
Fiscal Briefing

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Contents

Overview	1
Budget Highlights	2
Perspectives on Budget Change	3
Revenue	4
Maryland Personal Income Forecast.....	5
General Fund Revenues – Underlying Growth.....	6
General Fund Revenues: Year-to-date	7
Difference from Baseline	8
Budget Gap Analysis – Fiscal 2006.....	9
Enhancements Not Anticipated in DLS Current Services Baseline Budget.....	10
Fiscal 2006 Budget Problem	11
Fiscal 2006 Revenue Assumption Detail.....	12
The Budget	13
General Fund: Recent History and Outlook.....	14
State Expenditures – General Funds	15
Fiscal 2005 Deficiencies Total \$166 Million.....	16
Fiscal 2006 Reductions Contingent on Legislation Proposed by Administration	17
Fiscal 2006 General Fund Changes Over Adjusted Fiscal 2005 Budget.....	18
Discretionary Changes/Enhancements	19
Unresolved Issues – General Funds	20
State Reserve Fund Activity – Fiscal 2004 to 2006.....	21
Cigarette Restitution Funds.....	22
Outlook	23
Pro Forma Outlook for Fiscal 2007.....	24
Ongoing Revenues and Spending Structural Gap	25
Local Government	26
Annual Growth in State Aid to Local Governments	27
State Aid by Governmental Entity/Increase in State Aid by Governmental Entity	28
State Aid by Governmental Entity and Program.....	29
Proposed State Aid Reductions in Fiscal 2006	30, 31

State Workforce	32
How Does the 2006 Workforce Compare to the 2005 Workforce.....	33
Regular Full-time Equivalent Positions.....	34
The State Workforce: Where Are the New Positions in 2006?	35
Executive Branch Abolitions.....	36
Vacant Positions, Turnover Rate, and Necessary Vacancies	37
General Salary Increases, Increments, and Other Compensation	38
Appendix	39
Status of the General Fund – Fiscal 2005.....	40
Status of the General Fund – Fiscal 2006.....	41
State Assistance to Local Governments – Fiscal 2006 Allowance	42
State Assistance to Local Governments – Dollar Difference Between Fiscal 2006 Allowance and Fiscal 2005 Working Appropriation	43
State Assistance to Local Governments – Percent Change Between Fiscal 2006 Allowance and Fiscal 2005 Appropriation	44
State Assistance to Local Governments – Fiscal 2005 Working Appropriation	45
State Expenditures – Special and Higher Education Funds	46
State Expenditures – Federal Funds.....	47
State Expenditures – State Funds.....	48
State Expenditures – All Funds	49
Budget Financing Act of 2005 (HB 147/SB 124)	50
Budget Reconciliation Act of 2005 (HB 148/SB 127)	51
Tax Compliance Act of 2005 (HB 149/SB 126)	52
Acronyms	53

Overview

Budget Highlights

Funded in Allowance

- Employee Increments and 2% Cost-of-living Adjustment for Employees (\$117 million)
- School Construction at \$157.6 million
- Increases for the University System of Maryland at \$40.6 million + \$2.5 million grant to UMBC's Aging Studies Program and Morgan State University at \$2.5 million; \$15 million for Need-based Scholarships
- Mandated Amount for K-12 Education – \$392 million increase
- Amounts Related to Governor's Medicaid Malpractice Proposal Not Required under Enacted Legislation

Not Funded in Allowance

- Geographic Cost of Education Index (\$54.2 million)
- Growth in Employee Health Insurance Costs (\$58 million General Funds)
- Prevailing Wage Unit of Department of Labor, Licensing, and Regulation
- Employment Standards Unit of Department of Labor, Licensing, and Regulation
- Health Claims Arbitration Office – Some Funds Shifted to DHMH

Contingent Reductions and Transfers

- Electric Utility Generating Equipment Property Tax Grant (\$30.6 million)
- Seller Funding for Private Colleges and Universities (\$10 million)
- Smoking Cessation or Cancer Prevention, Screening, and Treatment (\$10 million)
- Senatorial and Delegate Scholarships Transferred to Need-based Aid
- After 1/1/06, Use Senior Prescription Drug Revenue for Pharmacy Assistance
- 75% of 2006 Transfer Tax and 2004 Overattainment (\$163 million)

Taxes and Fees

- Additional Tax Compliance Measures (\$70 million)
- Phased Credit for Veterans' Retirement Income (-\$2.4 to -\$25 million / 5 years)
- Credits for Film Production Wages, Biotech, and Research/Development
- Fees to Offset General Funds in Parole and Probation, Drinking Driver Monitoring, Police and Correctional Training, Water Pollution Control Program, and Heritage Tax Credit Administration
- Distribution from MetLife Demutualization Funds Employee/Retiree Health in 2005 (\$13.6 million)

Perspectives on Budget Change
Budget as Submitted
(\$ in Millions)

	<u>FY 2005</u> ⁽¹⁾	<u>FY 2006</u> ⁽³⁾	<u>\$ Change</u>	<u>% Change</u>
General	\$11,269.5	\$12,200.2	\$930.7	8.3%
Special	4,447.6 ⁽²⁾	4,791.3	343.7	7.7%
Federal	5,900.2	6,195.0	294.8	5.0%
Higher Education	<u>2,592.7</u>	<u>2,684.6</u>	<u>91.9</u>	<u>3.5%</u>
	\$24,210.0	\$25,871.1	\$1,661.1	6.9%

(1) FY 2005 includes deficiency appropriations.

(2) Excludes one-time GO bond refunding amendment.

(3) Reflects contingent reductions and reversions.

The Budget Exceeds Spending Affordability
By How Much Is the Question
(\$ in Millions)

	<u>\$ over SAC</u>
Budget Statement (Appendix G, Budget Highlights)	\$77.5
Reductions to Mandated Funding Assumed in Budget Statement	<u>83.1</u>
	\$160.6
Additional Exclusions Counted by the Governor That Appear Inconsistent with SAC Guidelines. (DLS is reviewing these items.)	\$145.0
The Range by Which the Allowance Exceeds the SAC Limit:	\$160.6 – \$305.6

Revenue

Maryland Personal Income Forecast
(\$ in Millions)

	<u>Actual</u>	<u>BRE Forecast*</u>		
	<u>CY 2003</u>	<u>CY 2004</u>	<u>CY 2005</u>	<u>CY 2006</u>
Total Personal Income	\$206,166	\$217,624	\$229,936	\$242,889
		5.6%	5.7%	5.6%

General Fund Revenue Forecast
(\$ in Millions)

<u>Source</u>	<u>Actual</u>	<u>BRE*</u>	<u>Change over FY04</u>		<u>BRE*</u>	<u>Change over FY05</u>	
	<u>FY 2004</u>	<u>FY 2005</u>	<u>Amount</u>	<u>Percent</u>	<u>FY 2006</u>	<u>Amount</u>	<u>Percent</u>
Personal Income Tax	\$5,078	\$5,376	\$299	5.9%	\$5,718	\$342	6.4%
Sales and Use Tax	2,922	3,087	165	5.6%	3,230	143	4.6%
Lottery	436	446	10	2.3%	461	15	3.3%
Corporate Income Tax	329	420	92	27.9%	467	47	11.1%
Business Franchise Tax	191	195	4	2.2%	195	0	-0.1%
Insurance Premiums Tax	260	274	14	5.4%	277	3	1.2%
Estate & Inheritance Taxes	154	164	11	6.8%	160	-4	-2.4%
Excise Taxes ⁽¹⁾	312	310	-2	-0.6%	307	-4	-1.2%
Court Revenue	141	132	-10	-6.8%	126	-6	-4.2%
Interest	27	51	24	91.1%	42	-9	-16.7%
Other ⁽²⁾	392	414	22	5.6%	323	-91	-21.9%
Current Revenues	\$10,241	\$10,869	\$629	6.1%	\$11,306	\$437	4.0%
Delaware Holding Co. Settlements	12	151					
Miscellaneous Transfers	2						
Total	\$10,255	\$11,020	\$766	7.5%	\$11,306	\$286	2.6%

* From the Board of Revenue Estimates, December 2004.

⁽¹⁾ Tobacco, alcohol beverages, and motor fuel taxes.

⁽²⁾ Includes miscellaneous revenues and hospital patient recoveries.

General Fund Revenues – Underlying Growth (\$ in Millions)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Total Current Revenues	\$10,240.7	\$10,869.3	\$11,306.3
\$ change over prior year		\$628.6	\$437.0
% change over prior year		6.1%	4.0%
<i>Nonrecurring Revenues</i>			
Abandoned Property ⁽¹⁾		-\$65.5	
<i>Permanent Revenue Changes</i>			
Delaware Holding Co. (HB 297)		-\$31.4	-\$22.4
Non-Resident Income Tax (BRFA '04)		-38.6	-27.8
Federal Decoupling (BRFA '04)		-13.5	-12.9
6% Provider Fee (BRFA '04)	-3.9	-7.5	-5.7
Miscellaneous Fees (BRFA '04)		-5.6	-6.7
<i>Heritage Preservation Tax Credit</i> ⁽²⁾	\$25.9	\$72.3	\$17.4
Underlying Current Revenues	\$10,262.8	\$10,779.5	\$11,248.1
\$ change over prior year		\$516.7	\$468.7
% change over prior year		5.0%	4.3%

(1) Fiscal 2005 includes a one-time windfall from the demutualization of several insurance companies and the one-time effect of a provision in the 2004 Budget Reconciliation and Financing Act which requires holders of abandoned property to remit the property at the time it is reported as abandoned rather than waiting up to 265 days.

(2) Estimates of the revenue loss from the heritage tax credit on a fiscal year basis are highly speculative. Because of the uncertainty, the credit is excluded to avoid the distorting effect of wide swings in the estimate.

General Fund Revenues: Year-to-date
(\$ in Millions)

<u>Source</u>	<i>Fiscal Year through December</i>				<u>Full-year Estimated Growth Rates</u>
	<u>FY 2004</u>	<u>FY 2005</u>	<u>\$ Change</u>	<u>% Change</u>	
Sales and Use Tax	\$1,179.4	\$1,260.5	\$81.0	6.9%	5.6%
Lottery	211.4	215.6	4.2	2.0%	2.3%
Corporate Income Tax	88.1	192.5	104.4	118.4%	27.9%
Business Franchise Tax	67.4	76.6	9.2	13.7%	2.2%
Insurance Premiums Tax	111.9	121.5	9.6	8.6%	5.4%
Estate & Inheritance Taxes	67.9	99.5	31.7	46.6%	6.8%
Excise Taxes ⁽¹⁾	140.6	139.9	-0.7	-0.5%	-0.6%
Court Revenue	69.5	71.2	1.7	2.5%	-6.8%
Interest	8.0	14.2	6.1	76.1%	91.1%
Other ⁽²⁾	78.0	68.9	-9.2	-11.7%	8.8%
Subtotal	\$2,022.3	\$2,260.4	\$238.1	11.8%	6.6%
Personal Income Tax ⁽³⁾	1,885.0	2,200.8	315.8	16.8%	5.9%
Delaware Holding Co. Settlements	1.2	151.0			
Total	\$3,908.4	\$4,612.2	\$703.8	18.0%	7.6%

⁽¹⁾ Tobacco, alcohol beverages, and motor fuel taxes. Motor fuel tax revenue is through November.

