Spending Affordability Committee Technical Supplement

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

December 2015

Contents

Fiscal 2017 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 2016. 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 2016 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 (3.38%);
- prescription drugs for State facilities (3.38%);
- postage (2.62%);
- utilities and electricity (2.73%); and
- food (2.28%).

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 2016-2017
($ in Millions)

Fund[1]	2016 Adjusted Appropriation[4]	2017 Baseline	2016-2017 $ Increase	2016-2017 % Change
General[2]	$16,247.8	$17,343.8	$1,096.0	6.7%
Special/Higher Education[3]	12,492.9	12,996.1	503.3	4.0%
Federal	11,617.7	12,070.7	453.1	3.9%
Total	**$40,358.3**	**$42,410.6**	**$2,052.3**	**5.1%**

(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 the following: reductions and restorations of funding in Section 48 of the budget bill reflecting the Governor's decisions not to restore funding for the Prince George's Hospital and State aid for the Geographic Cost of Education Index, additional special fund spending due to funding swaps, 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. Fiscal 2016 deficiencies are discussed next as part of the technical supplement overview.

Separate sections of the technical supplement present 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 18, 2015. 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 2015-2017
($ in Millions)

Category	Work. Appr. FY 2015	Leg. Appr. FY 2016	Baseline FY 2017	FY 2016 to FY 2017 $ Change	FY 2016 to FY 2017 % Change
Debt Service	$140.0	$252.4	$334.0	$81.6	32.3%
County/Municipal	246.0	255.3	260.8	5.5	2.2%
Community Colleges	290.5	296.1	310.8	14.7	5.0%
Education/Libraries	5,770.3	5,813.1	5,938.7	125.6	2.2%
Health	41.7	44.7	48.4	3.7	8.3%
Aid to Local Governments	***$6,348.6***	***$6,409.2***	***$6,558.8***	***$149.6***	***2.3%***
Foster Care Payments	$222.8	$193.0	$179.9	-$13.0	-6.8%
Assistance Payments	73.9	63.4	57.6	-5.8	-9.2%
Medical Assistance	2,815.1	2,862.3	2,959.4	97.1	3.4%
Property Tax Credits	82.0	81.3	79.3	-2.0	-2.5%
Entitlements	***$3,193.9***	***$3,200.0***	***$3,276.2***	***$76.2***	***2.4%***
Health	$1,262.0	$1,286.5	$1,385.1	$98.6	7.7%
Human Resources	324.5	356.1	382.9	26.8	7.5%
Children's Cabinet Interagency Fund	20.8	22.5	22.5	0.0	0.0%
Juvenile Services	278.1	279.1	292.7	13.5	4.8%
Public Safety/Police	1,421.1	1,430.6	1,555.8	125.2	8.8%
Higher Education	1,287.9	1,330.8	1,442.5	111.7	8.4%
Other Education	389.8	395.5	433.8	38.3	9.7%
Agric./Nat'l. Res./Environment	132.1	112.8	121.2	8.4	7.5%
Other Executive Agencies	664.8	643.2	682.1	38.9	6.0%
Judiciary	429.9	452.9	482.4	29.5	6.5%
Legislative	82.3	84.5	89.0	4.5	5.3%
Across-the-board Cuts	-7.5	0.0	0.0	0.0	n/a
State Agencies	***$6,285.8***	***$6,394.5***	***$6,890.0***	***$495.5***	***7.7%***
Deficiencies	$0.0	-$35.0	$0.0	$35.0	-100.0%
Total Operating	**$15,968.3**	**$16,221.1**	**$17,059.0**	**$837.9**	**5.2%**
Capital (1)	$11.5	$29.6	$29.4	-$0.2	-0.6%
Subtotal	***$15,979.8***	***$16,250.7***	***$17,088.4***	***$837.8***	***5.2%***
Reserve Funds	$14.8	$60.0	$285.3	$225.3	375.6%
Appropriations	**$15,994.6**	**$16,310.7**	**$17,373.8**	**$1,063.1**	**6.5%**
Reversions	-$30.3	-$62.9	-$30.0	$32.9	-52.3%
Grand Total	**$15,964.3**	**$16,247.8**	**$17,343.8**	**$1,096.0**	**6.7%**

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

Note: The fiscal 2015 working appropriation reflects $197.8 million in reductions approved by the Board of Public Works on January 7. It also includes deficiencies, legislative reductions to the deficiencies, $3.7 million in targeted reversions, and $7.5 million in savings from Section 22 of the budget bill (HB 70). The fiscal 2016 legislative appropriation reflects $201.7 million in reductions and $118.7 million in restorations from Section 48 of the budget bill.

State Expenditures – Special and Higher Education Funds*
Fiscal 2015-2017
($ in Millions)

Category	Work. Appr. FY 2015	Leg. Appr. FY 2016	Baseline FY 2017	FY 2016 to FY 2017 $ Change	FY 2016 to FY 2017 % Change
Debt Service	$1,143.3	$1,128.0	$1,163.1	$35.0	3.1%
County/Municipal	265.9	279.1	326.8	47.7	17.1%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	386.8	394.0	451.5	57.5	14.6%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	***$652.7***	***$673.1***	***$778.3***	***$105.2***	***15.6%***
Foster Care Payments	$5.5	$4.8	$2.3	-$2.5	-51.7%
Assistance Payments	18.6	16.6	15.8	-0.8	-4.6%
Medical Assistance	985.1	955.7	935.9	-19.8	-2.1%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	***$1,009.2***	***$977.1***	***$954.1***	***-$23.0***	***-2.4%***
Health	$474.5	$438.0	$452.5	$14.5	3.3%
Human Resources	96.9	90.6	103.1	12.5	13.8%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	5.0	4.9	5.2	0.3	5.7%
Public Safety/Police	218.1	221.6	229.1	7.6	3.4%
Higher Education	4,093.5	4,185.4	4,303.1	117.6	2.8%
Other Education	61.8	47.9	59.5	11.6	24.3%
Transportation	1,671.4	1,756.5	1,832.5	76.0	4.3%
Agric./Nat'l. Res./Environment	225.5	249.4	285.7	36.3	14.6%
Other Executive Agencies	711.2	671.7	678.9	7.2	1.1%
Judiciary	64.1	64.7	61.1	-3.6	-5.6%
Legislative	0.0	0.0	0.0	0.0	n/a
Across-the-board Cuts	0.0	0.0	0.0	0.0	n/a
State Agencies	***$7,621.9***	***$7,730.7***	***$8,010.8***	***$280.1***	***3.6%***
Deficiencies	$0.00	$5.91	$0.00	-$5.91	-100.0%
Total Operating	**$10,427.1**	**$10,514.9**	**$10,906.3**	**$391.4**	**3.7%**
Capital	$1,700.9	$1,977.9	$2,089.8	$111.9	5.7%
– Transportation	1,449.4	1,725.4	1,807.7	82.3	4.8%
– Environment	197.6	193.3	193.8	0.5	0.3%
– Other	53.8	59.2	88.3	29.1	49.1%
Grand Total	**$12,128.0**	**$12,492.9**	**$12,996.1**	**$503.3**	**4.0%**

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

Note: The fiscal 2015 working appropriation reflects $7.5 million in reductions approved by the Board of Public Works on January 7, additional special fund spending of $6.8 million due to funding swaps, deficiencies, and legislative reductions to the deficiencies. The fiscal 2016 legislative appropriation reflects $12.9 million in additional special fund spending due to funding swaps and $15.6 million to restore the 2% reduction in State salaries that was included in Section 20 of the budget bill (HB 70).

State Expenditures – Federal Funds
Fiscal 2015-2017
($ in Millions)

Category	Work. Appr. FY 2015	Leg. Appr. FY 2016	Baseline FY 2017	FY 2016 to FY 2017 $ Change	FY 2016 to FY 2017 % Change
Debt Service	$11.5	$11.5	$11.5	$0.0	0.0%
County/Municipal	53.1	65.9	65.9	0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	802.3	847.3	847.3	0.0	0.0%
Health	4.5	4.5	4.5	0.0	0.0%
Aid to Local Governments	***$859.9***	***$917.7***	***$917.7***	***$0.0***	***0.0%***
Foster Care Payments	$90.6	$98.7	$73.5	-$25.1	-25.5%
Assistance Payments	1,364.5	1,259.5	1,255.6	-4.0	-0.3%
Medical Assistance	6,112.5	5,970.8	6,325.7	354.9	5.9%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	***$7,567.7***	***$7,329.0***	***$7,654.8***	***$325.8***	***4.4%***
Health	$1,011.9	$883.6	$932.4	$48.8	5.5%
Human Resources	514.6	498.6	510.7	12.0	2.4%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	7.1	7.4	7.8	0.4	5.5%
Public Safety/Police	30.0	30.0	31.7	1.7	5.6%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	263.6	248.0	254.8	6.8	2.7%
Transportation	93.7	94.9	95.7	0.8	0.8%
Agric./Nat'l. Res./Environment	71.1	64.4	67.3	2.9	4.5%
Other Executive Agencies	576.7	567.5	588.3	20.8	3.7%
Judiciary	1.7	0.2	0.2	0.0	7.3%
Across-the-board Cuts	0.0	0.0	0.0	0.0	n/a
State Agencies	***$2,570.5***	***$2,394.5***	***$2,488.7***	***$94.2***	***3.9%***
Deficiencies	$0.0	-$0.4	$0.0	$0.4	-100.0%
Total Operating	**$11,009.6**	**$10,652.3**	**$11,072.6**	**$420.4**	**3.9%**
Capital	$831.7	$965.4	$998.1	$32.7	3.4%
– Transportation	763.8	860.4	928.8	68.5	8.0%
– Environment	41.3	44.9	44.4	-0.5	-1.1%
– Other	26.5	60.1	24.9	-35.2	-58.6%
Grand Total	**$11,841.3**	**$11,617.7**	**$12,070.7**	**$453.1**	**3.9%**

Note: The fiscal 2015 working appropriation includes $15.4 million in deficiencies. The fiscal 2016 legislative appropriation reflects $77.8 million to restore funding per Section 48 of the budget bill (HB 70).

State Expenditures – All Funds
Fiscal 2015-2017
($ in Millions)

Category	Work. Appr. FY 2015	Leg. Appr. FY 2016	Baseline FY 2017	FY 2016 to FY 2017 $ Change	FY 2016 to FY 2017 % Change
Debt Service	$1,294.8	$1,391.9	$1,508.6	$116.6	8.4%
County/Municipal	565.0	600.3	653.6	53.2	8.9%
Community Colleges	290.5	296.1	310.8	14.7	5.0%
Education/Libraries	6,959.5	7,054.4	7,237.5	183.1	2.6%
Health	46.2	49.2	52.9	3.7	7.6%
Aid to Local Governments	***$7,861.2***	***$8,000.0***	***$8,254.7***	***$254.7***	***3.2%***
Foster Care Payments	$319.0	$296.5	$255.8	-$40.7	-13.7%
Assistance Payments	1,457.0	1,339.6	1,329.0	-10.6	-0.8%
Medical Assistance	9,912.8	9,788.8	10,221.0	432.2	4.4%
Property Tax Credits	82.0	81.3	79.3	-2.0	-2.5%
Entitlements	***$11,770.8***	***$11,506.1***	***$11,885.1***	***$379.0***	***3.3%***
Health	$2,748.3	$2,608.1	$2,770.0	$161.9	6.2%
Human Resources	935.9	945.4	996.7	51.4	5.4%
Children's Cabinet Interagency Fund	20.8	22.5	22.5	0.0	0.0%
Juvenile Services	290.2	291.4	305.6	14.2	4.9%
Public Safety/Police	1,669.2	1,682.1	1,816.6	134.5	8.0%
Higher Education	5,381.4	5,516.2	5,745.6	229.4	4.2%
Other Education	715.2	691.4	748.1	56.7	8.2%
Transportation	1,765.1	1,851.4	1,928.2	76.8	4.1%
Agric./Nat'l. Res./Environment	428.6	426.5	474.2	47.7	11.2%
Other Executive Agencies	1,952.7	1,882.4	1,950.3	68.0	3.6%
Judiciary	495.8	517.8	543.7	25.9	5.0%
Legislative	82.3	84.5	89.0	4.5	5.3%
Across-the-board Cuts	-7.5	0.0	0.0	0.0	n/a
State Agencies	***$16,478.3***	***$16,519.8***	***$17,390.6***	***$870.8***	***5.3%***
Deficiency	$0.0	-$29.5	$0.0	$29.5	-100.0%
Total Operating	**$37,405.0**	**$37,388.3**	**$39,039.0**	**$1,650.7**	**4.4%**
Capital [(1)]	$2,544.1	$2,972.9	$3,117.3	$144.4	4.9%
– Transportation	2,213.3	2,585.8	2,736.6	150.8	5.8%
– Environment	239.9	238.9	238.6	-0.3	-0.1%
– Other	90.9	148.2	142.2	-6.1	-4.1%
Subtotal	***$39,949.1***	***$40,361.2***	***$42,156.3***	***$1,795.1***	***4.4%***
Reserve Funds	$14.8	$60.0	$285.3	$225.3	375.6%
Appropriations	**$39,963.9**	**$40,421.2**	**$42,441.6**	**$2,020.5**	**5.0%**
Reversions	-$30.3	-$62.9	-$30.0	$32.9	-52.3%
Grand Total	**$39,933.6**	**$40,358.3**	**$42,411.6**	**$2,053.3**	**5.1%**

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

Note: The fiscal 2015 working appropriation reflects $205.3 million in reductions approved by the Board of Public Works on January 7 and additional special fund spending of $6.8 million due to funding swaps. It also includes deficiencies, legislative reductions to the deficiencies, $3.7 million in targeted reversions, and $7.5 million in savings from Section 22 of the budget bill (HB 70). The fiscal 2016 legislative appropriation reflects: (1) $201.7 million in general fund reductions and $118.7 million in general fund restorations from Section 48 of the budget bill; (2) $12.9 million in additional special fund spending due to funding swaps and $15.6 million in special funds to restore the 2% reduction in State salaries that was included in Section 20 of the budget bill; and (3) $77.8 million in federal funds to restore funding per Section 48 of the budget bill.

