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# **Analysis of Fiscal 2010 Budget Reductions**

## **Approved by BPW on July 22, 2009**

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**Presentation to the  
Senate Budget and Taxation Committee  
and  
House Appropriations Committee**

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

**August 11, 2009**

# Background

## Revenues Continue to Underperform

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- Revenues have continued to underperform.
- Fiscal 2009 closing balance expected to be \$400 million lower than assumed at the end of the 2009 session.
- Fiscal 2010 revenue assumptions likely overstated
  - DLS believes that the current year shortfall is at least \$700 million.

# BPW Authority

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- Section 7-213 of the State Finance & Procurement Article authorizes the Governor to withdraw up to 25% of an agency's total funding via the BPW, with certain exceptions.
  - Exceptions include:
    - debt service;
    - mandated education aid;
    - salaries of constitutional officers; and
    - funding for legislative and judicial branches.

# Administration July 22 Assumptions

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\$205.3 million BPW reductions

36.9 million revenues & reversions

37.3 million actions requiring legislation

\$279.5 million total

# \$205.3 Million Reductions By Budget Category

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State Agencies,  
68,235,108 , 33%

Entitlements,  
117,254,148 , 57%

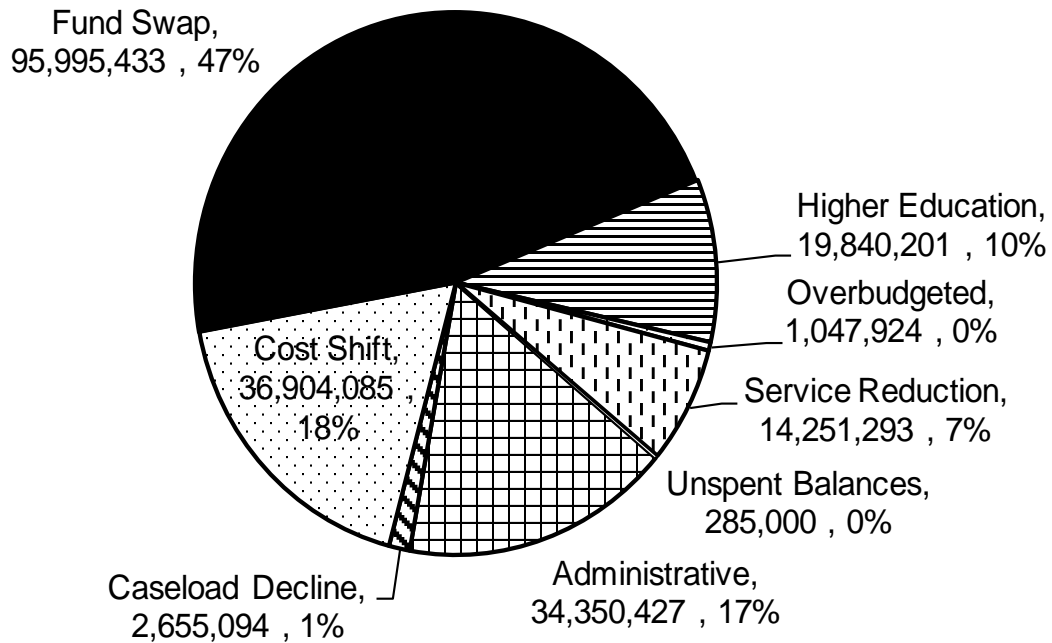
Higher Education,  
19,840,201 , 10%

# 57.5 Position Abolitions

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	Vacant Positions	Filled Positions	Total Positions
Natural Resources	3.5	20.0	23.5
Health & Mental Hygiene	5.0	6.0	11.0
Business & Economic Development	3.0	8.0	11.0
Agriculture	5.0	1.0	6.0
State Police	0.0	3.0	3.0
Human Resources	1.0	0.0	1.0
Labor, Licensing, and Regulation	0.0	1.0	1.0
Lottery	1.0	0.0	1.0
<b>Subtotal</b>	<b>18.5</b>	<b>39.0</b>	<b>57.5</b>

# Nature of General Fund Reductions



# Nature of General Fund Reductions (Cont.)

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- 66% of the actions do not impact services:
  - \$96.0 million in fund swaps;
  - \$36.9 million in cost shifts;
  - \$2.7 million in caseload declines; and
  - \$1.3 million other actions.
- 34% of the actions may impact services:
  - \$34.4 million in administrative cost actions;
  - \$19.8 million higher education aid; and
  - \$14.3 million in service reductions.

# \$96 Million in Fund Swaps

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- \$75.0 million Medicaid higher federal fund stimulus match based on greater unemployment;
- \$11.3 million Medicaid higher than expected enrollment of parents, reducing uncompensated care. General funds will be replaced with hospital assessment revenue;
- \$3.0 million various fund balances in DHMH;
- \$2.1 million in federal indirect cost recoveries in MSDE; and
- Other miscellaneous fund swaps.

