

Spending Affordability Committee

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Agenda

Wednesday, November 12, 2025, 2:00 p.m.

I. Call to Order and Chair's Opening Remarks

II. Fiscal Briefing by the Department of Legislative Services

- Overview David C. Romans
- Economic Outlook and Revenue Estimates Theresa M. Tuszynski
- Fiscal 2027 Baseline Forecast Tonya D. Zimmerman
- General Fund Outlook David C. Romans
- Personnel Jacob C. Cash
- State Debt Policy Patrick S. Frank
- Capital Program Matthew D. Klein
- Transportation Trust Fund Samuel M. Quist

III. Closing Remarks and Adjournment

Spending Affordability Committee: Next meeting, December 17, 2:00 p.m.

Spending Affordability Briefing

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

November 12, 2025

Maryland Economic Performance

Year-over-year Percent Change

<u>Month-Year</u>	<u>Unemployment Rate</u>	<u>Initial UI Claims</u>	<u>Continuing UI Claims</u>	<u>Initial Federal UI Claims</u>	<u>Vehicle Sales</u>	<u>Existing Home Sales</u>	<u>Median Home Price</u>
Jan-25	3.0%	-3.0%	4.6%	50	0.7%	2.1%	5.5%
Feb-25	3.0%	-0.1%	4.0%	374	-6.7%	-9.6%	2.3%
Mar-25	3.0%	-6.0%	7.0%	465	8.5%	-10.0%	3.7%
Apr-25	3.1%	0.0%	7.2%	165	5.1%	-7.0%	4.8%
May-25	3.2%	0.1%	6.4%	251	-0.2%	-10.6%	2.3%
Jun-25	3.3%	4.7%	15.0%	131	2.6%	-1.3%	3.3%
Jul-25	3.4%	-3.1%	16.2%	455	-4.0%	-9.6%	2.8%
Aug-25	3.6%	-7.4%	18.8%	435		-9.1%	2.4%
Sep-25		0.6%	24.5%	322		-0.1%	1.4%
Oct-25				4,466			
CY 24 YTD	3.0%	108,096	24,050	474	519,316	52,093	\$416,928
CY 25 YTD	3.2%	106,424	26,801	7,114	524,600	48,726	430,000
YTD	3.2%	-1.5%	11.4%	1400.8%	1.0%	-6.5%	3.1%

CY: calendar year

UI: unemployment insurance

YTD: year to date

Note: The unemployment rate is based on seasonally adjusted data. Monthly unemployment insurance claims and claims for the Unemployment Compensation for Federal Employees program (UCFE) come from the U.S. Department of Labor. UCFE claims are the sum of the weekly numbers. Vehicle sales from the Maryland Motor Vehicle Administration includes both new and used vehicles. Existing home sales and the median home price from the Maryland Association of Realtors.

Federal Government in Maryland

- In 2024, there were about 162,000 civilian federal jobs located in Maryland with wages totalling \$25 billion, around 11% of total wages. Virginia and the District of Columbia each have around 193,000 federal jobs, and many Marylanders commute to those jurisdictions.
- An analysis of tax year 2023 data by the Comptroller's Office found 269,000 Marylanders received a federal W-2, representing about 9.5% of taxpayers. St. Mary's, Charles, Prince George's and Calvert counties are especially dependent on federal employment. Statewide, federal wages were 9.2% of adjusted gross income in 2023 and 22% in St. Mary's and Charles counties.
- Federal contract spending is important to the Maryland private sector economy. In federal fiscal year 2024, federal contract obligations for work performed in Maryland totaled \$42 billion, which is equal to about 10.7% of Maryland's private sector gross State product. The Department of Defense and the Department of Health and Human Services account for about 40% and 20%, respectively.
- Since January, there has been a significant reduction in federal employment. Maryland has seen the largest decline of any state.

	<u>Jan. 2025</u>	<u>Aug. 2025</u>	<u>Change</u>	<u>% Change</u>	<u>Rank</u>
Maryland	163,100	148,000	-15,100	-9.3%	51
D.C.	192,800	184,100	-8,700	-4.5%	44
Virginia	196,700	185,200	-11,500	-5.8%	47
	552,600	517,300	-35,300	-6.4%	
United States	3,015,000	2,918,000	-97,000	-3.2%	

Maryland Employment: August 2025 vs. January 2025

- Since January, Maryland has lost over 15,000 federal government jobs, a decline of 9.3%. Strong growth in State and local government employment has partially offset this so total government jobs are down 0.2%.
- Private sector job growth has been very weak since January (0.1%). Declines across a variety of sectors were offset by growth in four sectors: construction; education; health care, and leisure and hospitality services.
- Overall, Maryland employment has essentially not grown since the beginning of the year.

<u>Jan. 2025</u>	<u>Aug. 2025</u>	<u>Change</u>	<u>% Change</u>	
163,100	148,000	-15,100	-9.3%	Federal Government
124,000	128,900	4,900	4.0%	State Government
267,400	276,400	9,000	3.4%	Local Government
159,100	163,200	4,100	2.6%	Construction, Natural Resources, and Mining
110,000	108,500	-1,500	-1.4%	Manufacturing
117,700	114,000	-3,700	-3.1%	Transportation, Warehousing, and Utilities
360,600	357,500	-3,100	-0.9%	Retail and Wholesale Trade
34,500	33,500	-1,000	-2.9%	Information
142,400	142,000	-400	-0.3%	Financial Activities
479,300	478,300	-1,000	-0.2%	Professional and Business Services
87,500	90,200	2,700	3.1%	Educational Services
410,700	416,500	5,800	1.4%	Health Care and Social Assistance
268,200	273,300	5,100	1.9%	Leisure and Hospitality Services
121,900	116,500	-5,400	-4.4%	Other Services
2,846,400	2,846,800	400	0.0%	Total
554,500	553,300	-1,200	-0.2%	Government
2,291,900	2,293,500	1,600	0.1%	Private Sector

Source: Seasonally adjusted payroll employment from the U.S. Department of Labor, Bureau of Labor Statistics.

Maryland Economic Forecasts

Year-over-year Percent Change

Calendar Year	Employment		Wage and Salary Income	
	<u>Mar. 2025</u>	<u>Sep. 2025</u>	<u>Mar. 2025</u>	<u>Sep. 2025</u>
2022	2.4%	2.5%	6.0%	6.0%
2023	1.1%	1.7%	5.2%	5.2%
2024	0.5%	1.9%	5.0%	6.5%
2025E	0.5%	0.4%	3.5%	3.4%
2026E	0.1%	-0.3%	3.5%	2.7%
2027E	0.1%	0.1%	3.5%	3.7%
2028E	0.1%	0.1%	3.5%	3.6%

Calendar Year	Personal Income		Taxable Capital Gains Income*	
	<u>Mar. 2025</u>	<u>Sep. 2025</u>	<u>Mar. 2025</u>	<u>Sep. 2025</u>
2022	3.1%	3.1%	-49.2%	-49.2%
2023	6.0%	6.0%	4.0%	4.0%
2024	5.2%	5.9%	5.0%	40.0%
2025E	3.8%	3.9%	1.0%	-15.0%
2026E	3.7%	3.0%	0.0%	1.0%
2027E	3.8%	3.7%	0.0%	3.0%
2028E	4.1%	4.0%	0.0%	2.0%

* The figures for 2024 wage and personal income growth under the Mar. 2025 column are estimates. For capital gains income, the calendar 2023-2024 figures are estimates for both March and September.

Source: Board of Revenue Estimates

General Fund Revenues: Fiscal 2025
(\$ in Millions)

	Fiscal 2024	Estimate	Fiscal 2025			Fiscal 2024-2025 Percentage Change	
	<u>Actual</u>		<u>Actual</u>	<u>\$ Diff.</u>	<u>% Diff.</u>	<u>Estimated</u>	<u>Actual</u>
Personal Income Tax	\$13,617	\$14,301	\$14,565	\$264	1.8%	5.0%	7.0%
Corporate Income Tax	1,904	1,924	1,877	-47	-2.4%	1.0%	-1.4%
Sales and Use Tax ⁽¹⁾⁽²⁾	5,897	5,976	6,049	72	1.2%	1.3%	2.6%
State Lottery	655	523	519	-4	-0.8%	-20.2%	-20.8%
Tobacco Tax ⁽³⁾	405	363	370	7	1.8%	-10.3%	-8.7%
Interest on Investments	380	335	359	24	7.1%	-11.8%	-5.6%
Other	1,856	1,772	1,978	205	11.6%	-4.5%	6.6%
Ongoing General Funds	\$24,713	\$25,195	\$25,716	\$521	2.1%	2.0%	4.1%
GAAP Transfer ⁽⁴⁾	\$150	\$0	\$0	\$0			
Total General Funds	\$24,863	\$25,195	\$25,716	\$521	2.1%	1.3%	3.4%

GAAP: Generally Accepted Accounting Principles

⁽¹⁾ The Blueprint for Maryland's Future Fund (BMFF) share of certain sales and use tax revenues increased from 11.0% in fiscal 2024 to 11.3% in fiscal 2025.

⁽²⁾ Chapters 254 and 255 of 2023 imposed a 9% sales tax on cannabis. Fiscal 2024 general fund revenue includes \$30.5 million. Total revenue from cannabis sales increased 12.6% in fiscal 2025, but the portion devoted to the administrative costs of the Maryland Cannabis Administration increased from \$2.8 million in fiscal 2024 to \$30.1 million in fiscal 2025, resulting in general fund revenue of \$20.8 million. Total cannabis revenue underattained the fiscal 2025 estimate by \$15.1 million.

⁽³⁾ The Budget Reconciliation and Financing Act of 2024 (Chapter 717) increased tobacco tax rates and added a new distribution of tobacco revenues to the BMFF. In fiscal 2025, the distribution was set at \$88.3 million equal to the expected impact of the rate increases.

⁽⁴⁾ The Comptroller's annual analysis of the local income tax reserve account determined the account was overfunded at the end of fiscal 2023 by \$315.7 million. The Board of Revenue Estimates chose to transfer a little less than half that amount to reduce the over-funding in the account.

Note: The estimate from March 2025 has been adjusted for actions taken at the 2025 legislative session.

Source: Office of the Comptroller; Board of Revenue Estimates

General Fund Revenue Forecast (\$ in Millions)

	Fiscal 2025		Fiscal 2026 Estimate			Percent Change vs.	Fiscal 2027	Percent Change vs.
	<u>Actual</u>	<u>March</u>	<u>September</u>	<u>\$ Diff.</u>	<u>%Diff.</u>	<u>Fiscal 2025</u>	<u>Estimate</u>	<u>Fiscal 2026</u>
Personal Income Tax ⁽¹⁾	\$14,565	\$15,306	\$15,342	\$36	0.2%	5.3%	\$15,679	2.2%
Corporate Income Tax	1,877	1,938	1,791	-147	-7.6%	-4.5%	1,748	-2.4%
Sales and Use Tax ⁽²⁾⁽³⁾	6,049	6,674	6,639	-35	-0.5%	9.8%	6,949	4.7%
State Lottery	519	521	532	11	2.1%	2.5%	475	-10.6%
Tobacco Taxes ⁽⁴⁾	370	293	273	-20	-6.7%	-26.1%	262	-4.0%
Other ⁽⁵⁾	2,336	1,934	2,069	135	7.0%	-11.4%	1,989	-3.9%
Ongoing General Funds	\$25,716	\$26,666	\$26,647	-\$19	-0.1%	3.6%	\$27,103	1.7%
Transfer Tax	0	25	25	0	n.a	n.a	25	n.a
Total General Funds	\$25,716	\$26,691	\$26,672	-\$19	-0.1%	3.7%	\$27,128	1.7%
Impact of Federal Tax Bill Included in BRE Estimate ⁽⁶⁾			-\$118				-\$71	

BRE: Board of Revenue Estimates

⁽¹⁾ The Budget Reconciliation & Financing Act (BRFA) of 2025 (Chapter 603) included several personal income tax provisions: (a) added two new income tax brackets at the top of rate schedule, increasing the top rate from 5.75% to 6.5%; (b) increased the standard deduction in tax year 2025; (c) capped itemized deductions for taxpayers with federal adjusted gross income over specified levels; (d) increased the income eligibility threshold for the child tax credit; and (e) imposed a 2% surtax on certain net capital gains income for taxpayers with federal adjusted gross income over \$300,000 with 37.5% of the revenue distributed to the Transportation Trust Fund and the remainder to the general fund. Combined the provisions were projected to increase general fund revenue by \$580 million in fiscal 2026 and \$440 million in fiscal 2027.

⁽²⁾ The Blueprint for Maryland's Future Fund (BMFF) share of non-cannabis sales tax revenues after other distributions increases from 11.3% in fiscal 2025 to 11.7% in fiscal 2026 and 12.1% in fiscal 2027.

⁽³⁾ The BRFA of 2025 included several sales tax provisions: (a) increased the rate on cannabis from 9% to 12% and directed the first 25% to the general fund; (b) repealed the exemptions for snack food in vending machines and photographic equipment; (c) imposed the sales tax on the sale of certain precious metal coins and bullion; and (d) imposed a 3% tax on certain data and information technology services with all revenue going to the General Fund. Combined the provisions were projected to increase general fund revenues by \$549.7 million in fiscal 2026 and \$757.6 million in fiscal 2027.

⁽⁴⁾ The BRFA of 2024 (Chapter 717) increased tobacco tax rates and added a new distribution of tobacco revenues to the BMFF. In fiscal 2025, the distribution was set at \$88.3 million. In fiscal 2026, the distribution is equal to 32.6% of tobacco tax revenues, rising to 33.2% in fiscal 2027.

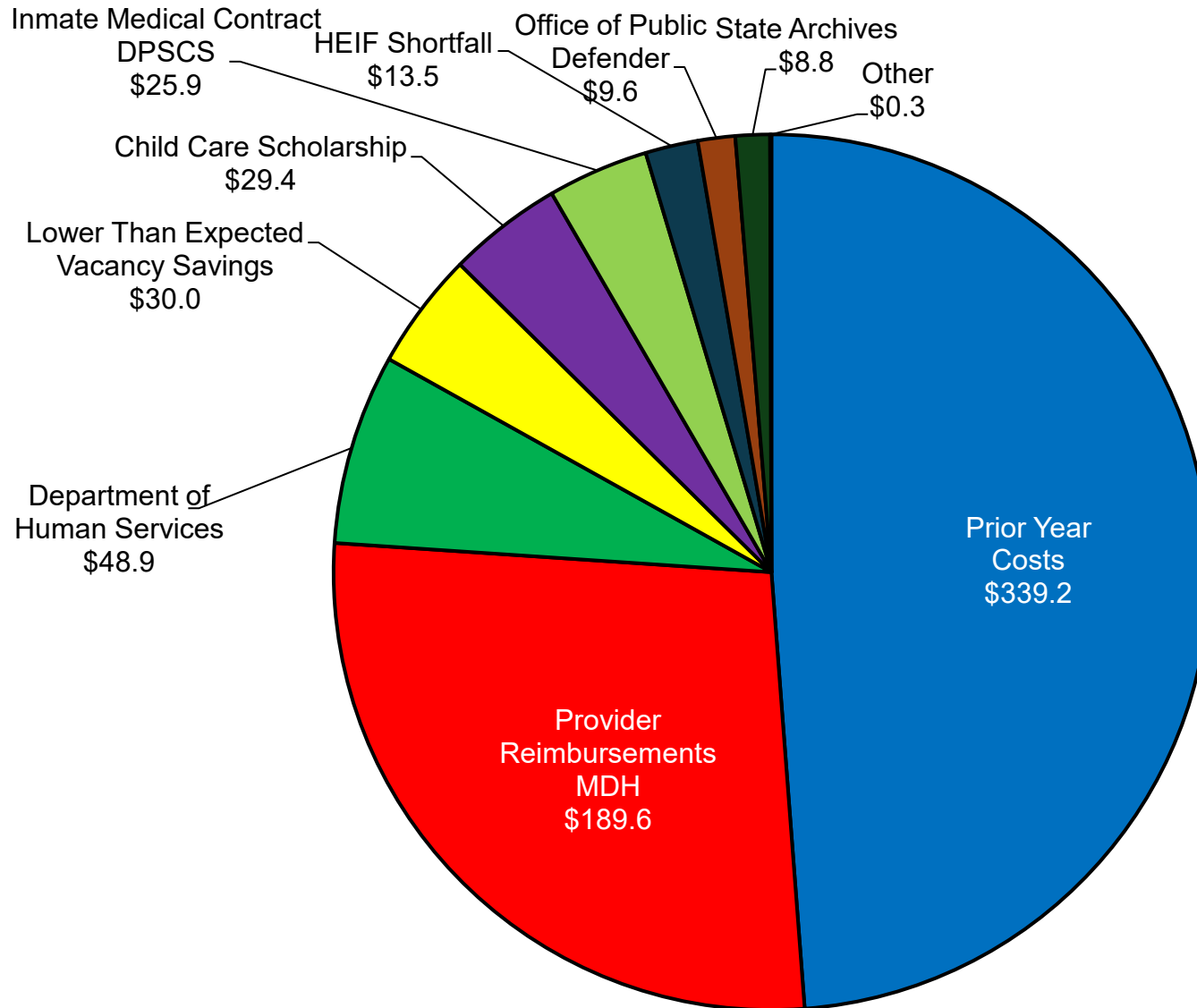
⁽⁵⁾ Includes \$26.2 million in fiscal 2026 and \$27.7 million in fiscal 2027 from sports wagering revenue. The BRFA of 2025 increased the tax on mobile sports wagering from 15% to 20% and distributed the extra 5% to the general fund beginning in fiscal 2026.