Fiscal 2016 Deficiencies

As shown below, the fiscal 2017 baseline assumes $116.9 million in general fund deficiencies. However, these estimated deficiencies are more than offset by an anticipated surplus in the Medicaid program of $151.9 million (for a more detailed explanation of the projected surplus in Medicaid see the Entitlements Program section). When considered together, the fiscal 2017 baseline projects a reduction in general fund expenditures in fiscal 2016 of $35.0 million. Deficiencies that carry over into fiscal 2017 are reflected within each agency's adjustments throughout the remainder of the report.

Potential Fiscal 2016 General Fund Deficiencies and Medicaid Surplus
($ in Millions)

Health and Maryland Health Benefit Exchange (Excluding Medicaid): Developmental Disabilities Administration federal audit disallowance ($30.7 million); and Maryland Health Benefit Exchange fiscal 2015 and 2016 legal fees and call center costs ($4.0 million).	$34.7
K-12: Offset for Education Trust Fund cumulative revenue shortfall ($19.9 million) and student assessment costs ($7.0 million).	26.9
Public Safety and Correctional Services: Overtime ($16.7 million); underfunding anticipated from the non-implementation of roll call ($3.5 million); 10-hour shifts ($1.0 million); lack of savings from the closure of the Men's Detention Center ($1.9 million); and 2015 legislation ($0.1 million).	23.2
State Police: Backfilling of unattained 2% cost containment ($5.2 million) and fiscal 2015 shortfall in operating expenditures ($4.5 million).	9.8
Human Resources: Offset of federal child care subsidy funds with program transfer to the Maryland State Department of Education ($4.5 million); Temporary Assistance for Needy Families and Temporary Disability Assistance Payments ($1.9 million); and backfill of child support enforcement fees ($0.7 million).	7.1
Higher Education: Health manpower shortage and statewide program grants ($2.7 million); community colleges optional retirement program ($2.2 million); and backfilling of unattained 2% cost containment ($2.0 million).	6.9
Office of the Public Defender: Underfunding of fiscal 2016 expenses for panel attorneys and other operating costs based on fiscal 2015 spending ($4.9 million) and backfilling of unattained 2% cost containment ($1.4 million).	6.3
Other: Stadium Authority backfilling of unattained 2% cost containment covering State share of Baltimore City and Ocean City convention centers operating deficit ($1.3 million); various 2015 legislation ($0.4 million); and other ($0.3 million).	2.0
Total Deficiencies	**$116.9**

Medicaid Surplus: Fiscal 2016 savings driven by enrollment decline in the traditional Medicaid program, increased special fund availability, and a calendar 2015 mid-year managed care organization (MCO) rate adjustment partially offset by increased costs for a calendar 2016 MCO rate increase, higher Medicare premium buy-on costs, higher enrollment in the Maryland Children's Health Program, and higher costs for behavioral health services for the uninsured ($151.9 million).	-$151.9
Deficiencies Net of Medicaid Surplus	**-$35.0**

Employee Compensation Overview

Personnel Operating Cost Assumptions

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

- ***Fiscal 2017 General Salary Increase:*** The baseline assumes that a 2% general salary adjustment will be awarded to all State employees on July 1, 2016. The increase raises salaries $69.9 million ($44.4 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 ($31.5 million in general funds) to higher education spending.

- ***Fiscal 2017 Merit Pay Increases:*** The baseline also assumes merit pay increases in fiscal 2017. This is expected to increase State agency (excluding higher education) costs by $62.9 million ($40.0 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. For employees receiving their merit increases on January 1, 2017, an additional $21.0 million ($13.3 million in general funds) will need to be appropriated in fiscal 2018 to reflect the full annual cost of the merit increases. The baseline also assumes that higher education institutions receive a similar merit increase, which adds $58.7 million ($37.8 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.

- ***Adjusting Annual Salary Review (ASR):*** The fiscal 2016 budget appropriated $290,192 ($200,479 in general funds) for ASRs. This provides salary increases for wage and hour investigators and their supervisors at the Department of Labor, Licensing, and Regulation (DLLR). These funds were transferred by budget amendment from the Department of Budget and Management to DLLR. The baseline budget rebuilds funding for ASRs in fiscal 2017 at $1.4 million ($1.0 million in general funds). This is equal to the average amount of ASRs received in five previous years (fiscal 2012 to 2016).

- ***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 2017 claims will total $1.62 billion. This estimate assumes that costs will increase by 7%, consistent with recent claims activity and growth in prescription drug costs. State agency appropriations into the fund were reduced in fiscal 2014 and 2015 in order to draw down a high fund balance. In fiscal 2015, prescription drug claims increased by $70.6 million from fiscal 2014; significant increases in prescription drug costs are expected to continue based on industry-wide trends. Compared to the fiscal 2016 legislative appropriation, fiscal 2017 State appropriations are expected to increase by $95.2 million, of which $57.1 million are general funds.

- ***Employees' Retirement and Pensions:*** Fiscal 2017 baseline expenditures increase by $103.5 million, compared to fiscal 2016 expenditures. Approximately 34.0% of this increase ($35.2 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 three of the plans, State employees, State Police, and judges, increase. There are modest decreases in the contribution rates to the teacher plan (0.07%) and Law Enforcement Officers' Pensions System. Higher education institution's Optional Retirement Plan rate remains constant at 7.25%. Specific changes to the different plans are:

  - an additional $77.4 million ($47.1 million in general funds) for the Employees' State Retirement and Pension Systems;

  - an increase of $3.2 million (all general funds) for the judges' plan;

  - State Police retirement plan appropriations increase by $2.2 million ($1.7 million in general funds); and

  - modest changes to the Law Enforcement Officers' Pensions System, which increases by approximately $50,000 ($30,000 general funds) and Teachers' Retirement Plan appropriations, which increases by approximately $430,000 ($280,000 general funds).

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 2014-2017
($ in Thousands)

	2014 Actual	2015 Working	2016 Leg. Approp.	2017 Baseline	2016-2017 Increase	2016-2017 % Increase
Expenditures						
DHMH – Administration	$46,552	$48,920	$48,647	$51,270	$2,623	5.4%
DHMH – Office of Health Care Quality	14,962	19,138	19,040	20,775	1,735	9.1%
DHMH – Health Professional Boards and Commission	28,044	33,366	35,880	38,069	2,189	6.1%
DHMH – Public Health Administration	71,367	83,552	83,180	87,576	4,396	5.3%
DHMH – Prevention & Health Promotion Administration	327,966	357,766	334,977	349,882	14,905	4.5%
DHMH – Chronic Hospitals	47,835	48,784	48,041	53,244	5,202	10.8%
DHMH – Behavioral Health Admin.	1,293,161	615,378	600,475	646,515	46,039	7.7%
DHMH – Developmental Disabilities Administration	949,710	993,668	1,059,371	1,146,214	86,843	8.2%
DHMH – Medical Care Programs Administration	85,442	142,059	83,408	86,984	3,577	4.3%
DHMH – Health Regulatory Commissions	181,557	206,476	198,760	199,633	873	0.4%
Total	**$3,046,594**	**$2,549,107**	**$2,511,779**	**$2,680,161**	**$168,382**	**6.7%**
Fund						
General Fund	$1,540,056	$1,276,000	$1,276,118	$1,383,363	$107,246	8.4%
Special Fund	356,693	368,726	375,275	397,962	22,686	6.1%
Federal Fund	1,122,120	883,023	839,578	877,134	37,557	4.5%
Reimbursable Fund	27,725	21,358	20,809	21,702	893	4.3%
Total	**$3,046,594**	**$2,549,107**	**$2,511,779**	**$2,680,161**	**$168,382**	**6.7%**
Personnel						
Regular Positions	6,407.0	6,394.0	6,361.0	6,356.0	-5.	-0.1%
Full-time Equivalent Contractuals	362.0	420.0	450.0	453.0	3.0	0.7%

DHMH: Department of Health and Mental Hygiene

Note: For fiscal 2015 onward, the Medicaid portion of Behavioral Health Administration funding is reflected in the Entitlement Programs exhibit.

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 $675,463 increase in funding for the next 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 2017 baseline budget includes two significant non-entitlement items. The first is a decrease of $300,000 in special funds available from the Problem Gambling Fund based on the expected level of table games and video lottery terminals subject to the statutory fee. The second item is the removal of $2 million in special funds and $600,000 in general funds related to the Synar penalty since this is a one-time penalty.

Health Professional Boards and Commissions

Baseline changes to the Health Professional Boards and Commissions include the addition of $1,000,000 in special funds for the Medical Marijuana Commission reflecting the replacement of general funds cut during the session due to the increased availability of special funds during the first full year of funding for the commission. Further, $552,000 in special funds is subsequently removed as being one-time start-up costs.

Developmental Disabilities Administration

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

- a $30.3 million increase in total funds (including $16.8 million in general funds) to account for annualization of community services provided for first-time clients in fiscal 2016 that will be ongoing in fiscal 2017 as well as funding for new transitioning youth placements; and

- a $36.7 million increase in total funds (including $20.5 million in general funds) to reflect provider inflation (3.5%) associated with community service contracts as provided for under Chapter 262 of 2014.

Prevention and Health Promotion Administration

The fiscal 2017 baseline budget includes an anticipated $10 million special fund deficiency carried forward from fiscal 2016. The special funds are available from the Maryland AIDS Drug Assistance Program (MADAP) Rebates. Starting fiscal 2016, funds from the MADAP are able to be used to fund other services for eligible individuals allowable under Part B of the federal Ryan White HIV/AIDs Program. The funds will be used to cover the cost of HIV Formulary Pharmaceuticals and Insurance Premiums for eligible individuals.

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 2014-2017
($ in Thousands)

	2014 Actual	2015 Working	2016 Leg. Approp.	2017 Baseline	2016-2017 Increase	2016-2017 % Increase
Expenditures						
DHR – Administration	$167,317	$173,183	$173,832	$179,590	$5,758	3.3%
DHR – Social Services	264,125	293,785	288,620	309,334	20,714	7.2%
DHR – Child Support Enforcement	89,582	88,628	89,673	95,375	5,702	6.4%
DHR – Family Investment	245,771	246,371	248,699	260,740	12,041	4.8%
DHR – Office of Home Energy Programs	153,276	142,274	137,554	151,694	14,140	10.3%
Total	**$920,072**	**$944,241**	**$938,378**	**$996,733**	**$58,355**	**6.2%**
Fund						
General Fund	$355,906	$331,062	$352,856	$382,946	$30,090	8.5%
Special Fund	103,765	96,880	90,479	103,125	12,646	14.0%
Federal Fund	458,343	514,554	495,043	510,662	15,619	3.2%
Reimbursable Fund	2,057	1,745	0	0	0	0%
Total	**$920,072**	**$944,241**	**$938,378**	**$996,733**	**$58,355**	**6.2%**
Personnel						
Regular Positions	6,529.0	6,532.0	6,441.0	6,359.0	(82.0)	-1.3%
Full-time Equivalent Contractuals	146.0	83.0	74.0	74.0	0.0	0%

DHR: Department of Human Resources

Child Care Subsidy Administration Costs

Adjustments were made in several programs in DHR Administration and the Family Investment Administration to account for the impact of a change in the process for eligibility determinations for the Child Care Subsidy, an increase of $4.47 million in general funds and equivalent decrease in federal funds. Although the Maryland State Department of Education (MSDE) has administered the program for several years, DHR continued to determine eligibility for these cases. Beginning in fiscal 2016, the eligibility determination function will be handled by a private contractor through MSDE. As a result, federal funds budgeted for this purpose in DHR, including direct expenses related to caseworkers and information technology contract costs, and indirect expenses will not be available and general funds will be needed instead to support these activities. These adjustments carry forward into fiscal 2017.

