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# **Fiscal Briefing**

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

**January 23, 2006**

# Overview

# Quick Look at the Fiscal 2007 Budget

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## Budget Growth

- Total budget, excluding appropriations to reserve fund, grows \$2.1 billion, or 8.1%
- The general fund portion of the budget grows almost \$1.4 billion, or 11.4%
- Proposed general fund expenditures exceed current revenues by almost \$700 million, requiring the use of a portion of the estimated fiscal 2006 general fund balance
- Budget growth under spending affordability exceeds 10% – over \$200 million above the 8.9% limit recommended by the Spending Affordability Committee
- Number of proposed Executive Branch positions are 291 higher than the position cap recommended by the Spending Affordability Committee
- Budget plan reserves \$670 million fund balance for use in fiscal 2008 and \$100 million for retiree health insurance liabilities; however, the Rainy Day Fund balance remains at 5% and is not increased to 7.5% as recommended by the Spending Affordability Committee

## Funded in Allowance

- State Aid for K-12 Education – \$464 million increase (11.5%) – Geographic Cost of Education Index not funded (\$72.1 million)
- School construction at \$281 million
- University System of Maryland/Morgan/St. Mary's – \$107 million increase
- Additional funds for scholarships (mostly need-based) – \$17.6 million
- Community college and private higher education formulas fully funded – \$18.3 million
- Funding for developmentally disabled – \$29.2 million increase
- Partial lifting of Medicaid/mental health hospital day limits – \$10 million
- Stem cell research – \$20 million operating; \$12 million capital – research center
- More grants for arts council (\$3 million), horse racing (\$10 million), substance abuse (\$4.1 million), film production (\$4 million), cover crops (\$5.7 million GF), health care for immigrants (\$3 million), State aided educational institutions (\$3.3 million)
- Funds to relocate Maryland Department of Planning (\$2.5 million)
- 2% general salary increase (\$57.9 million), employee increments (\$42.9 million), and targeted salary enhancements (\$47.1 million)

## Revenues

- Administration assumes 2-cent reduction in State property tax – no general fund impact in fiscal 2007; \$112 million impact by fiscal 2009
- Additional property tax relief for low-income taxpayers – \$12.6 million
- Phased exemption for veterans' retirement income beginning with tax year 2006 – \$10.3 million revenue loss in fiscal 2007 rising to \$32 million by fiscal 2010
- Estate tax recoupling with federal exemptions – \$14 million revenue loss in fiscal 2007 rising to \$56 million by 2010
- Tax relief for individuals providing care in their homes to relatives with disabilities – \$3 million in fiscal 2007

## Improvement in the State's Fiscal Condition Is Counterbalanced by Spending Growth

- An improved economy buoyed State revenues and restored structural balance in fiscal 2005 and 2006.
- Spending growth in fiscal 2007 outpaces revenue growth, requiring the use of fund balance and resulting in a roughly \$400 million structural gap.
- There is a 5% cushion in the Rainy Day Fund, along with \$670 million set aside in the Dedicated Purpose Account to ensure cash balance in fiscal 2008.

### General Fund: Recent History and Outlook Fiscal 2004 – 2007 (\$ in Millions)

	Actual		Forecast	
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
<b>Funds Available</b>				
Ongoing Revenues	\$10,151	\$11,317	\$12,226	\$12,833
Balances and Transfers	469	902	1,313	1,988
One-time Federal Aid	227	0	0	0
Short-term Revenues	104	231	0	0
<b>Subtotal Funds Available</b>	<b>\$10,951</b>	<b>\$12,450</b>	<b>\$13,539</b>	<b>\$14,821</b>
<b>Appropriations, Deficiencies, and Cost Containment</b>				
Net Ongoing Operating Costs and Deficiencies	\$10,488	\$11,159	\$11,984	\$13,236
Contingent Reductions	0	0	0	-2
Capital/Heritage Tax Credit Reserve Fund	1	1	71	192
Appropriations to Reserve Fund	10	115	276	1,363
<b>Subtotal Spending</b>	<b>\$10,498</b>	<b>\$11,275</b>	<b>\$12,330</b>	<b>\$14,789</b>
<b>Cash Balance/Shortfall</b>	<b>\$453</b>	<b>\$1,174</b>	<b>\$1,208</b>	<b>\$32</b>
<b>Structural</b>				
<b>Balance</b> (Ongoing revenues less operating costs)	<b>-\$337</b>	<b>\$158</b>	<b>\$242</b>	<b>-\$403</b>
<b>Ratio</b> (Ongoing revenues/operating costs)	<b>97%</b>	<b>101%</b>	<b>102%</b>	<b>97%</b>
<b>Reserve Fund Activity</b>				
Appropriations to Rainy Day Fund	\$0	\$104	\$250	\$593
Transfers to General Fund	0	-91	0	-770
Appropriations to the Dedicated Purpose Account				670
<b>Estimated Rainy Day Fund Balance – June 30</b>	<b>\$497</b>	<b>\$519</b>	<b>\$796</b>	<b>\$644</b>
<b>Dedicated Purpose Fund Balance for FY 2008</b>				<b>670</b>
<b>Total Cash (Rainy Day, Dedicated Purpose, GF Balance)</b>	<b>\$949</b>	<b>\$1,694</b>	<b>\$2,004</b>	<b>\$1,346</b>

# Revenues

**Maryland Personal Income Forecast**  
(\$ in Millions)

	Actual	----- BRE Forecast* -----		
	<u>CY 2004</u>	<u>CY 2005</u>	<u>CY 2006</u>	<u>CY 2007</u>
Total Personal Income	\$220,291	\$234,088	\$249,135	\$262,931
		6.3%	6.4%	5.5%

**General Fund Revenue Forecast**  
(\$ in Millions)

<u>Source</u>	<u>Actual</u> <u>FY 2005</u>	BRE*		BRE*		<u>Change over FY06</u> <u>Amount</u>	<u>Percent</u>
		<u>Estimate</u> <u>FY 2006</u>	<u>Change over FY05</u> <u>Amount</u>	<u>Estimate</u> <u>FY 2007</u>	<u>Change over FY05</u> <u>Percent</u>		
Personal Income Tax	\$5,661	\$6,144	\$483	8.5%	\$6,557	\$413	6.7%
Sales and Use Tax	3,129	3,331	202	6.4%	3,502	171	5.1%
Lottery	456	471	15	3.4%	484	12	2.6%
Corporate Income Tax	512	627	114	22.3%	675	48	7.6%
Business Franchise Tax	198	201	3	1.4%	203	2	1.0%
Insurance Premiums Tax	269	266	-3	-1.2%	274	8	3.0%
Estate & Inheritance Taxes	183	210	27	14.8%	203	-7	-3.4%
Excise Taxes <sup>(1)</sup>	317	319	3	0.9%	321	2	0.6%
Court Revenue	143	148	5	3.3%	151	3	2.1%
Interest	64	113	49	75.9%	96	-18	-15.6%
Other <sup>(2)</sup>	463	375	-88	-18.9%	379	3	0.9%
<b>Current Revenues</b>	<b>\$11,395</b>	<b>\$12,205</b>	<b>\$810</b>	<b>7.1%</b>	<b>\$12,843</b>	<b>\$638</b>	<b>5.2%</b>
Delaware Holding Co. Settlements <sup>(3)</sup>	151	20					
Miscellaneous Transfers	2						
<b>Total</b>	<b>\$11,548</b>	<b>\$12,225</b>	<b>\$677</b>	<b>5.9%</b>	<b>\$12,843</b>	<b>\$618</b>	<b>5.1%</b>

\* From the Board of Revenue Estimates, December 2005.

<sup>(1)</sup> Tobacco, alcoholic beverages, and motor fuel taxes.

<sup>(2)</sup> Includes miscellaneous revenues and hospital patient recoveries.

<sup>(3)</sup> Fiscal 2005 revenue is from the settlement period established by SB 187 (2004 session). Fiscal 2006 revenue is from the MCI/Worldcom settlement.

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

<u>Source</u>	<i>Fiscal Year through December</i>				<b>Full-year Estimated Growth Rates</b>
	<u>FY 2005</u>	<u>FY 2006</u>	<u>\$ Change</u>	<u>% Change</u>	
Personal Income Tax	\$2,200.8	\$2,393.6	\$192.8	8.8%	8.5%
Sales and Use Tax	1,262.2	1,345.3	83.1	6.6%	6.4%
Lottery	215.6	227.8	12.2	5.6%	3.4%
Corporate Income Tax	192.5	267.4	74.8	38.9%	22.3%
Business Franchise Tax	76.6	78.6	2.0	2.6%	1.4%
Insurance Premiums Tax	121.5	120.5	-1.0	-0.8%	-1.2%
Estate & Inheritance Taxes	99.5	116.9	17.4	17.4%	14.8%
Excise Taxes <sup>(1)</sup>	139.9	140.9	1.0	0.7%	0.9%
Court Revenue	71.2	76.9	5.7	8.0%	3.3%
Interest	14.2	42.5	28.4	200.5%	75.9%
Other <sup>(2)</sup>	68.9	91.2	22.4	32.5%	-22.8%
<b>Current Revenues</b>	<b>\$4,462.9</b>	<b>\$4,901.6</b>	<b>\$438.6</b>	<b>9.8%</b>	<b>7.1%</b>
Delaware Holding Co. Settlements <sup>(3)</sup>	151.0	20.4			
<b>Total</b>	<b>\$4,614.0</b>	<b>\$4,922.0</b>	<b>\$308.0</b>	<b>6.7%</b>	<b>5.9%</b>

**Year-to-date Growth Rates Through:**

	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Current Revenues	11.4%	13.0%	11.4%	9.8%

<sup>(1)</sup> Tobacco, alcoholic beverages, and motor fuel taxes. Motor fuel tax revenue is through November.

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

<sup>(3)</sup> Fiscal 2005 revenue is from the settlement period established by SB 187 (2004 session). Fiscal 2006 revenue is from the MCI/Worldcom settlement.

# **Spending**

**General Funds/Cigarette Restitution Fund**

**Fiscal 2006 Deficiencies Total \$236.8 Million**  
**(\$ in Millions)**

	<u>GF</u>	<u>SF</u>	<u>FF</u>
<b>Medicaid</b>	\$66.0		\$67.7
Provides for managed care organization rate increases and \$81 million in prior-year claims.			
<b>Department of Public Safety and Correctional Services</b>	25.1		
Provides funding for the inmate medical contract (\$19.6 million), utility cost increases (\$5 million), and miscellaneous items (\$0.5 million).			
<b>Department of Budget and Management</b>	20.5		
Provides \$15.5 million for correctional officer recruitment and retention initiatives and \$5.0 million to cover current workers' compensation claims based on claims activity through November 2005.			
<b>State Reserve Fund</b>	6.0	\$7.0	
Sets aside funds in the Dedicated Purpose Account for energy and weatherization programs for low-income families.			
<b>Department of Juvenile Services</b>	21.0		
Provides additional funds for per diem payments (\$13 million), staff and overtime at the Baltimore City Juvenile Justice Center (BCJJC) and other facilities (\$4.2 million), renovations to add educational space at the BCJJC (\$3 million), and community supervision staff costs (\$0.7 million).			
<b>Department of Health and Mental Hygiene</b>	9.0		
Includes \$2.7 million for indirect cost recovery exemptions that are not permitted per the FY 2006 budget bill, utility costs for institutions (\$2.5 million), and funds for research by academic health centers (\$3.8 million).			
<b>Department of State Police</b>	3.7		
Includes \$3 million for gasoline expenses for vehicle operations, \$0.5 million for litigation related to race-based traffic stops, and \$0.3 million to study technology and staffing needs of the Crime Lab.			
<b>Office of the Public Defender</b>	3.1		
Provides \$1.7 million for panel fees, travel, specialists, and operations; \$1.1 million for IT contractual services and equipment; and \$0.3 million for transcripts.			
<b>Other</b>	7.7		
Includes \$2.1 million for tax credit payments; \$1.5 million for mold remediation at the Baltimore City Community College; \$1.4 million for the cover crop program; \$1.1 million for indirect cost recovery exemptions no longer permitted by the budget bill for the Dept. of Labor, Licensing, and Regulations; and funding for the State Prosecutor, State Ethics Commission, Dept. of Aging, Military Dept., Canal Place, Maryland Public Broadcasting Commission, and Maryland Higher Education Commission.			
<b>Total Fiscal 2006 Deficiencies</b>	<b>\$162.1</b>	<b>\$7.0</b>	<b>\$67.7</b>

**State Expenditures – General Funds**  
(\$ in Millions)

<u>Category</u>	<u>Actual</u>	<u>Work. Appr.</u>	<u>Allowance</u>	<u>FY 2006 to FY 2007</u>	
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$0.0	\$0.0	\$0.0	\$0.0	n/a
<b>Aid to Local Governments</b>					
County/Municipal	208.1	211.2	234.3	23.1	10.9%
Community Colleges	184.0	191.7	205.9	14.2	7.4%
Education/Libraries	3,678.9	4,065.8	4,534.4	468.6	11.5%
Health	60.9	61.9	63.1	1.2	2.0%
	<u>4,131.8</u>	<u>4,530.6</u>	<u>5,037.7</u>	<u>507.1</u>	<u>11.2%</u>
<b>Entitlements</b>					
Foster Care Payments	204.1	216.4	248.8	32.4	15.0%
Assistance Payments	49.0	48.6	43.6	-5.1	-10.4%
Medical Assistance	1,911.5	2,055.4	2,185.1	129.7	6.3%
Property Tax Credits	50.1	52.0	67.9	15.9	30.6%
	<u>2,214.6</u>	<u>2,372.5</u>	<u>2,545.4</u>	<u>172.9</u>	<u>7.3%</u>
<b>State Agencies</b>					
Health	1,218.7	1,254.0	1,334.9	80.9	6.4%
Human Resources	309.9	286.3	312.2	26.0	9.1%
Systems Reform Initiative	35.8	34.2	32.2	-2.1	-6.0%
Juvenile Justice	177.8	194.7	216.2	21.5	11.0%
Public Safety/Police	968.8	1,037.3	1,127.2	90.0	8.7%
Higher Education	851.0	909.5	1,022.8	113.4	12.5%
Other Education	286.6	333.1	366.7	33.5	10.1%
Agric./Natl Res./Environment	130.0	122.8	140.0	17.3	14.1%
Other Executive Agencies	495.0	561.8	715.0	153.3	27.3%
Judicial/Legislative	339.4	358.8	406.0	47.2	13.2%
	<u>4,812.9</u>	<u>5,092.4</u>	<u>5,673.2</u>	<u>580.8</u>	<u>11.4%</u>
<b>Subtotal</b>	<b>\$11,159.3</b>	<b>\$11,995.5</b>	<b>\$13,256.3</b>	<b>\$1,260.9</b>	<b>10.5%</b>
Capital/Heritage Reserve Fund	1.2	75.5	191.7	116.2	153.8%
Reserve Funds <sup>(1)</sup>	114.7	281.7	1,363.3	1,081.6	384.0%
<b>Appropriations</b>	<b>\$11,275.2</b>	<b>\$12,352.7</b>	<b>\$14,811.3</b>	<b>\$2,458.6</b>	<b>19.9%</b>
Reversions	0.0	-22.2	-22.5	-0.3	1.2%
<b>Grand Total</b>	<b>\$11,275.2</b>	<b>\$12,330.5</b>	<b>\$14,788.8</b>	<b>\$2,458.4</b>	<b>19.9%</b>

Note: Fiscal 2006 includes \$162.1 million in deficiencies.

