
Fiscal Briefing

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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Budget Overview

Compliance with Spending Affordability Committee Recommendations

Allowance Complies with the Following Recommendations:

- **Judicious Use of Rainy Day Fund:** The Spending Affordability Committee (SAC) recommends that any proposal to reduce the balance below 5% of general fund revenues be rejected if the budget is not structurally balanced. The budget is not structurally balanced, and the balance remains above 5%.
- **Estimate Bond Sale Premiums in Annuity Bond Fund and Minimize General Fund Support for Debt Service:** The budget assumes that the current bond fund will generate an additional \$41.7 million in bond sale premiums through the end of fiscal 2005, and the budget does not rely on general funds for debt service.

Allowance Fails to Comply with the Following Recommendations:

- **Spending Limit Set at 4.37%:** The allowance submitted by the Governor provides for a 4.50% increase in spending. To meet the limit, the budget must be reduced by \$19.5 million.
- **Place a Ceiling on Executive Branch Positions of 74,100:** The allowance proposes 74,178.3 positions, which exceeds the SAC ceiling by 78.3 positions.
- **Limit Positions Created to Critical Public Safety/Homeland Security Needs, Facilities Scheduled to Open in Fiscal 2005, and Workload Increases at 24-Hour Facilities:** New administrative and clerical positions are created in agencies such as the Office for Individuals with Disabilities, Department of Planning, and Maryland Transit Administration that do not appear to meet the SAC standard.

Operating Budget Affordability Limit (\$ in Millions)

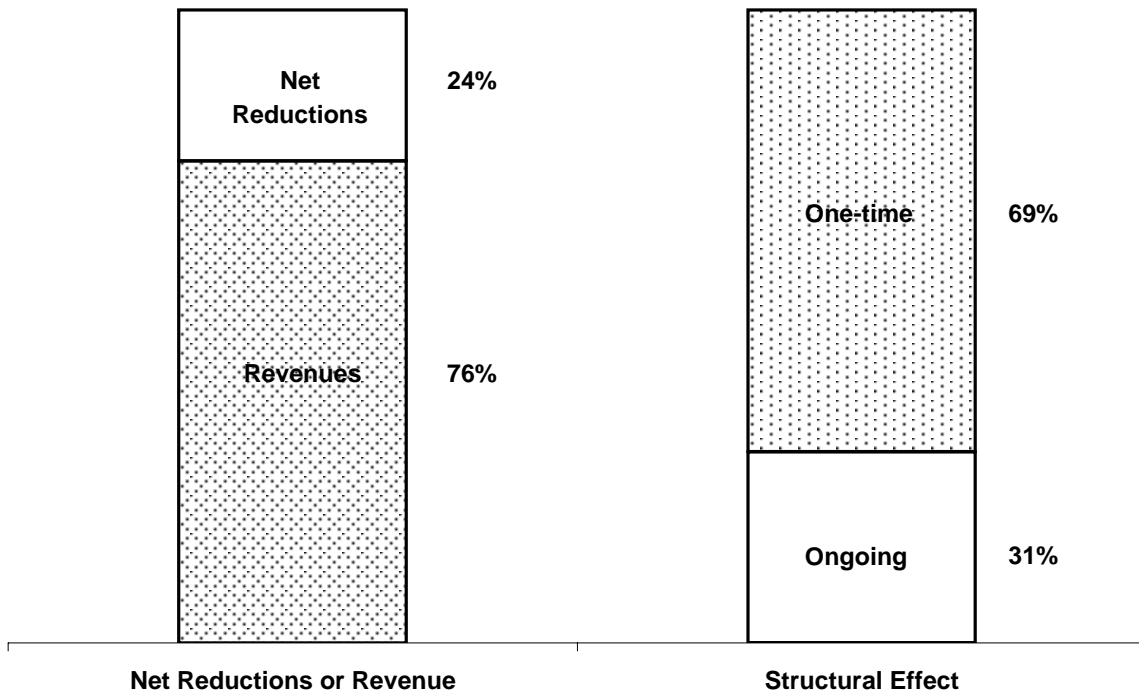
<u>Funds</u>	<u>2003 Session</u>	<u>2004 Session</u>	<u>\$ Change</u>	<u>% Change</u>
General	\$10,421.5	\$10,862.5	\$441.0	4.23%
Special	2,679.6	2,753.3	73.6	2.75%
Higher Education	<u>1,433.6</u>	<u>1,573.7</u>	<u>140.1</u>	<u>9.77%</u>
SAC Growth	\$14,534.7	\$15,189.4	\$654.7	4.50%
SAC Limit	\$14,534.7	\$15,169.9	\$635.2	4.37%
Variance			\$19.5	0.13%

Fiscal 2005 Budget Problem

(\$ in Millions)

BRE Estimated General Fund Revenues	\$10,391
DLS Estimated Cost of Current Services Baseline	11,382
 Fiscal 2005 Budget Gap	 (\$991)

Administration's Fiscal 2005 Budget Solution



Proposed Fiscal 2005 Budget Solution Matrix

	<u>One-time</u>	<u>Ongoing</u>	<u>Total</u>	<u>Percent</u>
Net Reductions	\$30	\$210	\$240	24%
Revenues	653	100	753	76%
Total	\$683	\$310	\$993	100%
Percent	69%	31%	100%	

BRE = Board of Revenue Estimates
DLS = Department of Legislative Services

Fiscal 2005 Revenue Assumption Detail (General Funds in Millions)

One-time General Fund Transfers	<u>FY 2005</u>
Fund Balance	\$188
Transfer Tax and Estimated Fiscal 2004 Overattainment*	189
Highway User Revenues*	102
Unclaimed Local Taxes Fund*	81
Central Collection Unit Fund Balance*	5
Spinal Cord Injury Trust Fund*	3
State Use Industries (4th Year of Transfers)*	2
Other*	2
Subtotal	\$572
One-time General Fund Revenues	
Delinquent Corporate Income Tax	\$64
Continue Reduced Sales Tax Vendor Discount*	13
Abandoned Property/Acceleration*	3
Sale of Surplus Vehicles	1
Subtotal	\$80
Subtotal One-time Transfers and Revenues	\$652
Ongoing General Fund Revenue Increases	
Local Income Tax on Nonresidents*	\$39
Medicaid Nursing Home Revenue*	29
Corporate Income Tax*	20
Developmental Disabilities Admin. Provider Revenue*	6
Increased Comptroller Audit Activity	3
Other Various Revenues*	2
Dept. of Health and Mental Hygiene Various Revenues*	1
Subtotal	\$100
Grand Total	\$751

* Expected to require enactment of legislation.

**Enhancements Not Anticipated in
DLS Current Services Baseline Budget
(General Funds in Millions)**

General Salary Increase of 1.6%	\$47.9
Begin Repayment of Transportation Trust Fund	25.0
Need Based Scholarships	14.1
Enhance Nursing Home Rates with Money from Provider Assessment	12.3
Salary Adjustments for Selected Classifications	10.0
Substance Abuse Treatment	8.0
Expand Mental Health Crisis Services	5.0
Project RESTART	1.2
Convert Office for Individuals with Disabilities to Department	0.9
Improvements at Coppin State College	0.6
Total Enhancements	\$125.0

**Reductions from DLS Current Services Baseline Budget
(General Funds in Millions)**

One-time Reductions to Mandated Funding

Teacher Salary Challenge*	\$12.6
Flat Fund Aid to Private Colleges*	11.7
Baltimore City Community College*	3.5
Tourism Board*	2.1

Ongoing Reductions

Medicaid: Assumes Favorable Expenditure Trends and Minimal New Cost Containment	\$64.2
Flat Fund University of Maryland/Morgan State University	47.6
Education Aid*	42.1
Community Mental Health Services: Assumes Favorable Expenditure Trends	40.0
Abolish Electricity Generating Equipment Property Tax Grant*	30.6
PAYGO Converted to Bonds	16.1
Foster Care/Public Assistance: Assumes Favorable Trends and Federal Funds	13.8
Major Information Technology Projects	11.8
Close Crownsville Hospital	10.8
Privatize Carter Center*	10.0
Allowance Assumes More Reversions	10.0
No Employee Performance Bonuses/Abolish Deferred Compensation Match of \$600*	17.0
Waiver for Older Adults – Deferred Again	6.0
HOPE Scholarships	4.1
After School Opportunity Fund	2.7
Arts Council*	0.5
MD Children's Health: Continue Premiums from 185% to 200% of Poverty*	1.8
Net Other Differences	6.0
Total Reductions	\$365.1

Net Impact on Spending **-\$240.1**

* Expected to require enactment of legislation.

How Nursing Home Assessment Works
\$1,000 Annual Assessment Per Licensed Bed
(\$ in Millions)

	<u>Nursing Homes</u>	<u>Government</u>	
	<u>Fiscal Impact</u>	<u>State General Fund Impact</u>	<u>Federal Government</u>
Total Assessment	-\$29.0	\$29.0	\$0.0
Enhanced Medicaid Payment	24.6	-12.3	-12.3
Net Impact	-\$4.4	\$16.7	-\$12.3

Impact Varies Based on Percentage of Patients Who Are Medicaid

	<u>Nursing Home A</u>	<u>Nursing Home B</u>
Annual Assessment Per Bed	\$1,000	\$1,000
Licensed Beds	100	100
Payments to State	\$100,000	\$100,000
Medicaid Beds	25	75
Medicaid Enhanced Rate Per Bed (annual)	\$1,548	\$1,548
Payments to Nursing Homes	\$38,690	\$116,070
Net Gain/Loss	-\$61,310	\$16,070

Assessment of \$1,000 per licensed nursing home bed raises \$29 million for State general fund.

State raises Medicaid nursing home reimbursement rates to mitigate impact of assessment.

Higher Medicaid rates cost \$24.6 million with the federal Medicaid match covering 50%.

General fund nets \$16.7 million (assessment less State share of enhanced nursing home rates).

Nursing homes with high levels of Medicaid patients come out ahead as enhanced rate of \$1,548 exceeds assessment of \$1,000.

