
Fiscal Briefing

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

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The Governor's Fiscal 2021 Plan

Quick Look at Fiscal 2021 Budget

Budget Growth (\$ in Millions)

	<u>FY 2020 Plan</u>	<u>FY 2021 Plan</u>	<u>\$ Change</u>	<u>% Change</u>
All Funds	\$47,203	\$47,951	\$747	1.6%
General Fund	19,479	19,675	197	1.0%
<i>General Fund:</i>				
<i>Excluding Rainy Day Fund Appropriation</i>	<i>19,035</i>	<i>19,668</i>	<i>634</i>	<i>3.3%</i>

- The Governor's spending plan leaves a general fund balance of \$414.4 million at the end of fiscal 2020 and \$108.5 million at the end of fiscal 2021. The Rainy Day Fund ends fiscal 2021 with a balance of \$1.2 billion (6.28% of general fund revenues). Combined cash balances at the close of fiscal 2021 of \$1.3 billion equal 6.8% of general fund revenues.
- The Administration's balancing plan rests on a Budget Reconciliation and Financing Act (BRFA) that reduces general fund spending by \$530.6 million and generates \$157 million of revenue.
- BRFA revenue actions slow efforts to reduce the State's reliance on capital gains and divert fiscal 2020 funds earmarked for repayment of Program Open Space to the General Fund. The largest BRFA spending reductions are a \$284.4 million appropriation to the Rainy Day Fund and \$83.3 million of payments to address unfunded liabilities. Scheduled increases for nonpublic higher education institutions, community colleges, and health care providers are also reduced.
- The Spending Affordability Committee (SAC) set a goal of eliminating the structural deficit forecast for fiscal 2021. The Administration's budget reduces but fails to eliminate the structural gap for fiscal 2021, leaving a structural deficit of about \$37 million.
- The Department of Legislative Services (DLS) forecasts a structural deficit of \$701 million in fiscal 2022 and \$1.1 billion (5% of general fund revenues) by fiscal 2025. The shortfalls are exacerbated by the Governor's plan to allocate \$1 billion of general funds to transportation needs and targeted tax relief from fiscal 2021 through 2025.

Budget Outlook (\$ in Millions)

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Cash Outlook	\$108	-\$833	-\$1,135	-\$1,201	-\$1,298
Structural Outlook	-37	-701	-905	-984	-1,071

- The Administration proposes tax relief for military retirees, hometown heroes (police, fire, etc.), and solar companies. The proposals are phased in with revenue losses of \$17.9 million in fiscal 2021, growing to \$47 million by fiscal 2025.
- The budget assumes the Governor will not release almost \$238 million of funds restricted by the General Assembly in the fiscal 2020 budget for legislative priorities. The Governor does propose funding about \$16 million of those priorities with deficiency appropriations.

Other Key Features

- K-12 education formulas and Blueprint mandates are fully funded with an additional \$9.4 million of discretionary funds provided to hold harmless the four jurisdictions (Baltimore City and Dorchester, Garrett, and Queen Anne's counties) whose direct aid declines and allow every jurisdiction to receive an increase of \$100,000.
- Tuition for in-state students at the University System of Maryland and Morgan State University grows 2.0%.
- Rates for most health service providers increase by 2.0% rather than the mandated 4.0%. Rate increases for human service providers, which are not mandated to grow by a specific rate, are capped at 2.0%.
- A 2.0% general salary increase for State employees is funded effective January 1, 2021, at a cost of \$53.4 million in general funds. Members of the State Law Enforcement Officers Labor Alliance receive a 4% general salary increase and a merit increase effective July 1, 2020, at a general fund cost of \$13.8 million.
- General funds, rather than Transportation Trust Funds, support \$125 million of the \$167 million mandated capital grant to the Washington Metropolitan Area Transit Authority (WMATA). Annual general fund grants of \$167 million to WMATA are programmed in the Administration's forecast for fiscal 2022 through 2025.
- \$10 million of general funds is budgeted to assist with capital improvements to the Howard Street Tunnel, and a BRFA provision diverts \$5 million of Baltimore City's Highway User Revenues to the same purpose in fiscal 2021 through 2024.
- Capital spending is funded at the SAC-recommended level of \$1,095 million.
- The budget dedicates \$333.1 million to school facility needs, including \$329.6 million of general obligation bonds and \$3.5 million of cash. The Governor also anticipates issuing \$400 million of revenue bonds contingent on enactment of school construction legislation.

Short- and Long-term Risks

- Maryland has experienced a lengthy period of economic growth. Out-year forecasts of State revenues and spending assume a continuation of this trend. Moody's Analytics, a national economic forecasting group that advises Maryland, expects the State and the nation to experience a slowdown in employment growth in the latter part of fiscal 2021 into 2022. DLS estimates that the sluggish performance anticipated by Moody's would add \$214 million to the structural budget gap in fiscal 2021 and \$419 million in fiscal 2022.
- The enhancements to school construction and K-12 education that the General Assembly will consider during the session represent significant State investments which, if not supported by an ongoing funding plan, will exacerbate the structural deficit.

Potential Legislative Issues

- The magnitude of the structural deficit forecast for the coming years, even after accounting for about \$300 million of relief in the Governor's plan, is troubling as it occurs despite the expectation of steady revenue growth and stable or declining prison and entitlement caseloads. Failure to improve the budget outlook while the State has a strong economy will amplify the balancing challenge when the inevitable economic slowdown occurs.
- The Administration's spending plan fails to comply with the SAC recommendation for structural balance. Reductions of \$37 million are required for compliance.
- While proposing more than \$500 million of BRFA reductions to general fund mandates, the Administration is shifting \$135 million of costs from the Transportation Trust Fund to the General Fund. The Administration also expects to use \$124.5 million of general obligation bonds to fund transportation projects in future years.
- The Administration's proposal to cap rate increases for health and human service providers at 2% at a time when the State's minimum wage is increasing.
- Utilization of behavioral health services is growing exponentially in fiscal 2020 leading to a \$48 million general fund deficiency request. A focus on the quality and appropriateness of the care being provided may be necessary to ensure State dollars are being utilized effectively, and the fiscal 2021 budget does not experience similar cost overruns.
- Members of AFSCME were excluded from the 1% salary increase provided to most state employees on January 1, 2020. The BRFA also proposes to repeal legislation enacted last session that would provide a 2% salary increase in fiscal 2021 for members of specific bargaining units if certain revenue targets are reached in fiscal 2020.

- Assess adequacy of violent crime response. The Governor's allowance provides nearly \$2.6 million for 25 new prosecutors and support staff for the Attorney General to fight crime in Baltimore City, essentially level funding resources dedicated to addressing violent crime across the State in fiscal 2021.
- No funds are included in the Governor's allowance to resolve the Historically Black Colleges and Universities settlement.
- Cigarette Restitution Funds allocated to Broadening Options and Opportunities for Students grow by \$3.4 million to \$10.0 million.
- The Administration plan assumes \$40 million of mandated spending on school facility needs will be satisfied through the issuance of Education Trust Fund backed revenue bonds in fiscal 2021.
- No capital funds are earmarked for legislative bond initiatives.

