

MARYLAND

FISCAL 2011 BUDGET

Department of Budget
& Management



Martin O'Malley, Governor

Anthony G. Brown, Lt. Governor

T. Eloise Foster, Secretary

May 2010

Restoring Fiscal Responsibility in Maryland

- Maryland is 1 of only 8 states with a AAA bond rating certified by all three bond rating agencies.
- In reaffirming Maryland's AAA status in February 2010, rating agencies observed:
 - “ ... the state has pro-actively responded to recent structural budget imbalance.” (Standard and Poor's)
 - “The State has taken prompt and repeated action to preserve operating balance ...” (Fitch)

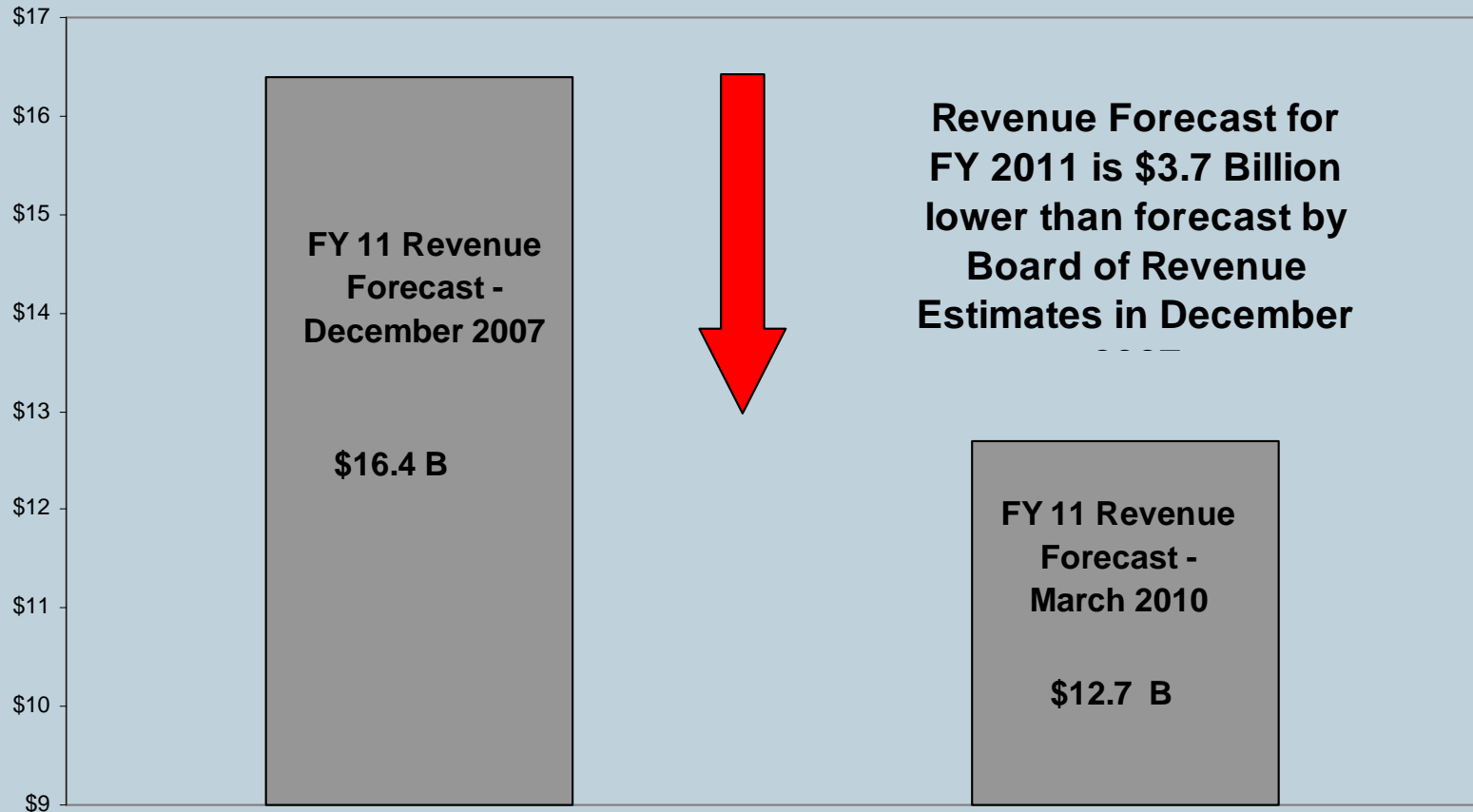
Impact of National Recession

- During the first three years of the O'Malley-Brown Administration, the State adopted \$4.6 billion of spending reductions and abolished more than 3,300 positions.
- The enacted FY 2011 budget brings total reductions \$5.6 billion with more than 4,200 State positions abolished.
- Revenue declines and service demand increases due to the national recession are the reason for Maryland's fiscal challenges.

