

The background of the slide is a dark, textured image of the Seal of the United States Department of the Treasury. The seal features an eagle with wings spread, holding an olive branch and arrows, with a shield on its chest. A banner above the eagle reads "E PLURIBUS UNUM". The seal is surrounded by a circular border with the words "DEPARTMENT OF THE TREASURY" and "UNITED STATES OF AMERICA".

*A BALANCED BUDGET:
For the Board of Public Works*



November, 2009

A Fiscally Responsible Budget

- Maryland is 1 of only 7 states with a Triple A bond rating certified by all three bond rating agencies.
- In reaffirming Maryland's AAA status in October 2009, 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)
- A November 2009 Pew Center on the States analysis included Maryland among the 17 states least like California in terms of the economic and fiscal factors that contributed to California's "fiscal peril."
- Maryland is 1 of only 8 states planning to save more than half of its ARRA Fiscal Stabilization funds for FY 2011 priorities.
 - Preserving a portion of the federal dollars until FY 11 allows the State to use the dollars as a bridge to FY 12 when the economic outlook and the State revenue picture are expected to improve.

2010 Budget Actions: Managing the National Recession

- **Proposed budget actions total more than \$1 billion in FY 2010 alone.**
 - **\$282M of actions approved on July 22nd.**
 - **\$454M of actions approved on August 26th.**
- **\$362M of proposed budget balancing actions for approval on November 18, 2009.**
- **Reductions during the O'Malley-Brown Administration total \$4.6 billion and 3,310 positions eliminated.**

