0%	14.7%	5.9%	0.0%	5.4%
Charles	(18.1%)	4.5%	5.9%	(2.4%)	14.3%	2.7%	0.0%	2.5%
Dorchester	(1.5%)	4.5%	0.7%	5.0%	12.8%	0.6%	(0.0%)	0.5%
Frederick	3.3%	4.4%	7.9%	2.9%	16.1%	7.2%	0.0%	6.5%
Garrett	1.8%	23.0%	2.1%	2.3%	33.4%	4.2%	0.0%	3.9%
Harford	(2.7%)	4.8%	5.2%	(2.9%)	7.7%	4.2%	0.0%	3.8%
Howard	2.6%	4.8%	4.8%	(3.0%)	9.0%	4.5%	0.0%	3.9%
Kent	2.7%	4.5%	1.7%	(1.9%)	30.3%	3.2%	0.0%	2.9%
Montgomery	(2.9%)	5.2%	6.0%	3.2%	8.9%	4.2%	(0.4%)	3.3%
Prince George's	1.8%	4.2%	7.4%	6.4%	3.3%	6.5%	0.0%	6.0%
Queen Anne's	2.5%	4.5%	2.8%	(9.9%)	13.9%	3.0%	0.0%	2.7%
St. Mary's	2.5%	4.5%	5.8%	(8.1%)	5.6%	5.2%	0.0%	4.7%
Somerset	9.0%	4.3%	5.3%	3.8%	6.9%	6.5%	0.0%	6.2%
Talbot	2.5%	4.5%	(12.8%)	1.2%	29.5%	(3.4%)	0.0%	(2.9%)
Washington	10.2%	4.2%	3.1%	5.6%	14.4%	4.6%	0.0%	4.2%
Wicomico	23.5%	4.3%	4.6%	13.6%	17.3%	7.9%	0.0%	7.3%
Worcester	3.3%	4.3%	(4.3%)	7.8%	45.0%	1.0%	0.0%	0.9%
Unallocated	18.1%	29.6%	14.6%	14.0%	n.a.	16.3%	n.a.	16.3%
TOTAL	1.5%	5.7%	4.9%	7.0%	9.1%	4.4%	(0.1%)	4.0%

⁽¹⁾ Includes municipal share of police aid, highway user revenue and fire aid.

* FY 2003 reflects reductions contingent on legislation.

State Expenditures -- Special and Higher Education Funds**

(\$ in Millions)

<u>Category</u>	<u>Actual</u>	<u>Work. App.</u>	<u>Allowance</u>	<u>FY 2002 to FY 2003</u>	
	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>\$ Difference</u>	<u>% Difference</u>
Debt Service	\$376.3	\$410.5	\$449.6	\$39.1	9.5
Aid to Education					
General Government	495.9	487.3	499.3	11.9	2.4
Community Colleges	0.0	0.0	0.0	0.0	n.a.
Education/Libraries	66.7	83.3	43.8	(39.5)	(47.4)
Health	0.0	0.0	0.0	0.0	n.a.
	<u>562.6</u>	<u>570.6</u>	<u>543.0</u>	<u>(27.6)</u>	<u>(4.8)</u>
Entitlements					
Foster Care Payments	0.2	2.0	0.2	(1.8)	(88.3)
Assistance Payments	16.8	21.1	17.4	(3.7)	(17.5)
Medical Assistance	39.0	15.2	47.4	32.3	212.3
Property Tax Credits	0.0	0.0	0.0	(0.0)	(20.0)
	<u>56.0</u>	<u>38.4</u>	<u>65.1</u>	<u>26.8</u>	<u>69.8</u>
State Agencies					
Health	165.6	174.0	161.7	(12.3)	(7.1)
Human Resources	47.5	63.5	57.0	(6.5)	(10.2)
Systems Reform Initiative	(0.0)	0.0	1.8	1.7	3,554.2
Juvenile Justice	0.3	0.1	0.3	0.1	81.6
Public Safety/Police	140.9	140.8	144.0	3.2	2.2
Higher Education	1,864.7	1,989.5	2,088.9	99.4	5.0
Other Education	39.9	44.6	38.0	(6.6)	(14.8)
Transportation	942.6	983.0	1,013.3	30.3	3.1
Agriculture/Nat. Resources/Environment	108.8	108.4	117.1	8.7	8.0
Other Executive Agencies	256.7	230.5	234.1	3.6	1.5
Judicial/Legislative	11.9	15.3	13.1	(2.2)	(14.4)
	<u>3,578.7</u>	<u>3,749.8</u>	<u>3,869.2</u>	<u>119.3</u>	<u>3.2</u>
Subtotal	\$4,573.7	\$4,769.3	\$4,926.9	\$157.7	3.3
Capital	889.5	960.3	1,026.0	65.7	6.8
Reserve Fund	0.0	0.0	0.0	0.0	n.a.
Transfer to MDTA	19.9	0.0	0.0	0.0	n.a.
Grand Total	\$5,483.1	\$5,729.6	\$5,953.0	\$223.4	3.9

** Includes higher education funds (current unrestricted & current restricted) net of general and special funds.

Note: FY 2002 includes deficiencies.

