Spending Affordability Committee Technical Supplement

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

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Contents

Fiscal 2016 Baseline Budget
Technical Supplement Overview

The Baseline Process

The baseline budget is an estimate of the cost of government services in the next budget year assuming:

- current laws, policies, and practices are continued;
- legislation, federal mandates, and multi-year commitments supported by the legislature are implemented and funded;
- efficiency is maintained at current levels;
- nondiscretionary changes in workload are recognized;
- unavoidable shortfalls in budgeted expenditures during the current fiscal year are funded as deficiencies;
- inflationary increases in costs are provided; and
- salary adjustments are funded consistent with statutory requirements and known legislative or executive intent.

General Assumptions

Forecasts of individual agency budget requirements are based on amounts appropriated for fiscal 2015. Adjustments are made to remove funds allowed for one-time purposes and to add funds as required to recognize expenses associated with legislation, new facilities, changes in caseloads, and continuing expenses related to fiscal 2015 budget deficiencies. The baseline estimate also allows for changes in personnel costs and inflationary increases in the cost of operating expenses.

Nonpersonnel Operating Cost Assumptions

The baseline also assumes inflationary changes in specific subobjects. Specific inflation assumptions are:

- medical contracts and supplies (3.84%);
- prescription drugs for State facilities (3.84%);
- postage (2.32%);
- natural gas and propane (2.14%);
- utilities and electricity (2.14%);
- food (2.38%); and
- vehicle gas and oil (2.32%).

Zero inflation is assumed for all other items.

Baseline Results

Overall, the baseline budget projects budget growth as indicated below by fund type.

Projected Baseline Budget
Fiscal 2015-2016
($ in Millions)

Fund[(1)]	2015 Adjusted Appropriation[(4)]	2016 Baseline	2015-2016 $ Increase	2015-2016 % Change
General[(2)]	$16,277.1	$17,046.1	$769.0	4.7%
Special/Higher Education[(3)]	12,264.0	12,861.5	597.5	4.9%
Federal	10,526.5	11,497.6	971.1	9.2%
Total	**$39,067.7**	**$41,405.3**	**$2,337.6**	**6.0%**

(1) Excludes reimbursable and nonbudgeted funds.
(2) Net of reversions.
(3) Higher education funds include current restricted and unrestricted funds net of general and special fund appropriations.
(4) Adjusted for July 2014 Board of Public Works withdrawn appropriations and estimated deficiencies.

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

The tables on the following pages summarize the budgetary changes by major category of expenditure. Board of Public Works (BPW) withdrawn appropriations and fiscal 2015 deficiencies are discussed next as part of the technical supplement overview. Separate sections of the technical supplement dissect the assumptions used for estimates for State agencies, aid to local governments, entitlements, debt service, and capital programs. Generally the descriptions in the *Technical Supplement* are for adjustments greater than $500,000. The baseline estimates described in this document represent the judgments of the Department of Legislative Services as of November 19, 2014. Actions subsequent to that date, including reductions made by the Administration or further changes to the economic picture, are not reflected here.

State Expenditures – General Funds
Fiscal 2014-2016
($ in Millions)

Category	Working Appropriation FY 2014	Revised Legislative Appropriation FY 2015	Baseline FY 2016	FY 2015 to FY 2016 $ Change	FY 2015 to FY 2016 % Change
Debt Service	$83.0	$140.0	$268.0	$128.0	91.4%
County/Municipal	245.0	254.5	271.6	17.1	6.7%
Community Colleges	281.3	297.3	316.4	19.1	6.4%
Education/Libraries	5,605.5	5,728.7	5,917.0	188.3	3.3%
Health	41.7	46.9	48.9	2.0	4.3%
Aid to Local Governments	***$6,173.6***	***$6,327.5***	***$6,554.0***	***$226.5***	***3.6%***
Foster Care Payments	$256.9	$223.1	$205.8	-$17.3	-7.7%
Assistance Payments	71.5	73.9	77.4	3.5	4.8%
Medical Assistance	2,478.8	2,769.5	2,888.6	119.1	4.3%
Property Tax Credits	80.2	82.0	86.1	4.1	5.0%
Entitlements	***$2,887.4***	***$3,148.4***	***$3,258.0***	***$109.5***	***3.5%***
Health	$1,573.2	$1,289.0	$1,359.2	$70.2	5.4%
Human Resources	331.1	330.6	355.4	24.8	7.5%
Children's Cabinet Interagency Fund	20.1	21.4	23.0	1.6	7.4%
Juvenile Services	278.7	282.9	307.9	25.0	8.8%
Public Safety/Police	1,384.9	1,423.5	1,567.2	143.7	10.1%
Higher Education	1,214.2	1,332.1	1,449.9	117.8	8.8%
Other Education	386.3	377.7	436.5	58.9	15.6%
Agric./Nat'l. Res./Environment	114.4	111.5	130.4	18.9	17.0%
Other Executive Agencies	663.4	702.6	715.2	12.6	1.8%
Legislative	79.6	82.8	86.8	4.0	4.8%
Judiciary	404.3	429.5	453.6	24.1	5.6%
Across-the-board Cuts	-42.1	-19.4	0.0	19.4	-100.0%
State Agencies	***$6,408.1***	***$6,364.3***	***$6,885.2***	***$520.9***	***8.2%***
Deficiencies	$0.0	$294.9	$0.0	-$294.9	-100.0%
Total Operating	**$15,552.1**	**$16,275.1**	**$16,965.1**	**$689.9**	**4.2%**
Capital [1]	$42.7	$12.5	$11.0	-$1.5	-12.0%
Subtotal	***$15,594.8***	***$16,287.6***	***$16,976.1***	***$688.4***	***4.2%***
Reserve Funds	$55.3	$19.7	$100.0	$80.3	407.3%
Appropriations	**$15,650.0**	**$16,307.4**	**$17,076.1**	**$768.7**	**4.7%**
Reversions	-$67.2	-$30.3	-$30.0	$0.3	-0.9%
Grand Total	**$15,582.8**	**$16,277.1**	**$17,046.1**	**$769.0**	**4.7%**

(1) Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2014 working appropriation includes deficiencies, supplemental deficiencies, $255.3 million in cost containment, $51.0 million in targeted reversions, and legislative reductions to the deficiencies. The revised fiscal 2015 legislative appropriation reflects $79.4 million in general fund reductions and targeted reversions approved by the Board of Public Works on July 2, 2014.

State Expenditures – Special and Higher Education Funds*
Fiscal 2014-2016
($ in Millions)

Category	Working Appropriation FY 2014	Revised Legislative Appropriation FY 2015	Baseline FY 2016	FY 2015 to FY 2016 $ Change	FY 2015 to FY 2016 % Change
Debt Service	$1,100.0	$1,143.3	$1,141.6	-$1.7	-0.1%
County/Municipal	277.0	265.9	271.2	5.3	2.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	389.7	407.3	414.2	6.9	1.7%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	***$666.6***	***$673.2***	***$685.4***	***$12.2***	***1.8%***
Foster Care Payments	$5.5	$5.5	$7.1	$1.7	30.1%
Assistance Payments	18.6	18.6	18.8	0.2	1.0%
Medical Assistance	833.5	972.2	982.3	10.1	1.0%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	***$857.5***	***$996.3***	***$1,008.2***	***$11.9***	***1.2%***
Health	$538.4	$472.8	$422.3	-$50.4	-10.7%
Human Resources	98.7	96.9	97.9	1.0	1.0%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	4.4	5.0	4.8	-0.1	-2.6%
Public Safety/Police	226.4	217.6	225.8	8.2	3.8%
Higher Education	4,144.4	4,186.0	4,346.0	160.0	3.8%
Other Education	72.7	57.0	50.9	-6.1	-10.8%
Transportation	1,606.0	1,653.0	1,838.8	185.8	11.2%
Agric./Nat'l. Res./Environment	225.2	247.1	265.9	18.8	7.6%
Other Executive Agencies	638.6	661.1	612.8	-48.3	-7.3%
Legislative	0.0	0.0	0.0	0.0	n/a
Judiciary	53.8	63.1	64.7	1.6	2.5%
Across-the-board Cuts	-12.3	0.0	0.0	0.0	n/a
State Agencies	***$7,596.3***	***$7,659.5***	***$7,929.8***	***$270.3***	***3.5%***
Deficiencies	$0.0	-$22.6	$0.0	$22.6	-100.0%
Total Operating	**$10,220.5**	**$10,449.6**	**$10,765.1**	**$315.4**	**3.0%**
Capital	$1,588.7	$1,814.4	$2,096.5	$282.0	15.5%
– Transportation	1,316.1	1,555.4	1,817.0	261.6	16.8%
– Environment	200.7	197.6	193.3	-4.3	-2.2%
– Other	71.9	61.4	86.1	24.7	40.2%
Grand Total	**$11,809.2**	**$12,264.0**	**$12,861.5**	**$597.5**	**4.9%**

* Includes higher education fund (current unrestricted and current restricted) net of general and special funds.

Note: The fiscal 2014 working appropriation reflects deficiencies, supplemental deficiencies, and $18.9 million in cost containment. The fiscal 2015 revised appropriation includes $0.1 million in additional special funds due to funding swaps and $4.8 million in spending approved by the Board of Public Works on July 2, 2014.

State Expenditures – Federal Funds
Fiscal 2014-2016
($ in Millions)

Category	Working Appropriation FY 2014	Revised Legislative Appropriation FY 2015	Baseline FY 2016	FY 2015 to FY 2016 $ Change	FY 2015 to FY 2016 % Change
Debt Service	$12.4	$11.5	$11.5	$0.0	0.0%
County/Municipal	59.3	55.3	55.3	0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	754.3	802.3	802.3	0.0	0.0%
Health	4.5	4.5	4.5	0.0	0.0%
Aid to Local Governments	***$818.1***	***$862.1***	***$862.1***	***$0.0***	***0.0%***
Foster Care Payments	$84.0	$90.6	$85.9	-$4.7	-5.2%
Assistance Payments	1,197.7	1,353.1	1,251.3	-101.8	-7.5%
Medical Assistance	3,936.4	4,932.0	5,910.8	978.8	19.8%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	***$5,218.0***	***$6,375.7***	***$7,248.0***	***$872.3***	***13.7%***
Health	$1,400.3	$910.7	$905.9	-$4.8	-0.5%
Human Resources	521.0	513.9	542.1	28.2	5.5%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	7.4	7.1	7.7	0.6	7.7%
Public Safety/Police	29.5	29.2	31.4	2.2	7.4%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	338.7	240.0	230.3	-9.8	-4.1%
Transportation	97.2	92.7	93.4	0.7	0.7%
Agric./Nat'l. Res./Environment	68.1	65.9	69.7	3.8	5.7%
Other Executive Agencies	573.3	548.4	536.3	-12.1	-2.2%
Judiciary	5.4	0.3	0.3	0.0	1.9%
Across-the-board Cuts	-8.8	0.0	0.0	0.0	n/a
State Agencies	***$3,032.1***	***$2,408.3***	***$2,417.0***	***$8.7***	***0.4%***
Deficiencies	$0.0	$8.9	$0.0	-$8.9	-100.0%
Total Operating	**$9,080.6**	**$9,666.5**	**$10,538.6**	**$872.1**	**9.0%**
Capital	$799.4	$860.0	$959.0	$99.0	11.5%
– Transportation	709.8	793.3	877.4	84.0	10.6%
– Environment	44.6	41.3	44.9	3.6	8.6%
– Other	45.1	25.4	36.8	11.4	45.0%
Grand Total	**$9,880.0**	**$10,526.5**	**$11,497.6**	**$971.1**	**9.2%**

Note: The fiscal 2014 working appropriation includes deficiencies, supplemental deficienices, $13.1 million in cost containment, and legislative reductions to the deficiencies. The fiscal 2015 revised appropriation includes $4.3 million in additional federal fund spending approved by the Board of Public Works on July 2, 2014.

State Expenditures – All Funds
Fiscal 2014-2016
($ in Millions)

Category	Working Appropriation FY 2014	Revised Legislative Appropriation FY 2015	Baseline FY 2016	FY 2015 to FY 2016 $ Change	FY 2015 to FY 2016 % Change
Debt Service	$1,195.3	$1,294.8	$1,421.1	$126.3	9.8%
County/Municipal	581.3	575.7	598.1	22.4	3.9%
Community Colleges	281.3	297.3	316.4	19.1	6.4%
Education/Libraries	6,749.5	6,938.4	7,133.6	195.2	2.8%
Health	46.2	51.4	53.4	2.0	3.9%
Aid to Local Governments	***$7,658.3***	***$7,862.8***	***$8,101.5***	***$238.7***	***3.0%***
Foster Care Payments	$346.3	$319.2	$298.9	-$20.3	-6.4%
Assistance Payments	1,287.7	1,445.6	1,347.5	-98.0	-6.8%
Medical Assistance	7,248.7	8,673.7	9,781.7	1,108.0	12.8%
Property Tax Credits	80.2	82.0	86.1	4.1	5.0%
Entitlements	***$8,963.0***	***$10,520.4***	***$11,514.2***	***$993.8***	***9.4%***
Health	$3,511.9	$2,672.5	$2,687.4	$15.0	0.6%
Human Resources	950.8	941.3	995.3	54.0	5.7%
Children's Cabinet Interagency Fund	20.1	21.4	23.0	1.6	7.4%
Juvenile Services	290.6	295.0	320.4	25.4	8.6%
Public Safety/Police	1,640.8	1,670.3	1,824.4	154.0	9.2%
Higher Education	5,358.6	5,518.1	5,796.0	277.8	5.0%
Other Education	797.7	674.7	717.7	43.0	6.4%
Transportation	1,703.1	1,745.7	1,932.2	186.5	10.7%
Agric./Nat'l. Res./Environment	407.6	424.6	466.0	41.5	9.8%
Other Executive Agencies	1,875.3	1,912.2	1,864.3	-47.8	-2.5%
Legislative	79.6	82.8	86.8	4.0	4.8%
Judiciary	463.5	492.9	518.6	25.7	5.2%
Across-the-board Cuts	-63.2	-19.4	0.0	19.4	-100.0%
State Agencies	***$17,036.5***	***$16,432.1***	***$17,232.0***	***$799.9***	***4.9%***
Deficiencies	$0.0	$281.2	$0.0	-$281.2	-100.0%
Total Operating	**$34,853.2**	**$36,391.3**	**$38,268.8**	**$1,877.5**	**5.2%**
Capital (1)	$2,430.8	$2,686.9	$3,066.5	$379.6	14.1%
– Transportation	2,025.8	2,348.7	2,694.4	345.6	14.7%
– Environment	245.6	239.9	239.2	-0.7	-0.3%
– Other	159.4	98.3	132.9	34.6	35.2%
Subtotal	***$37,284.0***	***$39,078.2***	***$41,335.3***	***$2,257.0***	***5.8%***
Reserve Funds	$55.3	$19.7	$100.0	$80.3	407.3%
Appropriations	**$37,339.3**	**$39,097.9**	**$41,435.3**	**$2,337.3**	**6.0%**
Reversions	-$67.2	-$30.3	-$30.0	$0.3	-0.9%
Grand Total	**$37,272.0**	**$39,067.7**	**$41,405.3**	**$2,337.6**	**6.0%**

(1) Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2014 working appropriation includes deficiencies, supplemental deficiencies, $287.3 million in cost containment, $51.0 million in targeted reversions, and legislative reductions to the deficiences. The fiscal 2015 appropriation includes $0.1 million in additional special funds due to funding swaps. The revised fiscal 2015 legislative appropriation reflects $70.3 million in reductions and targeted reversions approved by the Board of Public Works on July 2, 2014.

Board of Public Works Withdrawn Appropriation

On July 2, 2014, the Governor proposed and BPW adopted $77.1 million in reductions to the fiscal 2015 appropriation. The reductions include $75.9 million of general funds, $1.2 million of special funds, and the abolition of 61 vacant positions. In addition to BPW actions, the Administration is assuming $3.4 million in expected reversions.

Administration's Fiscal Actions and Proposal by Fund
Fiscal 2015
($ in Millions)

Fiscal 2015 Actions	General Funds	Special Funds	Total	Positions
July 2014 actions	$75.9	$1.2	$77.1	61
Projected reversions	3.4		3.4	
Subtotal	**$79.3**	**$1.2**	**$80.5**	**61**

General Fund Actions

BPW's July 2014 action reduces fiscal 2015 general fund spending by $75.9 million, or 0.7%. This has reduced the spending growth from 3.1% to 2.6%, over fiscal 2014.

State Agencies: State agencies are reduced by $55.4 million. Some of the larger general fund actions include:

- $19.4 million that is withdrawn from State agency budgets due largely to a $17.6 million one-time payment from the Chesapeake Employers' Insurance Company to the State Employee and Retiree Health and Welfare Benefits Fund. The payment, made in addition to $21.3 million in December 2013, reflects the amount needed to cover future Other Post-Employment Benefits health care liabilities for active and retired Injured Workers' Insurance Fund employees;
- $9.5 million due to lower foster care caseloads in the Department of Human Resources (DHR);
- $5.0 million by holding positions vacant in various agencies; and
- $3.4 million from Medicaid for rates for managed care organizations.