FY 2010 Actions

Round One – \$282 Million

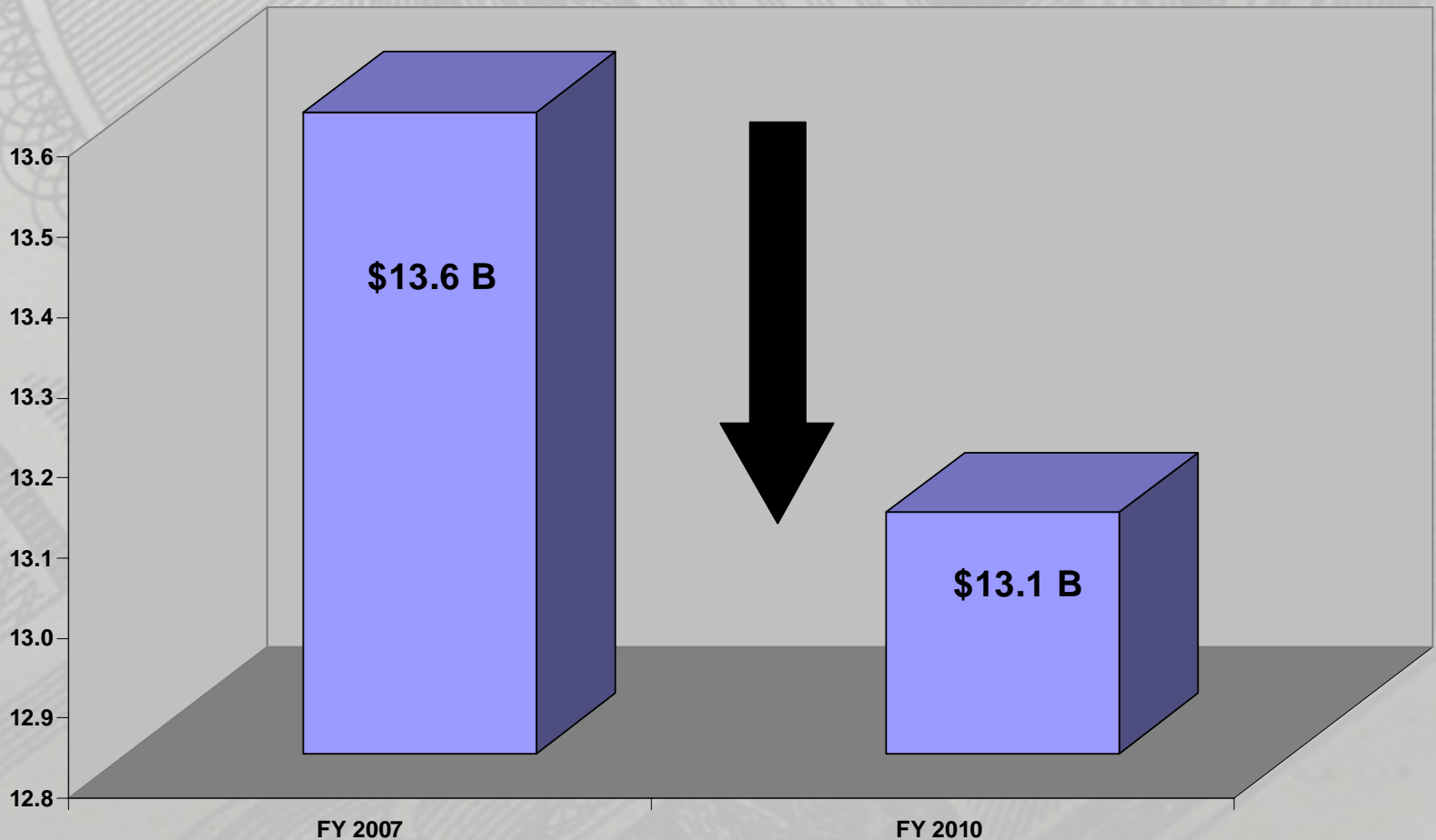
Round Two – \$454 Million

Round Three – \$362 Million

Total – \$1,098 Million

Maryland Budget Smaller Today Compared to 3 Years Ago

General Fund Spending
Net of Appropriation to Rainy Day Fund
