
Fiscal Briefing

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The Governor's Fiscal 2019 Plan

Quick Look at the Fiscal 2019 Budget

- The revenue estimates supporting the fiscal 2019 budget were developed prior to enactment of the federal Tax Cuts and Jobs Act. The Comptroller’s Office is expected to release an analysis of the impact of the federal legislation on Maryland revenues on January 25.
- The Governor’s proposed budget of \$44.5 billion represents an \$861.1 million (2.0%) increase over the revised fiscal 2018 spending plan. Proposed general fund spending increases \$588.1 million (3.4%) to \$17.7 billion.
- The budget leaves a fiscal 2018 closing balance of \$207.5 million and a fiscal 2019 closing balance of \$100.6 million. The Governor’s spending plan leaves a Rainy Day Fund balance of \$879.0 million, or 5.0%, of general fund revenues. Combined cash balances at the close of fiscal 2019 of \$979.6 million represent about 5.6% of revenues.
- The Spending Affordability Committee (SAC) set a goal of eliminating the structural deficit forecast for fiscal 2019. While the Administration’s spending plan reduces the structural deficit by more than \$200.0 million, a deficit of approximately \$75.0 million remains.
- The Administration again proposes tax cuts for military retirees; law enforcement, fire, and rescue employees; and small business owners who offer paid sick leave to their employees. The Administration also proposes to expand the tax credits available through the More Jobs for Marylanders Act beginning in fiscal 2020. The proposals are phased in with revenue losses of \$19.5 million in fiscal 2019 growing to \$150.0 million by fiscal 2023.
- Under the Administration’s proposal, the structural deficit is projected to grow over the five-year forecast period reaching almost \$1.2 billion by fiscal 2023. Savings from proposed mandate relief in fiscal 2020 through 2023 are offset by revenue losses from the proposed tax relief measures.

Structural Budget Outlook Fiscal 2020-2023 (\$ in Millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Structural Deficit Before Mandate and Tax Relief Proposals	-\$665	-\$896	-\$1,076	-\$1,212
Revenue Losses	-48	-83	-124	-150
Mandate Relief Savings	29	87	124	163
Net Impact on Structural Deficit	-\$19	\$4	\$0	\$14
Revised Outlook	-\$684	-\$892	-\$1,076	-\$1,199

- Other Key Features
 - Tuition for in-state students at the University System of Maryland, Morgan State University, and St. Mary's College grows 2.0%.
 - Rates for providers of most health and human service programs increase by 1.0%. Mandated 3.5% rate increases for behavioral health providers and providers serving the developmentally disabled are capped at 2.0% and 1.0%, respectively.
 - K-12 education formulas are fully funded with an additional \$15.2 million of discretionary funds provided to ensure every jurisdiction receives an increase in their formula funding. Baltimore City and Calvert, Carroll, Cecil, and Garrett counties all receive a portion of the funding.
 - A 2.0% general salary increase for State employees is funded effective January 1, 2019, at a cost of \$42.0 million in general funds. An additional 0.5% increase and a \$500 bonus will be paid in April 2019 if fiscal 2018 revenues exceed the December 2017 estimate by at least \$75.0 million. Two health insurance contribution holidays are planned in March, reducing the amount employees and retirees contribute and saving the General Fund almost \$60.0 million.
 - The allowance increases funding for the Opioid Crisis Fund by \$3.2 million to \$13.7 million.
- The budget assumes immediate and ongoing savings from repealing, modifying, and limiting budget mandates. K-12 education formulas are exempted.
 - \$50.0 million of budget savings are realized for fiscal 2019 by reducing mandated payments to the pension system in excess of the actuarially required amount.
 - \$20.0 million of the cost to conduct property tax assessments is shifted from the State to local governments, and local aid is reduced by more than \$20.0 million.
 - Mandated repayments of transfer tax diversions for Program Open Space and other programs are delayed by one year, saving \$15.0 million.
 - Growth under future budget mandates would be limited to the lesser of mandated increases or estimated general fund revenue growth less one percentage point.

- Allowance assumes federal government will re-authorize the Children's Health Insurance Program (CHIP) for fiscal 2019 at the enhanced matching rate of 88.0%. If the program is not re-authorized, the State will need to increase funding by \$24.0 million in fiscal 2018 and \$104.0 million in fiscal 2019 to provide coverage for the 148,000 children currently enrolled.
- Capital spending is constrained with \$995.0 million of new general obligation debt proposed, \$80.0 million below SAC's recommendation.

Potential Legislative Issues

- Understand impact of federal tax legislation on State revenues and Maryland residents and determine what legislative actions are required.
- The Administration's spending plan fails to achieve SAC's goal of resolving the fiscal 2019 structural budget deficit.
- The long-term structural deficit remains unresolved.
- Address future of the Maryland Children's Health Program if Congress fails to re-authorize the CHIP.
- Mandated rate increases of 3.5% for behavioral health providers and Developmental Disabilities Administration providers are reduced to 2.0% and 1.0%, respectively.
- The Medicaid budget assumes \$38.4 million of general fund savings from a data matching initiative. The estimate appears speculative and, if overly optimistic, could leave the program underfunded.
- \$10.0 million is set aside in the allowance as part of an effort to attract Amazon headquarters.
- Cigarette Restitution Funds allocated to Broadening Options and Opportunities for Students grow by \$3.35 million to \$8.5 million.
- No bond capacity is reserved for local initiatives.
- The fiscal 2019 transportation capital program contains \$54.0 million for grants to local governments as part of the Administration's proposal to increase Highway User Revenues for local governments. The General Assembly approved \$38.4 million of one-time grants to local governments in fiscal 2018.
- The Transportation Trust Fund Forecast does not adequately account for operating expenses, which results in the capital program being oversubscribed.

Spending Affordability Analysis

- The Spending Affordability Committee (SAC) adopted goals of eliminating the fiscal 2019 structural deficit and leaving a \$100 million fund balance.
- The Administration budget materials report a structural surplus of \$5 million and a fund balance of \$100.6 million.
- The Department of Legislative Services' (DLS) analysis of the Administration spending plan shows a structural deficit of \$75 million.
- The difference in the structural analysis reflects the Department of Budget and Management's (DBM) use of a narrower definition of structural spending than has been used by DBM and DLS in the past.
- The largest items that DBM excludes as temporary or as pay-as-you-go (PAYGO) spending that DLS continues to consider as structural spending are:
 - \$44 million of ongoing facilities renewal funding for the University System of Maryland (USM); and
 - \$34 million in statutorily required spending over multiple years for declining enrollment grants and prekindergarten grants.
- In the prior six years in which the reduction of the structural deficit was a SAC budget goal, both DLS and DBM have treated ongoing facilities renewal funding as structural spending. The spending is not defined in the budget as PAYGO and may be repurposed by USM for other uses.
- Additionally, the declining enrollment and prekindergarten grants are multi-year statutory grants and not one-time spending. Structural spending calculations include many grants that sunset after a certain number of years.

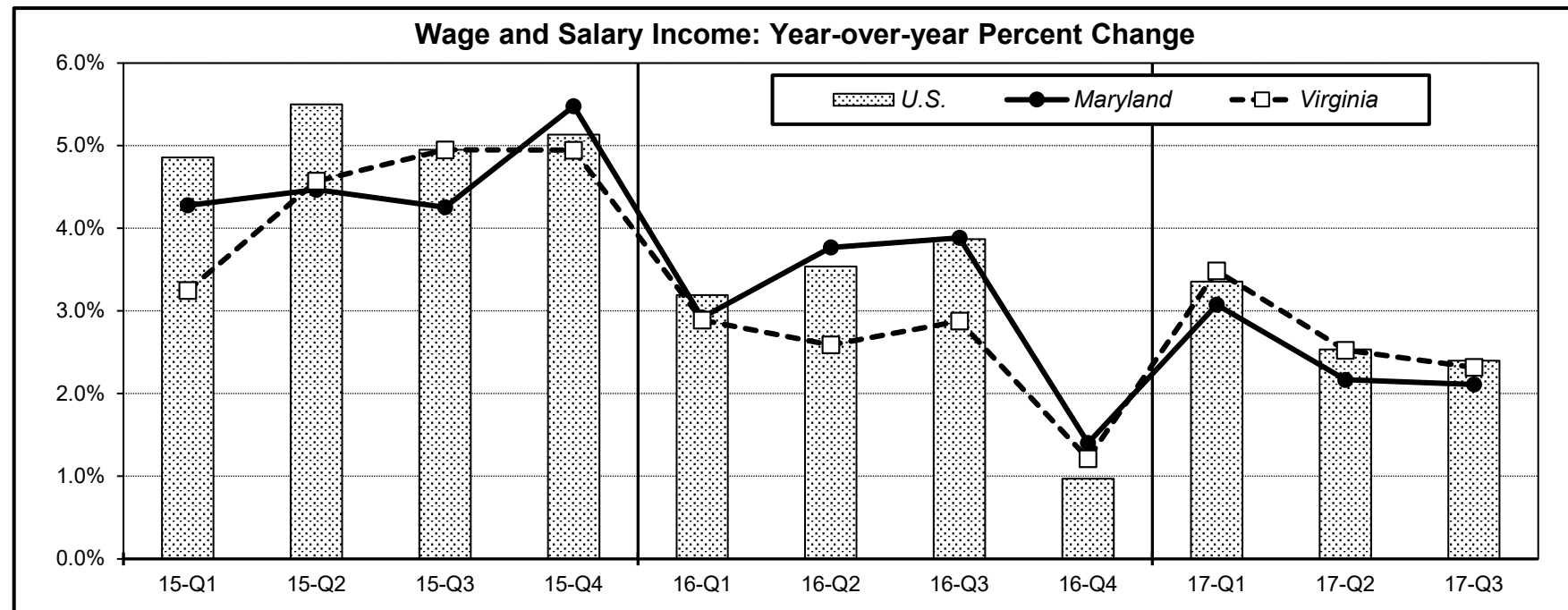
Economic and Revenue Outlook

Maryland Economic Performance Year-over-year Percent Change

<u>Month-Year</u>	<u>Employment</u>		<u>Unemployment</u>	<u>Initial</u>	<u>Existing</u>	<u>Median</u>	<u>Vehicle</u>
	<u>CES</u>	<u>QCEW</u>	<u>Rate</u>	<u>UI Claims</u>	<u>Home Sales</u>	<u>Home Price</u>	<u>Sales</u>
Jan-17	1.5%	1.3%	4.2%	-10.5%	6.8%	8.4%	20.1%
Feb-17	2.2%	1.6%	4.2%	-16.4%	0.3%	7.0%	-4.9%
Mar-17	1.8%	1.2%	4.2%	-9.2%	18.8%	6.8%	-3.2%
Apr-17	1.6%	0.8%	4.3%	6.9%	2.0%	6.7%	-8.0%
May-17	1.6%	1.2%	4.2%	-7.0%	4.1%	4.8%	0.0%
Jun-17	2.5%	1.4%	4.1%	-3.0%	3.9%	3.2%	-3.3%
Jul-17	2.4%		4.0%	-13.9%	1.4%	2.7%	-1.6%
Aug-17	2.4%		3.9%	-19.9%	1.5%	3.4%	-1.4%
Sep-17	2.1%		3.8%	-18.8%	-1.2%	4.4%	-6.9%
Oct-17	2.0%		3.8%	-10.5%	2.5%	2.6%	3.4%
Nov-17	2.1%		3.9%	-12.1%	5.3%	5.5%	-1.6%
Dec-17				-17.0%	-3.8%	1.6%	-7.6%
<i>YTD</i>	<i>2.0%</i>	<i>1.2%</i>	<i>4.1%</i>	<i>-11.2%</i>	<i>3.2%</i>	<i>4.7%</i>	<i>-1.6%</i>

o CES: Current Establishment Survey; QCEW: Quarterly Census of Employment and Wages; UI: unemployment insurance; YTD: year-to-date

Note: The unemployment rate is based on seasonally adjusted data. Monthly unemployment insurance claims from the U.S. Bureau of Labor Statistics with seasonal adjustment by Moody's Analytics.



Maryland General Fund Revenue Forecast (\$ in Millions)

<u>Source</u>	<u>FY 2017</u>	<u>FY 2018 Estimate</u>			<u>% Change</u>	<u>FY 2019 Estimate</u>			<u>% Change</u>
	<u>Actual</u>	<u>Sep</u>	<u>Dec</u>	<u>\$ Diff</u>	<u>Over FY 2017</u>	<u>Sep</u>	<u>Dec</u>	<u>\$ Diff</u>	<u>Over FY 2018</u>
Personal Income Tax	\$9,019.3	\$9,380.7	\$9,288.8	-\$91.9	3.0%	\$9,764.9	\$9,782.4	\$17.5	5.3%
Sales and Use Tax	4,539.3	4,654.9	4,621.9	-33.0	1.8%	4,787.4	4,735.1	-52.3	2.5%
State Lottery	484.3	519.5	521.2	1.7	7.6%	522.8	521.7	-1.1	0.1%
Corporate Income Tax	795.6	827.3	844.4	17.2	6.1%	873.5	886.5	12.9	5.0%
Business Franchise Taxes ⁽¹⁾	228.4	232.2	234.1	1.9	2.5%	198.1	234.7	36.6	0.3%
Insurance Premiums Tax	328.7	326.3	326.3	0.0	-0.7%	350.0	350.0	0.0	7.2%
Estate and Inheritance Taxes ⁽²⁾	227.9	198.5	216.4	17.9	-5.1%	184.1	186.5	2.4	-13.8%
Tobacco Tax	387.0	381.6	381.6	0.0	-1.4%	378.3	378.3	0.0	-0.8%
Alcohol Beverages Tax	32.5	32.9	31.9	-1.0	-1.9%	33.3	31.9	-1.3	0.3%
Other ⁽³⁾	545.4	516.8	531.1	14.2	-2.6%	521.5	517.8	-3.7	-2.5%
Subtotal	\$16,588.5	\$17,070.7	\$16,997.7	-\$73.0	2.5%	\$17,613.9	\$17,624.9	\$11.0	3.7%
Transfer Tax ⁽⁴⁾	\$62.8	\$46.0	\$46.0	\$0.0	-26.7%	\$0.0	\$0.0	\$0.0	n/a
GAAP transfer	47.4	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a
Extraordinary Revenues ⁽⁵⁾	0.0	15.0	14.8	-0.2	n/a	0.0	0.0	0.0	n/a
Total Revenues	\$16,698.7	\$17,131.7	\$17,058.5	-\$73.2	2.2%	\$17,613.9	\$17,624.9	\$11.0	3.3%

GAAP: generally accepted accounting principles

⁽¹⁾ The large upward revision in fiscal 2019 reflects the assumption that the decline in corporate filing fees due to implementation of Chapters 323 and 324 of 2016 will be delayed to fiscal 2020. The legislation 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.

⁽²⁾ Estate tax revenues decline due to Chapter 612 of 2014, which raises the unified credit over a number of years until it reaches the federal credit in calendar 2019.

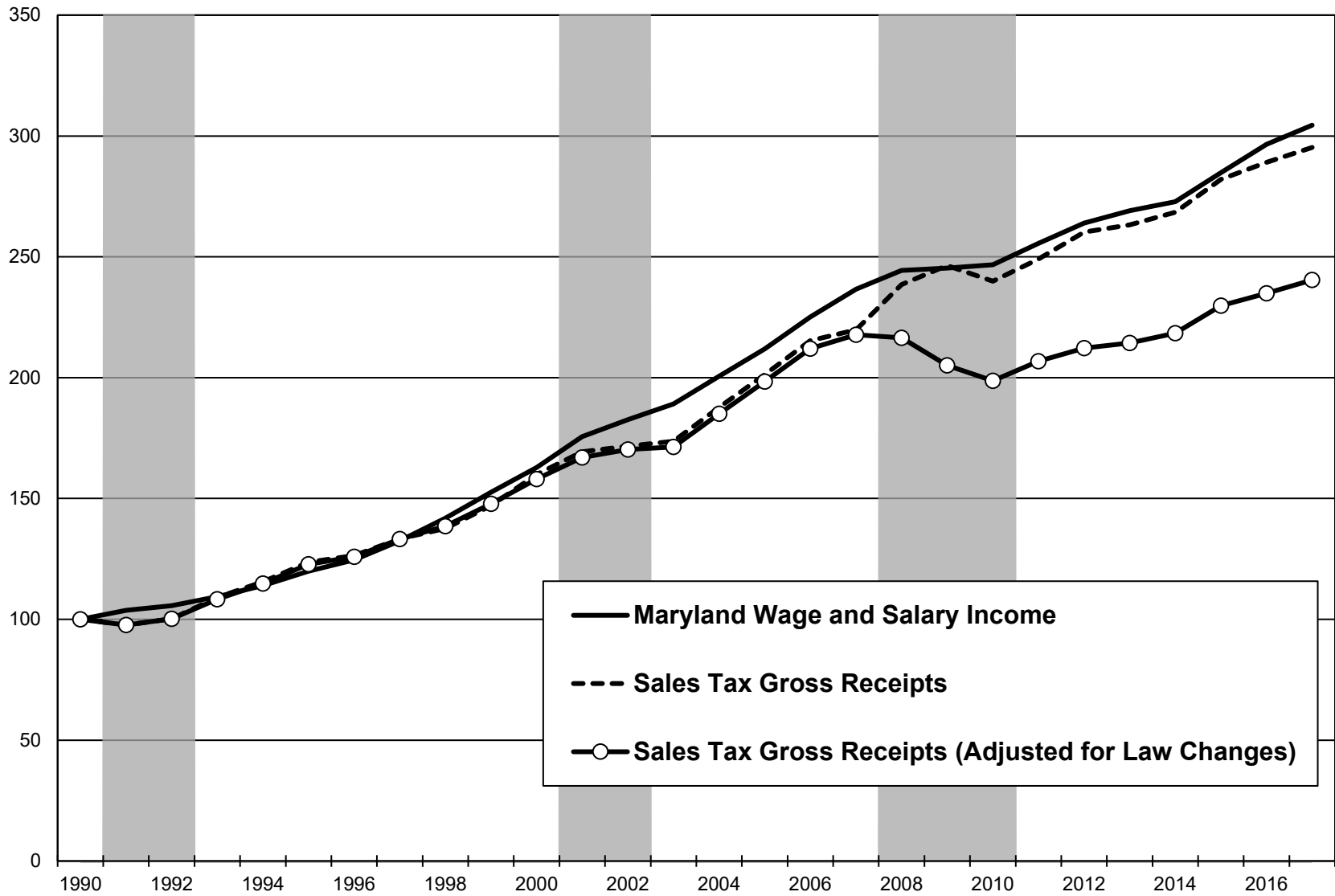
⁽³⁾ Includes revenues from the courts, hospital patient recoveries, interest earnings, and other miscellaneous revenues.

⁽⁴⁾ The Budget Reconciliation and Financing Act (BRFA) of 2013 (Chapter 425) established a distribution of transfer tax revenues to the General Fund for fiscal 2014 to 2018. Chapter 10 of 2016 reduced the distribution in fiscal 2017 by \$20.0 million and in fiscal 2018 by \$40.0 million.

⁽⁵⁾ The BRFA of 2017 (Chapter 23) distributed to the General Fund casino revenues that would normally go to the Small, Minority and Women-Owned Businesses Account in fiscal 2018.

Source: Board of Revenue Estimates

Maryland Wage Income and Sales Tax Receipts: Indexed to Fiscal 1990



Fiscal 2018 General Fund Revenues
(\$ in Millions)

<u>Source</u>	<i>Fiscal Year through December</i>			<u>% Difference</u>	<u>Full-year Estimated Growth Rate</u>
	<u>FY 2017</u>	<u>FY 2018</u>	<u>\$ Difference</u>		
Personal Income Tax	\$3,652.5	\$3,708.0	\$55.5	1.5%	3.0%
Sales and Use Tax ⁽¹⁾	1,896.3	1,920.6	24.3	1.3%	1.8%
State Lottery	237.3	259.5	22.2	9.4%	7.6%
Corporate Income Tax	290.5	339.9	49.4	17.0%	6.1%
Business Franchise Taxes	85.2	86.4	1.1	1.3%	2.5%
Insurance Premiums Tax	149.9	151.9	2.0	1.3%	-0.7%
Estate and Inheritance Taxes	119.6	100.1	-19.5	-16.3%	-1.4%
Alcohol and Tobacco Taxes	190.7	186.3	-4.4	-2.3%	-1.4%
Other ⁽²⁾	142.0	171.0	29.0	20.4%	-2.6%
Total Revenues	\$6,764.0	\$6,923.7	\$159.6	2.4%	2.5%

(1) Data reflects sales tax revenue remitted to the Comptroller from August through December, which were collected by retailers from July through November.