Questionable Assumptions/Underfunding
(\$ in Millions)

	<u>Total</u>	<u>Ongoing Cost</u>
Underfunding of Community Mental Health Services in Fiscal 2004 and Fiscal 2005	\$50	\$20
Medicaid Costs Understated	35	35
Dept. of Human Resources Audit: State Inappropriately Charged Certain Costs to Federal Funds	22	
Local Jails (Fiscal 2003 – 2005)	17	4
Information Technology: Projects Deferred Until Future	12	
Foster Care Costs Understated	5	5
Geographic Cost of Education Index Not Funded	50	50
Corporate Income Tax Compliance: Attainment of Projected Revenues in Fiscal 2005 Unlikely	40	
Total	\$231	\$114

Maryland Personal Income Forecast

(\$ in Millions)

	Actual	----- BRE Forecast* -----		
	<u>CY 2002</u>	<u>CY 2003</u>	<u>CY 2004</u>	<u>CY 2005</u>
Total Personal Income	\$197,156	\$203,515	\$212,614	\$224,309
		3.2%	4.6%	5.5%

General Fund Revenue Forecast

(\$ in Millions)

<u>Source</u>	Actual	BRE*		BRE*			
	<u>FY 2003</u>	<u>Estimate</u>	<u>Change over FY03</u>		<u>Estimate</u>	<u>Change Over FY04</u>	
		<u>FY 2004</u>	<u>Amount</u>	<u>Percent</u>	<u>FY 2005</u>	<u>Amount</u>	<u>Percent</u>
Personal Income Tax	\$4,704	\$4,998	\$294	6.3%	\$5,304	\$306	6.1%
Sales and Use Tax	2,697	2,846	149	5.5%	2,944	98	3.4%
Lottery	423	419	-4	-1.0%	440	21	5.0%
Corporate Income Tax	288	318	30	10.2%	357	39	12.4%
Business Franchise Tax	143	188	45	31.3%	193	5	2.7%
Insurance Premiums Tax	228	253	24	10.6%	260	8	3.0%
Estate & Inheritance Taxes	142	117	-25	-17.6%	124	6	5.4%
Excise Taxes ⁽¹⁾	237	308	71	29.9%	304	-4	-1.4%
Court Revenue	123	138	15	12.1%	123	-15	-10.9%
Interest	32	27	-5	-15.0%	48	21	77.2%
Other ⁽²⁾	311	331	21	6.7%	294	-38	-11.4%
Total	\$9,329	\$9,944	\$615	6.6%	\$10,391	\$447	4.5%

* From the Board of Revenue Estimates, December 2003.

⁽¹⁾ Tobacco, alcoholic beverages, and motor fuel taxes. In fiscal 2003, \$79.7 million in tobacco tax revenue was treated as a special fund. Beginning in fiscal 2004, all tobacco tax revenue is in the general fund.

⁽²⁾ Includes miscellaneous revenues and hospital patient recoveries. Fiscal 2003 includes \$12.1 million of transfers.

General Fund Revenues – Underlying Growth
(\$ in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Total Current Revenues	\$9,329.1	\$9,943.7	\$10,391.1
\$ change over prior year		\$614.5	\$447.4
% change over prior year		6.6%	4.5%
<i>Temporary Special Fund Revenues</i>			
Tobacco Tax	\$79.7		
Hospital Patient Recoveries	10.2		
Teachers' Retirement Reimbursement	28.0		
<i>Nonrecurring Revenues</i>			
Sales Tax Vendor Credit (BRFA '02)	-\$10.8	-\$11.1	
Abandoned Property (BRFA '02)	-30.0	-30.0	
Graduated Withholding (BRFA '03)		-52.0	
Income Tax Safe Harbor (BRFA '03)		-5.0	
<i>Permanent Revenue Changes</i>			
Corporate Filing Fees (BRFA '03)		-\$39.2	-\$39.2
Tax Compliance (BRFA '03)		-38.0	-64.4
Other Fee Increases (BRFA '03)		-4.9	-5.0
Underlying Current Revenues	\$9,406.2	\$9,763.6	\$10,282.6
\$ change over prior year		\$357.4	\$519.0
% change over prior year		3.8%	5.3%

BRFA = Budget Reconciliation and Financing Act

General Fund Revenues: Year-to-date
(\$ in Millions)

<u>Source</u>	<i>Fiscal Year through December</i>				<u>Full-year Estimated Growth Rates</u>
	<u>FY 2003</u>	<u>FY 2004</u>	<u>\$ Change</u>	<u>% Change</u>	
Personal Income Tax	\$1,774.0	\$1,885.0	\$111.1	6.3%	6.3%
Sales and Use Tax	1,107.2	1,179.4	72.2	6.5%	5.5%
Lottery	205.2	211.4	6.2	3.0%	-1.0%
Corporate Income Tax	110.5	89.3	-21.2	-19.2%	10.2%
Business Franchise Tax	68.7	67.4	-1.3	-1.9%	31.3%
Insurance Premiums Tax	102.6	111.9	9.3	9.1%	10.6%
Estate & Inheritance Taxes	69.9	67.9	-2.0	-2.9%	-17.6%
Excise Taxes ⁽¹⁾	145.0	140.6	-4.5	-3.1%	29.9%
Court Revenue	57.1	69.5	12.4	21.7%	12.1%
Interest	12.7	8.0	-4.6	-36.5%	-15.0%
Other ⁽²⁾	47.9	78.0	30.2	63.0%	11.1%
Total	\$3,700.7	\$3,908.4	\$207.7	5.6%	6.7%

⁽¹⁾ Tobacco, alcoholic beverages, and motor fuel taxes.

⁽²⁾ Includes miscellaneous revenues and hospital patient recoveries.

Fiscal 2004: Evolution of an Estimated Closing Balance (\$ in Millions)

<u>Date</u>	<u>Action</u>	<u>Amount</u>	<u>FY 2004 Fund Balance</u>
Apr-03	DLS <i>90 Day Report</i> with Technical Adjustments		\$33.9
May-03	Governor Vetoed HB 753 Revenue Bill/Fiscal Effects	(\$135.6)	(101.7)
	FY 2003 Closeout: Short-term Federal Fund Revenue	90.1	(11.6)
	FY 2003 Closeout: Revenue Overattainment/Other	31.4	19.8
Jul-03	FY 2004 Short-term Federal Fund Revenue	248.8	268.5
	BPW Cost Containment	204.3	472.8
Dec-03	BRE 12/03 Revised Revenue Estimate	(91.8)	381.0
Jan-04	Deficiencies	(205.7)	175.4
	DBM Revenue and Reversion Assumptions	14.3	189.7
Jan-04	Estimated Closing Balance		189.7

BPW = Board of Public Works
 BRE = Board of Revenue Estimates
 DBM = Department of Budget and Management
 DLS = Department of Legislative Services

Fiscal 2004 Deficiencies Total \$324 Million
(\$ in Millions)

	<u>GF</u>	<u>SF</u>	<u>FF</u>
Medicaid/Mental Health			\$242.7
Provides for managed care organization rate increases, hospital rate increases, mental health services, and other Medicaid health care cost growth. \$137 million of federal funding represents one-time additional federal matching dollars.			
Foster Care Placements	\$36.0		
Additional costs associated with providing foster care placements.			
State Reserve Fund	10.0		
\$10 million is appropriated to the Catastrophic Event Account to mitigate the impacts of Hurricane Isabel and restore fund balance to approximately \$3 million.			
Nonpublic Special Education Placements	7.0		
Revised estimates in the number of nonpublic placements.			
Department of Labor, Licensing, and Regulation	6.0		
Overstated federal fund receivables.			
Department of Juvenile Services	4.0		
Additional costs associated with residential per diem placements.			
Department of Public Safety and Correctional Services	3.7		
Funds are provided to address shortfalls in utility costs (\$1.8 million), to effect improvements to the Baltimore City Detention Center to address issues raised by the U.S. Department of Justice (\$0.7 million), inflationary increases for the inmate medical contract (\$0.7 million), and funds to upgrade the obsolete e-mail system (\$0.4 million).			
Department of Human Resources	3.3		1.1
Legal representation for Children in Need of Assistance (CINA) and Termination of Parental Rights (TPR) legal proceedings (\$2.9 million). And \$0.4 million for burial assistance payments.			
Department of State Police	1.9		
Funds are provided to fill vacant positions and for overtime and other fringe benefit costs (\$1.2 million) and provide additional motor fuel costs (\$0.7 million).			
Department of Health and Mental Hygiene	5.6	\$2.0 (1)	
General funds provide for renovations for patient transfers from Crownsville (\$0.9 million), for proposed Intermediate Care Facility-Mentally Retarded provider fees (\$3.9 million), and a revenue maximization contract (\$0.8 million). Special funds will augment breast and cervical cancer screening and treatment.			
Other	0.8		
Total Fiscal 2004 Deficiencies	\$78.3	\$2.0	\$243.8

(1) Represents special funds from the Cigarette Restitution Fund.

Perspectives on Budget Change

Budget as Submitted (\$ in Millions)

