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# **Spending Affordability Committee Technical Supplement**

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**Department of Legislative Services  
Office of Policy Analysis  
Annapolis, Maryland**

**November 2018**



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# Fiscal 2020 Baseline Budget Technical Supplement Overview

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## 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 2019. 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 2019 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 (3.72%);

- postage (2.40%);
- utilities and electricity (3.23%);
- natural gas (4.27%);
- gas and oil (-7.42%); and
- food (2.19%).

Zero inflation is assumed for all other items.

## Baseline Results

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

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<b>Projected Baseline Budget</b>				
<b>Fiscal 2019-2020</b>				
<b>(\$ in Millions)</b>				
<b><u>Fund</u><sup>(1)</sup></b>	<b><u>2019 Adjusted</u></b>	<b><u>2020</u></b>	<b><u>2019-2020</u></b>	<b><u>2019-2020</u></b>
	<b><u>Appropriation</u><sup>(4)</sup></b>	<b><u>Baseline</u></b>	<b><u>\$ Increase</u></b>	<b><u>% Change</u></b>
General <sup>(2)</sup>	\$17,909.5	\$19,345.9	\$1,436.5	8.0%
Special/Higher Education <sup>(3)</sup>	13,601.6	13,746.3	144.7	1.1%
Federal	12,939.3	12,941.6	2.3	0.0%
<b>Total</b>	<b>\$44,450.3</b>	<b>\$46,033.8</b>	<b>\$1,583.5</b>	<b>3.6%</b>

<sup>(1)</sup> Excludes reimbursable and nonbudgeted funds.

<sup>(2)</sup> Net of reversions.

<sup>(3)</sup> Higher education funds include current restricted and unrestricted funds net of general and special fund appropriations.

<sup>(4)</sup> Adjusted for estimated deficiencies.

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

Source: Department of Legislative Services

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The tables on the following pages summarize the budgetary changes by major category of expenditure. Fiscal 2019 deficiencies are discussed next as part of the *Technical Supplement Overview*. Separate sections of the *Technical Supplement* present the assumptions used for estimates for State agencies, aid to local governments, entitlements, debt service, and capital programs. Generally, the descriptions in the *Technical Supplement* are for adjustments greater than \$500,000. The baseline estimates described in this document represent the judgments of the Department of Legislative Services as of November 5, 2018. Actions subsequent to that date, or further changes to the economic picture, are not reflected here.

**State Expenditures – General Funds**  
**Fiscal 2018-2020**  
**(\$ in Millions)**

<u>Category</u>	<u>2018 Working Appropriation</u>	<u>2019 Adj. Leg. Appropriation</u>	<u>2020 Baseline</u>	<u>2019-2020 \$ Change</u>	<u>% Change</u>
Debt Service	\$259.6	\$286.0	\$322.0	\$36.0	12.6%
County/Municipal	\$282.7	\$287.7	\$293.5	\$5.8	2.0%
Community Colleges	317.7	322.4	341.2	18.8	5.8%
Education/Libraries	5,970.4	6,114.0	6,455.1	341.2	5.6%
Health	51.1	51.4	52.8	1.4	2.8%
<b>Aid to Local Governments</b>	<b>\$6,621.8</b>	<b>\$6,775.4</b>	<b>\$7,142.6</b>	<b>\$367.2</b>	<b>5.4%</b>
Foster Care Payments	\$184.5	\$188.1	\$196.6	\$8.5	4.5%
Assistance Payments	59.6	45.4	44.8	-0.5	-1.2%
Medical Assistance	3,198.1	3,400.1	3,565.1	165.0	4.9%
Property Tax Credits	89.6	90.6	92.0	1.4	1.6%
<b>Entitlements</b>	<b>\$3,531.7</b>	<b>\$3,724.2</b>	<b>\$3,898.6</b>	<b>\$174.4</b>	<b>4.7%</b>
Health	\$1,426.5	\$1,478.3	\$1,543.2	\$64.9	4.4%
Human Services	369.4	372.3	388.8	16.6	4.4%
Children's Cabinet Interagency Fund	18.5	18.5	18.5	0.0	0.0%
Juvenile Services	265.2	264.2	271.2	7.0	2.6%
Public Safety/Police	1,475.6	1,514.5	1,569.2	54.7	3.6%
Higher Education	1,432.6	1,481.9	1,597.7	115.8	7.8%
Other Education	424.8	442.4	479.5	37.1	8.4%
Agriculture/Natural Res./Environment	119.9	125.1	131.2	6.1	4.9%
Other Executive Agencies	668.4	757.5	760.5	3.1	0.4%
Judiciary	485.8	508.5	529.5	21.0	4.1%
Legislative	89.3	91.3	93.7	2.4	2.7%
<b>State Agencies</b>	<b>\$6,776.1</b>	<b>\$7,054.5</b>	<b>\$7,383.1</b>	<b>\$328.6</b>	<b>4.7%</b>
Anticipated Deficiencies	\$0.0	\$35.5	\$0.0	-\$35.5	-100.0%
<b>Total Operating</b>	<b>\$17,189.4</b>	<b>\$17,875.6</b>	<b>\$18,746.2</b>	<b>\$870.6</b>	<b>4.9%</b>
Capital <sup>(1)</sup>	\$9.5	\$59.5	\$97.0	\$37.5	63.1%
<b>Subtotal</b>	<b>\$17,198.9</b>	<b>\$17,935.1</b>	<b>\$18,843.2</b>	<b>\$908.1</b>	<b>5.1%</b>
Reserve Funds	\$10.0	\$9.3	\$537.7	\$528.4	5,653.7%
<b>Appropriations</b>	<b>\$17,208.9</b>	<b>\$17,944.5</b>	<b>\$19,380.9</b>	<b>\$1,436.5</b>	<b>8.0%</b>
Reversions	-\$78.0	-\$35.0	-\$35.0	\$0.0	0.0%
<b>Grand Total</b>	<b>\$17,130.9</b>	<b>\$17,909.5</b>	<b>\$19,345.9</b>	<b>\$1,436.5</b>	<b>8.0%</b>

<sup>(1)</sup> Includes the Heritage Structure Rehabilitation Tax Credit Reserve Fund.

Note: The fiscal 2018 working appropriation includes \$52.0 million in targeted reversions, \$35.0 million in anticipated reversions, \$116.3 million in deficiencies and legislative reductions to the deficiencies. The fiscal 2019 adjusted legislative appropriation reflects \$35.0 million in anticipated reversions and estimated deficiencies of \$35.5 million. In fiscal 2019, the legislature reduced the budget by \$69.9 million but provided authorization for those funds to be used for a variety of purposes. Spending the \$69.9 million is at the discretion of the Governor.

**State Expenditures – Special and Higher Education Funds\***  
**Fiscal 2018-2020**  
**(\$ in Millions)**

<u>Category</u>	<u>2018 Working Appropriation</u>	<u>2019 Adj. Leg. Appropriation</u>	<u>2020 Baseline</u>	<u>2019-2020 \$ Change</u>	<u>% Change</u>
Debt Service	\$1,304.6	\$1,337.8	\$1,356.3	\$18.5	1.4%
County/Municipal	\$358.8	\$374.8	\$396.7	\$21.9	5.8%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	475.8	503.5	536.7	33.2	6.6%
Health	0.0	0.0	0.0	0.0	n/a
<b><i>Aid to Local Governments</i></b>	<b><i>\$834.6</i></b>	<b><i>\$878.3</i></b>	<b><i>\$933.5</i></b>	<b><i>\$55.1</i></b>	<b><i>6.3%</i></b>
Foster Care Payments	\$4.3	\$4.3	\$4.3	-\$0.1	-1.4%
Assistance Payments	12.5	10.1	5.8	-4.3	-42.9%
Medical Assistance	991.4	950.0	897.5	-52.5	-5.5%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
<b><i>Entitlements</i></b>	<b><i>\$1,008.2</i></b>	<b><i>\$964.4</i></b>	<b><i>\$907.5</i></b>	<b><i>-\$56.9</i></b>	<b><i>-5.9%</i></b>
Health	\$472.6	\$429.5	\$431.1	\$1.6	0.4%
Human Services	83.4	82.6	75.8	-6.8	-8.2%
Children’s Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	3.2	3.6	3.6	-0.1	-1.7%
Public Safety/Police	221.7	218.1	230.7	12.6	5.8%
Higher Education	4,512.4	4,608.3	4,717.5	109.2	2.4%
Other Education	70.7	70.7	81.4	10.7	15.2%
Transportation	1,905.1	1,952.2	2,065.2	113.0	5.8%
Agriculture/Natural Res./Environment	293.3	293.8	304.0	10.2	3.5%
Other Executive Agencies	693.9	721.5	734.5	13.0	1.8%
Judiciary	66.0	62.1	61.7	-0.4	-0.6%
Legislative	0.0	0.0	0.0	0.0	n/a
<b><i>State Agencies</i></b>	<b><i>\$8,322.2</i></b>	<b><i>\$8,442.4</i></b>	<b><i>\$8,705.6</i></b>	<b><i>\$263.2</i></b>	<b><i>3.1%</i></b>
Anticipated Deficiencies	\$0.0	\$12.2	\$0.0	-\$12.2	-100.0%
<b>Total Operating</b>	<b>\$11,469.7</b>	<b>\$11,635.1</b>	<b>\$11,902.9</b>	<b>\$267.7</b>	<b>2.3%</b>
Capital	\$1,857.3	\$1,966.5	\$1,843.4	-\$123.0	-6.3%
– Transportation	1,481.0	1,496.7	1,355.4	-141.3	-9.4%
– Environment	187.1	220.3	182.7	-37.5	-17.0%
– Other	189.3	249.5	305.3	55.8	22.4%
<b>Grand Total</b>	<b>\$13,327.0</b>	<b>\$13,601.6</b>	<b>\$13,746.3</b>	<b>\$144.7</b>	<b>1.1%</b>

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

Note: The fiscal 2018 working appropriation reflects \$9.4 million in additional special fund spending due to funding swaps, deficiencies of \$56.0 million, and legislative cuts to the deficiencies. The fiscal 2019 adjusted legislative appropriation reflects \$12.2 million in estimated deficiencies and \$16.1 million in additional special fund spending due to funding swaps. In fiscal 2019, the legislature reduced the budget by \$2.2 million but provided authorization for those funds to be used for a variety of purposes. Spending the \$2.2 million is at the discretion of the Governor.



**State Expenditures – Federal Funds**  
**Fiscal 2018-2020**  
**(\$ in Millions)**

<u>Category</u>	<u>2018 Working Appropriation</u>	<u>2019 Adj. Leg. Appropriation</u>	<u>2020 Baseline</u>	<u>2019-2020 \$ Change</u>	<u>% Change</u>
Debt Service	\$11.5	\$12.8	\$10.9	-\$1.9	-14.7%
County/Municipal	\$80.6	\$74.1	\$74.1	\$0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	985.1	961.9	946.9	-15.0	-1.6%
Health	4.5	0.0	0.0	0.0	n/a
<b>Aid to Local Governments</b>	<b>\$1,070.1</b>	<b>\$1,036.0</b>	<b>\$1,021.0</b>	<b>-\$15.0</b>	<b>-1.4%</b>
Foster Care Payments	\$73.8	\$68.8	\$64.3	-\$4.4	-6.5%
Assistance Payments	1,196.4	1,102.6	1,040.5	-62.1	-5.6%
Medical Assistance	7,003.9	7,059.3	6,937.2	-122.1	-1.7%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
<b>Entitlements</b>	<b>\$8,274.2</b>	<b>\$8,230.7</b>	<b>\$8,042.0</b>	<b>-\$188.6</b>	<b>-2.3%</b>
Health	\$996.2	\$1,076.1	\$1,102.3	\$26.2	2.4%
Human Services	553.0	552.1	539.0	-13.1	-2.4%
Children’s Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	4.8	5.4	4.7	-0.7	-12.9%
Public Safety/Police	40.3	36.6	40.2	3.6	9.8%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	270.9	264.7	283.7	18.9	7.2%
Transportation	97.4	98.4	99.6	1.2	1.2%
Agriculture/Natural Res./Environment	67.0	68.1	70.3	2.1	3.1%
Other Executive Agencies	622.5	586.0	590.2	4.3	0.7%
Judiciary	1.1	0.2	0.2	0.0	1.4%
<b>State Agencies</b>	<b>\$2,653.2</b>	<b>\$2,687.6</b>	<b>\$2,730.2</b>	<b>\$42.5</b>	<b>1.6%</b>
Anticipated Deficiencies	\$0.0	-\$160.8	\$0.0	\$160.8	-100.0%
<b>Total Operating</b>	<b>\$12,009.0</b>	<b>\$11,806.3</b>	<b>\$11,804.1</b>	<b>-\$2.3</b>	<b>0.0%</b>
Capital	\$1,115.1	\$1,132.9	\$1,137.5	\$4.6	0.4%
– Transportation	1,005.9	1,063.1	1,029.6	-33.5	-3.2%
– Environment	42.6	43.3	52.9	9.6	22.1%
– Other	66.6	26.5	55.1	28.5	107.4%
<b>Grand Total</b>	<b>\$13,124.1</b>	<b>\$12,939.3</b>	<b>\$12,941.6</b>	<b>\$2.3</b>	<b>0.0%</b>

Note: The fiscal 2018 working appropriation includes \$85.7 million in deficiencies and legislative cuts to the deficiencies. The fiscal 2019 adjusted legislative appropriation reflects -\$160.8 million in estimated deficiencies and \$18.0 million in additional federal fund spending tied to additional general fund spending in Medicaid and Juvenile Services. The additional general fund spending is at the discretion of the Governor.

**State Expenditures – State Funds**  
**Fiscal 2018-2020**  
**(\$ in Millions)**

<u>Category</u>	<u>2018 Working Appropriation</u>	<u>2019 Adj. Leg. Appropriation</u>	<u>2020 Baseline</u>	<u>2019-2020 \$ Change</u>	<u>% Change</u>
Debt Service	\$1,564.3	\$1,623.8	\$1,678.3	\$54.5	3.4%
County/Municipal	\$641.5	\$662.5	\$690.2	\$27.7	4.2%
Community Colleges	317.7	322.4	341.2	18.8	5.8%
Education/Libraries	6,446.2	6,617.5	6,991.9	374.4	5.7%
Health	51.1	51.4	52.8	1.4	2.8%
<b>Aid to Local Governments</b>	<b>\$7,456.4</b>	<b>\$7,653.7</b>	<b>\$8,076.0</b>	<b>\$422.3</b>	<b>5.5%</b>
Foster Care Payments	\$188.8	\$192.5	\$200.9	\$8.4	4.4%
Assistance Payments	72.1	55.5	50.6	-4.9	-8.8%
Medical Assistance	4,189.5	4,350.1	4,462.6	112.5	2.6%
Property Tax Credits	89.6	90.6	92.0	1.4	1.6%
<b>Entitlements</b>	<b>\$4,540.0</b>	<b>\$4,688.6</b>	<b>\$4,806.1</b>	<b>\$117.5</b>	<b>2.5%</b>
Health	\$1,899.1	\$1,907.8	\$1,974.3	\$66.4	3.5%
Human Services	452.8	454.8	464.6	9.8	2.2%
Children’s Cabinet Interagency Fund	18.5	18.5	18.5	0.0	0.0%
Juvenile Services	268.4	267.8	274.8	6.9	2.6%
Public Safety/Police	1,697.2	1,732.6	1,800.0	67.3	3.9%
Higher Education	5,945.0	6,090.2	6,315.2	225.0	3.7%
Other Education	495.5	513.1	560.9	47.8	9.3%
Transportation	1,905.1	1,952.2	2,065.2	113.0	5.8%
Agriculture/Natural Res./Environment	413.2	418.9	435.3	16.3	3.9%
Other Executive Agencies	1,362.3	1,479.0	1,495.1	16.1	1.1%
Judiciary	551.8	570.6	591.2	20.6	3.6%
Legislative	89.3	91.3	93.7	2.4	2.7%
<b>State Agencies</b>	<b>\$15,098.4</b>	<b>\$15,496.9</b>	<b>\$16,088.6</b>	<b>\$591.8</b>	<b>3.8%</b>
Anticipated Deficiencies	\$0.0	\$47.7	0.0	-\$47.7	-100.0%
<b>Total Operating</b>	<b>\$28,659.1</b>	<b>\$29,510.8</b>	<b>\$30,649.1</b>	<b>\$1,138.3</b>	<b>3.9%</b>
Capital <sup>(1)</sup>	\$1,866.8	\$2,025.9	\$1,940.4	-\$85.5	-4.2%
– Transportation	1,481.0	1,496.7	1,355.4	-141.3	-9.4%
– Environment	187.6	220.8	183.7	-37.0	-16.8%
– Other	198.3	308.4	401.3	92.8	30.1%
<b>Subtotal</b>	<b>\$30,525.9</b>	<b>\$31,536.7</b>	<b>\$32,589.5</b>	<b>\$1,052.8</b>	<b>3.3%</b>
Reserve Funds	\$10.0	\$9.3	\$537.7	\$528.4	5653.7%
<b>Appropriations</b>	<b>\$30,535.9</b>	<b>\$31,546.0</b>	<b>\$33,127.2</b>	<b>\$1,581.2</b>	<b>5.0%</b>
Reversions	-\$78.0	-\$35.0	-35.0	\$0.0	0.0%
<b>Grand Total</b>	<b>\$30,457.9</b>	<b>\$31,511.0</b>	<b>\$33,092.2</b>	<b>\$1,581.2</b>	<b>5.0%</b>

<sup>(1)</sup>Includes the Heritage Structure Rehabilitation Tax Credit Reserve Fund.

