



*Budget Reductions
For the Board of Public Works*



Governor Martin O'Malley

August 26, 2009

Reforming Maryland's State Government

- **In July, the Governor announced that he would propose over \$700 million in budget balancing actions by Labor Day.**
 - Over \$280 million in budget actions were approved by the BPW on July 22nd. These initial actions focused on State agency budgets.
 - Another \$454 million in budget actions are proposed for BPW approval on August 26.
- **This round of cuts brings the total reductions during the O'Malley-Brown Administration to over \$4.3 billion and 3,200 positions.**
 - For the first time in at least thirty years, state spending will be less than what it was three years ago.

Tough Choices to Reform Government; Manage National Recession

- **Maryland is not alone in facing a significant budget problem brought on by the continuing national recession:**
 - California's budget gap has reached as high as 49%.
 - New York – 36%.
 - Florida - 23%.
- **Maryland has one of America's most highly skilled workforces.**
- **Maryland is one of seven states with a Triple A bond rating from all three rating agencies.**
- **Maryland's unemployment rate is 20% below the nat'l average.**
- **Key sectors of Maryland's economy like health care and information technology are actually gaining jobs.**

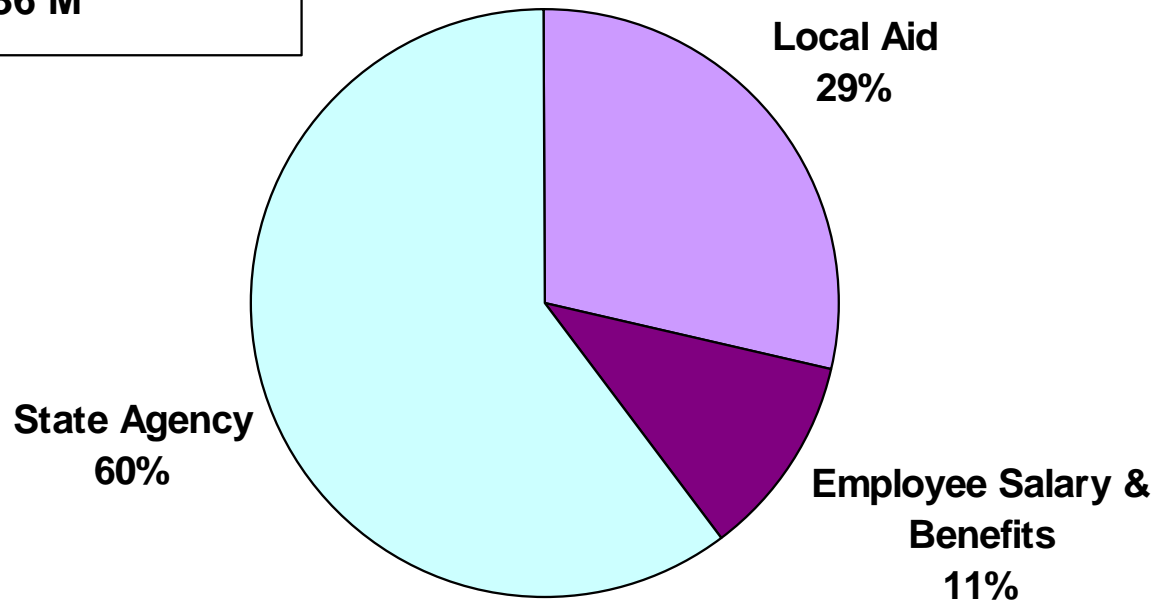
FY 2010 Reductions

- **Round One - \$282 million**
- **Round Two - \$454 million**

Total - \$736 M

Summary of General Fund Budget Reductions Fiscal Year 2010

**Combined Reductions Total
\$736 M**



FY 2010 Round Two Reductions

- **\$21 M from reductions in Medicaid payments to hospitals, managed care organizations, community & other health care providers**
- **\$36 M of higher education savings related to USM, Morgan, St. Mary's, and aid to private colleges**
- **\$12 M in reductions to Cigarette Restitution Fund programs, with savings redirected to Medicaid**
- **\$30 M in additional fund balance transfers and reversions**