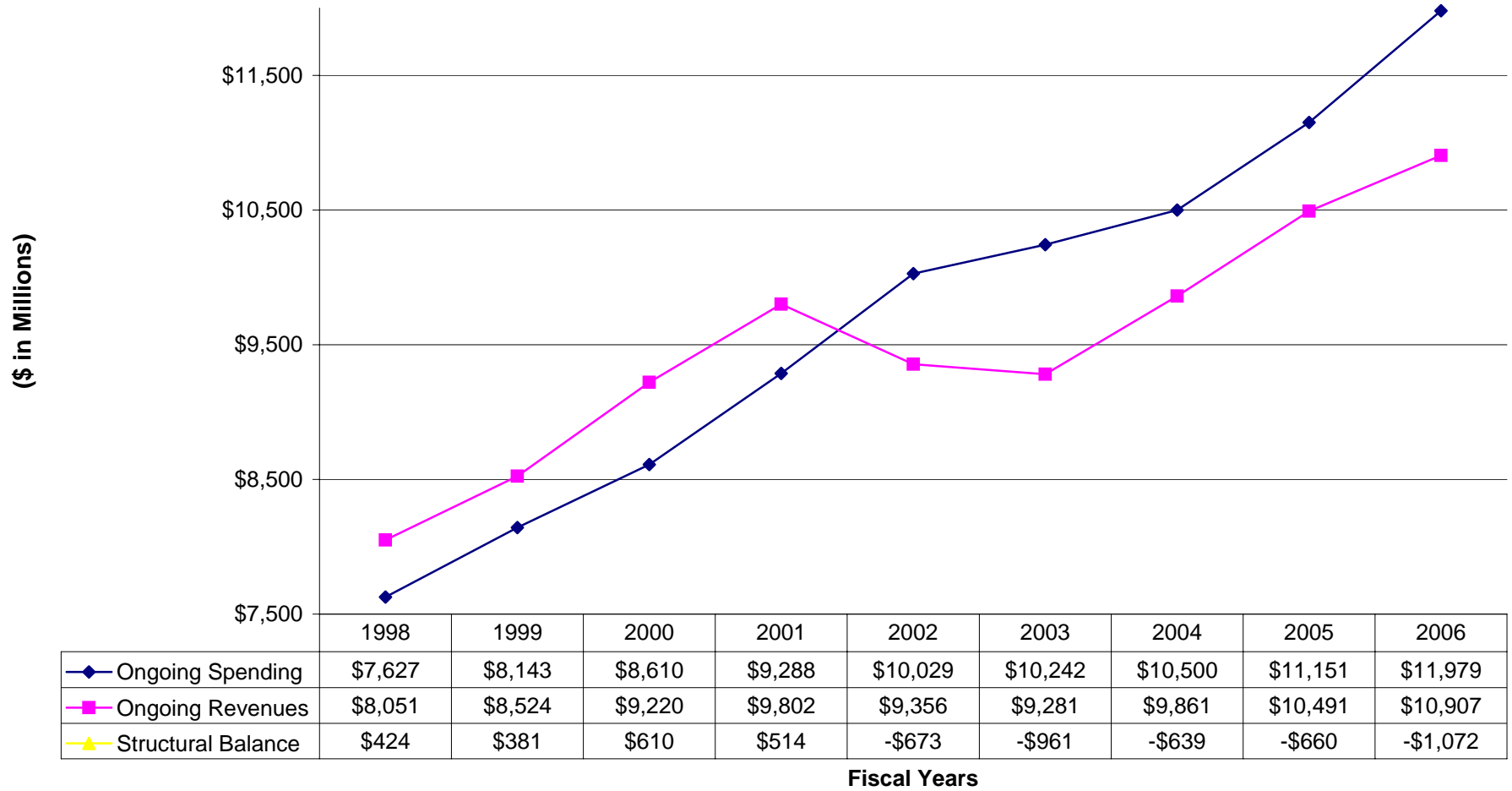
	<u>FY 2004</u>	<u>FY 2005</u>	<u>\$ Change</u>	<u>% Change</u>
General	\$10,262.0 ¹	\$11,233.7	\$971.7	9.5%
Special	4,251.7	4,253.6	1.8	0.0%
Federal	5,608.3	5,723.8	115.5	2.1%
Higher Education	<u>2,479.7</u>	<u>2,598.6</u>	<u>118.9</u>	<u>4.8%</u>
	\$22,601.8	\$23,809.7	\$1,207.9	5.3%

¹ Fiscal 2004 includes deficiency appropriations.

Fund Swaps Contribute to Fiscal 2005 General Fund Spending Growth (\$ in Millions)

Substitutes for General Funds	<u>FY 2004</u>	<u>FY 2005</u>	<u>Net Change</u>	<u>Percent Change</u>
Total General Funds	\$10,262.0	\$11,234.7	\$972.7	9.5%
Federal Funds				
Temporary Federal Aid	\$227.0	\$0.0	-\$227.0	
Federal Welfare Bonus Payments for the Dept. of Human Resources (DHR)	21.1	0.0	-21.1	
Special Funds				
Cigarette Restitution Fund	106.6	50.5	-56.1	-52.6%
Joseph Fund/Dedicated Purpose Fund for DHR	19.6	0.0	-19.6	
Total Substitutes for General Funds	\$374.3	\$50.5	-\$323.8	
Less Appropriation to Rainy Day Fund	0.0	-112.6	-112.6	
Underlying Ongoing Growth	\$10,636.3	\$11,172.6	\$536.3	5.0%

The Structural Deficit: No Relief in Sight Absent Substantive Revenue or Spending Changes



**Administration's Long-term Forecast
Ongoing Revenues vs. Operating Expenses
(\$ in Millions)**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>Change FY 05-08</u>	<u>Annual Percent Change</u>
Ongoing Revenues	\$10,391	\$10,830	\$11,267	\$11,697	\$1,306	4.0%
New Revenues Proposed in FY 2005 Budget	100	76	81	85	-15	-5.3%
Total Revenues	\$10,491	\$10,906	\$11,348	\$11,782	\$1,291	3.9%
Education/Library Aid	3,706	4,068	4,446	4,886	1,180	9.7%
Medicaid	1,875	2,055	2,218	2,403	529	8.6%
Other Operating Spending	5,571	5,736	5,918	6,077	506	2.9%
Total Operating Spending	\$11,151	\$11,859	\$12,582	\$13,366	\$2,215	6.2%
Imbalance	-\$660	-\$953	-\$1,234	-\$1,584	-\$924	33.9%
DLS Est. of Ongoing Underfunding in Allowance	-114	-119	-127	-134	-20	5.6%
Revised Shortfall	-\$774	-\$1,072	-\$1,361	-\$1,718	-\$944	30.5%
Administration's Proposed Resolution						
DBM Est. of Revenues from Video Lottery Terminals		350	700	800		
Unspecified Additional Actions		722	661	918		

DLS = Department of Legislative Services

DBM = Department of Budget and Management

State Expenditures – General Funds
(\$ in Millions)

<u>Category</u>	<u>Actual FY 2003</u>	<u>Work. Appr. FY 2004</u>	<u>Allowance FY 2005</u>	<u>Contingent Reductions FY 2005</u>	<u>Revised Allowance FY 2005</u>	<u>FY 2004 to FY 2005 \$ Change</u>	<u>% Change</u>
Debt Service	\$182.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	n.a.
Aid to Local Governments							
County/Municipal	228.2	206.0	208.5	-30.7	177.8	-28.2	-13.7%
Community Colleges	182.6	174.9	184.1	0.0	184.1	9.1	5.2%
Education/Libraries	3,040.2	3,369.4 *	3,715.4	-22.0	3,693.4	324.0	9.6%
Health	61.9	60.4	60.9	0.0	60.9	0.4	0.7%
	<u>3,512.9</u>	<u>3,810.7</u>	<u>4,168.9</u>	<u>-52.7</u>	<u>4,116.1</u>	<u>305.4</u>	<u>8.0%</u>
Entitlements							
Foster Care Payments	143.2	169.3	172.5	0.0	172.5	3.3	1.9%
Assistance Payments	48.5	83.6	81.3	0.0	81.3	-2.3	-2.7%
Medical Assistance	1,559.1	1,624.4 *	1,874.5	0.0	1,874.5	250.1	15.4%
Property Tax Credits	48.2	48.9	47.7	0.0	47.7	-1.2	-2.5%
	<u>1,799.0</u>	<u>1,926.2</u>	<u>2,176.0</u>	<u>0.0</u>	<u>2,176.0</u>	<u>249.8</u>	<u>13.0%</u>
State Agencies							
Health	1,193.3	1,183.7	1,232.6	-13.6	1,219.0	35.3	3.0%
Human Resources	303.6	294.5	319.5	-1.4	318.2	23.6	8.0%
Systems Reform Initiative	38.1	31.8	33.8	0.0	33.8	1.9	6.1%
Juvenile Services	158.9	164.9	173.9	-0.4	173.5	8.6	5.2%
Public Safety/Police	845.0	842.6 *	953.4	-1.5	951.9	109.3	13.0%
Higher Education	895.7	837.5	843.4	-3.8	839.6	2.1	0.2%
Other Education	268.2	262.3	296.3	-13.5	282.8	20.5	7.8%
Agric./Natl Res./Environment	146.3	135.6	131.2	-1.3	129.8	-5.7	-4.2%
Other Executive Agencies	487.2	463.6	553.3	-5.3	548.0	84.3	18.2%
Judicial/Legislative	321.1	334.9	343.3	0.0	343.3	8.4	2.5%
	<u>4,657.5</u>	<u>4,551.4</u>	<u>4,880.7</u>	<u>-40.9</u>	<u>4,839.9</u>	<u>288.5</u>	<u>6.3%</u>
Subtotal	\$10,152.0	\$10,288.3	\$11,225.6	-\$93.6	\$11,132.0	\$843.7	8.2%
Capital	31.3	0.7	0.0	0.0	0.0	-0.7	-100.0%
Reserve Fund	181.0	10.0	137.7	0.0	137.7	127.7	1276.5%
Appropriations	\$10,364.2	\$10,299.0	\$11,363.3	-\$93.6	\$11,269.7	\$970.7	9.4%
Reversions	0.0	-37.0	-36.0	0.0	-36.0	1.0	-2.7%
Grand Total	\$10,364.2	\$10,262.0	\$11,327.3	-\$93.6	\$11,233.7	\$971.7	9.5%

Note: Fiscal 2004 reflects deficiency appropriations of \$78.3 million.

* Reflects targeted reversions. Targeted reversions total \$124.3 million, \$121.4 million of which is due to temporary federal aid.

