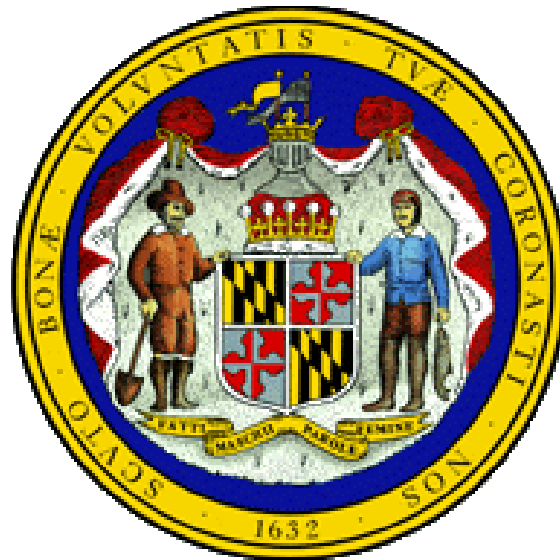


House Republican Caucus Fiscal Vision for Maryland

February 23, 2010



Vision for Maryland

We envision:

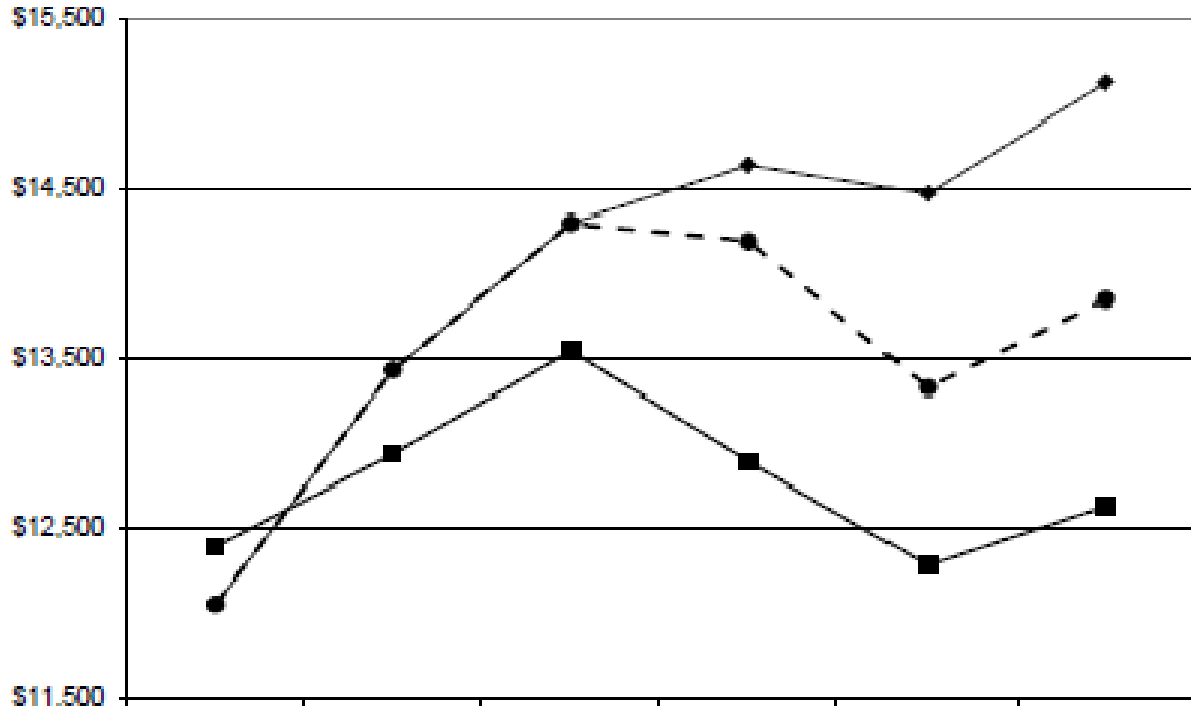
- A smaller, less-intrusive government enterprise.
- A reduced tax burden on Maryland citizens.
- A State government that operates consistently within its means.
- A State financial system that escapes the trap of chronic budget crises and periodic taxpayer bailouts.

