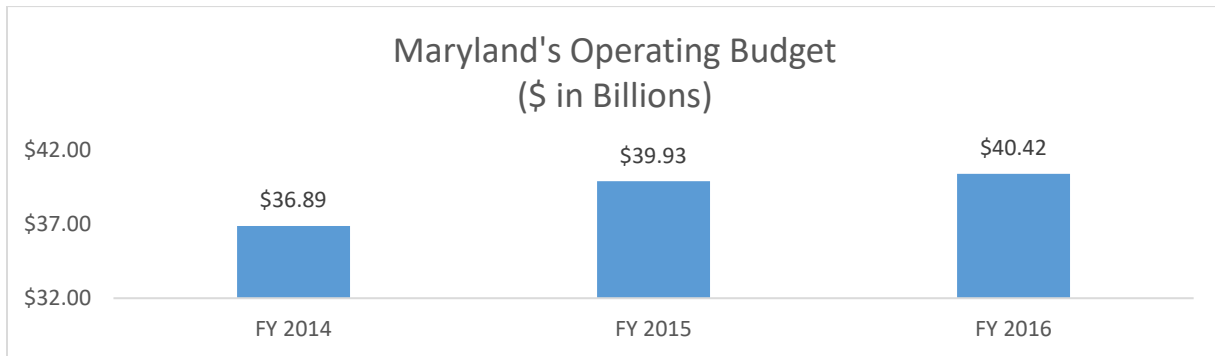
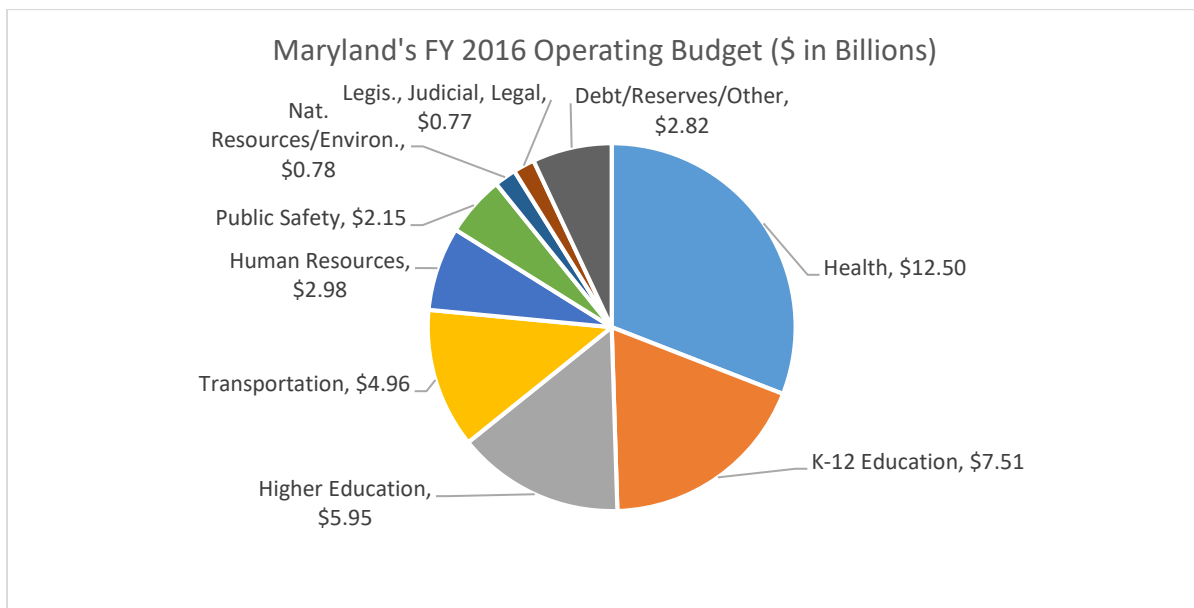


Maryland's Fiscal Year 2016 Budget: A First Look

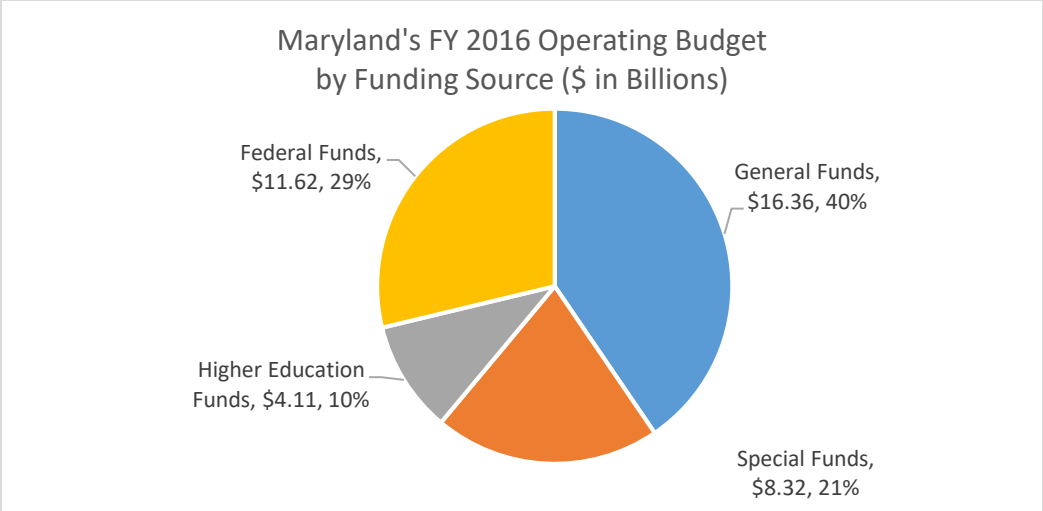
The administration's budget plan includes \$40.4 billion in spending in the state Operating Budget, with funding for State Agencies, Transportation, including Transportation Capital, Local Aid, including K-12 Education, and Entitlements, like Medicaid. Note: FY 2015 and FY 2016 spending amounts in this budget snapshot account for the Board of Public Works (BPW) reductions from July 2014 and earlier this month as well as actions in the Governor's budget plan, for example contingent reductions, or transfers.