A More Efficient Government

- **Achieve State employee and retiree Rx program savings by promoting utilization of low cost drugs, reducing waste, and encouraging more appropriate use of pharmaceuticals (\$8.4 M).**
- **Close units at several Health and Mental Hygiene Facilities (\$7.2 M)**
- **Consolidate Correctional Facilities (\$4.7 M)**
- **Deny Medicaid claims for unnecessary emergency room care (\$3 million) and enhance audits of out of state hospital claims (\$2.5 million).**
- **Achieve savings from agency internal reorganizations and consolidations (\$1.3 M)**

A More Efficient Maryland Government

- **Abolish 364 positions across State government.**
 - Filled = 202
 - Vacant = 162
- **\$17 million in associated savings**

Local Aid Reductions

- **Two goals:**

- Protect our investment in K - 12 education.
- Protect wealth-based aid formulas like the Disparity Grant to better protect economically disadvantaged jurisdictions.

- **Reductions total \$210.7 M**

- Local Health \$20.1 M
- Police Aid \$20.6 M
- Community Colleges \$10.5 M
- Highway User Revenues \$159.5 M

Local Aid Funding Statewide

■ **Local Aid to Counties including K-12 Education:**

- Before reductions: \$6,453,034,379
- After reductions: \$6,242,329,048
- % Change = -3%

■ **Local Aid to Counties Excluding K-12 Education:**

- Before reductions: \$892,009,791
- After reductions: \$681,304,460
- % Change = -24%

