

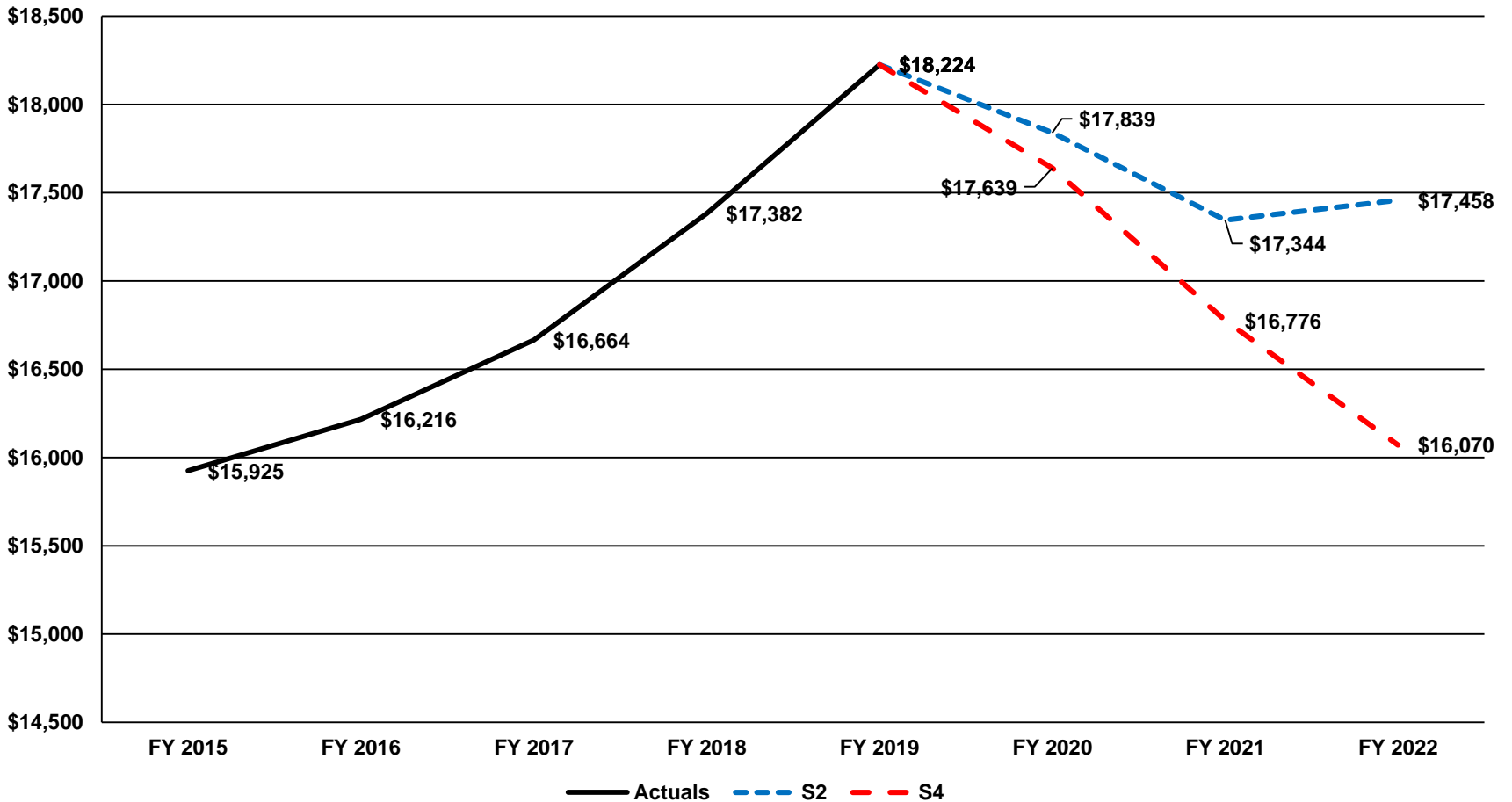
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# **OVERVIEW OF ADMINISTRATION BALANCING PLAN**

