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# **Quick Look at the Fiscal 2009 Budget**

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

**January 2008**

# Quick Look at the Fiscal 2009 Budget

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## Financial Aspects

- Appropriations for all purposes total \$31.6 billion, of which \$15.3 billion are general funds.
- General fund appropriations levels are reduced from baseline forecasted amounts as directed under Chapter 2 of the special session.
- Ongoing spending growth conforms to the limit recommended by the legislature's Spending Affordability Committee based on preliminary review.
- At the end of fiscal 2009, the general fund balance will stand at \$176 million, and an additional \$739 million in reserves will reside in the "Rainy Day" fund.
- A Budget Reconciliation and Financing Act is required to realize \$41 million in budget savings and \$25 million in general fund (mostly one-time) revenue.
- Fiscal 2008 general fund deficiency appropriations total \$60 million, about half of which goes to the Department of Juvenile Services.
- State positions increase by a net of 398 – 158 are in the Judiciary and 117 are for public higher education. This calculation is net of the 500 position abolished under Chapter 2.

## Funding in the Budget

- Education aid totals over \$5.3 billion and increases by \$182 million, including \$76 million for the Geographic Cost of Education Index.
- Community colleges receive \$271 million, an increase of \$29 million or 12%.
- Public school construction is funded at \$333 million, and community colleges are allocated \$81 million in construction funds.
- Public four-year higher education institutions receive a total of \$4.4 billion and general funds of nearly \$1.2 billion. General funds combined with funds from the new Higher Education Investment Fund cause State support to increase 9.1%.
- Tuition is proposed to be frozen for the third consecutive year at the University of Maryland institutions and Morgan State University at a cost of roughly \$16 million.
- State employees are to receive regular merit increases, a 2% general salary increase, and a one pay period "holiday" from health premium deductions.
- A total of \$210 million is allocated to address the State's accumulated liability for retiree health benefits. The fiscal 2007 and 2008 budgets each provided \$100 million for this liability.
- Over \$124 million, largely from special and federal funds, is devoted to improving health care access through the recently enacted Medicaid eligibility expansion and small business health benefits subsidies. An additional \$16 million is allocated to expand oral health services, and \$20 million is allowed for additional placements for the developmentally disabled.
- At least \$16 million goes to improve supervision of adult and juvenile offenders to improve case management, DNA laboratories, and public safety communications systems. Another \$13.5 million will open two new housing units at the North Branch Correctional Institution.

**Comparison of Fiscal 2009 Allowance to Baseline Estimates  
General Funds  
(\$ in Millions)**

	<u>FY 2009</u>
Savings from DLS October Baseline – Special Session Target (HB 1)	-\$550
Additional Expenditures – Special Session Legislation*	<u>45</u>
Net Change from Baseline – Special Session Actions	-505
DLS Baseline Expenditure Estimates – October 2007	15,727
Governor's Allowance – January 2008**	<u>15,218</u>
Difference from Baseline Estimates	-509

\*Primarily reflects the cost of expanding access to health care (\$39 million).

\*\*Allowance less \$40.8 million in reductions contingent on the enactment of legislation and \$37 million in anticipated reversions.

The 2007 special session actions were estimated to reduce the Department of Legislative Services' baseline budget forecast by \$505 million. The Governor's proposed general fund budget for fiscal 2009 is \$509 million less than the DLS baseline forecast and, therefore, is consistent with the 2007 special session actions and the forecast considered by the Spending Affordability Committee in December 2007.