(2) Includes revenues from the courts, interest on investments, miscellaneous revenues, and hospital patient recovery revenues from Medicare, insurance, and sponsors. Fiscal 2018 includes \$7.5 million in casino revenue representing money that would normally go to the Small, Minority and Women-Owned Businesses Account but was diverted to the General Fund per the Budget Reconciliation and Financing Act of 2017 (Chapter 23).

Source: Comptroller of Maryland; State Lottery and Gaming Control Agency

Gaming Program
Revenues and Impact on the Education Trust Fund
(\$ in Millions)

	FY 2018			FY 2019		
	<u>Sep. Est.</u>	<u>Dec. Est.</u>	<u>Difference</u>	<u>Sep. Est.</u>	<u>Dec. Est.</u>	<u>Difference</u>
Video Lottery Terminals						
Education Trust Fund	\$392.4	\$387.7	-\$4.7	\$412.0	\$408.1	-\$3.9
Casino Operators	480.5	474.9	-5.6	487.2	482.7	-4.5
Local Impact Grants	55.5	54.8	-0.7	56.2	55.6	-0.5
SMWOBA ⁽¹⁾	0.0	0.0	0.0	0.0	0.0	0.0
Purse Dedication	59.8	59.0	-0.7	60.5	59.9	-0.6
Race Tracks Facility Renewal Account	9.8	9.6	-0.1	9.9	9.8	-0.1
State Lottery Agency	10.2	10.1	-0.1	10.4	10.3	-0.1
General Fund	15.0	14.8	-0.2	0.0	0.0	0.0
Gross Revenues	\$1,023.1	\$1,011.0	-\$12.1	\$1,036.2	\$1,026.4	-\$9.7
	<u>Sep. Est.</u>	<u>Dec. Est.</u>	<u>Difference</u>	<u>Sep. Est.</u>	<u>Dec. Est.</u>	<u>Difference</u>
Table Games						
Education Trust Fund	\$94.7	\$93.2	-\$1.4	\$95.8	\$94.8	-\$1.0
Casino Operators	505.0	497.3	-7.7	511.2	505.8	-5.4
Local Impact Grants	31.6	31.1	-0.5	31.9	31.6	-0.3
Gross Revenues	\$631.2	\$621.6	-\$9.6	\$638.9	\$632.2	-\$6.7
Total Gross Revenues	\$1,654.3	\$1,632.6	-\$21.7	\$1,675.1	\$1,658.6	-\$16.5
Total Education Trust Fund	\$487.1	\$481.0	-\$6.1	\$507.9	\$502.9	-\$5.0

SMWOBA: Small, Minority, and Women-Owned Businesses Account

⁽¹⁾ The Budget Reconciliation and Financing Act of 2017 (Chapter 23) diverted the distribution that normally goes to the SMWOBA to the General Fund in fiscal 2018 and to the Education Trust Fund in fiscal 2019 and 2020. The distribution is 0.75% of gross video lottery terminal revenues at the Rocky Gap facility and 1.5% at all other casinos.

Impact on the State Economy and Recent Tax Changes

Maryland Economic Forecasts

January 2018 Forecast vs. December 2017 Forecast

	<u>CY 2018</u>	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY 2021</u>	<u>CY 2022</u>	<u>CY 2023</u>
<i>Inflation-adjusted Gross State Product</i>						
Moody's Analytics	0.1%	0.1%	0.0%	0.3%	0.4%	0.2%
IHS Markit	0.1%	0.3%	0.4%	0.4%	0.5%	0.5%
<i>Personal Income</i>						
Moody's Analytics	0.0%	0.1%	0.0%	0.2%	0.3%	0.2%
IHS Markit	-0.1%	0.1%	0.1%	0.1%	0.0%	0.1%
<i>Existing Home Sales</i>						
Moody's Analytics	-7.7%	-9.0%	-11.0%	-9.3%	-7.1%	-6.4%
IHS Markit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Median Existing Home Price</i>						
Moody's Analytics	-2.2%	-4.2%	-4.3%	-3.7%	-2.9%	-1.8%
IHS Markit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CY: calendar year

Note: The State contracts with both Moody's Analytics and IHS Markit to provide a monthly forecast of the United States and Maryland economies. The table shows the percent difference between their respective January and December Maryland forecasts, not the year-over-year percent change.

Sources: Moody's Analytics and IHS Markit

Federal Tax Changes with Potentially Significant Maryland Revenue Impacts

Increased Federal Standard Deduction

- A taxpayer who does not elect to itemize deductions may reduce the taxpayer's adjusted gross income by the amount of the applicable standard deduction in arriving at the taxpayer's taxable income.
- Beginning in tax year 2018, the standard deduction for the federal income tax increases from \$6,350 to \$12,000 for single filers and from \$12,700 to \$24,000 for joint filers.
- Under State law, a taxpayer who claims the federal standard deduction is required to claim the standard deduction on their Maryland income tax return.
- The Maryland standard deduction that may be claimed varies by filing status but generally may not exceed \$4,000. In tax year 2014, Maryland taxpayers claimed almost \$3 billion in State standard deductions. In tax year 2015, approximately 54% of Maryland taxpayers took the federal standard deduction and 46% itemized their deductions.
- The significant increase in the federal standard deduction amount will result in additional taxpayers taking the federal standard deduction instead of itemizing deductions. These taxpayers will now be required to take the State standard deduction, the amount of which is not changing and is generally less than if a taxpayer itemizes their deductions. It is expected that this increase in the number of taxpayers taking the State standard deduction will result in an increase in State and local tax liabilities and revenues.

State and Local Tax Deduction Limitation

- A taxpayer who itemizes deductions may deduct certain taxes paid to State and local governments when determining federal taxable income, including income and property taxes. The deduction for property taxes currently flows through to itemized deductions for the State income tax.
- Under the new federal tax law, a taxpayer's federal itemized deduction for State and local taxes may not exceed \$10,000. To the extent a taxpayer

pays taxes in excess of the \$10,000 limitation, the deduction for property taxes may not flow through to the State income tax, thus leading to an increase in State and local tax liabilities and revenues.

- This provision will particularly impact higher income taxpayers. In tax year 2015, the average State and local tax deduction for lower income taxpayers was \$2,946 compared to \$251,200 for taxpayers with federal adjusted gross income in excess of \$1 million.

Personal Exemptions

- The State personal exemption amount that may be claimed ranges from \$0 to \$3,200, depending on the taxpayer's federal adjusted gross income. In tax year 2014, approximately 2.9 million Maryland income tax returns claimed the State personal exemption.
- Under current law, the number of Maryland personal exemptions that may be claimed is determined by using the number of exemptions as determined under federal law. The new federal tax law eliminates federal personal exemptions by setting the value of each exemption at zero.
- The change to the federal exemption amounts could cause State personal exemptions to be repealed; if such a repeal did occur, it would result in an increase in State and local income tax liabilities and revenues of several hundred million dollars annually.

Estate Tax

- A doubling of the federal estate tax exemption amount will lead to a reduction in State revenues from the estates of decedents dying on or after January 1, 2019.
- This change will reduce State revenues by approximately \$40 million in fiscal 2020, rising to \$60 million to \$65 million in subsequent fiscal years.

Representative Maryland Taxpayers Impact of Federal Income Tax Changes

<u>Taxpayer</u>	<u>#1</u>	<u>#2</u>	<u>#3</u>	<u>#4</u>	<u>#5</u>	<u>#6</u>	<u>#7</u>	<u>#8</u>
Filing Status	Single	Single	Single	Joint	Single	Joint	Joint	Joint
Children	None	None	None	1	None	2	2	3
Homeowner	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Income (AGI)	\$19,300	\$40,000	\$65,000	\$90,000	\$125,000	\$150,000	\$300,000	\$2,500,000
Deduction								
Previous	Standard	Standard	Itemize	Itemize	Itemize	Itemize	Itemize	Itemize
New	Standard	Standard	Itemize	Standard	Itemize	Itemize	Itemize	Itemize
Federal Tax								
Previous	\$869	\$3,926	\$5,776	\$7,344	\$19,279	\$17,388	\$64,722	\$812,225
New	724	3,169	5,738	6,539	18,568	16,421	58,951	804,557
Tax Change	-\$145	-\$757	-\$38	-\$805	-\$711	-\$967	-\$5,771	-\$7,668
% Change	-17%	-19%	-1%	-11%	-4%	-6%	-9%	-1%

AGI: adjusted gross income

- In an effort to show the impact of the federal tax changes, the Department of Legislative Services (DLS) has developed some representative taxpayer examples.
- DLS looked at taxpayers at various income levels ranging from \$19,300 to \$2.5 million. DLS made a series of assumptions about each taxpayer, including whether the taxpayer is a single or joint filer, whether or not the taxpayer has children or owns a home, and if the taxpayer claims the standard deduction or itemizes deductions.
- Each representative taxpayer has a reduction in their overall federal tax liability. However, the size of the reduction varies significantly, ranging from 1% to 19%.
- The significantly higher standard deduction amount combined with the increased federal child tax credit drives the reductions in tax liability for lower- and middle-income taxpayers.

- The cap on the deduction for State and local taxes limits the reduction in tax liability for upper-income taxpayers. However, upper-income taxpayers do see benefits from lower top marginal rates and an increase in the Alternative Minimum Tax threshold.
- DLS notes that while each of these representative taxpayers has a reduction in federal tax liability, it does not mean that all taxpayers in the State will receive a federal tax reduction.

Operating Budget

Budget Plan Compared to Baseline Estimates
Fiscal 2018-2019
(\$ in Millions)

	<u>2018</u>	<u>2019</u>
Estimated Cash Balance (December 2017)	\$63.2	-\$287.0
Transfers and Revenues (Additional Revenues of \$9.2 Million)		
Volkswagen Settlement	\$22.0	
USM Fund Balance Transfer (\$9.0 Million) and Other Revenue Adjustments	1.4	\$5.3
Administration Tax Relief Proposals		-19.5
State Agencies and Entitlements (\$77.4 Million of Savings)		
No Employee Salary Increments		63.0
DPSCS Vacancy Savings	18.0	19.0
Long-term Liabilities (DDA Audit Disallowance)	38.8	
Medicaid Data Matching Initiative		38.4
Other Net Changes	19.6	19.1
Lottery Savings from Shifting Responsibility for VLT Machines to Casinos		10.2
Less Bond Premium for Debt Service		-76.0
Judiciary		-24.8
Major Information Technology Project Fund		-20.8
Hold Harmless for Local Education Agencies with Declining Funding		-15.2
Salary Increments for SLEOLA Members		-12.2
Mandate Relief (\$154.9 Million of Savings)		
Supplemental Pension Contribution (Sweeper)		50.0
Transfer Tax Repayment		31.9
Cap DDA (1.0%) and Behavioral Health (2.0%) Rate Increases (Statute Requires 3.5%)		22.6
Reduce Support for K-12 Grants (Next Generation, Public School Opportunities, etc.)		19.3
Other Reductions Contingent on Legislation		31.1
Costs Shifts and Fund Swaps (\$81.2 Million of Savings)		
Project C.O.R.E. Funded with Bonds		28.5
Increase Local Share of Property Assessment Costs		19.7
Other Shifts Contingent on Legislation		12.0
DDA and Social Services – Increase Federal Fund Attainment		21.0
Favorable Trends (\$65.2 Million of Savings)		
Medicaid: Favorable Trends in Fiscal 2018	44.5	
Disparity Grant and Other Formulas		20.7
Fund Balance Carry Forward		\$144.3
Ending Balance	\$207.5	\$100.6

C.O.R.E.: Creating Opportunities for Renewal and Enterprise
 DDA: Developmental Disabilities Administration
 DPSCS: Department of Public Safety and Correctional Services
 SLEOLA: State Law Enforcement Officers Labor Alliance
 USM: University System of Maryland
 VLT: video lottery terminal

General Fund: Recent History and Outlook
Fiscal 2017-2019
(\$ in Millions)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Working</u>	<u>2019</u> <u>Allowance</u>
Funds Available			
Ongoing Revenues	\$16,664	\$17,064	\$17,636
Balances and Transfers	630	284	208
One-time GAAP Transfer	47	0	0
Short-term Revenues	19	15	0
Total Funds Available	\$17,361	\$17,362	\$17,843
Appropriations, Deficiencies, and Cost Containment			
Net Ongoing Operating Costs and Deficiencies	\$16,934	\$17,260	\$17,711
One-time Spending	45	25	28
One-time Spending/Reductions	-94	-150	-35
Pay-as-you-go Capital	62	10	20
Appropriations to Reserve Fund	155	10	18
Total Spending	\$17,102	\$17,155	\$17,743
Cash Balance/Shortfall	\$259	\$208	\$101
Structural			
Balance (Ongoing Revenues Less Operating Costs)	-\$269	-\$196	-\$75
Ratio (Ongoing Revenues/Operating Costs)	98.4%	98.9%	99.6%
Reserve Fund Activity			
Appropriations to Rainy Day Fund	\$155	\$10	\$3
Transfers to General Fund	170	0	0
Estimated Rainy Day Fund Balance – June 30	\$833	\$858	\$879
Total Cash (Rainy Day Fund and General Fund Balance)	\$1,091	\$1,066	\$980
Rainy Day Fund Balance In Excess of 5%	-\$2	\$5	-\$2

GAAP: generally accepted accounting principles

Fiscal 2018 Fund Balance Reconciliation (\$ in Millions)

Estimated Closing Fund Balance (July 2017)	\$91.1
 Revenues and Transfers	
September and December 2017 BRE Revisions	-\$125.5
Fiscal 2017 Closeout	90.3
Administration Assumptions	14.4
BRFA of 2018 USM Fund Transfer	9.0
Tax Credit Reimbursements Closeout and September BPW	-0.1
<i>Subtotal</i>	<i>-\$11.8</i>
 Spending	
Fiscal 2017 Closeout Reversions	\$72.6
September 2017 BPW Withdrawn Appropriation	61.0
Across-the-board Health Insurance Reduction	60.0
Targeted and Unspecified Fiscal 2018 Reversions	42.0
Fiscal 2018 Deficiencies	-107.4
<i>Subtotal</i>	<i>\$128.2</i>
 Estimated Closing Fund Balance January 2018)	 \$207.5

BPW: Board of Public Works

BRE: Board of Revenue Estimates

BRFA: Budget Reconciliation and Financing Act

USM: University System of Maryland

**Fiscal 2018 General Fund Deficiencies Total \$107.4 Million
(\$ in Millions)**

Medicaid: Demand for behavioral health services in fiscal 2017 (\$17.0 million) and fiscal 2018 (\$7.8 million) and revised estimates of special fund availability and underlying Medicaid growth (\$29.5 million).	\$54.3
Revenue Availability: Lower than anticipated Education Trust Fund revenue in fiscal 2017 (\$5.7 million) and fiscal 2018 (\$40.6 million) and Maryland Department of Health (MDH) lower than anticipated indirect cost recoveries (\$1.9 million).	48.2
Additional Treatment Capacity: MDH community-based court-ordered and residential treatment (\$5.2 million) and additional psychiatric and developmental disability State institutional bed capacity (\$1.8 million).	7.0
Operating Expenses in Various Agencies: MDH maintenance and safety improvements at various facilities, Crownsville security and maintenance expenditures, and vital records system improvements (\$3.2 million); Department of Information Technology ONE portal project (\$1.0 million); Office of Public Defender (OPD) information technology and personnel costs (\$1.0 million); State Board of Elections additional 2018 election expenses (\$0.5 million); and other agencies (\$0.8 million).	6.5
Other Fiscal 2017 Deficits Carried Forward in Fiscal 2018: OPD (\$2.6 million).	2.6
Tax Credits: Additional funding for Enterprise Zone tax credits (\$2.1 million).	2.1
Operational Savings in Various Agencies: State Lottery Agency savings from divesting from the operations and maintenance of video lottery terminals (\$10.2 million); Department of Public Safety and Correctional Services utility costs (\$1.9 million); Department of General Services lower energy costs (\$0.6 million); and other State agencies (\$0.6 million).	-13.3
Fiscal 2018 Deficiencies Total	\$107.4

General Fund Targeted Reversion Assumptions Fiscal 2018

Specific Reversion Assumptions	<u>2018</u>
MDH Medicaid Prior Year Accruals	\$28,000,000
MHEC College Savings Plan Match	4,546,250
MSDE Quality Teacher Stipends	1,500,000
MSDE Teacher Induction, Retention, and Advancement	1,145,000
MSDE Anne Arundel Teacher Pilot Program	950,000
MSDE Juvenile Services Education	700,000
MSDE Out-of-county Placements	200,000
<i>Subtotal</i>	<i>\$37,041,250</i>

Across-the-board Reductions Fiscal 2018

Health Insurance ¹	\$60,000,000
Grand Total	\$97,041,250

¹ The budget bill reflects an across-the-board reduction for overbudgeted health insurance; however, the Administration shows the General Assembly and Judiciary as targeted reversions. For purposes of this analysis, they are shown as part of the total reduction.

MDH: Maryland Department of Health

MHEC: Maryland Higher Education Commission

MSDE: Maryland State Department of Education

2018 Session "To Do" List

Balance Before Proposals Requiring Legislative Approval: 2018 Session	-\$295.2
Revenue Actions	
*Lottery Revenue: Repeal Chapter 727 of 2016	\$0.7
Military Retirement Income	-12.5
Small Business Relief Tax Credit	-5.0
Hometown Heroes	-2.0
Subtotal	-\$18.8
Transfers	
*USM Fund Balance	\$9.0
Subtotal	\$9.0
2016 Session Contingent Reductions	
*MDH Payments to Prince George's Regional Medical Center Chapter 13	\$29.0
*DHCD Chapter 29 Baltimore Regional Neighborhood Initiative Program	9.0
*DHCD Repeal Chapter 31 Seed Community Development Anchor Institution Fund	5.0
*USM Repeal Guideline Mandate in Chapter 25	6.0
*MSDE Repeal Chapter 740 Teacher Induction and Retention Grants	9.0
*MSDE Altering Chapter 32 Public Schools Opportunities	5.0
*MSDE Repeal Chapter 33 Next Generation Scholars	5.0
*MSDE Repeal Chapters 681 and 682 Robotics Grants	0.3
Subtotal	\$68.3
Other Contingent Reductions	
*Reserve Fund	\$193.0
*Reduce Pension Sweeper Mandate for One Year	50.0
*POS Repayment	15.0
*MDH DDA Limit Provider Rate Increase to 1%	14.6
*MDH BHA Limit Provider Reimbursement to 2%	7.9
*MHEC Sellinger Grants Fund at the Fiscal 2018 Level	7.4
*MHEC Reduce Funds for 529 Plan Match	5.0
*Commerce Reduce Funding for the State Arts Council	1.0
*MDH Level Fund Local Health Formula Grants at the Fiscal 2018 Level	0.9
*Level Fund Baltimore City Community College	0.9
Subtotal	\$295.7
Fund Swaps	
*SDAT Increase Local Cost Share to 90%	\$19.7
*MDH Medicaid Delay Deficit Assessment Buydown for One Year	10.0
*Use Trauma Center Fund for Medicaid	8.0
*MDH Use Community Health Resource Commission for Mental Health Services	2.0
DLLR Consolidate Special Funds	1.3
*Use Advance Directives Fund and Cord Blood Fund for Maternal and Child Health	0.7
Subtotal	\$41.7
Ending General Fund Balance	\$100.6

BHA: Behavioral Health Administration
 DDA: Developmental Disabilities Administration
 DHCD: Department of Housing and Community Development
 DLLR: Department of Labor, Licensing, and Regulation
 POS: Program Open Space

MDH: Maryland Department of Health
 MHEC: Maryland Higher Education Commission
 MSDE: Maryland State Department of Education
 SDAT: State Department of Assessments and Taxation
 USM: University System of Maryland

* Denotes items in the Budget Reconciliation and Financing Act of 2018.