Budget Challenges Caused by Revenue Decline

Anticipated FY 11 GF Revenues Are 29% Lower than Forecast in December 2007

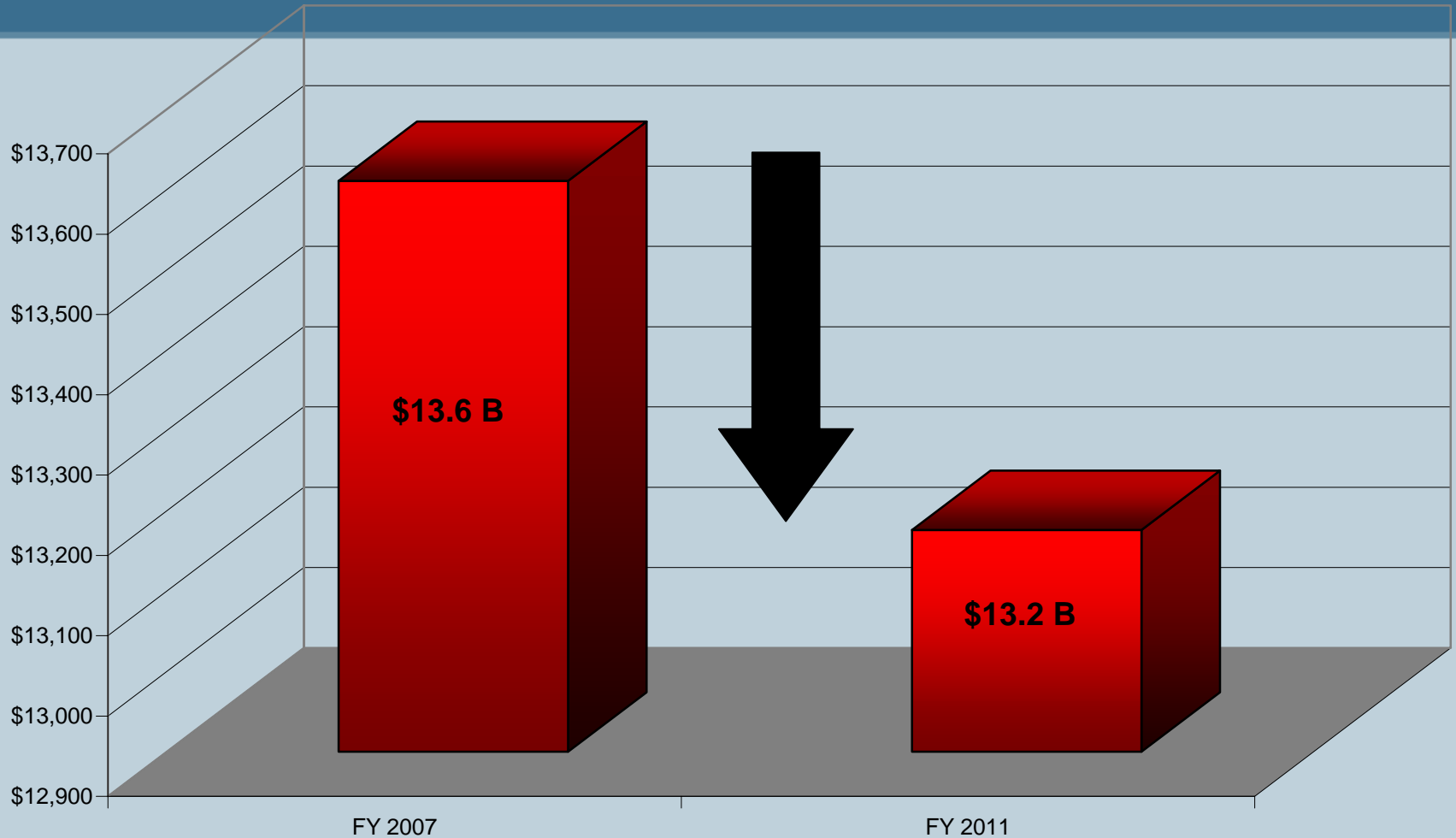
\$ in Billions



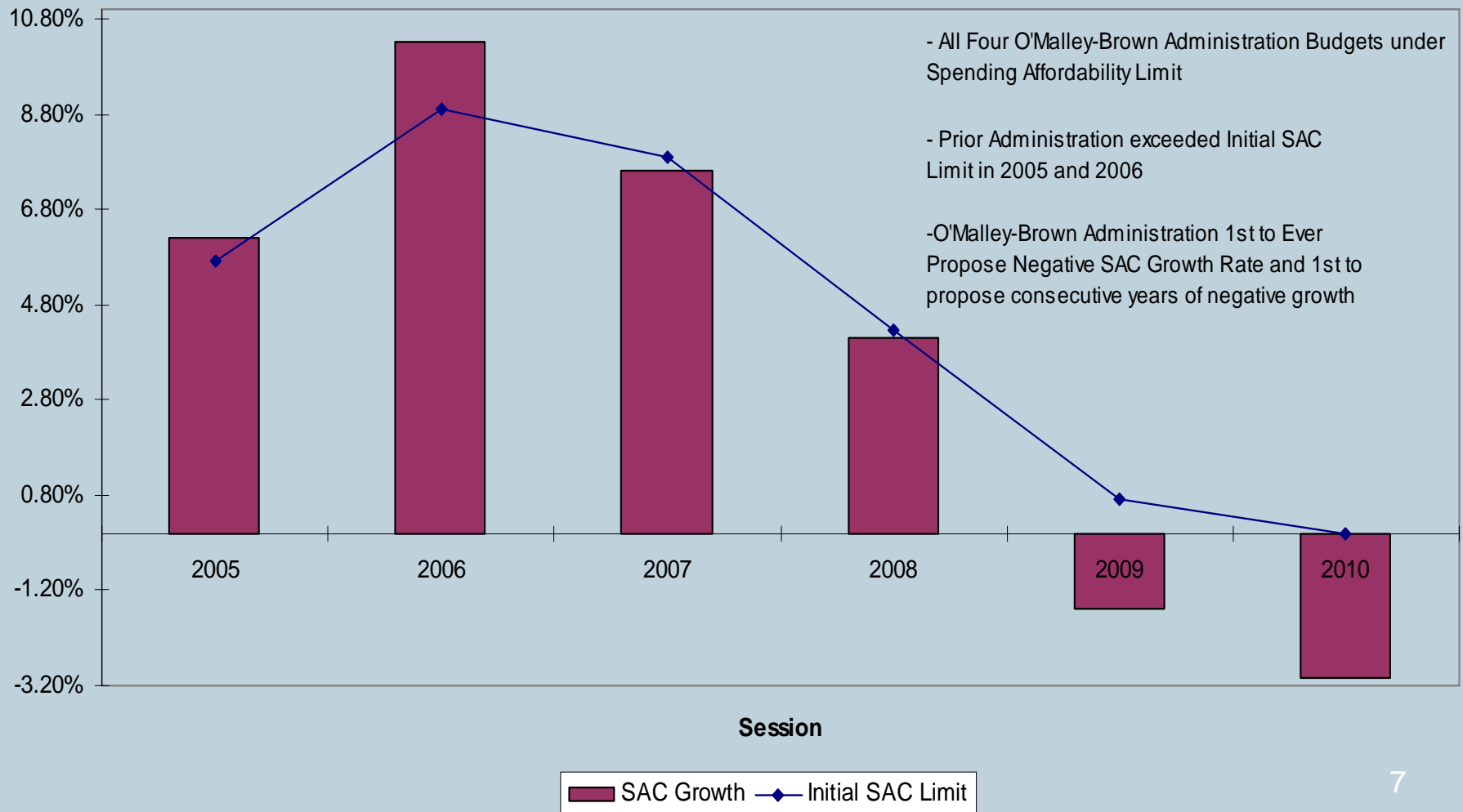
A Fiscally Responsible Budget

- General Fund Spending declines in fiscal 2011 and is lower than fiscal 2007
 - First time in at least 40 years that General Fund spending has declined over a four year period.
- Proposed total fund spending declines by almost 1%, the first time in at least 39 years that total operating budget spending has declined in comparison to the prior year.
- For 4th consecutive year, the proposed Budget is below the General Assembly's Spending Affordability Guideline
 - Under affordability guideline spending growth is -2.9%, the lowest growth rate ever
 - O'Malley-Brown Administration 1st to ever propose negative SAC growth rate