2020 Session To Do List

General Fund Balance Before Legislation **-\$579.1**

Revenue Actions

Slow implementation of Revenue Volatility Adjustment	\$133.7	
Cap Film Production Activity Tax Credit for Fiscal 2021 at \$10 Million	4.0	
Maryland Health Benefit Exchange Mandate Change	3.0	
Abandoned Property Notification Changes	0.3	
*Franchise Tax Exemption	-0.1	
*Hometown Heroes	-7.2	
Local Reserve Account Repayment – Transfer of Revenue	-10.0	
*Military Retirement Income	-10.6	
		\$113.1

Transfers to General Fund

Dedicated Purpose Account - Fiscal 2020 POS Repayment	\$43.9	
		\$43.9

Actions Impacting Reserves/Liabilities

Rainy Day Fund Appropriation to Leave a Balance of about 6.25%	\$284.4	
Pension Sweeper and Retiree Health Sweeper for Fiscal 2021	50.0	
Local Reserve Account Repayment Alteration	33.3	
		\$367.8

Contingent Reduction – 2019 Session Legislation

Provider Rates for DDA, BHA, and Medicaid Reduced from 4% to 2%	\$39.5	
National Capital Strategic Economic Development Fund Repeal Program and Mandate	7.2	
Seed Community Development Anchor Institution Repeal Mandate and Reduce Authorization	5.0	
Baltimore Symphony Orchestra Repeal Mandate	1.6	
City of Annapolis Mandate Reduction	0.4	
		\$53.6

Other Contingent Reductions

*Public School Revenue Bonds for Healthy School Mandate and School Safety Mandate	\$40.0	
Joseph A. Sellinger Formula Rebase and Alter the Rate of Increase	32.0	
Senator John A. Cade Funding Formula Rebase and Alter the Rate of Increase	18.2	
Community Facilities Renewal Program Authorization to Use Bonds and Mandate Repeal	4.3	
Maryland Public Broadcasting Commission Mandate Repeal	0.2	
		\$94.8

Fund Swaps

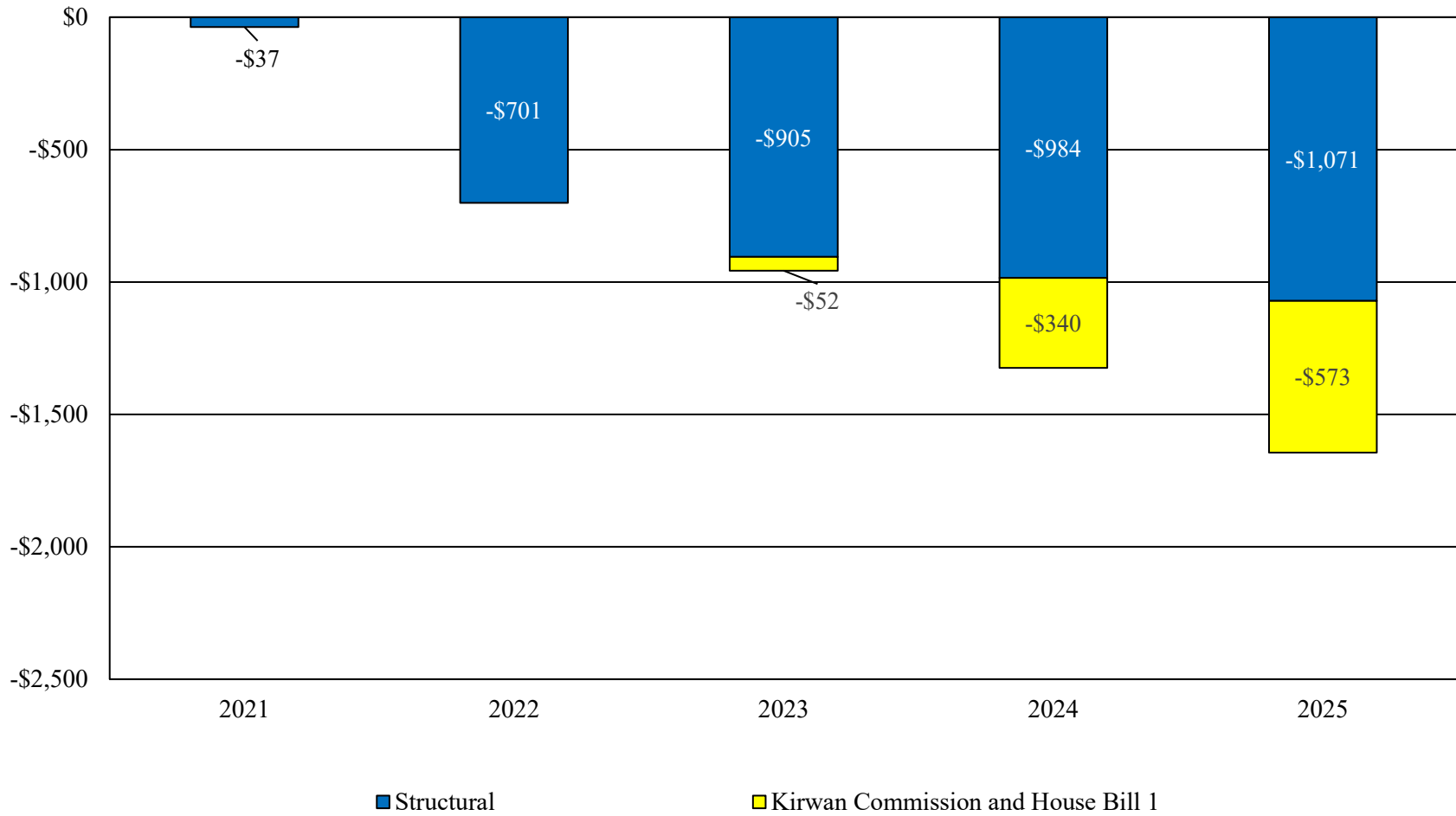
Medicaid Deficit Assessment Reduction Alteration	\$10.0	
Increase local share of SDAT to 60%	4.4	
		\$14.4

General Fund Balance After Legislation **\$108.5**

*Denotes items in separate legislation

BHA: Behavioral Health Administration
 DDA: Developmental Disabilities Administration
 POS: Program Open Space
 SDAT: State Department of Assessments and Taxation

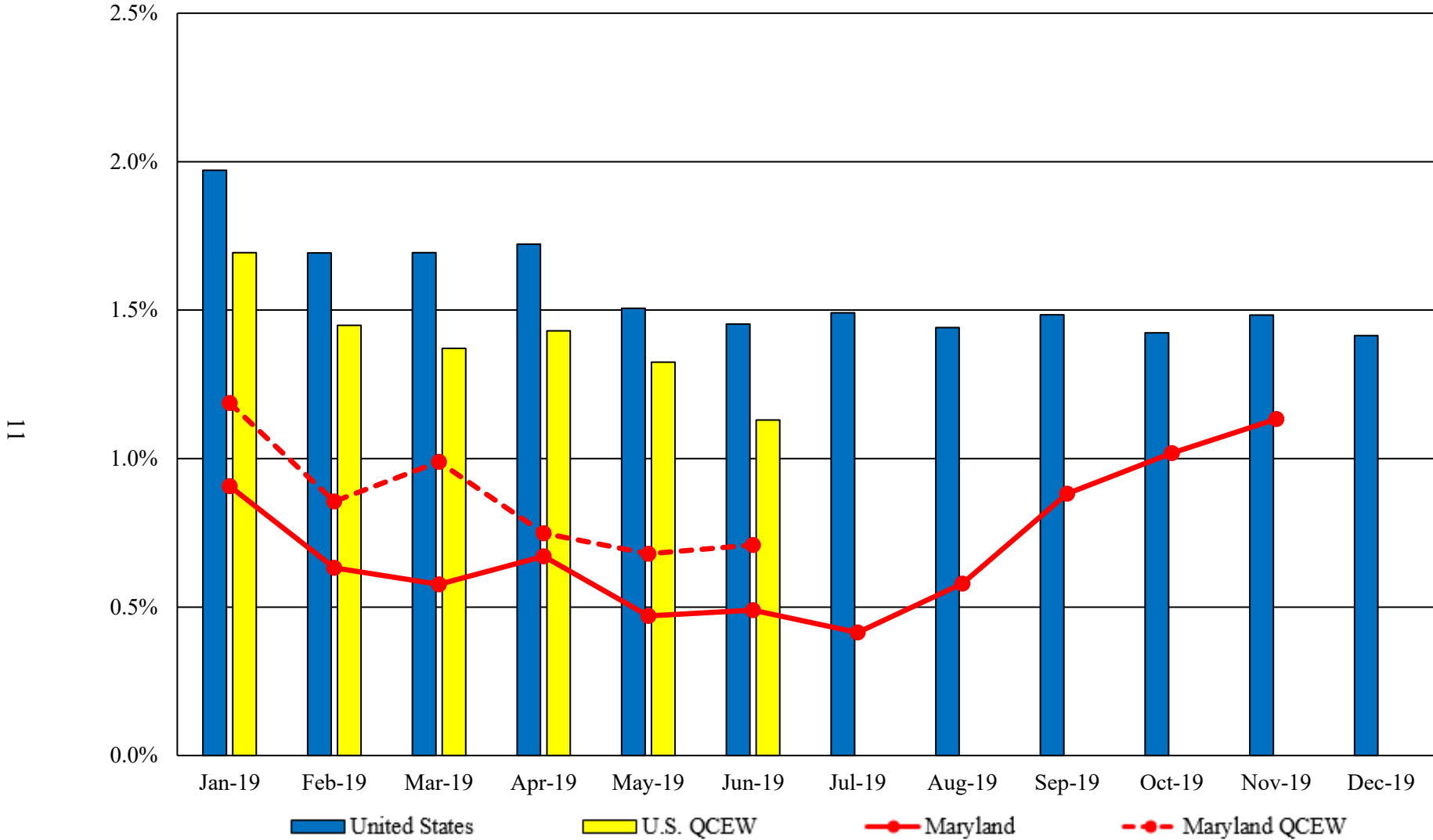
General Fund Outlook – Structural Deficit Forecast Fiscal 2021-2025 (\$ in Millions)



