
Maryland's Fiscal Outlook

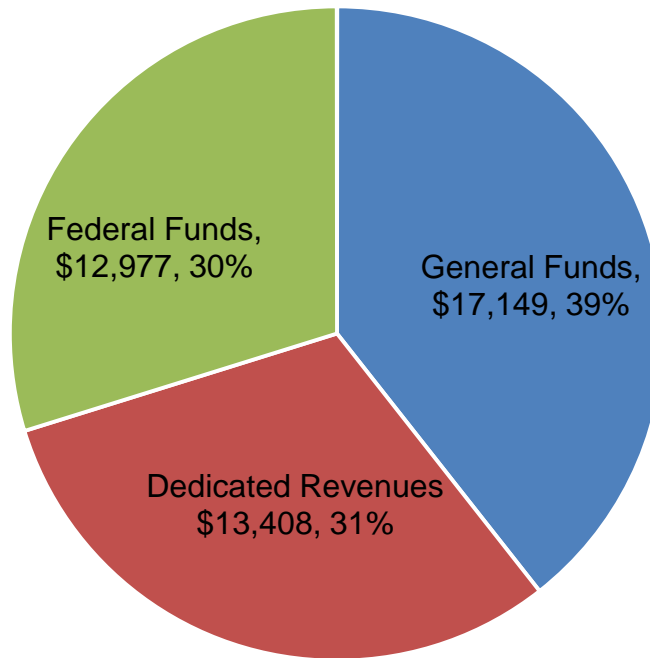
**Presentation to the
Commission on Innovation and Excellence in Education**

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

November 30, 2017

Fiscal 2018 State Budget = \$43.5 Billion

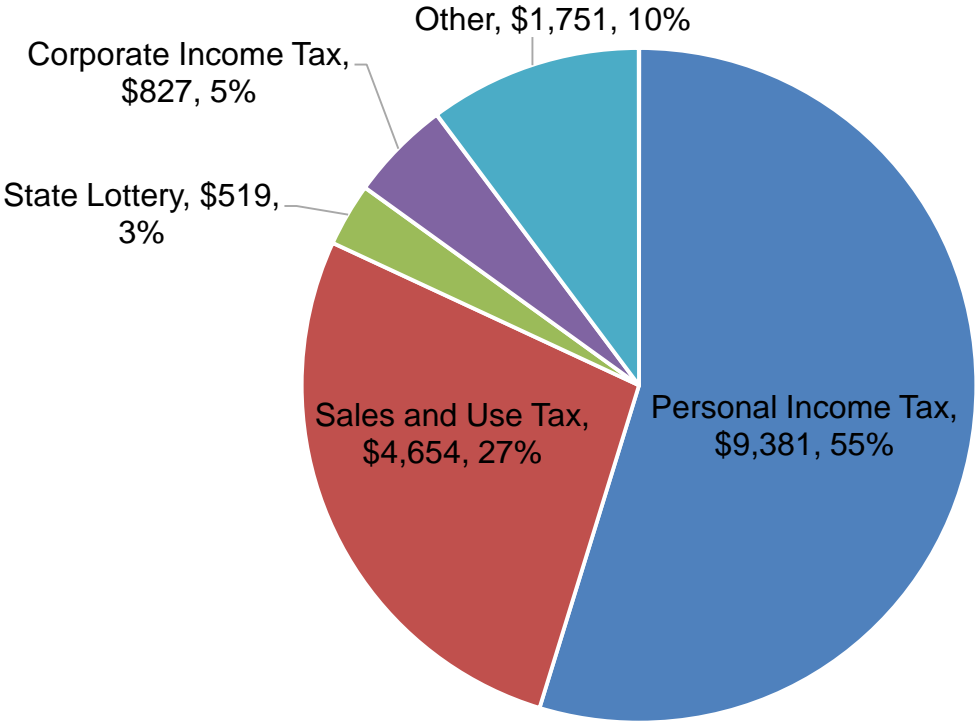
(\$ in Millions)



