Spending Affordability Committee Technical Supplement

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

October 2017

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Fiscal 2019 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 2018. 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 2018 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 care and medicine/drugs at State facilities (3.46%);

- postage (2.57%);
- utilities and electricity (2.19%);
- natural gas (4.03%); and
- food (2.16%).

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 2018-2019
($ in Millions)

Fund(1)	2018 Adjusted Appropriation(4)	2019 Baseline	2018-2019 $ Increase	2018-2019 % Change
General(2)	$17,302.0	$18,192.8	$890.8	5.1%
Special/Higher Education(3)	13,391.9	13,683.5	291.6	2.2%
Federal	12,951.7	13,214.8	263.1	2.0%
Total	**$43,645.6**	**$45,091.1**	**$1,445.5**	**3.3%**

(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: estimated deficiencies, actions taken by the Board of Public Works in September 2017 that reduced fiscal 2018 spending by $62.9 million, $37.9 million in additional special and federal fund spending due to funding swaps.

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 2018 deficiencies and the September 6, 2017 Board of Public Works (BPW) reductions 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 October 16, 2017. 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 2017-2019
($ in Millions)

Category	FY 2017 Working Appropriation	FY 2018 Adj. Leg. Appropriation	FY 2019 Baseline	FY 2018 to FY 2019 $ Change	FY 2018 to FY 2019 % Change
Debt Service	$259.4	$259.6	$221.0	-$38.6	-14.9%
County/Municipal	$262.5	$271.6	$282.7	$11.1	4.1%
Community Colleges	314.3	317.7	326.4	8.7	2.7%
Education/Libraries	5,924.7	5,935.9	6,113.4	177.6	3.0%
Health	49.5	51.1	55.4	4.4	8.5%
Aid to Local Governments	***$6,551.1***	***$6,576.3***	***$6,777.9***	***$201.7***	***3.1%***
Foster Care Payments	$177.8	$184.5	$180.5	-$4.0	-2.2%
Assistance Payments	64.5	59.6	51.3	-8.3	-13.9%
Medical Assistance	2,995.7	3,151.9	3,460.2	308.3	9.8%
Property Tax Credits	82.3	87.5	82.6	-4.9	-5.7%
Entitlements	***$3,320.3***	***$3,483.4***	***$3,774.5***	***$291.1***	***8.4%***
Health	$1,369.2	$1,422.9	$1,503.1	$80.2	5.6%
Human Resources	406.6	379.9	387.8	7.8	2.1%
Children's Cabinet Interagency Fund	16.6	18.5	20.5	2.0	10.8%
Juvenile Services	272.4	268.4	276.3	7.9	3.0%
Public Safety/Police	1,522.0	1,496.4	1,570.6	74.2	5.0%
Higher Education	1,422.2	1,439.5	1,511.7	72.2	5.0%
Other Education	417.5	436.9	449.2	12.3	2.8%
Agriculture/Natural Res./Environment	119.8	120.3	126.0	5.7	4.8%
Other Executive Agencies	696.0	677.0	738.0	61.0	9.0%
Judiciary	481.7	490.4	499.5	9.1	1.9%
Legislative	89.2	90.3	91.9	1.6	1.8%
State Agencies	***$6,813.1***	***$6,840.5***	***$7,174.6***	***$334.1***	***4.9%***
Anticipated Deficiences	$0.0	$152.9	$0.0	-$152.9	-100.0%
Total Operating	**$16,943.9**	**$17,312.7**	**$17,948.1**	**$635.3**	***3.7%***
Capital (1)	$62.3	$9.5	$78.4	$68.9	725.3%
Subtotal	***$17,006.2***	***$17,322.2***	***$18,026.5***	***$704.3***	***4.1%***
Reserve Funds	$155.4	$10.0	$196.3	$186.3	1863.5%
Appropriations	**$17,161.5**	**$17,332.2**	**$18,222.8**	***$890.6***	***5.1%***
Reversions	-$30.0	-$30.3	-$30.0	$0.3	-0.8%
Grand Total	**$17,131.5**	**$17,302.0**	**$18,192.8**	***$890.8***	***5.1%***

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

Note: The fiscal 2017 working appropriation includes deficiencies and $125.8 million in targeted reversions. The fiscal 2018 adjusted legislative appropriation reflects actions taken by the Board of Public Works in September 2017 which reduced general fund spending by $61.0 million.

State Expenditures – Special and Higher Education Funds*
Fiscal 2017-2019
($ in Millions)

Category	FY 2017 Working Appropriation	FY 2018 Adj. Leg. Appropriation	FY 2019 Baseline	FY 2018 to FY 2019 $ Change	FY 2018 to FY 2019 % Change
Debt Service	$1,229.7	$1,304.6	$1,409.8	$105.2	8.1%
County/Municipal	$342.4	$399.5	$383.2	-$16.3	-4.1%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	474.6	522.1	507.9	-14.3	-2.7%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	***$817.0***	***$921.6***	***$891.0***	***-$30.6***	***-3.3%***
Foster Care Payments	$2.2	$4.3	$4.5	$0.1	2.7%
Assistance Payments	13.3	12.5	12.0	-0.5	-4.2%
Medical Assistance	974.7	1,000.3	952.8	-47.5	-4.8%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	***$990.2***	***$1,017.1***	***$969.2***	***-$47.9***	***-4.7%***
Health	$518.1	$467.1	$439.8	-$27.3	-5.8%
Human Resources	98.1	93.5	91.5	-2.0	-2.1%
Children’s Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	3.9	3.2	3.3	0.1	2.7%
Public Safety/Police	224.8	221.6	226.6	5.0	2.2%
Higher Education	4,360.6	4,443.0	4,514.7	71.7	1.6%
Other Education	70.0	69.9	70.4	0.5	0.7%
Transportation	1,837.4	1,907.6	1,998.7	91.1	4.8%
Agriculture/Natural Res./Environment	281.8	292.9	297.0	4.1	1.4%
Other Executive Agencies	711.2	688.0	667.3	-20.7	-3.0%
Judiciary	59.3	66.3	57.5	-8.8	-13.2%
Legislative	0.0	0.0	0.0	0.0	n/a
State Agencies	***$8,165.1***	***$8,253.3***	***$8,367.0***	***$113.7***	***1.4%***
Anticipated Deficiences	$0.0	-$15.5	$0.0	$15.5	-100.0%
Total Operating	**$11,202.0**	**$11,481.2**	**$11,637.1**	**$155.9**	***1.4%***
Capital	$1,878.4	$1,910.7	$2,046.4	$135.7	7.1%
– Transportation	1,554.5	1,575.1	1,607.2	32.2	2.0%
– Environment	210.1	187.1	227.1	40.0	21.4%
– Other	113.8	148.5	212.0	63.5	42.8%
Grand Total	**$13,080.4**	**$13,391.9**	**$13,683.5**	***$291.6***	***2.2%***

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

Note: The fiscal 2017 working appropriation reflects deficiencies and $2.5 million in additional special fund spending due to funding swaps. The fiscal 2018 adjusted legislative appropriation reflects actions taken by the Board of Public Works in September 2017, which reduced special fund spending by $2.0 million. It also reflects $37.9 million in additional special fund spending due to funding swaps.

State Expenditures – Federal Funds
Fiscal 2017-2019
($ in Millions)

Category	FY 2017 Working Appropriation	FY 2018 Adj. Leg. Appropriation	FY 2019 Baseline	FY 2018 to FY 2019 $ Change	FY 2018 to FY 2019 % Change
Debt Service	$11.5	$11.5	$11.5	$0.0	-0.1%
County/Municipal	$87.5	$72.4	$72.4	$0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	936.8	993.3	993.3	0.0	0.0%
Health	4.5	4.5	4.5	0.0	0.0%
Aid to Local Governments	***$1,028.7***	***$1,070.1***	***$1,070.1***	***$0.0***	***0.0%***
Foster Care Payments	$82.3	$73.8	$72.7	-$1.1	-1.5%
Assistance Payments	1,255.6	1,196.4	1,095.0	-101.4	-8.5%
Medical Assistance	6,866.6	6,919.1	7,204.8	285.6	4.1%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	***$8,204.4***	***$8,189.3***	***$8,372.5***	***$183.2***	***2.2%***
Health	$975.7	$990.5	$1,010.0	$19.5	2.0%
Human Resources	481.9	557.0	553.9	-3.1	-0.5%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	4.8	4.8	5.0	0.1	2.9%
Public Safety/Police	43.0	37.3	38.4	1.1	2.8%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	254.2	275.0	278.9	3.8	1.4%
Transportation	98.7	97.5	98.8	1.3	1.3%
Agriculture/Natural Res./Environment	69.1	66.1	67.2	1.1	1.7%
Other Executive Agencies	614.4	622.5	620.2	-2.3	-0.4%
Judiciary	1.1	0.1	0.1	0.0	0.7%
State Agencies	***$2,543.0***	***$2,650.8***	***$2,672.4***	***$21.7***	***0.8%***
Anticipated Deficiences	$0.0	-$25.5	$0.0	$25.5	-100.0%
Total Operating	**$11,787.7**	**$11,896.2**	**$12,126.6**	**$230.4**	***1.9%***
Capital	$1,089.5	$1,055.5	$1,088.2	$32.7	3.1%
– Transportation	1,016.3	949.5	1,010.5	61.0	6.4%
– Environment	44.3	42.6	41.7	-1.0	-2.2%
– Other	28.9	63.4	36.0	-27.4	-43.2%
Grand Total	**$12,877.1**	**$12,951.7**	**$13,214.8**	**$263.1**	**2.0%**

Note: The fiscal 2017 working appropriation includes $817.5 million in deficiencies. The fiscal 2018 adjusted legislative appropriation reflects actions taken by the Board of Public Works in September 2017, which increased federal fund spending by $0.1 million to backfill general fund reductions of the same amount.

State Expenditures – State Funds
Fiscal 2017-2019
($ in Millions)

Category	FY 2017 Working Appropriation	FY 2018 Adj. Leg. Appropriation	FY 2019 Baseline	FY 2017-2018 $ Change	FY 2017-2018 % Change
Debt Service	$1,489.1	$1,564.3	$1,630.8	$66.6	4.3%
County/Municipal	$604.9	$671.1	$665.9	-$5.2	-0.8%
Community Colleges	314.3	317.7	326.4	8.7	2.7%
Education/Libraries	6,399.3	6,458.0	6,621.3	163.3	2.5%
Health	49.5	51.1	55.4	4.4	8.5%
Aid to Local Governments	***$7,368.1***	***$7,497.9***	***$7,669.0***	***$171.1***	***2.3%***
Foster Care Payments	$180.0	$188.8	$184.9	-$3.9	-2.1%
Assistance Payments	77.8	72.1	63.3	-8.8	-12.2%
Medical Assistance	3,970.4	4,152.2	4,413.0	260.8	6.3%
Property Tax Credits	82.3	87.5	82.6	-4.9	-5.7%
Entitlements	***$4,310.5***	***$4,500.6***	***$4,743.7***	***$243.2***	***5.4%***
Health	$1,887.3	$1,890.0	$1,942.9	$52.9	2.8%
Human Resources	504.7	473.5	479.3	5.8	1.2%
Children's Cabinet Interagency Fund	16.6	18.5	20.5	2.0	10.8%
Juvenile Services	276.2	271.6	279.7	8.0	3.0%
Public Safety/Police	1,746.7	1,718.0	1,797.1	79.1	4.6%
Higher Education	5,782.8	5,882.5	6,026.4	143.9	2.4%
Other Education	487.5	506.8	519.6	12.8	2.5%
Transportation	1,837.4	1,907.6	1,998.7	91.1	4.8%
Agriculture/Natural Res./Environment	401.6	413.2	423.1	9.9	2.4%
Other Executive Agencies	1,407.2	1,365.0	1,405.3	40.3	3.0%
Judiciary	541.0	556.7	557.0	0.3	0.1%
Legislative	89.2	90.3	91.9	1.6	1.8%
State Agencies	***$14,978.2***	***$15,093.8***	***$15,541.6***	***$447.9***	***3.0%***
Anticipated Deficiences	$0.0	$137.4	$0.0	-$137.4	-100.0%
Total Operating	**$28,145.9**	**$28,793.9**	**$29,585.2**	**$791.2**	**2.7%**
Capital (1)	$1,940.7	$1,920.2	$2,124.8	$204.6	10.7%
– Transportation	1,554.5	1,575.1	1,607.2	32.2	2.0%
– Environment	210.3	187.6	228.1	40.5	21.6%
– Other	175.8	157.5	289.4	131.9	83.7%
Subtotal	***$30,086.5***	***$30,714.1***	***$31,710.0***	***$995.9***	***3.2%***
Reserve Funds	$155.4	$10.0	$196.3	$186.3	1863.5%
Appropriations	**$30,241.9**	**$30,724.1**	**$31,906.3**	**$1,182.2**	**3.8%**
Reversions	-$30.0	-$30.3	-$30.0	$0.3	-0.8%
Grand Total	**$30,211.9**	**$30,693.9**	**$31,876.3**	**$1,182.5**	**3.9%**

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

Note: The fiscal 2017 working appropriation reflects deficiencies, $125.8 million in targeted reversions, and $2.5 million in additional special fund spending due to funding swaps. The fiscal 2018 adjusted legislative appropriation reflects actions taken by the Board of Public Works in September 2017 which reduced general and special fund spending by $62.9 million. Fiscal 2018 also reflects $37.9 million in additional special fund spending due to funding swaps.

