
Spending Affordability Briefing

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

November 7, 2023

Economic Growth Since 2018: Inflation Adjusted Gross Domestic Product

- Maryland economic growth has lagged the United States and neighboring states, but recent revisions improve the picture.
- Prior to the revision, Maryland's economic growth from calendar 2018 to 2022 had been just 0.2%, ranking the State forty-fourth in the country (out of 51). With the revision, Maryland's rank increased to fortieth with growth of 2.4%.
- Looking at the data on a per capita basis changes the picture somewhat, slightly for Maryland but more substantially for certain neighboring states.

Inflation Adjusted GDP Calendar 2022 vs. Calendar 2018

	<u>Original</u>	<u>Revised</u>
Maryland	0.2%	2.4%
Virginia	7.3%	9.3%
D.C.	4.5%	4.3%
Delaware	7.0%	6.1%
Pennsylvania	3.1%	1.1%
West Virginia	-2.1%	-1.1%
United States	7.6%	8.1%

<u>Rank</u>	<u>Original</u>	<u>Revised</u>
Maryland	44	40
Virginia	20	15
D.C.	34	36
Delaware	23	26
Pennsylvania	41	43
West Virginia	45	45

Inflation Adjusted GDP per Capita Calendar 2022 vs. Calendar 2018

	<u>Original</u>	<u>Revised</u>
Maryland	-0.2%	2.0%
Virginia	5.6%	7.6%
D.C.	6.7%	6.5%
Delaware	2.1%	1.2%
Pennsylvania	3.2%	1.2%
West Virginia	-0.1%	0.8%
United States	6.0%	6.5%

<u>Rank</u>	<u>Original</u>	<u>Revised</u>
Maryland	45	39
Virginia	21	13
D.C.	17	17
Delaware	40	43
Pennsylvania	37	42
West Virginia	44	44

GDP: gross domestic product

Note: Population data for 2018 and 2019 reflects the Bureau of Economic Analysis estimates as the Census Bureau has yet to release revised population estimates for 2011 through 2019 that are consistent with the 2020 census.

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

Maryland Employment: September 2023 vs. February 2020

- As of September, Maryland was 1 of only 13 states that has yet to recover the jobs lost during the pandemic recession. Between February 2020 and April 2020, Maryland lost 393,000 jobs (14.1%). September 2023 employment was below the February 2020 level by 11,300 jobs (-0.4%).
- The industries that are still down relative to the prepandemic level are mostly those that provide in-person services.

<u>Feb. 2020</u>	<u>Sep. 2023</u>	<u>Change</u>	<u>% Change</u>	
146,600	160,500	13,900	9.5%	Federal Government
109,900	118,800	8,900	8.1%	State Government
255,200	254,700	-500	-0.2%	Local Government
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167,900	168,900	1,000	0.6%	Construction, Natural Resources, and Mining
112,500	109,500	-3,000	-2.7%	Manufacturing
107,800	119,100	11,300	10.5%	Transportation, Warehousing, Utilities
362,800	352,300	-10,500	-2.9%	Retail and Wholesale Trade
35,700	34,500	-1,200	-3.4%	Information
142,200	133,500	-8,700	-6.1%	Financial Activities
458,900	476,400	17,500	3.8%	Professional and Business Services
91,600	89,500	-2,100	-2.3%	Educational Services
385,900	376,700	-9,200	-2.4%	Health Care and Social Assistance
284,200	259,400	-24,800	-8.7%	Leisure and Hospitality Services
114,600	110,700	-3,900	-3.4%	Other Services
2,775,800	2,764,500	-11,300	-0.4%	Total

Source: U.S. Department of Labor, Bureau of Labor Statistics

Employment and Wage Growth: 2022 and 2023 Quarterly Actuals Forecasts for Calendar 2023 to 2029

<u>CY</u>	<u>Quarter</u>	Employment			Wage and Salary Income		
		<u>Maryland</u>	<u>Virginia</u>	<u>U.S.</u>	<u>Maryland</u>	<u>Virginia</u>	<u>U.S.</u>
2022	1	3.5%	3.1%	5.1%	5.1%	8.3%	10.2%
2022	2	2.4%	3.1%	4.7%	6.8%	7.1%	8.1%
2022	3	2.2%	3.1%	4.1%	7.2%	8.5%	7.9%
2022	4	1.0%	2.6%	3.4%	4.3%	6.5%	5.2%
2023	1	1.2%	2.7%	3.0%	7.4%	7.2%	6.2%
2023	2	1.6%	2.3%	2.5%	7.7%	7.3%	6.9%
2023	3	1.0%	1.4%	2.1%	n/a	n/a	5.7%
2023 Y-T-D		1.3%	2.1%	2.5%	7.5%	7.2%	6.3%

<u>CY</u>	Employment			Wage and Salary Income		
	BRE	Moody's Analytics		BRE	Moody's Analytics	
	Sep. 2023	Oct. 2023	Oct. 2023	Sep. 2023	Oct. 2023	Oct. 2023
	<u>Maryland</u>	<u>Virginia</u>	<u>U.S.</u>	<u>Maryland</u>	<u>Virginia</u>	<u>U.S.</u>
2023E	1.2%	1.9%	2.3%	4.2%	6.5%	6.4%
2024E	0.7%	0.6%	0.6%	4.1%	5.4%	5.3%
2025E	0.3%	0.5%	0.4%	4.0%	4.2%	4.1%
2026E	0.2%	0.4%	0.4%	3.8%	3.9%	3.8%
2027E	0.2%	0.3%	0.4%	3.7%	3.8%	3.8%
2028E	0.1%	0.4%	0.4%	3.7%	3.8%	3.8%
2029E	0.1%	0.4%	0.4%	3.7%	3.8%	3.8%

BRE: Board of Revenue Estimates

Source: Quarterly employment and wage data from the U.S. Department of Labor, Bureau of Labor Statistics and the U.S. Department of Commerce, Bureau of Economic Analysis, respectively.

General Fund Revenues: Fiscal 2023
(\$ in Millions)

	Fiscal	Fiscal 2023				Fiscal 2022-2023	
	2022	Estimate	Actual	\$ Diff.	% Diff.	Percent Change	
	<u>Actual</u>	<u>Estimate</u>	<u>Actual</u>	<u>\$ Diff.</u>	<u>% Diff.</u>	<u>Estimated</u>	<u>Actual</u>
Personal Income Tax	\$13,548	\$13,803	\$13,469	-\$333	-2.4%	1.9%	-0.6%
Corporate Income Tax	1,700	1,732	1,816	84	4.9%	1.9%	6.8%
Sales and Use Tax	5,967	6,018	6,005	-13	-0.2%	0.9%	0.6%
State Lottery	635	636	655	19	3.0%	0.2%	3.2%
Other	2,208	2,423	2,527	104	4.3%	9.7%	14.4%
Ongoing General Funds	\$24,058	\$24,612	\$24,473	-\$139	-0.6%	2.3%	1.7%
One-time Revenue ⁽¹⁾	\$16	\$0	\$0	\$0			
Transfer to Rental Housing Fund ⁽²⁾	-30	0	0	0			
Transfer to Blueprint Fund ⁽³⁾	0	-800	-800	0			
Volatility Adjustment	n/a	-\$100	n/a	100			
Total General Funds	\$24,045	\$23,712	\$23,673	-\$39	-0.2%	-1.4%	-1.5%

⁽¹⁾ Fiscal 2022 includes \$16.3 million from Maryland Technology Development Corporation.

⁽²⁾ Chapters 336 and 337 of 2022 required a transfer of \$30 million to the Rental Housing Fund in fiscal 2022.

⁽³⁾ Chapter 33 of 2022 required a transfer of \$800 million from personal income tax revenues to The Blueprint for Maryland's Future Fund in fiscal 2023 only.

Note: The estimate from March 2023 has been adjusted for actions taken at the 2023 legislative session.

Source: Office of the Comptroller; Board of Revenue Estimates

Personal Income Tax State and Local Revenues: Fiscal 2023
(\$ in Millions)

	Fiscal 2022		Fiscal 2023			Fiscal 2022-2023 Percent Change	
	<u>Actual</u>	<u>Estimate</u>	<u>Actual</u>	<u>\$ Diff.</u>	<u>% Diff.</u>	<u>Estimated</u>	<u>Actual</u>
Personal Income Tax Detail							
Withholding	\$17,346	\$18,129	\$18,300	\$171	0.9%	4.5%	5.5%
Quarterly Estimated Payments	3,795	3,534	3,450	-84	-2.4%	-6.9%	-9.1%
Final Payments with Returns	4,177	3,831	3,310	-520	-13.6%	-8.3%	-20.7%
Gross Receipts	\$25,318	\$25,493	\$25,061	-\$433	-1.7%	0.7%	-1.0%
Refunds	\$3,047	\$3,272	\$3,371	\$99	3.0%	7.4%	10.6%
Net Receipts	\$22,270	\$22,221	\$21,690	-\$532	-2.4%	-0.2%	-2.6%

Note: Quarterly estimated payments and final payments with returns include payments from fiduciaries.

Source: Office of the Comptroller; Board of Revenue Estimates

General Fund Revenue Forecast (\$ in Millions)

	Fiscal	Fiscal 2024 Estimate				Percent	Fiscal 2025	Percent
	2023	March	September	\$ Diff.	%Diff.	Change vs. Fiscal 2023	Estimate	Change vs. Fiscal 2024
	<u>Actual</u>	<u>March</u>	<u>September</u>	<u>\$ Diff.</u>	<u>%Diff.</u>	<u>Fiscal 2023</u>	<u>Estimate</u>	<u>Fiscal 2024</u>
Personal Income Tax	\$13,469	\$14,137	\$13,836	-\$301	-2.1%	2.7%	\$14,448	4.4%
Corporate Income Tax	1,816	1,670	1,752	82	4.9%	-3.5%	1,697	-3.1%
Sales and Use Tax ⁽¹⁾⁽²⁾	6,005	6,065	6,088	23	0.4%	1.4%	6,273	3.0%
State Lottery	655	638	661	23	3.6%	0.8%	548	-17.0%
Other	2,527	2,190	2,349	159	7.3%	-7.0%	2,255	-4.0%
Ongoing General Funds	\$24,473	\$24,700	\$24,686	-\$14	-0.1%	0.9%	\$25,221	2.2%
Transfer to Blueprint Fund ⁽¹⁾	-\$800	\$0	\$0	\$0	n/a	n/a	\$0	n/a
Volatility Adjustment ⁽³⁾	0	-120	-120	0	n/a	n/a	-140	16.7%
Total General Funds	\$23,673	\$24,580	\$24,566	-\$14	-0.1%	3.8%	\$25,081	2.1%

⁽¹⁾ 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 was 9.2% and rises to 11.0% in fiscal 2024 and 11.3% in fiscal 2025. Chapter 33 also required a transfer of \$800 million from personal income tax revenue to the BMFF in fiscal 2023 only.

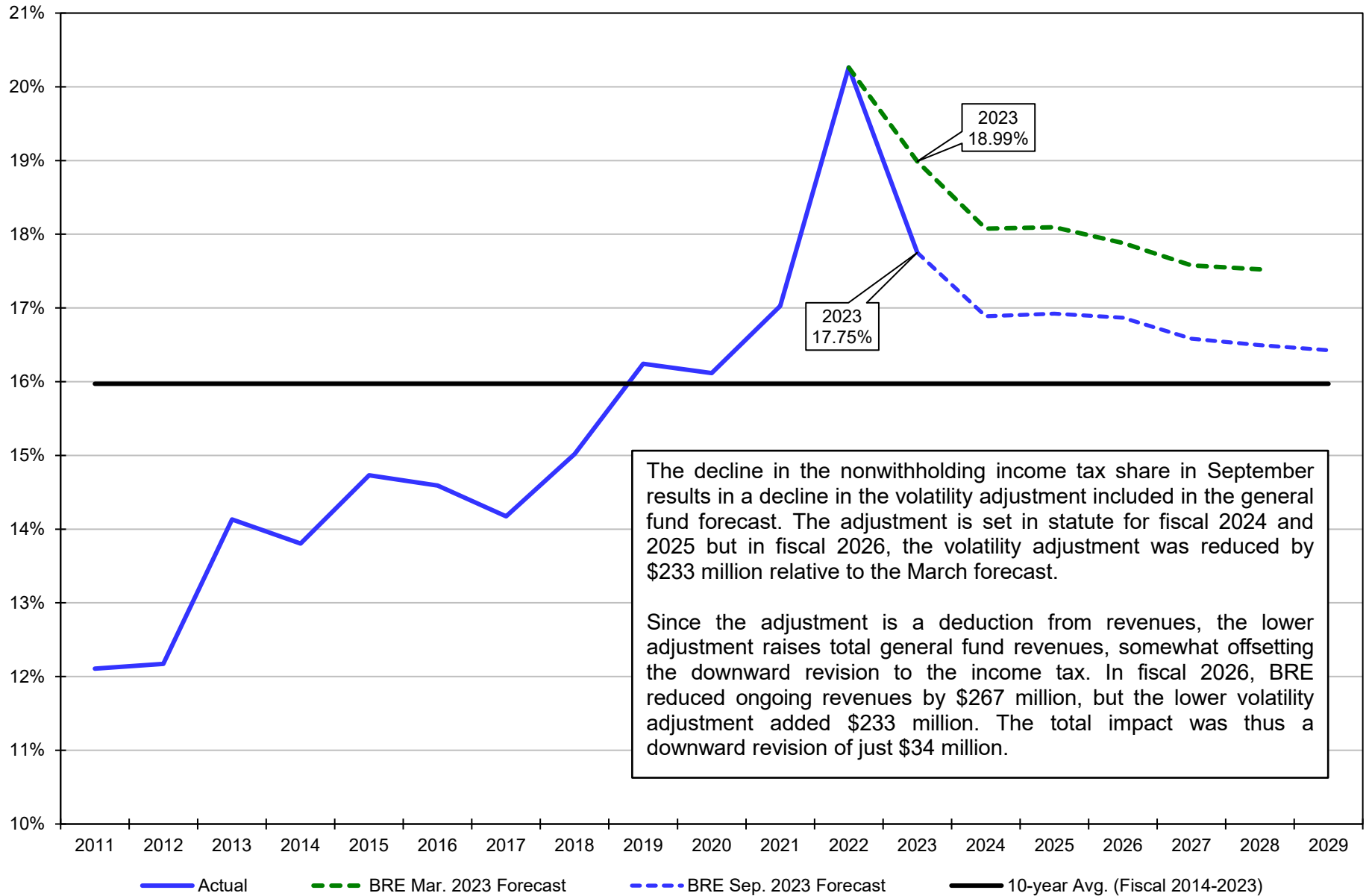
⁽²⁾ Fiscal 2024 and 2025 include revenues from the 9% sales tax imposed on the sale of adult-use cannabis authorized by Chapters 254 and 255 of 2023. Estimated general fund sales tax revenues equal \$18.0 million in fiscal 2024 and \$36.6 million in fiscal 2025.

⁽³⁾ 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 2023 has been adjusted for actions taken at the 2023 legislative session.

Source: Board of Revenue Estimates

Nonwithholding Income Tax Revenues as a Percent of Total General Fund Revenues Fiscal 2011-2029



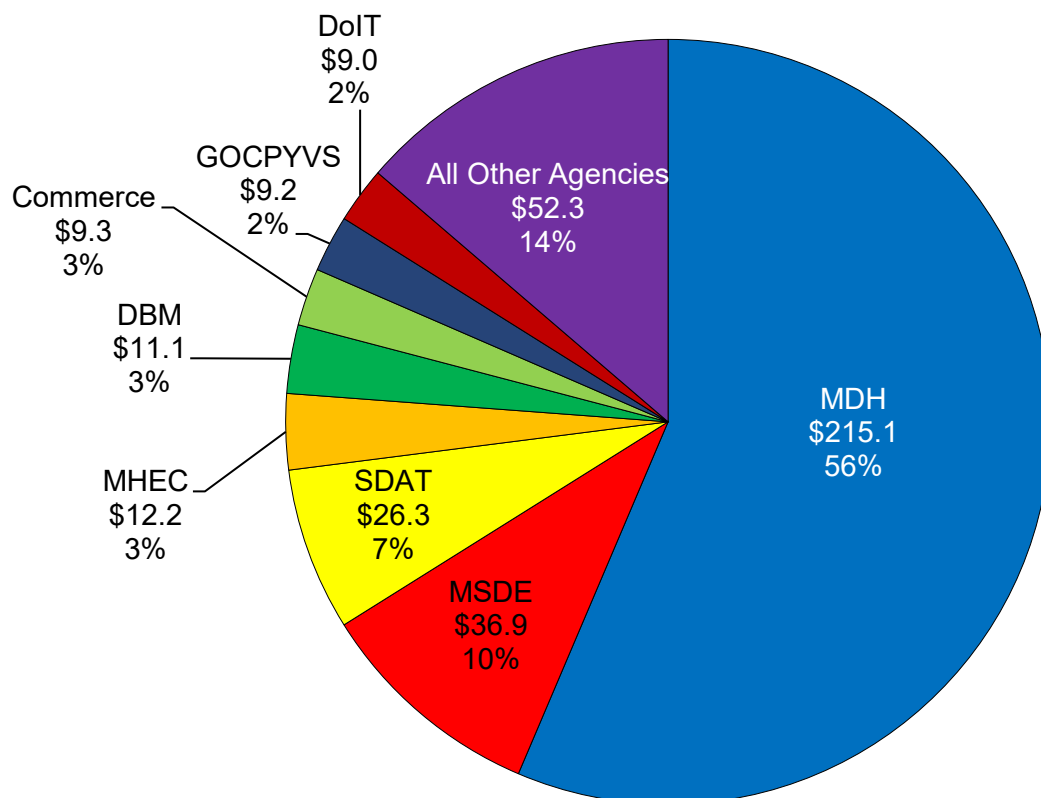
The decline in the nonwithholding income tax share in September results in a decline in the volatility adjustment included in the general fund forecast. The adjustment is set in statute for fiscal 2024 and 2025 but in fiscal 2026, the volatility adjustment was reduced by \$233 million relative to the March forecast.

Since the adjustment is a deduction from revenues, the lower adjustment raises total general fund revenues, somewhat offsetting the downward revision to the income tax. In fiscal 2026, BRE reduced ongoing revenues by \$267 million, but the lower volatility adjustment added \$233 million. The total impact was thus a downward revision of just \$34 million.