Note: The fiscal 2018 working appropriation includes \$52.0 million in targeted reversions, \$35.0 million in anticipated reversions, \$9.4 million in additional special fund spending due to funding swaps, \$60.2 million in deficiencies, and legislative cuts to the deficiencies. The fiscal 2019 adjusted legislative appropriation reflects \$35.0 million in anticipated reversions, \$47.7 million in estimated deficiencies and \$16.1 million in additional special fund spending due to funding swaps. In fiscal 2019 the legislature reduced the budget by \$72.1 million but provided authorization for those funds to be used for a variety of purposes. Spending the \$72.1 million is at the discretion of the Governor.

**State Expenditures – All Funds**  
**Fiscal 2018-2020**  
**(\$ in Millions)**

<u>Category</u>	2018	2019	2020	2019-2020	
	<u>Working</u>	<u>Adj. Leg.</u>		<u>Baseline</u>	<u>\$ Change</u>
	<u>Appropriation</u>	<u>Appropriation</u>			
Debt Service	\$1,575.8	\$1,636.6	\$1,689.2	\$52.6	3.2%
County/Municipal	\$722.0	\$736.6	\$764.3	\$27.7	3.8%
Community Colleges	317.7	322.4	341.2	18.8	5.8%
Education/Libraries	7,431.3	7,579.4	7,938.8	359.4	4.7%
Health	55.6	51.4	52.8	1.4	2.8%
<b>Aid to Local Governments</b>	<b>\$8,526.5</b>	<b>\$8,689.7</b>	<b>\$9,097.0</b>	<b>\$407.3</b>	<b>4.7%</b>
Foster Care Payments	\$262.6	\$261.2	\$265.2	\$4.0	1.5%
Assistance Payments	1,268.5	1,158.0	1,091.1	-67.0	-5.8%
Medical Assistance	11,193.4	11,409.4	11,399.8	-9.6	-0.1%
Property Tax Credits	89.6	90.6	92.0	1.4	1.6%
<b>Entitlements</b>	<b>\$12,814.1</b>	<b>\$12,919.3</b>	<b>\$12,848.1</b>	<b>-\$71.2</b>	<b>-0.6%</b>
Health	\$2,895.3	\$2,984.0	\$3,076.6	\$92.6	3.1%
Human Services	1,005.8	1,006.9	1,003.6	-3.3	-0.3%
Children’s Cabinet Interagency Fund	18.5	18.5	18.5	0.0	0.0%
Juvenile Services	273.2	273.2	279.5	6.2	2.3%
Public Safety/Police	1,737.6	1,769.2	1,840.1	70.9	4.0%
Higher Education	5,945.0	6,090.2	6,315.2	225.0	3.7%
Other Education	766.4	777.8	844.6	66.7	8.6%
Transportation	2,002.5	2,050.6	2,164.8	114.2	5.6%
Agriculture/Natural Res./Environment	480.2	487.1	505.6	18.5	3.8%
Other Executive Agencies	1,984.8	2,064.9	2,085.3	20.3	1.0%
Judiciary	552.9	570.7	591.4	20.6	3.6%
Legislative	89.3	91.3	93.7	2.4	2.7%
<b>State Agencies</b>	<b>\$17,751.5</b>	<b>\$18,184.5</b>	<b>\$18,818.8</b>	<b>\$634.3</b>	<b>3.5%</b>
Anticipated Deficiencies	\$0.0	-\$113.1	\$0.0	\$113.1	-100.0%
<b>Total Operating</b>	<b>\$40,668.0</b>	<b>\$41,317.1</b>	<b>\$42,453.2</b>	<b>\$1,136.1</b>	<b>2.7%</b>
Capital <sup>(1)</sup>	\$2,982.0	\$3,158.9	\$3,077.9	-\$81.0	-2.6%
– Transportation	2,486.9	2,559.8	2,385.0	-174.8	-6.8%
– Environment	230.2	264.1	236.6	-27.5	-10.4%
– Other	264.9	335.0	456.3	121.3	36.2%
<b>Subtotal</b>	<b>\$43,650.0</b>	<b>\$44,476.0</b>	<b>\$45,531.1</b>	<b>\$1,055.1</b>	<b>2.4%</b>
Reserve Funds	\$10.0	\$9.3	\$537.7	\$528.4	5653.7%
<b>Appropriations</b>	<b>\$43,660.0</b>	<b>\$44,485.3</b>	<b>\$46,068.8</b>	<b>\$1,583.5</b>	<b>3.6%</b>
Reversions	-\$78.0	-\$35.0	-\$35.0	\$0.0	0.0%
<b>Grand Total</b>	<b>\$43,582.0</b>	<b>\$44,450.3</b>	<b>\$46,033.8</b>	<b>\$1,583.5</b>	<b>3.6%</b>

<sup>(1)</sup> Includes the Heritage Structure Rehabilitation Tax Credit Reserve Fund.

Note: The fiscal 2018 working appropriation includes \$52.0 million in targeted reversions, \$35.0 million in anticipated reversions, \$9.4 million in additional special fund spending due to funding swaps, \$145.9 million in deficiencies, and legislative cuts to the deficiencies. The fiscal 2019 adjusted legislative appropriation reflects \$35.0 million in anticipated reversions, -\$113.1 million in estimated deficiencies, and \$16.1 million in additional special fund spending due to funding swaps. In fiscal 2019 the legislature reduced the budget by \$72.1 million but provided authorization for those funds to be used for a variety of purposes. Spending the \$72.1 million (plus matching federal funds of \$18.0 million) is at the discretion of the Governor.

## Fiscal 2019 Deficiencies

Fiscal 2019 deficiencies in the fiscal 2020 baseline net to a reduction of \$113.0 million. Modest increases in general funds (\$35.5 million), special funds (\$12.2 million), and reimbursable funds (\$0.1 million) are more than offset by an estimated withdrawal of \$160.8 million in federal funds. As summarized in the following exhibit, potential general fund deficiencies would have been much higher, \$177.3 million, except for the anticipated savings in turnover in the Department of Public Safety and Correctional Services (\$72.3 million), in Medicaid due to favorable enrollment trends and higher utilization of cheaper managed care organization services (\$63.0 million), and in the Department of Juvenile Services due to favorable trends in per diem placements (\$6.4 million). The projected surplus in Medicaid funding is also the principal reason for the drop in anticipated federal fund expenditures.

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### Potential Fiscal 2019 Deficiencies – All Funds (\$ in Millions)

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Reimbursable Funds</u>	<u>Total</u>
<b>Fiscal 2018 Deficiencies:</b> Medicaid, lower than budgeted special fund attainment (\$42.0 million GF), higher substance use disorder treatment costs (\$3.0 million GF and \$8.8 million FF), and higher enrollment in the Maryland Children’s Health Program (MCHP) (\$0.2 million GF); State Department of Assessments and Taxation (SDAT) funding for various tax credits (\$7.5 million GF); Office of the Public Defender operating costs (\$1.3 million GF); and Department of Information Technology (DoIT) operating costs and security contracts (\$1.1 million GF).	\$55.1	\$0.0	\$8.8	\$0.0	\$64.0

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Reimbursable Funds</u>	<u>Total</u>
<p><b>Mandates and Entitlements:</b> Medicaid, primarily higher costs for substance use disorder treatment (\$15.7 million GF and \$12.9 million FF), and higher enrollment growth in MCHP (\$1.2 million GF); SDAT Homeowners Tax Credit estimated funding need (\$6.7 million GF); and Department of Human Services (DHS) foster care costs based on revised caseload, placement mix, and the implementation of Chapters 815 and 816 of 2018 that reduce recipient contribution to care requirements (\$5.2 million GF, -\$0.1 million SF, and \$0.4 million FF) and a Temporary Cash Assistance shortfall driven by caseload and benefit increase supported by the Temporary Assistance for Needy Families balance (\$4.1 million FF).</p>	28.8	-0.1	17.4	0.0	46.1
<p><b>Fiscal 2019 Salary Enhancements:</b> April 1, 2018, \$500 one-time bonus (\$25.3 million GF, \$7.4 million SF, and \$3.6 million FF) and 0.5% general salary increase (\$5.1 million GF, \$1.3 million SF, and \$0.6 million FF).</p>	30.3	8.7	4.2	0.0	43.3
<p><b>Long-term Liabilities:</b> Developmental Disabilities Administration federal fund audit disallowance for residential habilitation services (\$34.2 million GF) and refunds of improperly collected fiscal 2014 contribution to care payments (\$1.2 million GF).</p>	35.4	0.0	0.0	0.0	35.4
<p><b>One-time Expenses:</b> Use of Electric Universal Service Program prior year balances as authorized by statute and proposed by DHS (\$14.8 million SF).</p>	0.0	14.8	0.0	0.0	14.8

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Reimbursable Funds</u>	<u>Total</u>
<p><b>Operating Expenses:</b> DHS higher than anticipated available Low Income Home Energy Assistance Program (\$5.7 million FF) and Electric Universal Service Program (\$1.1 million SF) funding; State Board of Elections financing of new poll book printers (\$1.6 million SF); DoIT operating costs and security contracts (\$1.1 million GF); Uninsured Employers Fund third-party claims administrative contract (\$1.0 million SF); Stadium Authority operating subsidy for the Baltimore City Convention Center (\$0.5 million GF); and various other agencies (\$0.2 million SF and \$0.1 million RF).</p>	1.6	3.8	5.7	0.1	11.3
<p><b>Fiscal 2019 Overfunding:</b> Medicaid favorable enrollment trends and higher use of managed care (-\$63.0 million GF, -\$14.9 million SF, and -\$196.0 million FF); Department of Public Safety and Correctional Services turnover savings (-\$72.3 million GF) partially offset by increased overtime costs (\$26.0 million GF); and Department of Juvenile Services favorable trends in per diem placements (-\$6.4 million GF, -\$0.3 million SF, and -\$0.9 million FF).</p>	-115.7	-15.2	-196.9	0.0	-327.8
<b>Total Deficiencies</b>	<b>\$35.5</b>	<b>\$12.2</b>	<b>-\$160.8</b>	<b>\$0.1</b>	<b>-\$113.0</b>
FF: federal funds					
GF: general funds					
RF: reimbursable funds					
SF: special funds					

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## Debt Service

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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).

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### Expenditures and Funds for Debt Service Fiscal 2017-2020 (\$ in Thousands)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Working</u>	<u>2019</u> <u>Working</u>	<u>2020</u> <u>Baseline</u>	<u>2019 - 2020</u> <u>Increase</u>	<u>% Increase</u>
<b>Expenditures</b>						
MDOT Debt Service						
Requirements	\$287,892	\$328,755	\$333,816	\$354,376	\$20,560	6.2%
Public Debt	1,190,728	1,247,055	1,302,831	1,334,848	32,017	2.5%
<b>Total</b>	<b>\$1,478,619</b>	<b>\$1,575,810</b>	<b>\$1,636,647</b>	<b>\$1,689,224</b>	<b>\$52,577</b>	<b>3.2%</b>
<b>Fund</b>						
General Fund	\$259,395	\$259,649	\$286,000	\$322,000	\$36,000	12.6%
Special Fund	1,207,691	1,304,622	1,337,816	1,356,276	18,460	1.4%
Federal Fund	11,533	11,539	12,831	10,948	-1,883	-14.7%
<b>Total</b>	<b>\$1,478,619</b>	<b>\$1,575,810</b>	<b>\$1,636,647</b>	<b>\$1,689,224</b>	<b>\$52,577</b>	<b>3.2%</b>

MDOT: Maryland Department of Transportation

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### Public Debt

The fiscal 2020 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 \$32 million in fiscal 2020.

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 exceeded State property tax revenues. Continuing the trend, fiscal 2020 State property tax receipts are projected to be \$850 million compared to debt service costs that total \$1,335 million.

Partially offsetting this shortfall are bond sale premiums (\$70 million projected in fiscal 2020), federal funds (\$11 million), ABF balance remaining from prior years (\$74 million), and other special fund revenues (such as repayment for issuance of bonds for Program Open Space). Insofar as these sources are insufficient, \$322 million in general funds will need to be appropriated in fiscal 2020.

### **Maryland Department of Transportation Bonds**

The fiscal 2020 baseline budget for MDOT's debt service reflects an increased reliance on debt in recent years. Over the past three fiscal years (2016 to 2018), debt issuances net of refunding totaled just over \$1.5 billion. Bond issuances in the draft MDOT fiscal 2019 to 2024 financial forecast are projected to total just over \$3.0 billion. Fiscal 2019 represents the highest planned issuance during this forecast period at \$675 million. Subsequent issuances are lower as a result of debt service coverage ratios approaching minimum acceptable levels.



## State Aid to Local Governments

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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.

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### State Aid by Governmental Entity Fiscal 2017-2020 (\$ in Thousands)

<u>Entity</u>	<u>2017 Actual</u>	<u>2018 Working</u>	<u>2019 Working</u>	<u>2020 Baseline</u>	<u>2019-2020 \$ Increase</u>	<u>% Change</u>
Public Schools	\$6,317,496	\$6,367,453	\$6,536,515	\$6,908,245	\$371,730	5.7%
County/Municipal	581,105	633,374	662,507	690,202	27,695	4.2%
Community Colleges	313,512	317,711	322,389	341,167	18,778	5.8%
Libraries	74,256	78,743	80,958	83,639	2,681	3.3%
Health	49,488	51,083	51,372	52,790	1,418	2.8%
<b>Total</b>	<b>\$7,335,857</b>	<b>\$7,448,364</b>	<b>\$7,653,741</b>	<b>\$8,076,044</b>	<b>\$422,302</b>	<b>5.5%</b>

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

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### Overview

State aid is projected to total \$8.1 billion in the fiscal 2020 baseline, representing a \$422.3 million, or 5.5%, increase over the prior year. Most of the State aid in fiscal 2020, as in prior years, is targeted to public schools. Public schools will receive \$6.9 billion in fiscal 2020, 85.5% of total State aid. Counties and municipalities will receive \$690.2 million (8.5%), community colleges will receive \$341.2 million (4.2%), libraries will receive \$83.6 million (1.0%), and local health departments will receive \$52.8 million (0.7%).

## **Public Schools**

Public schools will receive an estimated \$6.9 billion in fiscal 2020, representing a \$371.7 million (5.7%) increase over the prior fiscal year. This is largely due to \$125.0 million in additional general funds assumed under Chapter 357 of 2018 (Education – Commercial Gaming Revenues – Constitutional Amendment), an adopted constitutional amendment that will require supplemental State funding for public education through the use of commercial gaming revenues beginning in fiscal 2020 and relatively high inflation for public school aid formula funding.

The per pupil foundation amount is estimated at \$7,244, a 2.5% increase from fiscal 2019. 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) in the second prior year; or (3) 5.0%. The 2.5% increase in the per pupil foundation amount is equivalent to the change in the CPI-U. In accordance with Chapter 10 of 2018 (Budget Reconciliation and Financing Act (BRFA) of 2018), the Department of Legislative Services, the Department of Budget and Management, and the Maryland State Department of Education have jointly determined that the appropriate regional Consumer Price Index (CPI) to be used in place of the Washington-Baltimore metropolitan area CPI to calculate the State foundation and student transportation formulas in fiscal 2020 is the Washington-Arlington-Alexandria DC-VA-MD-WV (Washington Core Based Statistical Area ) index. The Commission on Innovation and Excellence in Education must recommend in its final report by December 31, 2018, the appropriate inflationary indices to be used in State education aid formulas for subsequent years.

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 \$337.9 million over fiscal 2019, while special funds from the Education Trust Fund (ETF) increase by \$33.2 million. The ETF special funds are derived from casino gaming to support State aid for public schools. Of the \$10.6 million in fiscal 2020 State aid for school safety, \$10.0 million is funded via general funds and \$600,000 is funded via the Safe Schools Fund.

### **Foundation Program**

The baseline includes \$3.2 billion for the State's foundation program, a \$98.7 million (3.2%) increase from the fiscal 2019 appropriation comprised of \$65.4 million in general funds and \$33.2 million in special funds. Part of the increase is attributable to the rise in the per pupil foundation amount from \$7,065 to \$7,244 (\$179). Another portion of the increase is attributable to an estimated 0.7% increase in full-time equivalent students (FTES).

Two other adjustments are reflected in the fiscal 2020 baseline. There are reductions of \$8.1 million in general funds for the declining enrollment grant, as determined under Chapters 6 and 607 of 2017 (Education – State Grants for Education Aid), and \$13.0 million in general funds due to one-time foundation special grants made in fiscal 2019 benefiting Baltimore City and Calvert, Carroll, and Cecil counties.

### **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 2020. Fiscal 2020 funding is estimated to reach \$146.3 million in general funds, an increase of \$4.7 million.