- The fiscal 2011 budget includes more than \$1 billion of reductions from the baseline bringing total reductions during the O'Malley-Brown Administration to \$5.6 billion
- The approved budget plan improves the general fund outlook for FY 2012 by about \$1 billion.
- \$839 million of cash resources are preserved in the Rainy Day Fund (\$633 M) & General Fund (\$206 M).

Maryland Budget Smaller Today than Four Years Ago
General Fund Spending Net of Appropriation to Rainy Day Fund
\$ in Billions

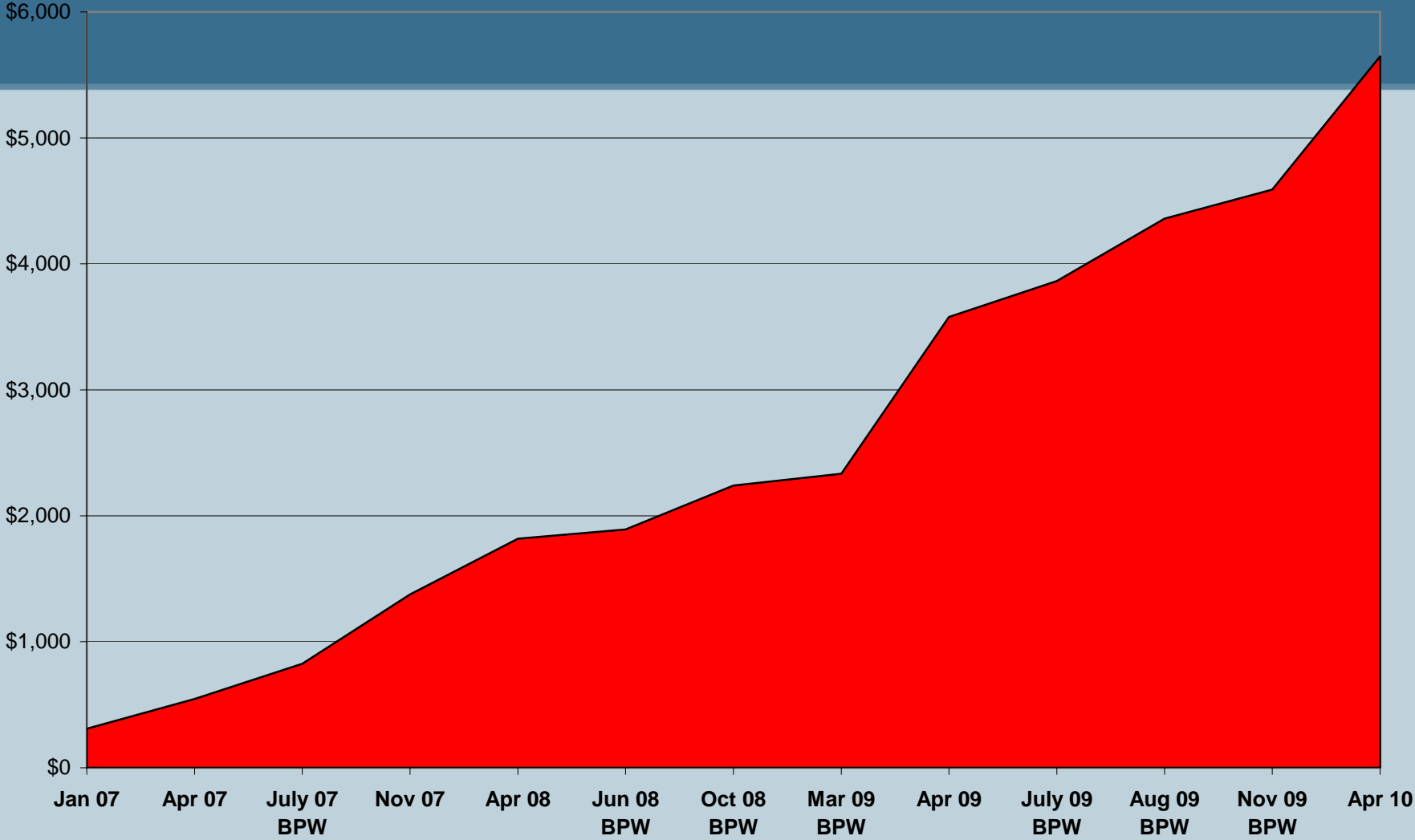


O'Malley-Brown Administration Proposes Budgets Below Spending Limit for 4 Consecutive Years



Cumulative Budget Reductions During O'Malley-Brown Administration

\$ in Millions



FY 2011 Budget Preserves Critical Priorities

- Fosters job creation and economic growth
- Protects progress in K-12 and Higher Education
- Maintains commitments to public safety, public health, and the environment
- Avoids deeper cuts to local aid