## General Fund: Recent History and Outlook

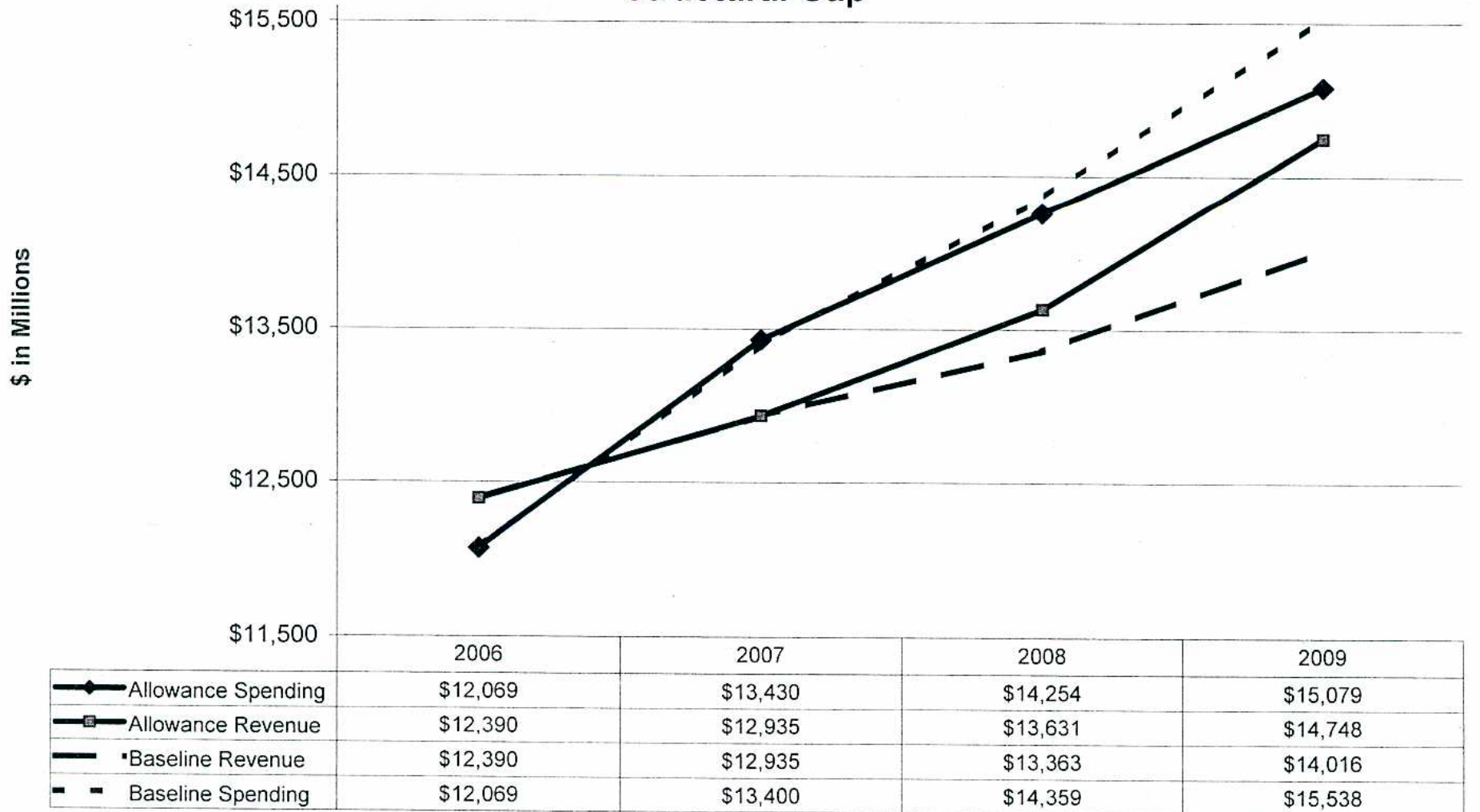
Fiscal 2007-2009

(\$ in Millions)

