



State Fiscal Outlook

Presented to the
Commission to Develop the Maryland Model for
Funding Higher Education
By

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Overview

- Fiscal 2007 projected closing balance of \$195 million.
 - Fiscal 2007 revenues may fall \$25 to \$50 million short of estimates.
 - Decline in sales tax revenue versus the same month in the prior year in two of the last three months is cause for concern.
- Fiscal 2008 projected surplus of \$67 million.
 - Proposed Board of Public Works actions will increase balance and offset potential revenue shortfall.
- The current financial situation is NOT sustainable.
 - A \$1.4 billion imbalance exists between ongoing revenue and projected current services spending in fiscal 2009.

Toward Sustainable Funding

- Restrain Spending
 - Governor will propose targeted reductions to fiscal 2007 and 2008 budgets.
 - Reductions will mitigate any revenue write-downs and serve as a first step toward resolving the fiscal 2009 shortfall.
- Responsible Fiscal Management
 - StateStat
- Revenue Enhancement Options

Restrain Spending

- The Governor has directed State agencies to identify \$200 million of savings.
 - All large agencies expected to participate.
- Achieve savings through prudent management of resources during fiscal 2007 closeout and targeted reductions to fiscal 2008 appropriation.
- Proposed fiscal 2008 reductions go to the Board of Public Works on July 11, 2007.

Responsible Fiscal Management

- StateStat will identify inefficient resource allocations
 - Cabinet Secretaries and Executive Staff meet weekly with Governor to discuss operations and performance
 - Closure of Maryland House of Correction will save \$5.3 million.
 - Reduce overtime and vehicle fleet.
- Additional cost cutting will be part of the fiscal 2009 budget process.

Revenue Enhancements

- Eliminating the structural shortfall through reductions alone would require reducing the State budget by 10%.
- Resources are not currently available to address:
 - Transportation Needs
 - Health Insurance Expansion
 - Enhanced support for Higher Education
 - Liability in Retiree Health Insurance Program
- All revenue options are on the table.
 - Governor will work with General Assembly to craft solution.

Higher Education Funding

- Fiscal restraint will include higher education.
- Aid to public institutions of higher education accounts for 10% of the State's general fund budget.
- All segments of higher education received significant increases in fiscal 2008.
- All segments of higher education grew faster than general fund revenues in fiscal 2008.



DEPARTMENT OF
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General Fund Growth Rates
FY 2007 to FY 2008