⁽⁶⁾ The federal One Big Beautiful Bill Act (P.L. 119-21) was adopted in July 2025. BRE analyzed the impact of the bill's changes to the federal tax code in their *60-Day Report* issued in early September. That analysis estimated that certain changes to federal personal and corporate income taxes would pass through to Maryland and result in a general fund revenue loss of \$117.9 million in fiscal 2026 and \$71.4 million in fiscal 2027. The revenue loss is reflected in the BRE general fund revenue estimates for fiscal 2026 and 2027.

Note: The estimate from March 2025 has been adjusted for actions taken at the 2025 legislative session.

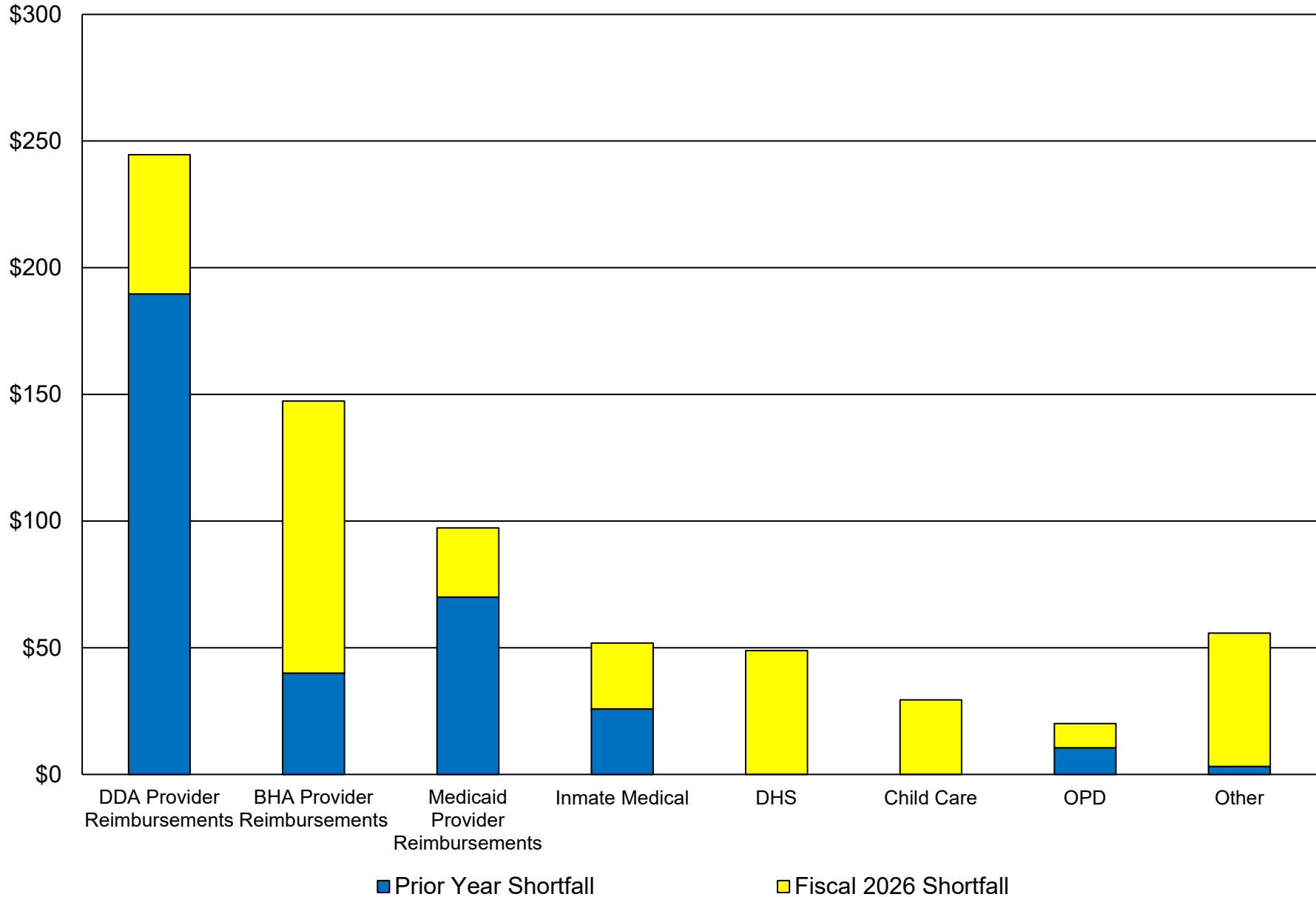
Source: Board of Revenue Estimates

**General Fund Deficiency Appropriations Total \$695 Million
(\$ in Millions)**



DPSCS: Department of Public Safety and Correctional Services
HEIF: Higher Education Investment Fund
MDH: Maryland Department of Health

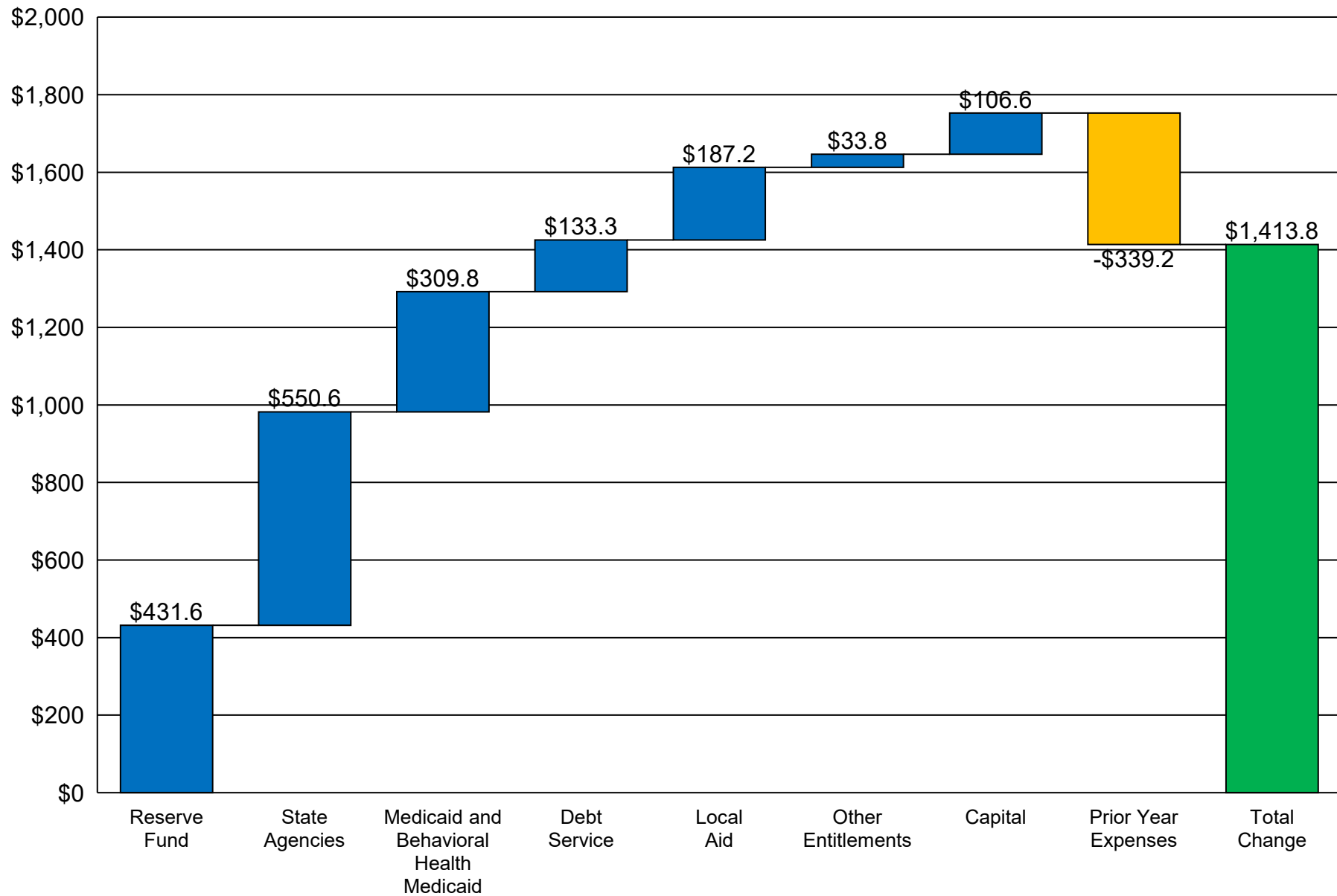
Fiscal 2026 Deficiencies Cover Prior Year Shortfalls and Fiscal 2026 Shortfalls (\$ in Millions)



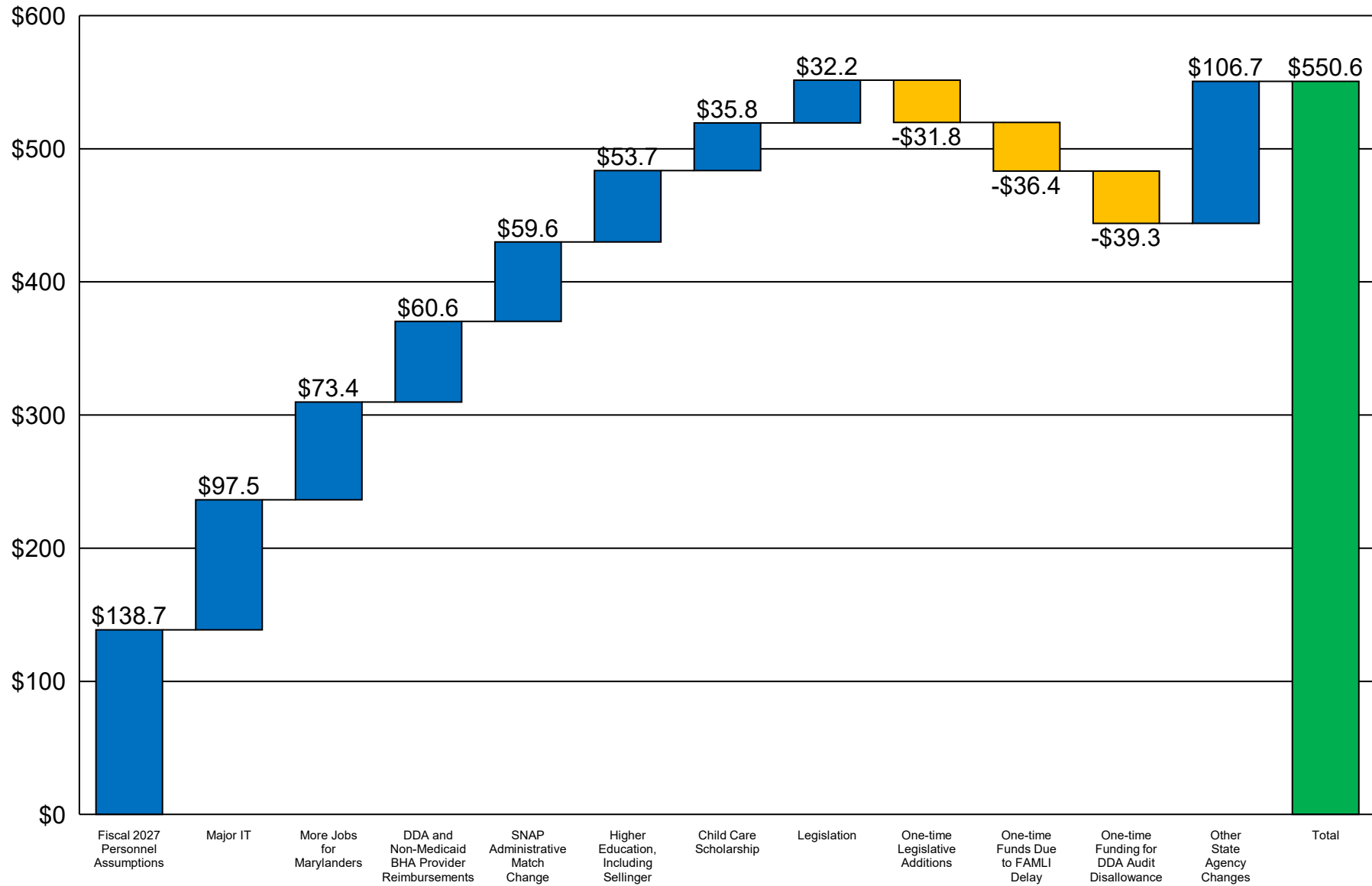
BHA: Behavioral Health Administration
DDA: Developmental Disabilities Administration

DHS: Department of Human Services
OPD: Office of the Public Defender

General Fund Spending Increases by \$1.4 Billion, Net of Deficiency Appropriations
(\$ in Millions)



**General Funds Increase by \$550.6 Million in State Agencies,
Net of Deficiency Appropriations
(\$ in Millions)**



BHA: Behavioral Health Administration
 DDA: Developmental Disabilities Administration
 FAMLI: Family and Medical Leave Insurance

IT: information technology
 SNAP: Supplemental Nutrition Assistance Program

General Fund: End-of-year Balances
Fiscal 2025-2027
(\$ in Millions)

	<u>2025</u> <u>Actual</u>	<u>2026</u> <u>Working</u>	<u>2027</u> <u>Baseline</u>
Total Funds Available	\$27,578	\$27,624	\$27,543
Total Spending	27,307	27,625	29,039
Cash Balance	\$271	\$0	-\$1,496
Structural Balance (Ongoing Revenues Less Ongoing Spending)	-\$753	-\$259	-\$1,173
Ratio (Ongoing Revenues/Ongoing Operating Costs)	97.2%	99.0%	95.9%
Reserve Fund Activity			
Appropriations to Rainy Day Fund	\$0	\$0	\$450
Transfers to General Fund	346	484	304
Estimated Rainy Day Fund Balance – June 30	\$2,380	\$1,980	\$2,170
Rainy Day Fund Balance in Excess of 5%	\$1,123	\$648	\$815

Why Is Fiscal 2027 General Fund Outlook Worse Than Post-session? (\$ in Millions)

Revenues Are Lower \$718

OBBBA Impact	\$371
No Fiscal 2026 Balance Due to Deficiencies	321
Other	26

Ongoing Spending Is Higher \$778

Medicaid Behavioral Health	\$217
K-12 Education (Fund Swap/Retirement Costs)	175
OBBBA	100
Employee Health Insurance/Retirement	100
Various Entitlement Programs	50
Disparity Grant	35
Other	101

Revenue Stabilization Account (Rainy Day Fund)

Mandated Appropriation of Amount Equal to Fiscal 2025 Surplus to the Rainy Day Fund	\$450
Use of Rainy Day Fund Balance in Excess of 8% of Revenues	-304

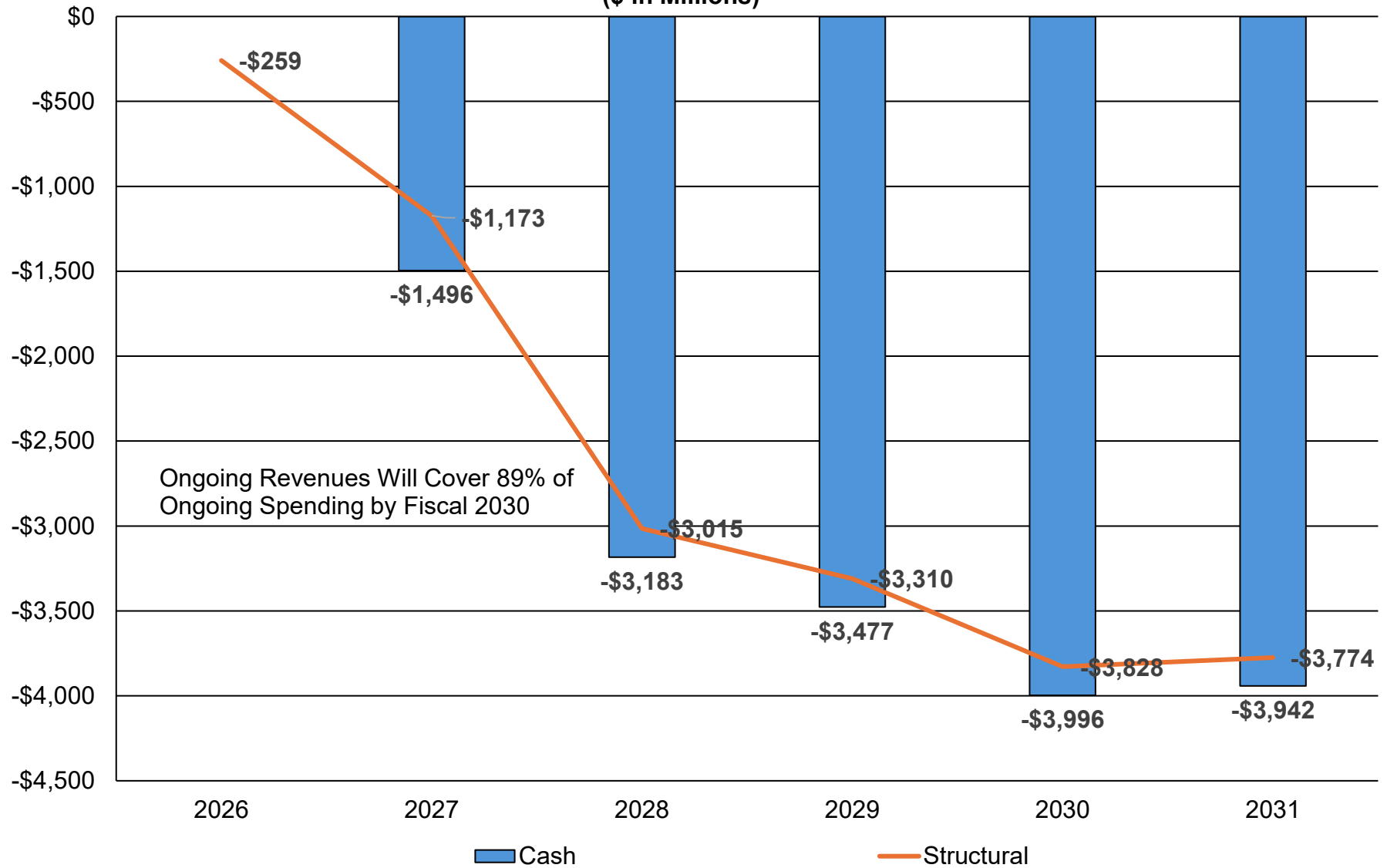
Net Deterioration in Fiscal Outlook \$1,642