⁽²⁾ Includes miscellaneous revenues and hospital patient recoveries (insurance, sponsors, and Medicare only).

⁽³⁾ Fiscal 2005 collections reflect certain law changes that were not in effect at this time last year. Specifically, these law changes include flat withholding, an accelerated schedule for paying withholding, and increasing the safe harbor for estimated payments from 100% of the prior year's liability to 110%. All of these provisions have the effect of artificially inflating current collections relative to last year, but it is not possible to quantify the effect.

Difference from Baseline

Budget Gap Analysis – Fiscal 2006
(\$ in Millions)

	<u>FY 2006</u>
DLS Baseline Gap Forecast	-\$319
 Resolving the Gap	
Budget Reductions	
Net Cuts from FY 2005 DLS Baseline Deficiencies	96
Net Cuts from DLS FY 2006 Baseline	149
Cuts Contingent on Legislation	<u>79</u>
	323
 Transfers	
Proposed at 2005 Session	<u>163</u>
	163
 Revenues	
New Revenues	<u>68</u>
	68
 Total Gap Solving Actions	 \$554
 Net Change in Cash Available	 \$235
No Transfer from Rainy Day Fund to General Fund	\$218
General Fund Balance	\$17

**Enhancements Not Anticipated in
DLS Current Services Baseline Budget
(General Funds in Millions)**

General Salary Increase	\$52.7
Appropriation to Reserve Fund for Governor's Medical Malpractice Proposal	30.0
Medicaid Physician Rate Increase	18.5
Judiciary	17.4
Scholarships	10.1
State Police Laptops for Smart Cars	7.5
Major Information Technology Projects	6.1
Film Production Tax Credit	6.0
Allowance Assumes Fewer Reversions	15.0
Other	34.3
Total Enhancements	\$197.6

**Reductions from DLS Current Services Baseline Budget
(General Funds in Millions)**

One-time Reductions

One-time Fund Swaps in Cash Assistance and Other DHR Programs	\$18.0
Reduce Growth in Aid to Private Colleges	10.1
No Deferred Compensation Match of \$600	9.0
Other	5.8
Total One-time Reductions	\$42.9

Ongoing Reductions

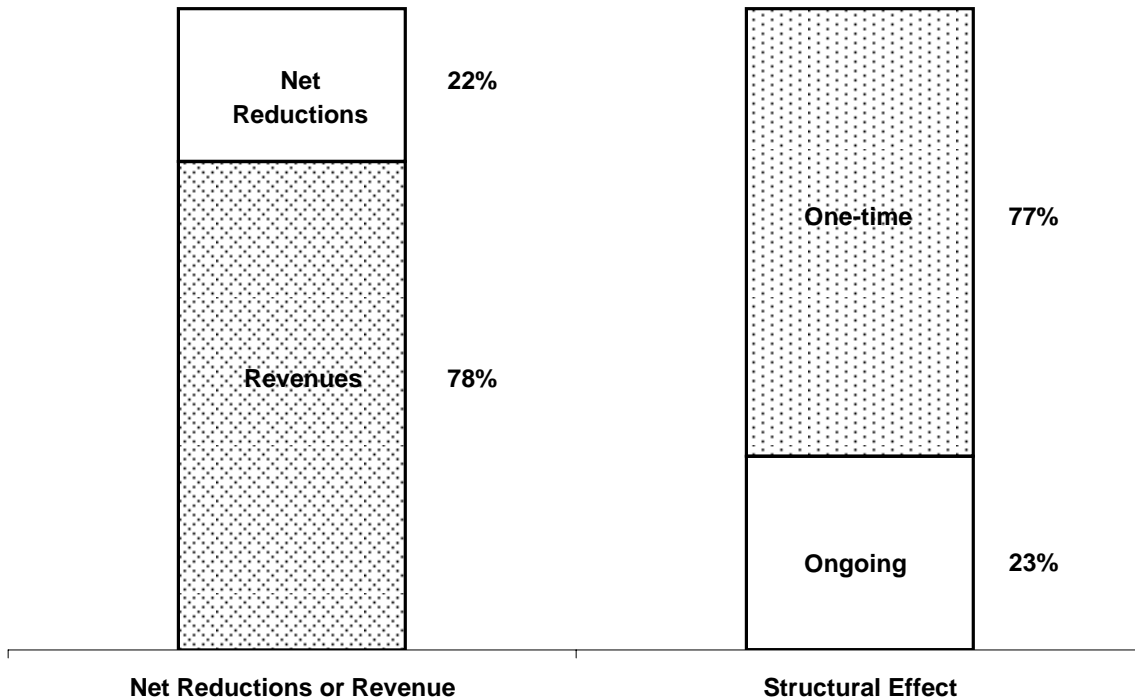
Employee Health Insurance	58.0
Favorable Cost/Caseload Trends for Entitlements Including Medicaid, Mental Health, Foster Care, Temporary Cash Asst., and Non-public Placements	56.6
No Funds for Geographic Cost of Education Index	54.2
Constrain Medicaid Funds for Nursing Homes, Managed Care, and Medical Day Care, and Reduce Fraud/Abuse	37.0
Abolish Electric Utility Generating Equipment Property Tax Grant	30.6
Shift Costs to Special/Federal Funds (DNR, MDE, DHCD, MDA, and DPSCS)	19.5
Premium Tax Exemption for CareFirst to Fund Portion of Pharmacy Assistance	11.8
DJS Residential Placements Savings through Enhanced In-Home Services	7.0
Subsidized Child Care	7.0
Education Aid – Shift Some Non-public Placement Costs to Locals	5.8
Education Aid – Challenge Grants	3.8
Net of Other Changes	88.8
Total Ongoing Reductions	\$381.9

Net Reductions in Excess of Enhancements **\$227.3**

Fiscal 2006 Budget Problem (\$ in Millions)

BRE Estimated General Fund Revenues	\$11,306
DLS Estimated Cost of Current Services Baseline	12,428
Fiscal 2006 Budget Gap	-\$1,122

Administration's Fiscal 2006 Budget Solution



Proposed Fiscal 2006 Budget Solution Matrix

	<u>One-time</u>	<u>Ongoing</u>	<u>Total</u>	<u>Percent</u>
Net Reductions	\$58	\$201	\$259	22%
Revenues	844	67	911	78%
Total	\$902	\$268	\$1,170	100%
Percent	77%	23%	100%	

Fiscal 2006 Revenue Assumption Detail

(General Funds in Millions)

	<u>FY 2006</u>
One-time General Fund Transfers	
Fund Balance	\$680.3
Transfer Tax and Estimated Fiscal 2004 Overattainment*	163.3
Subtotal	\$843.6
One-time General Fund Revenues	
Federal Reimbursement for Cemetery Expansion	\$0.6
Subtotal	\$0.6
Subtotal One-time Transfers and Revenues	\$844.2
Ongoing General Fund Revenue Changes	
Withholding from Lump Sum Retirement Distributions*	\$30.0
Tax Clearance for Drivers' Registration and License Renewals*	15.0
Additional Comptroller Staff – Bank Attachment Process	8.0
Adjust Withholding to 6% for Out-of-state Realty Sales*	6.0
Reduce Withholding Allowances for Debtors*	5.0
Eliminate Vendor Discount for Paper Filing of Sales Tax Returns*	3.0
Other Various Revenues*	3.3
Tax Credit for Veterans*	-2.4
Rosewood Hospital Revenue Loss*	-0.7
Subtotal	\$67.2
Grand Total	\$911.4

* Will require enactment of legislation.

The Budget

General Fund: Recent History and Outlook
Fiscal 2003 – 2006
(\$ in Millions)

	Actual		Forecast	
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Funds Available				
Ongoing Revenues	\$9,281	\$10,151	\$10,792	\$11,361
Balances and Transfers	1,124	469	927	844
One-time Federal Aid	123	227	0	1
Short-term Revenues	48	104	231	13
Subtotal Funds Available	\$10,577	\$10,951	\$11,950	\$12,218
Appropriations, Deficiencies, and Cost Containment				
Net Ongoing Operating Costs and Deficiencies	\$10,240	\$10,488	\$11,162	\$11,846
Prior Year Withdrawn Appropriations/One-time Cuts	2	0	0	0
Capital/Heritage Tax Credit Reserve Fund	31	1	1	21
Appropriations to Reserve Fund	181	10	107	334
Subtotal Spending	\$10,454	\$10,498	\$11,270	\$12,200
Cash Balance/Shortfall	\$123	\$453	\$680	\$18
Structural				
Balance (Ongoing revenues less operating costs)	-\$958	-\$337	-\$370	-\$485
Ratio (Ongoing revenues/operating costs)	91%	97%	97%	96%
Reserve Fund Activity				
Appropriations to Rainy Day Fund	\$181	\$0	\$104	\$250
Transfers to General Fund	-249	0	-91	0
Net Change	-\$68	\$0	\$13	\$250
Estimated Rainy Day Fund Balance – June 30	\$490	\$497	\$519	\$796

State Expenditures – General Funds
(\$ in Millions)

<u>Category</u>	<u>Actual</u> <u>FY 2004</u>	<u>Work. Appr.</u> <u>FY 2005</u>	<u>Allowance</u> <u>FY 2006</u>	<u>Contingent</u> <u>Reductions</u> <u>FY 2006</u>	<u>Revised</u> <u>Allowance</u> <u>FY 2006</u>	<u>FY 2005 to FY 2006</u>	
						<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	n.a.
Aid to Local Governments							
County/Municipal	204.0	207.6	212.1	-31.1	181.0	-26.6	-12.8%
Community Colleges	174.9	184.0	191.7	0.0	191.7	7.6	4.1%
Education/Libraries	3,367.7	3,683.2	4,081.9	-5.8	4,076.1	392.9	10.7%
Health	60.4	60.9	61.5	0.0	61.5	0.6	1.0%
	3,807.1	4,135.7	4,547.2	-36.9	4,510.3	374.5	9.1%
Entitlements							
Foster Care Payments	204.9	172.5	216.4	0.0	216.4	43.9	25.5%
Assistance Payments	59.9	75.6	48.6	0.0	48.6	-26.9	-35.7%
Medical Assistance	1,623.3	1,906.8	2,034.7	-11.9	2,022.8	116.0	6.1%
Property Tax Credits	48.8	49.6	50.4	0.0	50.4	0.8	1.5%
	1,936.9	2,204.5	2,350.1	-11.9	2,338.3	133.7	6.1%
State Agencies							
Health	1,181.6	1,224.3	1,239.7	-5.1	1,234.6	10.3	0.8%
Human Resources	285.2	314.9	300.0	-1.2	298.8	-16.1	-5.1%
Systems Reform Initiative	26.3	36.0	34.2	0.0	34.2	-1.7	-4.8%
Juvenile Justice	170.3	176.7	178.7	-0.4	178.3	1.6	0.9%
Public Safety/Police	825.4	974.1	1,007.7	-2.3	1,005.4	31.3	3.2%
Higher Education	837.5	851.0	897.8	-1.6	896.2	45.2	5.3%
Other Education	260.6	286.7	318.0	-10.3	307.7	21.0	7.3%
Agric./Natl Res./Environment	135.0	130.2	121.7	-4.5	117.2	-13.1	-10.0%
Other Executive Agencies	455.3	505.8	583.4	-3.4	580.0	74.3	14.7%
Judicial/Legislative	329.4	341.9	365.9	0.0	365.9	24.0	7.0%
Across-the-board cuts	0.0	0.0	0.0	-0.9	-0.9	-0.9	n.a.
	4,506.6	4,841.4	5,047.1	-29.8	5,017.3	175.9	3.6%
Subtotal	\$10,250.6	\$11,181.7	\$11,944.4	-\$78.5	\$11,865.9	\$684.2	6.1%
Capital/Heritage Reserve Fund	0.9	1.2	20.6	0.0	20.6	19.4	1619.3%
Reserve Fund	10.0	106.7	333.7	0.0	333.7	227.0	212.9%
Appropriations	\$10,261.5	\$11,289.5	\$12,298.7	-\$78.5	\$12,220.2	\$930.7	8.2%
Reversions	0.0	-20.0	-20.0	0.0	-20.0	0.0	0.0%
Grand Total	\$10,261.5	\$11,269.5	\$12,278.7	-\$78.5	\$12,200.2	\$930.7	8.3%

Note: Fiscal 2005 reflects deficiency appropriations of \$94.1 million.