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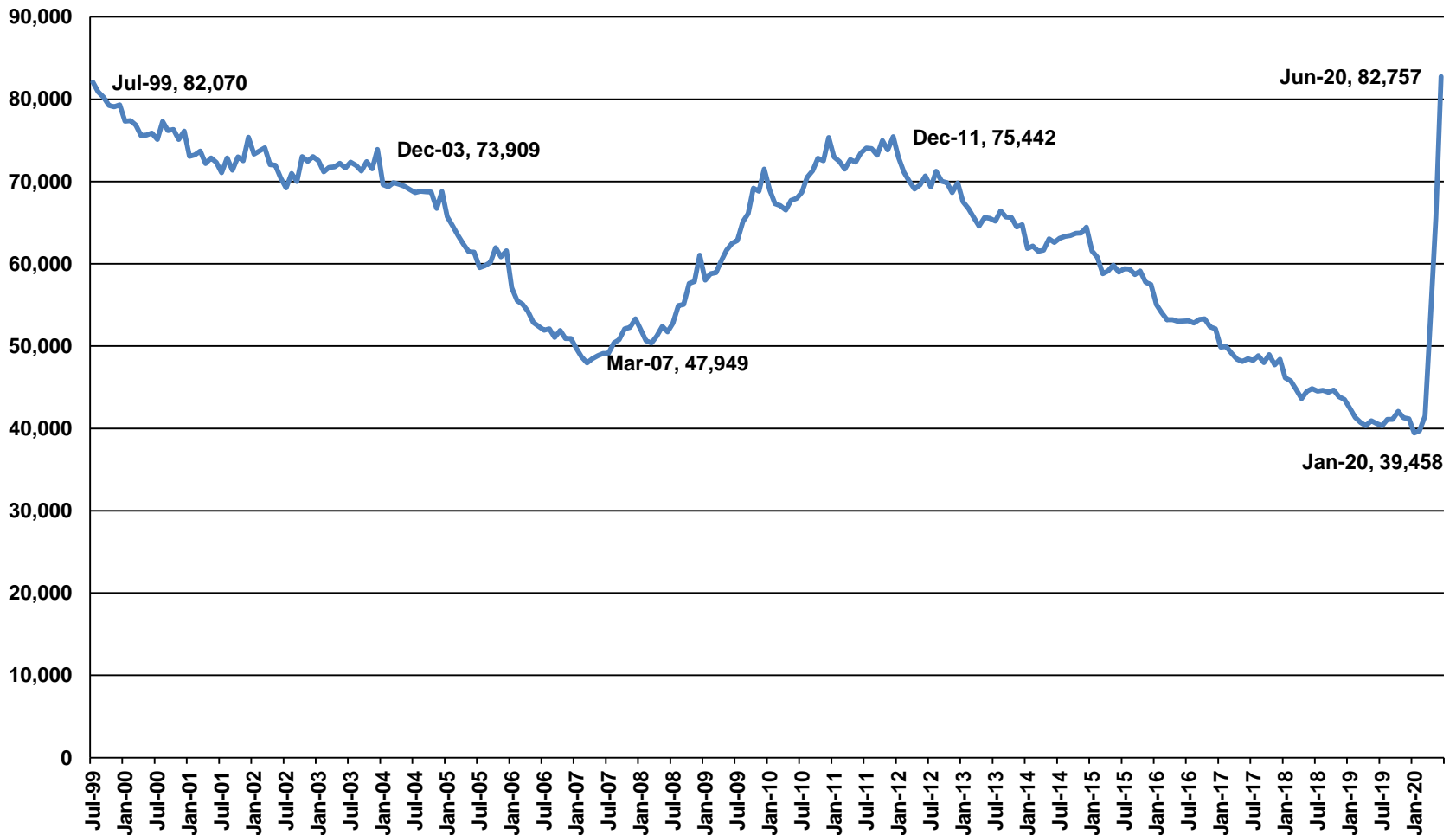
**Department of Legislative Services  
Office of Policy Analysis  
Annapolis, Maryland**

