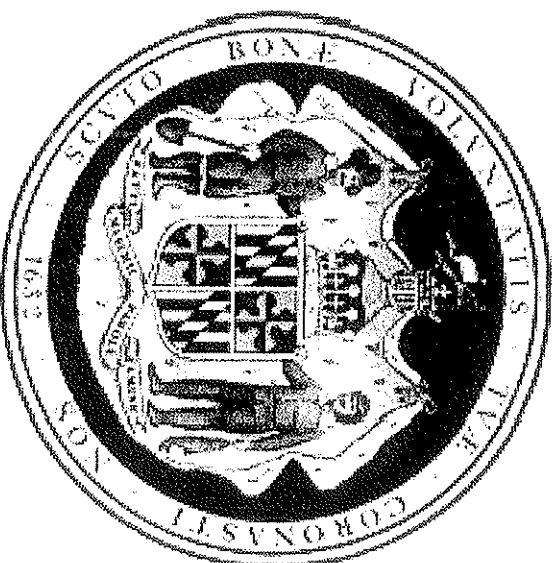
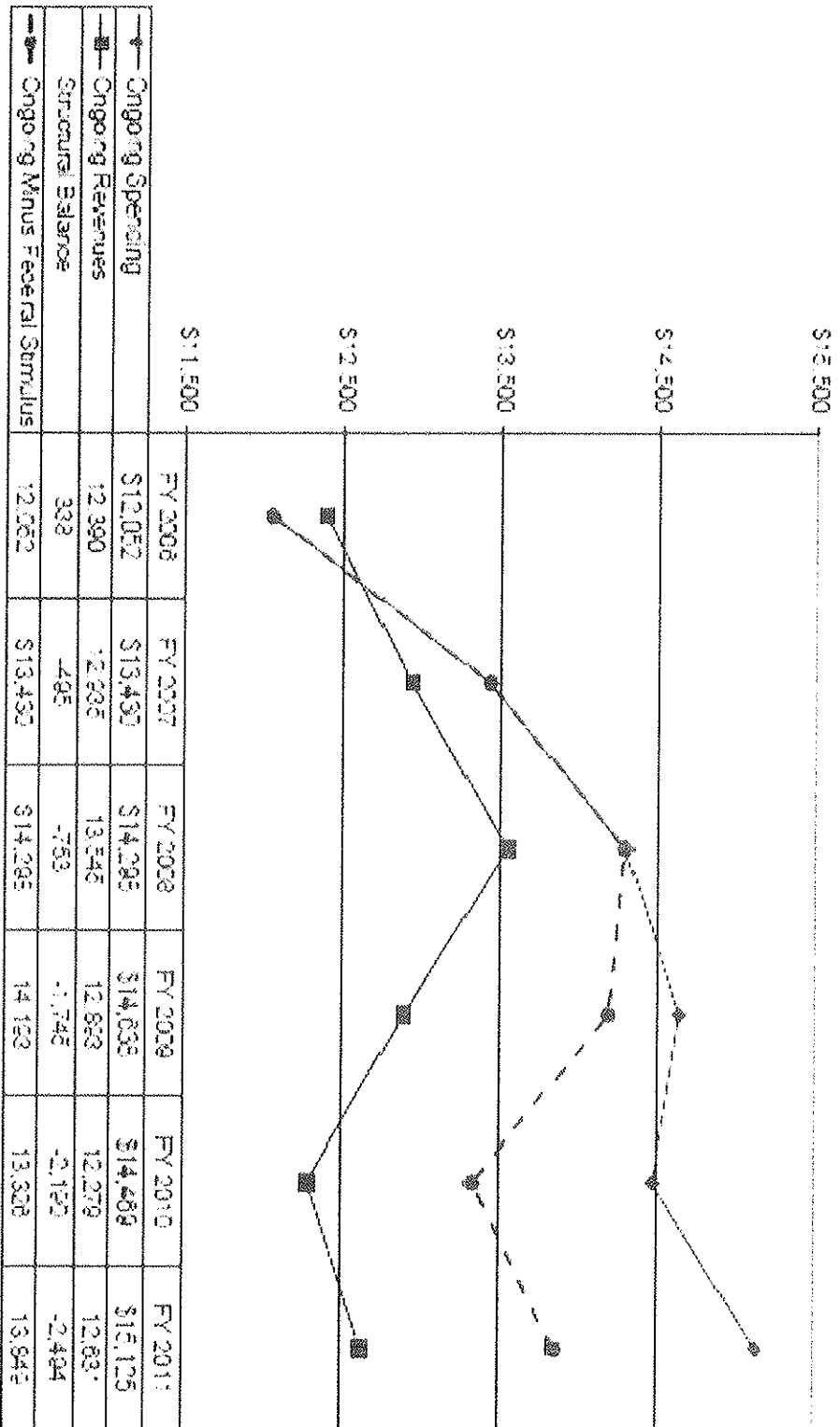


