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

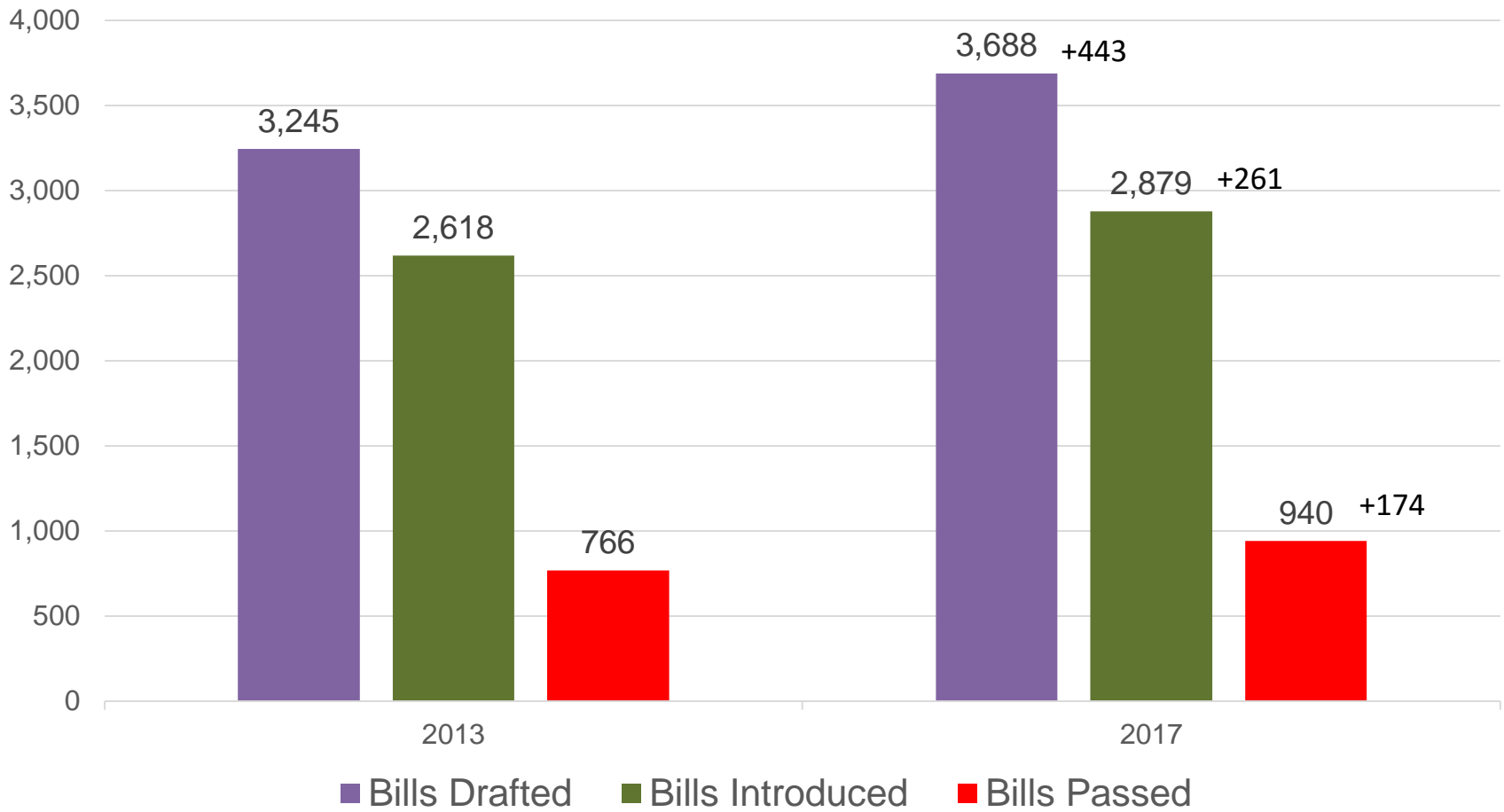
**Presentation to the
Maryland Government Finance Officers Association**

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

April 28, 2017

2017 Session Highlights

The Growth of Legislative Action (Comparison of 3rd Year of Term)



