

MAJOR REDUCTION ITEMS: FY '08 BUDGET

Electricity Generating Equip. Property Tax Grants	1,000,000	3.27%
Office of the Public Defender	332,914	0.39%
Office of the Attorney General	344,846	1.67%
Office of the State Prosecutor	5,000	0.42%
Executive Dept - Office of the Governor	100,000	1.06%
Exec Dept - Boards, Commissions and Offices	100,000	0.35%
Secretary of State's Office	50,000	2.17%
Hist. St. Mary's City Commission	80,000	3.60%
Dept. of Aging	250,000	1.03%
Commission on Human Relations	100,000	3.53%
MD Stadium Authority	1,000,000	6.75%
St. Brd of Elections	107,500	0.74%
MD Dept of Planning	594,846	1.99%
Military Dept.	394,846	2.58%
Veterans Affairs	500,000	5.49%
State Archives	100,000	3.52%
Office of the Comptroller	250,000	0.34%
Treasurer	51,000	1.00%
Dept. of Assessments and Taxation	2,300,000	2.13%
Dept. of Budget and Management	500,000	1.71%
Statewide Expenses	750,000	1.20%
Dept. of General Services	4,129,327	6.64%
Dept. of Natural Resources	1,096,343	1.40%
Maryland Department of Agriculture	364,000	1.12%
Dept. of Health and Mental Hygiene	46,669,210	1.26%
Dept. of Human Resources	14,088,533	2.44%
Dept. of Labor, Licensing and Regulation	377,649	2.34%
Dept. of Public Safety and Correctional Services	11,000,000	1.06%
MD State Dept. of Education	10,540,017	0.19%
Morgan State University	500,000	0.73%
MD Public Television	150,000	1.49%
Univ. System of MD	12,000,000	1.18%
MD Higher Education Commission	10,979,113	2.55%
Aid to University of Maryland Medical System	117,488	3.85%
Balt. City Community College	500,000	1.24%
Dept. of Housing and Community Development	100,000	0.86%
Dept. of Business and Economic Development	2,928,300	4.14%
MD Technology Development Corporation	500,000	1.75%
MD Dept. of the Environment	735,038	1.62%
Dept. of Juvenile Services	1,244,846	0.53%
Dept. of State Police	1,500,000	0.62%
Total - General Funds	128,430,816	0.94%
General Assembly - FY 2008 Reversion	1,800,000	2.49%
Judiciary - FY 2008 Reversion	3,000,000	0.86%
FY 2008 Reversion from DHMH to the Rainy Day Fund	20,000,000	

TOTAL GENERAL FUND REDUCTIONS 153,230,816

REVERSIONS/ADJUSTMENTS 59,848,612

SPECIAL FUNDS 14,590,448

FEDERAL FUNDS 53,051,834

TOTAL REDUCTION \$280,721,710

REDUCTION SUMMARY - FY 2008 BUDGET

\$280 Million in State Budget Cuts

- ◆ General Fund Cuts: \$213 Million
 - ◆ Includes \$60 Million in reversions/ other adjustments
- ◆ Special and Federal Fund Cuts: \$67 Million
 - ◆ \$14 Million Special Funds
 - ◆ \$53 Million Federal Funds

Fiscal Outlook:

- ◆ Fiscal 2009 structural deficit is estimated at \$1.4 Billion
- ◆ Available cash reserves are not sufficient to balance fiscal 2009 budget
- ◆ Rainy Day Balance of \$673 Million represents 5% of general fund revenues

Steps Forward:

- ◆ Restrain Spending
- ◆ Improve Collections
- ◆ Responsible Fiscal Management
- ◆ Revenue Enhancements



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GOVERNOR O'MALLEY CUTS OVER \$280M FROM STATE BUDGET TO ADDRESS \$1.4 BILLION DEFICIT

\$213M in General Fund Reductions including \$60M in Reversions/Adjustments

Annapolis, MD (July 10, 2007) – Governor Martin O'Malley today announced over \$280 million in Fiscal Year 2008 budget reductions and cost containment measures, including the elimination of some state workforce positions, as an initial step in closing the \$1.4 billion deficit that the state faces next year.

In May, O'Malley directed his Cabinet Secretaries to reduce state spending by \$200 million and today Governor O'Malley made those recommended cuts public. The budget reductions will go before the Board of Public Works tomorrow.

“This first round of cuts was not easy, but as we work to close a \$1.4 billion structural deficit, our state agencies have to become more efficient, work smarter and focus on their core mission,” said Governor Martin O'Malley. “In the coming months, we face more difficult choices as we work with the General Assembly to balance the budget and continue to make critical investments in our State's future.”

During today's press conference, O'Malley announced \$213 million in General Fund reductions in more than 40 state agencies and government offices, including:

- \$60M in FY 2007 budget reversions and other adjustments
- Over \$46M in the Department of Health and Mental Hygiene;
- Over \$6M in the Maryland State Department of Education;
- \$2.9M in the Department of Business and Economic Development;

- \$4.1M in the Department of General Services;
- \$14M in the Department of Human Resources;
- \$12M to the University of System of Maryland (will not affect public safety, student financial aid or fundraising efforts);
- \$11M in the Department of Public Safety and Correctional Services (includes closing the House of Corrections)

As a result of these budget reductions, 147 state government positions will be eliminated, 17 of which are currently filled. In addition, 35 contractual positions will be eliminated.

O'Malley also announced only minimal cuts to the Maryland State Police (\$1.5M) and the Department of Juvenile Services (\$1.2M) to reduce contractual employees and vehicle expenses.

In addition to the \$213 million in General Fund reductions, O'Malley announced \$14 million in special fund reductions and \$53 million in federal matching fund reductions. The reduction in special funds is due to an anticipated shortfall in Cigarette Restitution Funds resulting from ongoing litigation with the tobacco manufacturers.

How Did The Structural Budget Deficit Happen?

Maryland's structural deficit developed as growth in ongoing state spending increasingly outpaced revenues. Annual government spending commitments grew by \$2 billion with the Bridge to Excellence school funding reforms – commonly know as the Thornton law – enacted in 2002. An income tax cut fully phased in that same year reduced state revenues by nearly \$1 billion annually, leading to a significant budget gap.

Either the tax cut or the increased education funding likely would have been affordable by itself. Together they created a structural budget deficit that reaches more than \$1 billion annually. This structural problem has gone unaddressed in the years since 2002, with record spending increases prior to this year, including a 12% hike in FY 2007.

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