### **Compensatory Aid**

The Compensatory Aid Program is expected to total \$1.4 billion in fiscal 2020, representing a \$67.2 million (5.1%) increase in general funds. 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 \$9.2 million in general funds (3.2%) to a total of \$300.0 million in fiscal 2020. 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 \$2.5 million in general funds (2.0%) that would bring the State's contribution to the program to \$126.0 million in general funds in fiscal 2020.

### **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 \$27.7 million in general funds (9.6%) to a total of \$315.7 million in general funds in fiscal 2020. This increase is driven by an anticipated LEP enrollment growth of 7.1% and the increase in the per pupil foundation amount.

## **Guaranteed Tax Base Program**

The baseline budget includes \$47.0 million in general funds for the guaranteed Tax Base Program, a \$1.2 million (2.5%) decrease in general funds compared to the fiscal 2019 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 2020.

## **Student Transportation Funding**

The baseline estimate for student transportation includes \$276.5 million in general funds to fund the transportation formula, an increase of \$20.0 million (7.8%) in general funds over the fiscal 2019 appropriation, due largely to an anticipated 7.0% inflation adjustment over fiscal 2019. In addition, \$26.3 million in general funds is included for the transportation of students with disabilities, representing a \$204,000 (0.8%) increase in general funds. Changes in the student transportation formula are attributable to inflation and projected increases in FTES in 17 school systems. The increase in the students with disabilities 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 2020 baseline reflects a net decrease of \$2.9 million in general funds in Innovative Programs. This decrease is almost entirely explained by the one-time funding of grants totaling \$3.0 million in fiscal 2019 in accordance with Chapter 573 and 574 of 2017 (Heroin and Opioid Education and Community Action Act of 2017 (Start Talking Maryland Act)). These fiscal 2019 grants are provided to local boards of education to implement policy and training requirements under the Act.

## **Prekindergarten Programs**

The fiscal 2020 baseline reflects a net increase of \$24.0 million in general funds in three programs supporting prekindergarten education. Chapters 6 and 607 (Education – State Grants for Education Aid) established prekindergarten supplemental grants, in fiscal 2018 to 2020 for local school boards that offer a full-day program for all four-year-olds who are enrolled in public prekindergarten. The fiscal 2020 baseline assumes an increase of \$7.8 million in general funds over fiscal 2019, in accordance with the phase-in of these grants through fiscal 2020.

Chapter 2 of 2014 (Prekindergarten Expansion Act of 2014) expanded prekindergarten services to four-year-old children from families whose income is no more than 300% of the federal poverty guidelines by establishing a competitive grant program to provide funding to qualified public and private prekindergarten providers. Consistent with Chapter 361 that sets mandatory State funding at \$26.6 million beginning in fiscal 2020, prekindergarten expansion grants increase

by \$15.0 million in general funds over fiscal 2019. This increase is equivalent to annual federal grant funding amount for the program, which terminates after fiscal 2019.

Chapters 555 and 556 of 2018 (Education – Head Start Program – Annual Appropriation (The Ulysses Currie Act)) mandated the inclusion of \$3.0 million for the renamed Ulysses Currie Head Start Program. Therefore, the fiscal 2020 baseline reflects an increase of \$1.2 million in general funds, from \$1.8 million to \$3.0 million.

### **Food Services Program**

For the Food Services Program, the fiscal 2020 baseline reflects increased funding due to two pieces of legislation. There is an increase of \$1.1 million in general funds for implementation of Chapter 560 of 2018 (State Department of Education – Breakfast and Lunch Programs – Funding (Maryland Cares for Kids Act)) that makes the State responsible for the student share of the costs of reduced-price breakfasts and lunches, phasing in the responsibility beginning in fiscal 2020. There is also an increase of \$650,000 in general funds for implementation of Chapter 562 of 2018 (Education – Maryland Meals for Achievement In-Classroom Breakfast Program – Eligibility and Annual Appropriation) that allows a school that for one year falls below the 40% FRPM meal student population eligibility threshold for the Maryland Meals for Achievement program to be eligible for Maryland Meals for Achievement funding in that year and requires that \$7.6 million be appropriated annually for the Maryland Meals for Achievement program.

### **Teacher Development**

The fiscal 2020 baseline reflects an increase of \$2.0 million in general funds for the Teacher Induction, Retention, and Advancement Pilot Program. Chapter 740 of 2016 (Teacher Induction, Retention, and Advancement Act of 2016) mandated through fiscal 2022 an appropriation of \$5.0 million for the local boards of education that choose to participate in the pilot program that affords first-year teachers at least 20% more time than other teachers to be spent on mentoring, peer observation, assistance with planning, or other preparation activities. Subsequently, Chapter 10 (BRFA of 2018) reduced from \$5.0 million to \$3.0 million the amount of funding mandated for the pilot program for fiscal 2019 only. Therefore, there is an increase of \$2.0 million between the fiscal 2019 legislative appropriation and the fiscal 2020 baseline.

### **Teacher Retirement**

State retirement costs for public school teachers and other professional personnel will total an estimated \$748.7 million in general funds in fiscal 2020, representing a \$15.8 million (2.2%) increase in general funds. This 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 \$307.0 million in fiscal 2020: \$283.7 million for the local share of pension contributions as well as \$23.3 million toward the State Retirement Agency

(SRA) administrative costs, a portion of which will go toward SRA information technology upgrades.

## **Community Colleges**

The majority of funding for the State's locally operated community colleges is determined by the Senator John A. Cade funding formula (see Higher Education section for additional detail on the formula). In fiscal 2020, Cade formula funding totals \$258.6 million in general funds. This represents an increase of \$18.1 million, or 7.5%, in general funds. Baltimore City Community College is a State agency and receives funding through a separate funding formula.

The fiscal 2020 baseline also includes \$5.6 million in general funds for the English Speakers of Other Languages Program and \$6.0 million in general funds for statewide and regional programs. In addition, small colleges are estimated to receive \$7.4 million in general funds in Small College and Mountain grants and reciprocity agreement funding. The baseline also includes \$63.5 million in general funds for retirement benefits to employees of community colleges, an increase of \$2.1 million in general funds over fiscal 2019.

## **Libraries**

The baseline estimates an increase of \$1.3 million in general funds in the State library aid formula, with total funding in fiscal 2020 estimated at \$40.2 million. The per resident amount for this aid formula increases from \$15.50 in fiscal 2019 to \$16.00 in fiscal 2020. 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) provide \$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 2020 baseline.

The baseline also reflects an anticipated increase in State Library Network funding of \$716,584 in general funds (3.9%), bringing total funding for this program to \$19.1 million in general funds in fiscal 2020. The network is comprised of the Central Library of the Enoch Pratt Free Library System in Baltimore City, three regional resource centers, and metropolitan cooperative service programs. State Library Resource Center funding increases from \$1.77 per resident in fiscal 2019 to \$1.81 in fiscal 2020. Beginning in fiscal 2021, per resident annual funding is set at \$1.85. Per resident funding for regional resource centers increases from \$7.95 in fiscal 2019 to \$8.35 in fiscal 2020. Beginning in fiscal 2022, per resident annual funding is set at \$8.75.

Finally, retirement costs for librarians will total an estimated \$21.3 million, representing a 3.3% increase, or \$675,217. 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 8.5% 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 \$690.2 million in fiscal 2020, an increase of \$27.7 million above the prior fiscal year. The major State aid programs assisting county and municipal governments include transportation aid, disparity grants, adult education, teacher retirement supplemental grants, police aid, gaming impact aid, and local voting system grants.

### **Transportation**

The State has shared various transportation revenues, previously referred to as highway user revenues (HUR), with the counties and municipalities. Allocations to counties and municipalities from the Gasoline and Motor Vehicle Revenue Account (GMVRA) have been based on the percentage of road miles and vehicle registrations within each local jurisdiction. In fiscal 2019, of the \$1.9 billion in the GMVRA, \$142.9 million (7.7% of HURs) is distributed to Baltimore City, \$27.8 million (1.5%) is distributed to counties, and \$7.4 million (0.4%) is distributed to municipalities for a total of \$178.1 million.

Chapters 330 and 331 of 2018 (Transportation – HURs – Distribution) require 100% of the funds in the GMVRA of the Transportation Trust Fund (TTF) to be retained by the TTF beginning in fiscal 2020. Beginning in that same year, instead of directly sharing GMVRA revenue with local governments, the Maryland Department of Transportation must provide capital transportation grants to local governments based on the amount of revenue allocated to the GMVRA. From fiscal 2020 through 2024, capital grants equivalent to 13.5% of the revenue allocated to the GMVRA must be provided to local governments as follows: Baltimore City (8.3%); counties (3.2%); and municipalities (2.0%). Beginning in fiscal 2025, capital grants equivalent to 9.6% of the revenue allocated to the GMVRA must be provided to local governments as follows: Baltimore City (7.7%); counties (1.5%); and municipalities (0.4%); this is equivalent to the current GMVRA distribution to localities.

The local government share of this new distribution is projected to total \$250.1 million in fiscal 2020, a \$72.0 million increase when compared to the fiscal 2019 appropriation of HURs. The fiscal 2020 estimate is based on projected TTF revenue from motor fuel taxes, motor vehicle titling taxes, motor vehicle registration fees, and corporate income taxes. Based on this formula, the fiscal 2020 baseline assumes that Baltimore City will receive \$153.8 million, county governments will receive \$59.3 million, and municipal governments will receive \$37.1 million for a total of \$250.1 million.

The fiscal 2019 budget included \$57.9 million for transportation grants to local governments – \$5.6 million for Baltimore City, \$29.9 million for counties, and \$22.5 million for municipalities. The fiscal 2020 baseline assumes that these programs will not be funded in fiscal 2020.

State funding for elderly/disabled transportation grants total \$4.3 million in fiscal 2019, 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 2020 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. Funding for fiscal 2019 totaled \$74.5 million. The fiscal 2020 baseline forecast assumes an increase of 0.8% from the fiscal 2019 formula amount to \$75.1 million.

Chapter 429 of 2013 (Transportation Infrastructure Investment Act of 2013) expressed 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 2020 baseline reflects \$15.0 million for annual fire and rescue funding, which is the same as fiscal 2019. 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 2020 that is the same as fiscal 2019. Other public safety grants totaling \$26.9 million (targeted crime grants, State Attorney's grant, *etc.*) are also level funded in the fiscal 2020 baseline.

## **Disparity Grants**

The disparity grant program provides noncategorical State aid to low-wealth jurisdictions for county government purposes. Specifically, disparity grants address the differences in the abilities of counties to raise revenues from the local income tax, which for most counties is one of the larger revenue sources.

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 fiscal 2018 and 2019. However, Chapter 23 of 2017 (BRFA of 2017) modified the formula by lowering the minimum grant amount (funding floor) from 67.5% to 63.75% of the formula



calculation for fiscal 2018 only. Chapter 472 of 2018 (Local Governments – Income Tax Disparity Grants – Amounts) extended the 67.5% funding floor through fiscal 2021.

The fiscal 2019 budget includes \$140.8 million in general funds for disparity grants. The fiscal 2020 baseline forecast includes \$147.8 million in general funds, or an increase of 5.0% over the fiscal 2019 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 2020.

### **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 2020 baseline assumes gaming impact grants will total \$92.3 million in special funds in fiscal 2020, an increase of \$5.1 million in special funds, or 5.8%, from the fiscal 2019 amount of \$87.2 million in special funds.

### **Revenue Equity Program**

Chapter 692 of 2017 established a State Forest, State Park, and Wildlife Management Area Revenue Equity Program to make annual payments to counties that have a certain amount of State forests, State parks, and wildlife management areas that are exempt from property tax beginning in fiscal 2019. 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 2020 baseline includes \$3.9 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 the need for senior citizen activities centers in counties determined by the Maryland Department of Aging to meet criteria related to economic distress. The fiscal 2020 baseline includes \$764,238 for the program, the same amount that was provided in fiscal 2019.

## **Adult Education**

The State provides funding for adult education services, including classes on basic skills in reading, writing, and math, or learning to speak and understand the English language. Grants also assist adults to prepare to earn a high school diploma through GED tests or the National External Diploma Program. The fiscal 2020 baseline assumes \$8.0 million for adult education programs in fiscal 2020, level with fiscal 2019 funding.

## **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 \$3.0 million, a \$2.5 million decrease from the fiscal 2019 working appropriation of \$5.5 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 and 2019 budgets supplemented the formula with grants to certain counties for contractual health insurance costs. The fiscal 2020 baseline forecast assumes the contractual health insurance costs continue at the same level and the formula increases by \$1.4 million so that the overall distribution to local health departments will total \$52.8 million in fiscal 2020.

## Entitlement Programs

Entitlements include the State Department of Assessments and Taxation’s (SDAT) 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 Temporary Disability Assistance Program (TDAP), part of the Family Investment Administration’s 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 2017-2020 (\$ in Thousands)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Working</u>	<u>2019 Leg.</u> <u>Approp.</u>	<u>2020</u> <u>Baseline</u>	<u>2019-2020</u> <u>Increase</u>	<u>% Increase</u>
<b>Expenditures</b>						
State Department of						
Assessments and Taxation	\$78,005	\$89,633	\$91,661	\$92,900	\$1,239	1.4%
Medicaid Behavioral Health	1,177,892	1,424,843	1,453,152	1,594,773	141,620	9.8%
Medical Care Programs						
Administration	9,447,072	9,835,659	9,983,721	9,879,714	-104,007	-1.0%
DHS – Social Services	265,545	262,630	258,750	265,238	6,488	2.5%
DHS – Family Investment	1,176,047	1,268,455	1,158,047	1,091,085	-66,961	-5.8%
<b>Total</b>	<b>\$12,144,560</b>	<b>\$12,881,220</b>	<b>\$12,945,330</b>	<b>\$12,923,709</b>	<b>-\$21,621</b>	<b>-0.2%</b>
<b>Fund</b>						
General Fund	\$3,322,089	\$3,531,748	\$3,704,532	\$3,898,712	\$194,180	5.2%
Special Fund	980,108	1,000,131	950,579	908,240	-42,339	-4.5%
Federal Fund	7,771,878	8,274,154	8,212,728	8,042,031	-170,697	-2.1%
Reimbursable Fund	70,485	75,187	77,491	74,726	-2,765	-3.6%
<b>Total</b>	<b>\$12,144,560</b>	<b>\$12,881,220</b>	<b>\$12,945,330</b>	<b>\$12,923,709</b>	<b>-\$21,621</b>	<b>-0.2%</b>

DHS: Department of Human Services

Note: Data does not reflect the allocation of deficiencies into the appropriate fiscal year.

## 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% to 91.5% for Medicaid depending on the eligibility category and 79.4% for MCHP.

### **Fiscal 2018 Deficits Carried into Fiscal 2019 and Fiscal 2019 Projected Deficits in Behavioral Health and MCHP are offset by a Fiscal 2019 Surplus in Medicaid Somatic Care**

There is a projected general fund deficit of \$45.2 million for fiscal 2018 expenses carried forward into fiscal 2019. Of this amount, \$42.0 million is primarily due to lower than budgeted attainment of special fund revenues supporting Medicaid. For example, Rate Stabilization Fund revenue from a premium tax on managed care organizations (MCO) and health maintenance organizations was \$26.9 million below estimates (likely attributed to the allocation of premium tax revenues between the Rate Stabilization Fund and the General Fund), and revenue from the Cigarette Restitution Fund was \$20 million below estimates due to a reduction in total payments. A further \$3.0 million deficit relates to higher than anticipated fiscal 2018 behavioral health costs, primarily attributed to higher spending on substance use disorder services. Spending on MCHP is also slightly higher than anticipated in fiscal 2018 (\$0.2 million), reflecting strong enrollment.

Higher than anticipated expenditures for substance use disorder treatment and in MCHP are expected to add a further \$16.9 million in general fund deficiencies in fiscal 2019. However, the estimated combined fiscal 2018 and 2019 general fund deficiencies of \$62.1 million are expected to be offset by \$63.0 million in overfunding for somatic care, primarily due to favorable enrollment projections (almost 39,000 enrollees below the fiscal 2019 budget estimate) and an increase in the relative share of enrollees being served through MCOs rather than in fee-for-service.

### **Fiscal 2020 Medicaid Outlook**

In fiscal 2020, expenditures for the Medical Care Programs are estimated to be almost \$11.5 billion, a \$15.0 million (0.1 %) decrease over the fiscal 2019 working appropriation. However, as shown in the exhibit, after adjusting for the various deficiencies and overfunding anticipated in fiscal 2019 noted previously, fiscal 2020 baseline growth is \$245.2 million (2.2%), with general fund growth of \$211.0 million (6.3%). Baseline growth over the Department of Legislative Services (DLS) estimate for fiscal 2019 will be the basis for this discussion.