Child Support Enforcement Administration

The fiscal 2017 baseline for DHR – Child Support Enforcement Administration includes an adjustment for a statewide fee reduction in fiscal 2016, which will recur in fiscal 2017. The child support income tax intercept fee, a maximum of $25, was eliminated September 15, 2015. In prior years, 66% of the collected fees were given to the federal government and DHR kept the remaining 34%. DHR is still responsible for giving the federal government 66% of the fees that would be collected if the fee was not waived. There is a $734,300 increase in general funds to cover the amount owed to the federal government as well as operating expenses that are usually covered by the remaining 34% of collected fees. The reduction in expenditures available as a result of revenue from the fees accounts for a $249,662 decrease in special funds, which represents the State share of the fees.

The fiscal 2017 baseline includes a technical adjustment to account for an arrangement that DHR has with the federal government. A $110,299 fund swap from the general fund to federal fund reflects the Title IV-D arrangement, which is based on 66% federal fund participation and a 34% State match.

Office of Home Energy Programs

The baseline includes a fiscal 2016 deficiency appropriation of $3.5 million in federal funds due to available Low Income Home Energy Assistance Program (LIHEAP) funding that was not spent in fiscal 2015.

The fiscal 2017 baseline for the Office of Home Energy Programs includes an increase of $10.6 million in total funds for energy assistance benefits to account for changes in the availability of funding, including an increase of $12.0 million due to higher than anticipated revenue from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions and a decrease of $1.5 million from the LIHEAP to reflect recent experience.

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 2014-2017
($ in Thousands)

	2014 Actual	2015 Working	2016 Leg. Approp.	2017 Baseline	2016-2017 Increase	2016-2017 % Increase
Expenditures						
DPSCS – Administration	$196,354	$214,047	$214,017	$220,997	$6,980	3.3%
DPSCS – Maryland Parole Commission	5,699	6,028	5,846	6,045	199	3.4%
DPSCS – Inmate Grievance Office	816	1,002	1,073	1,119	46	4.3%
DPSCS – Police and Correctional Training Commissions	8,719	9,210	8,609	9,328	719	8.4%
DPSCS – Criminal Injuries Compensation Board	6,579	5,040	5,184	5,285	102	2.0%
DPSCS – Maryland Commission on Correctional Standards	484	579	514	624	110	21.4%
DPSCS – Operations	1,028,649	1,069,606	1,056,246	1,164,316	108,070	10.2%
Total	**$1,247,301**	**$1,305,511**	**$1,291,489**	**$1,407,714**	**$116,225**	**9.0%**
Fund						
General Fund	$1,137,521	$1,189,098	$1,173,019	$1,285,316	$112,297	9.6%
Special Fund	75,513	82,010	83,850	85,530	1,681	2.0%
Federal Fund	28,122	27,426	28,584	30,459	1,875	6.6%
Reimbursable Fund	6,145	6,977	6,036	6,408	372	6.2%
Total	**$1,247,301**	**$1,305,511**	**$1,291,489**	**$1,407,714**	**$116,225**	**9.0%**
Personnel						
Regular Positions	11,041.0	11,121.0	11,020.0	11,100.0	80.0	0.7%
Full-time Equivalent Contractuals	272.0	400.0	398.0	398.0	0.0	0%

DPSCS: Department of Safety and Correctional Services

Administration

Significant administrative adjustments in the fiscal 2017 baseline include a decrease of $800,000 in special funds for one-time vehicle purchases within the Office of the Deputy Secretary for Operations, and a decrease of $500,000 in special funds associated with the Enterprise Resource Planning Major Information Technology project for the Maryland Correctional Enterprises.

DPSCS – Operations

The fiscal 2017 baseline adds $5.9 million in general funds for operation of the new Baltimore City Youth Detention Center, scheduled to open in late fiscal 2016. Salaries and wages for 78 full-time correctional officers and custodial staff total $5.2 million. The remaining $700,000 is for equipment, supplies and materials, motor vehicle operations, fuel and utilities, travel, and communications.

There also are several fiscal 2016 general fund adjustments to reflect deficiencies that add funding to the fiscal 2017 baseline estimate, including $16.7 million for overtime earnings based on prior-year actual spending, $3.5 million for overtime earnings associated with roll call overtime, $1.0 million for overtime earnings associated with correctional officer shift length, and $1.9 million for operating costs at the Baltimore City Men's Detention Center.

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 2014-2017
($ in Thousands)

	2014 Actual	2015 Working	2016 Leg. Approp.	2017 Baseline	2016-2017 Increase	2016-2017 % Increase
Expenditures						
MDOT – The Secretary's Office	$76,142	$84,071	$82,671	$83,938	$1,268	1.5%
MDOT – WMATA – Operating Budget	268,340	285,621	320,422	323,000	2,578	0.8%
MDOT – State Highway Admin.	326,560	248,702	260,757	299,562	38,806	14.9%
MDOT – Maryland Port Admin.	45,505	48,741	50,752	51,184	433	0.9%
MDOT – Motor Vehicle Admin.	184,698	197,062	203,223	209,982	6,760	3.3%
MDOT – Maryland Transit Admin.	751,801	729,385	749,714	782,565	32,851	4.4%
MDOT – Maryland Aviation Admin.	189,740	180,757	186,411	187,182	771	0.4%
Total	**$1,842,785**	**$1,774,339**	**$1,853,949**	**$1,937,414**	**$83,465**	**4.5%**
Fund						
Special Fund	$1,751,505	$1,679,728	$1,758,238	$1,840,855	$82,617	4.7%
Federal Fund	90,567	93,711	94,811	95,656	846	0.9%
Reimbursable Fund	713	900	900	903	3	0.3%
Total	**$1,842,785**	**$1,774,339**	**$1,853,949**	**$1,937,414**	**$83,465**	**4.5%**
Personnel						
Regular Positions	7,089.0	7,433.0	5,843.0	5,843.0	0.0	0%
Full-time Equivalent Contractuals	110.0	28.0	28.0	28.0	0.0	0%

MDOT: Maryland Department of Transportation WMATA: Washington Metropolitan Area Transit Authority

Washington Metropolitan Area Transit Authority

The operating grant subsidy for the Washington Metropolitan Area Transit Authority increases by $2.6 million, or 0.8%, in fiscal 2017. This is due to increases in operating costs for personnel, paratransit services, and 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 2017 baseline budget assumes:

- winter maintenance funding at the five-year average level of $87.9 million, which is a $31.9 million increase over the amount budgeted in fiscal 2016;
- an increase of $3.5 million in summer contractual maintenance activities to restore reductions made as part of prior cost containment actions;
- removal of $550,000 in one-time radio equipment purchases; and
- a $2.9 million reduction to the fiscal 2016 budget as part of MDOT's 2% cost containment effort which carries forward into fiscal 2017.

Maryland Port Administration

The fiscal 2017 baseline budget for the Maryland Port Administration includes the following adjustments:

- a $618,960 reduction in fiscal 2016 as part of MDOT's 2% cost containment effort which carries forward into fiscal 2017; and
- a $343,000 reduction in personnel and repair and maintenance costs related to the anticipated sale of cranes at Dundalk Marine Terminal.

Motor Vehicle Administration

The fiscal 2017 baseline budget for the Motor Vehicle Administration includes a $1.3 million reduction in fiscal 2016 as part of MDOT's 2% cost containment effort which carries forward into fiscal 2017.

Maryland Transit Administration

The fiscal 2017 baseline budget for the Maryland Transit Administration includes the following adjustments:

- $12.2 million for the Maryland Area Regional Commuter service contracts;
- $11.3 million for commuter bus contracts;
- $6.0 million for retroactive union salary increases likely to result from negotiations currently underway to replace the contract that ended June 30, 2014;
- $3.6 million for paratransit services reflecting increased ridership;
- $3.5 million fiscal 2016 deficiency for paratransit services reflecting increased ridership;
- $500,000 increase in the grant for the Montgomery County Ride On bus service;
- a reduction of $5.5 million to reflect the decreased price of diesel fuel; and
- a reduction of $5.9 million to the fiscal 2016 budget as part of MDOT's 2% cost containment effort which carries forward into fiscal 2017.

Maryland Aviation Administration

The fiscal 2017 baseline budget for the Maryland Aviation Administration includes a $2.5 million reduction in fiscal 2016 as part of MDOT's 2% cost containment effort which carries forward into fiscal 2017.

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 2014-2017
($ in Thousands)

	2014 Actual	2015 Working	2016 Leg. Approp.	2017 Baseline	2016-2017 Increase	2016-2017 % Increase
Expenditures						
Morgan State University	$211,020	$224,050	$226,875	$234,925	$8,050	3.6%
St. Mary's College of Maryland	65,038	72,098	72,799	74,912	2,113	2.9%
University of Maryland (UM), Baltimore	1,018,658	1,073,202	1,073,480	1,140,596	67,116	6.3%
UM, College Park	1,782,948	1,861,380	1,894,172	1,992,421	98,249	5.2%
Bowie State University	108,803	117,241	118,564	122,775	4,211	3.6%
Towson University	430,533	456,477	463,254	478,736	15,482	3.3%
UM Eastern Shore	121,841	140,550	141,330	147,051	5,721	4.1%
Frostburg State University	104,257	109,304	110,521	116,896	6,375	5.8%
Coppin State University	81,977	90,864	90,642	93,382	2,740	3.0%
University of Baltimore	127,392	138,172	138,592	145,609	7,017	5.1%
Salisbury University	172,351	180,439	185,096	192,729	7,633	4.1%
UM University College	372,108	387,011	390,677	403,329	12,652	3.2%
UM Baltimore County	394,263	404,907	410,696	428,530	17,834	4.3%
UM Center for Environmental Science	43,845	46,794	47,335	50,370	3,035	6.4%
University System of Maryland Office	30,496	32,111	32,625	33,575	950	2.9%
Baltimore City Community College	85,280	91,084	88,615	89,746	1,131	1.3%
Total	**$5,150,810**	**$5,425,682**	**$5,485,275**	**$5,745,583**	**$260,308**	**4.8%**
Fund						
Unrestricted Fund	$3,906,006	$4,126,992	$4,167,729	$4,351,914	$184,185	4.4%
Restricted Fund	1,244,804	1,298,690	1,317,546	1,393,669	76,123	5.8%
Total	**$5,150,810**	**$5,425,682**	**$5,485,275**	**$5,745,583**	**$260,308**	**4.8%**
Personnel						
Regular Positions	25,344.0	25,543.0	25,537.0	25,613.0	76.0	0.3%
Full-time Equivalent Contractuals	6,645.0	6,021.0	6,005.0	6,005.0	0.0	0%

USM and MSU

- Total mandatory costs increase by an estimated $240.1 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 2017, the State-funded portion of mandatory costs is estimated to increase by $106.6 million, or 8.6%, over fiscal 2016. This includes increases for personnel, new facilities, normal enrollment growth, and other operating costs.

- Total mandatory costs increase by an estimated $8.6 million for MSU. The State funded portion of MSU's mandatory costs is estimated to increase by $5.8 million, or 6.7%, over fiscal 2016. This includes increases for personnel, normal enrollment growth, and other operating costs.

- In fiscal 2017, a 2.0% cost-of-living adjustment (COLA) was assumed for USM and MSU totaling $47.1 million and $1.9 million, respectively, of which $29.9 million and $1.6 million 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 COLA is presumed to be funded entirely with State funds.

- In fiscal 2017, a salary increment totaling $56.5 million and $2.2 million was assumed for USM and MSU, respectively, of which $35.9 million and $1.9 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 that 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 $7.6 million of the total increase in mandatory costs, of which $6.8 million and $0.7 million are attributed to USM and MSU, respectively. The cost of enrollment growth was calculated by multiplying the budgeted fiscal 2016 enrollment by the fiscal 2016 to 2017 growth rate projected by the Maryland Higher Education Commission (MHEC). The estimated fiscal 2017 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 3.0% 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 2.5%, or $37.6 million (net of revenue toward institutional aid).

- For MSU, undergraduate tuition and fee revenues are estimated to increase by $2.2 million, or 3.9% (net of revenue toward institutional aid), based on the assumption of a 3.0% increase in undergraduate resident tuition, a 3.0% increase in nonresident tuition, and a 3.0% increase in fees.

- Of the $37.6 million in USM undergraduate tuition and fee revenues, $12.4 million is attributable to new enrollments, which was based on each institution's projected enrollment growth and the projected fiscal 2017 resident and nonresident tuition and fee rate. For MSU, $0.7 million of the $2.2 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 $42.6 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 2.26% in fiscal 2017. General funds, through this formula for SMCM, are expected to increase 2.4%, or $0.5 million, to account for the fixed level of HEIFs received by the college.

- 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 fiscal 2015 to support a tuition freeze and expand certain financial aid programs. Total special funds for the college are $2.5 million in fiscal 2017, the same amount as in fiscal 2016.