Kirwan: Commission on Innovation and Excellence in Education

Economic and Revenue Outlook

2019 Payroll Employment: Year-over-year Percent Change



QCEW: Quarterly Census of Employment and Wages

Maryland General Fund Revenue Forecast

Fiscal 2019-2021

(\$ in Millions)

<u>Source</u>	<u>2019</u>	<u>2020 Estimate</u>		<u>\$ Difference</u>	<u>% Change</u>	<u>2021 Estimate</u>		<u>\$ Difference</u>	<u>% Change</u>
	<u>Actual</u>	<u>September</u>	<u>December</u>			<u>September</u>	<u>December</u>		
Personal Income Tax ⁽¹⁾	\$10,272.4	\$10,546.9	\$10,587.3	\$40.4	3.1%	\$10,882.1	\$11,030.1	\$148.0	4.2%
Sales and Use Tax ⁽²⁾	4,812.1	4,956.2	4,951.9	-4.3	2.9%	5,049.9	5,040.6	-9.4	1.8%
State Lottery	552.4	567.1	531.0	-36.2	-3.9%	579.2	565.4	-13.8	6.5%
Corporate Income Tax	1,033.1	992.0	1,011.3	19.2	-2.1%	1,093.6	1,101.3	7.6	8.9%
Business Franchise Taxes ⁽³⁾	245.1	248.1	246.2	-1.9	0.5%	215.8	212.0	-3.8	-13.9%
Insurance Premiums Tax	335.2	348.6	348.6	0.0	4.0%	356.4	356.4	0.0	2.2%
Estate and Inheritance Taxes ⁽⁴⁾	180.4	167.3	196.9	29.6	9.1%	170.0	176.5	6.5	-10.4%
Alcohol and Tobacco Taxes	389.2	383.8	381.4	-2.4	-2.0%	377.7	374.7	-3.0	-1.8%
Other	579.2	527.5	508.8	-18.7	-12.2%	526.0	509.5	-16.5	0.1%
Subtotal	\$18,399.0	\$18,737.6	\$18,763.4	\$25.8	2.0%	\$19,250.8	\$19,366.5	\$115.8	3.2%
Excellence in Education Fund ⁽⁵⁾	-200.0				n/a				
Total Revenues	\$18,199.0	\$18,737.6	\$18,763.4	\$25.8	3.1%	\$19,250.8	\$19,366.5	\$115.8	3.2%
Volatility Adjustment ⁽⁶⁾	\$0.0	-\$42.2	-\$42.2	-\$0.1	n/a	-\$192.5	-\$193.7	-\$1.2	n/a
Available Revenues	\$18,199.0	\$18,695.4	\$18,721.2	\$25.8	2.9%	\$19,058.3	\$19,172.9	\$114.6	2.4%

⁽¹⁾ The December estimate for fiscal 2020 reflects a transfer of \$55 million to the Local Income Tax Reserve Account. At the end of fiscal 2019, the account was underfunded by \$794 million and by \$55 million net of \$739 million of canceled repayments.

⁽²⁾ Fiscal 2019 reflects \$80 million in revenue from out-of-state retailers following the Supreme Court decision allowing states to require those sellers to collect and remit the sales tax (*South Dakota vs. Wayfair*). The Board of Revenue Estimates (BRE) estimates that revenue will grow to \$120 million in fiscal 2020 and \$125 million in fiscal 2021. In addition BRE estimates that sales tax collections from marketplace facilitators pursuant to Chapter 735 of 2019 will add \$30 million in fiscal 2020 and \$42 million in fiscal 2021. Chapter 735 requires the first \$100 million in sales tax collections from marketplace facilitators and out-of-state retailers go to the General Fund with the remainder going to The Blueprint for Maryland's Future Fund.

⁽³⁾ Corporate filing fees decline in fiscal 2021 due to the Budget Reconciliation and Financing Act (BRFA) of 2019 (Chapter 16), which directs filing fee revenue over \$63.3 million to the Commission on Innovation and Excellence in Education Fund. The BRFA of 2019 also delayed until fiscal 2022 the implementation of Chapters 323 and 324 of 2016, which exempts companies that participate in the Maryland Small Business Retirement Savings Program and Trust or otherwise offer a retirement savings arrangement from the annual filing fee for corporations and business entities.

⁽⁴⁾ Estate tax revenues decline due to Chapter 612 of 2014, which raised the unified credit over a number of years, and Chapter 15 of 2018, which sets the credit at \$5 million beginning in calendar 2019.

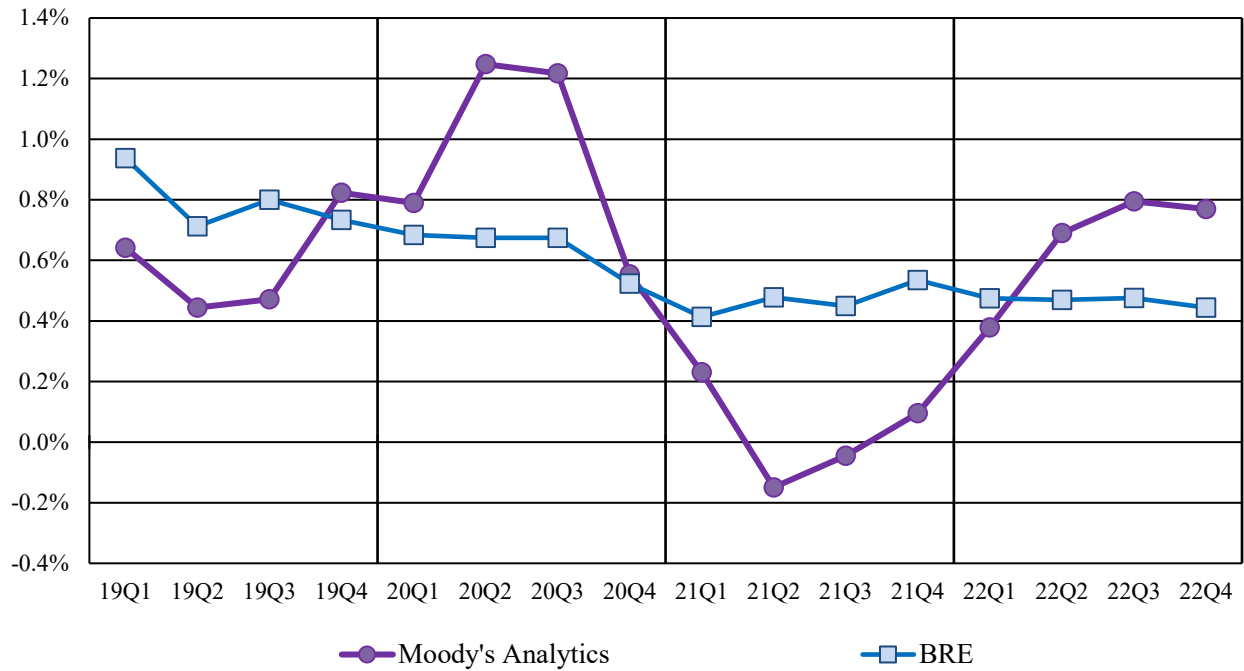
⁽⁵⁾ The BRFA of 2018 (Chapter 10) distributed \$200 million of personal income tax revenues to the Commission on Innovation and Excellence in Education Fund created by the bill.

