

## **Spending Affordability Committee**

*Delegate Marc Korman, Presiding Chair*

*Senator James Rosapepe, Senate Chair*

## **Senate Budget and Taxation Committee**

*Senator Guy Guzzone, Chair*

*Senator James Rosapepe, Vice-Chair*

## **House Appropriations Committee**

*Delegate Benjamin S. Barnes, Chair*

*Delegate Mark S. Chang, Vice-Chair*

## **House Ways and Means Committee**

*Delegate Vanessa E. Atterbeary, Chair*

*Delegate Alonzo T. Washington, Vice-Chair*

### **Agenda**

**Tuesday, November 15, 2022**

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#### **I. Call to Order and Chair's Opening Remarks**

#### **II. Fiscal Briefing by the Department of Legislative Services**

- Overview David Romans
- Economic Outlook and Revenue Estimates Theresa Tuszynski
- General Fund Outlook David Romans, Rebecca Ruff
- Fiscal 2024 Baseline Forecast Tonya Zimmerman
- State Debt Policy and Capital Program Matthew Klein
- Transportation Trust Fund Steven McCulloch

#### **III. Closing Remarks and Adjournment**

**Spending Affordability Committee:** Next meeting, **December 15, 3:00 p.m.**, location TBD  
(Decision Meeting)

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# **Spending Affordability Briefing**

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

**November 15, 2022**



**General Fund Revenues: Fiscal 2022**  
**(\$ in Millions)**

	<b>Fiscal 2021</b>		<b>Fiscal 2022</b>			<b>Fiscal 2021-2022 Percent Change</b>	
	<b><u>Actual</u></b>	<b><u>Estimate</u></b>	<b><u>Actual</u></b>	<b><u>\$ Diff.</u></b>	<b><u>% Diff.</u></b>	<b><u>Estimated</u></b>	<b><u>Actual</u></b>
Personal Income Tax	\$11,705	\$12,538	\$13,548	\$1,010	8.1%	7.1%	15.7%
Corporate Income Tax	1,462	1,606	1,700	94	5.8%	9.9%	16.3%
Sales and Use Tax <sup>(1)</sup>	4,988	5,699	5,967	268	4.7%	14.2%	19.6%
State Lottery	632	647	635	-12	-1.9%	2.5%	0.5%
Other	1,686	2,094	2,208	114	5.4%	24.2%	31.0%
<b>Ongoing General Funds</b>	<b>\$20,472</b>	<b>\$22,584</b>	<b>\$24,058</b>	<b>\$1,474</b>	<b>6.5%</b>	<b>10.3%</b>	<b>17.5%</b>
One-time Revenue <sup>(2)</sup>	\$359	\$0	\$16	16			
Transfer to Rental Housing Fund <sup>(3)</sup>	\$0	-\$30	-\$30	0			
Volatility Adjustment	n.a.	-\$80	n.a.	80			
<b>Total General Funds</b>	<b>\$20,831</b>	<b>\$22,474</b>	<b>\$24,045</b>	<b>\$1,570</b>	<b>7.0%</b>	<b>7.9%</b>	<b>15.4%</b>

<sup>(1)</sup> Total revenue from sources that are shared with the Blueprint Fund were over the estimate by \$42.9 million in fiscal 2022. Chapter 33 of 2022 altered the distribution of sales tax revenue to the Blueprint Fund. Because the legislation was effective June 1, it eliminated the distribution to the Blueprint Fund for the last two months of fiscal 2022 resulting in \$112.0 million in revenue going to the General Fund instead.

<sup>(2)</sup> Fiscal 2021 includes \$341.4 million reflecting the reimbursement from Federal Emergency Management Agency funds and \$17.2 million from the Maryland Technology Development Corporation (TEDCO). Fiscal 2022 is \$16.3 million from TEDCO.

<sup>(3)</sup> Chapters 336 and 337 of 2022 required a transfer of \$30 million to the Rental Housing Fund in fiscal 2022.

Note: The estimate from March 2022 has been adjusted for actions taken at the 2022 legislative session.

Source: Office of the Comptroller; Board of Revenue Estimates

## General Fund Revenue Forecast (\$ in Millions)

	Fiscal 2022 Actual	Fiscal 2023 Estimate				Percent Change vs. Fiscal 2022	Fiscal 2024 Estimate	Percent Change vs. Fiscal 2023
		March	September	\$ Diff.	%Diff.			
Personal Income Tax	\$13,548	\$13,126	\$14,092	\$966	7.4%	4.0%	\$14,846	5.4%
Corporate Income Tax	1,700	1,661	1,477	-184	-11.1%	-13.1%	1,623	9.8%
Sales and Use Tax <sup>(1)</sup>	5,967	5,782	6,150	368	6.4%	3.1%	6,195	0.7%
State Lottery	635	629	650	21	3.4%	2.4%	650	0.0%
Other	2,208	2,141	2,213	73	3.4%	0.2%	2,063	-6.8%
Ongoing General Funds	\$24,058	\$23,339	\$24,583	\$1,244	5.3%	2.2%	\$25,377	3.2%
Transfer to Blueprint Fund <sup>(1)</sup>	0	-800	-800	0	0.0%	n/a	0	-100.0%
Volatility Adjustment <sup>(2)</sup>	n/a	-100	-100	0	n/a	n/a	-120	20.0%
Other One-time	-14	0	0	0	n/a	-100.0%	0	n/a
Total General Funds	\$24,045	\$22,439	\$23,683	\$1,244	5.5%	-1.5%	\$25,257	6.6%

<sup>(1)</sup> Chapter 33 of 2022 changed the sales tax distribution to the Blueprint for Maryland's Future Fund (BMFF) beginning in fiscal 2023 to a percentage of total net receipts after the distribution of the short-term rental vehicle tax. In fiscal 2023 the percentage is 9.2% rising to 11.0% in fiscal 2024. Chapter 33 also requires a transfer of \$800 million from personal income tax revenue to the BMFF in fiscal 2023 only.

<sup>(2)</sup> Chapters 4 and 550 of 2017 as amended by the Budget Reconciliation and Financing Act of 2018 require the Board of Revenue Estimates, beginning with fiscal 2020, to calculate an adjustment to the general fund revenue estimate based on the share of revenues from nonwithholding personal income tax payments relative to the historical average. The amount of the adjustment is capped at 2.0% of the total general fund revenue estimate with specific dollar caps in fiscal 2023 through 2025.

Note: The estimate from March 2022 has been adjusted for actions taken at the 2022 legislative session.

Source: Board of Revenue Estimates

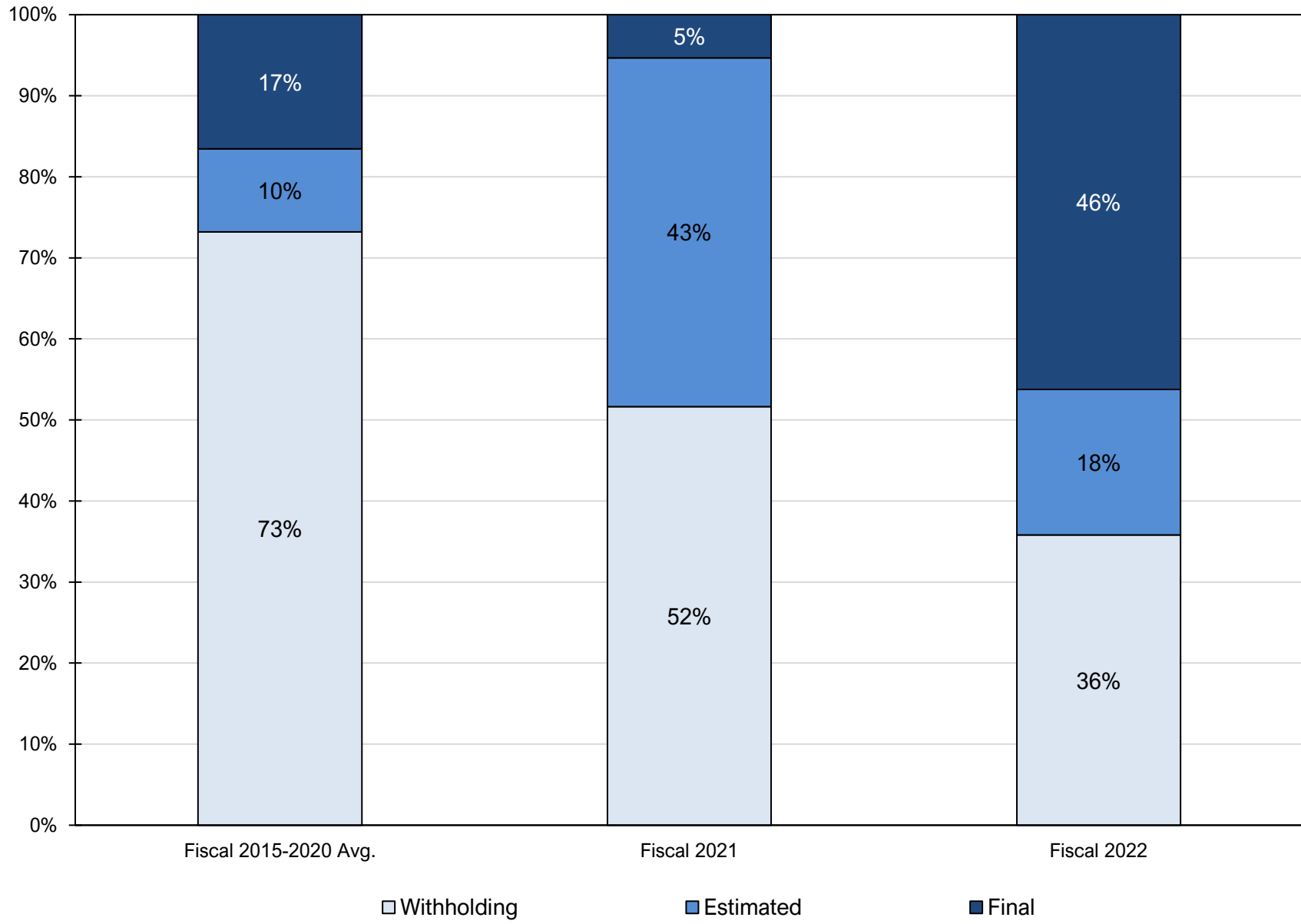
**Personal Income Tax State and Local Revenues: Fiscal 2022**  
(\$ in Millions)

	Fiscal 2021		Fiscal 2022			Fiscal 2021-2022 Percent Change	
	<u>Actual</u>	<u>Estimate</u>	<u>Actual</u>	<u>\$ Diff.</u>	<u>% Diff.</u>	<u>Estimated</u>	<u>Actual</u>
<b>Personal Income Tax Detail</b>							
Withholding	\$16,153	\$17,282	\$17,346	\$63	0.4%	7.0%	7.4%
Quarterly Estimated Payments	3,168	3,820	3,795	-24	-0.6%	20.6%	19.8%
Final Payments with Returns	2,647	2,904	4,177	1,273	43.8%	9.7%	57.8%
<b>Gross Receipts</b>	<b>\$21,969</b>	<b>\$24,006</b>	<b>\$25,318</b>	<b>\$1,312</b>	<b>5.5%</b>	<b>9.3%</b>	<b>15.2%</b>
Refunds	2,756	3,251	3,047	-204	-6.3%	18.0%	10.6%
<b>Net Receipts</b>	<b>\$19,213</b>	<b>\$20,754</b>	<b>\$22,270</b>	<b>\$1,516</b>	<b>7.3%</b>	<b>8.0%</b>	<b>15.9%</b>

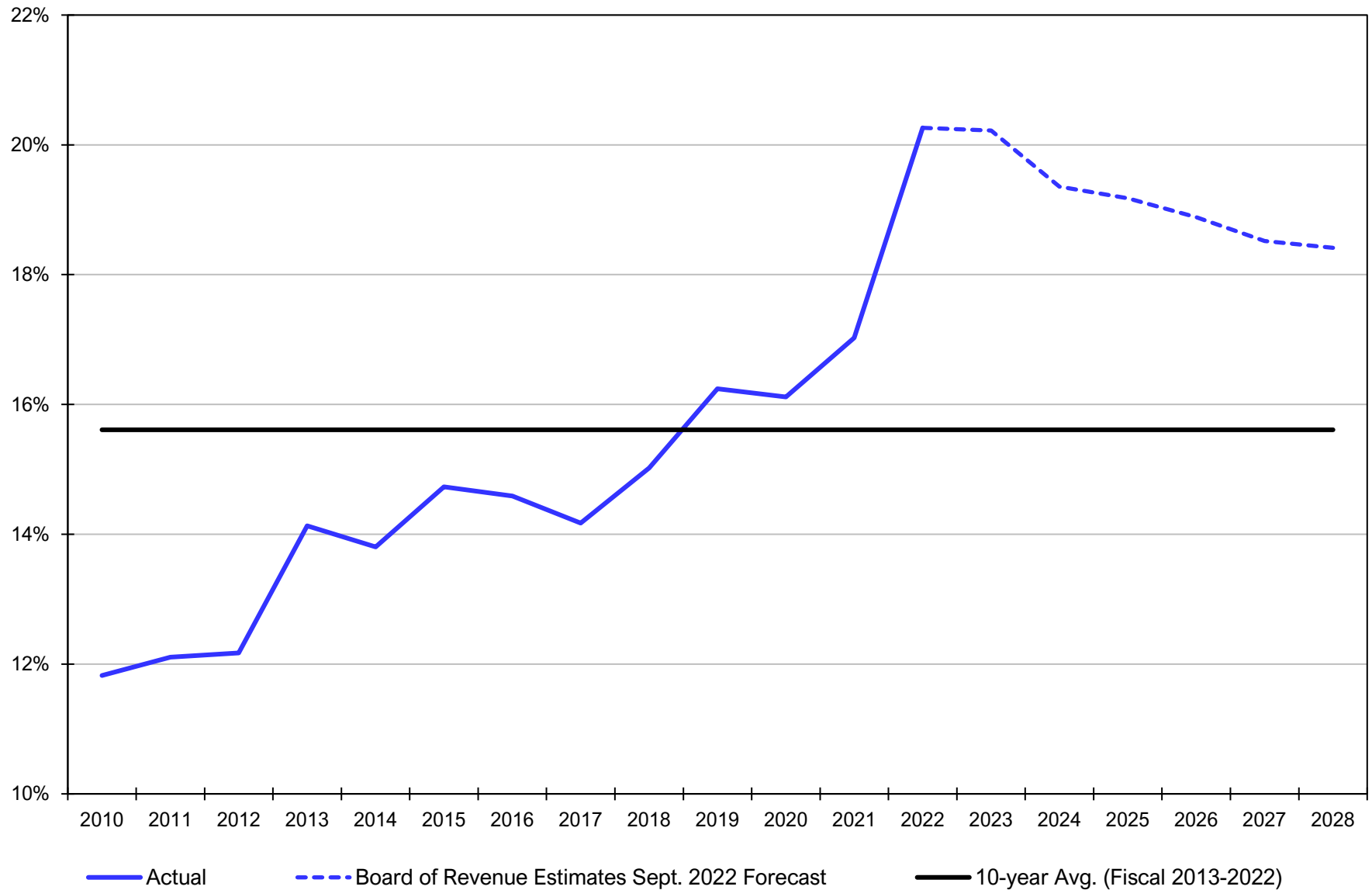
Note: The estimate from March 2022 has been adjusted for actions taken at the 2022 legislative session.