State Expenditures -- Federal Funds

(\$ in Millions)

<u>Category</u>	<u>Actual</u>	<u>Work. App.</u>	<u>Allowance</u>	<u>FY 2002 to FY 2003</u>	
	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>\$ Difference</u>	<u>% Difference</u>
Debt Service	\$0.0	\$0.0	\$0.0	\$0.0	n.a.
Aid to Education					
General Government	21.4	32.9	23.4	(9.5)	(29.0)
Community Colleges	0.0	0.0	0.0	0.0	n.a.
Education/Libraries	475.6	511.0	588.3	77.3	15.1
Health	4.5	4.5	4.5	0.0	0.0
	<u>501.5</u>	<u>548.4</u>	<u>616.1</u>	<u>67.7</u>	<u>12.4</u>
Entitlements					
Foster Care Payments	90.9	94.0	101.2	7.2	7.6
Assistance Payments	290.8	283.2	284.5	1.3	0.5
Medical Assistance	1,326.7	1,518.6	1,601.2	82.5	5.4
Property Tax Credits	0.0	0.0	0.0	0.0	n.a.
	<u>1,708.4</u>	<u>1,895.9</u>	<u>1,986.8</u>	<u>91.0</u>	<u>4.8</u>
State Agencies					
Health	477.9	481.8	521.6	39.7	8.2
Human Resources	570.1	570.2	605.9	35.7	6.3
Systems Reform Initiative	38.2	29.0	29.3	0.3	0.9
Juvenile Justice	14.3	16.8	15.2	(1.6)	(9.3)
Public Safety/Police	10.9	9.8	7.3	(2.5)	(25.2)
State Colleges & Universities	0.0	0.0	0.0	0.0	n.a.
Other Education	88.3	98.0	95.9	(2.1)	(2.1)
Transportation	29.4	45.5	61.4	15.9	34.9
Agriculture/Nat. Resources/Environment	45.7	53.2	51.0	(2.2)	(4.2)
Other Executive Agencies	286.0	392.8	395.8	3.0	0.8
Judicial/Legislative	1.8	2.0	1.9	(0.1)	(5.2)
	<u>1,562.6</u>	<u>1,699.1</u>	<u>1,785.3</u>	<u>86.2</u>	<u>5.1</u>
Subtotal	\$3,772.5	\$4,143.4	\$4,388.3	\$244.9	5.9
Capital	571.7	771.0	820.2	49.2	6.4
Grand Total	\$4,344.2	\$4,914.4	\$5,208.4	\$294.0	6.0

Note: FY 2002 includes deficiencies.

State Expenditures -- All State Funds**

(\$ in Millions)

<u>Category</u>	<u>Actual FY 2001</u>	<u>Work. App. FY 2002</u>	<u>Adjusted Allowance FY 2003</u>	<u>FY 2002 to FY 2003</u>	
				<u>\$ Difference</u>	<u>% Difference</u>
Debt Service	\$580.7	\$614.5	\$647.5	\$33.0	5.4
Aid to Education					
General Government	670.4	690.3	698.8	8.4	1.2
Community Colleges	163.3	178.5	187.9	9.4	5.3
Education/Libraries	2,784.8	2,931.6	3,055.3	123.7	4.2
Health	52.5	56.9	62.1	5.2	9.1
	<u>3,671.1</u>	<u>3,857.4</u>	<u>4,004.2</u>	<u>146.8</u>	<u>3.8</u>
Entitlements					
Foster Care Payments	127.1	139.8	133.1	(6.7)	(4.8)
Assistance Payments	51.3	76.6	80.1	3.5	4.6
Medical Assistance	1,359.3	1,562.1	1,649.6	87.5	5.6
Property Tax Credits	52.6	55.7	55.8	0.1	0.2
	<u>1,590.4</u>	<u>1,834.3</u>	<u>1,918.7</u>	<u>84.4</u>	<u>4.6</u>
State Agencies					
Health	1,172.2	1,264.2	1,351.3	87.1	6.9
Human Resources	351.3	353.4	358.1	4.6	1.3
Systems Reform Initiative	46.9	43.2	42.9	(0.3)	(0.7)
Juvenile Justice	150.6	162.3	178.9	16.6	10.2
Public Safety/Police	1,004.8	1,061.7	1,123.4	61.7	5.8
Higher Education	2,751.2	2,950.8	3,085.1	134.3	4.6
Other Education	288.5	320.1	338.2	18.1	5.7
Transportation	942.6	983.0	1,013.3	30.3	3.1
Agriculture/Nat. Resources/Environment	234.2	255.7	281.3	25.6	10.0
Other Executive Agencies	777.3	783.7	830.1	46.4	5.9
Judicial/Legislative	293.2	331.4	365.8	34.4	10.4
Across-the-Board Cuts	0.0	0.0	(15.9)	(15.9)	n.a.
	<u>8,012.9</u>	<u>8,509.5</u>	<u>8,952.5</u>	<u>443.0</u>	<u>5.2</u>
Subtotal	\$13,855.1	\$14,815.6	\$15,522.8	\$707.3	4.8
Capital	1,527.9	1,439.2	1,115.3	(323.9)	(22.5)
Transfers	2.0	0.0	0.0	0.0	n.a.
Transfer to MDTA	19.9	0.0	0.0	0.0	n.a.
Reserve Fund	315.8	176.8	186.0	9.3	5.2
Appropriations	\$15,720.6	\$16,431.5	\$16,824.2	\$392.7	2.4
Reversions	0.0	(25.0)	(46.0)	(21.0)	84.0
Grand Total	\$15,720.6	\$16,406.5	\$16,778.2	\$371.7	2.3