⁽⁶⁾ Chapters 4 and 550 of 2017 as amended by the BRFA of 2018 require BRE, beginning with fiscal 2020, to calculate an adjustment to the general fund revenue estimate based on the share of revenues from nonwithholding personal income tax payments relative to the historical average.

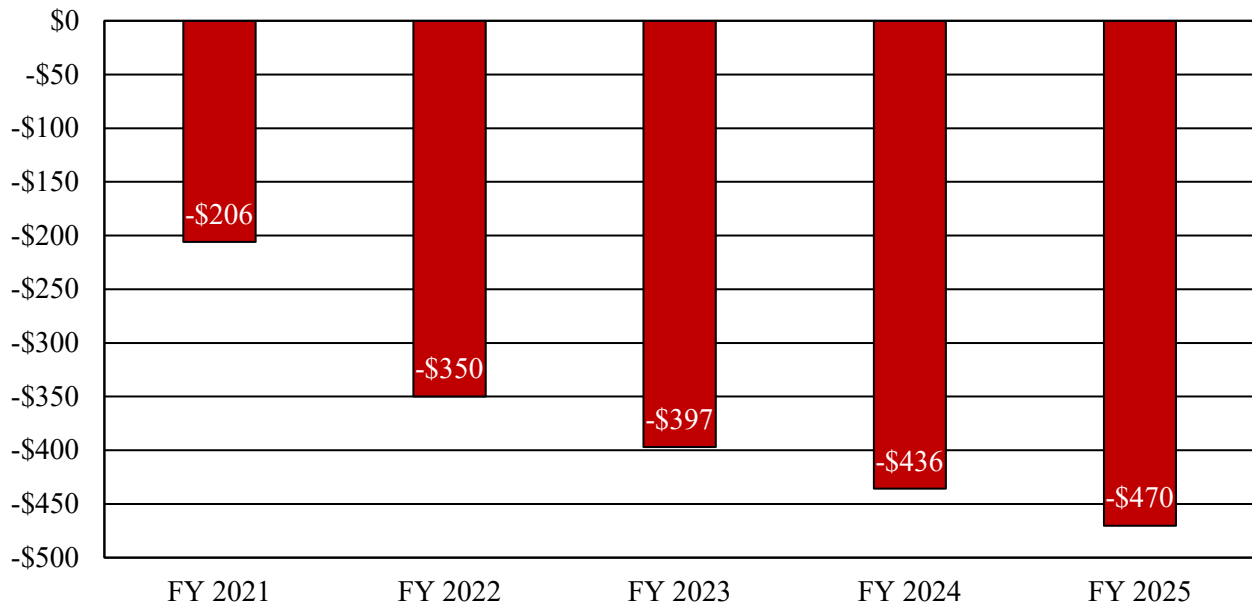
Note: Other includes revenues from the courts, hospital patient recoveries, interest earnings and other miscellaneous revenues.

Source: Board of Revenue Estimates

Slower Economic Growth Scenario – Moody's Analytics
Maryland Payroll Employment: Year-over-year Percent Change

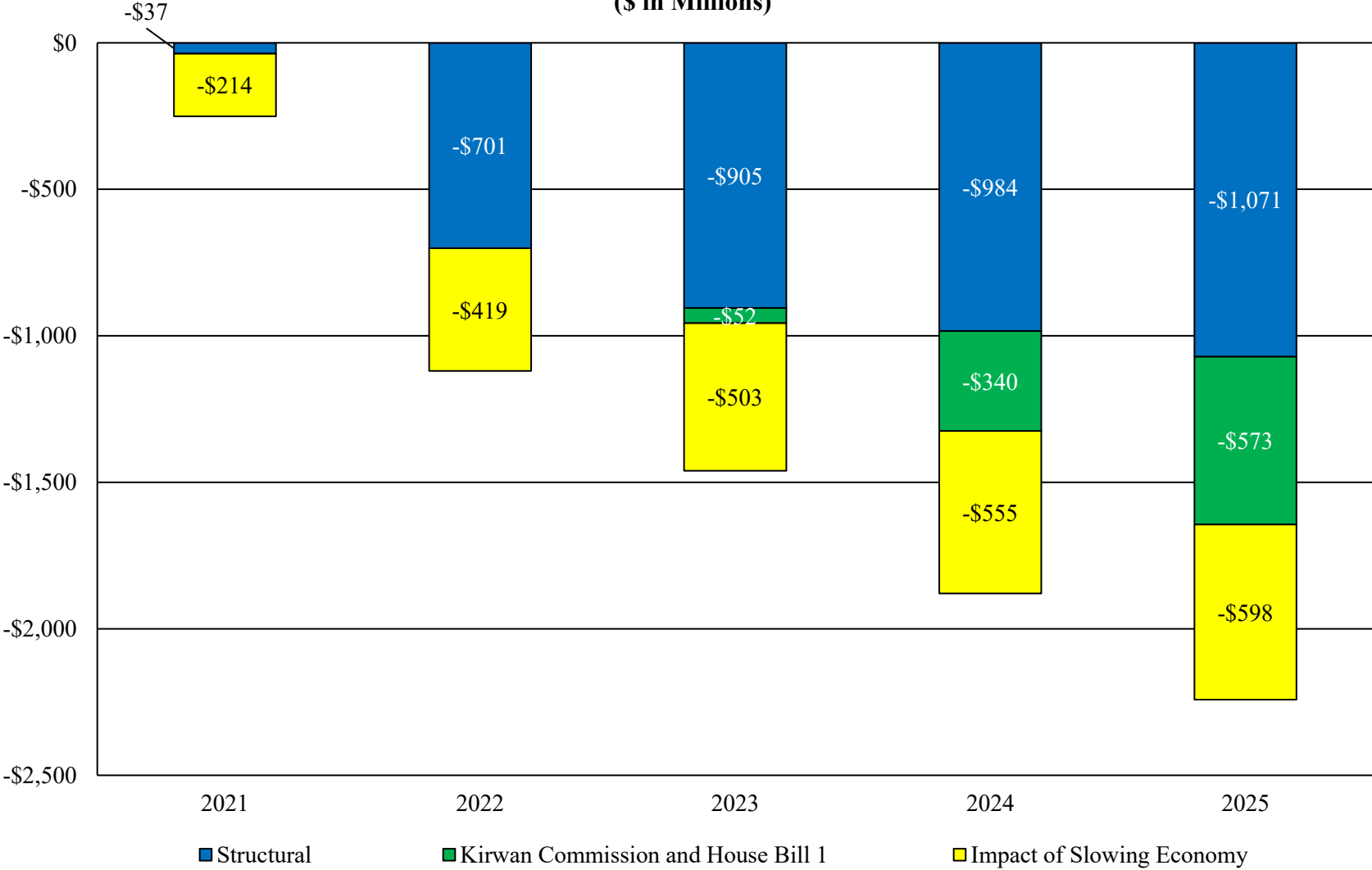


Maryland General Fund Revenue: Change from BRE Baseline
Personal Income Tax and Sales Tax
 (\$ in Millions)



BRE: Board of Revenue Estimates

General Fund Outlook with Slowing Economy
(\$ in Millions)