Missed Opportunities 2003-2009

Date	Proposal	Cumulative Impact to Today
2003 Regular Session	Enact slots legislation.	\$4.0-4.5 billion
2004 Regular Session	Retain 5% “trigger” funding provision related to education.	\$3.9 billion
March 2007 Regular Session	Constrain budget growth to 1.5% (up \$200 million) and cap General Fund spending to \$13.8 billion in FY2008.	\$2.1 billion
November 2007 Special Session	Adopt slow-growth budget in FY 2009 (3.5% growth) and free-market slots plan.	\$1.2 billion
March 2008 Regular Session	Reduce growth in General Fund spending to 2.6% for FY 2009.	\$875 million
March 2009 Regular Session	Reduce total budget growth to 0%.	\$608.9 million

*See Appendices A-C for budget and other amendments.

**Structural Imbalance Between Ongoing Revenues and Ongoing Spending
Increases to \$2.5 Billion in Fiscal 2011**
Fiscal 2006-2011
(\$ in Millions)



	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
—◆— Ongoing Spending	\$12,052	\$13,430	\$14,298	\$14,638	\$14,469	\$15,125
—■— Ongoing Revenues	12,360	12,935	13,545	12,893	12,279	12,631
Structural Balance	338	-495	-753	-1,745	-2,190	-2,494
—●— Ongoing Minus Federal Stimulus	12,052	\$13,430	\$14,298	14,193	13,326	13,849

Fiscal Goals

- (i) Achieve a balanced General Fund budget on a cash basis in each of the next five years without raising taxes.
- (ii) Achieve a structurally balanced General Fund budget by 2013.
- (iii) Gradually reduce the tax burden on Maryland citizens.
 - Reverse the tax increases adopted during the Special Session of 2007.

Fiscal Goals (Continued)

- (iv) Reject the Governor's proposal to divert funds for wastewater treatment-plant upgrades.
 - Relieve pressure on the Capital Budget
- (v) Cease the diversion of sales-tax proceeds to transportation projects.
- (vi) Maintain the Rainy Day Fund and strong general fund balances.
- (vii) Cease the practice of budgeting with our eyes closed.
 - Inflation provisions in legislative mandates

Action Steps FY 2011

- Implement a 2.7% reduction in General Fund program spending in FY 2011:
 - \$725 million in budget restraint over and above the Governor’s proposal.
- Fully fund \$200 million in wastewater treatment-plant upgrades in FY 2011.
 - Reject the Governor’s proposal to divert these monies from the Bay Restoration Fund through “bonding.”

Ongoing Action Steps

- Freeze the General Fund for one year (2012), then allow gradual increases thereafter:
 - 2011: (2.7%)
 - 2012: 0%
 - 2013: 1%
 - 2014: 2%
 - 2015: 2%
- Repeal the inflator provisions in legislative spending mandates.
- Cease diversion of sales tax revenue to transportation projects beginning in FY 2013.
- Repeal the Special Session tax increases:
 - Reduce sales tax rate from 6% currently to 5.5% in FY 2014 and 5% in FY 2015.
 - Spur job creation by reducing corporate income tax rates from 8.25% currently to 7.0% beginning in FY 2014.