State Expenditures – All Funds
Fiscal 2017-2019
($ in Millions)

Category	FY 2017 Working Appropriation	FY 2018 Adj. Leg. Appropriation	FY 2019 Baseline	FY 2018-2019 $ Change	FY 2018-2019 % Change
Debt Service	$1,500.6	$1,575.8	$1,642.4	$66.6	4.2%
County/Municipal	$692.3	$743.5	$738.2	-$5.2	-0.7%
Community Colleges	314.3	317.7	326.4	8.7	2.7%
Education/Libraries	7,336.1	7,451.3	7,614.6	163.3	2.2%
Health	54.0	55.6	59.9	4.4	7.8%
Aid to Local Governments	***$8,396.8***	***$8,568.0***	***$8,739.1***	***$171.1***	***2.0%***
Foster Care Payments	$262.3	$262.6	$257.7	-$5.0	-1.9%
Assistance Payments	1,333.4	1,268.5	1,158.3	-110.2	-8.7%
Medical Assistance	10,836.9	11,071.3	11,617.7	546.4	4.9%
Property Tax Credits	82.3	87.5	82.6	-4.9	-5.7%
Entitlements	***$12,514.9***	***$12,689.9***	***$13,116.2***	***$426.3***	***3.4%***
Health	$2,863.0	$2,880.5	$2,952.9	$72.4	2.5%
Human Resources	986.6	1,030.5	1,033.2	2.8	0.3%
Children's Cabinet Interagency Fund	16.6	18.5	20.5	2.0	10.8%
Juvenile Services	281.1	276.5	284.6	8.2	3.0%
Public Safety/Police	1,789.7	1,755.3	1,835.5	80.2	4.6%
Higher Education	5,782.8	5,882.5	6,026.4	143.9	2.4%
Other Education	741.7	781.8	798.5	16.6	2.1%
Transportation	1,936.1	2,005.1	2,097.5	92.4	4.6%
Agriculture/Natural Res./Environment	470.7	479.3	490.3	11.0	2.3%
Other Executive Agencies	2,021.6	1,987.5	2,025.5	38.1	1.9%
Judiciary	542.1	556.7	557.0	0.3	0.1%
Legislative	89.2	90.3	91.9	1.6	1.8%
State Agencies	***$17,521.2***	***$17,744.5***	***$18,214.0***	***$469.5***	***2.6%***
Anticipated Deficiences	$0.0	$111.9	$0.0	-$111.9	-100.0%
Total Operating	**$39,933.5**	**$40,690.1**	**$41,711.7**	**$1,021.6**	**2.5%**
Capital (1)	$3,030.1	$2,975.7	$3,213.0	$237.3	8.0%
– Transportation	2,570.8	2,524.6	2,617.8	93.2	3.7%
– Environment	254.6	230.2	269.8	39.6	17.2%
– Other	204.7	220.9	325.4	104.5	47.3%
Subtotal	***$42,963.7***	***$43,665.8***	***$44,924.7***	***$1,258.9***	***2.9%***
Reserve Funds	$155.4	$10.0	$196.3	$186.3	1863.5%
Appropriations	**$43,119.0**	**$43,675.8**	**$45,121.1**	**$1,445.3**	**3.3%**
Reversions	-$30.0	-$30.3	-$30.0	$0.3	-0.8%
Grand Total	**$43,089.0**	**$43,645.6**	**$45,091.1**	**$1,445.5**	**3.3%**

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

Note: The fiscal 2017 working appropriation reflects deficiencies, $125.8 million in targeted reversions, and $2.5 million in additional special fund spending due to funding swaps. The fiscal 2018 adjusted legislative appropriation reflects actions taken by the Board of Public Works in September 2017, which reduced spending by $62.9 million. Fiscal 2018 also reflects $37.9 million in additional special and federal fund spending due to funding swaps.

Fiscal 2018 Deficiencies

Fiscal 2018 deficiencies in the fiscal 2019 baseline total just under $112.0 million, including $152.9 million in general funds, -$15.5 million in special funds, and -$25.5 million in federal funds. As summarized in the following exhibit, potential general fund deficiencies would have been much higher, $216.9 million, except for anticipated savings in health insurance costs based on a large fund balance at the end of fiscal 2017 and also expected savings under a new pharmacy contract.

Potential Fiscal 2018 Deficiencies – All Funds
($ in Millions)

	General Funds	Special Funds	Federal Funds	Total
Medicaid: Fiscal 2017 behavioral health costs carried into fiscal 2018 attributed mainly to higher spending on substance use disorder services ($17.2 million general funds (GF)). Fiscal 2018 deficiencies ($85.4 million GF) reflect: higher than budgeted medical expenses ($52.4 million), primarily due to lower estimates of pharmacy rebates; and lower than budgeted special fund attainment ($32.9 million), primarily due to a shortfall in Cigarette Restitution Fund (CRF) support based on the timing of the 2004 sales year arbitration ruling concerning nonparticipating manufacturers and lower CRF revenues overall.	$102.6	$0.0	$0.0	$102.6
Federal Fund and Revenue Underattainment: Maryland State Department of Education (MSDE) lower than budgeted Education Trust Fund revenues in fiscal 2017 ($5.7 million GF) and fiscal 2018 ($35.0 million GF); and Department of Human Services (DHS) underattainment of federal funds (FF) throughout the department based on the most recent actuals ($4.1 million GF, $0.4 million special funds (SF), and -$4.5 million FF).	44.8	0.4	-4.5	40.8
Long-term Liabilities: Developmental Disabilities Administration FF audit disallowance for residential habilitation services ($34.2 million GF); and Department of Labor, Licensing, and Regulation FF claims over several years ($4.6 million GF).	38.8	0.0	0.0	38.8

	General Funds	Special Funds	Federal Funds	Total
Operating Expenses: Public Safety and Correctional Services estimated costs of new Pharmacy contract ($18.0 million GF); Office of the Public Defender panel attorneys and general operating expenses ($5.6 million GF); State Lottery contract expenses related to online gambling ($5.0 million SF), Department of General Services expenses related to eMaryland marketplace ($4.5 million GF); Maryland Department of Health ($2.3 million GF and $0.1 million SF) including funding for new psychiatric bed capacity, upgraded staffing at the Office of the Chief Medical Examiner, and maintenance expenses at Crownsville; MSDE Nonpublic Placements ($1.9 million GF); DHS (-$1.6 million GF and $0.3 million FF) operating expenses offset by a surplus in the Temporary Disabilities Assistance Program; and other ($0.4 million SF).	30.7	5.5	0.3	36.6
Anticipated Fiscal 2018 Savings in Health Insurance Costs: Savings from the new pharmacy contract and the availability of over $190.0 million in fund balance at the close of fiscal 2017 (-$64.0 million GF, -$21.4 million SF, and -$21.4 million FF).	-64.0	-21.4	-21.4	-106.8
Total Deficiencies	**$152.9**	**-$15.5**	**-$25.5**	**$111.9**

Board of Public Works Withdrawn Appropriation

On September 6, 2017, the Governor proposed and BPW adopted $62.9 million in reductions to the fiscal 2018 appropriation. The reductions include $61.0 million of general funds, $2.0 million of special funds, and the abolition of 30 vacant positions. In addition to BPW actions, the Administration is assuming the following general fund actions: $1.0 million in projected revenues, a $9.0 million transfer, and a $9.0 million reversion.

Administration's Fiscal Actions and Proposal by Fund
Fiscal 2018
($ in Millions)

Fiscal 2018 Actions	General Funds	Special Funds	Total	Positions
September 2017 Actions	$61.0	$2.0	$62.9	30
Projected Revenues	1.0		1.0	
Projected Transfers	9.0		9.0	
Projected Reversions	9.0		9.0	
Total	**$79.9**	**$2.0**	**$81.9**	**30**

General Fund Actions

BPW's September 2017 action reduces fiscal 2018 general fund spending by $61.0 million, or 0.6%. Actions are detailed below by categories of spending.

- ***State Agencies:*** State agencies are reduced by $27.8 million. Some of the larger general fund actions include:

  - $8.4 million based on higher vacancy rates in the Department of Public Safety and Correctional Services;

  - $5.0 million in the Maryland Department of Health related to anticipated savings from renegotiating contracts in excess of $10.0 million;

  - $4.5 million from the Department of Juvenile Services in recognition of lower residential per diem payments for out-of-home placements. This caseload has been decreasing for a number of years; and

  - $3.4 million from the Department of Human Services from holding positions vacant and due to maintenance savings from replacement of a legacy information technology system.

- ***Entitlements:*** Medicaid and Temporary Cash Assistance (TCA) are reduced by a combined $14.7 million. The largest action is a $10.0 million Medicaid reduction based on the average length of stay in hospitals. Lower TCA caseloads yield another $3.7 million, and another $1.0 million in Medicaid is cut based on lower utilization of the hospital presumptive eligibility program.

- ***Higher Education:*** Cuts of $10.9 million were allotted to State institutions. Larger actions included:

    - $8.0 million to reflect the abolition of 30 vacant positions and cuts to operating expenses at the University System of Maryland;

    - $2.1 million from State aid to private colleges and universities through the Sellinger program. This leaves approximately $49.0 million for the program in fiscal 2018; and

    - $0.8 million in operating expense reductions to Morgan State University ($0.6 million) and Baltimore City Community College ($0.3 million).

- ***Fund Swaps:*** There are $7.5 million in fund swaps in which general funds are to be replaced with a like amount of special or federal funds. Most of this is based on use of special funds from the Cigarette Restitution Fund ($5.0 million) in lieu of general fund appropriations in Medicaid. Another $1.0 million from Program Open Space (POS) would replace a general fund cut to the Forest Service in the Department of Natural Resources (DNR). The use of POS balance is based on a separate cut of special fund spending for the Park Service in DNR. General fund reductions are also replaced with special or federal fund dollars in the Maryland Department of Agriculture; the Maryland Department of the Environment; the Maryland Department of Health; the Department of Commerce; the Department of Labor, Licensing, and Regulation; and St. Mary's College.

Revenue Assumptions

The Administration's plan assumes $1.0 million in general fund revenues including $0.6 million from the Department of Budget and Management's Central Collection Unit based on overbudgeted postage.

Fiscal 2019 Baseline Adjustments

In its review of the withdrawn general fund spending, it is the judgment of the Department of Legislative Services that about $41 million of the $61 million in the September 2017 BPW actions will be ongoing.

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 2016-2019
($ in Thousands)

	2016 Actual	2017 Working	2018 Working	2019 Baseline	2018-2019 Increase	2018-2019 % Increase
Expenditures						
MDOT Debt Service Requirements	$259,324	$309,912	$328,755	$339,138	$10,383	3.2%
Public Debt	1,120,995	1,190,728	1,247,055	1,303,237	56,182	4.5%
Total	**$1,380,319**	**$1,500,640**	**$1,575,810**	**$1,642,374**	**$66,564**	**4.2%**
Fund						
General Fund	$252,400	$259,395	$259,649	$221,000	-$38,649	-14.9%
Special Fund	1,116,407	1,229,705	1,304,622	1,409,848	105,225	8.1%
Federal Fund	11,511	11,539	11,539	11,527	-12	-0.1%
Total	**$1,380,319**	**$1,500,640**	**$1,575,810**	**$1,642,374**	**$66,564**	**4.2%**

MDOT: Maryland Department of Transportation

Public Debt

The fiscal 2019 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 $56 million in fiscal 2019.

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. Continuing the trend, fiscal 2019 State property tax receipts are projected to be $817 million compared to debt service costs that total $1,303 million.

Partially offsetting this shortfall are bond sale premiums ($51 million projected in fiscal 2019), federal funds ($11 million), ABF balance remaining from prior years ($196 million), and other special fund revenues (such as repayment for issuance of bonds for Program Open Space). Insofar as these sources are insufficient, $221 million in general funds will need to be appropriated in fiscal 2019.

Maryland Department of Transportation Bonds

The fiscal 2019 baseline budget for MDOT's debt service reflects an increased reliance on debt in recent years. Over the past three fiscal years (2015 to 2017) debt issuances, net of refunding, totaled nearly $1.4 billion – an amount that exceeded the combined issuances of the prior 10 fiscal years. Bond issuances in the draft MDOT fiscal 2018 to 2023 financial forecast are projected to total nearly $3.0 billion. Fiscal 2019 represents the highest planned issuance during this forecast period at $725 million. Subsequent issuances are lower as a result of debt service coverage ratios approaching minimum acceptable levels.

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 2016-2019
($ in Thousands)

Entity	2016 Actual	2017 Working	2018 Working	2019 Baseline	2018-2019 $ Increase	2018-2019 % Change
Public Schools	$6,143,869	$6,324,469	$6,379,215	$6,540,129	$160,914	2.5%
County/Municipal	564,781	607,069	664,170	665,861	1,691	0.3%
Community Colleges	301,839	314,335	317,710	326,390	8,680	2.7%
Libraries	71,941	74,280	78,743	81,170	2,427	3.1%
Health	45,825	49,488	51,083	55,433	4,350	8.5%
Total	**$7,128,255**	**$7,369,642**	**$7,490,921**	**$7,668,983**	**$178,061**	**2.4%**

Note: The exhibit does not match the State Expenditures exhibits at the beginning of the *Technical Supplement* because it includes updated funding information for fiscal 2017 under public schools and updated gaming impact grants funding information for fiscal 2017 and 2018 under county/municipal.

Overview

State aid is projected to total $7.7 billion in the fiscal 2019 baseline, representing a $178.1 million, or 2.4%, increase over the prior year. Most of the State aid in fiscal 2019, as in prior years, is targeted to public schools, while funding for counties and municipalities will account for 8.7% of total State aid. Public schools will receive $6.5 billion in fiscal 2019, 85.3% of total State aid. Counties and municipalities will receive $665.9 million; community colleges will receive $326.4 million; libraries will receive $81.2 million; and local health departments will receive $55.4 million. In terms of year-over-year funding enhancements, State aid for public schools will increase by $160.9 million (2.5%); library aid will increase by $2.4 million (3.1%); community college aid will increase by $8.7 million (2.7%); and local health department grants will increase by $4.4 million (8.5%). Also, county and municipal governments will realize an estimated $1.7 million increase in State aid, or 0.3% over fiscal 2018.

Public Schools

Public schools will receive an estimated $6.5 billion in fiscal 2019, representing a $160.9 million (2.5%) increase over the prior fiscal year. The per pupil foundation amount is estimated at $7,065, a 0.8% increase from fiscal 2018. The per pupil foundation amount is inflated by the lesser of (1) the increase in the Implicit Price Deflator 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 0.8% increase in the per pupil foundation amount is equivalent to the change in the CPI-U. 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 $140.1 million over fiscal 2018, while special funds from the Education Trust Fund (ETF) increase by $20.8 million. The ETF special funds are derived from casino gaming to support State aid for public schools. These increases take into account a $35.0 million ETF shortfall in fiscal 2018 as predicted by the Board of Revenue Estimates, as well as an anticipated general fund deficiency to cover the shortfall. It is worth noting that there is an additional ETF shortfall of $5.7 million in fiscal 2017, though the effects of this shortfall are not incorporated into the increases described here.

Foundation Program

The baseline includes $3.0 billion for the State's foundation program, a $40.3 million (1.3%) increase from the fiscal 2018 appropriation. Part of the increase is attributable to the rise in the per pupil foundation amount from $7,012 to $7,065 ($53). Another portion of the increase is attributable to an estimated 5,365 (0.63%) increase in full-time equivalent students (FTES).

Geographic Cost of Education Index

The GCEI is a formula grant 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 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 2019. Fiscal 2019 funding is estimated to reach $141.0 million, an increase of $1.9 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 (State Aid for Public Education – Certification of Net Taxable Income) 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 (Budget Reconciliation and Financing Act (BRFA) 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. The NTI education grants totaled $49.2 million in fiscal 2018. Current estimates indicate that 18 school systems will receive grants totaling $62.2 million in fiscal 2019.

Compensatory Aid

The compensatory aid program is expected to total $1.3 billion in fiscal 2019, representing a $44.2 million (3.4%) increase. This program provides additional funding to local school systems based on their enrollment of students eligible for free and reduced-price meals (FRPM). 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 a 2.7% increase in the number of children who are eligible for FRPMs 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 $3.9 million (1.4%) to a total of $288.8 million in fiscal 2019. The increase is attributable to a projected 0.7% increase in the enrollment of students with disabilities and the increase in the per pupil foundation amount. Funding of the nonpublic placement of special education students is estimated to increase by 2.0%, which would bring the State's contribution to the program to $126.1 million in fiscal 2019.

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 $18.8 million (7.6%) to a total of $267.5 million in fiscal 2019. This increase is driven by anticipated LEP enrollment growth of 7.0% and the increase in the per pupil foundation amount.