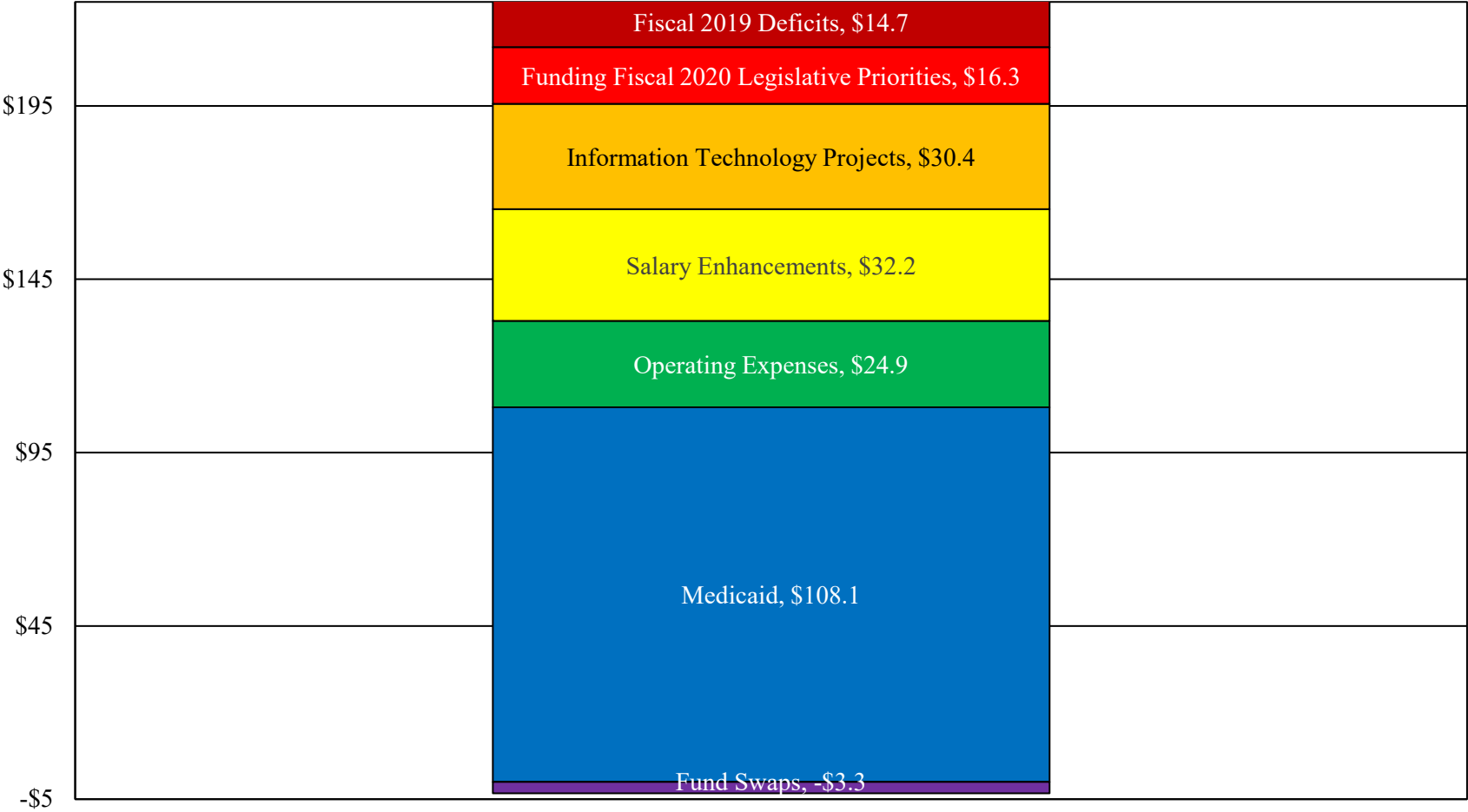


Operating Budget

General Fund: Recent History and Outlook
Fiscal 2019-2021
(\$ in Millions)

	2019	2020	2021
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>
Funds Available			
Ongoing Revenues	\$18,224	\$18,761	\$19,321
Balances and Transfers	391	1,132	462
Short-term Revenues	229	0	0
Total Funds Available	\$18,843	\$19,893	\$19,784
 Appropriations, Deficiencies, and Cost Containment			
Net Ongoing Operating Costs and Deficiencies	\$17,758	\$18,785	\$19,358
One-time Spending	85	113	183
Appropriations to Reserve Fund	26	661	558
One-time Targeted Reversions/Contingent Reductions	0	-79	-424
Total Spending	\$17,869	\$19,479	\$19,675
 Cash Balance/(Shortfall)	\$974	\$414	\$108
 Structural			
Balance (Ongoing Revenues Less Ongoing Operating Costs)	\$466	-\$24	-\$37
Ratio (Ongoing Revenues/Ongoing Operating Costs)	102.6%	99.9%	99.8%
 Reserve Fund Activity			
Appropriations to Rainy Day Fund	\$15	\$444	\$7
Transfers to General Fund	0	158	0
 Estimated Rainy Day Fund Balance – June 30	\$876	\$1,180	\$1,206
 Total Cash (Rainy Day Fund and General Fund Balance)	\$1,851	\$1,594	\$1,314
 Rainy Day Fund Balance In Excess of 5%	-\$33	\$244	\$247

Fiscal 2020 General Fund Deficiencies Total \$223 Million
(\$ in Millions)