# Outlook for Ongoing General Fund Revenues BRE S2 and S4 Scenarios (\$ in Millions)



# Spending Pressures are Increasing

## Temporary Cash Assistance Recipients at 20-year High

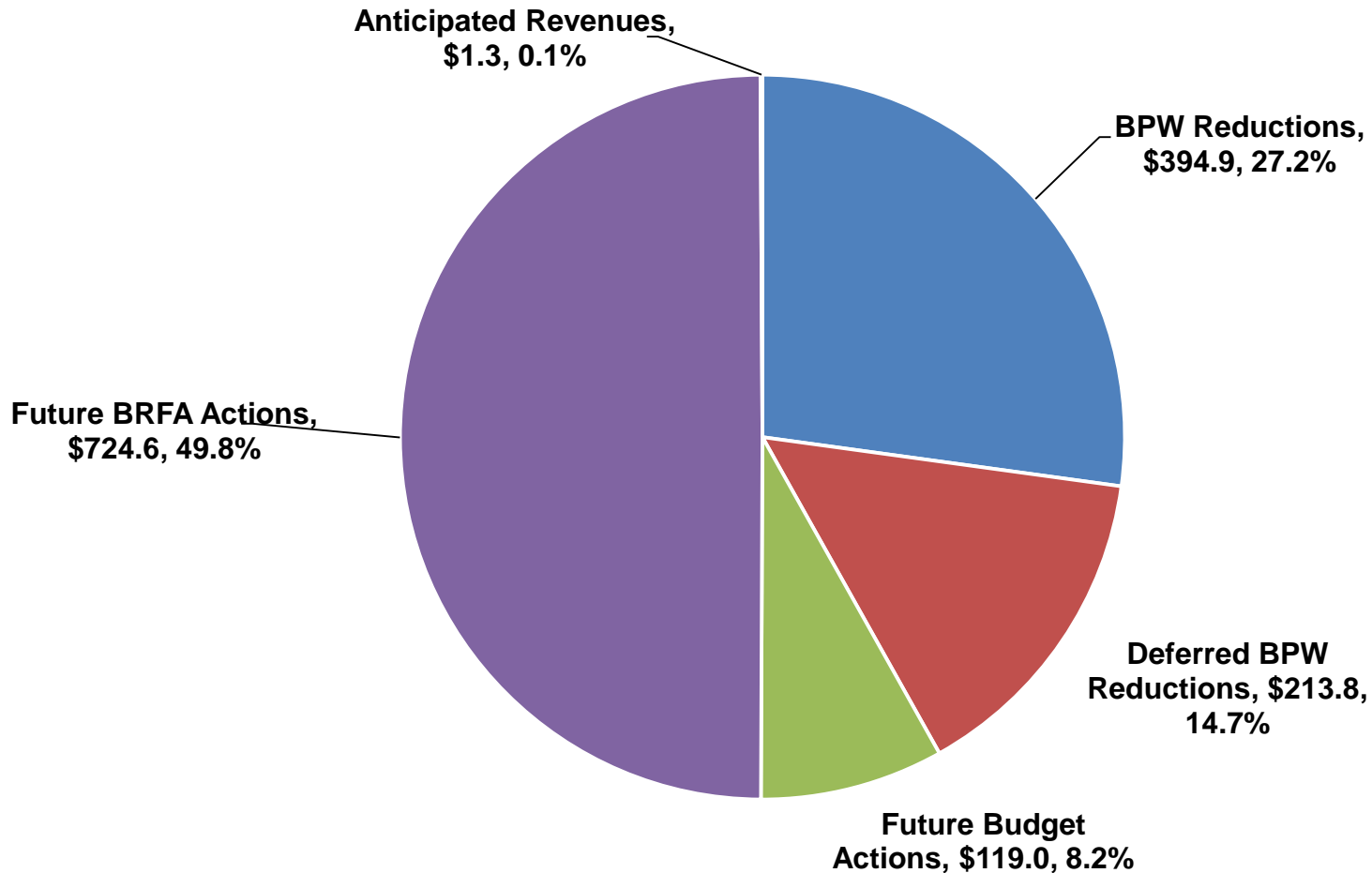


Note: June 2020 numbers are estimates from Department of Human Services.