Public Suggestions

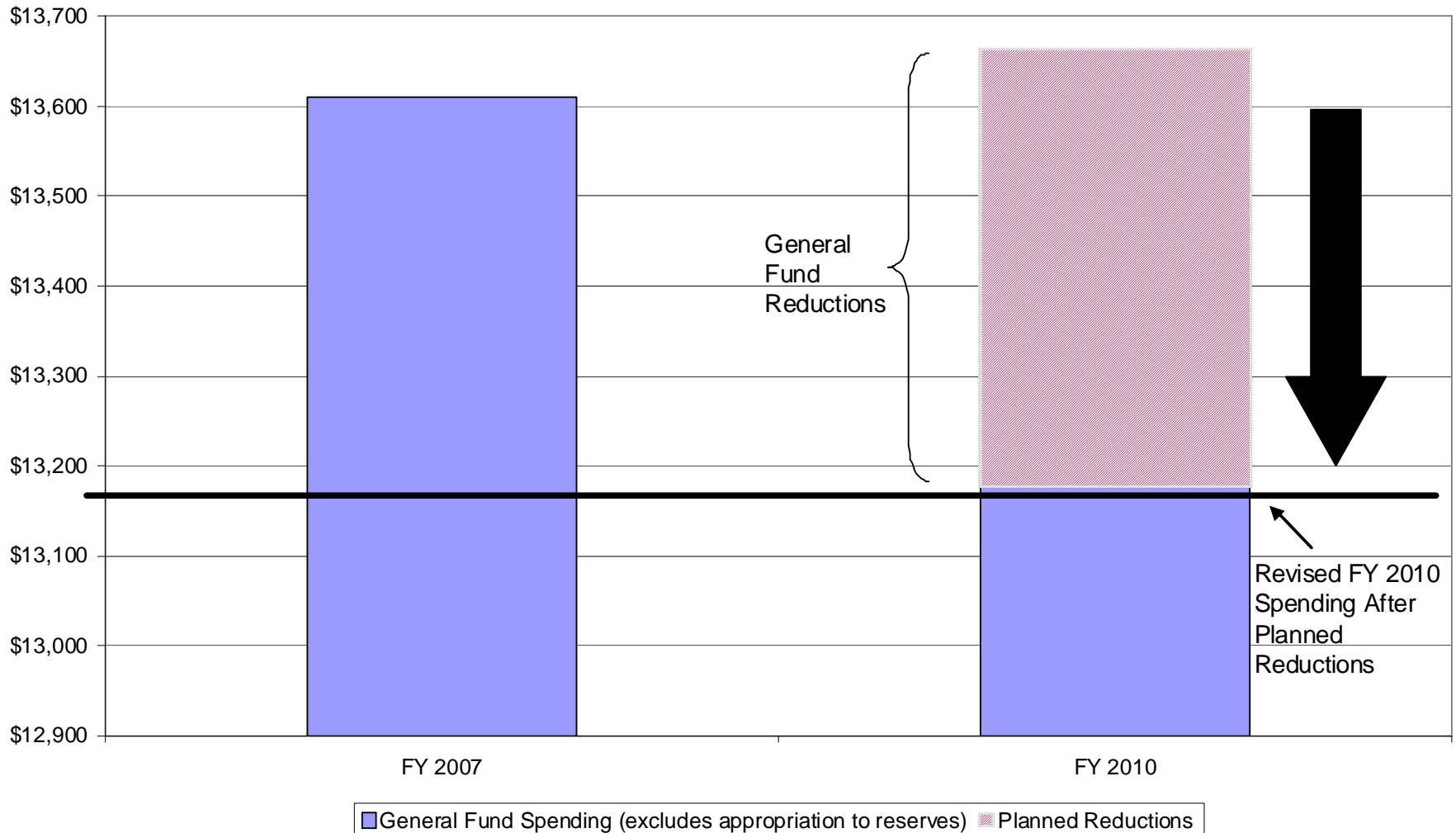
- **Thousands of suggestions received from state employees and the public.**
- **All suggestions sent to state agencies for review and response by mid-September.**
- **We agree...**
 - Closing State Government
 - Dozens of suggestions urging the closure of state buildings.
 - State government to close for 5 days.
 - Listening to State Employees on a Furlough Plan
 - Flexible, progressive furlough plan.
 - Energy Savings:
 - “EmPOWER Maryland” initiative contains several steps to help State government reduce power consumption 15% by 2015.
 - State government and buildings to close for 5 days.
 - Shuttering inefficient institutions like the House of Corrections.
 - Close units across several Department of Health and Mental Hygiene facilities.
 - Tax Amnesty
 - The State of Maryland will be holding a Tax Amnesty holiday from September 1st to October 30th this year as a result of legislation passed during the 2009 legislative session.

State Employee Actions

- **Non-24/7 employees will lose the equivalent of 3-10 days pay across the fiscal year, depending on their salary level.**
 - **Service Reduction Days:** Non-24/7 State government operations will close on 5 scheduled days, selected to maximize overhead savings and extend existing holiday weekends.
 - Employees earning < \$40,000 take 3-day temporary salary reduction and two days leave
 - Employees earning > \$40,000 take 5-day temporary salary reduction
 - Service reduction days are the business days before Labor Day, Thanksgiving Day (day after for MDOT employees), Christmas Day, New Year's Day, and Memorial Day.
 - **Furloughs:** Employees earning \$40,000 and above will take:
 - \$40,000 - \$49,999 – 3 furlough days
 - \$50,000 - \$99,999 – 4 furlough days
 - Over \$100,000 – 5 furlough days
- **24/7 employees exempt from furloughs will lose the equivalent of 3-5 days pay, depending on their salary level.**
 - Less than \$40,000 - temporary salary reductions equivalent to 3 days pay
 - \$ 40,000 and above - temporary salary reductions equivalent to 5 days pay