Higher Education: Cuts of $10.3 million were allotted to State institutions as well as the grant to private colleges and universities. Larger actions included:

- $3.4 million in facility maintenance from the University System of Maryland (USM);
- $3.0 million from the Sellinger Program, providing aid to private colleges and universities;
- $2.1 million related to the abolition of 42 positions across USM and Morgan State University (MSU); and
- $1.7 million in general operating expenses from USM, MSU, St. Mary's College of Maryland, and Baltimore City Community College.

Fund Swaps: There are $10.3 million in fund swaps, in which general funds are to be replaced with $6.0 million in special funds and $4.3 million in federal dollars. Larger items include:

- $4.3 million in the Department of Health and Mental Hygiene's (DHMH) Developmental Disabilities Administration due to local government payments for day services ($2.7 million in special funds) and additional federal matching funds ($1.6 million);
- $2.2 million in additional federal funds for DHMH's Behavioral Health Administration due to an Emergency Psychiatric Demonstration Waiver; and
- $2.0 million in special funds related to the enactment of Chapter 325 of 2014, which reauthorized fees to two oil related funds in the Maryland Department of the Environment. With the imposition of the fees, the legislative appropriation of $2.0 million in general funds was not needed.

Reversion Assumptions

- **Reversions:** A total of $3.4 million in reversions is anticipated, chiefly from the Maryland State Department of Education (MSDE) due to $2.8 million in overbudgeted funds for the Autism Waiver.

Fiscal 2016 Baseline Adjustments

In its review of the withdrawn appropriations, the Department of Legislative Services is assuming that $37.1 million in actions are one-time reductions and thus do not produce ongoing budgetary savings in fiscal 2016 and beyond. Therefore, these cuts are reflected in the fiscal 2015 working appropriation but are subsequently restored. The largest item is the $19.4 million cut to the State employee health insurance fund due to the one-time payment from the Chesapeake

Employers' Insurance Company. Most of the remainder that was restored represented savings based on holding positions vacant.

Deficiencies

The baseline budget estimates $281.2 million in potential total fund deficiencies and adjustments: $294.9 million in general funds, -$22.6 million in special funds, and $8.9 million in federal funds.

The exhibit summarizes the $294.9 million in potential general fund deficiencies and adjustments. Of the larger deficiencies shown in the exhibit:

Potential Fiscal 2015 General Fund Deficiencies and Adjustments
($ in Millions)

Health and Mental Hygiene: Medicaid enrollment and program changes ($91.9 million); Medicaid fiscal 2014 carryover deficit ($38.7 million); timing of potential restoration of Cigarette Restitution Funds due to appeal of arbitration ruling ($40.0 million); Office of Health Care Quality overspending of federal grants ($2.5 million); and other ($0.9 million)	$174.0
K-12 and Higher Education: Foundation aid support based on shortfall in the Education Trust Fund revenues ($17.2 million); Student assessment costs ($17.0 million); health manpower and statewide programs grants ($2.7 million); and other ($1.3 million)	38.2
Public Safety and Correctional Services: Overtime ($10.9 million); inmate medical contract expenses ($6.5 million); inmate food costs ($3.5 million); and other ($0.5 million)	21.4
Statewide Health Insurance Costs: Underfunding of fiscal 2015 health insurance costs ($13.8 million)	13.8
Other: Maryland Health Benefit Exchange revised funding methodology ($8.9 million); Baltimore City Convention Center State share of operating deficit ($2.2 million); Office of the Public Defender panel attorney and other case-related expenses ($1.9 million); Department of Juvenile Services overtime ($1.0 million); State Police aviation fleet and general operating expenses ($1.0 million) and other ($1.2 million)	16.2
Subtotal Deficiencies	***$263.7***
Transfer Tax Underattainment: Underattainment of transfer tax revenues that support the general fund	$31.2
Subtotal Adjustments	***$31.2***
Total Deficiencies and Adjustments	**$294.9**

- The largest source of potential deficiencies is the Department of Health and Mental Hygiene, $174.0 million, virtually all of which relates to Medicaid (see the Entitlements section of this technical supplement for additional details).

- In the Maryland State Department of Education, a projected shortfall in fiscal 2015 Education Trust Fund (ETF) revenues results in the need for an additional $17.2 million in general funds (with a corresponding decrease in special funds). Also, student assessment costs are traditionally underfunded and are expected to be so again in fiscal 2015.

- A reduction in the fiscal 2015 transfer tax estimate from $193.4 million to $162.2 million, a decrease of $31.2 million, reduces the amount of special funds available to the Department of Natural Resources' operating and pay-as-you-go capital budgets.

- In the Department of Public Safety and Correctional Services, traditional shortfalls are anticipated due to higher than budgeted overtime, medical, and food expenses.

- A shortfall of $23.0 million is anticipated in statewide health insurance costs, of which $13.8 million is general funds, with $4.6 million in each of special and federal funds. More detail on this assumption is included in the Personnel Cost Operating Assumptions section of this technical supplement.

In terms of potential deficiencies in special funds, in addition to the $4.6 million associated with statewide health insurance costs, the baseline assumes:

- over $18.8 million for a variety of expenses in the Maryland Department of Transportation including higher costs for collectively bargained salaries negotiated after the fiscal 2015 budget was finalized, higher pension costs based on actuarial assumptions, new positions, and utility costs; and

- $2.4 million for the Department of State Police for the operation of the dual aviation fleet.

However, collectively these potential special fund deficiencies are more than offset by the assumption of a withdrawal of $31.2 million in special funds from the Department of Natural Resources associated with the lower transfer tax estimates and $17.2 million in lower ETF revenues, both discussed above.

Finally, in addition to the $4.6 million associated with statewide health insurance costs, federal funds deficiencies are also anticipated elsewhere in the budget, principally various program within the Department of Human Resources ($4.1 million).

Employee Compensation Overview

With respect to State employees, the following assumptions are made:

- ***Fiscal 2016 General Salary Increase:*** The baseline assumes that a 2% general salary increase will be awarded to all State employees on July 1, 2015. The increase raises salaries $69.2 million ($44.0 million in general funds) for State agencies (excluding higher education). The baseline also assumes that higher education institutions receive a similar general salary increase, which adds $48.8 million ($31.4 million in general funds) to higher education spending.

- ***Fiscal 2016 Merit Pay Increases:*** The baseline also assumes merit pay increases in fiscal 2016. This is expected to increase State agency (excluding higher education) costs by $62.3 million ($39.6 million in general funds). This assumes that half of employees will receive their merit increase at the beginning of the fiscal year, and the other half will receive merit increases on January 1. The baseline also assumes that higher education institutions receive a similar merit increase, which adds $58.5 million ($37.7 million in general funds) to higher education spending. With respect to higher education, the assumption is that employees receive merit increases at the beginning of the fiscal year.

- ***No Annual Salary Review is Assumed:*** The fiscal 2015 budget appropriated $2.6 million ($2.5 million in general funds) for Annual Salary Reviews (ASR). This provides salary increases for nurses ($1.1 million) and direct care workers (approximately $763,000) at the Department of Health and Mental Hygiene, psychologists Statewide ($420,000), social workers at the Department of Public Safety and Correctional Services ($120,000), and other positions. The baseline budget assumes no additional ASRs and deletes these funds.

- ***Employee and Retiree Health Insurance:*** State health insurance expenditures support employee and retiree pay-as-you-go health insurance costs. The baseline budget projects that fiscal 2016 claims will total $1.48 billion. This estimate assumes that costs will increase by 6%, consistent with recent claims activity, the State's recently negotiated premium levels, and membership growth due to new positions and additional contractual positions eligible for subsidized health insurance. State agency appropriations into the fund are reduced in fiscal 2014 and 2015 in order to draw down a high fund balance. In fiscal 2014, prescription drug claims increased $44.6 million more than anticipated in the January 2014 forecast. Consequently, a $23.0 million deficiency is anticipated at the end of fiscal 2015. Compared to the fiscal 2015 legislative appropriation, fiscal 2016 State appropriations are expected to increase by $171.7 million, of which $103.0 million are general funds.

- ***Employees' Retirement and Pensions:*** Fiscal 2016 baseline expenditures increase by $96.2 million, compared to fiscal 2015 expenditures. Most of this increase ($49.6 million) is attributable to salary enhancements provided through the general salary and merit increases. Since these increases are factored into the merit and salary increases, this section does not include these increases and notes changes attributable to rate changes. The contribution rate for two of the plans, State Police and judges, decrease and the rates for the other plans increase. Specific changes to the different plans are:

- an additional \$50.0 million (\$30.0 million in general funds) for the Employees' State Retirement and Pension Systems;
- State Police retirement plan appropriations decrease by \$3.2 million (\$2.4 million in general funds);
- appropriations to the Law Enforcement Officers' Pensions System increase by \$0.5 million (\$0.3 million in general funds);
- the Teachers' Retirement Plan appropriations, for members who are State employees, increase by approximately \$1.2 million (\$0.7 million in general funds);
- higher education's portable defined benefits is reduced by \$1.4 million (\$0.9 million in general funds):
- a decrease of \$0.5 million (all general funds) for the judges' plan.

Department of Health and Mental Hygiene

The Department of Health and Mental Hygiene (DHMH) regulates Maryland's health care system, coordinates the delivery of public health services, and acts as a direct care provider. For the purposes of this section, provider reimbursements made under the Medical Care Programs Administration (Medicaid), including Medicaid Behavioral Health, are excluded from the budget information provided below and are instead discussed in the Entitlements section. Thus, for example, Medicaid payments for nursing homes and somatic health care are excluded from this discussion, while Medicaid payments for services for the developmentally disabled are included.

Expenditures, Funds, and Positions for the Department of Health and Mental Hygiene
Fiscal 2013-2016
($ in Thousands)

	FY 2013 Actual	FY 2014 Working	FY 2015 Legislative Approp.	FY 2016 Baseline	FY 2015-2016 Increase	FY 2015-2016 % Increase
Expenditures						
DHMH – Administration	$45,556	$52,877	$51,027	$54,122	$3,095	6.1%
DHMH – Office of Health Care Quality	17,182	19,065	18,881	20,046	1,165	6.2%
DHMH – Health Professional Boards and Commission	27,702	31,888	33,194	34,904	1,711	5.2%
DHMH – Public Health Administration	60,033	68,936	79,265	83,486	4,221	5.3%
DHMH – Health Systems and Infrastructure Administration	49,271	52,369	53,971	59,290	5,320	9.9%
DHMH – Prevention and Health Promotion Administration	336,789	357,066	356,989	362,646	5,656	1.6%
DHMH – Behavioral Health Administration	1,211,288	1,327,215	595,339	618,523	23,185	3.9%
DHMH – Developmental Disabilities Administration	905,012	980,529	996,522	1,076,686	80,164	8.0%
DHMH – Medical Care Programs Administration	90,777	118,292	141,619	106,957	-34,661	-24.5%
DHMH Health Regulatory Commissions	176,529	182,027	198,616	199,224	608	0.3%
Total	**$2,920,139**	**$3,190,265**	**$2,525,421**	**$2,615,885**	**$90,464**	**3.6%**
Fund						
General Fund	$1,462,488	$1,564,837	$1,281,814	$1,358,968	$77,154	6.0%
Special Fund	348,236	363,191	359,567	366,605	7,039	2.0%
Federal Fund	1,082,937	1,239,662	862,696	868,093	5,397	0.6%
Reimbursable Fund	26,479	22,575	21,345	22,219	875	4.1%
Total	**$2,920,139**	**$3,190,265**	**$2,525,421**	**$2,615,885**	**$90,464**	**3.6%**
Personnel						
Regular Positions	6,388.0	6,407.0	6,388.0	6,392.0	4.0	0.1%
Full-time Equivalent Contractuals	348.0	400.0	411.0	412.0	1.0	0.1%

DHMH: Department of Health and Mental Hygiene

Note: The exhibit does not reflect the reductions approved by the Board of Public Works on July 2, 2014.

Major Program Changes

Other than increases in personnel costs, which can be very significant in any given program based on the extent of the direct care mission of the various programs within the department, the most significant baseline changes within the various programs in DHMH are detailed below.

DHMH – Administration

The major baseline change in the DHMH – Administration budget is a $630,000 increase in funding for the first major phase in the development of the new computer system for the Board of Physicians. This increase is all in special funds.

Behavioral Health Administration

The Behavioral Health Administration's fiscal 2016 baseline budget includes one significant item, which is a decrease of $1.3 million in special funds available from the Problem Gambling Fund based on the expectation that fees will be levied on table games in addition to video lottery terminals.

Health Regulatory Commissions

Baseline changes to the Health Regulatory Commission include the removal of $500,000 in special funds reflecting start-up costs and one-time contractual items from fiscal 2015 related to the transfer to the all-payer contract (Chapter 263 of 2014).

Developmental Disabilities Administration

The following changes were made to the baseline budget of the Developmental Disabilities Administration:

- an $18.3 million increase in total funds (including $10.3 million in general funds) to account for annualization of a mid-year fiscal 2015 provider rate increase;

- a $27.2 million increase in total funds (including $15.0 million in general funds) to account for annualization of community services provided for first-time clients in fiscal 2015 that will be ongoing in fiscal 2016 as well as funding for new transitioning youth placements; and

- a $33.7 million increase in total funds (including $18.9 million in general funds) to reflect provider inflation (3.5%) associated with community service contracts as provided for under Chapter 262 of 2014.

Department of Human Resources

The Department of Human Resources (DHR) administers its programs through a State supervised and locally administered system. DHR is responsible for programs related to child and adult welfare, child support enforcement, and family investment. Spending related to cash assistance and foster care maintenance payments is discussed in the Entitlements Program section.

Expenditures, Funds, and Positions for the Department of Human Resources
Fiscal 2013-2016
($ in Thousands)

	FY 2013 Actual	FY 2014 Working	FY 2015 Leg. Approp.	FY 2016 Baseline	FY 2015-2016 Increase	FY 2015-2016 % Increase
Expenditures						
DHR – Administration	$183,278	$186,653	$185,681	$195,591	$9,910	5.3%
DHR – Social Services	298,642	292,625	293,012	317,619	24,607	8.4%
DHR – Child Support Enforcement	87,866	89,170	88,246	93,855	5,609	6.4%
DHR – Family Investment	230,482	227,288	231,648	247,327	15,679	6.8%
DHR – Office of Home Energy Programs	132,067	163,094	142,265	142,403	138	0.1%
Total	**$932,335**	**$958,830**	**$940,851**	**$996,795**	**$55,943**	**6.0%**
Fund						
General Fund	$372,296	$336,990	$330,745	$355,375	$24,630	7.5%
Special Fund	81,215	98,737	96,833	97,850	1,017	1.1%
Federal Fund	478,825	523,103	511,888	542,075	30,187	5.9%
Reimbursable Fund	0	0	1,385	1,495	110	8.0%
Total	**$932,335**	**$958,830**	**$940,851**	**$996,795**	**$55,943**	**6.0%**
Personnel						
Regular Positions	6,529.0	6,529.0	6,487.0	6,532.0	45.0	0.7%
Full-time Equivalent Contractuals	99.0	83.0	83.0	83.0	0.0	0%

Note: The exhibit does not reflect the reductions approved by the Board of Public Works on July 2, 2014.

Administration

The fiscal 2016 baseline for DHR – Administration includes several changes related to information technology spending:

- the Enterprise Content Management System is moved from the Major Information Technology Development Program (MITDP) into operations and maintenance; as a result, general funds budgeted elsewhere while in the MITDP, are included in DHR – Administration, and overall operations and maintenance costs are expected to increase in fiscal 2016, a net increase of $1.7 million in DHR's budget; and

- two major information technology development projects, a total increase of $886,500, for the Automated Financial System project as it moves into implementation and one new MITDP project, which is expected to begin the planning phase in fiscal 2016 (similar increases occur for these projects in the Department of Information Technology).

Department of Public Safety and Correctional Services

The Department of Public Safety and Correctional Services (DPSCS) is a unit of State government whose primary focus is the supervision and management of Maryland's criminal population. The department's primary functions include the operation of State correctional and Baltimore City pretrial facilities, as well as the supervision of offenders in the community via parole and/or probation. The other agencies within the department include the Office of the Secretary, the Maryland Parole Commission, the Inmate Grievance Office, the Police and Correctional Training Commissions, the Criminal Injuries Compensation Board, and the Maryland Commission on Correctional Standards.

Expenditures, Funds, and Positions for the Department of Public Safety and Correctional Services

Fiscal 2013-2016
($ in Thousands)

	FY 2013 Actual	FY 2014 Working	FY 2015 Leg. Approp.	FY 2016 Baseline	FY 2015-2016 Increase	FY 2015-2016 % Increase
Expenditures						
DPSCS – Administration	$246,396	$273,121	$272,141	$283,238	$11,097	4.1%
DPSCS – Maryland Parole Commission	5,682	5,758	5,982	6,193	210	3.5%
DPSCS – Inmate Grievance Office	862	942	997	1,053	56	5.7%
DPSCS – Police and Correctional Training Commissions	8,933	9,493	9,157	10,042	885	9.7%
DPSCS – Criminal Injuries Compensation Board	3,765	4,358	5,033	5,145	111	2.2%
DPSCS – Maryland Commission on Correctional Standards	576	547	576	618	42	7.3%
DPSCS Operations	1,001,110	1,064,568	1,025,203	1,144,663	119,460	11.7%
Total	**$1,267,324**	**$1,358,786**	**$1,319,089**	**$1,450,952**	**$131,863**	**10.0%**
Fund						
General Fund	$1,090,008	$1,169,600	$1,145,136	$1,271,487	$126,351	11.0%
Special Fund	141,013	156,281	140,634	143,502	2,868	2.0%
Federal Fund	25,856	26,070	27,293	29,502	2,209	8.1%
Reimbursable Fund	10,447	6,835	6,026	6,460	435	7.2%
Total	**$1,267,324**	**$1,358,786**	**$1,319,089**	**$1,450,952**	**$131,863**	**10.0%**
Personnel						
Regular Positions	10,959.0	10,955.0	10,901.0	11,002.0	101.0	0.9%
Full-time Equivalent Contractuals	303.0	398.0	393.0	393.0	0.0	0%

DPSCS: Department of Public Safety and Correctional Services

Note: The exhibit does not reflect the reductions approved by the Board of Public Works on July 2, 2014.