In the Operating Budget, investments in Health, Education and Public Safety account for 70% of total spending. Spending on health programs and services, including Medicaid make up 30.9% of the total budget, with K-12 education spending accounting for 18.6% of the budget, and investments in higher education making up 14.7% of the operating budget.

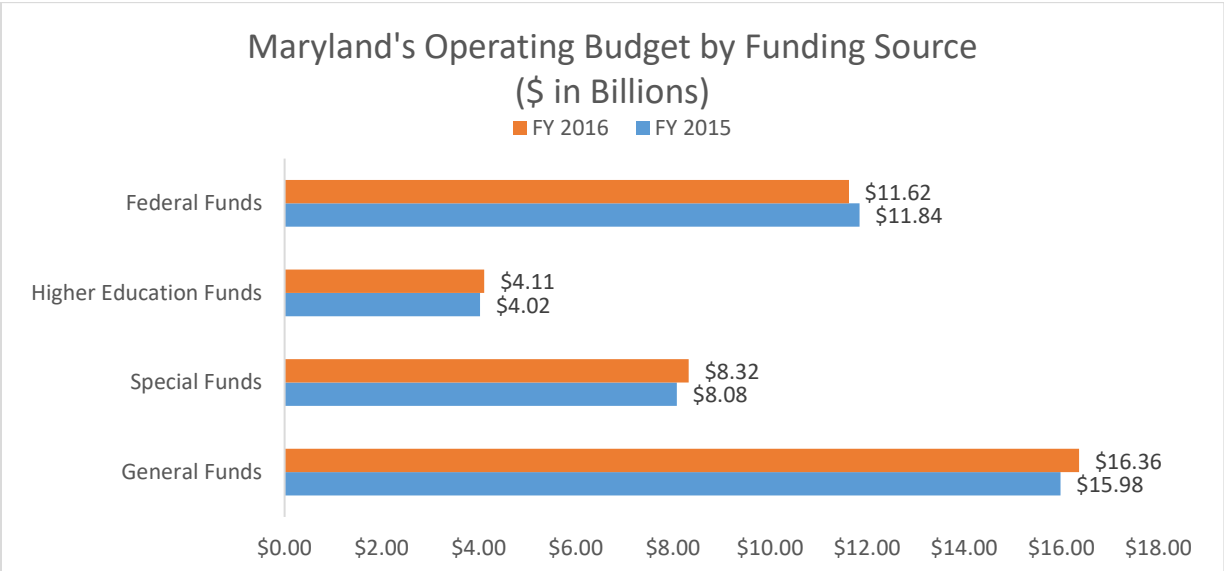


State sources of funding, including the General Fund, which receives most state tax collections, and Special Funds, pay for 61% of the Operating Budget. Special Funds are usually dedicated to specific purposes, like Transportation or Bay Restoration. Federal funds, like Food Stamps or Medicaid, pay for 29%; and Higher Education funds, including student tuition, account for 10% of the budget.



Budget Change by Funding Source – FY 2015 – FY 2016

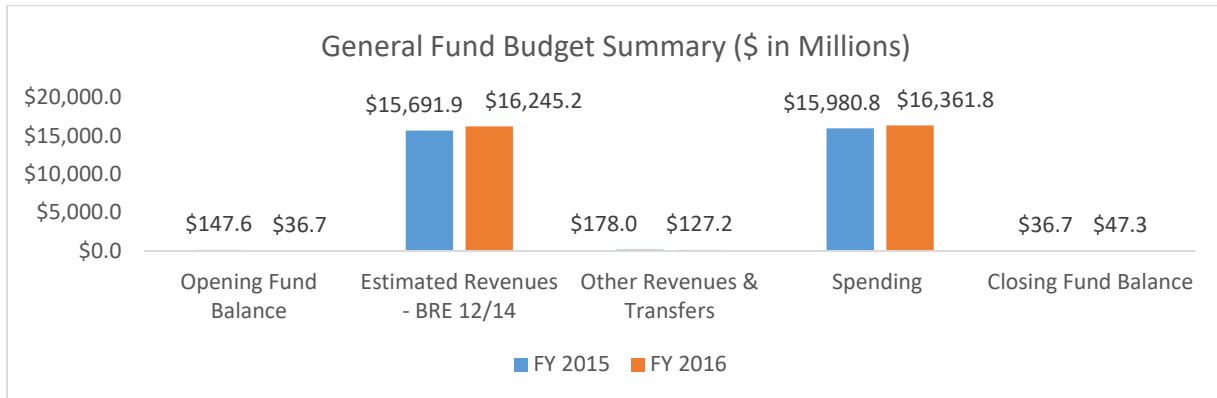
	FY 2015	FY 2016	\$ Change	% Change
General Funds	\$15,980,808,230	\$16,361,832,235	\$381,024,005	2.4%
Special Funds	\$8,079,864,037	\$8,322,903,342	\$243,039,305	3.0%
Higher Education Funds	\$4,024,798,408	\$4,113,590,873	\$88,792,465	2.2%
Federal Funds	\$11,841,285,714	\$11,620,484,585	(\$220,801,129)	-1.9%
Total Spending	\$39,926,756,389	\$40,418,811,035	\$492,054,646	1.2%