OBBBA: One Big Beautiful Bill Act

Cash and Structural Budget Shortfalls Forecast with Rainy Day Fund at about 8% of Revenues

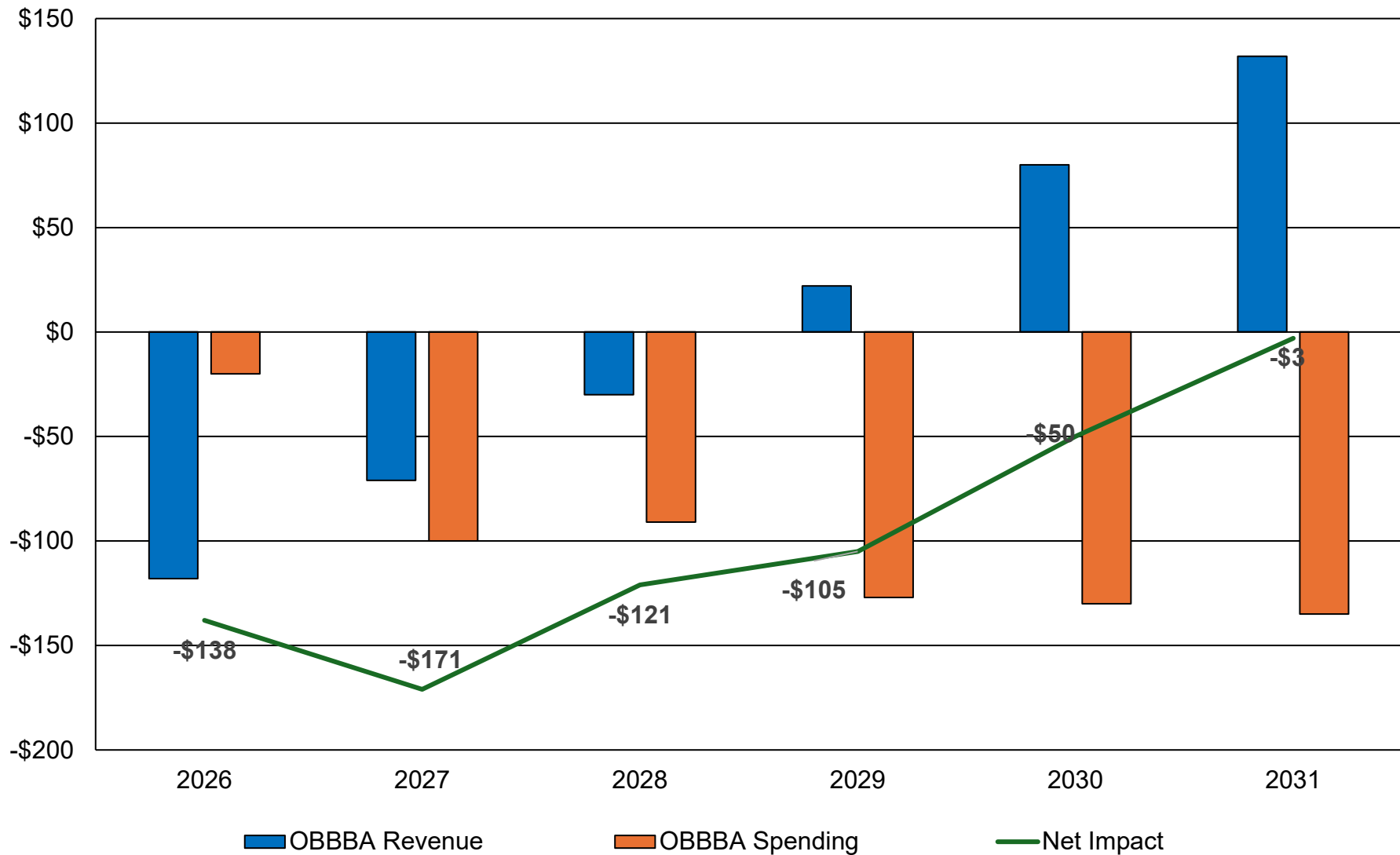
Fiscal 2026-2031

(\$ in Millions)



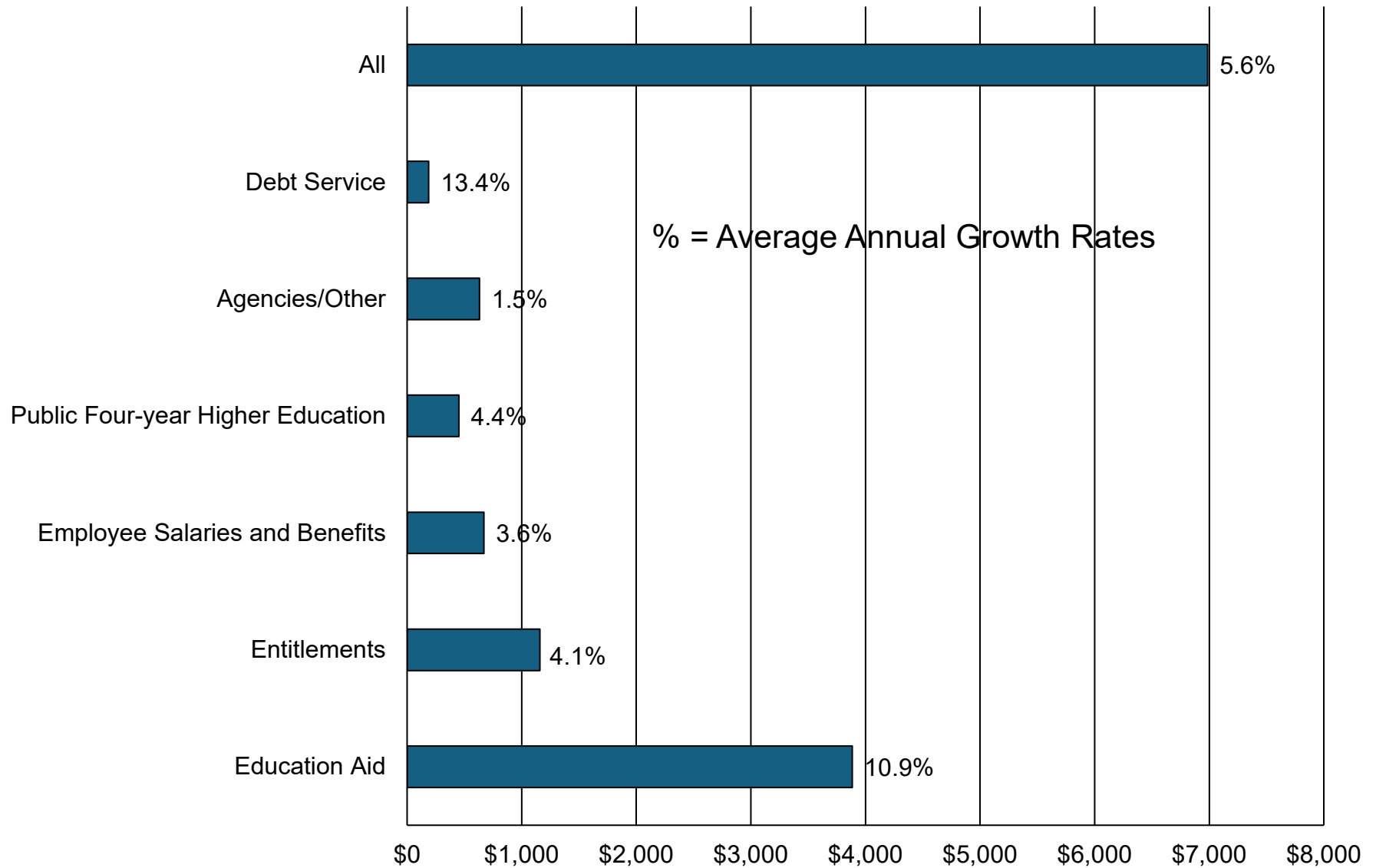
OBBBA Impact on General Fund Balance

Fiscal 2026-2031
(\$ in Millions)

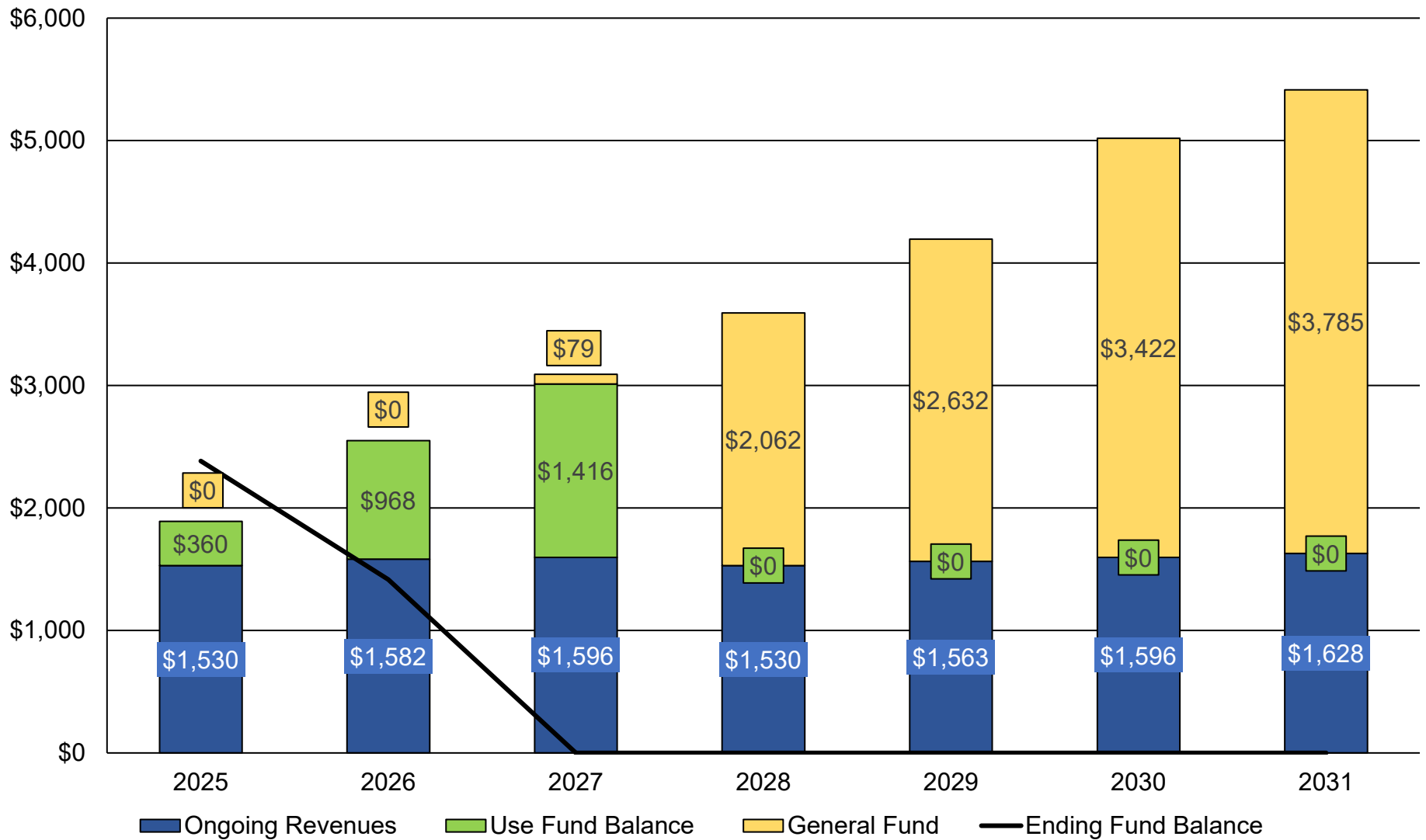


OBBBA: One Big Beautiful Bill Act

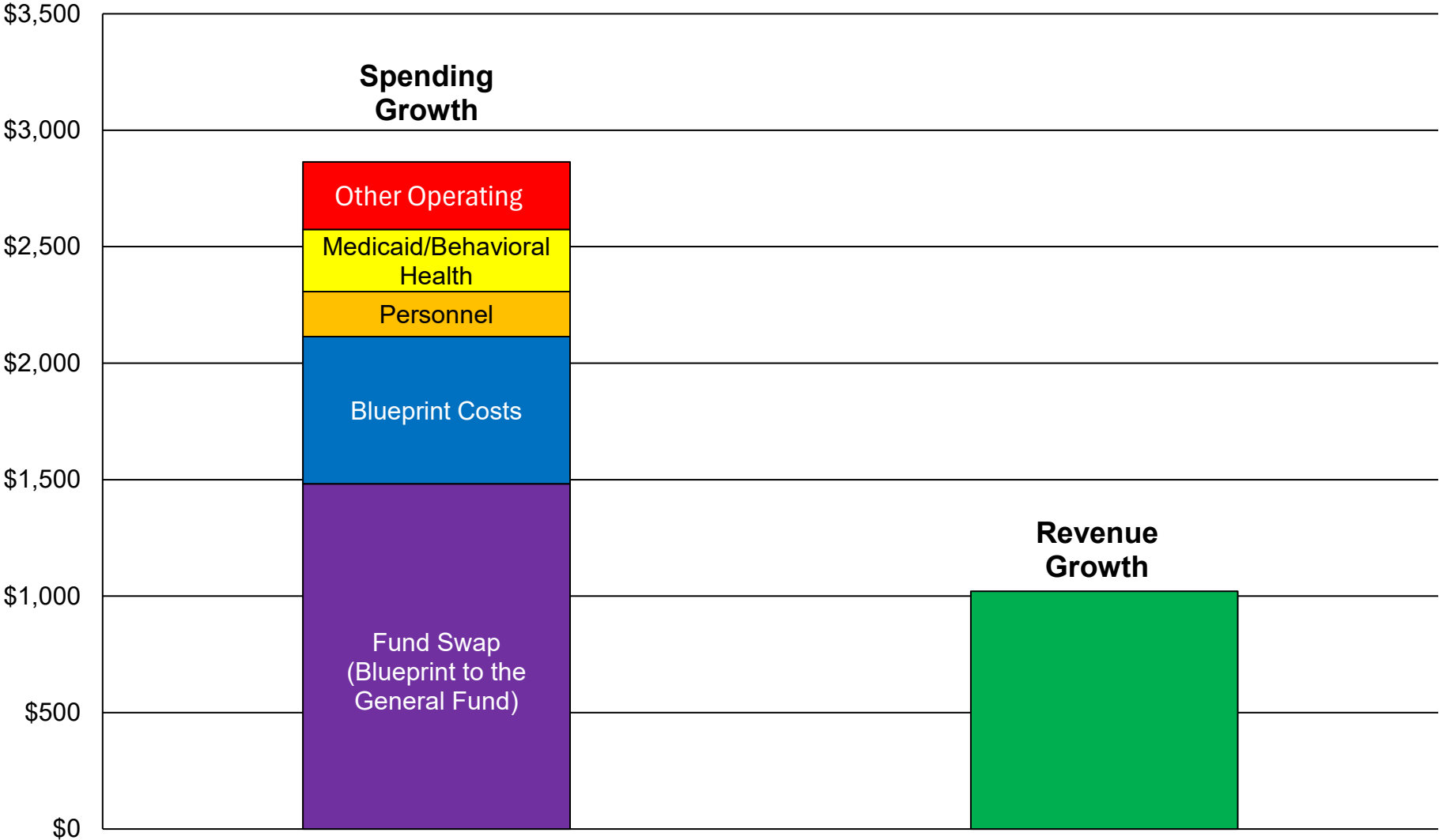
Drivers of Ongoing General Fund Spending Growth
Fiscal 2027-2031
(\$ in Millions)



Estimated Blueprint Costs and Funding Sources **Fiscal 2025-2031** **(\$ in Millions)**