■ General Funds ■ Dedicated Revenues ■ Federal Funds

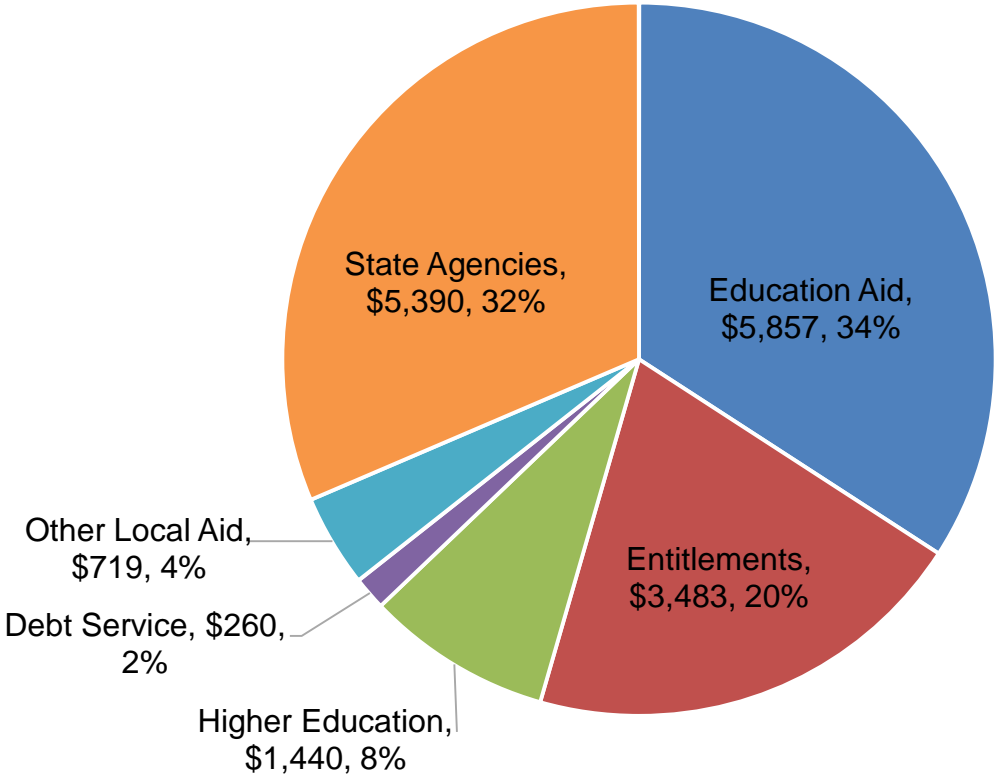
Fiscal 2018 General Fund Revenues

(\$ in Millions)



Fiscal 2018 General Fund Budget = \$17.1 Billion

(\$ in Millions)



Fiscal 2019 Baseline Budget Forecast Assumptions

Baseline Budget Concepts

- The baseline budget is an estimate of the cost of government services in the next budget year based on a set of assumptions.
- Assumptions include that current laws, policies, and practices are continued; federal mandates and multi-year commitments are observed; legislation adopted at the prior session is funded; and full-year costs of programs, rate increases, and any other enhancements started during the previous year are included.
- Employee compensation costs include:
 - a general salary increase of 1.0% effective July 2018, and funding for employee increments;
 - employee and retiree health insurance savings as a result of high fiscal 2017 ending fund balances and a new pharmacy contract inflation (-5.7%); and
 - employee retirement costs (0.3%).
- The higher education grant is calculated assuming a 3.0% tuition increase.

Caseload Assumptions

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>% Change FY 2018-2019</u>
Pupil Enrollment*	845,861	852,520	857,885	0.6%
Medicaid	895,389	920,251	938,880	2.0%
Children's Health	144,294	147,180	150,123	2.0%
Expansion under Affordable Care Act	290,718	313,976	329,674	5.0%
Temporary Cash Assistance	50,901	46,699	44,298	-5.1%

* Data for fiscal 2017, 2018, and 2019 reflect September 2015, September 2016, and September 2017 (est.) full-time equivalent enrollments.