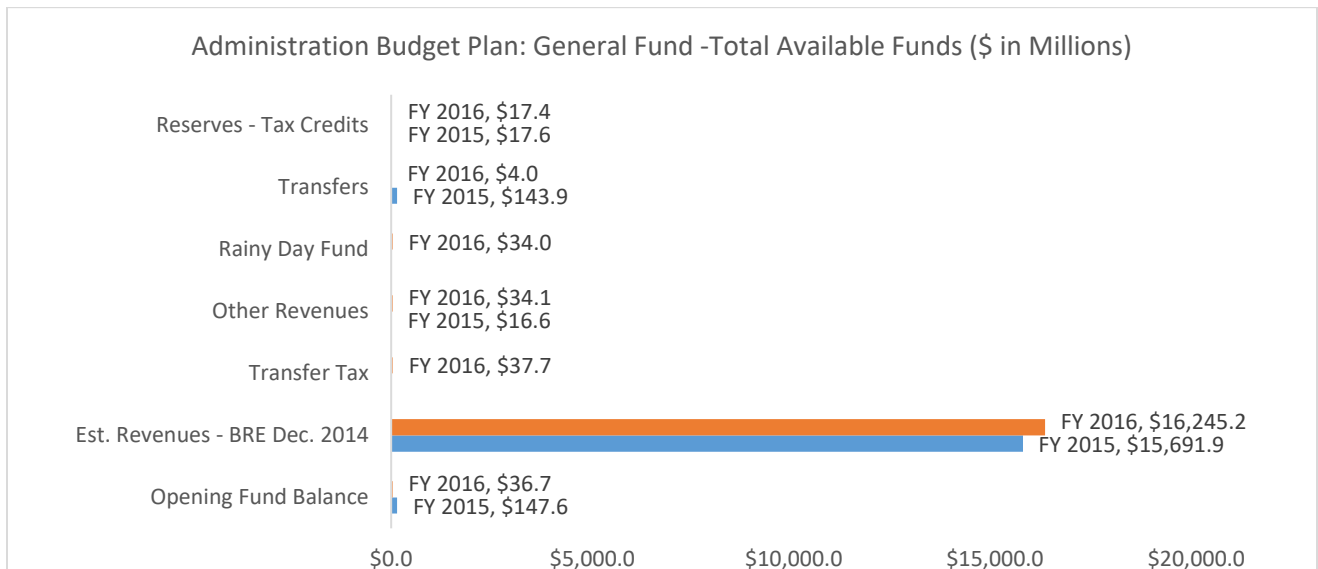
General Fund Budget Summary

The budget must be balanced both when introduced by the Governor and when passed by the General Assembly. The Governor’s budget plan incorporates the December 2014 general fund revenue projections for FY 2015 and FY 2016 from the Board of Revenue Estimates. Other sources of available funds include prior year fund balances, other revenues and transfers from other funds. The

administration spending plan incorporates the spending reductions made by the Board of Public Works in July 2014 and earlier this month. The administration also proposes \$258 million in spending reductions that are contingent on legislative approval, as well \$268 million in across-the board and employee compensation reductions that can be made without the signoff of the legislature. The General Fund FY 2016 closing balance is estimated at \$47.3 million, or about \$100 million lower than the FY 2014 closing balance.