<sup>(1)</sup> Excludes \$50 million in fiscal 2006 and \$53 million in fiscal 2007 appropriated to the Dedicated Purpose Account that is to be transferred to the Transportation Trust Fund. These monies are included in the capital/heritage reserve fund line.

**Fiscal 2007 General Fund Changes Over Adjusted Fiscal 2006 Budget  
(\$ in Millions)**

	<b><u>Allowance Increase</u></b>
<b>Statutory Funding</b>	
Aid to Education/Libraries	\$468.6
Appropriation to Reserve Fund: Sweeper	343.6
Wage Initiative – Developmental Disabilities Administration	11.2
Community Colleges (Cade Formula, Fringe Benefits, Other)	14.2
Disparity Grant	12.9
Heritage Tax Credit Reserve Fund – Chapter 76, Acts of 2004	10.0
Arts Council/Tourism Board – Arts Council Exceeds Mandate by \$2 million	5.0
Sellinger Aid to Nonpublic Higher Education Institutions	4.1
Repayment of Transportation Trust Fund	3.0
Formula for School for the Deaf	1.5
St. Mary's College – \$0.9 million Above Formula	1.3
Targeted Local Health Aid	1.2
Local Jail Reimbursements	1.1
Senior Citizen Centers	0.4
Legislative Scholarships	0.2
Private Donation Incentive Program	0.2
<b>Constitutional Entities</b>	
Judiciary	33.0
Legislature	1.7
<b>Entitlements</b>	
Medicaid	107.1
Foster Care	24.8
Property Tax Credits	3.2
Assistance Payments – Caseload Decline	-5.1
<b>Fund Shifts</b>	
State Board of Elections – Fund Shift from Federal Funds	7.5
Funding for Correctional Training Center Shifts from Special to General Funds	7.3
Other Shifts	4.0
<b>Personnel Expenses</b>	
Health Insurance	55.0
Salary Increments	42.9
Increase in Retirement Rates	20.4
Deferred Compensation Match Rises from \$400 to \$600	3.4
Workers' Compensation Charges	-2.7

**Discretionary Changes/Enhancements  
Fiscal 2007 General Fund Increase Over  
Adjusted Fiscal 2006 Appropriation  
(\$ in Millions)**

	<u>Allowance Change</u>
<b><u>Reserves/Unfunded Liabilities</u></b>	
Reserved for Fiscal 2008 Costs	\$670.0
Unfunded Liability – Retiree Health Insurance	100.0
<b><u>Higher Education</u></b>	
University System of Maryland/Morgan State University – Direct Appropriation	105.5
Scholarships	17.4
New Higher Education Grants – Professional Development Schools (\$2 million), Industrial Partnerships (\$1 million), University of Maryland Baltimore County Aging Studies (\$2 million), etc.	5.8
Baltimore City Community College	0.8
<b><u>Economic Development</u></b>	
Stem Cell Research Funding	20.0
Horse Racing Grants	10.0
Film Production Wage Subsidy	4.0
Biotechnology Investment Tax Credit Reserve Fund	6.0
Nanotechnology-Biotechnology Initiative Fund	2.5
<b><u>Personnel</u></b>	
General Salary Increase including Higher Education's Share of \$21 million	57.5
Annual Salary Review: Enhancements for Prison Guards, State Troopers, General Services Police, and Educators	24.3
<b><u>Health/Human Services</u></b>	
Developmental Disabilities Admin. – Transitioning Youth (\$5.5 million), Waiting List Initiative (\$7 million), Annualize New FY 2006 Placements (\$2 million), Transportation Funding (\$1 million), Emergency Placements (\$2 million)	18.0
Medicaid – Expand Older Adults (\$1 million) and Living at Home (\$1 million) Waivers and Buy-in Program for Working Adults with Disabilities (\$5.3 million); Raise Personal Care (\$1 million) and Private Duty Nursing Rates (\$4.3 million)	12.6
Mental Health – Increase Provider Rates	10.5
Partially Lift Medicaid/Mental Health Hospital Day Limits	10.0
Foster Care Initiatives: Expand Guardianship Program, Raise Foster Care Payment Rates, Substance Abuse Initiative, and Respite Care	7.6
AIDS Drugs – Accounting Change Not an Expansion of Services	6.0

Substance Abuse Treatment	4.1
Health Care for Immigrants	3.0
Babies Born Healthy Initiative	1.5

**Tax Relief**

Reform Homeowners' Property Tax Credit Program	12.6
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**Other Grants**

Maryland Energy Administration – Solar Energy Grants	2.4
Board of Public Works – Helicopter Repayment (\$2 million) and Other Grants	2.6
State Aided Educational Institutions	3.3
Cover Crop Grants	2.9
Department of Planning – Moving Expenses	2.5

**Base Operating Costs**

Dept. of Public Safety and Correctional Services (DPSCS) – Overtime	18.5
Major Information Technology Projects including \$9 million for Comptroller's Computer Assisted Collection System	17.8
Juvenile Services – Per Diems, Contractual Services, New Secure Facility	7.0
Mental Health – Community Services Enrollment Growth and Inflation	5.4
Inmate Medical Contract	5.4
Dept. of General Services – Deferred Maintenance	5.0
Dept. of Human Resources – Computer Programming, Support, and Maintenance	4.4
Motor Vehicle Fuel and Utilities	4.1
Relief from Statewide Indirect Cost Recoveries (DHMH and DPSCS)	3.3
Increase Staffing Levels at Office of the Public Defender by 22, Provide Turnover Relief, and Fund Increase in Hourly Rate for Panel Attorneys	2.7
State Police Vehicle Purchases	2.0

**Funding Reductions**

Dedicated Purpose Fund – One-time Appropriations for Catastrophic Event Fund, Medicaid and Juvenile Services Shortfalls, and Pilot Substance Abuse Program Are Not Continued	-26.0
Dedicated Purpose Fund – One-time Appropriation for Energy Assistance	-6.0
Shift Academic Health Centers Cancer/Tobacco Funds Back to Special Funds	-3.8

DHMH = Department of Health and Mental Hygiene

## Cigarette Restitution Funds

(\$ in Millions)

	<u>Actual Spending FY 2005</u>	<u>Working Appropriation FY 2006</u>	<u>Allowance FY 2007</u>	<u>Change FY 06-07</u>
Beginning Fund Balance	\$10.5	\$15.4	\$16.3	
Settlement Payments and Interest	152.0	153.5	152.3	
<b>Available Revenue</b>	<b>\$162.5</b>	<b>\$168.9</b>	<b>\$168.6</b>	
Payment to Law Offices	-\$30.0	-\$29.9	\$0.0	
Prior Year Recoveries	1.5	0.0	0.0	
<b>Total Available Revenue</b>	<b>\$134.0</b>	<b>\$139.0</b>	<b>\$168.6</b>	<b>\$29.6</b>
<b>Health</b>				
Tobacco	\$9.9	\$9.3	\$18.7	\$9.4
Cancer	30.9	20.1	28.1	8.1
Substance Abuse	17.1	17.1	17.1	
Medicaid	51.5	66.8	89.7	22.9
Administration	0.4	0.3	0.6	0.3
<b>Subtotal</b>	<b>\$109.8</b>	<b>\$113.6</b>	<b>\$154.3</b>	<b>\$40.7</b>
<b>Aid to Nonpublic Schools</b>	<b>\$3.0</b>	<b>\$3.0</b>	<b>\$4.0</b>	<b>\$1.0</b>
<b>Crop Conversion</b>	<b>\$5.7</b>	<b>\$6.0</b>	<b>\$7.6</b>	<b>\$1.6</b>
<b>Attorney General</b>	<b>\$0.2</b>	<b>\$0.2</b>	<b>\$0.2</b>	
<b>Total Expenses</b>	<b>\$118.6</b>	<b>\$122.8</b>	<b>\$166.1</b>	<b>\$43.3</b>
<b>Ending Fund Balance</b>	<b>\$15.4</b>	<b>\$16.3</b>	<b>\$2.5</b>	

- The Cigarette Restitution Fund (CRF) is projected to end fiscal 2006 with a \$16.3 million fund balance.
- However, pending legal actions by several subsequent participating manufacturers threaten to reduce the April 2006 Master Settlement Agreement payment by approximately \$26.0 million. These legal challenges also have the potential to reduce revenues in subsequent years.
- The fiscal 2007 allowance provides \$166.1 million for programs supported by the CRF. This level of spending exhausts all but \$2.5 million of the available revenues, including the projected fiscal 2006 ending balance.

## Unresolved Issues and Unfunded Liabilities (\$ in Millions)

<u>Unresolved Issues</u>	<u>Total</u>
Geographic Cost of Education Index	\$72
Medicaid Costs Understated: \$20 Million in Fiscal 2006; \$10 Million in Fiscal 2007 as Maryland Will Exhaust Federal MCHP Dollars	30
Department of Human Resources: Inappropriate Federal Charges Remain Unresolved	24
<u>Unfunded Liabilities</u>	<u>% Funded</u>
<b>Retiree Health:</b> Allowance provides \$100 million toward the \$20.4 billion in estimated liabilities for State retiree health care	0.5%
<b>Workers' Compensation:</b> The allowance brings the balance in the State's long-term liability account to almost \$25 million. An unfunded liability of \$225 million remains.	10%
<b>Pension Contribution:</b> The State employees' and teachers' pension systems have both fallen below 90% of the actuarial funding level.	88%

