

Maryland

Federal Policies Have Cost Maryland \$2.2 Billion over the Past Four Years

Federal Policies Affect Maryland Revenue and Spending Levels, 2002-2005

Cost to
Maryland

| | | |
|---|---|-----------------|
| ➤ | <i>Federal Tax Changes:</i> Recently enacted federal tax cuts reduce state revenue directly. | \$0 |
| ➤ | <i>Remote Sales:</i> States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions. | \$893 million |
| ➤ | <i>Internet Access:</i> States are generally prohibited from applying tax to Internet access charges. | \$70 million |
| ➤ | <i>Unfunded Mandates:</i> Federal government imposes responsibilities on states but provides insufficient funding. | \$1.1 billion |
| ➤ | <i>Medicare/Medicaid Dual Eligibles:</i> Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs. | \$450 million |
| ➤ | <i>Federal Fiscal Relief:</i> Congress approved temporary grants in 2003. | (\$333 million) |

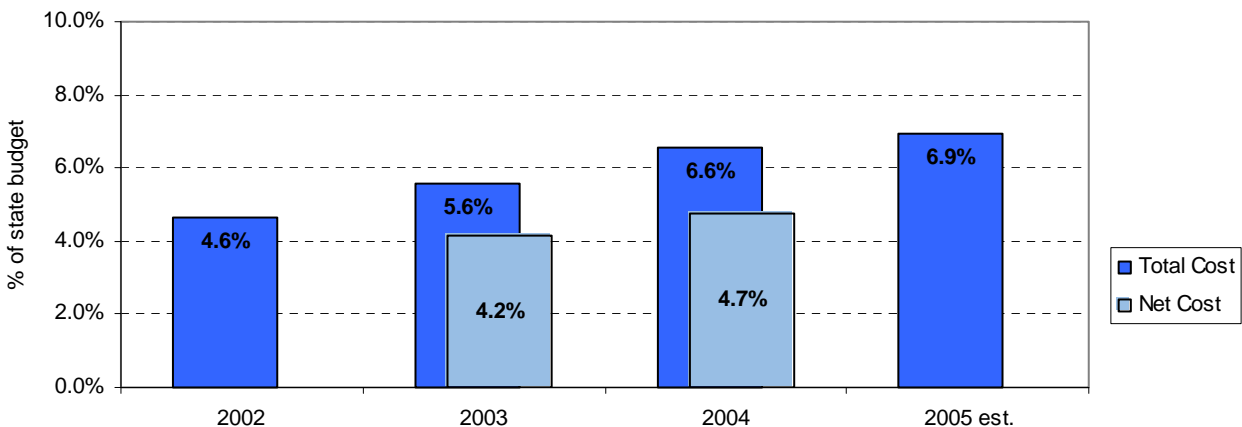
TOTAL COST (net of fiscal relief), 2002-2005: **\$2.2 billion**

Federal Policies Have Worsened Maryland's Fiscal Problems

Ranking among 50
states plus D.C.

| | | | |
|---|--|-------------|------------------------|
| ➤ | Total cost as percent of General Fund budget (2002-2005): | 5.9% | 43rd |
| ➤ | Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005): | 5.2% | 41st |

Net Cost of Federal Policy to Maryland as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.