**Medical Care Programs Expenditures  
Fiscal 2018-2020**

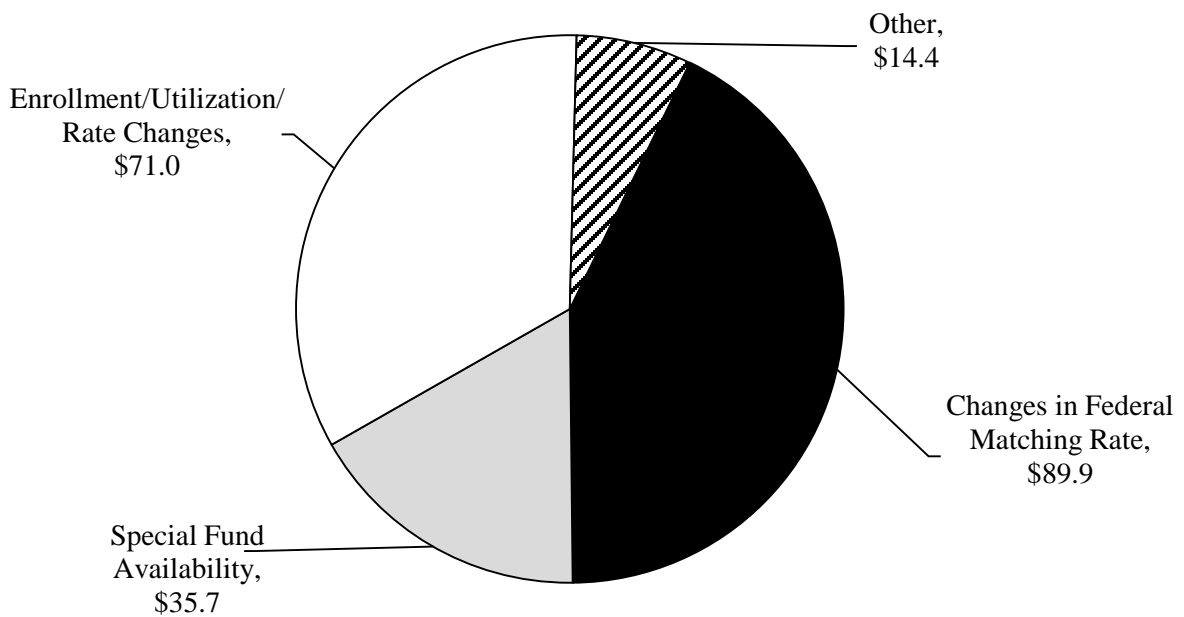
<u>Funds</u>	<u>2018 Actual</u>	<u>2019 WA</u>	<u>Fiscal 2019 DLS Estimate</u>	<u>Fiscal 2020 Baseline</u>	<u>WA 2019-2020 \$ Change</u>	<u>WA 2019-2020 % Change</u>
General	\$3,239.2	\$3,400.1	\$3,354.0	\$3,565.1	\$211.0	6.3%
Special	918.9	950.0	933.2	897.5	-35.7	-3.8%
Federal	6,661.2	7059.3	6,867.3	6,937.2	69.9	1.0%
Reimbursable	69.4	74.7	69.4	69.4	0.0	0.0%
<b>Total</b>	<b>\$10,888.7</b>	<b>\$11,484.2</b>	<b>\$11,224.0</b>	<b>\$11,469.2</b>	<b>\$245.2</b>	<b>2.2%</b>

DLS: Department of Legislative Services  
WA: working appropriation

Note: DLS Fiscal 2018 and 2019 estimates attribute anticipated fiscal 2019 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 shown in the exhibit as follows:

**Medicaid – Why General Funds Grow  
Fiscal 2019-2020  
(\$ in Millions)**



- The federal matching rate for the Affordable Care Act expansion population falls from 93.5% to 91.5% in fiscal 2020, resulting in an increase of \$60.1 million in general funds. The federal matching rate for MCHP falls from 88.0% to 79.4% in fiscal 2020, resulting in an increase of \$29.8 million in general funds.
- Special fund availability declines, primarily as a result of the planned \$40 million drop in the Medicaid deficit assessment.
- The baseline assumes mandated rate increases of 3.5% for behavioral health services, 3% for discretionary provider rates, and 2% for regulated services and includes the impact of the mid-year calendar 2018 MCO rate increase (2%) and the calendar 2019 MCO rate increase (-1.7%).
- Enrollment growth is expected to be only 1.8% in fiscal 2019 over fiscal 2018, slowing to 1.5% in fiscal 2020 with total enrollment just over 1.4 million. Most of the enrollment growth is in eligibility groups with an enhanced match (see exhibit).

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**Enrollment and Service Year Per Capita Expenditures\***  
**Fiscal 2018-2020**

	<b>2018 <u>Actual</u></b>	<b>2019 DLS <u>Estimate</u></b>	<b>2020 <u>Baseline</u></b>	<b>2019-2020 <u>% Change</u></b>
<b>Enrollment by Category</b>				
Medicaid	914,577	923,296	933,752	1.1%
MCHP	147,837	156,708	161,410	3.0%
ACA Medicaid Expansion	309,504	312,302	318,548	2.0%
<b>Total</b>	<b>1,371,918</b>	<b>1,392,306</b>	<b>1,413,709</b>	<b>1.5%</b>
<b>Cost Per Enrollee</b>				
Medicaid	\$8,210	\$8,408	\$8,491	1.0%
MCHP	2,048	2,085	2,073	-0.6%
ACA Medicaid Expansion	8,676	8,576	8,649	0.9%
<b>Total</b>	<b>\$7,651</b>	<b>\$7,734</b>	<b>\$7,794</b>	<b>0.8%</b>

ACA: federal Patient Protection and Affordable Care Act

DLS: Department of Legislative Services

MCHP: Maryland Children's Health Program

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

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## Tax Credit Programs

SDAT has four tax credit programs authorized in statute: the Homeowners' Tax Credit, the Renters' Tax Credit, the Enterprise Zone Tax Credit, and the Base Realignment and Closure (BRAC) Revitalization and Incentive Zones Credit programs. The fiscal 2020 baseline reflects an increase of \$1.4 million in general funds for these tax credit entitlements as follows.

- **Homeowners' Tax Credit Program** expenditures are expected to increase by \$286,330, to \$60.3 million for fiscal 2020. This adjustment is based on actual utilization of the credit for fiscal 2017 to 2018 and is driven by a \$12.6 million increase in credits claimed from fiscal 2017 to 2018. A \$6.7 million fiscal 2019 deficiency is forecast based on actual fiscal 2018 spending.
- **Renters' Tax Credit Program** expenditures are projected to increase by \$326,855, to \$3.3 million for fiscal 2020. This adjustment is based on actual utilization of the credit for fiscal 2017 and 2018 and the fiscal 2019 legislative appropriation. This increase is driven by an increase in credits claimed in fiscal 2018.
- **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 2020 appropriation for the Enterprise Zone Tax Credit Program is projected to be \$26.3 million, an increase of \$803,672, as reported by the SDAT.
- **BRAC Revitalization Credit Program** is expected to remain unchanged in fiscal 2020 at \$2.1 million.

## 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. In fiscal 2018, the decline slowed to 1.2%. However, the decrease was not consistent among placement types. In fiscal 2018, the regular foster care caseload increased by 7.6%, with emergency foster care and treatment foster care also experiencing increases. By contrast, placements in purchased homes and purchased institutions each declined by more than 5%. DLS expects the caseload trends from fiscal 2018 to continue in fiscal 2019 and continue in the same direction but at slower rates in fiscal 2020. In total, DLS projects the average monthly foster care caseload to decrease by 0.8% in fiscal 2019 and 0.7% in fiscal 2020.

After the rate of increase in subsidized guardianship placements slowed to 0.5% in fiscal 2017, the rate of increase grew to 2.2% in fiscal 2018. DLS projects a similar rate of increase in fiscal 2019 before beginning to slow again in fiscal 2020. Subsidized adoption placements have declined by more than 2% in each year since fiscal 2013. In fiscal 2018, subsidized adoption placements decreased by 2.9%. DLS projects the number of subsidized adoption placements to continue to decline by 2.5% per year in fiscal 2019 and 2020.



**Foster Care and Subsidized Adoption/Guardianship  
Caseloads and Expenditures  
Fiscal 2018-2020**

	<b>2018 Actual</b>	<b>2019 Working</b>	<b>2019 DLS Estimate</b>	<b>2020 DLS Estimate</b>	<b>Average Annual 2018-2020 % Change</b>
<b>Caseload</b>					
Foster Care	3,541	3,218	3,512	3,488	-0.8%
Subsidized Adoption/Guardianship	9,185	8,804	9,089	8,967	-1.2%
<b>Total Combined</b>	<b>12,726</b>	<b>12,022</b>	<b>12,600</b>	<b>12,455</b>	<b>-1.1%</b>
<b>Expenditures</b>					
<b>Monthly Cost Per Case</b>					
Foster Care	\$3,435	\$3,675	\$3,434	\$3,438	0.0%
Subsidized Adoption/Guardianship	796	816	796	795	0.0%
<b>Combined Average Cost</b>	<b>\$1,530</b>	<b>\$1,581</b>	<b>\$1,531</b>	<b>\$1,535</b>	<b>0.2%</b>
<b>Expenditures (\$ in Millions)</b>					
General Funds	\$191.9	\$188.2	\$193.3	\$196.6	1.2%
<b>Total Cost</b>	<b>\$266.6</b>	<b>\$261.3</b>	<b>\$266.8</b>	<b>\$265.2</b>	<b>-0.3%</b>
<b>Projected General Fund Shortfall</b>			<b>\$5.2</b>		
<b>Projected Total Fund Shortfall</b>			<b>\$5.5</b>		

DLS: Department of Legislative Services

Source: Department of Human Services; Department of Legislative Services

The Budget Reconciliation and Financing Act of 2018 limited the rate increase for providers whose rates are set by the Interagency Rate Committee to 3% in fiscal 2019. In fiscal 2020, DLS anticipates that provider rates will increase by 2% consistent with inflation. DLS also projects that the regular foster care board rate will increase by 2% in fiscal 2020. Despite the anticipated provider rate increases, the average monthly cost per case for foster care is relatively unchanged in fiscal 2019 and 2020 due to projected caseload decreases among the more expensive placement types and projected caseload increases among the less expensive placement types.

Total expenditures are estimated to remain essentially even in fiscal 2019 compared to fiscal 2018 (an increase of less than \$200,000). In fiscal 2020, total expenditures are projected to decrease by \$1.5 million. Despite this, general fund expenditures are expected to increase in fiscal 2019 by approximately \$1.4 million and in fiscal 2020 by \$3.3 million. The general fund

increase in fiscal 2019 is largely related to the implementation of Chapters 815 and 816 of 2018 (Family Law – Protecting the Resources of Children in State Custody), which alter the allowable uses of federal benefits received on behalf of foster youth by the department. In the past, these funds were used to offset general fund expenditures, but going forward this will not be an allowable use. The increase in general funds in fiscal 2020 is primarily the result of the end of the Title IV-E Waiver, which enabled the department to use federal funds for the cost of care of youth that would not otherwise be eligible for federal reimbursement. The fiscal 2020 baseline also includes an anticipated fiscal 2019 deficiency appropriation of approximately \$5.5 million (\$5.2 million of general funds) due to a higher anticipated caseload and the implementation of Chapters 815 and 816 of 2018.

### **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 (TANF) block grant dollars, and certain child support collections. Statute 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).

The fiscal 2019 budget assumed an increase of 1.9% in the monthly benefit, consistent with recent inflationary increases in the MLL. However, DHS determined that the MLL would increase by 2.8% beginning October 1, 2018, to account for inflation. The maximum SNAP benefit increased by 0.2% (from \$504 to \$505) for a three person household. Due to the lower SNAP increase than the inflationary increase in the MLL, DHS determined the maximum TCA benefit for a three-person household would need to increase by 4.7% effective October 1, 2018, to comply with statute. As a result, the average TCA benefit is expected to increase from \$201.41 in fiscal 2018 to \$211.20 in fiscal 2019. In fiscal 2020, the average benefit is projected to increase by 1.5% to \$214.37 to account for more typical inflationary increases.

The TCA caseload has declined on a year-over-year basis in every month since January 2012. In fiscal 2018, the average monthly caseload of 46,651 was 8.3% lower than fiscal 2017. The fiscal 2018 average monthly caseload was a new all-time low, the previous all-time low of 50,138 occurred in fiscal 2007. Prior to fiscal 2018, the number of TCA recipients was lower than 48,000 for only one month in program history. In fiscal 2018, the number of TCA recipients was lower than 45,000 in each of the final four months of the fiscal year. The fiscal 2020 baseline projects the average monthly number of recipients to continue to decline through fiscal 2020 but at a slower rate, 1.5%, for an average monthly enrollment of 42,965.

Despite the anticipated decline in caseload, DLS projects a shortfall of approximately \$4.2 million in fiscal 2019, largely due to the higher than anticipated increase in benefits. Due to the availability of a TANF fund balance, the fiscal 2020 baseline includes a federal fund deficiency appropriation to account for this shortfall in lieu of general funds. The federal funds are available from the available TANF balance, which was approximately \$25.6 million at the close of fiscal 2018.

Chapters 737 and 738 of 2017 (Public Assistance – Family Investment Program – Child Support Pass Through) added a pass through of the first \$100 for one child and \$200 for two or more children of child support collected per month on behalf of TCA recipients. The pass through begins in fiscal 2020. Prior to then, the State retains all child support collections related to TCA cases. Of these collections, 50% is provided to the federal government and 50% is retained by the State and used in part to offset the cost of TCA benefits. Reducing the availability of these funds would typically increase the need for general funds to cover benefit costs. However, in fiscal 2020, DLS projects that the available TANF balance will be used to maintain general fund expenditures at the level included in the fiscal 2019 budget.

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**Temporary Cash Assistance Enrollment and Funding Trends**  
**Fiscal 2018-2020**

	<u>2018</u> <u>Actual</u>	<u>2019</u> <u>Working</u>	<u>2019</u> <u>Estimate</u>	<u>2020</u> <u>Estimate</u>	<u>2019-2020</u> <u>% Change</u>
Average Monthly Enrollment	46,651	43,196	43,619	42,965	-1.5%
Average Monthly Grant	\$201.41	\$203.09	\$211.20	\$214.37	1.5%
<b>Budgeted Funds ( \$ in Millions)</b>					
General Funds	\$16.5	\$7.1	\$7.1	\$7.1	0.0%
<b>Total Funds</b>	<b>\$112.8</b>	<b>\$106.4</b>	<b>\$110.5</b>	<b>\$110.5</b>	<b>0.0%</b>
<b>Estimated Shortfall</b>			<b>-\$4.2</b>		

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

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**FSP 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. Beginning October 1, 2017, the minimum SNAP benefit has been at \$15, resulting in a maximum supplemental benefit of \$15. The fiscal 2018 average benefit was \$13.94. DLS projects the average benefit to remain at that level through fiscal 2020.

Despite overall declines in FSP recipients, the number of recipients of the State Supplemental FSP benefit has generally increased since the program was implemented October 1, 2016. The number of recipients in August 2018 (21,228) was 20.9% higher than October 2016 (17,564). DLS projects the caseload will continue to increase through fiscal 2020 but at a slower rate. DLS projects a small shortfall in the program in fiscal 2019 due to a higher caseload than was anticipated during budget development. DLS does not anticipate the need for a deficiency appropriation, however, due to an estimated surplus in TDAP.

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**Food Supplement Program Supplemental Benefit  
Enrollment and Funding Trends  
Fiscal 2018-2020**

	<u>2018 Actual</u>	<u>2019 Working</u>	<u>2019 Estimate</u>	<u>2020 Estimate</u>	<u>2019-2020 % Change</u>
Average Monthly Enrollment	19,506	18,366	21,261	21,580	1.5%
Average Monthly Grant	\$13.94	\$14.01	\$13.94	\$13.94	0.0%
<b>Budgeted Funds (\$ in Millions)</b>					
General Funds	\$3.3	\$3.3	\$3.6	\$3.6	1.5%
<b>Estimated Shortfall</b>			<b>-\$0.3</b>		

Source: Department of Human Services; Department of Legislative Services

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

The maximum monthly benefit increased in fiscal 2019 to \$195, which was the first increase in more than 10 years. Chapter 408 of 2018 (Human Services – TDAP), among other actions, established a plan for increasing the TDAP maximum benefit beginning in fiscal 2020 to the level of the maximum allowable payment for a one-person household in TCA by fiscal 2027. Under Chapter 408, in fiscal 2020, the maximum benefit increases to \$215; and beginning in fiscal 2021, the maximum benefit will be a percent of the maximum allowable payment for a one-person household in TCA. The average monthly grant has historically been slightly lower than the maximum monthly grant.

The average monthly caseload for TDAP has declined on a year-over-year basis in each month since September 2015. The caseload decline began to accelerate in fiscal 2017, with further acceleration in the early part of fiscal 2018. The average monthly caseload in fiscal 2018 (13,844) was 17.2% lower than fiscal 2017. In each of the first two months of fiscal 2019, the number of recipients has been below 13,000. DLS projects the average monthly caseload to continue to decline in fiscal 2019 and 2020 but at a slower rate reflective of the slower caseload declines in the last quarter of fiscal 2018. DLS projects a slight surplus of \$0.4 million in fiscal 2019 due to a slightly lower caseload estimate in that year.

