
Maryland's Structural Deficit

**Presentation to the
Commission to Develop the Maryland
Model for Funding Higher Education**

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

June 18, 2007

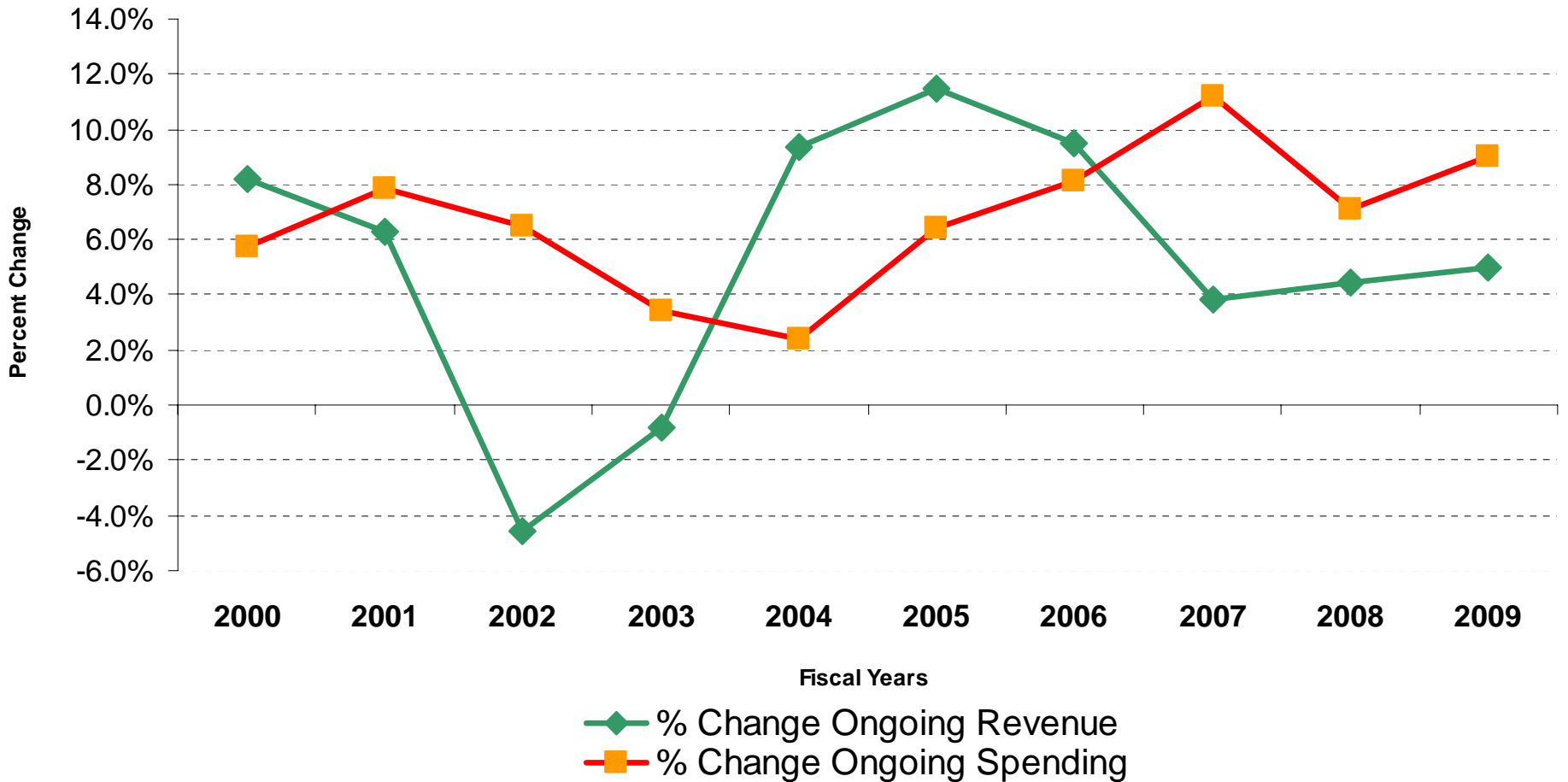
What Is a “Structural Deficit”?