Source: Office of the Comptroller; Board of Revenue Estimates

## Personal Income Tax Gross Receipts: Contributions to Annual Growth

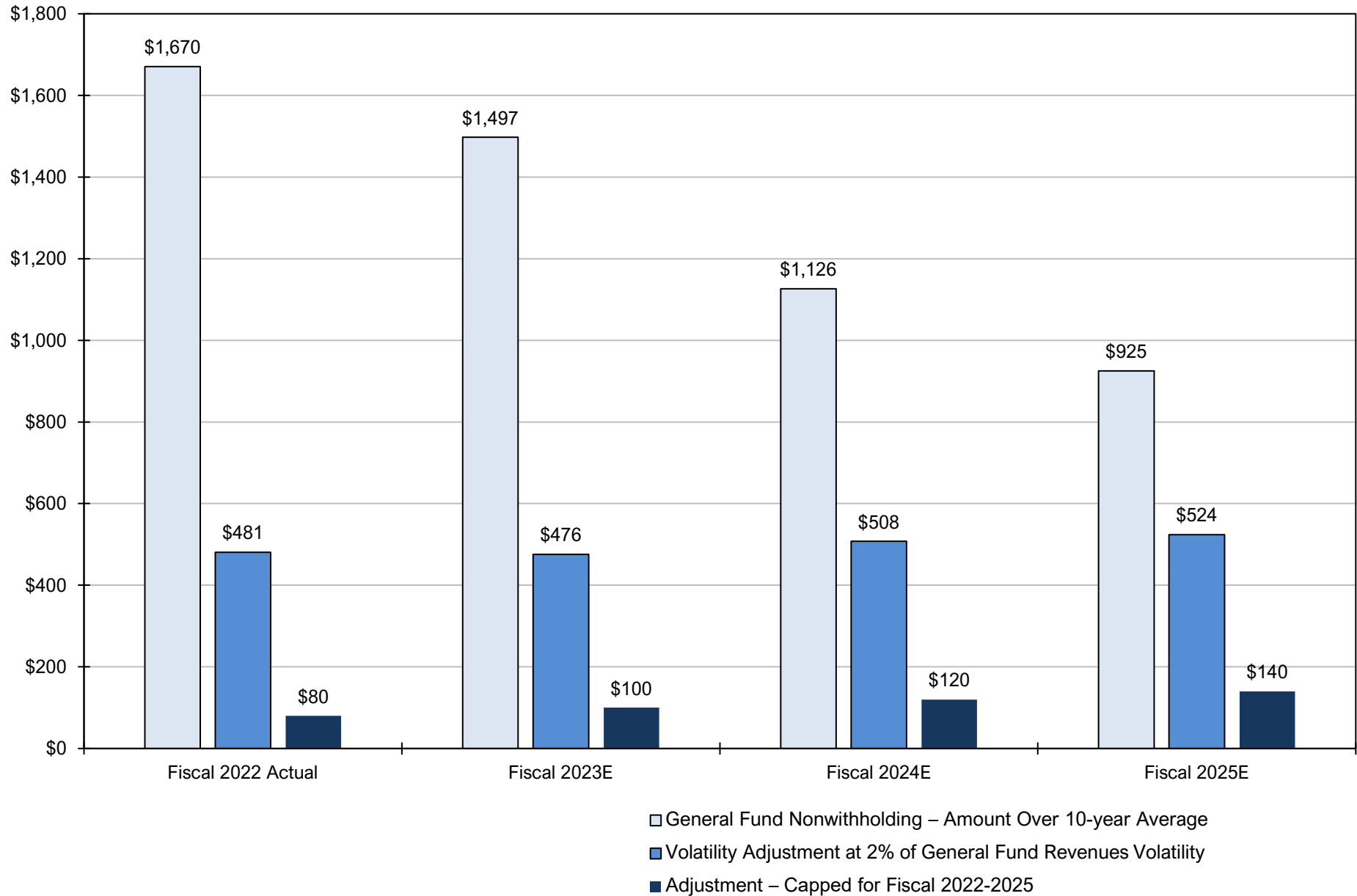


## Nonwithholding Income Tax Revenues as a Percent of Total General Fund Revenues Fiscal 2010-2028



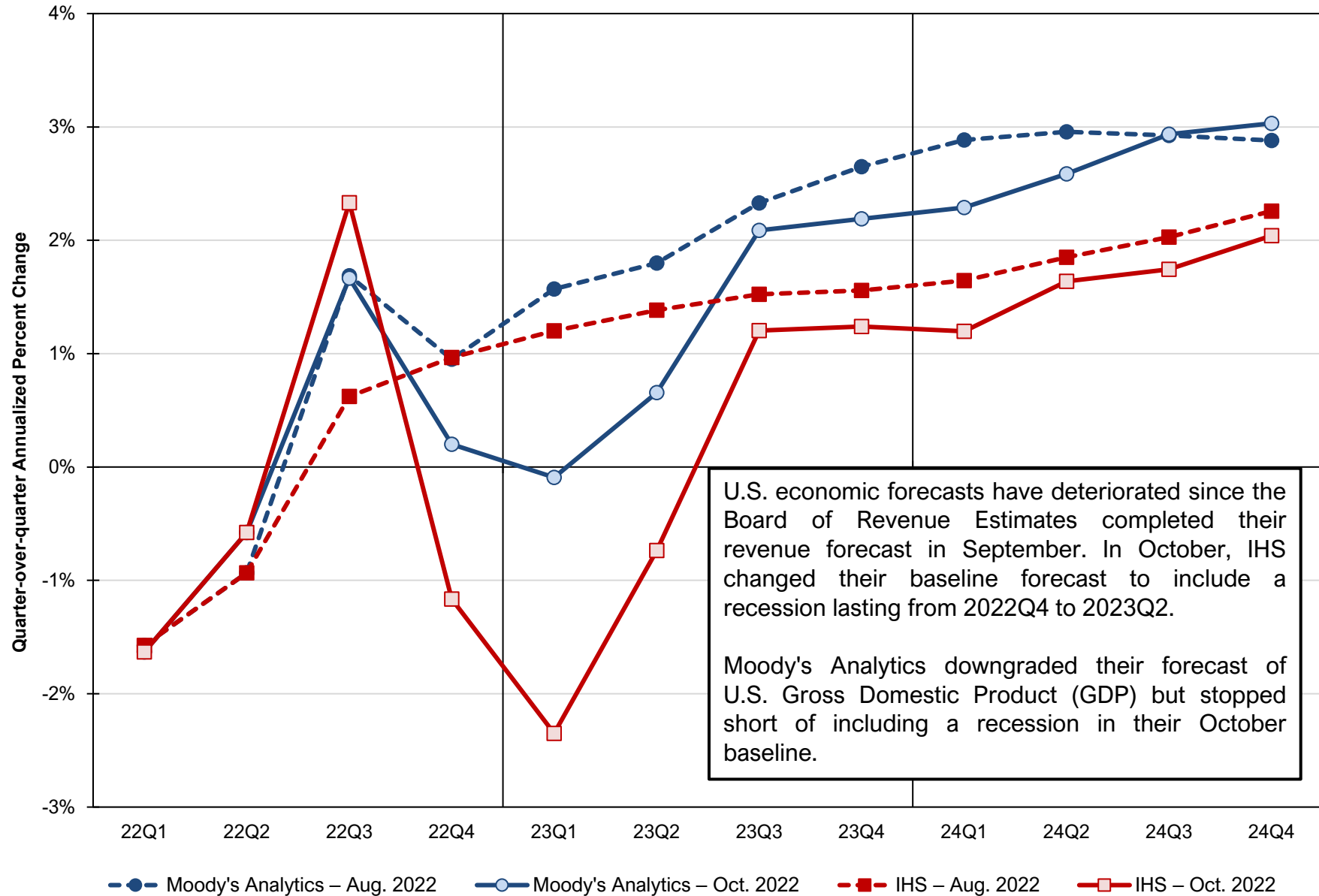


## BRE September 2022 Personal Income Tax Forecast: Volatility Adjustment (\$ in Millions)

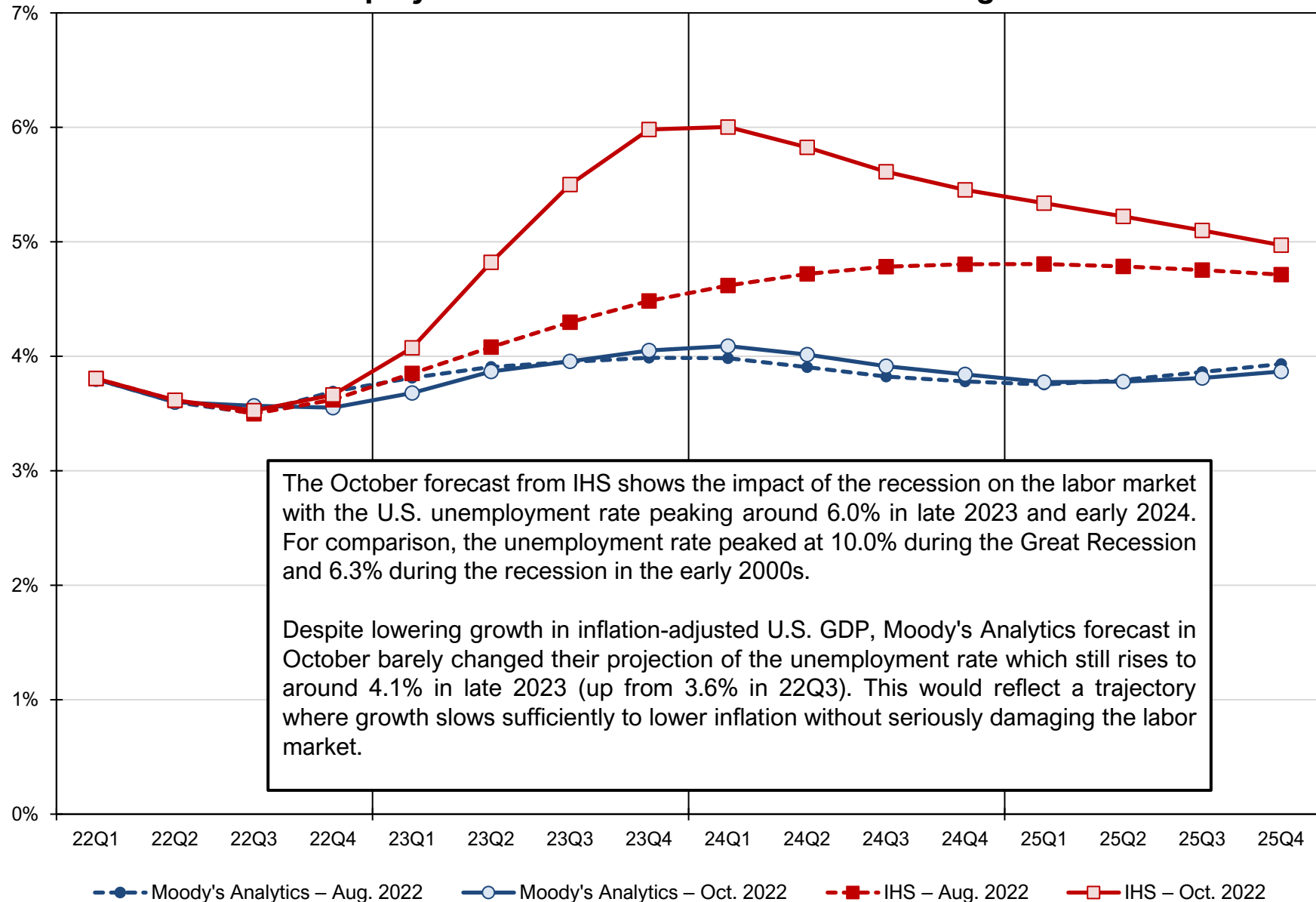


BRE: Board of Revenue Estimates

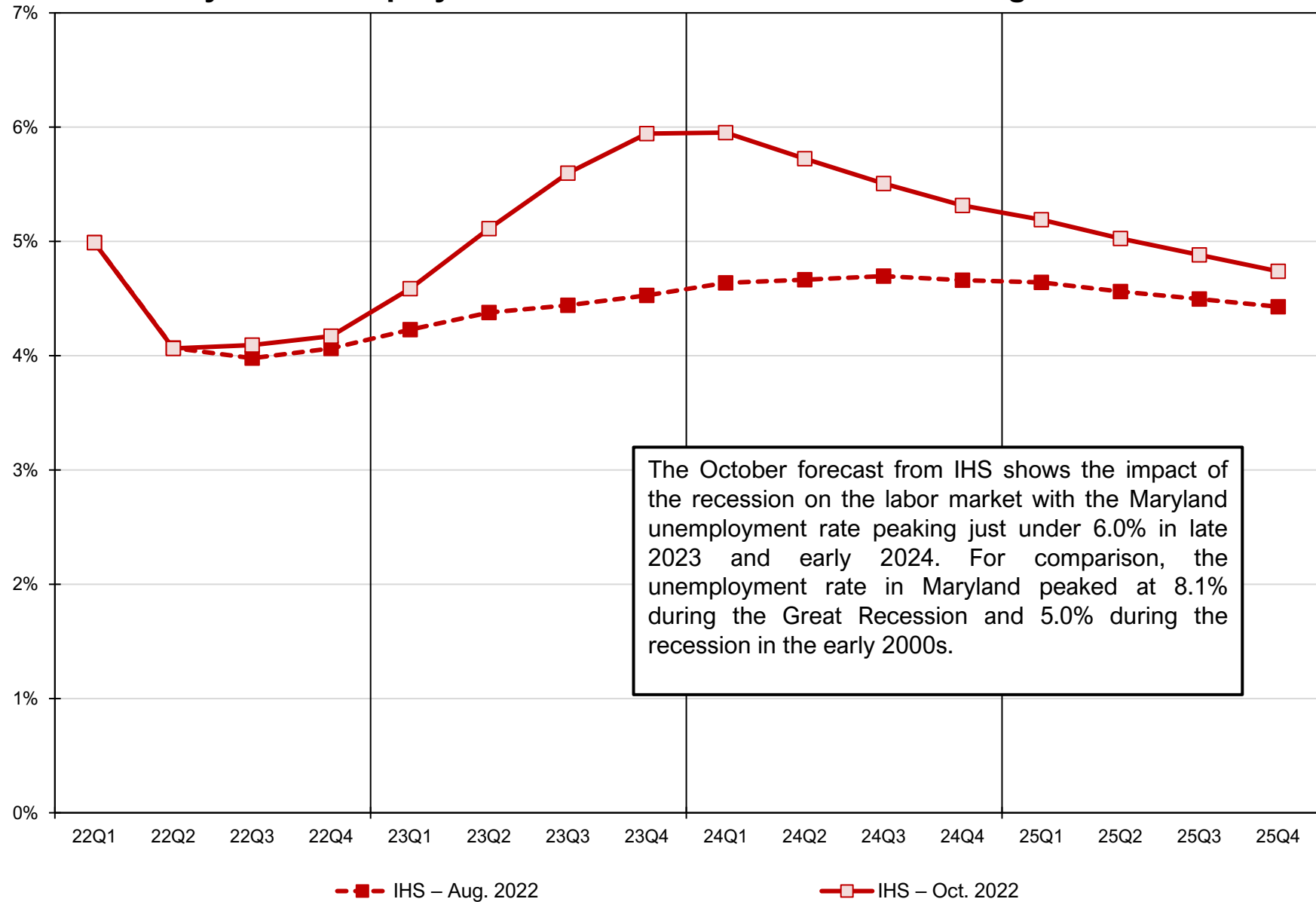
## Inflation-adjusted U.S. GDP: October Forecast vs. August Forecast



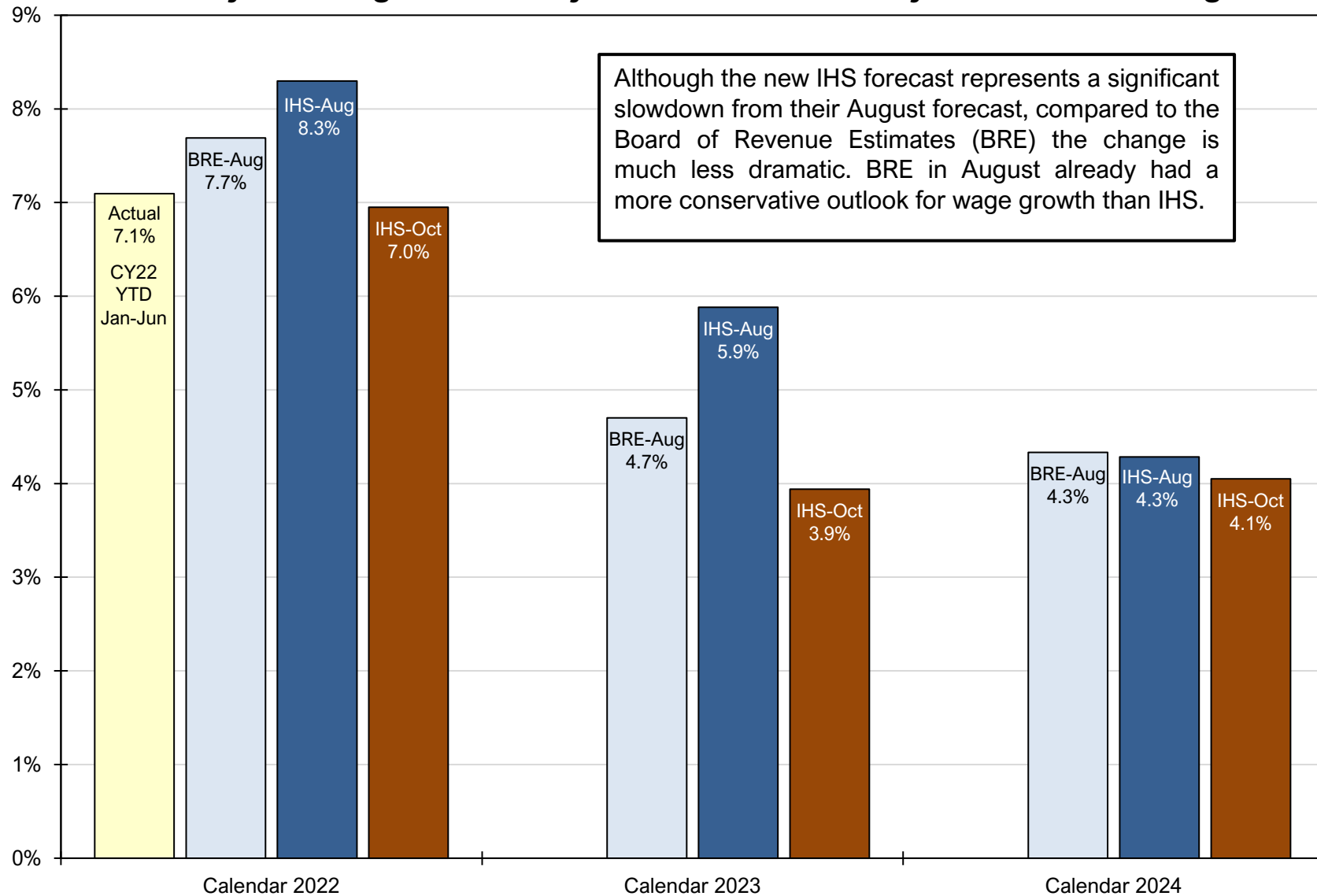
## U.S. Unemployment Rate: October Forecast vs. August Forecast



## Maryland Unemployment Rate: October Forecast vs. August Forecast



## Maryland Wage and Salary Income: Year-over-year Percent Change

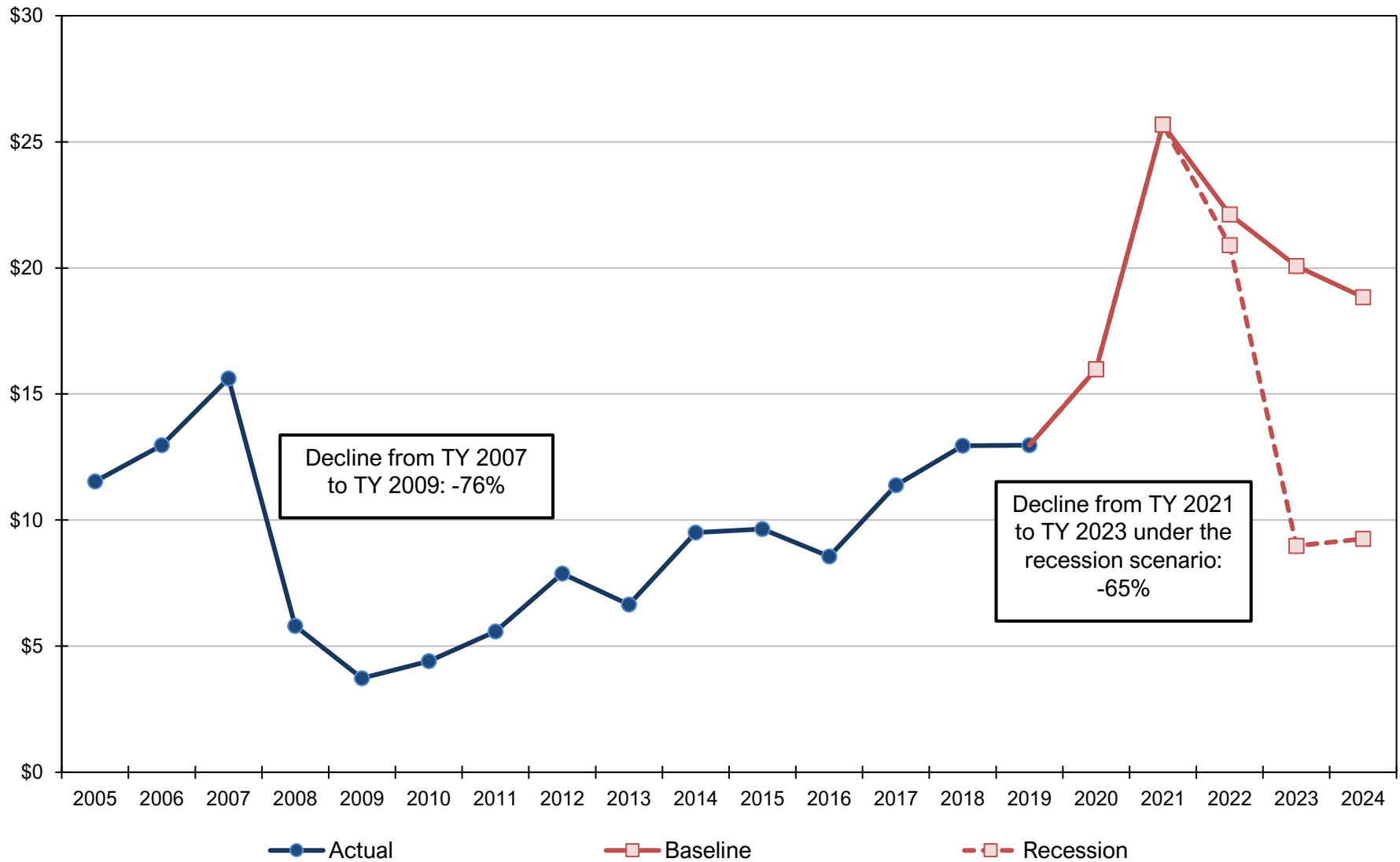


Source: U.S Department of Commerce, Bureau of Economic Analysis (historical data); wage and salary income plus the residence adjustment

# Maryland Taxable Capital Gains Income: Moody's Analytics August 2022 Forecast

## Tax Year 2005-2024

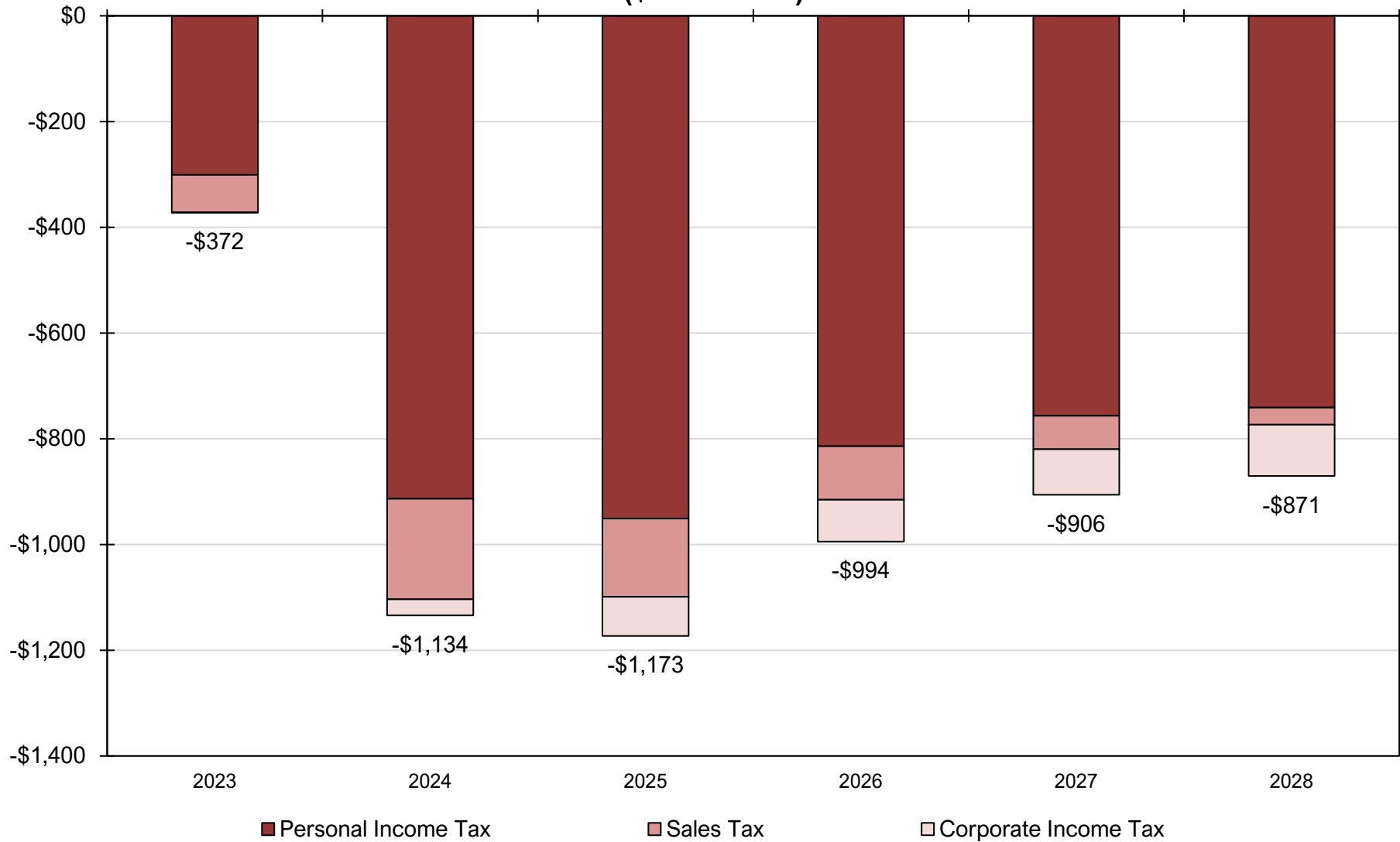
(\$ in Billions)



TY: tax year

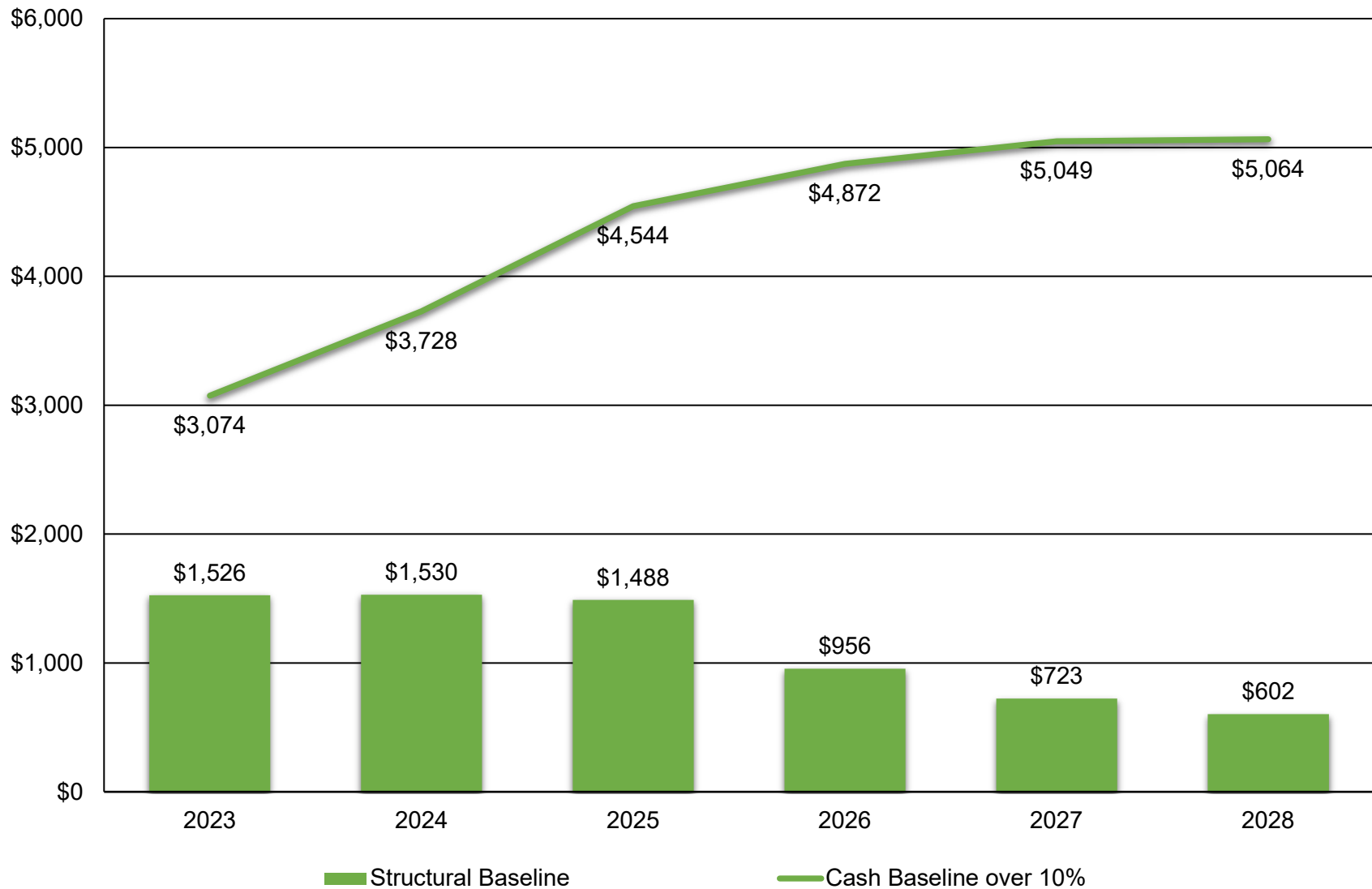
# Impact of Recession Scenario on General Fund Income, Sales and Corporate Taxes Compared to BRE September 2022 Forecast

Fiscal 2023-2028  
(\$ in Millions)



