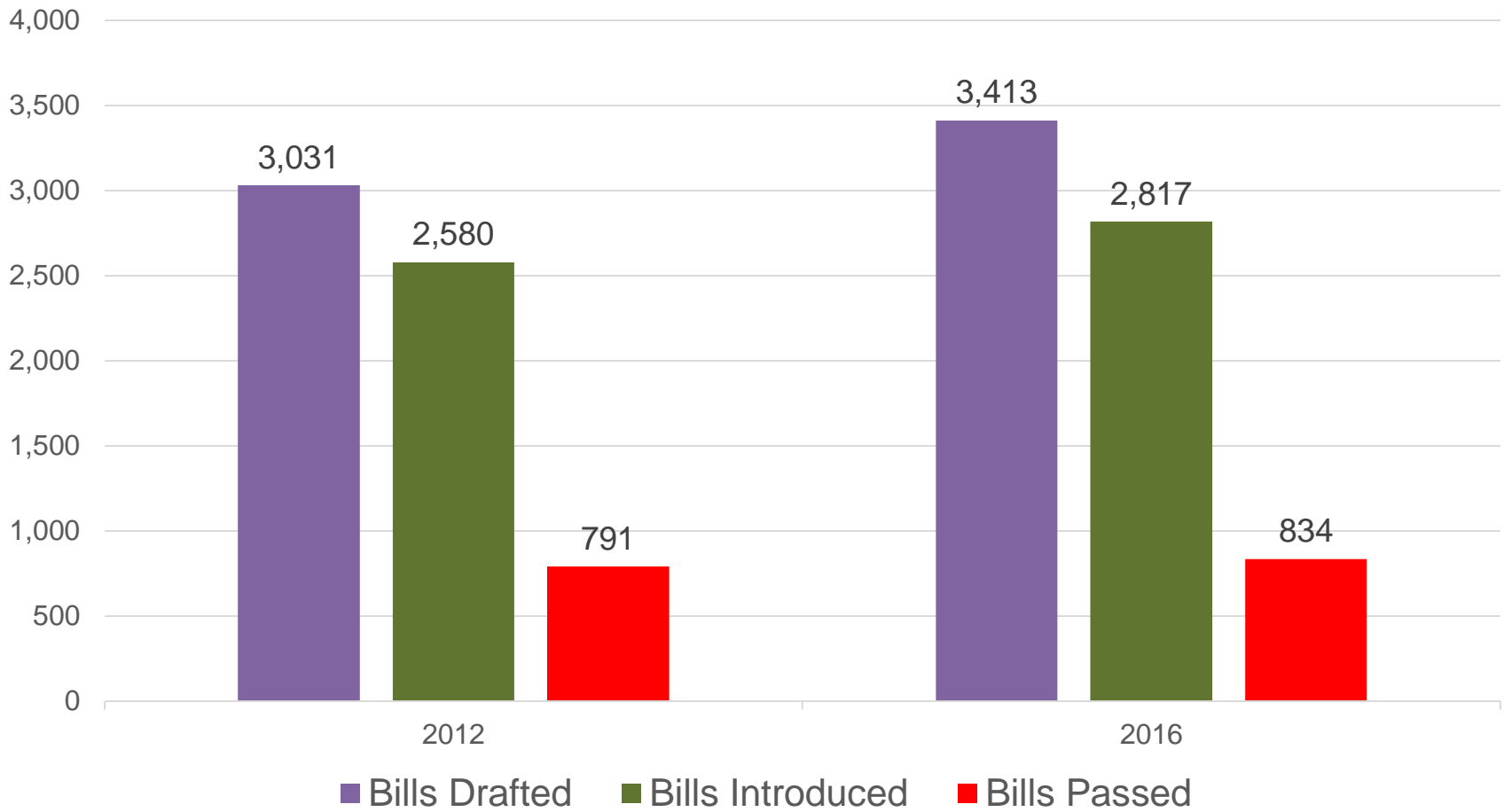

2016 Session Review

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

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

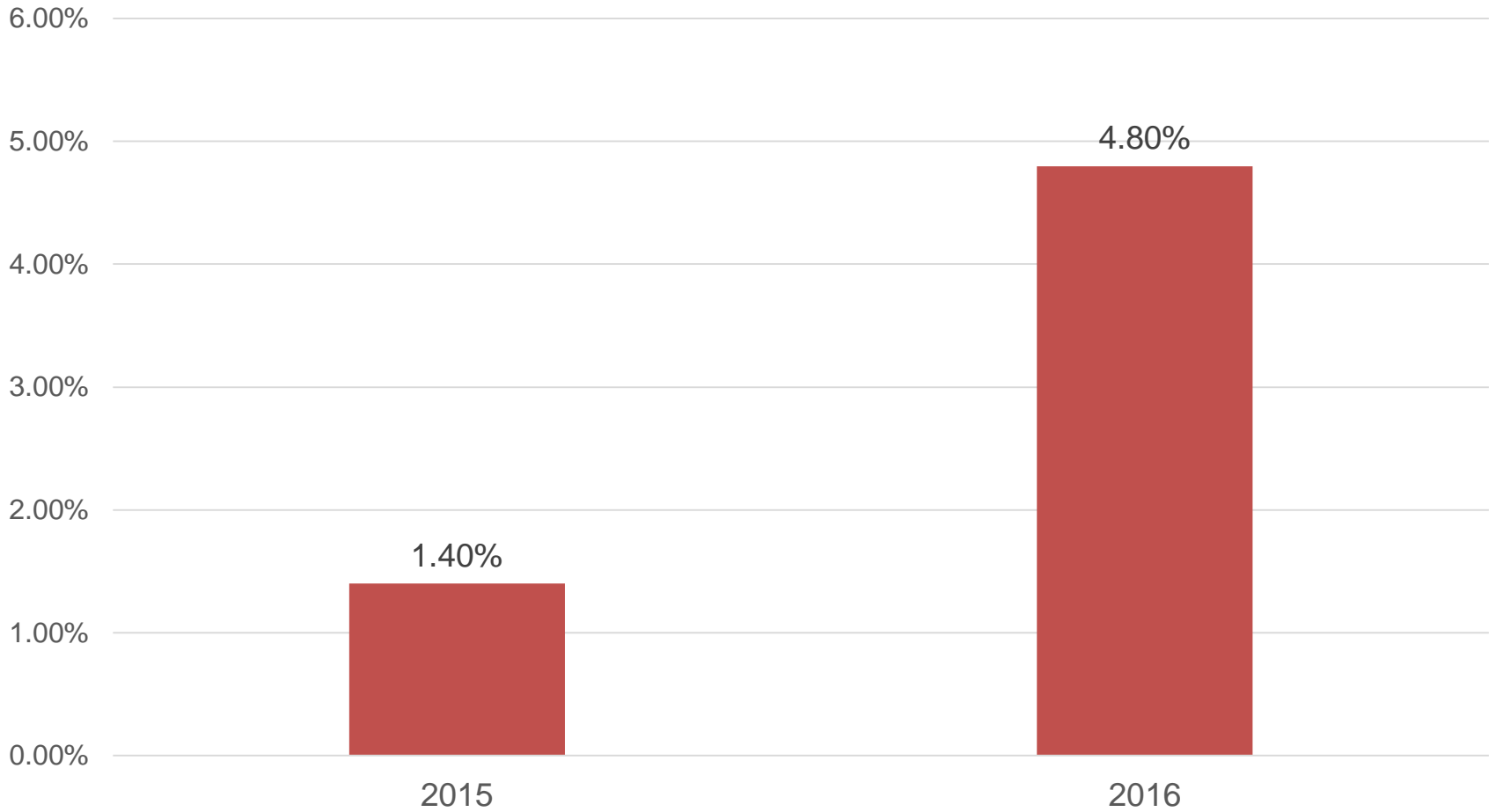
April 29, 2016

A Bumper Crop of Bills



And A Bumper Crop of Budget

% increase over prior year







Key Features of Budget

- Structurally balanced
- Leaves sizeable cash balances
- Fully funds education and other mandates
- Increases worker pay and provider reimbursements
- Limits in-state tuition increase to 2%
- Increases funds for drug treatment, anti-opioid initiatives
- Funds several other initiatives

Initiatives in the Budget

- Multi-year commitments for
 - Prince George's County Regional Medical System
 - Strategic demolition in Baltimore and statewide
- Scholarships for students attending nonpublic schools
- Increased funding for critical maintenance at State facilities
- Aid to school systems with enrollment declines

Major Legislative Initiatives

- The Baltimore Package 
- Criminal Justice Reinvestment
- Police Oversight and Accountability
- Transportation project scorecard 
- “Strategic Partnership” for University of Maryland 
- College Affordability assistance
- Private Retirement option
- ABLE saving plan for care of the disabled 

