

# HOUSE REPUBLICAN CAUCUS

## Fiscal Vision for Maryland



March 1, 2011

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HOUSE REPUBLICAN CAUCUS  
Fiscal 2012 Budget

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Review of Governor's  
Budget Plan

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# HOUSE REPUBLICAN CAUCUS

## Analysis of Governor's FY 2012 Budget Actions <sup>(a)</sup>

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Estimated Baseline Cash Deficit (Dec.)	<u><u>\$(1,582)</u></u>
Cuts in Baseline Spending	\$670
Special Fund Raids <sup>(b)</sup>	325
Tax & Fee Increases	245
Wishful Thinking (Lower Deficiencies)	243
Federal Stimulus	124
Other	<u>70</u>
Total Actions	<u><u>\$1,677</u></u>
Fund Balance Projected for FY 2012	<u><u>\$95</u></u>

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<sup>(a)</sup> Recategorized from official categories.

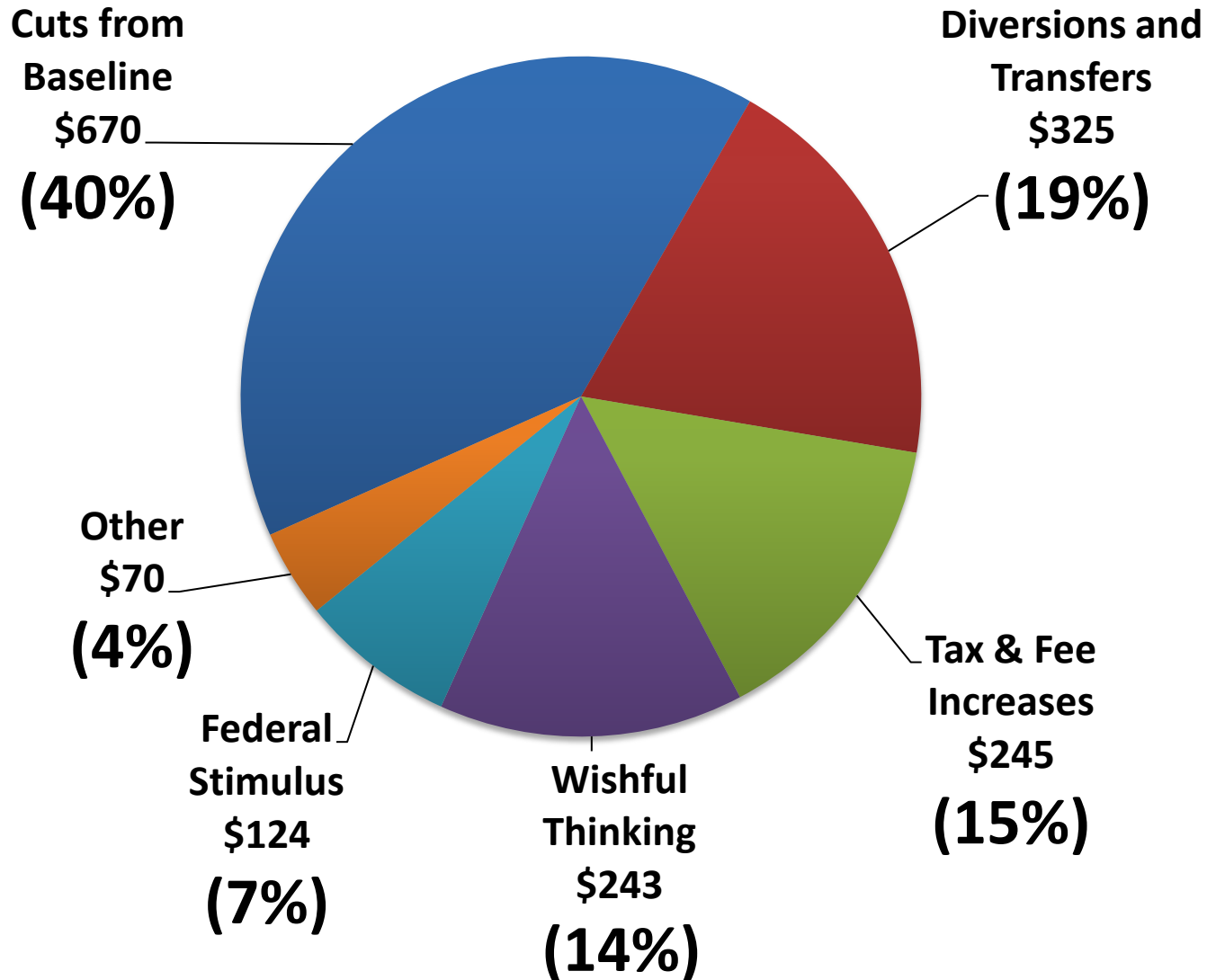
<sup>(b)</sup> Includes raid on TTF and \$191 million in "bonding" to replace diverted Special Funds (POS and BRF).