# Cash and Structural Budget Forecast: Using DLS Baseline Budget Estimates and BRE Revenue Estimates

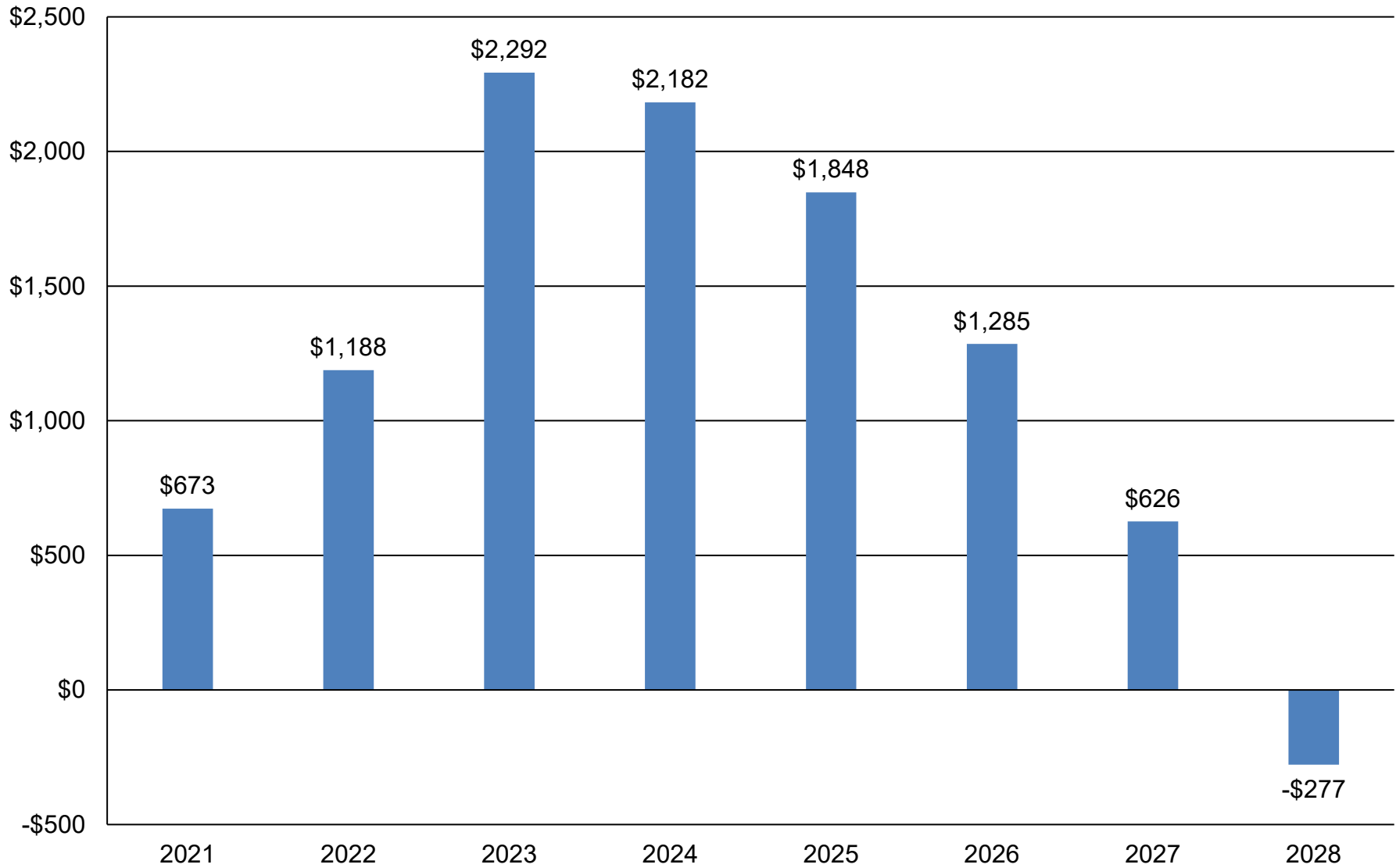
Fiscal 2023-2028  
(\$ in Millions)



BRE: Board of Revenue Estimates  
DLS: Department of Legislative Services



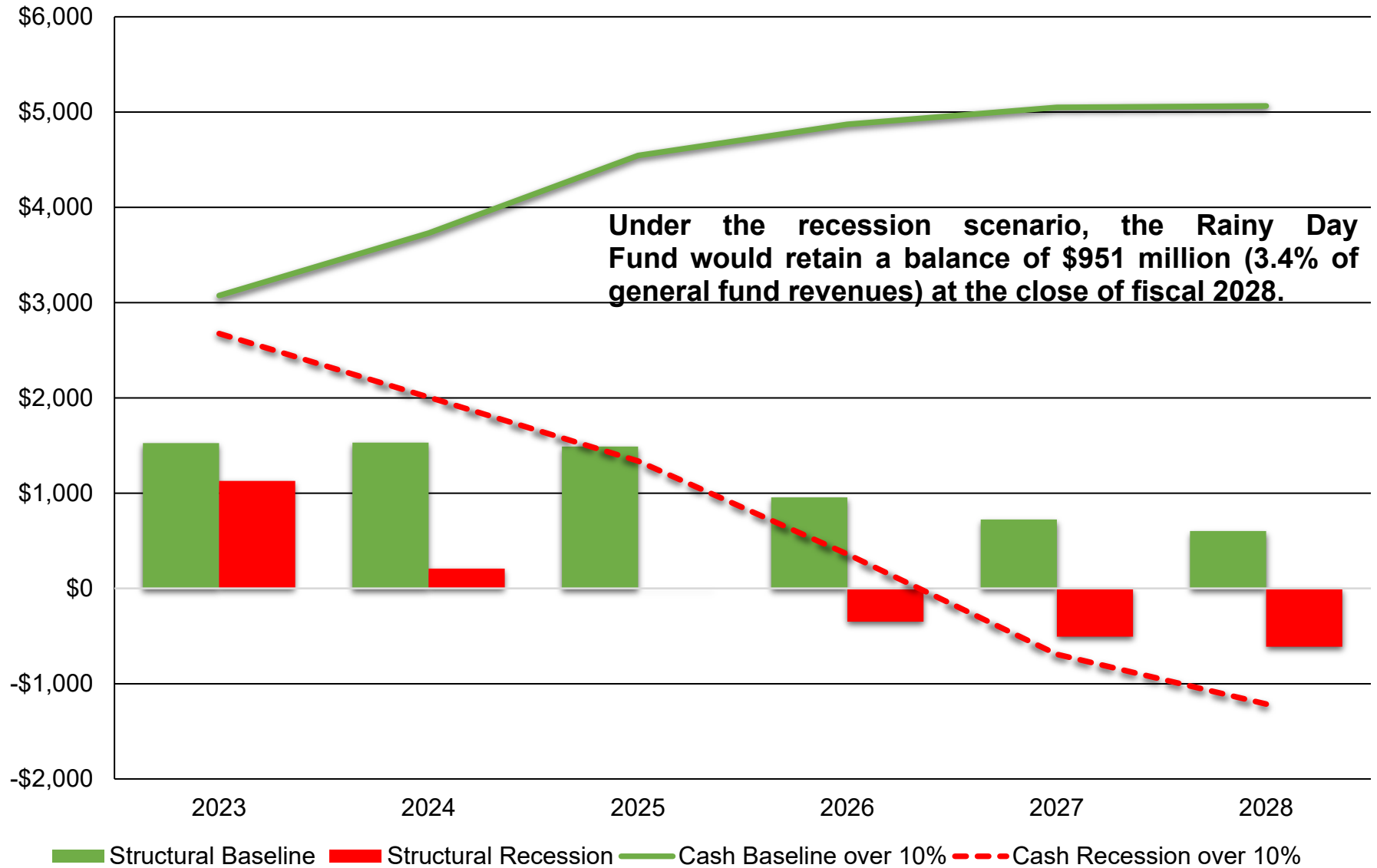
**Blueprint Fund Outlook**  
**End-of-year Projected Fund Balance**  
**Fiscal 2021-2028**  
**(\$ in Millions)**



# Cash and Structural Budget Forecast: Baseline vs Recession

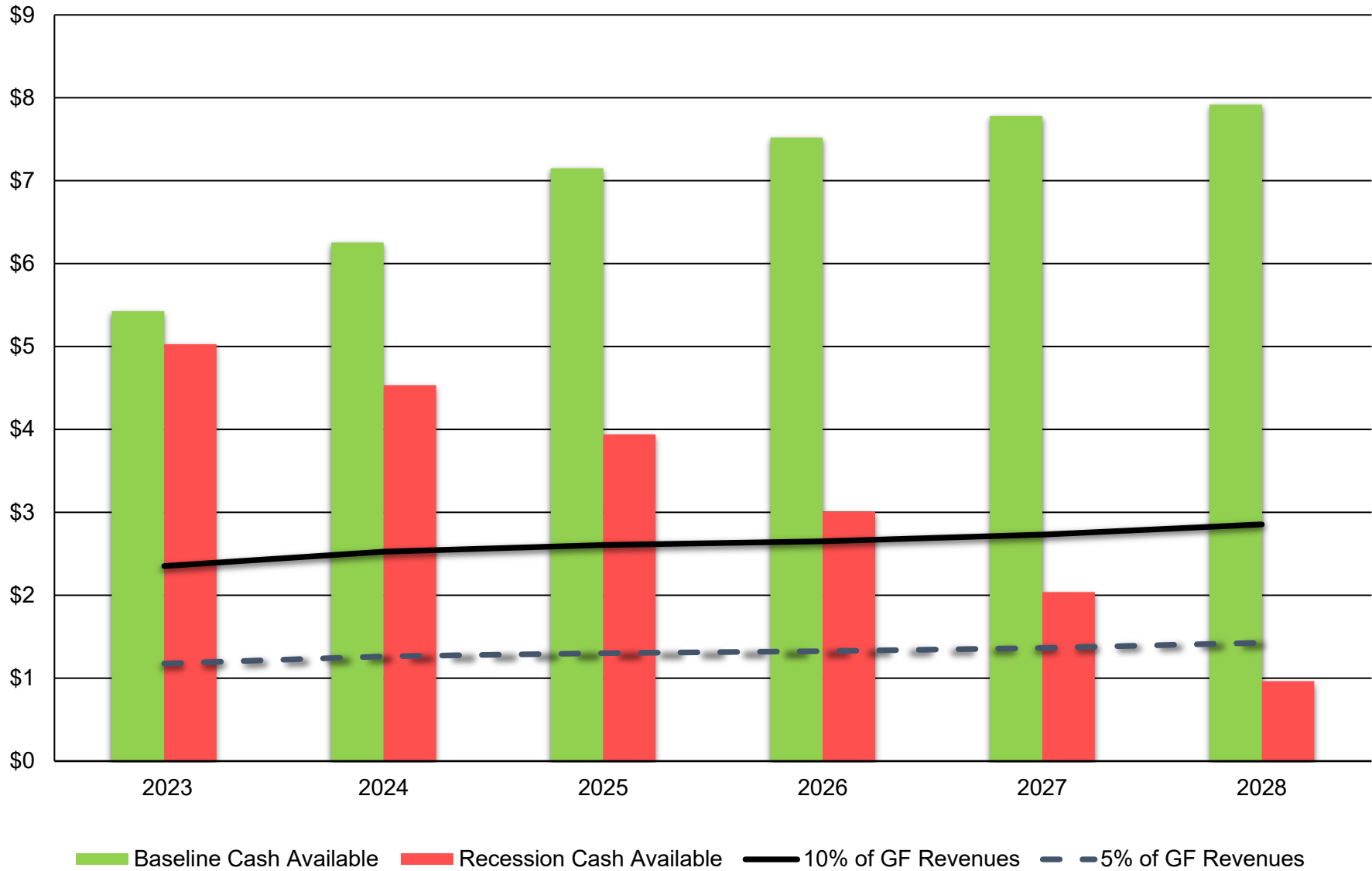
## Fiscal 2023-2028

(\$ in Millions)



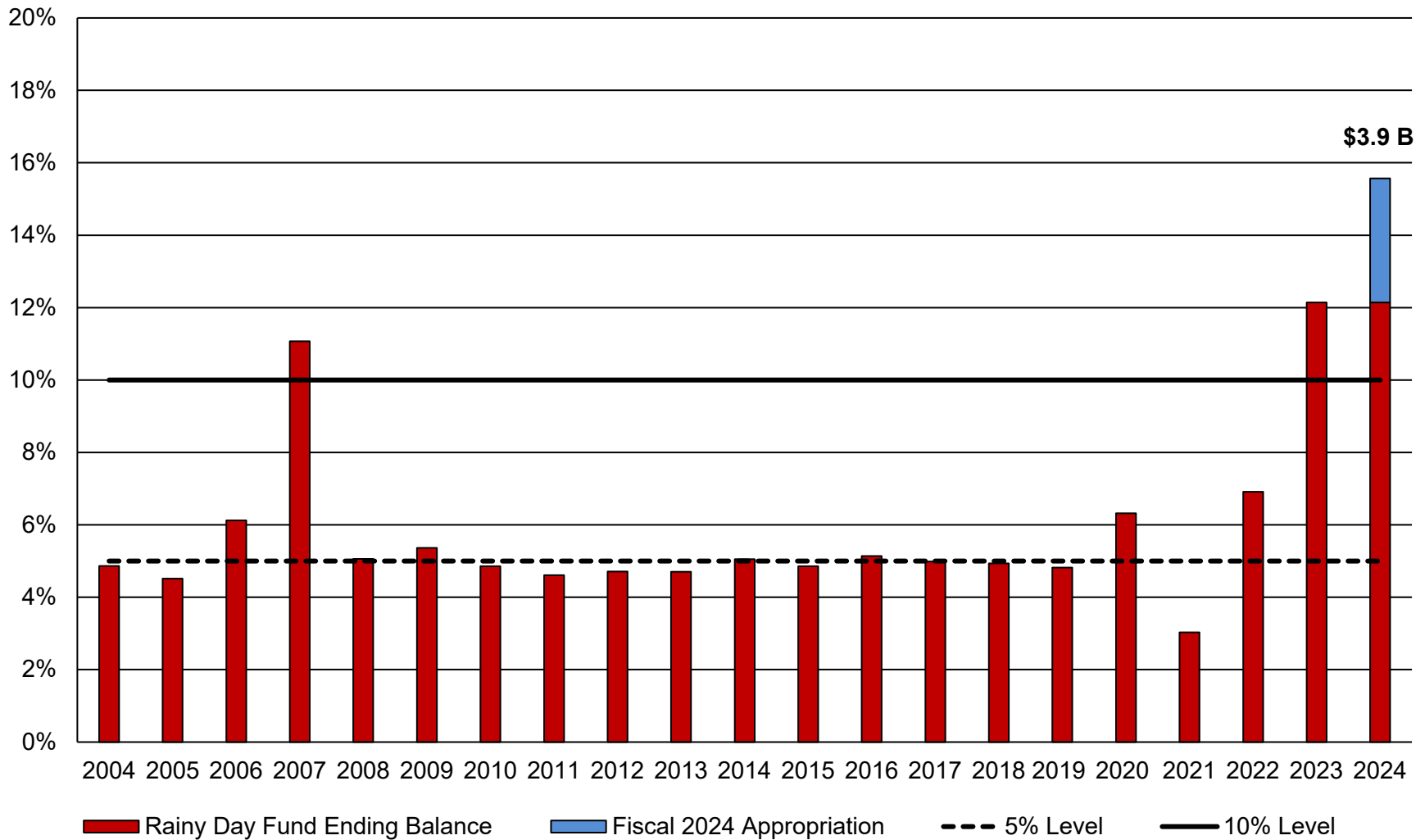
# Cash Available in Fiscal 2024 Baseline Forecast Greatly Exceeds 10% of General Fund Revenues Recession Forecast Reduces Reserves Below 5% Threshold by Fiscal 2028

Fiscal 2023-2028  
(\$ in Billions)



GF: General Fund

## Rainy Day Fund Balance as a Percent of General Fund Revenues Fiscal 2004-2024



Rainy Day Fund balance exceeds 10% of general fund revenues by \$503 million, prior to the \$1.1 billion fiscal 2024 statutory appropriation.

## Key Baseline Budget Assumptions

- The baseline budget is an estimate of the cost of government services in the next budget year based on a set of assumptions. Assumptions include that current laws, policies, and practices are continued; federal mandates and multi-year commitments are observed; legislation adopted at the prior session is funded; and full-year costs of programs, rate increases, and any other enhancements started during the previous year are included.
- The enhanced Medicaid match will expire after March 2023, based on the current national public health emergency end date in January 2023. As enacted, the fiscal 2023 budget did not anticipate the extension of the emergency into that year.
- K-12 enrollment is projected to increase but remain below prepandemic levels; however, actual enrollment will not be known until December 1, 2022, when the Maryland State Department of Education is required to release the official enrollment counts for the current school year.
- Entitlement caseload trends reflect current experience.
  - Medicaid and related caseloads assume the end of the requirement for continuous enrollment in Medicaid in January 2023 and recertifications beginning in February 2023 with initial phase-in lasting 12 months.
  - Other public assistance caseloads that have been recertifying benefits since January 2022 continue to decline consistent with the general improvement in employment and wages since the start of the pandemic.

### Caseload Assumptions Fiscal 2022-2024

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>% Change 2023-2024</u>
Pupil Enrollment*	854,564	848,653	857,704	1.1%
Medicaid/Maryland Children's Health Program	1,654,478	1,717,675	1,543,219	-10.2%
Temporary Cash Assistance	56,530	54,691	47,583	-13.0%
Foster Care/Adoption/Guardianship	10,501	10,858	10,905	0.4%
Adult Prison Population	17,299	17,561	17,600	0.2%

\* Data for fiscal 2022 and 2023 reflect actual full-time enrollments. Fiscal 2024 is a projection.

Note: Reflects average monthly recipients for Medicaid/Maryland Children's Health Program and Temporary Cash Assistance and average monthly caseload for Foster Care/Adoption/Guardianship. Fiscal 2022 represents actual recipients/caseload and fiscal 2023 and 2024 represent estimates. Adult Prison population represents actual experience in fiscal 2022, actual experience from the first quarter of fiscal 2023, and a projection for fiscal 2024.

- A fiscal 2023 general fund deficiency appropriation of \$220 million is needed to support capital projects due to higher interest rates reducing available bond premiums.
- \$1.5 billion of fiscal 2023 supplemental budget items are assumed to be one time including \$1.06 billion in pay-as-you-go items and \$471.9 million in operating items.
- \$69 million of funding restricted in the Rainy Day Fund appropriation in fiscal 2023 will be expended, though the current administration has not released the funds.
- Tuition increases at the public higher education institutions are capped at 2%, and fee increases are capped at 3%.
- Required appropriation to the Rainy Day Fund in fiscal 2024 totals \$1.06 billion, resulting in a balance of 15.6% of general fund revenues. No transfer from the Rainy Day Fund is assumed in fiscal 2024 as the budget is balanced without a transfer.
- Personnel assumptions for fiscal 2024 include:
  - 2% general salary increase effective July 2023 funded for all State employees and a merit increase.
  - 8% increase in employee and retiree health insurance costs.
  - A contribution related to the Family and Medical Leave Insurance Program for State employees totaling \$17.9 million.
  - The State will fill about 1,600 of the 6,500 currently vacant Executive Branch positions in fiscal 2023 and an additional 1,000 positions in fiscal 2024.
- Higher than expected inflation will result in the need for deficiency appropriations to cover certain fiscal 2023 costs: electricity (\$14.5 million); food (\$8.5 million); and prescription drugs at State facilities (\$8 million), of which a combined \$19.7 million is expected to be general funds.
- Additional inflation anticipated for fiscal 2024 will increase costs for prescription drugs at State facilities (3.6%), food (3.0%), utilities/electricity (2.6%), and postage. After accounting for the deficiency appropriations, costs are expected to decrease for natural gas (3%) and gas and oil (3.7%).

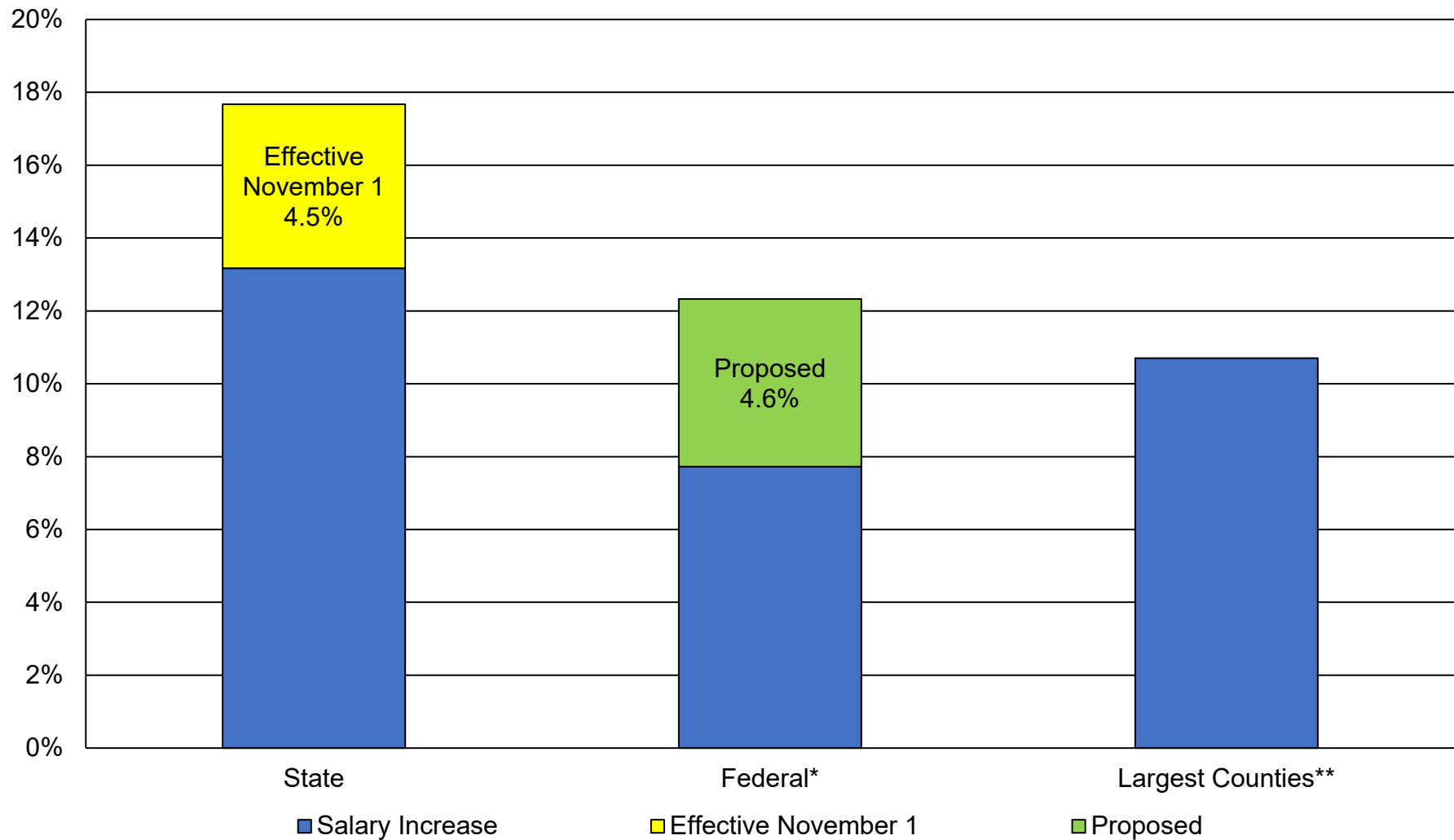
**Analysis of Vacancies and Turnover Rate**  
**Executive Branch, Excluding Higher Education**  
**Fiscal 2023 Legislative Appropriation Compared to October 2022 Vacancies**

<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>
<b>Largest Six State Agencies</b>						
Public Safety and Correctional Services	9,217	10.0%	922	1,496	575	16.2%
Human Services	5,971	6.9%	411	945	534	15.8%
Health	6,337	8.2%	517	887	370	14.0%
Police and Fire Marshal	2,506	7.0%	175	290	115	11.6%
Juvenile Services	2,164	5.0%	109	356	247	16.5%
Transportation	9,058	5.1%	465	961	496	10.6%
<b>Subtotal</b>	<b>35,252</b>	<b>7.2%</b>	<b>2,598</b>	<b>4,934</b>	<b>2,336</b>	<b>14.0%</b>
<b>Other Executive</b>						
Legal (Excluding Judiciary)	1,500	6.2%	94	153	60	10.2%
Executive and Administrative Control	1,663	4.3%	71	189	118	11.3%
Financial and Revenue Administration	2,125	4.9%	105	231	126	10.8%
Budget and Management and DoIT	507	4.9%	25	56	31	11.0%
Retirement	187	4.6%	9	25	16	13.4%
General Services	689	6.0%	41	88	46	12.7%
Natural Resources	1,380	4.3%	59	144	85	10.4%
Agriculture	409	6.8%	28	61	33	14.8%
Labor	1,350	7.9%	106	161	55	11.9%
MSDE and Other Education	1,849	4.5%	82	322	240	17.4%
Housing and Community Development	333	5.0%	17	32	15	9.6%
Commerce	188	5.0%	9	13	4	6.9%
Environment	880	6.1%	53	90	36	10.2%
<b>Subtotal</b>	<b>13,060</b>	<b>5.4%</b>	<b>699</b>	<b>1,563</b>	<b>864</b>	<b>12.0%</b>
<b>Executive Branch Subtotal</b>	<b>48,313</b>	<b>6.7%</b>	<b>3,297</b>	<b>6,498</b>	<b>3,200</b>	<b>13.4%</b>

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

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

### Five-year Salary Increases from Cost-of-living Adjustments Fiscal 2019-2023

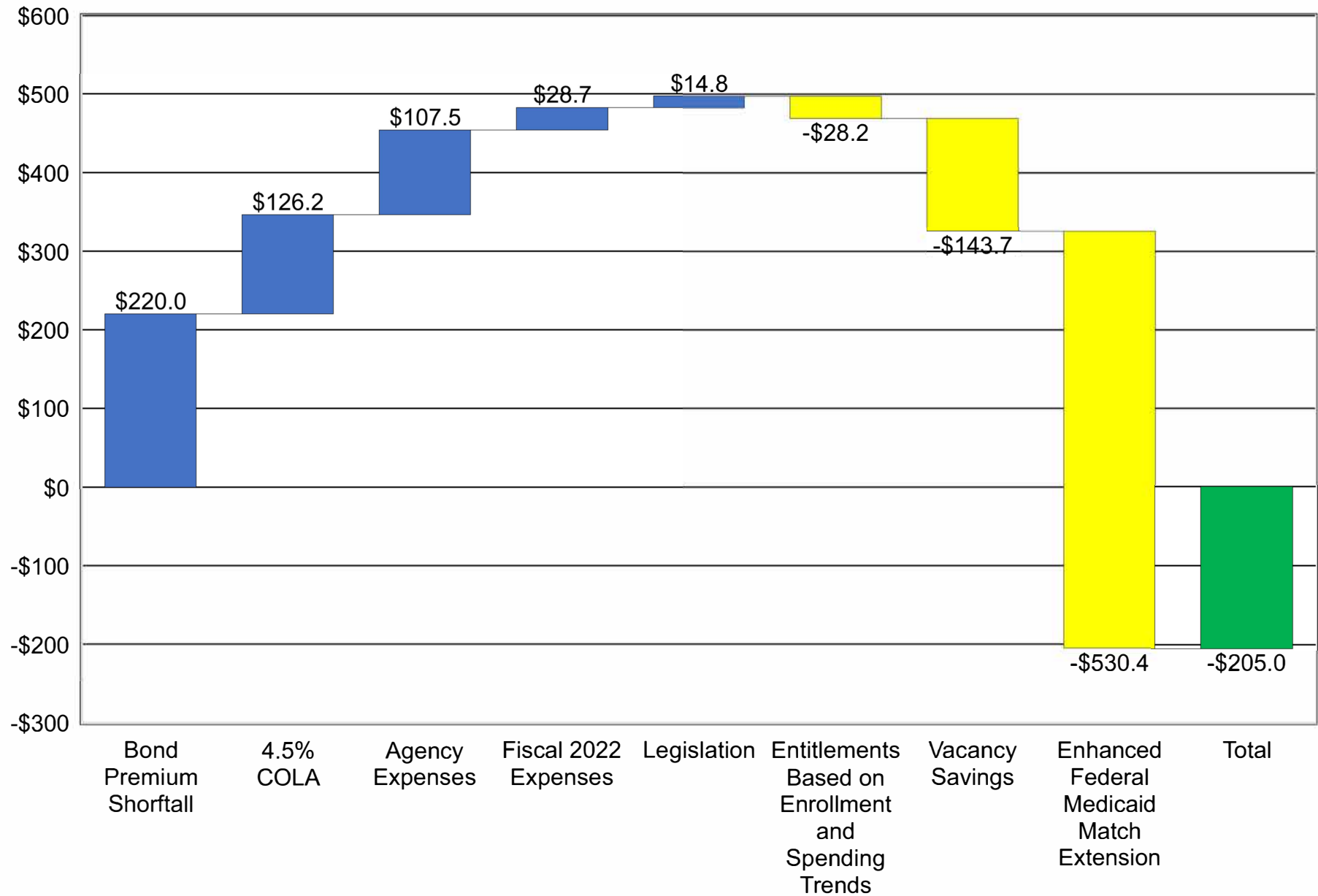


\*President Joseph R. Biden, Jr.'s proposed budget includes a 4.6% federal employee salary increase effective January 1, 2023.

