
Spending Affordability Briefing

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

October 27, 2020

Maryland General Fund Revenues – Fiscal 2020
(\$ in Millions)

	Official Estimate <u>March 2020</u>	Preliminary Estimate <u>May 2020</u>	<u>Actual</u>	Actual Over		Percent Change <u>vs. FY 2019</u>
				<u>March</u>	<u>May</u>	
Personal Income Tax	\$10,587	\$10,340	\$10,699	\$112	\$359	4.2%
Corporate Income Tax	1,011	883	1,052	41	169	1.8%
Sales and Use Tax	4,952	4,446	4,635	-317	189	-3.7%
State Lottery	531	510	549	18	39	-0.7%
Other	1,697	1,672	1,700	3	28	-1.7%
Ongoing General Funds	\$18,779	\$17,852	\$18,634	-\$144	\$782	1.3%
Total General Funds	\$18,736	\$17,812	\$18,634	-\$102	\$823	2.4%
Selected Special Funds						
Sales Tax – Blueprint Fund	\$160	\$156	\$231	\$71	\$76	n/a
Casinos – ETF	552	386	397	-155	11	-26.9%

ETF: Education Trust Fund

Source: Board of Revenue Estimates

State and Local Income Tax Withholding Collections: January-September
(\$ in Millions)

	<u>2019</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Government	\$2,723	\$3,116	\$393	14.4%
From UI Benefits	5	220	215	4287.1%
Government Excluding UI	\$2,718	\$2,895	\$177	6.5%
Private Sector – Increasing Industries	\$6,846	\$7,144	\$298	4.4%
Finance and Insurance	937	1,014	76	8.2%
Retail Trade	466	495	29	6.3%
Professional/Business Services	2,051	2,138	87	4.2%
Manufacturing	464	481	16	3.5%
Health Care and Social Assistance	1,071	1,104	33	3.1%
Construction	533	540	7	1.3%
Other	1,856	1,912	56	3.0%
Private Sector – Decreasing Industries	\$1,216	\$1,148	-\$69	-5.6%
Accommodation and Food Service	221	183	-38	-17.4%
Arts, Entertainment, and Recreation	79	68	-11	-13.6%
Personal/Repair Services and Nonprofits	245	239	-6	-2.4%
Other	672	658	-14	-2.0%
Private Sector – Total	\$8,062	\$8,292	\$230	2.8%
Total Withholding	\$10,785	\$11,407	\$622	5.8%
Total Excluding UI benefits	\$10,780	\$11,187	\$407	3.8%
<i>Adjusted for Local Rate Increases*</i>	<i>\$10,780</i>	<i>\$11,094</i>	<i>\$314</i>	<i>2.9%</i>

UI: Unemployment Insurance

* Seven counties increased their local income tax rate between 2019 and 2020: Anne Arundel, Baltimore County, Dorchester, Kent, St. Mary's, Washington and Worcester.

Source: Bureau of Revenue Estimates; Comptroller of Maryland

Maryland General Fund Revenues – Fiscal 2021
(\$ in Millions)

	<i>Fiscal Year through September</i>				Full Year Estimated Growth Rate
	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>\$ Diff</u>	<u>% Diff.</u>	
Personal Income Tax	\$1,992	\$2,024	\$32	1.6%	0.8%
Corporate Income Tax	242	225	-17	-7.1%	4.1%
Sales and Use Tax ⁽¹⁾	837	858	21	2.6%	-0.2%
State Lottery	126	149	23	17.9%	4.3%
Other	358	321	-37	-10.3%	-3.9%
Total General Funds	\$3,556	\$3,578	\$22	0.6%	0.4%
Sales and Use Tax					
Remote Sellers and MPF ⁽²⁾	21	83	62	301.1%	
Exc. Remote Sellers and MPF	816	776	-41	-5.0%	
Selected Special Funds					
Casinos – Education Trust Fund	138	130	-8	-5.9%	30.0%

MPF: marketplace facilitators

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

⁽²⁾ Revenue from MPF as defined in Chapter 735 of 2019 and remote sellers who are required to collect the sales tax under regulations adopted after the Supreme Court's *Wayfair vs. South Dakota* decision are shared between the General Fund and the Blueprint Fund. The General Fund receives the first \$100 million each fiscal year with the rest distributed to the Blueprint Fund.

Maryland General Fund Revenues – Fiscal 2021
(\$ in Millions)

	Official Estimate <u>March 2020</u>	Preliminary Estimate <u>May 2020</u>	Official Estimate <u>Sep. 2020</u>	September Over		Percent Change <u>vs. FY 2020</u>
				<u>March</u>	<u>May</u>	
Personal Income Tax	\$11,037	\$9,852	\$10,784	-\$253	\$933	0.8%
Corporate Income Tax	1,097	1,017	1,095	-2	78	4.1%
Sales and Use Tax	5,041	4,392	4,624	-416	233	-0.2%
State Lottery	565	525	572	7	47	4.3%
Other	1,642	1,536	1,634	-8	98	-3.9%
Total General Funds	\$19,382	\$17,322	\$18,710	-\$673	\$1,388	0.4%
Selected Special Funds						
Blueprint Fund:						
Sales Tax	\$224	\$211	\$364	\$140	\$153	57.3%
Corporate Filing Fees	39	39	33	-6	-6	n/a
Casinos – ETF	542	366	516	-26	150	30.0%

ETF: Education Trust Fund

Maryland General Fund Revenues – Fiscal 2022
(\$ in Millions)

	Official Estimate <u>March 2020</u>	Preliminary Estimate <u>May 2020</u>	Official Estimate <u>Sep. 2020</u>	September Over		Percent Change <u>vs. FY 2021</u>
				<u>March</u>	<u>May</u>	
Personal Income Tax	\$11,430	\$9,930	\$11,200	-\$229	\$1,270	3.9%
Corporate Income Tax	1,196	953	1,139	-57	187	4.0%
Sales and Use Tax	5,150	4,444	4,938	-212	494	6.8%
State Lottery	579	522	584	5	62	2.2%
Other	1,846	1,709	1,815	-30	107	11.1%
Volatility Adjustment	-80	0	-12	68	-12	n/a
Total General Funds*	\$20,120	\$17,558	\$19,666	-\$455	\$2,108	5.1%
Selected Special Funds						
Sales Tax – Blueprint Fund	\$250	\$236	\$364	\$114	\$127	0.0%
Casinos – ETF	\$548	\$494	\$543	-\$5	\$50	5.4%

ETF: Education Trust Fund

* The Budget Reconciliation and Financing Act of 2020 (Chapter 538) eliminated the Rate Stabilization Fund beginning in fiscal 2022. The insurance premiums tax revenue that was distributed to the fund will be directed to the General Fund. Adjusted for this law change, general fund revenue growth in fiscal 2022 would be about 4.1% over fiscal 2021.

Source: Board of Revenue Estimates

Maryland General Fund Revenues – September Estimates (\$ in Millions)

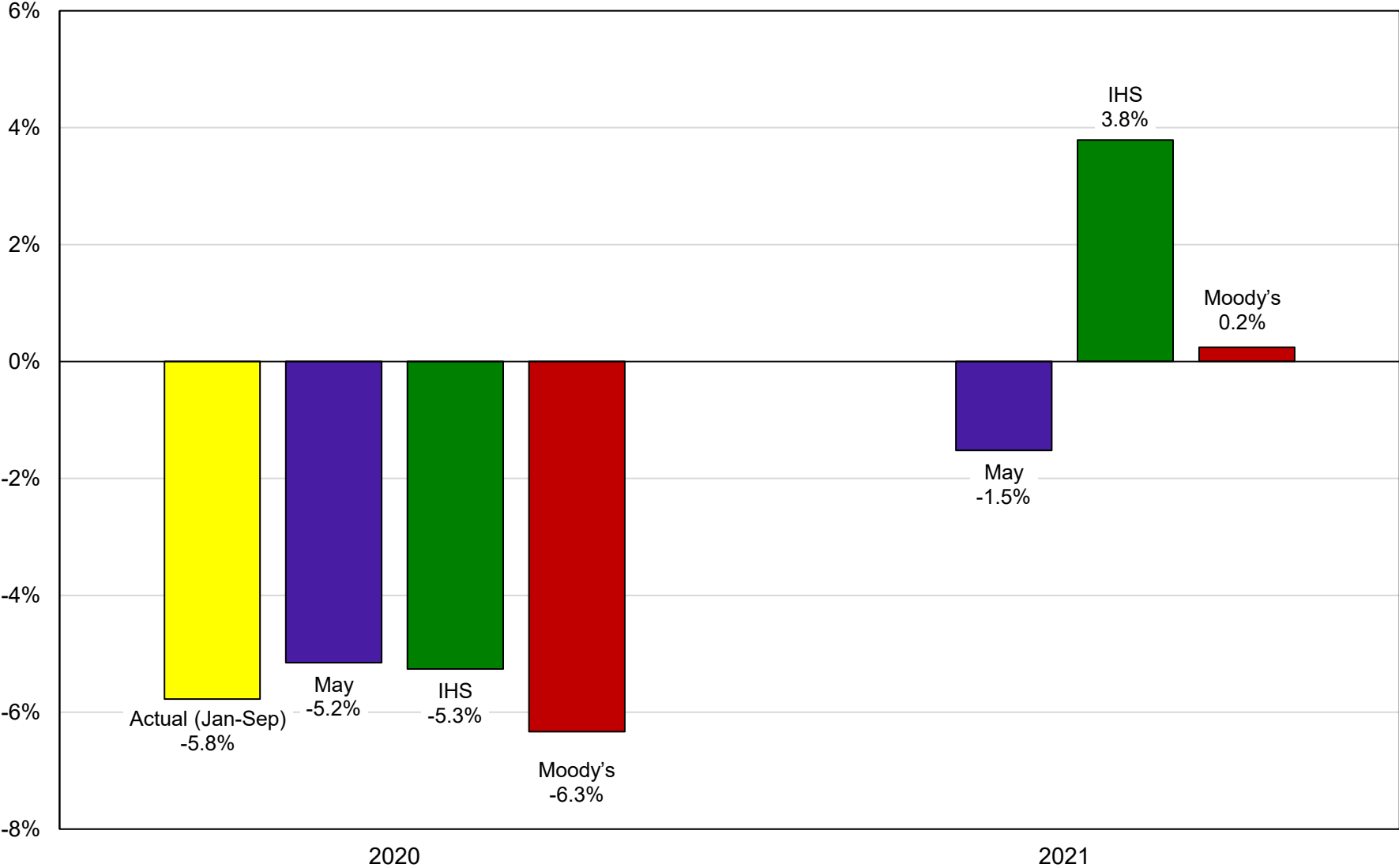
	Fiscal 2021			September over March	
	<u>March 2020</u>	<u>Official</u>	<u>Alternate</u>	<u>Official</u>	<u>Alternate</u>
Personal Income Tax	\$11,037	\$10,784	\$10,332	-\$253	-\$705
Corporate Income Tax	1,097	1,095	1,047	-2	-50
Sales and Use Tax	5,041	4,624	4,407	-416	-634
Total General Funds	\$19,382	\$18,710	\$17,992	-\$673	-\$1,390

	Fiscal 2022			September over March	
	<u>March 2020</u>	<u>Official</u>	<u>Alternate</u>	<u>Official</u>	<u>Alternate</u>
Personal Income Tax	\$11,430	\$11,200	\$10,499	-\$229	-\$930
Corporate Income Tax	1,196	1,139	1,175	-57	-21
Sales and Use Tax	5,150	4,938	4,703	-212	-447
Total General Funds	\$20,120	\$19,666	\$18,697	-\$455	-\$1,424

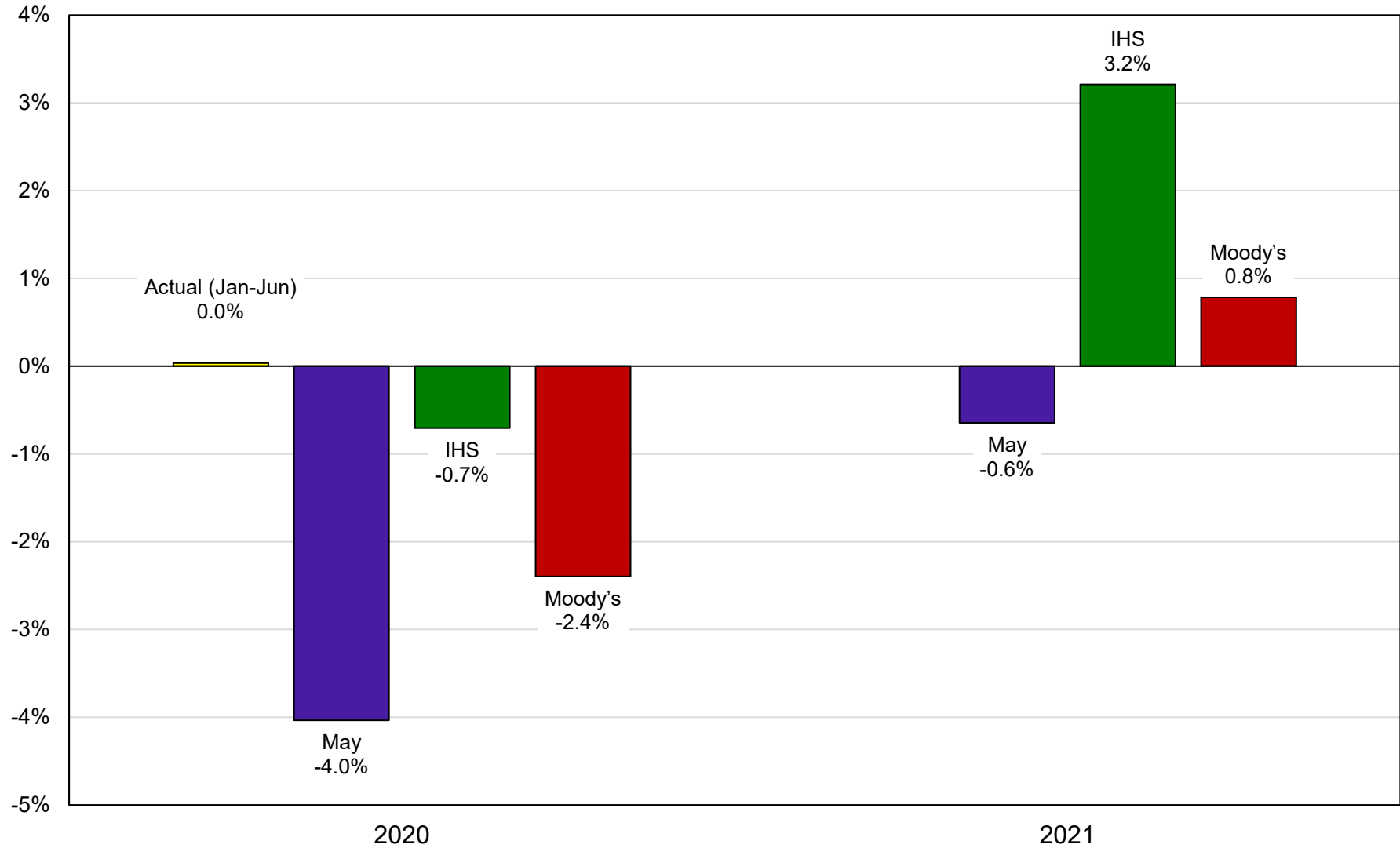
Note: The official September Board of Revenue Estimates estimate relied on U.S. and Maryland economic forecasts from IHS Markit. The alternate estimate used the forecasts from Moody's Analytics. For the alternate forecast, only the income taxes and the sales tax were re-estimated.

Source: Board of Revenue Estimates

Maryland Employment: Year-over-year Percent Change Calendar 2020-2021



Maryland Earnings: Year-over-year Percent Change Calendar 2020-2021



Note: Earnings includes the following components of personal income: wages; supplements to wages; proprietors income; and the residence adjustment.