State Expenditures – General Funds

(\$ in Millions)

<u>Category</u>	<u>FY 2017 Actual</u>	<u>FY 2018 Working Appropriation</u>	<u>FY 2019 Allowance</u>	<u>Contingent Reductions</u>	<u>FY 2019 Adjusted Allowance</u>	<u>FY 2018 to FY 2019 \$ Change</u>	<u>% Change</u>
Debt Service	\$259.4	\$259.6	\$289.0	\$0.0	\$289.0	\$29.4	11.3%
County/Municipal	\$260.8	\$274.7	\$277.8	\$0.0	\$277.8	\$3.2	1.2%
Community Colleges	313.5	317.7	322.4	0.0	322.4	4.7	1.5%
Education/Libraries	5,925.2	5,978.4	6,109.0	-19.3	6,089.8	111.4	1.9%
Health	49.5	51.1	51.4	-0.9	50.5	-0.6	-1.2%
Aid to Local Governments	\$6,548.9	\$6,621.8	\$6,760.6	-\$20.1	\$6,740.5	\$118.7	1.8%
Foster Care Payments	\$190.5	\$184.5	\$185.6	\$0.0	\$185.6	\$1.2	0.6%
Assistance Payments	64.5	59.6	45.4	0.0	45.4	-14.2	-23.9%
Medical Assistance	2,989.1	3,206.2	3,397.9	-22.3	3,375.6	169.4	5.3%
Property Tax Credits	78.0	89.6	90.6	0.0	90.6	1.0	1.1%
Entitlements	\$3,322.1	\$3,539.8	\$3,719.5	-\$22.3	\$3,697.2	\$157.4	4.4%
Health	\$1,352.0	\$1,428.6	\$1,481.2	-\$21.0	\$1,460.1	\$31.6	2.2%
Human Services	393.9	370.8	373.9	0.0	373.9	3.0	0.8%
Children's Cabinet Interagency Fund	16.6	18.5	18.5	0.0	18.5	0.0	-0.1%
Juvenile Services	270.0	266.4	265.7	0.0	265.7	-0.7	-0.3%
Public Safety/Police	1,513.6	1,475.6	1,521.3	0.0	1,521.3	45.7	3.1%
Higher Education	1,422.2	1,432.6	1,494.7	-6.9	1,487.9	55.2	3.9%
Other Education	411.1	424.8	444.0	-12.4	431.6	6.8	1.6%
Agriculture/Natural Res./Environment	119.3	119.1	125.1	0.0	125.1	6.0	5.0%
Other Executive Agencies	687.0	665.2	749.4	-21.9	727.5	62.2	9.4%
Judiciary	479.6	485.8	524.2	0.0	524.2	38.4	7.9%
Legislative	89.2	89.3	91.5	0.0	91.5	2.2	2.5%
State Agencies	\$6,754.3	\$6,776.9	\$7,089.7	-\$62.2	\$7,027.5	\$250.6	3.7%
Total Operating	\$16,884.7	\$17,198.2	\$17,858.8	-\$104.6	\$17,754.2	\$555.9	3.2%
Capital ⁽¹⁾	\$62.3	\$9.5	\$57.3	-\$43.0	\$14.3	\$4.8	50.6%
Subtotal	\$16,947.0	\$17,207.7	\$17,916.1	-\$147.6	\$17,768.5	\$560.7	3.3%
Reserve Funds	\$155.4	\$10.0	\$267.3	-\$258.0	\$9.3	-\$0.7	-6.5%
Appropriations	\$17,102.4	\$17,217.7	\$18,183.4	-\$405.6	\$17,777.8	\$560.1	3.3%
Reversions	\$0.0	-\$63.0	-\$35.0	\$0.0	-\$35.0	\$28.0	-44.4%
Grand Total	\$17,102.4	\$17,154.7	\$18,148.4	-\$405.6	\$17,742.8	\$588.1	3.4%

⁽¹⁾ Includes the Heritage Structure Rehabilitation Tax Credit Reserve Fund.

Note: The fiscal 2018 working appropriation includes \$107.4 million in deficiencies and \$42.5 million in targeted reversions. The fiscal 2019 adjusted allowance reflects \$405.6 million in reductions contingent on legislation.

State Expenditures – State Funds

(\$ in Millions)

<u>Category</u>	FY 2017	FY 2018	FY 2019	Contingent	FY 2019	FY 2018 to FY 2019	
	<u>Actual</u>	<u>Working Appropriation</u>	<u>Allowance</u>	<u>+SF Add-Backs</u>	<u>Adjusted Allowance</u>	<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,467.1	\$1,564.3	\$1,626.8	\$0.0	\$1,626.8	\$62.5	4.0%
County/Municipal	\$599.2	\$674.2	\$706.9	\$0.0	\$706.9	\$32.8	4.9%
Community Colleges	313.5	317.7	322.4	0.0	322.4	4.7	1.5%
Education/Libraries	6,399.8	6,454.2	6,612.0	-19.3	6,592.7	138.5	2.1%
Health	49.5	51.1	51.4	-0.9	50.5	-0.6	-1.2%
Aid to Local Governments	\$7,361.9	\$7,497.1	\$7,692.6	-\$20.1	\$7,672.5	\$175.3	2.3%
Foster Care Payments	\$194.9	\$188.8	\$190.0	\$0.0	\$190.0	\$1.2	0.6%
Assistance Payments	76.5	72.1	55.5	0.0	55.5	-16.6	-23.1%
Medical Assistance	3,952.8	4,189.5	4,333.0	-4.3	4,328.7	139.3	3.3%
Property Tax Credits	78.0	89.6	90.6	0.0	90.6	1.0	1.1%
Entitlements	\$4,302.2	\$4,540.0	\$4,669.1	-\$4.3	\$4,664.8	\$124.8	2.7%
Health	\$1,759.0	\$1,901.1	\$1,935.1	-\$21.3	\$1,913.8	\$12.8	0.7%
Human Services	482.6	454.2	456.5	0.0	456.5	2.3	0.5%
Children's Cabinet Interagency Fund	16.6	18.5	18.5	0.0	18.5	0.0	-0.1%
Juvenile Services	273.8	269.7	269.3	0.0	269.3	-0.3	-0.1%
Public Safety/Police	1,725.5	1,697.2	1,740.0	0.0	1,740.0	42.8	2.5%
Higher Education	5,711.0	5,945.0	6,103.0	-6.9	6,096.2	151.1	2.5%
Other Education	475.9	495.6	516.7	-12.4	504.3	8.7	1.8%
Transportation	1,846.0	1,905.1	1,955.9	0.0	1,955.9	50.8	2.7%
Agriculture/Natural Res./Environment	387.5	412.5	419.2	0.0	419.2	6.7	1.6%
Other Executive Agencies	1,293.2	1,354.8	1,481.7	-1.4	1,480.3	125.5	9.3%
Judiciary	531.3	552.1	586.4	0.0	586.4	34.3	6.2%
Legislative	89.2	89.3	91.5	0.0	91.5	2.2	2.5%
State Agencies	\$14,591.5	\$15,095.1	\$15,573.9	-\$41.9	\$15,532.0	\$436.9	2.9%
Total Operating	\$27,722.7	\$28,696.5	\$29,562.4	-\$66.3	\$29,496.1	\$799.6	2.8%
Capital ⁽¹⁾	\$2,043.6	\$1,826.1	\$1,967.5	-\$43.0	\$1,924.5	\$98.4	5.4%
Transportation	1,675.2	1,481.0	1,497.8	0.0	1,497.8	16.8	1.1%
Environment	210.3	187.6	220.8	0.0	220.8	33.2	17.7%
Other	158.2	157.6	249.0	-43.0	206.0	48.4	30.7%
Subtotal	\$29,766.3	\$30,522.6	\$31,529.9	-\$109.3	\$31,420.6	\$898.0	2.9%
Reserve Funds	\$155.4	\$10.0	\$267.3	-\$258.0	\$9.3	-\$0.7	-6.5%
Appropriations	\$29,921.7	\$30,532.6	\$31,797.2	-\$367.3	\$31,430.0	\$897.3	2.9%
Reversions	\$0.0	-\$63.0	-\$35.0	\$0.0	-\$35.0	\$28.0	-44.4%
Grand Total	\$29,921.7	\$30,469.6	\$31,762.2	-\$367.3	\$31,395.0	\$925.3	3.0%

⁽¹⁾ Includes the Heritage Structure Rehabilitation Tax Credit Reserve Fund.

Note: The fiscal 2018 working appropriation includes \$48.3 million in deficiencies and \$42.5 million in targeted reversions. The fiscal 2019 adjusted allowance reflects \$409.0 million in reductions contingent on legislation and additional special fund spending of \$41.7 million due to funding swaps.

Despite Slower Enrollment Growth and a Favorable Enrollment Mix, Medicaid/MCHP General Fund Growth Is Still Almost 6%

	<u>Fiscal 2017</u>	<u>Fiscal 2018 WA</u>	<u>Fiscal 2019 Allowance</u>	<u>\$ Change 2018 WA- 2019 All.</u>	<u>% Change 2018 WA- 2019 All.</u>
General Funds	\$3,006.1	\$3,189.2	\$3,375.6	\$186.4	5.8%
Special Funds	963.7	983.3	953.1	-30.2	-3.1%
Federal Funds	6,636.1	7,054.3	7,032.2	-22.1	-0.3%
Reimbursable Funds	70.5	75.2	77.5	2.3	3.1%
Total	\$10,676.4	\$11,302.0	\$11,446.7	\$144.7	1.2%

All.: allowance

MCHP: Maryland Children's Health Program

WA: working appropriation

Note: Includes deficiencies and contingent reductions. Deficiencies are attributed to the appropriate fiscal year.

- The fiscal 2019 budget includes \$185.7 million for provider rate increases including managed care organization rate increases of 3.8%; an assumption of 2.1% for rate-regulated hospitals; contingent on the Budget Reconciliation and Financing Act (BRFA), behavioral health providers will receive a 2.0% rate increase rather than the 3.5% anticipated; a 3.0% increase for physician evaluation and management rates in order to bring them up to 93.0% of Medicare rates; with most other community providers, including nursing homes, receiving a 1.0% increase.
- The budget includes a more realistic estimate of pharmacy rebates than included in the fiscal 2018 budget, adding \$89.4 million in costs.
- Additional general fund support is included for the Affordable Care Act (ACA) expansion population, with the State share increasing to 6.5% in fiscal 2018. General fund support for this population is now \$190.0 million, with total expenditures reaching \$2.9 billion.
- Growth in the budget is tempered by lower enrollment growth in Medicaid/Maryland Children's Health Program (MCHP). Based on data through December 2017, enrollment growth is forecast at 2.9% in fiscal 2018 and 2.7% in fiscal 2019.

- Enrollment mix also continues to be favorable. Over two-thirds of the enrollment growth in fiscal 2018 has been in the ACA Expansion enrollment category and MCHP, both groups for which the State receives an enhanced federal match.
- The Medicaid budget also includes \$138.1 million in cost containment actions (\$47.0 million in general funds and \$91.1 million in federal funds). Most of this cost containment (\$107.4 million including \$38.4 million in general funds) relates to a data matching initiative to ensure enrollees are eligible for the program.
- The fiscal 2019 budget is less reliant on special funds, primarily due a \$25.0 million reduction in the Medicaid Deficit Assessment. This is less than the \$35.0 million reduction required in statute with the lower amount contingent on the BRFA.
- The fiscal 2019 budget assumes that the Children’s Health Insurance Program will be re-authorized by Congress and will maintain both the current enhanced match and coverage levels. Absent this re-authorization, Maryland is required to maintain coverage for children enrolled in the program through federal fiscal 2019 at the regular Medicaid matching rate. There are currently 148,000 children served through MCHP. Depending on when available funding is exhausted (expected at the end of the third quarter of fiscal 2018), this would result in an additional \$24.0 million in deficiency requirements in fiscal 2018 plus an additional \$104.0 million general fund need in fiscal 2019.

State Retirement and Pension System

Financial Status of the State Pension System As of June 30 (\$ in Millions)

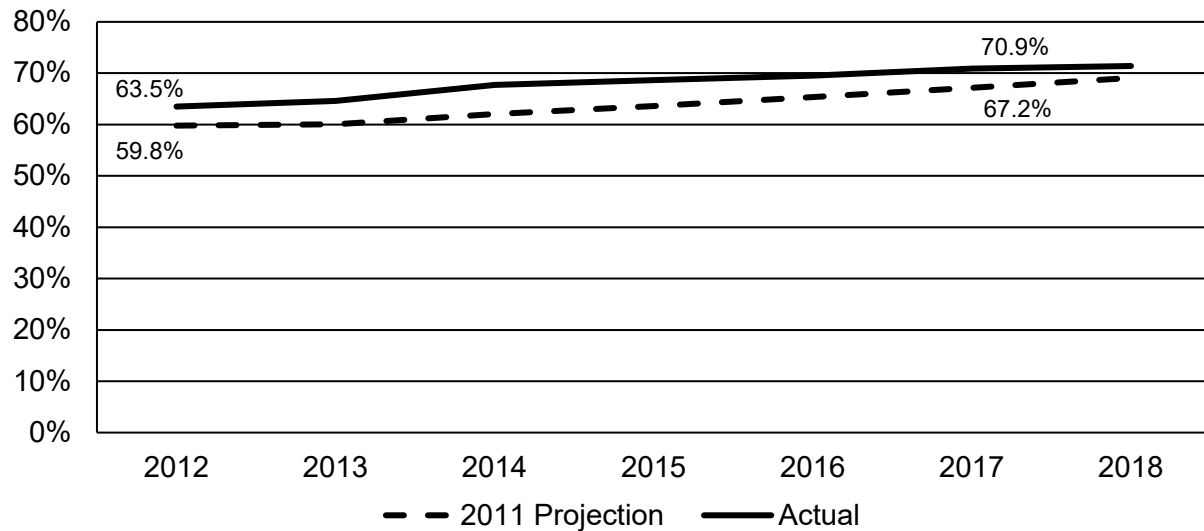
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Unfunded Actuarial Liability	\$19,260	\$19,121	\$18,854
Market Value of Assets	41,807	41,405	44,714
Actuarial Value of Assets	42,154	43,630	45,869
Funded Ratio	68.6%	69.5%	70.9%
Weighted Contribution Rate⁽¹⁾	17.58%	17.60%	17.42%

(1) Does not include any supplemental employer contributions.

Source: State Retirement Agency; Department of Legislative Services

- Since 2015, the State Retirement and Pension System’s unfunded liabilities have decreased, the funded ratio has improved, and weighted contribution rates have been stable or declining.

Projected vs. Actual Funded Ratio Fiscal 2012-2018



Note: The last year in the “actual series” is estimated as of June 30, 2017.

Source: State Retirement Agency; Department of Legislative Services

- As of June 30, 2017, the system’s funded ratio climbed to 70.9%, surpassing the 70.0% threshold for the first time since 2009. Since the enactment of pension reform in 2011, the system’s actual funded ratio has exceeded the projected level.

Employer Pension Contributions
Fiscal 2017-2019
(\$ in Millions)

	<u>2017</u>	<u>2018</u>	<u>2019</u>
State Employer Base	\$1,532.5	\$1,549.3	\$1,570.8
Supplemental	75.0	75.0	75.0
Sweeper	50.0	0	0
Governor	25.0	0	0
Total State	\$1,682.5	\$1,624.3	\$1,645.8
Local School Boards	279.8	280.5	283.8
Total Employer	\$1,962.2	\$1,904.8	\$1,929.6

Source: State Retirement Agency; Department of Budget and Management; Department of Legislative Services

- Total State contributions for teacher and employee pensions are projected to be \$1.65 billion in fiscal 2019 after accounting for the contingent reduction in the “sweeper” contribution, an increase of \$21.5 million from the fiscal 2018 contribution.
- Local school systems are projected to contribute \$283.8 million, an increase of \$3.3 million from fiscal 2018 levels.
- The Governor’s allowance includes a supplemental contribution of \$75.0 million above the actuarially determined contribution, as required by statute. The Budget Reconciliation and Financing Act, as introduced, repeals the \$50.0 million “sweeper” provision for fiscal 2019 only (it was also repealed in fiscal 2018). The sweeper remains in place for fiscal 2020 and succeeding years.

Fiscal 2018 and 2019 Statewide Personnel Actions

	<u>General Funds</u>	<u>All Funds</u>
Fiscal 2018 Action		
Section 19 Health Insurance Reduction: Section 19 of the fiscal 2019 Budget Bill includes an across-the-board reduction in fiscal 2018 to State agency contributions to the employee and retiree health account due to a high fund balance. Contribution reductions are shared with employees and retirees through implementation of two additional payroll health deduction holidays. ¹	-\$60.0	-\$96.6
Fiscal 2018 Total	-\$60.0	-\$96.6
Fiscal 2019 Actions		
Two Percent General Salary Increase Effective January 1, 2019: The fiscal 2019 Budget Bill includes funding for a 2.0% general salary increase to all State employees effective January 1, 2019. This funding is currently budgeted in the Department of Budget and Management's (DBM) Statewide Program and will be distributed via budget amendment during the fiscal year.	\$41.5	\$54.3
State Law Enforcement Officers Labor Alliance Employee Increment: The fiscal 2019 budget includes funding for an increment for members of the State Law Enforcement Officers Labor Alliance. This funding is currently budgeted in the DBM Statewide Program and will be distributed via budget amendment during the fiscal year.	12.2	15.1
Annual Salary Reviews: The fiscal 2019 budget includes funding for Annual Salary Reviews for the following: (1) military airport firefighters receive a two-grade increase; (2) security attendants and licensed practical nurses at Perkins Hospital receive a one-grade increase; (3) fire safety inspectors in the Department of State Police (DSP) receive three grade increases or higher; and (4) police communication operators in DSP receive a one-grade increase. This funding is currently budgeted in the DBM Statewide Program and will be distributed via budget amendment during the fiscal year.	1.1	1.3
Contingent 0.5% General Salary Increase Effective April 1, 2019: Employees will receive another 0.5% general salary increase effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. ²	5.2	6.8
Contingent \$500 Bonus Effective April 1, 2019: Employees will receive a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. ²	25.2	41.7
Fiscal 2019 Total	\$85.3	\$119.3

¹ General fund share of Section 19 health insurance reduction assumes that contingent reductions to the Legislative and Judicial branches are adopted.

² These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.

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

**Regular Full-time Equivalent Position Changes
Fiscal 2016 Actual to Fiscal 2019 Allowance**

<u>Department/Service Area</u>	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Wrk. Approp.*</u>	<u>2019 Allow.**</u>	<u>2018-19 Change</u>
State Agencies with Position Changes					
Public Safety and Correctional Services	11,025	10,954	10,554	10,454	-100
Human Services	6,360	6,224	6,220	6,120	-100
Health	6,353	6,187	6,218	6,276	58
Legal (Excluding Judiciary)	1,501	1,475	1,474	1,475	1
Executive and Administrative Control	1,626	1,563	1,562	1,571	10
Financial and Revenue Administration	2,119	2,102	2,099	2,097	-2
Natural Resources	1,321	1,315	1,333	1,340	8
Agriculture	380	356	355	352	-3
Labor, Licensing, and Regulation	1,603	1,512	1,471	1,446	-25
MSDE and Other Education	1,940	1,940	1,940	1,930	-10
Commerce	202	193	193	192	-1
State Agencies without Position Changes	16,150	16,131	16,064	16,064	0
Executive Branch Subtotal	50,579	49,951	49,482	49,318	-165
Higher Education	25,632	25,914	26,296	26,294	-2
Judiciary	3,914	3,951	3,989	4,052	63
Legislature	749	749	749	751	2
Total	80,874	80,565	80,516	80,414	-102

MSDE: Maryland State Department of Education

*Fiscal 2018 positions have been adjusted to include positions added by deficiency in the Governor's Office of Crime Control and Prevention (2 positions) and the Maryland Department of Health (11 positions).

**The fiscal 2019 budget bill includes language to abolish 100 vacant positions in the Department of Public Safety and Correctional Services. Positions have been adjusted to reflect this.