\*\*Amount shown is an average of the range of increases awarded in Baltimore City and Anne Arundel, Baltimore, Montgomery, and Prince George's counties.

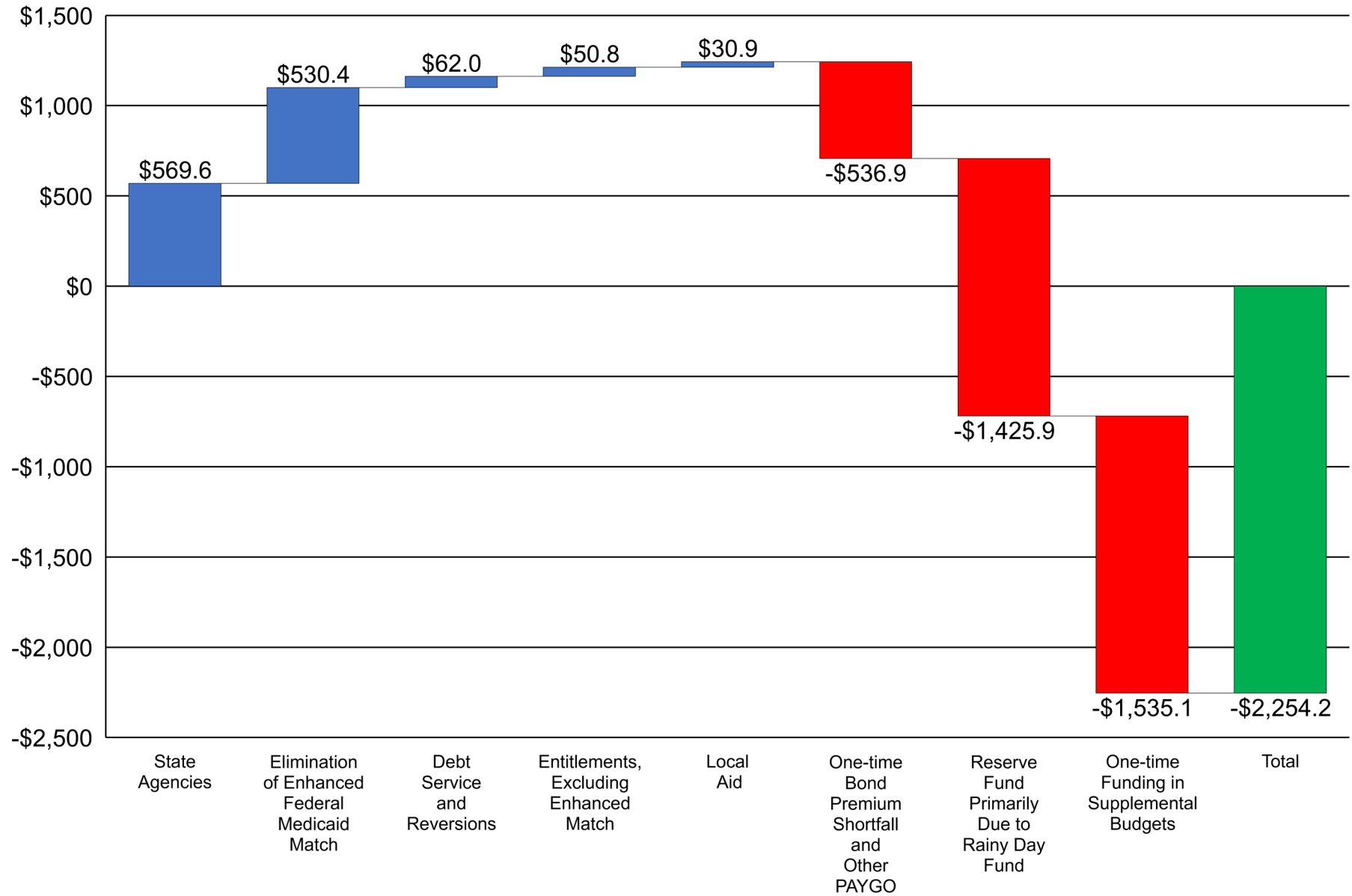


## General Fund Deficiencies Reduce Spending by a Net of \$205 Million



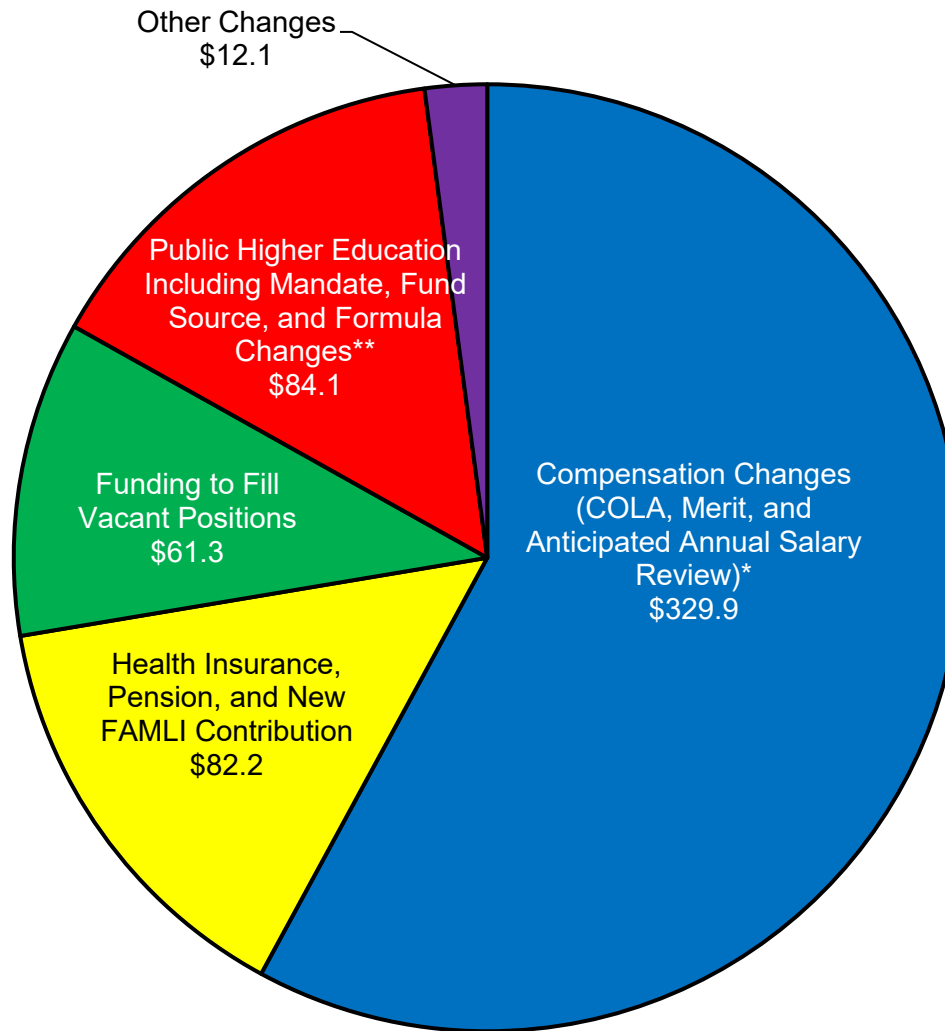
COLA: cost-of-living adjustment

## General Fund Spending Decreases by \$2.25 Billion Primarily Due to One-time Spending and Rainy Day Fund Appropriation



PAYGO: pay-as-you-go

**Components of State Agency Growth, Excluding One-time Funding  
from Supplemental Budgets in Fiscal 2023 and Elimination of  
Enhanced Federal Match  
(\$ in Millions)**



COLA: cost-of-living adjustment

FAMLI: Family and Medical Leave Insurance Program

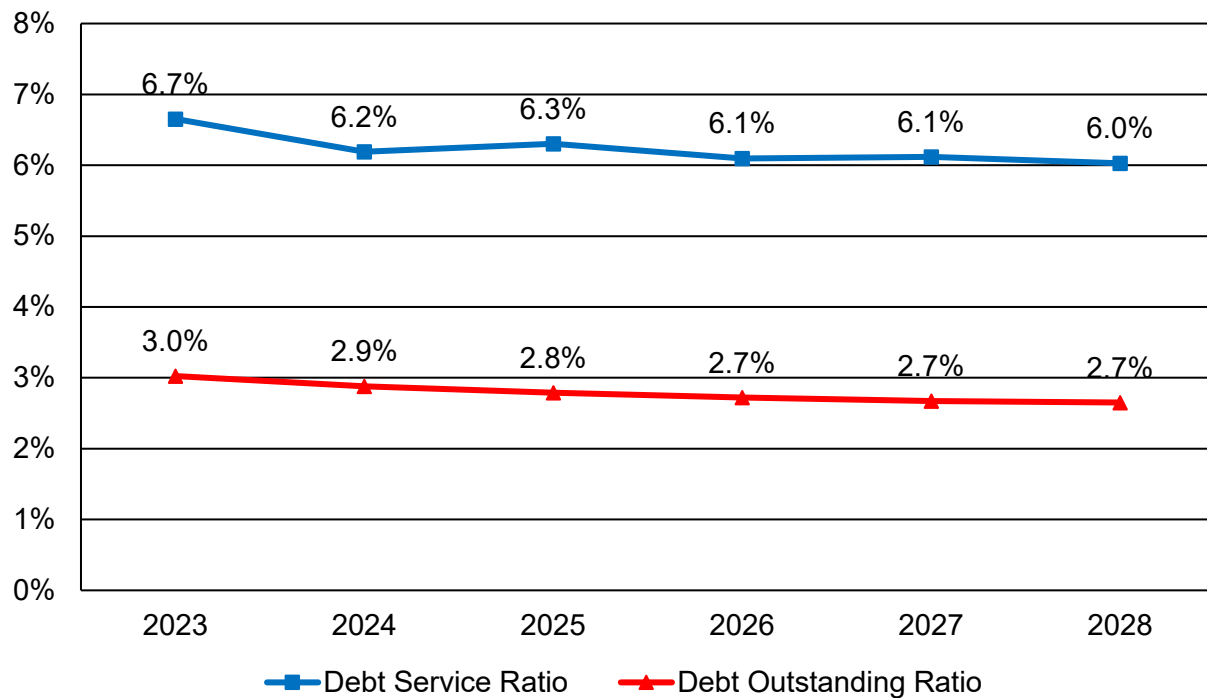
\*Includes annualization of November 2022 4.5% COLA.

\*\*Excludes statewide compensation and pension contribution changes.

# State Debt Affordability Ratios

- The Capital Debt Affordability Committee (CDAC) develops 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 2021, the Spending Affordability Committee (SAC) recommended \$1,205 million in general obligation bond authorizations for fiscal 2024. SAC also recommended increasing the authorization by 4% annually. The table below shows that this debt is affordable.

**Affordability Ratios**  
**Fiscal 2023-2028**

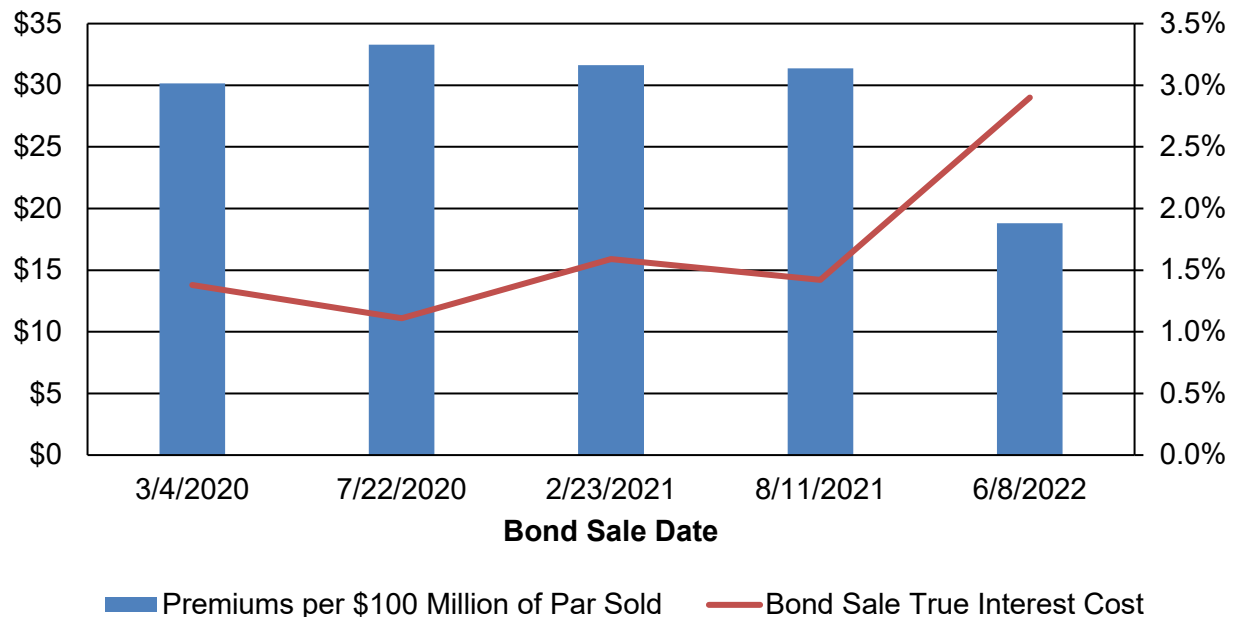


Source: Capital Debt Affordability Committee; Department of Legislative Services

## Bond Sale Premiums

- Since bond sale premiums represent the difference between the true interest cost and the rate paid on the par value of the bonds (coupon rate), increasing interest rates tend to reduce bond sale proceeds and premiums, as the exhibit shows.
- Interest rates are expected to continue to increase. This suggests that the recent period of unusually low interest rates is over. To maximize premiums, the State has also required an unusually high coupon rate; ending this policy will further reduce premiums. Bond sales in time of high interest rates in prior years realized premiums that were often under \$5 million per sale.
- The June 2022 premiums support fiscal 2022 capital projects and debt service for fiscal 2022 and 2023. The premiums are insufficient to fund all the \$260 million in capital projects supported by premiums in the fiscal 2023 capital budget. **The Department of Legislative Services recommends that general funds be appropriated for capital projects supported by unrealized premiums.**

**Bond Sale Premiums Per \$100 Million in Par Value**  
**Calendar 2020-2022**  
**(\$ in Millions)**



Source: Public Resources Advisory Group; Department of Legislative Services

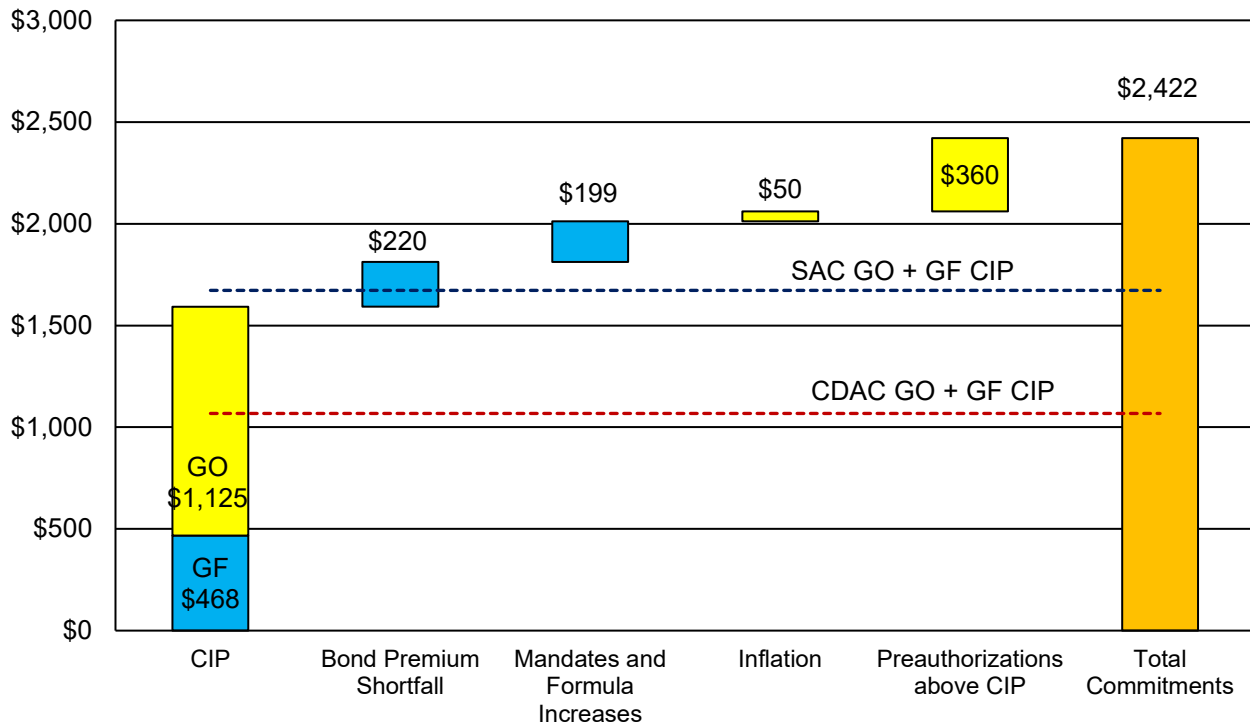
# Capital Program

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## Use of General Funds Surplus to Meet Capital Commitments

- Capital commitments, including new capital mandates and preauthorized projects above what is programmed in the *Capital Improvement Program* (CIP), and fiscal pressures, including a shortfall in bond premium proceeds authorized for fiscal 2023 capital projects and rising construction costs, would require approximately \$2.422 billion of combined general obligation (GO) bond and general fund support for the fiscal 2024 capital program.
  - At the 2021 Spending Affordability Committee recommended levels of GO bonds (\$1.205 billion) and the CIP level of pay-as-you-go (PAYGO) general funds (\$468 million), an additional \$750 million would be needed to address current commitments and other fiscal pressures.
  - At the lower Capital Debt Affordability Committee recommended level of GO bonds (\$600 million) and the CIP level of PAYGO general funds (\$468 million), an additional \$1.4 billion would be needed to address current commitments and other fiscal pressures.
  - \$310 million available in the Fiscal Responsibility Fund can be used to expand capital funding for school construction and higher education projects.

## Capital Commitments and Other Fiscal Pressures (\$ in Millions)



  indicates items accounted for in the baseline general fund assumptions.

CDAC: Capital Debt Affordability Committee  
GF: general funds  
SAC: Spending Affordability Committee

CIP: *Capital Improvement Program*  
GO: general obligation bonds

Note: CIP GF includes \$12 million for the Historic Revitalization Tax Credit and \$22.3 million for Program Open Space repayments for fiscal 2024. Preauthorizations include \$100 million for the Federal Bureau of Investigation headquarters building, which is contingent on location selection in Maryland. Total commitments do not include an earmark for legislative bond initiatives, which totaled \$50 million in fiscal 2023.

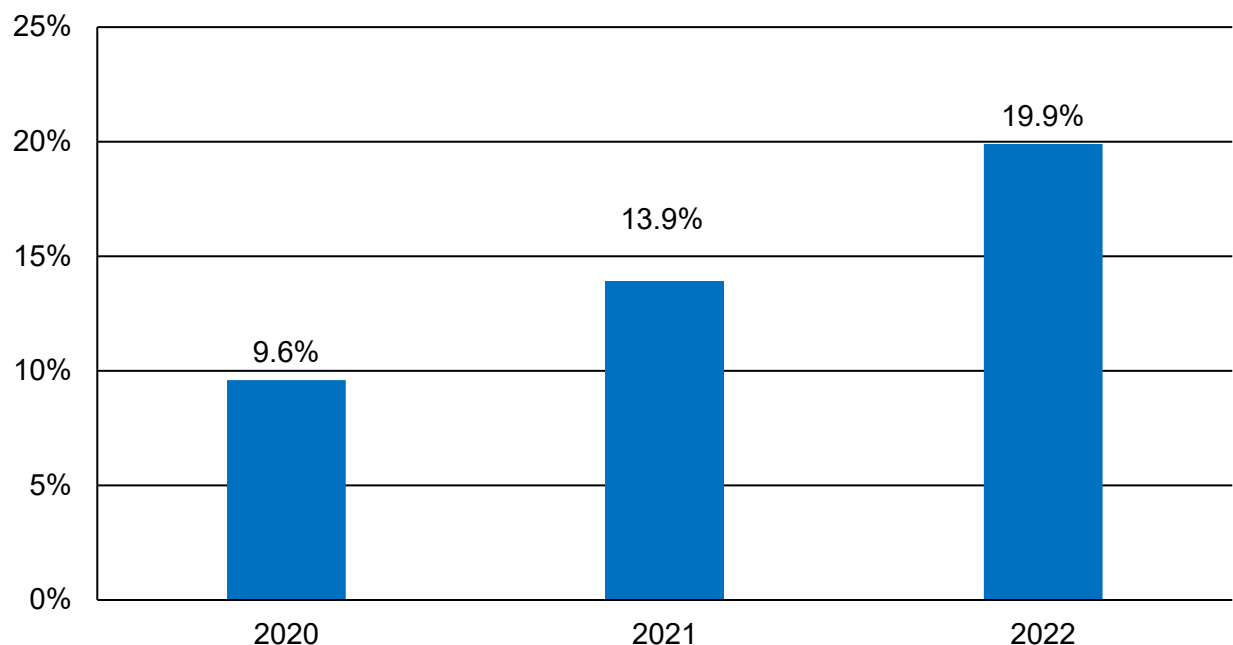
Source: 2022 *Capital Improvement Program*; Department of Legislative Services

- In addition to funding the commitments and pressures noted above, despite enhanced funding for facility renewal provided in fiscal 2023, unfunded facility renewal needs are estimated at \$150 million and \$700 million, respectively, at Department of General Services and University System of Maryland managed facilities.