Administration

Significant administrative adjustments in the fiscal 2016 baseline for the Master Equipment Lease Purchase Program are as follows:

- an anticipated $1.3 million increase for personal computer equipment;
- an anticipated $338,000 increase for dietary equipment; and
- a $1.3 million decrease for information technology equipment.

Additionally, the fiscal 2016 baseline decreases special funds by $850,000 for the conclusion of the Enterprise Resource Planning Implementation Project for the Maryland Correctional Enterprises per the Major Information Technology Development Projects schedule.

DPSCS – Operations

The baseline for fiscal 2016 includes a variety of adjustments pertaining to the operations branch of the department, with the majority addressing operations within the correctional and detention facilities.

Facility Operations

The fiscal 2016 baseline adds $3.6 million in general funds for operation of the second phase of minimum security housing at the Dorsey Run Correctional Facility, scheduled to open in late fiscal 2016. Salaries and wages for 109 full-time correctional officers and custodial staff total $3.0 million. The remaining $600,000 is for equipment, supplies and materials, motor vehicle operations, fuel and utilities, travel, and communications.

The baseline budget also adds $4.6 million in general funds to fund an additional 100 correctional officer positions. The positions are in response to language included in the fiscal 2015 operating budget expressing legislative intent for DPSCS to add 100 positions annually, beginning in fiscal 2016, until the department has successfully added 523 additional positions.

The baseline budget additionally includes $4.9 million in general funds for inmate medical expenses. Fiscal 2014 actual spending on inmate medical purchases exceeds the fiscal 2015 appropriation by $1.1 million. The estimated increase reflects a 2.8% increase over the fiscal 2015 baseline estimate, based upon the terms of the existing dental, mental health, pharmacy, and medical contracts.

Additionally, the baseline budget adds a $2.6 million general fund increase in fiscal 2016 for inmate food purchases. Fiscal 2014 actual spending on inmate food purchases exceeds the fiscal 2015 appropriation by approximately $1.1 million. In addition, the department has seen food costs rise by 9.9% and 7.2% over the past two fiscal years. The estimated increase reflects an 8.0% increase over the fiscal 2015 baseline estimate.

The baseline budget for fiscal 2016 also includes $506,000 for overtime costs, $492,000 of which is general funds. Fiscal 2014 actual overtime expenditures across the department exceed the current fiscal 2014 appropriation by approximately $9.9 million. Additionally, overtime costs for fiscal 2016 are expected to increase by 3.5% over fiscal 2014 costs as a result of the 3.0% cost-of-living adjustment (COLA) provided in January 2014 and the 2.0% COLA to be provided in January 2015.

Lastly, the baseline budget includes $520,000 for maintenance of the cell phone managed access systems being installed at the Baltimore Central Booking and Intake Center and the Maryland Reception, Diagnostic, and Classification Center in fiscal 2015.

Community Supervision

The fiscal 2016 baseline includes a $1 million general fund appropriation for the Drinking Driver Monitor Program (DDMP). The DDMP operations are typically supported through special fund revenue generated from monthly fees paid by participants. Fiscal 2014 actual expenditures and fiscal 2015 spending estimates indicate that the DDMP revenues are inadequate to continue to fully support program operations. As such, a $654,000 cash balance that existed at the beginning of fiscal 2014 is anticipated to be exhausted by the end of fiscal 2015, and general fund support will be required to maintain the existing level of program operations in fiscal 2016.

Maryland Department of Transportation

The Maryland Department of Transportation (MDOT) is responsible for statewide transportation planning and the development, operation, and maintenance of key elements of the transportation system. It is involved in all modes of transportation within the State, including owning and operating the Baltimore-Washington International Thurgood Marshall Airport, Martin State Airport, and the public terminals at the Port of Baltimore; constructing and maintaining State roads; regulating and licensing drivers and vehicles; and operating bus and rail transit systems.

MDOT is funded through the Transportation Trust Fund, a nonlapsing special fund account whose revenue sources include motor fuel tax receipts, titling tax revenues, vehicle registration fees, a portion of the State's corporate income and sales tax, revenues generated by the individual modes, and proceeds from the sale of bonds.

This section discusses MDOT's operating budget. Debt service, local highway user revenue and transit grants, and capital programs are discussed elsewhere in this report. Changes in the baseline operating budgets of the individual modes are discussed in more detail below.

Expenditures, Funds, and Positions for the Maryland Department of Transportation
Fiscal 2013-2016
($ in Thousands)

	FY 2013 Actual	FY 2014 Working	FY 2015 Leg. Approp.	FY 2016 Baseline	FY 2015-2016 Increase	FY 2015-2016 % Increase
Expenditures						
MDOT – The Secretary's Office	$72,256	$81,341	$83,819	$85,855	$2,036	2.4%
MDOT – WMATA – Operating Budget	263,690	286,400	285,621	320,000	34,379	12.0%
MDOT – State Highway Admin.	251,994	229,123	247,133	297,626	50,493	20.4%
MDOT – Maryland Port Admin.	42,157	47,870	48,592	49,999	1,407	2.9%
MDOT– Motor Vehicle Admin.	171,344	190,048	195,127	208,715	13,588	7.0%
MDOT – Maryland Transit Admin.	665,844	699,713	709,862	792,752	82,891	11.7%
MDOT – Maryland Aviation Admin.	171,122	179,556	180,314	185,583	5,269	2.9%
Total	**$1,638,407**	**$1,714,052**	**$1,750,468**	**$1,940,530**	**$190,062**	**10.9%**
Fund						
Special Fund	$1,565,598	$1,616,891	$1,658,047	$1,847,142	$189,095	11.4%
Federal Fund	72,396	97,161	92,421	93,388	967	1.1%
Reimbursable Fund	412	0	0	0	0	0%
Total	**$1,638,407**	**$1,714,052**	**$1,750,468**	**$1,940,530**	**$190,062**	**10.9%**
Personnel						
Regular Positions	7,039.0	7,053.0	7,429.0	7,429.0	0.0	0%
Full-time Equivalent Contractuals	106.0	111.0	28.0	28.0	0.0	0%

Note: The exhibit does not reflect the reductions approved by the Board of Public Works on July 2, 2014.

Washington Metropolitan Area Transit Authority

The operating grant subsidy for the Washington Metropolitan Area Transit Authority increases by $34.4 million, or 12%, in fiscal 2016. This increase is due to escalating operating costs for personnel, paratransit services, and other formula-driven costs for bus and rail services that are not paid from farebox revenues. The increase is based on the department's assumed grant level in its draft forecast.

State Highway Administration

The fiscal 2016 baseline budget assumes winter maintenance funding at the five-year average level of $89.2 million, which is a $38.4 million increase over the amount budgeted in fiscal 2015. The fiscal 2016 baseline also includes an increase of $4.0 million in summer contractual maintenance activities to restore reductions made as part of prior cost containment actions.

Motor Vehicle Administration

The fiscal 2016 baseline budget for the Motor Vehicle Administration includes a $1,000,000 increase mainly due to changes in contractual expenses related to system support and consulting services.

Maryland Transit Administration

The fiscal 2016 baseline budget for the Maryland Transit Administration includes the following adjustments:

- $19.0 million for paratransit services reflecting new contracts;

- $19.0 million for union salary increases likely to result from negotiations currently underway on the contract to replace the contract that ended June 30, 2014;

- $5.6 million in additional union pension system contributions based on the actuarial estimate; and

- $2.0 million to reflect increases in diesel fuel cost and usage for the Maryland Area Regional Commuter.

Maryland Aviation Administration

An adjustment of $1.5 million was made to reflect an increase in contractual services related to the opening of the B/C Connector at Baltimore-Washington International Thurgood Marshall Airport.

Higher Education – State Colleges and Universities

The baseline budget is comprised of estimated current unrestricted and restricted expenditures for the University System of Maryland (USM), Morgan State University (MSU), St. Mary's College of Maryland (SMCM), and Baltimore City Community College (BCCC). Expenditures are based on estimated mandatory costs and are funded by various revenue sources including general funds, the Higher Education Investment Fund (HEIF), tuition and fees, and other unrestricted and restricted fund sources such as the sale of auxiliary and educational services and grants and contracts at each institution. The following table shows total State support for USM institutions, MSU, SMCM, and BCCC.

Expenditures, Funds, and Positions for Higher Education
Fiscal 2013-2016
($ in Thousands)

	FY 2013 Actual	FY 2014 Working	FY 2015 Leg. Approp.	FY 2016 Baseline	FY 2015-2016 Increase	FY 2015-2016 % Increase
Expenditures						
Morgan State University	$211,340	$218,516	$223,700	$230,373	6,673	3.0%
St. Mary's College of Maryland	66,599	76,624	73,134	75,118	1,984	2.7%
University of Maryland (UM), Baltimore	1,023,297	1,078,034	1,090,020	1,146,883	56,863	5.2%
UM, College Park	1,716,727	1,813,656	1,878,148	2,003,565	125,417	6.7%
Bowie State University	102,409	109,552	113,630	118,194	4,563	4.0%
Towson University	412,983	441,563	454,214	471,592	17,379	3.8%
UM Eastern Shore	124,592	135,998	138,924	144,489	5,565	4.0%
Frostburg State University	100,666	107,036	110,161	116,567	6,406	5.8%
Coppin State University	83,353	88,034	91,657	94,793	3,136	3.4%
University of Baltimore	137,706	135,232	137,463	148,997	11,534	8.4%
Salisbury University	165,220	173,972	179,818	188,854	9,037	5.0%
UM University College	403,885	437,892	443,198	456,577	13,378	3.0%
UM Baltimore County	368,389	390,848	405,459	427,083	21,624	5.3%
UM Center for Environmental Science	46,194	45,696	46,768	49,055	2,287	4.9%
University System of Maryland Office	28,156	31,161	32,099	33,083	984	3.1%
Baltimore City Community College	80,630	97,122	91,501	90,731	-770	-0.8%
Total	**$5,072,147**	**$5,380,939**	**$5,509,892**	**$5,795,952**	**$286,060**	**5.2%**
Fund						
Unrestricted Fund	$3,797,504	$4,060,832	$4,178,526	$4,401,121	$222,596	5.3%
Restricted Fund	1,274,643	1,320,107	1,331,366	1,394,831	63,464	4.8%
Total	**$5,072,147**	**$5,380,939**	**$5,509,892**	**$5,795,952**	**$286,060**	**5.2%**
Personnel						
Regular Positions	24,967.0	25,366.0	25,282.0	25,572.0	290.0	1.2%
Full-time Equivalent Contractuals	6,516.0	6,169.0	6,208.0	6,163.0	-45.0	-0.7%

Note: The exhibit does not reflect the following fiscal 2015 adjustments: cost-of-living adjustment, addition of flex positions, and reductions approved by the Board of Public Works on July 2, 2014.

USM and MSU

- Total mandatory costs increase by an estimated $281.3 million for USM, which includes current unrestricted (primarily, State funds and tuition and fee revenue) and restricted funds.

- The baseline budget provides the State funding (comprised of general funds and the HEIF) portion of USM's mandatory costs. In fiscal 2016, the State funding portion of mandatory costs is estimated to increase $129.3 million, or 10.4%, over fiscal 2015. This includes increases for personnel, new facilities, normal enrollment growth, and other operating costs.

- Mandatory costs total an estimated $8.4 million increase for MSU. The State funding portion of MSU's mandatory costs is estimated to increase by $6.1 million, or 7.1%, over fiscal 2015. This includes increases for personnel, normal enrollment growth, and other operating costs.

- The fiscal 2015 cost-of-living adjustment (COLA) was annualized and, in fiscal 2016, a 2.0% COLA was assumed for USM and MSU totaling $24.4 million and $48.8 million, respectively. Of this amount, $15.7 million and $31.4 million of the annualized and fiscal 2016 COLA, respectively, were presumed to be State funds. The remaining portion was assumed to be restricted funds. Following current budgeting practice, the unrestricted fund portion of the COLAs is presumed to be funded entirely with State funds.

- In fiscal 2016, a salary increment totaling $58.7 million was assumed for USM and MSU. Of this amount, $37.7 million was presumed to be State funds, and the remaining portion was comprised of other current unrestricted and restricted funds. The State-funded portion of the increment was calculated by using a ratio determined by the Department of Budget and Management which varies by institution and assumes that, on average, the State funds 75% of the total cost of increments. The remaining portion of the increment attributed to other current unrestricted and restricted funds was determined by calculating, for each institution, the portion those funds comprise of all funds.

- For the remaining mandatory cost increases, the Department of Legislative Services (DLS) calculates the portion of State funds, other current unrestricted funds, and restricted funds that comprise total funds and applies those percentages to the total increase in costs for each institution.

- Resident undergraduate enrollment growth accounts for $13.7 million of the total increase in mandatory costs, of which $13.0 million and $0.7 million are attributed to USM and MSU, respectively. The cost of enrollment growth was calculated by multiplying the budgeted fiscal 2015 enrollment by the fiscal 2015 to 2016 growth rate projected by the Maryland Higher Education Commission (MHEC). The estimated fiscal 2016 enrollment was multiplied by a per-student funding rate, which is based on USM's fiscal 2009 rate that has been inflated by the three-year Higher Education Price Index average.

- In the past, USM proposed its tuition rate plan before the baseline budget was calculated. In the absence of this information, DLS has assumed a 4.0% increase in undergraduate resident tuition, a 3.0% increase in nonresident tuition, and a 3.0% increase in fees in order to cover estimated mandatory costs. Based on this assumption, it was calculated that undergraduate tuition and fee revenues net of revenue toward institutional aid will increase 3.4%, or $41.9 million (net of revenue toward institutional aid).

- For MSU, undergraduate tuition and fee revenues are estimated to increase $1.7 million, or 4.3% (net of revenue toward institutional aid), based on the assumption of a 4.0% increase in undergraduate resident, a 3.0% increase in nonresident tuition, and a 3.0% increase in fees.

- Of the $41.9 million in USM undergraduate tuition and fee revenues, $15.4 million is attributable to new enrollments, which was based on each institution's projected enrollment growth and the projected fiscal 2016 resident and nonresident tuition and fee rate. For MSU, $0.7 million of the $1.7 million of undergraduate tuition and fee revenues is attributable to new enrollments.

- Graduate tuition and fee revenues for USM institutions and MSU are estimated to increase by $11.3 million and $0.3 million, respectively, assuming a 3.0% increase in tuition and fees at USM and a 4.5% increase at MSU.

- Other current revenues are estimated to increase by $46.0 million for USM, institutions, assuming auxiliary and other sources increase 3.0%.

- Other current revenues are estimated to increase by $1.1 million for MSU assuming auxiliary and other sources increase by 3.0%.

SMCM

- SMCM receives State support through a statutory formula that increases the working appropriation by the funds required to offset inflation as determined by the implicit price deflator for State and local government. The implicit price deflator is estimated to be 2.28% in fiscal 2016. General funds through this formula for SMCM are expected to increase 2.3%, or $0.5 million. This increase assumes the $1.5 million SMCM Stabilization Grant, which was originally budgeted within MHEC, will be transferred to SMCM in fiscal 2015 and inflate with the base formula in fiscal 2016.

- Beginning in fiscal 2013, SMCM was authorized to receive a fixed $0.4 million from the HEIF to use in its funding formula. Due to Chapter 563 of 2013, SMCM received an additional $2.2 million in 2015 to support a tuition freeze and expand certain financial aid programs. Support for the financial aid program will increase in fiscal 2016 per legislation, while the tuition freeze funding inflates with the general fund formula. The total special fund increase is about $0.3 million.

BCCC

- General funds for BCCC are determined by a statutory formula that takes into account enrollment and State support for selected public four-year institutions. In fiscal 2016, BCCC will receive either 58.0% of funds per full-time equivalent student (FTES) that the selected public four-year institutions receive per FTES or the prior year's appropriation, whichever is higher. In fiscal 2016, per-FTES funding is estimated to be $6,862.08 using the 58.0% calculation, for a total of $39.5 million. This is a decrease of $1.4 million, or 3.4%, from fiscal 2015. Hold harmless funding is necessary to make the fiscal 2016 appropriation equal to the fiscal 2015 appropriation of $40.9 million.

- BCCC also receives funding through the English for Speakers of Other Languages Program, estimated at $1.0 million in fiscal 2016.

Other State Agencies

B75A01 General Assembly of Maryland

The General Assembly of Maryland's fiscal 2016 baseline increases by $517,785 in general funds for salary and travel costs related to the General Assembly Compensation Commission Resolution that became effective at the end of the 2014 session.

