

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

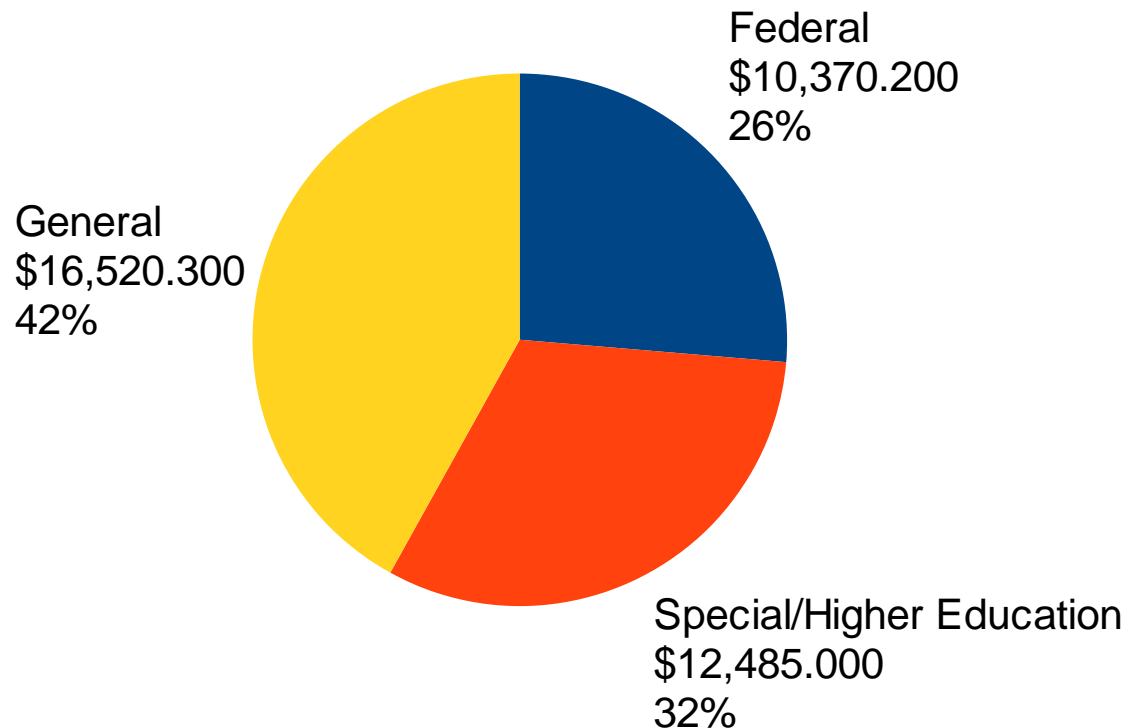
Budget Deal, But Work Remains

- 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

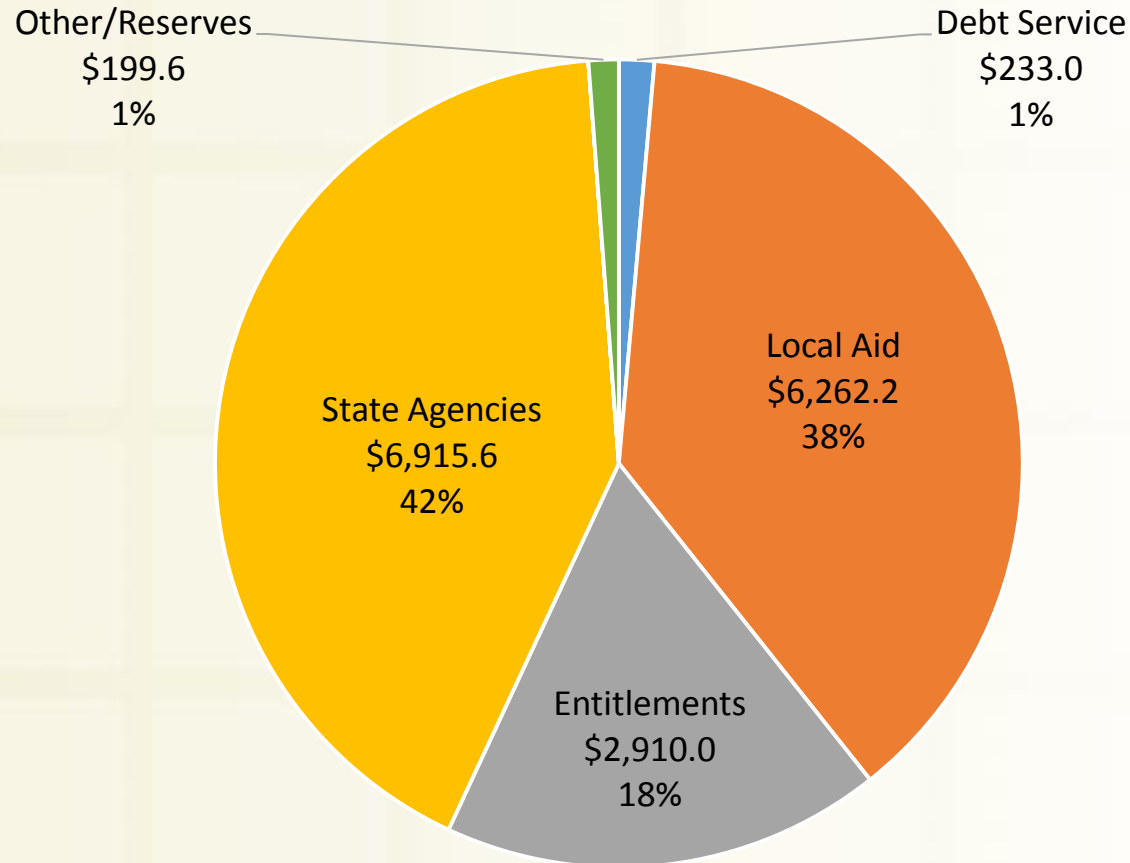