## Impact of Construction Inflation

- **Construction Price Inputs:** Construction inflation continues to increase on a year-over-year basis – from 9.6% in calendar 2020 to 20% through September 2022 – which equates to an average annual year-over-year increase of 14%.
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### Building Cost Index Escalation Baltimore Region Calendar 2020-2022



Source: Engineering News-Record Building and Construction Cost Indexes – City Cost Index Baltimore City

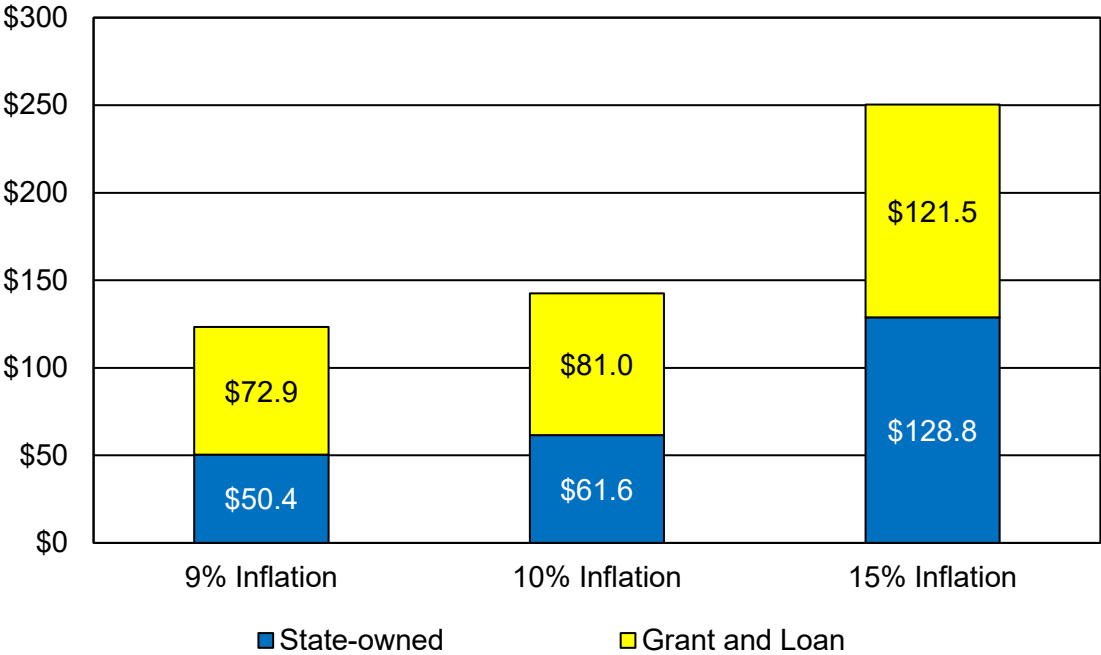
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- **State-owned Projects:** The 4.5% inflation rates used for construction cost estimates for State-owned projects in calendar 2022 and 2023 are set below current regional construction inflation rates. Recent guidance from the Department of Budget and Management sets a new calendar 2022 rate of 9.0%, which could conservatively add \$50 million of additional costs to projects that the State has already committed to in fiscal 2024.
- **Grant and Loan Programs:** The impact on grant and loan programs, including the Public School Construction Program, means that less can be done with the level of funds currently programmed in the CIP.



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**Construction Inflation Range of Fiscal Impact**  
**Fiscal 2024**  
**(\$ in Millions)**



Source: Engineering News-Record Building Cost Index

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## Potential Uses of Fund Balance in Fiscal 2024

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- \$388 million to accelerate implementation of revenue volatility legislation
  - Set aside \$508 million of revenue rather than \$120 million to recognize unusual vulnerability to fluctuations in capital gains. Revenue volatility legislation originally capped the set-aside at 2% of revenue, but the law was amended to phase in more slowly, reaching the 2% cap in fiscal 2026
- \$145 million to eliminate deficit in health insurance account for employees and retirees (assumed in baseline)
- Capital Needs
  - \$220 million to backfill shortfall in bond premium revenues supporting capital budget (assumed in baseline)
  - \$50 million to fund impact of inflation on capital projects
  - \$479 million to fund capital commitments for fiscal 2024, including \$199 million for new mandates assumed in the baseline budget with cash, that exceed the \$1.2 billion of general obligation bonds recommended by the Spending Affordability Committee in December 2021 and the \$468 million of general funds programmed in the 2022 *Capital Improvement Program*
    - \$310 million in Fiscal Responsibility Fund may offset portion of these costs
  - \$850 million in deferred maintenance at State government (\$150 million) and public higher education facilities (\$700 million)
- Reduce unfunded liabilities – local income tax reserve (\$700+ million) and workers' compensation (\$300+ million)
- Dedicate revenues to specific purposes (Blueprint Fund, transportation projects, etc.)
- Consider expanding ongoing spending commitments and/or ongoing tax relief to extent December revenue revisions leave structural capacity
  - Extending temporary Earned Income Credit enhancements adopted for tax years 2020 through 2022, including tax filers lacking a Social Security number, would cost about \$230 million

**Transportation Trust Fund Forecast Comparison**  
**Fiscal 2022-2027 v. Fiscal 2023-2028 Six-year Totals**  
(\$ in Millions)

	<u>MDOT</u> <u>2022-2027</u>	<u>MDOT</u> <u>2023-2028</u>	<u>Diff.</u>	<u>DLS</u> <u>2023-2028</u>	<u>Diff.</u>
<b>Revenues</b>					
Taxes and Fees	\$19,935	\$21,325	\$1,390	\$21,981	\$656
Operating and Other Revenues	2,883	3,150	267	3,150	0
Federal Operating Assistance	663	700	37	700	0
Federal COVID/Stimulus	888	373	-515	373	0
Bond Proceeds and Premiums	1,715	1,960	245	1,960	0
Change in Fund Balance	225	414	189	379	-35
<b>Total Revenues</b>	<b>\$26,310</b>	<b>\$27,922</b>	<b>\$1,613</b>	<b>\$28,543</b>	<b>\$621</b>
<b>Expenditures</b>					
Debt Service	\$2,744	\$2,758	\$14	\$2,758	\$0
Operating Budget	14,460	15,242	782	15,687	445
Deductions to Other Agencies	509	531	22	531	0
Highway User Revenues Grants	1,441	2,246	805	2,286	40
State Capital Program	7,156	7,146	-10	7,281	136
<b>Total Expenditures</b>	<b>\$26,310</b>	<b>\$27,922</b>	<b>\$1,613</b>	<b>\$28,543</b>	<b>\$621</b>

- COVID-relief/stimulus funding, projected to end in fiscal 2024, decreases by \$515 million in the Maryland Department of Transportation (MDOT) fiscal 2023-2028 forecast compared to the prior six-year forecast. The MDOT forecast assumes a net revenue increase of \$1.6 billion, which includes an increase of \$245 million in bond issuances compared to the prior year forecast.
- Compared to the MDOT draft forecast, the Department of Legislative Services (DLS) forecast:
  - projects a net increase of \$621 million in revenues, primarily due to higher motor fuel tax revenue attainment;
  - projects higher six-year operating costs of \$445 million; and
  - includes \$136 million in special fund capital spending and \$40 million more in local transportation aid based on the net increase in revenues minus operating spending.
- The increase in net income in the DLS forecast also indicates that additional debt, in the magnitude of \$725 million over the six-year period, could be issued while complying with the MDOT practice of maintaining net revenue of at least 2.5 times maximum annual debt service.
- Improved revenue attainment, along with statutory changes sending more corporate income tax revenue to the Transportation Trust Fund and increasing the share of Highway User Revenues going to local governments, result in a projected increase of \$845 million in transportation aid over the six-year forecast compared with the prior forecast.

**Consolidated Transportation Program**  
**Comparison of Six-year Capital Spending by Fund Source**  
**Fiscal 2022-2027 v. Fiscal 2023-2028**  
**(\$ in Millions)**

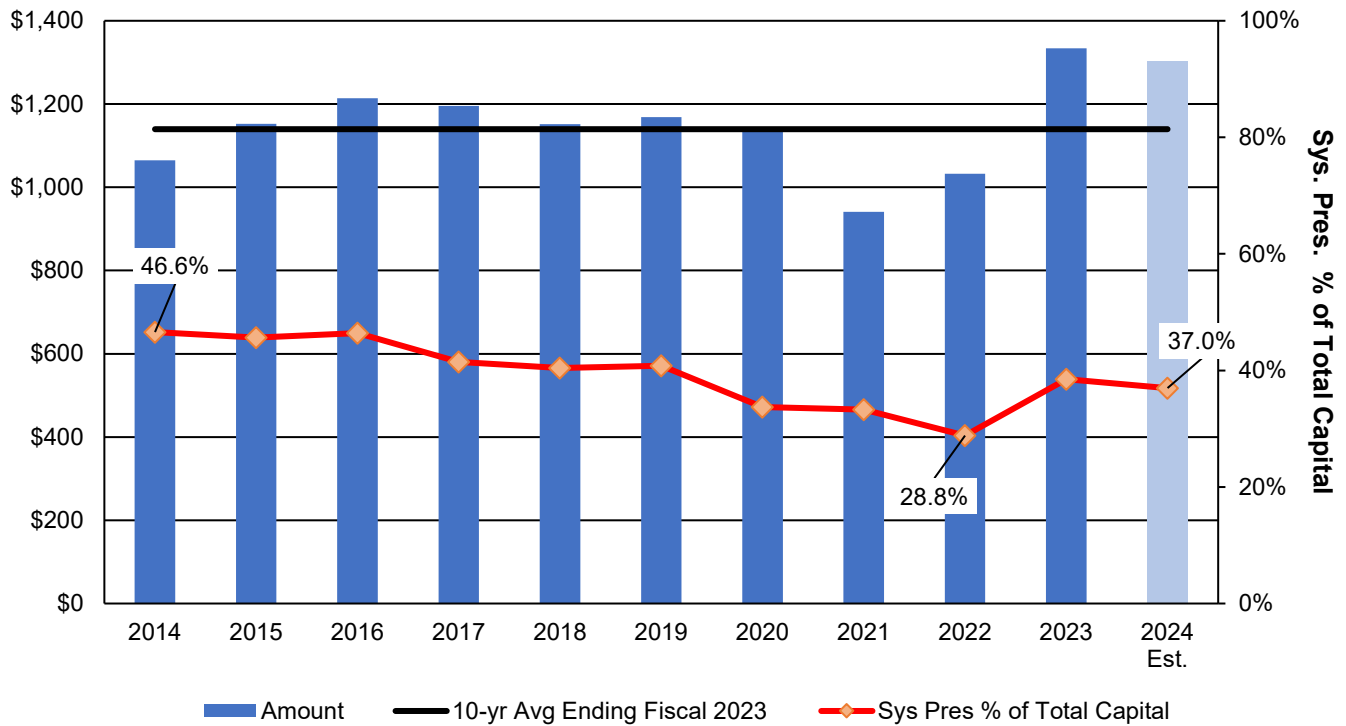
	<u>2022-2027</u>	<u>Draft 2023-2028</u>	<u>Change</u>	<u>% Change</u>
Special Funds				
Taxes, Fees, and Other	\$6,786.8	\$7,339.2	\$552.4	8.1%
Bond Proceeds\Premiums	1,715.0	1,960.0	245.0	14.3%
<b>Subtotal – Special Funds</b>	<b>\$8,501.8</b>	<b>\$9,299.2</b>	<b>\$797.4</b>	<b>9.4%</b>
Federal Funds	\$6,406.8	\$7,743.3	\$1,336.5	20.9%
Other Funds <sup>1</sup>	1,693.7	1,703.0	9.3	0.5%
General/Other State Funds	1,093.2	1,126.5	33.3	3.0%
<b>Total</b>	<b>\$17,695.5</b>	<b>\$19,872.0</b>	<b>\$2,176.5</b>	<b>12.3%</b>

<sup>1</sup>Comprises funds from customer and passenger facility charges and certain types of federal aid that do not pass through the Transportation Trust Fund.

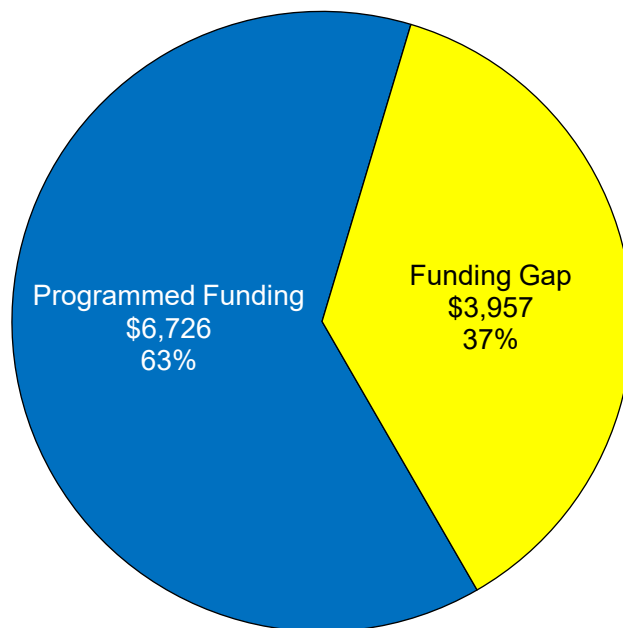
Note: Numbers may not sum to total due to rounding.

- Chapters 27 and 563 of 2022 require the Spending Affordability Committee to include recommendations in the report that it submits to the Legislative Policy Committee and the Governor on:
  - a recommended fund balance for the Transportation Trust Fund (TTF); and
  - a recommended minimum expenditure level for system preservation by the Maryland Department of Transportation (MDOT).
- MDOT's target closing balance for the TTF is set to meet projected working cash flow needs. The draft TTF forecast includes target closing balances of \$200 million each year. This level is consistent with levels forecast in recent years and is a reasonable level for fiscal 2024.

# **Consolidated Transportation Program Year 1** **Working Appropriation System Preservation Programmed Funding** (\$ in Millions)



## **Six-year State of Good Repair Programmed Funding vs. Need** **Fiscal 2022-2027** (\$ in Millions)



# Appendices

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**Appendix 1**  
**General Fund Spending Growth by Component**  
(\$ in Millions)

	<b>Fiscal 2024 Baseline</b>	<b>Fiscal 2028 Est.</b>	<b>\$ Growth</b>	<b>Avg. Annual % Change</b>
Mandates (Local Aid, Sellinger, Legislation)	\$8,292	\$9,839	\$1,546	4.4%
Employee Salary, COLA, Merits, Health Benefits*	3,425	4,109	684	4.7%
Debt Service	482	552	70	3.4%
Employee Retirement	629	835	206	7.3%
Agencies and Higher Education	4,834	5,416	581	2.9%
Developmental Disabilities Administration	905	1,191	285	7.1%
Entitlements	5,219	6,109	890	4.0%
Ongoing Spending	\$23,787	\$28,049	\$4,262	4.2%
Ongoing Revenues	25,317	28,651	3,334	3.1%
<b>Structural Surplus/(Gap)</b>	<b>\$1,530</b>	<b>\$602</b>	<b>-\$928</b>	<b>-20.8%</b>
<b>Mandates</b>				
Aid to Education	\$7,135	\$8,432	\$1,297	4.3%
Community Colleges	458	521	63	3.3%
Aid to Local Health Departments	114	130	17	3.5%
Sellinger Formula for Independent Colleges	131	155	24	4.2%
Other	455	601	146	7.2%
<b>Total Mandates</b>	<b>\$8,292</b>	<b>\$9,839</b>	<b>\$1,546</b>	<b>4.4%</b>

COLA: cost-of-living-adjustment

\*Includes 2% COLA and 2.3% increments annually, which account for \$575 million of growth from fiscal 2024 to 2028.



**Appendix 2**  
**General Fund: End-of-year Balances**  
**Fiscal 2022-2024**  
**(\$ in Millions)**

	<b><u>2022</u></b> <b><u>Actual</u></b>	<b><u>2023</u></b> <b><u>Working</u></b>	<b><u>2024</u></b> <b><u>Baseline</u></b>
<b>Funds Available</b>			
Total Funds Available	\$26,429	\$30,390	\$27,888
Total Spending	20,931	27,819	25,565
<b>Cash Balance/(Shortfall)</b>	<b>\$5,499</b>	<b>\$2,571</b>	<b>\$2,323</b>
<b>Structural Balance (Ongoing Revenues Less Ongoing Spending)</b>	<b>\$3,620</b>	<b>\$1,526</b>	<b>\$1,530</b>
Ratio (Ongoing Revenues/Ongoing Operating Costs)	117.7%	106.6%	106.4%
<b>Available Cash Balance (General Funds + Rainy Day Fund Above 10%)</b>	<b>\$4,757</b>	<b>\$3,074</b>	<b>\$3,729</b>

**Appendix 3**  
**State Expenditures – General Funds**  
**Fiscal 2022-2024**  
(\$ in Millions)

<u>Category</u>	<u>2022 Working Appropriation</u>	<u>2023 Legislative Appropriation</u>	<u>2023 Legislative Priorities <sup>(1)</sup></u>	<u>Adjusted 2023 Legislative Appropriation</u>	<u>2024 Baseline</u>	<u>\$ Change 2023 to 2024</u>	<u>% Change</u>
Debt Service	\$260.0	\$430.0	\$0.0	\$430.0	\$482.0	\$52.0	12.1%
County/Municipal	\$314.7	\$388.5	\$0.0	\$388.5	\$340.7	-\$47.8	-12.3%
Community Colleges	371.5	435.3	0.0	435.3	458.3	23.0	5.3%
Education/Libraries	6,601.2	7,121.0	0.0	7,121.0	7,134.8	13.8	0.2%
Health	60.4	104.0	0.0	104.0	113.9	9.9	9.5%
<b>Aid to Local Governments</b>	<b>\$7,347.9</b>	<b>\$8,048.8</b>	<b>\$0.0</b>	<b>\$8,048.8</b>	<b>\$8,047.6</b>	<b>-\$1.2</b>	<b>0.0%</b>
Foster Care Payments	\$215.2	\$234.5	\$0.0	\$234.5	\$250.6	\$16.0	6.8%
Assistance Payments	104.4	128.7	0.0	128.7	78.1	-50.7	-39.4%
Medical Assistance	3,978.7	4,274.0	0.0	4,274.0	4,807.7	533.7	12.5%
Property Tax Credits	102.9	105.3	0.0	105.3	82.2	-23.1	-21.9%
<b>Entitlements</b>	<b>\$4,401.3</b>	<b>\$4,742.6</b>	<b>\$0.0</b>	<b>\$4,742.6</b>	<b>\$5,218.6</b>	<b>\$476.0</b>	<b>10.0%</b>
Health	\$1,729.1	\$2,103.2	\$8.5	\$2,111.7	\$2,172.8	\$61.1	2.9%
Human Services	398.5	407.1	0.0	407.1	460.0	52.9	13.0%
Juvenile Services	254.9	282.1	0.0	282.1	315.3	33.2	11.8%
Public Safety/Police	1,272.3	1,640.9	1.5	1,642.4	1,902.1	259.7	15.8%
Higher Education	1,544.0	1,787.4	0.0	1,787.4	2,251.1	463.7	25.9%
Other Education	604.0	712.5	0.0	712.5	663.0	-49.5	-7.0%
Agriculture/Natural Res./Environment	172.7	177.1	1.5	178.6	234.4	55.8	31.3%
Other Executive Agencies	1,149.4	1,896.2	53.8	1,950.0	1,256.2	-693.8	-35.6%
Judiciary	586.5	630.9	0.0	630.9	671.3	40.4	6.4%
Legislative	106.2	136.0	0.0	136.0	147.5	11.5	8.5%
<b>State Agencies</b>	<b>\$7,817.5</b>	<b>\$9,773.5</b>	<b>\$65.3</b>	<b>\$9,838.7</b>	<b>\$10,073.7</b>	<b>\$235.0</b>	<b>2.4%</b>
<b>Total Operating</b>	<b>\$19,826.7</b>	<b>\$22,994.9</b>	<b>\$65.3</b>	<b>\$23,060.2</b>	<b>\$23,822.0</b>	<b>\$761.8</b>	<b>3.3%</b>
Capital <sup>(2)</sup>	\$458.7	\$2,262.9	\$3.8	\$2,266.7	\$666.6	-1,600.1	-70.6%
<b>Subtotal</b>	<b>\$20,285.4</b>	<b>\$25,257.8</b>	<b>\$69.0</b>	<b>\$25,326.8</b>	<b>\$24,488.5</b>	<b>-\$838.3</b>	<b>-3.3%</b>
Reserve Funds <sup>(3)</sup>	\$879.6	\$2,606.3	-\$69.0	\$2,537.3	\$1,111.4	-1,425.9	-56.2%
<b>Appropriations</b>	<b>\$21,165.1</b>	<b>\$27,864.1</b>	<b>\$0.0</b>	<b>\$27,864.1</b>	<b>\$25,600.0</b>	<b>-\$2,264.2</b>	<b>-8.1%</b>
Reversions	-\$35.0	-\$45.0	\$0.0	-\$45.0	-\$35.0	10.0	-22.2%
<b>Grand Total</b>	<b>\$21,130.1</b>	<b>\$27,819.1</b>	<b>\$0.0</b>	<b>\$27,819.1</b>	<b>\$25,565.0</b>	<b>-\$2,254.2</b>	<b>-8.1%</b>

<sup>(1)</sup> The General Assembly reduced the allowance in the Rainy Day Fund by \$69 million but provided authorization for those funds to be used for a variety of purposes. However, spending the \$69 million is at the discretion of the Governor.

<sup>(2)</sup> Includes the Historic Revitalization Tax Credit Reserve Fund. Fiscal 2023 includes \$1.3 billion budgeted in the Dedicated Purpose Account of which \$10 million is for the Historic Revitalization Tax Credit Reserve Fund.

<sup>(3)</sup> The fiscal 2023 legislative appropriation for the Reserve Funds excludes \$370 million budgeted in the Dedicated Purpose Account in Supplemental Budget No. 5. The amount is included in various other categories where it is intended to be transferred by budget amendment.

Note: The fiscal 2022 working appropriation reflects \$33.6 million in targeted reversions. The fiscal 2023 appropriation reflects estimated deficiencies of -\$205.0 million.