Fiscal 2005 Deficiencies Total \$166 Million
(\$ in Millions)

	<u>GF</u>	<u>SF</u>	<u>FF</u>
Medicaid	\$58.0		\$58.0
Provides for managed care organization rate increases and \$35 million in prior year claims.			
Department of Public Safety and Correctional Services	21.3		
Provides funding for local jail per diem payments, for which \$14.6 million represents prior year shortfalls.			
Department of Budget and Management	6.4	\$13.6	
Provides \$15 million to cover health insurance costs, which have increased based on the most recent enrollment period (\$1.3 GF/\$13.6 SF). The special funds come from a one-time settlement related to demutualization of the Metropolitan Life Insurance Company. A separate \$5.0 million GF is provided to cover current workers' compensation claims based on claims activity through November 2004.			
Maryland State Department of Education	2.7		
Supplements the appropriation for services under the Autism waiver, which provides services to autistic children in the most appropriate and least restrictive environment. This funding allows the State to provide a 50% match for the waiver, as required by the federal government.			
Maryland Stadium Authority	2.5		
Provides for the State share of the Baltimore City Convention Center operating deficit for prior years. The State is required to pay for two-thirds of the operating deficit; however, annual appropriations did not always reconcile to actual spending.			
State Treasurer's Office	1.8		
Includes \$0.8 million to pay higher banking fees on State deposit and disbursement accounts. These contracts were recently rebid. Another \$1.0 million is intended to complete the bank reconciliation project to ensure accounting of State funds.			
Department of Assessments and Taxation	1.5		
Provides reimbursement of Homeowners' Tax Credits to local governments.			
Total Fiscal 2005 Deficiencies	\$94.1	\$13.6	\$58.0

**Fiscal 2006 Reductions Contingent on Legislation
Proposed by Administration
(General Funds in Millions)**

	<u>FY 2006</u>
Electric Utility Generating Equipment Property Tax Grant	\$30.6
DHMH Maryland Pharmacy Assistance Program Offset*	11.8
Aid to Non-public Higher Education Institutions (Sellinger)	10.1
Deferred Compensation Match	7.6
Non-public Special Education Placements*	5.8
Increase State Parks Funding from Transfer Tax*	3.0
DHMH Indirect Cost Assessment (MHCC & HSCRC)*	1.8
Baltimore City Community College	1.6
Community Services for Developmentally Disabled*	1.2
Wetlands Permit Fees to Fund Water Pollution Control Program*	1.0
Maryland Tourism Board	1.0
Eliminate Gas Tax on Gas for State Cars*	0.9
Fund Police & Correctional Training Commissions with Court Fees*	0.8
Senior Citizens Activities Centers	0.5
Heritage Tax Credit Fee*	0.4
Maryland State Arts Council	0.2
Agencies on Aging – Reduce Hold Harmless	0.2
Increase Pharmacy Co-pays in Medicaid*	0.1
Medicaid Estate Recoveries*	0.0 ⁽¹⁾
Grand Total	\$78.5

* Implementing the reduction would require the enactment of legislation.
The legislature can implement the other reductions through the budget bill.

⁽¹⁾ Contingent reduction for Medicaid estate recoveries totals \$28,779.

Fiscal 2006 General Fund Changes Over Adjusted Fiscal 2005 Budget (\$ in Millions)

	<u>Allowance Increase</u>	<u>Contingent Reduction</u>	<u>Proposed Increase</u>
Constitutional/Statutory			
Aid to Education/Libraries	\$398.7	-\$5.8	\$392.9
Appropriation to Reserve Fund: Sweeper	146.0		146.0
Begin Repayment of Transportation Trust Fund	50.0		50.0
Judiciary – Includes Judicial Compensation Commission Proposal	17.3		17.3
Heritage Tax Credit Reserve Fund – Chapter 76, Acts of 2004	20.0		20.0
Wage Initiative (Developmental Disabilities Administration)	12.2		12.2
Sellinger Aid to Non-public Higher Education Institutions	10.8	-10.1	0.7
Community Colleges (Cade Formula, Fringe Benefits, Other)	7.6		7.6
Disparity Grant (\$3.5 million) and Other Local Aid	5.1		5.1
Baltimore City Community College	3.2	-1.6	1.6
Private Donation Incentive Program	1.5		1.5
Legislature	1.5		1.5
Formula for School for the Deaf	1.3		1.3
Arts Council/Tourism Board	0.8	-1.2	-0.4
Legislative Scholarships	0.7		0.7
St. Mary's College	0.4		0.4
Senior Citizen Centers	0.0	-0.5	-0.5
Local Jail Reimbursements – Deficiency Includes One-time Costs	-14.5		-14.5
Utility Restructuring Grant	0.0	-30.6	-30.6
Entitlements			
Medicaid	142.4	-11.9	130.5
Foster Care	43.9		43.9
Property Tax Credits	0.8		0.8
Assistance Payments – Caseload Drop/Cost Shift to Federal Dollars	-26.9		-26.9
Commitments			
Public Safety: Inmate Medical Contract/Open New Prison Wing	26.9		26.9
Information Technology	17.0		17.0
MSDE: Matching Funds for Autism Waiver	5.0		5.0
Subsidized Child Care	-3.0		-3.0
Net DJS Placement Savings Through Enhanced Community Services	-5.6		-5.6
Fund Shifts			
Fund Drinking Driver Monitor Program with New Fee Revenues	-8.1		-8.1
Agriculture, DNR, MDE – Fund Shifts	-4.0	-4.0	-8.0
DHR: Utilize Federal TANF Bonus Payments & Balance	-6.0		-6.0
Other Fund Shifts (Attorney General, DHMH, DHCD)	-1.0	-2.2	-3.2
Personnel Expenses			
Salary Increments	32.0		32.0
Increase in Retirement Rates	24.7		24.7
Workers' Compensation Charges	4.8		4.8
Deferred Compensation Match	8.7	-7.6	1.1

**Discretionary Changes/Enhancements
Fiscal 2006 General Fund Increase Over
Adjusted Fiscal 2005 Appropriation
(\$ in Millions)**

	<u>Allowance Change</u>
<u>Enhancements</u>	
General Salary Increase	\$52.7
University System of Maryland/Morgan State University	39.3
Reserve Fund: Medical Malpractice (\$30 million), DHR (\$2 million), and Catastrophic Event Fund (\$2 million)	34.0
Medicaid Physician Rate Increase	18.5
Scholarships	15.1
State Police Laptops	7.5
New Film Production Tax Credit	6.0
Increase Staffing Levels at Office of the Public Defender by 85	4.5
Medicaid: Expand Waiver for Older Adults, Initiate Buy-In Program for Working Adults with Disabilities, and Raise Personal Care Rates	4.0
MD State Dept. of Education – Develop Assessments for 5th and 8th Grade	4.0
Child Welfare: Training, Vacancy Reduction, Recruit Foster Families	3.3
Developmentally Disabled – Transitioning Youth	3.0
MHEC Grant to UMBC for School of Aging Studies	2.5
State Aided Educational Institutions	1.3
Horse Breeding Fund – Increase Purses	1.3
St. Mary's College	0.2
<u>Funding Reductions</u>	
Medicaid: Contain Long-term Care (\$12 million) & MCO Rates (\$7 million), Antipsychotic Drugs on Preferred List (\$2 million), and Reduce Fraud (\$16 million)	-37.0
HOPE Scholarships	-5.8
DBED Enterprise Fund Allocation Reduced by 50%	-3.5
Forestry Service, Natural Resources Police, and Park Operations (DNR)	-2.1
Child Care Resource and Referral Network – 50% Reduction	-1.9
Office for Children, Youth, and Families – 34% Reduction	-1.4
Total Maximum Daily Loads – Water Pollution Computer Models (MDE)	-1.0
Department of Planning – 12% Reduction	-1.0
No funding for DLLR's Employment Standards, Prevailing Wage, and Russian Immigrant Programs	-0.9
Family Support Centers – 17% Reduction	-0.8
Health Claims Arbitration Office – Limited Functions Move to DHMH	-0.4
No Lead Poisoning Prevention Grant	-0.3

Unresolved Issues
General Funds
(\$ in Millions)

	<u>Total</u>
Employee Health Insurance – No Additional Funding/Cost Containment to Be Determined	\$58
Medicaid Costs Understated (FY 2005)	35
Department of Human Resources: Inappropriate Federal Charges Remain Unresolved	17
Mental Health Services (Prior Years)	15
New Inmate Medical Contract – Growth Falls Short of Previous Projections	14
Total	\$139

State Reserve Fund Activity – Fiscal 2004 to 2006

(\$ in Millions)

	Rainy Day Fund	Dedicated Purpose Acct.	Catastrophic Event Acct.	Joseph Fund Acct.
Balances on Hand 6/30/03	\$490.2	\$11.4	\$0.2	\$8.2
Fiscal 2004 Appropriations:	0.0	0.0	0.0	0.0
Fiscal 2004 Deficiency Appropriations			10.0	
Expenditures:				
Hurricane Isabel Reconstruction			-2.9	
Child Welfare Protective Services				-8.2
TANF/Welfare Programs		-11.4		
Estimated Interest:	6.4			0.0
Balances on Hand 6/30/04	\$496.6	\$0.0	\$7.4	\$0.0
Fiscal 2005 Appropriations	103.7	3.0	0.0	0.0
Expenditures:				
Hurricane Isabel Reconstruction		-3.0	-0.2	
Transfers to General Fund	-91.0			
Estimated Interest:	11.5			0.0
Estimated Balances 6/30/05	\$520.7	\$0.0	\$7.1	\$0.0
Fiscal 2006 Appropriations	249.7	82.0	2.0	0.0
Expenditures				
Reimburse TTF		-50.0		
Transfers to General Fund	0.0			
Estimated Interest	25.1			0.0
Estimated Balances 6/30/06	\$795.6	\$32.0 ¹	\$9.1 ²	\$0.0
Balance in Excess of 5% GF Revenues	\$230.3			

¹ Allowance includes funds for medical malpractice rate stabilization.