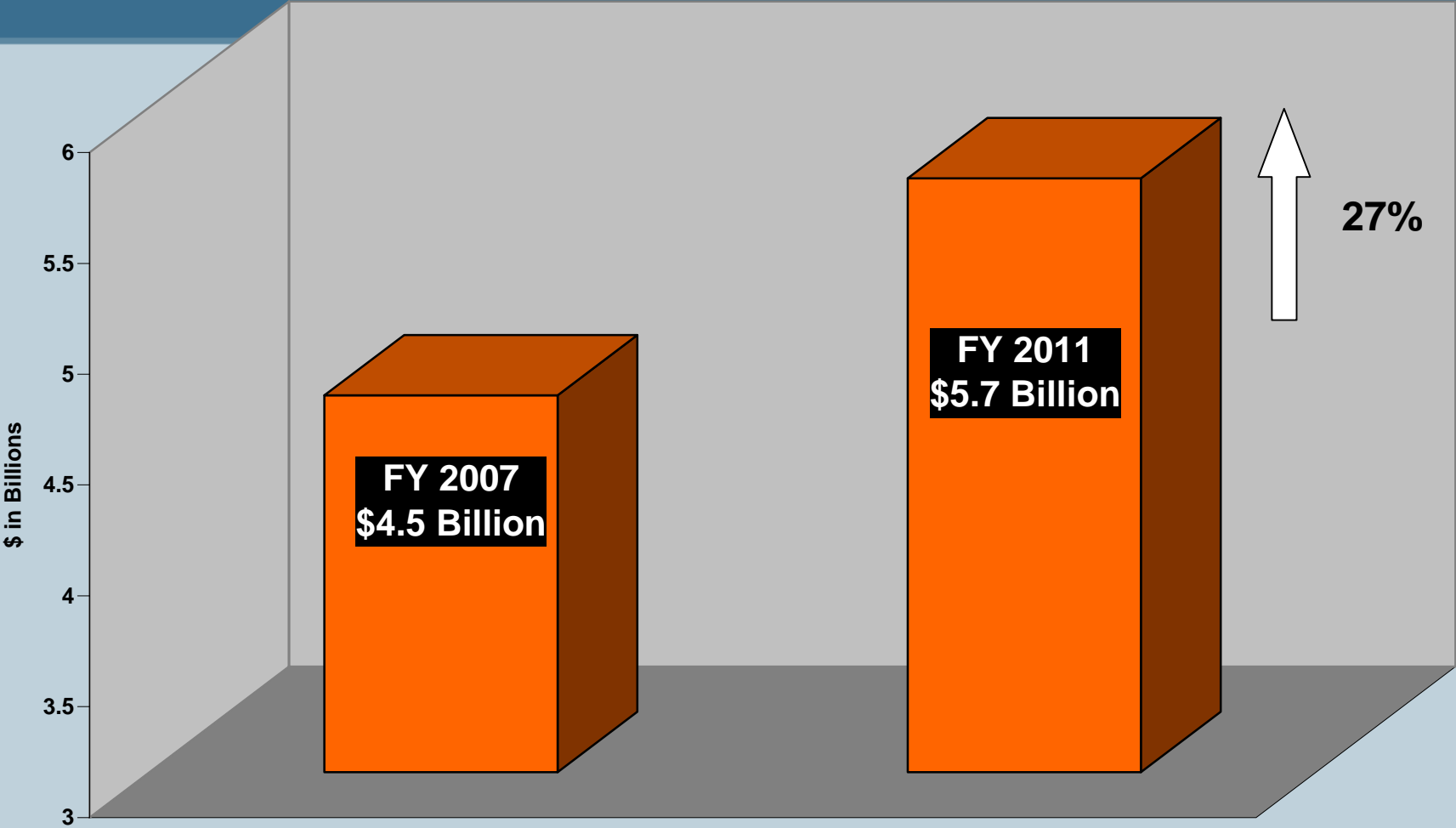
Expanding Opportunity & Creating Jobs

- \$20 million for the New Jobs Creation and Recovery Tax Credit will provide assistance to businesses hiring unemployed Marylanders in 2010.
- \$5 million for the new Small Business Credit Recovery Program to provide loan guaranties on small business deals, streamline the loan approval process and expand access to credit for small businesses.
- Re-authorization of the Sustainable Communities Tax Credit (formerly Heritage Tax Credit) will provide \$10 million in credits in FY 2011 for construction projects aimed at revitalizing communities.
- Public-private partnership at Seagirt Marine Terminal will generate 3,000 construction jobs over the next three years and 2,700 ongoing jobs when fully operational.
- First ever funding for BRAC Zone Tax Credit (\$0.3 M) which supports infrastructure improvements made by local governments, \$865,000 for BRAC-related higher education workforce initiatives.
- More than \$44 million is included in the FY 11 budget to bolster Maryland's efforts to attract and grow biotechnology companies.
 - Biotech Tax Credit (\$8 M) and Biotech Center (\$4 M);
 - Stem Cell Research (\$10.4 M);
 - Capital funds for East Baltimore Biotech Park (\$5 M) & Germantown Biosciences Center (\$16 M)
- Federal ARRA funds allowed State to create/retain more than 14,000 jobs during the first quarter of 10 fiscal 2010