** Includes general funds, special funds and higher education funds (current unrestricted and current restricted) net of general and special funds.

Note: FY 2002 includes deficiencies and \$227.4 million in specific reversions. The adjusted allowance for FY 2003 includes \$128.1 million in general fund reductions contingent on legislation.

State Expenditures -- All Funds

(\$ in Millions)

<u>Category</u>	<u>Actual FY 2001</u>	<u>Work. App. FY 2002</u>	<u>Adjusted Allowance FY 2003</u>	<u>FY 2002 to FY 2003</u>	
				<u>\$ Difference</u>	<u>% Difference</u>
Debt Service	\$580.7	\$614.5	\$647.5	\$33.0	5.4
Aid to Education					
General Government	691.8	723.2	722.1	(1.1)	(0.2)
Community Colleges	163.3	178.5	187.9	9.4	5.3
Education/Libraries	3,260.4	3,442.6	3,643.6	201.0	5.8
Health	57.0	61.4	66.6	5.2	8.5
	<u>4,172.6</u>	<u>4,405.7</u>	<u>4,620.3</u>	<u>214.5</u>	<u>4.9</u>
Entitlements					
Foster Care Payments	218.0	233.8	234.3	0.5	0.2
Assistance Payments	342.1	359.8	364.6	4.8	1.3
Medical Assistance	2,686.0	3,080.8	3,250.8	170.0	5.5
Property Tax Credits	52.6	55.7	55.8	0.1	0.2
	<u>3,298.8</u>	<u>3,730.1</u>	<u>3,905.5</u>	<u>175.4</u>	<u>4.7</u>
State Agencies					
Health	1,650.1	1,746.0	1,872.8	126.8	7.3
Human Resources	921.4	923.6	964.0	40.4	4.4
Systems Reform Initiative	85.1	72.2	72.2	(0.0)	(0.1)
Juvenile Justice	164.9	179.1	194.2	15.1	8.4
Public Safety/Police	1,015.7	1,071.5	1,130.7	59.2	5.5
Higher Education	2,751.2	2,950.8	3,085.1	134.3	4.6
Other Education	376.8	418.1	434.1	16.0	3.8
Transportation	972.0	1,028.5	1,074.7	46.2	4.5
Agriculture/Nat. Resources/Environment	279.9	308.9	332.3	23.4	7.6
Other Executive Agencies	1,063.3	1,176.5	1,225.9	49.4	4.2
Judicial/Legislative	295.0	333.4	367.6	34.2	10.3
Across-the-Board Cuts	0.0	0.0	(15.9)	(15.9)	n.a.
	<u>9,575.4</u>	<u>10,208.6</u>	<u>10,737.8</u>	<u>529.2</u>	<u>5.2</u>
Subtotal					
	\$17,627.5	\$18,959.0	\$19,911.1	\$952.1	5.0
Capital	2,099.6	2,210.2	1,935.5	(274.7)	(12.4)
Transfers	2.0	0.0	0.0	0.0	n.a.
Transfer to MDTA	19.9	0.0	0.0	0.0	n.a.
Reserve Fund	315.8	176.8	186.0	9.3	5.2
Appropriations	\$20,064.8	\$21,345.9	\$22,032.6	\$686.7	3.2
Reversions	0.0	(25.0)	(46.0)	(21.0)	84.0
Grand Total	\$20,064.8	\$21,320.9	\$21,986.6	\$665.7	3.1

Note: FY 2002 includes deficiencies and \$227.4 million in specific reversions. The adjusted allowance for FY 2003 includes \$128.1 million in general fund reductions contingent on legislation.