\$ in Billions

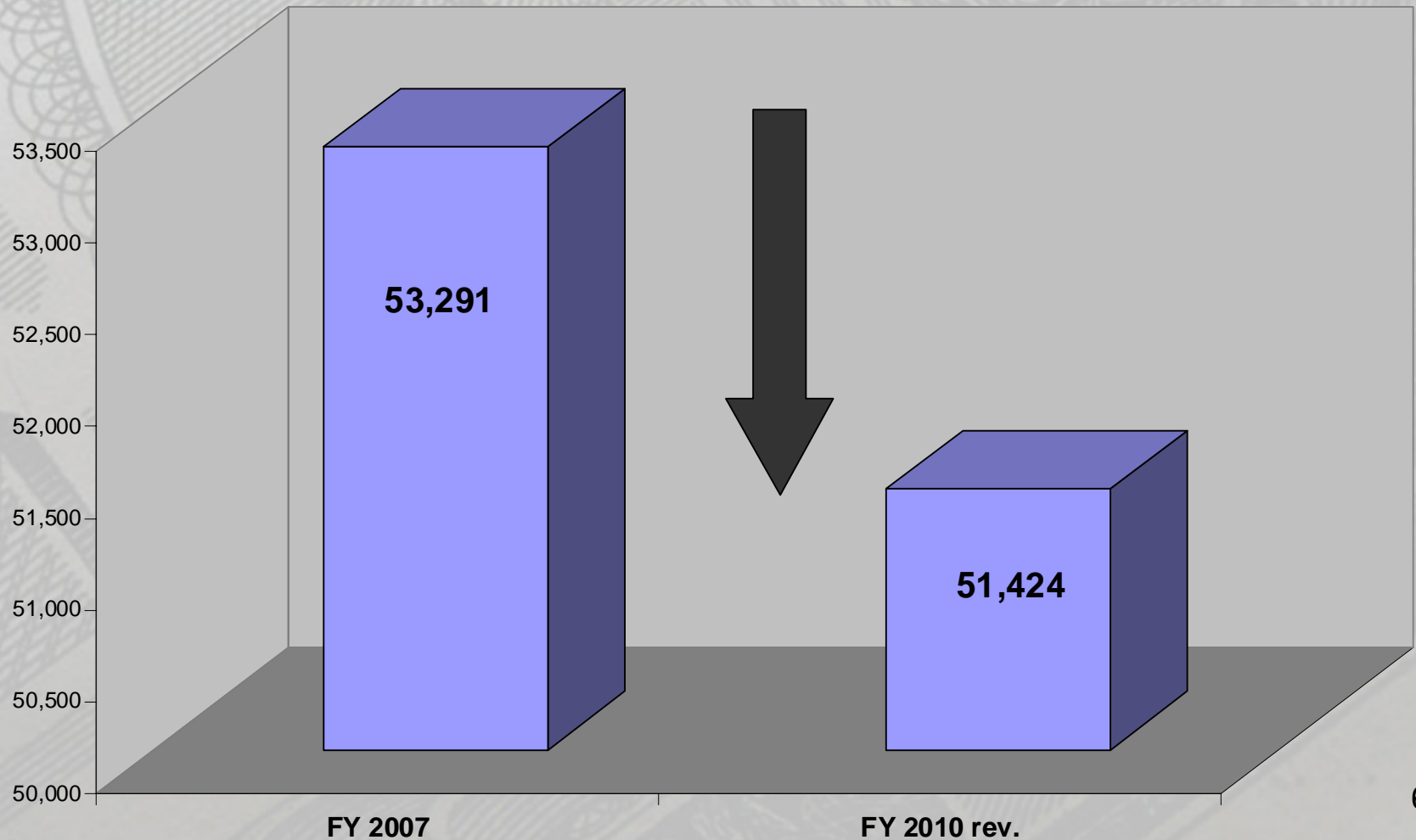


Reducing the Size of Government

- **Round 3 actions abolish 112 positions across State government**
 - **Filled = 68.5**
 - **Vacant = 43.5**
- **\$5.7 million in associated savings**