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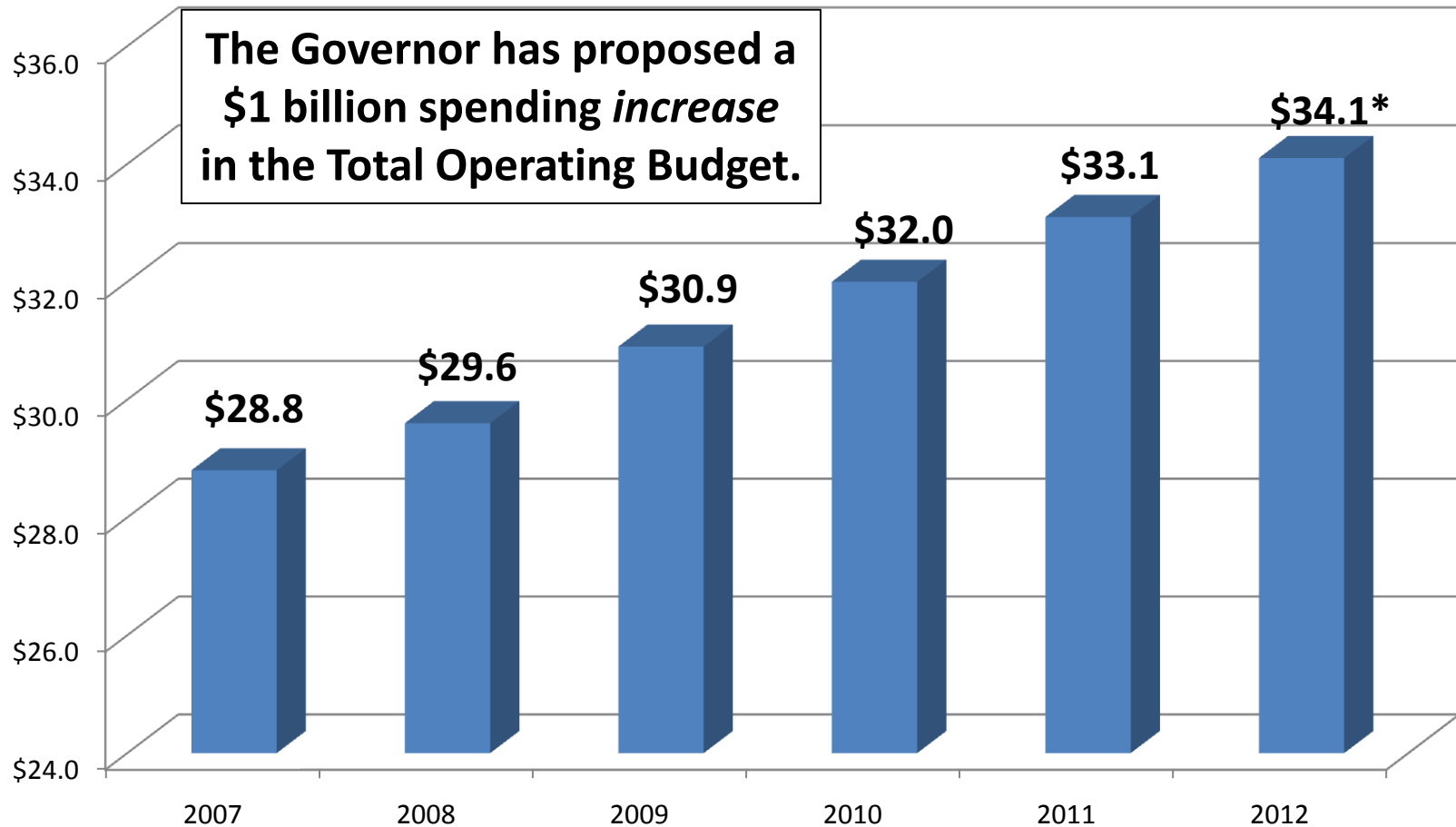
## Governor's Budget Actions

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## Total Operating Budget – Governor’s Plan