C00A Judiciary

The Judiciary is composed of four courts and six agencies, which support the administrative, personnel, and regulatory functions of the Judicial Branch of government. The four courts are the Court of Appeals, Court of Special Appeals, circuit courts, and the District Court. The fiscal 2016 baseline budget is primarily driven by the following adjustments:

- consistent with Joint Resolution 5 of 2012, judicial salaries are to increase by roughly 3% for all judges in fiscal 2016. These changes have all been calculated into the baseline for a total increase of $1.3 million in general funds. Furthermore, the salaries of the Public Defender, State Prosecutor, and Workers' Compensation Commissioners are all tied to the judicial salary schedule, and the appropriate adjustments have been made within their respective baseline projections;

- consistent with the judicial certification of need introduced during the 2014 session, it is projected that the Judiciary will request an additional five circuit court and two District Court judges during the 2015 session. These judgeships, as well as support positions and operational funds, have been included and constitute a $2.0 million increase in general funds in fiscal 2016; and

- approximately $1.8 million in general funds have been removed for the one-time cost of Court Smart technology that the Judiciary purchased in fiscal 2015 due to the *Richmond* case.

C81C Office of the Attorney General

The Attorney General acts as legal counsel to the Governor; General Assembly; Judiciary; and all departments, boards, and commissions. The Office of the Attorney General represents the State in all matters of interest to the State, including civil litigation and criminal appeals in all State and federal courts. The fiscal 2016 baseline budget is driven by a decrease of $5.6 million in special funds from the Mortgage Loan Servicing Practices Settlement Fund due the scheduled end of the program after three years.

C90G00 Public Service Commission

The Public Service Commission (PSC) regulates gas, electric, telephone, water, sewage disposal, and certain for-hire passenger transportation companies doing business in Maryland. An increase of $1.0 million was provided in fiscal 2015 to provide additional consultant services needed as a result of the review of the transaction between Exelon Corporation and Pepco Holdings, Inc. This funding carries forward into fiscal 2016 to provide a level of consultant services spending closer to the three-year average of spending in this area. Major changes made to the fiscal 2016 baseline:

- decrease the amount for grants to non-State agencies receiving funds from the Customer Investment Fund created as a condition of the approval of the merger between Exelon Corporation and Constellation Energy Group consistent with the anticipated fiscal 2016 allocations, providing a total of $19.1 million;

- eliminate Strategic Energy Investment Funds (SEIF) for consultant services provided to PSC in Chapter 3 of 2013 (Maryland Offshore Wind Energy Act), a decrease of $2.0 million; and

- increase fiscal 2015 funding for consultant services needed in the review of the Pepco Holdings, Inc. and Exelon Corporation merger, an increase of $1.0 million.

D12A02 Department of Disabilities

For the Department of Disabilities, the baseline assumes a $2.8 million increase in federal funds for the federal PROMISE grant, a multi-year federal grant with the goal of increasing the educational attainment and employment of individuals to improve self-sufficiency and reduce their reliance on State and federal resources.

D13A13 Maryland Energy Administration

The Maryland Energy Administration (MEA) is an independent unit of State government created, in part, to promote the conservation and efficient use of energy, and to evaluate and coordinate energy-related policies and activities among State and local agencies.

The primary funding source for MEA is the SEIF. The SEIF is primarily composed of Regional Greenhouse Gas Initiative carbon dioxide emission allowance auction proceeds. In calendar 2014, the allowance cap was reduced by an additional 2.5% annually. In calendar 2015, the allowance cap will also be reduced by a portion of banked allowances. The fiscal 2016 allowance assumes an allowance price of $5.50. Adjustments to the fiscal 2016 baseline also result from the planned use of the SEIF fund balance in fiscal 2015 providing higher funding in that year than might otherwise occur. Adjustments to the fiscal 2016 baseline for MEA related to the SEIF:

- decreases available funding for low- and moderate-income energy efficiency by $4.2 million, providing total SEIF for this purpose of $6.4 million;

- increases available funding for general energy efficiency projects by $1.0 million, after accounting for the fiscal 2015 transfer of $1.5 million of the SEIF to the Department of Housing and Community Development for the Net Zero Homes Program as required in fiscal 2015 budget bill language. This provides total SEIF funding for this purpose of $3.2 million; and

- decreases available funding for renewable and clean energy, climate change, and resiliency programs by $12.1 million.

Other changes in MEA's fiscal 2016 baseline are:

- decreases in the funds available to MEA from the Customer Investment Fund created as a condition of the approval of the merger between the Exelon Corporation and the Constellation Energy Group, from $5.9 million to $3.3 million consistent with the anticipated allocation; and

- eliminates one-time funds available for fast electric vehicle charging stations ($1.3 million).

D18A18 Governor's Office for Children and Children's Cabinet Interagency Fund

In the Children's Cabinet Interagency Fund, an adjustment was made to replace $1.6 million of the nonbudgeted funds (NBF) in the fiscal 2015 budget with general funds in fiscal 2016. The NBFs were accrued funds for support services that had accumulated in fund balances by local agencies in prior years. All accrued prior year NBFs will be expended by the end of fiscal 2015, and the local agencies are expected to receive only general funds in fiscal 2016 and thereafter.

D28A03 Maryland Stadium Authority

The Maryland Stadium Authority manages facilities for professional baseball and football teams and studies, constructs, and finances other projects such as convention centers. The baseline includes updated debt service payments for the Ocean City Convention Center (OCCC), the Montgomery County Conference Center, and the Hippodrome Performing Arts Center. The debt service for the Baltimore City Convention Center (BCCC) was retired in fiscal 2015. Additionally, the baseline assumes updated estimates of the State's share of the operating deficits for the BCCC and the OCCC.

D38I01 State Board of Elections

The State Board of Elections (SBE) supervises and manages elections and ensures compliance with State and federal elections laws. The fiscal 2016 baseline accounts for changes related to the ongoing implementation of the new optical scan voting system, including;

- the initial lease payments for the optical scan system, ballot marking devices, and ballot on demand printers ($3.0 million in special funds, with equivalent spending in the Department of Information Technology (DoIT));

- the purchase of related equipment, such as voting booths and carts, not anticipated to be eligible for a capital lease ($2.9 million in special funds, with equivalent spending in DoIT);

- the associated software licenses, vendor support, and ballot printing ($2.7 million in total funds split equally between general and special funds);

- the elimination of costs associated with the touchscreen system project management ($1.1 million in total funds split equally between general funds and special funds); and

- an increase in costs for DoIT oversight for the project (an increase of $291,054 in special funds, with equivalent spending in DoIT).

The remaining major change in the fiscal 2016 baseline for SBE is an increase ($963,315 in total funds split equally between general and special funds) for certain contractual services and supplies associated with an election, which were not required in fiscal 2015 due to funds available from fiscal 2014, which will be required as a result of the Presidential Primary in fiscal 2016.

D53T00 Maryland Institute for Emergency Medical Services Systems

The Maryland Institute for Emergency Medical Services Systems oversees and coordinates all components of the State's emergency medical services systems. Major changes to the 2016 baseline budget are as follows:

- an increase of $1.7 million in special funds for the Metropolitan Medical Response System grant; and
- a decrease of $8.6 million in special funds to back out one-time expenditures in fiscal 2015 for the communication system upgrade and renovation (Chapter 429 of 2013); this project includes $37,500 in special fund expenditures in fiscal 2016 for the fourth year of the project.

D60A10 State Archives

The State Archives' fiscal 2016 baseline increases by $907,000 in special funds due to a fiscal 2015 budget amendment to be used for a new Archives building. Costs will partially carry over into fiscal 2016.

D78Y01 Maryland Health Benefit Exchange

Although the fiscal 2016 baseline budget does not anticipate significant changes to total funding for the Maryland Health Benefit Exchange (MHBE), it is expected that general fund support for the exchange will be eliminated and that the exchange will instead be supported through a combination of special funds and federal funds only. Accordingly, the baseline budget for the MHBE anticipates a $15.5 million reduction in general funds. This reduction, coupled with an anticipated $6.3 million reduction in federal funds, is offset by a $21.9 increase in special funds.

D79Z02 Maryland Health Insurance Plan

The Maryland Health Insurance Plan (MHIP) administers the State's health insurance policy of last resort and the Senior Prescription Drug Assistance Program, which provides a limited prescription drug subsidy for seniors on Medicare. Members formerly covered through health insurance plans administered by MHIP are now able to access insurance products through the Maryland Health Benefit Exchange. The fiscal 2016 baseline budget anticipates a reduction in spending based on the continued transition of MHIP members into coverage through the Maryland Health Benefit Exchange. MHIP coverage run-out is expected to be complete in early fiscal 2016.

D80Z01 Maryland Insurance Administration

The Maryland Insurance Administration is an independent State agency that regulates Maryland's insurance industry and enforces the State's insurance laws. A reduction of approximately $1.4 million was made in the fiscal 2016 baseline budget to reflect the progress in updating the Enterprise Complaint Tracking System, a browser-based document management system intended to improve the agency's complaint resolution efficiency percentages.

E75D State Lottery Agency

The State Lottery Agency is responsible for administering and operating lottery games that generate revenue for the State and for regulating the gaming industry. Under regular lottery operations, the baseline reflects a small increase in the contracts for the online lottery games and instant ticket game vendors. Additionally, the baseline reflects the termination of payments for the equipment lease for instant ticket machines.

The fiscal 2016 baseline also reflects changes to the video lottery terminal (VLT) and gaming program as enacted by Chapter 1 of the second special session of 2012. Specifically, the baseline reflects costs associated with VLTs for only two facilities. This cost is reduced significantly from the fiscal 2015 budget due to the change in ownership of the majority of VLTs from State ownership to facility ownership in March 2015. The baseline also reflects the additional costs of a sixth gaming facility to open in early fiscal 2017. The costs ($722,670) include an increase in lottery agency personnel for early licensing and regulatory responsibilities for the facility in Prince George's County.

F10A Department of Budget and Management

The Department of Budget and Management (DBM), in coordination with the Governor and State agencies, develops the State's annual capital and operating budgets. It also oversees statewide personnel issues such as the employee health insurance program and administrative functions like recruitment and procurement.

Major adjustments relate to appropriations centrally budgeted in DBM's Statewide Expenses Program that have been subsequently transferred to other State agencies to whom the funds were ultimately destined. These reductions, which are the most significant made in the DBM budget, are:

- $52.3 million, of which $39.0 million is general funds, to provide State employees' a general salary increase;

- $31.7 million attributable to a one-time employee and retiree health insurance fund appropriation, of which $20.8 million is general funds; and

- $2.7 million for the Annual Salary Review, of which $2.5 million is general funds.

F50 DoIT

DoIT provides information technology (IT) leadership to manage State IT resources. DoIT's fiscal 2016 baseline budget adjustments relate to major IT projects funded by the Major Information Technology Development Project Fund (MITDPF) and major IT projects managed by DoIT for DBM. The MITDPF adjustments are:

- rebuilding the cost of currently approved projects by reducing general funds by $5.0 million to reflect cash flow changes in statewide major IT projects;

- rebuilding the funding for the purchase of Public Safety Communications System equipment. DoIT advises that general fund costs are expected to increase by $2.6 million and special funds to decline $0.8 million; and

- $1.6 million in general funds to support maintenance of the Maryland First Responders Interoperability Radio System Team, a public safety communications system.

DoIT is also managing three IT projects for DBM. The baseline adjusts the cash flow of these projects. The adjustments made are:

- To increase special funds for the Central Collection Unit project by $2.0 million;

- To reduce the reimbursable funds appropriated for the Statewide Personnel System project by $5.2 million. Approximately 88% of the appropriation is supported by general funds. Consequently, the baseline assumes that approximately $4.6 million of the baseline appropriation is supported by general funds; and

- to add $5.0 million for the Enterprise Budgeting System.

K00A Department of Natural Resources

The Department of Natural Resources manages the protection, enhancement, and use of the State's natural resources. The fiscal 2016 baseline includes two fund swaps. The first fund swap is a reduction of $1.2 million in transfer tax special funds that were allowed for Program Open Space administration in the Land Acquisition and Planning Program under

Chapter 425 of 2013 (Budget Reconciliation and Financing Act (BRFA)) and replacement with general funds. The second fund swap is a reduction of $6.8 million in transfer tax special funds and replacement with general funds for the Maryland Park Service due to a reduction in the transfer tax revenue available from $30.2 million in fiscal 2015 to $23.3 million in fiscal 2016. The baseline also assumes the following net change adjustments:

- **Chesapeake and Atlantic Coastal Bays 2010 Trust Fund –** an increase of $9.4 million in special funds in Watershed Services for a total of $48.9 million to reflect funding of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund based on estimated revenues from the motor fuel tax and short-term rental vehicles tax and a Chapter 397 of 2011 (BRFA) provision transferring $4.6 million of the revenues to the general fund in fiscal 2016; and

- **Forest or Park Reserve Fund –** a net increase of $1.3 million in general funds for the Forest Service as a result of a provision in Chapter 464 of 2014 (BRFA), which reduced funding available to the Forest Service by establishing a specified mandated appropriation to the Maryland Park Service from Maryland Park Service-sourced revenues collected in the Forest or Park Reserve Fund beginning in fiscal 2016.

L00A Maryland Department of Agriculture

The Maryland Department of Agriculture administers and promotes agricultural services and activities throughout the State. The fiscal 2016 baseline includes the following adjustments:

- **Maryland Agricultural and Resource-Based Industry Development Corporation –** an increase of $1.1 million in general funds in the Maryland Agricultural and Resource-Based Industry Development Corporation to reflect the end of a provision in Chapter 464 of 2014 (BRFA), which raises the funding level from $2,875,000 in fiscal 2015 to $4,000,000 in fiscal 2016; and

- **Tobacco Settlement Program –** an increase of $0.5 million in Cigarette Restitution Fund special funds in order to reflect the projected $3.8 million scheduled repayment of general obligation bond issuances in fiscal 2016.

P00 Department of Labor, Licensing, and Regulation

The Department of Labor, Licensing, and Regulation is responsible for administering programs related to business regulation, worker safety, occupational and professional licensing, workforce development, and unemployment insurance. The fiscal 2016 baseline reflects the costs associated with new legislation that expands enforcement of minimum wage regulations (Chapter 411 of 2014). The baseline also assumes increases in the funds related to the State's VLT program. Specifically, special funds are increased for local impact aid and horse racing purse enhancements. However, funds for racetrack redevelopment are expected to decline in fiscal 2016 due to a change in the distribution of VLT revenues under Chapter 1 of the second special session of 2012. Finally, the fiscal 2016 baseline reflects an increase in federal funds due to an ongoing upgrade of the IT systems for the department's unemployment insurance program.

R00A01 Maryland State Department of Education Headquarters

The Maryland State Department of Education coordinates the State's K-12 education policies. The fiscal 2016 baseline budget includes:

- $17.0 million in general funds for student assessment costs;

- acknowledgement of an additional $22.6 million in fiscal 2015 federal Race to the Top (RTTT) revenue, processed by budget amendment, available to complete all RTTT projects due to delays in expending the funds in fiscal 2014. All federal RTTT revenue is removed from the fiscal 2016 baseline to reflect termination of the grant in fiscal 2015; however, an additional $5.0 million in general funds is included in fiscal 2016 to provide ongoing support and maintenance for projects implemented with RTTT funding;

- additional funding for new legislation, which totals $1.5 million in fiscal 2015 and $5.0 million in fiscal 2016. Chapter 568 of 2014 established the Summer Career Academy Pilot Program, which has an estimated fiscal impact of $1.3 million in general funds in fiscal 2015 and $2.6 million in fiscal 2016. Chapter 606 of 2014 requires the establishment of a Deaf Culture Digital Library, with ongoing general fund expenditures totaling $235,000, beginning in fiscal 2015. Chapter 498 of 2014 requires a specified amount of funding, estimated to be $2.4 million in fiscal 2016, be dedicated to the Maryland Library for the Blind and Physically Handicapped; and

- within the Division of Early Childhood Development, a $2.0 million federal fund reduction for IT projects based on the implementation schedule and the replacement of $10.0 million in federal fund balance used for the child care subsidy program in fiscal 2015 with general funds in fiscal 2016.

R62I Maryland Higher Education Commission

The Maryland Higher Education Commission (MHEC) is the State's coordinating body for the 13 campuses of the University System of Maryland, Morgan State University, St. Mary's College of Maryland, 16 community colleges, and the State's private colleges and universities.

The total MHEC administrative budget decreases $3.0 million. Adjustments to the fiscal 2016 baseline budget include the following:

- an increase of $6.0 million in general funds for the Sellinger Program for private institutions to reflect funding at 9.5% of the current year appropriation to select public four-year institutions on a per-student basis;

- a decrease of $1.5 million in general funds to reflect legislative intent that the St. Mary's College of Maryland Stabilization Grant be transferred to the college and to henceforth be budgeted in the college; and

- a decrease of $7.5 million in special funds to reflect the phasing out of the revenue source for the Nursing Support Program II.

Financial aid programs were adjusted upward 5% to reflect an assumed 5% tuition increase for undergraduates at public institutions. Overall, MHEC's financial aid spending increases by $5.9 million. The largest program, Educational Excellence Awards, increases by $3.9 million for a total of $80.9 million in general funds. Additional financial aid adjustments to the fiscal 2016 baseline budget include the following:

- a decrease of $771,000 in general funds to the Distinguished Scholar Program to reflect its phasing out by fiscal 2016; and

- an increase of $2,443,000 to begin the 2+2 transfer awards and Maryland Teaching Fellows.

