
Quick Look at the Fiscal 2011 Budget

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Quick Look at the Fiscal 2011 Budget

Overview

- The proposed fiscal 2011 budget totals \$32 billion. This amount is about \$300 million less than fiscal 2010. A \$460 million decrease in federally funded spending offsets an increase in spending from State funds.
- Proposed general fund appropriations are \$13.2 billion. This amount is \$265 million or 2.0% less than fiscal 2010. Adjusting for reserve fund transfers, the decrease is \$166 million.
- Spending from State general and special funds is \$19.2 billion, an increase of \$55 million over fiscal 2010. Excluding reserve fund transfers, the increase is \$155 million or 0.8%.
- The budget observes the spending affordability guidelines. Appropriations decline meeting the 0.0% limit. A net reduction of 140 positions meets the recommendation to freeze total positions.

Major Items

- Medicaid funding totals \$6.1 billion, an increase of 3.4%. Assuming the enhanced federal match through the American Recovery and Reinvestment Act (ARRA) continues an additional six months, the overall federal share of Medicaid spending will be 63%.
- Education aid in fiscal 2011 totals \$5.7 billion – an increase of 3.5%. With the exception of a \$4.3 million scaling back of the increase in school bus transportation grants, the budget fully funds the major aid programs. This funding relies on \$422 million from the ARRA which is not expected to continue in fiscal 2012.
- Public four-year higher education institutions receive \$1.1 billion in State funds, an amount essentially level with fiscal 2010. Tuition increases will be held to 3% after four years of an in-state undergraduate tuition freeze.
- In the proposed capital program, there is \$250 million for school construction, \$260 million for higher education projects, \$81 million for community colleges, and \$250 million for Chesapeake Bay restoration. There is \$15 million reserved for legislative initiatives.

- Land preservation programs are fully funded, although bond funding has been substituted for transfer tax revenues. The 2010 Chesapeake Bay Trust Fund receives \$20 million – less than the statutory requirement but more than in either fiscal 2009 or 2010.
- There is \$20 million allocated for a Job Creation and Recovery Tax Credit to provide incentives to business to hire unemployed Marylanders.

Financial Aspects – Operating Budget

- The fiscal 2011 current services general fund forecast considered by the Spending Affordability Committee showed a \$2 billion gap. In addition, it was estimated that fiscal 2010 deficiencies exceeded \$200 million. The Governor’s fiscal 2011 budget proposal funds the fiscal 2010 deficiencies, eliminates the \$2 billion gap, and leaves a \$274 million fund balance. No tax increases are proposed, and the Rainy Day Fund remains at 5% of revenues. The plan relies primarily on the following:
 - *Spending Constraint* – \$965 million is reduced from baseline spending primarily by carrying forward many fiscal 2010 cost containment actions such as reductions in aid to local governments, the elimination of State employee increments, no cost-of-living adjustments for employees and community health care providers, level funding higher education, delaying major information technology projects, and employee furloughs.
 - *Fund Substitutions* – Replacing general funds with special or federal funds and replacing special funds with bond funds with subsequent transfer to the general fund. General fund reductions or special fund transfers resulting from these actions total about \$1.3 billion, with the largest being federal funds for Medicaid (\$389 million), local income tax revenue fund balance for education (\$350 million), and bonding special funded capital projects (\$442 million). The Administration proposes to repay the local income tax fund over seven years and fund the capital projects with bonds over three years.
- Across the two fiscal years, over \$1.8 billion of the actions to balance the budgets are contingent on legislation, primarily the Budget Reconciliation and Financing Act of 2010.
- The budget assumes \$389 million in additional federal monies from a six-month extension of the enhanced Medicaid match under the ARRA. With this assumption, reliance on federal stimulus funds to replace general funds grows from \$1.1 billion in fiscal 2010 to almost \$1.3 billion in fiscal 2011.

- Proposed general fund expenditures for fiscal 2011 exceed current revenues by over \$500 million, offset by special fund transfers. With the assumed unavailability of \$1.3 billion of federal stimulus funds in future years, the Administration's forecast shows a funding gap of \$1.5 billion in fiscal 2012 growing to over \$2 billion in fiscal 2013.

Financial Aspects – Capital Budget

- The State's capital improvement program totals \$3.2 billion. This includes \$1.1 billion in general obligation bonds, \$177 million in revenue bonds, \$1.6 billion for transportation, and \$265 million in pay-as-you-go funds in the operating budget.
- General obligation bonds (\$291 million) are utilized to replace current and prior years' special funds for programs and projects enabling the special funds to be transferred to the general fund. These are primarily projects funded from the State transfer tax and the bay restoration fee.

Overview
2010 Session Budget Plan
(\$ in Millions)

Budget Problem

FY 2010 Deficiencies	\$209	
FY 2011 Baseline Gap	<u>1,997</u>	
		\$2,206

Constraining Budget Growth

Aid to Local Governments	271	
Entitlements	158	
State Agencies	<u>536</u>	
		965

Found Money/Fund Swaps

Capital Cash	442	
Enhanced Medicaid Match	389	
Borrow Local Income Tax	350	
Revised VLT Revenues	73	
Other	<u>69</u>	
		1,323

Net Other Actions 192

Total Solutions 2,480

Ending Fund Balance \$274