\*Governor’s Proposal

# HOUSE REPUBLICAN CAUCUS

## Governor's Budget Spending Summary

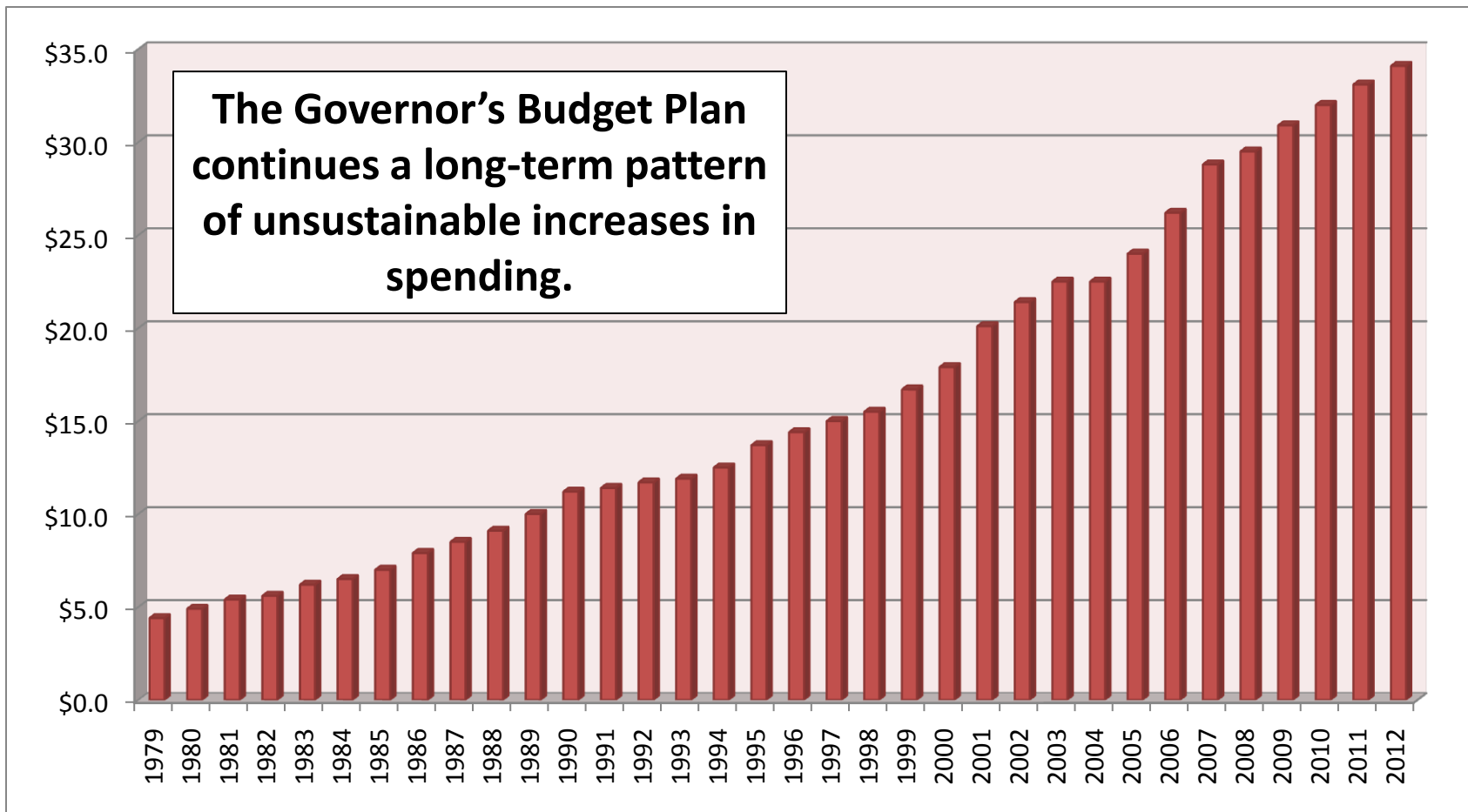
	<u>Actual</u>				<u>Working</u>	<b>Proposed by Governor</b>	<b>Change 2012 vs. 2011</b>	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>		<u>2012</u>	<u>Dollars</u>
<b>General Fund</b>	\$14.2	\$14.5	\$14.4	\$13.4	\$13.2	\$14.6	\$1.4	<b>10.6%</b>
<b>State Funds</b>	\$22.4	\$23.0	\$23.1	\$22.2	\$22.8	\$24.8	\$2.0	<b>8.6%</b>
<b>Total Operating Budget (All Funds)</b>	\$28.8	\$29.6	\$30.9	\$32.0	\$33.1	\$34.1	\$1.0 <sup>(a)</sup>	<b>3.1%</b>

<sup>(a)</sup> Major increases include Medicaid (up \$828 million or 13.6%), Health (up \$115 million or 4.3%), and Higher Ed (up \$96 million or 2.0%).