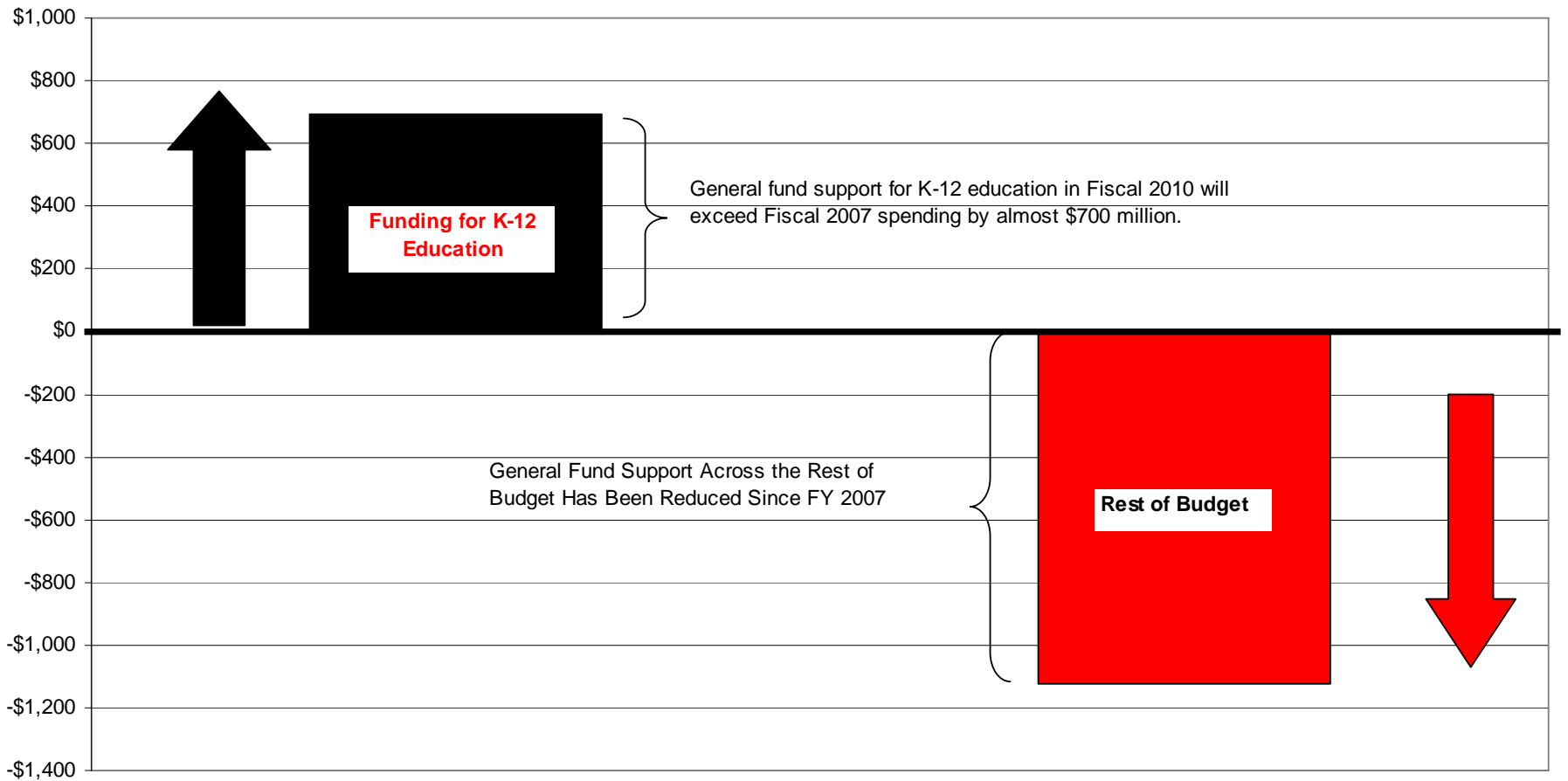
General Fund Spending has Declined since Beginning of O'Malley-Brown Administration