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 2017, 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 2017, per-FTES funding is estimated to be $6,744 using the 58.0% calculation, for a total of $36.3 million. This is a decrease of $3.5 million, or 8.9%, from fiscal 2016. Hold harmless funding is necessary to make the fiscal 2017 appropriation equal to the fiscal 2016 appropriation of $39.8 million.

- BCCC also receives funding through the English for Speakers of Other Languages Program, estimated at $1.1 million in fiscal 2017.

Other State Agencies

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 2017 baseline budget is primarily driven by the following adjustments:

- Consistent with the judicial certification of need introduced during the 2015 session, it is projected that the Judiciary will request an additional five circuit court and two District Court judges during the 2016 session. These judgeships, as well as support positions and operational funds, have been included and constitute a $1.2 million increase in general funds for fiscal 2017; and

- Approximately $5.4 million in special funds have been removed based on projected expenditures for major information technology projects from the Circuit Court Real Property Records Improvement Fund.

C80B Office of the Public Defender

The Office of the Public Defender provides legal representation and related services to indigent persons in most criminal matters and involuntary commitment proceedings. The agency provides these services through 12 district offices and two specialized units. The fiscal 2017 baseline budget includes an increase of $4.1 million in general funds for an anticipated deficiency for panel attorneys. Cost containment actions begun in fiscal 2015 led to a significant carryover of fiscal 2015 expenses to fiscal 2016. While the agency is working to reduce panel attorney expenses going forward, it has limited control in the number of cases requiring panel attorneys and additional funding will likely be required beyond fiscal 2016. In addition, the baseline is adjusted for an anticipated $1.4 million fiscal 2016 deficiency to backfill fiscal 2016 cost containment and the funding is expected to carry forward into fiscal 2017.

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 2017 baseline budget is driven by a decrease of $6.6 million in special funds from the Mortgage Loan Servicing Practices Settlement Fund due to the end of grant payments to Prince George’s County and Baltimore City which will be completed in fiscal 2016.

C90G00 Public Service Commission

The Public Service Commission regulates gas, electric, telephone, water, sewage disposal, and certain for-hire passenger transportation companies doing business in Maryland. The fiscal 2017 baseline includes several major changes:

- a decrease in the amount of 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 remaining available funds for these grants, which leads to a decrease of $10.6 million and provides for a total of $8.6 million;

- a decrease of $331,698 for one-time costs budgeted in fiscal 2016 for the implementation of the continuity of operations plan for the agency; and

- an increase of $106,376 to account for one new regular position and one new contractual full-time equivalent position due to the implementation of Chapter 204 of 2015 (Transportation Network Services and For-Hire Transportation).

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 Strategic Energy Investment Fund (SEIF). The SEIF is primarily composed of Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auction proceeds. The fiscal 2017 baseline assumes a 5.0% increase in the allowance price in each auction, which is the average increase in the last three auctions. Adjustments to the fiscal 2017 baseline are also impacted by the planned use of the SEIF fund balance in fiscal 2016, providing higher funding in that year than might otherwise occur, and changes in the anticipated need for the SEIF to support Energy Performance Contracts in other State agencies. Adjustments to the fiscal 2017 baseline for MEA related to the SEIF revenue from RGGI auctions are:

- a decrease of $1.6 million for low- and moderate-income energy efficiency programs, providing $9.0 million;

- an increase of $2.0 million for general energy efficiency projects, providing $7.8 million; and

- an increase of $0.8 million for renewable and clean energy programs and initiatives, providing $18.1 million.

Other major changes in MEA's fiscal 2017 baseline are:

- a decrease of $87,948 in federal funds due to the end of a federal grant to assist local public housing authorities with Energy Performance Contracts;

- a decrease of $3.0 million to account for the remaining funding from the Customer Investment Fund programs in MEA, providing $304,295 for an industrial energy efficiency program; and

- an increase of $8.0 million as a fiscal 2016 deficiency appropriation which carries forward into fiscal 2017 to account for the first two years of funding available as a result of a condition of the approval of the Certificate of Public Convenience and Necessity for the electric generation station at Cove Point.

C96J00 Uninsured Employers' Fund

The Uninsured Employers' Fund (UEF) protects workers whose employers are not insured under the Maryland Workers' Compensation Law. The UEF reviews and investigates claims filed by employees, or in the case of death, by their dependents. The UEF compensates the claimant directly and holds the uninsured employer liable. An anticipated contract for a claims management company results in a $500,000 increase in special funds in the fiscal 2017 baseline.

D12A02 Department of Disabilities

The Department of Disabilities is the principal State agency responsible for developing, maintaining, revising, and enforcing statewide disability policies and standards throughout the units of State government. For the department, the baseline assumes a $455,554 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.

D16A Secretary of State

The Secretary of State has a wide variety of responsibilities. The Secretary of State attests to the Governor's signature on all public papers and documents; certifies documents for international use; registers trademarks, service marks, and insignia; administers the Notary of

Public laws; processes extradition; assists in the commissioning of the special police and railroad police; administers the Sister States Program; represents the State of Maryland and the Executive Department in intergovernmental and international affairs; and administers the Address Confidentiality Program for domestic violence victims in Maryland.

The Charitable and Legal Services Division registers, regulates, investigates, and informs the public about charitable organizations and professional solicitors. As of November 24, 2014, there were 9,669 charitable organizations that were registered with the Secretary of State. Of these organizations, 2,311, or 23.9%, had a delinquent registration and another 957 had an incomplete registration. In order to circumvent continuing delinquencies, the fiscal 2017 baseline reflects $210,438 in special funds associated with the new Assistant Attorney General position to provide more effective and timely enforcement and additional avenues to pursue delinquent filers.

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 and the Baltimore City School Revitalization program. 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 (fiscal 2016 was the final year of debt service for the OCCC). Additionally, the baseline assumes updated estimates of the State's share of the operating deficits for the Baltimore City Convention Center and the OCCC. This includes a fiscal 2016 deficiency for the operating deficit for both facilities.

D38I01 State Board of Elections

The State Board of Elections supervises and manages elections and ensures compliance with State and federal elections laws. The fiscal 2017 baseline includes the following changes:

- a decrease in payments for the new optical scan voting system and all associated costs ($1 million in special funds, with an equivalent reduction in the Department of Information Technology (DoIT));
- a negative deficiency to account for the elimination of funding for voter outreach in fiscal 2016, which is recurring into fiscal 2017 ($900,000 in special funds, with an equivalent reduction in DoIT); and
- a $0.7 million increase in both general and special funds, for a total of $1.4 million to account for budgeting of paper costs for the new system.

D40W01 Maryland Department of Planning

The Maryland Department of Planning provides information and services that aid State and local governments and nonprofit organizations in supporting desirable growth in Maryland. The fiscal 2017 baseline includes a fiscal 2016 deficiency that is planned to be ongoing. The deficiency reflects a fiscal 2016 funding shortfall in Planning Data Services as a result of the fiscal 2016 budget being balanced using $200,000 in special funds that did not exist because they were being used in fiscal 2015 in order to backfill for cost containment actions.

D50H01 Military Department

The Military Department provides overall direction, development, and maintenance of the Maryland National Guard (MDNG). MDNG may be called up by the Governor during State emergencies or activated by the federal Department of Defense. The department also operates the Maryland Emergency Management Agency, which is responsible for statewide emergency response activities. In the fiscal 2017 baseline, the Freestate ChalleNGe Academy operated by the department for at-risk youth is expected to receive an increase of $850,000 in federal funds to provide armed security.

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. In fiscal 2016, a budget amendment is anticipated to re-appropriate $1,546,063 in special funds unused from previous fiscal years for the Communication System Upgrade Project. The fiscal 2017 baseline reflects an overall decrease of $1,571,063 for the communication system upgrade as the project is winding down.

D78Y01 Maryland Health Benefit Exchange

The Maryland Health Benefit Exchange (MHBE) was created during the 2011 session in response to the federal Patient Protection and Affordable Care Act of 2010. The MHBE is intended to provide a marketplace for individuals and small businesses to purchase affordable health care coverage. Following the change in fiscal 2016 required by Chapter 159 of 2013, it is expected that the MHBE will be funded with a mandated $35.0 million in special funds in addition to federal funds. For funding above the mandated $35.0 million in special funds, general funds are assumed. The fiscal 2017 baseline budget for the MHBE anticipates a $1.7 million deficiency of general funds with a corresponding $12.0 million deficiency in federal funds. The deficiency is due to costs associated with call center and fulfillment activities.

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 the MHIP are now able to access insurance products through the MHBE. The fiscal 2017 baseline budget anticipates a reduction in spending based on the fiscal 2016 completion of the transition of MHIP members into coverage through the MHBE.

E00A Comptroller of Maryland

The Comptroller of Maryland is responsible for the general supervision of the State's fiscal matters, including collecting taxes, distributing revenues, and administrating financial accounts. The fiscal 2016 appropriation included $1,090,000 in special funds for the Integrated Tax System (ITS). The ITS is a project that will replace the agency's State of Maryland tax system, Computed Assisted Collection System, and other outdated tax processing systems. It will also integrate with the State's data warehouse to expand revenue generating projects. The total project cost is $110 million. The fiscal 2017 baseline reflects the $8,800,000 in special funds associated with the cost of the ITS for the upcoming year, an increase of $7,709,692 relative to fiscal 2016. The 2017 baseline also reflects $700,000 in general funds in projected first-year costs for a potential master lease for a new mainframe computer to support various comptroller processes and store information.

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 an increase in the contracts for the online lottery games based upon an expected increase in sales.

The fiscal 2017 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 the two facilities for which the State retains responsibility for VLT ownership. The baseline reflects the additional costs of a sixth gaming facility to open in mid-fiscal 2017. The costs ($315,907) include an increase in lottery agency personnel for the regulatory responsibilities for the facility in Prince George's County. Additionally, the baseline includes an adjustment to the special funds available to the lottery agency based on its share of VLT revenues expected in fiscal 2017.

F50 Department of Information Technology

DoIT provides information technology (IT) leadership to manage State IT resources. DoIT's fiscal 2017 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 the Department of Budget and Management (DBM). No deficiency adjustments are made. The MITDPF adjustments are:

- rebuilding the cost of currently approved projects by increasing general funds by $2.6 million to reflect cash flow changes in statewide major IT projects. A substantial increase in funding for the Comptroller's Integrated Tax System is offset by reductions to the Department of Health and Mental Hygiene's Medicaid Enterprise Restructuring Project; and

- rebuilding the funding for the purchase of Public Safety Communications System equipment. DoIT advises that general fund costs were expected to remain the same in fiscal 2017. However, the administration's 2% reduction resulted in $2.5 million in equipment costs delayed in fiscal 2016. The baseline recognizes these costs in fiscal 2017.

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

- reduce special funds for the Central Collection Unit project by $1.3 million;

- reduce the reimbursable funds appropriated for the Statewide Personnel System project from $10.9 million to $6.3 million based on project cash flow needs. Approximately 88% of the appropriation is supported by general funds. Consequently, the baseline assumes that approximately $5.5 million of the baseline appropriation is supported by general funds; and

- add $4.2 million ($3.1 million in general funds) for the Enterprise Budgeting System.

The department also supports the new Maryland FiRST 700 Megahertz public safety communication system. Warranties for region 2 (Eastern Shore) expire in fiscal 2016. To support system maintenance, $1.6 million ($1.0 million in general funds) is added to the baseline budget.

K00A Department of Natural Resources

The Department of Natural Resources manages the protection, enhancement, and use of the State's natural resources. The fiscal 2017 baseline assumes the following net change adjustments:

- **Watershed Services:** an increase of \$14.3 million in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special funds in Watershed Services for a total of \$53.6 million in Trust Fund-supported spending based on estimated revenues from the motor fuel tax (\$40.7 million) and short-term rental vehicles tax (\$12.9 million), and the end of the transfers that were authorized by Chapter 397 of 2011 (the Budget Reconciliation and Financing Act (BRFA)) between fiscal 2012 and 2016;

- **Maryland Park Service:** an increase of \$5.3 million, comprised of \$3.1 million in additional transfer tax special funds due to the increase in the formula allocation for administration, and an increase of \$2.2 million in special funds to reflect increased spending from Forest or Park Reserve Fund revenue mandated by Chapter 389 of 2015 (Maryland Park Service – Operations Revenue – Mandated Appropriation), which leads to the need for an increase of an equivalent amount of general fund spending in the Forest Service since the service is no longer receiving \$2.2 million of Forest or Park Reserve Fund special funds;

- **Office of the Secretary:** an increase of \$875,000 in general funds to reflect the need to backfill Waterway Improvement Fund special funds used in the Office of the Secretary in fiscal 2016 as allowed for by the BRFA of 2015; and

- **Natural Resources Police:** a decrease of \$765,056 (including \$660,000 in general funds) in the Natural Resources Police for one-time vessel purchase costs 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 2017 baseline reflects \$24,310,991 in federal funds to cover the costs associated with a new Unemployment Insurance (UI) Modernization, an increase of \$15,831,121 relative to fiscal 2016. The current UI program is functioning with an out-of-date technological system. With the current system, any updates to the distribution of UI resources takes several days to complete. With the new system, the update process will be significantly faster allowing for more timely and accurate processing of information.