# \$36.9 Million in Cost Shifts

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- \$8.9 million reducing Medicaid nursing home rates to 2% below the fiscal 2009 level;
- \$8.9 million due either to reimposition of Medicaid hospital day limits or another cost savings action approved by HSCRC;
- \$8.1 million to eliminate a 0.9% inflation increase for DHMH community providers;
- \$6.5 million to reduce MCO rates by 0.34%;

# **\$36.9 Million in Cost Shifts (Cont.)**

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- \$3.4 million expansion of Medicaid Primary Adult Care to emergency room visits to reduce uncompensated care and replace general funds with hospital assessment revenue; and
- Other miscellaneous cost shifts.

# \$34.4 Million in Administrative Cuts

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- \$5.7 million 3-month delay of new Perkins wing, accelerate Carter Center depopulation, overstated Springfield population;
- \$3.0 million privatize statewide lease management;
- \$2.0 million savings from wholesale electricity purchases;
- \$1.9 million State Police cars, equipment, ammunition; and
- Miscellaneous reductions across agencies.

# \$39.9 Million Reduction to Higher Education

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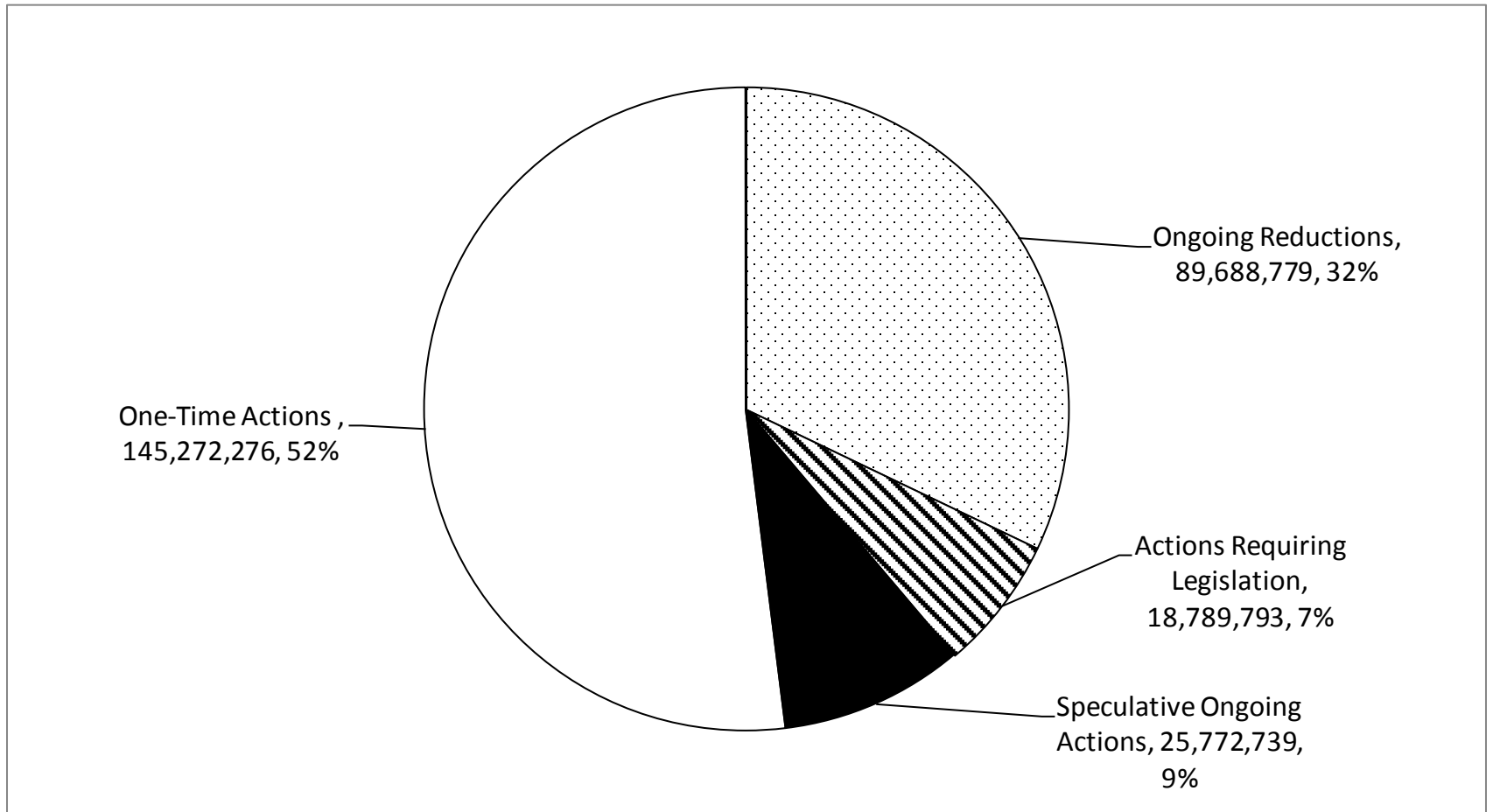
- \$19.8 million reduction in general fund contribution to USM and Morgan;
- \$20.1 million proposed fund balance transfer
  - 3.5% of total fund balance