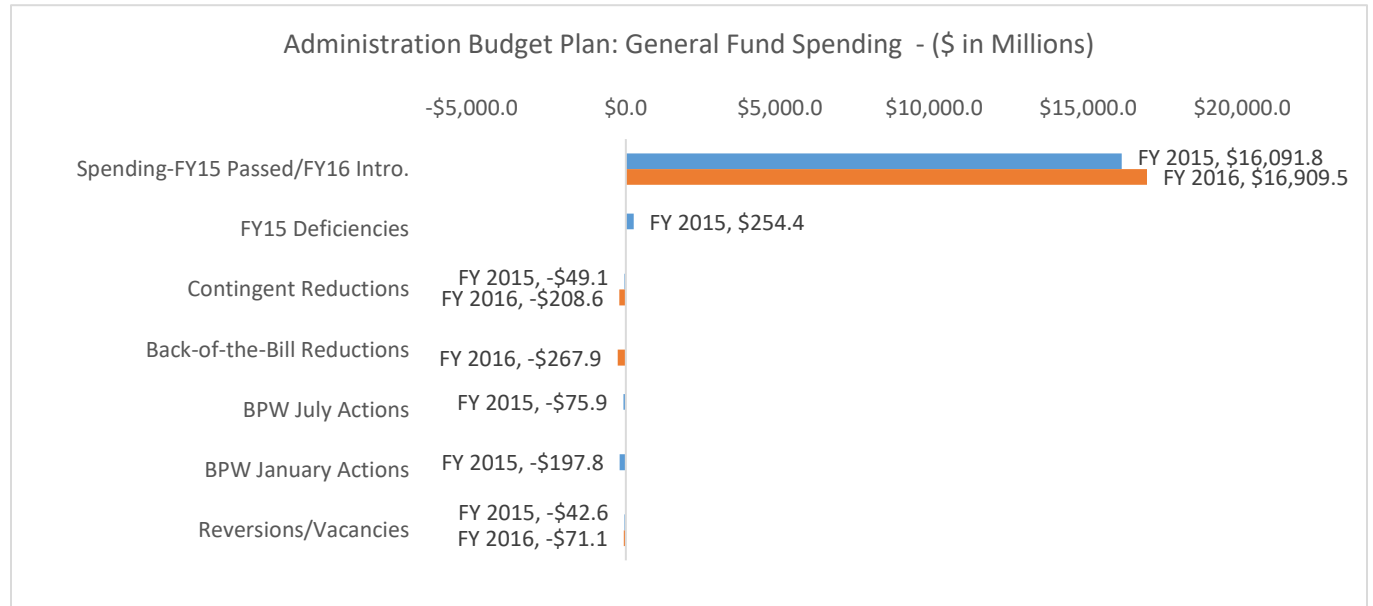


The large majority of available funds are comprised of BRE December 2014 revenue estimates for FY 2015 and FY 2016. Reimbursement from reserves for tax credits contribute \$17.4 million in FY 2015 and \$17.6 million in FY 2016. For FY 2015, \$143.9 million is transferred into the General Fund and other revenues contribute \$16.6 million. For FY 2016, other revenues account for \$34.1 million, \$37.7 million in transfer tax receipts are sent to the General Fund, \$34 million comes from the Rainy Day Fund, and \$4 million in transferred from other funds. Fund balances are depleted from a \$501 million opening fund balance in FY 2014 to a closing FY 2015 balance of \$37 million.



The largest transfer into the General Fund is \$100 million in FY 2015 from the Local Income Tax Reserve Fund, which the administration reports will be repaid in FY 2016. At the same time, plans in prior fiscal years to re-pay large transfers from the Local Income Tax Reserve Fund have been undone by legislation in subsequent years, including in the 2013 session.

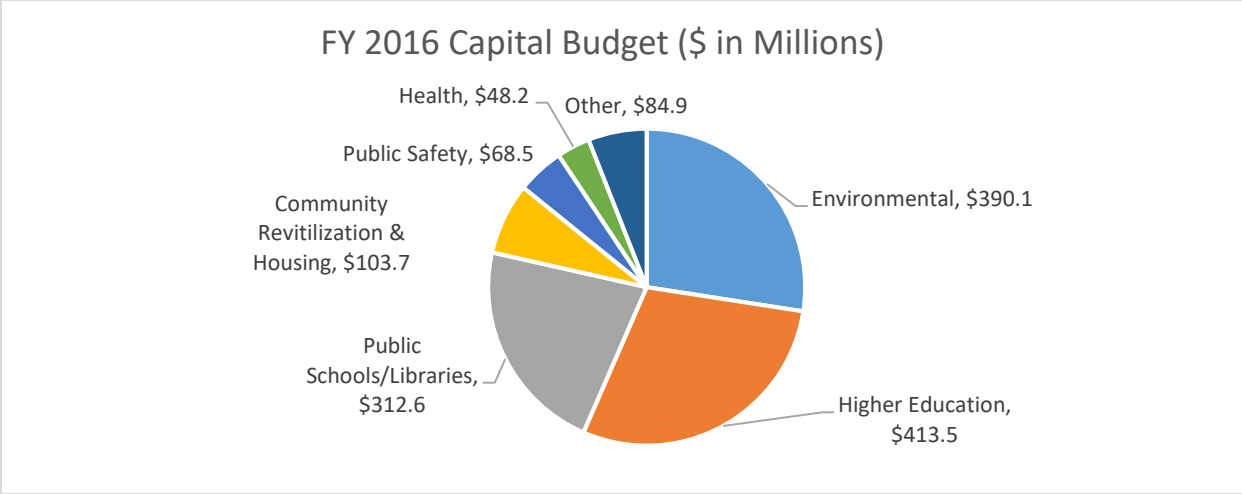
Note: The \$16.9 billion in general fund spending in the Governor’s FY 2016 budget as introduced includes funding reductions beyond those detailed as contingent or back-of-the bill reductions. For example, the Governor’s proposed 50% cut of \$68.1 million to the FY 2016 funding for the Geographic Cost of Education Index is included in the FY 2016 allowance for the Foundation Program for state aid to public schools and is not identified as a contingent or back-of-the bill reduction.



Other local aid reductions are contingent upon approval of the legislature, including reductions in state aid to public school, like \$63.9 million in savings from freezing the per pupil foundation amount and \$12 million from freezing the phase-in of Net Taxable Income changes. Other local aid contingent reductions are \$2.1 million in FY 2016 disparity grants, \$3.7 million in FY 2016 police aid, \$7.8 million in FY 2016 health grants, 2.3 million in FY 2016 library aid, and \$8 million combined in FY 20165 and FY 2016 to the Video Lottery Terminal impact grants. Back-of-the bill reductions for FY 2016 include \$68.7 million in savings from the Statewide Salary Plan Adjustment, \$81.2 million from eliminating the increment/merit salary increase for state employees, and \$118 million from a 2% across-the-board agency spending reduction.