MCHP = Maryland Children's Health Plan

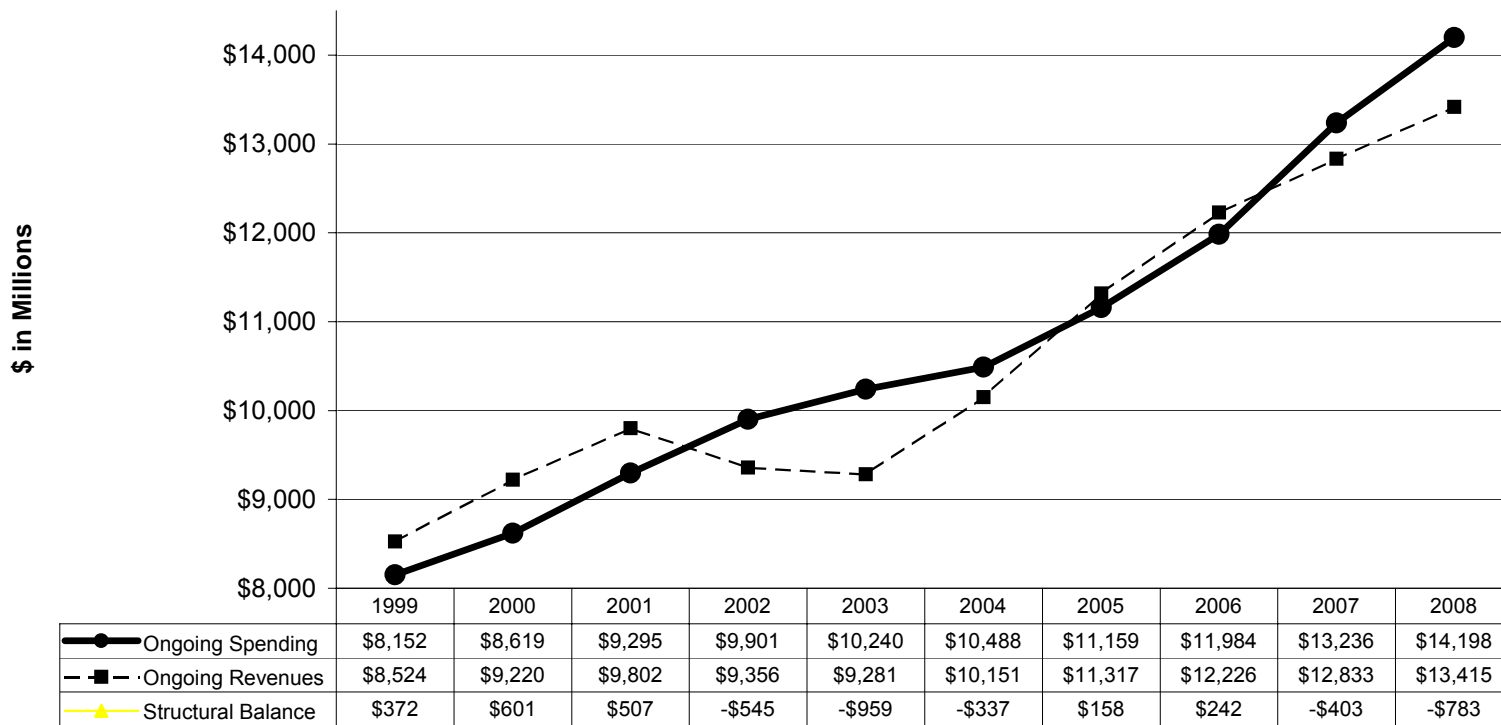
# Outlook

## Pro Forma General Fund Outlook for Fiscal 2008 (\$ in Millions)

	<u>FY 2007</u>	<u>FY 2008</u>
Ongoing Revenues	\$12,843	\$13,447
Changes to Ongoing Revenues Proposed at 2006 Session	-10	-32
	<b>\$12,833</b>	<b>\$13,415</b>
Ongoing Spending – DLS Baseline	\$12,977	\$13,984
Net Impact of Allowance on Ongoing Spending	259	213
	<b>\$13,236</b>	<b>\$14,197</b>
<b>Structural Imbalance</b>	<b>-\$403</b>	<b>-\$782</b>
<b>Additional Spending</b>		
PAYGO/Retiree Health Insurance/MDOT Transfer	\$292	\$200
<b>Spending in Excess of Current Revenues</b>	<b>-\$695</b>	<b>-\$982</b>
<b>Available Cash</b>		
Fund Balance		\$32
Transfer Rainy Day Fund Balance in Excess of 5%		2
Dedicated Purpose Fund Reserves		670
<b>Total Available Cash</b>		<b>\$704</b>
<b>Remaining Gap</b>		<b>-\$278</b>

DLS = Department of Legislative Services  
MDOT = Maryland Department of Transportation

## Analysis of Structural Balance



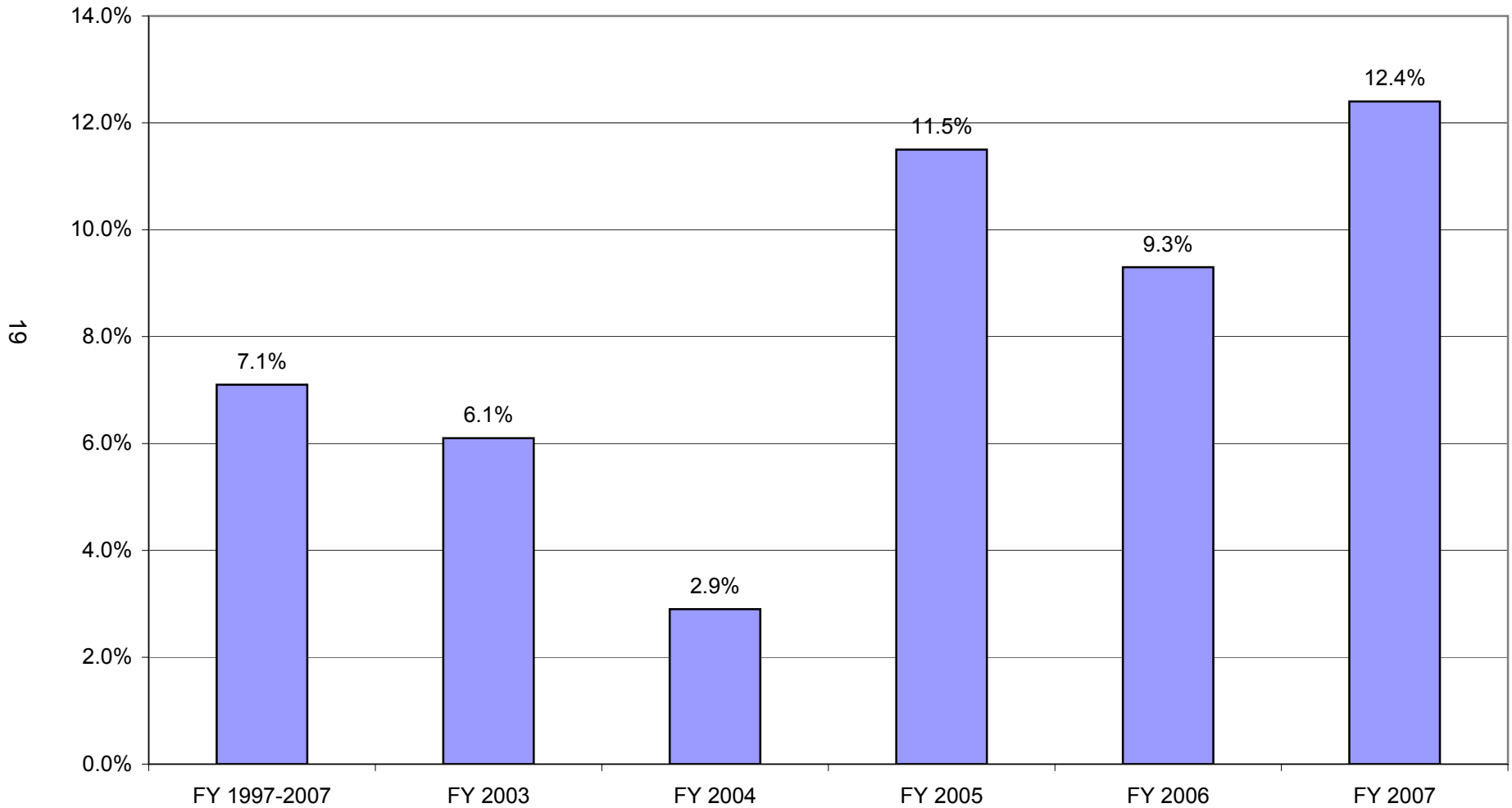
Fiscal Years

● Ongoing Spending    ■ Ongoing Revenues

▲

# Local Aid

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



**State Aid Share of State Budget  
Fiscal 2007  
(\$ in Millions)**

	<u>General Funds</u>	<u>State Funds</u>
State Aid to Local Governments	\$5,037.6	\$5,794.4
Total State Expenditures	13,425.6	21,774.5
Percent State Aid	37.5%	26.6%

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**State Aid Increases Exceed Most State Programs  
Fiscal 2007  
State Funds  
(\$ in Millions)**

	<u>\$ Change</u>	<u>% Change</u>
Total State Aid to Local Governments	\$640.2	12.4%
Public School Funding	463.8	11.5%
Entitlements	193.2	7.7%
State Agencies	932.7	9.3%
Total State Expenditures	2,025.3	10.2%

Note: Total State expenditures exclude reserve fund appropriations.

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

	<b><u>FY 2007 State Aid Amount</u></b>	<b><u>Percent of Total</u></b>
Public Schools	\$4,480.6	77.3%
Libraries	55.4	1.0%
Community Colleges	205.9	3.6%
Local Health	63.1	1.1%
County/Municipal	991.0	17.1%
<b>Total</b>	<b>\$5,796.0</b>	<b>100.0%</b>

---

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

	<b><u>FY 2007 Aid Increase</u></b>	<b><u>Percent Increase</u></b>
Public Schools	\$463.8	11.5%
Libraries	4.8	9.5%
Community Colleges	14.3	7.5%
Local Health	1.2	2.0%
County/Municipal	156.1	18.7%
<b>Total</b>	<b>\$640.2</b>	<b>12.4%</b>

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

	<u>FY 2006</u>	<u>FY 2007</u>	<u>Difference</u>	<u>Percent Difference</u>
<b>Public Schools</b>				
Foundation Program	\$2,308.3	\$2,493.2	\$184.9	8.0%
Compensatory Aid	600.4	726.4	126.1	21.0%
Student Transportation	187.1	202.1	15.0	8.0%
Special Education – Formula	191.3	234.0	42.7	22.3%
Special Education – Nonpublic	107.5	119.5	12.0	11.2%
Limited English Proficiency	67.8	88.8	21.1	31.1%
Guaranteed Tax Base	38.7	60.5	21.8	56.2%
Geographic Cost Index	0.0	0.0	0.0	
Other Education Programs	108.9	109.9	1.1	1.0%
<b>Subtotal Direct Aid</b>	<b>\$3,609.9</b>	<b>\$4,034.5</b>	<b>\$424.5</b>	<b>11.8%</b>
Retirement Payments	406.9	446.1	39.3	9.7%
<b>Total Public School Aid</b>	<b>\$4,016.8</b>	<b>\$4,480.6</b>	<b>\$463.8</b>	<b>11.5%</b>
<b>Libraries</b>				
Library Aid Formula	\$28.0	\$31.0	\$3.0	10.7%
State Library Network	14.2	15.2	1.0	7.3%
<b>Subtotal Direct Aid</b>	<b>\$42.2</b>	<b>\$46.2</b>	<b>\$4.0</b>	<b>9.5%</b>
Retirement Payments	8.4	9.2	0.8	9.1%
<b>Total Library Aid</b>	<b>\$50.6</b>	<b>\$55.4</b>	<b>\$4.8</b>	<b>9.5%</b>
<b>Community Colleges</b>				
Community College Formula	\$154.1	\$164.8	\$10.7	6.9%
Other Programs	21.7	23.5	1.7	8.0%
<b>Subtotal Direct Aid</b>	<b>\$175.9</b>	<b>\$188.3</b>	<b>\$12.4</b>	<b>7.1%</b>
Retirement Payments	15.7	17.6	1.8	11.7%
<b>Total Community College Aid</b>	<b>\$191.6</b>	<b>\$205.9</b>	<b>\$14.3</b>	<b>7.5%</b>
<b>Local Health Grants</b>	<b>\$61.9</b>	<b>\$63.1</b>	<b>\$1.2</b>	<b>2.0%</b>
<b>County/Municipal Aid</b>				
Transportation	\$549.1	\$592.0	\$43.0	7.8%
Public Safety	101.9	104.3	2.4	2.4%
Program Open Space/Recreation	47.0	136.4	89.4	190.2%
Disparity Grant	96.6	109.5	12.9	13.3%
Utility Restructuring Grant	30.6	30.6	0.0	0.0%
Other Grants	8.1	16.4	8.3	102.4%
<b>Subtotal Direct Aid</b>	<b>\$833.3</b>	<b>\$989.2</b>	<b>\$155.9</b>	<b>18.7%</b>
Retirement Payments	1.7	1.8	0.2	8.9%
<b>Total County/Municipal Aid</b>	<b>\$835.0</b>	<b>\$991.0</b>	<b>\$156.1</b>	<b>18.7%</b>
<b>Total State Aid</b>	<b>\$5,155.9</b>	<b>\$5,796.0</b>	<b>\$640.2</b>	<b>12.4%</b>

## State Aid to Local Governments – Rankings for Fiscal 2007 Allowance

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County	State Aid Amount	Per Capita Aid Amount	Percent Change Over FY 06	Highest to Lowest Rankings		Highest to Lowest Rankings	
				County	Per Capita State Aid	County	Percent Change
Allegany	\$101,042,263	\$1,368	15.1%	1. Baltimore City	\$1,808	1. Washington	16.0%
Anne Arundel	373,013,988	733	14.2%	2. Caroline	1,639	2. Wicomico	15.2%
Baltimore City	1,150,617,483	1,808	8.6%	3. Allegany	1,368	3. Charles	15.2%
Baltimore	623,602,566	799	14.5%	4. Garrett	1,330	4. Allegany	15.1%
Calvert	101,200,290	1,170	10.7%	5. Wicomico	1,318	5. Caroline	14.9%
Caroline	50,894,355	1,639	14.9%	6. Somerset	1,299	6. Baltimore	14.5%
Carroll	169,731,495	1,022	12.8%	7. Dorchester	1,267	7. Anne Arundel	14.2%
Cecil	111,741,576	1,170	13.3%	8. Charles	1,244	8. Howard	13.6%
Charles	168,884,723	1,244	15.2%	9. Prince George's	1,174	9. Somerset	13.6%
Dorchester	39,169,297	1,267	6.6%	10. Calvert	1,170	10. Montgomery	13.5%
Frederick	224,569,170	1,032	11.4%	11. Cecil	1,170	11. Cecil	13.3%
Garrett	40,075,902	1,330	10.2%	12. St. Mary's	1,076	12. Harford	13.3%
Harford	245,043,175	1,040	13.3%	13. Washington	1,071	13. Carroll	12.8%
Howard	232,400,342	871	13.6%	14. Harford	1,040	14. Queen Anne's	12.4%
Kent	16,227,830	829	7.9%	15. Frederick	1,032	15. St. Mary's	12.0%
Montgomery	570,972,511	619	13.5%	16. Carroll	1,022	16. Worcester	11.9%
Prince George's	989,904,523	1,174	10.9%	17. Queen Anne's	894	17. Frederick	11.4%
Queen Anne's	40,307,098	894	12.4%	18. Howard	871	18. Prince George's	10.9%
St. Mary's	102,158,903	1,076	12.0%	19. Kent	829	19. Calvert	10.7%
Somerset	33,595,397	1,299	13.6%	20. Baltimore	799	20. Garrett	10.2%
Talbot	21,330,808	609	9.4%	21. Anne Arundel	733	21. Talbot	9.4%
Washington	149,569,757	1,071	16.0%	22. Worcester	678	22. Baltimore City	8.6%
Wicomico	117,053,728	1,318	15.2%	23. Montgomery	619	23. Kent	7.9%
Worcester	33,186,810	678	11.9%	24. Talbot	609	24. Dorchester	6.6%
Unallocated	89,753,487		40.6%				
<b>Total</b>	<b>\$5,796,047,476</b>	<b>\$1,043</b>	<b>12.4%</b>				