**Appendix 4**  
**State Expenditures – Special and Higher Education Funds\***  
**Fiscal 2022-2024**  
**(\$ in Millions)**

<b>Category</b>	<b>2022 Working Appropriation</b>	<b>2023 Legislative Appropriation</b>	<b>2024 Baseline</b>	<b>\$ Change 2023 to 2024</b>	<b>% Change</b>
Debt Service	\$1,574.3	\$1,480.5	\$1,449.5	-\$31.0	-2.1%
County/Municipal	\$460.2	\$492.1	\$551.3	\$59.2	12.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	805.3	875.9	1,298.1	422.2	48.2%
Health	0.0	0.0	0.0	0.0	n/a
<b>Aid to Local Governments</b>	<b>\$1,265.5</b>	<b>\$1,368.0</b>	<b>\$1,849.5</b>	<b>\$481.4</b>	<b>35.2%</b>
Foster Care Payments	\$2.8	\$2.9	\$2.6	-\$0.3	-11.5%
Assistance Payments	14.4	12.7	12.7	0.0	0.0%
Medical Assistance	824.6	754.5	687.9	-66.6	-8.8%
Property Tax Credits	9.9	0.0	0.0	0.0	n/a
<b>Entitlements</b>	<b>\$851.6</b>	<b>\$770.1</b>	<b>\$703.2</b>	<b>-\$66.9</b>	<b>-8.7%</b>
Health	\$466.3	\$582.4	\$718.6	\$136.2	23.4%
Human Services	95.0	147.0	151.5	4.4	3.0%
Juvenile Services	3.4	2.3	2.6	0.3	12.2%
Public Safety/Police	138.5	139.4	168.0	28.6	20.5%
Higher Education	5,215.8	4,921.2	5,178.7	257.6	5.2%
Other Education	101.9	189.3	279.8	90.5	47.8%
Transportation	2,011.6	1,879.5	2,277.8	398.3	21.2%
Agriculture/Natural Res./Environment	288.7	337.8	360.1	22.4	6.6%
Other Executive Agencies	1,072.6	1,137.0	1,138.1	1.0	0.1%
Judiciary	67.6	64.5	81.6	17.1	26.5%
<b>State Agencies</b>	<b>\$9,461.4</b>	<b>\$9,400.4</b>	<b>\$10,356.8</b>	<b>\$956.5</b>	<b>10.2%</b>
<b>Total Operating</b>	<b>\$13,152.9</b>	<b>\$13,019.0</b>	<b>\$14,358.9</b>	<b>\$1,340.0</b>	<b>10.3%</b>
Capital	\$2,093.2	\$1,665.7	\$2,143.9	\$478.2	28.7%
Transportation	1,557.2	1,090.4	1,267.8	177.4	16.3%
Environment	259.8	217.4	162.0	-55.4	-25.5%
Other	276.2	357.9	714.1	356.2	99.5%
<b>Subtotal</b>	<b>\$15,246.0</b>	<b>\$14,684.7</b>	<b>\$16,502.9</b>	<b>\$1,818.2</b>	<b>12.4%</b>
Reserve Funds	0.0	0.0	0.0	0.0	n/a
<b>Grand Total</b>	<b>\$15,246.0</b>	<b>\$14,684.7</b>	<b>\$16,502.9</b>	<b>\$1,818.2</b>	<b>12.4%</b>

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

Note: The fiscal 2023 appropriation reflects estimated deficiencies of \$61.1 million. Fiscal 2022 excludes \$20.7 million, 2023 excludes \$195.9 million, and 2024 excludes \$177.0 million that double counts other spending.

**Appendix 5**  
**State Expenditures – Federal Funds**  
**Fiscal 2022-2024**  
**(\$ in Millions)**

<b><u>Category</u></b>	<b><u>2022 Working Appropriation</u></b>	<b><u>2023 Legislative Appropriation</u></b>	<b><u>2024 Baseline</u></b>	<b><u>\$ Change 2023 to 2024</u></b>	<b><u>% Change</u></b>
Debt Service	\$11.0	\$9.0	\$7.0	-\$2.0	-21.7%
County/Municipal	\$74.7	\$74.8	\$74.8	\$0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	3,599.9	1,072.6	1,026.6	-46.0	-4.3%
Health	13.5	0.0	0.0	0.0	n/a
<b><i>Aid to Local Governments</i></b>	<b><i>\$3,688.1</i></b>	<b><i>\$1,147.4</i></b>	<b><i>\$1,101.4</i></b>	<b><i>-\$46.0</i></b>	<b><i>-4.0%</i></b>
Foster Care Payments	\$90.8	\$76.7	\$79.3	\$2.6	3.3%
Assistance Payments	4,296.3	2,038.0	1,345.5	-692.5	-34.0%
Medical Assistance	9,188.0	9,061.2	8,118.3	-943.0	-10.4%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
<b><i>Entitlements</i></b>	<b><i>\$13,575.1</i></b>	<b><i>\$11,176.0</i></b>	<b><i>\$9,543.1</i></b>	<b><i>-\$1,632.9</i></b>	<b><i>-14.6%</i></b>
Health	\$2,703.5	\$2,201.0	\$1,923.1	-\$277.9	-12.6%
Human Services	710.8	606.3	627.3	21.0	3.5%
Juvenile Services	5.5	6.9	7.4	0.5	7.2%
Public Safety/Police	390.3	38.5	43.9	5.4	13.9%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	844.4	415.5	351.3	-64.2	-15.4%
Transportation	227.5	419.7	194.8	-225.0	-53.6%
Agriculture/Natural Res./Environment	84.9	83.0	91.0	8.0	9.6%
Other Executive Agencies	2,613.6	1,101.3	913.1	-188.2	-17.1%
Judiciary	6.6	0.8	0.8	0.0	3.0%
<b><i>State Agencies</i></b>	<b><i>\$7,586.9</i></b>	<b><i>\$4,873.0</i></b>	<b><i>\$4,152.7</i></b>	<b><i>-\$720.3</i></b>	<b><i>-14.8%</i></b>
<b>Total Operating</b>	<b>\$24,861.1</b>	<b>\$17,205.4</b>	<b>\$14,804.1</b>	<b>-\$2,401.2</b>	<b>-14.0%</b>
Capital	\$1,534.9	\$1,642.9	\$1,528.2	-\$114.7	-7.0%
Transportation	1,314.4	1,244.0	1,242.6	-1.4	-0.1%
Environment	58.8	213.5	230.3	16.8	7.9%
Other	161.7	185.5	55.4	-130.1	-70.1%
<b><i>Subtotal</i></b>	<b><i>\$26,396.0</i></b>	<b><i>\$18,848.3</i></b>	<b><i>\$16,332.4</i></b>	<b><i>-\$2,515.9</i></b>	<b><i>-13.3%</i></b>
Reserve Funds	108.1	171.2	0.0	-171.2	-100.0%
<b>Grand Total</b>	<b>\$26,504.1</b>	<b>\$19,019.5</b>	<b>\$16,332.4</b>	<b>-\$2,687.2</b>	<b>-14.1%</b>

Note: The fiscal 2023 appropriation reflects estimated deficiencies of \$627.8 million.

**Appendix 6**  
**State Expenditures – State Funds**  
**Fiscal 2022-2024**  
(\$ in Millions)

<b>Category</b>	<b>2022 Working Appropriation</b>	<b>2023 Legislative Appropriation</b>	<b>2023 Legislative Priorities <sup>(1)</sup></b>	<b>Adjusted 2023 Legislative Appropriation</b>	<b>2024 Baseline</b>	<b>\$ Change 2023 to 2024</b>	<b>% Change</b>
Debt Service	\$1,834.3	\$1,910.5	\$0.0	\$1,910.5	\$1,931.5	\$21.0	1.1%
County/Municipal	\$774.9	\$880.6	\$0.0	\$880.6	\$892.0	\$11.3	1.3%
Community Colleges	371.5	435.3	0.0	435.3	458.3	23.0	5.3%
Education/Libraries	7,406.5	7,996.9	0.0	7,996.9	8,432.9	436.0	5.5%
Health	60.4	104.0	0.0	104.0	113.9	9.9	9.5%
<b>Aid to Local Governments</b>	<b>\$8,613.4</b>	<b>\$9,416.9</b>	<b>\$0.0</b>	<b>\$9,416.9</b>	<b>\$9,897.1</b>	<b>\$480.2</b>	<b>5.1%</b>
Foster Care Payments	\$218.0	\$237.5	\$0.0	\$237.5	\$253.2	\$15.7	6.6%
Assistance Payments	118.8	141.4	0.0	141.4	90.8	-50.7	-35.8%
Medical Assistance	4,803.3	5,028.5	0.0	5,028.5	5,495.6	467.1	9.3%
Property Tax Credits	112.8	105.3	0.0	105.3	82.2	-23.1	-21.9%
<b>Entitlements</b>	<b>\$5,252.9</b>	<b>\$5,512.7</b>	<b>\$0.0</b>	<b>\$5,512.7</b>	<b>\$5,921.8</b>	<b>\$409.1</b>	<b>7.4%</b>
Health	\$2,195.4	\$2,685.6	\$8.5	\$2,694.1	\$2,891.4	\$197.3	7.3%
Human Services	493.5	554.2	0.0	554.2	611.5	57.3	10.3%
Juvenile Services	258.3	284.4	0.0	284.4	317.9	33.5	11.8%
Public Safety/Police	1,410.8	1,780.3	1.5	1,781.8	2,070.1	288.3	16.2%
Higher Education	6,759.7	6,708.6	0.0	6,708.6	7,429.8	721.2	10.8%
Other Education	706.0	901.8	0.0	901.8	942.8	41.0	4.5%
Transportation	2,011.6	1,879.5	0.0	1,879.5	2,277.8	398.3	21.2%
Agriculture/Natural Res./Environment	461.4	514.9	1.5	516.4	594.5	78.2	15.1%
Other Executive Agencies	2,222.0	3,033.3	53.8	3,087.0	2,394.3	-692.7	-22.4%
Judiciary	654.1	695.5	0.0	695.5	752.9	57.5	8.3%
Legislative	106.2	136.0	0.0	136.0	147.5	11.5	8.5%
<b>State Agencies</b>	<b>\$17,278.9</b>	<b>\$19,173.8</b>	<b>\$65.3</b>	<b>\$19,239.1</b>	<b>\$20,430.5</b>	<b>\$1,191.5</b>	<b>6.2%</b>
<b>Total Operating</b>	<b>\$32,979.6</b>	<b>\$36,013.9</b>	<b>\$65.3</b>	<b>\$36,079.1</b>	<b>\$38,180.9</b>	<b>\$2,101.8</b>	<b>5.8%</b>
Capital <sup>(2)</sup>	\$2,551.9	\$3,928.7	\$3.8	\$3,932.4	\$2,810.5	-\$1,121.9	-28.5%
Transportation	1,587.4	1,267.4	0.0	1,267.4	1,434.8	167.4	13.2%
Environment	260.5	217.4	0.0	217.4	162.0	-55.4	-25.5%
Other	703.9	2,443.8	3.8	2,447.5	1,213.7	-1,233.9	-50.4%
<b>Subtotal</b>	<b>\$35,531.4</b>	<b>\$39,942.5</b>	<b>\$69.0</b>	<b>\$40,011.5</b>	<b>\$40,991.4</b>	<b>\$979.9</b>	<b>2.4%</b>
Reserve Funds <sup>(3)</sup>	\$879.6	\$2,606.3	-\$69.0	\$2,537.3	\$1,111.4	-\$1,425.9	-56.2%
<b>Appropriations</b>	<b>\$36,411.1</b>	<b>\$42,548.8</b>	<b>\$0.0</b>	<b>\$42,548.8</b>	<b>\$42,102.8</b>	<b>-\$446.0</b>	<b>-1.0%</b>
Reversions	-\$35.0	-\$45.0	\$0.0	-\$45.0	-\$35.0	\$10.0	-22.2%
<b>Grand Total</b>	<b>\$36,376.1</b>	<b>\$42,503.8</b>	<b>\$0.0</b>	<b>\$42,503.8</b>	<b>\$42,067.8</b>	<b>-\$436.0</b>	<b>-1.0%</b>

<sup>(1)</sup> The General Assembly reduced the allowance in the Rainy Day Fund by \$69 million but provided authorization for those funds to be used for a variety of purposes. However, spending the \$69 million is at the discretion of the Governor.

<sup>(2)</sup> Includes the Historic Revitalization Tax Credit Reserve Fund. Fiscal 2023 includes \$1.3 billion budgeted in the Dedicated Purpose Account of which \$10 million is for the Historic Revitalization Tax Credit Reserve Fund.

**Appendix 7**  
**State Expenditures – All Funds**  
**Fiscal 2022-2024**  
(\$ in Millions)

<u>Category</u>	<b>2022 Working Appropriation</b>	<b>2023 Legislative Appropriation</b>	<b>2023 Legislative Priorities <sup>(1)</sup></b>	<b>Adjusted 2023 Legislative Appropriation</b>	<b>2024 Baseline</b>	<b>\$ Change 2023 to 2024</b>	<b>% Change</b>
Debt Service	\$1,845.3	\$1,919.5	\$0.0	\$1,919.5	\$1,938.5	\$19.1	1.0%
County/Municipal	\$849.7	\$955.4	\$0.0	\$955.4	\$966.8	\$11.3	1.2%
Community Colleges	371.5	435.3	0.0	435.3	458.3	23.0	5.3%
Education/Libraries	11,006.4	9,069.5	0.0	9,069.5	9,459.5	390.0	4.3%
Health	73.9	104.0	0.0	104.0	113.9	9.9	9.5%
<b>Aid to Local Governments</b>	<b>\$12,301.5</b>	<b>\$10,564.3</b>	<b>\$0.0</b>	<b>\$10,564.3</b>	<b>\$10,998.5</b>	<b>\$434.2</b>	<b>4.1%</b>
Foster Care Payments	\$308.8	\$314.2	\$0.0	\$314.2	\$332.5	\$18.2	5.8%
Assistance Payments	4,415.1	2,179.4	0.0	2,179.4	1,436.2	-743.2	-34.1%
Medical Assistance	13,991.3	14,089.7	0.0	14,089.7	13,613.9	-475.8	-3.4%
Property Tax Credits	112.8	105.3	0.0	105.3	82.2	-23.1	-21.9%
<b>Entitlements</b>	<b>\$18,828.0</b>	<b>\$16,688.7</b>	<b>\$0.0</b>	<b>\$16,688.7</b>	<b>\$15,464.8</b>	<b>-\$1,223.9</b>	<b>-7.3%</b>
Health	\$4,898.8	\$4,886.5	\$8.5	\$4,895.0	\$4,814.4	-\$80.6	-1.6%
Human Services	1,204.2	1,160.4	0.0	1,160.4	1,238.8	78.4	6.8%
Juvenile Services	263.8	291.3	0.0	291.3	325.3	34.0	11.7%
Public Safety/Police	1,801.1	1,818.8	1.5	1,820.3	2,114.0	293.7	16.1%
Higher Education	6,759.7	6,708.6	0.0	6,708.6	7,429.8	721.2	10.8%
Other Education	1,550.4	1,317.3	0.0	1,317.3	1,294.1	-23.2	-1.8%
Transportation	2,239.1	2,299.2	0.0	2,299.2	2,472.6	173.3	7.5%
Agriculture/Natural Res./Environment	546.3	597.9	1.5	599.4	685.5	86.2	14.4%
Other Executive Agencies	4,835.6	4,134.5	53.8	4,188.3	3,307.4	-880.9	-21.0%
Judiciary	660.7	696.2	0.0	696.2	753.8	57.5	8.3%
Legislative	106.2	136.0	0.0	136.0	147.5	11.5	8.5%
<b>State Agencies</b>	<b>\$24,865.8</b>	<b>\$24,046.8</b>	<b>\$65.3</b>	<b>\$24,112.1</b>	<b>\$24,583.2</b>	<b>\$471.1</b>	<b>2.0%</b>
<b>Total Operating</b>	<b>\$57,840.7</b>	<b>\$53,219.2</b>	<b>\$65.3</b>	<b>\$53,284.5</b>	<b>\$52,985.1</b>	<b>-\$299.4</b>	<b>-0.6%</b>
Capital <sup>(2)</sup>	\$4,086.7	\$5,571.6	\$3.8	\$5,575.4	\$4,338.7	-\$1,236.6	-22.2%
Transportation	2,901.8	2,511.4	0.0	2,511.4	2,677.4	166.0	6.6%
Environment	319.3	451.1	0.0	451.1	402.2	-48.9	-10.8%
Other	865.6	2,609.1	3.8	2,612.8	1,259.1	-1,353.7	-51.8%
<b>Subtotal</b>	<b>\$61,927.4</b>	<b>\$58,790.8</b>	<b>\$69.0</b>	<b>\$58,859.8</b>	<b>\$57,323.8</b>	<b>-\$1,536.1</b>	<b>-2.6%</b>
Reserve Funds <sup>(3)</sup>	\$987.7	\$2,777.5	-\$69.0	\$2,708.5	\$1,111.4	-\$1,597.1	-59.0%
<b>Appropriations</b>	<b>\$62,915.2</b>	<b>\$61,568.4</b>	<b>\$0.0</b>	<b>\$61,568.4</b>	<b>\$58,435.2</b>	<b>-\$3,133.2</b>	<b>-5.1%</b>
Reversions	-\$35.0	-\$45.0	\$0.0	-\$45.0	-\$35.0	\$10.0	-22.2%
<b>Grand Total</b>	<b>\$62,880.2</b>	<b>\$61,523.4</b>	<b>\$0.0</b>	<b>\$61,523.4</b>	<b>\$58,400.2</b>	<b>-\$3,133.2</b>	<b>-5.1%</b>

<sup>(1)</sup> The General Assembly reduced the allowance in the Rainy Day Fund by \$69 million but provided authorization for those funds to be used for a variety of purposes. However, spending the \$69 million is at the discretion of the Governor.

<sup>(2)</sup> Includes the Historic Revitalization Tax Credit Reserve Fund. Fiscal 2023 includes \$1.3 billion budgeted in the Dedicated Purpose Account of which \$10 million is for the Historic Revitalization Tax Credit Reserve Fund.

<sup>(3)</sup> The fiscal 2023 legislative appropriation for the Reserve Funds excludes \$370 million budgeted in the Dedicated Purpose Account in Supplemental Budget No. 5. The amount is included in various other categories where it is intended to be transferred by budget amendment.

Note: The fiscal 2022 working appropriation includes \$33.6 million in targeted reversions. The fiscal 2023 appropriation includes estimated deficiencies of \$483.9 million. Fiscal 2022 excludes \$20.7 million, 2023 excludes \$195.9 million, and 2024 excludes \$177.0 million of special funds that double counts other spending.

**Appendix 8**  
**\$497.2 Million in Potential Fiscal 2023 General Fund Spending Is More Than**  
**Offset By \$702.2 Million in Potential Savings**  
**(\$ in Millions)**

<b>Bond Premium Shortfall:</b> Lower than anticipated bond premiums for capital due to higher interest rates (\$220.0 million)	\$220.0
<b>Personnel Actions:</b> 4.5% general salary increase effective November 1, 2022	126.2
<b>Agency Operating Expenses:</b> Health insurance costs (\$40.0 million), Developmental Disabilities Administration audit disallowance (\$34.2 million), impacts of inflation on certain expenses (\$19.7 million), Neighborhood Safety Grants in the Department of Housing and Community Development (\$10.0 million), extension of contract for legacy child support system during transition (\$4.9 million), one-time costs for overtime and contractual full-time equivalents in the Maryland State Police (\$4.5 million), shortfall in Higher Education Investment Funds (\$3.6 million), case related expenses for the Office of Public Defender (\$1.5 million), anticipated and approved awards for erroneous convictions (\$1.3 million), overtime expenses in the Department of Juvenile Services based on recent experience (\$1.2 million), higher than expected costs for paper ballots (\$0.9 million), partially offset by overestimated statewide salary expenses from prior cost-of-living adjustments and increments (-\$9.6 million) and lower than expected contract cost for food at correctional institutions (-\$4.7 million)	107.5
<b>Fiscal 2022 Expenses:</b> Local Law Enforcement Grants and Baltimore City Crime Prevention Initiative Grant funding inadvertently reverted (\$14.9 million), funds for repayment of Local Reserve Account related to Chapter 717 and 718 of 2021 which were inadvertently reverted (\$9.2 million), shortfall in the Comptroller's Office for contracts and RELIEF payments (\$3.1 million), case-related expenses in the Office of Public Defender (\$1.5 million)	28.7
<b>Legislation:</b> Additional funding required for \$500 bonus for noncertificated employees due to Chapter 511 of 2022 (\$11.0 million), increased cost of juror per diems due to Chapter 546 of 2022 (\$3.2 million), funding for St. Mary's College of Maryland for a fiscal 2023 general salary increase due to Chapter 607 of 2022 (\$0.5 million)	14.8
<b>Entitlement Spending Based on Caseload Trends:</b> Higher than anticipated enrollment in Medicaid and Maryland Children's Health Program due to extension of national public health emergency and lower than expected availability of special funds (\$58.6 million), more than offset by anticipated lower spending on fiscal 2022 bills in Medicaid and the Behavioral Health Administration (BHA) (-\$60.0 million), BHA provider reimbursements due to caseload mix and utilization trends (-\$15.7 million), lower than expected foster care caseloads (-\$5.9 million), lower than expected caseloads for public benefits (-\$5.1 million)	-28.2
<b>Vacancy Savings</b>	-143.7
<b>Savings Due to Available Federal Funds:</b> Savings associated with three quarters of Enhanced Federal Medical Assistance Percentage due to extension of national public health emergency	-530.4
<b>Total Deficiencies</b>	<b>-\$205.0</b>

## Appendix 9

### Summary of Baseline Budget Growth Compared to Adjusted Legislative Appropriation

Entitlements	\$476.0
State Agency Costs	235.0
Debt Service	52.0
Local Aid	-1.2
<b>Growth in Operating Budget, Including anticipated Deficiencies</b>	<b>\$761.8</b>
Appropriation to Reserve Fund	-\$1,425.9
PAYGO	-1,600.1
Reversions	10.0
<b>Total Baseline Increase in State Expenditures</b>	<b>-\$2,254.2</b>

#### Ongoing Requirements/Entitlements

Medical Assistance Provider Reimbursements Primarily Due to the End of the Enhanced Federal Match and Provider Rate Increases Partially Offset by Enrollment Declines	\$533.7
Debt Service	52.0
Foster Care Maintenance Payments Primarily Due to Caseload Changes and Provider Rate Increase	16.0
One-time Deficiency Related to Repayment of Local Reserve Account Due to Chapters 717 and 718 of 2021	-9.9
Tax Credits Primarily Due to Homeowner's Tax Credit to Align with Recent Experience	-13.2
Assistance Payments Primarily Due to an anticipated Full Year of Benefits under the Supplemental SNAP for Seniors Program After Suspension during Emergency Allotments and Caseload Changes for TDAP Partially Offset by Caseload Declines for TCA	-15.7
One-time Funding in Dedicated Purpose Account to Provide Additional Benefits for TCA and TDAP Recipients	-35.0
	<b>\$528.0</b>

#### Local Aid

Community College Formula and Other Grants	\$23.0
Disparity Grant	21.9
Education and Library Aid	22.8
Local Health Department Funding Due to Salary Adjustments and Formula Growth	9.9
Other Local Aid: DNR (\$0.07), Epolbook Major IT Project Funding Based on Project Schedule (-\$1.3 Million)	-1.3
One-time Supplemental and Dedicated Purpose Account Funding: Disparity Grant (-\$15.4 Million), Education Aid (-\$9.0 Million), Grants to Police Departments (-\$6.0 Million), Baltimore Police Department for Warrant Apprehension Activities (-\$1.3 Million), State Center Redevelopment (-\$0.5 Million)	-32.1
State Aid for Police Protection Fiscal 2023 Enhancement Funding Partially Offset by Formula Growth	-45.3
	<b>-\$1.2</b>

#### State Agency Costs

##### Statewide Personnel and Standard Inflation Adjustments

Increments	\$114.9
Annualization of 4.5% General Salary Increase from November 2022, Accounting for Replacement of Fiscal Responsibility Fund	101.5
2% General Salary Increase for Fiscal 2024	94.1



Funding to Support Filling Vacant Positions	61.3
Health insurance Excludes Higher Education	51.3
Pension Contribution Changes	17.4
Anticipated Annual Salary Review Adjustments	16.0
FAMLI Contribution for State Employees	13.5
5% General Salary Increase for SLEOLA Members	3.3
	<b>\$473.4</b>