² DBM advises that they are currently reviewing costs related to housing needs of owners whose primary residences were damaged by the hurricane.

Cigarette Restitution Funds (\$ in Millions)

	<u>FY 2004 Actual Spending</u>	<u>FY 2005 Working Appropriation</u>	<u>FY 2006 Allowance</u>	<u>FY 05-06 Change</u>
Beginning Fund Balance	\$51.0	\$10.5	\$11.4	
Settlement Payments and Interest	150.7	148.8	149.0	
Available Revenue	\$201.7	\$159.3	\$160.4	
Payment to Law Offices	-\$30.0	-\$30.0	-\$29.9	
From Special Reserve Fund	13.5			
Total Available Revenue	\$185.2	\$129.3	\$130.5	\$1.2
Health				
Management	\$0.5	\$0.4	\$0.3	-\$0.1
Tobacco	13.8	9.5	9.2	-0.3
Cancer	31.0	30.5	20.1	-10.4
Substance Abuse	17.1	17.1	17.1	-
Medicaid	108.3	51.5	66.8	15.3
Subtotal	\$170.7	\$109.0	\$113.5	\$4.5
Aid to Nonpublic Schools	\$3.0	\$3.0	\$3.0	-
Crop Conversion	\$5.1	\$5.7	\$6.0	\$0.3
Attorney General	\$0.0	\$0.2	\$0.2	-
Total Expenses	\$178.9	\$117.9	\$122.7	\$4.8
Recovery of Prior Year Expenditures	4.2			
Ending Fund Balance	\$10.5	\$11.4	\$7.7	

Outlook

Pro Forma General Fund Outlook for Fiscal 2007
(\$ in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>
Ongoing Revenues	\$11,294	\$11,789
New Ongoing Revenues Proposed at 2005 Session	67	82
	\$11,361	\$11,871
Ongoing Spending – DLS Baseline	\$12,105	\$13,004
Net Impact of Allowance on Ongoing Spending	-259	-277
	\$11,846	\$12,727
Imbalance	-\$485	-\$856
Available Cash		
Fund Balance		\$18
Transfer Rainy Day Fund Balance in Excess of 5%		227
Temporary Dedication of Transfer Tax Revenues to GF		206
Total Available Cash		\$451
Remaining Gap		-\$406

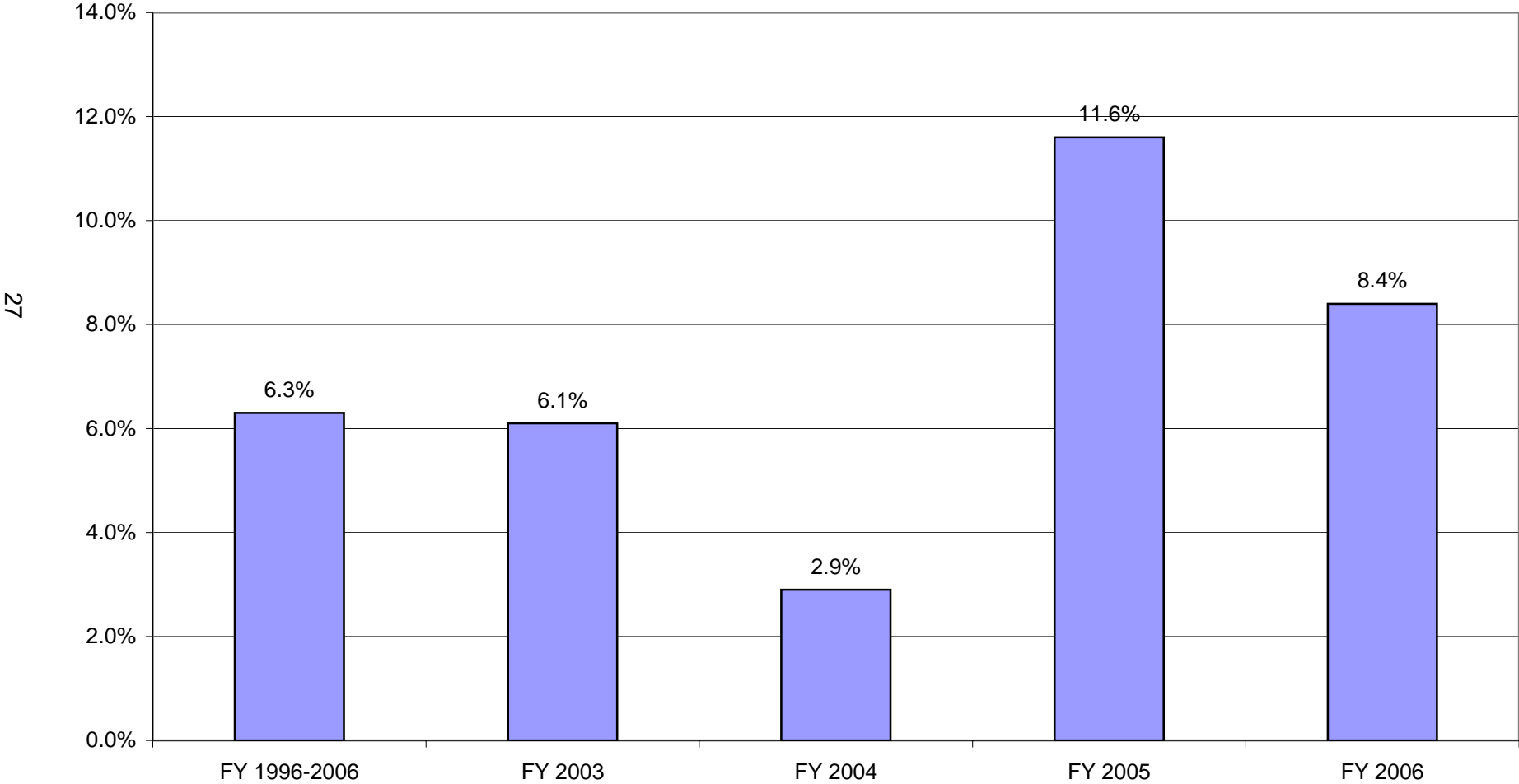
Ongoing Revenues and Spending Structural Gap Persists



◆ Ongoing Spending ■ Ongoing Revenues
▲ Structural Balance

Local Government

Annual Growth in State Aid to Local Governments General and Special Funds



**State Aid by Governmental Entity
Amount and Percent of Total
State Funds
(\$ in Millions)**

	<u>FY 2006 State Aid Amount</u>	<u>Percent of Total</u>
Public Schools	\$4,027.1	78.7%
Libraries	50.6	1.0%
Community Colleges	191.6	3.7%
Local Health	61.5	1.2%
County/Municipal	787.7	15.4%
Total	\$5,118.5	100.0%

**Increase in State Aid
by Governmental Entity
State Funds
(\$ in Millions)**

	<u>FY 2006 Aid Increase</u>	<u>Percent Increase</u>
Public Schools	\$392.4	10.8%
Libraries	0.2	0.5%
Community Colleges	7.6	4.1%
Local Health	0.6	1.0%
County/Municipal		
Ongoing Grants	76.0	10.7%
Unclaimed Income Taxes	-81.0	-100.0%
Subtotal	-5.0	-0.6%
Total	\$395.9	8.4%

State Aid by Governmental Entity and Program

State Funds

(\$ in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>Difference</u>	<u>Percent Difference</u>
Public Schools				
Foundation Program	\$2,114.6	\$2,308.3	\$193.7	9.2%
Compensatory Aid	488.1	607.2	119.1	24.4%
Student Transportation	175.5	187.1	11.6	6.6%
Special Education – Formula	157.6	191.3	33.6	21.3%
Special Education – Nonpublic	108.8	111.0	2.2	2.0%
Limited English Proficiency	51.3	67.8	16.5	32.1%
Guaranteed Tax Base	19.1	38.7	19.6	102.5%
Geographic Cost Index	0.0	0.0	0.0	
Other Education Programs	116.5	108.9	-7.6	-6.5%
Subtotal Direct Aid	\$3,231.5	\$3,620.2	\$388.7	12.0%
Retirement Payments	403.2	406.9	3.7	0.9%
Total Public School Aid	\$3,634.7	\$4,027.1	\$392.4	10.8%
Libraries				
Library Aid Formula	\$27.8	\$28.0	\$0.3	0.9%
State Library Network	14.2	14.2	0.0	0.0%
Subtotal Direct Aid	\$41.9	\$42.2	\$0.3	0.6%
Retirement Payments	8.4	8.4	0.0	-0.3%
Total Library Aid	\$50.4	\$50.6	\$0.2	0.5%
Community Colleges				
Community College Formula	\$146.6	\$154.1	\$7.6	5.2%
Other Programs	21.4	21.7	0.3	1.5%
Subtotal Direct Aid	\$167.9	\$175.9	\$7.9	4.7%
Retirement Payments	16.0	15.7	-0.3	-1.9%
Total Community College Aid	\$184.0	\$191.6	\$7.6	4.1%
Local Health Grants	\$60.9	\$61.5	\$0.6	1.0%
County/Municipal Aid				
Transportation	\$459.1	\$561.0	\$101.9	22.2%
Public Safety	100.1	101.2	1.1	1.1%
Program Open Space/Recreation	17.3	18.0	0.7	3.8%
Disparity Grant	93.1	96.6	3.5	3.7%
Utility Restructuring Grant	30.6	0.0	-30.6	-100.0%
Unclaimed Income Tax Revenues	81.0	0.0	-81.0	-100.0%
Other Grants	9.8	9.2	-0.6	-6.3%
Subtotal Direct Aid	\$791.1	\$786.0	-\$5.1	-0.6%
Retirement Payments	1.6	1.7	0.1	7.3%
Total County/Municipal Aid	\$792.7	\$787.7	-\$5.0	-0.6%
Total State Aid	\$4,722.6	\$5,118.5	\$395.9	8.4%

Proposed State Aid Reductions in Fiscal 2006

	<u>Total Amount of Funding Reductions</u>
Mandatory Funding	
Program Open Space (POS)	\$61,348,627
Electric Utility Generating Property Tax Grant	30,615,201
Special Education – Nonpublic Placements	5,799,866
Highway User Revenues	582,600
Senior Citizen Center Operating Fund	500,000
Subtotal – Mandatory Funding	\$98,846,294
Discretionary Funding	
Challenge Grants (Schools for Success)	\$3,788,827
Special Baltimore City POS Grant	1,500,000
Baltimore City Lead Paint Grant	375,000
East Coast Migrant Head Start	241,374
Caroline County Center for Education Progress	105,000
Subtotal – Discretionary Funding	\$6,010,201
Total State Aid Reductions	\$104,856,495

Proposed State Aid Reductions in Fiscal 2006
(\$ in Thousands)

County	Program Open Space	Electric Utility Tax Grant	Special Education	Challenge Grants	Highway User Revenues	Other	Total
Allegany	\$682	\$0	\$55	\$140	\$8	\$0	\$884
Anne Arundel	7,398	7,820	544	876	34	0	16,671
Baltimore City	4,879	453	1,370	0	238	1,875	8,816
Baltimore	8,323	1,795	715	84	46	0	10,963
Calvert	742	6,097	65	0	7	0	6,910
Caroline	324	0	14	321	5	105	769
Carroll	1,668	0	171	0	15	0	1,854
Cecil	861	0	73	0	8	0	942
Charles	1,513	2,523	88	160	10	0	4,294
Dorchester	278	187	0	145	6	0	616
Frederick	1,764	0	88	0	20	0	1,872
Garrett	346	12	4	0	7	0	369
Harford	2,464	861	217	0	17	0	3,559
Howard	4,369	0	204	0	17	0	4,589
Kent	209	0	1	0	3	0	213
Montgomery	11,120	2,766	611	670	48	0	15,214
Prince George's	9,399	7,745	1,403	1,233	41	0	19,822
Queen Anne's	452	0	18	0	6	0	476
St. Mary's	837	0	48	0	8	0	894
Somerset	198	0	3	0	4	0	204
Talbot	479	0	0	0	5	0	484
Washington	1,309	357	92	160	13	0	1,931
Wicomico	871	0	13	0	10	0	894
Worcester	863	0	1	0	7	0	872
Unallocated	0	0	0	0	0	741	741
Total	\$61,349	\$30,615	\$5,800	\$3,789	\$583	\$2,721	\$104,856

Note: Other includes \$500,000 for Senior Citizen Centers; \$241,374 for Migrant Head Start; \$1.5 million for Baltimore City POS grant; \$375,000 for Baltimore City Lead Paint grant; and \$105,000 for Caroline County Center for Education Progress.