## Highway User Revenues Allocation in Fiscal 2006 Governor's Funding Amount vs. Legislative Intent

<u>County</u>	<u>FY 2006 Legislative Intent</u>	<u>FY 2006 Governor's Amount</u>	<u>Difference</u>	<u>Percent Difference</u>
Allegany	\$7,237,243	\$6,764,413	-\$472,830	-6.5%
Anne Arundel	30,882,427	28,864,791	-2,017,636	-6.5%
Baltimore City	226,022,855	220,862,855	-5,160,000	-2.3%
Baltimore	41,682,877	38,959,617	-2,723,260	-6.5%
Calvert	6,266,147	5,856,762	-409,385	-6.5%
Caroline	4,917,371	4,596,105	-321,266	-6.5%
Carroll	13,934,214	13,023,853	-910,361	-6.5%
Cecil	7,685,109	7,183,019	-502,090	-6.5%
Charles	9,623,325	8,994,606	-628,719	-6.5%
Dorchester	5,459,971	5,103,256	-356,715	-6.5%
Frederick	18,251,717	17,059,281	-1,192,436	-6.5%
Garrett	6,213,432	5,807,491	-405,941	-6.5%
Harford	15,930,765	14,889,963	-1,040,802	-6.5%
Howard	15,255,045	14,258,390	-996,655	-6.5%
Kent	2,820,265	2,636,009	-184,256	-6.5%
Montgomery	43,743,070	40,885,212	-2,857,858	-6.5%
Prince George's	37,843,681	35,371,247	-2,472,434	-6.5%
Queen Anne's	5,595,415	5,229,851	-365,564	-6.5%
St. Mary's	7,455,294	6,968,219	-487,075	-6.5%
Somerset	3,275,173	3,061,197	-213,976	-6.5%
Talbot	4,500,425	4,206,400	-294,025	-6.5%
Washington	11,675,541	10,912,745	-762,796	-6.5%
Wicomico	8,902,399	8,320,780	-581,619	-6.5%
Worcester	6,769,964	6,327,663	-442,301	-6.5%
<b>Total</b>	<b>\$541,943,725</b>	<b>\$516,143,725</b>	<b>-\$25,800,000</b>	<b>-4.8%</b>

# Positions

**How Many Fiscal 2007 Abolitions Are Currently Required Under the  
Spending Affordability Committee Position Cap?**

	<u>Legislature</u>	<u>Judiciary</u>	<u>Higher Education</u>	<u>Executive Branch*</u>
Fiscal 2006 Working	740	3,291	21,699	52,756
Abolitions	-	-	-	-58
New Positions	-	121	629	353
<b>Fiscal 2007 Allowance</b>	<b>740</b>	<b>3,412</b>	<b>22,327</b>	<b>53,051</b>
Change	-	121	629	295
 <b>Non-higher Education Executive Branch Position Cap</b>				<b>52,760</b>
 <b>Number of Positions Above the Cap in the Allowance</b>				<b>291</b>

\* Non-higher education Executive Branch agencies only.

## Regular Full-time Equivalent Positions Fiscal 2002, 2006 Working Appropriation, and 2007 Allowance

<u>Department/Service Area</u>	<u>FY 2002 Actual</u>	<u>FY 2006 Wkg. App.</u>	<u>FY 2007 Allow.</u>	<u>Change FY 02 – 06</u>		<u>Change FY 06 – 07</u>	
				<u>FTEs</u>	<u>%</u>	<u>FTEs</u>	<u>%</u>
Legislative Branch	730	740	744	10	1.4%	4	0.5%
Judicial Branch	3,010	3,291	3,412	282	9.4%	121	3.7%
<b>Executive Branch:</b>							
Legal	1,381	1,563	1,584	182	13.2%	21	1.3%
Executive & Administrative Control	1,619	1,592	1,640	-27	-1.7%	48	3.0%
Financial & Revenue Administration	2,158	2,023	2,026	-136	-6.3%	3	0.1%
Budget & Management	524	433	433	-91	-17.5%	-	0.0%
Retirement	194	186	189	-8	-3.9%	3	1.6%
General Services	793	643	636	-150	-18.9%	-7	-1.1%
Transportation	9,538	9,012	9,052	-527	-5.5%	40	0.4%
Natural Resources	1,629	1,367	1,372	-263	-16.1%	5	0.4%
Agriculture	480	428	437	-53	-10.9%	9	2.1%
Health & Mental Hygiene	8,536	7,573	7,614	-963	-11.3%	41	0.5%
Human Resources	8,273	6,961	6,997	-1,311	-15.8%	36	0.5%
Labor, Licensing, & Regulation	1,706	1,460	1,473	-246	-14.4%	13	0.9%
Public Safety & Correctional Services	11,663	11,279	11,305	-384	-3.3%	26	0.2%
MSDE and Other Education	1,955	2,136	2,183	181	9.3%	48	2.2%
Housing & Community Development	449	318	316	-131	-29.2%	-2	-0.6%
Business & Economic Development	324	292	292	-32	-9.9%	-	0.0%
Environment	1,028	949	952	-79	-7.7%	3	0.3%
Juvenile Services	2,123	2,081	2,081	-42	-2.0%	-	0.0%
Police & Fire Marshal	2,590	2,464	2,472	-126	-4.9%	8	0.3%
<b>Executive Branch Subtotal</b>	<b>56,961</b>	<b>52,756</b>	<b>53,051</b>	<b>-4,205</b>	<b>-7.4%</b>	<b>295</b>	<b>0.6%</b>
Higher Education	21,386	21,699	22,327	312	1.5%	629	2.9%
<b>Total</b>	<b>82,087</b>	<b>78,486</b>	<b>79,534</b>	<b>-3,601</b>	<b>-4.4%</b>	<b>1,048</b>	<b>1.3%</b>

## Vacant Positions, Turnover Rate, and Necessary Vacancies

### Fiscal 2007 Allowance

<u>Department/Service Area</u>	<u>01.01.06 Vacancies, Less Abolitions</u>	<u>2007 Allowance Turnover Rate</u>	<u>2007 Necessary Vacancies</u>	<u>Funded/ (Unfunded) Vacancies</u>
Legislative	13	1.5%	11	2
Judiciary	137	2.8%	95	42
Legal	165	5.7%	91	74
Executive and Administrative Control	95	3.8%	61	34
Financial and Revenue Administration	123	3.7%	76	47
Budget and Management	44	3.2%	14	30
Retirement	15	3.9%	7	8
General Services	44	4.5%	29	15
Transportation	488	4.5%	405	83
Natural Resources	112	4.7%	65	47
Agriculture	34	5.4%	23	10
Health and Mental Hygiene	560	5.3%	402	157
Human Resources	420	4.1%	289	131
Labor, Licensing, and Regulation	109	4.3%	64	45
Public Safety and Correctional Services	1,049	6.6%	749	300
MSDE and Other Education	103	5.6%	123	-20
Housing and Community Development	18	2.0%	6	12
Business and Economic Development	15	4.0%	12	3
Environment	74	6.6%	62	12
Juvenile Services	178	5.6%	117	61
Police and Fire Marshal	133	4.9%	120	13
<b>Subtotal</b>	<b>3,927</b>	<b>4.9%</b>	<b>2,786</b>	<b>1,140</b>
Higher Education*	647	3.8%	857	-210
<b>Total</b>	<b>4,573</b>	<b>4.5%</b>	<b>3,572</b>	<b>1,001</b>
<b>Non-higher Education Executive Branch</b>				
<b>Total</b>	<b>3,777</b>	<b>5.1%</b>	<b>2,689</b>	<b>1,087</b>

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

## The State Workforce: Where Are the New Positions in 2007?

<b>Higher Education</b>	629
<b>The Judiciary:</b> Majority are for circuit court clerks (56), District Court bailiffs (39), administrative (9), and information systems (5) positions.	121
<b>Health and Mental Hygiene:</b> Primarily for contract/contractual conversions in the AIDS Administration (41) and Medical Care Programs Administration (9), and positions to create the Maryland Adult Care Program (6).	63
<b>Maryland State Department of Education:</b> Primarily for vocational rehabilitation and other specialists in the Division of Rehabilitation Services (10), education program specialists in various divisions (10), and teachers and other staff in the Correctional Education Program (9).	48
<b>Maryland Department of Transportation:</b> General bus operators in the Maryland Transit Administration (30) to replace bus operators transferred to paratransit operations and State Highway Administration positions (10) to create the Office of Procurement and Contracts.	40
<b>Military Department:</b> Federal security personnel are replaced with federally funded State security staff (37).	37
<b>Department of Human Resources:</b> Positions address Baltimore City's strategic plan (30), the Group Home Licensing and Monitoring Unit (5), and the addition of a staff attorney for Somerset County (1).	36
<b>Department of Public Safety and Correctional Services:</b> Primarily for expansion of the Maryland Correctional Enterprise (formerly State Use Industries) and of RESTART.	31
<b>The Office of the Public Defender:</b> During the 2005 session, the General Assembly denied 22 positions proposed for the Caseload Initiative. Those positions are restored in the 2007 allowance.	22
<b>Other Agencies</b>	80
<b>Total New Positions<sup>1</sup></b>	1,106

<sup>1</sup> New positions are offset by 58 abolitions spread across the allowance, for a net addition of 1,048 positions.

## Contractual Full-time Equivalent Positions

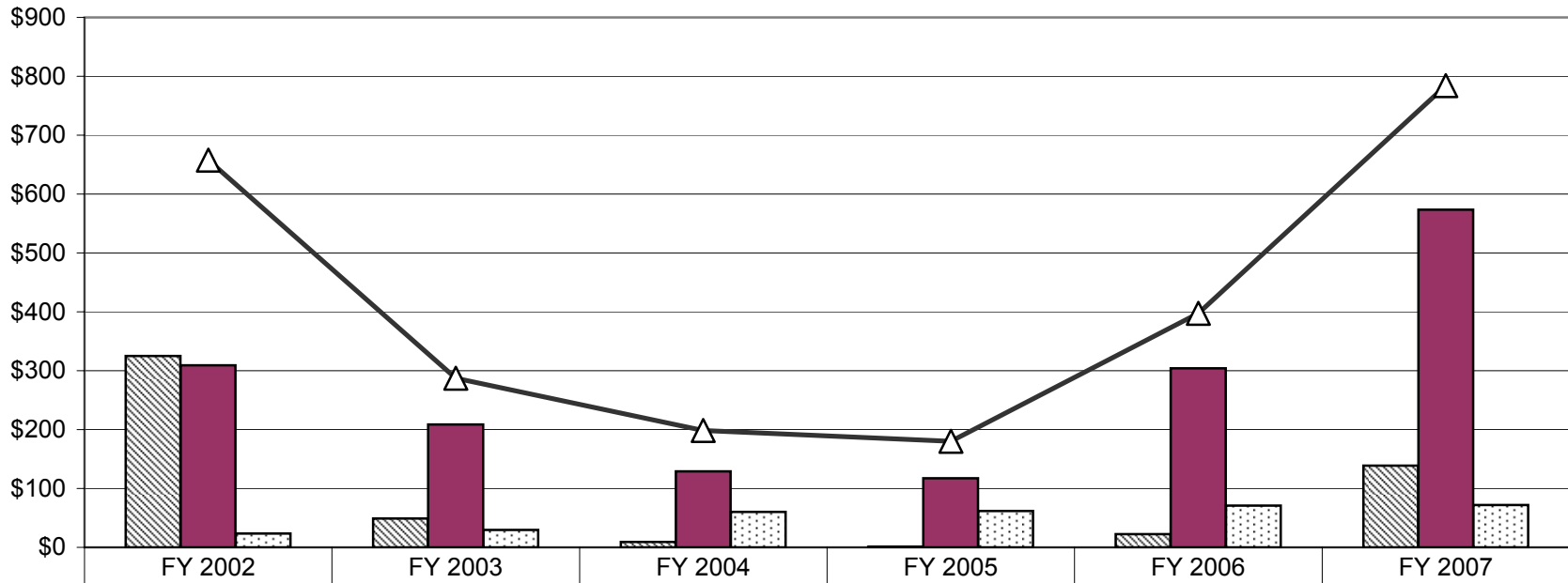
### Fiscal 2002, 2006 Working Appropriation, and 2007 Allowance