**Fiscal 2005 General Fund Increase Over
Amended Fiscal 2004 Appropriation
(\$ in Millions)**

	<u>Allowance Increase</u>	<u>Contingent Reduction</u>	<u>Proposed Increase</u>
Constitutional/Statutory			
Aid to Education/Libraries	\$346.0	-\$22.0	\$324.0
Appropriation to Reserve Fund: Sweeper	112.7		112.7
Wage Initiative (Developmental Disabilities Administration)	12.2		12.2
Restore Unallocated Reduction to Local Aid	10.0		10.0
Community Colleges (Cade Formula, Fringe Benefits, Other)	9.1		9.1
Judiciary	3.0		3.0
Baltimore City Convention/Montgomery County Conference Centers	2.7		2.7
Formulas for School for the Deaf and School for the Blind	1.4		1.4
Legislative Scholarships	1.1		1.1
Baltimore City Community College	4.5	-3.5	1.0
Legislature	0.5		0.5
Sellinger	11.7	-11.7	0.0
St. Mary's College	0.3	-0.3	0.0
Other Local Aid	1.1		1.1
Disparity Grant	-12.7		-12.7
Utility Restructuring Grant	4.4	-30.6	-26.2
Arts Council/Tourism Board	2.6	-2.6	0.0
Entitlements			
Medicaid	237.8		237.8
Foster Care	3.3		3.3
Property Tax Credits	-1.3		-1.3
Assistance Payments	-2.3		-2.3
Other			
State Police – Temporary Federal Aid Ends	90.1		90.1
Mental Health – Community Services	23.9		23.9
Department of Human Resources Fund Swaps	19.6		19.6
Subsidized Child Care	7.8		7.8
Information Technology	6.2		6.2
Department of Juvenile Services Residential Placements	2.0		2.0
African American Museum	1.1		1.1
University System of Maryland Office – Opening Hagerstown Center	1.0		1.0
Privatize Carter Center	0.0	-10.0	-10.0
Personnel Expenses			
Salary Increments	29.2		29.2
Employee and Retiree Health Insurance	22.0		22.0
Workers' Compensation Charges	11.7		11.7
Deferred Compensation Match	9.0	-7.7	1.2

**Discretionary Changes/Enhancements
Fiscal 2005 General Fund Increase Over
Amended Fiscal 2004 Appropriation
(\$ in Millions)**

	<u>Allowance Increase</u>
General Salary Increase	\$47.9
Begin Repayment of Transportation Trust Fund	25.0
Need Based Scholarships	14.1
Enhance Nursing Home Rates with Provider Assessment	12.3
Salary Adjustments for Selected Classifications	10.0
Substance Abuse Treatment	8.1
MD State Dept. of Education to Provide Education Services at Hickey School	7.6
Expand Mental Health Crisis Services	5.0
Dept. of Business and Economic Development Loan Programs	3.8
Increase Staffing Levels at Office of the Public Defender by 68.5	2.3
Expand Services at Hickey (non-education)	2.0
Sunny Day Fund	2.0
MD Technology Development Corporation (TEDCO)	1.8
Project RESTART	1.2
Convert Office for Individuals with Disabilities to Department	0.9
Improvements at Coppin State College	0.6
Skills-based Training for Employment Promotion (STEP)	-0.5
After School Opportunity Fund	-2.7
HOPE Scholarships	-4.1
PAYGO	-7.4
Catastrophic Event Fund	-10.0
Close Crownsville	-10.8
	\$109.0

Underlying Growth in State Spending on Medicaid Is 6%
(\$ in Millions)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>Change</u>	<u>Percent Change</u>
General Fund Appropriation	\$1,624.4	\$1,874.5	\$250.1	15.4%
GF Share of Deficiency Funded with Enhanced Federal Match	110.0			
Total Adjusted General Fund Appropriation	\$1,734.4	\$1,874.5	\$140.1	8.1%
Adjust for FY 2003 Costs and General Fund Substitutes				
Remove Portion of Deficiency for FY 2003 Costs	(31.0)	-		
Cigarette Restitution Funds	106.6	50.5		
Total Underlying FY 2004 State Costs	\$1,810.0	\$1,925.0	\$115.0	6.4%
Remove Enhancements				
Nursing Home Rates		(12.3)		
Adjusted Total FY 2004 State Costs	\$1,810.0	\$1,912.7	\$102.7	5.7%

Cigarette Restitution Fund (\$ in Millions)

	FY 2003 Actual Spending	FY 2004 Working Appropriation	FY 2005 Allowance	FY 04-05 Change
Beginning Fund Balance	\$103.6	\$51.0	\$3.7	
Settlement Payments and Interest	173.9	148.0	142.9	
Available Revenue	\$277.5	\$199.0	\$146.6	
Available from Escrow ¹	\$4.7			
Payment to Law Offices	(30.0)	(30.0)	(30.0)	
From Special Reserve Fund		13.5		
Total Available Revenue	\$252.2	\$182.5	\$116.6	(\$65.9)
Health				
Management	\$0.4	\$0.6	\$0.4	(0.2)
Tobacco	19.6	13.8	9.5	(4.3)
Cancer	37.2	32.9	30.4	(2.5)
Substance Abuse	18.5	17.1	17.1	-
Maryland Health Care Foundation	1.0	-	-	-
Medicaid	104.0	106.6	50.5	(56.1)
Subtotal	\$180.7	\$171.0	\$107.9	(\$63.1)
Education				
Aid to Nonpublic Schools	\$3.6	\$3.0	\$3.0	-
Judy Hoyer Centers	4.0	-	-	-
Teacher Mentoring	2.5	-	-	-
Teacher Certification	1.6	-	-	-
Technology Academy	1.7	-	-	-
Access/Success	1.0	-	-	-
Subtotal	\$14.4	\$3.0	\$3.0	\$0.0
Crop Conversion	\$6.3	\$5.1	\$5.7	\$0.6
Attorney General	\$0.0	\$0.0	\$0.2	\$0.2
Total Expenses	\$201.4	\$179.1	\$116.8	(\$62.3)
Transfer to the general fund	(3.8)			
Recovery of prior year expenditures	3.9		1.3	
Ending Fund Balance	\$51.0	\$3.7	\$1.1	

¹ 2003 escrow funds represent tobacco company reimbursement for legal expenses previously paid to the Law Offices, transferred to the State under the terms of the April 2002 settlement.

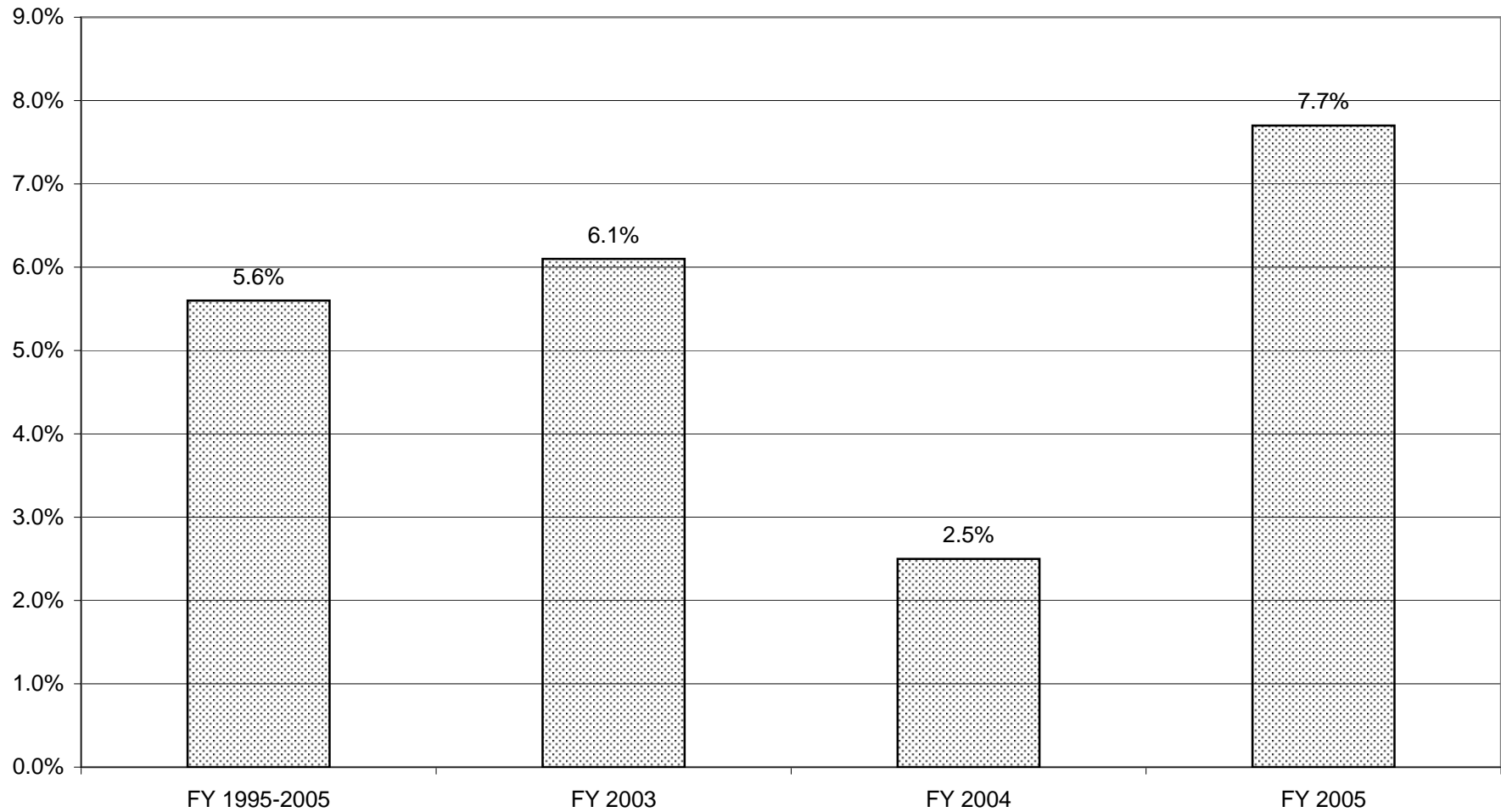
State Reserve Fund Activity – Fiscal 2003 to 2005
(\$ in Millions)

	Rainy Day Fund	Dedicated Purpose Acct.	Catastrophic Event Acct.	Joseph Fund Acct.
Balances on Hand 6/30/02	\$547.9	\$100.8	\$0.2	\$8.1
Fiscal 2003 Appropriations	181.0			
Expenditures				
TANF/Welfare Programs		(10.0)		
Transfers				
General Fund – 2002 Session	(249.0)	(78.4)		
General Fund – 2003 Session		(0.9)		
Estimated Interest	10.3			0.2
Balances on Hand 6/30/03	\$490.2	\$11.4	\$0.2	\$8.2
Fiscal 2004 Appropriations				
Fiscal 2004 Deficiency Appropriations			10.0	
Expenditures				
Child Welfare Services				(8.2)
TANF/Welfare Programs		(11.4)		
Hurricane Isabel Reconstruction			(7.2)	
Estimated Interest	6.5			0.0
Estimated Balances 6/30/04	\$496.7	\$0.0	\$3.0	\$0.0
Fiscal 2005 Appropriations	112.7	25.0		
Expenditures				
Reimburse Transportation Trust Fund		(25.0)		
Transfers to General Fund	(91.0)			
Estimated Interest	10.4			0.0
Estimated Balances 6/30/05	\$528.8	\$0.0	\$3.0	\$0.0
Balance in Excess of 5% GF Revenues	\$0.4			

TANF = Temporary Assistance for Needy Families

Local Aid

Annual Growth in State Aid to Local Governments State Funds



**State Aid by Governmental Entity
Amount and Percent of Total
State Funds
(\$ in Millions)**

	FY 2005 <u>State Aid Amount</u>	<u>Percent of Total</u>
Public Schools	\$3,643.3	80.2%
County/Municipal	602.3	13.3%
Community Colleges	184.0	4.1%
Local Health	60.9	1.3%
Libraries	50.4	1.1%
Total	\$4,540.9	100.0%