State Workforce

How Does the 2006 Workforce Compare to the 2005 Workforce?

	<u>Legislature</u>	<u>Judiciary</u>	<u>Higher Education</u>	<u>Executive Branch*</u>
Fiscal 2005 Working	740	3,224	21,215	52,910
Abolitions	-	-	-2	-493
New Positions	-	105	139	652
Fiscal 2006 Allowance	740	3,328	21,353	53,070
Change	-	105	138	159
Difference from 52,917 Position Cap				153

* Non-higher education Executive Branch agencies only.

Regular Full-time Equivalent Positions Fiscal 2004 Actuals to 2006 Allowance

<u>Department/Service Area</u>	<u>2004 Actual</u>	<u>2005 Working Approp.</u>	<u>Abolitions</u>	<u>New Positions</u>	<u>Net Transfers</u>	<u>2006 Allowance</u>	<u>Change: FY 05 Wkg to FY 06 Allowance</u>
Legislative	731	740	-	-	-	740	-
Judiciary	3,224	3,224	-	105	-	3,328	105
Legal	1,445	1,511	-	86	-	1,597	86
Executive & Administrative Control	1,572	1,566	-44	2	6	1,530	-36
Financial & Revenue Administration	2,032	2,035	-13	10	-	2,032	-3
Budget & Management	472	468	-33	6	-5	436	-33
Retirement	181	180	-3	10	-	187	8
General Services	728	712	-55	-	-	657	-55
Transportation	9,096	9,044	-16	62	-3	9,087	43
Natural Resources	1,454	1,417	-41	-	-	1,377	-41
Agriculture	434	430	-2	-	-	429	-2
Health & Mental Hygiene	7,710	7,548	-49	48	1	7,548	0
Human Resources	7,379	7,297	-48	-	-	7,248	-48
Labor, Licensing, & Regulation	1,519	1,490	-43	1	-	1,448	-42
Public Safety & Correctional Services	11,231	11,195	-42	195	-	11,348	153
MSDE and Other Education	1,892	1,938	-10	9	2	1,939	1
Housing & Community Development	393	386	-	-	-1	385	-1
Business & Economic Development	299	299	-1	-	-	298	-1
Environment	951	954	-8	10	-	956	2
Juvenile Services	1,939	1,963	-86	214	-	2,091	128
Police & Fire Marshal	2,480	2,479	-	-	-	2,479	-
Subtotal	57,160	56,874	-493	757	-	57,138	264
Higher Education	20,966	21,215	-2	139	-	21,353	138
Total	78,126	78,089	-494	896	-	78,491	402

The State Workforce: Where Are the New Positions in 2006?

Department of Juvenile Services: regular employees for the Hickey School	214
Department of Public Safety and Correctional Services: new housing unit at the North Branch Correctional Institution	195
Higher Education	139
The Judiciary: 13 new judges and staff (22.5), 22 clerks of the court related to workload issues, 38 contractual conversions, and other	105
The Office of the Public Defender: last year of the Caseload Initiative	86
Maryland Department of Transportation: new MVA branch office in White Oak (32), maintenance positions for new double tracking (12), expanded paratransit in MTA (9), expanded Coordinated Action Response Team (CHART) for SHA (7), and other	62
Health and Mental Hygiene: 15 new positions for Program Integrity in Medicaid, 9 new positions related to patient safety in the Office of Health Care Quality and the Board of Physicians, 15.5 contractual conversions in Health Occupation Boards, and other	48
Financial and Revenue Administration: additional tax compliance positions in the Comptroller's Office	10
Retirement: enhanced benefit support and other agency administrative functions in anticipation of the rising number of State retirees	10
Other agencies	27
Total New Positions	896

**Executive Branch Abolitions
Percent Filled, Average Salary, and
Years of Service of Incumbents in Filled Abolitions**

<u>Department/Service Area</u>	<u>Total Abolitions</u>	<u>Filled Abolitions</u>		
		<u>Number Filled on 6.30.05</u>	<u>Average Salary</u>	<u>Average Years State Service</u>
Legal	-		-	-
Executive & Administrative Control	44.4	25.4	\$48,713	12.6
Financial & Revenue Administration	13.0	-	-	-
Budget & Management	33.0	17.0	47,114	16.2
Retirement	2.5	-	-	-
General Services	55.0	11.0	35,494	14.1
Transportation	16.0	8.0	51,995	20.8
Natural Resources	40.5	7.5	47,683	26.3
Agriculture	1.5	-	-	-
Health & Mental Hygiene	48.6	-	-	-
Human Resources	48.2	-	-	-
Labor, Licensing, & Regulation	43.0	41.5	46,683	18.5
Public Safety & Correctional Services	42.0	4.0	54,847	16.6
MSDE and Other Education	10.0	10.0	63,806	22.9
Housing & Community Development	-	-	-	-
Business & Economic Development	1.0	-	-	-
Environment	8.0	6.0	48,143	23.9
Juvenile Services	86.0	4.0	58,180	15.5
Police & Fire Marshal	-	-	-	-
Subtotal	492.7	134.4	\$48,494	17.7
Higher Education	1.5	-	n/a	n/a
Total	494.2	134.4	\$48,494	17.7

Vacant Positions, Turnover Rate, and Necessary Vacancies

Fiscal 2006 Allowance

<u>Department/Service Area</u>	12.31.04 Vacancies, Less <u>Abolitions</u>	2006 Allowance Turnover <u>Rate</u>	2006 Necessary <u>Vacancies</u>	Funded/ (Unfunded) <u>Vacancies</u>
Legislative	28	1.9%	14	14
Judiciary	145	3.0%	100	45
Legal	135	6.9%	110	24
Executive and Administrative Control	102	3.5%	54	47
Financial and Revenue Administration	133	3.8%	78	55
Budget and Management	38	2.0%	9	29
Retirement	11	3.9%	7	4
General Services	59	5.0%	33	26
Transportation	429	4.4%	403	26
Natural Resources	118	6.0%	83	35
Agriculture	34	5.0%	22	12
Health and Mental Hygiene	571	4.7%	351	219
Human Resources	554	4.0%	291	263
Labor, Licensing, and Regulation	92	3.4%	49	43
Public Safety and Correctional Services	744	5.2%	590	154
MSDE and Other Education	98	5.3%	102	-4
Housing and Community Development	27	2.0%	8	19
Business and Economic Development	14	2.9%	9	5
Environment	65	5.2%	49	16
Juvenile Services	210	7.0%	146	64
Police and Fire Marshal	144	4.1%	102	42
Subtotal	3,750	4.5%	2,585	1,164
Higher Education*	929	2.8%	602	326
Total	4,678	3.9%	3,096	1,582
Non-higher Education Executive Branch Total	3,577	4.6%	2,463	1,114

* Vacancies and turnover data are for the University System of Maryland only; Morgan State, St. Mary's College, and Baltimore City Community College are excluded from the vacancy rate calculation.

General Salary Increases, Increments, and Other Compensation Fiscal 1999 to 2006

Fiscal Year	State Employees		Additional Police, Natural Resources Police, and Park Ranger Salary Increases	Maximum Deferred Compensation Match by State	Pay-for-Performance Bonuses	Annual Salary Review Reclassifications	Other
	General Salary Increase	Increments					
1999	7/1/1998 1/1/1999	\$900 \$375	On time	None	Outstanding: \$300		
2000	7/1/1999 1/1/2000	\$638 \$637	On time	\$600	Outstanding: \$1,000 Exceeds standards: \$500		Salary schedules expand from 6 to 16 steps on 7/1/99 ¹
2001	11/15/2000 1/1/2001	4.0%	On time	\$600	Outstanding: \$1,000 Exceeds standards: \$500	Yes ³	Standard salary schedule expands by 4 grades on 7/1/00 ² and a new physicians' schedule is developed.
2002	7/1/2001 1/1/2002	4.0%	On time	\$600	Outstanding: \$500 Exceeds standards: \$250	Yes ⁴	Salary schedules expand from 16 to 18 steps on 7/1/01 ¹
2003		None	None	\$500	None		
2004		None	None	None	None		
2005	7/1/2004	\$752	On time	None	None	Yes ⁵	
2006 Allowance	7/1/2005	2.0%	On time	\$600 ⁶	None	Yes ⁷	

38

¹ The executive pay plan (EPP) and physicians' schedules did not expand.

² The standard salary schedule expanded to accommodate management service positions moved off the executive salary schedule.

³ The following classifications were given upgrades effective January 1, 2001, most of which were in the 1 to 2 grade range: clerical workers, social workers in criminal justice and health services, computer operations and related classifications, professional fiscal and related classifications, election workers (local funds), and assistant superintendents at State hospitals.

⁴ Three groups of employees received reclassifications in fiscal 2002: nurses, institutional educators, and addictions counselors who work in local health departments and nonprofits. Statewide increases went to nurse classifications through two grade increases, one on July 1, 2001, and one on January 1, 2002. Institutional educators received increases through an adjustment to their pay plan.

⁵ The following classifications are provided upgrades: public defenders, social services attorneys, assistant general counsels (human relations), assistant State prosecutors, direct service workers in the Department of Juvenile Services, property assessors, lab scientists, administrative law judges, and banking financial examiners.

⁶ Funding for the State's match of up to \$600 in deferred compensation contributions is withdrawn through budget reconciliation legislation.

⁷ The fiscal 2006 annual salary review provides a one-grade salary adjustment for the Deputy State Fire Marshal classification series.