<u>Department/Service Area</u>	<u>FY 2002</u> <u>Actual</u>	<u>FY 2006</u> <u>Wkg. App.</u>	<u>FY 2007</u> <u>Allow.</u>	<u>Change</u> <u>FY 02 – 06</u>		<u>Change</u> <u>FY 06 – 07</u>	
				<u>FTEs</u>	<u>%</u>	<u>FTEs</u>	<u>%</u>
Judiciary	371	371	368	-	0.0%	-4	-0.9%
Legal	99	111	114	12	11.9%	4	3.2%
Executive & Administrative Control	208	179	171	-30	-14.3%	-8	-4.3%
Financial & Revenue Administration	35	36	34	1	2.7%	-2	-4.4%
Budget & Management	33	12	16	-21	-63.9%	4	33.3%
Retirement	30	30	27	0	-1.1%	-3	-8.5%
General Services	35	27	26	-8	-23.5%	0	-0.3%
Transportation	142	159	177	16	11.5%	19	11.6%
Natural Resources	332	342	432	10	2.9%	91	26.5%
Agriculture	36	40	37	5	13.2%	-3	-8.4%
Health & Mental Hygiene	409	472	478	63	15.4%	6	1.3%
Human Resources	111	135	141	24	22.0%	6	4.4%
Labor, Licensing, & Regulation	176	177	194	1	0.7%	17	9.4%
Public Safety & Correctional Services	298	462	426	164	55.1%	-37	-8.0%
MSDE and Other Education	218	212	222	-6	-2.9%	10	4.8%
Housing & Community Development	49	38	43	-11	-22.6%	5	13.5%
Business & Economic Development	49	32	35	-17	-33.9%	3	9.3%
Environment	32	45	35	12	37.8%	-10	-22.5%
Juvenile Services	119	243	139	124	104.1%	-104	-42.9%
Police & Fire Marshal	46	45	50	-1	-2.6%	5	12.1%
<b>Subtotal</b>	<b>2,828</b>	<b>3,166</b>	<b>3,165</b>	<b>338</b>	<b>11.9%</b>	<b>-1</b>	<b>0.0%</b>
Higher Education	6,079	5,892	5,880	-187	-3.1%	-13	-0.2%
<b>Total</b>	<b>8,907</b>	<b>9,058</b>	<b>9,045</b>	<b>151</b>	<b>1.7%</b>	<b>-13</b>	<b>-0.1%</b>
<b>Non-higher Education Executive</b>							
<b>Branch Total</b>	<b>2,457</b>	<b>2,795</b>	<b>2,797</b>	<b>338</b>	<b>13.7%</b>	<b>3</b>	<b>0.1%</b>

# **PAYGO**

## Non-Transportation Capital PAYGO Program Fiscal 2002 – 2007 (\$ in Millions)

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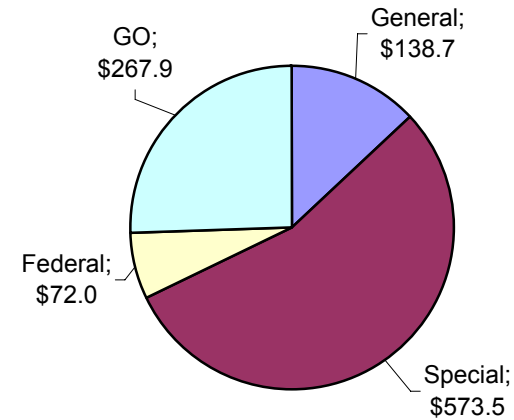
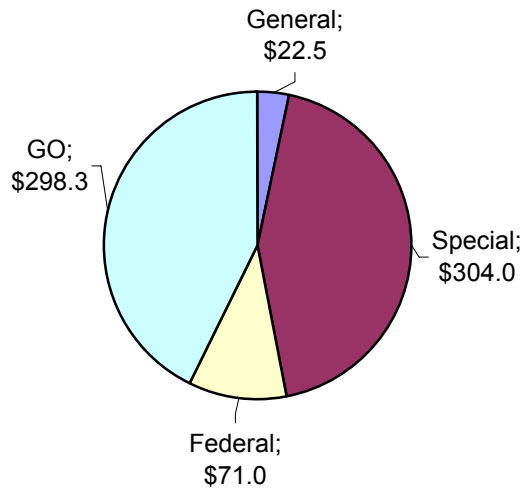


Note: Fiscal 2002 PAYGO funding is adjusted to reflect the embargo and reversion of \$324 million of PAYGO general funds required by budget reconciliation and financing legislation in 2002.

**Fiscal 2006 Capital PAYGO Program  
(Includes GO Bond Funds Supporting PAYGO Program)**

**Fiscal 2007 Capital PAYGO Program  
(Includes GO Bonds Funds Supporting PAYGO Program)**

(\$ in Millions)



33

<u>Function</u>	<b>Fiscal 2006</b>	----- Fiscal 2007 Allowance -----				<u>Total</u>	<u>Variance</u>
	<u>All Funds</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>GO</u>		
School Construction	\$236.6	\$0.0	\$2.4	\$0.0	\$258.9	\$261.3	\$24.7
Energy Administration	2.5	0.0	3.0	0.0	0.0	3.0	0.5
MHT & Heritage Tax	20.5	30.0	0.5	0.0	0.0	30.5	10.0
Veterans Affairs	0.6	0.5	0.0	7.9	0.0	8.4	7.8
General Services	11.0	10.9	0.3	0.0	0.0	11.2	0.2
Natural Resources	122.4	0.0	322.1	7.1	0.0	329.2	206.8
Agriculture	51.8	0.0	85.6	5.0	9.0	99.6	47.8
Public Safety	37.9	0.0	0.0	0.0	0.0	0.0	-37.9
Housing	63.7	27.8	23.3	17.5	0.0	68.6	4.9
Economic Development	11.7	15.0	20.0	0.0	0.0	35.0	23.3
Environment	118.2	8.3	116.3	34.5	0.0	159.1	40.9
BPW/Local Misc.	18.9	46.2	0.0	0.0	0.0	46.2	27.3
<b>Total</b>	<b>\$695.8</b>	<b>\$138.7</b>	<b>\$573.5</b>	<b>\$72.0</b>	<b>\$267.9</b>	<b>\$1,052.1</b>	<b>\$356.3</b>

BPW = Board of Public Works  
GO = General Obligation Bonds  
MHT = Maryland Historical Trust

## Top Funded PAYGO Projects and Programs Fiscal 2007

<u>Project/Program</u>	<u>General</u>	<u>Special</u>	<u>Total</u>
DNR: POS Land Acq. & Local Programs	\$0	\$253,166,315	\$253,166,315
MDA: Agricultural Land Preservation	0	79,554,000	79,554,000
MDE: Bay Restoration – ENR	0	70,000,000	70,000,000
MDE: Water Quality Loan Program	5,534,000	37,903,255	43,437,255
MD Econ. Development Assistance Fund	15,000,000	20,000,000	35,000,000
Planning: Heritage Tax Credit Fund	30,000,000	0	30,000,000
DNR: Rural Legacy Program	0	26,050,000	26,050,000
DNR: Waterway Improvement Fund	0	25,000,000	25,000,000
DNR: POS Capital Improvements	0	15,041,000	15,041,000
Maryland Regenerative Research Center	12,000,000	0	12,000,000
DGS: Facility Renewal	10,887,000	345,000	11,232,000
<b>Total</b>	<b>\$73,421,000</b>	<b>\$527,059,570</b>	<b>\$600,480,570</b>

### General Fund PAYGO Local Miscellaneous Projects Funded Over CIP

<u>Project</u>	<u>Jurisdiction</u>	<u>Amount</u>
Ripken Youth Baseball Academy	Harford	\$1,000,000
Adventure Sports Complex	Garrett	1,500,000
Blind Industries of Maryland	Baltimore City	1,210,000
Children's Guild	Prince George's	425,000
Forest Park Golf Clubhouse	Baltimore City	500,000
Helping Up Mission	Baltimore City	1,000,000
Irvine Nature Center	Baltimore County	500,000
Lloyd Street Synagogue	Baltimore City	440,000
Maryland Regenerative Research Center	Baltimore City	12,000,000
Paul's Place	Baltimore City	250,000
Maryland Zoo in Baltimore – Elephant Facilities	Baltimore City	500,000
Somerset/Wicomico/Worcester Area Agency on Aging	Wicomico	1,500,000
Southern Maryland Stadium	Charles	3,000,000
UMCP Golf Course	Prince George's	145,000
Victory Youth Center	Prince George's	750,000
YMCA – Towson	Baltimore County	1,000,000
YMCA – Western Family Branch	Baltimore County	500,000
<b>Total</b>		<b>\$26,220,000</b>

DGS = Department of General Services  
DNR = Department of Natural Resources  
ENR = Enhanced Nutrient Removal  
MDA = Maryland Department of Agriculture

MDE = Maryland Department of the Environment  
POS = Program Open Space  
UMCP = University of Maryland, College Park

# Capital PAYGO Program Budget Highlights

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## General Funds

- Allowance provides \$138.7 million compared to the \$22.5 million appropriated for fiscal 2006.
- Of the \$138.7 million, approximately \$83 million replaces planned GO authorizations as planned for in the 2005 *Capital Improvement Plan* (CIP); \$30 million is statutorily mandated for the Heritage Structure Tax Credit; and \$26 million is provided for additional spending over the planned CIP estimate for fiscal 2007, of which \$12 million is earmarked for capital costs associated with the construction of a regenerative science research center and another \$13 million is for the Administration's miscellaneous local projects.
- The budget assumes all of the \$138.7 million is excluded from the Spending Affordability Committee (SAC) limit for fiscal 2007 – the committee recommended that planned fiscal 2007 GO authorizations that would result in the need to issue taxable bonds be instead funded with general funds and excluded from the SAC limit calculation.

## Special Funds

- The fiscal 2007 allowance provides \$573.5 million from a variety of special fund sources compared to \$304.0 million for fiscal 2006.
- The budget provides full distribution of State Transfer Tax revenues according to the statutory formula rather than diversion of these revenues to the State general fund as has been the case the past several fiscal years. A total of \$356.8 million transfer tax revenues is included in the fiscal 2007 budget as compared to \$120.4 million appropriated in the fiscal 2006 budget.
- The budget provides \$75 million from Bay Restoration special fund revenues, which is \$40 million more than was appropriated in fiscal 2006.

# Appendix

## Perspectives on Budget Change

### Budget as Submitted, Excluding State Reserve Fund Appropriations (\$ in Millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>\$ Change</u>	<u>% Change</u>
<b><i>Legislative Appropriations:</i></b>				
General <sup>(1)</sup>	\$11,892.9	\$13,425.6	\$1,532.7	12.9%
Special	4,765.3	5,377.6	612.3	12.8%
Federal	6,149.8	6,491.1	341.3	5.5%
Higher Education	<u>2,690.5</u>	<u>2,971.4</u>	<u>280.8</u>	<u>10.4%</u>
	\$25,498.5	\$28,265.6	\$2,767.1	10.9%

#### ***Amendments and Deficiencies:***

	<u>Explanation</u>
General <sup>(1)</sup>	\$155.9 Deficiencies: Medicaid, DPSCS, DBM, DJS, DHMH, etc.
Special <sup>(1)</sup>	112.8 Malpractice Insurance, Medicaid, etc.
Federal	256.0 Medicaid, Transportation Capital, State Police, etc.
Higher Education	<u>131.7</u> Grants, Contracts, Auxiliary Enterprises, etc.
	\$656.4

#### ***Amended Appropriations:***

General <sup>(1)(2)</sup>	\$12,048.8	\$13,425.6	\$1,376.8	11.4%
Special <sup>(1)</sup>	4,878.1	5,377.6	499.5	10.2%
Federal	6,405.8	6,491.1	85.3	1.3%
Higher Education	<u>2,822.2</u>	<u>2,971.4</u>	<u>149.1</u>	<u>5.3%</u>
	\$26,154.9	\$28,265.6	\$2,110.7	8.1%

<sup>(1)</sup> Excludes appropriations to the State Reserve Fund.

<sup>(2)</sup> If Reserve Fund appropriations of \$281.7 million are included in fiscal 2006 and \$1,363.3 million are included in fiscal 2007, the 2006-2007 general fund year-over-year change would total \$2,458.4 million, or 19.9%.