Guaranteed Tax Base Program

The baseline budget includes $49.1 million in funding for the guaranteed tax base program, a $1.2 million (2.3%) decrease compared to the fiscal 2018 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 2019.

Student Transportation Funding

The baseline estimate for student transportation includes $255.3 million to fund the transportation formula, an increase of $4.7 million (1.9%) over the fiscal 2018 appropriation. In addition, $25.9 million is included for the transportation of disabled students, representing a $199,000 (0.8%) increase in funding. Changes in the student transportation formula are attributable to inflation and projected increases in FTES in 16 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.

Innovative Programs

The fiscal 2019 baseline reflects a net increase of $7.6 million in Innovative Programs. Most of this increase is due to restoration of full funding ($7.5 million as compared to $2.5 million in fiscal 2018) for the Public School Opportunities Enhancement Program, a grant program to assist local school systems, public community schools, and nonprofit organizations in the State in expanding or creating extended day and summer enhancement programs, as well as assisting nonprofit organizations in expanding or supporting existing educational programming during the school day. The baseline also includes $3.0 million in one-time funding in fiscal 2019 as specified by Chapters 573 and 574 of 2017 (Heroin and Opioid Education and Community Action Act (Start Talking Maryland Act)). These funds are to be distributed to local boards of education to implement policies and training on heroin and opioid addiction and prevention.

Teacher Retirement

State retirement costs for public school teachers and other professional personnel will total an estimated $749.6 million in fiscal 2019, representing a $15.1 million (2.1%) increase. This slight increase is attributed to an increase in the State contribution rate and modest salary base growth. In addition to the State's share of teacher pension costs, local governments will contribute approximately $296.2 million in fiscal 2019: $277.0 million for the local share of pension contributions as well as $19.2 million toward State Retirement Agency (SRA) administrative costs, a portion of which will go toward the SRA information technology upgrades.

Community Colleges

The majority of funding for the State's locally operated community colleges is determined by the Cade formula (see Higher Education section for additional detail on the formula). In fiscal 2019, Cade formula funding totals $243.9 million. This represents an increase of $8.8 million, or 3.7%. Baltimore City Community College is a State agency and receives funding through a separate funding formula.

The fiscal 2019 baseline also includes $5.5 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 $7.0 million in Small College and Mountain grants and reciprocity agreement funding. This includes an increase of $1.9 million due to Chapter 330 of 2017 (Community Colleges – Small Community Colleges – Funding), which increased funding for all institutions qualifying as small colleges. A $4.0 million grant to community colleges in fiscal 2018 is also assumed to have been one-time. The baseline also includes $63.9 million for retirement benefits to employees of community colleges, an increase of $2.0 million over fiscal 2018.

Libraries

The baseline estimates an increase of $1.3 million in the State library aid formula, with total funding in fiscal 2019 estimated at $39.0 million. Under Chapter 489, the per resident amount for this aid formula was set at $14.27 in fiscal 2016 and was to be fully phased in at $16.70 in fiscal 2025. However, under Chapter 549 of 2016 (Libraries – Regional, State, and County – Funding), the full phase-in to $16.70 per resident occurs in fiscal 2022. In addition, Chapters 714 and 715 of 2016 (Enoch Pratt Free Library – Hours of Operation – Funding) provides $3.0 million in the annual State budget for fiscal 2018 through 2022 to support additional operating expenses for branches of the Enoch Pratt Free Library in Baltimore City that increase their operating hours above the hours in effect as of January 1, 2016. The full $3.0 million is assumed within the fiscal 2019 baseline.

The baseline also reflects an anticipated increase in State Library Network funding of $672,800 (3.8%), bringing total funding for this program to $18.4 million in fiscal 2019. Under Chapter 489, State Library Resource Center funding was to increase from $1.69 per resident in fiscal 2017 to $1.85 per resident in fiscal 2025 and in subsequent fiscal years. However, under Chapter 549, the full phase-in to $1.85 per resident occurs in fiscal 2021. Chapter 489 increased per resident funding for regional resource centers from $7.15 in fiscal 2017 to $8.75 per resident by fiscal 2025. However, under Chapter 549, the full phase-in to $8.75 per resident occurs in fiscal 2022. The network is comprised of the State Library Resource Center, which includes the Enoch Pratt Free Central Library and the Library for the Blind and Physically Handicapped, both in Baltimore City; three regional resource centers; and metropolitan cooperative service programs.

Finally, retirement costs for librarians will total an estimated $20.8 million, representing a 2.4% increase. Unlike the boards of education and community colleges, the State continues to pay SRA's administrative costs for local library employees.

County and Municipal Governments

Approximately 8.7% 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 $665.9 million in fiscal 2019, an increase of $1.7 million 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 2019), 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. Allocations to counties and municipalities are based on the percentage of road miles and vehicle registrations within each local jurisdiction. In fiscal 2018, $140.8 million (7.7% of HUR) is distributed to Baltimore City; $27.4 million (1.5%) is distributed to counties; and $7.3 million (0.4%) is distributed to municipalities, for a total of $175.5 million. The local government share of the distribution of HURs is projected to total $179.8 million in fiscal 2019, a $4.3 million increase when compared to the fiscal 2018 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 (BRFA) included $15.4 million in fiscal 2014 to fund transportation grants to municipal governments allocated in a manner consistent with the HUR formula. In addition, county governments received $10.0 million in fiscal 2014 for the purpose of pothole repairs. The fiscal 2015 State budget funded the municipal transportation grants for a second year at $16.0 million. The fiscal 2016 and 2017 budgets included a total of $25.0 million for transportation grants to Baltimore City, counties, and municipalities. The fiscal 2018 State budget increased the funding for these special grants to $38.4 million – $5.5 million for Baltimore City, $12.8 million for counties, and $20.1 million for municipalities. The fiscal 2019 baseline assumes that these programs will not be funded in fiscal 2019. State funding for elderly/disabled transportation grants total $4.3 million in fiscal 2018, while State funding for paratransit grants total $1.7 million. State aid for elderly/handicapped transportation programs and paratransit grants are projected to remain constant in fiscal 2019 at $6.0 million.

Public Safety

Maryland's counties and municipalities receive grants for police protection through the police aid formula. The police aid formula allocates funds on a per capita basis, and jurisdictions with a higher population density receive greater per capita grants. Municipalities receive additional grants based on the number of sworn officers. The Maryland State Police recovers 30% of the State crime laboratory costs relating to evidence-testing services from each county's formula allocation. As a cost containment measure, the fiscal 2018 police aid formula was level funded at the fiscal 2017 level of $73.7 million. The fiscal 2019 baseline forecast assumes an increase of 1.6% from the fiscal 2018 formula amount to $74.9 million.

Chapter 429 of 2013 (Transportation Infrastructure Investment Act) expresses legislative intent to increase the 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 beginning in fiscal 2017. The fiscal 2019 baseline reflects $15.0 million for annual fire and rescue funding, which is the same as fiscal 2018. 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 2019, which is the same as fiscal 2018. Other public safety grants totaling $26.6 million (targeted crime grants, State Attorney's grant, *etc*.) are also level funded in the fiscal 2019 baseline.

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 (BRFA) capped each county's funding under the program at the fiscal 2010 level. Chapter 425 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 set at 3.2%.

Chapter 738 of 2016 (Local Government – Disparity Grants – Amounts) altered the calculation of the Disparity Grant program for counties with a local income tax rate of 3.2% by increasing the minimum grant amount (funding floor) to 67.5% of the formula calculation in both fiscal 2018 and 2019. However, Chapter 23 of 2017 (BRFA) modified the formula by lowering the minimum grant amount (funding floor) from 67.5% to 63.75% of the formula calculation for fiscal 2018. Due to this action, funding for disparity grants totals $138.8 million in fiscal 2018. The fiscal 2019 baseline forecast includes $147.4 million, or an increase of 6.2% over the fiscal 2018 appropriation. 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 2019.

Gaming Impact Grants

From the proceeds generated by video lottery terminals at video lottery facilities in the State, generally 5.5% is distributed to local governments in which a video lottery facility is operating or which are in close proximity to a facility. In addition, 5.0% of table game revenues are distributed to local jurisdictions where a video lottery facility is located. The fiscal 2019 baseline assumes gaming impact grants will total $88.2 million in fiscal 2019, an increase of $1.1 million, or 1.3%, from the fiscal 2018 amount of $87.0 million.

Program Open Space

POS was established in 1969 to expedite the acquisition of outdoor recreation and open space, before property cost and development made it impossible, and to accelerate the development of outdoor recreation facilities. Chapter 10 of 2016 (Program Open Space – Transfer Tax Repayment – Use of Funds) altered the local share of POS funding beginning in fiscal 2018. The legislation allocated an additional $11.0 million to local funding for fiscal 2018. In future years, local funding through fiscal 2029 increases overall due to general fund appropriations to the transfer tax special fund (from which the local share of POS receives funding) representing reimbursement for prior transfers from the fund. In fiscal 2018, the POS formula allocates $37.2 million to the counties, which is an increase of $15.5 million over the fiscal 2017 amount. In addition, Baltimore City received $3.5 million in special POS funding. The fiscal 2019 baseline forecast assumes $59.6 million for the POS local allocation, which is an increase of $22.4 million over the fiscal 2018 amount; and Baltimore City will receive a $2.0 million increase over the fiscal 2018 amount, for a total of $5.5 million.

Revenue Equity Program

Chapter 692 of 2017 (State Forest, State Park, and Wildlife Management Area Revenue Equity Program) establishes a State Forest, State Park, and Wildlife Management Area Revenue Equity Program to make annual payments, beginning in fiscal 2019, to counties that have a certain amount of State forests, State parks, and wildlife management areas that are exempt from property tax. The annual payment to each county is equal to the county’s property tax rate multiplied by the assessed value – as determined by the State Department of Assessments and Taxation – of the State forests, State parks, and wildlife management areas in the county that are exempt from property tax. These grants replace payments in lieu of taxes in the affected counties. The fiscal 2019 baseline includes $2.5 million in payments to the affected counties (Allegany, Garrett, and Somerset).

Senior Citizen Activities Center Operating Fund

The Senior Citizen Activities Center Operating Fund is a nonlapsing fund that consists of appropriations from the State budget. The fund supplements any other funding for senior citizen activities centers in the State budget; it may not be used to replace existing funding. Money is distributed to counties based on a competitive grant process, with at least 50% of the funds distributed based on need for senior citizen activities centers in counties determined by the Maryland Department of Aging to meet criteria related to economic distress. The fiscal 2019 baseline level funds support for the fund at $764,000.

Local Voting System Grants

Chapter 564 of 2001 (Election Law – Uniform Statewide Voting Systems) 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 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 $3.2 million, a $1.2 million decrease from the fiscal 2018 working appropriation of $4.5 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. The funding formula 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 needs, as determined by the Secretary of Health, may also affect allocations of the annual adjustment. The fiscal 2018 budget supplemented the formula with grants to certain counties for contractual health insurance costs. The fiscal 2019 baseline forecast assumes the contractual health insurance costs continue at the same level and the formula increases by $4.4 million due to salary increases for local health department employees.

Entitlement Programs

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

Expenditures and Funds for Entitlement Programs
Fiscal 2016-2019
($ in Thousands)

	2016 Actual	2017 Working	2018 Working	2019 Baseline	2018-2019 Increase	2018-2019 % Increase
Expenditures						
State Department of Assessments and Taxation	$78,092	$82,322	$87,515	$82,569	-$4,946	-5.7%
Medicaid	9,617,851	10,894,597	11,146,482	11,688,225	541,743	4.9%
DHS – Social Services	267,584	262,320	262,630	257,657	-4,973	-1.9%
DHS – Family Investment	1,288,012	1,333,367	1,268,455	1,158,276	-110,179	-8.7%
Total	**$11,251,539**	**$12,572,606**	**$12,765,083**	**$13,186,727**	**$421,644**	**3.3%**
Fund						
General Fund	$2,950,413	$3,320,311	$3,483,430	$3,774,525	$291,095	8.4%
Special Fund	999,558	990,220	1,017,131	969,189	-47,942	-4.7%
Federal Fund	7,232,671	8,204,419	8,189,334	8,372,528	183,194	2.2%
Reimbursable Fund	68,896	57,656	75,187	70,485	-4,702	-6.3%
Total	**$11,251,538**	**$12,572,606**	**$12,765,082**	**$13,186,727**	**$421,645**	**3.3%**

DHS: Department of Human Services

Medicaid Enrollment and Expenditure Trends

Maryland's Medical Care 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 in fiscal 2019 of 50.0% to 93.5% for Medicaid depending on the eligibility category and 88.0% for the MCHP.

Fiscal 2018 Projected Deficit

There is a projected general fund deficit of $102.6 million in fiscal 2018. Of this amount, $17.2 million relates to fiscal 2017 behavioral health costs carried into fiscal 2018, costs attributed mainly to higher spending on substance use disorder services. Fiscal 2018 deficiencies are projected to total $85.4 million and reflect higher than budgeted medical expenses ($52.4 million), primarily due to lower estimates of pharmacy rebates; and lower than budgeted special fund attainment ($32.9 million), primarily due to a shortfall in Cigarette Restitution Fund (CRF) support based on the timing of the 2004 sales year arbitration ruling concerning nonparticipating manufacturers.

Fiscal 2019 Medicaid Outlook

In fiscal 2019, after adjusting for the Board of Public Works' (BPW) actions in September 2017, expenditures for the Medical Assistance Programs are estimated to be almost $11.7 billion, a $541.7 million (4.9 %) increase over the fiscal 2018 working appropriation, with general fund growth of $308.3 million (9.8%). Even after taking into consideration potential deficiency requirements reflected below as the fiscal 2018 Department of Legislative Services (DLS) estimate, the fiscal 2019 baseline growth is $519.9 million (4.7%) with general fund growth of $223.0 million (6.9%).

Medical Care Programs Expenditures
Fiscal 2017-2019

Funds	2017 Actual	2018 Working Appropriation	2018 DLS Estimate	2019 Baseline	Working Appropriation 2018-2019 $ Change	Working Appropriation 2018-2019 % Change
General	$3,007.7	$3,151.9	$3,237.3	$3,460.2	$308.3	9.8%
Special	963.6	1,000.3	967.3	952.8	-47.5	-4.7%
Federal	6,720.0	6,919.1	6,893.2	7,204.8	285.6	4.1%
Reimbursable	70.5	75.2	70.5	70.5	-4.7	-6.3%
Total	**$10,761.8**	**$11,146.5**	**$11,168.3**	**$11,688.2**	**$541.7**	**4.9%**

DLS: Department of Legislative Services

Note: The 2017 actual is based on the Comptroller's closeout data. The DLS fiscal 2018 estimate attributes anticipated fiscal 2018 deficiency appropriations to the appropriate fiscal year. Data is for major provider payments only and includes Medicaid-funded behavioral health services.

Major drivers of general fund growth are as follows.