General Fund: Recent History and Outlook

Fiscal 2020-2022

(\$ in Millions)

	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Working</u>	<u>2022</u> <u>Baseline</u>
Funds Available			
Ongoing Revenues	\$18,659	\$18,745	\$19,712
Balances, Transfers and One-time	1,132	803	788
Total Funds Available	\$19,791	\$19,548	\$20,500
Appropriations, Deficiencies, and Cost Containment			
Net Ongoing Operating Costs and Deficiencies	\$18,967	\$19,430	\$20,530
Appropriations to Reserve Fund	563	114	769
One-time Spending net of Targeted Reversions	-\$443	-543	56
Total Spending	\$19,088	\$19,001	\$21,355
Cash Balance/(Shortfall)	\$703	\$547	-\$856
Structural			
Balance (Ongoing Revenues Less Ongoing Operating Costs)	-\$308	-\$685	-\$818
Ratio (Ongoing Revenues/Ongoing Operating Costs)	98.4%	96.5%	96.0%
Reserve Fund Activity			
Appropriations to Rainy Day Fund	\$444	\$7	\$526
Transfers to General Fund	-158	-54	-240
Governor's Economic Recovery Initiative	0	-250	0
Estimated Rainy Day Fund Balance – June 30	\$1,177	\$886	\$1,180
Total Cash (Rainy Day Fund and General Fund Balance)	\$1,881	\$1,433	\$324
Rainy Day Fund Balance In Excess of 5%	\$246	-\$49	\$197

Note: For purpose of the fiscal 2022 baseline, Rainy Day Fund activity is calculated using Board of Revenue Estimates September 2020 revenue estimate. Using the official estimate from December 2019 would place the fiscal 2021 fund balance \$64.2 million below 5% of estimate general fund revenues.

Key Baseline Budget Assumptions

- Enhanced Medicaid match will generate \$502.1 million of general fund savings in fiscal 2021 and expire after the third quarter of the fiscal year.
 - Federal Coronavirus Relief Funds authorized by the Coronavirus Aid, Relief, and Economic Security Act will fund \$217.3 million of fiscal 2021 expenses currently budgeted with general funds.
 - The Board of Revenue Estimates (BRE) revenue forecast assumes additional federal stimulus (enhanced unemployment, additional State/local aid, and stimulus checks for taxpayers) in fiscal 2021. Spending forecast assumes no additional general fund relief.
 - Caseload trends reflect current experience and, for entitlements, are aligned with economic assumptions underpinning the official BRE revenue forecast.
 - K-12 enrollment is expected to drop based on preliminary information from September. Out-year forecast assumes enrollment bounces back in fiscal 2023.
 - Higher education enrollment reflects fall enrollment with enrollment recovering over a multi-year period.
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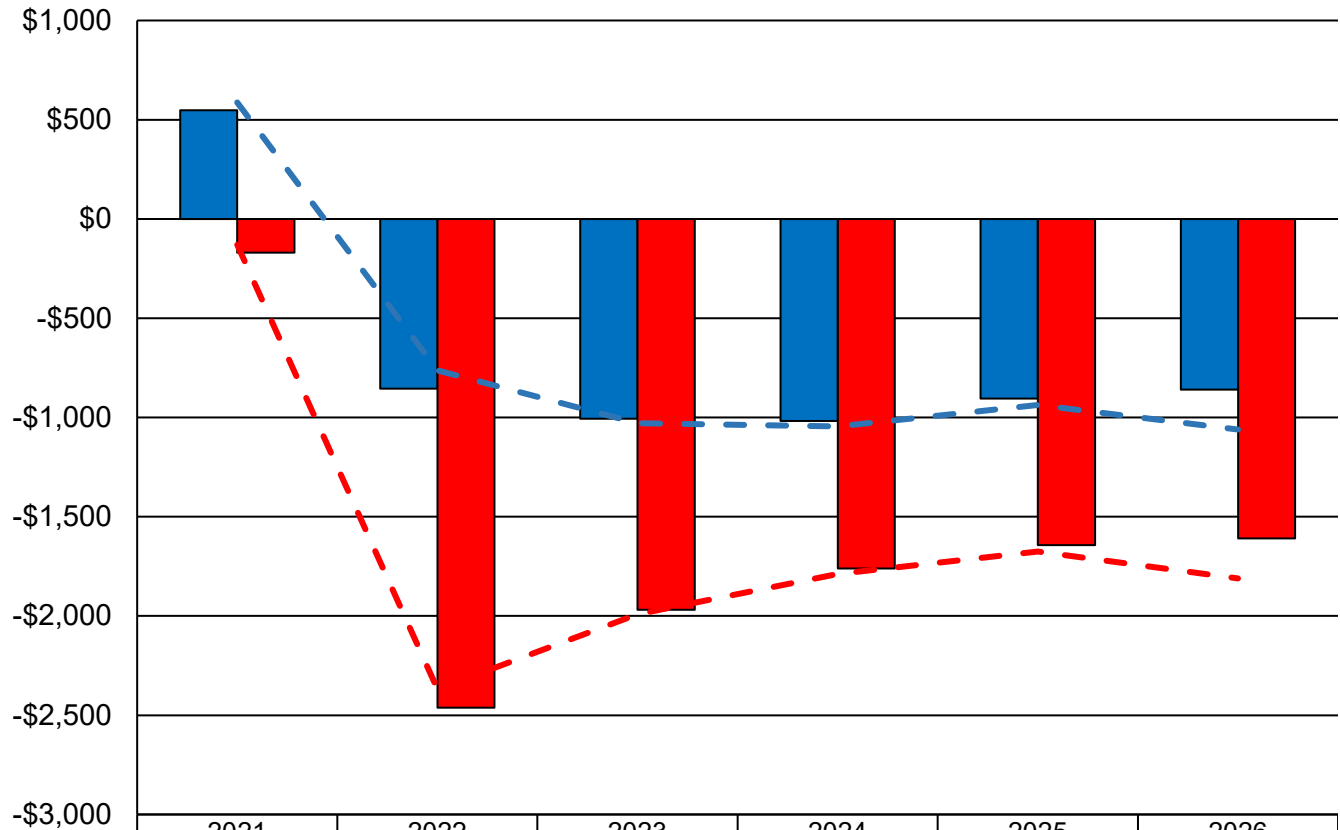
Caseload Assumptions Fiscal 2020-2022

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>% Change 2021-2022</u>
Pupil Enrollment*	863,071	874,268	841,087	-3.8%
Medicaid	1,398,594	1,522,063	1,526,994	0.3%
Temporary Cash Assistance	46,767	65,661	61,721	-6.0%
Foster Care/Adoption/Guardianship	11,864	12,054	11,871	-1.5%
Adult Prison Population	20,420	18,500	18,000	-2.7%

* Data for fiscal 2020, 2021, and 2022 reflect September 2018, September 2019, and September 2020 (est.) full-time equivalent enrollments.

- Transfer of \$240 million from the Rainy Day Fund to the General Fund in fiscal 2022 leaves the balance in the Rainy Day Fund at 6%.
- Personnel assumptions reflect collective bargaining agreements, including \$20.5 million of general fund savings from concessions made by certain bargaining units in June to aid State response to the recession. Concessions include changes in overtime policy and foregoing salary increases. Other assumptions include:
 - 2% general salary increase effective January 2021 funded for all State employees except those bargaining units that agreed to forego due to the recession.
 - No salary increases for State employees in fiscal 2022 except those in existing bargaining agreements.
 - A 1% salary increase would cost approximately \$41 million in general funds.
- The baseline does not assume any additional general fund spending in fiscal 2021 or 2022 related to COVID-19. It is assumed, for example, that additional testing and tracing costs will be met through existing federal funding allocated to the State for this purpose and that costs associated with vaccine distribution will also be borne by the federal government.

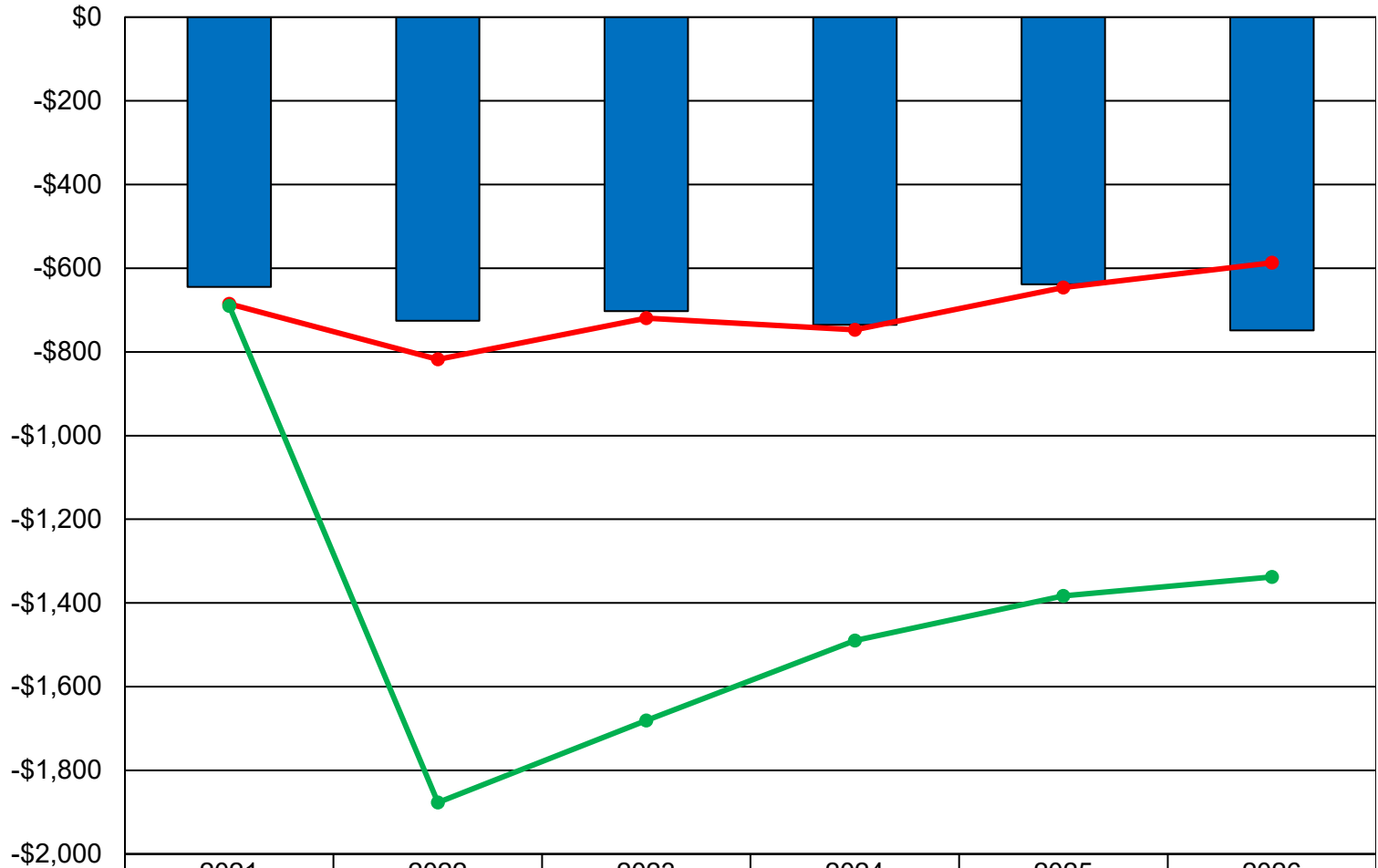
General Fund Cash Outlook Fiscal 2021-2026 (\$ in Millions)



■ Baseline w/BRE Official Estimate	\$547	-\$855	-\$1,006	-\$1,017	-\$905	-\$859
■ Baseline w/BRE Alternate	-170	-2,461	-1,968	-1,760	-1,643	-1,609
- - - Baseline/BRE Official +Veto Override	587	-763	-1,029	-1,045	-937	-1,061
- - - Baseline w/BRE Alternate +Veto Override	-130	-2,369	-1,991	-1,788	-1,675	-1,811

BRE: Board of Revenue Estimates

General Fund Structural Budget Outlook Fiscal 2021-2026 (\$ in Millions)



Baseline + Veto Overrides	-645	-726	-702	-735	-638	-749
Baseline	-685	-818	-719	-747	-646	-587
Alternate Scenario	-690	-1,877	-1,681	-1,490	-1,383	-1,338

Baseline Leaves Billions of Blueprint Fund and Education Trust Fund Revenues Unspent

- Baseline funds a \$500 million appropriation to the Blueprint Fund and assumes funds will be spent on K-12 education in fiscal 2022.
- Baseline assumes that a \$156 million Education Trust Fund (ETF) shortfall from fiscal 2020 is funded with general funds in fiscal 2021.
- Most ETF lockbox revenues and Blueprint funds are not included in out-years of baseline forecast as no education enhancements are required by current law.
- As a result, unspent special fund balances dedicated to education grow from \$952 million at end of fiscal 2022 to \$4.8 billion by end of fiscal 2026.

(\$ in Millions)

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
Blueprint Fund Balance at Start of Year	\$588	\$952	\$1,863	\$2,805	\$3,779
New Blueprint/ETF Lock Box Revenues – Unallocated in Baseline	364	911	942	974	1,008
Blueprint/ETF Fund Balance at End of Fiscal Year	\$952	\$1,863	\$2,805	\$3,779	\$4,786

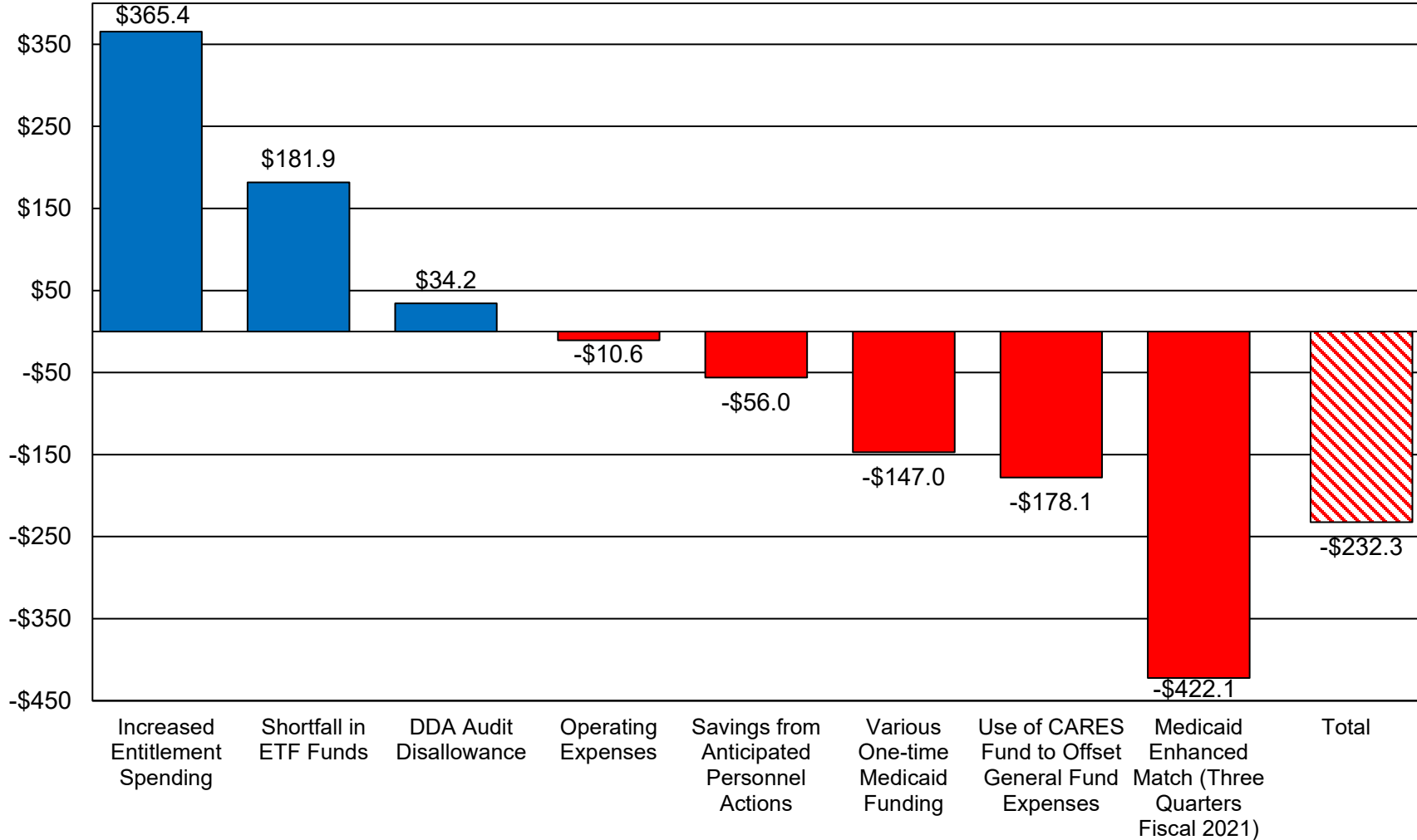
**Veto Overrides of HB 1300 and HB 932: Blueprint Implementation and the Built to Learn Act
Can Be Funded Almost Entirely with the
Blueprint Fund and the Education Trust Fund through Fiscal 2026**

- Override of HB 1300 (Kirwan) will also result in HB 1 – Built to Learn Act becoming law.
- Override of HB 932 (sales tax on digital goods) will dedicate additional revenue to the Blueprint Fund.

