

# HOUSE REPUBLICAN CAUCUS

## Fiscal Vision for Maryland



March 1, 2011

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HOUSE REPUBLICAN CAUCUS  
Fiscal 2012 Budget

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Review of Governor's  
Budget Plan

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# HOUSE REPUBLICAN CAUCUS

## Analysis of Governor's FY 2012 Budget Actions <sup>(a)</sup>

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|  |                         |
|--|-------------------------|
| Estimated Baseline Cash Deficit (Dec.) | <u><u>\$(1,582)</u></u> |
| Cuts in Baseline Spending              | \$670                   |
| Special Fund Raids <sup>(b)</sup>      | 325                     |
| Tax & Fee Increases                    | 245                     |
| Wishful Thinking (Lower Deficiencies)  | 243                     |
| Federal Stimulus                       | 124                     |
| Other                                  | <u>70</u>               |
| Total Actions                          | <u><u>\$1,677</u></u>   |
| Fund Balance Projected for FY 2012     | <u><u>\$95</u></u>      |

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<sup>(a)</sup> Recategorized from official categories.

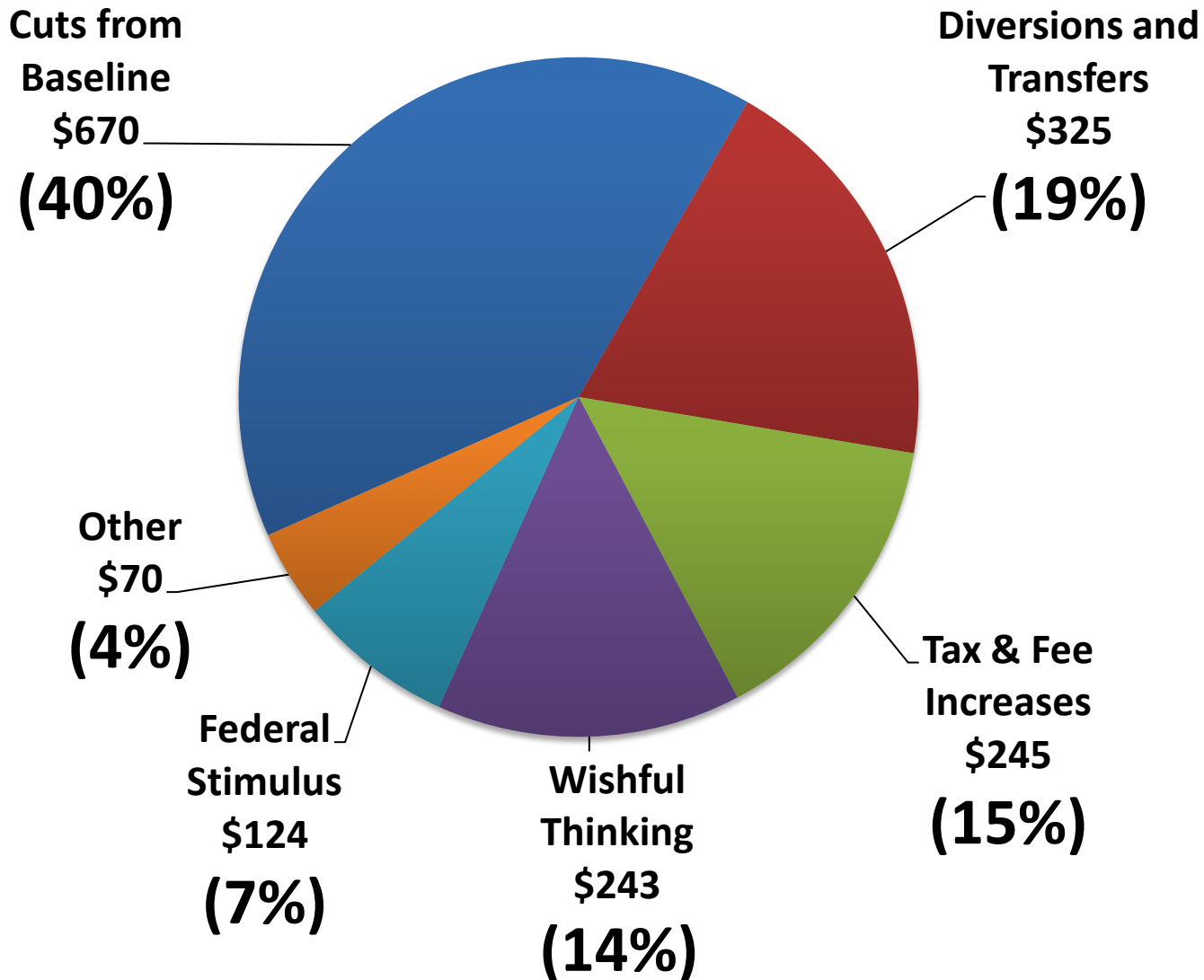
<sup>(b)</sup> Includes raid on TTF and \$191 million in "bonding" to replace diverted Special Funds (POS and BRF).