**Increase in State Aid
by Governmental Entity
State Funds
(\$ in Millions)**

	FY 2004 <u>Aid Increase</u>	FY 2005 <u>Aid Increase</u>
Public Schools	\$196.3	\$329.9
County/Municipal	-84.1	-17.6
Community Colleges	-8.4	9.1
Local Health	-1.5	0.4
Libraries	1.8	1.1
Total	\$104.0	\$322.9

State Aid by Governmental Entity and Program

State Funds

(\$ in Millions)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>Difference</u>	<u>Percent Difference</u>
Public Schools				
Foundation Program	\$2,013.4	\$2,114.6	\$101.1	5.0%
Compensatory Aid	350.8	488.1	137.3	39.1%
Student Transportation	167.0	172.5	5.5	3.3%
Special Education – Formula Aid	116.2	157.6	41.4	35.6%
Special Education – Nonpublic Placements	104.0	108.8	4.8	4.6%
Limited English Proficiency Grants	38.9	51.3	12.4	32.0%
Guaranteed Tax Base	0.0	19.1	19.1	
Teacher Salary Challenge Program	5.3	8.3	2.9	55.5%
Baltimore City Partnership Grant	28.2	21.1	-7.0	-25.0%
Other Education Programs	106.0	98.6	-7.4	-6.9%
Subtotal Direct Aid	\$2,929.8	\$3,240.1	\$310.3	10.6%
Retirement Payments	383.6	403.2	19.6	5.1%
Total Public School Aid	\$3,313.4	\$3,643.3	\$329.9	10.0%
Libraries				
Library Aid Formula	\$27.3	\$27.8	\$0.5	1.8%
State Library Network	13.9	14.2	0.2	1.7%
Subtotal Direct Aid	41.2	41.9	0.7	1.7%
Retirement Payments	8.0	8.4	0.4	5.2%
Total Library Aid	\$49.2	\$50.4	\$1.1	2.3%
Community Colleges				
Community College Formula	\$142.7	\$146.6	\$3.9	2.7%
Other Programs	17.0	21.4	4.4	26.1%
Subtotal Direct Aid	\$159.7	\$168.0	\$8.3	5.2%
Retirement Payments	15.2	16.0	0.8	5.3%
Total Community College Aid	\$174.9	\$184.0	\$9.1	5.2%
Local Health Grants	\$60.4	\$60.9	\$0.4	0.7%
County/Municipal Aid				
Transportation	\$373.2	\$389.4	\$16.2	4.3%
Public Safety	91.0	91.8	0.8	0.9%
Program Open Space/Recreation	21.4	15.8	-5.6	-26.1%
Disparity Grant	105.8	93.1	-12.7	-12.0%
Utility Restructuring Grant	26.2	0.0	-26.2	-100.0%
Other Grants	0.7	10.7	10.0	1468.0%
Subtotal Direct Aid	\$618.3	\$600.7	-\$17.6	-2.8%
Retirement Payments	1.6	1.6	0.0	-3.0%
Total County/Municipal Aid	\$619.9	\$602.3	-\$17.6	-2.8%
Total State Aid	\$4,217.9	\$4,540.9	\$322.9	7.7%

State Aid Reductions in Fiscal 2005
Contingent on Legislation
(\$ in Thousands)

<u>County</u>	<u>Highway User Revenues</u>	<u>Program Open Space</u>	<u>Utility Grant</u>	<u>Nonpublic Placements</u>	<u>Student Transportation</u>	<u>Teacher Salary Challenge</u>	<u>Total Contingent Reductions</u>
Allegany	-\$1,192	-\$150	\$0	-\$27	-\$59	-\$33	-\$1,459
Anne Arundel	-4,985	-1,622	-7,820	-556	-262	-1,138	-16,384
Baltimore City	0	-1,072	-453	-1,559	-212	-233	-3,529
Baltimore	-6,845	-1,829	-1,795	-917	-329	-1,796	-13,511
Calvert	-992	-163	-6,097	-76	-70	-133	-7,531
Caroline	-802	-71	0	-8	-33	42	-871
Carroll	-2,232	-367	0	-186	-120	-469	-3,375
Cecil	-1,240	-189	0	-69	-63	0	-1,561
Charles	-1,524	-333	-2,523	-80	-123	-432	-5,015
Dorchester	-896	-61	-187	-1	-30	-43	-1,218
Frederick	-2,929	-386	0	-81	-140	-616	-4,152
Garrett	-1,017	-76	-12	-3	-39	-86	-1,234
Harford	-2,536	-542	-861	-208	-152	-674	-4,973
Howard	-2,487	-959	0	-208	-178	-833	-4,666
Kent	-460	-46	0	-1	-20	-42	-568
Montgomery	-7,188	-2,440	-2,766	-689	-395	-2,956	-16,434
Prince George's	-6,134	-2,063	-7,745	-1,539	-438	-2,278	-20,197
Queen Anne's	-898	-100	0	-15	-41	-105	-1,158
St. Mary's	-1,181	-184	0	-53	-78	-257	-1,752
Somerset	-536	-44	0	-3	-24	-5	-611
Talbot	-727	-105	0	-2	-20	-65	-919
Washington	-1,881	-287	-357	-97	-79	-346	-3,047
Wicomico	-1,438	-191	0	-17	-63	-22	-1,731
Worcester	-1,100	-189	0	0	-38	-111	-1,439
Unallocated	0	0	0	0	0	0	-100
Total	-\$51,220	-\$13,468	-\$30,615	-\$6,395	-\$3,005	-\$12,633	-\$117,436

Note: Unallocated amount includes a \$100,000 contingent reduction to the Senior Centers Operating Fund.

State Aid Reductions in Fiscal 2005

Discretionary Programs

(\$ in Thousands)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>Difference</u>
Public Schools			
Challenge Grants	\$5,789	\$3,789	-\$2,000
Challenge Grants – Annapolis Feeder System	1,000	0	-1,000
School Performance Recognition Awards	1,225	0	-1,225
Staff Development for Public Schools	334	0	-334
Disruptive Youth Grants	2,000	0	-2,000
Subtotal – Public Schools			-\$6,559
County/Municipal			
Violent Crime Grant – Baltimore City	\$2,500	\$2,085	-\$416
Violent Crime Grant – Prince George's County	2,500	2,430	-71
STOP Gun Violence Grant	1,000	956	-45
Program Open Space – Baltimore City Grant	1,500	0	-1,500
Disparity Grant – Garrett County Hold Harmless	0	500	500
State's Attorney's – Baltimore City Grant	1,288	1,985	697
Subtotal – County/Municipal			-\$834
Total State Aid Reductions – Discretionary Programs			-\$7,393

Increase in State Aid to Local Governments
Fiscal 2004 – 2005
(\$ in Thousands)

<u>County</u>	<u>Working Appropriation FY 2004</u>	<u>Statutory Funding FY 2005</u>	<u>Difference FY 2004-05</u>	<u>Governor's Allowance FY 2005</u>	<u>Difference FY 2004-05</u>	<u>Unclaimed Local Income Tax Revenues</u>	<u>Total FY 2005</u>	<u>Net Difference FY 2004-05</u>
Allegany	\$71,882	\$77,373	7.6%	\$75,914	5.6%	\$632	\$76,546	6.5%
Anne Arundel	282,197	305,257	8.2%	288,873	2.4%	7,827	296,700	5.1%
Baltimore City	907,718	963,114	6.1%	959,585	5.7%	4,944	964,529	6.3%
Baltimore	442,040	498,797	12.8%	485,286	9.8%	11,988	497,274	12.5%
Calvert	74,663	82,715	10.8%	75,183	0.7%	1,205	76,388	2.3%
Caroline	36,127	39,519	9.4%	38,649	7.0%	252	38,900	7.7%
Carroll	121,575	135,955	11.8%	132,581	9.1%	2,447	135,028	11.1%
Cecil	77,733	88,542	13.9%	86,982	11.9%	1,059	88,041	13.3%
Charles	113,815	129,028	13.4%	124,013	9.0%	1,850	125,863	10.6%
Dorchester	30,122	33,014	9.6%	31,796	5.6%	250	32,045	6.4%
Frederick	158,318	176,569	11.5%	172,416	8.9%	3,570	175,986	11.2%
Garrett	33,443	34,735	3.9%	33,501	0.2%	236	33,737	0.9%
Harford	174,420	192,400	10.3%	187,427	7.5%	3,698	191,125	9.6%
Howard	167,793	183,656	9.5%	178,990	6.7%	4,855	183,846	9.6%
Kent	12,497	13,881	11.1%	13,313	6.5%	208	13,520	8.2%
Montgomery	419,643	465,660	11.0%	449,226	7.0%	20,846	470,071	12.0%
Prince George's	700,862	796,134	13.6%	775,937	10.7%	9,886	785,823	12.1%
Queen Anne's	29,486	32,057	8.7%	30,899	4.8%	671	31,569	7.1%
St. Mary's	71,870	80,015	11.3%	78,263	8.9%	1,303	79,566	10.7%
Somerset	24,332	26,306	8.1%	25,695	5.6%	166	25,860	6.3%
Talbot	15,624	17,911	14.6%	16,992	8.7%	365	17,356	11.1%
Washington	98,143	110,606	12.7%	107,559	9.6%	1,493	109,051	11.1%
Wicomico	79,592	90,460	13.7%	88,730	11.5%	970	89,700	12.7%
Worcester	23,368	27,216	16.5%	25,777	10.3%	281	26,058	11.5%
Unallocated	50,674	57,402	13.3%	57,302	13.1%	0	57,302	13.1%
Total	\$4,217,938	\$4,658,321	10.4%	\$4,540,885	7.7%	\$81,000	\$4,621,885	9.6%