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**Temporary Disability Assistance Program  
Enrollment and Funding Trends  
Fiscal 2018-2020**

	<u>2018 Actual</u>	<u>2019 Working</u>	<u>2019 Estimate</u>	<u>2020 Estimate</u>	<u>2019-2020 %Change</u>
Average Monthly Enrollment	13,844	12,754	12,598	12,283	-2.5%
Average Monthly Grant	\$182.63	\$192.64	\$192.73	\$212.73	10.4%
<b>Budgeted Funds (\$ in Millions)</b>					
General Funds	\$25.7	\$25.2	\$24.9	\$26.7	7.4%
Total Funds	<b>\$30.3</b>	<b>\$29.5</b>	<b>\$29.1</b>	<b>\$31.4</b>	<b>7.6%</b>
<b>Estimated Surplus</b>			<b>\$0.4</b>		

Source: Department of Human Services; Department of Legislative Services

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# Employee Compensation Overview

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## Employee Compensation Overview

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

- ***One-time \$500 Bonus in Fiscal 2019:*** The baseline assumes a \$500 bonus for State employees will be awarded effective April 1, 2019. Funding for this increase was not budgeted in fiscal 2019 and will require a deficiency. The cost for this bonus is assumed to be \$27.2 million (\$16.4 million in general funds) for State agencies. The baseline assumes higher education institutions also receive this increase, except for St. Mary's College of Maryland and Baltimore City Community College, which are both formula-funded through the State. The cost for higher education institutions adds \$13.2 million (\$8.4 million in general funds). This cost is assumed to be one-time in fiscal 2019 and does not impact salary growth in fiscal 2020.
- ***Annualization of Fiscal 2019 Salary Actions:*** The baseline annualizes the cost of general salary increases that occurred in fiscal 2019, including a 2% general salary increase on January 1, 2019, and a 0.5% general salary increase on April 1, 2019. These salary actions result in an increase of \$51.9 million (\$31.4 million in general funds) for State agencies (excluding higher education). The baseline includes the annualization cost for higher education institutions in the overall calculation of State support for higher education. The cost of the 2% general salary increase on January 1, 2019, was included in the fiscal 2019 appropriation, but the 0.5% general salary increase on April 1, 2019, was not; therefore, a deficiency will be required in fiscal 2019 for this increase.
- ***Fiscal 2020 General Salary Increase:*** The baseline assumes that a 1% general salary adjustment will be awarded to all State employees on July 1, 2019. The increase raises salaries \$38.2 million (\$23.1 million in general funds) for State agencies (excluding higher education). Again, the baseline also assumes that higher education institutions receive a similar general salary increase, which is included in the overall calculation of State support for higher education.
- ***Fiscal 2020 Merit Pay Increases:*** The baseline also assumes merit pay increases in fiscal 2020. This is expected to increase State agency (excluding higher education) costs by \$69.5 million (\$42.1 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, 2020, an additional \$23.1 million (\$14.0 million in general funds) will need to be appropriated in fiscal 2021 to reflect the full annual cost of the merit increases. The baseline also assumes that higher education institutions receive a similar merit increase in the overall calculation of State support for higher education. With respect to higher education, the assumption is that employees receive merit increases at the beginning of the fiscal year.

- ***Adjusting Annual Salary Review (ASR):*** The fiscal 2019 legislative appropriation included \$1.1 million in general funds for ASRs. The baseline budget assumes \$1.0 million (\$840,000 in general funds) for ASRs. This is equal to the average amount of ASRs received in five previous years (fiscal 2015 to 2019).
  
- ***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 2020 claims will total \$1.7 billion, an increase of 0.4% over fiscal 2019, which is much lower growth than in recent years. Reduced prescription drug expenditure growth is the primary reason for low growth projections of claims in fiscal 2020. A new pharmacy benefit manager contract has demonstrated substantial cost savings since taking effect on January 1, 2018; fiscal 2020 projects a full year of these savings. Fiscal 2018 closed with a substantial fund balance as a result of prescription drug costs coming in lower and rebates coming in higher than expected. Two payroll holidays for State, employee, and retiree contributions were implemented in fiscal 2018 to utilize the fund balance. In comparison to the fiscal 2019 legislative appropriation, State agency contributions increase by 1.1% in fiscal 2020 (an increase of \$12.3 million).
  
- ***Employees' Retirement and Pensions:*** Fiscal 2020 baseline expenditures increase by \$118.5 million compared to the fiscal 2019 legislative appropriation. Approximately \$33.9 million, or 28.6%, of this increase is attributable to rate changes. 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 \$73.4 million (\$44.7 million in general funds) for the Employees' State Retirement and Pension Systems, which includes \$31.6 million (\$19.4 million in general funds) attributable to rate changes and \$41.7 million (\$25.2 million in general funds) due to salary enhancements and additional personnel – fiscal 2020 appropriations total \$683.2 million (\$416.1 million in general funds);
  
  - an additional \$1.2 million (all general funds) for the judges plan, which reflects increases for new positions and salary enhancements – fiscal 2020 appropriations total \$23.5 million;
  
  - although most teachers work for local governments, the State does employ some teachers, and therefore there is an adjustment to reflect that this plan's costs increase by \$1.8 million (\$1.6 million in general funds), which is mostly attributable to salary enhancements, as the contribution rate adds \$204,000 in costs (\$133,000 in general funds) – fiscal 2020 appropriations total \$30.2 million (\$26.0 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 2020 expenditures increase by \$6.1 million for a total of \$107.8 million;
- State Police retirement plan appropriations increase by \$11.7 million (\$9.6 million in general funds), which reflects that contribution rates add \$1.4 million in costs (\$1.1 million in general funds), while pay increases result in an increase of \$10.3 million (\$8.5 million in general funds) in expenditures – fiscal 2020 appropriations increase to \$98.1 million (\$80.3 million in general funds); and
- the Law Enforcement Officers’ Pensions System appropriations increase by \$3.2 million (\$1.7 million in general funds), which reflects that contribution rate increases add \$798,000 (\$441,000 in general funds), while salary enhancements increase contributions by \$2.4 million (\$1.2 million in general funds) – fiscal 2020 appropriations total \$34.9 million (\$18.2 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 2017-2020 (\$ in Thousands)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Working</u>	<u>2019 Leg.</u> <u>Approp.</u>	<u>2020</u> <u>Baseline</u>	<u>2019-2020</u> <u>Increase</u>	<u>% Increase</u>
<b>Expenditures</b>						
Administration	\$50,921	\$51,457	\$45,676	\$46,680	\$1,004	2.2%
Office of Health Care Quality	20,451	20,313	21,257	22,935	1,678	7.9%
Health Professional Boards and Commissions	35,248	38,659	39,645	41,449	1,804	4.6%
Public Health Administration	88,282	87,967	88,545	91,275	2,730	3.1%
Prevention and Health Promotion Administration	346,686	395,696	397,105	388,694	-8,411	-2.1%
Chronic Hospitals	49,942	47,986	46,730	50,184	3,454	7.4%
Behavioral Health Administration	654,921	690,010	691,082	713,852	22,770	3.3%
Developmental Disabilities Administration	1,093,567	1,161,976	1,261,915	1,354,524	92,609	7.3%
Medical Care Programs Administration	95,495	136,775	146,233	127,506	-18,726	-12.8%
Health Regulatory Commissions	161,240	200,833	178,861	180,246	1,384	0.8%
<b>Total</b>	<b>\$2,596,752</b>	<b>\$2,831,674</b>	<b>\$2,917,049</b>	<b>\$3,017,345</b>	<b>\$100,296</b>	<b>3.4%</b>
<b>Fund</b>						
General Fund	\$1,352,010	\$1,438,578	\$1,472,839	\$1,544,201	\$71,362	4.9%
Special Fund	334,795	416,607	394,182	395,936	1,755	0.5%
Federal Fund	885,678	952,988	1,027,373	1,053,965	26,592	2.6%
Reimbursable Fund	24,270	23,500	22,656	23,242	587	2.6%
<b>Total</b>	<b>\$2,596,752</b>	<b>\$2,831,674</b>	<b>\$2,917,049</b>	<b>\$3,017,345</b>	<b>\$100,296</b>	<b>3.4%</b>
<b>Personnel</b>						
Regular Positions	6,187.0	6,207.0	6,278.0	6,294.0	17.0	0.3%
Full-time Contractuals	378.0	444.0	452.0	452.0	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 further in this section.

### Prevention and Health Promotion Administration

The Prevention and Health Promotion Administration (PHPA) baseline budget decreases by \$12.0 million in general funds to account for the operating subsidy mandated by Chapter 19 of 2017 (Prince George's County Regional Medical Center Act of 2017) to the Capital Region Medical Center. General funds decrease by an additional \$1.4 million to account for the transfer of functions of the Sexual Assault Unit to the Governor's Office of Crime Control and Prevention as part of Chapter 422 of 2018 (Criminal Procedure – Victim Services Unit – Victims' Compensation). Chapters 558 and 559 of 2018 (Maryland Prenatal and Infant Care Coordination Services Grant Program Fund (Thrive by Three Fund)) increase general funds by approximately \$1.1 million to establish a grant program for care coordination services to low-income pregnant and postpartum women and to children from birth to three years old.

### Office of Health Care Quality

General fund expenditures increase by \$831,902 in fiscal 2020 as a result of Chapter 454 of 2018 (Maryland Nursing Home Resident Protection Act of 2018). Chapter 454 requires MDH to initiate an investigation of a nursing home complaint alleging actual harm within 10 business days and for a complaint alleging immediate jeopardy to a resident within 48 hours. To complete these surveys and investigations, the Office of Health Care Quality would require 10 new positions starting in fiscal 2020.

### Health Professional Boards and Commissions

Chapters 598 and 599 of 2018 (Natalie M. LaPrade Medical Cannabis Commission Reform Act) require a study on disparities in the medical cannabis industry, funding for the evaluation and ranking of applications for licensure, and establishing the Natalie M. LaPrade Medical Cannabis Compassionate Use Fund. As a result, special fund expenditures are expected to increase by \$477,300 and general fund expenditures by \$125,000 in fiscal 2020.

### 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 costs of these services are projected to increase by \$3.5 million in general funds from fiscal 2019. 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.

Fiscal 2020 will also be the first full year under the new 1115 Medicaid waiver allowing limited coverage of residential treatment for substance use disorders. This coverage is expected to increase general fund expenditures by \$4.7 million for expenses not covered by Medicaid.

The fiscal 2020 baseline also reflects a decrease of \$4.9 million in general funds for treatment costs based on fiscal 2018 actual expenditures and an increase of \$3.0 million in general funds for the Behavioral Health Crisis Response Grant Program established by Chapters 209 and 210 of 2018 (Behavioral Health Crisis Response Grant Program – Establishment). In total, BHA’s budget for uninsured and Medicaid-eligible populations increases by \$1.9 million.

### **Developmental Disabilities Administration**

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

- a \$63.3 million increase in total funds (including \$33.4 million in general funds and \$29.9 million in federal funds) to account for annualization of community services provided for first-time clients in fiscal 2019 that will be ongoing in fiscal 2020 as well as funding for new placements;
- a \$25.5 million increase in total funds (including \$13.2 million in general funds and \$12.2 million in federal funds) to reflect a provider rate increase (2.0%) associated with community service contracts; and
- a \$2.7 million reduction in special funds to align spending with recent actual expenditures.

### **Medical Care Programs Administration**

Federal Fund support for major information technology development projects fall by \$22.6 million. Funding for the ongoing development of the Long Term Supports and Services Tracking System increases by just over \$1.0 million. However, no funding is currently planned for the Medicaid Management Information System (MMIS) II replacement. Fiscal 2019 included \$23.6 million in federal funds for ongoing MMIS II work and planning for a replacement. At this time, funding requirements for any replacement are unknown but are expected to be significant.



## 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 2017-2020 (\$ in Thousands)

	<u>2017 Actual</u>	<u>2018 Working</u>	<u>2019 Leg. Approp.</u>	<u>2020 Baseline</u>	<u>2019-2020 Increase</u>	<u>% Increase</u>
<b>Expenditures</b>						
Administration	\$186,803	\$248,616	\$226,518	\$201,690	-\$24,828	-11.0%
Social Services	294,988	309,575	305,879	320,693	14,813	4.8%
Child Support Administration	92,560	91,835	90,947	94,445	3,498	3.9%
Family Investment	260,838	242,516	250,561	260,714	10,153	4.1%
Office of Home Energy Programs	143,572	134,085	129,593	128,097	-1,496	-1.2%
<b>Total</b>	<b>\$978,760</b>	<b>\$1,026,627</b>	<b>\$1,003,498</b>	<b>\$1,005,638</b>	<b>\$2,140</b>	<b>0.2%</b>
<b>Fund</b>						
General Fund	\$393,859	\$374,728	\$370,330	\$388,813	\$18,484	5.0%
Special Fund	88,782	83,534	82,511	75,791	-6,719	-8.1%
Federal Fund	494,009	556,981	550,451	538,997	-11,454	-2.1%
Reimbursable Fund	2,110	11,384	206	2,036	1,830	888.3%
<b>Total</b>	<b>\$978,760</b>	<b>\$1,026,627</b>	<b>\$1,003,498</b>	<b>\$1,005,638</b>	<b>\$2,140</b>	<b>0.2%</b>
<b>Personnel</b>						
Regular Positions	6,224.0	6,220.0	6,120.0	6,122.0	2.0	0.0%
Full-time Contractuals	141.0	77.0	77.0	77.0	0.0	0.0%

### Administration

The fiscal 2020 baseline includes 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 2020 baseline reflects \$32.8 million in federal funds for MD THINK, a decrease of approximately \$29.4 million from fiscal 2019. Required matching general funds are included in the baseline of the Department of Information Technology.

## Local Operations

The fiscal 2020 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 2020 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 \$379,114 in total funds (\$176,821 in general funds, \$9,301 in special funds, and \$192,992 in federal funds) in the Local Family Investment Program;
- an increase of \$352,500 in total funds (\$305,930 in general funds and \$46,570 in federal funds) in the Child Welfare Services Program;
- an increase of \$215,262 in total funds (\$141,360 in general funds, \$131 in special funds, and \$73,771 in federal funds) in the Local General Administration Program; and
- an increase of \$131,525 in total funds (\$16,605 in general funds and \$114,920 in federal funds) in the Local Adult Services Program.

## Social Services Administration

The fiscal 2020 baseline includes two adjustments in fiscal 2019 that generally continue into fiscal 2020. One adjustment increases the reimbursable fund appropriation in the Child Welfare Services Program by \$548,065 to reflect the full funding for grants received by the local departments of social services from the Governor's Office of Crime Control and Prevention. A second adjustment adds 2 positions and \$230,055 in total funds (\$161,650 in general funds and \$68,405 in federal funds) to implement Chapter 407 of 2018. The increased funding supports the 2 positions effective October 1, 2018, including a new State Medical Director for foster care and associated operating expenses. Although a majority of these funds are ongoing, a portion of the fund (less than \$10,000) is removed due to the one-time nature of certain expenditures related to new positions.

In addition, one adjustment in fiscal 2020 increases general funds by \$2.9 million and reduces federal funds by the same amount. This adjustment accounts for the end of Title IV-E Waiver on September 30, 2019, by returning federal funds to a level more typical of the period prior to the waiver. The waiver acted as a block grant and allowed the State to claim funding for foster youth and services for which it would not otherwise be eligible to receive reimbursement.



## **Family Investment Administration**

The fiscal 2020 baseline contains one adjustment in fiscal 2019 to increase the reimbursable fund appropriation in the Local Family Investment Program by \$1.2 million. The funding continues into fiscal 2020. The increase is the result of funds provided by the Department of Housing and Community Development (DHCD) for homeless services programs that continue to be operated by certain local departments of social services following the transition of these programs to DHCD in fiscal 2018.

## **Office of Home Energy Programs**

The fiscal 2020 baseline includes two additional deficiency appropriations that carry forward into fiscal 2020. These adjustments do the following:

- increase special funds from the Electric Universal Service Program by \$1.1 million to provide funding at the level that is statutorily required to be collected; and
- increase the federal fund appropriation by \$5.7 million to the three-year average of receipts of the Low-Income Home Energy Assistance Program funds.

The fiscal 2020 baseline also includes an adjustment to reduce the available Strategic Energy Investment Funds available for energy assistance by \$8.4 million, primarily due to an anticipated lower fund balance.



# Department of Public Safety and Correctional Services

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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, and the Maryland Commission on Correctional Standards.