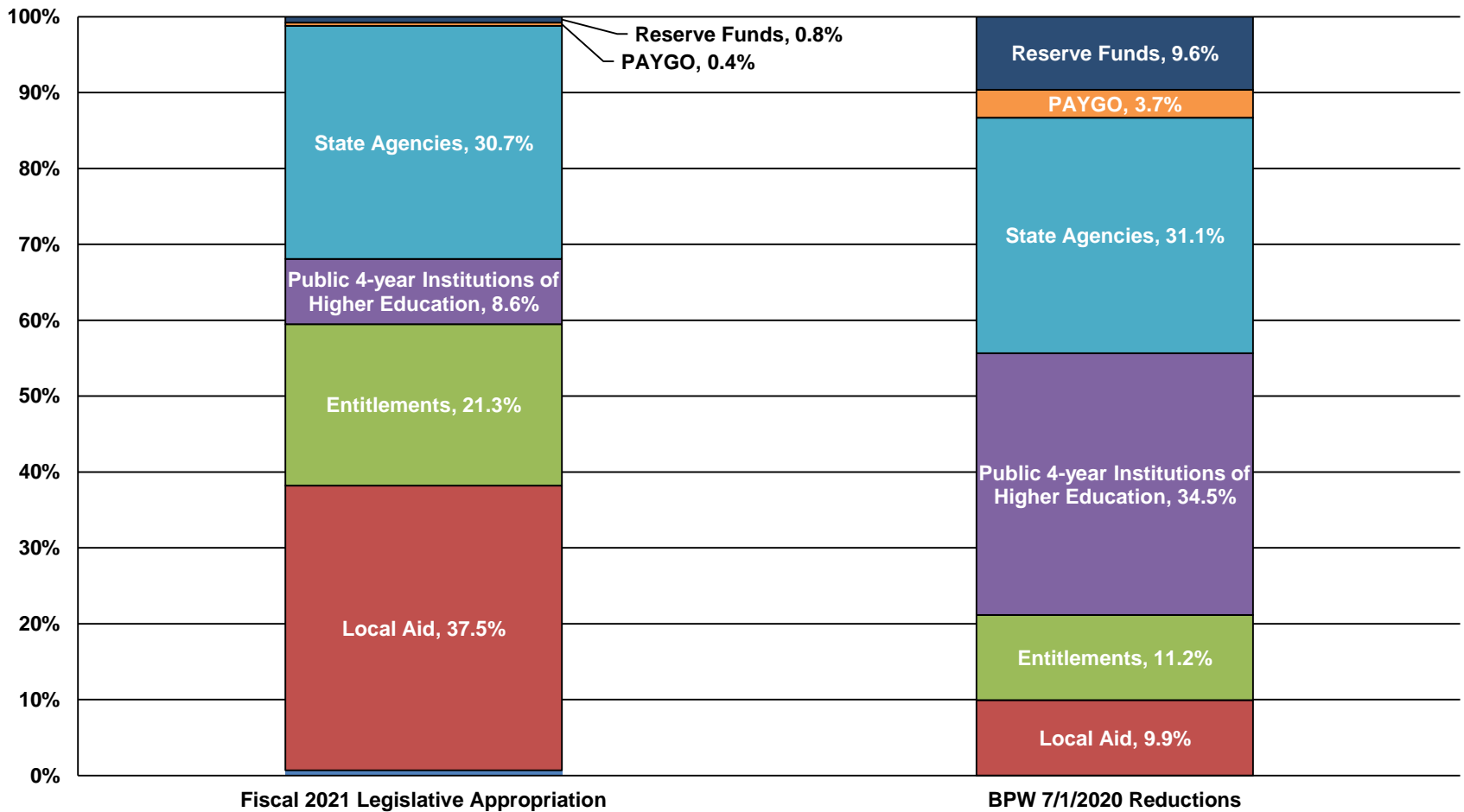
# Administration Proposed Adjustments to Fiscal 2021 Budget

(\$ in Millions)