	Budget	Allowance	
	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Funds Available</b>			
Ongoing Revenues	\$12,935	\$13,631	\$14,748
Balances and Transfers	1,395	1,283	646
One-time Generally Accepted Accounting Principles Transfer	154	0	0
Short-term Revenues	6	0	0
<b>Subtotal Funds Available</b>	<b>\$14,489</b>	<b>\$14,913</b>	<b>\$15,394</b>
<b>Appropriations, Deficiencies, and Cost Containmentment</b>			
Net Ongoing Operating Costs and Deficiencies	\$13,430	\$14,254	\$15,079
One-time Contingent Reductions	0	0	-30
PAYGO Capital	136	27	23
Appropriations to Reserve Fund	638	163	147
<b>Subtotal Spending</b>	<b>\$14,204</b>	<b>\$14,444</b>	<b>\$15,218</b>
<b>Cash Balance/Shortfall</b>	<b>\$285</b>	<b>\$469</b>	<b>\$176</b>
<b>Structural</b>			
<b>Balance</b> (Ongoing Revenues Less Operating Costs)	<b>-\$495</b>	<b>-\$624</b>	<b>-\$331</b>
<b>Ratio</b> (Ongoing Revenues/Operating Costs)	<b>96%</b>	<b>96%</b>	<b>98%</b>
<b>Reserve Fund Activity</b>			
Appropriations to Rainy Day Fund	\$593	\$163	\$147
Transfers to General Fund	0	-978	-125
<b>Estimated Rainy Day Fund Balance – June 30</b>	<b>\$1,432</b>	<b>\$682</b>	<b>\$739</b>
<b>Total Cash (Rainy Day, General Fund Balance)</b>	<b>\$1,717</b>	<b>\$1,151</b>	<b>\$915</b>

PAYGO: pay-as-you-go

## Action at the 2007 Special Session Has Narrowed the General Fund Structural Gap



Fiscal Years

◆ Allowance Spending    ■ Allowance Revenue    ● Baseline Revenue    ▣ Baseline Spending

**State Expenditures -- General Funds**  
(\$ in Millions)

<u>Category</u>	<u>Actual</u>	<u>Work. Appr.</u>	<u>Allowance</u>	<u>FY 2008 to FY 2009</u>	
	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$0.0	\$29.3	\$0.0	-\$29.3	-100.0%
<b>Aid to Local Governments</b>					
County/Municipal	228.2	242.6	215.6	-27.0	-11.1%
Community Colleges	205.9	241.7	270.8	29.1	12.0%
Education/Libraries	4,530.9	5,224.0	5,419.0	195.1	3.7%
Health	63.7	67.0	68.8	1.8	2.6%
	<u>5,028.6</u>	<u>5,775.2</u>	<u>5,974.2</u>	<u>198.9</u>	<u>3.4%</u>
<b>Entitlements</b>					
Foster Care Payments	248.8	246.3	239.6	-6.7	-2.7%
Assistance Payments	43.1	35.5	35.5	0.0	0.0%
Medical Assistance	2,203.5	2,205.0	2,409.6	204.5	9.3%
Property Tax Credits	56.2	61.0	64.9	3.9	6.3%
	<u>2,551.6</u>	<u>2,547.9</u>	<u>2,749.6</u>	<u>201.7</u>	<u>7.9%</u>
<b>State Agencies</b>					
Health	1,320.8	1,368.7	1,412.0	43.3	3.2%
Human Resources	278.0	291.2	320.2	28.9	9.9%
Systems Reform Initiative	32.2	44.7	49.2	4.5	10.1%
Juvenile Services	238.5	259.8	258.2	-1.6	-0.6%
Public Safety/Police	1,212.7	1,214.3	1,265.6	51.3	4.2%
Higher Education	1,047.5	1,129.4	1,181.6	52.2	4.6%
Other Education	401.3	387.4	419.6	32.2	8.3%
Agric./Natl Res./Environment	139.9	149.1	135.8	-13.2	-8.9%
Other Executive Agencies	604.4	563.3	673.8	110.5	19.6%
Legislative	68.2	72.3	73.5	1.2	1.7%
Judiciary	325.5	347.1	375.1	28.0	8.1%
OPEB	100.0	100.0	131.5	31.5	31.5%
	<u>5,768.9</u>	<u>5,927.1</u>	<u>6,295.9</u>	<u>368.8</u>	<u>6.2%</u>
Contingent Reductions	0.0	0.0	-40.8	-40.8	n/a
<b>Subtotal</b>	<b>\$13,349.1</b>	<b>\$14,279.6</b>	<b>\$14,978.8</b>	<b>\$699.3</b>	<b>4.9%</b>
Capital/Heritage Reserve Fund	163.9	41.9	37.9	-4.0	-9.5%
Transfer to MDTA	53.0	0.0	85.0	85.0	n/a
Reserve Funds <sup>(1)</sup>	638.4	162.8	146.5	-16.3	-10.0%
<b>Appropriations</b>	<b>\$14,204.4</b>	<b>\$14,484.3</b>	<b>\$15,248.3</b>	<b>\$764.0</b>	<b>5.3%</b>
Reversions	0.0	-39.8	-30.0	9.8	-24.6%
<b>Grand Total</b>	<b>\$14,204.4</b>	<b>\$14,444.5</b>	<b>\$15,218.3</b>	<b>\$773.8</b>	<b>5.4%</b>

Note: Fiscal 2008 includes \$60.4 million in deficiencies and \$48.3 million in targeted reversions. Fiscal 2009 includes \$7.3 million in targeted reversions and \$40.8 million in contingent reductions.