- Provider rates ($103 million) including the fiscal 2019 impact of calendar 2018 managed care organization rate increases (3.8%), increased behavioral health rates per Chapters 571 and 572 of 2017 (Heroin and Opioid Prevention Effort (HOPE) and Treatment Act) (3.5%), and assumptions of regulated (2.5%) and community provider (ranging from 2.0% to 2.9%) rate increases.

- Enrollment and utilization ($59 million). The fiscal 2019 baseline assumes an average monthly enrollment of 1.42 million, compared to year-to-date enrollment of 1.36 million, a 2.4% annual growth rate. Not only is this a lower rate of growth than assumed in the 2017 session, it is also important to note that almost half of the projected enrollment growth is in the Affordable Care Act (ACA) expansion and the MCHP eligibility categories for which the State receives an enhanced match (see exhibit).

Enrollment and Service Year Per Capita Expenditures*
Fiscal 2017-2019

	2017 Actual	2018 DLS Estimate	2019 Baseline	2018-2019 % Change
Enrollment by Category				
Medicaid	895,389	920,251	938.880	2.0%
MCHP	144,294	147,180	150,123	2.0%
ACA Medicaid Expansion	290,718	313,976	329,674	5.0%
Total	**1,330,401**	**1,381,406**	**1,418,678**	**2.7%**
Cost Per Enrollee				
Medicaid	$8,214	$8,266	$8,420	1.9%
MCHP	1,703	1,759	1,830	4.0%
ACA Medicaid Expansion	9,050	8,778	8,928	1.7%
Total	**$7,690**	**$7,689**	**$7,841**	**2.0%**

ACA: federal Patient Protection and Affordable Care Act
DLS: Department of Legislative Services
MCHP: Maryland Children's Health Program

*Expenditures are based on the cost of providing services during that fiscal year rather than the fiscal year that the bills were paid. Cost estimates are based on provider reimbursements and expenditures excluding administrative costs in programs MQ0103, MQ0106, MQ0107, MQ0110, and MQ0111 only.

- Fiscal 2018 deficiency medical costs rolled forward into fiscal 2019 ($52 million).

- Expectations of lower special fund attainment ($48 million), primarily due to the mandated reduction in the Medicaid Deficit Assessment and the availability of CRF support.

- The increasing State budget responsibility for the ACA expansion population after rate and enrollment changes ($26 million). In fiscal 2019, the State is responsible for 6.5% of total estimated expenditures of $2.9 billion, up from 5.5% in fiscal 2018.

It should be noted that the fiscal 2019 baseline assumes that the Children's Health Insurance Program will be re-authorized by Congress and will maintain both the current matching and eligibility requirements (specifically the enhanced federal match that is scheduled to continue through federal fiscal 2019). Absent this re-authorization, Maryland is required to maintain coverage for the 145,000 children currently enrolled in the program through federal fiscal 2019 at the regular Medicaid matching rate. Depending on when available funding is exhausted (around the third quarter of fiscal 2018), this would result in additional deficiency requirements in fiscal 2018 plus an additional $104 million general fund need in fiscal 2019. Both the U.S. House of Representatives and U.S. Senate have passed re-authorization bills, but they have yet to be reconciled.

Tax Credit Programs

There are four tax credit programs authorized in statute: the Homeowners' Tax Credit, the Renters' Tax Credit, the Urban Enterprise Zone Tax Credit, and the Base Realignment and Closure (BRAC) Revitalization and Incentive Zones Credit programs. The fiscal 2019 baseline reflects a $4.9 million decrease in these tax credit entitlements as follows.

- **Homeowners' Tax Credit Program** expenditures are expected to decrease by $2.5 million to $57.5 million for fiscal 2019. This adjustment is based on actual utilization of the credit from fiscal 2015 to 2017 and is driven in large part by a decrease in credit payments in fiscal 2017.

- **Renters' Tax Credit Program** expenditures are projected to decrease by $194,481 to $2.8 million for fiscal 2019 based on actual expenditures from fiscal 2015 to 2017. While the baseline decreases slightly from the most recent legislative appropriation, it does reflect the impact of Chapter 483 of 2016 (Property Tax – Renters' Property Tax Relief Program), which has increased benefits and broadened eligibility for the credit.

- **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 forgone revenue, which would have been realized otherwise from the increased property assessment. The fiscal 2019 appropriation for the Urban Enterprise Zone Tax Credit Program is projected to be $20.1 million, a decrease of $2.3 million, based on the properties in the program in fiscal 2017.

- **BRAC Revitalization Credit Program** is expected to remain unchanged in fiscal 2019 at $2,132,786.

Department of Human Services

DHS 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.

The average monthly foster care caseload has declined in recent years, consistent with the department's focus on reducing the number of children entering into care and quickly moving children in care to permanent homes. After declining by more than 8.0% from fiscal 2012 to 2015, the caseload decline slowed in fiscal 2016 to 3.1%. This rate of decrease was slightly higher in fiscal 2017 (3.4%) primarily due to a 3.0% decrease in the regular foster care caseload (the largest category of cases) after a slight increase in the prior year. The fiscal 2018 caseload is projected to also decrease by 3.4% reflecting the fiscal 2017 trends. The fiscal 2019 average monthly foster care caseload is projected to decrease by an additional 3.1% due to an anticipated slower rate of decline in the regular foster care caseload.

In contrast, the average monthly subsidized guardianship caseload had increased significantly in recent years, increasing by more than 150% from fiscal 2011 to 2016. In fiscal 2016, the average monthly number of subsidized guardianships increased by 8.8% compared to the prior year. However, in fiscal 2017, the growth in the subsidized guardianship cases slowed to 0.9%. The caseload growth is projected to continue at 1.0% in each of fiscal 2018 and 2019.

The average monthly subsidized adoption caseload has decreased in each year since fiscal 2010. In fiscal 2017, the average monthly number of subsidized adoptions decreased by 4.8%, which was the highest rate of decline during that period. The average monthly subsidized adoption caseload is projected to decline at slightly slower rates in fiscal 2018 (4.0%) and fiscal 2019 (3.5%), more in line with recent history.

The monthly cost per case for rates set by the Interagency Rates Committee (IRC) is expected to increase by 2% in each of fiscal 2018 and 2019, which is generally consistent with inflation. The regular foster care board rate is expected to increase by 2% in fiscal 2018, consistent with a supplemental appropriation in fiscal 2018 that provided funding for this purpose. Otherwise, rates not set by IRC are expected to remain level in fiscal 2018 and 2019.

Total projected expenditures decrease by $3.6 million in fiscal 2018 and $4.3 million in fiscal 2019. Total projected expenditures in fiscal 2018 are slightly lower than the total budgeted expenditures. Despite this, the general fund expenditures are projected to be $1.1 million higher than the budgeted expenditures, while special fund expenditures are projected to be $0.1 million higher than the budgeted expenditures. The need for general funds results from an overestimation of available federal funds. The fiscal 2019 baseline includes a deficiency appropriation to account for the general and special fund shortfalls in fiscal 2018.

Foster Care and Subsidized Adoption/Guardianship Caseloads and Expenditures
Fiscal 2017-2019

	2017 Actual	2018 Working	2018 DLS Estimate	2019 DLS Estimate	Average Annual 2017-2019 % Change
Caseload					
Foster Care	3,655	3,600	3,532	3,423	-3.2%
Subsidized Adoption/Guardianship	9,322	9,799	9,094	8,894	-2.3%
Total Combined	**12,977**	**13,399**	**12,626**	**12,316**	**-2.6%**
Expenditures					
Monthly Cost Per Case					
Foster Care	$3,444	$3,198	$3,500	$3,546	1.5%
Subsidized Adoption/Guardianship	790	791	790	790	0.0%
Combined Average Cost	**$1,538**	**$1,453**	**$1,548**	**$1,555**	**0.6%**
Expenditures ($ in Millions)					
General Funds	$190.5	$184.5	$185.6	$180.5	-2.7%
Total Cost ($ in Millions)	**$265.5**	**$262.6**	**$262.0**	**$257.7**	**-1.5%**
Projected General Fund Shortfall			-$1.1		
Projected Total Fund Surplus			**$0.6**		

DLS: Department of Legislative Services

Source: Department of Human Services; 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. Statue requires the TCA benefit in combination with the Supplemental Nutrition Assistance Program (SNAP) to equal at least 61% of the Maryland Minimum Living Level (MLL). In Maryland, SNAP is known as the Food Supplement Program (FSP).

Effective October 1, 2017, the U.S. Department of Agriculture lowered the maximum monthly benefits for SNAP at all household sizes. For a three-member household, the reduction was from $511.00 to $504.00. In combination with the inflationary increase in the MLL (1.9%), the TCA benefit for a three-person household must increase 4.5% beginning October 1. As a result, the average benefit for TCA is expected to increase to $200.33 in fiscal 2018 compared to $193.79 in fiscal 2017. The average monthly benefit is expected to increase slightly to $201.83 in fiscal 2019.

Beginning January 2012, the TCA caseload has declined on a year-over-year basis in every month. The average monthly number of recipients in fiscal 2017 (50,901) was the second lowest in program history. The average monthly number of recipients has declined by more than 9% in both fiscal 2016 and 2017. The baseline assumes a continued significant decline in the TCA caseload in fiscal 2018 with an average monthly decrease of 0.6% slowing to 0.3% in fiscal 2019. The resulting average monthly caseloads of 46,699 and 44,298 in fiscal 2018 and 2019, respectively, would be the lowest in program history. Prior to January 2017, the monthly number of TCA recipients had only fallen below 50,000 in seven months (from January through July 2007). The monthly number of TCA recipients has been below 50,000 from January through August 2017 (the most recent month available).

In September 2017, BPW cost containment actions reduced funding for TCA by $3.7 million to provide total funding of $108.7 million. However, DLS estimates $112.3 million will be required due to a combination of a slightly higher estimated monthly caseload and a higher estimated average monthly grant, a shortfall of $3.6 million. Due to an anticipated surplus in TDAP (noted below), only a modest deficiency appropriation of less than $200,000 is included in the fiscal 2019 baseline.

Temporary Cash Assistance Enrollment and Funding Trends
Fiscal 2017-2019

	2017 Actual	2018 Working	2018 Estimate	2019 Estimate	% Change 2018-2019
Average Monthly Enrollment	50,901	46,293	46,699	44,298	-5.1%
Average Monthly Grant	$193.79	$195.73	$200.33	$201.83	0.8%
Budgeted Funds ($ in Millions)					
General Funds	$21.5	$16.5	$20.1	$15.0	-25.1%
Total Funds	**$118.3**	**$108.7**	**$112.3**	**$107.3**	-4.4%
Estimated Shortfall			**-$3.6**		

Source: Department of Human Services; Department of Budget and Management; Department of Legislative Services

Food Supplement Program Supplemental Benefit

Chapter 696 of 2016 (Food Stamp Program – Minimum Benefit – State Supplement) establishes a new State minimum benefit of $30.00 for FSP households, which includes at least one member that is at least 62 years old. Chapter 696 became effective October 1, 2016. The federal minimum benefit was $16.00 during fiscal 2017 but was reduced to $15.00 effective October 1, 2017. As a result, the maximum State FSP supplemental benefit beginning October 1, 2017, is $15.00. In fiscal 2017, the average monthly grant of $13.26 was near the maximum amount of the State grant. As a result, DLS projects that the average monthly grant will increase consistent with the increase in the maximum State grant. However, the grant increase in fiscal 2018 is slightly limited due to the change being in effect for only three quarters of the fiscal year. DLS estimates an average monthly grant of $14.03 in fiscal 2018, more than $5.00 higher than the average monthly grant assumed in the fiscal 2018 budget.

The number of households receiving the FSP supplemental benefit increased in each month following its implementation through the end of fiscal 2017. After declining in July 2017, in August 2017, the number of households receiving the benefit was at its highest level since implementation – 18,082. The average monthly increase in the caseload during fiscal 2017 was 0.34%. DLS projects a similar average monthly increase in fiscal 2018 (0.3%) but projects that growth to slow in fiscal 2019 (0.15%). The increases would bring the average monthly enrollment to 18,800 in fiscal 2019.

In combination, the higher estimated monthly caseload and higher estimated average monthly grant in fiscal 2018 results in an estimated shortfall of $1.2 million. However, the surplus in TDAP is expected to be sufficient to address the shortfall.

Food Supplement Program Supplemental Benefit Enrollment and Funding Trends
Fiscal 2017-2019

	2017 Actual	2018 Working	2018 Estimate	2019 Estimate	2018-2019 % Change
Average Monthly Enrollment	17,837	17,695	18,314	18,800	2.7%
Average Monthly Grant	$13.26	$8.95	$14.03	$14.28	1.8%
Budgeted Funds ($ in Millions)					
General Funds	$2.1	$1.9	$3.1	$3.2	4.5%
Estimated Shortfall			**-$1.2**		

Source: Department of Human Services; Department of Legislative Services

Temporary Disability Assistance Program Caseloads and Expenditure Trends

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 SSI benefit. The State is reimbursed for the cash assistance paid during the processing of the SSI application.

The average monthly caseload for TDAP has declined on a year-over-year basis in each month since September 2015. The decline accelerated beginning in September 2016. In total, in fiscal 2017, the average monthly number of recipients was approximately 8.4% lower than in fiscal 2016. The TDAP caseload has decreased by more than 10.0% on a year-over-year basis in each month since April 2017, and the decrease was more than 14.0% in August 2017. In August 2017, the TDAP caseload was 15,094, which was the lowest monthly caseload since November 2008. DLS projects the caseload will have an average monthly decline of 1.0% in fiscal 2018, slightly lower than the average monthly decrease in the first half of calendar 2017 and a slower decrease (0.5%) in fiscal 2019. This would result in an average monthly caseload of 13,163 in fiscal 2019.

The fiscal 2018 budget included language restricting $2.0 million of general funds in the Assistance Payments Program to provide a $10 increase in the monthly benefit for TDAP recipients. No formal announcement has been made about this restriction; however, the benefit paid in July and August 2017 is consistent with the existing $185 per month maximum benefit in regulation. As a result, DLS assumes that the restricted funds will revert to the General Fund at the end of the fiscal year. In total, DLS estimates a general fund surplus of $4.6 million in TDAP, even after excluding the restricted funds. This surplus is sufficient to cover most of the shortfalls in TCA and the FSP supplemental benefit. However, a modest deficiency appropriation is expected as noted earlier.

Temporary Disability Assistance Program Enrollment and Funding Trends
Fiscal 2017-2019

	2017 Actual	2018 Estimate	2019 Estimate	2018-2019 % Change
Average Monthly Enrollment	16,719	14,378	13,163	-8.5%
Average Monthly Grant	$182.77	$182.63	$182.63	0.0%
Budgeted Funds ($ in Millions)				
General Funds	$31.1	$25.5	$23.2	-8.8%
Total Funds	**$36.7**	**$31.5**	**$28.8**	**-8.5%**
Estimated General Fund Surplus		**$4.6**		

Source: Department of Human Services; Department of Legislative Services

Employee Compensation Overview

Employee Compensation Overview

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

- ***Fiscal 2019 General Salary Increase:*** The baseline assumes that a 1% general salary adjustment will be awarded to all State employees on July 1, 2018. The increase raises salaries $38.5 million ($23.3 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 is taken into consideration when calculating general fund support for higher education.