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## Total Operating Budget: 1979-Present

*(\$ in billions)*



\*Governor's Proposal

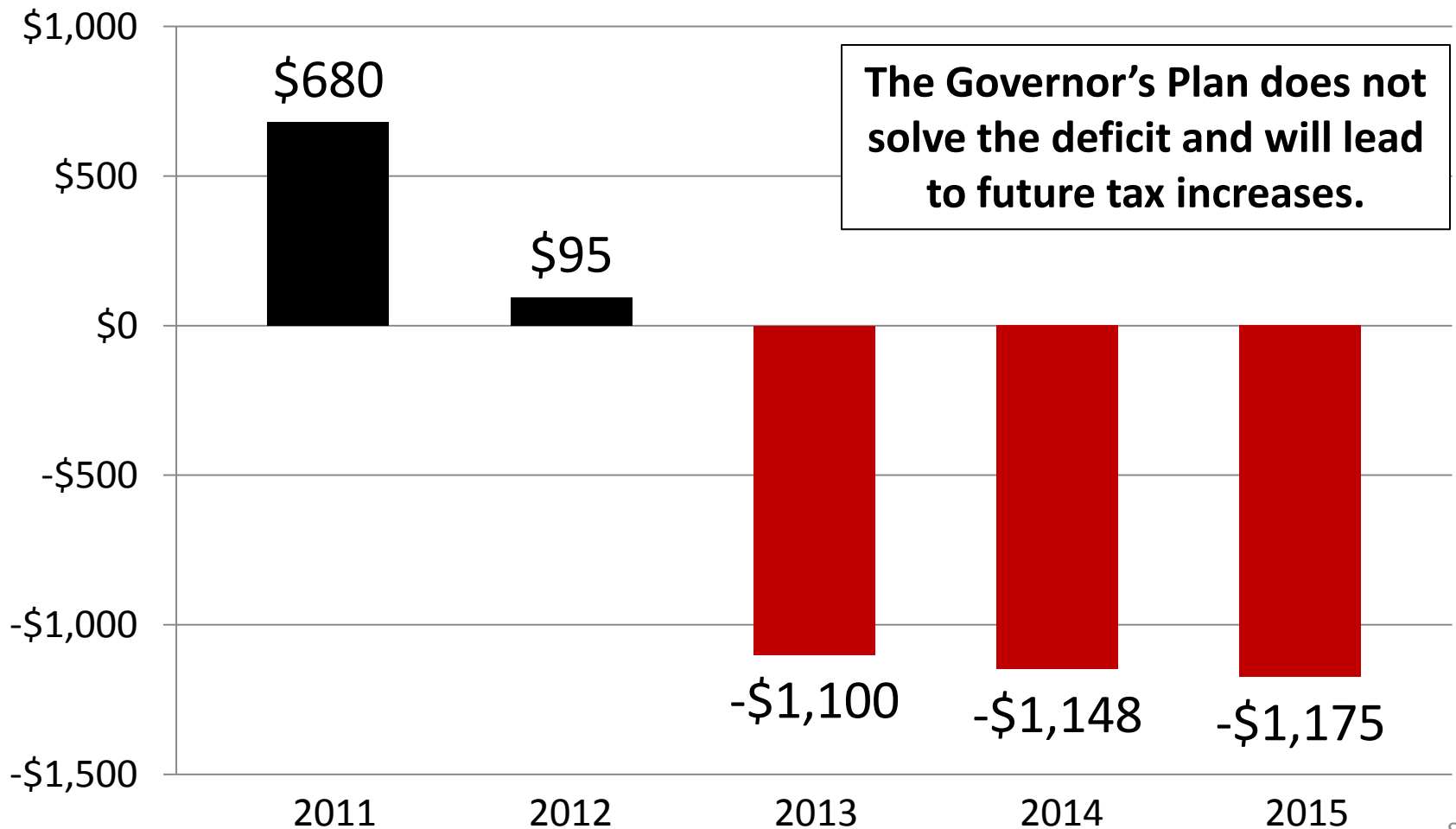
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## GF Cash Balance Deficits Under Governor's Plan

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*(\$ in millions)*





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HOUSE REPUBLICAN CAUCUS  
Fiscal 2012 Budget

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GOP  
Budget Plan

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## Vision for Maryland

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We envision...