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# HOUSE REPUBLICAN CAUCUS

## Governor's Budget Actions

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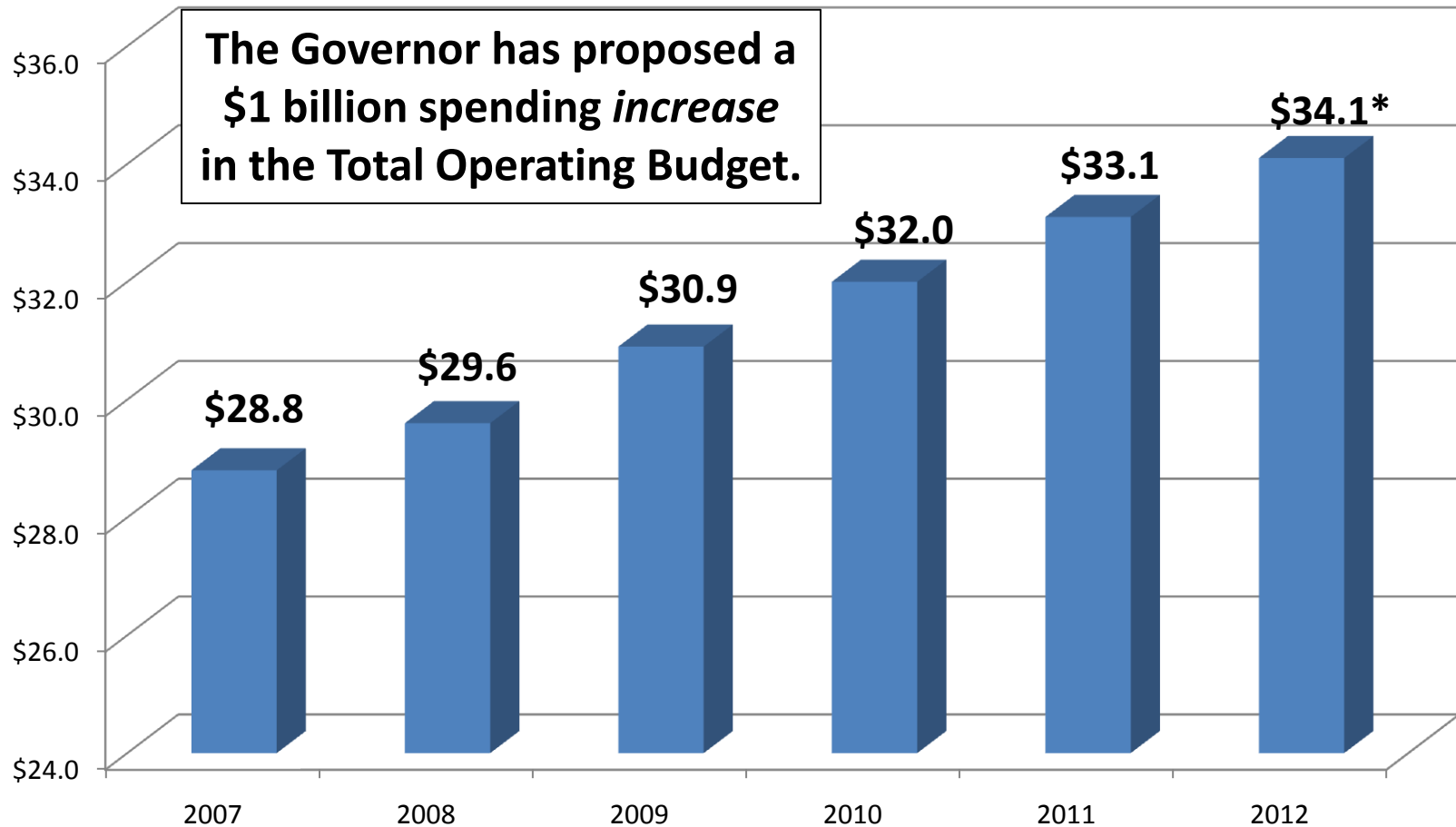


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## Total Operating Budget – Governor’s Plan