R00A01 Maryland State Department of Education Headquarters

The Maryland State Department of Education (MSDE) coordinates the State's K-12 education policies. The fiscal 2017 baseline budget includes:

- a net general fund deficiency of $7 million for student assessment costs. This deficiency accounts for an estimated shortfall for fiscal 2016 of $8 million, offset by estimated savings of $2 million due to an increased percentage of assessments taken online. A portion of the savings, however, was included by MSDE in its required fiscal 2016 2% cost containment resulting in $1 million in savings to be applied to the deficiency;

- within the Division of Special Education, an additional $7 million in general funds for current services to address the waitlist for the Autism Waiver. This amount reflects the fiscal 2015 funds that were reverted or unspent by MSDE on the waiver due to billing issues with the Department of Health and Mental Hygiene that resulted in under billing of MSDE for services provided under the waiver.

- within the Division of Early Childhood Development, an additional $10 million in general funds due to changes in the federal reauthorization of the Child Care and Development Block Grant stipulating that eligibility for assistance may only be redetermined every 12 months rather than a shorter time period under current law, which is estimated to result in additional vouchers.

R15P Maryland Public Broadcasting Commission

The Maryland Public Broadcasting Commission (MPBC) is responsible for operating a system of State, regional, and local facilities to provide educational and cultural radio and television programs in Maryland. MPBC is responsible for the preparation and content of all its programs. MPBC is also the federal licensee for all broadcasting stations operated by Maryland Public Television. MPBC has six broadcast transmitters throughout the State and a headquarters facility in Owings Mills. The fiscal 2017 baseline reflects the reduction of $900,000 in special funds associated with the ending of a master lease contract for one of the broadcast transmitters. The current transmitters' master lease is being replaced as a capital budget item funded through general obligation bonds.

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 (USM), Morgan State University, St. Mary's College of Maryland, 16 community colleges, and the State's private colleges and universities. Adjustments to the fiscal 2017 baseline budget include the following:

- an increase of $9.2 million in general funds for the Sellinger Program for private institutions to reflect funding at 10.1% of the current year appropriation to select public four-year institutions on a per-student basis;

- an increase of $0.2 million in general funds from Chapter 201 of 2015 which begins a college outreach access pilot program;

- a decrease of $0.4 million in special funds from Chapter 176 of 2015 which allowed MHEC to approve Maryland joining the State Authorization Reciprocity Agreements and will lead to academic program fees paid by out-of-state institutions to decline; and

- an increase of $11.9 million in special funds in fiscal 2016 to reflect the reauthorization of the revenue source for the Nursing Support Program II.

Several financial aid programs were adjusted upward 3% to reflect an assumed 3% tuition increase for undergraduates at public institutions. Overall, MHEC's financial aid spending increases by $2.6 million. The largest program, Educational Excellence Awards, increases by $2.3 million for a total of $80.5 million in general funds. Other miscellaneous financial assistance programs grew nearly $250,000 due to the expected tuition increase.

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 2017 baseline budget includes the following adjustments:

- an increase of approximately $0.2 million and three additional positions for the implementation of Chapter 239 of 2015;

- a reduction of $3.2 million in special funds to reflect actual funds available from the Consumer Investment Fund, which provided DHCD $28.0 million for weatherization programs;

- an increase of $8.0 million in special funds for an anticipated amendment for EmPOWER funds awarded after the fiscal 2016 budget was finalized; and

- a return of the agency's turnover rate from 10% to 6% and a related increase of approximately $1.2 million in general funds. The turnover rate was increased in fiscal 2016 to account for the agency's headquarters relocation.

T00 Department of Commerce

The Department of Commerce aims to increase business investment and promote job creation. The fiscal 2017 baseline reflects several changes due to legislation that originated with the Maryland Economic Development and Business Climate Commission. Specifically, Chapter 141 of 2015 transferred programs that support early-stage companies from the department to the Maryland Technology Development Corporation. As such, the fiscal 2017 baseline reflects the transfer from the department of approximately $16.3 million in special funds under the InvestMaryland Program. Similarly, the baseline also reflects the transfer of about $1.2 million in general funds for grants under the Maryland Biotechnology Center. Additionally, the fiscal 2017 baseline includes an increase of about $91,000 in order for the department to implement Chapter 137 of 2015, which establishes a process for gauging the impact of new regulations on small businesses.

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 2017. The baselines for the State Arts Council, Maryland Tourism Board, and the Cyber Maryland Program reflect spending levels that are mandated by statute. Finally, the baseline also includes additional general funds to implement Chapter 486 of 2015; which establishes a budgeted reserve fund for incentives to encourage film production. The amount included in the baseline, $14.4 million, reflects the amount of funds needed to maintain current services in film production based on a report submitted by the department.

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 business in the State. The fiscal 2017 baseline for TEDCO reflects several changes due to legislation that originated with the Maryland Economic Development and Business Climate Commission. Specifically, Chapter 141 of 2015 transferred programs that support early-stage companies from the Department of Commerce to TEDCO. As such, the fiscal 2017 baseline reflects the transfer to TEDCO of approximately $16.3 million in special funds under the InvestMaryland Program. Similarly, the baseline also reflects the transfer of about $1.2 million in general funds for grants under the Maryland Biotechnology Center.

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 2017 baseline includes an increase of $11.5 million for debt service on Bay Restoration Fund bonds. Currently, debt service is paid on the fiscal 2008

($50.0 million) and fiscal 2014 ($100.0 million) revenue bond issuances. In November 2015, an additional $180.0 million revenue bond issuance is planned, raising the overall debt service payments, and the Administration intends to shift the first interest payment from fiscal 2016 to 2017.

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 2017 baseline budget includes:

- an additional $1.1 million in general funds for residential per diems based on a 2% provider rate increase; and

- a $425,000 decrease in general funds to reflect completion of the Automated Statewide Support and Information Systems Tools major information technology project.

W00A00 Department of State Police

The Department of 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 2017 baseline budget include the following:

- an increase of $724,822 overall ($184,964 in general funds and $539,858 in special funds) for additional Aviation Command costs, including maintenance for the computer-aided dispatch and records management system, increasing rent at Martins' State Airport, and four additional positions for the new flight training device expected to be operational in fiscal 2017;

- an increase of $4,527,656 in general funds to reflect a fiscal 2016 deficiency to address unpaid expenditures from prior years which are anticipated to continue in fiscal 2017; and

- an increase of $5,226,000 in general funds to reflect a fiscal 2016 deficiency for turnover; this deficiency eliminates the 2% across-the-board reduction and funding is expected to continue into fiscal 2017.

Y01A State Reserve Fund

The State Reserve Fund baseline budget consists of the Revenue Stabilization Account (Rainy Day Fund), Dedicated Purpose Account (DPA), and Catastrophic Event Account. There are no appropriations to 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 BRFA of 2015 also required that half of any surplus in excess of $10 million support the State's pension fund to reduce the unfunded liability. The annual appropriation is limited to $50 million.

Fiscal 2015 ended with an unappropriated general fund balance totaling $295.3 million, requiring $285.3 million appropriations into the Rainy Day Fund and the DPA (to support the pension fund). This resulted in the following baseline budget adjustments:

- $50.0 million appropriated into the DPA; and
- $235.3 million appropriated into the Rainy Day Fund as required by the sweeper.

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 2014-2017
($ in Thousands)

	2014	2015	2016	2017	2016-2017	
Entity	**Actual**	**Working**	**Working**	**Baseline**	**$ Increase**	**% Change**
Public Schools	$5,942,582	$6,082,036	$6,142,075	$6,323,798	$181,723	3.0%
County/Municipal	533,939	536,994	556,984	588,251	31,267	5.6%
Community Colleges	281,311	290,526	296,129	310,798	14,669	5.0%
Libraries	67,515	69,298	71,128	72,537	1,410	2.0%
Health	41,743	41,743	45,664	48,388	2,724	6.0%
Total	**$6,867,090**	**$7,020,597**	**$7,111,979**	**$7,343,773**	**$231,794**	**3.3%**

Overview

State aid is projected to total $7.3 billion in fiscal 2017, representing a $231.8 million (3.3%) increase over the prior year. Most of the State aid in fiscal 2017, as in prior years, is targeted to public schools, while funding for counties and municipalities will account for 8.0% of total State aid. Public schools will receive $6.3 billion in fiscal 2017, 86.1% of total State aid. Counties and municipalities will receive $588.3 million; community colleges will receive $310.8 million; libraries will receive $72.5 million; and local health departments will receive $48.4 million. In terms of year-over-year funding enhancements, State aid for public schools will increase by $181.7 million (3.0%); library aid will increase by $1.4 million (2.0%); community college aid will increase by $14.7 million (5.0%); and local health department grants will increase by $2.7 million (6.0%). Also, county and municipal governments will realize a $31.3 million (5.6%) increase in State aid.

Public Schools

Public schools will receive an estimated $6.3 billion in fiscal 2017, representing a $181.7 million (3.0%) increase over the prior fiscal year. The per-pupil foundation amount is estimated at $6,964, a 0.1% increase from fiscal 2016. Beginning in fiscal 2016, the per-pupil foundation amount is 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) 5.0%. The 0.1% 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 $109.8 million. Special funds (Education Trust Fund, or ETF) increase by $71.9 million, after accounting for an ETF shortfall of $14.4 million in fiscal 2016, while general obligation (GO) bond funds remain level with fiscal 2016. ETF special funds derived from casino gaming support state aid for public schools. These special funds are currently estimated to total $451.5 million in fiscal 2017. The September 2015 estimate by the Board of Revenue Estimates (BRE) assumes that the Prince George's County gaming facility will open January 1, 2017; the March BRE estimate, assuming a July 1, 2016 opening date, had totaled $508.8 million, or $57.3 million above the current estimate for the ETF in fiscal 2017.

Foundation Program

The baseline includes $3.0 billion for the State's foundation program, a $30.1 million (1.0%) increase from the fiscal 2016 appropriation. Part of the increase is attributable to the rise in the per-pupil foundation amount from $6,954 to $6,964 ($10). Another portion of the increase is attributable to an estimated 8,063 (0.96%) increase in full-time equivalent students (FTES).

Geographic Cost of Education Index

The GCEI is currently 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. The Governor's proposed fiscal 2016 State budget included 50% funding for the GCEI formula. The fiscal 2016 budget adopted by the General Assembly provided for 100% funding of GCEI ($136.2 million); however, restoration of half the GCEI funding was at the discretion of the Governor. Chapter 477 of 2015 makes funding of the program mandatory, rather than discretionary, contingent upon full funding *not* being provided in the fiscal 2016 operating budget; to date, the Governor has not released funds set aside by the General Assembly ($68.1 million) to fund GCEI at 100% in fiscal 2016, thus making full funding mandatory beginning in fiscal 2017. Prior to fiscal 2016, the GCEI was partially funded in fiscal 2009 and was fully funded in fiscal 2010 to 2015. 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. Thirteen local school systems are eligible for the GCEI funds in fiscal 2017. The baseline assumes the formula will be fully funded in fiscal 2017, with funding reaching $138.0 million, an increase of $69.9 million.

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 established a phase-in of the grant amounts to counties receiving them beginning in fiscal 2014 at 20%, reaching 40% in fiscal 2015, and increasing incrementally toward full funding in fiscal 2018. However, Chapter 489 of 2015 delayed the scheduled phase-in of the grants by one year, altering the phase-in percentage to 40% in fiscal 2016, 60% in fiscal 2017, and 80% in fiscal 2018, with funding fully phased in by fiscal 2019. NTI education grants totaled $8.3 million in fiscal 2014, $26.9 million in fiscal 2015, $23.8 million in fiscal 2016, and increase to an estimated $37.4 million in fiscal 2017. In both fiscal 2014 and 2015, 18 local school systems received NTI education grants; 19 school systems received these grants in fiscal 2016; and current estimates indicate that 20 school systems will receive these grants in fiscal 2017.

Compensatory Aid

The compensatory aid program is expected to total $1.4 billion in fiscal 2017, representing a $51.9 million (4.0%) 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

Funding for the special education formula is expected to increase by $2.9 million (1.1%), to a total of $278.9 million in fiscal 2017. 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 $3.4 million is anticipated for the nonpublic placement of special education students. This would bring the State’s contribution to the program to $126.0 million in fiscal 2017, a 2.8% increase.

Limited English Proficiency Grants

Funding for students for whom English is a second language is based on estimated limited English proficient (LEP) enrollment counts and the per-pupil foundation amount. This program is expected to increase by $19.6 million (9.0%), to a total of $236.8 million in fiscal 2017. This increase is driven by anticipated LEP enrollment growth of 8.8% and the increase in the per-pupil foundation amount.