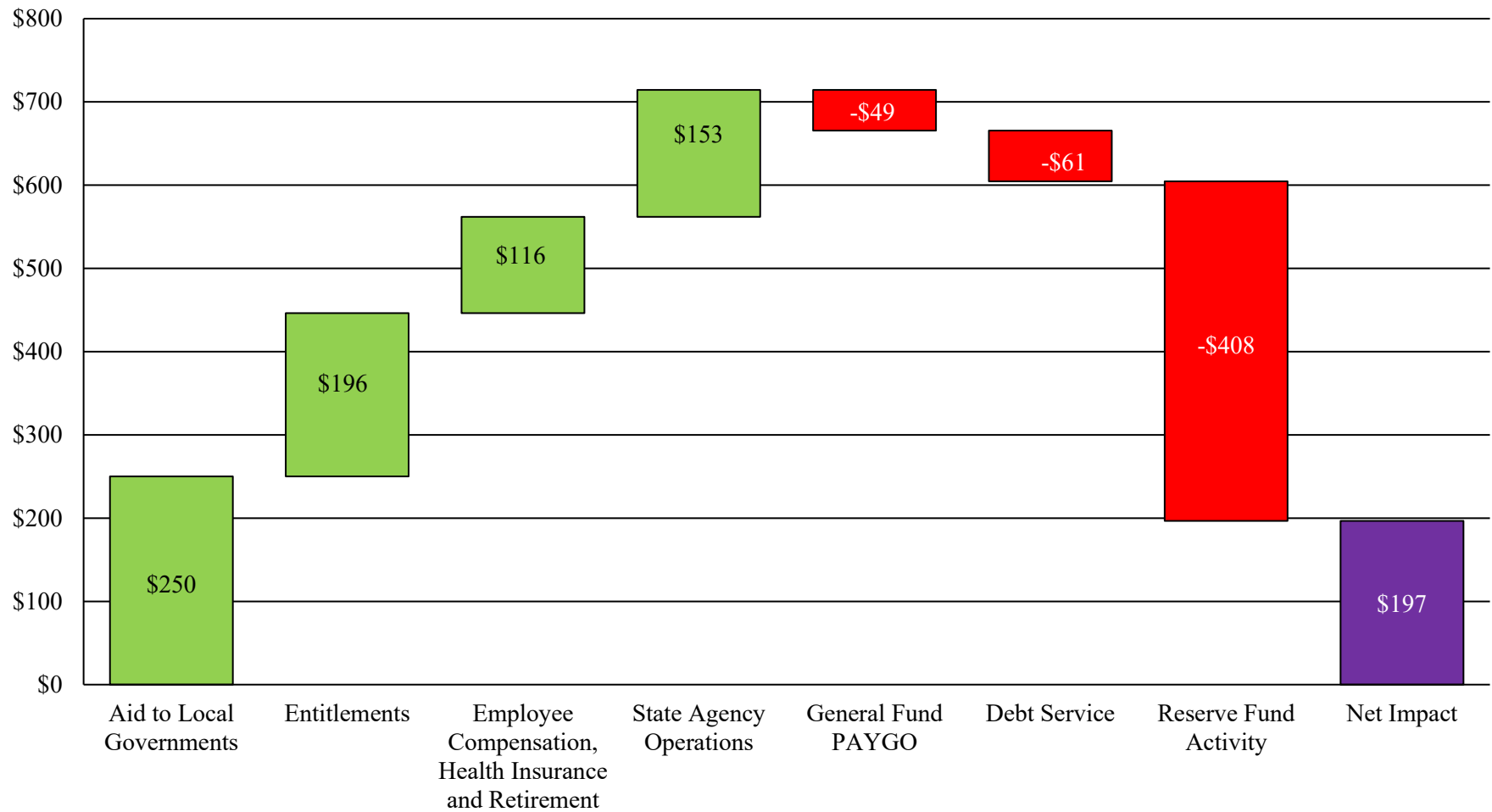


Fiscal 2021 General Fund Growth

Changes in the Reserve Fund Mask Growth in Other Areas

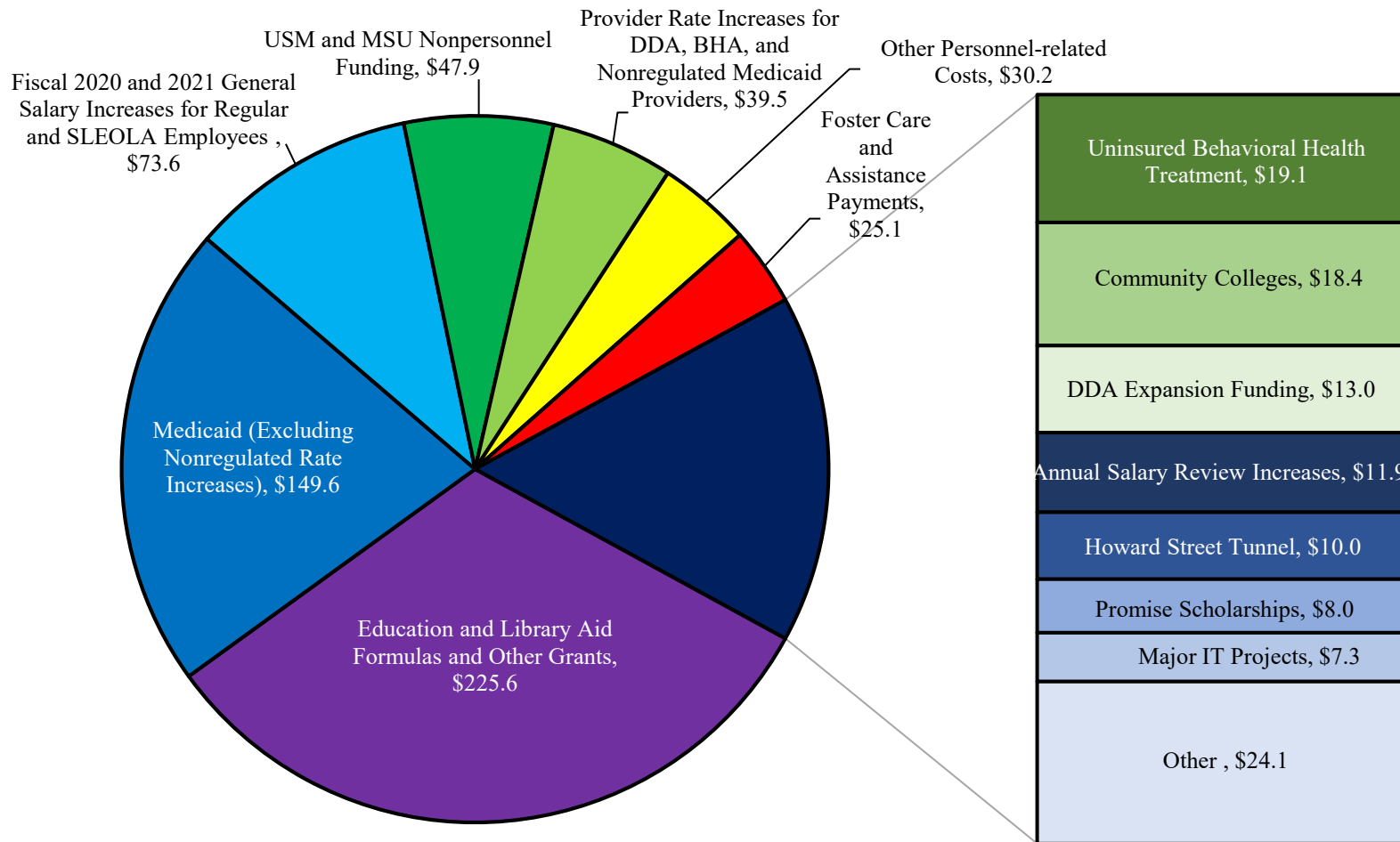
(\$ in Millions)

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PAYGO: pay-as-you-go

Fiscal 2021: Major Areas of Additional General Fund Spending (\$ in Millions)



BHA: Behavioral Health Administration
 DDA: Developmental Disabilities Administration
 IT: information technology

MSU: Morgan State University
 SLEOLA: State Law Enforcement Officers Labor Alliance
 USM: University System of Maryland

State Aid by Governmental Entity

Amount and Percent of Total State Funds (\$ in Millions)

	<u>FY 2021 State Aid Amount</u>	<u>Percent of Total</u>
Public Schools	\$7,214.8	85.1%
County/Municipal	768.8	9.1%
Community Colleges	349.0	4.1%
Libraries	83.8	1.0%
Local Health	60.0	0.7%
Total	\$8,476.5	100.0%

Change in State Aid State Funds (\$ in Millions)

	<u>FY 2021 Aid Change</u>	<u>Percent Change</u>
Public Schools	\$212.9	3.0%
County/Municipal	58.9	8.3%
Community Colleges	18.4	5.5%
Libraries	0.7	0.8%
Local Health	0.9	1.6%
Total	\$291.8	3.6%

State Aid by Major Programs
State Funds
(\$ in Millions)