Appendix

Status of the General Fund – Fiscal 2005

(\$ in Millions)

Starting Balance		\$452.7
Revenues		
BRE March 2004 Forecast & Legislation	\$10,541.9	
BRE December 2004 Revision	478.4	
Miscellaneous One-time Revenues	<u>2.3</u>	
		11,022.6
Transfers		
Revenue Stabilization Account	91.0	
BRFA of 2003 Fund Transfers	128.3	
BRFA of 2004 Fund Transfers	<u>255.2</u>	
		474.6
Funds Available		\$11,949.8
Spending		
<u>Appropriations</u>		
Legislative Appropriation	11,195.4	
Deficiencies	94.1	
Estimated Agency Reversions	<u>-20.0</u>	
Net Expenditures		\$11,269.5
Ending Balance		\$680.3

Status of the General Fund – Fiscal 2006

(\$ in Millions)

Starting Balance		\$680.3
Revenues		
BRE December 2004 Forecast	\$11,306.3	
Additional Administration Revenue Assumptions	<u>67.8</u>	
		11,374.1
Transfers		
One-time Transfers Via Proposed Legislation	<u>163.3</u>	
		163.3
Funds Available		\$12,217.7
Spending		
<u>Appropriations</u>		
Governor's Fiscal 2006 Allowance	12,298.7	
Reductions Contingent Upon Legislation	-78.5	
Estimated Agency Reversions	<u>-20.0</u>	
Net Expenditures		\$12,200.2
Ending Balance		\$17.5

**State Assistance to Local Governments
Fiscal 2006 Allowance*
(\$ in Thousands)**

County	County - Municipal	Community Colleges	Direct State Aid				Subtotal	Retirement	Total	Change Over FY 2005	Percent Change
			Public Schools	Libraries	Health						
Allegany	\$15,183	\$4,831	\$60,495	\$627	\$1,494	\$82,630	\$5,119	\$87,749	\$10,392	13.4%	
Anne Arundel	42,755	23,325	210,290	1,736	5,186	283,292	34,299	317,591	8,022	2.6%	
Baltimore City	312,542	0	685,948	5,427	10,970	1,014,887	44,436	1,059,323	74,782	7.6%	
Baltimore	57,129	32,147	386,606	4,208	7,111	487,200	53,216	540,416	38,296	7.6%	
Calvert	7,811	1,278	66,699	330	614	76,731	8,527	85,259	1,261	1.5%	
Caroline	7,727	1,107	31,805	221	885	41,745	2,593	44,339	4,533	11.4%	
Carroll	16,882	5,613	112,058	790	2,031	137,374	12,876	150,250	12,535	9.1%	
Cecil	9,437	3,882	75,887	534	1,332	91,072	7,413	98,485	9,557	10.7%	
Charles	12,005	5,802	112,334	678	1,643	132,462	11,086	143,548	13,137	10.1%	
Dorchester	8,564	975	23,876	199	705	34,319	2,274	36,593	3,533	10.7%	
Frederick	22,484	6,159	151,922	930	2,496	183,992	17,220	201,212	21,741	12.1%	
Garrett	9,187	2,591	21,420	149	719	34,066	2,405	36,471	1,831	5.3%	
Harford	20,396	8,174	164,865	1,231	2,867	197,533	17,684	215,218	20,367	10.5%	
Howard	21,156	9,983	141,392	634	2,009	175,174	27,786	202,960	14,659	7.8%	
Kent	3,516	449	8,844	86	552	13,446	1,358	14,805	1,119	8.2%	
Montgomery	65,240	30,242	306,351	2,205	4,994	409,032	89,721	498,753	20,159	4.2%	
Prince George's	71,278	18,903	718,997	5,497	8,250	822,925	60,045	882,969	84,992	10.7%	
Queen Anne's	6,619	1,187	23,596	113	689	32,204	3,409	35,612	3,105	9.6%	
St. Mary's	9,161	1,726	70,845	504	1,336	83,573	7,221	90,794	10,025	12.4%	
Somerset	7,810	621	19,054	226	703	28,414	1,452	29,865	3,694	14.1%	
Talbot	5,499	1,367	9,802	83	542	17,293	2,320	19,613	1,493	8.2%	
Washington	14,380	5,653	96,012	889	2,278	119,212	9,338	128,550	17,159	15.4%	
Wicomico	12,157	3,585	76,593	615	1,562	94,512	7,093	101,605	10,978	12.1%	
Worcester	8,477	1,438	15,024	119	517	25,574	3,834	29,408	2,471	9.2%	
Unallocated	18,567	4,823	29,531	14,183	0	67,104	1	67,105	6,046	9.9%	
Total	\$785,962	\$175,861	\$3,620,243	\$42,215	\$61,487	\$4,685,768	\$432,726	\$5,118,494	\$395,887	8.4%	

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

* Reflects contingent reduction.

State Assistance to Local Governments
Dollar Difference Between Fiscal 2006 Allowance and Fiscal 2005 Working Appropriation
(\$ in Thousands)

County	<i>Direct State Aid</i>						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	\$1,299	\$262	\$8,781	\$8	\$14	\$10,364	\$28	\$10,392
Anne Arundel	-8,012	1,268	14,539	-80	42	7,758	264	8,022
Baltimore City	20,680	0	53,599	1	62	74,342	440	74,782
Baltimore	-3,541	101	41,106	167	66	37,899	397	38,296
Calvert	-5,793	80	6,878	9	15	1,189	73	1,261
Caroline	992	83	3,422	3	11	4,511	22	4,533
Carroll	904	422	11,060	21	20	12,427	108	12,535
Cecil	794	311	8,370	2	15	9,493	64	9,557
Charles	-2,059	385	14,699	9	18	13,052	85	13,137
Dorchester	1,011	73	2,412	4	11	3,512	21	3,533
Frederick	813	484	20,283	-2	23	21,601	139	21,741
Garrett	557	14	1,233	-1	11	1,814	17	1,831
Harford	-251	380	20,044	37	24	20,234	133	20,367
Howard	-1,030	756	14,682	-5	26	14,429	230	14,659
Kent	462	34	601	1	11	1,108	12	1,119
Montgomery	-12,622	1,236	30,799	-12	72	19,473	685	20,159
Prince George's	-4,097	1,079	87,426	33	69	84,511	481	84,992
Queen Anne's	660	89	2,324	-9	12	3,076	30	3,105
St. Mary's	473	112	9,344	21	15	9,965	60	10,025
Somerset	595	41	3,036	-2	11	3,682	12	3,694
Talbot	695	103	663	0	12	1,474	20	1,493
Washington	949	415	15,657	49	18	17,088	71	17,159
Wicomico	551	239	10,106	7	15	10,918	60	10,978
Worcester	1,350	96	979	0	13	2,437	34	2,471
Unallocated	-510	-147	6,697	6	0	6,046	0	6,046
Total	-\$5,131	\$7,917	\$388,740	\$267	\$609	\$392,402	\$3,485	\$395,887

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

State Assistance to Local Governments
Percent Change Between Fiscal 2006 Allowance and Fiscal 2005 Appropriation

County	Direct State Aid						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	9.4%	5.7%	17.0%	1.3%	1.0%	14.3%	0.5%	13.4%
Anne Arundel	-15.8%	5.7%	7.4%	-4.4%	0.8%	2.8%	0.8%	2.6%
Baltimore City	7.1%	n.a.	8.5%	0.0%	0.6%	7.9%	1.0%	7.6%
Baltimore	-5.8%	0.3%	11.9%	4.1%	0.9%	8.4%	0.8%	7.6%
Calvert	-42.6%	6.7%	11.5%	2.9%	2.4%	1.6%	0.9%	1.5%
Caroline	14.7%	8.1%	12.1%	1.2%	1.3%	12.1%	0.9%	11.4%
Carroll	5.7%	8.1%	11.0%	2.7%	1.0%	9.9%	0.8%	9.1%
Cecil	9.2%	8.7%	12.4%	0.4%	1.2%	11.6%	0.9%	10.7%
Charles	-14.6%	7.1%	15.1%	1.4%	1.1%	10.9%	0.8%	10.1%
Dorchester	13.4%	8.1%	11.2%	2.3%	1.6%	11.4%	0.9%	10.7%
Frederick	3.8%	8.5%	15.4%	-0.2%	0.9%	13.3%	0.8%	12.1%
Garrett	6.4%	0.6%	6.1%	-0.9%	1.6%	5.6%	0.7%	5.3%
Harford	-1.2%	4.9%	13.8%	3.1%	0.9%	11.4%	0.8%	10.5%
Howard	-4.6%	8.2%	11.6%	-0.8%	1.3%	9.0%	0.8%	7.8%
Kent	15.1%	8.1%	7.3%	0.9%	2.0%	9.0%	0.9%	8.2%
Montgomery	-16.2%	4.3%	11.2%	-0.6%	1.5%	5.0%	0.8%	4.2%
Prince George's	-5.4%	6.1%	13.8%	0.6%	0.8%	11.4%	0.8%	10.7%
Queen Anne's	11.1%	8.1%	10.9%	-7.7%	1.8%	10.6%	0.9%	9.6%
St. Mary's	5.4%	6.9%	15.2%	4.3%	1.2%	13.5%	0.8%	12.4%
Somerset	8.2%	7.1%	19.0%	-0.8%	1.6%	14.9%	0.8%	14.1%
Talbot	14.5%	8.1%	7.3%	0.5%	2.2%	9.3%	0.9%	8.2%
Washington	7.1%	7.9%	19.5%	5.8%	0.8%	16.7%	0.8%	15.4%
Wicomico	4.7%	7.1%	15.2%	1.2%	1.0%	13.1%	0.9%	12.1%
Worcester	18.9%	7.1%	7.0%	0.0%	2.5%	10.5%	0.9%	9.2%
Unallocated	-2.7%	-3.0%	29.3%	0.0%	n.a.	9.9%	37.2%	9.9%
TOTAL	-0.6%	4.7%	12.0%	0.6%	1.0%	9.1%	0.8%	8.4%

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

State Assistance to Local Governments
Fiscal 2005 Working Appropriation
(\$ in Thousands)

County	Direct State Aid						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	\$13,884	\$4,569	\$51,714	\$619	\$1,480	\$72,266	\$5,091	\$77,357
Anne Arundel	50,766	22,057	195,752	1,815	5,144	275,534	34,035	309,570
Baltimore City	291,862	0	632,349	5,426	10,908	940,544	43,996	984,541
Baltimore	60,669	32,046	345,500	4,041	7,045	449,301	52,819	502,120
Calvert	13,604	1,198	59,820	321	599	75,543	8,455	83,997
Caroline	6,735	1,024	28,383	219	873	37,234	2,571	39,805
Carroll	15,978	5,191	100,999	769	2,012	124,948	12,767	137,715
Cecil	8,644	3,571	67,516	532	1,317	81,580	7,349	88,928
Charles	14,063	5,417	97,635	669	1,626	119,410	11,001	130,411
Dorchester	7,554	901	21,464	194	694	30,807	2,254	33,061
Frederick	21,671	5,676	131,639	932	2,473	162,390	17,081	179,471
Garrett	8,630	2,577	20,187	150	707	32,252	2,388	34,640
Harford	20,648	7,794	144,821	1,194	2,843	177,299	17,551	194,850
Howard	22,186	9,227	126,710	639	1,983	160,745	27,556	188,302
Kent	3,054	415	8,243	85	541	12,339	1,347	13,685
Montgomery	77,862	29,005	275,552	2,218	4,921	389,559	89,035	478,594
Prince George's	75,375	17,824	631,571	5,464	8,181	738,414	59,563	797,977
Queen Anne's	5,960	1,098	21,272	122	676	29,128	3,379	32,507
St. Mary's	8,688	1,614	61,501	484	1,321	73,608	7,161	80,769
Somerset	7,215	580	16,018	228	692	24,732	1,440	26,172
Talbot	4,804	1,264	9,138	83	530	15,819	2,300	18,119
Washington	13,430	5,239	80,355	841	2,260	102,125	9,267	111,392
Wicomico	11,606	3,347	66,487	608	1,547	83,594	7,032	90,627
Worcester	7,126	1,342	14,045	119	504	23,137	3,800	26,938
Unallocated	19,077	4,970	22,834	14,177	0	61,058	1	61,059
Total	\$791,092	\$167,944	\$3,231,504	\$41,948	\$60,878	\$4,293,366	\$429,241	\$4,722,607