- ***Fiscal 2019 Merit Pay Increases:*** The baseline also assumes merit pay increases in fiscal 2019. This is expected to increase State agency (excluding higher education) costs by $69.3 million ($41.9 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, 2019, an additional $23.1 million ($14.0 million in general funds) will need to be appropriated in fiscal 2020 to reflect the full annual cost of the merit increases. The baseline also assumes that higher education institutions receive a similar merit increase, all at the beginning of the fiscal year. Again, this increase is taken into consideration when calculating general fund support for education.

- ***Adjusting Annual Salary Review (ASR):*** The fiscal 2018 legislative appropriation did not include funding for ASRs. The baseline budget assumes $1.5 million ($1.1 million in general funds) for ASRs. This is equal to the average amount of ASRs received in five previous years (fiscal 2014 to 2018).

- ***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 2019 claims will total $1.65 billion, an increase of 1.6%, which reflects recent claims activity adjusted for savings anticipated from the new pharmacy benefit manager contract. Fiscal 2017 closed with a substantial fund balance as a result of lower actual prescription drug costs and higher than expected contributions and rebates. Two payroll holidays for State agency, employee, and retiree contributions are assumed in both fiscal 2018 and 2019 to utilize the fund balance, resulting in $130.3 million and $124.7 million reductions in contributions to the fund, respectively. In comparison to the fiscal 2018 legislative appropriation, State agency contributions decrease by 5.8% in fiscal 2019 (a decrease of $22.3 million).

- ***Employees' Retirement and Pensions:*** Fiscal 2019 baseline expenditures increase by $77.2 million compared to the fiscal 2018 legislative appropriation. Approximately $10.1 million, or 13.1%, of this increase is attributable to rate changes, which accounts for the $50.0 million sweeper provision (see Reserve Funds section for discussion of the sweeper) and investment gains and losses. The remaining increases are attributable to salary enhancements and additional personnel. These estimates include higher education spending on pension costs. Specific changes to the different plans are as follows:

    - an additional $53.8 million ($32.4 million in general funds) for the Employees' State Retirement and Pension Systems, which includes $12.1 million ($7.3 million in general funds) attributable to rate changes and $41.7 million ($25.1 million in general funds) due to salary enhancements and additional personnel – fiscal 2019 appropriations total $670.1 million ($403.3 million in general funds);

    - a net decrease of $398,000 (all general funds) for the judges' plan, which reflects a lower contribution rate reducing spending by $955,000 that is in turn offset by new judges and salary enhancements of $557,000 – fiscal 2019 appropriations total $22.2 million (all in general funds);

    - although most teachers work for local governments, the State does employ some teachers; therefore, there is an adjustment to reflect that this plan's costs increase by $1.5 million ($1.0 million in general funds), which is attributable to salary enhancements, as the contribution rate declines modestly by 0.2% – fiscal 2019 appropriations total $31.5 million ($20.8 million in general funds);

    - for certain university employees, the State offers an Optional Retirement Program – a portable, defined contribution plan – for which the State contribution rate remains at 7.25% and therefore, due to salary enhancements and new positions, fiscal 2019 expenditures increase by $3.3 million for a total of $99.9 million;

    - State Police retirement plan appropriations increase by $2.4 million ($2.0 million in general funds), which reflects, as with the judges' plan, a decline in contribution rates, saving $1.4 million ($1.2 million in general funds), but pay increases result in an increase of $3.8 million ($3.2 million in general funds) in expenditures – fiscal 2019 appropriations increase to $90.6 million ($75.0 million in general funds); and

    - the Law Enforcement Officers' Pensions System contribution rate increases by only 0.73%, but salary enhancements increase contributions by $1.3 million ($718,000 in general funds) – fiscal 2019 appropriations total $32.9 million ($18.1 million in general funds).

Maryland Department of Health

The Maryland Department of Health (MDH) 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 Maryland Department of Health
Fiscal 2016-2019
($ in Thousands)

	2016 Actual	2017 Working	2018 Leg. Approp.	2019 Baseline	2018-2019 Increase	2018-2019 % Increase
Expenditures						
Administration	$47,412	$49,888	$50,740	$44,622	-$6,118	-12.1%
Office of Health Care Quality	18,063	20,615	20,369	20,553	184	0.9%
Health Professional Boards and Commission	32,989	42,941	38,563	38,950	388	1.0%
Public Health Administration	89,963	86,483	87,589	89,716	2,127	2.4%
Prevention and Health Promotion Administration	331,820	376,339	395,788	397,300	1,512	0.4%
Chronic Hospitals	49,435	49,447	48,354	49,534	1,180	2.4%
Behavioral Health Administration	640,492	657,591	668,669	712,016	43,348	6.5%
Developmental Disabilities Administration	1,040,690	1,151,188	1,161,498	1,237,346	75,848	6.5%
Medical Care Programs Administration	104,912	121,145	131,277	104,210	-27,068	-20.6%
Health Regulatory Commissions	166,251	225,512	200,833	201,255	421	0.2%
Total	**$2,522,026**	**$2,781,148**	**$2,803,681**	**$2,895,502**	**$91,821**	**3.3%**
Fund						
General Fund	$1,300,092	$1,387,978	$1,430,640	$1,504,588	$73,948	5.2%
Special Fund	382,258	442,994	407,015	404,945	-2,070	-0.5%
Federal Fund	808,217	929,330	942,877	962,495	19,619	2.1%
Reimbursable Fund	31,460	20,846	23,149	23,473	324	1.4%
Total	**$2,522,026**	**$2,781,148**	**$2,803,681**	**$2,895,502**	**$91,821**	**3.3%**
Personnel						
Regular Positions	6,354.0	6,181.0	6,186.0	6,191.0	5.0	0.1%
Full-time Equivalent Contractuals	354.0	483.0	476.0	476.0	0.0	0%

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 MDH are detailed below.

Administration

The major baseline change in the MDH Administration budget is a $1.4 million decrease in special funds for the Board of Physicians major information technology project, as this project is expected to be completed in fiscal 2018. The Administration's Board of Public Works reductions are not allocated to the Administration in fiscal 2018, but the ongoing portions are allocated in fiscal 2019.

Prevention and Health Promotion Administration

Chapter 23 of 2017 (Budget Reconciliation and Financing Act) requires the State to provide $27 million in general fund operating funding for the new Prince George's County Regional Medical Center in fiscal 2019, which represents a decrease of $1 million from fiscal 2018.

Behavioral Health Administration

For the Behavioral Health Administration (BHA), the largest changes concern the fee-for-service (FFS) programs. Beyond the traditional FFS spending on behavioral health services through Medicaid, which are discussed in the Entitlements section, the State also funds certain services for the Medicaid-eligible 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 the fiscal 2019 baseline, expenditures are expected to increase by $18.2 million over the legislative appropriation. Factors contributing to this growth include a 3.5% rate increase for community behavioral health services mandated by Chapters 571 and 572 of 2017 (Heroin and Opioid Prevention Effort and Treatment Act) and an estimated 2.5% rate increase for rate-regulated providers each beginning on July 1, 2018, as well as an estimated 5.0% enrollment growth in State-funded services for the Medicaid-eligible. There is also a transfer of $4.3 million in general funds to the Medicaid Behavioral Health budget to cover the costs of substance use disorder residential treatment services.

In addition to the FFS programs, BHA's fiscal 2019 baseline budget includes other significant items. There are increases totaling $7.2 million in general funds for grants that receive the same mandated rate increase as community behavioral health providers mentioned above, as well as a $10.0 million increase in federal funds in anticipation of new funding under the federal Cures Act. There are also two significant decreases: $1.0 million 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; and $3.0 million in federal funds due to an expected cut in the federal Community Mental Health Block Grant.

Adjustments were also made to facilities budgets in order to reflect expected increases in costs due to the opening of new beds within the State hospital system. Specifically, there is an increase of $1.3 million in expected overtime costs, all in general funds, due to the fact that the new units will be utilizing currently vacant positions to staff the new beds instead of adding new positions to the department. There are also two deficiencies tied to this action totaling $900,000 in general funds that carry over into fiscal 2019.

Developmental Disabilities Administration

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

- a transfer of 41 regular positions from other areas of MDH, representing an increase of $2.1 million in general funds to the Potomac Center for the expansion of the center's transitions program;

- a $33.8 million increase in total funds (including $18.3 million in general funds) to account for annualization of community services provided for first-time clients in fiscal 2018 that will be ongoing in fiscal 2019 as well as funding for new placements;

- a $40.0 million increase in total funds (including $22.4 million in general funds) to reflect a provider rate increase (3.5%) associated with community service contracts as provided for under Chapter 262 of 2014 (Maryland Minimum Wage Act); and

- a $1.9 million reduction in special funds to align spending with recent actual expenditures.

Medical Care Programs Administration

The Medical Care Programs Administration administrative budget (excluding provider and other payments that are discussed in the Entitlements section) is reduced by $29.3 million in federal funds to reflect expected spending on major information technology development projects. Specifically, funding for the Medicaid Enterprise Replacement Project, which has been cancelled, is removed for fiscal 2019 (a reduction of $19.7 million); and funding for the Long Term Services and Supports project is reduced by $9.6 million to reflect the current schedule. Corresponding general fund reductions associated with these projects are made in Department of Information Technology.

Department of Human Services

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

Expenditures, Funds, and Positions for the Department of Human Services
Fiscal 2016-2019
($ in Thousands)

	2016 Actual	2017 Working	2018 Leg. Approp.	2019 Baseline	2018-2019 Increase	2018-2019 % Increase
Expenditures						
Administration	$170,403	$178,618	$239,382	$231,187	-$8,195	-3.4%
Social Services	285,772	311,787	309,748	317,802	8,055	2.6%
Child Support Administration	90,191	92,506	92,002	93,812	1,810	2.0%
Family Investment	257,788	263,566	248,652	248,320	-332	-0.1%
Office of Home Energy Programs	143,011	140,818	144,085	142,119	-1,967	-1.4%
Total	**$947,166**	**$987,294**	**$1,033,869**	**$1,033,240**	**$-629**	**-0.1%**
Fund						
General Fund	$371,938	$406,636	$383,353	$387,782	$4,429	1.2%
Special Fund	100,913	98,066	93,534	91,527	-2,007	-2.2%
Federal Fund	473,904	481,903	556,981	553,931	-3,050	-0.6%
Reimbursable Fund	411	689	0	0	0	0%
Total	**$947,166**	**$987,294**	**$1,033,869**	**$1,033,240**	**-$629**	**-0.1%**
Personnel						
Regular Positions	6,360.0	6,224.0	6,224.0	6,233.0	9.0	0.1%
Full-time Equivalent Contractuals	143.0	74.0	74.0	74.0	0.0	0%

Administration

The fiscal 2019 baseline assumes a decrease in funding for the Maryland Total Human Services Information NetworK (MD THINK) major information technology project to reflect costs outlined in the project schedule. The fiscal 2019 baseline reflects $56.1 million in federal funds for MD THINK, a decrease of approximately $9.1 million from fiscal 2018. Required matching general funds are included in the baseline of the Department of Information Technology.

Local Operations

The fiscal 2019 baseline includes a series of adjustments in the programs for local department operations to account for cost-of-living adjustments (COLA) and increments in the Montgomery County human services block grant. Through the Montgomery County block grant, DHS provides funding equivalent to the State compensation for employees. As a result, the block grant increases for COLAs and increments when these are provided to State employees. The fiscal 2019 baseline assumes these will be provided to State employees, and as a result, adjustments to the block grant are made in each of the programs where the Montgomery County block grant is budgeted:

- an increase of $431,578 in total funds in the Local Family Investment Program ($138,969 in general funds, $129 in special funds, and $292,480 in federal funds);
- an increase of $377,489 in total funds in Child Welfare Services ($291,896 in general funds, $116 in special funds, and $85,477 in federal funds);
- an increase of $166,816 in total funds in Adult Services ($21,202 in general funds and $145,614 in federal funds); and
- an increase of $70,278 in total funds in Local General Administration ($46,911 in general funds and $23,367 in federal funds).

The fiscal 2019 baseline also includes an adjustment for a deficiency appropriation in Child Welfare Services to account for the availability of various fund sources. This adjustment increases general funds in the program by $2.95 million, special funds by $0.28 million, and decreases federal funds by $3.23 million. This fund source adjustment carries forward into fiscal 2019.

The fiscal 2019 baseline includes an increase in Adult Services resulting from the implementation of Chapters 837 and 838 of 2017 (Maryland Securities Act – Vulnerable Adults) in fiscal 2018. This adjustment adds 3 new positions and associated funding due to an anticipated increase in adult protective services investigations and cases ($119,395 in general funds). A portion of this increase is one-time ($13,920) funding in fiscal 2018. The positions carry forward into fiscal 2019 at a higher amount due to annualization of the salary costs.

Child Support Administration

The fiscal 2019 baseline includes adjustments to account for the transfer of personnel from the Charles County State's Attorney Office (SAO). Chapters 134 and 135 of 2017 (Charles County – State's Attorney's Office and Child Support Enforcement Administration – Transfer of Personnel) authorized the transfer of the child support unit of the Charles County SAO to DHS beginning in fiscal 2018. The fiscal 2019 baseline assumes a deficiency appropriation of 10 new positions and an increase of $523,566 ($178,012 in general funds and $345,554 in federal funds) due to this transfer. The transfer is offset by a reduction of $539,345 in federal fund expenditures for the cooperative reimbursement agreements in the State office of Child Support Administration.

Family Investment Administration

The fiscal 2019 baseline contains several adjustments in fiscal 2018 resulting from Chapter 105 of 2017 (Homelessness and Supportive Services – Transfer to Department of Housing and Community Development (DHCD)), which transferred the Bureau of Homeless Services and related programs to DHCD. Within DHS, this results in the transfer of:

- 3 positions and associated funding ($212,532) from the Family Investment Administration Office of Grants Management;
- 1 position and the associated funding ($95,380) transferred from the DHS Division of Budget, Finance, and Personnel; and
- $4.8 million in contractual services and grants from the Office of Grants Management for four programs – Emergency and Transitional Housing Services, Service-linked Housing, Housing Navigator and Aftercare, and Homeless Women Crisis Shelter.

The same amount of funds are shown as an increase in DHCD.

Office of Home Energy Programs

The fiscal 2019 baseline includes two adjustments for the Office of Home Energy Programs. A decrease of $2 million in special funds results from the lower availability of Strategic Energy Investment Funds (SEIF) due to a decline in revenue from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions. A total of $35 million from the SEIF is expected to be available in fiscal 2019 for energy assistance. A second adjustment replaces approximately $673,000 of special funds with the same amount of federal funds to more accurately reflect the availability of the Electric Universal Service Program ratepayer surcharge special funds, and the federal Low-Income Home Energy Assistance Program funds.