BRE: Board of Revenue Estimates

Reversions

**General Fund Reversions Totaled \$381.3 Million in Fiscal 2023,
\$208 Million More Than Planned in the 2023 Session
(\$ in Millions)**



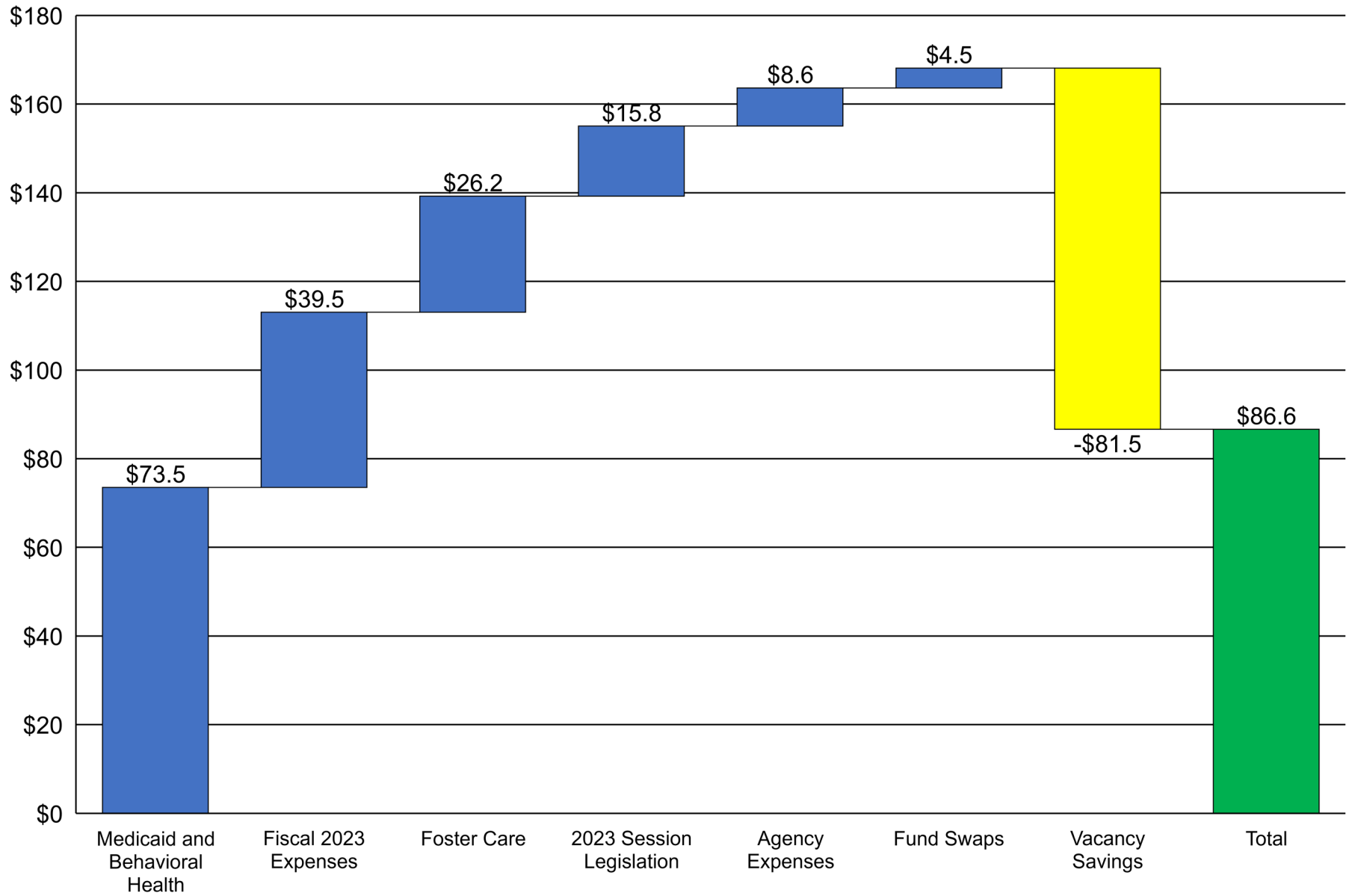
Commerce: Department of Commerce
 DBM: Department of Budget and Management
 DoIT: Department of Information Technology
 GOCYVVS: Governor's Office of Crime Prevention, Youth, and Victim Services
 MSDE: Maryland State Department of Education

MHEC: Maryland Higher Education Commission
 MDH: Maryland Department of Health
 SDAT: State Department of Assessments and Taxation

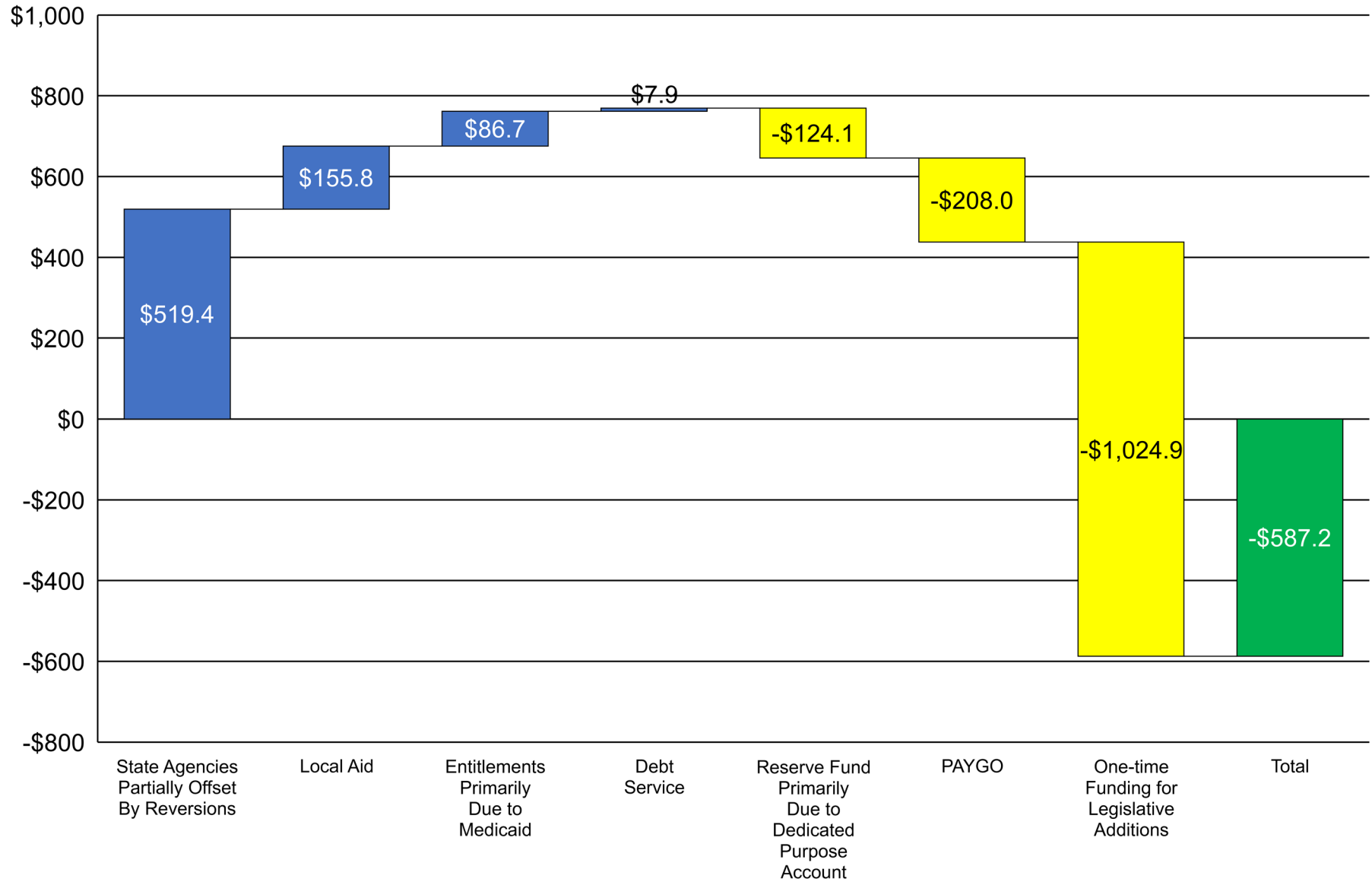
- The largest share of reversions was in the Maryland Department of Health (\$215.1 million):
 - \$108.0 million was from prior years, including \$64.3 million for Medicaid and Medicaid-eligible Behavioral Health provider reimbursements for fiscal 2022, which was less than the \$79.5 million expected to be reverted from these provider reimbursements during the 2023 session:
 - Other significant prior year reversions were:
 - \$19.3 million due to lower than expected residential substance use disorder services; and

- \$13.8 million from the Developmental Disabilities Administration is due to higher than anticipated federal attainment for personal support.
- \$107.1 million from fiscal 2023, of this amount \$104.8 million was in the Behavioral Health Administration; the major contributors are:
 - \$35.0 million for mobile crisis and crisis stabilization services due to a longer than expected process for developing regulations;
 - \$22.0 million for lower than expected spending for substance related disorder, treatment, and recovery programs;
 - \$16.8 million related to provider reimbursements, of which approximately half was due to availability of federal funds for inpatient behavioral health services under a waiver;
 - \$13.7 million for grants to providers that were not expended by the providers due to either specific contractor issues or lower than expected growth in programs; and
 - \$12.9 million for several programs that were not initiated as expected including the \$8 million deficiency for behavioral health investments and \$2.5 million for the Sheila E. Hixson Behavioral Health Services Matching Grant Program.
- \$36.9 million in the Maryland State Department of Education:
 - \$21.2 million from prior years, including \$16.2 million from fiscal 2022 for Child Care Stabilization funds reverted in error; and
 - \$15.7 million from fiscal 2023, of which approximately \$7.4 million is related to higher than expected vacancies in regular positions and contractual full-time equivalents and lower than expected spending due to COVID-19.
- \$26.1 million from the State Department of Assessments and Taxation in fiscal 2023, of which \$16 million was planned due to lower anticipated expenditures from the Homeowners Tax Credit:
 - An additional \$8.0 million that was intended to be used to repay the Local Reserve Account for recalculated Homeowners Tax Credits under Chapter 717 of 2021 reverted in error.
- \$12.2 million from the Maryland Higher Education Commission, of which \$9.8 million was from unused Senatorial and Delegate scholarships from prior years and was reverted in error.

General Fund Deficiencies Increase Spending by a Net \$86.6 Million (\$ in Millions)

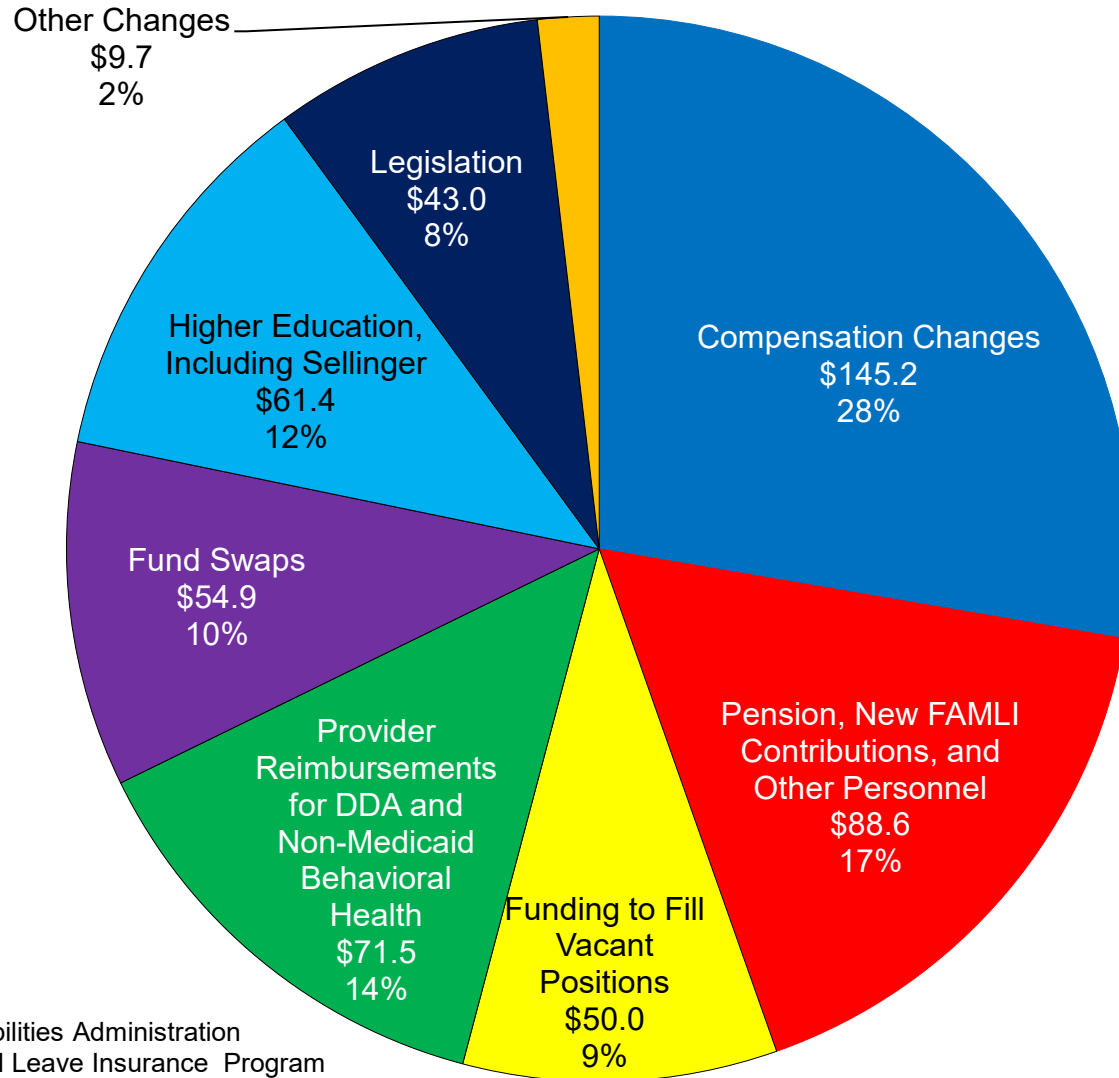


General Fund Spending Decreases by \$587.2 Million in Fiscal 2025 Primarily Due to One-time Spending on Legislative Additions (\$ in Millions)



PAYGO: pay-as-you-go

**State Agency Changes, Excluding Removal of One-time Legislative Additions,
Total \$524.4 Million
(\$ in Millions)**



DDA: Developmental Disabilities Administration
FAML I: Family and Medical Leave Insurance Program

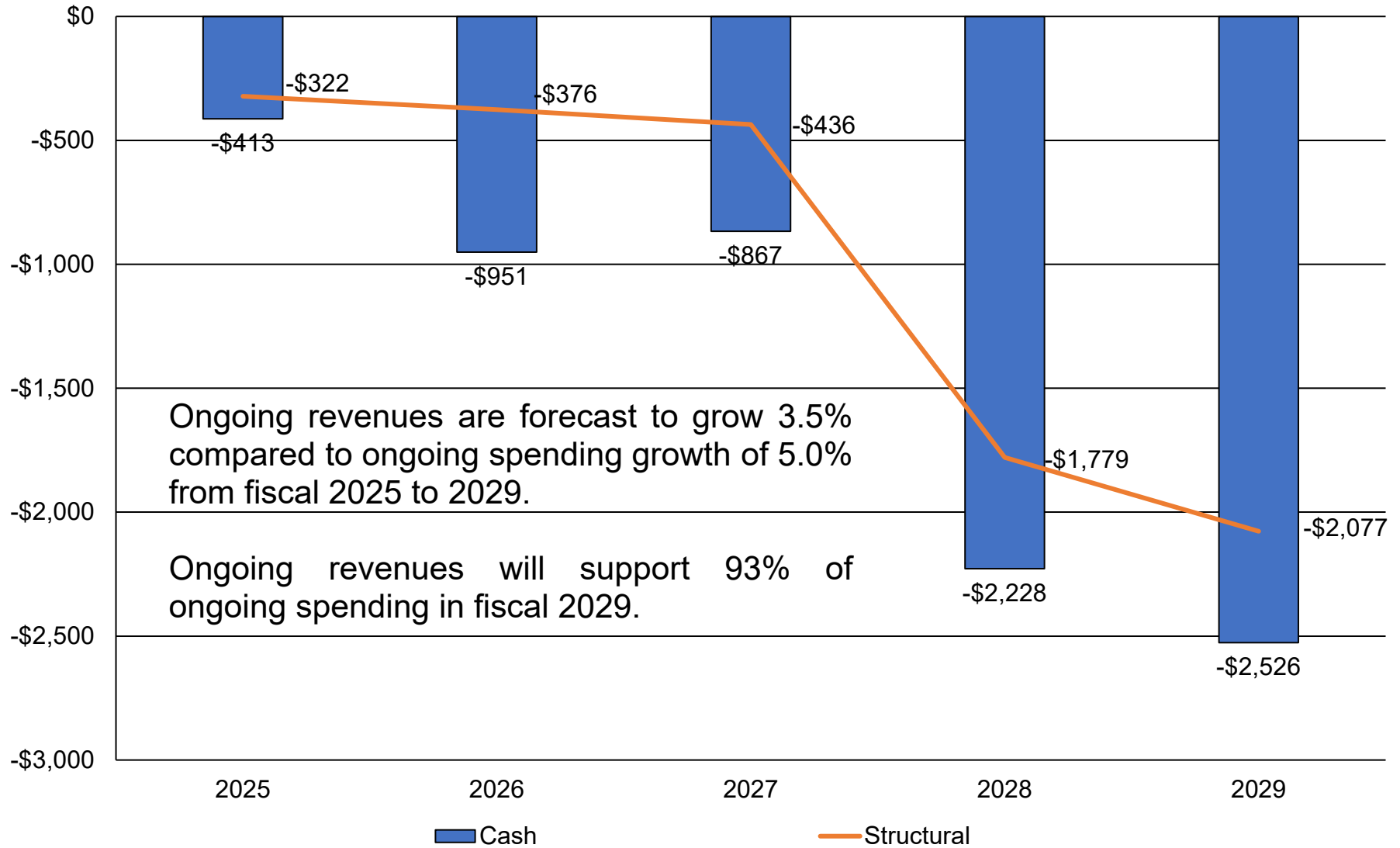
General Fund: End-of-year Balances
Fiscal 2023-2025
(\$ in Millions)

	2023 <u>Actual</u>	2024 <u>Working</u>	2025 <u>Baseline</u>
Total Funds Available	\$30,399	\$27,675	\$26,226
Total Spending	27,815	\$27,226	\$26,639
Cash Balance/(Shortfall)	\$2,584	\$449	-\$413
Structural Balance (Ongoing Revenues Less Ongoing Spending)	\$1,386	\$125	-\$322
Ratio (Ongoing Revenues/Ongoing Operating Costs)	106.0%	100.5%	98.7%
Reserve Fund Activity			
Appropriations to Rainy Day Fund	\$2,416	\$0	\$495
Transfers to General Fund	-1,166	-479	-625
Estimated Rainy Day Fund Balance – June 30	\$2,924	\$2,511	\$2,508
Available Cash Balance (General Funds + Rainy Day Fund Above 10%)	\$3,094	\$528	-\$413
Rainy Day Fund Balance In Excess of 10%	\$510	\$79	\$0

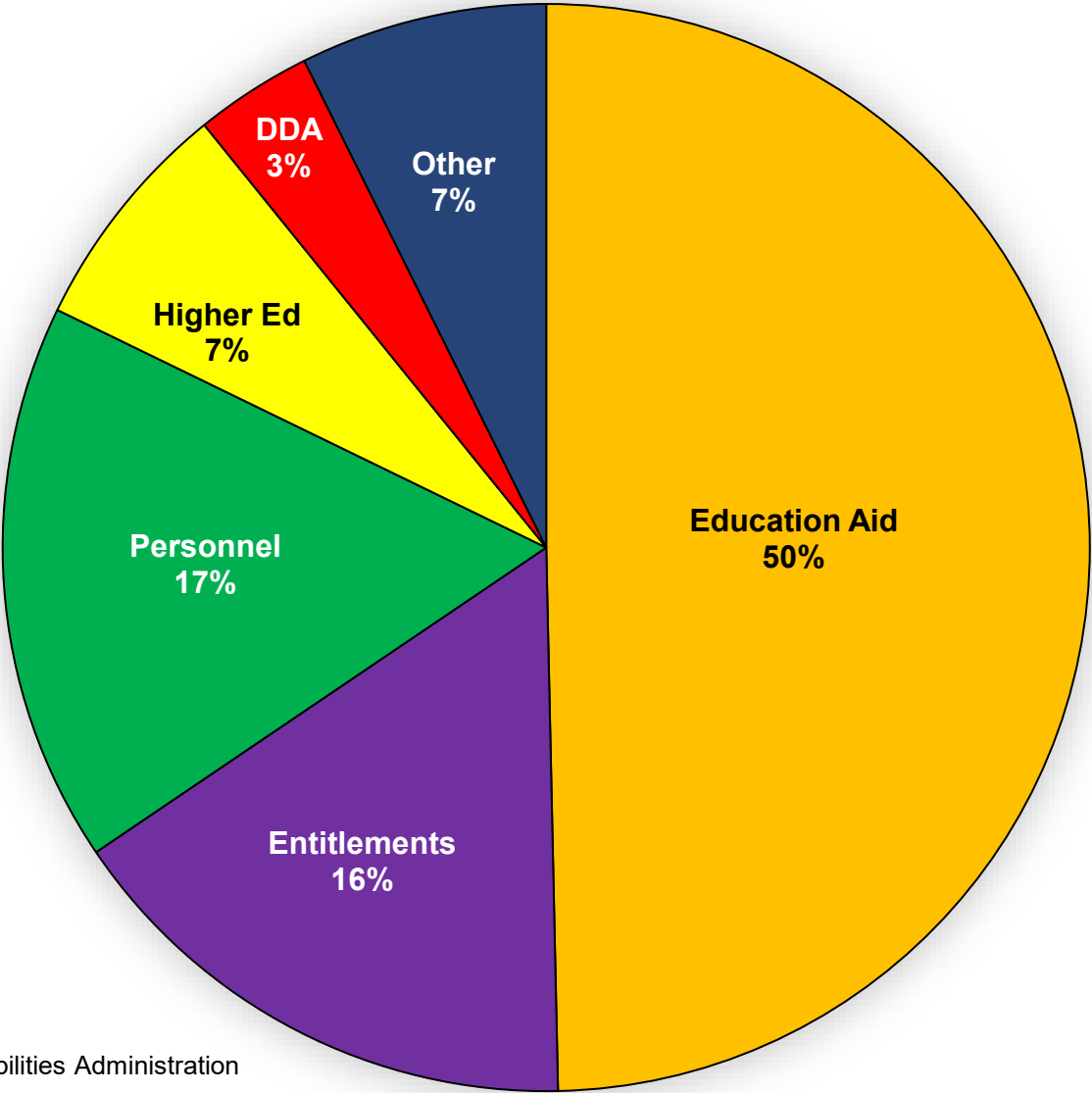
Cash and Structural Budget Shortfalls Forecast With Rainy Day Fund at 10% of Revenues