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

State Expenditures – Special and Higher Education Funds *
(\$ in Millions)

Category	Actual FY 2004	Work. Appr. FY 2005	Allowance FY 2006	Contingent Reductions FY 2006	Revised Allowance FY 2006	FY 2005 to FY 2006	
						\$ Change	% Change
Debt Service	\$671.7	\$729.3	\$768.0	\$0.0	\$768.0	\$38.6	5.3%
Aid to Local Governments							
County/Municipal	414.5	489.1	670.1	-63.4	606.7	117.6	24.0%
Community Colleges	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Education/Libraries	0.2	0.2	0.0	0.0	0.0	-0.2	-100.0%
Health	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
	414.8	489.3	670.1	-63.4	606.7	117.3	24.0%
Entitlements							
Foster Care Payments	0.1	0.1	0.7	0.0	0.7	0.6	403.8%
Assistance Payments	16.4	17.3	16.1	0.0	16.1	-1.2	-6.9%
Medical Assistance	128.9	74.1	83.0	0.0	83.0	8.8	11.9%
Property Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
	145.4	91.6	99.8	0.0	99.8	8.2	9.0%
State Agencies							
Health	159.6	185.8	182.4	-0.2	182.2	-3.6	-1.9%
Human Resources	82.0	49.9	49.1	0.0	49.1	-0.9	-1.7%
Systems Reform Initiative	2.1	2.4	0.6	0.0	0.6	-1.8	-73.1%
Juvenile Justice	0.2	0.2	0.3	0.0	0.3	0.0	2.0%
Public Safety/Police	146.9	164.9	171.8	-0.1	171.7	6.8	4.1%
Higher Education	2,347.7	2,598.7	2,690.6	0.0	2,690.6	91.9	3.5%
Other Education	23.0	31.0	26.3	-0.1	26.2	-4.7	-15.3%
Transportation	1,092.1	1,096.6	1,161.5	-1.6	1,159.9	63.3	5.8%
Agric./Nat'l Res./Environment	93.8	106.9	114.2	-0.3	113.8	6.9	6.5%
Other Executive Agencies	328.1	374.9	370.4	-12.5	357.9	-17.0	-4.5%
Judicial/Legislative	32.4	37.7	37.7	0.0	37.7	0.0	0.0%
Across-the-board cuts	0.0	0.0	0.0	-0.9	-0.9	-0.9	n.a.
	4,307.8	4,649.1	4,804.8	-15.7	4,789.1	140.9	3.0%
Subtotal	\$5,539.8	\$5,959.3	\$6,342.7	-\$79.1	\$6,263.5	\$304.2	5.1%
Capital	900.5	1,081.0	1,317.2	-104.9	1,212.4	131.4	12.2%
Grand Total	\$6,440.3	\$7,040.3	\$7,659.9	-\$184.0	\$7,475.9	\$435.6	6.2%

Note: Fiscal 2005 reflects deficiency appropriations of \$13.6 million. It also excludes one-time GO bond refunding amendment (\$631.1 million)

* Includes higher education fund (current unrestricted and current restricted) net of general and special funds.

State Expenditures – Federal Funds
(\$ in Millions)

<u>Category</u>	<u>Actual FY 2004</u>	<u>Work. Appr. FY 2005</u>	<u>Allowance FY 2006</u>	<u>Contingent Reductions FY 2006</u>	<u>Revised Allowance FY 2006</u>	<u>FY 2005 to FY 2006 \$ Change</u>	<u>% Change</u>
Debt Service	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	n.a.
Aid to Local Governments							
County/Municipal	38.0	27.6	39.8	0.0	39.8	12.2	44.1%
Community Colleges	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Education/Libraries	655.2	712.3	743.3	0.0	743.3	31.0	4.3%
Health	4.5	4.5	4.5	0.0	4.5	0.0	0.0%
	<u>697.7</u>	<u>744.4</u>	<u>787.5</u>	<u>0.0</u>	<u>787.5</u>	<u>43.1</u>	<u>5.8%</u>
Entitlements							
Foster Care Payments	69.6	81.6	89.1	0.0	89.1	7.5	9.2%
Assistance Payments	378.6	323.1	382.1	0.0	382.1	59.1	18.3%
Medical Assistance	2,015.1	2,014.0	2,125.9	-0.1	2,125.7	111.7	5.5%
Property Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
	<u>2,463.2</u>	<u>2,418.6</u>	<u>2,597.1</u>	<u>-0.1</u>	<u>2,597.0</u>	<u>178.4</u>	<u>7.4%</u>
State Agencies							
Health	692.7	670.7	694.6	-0.3	694.3	23.6	3.5%
Human Resources	458.8	522.9	528.9	-1.5	527.3	4.4	0.8%
Systems Reform Initiative	25.1	25.0	23.7	0.0	23.7	-1.4	-5.4%
Juvenile Justice	15.6	15.4	16.9	0.0	16.9	1.5	10.0%
Public Safety/Police	108.2	21.4	11.4	0.0	11.4	-9.9	-46.6%
Higher Education	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Other Education	112.3	121.6	129.6	-0.3	129.3	7.7	6.3%
Transportation	76.5	75.6	74.5	0.0	74.5	-1.1	-1.4%
Agric./Nat'l Res./Environment	47.2	55.9	54.3	-0.2	54.1	-1.8	-3.2%
Other Executive Agencies	491.3	412.9	468.1	-0.5	467.6	54.7	13.2%
Judicial/Legislative	2.5	2.7	2.8	0.0	2.8	0.1	2.4%
Across-the-board cuts	0.0	0.0	0.0	-0.2	-0.2	-0.2	n.a.
	<u>2,030.2</u>	<u>1,924.1</u>	<u>2,004.8</u>	<u>-3.0</u>	<u>2,001.8</u>	<u>77.8</u>	<u>4.0%</u>
Subtotal	\$5,191.1	\$5,087.1	\$5,389.4	-\$3.1	\$5,386.3	\$299.2	5.9%
Capital	654.4	813.1	808.9	-0.2	808.7	-4.4	-0.5%
Grand Total	\$5,845.5	\$5,900.2	\$6,198.3	-\$3.3	\$6,195.0	\$294.8	5.0%

Note: Fiscal 2005 reflects deficiency appropriations of \$58 million.

State Expenditures – State Funds
(\$ in Millions)

<u>Category</u>	<u>Actual FY 2004</u>	<u>Work. Appr. FY 2005</u>	<u>Allowance FY 2006</u>	<u>Contingent Reductions FY 2006</u>	<u>Revised Allowance FY 2006</u>	<u>FY 2005 to FY 2006 \$ Change</u>	<u>% Change</u>
Debt Service	\$671.7	\$729.3	\$768.0	\$0.0	\$768.0	\$38.6	5.3%
Aid to Local Governments							
County/Municipal	618.5	696.7	882.2	-94.5	787.7	91.0	13.1%
Community Colleges	174.9	184.0	191.7	0.0	191.7	7.6	4.1%
Education/Libraries	3,368.0	3,683.5	4,081.9	-5.8	4,076.1	392.7	10.7%
Health	60.4	60.9	61.5	0.0	61.5	0.6	1.0%
	<u>4,221.9</u>	<u>4,625.1</u>	<u>5,217.3</u>	<u>-100.3</u>	<u>5,117.0</u>	<u>491.9</u>	<u>10.6%</u>
Entitlements							
Foster Care Payments	205.0	172.7	217.2	0.0	217.2	44.5	25.8%
Assistance Payments	76.3	92.9	64.7	0.0	64.7	-28.1	-30.3%
Medical Assistance	1,752.2	1,981.0	2,117.7	-11.9	2,105.8	124.8	6.3%
Property Tax Credits	48.8	49.6	50.4	0.0	50.4	0.8	1.5%
	<u>2,082.3</u>	<u>2,296.1</u>	<u>2,450.0</u>	<u>-11.9</u>	<u>2,438.1</u>	<u>142.0</u>	<u>6.2%</u>
State Agencies							
Health	1,341.2	1,410.1	1,422.0	-5.3	1,416.8	6.7	0.5%
Human Resources	367.2	364.8	349.1	-1.3	347.8	-16.9	-4.6%
Systems Reform Initiative	28.3	38.4	34.9	0.0	34.9	-3.5	-9.1%
Juvenile Justice	170.5	177.0	179.0	-0.4	178.6	1.6	0.9%
Public Safety/Police	972.3	1,138.9	1,179.5	-2.4	1,177.1	38.1	3.3%
Higher Education	3,185.3	3,449.6	3,588.4	-1.6	3,586.8	137.1	4.0%
Other Education	283.6	317.7	344.3	-10.4	333.9	16.2	5.1%
Transportation	1,092.1	1,096.6	1,161.5	-1.6	1,159.9	63.3	5.8%
Agric./Nat'l Res./Environment	228.8	237.1	235.8	-4.8	231.0	-6.1	-2.6%
Other Executive Agencies	783.4	880.7	953.8	-15.9	937.9	57.2	6.5%
Judicial/Legislative	361.7	379.6	403.6	0.0	403.6	24.0	6.3%
Across-the-board cuts	0.0	0.0	0.0	-1.8	-1.8	-1.8	n.a.
	<u>8,814.4</u>	<u>9,490.5</u>	<u>9,851.9</u>	<u>-45.5</u>	<u>9,806.4</u>	<u>315.9</u>	<u>3.3%</u>
Subtotal	\$15,790.4	\$17,141.0	\$18,287.1	-\$157.7	\$18,129.4	\$988.4	5.8%
Capital/Heritage Reserve Fund	901.4	1,082.2	1,337.9	-104.9	1,233.0	150.9	13.9%
Reserve Fund	10.0	106.7	333.7	0.0	333.7	227.0	212.9%
Appropriations	\$16,701.7	\$18,329.8	\$19,958.6	-\$262.6	\$19,696.1	\$1,366.3	7.5%
Reversions	0.0	-20.0	-20.0	0.0	-20.0	0.0	0.0%
Grand Total	\$16,701.7	\$18,309.8	\$19,938.6	-\$262.6	\$19,676.1	\$1,366.3	7.5%

Note: Fiscal 2005 reflects deficiency appropriations of \$107.7 million. It also excludes one-time GO bond refunding amendment (\$631.1 million)

State Expenditures – All Funds
(\$ in Millions)