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\*Governor’s Proposal

# HOUSE REPUBLICAN CAUCUS

## Governor's Budget Spending Summary

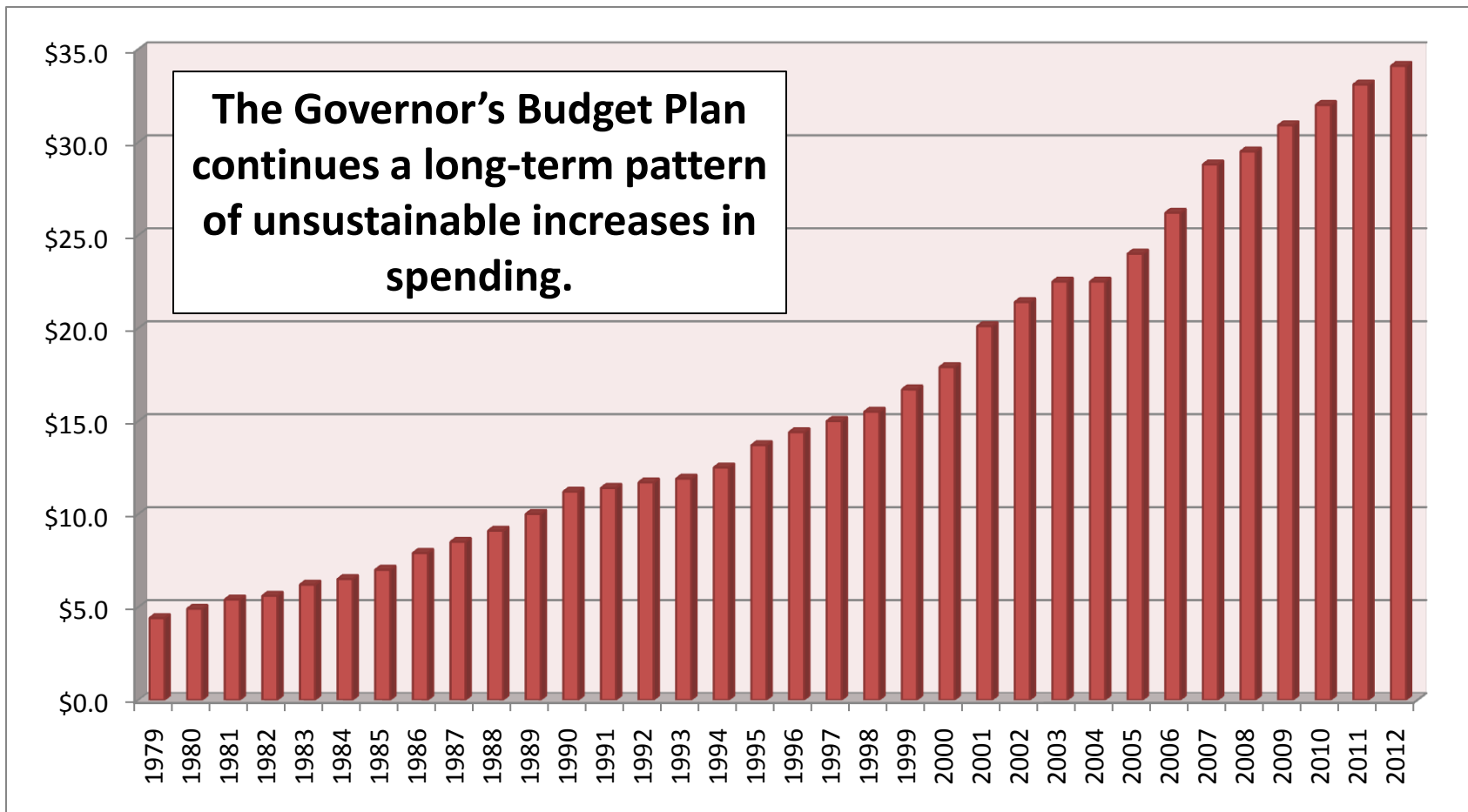
|   | <u>Actual</u> |             |             |             | <u>Working</u> | <b>Proposed<br/>by<br/>Governor</b> | <b>Change 2012 vs.<br/>2011</b> |                |
|---|---------------|-------------|-------------|-------------|----------------|-------------------------------------|---------------------------------|----------------|
|   | <u>2007</u>   | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u>    |                                     | <u>2012</u>                     | <u>Dollars</u> |
| <b>General Fund</b>                           | \$14.2        | \$14.5      | \$14.4      | \$13.4      | \$13.2         | \$14.6                              | \$1.4                           | <b>10.6%</b>   |
| <b>State Funds</b>                            | \$22.4        | \$23.0      | \$23.1      | \$22.2      | \$22.8         | \$24.8                              | \$2.0                           | <b>8.6%</b>    |
| <b>Total Operating<br/>Budget (All Funds)</b> | \$28.8        | \$29.6      | \$30.9      | \$32.0      | \$33.1         | \$34.1                              | \$1.0 <sup>(a)</sup>            | <b>3.1%</b>    |

<sup>(a)</sup> Major increases include Medicaid (up \$828 million or 13.6%), Health (up \$115 million or 4.3%), and Higher Ed (up \$96 million or 2.0%).