Fiscal 2025-2029

(\$ in Millions)

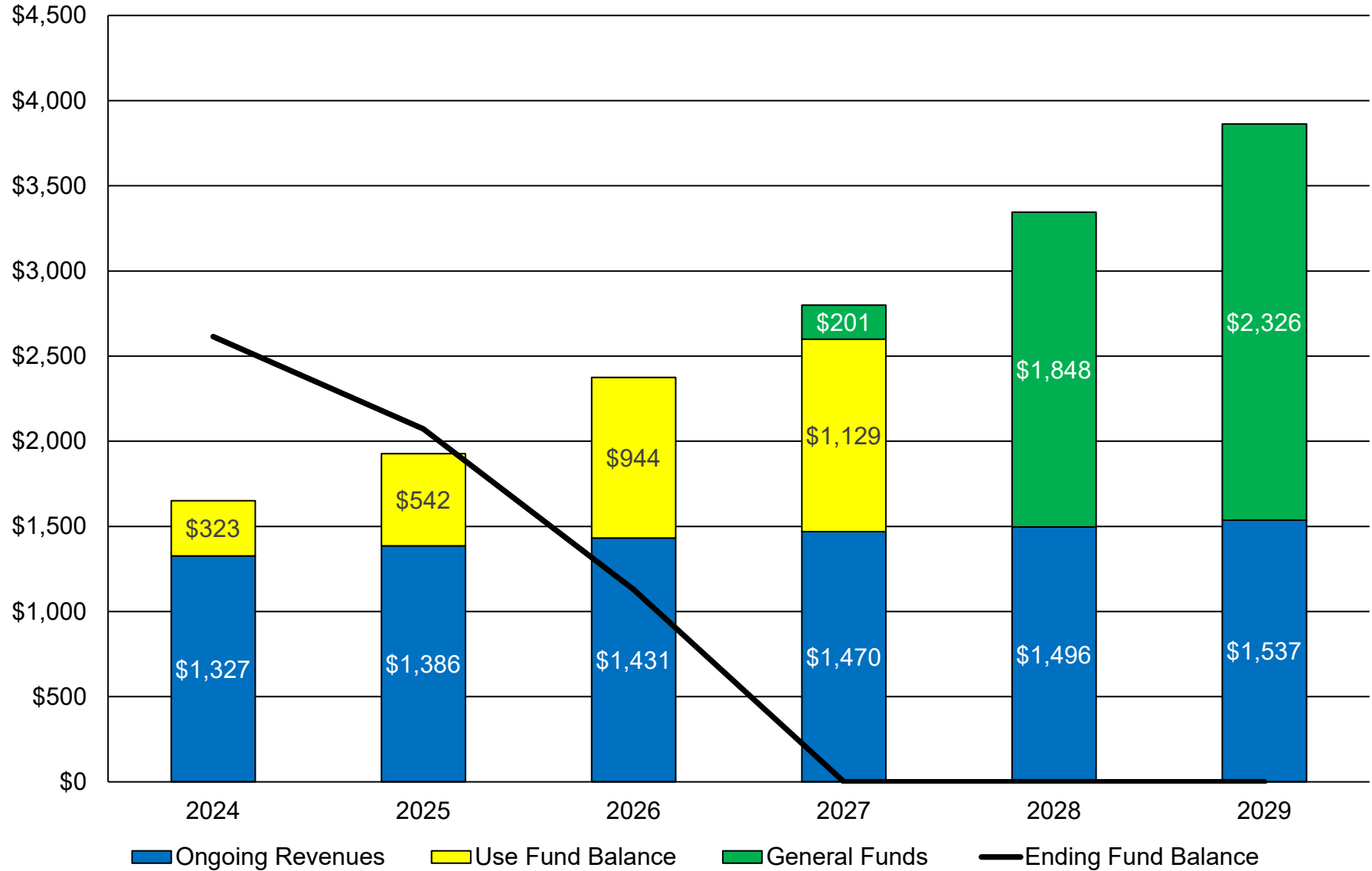


**General Fund Spending Projected to Increase \$5.4 Billion
From Fiscal 2025 to 2029**



DDA: Developmental Disabilities Administration

**Estimated Blueprint Costs and Funding Sources
Fiscal 2024-2029
(\$ in Millions)**



Budget Balancing Approaches

Structural Solutions

Reduce Ongoing Spending to More Closely Align with Ongoing Revenues

- Helps to resolve underlying problem.
- Given magnitude of out-year challenges, starting to reduce ongoing spending in fiscal 2025 is essential to avoid fiscal cliff in fiscal 2028.

Enhance Ongoing Revenues to Support Spending Commitments

- Helps to resolve underlying problem.
- Revenues alone unlikely to resolve long-term budget problem. For illustrative purposes, closing the fiscal 2029 budget gap entirely with revenues is equivalent to increasing sales tax revenues by 30% or individual income tax revenues by 12%.

Improve Cash Outlook

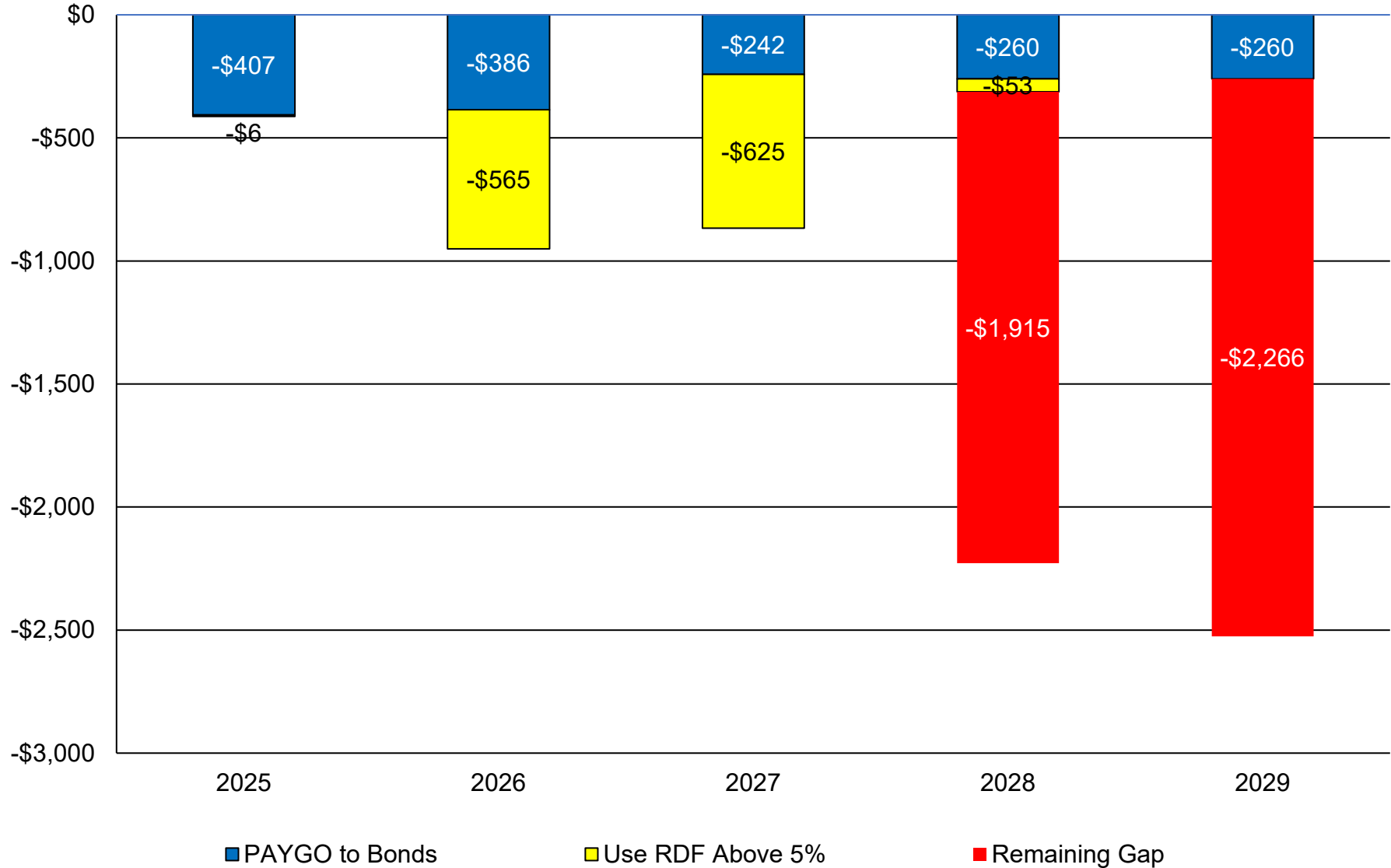
Shift PAYGO to Bonds

- Immediate budget relief.
- Capital Debt Affordability Committee debt increase accommodates and is well within affordability ratios.
- Higher debt limit will increase long-term debt service costs.

Draw on Rainy Day Fund Balance Above 5% for Temporary Budget Relief

- Temporary solution that does not address structural challenge that mounts over time.
- Drawing balance down when economy is growing steadily leaves State vulnerable to impact of recession. Prior analyses have indicated that a mild recession will result in general fund revenues falling about 10% below pre-recession estimates over a two-year period.
- A recession coupled with the projected fiscal cliff in fiscal 2028 would result in a ongoing revenues covering only about 88% of projected spending.

Reserves and Shift of Planned PAYGO to Bonds Can Mitigate Budget Gap Fiscal 2025-2029 (\$ in Millions)



PAYGO: pay-as-you-go
RDF: Rainy Day Fund

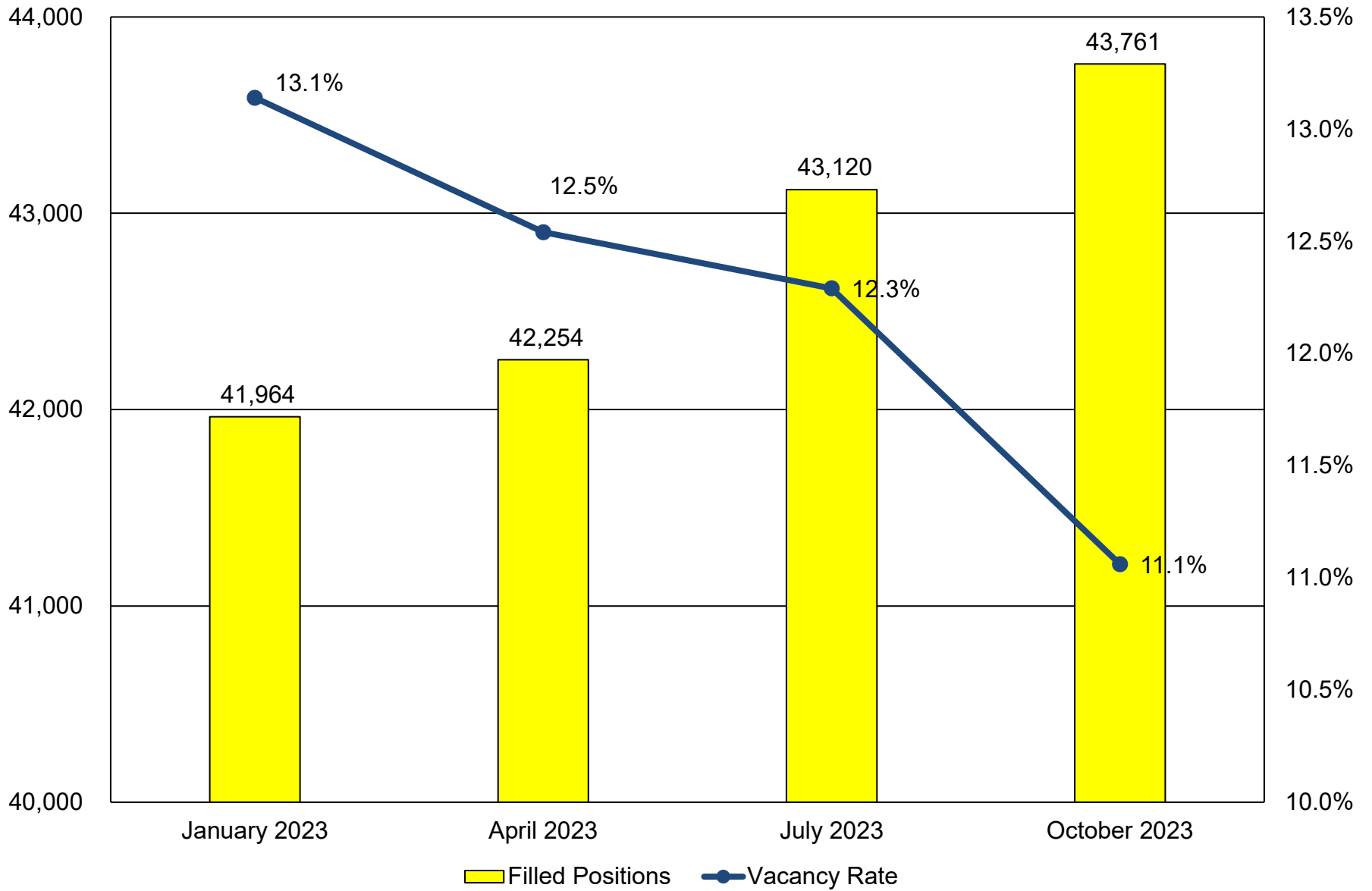
Analysis of Vacancies and Turnover Rate
Executive Branch, Excluding Higher Education
Fiscal 2024 Legislative Appropriation Compared to October 2023 Vacancies

<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	9,217	12.7%	1,172	1,150	-21	12.5%
Human Services	5,979	7.0%	421	656	234	11.0%
Health	6,445	8.7%	564	756	192	11.7%
Police and Fire Marshal	2,544	7.1%	180	304	124	12.0%
Juvenile Services	2,163	5.9%	128	243	115	11.2%
Transportation	9,058	5.6%	504	716	213	7.9%
Subtotal	35,405	7.2%	2,969	3,825	856	10.8%
Other Executive						
Legal (Excluding Judiciary)	1,629	5.5%	89	257	168	15.8%
Executive and Administrative Control	1,763	4.7%	83	199	116	11.3%
Financial and Revenue Administration	2,257	6.3%	142	232	90	10.3%
Budget and Management and DoIT	530	5.3%	28	68	40	12.8%
Retirement	192	5.0%	10	26	16	13.5%
General Services	703	5.1%	36	55	19	7.8%
Service and Civic Innovation	32	12.8%	4	10	6	31.4%
Natural Resources	1,462	5.4%	79	220	141	15.0%
Agriculture	409	7.1%	29	27	-3	6.5%
Labor	1,417	5.1%	72	175	103	12.4%
MSDE and Other Education	1,888	5.3%	100	163	63	8.6%
Housing and Community Development	355	4.8%	17	23	6	6.5%
Commerce	186	4.1%	8	17	9	9.1%
Environment	959	5.7%	54	146	92	15.2%
Subtotal	13,783	5.4%	751	1,617	866	11.7%
Executive Branch Subtotal	49,187	7.4%	3,720	5,442	1,723	11.1%

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

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

Filled Positions and Vacancy Rate January 2023 to October 2023



State Retirement and Pension System

Employer Pension Contributions Fiscal 2024-2025 (\$ in Millions)

	<u>2024</u>	<u>2025</u>	<u>\$ Change</u>	<u>% Change</u>
Employees' Combined	\$844.2	\$958.9	\$114.7	13.6%
Teachers' Combined – State Share	839.9	1,030.0	190.1	22.6%
State Police	134.1	157.4	23.3	17.4%
Judges	27.1	31.1	4.0	14.8%
Law Enforcement Officers	47.7	51.4	3.7	7.8%
State Total	\$1,893.0	\$2,228.8	\$335.8	17.7%
Teachers' Combined – Local Share	\$380.2	\$397.1	\$16.9	4.4%
Total	\$2,273.2	\$2,625.9	\$352.7	15.5%

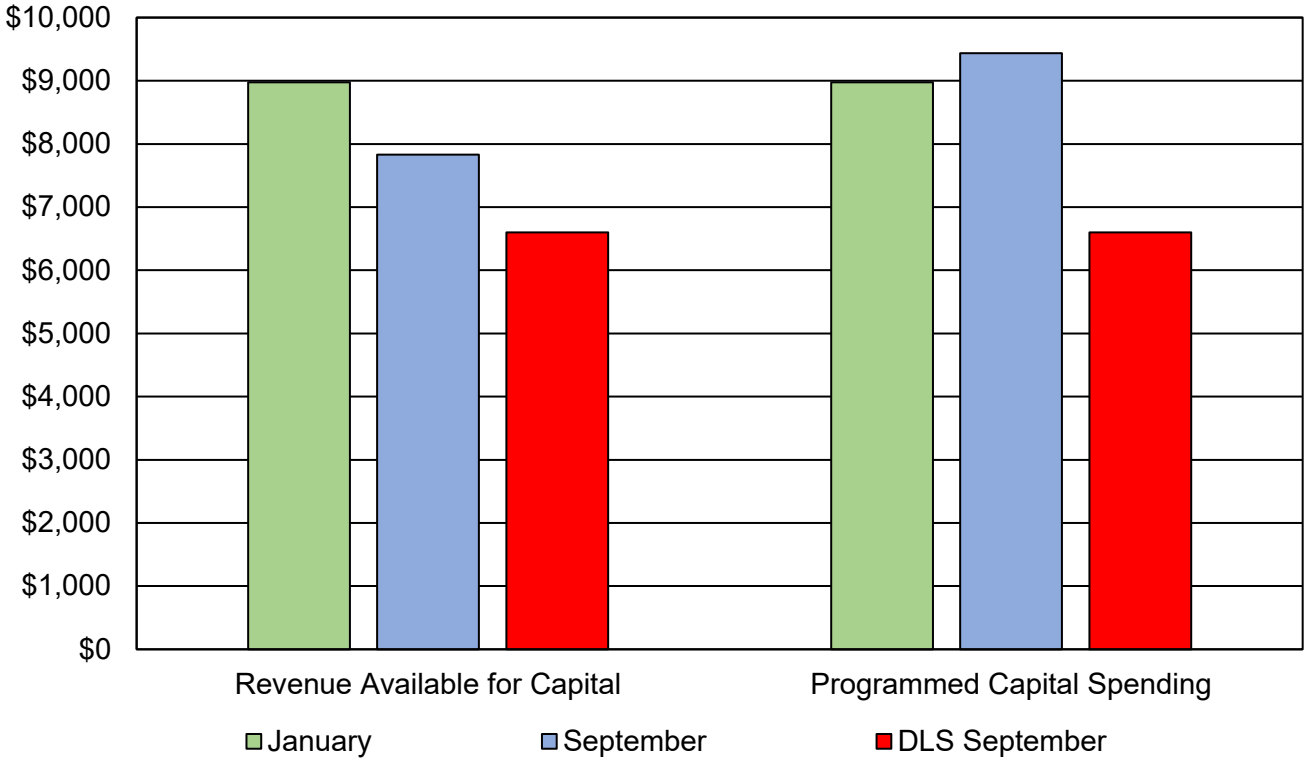
Note: Totals for “Teachers’ Combined – State share” include State contributions for employees of local school boards, community colleges, and libraries. They do not include State contributions to the Optional Retirement Program for higher education faculty and staff.