Projected FY 2015 Budget is \$39.4B

Fiscal 2015 Operating Budget - DLS Baseline --Sources of Funds
\$ in Millions



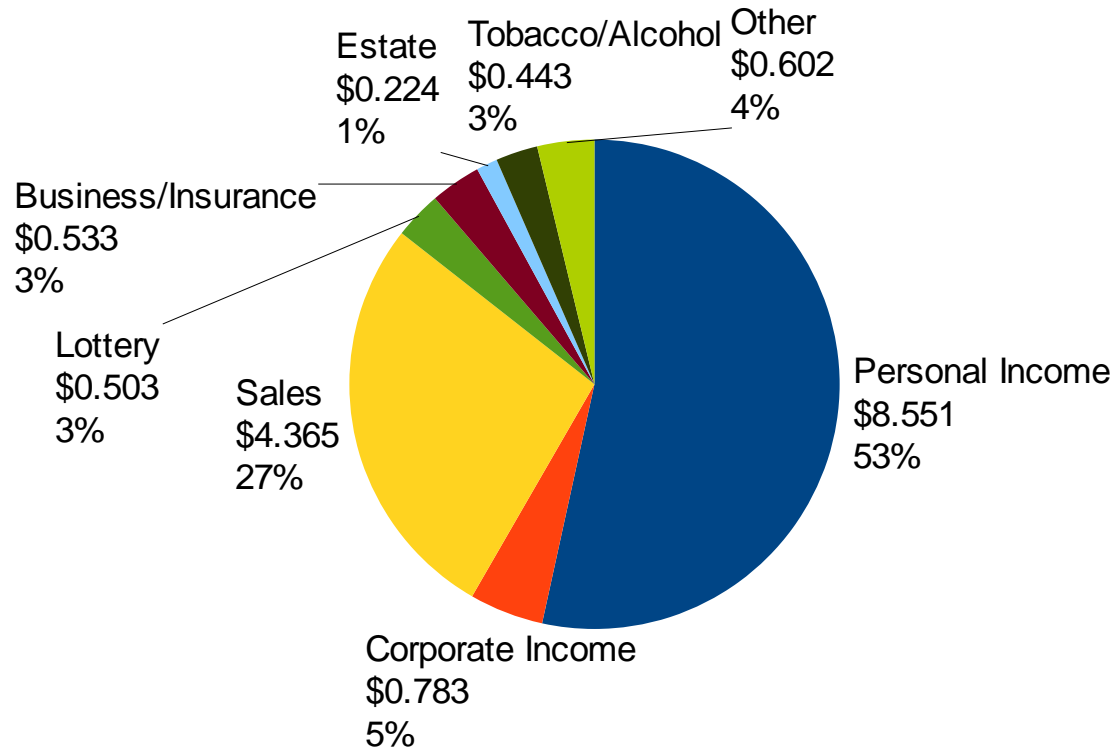
General Fund = \$16.5 Billion

FY 2015 General Fund Baseline (\$ in Millions)



