Choices & Challenges

State and Federal Budget Outlook

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Maryland Nonprofits Legislative Preview
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Recent Events in Federal Budgeting
Budget Deal, But Work Remains

- Congress passed budget, easing sequestration by about 1/3 over next two years
- Deal extends some sequestration cuts, mainly Medicare provider payments, for 2 years to 2023
- Non-defense discretionary spending is still forecast to drop to lowest level on record (since 1963) as a share of GDP
- Unemployment is still high, including in Maryland, and there are still 3 workers for every 1 job opening nationwide
- Yet Congress let emergency long-term UI expire
  - 22,900 MDers lost UI benefits on December 28th
  - About 1,000 more lose their UI benefit every week
Budget Deal, But Work Remains

- Congress has yet to pass a Farm Bill, which may mean higher food prices, particularly on milk
- Nation will hit debt ceiling again in late Feb./early March
- Last year Maryland created $100 million fund to protect against federal cuts
  - Distributed $9 million to Head Start, substance abuse prevention/treatment and seniors in September
  - Prolonged government shutdown in October likely cost a substantial portion of remaining fund balance
Maryland's Operating Budget
Projected FY 2015 Budget is $39.4B

Fiscal 2015 Operating Budget - DLS Baseline --Sources of Funds

$ in Millions

- Federal
  $10,370.200
  26%
- Special/Higher Education
  $12,485.000
  32%
- General
  $16,520.300
  42%

Source: Department of Legislative Services, December 2013.
General Fund = $16.5 Billion

FY 2015 General Fund Baseline ($ in Millions)

- State Agencies: $6,915.6 (42%)
- Local Aid: $6,262.2 (38%)
- Entitlements: $2,910.0 (18%)
- Other/Reserves: $199.6 (1%)
- Debt Service: $233.0 (1%)

Source: Department of Legislative Services, December 2013.
Sources of General Fund Revenue

FY 2015 General Fund Revenue -- $ in Billions

- **Personal Income**: $8.551 billion (53%)
- **Corporate Income**: $0.783 billion (5%)
- **Sales**: $4.365 billion (27%)
- **Lottery**: $0.503 billion (3%)
- **Business/Insurance**: $0.533 billion (3%)
- **Tobacco/Alcohol**: $0.443 billion (3%)
- **Estate**: $0.224 billion (1%)
- **Other**: $0.602 billion (4%)

Source: Board of Revenue Estimates, December 2013.
Maryland's Budget Outlook

State Operating Budget Outlook
Combined FY14, FY15 Projected GF Shortfall Nearly $530 Million

Source: Revenue data and estimates: Board of Revenue Estimates, December 2013. General Fund spending and transfers baseline: Department of Legislative Services, December 2013.
Where Did the Shortfall Come From?

FY 2014 Current Balance: -$189.5

BRE Dec. 2013 FY14 Revenue Revision: -$101.8

BRE Sept. 2013 FY14 Revenue Revision: -$61.9

DLS Estimated Deficiencies: -$264.0

FY 2013 Closeout Adjustments: -$55.7

FY 2014 Estimated Balance: $293.9

Source: Revenue data and estimates: Board of Revenue Estimates, December 2013. General Fund spending and transfers baseline: Department of Legislative Services, December 2013.
How Will Maryland Close the Gap?

- Make transfers from Reserves or Special Funds
  - Likely would mean using General Obligation Bonds to make Special Funds whole, limiting borrowing for other purposes
- Raise revenues through reforms to the state property tax, corporate income tax, or communications revenues
  - Note: cutting the corporate income tax by 1 percentage point would cost the state $160 million in FY 15
- Leave vacant state workforce positions unfilled
- Cut Local Aid or change revenue sharing formulas with locals
- Cut other state investments in programs or services
- BRE could revise projections for FY14 and FY15
Next Steps

State and Federal Budget Process
Congressional To-Do List

- Restore emergency unemployment insurance
- Pass a new farm bill
  - Food stamps likely to be cut in any deal, perhaps by as much as $4 billion
- Pass short-term spending bill by Jan. 15th to fund government while legislators work to...
- Pass omnibus FY 14 spending bill to enact budget deal
- Raise the debt limit before the end of February
FY 2015 MD Budget Process

- Governor introduces budget no later than Jan. 15
- Budget bill starts in the Senate this year
  - Legislature can’t add to budget, but can cut
- Joint Fiscal Briefing Jan. 20th, followed by department budget briefings
- New state revenue estimates in early March
- Governor may introduce supplemental budget(s)
- Legislature passes budget no later than March 31st