General Fund: Recent History and Outlook

Fiscal 2017-2019

(\$ in Millions)

	<u>2017 Actual</u>	<u>2018 Working</u>	<u>2019 Baseline</u>
Funds Available			
Ongoing Revenues	\$16,664	\$17,139	\$17,639
Balances and Transfers	630	259	303
Short-term Revenues	66	15	0
Total Funds Available	\$17,361	\$17,413	\$17,942
Appropriations, Deficiencies, and Cost Containment			
Net Ongoing Operating Costs and Deficiencies	\$16,934	\$17,394	\$17,980
One-time Spending/Reductions	-49	-112	-61
Pay-as-you-go Capital	62	10	78
Appropriations to Reserve Fund	155	10	196
Total Spending	\$17,102	\$17,302	\$18,193
Cash Balance/Shortfall	\$259	\$111	-\$251
Structural			
Balance (Ongoing Revenues Less Operating Costs)	-\$269	-\$255	-\$340
Ratio (Ongoing Revenues/Operating Costs)	98.4%	98.5%	98.1%
Estimated Rainy Day Fund Balance – June 30	\$832	\$858	\$882

Drivers of General Fund Operating Budget Growth

Fiscal 2019
(\$ in Millions)

Medicaid	\$206
Education/Library Aid	178
State Employee COLA and Merit Pay Increases	123
State Agency Expenses/Other	105
Local Aid	24
Total Operating Spending Growth	\$635
Ongoing General Fund Revenue Growth	\$500

Maryland Revenue Forecast

(\$ in Millions)

<u>Source</u>	<u>FY 2017 Actual</u>	<u>FY 2018 Estimate</u>	<u>% Change over FY 2017</u>	<u>FY 2019 Estimate</u>	<u>% Change over FY 2018</u>
Personal Income Tax	\$9,019.3	\$9,380.7	4.0%	\$9,764.9	4.1%
Sales and Use Tax	4,539.3	4,654.9	2.5%	4,787.4	2.8%
State Lottery	484.3	519.5	7.3%	522.8	0.6%
Corporate Income Tax	795.6	827.3	4.0%	873.5	5.6%
Business Franchise Taxes	228.4	232.2	1.6%	198.1	-14.7%
Insurance Premiums Tax	328.7	326.3	-0.7%	350.0	7.2%
Estate and Inheritance Taxes	227.9	198.5	-12.9%	184.1	-7.3%
Tobacco Tax	387.0	381.6	-1.4%	378.3	-0.8%
Alcohol Beverages Tax	32.5	32.9	1.2%	33.3	1.3%
Other ⁽¹⁾	545.4	516.8	-5.2%	521.5	0.9%
Subtotal	\$16,588.5	\$17,070.7	2.9%	\$17,613.9	3.2%
Transfer Tax	\$62.8	\$46.0	-26.7%	\$0.0	n/a
GAAP Transfer	47.4	0.0	n/a	0.0	n/a
Extraordinary Revenues ⁽²⁾	0.0	15.0	n/a	0.0	n/a
Total General Fund Revenues	\$16,698.7	\$17,131.7	2.6%	\$17,613.9	2.8%
Education Trust Fund	\$451.2	\$487.1	7.9%	\$507.9	4.3%
Grand Total	\$17,149.9	\$17,618.7	2.7%	\$18,121.8	2.9%

