

# **Overview of the Fiscal 2016 Operating Budget**

**as amended by the  
House Appropriations Committee**

**March 17th, 2015**



**#BipartisanBudget**

# Budget Highlights

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**The Appropriations Committee voted unanimously – for the first time in 12 years – on the Fiscal 2016 Operating Budget. As amended, the budget:**

- Restores \$132 million of funding for K-12 education**
- Erases 75% of our structural deficit without new taxes**
- Avoids proposed salary cuts for State employees**
- Restores funding for critical safety net programs; and**
- Protects employee retirement savings.**

# Restores K-12 Education Cuts

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## Governor's Budget:

- **Cut \$132 million of State funding for k-12 public education (Foundation Aid and GCEI)**
  - The Governor's proposed budget froze the per-pupil Foundation amount in fiscal 2016, capped future growth at 1% and reduced Geographic Cost of Education Index funding by 50%.

## House Budget:

- **Restores k-12 funding for Foundation Aid and GCEI and eliminates proposed caps to maintain our commitment to Maryland's world-class public education system and continue our efforts to narrow the achievement gap.**

# Erases 75% of our Structural Deficit

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## **Joint Committee on Spending Affordability (SAC):**

- December 2014 recommendation to the Governor and General Assembly: reduce the structural deficit by 50% in fiscal 2016.

## **House budget erases 75% of our structural deficit:**

- The budget as passed by the Appropriations Committee exceeds SAC guidelines and reduces the structural deficit by at least 75% without new or increased taxes.
  - **88% of the structural deficit will be eliminated if the Administration's proposed 2% across-the-board agency cuts are structural reductions.**

# Rejects Salary Reduction for State Workers

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## Governor's Budget:

- **Cut State employee compensation by \$235 million in FY 2016:**
  - **Reduced employee salaries by 2%; and**
  - **Eliminated all cost of living and merit increases.**

## House Budget:

- **Avoids the planned 2% employee salary reduction**
- **Prevents furloughs and layoffs**
- **AFSCME: The budget as amended by the Appropriations Committee “stops Governor Hogan’s pay take-away.”**

# Protects State Employees' Pensions

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- In the wake of the Great Recession, the State passed comprehensive pension reform in 2011 to preserve financial stability and to increase the system's funding level from 63% to 80% (a widely accepted benchmark of a healthy pension system):
  - **Committed to get the system to 80% funded by 2023**
    - (Initially required an extra \$300M per year)
  - **Pension experts say MD can now achieve the same 80% funding goal with a lower annual supplemental payment.**
  - **Maryland is the only AAA-rated state to require itself to exceed its annual pension obligation with a supplemental payment.**

# Protects State Employees' Pensions

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- **The fiscal 2016 operating budget as passed by the Appropriations Committee makes two significant changes to the State's pension funding:**
  - Replaces our current funding methodology (Corridor) with the actuarial rate of contribution beginning in FY 2017 (8 years ahead of schedule).
  - Requires the State to pay an annual supplemental contribution of \$75 million per year until the system is 80% funded by 2023 and remains in place until 2028 until the system is 85% funded.

# Funds Critical Safety Net & Health Programs

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- **\$14M** restored for Medicaid primary care physician provider rates to ensure rural health care access.
- **\$6.5M** restored for community mental health providers.
- **\$4.8M** restored for health care coverage for low-income pregnant women and family planning services.
- **\$4.8M** restored rate increase for DDA providers.
- **\$2.0M** additional funding for expanded substance abuse treatment to combat heroin addiction.



# APP FY 2016 Budget by the Numbers

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- **\$40.4 billion – Total FY16 State Budget**
- **\$16.4 billion – FY16 General Fund Budget**
- **\$393 million – Budget Cuts (\$173 million more cuts than the Administration's budget)**
- **\$52 million – Ending General Fund Balance (\$13 million higher than the Administration's budget)**
- **\$814 million – Rainy Day Fund Balance**
- **1.3% / TF – Total Spending Growth less than the projected rate of personal income growth for 2015/2016 (3.8% - 4.1%).**  
**2.5% / GF**

# **Will He or Won't He...Fund these Priorities?**

**APP identified funding for the following priorities – now it's up to the Governor**

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- \$69M: Avoid a 2% salary reduction for State employees**
- \$68M: Geographic Cost of Education Index funding**
- \$14M: Medicaid reimbursements for primary care physicians to ensure health care access for rural communities**
- \$6.5M: Restored funding for community mental health providers**
- \$4.8M: Health coverage and family planning services for low-income women**
- \$4.8M: Safety net programs to help elderly and disabled individuals remain in their homes**
- \$2.2M: Funds for high-need children with developmental disabilities**
- \$2.1M: Grants to support adult-day care providers**
- \$2.0M: Expanded substance abuse treatment to combat heroin addiction**

# Still More Work To Do...

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- **The Appropriations Committee avoided out-year budget formula caps.**
- **Fiscal challenges remain with uncertain future revenue estimates and projected out-year budgets.**