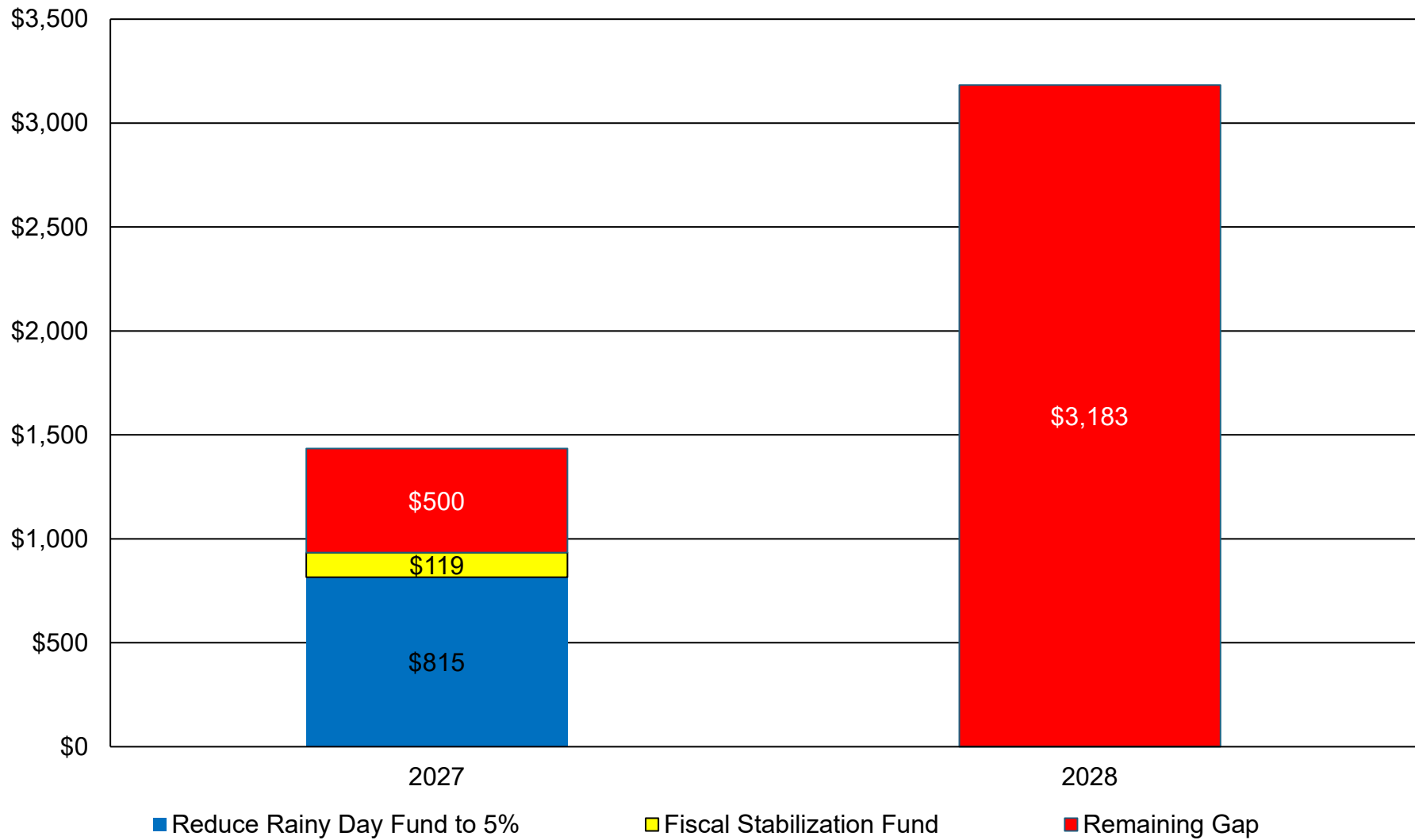


**Projected General Fund Spending Growth of \$2.8 Billion for Fiscal 2028
Far Outpaces Revenue Growth
(\$ in Millions)**

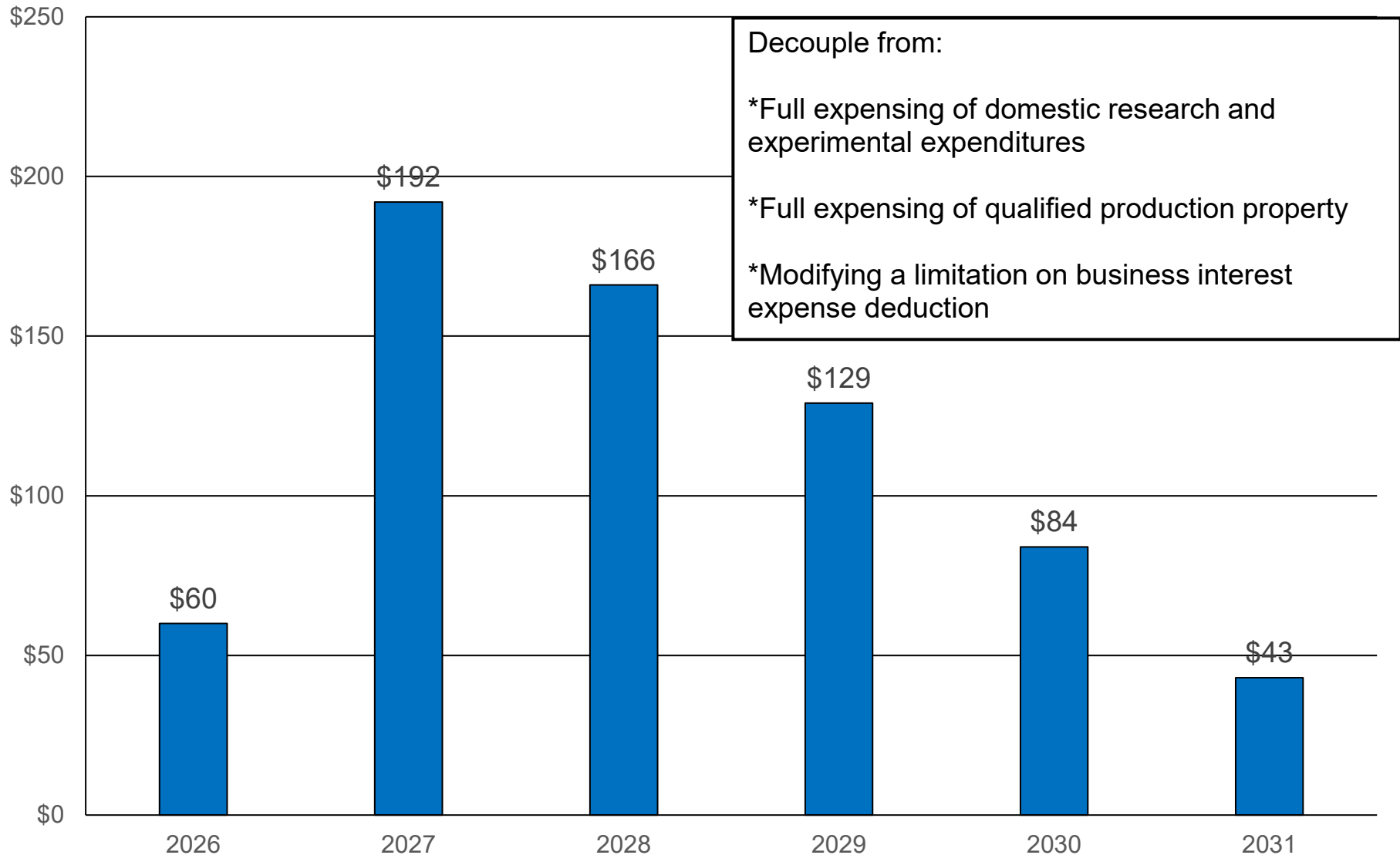


**Applying Cash Balances from the Fiscal Stabilization Fund and Rainy Day Fund (While Still Leaving Amount Equal to 5% of General Fund Revenues)
Would Erase Two-thirds of Fiscal 2027 Cash Shortfall**

**Fiscal 2027-2028
(\$ in Millions)**



Additional General Fund Revenue from Permanent Business Tax Decoupling
Fiscal 2026-2031
(\$ in Millions)



Abolished Vacant and Vacated VSP Positions October 2025

	Fiscal 2026 Leg. Approp.	Section 41 Abolishments	VSP	Fiscal 2026 Leg. Approp. Adjusted
<u>Department/Service Area</u>				
Health and Human Services				
Health	7,332.9	-24.3	-45.0	7,263.6
Human Services	5,978.7	-25.3	-65.0	5,888.4
Juvenile Services	2,146.0	-	-11.0	2,135.0
Subtotal	15,457.5	-49.6	-121.0	15,286.9
Public Safety		-	-	
Public Safety and Correctional Services	9,234.4	-	-35.0	9,199.4
Police and Fire Marshal	2,577.0	-	-3.0	2,574.0
Subtotal	11,811.4	-	-38.0	11,773.4
Transportation	9,360.5	-6.0	-26.0	9,328.5
Other Executive		-	-	
Legal (Excluding Judiciary)	1,806.0	-14.0	-15.0	1,777.0
Executive and Administrative Control	2,185.5	-27.0	-24.0	2,134.5
Financial and Revenue Administration	2,465.5	-13.4	-14.0	2,438.2
Budget and Management and DoIT	591.0	-4.0	-4.0	583.0
Retirement	207.0	-	-3.0	204.0
General Services	732.0	-	-5.0	727.0
Service and Civic Innovation	56.0	-	-	56.0
Natural Resources	1,555.0	-9.0	-25.0	1,521.0
Agriculture	439.5	-3.0	-6.0	430.5
Labor	1,968.6	-15.7	-16.0	1,936.9
MSDE and Other Education	2,069.4	-11.0	-8.0	2,050.4
Housing and Community Development	446.0	-	-	446.0
Commerce	212.0	-1.0	-2.0	209.0
Environment	1,034.0	-17.0	-13.0	1,004.0
Subtotal	15,767.5	-115.1	-135.0	15,517.4
Executive Branch Subtotal	52,396.9	-170.7	-320.0	51,906.2
Higher Education	29,406.3			29,406.3
Judiciary	4,173.0			4,173.0
Legislature	814.0			814.0
Grand Total	86,790.1	-170.7	-320.0	86,299.5

DoIT: Department of Information Technology
MSDE: Maryland State Department of Education
VSP: Voluntary Separation Program

Note: Section 41 of the fiscal 2026 Budget Bill required a reduction of 150.5 vacant or new positions. The Governor authorized VSP effective July 10, 2025.

Analysis of Vacancies and Turnover Rate
Executive Branch, Excluding Higher Education
Adjusted Fiscal 2026 Legislative Appropriation Compared to October 2025 Vacancies

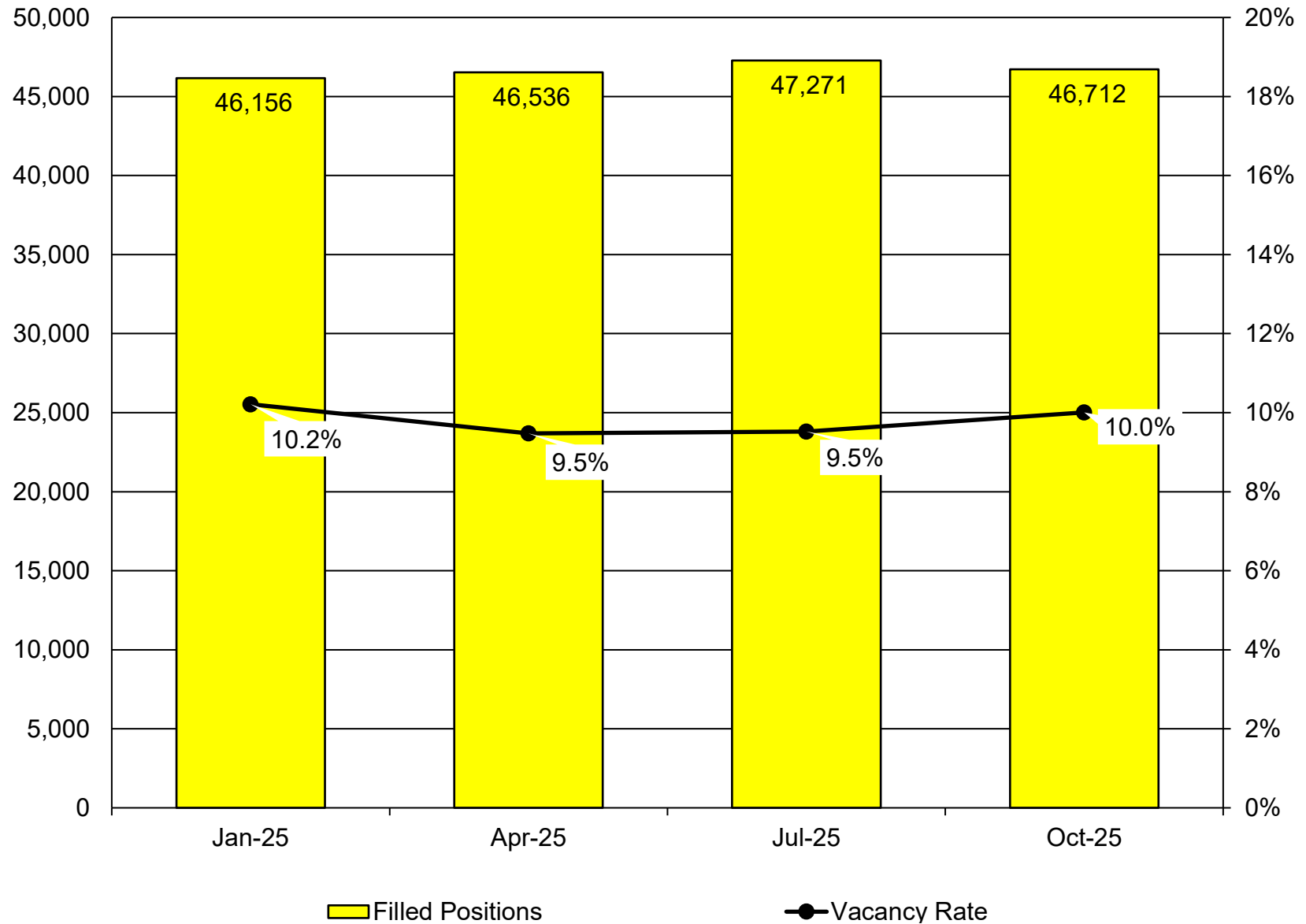
<u>Department/Service Area</u>	<u>Positions</u>	<u>Budgeted Turnover Rate</u>	<u>Vacancies to Meet Turnover</u>	<u>October Vacancies</u>	<u>Vacancies Above (or Below) Turnover</u>	<u>October Vacancy Rate</u>
Largest Six State Agencies						
Public Safety and Correctional Services	9,199	14.8%	1,362	825	-537	9.0%
Human Services	5,888	9.7%	571	410	-161	7.0%
Health	7,264	10.9%	791	946	154	13.0%
Police and Fire Marshal	2,574	11.2%	289	262	-27	10.2%
Juvenile Services	2,135	11.7%	250	251	1	11.8%
Transportation	9,329	5.7%	529	680	151	7.3%
Subtotal	36,389	7.2%	3,793	3,373	-419	9.3%
Other Executive						
Legal (Excluding Judiciary)	1,777	10.8%	192	181	-10	10.2%
Executive and Administrative Control	2,135	7.9%	169	237	68	11.1%
Financial and Revenue Administration	2,438	9.9%	241	171	-70	7.0%
Budget and Management and DoIT	583	7.9%	46	58	12	9.9%
Retirement	204	6.8%	14	27	13	13.2%
General Services	727	9.5%	69	56	-13	7.7%
Service and Civic Innovation	56	16.4%	9	5	-4	8.9%
Natural Resources	1,521	13.9%	211	180	-31	11.8%
Agriculture	431	8.5%	37	41	4	9.4%
Labor	1,937	18.1%	350	514	164	26.5%
MSDE and Other Education	2,050	8.9%	183	170	-13	8.3%
Housing and Community Development	446	7.3%	33	31	-2	7.0%
Commerce	209	10.2%	21	17	-4	8.1%
Environment	1,004	14.4%	144	133	-11	13.2%
Subtotal	15,517	10.9%	1,720	1,821	101	11.7%
Executive Branch Subtotal	51,906	10.5%	5,512	5,194	-318	10.0%

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

Note: Fiscal 2026 Adjusted Legislative Appropriation includes adjustments for positions abolished at the October 22, 2025 Board of Public Works meeting.

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

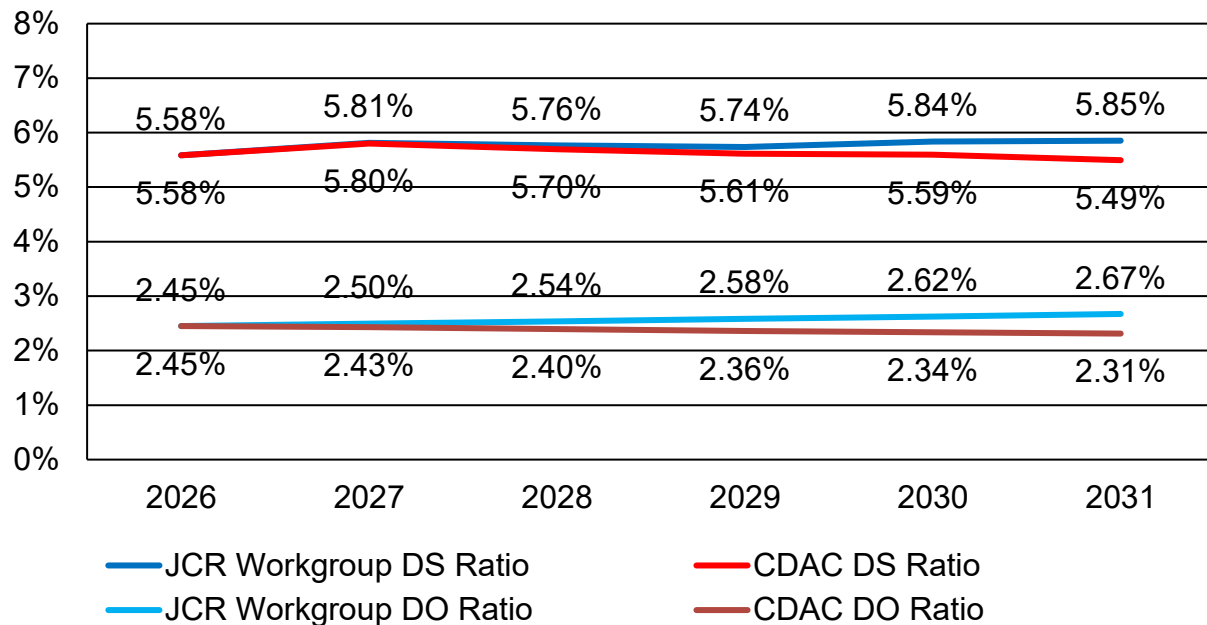
Filled Positions and Vacancy Rate
January to October 2025



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.
- Projected debt service and debt outstanding is well within affordability limits for both the CDAC issuance assumptions and the *Joint Chairmen's Report* workgroup issuance assumptions.