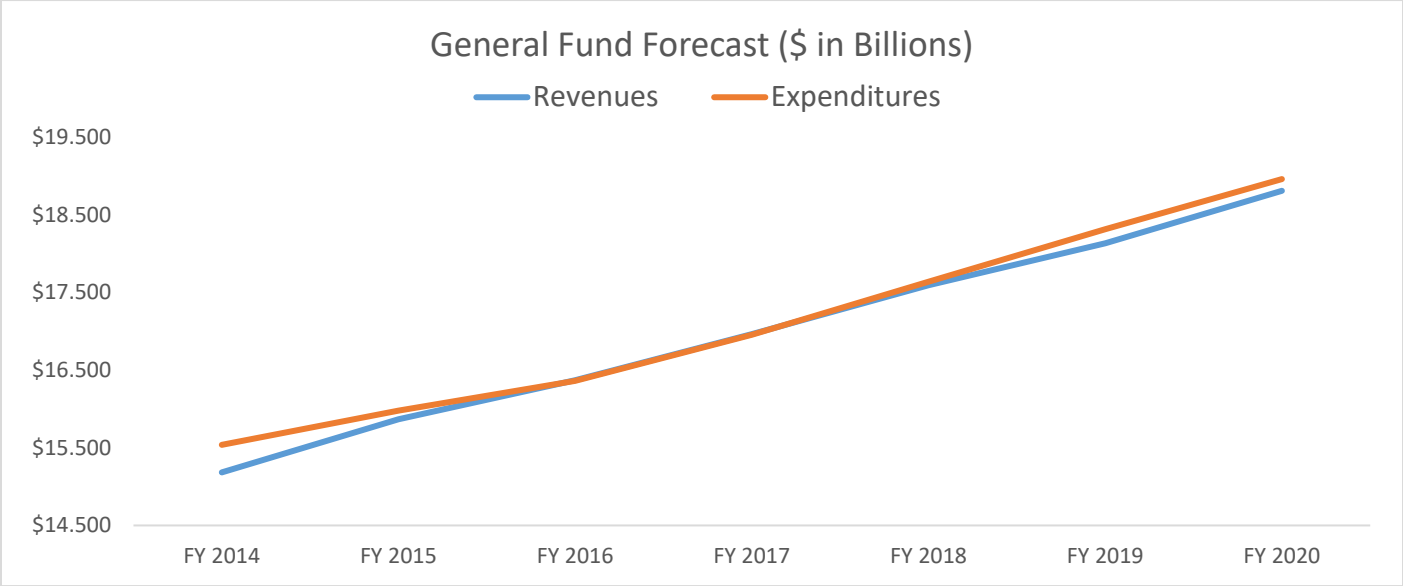
Capital Budget Overview

\$4.3 billion in total FY 2016 spending on the state’s Capital Improvement Plan includes \$2.9 billion in funding in the Operating Budget for transportation capital projects and \$1.4 billion in funding for General Capital projects in the Capital Budget. Of the \$1.4 billion in General Capital spending, \$1 billion is funded with General Obligation Bonds, with the remaining portion made up of other state and federal sources. Environmental/Natural Resources projects total \$390 million and include \$279 million identified for Bay Restoration and \$83 million for Land Preservation. Higher Education projects total \$414 million, including \$348 million for Public Colleges and Universities, \$58 million for Community Colleges, and \$8 million for projects at private institutions. Public School Construction receives \$291 million and library projects are funded at \$22 million; while spending on housing and community revitalization totals \$104 million, with \$38 million for Rental Housing Programs, \$14 million for Homeownership Programs, and \$18 million for other housing projects.



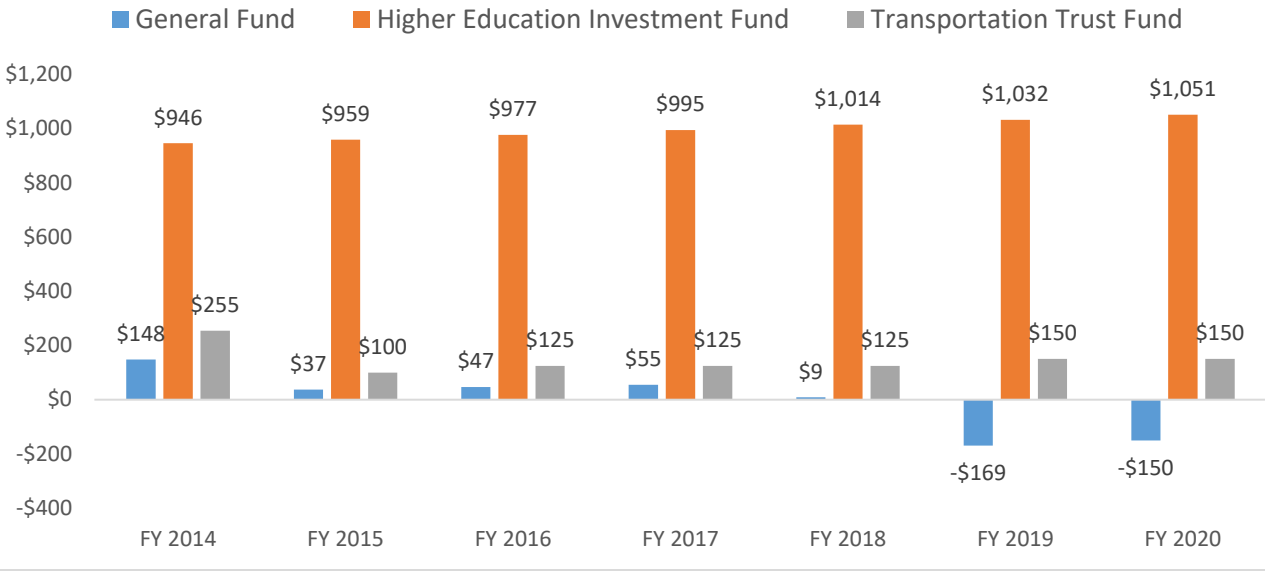
Budget Outlook

The administration reports that the Governor’s budget plan closes the state’s structural budget gap. At the same time, general fund budget gaps return to the budget outlook in several years, with a projected gap of \$169 million in FY 2019 and \$150 million in FY 2020.