### **Impact of Legislation**

Chapter 39 of 2022 Great Maryland Outdoors Act Operating Impacts for DNR (\$15.2 Million), MDA (\$7.5 Million), and DGS (\$1.0 Million)	\$23.6
Chapters 736 and 737 of 2022 DDA – Self Directed Services for Operating Expenses, Training, and Services	15.0
Chapter 23 of 2022 Maryland Student Investment Act for Educational Excellence Awards (\$12.0 Million), Conroy Scholarship (\$1.0 Million), New James Proctor Scholarship (\$0.4 Million), College Access Pilot Program (\$0.3 Million)	13.7
Chapter 22 of 2022 Discharge Permits – Inspections and Administrative Continuation for New Positions and Administrative Costs in MDE	5.2
Chapter 38 of 2022 Climate Solutions Now Act Due to Operating Expenses in DHCD and MDE (\$1.6 Million) and New Mandates Partially Offset by Fiscal 2023 Funding Restricted in the Rainy Day Fund in MEA (\$1.3 Million), DNR (\$0.4 Million), and MDA (\$0.1 Million)	3.4
Chapters 30 and 574 of 2022 Oyster Spat, Shells, Substrate for DNR (\$2.0 Million) and MDA (\$1.0 Million)	3.0
Chapter 269 of 2022 Fair Hill Improvement Fund	1.8
Chapters 665 and 666 of 2022 Power to the People Pilot Program and Uniform Redetermination Process in DHS	1.4
Chapter 494 of 2022 Infant and Early Childhood Mental Health Support Services Program in MSDE	1.4
Chapter 546 of 2022 to annualize the Increase of Per Diem Expenses for Jurors	1.1
Chapter 358 of 2022 Winery and Vineyard Economic Development Grant Program in Commerce	1.0
Chapter 322 of 2022 Maryland Makerspace initiative Program in TEDCO	1.0
Chapter 403 of 2022 Career Pathways for Health Care Workers Program in MDL	1.0
Chapter 731 of 2022 Post Traumatic Stress Disorder and Traumatic Brain Injury Alternative Therapies Fund in MDH	1.0
Chapters 461 and 362 of 2022 Maryland Alcohol Manufacturing Promotion Fund Use of Special Funds in Fiscal 2024 Rather Than General Funds in Fiscal 2023	-0.3
One-time Costs in the Judiciary and Department of Legislative Services Related to Chapter 26 of 2022 (Cannabis Reform) and Chapter 39 of 2022 (Great Maryland Outdoors Act)	-3.7
Chapter 466 of 2022 Child Care Capital Support Revolving Loan Fund Mandate More Than Offset by Funding Provided in Fiscal 2023 for This Purpose	-4.7
Chapter 48 of 2022 FAMLI Program Administrative Expenses in MDL More Than Offset by Funding Restricted in the Rainy Day Fund in Fiscal 2023 and Use of Special Funds for Some Costs in Fiscal 2024	-6.8
Chapter 40 of 2022 Access to Counsel in Evictions Special Fund Creation Leads to Elimination of General Funds for This Purpose in Fiscal 2023	-10.0
Chapters 62 and 63 of 2022 Western Maryland Economic Future Investment Fund Mandate More Than Offset by Funding Provided in the Dedicated Purpose Account in Fiscal 2023	-10.0
Other New Mandates and Select Legislation	7.9
	<b>\$46.1</b>

**One-time Funding from Supplemental Budgets**

One-time Funding Provided in Supplemental Budgets to State Agencies: Commerce (-\$54.3 Million), MSDE (-\$23.9 Million), DHCD (-\$20 Million), MDH (-\$13.9 Million), TEDCO (-\$10.5 Million), Maryland Institute for Emergency Medical Services Systems (-\$10.5 Million), Office of Attorney General (-\$3.5 Million), and Other Agencies (\$3.7 Million)	-140.7
One-time Funding in the Dedicated Purpose Account in Supplemental Budget No. 5 Partially Offset by Ongoing Items for State Agencies	-260.6
	<b>-\$401.4</b>

**Other Major Agency Programmatic and Operating Expenses**

Public Higher Education including Mandate Changes, Fund Swap to General Funds, Formula Increases for St. Mary's College of Maryland and Baltimore City Community College, and Other Operating Expenses	\$ 84.1
MDH: Elimination of Enhanced Federal Match in DDA (\$70.2 Million), Mandated Provider Rate Increase in DDA (\$35.3 Million), Increase for Enrollment and Utilization in DDA (\$17.5 Million), 10 New Positions in the Office of Health Care Quality Due to Chapter 454 of 2018 (\$1.1 Million), Partially Offset by Lower Anticipated Costs of Provider Reimbursements in BHA for State Funded Services (-\$18.1 Million), and One-time Expense for an Audit Disallowance in DDA (-\$34.2 Million)	71.7
DPSCS: Correctional Officer Bonuses for Retention and Longevity	15.3
Sellinger Formula Growth	12.3
DHS: Increased Funding for Montgomery County Block Grant to Account for State Employee Compensation Changes (\$15.0 Million) Partially Offset by a One-time Deficiency Costs Due to Extension of Contract for Legacy Child Support System (-\$4.9 Million)	10.1
Commerce: Anticipated Program Activity for More Jobs for Marylanders (\$7.4 Million) and Maryland State Arts Council Formula (\$1.9 Million) Partially Offset by Baltimore Symphony Orchestra (-\$0.3 Million) and Downtown Partnership (-\$0.5 Million)	8.8
MSDE: Autism Waiver (\$5.7 Million), Blueprint Teacher Training (\$2.1 Million) Partially Offset by Goodwill Excel Center Funding (-\$0.5 Million)	7.2
BPW: Grants for Erroneous Convictions Based on Anticipated Awards	-1.7
DoIT: Radio Contract Due to Increased Users and Contracts off Warranty (\$1.6 Million) More Than Offset by Major Information Technology Project Development Fund Costs in Fiscal 2024 (-\$3.6 Million)	-2.0
MDA: One-time Increase for the Rural Maryland Prosperity Investment Fund	-3.0
Maryland Department of Emergency Management: Maryland Mesonet	-3.5
Maryland State Police: One-time Deficiency Appropriation for Overtime and Contractual Full-time Equivalents	-4.5
One-time Deficiency Appropriations in the Office of Public Defender and Comptroller's Office Related to Fiscal 2022 Expenses	-4.6
SBE: One-time Deficiency Appropriation Due to Higher Than Anticipated Paper Ballot Costs (-\$0.9 Million) and Contribution to Fair Campaign Financing Fund Not Required in Fiscal 2024	-4.9
MHEC: One-time Lawyer Fees (Chapter 41 of 2021)	-22.0
GOCPYVS: One-time Deficiency Appropriations Due to Funds Inadvertently Reverted for Local Law Enforcement Grants and Baltimore City Crime Prevention Initiative (-\$14.9 Million) and Victims of Crime Assistance Fiscal 2023 Additional Funds (-\$24.4 Million)	-39.3
Other Agency Personnel and Operating Expenses	-7.3
	<b>\$116.9</b>

**Reserve Fund**

Dedicated Purpose Account: Equity investment Fund (\$10 Million), More Than Offset by Decreased or Eliminated Funding Including Cybersecurity (\$100.0 Million); Program Open Space Repayment (-\$30.5 Million); One-time Funding for Food Banks (-\$10 Million); and Pension Sweeper (-\$10 Million).	-\$140.5
Rainy Day Fund Appropriation	-1,285.4
	<b>-\$1,425.9</b>

**PAYGO**

New or Changed Mandates: Chapter 39 of 2022 Maryland Great Outdoors Act (\$128.9 Million); Chapter 32 of 2022 for Healthy School Facilities Fund (\$50 Million); Chapters 449 and 450 of 2022 Altering Mandates Related to the Historic Revitalization Tax Credit (\$10.0 Million); Chapters 30 and 574 of 2022 for Patuxent Environmental and Aquatic Research Laboratory and Oyster Restoration and Replenishment Activities in Eastern Bay (\$4.5 Million); Chapter 29 of 2022 Increases the Mandate for the African American Heritage Preservation Program (\$4.0 Million); and Chapter 38 of 2022 Climate Solutions Now Act for a New Energy Efficiency and Renewable Energy Grant Program in the DHCD Partially Offset by Funds Restricted in the Rainy Day Fund for This Purpose in Fiscal 2023 (\$1.3 Million)	\$208.6
MDE Matching Funds Related to the IJJA	1.3
DNR Purchase of Helicopter for Natural Resources Police	-6.2
Maryland Department of Emergency Management: Capitalization of Resilient Maryland Revolving Loan Fund	-25.0
One-time Deficiency to Address Bond Premium Shortfall	-220.0
DHCD, MDE, and Various Public School Construction Programs Based on Capital Improvement Program	-232.4
Dedicated Purpose Account PAYGO: New Veterans Home (-\$63.3 Million) and Facilities Renewal (-\$200.0 Million)	-263.3
One-time PAYGO Provided by Supplemental Budget: Dedicated Purpose Account (-\$822.0 Million), DGS (-\$230.7 Million), DPSCS (-\$4.4 Million), Maryland School for the Deaf (-\$3.2 Million), Department of Juvenile Services (-\$1.9 Million), and MDH (-\$1.0 Million)	-1,063.2
	<b>-\$1,600.1</b>

**Reversions****\$10.0****Total****-\$2,254.2**

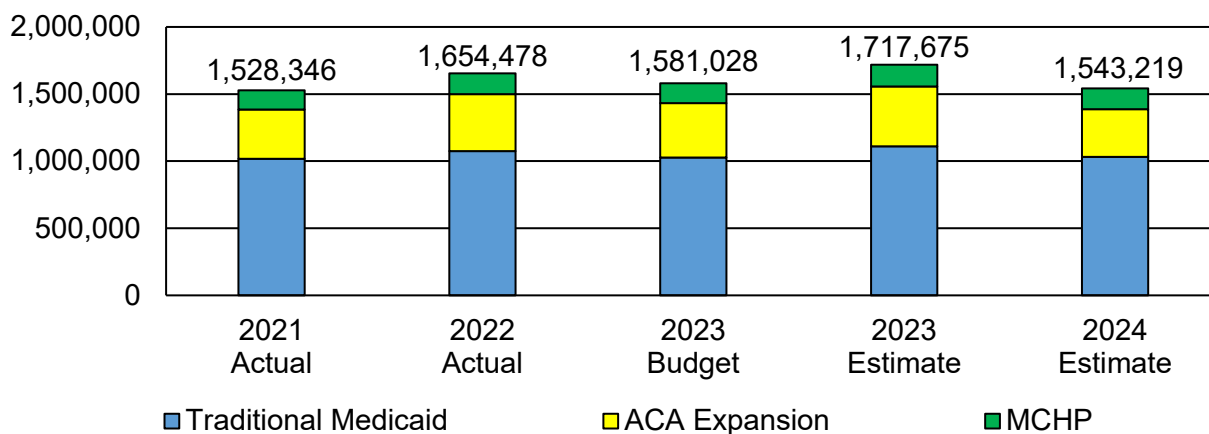
BHA: Behavioral Health Administration  
 BPW: Board of Public Works  
 DDA: Developmental Disabilities Administration  
 DGS: Department of General Services  
 DHCD: Department of Housing and Community Development  
 DHS: Department of Human Services  
 DNR: Department of Natural Resources  
 DoIT: Department of Information Technology  
 DPSCS: Department of Public Safety and Correctional Services  
 FAMLI: Family and Medical Leave insurance  
 GOCPYVS: Governor's Office of Crime Prevention, Youth, and Victim Services  
 IJJA: Infrastructure investment and Jobs Act

IT: information technology  
 MDA: Maryland Department of Agriculture  
 MDE: Maryland Department of the Environment  
 MDH: Maryland Department of Health  
 MDL: Maryland Department of Labor  
 MEA: Maryland Energy Administration Services Systems  
 MHEC: Maryland Higher Education Commission  
 MSDE: Maryland State Department of Education  
 PAYGO: pay-as-you-go  
 SBE: State Board of Elections  
 SLEOLA: State Law Enforcement Officers Labor Alliance  
 SNAP: Supplemental Nutrition Assistance Program  
 TCA: Temporary Cash Assistance  
 TDAP: Temporary Disability Assistance Program  
 TEDCO: Maryland Technology Development Corporation

## Appendix 10 Medicaid

- As a condition of receiving enhanced federal matching funds during the national COVID-19 public health emergency (PHE), the Maryland Department of Health (MDH) was required to freeze disenrollments (with limited exceptions) in Medicaid and the Maryland Children's Health Program (MCHP). Average monthly Medicaid and MCHP enrollment has continued to grow throughout the PHE, increasing from 1.5 million in fiscal 2021 to 1.65 million in fiscal 2022, an increase of 8%.
- On October 13, 2022, the Secretary of the U.S. Department of Health and Human Services renewed the PHE and set a new termination date in mid-January 2023. MDH plans to resume eligibility redeterminations immediately after the PHE expires. Due to the timing of the resumption of redetermination, the Department of Legislative Services (DLS) fiscal 2023 estimate of average monthly enrollees is 1.7 million, an all-time high for the program and an increase of 4% over fiscal 2022.
- MDH is expected to take 12 months to finish its initial redetermination cycle after the end of the PHE followed by its regular redetermination processes. Therefore, caseloads are expected to fall substantially to 1.5 million enrollees per month in fiscal 2024, a 10% decline compared to estimated fiscal 2023 enrollment.

**Medicaid and MCHP Average Monthly Enrollment  
Fiscal 2021-2024 Estimate**



ACA: Affordable Care Act  
MCHP: Maryland Children's Health Program

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

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**Medical Care Programs Expenditures**  
**Fiscal 2022-2024 Baseline**  
**\$ in Millions**

	<b>Actual 2022</b>	<b>Adjusted 2023</b>	<b>Baseline 2024</b>	<b>\$ Change Adjusted 2023 — 2024 Baseline</b>	<b>% Change</b>
General Funds	\$3,762.6	\$4,321.8	\$4,795.6	\$473.7	11.0%
Special Funds	706.6	742.5	677.2	-65.3	-8.8%
Federal Funds	8,921.6	9,047.4	8,023.8	-1,023.5	-11.3%
<b>Total</b>	<b>\$13,390.8</b>	<b>\$14,111.7</b>	<b>\$13,496.6</b>	<b>-\$615.1</b>	<b>-4.4%</b>

Note: Fiscal 2022 actual expenditures are reduced by \$60 million to account for excess general funds carried over into fiscal 2023. Fiscal 2023 shows the legislative appropriation adjusted for anticipated deficiencies. Data reflects major provider payments only and includes Medicaid-funded behavioral health services.

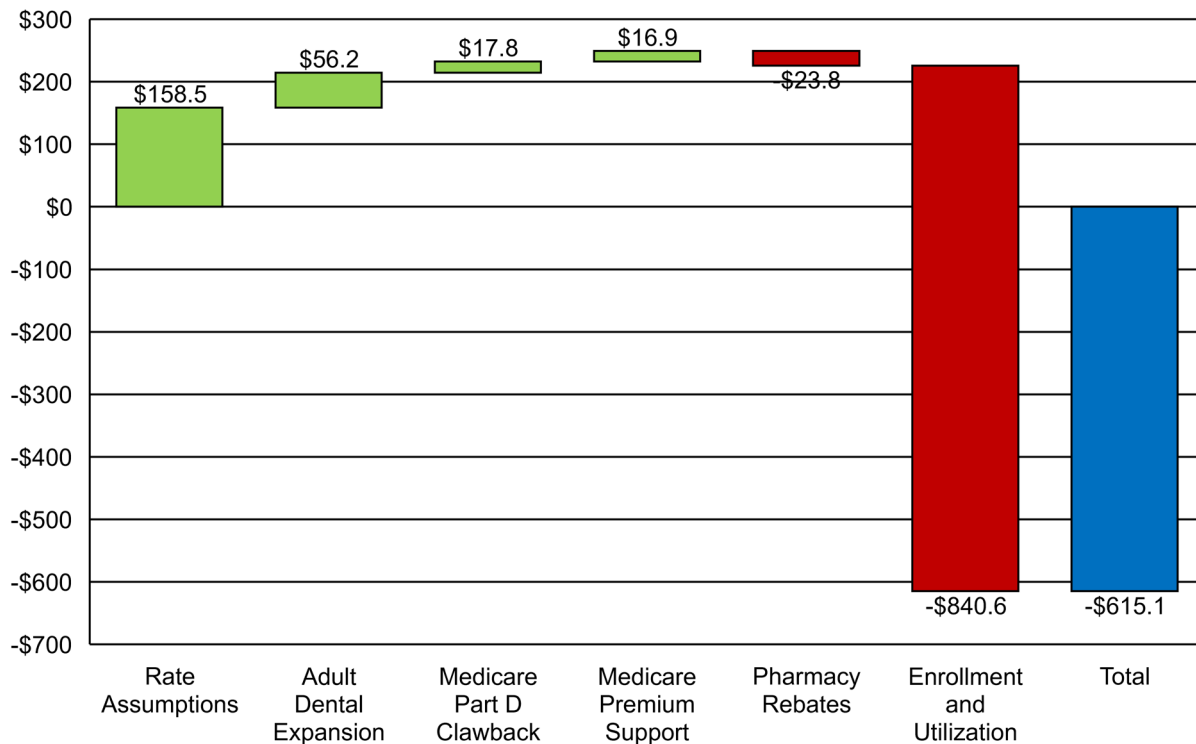
Source: Department of Budget and Management; Department of Legislative Services

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- The largest factor in the net \$615.1 million decline in total fiscal 2024 spending is an \$840.6 million reduction due to changes in enrollment and utilization, driven by the significant decrease in enrollment after the PHE ends.
- A net increase of \$158.5 million in provider rates in the baseline partially offsets this decline. Rate increases are driven by an overall 1.1% increase in Managed Care Organization calendar 2023 rates and a 4% increase in nursing home rates.
- Pursuant to Chapters 10 and 11 of 2018, the baseline includes mandated rate increases for specified Medicaid providers. However, DLS also assumes that rate increases ranging from 5.2% to 5.4% for home- and community-based services (HCBS) funded with a temporary enhanced federal match end in the last quarter of fiscal 2024. MDH also announced a 4% rate increase for HCBS providers under the Medicaid program in fiscal 2023 using the same federal funding source, and the baseline assumes this is a one-time rate increase. If these rates become ongoing once the COVID-19 federal aid expires, then spending on rate adjustments would increase with State funds partially backfilling the federal support.

- Beginning January 1, 2023, Medicaid will cover certain dental services for adults, as required by Chapters 302 and 303 of 2022. The fiscal 2023 budget includes \$76.3 million to begin this expansion, and DLS anticipates that spending will increase by \$56.2 million to annualize this coverage expansion in fiscal 2024.

### Declining Enrollment Following the COVID-19 PHE Drives Net Reduction in Fiscal 2024 Total Fund Spending (\$ in Millions)



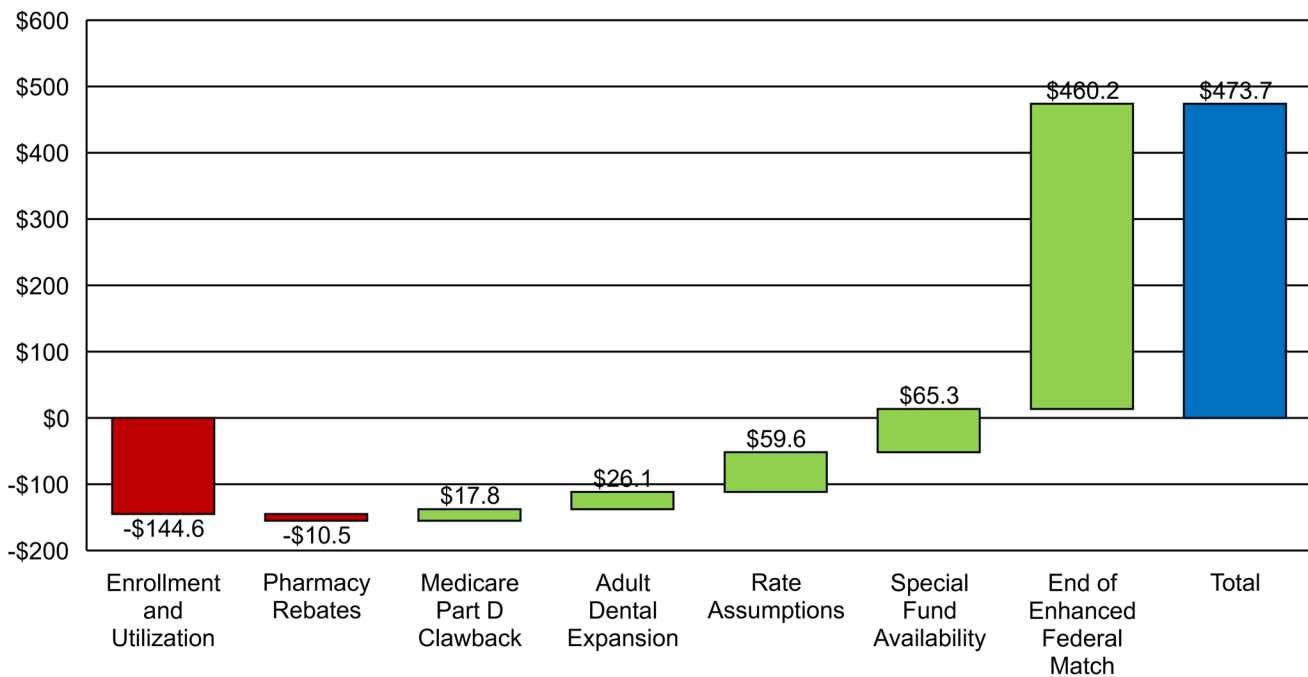
PHE: public health emergency

- Although the national PHE is set to end in mid-January 2023, the Families First Coronavirus Response Act of 2020 authorized states to receive enhanced federal matching funds on Medicaid spending through the last quarter in which the PHE ends. The baseline includes deficiency appropriations totaling \$460.2 million reflecting additional enhanced federal matching funds in the first three quarters of fiscal 2023, which was not anticipated in the budget.
- As shown in the following exhibit, general fund spending in fiscal 2024 reflects a net increase of \$473.7 million, largely backfilling the anticipated enhanced federal matching funds claimed in fiscal 2023.

- Changes in enrollment and utilization reduce fiscal 2024 general fund spending by about \$144.6 million, a lower impact on State funding compared to overall spending due to enrollment mix. The baseline anticipates that adults covered under the Affordable Care Act (ACA) expansion will experience a higher rate of disenrollment than other eligibility groups once the PHE expires. Since the ACA expansion group receives 90% federal matching funds, this causes State funding to be less sensitive to the caseload decline.
- A net reduction of \$65.3 million in special fund availability, primarily attributed to reduced nursing home assessment and Cigarette Restitution Fund spending, will also be backfilled with general funds in fiscal 2024.

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### Backfilling One-time Fiscal 2023 Federal Funding Drives Fiscal 2024 General Fund Growth (\$ in Millions)



## Appendix 11 State Employee Salary Increases

<u>Fiscal Year</u>	<u>Date(s) of Increase</u>	<u>Amount of Increase</u>	<u>Increments</u>	<u>Federal increases<sup>1</sup></u>	<u>Local increases<sup>2</sup></u>
2019	January 1, 2019	2%		1.4%	2%-3%
	April 1, 2019	0.5%			
2020	July 1, 2019	3%		2.6%	1.5%-3%
	January 1, 2020	1% <sup>3</sup>			
2021	January 1, 2021	2%		1%	0%-3%
2022	January 1, 2022	1% <sup>4</sup>	2.4% <sup>(5)</sup>	2.2%	0%-1.5%
2023	July 1, 2022	3%	2.4%	4.6%	2%-4.5%
	November 1, 2022	4.5%			
2024 (Assumed)	July 1, 2023	2%	2.4%		

Note: State Law Enforcement Officers Labor Alliance members received negotiated increases of 5% in fiscal 2020 and 2021, 4% in fiscal 2022, 7% in fiscal 2023, and will receive a 7% increase in fiscal 2024 (in addition to the 4.5% November 2022 increase).

<sup>1</sup> Federal increases are effective January 1 of the year shown. The 2023 increase is proposed. Federal employees are also eligible for step increases that are approximately 3% of the employee's salary. In-grade step increases typically come every year for newer employees and every two to three years for longer tenured employees.

<sup>2</sup> Values shown indicate a range of actions taken by the largest jurisdictions: Anne Arundel County; Baltimore County; Baltimore City; Montgomery County; and Prince George's County. Does not include step or merit increases if awarded.

<sup>3</sup> American Federation of State, County and Municipal Employees (AFSCME) members did not receive this increase.

<sup>4</sup> AFSCME members received an additional 1% cost-of-living adjustment on January 1, 2022.

<sup>5</sup> Increments for all employees were provided January 1, 2022.