(\$ in Millions)

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
Impact of Veto Overrides on Dedicated Education Funds					
HB 1 – Built to Learn Act		-\$60	-\$125	-\$125	-\$125
HB 1300 – Blueprint Implementation		-978	-1,215	-1,339	-1,580
HB 932 – Sales Tax on Digital Goods (Blueprint Fund)	\$136	105	113	119	123
	136	-933	-1,227	-1,345	-1,582
Blueprint/ETF Fund Balance at End of Fiscal Year	\$1,088	\$1,066	\$780	\$409	-\$165
Impact of Veto Overrides on General Fund					
HB 1		-\$45	-\$46	-\$46	-\$46
HB 1300					-165
General Fund Impact		-\$45	-\$46	-\$46	-\$211

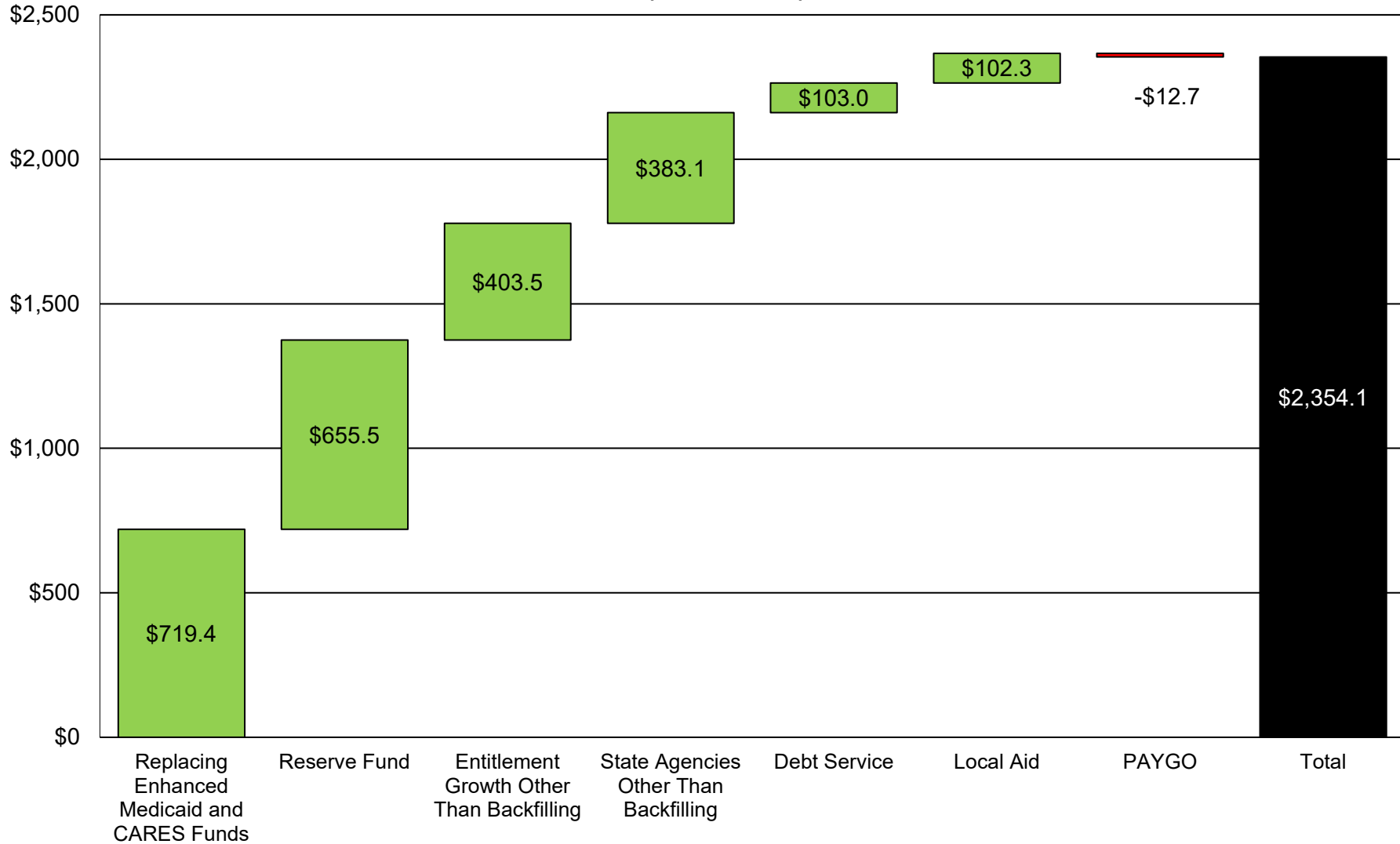
Fiscal 2021 Deficiencies Reduce General Fund Spending by \$232 Million As Temporary Federal Aid Offsets Rising Entitlement Costs and Backfilling of Education Trust Fund Shortfall



CARES: Coronavirus Aid, Relief, and Economic Security
 ETF: Education Trust Fund

DDA: Developmental Disabilities Administration

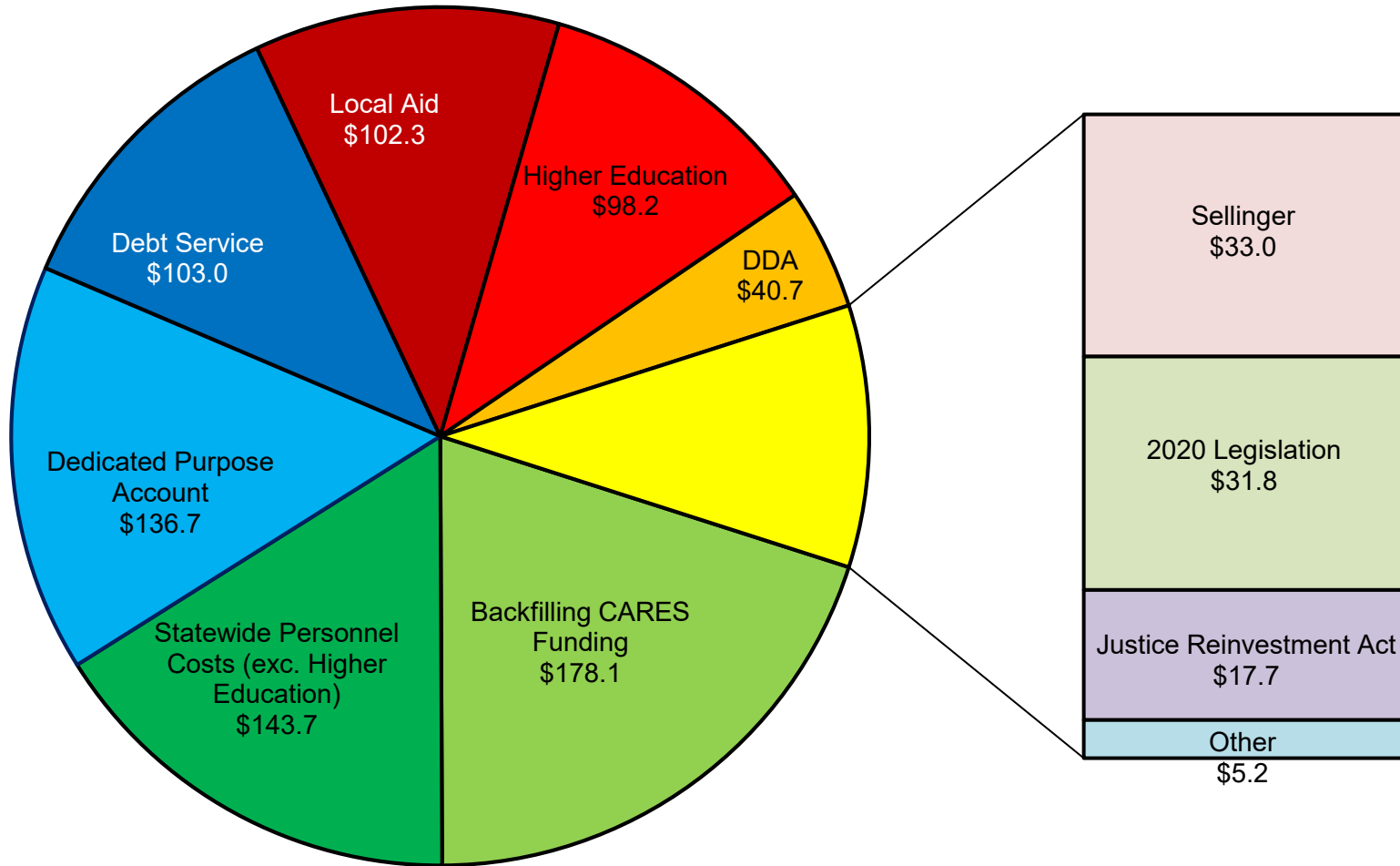
Key Drivers of General Fund Budget Growth Adjusted Fiscal 2021 to 2022 Baseline (\$ in Millions)



CARES: Coronavirus Aid, Relief, and Economic Security

PAYGO: pay-as-you-go

**Major General Fund Changes Excluding Entitlements and Appropriation
To the Rainy Day Fund
(\$ in Millions)**

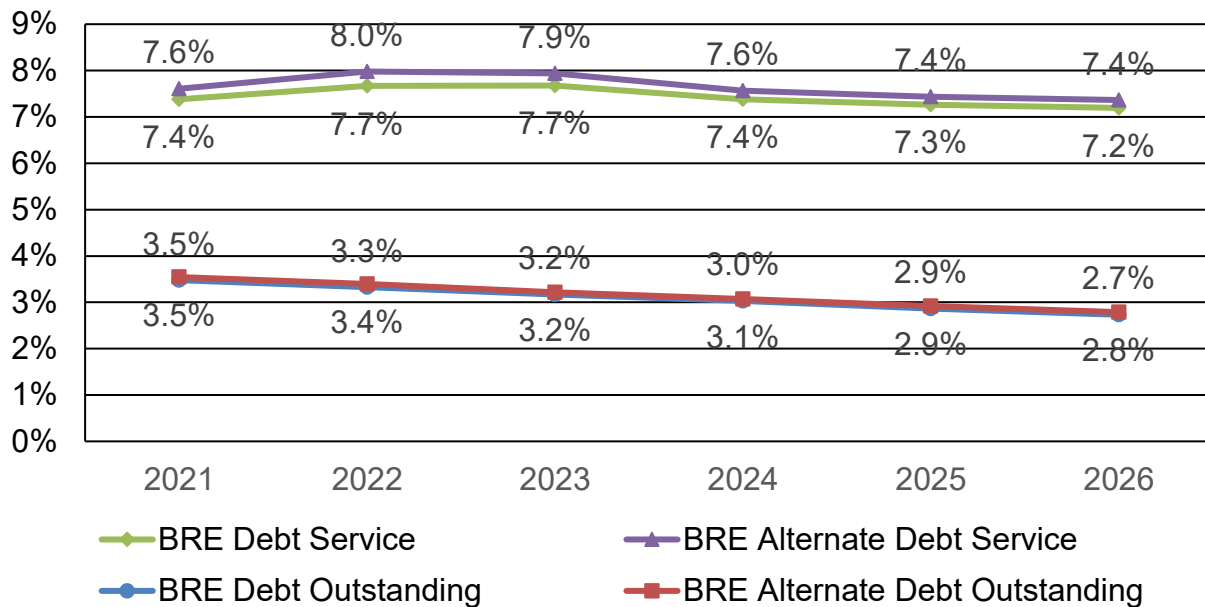


CARES: Coronavirus Aid, Relief, and Economic Security
 DDA: Developmental Disabilities Administration

State Debt Policy – Affordability Ratios

- The Capital Debt Affordability Committee (CDAC) reviews and makes recommendations to the Governor and General Assembly on State debt policy. CDAC has two affordability criteria: State debt service cannot exceed 8% of State revenues; and State debt outstanding cannot exceed 4% of personal income.
- In their 2019 reports, CDAC and the Spending Affordability Committee (SAC) planned a fiscal 2022 authorization totaling \$1,105 million:
 - Since 2015, SAC has recommended limiting increases in authorizations to 1%. This authorization is consistent with this SAC policy.
 - This level of debt is affordable under both the Board of Revenue Estimates (BRE) official revenue estimate and alternate BRE revenue estimate.
- CDAC recommends maintaining the fiscal 2022 general obligation bond authorization at \$1,095 million and increasing this by \$10 million annually beginning in fiscal 2023.

**Affordability Ratios
Fiscal 2021-2026**



BRE: Board of Revenue Estimates

Source: Bureau of Revenue Estimates; Department of Legislative Services

State Debt Policy – Debt Service Costs

- The Annuity Bond Fund (ABF) supports general obligation bond debt service costs. State property tax revenues are deposited into the ABF. General funds are required if there is a shortfall in dedicated revenues.
- Bond counsel advises that the amount of bond sale premiums supporting debt service cannot exceed the interest payments in an issuance’s first three years. This limits the amount of premiums that can support debt service.

Annuity Bond Fund Forecast Fiscal 2021-2026 (\$ in Millions)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Annual % Change</u>
Special Fund Revenues							
State Property Tax Receipts ¹	\$893	\$899	\$903	\$912	\$921	\$931	0.9%
Bond Sale Premiums	222	142	102	14	0	0	-100.0%
Other Revenues	2	2	2	2	2	2	0.0%
ABF Fund Balance							
Transferred from Prior Year	210	95	1	1	1	1	-65.1%
Subtotal Special Fund Revenues	\$1,327	\$1,139	\$1,009	\$929	\$924	\$935	-6.8%
General Funds	131	234	407	520	554	590	35.1%
Transfer Tax Special Funds ²	7	7	7	7	7	2	-24.8%
Federal Funds	10	9	8	7	5	3	-24.2%
Total Revenues	\$1,475	\$1,389	\$1,431	\$1,464	\$1,490	\$1,529	0.7%
Debt Service Expenditures³	\$1,278	\$1,388	\$1,430	\$1,463	\$1,489	\$1,528	3.6%
End-of-year ABF Balance	\$95	\$1	\$1	\$1	\$1	\$1	

ABF: Annuity Bond Fund

¹ The forecast assumes that State property tax rates remain at \$0.112 per \$100 of assessable base.

² This supports \$70 million of general obligation bonds issued in 2010 for Program Open Space.

³ Fiscal 2022 includes an arbitrage rebate.

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

Source: Department of Assessments and Taxation; State Treasurer’s Office; Department of Legislative Services

State Debt Policy – Bond Sale Premiums

- In recent years, general obligation (GO) bond sales have sold at a large premium. These premiums have mostly been deposited into the Annuity Bond Fund (ABF) with some of the proceeds also supporting capital projects. This is attributable to:
 - historically low interest rates; and
 - the State issuing fixed rate bonds. If interest rates increase, fixed rate bonds hold their value better if they are bought at a premium.
- When selling bonds, every effort should be made to minimize the interest rate paid by the State. Underwriters should have the flexibility to structure amortization tables so that the marketability of the bonds is maximized. In recent years, underwriters have structured coupon rates on bonds so that they have generally ranged between 3.50% and 5.00%.