- A smaller, less-intrusive State government.
- A State government that operates consistently within its means.
- A reduced tax burden on Maryland citizens.

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## Missed Opportunities 2003-2010

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<u>Session</u>	<u>Proposal</u>	<u>Cumulative Impact to Today</u>
2003	Enact slots legislation.	\$4.5-5.0 billion
2004	Retain 5% “trigger” provision for education.	\$4.5 billion
2007	Constrain budget growth to 1.5% (up \$200 million) and cap GF spending to \$13.8 billion in FY ‘08.	\$2.8 billion
2007 (special)	Adopt slow-growth budget in FY 2009 (3.5% growth) and free-market slots plan.	\$1.8 billion
2008	Reduce growth in GF spending to 2.6% for FY ‘09.	\$1.2 billion
2009	Reduce total budget growth to 0% for FY ‘10.	\$1.2 billion
2010	Reduce GF spending by 2.7% for FY ‘11.	\$725 million

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## GOP Fiscal Goals

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- (i) Achieve a positive General Fund balance in each of the next five years without raising taxes.
- (ii) Achieve a structurally balanced General Fund budget by 2013.
- (iii) Reduce the tax burden on Maryland citizens:
  - Reverse the 2007 sales tax increase.
  - Reverse the 2007 corporate tax increase.

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### GOP Fiscal Goals (Continued)

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- (iv) Reject the Governor's proposal to raid the Bay Restoration Fund and Project Open Space and to replace the funds with new debt.
- (v) Replenish the Transportation Trust Fund without an increase in the gas tax.
- (vi) Maintain the Rainy Day Fund and strong general fund balances.

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## Action Steps for FY 2012

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- Implement an additional \$621 million of spending reductions in FY '12.
  - \$518 million decrease (3.5%) from FY 2011.
- Cancel proposed raids on Bay Restoration Fund and Project Open Space.
- Cancel raid on TTF.

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## Action Steps in Future Years (FY 2013-2016)

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- Constrain growth in the General Fund:
  - 2013: 2%
  - 2014: 2%
  - 2015: 2%
  - 2016: 4%
- Restore \$500 million to the TTF (FY 2012-2016)
- Repeal the Special Session tax increases:
  - Reduce sales tax rate from 6% currently to 5.5% in FY 2014 and 5% in FY 2015.
  - Reduce corporate income tax from 8.25% to 7.0% beginning in FY 2014.