MAJOR GENERAL FUND GROWTH DRIVERS

FY 2011 - FY 2015

(Dollars in Millions)

Medicaid		\$930
Agencies (Non-Higher Ed)		\$550
Education (Non-Pension)		\$475
Pensions		
	Education	\$320
	State Employees	\$80
General Fund Debt Service		\$245
Higher Education		\$220
Health Insurance		\$100
Other		<u>\$170</u>
	TOTAL GROWTH	\$3,090

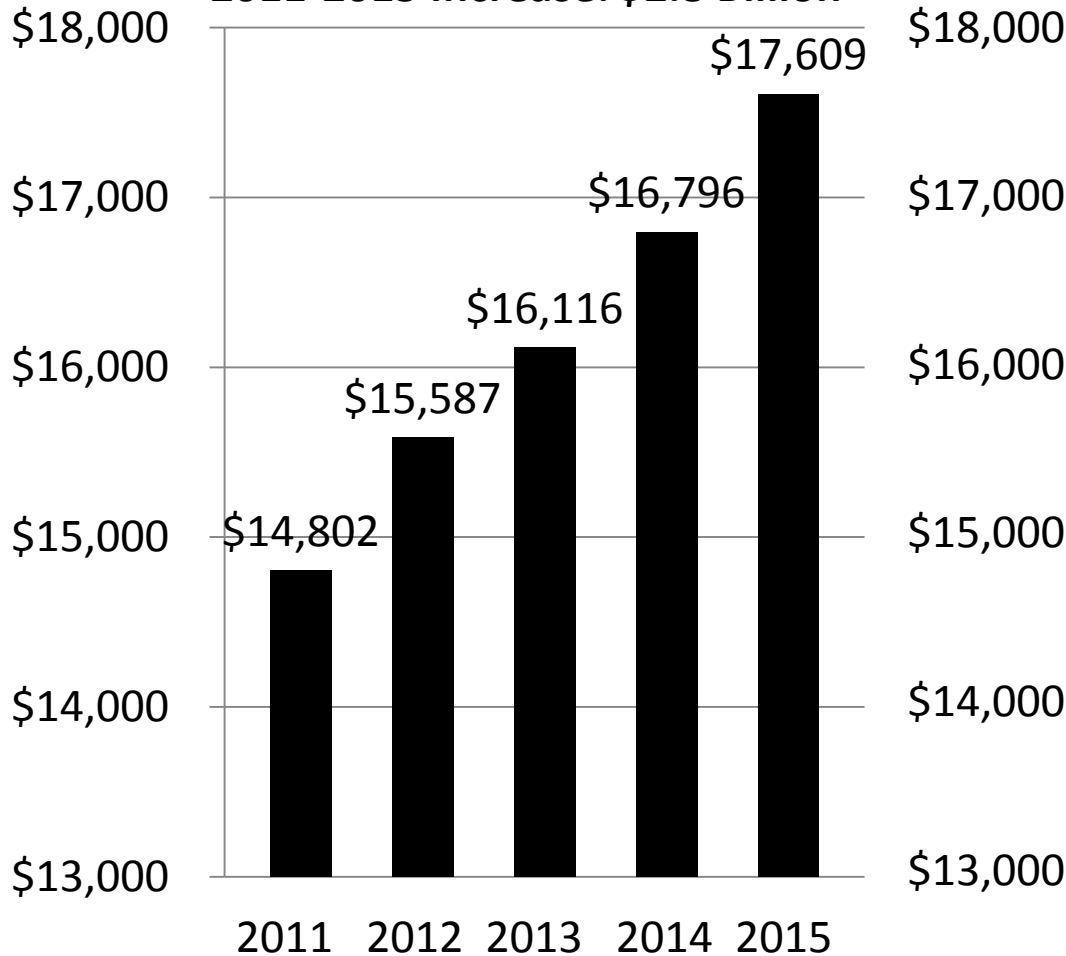
General Fund Program Spending

Comparison

(\$ in Millions)

