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# **2017 Session Review Or: How I Learned to Stop Worrying and Love the GF Forecast**

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**Presentation to the  
Maryland Government Finance Officers Association**

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

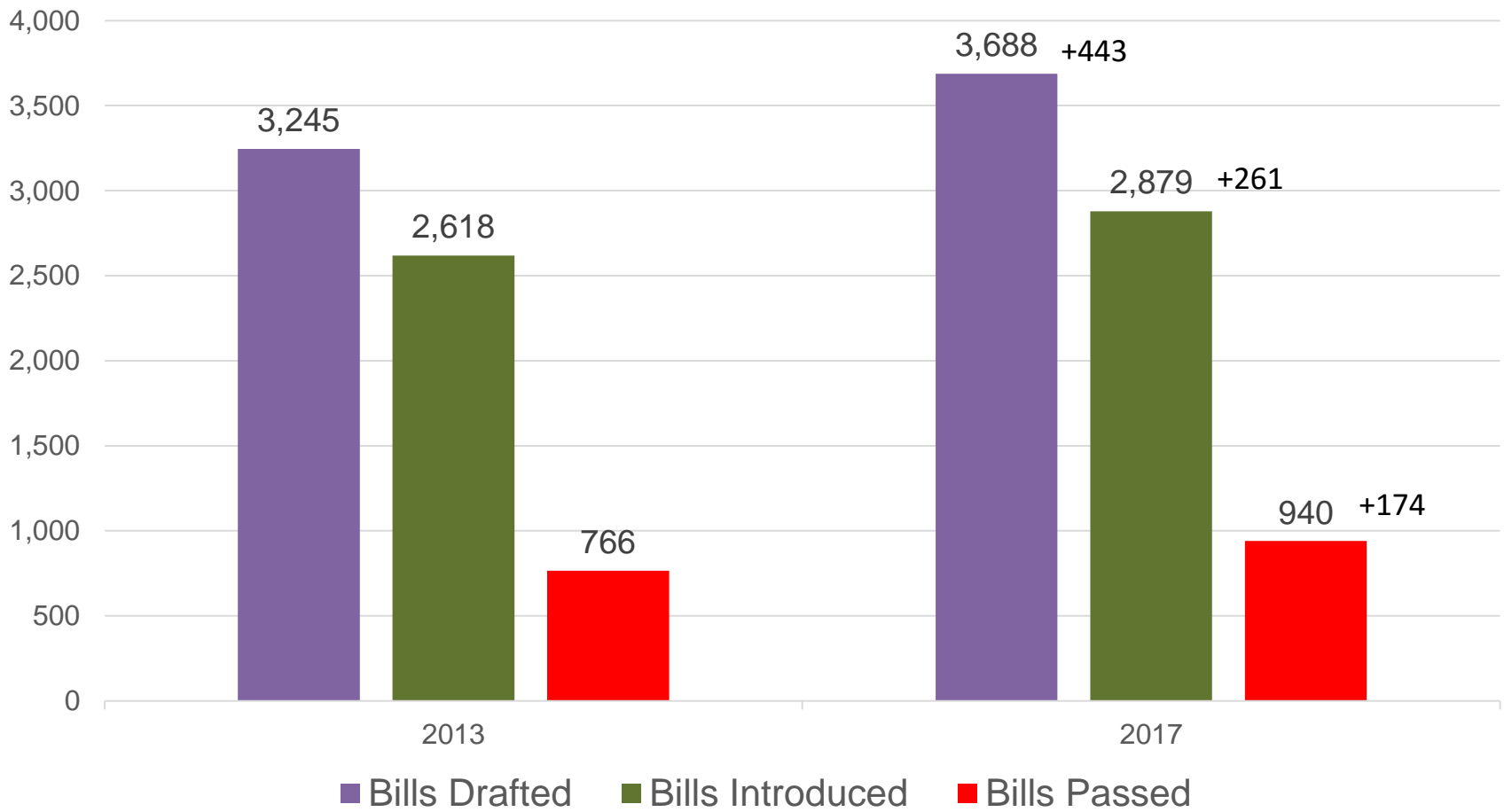
**April 28, 2017**

# **2017 Session Highlights**

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# The Growth of Legislative Action (Comparison of 3<sup>rd</sup> Year of Term)