The Baltimore Package

		FY 17 to FY 21
		<u>Fiscal Note</u>
HB 684	Baltimore Regional Neighborhood Initiative	\$52.9
HB 686	Strategic Demolition & Smart Growth Infrastructure Fund	\$75.6
HB 1400	Seed Community Anchor Institution (Also SB 1172)	\$20.5
HB 1401	Pratt Library – Extended Hours (Also SB 1171)	\$12.5
HB 1402	Public Schools Opportunities Enhancement Act	\$30.0
HB 1403	Next Generation Scholars of Maryland (Also SB 1170)	\$20.0
Total Spending Impact		\$211.5

Justice Reinvestment Act of 2016

- Reduces penalties for drug distribution, theft and related offenses, and driving while suspended. Allows expungement of certain convictions
- Authorizes substance abuse assessment and treatment for criminal defendants
- Implements graduated sanctions for violations of supervision
- Expands earned compliance and increases diminution credits. Creates administrative release parole program for eligible inmates
- Strengthens victim protection and restitution collection
- Creates ongoing oversight board to calculate and recommend distribution of savings

Police Oversight and Accountability

- Restructures police training
 - Creates Police Training and Standards Commission
 - Requires antidiscrimination, de-escalation and use of force training
 - Develops systems for reporting incidents and complaints
- Modifies Law Enforcement Officer Bill of Rights
 - Notarized complaint no longer required
 - Timelines for complaints and officer responses modified
 - Civilians allowed on hearing boards
- More reporting on use of force and early intervention for police

Back to the Budget

It's better to be lucky....