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## Total Operating Budget: 1979-Present

*(\$ in billions)*



\*Governor's Proposal

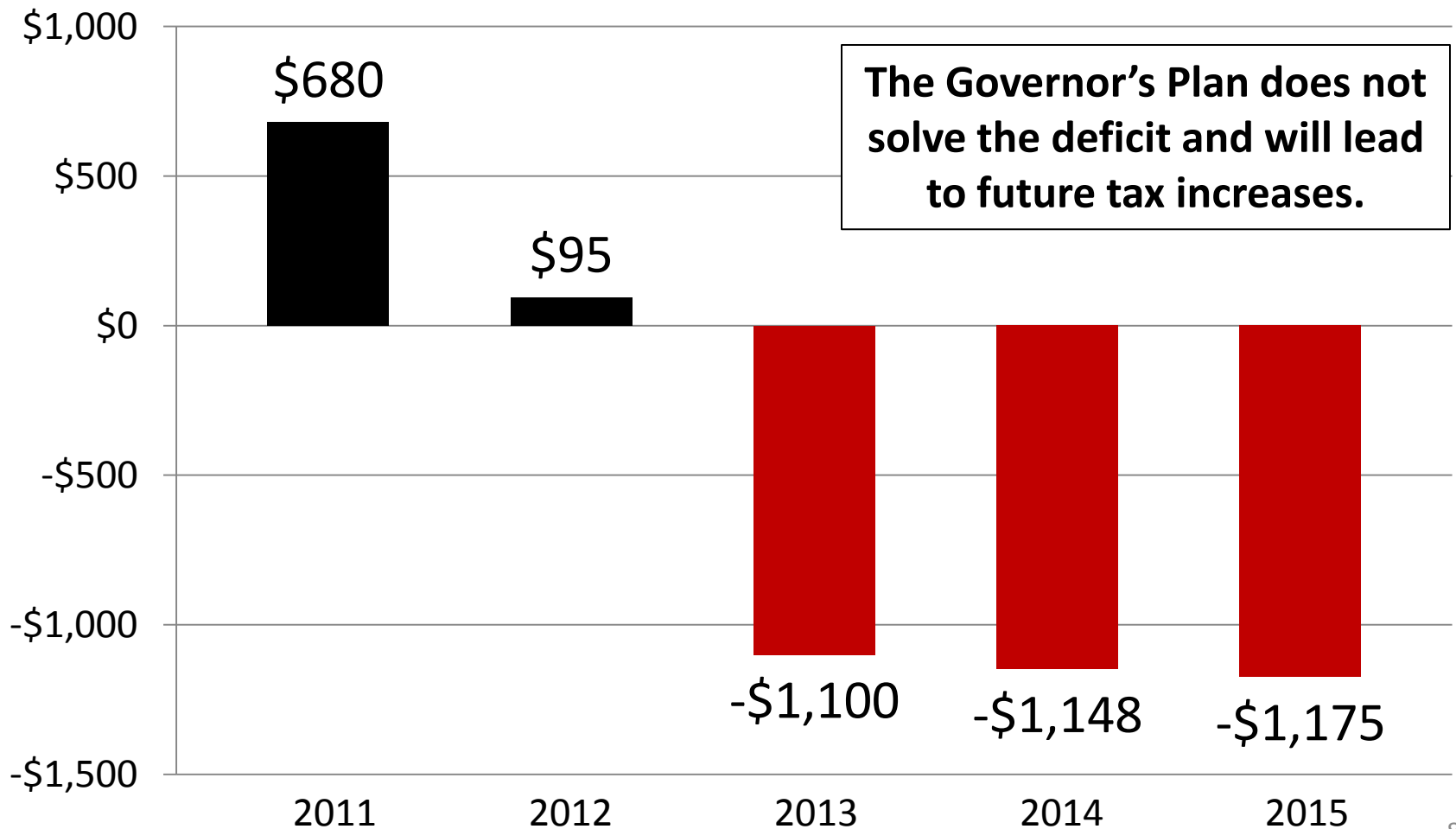
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## GF Cash Balance Deficits Under Governor's Plan

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*(\$ in millions)*



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HOUSE REPUBLICAN CAUCUS  
Fiscal 2012 Budget

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GOP  
Budget Plan

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# HOUSE REPUBLICAN CAUCUS

## Vision for Maryland

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We envision...