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

- The State contribution includes the mandated supplemental contribution of \$75.0 million; the fiscal 2024 supplemental contribution was reduced to \$35.2 million. The contribution also includes \$25.0 million from the pension sweeper provision, which was not included in the fiscal 2024 budget as enacted.
- In addition to the inclusion of a higher supplemental contribution and the sweeper contribution, multiple other factors contribute to the large increase in State pension contributions:
 - **Investment returns** for the year ending June 30, 2023, were 3.1%, below the assumed rate of return of 6.8% for the second consecutive year. As a result, the five-year smoothed rate of return, which is used to calculate the contribution rate, was 5.51%, which is also below the assumed rate. This adds to State costs but not local school districts’ costs since the State funds all investment losses.
 - **Payroll growth** across all plans totaled 8.9%, which was substantially higher than the assumed payroll growth of 2.75%;

- **Cost-of-living adjustments (COLA) for retirees** increased more than assumed due to persistent high rates of inflation; uncapped COLAs for many retirees were 8.0%.
- Investment underperformance relative to the 6.8% assumed rate of return is due to underlying weakness in global financial markets. The system's investment program has outperformed its benchmarks in each of the past three years. For fiscal 2023, the system's 3.14% return exceeded the benchmark of 2.20% by 94 basis points.

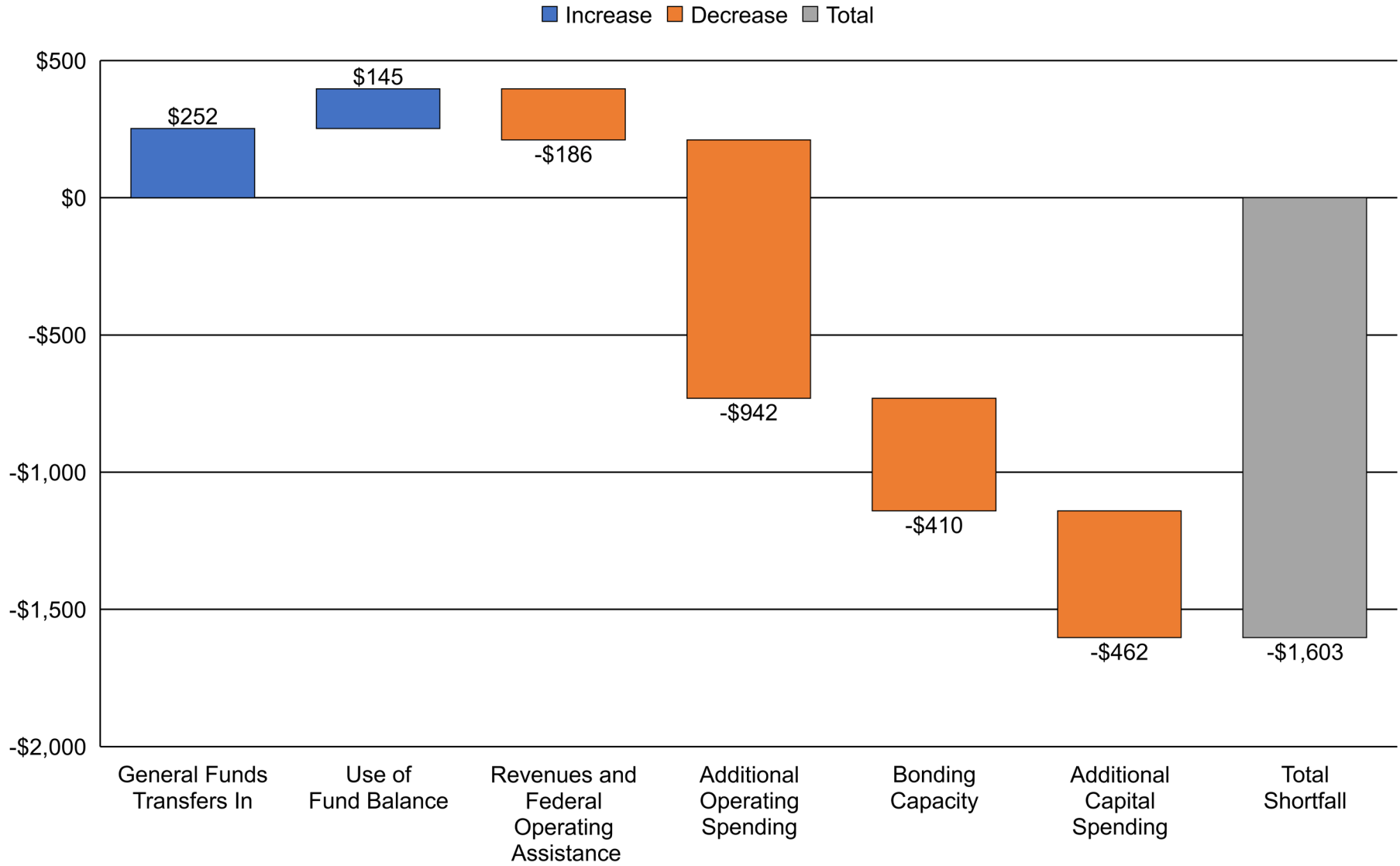
Transportation Capital Revenues and Capital Spending
January 2023 vs. September Draft 2023 Forecasts
Fiscal 2024-2028
(\$ in Millions)



DLS: Department of Legislative Services

- The draft fiscal 2024-2029 *Consolidated Transportation Program* (CTP) submitted in September is not balanced. Programmed capital spending exceeds projected funding by \$2.1 billion over the six-year program.
- The September draft forecast by the Maryland Department of Transportation (MDOT) projected a \$1.1 billion decrease in funding available for the capital program between fiscal 2024 and 2028 but programmed an additional \$462 million in capital spending relative to its January 2023 forecast.
- This results in a \$1.6 billion shortfall between capital funding availability and capital spending between fiscal 2024 and 2029.
- The Department of Legislative Services (DLS) forecast projects a further \$1.2 billion decrease in funding available for capital spending that increases the five-year shortfall to \$2.8 billion and increases the fiscal 2025 shortfall from the \$101 million projected by MDOT to \$511 million in the DLS forecast.

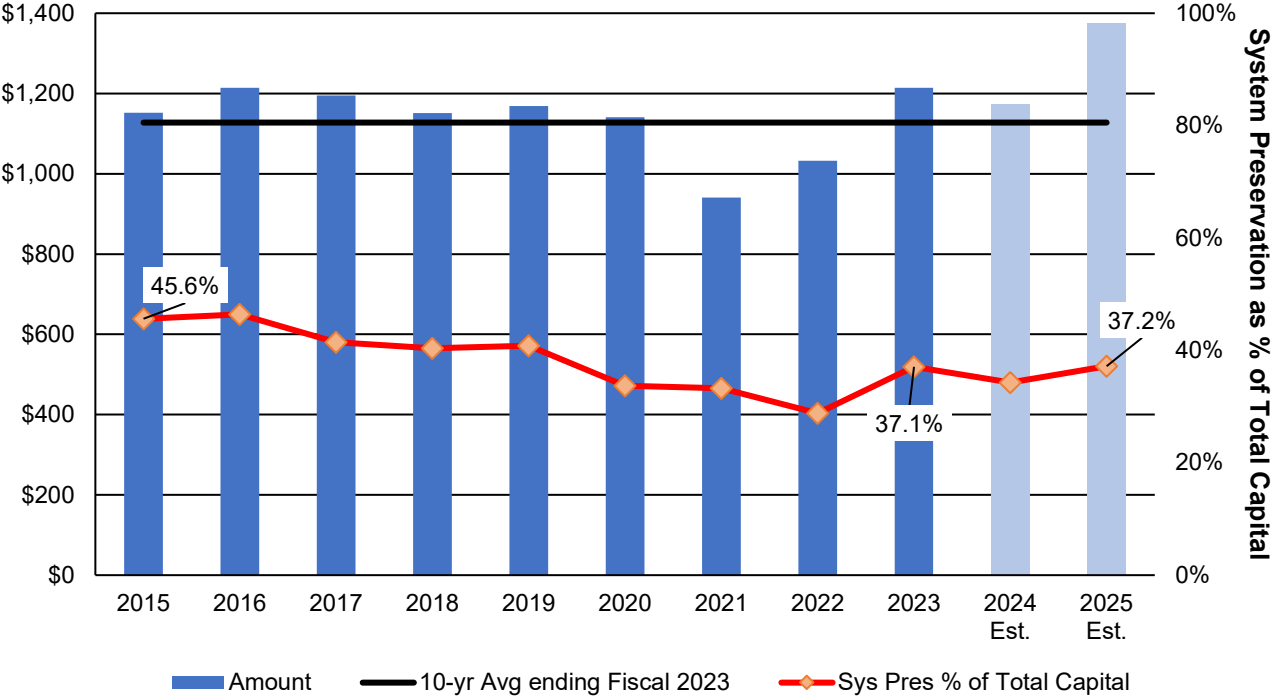
Components of Capital Funding Shortfall (\$ in Millions)



Chapters 27 and 563 of 2022 require the Spending Affordability Committee to include recommendations in the report 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 MDOT.
- MDOT’s target closing balance for the TTF is set to meet projected working cash flow needs. The draft TTF forecast has a target closing balance of \$325 million in fiscal 2025. This level is unchanged from the target closing balance anticipated in the January 2023 financial forecast and is reasonable based on expected federal funding for the capital program.

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

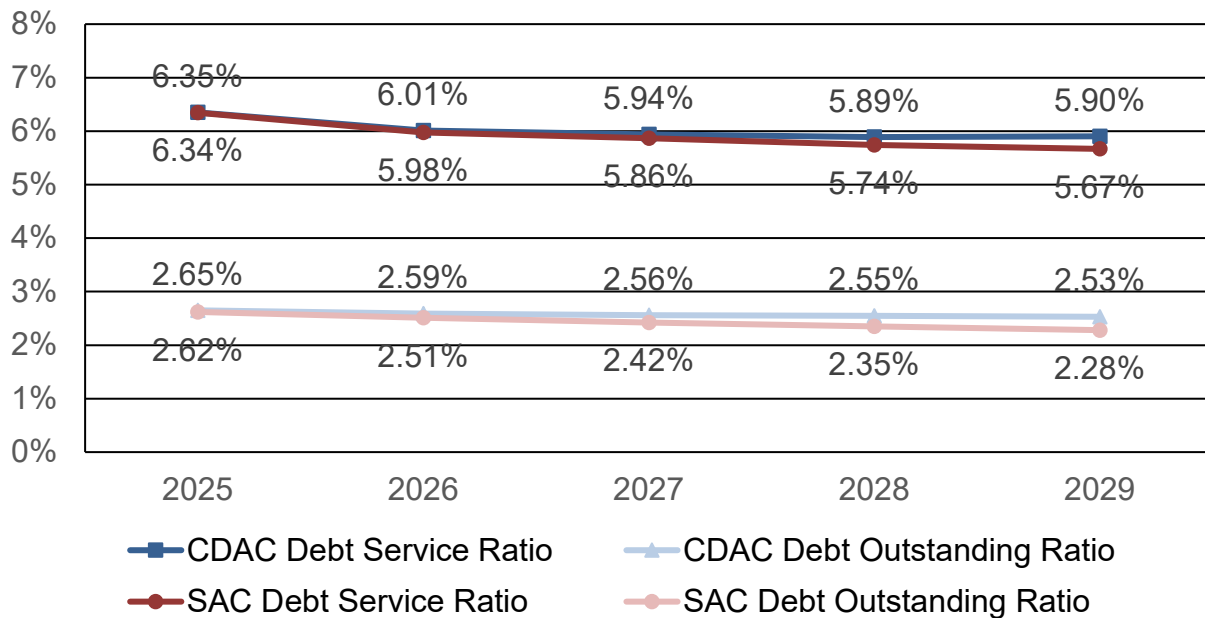


- Spending of \$1.63 billion is needed for State of Good Repair (SOGR), which is roughly analogous to system preservation, in fiscal 2025 to prevent the SOGR unfunded backlog from growing, however the draft *Consolidated Transportation Program* includes only \$879 million.
- MDOT reports that the 10-year SOGR funding gap is \$11.2 billion.

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 2022, the Spending Affordability Committee (SAC) recommended that \$1.25 billion in general obligation bonds should be authorized in fiscal 2025. SAC also recommended increasing the authorization by 4% annually, so that authorizations increase to \$1.465 billion by fiscal 2029.
- CDAC has recommended authorizing \$1.75 billion annually from fiscal 2025 to 2029.

**Affordability Ratios
Fiscal 2025-2029**



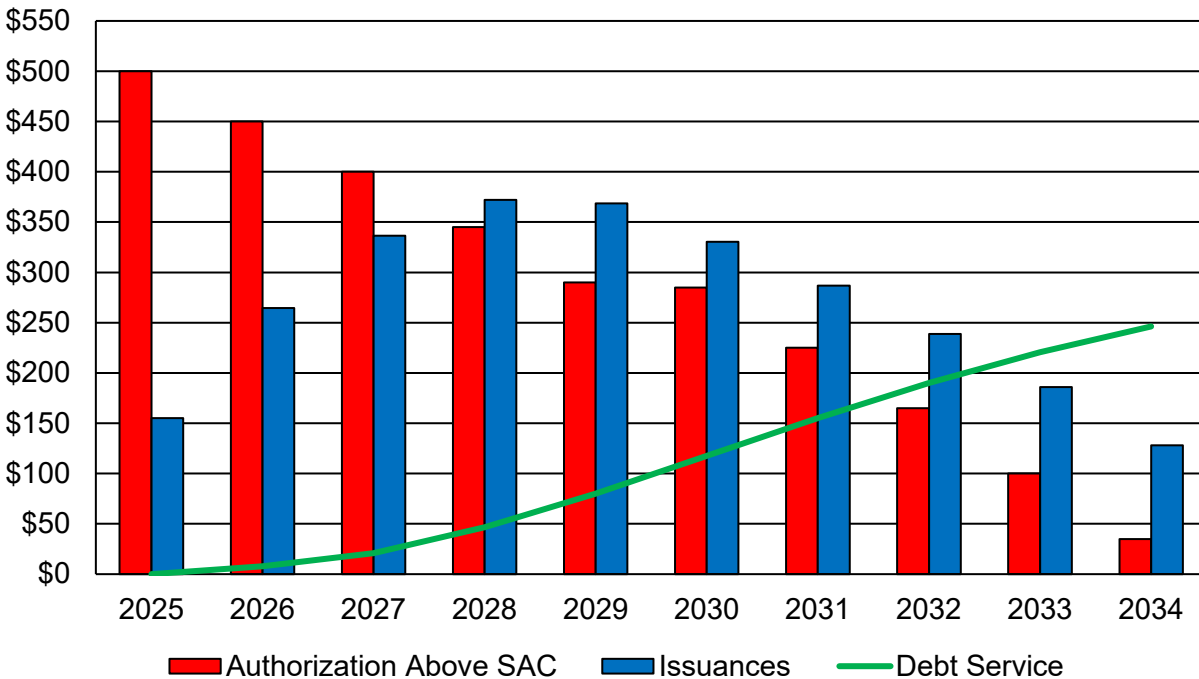
CDAC: Capital Debt Affordability Committee
SAC: Spending Affordability Committee

Source: Board of Revenue Estimates; Maryland Department of Transportation; State Treasurer's Office; Maryland Stadium Authority; Maryland Department of the Environment; Capital Debt Affordability Committee; State Department of Assessments and Taxation; Department of Legislative Services

Effect of Increased Bond Authorizations on Debt Service Costs

- CDAC recommends increasing the fiscal 2025 authorization by \$500 million and maintaining \$1.75 billion in authorizations indefinitely.
- The effect of increased authorizations is delayed because (1) State debt is issued as funds are needed by capital projects and (2) there are no principal payments until the third year. Consequently, the short-term effects of increasing authorizations are minimal.
- Authorizing \$1.75 billion annually increases debt service costs by \$246 million by the end of the forecast period in fiscal 2034.

Effect of CDAC Authorizations on Issuances and Debt Service Costs Fiscal 2025-2034 (\$ in Millions)



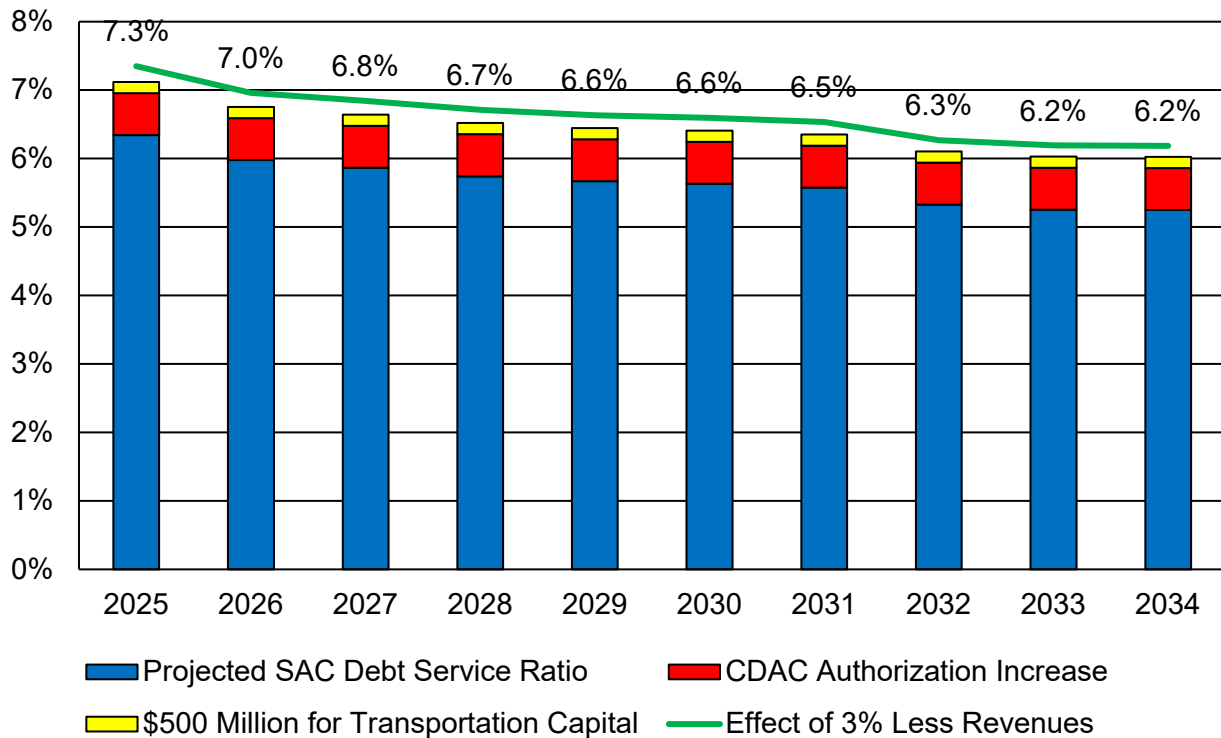
CDAC: Capital Debt Affordability Committee
SAC: Spending Affordability Committee

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

Effect of Increased Bond Authorizations on Debt Service to Revenues Ratio

- Assuming maximum debt service costs, the increase in general obligation bond authorizations adds 51 basis points (0.51%) to the debt service to revenues ratio.
- The Department of Legislative Services estimates that the transportation capital program declines by \$0.93 billion from fiscal 2024 to 2029. To illustrate possible impacts of moderating this decline, if \$500 million in additional funds are available to the Transportation Trust Fund annually, transportation bond issuances add another 16 basis points (0.16%) to the debt service to revenues ratio.
- A modest recession, in which revenues underperform by 3%, adds another 16 to 20 basis points (0.16% to 0.2%) to the debt service to revenues ratio.