New Advice Regarding the Use of Bond Sale Premiums

- Bond counsel has recently reinterpreted its advice regarding the amount of premiums that can be applied to debt service from each bond sale. Premiums supporting debt service are limited to capitalized interest, which bond counsel defines as three years' debt service.¹
- The State Treasurer's Office anticipates issuing \$535 million of GO bonds in the winter 2021 sale. The Department of Legislative Services estimates that:
 - the first three years of debt service for this bond sale is \$72.2 million; and
 - under current market conditions, it is likely that this sale will realize premiums well in excess of \$72.2 million.
- If there are additional premiums, the State can:
 - authorize additional capital projects; or
 - resize the bond sale to reduce debt service costs.
- **Unless the State property tax rate is increased, limitations on the use of bond premiums for debt service will result in additional general fund expenditures for debt service. To minimize the impact on the General Fund, the Spending Affordability Committee may wish to consider recommending the use of bond premiums to resize bond sales.**

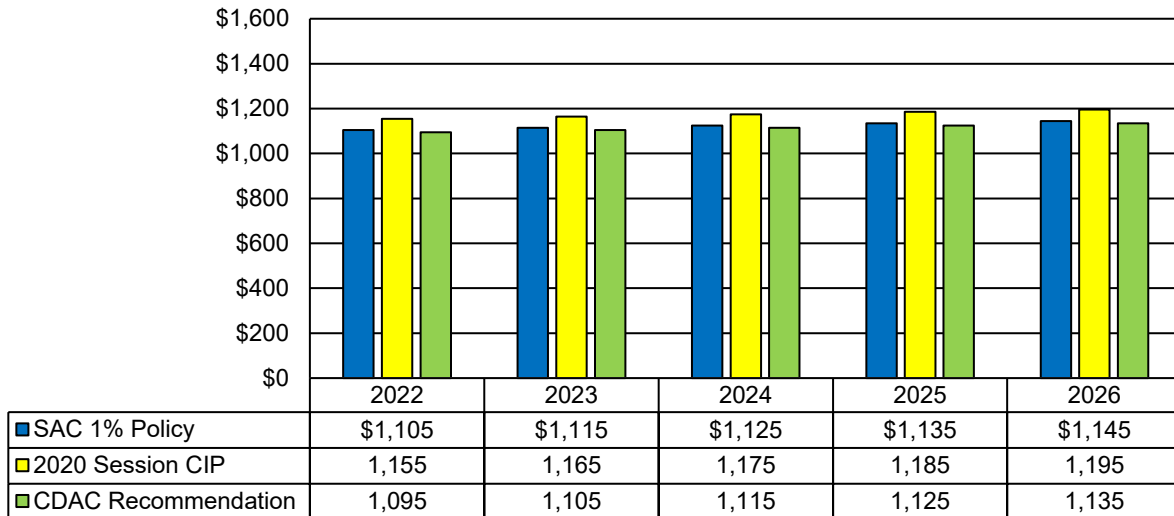
¹ The July 2020 bond sale realized a \$179 million premium. Consistent with the new bond counsel advice, deposits into the ABF were \$149 million. The remaining proceeds will be used for capital projects.

Capital Program

Capital Debt Affordability Committee Recommends Reduced General Obligation Bond Authorization Levels

- The Capital Debt Affordability Committee (CDAC) recommended a level of general obligation (GO) bond authorizations for the five-year forecast period beginning in fiscal 2022 below both the level recommended by the Spending Affordability Committee (SAC) in December 2019 and the amount currently programmed in the 2020 *Capital Improvement Program* (CIP). The CDAC recommendation holds the fiscal 2022 authorization level at \$1,095 million, which is the same amount authorized for fiscal 2021, while maintaining an annual 1% increase through the planning period. This results in an annual authorization level:
 - \$10 million below the SAC recommendation, or \$50 million through the five-year planning period; and
 - \$60 million below the amount currently programmed in the 2020 CIP, or \$300 million through the planning period.
-

CDAC Recommended CIP Planned and SAC Recommended Authorization Levels Fiscal 2022-2026 (\$ in Millions)



CDAC: Capital Debt Affordability Committee
CIP: *Capital Improvement Program*

SAC: Spending Affordability Committee

Source: 2020 *Capital Improvement Program*; Department of Budget and Management

**Commitments in Excess of CDAC Recommended GO Bond
Authorization Levels
Fiscal 2022
(\$ in Millions)**

	<u>2022</u>
CDAC Recommended GO Bond Authorization Levels	\$1,095.0
Bond Proceeds Above Debt Service – July 2020 Bond Sale (Amount from Bond Sales in Fiscal 2022 TBD)	31.0
<i>Subtotal GO Bonds and Bond Premium</i>	<i>\$1,126.0</i>
Commitments	
GO Bonds Programmed in 2020 CIP	\$1,155.0
Projects Deferred from Fiscal 2021 / Moved Up in the Plan to Fiscal 2022	120.0
Projects Preauthorized Above CIP (Excluding Accelerated Projects)	70.0
Revised Project Schedules	- 60.0
<i>Subtotal Net Commitments</i>	<i>\$1,285.0</i>
Additional Pressures	
Potential Bond Replacement for General Fund PAYGO Baseline (Includes Mandates, POS Repayments, and Ongoing Programs)	\$78.2
Legislative – Local Initiatives (\$45 Million Average Fiscal 2019-2021)	45.0
Potential Replacement of Reductions to Fiscal 2021 PAYGO General Funds	15.0
<i>Subtotal Additional Pressures</i>	<i>\$138.2</i>
Total Commitments and Additional Pressures	\$1,423.2
Commitments and Pressures Above Recommended GO Bond Authorization Level and Available Bond Premium	\$297.2

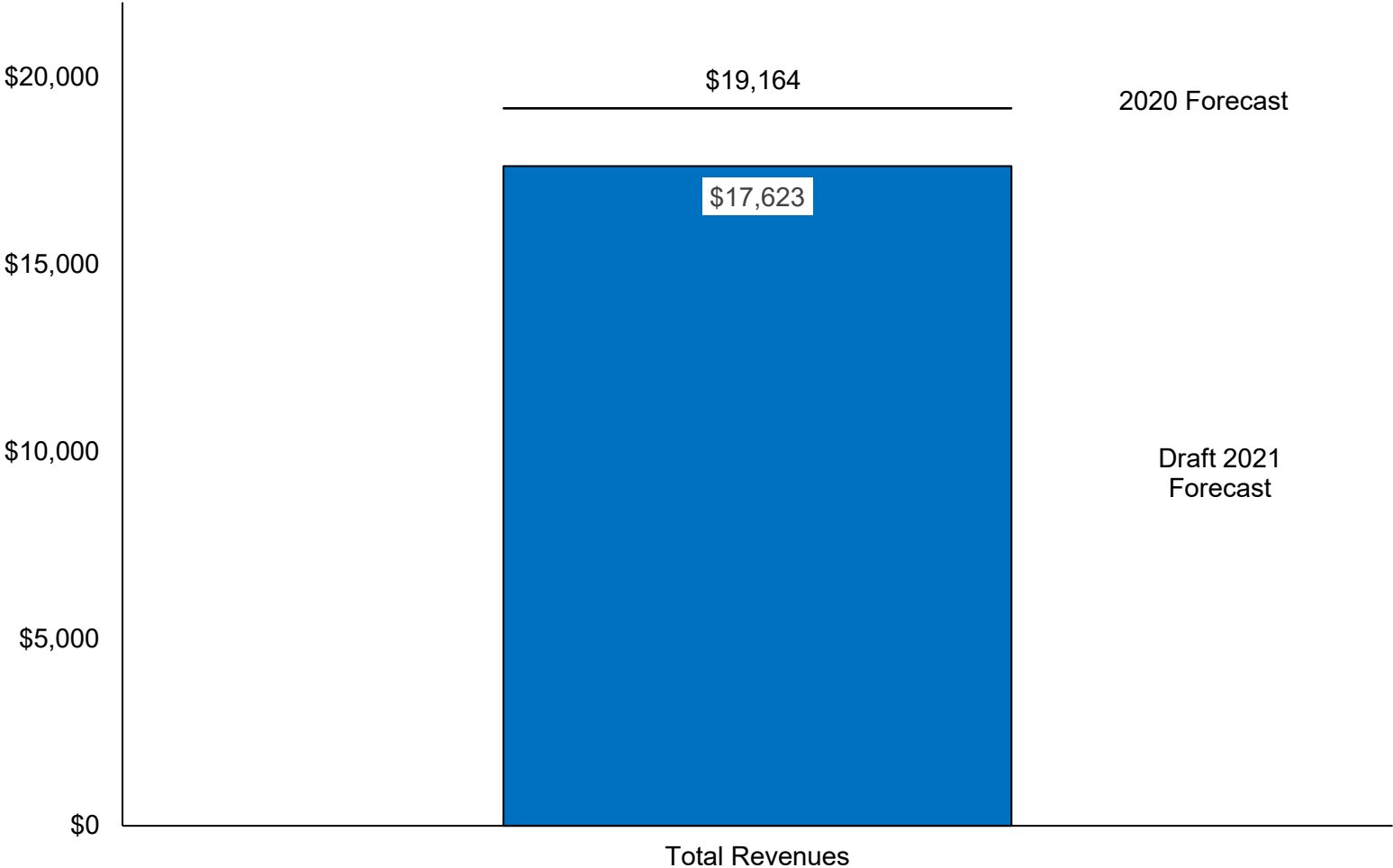
CDAC: Capital Debt Affordability Committee
 CIP: *Capital Improvement Program*
 GO: general obligation

PAYGO: pay-as-you-go
 POS: Program Open Space
 TBD: to be determined

Note: Estimated out-year funding impacts for accelerated projects assumes that items will be funded in useable phases such that no gaps exist in estimated project delivery timelines. Estimates for deferred projects reflect one-year deferral and funding in useable phases such that no gaps exist in the timing of funding and project delivery.

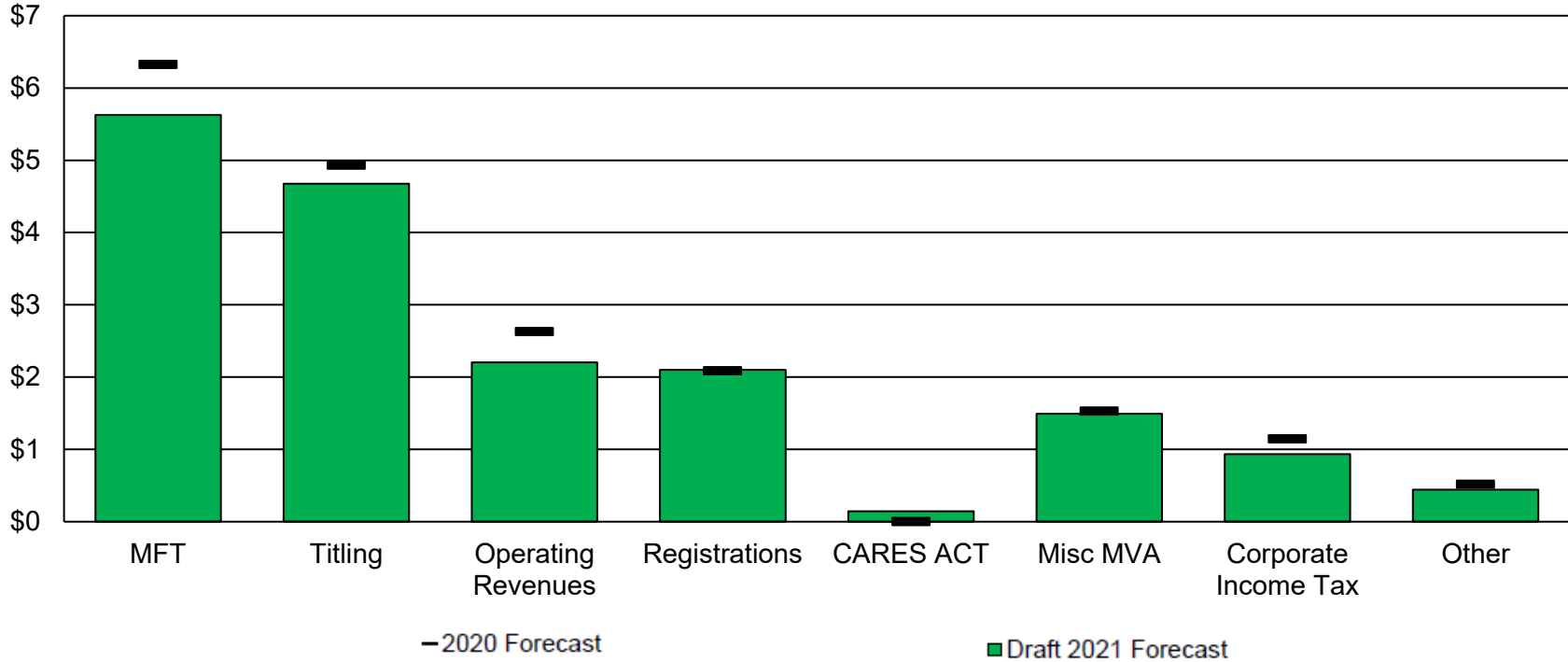
Source: 2020 *Capital Improvement Program*; Department of Legislative Services

Transportation Trust Fund Revenues
2020 Forecast vs. Draft 2021 Forecast
Fiscal 2021-2025
(\$ in Millions)



Source: Maryland Department of Transportation; Department of Legislative Services

Transportation Trust Fund Revenues
2020 Forecast vs. Draft 2021 Forecast
Fiscal 2021-2025
(\$ in Billions)



CARES: Coronavirus Aid, Relief, and Economic Security
MFT: Motor Fuel Taxes
MVA: Motor Vehicle Administration

Source: Maryland Department of Transportation; Department of Legislative Services

Transportation Trust Fund Forecast Comparison
Fiscal 2020-2025 vs. Fiscal 2021-2026 Six-year Totals
(\$ in Millions)

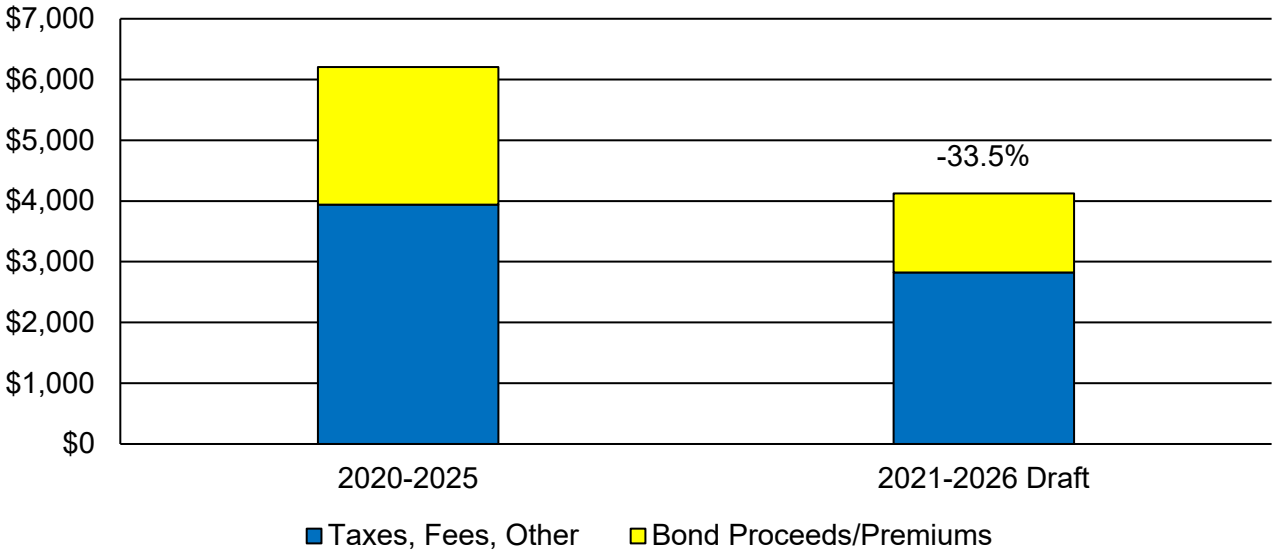
	<u>MDOT Final</u> <u>2020-2025</u>	<u>MDOT Draft</u> <u>2021-2026</u>	<u>Variance</u>
Revenues			
Taxes and Fees			
Motor Vehicle Fuel Taxes	\$7,500	\$6,864	-\$636
Titling Taxes	5,864	5,679	-185
Sales Tax -Rental Vehicles	222	132	-91
Corporate Income Tax	1,332	1,149	-183
Registration Fees	2,488	2,528	40
Miscellaneous Motor Vehicle Fees	1,837	1,799	-38
Subtotal – Taxes and Fees	\$19,242	\$18,151	-\$1,092
Other Revenues			
Operating Revenues	\$3,104	\$2,729	-\$375
Federal Operating Assistance	638	636	-2
Bond Proceeds/Premiums	2,267	1,304	-963
CARES Act	0	144	144
Other	409	314	-95
Change in Fund Balance	144	-61	-205
Subtotal – Other Revenues	\$6,562	\$5,066	-\$1,496
Total Revenues	\$25,804	\$23,217	-\$2,588
Expenditures			
Debt Service	\$2,696	\$2,655	-\$41
Operating Budget	14,417	14,092	-325
P3 Availability Payments	458	389	-69
Deductions to Other Agencies	477	478	2
HUR and Local Grants	1,540	1,382	-158
State Capital Program	6,217	4,221	-1,996
Total Expenditures	\$25,804	\$23,217	-\$2,588