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# BPW July 1, 2020 Reductions of \$395 Million Relative to Overall General Fund Budget



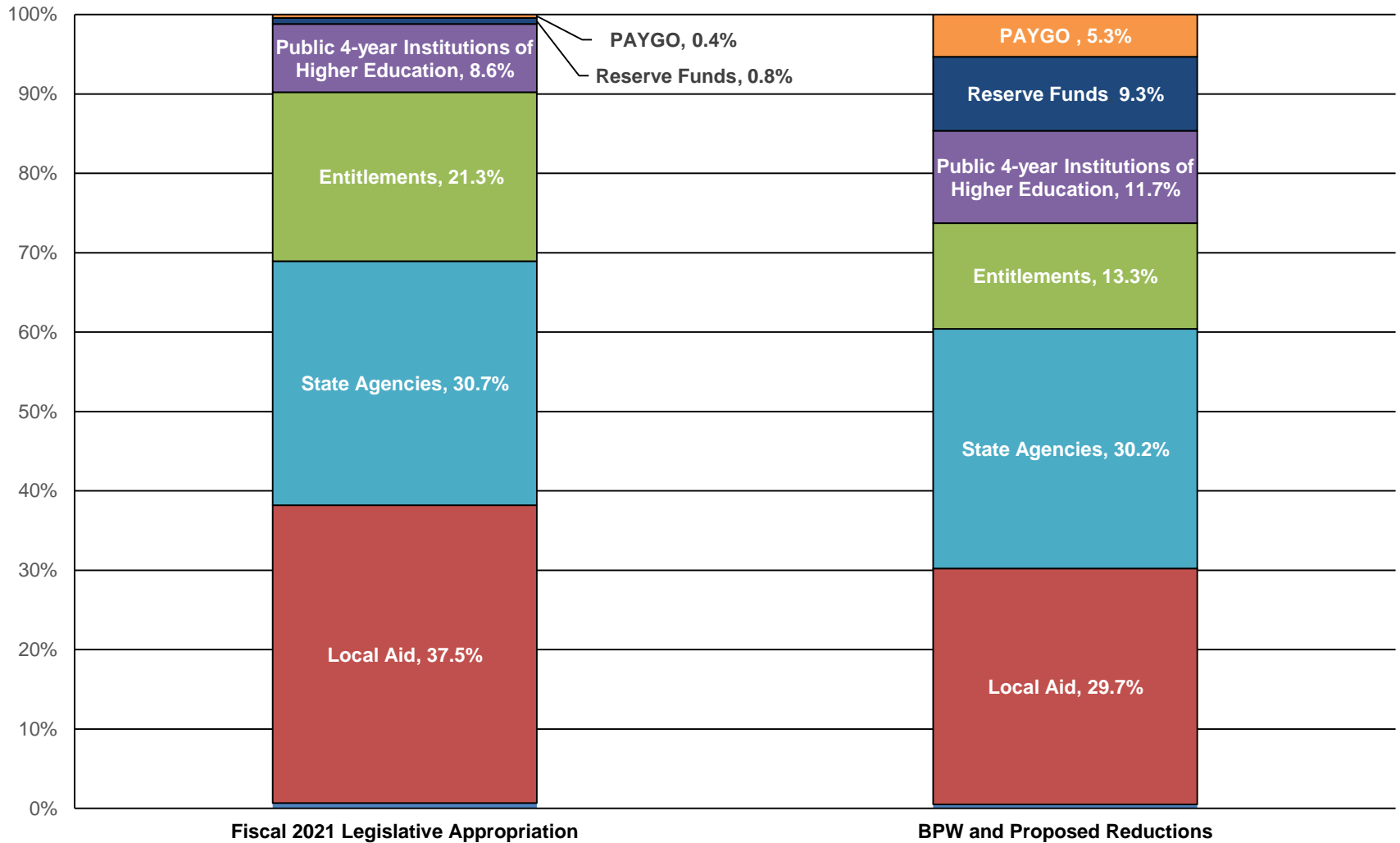
# Summary of July 1, 2020 BPW Reductions