Debt Service to State Revenues Affordability Outlook Fiscal 2025-2034



CDAC: Capital Debt Affordability Committee

SAC: Spending Affordability Committee

Source: Board of Revenue Estimates; Maryland Department of Transportation; State Treasurer's Office; Maryland Stadium Authority; Maryland Department of the Environment; Capital Debt Affordability Committee; State Department of Assessments and Taxation; Department of Legislative Services

By Any Measure, Maryland Is a High Debt State: Ranking AAA-rated States' Long-term Liabilities

<u>State</u>	<u>Total Long-term Liabilities to Revenues</u>	<u>State Debt to Personal Income</u>	<u>Implied Debt Service to Revenues</u>	<u>Net Pension Liability to Personal Income</u>	<u>Net OPEB Liability to Personal Income</u>	<u>Capital Asset Depreciation Ratio</u>
Maryland	7	10	12	9	13	8
Delaware	12	4	11	18	2	36
Texas	13	33	31	20	11	49
Missouri	23	42	36	30	20	24
Iowa	34	42	41	24	36	18
Virginia	37	18	17	42	31	46
Indiana	38	45	44	29	44	6
Florida	39	37	26	50	27	21
Georgia	40	26	20	47	31	20
North Carolina	41	32	34	42	22	50
Minnesota	42	23	26	34	36	22
Utah	44	30	30	37	44	42
Tennessee	49	47	16	49	31	41
South Dakota	50	40	44	36	44	44

OPEB: Other Postemployment Benefits

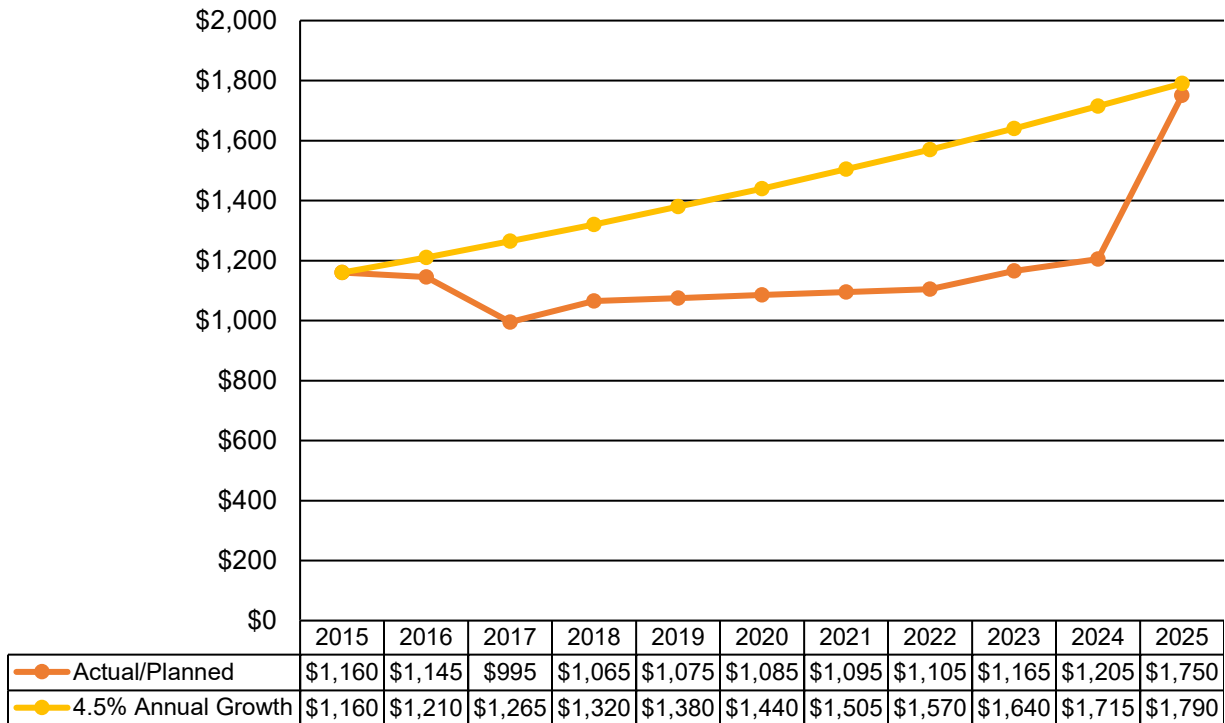
Note: Rankings compare 50 states and do not include the District of Columbia or territories. Lower rankings signifying higher liabilities. Maryland and AAA-rated states ranked higher than Maryland are shaded. Revenues include lottery revenues. Implied debt service normalizes debt service costs so that all debt is amortized over 20 years. Pension liabilities are normalized with a standard discount rate.

Source: Moody's Investor Services, September 2023

General Obligation Bond Authorization Levels Have Not Kept Pace with Inflation

- **Authorizations Have Not Kept Pace with Construction Inflation:** Regional construction inflation has increased at an average annual rate of 4.5% from the beginning of calendar 2014.

Actual and CDAC Fiscal 2025 Planned GO Bond Authorization Levels Compared to Inflation Adjusted Levels Fiscal 2015-2025

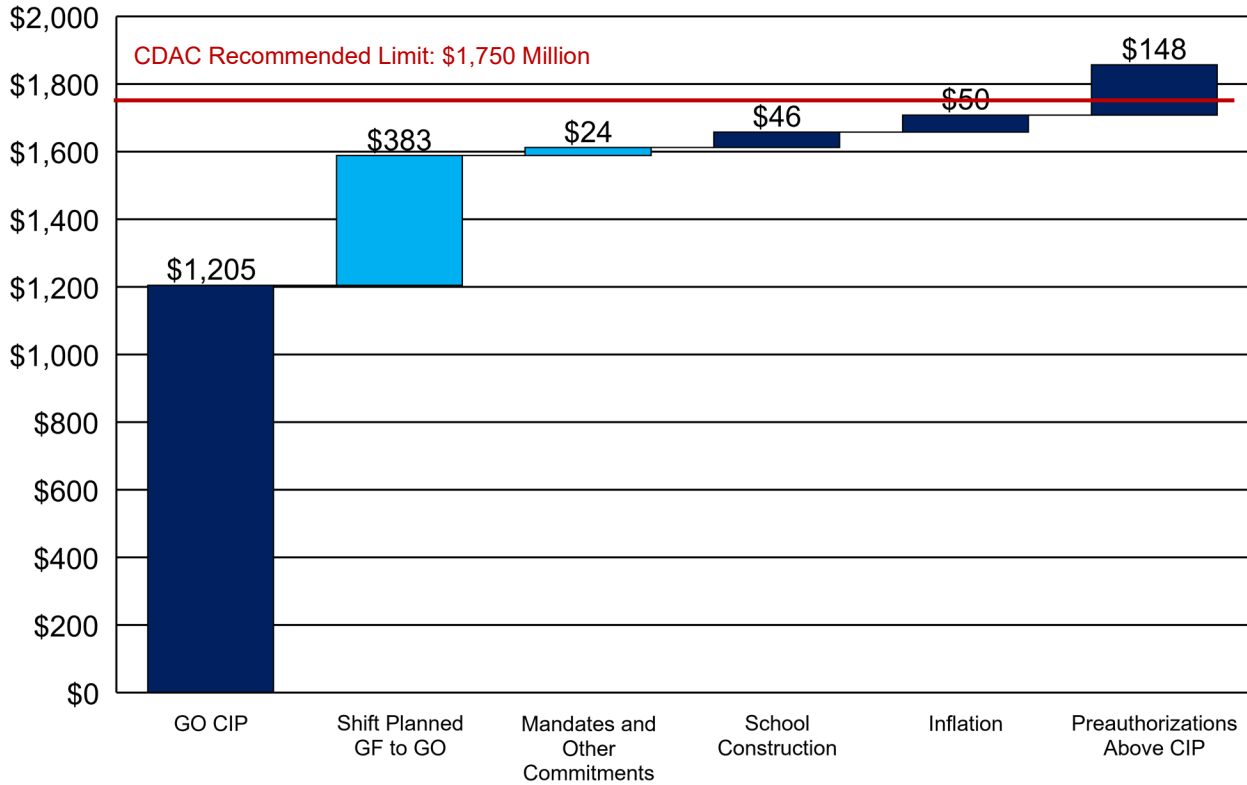


CDAC: Capital Debt Affordability Committee
GO: general obligation

Source: Capital Debt Affordability Committee

Capital Program

Capital Commitments and Other Fiscal Pressures Total \$1.856 Billion (\$ in Millions)



■ Indicates items accounted for in the baseline general fund assumptions totaling \$407 million.

CDAC: Capital Debt Affordability Committee
GF: general funds

CIP: *Capital Improvement Program*
GO: general obligation

Note: Planned general funds excludes \$22 million for the Historic Revitalization Tax Credit and \$167 million for the Washington Metropolitan Area Transit Authority, as these are assumed to be funded with general funds in fiscal 2025. School construction funding represents the amount needed above the CIP to reach the \$450 million annual commitment outlined in Chapter 32 of 2022. Mandates and other commitments include \$5 million for the Transit-Oriented Development Capital Grant and Revolving Loan Fund (Chapter 512 of 2023), \$5 million for the Business Façade Improvement Program (Chapter 437 of 2023), an increase of \$5 million for the National Capital Strategic Economic Development Program (Chapter 494 of 2023), and \$9 million to support an ongoing commitment to the Downtown Partnership of Baltimore.

Source: 2023 *Capital Improvement Program*; Department of Legislative Services

Appendices

Appendix 1
State Expenditures – General Funds
Fiscal 2023-2025
(\$ in Millions)

<u>Category</u>	<u>2023 Working Appropriation</u>	<u>2024 Legislative Appropriation</u>	<u>2025 Baseline</u>	<u>\$ Change 2024 to 2025</u>	<u>% Change</u>
Debt Service	\$430.0	\$425.1	\$433.0	\$7.9	1.9%
County/Municipal	\$388.5	\$455.4	\$413.4	-\$42.0	-9.2%
Community Colleges	435.3	475.4	506.8	31.4	6.6%
Education/Libraries	7,124.8	7,227.7	7,364.4	136.6	1.9%
Health	101.3	115.8	133.8	18.1	15.6%
Aid to Local Governments	\$8,049.9	\$8,274.3	\$8,418.4	\$144.0	1.7%
Foster Care Payments	\$240.5	\$273.3	\$276.8	\$3.5	1.3%
Assistance Payments	127.1	120.8	116.2	-4.6	-3.8%
Medical Assistance	4,370.2	5,004.9	5,098.8	93.9	1.9%
Property Tax Credits	87.3	87.4	81.3	-6.1	-7.0%
Entitlements	\$4,825.1	\$5,486.3	\$5,573.0	\$86.7	1.6%
Health	\$2,169.4	\$2,436.8	\$2,545.8	\$109.0	4.5%
Human Services	463.5	482.9	483.4	0.5	0.1%
Juvenile Services	299.2	314.3	325.9	11.6	3.7%
Public Safety/Police	1,831.9	1,885.0	1,989.6	104.6	5.5%
Higher Education	2,106.3	2,241.9	2,414.9	173.1	7.7%
Transportation	0.0	0.9	0.0	-0.9	n/a
Other Education	717.2	693.0	730.4	37.4	5.4%
Agriculture/Natural Res./Environment	203.4	238.7	273.0	34.3	14.4%
Other Executive Agencies	1,416.2	1,618.6	1,507.2	-111.4	-6.9%
Judiciary	647.7	668.4	697.6	29.2	4.4%
Legislative	143.7	152.3	154.8	2.6	1.7%
State Agencies	\$9,998.6	\$10,732.6	\$11,122.5	\$390.0	3.6%
Total Operating	\$23,303.6	\$24,918.3	\$25,546.9	\$628.6	2.5%
Capital ⁽¹⁾	\$2,270.0	\$1,273.0	\$596.0	-\$677.0	-53.2%
Subtotal	\$25,573.6	\$26,191.3	\$26,142.9	-\$48.4	-0.2%
Reserve Funds ⁽²⁾	\$2,527.3	\$1,079.9	\$546.1	-\$533.8	-49.4%
Appropriations	\$28,100.9	\$27,271.2	\$26,689.0	-\$582.2	-2.1%
Reversions	-\$75.0	-\$45.0	-\$50.0	-\$5.0	11.1%
Grand Total	\$28,025.9	\$27,226.2	\$26,639.0	-\$587.2	-2.2%

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

⁽²⁾ The fiscal 2023 working appropriation for the Reserve Funds excludes \$378.8 million budgeted in the Dedicated Purpose Account (DPA). That amount is included in various other categories to reflect the purpose of the spending. It also excludes \$1.1 billion budgeted in the DPA for pay-as-you-go capital spending which is included in the Capital line on this chart.

Note: The fiscal 2023 working appropriation reflects \$170.5 million in reversions including \$95.5 million in targeted reversions. In fiscal 2023, the General Assembly reduced the appropriation to the Revenue Stabilization Account by \$69 million but provided authorization for those funds to be used for a variety of purposes. The working appropriation reflects this reallocation. The fiscal 2024 appropriation reflects estimated deficiencies of \$86.6 million.

Appendix 2
State Expenditures – Special and Higher Education Funds*
Fiscal 2023-2025
(\$ in Millions)

<u>Category</u>	<u>2023 Working Appropriation</u>	<u>2024 Legislative Appropriation</u>	<u>2025 Baseline</u>	<u>\$ Change 2024 to 2025</u>	<u>% Change</u>
Debt Service	\$1,480.5	\$1,443.2	\$1,495.0	\$51.9	3.6%
County/Municipal	\$461.3	\$510.7	\$589.7	\$79.0	15.5%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	873.9	1,506.8	1,761.0	254.2	16.9%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	\$1,335.2	\$2,017.5	\$2,350.7	\$333.2	16.5%
Foster Care Payments	\$2.9	\$2.7	\$2.7	\$0.0	0.0%
Assistance Payments	13.7	15.6	10.6	-5.0	-32.3%
Medical Assistance	747.4	671.4	749.9	78.5	11.7%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$764.0	\$689.6	\$763.1	\$73.4	10.6%
Health	\$588.2	\$762.2	\$712.3	-\$50.0	-6.6%
Human Services	147.9	166.2	147.2	-19.0	-11.4%
Juvenile Services	2.4	4.2	4.4	0.1	3.2%
Public Safety/Police	173.5	204.3	197.9	-6.3	-3.1%
Higher Education	5,676.5	5,194.4	5,433.2	238.8	4.6%
Other Education	201.7	286.4	283.0	-3.5	-1.2%
Transportation	1,921.7	2,224.4	2,655.5	431.1	19.4%
Agriculture/Natural Res./Environment	347.8	346.9	325.5	-21.4	-6.2%
Other Executive Agencies	1,181.4	1,224.3	1,411.8	187.5	15.3%
Judiciary	68.0	79.7	81.4	1.7	2.1%
Legislative	0.0	0.0	0.0	0.0	n/a
State Agencies	\$10,309.2	\$10,493.1	\$11,252.1	\$759.0	7.2%
Total Operating	\$13,888.8	\$14,643.3	\$15,860.8	\$1,217.5	8.3%
Capital	\$1,330.8	\$2,297.3	\$1,707.1	-\$590.2	-25.7%
Transportation	1,031.7	1,336.3	1,305.2	-31.1	-2.3%
Environment	220.7	254.7	205.0	-49.7	-19.5%
Other	78.4	706.3	196.9	-509.3	-72.1%
Grand Total	\$15,219.7	\$16,940.6	\$17,567.9	\$627.3	3.7%

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

Note: The fiscal 2024 appropriation reflects estimated deficiencies of -\$43.8 million. Fiscal 2023 excludes \$1.1 billion, fiscal 2024 excludes \$199.1 million and fiscal 2025 excludes \$211.1 million that double counts general fund spending.

Appendix 3
State Expenditures – Federal Funds
Fiscal 2023-2025
(\$ in Millions)

Category	2023 Working Appropriation	2024 Legislative Appropriation	2025 Baseline	\$ Change 2024 to 2025	% Change
Debt Service	\$9.0	\$7.5	\$4.7	-\$2.8	-37.3%
County/Municipal	\$74.8	\$87.4	\$87.4	\$0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	1,072.6	1,130.0	1,130.0	0.0	0.0%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	\$1,147.4	\$1,217.4	\$1,217.4	\$0.0	0.0%
Foster Care Payments	\$90.5	\$64.3	\$64.8	\$0.5	0.8%
Assistance Payments	2,670.4	2,239.0	1,571.8	-667.2	-29.8%
Medical Assistance	9,665.6	9,221.9	8,706.9	-515.0	-5.6%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$12,426.5	\$11,525.1	\$10,343.5	-\$1,181.6	-10.3%
Health	\$2,410.4	\$2,292.2	\$2,277.5	-\$14.7	-0.6%
Human Services	670.2	657.6	656.3	-1.3	-0.2%
Juvenile Services	6.9	6.2	6.4	0.2	3.7%
Public Safety/Police	43.5	41.5	44.2	2.7	6.5%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	422.6	366.9	373.5	6.6	1.8%
Transportation	460.4	248.2	115.5	-132.6	-53.5%
Agriculture/Natural Res./Environment	91.2	107.4	101.4	-6.0	-5.6%
Other Executive Agencies	1,211.3	1,527.9	1,476.6	-51.3	-3.4%
Judiciary	3.2	2.8	2.8	0.0	1.7%
Legislature	0.0	0.0	0.0	0.0	n/a
State Agencies	\$5,319.6	\$5,250.8	\$5,054.4	-\$196.3	-3.7%
Total Operating	\$18,902.5	\$18,000.7	\$16,620.0	-\$1,380.8	-7.7%
Capital	\$1,838.3	\$1,595.8	\$1,905.9	\$310.1	19.4%
Transportation	1,270.2	1,333.0	1,391.0	57.9	4.3%
Environment	213.5	116.8	215.4	98.5	84.3%
Other	354.6	145.9	299.5	153.6	105.3%
Subtotal	\$20,740.8	\$19,596.5	\$18,525.8	-\$1,070.7	-5.5%
Reserve Funds	\$0.0	0.0	0.0	\$0.0	n/a
Grand Total	\$20,740.8	\$19,596.5	\$18,525.8	-\$1,070.7	-5.5%

Note: The fiscal 2024 appropriation reflects estimated deficiencies of \$668.3 million.