Affordability Ratios Fiscal 2026-2031



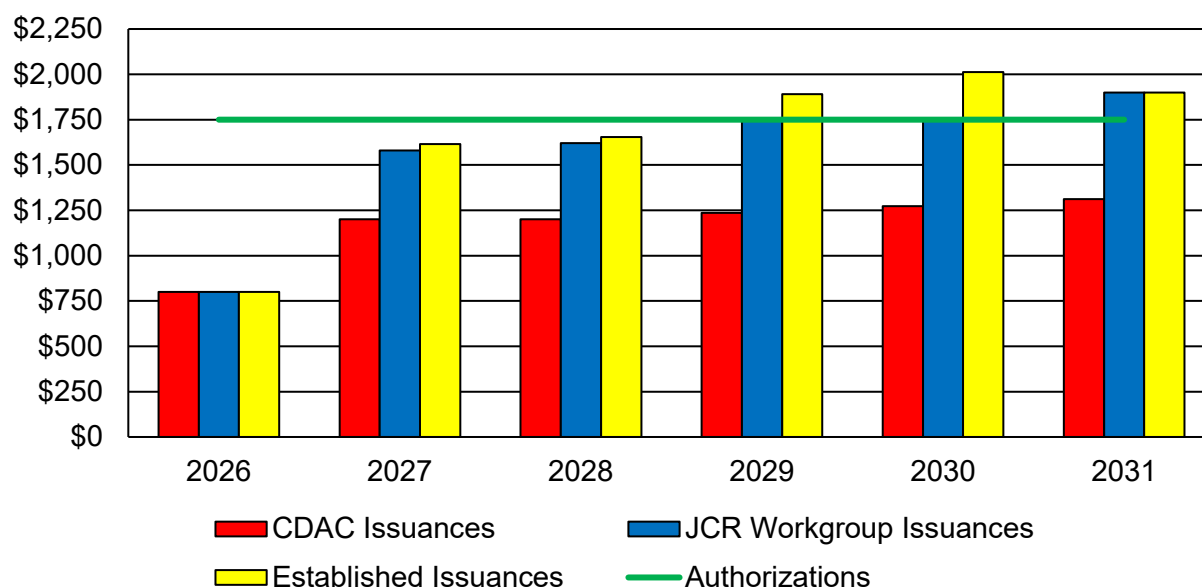
CDAC: Capital Debt Affordability Committee
 JCR: *Joint Chairmen's Report*
 DS: Debt Service
 DO: Debt Outstanding

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

General Obligation Bond Authorizations, Issuances, and Debt Service

- The 2025 operating budget *Joint Chairmen's Report* (JCR) directed the State Treasurer's Office to work with the Department of Budget and Management and the Department of Legislative Services (DLS) to convene a workgroup evaluating the issuance assumptions used by the Capital Debt Affordability Committee (CDAC).
 - The JCR workgroup recommends that beginning with the 2025 CDAC analysis, the issuance assumptions used by CDAC should be based on the 10-year weighted average of actual project expenditures per capital budget bill.
 - CDAC used alternative issuance assumptions.
-

General Obligation Bond Authorizations and Issuances Fiscal 2026-2031 (\$ in Millions)

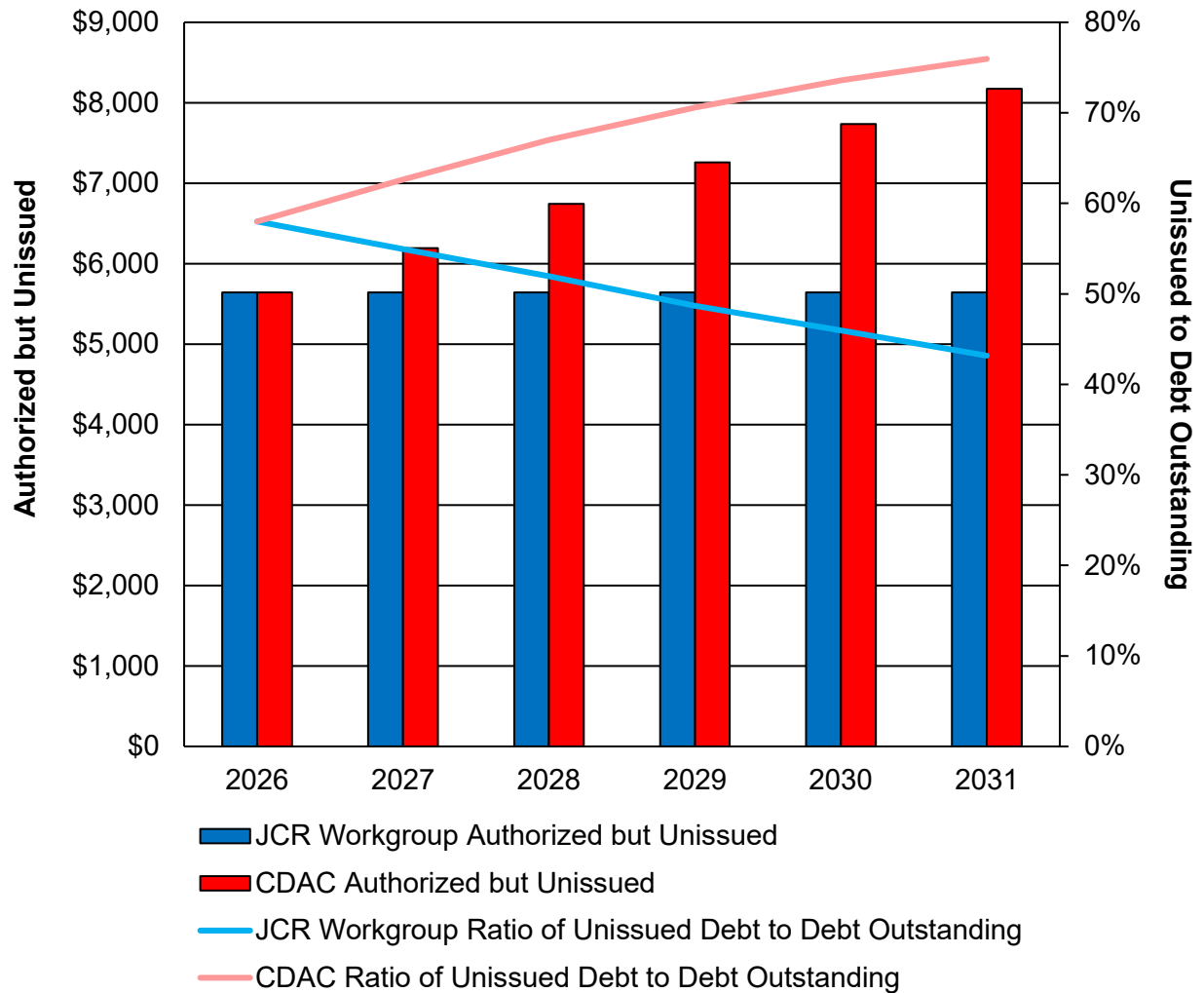


CDAC: Capital Debt Affordability Committee

JCR: *Joint Chairmen's Report*

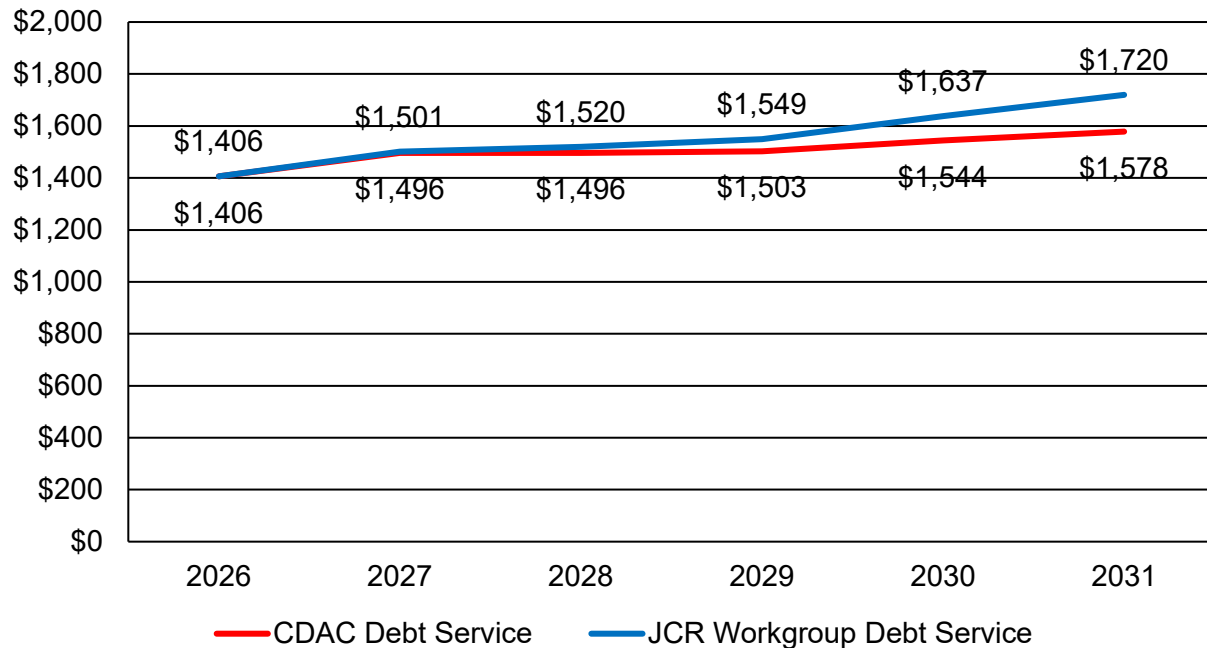
Note: The JCR workgroup approach assumes issuances consistent with the 10-year average so that annual authorizations are 29% in the first year, 25% in the second year, 14% in the third year, 8% in the fourth year, and 24% in the fifth year. The established issuance approach assumes that annual authorizations are 31% in the first year, 25% in the second year, 20% in the third year, 15% in the fourth year, and 9% in the fifth year. Estimated issuances from prior authorizations are the same for the 10-year average and established approaches.

**Comparing 10-year Average Issuances to
Capital Debt Affordability Committee Recommendation
Fiscal 2026-2031
(\$ in Millions)**



CDAC: Capital Debt Affordability Committee
JCR: Joint Chairmen's Report

**Comparing 10-year Average Debt Service Costs to
Capital Debt Affordability Committee Recommendation
Fiscal 2026-2031
(\$ in Millions)**



CDAC: Capital Debt Affordability Committee
JCR: *Joint Chairmen's Report*

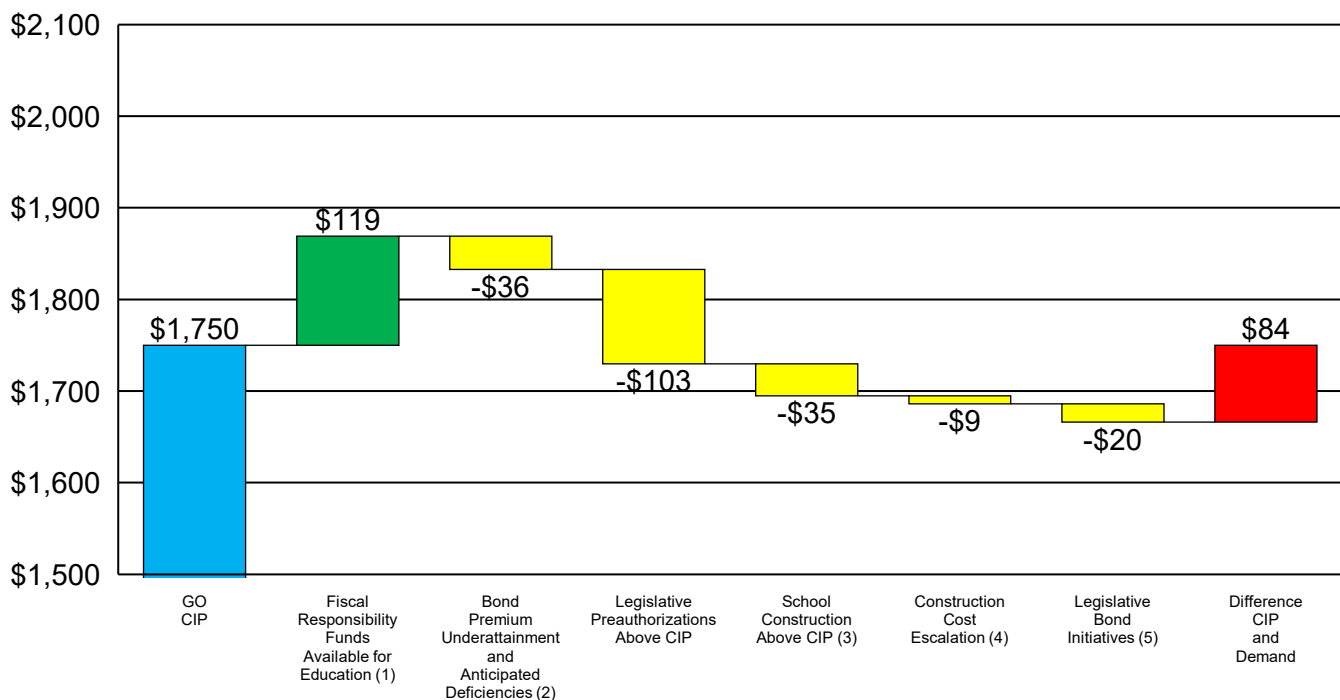
- The JCR workgroup's recommendation was the product of the State Treasurer's Office, the Department of Budget and Management Office of Capital Budgeting, and DLS reviewing the most recent 10 years of issuance data. The consensus of the workgroup was that a 10-year, weighted, moving average best estimates expected issuances.
 - Having 10 years of data is consistent with the length of most business cycles.
 - A moving average allows the estimate to change if issuances change.
 - The workgroup did not find any data suggesting that issuances should be approximately \$500 million below annual authorizations throughout the forecast period.

DLS recommends that the Spending Affordability Committee use the JCR workgroup's issuance recommendations.

Capital Program

- The \$1.75 billion of general obligation bond authorizations recommended by the Capital Debt Affordability Committee, coupled with \$119 million earmarked in the Fiscal Responsibility Fund for capital projects, will fund all but \$84 million of current fiscal 2027 capital commitments.

Capital Commitments and Other Fiscal Pressures in Fiscal 2027 (\$ in Millions)



CIP: *Capital Improvement Program*

GO: general obligation

(1) Of the \$191 million transferred to the Fiscal Responsibility Fund in the fiscal 2025 closeout, \$72 million is being used to respond to impacts of the federal government shutdown on food assistance, reducing the amount available for capital projects to \$119 million.

(2) \$36 million shortfall in bond premiums from the June 2025 bond sale used to support fiscal 2026 authorizations.