While the general fund is forecast to have a budget gap return in a few years, the Transportation Trust Fund is forecast to maintain a positive balance and the Higher Education Investment Fund is projected to continue to carry forward large balances near or above \$1 billion for each year.

Budget Forecast: Fund Balances (\$ in Millions)



Budget Detail

Transfers from Other Funds

Transfers from other funds	FY 2015	FY 2016
DPSCS - MD Correctional Enterprises (2014 session)	\$1,000,000	
DNR - Program Open Space Unencumbered Balance	\$10,500,000	
MD Energy Admin. - Strategic Energy Investment Fund	\$6,000,000	
Baltimore Community College	\$4,000,000	
State Unemployment Trust Fund	\$4,000,000	\$4,000,000
MD Energy Admin. - Jane E. Lawton Conservation Loan Fund	\$3,000,000	
DLLR - Mortgage Lender Originator Fund	\$3,000,000	
DHMH - Board of Nursing	\$2,500,000	
DHMH Board of Physicians	\$1,800,000	
DHMH - Board of Pharmacists	\$1,600,000	
DHMH - Spinal Cord Trust Fund	\$1,000,000	
DNR - Waterway Improvement Fund	\$2,180,000	
MHEC - Health Personnel Shortage Incentive Fund	\$1,700,000	
MD Department of Agriculture - Bay Restoration Fund	\$1,375,000	
DGS - Helicopter Replacement Fund	\$269,741	
Local Income Tax Reserve Fund	\$100,000,000	
	\$143,924,741	\$4,000,000

Other Revenues

Adjustments to Revenues	FY 2015	FY 2016
Maryland Stadium Authority	\$3,000,000	
Maryland Environmental Service	\$642,304	
DHMH - Early Medical Loss Ratio payment	\$10,000,000	
Lottery -- Revenue Adjustment	\$456,116	\$1,428,458
DLLR -- SAEF Funding (July BPW)	\$1,630,000	
Sunny Day Repayment Diversion	\$828,500	\$1,842,750
Comptroller - Unclaimed property advertisements		\$580,000
Health Benefit Exchange Reductions - Premium Tax		\$1,498,276
OAG - Medicaid Fraud and Securities Division		\$5,300,000
Comptroller - Tax Compliance Initiatives		\$12,000,000
Veteran's Cemetery Funding		\$125,000
DBED - Unallocated Film Tax Credit		\$683,763
Comptroller -- Limit REITC to in-state residents		\$2,000,000
Chesapeake Bay 2010 Trust Fund		\$8,639,632
	\$16,556,920	\$34,097,879

Specific Reversions

Specific Reversions	FY 2015	FY 2016
MD Dept. of Planning - Heritage Areas	\$209,000	
MD Dept. of Planning - Sustainable Communities	\$58,000	
MD General Assembly - Salary Plan Adjustment		\$938,000
Judiciary - Increment Eliminated		\$6,605,000
Judiciary - Salary Plan Adjustment		\$3,606,000
MSDE - Montgomery County Teacher Retirement	\$500,000	
Office of Administrative Hearings - July BPW	\$5,769	
State Retirement - July BPW	\$5,769	
MSDE - Out-of-county placements - July BPW	\$600,000	
MSDE - Autism Waiver - July BPW	\$2,800,000	
MSDE- Out-of-county placements	\$900,000	
	\$5,078,538	\$11,149,000

Contingent Reductions

Reductions - Contingent Upon Legislation	FY 2015	FY 2016
Level Fund Local Aid - Disparity Grant to FY 2014		\$2,111,335
Level Fund Local Aid - Police Aid Grant to FY 2014		\$3,720,710
MHIP - Allow non-federal fund balance for Medicaid	\$45,000,000	
DNR-Eliminate payments in lieu of taxes		\$2,498,953
DNR - Waterway Improvement Fund Swap		\$875,000
MD Dept.of Agriculture - Level fund MARBIDCO to FY 2015		\$1,125,000
DHMH - Reduce CRF for Academic Health Centers		\$7,200,000
DHMH - Level fund Local Aid - Health Grants to FY 2014		\$7,841,378
DHMH - Halve DDA provider rates		\$9,152,894
DHMH - Delay reducing Medicaid Deficit Assessment		\$14,500,000
MSDE Local Aid - Level fund per pupil foundation		\$63,915,440
MSDE Local Aid - Reduce SEED school funding		\$139,007
MSDE FEO - Reduce Maryland School for the Blind		\$199,591
MSDE Local Aid - Phase-in 2014 library aid bill		\$2,319,544
MSDE HQ - Delay Deaf Culture Digital Library Legislation		\$232,672
MSDE HQ - Phase-in MD Library for the Blind Legislation		\$1,940,983
MSDE/DLLR- Reduce Video Lottery Terminal Impact Local Aid	\$4,073,964	\$3,887,697
MSDE Local Aid - Freeze phase-in of Net Taxable Income		\$12,062,805
MHEC - Reduce private college funding		\$6,461,675
MHEC- Reduce Local Aid - Community Colleges		\$13,045,513
Level-fund Maryland School for the Deaf		\$309,290
DHCD - Housing Counseling Fund use expansion		\$2,400,000
DBED - Reduce CyberMD Investment Incentive Tax Credit		\$500,000
DBED - Level fund Arts Council to FY 2014		\$1,361,571
DJS - Level fund provider rates to FY 2014 level		\$806,661
Dedicated Purpose Fund - Repeal Open Space Repayment		\$50,000,000