Appendix 4
State Expenditures – State Funds
Fiscal 2023-2025
(\$ in Millions)

<u>Category</u>	<u>2023 Working Appropriation</u>	<u>2024 Legislative Appropriation</u>	<u>2025 Baseline</u>	<u>\$ Change 2024 to 2025</u>	<u>% Change</u>
Debt Service	\$1,910.5	\$1,868.3	\$1,928.0	\$59.8	3.2%
County/Municipal	\$849.8	\$966.1	\$1,003.1	\$36.9	3.8%
Community Colleges	435.3	475.4	506.8	31.4	6.6%
Education/Libraries	7,998.7	8,734.5	9,125.4	390.9	4.5%
Health	101.3	115.8	133.8	18.1	15.6%
Aid to Local Governments	\$9,385.1	\$10,291.8	\$10,769.0	\$477.3	4.6%
Foster Care Payments	\$243.4	\$275.9	\$279.4	\$3.5	1.3%
Assistance Payments	140.8	136.4	126.8	-9.6	-7.1%
Medical Assistance	5,117.5	5,676.3	5,848.7	172.4	3.0%
Property Tax Credits	87.3	87.4	81.3	-6.1	-7.0%
Entitlements	\$5,589.1	\$6,176.0	\$6,336.1	\$160.1	2.6%
Health	\$2,759.2	\$3,199.1	\$3,258.1	\$59.0	1.8%
Human Services	611.8	649.1	630.6	-18.5	-2.8%
Juvenile Services	301.7	318.5	330.2	11.7	3.7%
Public Safety/Police	2,008.1	2,089.3	2,187.5	98.2	4.7%
Higher Education	7,782.8	7,436.3	7,848.1	411.8	5.5%
Other Education	919.4	979.4	1,013.4	34.0	3.5%
Transportation	1,932.1	2,225.3	2,655.5	430.2	19.3%
Agriculture/Natural Res./Environment	554.4	585.6	598.5	12.8	2.2%
Other Executive Agencies	2,574.1	2,842.8	2,919.0	76.1	2.7%
Judiciary	716.1	748.0	779.0	30.9	4.1%
Legislative	143.7	152.3	154.8	2.6	1.7%
State Agencies	\$20,303.4	\$21,225.6	\$22,374.6	\$1,149.0	5.4%
Total Operating	\$37,188.1	\$39,561.6	\$41,407.7	\$1,846.1	4.7%
Capital ⁽¹⁾	\$3,605.3	\$3,570.3	\$2,303.1	-\$1,267.2	-35.5%
Transportation	1,208.7	1,503.3	1,477.2	-26.2	-1.7%
Environment	240.9	254.7	205.0	-49.7	-19.5%
Other	2,155.6	1,812.2	620.9	-1,191.3	-65.7%
Subtotal	\$40,793.3	\$43,131.9	\$43,710.8	\$578.9	1.3%
Reserve Funds ⁽²⁾	\$2,527.3	\$1,079.9	\$546.1	-\$533.8	-49.4%
Appropriations	\$43,320.6	\$44,211.8	\$44,256.9	\$45.1	0.1%
Reversions	-\$75.0	-\$45.0	-\$50.0	-\$5.0	11.1%
Grand Total	\$43,245.6	\$44,166.8	\$44,206.9	\$40.1	0.1%

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

⁽²⁾ The fiscal 2023 working appropriation for the Reserve Funds excludes \$378.8 million budgeted in the Dedicated Purpose Account (DPA). That amount is included in various other categories to reflect the purpose of the spending. It also excludes \$1.1 billion budgeted in the DPA for pay-as-you-go capital spending which is included in the Capital line on this chart.

Note: The fiscal 2023 working appropriation reflects \$170.5 million in reversions including \$95.5 million in targeted reversions. In fiscal 2023, the General Assembly reduced the appropriation to the Revenue Stabilization Fund by \$69 million but provided authorization for those funds to be used for a variety of purposes. The working appropriation reflects this reallocation. The fiscal 2024 appropriation reflects estimated deficiencies of \$42.9 million. Fiscal 2023 excludes \$1.1 billion, 2024 excludes \$199.1 million and 2025 excludes \$211.1 million of special funds that double count general fund spending.

Appendix 5
State Expenditures – All Funds
Fiscal 2023-2025
(\$ in Millions)

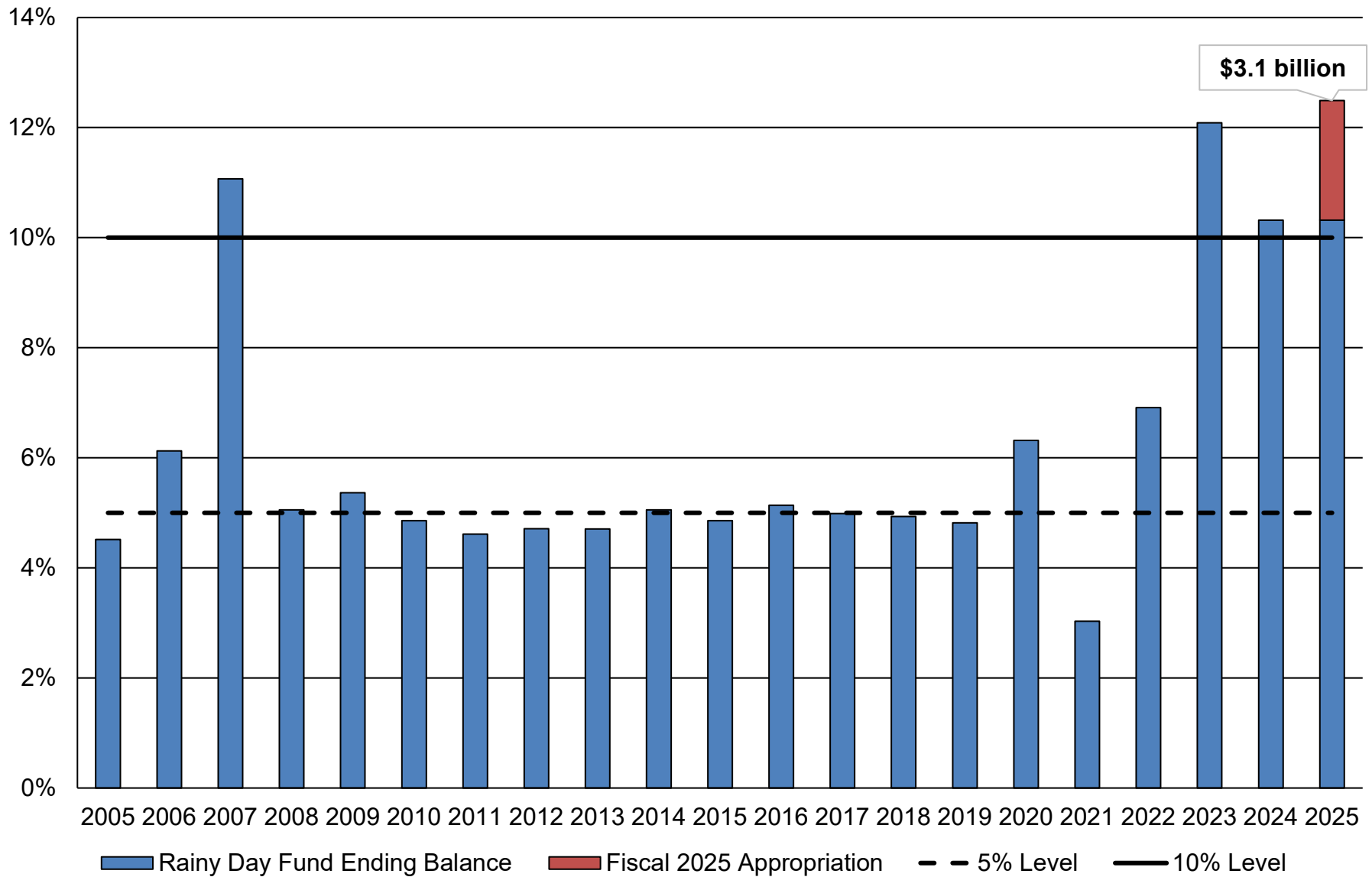
Category	2023 Working Appropriation	2024 Legislative Appropriation	2025 Baseline	\$ Change 2024 to 2025	% Change
Debt Service	\$1,919.5	\$1,875.8	\$1,932.7	\$57.0	3.0%
County/Municipal	\$924.6	\$1,053.5	\$1,090.4	\$36.9	3.5%
Community Colleges	435.3	475.4	506.8	31.4	6.6%
Education/Libraries	9,071.2	9,864.5	10,255.3	390.9	4.0%
Health	101.3	115.8	133.8	18.1	15.6%
Aid to Local Governments	\$10,532.5	\$11,509.1	\$11,986.4	\$477.3	4.1%
Foster Care Payments	\$333.9	\$340.2	\$344.2	\$4.0	1.2%
Assistance Payments	2,811.2	2,375.3	1,698.5	-676.8	-28.5%
Medical Assistance	14,783.1	14,898.1	14,555.6	-342.6	-2.3%
Property Tax Credits	87.3	87.4	81.3	-6.1	-7.0%
Entitlements	\$18,015.6	\$17,701.1	\$16,679.6	-\$1,021.5	-5.8%
Health	\$5,172.2	\$5,491.3	\$5,535.6	\$44.3	0.8%
Human Services	1,287.3	1,306.7	1,286.9	-19.8	-1.5%
Juvenile Services	308.6	324.7	336.6	11.9	3.7%
Public Safety/Police	2,052.0	2,130.8	2,231.7	100.9	4.7%
Higher Education	7,782.8	7,436.3	7,848.1	411.8	5.5%
Other Education	1,344.2	1,346.3	1,386.9	40.6	3.0%
Transportation	2,392.8	2,473.4	2,771.0	297.6	12.0%
Agriculture/Natural Res./Environment	646.7	693.1	699.9	6.8	1.0%
Other Executive Agencies	3,772.8	4,370.8	4,395.6	24.9	0.6%
Judiciary	719.4	750.8	781.8	31.0	4.1%
Legislative	143.7	152.3	154.8	2.6	1.7%
State Agencies	\$25,622.4	\$26,476.4	\$27,429.0	\$952.6	3.6%
Total Operating	\$56,090.0	\$57,562.3	\$58,027.7	\$465.4	0.8%
Capital ⁽¹⁾	\$5,444.1	\$5,166.1	\$4,209.0	-\$957.1	-18.5%
Transportation	2,478.9	2,836.3	2,868.1	31.8	1.1%
Environment	454.4	388.3	445.1	56.7	14.6%
Other	2,510.8	1,941.4	895.8	-1,045.6	-53.9%
Subtotal	\$61,534.1	\$62,728.4	\$62,236.6	-\$491.7	-0.8%
Reserve Funds ⁽²⁾	\$2,527.3	\$1,079.9	\$546.1	-\$533.8	-49.4%
Appropriations	\$64,061.4	\$63,808.3	\$62,782.7	-\$1,025.6	-1.6%
Reversions	-\$75.0	-\$45.0	-\$50.0	-\$5.0	11.1%
Grand Total	\$63,986.4	\$63,763.3	\$62,732.7	-\$1,030.6	-1.6%

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

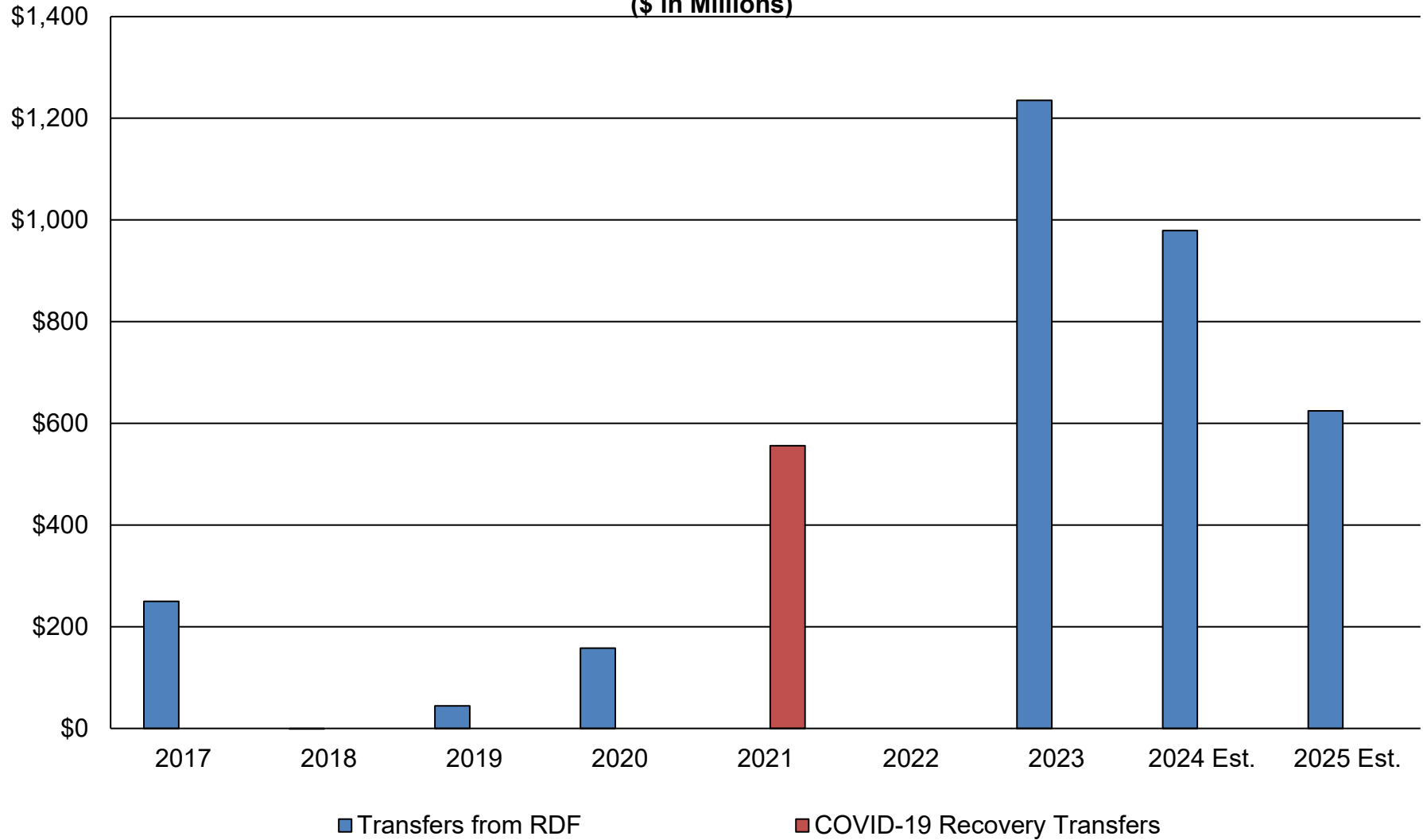
⁽²⁾ The fiscal 2023 legislative appropriation for the Reserve Funds excludes \$378.8 million budgeted in the Dedicated Purpose Account (DPA). That amount is included in various other categories to reflect the purpose of the spending. It also excludes \$1.1 billion budgeted in the DPA for paygo capital spending which is included in the Capital line on this chart.

Note: The fiscal 2023 working appropriation reflects \$170.5 million in reversions including \$95.5 million in targeted reversions. In fiscal 2023, the General Assembly reduced the appropriation to the Revenue Stabilization Fund by \$69 million but provided authorization for those funds to be used for a variety of purposes. The working appropriation reflects this reallocation. The fiscal 2024 appropriation reflects estimated deficiencies of \$711.2 million. Fiscal 2023 excludes \$1.1 billion, fiscal 2024 excludes \$199.1 million and fiscal 2025 excludes \$211.1 million of special funds that double count general fund spending.

Appendix 6
Rainy Day Fund Balance as a Percent of General Fund Revenues
Fiscal 2005-2025



Appendix 7
Transfers from the Rainy Day Fund
Fiscal 2017-2025 Est.
(\$ in Millions)



RDF: Rainy Day Fund

Appendix 8
State Aid by Governmental Entity
Amount and Percent of Total
(\$ in Millions)

	<u>Fiscal 2025 State Aid Amount</u>	<u>Percent of Total</u>
Public Schools	\$9,028.9	83.8%
Libraries	96.4	0.9%
Community Colleges	506.8	4.7%
Local Health	133.8	1.2%
County/Municipal	1,003.1	9.3%
Total	\$10,769.0	100.0%

Change in State Aid
(\$ in Millions)

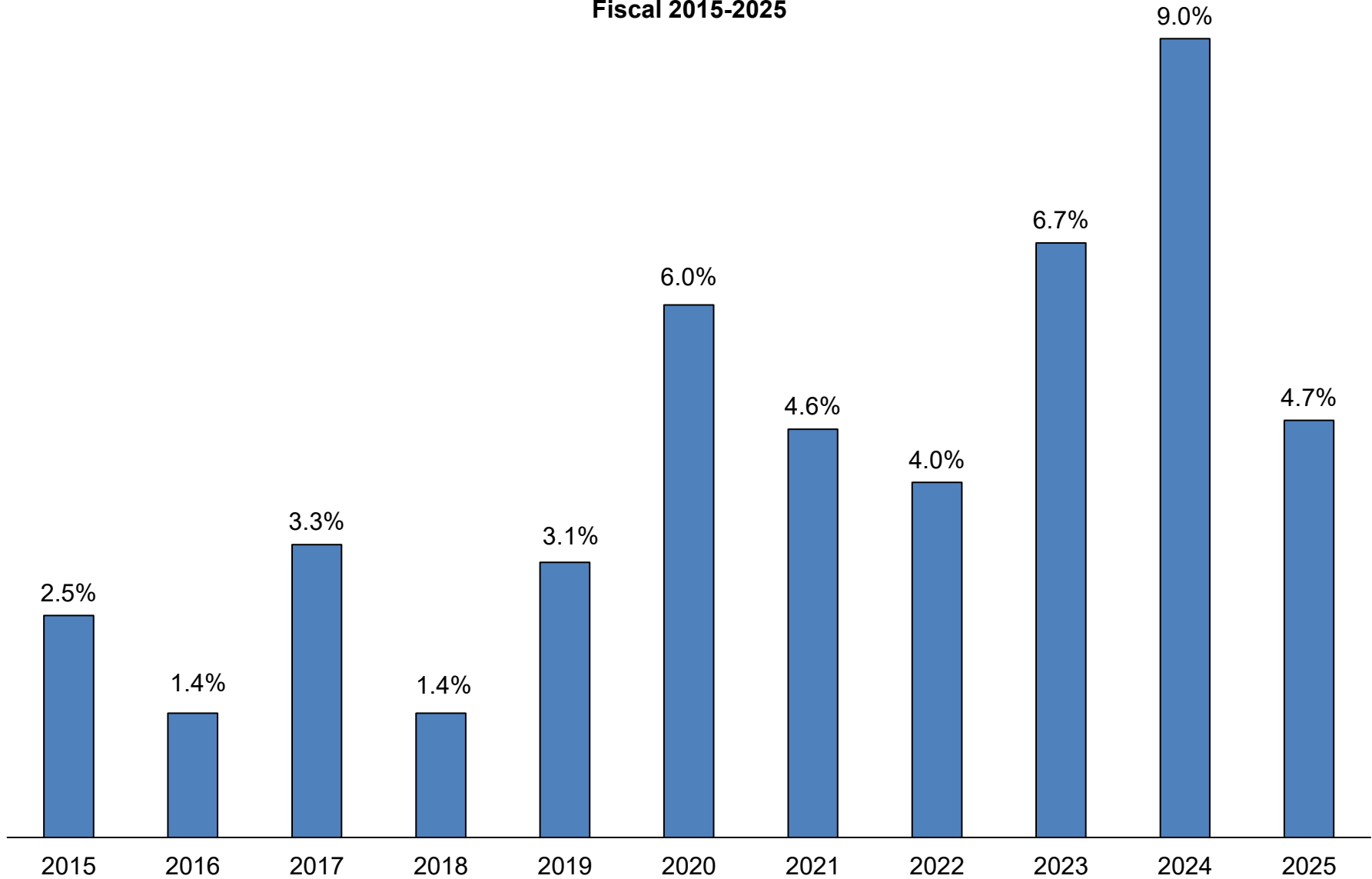
	<u>Fiscal 2025 Aid Change</u>	<u>Percent Change</u>
Public Schools	\$385.8	4.5%
Libraries	5.1	5.6%
Community Colleges	31.4	6.6%
Local Health	18.1	15.6%
County/Municipal	39.5	4.1%
Total	\$479.8	4.7%