(\$ in Millions)

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	<u>General Fund Savings</u>
USM and Morgan State University – 9% Reduction	\$126.3
Cade Community College Formula – Level Fund	36.4
Increase Medicaid Hospital Deficit Assessment	35.0
WMATA Grant – Not Clear if MDOT will Backfill	28.0
DJS (\$15.1 million) and DPSCS (\$7.4 million) Operations Savings	22.5
Sellinger Formula – Level Fund	10.6
Cyber Security Enhancements – 50% Reduction	10.0
No Funds for State Employee Unemployment Insurance Fund due to Surplus	9.3
State Police Operations including Closing a Helicopter Base	6.4
Historic Revitalization Tax Credit – Fund Using Existing Cash Balance	5.5
Major IT Projects – Scale Back Selected Projects	5.0
Critical Maintenance for State Facilities	5.0
Public Defender Operating Savings	4.9
Phase-out PARCC Assessment	4.8
No Funds for Community College Facilities Renewal – PAYGO	4.0
DHS IT Savings from Implementation of MD THINK IT Project	3.9
Promise Scholarship Program – Fund Current Demand	3.5
Baltimore City Community College	3.5
No Rate Increase for Institutional Foster Care Providers	3.1
National Capital Strategic Economic Development Fund	3.0
Baltimore City Violent Crime Prosecution – No New Positions for Attorney General	2.5
St. Mary's College	2.1
National Capital Regional Medical Center	2.0
Department of Aging – Enhanced Funding	2.0
SEED Community Development Anchor Institution	2.0
Baltimore City Crime Prevention	1.9
No Grant for Baltimore Symphony	1.6
Other	50.5
<b>Total General Fund Savings</b>	<b>\$395.0</b>

# Fiscal 2021 Adopted and Proposed Reductions Relative to Overall General Fund Budget



# Summary of Additional Administration Proposals

## (\$ in Millions)

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	<b>General Fund Savings</b>
Education Aid – TBD*	\$200
Salary Savings Including Legislative/Judicial Reversions – No COLA, 3% Fiscal 2021 Reduction via Furloughs or Temporary Salary Reduction	139
Local Government Aid – TBD**	130
Fund Medicaid with Surplus Reinsurance Dollars from Individual Market*	100
WMATA – No General Funds and Not Clear MDOT will Backfill*	97
Eliminate 4% Rate Increase for Behavioral Health, DDA, and Medicaid Providers**	79
General Fund PAYGO (Healthy Schools \$30 million, School Safety \$13.5 million, Rental Housing \$12 million, Community Development Projects \$7 million)*	63
Retirement Reinvestment (\$75 million total funds)**	61
Employee and Retiree Health Insurance – Favorable Trends and Other Changes**	33
Fund Balance from State Unemployment Insurance Fund (State Employees)*	30
Teachers’ Supplemental Grant – Eliminate Local Aid Program**	28
Overtime – Change Rules	20
Fund Balances for Various Health Boards and Commissions*	20
Local Share of SDAT Operating Costs Increases from 50% to 90%*	17
Disparity Grant – Level Fund**	12
Other Actions	30
<b>Total – Additional Administration Proposals</b>	<b>\$1,059</b>

\*Legislative Action required.

\*\*Legislative or BPW Action required.



# Budget Outlook – S2 Revenue Scenario

## (\$ in Millions)

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
S2 – Department of Legislative Services Fiscal Effects Forecast	-\$498	-\$2,429	-\$3,780
BPW Actions (7/1/2020)		395	336
<b>Balance After BPW Actions</b>	<b>-\$498</b>	<b>-\$2,034</b>	<b>-\$3,444</b>
<b>Available Federal Relief</b>			
Coronavirus Relief Fund	\$100	\$250	
Enhanced Medicaid Match	280	300	
<b>Remaining Budget Challenge</b>	<b>-\$118</b>	<b>-\$1,484</b>	<b>-\$3,444</b>
<b><u>Menu of Solutions</u></b>			
<b>Administration Proposals</b>			
Agency Reversions	\$70		
BPW Cuts Deferred		\$214	\$189
Budget Reconciliation and Financing Act/Other Actions Including Furloughs		844	600
Rainy Day Fund (\$1.1 billion available)	48	TBD	TBD
<b>Other Resources</b>			
Override Veto of Tobacco Tax Increase		\$50	\$92
Additional Federal Money if Congress Acts		TBD	TBD
Excess Bond Premium from July and Winter Sales Possible		TBD	
FY 2020 Revenues (Above/Below Estimate???)	TBD	TBD	
Other Fund Balance Transfers/Reductions		TBD	TBD