# \$14.2 Million Service Reductions

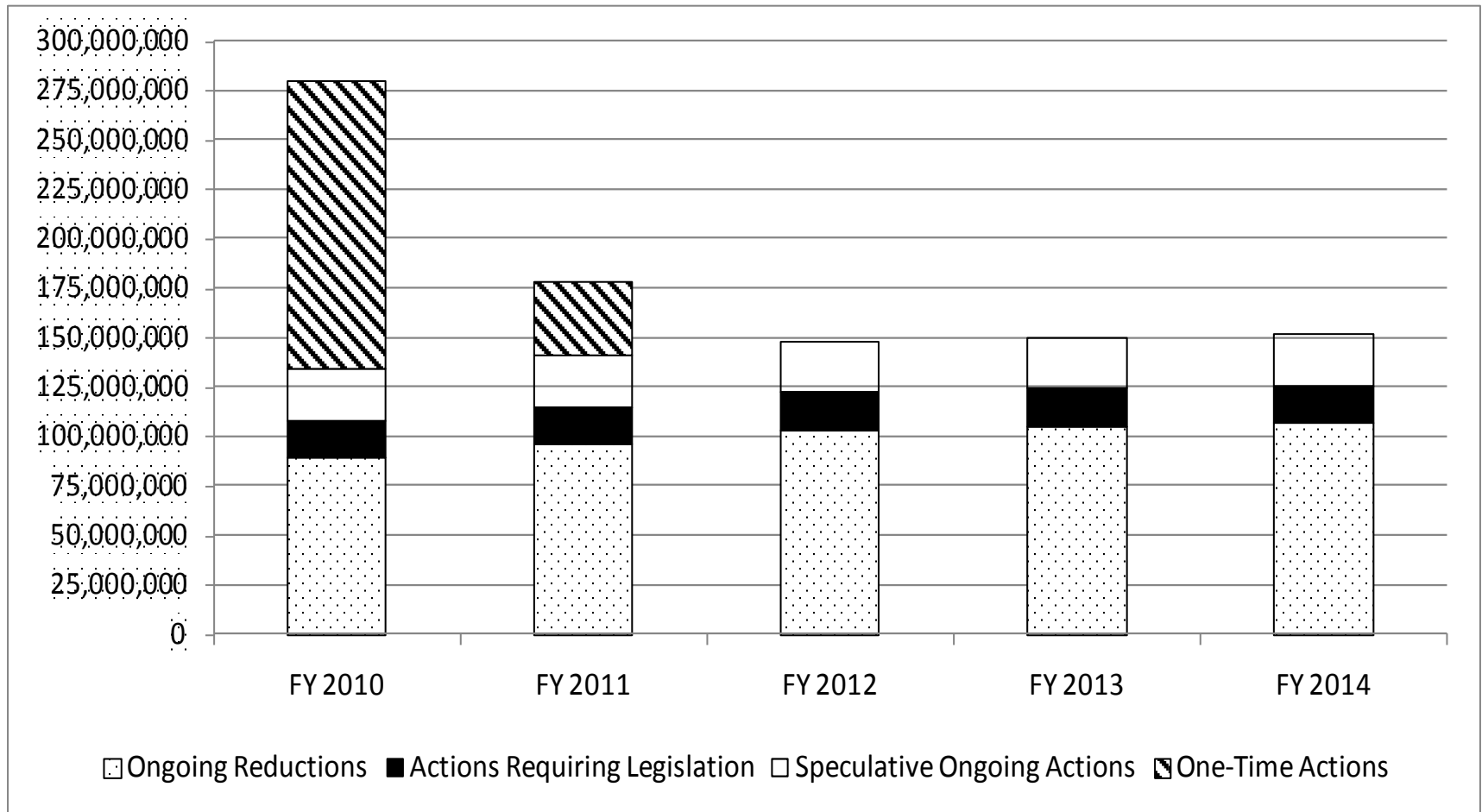
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- \$3.0 million for TEDCO stem cell research;
- \$1.7 million to level fund Sellinger aid to private colleges & universities at 2009 level;
- \$1.1 million reduction in DBED tourism funding;
- \$1.0 million reduction to MDA MARBIDCO; and
- Miscellaneous reductions across other agencies.

# Ongoing v One-Time Reductions



# Out-year General Fund Savings



# General Fund Forecast of Structural Balance With and Without BPW July Reductions (\$ in Millions)