Department of Public Safety and Correctional Services

The Department of Public Safety and Correctional Services is a unit of State government whose primary focus is the supervision and management of Maryland's criminal population. The department's 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. 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 2016-2019
($ in Thousands)

	2016 Actual	2017 Working	2018 Leg. Approp.	2019 Baseline	2018-2019 Increase	2018-2019 % Increase
Expenditures						
Administration	$137,218	$148,917	$144,158	$146,805	$2,647	1.8%
Division of Correction	728,894	764,304	760,145	792,348	32,203	4.2%
Maryland Parole Commission	5,774	5,952	6,133	5,911	-222	-3.6%
Division of Parole and Probation	108,014	114,870	115,922	122,860	6,938	6.0%
Patuxent Institution	49,553	54,785	52,149	53,415	1,266	2.4%
Inmate Grievance Office	986	1,167	1,244	1,252	9	0.7%
Police and Correctional Training Commissions	7,961	11,097	8,572	8,950	377	4.4%
Criminal Injuries Compensation Board	5,178	5,261	5,241	5,384	143	2.7%
Maryland Commission on Correctional Standards	499	558	587	607	20	3.4%
Division of Pretrial Detention	269,266	260,121	250,820	263,311	12,492	5.0%
Total	**$1,313,343**	**$1,367,032**	**$1,344,971**	**$1,400,844**	**$55,873**	**4.2%**
Fund						
General Fund	$1,197,881	$1,243,024	$1,227,655	$1,280,656	$53,001	4.3%
Special Fund	82,046	84,243	81,458	82,453	995	1.2%
Federal Fund	28,240	33,310	30,386	31,216	830	2.7%
Reimbursable Fund	5,176	6,455	5,472	6,519	1,047	19.1%
Total	**$1,313,343**	**$1,367,032**	**$1,344,971**	**$1,400,844**	**$55,873**	**4.2%**
Personnel						
Regular Positions	11,020.0	10,949.0	10,549.0	10,549.0	0.0	0%
Full-time Equivalent Contractuals	268.0	392.0	308.0	308.0	0.0	0%

Administration

The largest administrative adjustment in the fiscal 2019 baseline consists of $4.5 million ($2.7 million in general funds, and $890,000 each in special and federal funds) in State pension contribution increases associated with Chapters 688 and 689 of 2017 (Correctional Officers' Retirement System – Membership). This bill classifies all current and future parole and probation agents, supervisors, and certain administrative staff as members of the Correctional Officers' Retirement System.

A second area of administrative baseline adjustments are for security equipment that will be deployed throughout the agency and its facilities. As part of the Master Equipment Lease Purchase Program, the department has a reduction of $829,249 for fiscal 2019. The security equipment includes portable CellSense contraband detectors and laptops/tablets for parole and probation field agents.

The fiscal 2019 baseline also reflects a removal of $950,000 in special funds allocated for the Maryland Correctional Enterprises' (MCE) Enterprise Resource Planning Information Technology project. This project was designed to be the core accounting, manufacturing, and planning system for MCE.

Division of Correction

The fiscal 2019 Division of Correction (DOC) baseline includes an anticipated fiscal 2018 deficiency of $18 million in general funds that is expected to carry over into fiscal 2019 associated with a contract modification for the department's inmate pharmacy contract. Due to increased costs for Hepatitis-C, HIV, and other medications, the Board of Public Works recently approved over $18 million in additional payments to the department's contractual pharmacy provider.

The second area of significant change for DOC's 2019 baseline is a $580,000 increase ($348,000 in general funds, $116,000 in special funds, and $116,000 in federal funds) in State pension contributions associated with Chapters 689 and 690 of 2017 (Correctional Officers' Retirement System – Membership). This legislation adds several correctional officer positions including counselor, psychologist, and social work personnel to the Correctional Officers' Retirement System.

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 2016-2019
($ in Thousands)

	2016 Actual	2017 Working	2018 Leg. Approp.	2019 Baseline	2018-2019 Increase	2018-2019 % Increase
Expenditures						
The Secretary's Office	$80,229	$86,052	$88,549	$89,433	$884	1.0%
WMATA – Operating Budget	318,917	323,422	365,285	374,545	9,260	2.5%
State Highway Administration	297,190	272,011	277,930	309,632	31,701	11.4%
Maryland Port Administration	47,521	51,613	51,572	51,763	190	0.4%
Motor Vehicle Administration	198,915	208,832	206,479	208,469	1,990	1.0%
Maryland Transit Administration	781,769	813,674	828,093	868,980	40,886	4.9%
Maryland Aviation Administration	192,692	189,629	194,339	201,808	7,469	3.8%
Total	**$1,917,233**	**$1,945,233**	**$2,012,248**	**$2,104,628**	**$92,380**	**4.6%**
Fund						
Special Fund	$1,829,006	$1,845,625	$1,914,736	$2,005,827	$91,091	4.8%
Federal Fund	87,325	98,708	97,512	98,801	1,289	1.3%
Reimbursable Fund	902	900	0	0	0	0%
Total	**$1,917,233**	**$1,945,233**	**$2,012,248**	**$2,104,628**	**$92,380**	**4.6%**
Personnel						
Regular Positions	8,920.0	8,906.0	7,388.0	7,388.0	0.0	0%
Full-time Equivalent Contractuals	26.0	28.0	79.0	79.0	0.0	0%

WMATA: Washington Metropolitan Area Transit Authority

Washington Metropolitan Area Transit Authority

The operating grant subsidy for the Washington Metropolitan Area Transit Authority increases by $9.3 million, or 2.5%, in the fiscal 2019 baseline. 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 grant level assumed in MDOT's draft forecast plus a $333,500 adjustment to provide funding for the establishment of the Metro Safety Commission authorized by Chapter 3 of 2017 (Washington Metropolitan Area Transit Authority – Washington Metrorail Safety Commission – Establishment and Compact).

State Highway Administration

The fiscal 2019 baseline budget includes an adjustment to set winter maintenance funding at the five-year average level of $97.0 million, which is a $31.3 million increase over the amount budgeted in fiscal 2018.

Maryland Transit Administration

The fiscal 2019 baseline budget for the Maryland Transit Administration includes the following adjustments:

- a $12.2 million increase for the Maryland Area Regional Commuter service contracts;
- a $2.5 million increase for paratransit services reflecting increased ridership; and
- a $1.5 million increase for commuter bus contracts.

Maryland Aviation Administration

The fiscal 2019 baseline budget for the Maryland Aviation Administration includes the following adjustments:

- an increase of $7.7 million in contractual costs for various contracts including security provided by the Maryland Transportation Authority; janitorial services; and maintenance for elevators, escalators, and other mechanical systems; and
- a decrease of approximately $624,000 for reduced utility costs (in addition to other statewide across-the-board utility cost changes).

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.

University System of Maryland and Morgan State University

- Total mandatory costs increase by an estimated $189.6 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 2019, the State-funded portion of mandatory costs is estimated to increase by $58.8 million, or 4.4%, over fiscal 2018. This includes increases for personnel similar to that of other State employees, new facilities, legislative mandates, and other operating costs. State funding for MSU is estimated to increase by $3.5 million, or 3.7%, proportional to that of USM excluding funding for legislative mandates.

- For both USM and MSU, the State share of mandatory costs represents the amount not covered by a projected 3% tuition increase as well as additional enrollment growth. However, legislative mandates are fully funded through general funds.

- Resident undergraduate enrollment growth accounts for $10.1 million of the total increase in mandatory costs of which $9.5 million and $0.6 million are attributed to USM and MSU, respectively. The cost of enrollment growth was calculated by multiplying the budgeted fiscal 2018 enrollment by the fiscal 2018 to 2019 growth rate projected by the Maryland Higher Education Commission (MHEC). The estimated fiscal 2019 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.

- Of the estimated $50.1 million increase in USM undergraduate tuition and fee revenues, $15.2 million is attributable to new enrollments, which was based on each institution's projected enrollment growth and the projected fiscal 2019 resident and nonresident tuition and fee rate. For MSU, $0.8 million of the $2.5 million increase in 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 $10.8 million and $0.2 million, respectively.

- Other current revenues are estimated to increase by $37.0 million for USM institutions, assuming auxiliary and other sources increase 3%. Other current revenues are estimated to increase by $1.2 million for MSU assuming auxiliary and other sources increase by 3%.

St. Mary's College of Maryland

- 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 2.32% in fiscal 2019. General funds through this formula for SMCM are expected to increase 2.20%, or $0.6 million.

- 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 Chapters 563 and 564 of 2013 (St. Mary's College of Maryland – Tuition Freeze and DeSousa-Brent Scholars Completion Grant), 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 estimated to be $2.5 million in fiscal 2019, the same amount as in fiscal 2018.

- Chapter 420 of 2017 (Higher Education – St. Mary's College of Maryland – Funding) provides for three possible general fund increases in State support to SMCM beginning in fiscal 2019. This includes 50.0% of any cost-of-living adjustment for State-supported employees ($0.2 million), the increase in the cost of health insurance for employees, and a performance bonus if the institution's six-year graduation rate is greater than or equal to 82.5%. However, the baseline assumes no increase in the cost of health insurance and the most recent graduation rate was only 79.9%.

Baltimore County Community College

- 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 2019, BCCC will receive either 61.0% 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 2019, per FTES funding is estimated to be $7,355 using the 61.0% calculation, for a total of $31.8 million. This is a decrease of $8.0 million, or 20.2%, from fiscal 2018. Hold harmless funding is, therefore, necessary to make the fiscal 2019 appropriation equal to the fiscal 2018 appropriation of $39.8 million.

- BCCC also receives funding through the English for Speakers of Other Languages (ESOL) Program, estimated at $0.8 million in fiscal 2019, the same amount as in fiscal 2018. Chapter 591 of 2017 (Pathways in Technology Early College High (P-TECH) School Act of 2017) also expands the P-TECH program at BCCC, which is assumed to increase State support for the institution by $0.1 million.

Community Colleges

- The majority of funding for the State's locally operated community colleges is determined by the Cade formula. The Cade formula bases per pupil funding on a set statutory percentage of current year State appropriations per FTES at selected public four-year institutions of higher education. The resulting community college per student amount is multiplied by the number of FTES enrolled in the colleges in the second preceding fiscal year to identify a total formula amount. The Cade formula distributes funding based upon three components: fixed costs (38.0% of funding) proportional to full formula funding in the previous fiscal year; marginal costs (60.0% of funding) in proportion to the distribution of FTES across community colleges; and a size factor (2.0% of funding) providing additional funds to community colleges with enrollments below 80.0% of the statewide median enrollment. In fiscal 2019, Cade formula funding totals $243.9 million. This represents an increase of $8.8 million, or 3.7%. BCCC is a State agency and receives funding through a separate funding formula.

- The fiscal 2019 baseline also includes $5.5 million for the ESOL Program and $6.0 million for statewide and regional programs. In addition, small colleges are estimated to receive $7.0 million in Small College and Mountain grants and reciprocity agreement funding. This includes an increase of $1.9 million due to Chapter 330 of 2017 (Community Colleges – Small Community Colleges – Funding), which increased funding for all institutions qualifying as small colleges. A $4.0 million grant to community colleges in fiscal 2018 is also assumed to have been one time. The baseline also includes $63.9 million for retirement benefits to employees of community colleges, an increase of $2.0 million over fiscal 2018.

Maryland Higher Education Commission

MHEC is the State's coordinating body for the 13 campuses of USM, MSU, SMCM, 16 community colleges, and the State's private colleges and universities. Adjustments to the fiscal 2019 baseline budget include the following:

- an increase of $8.4 million in general funds for the Sellinger Program for private institutions to reflect funding at 10.8% of the current year appropriation to select public four-year institutions on a per student basis;

- an increase of $2.0 million in general funds from Chapters 689 and 690 of 2016 (College Affordability Act), which created a new matching fund program within Maryland 529 and a decrease of $0.3 million to reflect the ending of one-time startup costs at Maryland 529 for this matching program and the Achieving a Better Life Experience program; and

- a decrease of $4.9 million in educational grants due to fiscal 2018 budget bill language that expresses legislative intent that enhancement funding for the State's four Historically Black Colleges and Universities should be budgeted directly to those institutions rather than as a grant within MHEC.

Two financial aid programs were adjusted upward by 3% to reflect an assumed 3% tuition increase for undergraduates at public institutions. Overall, MHEC financial aid spending increases by $2.7 million. The larger program, Educational Excellence Awards (EEA), increases by $2.5 million for a total of $85.5 million in general funds, while the Delegate Scholarships program grows by almost $0.2 million to $6.2 million in general funds. EEA baseline funding includes a budget amendment transferring some funds from Delegate Scholarships to EEA in fiscal 2018.

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, the Court of Special Appeals, circuit courts, and the District Court. The fiscal 2019 baseline budget is primarily driven by the following adjustments:

- an increase of $2.0 million in general funds for drug court grants under Chapters 572 and 573 of 2017 (Heroin and Opioid Prevention Effort and Treatment Act);
- an increase of $1.7 million in general funds for the estimated operating costs of the new Catonsville District Courthouse in Baltimore County and the anticipated addition of the five new District Court judges expected to sit in that courthouse – construction is scheduled for completion in the third quarter of fiscal 2019;
- a decrease of $0.5 million in general funds to reflect the actual implementation costs for Chapter 606 of 2017 (Criminal Procedure – Indigent Individual – Indigency Determination);
- a decrease of $8.0 million in special funds for major information technology (IT) projects based on the Judiciary's most recent IT Master Plan; and
- a decrease of $1.0 million in special funds due to a reduction in the payment from the Circuit Court Real Property Records Improvement Fund to the State Archives under their Memorandum of Understanding.

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 2019 baseline budget includes an increase of $2.5 million in general funds for an anticipated deficiency for panel attorneys, personnel, and other operating expenses, based on fiscal 2017 cost overruns, which are projected to recur in fiscal 2019.

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 2019 baseline budget is primarily driven by the following adjustments:

- an increase of $1.0 million for 5 new positions attributable to the mandate in Chapter 26 of 2017 (Attorney General – Powers – Maryland Defense Act); and

- an increase of $0.5 million in special funds for 5 new positions in the Securities Division attributable to the impact of Chapters 837 and 838 of 2017 (Maryland Securities Act – Vulnerable Adults).

C90G00 Public Service Commission

The Public Service Commission regulates gas, electric, telephone, water, sewage disposal, and certain for-hire passenger transportation and transportation network companies doing business in Maryland. The fiscal 2019 baseline removes the remaining amount of funds for grants to non-State agencies receiving funds from the Customer Investment Fund (CIF), a decrease of $7.6 million in special funds. The CIF was created as a condition of the merger between the Exelon Corporation and the Constellation Energy Group. The final CIF grants are expected to be provided in fiscal 2018.

C96J00 Uninsured Employers' Fund

The Uninsured Employers' Fund (UEF) protects workers whose employers are not insured under the Maryland Workers' Compensation Law. UEF reviews and investigates claims filed by employees or, in the case of death, by their dependents. Recently, UEF's case backlog has grown as a result of high vacancies in the agency. To assist with claims processing, UEF entered into a contract with a third-party claims administrator in fiscal 2018. The new contract will bring additional staff to the agency, which requires UEF to request an expansion of its office space. The cost of the new contract and increased office space is $445,788 in special funds, which will carry through and is the primary driver of the increase in the agency's budget in fiscal 2019.