- A smaller, less-intrusive State government.
- A State government that operates consistently within its means.
- A reduced tax burden on Maryland citizens.

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# HOUSE REPUBLICAN CAUCUS

## Missed Opportunities 2003-2010

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| <u>Session</u> | <u>Proposal</u>   | <u>Cumulative<br/>Impact to Today</u> |
|----------------|---|---------------------------------------|
| 2003           | Enact slots legislation.  | \$4.5-5.0 billion                     |
| 2004           | Retain 5% “trigger” provision for education.  | \$4.5 billion                         |
| 2007           | Constrain budget growth to 1.5% (up \$200 million) and cap GF spending to \$13.8 billion in FY ‘08. | \$2.8 billion                         |
| 2007 (special) | Adopt slow-growth budget in FY 2009 (3.5% growth) and free-market slots plan.                       | \$1.8 billion                         |
| 2008           | Reduce growth in GF spending to 2.6% for FY ‘09.  | \$1.2 billion                         |
| 2009           | Reduce total budget growth to 0% for FY ‘10.  | \$1.2 billion                         |
| 2010           | Reduce GF spending by 2.7% for FY ‘11.  | \$725 million                         |

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## GOP Fiscal Goals

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- (i) Achieve a positive General Fund balance in each of the next five years without raising taxes.
- (ii) Achieve a structurally balanced General Fund budget by 2013.
- (iii) Reduce the tax burden on Maryland citizens:
  - Reverse the 2007 sales tax increase.
  - Reverse the 2007 corporate tax increase.

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### GOP Fiscal Goals (Continued)

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- (iv) Reject the Governor's proposal to raid the Bay Restoration Fund and Project Open Space and to replace the funds with new debt.
- (v) Replenish the Transportation Trust Fund without an increase in the gas tax.
- (vi) Maintain the Rainy Day Fund and strong general fund balances.

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## Action Steps for FY 2012

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- Implement an additional \$621 million of spending reductions in FY '12.
  - \$518 million decrease (3.5%) from FY 2011.
- Cancel proposed raids on Bay Restoration Fund and Project Open Space.
- Cancel raid on TTF.

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## Action Steps in Future Years (FY 2013-2016)

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- Constrain growth in the General Fund:
  - 2013: 2%
  - 2014: 2%
  - 2015: 2%
  - 2016: 4%
- Restore \$500 million to the TTF (FY 2012-2016)
- Repeal the Special Session tax increases:
  - Reduce sales tax rate from 6% currently to 5.5% in FY 2014 and 5% in FY 2015.
  - Reduce corporate income tax from 8.25% to 7.0% beginning in FY 2014.