## Appendix 12

### Selected Special Funds for Education

(\$ in Millions)

	<b>Fiscal 2021</b>		<b>Fiscal 2022</b>		<b>Percent</b>
	<u>Actual</u>	<u>Estimate</u>	<u>Actual</u>	<u>\$ Diff.</u>	<u>Change</u>
Sales Tax <sup>(1)</sup>	\$423	\$565	\$543	-\$22	28.2%
Casinos	531	588	612	24	15.1%
Sports Wagering	n/a	13	15	2	n/a

	<b>Fiscal 2022</b>		<b>Fiscal 2023 Estimate</b>		<b>Percent</b>
	<u>Actual</u>	<u>March</u>	<u>Sept.</u>	<u>\$ Diff.</u>	<u>Change</u>
Sales Tax <sup>(2)</sup>	\$543	\$588	\$623	\$35	14.8%
Casinos	612	598	616	18	0.8%
Sports Wagering	15	26	42	17	179.6%

	<b>Fiscal 2023</b>		<b>Fiscal 2024 Estimate</b>		<b>Percent</b>
	<u>Sept.</u>	<u>March</u>	<u>Sept.</u>	<u>\$ Diff.</u>	<u>Change</u>
Sales Tax <sup>(2)</sup>	\$623	\$722	\$766	\$44	22.9%
Casinos	616	599	619	20	0.4%
Sports Wagering	42	24	50	26	19.2%

<sup>(1)</sup> Total revenue from sources that are shared with the Blueprint Fund were over the estimate by \$42.9 million in fiscal 2022. HB 1450 (Chapter 33 of 2022) altered the distribution of sales tax revenue to the Blueprint Fund. Because the legislation was effective June 1, it eliminated the distribution to the Blueprint Fund for the last two months of fiscal 2022, resulting in \$112.0 million in revenue going to the General Fund instead.

<sup>(2)</sup> Chapter 33 of 2022 changed the sales tax distribution to The Blueprint for Maryland's Future Fund (BMFF) beginning in fiscal 2023 to a percentage of total net receipts after the distribution of the short-term rental vehicle tax. In fiscal 2023 the percentage is 9.2% rising to 11.0% in fiscal 2024.

Note: The estimate from March 2022 has been adjusted for actions taken at the 2022 legislative session.

Source: Maryland Lottery & Gaming Control Agency; Office of the Comptroller; Board of Revenue Estimates

Appendix 13  
**State Aid by Governmental Entity**  
Amount and Percent of Total  
(\$ in Millions)

	<b><u>FY 2024 State Aid Amount</u></b>	<b><u>Percent of Total</u></b>
Public Schools	\$8,341.6	84.3%
Libraries	91.3	0.9%
Community Colleges	458.3	4.6%
Local Health	113.9	1.2%
County/Municipal	892.0	9.0%
<b>Total</b>	<b>\$9,897.1</b>	<b>100.0%</b>

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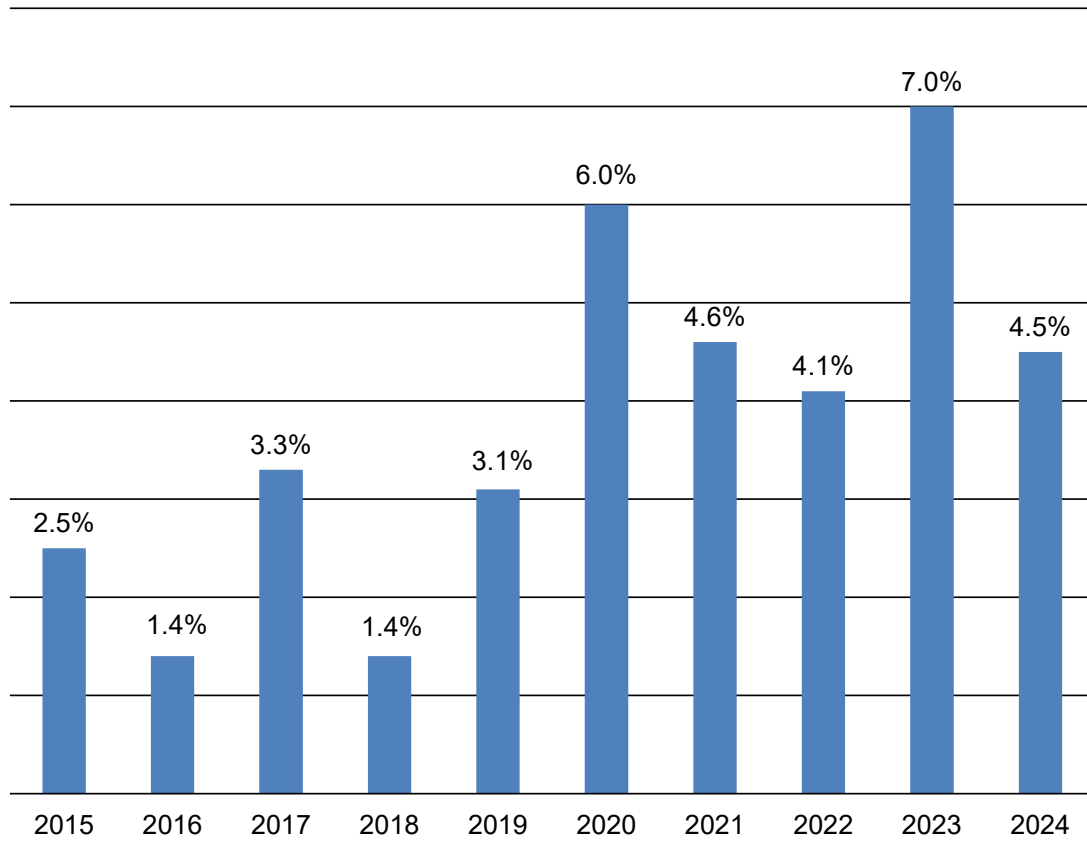
**Change in State Aid**  
(\$ in Millions)

	<b><u>FY 2024 Aid Change</u></b>	<b><u>Percent Change</u></b>
Public Schools	\$388.1	4.9%
Libraries	1.9	2.1%
Community Colleges	23.0	5.3%
Local Health	9.9	9.5%
County/Municipal	7.0	0.8%
<b>Total</b>	<b>\$429.9</b>	<b>4.5%</b>

**Appendix 14**  
**State Aid by Major Programs**  
**Fiscal 2021- 2024**  
**State Funds**  
(\$ in Millions)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Difference</u>	<u>Percent Difference</u>
<b>Public Schools</b>						
Foundation Programs	\$3,502.7	\$3,413.3	\$3,817.4	\$3,917.5	\$100.2	2.6%
Compensatory Aid	1,364.7	1,286.7	1,295.2	1,367.0	71.8	5.5%
English Language Learners Grant	348.2	334.3	422.5	469.5	47.0	11.1%
Special Education Formula Aid	314.9	311.1	401.3	450.1	48.8	12.2%
Special Education – Nonpublic	123.9	127.5	141.4	137.4	-4.0	-2.8%
Student Transportation	310.2	288.1	336.0	364.9	29.0	8.6%
Guaranteed Tax Base	41.2	49.9	45.8	48.7	2.9	6.3%
Head Start/Pre-Kindergarten	29.6	29.6	29.6	29.6	0.0	0.0%
Blueprint Programs	384.7	811.8	595.4	665.6	70.3	11.8%
Other Education Programs	90.6	102.0	144.3	145.0	0.7	0.5%
<b>Subtotal Direct Aid</b>	<b>\$6,510.7</b>	<b>\$6,754.2</b>	<b>\$7,228.8</b>	<b>\$7,595.5</b>	<b>\$366.7</b>	<b>5.1%</b>
Retirement Payments	750.3	779.0	724.6	746.1	21.5	3.0%
<b>Total Public School Aid</b>	<b>\$7,261.0</b>	<b>\$7,533.2</b>	<b>\$7,953.5</b>	<b>\$8,341.6</b>	<b>\$388.1</b>	<b>4.9%</b>
<b>Libraries</b>						
Library Aid Formula	\$44.1	\$44.7	\$47.7	\$48.6	\$0.9	1.9%
State Library Network	19.5	19.8	21.0	21.4	0.5	2.3%
<b>Subtotal Direct Aid</b>	<b>\$63.6</b>	<b>\$64.4</b>	<b>\$68.7</b>	<b>\$70.1</b>	<b>\$1.4</b>	<b>2.0%</b>
Retirement Payments	20.0	20.5	20.8	21.3	0.5	2.3%
<b>Total Library Aid</b>	<b>\$83.5</b>	<b>\$84.9</b>	<b>\$89.4</b>	<b>\$91.3</b>	<b>\$1.9</b>	<b>2.1%</b>
<b>Community Colleges</b>						
Community College Formula	\$249.7	\$290.1	\$355.1	\$375.6	\$20.5	5.8%
Other Programs	43.9	35.5	35.3	36.4	1.1	3.2%
<b>Subtotal Direct Aid</b>	<b>\$293.6</b>	<b>\$325.6</b>	<b>\$390.4</b>	<b>\$412.0</b>	<b>\$21.6</b>	<b>5.5%</b>
Retirement Payments	45.4	46.0	45.0	46.3	1.4	3.0%
<b>Total Community College Aid</b>	<b>\$339.0</b>	<b>\$371.5</b>	<b>\$435.3</b>	<b>\$458.3</b>	<b>\$23.0</b>	<b>5.3%</b>
<b>Local Health Grants</b>	<b>\$69.0</b>	<b>\$73.9</b>	<b>\$104.0</b>	<b>\$113.9</b>	<b>\$9.9</b>	<b>9.5%</b>
<b>County/Municipal Aid</b>						
Transportation	\$264.9	\$272.1	\$296.9	\$349.2	\$52.3	17.6%
Public Safety	167.9	186.4	250.8	198.2	-52.6	-21.0%
Disparity Grant	163.3	158.2	161.2	167.7	6.5	4.0%
Gaming Impact Aid	92.2	104.3	105.8	108.4	2.5	2.4%
Other Grants	61.8	66.8	70.2	68.4	-1.8	-2.5%
<b>Total County/Municipal Aid</b>	<b>\$750.1</b>	<b>\$787.8</b>	<b>\$885.0</b>	<b>\$892.0</b>	<b>\$7.0</b>	<b>0.8%</b>
<b>Total State Aids</b>	<b>\$8,502.7</b>	<b>\$8,851.3</b>	<b>\$9,467.2</b>	<b>\$9,897.1</b>	<b>\$429.9</b>	<b>4.5%</b>

Appendix 15  
**Annual Change in State Aid to Local Governments**  
**Fiscal 2015-2024**



## Appendix 16 General Obligation Bonds' Debt Service Costs

### Annuity Bond Fund Forecast Fiscal 2023-2028 (\$ in Millions)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Annual % Change</u>
<b>Special Fund Revenues</b>							
State Property Tax Receipts <sup>1</sup>	\$936	\$957	\$982	\$993	\$1,004	\$1,015	1.6%
Bond Sale Premiums	10	0	0	0	0	0	-100.0%
Capital Authorizations <sup>2</sup>	-40	0	0	0	0	0	-100.0%
Other Revenues	3	3	3	3	3	3	0.0%
Prior Year ABF Fund Balance Transferred	79	3	1	1	1	1	
<b>Subtotal Special Fund Revenues</b>	<b>\$988</b>	<b>\$963</b>	<b>\$986</b>	<b>\$997</b>	<b>\$1,008</b>	<b>\$1,019</b>	<b>0.6%</b>
General Funds	430	482	535	502	547	552	5.1%
Transfer Tax Special Funds	7	7	7	2	0	0	-100.0%
Federal Funds	8	7	5	2	1	0	-52.6%
<b>Total Revenues</b>	<b>\$1,433</b>	<b>\$1,459</b>	<b>\$1,533</b>	<b>\$1,503</b>	<b>\$1,556</b>	<b>\$1,571</b>	<b>1.9%</b>
<b>Debt Service Expenditures<sup>3</sup></b>	<b>\$1,431</b>	<b>\$1,458</b>	<b>\$1,532</b>	<b>\$1,502</b>	<b>\$1,554</b>	<b>\$1,571</b>	<b>1.9%</b>
<b>End-of-year ABF Balance</b>	<b>\$3</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>	

ABF: Annuity Bond Fund

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

<sup>2</sup> The fiscal 2023 capital budget includes \$260 million on general obligation bond premiums for capital projects. The baseline budget includes \$220 million in general funds as a pay-as-you-go deficiency appropriation.

<sup>3</sup> Authorizations planned by the Spending Affordability Committee in fiscal 2024 are \$1,205 million, which reflects the Spending Affordability Committee recommendation in December 2021.

Source: Department of Assessment and Taxation; State Treasurer's Office; Department of Legislative Services

## Appendix 17

### Debt Affordability Ratios for Debt Authorizations Recommended by the Capital Debt Affordability Committee

The Capital Debt Affordability Committee (CDAC) recommended that general obligation bond authorization be limited to \$600 million in fiscal 2024 and 2025, after which the limit increases to \$1,145 million in fiscal 2026 and increases 1% annually thereafter. The exhibit shows that the CDAC recommendation is affordable and reduces ratios in the out-years.

#### Capital Debt Affordability Committee Recommendation

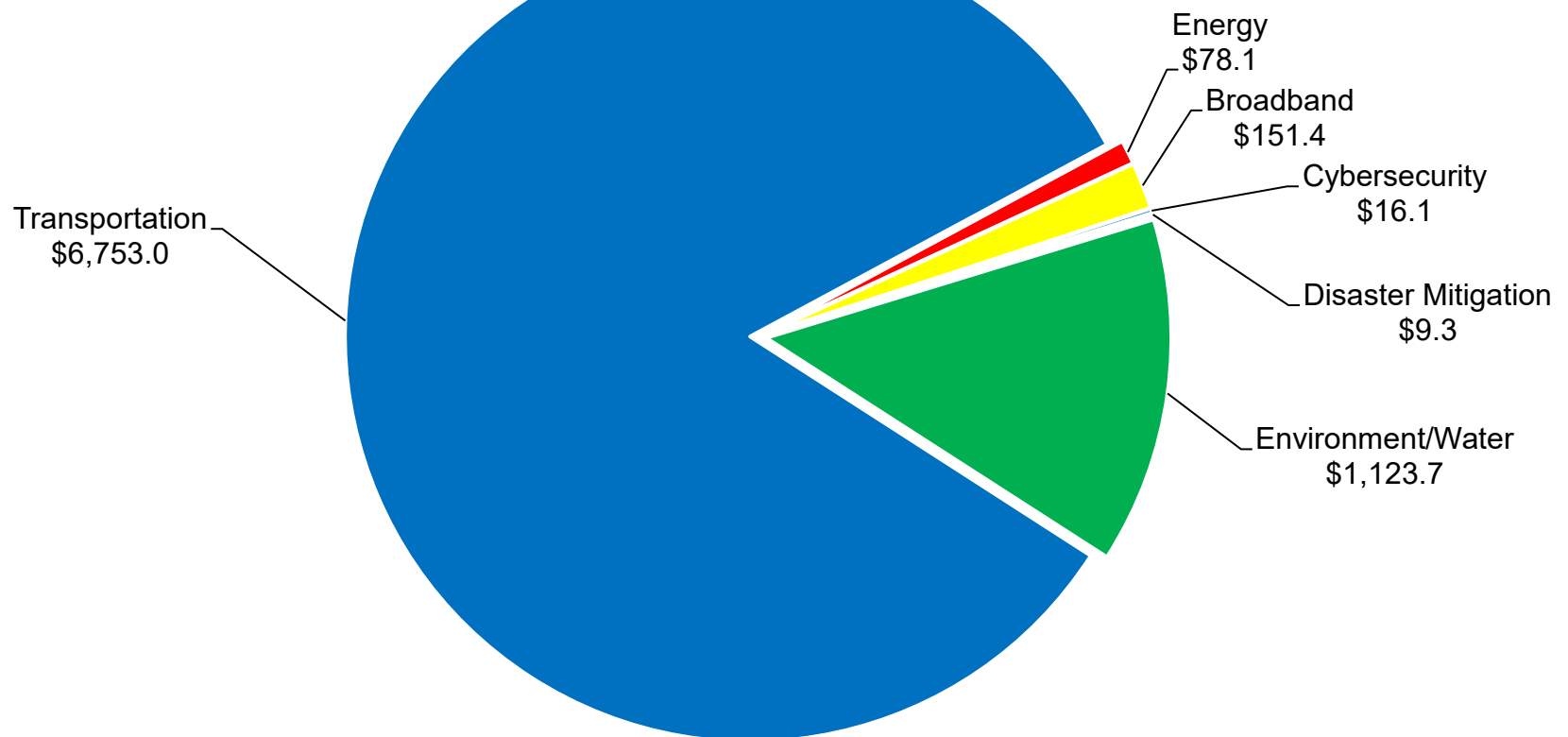
<u>Fiscal Year</u>	<u>Authorization (\$ in Millions)</u>	<u>Debt Outstanding to Personal Income</u>	<u>Debt Service to Revenues</u>
2023	\$600	6.7%	3.0%
2024	600	6.2%	2.8%
2025	1,145	6.3%	2.7%
2026	1,155	6.0%	2.6%
2027	1,165	5.9%	2.5%
2028	1,175	5.8%	2.4%

#### Spending Affordability Committee Recommendation

2023	\$1,205	6.7%	3.0%
2024	1,250	6.2%	2.9%
2025	1,300	6.3%	2.8%
2026	1,355	6.1%	2.7%
2027	1,410	6.1%	2.7%
2028	1,465	6.0%	2.7%

Source: Capital Debt Affordability Committee; Department of Legislative Services

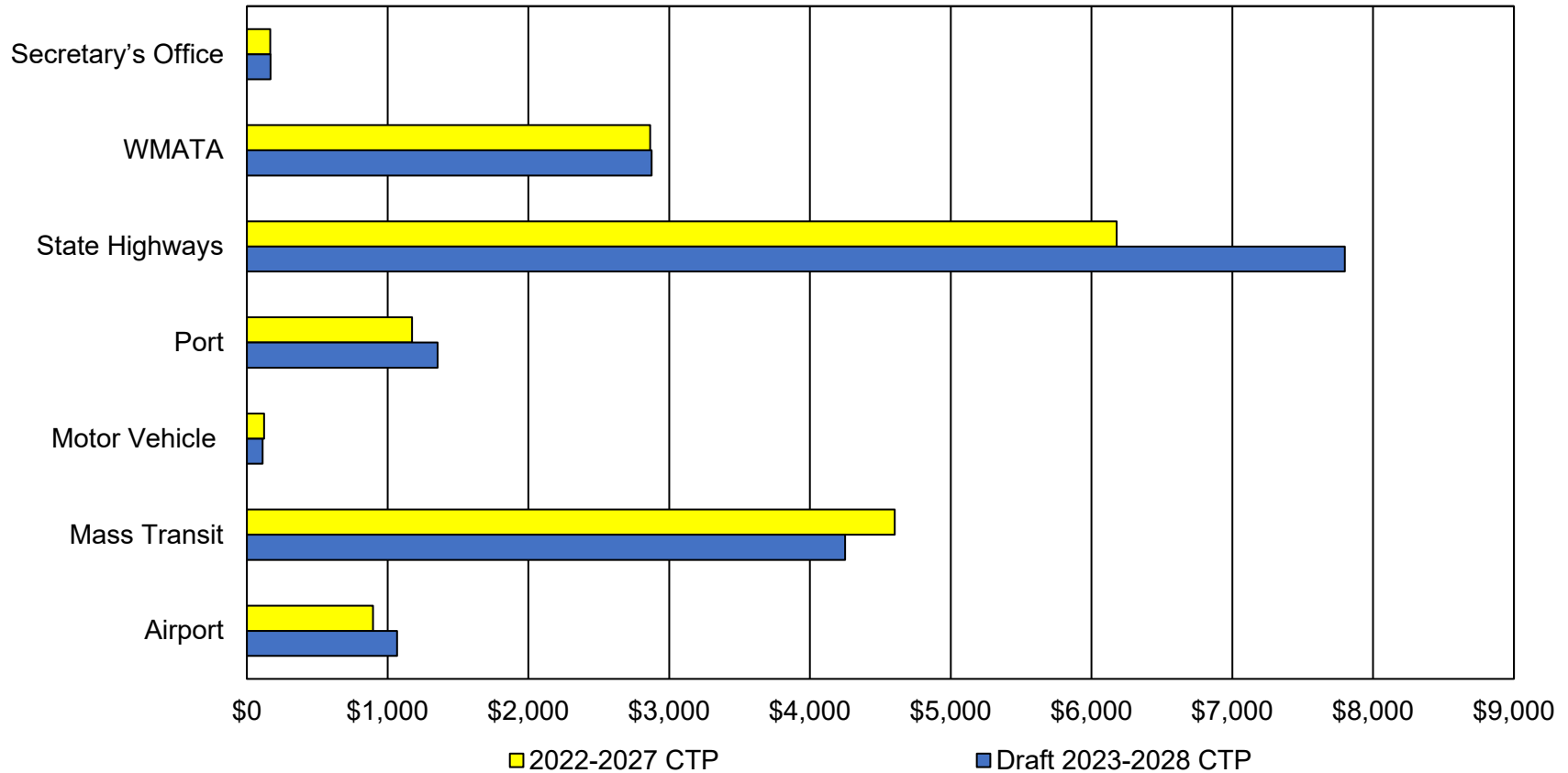
**Appendix 18**  
**Anticipated Five-year Allocation of**  
**Infrastructure Investment and Jobs Act Funding**  
**Totals \$8.1 Billion**  
**(\$ in Millions)**



Fiscal 2023 budget includes \$159 million of the \$1.1 billion allocation for environment/water infrastructure.

The Maryland Department of Transportation Draft Fiscal 2023-2028 *Consolidated Transportation Program* recognizes all Infrastructure Investment and Jobs Act funding, including \$1.3 billion in enhancements.

**Appendix 19**  
**Consolidated Transportation Programs**  
**Fiscal 2022-2027 v. Fiscal 2023-2028 Draft**  
**Six-year Funding by Business Unit**  
**(\$ in Millions)**



CTP: Consolidated Transportation Program  
 WMATA: Washington Metropolitan Area Transit Authority



**Appendix 20**  
**Federal Inflation Reduction Act of 2022**  
**Total Grant Funding Available for State and Local Governments**  
**(\$ in Billions)**

<b><u>Grant Purpose</u></b>	<b><u>Funds</u></b>
<b><i>Greenhouse Gas Reduction Fund</i></b> – enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies and other greenhouse gas emission strategies	\$7.0
<b><i>Greenhouse Gas Air Pollution Planning and Implementation</i></b> – support reductions to greenhouse gas air pollution	5.0
<b><i>Home Energy Performance-based Whole House Rebates</i></b> – support whole-house energy saving retrofits	4.3
<b><i>High-Efficiency Electric Home Rebate Program</i></b> – rebate program for appliance and nonappliance upgrades to eligible entities	4.3
<b><i>Environmental and Climate Justice Block Grant</i></b> – invest in projects in disadvantaged communities to address disproportionate environmental and public health harms related to pollution and climate change	3.0
<b><i>Investing in Coastal Communities and Climate Resilience</i></b> – grants to protect coastal communities and coastal habitats	2.6
<b><i>Grants to Reduce Air Pollution at Ports</i></b> – rebates and grants for purchase and installation of zero-emission equipment and technology at ports	2.3
<b><i>Neighborhood Access and Equity Grant Program</i></b> – improve walkability, safety, and affordable transportation access, etc., to benefit disadvantaged communities	1.9
<b><i>Urban and Community Forestry Assistance Program</i></b> – grants for tree planting	1.5
<b><i>Assistance for Latest and Zero Building Code Adoption</i></b> – grants to assist States and local governments to adopt building codes that meet certain standards	1.0
<b><i>Other</i></b> – various grants to support the acquisition of land, analysis to facilitate the siting of interstate electricity transmission lines, and training for contractors to install home energy efficiency and electrification improvements	1.7
<ul style="list-style-type: none"> <li>On November 2, 2022, the U.S. Department of Energy announced state allocations for the Home Energy Performance-based, Whole-House Rebate and High Efficiency Electric Home Rebate Program. Maryland’s allocation for these programs provide approximately \$68.6 million and \$68.2 million, respectively, for a total of \$136.8 million. These funds will be administered by the Maryland Energy Administration.</li> </ul>	