House Republican Caucus Fiscal Vision for Maryland

February 23, 2010



Structural Imbalance Between Ongoing Revenues and Ongoing Spending
Increases to \$2.5 Billion in Fiscal 2011
Fiscal 2006-2011
(\$ in Millions)



Fiscal Goals

- (i) Achieve a balanced General Fund budget on a cash basis in each of the next five years without raising taxes.
- (ii) Achieve a structurally balanced General Fund budget by 2013.
- (iii) Gradually reduce the tax burden on Maryland citizens.
 - Reverse the tax increases adopted during the Special Session of 2007.

Fiscal Goals (Continued)

- (iv) Reject the Governor's proposal to divert funds for wastewater treatment-plant upgrades.
 - Relieve pressure on the Capital Budget
- (v) Cease the diversion of sales-tax proceeds to transportation projects.
- (vi) Maintain the Rainy Day Fund and strong general fund balances.
- (vii) Cease the practice of budgeting with our eyes closed.
 - Inflation provisions in legislative mandates

Action Steps FY 2011

- Implement a 2.7% reduction in General Fund program spending in FY 2011:
 - \$725 million in budget restraint over and above the Governor’s proposal.
- Fully fund \$200 million in wastewater treatment-plant upgrades in FY 2011.
 - Reject the Governor’s proposal to divert these monies from the Bay Restoration Fund through “bonding.”

Ongoing Action Steps

- Freeze the General Fund for one year (2012), then allow gradual increases thereafter:
 - 2011: (2.7%)
 - 2012: 0%
 - 2013: 1%
 - 2014: 2%
 - 2015: 2%
- Repeal the inflator provisions in legislative spending mandates.
- Cease diversion of sales tax revenue to transportation projects beginning in FY 2013.
- Repeal the Special Session tax increases:
 - Reduce sales tax rate from 6% currently to 5.5% in FY 2014 and 5% in FY 2015.
 - Spur job creation by reducing corporate income tax rates from 8.25% currently to 7.0% beginning in FY 2014.

MAJOR GENERAL FUND GROWTH DRIVERS

FY 2011 - FY 2015

(Dollars in Millions)

Medicaid		\$930
Agencies (Non-Higher Ed)		\$550
Education (Non-Pension)		\$475
Pensions		
	Education	\$320
	State Employees	\$80
General Fund Debt Service		\$245
Higher Education		\$220
Health Insurance		\$100
Other		<u>\$170</u>
	TOTAL GROWTH	\$3,090

General Fund Program Spending

(\$ in Millions)