Total - Contingent Reductions	\$49,073,964	\$208,607,719
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Back-of-the-Bill Reductions

	FY 2016
Statewide - Statewide Salary Plan Adjustment	\$68,690,000
Statewide - Eliminate Increment/Merit Increase	\$81,219,924
Statewide - 2% Across the Board Agency Reduction	\$117,992,000
	\$267,901,924

FY 2015 Deficiencies

	Total Funds
Office of Public Defender - District Operations	\$2,467,341
Board of Public Works - Administration	\$787,979
Office of the Deaf and Hard Hearing - Executive Direction	\$17,000
Department of Aging - Community Services	\$416,133
Maryland Stadium Authority - Baltimore Convention Center	\$2,386,223
State Board of Elections - General Administration	\$109,000
State Board of Elections - Major IT Development Projects	\$1,155,458
Department of Planning - Mgmt.Planning & Educ. Outreach	(\$300,000)
Department of Planning - Museum Services	\$150,000
Department of Planning - Sustainable Communities	(\$1,000,000)
Department of Veterans Affairs - Cemetary Program	\$45,000
Maryland Health Benefit Exchange - MHBE	\$3,200,000
Maryland Health Benefit Exchange - Major IT Projects	\$2,323,727
Canal Place Preservation and Development Authority	\$41,572
Compliance Division - Compliance Administration	\$1,060,923
State Treasures's Office - Treasury Management	\$821,203
State Lottery and Faming Control Agency - Administration	\$2,994,688
State Lottery and Faming Control Agency - VLT & Gaming	\$2,658,745
MD Information Technology Projects Fund	\$1,155,458

Dept. Natural Resources - Park Service - Statewide Operations	(\$2,117,000)
Dept. Natural Resources - Park Service - Revenue Operations	(\$110,089)
Dept. Natural Resources - Land Acquisition	(\$6,305,360)
Dept. Natural Resources - Chesapeake and Coastal Service	\$10,000
Dept. Natural Resources - Fisheries Service	\$0
Dept. of Agriculture - Rural Maryland Council	\$14,610
Dept. of Agriculture - Nutrient Management	\$1,554,004
DHMH - Office of Health Care Quality	\$11,544,640
DHMH - Developmental Disabilities Admin.-Program Dir.	\$304,272
DHMH - Developmental Disabilities Admin.-Community Svcs.	\$2,700,000
DHMH - Medicaid Provider Reimbursements	\$158,750,000
DHR- Foster Care Maintenance Payments	(\$215,000)
DHR - Local Family Investment Program	\$500,000
DHR - Assistance Payments	\$0
DHR - Work Opportunities	\$0
DLLR - Share of VLT Revenue for Local Impact Grants	(\$4,073,964)
DPSCS - Administration	\$400,000
DPSCS - MCI - Hagerstown	\$1,500,000
DPSCS - North Branch Correctional Institution	\$1,333,333
DPSCS - Jessup Correctional Institution	\$8,300,000
DPSCS - Baltimore City Detention Center	\$1,666,667
MSDE HQ - Divison of Accountability and Assessment	\$16,769,449
MSDE Aid - State Share of Foundation Program	\$0
MSDE Aid - Students with Disabilities	\$10,423,005
MSDE Aid - Teacher Development	\$10,600,000
MSDE Maryland Longitudinal Data System	(\$304,153)
Maryland Public Broadcasting Commission	\$370,115
DBED - Maryland State Arts Council	(\$790,042)

MD Technology Development Corporation	\$14,373,699
Dept. of Environment - Air & Radiation Management	\$0
DJS - Baltimore City Region Operations	(\$75,583)
DJS Western Region Operations	(\$54,741)
DJS Metro Region Operations	(\$71,342)
Department of State Police - Field Operations Bureau	\$2,000,000

More information is needed on an apparent approximately \$100 million in reductions to FY 2016 higher education funding relative to the DLS FY16 baseline, in addition to the reductions related to the two rounds of 2% across-the-board cuts.