- Golden Rule of Budgets
 - revenue collected in a fiscal year should cover ongoing expenditures
- Structural Deficit
 - Chronic failure to observe the Golden Rule

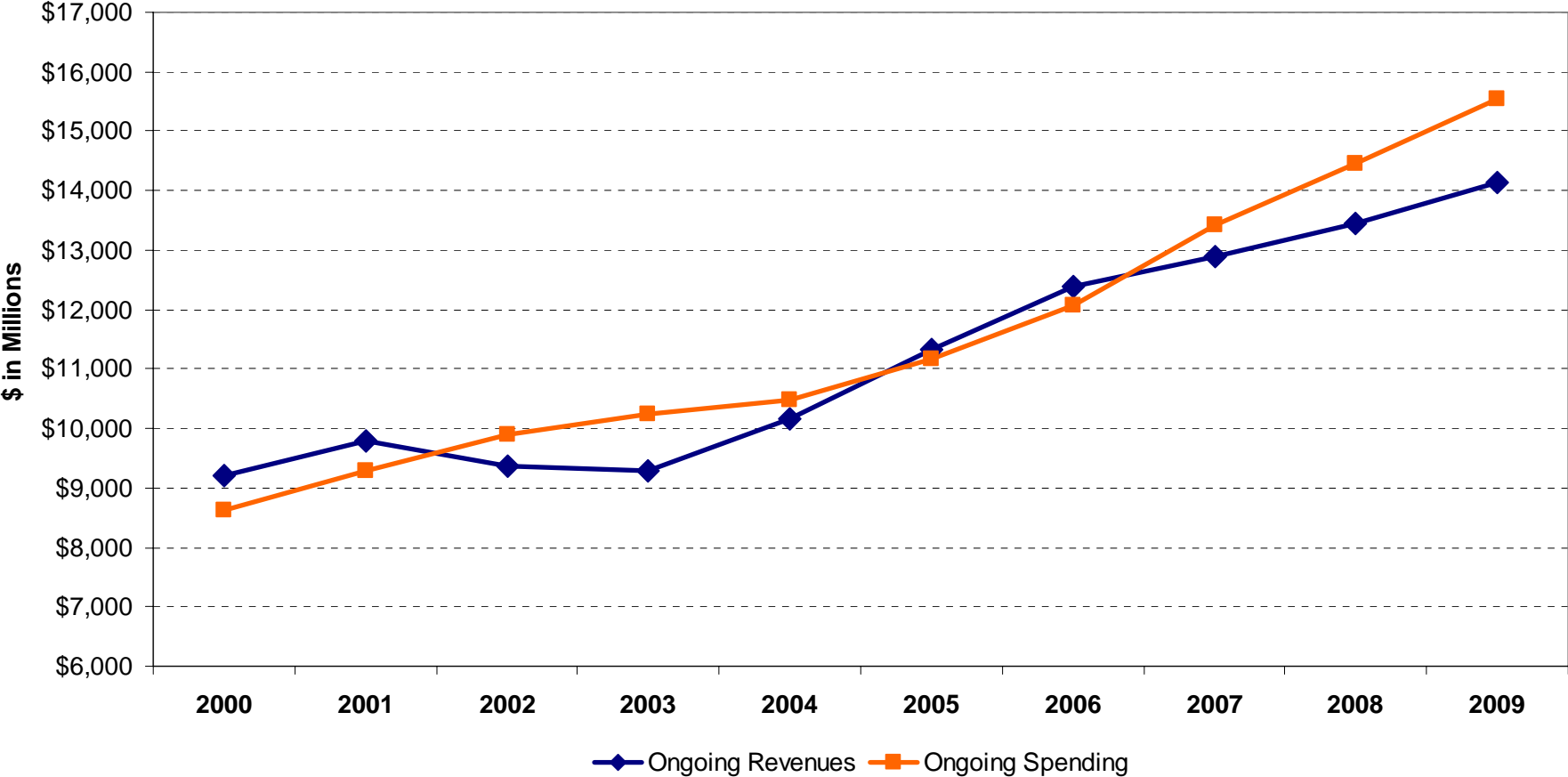
What Causes a Structural Deficit?

- Trend deficit
 - Over the long term, the cost of maintaining current services grows faster than ongoing revenues
- Policy deficit
 - Decisions to significantly reduce revenues or increase spending without offsetting adjustments to the other side of the budget
- Economic cycle may exaggerate or mitigate