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

Analysis of Vacancies and Turnover Rate
Fiscal 2019 Allowance Compared to January 2018 Vacancies

<u>Department/Service Area</u>	<u>Positions</u>	<u>Turnover Rate</u>	<u>Vacancies to Meet Turnover</u>	<u>Vacancies</u>	<u>Vacancies Above (or Below) Turnover</u>
Largest Six State Agencies					
Public Safety and Correctional Services*	10,454	9.6%	999	1,901	903
Human Services	6,120	7.1%	433	478	45
Health	6,276	7.6%	477	598	121
Police and Fire Marshal	2,436	6.9%	167	310	143
Juvenile Services	1,987	7.0%	139	202	63
Transportation	9,058	4.5%	409	630	221
Subtotal	36,330	7.1%	2,580	4,119	1,497
Other Executive					
Legal (Excluding Judiciary)	1,475	6.1%	90	134	44
Executive and Administrative Control	1,571	4.3%	68	160	92
Financial and Revenue Administration	2,097	4.9%	104	167	63
Budget and Management and DoIT	567	3.7%	21	63	42
Retirement	210	6.7%	14	12	-2
General Services	581	4.8%	28	75	46
Natural Resources	1,340	5.6%	75	130	56
Agriculture	352	5.0%	18	31	13
Labor, Licensing, and Regulation	1,446	3.6%	53	222	170
MSDE and Other Education	1,930	5.7%	110	174	64
Housing and Community Development	333	6.0%	20	27	7
Commerce	192	5.5%	10	10	0
Environment	893	6.5%	58	87	29
Subtotal	12,987	5.2%	675	1,292	617
Executive Branch Total	49,318	6.6%	3,255	5,411	2,114

DoIT: Department of Information Technology

MSDE: Maryland State Department of Education

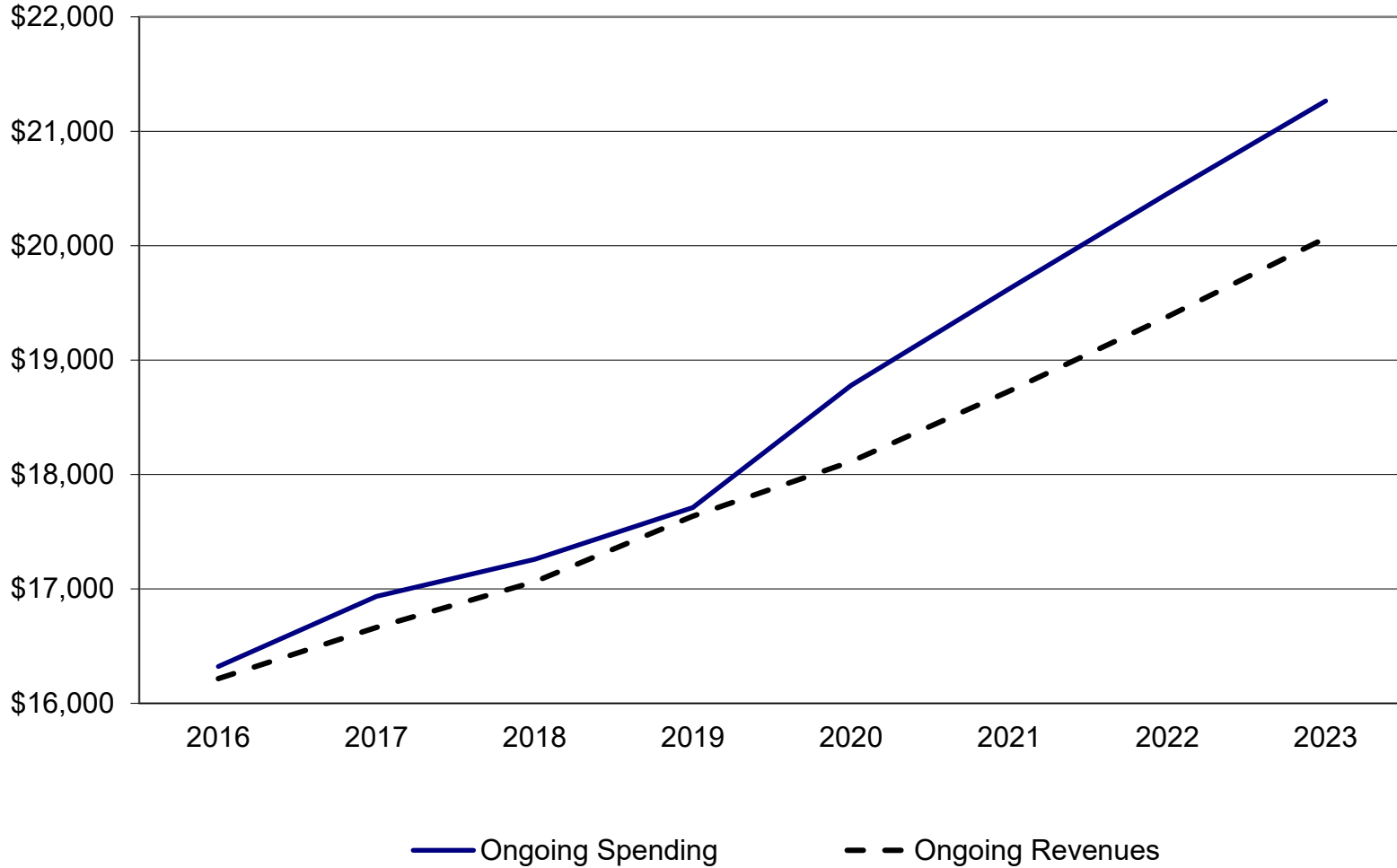
*The fiscal 2019 budget bill includes language that abolished 100 vacant positions in the Department of Public Safety and Correctional Services. Positions have been updated to reflect this.

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

General Fund Forecast

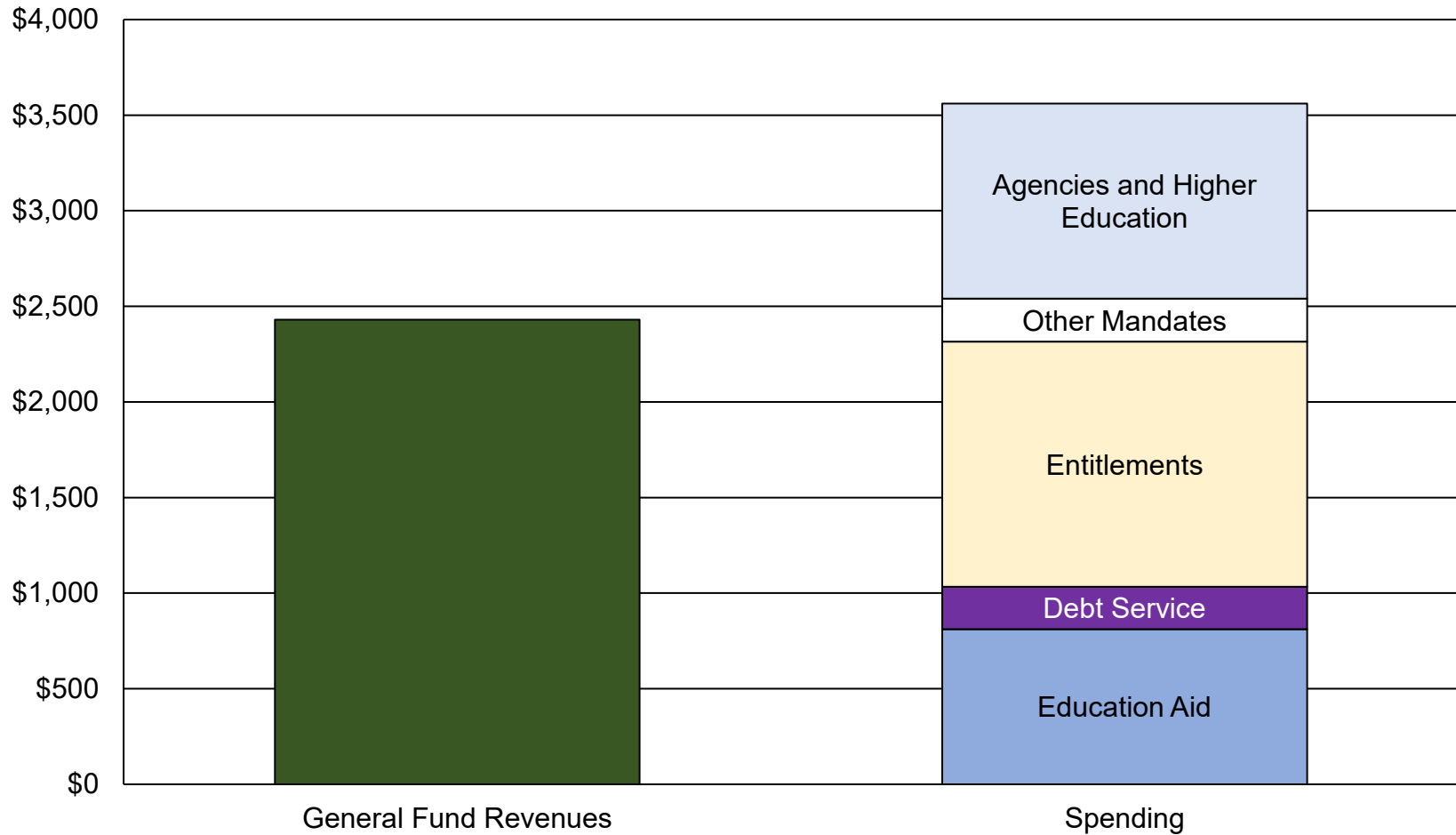
**General Fund Structural Deficit Is
\$75 Million in Fiscal 2019 and Grows to \$1.2 Billion in Fiscal 2023
Fiscal 2016-2023**

43



**Over Next Four Years, Projected General Fund Spending Will
Grow Faster Than Revenues
Fiscal 2019-2023
(\$ in Millions)**

44



State Aid to Local Governments

State Aid by Major Programs
Fiscal 2017-2019
State Funds
(\$ in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2018-2019</u> <u>\$ Change</u>	<u>FY 2018-2019</u> <u>% Change</u>
Public Schools					
Foundation Program	\$2,962.0	\$3,005.3	\$3,056.2	\$50.9	1.7%
Supplemental Grant	46.6	46.6	46.6	0.0	0.0%
Geographic Cost Index	136.9	139.1	141.6	2.4	1.8%
Net Taxable Income Grants	39.7	49.2	62.5	13.3	27.1%
Tax Increment Financing Grants	0.0	0.4	0.5	0.1	28.3%
Declining Enrollment Grants	0.0	17.2	18.6	1.4	8.1%
Foundation Special/Hold Harmless Grants	19.4	0.0	15.2	15.2	
Compensatory Aid	1,309.1	1,305.5	1,305.1	-0.5	0.0%
Student Transportation	270.8	276.3	282.6	6.2	2.3%
Special Education – Formula Aid	279.6	284.9	290.8	5.9	2.1%
Special Education – Nonpublic Placements	123.5	123.6	123.5	-0.1	-0.1%
Limited English Proficiency Grants	227.0	248.7	288.0	39.4	15.8%
Guaranteed Tax Base	54.5	50.3	48.2	-2.1	-4.2%
Aging Schools Program	0.0	6.1	7.6	1.5	24.6%
Head Start/Pre-kindergarten	6.1	20.7	29.2	8.5	40.8%
Other Education Programs	63.3	73.1	70.2	-2.8	-3.9%
Subtotal Direct Aid	\$5,538.6	\$5,647.1	\$5,786.4	\$139.3	2.5%
Retirement Payments	\$787.0	\$734.5	\$732.9	-\$1.5	-0.2%
Total Public School Aid	\$6,325.5	\$6,381.6	\$6,519.4	\$137.8	2.2%
Libraries					
Library Aid Formula	\$36.4	\$40.7	\$41.9	\$1.2	3.0%
State Library Network	17.0	17.7	18.4	0.7	3.8%
Subtotal Direct Aid	\$53.4	\$58.4	\$60.3	\$1.9	3.3%
Retirement Payments	\$20.9	\$20.3	\$20.6	\$0.3	1.5%
Total Library Aid	\$74.3	\$78.7	\$81.0	\$2.2	2.8%
Community Colleges					
Community College Formula	\$234.4	\$235.2	\$239.5	\$4.3	1.8%
Other Programs	32.7	37.9	37.9	-0.1	-0.2%
Subtotal Direct Aid	\$267.1	\$273.1	\$277.3	\$4.3	1.6%
Retirement Payments	\$46.5	\$44.6	\$44.1	-\$0.5	-1.2%
Total Community College Aid	\$313.5	\$317.7	\$321.4	\$3.7	1.2%
Local Health Grants	\$49.5	\$51.1	\$50.5	-\$0.6	-1.2%
County/Municipal Aid					
Transportation	\$206.8	\$219.9	\$237.9	\$18.0	8.2%
Public Safety	124.6	131.6	132.2	0.7	0.5%
Program Open Space	27.2	40.7	57.9	17.2	42.2%
Disparity Grant	131.8	138.8	140.8	2.0	1.4%
Gaming Impact Grants	65.0	85.9	87.2	1.4	1.6%
Neighborhood Revitalization Grant	22.0	25.6	28.5	2.9	11.2%
Teacher Retirement Supplemental Grant	27.7	27.7	27.7	0.0	0.0%
Other Grants	17.2	21.5	23.2	1.6	7.7%
Total County/Municipal Aid	\$622.3	\$691.7	\$735.4	\$43.7	6.3%
Total State Aid	\$7,385.1	\$7,520.8	\$7,707.6	\$186.8	2.5%

State Aid to Local Governments – Comparison by Per Capita Aid and Annual Change Fiscal 2018-2019

County	\$ in Millions			Percent Change				
	2018 Appropriation	2019 Allowance	Change					
Allegany	\$114.5	\$116.7	\$2.2	1.9%	1. Caroline	\$2,118	1. Charles	5.9%
Anne Arundel	512.8	525.6	12.8	2.5%	2. Baltimore City	2,039	2. Howard	4.2%
Baltimore City	1,249.0	1,253.2	4.3	0.3%	3. Wicomico	1,804	3. Caroline	4.0%
Baltimore	838.4	864.4	26.1	3.1%	4. Somerset	1,709	4. Talbot	3.8%
Calvert	105.1	106.4	1.3	1.2%	5. Dorchester	1,704	5. Montgomery	3.7%
Caroline	66.9	69.6	2.7	4.0%	6. Allegany	1,617	6. Kent	3.1%
Carroll	171.4	173.1	1.6	1.0%	7. Prince George's	1,556	7. Baltimore	3.1%
Cecil	138.4	140.4	2.0	1.5%	8. Washington	1,447	8. Queen Anne's	3.0%
Charles	212.0	224.5	12.4	5.9%	9. Charles	1,423	9. Frederick	2.8%
Dorchester	53.8	55.0	1.2	2.2%	10. Cecil	1,369	10. Prince George's	2.7%
Frederick	300.0	308.3	8.3	2.8%	11. Frederick	1,245	11. Wicomico	2.6%
Garrett	34.8	35.3	0.5	1.4%	12. Garrett	1,201	12. Anne Arundel	2.5%
Harford	263.6	268.3	4.7	1.8%	13. Calvert	1,166	13. Dorchester	2.2%
Howard	339.4	353.7	14.3	4.2%	14. St. Mary's	1,154	14. Somerset	2.2%
Kent	14.2	14.6	0.4	3.1%	15. Howard	1,115	15. Worcester	2.2%
Montgomery	948.7	983.9	35.2	3.7%	16. Harford	1,069	16. Allegany	1.9%
Prince George's	1,375.7	1,413.3	37.6	2.7%	17. Baltimore	1,040	17. St. Mary's	1.8%
Queen Anne's	46.2	47.6	1.4	3.0%	18. Carroll	1,032	18. Harford	1.8%
St. Mary's	127.5	129.9	2.3	1.8%	19. Queen Anne's	973	19. Washington	1.6%
Somerset	43.3	44.3	1.0	2.2%	20. Montgomery	943	20. Cecil	1.5%
Talbot	23.2	24.1	0.9	3.8%	21. Anne Arundel	925	21. Garrett	1.4%
Washington	214.0	217.5	3.5	1.6%	22. Worcester	745	22. Calvert	1.2%
Wicomico	180.4	185.0	4.6	2.6%	23. Kent	743	23. Carroll	1.0%
Worcester	37.5	38.4	0.8	2.2%	24. Talbot	647	24. Baltimore City	0.3%
Unallocated	109.8	114.4	4.6	4.2%				
Total	\$7,520.8	\$7,707.6	\$186.8	2.5%	Statewide Average	\$1,281	Statewide Average	2.5%

Proposed Changes to State Aid Programs
Fiscal 2018 and 2019
(\$ in Millions)

	<u>2018</u>	<u>2019</u>
State Aid Enhancements		
Hold Harmless Education Grants	\$0.0	\$15.2
Aging Schools Program	0.0	1.5
Community College Supplemental Grants	0.0	2.0
County/Municipal Transportation Grants	0.0	15.3
Total Enhancements	\$0.0	\$34.0
State Aid Reductions		
Public School Opportunities	\$0.0	\$5.0
Next Generation Scholars	0.0	5.0
Teacher Induction, Retention, and Advancement Program	1.1	5.0
Quality Teacher Stipends	1.5	2.1
Anne Arundel Teacher Pilot Program	1.0	1.9
Out-of-county Placements (Education Grants)	0.2	0.0
Public School Robotics Grants	0.0	0.3
Local Health Grants	0.0	0.9
Program Open Space	0.0	3.4
Total Reductions	\$3.8	\$23.5
Increased Local Property Assessment Cost	\$0.0	\$19.7
Total Local Impact	-\$3.8	-\$9.2

County Share of Property Assessment Costs Fiscal 2019

County	Real Property Accounts	Local Allocation	Business Personal Property Base	Local Allocation	Current Law	Governor's Proposal	Difference
Allegany	41,304	1.8%	\$177,043	1.4%	\$371,869	\$717,138	\$345,269
Anne Arundel	215,171	9.3%	1,544,655	12.6%	2,024,428	3,892,845	1,868,417
Baltimore City	237,205	10.2%	1,258,000	10.3%	2,169,411	4,179,299	2,009,888
Baltimore	300,195	12.9%	1,718,998	14.0%	2,763,284	5,321,127	2,557,843
Calvert	42,996	1.8%	152,755	1.2%	382,684	738,561	355,878
Caroline	16,696	0.7%	50,234	0.4%	147,329	284,504	137,175
Carroll	67,347	2.9%	286,877	2.3%	606,089	1,168,855	562,767
Cecil	47,245	2.0%	238,334	1.9%	430,377	829,323	398,947
Charles	66,015	2.8%	487,413	4.0%	622,992	1,197,741	574,749
Dorchester	23,169	1.0%	0	0.0%	194,682	377,225	182,544
Frederick	96,923	4.2%	0	0.0%	814,413	1,578,049	763,635
Garrett	29,584	1.3%	115,138	0.9%	264,716	510,707	245,991
Harford	99,485	4.3%	627,854	5.1%	923,907	1,778,100	854,193
Howard	106,889	4.6%	999,911	8.2%	1,038,247	1,992,476	954,229
Kent	13,462	0.6%	0	0.0%	113,117	219,181	106,064
Montgomery	340,626	14.7%	2,167,593	17.7%	3,165,864	6,092,534	2,926,671
Prince George's	294,416	12.7%	1,403,313	11.5%	2,670,496	5,147,425	2,476,929
Queen Anne's	25,942	1.1%	0	0.0%	217,982	422,374	204,391
St. Mary's	49,617	2.1%	160,435	1.3%	439,394	848,298	408,904
Somerset	17,065	0.7%	26,909	0.2%	147,162	284,629	137,467
Talbot	21,296	0.9%	0	0.0%	178,944	346,730	167,787
Washington	59,104	2.5%	409,948	3.3%	554,068	1,065,684	511,616
Wicomico	46,708	2.0%	201,725	1.6%	420,735	811,348	390,612
Worcester	66,500	2.9%	212,925	1.7%	588,610	1,136,415	547,805
Total	2,324,960	100.0%	\$12,240,060	100.0%	\$21,250,800	\$40,940,569	\$19,689,769

Transportation

Transportation Trust Fund Forecasts Fiscal 2017-2023 (\$ in Millions)

	<u>Final 2017-2022*</u>	<u>Final 2018-2023</u>	<u>Change</u>
Revenues			
Taxes and Fees	\$17,726	\$18,004	\$278
Operating and Other Revenues	3,405	3,398	-7
Federal Operating Assistance	582	588	6
Bond Proceeds/Premiums	3,378	2,898	-480
Change in Fund Balance	-24	13	37
Total Revenues	\$25,067	\$24,901	-\$166
Expenditures			
Debt Service	\$2,219	\$2,387	\$168
Operating Budget	12,598	12,922	324
Purple Line Availability Payments	0	150	150
Deductions to Other Agencies	422	427	5
Highway User Revenues and Local Grants	1,128	1,139	11
State Capital Program	8,700	7,876	-824
Total Expenditures	\$25,067	\$24,901	-\$166

Lowest Net Income Debt Service Coverage Ratio: 2.5 in Fiscal 2021

*Fiscal 2019-2022 funding reserved in the final 2017-2022 forecast to increase aid to local governments is added to the State Capital Program line to reflect language in the Budget Reconciliation and Financing Act of 2017 prohibiting the reservation of funds for this purpose beyond the budget year.

- The six-year State capital program in the Maryland Department of Transportation (MDOT) fiscal 2018 through 2023 Transportation Trust Fund forecast is \$824 million lower than in the prior year's six-year program. Lower estimated bond funding combined with higher debt service and departmental operations costs account for the majority of the decrease.
- Despite the reduction made to the State capital program, the net income debt service coverage ratio falls to MDOT's administrative minimum level of 2.5 in fiscal 2021 due to the large amount of debt issuance in recent years.
- MDOT did not use the five-year average annual increase in operating expenses to calculate out-year operating expenses as directed in the 2017 *Joint Chairmen's Report*. As a result, MDOT's forecast likely understates operating expenses by \$431 million over the forecast period, (approximately 3.3%) and overstates the amount available for the capital program by \$783 million.