<sup>(1)</sup> Excludes \$53 million in fiscal 2007 and \$85 million in fiscal 2009 appropriated to the Dedicated Purpose Account that is to be transferred to the Maryland Transportation Authority. These monies are included in the transfer to MDTA line. Also excludes \$100 million each in fiscal 2007 and 2008 for OPEB costs which are included under the state agencies.

## State Aid by Governmental Entity and Program

### State Funds (\$ in Millions)

	<u>FY 2008</u>	<u>FY 2009</u>	<u>Difference</u>	<u>Percent Difference</u>
<b>Public Schools</b>				
Foundation Program	\$2,782.7	\$2,791.2	\$8.5	0.3%
Compensatory Aid	902.1	917.2	15.1	1.7%
Student Transportation	219.0	225.1	6.1	2.8%
Special Education – Formula	280.0	273.3	-6.8	-2.4%
Special Education – Nonpublic	125.2	127.6	2.4	2.0%
Limited English Proficiency	126.2	144.0	17.9	14.2%
Guaranteed Tax Base	78.9	90.0	11.1	14.1%
Geographic Cost Index	0.0	75.8	75.8	
Other Education Programs	87.5	83.9	-3.6	-4.1%
<b>Subtotal Direct Aid</b>	<b>\$4,601.6</b>	<b>\$4,728.1</b>	<b>\$126.5</b>	<b>2.7%</b>
Retirement Payments	566.4	621.8	55.3	9.8%
<b>Total Public School Aid</b>	<b>\$5,168.1</b>	<b>\$5,349.9</b>	<b>\$181.8</b>	<b>3.5%</b>
<b>Libraries</b>				
Library Aid Formula	\$33.9	\$37.0	\$3.1	9.1%
State Library Network	16.3	17.3	1.0	6.1%
<b>Subtotal Direct Aid</b>	<b>\$50.2</b>	<b>\$54.3</b>	<b>\$4.1</b>	<b>8.1%</b>
Retirement Payments	11.5	12.9	1.4	12.5%
<b>Total Library Aid</b>	<b>\$61.6</b>	<b>\$67.2</b>	<b>\$5.5</b>	<b>8.9%</b>
<b>Community Colleges</b>				
Community College Formula	\$194.5	\$218.7	\$24.3	12.5%
Other Programs	24.9	27.9	3.0	11.8%
<b>Subtotal Direct Aid</b>	<b>\$219.4</b>	<b>\$246.6</b>	<b>\$27.2</b>	<b>12.4%</b>
Retirement Payments	22.3	24.2	1.9	8.4%
<b>Total Community College Aid</b>	<b>\$241.7</b>	<b>\$270.8</b>	<b>\$29.1</b>	<b>12.0%</b>
<b>Local Health Grants</b>	<b>\$67.0</b>	<b>\$68.8</b>	<b>\$1.8</b>	<b>2.6%</b>
<b>County/Municipal Aid</b>				
Transportation	\$573.9	\$555.8	-\$18.1	-3.2%
Public Safety	108.5	109.3	0.8	0.7%
Program Open Space/Critical Areas	97.8	20.7	-77.1	-78.8%
Disparity Grant	114.8	115.5	0.7	0.6%
Utility Restructuring Grant	29.6	0.0	-29.6	-100.0%
Other Grants	15.7	16.6	0.9	5.5%
<b>Subtotal Direct Aid</b>	<b>\$940.3</b>	<b>\$817.9</b>	<b>-\$122.4</b>	<b>-13.0%</b>
Retirement Payments	2.2	2.2	0.0	0.3%
<b>Total County/Municipal Aid</b>	<b>\$942.5</b>	<b>\$820.1</b>	<b>-\$122.4</b>	<b>-13.0%</b>
<b>Total State Aid</b>	<b>\$6,480.9</b>	<b>\$6,576.7</b>	<b>\$95.8</b>	<b>1.5%</b>