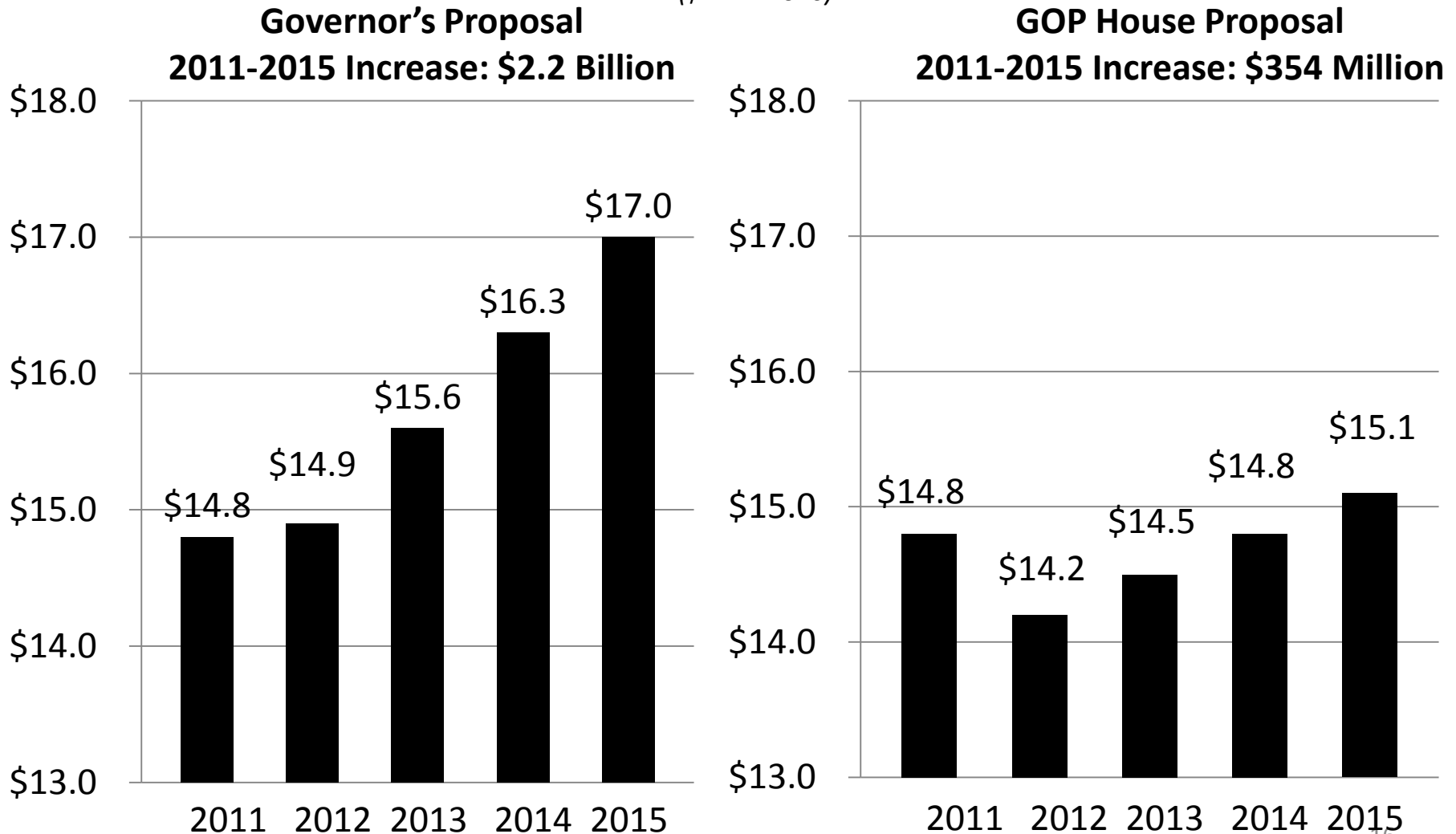
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# HOUSE REPUBLICAN CAUCUS

## General Fund Program Spending Comparison

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*(\$ in Billions)*

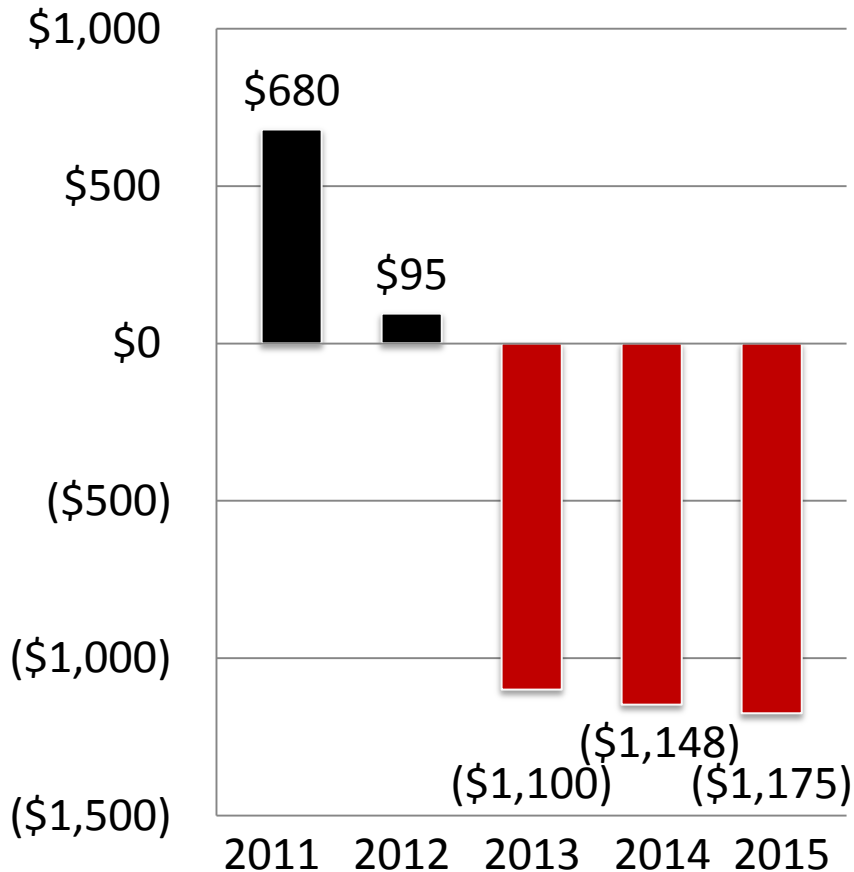


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## General Fund Budget Surplus/(Deficit) Comparison