**Transportation Capital Program
January 2017 vs. January 2018 Plan
(\$ in Millions)**

	<u>2017 Plan*</u>	<u>2018 Plan</u>	<u>Change</u>
Fiscal 2019			
Secretary's Office	\$31.5	\$107.4	\$75.9
Motor Vehicle Administration	27.0	37.6	10.6
Maryland Aviation Administration	36.5	117.1	80.6
Maryland Port Administration	167.8	126.9	-40.9
Maryland Transit Administration	804.6	811.7	7.1
Washington Metropolitan Area Transit Authority	265.3	255.8	-9.5
State Highway Administration	1,508.1	1,447.3	-60.8
Fiscal 2019 Total	\$2,840.8	\$2,903.8	\$63.0
Special Funds	\$1,624.9	\$1,550.6	-\$74.3
Federal Funds	1,037.1	1,128.9	91.8
Other Funds	178.8	224.3	-17.7
Fiscal 2019 Total Funds	\$2,840.8	\$2,903.8	\$63.0
Six-year Funding			
Secretary's Office	\$319.9	\$280.9	-\$39.0
Motor Vehicle Administration	121.5	125.5	4.0
Maryland Aviation Administration	438.1	572.1	134.0
Maryland Port Administration	876.6	800.8	-75.8
Maryland Transit Administration	3,657.9	3,381.6	-276.3
Washington Metropolitan Area Transit Authority	1,583.8	1,534.8	-49.0
State Highway Administration	8,494.0	8,119.7	-374.3
Six-year Funding Total	\$15,491.8	\$14,815.4	-\$676.4
Special Funds	\$8,773.2	\$7,949.0	-\$824.2
Federal Funds	5,674.0	5,707.5	33.5
Other Funds	1,044.6	1,158.9	114.3
Six-year Total Funds	\$15,491.8	\$14,815.4	-\$676.4

*Fiscal 2019-2022 funding reserved in the final 2017-2022 forecast to increase aid to local governments is added to the State Highway Administration line to reflect language in the Budget Reconciliation and Financing Act of 2017 prohibiting the reservation of funds for this purpose beyond the budget year.

- Capital spending in fiscal 2019 is \$63.0 million higher than anticipated in the 2017 *Consolidated Transportation Program* (CTP), but six-year spending in the 2018 CTP is \$676.4 million lower than in the prior year plan due primarily to the lower level of special funds available for the capital program.

- The fiscal 2019 capital program includes \$54.0 million in transportation grants to local governments. Similar grants were funded at \$25.0 million in fiscal 2017 and \$38.4 million in fiscal 2018. When added to the Highway User Revenue funding provided through the statutory funding, the fiscal 2019 capital grants increase transportation aid to local governments to an amount equal to 12.5% of revenues in the Gasoline and Motor Vehicle Revenue Account.

Capital Budget

Fiscal 2019 Capital Budget

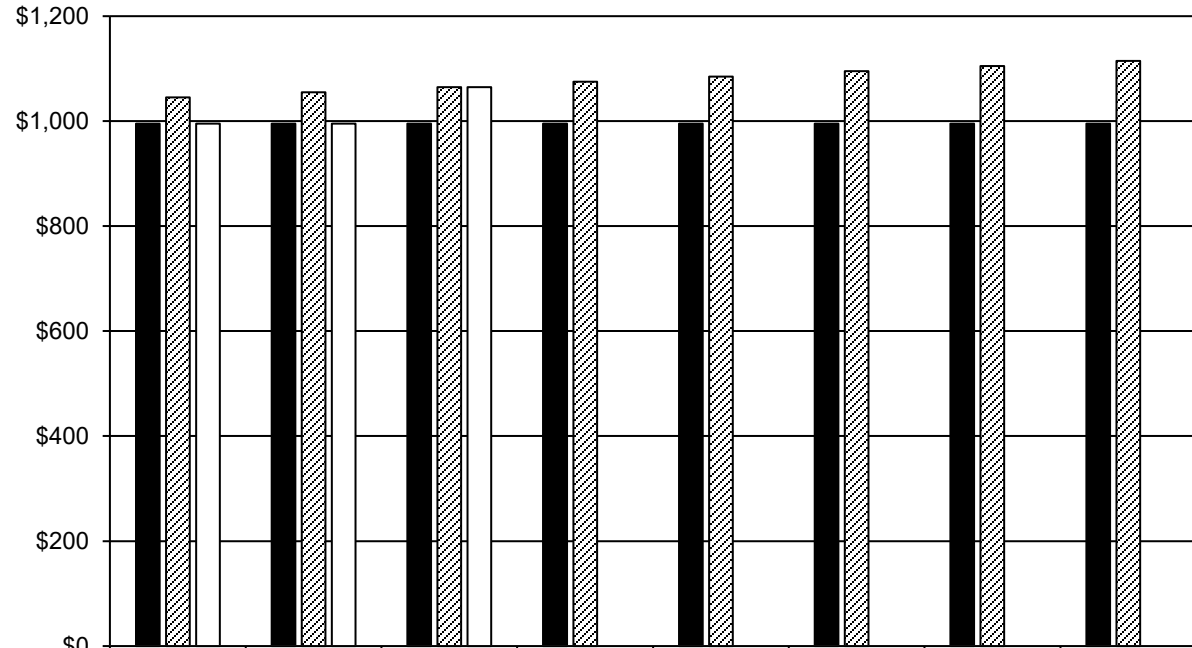
Fiscal 2019 Capital Budget Totals \$4.412 Billion

- **Debt Components:** Include \$995.0 million of new general obligation (GO) bonds plus another \$5.2 million of GO bonds recycled from de-authorizations, \$24.0 million of Academic Revenue Bonds, and \$150.0 million of revenue bonds to be issued by the Maryland Department of the Environment to fund various drinking and water quality projects.
- **Pay-as-you-go (PAYGO) Components:** Include \$20.3 million in general funds comprised of \$8.9 million funds the Heritage Structure Tax Credit, \$6.0 million budgeted in the Dedicated Purpose Account for repayment of diverted transfer tax funds for the Department of Natural Resources Critical Maintenance Program as required by Chapter 10 of 2016, and \$4.9 million for the Public School Construction Program to replace funds lost when the U.S. Congress did not re-authorize the Qualified Zone Academy Bond Program. The PAYGO portion of the capital program is also supported with \$470.2 million in special funds and \$67.9 million in federal funds.

Funding Highlights

- **GO Bond Authorization Levels Are Consistent with the Capital Debt Affordability Recommendation but Below Spending Affordability Limits:** Proposed new GO bond authorization amount is \$80 million below the level recommended by the Spending Affordability Committee (SAC) for fiscal 2019 and \$500 million below the SAC recommendation through the five-year *Capital Improvement Program* (CIP) covering fiscal 2019 through 2023.

**2018 Capital Improvement Program and SAC Recommended
New General Obligation Bond Authorization Levels
Fiscal 2016-2023
(\$ in Millions)**



	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
■ Governor	\$995	\$995	\$995	\$995	\$995	\$995	\$995	\$995
▨ SAC Recommendations (1% annual growth)	\$1,045	\$1,055	\$1,065	\$1,075	\$1,085	\$1,095	\$1,105	\$1,115
□ Legislative Authorization	\$995	\$995	\$1,065					

CIP: *Capital Improvement Program*
SAC: *Spending Affordability Committee*

Capital Budget – All Funds

Fiscal 2019

(\$ in Millions)

	<u>2018</u>	<u>2019</u>	<u>Variance</u>
Uses			
State Facilities	\$119.5	\$67.8	-\$51.7
Health/Social	37.7	53.3	15.6
Environment	799.9	700.0	-99.9
Public Safety	8.2	14.8	6.6
Education	398.9	375.4	-23.3
Higher Education	396.1	348.4	-47.7
Housing/Economic Development	145.6	151.8	6.2
Local Projects	66.9	21.1	-45.8
Subtotal	\$1,972.8	\$1,732.6	-\$240.2
Transportation	\$2,604.2	\$2,679.6	\$75.4
Total	\$4,577.0	\$4,412.2	-\$164.8
Funds			
General Obligation (GO)	\$1,065.0	\$995.0	-\$70.0
Additional GO from De-authorizations	24.4	5.2	-19.2
Revenue Bonds	381.1	174.0	-207.1
Qualified Zone Academy Bonds	4.8	0.0	-4.8
General	9.5	20.3	10.8
Special	378.8	470.2	91.4
Federal	109.2	67.9	-41.3
Transportation	2,604.2	2,679.6	75.4
Total	\$4,577.0	\$4,412.2	-\$164.8

Note: Fiscal 2019 figures adjusted to reflect general fund contingent reductions as follows: \$9 million for the Baltimore Regional Neighborhood Initiative in the Department of Housing and Community Development (DHCD), which is mandated to be funded at \$12 million in fiscal 2019 but is funded at \$3 million using general obligation (GO) bond funds; \$5 million for the SEED program in DHCD but is not funded in the capital or operating budgets as introduced; and \$29 million in Board of Public Works for the Prince George's County Regional Medical Center, which is mandated to be funded at \$48 million but is funded with \$19 million in GO bond funds.

Note: Figures include general fund appropriations for the Heritage Structure Tax Credit, which is not part of the Governor's annual *Capital Improvement Program*.

Solving the Problem

	Fiscal 2019 CIP and Commitments
2017 CIP Programmed GO Bond Commitments	\$995.0
Projects Accelerated/Deferred	\$35.8
Projects Pre-authorized	16.5
Mandates	14.0
Expressions of Intent	29.0
Legislative and Administrative Local Initiatives	15.0
Subtotal	\$110.3
 Potential Bond Replacement for General Fund PAYGO	 \$66.4
 Total	 \$1,171.7
 Significant Reductions	
Transfer Tax Repayment (not bond funded)	-\$37.9
UMMS: Prince George's Regional Hospital	-29.0
DJS: New Female Detention Center	-24.3
MHEC: Community College Construction Grant Program	-20.0
MISC: Local Legislative Initiatives	-15.0
DHCD: Mandates funded at CIP level and not mandated levels	-14.0
MES: State Water and Sewer Infrastructure Improvement Fund	-11.6
DPSCS: Demolition of Buildings at BCCC	-11.4
UMCP: New Cole Field House	-10.2
DNR: Oyster Restoration Program	-8.6
DJS: Baltimore City Juvenile Justice Center Education Expansion	-8.1
MISC: Downtown Frederick Hotel and Conference Center	-7.5
DPSCS: Jessup Region Electrical Infrastructure Upgrade	-7.2
MISC: Merriweather Post Pavilion	-7.0
UMCP: School of Public Policy Building	-7.0
MDA: Salisbury Animal Health Laboratory Replacement	-6.7
DPSCS: Maryland Correctional Training Center	-4.8
DoIT: Public Safety Communications System	-4.5
MISC: Sheppard Pratt	-4.4
MPBC: Maryland Public Television Studio "A" Renovation/Addition	-3.1
MISC: Strathmore Hall Performing Arts Center	-3.0
TU: New Science Facility	-2.8
MSP: Barrack "C" Cumberland New Barrack and Garage	-2.7
MISC: Ocean City Convention Center	-0.8

**Fiscal 2019 CIP
and
Commitments**

Significant Additions Above CIP and Other Commitments

BPW: Public School Construction Program	\$29.0
MISC: Administrative Miscellaneous Projects	16.0
MDE: Water Quality and Drinking Water Revolving Loan Program	9.6
BPW: Annapolis Post Office Renovation	6.7
MIL: Freedom Readiness Center	5.5
BPW: Facilities Renewal	5.4
UMB: Central Electric Substrate and Electrical Infrastructure	3.0
DHCD: Homeownership Programs	3.0
BPW: Replacement of Lawyers Mall Underground Infrastructure	2.0
UMBC: Utility Upgrade	1.4

Other **-\$6.7**

Net Total Adjustments **-\$176.7**

Governor's Proposed GO Bond and General Fund Capital Program **\$995.0**

- BCCC: Baltimore City Community College
- BPW: Board of Public Works
- CIP: Capital Improvement Program
- DHCD: Department of Housing and Community Development
- DJS: Department of Juvenile Services
- MIL: Military Department
- DNR: Department of Natural Resources
- DoIT: Department of Information Technology
- DPSCS: Department of Public Safety and Correctional Services
- GO: general obligation
- MDA: Maryland Department of Agriculture
- MDE: Maryland Department of the Environment
- MES: Maryland Environmental Service
- MHEC: Maryland Higher Education Commission
- MISC: miscellaneous
- MPBC: Maryland Public Broadcasting Commission
- MSP: Maryland State Police
- PAYGO: pay-as-you-go
- TU: Towson University
- UMB: University of Maryland, Baltimore Campus
- UMBC: University of Maryland Baltimore County
- UMCP: University of Maryland, College Park Campus
- UMMS: University of Maryland Medical System

Pay-as-you-go Outlook

- **General Fund Support for the Capital Program Remains Constrained:** The fiscal situation continues to limit general fund support of the capital program. The fiscal 2019 baseline assumed the use of \$78.4 million in general funds as compared to the \$20.3 million in the fiscal 2019 budget as introduced. Three components comprise the majority of the difference:
 - **Project Creating Opportunities for Renewal and Enterprise (C.O.R.E.):** Consistent with the 2017 *Capital Improvement Program* (CIP), the fiscal 2019 baseline assumed \$28.5 million in general fund support for Project C.O.R.E. in Baltimore City. This initiative is general obligation (GO) bond funded at \$28.5 million in the fiscal 2019 budget.
 - **Transfer Tax Repayment:** In accordance with Chapter 10 of 2016 and in accordance with the repayment plan established by the Administration in the 2017 CIP, the fiscal 2019 baseline assumed that transfer tax revenues used to fund Program Open Space would be augmented with \$37.9 million in general funds. As introduced, \$6.0 million is budgeted in the Dedicated Purpose Account to fund the Department of Natural Resources (DNR) Critical Maintenance Program.
 - **Qualified Zone Academy Bond Program (QZAB):** The budget provides \$4.9 million in general funds for the Public School Construction Program to replace GO bonds programmed in the CIP when the U.S. Congress did not re-authorize the QZAB program. The general funds are not bound by the same requirements that governed the federal QZAB program.

Capital PAYGO Program Fiscal 2019 Allowance, Fiscal 2019 Baseline, and 2017 CIP (\$ in Millions)

<u>Fund Type</u>	<u>2017 CIP</u>	<u>2019 Baseline</u>	<u>2019 Allowance</u>	<u>Difference Baseline to Allowance</u>
General	\$50.5	\$78.4	\$20.3	-\$58.1
Special	502.7	504.3	476.2	-28.1
Federal	69.9	77.7	67.9	-9.8
Total	\$623.1	\$660.4	\$564.4	-\$96.0

CIP: *Capital Improvement Program*

- **Transfer Tax Replacement Plan:** Chapter 10 requires the repayment of \$237.2 million in past redirected transfer tax funds by fiscal 2029. The plan provides for the use of general funds as a source of repayment to be expended as special funds in the budget. The Governor’s revised plan presented in the 2018 CIP, which proposes to defer \$31.9 million in fiscal 2019 and reprograms those funds for future years, meets the statutory repayment schedule.
- **Payback for Fiscal 2006 Transfer Tax (to Be Distributed through the Transfer Tax Formula):** Chapter 10 requires \$15.0 million in each of fiscal 2019 through 2021 for a total repayment of \$45.0 million. A provision in the Budget Reconciliation and Financing Act of 2018 amends the repayment schedule by deferring the \$15.0 million required in fiscal 2019 to 2022, essentially moving back by one year the total repayment requirement.
- **Payback for Fiscal 2006 Transfer Tax for Critical Maintenance/Natural Resources Development Fund:** Chapter 10 requires that \$6.0 million in each of fiscal 2019 through 2024 and \$4.0 million in fiscal 2025 for a total repayment of \$40.0 million be used to fund the DNR Critical Maintenance and Natural Resources Development Fund projects. The statutory repayment schedule remains unchanged in the fiscal 2019 budget submission.
- **Payback for Fiscal 2016 to 2018 Transfer Tax (to Be Distributed through the Transfer Tax Formula):** Chapter 10 requires the repayment of \$152.2 million as follows: one-third by fiscal 2021, two-thirds by fiscal 2025, and the full amount by fiscal 2029. This provision provides for some annual funding flexibility, and the fiscal 2019 budget as introduced programs this in equal installments of \$25.4 million in each of fiscal 2020 and 2021, which is revised from what the Administration programmed in the 2017 session, which called for equal annual installments of \$16.9 million in each of fiscal 2019 through 2021.

Transfer Tax Replacement Plan
Comparison of 2017 and 2018 Session Repayment Plan
Fiscal 2019-2029
(\$ in Millions)

	2017 Session						Total
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023-2029</u>	
MARBIDCO	\$2.5	\$2.5					\$5.0
POS (2006)		\$15.0	\$15.0	\$15.0			45.0
POS (2016-2018)		16.9	16.9	16.9	\$12.7	\$88.8	152.2
Park Development		6.0	6.0	6.0	6.0	16.0	40.0
	\$2.50	\$40.0	\$37.9	\$37.9	\$18.7	\$104.8	\$242.2

	2018 Session						Total
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023-2029</u>	
MARBIDCO	\$2.5	\$2.5					\$5.0
POS (2006)			\$15.0	\$15.0	\$15.0		45.0
POS (2016-2018)			25.4	25.4	12.7	\$88.8	152.2
Park Development		6.0	6.0	6.0	6.0	16.0	40.0
	\$2.5	\$8.5	\$46.4	\$46.4	\$33.7	\$104.8	\$242.2

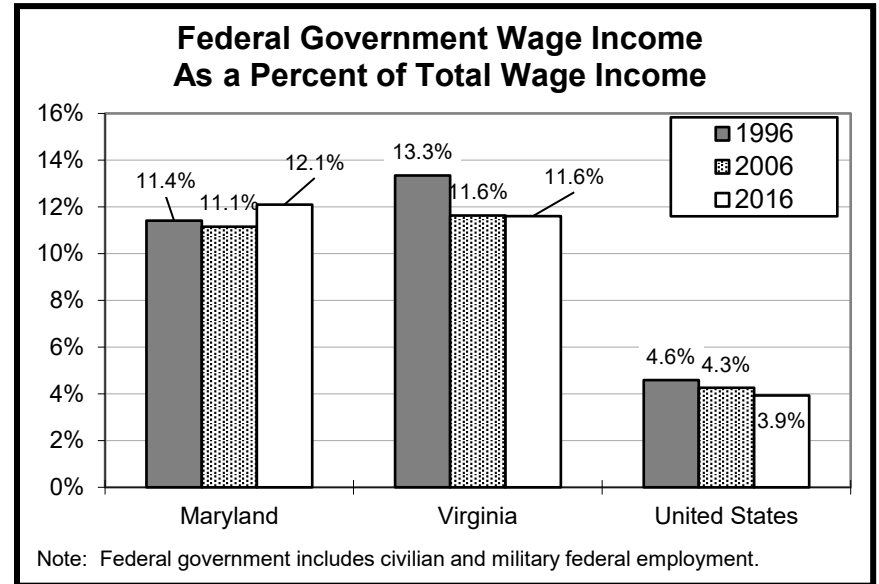
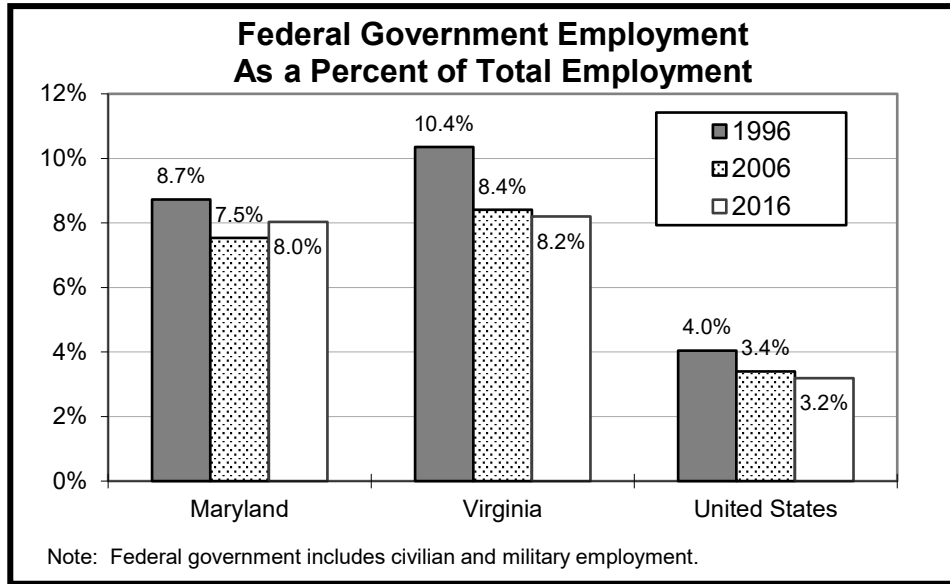
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023-2029</u>	<u>Total</u>
Difference	\$0.0	-\$31.9	\$8.5	\$8.5	\$15.0	\$0.0	\$0.0