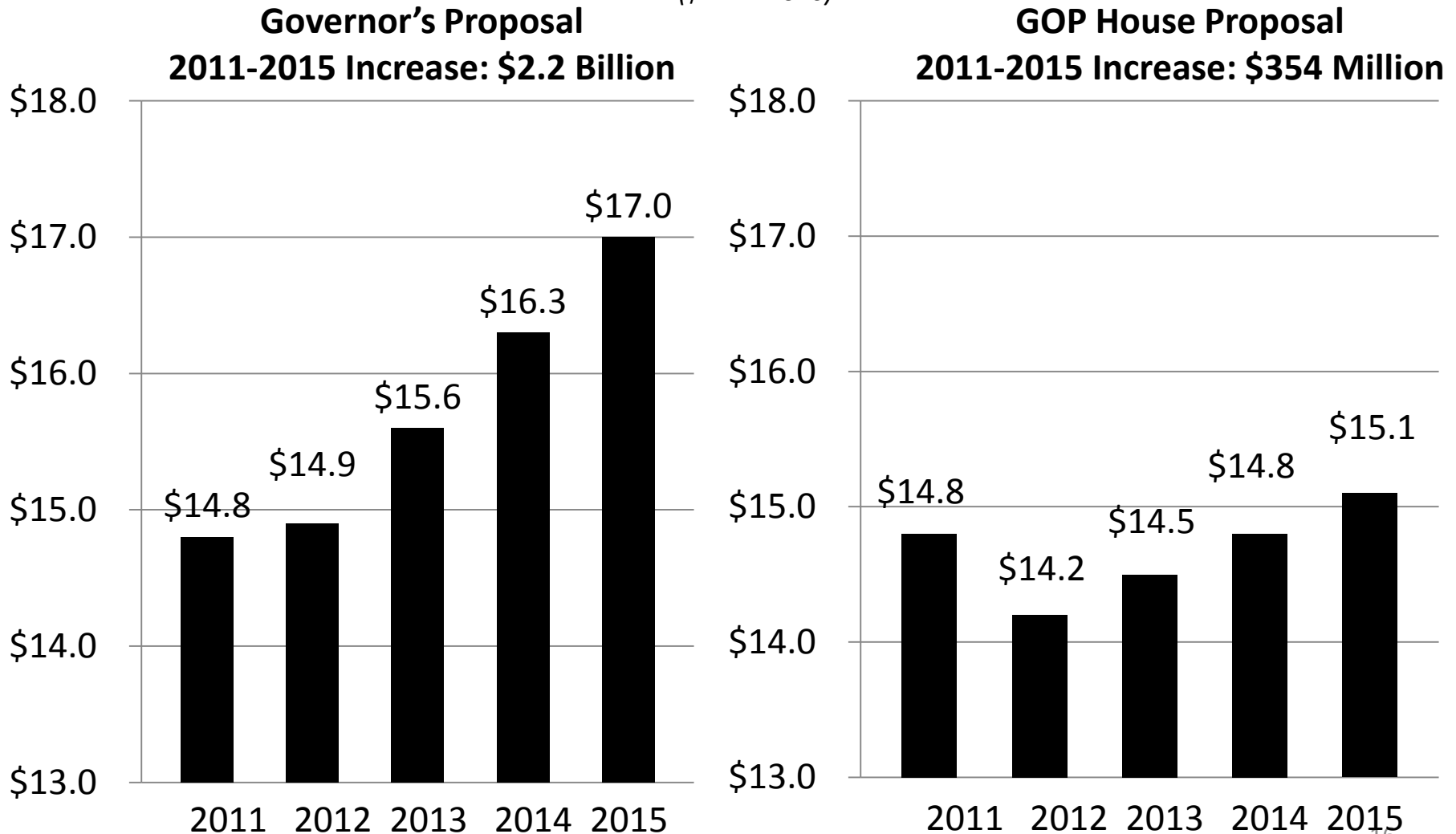
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## General Fund Program Spending Comparison

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*(\$ in Billions)*



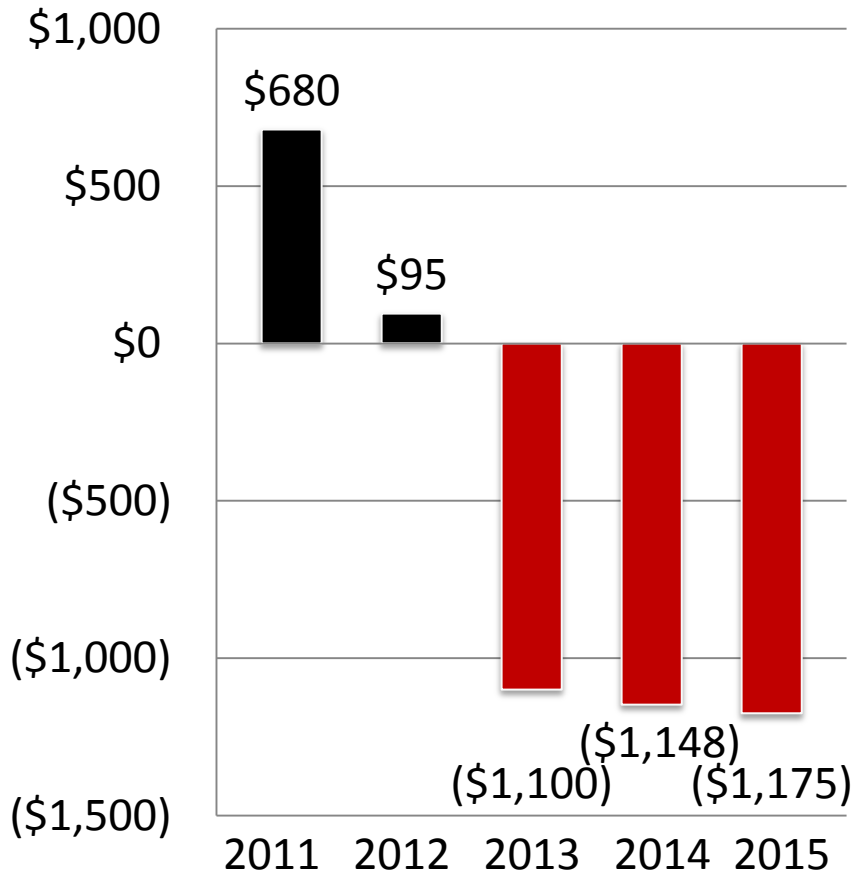


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## General Fund Budget Surplus/(Deficit) Comparison