GAAP: generally accepted accounting principals

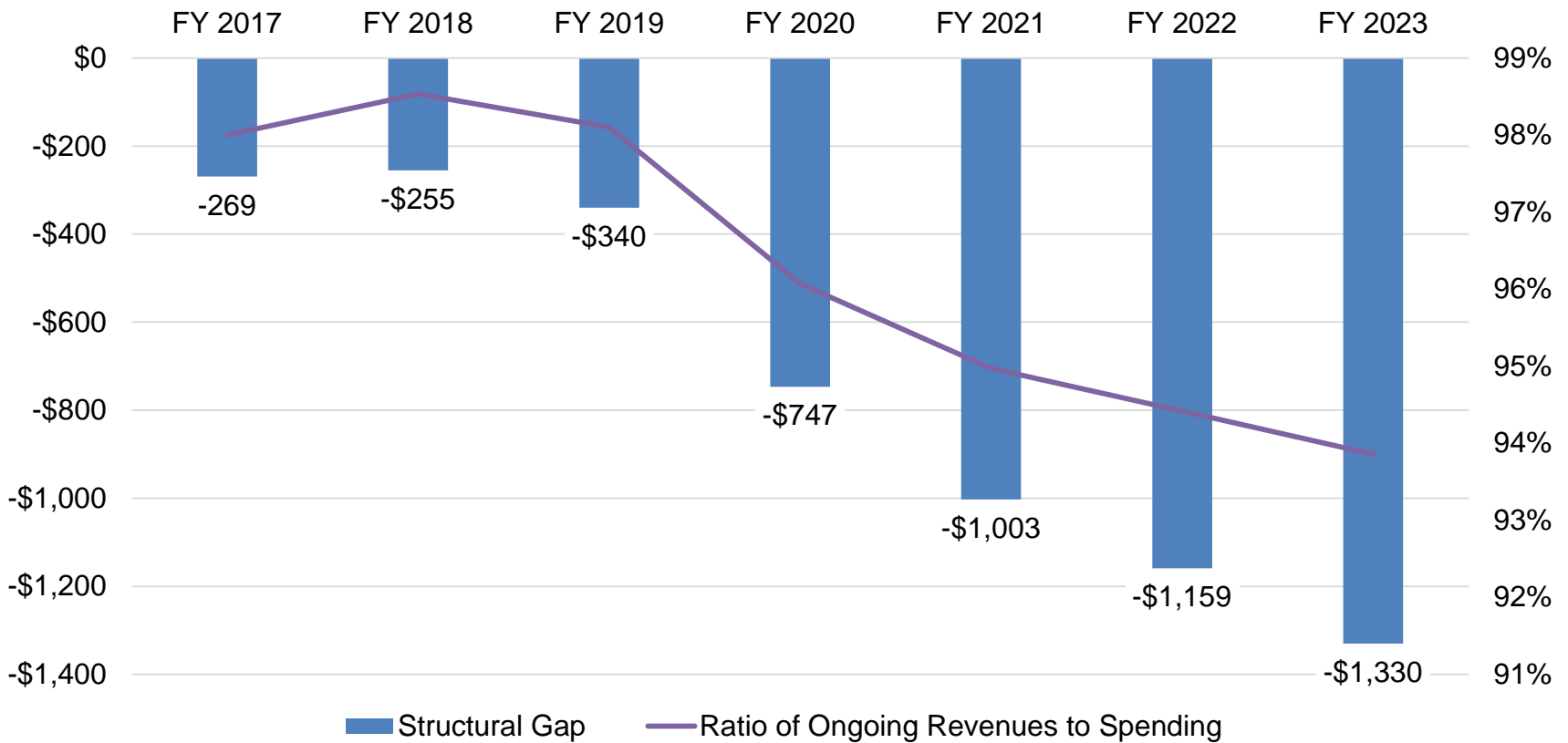
¹Includes revenues from the courts, hospital patient recoveries, interest earnings, and other miscellaneous revenues.

²The Budget Reconciliation and Financing Act of 2017 (Chapter 23) distributed casino revenues that would normally go to the Small, Minority, and Women-owned Businesses Account to the general fund in fiscal 2018 and to the Education Trust Fund in fiscal 2019.

Source: Board of Revenue Estimates

Structural Budget Gap Forecast to Grow

(\$ in Millions)



General Fund Spending Growth by Component

(\$ in Millions)

	<u>FY 2019 Forecast</u>	<u>FY 2023 Forecast</u>	<u>\$ Growth</u>	<u>Avg. Annual % Change</u>
Ongoing Revenues	\$17,639	\$20,316	\$2,677	3.6%
Ongoing Spending	17,980	21,646	3,666	4.7%
Structural Gap	-\$341	-\$1,330	-\$989	

Spending Detail

Mandates/Entitlements

Education Aid	\$6,032	\$6,936	\$904	3.6%
Entitlements	3,775	5,044	1,269	7.5%
Employee Retirement	438	542	104	5.5%
Debt Service	221	537	316	24.9%
Other Mandates	907	1,138	231	5.8%
Total	\$11,373	\$14,197	\$2,824	5.7%
State Agencies & Higher Education	\$6,607	\$7,449	\$842	3.0%