Guaranteed Tax Base Program

The baseline budget includes $54.9 million in funding for the guaranteed tax base program, a $1.1 million (2.1%) increase compared to the fiscal 2016 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 2017.

Student Transportation Funding

The baseline estimate for student transportation includes $246.4 million to fund the transportation formula, an increase of $5.0 million (2.1%) over the fiscal 2016 appropriation. In addition, $25.1 million is included for the transportation of disabled students, representing a $264,000 (1.0%) increase in funding. Changes in the student transportation formula are attributable to inflation and projected increases in FTES in 17 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

State retirement costs for public school teachers and other professional personnel will total an estimated $721.6 million in fiscal 2017, representing a $7.7 million (1.1%) decrease. This decrease is attributed to an increase in the salary base for teachers being more than offset by a decrease in the State contribution rate and an increase in local government contributions. In addition to the State's share of teacher pension costs, local governments will contribute approximately $293.7 million in fiscal 2017: $279.8 million for the local share of pension contributions as well as $14.0 million toward State Retirement Agency administrative costs.

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 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 2017, Cade formula funding totals $233.7 million. This represents an increase of $11.0 million, or 4.9%. Baltimore City Community College is a State agency and receives funding through a separate funding formula.

The fiscal 2017 baseline also includes $6.1 million for the English Speakers of Other Languages Program, and $6.0 million for statewide and regional programs. In addition, small colleges are estimated to receive $5.1 million in Small College and Mountain grants and reciprocity agreement funding. The baseline also includes $59.9 million for retirement benefits to employees of community colleges, a $3.2 million (5.6%) increase over the fiscal 2016 working appropriation, driven by an increase in community college payrolls.

Libraries

The baseline estimates an increase of $962,500 (2.7%) in the State library aid formula, with total funding in fiscal 2017 estimated at $36.4 million. The per-resident amount for this aid formula was set at $14.00 for fiscal 2012 through 2015, phasing up to $16.70 by fiscal 2019 and in subsequent years. Instead, under Chapter 489 of 2015, the per-capita amount is reduced from $15.00 to $14.27 in fiscal 2016, and is fully phased in at $16.70 in fiscal 2025.

The baseline also reflects an anticipated increase in State Library Network funding of $403,800 (2.4%), bringing total funding for this program to $17.0 million in fiscal 2017. Chapter 397 of 2011 set State Library Resource Center funding at $1.67 per resident for fiscal 2012 through 2016, before a phase-in to $1.85 in fiscal 2019 and in subsequent fiscal years. Chapter 489 of 2015 extends the phase-in to fiscal 2025. Under Chapter 500 of 2014, per-resident funding for regional resource centers was set to increase to $7.50 in fiscal 2016 and phase up to $8.75 per resident by fiscal 2019. However, Chapter 489 of 2015 extends the phase-in of the increase in the per-capita funding amount to a 10-year phase-in period beginning with a per-resident amount of $6.95 in fiscal 2016. 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 $19.2 million, representing a 0.2% 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.

County and Municipal Governments

Approximately 8.0% 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 $588.3 million in fiscal 2017, an increase of $31.3 million (5.6%) 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 2017), police aid, gaming 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, Chapter 397 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 2017, a $4.4 million increase when compared to the fiscal 2016 working appropriation. This estimate is based on projected Transportation Trust Fund revenue from 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 State budget funded the municipal transportation grants for a second year at $16.0 million. The fiscal 2016 budget funded the municipal transportation grants at $19.0 million. The fiscal 2017 baseline assumes $19.0 million in funding for municipal transportation grants as well as $6.0 million for special transportation grants to county governments, which is the same amount included in the fiscal 2016 budget. State aid for elderly/handicapped transportation programs and paratransit grants remain constant in fiscal 2017 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. Chapter 487 of 2009 capped each county's funding under the program at the fiscal 2010 level. 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%. In January 2015, the Board of Public Works reduced fiscal 2015 disparity grant funding by $8.0 million, making funding level with fiscal 2014 at $127.7 million. Disparity grant funding totals $129.8 million for fiscal 2016.

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 2017. Funding for this program is projected to total $134.7 million in fiscal 2017, which is a $4.8 million increase from fiscal 2016.

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 2017 is projected to total $71.7 million, a $4.4 million (6.6%) increase over fiscal 2016.

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. The fiscal 2016 State budget includes an additional $100,000 above the targeted amount. Therefore, the fiscal 2017 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 2017. Other public safety grants totaling $21.0 million (targeted crime grants, State's Attorney's grant, *etc*.) are level funded in the fiscal 2017 baseline.

Gaming Impact Grants

From the proceeds generated by video lottery terminals 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. The 2017 baseline assumes a January 2017 opening of the Prince George's County facility; therefore, gaming impact grants total $61.9 million in fiscal 2017, an increase of $23.0 million, or 59.1%.

Program Open Space

Under Program Open Space (POS), the State provides grants to counties and Baltimore City for land acquisition and the development of parks and recreation facilities. The fiscal 2017 baseline for local POS allocation includes $17.7 million in special funds, $1.5 million of which is for the special grant to Baltimore City. Special funds increase by the remaining $16.2 million because there was no fiscal 2016 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 425 of 2013 (BRFA), which requires the transfer of $82.8 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 $115.4 million in fiscal 2016 to $82.8 million in fiscal 2017. In addition, Chapter 489 of 2015 (BRFA) modified the transfer tax revenue underattainment provision such that fiscal 2015 underattainment was addressed by reducing fiscal 2015 program levels instead of reducing fiscal 2017 revenue, as normally would occur, and the revenue estimate for fiscal 2017 is $182.6 million, which is greater than the $174.5 million revenue figure for fiscal 2016.

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 $5.7 million, a $1.2 million decrease from the fiscal 2016 working appropriation of $6.9 million.

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. Funding is adjusted annually for inflation and statewide population growth for the second preceding fiscal year. The annual adjustment is generally allocated to each county based on its percentage share of State funds distributed in the previous fiscal year. The need to address a substantial change in community health need, as determined by the Secretary of Health and Mental Hygiene, may also affect allocations of the annual adjustment. The BRFA of 2014 clarified that, beginning in fiscal 2015, the formula adjustment factor must be applied to the prior year's allocation. For the fiscal 2017 baseline, aid increases by $2.7 million over fiscal 2016, or 6.0%, for a total of $48.4 million due to inflation and population adjustments, as well as projected cost-of-living adjustments and other salary enhancements.

Entitlement Programs

Entitlements include the State Department of Assessments and Taxation's tax credit programs, the Department of Health and Mental Hygiene's (DHMH) 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 2014-2017
($ in Thousands)

	2014 Actual	2015 Working	2016 Leg. Approp.	2017 Baseline	2016-2017 Increase	2016-2017 % Increase
Expenditures						
State Department of Assessments and Taxation	$78,421	$81,963	$81,320	$79,319	-$2,001	-2.5%
DHMH – Behavioral Health Admin.	0	782,249	1,041,930	1,007,047	-34,884	-3.4%
DHMH – Medical Care Programs Admin.	7,663,386	9,275,219	8,727,108	9,273,862	546,754	6.3%
DHR – Social Services	303,401	318,982	296,457	255,769	-40,687	-13.7%
DHR – Family Investment	1,354,550	1,457,012	1,352,559	1,328,985	-23,573	-1.7%
Total	**$9,399,758**	**$11,915,425**	**$11,499,374**	**$11,944,982**	**$445,609**	**3.9%**
Fund						
General Fund	$2,853,453	$3,275,020	$3,202,871	$3,276,241	$73,370	2.3%
Special Fund	872,304	1,007,203	976,129	954,084	-22,045	-2.3%
Federal Fund	5,596,236	7,567,684	7,260,479	7,654,762	394,283	5.4%
Reimbursable Fund	77,764	65,518	59,895	59,895	0	0%
Total	**$9,399,758**	**$11,915,425**	**$11,499,374**	**$11,944,982**	**$445,609**	**3.9%**

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

Note: The fiscal 2014 Behavioral Health Administration funding is reflected in the Department of Health and Mental Hygiene exhibit.

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 2017 baseline reflects a $2.1 million decrease in these tax credit entitlements as follows:

- **The Homeowners' Tax Credit Program** will decrease for fiscal 2017 by $1.9 million to $60.0 million. This decrease is based on actual utilization of the program in fiscal 2015. While it is anticipated that an increase in the number of retirees with low retirement incomes will result in an increasing number of eligible recipients sometime in the future, this effect has not yet resulted in a significant increase in recipients qualifying for the tax credit.

- **Funding for the Renters' Tax Credit Program** is expected to decrease by $175,000 to $2.5 million for fiscal 2017. While utilization of this program has increased due to the same demographic trends that affect the Homeowners' Tax Credit and increased public outreach by the State Department of Assessments and Taxation, this estimate is in line with actual utilization of the program through fiscal 2015.

- **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 2017 appropriation for the Urban Enterprise Zone Tax Credit Program is expected to be $16.3 million, the same as fiscal 2016. Expenditures from this program are volatile and depend on the particular projects that qualify in each fiscal year, therefore, the baseline has been held at the fiscal 2016 level.

- **The BRAC Revitalization Credit Program** will decrease by $38,000 to $800,000 for fiscal 2017 based on actual fiscal 2015 expenditures. While utilization of the program is likely to increase in the future as more counties become eligible for this credit, these increases are not projected to be significant enough to justify an increase in the baseline above the fiscal 2016 appropriation.

Department of Health and Mental Hygiene

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 and exclude behavioral health.

Fiscal 2015 Projected Surplus

It is anticipated that the Medicaid/MCHP program will underspend its fiscal 2015 accrual by $32.9 million, resulting in a general fund surplus of the same amount. The driving factors behind this surplus are:

- an increase in available special funds;

- the elimination of categorization errors within the disabled adult eligibility population. DHMH reports that in fiscal 2014 and 2015 individuals were incorrectly assigned to this eligibility category on initial enrollment resulting in overpayments which have since been retracted; and

- a sharp drop in enrollment beginning in March 2015. Since March, over 106,000 individuals have left the Medicaid/MCHP rolls; a decrease of 8.1%. The drop coincides with the end of a three-month eligibility redetermination delay for individuals who were originally enrolled through the original Maryland Health Benefit Exchange (MHBE) eligibility system and the requirement that most individuals enrolled in DHR's eligibility system transfer to the new MHBE system (the Maryland Health Connection) as they come up for redetermination.

This anticipated surplus of $32.9 million is in addition to the $16.5 million in general funds previously reverted at the end of fiscal 2015.

Fiscal 2016 Outlook

The fiscal 2016 projected working appropriation of just under $8.9 billion (just over $2.3 billion in general funds), at this point, appears to be more than sufficient to meet projected need. The fiscal 2016 baseline assumes a combined Medicaid/MCHP surplus of $151.9 million in general funds.

Of this amount, $36.1 million is based on an assumption of higher than budgeted special fund revenues. The other two major drivers are as noted earlier: over-budgeting for the disabled adult population based on revised enrollment data for this group; and lower than budgeted enrollment generally. The Department of Legislative Services (DLS) estimates an average monthly enrollment in Medicaid/MCHP of 1.225 million in fiscal 2016 compared to a budgeted enrollment of 1.329 million. Most of this drop is attributable to individuals currently enrolled in DHR's Medicaid eligibility system being required to re-enroll through the Maryland Health Connection as they come up for redetermination.

This projected surplus is in spite of anticipated higher costs, for example, due to a proposed calendar 2016 MCO rate increase of 5.9%.

Fiscal 2017 Forecast

In fiscal 2017, expenditures for the Medical Assistance Programs are estimated to be just under $9.3 billion, a $561.6 million (6.5%) increase over the fiscal 2016 working appropriation. More pertinently, given the projected fiscal 2016 budget surplus, the fiscal 2017 baseline expenditures are only $376.4 million (4.2%) above projected fiscal 2016 expenditures. As shown in the exhibit, most of this increase between fiscal 2016 projected expenditures and the fiscal 2017 baseline is in general funds ($261.9 million, 11.3%).

Medicaid Expenditures
Fiscal 2015-2017
($ Millions)

	2015 Leg. Approp.	2015 Projected	2016 Budgeted	2016 Projected	2017 Baseline
General Funds	$2,452.3	$2,333.6	$2,477.0	$2,325.2	$2,587.1
Special Funds	960.6	1,003.5	943.6	979.7	924.8
Federal Funds	4,484.0	5,144.8	5,231.8	5,532.7	5,702.1
Reimbursable Funds	65.6	63.7	59.9	59.9	59.9
Total	**$7,962.4**	**$8,545.6**	**$8,712.3**	**$8,897.4**	**$9,273.9**

Note: Budgeted 2016 includes adjustments for 2% reductions taken in Medicaid. Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

The key assumption in the fiscal 2017 baseline is modest enrollment growth of 2.1% off of the markedly lower enrollment base projected for fiscal 2016, with average monthly enrollment reaching 1.25 million, still below fiscal 2015 levels. This represents what would be normal enrollment growth during a time of relatively low unemployment and modest economic growth. Other significant costs assumed in the fiscal 2017 baseline include the annualization of the calendar 2016 managed care organization (MCO) rate increase of 5.9%, provider rate increases for most services, the State's assumption of a share of the costs associated with the new Affordable Care Act expansion eligibility population beginning in January 2017, and a decline of $54.9 million, or 5.6%, in available special funds (primarily lower cigarette restitution funds and hospital assessments).