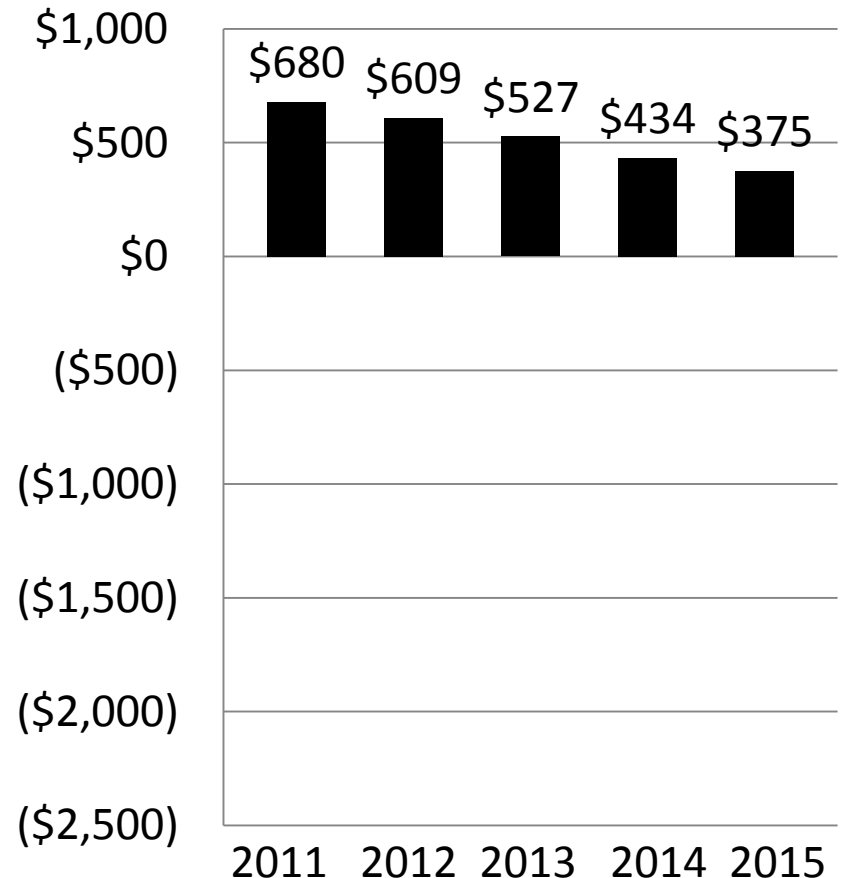
(Cash-Basis Standard)