State Support for Higher Education Institutions

	FY 2015	FY 2016
General Funds	\$1,332,136,294	\$1,407,350,293
Higher Education Investment Fund	\$60,670,779	\$63,686,840
Other Special Funds	\$8,076,992	\$8,161,493
	\$1,400,884,065	\$1,479,198,626

Total Funding for State Higher Education Institutions

	FY 2015	FY 2016	\$ Change	% Change
University of Maryland, Baltimore	\$1,073,202,295	\$1,090,004,126	\$16,801,831	1.5%
University of Maryland, College Park	\$1,861,379,888	\$1,934,438,338	\$73,058,450	3.8%
Bowie State University	\$117,240,898	\$121,632,696	\$4,391,798	3.6%
Towson University	\$456,476,524	\$472,883,031	\$16,406,507	3.5%
University of Maryland Eastern Shore	\$140,549,658	\$144,362,581	\$3,812,923	2.6%
Frostburg State University	\$109,304,311	\$113,691,829	\$4,387,518	3.9%
Coppin State University	\$90,864,186	\$93,511,004	\$2,646,818	2.8%
University of Baltimore	\$138,172,313	\$141,939,861	\$3,767,548	2.7%
Salisbury University	\$180,438,842	\$189,026,049	\$8,587,207	4.5%
University of Maryland University College	\$387,010,602	\$394,139,305	\$7,128,703	1.8%
University of Maryland Baltimore County	\$404,906,505	\$419,610,448	\$14,703,943	3.5%
University of Maryland Center for Environmental Science	\$46,794,146	\$48,493,578	\$1,699,432	3.5%
University System of Maryland Office	\$32,111,073	\$33,927,620	\$1,816,547	5.4%
Baltimore City Community College	\$91,083,757	\$89,655,893	(\$1,427,864)	-1.6%
St. Mary's College of Maryland	\$73,028,624	\$72,799,470	(\$229,154)	-0.3%
Morgan State University	\$223,118,851	\$232,673,670	\$9,554,819	4.1%
	\$5,425,682,473	\$5,592,789,499	\$167,107,026	3.0%

Maryland's Five-Year Capital Improvement Plan

(\$ in Millions)	General	Transportation	Total
FY 2016	\$1,421	\$2,897	\$4,318
FY 2017	\$1,387	\$3,159	\$4,546
FY 2018	\$1,431	\$2,676	\$4,107
FY 2019	\$1,553	\$2,438	\$3,991
FY 2020	\$1,520	\$2,148	\$3,668
	\$7,312	\$13,318	\$20,630

FY 2016 Capital Budget – General Capital (Does not include transportation capital.)

(\$ in Millions)	GO Bonds	General Funds	Revenue Bonds	Other	Total
Public School Construction	\$260.7	\$30.0			\$290.7
Public Colleges & Universities	\$313.1		\$34.5		\$347.6
Community Colleges	\$57.9				\$57.9
Private Colleges & Universities	\$8.0				\$8.0
State Library Resource Center	\$16.9				\$16.9
Public Library Grants	\$5.0				\$5.0
Total - Education	\$661.6	\$30.0	\$34.5	\$0.0	\$726.1
Chesapeake Bay Restoration	\$62.0			\$217.2	\$279.2
Drinking Water	\$5.7			\$21.0	\$26.7
Land Preservation	\$69.2			\$14.3	\$83.5
Environmental Cleanup		\$0.7			\$0.7
Total - Environmental	\$136.9	\$0.7	\$0.0	\$252.5	\$390.1
Rental Housing Programs	\$10.0			\$27.8	\$37.8
Homeownership Programs	\$11.8			\$1.9	\$13.7
Other Housing	\$13.4			\$4.6	\$17.9
Smart Growth Deconstruction/Demolition	\$5.0				\$5.0
Community Development Projects	\$3.6				\$3.6
Other Community and Neighborhood Development	\$11.2			\$14.6	\$25.7
Total - Community Revitalization and Housing	\$54.9	\$0.0	\$0.0	\$48.9	\$103.7
Public Safety and Corrections	\$33.5				\$33.5
Juvenile Services	\$4.2				\$4.2
Public Safety Communications System	\$30.0				\$30.0
Local Detention Centers	\$0.8				\$0.8
Total - Safer Communities & Public Safety	\$68.5	\$0.0	\$0.0	\$0.0	\$68.5
Economic Development, Tourism & Arts	\$11.5				\$11.5
Health	\$48.2				\$48.2

Other	\$26.7	\$0.1	\$55.6	\$82.4
Total	\$1,008.2	\$30.8	\$34.5	\$356.9
De-authorizations	-\$9.0			-\$9.0
Net Total	\$999.2	\$30.8	\$34.5	\$356.9

General Fund Forecast

(\$ in Billions)	Revenues	Expenditures
FY 2014	\$15.184	\$15.539
FY 2015	\$15.870	\$15.981
FY 2016	\$16.372	\$16.362
FY 2017	\$16.967	\$16.959
FY 2018	\$17.597	\$17.643
FY 2019	\$18.138	\$18.317
FY 2020	\$18.813	\$18.964

(\$ in Millions)	Opening Fund Balance	Closing Fund Balance
FY 2014	\$501.9	\$148.0
FY 2015	\$148.0	\$37.0
FY 2016	\$37.0	\$47.0
FY 2017	\$47.0	\$55.0
FY 2018	\$55.0	\$9.0
FY 2019	\$9.0	(\$169.0)
FY 2020		(\$150.0)

Higher Education Investment Fund Forecast

(\$ in Millions)	Opening Fund Balance	Closing Fund Balance
FY 2014	\$932.0	\$946.0
FY 2015	\$946.0	\$959.0
FY 2016	\$959.0	\$977.0
FY 2017	\$977.0	\$995.0
FY 2018	\$995.0	\$1,014.0
FY 2019	\$1,014.0	\$1,032.0
FY 2020	\$1,032.0	\$1,051.0

Transportation Trust Fund Forecast – Closing Balance (\$ in Millions)

FY 2014	\$255
FY 2015	\$100
FY 2016	\$125
FY 2017	\$125
FY 2018	\$125
FY 2019	\$150
FY 2020	\$150