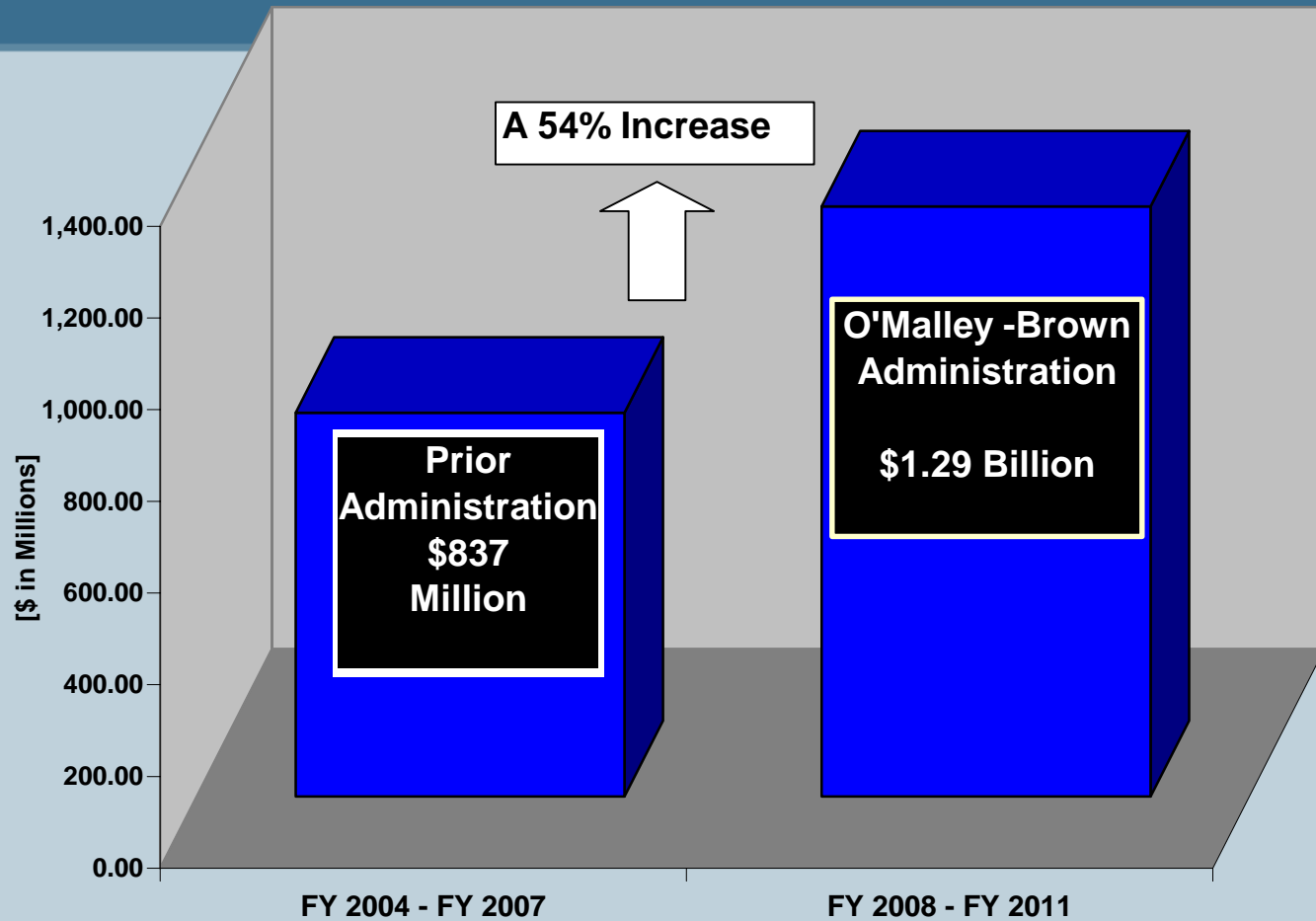
Protecting Progress in Education

- Record funding of \$5.7 Billion for our #1 Ranked Public Schools:
 - Direct K-12 funding increases by \$119 M
 - Full Funding of Teacher and Librarian Pensions (\$866.7 M), a 12% increase over FY 2010
- Under the O'Malley-Brown Administration, funding for K-12 education has increased by \$1.2 billion over four years.
- \$250 M in new funds for Public School Construction, plus an additional \$13.7 million in reallocated funds, bringing four year total to nearly \$1.3 billion.
- First increase in tuition at public four-year campuses in five years – a modest 3%.

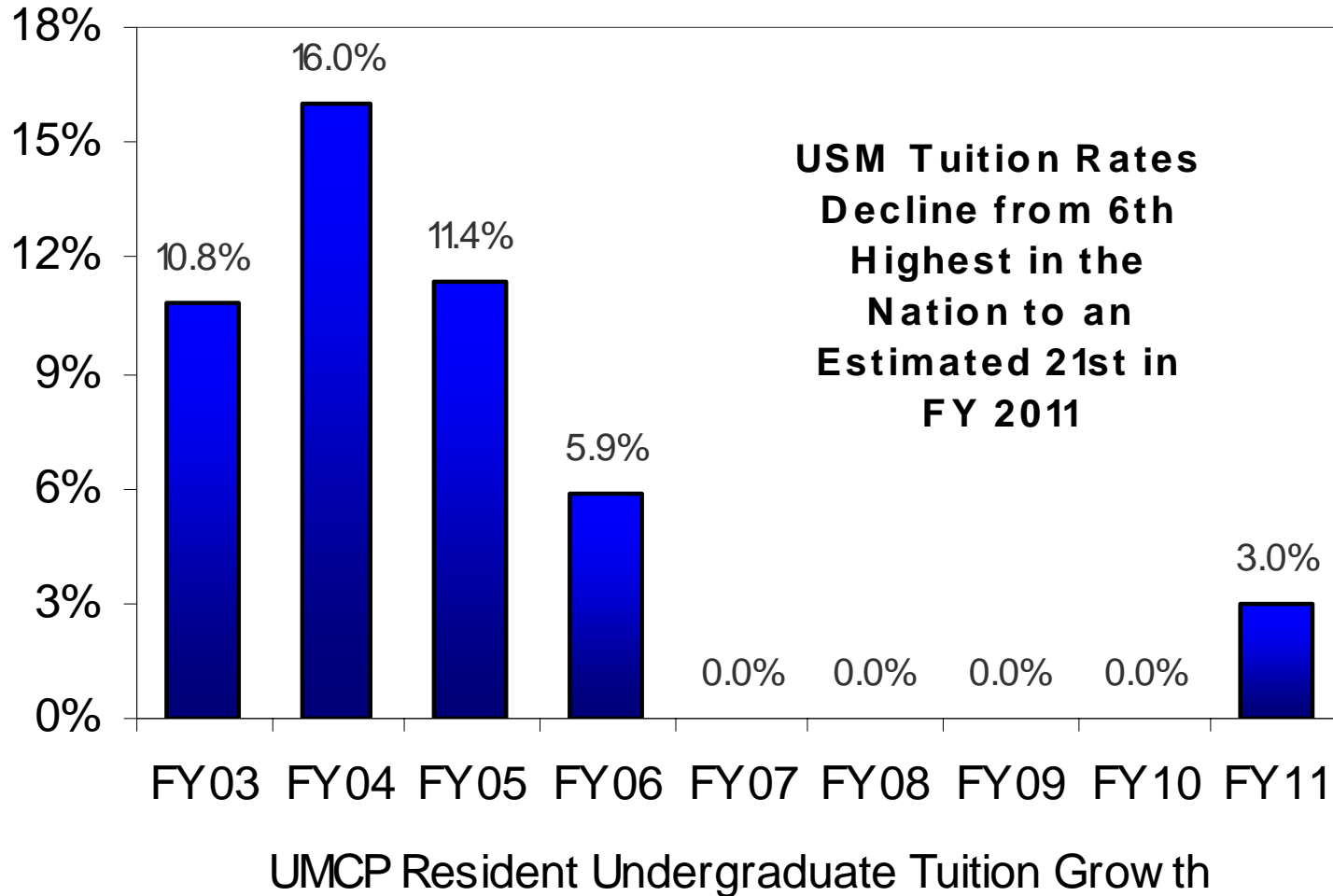
Record Level Funding for Maryland's Top Ranked Public Schools - A \$1.2 Billion Increase Over Four Years