Personnel

Regular Full-time Equivalent Positions Fiscal 2002 Actual to 2005 Allowance

<u>Department/Service Area</u>	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2004 Working Approp.</u>	<u>2005 Allowance</u>	<u>FY 04-05 Change</u>
Legislative	730.0	730.0	730.0	730.0	-
Judiciary	3,009.8	3,223.8	3,223.8	3,243.8	20.0
Legal	1,380.9	1,396.9	1,444.1	1,515.6	71.5
Executive & Administrative Control	1,618.8	1,603.7	1,567.9	1,580.4	12.5
Financial & Revenue Administration	2,158.2	2,098.2	2,029.7	2,046.7	17.0
Budget & Management	524.3	531.3	472.3	472.3	-
Retirement	193.5	184.5	180.5	180.5	-
General Services	793.0	806.5	714.0	706.0	(8.0)
Transportation	9,538.0	9,318.5	9,095.5	9,134.5	39.0
Natural Resources	1,629.2	1,577.2	1,454.0	1,446.0	(8.0)
Agriculture	480.0	460.0	431.0	431.0	-
Health & Mental Hygiene	8,535.8	8,211.9	7,709.8	7,486.8	(223.0)
Human Resources	8,272.6	7,729.1	7,381.1	7,375.1	(6.0)
Labor, Licensing, & Regulation	1,706.0	1,617.0	1,519.1	1,502.1	(17.0)
Public Safety & Correctional Services	11,662.5	11,562.5	11,231.0	11,261.0	30.0
MSDE and Other Education	1,955.0	2,018.6	1,883.9	1,953.9	70.0
Housing & Community Development	449.0	425.0	392.9	392.9	-
Business & Economic Development	324.0	318.0	299.0	299.0	-
Environment	1,028.0	1,032.0	951.0	952.0	1.0
Juvenile Services	2,122.7	1,996.2	1,938.9	1,985.9	47.0
Police & Fire Marshal	2,589.5	2,572.5	2,479.5	2,490.5	11.0
Subtotal	60,700.7	59,413.4	57,128.9	57,185.9	57.0
Higher Education	21,386.2	21,402.5	20,966.2	20,966.2	-
Total	82,086.8	80,815.9	78,095.0	78,152.0	57.0

Regular Full-time Equivalent Positions Fiscal 2004 Working Appropriation to 2005 Allowance

<u>Department/Service Area</u>	<u>2004 Working Approp.</u>	<u>Transfers</u>	<u>Abolitions¹</u>	<u>New Positions</u>	<u>2005 Allowance</u>
Legislative	730.0	-	-	-	730.0
Judiciary	3,223.8	-	-	20.0	3,243.8
Legal	1,444.1	(2.0)	-	73.5	1,515.6
Executive & Administrative Control	1,567.9	4.0	(5.5)	14.0	1,580.4
Financial & Revenue Administration	2,029.7	-	-	17.0	2,046.7
Budget & Management	472.3	-	-	-	472.3
Retirement	180.5	-	-	-	180.5
General Services	714.0	-	(8.0)	-	706.0
Transportation	9,095.5	-	-	39.0	9,134.5
Natural Resources	1,454.0	-	(8.0)	-	1,446.0
Agriculture	431.0	-	-	-	431.0
Health & Mental Hygiene	7,709.8	13.6	(274.6)	38.0	7,486.8
Human Resources	7,381.1	(6.0)	-	-	7,375.1
Labor, Licensing, & Regulation	1,519.1	-	(17.0)	-	1,502.1
Public Safety & Correctional Services	11,231.0	-	-	30.0	11,261.0
MSDE and Other Education	1,883.9	-	-	70.0	1,953.9
Housing & Community Development	392.9	-	-	-	392.9
Business & Economic Development	299.0	-	-	-	299.0
Environment	951.0	-	(3.0)	4.0	952.0
Juvenile Services	1,938.9	-	-	47.0	1,985.9
Police & Fire Marshal	2,479.5	-	-	11.0	2,490.5
Subtotal	57,128.9	9.6	(316.1)	363.5	57,185.9
Higher Education	20,966.2	(9.6)	-	9.6	20,966.2
Total	78,095.0	-	(316.1)	373.1	78,152.0

¹ Includes reduction of 267.6 positions which reflects the proposed privatization of the Walter P. Carter Community Mental Health Center (134.3 FTEs) and the implementation of bed reconfiguration for the Crownsville Hospital Center (133.3 FTEs), both in the Department of Health and Mental Hygiene.

Contractual Full-time Equivalent Positions Fiscal 2002 Actual to 2005 Allowance

<u>Department/Service Area</u>	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2004 Working Approp.</u>	<u>2005 Allowance</u>	<u>FY 04-05 Change</u>
Judiciary	371.0	390.0	390.0	371.0	(19.0)
Legal	99.1	71.4	106.0	108.0	2.0
Executive & Administrative Control	208.2	205.6	179.3	181.2	1.9
Financial & Revenue Administration	34.7	28.9	37.9	40.9	3.0
Budget & Management	33.2	27.1	19.4	20.9	1.5
Retirement	29.8	24.5	29.5	29.5	-
General Services	34.7	26.0	27.8	27.8	-
Transportation	142.5	121.9	175.9	171.9	(4.0)
Natural Resources	332.0	377.5	480.0	438.5	(41.5)
Agriculture	35.7	44.5	50.7	40.8	(10.0)
Health & Mental Hygiene	408.9	357.4	486.9	495.8	9.0
Human Resources	110.7	73.3	148.0	135.1	(12.9)
Labor, Licensing, & Regulation	176.2	113.7	159.3	178.6	19.3
Public Safety & Correctional Services	298.2	280.9	480.0	477.1	(2.9)
MSDE and Other Education	218.5	189.5	192.2	203.1	10.9
Housing & Community Development	48.9	50.0	70.9	61.7	(9.2)
Business & Economic Development	48.7	46.9	42.2	35.6	(6.6)
Environment	32.3	23.1	43.1	43.0	(0.1)
Juvenile Services	119.0	98.4	132.9	75.0	(57.9)
Police & Fire Marshal	45.8	32.0	58.8	47.1	(11.8)
Subtotal	2,827.9	2,582.4	3,310.5	3,182.4	(128.1)
Higher Education	6,079.0	5,699.7	5,860.2	6,145.9	285.7
Total	8,907.0	8,282.1	9,170.7	9,328.3	157.6

Regular Full-time Equivalent Positions Turnover in the Fiscal 2005 Allowance

<u>Department/Service Area</u>	<u>Turnover Rate</u>	<u>Necessary Vacancies</u>	<u>Vacant Positions²</u>	<u>Funded Vacancies/ (Unfunded Filled)</u>
Legislative	0.9%	6.5	18.0	11.5
Judiciary	2.5%	79.5	165.0	85.5
Legal (no Judiciary)	5.0%	75.6	131.5	55.9
Executive & Administrative Control	2.9%	45.7	94.0	48.3
Financial & Revenue Administration	4.0%	82.7	128.9	46.1
Budget & Management	2.0%	9.4	45.0	35.6
Retirement	2.3%	4.1	11.0	6.9
General Services	4.0%	28.5	66.5	38.0
Transportation	4.6%	416.9	383.5	(33.4)
Natural Resources	7.2%	104.1	93.0	(11.1)
Agriculture	5.0%	21.5	18.0	(3.5)
Health & Mental Hygiene	5.1%	394.7 ¹	488.6	93.9
Human Resources	4.3%	319.2	524.9	205.7
Labor, Licensing, & Regulation	3.8%	57.5	63.6	6.1
Public Safety & Correctional Services	4.2%	476.3	578.0	101.7
MSDE and Other Education	5.0%	98.3	78.4	(19.9)
Housing & Community Development	3.2%	12.8	24.0	11.2
Business & Economic Development	3.0%	9.0	6.0	(3.0)
Environment	5.6%	52.9	44.5	(8.4)
Juvenile Services	9.2%	183.5	224.9	41.4
Police & Fire Marshal	2.9%	73.0	96.0	23.0
Subtotal	4.4%	2,551.6	3,283.2	731.6
Higher Education ³	3.0%	623.4	1,128.8	505.4
Total	4.1%	3,175.0	4,412.0	1,237.0

¹ Abolitions in the Crownsville Hospital Center and the Walter P. Carter Community Mental Health Center are not assumed in these calculations.

² These vacant positions include vacancies as of December 31, 2003.

³ Includes vacant positions from the University System of Maryland, Baltimore City Community College, and Morgan State only. St. Mary's vacancy data are currently unavailable.

General Salary Increases, Increments, and Other Compensation Fiscal 2000 to 2005 Allowance

Fiscal Year	State Employees		Additional Police, Natural Resources Police, and Park Ranger Salary Increases	Maximum Deferred Compensation Match by State	Pay-for-Performance Bonuses	Annual Salary Review Reclassifications	Other
	General Salary Increase	Increments					
2000		On time		\$600	Outstanding: \$1,000 Exceeds standards: \$500		Salary schedules expand from 6 to 16 steps on 7/1/99 ¹
	7/1/1999 1/1/2000	\$638 \$637	4.0%				
2001		On time		\$600	Outstanding: \$1,000 Exceeds standards: \$500		Standard salary schedule expands by 4 grades on 7/1/00 ² and a new physicians' schedule is developed.
	11/15/2000 1/1/2001	4.0%				Yes ³	
2002		On time		\$600	Outstanding: \$500 Exceeds standards: \$250		Salary schedules expand from 16 to 18 steps on 7/1/01 ¹
	7/1/2001 1/1/2002	4.0%	\$850			Yes ⁴	
2003		None		\$500	None		
2004		None		None	None		
2005							
Allow	7/1/2004	1.6%	On time	None ⁵	None	Yes ⁶	

¹ The executive pay plan (EPP) and physicians' schedules did not expand.

² The standard salary schedule expanded to accommodate management service positions moved off the executive salary schedule.

³ The following classifications were given upgrades effective January 1, 2001, most of which were in the 1 to 2 grade range: clerical workers, social workers in criminal justice and health services, computer operations and related classifications, professional fiscal and related classifications, election workers (local funds), and assistant superintendents at State hospitals.

⁴ Three groups of employees received reclassifications in fiscal 2002: nurses, institutional educators, and addiction counselors who work in local health departments and nonprofits. Statewide increases went to nurse classifications through two grade increases, one on July 1, 2001, and one on January 1, 2002. Institutional educators received increases through an adjustment to their pay plan.

⁵ The Governor proposes to withdraw through contingent language in budget reconciliation legislation.

⁶ The following classifications are provided upgrades in the allowance: public defenders, social services attorneys, assistant general counsels (human relations), assistant State prosecutors, direct service workers in the Department of Juvenile Services, property assessors, lab scientists, administrative law judges, banking financial examiners, and a number of entry-level positions requiring a college degree.