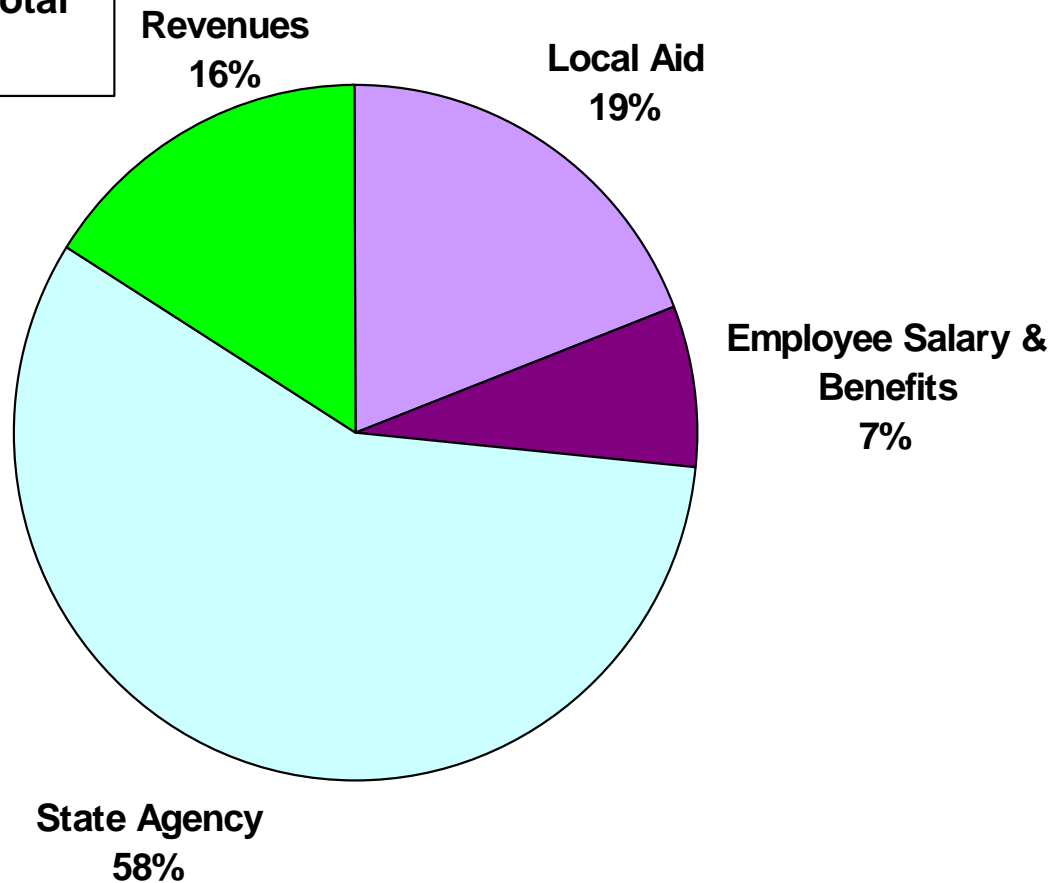
Smaller Government Today

Executive Branch Employees FY 2007 - FY2010 Comparison



Summary of General Fund Budget Actions Fiscal Year 2010

**Combined Actions Total
\$1.1 Billion**



Making Government More Efficient

- **Suspend non-essential vehicle purchases and reduce travel (\$3 M)**
- **Negotiate lower prices from vendors (\$0.5 M)**
- **Close some Welcome Centers & reduce hours at others (\$0.3 M)**
- **Serve Medicaid patients in less costly settings (\$0.4 M)**
- **Achieve utility savings by reducing consumption (\$0.8 M)**
- **Streamline operations and consolidate functions across State agencies (\$3 M)**
- **Account for proceeds to date from tax amnesty program (\$12 M)**