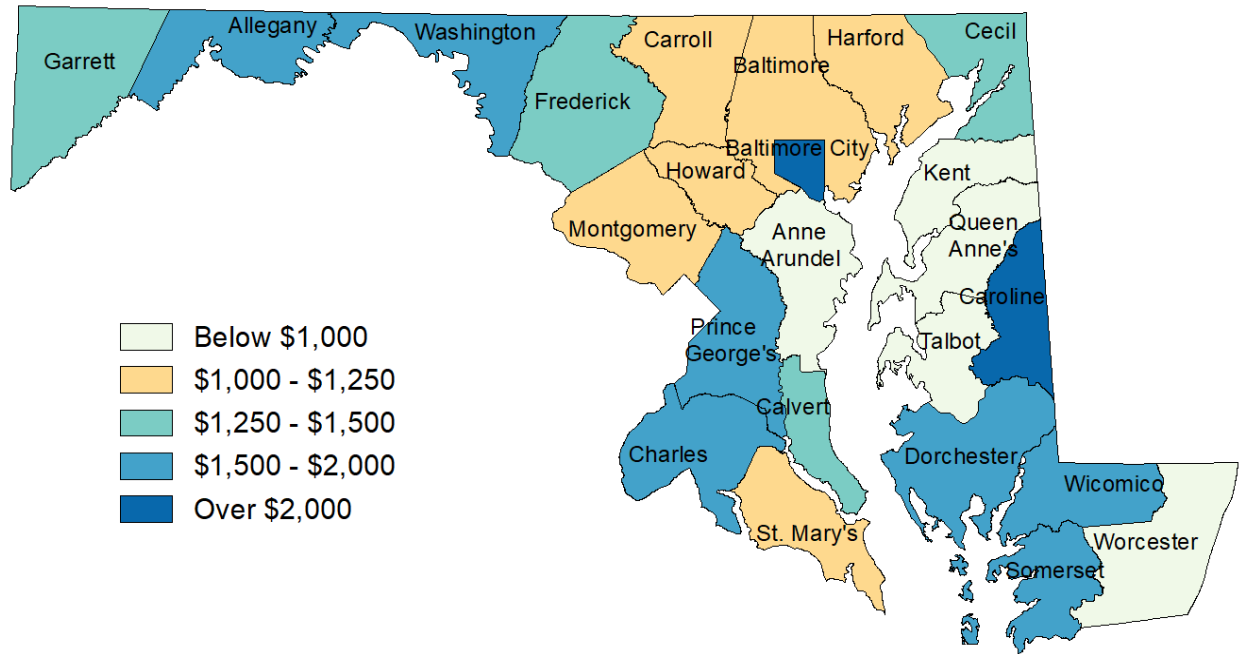
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2020-2021</u> <u>\$ Change</u>	<u>2020-2021</u> <u>% Change</u>
Public Schools					
Foundation Program	\$3,056.2	\$3,140.4	\$3,218.4	\$78.0	2.5%
Geographic Cost Index	141.6	145.5	149.5	4.1	2.8%
NTI Education Grant	62.5	65.3	69.7	4.4	6.8%
Declining Enrollment Grant ¹	18.7	18.9	7.6	-11.3	-59.6%
Hold Harmless Grant	13.0	11.9	9.4	-2.5	-21.2%
Kirwan Blueprint Funding ¹	0.0	251.6	294.7	43.1	17.1%
Compensatory Aid	1,308.3	1,330.4	1,363.2	32.8	2.5%
Student Transportation	282.6	303.0	310.2	7.1	2.4%
Special Education – Formula Aid	290.8	303.3	314.9	11.6	3.8%
Special Education – Nonpublic Placements	123.5	121.5	123.9	2.4	2.0%
Limited English Proficiency Grant	288.0	311.1	348.2	37.2	11.9%
Guaranteed Tax Base	48.2	43.7	41.2	-2.5	-5.6%
Head Start/Prekindergarten ¹	29.4	50.8	75.2	24.4	48.1%
Other Education Programs	134.7	136.6	138.3	1.6	1.2%
Subtotal Direct Aid	\$5,797.5	\$6,234.0	\$6,464.5	\$230.5	3.7%
Retirement Payments	\$732.9	\$767.9	\$750.3	-\$17.6	-2.3%
Total Public School Aid	\$6,530.4	\$7,001.9	\$7,214.8	\$212.9	3.0%
Library Aid	\$79.2	\$83.2	\$83.8	\$0.7	0.8%
Community College Aid	\$321.7	\$330.7	\$349.0	\$18.4	5.5%
Local Health Grants	\$51.9	\$59.1	\$60.0	\$0.9	1.6%
County/Municipal Aid					
Transportation	\$247.2	\$261.7	\$270.0	\$8.3	3.2%
Public Safety	132.3	148.2	183.2	35.0	23.6%
Disparity Grant	140.8	146.2	158.3	12.1	8.3%
Gaming Impact Grant	92.8	93.7	95.0	1.3	1.3%
Teacher Retirement Supplemental Grant	27.7	27.7	27.7	0.0	0.0%
Other Grants	27.3	32.4	34.6	2.3	7.0%
Total County/Municipal Aid	\$668.1	\$709.9	\$768.8	\$58.9	8.3%
Total State Aid	\$7,651.2	\$8,184.7	\$8,476.5	\$291.8	3.6%

NTI: net taxable income

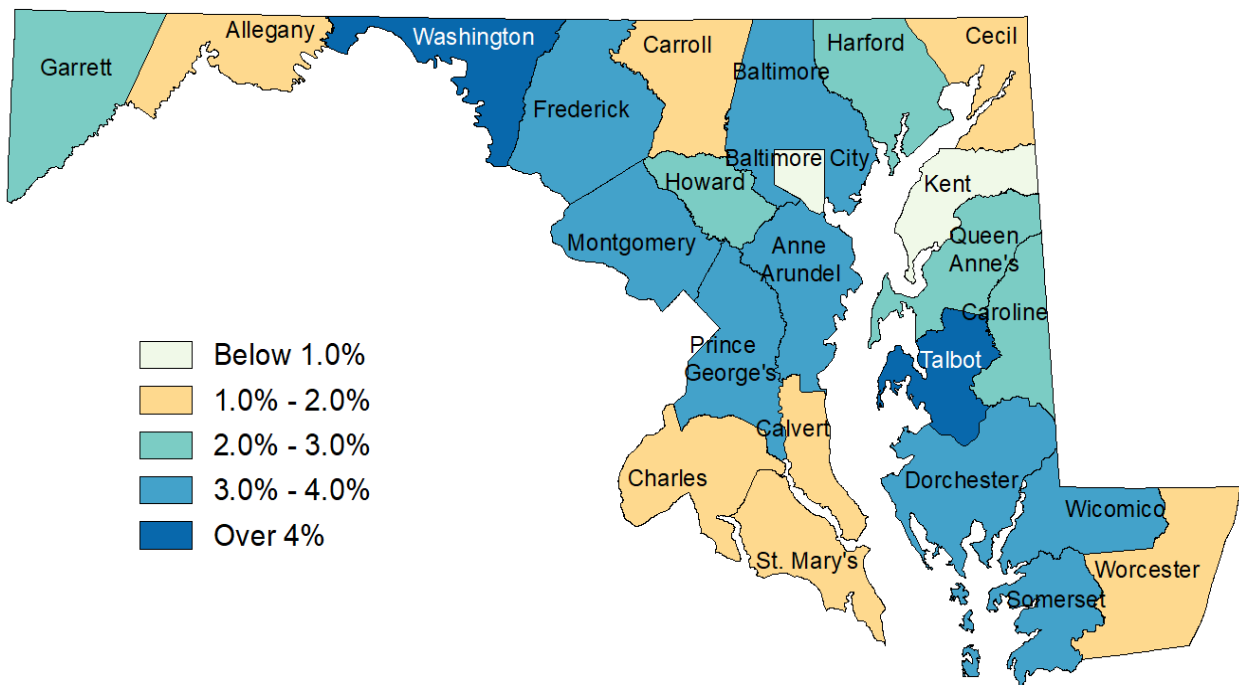
¹Funding for Kirwan proposals in fiscal 2021 includes \$7.6 million in declining enrollment grants and \$45.6 million in prekindergarten expansion grants, for a total aid amount of \$347.9 million.

State Aid to Local Governments

**Per Capita State Aid
FY 2021**



**Annual Percent Change
FY 2021**



**Statewide Personnel Actions
Fiscal 2020 and 2021
(\$ in Millions)**

	<u>General Funds</u>	<u>All Funds</u>
<u>Fiscal 2020</u>		
1% General Salary Increase Effective January 1, 2020: General salary increase effective January 1, 2020, with the exception of AFSCME-represented employees.	\$19.1	\$25.1
Correctional Officer (CO) Retention Incentive Bonus: Funding is provided for bonuses of up to \$37,500 over four years to COs who work beyond their retirement eligibility date.	5.9	5.9
Reversion: Overbudgeted fiscal 2020 3% general salary increase	-12.5	-12.5
Fiscal 2020 Total	\$12.5	\$18.5
<u>Fiscal 2021</u>		
1% General Salary Increase Annualization: The cost to annualize the 1% general salary increase effective January 1, 2020.	\$37.8	\$50.0
2% General Salary Increase Effective January 1, 2021: Employees receive a 2% general salary increase effective January 1, 2021.	40.1	53.4
State Law Enforcement Officers Labor Alliance (SLEOLA) Employee General Salary Increase and Increment: Members of SLEOLA receive a 4% general salary increase and employee increments effective July 1, 2020.	13.7	16.7
CO and Aviation Tech Bonuses: Retention bonuses for COs and aviation techs	2.8	2.8
State Employee Student Loan Repayment Benefit: Funding is provided for a student loan repayment benefit for State employees or their child in targeted shortage areas.	2.0	2.0
Annual Salary Review Enhancements: Targeted salary increases for difficult to recruit and retain positions such as social workers, direct care workers, licensed practical nurses, teachers, pretrial release investigators, lab scientists, and veterans benefits specialists.	11.9	14.6
Fiscal 2021 Total	\$108.3	\$139.5

Note: A \$500 bonus on January 1, 2021, is contingent on fiscal 2020 general fund revenues exceeding December 2019 estimates by \$75 million. These funds have not been budgeted.