D12A02 Department of Disabilities

The Maryland Department of Disabilities (MDOD) is the principal State agency responsible for developing, maintaining, revising, and enforcing statewide disability policies and standards throughout the units of State government. For MDOD, the baseline assumes a $7.2 million decrease in federal funds for the federal Promoting the Readiness of Minors in Supplemental Security Income grant, or commonly known as the PROMISE grant, a five-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. Fiscal 2018 is the fifth and final year of the grant.

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 the Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auction revenues. During calendar 2016 and the first two quarterly auctions in calendar 2017, the RGGI allowance clearing prices fell significantly. In the final auction of calendar 2015, the allowance clearing price was $7.50; and in the June 2017 quarterly auction, the allowance clearing price was $2.53. However, the allowance clearing price rebounded in September 2017, following the announcement of potential program changes. Due to the decline in RGGI allowance clearing prices, revenue has decreased and the SEIF balance has decreased.

Overall, the fiscal 2019 baseline assumes a reduction in the funding available for SEIF-funded programs despite the expectation that the auction clearing price will increase slightly from the average clearing price from the last five quarterly auctions ($3.59). This expected increase is due to annual reductions in the supply of available allowances, which is expected to increase the price paid for the allowances. To the extent possible, the SEIF balance is used to support spending and limit the funding decreases. Adjustments to the fiscal 2019 baseline for MEA related to SEIF revenue from RGGI auctions are as follows:

- a decrease of $4.25 million in the low- and moderate-income energy efficiency program, providing $2.70 million; and

- a decrease of $7.90 million in the renewable and clean energy programs and initiatives, providing a total of $5.60 million.

Other major changes in MEA's fiscal 2019 baseline are as follows:

- a decrease of $3.0 million in special funds 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 for a one-time grid resiliency program; and

- a decrease of $2.5 million to remove the remaining CIF funds for the Net Zero Schools program, due to the end of this fund source.

D15A05.16 Governor's Office of Crime Control and Prevention

The Governor's Office of Crime Control and Prevention (GOCCP) serves as a coordinating office that advises the Governor on criminal justice strategies. GOCCP plans, promotes, and funds efforts with government entities, private organizations, and the community to advance public policy, enhance public safety, reduce crime and juvenile delinquency, and serve victims. The fiscal 2019 baseline assumes additional general fund spending of $157,900 in fiscal 2018 and $1.4 million in fiscal 2019 to implement Chapter 659 of 2017 (Sexual Assault Victims Resources Act of 2017). The legislation expands the services that sexual assault crisis programs in the State must provide, and requires the Governor to include in the annual budget bill an appropriation of at least $3.0 million for the federally recognized State sexual assault coalition and sexual assault crisis programs.

D18A18 Governor's Office for Children and Interagency Fund

The Governor's Office for Children (GOC) oversees a coordinated, comprehensive, interagency approach to the development of integrated systems of care that are child and family focused and driven; emphasize prevention, early intervention, and community-based services for all children and families; and pay special attention to at-risk populations. GOC administers the Children's Cabinet Interagency Fund (CCIF), which makes competitive and noncompetitive grants to Local Management Boards (LMB). The fiscal 2019 baseline includes an increase of $2.0 million in general funds in the CCIF for competitive grants to LMBs. This increase is part of a multi-year commitment by GOC to alter the grant award process to LMBs.

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 fiscal 2019 baseline includes updated estimates of the State's share of the operating deficits for the Baltimore City Convention Center and the Ocean City Convention Center.

D38I01 State Board of Elections

The State Board of Elections (SBE) supervises and manages elections and ensures compliance with State and federal election laws. The fiscal 2019 baseline reflects a $3.2 million increase in general fund expenditures for the new optical scan voting system and all associated costs. General funds for this project were appropriated in the Department of Information Technology (DoIT) in prior fiscal years. After accounting for this reallocation, total expenditures for this purpose decrease by $0.9 million across SBE and DoIT, evenly divided between general and special funds.

D40W 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 2019 baseline includes an increase of $3.0 million in special funds to reflect additional transfer tax funding that is authorized to be transferred to the Maryland Heritage Areas Authority Financing fund per Chapters 660 and 661 of 2017 (Program Open Space – Authorized Transfer to the Maryland Heritage Areas Authority Financing Fund – Increase). Of this amount, it is assumed that $300,000 or 10%, as authorized by statute, will be used for administrative expenses and $2.7 million will be used for grants to Maryland’s 13 designated heritage areas.

The baseline also reflects an increase of $2.6 million ($1.3 million each of general funds and special funds) to fulfill the required funding of $1.5 million per Chapter 513 of 2017 (Maryland Historic Trust Grant Fund Improvement Act). There is already $200,000 in general funds budgeted for the purposes of the Maryland Historic Trust Grant Fund, which limits the fiscal 2019 baseline increase to $1.3 million. The general funds reflect the required appropriation, and the special funds reflect the spending from the Maryland Historic Trust Grant Fund.

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. The fiscal 2019 baseline anticipates nearly $460,000 in additional operating costs associated with the opening of the Easton Readiness Center.

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. The fiscal 2019 baseline reduces the special fund appropriation for implementation of the agency’s

Communications System Upgrade project from $8.7 million to $3.4 million in line with the current spending projections.

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. MHBE is intended to provide a marketplace for individuals and small businesses to purchase affordable health care coverage. The fiscal 2019 baseline assumes that funds for reinsurance are no longer available, which represents a decrease of $21.3 million in special funds.

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 2019 baseline includes $8.8 million in special funds for the continuation of the Integrated Tax System (ITS) IT project. Several factors delayed the progress of the project that resulted in fiscal 2017 funds not being spent. Because there was still funding from fiscal 2017, the fiscal 2018 budget did not include additional funding for the project. Now that the project has progressed, funds are included in the baseline.

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 assumes an increase in funds between fiscal 2018 and 2019 to reflect the costs of a new contract for online lottery games. Further, the fiscal 2019 baseline reflects the impact of Chapter 339 of 2017 (Gaming – Video Lottery Terminals – Transfer of Ownership and Local Impact Grants), which transferred the ownership of the last State-owned video lottery terminal machines to the gaming facilities (Rocky Gap and Ocean Downs). As such, equipment costs and maintenance costs decline in fiscal 2019.

F50 Department of Information Technology

DoIT provides IT leadership to manage State IT resources. DoIT also supports statewide telecommunications networks, daily agency IT operations, and web systems. The department provides technical guidance for major IT development projects and funding for these projects through the Major Information Technology Development Project Fund (MITDPF).

In the fiscal 2019 baseline, funding for the MITDPF is expected to increase from $32.9 million in fiscal 2018 to $49.8 million in fiscal 2019. General funds are expected to increase by $17.4 million, while special funds decline by $0.5 million. The reduction is attributable to a loss of special funds for the Enterprise Solution Planning Initiative. These funds are replaced by general funds. The most significant general fund adjustments are in the following projects:

- an increase of $13.2 million in the Comptroller's Office's ITS;
- an increase of $11.3 million in general funds for the Department of Human Services' (DHS) modernization project as the project ramps up;
- an increase of $2.5 million for the Department of Public Safety and Correctional Services' (DPSCS) Electronic Telecommunications Enforcement Resource System;
- a decrease of $3.7 million in general funds for SBE's Voting System Replacement project as the project nears completion;
- a decrease of $2.9 million for the Maryland Department of Health's (MDH) Medicaid Management Information System;
- a decrease of $1.2 million for MDH's Long-term Support Services Tracking System;
- a decrease of $1.0 million for DPSCS' Maryland Automated Fingerprint System upgrade;
- a decrease of $0.6 million for the Department of State Police's (DSP) Auto, Licensing, and Registration Tracking System; and
- a decrease of $0.6 million for the State Treasurer's Office's Financial System Modernization project.

DoIT is also managing IT projects for the Department of Budget and Management (DBM). The baseline adjusts the cash flow of these projects. The adjustments made are:

- a decrease of $1,606,608 in special funds for the Central Collection Unit project, which reflects the deletion of funds since prior year appropriations are sufficient to complete the project; and
- a decrease of approximately $2,151,000 in reimbursable funds appropriated for the Statewide Personnel System project, of which approximately 88% of the appropriation is supported by general funds, approximately $1,893,000.

The department operates the new Maryland FiRST 700 Megahertz public safety radio communication system. To support additional system maintenance, $1.3 million is added to the baseline budget.

H00 Department of General Services

The Department of General Services performs a variety of functions, including planning, design, and construction management; facilities maintenance; procurement of goods and services; receipt and distribution of excess property; the provision of real estate services; and operation of the Maryland Capitol Police.

Two adjustments were made in anticipation of fiscal 2018 deficiencies. On July 26, 2017, the Board of Public Works approved additional expenditures for Periscope, Inc., which provide the State with procurement software. The State reimbursed Periscope for $3.7 million from the General Fund for improvements to the software. This is a one-time cost. In addition, the annual general fund software licensing costs increase from approximately $935,000 to $1.8 million, which requires an additional $866,000 in ongoing spending.

K00A Department of Natural Resources

The Department of Natural Resources (DNR) manages the protection, enhancement, and use of the State's natural resources. The fiscal 2019 baseline assumes the following adjustments:

- ***Chesapeake and Coastal Service:*** an increase of $1.6 million in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special funds in the Chesapeake and Coastal Service for a total of $52.9 million in trust fund-supported fiscal 2019 spending based on estimated revenues from the motor fuel tax ($13.2 million) and short-term rental vehicles tax ($39.7 million); and

- ***Power Plant Assessment Program:*** an increase of $413,300 in general funds to reflect the $125,000 needed for a study per Chapter 382 of 2017 (Clean Energy – Energy Storage Technology Study) and $288,300 needed for a study per Chapter 393 of 2017 (Renewable Energy Portfolio Standard – Study).

In addition to the unit specific adjustments noted above, there is an adjustment for the State Law Enforcement Officers Labor Alliance (SLEOLA) collective bargaining funding transferred from DBM to DNR in fiscal 2018 totaling $473,167. This includes $24,960 in special funds in the Maryland Park Service and $448,207 in general funds in the Natural Resources Police. The expenses are anticipated to be ongoing costs for fiscal 2019.

L00A Maryland Department of Agriculture

The Maryland Department of Agriculture administers and promotes agricultural services and activities throughout the State. The fiscal 2019 baseline reflects a decrease of $3.8 million in special funds from the Cigarette Restitution Fund given the end of the required bond repayment for the Tobacco Transition Program. The baseline also reflects an increase of $1.0 million comprised of $500,000 each of general and special funds to reflect new Maryland Farms and Families Fund expenditures per Chapters 395 and 396 of 2017 (Maryland Farms and Families Act).

P00 Department of Labor, Licensing, and Regulation

The Department of Labor, Licensing, and Regulation (DLLR) is responsible for administering programs related to business regulation, worker safety, occupational and professional licensing, workforce development, and unemployment insurance (UI). The fiscal 2019 baseline reflects a decrease of $404,500 in general funds for the one-time expenses associated with the Small Business Retirement Savings Program. These funds were allocated in DLLR to provide startup costs for the program. There is also an anticipated one-time $4.6 million general fund deficiency as a result of unrealized federal funds for various DLLR programs that has accumulated over several years.

The fiscal 2019 baseline also assumes $24,058,483 in federal fund spending to cover the costs associated with a new UI Modernization program, an increase of $3,231,824 in federal funds relative to fiscal 2018. 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.

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 2019 baseline budget includes the following adjustments:

- an increase of $5.1 million in general funds for the transfer of several homelessness services programs and 4 positions from DHS to DHCD as a result of Chapter 105 of 2017 (Homelessness and Supportive Services – Transfer to Department of Housing and Community Development), which results in the same amount of funds being reduced in DHS; and

- a decrease of $5.2 million in special funds for energy efficiency programs due to the end of available funds from the CIF.

T00 Department of Commerce

The Department of Commerce aims to increase business investment and promote job creation. The fiscal 2019 baseline reflects an increase in general funds related to recently enacted legislation. Specifically, Chapter 846 of 2017 (Make Office Vacancies Extinct Program) establishes a grant program to encourage the location of new businesses in the State and to reduce office vacancies. The baseline reflects $500,000 in general funds for grants under the program. Additionally, the baseline reflects an increase in general funds for Chapter 149 of 2017 (More Jobs for Marylanders Act). This legislation establishes a new tax credit for new manufacturing businesses and establishes mandated funding for the Partnership for Workforce Quality (the department's training grant program). As such, the baseline reflects an increase in general funds of $10 million.

The baselines for the State Arts Council and the Cyber Maryland Program reflect spending levels that are mandated by statute. Specifically, the baseline grows by $1.5 million and $2.0 million, respectively. Further, general and special funds are adjusted upward based on the timing of incentives offered to Marriott under the Sunny Day program.

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 2019 baseline includes the following adjustments:

- ***Bay Restoration Fund Debt Service:*** a decrease of $1.3 million in Bay Restoration Fund special funds for debt service on Bay Restoration Fund bonds for principal and interest on debt issued in fiscal 2008 ($50.0 million), 2014 ($100.0 million), and 2016 ($180.0 million), which does not include the interest on debt that was anticipated to be issued in March/April of fiscal 2017 ($100.0 million) since it has been moved out to fiscal 2020 according to the September 6, 2017 Capital Debt Affordability Committee meeting document; and

- ***Water and Science Administration:*** an increase of $495,293 in general funds and 4 positions to implement the requirements of Chapter 386 of 2017 (Environment – Testing for Lead in Drinking Water – Public and Nonpublic Schools), which is reduced by $181,035 in fiscal 2019 to reflect second-year nonpersonnel expenditures.

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 2019 baseline budget includes approximately $770,000 in additional general funds to support a 2% provider rate increase for residential service providers.

W00A00 Department of State Police

DSP exists to safeguard persons within the State, protect property, and assist in providing all persons equal protection under the law. The most significant change to the fiscal 2019 baseline reflects the recognition of a fiscal 2018 budget amendment to transfer $2.9 million from DBM to DSP to fund personnel costs associated with the new SLEOLA collective bargaining agreement. This includes $2.4 million in general funds and $0.5 million in special funds. The expenses are anticipated to be ongoing costs for fiscal 2019. In addition, the fiscal 2019 baseline reflects the removal of $700,000 in general funds based on one-time purchases in fiscal 2018 for new vehicles and bomb squad equipment for the Office of the State Fire Marshal.