CARES: Coronavirus Aid, Relief, and Economic Security
HUR: Highway User Revenues

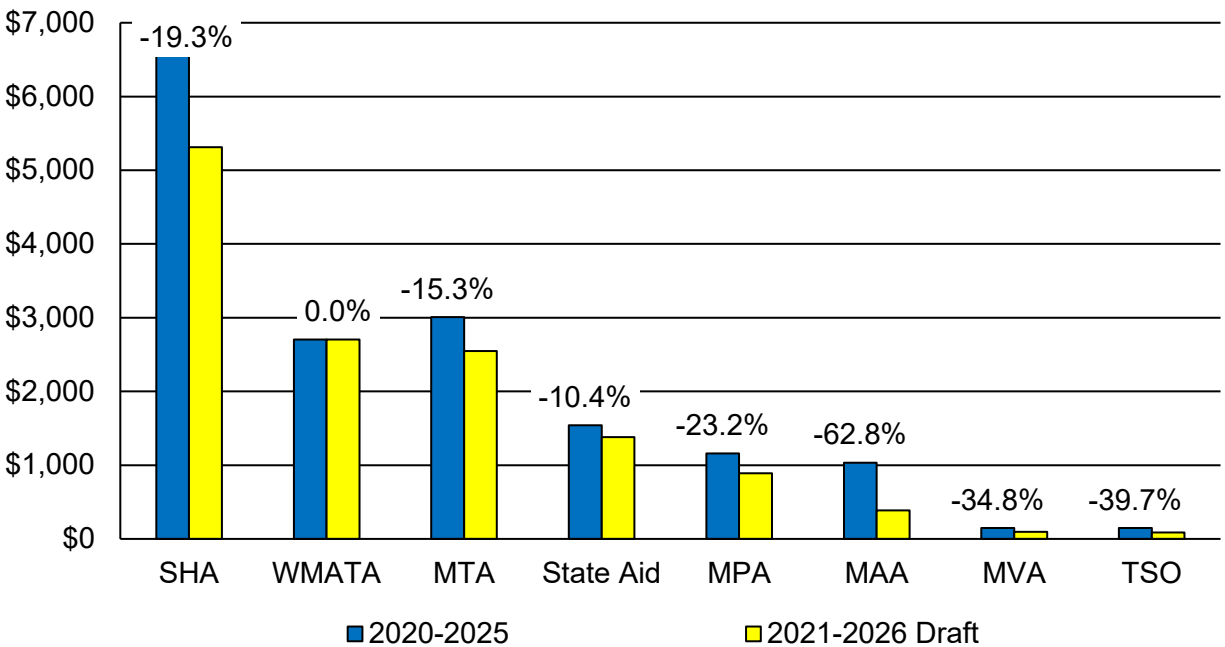
MDOT: Maryland Department of Transportation
P3: public-private partnership

Consolidated Transportation Programs
Fiscal 2020-2025 v. Fiscal 2021-2026 Draft
Six-year Funding and Percent Change between Programs

Special Funds



State Funds by Mode



MAA: Maryland Aviation Administration SHA: State Highway Administration
 MPA: Maryland Port Administration TSO: The Secretary's Office
 MTA: Maryland Transit Administration WMATA: Washington Metropolitan Area Transit Authority
 MVA: Motor Vehicle Administration

Note: Does not include general funds programmed to support the dedicated capital grant to the Washington Metropolitan Area Transit Administration.

Appendices

Appendix 1
Status of the General Fund
Fiscal 2020
(\$ in Millions)

Starting Balance		\$974.2
Revenues		
BRE Estimated Revenue March 2020	\$18,721.2	
Legislation/Other Adjustments	15.2	
Fiscal 2020 Closeout	-105.1	
Total		\$18,631.2
Transfers		
Rainy Day Fund	\$158.0	
Budgeted Tax Credits	27.6	
Total		\$185.6
Funds Available		\$19,791.0
Spending		
Fiscal 2020 Allowance	\$19,418.8	
Deficiencies	239.4	
May 2020 Board of Public Works Reductions	-120.7	
Legislative Reductions to Fiscal 2020	-6.4	
Fiscal 2020 Closeout/Agency Reversions	-443.6	
Net Expenditures		\$19,087.5
Ending Balance		\$703.5

BRE: Board of Revenue Estimates

**Appendix 2
Status of the General Fund
Fiscal 2021
(\$ in Millions)**

Starting Balance		\$703.5
Revenues		
BRE Estimated Revenue September 2020	\$18,709.8	
Legislation/Other		
Total		\$18,709.8
Transfers		
Rainy Day Fund	54.0	
Transfers from Other Funds	54.7	
Budgeted Tax Credits	26	
Total		\$135.0
Funds Available		\$19,548.2
Spending		
Fiscal 2021 Legislative Appropriation	\$19,663.2	
July 2020 Board of Public Works Reductions	-\$394.9	
DLS Estimated Deficiencies	-\$232.3	
Estimated Agency Reversions	-35.0	
Net Expenditures		\$19,001.0
Ending Balance		\$547.2

BRE: Board of Revenue Estimates

DLS: Department of Legislative Services

**Appendix 3
Status of the General Fund
Fiscal 2022
(\$ in Millions)**

Starting Balance		\$547.2
Revenues		
BRE Estimated Revenue September 2020	\$19,665.7	
Total		\$19,665.7
Transfers		
Rainy Day Fund Draw Down to 6%	240.3	
Budgeted Tax Credits	46.4	
Total		\$286.7
Funds Available		\$20,499.6
Spending		
Fiscal 2022 Allowance	\$21,390.1	
Estimated Agency Reversions	-35.0	
Net Expenditures		\$21,355.1
Ending Balance		-\$855.5

BRE: Board of Revenue Estimates

Appendix 4
State Expenditures – General Funds
(\$ in Millions)

<u>Category</u>	<u>Working</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021 to FY 2022</u>	
	<u>Appropriation</u>	<u>Adjusted</u>		<u>Baseline</u>	<u>\$ Change</u>
	<u>FY 2020</u>	<u>Appropriation</u>			
Debt Service	\$287.0	\$131.0	\$234.0	\$103.0	78.6%
County/Municipal	\$309.4	\$315.2	\$312.7	-\$2.5	-0.8%
Community Colleges	330.7	330.8	379.9	49.1	14.8%
Education/Libraries	6,405.1	6,806.4	6,859.7	53.3	0.8%
Health	59.1	60.0	62.5	2.5	4.1%
Aid to Local Governments	\$7,104.3	\$7,512.5	\$7,614.8	\$102.3	1.4%
Foster Care Payments	\$202.3	\$216.5	\$227.3	\$10.8	5.0%
Assistance Payments	43.3	61.0	102.6	41.6	68.2%
Medical Assistance	3,623.7	3,556.7	4,451.0	894.3	25.1%
Property Tax Credits	96.2	96.3	94.4	-1.9	-2.0%
Entitlements	\$3,965.5	\$3,930.6	\$4,875.4	\$944.8	24.0%
Health	\$1,583.6	\$1,639.5	\$1,721.7	\$82.3	5.0%
Human Services	368.9	364.5	372.2	7.7	2.1%
Juvenile Services	264.1	246.6	257.6	11.0	4.4%
Public Safety/Police	1,577.6	1,377.2	1,648.8	271.5	19.7%
Higher Education	1,577.8	1,498.3	1,596.5	98.2	6.6%
Other Education	483.4	479.4	532.8	53.4	11.1%
Agriculture/Natural Res./Environmer	148.1	125.1	149.3	24.2	19.4%
Other Executive Agencies	852.6	893.1	890.8	-2.3	-0.3%
Judiciary	536.8	552.9	566.2	13.3	2.4%
Legislative	97.4	103.1	105.0	1.9	1.8%
State Agencies	\$7,490.3	\$7,279.8	\$7,840.9	\$561.2	7.7%
Total Operating	\$18,847.2	\$18,853.8	\$20,565.1	\$1,711.3	9.1%
Capital ⁽¹⁾	\$54.3	\$68.2	\$55.5	-\$12.7	-18.6%
Subtotal	\$18,901.5	\$18,922.0	\$20,620.6	\$1,698.6	9.0%
Reserve Funds	\$563.2	\$114.0	\$769.5	\$655.5	575.0%
Appropriations	\$19,464.6	\$19,036.0	\$21,390.1	\$2,354.1	12.4%
Reversions	-\$377.1	-\$35.0	-\$35.0	\$0.0	0.0%
Grand Total	\$19,087.5	\$19,001.0	\$21,355.1	\$2,354.1	12.4%

⁽¹⁾ Includes the Historic Revitalization Tax Credit Reserve Fund.

Note: The fiscal 2020 working appropriation reflects \$72.9 million in targeted reversions, \$120.7 million in reductions approved by the Board of Public Works in May 2020, and \$342.1 million in additional agency reversions recognized during the close-out process. The fiscal 2021 adjusted appropriation includes estimated negative deficiencies of -\$232.3 million along with \$394.9 million in reductions approved by the Board of Public Works in July 2020.

Appendix 5
State Expenditures – Special and Higher Education Funds*
(\$ in Millions)

<u>Category</u>	FY 2020 Working Appropriation	FY 2021 Adjusted Appropriation	FY 2022 Baseline	FY 2021 to FY 2022 \$ Change	% Change
Debt Service	\$1,388.8	\$1,618.9	\$1,592.7	-\$26.2	-1.6%
County/Municipal	\$403.5	\$450.5	\$423.5	-\$27.0	-6.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	682.1	650.0	543.8	-106.2	-16.3%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	\$1,085.6	\$1,100.5	\$967.3	-\$133.2	-12.1%
Foster Care Payments	\$4.3	\$3.0	\$3.0	\$0.0	0.0%
Assistance Payments	5.4	10.7	10.7	0.0	0.0%
Medical Assistance	992.6	952.2	746.3	-205.9	-21.6%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$1,002.3	\$965.8	\$760.0	-\$205.9	-21.3%
Health	\$444.4	\$422.5	\$429.4	\$6.8	1.6%
Human Services	76.6	77.0	83.5	6.5	8.5%
Juvenile Services	3.0	3.3	3.4	0.1	4.3%
Public Safety/Police	234.9	239.0	257.6	18.6	7.8%
Higher Education	4,868.2	4,870.6	5,000.2	129.6	2.7%
Other Education	72.9	79.2	76.9	-2.3	-2.9%
Transportation	2,044.9	2,157.4	2,113.0	-44.3	-2.1%
Agriculture/Natural Res./Environment	303.8	297.7	293.6	-4.2	-1.4%
Other Executive Agencies	749.5	775.6	760.9	-14.7	-1.9%
Judiciary	66.5	78.3	71.9	-6.4	-8.2%
Legislative	0.0	0.0	0.0	0.0	n/a
State Agencies	\$8,864.7	\$9,000.6	\$9,090.4	\$89.8	1.0%
Total Operating	\$12,341.5	\$12,685.8	\$12,410.3	-\$275.5	-2.2%
Capital	\$1,997.3	\$1,629.3	\$1,064.0	-\$565.4	-34.7%
Transportation	1,567.6	1,197.3	520.0	-677.3	-56.6%
Environment	177.7	216.4	259.8	43.4	20.1%
Other	252.0	215.6	284.2	68.6	31.8%
Grand Total	\$14,338.8	\$14,315.2	\$13,474.3	-\$840.9	-5.9%

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

Note: The fiscal 2020 working appropriation includes \$0.5 million in targeted reversions, and excludes \$43.5 million that double counts general fund spending. The fiscal 2021 adjusted appropriation excludes \$40 million that double counts general fund spending and includes \$10.3 million in additional special fund spending due to funding swaps. It also includes estimated negative deficiencies of -\$177.9 million and reflects \$11.3 million in reductions approved by the Board of Public Works in July 2020, net of \$4.7 million in additional special fund spending that replaces general fund reductions. The fiscal 2022 baseline exclude \$10 million that double counts special fund spending.

Appendix 6
State Expenditures – Federal Funds
(\$ in Millions)

Category	FY 2020	FY 2021	FY 2022	FY 2021 to FY 2022	
	Working	Adjusted		Baseline	\$ Change
	Appropriation	Appropriation			
Debt Service	\$11.5	\$11.0	\$9.5	-\$1.5	-13.6%
County/Municipal	\$74.1	\$76.2	\$74.7	-\$1.5	-2.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	984.7	969.7	954.8	-14.8	-1.5%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	\$1,058.7	\$1,045.9	\$1,029.5	-\$16.3	-1.6%
Foster Care Payments	\$74.6	\$83.4	\$65.7	-\$17.7	-21.2%
Assistance Payments	1,045.2	1,944.5	1,209.4	-735.1	-37.8%
Medical Assistance	7,058.2	7,597.5	8,058.7	461.2	6.1%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$8,178.0	\$9,625.4	\$9,333.8	-\$291.6	-3.0%
Health	\$1,136.2	\$1,599.8	\$1,756.1	\$156.3	9.8%
Human Services	609.8	627.4	558.7	-68.7	-10.9%
Juvenile Services	4.6	6.9	4.5	-2.4	-35.0%
Public Safety/Police	41.7	181.4	35.3	-146.0	-80.5%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	307.5	322.7	338.4	15.8	4.9%
Transportation	108.1	122.3	107.6	-14.7	-12.1%
Agriculture/Natural Res./Environmen	68.2	94.4	72.9	-21.4	-22.7%
Other Executive Agencies	621.9	626.4	661.3	34.9	5.6%
Judiciary	1.0	0.3	0.3	0.0	0.4%
State Agencies	\$2,898.9	\$3,581.6	\$3,535.2	-\$46.3	-1.3%
Total Operating	\$12,147.1	\$14,263.9	\$13,908.0	-\$355.8	-2.5%
Capital	\$1,237.2	\$1,241.6	\$1,129.8	-\$111.8	-9.0%
Transportation	1,120.6	1,159.9	1,046.0	-113.9	-9.8%
Environment	52.9	53.1	53.2	0.0	0.0%
Other	63.8	28.5	30.7	2.2	7.6%
Grand Total	\$13,384.4	\$15,505.4	\$15,037.8	-\$467.6	-3.0%

Note: The fiscal 2021 adjusted appropriation includes estimated deficiencies of \$1.7 billion and \$11.6 million in reductions approved by the Board of Public Works in July 2020 net of \$4.3 million in additional federal fund spending that replaces general fund reductions.

Appendix 7
State Expenditures – State Funds
(\$ in Millions)

<u>Category</u>	<u>FY 2020 Working Appropriation</u>	<u>FY 2021 Adjusted Appropriation</u>	<u>FY 2022 Baseline</u>	<u>FY 2021 to FY 2022 \$ Change</u>	<u>% Change</u>
Debt Service	\$1,675.8	\$1,749.9	\$1,826.7	\$76.8	4.4%
County/Municipal	\$712.9	\$765.7	\$736.2	-\$29.5	-3.9%
Community Colleges	330.7	330.8	379.9	49.1	14.8%
Education/Libraries	7,087.2	7,456.5	7,403.5	-52.9	-0.7%
Health	59.1	60.0	62.5	2.5	4.1%
Aid to Local Governments	\$8,189.9	\$8,613.0	\$8,582.1	-\$30.9	-0.4%
Foster Care Payments	\$206.6	\$219.5	230.3	\$10.8	4.9%
Assistance Payments	48.7	71.7	113.3	41.6	58.0%
Medical Assistance	4,616.3	4,508.9	5,197.4	688.4	15.3%
Property Tax Credits	96.2	96.3	94.4	-1.9	-2.0%
Entitlements	\$4,967.8	\$4,896.4	\$5,635.3	\$738.9	15.1%
Health	\$2,028.0	\$2,062.0	\$2,151.1	\$89.1	4.3%
Human Services	445.5	441.5	455.7	14.2	3.2%
Juvenile Services	267.2	249.9	261.0	11.1	4.4%
Public Safety/Police	1,812.5	1,616.2	1,906.4	290.1	18.0%
Higher Education	6,446.0	6,368.9	6,596.7	227.8	3.6%
Other Education	556.3	558.6	609.7	51.1	9.2%
Transportation	2,044.9	2,157.4	2,113.0	-44.3	-2.1%
Agriculture/Natural Res./Environmer	451.9	422.8	442.9	20.1	4.7%
Other Executive Agencies	1,602.1	1,668.7	1,651.7	-17.0	-1.0%
Judiciary	603.3	631.2	638.1	6.9	1.1%
Legislative	97.4	103.1	105.0	1.9	1.8%
State Agencies	\$16,355.1	\$16,280.3	\$16,931.3	\$651.0	4.0%
Total Operating	\$31,188.6	\$31,539.7	\$32,975.5	\$1,435.8	4.6%
Capital (1)	\$2,051.6	\$1,697.5	\$1,119.5	-\$578.0	-34.1%
Transportation	1,567.6	1,197.3	520.0	-677.3	-56.6%
Environment	178.3	216.6	262.8	46.2	21.3%
Other	305.8	283.6	336.7	53.1	18.7%
Subtotal	\$33,240.3	\$33,237.2	\$34,094.9	\$857.8	2.6%
Reserve Funds	\$563.2	\$114.0	\$769.5	\$655.5	575.0%
Appropriations	\$33,803.4	\$33,351.2	\$34,864.4	\$1,513.2	4.5%
Reversions	-\$377.1	-\$35.0	-\$35.0	\$0.0	0.0%
Grand Total	\$33,426.3	\$33,316.2	\$34,829.4	\$1,513.2	4.5%

(1) Includes the Historic Revitalization Tax Credit Reserve Fund.