Nearly \$1.3 Billion Invested in School Construction under the O'Malley-Brown Administration



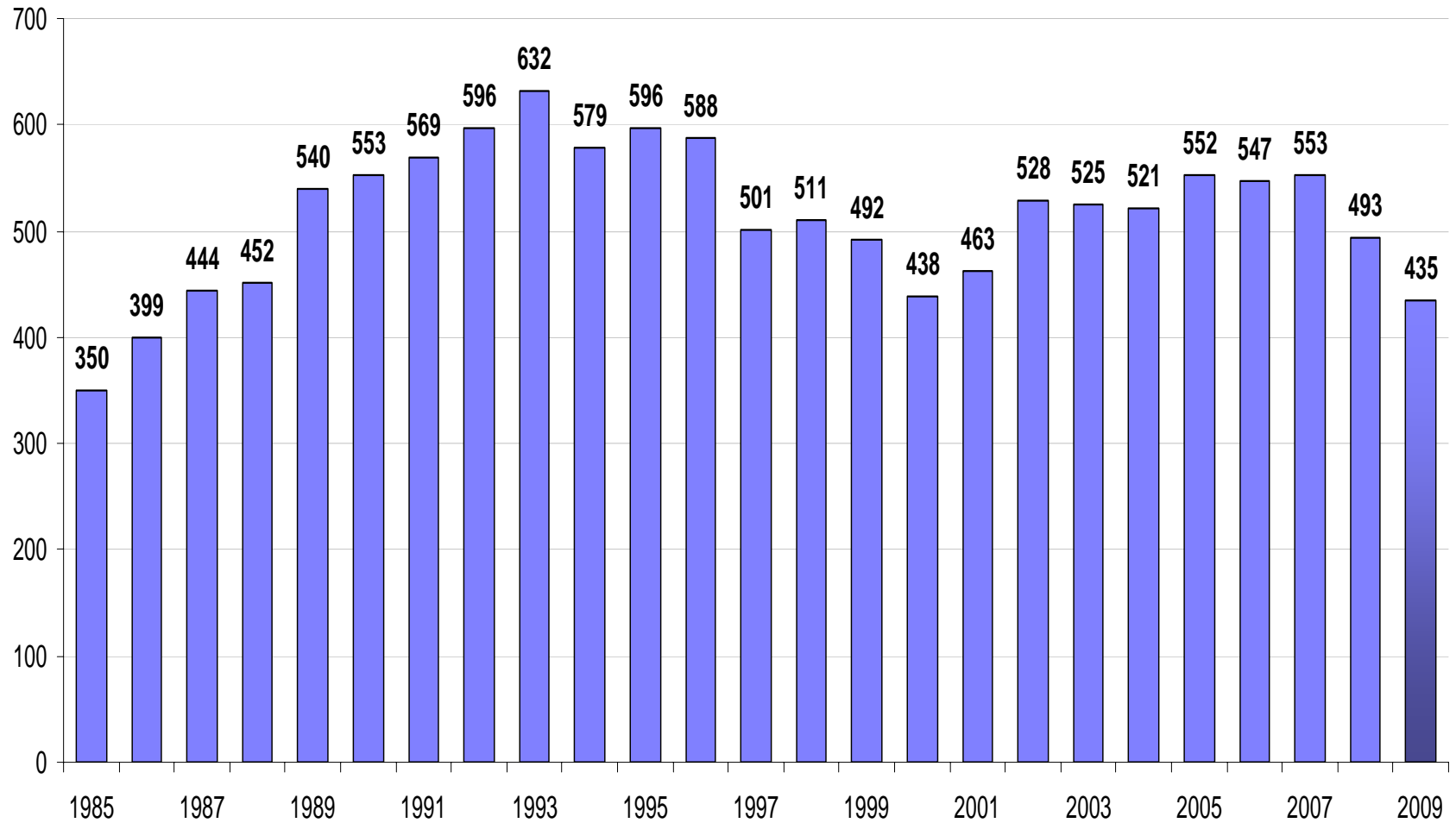
Making College Affordable for Marylanders