Although the fiscal 2017 Medicaid baseline covers all the costs anticipated for the program, what remains uncertain is the fiscal 2016 base upon which those costs will grow and, specifically, uncertainty around enrollment. Additionally, to the extent that enrollment is lower than budgeted, there will be pressure on the Administration to revisit MCO rates with MCOs arguing that lower enrollment has impacted their case mix. Specifically, that the MCO population as a whole is now relatively less healthy and not a reflection of the case mix used when rates were determined. Despite the uncertainty, it is clear that there is a significant general fund surplus in the fiscal 2016 budget and that the growth in the general fund budget in fiscal 2017 over the fiscal 2016 appropriation will be much lower than that anticipated in the 2015 session.

Enrollment and Service Year Expenditures*

Fiscal 2015-2017

	2015 Projected	2016 Estimate	2017 Estimate	2016-2017 % Change
Enrollment by Category				
Medicaid	923,487	861,795	878,314	1.92%
MCHP	122,955	135,251	139,308	3.00%
ACA Medicaid Expansion	218,597	228,434	233,003	2.00%
Total	**1,265,039**	**1,225,480**	**1,250,625**	**2.05%**
Cost Per Enrollee				
Medicaid	$7,398	$7,768	$7,985	2.78%
MCHP	1,982	2,065	2,128	3.06%
ACA Medicaid Expansion	6,957	8,173	8,179	0.07%
Total Expenditures ($ Millions)	**$8,546**	**$8,897**	**$9,274**	**4.23%**

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, MQ01016, and MQ0107 only. Expenditures noted in the chart are based on the estimates of actual spending and may differ from reported actuals and the fiscal 2016 legislative appropriation.

Source: Department of Legislative Services

Medicaid Behavioral Health

Within the Medicaid budget, services for behavioral health (mental health and substance abuse disorders) are carved out and administered through a separate administrative service organization. Fiscal 2015 is expected to end with a surplus of $46.1 million in total funds, including $24.8 million in general funds. This is due to lower than expected enrollment in fiscal 2015.

For fiscal 2016, there is an expected surplus of $81.5 million, including $12.6 million in general funds. The largest driver of savings is the decline in spending in fiscal 2015.

Major changes to the fiscal 2017 baseline for the behavioral health component of the Medicaid budget includes the removal of $50.1 million (total funds) from the legislative appropriation. This is due to numerous factors including expected enrollment growth of 2.04% in the traditional Medicaid fee-for-service mental health population, an estimated 2.0% enrollment increase in the Affordable Care Act Medicaid expansion population, a 2.0% rate increase for community mental health services assumed to begin on July 1, 2015, and between 2.0% and 2.2% rate increases for rate-regulated providers. Most of the decrease is in federal funds ($54.5 million) while general funds are expected to increase by $4.4 million.

Behavioral Health Medicaid State-funded and Services for the Uninsured

Beyond the traditional fee-for-services spending on behavioral health services through Medicaid, the State also funds certain services for this population that are not covered under Medicaid. The State also continues to provide behavioral health services for those who may have lost their Medicaid or other health coverage but, due to certain factors, continue to receive the behavioral health services that they need. For fiscal 2016, there is an expected deficiency of $11.5 million in general funds. This is due to a combination of factors, including expected enrollment growth of 10% as well as the annualization of the fiscal 2015 2% rate increase for community providers. However, it should also be noted that while traditionally these services are paid for with general funds, in fiscal 2015 there was an additional $10.0 million in federal funds under a demonstration waiver that helped the State cover these costs. If this waiver had continued into fiscal 2016, the deficiency would be much lower.

For the fiscal 2017 baseline, expenditures are expected to increase by $14.9 million over the legislative appropriation. Factors contributing to this growth include expected enrollment growth of 2.0%, a 2.0% rate increase for community mental health services assumed to begin on July 1, 2015, and between 2.0% and 2.2% rate increases for rate-regulated providers.

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.

Declines in the foster care caseload are expected to continue into fiscal 2017 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 8.0% in each of fiscal 2016 and 2017, slightly less than the decrease in fiscal 2015 of 10.4%. Growth in the subsidized guardianship and subsidized adoption caseload slowed to 0.05% in fiscal 2015, and is projected to decrease by 0.1% in each of fiscal 2016 and 2017. The combined caseload declines at a rate of 2.3% in fiscal 2016 and 2017, slightly less than the 3.2% decline in fiscal 2015. The subsidized adoption/guardianship caseload continues to be larger than the foster care caseload.

The monthly cost per case for foster care does not increase in fiscal 2016 due to actions taken in the Budget Reconciliation and Financing Act of 2015 which holds rates to the fiscal 2015 level; however, the baseline assumes a 2.0% increase in the provider rates in fiscal 2017. 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 2.3% per fiscal year, in part due to declining caseloads and a change in case mix to a higher proportion of the lower cost subsidized guardianship/adoption. Total expenditures for the combined caseload are expected to decline by 2.6% during this period.

DHR budgeted $16.4 million in funds from the Medical Assistance Program for rehabilitative services in fiscal 2016, however, beginning in fiscal 2016, DHR is no longer able to claim these funds. With the more expensive foster care caseload falling, the combined programs are projected to have a $1.2 million surplus at the end of fiscal 2016, despite the elimination of budgeted Medical Assistance Program funds in fiscal 2016.

Foster Care and Subsidized Adoption/Guardianship Caseloads and Expenditures
Fiscal 2015-2017

	2015	2016 DLS Estimate	2017 DLS Estimate	2015-2017 Average Annual % Change
Caseload				
Foster Care	3,908	3,595	3,308	-8.0%
Subsidized adoption/guardianship	9,569	9,559	9,550	-0.1%
Total Combined	**13,477**	**13,154**	**12,858**	**-2.3%**
Expenditures				
Monthly Cost Per Case				
Foster Care	$3,360	$3,361	$3,423	0.9%
Subsidized Adoption/Guardianship	775	775	775	0.0%
Combined Average Cost	**$1,524**	**$1,482**	**$1,456**	**-2.3%**
Total Cost ($ in Millions)	**$269.6**	**$264.9**	**$255.7**	**-2.6%**
Projected General Fund Surplus	-$0.4	$1.2	$0.0	

DLS: Department of Legislative Services

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.

Following recession-related increases, the caseload for TCA has generally declined. The average caseload decreased by 6.3% in fiscal 2013 and 6.1% in fiscal 2014. In fiscal 2015, caseloads increased for part of the year, before decreasing in other months leading to an overall decrease of 3.2%. In fiscal 2016 and 2017, DLS is projecting an average monthly caseload decline of 6.7% and 6.4%, respectively. This would bring average monthly TCA enrollment to 53,945 in fiscal 2017. The following table shows the average monthly enrollment, monthly grant amount, and total program funding requirements for fiscal 2015 through 2017.

TCA Enrollment and Funding Trends
Fiscal 2015-2017

	2015 Actual	2016 Approp.	2016 Estimate	2017 Estimate	2016-2017 % Change
Average Monthly Enrollment	61,739	62,191	57,636	53,945	-6.4%
Average Monthly Grant	$191.17	$192.59	$191.17	$192.61	0.8%
Budgeted Funds ($ Millions)					
General Funds	$27.0	$19.3	$20.8	$13.2	-36.3%
Total Funds	**$141.6**	**$130.7**	**$132.2**	**$124.7**	**-5.7%**
2016 Estimated Deficit			**$1.5**		

TCA: Temporary Cash Assistance

Note: Budgeted funds in the fiscal 2016 appropriation exclude $13 million in general funds restricted in Section 48 of the fiscal 2016 budget bill for legislative priorities. The average monthly enrollment and average monthly grant for the fiscal 2016 appropriation, however, includes the assumption that these funds are available.

Source: Department of Human Resources; Department of Legislative Services

The fiscal 2016 estimate for the average monthly grant amount does not increase compared to fiscal 2015 because DHR has calculated no increase in the Maryland Minimum Living Level (MMLL) for fiscal 2016. The fiscal 2017 average monthly grant 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 MMLL as required by statute. Due to slower than expected TCA caseload declines during the 2015 legislative session, DLS is projecting a program deficit, and anticipated deficiency appropriation of $1.5 million in the TCA program. Consistent with the anticipated decline in overall funding, the general fund requirements in TCA are expected to fall in fiscal 2017.

Temporary Disability Assistance Program Caseloads and Expenditure Trends

The Temporary Disability Assistance Program (TDAP) provides a limited monthly cash benefit for disabled adults. The State provides the benefits for individuals with a short-term disability (at least 3 months but less than 12 months) or for a long-term disability for individuals pursuing a Supplemental Security Income (SSI) benefit. The State is reimbursed for the cash assistance paid during the processing of the SSI application.

The average monthly caseload for the TDAP fell from fiscal 2012 through 2014, decreasing by 2.5%, 1.4%, and 6.0%, respectively. However, in fiscal 2015, the average monthly caseload for the TDAP slightly increased, by 0.2%. DLS projects the caseload to hold relatively steady through fiscal 2017. However, the fiscal 2016 budget assumed a continued decline in the program. The fiscal 2016 budget assumed an average monthly caseload of 18,281 recipients while DHR projects an average monthly caseload of 18,477. As a result of the higher than projected caseload, DLS projects a deficiency appropriation of $447,857. DLS projects the fiscal 2017 funding to remain at the fiscal 2016 estimated level ($40.6 million).

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 2014-2017
($ in Thousands)

	2014 Actual	2015 Working	2016 Leg. Approp.	2017 Baseline	2016-2017 Increase	2016-2017 % Increase
Expenditures						
MDOT – Debt Service Requirements	$200,455	$255,370	$282,667	$321,198	$38,531	13.6%
Public Debt	980,738	1,039,422	1,109,255	1,187,360	78,105	7.0%
Total	**$1,181,193**	**$1,294,792**	**$1,391,922**	**$1,508,558**	**$116,636**	**8.4%**
Fund						
General Fund	$83,000	$140,000	$252,400	$334,000	$81,600	32.3%
Special Fund	1,086,787	1,143,302	1,128,045	1,163,078	35,034	3.1%
Federal Fund	11,406	11,490	11,477	11,480	3	0%
Total	**$1,181,193**	**$1,294,792**	**$1,391,922**	**$1,508,558**	**$116,636**	**8.4%**

MDOT: Maryland Department of Transportation

Public Debt

The fiscal 2017 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 $78 million in fiscal 2017.

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 2017 State property tax receipts are projected to be $757 million compared to debt service costs that total $1,187 million. Partially offsetting this shortfall are federal funds ($11 million), 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 2017.

Maryland Department of Transportation Bonds

The fiscal 2017 baseline budget for MDOT's debt service reflects a steady reliance on debt over the past 15 years with an increased reliance on debt issuance since the transportation revenue increase was passed during the 2013 session. From fiscal 2001 to 2015, annual bond issuances, net of refunding bonds, averaged almost $154 million. In the two years following the fiscal 2013 revenue increase, debt issuances averaged just over $363 million. Bond issuances in the draft MDOT fiscal 2016 to 2021 financial forecast are projected to continue at elevated levels, reflecting the larger capital program put in place following the transportation revenue increase.

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 2016 legislative appropriation or to the level of anticipated fiscal 2017 encumbrance activity programmed in the State's 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 (BRFA) of 2014 (Chapter 464). The baseline assumes that all other special funds will be available and distributed according to statutory requirements.