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation
 POS: Program Open Space

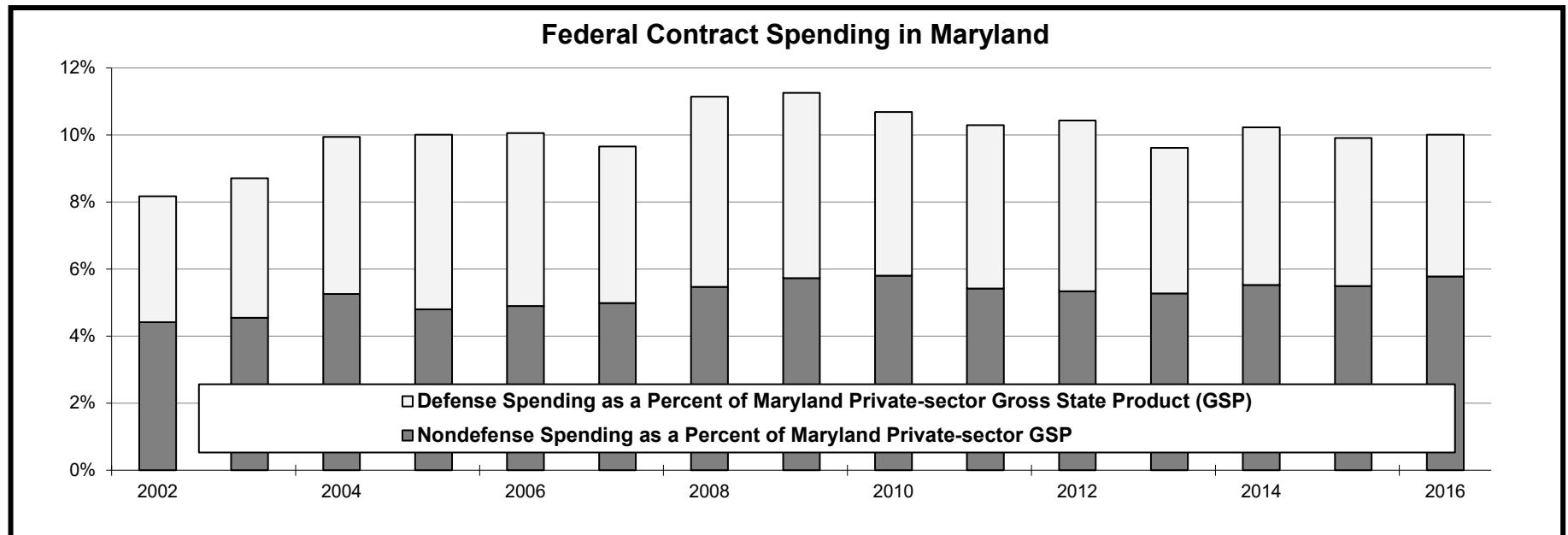
Source: Department of Budget and Management

Appendices

Appendix 1 Federal Government in Maryland



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Source: U.S. Department of Commerce, Bureau of Economic Analysis; usaspending.gov

Appendix 2
Spending Affordability Analysis
Governor's Proposed Budget
Fiscal 2019
(\$ in Millions)

Target		
Estimated Structural Gap (December 2017)		-\$298
Target Reduction		-\$298
Revenues	\$17,636	
<i>Subtotal</i>		\$17,636
Spending	\$17,743	
Medicaid Special Fund Use	24	
Hospital Deficit Assessment	10	
State Reserve Fund	-24	
K-12 Hold Harmless One-time Spending	-15	
Other One-time Spending	-12	
Pay-as-you-go Capital	-14	
<i>Subtotal</i>		\$17,711
Amount Reduced from Structural Shortfall		\$223
Surplus/(Deficit)		-\$75

Appendix 3
Revenue and Transfer Assumptions
Fiscal 2018-2019

	<u>2018</u>	<u>2019</u>
Revenue Assumptions		
VW Settlement	\$22,000,000	
* Lottery Revenue: Repeal Chapter 727 of 2016	350,000	\$350,000
Lottery Revenue Adjustment	-2,833,333	4,904,947
Settlement Revenue Lower Than Expected	-5,677,810	
Central Collection Unit: Sept. 2017 BPW Reduction	600,000	
Total	\$14,438,857	\$5,254,947

Transfers Contingent on Budget Reconciliation Legislation

* USM Fund Balance	\$9,000,000	
Total	\$9,000,000	\$0

Proposed Administration Legislation

* Maryland Retirement Income		-\$12,500,000
* Small Business Relief Tax Credit		-5,000,000
* Hometown Heroes		-2,000,000
Total	\$0	-\$19,500,000

BPW: Board of Public Works

USM: University System of Maryland

VW: Volkswagen

* Items require a statutory change through legislation.

Appendix 4
General Fund Reductions Contingent on Legislation
Fiscal 2019

	<u>2019</u>
2016 Session Legislation	
MDH: Restructure Payments to Prince George’s Regional Medical Center Chapter 13	\$29,000,000
USM: Repeal Funding Guideline Mandate in Chapter 25	6,000,000
MSDE: Repeal Chapter 740 Teacher Stipend and Retention Grants	9,000,000
MSDE: Alter Chapter 32 Public Schools Opportunities	5,000,000
MSDE: Repeal Chapter 33 Next Generation Scholars	5,000,000
MSDE: Repeal Chapters 681 and 682 Robotics Grants	250,000
Department of Housing and Community Development Repeal Pay-as-you-go Mandates	
Chapter 29 Baltimore Regional Neighborhood Initiative Program	9,000,000
Chapter 31 Seed Community Development Anchor Institution Fund	5,000,000
Subtotal	\$68,250,000
Other Contingent Reductions	
Reserve Fund	\$193,000,000
Reduce Pension Sweeper Mandate for One Year	50,000,000
Reserve Fund: Program Open Space Repayment	15,000,000
MDH: Limit Provider Rate Increase for DDA to 1%	14,638,439
MDH: Limit Provider Rate Increase for BHA to 2%	7,942,754
MDH: Medicaid Delay Deficit Assessment Buydown for One Year	10,000,000
MDH: Use Trauma Physicians Services Fund Balance for Medicaid	8,000,000
MHEC: Sellinger Grants Fund at the Fiscal 2018 Level	7,364,333
MHEC: Reduce Funding for 529 Plan Match	5,000,000
MDH: Use Community Health Resource Commission for the Uninsured	2,000,000
DLLR: Consolidate Financial Regulation Special Funds	1,258,607
Commerce: Reduce Funding for the State Arts Council	1,000,000
Level Fund Baltimore City Community College	851,000
Use Cord Blood and Advance Directives Funds for Maternal and Child Health	747,001
Subtotal	\$316,802,134
Local Impacts	
SDAT: Increase Local Cost Share to 90%	\$19,689,769
Level Fund Local Health Departments	890,794
Subtotal	\$20,580,563
Total	\$405,632,697

BHA: Behavioral Health Administration
DDA: Developmental Disabilities Administration
MDH: Maryland Department of Health
DLLR: Department of Labor, Licensing, and Regulation
MHEC: Maryland Higher Education Commission
MSDE: Maryland State Department of Education
SDAT: State Department of Assessments and Taxation
USM: University System of Maryland

Appendix 5
Fiscal 2018 Total Fund Deficiencies Amount to \$134.0 Million Primarily Due to Higher Than Anticipated Medicaid Spending

	<u>GF</u>	<u>SF</u>	<u>FF</u>	<u>CUF</u>	<u>Total</u>
Medicaid: Demand for behavioral health services in fiscal 2017 (\$17.0 million in GF, \$34.5 million in FF) and fiscal 2018 (\$7.8 million in GF and \$50.4 million in FF), and revised estimates of special fund availability and underlying Medicaid growth (\$29.5 million in GF, and -\$10.7 million in SF).	\$54.3	-\$10.7	\$84.8	\$0.0	\$128.5
Operating Expenses in Various Agencies: MDH: Maintenance and safety improvements at various facilities, Crownsville security and maintenance expenditures, and vital records system improvements (\$3.2 million in GF and \$0.1 million in FF); State Lottery Agency: Upgrade of lottery ticket central system (\$2.8 million in SF); Department of Commerce: MEDAAF (\$2.5 million in SF) and Military Personnel and Veteran-owned Small Business loans (\$0.1 million in SF); MHEC: Increased scholarship funding in the Conroy (\$0.8 million in SF) and 2+2 transfer (\$0.5 million in SF) loan programs; Department of Information Technology: ONE portal project (\$1.0 million in GF); Office of Public Defender: Information technology and personnel costs (\$1.0 million in GF); State Board of Elections: Additional 2018 election expenses (\$0.5 million in GF and \$0.5 million in SF); DNR: Various operating expenses (\$0.6 million in FF); DHCD: Weatherization assistance (\$0.4 million in SF); and other agencies (\$0.8 million in GF and \$0.1 million in SF).	6.5	7.7	0.7	0.0	14.9
Additional Treatment Capacity: MDH community-based court-ordered and residential treatment (\$5.2 million in GF) and additional psychiatric and developmental disability State institutional bed capacity (\$1.8 million GF).	7.0	0.0	0.0	0.0	7.0
Department of Natural Resources: Capital-related activity including \$2.5 million for design and construction of improvements at Fair Hill Natural Resource Management Area (\$2.5 million in SF and \$0.2 million in FF).	0.0	2.5	0.2	0.0	2.7
Other Fiscal 2017 Deficits Carried Forward in Fiscal 2018: Office of the Public Defender (\$2.6 million).	2.6	0.0	0.0	0.0	2.6
Tax Credits: Additional funding for Enterprise Zone tax credits (\$2.1 million).	2.1	0.0	0.0	0.0	2.1
Revenue Availability: Lower than anticipated Education Trust Fund revenue in fiscal 2017 (\$5.7 million in GF and -\$5.7 million in SF) and fiscal 2018 (\$40.6 million in GF and -\$40.6 million in SF); Department of Human Services: Lower than budgeted available SEIF funds (\$10.0 million in SF); MDH: Lower than anticipated indirect cost recoveries (\$1.9 million in GF); Maryland Energy Administration: Additional revenue from Exelon/Pepco merger settlement (\$1.5 million in SF); Baltimore City Community College: Lower enrollment (\$1.5 million in CUF); and Department of Veterans Affairs: Lower bed lease funding (\$0.3 million in SF).	48.2	-55.1	0.0	-1.5	-8.4
Operational Savings in Various Agencies: State Lottery Agency savings from divesting from the operations and maintenance of video lottery terminal (\$10.2 million in GF and \$1.7 million in SF); Department of Public Safety and Correctional Services: Utility costs (\$1.9 million in GF); Department of General Services: Lower energy costs (\$0.6 million in GF); and other State agencies (\$0.6 million in GF, \$0.2 million in SF, and \$0.1 million in FF).	-13.3	-2.1	0.0	0.0	-15.4
Fiscal 2018 Deficiencies Total	\$107.4	-\$57.6	\$85.7	-\$1.5	\$134.0

CUF: current unrestricted funds
DHCD: Department of Housing and Community Development
DNR: Department of Natural Resources
FF: federal funds
GF: general funds
MDH: Maryland Department of Health
MEDAAF: Maryland Economic Development Authority Assistance Fund
MHEC: Maryland Higher Education Commission
SEIF: Strategic Energy Investment Fund
SF: special funds

**Appendix 6
Status of the General Fund
Fiscal 2018
(\$ in Millions)**

Starting Balance		\$258.5
Revenues		
BRE Estimated Revenue December 2017	\$16,997.7	
Program Open Space	46.0	
Administration Assumptions	14.4	
Total		\$17,058.1
Transfers		
Budgeted Tax Credits	\$21.8	
Budget Reconciliation Legislation	9.0	
Small, Minority, and Women-Owned Businesses Account	14.8	
Total		\$45.6
Funds Available		\$17,362.3
Spending		
Fiscal 2018 Legislative Appropriation	\$17,240.3	
BPW Reductions September 2017	-61.0	
Deficiencies	107.4	
Across-the-board Health Insurance Reduction	-60.0	
Targeted Reversions	-37.0	
Estimated Agency Reversions	-35.0	
Net Expenditures		\$17,154.7
Ending Balance		\$207.5

BPW: Board of Public Works

BRE: Board of Revenue Estimates

Appendix 7
Status of the General Fund
Fiscal 2019
(\$ in Millions)

Starting Balance		\$207.5
Revenues		
BRE Estimated Revenue December 2017	\$17,624.9	
Administration Assumptions	-14.2	
Total		\$17,610.7
Transfers		
Budgeted Tax Credits	\$25.2	
Total		\$25.2
Funds Available		\$17,843.4
Spending		
Fiscal 2019 Allowance	\$18,183.4	
Contingent Reductions	-405.6	
Estimated Agency Reversions	-35.0	
Net Expenditures		\$17,742.8
Ending Balance		\$100.6

BRE: Board of Revenue Estimates

Appendix 8
State Expenditures – Special and Higher Education Funds*
(\$ in Millions)

<u>Category</u>	<u>FY 2017 Actual</u>	<u>FY 2018 Working Appropriation</u>	<u>FY 2019 Allowance</u>	<u>Contingent Reductions +SF Add-Backs</u>	<u>FY 2019 Adjusted Allowance</u>	<u>FY 2018 to FY 2019 \$ Change</u>	<u>% Change</u>
Debt Service	\$1,207.7	\$1,304.6	\$1,337.8	\$0.0	\$1,337.8	\$33.2	2.5%
County/Municipal	\$338.4	\$399.5	\$429.1	\$0.0	\$429.1	\$29.6	7.4%
Community Colleges	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Education/Libraries	474.6	475.8	502.9	0.0	502.9	27.1	5.7%
Health	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	\$813.0	\$875.3	\$932.0	\$0.0	\$932.0	\$56.7	6.5%
Foster Care Payments	\$4.5	\$4.3	\$4.3	\$0.0	\$4.3	\$0.0	-0.5%
Assistance Payments	12.0	12.5	10.1	0.0	10.1	-2.4	-19.2%
Medical Assistance	963.7	983.3	935.1	18.0	953.1	-30.2	-3.1%
Property Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Entitlements	\$980.1	\$1,000.1	\$949.6	\$18.0	\$967.6	-\$32.6	-3.3%
Health	\$407.0	\$472.5	\$453.9	-\$0.3	\$453.7	-\$18.8	-4.0%
Human Services	88.8	83.4	82.6	0.0	82.6	-0.7	-0.9%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Juvenile Services	3.8	3.2	3.6	0.0	3.6	0.4	11.6%
Public Safety/Police	211.9	221.7	218.7	0.0	218.7	-3.0	-1.3%
Higher Education	4,288.9	4,512.4	4,608.3	0.0	4,608.3	95.9	2.1%
Other Education	64.9	70.8	72.6	0.0	72.6	1.9	2.6%
Transportation	1,846.0	1,905.1	1,955.9	0.0	1,955.9	50.8	2.7%
Agriculture/Natural Res./Environment	268.2	293.3	294.1	0.0	294.1	0.7	0.3%
Other Executive Agencies	606.2	689.5	732.3	20.6	752.9	63.3	9.2%
Judiciary	51.7	66.3	62.2	0.0	62.2	-4.1	-6.2%
Legislative	0.0	0.0	0.0	0.0	0.0	0.0	n/a
State Agencies	\$7,837.2	\$8,318.2	\$8,484.2	\$20.3	\$8,504.6	\$186.4	2.2%
Total Operating	\$10,838.0	\$11,498.3	\$11,703.6	\$38.3	\$11,741.9	\$243.7	2.1%
Capital	\$1,981.3	\$1,816.6	\$1,910.2	\$0.0	\$1,910.2	\$93.6	5.2%
Transportation	1,675.2	1,481.0	1,497.8	0.0	1,497.8	16.8	1.1%
Environment	210.1	187.1	220.3	0.0	220.3	33.2	17.7%
Other	96.1	148.6	192.2	0.0	192.2	43.6	29.4%
Grand Total	\$12,819.3	\$13,314.9	\$13,613.8	\$38.3	\$13,652.1	\$337.3	2.5%

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

Note: The fiscal 2018 working appropriation reflects deficiencies of -\$59.1 million. The fiscal 2019 adjusted allowance reflects \$3.4 million in reductions contingent on legislation and \$41.7 million in additional special fund spending due to funding swaps.

Appendix 9
State Expenditures – Federal Funds
(\$ in Millions)

<u>Category</u>	<u>FY 2017 Actual</u>	<u>FY 2018 Working Appropriation</u>	<u>FY 2019 Allowance</u>	<u>Contingent Reductions</u>	<u>FY 2019 Adjusted Allowance</u>	<u>FY 2018 to FY 2019 \$ Change</u>	<u>% Change</u>
Debt Service	\$11.5	\$11.5	\$12.8	\$0.0	\$12.8	\$1.3	11.2%
County/Municipal Community Colleges	\$75.3 0.0	\$72.4 0.0	\$65.9 0.0	\$0.0 0.0	\$65.9 0.0	-\$6.5 0.0	-9.0% n/a
Education/Libraries	853.5	993.3	970.1	0.0	970.1	-23.2	-2.3%
Health	3.8	4.5	0.0	0.0	0.0	-4.5	-100.0%
<i>Aid to Local Governments</i>	\$932.6	\$1,070.1	\$1,036.0	\$0.0	\$1,036.0	-\$34.2	-3.2%
Foster Care Payments	\$70.6	\$73.8	\$68.8	\$0.0	\$68.8	-\$5.1	-6.8%
Assistance Payments	1,099.6	1,196.4	1,102.6	0.0	1,102.6	-93.8	-7.8%
Medical Assistance	6,601.7	7,003.9	7,040.5	-8.3	7,032.2	28.2	0.4%
Property Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	n/a
<i>Entitlements</i>	\$7,771.9	\$8,274.2	\$8,211.9	-\$8.3	\$8,203.5	-\$70.6	-0.9%
Health	\$930.4	\$999.2	\$1,076.8	-\$13.4	\$1,063.5	\$64.2	6.4%
Human Services	494.0	553.0	554.4	0.0	554.4	1.4	0.2%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Juvenile Services	5.0	4.8	5.3	0.0	5.3	0.5	11.4%
Public Safety/Police	32.9	40.3	36.8	0.0	36.8	-3.5	-8.8%
Higher Education	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Other Education	211.3	270.9	265.4	0.0	265.4	-5.4	-2.0%
Transportation	94.5	97.4	98.5	0.0	98.5	1.1	1.1%
Agriculture/Natural Res./Environment	61.0	67.0	68.4	0.0	68.4	1.4	2.1%
Other Executive Agencies	622.8	622.5	587.1	0.0	587.1	-35.4	-5.7%
Judiciary	0.7	1.1	0.2	0.0	0.2	-0.9	-84.0%
<i>State Agencies</i>	\$2,452.6	\$2,656.1	\$2,692.9	-\$13.4	\$2,679.5	\$23.4	0.9%
Total Operating	\$11,168.6	\$12,012.0	\$11,953.5	-\$21.7	\$11,931.9	-\$80.1	-0.7%
Capital	\$852.7	\$1,115.1	\$1,131.0	\$0.0	\$1,131.0	\$15.9	1.4%
Transportation	782.9	1,005.9	1,063.2	0.0	1,063.2	57.3	5.7%
Environment	44.0	42.6	43.3	0.0	43.3	0.7	1.6%
Other	25.7	66.6	24.5	0.0	24.5	-42.0	-63.1%
Grand Total	\$12,021.3	\$13,127.1	\$13,084.6	-\$21.7	\$13,062.9	-\$64.2	-0.5%

Note: The fiscal 2018 working appropriation includes \$85.7 million in deficiencies. The fiscal 2019 adjusted allowance reflects \$9.3 million in reductions contingent on legislation.