Sources of General Fund Revenue

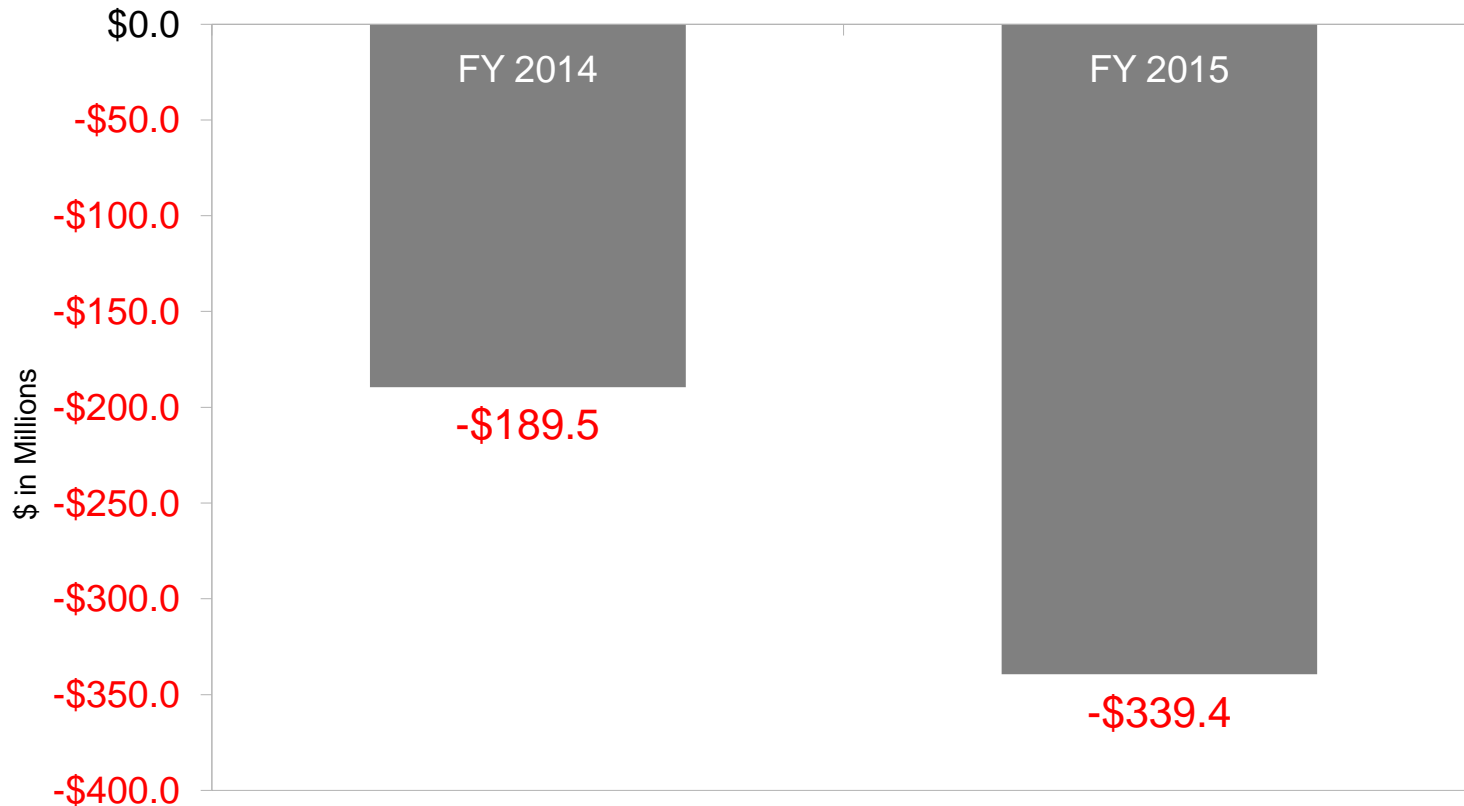
FY 2015 General Fund Revenue -- \$ in Billions