\$ in Millions



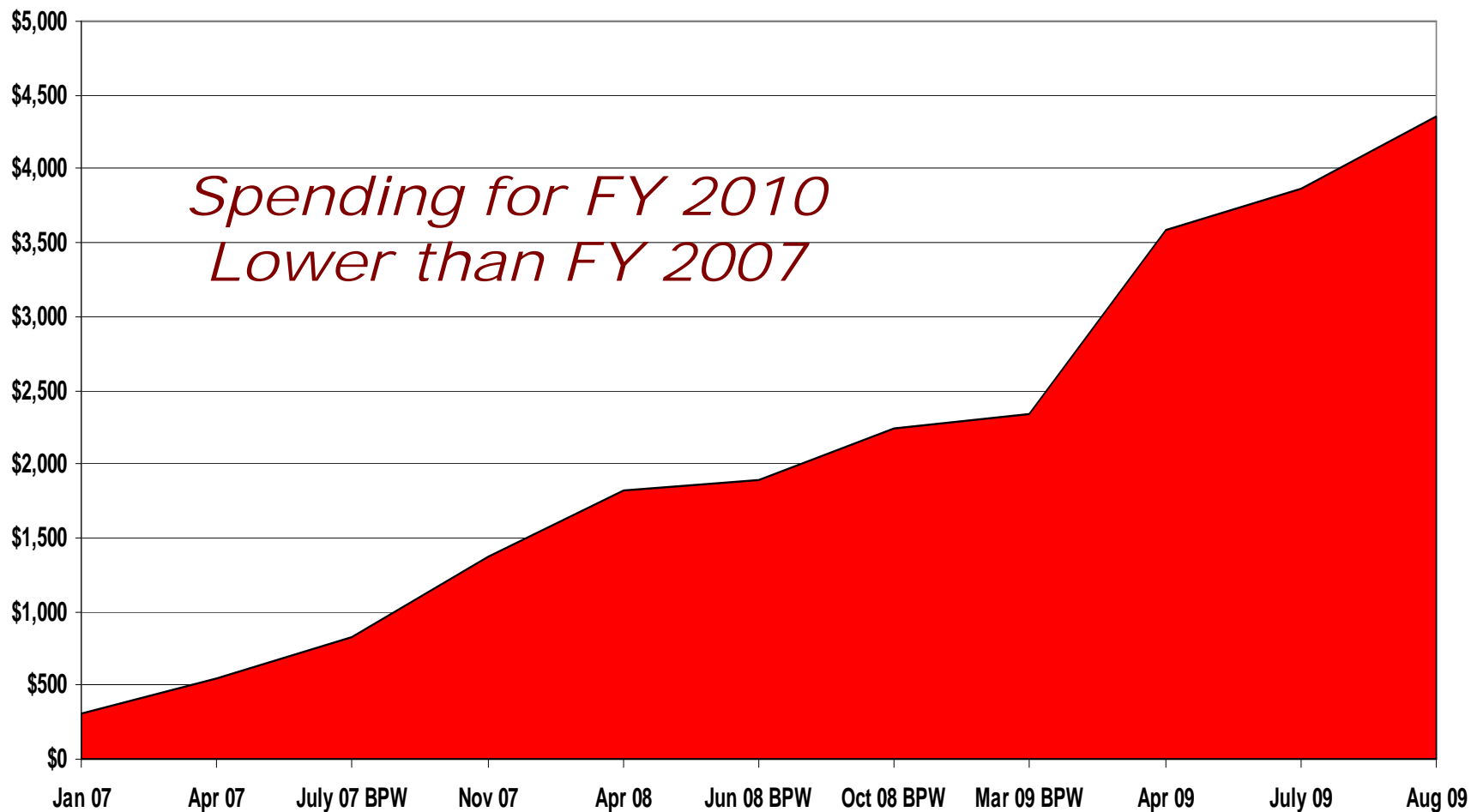
O'Malley-Brown 's Top Priority: Support for Maryland's #1 Ranked Public Schools