Pay-as-you-go Capital Programs

The baseline for capital programs includes programs funded with pay-as-you-go (PAYGO) funds for community 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 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), except where already programmed in the State's five-year *Capital Improvement Program* (CIP). Accordingly, the baseline maximizes the use of estimated special and federal funds with the goal of level funding programs to the fiscal 2018 legislative appropriation or to the level of anticipated fiscal 2019 encumbrance activity as programmed in the 2017 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 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 10 of 2016 (Program Open Space – Transfer Tax Repayment – Use of Funds). 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 2016-2019

($ in Thousands)

	2016 Actual	2017 Working	2018 Leg. Approp.	2019 Baseline	2018-2019 Increase	2018-2019 % Increase
Expenditures						
Board of Public Works	$2,000	$0	$0	$0	$0	0%
Maryland Energy Administration	4,150	4,700	2,550	2,050	-500	-19.6%
Department of Planning	9,235	9,150	9,300	9,300	0	0%
Military Department	34,200	4,329	35,574	9,510	-26,064	-73.3%
Department of Veterans Affairs	10,384	2,180	7,720	6,688	-1,032	-13.4%
Department of Information Technology	1,286	3,157	0	0	0	0%
MDOT – Secretary's Office	82,735	136,966	89,179	41,335	-47,844	-53.7%
MDOT – WMATA	129,660	125,400	155,922	181,700	25,778	16.5%
MDOT – State Highway Administration	1,321,799	1,503,187	1,528,415	1,472,560	-55,855	-3.7%
MDOT – Maryland Port Administration	102,040	125,661	98,564	144,062	45,498	46.2%
MDOT – Motor Vehicle Administration	21,378	21,828	22,409	28,193	5,783	25.8%
MDOT – Maryland Transit Administration	389,987	636,023	634,242	769,832	135,590	21.4%

	2016 Actual	2017 Working	2018 Leg. Approp.	2019 Baseline	2018-2019 Increase	2018-2019 % Increase
MDOT – Maryland Aviation Administration	147,098	134,200	106,583	52,456	-54,127	-50.8%
Department of Natural Resources	18,924	81,635	121,801	227,390	105,590	86.7%
Department of Agriculture	4,678	22,228	33,924	54,421	20,497	60.4%
Department of Housing and Community Development	85,400	107,693	50,750	81,150	30,400	59.9%
Department of the Environment	238,329	274,195	239,500	279,000	39,500	16.5%
Total	**$2,603,282**	**$3,192,531**	**$3,136,433**	**$3,359,646**	**$223,214**	**7.1%**
Fund						
General Fund	$26,506	$72,080	$9,500	$78,407	$68,907	725.3%
Special Fund	1,714,916	1,930,564	1,989,793	2,111,487	121,694	6.1%
Federal Fund	850,659	1,176,935	1,127,855	1,160,552	32,697	2.9%
Reimbursable Fund	11,201	12,952	9,285	9,200	-85	-0.9%
Total	**$2,603,282**	**$3,192,531**	**$3,136,433**	**$3,359,646**	**$223,214**	**7.1%**

MDOT: Maryland Department of Transportation
PAYGO: pay-as-you-go
WMATA: Washington Metropolitan Area Transit Administration

Maryland Energy Administration

The Maryland Energy Administration 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, often in conjunction with energy performance contracts. The fiscal 2019 baseline reduces special funds for the SALP from $1.7 million to $1.2 million, consistent with the 2017 CIP. The SALP included a one-time increase in special funds in fiscal 2018 due to high demand for the program. The fiscal 2019 baseline level funds the JELLP at $850,000, consistent with the 2017 CIP.

Maryland Department of Planning

The fiscal 2019 baseline estimate for the Maryland Department of Planning includes $9.0 million in general funds for the Heritage Structure Rehabilitation Tax Credit Program. This is level with the fiscal 2018 appropriation. In addition, the baseline includes $300,000 in special funds for the Maryland Historical Trust Revolving Loan Fund. This is $150,000 more in special funds and $150,000 less in GO bonds than was planned in the 2017 CIP. The fund summary indicates that there are sufficient special funds to support the increased appropriation, and thus the GO bond capitalization funding is not needed at this time.

Military Department

The Military Department's capital improvements are typically made on a 75% federal and 25% State cost-share basis for eligible project costs. Grants from the National Guard Bureau provide the source for the federal fund portion of the cost-share. The fiscal 2019 baseline reflects the removal of $35.6 million in federal funds appropriated in fiscal 2018 for five Military Department capital projects and recognizes $9.5 million in anticipated federal PAYGO funding for fiscal 2019 to support the Camp Fretterd Complex Access Control and the Havre de Grace Combined Support Maintenance Shop Automotive Maintenance Facility.

Maryland Department of Veterans Affairs

Maryland operates five veteran cemeteries throughout the State to provide interment to eligible veterans and their dependents. The Maryland Department of Veterans Affairs requests federal funds for expansion of the cemeteries. The design portion of projects are funded with general funds, which are reimbursed with federal funds after the projects are completed. The construction portion of projects are federally funded. The baseline includes $6.7 million in federal funds for the expansion of the Cheltenham Veterans Cemetery. Construction will begin in fiscal 2019.

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 2018-2023*.

Department of Natural Resources

The fiscal 2019 baseline assumes that transfer tax revenues used to fund POS will be augmented by the repayment of funds in accordance with Chapter 10 and in accordance with the repayment plan established by the Administration in the 2017 CIP. Accordingly, the baseline includes $37.9 million in general funds that are expended as special funds. Of this amount, $31.9 million is allocated in accordance with the POS statutory formula, and $6.0 million is provided to Capital Development Projects. Of note, $16.9 million of the $31.9 million is not required to be repaid in fiscal 2019 – a cumulative repayment of $50.7 million could be delayed until fiscal 2021 – but is reflected in the fiscal 2019 baseline in accordance with the Administration's current repayment plan. The baseline includes the following adjustments that, in combination, leave more funding available to support programs in fiscal 2019 than in fiscal 2018.

- ***Lower Transfer Amount:*** There are no transfers to the General Fund required in fiscal 2019; the last transfer scheduled by Chapter 10 was the $46.0 million transferred in fiscal 2018.

- ***Overattainment:*** Fiscal 2017 actual revenue attainment was $210.1 million, which is $25.1 million greater than the fiscal 2017 estimate of $185.0 million. This increases fiscal 2019 program levels. For comparison purposes, there was a $17.2 million overattainment budgeted for fiscal 2018.

- ***Revenue Estimate Increase:*** The revenue estimate for fiscal 2019 is $221.9 million, which is greater than the $214.8 million revenue figure for fiscal 2018.

- ***Repayment:*** The fiscal 2019 allocation includes $37.9 million in general funds in accordance with a repayment plan established in Chapter 10 and by the Administration in the 2017 CIP.

The fiscal 2019 baseline for the Department of Natural Resources' POS State allocation includes $75.7 million in special funds and $3.0 million in federal funds, reflecting a $44.2 million increase in transfer tax special funds over the fiscal 2018 legislative appropriation. This funding level accounts for the transfer of an additional $3.0 million to the Maryland Heritage Areas Authority Financing Fund per Chapters 660 and 661 of 2017 (Program Open Space – Authorized Transfer to the Maryland Heritage Areas Authority Financing Fund – Increase). Of note, per Chapter 10, $5.5 million of the $78.7 million in POS State allocation is required to be used for the Baltimore City Direct Grant, which is an increase from the base amount of $3.5 million for Baltimore City. Chapter 407 of 2017 (Program Open Space – Baltimore City Grants – Use of Grant Funds) requires a portion of the $5.5 million of the Baltimore City Direct Grant funding in fiscal 2019 to be used for certain projects in the following amounts: Herring Run Park – $100,000; Clifton Park – $100,000; and field lights and other improvements at Frederick B. Leidig Recreation Center – $100,000. The POS Local allocation increases from $37.2 million in fiscal 2018 to $59.6 million in fiscal 2019.

The baseline includes $21.6 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 for the reasons noted above. Assuming the $5.0 million GO bond appropriation in fiscal 2019, the baseline includes $26.6 million ($21.6 million in special funds and $5.0 million in GO bond appropriation), an increase of $2.7 million relative to the fiscal 2018 legislative appropriation of $23.9 million ($18.9 million in special funds and $5.0 million in GO bond appropriation).

The baseline includes $21.5 million for Capital Development Projects, which is an increase of $2.7 million relative to the fiscal 2018 legislative appropriation of $18.8 million. Capital Development Projects include transfer tax special fund appropriations for the Critical Maintenance Program, the Natural Resources Development Fund, and the State contribution to the Ocean City Beach Maintenance Program. The increase in the fiscal 2019 baseline as compared to fiscal 2018 reflects the increase in available transfer tax revenues that support the programs as outlined earlier, which includes the $6.0 million in enhancement funding provided explicitly for this purpose.

Full funding of $1 million in special funds is assumed for the Ocean City Beach Maintenance Program from Worcester County and Ocean City in the fiscal 2019 baseline to reflect the 2017 CIP. Overall, funding is shared at 50% State, 25% Worcester County, and 25% Ocean City. The State component is reflected under Capital Development Projects, as noted earlier.

The fiscal 2019 baseline reflects the 2017 CIP funding level for the Waterway Improvement Program (WIP). The total fiscal 2019 baseline is $7.1 million, which reflects $6.5 million in special fund revenue available from the motor fuel tax and the vessel excise tax, and $0.6 million in federal funding. This reflects a $4.0 million reduction in special funds and a $0.3 million reduction in federal funds relative to the fiscal 2018 legislative appropriation. 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 2019 baseline for the Maryland Agricultural Land Preservation Program consists of $54.4 million in special funds. Overall, the baseline reflects an increase of $21.5 million relative to the fiscal 2018 legislative appropriation of $32.9 million in special funds. The special fund baseline estimate is comprised of funding from the State transfer tax's statutory distribution as adjusted by prior year overattainment and repayments ($45.9 million); and an assumed increase in county funding ($8.5 million) due to the possibility of a single easement purchase cycle.

There is no funding in the baseline for the Cigarette Restitution Fund-supported Tobacco Transition Program. This reflects the 2017 CIP plan for the end of funding in fiscal 2018. Therefore, there is a reduction of $1 million in special funds relative to the fiscal 2018 legislative appropriation. The Tobacco Transition Program provided funds for the voluntary tobacco buyout program.

Department of Housing and Community Development

DHCD works to encourage homeownership, expand affordable rental housing, and revitalize communities. The fiscal 2019 baseline includes changes in various PAYGO capital grant and loan programs based on the agency's estimates of revenues, encumbrances, fund balances, and programmed funding levels in the 2017 CIP. Overall, the fiscal 2019 baseline assumes that funds for DHCD's PAYGO programs will increase by $30.5 million in general funds and decrease by $100,000 in special funds compared to the fiscal 2018 legislative appropriation. The baseline also assumes the continued use of GO bonds to meet mandated funding for the Baltimore Region Neighborhoods Initiative and the Shelter and Transitional Housing Facilities Grant Program. The following adjustments to general, special, and federal funds were made to the fiscal 2019 baseline.

- ***Strategic Demolition and Smart Growth Impact Fund:*** The fiscal 2019 baseline is increased by $28.5 million in general funds due to mandated spending amounts included in Chapter 30 of 2016 (Department of Housing and Community Development – Strategic Demolition and Smart Growth Impact Fund – Establishment). While GO bonds were used in the fiscal 2018 budget, the 2017 CIP indicates general funds will be used for this program in fiscal 2019.

- ***Neighborhood Business Development Program:*** The fiscal 2019 baseline is increased by $300,000 in special funds based on the 2017 CIP.

- ***National Capital Strategic Economic Development Fund:*** The fiscal 2019 baseline is increased by $2.0 million in general funds in order to provide capitalization for a new program enacted by Chapter 523 of 2017 (National Capital Strategic Economic Development Fund).

- ***Homeownership Programs:*** The baseline assumes an increase in fiscal 2019 of $1.0 million in special funds for homeownership programs based on available fund balance.

- ***Special Loan Programs:*** Funding for these programs increases by $600,000 in the fiscal 2019 baseline based on the 2017 CIP.

- ***Maryland Base Realignment and Closure Preservation Loan Fund:*** The baseline assumes a decrease in fiscal 2019 of $500,000 in special funds based on the 2017 CIP.

- ***Energy Programs:*** The baseline assumes a decrease in fiscal 2019 of $1.5 million in special funds based on the 2017 CIP.

Funding for the Baltimore Region Neighborhood Initiative, Shelter and Transitional Housing Facilities Grant Program, Partnership Rental Housing program, Rental Housing programs, the Community Development Block Grant, and the Community Legacy programs are assumed to remain unchanged from the fiscal 2018 appropriation levels.

Maryland Department of the Environment

MDE's baseline of $150.0 million for the Water Quality Revolving Loan Fund Program reflects the 2017 CIP funding level, which is $20.0 million greater than the fiscal 2018 legislative appropriation but is equal to the 2017 CIP due to the federal budget continuing resolution. In total, the PAYGO budget reflects $111.6 million in special funds, $32.0 million in federal funds, and $6.4 million in GO bonds. 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 $30.0 million is $4.0 million greater than the fiscal 2018 legislative appropriation but reflects the 2017 CIP level of funding due to the federal budget continuing resolution. In total, the PAYGO budget reflects $17.5 million in special funds, $9.7 million in federal funds, and $2.8 million in GO bonds. The program provides low-interest loans to local governments and eligible private entities for drinking water projects such as the construction of water distribution mains, water storage facilities, and water treatment plant upgrades.

The baseline of $1.0 million in general funds for the Hazardous Substance Cleanup Program is $0.5 million greater than the fiscal 2018 appropriation but is level with the 2017 CIP. 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 $15 million for the capital grant program associated with the Bay Restoration Fund fee on septic system users is level with both the 2017 CIP and fiscal 2018 legislative appropriation. The baseline estimate for the Enhanced Nutrient Removal Program, funded by a fee on public sewer/water users, is $75 million in special funds, which is $15 million more than the fiscal 2018 legislative appropriation and $10 million more than the 2017 CIP. This reflects the expansion of the use of the Bay Restoration Fund to include Biological Nutrient Removal projects, budgeted for $10 million in fiscal 2019 in the 2017 CIP, as authorized by Chapters 368 and 369 of 2017 (Bay Restoration Fund – Eligible Costs – Expansion).

The fiscal 2019 baseline includes $8 million in special funds for the Energy-Water Infrastructure Program, which is level with the fiscal 2018 legislative appropriation and the 2017 CIP; fiscal 2019 is the last year of planned funding. The funding comes from the agreement by which, under Public Service Commission Order 86372, Dominion Cove Point is allowed to construct a 130 megawatt nameplate capacity electric generating station at the existing liquefied natural gas terminal site in Calvert County near Cove Point. The program provides 100% grants to water and wastewater treatment plant owners for energy efficient equipment and combined heat and power projects.

Reserve Funds

State Reserve Fund

The State Reserve Fund baseline budget consists of the Revenue Stabilization Account (Rainy Day Fund), Dedicated Purpose Account, 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 required if projected revenues are less than 7.5% of general fund revenues.

The Budget Reconciliation and Financing Act of 2015 also required that half of any surplus in excess of $10 million up to a maximum of $50 million support the State's pension fund to reduce the unfunded liability.

Fiscal 2017 ended with an unappropriated general fund balance totaling $256.3 million. The Administration is required to provide $50.0 million in supplemental appropriations to the employee pension funds. The baseline budget has adjusted the pension contribution rates to the employees', teachers', State police, and Law Enforcement Officers' Pension System pensions to provide that $50.0 million. Another $10.0 million is retained by the General Fund. As required by law, an adjustment totaling $196.3 million has been added to the Rainy Day Fund appropriation.