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

Fiscal 2017-2020

(\$ in Thousands)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Working</u>	<u>2019 Leg.</u> <u>Approp.</u>	<u>2020</u> <u>Baseline</u>	<u>2019-2020</u> <u>Increase % Increase</u>	
<b>Expenditures</b>						
Administration	\$201,978	\$202,287	\$198,873	\$206,735	\$7,862	4.0%
Corrections	808,976	806,938	821,298	829,362	8,064	1.0%
Maryland Parole Commission	5,848	6,133	5,959	5,942	(17)	-0.3%
Division of Parole and Probation	106,634	109,649	109,332	115,108	5,776	5.3%
Inmate Grievance Office	1,065	1,244	806	835	28	3.5%
Police and Correctional Training Commissions	7,722	9,680	9,629	12,218	2,590	26.9%
Maryland Commission on Correctional Standards	521	587	550	570	20	3.6%
Division of Pretrial Detention	254,926	253,718	245,320	266,719	21,399	8.7%
<b>Total</b>	<b>\$1,387,669</b>	<b>\$1,390,236</b>	<b>\$1,391,767</b>	<b>\$1,437,490</b>	<b>\$45,722</b>	<b>3.3%</b>
<b>Fund</b>						
General Fund	\$1,229,941	\$1,217,361	\$1,223,925	\$1,260,952	\$37,027	3.0%
Special Fund	126,092	135,084	134,370	139,282	4,912	3.7%
Federal Fund	27,002	31,915	27,818	31,104	3,286	11.8%
Reimbursable Fund	4,633	5,876	5,654	6,152	498	8.8%
<b>Total</b>	<b>\$1,387,669</b>	<b>\$1,390,236</b>	<b>\$1,391,767</b>	<b>\$1,437,490</b>	<b>\$45,722</b>	<b>3.3%</b>
<b>Personnel</b>						
Regular Positions	10,943.0	10,543.0	10,443.0	10,445.0	2.0	0%
Full-time Contractuals	279.0	350.0	256.0	256.0	0.0	0%

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## **Administration**

The largest administrative adjustment in the fiscal 2020 baseline includes \$209,620 for security equipment, a \$723,586 reduction from fiscal 2019 expenditures. These general funds are for prison contraband detectors and rugged laptops and tablets for parole and probation field agents.

## **Division of Correction**

The most significant fiscal 2020 Division of Correction baseline adjustment is related to departmental vacancies. Due to the high number of unfilled positions, primarily among correctional officers, the baseline reflects approximately \$72.3 million in general fund salary savings. This amount is accounted for by a negative deficiency in fiscal 2019, which is expected to carry over to fiscal 2020. Additionally, due to high correctional officer vacancies, a fiscal 2019 deficiency for \$25.9 million in overtime expenses is included and will carry forward into fiscal 2020.

The fiscal 2020 baseline also reflects a removal of \$12.9 million in general funds due to surplus funding for the department's inmate pharmacy contract and an increase of \$500,000 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.

## **Police and Correctional Training Commissions**

The third area of significant change for the department is a \$2.0 million increase in special funds due to Chapter 758 of 2018 (Public Safety – Maryland Police Training and Standards Commission Fund – Establishment) that establishes the Maryland Police Training and Standards Commission Fund. This fund uses certain fees collected by the courts to provide funding for activities and training by the Maryland Police Training and Standards Commission.

# Maryland Department of Transportation

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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 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.

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## Expenditures, Funds, and Positions for the Maryland Department of Transportation Fiscal 2017-2020 (\$ in Thousands)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Working</u>	<u>2019 Leg.</u> <u>Approp.</u>	<u>2020</u> <u>Baseline</u>	<u>2019-2020</u> <u>Increase</u>	<u>% Increase</u>
<b>Expenditures</b>						
The Secretary’s Office	\$86,010	\$88,549	\$92,452	\$94,750	\$2,298	2.5%
WMATA – Operating Budget	321,349	365,285	366,028	392,000	25,972	7.1%
State Highway Administration	264,039	277,930	292,740	328,549	35,809	12.2%
Maryland Port Administration	46,842	51,572	50,524	51,691	1,167	2.3%
Motor Vehicle Administration	201,546	206,485	203,685	210,572	6,887	3.4%
Maryland Transit Administration	840,446	828,093	848,889	890,390	41,501	4.9%
Maryland Aviation Administration	187,965	194,339	201,024	205,099	4,075	2.0%
<b>Total</b>	<b>\$1,948,196</b>	<b>\$2,012,254</b>	<b>\$2,055,343</b>	<b>\$2,173,052</b>	<b>\$117,708</b>	<b>5.7%</b>
<b>Fund</b>						
Special Fund	1,853,698	1,914,742	1,957,062	2,073,406	116,344	5.9%
Federal Fund	94,498	97,512	98,281	99,645	1,364	1.4%
Reimbursable Fund	0	0	0	0	0	0%
<b>Total</b>	<b>\$1,948,196</b>	<b>\$2,012,254</b>	<b>\$2,055,343</b>	<b>\$2,173,052</b>	<b>\$117,708</b>	<b>5.7%</b>
<b>Personnel</b>						
Regular Positions	9,108.0	9,058.0	9,058.0	9,058.0	0.0	0.0%
Full-time Contractuals	41.0	122.0	122.0	122.0	0.0	0.0%

WMATA: Washington Metropolitan Area Transit Authority

Note: The exhibit reflects personnel for all of the Maryland Department of Transportation. Pay-as-you-go (PAYGO) funding is reflected in the PAYGO funding exhibit.

## **The Secretary's Office**

The fiscal 2020 baseline for The Secretary's Office includes an increase of \$500,000 for a mandated grant to the Pride of Baltimore II pursuant to Chapter 854 of 2018 (Transportation – Pride of Baltimore II – Funding and Reporting).

## **Washington Metropolitan Area Transit Authority**

The operating grant subsidy for the Washington Metropolitan Area Transit Authority increases by \$26.0 million, or 7.1%, in the fiscal 2020 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.

## **State Highway Administration**

The fiscal 2020 baseline budget includes an adjustment to set winter maintenance funding at the five-year average level of \$101.3 million, which is a \$30.3 million increase over the amount budgeted in fiscal 2019.

## **Maryland Transit Administration**

The fiscal 2020 baseline budget for the Maryland Transit Administration (MTA) includes the following adjustments:

- a \$20 million increase in pension subsidies for the MTA's pension plan to reflect actuarial estimates;
- a \$5.6 million increase for paratransit services reflecting recent contract cost escalation;
- a \$5.6 million increase for the Maryland Area Regional Commuter service contracts;
- a \$3.3 million increase in salaries and wages for retroactive union salary increases based on the average annual increase of 2.75% contained in the previous collective bargaining agreement; and
- a \$1.7 million increase for commuter bus contracts reflecting recent contract cost escalation.

## **Maryland Aviation Administration**

The fiscal 2020 baseline budget for the Maryland Aviation Administration includes an increase of approximately \$1.3 million to conform the annual reimbursement for services of the MTA police force to the expected level.

## **Maryland Port Administration**

The fiscal 2020 baseline budget for the Maryland Port Administration includes the following adjustments:

- an increase of approximately \$466,000 to conform the annual reimbursement for services of the MTA police force to the expected level; and
- a decrease of \$500,000 to remove funding for a grant to the Pride of Baltimore II, which will henceforth be funded through The Secretary's Office within MDOT in accordance with Chapter 854 of 2018.





## Higher Education – State Colleges and Universities

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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 for USM and MSU increase by an estimated \$270.3 million and \$8.2 million, respectively. This includes \$229.1 million in current unrestricted funds (primarily State funds, and tuition and fee revenue) and \$49.4 million in current restricted funds.
- The baseline budget provides the State funding (comprised of general funds and the HEIF) portion of USM's and MSU's mandatory costs. In fiscal 2020, the State-funded portion of mandatory costs is estimated to increase by \$113.5 million for USM and \$3.9 million for MSU. This includes increases for personnel similar to that of other State employees, new facilities, legislative mandates, and other operating costs.
- 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 tuition from enrollment growth. However, legislative mandates are fully funded through general funds.
- Resident undergraduate enrollment growth accounts for \$12.0 million of the total increase in mandatory costs of which \$11.5 million and \$0.5 million are attributed to USM and MSU, respectively. The cost of enrollment growth was calculated by multiplying the budgeted fiscal 2019 enrollment by the fiscal 2019 to 2020 growth rate projected by the Maryland Higher Education Commission (MHEC). The estimated fiscal 2020 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 \$57.3 million increase in USM undergraduate tuition and fee revenues, \$19.4 million is attributable to new enrollments, which was based on each institution's projected enrollment growth and the projected fiscal 2020 resident and nonresident tuition and fee rate. For MSU, \$0.6 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 \$12.6 million and \$0.3 million, respectively.
- Other current revenues are estimated to increase by \$38.5 million for USM institutions, assuming auxiliary and other sources increase 3%. Other current revenues are estimated to increase by \$0.6 million for MSU assuming auxiliary and other sources increase by 1% and 3%, respectively.

### **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 2.18% in fiscal 2020. General funds through this formula for SMCM are expected to increase 2.18%, or \$0.5 million.
- 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 (COLA) for State-supported employees, 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%. The baseline includes an increase of \$0.4 million in general funds to reflect the budgeting of 50% of the COLA for State-supported employees (\$0.3 million), and increased health insurance costs (\$0.1 million). The most recent six-year graduation rate was only 81.3% and so no performance bonus is reflected in the fiscal 2020 baseline.

### **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 2020, BCCC will receive either 62.5% 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 2020, per FTES funding is estimated to be \$7,940 using the 62.5% calculation, for a total of \$31.6 million. This is a decrease of \$8.2 million, or 20.7%, from fiscal 2019. Hold harmless funding is, therefore, necessary to make the fiscal 2020 appropriation equal to the fiscal 2019 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 general funds in fiscal 2020, approximately the same amount as in fiscal 2019.

## Community Colleges

- The majority of funding for the State's locally operated community colleges is determined by the Senator John A. Cade Funding (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 2020, Cade Formula funding totals \$258.6 million in general funds. This represents an increase of \$18.1 million, or 7.5%. BCCC is a State agency and receives funding through a separate funding formula.
- The fiscal 2020 baseline includes \$5.6 million in general funds for the ESOL Program and \$6.0 million in general funds for statewide and regional programs. In addition, small colleges are estimated to receive \$7.4 million in general funds for Small College and Mountain grants and reciprocity agreement funding. Overall, there is an increase of \$0.5 million in general funds for these miscellaneous programs.
- A \$2.0 million general fund grant to community colleges in fiscal 2019 is assumed to have been one time, thus reflecting a reduction of \$2.0 million.
- The baseline also includes \$63.5 million in general funds for retirement benefits to employees of community colleges, an increase of \$2.1 million in general funds over fiscal 2019.

## 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. General funds for the Joseph A. Sellinger Program for private institutions increase by \$5.3 million in the fiscal 2020 baseline to reflect funding at 9.4% of the current year appropriation to select public four-year institutions on a per student basis. In addition, general funds for MHEC increase by \$2.5 million for the implementation of Chapters 566 and 567 of 2018 (Higher Education – Cyber Warrior Diversity Program – Established). Finally, there is an increase of \$2.0 million in general funds in fiscal 2019 from the State Reserve Fund for implementation of Chapter 361 of 2018 (Education – Commission on Innovation and Excellence in Education), which is expected to carry over into fiscal 2020.

Expenditures on financial aid programs are estimated to increase by \$20.9 million in fiscal 2020, which includes the following:

- an increase of \$15.4 million in general funds for implementation of Chapter 554 of 2018 (Community Colleges – Near Completers and Maryland Community College Promise Scholarships), which created the Promise Scholarship Program (\$15.0 million) and the Near Completers Program (\$0.4 million);
- an increase of \$1.0 million in general funds for implementation of Chapter 597 of 2018 (Higher Education – Richard W. Collins III Leadership With Honor Scholarship – Establishment); and
- an increase of \$2.9 million in three financial aid programs that were adjusted by 3% to reflect an assumed 3% tuition increase for resident undergraduate students at public four-year institutions. Educational Excellence Awards increase by \$2.5 million for a total of \$85.4 million in general funds, while the Senatorial and Delegate Scholarship programs grow by \$0.2 million each to \$6.7 million and \$6.8 million in general funds respectively, as required for the Senatorial Scholarship program by Chapter 23 of 2017 (Budget Reconciliation and Financing Act of 2017).

## Other State Agencies

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### **C00A      Judiciary**

The Judiciary is composed of four courts and six agencies that 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 2020 baseline budget is primarily driven by the following adjustments:

- an increase of \$2.0 million in general funds for the estimated operating costs of the new Catonsville District Courthouse in Baltimore County and the anticipated addition of 3 District Court and 4 circuit court judges across the State;
- a decrease of \$1.0 million in special funds due to a reduction in major information technology (IT) development projects funding; and
- a decrease of \$0.5 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 (MOU) on the maintenance of State land records.

### **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 2020 baseline budget includes a decrease of \$650,000 in general funds reflecting the estimated fiscal 2020 expenditures for the development of the agency's new case management system.

### **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 2020 baseline budget includes an increase of \$0.7 million in general funds and 7 positions attributable to a mandate in Chapters 731 and 732 of 2018 (Financial Consumer and Protection Act).

## **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. In fiscal 2018, UEF entered into a contract with a third-party claims administrator in order to assist the agency with a growing backlog of claims to be processed. However, the cost of the contract has yet to be included in UEF's budget. Therefore, a deficiency of \$994,500 in special funds in fiscal 2019 is expected that will continue into fiscal 2020 as the need for the contract is ongoing.

## **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. The fiscal 2020 baseline reflects a \$2.0 million decrease in federal funds from \$3.8 million to \$1.8 million for the Promoting the Readiness of Minors in Supplemental Security Income grant, a five-year grant with the goal of increasing the educational attainment and employment of individuals with disabilities to improve self-sufficiency and reduce their reliance on State and federal resources. MDOD received an extension of the grant through September 2019, and thus, \$1.8 million is expected to be available in the first quarter of fiscal 2020.

## **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. Beginning with the fiscal 2019 budget cycle, MEA began assuming revenue at the minimum auction clearing price for the purpose of budget development. Any excess revenue is applied to the budget in the second following year (for example, fiscal 2018 excess revenue is applied to fiscal 2020). The fiscal 2020 baseline follows this method of revenue estimation and assumes revenue at the minimum clearing price (\$2.26 for two auctions and \$2.32 for two auctions) with the addition of excess revenue from fiscal 2018 (\$8.7 million).

Due to the new method of estimating revenue, in total, the fiscal 2020 baseline assumes that the SEIF-funded programs receive an increase in funding. During the transition to the new revenue estimation process, fiscal 2019 was an abnormally low year for available funding with only revenue at the minimum clearing price and no excess revenue. In addition to the extent

available, the fiscal 2020 baseline assumes the use of fund balance to support expenditures. Special fund adjustments to the fiscal 2020 baseline for MEA related to SEIF revenue from RGGI auctions are as follows:

- a decrease of \$1.35 million, from \$5.0 million to \$3.65 million, for low- and moderate-income energy efficiency programs;
- an increase of \$1.0 million, from \$2.5 million to approximately \$3.5 million, for general energy efficiency programs; and
- an increase of \$7.9 million, from \$3.0 million to approximately \$10.9 million, for renewable and clean energy programs.

Other major special fund changes in MEA’s fiscal 2020 baseline are as follows:

- a decrease of \$4.5 million to remove funds available for general energy efficiency programs from the Exelon Corporation and Pepco Holdings, Inc. merger expected to be fully expended in fiscal 2019;
- a decrease of approximately \$15.7 million available from the animal waste-to-energy alternative compliance payment resulting from the Exelon Corporation and Constellation Energy Group merger based on the estimated fiscal 2019 closing fund balance;
- an increase of approximately \$3.4 million to account for the first year of funding from the Volkswagen Settlement to account for three programs (Idle Reduction, Freedom Fleet Voucher, and Electric Vehicle Infrastructure) included in the draft mitigation plan that are likely to be administered by MEA; and
- an increase of approximately \$6.1 million to account for the first year of funding for the Maryland Natural Gas Expansion Fund created as a condition of the merger between AltaGas Ltd. and WGL Holdings, Inc.

**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 2020 baseline acknowledges several fiscal 2019 budget amendments to conform to the fiscal 2019 budget and other pieces of legislation enacted during the 2018 session, as follows:

- Chapter 30 of 2018 (Maryland Safe to Learn Act of 2018) and the fiscal 2019 budget required the transfer of \$15.1 million (\$14.5 million in general funds and \$0.6 million in special funds) in school safety-related grant funding from GOCCP to the Maryland Center for School Safety (MCSS), newly located within the Maryland State Department of Education (MSDE).
- Chapter 148 of 2018 (Public Safety and Violence Prevention Act of 2018) creates the Maryland Violence Intervention and Prevention Program Fund within GOCCP and is initially funded by the fiscal 2019 operating budget transfer of \$5.0 million in general funds from the Rainy Day Fund to GOCCP to support violence prevention programs. The legislation mandates an annual appropriation of \$10.0 million in general funds beginning in fiscal 2020 along with requiring \$2.5 million in other various miscellaneous grants.
- Chapter 422 of 2018 (Criminal Procedure – Victim Services Unit – Victims’ Compensation) creates a Victim Services Unit within GOCCP by relocating the Criminal Injuries Compensation Board and Sexual Assault Forensic Examinations program. These programs had previously been located within the Department of Public Safety and Correctional Services (DPSCS) and the Maryland Department of Health (MDH), respectively.
- Chapter 147 of 2018 (Public Safety – Baltimore City Safe Streets Initiatives – Funding (The Tyrone Ray Safe Streets Act)) provides GOCCP with a \$3.6 million general fund increase for fiscal 2020 to fulfill the annual mandated appropriation created by the legislation in support of the community-based program.

Finally, the fiscal 2020 baseline assumes approximately \$75.1 million for the State Aid for Police Protection grant program, a \$607,043 increase in general funds over the fiscal 2019 appropriation.