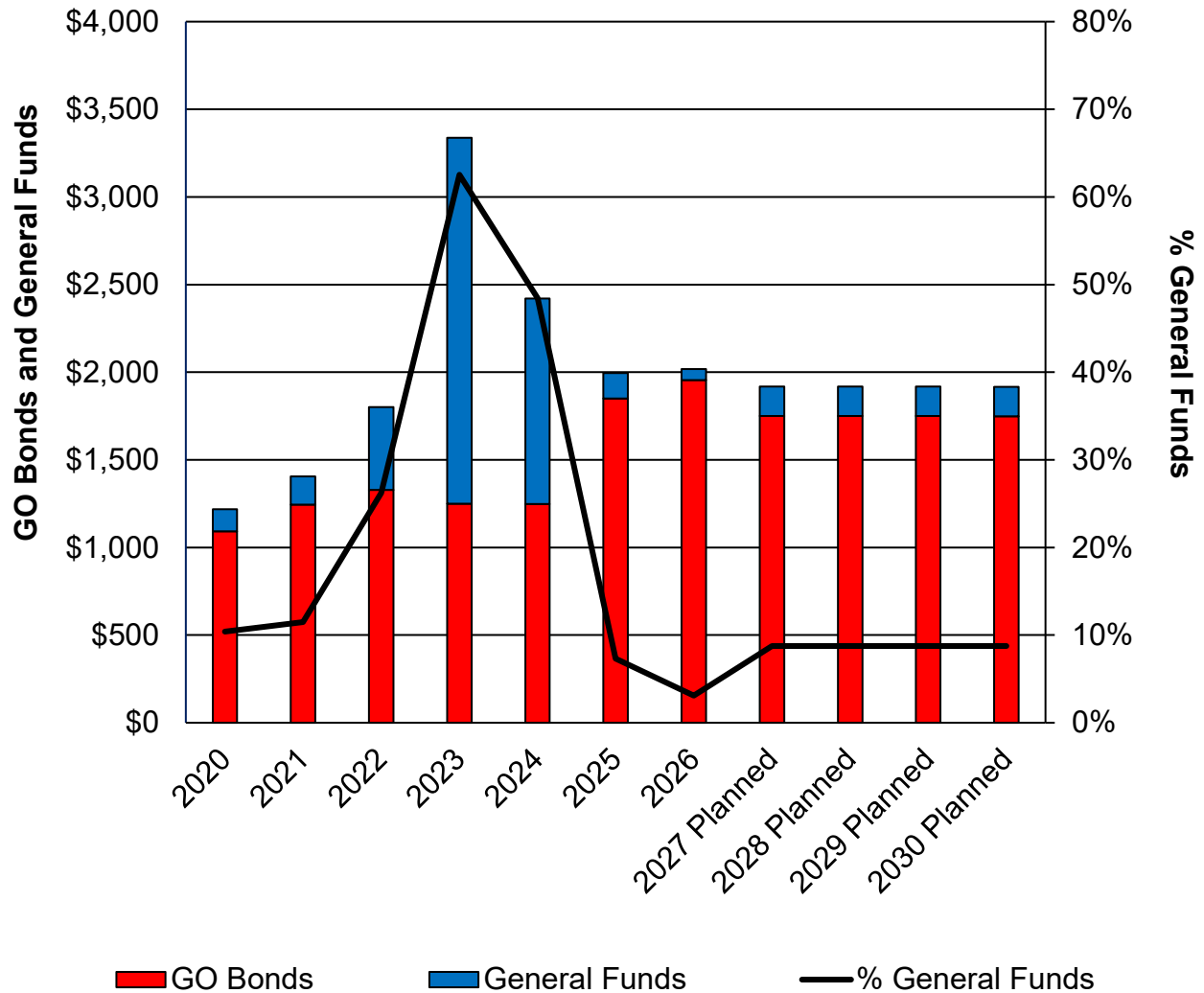
(3) \$35 million shortfall in the amount of funds necessary to fund new construction and system renovation public school construction projects that are already approved by the Interagency Commission on School Construction and underway.

(4) \$9 million to adjust what is programmed in the CIP for anticipated cost escalation in calendar 2026 and 2027.

(5) Legislative bond initiative funding averaged \$62 million in fiscal 2025 and 2026.

GO Bond and General Fund Components of Capital Program

Fiscal 2020-2030 (\$ in Millions)



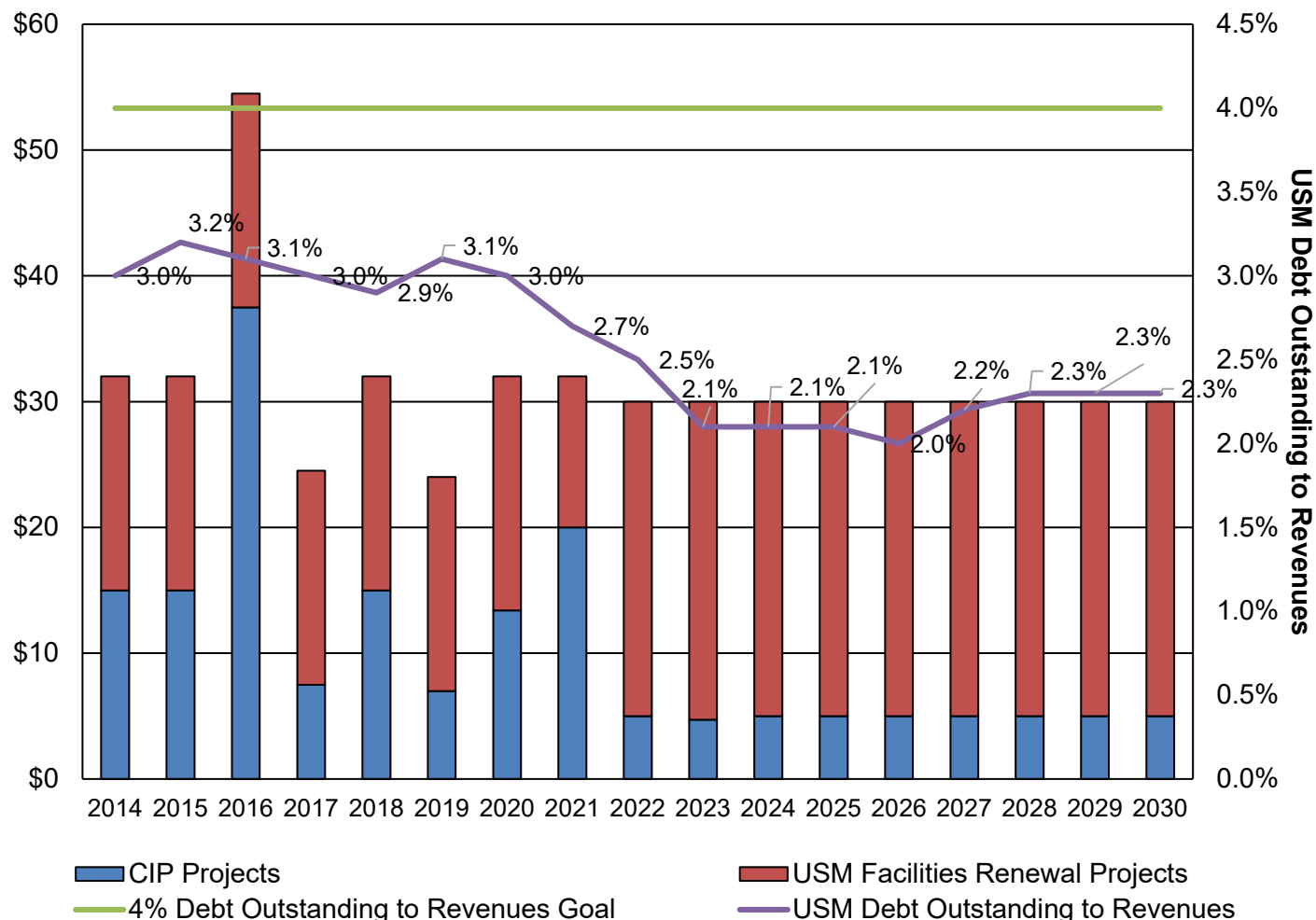
GO: general obligation

- The Department of Legislative Services' five-year general fund forecast includes \$839 million of pay-as-you-go (PAYGO) general funds, of which \$835 million funds Washington Metropolitan Area Transit Authority grants.
- In fiscal 2026, \$121 million of prior year general fund PAYGO was withdrawn and replaced with bonds to help mitigate operating budget stress. Without additional capital resources or reductions to planned commitments, the capital program does not have capacity to provide operating budget relief in fiscal 2027.

USM Debt Ratio's Can Accommodate Increased Academic Revenue Bond Authorization Levels

Fiscal 2014-2030

(\$ in Millions)



CIP: Capital Improvement Program
USM: University System of Maryland

- The University System of Maryland (USM) allocates a portion of its debt portfolio for Academic Revenue Bonds (ARB), which are traditionally used to support facilities renewal spending and offset the need for general obligation (GO) bonds for USM projects programmed in the *Capital Improvement Program* (CIP). USM debt coverage ratios support a moderate increase in the annual ARB authorization that could be used to replace GO funding for USM projects programmed in the CIP or enhance system facilities renewal spending.

New Transportation Revenues Enacted 2024 and 2025 Sessions
Fiscal 2025-2031
(\$ in Millions)

	<u>Actual</u> <u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2026-2031</u>
Registrations – Non-HUR	\$139	\$187	\$247	\$242	\$240	\$244	\$248	\$1,407
Transportation Network Company Fee	40	42	44	46	50	53	57	293
Electric Vehicle Surcharge	8	20	26	34	44	60	78	262
SHA Workzone Safety	7	10	10	9	9	8	8	54
Sales Tax – Electricity	1	1	1	2	2	2	3	12
Total 2024 Session New Revenues	\$195	\$261	\$328	\$333	\$345	\$367	\$393	\$2,028
Capital Gains Surcharge		\$137	\$101	\$101	\$101	\$101	\$101	\$641
Certificate of Title Fee Increase		104	104	104	104	104	104	624
Vehicle Excise Tax Increase to 6.5%		94	98	102	105	108	112	620
Registration Fee Increase Acceleration		52	0	0	0	0	0	52
VEIP Fee Increase (Including Late Fee)		30	30	30	30	30	30	180
Increase Cap on MVA Cost Recovery		20	42	38	56	63	70	289
Historic Tags Eligibility Alterations		4	4	4	4	4	4	24
New Tire Fee of \$5		11	23	23	23	23	23	126
Rental Vehicle Excise Tax of 3.5%		29	31	32	33	34	35	195
Rental Car Registration Fee Alteration		3	3	3	3	3	3	18
Total 2025 Session New Revenues		\$484	\$436	\$437	\$459	\$470	\$482	\$2,769
Grand Total All New Revenues	\$195	\$744	\$764	\$770	\$805	\$838	\$876	\$4,796

HUR: Highway User Revenue
MVA: Motor Vehicle Administration

SHA: State Highway Administration
VEIP: Vehicle Emission Inspection Program

Source: Department of Legislative Services, Maryland Department of Transportation, Draft 2026 Transportation Trust Fund Forecast

Transportation Trust Fund Six-year Forecast Comparisons
Fiscal 2025-2031
(\$ in Millions)

	<u>MDOT</u> <u>Jan.</u> <u>2025</u>	<u>MDOT</u> <u>Sept.</u> <u>2025</u>	<u>Difference</u>	<u>DLS</u> <u>Nov.</u> <u>2025</u>	<u>Difference</u>
Revenues					
Net Revenues and Fund Balance Use	\$31,360	\$32,030	\$670	\$32,103	\$73
Bond Proceeds and Premiums	2,155	2,635	480	3,095	460
Total Revenues	\$33,515	\$34,665	\$1,150	\$35,198	\$533
Expenditures					
Debt Service	\$2,756	\$2,871	\$115	\$2,946	\$75
Operating Budget	19,953	20,871	918	20,901	30
State Funds Available for Capital	10,806	10,923	117	11,351	428
Total Expenditures	\$33,515	\$34,665	\$1,150	\$35,198	\$533
Capital Summary					
State Program (Excluding HUR)	\$8,450	\$8,580	\$130	\$8,989	\$409
Highway User Revenues	2,355	2,342	-13	2,361	19
Net Federal Capital (Cash Flow)	7,753	8,317	564	8,317	0
Other Funds	2,645	2,231	-414	2,231	0
Total Capital	\$21,203	\$21,470	\$268	\$21,898	\$428

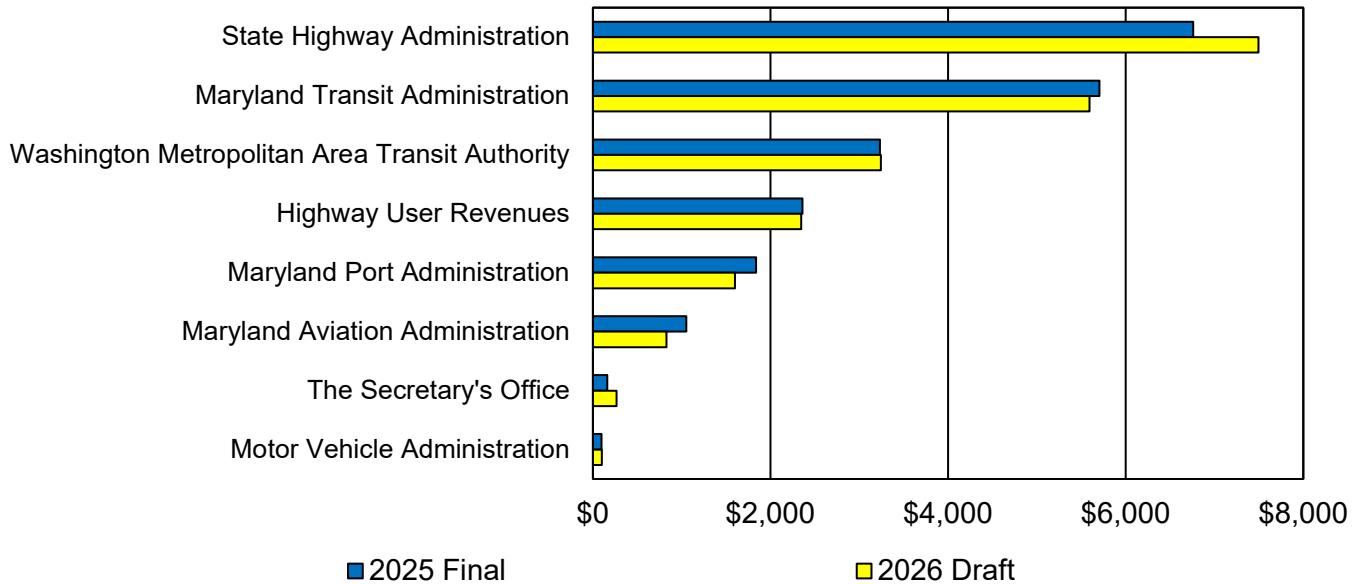
DLS: Department of Legislative Services
HUR: Highway User Revenue
MDOT: Maryland Department of Transportation

- New revenues primarily cover increased operating expenses that are due to employee compensation growth and additional new positions to improve transit service; escalation in major contracts; and projected operating expenses related to the Purple Line, which is projected to open in fiscal 2028.
- Across the six-year forecast period, operating expenses in the Maryland Department of Transportation (MDOT) September 2025 financial forecast total nearly \$20.9 billion, an increase of \$918 million, or 4.6%, from the January 2025 MDOT forecast.

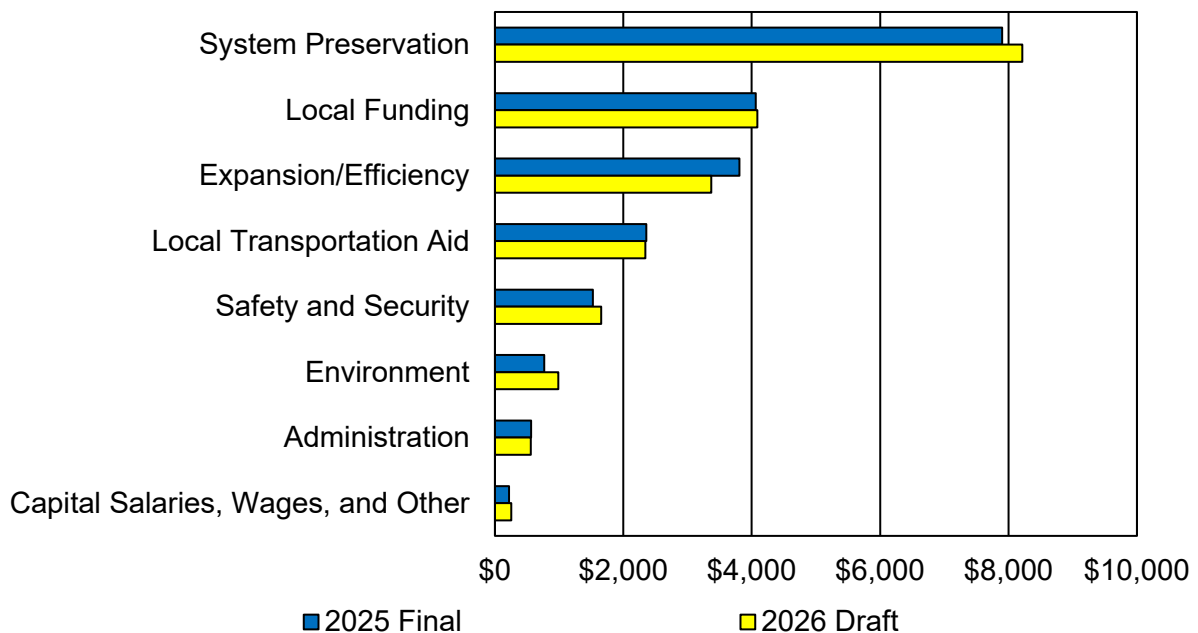
The Department of Legislative Services (DLS) forecast reflects:

- the actual fiscal 2025 closing balance, which is \$46 million higher than assumed in the MDOT September 2025 forecast that was released before closeout was finalized.
- DLS projected revenue attainment from motor fuel taxes and titling taxes, which is a net \$27 million higher than assumed in the September 2025 MDOT forecast. DLS projects lower attainment in motor fuel revenue across all years of the forecast period and lower attainment in titling tax revenue in fiscal 2026 and 2027 but higher titling tax revenue in fiscal 2028 to 2031, resulting in a net increase relative to the MDOT forecast.
- DLS projected debt issuances and debt service costs reflecting increased debt issuance capacity due to higher projected revenues and lower debt service costs as a result of refunding of previously issued debt in October 2025.
- DLS projected operating expense growth, reflecting baseline projections in fiscal 2026 and 2027, and projected growth rates in fiscal 2028 to 2031 of 3.9% annually for MDOT modes and 3% annually for the Washington Metropolitan Area Transit Authority. Additional operating expense growth in the Maryland Transit Administration is assumed in fiscal 2028 and 2029 due to the annualization of operating expenses for the newly opened Purple Line.