S00A Department of Housing and Community Development

The Department of Housing and Community Development (DHCD) works to encourage homeownership, expand affordable rental housing, and revitalize communities. The fiscal 2016 baseline budget includes the following adjustments:

- a reduction of approximately $4.6 million in general funds, which represents the one-time costs of moving the DHCD headquarters from Crownsville to New Carrollton;

- an increase of approximately $3.2 million in new, ongoing costs – primarily rent – associated with the new location;

- a reduction of approximately $3.4 million in special funds received from the Mortgage Loan Servicing Practices Settlement Fund; and

- a special fund increase of $11.8 million from the Consumer Investment Fund, which provides DHCD $28.0 million over three years for weatherization programs.

T00 Department of Business and Economic Development

The Department of Business and Economic Development aims to increase business investment and promote job creation. The fiscal 2016 baseline reflects funding of approximately $15.1 million under the department's enterprise fund. This represents the remaining fund balance for the InvestMaryland Program. Also, the baseline assumes an increase in the Small, Minority, and Women-Owned Business account based on the increase in the VLT proceeds expected in fiscal 2016. The baselines for the State Arts Council and the Maryland Tourism Board reflect spending levels that are mandated by statute. Finally, the baseline also includes additional funds (special and general) to implement new programs that were created by legislation. Specifically, administrative and investment funds are included for the E-Nnovation Program (Chapter 532 of 2014). Also, funds to administer the new Regional Institute Strategic Enterprise Zone Program (Chapter 530 of 2014) are included in the baseline.

T50 Maryland Technology Development Corporation

The Maryland Technology Development Corporation (TEDCO) was established as a quasi-public entity to assist in the creation and growth of technology-based businesses in the State. The fiscal 2016 baseline for TEDCO includes $1 million in ongoing general funds to capitalize the newly created Cyber Investment Fund (Chapter 534 of 2014).

U00A Maryland Department of the Environment

The Maryland Department of the Environment is responsible for protecting and restoring the quality of the State's air, land, and water resources and safeguarding citizens from health risks associated with pollution. The fiscal 2016 baseline includes the following adjustments:

- **Bay Restoration Fund Debt Service –** an increase of $4.6 million in special funds in the Bay Restoration Fund Debt Service Program based on the $100.0 million Bay Restoration Fund revenue bond issuance in fiscal 2014, and thus, an increase in debt service payments;

- **Major Information Technology Development Program –** an increase of $2.2 million in reimbursable funds from DoIT's Major Information Technology Development Project Fund for the Environmental Permit Track System Modernization IT project in the Coordinating Offices, as reflected in the January 2014 Information Technology Project Request form; and

- **Coordinating Offices –** an increase of $1.5 million to reflect cost recovery funding for local jurisdictions to implement septic system regulations (Chapter 379 of 2014 – Bay Restoration Fund – Authorized Uses – Local Entities).

V10A Department of Juvenile Services

The Department of Juvenile Services is primarily responsible for providing the appropriate management, supervision, and treatment of youth who are involved in the juvenile justice system in Maryland. The fiscal 2016 baseline budget includes:

- an $884,000 increase to reflect annualized salary adjustments for residential facility staff;
- the replacement of $500,000 in special fund reimbursements from local school systems with general funds resulting from a declining average daily population;
- nearly $2.5 million and 28 additional positions to support the partial year operation of the new Detention Center at the Cheltenham Youth Facility; and
- an additional $2.2 million for residential per diems, including a 2% provider rate increase.

W10A00 Department of State Police

The Maryland State Police exists to safeguard persons within the State, protect property, and assist in providing all persons equal protection under the law. Major changes to the fiscal 2016 baseline budget include the following:

- a decrease of $722,000 in special funds to remove one-time expenses in fiscal 2015 for a three-year IT contract;
- a decrease of $989,000 in special funds to remove one-time expenses in fiscal 2015 for the purchase of 700 MHz radios;
- an increase of $1.1 million in general ($226,000) and special ($904,000) funds to the Maryland State Police Aviation Command to extend a flight simulator training contract with an outside vendor until the department's own flight training device is operational;
- a decrease of $1.2 million in general funds to remove one-time expenses in fiscal 2015 for IT; and

- an increase of $2.6 million in special funds for expected operational and maintenance costs for the Computer Aided Dispatch/Records Management System project.

Y01A State Reserve Fund

The State Reserve Fund's baseline budget consists of the Revenue Stabilization Account (Rainy Day Fund), Dedicated Purpose Account (DPA), and Catastrophic Event Account. There is no activity projected in the DPA or the Catastrophic Event Account.

The Rainy Day Fund was created to retain revenues to meet future needs. Section 7-311 of the State Finance and Procurement Article requires that an amount equal to the unappropriated general fund surplus exceeding $10 million from two fiscal years prior to the allowance year shall be appropriated into the Rainy Day Fund. An appropriation totaling $50 million is also required if projected revenues are less than 7.5% of general fund revenues.

The Governor is also required to transfer up to $50 million in the unappropriated general fund surplus to repay Program Open Space (POS) for transfer tax revenues that were previously used to support the general fund. Currently, $90 million is required to be repaid to POS. The POS transfer is made before the Rainy Day Fund transfer.

Fiscal 2014 ended with an unappropriated general fund balance totaling $104.1 million, requiring $94.1 million appropriation into the Rainy Day Fund and the DPA (to support the POS). This resulted in the following baseline budget adjustments:

- $50.0 million appropriated into the DPA;

- $44.1 million appropriated into the Rainy Day Fund as required by the sweeper; and

- $5.9 million appropriated into the Rainy Day Fund so that the minimum mandate of $50.0 million is appropriated.

State Aid to Local Governments

State aid includes direct grants to local governments for various public services such as education, libraries, community colleges, transportation, public safety, health, and recreation; and State-paid retirement costs for public school teachers, librarians, and community college faculty. Although the grants may be for specific programs or purposes, local governments usually have considerable flexibility in the expenditure of these funds.

State Aid by Governmental Entity
Fiscal 2013-2016
($ in Thousands)

Entity	**2013 Actual**	**2014 Working**	**2015 Working**	**2016 Baseline**	**2015-2016 $ Increase**	**2015-2016 % Change**
Public Schools	$5,840,882	$5,934,658	$6,072,934	$6,262,583	$189,649	3.1%
County/Municipal	448,164	532,876	545,884	574,831	28,947	5.3%
Community Colleges	272,320	281,311	297,326	316,421	19,095	6.4%
Libraries	66,416	68,485	69,798	74,735	4,937	7.1%
Health	37,283	41,743	46,879	48,894	2,016	4.3%
Total	**$6,665,065**	**$6,859,073**	**$7,032,820**	**$7,277,465**	**$244,645**	**3.5%**

Overview

State aid is projected to total $7.3 billion in fiscal 2016, representing a $244.6 million (3.5%) increase over the prior year. Most of the State aid in fiscal 2016, as in prior years, is targeted to public schools, while funding for counties and municipalities will account for 7.9% of total State aid. Public schools will receive $6.3 billion in fiscal 2016, or 86.1%, of total State aid. Counties and municipalities will receive $574.8 million; community colleges will receive $316.4million; libraries will receive $74.7 million; and local health departments will receive $48.9 million. In terms of year-over-year funding enhancements, State aid for public schools will increase by $189.6 million (3.1%); library aid will increase by $4.9 million (7.1%); community college aid will increase by $19.1 million (6.4%); and local health department grants will increase by $2.0 million (4.3%). Also, county and municipal governments will realize a $28.9 million (5.3%) increase in State aid.

Public Schools

Public schools will receive an estimated $6.3 billion in fiscal 2016, representing a $189.6 million (3.1%) increase over the prior fiscal year. The per-pupil foundation amount is estimated at $6,954, a 1.4% increase from fiscal 2015. For fiscal 2012 through 2015, the per-pupil foundation amount was inflated by the lesser of (1) the increase in the Implicit Price Deflator (IPD) for State and Local Government Purchases in the second prior fiscal year; (2) the increase in the Consumer Price Index for all urban consumers (CPI-U) for the Washington-Baltimore Metropolitan Area in the second prior year; or (3) 1.0%. For fiscal 2016, the per-pupil inflation measure is inflated by the lesser of the IPD, the CPI-U measure, or 5.0%. The 1.4% increase in the per-pupil foundation amount is equivalent to the change in the IPD. The per-pupil foundation amount is an important factor in determining State education aid because it is used in five of the major State aid formulas (the foundation program; the Geographic Cost of Education Index (GCEI); and the compensatory education, special education, and limited English proficiency formulas) that together account for approximately three-quarters of total education aid. Limited inflation results in limited growth in State education aid.

General funds are expected to increase by $182.7 million. Special funds increase by $6.9 million while general obligation (GO) bond funds remain level with fiscal 2015. Special funds (Education Trust Fund) derived from the video lottery program relieve general fund expenditures for public schools. These special funds are estimated to total $414.2 million in fiscal 2016.

Foundation Program

The baseline includes $2.9 billion for the State's foundation program, a $59.2 million (2.1%) increase from the fiscal 2015 appropriation. Part of the increase is attributable to the rise in the per-pupil foundation amount from $6,860 to $6,954. Another portion of the increase is attributable to a 6,223.3 (0.75%) increase in full-time equivalent students (FTES).

Geographic Cost of Education Index

The GCEI is a discretionary formula that accounts for differences in the costs of educational resources among local school systems and provides additional funding to school systems where educational resource costs are above the State average. Thirteen local school systems are eligible for the GCEI funds in fiscal 2016. The formula applies a cost index to the foundation amount calculated for a school system; each eligible school system receives additional funds equal to the product of the foundation amount and the cost index. The baseline assumes the formula will be fully funded in fiscal 2016, with funding reaching $135.6 million, an increase of $2.9 million.

Foundation Special Grants

Chapter 397 of 2011 provided that for fiscal 2012 only, the State must make grants to limit fiscal 2011 to 2012 decreases in direct education aid (as defined by statute) to 6.5%. This resulted in a $779,300 grant to Allegany County and a $640,600 grant to Garrett County for fiscal 2012. Chapter 1 of the first special session of 2012 required the State to provide a grant to a local board of education to ensure that "total direct education aid" for fiscal 2013 decreases by no more than 5.0% below the fiscal 2012 aid amount, a threshold exceeded by Garrett County. The calculated grant to Garrett County totaled $1.2 million. Chapter 425 of 2013 provides that for fiscal 2014 only, if a local board of education's total direct education aid in the current fiscal year is less than the prior year by more than 1.0%, the State must provide a grant to the local board of education equal to 25.0% of the decrease in total direct education aid from the prior fiscal year to the current fiscal year. While this resulted in a calculated grant of $2.1 million to be shared by Carroll, Garrett, Harford, and Kent counties, funding for this grant was not mandatory and, while the General Assembly restricted funds in the State budget, the Governor did not transfer the funds. The fiscal 2015 budget includes a negative deficiency to revert the funds to the general fund.

Chapter 515 of 2014 requires the State to provide a grant in fiscal 2015 through 2017 to a local board of education if (1) full-time equivalent (FTE) enrollment is less than 5,000, (2) FTE enrollment in the current fiscal year is less than the prior fiscal year, and (3) "total direct education aid" in the current fiscal year is less than the prior fiscal year by more than 1%. The grant must equal 50% of the decrease in total direct education aid. Chapter 515 expresses the intent of the General Assembly that the Governor transfer funds for the fiscal 2015 grant to a county if funds are restricted for this purpose in the fiscal 2015 budget bill. Further, if the funds are restricted but not transferred in fiscal 2015 then the county must receive that funding in fiscal 2016. Chapter 515 results in fiscal 2015 grants of $464,100 to Garrett County and $129,000 to Kent County, or a total of $593,100, but does not generate fiscal 2016 grants. The baseline assumes that the Governor transfers funds for the fiscal 2015 grant during fiscal 2015 and that no additional special grant is established for fiscal 2016. Thus, foundation special grant funding decreases by $593,100, or 100%.

Net Taxable Income Education Grants

Approximately 75% of State aid to public schools is distributed inversely to local wealth, whereby the less affluent school systems receive relatively more State aid. Net taxable income (NTI) is one component of calculating local wealth for purposes of State aid for education. Chapter 4 of 2013 provides additional education grants in counties whose formula aid is higher using November NTI as compared to September NTI. Chapter 4 phases in the grant amounts so that counties receiving them realize 20% of the resulting increase in fiscal 2014, 40% in fiscal 2015, 60% in fiscal 2016, 80% in fiscal 2017, and the full calculated increase beginning in fiscal 2018. NTI education grants totaled $8.3 million in fiscal 2014, $26.9 million in fiscal 2015, and increase to an estimated $35.1 million in fiscal 2016. In both fiscal 2014 and 2015, 18 local school systems received NTI education grants; current estimates indicate that 19 school systems will receive these grants in fiscal 2016.

Compensatory Aid

The compensatory aid program is expected to total $1.3 billion in fiscal 2016, representing a $64.2 million (5.1%) increase. This program provides additional funding to local school systems based on their enrollment of students eligible for free and reduced-price meals. The statewide funding level is calculated by using the number of eligible students multiplied by a factor of the per-pupil foundation amount. The projected increase is due to an expected increase in the number of children who are eligible for free and reduced-price meals and from the increase in the per-pupil foundation amount.

Students with Disabilities Funding

The Bridge to Excellence in Public Schools Act of 2002 (Chapter 288) identified students with disabilities as a population with higher needs. Funding for the special education formula is expected to increase by $5.4 million (2.0%), to a total of $277.1 million in fiscal 2016. The increase is attributable to a projected increase in the enrollment of students with disabilities and the increase in the per-pupil foundation amount. An increase of $3.1 million is anticipated for the nonpublic placement of special education students. This would bring the State's contribution to the program to $114.0 million in fiscal 2016, a 2.8% increase.

Limited English Proficiency Grants

Another at-risk population identified for additional resources in Chapter 288 of 2002 is students for whom English is a second language. Funding is based on estimated limited English proficient (LEP) enrollment counts and the per-pupil foundation amount. This program is expected to increase by $18.5 million (9.3%), to a total of $216.1 million in fiscal 2016. This increase is driven by anticipated LEP enrollment growth of 7.9% and the increase in the per-pupil foundation amount.

Guaranteed Tax Base Program

The baseline budget includes $51.3 million in funding for the guaranteed tax base program, an $8.1 million (13.6%) decrease compared to the fiscal 2015 amount. This program provides additional State funding to local education agencies with less than 80.0% of statewide wealth per pupil through a formula based on local wealth and the amount of local funding each jurisdiction provides to the local school system. As currently estimated, nine local school systems will receive funding under this program in fiscal 2016.

Student Transportation Funding

The baseline estimate for student transportation includes $240.8 million to fund the transportation formula, an increase of $6.6 million (2.8%) over the fiscal 2014 appropriation. In addition, $24.4 million is included for the transportation of disabled students, representing a

$197,000 increase in funding. Changes in the student transportation formula are attributable to inflation and projected increases in FTE in 19 school systems. The increase in the disabled student transportation formula reflects an expected rise in the enrollment of students with special transportation needs; the State provides $1,000 annually for each qualifying student.

Teacher Retirement

Several changes in Chapter 397 of 2011 impacted State payments on behalf of local employees through the teachers' retirement program. State payments for local school employees were reduced by $74.4 million in fiscal 2012 due to benefit changes. Also, beginning in fiscal 2012, local school boards are charged a share of retirement system administrative costs based on the number of their employees who are members of the Teacher Pension System or Teachers' Retirement System. Consequently, State payments for teachers' retirement in fiscal 2012 were further reduced by $15.9 million for local school boards. Chapter 1 of the first special session of 2012, the Budget Reconciliation and Financing Act (BRFA), phases in over four years (fiscal 2012 to 2016) the requirement that local employers pay the employer "normal cost" for active members of the Teacher Pension System/Teachers' Retirement System. Counties are required to increase their appropriations to the local school boards to fund these teacher retirement costs during the four-year phase-in. The local government share in fiscal 2013 totaled $136.6 million, which is equivalent to the reduction in State retirement payments from the previous statutory amount. Chapter 1 also initiated annual teacher retirement supplemental grants totaling $27.7 million to lower-wealth counties (including Baltimore City) to help offset the impact of sharing teachers' retirement costs with the counties, beginning in fiscal 2013.

Chapter 397 of 2011 required the Governor to reinvest a portion of the savings generated by pension benefit changes by making supplemental State contributions into the State Retirement and Pension System of Maryland Trust Fund. For fiscal 2012 and 2013, all but $120.0 million of the roughly $300.0 million in savings was required to be reinvested in the trust fund. Beginning in fiscal 2014 and each year thereafter, the amount of the supplemental payment was subject to a $300.0 million cap. Chapter 464 of 2014, the BRFA, reduced this mandated State retirement supplemental contribution from $300.0 million to $100.0 million in fiscal 2014 and 2015 and then increased the contribution by $50.0 million annually until it reaches $300.0 million in fiscal 2019 and thereafter, until certain conditions are met. This resulted in a decrease of $124.7 million and $124.6 million in fiscal 2014 and 2015 respectively, for local school employees' retirement.

State retirement costs for public school teachers and other professional personnel will total an estimated $767.2 million in fiscal 2016, representing a $28.6 million increase (3.9%). This increase is attributed to an increase in both the salary base for teachers and the State contribution rate, which is largely offset by an increase in local government contributions. In addition to the State's share of teacher pension costs, local governments will contribute approximately $269.2 million in fiscal 2016: $254.8 million for the local share of pension contributions as well as $14.5 million toward State Retirement Agency administrative costs.