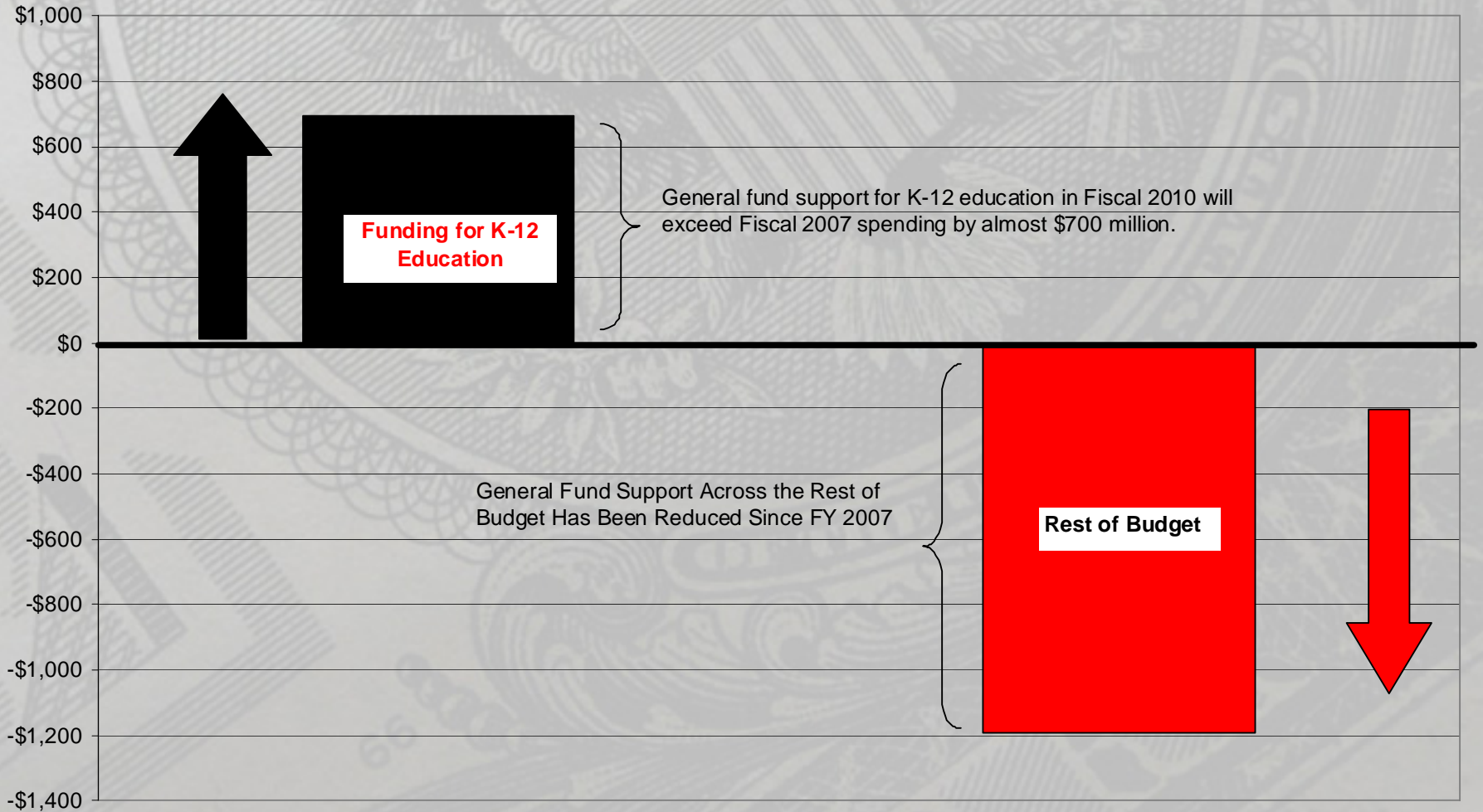
Round 3 Reductions

- **\$55 M from reductions in Medicaid payments to hospitals.**
- **\$32 M of higher education savings related to USM and aid to private colleges. Private colleges are expected to receive additional federal funding in FY 10.**
- **\$11 M of savings from denying medical claims for unnecessary services & ineligible people.**
- **\$5 M in recoveries from managed care companies that spent less than 80% funding for medical care.**

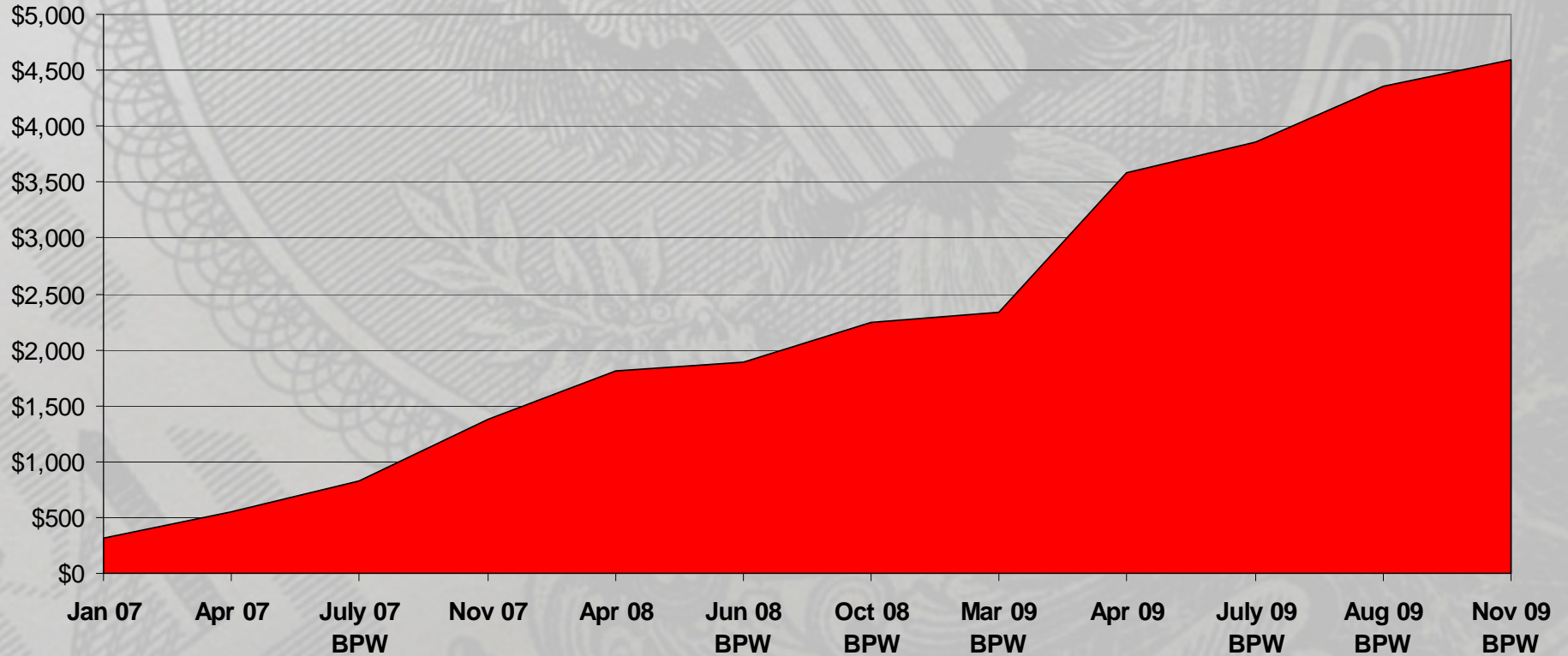
Maximizing Financial Flexibility

- **Due to the challenges faced by revenue forecasters as a result of the uncertain economy, a healthy General Fund balance is a necessity.**
- **To this end, the balancing actions taken in November:**
 - **Redirect fund balances from various programs to the General Fund.**
 - **Transfer monies in the Rainy Day Fund in excess of 5% of General Fund revenues to the General Fund.**
 - **Direct all \$129 M of anticipated corporate tax payments related to EDF/Constellation Deal to the General Fund.**