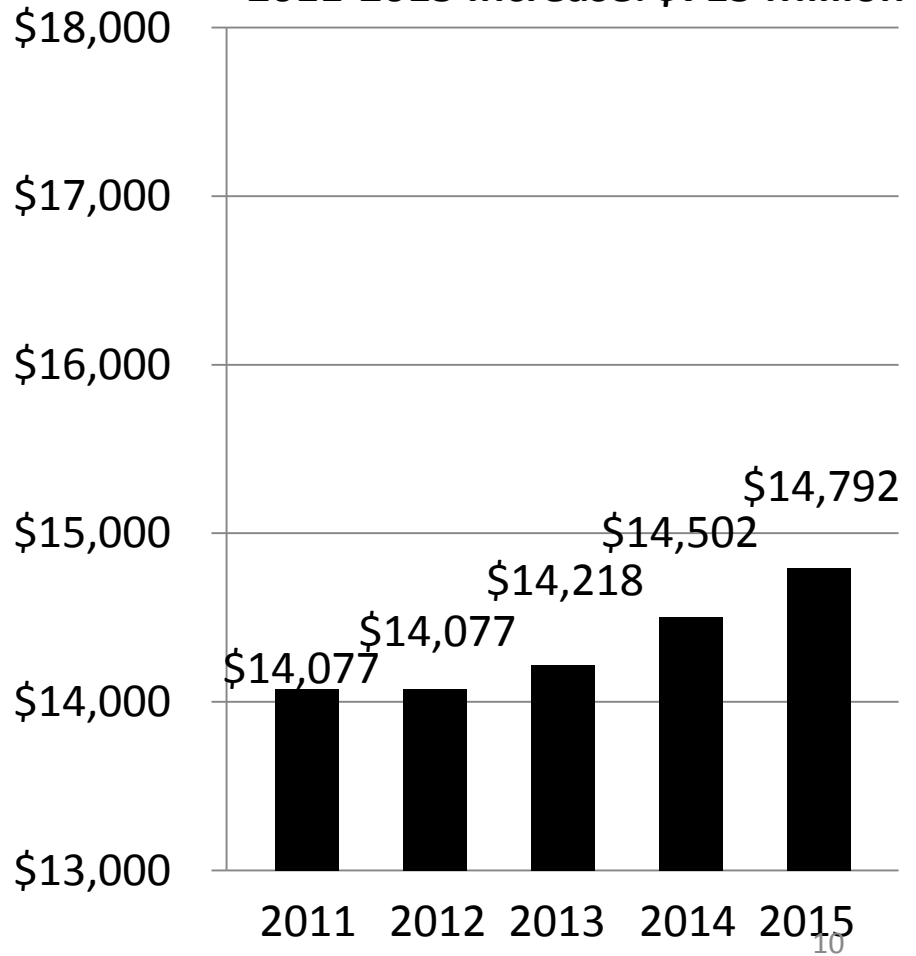
Governor's Proposal

2011-2015 Increase: \$2.8 Billion



GOP House Proposal

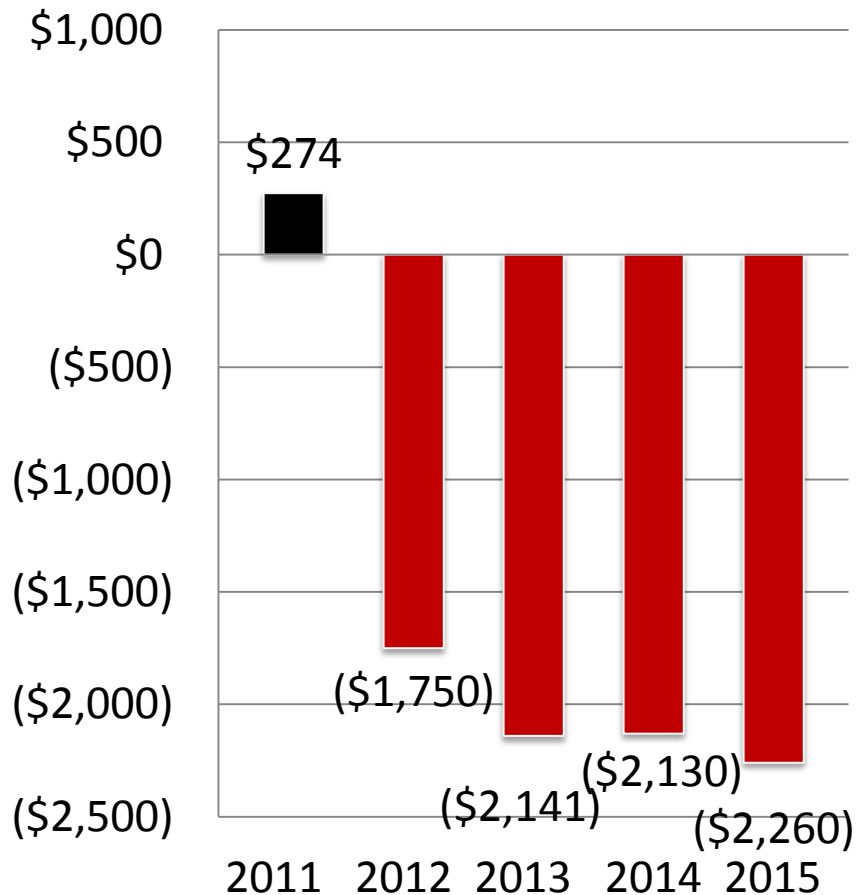
2011-2015 Increase: \$715 Million



General Fund Budget Surplus/(Deficit) Comparison (Cash-Basis Standard)