County and Municipal Governments

Approximately 7.9% of State aid is allocated to county and municipal governments to finance general government, transportation, public safety, and recreation projects. County and municipal governments will receive $574.8 million in fiscal 2016, an increase of $28.9 million (5.3%) above the prior fiscal year. The major State aid programs assisting county and municipal governments include highway user revenues (HUR), disparity grants, teacher retirement supplemental grants (which remain level-funded at $27.7 million in fiscal 2016), police aid, video lottery terminal (VLT) local impact aid, Program Open Space (POS), and local voting system grants.

Transportation

The State shares various transportation revenues, commonly referred to as HURs, with the counties and municipalities. Prior to fiscal 2010 cost containment reductions, Maryland's local governments received 30.0% of HURs. For fiscal 2011 and 2012, Chapter 484 of 2010 lowered the local shares to 8.5% and 8.1%, respectively. However, the BRFA of 2011 increased the fiscal 2012 local share to 8.9% and set the fiscal 2013 local share at 10.0%. The local share for fiscal 2014 and subsequent fiscal years is set at 9.6%. The local government share of the distribution of HURs is projected to total $173.7 million in fiscal 2016, a $4.0 million increase when compared to the fiscal 2015 working appropriation. This estimate is based on projected Transportation Trust Fund revenue of motor fuel taxes, motor vehicle titling taxes, motor vehicle registration fees, and corporate income taxes.

Chapter 425 of 2013 included $15.4 million in fiscal 2014 to fund transportation grants to municipal governments, allocated in a manner consistent with the HUR formula. The fiscal 2015 budget funded the municipal transportation grants for a second year, at $16.0 million. The fiscal 2016 baseline assumes no such grants. State aid for elderly/handicapped transportation programs and paratransit grants remain constant in fiscal 2016 at $7.2 million.

Disparity Grants

Disparity grants were initiated to address the differences in the abilities of counties to raise revenues from the local income tax, which is one of the larger revenue sources for counties. Counties with per-capita local income tax revenues less than 75.0% of the statewide average receive grants, assuming that all counties impose a 2.54% local tax rate and assuming that the county received aid through this program in fiscal 2010. Chapter 487 of 2009 capped each county's funding under the program at the fiscal 2010 level. Chapter 484 2010 modified the program to use November NTI. Chapter 425 of 2013 further modified the program in order to provide a floor funding level in conjunction with the fiscal 2010 cap for an eligible county based on the income tax rate of that county. Beginning in fiscal 2014, an eligible county or Baltimore City may receive no more than the amount distributed in fiscal 2010 or a minimum of (1) 20.0% of the total grant if the local income tax rate is at least 2.8% but less than 3.0%; (2) 40.0% of the total grant if the rate is at least 3.0% but less than 3.2%; or (3) 60.0% of the total grant if the rate is at least 3.2%.

Based on the statutory formula, Baltimore City and nine counties (Allegany, Caroline, Cecil, Dorchester, Garrett, Prince George's, Somerset, Washington, and Wicomico) will qualify for disparity grants in fiscal 2016. Funding for this program is projected to total $146.1 million in fiscal 2016, which is a $10.3 million increase from fiscal 2015.

Public Safety

Maryland's counties and municipalities receive grants for police protection through the police aid formula and special crime grants. The police aid formula allocates funds on a per-capita basis, and jurisdictions with higher population density receive greater per-capita grants. Municipalities receive additional grants based on the number of sworn officers. Police aid in fiscal 2016 is projected to total $68.6 million, a $679,000 (1%) increase over fiscal 2015.

Chapter 429 of 2013 expresses legislative intent to increase annual fire and rescue funding from the $10.0 million level (where it had been since fiscal 2000) to $11.7 million in fiscal 2015, $13.3 million in fiscal 2016, and $15.0 million in fiscal 2017. Therefore, the fiscal 2016 baseline assumes a $1.6 million funding increase. Vehicle theft prevention grants are projected to total $1.9 million and emergency 9-1-1 grants are projected to total $14.4 million in fiscal 2016. Other public safety grants totaling $21.0 million (targeted crime grants, State's Attorney's grant, *etc*.) are level funded in the fiscal 2016 baseline.

Video Lottery Terminal Local Impact Grants

From the proceeds generated by VLTs at video lottery facilities in the State, 5.5% is distributed to local governments in which a video lottery facility is operating. Of this amount, 18.0% would go for 20 years (starting in fiscal 2012 and ending in fiscal 2032) to Baltimore City through the Pimlico Community Development Authority and to Prince George's County for the community surrounding Rosecroft ($1.0 million annually), except that the 18.0% dedication does not apply to facilities located in Allegany, Cecil, and Worcester counties upon issuance of the Baltimore City license. Furthermore, under Chapter 464 0f 2014, for fiscal 2015 through 2019, $500,000 of the 18.0% dedication is distributed to communities within three miles of Laurel Race Course, resulting in $89,300 for Howard County and an additional $357,100 for Anne Arundel County and $53,600 for Laurel in each of these five fiscal years. Upon issuance of a Prince George's County license, 5.0% of table game revenues will be distributed to local jurisdictions where a video lottery facility is located. VLT local impact grants total $41.7 million in fiscal 2016, an increase of $2.7 million, or 6.9%.

Program Open Space

Under POS, the State provides grants to counties and Baltimore City for land acquisition and the development of parks and recreation facilities. The fiscal 2016 baseline for local POS allocation includes $15.0 million in special funds, $1.5 million of which is for the special grant to Baltimore City. Special funds increase by the remaining $13.5 million because there was no fiscal 2015 legislative appropriation beyond the $1.5 million for Baltimore City. The baseline assumes that transfer tax revenues used to fund POS will be allocated first in accordance with the statutory formula and then distributed in accordance with provisions in Chapter 464 of 2014, which requires the transfer of $77.7 million in overall transfer tax allocation pay-as-you-go capital funding to the general fund. The increase in the baseline is accounted for by a reduction in the amount transferred to the general fund from $144.2 million in fiscal 2015 to $77.7 million in fiscal 2015. However, the transfer tax revenue is down from the fiscal 2015 estimate as follows: fiscal 2015 revenues were estimated to be $193.5 million plus a fiscal 2014 overattainment of $9.1 million, whereas, in fiscal 2016, the revenues are only anticipated to be $177.6 million minus a $13.0 million underattaiment from fiscal 2014, which impacts the fiscal 2016 estimate.

Although GO bond funding is not included in the operating baseline budget, to fully appreciate the overall funding to Department of Natural Resources programs funded through the transfer tax, it helps to note planned and programmed GO bond funding to the extent that it is used to replace transfer tax revenues diverted to the general fund instead of to programs as stipulated in statute. To this end, pre-authorization of $29.8 million in GO bond funds for POS local is programmed for fiscal 2016 in order to replace fiscal 2014 and 2015 State transfer tax funding directed to the general fund as part of actions to balance the operating budget. Baseline fiscal 2016 funding for local POS increases by $18.4 million (69.5%) to an estimated total of $44.8 million. This assumes $15.0 million in special funds and $29.8 million in GO bonds for local POS.

Local Voting System Grants

Chapter 564 of 2001 required the State Board of Elections, in consultation with local election boards, to select and certify a uniform statewide voting system with the costs to be split equally between the State and local jurisdictions. The legislation was the result of the Governor's Special Committee on Voting Systems and Election Procedures, which submitted its recommendations in February 2001. The recommendations addressed concerns arising from the 2000 presidential election regarding uniformity in voting systems among local jurisdictions. The legislation required the State to provide funding through the annual budget bill for the exclusive purpose of reducing the fiscal impact of purchasing new voting equipment. Baseline funding of grants to local boards of elections totals $8.2 million, a $6.1 million increase over the fiscal 2015 working appropriation of $2.1 million. This substantial increase is explained by the initiation of funding for the leasing of new optical scan voting equipment.

Community Colleges

The majority of funding for the State's locally operated community colleges is determined by the Cade formula. The Cade formula bases per pupil funding on a set statutory percentage of current year State appropriations per FTES at selected public four-year institutions of higher education. The resulting community college per student amount is multiplied by the number of FTES enrolled in the colleges in the second preceding fiscal year to identify a total formula amount. The Cade formula distributes funding based upon three components: fixed costs (38.0% of funding) proportional to full formula funding in the previous fiscal year; marginal costs (60.0% of funding) in proportion to the distribution of FTES across community colleges; and a size factor (2.0% of funding) providing additional funds to community colleges with enrollments below 80.0% of the statewide median enrollment. In fiscal 2016, Cade formula funding totals $239.6 million. This represents an increase of $13.5 million, or 5.9%. Baltimore City Community College is a State agency and receives funding through a separate funding formula.

The fiscal 2016 baseline also includes $5.9 million for the English Speakers of Other Languages Program, and $6.7 million for statewide and regional programs. In addition, small colleges are estimated to receive $4.8 million in Small College and Mountain grants and reciprocity agreement funding. The baseline also includes $59.1 million for retirement benefits to employees of community colleges, a $4.5 million (8.3%) increase over the fiscal 2015 working appropriation.

Local Health Departments

The State provides funds to support the delivery of public health services, including child health, communicable disease prevention, maternal health, family planning, environmental health, and administration of the departments. Due to declining State revenues, the fiscal 2010 appropriation for grants to local health departments was reduced from $57.4 million to $37.3 million by the Board of Public Works in August 2009. Chapter 484 of 2010 maintained fiscal 2011 and 2012 aid at the $37.3 million level, though fiscal 2012 grants did increase by $989,300 due to one-time employee bonuses. Fiscal 2013 grants totaled $38.1 million, including the $37.3 million State aid amount through the base formula amount and a cost-of-living adjustment (COLA).

Due to inflation and population adjustments, as well as projected COLAs and other salary enhancements, fiscal 2014 aid increased by $3.7 million over fiscal 2013, and fiscal 2015 aid increased by a further $5.1 million, or 12.3%, for a total of $46.9 million. Chapter 464 of 2014 clarified the Core Public Health Services Formula by specifying that inflationary adjustments are made to the prior year's formula allocation. For the fiscal 2016 baseline, aid increases by $2.0 million over fiscal 2015, or 4.3%, for a total of $48.9 million due to inflation and population adjustments, as well as projected COLAs and other salary enhancements.

Libraries

The baseline estimates an increase of $2.7 million (7.9%) in the State library aid formula, with total funding in fiscal 2016 estimated at $37.2 million. Chapter 500 of 2014 increases per-capita funding for local library grants from $14 to $15 in fiscal 2016, and increases per-capita funding annually until reaching $16.70 in fiscal 2019. The baseline also reflects an anticipated increase in the State Library Network of $815,800 (5.0%), bringing total funding for this program to $17.1 million in fiscal 2016. The increase is driven in part by Chapter 500, which increases per-capita funding for regional resource centers from $6.75 to $7.50 in fiscal 2016, and increases per-capita funding annually until reaching $8.75 in fiscal 2019. The network is comprised of the State Library Resource Center, which includes the Enoch Pratt Free Central Library and the Library for the Blind and Physically Handicapped, both in Baltimore City; three regional resource centers; and metropolitan cooperative service programs. Finally, retirement costs for librarians will total an estimated $20.4 million, representing a $1.4 million (7.4%) increase. Unlike the boards of education and community colleges, the State continues to pay the State Retirement Agency's administrative costs for local library employees.

Entitlement Programs

Entitlements include the State Department of Assessments and Taxation's tax credit programs, the Department of Health and Mental Hygiene's Medicaid program, and the Department of Human Resources' (DHR) foster care and cash assistance programs. Although not an entitlement program, DHR's Temporary Disability Assistance Program (TDAP), part of the Family Investment Assistance Payments which provides assistance to childless adults who are temporarily disabled or are disabled and in the process of applying for federal Supplemental Security Income benefits, is treated for baseline purposes as if it were an entitlement. The following table shows State support for entitlement programs.

Expenditures, Funds, and Positions for Entitlement Programs
Fiscal 2013-2016
($ in Thousands)

	FY 2013 Actual	FY 2014 Working	FY 2015 Leg. Approp.	FY 2016 Baseline	FY 2015-2016 Increase	FY 2015-2016 % Increase
Expenditures						
State Department of Assessments and Taxation	$82,155	$80,232	$81,963	$86,075	$4,112	5.0%
DHMH – Behavioral Health Administration	0	0	782,249	1,016,699	234,451	30.0%
DHMH – Medical Care Programs Administration	6,847,399	7,325,929	7,965,186	8,835,582	870,396	10.9%
DHR – Social Services	298,402	346,336	328,697	298,876	-29,821	-9.1%
DHR – Family Investment	1,373,540	1,287,748	1,445,557	1,347,526	-98,031	-6.8%
Total	**$8,601,495**	**$9,040,245**	**$10,603,651**	**$11,584,757**	**$981,106**	**9.3%**
Fund						
General Fund	$2,682,796	$2,888,652	$3,165,160	$3,259,406	$94,245	3.0%
Special Fund	1,011,462	857,532	995,753	1,008,173	12,420	1.3%
Federal Fund	4,826,386	5,219,724	6,377,220	7,249,695	872,475	13.7%
Reimbursable Fund	80,851	74,337	65,518	67,484	1,966	3.0%
Total	**$8,601,495**	**$9,040,245**	**$10,603,651**	**$11,584,757**	**$981,106**	**9.3%**
Personnel						
Regular Positions	25.0	25.0	25.0	25.0	0.0	0%
Full-time Equivalent Contractuals	1.0	2.0	2.0	2.0	0.0	0%

DHMH: Department of Health and Mental Hygiene
DHR: Department of Human Resources

Note: The exhibit does not reflect the reductions approved by the Board of Public Works on July 2, 2014.

Tax Credit Programs

There are four tax credit programs authorized in statute: the Homeowners' Tax Credit Program, the Renters' Tax Credit Program, the Urban Enterprise Zone Tax Credit Program, and the Base Realignment and Closure (BRAC) Revitalization and Incentive Zones Credit Program. The fiscal 2016 baseline reflects a $4.1 million increase in these tax credit entitlements as follows:

- The Homeowners' Tax Credit will increase in fiscal 2016 by $700,000 to $65.2 million. This increase is due to an increasing number of eligible recipients throughout the State. Further, this increase in eligible recipients is driven by both economic as well as demographic changes. Large increases in the number of retirees with low retirement incomes are resulting in an increasing number of eligible recipients despite the fact that an improving economy would normally reduce the number of eligible recipients as incomes rise.

- Funding for the Renters' Tax Credit Program is expected to increase by $295,000 to $2.7 million. This is due to an increasing number of recipients qualifying for the tax credit as well as a projected decline in income for qualifying senior citizens.

- The Urban Enterprise Zone Tax Credit Program provides property and income tax credits for businesses that locate or expand within designated areas. Under this program, a business that locates or expands in a designated area is eligible for reduced property taxes for a number of years. The State then reimburses the locality one-half of the lost revenues, which otherwise would have been realized from the increased property assessment. The fiscal 2016 appropriation for the Urban Enterprise Zone Tax Credit Program is expected to increase by $2,566,740 to a total of $17.0 million. This is mainly due to more commercial properties finishing construction in these zones, thus making them eligible under this credit, as well as expansion of the number of enterprise zones throughout the State.

- The BRAC Revitalization credit will increase by $550,000 to $1.2 million for fiscal 2016 due to increased economic development in the BRAC counties. Further, as more eligible counties begin enrolling in the program, this credit could increase in future years.

Medicaid Enrollment and Expenditure Trends

Overview

Maryland's Medical Assistance Programs (Medicaid, Maryland Children's Health Program (MCHP), Employed Individuals with Disabilities, *etc.*) provide eligible low-income individuals with comprehensive health care coverage. Funding is derived from both federal and State sources with a federal fund participation rate of 50% to 100% for Medicaid depending on the eligibility category and 65% for the MCHP. For the purpose of this discussion, expenditures are limited to the major provider reimbursement budgets.

Fiscal 2014 Projected Deficiency

After making provisions for the fiscal 2014 impact of the managed care organization (MCO) mid-year rate adjustment as well as the fiscal 2014 impact of coverage of new treatments for Hepatitis C (Sovaldi and Olysio), it is anticipated that the Medicaid program will roll $38.7 million in fiscal 2014 general fund liabilities into fiscal 2015. Among other things, enrollment for fiscal 2014 was higher than projected due to a six-month extension of eligibility redetermination as a result of enrollment problems with the Maryland Health Benefit Exchange's (Exchange) eligibility determination system as well as growth prompted by outreach conducted by the Exchange for its first open enrollment period in fall 2013.

Fiscal 2015 Outlook

The fiscal 2015 working appropriation of just under $8.0 billion (just over $2.4 billion in general funds adjusted for reductions made by the Board of Public Works (BPW) in July 2014) at this point appears to be insufficient to meet projected need. The fiscal 2015 baseline assumes the need for $131.9 million in general fund deficiencies.

Of this amount, $40 million concerns anticipated fiscal 2015 Cigarette Restitution Fund (CRF) revenues. Specifically, the fiscal 2015 budget assumed that the State would receive some form of relief from a 2013 adverse arbitration ruling in the ongoing litigation over the treatment of nonparticipating manufacturers to the Master Settlement Agreement. At the time of writing, the State lost its first appeal of this ruling, making the collection of any relief in fiscal 2015 unlikely. The baseline assumes that the $40 million will not be available in fiscal 2015 and instead assumes that $40 million in relief will be forthcoming in fiscal 2016.