# Budget Outlook – S4 Revenue Scenario

## (\$ in Millions)

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
S4 – Department of Legislative Services Fiscal Effects Forecast	-\$700	-\$3,033	-\$5,168
BPW Actions (7/1/2020)		395	336
<b>Balance After BPW Actions</b>	<b>-\$700</b>	<b>-\$2,638</b>	<b>-\$4,832</b>
<b>Available Federal Relief</b>			
Coronavirus Relief Fund	\$100	\$250	
Enhanced Medicaid Match	280	300	
<b>Remaining Budget Challenge</b>	<b>-\$320</b>	<b>-\$2,088</b>	<b>-\$4,832</b>
<b><u>Menu of Solutions</u></b>			
<b>Administration Proposals</b>			
Agency Reversions	\$70		
BPW Cuts Deferred		\$214	\$189
Budget Reconciliation and Financing Act/Other Actions Including Furloughs		844	600
Rainy Day Fund (\$1.1 billion available)	250	TBD	TBD
<b>Other Resources</b>			
Override Veto of Tobacco Tax Increase		\$50	\$92
Additional Federal Money if Congress Acts		TBD	TBD
Excess Bond Premium from July and Winter Sales Possible		TBD	
FY 2020 Revenues (Above/Below Estimate???)	TBD	TBD	
Other Fund Balance Transfers/Reductions		TBD	TBD

# Other Challenges

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- Entitlement Caseloads
  - Growth exceeds May Department of Legislative Services forecast, increasing budget pressure
- Education Trust Fund
  - Administration has not developed plan to backfill the shortfall in casino revenue
  - Board of Revenue Estimates assumes shortfall of \$167 million for FY 2020 and \$176 million to \$279 million for FY 2021

# Past Actions Not Included in Administration Reductions

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- No use of transfer tax revenues currently appropriated for pay-as-you-go (PAYGO) despite elimination of most general fund PAYGO
- No use of local income tax reserve fund
- No reduction to Medicaid managed care rates despite indications that health insurers in Maryland are experiencing favorable trends

# Use of Coronavirus Relief Fund

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- Administration plans lack transparency
- Unclear how much of funding will support emergency contracts, higher pay for essential workers, small business grants and loans, and general fund budget relief
- Administration press releases indicate various uses of funds to support new initiatives

# Announced Uses of Coronavirus Relief Fund

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- \$1,055 M – Local Governments
- \$350 M – General Fund Relief (est.)
- \$100 M – K-12 Remote Learning
- \$100 M – Targeted Tutoring Initiative
- \$90 M – State Higher Education Institutions
- \$50 M – Small Business Assistance
- \$50 M – Nonprofit Recovery Initiative, including  
    \$3 M for Arts Council emergency relief fund
- \$30 M – Eviction Prevention
- \$10 M – Rural Broadband (wireless education network)
- About \$450 M – Currently Unallocated

# Concluding Thoughts

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- The outlook remains dynamic as uncertainty about a “second wave,” development of a vaccine, and possible additional congressional action impede reliable economic forecasting
  - State forecast currently assumes no second wave and widely available vaccine in middle of calendar 2021
- Under the more favorable S2 revenue scenario, the State faces a \$5 billion budget challenge over FY 2021 and FY 2022
  - This is equivalent to about 12% of the planned spending over the two years
- While additional federal aid may relieve pressure, significant State actions will almost certainly be necessary to address the shortfall and position the State to weather a longer term slowdown
  - Any delays in State action will only add to the challenge for FY 2022