Maryland's Budget Outlook

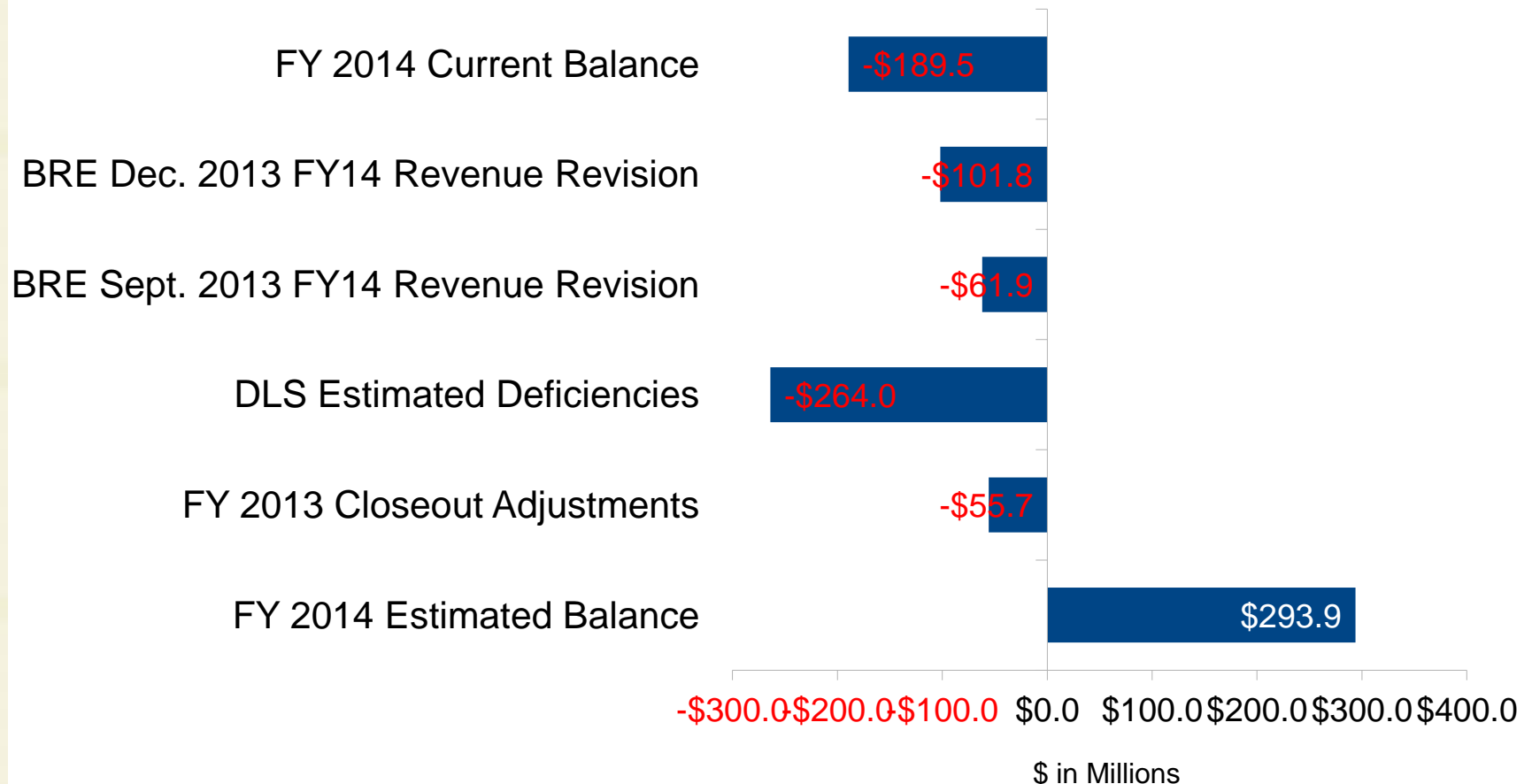
State Operating Budget Outlook

Combined FY14, FY15 Projected GF Shortfall Nearly \$530 Million



1 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?



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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

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