## **D18A18 Governor’s Office for Children and Interagency Fund**

The Governor’s Office for Children (GOC) oversees a coordinated interagency approach to the development of child- and family-focused systems of care that emphasize prevention, early intervention, and community-based services. GOC administers the Children’s Cabinet Interagency Fund (CCIF) that makes competitive and noncompetitive grants to local management boards. The baseline includes an increase of \$2.0 million in reimbursable funds in the CCIF from the Department of Human Services (DHS), MDH, and MSDE in fiscal 2019, which is expected to carry over into fiscal 2020, as part of an MOU to pay for salaries of Local Care Team (LCT) coordinators in each jurisdiction. LCTs are forums for agencies and providers to direct children with intensive needs and their families to assistance and resources.



**D28A03 Maryland Stadium Authority**

The Maryland Stadium Authority (MSA) was established as an independent unit in the Executive Department responsible for the construction, operation, and maintenance of facilities for the Orioles professional baseball and the Ravens professional football teams. Since the Ravens football and Orioles baseball stadiums were constructed, MSA's authority has been expanded to include construction and financing for other projects. Legislation assigned MSA the responsibility for the Baltimore City Convention Center and the Ocean City Convention Center. Legislation authorized MSA to participate with Montgomery County in the construction of a conference center, and MSA was authorized to participate in the construction of the Hippodrome Performing Arts Center in Baltimore. MSA's responsibilities were also expanded to include the financing and construction management of a new program of school construction and renovation in Baltimore City.

MSA anticipates that costs for the Baltimore City Convention Center in fiscal 2019 will be \$500,000 more in general funds than what was budgeted in fiscal 2018. These additional costs are expected to be ongoing.

**D38I01 State Board of Elections**

The State Board of Elections supervises and manages elections and ensures compliance with State and federal election laws. The fiscal 2020 baseline budget includes an increase of \$1.6 million in special funds from local governments for the purchase of new poll book printers.

**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 2020 baseline includes \$5.0 million in general funds to reflect the 2020 Census Grant Program established by Chapter 18 of 2018 (2020 Census Grant Program – Establishment and Funding). The 2020 Census Grant Program was created for the purpose of issuing matching grants to local governments and nonprofit organizations to support the accurate counting of the population of the State and its local jurisdictions and the collection of basic demographic and housing information of the population of the State for the 2020 Census.

**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 (EMS) systems, including volunteer and career EMS providers, medical and nursing personnel, communications, transportation

systems, trauma and specialty care centers, and emergency departments. The fiscal 2020 baseline reduces the special fund appropriation for the agency's Communications System Upgrade major IT project by \$3.4 million in line with current spending projections.

### **D55P00 Maryland Department of Veterans Affairs**

The Maryland Department of Veterans Affairs provides a variety of administrative, outreach, and support services to the State's veterans and their families, dependents, and survivors. The department also manages veterans cemeteries, maintains three veterans war memorials in cooperation with local jurisdictions, and operates and manages the Charlotte Hall Veterans Home. The baseline includes an increase of \$545,800 in general funds for the establishment of the Veteran Employment and Transition Success Program and Fund per Chapter 786 of 2018 (State Government – Veteran Employment and Transition Success Program), which includes funding for the capitalization of the fund and staff to support the program.

### **D60 State Archives**

The State Archives is the central depository for government and designated private records of permanent value. The fiscal 2020 baseline reflects a decrease of \$0.5 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 MOU on the maintenance of State land records. This funding is offset by a \$0.5 million increase in general funds to support the State Archives' operations.

### **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 administering financial accounts. The fiscal 2020 baseline includes an additional \$3,077,705 in special funds for the continuation of the Integrated Tax System IT project, based on the current project schedule. The fiscal 2020 baseline also includes a reduction of \$1,000,000 in estimated special fund spending as a result of one-time costs for unclaimed funds collection commissions in fiscal 2019. There was also the restoration of \$500,000 in a general fund appropriation due to one-time cost containment in fiscal 2019.

### **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 fiscal 2020 baseline assumes an increase of \$500,000 in special funds between fiscal 2019 and 2020 to reflect increased costs for the contract for online lottery games due to an increase in lottery sales.

## **F50 Department of Information Technology**

The 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 2020 baseline, funding for the MITDPF is expected to increase by \$2.6 million, from \$72.5 million in fiscal 2019 to \$75.1 million in fiscal 2020. General funds are expected to increase by \$5.9 million, while special funds decline by \$3.3 million. This is attributable to a reduction in special funds for the Voice over Internet Protocol migration. These funds are replaced by \$4.9 million in general funds. The remaining significant general fund adjustments are in the following projects:

- an increase of \$11.0 million for the Comptroller's Office's Integrated Tax System;
- an increase of \$10.6 million for MDH's Computerized Hospital Record and Information System;
- a decrease of \$5.7 million for DPSCS's Electronic Patient Health Record Replacement project;
- a decrease of \$4.0 million in MDH's Medicaid Management Information System;
- a decrease of \$3.3 million for DHS's modernization project; and
- a decrease of \$1.5 million for radios for the Maryland FiRST (First Responders interoperable Radio System Team) 700 megahertz radio system. Fiscal 2019 was the final year in which new radio equipment purchases are required.

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 as follows:

- an increase of \$0.8 million in special funds for the Central Collection Unit project that reflects additional funds needed to upgrade the system that is now operational; and

- a decrease of \$2.1 million in reimbursable funds appropriated for the Statewide Personnel System project of which approximately 88% of the appropriation is supported by general funds, so the general fund share totals approximately \$1.8 million.

Prior year deficiencies supporting State agency IT operations and security contracts are expected to generate ongoing costs for the department. This adds \$0.7 million in general funds for operations and \$0.4 million in general funds for security contracts.

With respect to Maryland FiRST operations, additional maintenance contracts are required as more regions come online. The baseline adds \$1.7 million in total funds (\$1.2 million in general funds, \$0.4 million in special funds, and \$0.1 million in federal funds) for system maintenance.

## **G20J01 State Retirement Agency**

The State Retirement Agency (SRA) is responsible for administering the State's retirement and pension systems. The agency has been in the process of replacing a legacy IT system with a more modern and agile computing platform that will maintain the system's traditional business practices. As of July 2017, SRA had completed Phase 2 of the project and is preparing to start Phase 3. Funding for Phase 3 of the project is included in fiscal 2020 but reflects a net decrease of \$1.5 million – an increase of \$1.3 million in special funds and a decrease of \$2.8 million in reimbursable funds – in comparison to funding budgeted for the project in fiscal 2019.

## **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 2020 baseline assumes the following adjustments:

- an increase of \$3.9 million in special funds, comprised of \$0.5 million in the Forest Service and \$3.4 million in the Maryland Park Service Forest Service, to reflect available transfer tax revenue from the allocation formula as a result of a fiscal 2018 revenue overattainment budgeted in fiscal 2020, a revenue estimate increase, and the repayment of prior year transfers;
- an increase of \$1.5 million, comprised of \$1.4 million in general funds and \$0.1 million in special funds, to reflect the recognition of a fiscal 2019 budget amendment to transfer funds from DBM to DNR's Maryland Park Service and Natural Resources Police to fund personnel costs associated with the current State Law Enforcement Officers Labor Alliance (SLEOLA) collective bargaining agreement that is anticipated to carry over into fiscal 2020;

- an increase of \$1.2 million in general funds and 3 regular positions for implementing Chapter 698 of 2018 (State Lakes Protection and Restoration Fund – Purpose, Use, and Funding – Alterations) that mandated the inclusion of \$1.0 million to the State Lakes Protection and Restoration Fund for fiscal 2020 and beyond and allowed for the fund to be used to protect and restore State-managed lakes as well as State-owned lakes;
- an increase of \$0.8 million in Chesapeake and Atlantic Coastal Bays 2020 Trust Fund special funds in the Chesapeake and Coastal Service for a total of \$53.6 million in trust fund-supported fiscal 2020 spending based on estimated revenues from the motor fuel tax (\$13.3 million) and short-term rental vehicles tax (\$40.3 million); and
- an increase of \$0.8 million in special funds to reflect funding for Chapter 700 of 2018 (Off-Highway Recreational Vehicles – Excise Titling Tax – Off-Highway Recreational Vehicle Trail Fund), which established the Off-Highway Recreational Vehicle Trail Fund for the purpose of maintaining and constructing trails for off-highway recreational vehicles on land that is owned or leased by DNR.

## **L00A Maryland Department of Agriculture**

The Maryland Department of Agriculture administers and promotes agricultural services and activities throughout the State. The fiscal 2020 baseline reflects a decrease of \$2.0 million in special funds to reflect the end of the Exelon and Constellation merger funding for the animal waste compliance payment related to the purposes of the Animal Waste Technology Fund.

## **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 2020 baseline reflects a decrease of \$1.0 million in special funds for the one-time expenses associated with the Employment Advancement Right Now (EARN) program. These funds were one of the conditions for the approval of the Exelon and Constellation merger, which were allocated to DLLR to provide grants to EARN partners to support green jobs. There is also a decrease of \$2.0 million in special funds for costs associated with the new E-licensing system.

The fiscal 2020 baseline also assumes an increase of \$1.5 million to cover the costs associated with a new UI Modernization IT project. This reflects an increase of \$2.5 million in federal funds, from \$1.2 million to \$3.7 million and a decrease of \$1.0 million in special funds relative to fiscal 2019. The current UI program is functioning with an out-of-date technological system and any updates take several days to complete. With the new system, the update process will be significantly faster in allowing for more timely and accurate processing of information.

The fiscal 2020 baseline adds the Building Codes Unit to DLLR that increases the budget by \$0.5 million (\$0.3 million in general funds and \$0.2 million in special funds) and transfers 3 positions from the Department of Housing and Community Development (DHCD). Increased gaming revenues from the video lottery terminals and table games of \$3.4 million in special funds result in increased support for the Purse Dedication Account (\$2.7 million) and the Racetrack Facility Renewal Account (\$0.7 million).

### **R00A01 Maryland State Department of Education – Headquarters**

MSDE coordinates the State’s K-12 education policies. The fiscal 2020 baseline includes a reduction of \$5.0 million in federal funds (\$2.5 million for the Division of Accountability, Assessments, and Data Systems and \$2.5 million for the Maryland Longitudinal Data Systems Center) due to the end of a federal grant for statewide data systems.

### **R00A02 Maryland State Department of Education – Aid to Education**

MSDE coordinates the State’s K-12 education policies. The fiscal 2020 baseline increases by approximately \$14.5 million in federal funds for the Child Care Subsidy (CCS) Program to implement Chapters 563 and 564 of 2018 (Education – Child Care Subsidies – Mandatory Funding Levels) that increase subsidy amounts to certain percentiles of market rate surveys. An emergency regulation, effective August 1, 2018, expanding income eligibility limits for the CCS Program further increases the baseline by approximately \$3.7 million in federal funds.

### **R00A03 Maryland State Department of Education – Funding for Educational Organizations**

MSDE provides funding to certain nonprofit organizations that offer educational programs. This includes the Maryland School for the Blind (MSB), a nonpublic school that educates students from birth through age 21 who are blind, severely visually impaired, or visually impaired/multi-disabled. MSB receives funding from the State through a formula that is based on enrollment and growth in the State per pupil foundation funding provided to local school systems. Primarily due to anticipated growth in the per pupil foundation funding, the fiscal 2020 baseline includes an increase of \$0.5 million in general funds for MSB.

### **R00A06 Maryland Center for School Safety**

The fiscal 2020 baseline reflects the establishment of MCSS as an independent unit within MSDE, in accordance with Chapter 30 (Maryland Safe to Learn Act of 2018). MCSS is responsible for providing the State with a coordinated and comprehensive policy for school safety by fostering

collaboration among local school systems, law enforcement agencies, State and local government, community organizations, parents, and other groups. The center achieves this by disseminating information on best practices, programs, and resources; providing technical assistance and training; collecting, analyzing, and integrating statewide data; and promoting interagency efforts to ensure safe schools. The baseline reflects the realignment of 14 positions and \$3.0 million in general funds for fiscal 2019 that had been previously appropriated within the Department of State Police (DSP). This level of funding and staffing is assumed to be maintained in fiscal 2020. Grant funding administered by MCSS via the Safe Schools Fund is discussed in the State Aid section of this document.

### **R99E Maryland School for the Deaf**

The Maryland School for the Deaf (MSD) is a State-run public school that provides comprehensive prekindergarten through grade 12 education to deaf students as well as a Family Education/Early Intervention Program for families of children age five or younger. MSD receives funding from the State through a formula that is based on enrollment and growth in the State per pupil foundation funding provided to local school systems. Primarily due to anticipated growth in the per pupil foundation funding, the fiscal 2020 baseline includes an increase of \$0.5 million in general funds for MSD.

### **S00A Department of Housing and Community Development**

DHCD works to encourage homeownership, expand affordable rental housing, and revitalize communities. The fiscal 2020 baseline budget includes an increase of \$4.7 million in special funds for energy efficiency programs due to increased availability of EmPOWER funding.

### **T00 Department of Commerce**

The Department of Commerce aims to increase business investment and promote job creation. The fiscal 2020 baseline includes the following adjustments:

- a \$10.0 million reduction in general funds to reflect a one-time contribution to the Sunny Day Fund in anticipation of providing a grant to Amazon as part of a larger incentive package;
- a \$5.0 million reduction in special funds due to the completion of retention payments to Northrup Grumman from the Sunny Day Fund;

- a \$2.0 million increase in general funds due to Chapter 578 of 2018 (Cybersecurity Incentive Tax Credits) mandating increased funding for the Cybersecurity Investment Tax Credit Program;
- a \$9.0 million reduction in general funds for the More Jobs for Marylanders tax credit, since the reserve fund for the credit has enough funding to support tax credits anticipated by the department to be claimed in fiscal 2019 and 2020;
- a \$1.7 million increase in general funds for the Maryland State Arts Council to reflect spending levels mandated by Chapter 145 of 2016 (Admissions and Amusement Tax – Revenue Distribution – Maryland State Arts Council); and
- a \$5.0 million reduction in general funds due to the repeal of the Film Tax Credit Fund by Chapter 595 of 2018 (Income Tax – Film Production Activity Tax Credit – Alterations), which means that the tax credit remains in effect but will result in a reduction of revenue as credits are claimed against the income tax rather than as a budgeted tax credit.

#### **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 2020 baseline includes the following adjustments in the Coordinating Offices Program:

- an increase of \$4.0 million in Bay Restoration Fund (BRF) special funds to reflect the funding increase from \$6.0 million to \$10.0 million authorized in Chapters 366 and 367 of 2017 (Clean Water Commerce Act of 2017) for the purchase of cost-effective nitrogen, phosphorus, or sediment load reductions in support of the State’s efforts to restore the health of the Chesapeake Bay;
- a decrease of \$1.2 million in BRF special funds in the Coordinating Offices for debt service on BRF bonds for principal and interest on debt issued in fiscal 2008 (\$50.0 million), in fiscal 2014 (\$100.0 million), and in fiscal 2016 (\$180.0 million), which does not include the interest on debt that was anticipated to be issued in fiscal 2020 (\$100.0 million) since it has been moved out to fiscal 2022 according to the September 5, 2018 Capital Debt Affordability Committee meeting document; and
- a decrease of \$0.8 million in special funds to reflect the end of funding for the Lead Rental Certification and Accreditation IT project.



**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 baseline budget realigns \$0.5 million in general funds that had been restricted within the fiscal 2019 reserve fund appropriation to allow the department to fund a 3% provider rate increase for the current budget year. The fiscal 2020 baseline budget also assumes a 2% provider rate increase, resulting in growth of approximately \$1.1 million.

**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 2020 baseline reflects the recognition of a fiscal 2019 budget amendment to transfer \$12.1 million from DBM to DSP to fund personnel costs associated with the current SLEOLA collective bargaining agreement. This includes \$9.5 million in general funds and \$2.6 million in special funds. A separate budget amendment transfers an additional \$0.4 million in general funds in accordance with planned annual salary review increases. The personnel expenses are anticipated to be ongoing costs for fiscal 2020. In addition, an adjustment is made to the baseline to reflect the realignment of 14 positions and nearly \$3.0 million in fiscal 2019 general funds for MCSS. Chapter 30 (Maryland Safe to Learn Act of 2018) reestablished the center as an independent unit within MSDE. Nearly \$0.5 million in general funds is added to the fiscal 2020 baseline budget to comply with Chapter 148 (Public Safety and Violence Prevention Act of 2018) to fund a designated unit of law enforcement officers to investigate certain firearm activities and offenses. The baseline also acknowledges \$0.2 million in additional operating expenses associated with the anticipated opening of a new barrack in Cumberland.



## Pay-as-you-go Capital Programs

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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 2019 legislative appropriation or to the level of anticipated fiscal 2020 encumbrance activity as programmed in the 2018 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 (POS – Transfer Tax Repayment – Use of Funds) as amended by Chapter 10 of 2018. The baseline assumes that all other special funds will be available and distributed according to statutory requirements.