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# Key Legislation

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- More Jobs for Marylanders (Ch. 149)
  - New manufacturing business eligible for a 10-year:
    - Income tax credit;
    - Property tax credit; and
    - Exemption from corporate filing fees.
  - Existing manufacturers may qualify for the income tax credit
  - Other credits and scholarships for counties with unemployment rates at least 2 percentage points higher than the State average

# Key Legislation

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- Heroin and Opioid Prevention Effort (HOPE)
  - Intent for more drug courts;
  - CDS registration;
  - Local fatality review teams;
  - Crisis treatment centers/hotline;
  - Providers authorized to prescribe addiction treatment medication;
  - Rate adjustments for mental health providers
  - Prison and jails to develop plans for substance use disorder treatment.

# Key Legislation

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- Revenue Volatility (Ch. 4)
  - Intended to limit effects of swings in capital gains on State revenues;
  - Starting with FY 2020, the Board of Revenue Estimates will calculate the 10 year average for nonwithholding payments;
  - Surplus revenues will be used to:
    - Close revenue shortfalls;
    - Build reserves; and
    - Be applied to one-time PAYGO capital projects

# Operating Budget Highlights

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# Key Features of Budget

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- Lean growth in FY 2018. General fund spending increases \$85.6 million, or 0.5%
- Nearly \$1.0 billion in cash balances & reserves
- Fully funds education and other mandates
- Increases provider reimbursements
- Limits in-state tuition increase to 2%
- Increases funds for drug treatment, anti-opioid initiatives
- Aid to school systems with enrollment declines
- Restored \$71.3 million in legislative priorities