Appendix 10
State Expenditures – All Funds
(\$ in Millions)

<u>Category</u>	<u>FY 2017 Actual</u>	<u>FY 2018 Working Appropriation</u>	<u>FY 2019 Allowance</u>	<u>Contingent Reductions +SF Add-Backs</u>	<u>FY 2019 Adjusted Allowance</u>	<u>FY 2018 to FY 2019 \$ Change</u>	<u>% Change</u>
Debt Service	\$1,478.6	\$1,575.8	\$1,639.6	\$0.0	\$1,639.6	\$63.8	4.1%
County/Municipal	\$674.5	\$746.5	\$772.8	\$0.0	\$772.8	\$26.3	3.5%
Community Colleges	313.5	317.7	322.4	0.0	322.4	4.7	1.5%
Education/Libraries	7,253.3	7,447.5	7,582.1	-19.3	7,562.8	115.3	1.5%
Health	53.3	55.6	51.4	-0.9	50.5	-5.1	-9.2%
Aid to Local Governments	\$8,294.6	\$8,567.3	\$8,728.6	-\$20.1	\$8,708.4	\$141.2	1.6%
Foster Care Payments	\$265.5	\$262.6	\$258.7	\$0.0	\$258.7	-\$3.9	-1.5%
Assistance Payments	1,176.0	1,268.5	1,158.0	0.0	1,158.0	-110.4	-8.7%
Medical Assistance	10,554.5	11,193.4	11,373.5	-12.6	11,360.9	167.5	1.5%
Property Tax Credits	78.0	89.6	90.6	0.0	90.6	1.0	1.1%
Entitlements	\$12,074.1	\$12,814.1	\$12,880.9	-\$12.6	\$12,868.3	\$54.2	0.4%
Health	\$2,689.4	\$2,900.3	\$3,011.9	-\$34.7	\$2,977.3	\$77.0	2.7%
Human Services	976.6	1,007.2	1,010.9	0.0	1,010.9	3.7	0.4%
Children's Cabinet Interagency Fund	16.6	18.5	18.5	0.0	18.5	0.0	-0.1%
Juvenile Services	278.8	274.4	274.7	0.0	274.7	0.2	0.1%
Public Safety/Police	1,758.3	1,737.6	1,776.8	0.0	1,776.8	39.2	2.3%
Higher Education	5,711.0	5,945.0	6,103.0	-6.9	6,096.2	151.1	2.5%
Other Education	687.2	766.5	782.1	-12.4	769.7	3.3	0.4%
Transportation	1,940.5	2,002.5	2,054.4	0.0	2,054.4	51.9	2.6%
Agriculture/Natural Res./Environment	448.5	479.5	487.6	0.0	487.6	8.1	1.7%
Other Executive Agencies	1,916.0	1,977.3	2,068.8	-1.4	2,067.4	90.1	4.6%
Judiciary	532.0	553.2	586.6	0.0	586.6	33.5	6.0%
Legislative	89.2	89.3	91.5	0.0	91.5	2.2	2.5%
State Agencies	\$17,044.0	\$17,751.3	\$18,266.8	-\$55.2	\$18,211.6	\$460.3	2.6%
Total Operating	\$38,891.3	\$40,708.5	\$41,515.9	-\$88.0	\$41,428.0	\$719.5	1.8%
Capital ⁽¹⁾	\$2,896.3	\$2,941.2	\$3,098.5	-43.0	\$3,055.5	\$114.3	3.9%
Transportation	2,458.1	2,486.9	2,560.9	0.0	2,560.9	74.0	3.0%
Environment	254.3	230.2	264.1	0.0	264.1	33.9	14.7%
Other	183.9	224.1	273.5	-43.0	230.5	6.4	2.8%
Subtotal	\$41,787.6	\$43,649.7	\$44,614.5	-\$131.0	\$44,483.5	\$833.8	1.9%
Reserve Funds	\$155.4	\$10.0	\$267.3	-\$258.0	\$9.3	-\$0.7	-6.5%
Appropriations	\$41,943.0	\$43,659.7	\$44,881.8	-\$389.0	\$44,492.8	\$833.1	1.9%
Reversions	\$0.0	-\$63.0	-\$35.0	\$0.0	-\$35.0	\$28.0	-44.4%
Grand Total	\$41,943.0	\$43,596.7	\$44,846.8	-\$389.0	\$44,457.8	\$861.1	2.0%

⁽¹⁾ Includes the Heritage Structure Rehabilitation Tax Credit Reserve Fund.

Note: The fiscal 2018 working appropriation includes \$134.0 million in deficiencies and \$42.5 million in targeted reversions. The fiscal 2019 adjusted allowance reflects \$430.6 million in reductions contingent on legislation and additional special fund spending of \$41.7 million due to funding swaps.

Appendix 11
General Fund – Fiscal 2019 Changes Over Fiscal 2018 Spending

Aid to Local Governments	\$118.7
Education and library aid	\$111.4
Community colleges	4.7
Other aid	2.6
Entitlements	\$157.4
Medicaid	\$169.4
Foster care payments including a 1% provider rate increase	1.2
Property tax credits	1.0
Cash assistance caseload decreases partially offset by increases in monthly Temporary Cash Assistance and Temporary Disability Assistance payments	-14.2
Major Personnel Costs (Including Institutions of Higher Education)	\$121.3
Employee and retiree health insurance primarily due to one-time impact of fiscal 2018 health deduction holidays	\$49.8
Fiscal 2019 general salary increase	41.1
Overtime (primarily in the Department of Public Safety and Correctional Services)	27.5
Increases per SLEOLA collective bargaining agreement	12.2
Annual Salary Review increases	1.1
Other personnel and fringe benefit costs	-10.5
State Agency Operations	\$117.4
Major Information Technology Development Projects (primarily projects moving from planning into development)	\$38.9
USM: Funding for costs of new facilities (\$21.5 million), computer science initiative (\$5.0 million), cooperative extension program funding for UMES (\$1.4 million)	27.9
DPSCS – Division of Corrections: Inmate medical costs	19.9
DDA: Additional funding for annualization of prior year placements, new expansion, and expansion of the Community and Family Support waivers (\$9.9 million), 1% community provider rate increase (\$5.9 million), and provider training (\$1.2 million)	17.0
Commerce: More Jobs for Marylanders (Chapter 149 of 2017)	10.0
BHA: 2% provider rate increase for community behavioral health services to the uninsured and Core Service Agencies (CSA) (\$4.9 million), and additional inpatient spending at the Adventist Hospital (\$3.7 million)	8.6
State Police: New vehicle funding to offset loss of speed camera revenues	4.6
GOOCP: Maryland Criminal Intelligence Network grants (\$2.0 million) and School Safety Program grants (\$2.0 million)	4.0
BHA: Opioid Crisis Fund	3.2

State Board of Elections: Funding for new pollbooks	3.1
MSDE: Autism waiver funding	2.7
MDA: Rural Maryland Prosperity Investment Fund	2.5
Commerce: CyberMaryland tax credit	2.0
MSU: Funding for a Cybersecurity center	2.0
DHCD: Rural broadband grants	2.0
MDH: Facility maintenance	1.9
DHS: Local child welfare contractual services and adjusted fund splits	1.5
St. Mary's College of Maryland: Formula growth	1.4
DDA: Provider training on the Long Term Supports and Services Information Technology system	1.2
Maryland Arts Council formula funding	1.1
Commerce: Maryland Tourism Board	1.0
MDH: Prince George's Regional Medical Center funding (anticipated fiscal 2019 mandated funding change)	-1.0
SLGCC: Savings in video lottery terminal equipment and leasing costs	-4.6
Commerce: Lower general fund support for MEDAAF due the availability of special funds	-13.8
SDAT: Alteration of State:local funding share	-19.7
Miscellaneous	\$61.5
Debt Service	\$29.4
Reversions	28.0
Pay-as-you-go	4.8
Reserve Fund Activity	-0.7
Other	\$11.8
Total	\$588.1

BHA: Behavioral Health Administration
 Commerce: Department of Commerce
 DDA: Developmental Disabilities Administration
 DHCD: Department of Housing and Community Development
 DPSCS: Department of Public Safety and Correctional Services
 DHS: Department of Human Services
 GOOCP: Governor's Office of Crime Control and Prevention
 SLGCC: State Lottery and Gaming Control Commission
 MDA: Maryland Department of Agriculture
 MDH: Maryland Department of Health
 MEDAAF: Maryland Economic Development Authority Assistance Fund
 MSDE: Maryland State Department of Education
 MSU: Morgan State University
 SDAT: State Department of Assessments and Taxation
 SLEOLA: State Law Enforcement Officers Labor Alliance
 UMES: University of Maryland Eastern Shore
 USM: University System of Maryland

Note: Represents spending in fiscal 2019 over 2018 as adjusted for deficiencies, reversions, and contingent reductions.

**Appendix 12
New and Abolished Positions
Fiscal 2019**

<u>Agency</u>	<u>Numbers</u>	<u>Description</u>
Agencies with New Positions		
Judiciary	62.8	59.75 new judicial-related staff, 3.0 contractual conversions.
Health	58.0	33.0 direct care positions in Behavioral Health Administration, 8.0 analysts for the Health Services Cost Review Commission, 8.0 nurse surveyors and 1.0 physician in the Office of Health Care Quality, 5.0 positions in medical care programs, and 3.0 positions in Public Health Administration for clinical pharmacists in the Office of Controlled Substances Administration.
Natural Resources	9.0	7.0 positions in Maryland Park Service to support an increase in visitors, and 2.0 positions in the Critical Area Commission to reinstate the Circuit Rider Program and provide technical assistance for planning and permitting.
Veterans Affairs	7.0	6.0 cemetery caretakers to fulfill new requirements from the National Cemetery Administration and 1.0 registered nurse consultant in Charlotte Hall Veterans Home.
General Assembly of Maryland	2.0	2.0 legislative caucus staff positions.
Maryland Insurance Administration	2.0	2.0 analyst positions.
Public Service Commission	1.0	1.0 commission advisor.
Other	0.7	0.7 contractual conversions in the Maryland State Archives and the Department of Disabilities.
Total	142.5	

<u>Agency</u>	<u>Numbers</u>	<u>Description</u>
Agencies with Abolished Positions		
Human Services	-100.0	100.0 agencywide vacant positions.
Public Safety and Correctional Services	-100.0	100.0 agencywide vacant correctional officer positions.
Labor, Licensing, and Regulation	-25.0	11.0 positions from unemployment insurance programs, 6.0 positions from workforce development programs, 5.0 agency administrative positions, 2.0 positions from labor and industry programs, and 1.0 position from financial regulation program.
Education	-10.0	10.0 vacant positions in Headquarters.
Agriculture	-3.0	3.0 vacancies in the Office of Plant Industries and Pest Management and the Office of Resource Conservation.
Comptroller of Maryland	-2.0	2.0 vacant information technology positions.
Morgan State University	-2.0	2.0 positions for cost containment.
Natural Resources	-1.3	1.0 position in Fishing and Boating Services and 0.25 position in Chesapeake and Coastal Service.
Commerce	-1.0	1.0 position in the Office of Military and Federal Affairs due to elimination of federal funds for the position.
Total	-244.3	
Net Change in Positions	-101.8	

Source: Department of Budget and Management

Appendix 13
Contractual Full-time Equivalent Position Changes
Fiscal 2016 Actual to Fiscal 2019 Allowance

<u>Department/Service Area</u>	<u>2016</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Wrk.</u> <u>Approp.</u>	<u>2019</u> <u>Allowance</u>	<u>2018-19</u> <u>Change</u>
Largest Six State Agencies					
Public Safety and Correctional Services	268	283	352	260	-91
Human Services	143	141	77	77	0
Health	354	378	444	452	8
Police and Fire Marshal	22	35	68	60	-8
Juvenile Services	178	183	151	149	-2
Transportation	40	41	122	122	0
Subtotal	1,004	1,061	1,214	1,120	-94
Other Executive					
Legal (Excluding Judiciary)	46	51	108	130	22
Executive and Administrative Control	199	176	170	170	0
Financial and Revenue Administration	52	49	52	52	0
Budget and Management and DoIT	13	28	34	35	1
Retirement	11	8	8	8	0
General Services	7	22	23	23	0
Natural Resources	376	439	492	545	53
Agriculture	45	47	45	46	1
Labor, Licensing, and Regulation	127	100	134	184	50
MSDE and Other Education	182	249	276	256	-21
Housing and Community Development	53	64	96	96	0
Commerce	18	25	29	28	-1
Environment	27	37	50	49	-1
Subtotal	1,155	1,293	1,517	1,623	105
Executive Branch Total	2,159	2,354	2,731	2,743	12
Higher Education	6,937	7,265	7,165	7,448	284
Judiciary	330	334	347	344	-3
Legislature	0	0	0	0	0
Total	9,426	9,953	10,243	10,535	292

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

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

Appendix 14
State Reserve Fund Activity
Fiscal 2018 and 2019
(\$ in Millions)

	<u>Rainy Day Fund</u>	<u>Dedicated Purpose Acct.</u>	<u>Catastrophic Event Acct.</u>
Estimated Balances 6/30/17	\$832.5	\$0.0	\$7.1
Fiscal 2018 Appropriations	10.0	0.0	0.0
Interest and Other Net Revenues	15.5	0.0	0.0
Baltimore City Schools HVAC Repairs	0.0	0.0	-2.5
Estimated Balances 6/30/18	\$858.0	\$0.0	\$4.6
Fiscal 2019 Appropriations	196.3	0.0	0.0
Contingent Reduction	-193.0	0.0	0.0
Interest Earnings	17.7	0.0	0.0
Estimated Balances 6/30/19	\$879.0	\$0.0	\$4.6
Percent of Revenues in Reserve	5.0%		

HVAC: heating, ventilation, and air conditioning

Appendix 15
Budget Reconciliation and Financing Act of 2018
(SB 187/HB 161)

Mandate Relief

- ***Teacher Induction, Retention, and Advancement*** – Repeals the \$5.0 million mandate included in Chapter 740 of 2016 that funds the Teacher Induction, Retention, and Advancement Pilot program that encourages mentoring, planning assistance, and other preparation activities.
- ***Teacher Stipends*** – Repeals the mandate for stipends for teachers that hold specified teaching certificates and lowers the per individual amount for teachers in schools identified as having comprehensive needs (Chapter 740 of 2016).
- ***Anne Arundel County Teacher Stipends*** – Repeals the mandate for a stipend for specified teachers in Anne Arundel County (Chapter 740 of 2016).
- ***Robotics Grant Program*** – Repeals the mandate of \$250,000 for the Robotics Grant Program under the Maryland State Department of Education (Chapter 681 of 2016).
- ***Public Schools Opportunities Enhancement Program*** – Repeals the mandated funding (\$7.5 million) for the Public Schools Opportunities Enhancement Program (Chapter 32 of 2016), which expands extended day and summer enhancement programs. Authorizes an appropriation of \$2.5 million for fiscal 2019.
- ***University of Maryland Center for Economic and Entrepreneurship Development (UMCEED)*** – Repeals the mandate for UMCEED funding and lowers the fiscal 2019 funding amount from \$4.0 million to \$2.0 million (Chapter 25 of 2016).
- ***Baltimore City Community College (BCCC)*** – Reduces the mandated funding for BCCC to fund fiscal 2019 at the fiscal 2018 funding level.
- ***Sellinger Program*** – Reduces the mandated funding under the Sellinger Program to fund fiscal 2019 at the fiscal 2018 cost containment level.
- ***Next Generation Scholars Program*** – Repeals the mandate of \$5.0 million for the Next Generation Scholars Program (Chapter 33 of 2016).
- ***529 College Investment Plan*** – Reduces the fiscal 2019 mandated funding for certain State matching contributions from \$7.0 million to \$2.0 million and repeals the mandate in fiscal 2020 and beyond (Chapter 689 of 2016).

- **Core Public Health Services** – Reduces the mandated funding amount for localities under the Core Public Health Services Program to fund fiscal 2019 at the fiscal 2018 level.
- **Developmental Disabilities Administration (DDA) Provider Rates** – Reduces the provider rate increase under DDA from 3.5% to 1.0% in fiscal 2019.
- **Behavioral Health Provider Rates** – Reduces the behavioral health provider rate increase from 3.5% to 2.0% in fiscal 2019 (Chapters 571/572 of 2017).
- **Prince George's Regional Medical Center** – Reduces by \$29.0 million the mandated fiscal 2019 funding for a capital grant for the Prince George's Regional Medical Center (Chapter 23 of 2017) and adds a \$29.0 million grant in fiscal 2021, thereby maintaining the same total contribution.
- **Seed Community Development Anchor Institution Fund** – Repeals the mandated funding of \$5.0 million for the Seed Community Development Anchor Institution Fund (Chapter 31 of 2016).
- **Baltimore Regional Neighborhood Initiative** – Repeals the mandated funding of \$12.0 million for the Baltimore Regional Neighborhood Initiative (Chapter 29 of 2016).
- **Program Open Space (POS) Repayments** – Repeals for fiscal 2019 a mandated \$15.0 million general fund repayment to POS, and adds an additional \$15.0 million repayment in fiscal 2022.
- **University System of Maryland Funding Guideline Attainment** – Repeals the requirement (Chapter 25 of 2016) that at least \$4.0 million be included in the allowance for the University System of Maryland Office to increase the estimated funding guideline attainment for institutions with the lowest estimated funding guideline attainment in fiscal 2016 (Towson University and the University of Maryland Baltimore County).
- **Curb Mandate Growth** – Caps the growth of any mandated appropriation to not more than the projected general fund revenue growth, less 1.0%, exempting specified mandates related to K-12 education funding, Reserve Fund requirements, debt service requirements, and the State employer contribution to the State Pension System.

Revenue Actions

- **Lottery Revenues** – Repeals the provision of Chapter 727 of 2016 that mandates lottery funds be used for a grant to the Maryland Office of Sports Marketing for a youth and amateur sports incentive grant program.

New or Expanded Uses of Existing Revenues

- **Advance Directive Program Fund** – Allows the use the Advance Directive Program Fund for maternal and child health quality initiatives.
- **Cord Blood Transplant Center Support Fund** – Allows the use of excess funds from the Cord Blood Transplant Center Support Fund for maternal and child health quality initiatives.
- **Maryland Historical Trust** – Authorizes the use of up to \$300,000 of POS funding provided to the Maryland Heritage Areas Authority Financing Fund to be transferred to the Maryland Historical Trust for noncapital historic preservation grants.
- **Maryland Trauma Physicians Services Fund** – Authorizes for fiscal 2019 only \$8.0 million from this fund to be used for Medicaid.

Transfers to the General Fund

	<u>Fiscal 2018</u>
University System of Maryland State-supported Fund Balance	\$9,000,000

Cost Control and Miscellaneous Provisions

- **Community Health Resources Commission (CHRC) Fund** – Reduces the amount of funding from the CHRC Fund that may only be used to support certain CHRC activities from \$8.0 million to \$5.0 million in fiscal 2019 and to \$4.0 million in fiscal 2020 and beyond. The reduction in fiscal 2019 allows \$2.0 million to be used for the mental health services for the uninsured.
- **Pension Sweeper** – Repeals the mandate to sweep funds to the State Retirement and Pension System for fiscal 2019 only.

- **Property Tax Assessment Cost Share** – Increases the local share of the costs of certain activities of the State Department of Assessments and Taxation (including real property valuation, business personal property valuation, the Office of Information Technology, and the Office of the Director) from 50% to 90% in fiscal 2019 and thereafter.
- **Medicaid Deficit Assessment** – Reduces the \$35.0 million reduction to the Medicaid Deficit Assessment in fiscal 2019 to \$25.0 million.
- **Maryland State Arts Council** – Provides that funding received by the Maryland State Arts Council from the State admissions and amusement tax is not considered to be part of the council's prior year appropriation for the purposes of calculating its mandated grant, resulting in fiscal 2019 savings of \$1.0 million.
- **Revenue Stabilization Account** – Reduces the fiscal 2019 funding to the Revenue Stabilization Account by \$193.0 million to reflect a fund balance at 5% of projected fiscal 2019 general fund revenues.
- **Interagency Rates Committee Provider Rates** – For fiscal 2019, limits any increase in rates for payments to providers with rates set by the Interagency Rates Committee to 1% over fiscal 2018.
- **Temporary Assistance for Needy Families (TANF)** – Authorizes TANF spending in excess of the fiscal 2018 budget cap of \$249.9 million.
- **Maryland Clean Air Fund** – Authorizes, for fiscal 2018 and 2019 only, the fund to retain a balance of \$6.0 million. Currently, balances over \$2.0 million revert to the General Fund.
- **General Assembly Legislation** – Prohibits the General Assembly from creating or increasing required funding levels in any future fiscal year unless it enacts legislation in the same session to reduce or repeal an equivalent amount of required funding for that same future fiscal year.