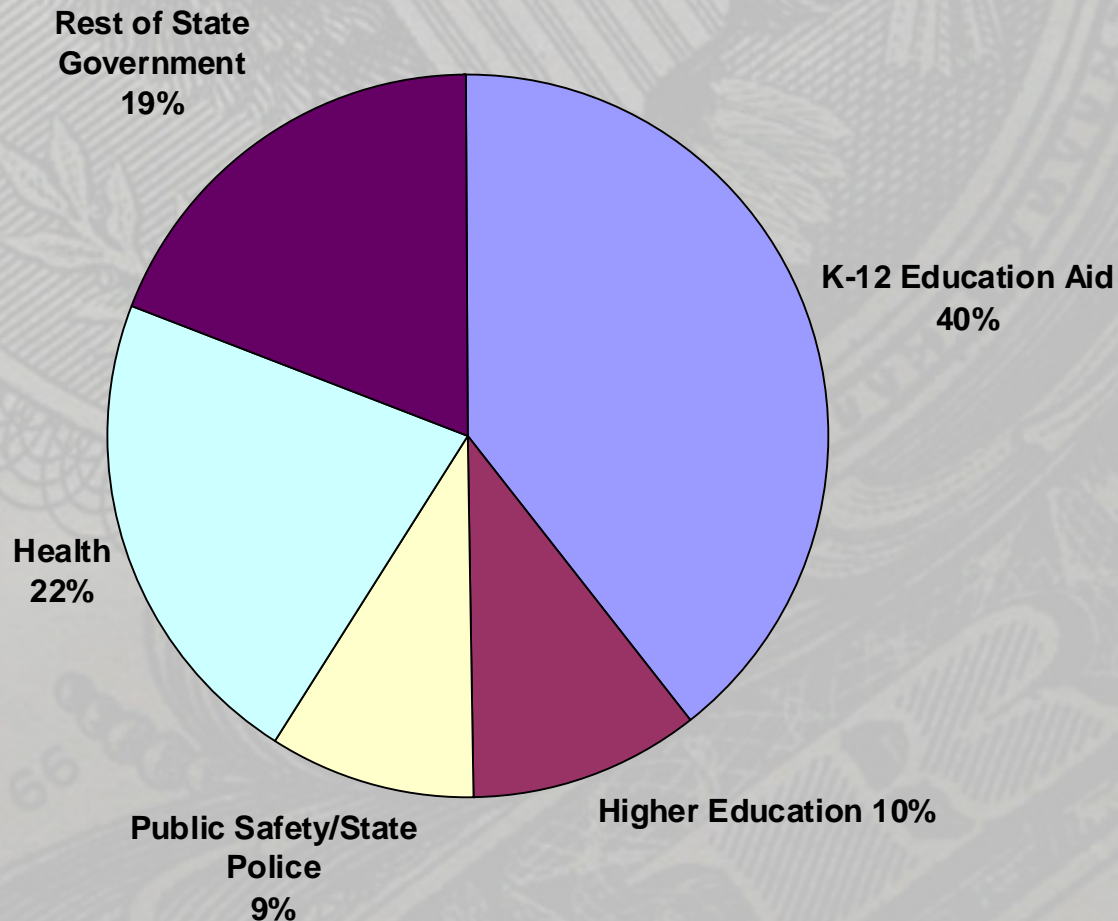
**O'Malley-Brown's Top Priority:
Support for Maryland's #1 Ranked Public Schools**
\$ in Millions



Cumulative Budget Reductions During O'Malley-Brown Administration \$ in Millions



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



Planning for the Future

- **More than \$1 billion in total actions taken since the fiscal year began on July 1:**
 - **Address declines in revenues; and**
 - **Leave the State with a \$121 million cushion against additional revenue declines.**
- **Nevertheless, we are projecting a budget shortfall in FY 2011 in excess of \$1.5 billion.**
- **While many of the actions taken to date will generate savings in FY 2011, we are continuing to review agency budgets, programs, services, and staffing levels to identify additional savings and efficiencies to be achieved in FY 2011.**