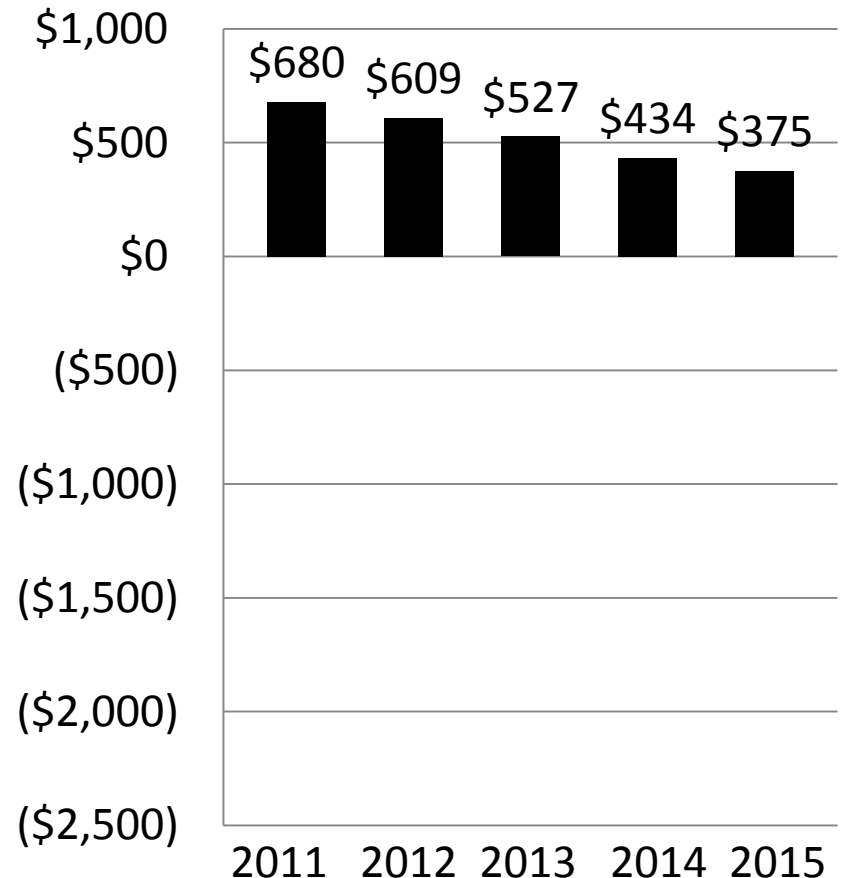
(Cash-Basis Standard)