Note: The fiscal 2020 working appropriation includes \$73.4 million in targeted reversions and excludes \$43.5 million of special funds that double count general fund spending. Fiscal 2020 also reflects \$120.7 million in reductions approved by the Board of Public Works in May 2020 and \$342.1 million in additional agency reversions recognized during the close-out process. The fiscal 2021 adjusted appropriation excludes \$40 million of special funds that double count general fund spending and includes \$10.3 million in additional special fund spending due to funding swaps. It also reflects estimated negative deficiencies of -\$410.2 million and \$406.2 million in reductions approved by the Board of Public Works in July 2020, net of \$4.7 million in additional special fund spending that replaces general fund reductions. The fiscal 2022 baseline exclude \$10 million of special funds that double counts special fund spending.

Appendix 8

State Expenditures – All Funds

(\$ in Millions)

<u>Category</u>	FY 2020 Working Appropriation	FY 2021 Adjusted Appropriation	FY 2022 Baseline	FY 2021 to FY 2022 \$ Change	FY 2021 to FY 2022 % Change
Debt Service	\$1,687.4	\$1,760.9	\$1,836.2	\$75.3	4.3%
County/Municipal	\$787.0	\$841.9	\$810.9	-\$31.0	-3.7%
Community Colleges	330.7	330.8	379.9	49.1	14.8%
Education/Libraries	8,071.9	8,426.1	8,358.4	-67.8	-0.8%
Health	59.1	60.0	62.5	2.5	4.1%
Aid to Local Governments	\$9,248.6	\$9,658.9	\$9,611.7	-\$47.2	-0.5%
Foster Care Payments	\$281.2	\$302.9	\$295.9	-\$6.9	-2.3%
Assistance Payments	1,093.9	2,016.1	1,322.6	-693.5	-34.4%
Medical Assistance	11,674.6	12,106.5	13,256.0	1,149.6	9.5%
Property Tax Credits	96.2	96.3	94.4	-1.9	-2.0%
Entitlements	\$13,145.8	\$14,521.8	\$14,969.1	\$447.2	3.1%
Health	\$3,164.1	\$3,661.8	\$3,907.3	\$245.4	6.7%
Human Services	1,055.3	1,068.9	1,014.5	-54.5	-5.1%
Juvenile Services	271.7	256.8	265.5	8.7	3.4%
Public Safety/Police	1,854.2	1,797.6	1,941.7	144.1	8.0%
Higher Education	6,446.0	6,368.9	6,596.7	227.8	3.6%
Other Education	863.8	881.2	948.1	66.9	7.6%
Transportation	2,153.0	2,279.7	2,220.6	-59.1	-2.6%
Agriculture/Natural Res./Environmer	520.2	517.2	515.8	-1.4	-0.3%
Other Executive Agencies	2,224.0	2,295.1	2,313.0	17.9	0.8%
Judiciary	604.3	631.5	638.4	6.9	1.1%
Legislative	97.4	103.1	105.0	1.9	1.8%
State Agencies	\$19,253.9	\$19,861.9	\$20,466.6	\$604.7	3.0%
Total Operating	\$43,335.8	\$45,803.6	\$46,883.5	\$1,079.9	2.4%
Capital (1)	\$3,288.9	\$2,939.0	\$2,249.3	-\$689.8	-23.5%
Transportation	2,688.2	2,357.2	1,566.0	-791.3	-33.6%
Environment	264.1	269.7	316.0	46.2	17.1%
Other	336.6	312.1	367.3	55.3	17.7%
Subtotal	\$46,624.6	\$48,742.6	\$49,132.8	\$390.2	0.8%
Reserve Funds	\$563.2	\$114.0	\$769.5	\$655.5	575.0%
Appropriations	\$47,187.8	\$48,856.6	\$49,902.2	\$1,045.6	2.1%
Reversions	-\$377.1	-\$35.0	-\$35.0	\$0.0	0.0%
Grand Total	\$46,810.7	\$48,821.6	\$49,867.2	\$1,045.6	2.1%

(1) Includes the Historic Revitalization Tax Credit Reserve Fund.

Note: The fiscal 2020 working appropriation includes \$73.4 million in targeted reversions and excludes \$43.5 million of special funds that double count general fund spending. Fiscal 2020 also reflects \$120.7 million in reductions approved by the Board of Public Works in May 2020 and \$342.1 million in additional agency reversions recognized during the close-out process. The fiscal 2021 adjusted appropriation excludes \$40 million of special funds that double count general fund spending and includes \$10.3 million in additional special fund spending due to funding swaps. It also reflects estimated deficiencies of \$1.3 billion and \$417.8 million in reductions approved by the Board of Public Works in July 2020 net of \$9.0 million in additional special and federal fund spending that replaces general fund reductions. The fiscal 2022 baseline exclude \$10 million of special funds that double counts special fund spending.

Appendix 9
Legislation Included in Veto Override Scenario
Fiscal 2021-2026
(\$ in Millions)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
General Fund Revenues						
HB 732 Tobacco Tax	\$40.0	\$92.2	\$88.1	\$84.2	\$80.5	\$76.0
HB 1 Built to Learn Act		0.0	-4.8	-5.9	-5.9	-5.9
Total	\$40.0	\$92.2	\$83.3	\$78.3	\$74.6	\$70.1
General Fund Expenditures						
HB 1300 Blueprint for Maryland's Future			\$0.0	\$0.0	\$0.0	\$165.0
HB 1260 HBCU – Funding			58.5	58.5	58.5	58.5
HB 1 Built to Learn Act			40.0	40.0	40.0	40.0
HB 732 Tobacco Tax			8.3	8.3	8.3	8.3
Total	\$0.0	\$0.0	\$106.7	\$106.8	\$106.8	\$271.8
Special Fund Revenues						
HB 932 Sales Tax on Digital Downloads	\$40.0	\$95.5	\$105.1	\$113.0	\$118.6	\$123.4
Total	\$40.0	\$95.5	\$105.1	\$113.0	\$118.6	\$123.4

HBCU: historically black colleges and universities

Appendix 10

Fiscal 2022 Baseline Assumptions and Challenges

- Traditional baseline assumptions concerning current laws, policies, and practices; federal mandates; and recently adopted legislation continue to apply. However, some of the federal policies are time-limited during the ongoing public health emergency and have no certain end date. The baseline makes assumptions about the end of these policies, but any different outcomes could have potentially significant funding implications.
- The baseline assumes that a significant amount of one-time federal funding will be available to support what would otherwise be general fund spending for ongoing expenses in the fiscal 2021 budget. For example, \$217.3 million in CARES funding (for various law enforcement salaries, public assistance, and foster care), and \$502.1 million in enhanced federal Medicaid support. The lack of this federal funding in fiscal 2022 is a key reason explaining the significant general fund growth between the adjusted fiscal 2021 appropriation and the fiscal 2022 baseline.
- When forecasting certain caseloads and enrollment, in general, the baseline aligns with the assumptions in the Board of Revenue Estimates economic forecast that envisages widespread availability and uptake of a COVID-19 vaccine by fall 2021.
 - This assumption is reflected in demand for entitlement programs, which is expected to stay strong. Medicaid caseloads, for example, have grown significantly and are projected to add 125,000 individuals in fiscal 2021. Temporary Cash Assistance caseloads are almost double what is provided for in the fiscal 2021 budget.
 - Conversely, based on preliminary estimates, enrollment in public schools is expected to decline by just over 33,000 in fall 2020, falling below fiscal 2017 levels.
 - Similarly, higher education funding reflects lower enrollment trends. For example, University System of Maryland (USM) enrollment, while expected to be higher in fall 2021 than fall 2020, is still assumed to be below that of fall 2019. In calculating the State grant to USM, a 2% tuition increase is assumed for in-state students, but 0% for out-of-state students who may be more difficult to attract given the uncertainty about the teaching and living environment.

Key Caseload Assumptions

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>% Change 2021-2022</u>
Pupil Enrollment*	863,071	874,268	841,087	-3.8%
Medicaid	1,398,594	1,522,063	1,526,994	0.3%
Temporary Cash Assistance	46,767	65,661	61,721	-6.0%
Foster Care/Adoption/Guardianship	11,864	12,054	11,871	-1.5%
Adult Prison Population	20,420	18,500	18,000	-2.7%

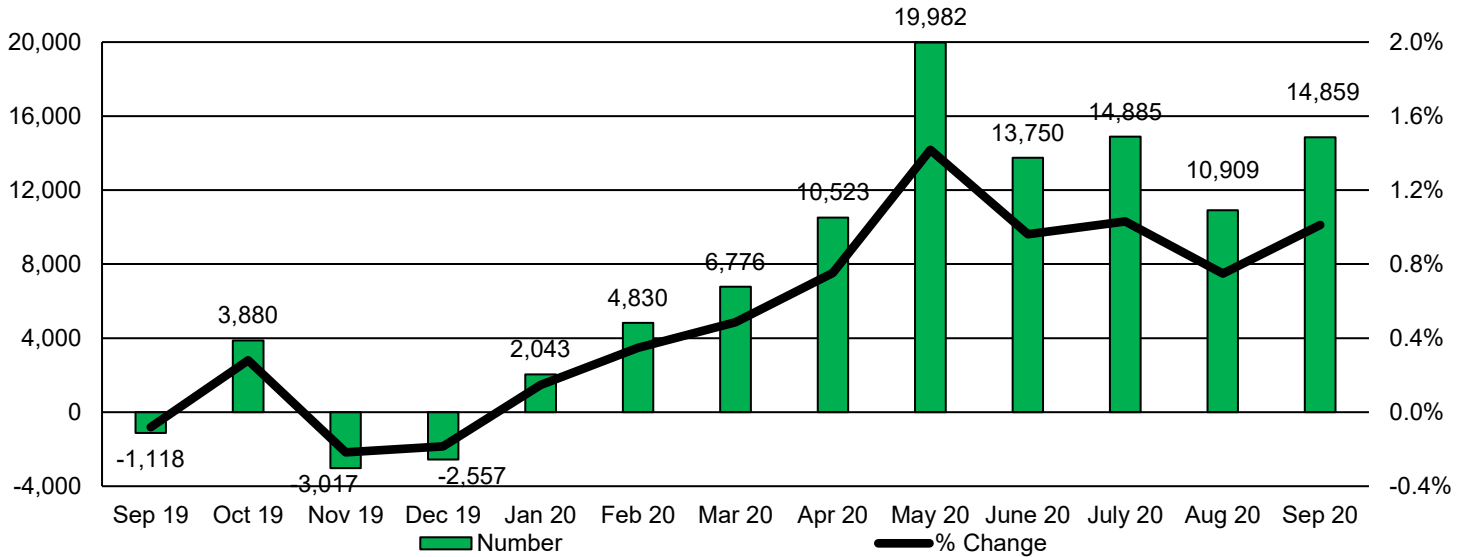
* Data for fiscal 2020, 2021, and 2022 reflect September 2018, September 2019, and September 2020 (est.) full-time equivalent enrollments.

- Employee compensation assumptions are more conservative than those traditionally included in the baseline, erring on the side of the need to make savings to relieve pressure on the General Fund beginning in fiscal 2021 and not adding additional demand in the immediate future. Assumptions include:
 - Savings in fiscal 2021 based on collective bargaining agreements for certain employees that permit a change in overtime policy and forego expected fiscal 2021 cost-of-living adjustments (COLA) and, for the State Law Enforcement Officers Labor Alliance, also increments. It should be noted that these changes have not been agreed to by AFSCME and also are not applied to non-union employees, and the baseline does not assume savings for those employees. Further, the concessions agreed to in recent collective bargaining agreements could be revisited if federal fund availability changes.
 - Savings in fiscal 2021 State health insurance contributions based on truing-up of contribution ratios between the State and its employees.
 - Taken together, the savings from these actions amount to \$56.0 million in general funds or \$77.0 million in total funds in fiscal 2021 and carry forward into fiscal 2022.
 - The assumption of no new COLA or increments in fiscal 2022. A 1% COLA, for example, would cost approximately \$41 million in general funds or \$53 million total funds.
- The baseline provides no inflationary adjustments except for those typically applied to natural gas (5.5%), medical care and medicine/drugs at State facilities (generally 3.5%), utilities/electricity (2.2%), food (2.7%), gas and oil (4.8%), and postage (2.4%). However, as appropriate, the baseline calculations are inflated off of the most recent actuals and is intended to more realistically forecast anticipated spending in fiscal 2022.
- The baseline does not assume any additional general fund spending in fiscal 2021 or 2022 related to COVID-19. It is assumed, for example, that additional testing and tracing costs will be met through existing federal funding allocated to the State for this purpose and that costs associated with vaccine distribution will also be borne by the federal government.

Appendix 11 Medicaid

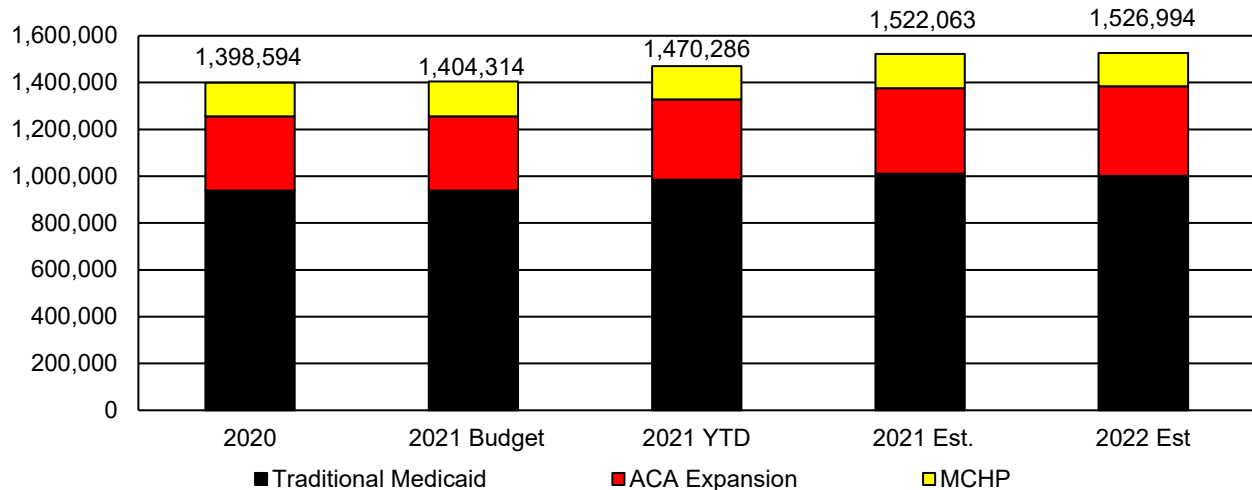
- Medicaid monthly enrollment growth has been strong since the declaration of a National Health Emergency in March. Growth reflects the freeze on annual eligibility redeterminations and economic dislocation.

Medicaid Enrollment – Month-over-month Change September 2019 to September 2020



- Through September of 2020, average monthly enrollment is already 66,000 over that anticipated in the fiscal 2021 budget and is forecast to end up 118,000, or 8.8%, over the budgeted level before plateauing in fiscal 2022.