Key Legislation

- 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

- 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

- 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

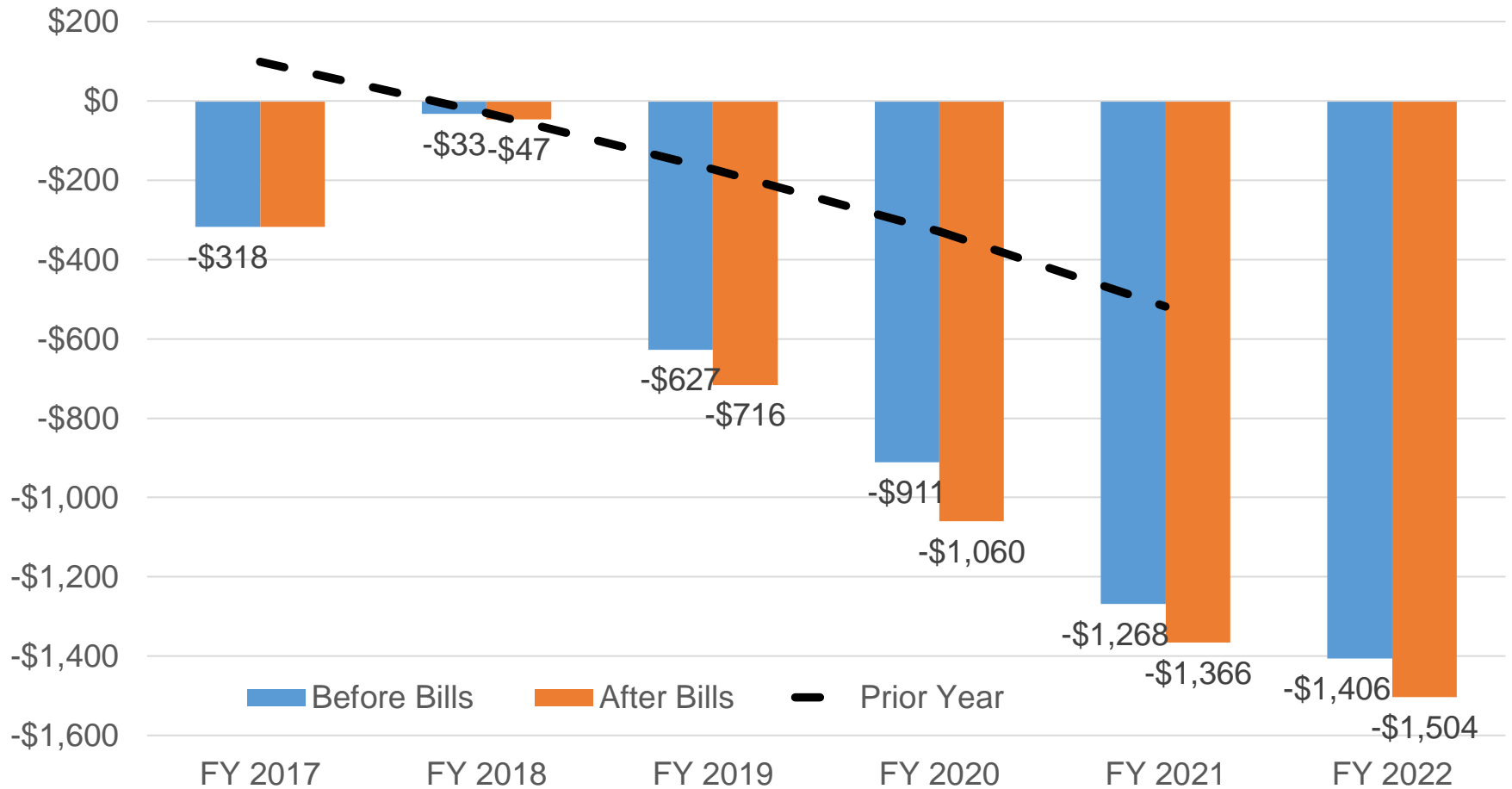
Key Features of Budget

- 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

- 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

Forecast Annual Increase FY 17-22

Operating Spending	5.4%
--------------------	------

Ongoing Revenues	3.5%
------------------	------

Growth Gap	1.9 Percentage Points
------------	-----------------------

Annual Budget Gap	\$300 Million
-------------------	---------------

Drivers of the Budget Gap

- 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

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

Capital Budget Highlights

Capital Budget Highlights

- 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

- 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

- Questions?