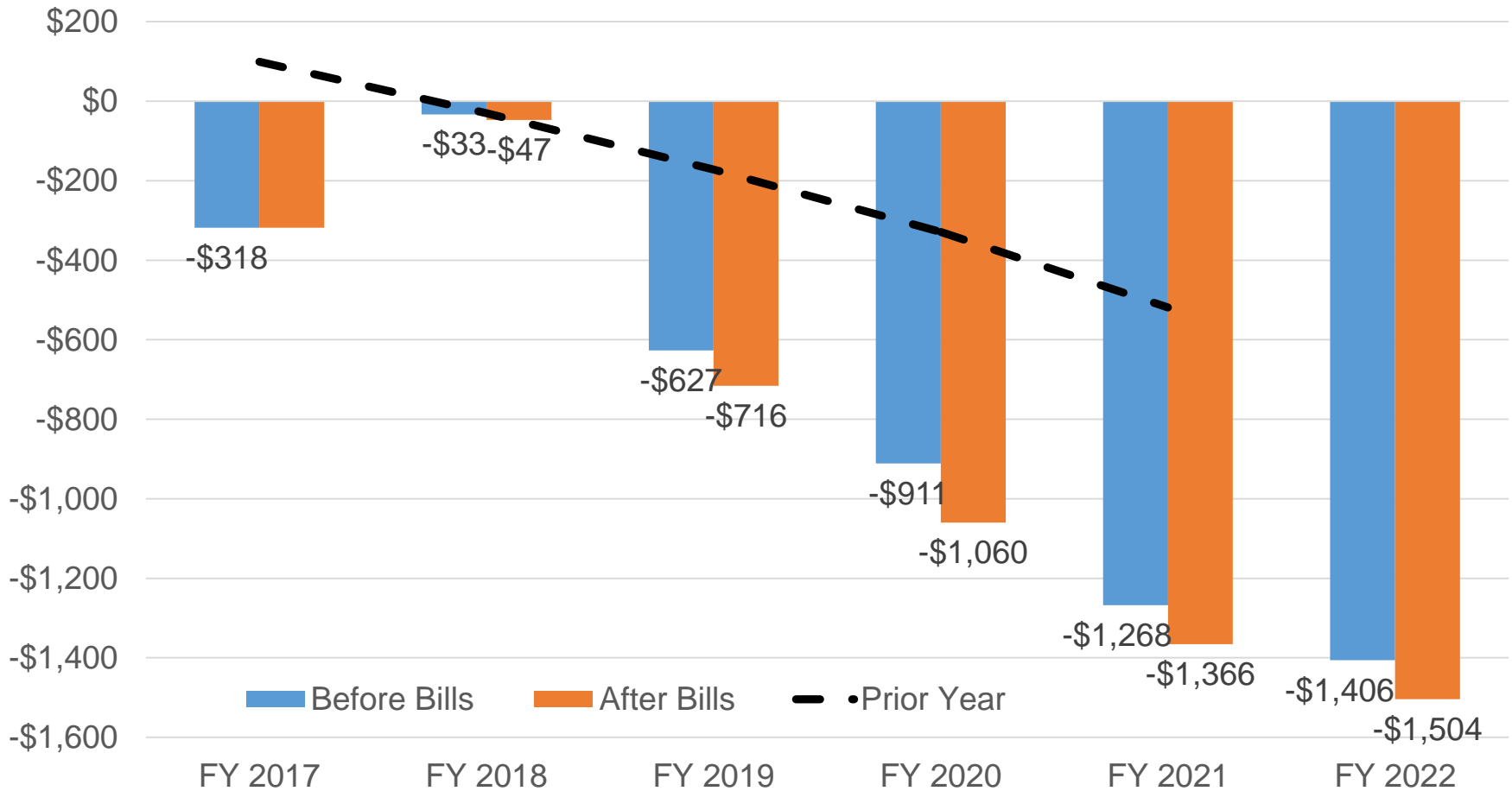


# Highlights for Local Government

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- Additional Transportation Aid
  - HUR level funded/+\$13.4 m Capital Grants
- Direct K-12 Aid Increases
  - +\$113.6 million (Foundation, LEP, NTI phase-in)
    - Declining Enrollment \$17.2 million
    - Pre-K Supplemental Grants \$10.9 million

# General Fund Structural Deficits Projected Through FY 2022



# Revenues and Spending on Divergent Paths

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Forecast Annual Increase FY 17-22

Operating Spending	5.4%
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Ongoing Revenues	3.5%
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Growth Gap	1.9 Percentage Points
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Annual Budget Gap	\$300 Million
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# Drivers of the Budget Gap

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- General fund spending projected to grow \$4.2 billion by FY 2022
- Major drivers include:
- GF Growth Drivers 

	FY 2018-2022
– Medicaid	\$1.4 billion (33%)
– State Agencies	1.2 billion (28%)
– K-12 Education Aid	0.9 billion (21%)
– Higher Education	0.4 billion (9%)
– Debt Service	0.3 billion (7%)
– New Legislation	0.1 billion (2%)

# Future Challenges

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- Short Term
  - Balancing the FY 2019 budget
- Long Term
  - Achieving Structural Balance
  - Kirwan Commission (K-12 Adequacy)
  - Employee Compensation and Retention

# Capital Budget Highlights

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# Capital Budget Highlights

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- GO Debt authorizations set at \$1.065 billion, as recommended by the Spending Affordability Committee
- Public School Construction funded at \$353 million
  - \$285 million in “regular” program
  - \$62.5 million for rapid enrollment growth school systems (Anne Arundel, Baltimore, Howard, Montgomery, Prince George’s)
  - \$6.1 million Aging Schools
  - \$4.8 million QZABs

# School Air Conditioning Issue

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- In 2016 the Board of Public Works (BPW) withheld \$5 million from Baltimore County and Baltimore City over school air conditioning
- 2017 Session HB 151 bypasses BPW
- April 2017 Governor's representatives boycott IAC meeting to allocate remaining funds





# The End

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- Questions?