Medicaid and MCHP Average Annual Monthly Enrollment Fiscal 2020-2022 Estimate



ACA: Affordable Care Act

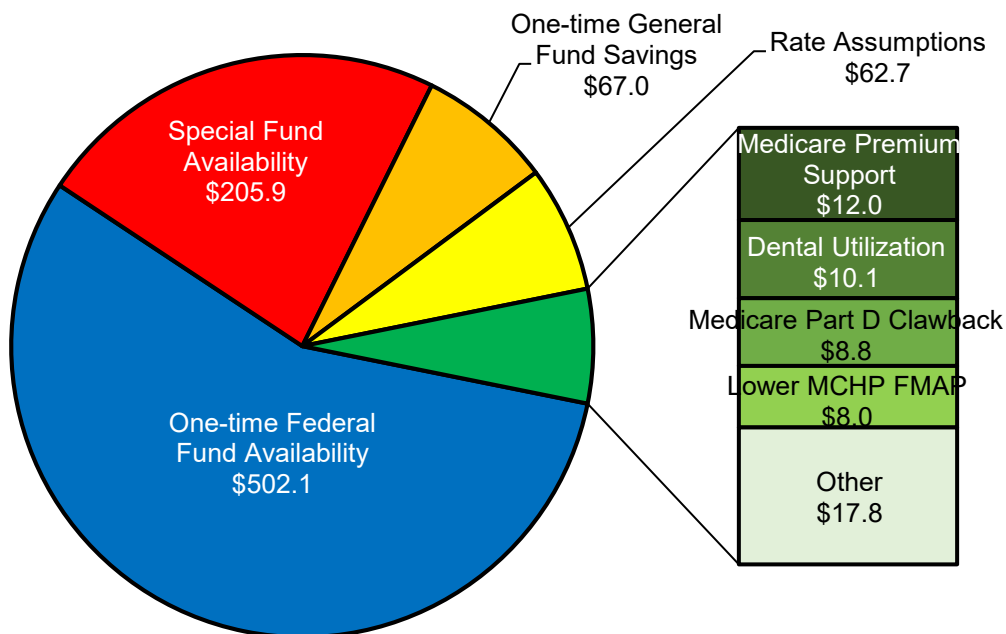
MCHP: Maryland Children's Hospital Program

The Enrollment Impact on the General Fund Budget Is Greatest in Fiscal 2022 (\$ in Millions)

	<u>Fiscal 2020 Actual</u>	<u>Fiscal 2021 Adjusted</u>	<u>Fiscal 2022 Estimate</u>	<u>\$ Change 2021 Adj. 2022 Est.</u>	<u>% Change 2021 Adj.- 2022 Est.</u>
General Funds	3,483.4	3,556.7	4,451.0	894.3	25.1%
Special Funds	979.3	952.2	746.3	-205.9	-21.6%
Federal Funds	7,155.0	7,597.5	8,058.7	461.2	6.1%
Total	11,617.7	12,106.5	13,256.0	1,149.6	9.5%

- The baseline assumes that the public health emergency will continue through March 2021. This would enable the collection of an enhanced federal match on eligible expenses for three quarters of fiscal 2021. Eligibility redeterminations would also begin April 2021.
- Additionally, the baseline assumes that, in fiscal 2021, Medicaid will recoup a fiscal 2020 overpayment of the Medicare Part D clawback, recognizes additional fiscal 2020 enhanced match savings, and benefits from some fiscal 2020 accrual savings.
- However, this relief on the general fund is anticipated to end in fiscal 2021, and together with lower available special fund revenue (primarily a technical change in the accounting for the Rate Stabilization Fund made in the Budget Reconciliation and Financing Act of 2020), drive general fund need in fiscal 2022.
- Assuming stabilization of enrollment, other than backfilling for funding no longer available in fiscal 2022, rate increases are the biggest anticipated additional expense.

Replacing One-time Fiscal 2021 Funding Drives Fiscal 2020 General Fund Growth



FMAP: Federal Medical Assistance Percentages

MCHP: Maryland Children's Health Program

Appendix 12

**\$582 Million in Potential Fiscal 2021 General Fund Spending Is More Than Offset by
\$814 Million in Potential Savings from One-time Federal Support, Projected
Underspending, and Other One-time Funding Sources
(\$ in Millions)**

Increased Entitlement Spending: Medicaid including Maryland Children's Health Program and behavioral health (\$341.7 million); and Temporary Cash Assistance, Temporary Disability Assistance Payments, and foster care (\$23.7 million).	\$365.4
Shortfall in Education Trust Fund Revenues: Fiscal 2020 revenue shortfall (\$155.9 million) and fiscal 2021 revenue shortfall (\$26.0 million).	181.9
Long-term Liabilities: Developmental Disabilities Administration (DDA) federal fund audit disallowance for residential habilitation services (\$34.2 million).	34.2
Operating Expenses: Increased costs of \$38.8 million including one-time election costs in the State Board of Elections (\$15.8 million); Department of Public Safety and Correctional Services (DPSCS) inmate medical contract (\$9.1 million); Department of Information Technology funding for the Maryland State Department of Education Business Management System (\$7.5 million); Maryland Higher Education Commission for 529 match program (\$3.5 million); Department of State Police (DSP) restoration of funding for an Aviation Command base cut by the Board of Public Works (BPW) (\$1.3 million); BPW erroneous conviction compensation (\$1.1 million); and other (\$0.4 million). These costs are offset by savings of \$49.4 million including DPSCS vacancy and food cost savings (\$24.2 million); underspending in the Developmental Disabilities Administration (\$12.1 million); reversion of contingent funding in the Maryland Technology Development Corporation for the Maryland Technology Infrastructure Program (\$10.0 million); and in the Maryland Department of Health from available Title X funding based on recent litigation (\$3.0 million).	-10.6
Savings from Anticipated Personnel Actions: Collective bargaining agreements with the State Law Enforcement Officers Labor Alliance foregoing fiscal 2021 general salary increases and increments (\$13.8 million) and the American Federation of Teachers foregoing fiscal 2021 general salary increase (\$1.1 million), and collectively bargained overtime savings (\$5.6 million); and savings in health insurance based on truing-up the employer:employee cost share ration (\$35.5 million).	-56.0
Available Medicaid Funding (Nonenhanced Match): Additional fiscal 2020 enhanced match savings (\$80.0 million); recouping fiscal 2020 claw-back over-payment (\$50.0 million); and fiscal 2020 accrual savings (\$17.0 million).	-147.0
Use of CARES Funding to Offset General Fund Salary Expenses: DSP (\$148.2 million); Department of Natural Resources (\$24.1 million); and Department of General Services (\$5.7 million).	-178.1
Medicaid Enhanced Match Savings: Enhanced match of 6.2% on eligible expenses during national health emergency. Assumed for three quarters of fiscal 2021 (\$422.1 million).	-422.1
Total Deficiencies	-\$232.3

Appendix 13
Components of General Fund Budget Change
(\$ in Millions)

Summary of Baseline Budget Growth Compared to Adjusted Legislative Appropriation

	<u>Dollars</u>	<u>Share of Growth</u>
Ongoing Requirements/Entitlements	\$1,150.1	67.2%
State Agency Costs	561.2	32.8%
Growth in Operating Budget, Including Anticipated Deficiencies	\$1,711.3	
Pay-as-you-go (PAYGO)	-\$12.7	
Appropriation to Reserve Fund	655.5	
Reversions	0.0	
Total Baseline Increase in State Expenditures	\$2,354.1	

Ongoing Requirements/Entitlements

Medical Assistance		\$894.3
Debt Service		103.0
Education and Library Aid Formulas and Other Grants		53.3
Community College Formula Plus Miscellaneous Grants		49.1
Temporary Cash Assistance Payments Based on Available Temporary Assistance or Needy Families (TANF) Funds and Backfilling for CARES Funding Used to Support Increased Caseload in Fiscal 2021		41.6
Foster Care Primarily through Aligning TANF Funding to Historical Levels		10.8
Other Entitlements and Local Aid		-2.0

State Agency Costs

Statewide Personnel Expenses (Excluding Higher Education):

Health Insurance		56.2
Annualization of January 1, 2021 2.0% General Salary Increase for Employees Who Have Not Agreed to Forgo Increase in Collective Bargaining		39.5
Turnover (Set at 7.6%, which is high but below the 8.7% Turnover Rate in Fiscal 2021)		38.5
Unemployment Insurance (Backfilling for One-time Savings)		6.2
Employee Retirement		3.3

Impact of 2020 Legislation Not Accounted for Elsewhere

Chapter 576 of 2020: Pay Rates and Staffing Requirements at Certain State-operated Health Facilities		25.7
Chapter 572 of 2020: Compensation at Certain State-operated Health Facilities		4.7
Chapters 149 and 150 of 2020: Judiciary Operating Expenses to Implement New Driver's License or Registration Requirements		1.5

Other Major Agency Programmatic and Operating Expenses:

Offset of One-time Use of CARES Funding in Fiscal 2021 to Support Law Enforcement Salaries in Various Agencies		178.1
University System of Maryland: General Funds Required to Cover Growth in Base Costs Not Provided for through Tuition and Higher Education Investment Fund Revenue		85.1
Developmental Disabilities Administration: Chapters 10 and 11 of 2019 4% Rate Increase Plus Program Expansion		40.7
Sellinger Formula for Aid to Private Colleges and Universities		33.0
Justice Reinvestment Act Required Funding to Reflect a Reduction in Sentenced Prison Population		17.7

Behavioral Health Administration: Behavioral Health Services for the Uninsured Including Impact of Chapters 10 and 11 of 2019 4% Rate Increase (\$6.5 Million) and Increase in Crisis Response Grants (\$1.0 Million)	8.1
Morgan State University: Growth in State Operating Grant Support	6.2
Department of Public Safety and Correctional Services (DPSCS): Retention and Longevity Pay Incentives	5.9
DPSCS: Increase in Substance Use Disorder Treatment Contract	5.4
Sunny Day Fund: Marriott Grant	5.0
St. Mary's College of Maryland: Operating Grant	3.7
Maryland State Arts Council Grant Increase	3.7
Maryland Higher Education Commission: Restoration of Promise Scholarships to Mandated Funding Level	3.5
Baltimore City Community College: Restoration of Fiscal 2021 Board of Public Works (BPW) Funding Reduction	3.2
Judiciary: Annualization of Fiscal 2021 2% General Salary Increase	2.3
Information Technology: 700Mhz System Maintenance and Radio Replacement	1.8
Maryland Higher Education Commission: Educational Excellence Awards	1.6
Department of Juvenile Services: Per Diem Payments Based on Higher Caseload Due to Reopening of the Courts	1.6
Maryland Department of Health (MDH): Backfilling for One-time Special Fund Support for Local Health Improvement Coalitions	1.0
Commerce: Restoration of Funding for the Cybersecurity Tax Credit (\$1.0 million) Offset by Less Funding for the Maryland Economic Development Assistance Authority and Fund (\$1.0 million) and More Jobs for Marylanders (\$1.0 million)	-1.0
MDH: Statutory Reduction in Grant to the University of Maryland National Capital Region Medical Center (\$3.5 million) and Savings Due to Available Title X Funding (\$2.0 million)	-5.5
State Board of Elections: One-time Fiscal 2021 Election Costs	-15.0
Other	-0.3

Reserve Fund and PAYGO

PAYGO: Re-basing the SEED Community Development Anchor Institution Fund	7.0
PAYGO: Maryland Historic Revitalization Tax Credit	5.5
PAYGO: Aid to Community Colleges Facilities Renewal	4.0
PAYGO: National Capital Strategic Fund	3.0
PAYGO: Comprehensive Flood Management	2.8
PAYGO: BPW Miscellaneous Grants	-1.5
PAYGO: Various Housing Programs Including Baltimore Regional Neighborhood Initiative, Neighborhood Business Works and Rental Housing	-3.5
PAYGO: Healthy Schools Facility Fund	-30.0
Reserve Fund: \$518.8 Million Appropriation to the Rainy Day Fund Plus \$136.7 Million Increase in the Dedicated Purpose Account Including an Increase in the Washington Metropolitan Area Transit Authority Grant to \$125.0 Million (\$28.0 Million), Supplemental Retirement Contribution for State Employees (\$30.5 Million), \$38.2 Million Transfer to Program Open Space, and \$25 Million Each for the Pension and Other Post Employment Benefit Liability Sweepers, Partially Offset by Not Providing Funding for Cybersecurity Assessments (\$10.0 Million)	655.5

Total **\$2,354.1**

Appendix 14
Baseline Position Changes
Fiscal 2021-2022

<u>Department/Service Area</u>	<u>2021 Leg Approp</u>	<u>2022 Baseline</u>	<u>2021-2022 Change</u>
Executive			
Health	6,347	6,369	22
Labor	1,378	1,383	5
General Services	645	638	-7
Education	1,986	1,976	-10
Budget and Management and DoIT	515	504	-11
Juvenile Services	2,012	1,996	-17
Financial and Revenue Administration	2,092	2,075	-17
Legal (Excluding Judiciary)	1,508	1,486	-23
Other Executive	32,201	32,194	-7
Executive Subtotal	48,685	48,621	-57
Higher Education	27,343	26,887	-456
Judiciary	4,068	4,094	26
Legislature	767	767	0
Total	80,863	80,369	-493

Significant Changes Include:

456 higher education positions eliminated.

91.8 vacant Executive Branch positions eliminated by July 1, 2020 Board of Public Works actions.

26 new positions in the Judiciary to add District Court processing clerks.

22 new positions in MDH, including 10 for OHCQ nurse surveyors and 9 related to the transfer of OOC from the Military Department back to BHA.

5 new positions in MDL related to legislation on clean energy, wage history, and heat standards.

BHA: Behavioral Health Administration

DoIT: Department of Information Technology

MDH: Maryland Department of Health

MDL: Maryland Department of Labor

OHCQ: Office of Health Care Quality

OOC: Opioid Operational Command Center

Appendix 15
Analysis of Vacancies and Turnover Rate
Executive Branch, Excluding Higher Education
Fiscal 2021 Working Appropriation Compared to October 2020 Vacancies

<u>Department/Service Area</u>	<u>Positions</u>	<u>Budgeted Turnover Rate</u>	<u>Vacancies to Meet Turnover</u>	<u>October Vacancies</u>	<u>Vacancies Above (or Below) Turnover</u>	<u>October Vacancy Rate</u>
Largest Six State Agencies						
Public Safety and Correctional Services	9,618	14.4%	1,389	1,523	133	15.8%
Human Services	6,118	7.0%	429	622	193	10.2%
Health	6,347	8.3%	525	646	121	10.2%
Police and Fire Marshal	2,458	6.9%	168	228	60	9.3%
Juvenile Services	1,996	7.2%	144	121	-23	6.1%
Transportation	9,058	6.2%	565	677	112	7.5%
Subtotal	35,594	7.2%	3,220	3,816	596	10.7%
Other Executive						
Legal (Excluding Judiciary)	1,483	13.6%	201	125	-76	8.4%
Executive and Administrative Control	1,594	5.4%	87	191	104	12.0%
Financial and Revenue Administration	2,077	5.6%	116	187	71	9.0%
Budget and Management and DoIT	510	5.0%	26	52	26	10.1%
Retirement	189	9.3%	18	28	10	14.8%
General Services	638	6.7%	43	56	13	8.8%
Natural Resources	1,341	5.4%	72	101	28	7.5%
Agriculture	412	5.8%	24	43	19	10.4%
Labor	1,378	7.3%	101	196	95	14.3%
MSDE and Other Education	1,976	10.5%	208	216	8	10.9%
Housing and Community Development	331	6.0%	20	26	6	7.9%
Commerce	188	6.3%	12	13	1	6.9%
Environment	883	6.5%	58	115	57	13.0%
Subtotal	13,001	7.7%	984	1,348	364	10.4%
Executive Branch Subtotal	48,595	8.5%	4,204	5,164	960	10.6%

DoIT: Department of Information Technology

MSDE: Maryland State Department of Education

Note: Includes reductions made by the Board of Public Works in July 2020

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

Appendix 16
State Reserve Fund Activity
Fiscal 2020-2022
(\$ in Millions)

	Rainy Day Fund	Dedicated Purpose Acct.	Catastrophic Event Acct.
Estimated Balances June 30, 2019	\$876.5	\$0.0	\$2.5
Fiscal 2020 Appropriations	\$443.8	\$215.9	\$0.5
Transfer to General Fund	-158.0	0.0	0.0
May 2020 BPW Reductions ¹	0.0	-97.0	0.0
Grant to WMATA	0.0	-75.0	0.0
DHCD Business Loan Repayment	0.0	0.0	0.9
Interest Earnings	14.9	0.0	0.0
Estimated Balances June 30, 2020	\$1,177.2	\$43.9	\$3.9
Fiscal 2021 Appropriations	\$7.0	\$145.0	\$0.0
Transfer to General Fund	-54.0	0.0	0.0
Governor's Economic Recovery Initiative	-250.0	0.0	0.0
July 2020 BPW Reductions ²	0.0	-38.0	0.0
Fiscal 2020 POS Transfer to General Fund	0.0	-43.9	0.0
Grant to WMATA	0.0	-97.0	0.0
Cybersecurity Assessments	0.0	-10.0	0.0
Interest Earnings	6.0	0.0	0.0
Estimated Balances June 30, 2021	\$886.2	\$0.0	\$3.9
Fiscal 2022 Appropriations	\$525.8	\$243.7	\$0.0
Draw Down Rainy Day Fund Balance to 6%	-240.3	0.0	0.0
Supplemental Retirement Contribution	0.0	-30.5	0.0
Pension Sweeper	0.0	-25.0	0.0
OPEB Liability Sweeper	0.0	-25.0	0.0
Transfer to Program Open Space	0.0	-38.2	0.0
Grant to WMATA	0.0	-125.0	0.0
Interest Earnings	8.2	0.0	0.0
Estimated Balances June 30, 2022	\$1,179.9	\$0.0	\$3.9
Percent of Revenues in Reserve	6.0%		

DHCD: Department of Housing and Community Development

OPEB: Other Post Employment Benefits

POS: Program Open Space

WMATA: Washington Metropolitan Area Transit Authority

¹Cost containment actions adopted at the May 20, 2020 Board of Public Works meeting deleted \$62 million in funding restricted for legislative priorities and reduced funding for the State's contribution to the WMATA capital grant by \$35 million.