(\$ in Millions) **Governor's Proposal\***



\* DLS estimates

**GOP House Proposal\***



\*DLS estimates adjusted for GOP actions 17

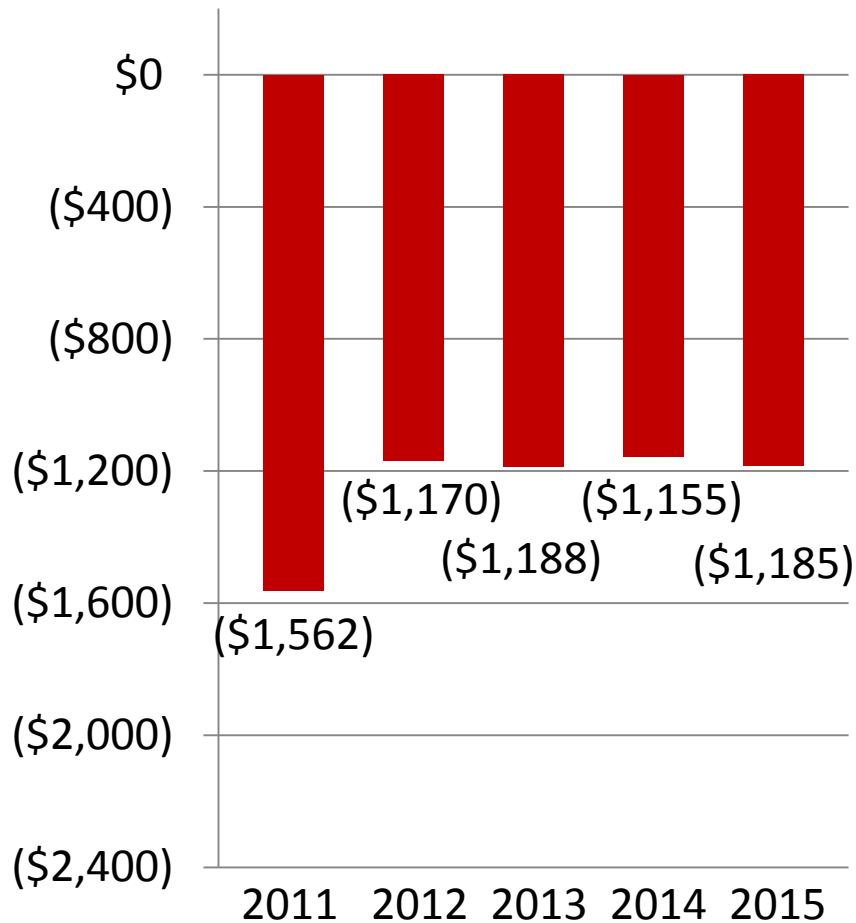
# HOUSE REPUBLICAN CAUCUS

## General Fund Budget Surplus/(Deficit) Comparison

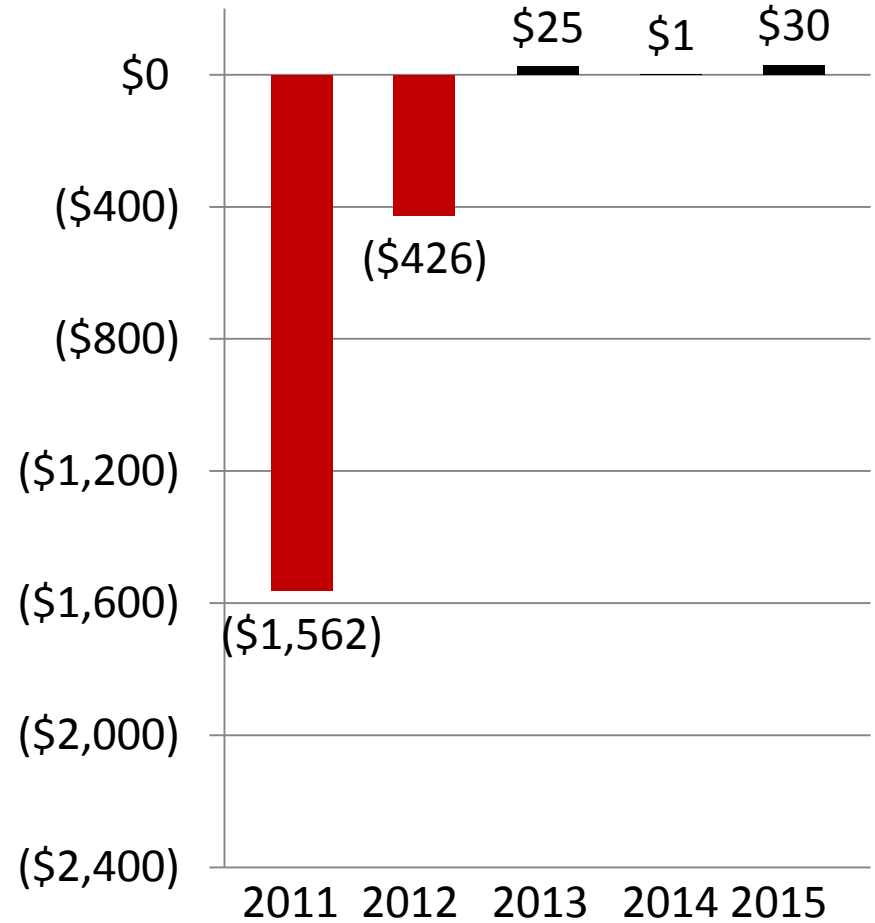
("Structural Balance" Standard)

(\$ in Millions)

**Governor's Proposal**



**GOP House Proposal**



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# HOUSE REPUBLICAN CAUCUS

## Summary

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- The Governor's Plan:
  - Relies too heavily on transfers, taxes & fees and wishful thinking
  - Continues a pattern of unsustainable growth in spending
  - Does not eliminate the deficit
- The GOP Plan:
  - Represents new vision for Maryland
  - Reduces unsustainable levels of spending
  - Balances the State budget structurally
  - Reduces the tax burden on Maryland citizens
  - Cancels raids on the TTF, BRF and POS
  - Increases funding to the TTF without a gas tax hike