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

Analysis of Vacancies and Turnover Rate

Fiscal 2021 Allowance Compared to January 2020 Vacancies

<u>Department/Service Area</u>	<u>Positions</u>	<u>Budgeted Turnover Rate</u>	<u>Vacancies to Meet Turnover</u>	<u>January Vacancies</u>	<u>Vacancies Above (or Below) Turnover</u>	<u>Actual Vacancy Rate</u>
Public Safety, Health and Human Services						
Public Safety and Correctional Services*	9,097	17.2%	1,565	1,657	92	18.2%
Health	6,347	8.1%	517	753	236	11.9%
Human Services	6,119	7.0%	429	606	177	9.9%
Police and Fire Marshal	2,458	6.9%	168	208	40	8.5%
Juvenile Services	1,987	7.3%	145	179	34	9.0%
Subtotal	26,008	10.7%	2,824	3,403	579	13.1%
Transportation	9,058	4.8%	435	563	129	6.2%
Other Executive						
Legal (Excluding Judiciary)	1,508	6.0%	91	120	29	8.0%
Executive and Administrative Control	1,608	5.1%	81	184	103	11.4%
Financial and Revenue Administration	2,095	5.5%	116	213	97	10.1%
Budget and Management and DoIT	530	3.8%	20	83	63	15.7%
Retirement	189	6.5%	12	28	16	14.8%
General Services	645	5.5%	36	70	34	10.8%
Natural Resources	1,344	5.5%	73	140	66	10.4%
Agriculture	410	5.6%	23	42	19	10.2%
Labor	1,378	7.1%	98	186	89	13.5%
MSDE and Other Education	1,986	7.0%	139	222	83	11.2%
Housing and Community Development	331	6.0%	20	25	5	7.6%
Commerce	188	6.3%	12	26	14	13.8%
Environment	893	6.5%	58	120	62	13.4%
Subtotal	13,105	6.0%	780	1,458	678	11.1%
Executive Branch	48,172	8.3%	4,038	5,424	1,386	11.3%

DoIT: Department of Information Technology
MSDE: Maryland State Department of Education

*The fiscal 2021 budget bill includes language that abolishes 521 vacant positions in the Department of Public Safety and Correctional Services. Abolished positions have been removed from this chart.

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

Capital Budget

Quick Look at Fiscal 2021 Capital Budget

- The capital budget provides \$1.095 billion of new general obligation (GO) bonds which is consistent with the level programmed in the 2019 *Capital Improvement Program* (CIP) for fiscal 2021 and the level recommended by the Capital Debt Affordability Committee (CDAC) and the Spending Affordability Committee (SAC).
- The level of GO bond funds programmed in the 2020 CIP exceeds the limits established by both CDAC and SAC by \$50 million in each of fiscal 2022 through 2025 for a total of \$200 million through the planning period.
- The budget provides \$63.9 million of general funds including \$38.2 million for repayment of Program Open Space budgeted in the Dedicated Purpose Account.
- The budget alters several general fund capital mandates contingent upon legislation; the budget seeks \$56.3 million of general fund relief for capital programs. Page 42 of the Appendix provides more detail to illustrate the treatment of capital mandates in the budget.
- The budget defers projects programmed in the CIP and projects preauthorized by the Maryland General Assembly for fiscal 2021. Page 43 of the appendix provides more detail to illustrate the significant changes.
- Fiscal 2021 would begin the design phase for the proposed Therapeutic Treatment Center in Baltimore City, which is estimated to cost \$388 million.
- The 2020 CIP programs the use of \$124.5 million of GO bonds for the Howard Street Tunnel project from fiscal 2022 through fiscal 2024.
- The budget does not provide a funding earmark for Legislative Bond Initiatives in fiscal 2021.

Capital Budget – All Funds
Fiscal 2020 and 2021
(\$ in Millions)

	<u>2020</u>	<u>2021</u>	<u>Variance</u>
Uses			
State Facilities	\$138.3	\$63.5	-\$74.8
Health/Social	86.6	30.4	-56.2
Environment	486.8	553.4	66.6
Public Safety	57.2	63.0	5.8
Education	378.9	340.8	-38.1
Higher Education	341.0	410.7	69.7
Housing/Economic Development	173.8	207.6	33.8
Local Projects	85.2	43.2	-42.0
Subtotal	\$1,747.8	\$1,712.6	-\$35.2
Transportation	\$2,864.0	\$2,553.6	-\$310.4
Public School Construction – Building Opportunity Fund	\$0.0	\$400.0	\$400.0
Total	\$4,611.8	\$4,666.2	\$54.4
Funds			
General Obligation (GO)	\$1,085.0	\$1,095.0	\$10.0
Additional GO from Deauthorizations	7.2	9.1	1.9
Revenue Bonds	34.0	432.0	398.0
General	77.0	63.9	-13.1
Special	428.0	431.0	3.0
Federal	116.6	81.6	-35.0
Transportation	2,864.0	2,553.6	-310.4
Total	\$4,611.8	\$4,666.2	\$54.4

Note: Fiscal 2020 figures are adjusted for \$194.5 million of withheld general funds restricted by the General Assembly and not released by the Governor. Fiscal 2021 figures are adjusted to reflect \$38.2 million in general funds budgeted in the Dedicated Purpose Account for transfer tax repayments required by Chapter 10 of 2016. Figures include general fund appropriations for the Historic Revitalization Tax Credit, which is not part of the Governor's annual *Capital Improvement Program*.

Howard Street Tunnel Project Funding by Source
Fiscal 2019-2024
(\$ in Millions)

	<u>Expended Thru 2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Total</u>
Federal – INFRA Grant	\$0.0	\$0.0	\$24.0	\$32.0	\$33.5	\$35.5	\$125.0
Federal – Baltimore City	0.0	0.0	1.0	1.0	1.0	0.0	3.0
<i>Subtotal – Federal</i>	\$0.0	\$0.0	\$25.0	\$33.0	\$34.5	\$35.5	\$128.0
State – General Obligation Bonds	\$0.0	\$0.0	\$0.0	\$21.5	\$51.5	\$51.5	\$124.5
State – General Funds	0.0	0.0	10.0	30.0	0.0	0.0	40.0
State— Baltimore City Highway User Revenues	0.0	0.0	5.0	5.0	5.0	5.0	20.0
State – Maryland Transportation Authority	0.0	0.0	10.0	0.0	0.0	0.0	10.0
State – Maryland Department of Transportation	0.0	0.0	0.3	2.8	2.5	2.5	8.0
<i>Subtotal – State</i>	\$0.0	\$0.0	\$25.3	\$59.3	\$59.0	\$59.0	\$202.5
CSX	\$25.0	\$10.0	\$15.6	\$16.9	\$25.5	\$20.0	\$113.0
Pennsylvania DOT ¹	\$0.0	\$0.0	\$14.4	\$8.1	\$0.0	\$0.0	\$22.5
Total	\$25.0	\$10.0	\$80.3	\$117.3	\$119.0	\$114.5	\$466.0

DOT: Department of Transportation

¹ The \$8.1 million shown in fiscal 2022 is a grant for which the application has not yet been made.