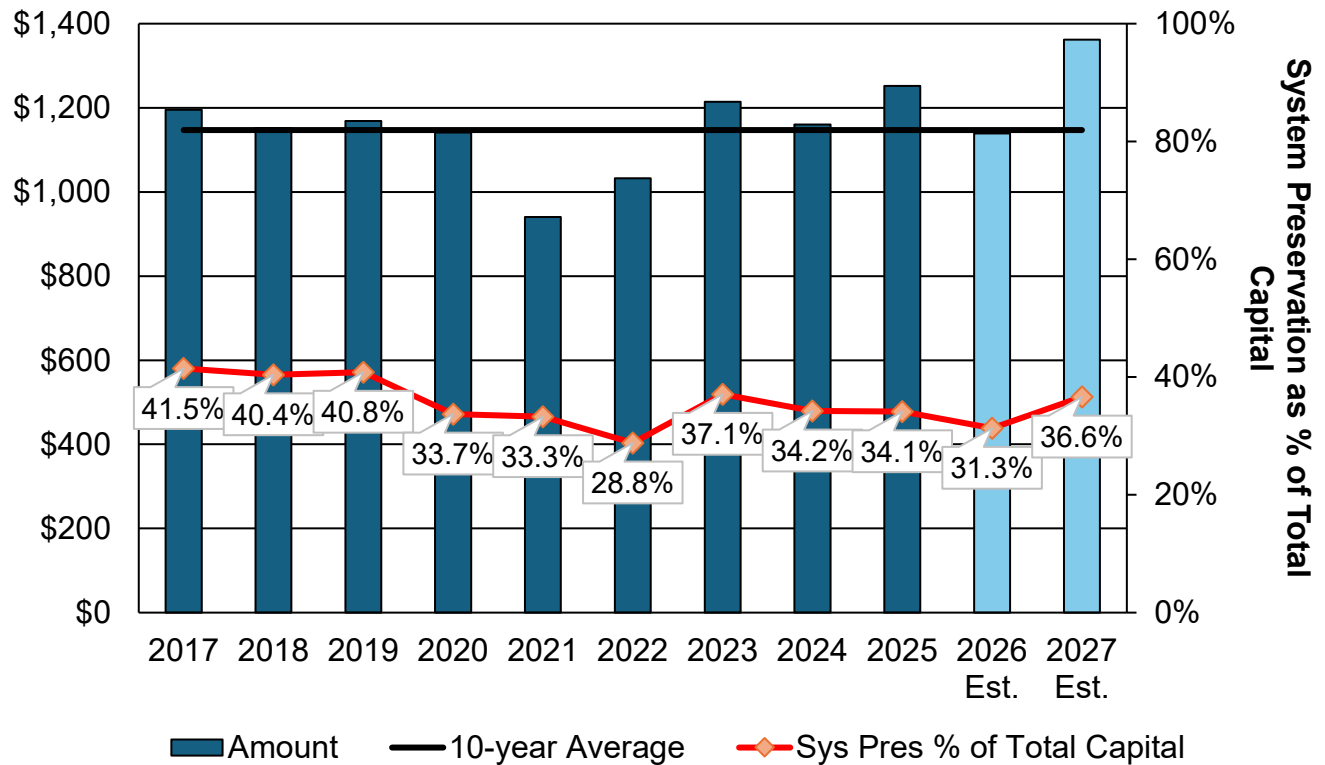
Consolidated Transportation Program Comparison by Mode
2025 Final v. 2026 Draft
(\$ in Millions)



Consolidated Transportation Program Comparison by Investment Category
2025 Final v. 2026 Draft
(\$ in Millions)



**Consolidated Transportation Program Fiscal 2026 and 2027
System Preservation Programmed Funding
Fiscal 2017 to 2027 Est.
(\$ in Millions)**



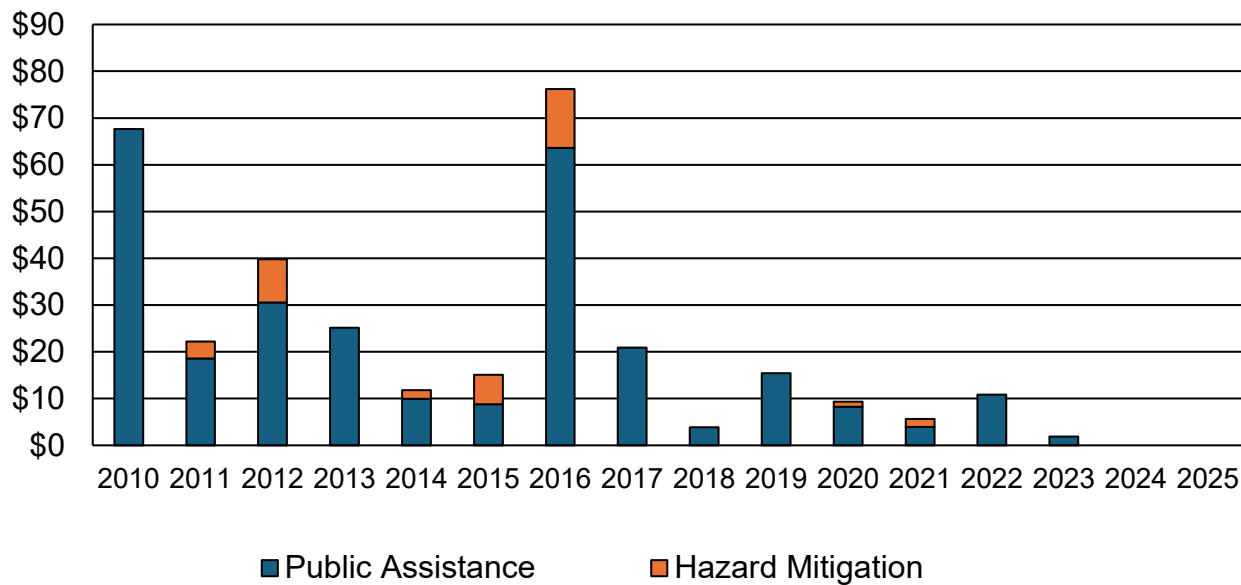
- Average annual spending for system preservation for the 10-year period ending with fiscal 2025 was \$1.147 billion. The draft *Consolidated Transportation Program* includes \$1.362 billion for system preservation projects in fiscal 2027, which is \$215 million greater than the 10-year average.

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 \$500 million in fiscal 2027. This level is an increase from the target closing balance anticipated in the January 2025 financial forecast and is reasonable based on expected revenue and spending levels.

**Maryland Averaged \$21.4 Million in Federal Disaster Aid from
Fiscal 2010 to 2025 (Excluding COVID-19)
(\$ in Millions)**



- The State has two funds that can be used to cover costs related to natural disasters or catastrophes.
 - The Catastrophic Event Account – established in 1990 for this purpose. Chapter 97 of 2025 expanded the purposes of the fund to include former federal employee financial hardship from the closure, relocation, or mass layoff of a unit of the federal government, or other similar circumstances.
 - The State Disaster Recovery Fund – established in Chapter 549 of 2023 to provide disaster relief whether an official disaster declaration is made.
- At the close of fiscal 2025, the Catastrophic Event Account had a balance of \$12.5 million. Based on known transfers and anticipated uses related to the federal government shutdown and layoffs, the baseline assumes the fiscal 2025 balance is fully utilized and replenished to \$10 million in fiscal 2027.
- The Department of Legislative Services projects a fiscal 2027 balance in the State Disaster Recovery Fund of approximately \$2.3 million after deposits of \$0.9 million in each of fiscal 2026 and 2027 and the use of \$459,375 for the May 2025 floods in Western Maryland (Requested federal disaster assistance of \$33.7 million was denied).
- **Since the federal government appears less likely to provide disaster assistance in the future, the State should consider maintaining a combined balance of at least \$21 million in future years.**

Appendices

Appendix 1
Traditional Lottery Revenue Forecast
Fiscal 2024-2031
\$ in Millions

	Actual <u>2024</u>	Actual <u>2025</u>	Estimate <u>2026</u>	Estimate <u>2027</u>	Estimate <u>2028</u>	Estimate <u>2029</u>	Estimate <u>2030</u>	Estimate <u>2031</u>
Total Net Sales	\$2,736.9	\$2,638.3	\$2,687.1	\$2,657.7	\$2,661.2	\$2,665.5	\$2,670.0	\$2,675.9
<i>Year-over-year Percent Change</i>	-1.2%	-3.6%	1.8%	-1.1%	0.1%	0.2%	0.2%	0.2%
Total Net Revenue	\$699.6	\$667.2	\$680.8	\$667.0	\$666.6	\$666.5	\$666.4	\$666.8
<i>Year-over-year Percent Change</i>	-2.1%	-4.6%	2.0%	-2.0%	-0.1%	0.0%	0.0%	0.1%
Distributions	\$44.6	\$148.2	\$148.9	\$191.7	\$194.5	\$197.0	\$197.1	\$197.9
Share of Net Revenue	6.4%	22.2%	21.9%	28.7%	29.2%	29.6%	29.6%	29.7%
General Fund	\$655.0	\$519.0	\$531.9	\$475.2	\$472.1	\$469.4	\$469.3	\$469.0
<i>Year-over-year Percent Change</i>	-0.1%	-20.8%	2.5%	-10.6%	-0.7%	-0.6%	0.0%	-0.1%
Distribution Detail:								
Stadium Facilities Fund	\$14.2	\$13.4	\$11.3	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4
Baltimore City School Construction Fund	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Camden Yards Football Sports Facility Fund		34.7	34.7	45.0	45.0	45.0	45.0	45.0
Camden Yards Baseball Sports Facility Fund			13.5	41.6	41.6	41.6	41.6	41.6
Bus Rapid Transit Fund		27.0	17.0	17.0	17.0	17.0	17.0	17.0
Prince George's County Blue Line Corridor Fund	1.1	27.0	27.0	27.0	27.0	27.0	27.0	27.0
Sports Entertainment Facility Fund		12.4	18.4	25.0	25.0	25.0	25.0	25.0
Major Sports/Entertainment Event Fund	8.2	7.6	4.5	6.8	10.0	10.0	10.0	10.0
Veterans Trust Fund	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Michael Erin Busch Sports Fund	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Maryland Humanities Council	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Maggie McIntosh School Arts Fund	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Prince George's County Local Impact Grant		3.0	3.0	3.0	3.0	3.0	3.0	3.0
VLT Local Impact Grant Hold Harmless	1.7	1.3	1.2	1.0	0.8	0.5	0.3	0.1
Racetrax Local Impact Grants			0.3	0.3				
Racetrack Renewal – Net Transfer	-2.3		-3.6			2.8	3.1	4.1

VLT: video lottery terminals

Source: Board of Revenue Estimates

Appendix 2

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 baseline and forecast account for the implementation of the One Big Beautiful Bill Act. General fund impacts in fiscal 2027 are limited to additional administrative costs for Medicaid and the impact of the administrative match rate change in the Supplemental Nutrition Assistance Program. Beginning in fiscal 2028, impacts on general fund spending expand to include benefit cost sharing for the Supplemental Nutrition Assistance Program and the impact of more frequent eligibility determinations and work requirements for certain Medicaid populations.
 - K-12 enrollment is projected to increase; however, actual enrollment will not be known until December 1, 2025, when the Maryland State Department of Education is required to release the official enrollment counts for the current school year.
 - Medicaid, Foster Care, and Public Assistance Entitlement caseload trends reflect current experience.
 - The Department of Legislative Services (DLS) has some concerns about the accuracy of the Department of Human Services (DHS) fiscal 2025 closeout and is working with DHS and the Department of Budget and Management to determine the impact on fiscal 2026 and 2027 costs. DLS will revise its baseline as necessary for the December meeting of the Spending Affordability Committee.
-

Caseload Assumptions Fiscal 2025-2027

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>% Change 2026-2027</u>
Pupil Enrollment*	853,933	853,121	855,622	2.9%
Medicaid/Maryland Children's Health Program	1,550,511	1,476,985	1,478,597	0.1%
Temporary Cash Assistance	50,088	48,084	49,046	2.0%
Foster Care/Adoption/Guardianship	10,226	10,425	10,498	0.7%
Prison Population**	18,444	18,549	18,859	1.7%

* Data for fiscal 2025 and 2026 reflect actual full-time equivalent enrollments. Fiscal 2027 is a projection.

**Data for fiscal 2026 is based on three months of the actual population, with projections for the remaining nine months.

- \$115.6 million of fiscal 2026 legislative additions are assumed to be one time, including \$68.1 million in general funds and \$47.5 million of special funds.
- Tuition and fee increases at the public higher education institutions are estimated at 2%.
- Required appropriation to the Revenue Stabilization Account (Rainy Day Fund) in fiscal 2026 totals \$449 million. The fiscal 2027 baseline assumes transfers from the Rainy Day fund balance in fiscal 2026 and 2027 to leave a balance of 8% of general fund revenues in fiscal 2027.
- Personnel assumptions for fiscal 2027 include:
 - 2% general salary increase effective July 2026 funded for all State employees.
 - an increase of 8.5% in employee and retiree health insurance costs; and
 - vacancy savings included in Section 38 of the fiscal 2026 budget bill are ongoing, however, a one-time deficiency appropriation of \$30 million reduces the anticipated level of vacancy savings to be achieved in fiscal 2026.
- Higher than expected inflation will result in the need for deficiency appropriations to cover certain fiscal 2026 costs: natural gas (\$11.6 million); food (\$4.6 million); and electricity (\$2.1 million). These deficiency appropriations result in a net increase of \$4.4 million in general funds.
- Inflation, after accounting for deficiency appropriations, anticipated for fiscal 2027 will increase costs for postage (7.5%), prescription drugs (7.5%), food (6.0%), natural gas (3.5%), electricity (1.0%). Costs are expected to decrease for gas and oil (-9.3%).
- The baseline and forecast do not make any assumptions about spending needs related to any State liability under the Child Victims Act.

Appendix 3
State Expenditures – General Funds
Fiscal 2025-2027
(\$ in Millions)

<u>Category</u>	2025 Working Appropriation	2026 Adj. Legislative Appropriation	2027 Baseline	\$ Change 2026 to 2027	% Change
Debt Service	\$397.1	\$154.7	\$288.0	\$133.3	86.2%
County/Municipal	\$415.6	\$396.1	\$406.2	\$10.1	2.5%
Community Colleges	477.6	503.1	539.5	36.4	7.2%
Education/Libraries	7,383.8	7,429.2	7,567.3	138.0	1.9%
Health	111.2	115.0	117.6	2.6	2.3%
<i>Aid to Local Governments</i>	\$8,388.2	\$8,443.5	\$8,630.7	\$187.2	2.2%
Foster Care Payments	\$279.0	\$361.8	\$370.2	\$8.4	2.3%
Assistance Payments	136.4	136.7	160.1	23.4	17.1%
Medical Assistance	5,281.5	5,654.3	5,964.1	309.8	5.5%
Property Tax Credits	96.0	87.1	89.1	2.0	2.3%
<i>Entitlements</i>	\$5,792.9	\$6,239.8	\$6,583.4	\$343.6	5.5%
Health	\$3,141.9	\$3,153.2	\$3,224.9	\$71.7	2.3%
Human Services	513.3	551.2	577.0	25.8	4.7%
Juvenile Services	340.9	354.4	376.9	22.5	6.3%
Public Safety/Police	2,122.2	2,209.9	2,317.4	107.5	4.9%
Higher Education	2,277.9	2,312.2	2,435.9	123.6	5.3%
Transportation	196.9	1.1	0.0	-1.1	-100.0%
Other Education	1,039.6	1,046.8	1,153.6	106.7	10.2%
Agriculture/Natural Res./Environment	210.9	200.1	229.3	29.1	14.6%
Other Executive Agencies	1,708.2	1,738.4	1,780.7	42.3	2.4%
Judiciary	689.6	704.5	722.4	17.9	2.5%
Legislative	160.8	162.1	166.7	4.5	2.8%
<i>State Agencies</i>	\$12,402.3	\$12,434.0	\$12,984.6	\$550.6	4.4%
Deficiencies (for Prior Years)	\$267.6	\$339.2	\$0.0	-\$339.2	-100.0%
Total Operating	\$27,248.0	\$27,611.2	\$28,486.7	\$875.5	3.2%
Capital	\$158.3	\$62.4	\$169.0	\$106.6	170.9%
<i>Subtotal</i>	\$27,406.4	\$27,673.6	\$28,655.7	\$982.1	3.5%
Reserve Funds	\$2.5	\$26.5	\$458.1	\$431.6	1628.8%
Appropriations	\$27,408.9	\$27,700.1	\$29,113.8	\$1,413.8	5.1%
Reversions	-\$75.0	-\$75.0	-\$75.0	\$0.0	0.0%
Grand Total	\$27,333.9	\$27,625.1	\$29,038.8	\$1,413.8	5.1%

Note: The fiscal 2026 adjusted legislative appropriation reflects anticipated deficiencies of \$695.2 million.