DBM = Department of Budget and Management  
 DHMH = Department of Health and Mental Hygiene  
 DJS = Department of Juvenile Services  
 DPSCS = Department of Public Safety and Correctional Services

**Status of the General Fund – Fiscal 2006**  
(\$ in Millions)

<b>Starting Balance</b>		<b>\$1,174.4</b>
<b>Revenues</b>		
BRE December 2005 Forecast	12,225.4	
Administration Adjustments to Revenue	0.3	
		<b>12,225.8</b>
<b>Transfers</b>		
BRFA of 2005 Fund Transfers	138.5	
		<b>138.5</b>
<b>Funds Available</b>		<b>\$13,538.7</b>
<b>Spending</b>		
Legislative Appropriation	12,190.6	
Estimated Deficiencies	162.1	
Estimated Agency Reversions	-22.2	
<b>Net Expenditures</b>		<b>\$12,330.5</b>
<b>Ending Balance</b>		<b>\$1,208.2</b>

BRE = Board of Revenue Estimates

BRFA = Budget Reconciliation and Financing Act

**Status of the General Fund – Fiscal 2007**  
**(\$ in Millions)**

<b>Starting Balance</b>		<b>\$1,208.2</b>
<b>Revenues</b>		
BRE December 2005 Forecast	12,843.2	
Administration Adjustments to Revenue	<u>-10.0</u>	
		<b>12,833.3</b>
<b>Transfers</b>		
Reimbursements from Reserve for Heritage Tax Credits	9.9	
Net Reserve Fund Transfers/Appropriations	<u>-593.3</u>	
		<b>-583.4</b>
<b>Funds Available</b>		<b>\$13,458.0</b>
<b>Spending</b>		
FY 2007 Allowance (Net of Reserve Fund Appropriations)	13,448.0	
Reductions Contingent on Legislation	-2.5	
Estimated Agency Reversions	<u>-20.0</u>	
<b>Net Expenditures</b>		<b>\$13,425.6</b>
<b>Ending Balance</b>		<b>\$32.5</b>

BRE = Board of Revenue Estimates

## Fiscal 2006 and 2007 Transfer and Revenue Assumption Detail

	<u>FY 2006</u>	<u>FY 2007</u>
<b>Transfers from Special Funds – 2005 Session</b>		
Transfer Taxes – Remaining FY 2004 Overattainment	\$21,776,868	
Transfer Taxes – FY 2006 Revenues	68,223,132	
Local Share of Transportation Revenues	48,500,000	
	<b>\$138,500,000</b>	<b>\$0</b>
 <b>Reductions to Allowance Contingent on Legislation</b>		
DHMH – Indirect Costs – Health Commissions		\$1,185,000
DHMH – Kidney Disease Pgm – Medicare Part D Enrollment		1,200,000
DHMH – Kidney Program Administration		80,000
	<b>\$0</b>	<b>\$2,465,000</b>
 <b>Adjustments to Revenues</b>		
AIDS Drug Rebates		\$11,700,000
Tax Implementation System		5,000,000
DLLR Federal Indirect Costs	\$1,128,124	
DHMH Federal Indirect Costs	2,684,826	
Office of Health Care Quality Fees		1,195,415
Rental Income – Carter Center		537,000
Federal Reimbursement for Cemetery Expansion		530,000
Estate Tax – Increase Exemption/Add Marital Trust Deferral		-14,000,000
Military Retirement Income Subtraction Modification	-3,500,000	-10,300,000
Long-term Care – Income Tax Subtraction Modification		-3,000,000
Heating Upgrade Tax Credit		-1,100,000
Lottery – Allowance Greater than Estimated		-277,937
Sales Tax Exemption for Veterans Organizations		-275,000
	<b>\$312,950</b>	<b>-\$9,990,522</b>

DHMH = Department of Health and Mental Hygiene

DLLR = Department of Labor, Licensing, and Regulation

**State Assistance to Local Governments  
Fiscal 2007 Allowance  
(\$ in Thousands)**

County	County – Municipal	Community Colleges	Direct State Aid				Subtotal	Retirement	Total	Change Over FY 2006	Percent Change
			Public Schools	Libraries	Health						
Allegany	\$18,074	\$5,257	\$69,779	\$697	\$1,514	\$95,322	\$5,721	\$101,042	\$13,232	15.1%	
Anne Arundel	66,406	24,431	237,247	1,844	5,320	335,248	37,766	373,014	46,433	14.2%	
Baltimore City	344,171	0	743,783	6,061	11,276	1,105,291	45,327	1,150,617	91,266	8.6%	
Baltimore	77,034	34,041	441,453	4,684	7,331	564,543	59,059	623,603	79,185	14.5%	
Calvert	15,758	1,473	73,506	386	636	91,760	9,440	101,200	9,811	10.7%	
Caroline	8,573	1,216	37,111	241	893	48,033	2,861	50,894	6,586	14.9%	
Carroll	20,901	6,196	125,425	886	2,070	155,478	14,254	169,731	19,263	12.8%	
Cecil	11,545	4,291	85,668	615	1,358	103,477	8,264	111,742	13,134	13.3%	
Charles	18,139	6,422	129,411	764	1,679	156,416	12,469	168,885	22,245	15.2%	
Dorchester	9,018	900	25,772	215	715	36,619	2,550	39,169	2,440	6.6%	
Frederick	27,040	6,613	168,012	1,013	2,546	205,223	19,346	224,569	22,937	11.4%	
Garrett	10,442	2,718	23,373	158	727	37,417	2,658	40,076	3,699	10.2%	
Harford	27,009	8,764	185,756	1,384	2,926	225,838	19,205	245,043	28,686	13.3%	
Howard	30,408	10,971	156,907	694	2,070	201,050	31,351	232,400	27,853	13.6%	
Kent	4,074	474	9,582	90	557	14,776	1,451	16,228	1,188	7.9%	
Montgomery	91,685	32,918	341,195	2,396	5,208	473,402	97,571	570,973	68,118	13.5%	
Prince George's	105,833	19,813	782,509	6,049	8,513	922,718	67,187	989,905	97,303	10.9%	
Queen Anne's	7,841	1,366	26,498	127	700	36,532	3,775	40,307	4,445	12.4%	
St. Mary's	11,288	2,028	78,859	571	1,359	94,105	8,054	102,159	10,970	12.0%	
Somerset	9,178	659	21,210	251	712	32,010	1,586	33,595	4,021	13.6%	
Talbot	6,710	1,267	10,298	91	551	18,916	2,415	21,331	1,841	9.4%	
Washington	17,965	6,176	111,797	993	2,313	139,245	10,325	149,570	20,626	16.0%	
Wicomico	13,062	3,878	90,031	684	1,587	109,242	7,812	117,054	15,437	15.2%	
Worcester	10,547	1,598	16,078	127	531	28,882	4,305	33,187	3,524	11.9%	
Unallocated	26,484	4,823	43,226	15,220	0	89,753	0	89,753	25,937	40.6%	
<b>Total</b>	<b>\$989,185</b>	<b>\$188,294</b>	<b>\$4,034,487</b>	<b>\$46,240</b>	<b>\$63,092</b>	<b>\$5,321,296</b>	<b>\$474,751</b>	<b>\$5,796,047</b>	<b>\$640,180</b>	<b>12.4%</b>	

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

**State Assistance to Local Governments**  
**Dollar Difference Between Fiscal 2007 Allowance and Fiscal 2006 Working Appropriation**  
(\$ in Thousands)

County	County – Municipal	Community Colleges	<i>Direct State Aid</i>				Subtotal	Retirement	Total
			Public Schools	Libraries	Health				
Allegany	\$2,941	\$365	\$9,326	\$71	\$11	\$12,713	\$519	\$13,232	
Anne Arundel	13,788	1,376	27,710	108	102	43,084	3,349	46,433	
Baltimore City	27,053	0	59,343	633	240	87,270	3,997	91,266	
Baltimore	16,181	1,897	55,196	476	177	73,928	5,258	79,185	
Calvert	1,699	176	7,029	56	18	8,978	834	9,811	
Caroline	890	41	5,377	20	3	6,331	255	6,586	
Carroll	3,782	576	13,528	96	26	18,009	1,254	19,263	
Cecil	1,991	405	9,907	81	18	12,401	732	13,134	
Charles	3,167	623	17,236	86	26	21,137	1,108	22,245	
Dorchester	394	30	1,768	16	5	2,213	227	2,440	
Frederick	4,358	381	16,366	83	35	21,223	1,714	22,937	
Garrett	1,364	115	1,970	9	4	3,462	238	3,699	
Harford	5,148	483	21,153	153	41	26,977	1,708	28,686	
Howard	7,883	901	16,181	59	49	25,073	2,780	27,853	
Kent	580	16	458	4	1	1,059	129	1,188	
Montgomery	20,620	2,956	35,599	191	183	59,549	8,569	68,118	
Prince George's	23,765	763	66,055	552	213	91,347	5,955	97,303	
Queen Anne's	1,197	46	2,846	14	7	4,109	336	4,445	
St. Mary's	1,951	247	7,978	66	14	10,257	713	10,970	
Somerset	1,375	48	2,428	25	5	3,881	140	4,021	
Talbot	1,141	42	429	8	6	1,625	216	1,841	
Washington	3,036	552	15,993	104	22	19,707	919	20,626	
Wicomico	798	280	13,581	69	16	14,743	693	15,437	
Worcester	1,917	116	1,090	8	11	3,142	382	3,524	
Unallocated	8,897	0	16,003	1,037	0	25,937	0	25,937	
<b>Total</b>	<b>\$155,916</b>	<b>\$12,433</b>	<b>\$424,549</b>	<b>\$4,025</b>	<b>\$1,233</b>	<b>\$598,155</b>	<b>\$42,025</b>	<b>\$640,180</b>	

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

**State Assistance to Local Governments**  
**Percent Change: Fiscal 2007 Allowance over Fiscal 2006 Working Appropriation**

County	<i>Direct State Aid</i>						Retirement	Total
	County – Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	19.4%	7.5%	15.4%	11.3%	0.7%	15.4%	10.0%	15.1%
Anne Arundel	26.2%	6.0%	13.2%	6.2%	2.0%	14.7%	9.7%	14.2%
Baltimore City	8.5%	n/a	8.7%	11.7%	2.2%	8.6%	9.7%	8.6%
Baltimore	26.6%	5.9%	14.3%	11.3%	2.5%	15.1%	9.8%	14.5%
Calvert	12.1%	13.5%	10.6%	16.9%	2.9%	10.8%	9.7%	10.7%
Caroline	11.6%	3.5%	16.9%	8.9%	0.4%	15.2%	9.8%	14.9%
Carroll	22.1%	10.3%	12.1%	12.1%	1.3%	13.1%	9.6%	12.8%
Cecil	20.8%	10.4%	13.1%	15.2%	1.3%	13.6%	9.7%	13.3%
Charles	21.2%	10.7%	15.4%	12.7%	1.6%	15.6%	9.8%	15.2%
Dorchester	4.6%	3.5%	7.4%	8.1%	0.7%	6.4%	9.8%	6.6%
Frederick	19.2%	6.1%	10.8%	8.9%	1.4%	11.5%	9.7%	11.4%
Garrett	15.0%	4.4%	9.2%	6.3%	0.5%	10.2%	9.8%	10.2%
Harford	23.6%	5.8%	12.9%	12.4%	1.4%	13.6%	9.8%	13.3%
Howard	35.0%	8.9%	11.5%	9.3%	2.4%	14.2%	9.7%	13.6%
Kent	16.6%	3.5%	5.0%	4.2%	0.3%	7.7%	9.8%	7.9%
Montgomery	29.0%	9.9%	11.6%	8.7%	3.7%	14.4%	9.6%	13.5%
Prince George's	29.0%	4.0%	9.2%	10.0%	2.6%	11.0%	9.7%	10.9%
Queen Anne's	18.0%	3.5%	12.0%	12.5%	1.0%	12.7%	9.8%	12.4%
St. Mary's	20.9%	13.9%	11.3%	13.1%	1.1%	12.2%	9.7%	12.0%
Somerset	17.6%	7.8%	12.9%	11.1%	0.6%	13.8%	9.7%	13.6%
Talbot	20.5%	3.5%	4.3%	9.4%	1.0%	9.4%	9.8%	9.4%
Washington	20.3%	9.8%	16.7%	11.7%	1.0%	16.5%	9.8%	16.0%
Wicomico	6.5%	7.8%	17.8%	11.1%	1.0%	15.6%	9.7%	15.2%
Worcester	22.2%	7.8%	7.3%	7.0%	2.2%	12.2%	9.7%	11.9%
Unallocated	50.6%	0.0%	58.8%	7.3%	n/a	40.6%	n/a	40.6%
<b>TOTAL</b>	<b>18.7%</b>	<b>7.1%</b>	<b>11.8%</b>	<b>9.5%</b>	<b>2.0%</b>	<b>12.7%</b>	<b>9.7%</b>	<b>12.4%</b>

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

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

County	County – Municipal	Community Colleges	Direct State Aid			Subtotal	Retirement	Total
			Public Schools	Libraries	Health			
Allegany	\$15,133	\$4,892	\$60,454	\$627	\$1,503	\$82,608	\$5,202	\$87,810
Anne Arundel	52,618	23,055	209,537	1,736	5,218	292,164	34,417	326,581
Baltimore City	317,118	0	684,439	5,427	11,036	1,018,021	41,330	1,059,351
Baltimore	60,853	32,144	386,257	4,208	7,154	490,616	53,801	544,417
Calvert	14,059	1,298	66,477	330	618	82,782	8,607	91,389
Caroline	7,682	1,175	31,733	221	890	41,702	2,606	44,308
Carroll	17,119	5,620	111,897	790	2,044	137,469	13,000	150,469
Cecil	9,554	3,887	75,761	534	1,340	91,076	7,532	98,608
Charles	14,972	5,799	112,175	678	1,653	135,278	11,361	146,640
Dorchester	8,625	869	24,004	199	710	34,406	2,323	36,729
Frederick	22,682	6,231	151,646	930	2,511	184,000	17,632	201,632
Garrett	9,078	2,603	21,403	149	723	33,956	2,421	36,377
Harford	21,860	8,281	164,604	1,231	2,885	198,861	17,496	216,357
Howard	22,525	10,071	140,726	634	2,021	175,977	28,570	204,547
Kent	3,494	458	9,124	86	555	13,718	1,322	15,040
Montgomery	71,066	29,962	305,596	2,205	5,024	413,853	89,001	502,855
Prince George's	82,068	19,050	716,455	5,497	8,300	831,370	61,232	892,602
Queen Anne's	6,645	1,321	23,652	113	693	32,423	3,439	35,862
St. Mary's	9,336	1,782	70,881	504	1,345	83,848	7,341	91,189
Somerset	7,802	611	18,782	226	707	28,129	1,445	29,574
Talbot	5,569	1,225	9,869	83	545	17,290	2,199	19,490
Washington	14,930	5,623	95,804	889	2,292	119,538	9,406	128,944
Wicomico	12,264	3,598	76,450	615	1,572	94,498	7,119	101,617
Worcester	8,630	1,482	14,988	119	520	25,740	3,923	29,663
Unallocated	17,587	4,823	27,223	14,183	0	63,816	0	63,816
<b>Total</b>	<b>\$833,269</b>	<b>\$175,861</b>	<b>\$3,609,938</b>	<b>\$42,215</b>	<b>\$61,859</b>	<b>\$4,723,142</b>	<b>\$432,726</b>	<b>\$5,155,868</b>