Transportation

Transportation Trust Fund Forecast

Fiscal 2004 – 2009

(\$ in Millions)

Fund Balance	Actual							Total
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 04-09
Starting Balance	\$173	\$145	\$100	\$100	\$100	\$100	\$100	\$145
Closing Balance	145	100	100	100	100	100	100	100
Net Revenues								
Taxes and Fees	\$1,323	\$1,376	\$1,421	\$1,441	\$1,461	\$1,476	\$1,492	\$8,667
Operating/Misc.	452	493	426	424	437	449	463	2,692
General Fund Payments/Repayments	-160	-155	0	0	0	0	0	-155
Maryland Transportation Authority Transfer	43	43	43	43	43	0	0	172
Net Revenues Subtotal	1,658	1,757	1,890	1,908	1,941	1,925	1,955	11,376
Bonds Sold	345	370	205	125	0	0	65	765
Bond Premiums	33							
Subtotal	\$2,036	\$2,127	\$2,095	\$2,033	\$1,941	\$1,925	\$2,020	\$12,141
Expenditures								
Debt Service	130	136	176	155	132	135	143	876
Operating	1,158	1,169	1,203	1,289	1,341	1,395	1,453	7,850
Total Capital	777	867	716	589	468	395	424	3,459
Subtotal	\$2,065	\$2,172	\$2,095	\$2,033	\$1,941	\$1,925	\$2,020	\$12,185
Debt								
Debt Coverage Ratio – Net Income	4.3	2.6	2.9	4.3	4.0	3.9	3.2	
Debt Outstanding	\$961	\$1,237	\$1,327	\$1,360	\$1,291	\$1,217	\$1,198	
Highway User Grants*	\$451	\$366	\$383	\$492	\$498	\$502	\$506	\$2,747
Highway User Funds to General Fund		\$102	\$102					\$204
Capital Summary								
State Capital	\$777	\$867	\$716	\$589	\$468	\$395	\$424	\$3,459
Federal Capital	615	734	634	605	500	418	277	3,168
Total	\$1,392	\$1,601	\$1,350	\$1,194	\$968	\$813	\$701	\$6,627

* Highway User Grant figures in fiscal 2004 and 2005 are net of deductions taken from these grants and diverted to the general fund. These deductions are expected to total \$102.4 million in both fiscal 2004 and 2005.

Source: Maryland Department of Transportation

Analysis of the Maryland Department of Transportation Transportation Trust Fund Forecast

Maryland Department of Transportation's (MDOT) Assumptions

- Forecast reflects diversion in fiscal 2003 and 2004 of \$314.9 million from the Transportation Trust Fund (TTF) to the general fund. Highway User Revenue amounts reflect deduction of \$102.4 million in both fiscal 2004 and 2005.
- Forecast assumes revenue growth of:
 - 2.6% in both fiscal 2004 and 2005 in gas tax revenues;
 - 5.2% in fiscal 2004 and 3.4% in fiscal 2005 in titling tax revenues; and
 - 2.2% in fiscal 2004 and 2.0% in fiscal 2005 in registration fee revenues.
- Forecast assumes that annual \$43 million Maryland Transportation Authority (MdTA) grants for transit will continue through fiscal 2007.
- Forecast assumes a \$100 million fund balance will be maintained and that debt coverage ratios will exceed 2.5.

Department of Legislative Services' Analysis

MDOT's forecast is conservative; it likely underestimates both the TTF's potential revenue attainments during the six-year forecast period and, concomitantly, the size of the capital program that could be undertaken by the department during that period.

- **Forecast Underutilizes Debt Capacity:** The revenue projections made in the forecast provide an additional \$260 million in unused bonding capacity. Thus, while the forecast projects total bond sales of \$765 million during the fiscal 2004 through 2009 period, the revenue projections made in the forecast would allow the department to sell at least \$1.025 billion in debt during the six-year period.

Analysis of MDOT's Transportation Trust Fund Forecast (Cont.)

- **Projections of State-sourced Revenue Are Conservative:** The forecast projects moderate growth in all three major State-sourced revenues; however, attainments are exceeding the projected levels of growth. Any increase in revenue attainments above the forecasted levels would provide additional funding for the capital program.
- **Forecast Does Not Assume Repayment of the TTF:** The forecast does not assume any repayment will be made to the TTF from the general fund at any time during the fiscal 2004 through 2009 period. However, \$25 million in general funds is included in the Dedicated Purpose Account allowance as a repayment for the TTF, and the general fund forecast assumes that \$25 million will be repaid annually through fiscal 2009.
- **Forecast Does Not Assume Additional Revenues from "Delaware Holding" Company Settlements:** The general fund forecast assumes that the State will receive \$83.6 million in fiscal 2005 from corporate tax settlements arising from the Delaware holding company issue, which would yield \$26.4 million in increased revenue to the TTF. Unlike the general fund forecast, the TTF forecast does not assume any increased revenue from this source.
- **Forecast Does Not Assume Increased Federal Fund Attainments Under Federal Reauthorization:** Given the uncertainty surrounding the effort to reauthorize federal spending, conservative estimates of federal attainment in the fiscal 2004 through 2009 period are warranted. However, any additional federal money received by the State from the reauthorized federal program would also increase the amount of money available to fund capital projects.
- **Forecast Holds \$111 Million in Reserve:** The forecast holds 1% of its total State-sourced revenue in reserve as a hedge against revenue changes. Should revenues continue to meet or exceed projections, this reserve would also be available to fund capital projects.

The Transportation Task Force recommended that an additional \$300 million in State-sourced revenue be invested in capital programming each year during the 2005 through 2010 period. It is likely that some portion of this recommended increase will accrue to the TTF in the form of additional revenue attainments and/or repayments to the TTF from the general fund and/or increase bond sales.

Appendix

Status of the General Fund – Fiscal 2004
(\$ in Millions)

Starting Balance		\$122.7
 Revenues		
Dec 2003 BRE Forecast	9,943.7	
		9,943.7
 <u>2003 Session Adjustments</u>		
One-time Fund Transfers (Chapter 203, Acts of 2003)		375.9
 <u>2004 Session Adjustments</u>		
DHMH Provider Fees – DDA Facilities	5.7	
Deauthorization of Prior Year PAYGO	1.5	
Revenue Transfer from MD Environmental Service	1.0	
Attorney General Settlement Funds	1.0	
Sale of Governor's Yacht	0.2	
	9.4	9.4
 Funds Available		 \$10,451.7
 Spending		
Fiscal 2004 Legislative Appropriation	10,549.3	
Fiscal 2004 Deficiencies	78.3	
Withdrawn Appropriations (BPW 7/30/03)	-204.3	
Unspecified Reversions	-37.0	
Targeted Reversions	-124.3	
	-124.3	
 Net Expenditures		 \$10,262.0
 Ending Balance		 \$189.7

BPW = Board of Public Works

BRE = Board of Revenue Estimates

DDA = Developmental Disabilities Administration

DHMH = Department of Health and Mental Hygiene

Fiscal 2004 Budget Detail (\$ in Millions)

Deficiencies

Added Foster Care Placement Costs	\$36.0
Catastrophic Event Fund (Hurricane Isabel & Balance)	10.0
State Dept. of Education – Nonpublic Placements	7.0
DLLR Overstated Federal Funds	6.0
Juvenile Services Added Residential Per Diem Costs	4.0
Public Safety: Utilities, Medical Contract CPI, Information Technology	3.7
DHR Legal Representation for CINA & TPR Cases	2.9
DHMH Provider Fee Increase for Intermediate Care Facilities	3.9
State Police Reduced Turnover; Increased Overtime & Fuel	1.9
DHMH Facility Renovations for Crownsville Transfer	0.9
Other	2.0
Total	\$78.3

Targeted Reversions

State Police Receipt of One-time Federal Aid	\$90.1
Medicaid Receipt of One-time Federal Aid Net of Deficiencies	31.3
IAC Wiring in Public Schools	2.9
Total	\$124.3

CINA = Children in Need of Assistance

CPI = Consumer Price Index

DHMH = Department of Health and Mental Hygiene

DHR = Department of Human Resources

DLLR = Department of Labor, Licensing, and Regulation

IAC = Interagency Committee for Public School Construction

TPR = Termination of Parental Rights Proceedings

Status of the General Fund – Fiscal 2005
(\$ in Millions)

Starting Balance		\$189.7
Revenues		
Dec 2003 BRE Forecast	10,391.1	
Additional Administration Revenue Assumptions:	179.5	
		10,570.7
Transfers		
Revenue Stabilization Account	91.0	
One-time Transfers Via Legislation (2003 & 2004 Sessions)	384.0	
		475.0
Funds Available		\$11,235.4
Spending		
<u>Appropriations</u>		
Fiscal 2005 Allowance	11,363.3	
Across-the-board Efficiency Reduction	(1.0)	
Reductions Contingent on Legislation	(93.6)	
Estimated Agency Reversions	(35.0)	
Net Expenditures		\$11,233.7
Ending Balance		\$1.7

BRE = Board of Revenue Estimates

Fiscal 2005 Budget Detail (\$ in Millions)

Reductions to Appropriations Contingent on Legislation

Electricity Generating Equipment Property Tax Grant	\$30.6
MSDE Governor's Teacher Salary Challenge	12.6
Aid to Nonpublic Institutions of Higher Education (Sellinger)	11.7
DHMH Privatize Carter Center	10.0
Deferred Compensation Match	7.7
MSDE Nonpublic Placements	6.4
Baltimore City Community College	3.5
MSDE Student Transportation	3.0
DBED Arts & Tourism	2.6
DHMH Indirect Cost Assessment (HSCRC & MHCC)	1.6
MSDE HQ Change to SF Approp for Certification Revenues	1.6
Corporate Income Tax Administrative Costs Assessed to the TTF	0.6
DHCD Administration of Heritage Tax Credit	0.4
MDE Special Fund Appropriation with Lead Registry Revenues	0.4
St. Mary's College	0.3
DNR Contingent Boat Revenue Increase	0.3
MDA Change to SF Appropriation	0.1
DHR Individual Development Accounts	0.1
Senior Centers	0.1
Total	\$93.6

DBED = Department of Business and Economic Development
 DBM = Department of Budget and Management
 DHCD = Department of Housing and Community Development
 DHMH = Department of Health and Mental Hygiene
 DHR = Department of Human Resources
 DNR = Department of Natural Resources
 HSCRC = Health Services Cost Review Commission
 MDA = Maryland Department of Agriculture
 MDE = Maryland Department of the Environment
 MHCC = Maryland Health Care Commission
 MSDE = Maryland State Department of Education
 TTF = Transportation Trust Fund