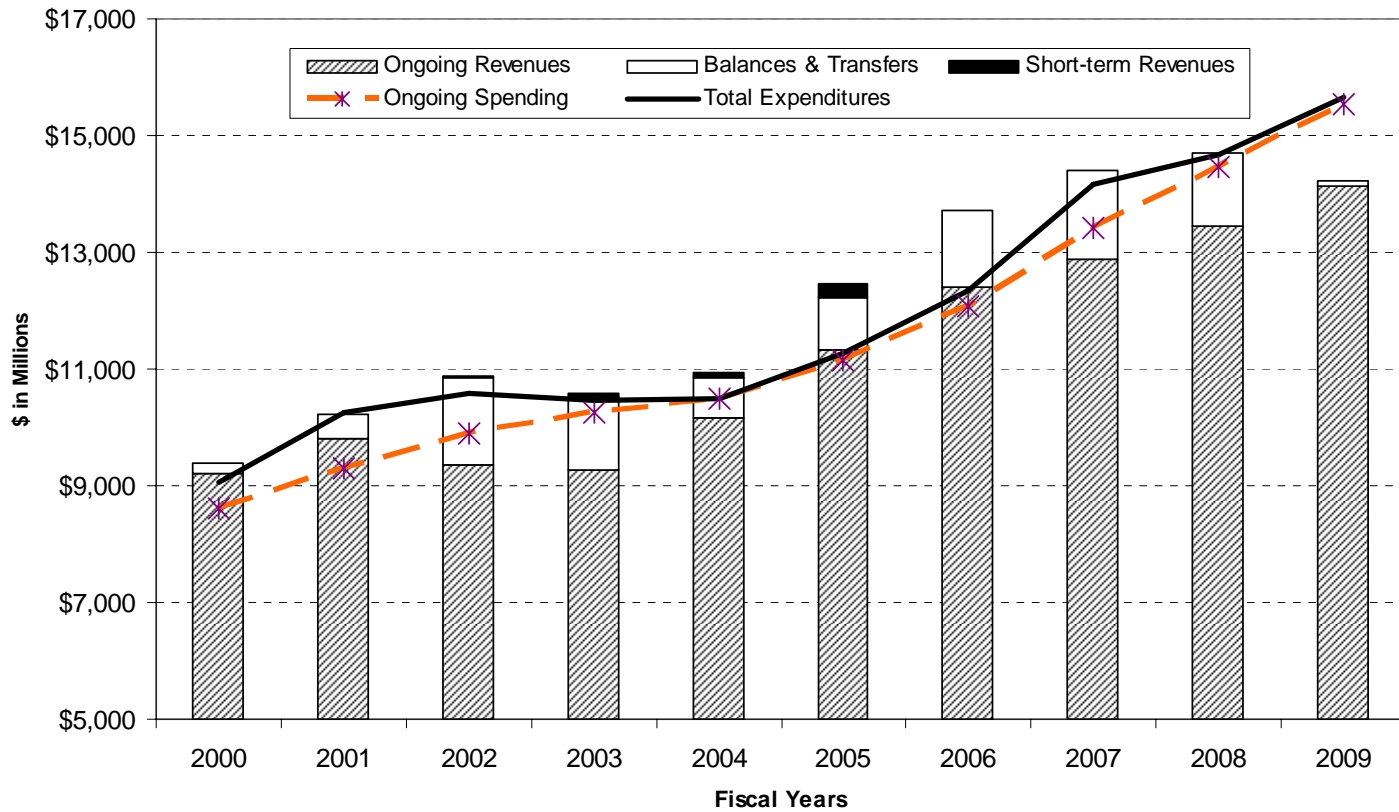
Welcome to the State Budget Roller Coaster



Roller Coaster Results



Paying for the Ride



Looking Ahead at Revenues

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues					
Individual Income	\$6,613	\$7,062	\$7,508	\$446	6.3%
Sales and Use	3,457	3,623	3,789	\$166	4.6%
Lottery	477	499	520	\$20	4.1%
Other	2,326	2,269	2,310	\$41	1.8%
Administration Adjustments	15	3	3	\$0	-6.2%
BRE Revisions	-24	-26	-27	-\$1	5.5%
One-time	154		0		
Subtotal	\$13,019	\$13,430	\$14,103	\$672	5.0%
Adjustments					
Balance	1,362	\$187	\$0		
Rainy Day Fund Transfer	0	\$978	64		
Other Adjustments					
Transfers	6	\$17	24		
Total Revenues	\$14,387	\$14,613	\$14,190	-\$423	-2.9%

Looking Ahead at Spending

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>\$ Change</u>	<u>% Change</u>
Expenditures					
Debt Service	\$0	\$29	\$57	\$28	94.2%
Local Aid – Education\Libraries	4,535	\$5,233	5,612	\$379	7.2%
Local Aid – Other	501	556	589	\$33	5.9%
Entitlements	2,532	2,631	2,836	\$205	7.8%
State Operations/Reversions	5,562	5,902	6,343	\$441	7.5%
Deficiencies	112	0	0	\$0	
Subtotal	\$13,242	\$14,351	\$15,436	\$1,086	7.6%
Capital	\$136	\$45	\$60	\$15	32.3%
Multi-year Commitments	183	183	253	\$70	38.3%
Reserve Fund	638	163	50	-\$113	-69.3%
Contingent Reductions	\$0	-\$54	\$0	\$54	-100.0%
Total Expenditures	\$14,199	\$14,687	\$15,799	\$1,112	7.6%

Impact on Cash Balances