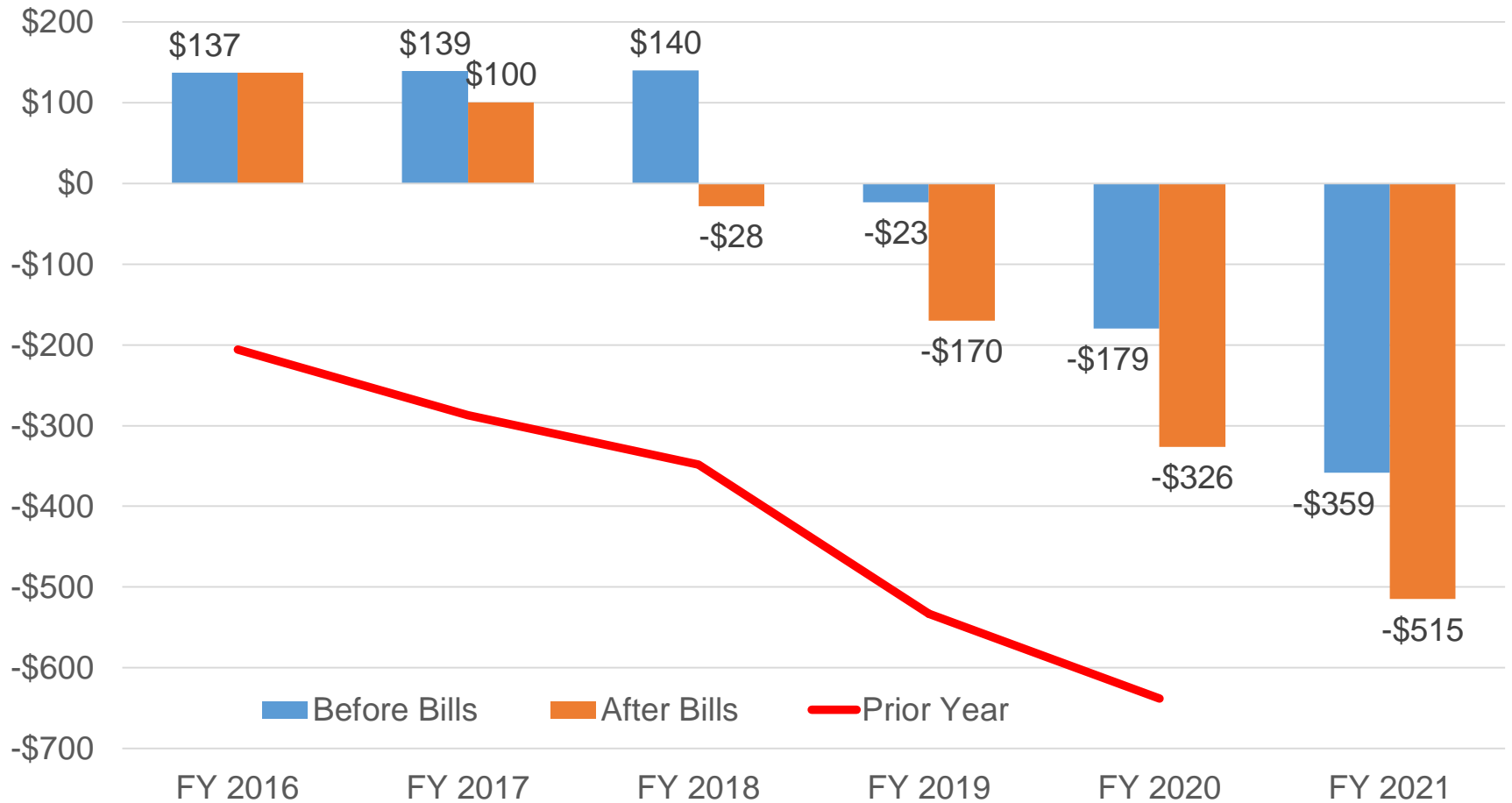
Fiscal 2016 changed the conversation

(\$ in Millions)

Estimated Ending Balance		\$28
Better Revenues		
FY 2015	\$214	
FY 2016	<u>126</u>	340
Less Spending		
FY 2015	54	
Medicaid	268	
Other Cuts and Reversions	<u>102</u>	424
New Expenses		
Deficiencies	(207)	
Rainy Day Contribution	<u>(34)</u>	(241)
Revised Ending Balance		\$551

It's Baaaaaaaack

Actually the structural gap never left



The Villain of the Piece (and Peace)

Forecast Annual Increase FY 16-21

Operating Spending	4.60%
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Ongoing Revenues	3.80%
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Growth Gap	0.80%
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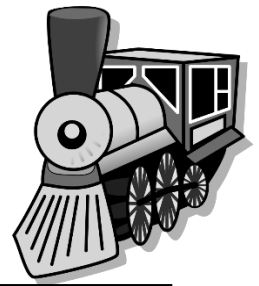
Annual Budget Gap	\$150 Million
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Drivers of the Budget Gap

- Debt service
 - Medicaid, employee, and inmate medical
 - Developmental Disabilities
 - Community Colleges
 - New Programs
 - Retirement Savings Plan
 - UM Strategic Partnership
 - Baltimore package (Governor and MGA)
 - Other initiatives
- | | FY 2021 |
|----------------------------------------|------------------------|
| – Retirement Savings Plan | -\$40 million revenue |
| – UM Strategic Partnership | +\$32 million spending |
| – Baltimore package (Governor and MGA) | +\$32 million spending |
| – Other initiatives | +\$75 million spending |

Light in the Tunnel

Revenue to the rescue?



Fiscal Year through March

<u>Source</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>\$ Difference</u>	<u>% Difference</u>	<u>Full Year</u>
Personal Income Tax	\$5,381	\$5,735	\$354	6.6%	5.2%
Sales and Use Tax ⁽²⁾	2,846	2,913	67	2.4%	2.3%
State Lottery	375	386	11	2.9%	2.7%
Corporate Income Tax	474	597	123	26.0%	11.5%
Other Sources	1,030	1,021	(9)	-0.8%	11.5%
Total Revenues	\$10,105	\$10,652	\$547	5.4%	3.5%

Capital Ideas

- GO Debt authorizations held to \$995 million
 - \$60 million below SAC recommendation
- Augmented with \$90 million in PAYGO
 - \$43 million “fenced” (out of \$90 million restricted for priorities)
 - \$47 million in Supplemental 3
- Public School Construction funded at \$320 million
 - \$280 million in “regular” program
 - \$40 million for rapid enrollment growth school systems
 - **New AC rule and BPW Beg-a-thon appeals process suspended**

Tax Cut Terrain

Governor

Senate

House

Income Tax

Exemptions

Increase for Elderly

Increase for middle class

Hometown Heroes

Rates

None

Reduce for upper tiers

Reduce for middle tier

EITC

Accelerate EITC phase in

Expand to single adults

Expand to single adults

Filing Fees

Cut to \$100

Tie to Retirement plan

Tie to retirement plan

Corporate

None

None

Single sales factor

Highlights for Local Government

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