Fiscal 2005 Budget Detail (Continued)
(\$ in Millions)

Administration New Revenue Assumptions

Corporate Income Tax Compliance	\$83.6
Minimum Local Income Tax on Nonresidents	38.6
DHMH Provider Revenues	34.7
Continue Reduced Vendor Discount	13.3
Increased Audit and Collection	3.3
Acceleration of Payment of Abandoned Property	2.5
Other Revenue Increases (Non-DHMH)	1.9
Other DHMH Revenues	1.2
Sale of Surplus Vehicles	0.5
	\$179.5

Transfers to General Fund Contingent on Legislation

Transfer Taxes (2003 Session + 2004 Session Action)	\$147.4
Highway User Revenues (2003 Session + 2004 Session Action)	102.4
Share of Accelerated Disbursement of Unclaimed Local Taxes	81.0
Transfer Taxes Fiscal 2004 Anticipated Overattainment	41.9
DBM Central Collection Unit	4.5
DHMH Spinal Injury Trust Fund	3.0
State Use Industries	2.0
DHMH Boards	
Dental Examiners	0.2
Physical Therapy	0.3
Psychologists	0.1
Social Work	0.3
Physicians	0.6
Racing Commission	0.4
Total 2003 & 2004	\$384.0

DBM = Department of Budget and Management

DHMH = Department of Health and Mental Hygiene

State Assistance to Local Governments
Fiscal 2005 Allowance
(\$ in Thousands)

County	County/ Municipal	Community Colleges	Direct State Aid				Subtotal	Retirement	Total	Change Over FY 2004	Percent Change
			Public Schools	Libraries	Health						
Allegany	\$12,318	\$4,627	\$51,895	\$619	\$1,480	\$70,939	\$4,975	\$75,914	\$4,032	5.6%	
Anne Arundel	30,953	21,803	194,560	1,815	5,144	254,275	34,598	288,873	6,676	2.4%	
Baltimore City	256,782	0	637,721	5,426	10,908	910,837	48,748	959,585	51,866	5.7%	
Baltimore	41,621	32,046	347,090	4,041	7,045	431,844	53,442	485,286	43,246	9.8%	
Calvert	5,381	1,173	59,774	321	599	67,248	7,935	75,183	521	0.7%	
Caroline	5,855	1,050	28,124	219	873	36,122	2,527	38,649	2,521	7.0%	
Carroll	11,602	5,198	100,759	769	2,012	120,339	12,242	132,581	11,006	9.1%	
Cecil	6,579	3,576	67,835	532	1,317	79,838	7,144	86,982	9,249	11.9%	
Charles	8,264	5,466	97,110	669	1,626	113,134	10,879	124,013	10,198	9.0%	
Dorchester	6,389	897	21,364	194	694	29,538	2,257	31,796	1,673	5.6%	
Frederick	15,807	5,745	131,156	932	2,473	156,113	16,304	172,416	14,099	8.9%	
Garrett	7,579	2,588	20,142	150	707	31,167	2,334	33,501	59	0.2%	
Harford	13,882	7,897	144,179	1,194	2,843	169,994	17,432	187,427	13,007	7.5%	
Howard	15,295	9,312	126,034	639	1,983	153,263	25,728	178,990	11,197	6.7%	
Kent	2,480	431	8,318	85	541	11,855	1,457	13,313	816	6.5%	
Montgomery	48,678	28,744	277,385	2,218	4,921	361,947	87,279	449,226	29,582	7.0%	
Prince George's	52,927	17,965	630,980	5,464	8,181	715,517	60,420	775,937	75,075	10.7%	
Queen Anne's	4,545	1,123	21,180	122	676	27,646	3,252	30,899	1,413	4.8%	
St. Mary's	6,427	1,662	61,402	484	1,321	71,296	6,967	78,263	6,393	8.9%	
Somerset	6,581	604	16,124	228	692	24,230	1,465	25,695	1,362	5.6%	
Talbot	3,881	1,167	9,141	83	530	14,802	2,190	16,992	1,367	8.7%	
Washington	10,078	5,211	80,010	841	2,260	98,399	9,160	107,559	9,416	9.6%	
Wicomico	9,481	3,302	67,024	608	1,547	81,962	6,768	88,730	9,138	11.5%	
Worcester	6,001	1,390	14,026	119	504	22,041	3,736	25,777	2,409	10.3%	
Unallocated	11,347	5,028	26,750	14,177	0	57,301	1	57,302	6,628	13.1%	
Total	\$600,734	\$168,001	\$3,240,083	\$41,948	\$60,878	\$4,111,644	\$429,241	\$4,540,885	\$322,947	7.7%	

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid. The fiscal 2005 amount does not include the \$81 million in unclaimed local income tax revenues.

State Assistance to Local Governments

Dollar Difference Between Fiscal 2005 Allowance and Fiscal 2004 Working Appropriation (\$ in Thousands)

County	County/ Municipal	Community Colleges	Direct State Aid			Subtotal	Retirement	Total
			Public Schools	Libraries	Health			
Allegany	-\$981	\$200	\$4,565	-\$14	\$20	\$3,790	\$242	\$4,032
Anne Arundel	-4,764	1,162	8,595	-53	71	5,011	1,665	6,676
Baltimore City	-6,960	0	56,607	-38	0	49,610	2,257	51,866
Baltimore	1,564	340	38,677	78	3	40,661	2,585	43,246
Calvert	-4,911	128	4,896	22	8	143	378	521
Caroline	40	53	2,294	1	12	2,400	121	2,521
Carroll	1,014	444	8,887	44	28	10,417	589	11,006
Cecil	545	283	8,044	13	18	8,903	346	9,249
Charles	-1,144	267	10,473	52	22	9,671	527	10,198
Dorchester	-181	46	1,706	-16	10	1,565	109	1,673
Frederick	1,345	157	11,689	85	34	13,310	788	14,099
Garrett	-1,398	103	1,242	-11	10	-54	113	59
Harford	431	545	11,112	41	39	12,167	839	13,007
Howard	958	652	8,313	12	27	9,963	1,234	11,197
Kent	277	22	438	1	7	746	70	816
Montgomery	1,246	419	23,461	56	2	25,184	4,399	29,582
Prince George's	-5,803	473	77,236	228	28	72,162	2,913	75,075
Queen Anne's	435	57	762	-7	9	1,256	157	1,413
St. Mary's	584	124	5,313	16	18	6,056	337	6,393
Somerset	-272	46	1,502	5	10	1,291	71	1,362
Talbot	395	59	800	0	7	1,261	106	1,367
Washington	401	324	8,233	-16	31	8,973	443	9,416
Wicomico	-200	253	8,746	-11	21	8,810	327	9,138
Worcester	617	107	1,498	0	7	2,228	180	2,409
Unallocated	-811	2,033	5,174	232	0	6,628	0	6,628
Total	-\$17,574	\$8,297	\$310,267	\$718	\$442	\$302,151	\$20,796	\$322,947

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid. The fiscal 2005 amount does not include the \$81 million in unclaimed local income tax revenues.

State Assistance to Local Governments

Percent Change: Fiscal 2005 Allowance over Fiscal 2004 Working Appropriation

County	<i>Direct State Aid</i>						Retirement	Total
	County/ Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	-7.4%	4.5%	9.6%	-2.3%	1.4%	5.6%	5.1%	5.6%
Anne Arundel	-13.3%	5.6%	4.6%	-2.8%	1.4%	2.0%	5.1%	2.4%
Baltimore City	-2.6%	n.a.	9.7%	-0.7%	0.0%	5.8%	4.9%	5.7%
Baltimore	3.9%	1.1%	12.5%	2.0%	0.0%	10.4%	5.1%	9.8%
Calvert	-47.7%	12.3%	8.9%	7.2%	1.4%	0.2%	5.0%	0.7%
Caroline	0.7%	5.4%	8.9%	0.2%	1.4%	7.1%	5.0%	7.0%
Carroll	9.6%	9.3%	9.7%	6.1%	1.4%	9.5%	5.1%	9.1%
Cecil	9.0%	8.6%	13.5%	2.4%	1.4%	12.6%	5.1%	11.9%
Charles	-12.2%	5.1%	12.1%	8.5%	1.4%	9.3%	5.1%	9.0%
Dorchester	-2.8%	5.4%	8.7%	-7.7%	1.4%	5.6%	5.1%	5.6%
Frederick	9.3%	2.8%	9.8%	10.1%	1.4%	9.3%	5.1%	8.9%
Garrett	-15.6%	4.1%	6.6%	-7.1%	1.4%	-0.2%	5.1%	0.2%
Harford	3.2%	7.4%	8.4%	3.5%	1.4%	7.7%	5.1%	7.5%
Howard	6.7%	7.5%	7.1%	1.9%	1.4%	7.0%	5.0%	6.7%
Kent	12.6%	5.4%	5.6%	1.6%	1.4%	6.7%	5.1%	6.5%
Montgomery	2.6%	1.5%	9.2%	2.6%	0.0%	7.5%	5.3%	7.0%
Prince George's	-9.9%	2.7%	13.9%	4.3%	0.3%	11.2%	5.1%	10.7%
Queen Anne's	10.6%	5.4%	3.7%	-5.6%	1.4%	4.8%	5.1%	4.8%
St. Mary's	10.0%	8.0%	9.5%	3.5%	1.4%	9.3%	5.1%	8.9%
Somerset	-4.0%	8.3%	10.3%	2.4%	1.4%	5.6%	5.1%	5.6%
Talbot	11.3%	5.4%	9.6%	0.0%	1.4%	9.3%	5.1%	8.7%
Washington	4.1%	6.6%	11.5%	-1.9%	1.4%	10.0%	5.1%	9.6%
Wicomico	-2.1%	8.3%	15.0%	-1.8%	1.4%	12.0%	5.1%	11.5%
Worcester	11.5%	8.3%	12.0%	0.2%	1.4%	11.2%	5.1%	10.3%
Unallocated	-6.7%	67.9%	24.0%	1.7%	n.a.	13.1%	0.4%	13.1%
TOTAL	-2.8%	5.2%	10.6%	1.7%	0.7%	7.9%	5.1%	7.7%

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid. The fiscal 2005 amount does not include the \$81 million in unclaimed local income tax revenues.