Protecting Our Communities

- Local Police Aid - \$45.4 M level funded with FY 2010
- Local Law Enforcement Grants - \$20.1M to target domestic violence, gun trafficking, substance abuse, and other issues
- State Police – Five new troopers, bringing trooper strength to 1,460
- Operation Safe Kids - \$1.3 M for violence prevention activities targeting at-risk youth in Baltimore City and Prince George’s County
- Evidence-based services for juveniles - \$7.2 M for 427 slots
- IT Enhancements:
 - Offender Case Management System - \$1.6 M
 - Computer Aided Dispatch/Records Management System - \$7 M

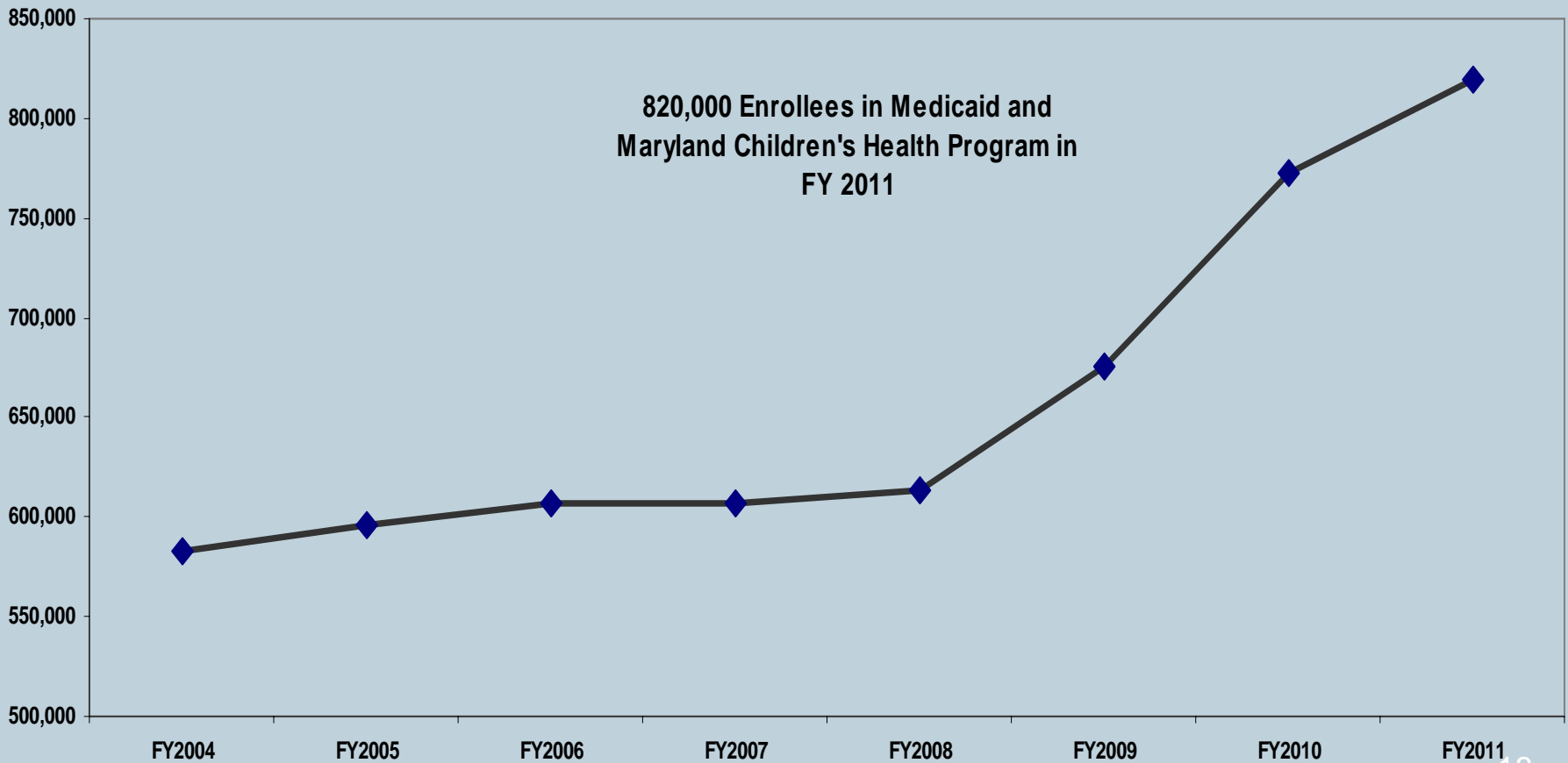
Homicides in the State of Maryland 1985-2009



Protecting Our Families

- More than \$6 billion for health care coverage for 820,000 low-income children and adults – 200,000 more individuals than were covered prior to FY 2008.
- \$131 million to provide energy assistance to an estimated 259,000 Maryland households.
- \$5.2 million to implement a new Housing Counseling and Foreclosure Mediation Program to help families maintain their homes.
- \$1.3 million to fill in the gaps in behavioral health services for our veterans.

Expanding Access to Health Care by More than 200,000 Marylanders Over Four Years



Preserving Our Environment

- Record Funding for Bay 2010 Trust Fund - \$20 M, more than double FY 2010 funding.
- \$65.5 M for land preservation programs, including:
 - \$15.3 M for local program open space grants;
 - \$24 M to preserve approximately 4,400 acres of open space through the Rural Legacy Program and Program Open Space; and
 - \$21.9 M to preserve an estimated 3,500 acres of farmland through the Agricultural Land Preservation Program.
- Cover Crops- \$15.3 M

Reducing the Size of Government

- More than 4,200 State positions have been eliminated during the O'Malley-Brown Administration.
- There are fewer executive branch employees today than in FY 2007.