The remaining $91.9 million general fund deficiency is estimated based on current utilization, enrollment, and cost trends across the Medicaid and MCHP programs. Specifically:

- Outside of the federal Patient Protection and Affordable Care Act (ACA) expansion population (for which the State currently receives 100% federal funding), enrollment growth between fiscal 2014 and 2015 is projected as being relatively flat. This reflects the fact that enrollment is expected to decline in the first half of fiscal 2015 after the six-month period during which eligibility redeterminations were delayed ends. Growth in the second half of the fiscal year is anticipated to increase only at a moderate pace. However, even this relatively flat enrollment projection means that enrollment levels are above those originally budgeted in fiscal 2015.

  One of the difficulties in estimating enrollment in fiscal 2015 is the extent to which enrollment actually falls in the first half of the fiscal year. While Medicaid has reported a significant drop in enrollment between September and October, it is unclear the extent to which that drop will hold in coming months. Similarly, it is unclear the extent to which the next open enrollment period for qualified health plans through the Exchange will result in increased Medicaid enrollment, especially amongst the non-ACA expansion population.

- No funding was included in the fiscal 2015 budget for the impact of coverage of new treatments for Hepatitis C (Sovaldi and Olysio).

- The impact of regulations to implement an ACA provision requires the State to allow hospitals to implement presumptive eligibility for Medicaid. Under these regulations, an individual can self-attest to his/her citizenship, residency, and income status to temporarily qualify for Medicaid. Even if the individual is subsequently denied Medicaid eligibility, costs can be billed to Medicaid for a limited time period. Again, the fiscal 2015 budget did not include funding associated with these regulations.

- The fee-for-service rate for inpatient services as approved by the Health Services Cost Review Commission was higher than budgeted, even though a 2.0% reduction in Medicare physician rates did partially offset that increase.

- The most significant source of savings to the fiscal 2015 budget is the proposed calendar 2015 MCO rate reduction. Specifically, MCO rates will be reduced by 11.7%. Of this reduction, 4.1% reflects the carve-out of substance services from MCOs. Effective January 1, 2015, these services, together with the already carved-out specialty mental health services, will be delivered through an Administrative Services Organization (ASO). The reduction in the Medicaid budget for MCOs is offset by an increase in costs associated with those ASO services. However, the remaining 7.6% reduction is a cost savings and is based on expenditures trends.

  It should be noted that the rate reduction varies by eligibility category, with the new ACA expansion eligibility category seeing the largest rate reduction, 23.1%, or 15.0% after taking into account the reduction due to the transfer of substance abuse services.

Fiscal 2016 Forecast

In fiscal 2016, expenditures for the Medical Assistance Programs are estimated to be just over $8.8 billion, an $865 million (10.9%) increase over the fiscal 2015 legislative appropriation. Most of this increase, $804 million (93.0%), is in federal funds and primarily relates to the understatement of the costs associated with the ACA expansion population in the fiscal 2015 legislative appropriation.

By way of contrast, overall expenditures are expected to decline slightly ($72.4 million, 0.8%) from projected fiscal 2015 expenditure levels after accounting for anticipated deficiencies and the need for additional federal funds for the new ACA expansion population. This is because the 2016 forecast is based on modest enrollment growth (3.6%), modest rate increases, the continuance into fiscal 2016 of the MCO rate reduction with no assumption of an MCO rate increase in calendar 2016, and a tapering of demand for the new Hepatitis C treatment.

The fiscal 2016 general fund need is expected to grow by $80.3 million, a modest 3.3% over the fiscal 2015 legislative appropriation. Demand on general funds is muted by (1) a forecast of only 2.8% growth in the traditional eligibility categories with the lowest federal match; (2) the assumption of $40.0 million in additional CRF support as a result of relief from the 2013 adverse arbitration ruling; (3) the assumption of the enhanced federal match for the MCHP beginning October 1, 2015, as provided for under the ACA; and (4) the annualization of lower general fund costs associated with substance abuse services previously delivered by the MCOs. Indeed, in addition to those factors noted above that are projected to hold down expenditures overall, compared to fiscal 2015 forecasted general fund expenditures, estimated fiscal 2016 general fund expenditures fall by $52.1 million, or 2.0%.

Special fund support in fiscal 2016 is expected to grow to $969 million, almost all due to expectations of additional CRF support. Revenues from other sources, including the various provider assessments, is expected to remain at or slightly above current levels.

Per-capita costs are expected to fall between fiscal 2015 and 2016, primarily driven by the cut in MCO rates and the removal of substance abuse service costs.

Enrollment and Service Year Expenditures*
Fiscal 2014-2016

	2014 Actual	2015 Estimate	2016 Estimate	2015-2016 % Change
Enrollment by Category				
Medicaid	930,244	930,063	955,718	2.76%
MCHP	116,869	118,037	119,411	1.16%
ACA Medicaid Expansion	168,093	232,490	251,089	8.00%
Total	**1,215,205**	**1,280,590**	**1,326,218**	**3.56%**
Cost Per Enrollee				
Medicaid	$7,193	$7,606	$7,391	-2.83%
MCHP	1,925	1,903	1,829	-3.94%
ACA Medicaid Expansion	4,106	6,885	6,153	-10.63%
Total Funds	**$7,886**	**$8,900**	**$8,827**	**-0.81%**

ACA: federal Patient Protection and Affordable Care Act
MCHP: Maryland Children's Health Program

*Expenditures by fiscal year are based on the cost of providing services during that fiscal year rather than the year that the bills were actually paid. Cost estimates are based on provider reimbursements and expenditures in programs MQ0103 and MQ0107 only. Expenditures noted in the chart are based on the actual estimates of spending (including deficiencies) and may differ from other reported actuals and the fiscal 2015 legislative appropriation. Fiscal 2014 average cost per ACA Medicaid enrollee reflects only six-month cost of ACA expansion costs.

Source: Department of Legislative Services

Medicaid Behavioral Health

Within the Medicaid budget, services for behavioral health (mental health and substance abuse) are carved out and administered through a separate administrative service organization. Major changes to the fiscal 2016 baseline for the behavioral health component of the Medicaid budget includes the following major adjustments:

- Numerous factors combine to add $21.3 million (total funds) to the baseline for fiscal 2016. This includes expected enrollment growth of 2.76% in the traditional Medicaid fee-for-service mental health population, an estimated 10.0% enrollment increase in the ACA Medicaid expansion population, annualization of the 4.0% rate increase for community mental health services, which begins on January 1, 2015, a 2.0% rate increase for community mental health services assumed to begin on July 1, 2015, and between 1.65% and 2.0% for rate-regulated providers. Even with the expected large increases in the ACA Medicaid population, the total fund growth is split roughly evenly with \$11.1 million in general funds and \$10.2 million in federal funds.

- There is also an anticipated transfer for fiscal 2015 of approximately \$108.0 million from the traditional Medicaid accounts to the behavioral health carve out for substance abuse services. The annualization of this transfer will also add another \$108.0 million to this program in total funds in fiscal 2016.

Department of Human Resources

DHR oversees two areas of entitlement spending: foster care and subsidized adoption/guardianship payments; and cash assistance for needy children and their families or relative caretakers.

Foster Care and Subsidized Adoption/Guardianship Caseloads and Expenditures

The State's foster care and subsidized adoption/guardianship program provides temporary and permanent homes for children in need of out-of-home placements due to abuse or neglect. Foster care placements – such as family homes, group homes, and institutions – offer temporary out-of-home care until implementation of a permanency plan. Permanency options include reunification with family, adoption, and guardianship. Families that accept legal custody of a child with special needs may receive monthly payments under the subsidized adoption program. The goal of subsidized guardianships is to encourage relative caregivers to become legal guardians of children who have been placed in their homes by a local department of social services by removing financial barriers.

In prior years, DHR regularly addressed budget shortfalls by deferring payments in one fiscal year to the following fiscal year, requiring large assumed deficiency appropriations, topping \$50 million in one year. That practice was nearly eliminated in fiscal 2014, with a much smaller deficiency assumed for the Work Opportunities Program.

Declines in the foster care caseload are expected to continue into fiscal 2016 as DHR's focus remains on reducing the number of children entering into care and quickly moving children in care to permanent homes. The average monthly foster care caseload is projected to decline by 2.5% between fiscal 2014 and 2016. The focus on permanency is the primary factor in the increasing subsidized adoption/guardianship caseload, which is expected to grow at a rate of 0.5% per year between fiscal 2014 and 2016. The combined caseload declines at a rate of 0.5% per year during this period. The subsidized adoption/guardianship caseload has been larger than the foster care caseload since fiscal 2006.

The monthly cost per case for foster care is expected to increase 1.0% per year between fiscal 2014 and 2016, reflecting a 0.75% provider rate increase in fiscal 2015 and 1.5% in fiscal 2016. The monthly cost per case for subsidized adoptions/guardianships is expected to remain level during this period. The combined caseload average cost per case declines 0.3% per year, despite growing costs in foster care, due to the declining foster care population and growing adoption/guardianship population, which has a lower cost per case. Total expenditures for the combined caseload are expected to decline by 0.7% during this period.

With the more expensive foster care caseload falling, the combined programs are projected to have a $19.2 million surplus at the end of fiscal 2015, despite increases in the subsidized adoption/guardianship program and reductions by BPW. This is largely due to the foster care population falling faster than projected during consideration of the fiscal 2015 budget.

Foster Care and Subsidized Adoption/Guardianship
Caseloads and Expenditures
Fiscal 2014-2016

	2014	2015 DLS Estimate	2016 DLS Estimate	2014-2016 Average Annual % Change
Caseload				
Foster Care	4,987	4,837	4,741	-2.5%
Subsidized adoption/guardianship	9,576	9,672	9,672	0.5%
Total Combined	**14,563**	**14,509**	**14,413**	**-0.5%**
Expenditures				
Monthly Cost Per Case				
Foster Care	$3,092	$3,113	$3,156	1.0%
Subsidized Adoption/Guardianship	831	831	831	0.0%
Combined Average Cost	**$1,605**	**$1,592**	**$1,596**	**-0.3%**
($ in Millions)				
Total Cost	**$303.4**	**$300.0**	**$298.9**	**-0.7%**
Projected General Fund Surplus	**$0.0**	**$19.2**		

DLS: Department of Legislative Services

Note: The total cost for fiscal 2013 includes $24.2 million in incurred expenses for which the Department of Human Resources deferred payment until fiscal 2014. This deferred amount is also included in the cost per case calculation for foster care in fiscal 2013.

Source: Department of Human Resources; Department of Legislative Services

Temporary Cash Assistance Caseloads and Expenditure Trends

Temporary Cash Assistance (TCA) provides monthly cash grants to needy children and their parents or relative caretakers. The program is funded with general funds, federal Temporary Assistance for Needy Families block grant dollars, and certain child support collections.

After several years of increases in the average monthly caseloads since the 2008 recession, the TCA caseloads have steadily declined since their peak early in fiscal 2013. Caseloads declined 6.3% by the end of that year, 6.1% in fiscal 2014, and are estimated to decline 3.7% in fiscal 2015. That trend is expected to continue in fiscal 2016, assuming the economic recovery continues. DLS is projecting an average monthly caseload decline of 4.3% in fiscal 2016. This would bring TCA enrollment to 58,753, close to the program's fiscal 2009 level. The table below shows the average monthly enrollment, monthly grant amount, and total program funding requirements for fiscal 2014 through 2016.

TCA Enrollment and Funding Trends
Fiscal 2014-2016

	2014 Actual	2015 Approp.	2015 Estimate	2016 Estimate	2015-2016 % Change
Average Monthly Enrollment	63,746	59,053	61,392	58,753	-4.3%
Average Monthly Grant	$189.46	$199.19	$195.96	$197.43	0.8%
Budgeted Funds ($ in Millions)					
General Funds	$14.5	$29.8	$29.8	$35.6	19.6%
Total Funds	**$144.9**	**$133.4**	**$144.4**	**$139.2**	**-3.6%**
2015 Estimated Deficit			**-$11.0**		

TCA: Temporary Cash Assistance

Source: Department of Human Resources; Department of Legislative Services

The fiscal 2016 average monthly grant amount includes a 1% increase to ensure that the TCA benefit, in combination with the Supplemental Nutrition Assistance Program benefit, equals at least 61% of the Maryland Minimum Living Level as required by statute. Due to slower than expected TCA caseload declines during the 2014 legislative session, DLS is projecting a program deficit of $11.0 million in the TCA program. DLS is not projecting a deficiency appropriation due to the availability of funds from the foster care program. The agency is able to transfer surplus federal Temporary Assistance for Needy Families funding from foster care to cover the deficit in TCA.

Debt Service

State tax supported debt includes general obligation (GO) bonds sold by the State Treasurer and Consolidated Transportation Bonds sold by the Maryland Department of Transportation (MDOT). GO bonds are secured by the full faith and credit of the State and are supported by property taxes and other funds, such as premiums realized at bond sales deposited into the Annuity Bond Fund (ABF). The State also receives federal funds that support Build America Bonds, Qualified Zone Academy Bonds, Qualified School Construction Bonds, and Qualified Energy Conservation Bonds issued by the State.

Transportation bonds are supported by pledged taxes (motor fuel taxes, vehicle excise taxes, motor vehicle registration fees, and a portion of the corporate income tax) and other Transportation Trust Fund revenues (such as modal operating revenues).

Expenditures and Funds for Debt Service
Fiscal 2013-2016
($ in Thousands)

	FY 2013 Actual	FY 2014 Working	FY 2015 Leg. Approp.	FY 2016 Baseline	FY 2015-2016 Increase	FY 2015-2016 % Increase
Expenditures						
MDOT – Debt Service Requirements	$174,278	$212,224	$255,370	$290,879	$35,509	13.9%
Public Debt	915,982	983,125	1,039,422	1,130,230	90,808	8.7%
Total	**$1,090,260**	**$1,195,349**	**$1,294,792**	**$1,421,109**	**$126,317**	**9.8%**
Fund						
General Fund	$0	$83,000	$140,000	$268,000	$128,000	91.4%
Special Fund	1,078,159	1,099,968	1,143,302	1,141,619	-1,683	-0.2%
Federal Fund	12,102	12,381	11,490	11,490	0	0%
Total	**$1,090,260**	**$1,195,349**	**$1,294,792**	**$1,421,109**	**$126,317**	**9.8%**

MDOT: Maryland Department of Transportation

Note: The exhibit does not reflect the reductions approved by the Board of Public Works on July 2, 2014.

Public Debt

The fiscal 2016 baseline budget for GO bond debt service costs reflects steady increases in debt issuance, from $675 million in fiscal 2007 to over $1 billion annually since fiscal 2010. Reflecting these changes, debt service costs were increased by $91 million in fiscal 2016.

The largest revenue source for the ABF is State property taxes. The current rate is $0.112 per $100 of assessable base. In recent years, debt service costs have increased at a higher rate than State property tax revenues. Fiscal 2016 State property tax receipts are projected to be $732 million compared to debt service costs that total $1,130 million. Partially offsetting this shortfall are bond sale premiums ($55 million estimated for fiscal 2016), federal funds ($11 million), the ABF balance remaining from prior years, and other special fund revenues (such as repayment for issuance of bonds for Program Open Space). Insofar as these sources are insufficient, general funds will need to be appropriated in fiscal 2016.

Maryland Department of Transportation Bonds

MDOT's fiscal 2016 baseline budget debt service requirements represent steady increases in debt issuance. The baseline adjustments reflect large bond issuances from fiscal 2008 to 2010 and fiscal 2012 to 2015. Bond issuances in the draft MDOT fiscal 2015 to 2020 financial forecast are projected at higher than normal levels reflecting projects added to the *Capital Transportation Program* as a result of the transportation revenue increase passed during the 2013 session. The increase is being phased-in over several years. The increased debt allows projects to move forward before the revenue increase is fully phased in.

Pay-as-you-go Capital Programs

The baseline for capital programs includes programs funded with pay-as-you-go (PAYGO) funds for economic development, housing, and environmental programs for which the use of tax-exempt general obligation (GO) debt is limited under federal tax guidelines. In addition, the baseline includes estimated funding for transportation programs supported by Transportation Trust Fund revenues, federal funds, and transportation revenue bonds.

The baseline assumes that the State's fiscal condition will continue to restrain the use of general funds to support grant and loan programs administered by the Department of Housing and Community Development (DHCD) and the Maryland Department of the Environment (MDE). Accordingly, the baseline maximizes the use of estimated special and federal funds with the goal of level funding programs to the fiscal 2015 legislative appropriation or to the level of anticipated fiscal 2016 encumbrance activity programmed in the State five-year *Capital Improvement Program* (CIP). However, to the extent that these funds are not sufficient to level fund the programs, the use of GO bond funds may be considered in much the same manner that bond funds have been used in place of general funds in recent budgets. The baseline assumes that special fund revenues, in particular those derived from the State transfer tax, will be partially transferred to the general fund consistent with the multi-year transfer plan included in the Budget Reconciliation and Financing Act of 2014 (Chapter 464). The baseline assumes that all other special funds will be available and distributed according to statutory requirements.