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)

<u>Category</u>	<u>Actual FY 2005</u>	<u>Work. Appr. FY 2006</u>	<u>Allowance FY 2007</u>	<u>FY 2006 to FY 2007</u>	
				<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$707.4	\$769.0	\$779.9	\$10.9	1.4%
<b>Aid to Local Governments</b>					
County/Municipal	493.5	587.2	756.8	169.6	28.9%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	0.1	0.0	0.0	0.0	n/a
Health	0.0	0.0	0.0	0.0	n/a
	<u>493.6</u>	<u>587.2</u>	<u>756.8</u>	<u>169.6</u>	<u>28.9%</u>
<b>Entitlements</b>					
Foster Care Payments	0.1	0.7	1.4	0.7	93.8%
Assistance Payments	16.8	16.1	13.3	-2.8	-17.5%
Medical Assistance	73.6	133.0	155.4	22.4	16.9%
Property Tax Credits	0.0	0.0	0.0	0.0	-15.7%
	<u>90.5</u>	<u>149.8</u>	<u>170.1</u>	<u>20.3</u>	<u>13.5%</u>
<b>State Agencies</b>					
Health	174.7	181.0	213.1	32.1	17.7%
Human Resources	54.0	49.7	53.7	4.0	8.0%
Systems Reform Initiative	2.3	0.6	0.6	0.0	-7.4%
Juvenile Justice	8.1	2.3	0.3	-2.0	-88.8%
Public Safety/Police	161.7	174.0	180.7	6.7	3.8%
Higher Education	2,613.1	2,828.3	2,977.7	149.3	5.3%
Other Education	23.3	27.3	26.7	-0.6	-2.1%
Transportation	1,147.7	1,167.3	1,237.0	69.7	6.0%
Agric./Natl Res./Environment	99.8	114.9	129.8	14.9	12.9%
Other Executive Agencies	341.8	391.3	469.0	77.7	19.9%
Judicial/Legislative	30.7	43.3	43.3	0.0	0.1%
	<u>4,657.1</u>	<u>4,979.9</u>	<u>5,331.8</u>	<u>351.9</u>	<u>7.1%</u>
<b>Subtotal</b>	<b>\$5,948.6</b>	<b>\$6,486.0</b>	<b>\$7,038.5</b>	<b>\$552.6</b>	<b>8.5%</b>
Capital	943.1	1,214.4	1,310.5	96.0	7.9%
Reserve Funds	0.0	7.0	0.0	-7.0	-100.0%
<b>Grand Total</b>	<b>\$6,891.7</b>	<b>\$7,707.4</b>	<b>\$8,349.0</b>	<b>\$641.6</b>	<b>8.3%</b>

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

Note: Fiscal 2006 includes \$7.0 million in deficiencies.

**State Expenditures – Federal Funds**  
(\$ in Millions)

<b>Category</b>	<b>Actual</b>	<b>Work. Appr.</b>	<b>Allowance</b>	<b>FY 2006 to FY 2007</b>	
	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>\$ Change</b>	<b>% Change</b>
Debt Service	\$0.0	\$0.0	\$0.0	\$0.0	n/a
<b>Aid to Local Governments</b>					
County/Municipal	38.8	39.8	54.6	14.8	37.3%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	695.2	743.3	749.8	6.6	0.9%
Health	4.5	4.5	4.5	0.0	0.0%
	<b>738.5</b>	<b>787.5</b>	<b>808.9</b>	<b>21.4</b>	<b>2.7%</b>
<b>Entitlements</b>					
Foster Care Payments	81.4	89.1	95.9	6.7	7.6%
Assistance Payments	406.8	382.1	407.7	25.6	6.7%
Medical Assistance	2,030.1	2,206.5	2,299.0	92.5	4.2%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
	<b>2,518.4</b>	<b>2,677.7</b>	<b>2,802.6</b>	<b>124.8</b>	<b>4.7%</b>
<b>State Agencies</b>					
Health	651.1	692.4	748.5	56.1	8.1%
Human Resources	443.9	519.4	560.0	40.6	7.8%
Systems Reform Initiative	21.2	23.6	14.9	-8.7	-36.9%
Juvenile Justice	15.9	16.9	15.0	-1.9	-11.2%
Public Safety/Police	15.6	21.8	14.1	-7.7	-35.3%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	124.2	143.1	142.8	-0.3	-0.2%
Transportation	79.9	74.4	76.8	2.4	3.3%
Agric./Natl Res./Environment	51.8	57.0	53.7	-3.3	-5.8%
Other Executive Agencies	444.1	469.1	457.8	-11.3	-2.4%
Judicial/Legislative	2.5	2.7	3.4	0.7	24.1%
	<b>1,850.3</b>	<b>2,020.6</b>	<b>2,087.2</b>	<b>66.6</b>	<b>3.3%</b>
<b>Subtotal</b>	<b>\$5,107.2</b>	<b>\$5,485.9</b>	<b>\$5,698.7</b>	<b>\$212.9</b>	<b>3.9%</b>
Capital	771.0	919.9	792.4	-127.5	-13.9%
<b>Grand Total</b>	<b>\$5,878.2</b>	<b>\$6,405.8</b>	<b>\$6,491.1</b>	<b>\$85.3</b>	<b>1.3%</b>

Note: Fiscal 2006 includes \$67.7 million in deficiencies.

**State Expenditures – State Funds**  
(\$ in Millions)

<u>Category</u>	<u>Actual</u> <u>FY 2005</u>	<u>Work. Appr.</u> <u>FY 2006</u>	<u>Allowance</u> <u>FY 2007</u>	<u>FY 2006 to FY 2007</u>	
				<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$707.4	\$769.0	\$779.9	\$10.9	1.4%
<b>Aid to Local Governments</b>					
County/Municipal	701.5	798.4	991.0	192.6	24.1%
Community Colleges	184.0	191.7	205.9	14.2	7.4%
Education/Libraries	3,679.0	4,065.8	4,534.4	468.6	11.5%
Health	60.9	61.9	63.1	1.2	2.0%
	<u>4,625.4</u>	<u>5,117.8</u>	<u>5,794.4</u>	<u>676.7</u>	<u>13.2%</u>
<b>Entitlements</b>					
Foster Care Payments	204.1	217.2	250.2	33.1	15.2%
Assistance Payments	65.8	64.7	56.8	-7.9	-12.2%
Medical Assistance	1,985.1	2,188.4	2,340.5	152.1	7.0%
Property Tax Credits	50.1	52.0	68.0	15.9	30.6%
	<u>2,305.1</u>	<u>2,522.3</u>	<u>2,715.5</u>	<u>193.2</u>	<u>7.7%</u>
<b>State Agencies</b>					
Health	1,393.3	1,435.0	1,548.0	113.0	7.9%
Human Resources	363.9	336.0	365.9	29.9	8.9%
Systems Reform Initiative	38.1	34.9	32.8	-2.1	-6.0%
Juvenile Justice	185.9	196.9	216.4	19.5	9.9%
Public Safety/Police	1,130.4	1,211.3	1,307.9	96.6	8.0%
Higher Education	3,464.0	3,737.8	4,000.5	262.7	7.0%
Other Education	309.9	360.4	393.4	33.0	9.1%
Transportation	1,147.7	1,167.3	1,237.0	69.7	6.0%
Agric./Natl Res./Environment	229.8	237.7	269.8	32.1	13.5%
Other Executive Agencies	836.8	953.1	1,184.0	231.0	24.2%
Judicial/Legislative	370.1	402.1	449.3	47.2	11.7%
	<u>9,470.0</u>	<u>10,072.3</u>	<u>11,005.0</u>	<u>932.7</u>	<u>9.3%</u>
<b>Subtotal</b>	<b>\$17,107.9</b>	<b>\$18,481.4</b>	<b>\$20,294.9</b>	<b>\$1,813.4</b>	<b>9.8%</b>
Capital/Heritage Reserve Fund	944.3	1,289.9	1,502.2	212.2	16.5%
Reserve Funds <sup>(1)</sup>	114.7	288.7	1,363.3	1,074.6	372.2%
<b>Appropriations</b>	<b>\$18,166.9</b>	<b>\$20,060.0</b>	<b>\$23,160.3</b>	<b>\$3,100.3</b>	<b>15.5%</b>
Reversions	0.0	-22.2	-22.5	-0.3	1.2%
<b>Grand Total</b>	<b>\$18,166.9</b>	<b>\$20,037.8</b>	<b>\$23,137.8</b>	<b>\$3,100.0</b>	<b>15.5%</b>

Note: Fiscal 2006 includes \$169.1 million in deficiencies.

<sup>(1)</sup> Excludes \$50 million in fiscal 2006 and \$53 million in fiscal 2007 appropriated to the Dedicated Purpose Account that is to be transferred to the Transportation Trust Fund. These monies are included in the capital/heritage reserve fund line.

**State Expenditures – All Funds**  
(\$ in Millions)

<u>Category</u>	<u>Actual FY 2005</u>	<u>Work. Appr. FY 2006</u>	<u>Allowance FY 2007</u>	<u>FY 2006 to FY 2007</u>	
				<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$707.4	\$769.0	\$779.9	\$10.9	1.4%
<b>Aid to Local Governments</b>					
County/Municipal	740.3	838.2	1,045.6	207.5	24.8%
Community Colleges	184.0	191.7	205.9	14.2	7.4%
Education/Libraries	4,374.2	4,809.1	5,284.3	475.2	9.9%
Health	65.4	66.4	67.6	1.2	1.9%
	<u>5,363.9</u>	<u>5,905.3</u>	<u>6,603.4</u>	<u>698.1</u>	<u>11.8%</u>
<b>Entitlements</b>					
Foster Care Payments	285.6	306.3	346.1	39.8	13.0%
Assistance Payments	472.6	446.9	464.6	17.7	4.0%
Medical Assistance	4,015.2	4,394.9	4,639.5	244.6	5.6%
Property Tax Credits	50.1	52.0	68.0	15.9	30.6%
	<u>4,823.5</u>	<u>5,200.1</u>	<u>5,518.1</u>	<u>318.0</u>	<u>6.1%</u>
<b>State Agencies</b>					
Health	2,044.4	2,127.4	2,296.5	169.1	7.9%
Human Resources	807.8	855.4	925.9	70.5	8.2%
Systems Reform Initiative	59.3	58.5	47.7	-10.8	-18.5%
Juvenile Justice	201.8	213.8	231.4	17.6	8.2%
Public Safety/Police	1,146.1	1,233.1	1,322.0	88.9	7.2%
Higher Education	3,464.0	3,737.8	4,000.5	262.7	7.0%
Other Education	434.1	503.5	536.2	32.7	6.5%
Transportation	1,227.6	1,241.7	1,313.8	72.2	5.8%
Agric./Natl Res./Environment	281.6	294.7	323.6	28.9	9.8%
Other Executive Agencies	1,280.9	1,422.2	1,641.9	219.7	15.4%
Judicial/Legislative	372.6	404.8	452.7	47.9	11.8%
	<u>11,320.3</u>	<u>12,092.9</u>	<u>13,092.3</u>	<u>999.3</u>	<u>8.3%</u>
<b>Subtotal</b>	<b>\$22,215.1</b>	<b>\$23,967.3</b>	<b>\$25,993.6</b>	<b>\$2,026.3</b>	<b>8.5%</b>
Capital/Heritage Reserve Fund	1,715.3	2,209.8	2,294.5	84.7	3.8%
Reserve Funds <sup>(1)</sup>	114.7	288.7	1,363.3	1,074.6	372.2%
<b>Appropriations</b>	<b>\$24,045.1</b>	<b>\$26,465.8</b>	<b>\$29,651.4</b>	<b>\$3,185.6</b>	<b>12.0%</b>
Reversions	0.0	-22.2	-22.5	-0.3	1.2%
<b>Grand Total</b>	<b>\$24,045.1</b>	<b>\$26,443.6</b>	<b>\$29,628.9</b>	<b>\$3,185.3</b>	<b>12.0%</b>

Note: Fiscal 2006 includes \$236.8 million in deficiencies.

<sup>(1)</sup> Excludes \$50 million in fiscal 2006 and \$53 million in fiscal 2007 appropriated to the Dedicated Purpose Account that is to be transferred to the Transportation Trust Fund. These monies are included in the capital/heritage reserve fund line.