²Cost containment actions adopted at the July 1, 2020 Board of Public Works meeting deleted \$10 million in funding for cybersecurity assessment and reduced the State's contribution to the WMATA capital grant by \$28 million.

Appendix 17
Aid to Public Schools
Fiscal 2021-2022
(\$ in Millions)

	<u>2021</u>	<u>2022</u>	<u>Change</u>
Total Baseline	\$7,373	\$7,320	-\$53
Remove Fiscal 2021 Funds to Backfill for Fiscal 2020 ETF Shortfall	-156		
Total Funds Supporting Public Schools in Fiscal Year	\$7,217	\$7,320	\$103
General Fund Baseline	\$6,723	\$6,674	\$53
Remove Fiscal 2021 Funds to Backfill for Fiscal 2020 ETF Shortfall	-156		
General Funds Supporting Public Schools in Fiscal Year	\$6,567	\$6,775	\$209
Special Fund Baseline	\$650	\$544	-\$106

ETF: Education Trust Fund

Appendix 18
State Aid by Governmental Entity
Amount and Percent of Total
State Funds
(\$ in Millions)

	<u>Fiscal 2022</u> <u>State Aid Amount</u>	<u>Percent</u> <u>of Total</u>
Public Schools	\$7,319.5	85.3%
County/Municipal	736.2	8.6%
Community Colleges	379.9	4.4%
Libraries	84.1	1.0%
Local Health	62.5	0.7%
Total	\$8,582.1	100.0%

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

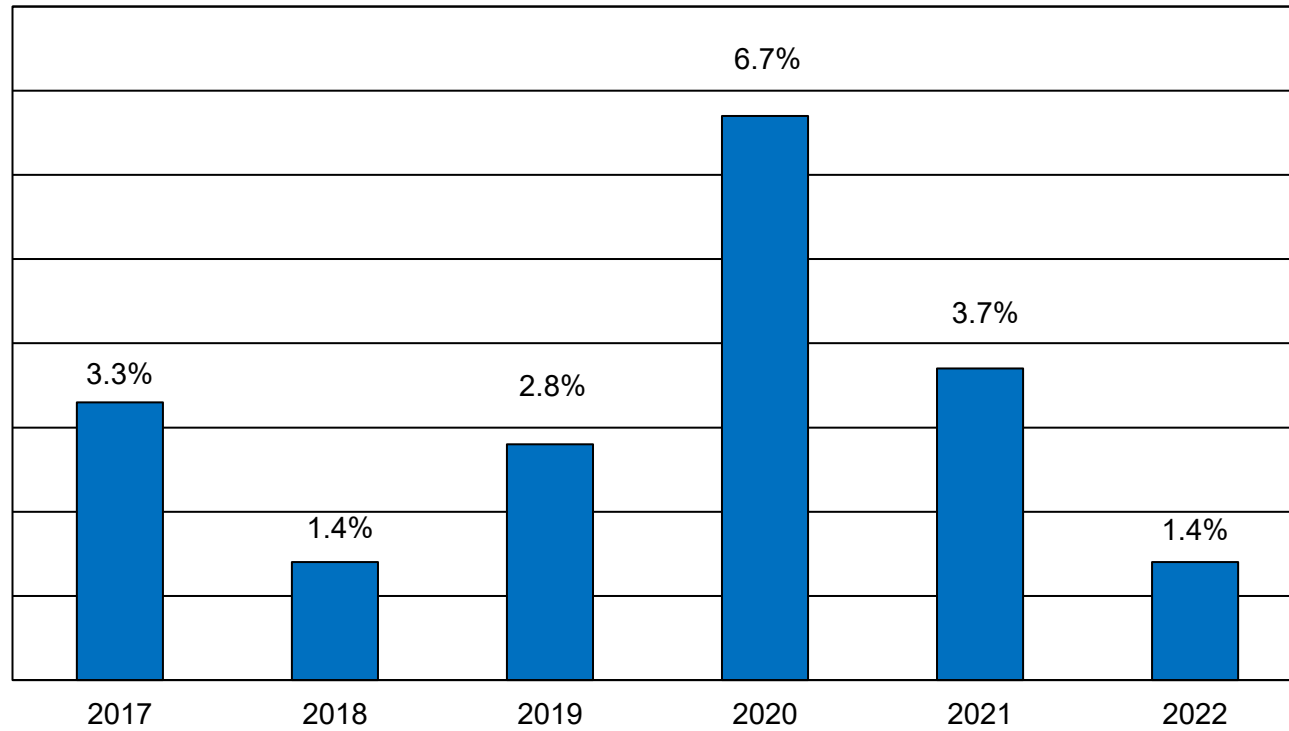
	<u>Fiscal 2022</u> <u>Aid Change</u>	<u>Percent</u> <u>Change</u>
Public Schools	\$102.8	1.4%
County/Municipal	-31.0	-4.0%
Community Colleges	49.1	14.8%
Libraries	0.2	0.3%
Local Health	1.1	1.8%
Total	\$122.2	1.4%

Appendix 19
State Aid by Major Programs
State Funds
Fiscal 2020-2022
(\$ in Millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2021-2022</u> <u>\$ Change</u>	<u>2021-2022</u> <u>% Change</u>
Public Schools					
Foundation Program	\$3,140.4	\$3,218.4	\$3,119.9	-\$98.5	-3.1%
Geographic Cost Index	145.5	149.5	145.0	-4.6	-3.1%
NTI Education Grant	65.3	69.7	62.8	-7.0	-10.0%
Declining Enrollment Grant	18.9	7.6	0.0	-7.6	-100.0%
Hold Harmless Grant	11.9	9.5	0.0	-9.5	-100.0%
Kirwan Blueprint Funding	245.7	294.7	500.0	205.3	69.7%
Compensatory Aid	1,330.4	1,364.7	1,472.0	107.2	7.9%
Student Transportation	303.0	310.2	296.4	-13.7	-4.4%
Special Education – Formula Aid	303.3	314.9	289.4	-25.5	-8.1%
Special Education – Nonpublic Placements	123.5	123.9	124.5	0.6	0.5%
Limited English Proficiency Grant	311.1	348.2	328.5	-19.7	-5.7%
Guaranteed Tax Base	43.7	41.2	54.7	13.5	32.8%
Head Start/Pre-kindergarten	50.8	75.2	29.6	-45.6	-60.6%
Other Education Programs	142.8	138.6	139.8	1.2	0.9%
Subtotal Direct Aid	\$6,236.1	\$6,466.4	\$6,562.6	\$96.2	1.5%
Retirement Payments	\$767.9	\$750.3	\$756.9	\$6.6	0.9%
Total Public School Aid	\$7,004.0	\$7,216.7	\$7,319.5	\$102.8	1.4%
Library Aid	\$83.2	\$83.8	\$84.1	\$0.2	0.3%
Community College Aid	\$330.7	\$330.8	\$379.9	\$49.1	14.8%
Local Health Grants	\$59.1	\$61.4	\$62.5	\$1.1	1.8%
County/Municipal Aid					
Transportation	\$261.7	\$270.0	\$254.4	-\$15.7	-5.8%
Public Safety	148.2	186.4	174.2	-12.2	-6.6%
Disparity Grant	146.2	158.3	147.5	-10.8	-6.9%
Gaming Impact Grant	67.5	90.8	91.7	1.0	1.1%
Teacher Retirement Supplemental Grant	27.7	27.7	27.7	0.0	0.0%
Other Grants	32.4	34.0	40.8	6.7	19.8%
Total County/Municipal Aid	\$683.7	\$767.2	\$736.2	-\$31.0	-4.0%
Total State Aid	\$8,160.7	\$8,460.0	\$8,582.1	\$122.2	1.4%

NTI: net taxable income

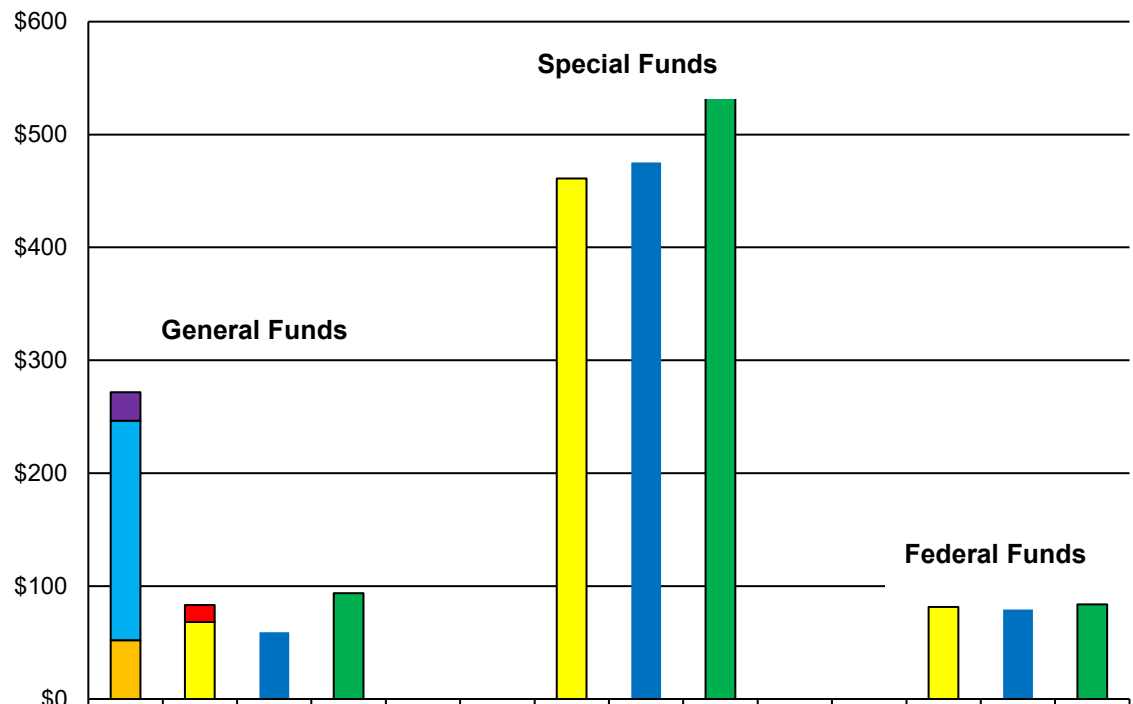
Appendix 20
Annual Change in State Aid to Local Governments
Fiscal 2017-2022



Appendix 21 Capital Program

Limited General Fund Support of Capital Program

Capital PAYGO Program Fiscal 2020-2022 (\$ in Millions)



■ Fiscal 2020 BPW Reductions	\$25.1												
■ Fiscal 2020 Withheld	\$194.5												
■ Fiscal 2020 Final Approp	\$52.0												
■ Fiscal 2021 BPW Reductions		\$15.0											
■ Fiscal 2021 Working Approp		\$68.2				\$461.0				\$81.6			
■ Fiscal 2022 CIP			\$59.0				\$475.2				\$79.2		
■ Fiscal 2022 Baseline				\$93.7				\$544.9					\$83.8

BPW: Board of Public Works
CIP: *Capital Improvement Program*
PAYGO: pay-as-you-go

Note: General funds do not reflect appropriations in the Dedicated Purpose Account for the Washington Metropolitan Area Transit Authority. Fiscal 2020 general funds are adjusted to reflect \$194.5 million of withheld PAYGO funds and another \$25.1 million cut by BPW in May 2020. Fiscal 2021 general fund working appropriation is adjusted to reflect \$15 million reduced by BPW in July 2020.

- **General Funds:** The amount of pay-as-you-go (PAYGO) general funds used to support the capital program remains constrained and impacted by the write-down in State revenues brought about by the COVID-19 pandemic. The \$271.6 million fiscal 2020 legislative appropriation, initially adjusted downward by \$194.5 million due to withheld appropriations, was further reduced \$25.1 million in June by the Board of Public Works (BPW) to help balance the budget. Similarly, the fiscal 2021 legislative appropriation was reduced \$15 million in July by BPW, and at the time, the Administration proposed potential future reductions that if adopted would cut the entire original \$83.2 million legislative appropriation. The fiscal 2022 baseline includes \$93.7 million of which \$75.2 million supports mandates, compared to \$59.0 million programmed in the 2020 *Capital Improvement Program* (CIP).
- **Special Funds:** The 2022 baseline is \$69.7 million more than what is programmed in the 2020 CIP. Greater use of the Maryland Water Quality and Drinking Water Revolving Loan Funds (the baseline assumes \$170.5 million compared to \$125.4 million programmed in the CIP) and increased amounts of special funds attributable to increased transfer tax revenue estimates and increased transfer tax repayment mandated for fiscal 2022 account for the difference.

Appendix 22
PAYGO General Fund Forecast
Fiscal 2020-2026
(\$ in Millions)

	<u>2021 Legislative Approp</u>	<u>2021 Working Approp</u>	<u>2022 Forecast</u>	<u>2023 Forecast</u>	<u>2024 Forecast</u>	<u>2025 Forecast</u>	<u>2026 Forecast</u>	<u>2022-2026 Forecast</u>
Mandates								
DNR – Transfer Tax Repayment – (Chapter 10 of 2016 as amended by Chapter 10 of 2018) – Dedicated Purpose Account	\$0.0	\$0.0	\$38.2	\$16.7	\$11.8	\$6.0	\$6.0	\$78.7
MDE Comprehensive Flood Management (Chapter 652 of 2019)	0.2	0.2	3.0	2.0	0.0	0.0	0.0	5.0
Healthy School Facility Fund (Chapter 561 of 2018)	30.0	30.0	0.0	0.0	0.0	0.0	0.0	0.0
School Safety Enhancement (Chapter 14 of 2018)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	50.0
DHCD SEED Community Development Anchor Institution Fund (Chapter 31 of 2016 - Chapter 25 of 2019)	5.0	3.0	10.0	10.0	10.0	10.0	10.0	50.0
DHCD National Capital Strategic Fund (Ch. 732 of 2019)	7.0	4.0	7.0	7.0	7.0	7.0	0.0	28.0
Aid to Community Colleges – Facilities Renewal Program (Chapters 687 and 688 of 2018)	4.0	0.0	4.0	4.0	4.0	4.0	4.0	20.0
Subtotal Mandates	\$56.2	\$47.2	\$72.2	\$49.7	\$42.8	\$37.0	\$30.0	\$231.7
Other								
DNR – Transfer Tax Repayment (Chapter 10 of 2016 as amended by Chapter 10 of 2018) – Dedicated Purpose Account	\$0.0	\$0.0	\$0.0	\$10.8	\$10.8	\$10.8	\$10.8	\$43.2
Nonpublic School Safety Improvements	3.5	3.5	3.5	3.5	3.5	3.5	3.5	17.5
Maryland Heritage Structure Rehabilitation Tax Credit	9.0	3.5	9.0	9.0	9.0	9.0	9.0	45.0
DHCD Baltimore Regional Neighborhood Initiative (Chapter 29 of 2016)	0.0	0.0	9.0	0.0	0.0	0.0	0.0	9.0
DHCD Strategic Demolition Fund (CORE)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DHCD Rental Housing Program	12.0	12.0	0.0	0.0	0.0	0.0	0.0	0.0
DHCD Neighborhood Business Works Program	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Environment – Hazardous Substance Clean-up Program	0.5	0.0	0.0	1.0	1.0	1.0	1.0	4.0
BPW – Miscellaneous Grants	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Dedicated Purpose Account – Public School Construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dedicated Purpose Account – Public School Construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dedicated Purpose Account – DHCD Rental Stratetic Demo	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal Other	\$27.0	\$21.0	\$21.5	\$24.3	\$24.3	\$24.3	\$24.3	\$118.7
Total General Fund PAYGO Capital	\$83.2	\$68.2	\$93.7	\$74.0	\$67.1	\$61.3	\$54.3	\$350.4

BPW: Board of Public Works
CORE: Creating Opportunities for Renewal and Enterprise
DHCD: Department of Housing and Community Development
DNR: Department of Natural Resources
PAYGO: pay-as-you-go