\$ in Millions



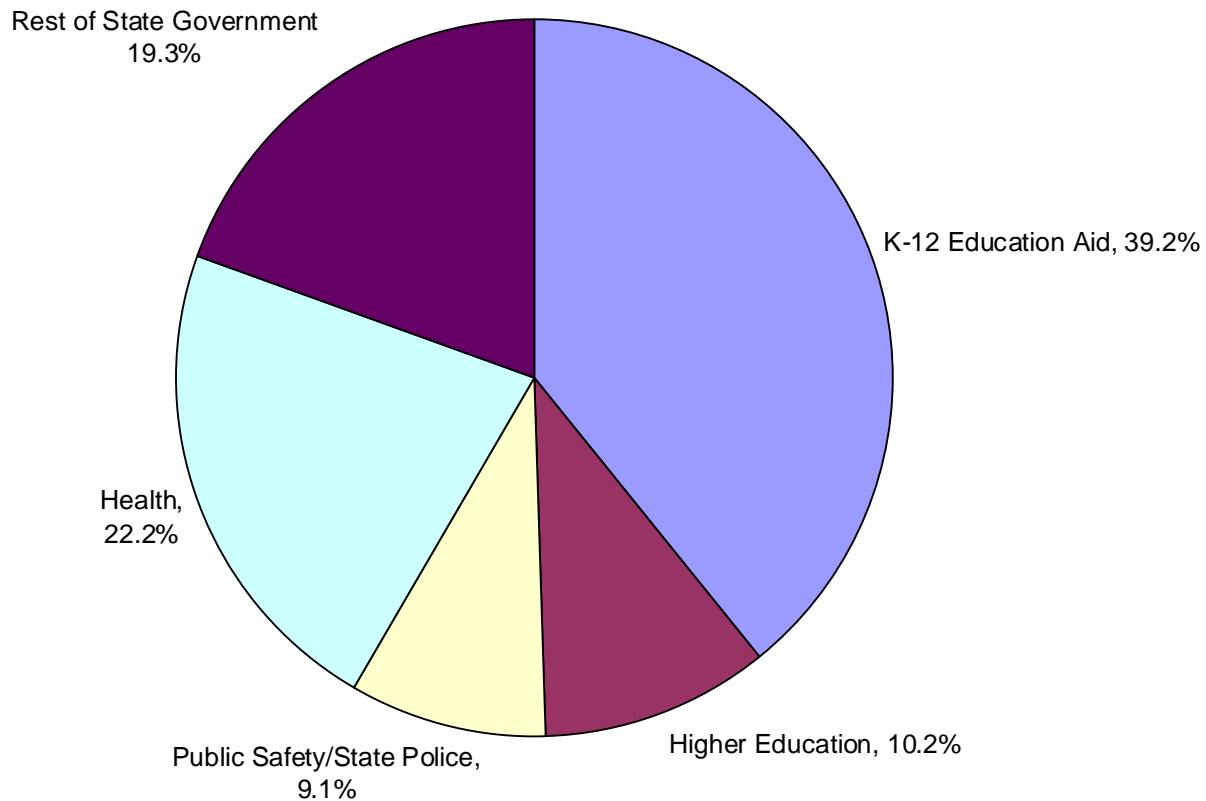
Cumulative Budget Reductions During the O'Malley-Brown Administration

\$ in Millions



81% of General Fund Spending Supports Education, Health, and Public Safety

FY2010 - \$ in Millions



Looking Ahead

- **Close to \$740 million in total actions taken this summer address declines in revenues and allow the FY 2010 budget to remain in balance.**
- **Nevertheless, we are projecting a budget shortfall in FY 2011 in excess of \$1 billion.**
- **While many of the actions taken to date will carry forward and achieve savings in FY 2011, we will be reviewing agency budgets, programs, services, and staffing levels in greater depth as we move forward with the FY 2011 budget process.**
- **We will also continue to review citizen suggestions on reducing State spending and will seek to integrate them into our budget solution, as appropriate.**