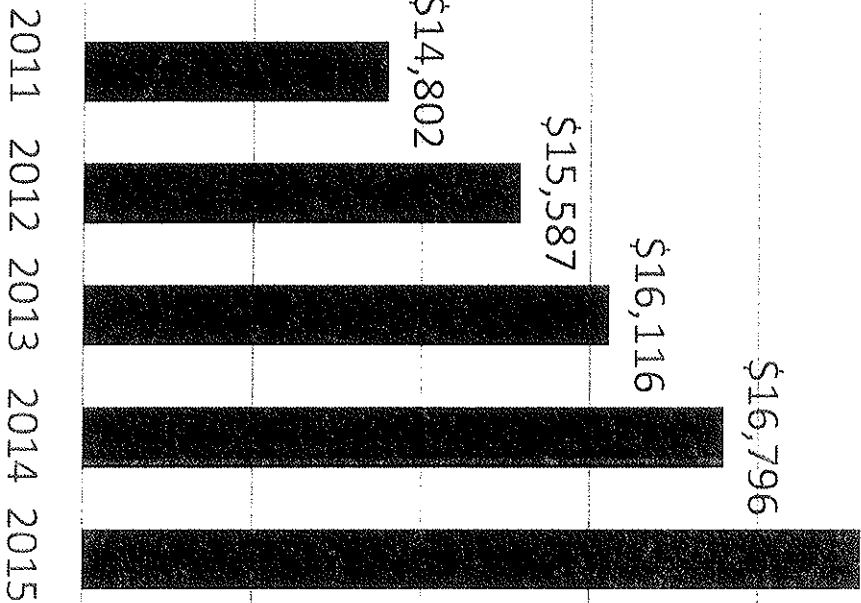
Comparison

Governor's Proposal

2011-2015 Increase: \$2.8 Billion

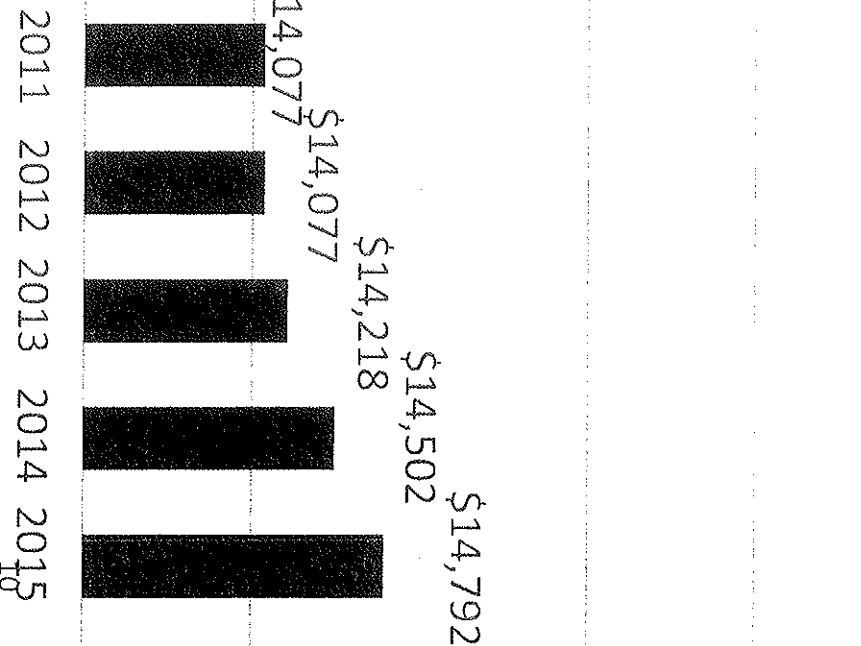
\$18,000
\$17,000
\$16,000
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\$18,000
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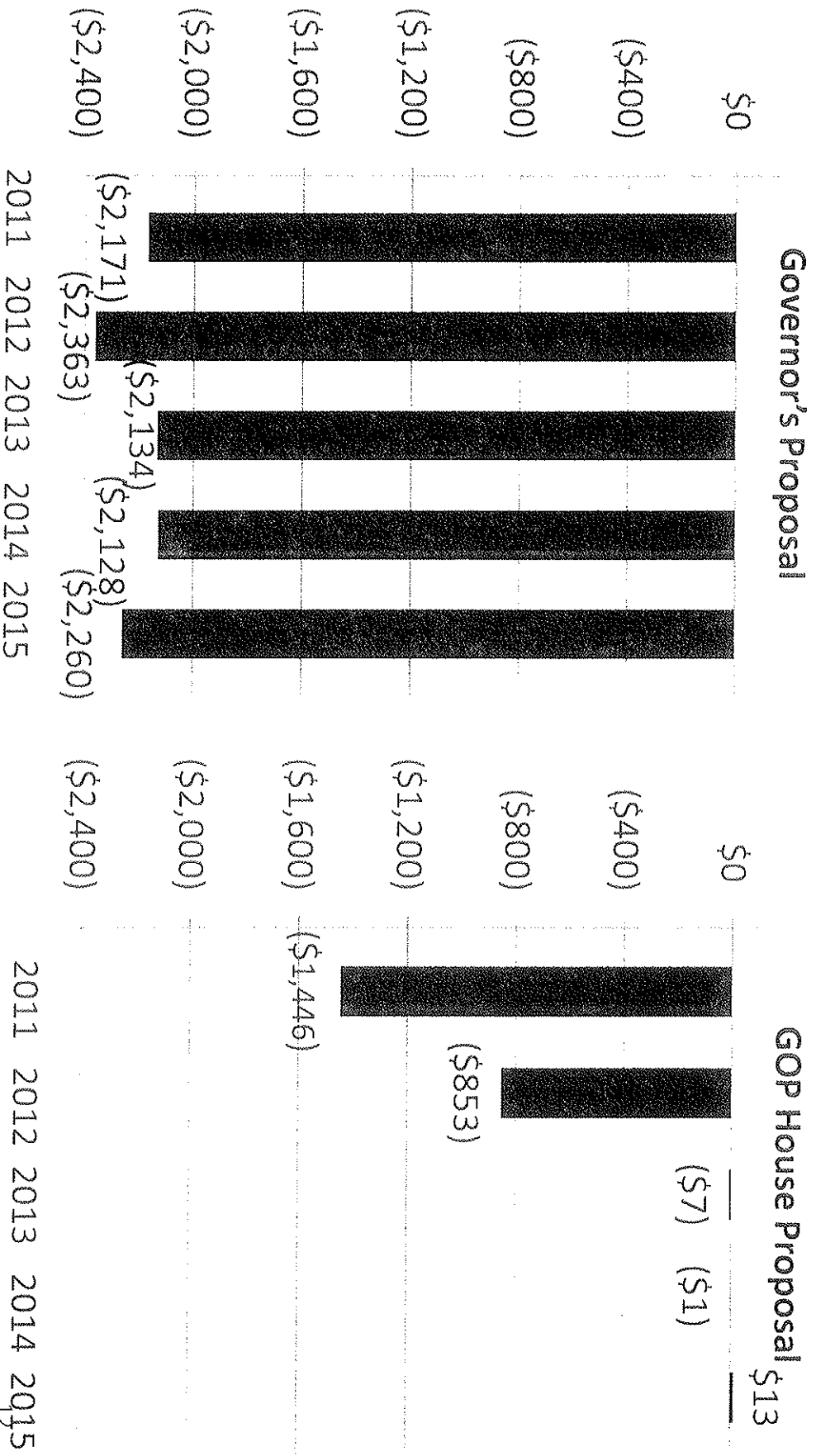
GOP House Proposal