Appendix 9
State Aid by Major Programs
State Funds
Fiscal 2022-2025
(\$ in Millions)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Difference</u>	<u>Percent Difference</u>
Public Schools						
Foundation Programs	\$3,413.3	\$3,817.4	\$3,958.1	\$3,953.6	-\$4.6	-0.1%
Compensatory Aid	1,286.6	1,295.2	1,686.1	1,667.7	-18.4	-1.1%
English Learners Grant	334.3	422.5	473.5	529.0	55.5	11.7%
Special Education - Formula Aid	311.1	401.3	466.0	509.6	43.7	9.4%
Special Education - Nonpublic	126.7	141.4	149.1	156.5	7.3	4.9%
Student Transportation	288.1	336.0	363.4	367.6	4.2	1.2%
Guaranteed Tax Base	49.9	45.8	56.8	61.6	4.8	8.4%
Head Start/Pre-Kindergarten	29.6	29.6	29.6	29.6	0.0	0.0%
Blueprint Programs	811.9	595.4	561.4	705.8	144.5	25.7%
Other Education Programs	91.7	146.1	154.2	132.4	-21.8	-14.2%
Subtotal Direct Aid	\$6,743.1	\$7,230.6	\$7,898.2	\$8,113.3	\$215.1	2.7%
Retirement Payments	\$779.0	\$724.6	\$745.0	\$915.7	\$170.7	22.9%
Total Public School Aid	\$7,522.1	\$7,955.2	\$8,643.2	\$9,028.9	\$385.8	4.5%
Libraries						
Library Aid Formula	\$44.7	\$47.7	\$48.7	\$49.5	\$0.8	1.6%
State Library Network	19.8	21.0	21.4	21.7	0.2	1.2%
Subtotal Direct Aid	\$64.4	\$68.7	\$70.1	\$71.1	\$1.0	1.5%
Retirement Payments	\$20.1	\$20.8	\$21.2	\$25.3	\$4.1	19.1%
Total Library Aid	\$84.6	\$89.4	\$91.3	\$96.4	\$5.1	5.6%
Community Colleges						
Community College Formula	\$290.1	\$355.1	\$393.3	\$414.5	\$21.2	5.4%
Other Programs	34.0	35.3	37.0	37.3	0.3	0.8%
Subtotal Direct Aid	\$324.1	\$390.4	\$430.3	\$451.8	\$21.5	5.0%
Retirement Payments	\$46.0	\$45.0	\$45.1	\$55.0	\$9.9	21.9%
Total Community College Aid	\$370.1	\$435.3	\$475.4	\$506.8	\$31.4	6.6%
Local Health Grants	\$80.6	\$101.3	\$115.8	\$133.8	\$18.1	15.6%
County/Municipal Aid						
Transportation	\$285.0	\$294.6	\$337.1	\$418.9	\$81.7	24.2%
Public Safety	168.8	221.2	217.7	217.9	0.3	0.1%
Disparity Grant	158.2	161.2	220.2	183.1	-37.1	-16.8%
Gaming Impact Aid	104.3	107.1	105.4	106.5	1.1	1.0%
Other Grants	70.4	70.4	83.2	76.7	-6.5	-7.8%
Total County/Municipal Aid	\$786.7	\$854.6	\$963.6	\$1,003.1	\$39.5	4.1%
Total State Aid	\$8,844.0	\$9,435.9	\$10,289.2	\$10,769.0	\$479.8	4.7%

Source: Department of Legislative Services

Appendix 10
Annual Change in State Aid to Local Governments
Fiscal 2015-2025



Appendix 11
Baseline Position Changes
Fiscal 2024 Legislative Appropriation to Fiscal 2025 Baseline

<u>Department/Service Area</u>	<u>Fiscal 2024</u> <u>Leg. Approp.</u>	<u>Change</u>	<u>Fiscal 2025</u> <u>Baseline</u>
Health and Human Services			
Health	6,445	44.75	6,490
Human Services	5,979		5,979
Juvenile Services	2,163		2,163
Subtotal	14,586	44.75	14,631
Public Safety			
Public Safety and Correctional Services	9,217		9,217
Police and Fire Marshal	2,544	28.50	2,572
Subtotal	11,761	28.50	11,789
Transportation	9,058		9,058
Other Executive			
Legal (Excluding Judiciary)	1,629	26.00	1,655
Executive and Administrative Control	1,763	134.00	1,897
Financial and Revenue Administration	2,257	4.00	2,261
Budget and Management and IT	530		530
Retirement	192		192
General Services	703		703
Service and Civic Innovation	32		32
Natural Resources	1,462	19.00	1,481
Agriculture	409	2.00	411
Labor	1,417	186.00	1,603
MSDE and Other Education	1,888	1.50	1,889
Housing and Community Development	355	2.00	357
Commerce	186	1.00	187
Environment	959	6.00	965
Subtotal	13,783	381.50	14,164
Executive Branch Subtotal	49,187	454.75	49,642
Higher Education	28,447	504.30	28,952
Judiciary	4,159	3.00	4,162
Legislature	801		801
Grand Total	82,595	962.05	83,557

IT: information technology

MSDE: Maryland State Department of Education

Higher Education: 504.3 positions created with flex authority

Department of Labor: 184 positions needed to support administration of the Family and Medical Leave Insurance program

Maryland Department of Health: 144 contractual conversions across departments; 83 positions transferred from the Maryland Medical Cannabis Commission (MMCC) to the Maryland Cannabis Administration (MCA)

Department of Natural Resources: 19 positions needed to support various 2023 session legislation

Office of the Attorney General: New positions and converted contractual positions to support 2023 session legislation; positions added to support legislation that was funded in Section 19 of the budget bill

Public Service Commission: 12 positions needed to support 2023 session renewable energy legislation (Chapters 95, 570, and 652)

MCA: 110 positions transferred to the newly established agency from the Alcohol and Tobacco Commission and MMCC

Alcohol, Tobacco, and Cannabis Administration: Transferred 27 positions to the newly established MCA

Treasurer: Previously funded positions transferred from Maryland 529 program

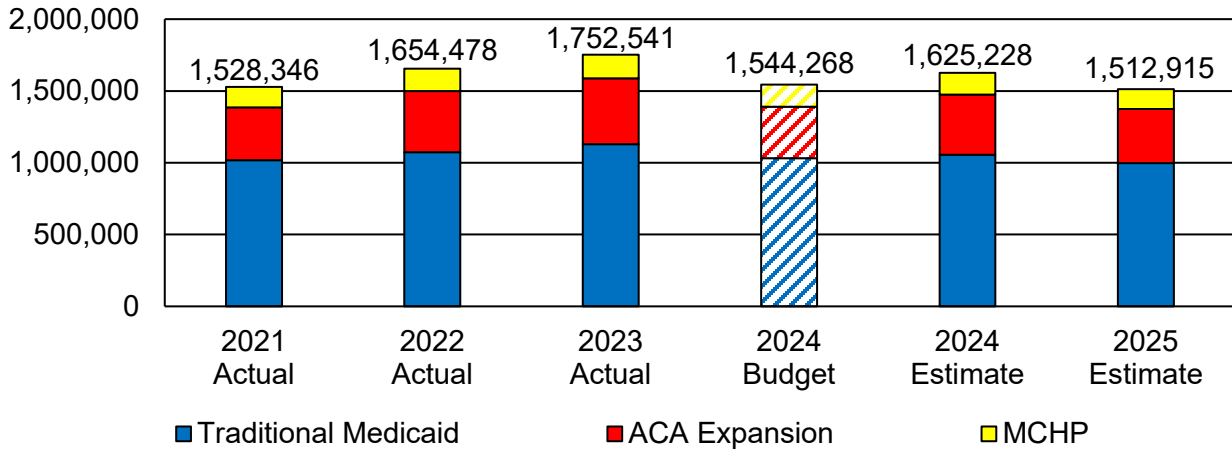
Maryland State Police: 28.5 positions needed to support 2023 session legislation

Note: 185 positions have already been authorized by the Board of Public Works.

Appendix 12 Medicaid

- As a condition of receiving enhanced federal matching funds on qualifying Medicaid and Maryland Children’s Health Program (MCHP) expenditures during the national COVID-19 public health emergency (PHE), the Maryland Department of Health (MDH) was required to freeze disenrollments with limited exceptions.
- The continuous enrollment requirement was initially set to end when the national COVID-19 PHE terminated. However, the Consolidated Appropriations Act of 2023 ended this requirement on April 1, 2023, regardless of when the PHE expired. Maryland started a 12-month redetermination schedule (referred to as the unwinding period) on April 1, and the first disenrolled individuals lost Medicaid coverage at the end of May 2023.
- The baseline projects that fiscal 2024 and 2025 average monthly enrollment will fall to 1.63 million and 1.51 million enrollees, respectively, as Medicaid and MCHP caseloads gradually approach prepandemic levels given the ongoing unwinding of the continuous eligibility and general economic improvement.

**Medicaid and MCHP Average Monthly Enrollment
Fiscal 2021-2025 Estimate**



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

Source: Maryland Department of Health; Department of Legislative Services

- Early redetermination results have yielded lower disenrollments than expected, partially due to a system error causing MDH to temporarily pause procedural disenrollments, *i.e.*, cases in which participants did not complete their renewals or had outstanding verification documents. MDH has also implemented outreach efforts and federal waiver flexibilities that aim to keep eligible participants enrolled in Medicaid and MCHP. As a result, the baseline anticipates about 81,000 more participants per month in fiscal 2024 than the fiscal 2024 legislative appropriation.
- Considering the ongoing changes to the redetermination process leading to fewer disenrollments, the full impact of the unwinding period on enrollment is difficult to project, making enrollment estimates more uncertain than usual.

Medicaid and MCHP Expenditures
Fiscal 2023-2025 Baseline
\$ in Millions

	Actual 2023	Adjusted 2024	Baseline 2025	\$ Change Adjusted 2024 – 2025 Baseline	% Change
General Funds	\$4,505.5	\$4,964.9	\$5,098.8	\$133.9	2.7%
Special Funds	792.8	671.4	749.9	78.5	11.7%
Federal Funds	9,696.9	9,108.9	8,706.9	-402.0	-4.4%
Total	\$14,995.2	\$14,745.1	\$14,555.6	-\$189.6	-1.3%

MCHP: Maryland Children’s Health Program

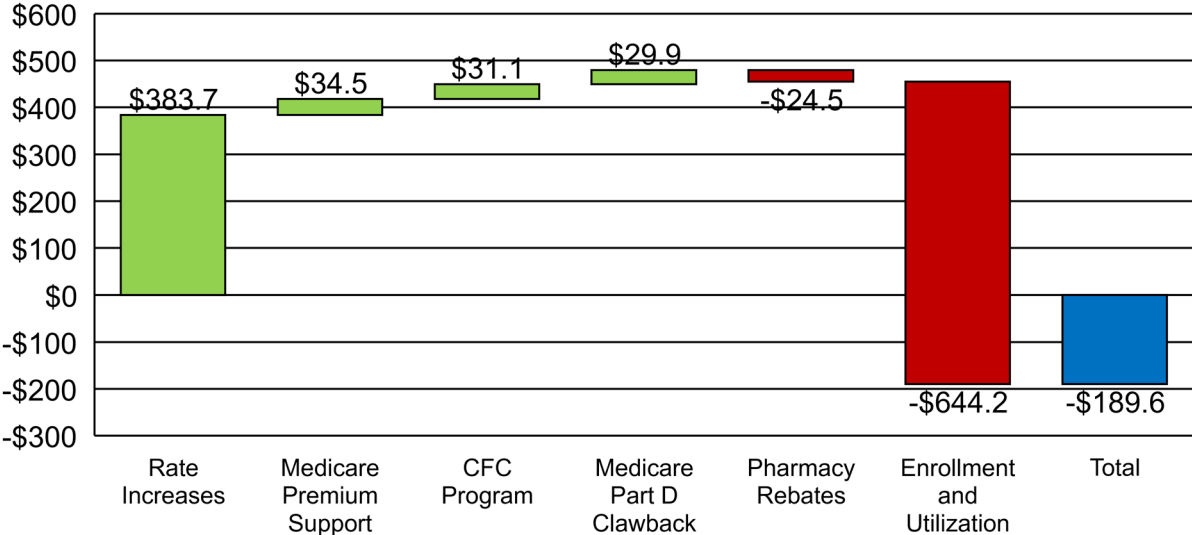
Note: Fiscal 2023 includes \$153 million to account for insufficient funds carried over to reimburse fiscal 2023 bills in the following year. Fiscal 2024 includes anticipated deficiencies and accelerated provider rate increases budgeted in the Maryland Department of Health Office of the Secretary. Expenditures reflect Medicaid and MCHP provider payments (including Medicaid-funded behavioral health services) and some administrative costs.

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

- Due to higher fiscal 2024 enrollment projections compared to what was anticipated in the fiscal 2024 legislative appropriation, the baseline includes deficiency appropriations of \$602.5 million in total funds (\$33.5 million in general funds and \$569 million in federal funds). Based on the enrollment mix, which was predominantly the Affordable Care Act expansion group that receives a 90% federal fund match, the deficiency is mainly supported with federal funds.
- The largest factor in the net \$189.6 million decline in total fiscal 2025 spending is a \$644.2 million reduction resulting from enrollment and utilization changes, driven by the significant caseload decrease after the continuous enrollment requirement ends.

- Total spending reductions are partially offset by an increase of \$383.7 million in provider rates due to the following three factors.
 - First, provider rates grow to annualize an 8% rate increase for specified Medicaid providers that takes effect January 1, 2024, representing rate increases that would have been provided in fiscal 2025 and 2026 under prior law. This occurred in accordance with Chapter 2 of 2023 (the Fair Wage Act) accelerating the increase in the State minimum wage.
 - In addition, the baseline assumes that the specified providers will receive a 2% rate increase, effective July 1, 2024.
 - Finally, an average 2.3% increase in calendar 2024 managed care organization rates accounts for most of the remaining rate increase costs.

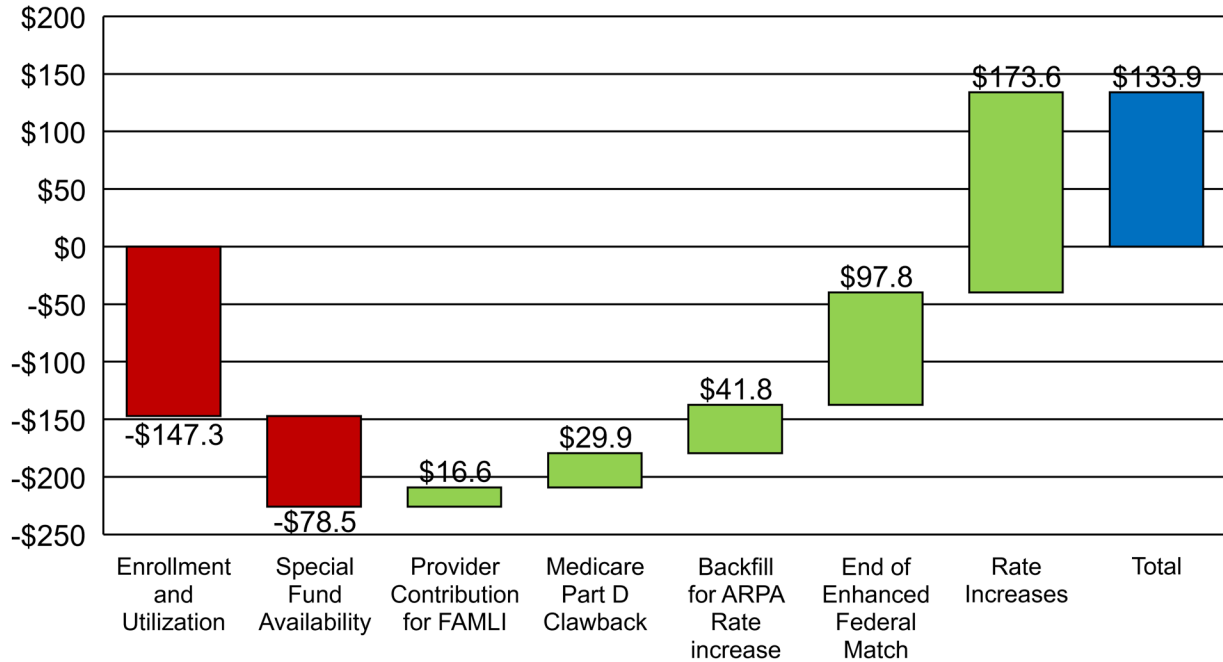
**Declining Enrollment Following the COVID-19 PHE Unwinding Period
Drives Net Reduction in Fiscal 2025 Total Fund Spending
(\$ in Millions)**



CFC: Community First Choice
PHE: public health emergency

- As shown in the following exhibit, general fund spending in fiscal 2025 reflects a net increase of \$133.9 million, largely supporting \$173.6 million in various rate increases and the annualization of the 8% accelerated provider rate increase. This growth is partially offset by a reduction of \$147.3 million due to declining enrollment and changes in utilization. The lower impact on State funding compared to overall spending is due to the enrollment mix.

**Rate Increases and Backfilling One-time Fiscal 2024 Federal Funding
Drives Fiscal 2025 General Fund Growth
(\$ in Millions)**



ARPA: American Rescue Plan Act
FAML I: Family and Medical Leave Insurance

- General funds increase by a total of \$139.6 million to backfill the following enhanced federal matching funds that expire in fiscal 2024.
 - The Families First Coronavirus Response Act of 2020 initially authorized states to receive enhanced federal matching funds on Medicaid spending during the COVID-19 PHE, but the Consolidated Appropriations Act established a phase-out timeline that ends after calendar 2023. General fund spending increases by \$97.8 million in fiscal 2025 to backfill MDH’s enhanced federal fund claiming in the first two quarters of fiscal 2024.
 - The American Rescue Plan Act (ARPA) of 2021 authorized a temporary enhanced federal match for home- and community-based services (HCBS) that must be reinvested to enhance those services by March 31, 2024. MDH allocated most of the ARPA funds to HCBS provider rate increases ranging from 5.2% to 5.5% and indicated that the rate increases will continue beyond March 31, 2024 using State and federal funds. As a result, the baseline includes \$41.8 million in general funds to replace ARPA funds.

Appendix 13

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.
 - K-12 enrollment is projected to increase but remain below prepandemic levels; however, actual enrollment will not be known until December 1, 2023, when the Maryland State Department of Education is required to release the official enrollment counts for the current school year.
 - Medicaid and related caseloads reflect the ongoing efforts to unwind the continuous enrollment requirements from the public health emergency. The current estimate is based on known waivers and the current schedule for redeterminations, including an anticipated end to a pause on procedural disenrollments by the end of calendar 2023. However, the timing and impact of the unwinding makes the caseload forecast more uncertain than usual eligibility for children.
 - Foster Care and Public Assistance Entitlement caseload trends reflect current experience. Department of Human Services administered public assistance caseloads continue to decline consistent with the general improvement in employment and wages since the start of the pandemic.
-

Caseload Assumptions Fiscal 2023-2025

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>% Change 2024-2025</u>
Pupil Enrollment*	848,653	852,793	858,372	0.7%
Medicaid/Maryland Children’s Health Program	1,752,541	1,625,228	1,512,915	-6.9%
Temporary Cash Assistance	53,517	50,574	46,022	-13.0%
Foster Care/Adoption/Guardianship	10,319	10,202	10,088	-1.1%
Adult Prison Population	17,673	18,070	18,000	0.0%

* Data for fiscal 2023 and 2024 reflect actual full-time equivalent enrollments. Fiscal 2025 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 2023 represents actual recipients/caseload and fiscal 2024 and 2025 represent estimates. Adult Prison population represents actual experience in fiscal 2023, actual experience from the first quarter of fiscal 2024, and a projection for fiscal 2025.