<u>Category</u>	<u>Actual</u>	<u>Work. Appr.</u>	<u>Allowance</u>	<u>Contingent</u>	<u>Revised</u>	<u>FY 2005 to FY 2006</u>	
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>Reductions</u>	<u>Allowance</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$671.7	\$729.3	\$768.0	\$0.0	\$768.0	\$38.6	5.3%
Aid to Local Governments							
County/Municipal	656.6	724.3	922.0	-94.5	827.4	103.2	14.2%
Community Colleges	174.9	184.0	191.7	0.0	191.7	7.6	4.1%
Education/Libraries	4,023.2	4,395.8	4,825.2	-5.8	4,819.4	423.6	9.6%
Health	64.9	65.4	66.0	0.0	66.0	0.6	0.9%
	4,919.6	5,369.5	6,004.8	-100.3	5,904.5	535.0	10.0%
Entitlements							
Foster Care Payments	274.6	254.2	306.3	0.0	306.3	52.0	20.5%
Assistance Payments	454.9	415.9	446.9	0.0	446.9	31.0	7.4%
Medical Assistance	3,767.2	3,995.0	4,243.5	-12.0	4,231.5	236.6	5.9%
Property Tax Credits	48.8	49.6	50.4	0.0	50.4	0.8	1.5%
	4,545.5	4,714.7	5,047.1	-12.0	5,035.0	320.3	6.8%
State Agencies							
Health	2,033.9	2,080.8	2,116.6	-5.6	2,111.0	30.3	1.5%
Human Resources	826.0	887.7	878.0	-2.8	875.2	-12.5	-1.4%
Systems Reform Initiative	53.4	63.4	58.6	0.0	58.6	-4.8	-7.6%
Juvenile Justice	186.2	192.3	195.9	-0.4	195.5	3.1	1.6%
Public Safety/Police	1,080.5	1,160.3	1,190.9	-2.4	1,188.5	28.2	2.4%
Higher Education	3,185.3	3,449.6	3,588.4	-1.6	3,586.8	137.1	4.0%
Other Education	396.0	439.3	473.9	-10.7	463.2	23.9	5.4%
Transportation	1,168.6	1,172.1	1,236.0	-1.6	1,234.3	62.2	5.3%
Agric./Nat'l Res./Environment	275.9	293.0	290.1	-5.0	285.1	-7.9	-2.7%
Other Executive Agencies	1,274.7	1,293.6	1,421.9	-16.4	1,405.6	111.9	8.7%
Judicial/Legislative	364.2	382.3	406.3	0.0	406.3	24.1	6.3%
Across-the-board cut	0.0	0.0	0.0	-1.9	-1.9	-1.9	n.a.
	10,844.6	11,414.6	11,856.6	-48.5	11,808.2	393.6	3.4%
Subtotal	\$20,981.5	\$22,228.1	\$23,676.5	-\$160.8	\$23,515.7	\$1,287.6	5.8%
Capital/Heritage Reserve Fund	1,555.7	1,895.2	2,146.8	-105.1	2,041.7	146.5	7.7%
Reserve Fund	10.0	106.7	333.7	0.0	333.7	227.0	212.9%
Appropriations	\$22,547.2	\$24,230.0	\$26,157.0	-\$265.9	\$25,891.1	\$1,661.1	6.9%
Reversions	0.0	-20.0	-20.0	0.0	-20.0	0.0	0.0%
Grand Total	\$22,547.2	\$24,210.0	\$26,137.0	-\$265.9	\$25,871.1	\$1,661.1	6.9%

Note: FY 2005 reflects deficiency appropriations of \$165.7 million. It also excludes one-time GO bond refunding amendment (\$631.1 million)

Budget Financing Act of 2005 (HB 147/SB 124)

Fees

- Heritage Tax Credit – regulations must include a reasonable fee for certifying heritage structures and rehabilitations – tied to \$400,000 contingent GF reduction in the budget
- Drinking Driver Monitor Program within the Division of Parole and Probation
 - imposes new monthly program fee of \$45 on all supervisees, allows exemptions for certain supervisees, and creates a special fund to be used for all program costs – tied to \$8,351,830 SF contingent appropriation in the budget
 - increases existing monthly fee on supervisees (some of whom are exempt) from \$25 to \$40 and names that fee the “supervision fee” – tied to \$598,000 GF contingent appropriation in the budget
- Traffic and Criminal Court Cases – increases administrative District Court fees from \$20 to \$25 for cases in which costs are imposed and increases the share of such fees paid into the Law Enforcement and Correctional Training Fund from one-fourth to two-fifths (which amounts to an increase from \$5 to \$10 per case to LECTF) – tied to \$750,906 GF contingent reduction in the budget

Other Funding

- Authorizes the Department of Health and Mental Hygiene to seek recovery from the estate of the spouse of a deceased Medicaid recipient for the cost of furnishing Medicaid services – tied to \$28,779 GF and \$28,779 FF contingent reductions in the budget
- Increases the copayment, in the Maryland Pharmacy Assistance Program, by \$1 (from \$7.50 to \$8.50) for prescription drugs that are not on the preferred drug list – tied to \$102,000 GF and \$102,000 FF contingent reductions in the budget
- Makes permanent the indirect cost assessment to the health commissions and the increased fee cap for each commission (all authorized for one year in the BRFA of 2004) – tied to \$1,833,000 GF contingent reduction in the budget
 - \$11,200,000 is the fee cap for the Maryland Health Care Commission
 - \$4,500,000 is the fee cap for the Health Services Cost Review Commission
- Exempts fuel purchased by the Department of General Services for use by State agencies from the motor fuel tax – tied to \$875,000 GF, \$900,000 SF, and \$167,000 FF contingent reductions in the budget for Executive Branch agencies to pay the tax as well as a \$582,600 SF contingent reduction in highway user revenues to local governments

Budget Reconciliation Act of 2005 (HB 148/SB 127)

Repeals Mandated Funding

- Electric utility generating equipment property tax grant paid to 11 counties – \$30.6 million
- Senior Citizen Activities Center Operating Fund – \$500,000

Makes Permanent Reductions in Mandated Funding

- State's share of non-public placement special education funding – increases the local share (from 20% to 25% above the base local share)
- Activities aimed at reducing tobacco use (from \$21 million to \$10 million)

Reduces Mandated Appropriations for Fiscal 2006 Only

- Maryland Tourism Development Board – sets at \$5 million
- State Arts Council – sets at \$11.1 million
- Baltimore City Community College – sets at \$32 million
- Joseph A. Sellinger aid to private colleges and universities – sets at \$36.2 million
- Statewide Academic Health Center Public Health Grant to the University of Maryland Medical Group and The Johns Hopkins Institutions – sets at \$1.2 million each
- Department of Aging grant to supplement federal grants to local agencies – sets at \$279,485

Postpones

- For another year, repayment of Innovative Partnerships for Technology
- To end of fiscal 2006, comprehensive evaluation of the Cigarette Restitution Fund Program
- By one year, the next Tobacco Study, with corresponding changes to required reports

Redirects Transfer Tax Revenues

- From State's share of Program Open Space, up to \$5 million to operate State forests and parks (from \$1.2 million) – permanently
- To State general fund for four years (phased: 75%, 66.67%, 50%, then 25%) – fiscal 2006 through 2009
- Overattainment to State general fund – permanently

Authorizes/Mandates Use of Special Funds/Programs for Other Purposes

- Community Services Trust Fund by DDA to purchase community-based services – fiscal 2006
- State Board of Social Work Examiners Fund for the costs of the social worker training academy within DHR – fiscal 2006
- Cigarette Restitution Fund to help support the Medicaid program – made permanent and increased from 25% to 30%

Other Relief/Changes

- No State match for employee contributions to deferred compensation program – fiscal 2006
- Proceeds and accumulated interest (\$13.7 million) from demutualization of MetLife Insurance Company used for the State Employee and Retiree Health and Welfare Benefits Program
- Delays abrogation of Senior Prescription Drug Program to January 1, 2006; on termination, requires nonprofit health service plans to subsidize Pharmacy Assistance Program
- Repeals Prevailing Wage Law
- Repeals Senatorial and Delegate Scholarship programs and mandates an appropriation equivalent to amount previously provided (at least \$11.3 million) for need-based scholarships
- Authorizes use of certain appropriations for Charles H. Hickey, Jr. School for State operation of the facility and the transfer of such appropriations to other programs in DJS – permanently

Tax Compliance Act of 2005 (HB 149/SB 126)

Requires Tax Clearance for Certain Renewals

- Driver's licenses and vehicle registrations – \$15 million assumed in the fiscal 2006 budget
- Insurance business licenses; the BRFA of 2003 required tax clearance for business licenses, but insurance licenses were omitted – \$1 million assumed in the fiscal 2006 budget

Requires Withholding on Lump-sum Distributions

- From retirement plans that “are cashed out” and not directly rolled over to another retirement plan; the 7.75% rate is imposed only if the distribution is subject to federal withholding – \$30 million assumed in the fiscal 2006 budget

Increases Withholding Tax Rates

- On nonresident income derived from real estate sales and gambling winnings from 4.75% to 6% – \$6 million assumed in the fiscal 2006 budget
- For gambling winnings of residents from 7.25% to 7.75%*
- On partnerships, S-corporations, and LLCs having nonresident partners, shareholders, or members, the pass-through entity (PTE) tax from 4.75% to 6%*

Modifies the Sales Tax Vendor Credit

- Eliminates the discount currently allowed for collecting and remitting the sales tax for payments made by paper, limiting the discount to electronic payments – \$3 million assumed in the fiscal 2006 budget
- Makes permanent the current reduction in the sales tax vendor collection credit (which is one-half the amount that would otherwise be allowed); this reduction was last extended to apply through fiscal 2006 by the BRFA of 2004

Other Provisions

- Authorizes reciprocal agreements with local governments to intercept the tax refunds of individuals and State and local government payments to vendors who have unpaid State or local tax liabilities – \$1 million assumed in the fiscal 2006 budget
- Limits the number of exemptions an employee can claim for income tax withholding purposes if subject to child support or central collection intercepts – \$5 million assumed in the fiscal 2006 budget

*No estimate of revenues provided in the detail with Governor's budget books

Acronyms Used in Fiscal Briefing Document

BRE	Board of Revenue Estimates
BRFA	Budget Reconciliation and Financing Act
DBED	Department of Business and Economic Development
DBM	Department of Budget and Management
DDA	Developmental Disabilities Administration
DHCD	Department of Housing and Community Development
DHMH	Department of Health and Mental Hygiene
DHR	Department of Human Resources
DJS	Department of Juvenile Services
DLLR	Department of Labor, Licensing, and Regulation
DLS	Department of Legislative Services
DNR	Department of Natural Resources
DPSCS	Department of Public Safety and Correctional Services
EPP	Executive Pay Plan
GO	General Obligation
HSCRC	Health Services Cost Review Commission
LECTF	Law Enforcement and Correctional Training Fund
LLC	Limited Liability Company
MCO	Managed Care Organization
MDE	Maryland Department of the Environment
MHCC	Maryland Health Care Commission
MHEC	Maryland Higher Education Commission
MSDE	Maryland State Department of Education
MVA	Motor Vehicle Administration
MTA	Maryland Transit Administration
POS	Program Open Space
SAC	Spending Affordability Committee
SHA	State Highway Administration
TANF	Temporary Assistance for Needy Families
TTF	Transportation Trust Fund
UMBC	University of Maryland Baltimore County