2011-2015 Increase: \$715 Million



General Fund Budget Surplus/(Deficit) Comparison (“Structural Balance” Standard)

(\$ in Millions)



2011 2012 2013 2014 2015

Appendices

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Appendix A

Amendments Offered to the FY 2008 Budget - 2007 Regular Session

and

Amendments Offered to the Budget Reconciliation Act (HB 1) and Tax Reform Act (HB 2/SB2) – 2007 Special Session

Amendment	Sponsor	Description	Vote
643129/1	The Minority Leader	This amendment held the FY 2008 budget to the historic spending levels of FY 2007, with a few exceptions. This amendment would have fixed the structural deficit within one year and would have done so without depleting the state's Rainy Day fund and without raising taxes.	Rejected 29-110
453120/1	Delegate O'Donnell	This amendment removed the specified list of recommendations for reductions to the FY 09 budget, replaced it with legislative intent that reductions be at least \$550 million, but at the Governor's discretion with regards to specific reductions.	Rejected 38-98
493729/1	Delegate Shank	This amendment increased the elimination of 750 vacant positions to 1,000 vacant positions - in line with DLS recommendations.	Rejected 38-100
103726/1	Glassman	This amendment allowed school construction projects that do not use any state funds to be exempt from approval by the state school superintendent.	Rejected 38-93
773124/1	McComas	This amendment struck the provision that repeals the sunset of the Real Property Improvement Fund.	Rejected 33-99
203329/1	Krebs	This amendment required that the Governor include in the FY 09 budget an appropriation to the Postretirement Health Benefits Trust Fund in an amount not to exceed \$100	Rejected 36-100
983726/1	Haddaway	This amendment restored local share of POS funds.	Rejected 38-98
423329/1	O'Donnell	This amendment strikes the reduction to lottery agent share, restores 5.5%.	Rejected 46-85

Appendix A

Amendments Offered to the FY 2008 Budget - 2007 Regular Session

and

Amendments Offered to the Budget Reconciliation Act (HB 1) and Tax Reform Act (HB 2/SB2) - 2007 Special Session