**State Expenditures: Total and Adjusted for Reserve Fund Transfers  
Fiscal 1990 – 2007  
(\$ in Millions)**

**Table 1. General Funds**

<b>Fiscal Year</b>	<b>General Fund Expenditures</b>	<b>Percent Change</b>	<b>Appropriations to Reserve Fund #</b>	<b>Adjusted General Fund Expenditures</b>	<b>Percent Change</b>
1990	\$6,046.2		\$33.8	\$6,012.4	
1991	6,203.8	2.6%	2.4	6,201.4	3.1%
1992	6,183.4	-0.3%	15.0	6,168.4	-0.5%
1993	6,237.8	0.9%	50.0	6,187.8	0.3%
1994	6,602.0	5.8%	126.6	6,475.4	4.6%
1995	7,000.1	6.0%	130.0	6,870.1	6.1%
1996	7,387.4	5.5%	250.0	7,137.4	3.9%
1997	7,380.3	-0.1%	0.0	7,380.3	3.4%
1998	7,859.1	6.5%	125.1	7,734.0	4.8%
1999	8,543.9	8.7%	170.0	8,374.0	8.3%
2000	9,031.5	5.7%	115.5	8,916.0	6.5%
2001	10,237.5	13.4%	315.8	9,921.7	11.3%
2002	10,572.3	3.3%	221.8	10,350.5	4.3%
2003	10,364.2	-2.0%	181.0	10,183.2	-1.6%
2004	10,261.5	-1.0%	10.0	10,251.5	0.7%
2005	11,275.2	9.9%	114.7	11,160.5	8.9%
2006*	12,330.5	9.4%	281.7	12,048.8	8.0%
2007*	14,788.8	19.9%	1,363.3	13,425.6	11.4%

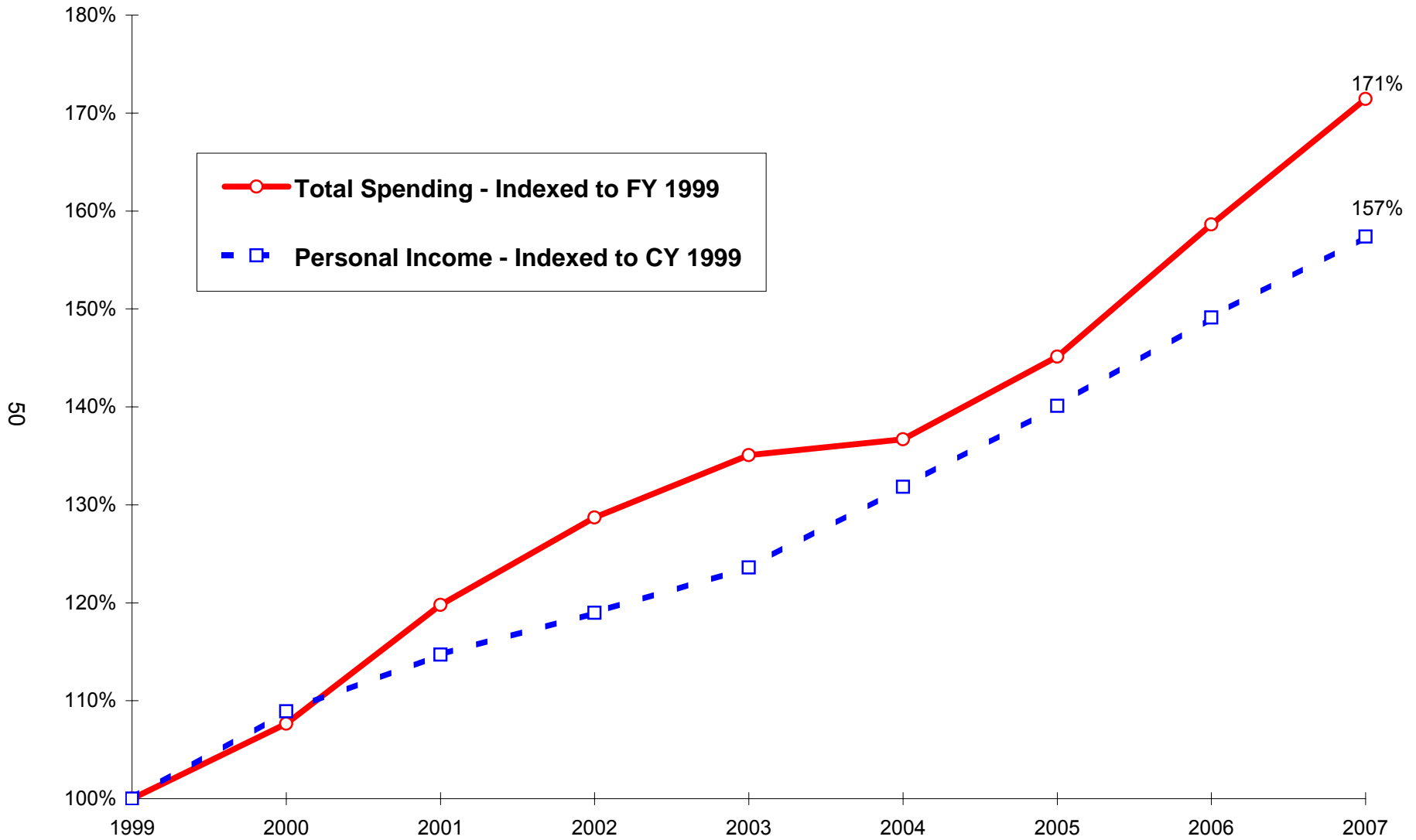
**Table 2. All Funds**

<b>Fiscal Year</b>	<b>Total State Expenditures</b>	<b>Percent Change</b>	<b>Appropriations to Reserve Fund #</b>	<b>Adjusted Total State Expenditures</b>	<b>Percent Change</b>
1990	\$11,041.3		\$33.8	\$11,007.5	
1991	11,299.7	2.3%	2.4	11,297.4	2.6%
1992	11,462.2	1.4%	15.0	11,447.2	1.3%
1993	11,663.2	1.8%	50.0	11,613.2	1.4%
1994	12,408.1	6.4%	126.6	12,281.5	5.8%
1995	13,520.3	9.0%	130.0	13,390.3	9.0%
1996	14,181.6	4.9%	250.0	13,931.6	4.0%
1997	14,783.9	4.2%	0.0	14,783.9	6.1%
1998	15,527.6	5.0%	125.1	15,402.5	4.2%
1999	16,673.6	7.4%	185.0	16,488.6	7.1%
2000	17,868.3	7.2%	115.5	17,752.8	7.7%
2001	20,064.8	12.3%	315.8	19,749.0	11.2%
2002	21,443.0	6.9%	221.8	21,221.2	7.5%
2003	22,454.1	4.7%	181.0	22,273.1	5.0%
2004	22,547.2	0.4%	10.0	22,537.2	1.2%
2005	24,045.1	6.6%	114.7	23,930.4	6.2%
2006*	26,443.6	10.0%	288.7	26,154.9	9.3%
2007*	29,628.9	12.0%	1,363.3	28,265.6	8.1%

\* Fiscal 2006 is the working appropriation including deficiencies. Fiscal 2007 is the Governor's allowance. Both years reflect estimated general fund reversions.

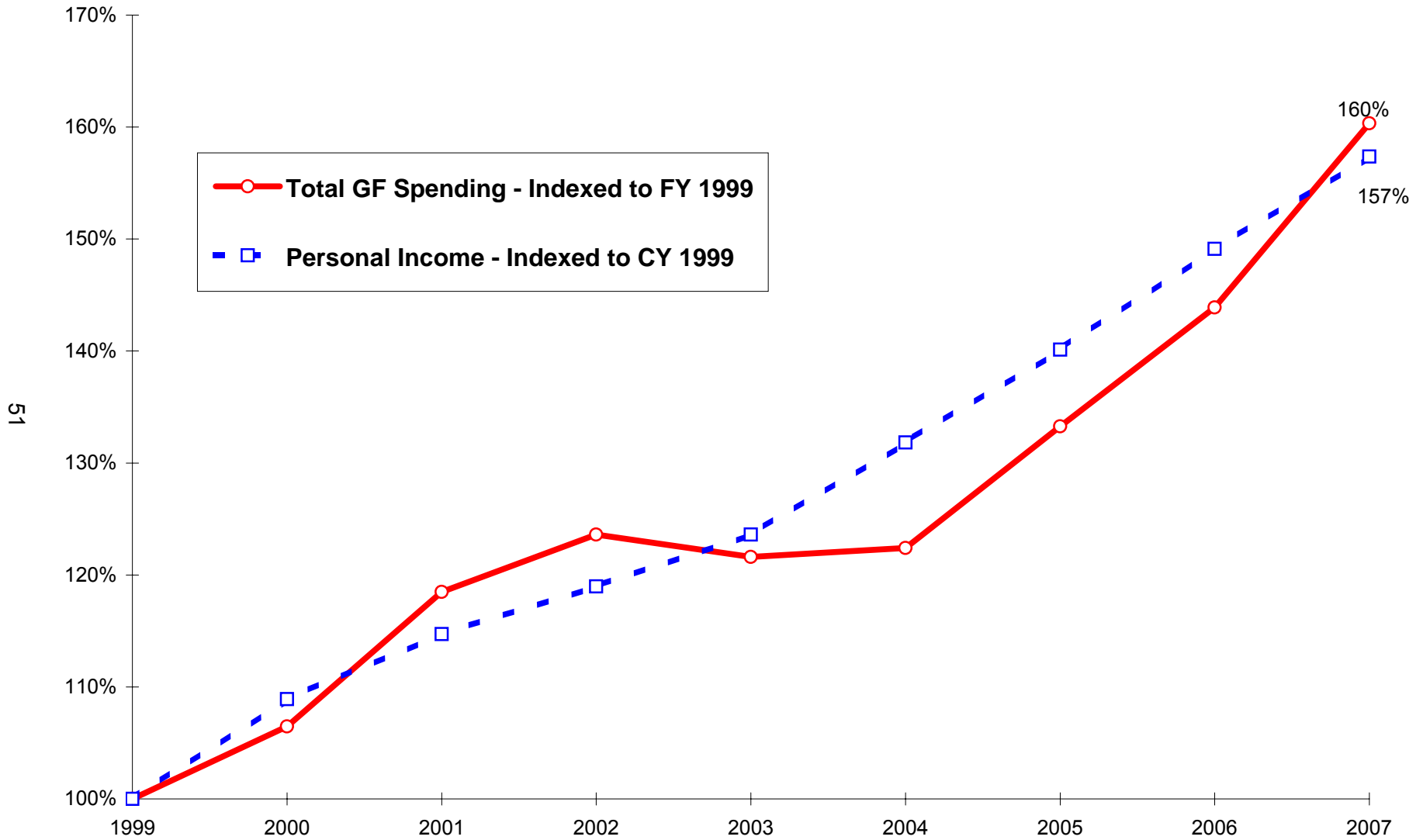
# Includes appropriations to the Revenue Stabilization Account, the Dedicated Purpose Account, the Catastrophic Event Fund, the Citizen's Tax Reduction Reserve Fund, and the Joseph Fund.

## Growth in the Total Budget vs. Personal Income Indexed to Fiscal 1999/Calendar 1999



Note: State spending excludes appropriations to reserve funds. Fiscal 2006 is the working appropriation including deficiencies. Fiscal 2007 is the Governor's allowance. Both fiscal 2006 and 2007 reflected estimated general fund reversions. Estimates of personal income growth for 2005-2007 from BRE, December 2005.

## Growth in the General Fund Budget vs. Personal Income Indexed to Fiscal 1999/Calendar 1999



Note: State spending excludes appropriations to reserve funds. Fiscal 2006 is the working appropriation including deficiencies. Fiscal 2007 is the Governor's allowance. Both fiscal 2006 and 2007 reflected estimated reversions. Estimates of personal income growth for 2005-2007 from BRE, December 2005.

## State Reserve Fund Activity – Fiscal 2006 and 2007

(\$ in Millions)

	Rainy Day Fund	Dedicated Purpose Acct.	Catastrophic Event Acct.	Joseph Fund Acct.
<b>Estimated Balances 6/30/05</b>	<b>\$521.4</b>	<b>\$0.0</b>	<b>\$7.1</b>	<b>\$0.0</b>
<b>Fiscal 2006 Appropriations</b>	249.7	74.0	2.0	0.0
<b>Fiscal 2006 Deficiency Appropriations</b>		13.0		
<b>Expenditures</b>				
Reimburse Transportation Trust Fund/ICC		-50.0		
Medicaid Deficiencies		-20.0		
DJS Consent Decree		-2.0		
Hurricane Isabel Reconstruction			-0.8	
Fund PAYGO Capital Projects	-45.2			
<b>Transfers to General Fund</b>				
<b>Estimated Interest</b>	30.1			0.0
<b>Estimated Balances 6/30/06</b>	<b>\$755.9</b>	<b>\$15.0</b>	<b>\$8.3</b>	<b>\$0.0</b>
<b>Fiscal 2007 Appropriations</b>	593.3	823.0 <sup>1</sup>	0.0	0.0
<b>Expenditures</b>				
Reimburse Transportation Trust Fund/ICC		-53.0		
Energy Subsidies for Low-income Residents		-13.0		
Substance Abuse Case Mgmt. Compact		-2.0		
<b>Transfers to General Fund</b>	-770.0 <sup>1</sup>			
<b>Estimated Interest</b>	64.7			0.0
<b>Estimated Balances 6/30/07</b>	<b>\$643.9</b>	<b>\$770.0</b>	<b>\$8.3</b>	<b>\$0.0</b>
<b>Balance in Excess of 5% GF Revenues</b>	<b>\$1.8</b>			

<sup>1</sup> The Rainy Day Fund transfer of \$770 million is appropriated to the Dedicated Purpose Account. This includes \$670 million dedicated to fiscal 2008 spending, \$100 million to reduce the retiree health insurance unfunded liability. The appropriation to the Dedicated Purpose Account also includes \$53 million to repay the TTF and fund the ICC.

DJS = Department of Juvenile Services  
 ICC = Intercounty Connector  
 TTF = Transportation Trust Fund

**Change in Cash Position of General Fund**  
**Fiscal 2004 – 2007**  
(\$ in Millions)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Ending General Fund Balance	\$453	\$1,174	\$1,208	\$32
Rainy Day Fund	497	519	796	644
Dedicated Purpose Reserve for Fiscal 2008				670
<b>Total Cash</b>	<b>\$949</b>	<b>\$1,694</b>	<b>\$2,004</b>	<b>\$1,346</b>
Mandated Rainy Day Funding	502	528	565	642
<b>Cash Available for Subsequent Year</b>	<b>\$448</b>	<b>\$1,165</b>	<b>\$1,439</b>	<b>\$704</b>
Change in Cash Available		\$718	\$273	-\$735