Expenditures and Funds for PAYGO Capital Programs

Fiscal 2014-2017

($ in Thousands)

	2014 Actual	2015 Working	2016 Leg. Approp.	2017 Baseline	2016-2017 Increase	2016-2017 % Increase
Expenditures						
Board of Public Works (BPW) PAYGO	$3,950	$1,100	$0	$0	$0	0%
BPW – Public School Construction PAYGO	25,000	0	30,000	20,000	-10,000	-33.3%
Maryland Energy Administration PAYGO	2,950	2,950	4,150	3,700	-450	-10.8%
Department of Planning PAYGO	10,006	9,200	9,300	9,150	-150	-1.6%
Military Department PAYGO	1,998	1,950	34,200	3,000	-31,200	-91.2%
Department of Veterans Affairs PAYGO	6,397	3,425	3,889	0	-3,889	-100.0%
Department of Information Technology PAYGO	10,272	0	0	0	0	0%
MDOT –Secretary's Office PAYGO Capital	60,832	82,615	112,263	95,976	-16,286	-14.5%
MDOT – WMATA - Capital Budget	136,655	169,345	132,091	153,600	21,509	16.3%
MDOT – State Highway Administration PAYGO Capital	1,022,443	1,229,665	1,391,375	1,577,715	186,340	13.4%
MDOT – Maryland Port Administration PAYGO Capital	76,839	97,289	159,383	136,217	-23,166	-14.5%

	2014 Actual	2015 Working	2016 Leg. Approp.	2017 Baseline	2016-2017 Increase	2016-2017 % Increase
MDOT – Motor Vehicle Administration PAYGO Capital	20,904	33,381	27,216	25,403	-1,813	-6.7%
MDOT – Maryland Transit Administration PAYGO Capital	381,989	540,308	741,241	728,935	-12,306	-1.7%
MDOT – Maryland Aviation Administration PAYGO Capital	101,204	129,747	113,087	109,620	-3,466	-3.1%
Department of Natural Resources PAYGO	37,683	13,990	17,496	55,345	37,849	216.3%
Department of Agriculture PAYGO	24,380	11,813	9,968	19,059	9,091	91.2%
Department of Housing and Community Development PAYGO	49,275	47,950	48,750	49,600	850	1.7%
Department of the Environment PAYGO	255,299	249,000	248,700	248,400	-300	-0.1%
Total	**$2,228,075**	**$2,623,729**	**$3,083,108**	**$3,235,721**	**$152,612**	**5.0%**
Fund						
General Fund	$42,664	$11,545	$39,778	$29,400	-$10,378	-26.1%
Special Fund	1,286,770	1,718,355	2,002,895	2,132,514	129,618	6.5%
Federal Fund	888,969	884,755	1,030,649	1,064,005	33,355	3.2%
Reimbursable Fund	9,672	9,073	9,785	9,802	17	0.2%
Total	**$2,228,075**	**$2,623,729**	**$3,083,108**	**$3,235,721**	**$152,612**	**5.0%**

MDOT: Maryland Department of Transportation
PAYGO: pay-as-you-go

Board of Public Works – Public School Construction

The fiscal 2017 baseline estimate for the Maryland Board of Public Works – Public School Construction includes $20.0 million in general funds for the Capital Grant Program for Local School Systems with Significant Enrollment Growth or Relocatable Classrooms as a result of Chapter 355 of 2015. The baseline removes $30.0 million in fiscal 2016 general fund appropriations that were restricted for purposes other than the public school construction program as follows: $15.0 million earmarked for housing programs; $2.8 million for turf fields in Prince George's County; $10.2 million restricted in Section 48 of the Budget Bill to provide operating funds for legislative priorities; and $2.0 million for a capital grant to Sinai Hospital.

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 enhancements for energy conservation projects to nonprofits, businesses, and local governments. The SALP provides zero interest loans with a 1% administrative fee for energy conservation projects to State agencies. The SALP loans are often made in conjunction with energy performance contracts. The fiscal 2017 baseline includes decreases totaling $450,000, including a decrease of $250,000 in special funds for the

JELLP to reflect experience and $200,000 in federal funds for the SALP due to planned loan activity.

Maryland Department of Planning

The fiscal 2017 baseline estimate for the Maryland Department of Planning includes $9 million in general funds for the Sustainable Communities Tax Credit Program. This is level with the fiscal 2016 appropriation. In addition, the baseline includes $150,000 in special funds for the Maryland Historical Trust Revolving Loan Fund, which is consistent with the 2015 CIP and estimated special fund revenues. The 2015 CIP also reflects an additional $150,000 in GO bonds to capitalize the Loan Fund.

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. Major changes in the fiscal 2017 baseline include:

- removal of $12,400,000 in federal fiscal 2016 funds appropriated for the Havre de Grace Readiness Center project. The fiscal 2017 baseline includes $1,171,000 in federal funds for the project reflecting anticipated continued federal funding to complete construction and capital equipping of the new facility;

- removal of $8,000,000 in federal fiscal 2016 funds appropriated for the Havre de Grace Automotive Maintenance Facility project. The fiscal 2017 baseline includes $1,829,000 in federal funds for the project reflecting anticipated continued federal funding to complete construction and capital equipping of the new facility; and

- removal of $13,800,000 in federal fiscal 2016 funds appropriated for the Easton Readiness Center project; the Military Department anticipates additional federal funds will be made available in fiscal 2018 for this project.

Maryland Department of Veterans Affairs

The Maryland Department of Veterans Affairs (MDVA) 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. The baseline removes $3,891,000 in fiscal 2016 capital PAYGO appropriations comprised of $80,000 in general funds and $3,811,000 in federal funds for the design and construction of the expansion of the Rocky Gap Veterans Cemetery. The 2015 CIP reflects no programmed funding for MDVA projects in fiscal 2017.

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 2016-2021*. An adjustment was also included to continue the $25 million transportation grants to local jurisdictions into fiscal 2017.

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 425 of 2013 (BRFA), which authorizes the Governor to transfer $82.8 million in transfer tax revenue to the general fund in fiscal 2017. The baseline reflects adjustments in the amount of transfer tax revenues available to support the department's capital programs. This includes the following adjustments which in combination, leave more funding available to support programs in fiscal 2017 than in fiscal 2016:

- **Lower Transfer Amount:** Chapter 489 of 2015 (BRFA) authorized a $115.4 million transfer to the general fund in fiscal 2016 and Chapter 425 of 2013 authorized a $82.8 million transfer in fiscal 2017, a reduction between the two years in the amount of revenue transferred to the general fund;

- **Underattainment Modification:** Chapter 489 of 2015 modified the transfer tax revenue underattainment provision such that fiscal 2015 underattainment was addressed by reducing fiscal 2015 program levels instead of reducing fiscal 2017 revenue, as normally would occur; and

- **Revenue Estimate Increase:** The revenue estimate for fiscal 2017 is $182.6 million which is greater than the $174.5 million revenue figure for fiscal 2016.

The fiscal 2017 baseline for the Department of Natural Resources' POS State allocation includes $14.7 million in special funds and $3.0 million in federal funds, reflecting a $13.2 million increase over the fiscal 2016 legislative appropriation. The POS Local allocation increases from zero in fiscal 2016 to $16.2 million in fiscal 2017. Per decisions made during the 2015 legislative session, no GO bond funding to replace prior year transfers is pre-authorized for fiscal 2017 or any future years.

The baseline includes $7.7 million in special funds for the Rural Legacy Program, which provides funds for the acquisition of conservation easements. The availability of special fund transfer tax revenues that support the program are estimated to increase due to lower programmed fiscal 2017 revenue transfers to the general fund as provided in Chapter 425; increased fiscal 2017 revenue attainment estimates; and modifications to the manner in which prior year revenue attainments are adjusted. Similar to POS, no pre-authorization of GO bonds for replacement of prior year transfers is programmed for fiscal 2017 or the out-years. Assuming the mandated $5.0 million GO bond appropriation in fiscal 2017, the baseline includes $12.7 million ($7.7 million in special funds and $5.0 million in GO bond appropriation), an increase of $12.0 million relative to the fiscal 2016 legislative appropriation.

The baseline includes $6.7 million for Capital Development Projects, which is an increase of $1.5 million relative to the fiscal 2016 legislative appropriation of $5.2 million. Capital Development Projects include transfer tax special fund appropriations for the Critical Maintenance Program, Natural Resources Development Fund, and State contribution to the Ocean City Beach Maintenance Program. The increase in the fiscal 2017 baseline as compared to fiscal 2016 reflects the increase in available transfer tax revenues that support the programs as outlined above. While no pre-authorizations of GO bonds for Capital Development Projects are reflected for fiscal 2017, the 2015 CIP programs the following GO bond amounts for fiscal 2017: $6.4 million for the Natural Resources Development Fund; $2.0 million for the Critical Maintenance Program; and $0.5 million for the Ocean City Beach Program.

Partial funding of $0.5 million in special funds is assumed for the Ocean City Beach Maintenance Program from Worcester County and Ocean City in the fiscal 2017 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 2017 baseline essentially reflects level funding for the Waterway Improvement Program (WIP) relative to the amount of funding in the fiscal 2016 legislative appropriation, which is consistent with the 2015 CIP. The total fiscal 2017 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 2017 baseline for the Maryland Agricultural Land Preservation Program consists of $18.2 million in special funds. Overall, the baseline reflects an increase of $9.1 million relative to the fiscal 2016 legislative appropriation of $9.1 million in special funds. The special fund baseline estimate is comprised of funding from the State transfer tax's statutory distribution as adjusted by the transfer to the general fund ($12.3 million), an assumed reduction in county funding ($5.0 million), and agricultural transfer tax and miscellaneous fees ($0.9 million). No federal funds are assumed due to ongoing concerns about Agriculture Conservation Easement Program (formerly the Farm and Ranchland Protection Program) restrictions. No pre-authorizations of GO bonds for replacement of prior year transfers are reflected in the 2015 CIP.

The baseline for the Cigarette Restitution Fund-supported Tobacco Transition Program reflects the 2015 CIP amount of $0.9 million in special funds for agricultural land preservation, which is level with the fiscal 2016 legislative appropriation. The Tobacco Transition Program provides funds for the voluntary tobacco buyout program, which is now complete except for repayment of prior year GO bonds issued to accelerate the 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 2017 baseline includes changes in various PAYGO capital grant and loan programs based on the agency's estimates of revenues, encumbrances, fund balances, and the 2016 CIP. Overall, the fiscal 2017 baseline assumes that special and federal funds for DHCD's PAYGO programs will increase by about $850,000 compared to the fiscal 2016 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, despite general funds being withheld for use at DHCD, continued GO bond use is anticipated in the current CIP and in the Department of Legislative Services baseline budget. The following adjustments to special and federal funds were made to the fiscal 2017 baseline:

- ***Neighborhood Business Development Program:*** The fiscal 2017 baseline is increased by $200,000 in special funds based on the CIP.

- ***Rental Housing Programs:*** The fiscal 2017 baseline reflects a decrease of $2.4 million in special funds and an increase of $600,000 in federal funds based on the CIP. For fiscal 2016, an anticipated, one-time transfer of $10 million in general funds withheld from the Board of Public Works Public School Construction Program is included.

- ***Homeownership Programs:*** The baseline assumes an increase in fiscal 2017 of $1.7 million in special funds for homeownership programs based on the CIP. For fiscal 2016, an anticipated one-time transfer of $5.0 million in general funds withheld from the Board of Public Works Public School Construction Program is included.

- ***Special Loan Programs:*** Funding for these programs increases by $750,000 in the fiscal 2017 baseline.

Funding for the Community Development Block Grant, the Community Legacy, the Strategic Demolition and Smart Growth Impact Fund, the Partnership Rental Housing, the Maryland Base Realignment and Closure, and the Shelter and Transitional Housing Facilities Grant programs are assumed to remain unchanged from the fiscal 2016 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 at the same overall level as planned for in the 2015 CIP, but that there will be a greater amount of federal funds and a reduced amount of special funds. These changes from the 2015 CIP mean that the fiscal 2016 legislative appropriation and the fiscal 2017 baseline vary very little. Relative to the 2015 CIP, federal funds increase by $10.0 million to reflect the expectation of a continuing resolution instead of the planned appropriation bill that would have funded the program at a lower level. Special funds decrease by $12.0 million relative to the 2015 CIP due to the availability of federal funds and expectations of lower special fund revenue than estimated for fiscal 2017. The 20% match for federal funds is assumed to be $6.8 million in GO bonds – the fund source used in the fiscal 2016 legislative appropriation and the source reflected in the 2015 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's baseline estimate of $24.0 million reflects the 2015 CIP level of funding of $10.6 million in special funds and $10.4 million in federal funds. Relative to the fiscal 2016 legislative appropriation, there is only a fund swap: an increase of $0.6 million in special funds and a commensurate decrease of $0.6 million in federal funds. The total federal funding is estimated to be $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 $400,000 in general funds for the Hazardous Substance Cleanup Program is lower than the 2015 level of $1.0 million, but is level with the fiscal 2016 legislative appropriation which was reduced from $700,000 to $400,000 as part of cost containment. 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 is level with both the 2015 CIP and fiscal 2016 legislative appropriation. This funding level is lower than in fiscal 2015 and prior fiscal years due to the use of funding in the operating budget as cost recovery 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 $40 million greater than the 2015 CIP but level with the fiscal 2016 legislative appropriation. The $40 million increase relative to the 2015 CIP reflects additional funding made available in fiscal 2017 for sewer infrastructure per Chapter 153 of 2015 (Environment – Bay Restoration Fund – Use of Funds). No GO bond authorization is needed in fiscal 2017 or in the out-years due to sufficient revenues from the fee increase. No new revenue bond authorization is anticipated in fiscal 2017 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 at some point 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.