Appendix 16
State Aid to Local Governments
Fiscal 2019 Allowance
(\$ in Thousands)

County	<i>Direct State Aid</i>						Retirement	Change		
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		Total	Over FY 2018	Percent Change
Allegany	\$15,516	\$6,724	\$83,599	\$817	\$1,523	\$108,179	\$8,487	\$116,666	\$2,159	1.9%
Anne Arundel	52,515	30,996	367,601	2,350	4,171	457,633	68,006	525,639	12,836	2.5%
Baltimore City	310,004	0	861,169	9,378	8,219	1,188,770	64,468	1,253,237	4,265	0.3%
Baltimore	33,334	43,578	679,224	6,210	5,421	767,767	96,656	864,423	26,066	3.1%
Calvert	6,155	2,813	82,504	482	627	92,581	13,790	106,370	1,277	1.2%
Caroline	5,048	1,680	56,869	317	783	64,697	4,889	69,586	2,651	4.0%
Carroll	7,426	9,107	133,083	1,032	1,692	152,341	20,744	173,085	1,647	1.0%
Cecil	9,631	6,750	108,292	840	1,140	126,652	13,792	140,445	2,016	1.5%
Charles	5,607	9,143	184,278	1,107	1,486	201,621	22,856	224,477	12,442	5.9%
Dorchester	4,914	1,300	43,784	296	744	51,039	3,926	54,965	1,209	2.2%
Frederick	10,552	11,254	249,731	1,493	2,124	275,153	33,135	308,289	8,334	2.8%
Garrett	4,996	4,001	21,964	163	721	31,846	3,484	35,330	502	1.4%
Harford	9,790	12,419	211,978	1,672	2,341	238,201	30,142	268,342	4,710	1.8%
Howard	12,138	20,582	257,488	983	1,750	292,942	60,719	353,660	14,300	4.2%
Kent	1,441	551	10,084	103	595	12,774	1,875	14,650	445	3.1%
Montgomery	40,188	51,075	715,332	3,236	3,968	813,798	170,140	983,938	35,225	3.7%
Prince George's	108,940	31,490	1,142,797	7,477	6,344	1,297,048	116,211	1,413,259	37,550	2.7%
Queen Anne's	2,514	2,156	35,867	175	608	41,320	6,305	47,625	1,381	3.0%
St. Mary's	3,941	3,116	107,285	772	1,073	116,188	13,690	129,878	2,333	1.8%
Somerset	7,187	833	32,609	303	579	41,509	2,813	44,322	974	2.2%
Talbot	2,989	1,849	14,855	116	560	20,369	3,742	24,111	873	3.8%
Washington	8,707	9,463	178,235	1,361	1,854	199,621	17,906	217,527	3,519	1.6%
Wicomico	15,803	5,604	148,434	1,091	1,332	172,264	12,742	185,005	4,626	2.6%
Worcester	7,808	2,420	20,022	159	827	31,236	7,115	38,351	813	2.2%
Unallocated	48,260	8,439	39,346	18,380	0	114,424	0	114,424	4,641	4.2%
Total	\$735,403	\$277,344	\$5,786,430	\$60,313	\$50,481	\$6,909,971	\$797,633	\$7,707,605	\$186,794	2.5%

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Appendix 17
State Aid to Local Governments
Fiscal 2018 Working Appropriation
(\$ in Thousands)

County	Direct State Aid						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	\$15,054	\$6,630	\$81,572	\$787	\$1,592	\$105,635	\$8,872	\$114,508
Anne Arundel	48,688	31,069	358,147	2,252	4,171	444,328	68,476	512,803
Baltimore City	304,268	0	860,092	9,250	8,219	1,181,829	67,144	1,248,973
Baltimore	28,886	43,584	659,268	5,971	5,421	743,129	95,228	838,357
Calvert	5,036	2,680	82,404	450	642	91,211	13,882	105,093
Caroline	4,740	1,577	54,787	300	818	62,223	4,711	66,935
Carroll	6,356	8,666	132,983	995	1,707	150,706	20,732	171,438
Cecil	8,447	6,179	108,192	805	1,150	124,772	13,657	138,429
Charles	4,615	9,178	172,488	1,057	1,506	188,844	23,191	212,035
Dorchester	4,595	1,243	42,817	285	819	49,758	3,998	53,756
Frederick	9,191	10,857	242,263	1,445	2,178	265,933	34,021	299,954
Garrett	4,607	3,935	21,765	151	771	31,229	3,599	34,828
Harford	8,460	12,070	209,301	1,604	2,361	233,797	29,835	263,632
Howard	9,959	19,705	246,838	940	1,760	279,203	60,158	339,361
Kent	1,257	528	9,899	95	625	12,405	1,800	14,205
Montgomery	34,789	49,860	689,274	3,120	3,968	781,011	167,701	948,712
Prince George's	100,581	30,496	1,113,565	7,402	6,349	1,258,392	117,316	1,375,708
Queen Anne's	2,091	1,917	35,033	170	628	39,839	6,405	46,243
St. Mary's	3,258	3,084	105,637	719	1,078	113,776	13,769	127,545
Somerset	6,705	838	32,167	287	579	40,576	2,772	43,348
Talbot	2,676	1,817	14,281	113	605	19,491	3,747	23,238
Washington	7,596	9,400	175,490	1,294	1,889	195,669	18,339	214,008
Wicomico	14,449	5,107	145,613	1,051	1,347	167,567	12,812	180,379
Worcester	7,054	2,269	19,915	155	901	30,294	7,245	37,539
Unallocated	48,344	10,404	33,328	17,707	0	109,784	0	109,784
Total	\$691,700	\$273,094	\$5,647,119	\$58,404	\$51,083	\$6,721,401	\$799,410	\$7,520,811

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Appendix 18
State Aid to Local Governments
Dollar Difference Between Fiscal 2019 Allowance and Fiscal 2018 Working Appropriation
(\$ in Thousands)

County	Direct State Aid						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	\$463	\$94	\$2,027	\$29	-\$70	\$2,543	-\$385	\$2,159
Anne Arundel	3,827	-73	9,454	98	0	13,306	-470	12,836
Baltimore City	5,736	0	1,077	128	0	6,941	-2,676	4,265
Baltimore	4,448	-6	19,956	240	0	24,638	1,428	26,066
Calvert	1,119	133	100	32	-15	1,369	-92	1,277
Caroline	308	102	2,082	17	-35	2,474	177	2,651
Carroll	1,071	441	100	38	-15	1,635	12	1,647
Cecil	1,184	571	100	35	-10	1,880	135	2,016
Charles	992	-35	11,790	50	-20	12,778	-335	12,442
Dorchester	319	57	968	12	-75	1,281	-72	1,209
Frederick	1,361	397	7,468	48	-55	9,220	-886	8,334
Garrett	389	67	198	13	-50	617	-115	502
Harford	1,330	349	2,677	68	-20	4,404	306	4,710
Howard	2,179	877	10,650	43	-10	13,739	561	14,300
Kent	184	23	185	7	-30	370	75	445
Montgomery	5,399	1,215	26,057	116	0	32,787	2,438	35,225
Prince George's	8,360	994	29,232	75	-5	38,655	-1,105	37,550
Queen Anne's	423	239	834	5	-20	1,481	-100	1,381
St. Mary's	683	32	1,648	53	-5	2,412	-79	2,333
Somerset	481	-6	442	15	0	933	41	974
Talbot	313	32	574	3	-45	878	-5	873
Washington	1,111	63	2,745	67	-35	3,951	-433	3,519
Wicomico	1,354	497	2,821	40	-15	4,697	-71	4,626
Worcester	754	151	107	5	-75	942	-129	813
Unallocated	-84	-1,966	6,018	673	0	4,641	0	4,641
Total	\$43,703	\$4,250	\$139,311	\$1,908	-\$602	\$188,571	-\$1,777	\$186,794

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Appendix 19
State Aid to Local Governments
Percent Change: Fiscal 2019 Allowance over Fiscal 2018 Working Appropriation

County	<i>Direct State Aid</i>						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	3.1%	1.4%	2.5%	3.7%	-4.4%	2.4%	-4.3%	1.9%
Anne Arundel	7.9%	-0.2%	2.6%	4.4%	0.0%	3.0%	-0.7%	2.5%
Baltimore City	1.9%	n/a	0.1%	1.4%	0.0%	0.6%	-4.0%	0.3%
Baltimore	15.4%	0.0%	3.0%	4.0%	0.0%	3.3%	1.5%	3.1%
Calvert	22.2%	5.0%	0.1%	7.1%	-2.3%	1.5%	-0.7%	1.2%
Caroline	6.5%	6.5%	3.8%	5.6%	-4.3%	4.0%	3.8%	4.0%
Carroll	16.8%	5.1%	0.1%	3.8%	-0.9%	1.1%	0.1%	1.0%
Cecil	14.0%	9.2%	0.1%	4.4%	-0.9%	1.5%	1.0%	1.5%
Charles	21.5%	-0.4%	6.8%	4.7%	-1.3%	6.8%	-1.4%	5.9%
Dorchester	6.9%	4.6%	2.3%	4.1%	-9.1%	2.6%	-1.8%	2.2%
Frederick	14.8%	3.7%	3.1%	3.3%	-2.5%	3.5%	-2.6%	2.8%
Garrett	8.4%	1.7%	0.9%	8.3%	-6.4%	2.0%	-3.2%	1.4%
Harford	15.7%	2.9%	1.3%	4.2%	-0.8%	1.9%	1.0%	1.8%
Howard	21.9%	4.4%	4.3%	4.6%	-0.6%	4.9%	0.9%	4.2%
Kent	14.7%	4.3%	1.9%	7.5%	-4.8%	3.0%	4.2%	3.1%
Montgomery	15.5%	2.4%	3.8%	3.7%	0.0%	4.2%	1.5%	3.7%
Prince George's	8.3%	3.3%	2.6%	1.0%	-0.1%	3.1%	-0.9%	2.7%
Queen Anne's	20.2%	12.4%	2.4%	3.0%	-3.2%	3.7%	-1.6%	3.0%
St. Mary's	21.0%	1.0%	1.6%	7.4%	-0.5%	2.1%	-0.6%	1.8%
Somerset	7.2%	-0.7%	1.4%	5.3%	0.0%	2.3%	1.5%	2.2%
Talbot	11.7%	1.8%	4.0%	2.7%	-7.4%	4.5%	-0.1%	3.8%
Washington	14.6%	0.7%	1.6%	5.2%	-1.8%	2.0%	-2.4%	1.6%
Wicomico	9.4%	9.7%	1.9%	3.8%	-1.1%	2.8%	-0.6%	2.6%
Worcester	10.7%	6.6%	0.5%	3.1%	-8.3%	3.1%	-1.8%	2.2%
Unallocated	-0.2%	-18.9%	18.1%	3.8%	n/a	4.2%	-100.0%	4.2%
Total	6.3%	1.6%	2.5%	3.3%	-1.2%	2.8%	-0.2%	2.5%

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Appendix 20
Top Funded Programs and Projects – All Funds
Fiscal 2019 as Introduced
(\$ in Millions)

<u>Project Title</u>	<u>GO Bond</u>	<u>Revenue</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Total Funds</u>
BPW: Public School Construction Program	\$309.0	\$0.0	\$4.9	\$0.0	\$0.0	\$313.9
MDE: Maryland Water Quality Revolving Loan Fund	13.2	150.0	0.0	110.4	33.0	306.6
MDE: Bay Restoration Fund	0.0	0.0	0.0	70.0	0.0	70.0
UMBC: Interdisciplinary Life Sciences Building	57.8	5.0	0.0	0.0	0.0	62.8
TU: Science Facility	58.7	2.0	0.0	0.0	0.0	60.7
MHEC: Community College Facilities Grant Program	60.1	0.0	0.0	0.0	0.0	60.1
DNR: Program Open Space – State	0.0	0.0	0.0	55.9	3.0	58.9
DNR: Program Open Space – Local	0.0	0.0	0.0	52.4	0.0	52.4
MDA: Agricultural Land Preservation Program	0.0	0.0	0.0	49.0	0.0	49.0
MSU: New Student Services Support Building	46.1	0.0	0.0	0.0	0.0	46.1
DHCD: Rental Housing Program	20.0	0.0	0.0	15.5	4.5	40.0
BPW: Supplemental Capital Grant Program	40.0	0.0	0.0	0.0	0.0	40.0
MDE: Maryland Drinking Water Revolving Loan Program	5.7	0.0	0.0	16.9	10.3	32.8
DHCD: Strategic Demolition and Smart Growth Impact Fund	28.5	0.0	0.0	0.0	0.0	28.5
USMO: Southern Maryland Regional Higher Education Center	28.4	0.0	0.0	0.0	0.0	28.4
DNR: Rural Legacy Program	5.0	0.0	0.0	20.0	0.0	25.0
USMO: Shady Grove Educational Center – Biomedical Sciences and Engineering Education Building	23.1	0.0	0.0	0.0	0.0	23.1
BPW: Facilities Renewal Program	20.5	0.0	0.0	0.0	0.0	20.5
UMMS: Capital Region Medical Center	19.0	0.0	0.0	0.0	0.0	19.0
USMO: Capital Facilities Renewal Program	0.0	17.0	0.0	0.0	0.0	17.0

<u>Project Title</u>	<u>GO Bond</u>	<u>Revenue</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Total Funds</u>
DNR: Waterway Improvement Program	0.0	0.0	0.0	12.5	2.5	15.0
MDE: Bay Restoration Fund Septic System Program	0.0	0.0	0.0	15.0	0.0	15.0
DNR: Natural Resources Development Fund	0.0	0.0	0.0	14.4	0.0	14.4
DHCD: Homeownership Programs	12.0	0.0	0.0	1.5	0.0	13.5
DNR: Critical Maintenance Program	0.0	0.0	6.0	7.0	0.0	13.0
BPW: New Catonsville District Court	12.0	0.0	0.0	0.0	0.0	12.0
DoIT: Public Safety Communication System	10.5	0.0	0.0	0.0	0.0	10.5
DHCD: Housing and Building Energy Programs	1.0	0.0	0.0	8.4	0.7	10.1
UMMS: Neonatal Intensive Care Unit and Outpatient Center Building	10.0	0.0	0.0	0.0	0.0	10.0
Subtotal: Top Funded Programs and Projects	\$780.6	\$174.0	\$10.9	\$448.8	\$54.0	\$1,468.3
Subtotal: Other Funded Programs and Projects	\$219.6	\$0.0	\$9.4	\$21.4	\$13.8	\$264.3
Total	\$1,000.2	\$174.0	\$20.3	\$470.2	\$67.8	\$1,732.6
De-authorizations as Introduced	-\$5.2	\$0.0	\$0.0	\$0.0	\$0.0	-\$5.2
Grand Total	\$995.0	\$174.0	\$20.3	\$470.2	\$67.8	\$1,727.4

BPW: Board of Public Works
 DHCD: Department of Housing and Community Development
 DNR: Department of Natural Resources
 DoIT: Department of Information Technology
 GO: general obligation
 MDA: Maryland Department of Agriculture
 MDE: Maryland Department of the Environment
 MHEC: Maryland Higher Education Commission
 MSU: Morgan State University
 TU: Towson University
 UMBC: University of Maryland Baltimore County
 UMMS: University of Maryland Medical System
 USMO: University System of Maryland Office

Appendix 21
Capital Budget – All Funds
2017 Session CIP Compared to 2018 Session CIP
Fiscal 2019-2022
(\$ in Millions)

	<u>2017 CIP</u>	<u>2018 CIP</u>	<u>Variance</u>
Uses			
State Facilities	\$320.20	\$340.1	\$19.9
Health/Social	331.1	366.6	35.5
Environment	2,429.4	2,383.9	-45.5
Public Safety	118.2	154.0	35.8
Education	1,350.8	1,390.1	39.3
Higher Education	1,441.8	1,326.5	-115.3
Housing/Economic Development	544.3	556.0	11.7
Local Projects Administration	122.1	113.1	-9.0
Local Projects Legislative	0.0	0.0	0.0
Subtotal	\$6,657.9	\$6,630.3	-\$27.6
Transportation	\$9,308.6	\$9,167.8	-\$140.8
Total	\$15,966.5	\$15,798.1	-\$168.4
Funds			
GO	\$3,976.9	\$3,980.0	\$3.1
Additional GO from De-authorizations	0.0	5.2	5.2
Revenue Bonds	220.0	270.0	50.0
Qualified Zone Academy Bonds	4.8	0.0	-4.8
General	116.5	80.3	-36.2
Special	2,020.6	1961.1	-59.5
Federal	319.1	333.7	14.6
Transportation	9,308.6	9,167.8	-140.8
Total	\$15,966.5	\$15,798.1	-\$168.4

CIP: *Capital Improvement Program*

GO: general obligation

Note: Fiscal 2019 figures adjusted to reflect general fund contingent reductions as follows: \$9 million for the Baltimore Regional Neighborhood Initiative in the Department of Housing and Community Development (DHCD), which is mandated to be funded at \$12 million in fiscal 2019 but is funded at \$3 million using GO bond funds; \$5 million for the SEED program in DHCD but is not funded in the capital or operating budgets as introduced; and \$29 million in Board of Public Works for the Prince George's County Regional Medical Center which is mandated to be funded at \$48.0 million but is funded with \$19 million in GO bond funds.

Note: Figures include general fund appropriations for the Heritage Structure Tax Credit, which is not part of the Governor's annual CIP.

Appendix 22
Status of Capital Budget Mandates
Fiscal 2019

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	<u>Mandate Amount</u>	<u>Budget</u>	<u>Notes</u>
Prince George's Regional Medical Center	\$48,000,000	\$19,000,000	The remaining \$29 million needed to meet the mandate is contingently reduced. The Budget Reconciliation and Financing Act (BRFA) of 2018 shifts the \$29 million out to fiscal 2021.
Supplemental School Construction	40,000,000	40,000,000	
Strategic Demolition Fund – Project C.O.R.E Included	28,500,000	28,500,000	
Baltimore Regional Neighborhood Initiative	12,000,000	3,000,000	The BRFA of 2018 removes the mandate. The remaining \$9 million needed to meet the mandate is contingently reduced.
Seed Anchor Institution Funds	5,000,000	0	The BRFA of 2018 removes the mandate. The \$5 million needed to meet the mandate is contingently reduced.
Aging Schools	6,109,000	7,609,000	Additional funding above the mandate is directed to be used for heating and air conditioning improvements in the Dr. Roland N. Patterson Building at the KIPP Public Charter School.
Local Libraries	5,000,000	5,000,000	
Rural Legacy	5,000,000	5,000,000	
Shelter and Transitional Housing	3,000,000	3,000,000	
African American Heritage	1,000,000	1,000,000	
Total	\$153,609,000	\$112,109,000	

Appendix 23

Administration Tax Proposals with Fiscal 2019 Impacts

Subtraction Modification for Military Retirement Income

- Under current law, the first \$5,000 of military retirement income is exempt from the State income tax for an individual under the age of 65, and the first \$10,000 of military retirement income is exempt for individuals 65 and older. The Administration's proposal expands the existing exemption to 100% of military retirement income – regardless of age – phased in over three years, beginning in tax year 2018 (fiscal 2019).
- The Governor's budget proposal estimates that the provision will reduce general funds by \$12.5 million in fiscal 2019. When fully phased in, the exemption is estimated to reduce State revenues by about \$30 million and local revenues by about \$20 million annually, beginning in fiscal 2021.

Small Business Relief Tax Credit (HB 99/SB 134)

- The Administration's proposal allows a small business with fewer than 50 employees to claim a credit against the State income tax for each employee that the business hires if the business allows the employee to earn paid time off and offers at least one other employee benefit. The credit is limited to \$1,000 for each qualified employee hired.
- The total number of credits authorized may not exceed \$5 million for tax year 2018 (fiscal 2019), increasing to \$100 million for tax year 2022 (fiscal 2023) and each taxable year thereafter.

Hometown Heroes Act of 2018

- Maryland law provides a pension exclusion for individuals who are at least 65 years old or who are totally disabled. The exclusion exempts up to a specified maximum amount of taxable pension income from the income tax.
- During the 2017 session, the exclusion was expanded to allow retirement income to qualify if the individual is at least 55 years old and the retirement income is attributable to employment as a law enforcement officer or as fire, rescue, or emergency services personnel of the United States, the State, or a local jurisdiction. The maximum exclusion in the tax year is limited to \$15,000.

- The Administration proposal allows retirement income to qualify for the exclusion if the income is attributable to employment as a correctional officer, beginning in tax year 2018 (fiscal 2019).
- In addition, the proposal would expand the exclusion to allow individuals who are at least 50 years old to include all the retirement income that is attributable to employment as a correctional officer; law enforcement officer; or fire, rescue, or emergency services personnel of the United States, the State, or a local jurisdiction. This expansion is phased in over two years, beginning with tax year 2019 (fiscal 2020).