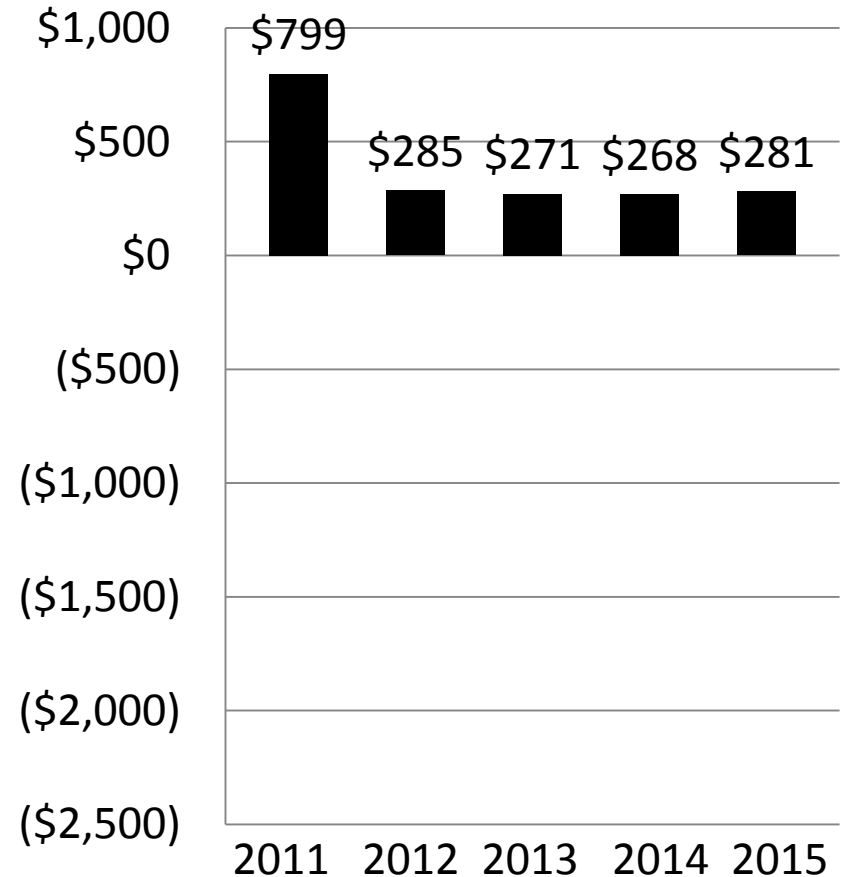
(\$ in Millions)

Governor's Proposal*



* DLS estimates

GOP House Proposal*



*DLS estimates adjusted for GOP actions 11

General Fund Budget Surplus/(Deficit) Comparison ("Structural Balance" Standard)

(\$ in Millions)