(\$ in Millions) **Governor's Proposal\***



\* DLS estimates

**GOP House Proposal\***



\*DLS estimates adjusted for GOP actions 17

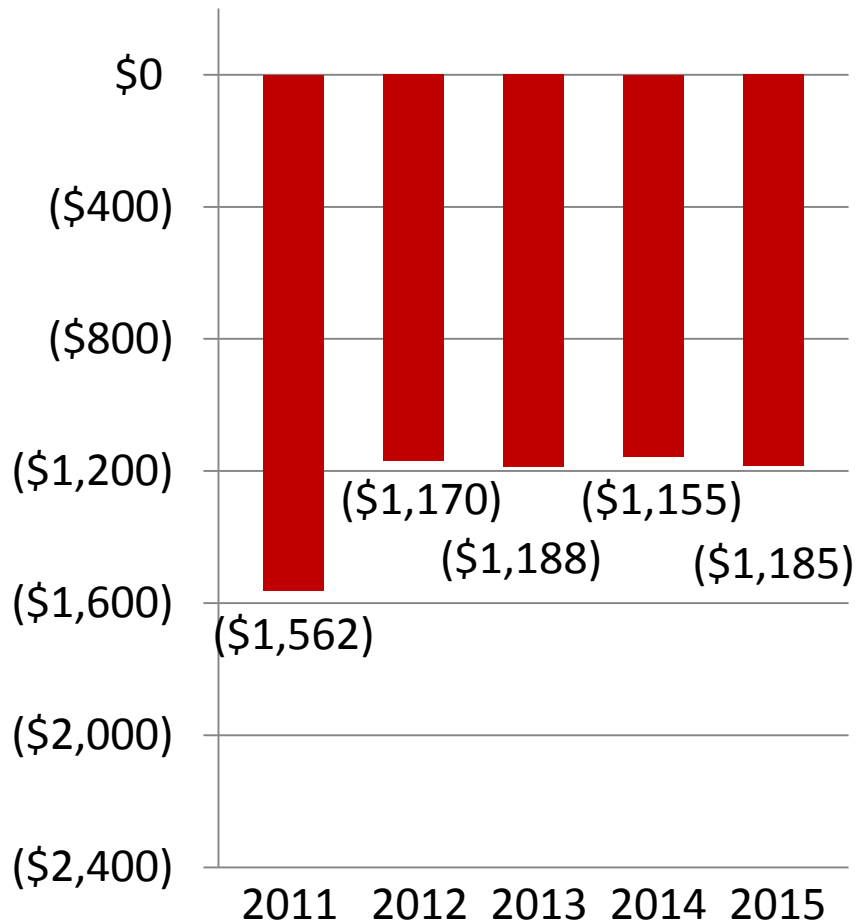
# HOUSE REPUBLICAN CAUCUS

## General Fund Budget Surplus/(Deficit) Comparison

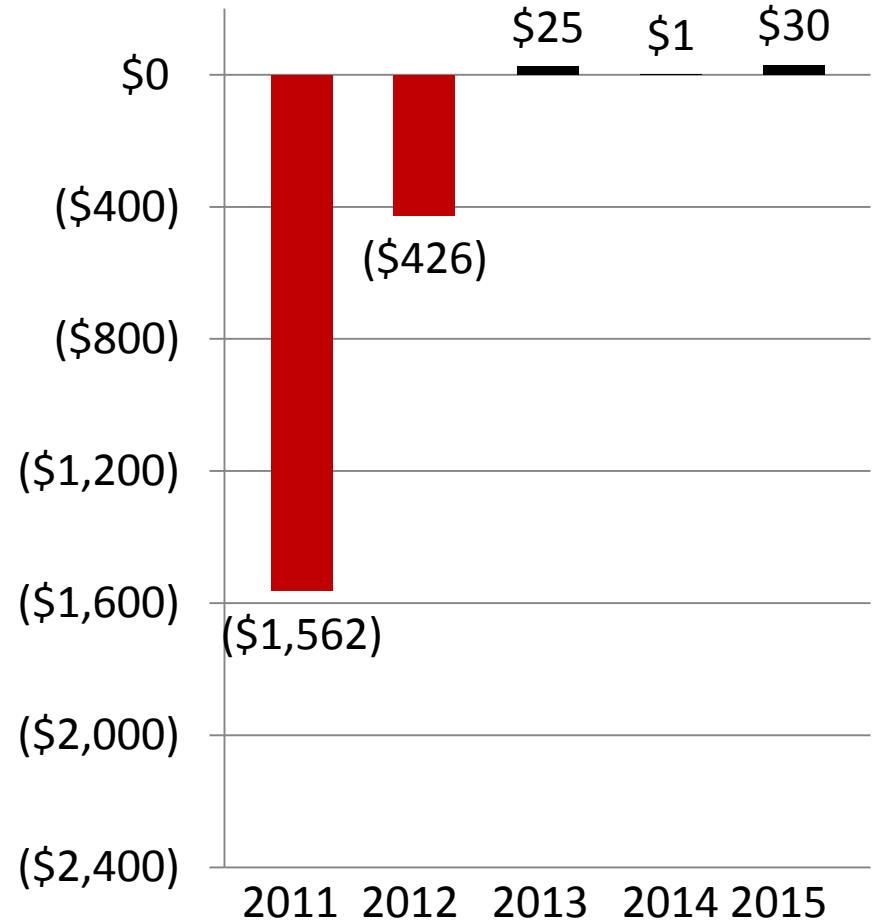
("Structural Balance" Standard)

(\$ in Millions)

**Governor's Proposal**



**GOP House Proposal**



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## Summary

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- The Governor's Plan:
  - Relies too heavily on transfers, taxes & fees and wishful thinking
  - Continues a pattern of unsustainable growth in spending
  - Does not eliminate the deficit
- The GOP Plan:
  - Represents new vision for Maryland
  - Reduces unsustainable levels of spending
  - Balances the State budget structurally
  - Reduces the tax burden on Maryland citizens
  - Cancels raids on the TTF, BRF and POS
  - Increases funding to the TTF without a gas tax hike