Amendment	Sponsor	Description	Vote
263225/1	Haddaway	This amendment removed the expansion of sales tax to computer services	Rejected 46-74
693029/1	Stifler	This amendment specified that sales tax on computer services did not apply to for-profit educational services.	Rejected - Voice Vote

Appendix B
Amendments Offered for the FY 2009 Budget
2008 Regular Session

Amendment	Sponsor	Description	Vote
513928/3	O'Donnell	This amendment reduced overall spending growth to 2.5% (2.3% general funds). The amendment called for \$560 million of additional reductions in spending growth, allowed for a repeal of the computer services tax, significantly reduced deficit spending by \$250 million, and put an additional \$400 million in the Rainy Day Fund to cushion against further revenue write-downs. The amendment limited the growth in transportation spending to \$100 million. It eliminated 900 vacant-but-funded positions, deferred the Geographic Cost of Education Index (GCEI); took the \$15 million from the Stem Cell Research Fund; funded PAYGO with bonds; deferred the Medicaid expansion (\$124 million); and deferred the \$25 million in the Bay Fund.	Rejected 38-100
263721/1	Haddaway	This amendment allowed for the repeal of the sales and use tax on computer services through budget reductions of \$216 million rather than backfilling with new taxes.	Rejected 42-95
853420/1	Shank	This amendment limited salary increases for positions in the Executive Pay Plan to 2%.	Rejected 42-81
713925/1	McConkey	Eliminated the appropriation of \$15 million to the Stem Cell Research Fund	Rejected 39-96
393920/1	McDonough	Restored the pay rate of the Public Service Commission members and Chairman to what it was prior to significant pay increases.	Rejected 43-91
213723/1	McDonough	Eliminated a \$1,000,000 appropriation to Casa de Maryland for construction of a multicultural center.	Rejected 35-93
143322/1	Dwyer	Eliminated state funding for abortions.	Rejected 45-87

Appendix C

Amendments Offered for the FY 2010 Budget 2009 Regular Session

Amendment	Sponsor	Description	Vote
313329/1	Delegate Eckardt	This amendment deleted funding for voting machines in FY 2010. This would allow time to pay off the old machines before purchasing new ones.	Rejected 28-108
693629/1	Delegate O'Donnell	This amendment reduced the amount of funds set aside for the tuition freeze, committed part of that money to community college funding and directed the remainder to the general fund.	Rejected 29-100
443520/1	Delegate Shank	This amendment eliminated the stimulus funding for GCEI and instead used that money to fund education when the Thornton freeze (instituted in Special Session) expires in 2011.	Rejected 28-100
973429/1	Delegate O'Donnell	This amendment required that the Governor make an across-the-board reduction of \$608.9 million. This would have brought total budget growth to 0% and would have left the state with a significant fund balance to protect against future write-downs.	Rejected 27-99

APPENDIX D

COMPARISON OF GOVERNOR'S AND HOUSE REPUBLICAN BUDGETS

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
<u>Governor's Plan</u>						
Ongoing GF Revenues	\$12,279	\$12,631	\$13,224	\$13,982	\$14,668	\$15,349
Program Spending*	\$14,469	\$14,802	\$15,587	\$16,116	\$16,796	\$17,609
Structural Balance	(\$2,190)	(\$2,171)	(\$2,363)	(\$2,134)	(\$2,128)	(\$2,260)
Cash Balance	\$258	\$274	(\$1,750)	(\$2,141)	(\$2,130)	(\$2,260)
Spending Growth		2.3%	5.3%	3.4%	4.2%	4.8%
<u>GOP House Plan</u>						
Ongoing GF Revenue	\$12,279	\$12,631	\$13,224	\$13,982	\$14,668	\$15,349
Constrained Program Spending	\$14,469	\$14,077	\$14,077	\$14,218	\$14,502	\$14,792
Fiscal Actions				\$229	(\$167)	(\$544)
Structural Balance	(\$2,190)	(\$1,446)	(\$853)	(\$7)	(\$1)	\$13
Cash Balance	\$258	\$799	\$285	\$271	\$268	\$281
Spending Growth		-2.7%	0.0%	1.0%	2.0%	2.0%

* Adjusted to include ARRA spending