Expenditures, Funds, and Positions for PAYGO Capital Programs
Fiscal 2013-2016
($ in Thousands)

	FY 2013 Actual	FY 2014 Working	FY 2015 Leg. Approp.	FY 2016 Baseline	FY 2015-2016 Increase	FY 2015-2016 % Increase
Expenditures						
Board of Public Works (BPW) PAYGO	$0	$3,950	$1,100	$0	-$1,100	-100.0%
BPW – Public School Construction PAYGO	0	25,000	0	0	0	0%
Maryland Energy Administration PAYGO	4,250	10,850	2,950	4,150	1,200	40.7%
Dept. of Planning PAYGO	7,090	10,100	10,200	10,150	-50	-0.5%
Military Department PAYGO	18,723	1,998	1,950	12,400	10,450	535.9%
MIEMMS PAYGO Baseline Purposes Only	0	0	0	38	38	0%
Dept. of Veterans Affairs PAYGO	700	6,397	3,380	2,870	-510	-15.1%
Dept. of Information Technology PAYGO	51,268	10,272	0	0	0	0%
Dept. of General Services PAYGO	503	0	0	0	0	0%
MDOT – Secretary's Office PAYGO Capital	30,502	89,037	122,961	69,298	-53,663	-43.6%

	FY 2013 Actual	FY 2014 Working	FY 2015 Leg. Approp.	FY 2016 Baseline	FY 2015-2016 Increase	FY 2015-2016 % Increase
MDOT – WMATA – Capital Budget	132,404	141,913	144,345	132,000	-12,345	-8.6%
MDOT – State Highway Administration PAYGO Capital	915,935	1,086,392	1,226,211	1,447,001	220,790	18.0%
MDOT – Maryland Port Administration PAYGO Capital	86,217	96,049	153,097	177,471	24,374	15.9%
MDOT – Motor Vehicle Administration PAYGO Capital	11,738	31,470	27,848	25,172	-2,675	-9.6%
MDOT – Maryland Transit Administration PAYGO Capital	393,988	557,653	639,551	816,353	176,802	27.6%
MDOT – MD Aviation Administration PAYGO Capital	71,881	109,201	105,174	82,383	-22,791	-21.7%
Dept. of Natural Resources PAYGO	14,692	38,692	19,928	47,394	27,466	137.8%
Dept. of Agriculture PAYGO	9,592	24,380	12,313	21,919	9,606	78.0%
DPSCS – Office of the Secretary PAYGO	7,900	0	0	0	0	0%
Dept. of Housing and Community Development PAYGO	67,153	49,765	47,950	49,000	1,050	2.2%
Dept. of the Environment PAYGO	346,239	255,300	249,000	249,000	0	0%
Total	**$2,170,775**	**$2,548,419**	**$2,767,957**	**$3,146,598**	**$378,641**	**13.7%**
Fund						
General Fund	$3,200	$49,864	$12,500	$11,000	-$1,500	-12.0%
Special Fund	1,220,393	1,629,697	1,831,147	2,111,484	280,337	15.3%
Federal Fund	927,912	858,695	915,237	1,014,329	99,092	10.8%
Reimbursable Fund	19,270	10,162	9,073	9,785	712	7.9%
Total	**$2,170,775**	**$2,548,419**	**$2,767,957**	**$3,146,598**	**$378,641**	**13.7%**
Personnel						
Regular Positions	1,732.0	1,731.0	1,750.0	1,750.0	0.0	0%
Full-time Equivalent Contractuals	17.0	20.0	13.0	13.0	0.0	0%

DPSCS: Department of Public Safety and Correctional Services
MDOT: Maryland Department of Transportation
MIEMSS: Maryland Institute for Emergency Medical Services Systems
PAYGO: pay-as-you-go

Note: The exhibit does not reflect the reductions approved by the Board of Public Works on July 2, 2014.

Board of Public Works

The baseline estimate for fiscal 2016 removes one-time capital grants funded with general funds in the aggregate amount of $1.1 million. This include $1.0 million for the Eastern Family Resource Center and $100,000 provided to support renovation of the Chesapeake Shakespeare Company's Downtown Theatre.

Maryland Energy Administration

The Maryland Energy Administration (MEA) operates two ongoing capital programs: the Jane E. Lawton Conservation Loan Program (JELLP), and the State Agency Loan Program (SALP). The JELLP provides low-interest loans and credit enhancement for energy conservation projects to nonprofits, businesses, and local government. The SALP provides zero interest loans with a 1% administrative fee for energy conservation projects to State agencies. SALP loans are often made in conjunction with energy performance contracts. The fiscal 2016 baseline includes an increase of $1.2 million in federal funds for the SALP, consistent with the 2014 CIP. Funds available from the American Recovery and Reinvestment Act of 2009 (ARRA) were provided to the SALP. As those funds are recycled from loan repayments into new loans, the funds continue to require the additional reporting associated with the ARRA. Due to this requirement, MEA anticipates providing federally funded SALP loans only in alternate years when the fund balance would allow for larger loans.

Maryland Department of Planning

The fiscal 2016 baseline estimate for the Maryland Department of Planning includes $10.0 million in general funds for the Sustainable Communities Tax Credit Program as a result of Chapter 601 of 2014 (Sustainable Communities Tax Credit Program – Extension and Alteration) extending the tax credit. This is level with the fiscal 2015 appropriation. In addition, the baseline includes $150,000 in special funds for the Maryland Historical Trust Revolving Loan Fund, which is consistent with the 2014 CIP and estimated special fund revenues.

Military Department

The Military Department's capital improvements are typically made on a 75% federal and 25% State cost-share basis for eligible project costs. Grants from the National Guard Bureau provide the source for the federal fund portion of the cost-share. The baseline removes $2.0 million in fiscal 2015 federal funds appropriations for the construction of a parachute rigging facility at the Hagerstown Readiness Center offset by an adjustment that adds $12.4 million in federal funds for fiscal 2016 to construct a new Havre de Grace Readiness Center. The 2014 CIP includes GO bonds programmed for fiscal 2016 to meet the required 25% State-cost share.

Maryland Department of Veterans Affairs

The Department of Veterans Affairs management of veterans' cemeteries includes maintaining and expanding veterans' cemeteries as needed. The improvement and expansion of the cemeteries is an ongoing process, funded by the U.S. Department of Veterans Affairs. Capital spending on Maryland's veterans cemeteries is expected to fall from $3.4 million in general and federal funds in fiscal 2015 to $2.9 million in federal funds in fiscal 2016 for construction of a project at Rocky Gap Veterans Cemetery.

Maryland Department of Transportation

For the Maryland Department of Transportation PAYGO capital programs, adjustments were made to conform to the draft *Consolidated Transportation Program: Fiscal 2015-2020*.

Maryland Department of Natural Resources

The baseline assumes that transfer tax revenues used to fund Program Open Space (POS) will be allocated first in accordance with the statutory formula and then distributed in accordance with provisions in Chapter 464 of 2014, which requires the transfer of $77.7 million in transfer tax revenue to the general fund. The baseline reflects adjustments in the amount of transfer tax revenues available to support the department's capital programs. This includes, as set forth in Chapter 464, a reduction in the amount of revenue transferred to the general fund from $144.2 million in fiscal 2015 to $77.7 million in fiscal 2016, leaving more available to support programs. This is offset in the baseline by a reduction in the total transfer tax revenues expected to be collected in fiscal 2016 relative to the amount of budgeted transfer tax in fiscal 2015: fiscal 2015 revenues were estimated to be $193.5 million plus a fiscal 2013 overattainment of $9.1 million, whereas in fiscal 2016, the revenues are only anticipated to be $177.6 million minus a $13.0 million underattainment from fiscal 2014, which impacts the fiscal 2016 estimate. The fiscal 2016 baseline for the Department of Natural Resources' POS State allocation includes $9.7 million in special funds and $3.0 million in federal funds, reflecting an $8.7 million increase over the fiscal 2015 legislative appropriation. Although GO bond funding is not included in the operating baseline budget, $24.8 million in GO bond is programmed for POS State for fiscal 2016 in order to replace fiscal 2014 and 2015 State transfer tax funding directed to the general fund as part of actions to balance the operating budget.

The baseline includes $7.1 million in special funds for the Rural Legacy Program, which provides funds for the acquisition of conservation easements. As is the case with the POS, the baseline assumes an increase in the amount of transfer tax revenue available because of the decrease in the amount of revenue transferred to the general fund. A pre-authorization of $12.5 million in GO bond funds is programmed for fiscal 2016 in order to replace fiscal 2014 and 2015 State transfer tax funding directed to the general fund as part of actions to balance the operating budget. Assuming the mandated $5.0 million GO bond appropriation in fiscal 2016, the baseline includes $24.6 million ($7.1 million in special funds and $17.5 million in GO bond appropriation), an increase of $8.6 million relative to the $16.0 million fiscal 2015 legislative appropriation, all funds included.

The baseline includes $5.5 million for Capital Development Projects, which is a reduction of $4.1 million relative to the fiscal 2015 legislative appropriation of $9.6 million. Capital

Development Projects includes transfer tax special fund appropriation for the Critical Maintenance Program, Natural Resources Development Fund, and State contribution to the Ocean City Beach Maintenance Program. The decrease between fiscal 2015 and 2016, reflects the allocation of the $77.7 million reduction noted earlier for the State transfer tax. While no pre-authorizations for Capital Development Project is programmed for fiscal 2015, the Administration has indicated that it will provide $4.4 million in GO bonds as replacement funds for prior year special fund transfers.

Partial funding of $0.5 million is assumed for the Ocean City Beach Maintenance Program from Worcester County and Ocean City in the fiscal 2016 baseline because the Ocean City Beach Maintenance Fund balance will be near the $15.0 million cap. The Ocean City Beach Maintenance Fund balance is near the cap because the U.S. Army Corps of Engineers has funded recent storm repairs and the beach re-nourishment project. Funding is usually shared between the State ($1.0 million from the transfer tax) and Worcester County and Ocean City ($1.0 million). The State component is reflected under Capital Development Projects above.

The fiscal 2016 baseline includes an increase in special fund revenue and a decrease in federal fund revenue for the Waterway Improvement Program (WIP) relative to the amount of funding in the fiscal 2015 legislative appropriation. The total fiscal 2016 baseline is $6.6 million, which reflects ongoing revenue available from the motor fuel tax and the vessel excise tax (Chapter 180 of 2013 – Natural Resources – Vessel Excise Tax – Waterway Improvement Fund) and spending down of the available fund balance. The WIP provides grants and loans to local, State, and federal government agencies for projects that improve and promote recreational and commercial capabilities, conditions, and safety of Maryland’s waterways for the benefit of the general boating public.

Maryland Department of Agriculture

The 2016 baseline for the Maryland Agricultural Land Preservation Program consists of $19.7 million in special funds. Overall, the baseline reflects an increase of $10.1 million relative to the fiscal 2015 legislative appropriation of $9.6 million in special funds. The special fund baseline estimate is comprised of funding from the State transfer tax statutory distribution as adjusted by the transfer to the general fund ($10.3 million), county funding ($8.5 million), and agricultural transfer tax and miscellaneous fees ($0.9 million). No federal funds are assumed due to ongoing concerns about federal Farm and Ranchland Protection Program restrictions. In addition, $22.7 million in GO bond funds are programmed for fiscal 2016 to replace fiscal 2014 and 2015 State transfer tax funding directed to the general fund as part of actions to balance the operating budget. This reflects a $7.5 million increase in GO bonds over the fiscal 2015 legislative appropriation.

The baseline for the Cigarette Restitution Fund-supported Tobacco Transition Program reflects the 2014 CIP amount of $2.3 million in special funds for agricultural land preservation. This reflects a decrease from the $2.7 million budgeted in the fiscal 2015 legislative appropriation because of an increase in the tobacco bond repayment amount budgeted in the operating budget.

The Tobacco Transition Program provides funds for the voluntary tobacco buyout program and agricultural land preservation efforts.

Maryland Department of Housing and Community Development

DHCD works to encourage homeownership, expand affordable rental housing, and revitalize communities. The fiscal 2016 baseline includes changes in various PAYGO capital grant and loan programs based on the agency's estimates of revenues, encumbrances, fund balances, and the 2014 CIP. Overall, the fiscal 2016 baseline assumes that special and federal funds for DHCD's PAYGO programs will decrease by about $6 million compared to the fiscal 2015 legislative appropriation. In recent fiscal years, GO bonds have substituted for general funds and provided the source of replacement funds for revenue and fund balance transfers in support of DHCD programming, and their continued use is anticipated in the 2014 CIP and in the Department of Legislative Services baseline budget. The following adjustments to special and federal funds were made to the fiscal 2016 baseline:

- **Neighborhood Business Development Program:** The fiscal 2016 baseline is reduced by $900,000 in special funds reflecting lower revenues from loan repayments.

- **Rental Housing Programs:** The fiscal 2016 baseline reflects an increase of $0.5 million in special funds and a $225,000 decrease in federal funds. Special funds from the Consumer Investment Fund (CIF) decrease by $2.25 million. The CIF is funded by a $28.0 million contribution over three years from the Exelon Corporation, ordered by the Public Service Commission as a condition of approval of the Exelon-Constellation merger. This is offset by a $2.7 million increase in special funds from EmPOWER Maryland.

- **Homeownership Programs*:*** The baseline assumes a decrease of $500,000 in special funds and an increase of $700,000 in federal funds for homeownership programs based on the 2014 CIP.

- **Maryland Base Realignment and Closure Preservation Loan:** Funding for this program increases by $500,000 in the fiscal 2016 baseline.

- **Special Loan Programs:** Funding for these programs increase by $750,000 in the fiscal 2016 baseline.

Funding for the Community Development Block Grant, the Community Legacy, the Strategic Demolition and Smart Growth Impact Fund, the Partnership Rental Housing, and the Shelter and Transitional Housing Facilities Grant programs are expected to remain unchanged from the fiscal 2015 appropriation levels.

Maryland Department of the Environment

MDE's baseline of $130.0 million for the Water Quality Revolving Loan Fund Program assumes that funding will be greater than what is planned in the 2014 CIP and reflects a change in the fund sources relative to the fiscal 2015 legislative appropriation. The projected increase of $15.9 million in federal funds relative to the CIP reflects funding levels in the federal fiscal 2014 continuing resolution funding instead of the planned appropriation bill that would have funded the program at a lower level. Measured against the fiscal 2015 appropriation, the baseline reflects an increase in federal funds of $1.6 million. The special fund appropriation decreases by a modest $9.1 million relative to the 2014 CIP and by $320,000 relative to the fiscal 2015 appropriation. The 20% match for federal funds is assumed to be $6.8 million in GO bonds – the fund source used in the fiscal 2015 legislative appropriation and the source reflected in the 2014 CIP. The program provides low-interest loans to local governments and eligible private entities for water quality improvement projects such as upgrading wastewater treatment plants and capping closed landfills.

The Drinking Water Revolving Loan Fund Program baseline estimate of $24.0 million reflects $10.0 million in special funds and $11.0 million in federal funds, which is a $0.9 million increase in special funds and a $1.0 million increase in federal funds relative to the 2014 CIP and a $500,000 increase in special funds and $1.9 million increase in federal funds relative to the fiscal 2015 legislative appropriation. The federal funding increases relative to the CIP is due to an increase in the grant allocation from 1.55% to 1.70% based on the revised allocation reflected from data in the U.S. Environmental Protection Agency's 2011 Drinking Water Infrastructure Needs Survey and Assessment. The total federal funding is $15.0 million, which requires the 20.0% match of $3.0 million in GO bonds, but only $11.0 million is reflected in the capital PAYGO budget because the remainder of $4.0 million is reflected in the operating budget as nonproject set aside funding. The program provides low-interest loans to local governments and eligible private entities for drinking water projects such as the construction of water distribution mains, water storage facilities, and water treatment plant upgrades.

The baseline of $1.0 million in general funds for the Hazardous Substance Cleanup Program is consistent with the 2014 CIP and level with the fiscal 2015 legislative appropriation. This will provide for approximately $0.3 million in site assessment funding and the remainder in individual project funding similar to the fiscal 2015 appropriation. The program provides funds for cleanup of uncontrolled sites listed on the federal National Priorities List (Superfund) and other uncontrolled waste sites within the State that do not qualify for federal funding through the Superfund program.

The baseline estimate of $14 million for the capital grant program associated with the Bay Restoration Fund (BRF) fee on septic system users reflects a $1 million decrease relative to the 2014 CIP and fiscal 2015 legislative appropriation. This reduction reflects the use of funding in the operating budget as cost recovery funding for local jurisdictions to implement septic system regulations (Chapter 379 of 2014 – Bay Restoration Fund – Authorized Uses – Local Entities). The baseline estimate for the Enhanced Nutrient Removal Program funded by a fee on public sewer/water users is $80 million in special funds, which is a modest increase relative to the $70 million reflected in the 2014 CIP but $1 million less than the fiscal 2015 legislative appropriation. No GO bond authorization is needed in fiscal 2016 or in the out-years due to sufficient revenues from the fee increase. No new revenue bond authorization is anticipated in fiscal 2016 as the program has reached its planned $530 million revenue bond authorization level. In fact, it is anticipated that a $100 million de-authorization will be implemented to reflect the revised need in the program due to the fee increase in Chapter 150 of 2012 (Environment – Bay Restoration Fund – Fees and Uses), which roughly doubled the revenue from the BRF fee on septic system users and public sewer/water users, and the delayed request for reimbursement from local jurisdictions.