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### Expenditures and Funds for PAYGO Capital Programs Fiscal 2017-2020 (\$ in Thousands)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Working</u>	<u>2019 Leg.</u> <u>Approp.</u>	<u>2020</u> <u>Baseline</u>	<u>2019-2020</u> <u>Increase</u>	<u>% Increase</u>
<b>Expenditures</b>						
BPW PAYGO	\$0	\$0	\$31,074	\$0	-\$31,074	-100.0%
BPW – Public School Construction PAYGO	0	0	4,900	0	-4,900	-100.0%
Department of Planning PAYGO	9,000	9,300	9,300	9,300	0	0%
Military Department PAYGO	4,329	35,574	0	23,635	23,635	0%
Department of Veterans Affairs PAYGO	2,439	7,720	2,000	9,718	7,718	385.9%
Department of Information Technology PAYGO	1,495	0	0	0	0	0%

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Working</u>	<u>2019 Leg.</u> <u>Approp.</u>	<u>2020</u> <u>Baseline</u>	<u>2019-2020</u> <u>Increase</u> <u>% Increase</u>	
MDOT Secretary's Office PAYGO Capital	92,614	84,174	108,355	42,960	-65,395	-60.4%
MDOT WMATA – Capital Budget	126,847	155,922	155,922	225,100	69,178	44.4%
MDOT SHA PAYGO Capital	1,443,736	1,513,010	1,446,417	1,605,375	158,959	11.0%
MDOT Maryland Port Administration PAYGO Capital	172,922	101,486	126,893	166,669	39,776	31.4%
MDOT MVA PAYGO Capital	18,252	21,373	37,573	41,270	3,698	9.8%
MDOT Maryland Transit Administration PAYGO Capital	576,470	604,526	746,731	561,710	-185,021	-24.8%
MDOT Maryland Aviation Administration PAYGO Capital	127,505	123,662	60,803	57,879	-2,924	-4.8%
Department of Natural Resources PAYGO	81,238	122,044	169,094	218,336	49,243	29.1%
Department of Agriculture PAYGO	3,924	33,924	49,975	54,085	4,110	8.2%
ICSC Public School Construction PAYGO	0	0	0	40,000	40,000	0%
Aid to Community Colleges PAYGO	0	0	0	3,000	3,000	0%
Department of Housing and Community Development PAYGO	105,473	50,750	58,650	96,200	37,550	64.0%
Department of the Environment PAYGO	263,581	239,500	282,930	250,657	-32,273	-11.4%
<b>Total</b>	<b>\$3,029,826</b>	<b>\$3,102,965</b>	<b>\$3,290,615</b>	<b>\$3,405,896</b>	<b>\$115,281</b>	<b>3.5%</b>
<b>Fund</b>						
General Fund	\$62,268	\$9,500	\$54,379	\$97,000	\$42,621	78.4%
Special Fund	2,029,821	1,899,488	2,021,514	2,091,497	69,983	3.5%
Federal Fund	926,957	1,184,692	1,195,871	1,203,348	7,476	0.6%
Reimbursable Fund	10,780	9,285	18,850	14,051	-4,799	-25.5%
<b>Total</b>	<b>\$3,029,826</b>	<b>\$3,102,965</b>	<b>\$3,290,615</b>	<b>\$3,405,896</b>	<b>\$115,281</b>	<b>3.5%</b>

BPW: Board of Public Works

PAYGO: pay-as-you-go

ICSC: Interagency Commission on School Construction

SHA: State Highway Administration

MDOT: Maryland Department of Transportation

WMATA: Washington Metropolitan Area Transit Administration

MVA: Motor Vehicle Administration

Note: This exhibit does not match the fund tables at the beginning of the document primarily because what was formerly called Highway User Revenues are included in this exhibit.

## **Board of Public Works**

The fiscal 2020 baseline removes \$31.1 million in general funds in the Board of Public Works for one-time capital grants, including \$29.0 million used to meet mandated fiscal 2019 funding for the Prince George's Regional Medical Center and \$2.0 million used to make a grant for infrastructure improvements to MedStar Franklin Square Hospital.

## **Maryland Department of Planning**

The 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 2019 appropriation but reflects a slight change in the fund split since the fiscal 2019 appropriation included \$8.9 million in general funds and \$0.1 million in special funds, reflecting the funding remaining from the fiscal 2017 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 what is planned in the 2018 CIP based on the availability of special fund revenues to support the program.

## **Military Department**

The baseline estimates \$23.6 million in anticipated federal PAYGO funding, recognizing the final year of funding anticipated for the construction of the Freedom Readiness Center (\$1.6 million) and the majority of the federal contributions toward the construction of Automotive and Surface Equipment Maintenance facilities in Havre de Grace (\$10.0 million and \$12.0 million, respectively). The baseline estimate differs from the department's planned CIP by \$10.0 million due to the unanticipated availability of federal funding for the Automotive Maintenance facility in fiscal 2020.

## **Maryland Department of Veterans Affairs**

The Maryland Department of Veterans Affairs operates five veteran cemeteries throughout the State to provide interment to eligible veterans and their dependents. The department 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 \$6.8 million in federal funds, an increase of \$4.8 million, for the expansion of the Cheltenham Veterans Cemetery. Construction will begin in fiscal 2020. The baseline also includes an increase of \$2.9 million in federal funds for new funding to begin the design of a 120-bed skilled nursing veterans home facility in Baltimore County. This new facility will provide additional beds and centrally located services for Maryland's aging veteran population.

## 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 2019-2024*.

## Maryland Department of Natural Resources

The baseline assumes that transfer tax revenues used to fund POS will be augmented by the repayment plan originally established in Chapter 10 of 2016 and subsequently modified by the Administration in the 2018 CIP and by Chapter 10 of 2018. Accordingly, the baseline includes \$43.9 million in enhancement funding. Of this amount, \$37.9 million is allocated in accordance with the POS statutory formula and \$6.0 million is provided to Capital Development Projects. Although the provisions of Chapter 10 of 2016 allow for \$25.4 million of the \$37.9 million included in the fiscal 2020 baseline to be funded in fiscal 2021, the baseline uses the funding repayment plan set forth in the 2018 CIP. The baseline includes the following adjustments to the level of funding attributable to the transfer tax.

- **Transfer Tax Overattainment:** Actual fiscal 2018 revenue attainment was \$217.9 million, which is \$3.1 million greater than the \$214.8 million budgeted in fiscal 2018. This overattainment is used in addition to estimated fiscal 2020 revenues to support fiscal 2020 program funding levels. For comparison purposes, there was a \$25.1 million overattainment budgeted for fiscal 2019.
- **Transfer Tax Revenue Estimate Increase:** The revenue estimate for fiscal 2020 is \$236.3 million, which is greater than the \$221.9 million revenue figure for fiscal 2019.
- **Transfer Tax Repayment Plan:** The fiscal 2020 allocation includes \$43.9 million in general funds in accordance with the repayment plan originally established in Chapter 10 of 2016 and subsequently modified by the Administration in the 2018 CIP and by Chapter 10 of 2018.

The fiscal 2020 baseline for the Department of Natural Resources' POS State allocation includes \$69.0 million in special funds and \$3.0 million in federal funds, reflecting a \$15.0 million increase in transfer tax special funds over the fiscal 2019 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 (POS – Authorized Transfer to the Maryland Heritage Areas Authority Financing Fund – Increase), which was amended by Chapter 10 of 2018 to reflect that the additional transfer tax funding is to be taken solely out of the funding attributable to the POS State funding for the land acquisitions portion of the transfer tax allocation formula. In accordance with provisions in Chapter 10, \$6.0 million of the \$69.0 million in POS State allocation special funds are required to be used for the Baltimore City Direct Grant, which is an increase from the base amount of \$5.5 million for Baltimore City in the fiscal 2019

legislative appropriation. The POS Local allocation increases by \$6.7 million, from \$53.3 million in fiscal 2019 to \$60.0 million in fiscal 2020.

The baseline includes \$21.5 million in special funds for the Rural Legacy Program that provides funds for the acquisition of conservation easements. Overall, the baseline includes \$26.5 million comprised of \$21.5 million in special funds, and \$5.0 million in GO bond authorization programmed in the 2018 CIP for fiscal 2020. This is an increase of \$1.5 million relative to the fiscal 2019 legislative appropriation of \$25.0 million, which included \$20.0 million in special funds and \$5.0 million in GO bonds.

The baseline includes \$26.0 million for capital development projects, which is a decrease of \$2.8 million relative to the fiscal 2019 legislative appropriation of \$28.8 million. Capital development projects include funding for the Critical Maintenance Program (\$7.0 million in transfer tax special funds and \$6.0 million in general funds), the Natural Resources Development Fund (\$12.0 million in transfer tax special funds), and the State contribution to the Ocean City Beach Maintenance Program (\$1.0 million in transfer tax special funds).

Full funding of \$1.0 million in special funds is assumed for the Ocean City Beach Maintenance Program from Worcester County and Ocean City in the fiscal 2020 baseline to reflect the 2018 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 2020 baseline for the Waterway Improvement Program (WIP) includes \$15.0 million, which is consistent with the fiscal 2019 funding level, and the amount programmed in the 2018 CIP for fiscal 2020. This reflects \$12.5 million in special fund revenue available from the motor fuel tax and the vessel excise tax and \$2.5 million in federal funding. 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 baseline for the Maryland Agricultural Land Preservation Program consists of \$54.1 million in special funds. Overall, the baseline reflects an increase of \$5.1 million relative to the fiscal 2019 legislative appropriation of \$49.0 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 (\$45.6 million) and county matching funding (\$8.5 million) due to the likelihood 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 2018 CIP plan for the end of funding in fiscal 2019. Therefore, there is a reduction of \$999,000 in special funds relative to the fiscal 2019 legislative

appropriation. The Tobacco Transition Program provided funds for agricultural land preservation in the five Southern Maryland counties as part of the overall voluntary tobacco buyout program.

### **Interagency Commission on School Construction – Public School Construction**

The fiscal 2020 baseline estimate for the Interagency Commission on School Construction – Public School Construction includes an increase of \$40.0 million in general funds to reflect newly mandated funding for educational facilities. Chapter 561 of 2018 (Education – Healthy School Facility Fund – Established) established the Healthy School Facility Fund from which grants to local governments will be provided to improve the physical condition of primary and secondary public schools. Chapter 561 mandates \$30.0 million for the fund in fiscal 2020. Chapter 30 of 2018 (Maryland Safe to Learn Act of 2018) established the Safe Schools Fund out of which grants to local school systems will be made to improve school safety, which may include capital expenses. Chapter 30 mandates \$10.0 million annually to the fund. The baseline also removes \$4.9 million in general fund PAYGO appropriated in budget code D06E02.02 Public School Capital Appropriation as one-time funds used for the purpose of conducting a statewide facilities assessment for public school facilities and an integrated facilities data system.

### **Maryland Higher Education Commission – Community College Facilities Grant Program**

The fiscal 2020 baseline estimate for the Aid to Community Colleges – Community College Facilities Grant Program includes an increase of \$3.0 million in general funds for the newly established Community College Facilities Renewal Grant Program. Chapters 687 and 688 of 2018 (Community Colleges – Facilities Renewal Grant Program) established the fund within the Maryland Higher Education Commission to provide grants to community colleges for improvements, repairs, and deferred maintenance projects. Chapters 687 and 688 mandate an amount equal to 5% of the appropriation to the Community College Construction Grant Program for the facilities renewal program which amounts to \$3.0 based on the \$60.0 million programmed in the 2018 CIP for the construction program for fiscal 2020.

### **Department of Housing and Community Development**

DHCD works to encourage homeownership, expand affordable rental housing, and revitalize communities. The baseline includes changes in various PAYGO capital grant and loan programs based on the agency's estimates of revenues, encumbrances, available fund balances, and amounts programmed in the 2018 CIP. Overall, the baseline assumes that funds for DHCD's PAYGO programs will increase by \$35.0 million in general funds and by \$2.6 million in special funds. The baseline assumes the use of general funds to meet mandated funding for



three programs: the Strategic Demolition and Smart Growth Impact Fund, the Baltimore Region Neighborhoods Initiative, and the Seed Community Anchor Institution Fund. In total, the baseline includes \$44.0 million in general funds versus only \$9.0 million in the fiscal 2019 legislative appropriation and no amount of general funds programmed in the 2018 CIP for fiscal 2020. The following adjustments were made to the fiscal 2020 baseline.

- ***Strategic Demolition and Smart Growth Impact Fund:*** The fiscal 2020 baseline includes an increase of \$30.0 million in general funds for the Creating Opportunities for Renewal and Enterprise (CORE) Partnership Fund. Chapters 639 and 640 of 2018 (Baltimore City – Continuing the Creating Opportunities for Renewal and Enterprise (CORE) Partnership Fund) codified the program and established a special nonlapsing fund. Although annual funding is not mandated, the legislation authorized the governor to fund the program at \$30.0 million in fiscal 2020. To the extent that project CORE was a major initiative of the administration in the fiscal 2017 through 2019 budgets, the baseline assumes that the governor will fund the program in accordance with the legislation.
- ***Baltimore Region Neighborhoods Initiative (BRNI):*** The baseline includes \$9.0 million in general funds to support mandated funding for the BRNI program. This is an increase of \$4.0 million relative to the fiscal 2019 legislative general fund appropriation and assumes the use of \$3.0 million in GO bond funds currently programmed in the 2018 CIP for the program in fiscal 2020 to complete the mandated \$12.0 million funding level.
- ***Seed Community Anchor Institution Fund:*** The baseline includes \$5.0 million in general funds to support mandated funding for the Seed Community Anchor Institution Fund program. This is an increase of \$1.0 million relative to the fiscal 2019 legislative general fund appropriation.
- ***Homeownership Programs:*** The baseline assumes an increase in fiscal 2020 of \$1.0 million in special funds for homeownership programs based on available fund balance.
- ***Rental Housing Programs:*** The baseline assumes an increase in fiscal 2020 of \$1.0 million in special funds for Rental Housing Programs based on available fund balance.
- ***Special Loan Programs:*** Funding for these programs increases by \$1.2 million in special funds in the fiscal 2020 baseline based on the 2018 CIP (\$200,000) as well as available fund balance (\$1.0 million).
- ***Maryland Base Realignment and Closure Preservation Loan Fund:*** The baseline assumes a decrease in fiscal 2020 of \$650,000 in special funds based on the 2018 CIP.

Funding amounts for the Shelter and Transitional Housing Facilities Grant Program, Partnership Rental Housing Program, Rental Housing Programs, the Community Development Block Grant, Energy Programs, and Community Legacy are assumed to remain unchanged from the amounts programmed in the 2018 CIP for fiscal 2020.

## **Maryland Department of the Environment**

MDE's fiscal 2020 baseline of \$127.7 million for the Water Quality Revolving Loan Fund Program reflects MDE's updated funding plan. The fiscal 2020 baseline reflects a reduction of \$28.9 million relative to the fiscal 2019 legislative appropriation and a reduction of \$22.3 million relative to the 2018 CIP funding level programmed for fiscal 2020. The overall total funding reduction includes a \$30.3 million reduction in special funds and reflects the use of project cash flow accounting when determining funding awards. In total, the PAYGO budget reflects \$80.1 million in special funds, \$38.8 million in federal funds, and \$8.8 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 \$32.0 million also reflects MDE's updated funding plan. The baseline is \$0.8 million less than the fiscal 2019 legislative appropriation and is \$2.0 million greater than the 2018 CIP funding level programmed for fiscal 2020. In total, the PAYGO budget reflects \$12.7 million in special funds, \$14.0 million in federal funds, and \$5.3 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 2019 appropriation but is level with the 2018 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 \$15.0 million for the capital grant program associated with the Bay Restoration Fund fee on septic system users is level with both the 2018 CIP and fiscal 2019 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 \$5.0 million more than the fiscal 2019 legislative appropriation but is level with the amount programmed in the 2018 CIP.

The fiscal 2020 baseline does not include any funding for the Energy-Water Infrastructure Program. This is consistent with the 2018 CIP, which reflected fiscal 2019 as the last year of planned funding and reflects a reduction of \$8.0 million in special funds relative to the fiscal 2019 legislative appropriation. The funding came 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 provided 100% grants to water and wastewater treatment plant owners for energy efficient equipment and combined heat and power projects.



## Reserve Funds

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### State Reserve Fund

The State Reserve Fund baseline budget consists of the Revenue Stabilization Account (Rainy Day Fund), Dedicated Purpose Account (DPA), and Catastrophic Event Account. There are no appropriations to the Catastrophic Event Account.

The Rainy Day Fund was created to retain revenues to meet future needs. Section 7-311 of the State Finance and Procurement Article requires that an amount equal to the unappropriated general fund surplus exceeding \$10 million from two fiscal years prior to the allowance year shall be appropriated into the Rainy Day Fund. An appropriation totaling \$50 million is 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 support the State's pension fund to reduce the unfunded liability. The annual appropriation is limited to \$50 million.

Fiscal 2018 ended with an unappropriated general fund balance totaling \$503.8 million. The Administration is required to provide \$50 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 million in appropriation go to the DPA. Another \$10 million is retained by the General Fund. As required by law, an adjustment totaling \$443.8 million has been added to the Rainy Day Fund appropriation. For the DPA, the baseline also includes an increase of \$37.9 million to reflect the required payment to Program Open Space (POS) for prior year POS fund transfers into the General Fund.