**State Aid to Local Governments - Comparison by Per Capita Aid and Annual Growth  
Fiscal 2008 and 2009**

County	Fiscal 2008 Appropriation	Fiscal 2009 Allowance	Difference	Percent Difference	Per Capita State Aid		Annual Growth in State Aid	
Allegany	\$114,915,833	\$118,840,763	\$3,924,930	3.4%	1. Baltimore City	\$1,971	1. Somerset	8.1%
Anne Arundel	410,657,413	417,001,490	6,344,077	1.5%	2. Caroline	1,770	2. Wicomico	5.3%
Baltimore City	1,244,405,240	1,244,221,072	-184,168	0.0%	3. Allegany	1,632	3. Howard	5.1%
Baltimore	700,009,650	709,045,271	9,035,621	1.3%	4. Wicomico	1,527	4. St. Mary's	5.0%
Calvert	113,375,235	110,455,622	-2,919,613	-2.6%	5. Somerset	1,516	5. Frederick	3.6%
Caroline	56,166,123	57,747,622	1,581,499	2.8%	6. Garrett	1,422	6. Allegany	3.4%
Carroll	188,369,898	191,780,033	3,410,135	1.8%	7. Dorchester	1,418	7. Washington	3.1%
Cecil	125,436,466	127,466,689	2,030,223	1.6%	8. Charles	1,367	8. Caroline	2.8%
Charles	187,932,393	191,957,797	4,025,404	2.1%	9. Prince George's	1,355	9. Queen Anne's	2.4%
Dorchester	44,322,743	44,866,115	543,372	1.2%	10. Cecil	1,281	10. Charles	2.1%
Frederick	259,206,107	268,666,299	9,460,192	3.6%	11. Washington	1,263	11. Carroll	1.8%
Garrett	42,248,291	42,470,579	222,288	0.5%	12. Calvert	1,244	12. Montgomery	1.7%
Harford	273,137,033	276,228,140	3,091,107	1.1%	13. St. Mary's	1,214	13. Cecil	1.6%
Howard	266,394,268	279,887,044	13,492,776	5.1%	14. Frederick	1,205	14. Anne Arundel	1.5%
Kent	17,032,970	17,039,603	6,633	0.0%	15. Harford	1,144	15. Baltimore	1.3%
Montgomery	648,788,378	659,665,597	10,877,219	1.7%	16. Carroll	1,126	16. Dorchester	1.2%
Prince George's	1,128,465,078	1,140,161,312	11,696,234	1.0%	17. Howard	1,027	17. Harford	1.1%
Queen Anne's	44,020,951	45,063,676	1,042,725	2.4%	18. Queen Anne's	975	18. Prince George's	1.0%
St. Mary's	114,265,121	119,991,177	5,726,056	5.0%	19. Baltimore	901	19. Garrett	0.5%
Somerset	36,139,077	39,070,456	2,931,379	8.1%	20. Kent	853	20. Kent	0.0%
Talbot	21,416,817	21,365,981	-50,836	-0.2%	21. Anne Arundel	819	21. Baltimore City	0.0%
Washington	176,093,437	181,555,576	5,462,139	3.1%	22. Montgomery	708	22. Talbot	-0.2%
Wicomico	133,408,815	140,477,718	7,068,903	5.3%	23. Worcester	702	23. Worcester	-0.8%
Worcester	34,565,454	34,292,027	-273,427	-0.8%	24. Talbot	592	24. Calvert	-2.6%
Unallocated	100,146,528	97,392,592	-2,753,936	-2.7%				
<b>Total</b>	<b>\$6,480,919,319</b>	<b>\$6,576,710,251</b>	<b>\$95,790,932</b>	<b>1.5%</b>	<b>Statewide Average</b>	<b>\$1,171</b>		

Source: Department of Legislative Services