- \$1.0 billion of fiscal 2024 legislative adds are assumed to be one time, including \$400 million of funding for the Blueprint for Maryland's Future Fund, \$100 million for future transportation costs, and \$369 million of pay-as-you go capital funding.
- Tuition increases at the public higher education institutions are capped at 2%, and fee increases are capped at 2%.
- Required appropriation to the Revenue Stabilization Account (Rainy Day Fund) in fiscal 2025 totals \$495.5 million. The fiscal 2025 baseline assumes a transfer from the Rainy Day fund balance of \$625.0 million, to leave a balance of 10% of general fund revenues in fiscal 2025.
- The fiscal 2024 budget authorized the Governor to process a budget amendment transferring up to \$100.0 million from the Rainy Day Fund to the Maryland Department of Transportation. The forecast assumes the transfer does not occur.
- Personnel assumptions for fiscal 2025 include:
 - 2% general salary increase effective July 2024 funded for all State employees and a merit increase.
 - Due to available fund balance there will be no increase in employee and retiree health insurance costs.
 - A contribution related to the Family and Medical Leave Insurance Program for State Employees totaling \$22.7 million, of which \$14.5 million is general funds.
 - The State will fill about 1,750 of the approximately 5,440 currently vacant Executive Branch positions by July 2024.
- Higher than expected inflation will result in the need for deficiency appropriations to cover certain fiscal 2024 costs: prescription drugs (\$12.5 million) and food (\$7.5 million), while electricity costs are expected to be lower than projected (\$13.5 million), a net increase of \$4.9 million in general funds.
- Inflation, after accounting for deficiency appropriations, anticipated for fiscal 2025 will increase costs for food (3.8%), electricity (1.25%), and natural gas. Costs are expected to decrease for gas and oil (-7.0%).

Appendix 14
\$168.1 Million in Potential Fiscal 2024 General Fund Spending Is Partially Offset
By Potential Vacancy Savings
(\$ in Millions)

Medicaid and Behavioral Health Provider Reimbursements: Increased costs in provider reimbursements due to higher than anticipated enrollment (\$33.5 million); shortfalls in funding to pay fiscal 2023 costs (\$40.0 million)	\$73.5
Fiscal 2023 Expenses: Department of Public Safety and Correctional Services for the inmate medical contract (\$32.6 million), Department of Commerce funds to capitalize the Child Care Capital Support Revolving Loan Fund inadvertently reverted (\$4.5 million), Office of the Public Defender primarily for contractual employees (\$2.4 million)	39.5
Foster Care Spending: Primarily due to higher the anticipated placement costs for group homes and flex funds supporting various emergency and ancillary services including respite care, transportation, and other support services	26.2
Legislation: Capitalization of the State Disaster Recovery Fund created in Chapter 549 of 2023 (\$10.0 million), administrative expenses and one-time consultant spending to support Chapter 378 of 2023 (\$3.2 million), the State share of costs for election judge compensation and marketing established under Chapter 157 of 2023 (\$1.9 million), new positions to create the Environmental and Natural Resources Crimes Unit in the Office of Attorney General (OAG) established by Chapter 689 of 2023 (\$0.4 million), one-time costs for contractual positions in OAG to support the Task Force to Study Crime Classification established by Chapter 712 of 2023 (\$0.2 million), one new position associated with Chapter 679 of 2023 establishing the Interagency Committee on School Construction as an independent unit of State government (\$0.1 million), a half position to support the Baltimore City Young Readers program (Chapter 650 of 2023) (\$0.04 million)	15.8
Agency Expenses: Statewide costs for food and prescription drugs partially offset by electricity costs (\$4.9 million), anticipated underfunding including contractual employees in the Office of the Public Defender (\$2.1 million), overtime costs in the Department of Juvenile Services (DJS) (\$0.8 million), residential per diem expenses in DJS (\$0.6 million), funding for an agreement between Maryland and Virginia for Veterinary Medicine in the University of Maryland, College Park Campus inadvertently not funded in fiscal 2024 (\$0.3 million), partially offset by net decrease in funding for contractual conversions approved by the Board of Public Works (- \$0.1 million)	8.6
Fund Swaps Due to Anticipated Revenue Shortfalls in the Maryland Department of Environment	4.5
Vacancy Savings	-81.5
Total Deficiencies	\$86.6

Appendix 15
Summary of Baseline Budget Growth Compared to
Adjusted Legislative Appropriation

State Agency Costs	\$390.0
Local Aid	144.0
Entitlements	86.7
Debt Service	7.9
Growth in Operating Budget, Including Anticipated Deficiencies	\$628.6
Appropriation to Reserve Fund	-\$533.8
PAYGO	-677.0
Reversions	-5.0
Total Baseline Change in State Expenditures	-\$587.2
 Ongoing Requirements/Entitlements	
Provider Reimbursements for Medicaid, the Maryland Children’s Health Program, and Behavioral Health Due to Anticipated Provider Rate increases, Utilization Changes, and the End of the Enhanced Federal Match, Partially Offset by Caseload Changes	\$77.3
Reimbursements for Certain Provider Costs for the FAMLII Program as Required Under Chapters 258 and 259 of 2023	16.6
Debt Service	7.9
Foster Care Maintenance Payments	3.5
Assistance Payments Due to Caseload Declines	-4.6
Lower Homeowner and Renters Tax Credit Payments Based on Recent Experience	-6.1
	\$94.6
 Local Aid	
Teacher and Library Retirement	\$174.8
Community College Formula and Other Grants (\$20.0 Million) and Retirement Costs (\$11.4 Million)	31.4
Local Health Department Funding Due to Salary Adjustments and Formula Growth	18.1
All Other Local Aid: Voting System and Epollbook Major IT Project Costs (\$6.4 Million) and State Aid for Police Protection formula (\$0.5 Million), Partially Offset by a One-time Grant in Supplemental Budget No. 2 for Artscape	5.5
Chapters 752 and 753 for Funding to Capitalize the Officer and Community Wellness Training Grant Fund and Associated Administrative Costs in GOCPYVS	1.0
One-time Legislative Additions: Grants to Baltimore City and Kent County to Increase Contribution for Schools (-\$10.25 Million); Prince George’s County Seniors Emergency Rental Assistance Fund (-\$1.0 Million); Baltimore City Department of Recreation and Parks (-\$200,000); School Composting Grants (-\$250,000); and Gwynn Park High School FFA Program in Prince George’s County (-\$60,000)	-11.8
Disparity Grant	-37.1
All Other Education and Library Aid	-37.8
	\$144.0

State Agency Costs

Statewide Personnel and Standard Inflation Adjustments

Increments, Excluding Higher Education	\$72.4
2% General Salary Increase for Fiscal 2025, Excluding Higher Education	55.1
Funding to Support Filling Vacant Positions	50.0
Pension Changes, Primarily Due to Rate Changes, Excluding Higher Education	44.1
Other Fringe Benefit Changes	30.0
FAMLI Contribution for State Employees, Including Higher Education	14.5
Anticipated Annual Salary Review Adjustments	14.1
5% COLA for SLEOLA Members	10.9
Salary Increases for Judges	4.3
	\$295.4

Impact of Legislation

Chapter 446 of 2023 for Mandated Funding for a New Statewide Rental Voucher Assistance Program and Associated Administrative Costs in DHCD	\$10.3
Chapters 258 and 259 of 2023 for Reimbursements for Certain Provider Costs for the FAMLI Program for DDA and Non-Medicaid Behavioral Health Services	8.9
Chapter 546 of 2023, the Maryland the Beautiful Act, for Grants and Administrative Funds in DNR	6.7
Chapter 260 of 2025 for Mandated Funding for the 9-8-8 Trust Fund of \$12 Million, Partially Offset by Fiscal 2024 Mandated Funding in MDH	6.5
Chapter 746 of 2023 for Funding for the Protecting Against Hate Crimes Grant Program and Fund, Partially Offset by Fiscal 2024 Funding for the Program in GOCPYVS	5.0
Chapters 667 and 668 of 2023 for Mandated Funding for the Long Term Care and Dementia Care Navigation Programs in MDOA	2.4
Chapters 461 and 462 for Mandated Funding for the Maryland Equitech Growth Fund and Administrative Costs, Partially Offset by Fiscal 2024 Funding for the Program in TEDCO	2.6
Chapter 651 of 2023 Possession and Permits to Carry, Wear, and Transport a Handgun for New Positions and Associated Costs in DSP	1.9
Chapters 286 and 287 of 2023 to Capitalize the Behavioral Health Workforce Investment Fund in MDH	1.0
Chapter 475 of 2023 for Mandated Funding for the Nonprofit Interest-free Micro Bridge Loan Account in Commerce	1.0
Chapters 378 and 379 of 2023 for Funding of Additional Waiver Slots for a Mental Health Case Management Program, Mandated Funding for Customized Goods and Services for Those Served Under the Program, and Administrative Costs Partially Offset by a One-time Deficiency for Consultant Costs in MDH	-2.4
Chapter 549 of 2023 for Administrative Costs of the State Disaster Recovery Fund More Than Offset by a One-time Deficiency to Capitalize the Fund	-9.7
Other New Mandates and Select Legislation	8.8
	\$43.0

Other Major Agency Programmatic and Operating Expenses

MDH: DDA Community Services Due to Costs Including Provider Rate Increase and Backfilling for the End of Enhanced Federal Matches (\$75.6 Million), an Increase in Provider Reimbursements for Behavioral Health for Non-Medicaid-eligible Recipients Due to Provider Rate Increases and Utilization Changes (\$21.8 Million), Contractual Turnover Expectancy (\$1.1 Million), an increase in the Mandate for the Prenatal and Infant Care Grant Program (\$1.0 Million), Partially Offset by Provider Reimbursements for Medicaid-eligible Recipients for Non-Medicaid-eligible Services to align with Recent Experience (-\$25.9 Million), One-time Behavioral Health Investments (-\$9.2 Million), Lower Anticipated Costs for Board of Nursing After the Transfer of the Infrastructure Operations Under Chapters 222 and 223 of 2023 (-\$3.6 Million), and a One-time Grant for B'More Healthy Babies (-\$0.7 Million)	\$60.1
Public Higher Education Including Mandate Changes, Formula Changes for St. Mary's College of Maryland and Baltimore City Community College, and Compensation Adjustments and Other Operating Expenses	54.5
DNR: Fund Swaps Due to Availability of Transfer Tax Revenue (\$34.9 Million), Partially Offset by One-time Funding for Replacement of a Research Vessel (-\$2.5 Million)	32.4
MSDE: Autism Waiver Due to Increased Slots and Change in Fund Source (\$31.0 Million) and Maryland School for the Blind Formula Funding (\$0.3 Million), Partially offset by One-time Funding for Grants for Engineering 4 Us All and Thread Provided in Supplemental Budget No. 2 (-\$1.8 Million)	29.5
Major Information Technology Development Fund	25.4
Maryland Department of Labor for Additional Unemployment Insurance Administration Expenses Funded with Federal Funds in Fiscal 2024	12.0
Sellinger Formula Growth	6.9
DSCI: Increase in Mandates Under Chapter 37 of 2022 (\$5.7 Million), Partially Offset by One-time Funding for an Evaluation Contract	4.7
BPW: Payments for Erroneously Confined Individuals (\$2.1 Million) and Miscellaneous Grants (\$1.5 Million)	3.6
MDA: One-time Funding for the Next Generation Farmland Acquisition Program (-\$4.0 Million) and Vehicle Purchases (-\$0.8 Million)	-4.8
SDAT: Primarily Due to One-time Funding for a Contract for Audits Related to the Homestead Property Tax Credit	-5.2
TEDCO: Increase in the Mandate for the Builder Fund (\$1.3 Million), More Than Offset by One-time Capitalization Funds for the Maryland Equity Investment Fund (-\$10.0 Million) and the End of a Mandate for the Maryland Innovation Initiative University Pilot Program (-\$0.5 Million)	-9.2
Commerce: More Jobs for Marylanders Program (\$3.9 Million), the Maryland State Arts Council Formula (\$0.6 Million), More Than Offset by the End of Mandates for the Baltimore Symphony Orchestra and Child Care Capital Support Revolving Loan Program (-10.2 Million) and a One-time Deficiency Due to Funds for Funds Reverted in Error (-\$4.5 Million)	-10.2

DHCD: Elimination of Funding for the Community Safety Works Program (-\$10.0 Million) and One-time Funding for the Downtown Partnership Provided in Supplemental Budget No. 2 (-\$3.0 Million)	-13.0
DPSCS: Replacing Fiscal Responsibility Funds for General Funds (\$20.0 Million), Anticipated Increases in Medical and Related Contracts (\$4.4 Million), Contractual Employee Turnover (\$4.0 Million), and Changes in Operating Impacts of New Facilities (\$0.1 Million), More Than Offset by a One-time Deficiency for Fiscal 2023 Medical Contract Related Shortfalls (-\$32.6 Million), Lower Anticipated Costs for Correctional Officer Bonuses (-11.6 Million); Costs Associated with Mailroom Upgrades (-\$3.4 Million), and Equipment and Energy Conservation Loan Repayment Schedule (-\$0.2 Million)	-19.2
One-time Funding from Legislative Additions: Commerce (-\$42.9 Million); MEMSOF (-\$25.5 Million); BPW (-\$13.1 Million); MDA (-\$7.7 Million); DHS (-\$7.0 Million); USM (-\$7.0 Million); Comptroller (-\$5.3 Million); GOCPYVS (-\$5.2 Million); MSDE (-\$4.2 Million); Judiciary (-\$3.6 Million); MDP (-\$2.4 Million); DHCD (-\$2.2 Million); STO (-\$1.8 Million); MDH (-\$1.6 Million); MDOA (-\$1.2 Million); and All Other Agencies (-\$3.8 Million)	-134.4
Other Agency Personnel and Operating Expenses	18.4
	\$51.5
Reserve Fund	
Catastrophic Event Account to Bring Balance to \$10.0 Million	\$0.6
Rainy Day Fund: Appropriation to Be Transferred to the Blueprint for Maryland's Future Fund in Fiscal 2024 (-\$500.0 Million), Partially Offset by Required Appropriation Based on Fiscal 2023 Closing Balance (\$495.5 Million)	-4.5
DPA Due to Eliminating Funding for Cybersecurity (-\$152.0 Million), Payments to Erroneously Confined Individuals (-\$7.7 Million), the End the Wait Act (-\$6.0 Million), Partially Offset by Funding for the OPEB and Pension Sweeper (\$50 Million)	-120.2
One-time Legislative Additions in the DPA: Transfer to the Blueprint for Maryland's Future Fund (-\$400.0 Million); Assistance for Trauma Facilities (-\$9.5 Million); Technical Assistance for HB 261 (Chapter 202 of 2023) (-\$200,000)	-409.7
	-\$533.8
PAYGO	
Changes to Conform to the CIP	\$40.7
Changes Due to Mandates: Chapter 473 of 2023 Established a New Mandate for the Business Façade Improvement Program in DHCD (\$5.0 Million), Chapter 494 of 2023 Increased the Mandate for the National Capital Strategic Economic Development Program (\$5.0 Million), Adjust Funding for the Community College Facilities Renewal Grant Program to Mandated Level (\$1.4 Million)	11.4
Chapter 512 of 2023 Funding to Capitalize the Transit Oriented Development Capital Grant and Revolving Loan Fund in MDOT	5.0
End of Funding in the DPA for the New Veterans Home	-6.3
One-time Funding in the DGS for Miscellaneous Grants	-52.3

One-time Funding in Supplemental Budgets in DGS (\$51.1 Million), DHCD for Rental Housing Programs (-\$25.0 Million), and Canal Place (\$1.5 Million)	-77.6
Chapter 39 of 2022 Due to One-time Funding in DNR for the Park System Critical Maintenance Fund and Park System Capital Improvements and Acquisitions Fund and the Acceleration of Transfer Tax Repayments of the Maryland Agricultural Land Preservation Program and the Rural Legacy Program	-128.9
One-time Legislative Additions, Including Funds That Replaced General Obligation Bonds: DGS (-\$188.0 Million), Healthy Schools and Public School Construction Program (-\$181.0 Million), Funds in the DPA for Transportation Projects (-\$100 Million), and the Kim Lamphier Bikeways Program (-\$0.05 Million)	-469.0
	-\$677.0
Reversions	-\$5.0
Total	-\$587.2

- BPW: Board of Public Works
- CIP: *Capital Improvement Program*
- COLA: cost-of-living adjustment
- Commerce: Department of Commerce
- 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
- DPA: Dedicated Purpose Account
- DPSCS: Department of Public Safety and Correctional Services
- DSCI: Department of Service and Civic Innovation
- DSP: Department of State Police
- FAMLI: Family and Medical Leave insurance
- FFA: Future Farmers of America
- GOCPYVS: Governor's office of Crime Prevention, Youth, and Victim Services
- IT: information technology
- MDA: Maryland Department of Agriculture
- MDH: Maryland Department of Health
- MDOA: Maryland Department of Aging
- MDOT: Maryland Department of Transportation
- MDP: Maryland Department of Planning
- MEMSOF: Maryland Emergency Medical System Operations Fund
- MSDE: Maryland State Department of Education
- OPEB: Other Postemployment Benefits
- PAYGO: pay-as-you-go
- SLEOLA: State Law Enforcement officers Labor alliance
- SDAT: State Department of assessments and Taxation
- STO: State Treasurer's office
- TEDCO: Maryland Technology Development Corporation
- USM: University System of Maryland

Appendix 16
Transportation Trust Fund Forecast Comparisons
Fiscal 2024-2028
(\$ in Millions)

	<u>MDOT</u> <u>Jan. 2023</u>	<u>MDOT</u> <u>Sept. 2023</u>	<u>Diff.</u>	<u>DLS</u> <u>Oct. 2023</u>	<u>Diff.</u>
Revenues					
Taxes and Fees	\$18,594	\$18,445	-\$149	\$18,682	\$237
Operating and Other Revenues	2,800	2,776	-24	2,776	0
Federal Operating Assistance	567	566	-1	566	0
Federal COVID/Stimulus	135	121	-14	121	0
Bond Proceeds and Premiums	1,800	1,390	-410	236	-1,154
General Fund Transfers In	835	1,087	252	1,087	0
Use of Fund Balance	193	338	145	482	144
Total Revenues	\$24,924	\$24,723	-\$201	\$23,950	-\$733
Expenditures					
Debt Service	\$2,256	\$2,246	-\$11	\$2,107	-\$138
Operating Budget	13,241	14,194	953	14,792	598
Deductions to Other Agencies	451	450	-2	450	0
Highway User Revenues Grants	1,994	1,976	-19	2,026	50
State Capital Program	6,981	5,858	-1,123	4,575	-1,283
Total Expenditures	\$24,924	\$24,723	-\$201	\$23,950	-\$773

DLS: Department of Legislative Services
MDOT: Maryland Department of Transportation

Note: Numbers may not sum to total due to rounding

Appendix 17
General Obligation Bonds' Debt Service Costs

Annuity Bond Fund Forecast
Fiscal 2024-2029
(\$ in Millions)

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>Annual % Change</u>
Special Fund Revenues							
State Property Tax Receipts ¹	\$981	\$1,026	\$1,056	\$1,067	\$1,078	\$1,088	2.1%
Other Revenues	3	3	3	3	3	3	0.0%
Prior Year ABF Fund Balance Transferred	20	18	1	1	1	1	-48.9%
Subtotal Special Fund Revenues	\$1,004	\$1,047	\$1,060	\$1,071	\$1,081	\$1,092	1.7%
General Funds	\$434	\$433	\$387	\$407	\$429	\$468	1.5%
Transfer Tax Special Funds	7	7	2	0	0	0	-100.0%
Federal Funds	6	5	2	1	0	0	-100.0%
Total Revenues	\$1,451	\$1,492	\$1,451	\$1,479	\$1,510	\$1,560	1.5%
Debt Service Expenditures²	\$1,433	\$1,491	\$1,449	\$1,478	\$1,510	\$1,559	1.7%
End-of-year ABF Balance	\$18	\$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 Increases in general obligation bond authorizations are consistent with levels recommended by the Spending Affordability Committee in December 2022.

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