More Efficient Government

◆ **Facility Closures During O'Malley-Brown Administration**

- ◆ Maryland House of Correction
- ◆ Four State Hospitals (Carter Center, Rosewood, Upper Shore, RICA So. MD)
- ◆ Welcome Centers (6)
- ◆ DBED Foreign Offices (3)
- ◆ State Police Annapolis Barrack
- ◆ O'Farrell Center
- ◆ Animal Health Laboratories (3)

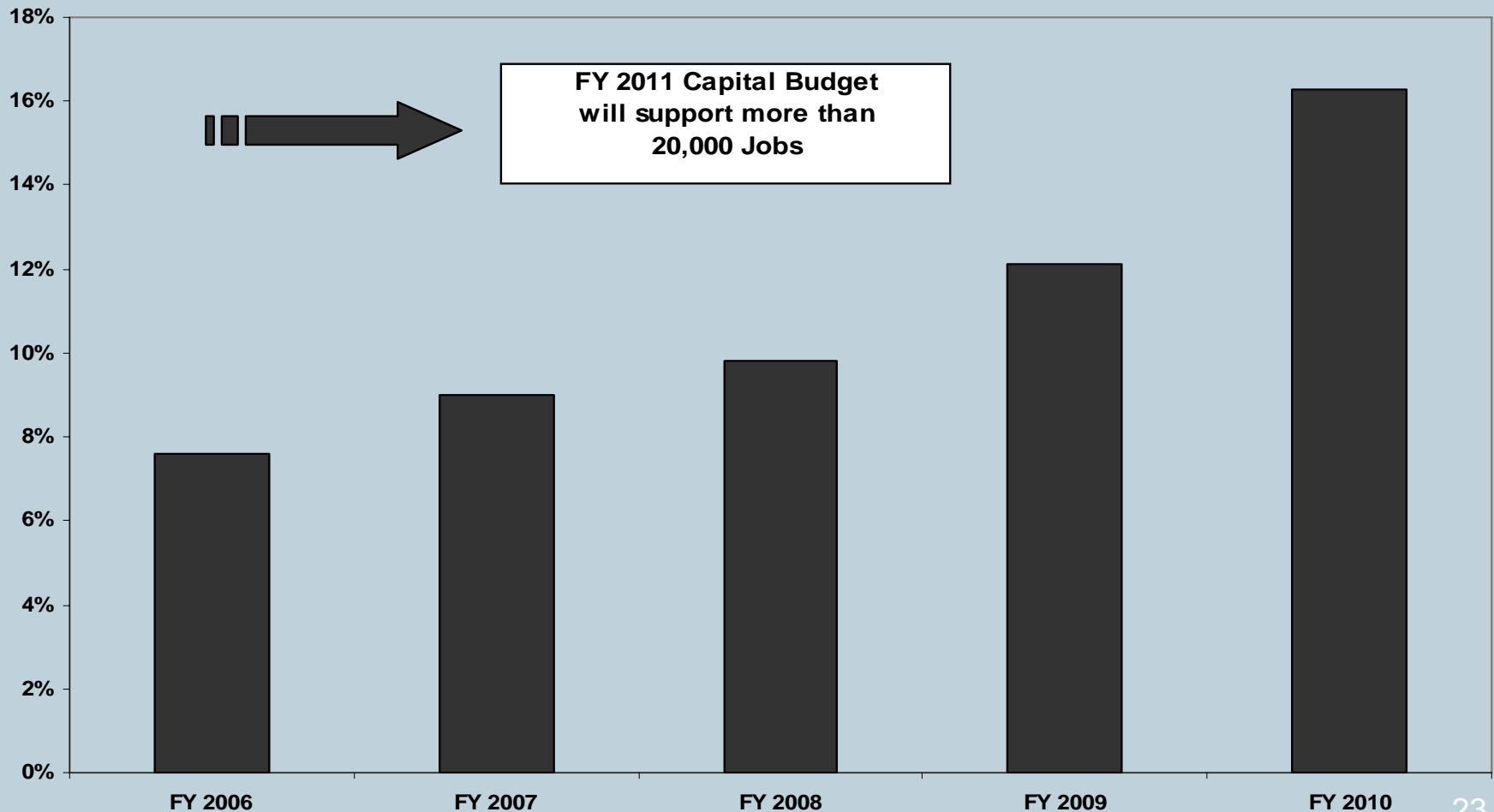
◆ **Other Efficiencies**

- ◆ Consolidated State Print Shops (\$500k)
- ◆ Centralized Classification Unit (\$396k)
- ◆ Applied Stricter Standard for Payment of Emergency Room Claims & Enhanced Audits of Out-of-State Hospital Claims (\$5.5 M)
- ◆ Eliminated DNR Helicopter Unit (\$372k)
- ◆ Consolidated Correctional Pre-Release Facilities (\$4.7 M)
- ◆ Eliminated Grant for Wine Promotion, Destination Imagination, etc.

State Capital Spending Spurs Economy

- State capital spending is critical to generating construction jobs in the current economy.
- The State's proposed FY 2011 capital budget will support more than 20,000 construction jobs.
- 16% of construction jobs in Maryland in the current year are attributable to State funded projects.
- The percentage of construction jobs supported by the State has increased in each of the last four years.

Share of Maryland's Construction Jobs Supported by State Capital Spending is on the Rise



Capital Budget - \$3 Billion

- **Transportation Infrastructure - \$1.5 B**
- **K-12 and Higher Education**
 - \$250 M in new funding for Public School Construction plus \$13.7 million in reallocations
 - \$265.2 M for Public 4-Year Campuses
 - \$78.7 M for 17 Community College projects
- **Health & Environment**
 - \$247.3 M for Chesapeake Bay Restoration activities
 - \$126.5 M for loans to local governments for drinking water systems and water quality improvements
 - \$38.8 M for Health-Related Projects, including \$10 million for the expansion of Shock Trauma
- **Public Safety**
 - \$17.5 M for a New Youth Detention Facility in Baltimore City
 - \$14.2 million to continue statewide wireless communication system for State and local public safety agencies
 - \$5.5 M for new minimum security units at the St. Mary's County Detention Center
 - \$2.5 million for new State Police barrack in Hagerstown
- **Economic Development**
 - \$5 M for the East Baltimore Biotechnology Park
 - \$5 million for the Maryland Zoo in Baltimore
 - \$4.3 million to expand the Ocean City Convention Center
- **Other Projects**
 - \$89.3 M for the Inter County Connector
 - \$32.7 M for Rental Housing programs and \$8.5 M for Homeownership programs