Appendix 4
State Expenditures – Special and Higher Education Funds*
Fiscal 2025-2027
(\$ in Millions)

<u>Category</u>	<u>2025 Working Appropriation</u>	<u>2026 Adj. Legislative Appropriation</u>	<u>2027 Baseline</u>	<u>\$ Change 2026 to 2027</u>	<u>% Change</u>
Debt Service	\$1,556.9	\$1,681.6	\$1,675.3	-\$6.3	-0.4%
County/Municipal	\$595.2	\$658.0	\$665.0	\$7.0	1.1%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	1,807.0	2,429.9	2,863.4	433.6	17.8%
Health	0.0	0.0	0.0	0.0	n/a
<i>Aid to Local Governments</i>	\$2,402.3	\$3,087.8	\$3,528.4	\$440.6	14.3%
Foster Care Payments	\$2.7	\$2.3	\$2.3	\$0.0	0.0%
Assistance Payments	6.2	7.9	7.9	0.0	0.0%
Medical Assistance	793.3	862.6	869.3	6.6	0.8%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
<i>Entitlements</i>	\$802.2	\$872.8	\$879.4	\$6.6	0.8%
Health	\$759.7	\$861.2	\$951.0	\$89.8	10.4%
Human Services	164.3	235.3	282.9	47.5	20.2%
Juvenile Services	3.4	3.5	3.7	0.2	6.4%
Public Safety/Police	218.9	246.9	248.7	1.8	0.7%
Higher Education	6,068.1	6,230.7	6,231.6	0.9	0.0%
Other Education	311.0	308.0	282.9	-25.1	-8.2%
Transportation	2,660.5	2,915.6	3,018.2	102.6	3.5%
Agriculture/Natural Res./Environment	381.7	413.3	408.6	-4.7	-1.1%
Other Executive Agencies	1,589.6	1,714.5	1,813.2	98.7	5.8%
Judiciary	84.3	83.5	86.1	2.7	3.2%
<i>State Agencies</i>	\$12,241.6	\$13,012.4	\$13,326.9	\$314.4	2.4%
Deficiencies (for Prior Years)	\$5.6	\$0.4	\$0.0	-\$0.4	n/a
Total Operating	\$17,008.5	\$18,655.0	\$19,410.0	\$755.0	4.0%
Capital	\$1,942.5	\$1,902.1	\$2,096.2	\$194.1	10.2%
Transportation	1,492.5	1,450.6	1,355.7	-94.9	-6.5%
Environment	209.6	196.7	195.0	-1.7	-0.9%
Other	240.4	254.9	545.5	290.7	114.0%
<i>Subtotal</i>	\$18,951.0	\$20,557.1	\$21,506.1	\$949.0	4.6%
Reserve Funds	\$90.0	\$0.0	\$0.0	\$0.0	n/a
Grand Total	\$19,041.0	\$20,557.1	\$21,506.1	\$949.0	4.6%

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

Note: The fiscal 2026 adjusted legislative appropriation includes anticipated deficiencies of \$99.1 million. Fiscal 2025 excludes \$75.1 million, fiscal 2026 excludes \$79.8 million, and fiscal 2027 excludes \$267.8 million that double count general fund spending.

Appendix 5
State Expenditures – Federal Funds
Fiscal 2025-2027
(\$ in Millions)

Category	2025 Working Appropriation	2026 Adj. Legislative Appropriation	2027 Baseline	\$ Change 2026 to 2027	% Change
Debt Service	\$4.9	\$2.6	\$0.8	-\$1.8	-69.2%
County/Municipal	\$82.1	\$82.1	\$82.1	\$0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	1,329.2	1,217.8	1,217.8	0.0	0.0%
Health	25.0	0.0	0.0	0.0	n/a
Aid to Local Governments	\$1,436.3	\$1,300.0	\$1,300.0	\$0.0	0.0%
Foster Care Payments	\$106.7	\$61.8	\$62.7	\$0.9	1.5%
Assistance Payments	2,058.9	1,543.0	1,411.7	-131.3	-8.5%
Medical Assistance	9,075.8	9,481.3	10,418.0	936.7	9.9%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$11,241.4	\$11,086.1	\$11,892.4	\$806.3	7.3%
Health	\$2,745.2	\$2,871.0	\$3,094.1	\$223.1	7.8%
Human Services	734.8	772.3	668.9	-103.4	-13.4%
Juvenile Services	6.3	6.3	6.5	0.2	3.3%
Public Safety/Police	37.6	37.6	38.9	1.4	3.6%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	376.2	401.4	407.4	6.0	1.5%
Transportation	139.9	140.5	141.0	0.5	0.4%
Agriculture/Natural Res./Environment	108.4	109.6	117.2	7.7	7.0%
Other Executive Agencies	1,627.5	1,534.4	1,577.2	42.8	2.8%
Judiciary	2.2	1.0	1.0	0.0	0.0%
Legislature	0.0	0.0	0.0	0.0	n/a
State Agencies	\$5,778.0	\$5,874.0	\$6,052.3	\$178.3	3.0%
Deficiencies (for Prior Years)	\$335.6	\$330.0	\$0.0	-\$330.0	-100.0%
Total Operating	\$18,796.3	\$18,592.7	\$19,245.5	\$652.8	3.5%
Capital	\$1,658.5	\$1,453.9	\$1,644.4	\$190.5	13.1%
Transportation	1,205.8	1,230.4	1,349.9	119.6	9.7%
Environment	173.2	174.6	180.0	5.4	3.1%
Other	279.4	48.9	114.5	65.6	134.2%
Grand Total	\$20,454.8	\$20,046.6	\$20,889.9	\$843.3	4.2%

Note: The fiscal 2026 adjusted legislative appropriation includes anticipated deficiencies of \$573.0 million.

Appendix 6
State Expenditures – State Funds
Fiscal 2025-2027
(\$ in Millions)

Category	2025 Working Appropriation	2026 Adj. Legislative Appropriation	2027 Baseline	\$ Change 2026 to 2027	% Change
Debt Service	\$1,954.0	\$1,836.3	\$1,963.3	\$127.0	6.9%
County/Municipal	\$1,010.8	\$1,054.1	\$1,071.2	\$17.1	1.6%
Community Colleges	477.6	503.1	539.5	36.4	7.2%
Education/Libraries	9,190.8	9,859.1	10,430.7	571.6	5.8%
Health	111.2	115.0	117.6	2.6	2.3%
Aid to Local Governments	\$10,790.5	\$11,531.3	\$12,159.1	\$627.7	5.4%
Foster Care Payments	\$281.7	\$364.0	\$372.4	\$8.4	2.3%
Assistance Payments	142.5	144.5	168.0	23.4	16.2%
Medical Assistance	6,074.8	6,516.9	6,833.4	316.5	4.9%
Property Tax Credits	96.0	87.1	89.1	2.0	2.3%
Entitlements	\$6,595.1	\$7,112.6	\$7,462.8	\$350.2	4.9%
Health	\$3,901.6	\$4,014.4	\$4,175.9	\$161.5	4.0%
Human Services	677.6	786.6	859.9	73.3	9.3%
Juvenile Services	344.3	357.8	380.5	22.7	6.3%
Public Safety/Police	2,341.1	2,456.7	2,566.1	109.3	4.5%
Higher Education	8,346.1	8,543.0	8,667.4	124.5	1.5%
Other Education	1,350.6	1,354.8	1,436.4	81.6	6.0%
Transportation	2,857.4	2,916.7	3,018.2	101.5	3.5%
Agriculture/Natural Res./Environment	592.7	613.4	637.8	24.5	4.0%
Other Executive Agencies	3,297.8	3,452.9	3,594.0	141.1	4.1%
Judiciary	773.9	787.9	808.5	20.6	2.6%
Legislative	160.8	162.1	166.7	4.5	2.8%
State Agencies	\$24,643.9	\$25,446.4	\$26,311.5	\$865.1	3.4%
Deficiencies (for Prior Years)	\$273.2	\$339.6	\$0.0	-\$339.6	-100.0%
Total Operating	\$44,256.5	\$46,266.2	\$47,896.7	\$1,630.5	3.5%
Capital	\$2,100.8	\$1,964.5	\$2,265.1	\$300.6	15.3%
Transportation	1,496.6	1,456.6	1,522.7	66.1	4.5%
Environment	210.6	197.3	195.7	-1.7	-0.9%
Other	393.6	310.6	546.8	236.2	76.0%
Subtotal	\$46,357.3	\$48,230.7	\$50,161.8	\$1,931.2	4.0%
Reserve Funds	\$92.5	\$26.5	\$458.1	\$431.6	1628.8%
Appropriations	\$46,449.8	\$48,257.2	\$50,620.0	\$2,362.8	4.9%
Reversions	-\$75.0	-\$75.0	-\$75.0	\$0.0	0.0%
Grand Total	\$46,374.8	\$48,182.2	\$50,545.0	\$2,362.8	4.9%

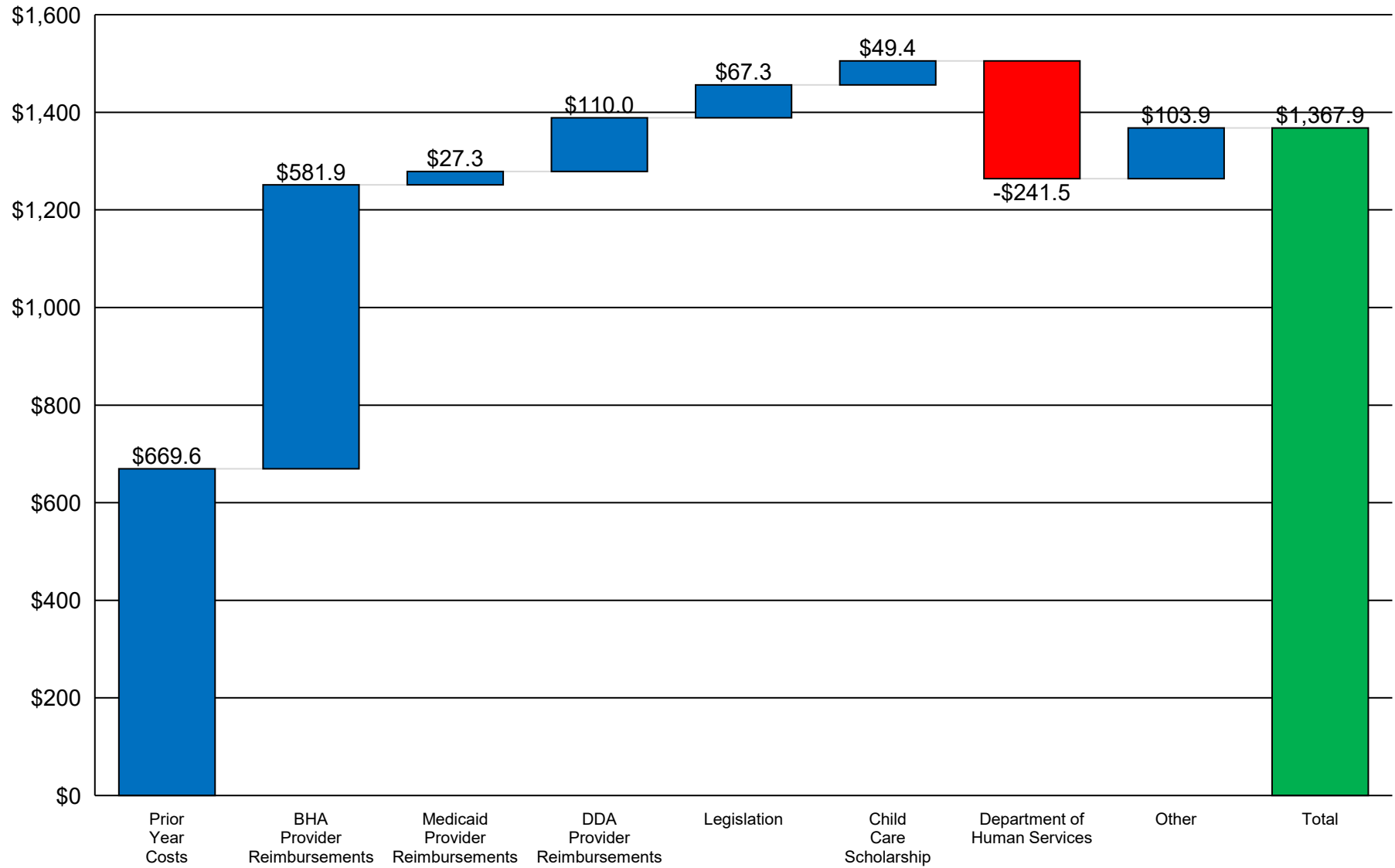
Note: The fiscal 2026 adjusted legislative appropriation includes anticipated deficiencies of \$794.4 million. Fiscal 2025 excludes \$75.1 million, fiscal 2026 excludes \$79.8 million and fiscal 2027 excludes \$267.8 million of special funds that double count general fund spending.

Appendix 7
State Expenditures – All Funds
Fiscal 2025-2027
(\$ in Millions)

Category	2025 Working Appropriation	2026 Adj. Legislative Appropriation	2027 Baseline	\$ Change 2026 to 2027	% Change
Debt Service	\$1,958.9	\$1,838.9	\$1,964.1	\$125.2	6.8%
County/Municipal	\$1,092.9	\$1,136.2	\$1,153.3	\$17.1	1.5%
Community Colleges	477.6	503.1	539.5	36.4	7.2%
Education/Libraries	10,520.0	11,076.9	11,648.6	571.6	5.2%
Health	136.2	115.0	117.6	2.6	2.3%
Aid to Local Governments	\$12,226.8	\$12,831.3	\$13,459.0	\$627.7	4.9%
Foster Care Payments	\$388.4	\$425.8	\$435.1	\$9.3	2.2%
Assistance Payments	2,201.5	1,687.5	1,579.7	-107.9	-6.4%
Medical Assistance	15,150.6	15,998.2	17,251.4	1,253.1	7.8%
Property Tax Credits	96.0	87.1	89.1	2.0	2.3%
Entitlements	\$17,836.5	\$18,198.7	\$19,355.3	\$1,156.6	6.4%
Health	\$6,646.8	\$6,885.4	\$7,270.0	\$384.6	5.6%
Human Services	1,412.4	1,558.9	1,528.8	-30.0	-1.9%
Juvenile Services	350.6	364.2	387.1	22.9	6.3%
Public Safety/Police	2,378.7	2,494.3	2,605.0	110.7	4.4%
Higher Education	8,346.1	8,543.0	8,667.4	124.5	1.5%
Other Education	1,726.9	1,756.2	1,843.8	87.6	5.0%
Transportation	2,997.3	3,057.2	3,159.2	102.0	3.3%
Agriculture/Natural Res./Environment	701.0	723.0	755.1	32.1	4.4%
Other Executive Agencies	4,925.3	4,987.3	5,171.1	183.9	3.7%
Judiciary	776.1	789.0	809.6	20.6	2.6%
Legislative	160.8	162.1	166.7	4.5	2.8%
State Agencies	\$30,422.0	\$31,320.4	\$32,363.8	\$1,043.4	3.3%
Deficiencies (for prior years)	\$608.8	\$669.6	\$0.0	-\$669.6	n/a
Total Operating	\$63,052.8	\$64,858.8	\$67,142.2	\$2,283.4	3.5%
Capital	\$3,759.3	\$3,418.4	\$3,909.6	\$491.1	14.4%
Transportation	2,702.4	2,687.0	2,872.6	185.7	6.9%
Environment	383.9	372.0	375.7	3.7	1.0%
Other	673.0	359.5	661.3	301.8	83.9%
Subtotal	\$66,812.1	\$68,277.3	\$71,051.7	\$2,774.5	4.1%
Reserve Funds	\$92.5	\$26.5	\$458.1	\$431.6	1628.8%
Appropriations	\$66,904.6	\$68,303.8	\$71,509.9	\$3,206.1	4.7%
Reversions	-\$75.0	-\$75.0	-\$75.0	\$0.0	0.0%
Grand Total	\$66,829.6	\$68,228.8	\$71,434.9	\$3,206.1	4.7%

Note: The fiscal 2026 legislative appropriation includes anticipated deficiencies of \$1.4 billion. Fiscal 2025 excludes \$75.1 million, fiscal 2026 excludes \$79.8 million, and fiscal 2027 excludes \$267.8 million of special funds that double count general fund spending.

Appendix 8
Deficiency Appropriations Total \$1.37 Billion
\$695 Million in General Funds
(\$ in Millions)



BHA: Behavioral Health Administration

DDA: Developmental Disabilities Administration

Appendix 9
\$695.2 Million in Potential General Fund Deficiencies
(\$ in Millions)

Developmental Disabilities Administration Provider Reimbursements: Fiscal 2025 bills for which there was insufficient appropriation (\$189.7 million); fiscal 2026 shortfall (\$55.0 million)	\$244.6
Behavioral Health Provider Reimbursements: Fiscal 2026 shortfall for Medicaid-eligible services (\$160.3 million); fiscal 2025 bills to be paid in fiscal 2026 (\$40 million); partially offset by lower expected expenditures to align with fiscal 2025 expenses for Medicaid-eligible individuals for non-Medicaid-eligible services (-\$8.8 million) and for the Uninsured (-\$44.1 million)	147.4
Medicaid Provider Reimbursements: Fiscal 2025 bills to be paid in fiscal 2026 (\$70.0 million); federal disallowance for Nursing Home Rates (\$27.3 million)	97.3
Department of Public Safety and Correctional Services: Fiscal 2025 expenditures for the Inmate Medical Contract for which there was insufficient appropriation (\$25.9 million); fiscal 2026 shortfall for the Inmate Medical Contract (\$25.9 million)	51.8
Department of Human Services: Foster Care Maintenance Payments due to higher flexible fund spending, caseloads, placement costs, and lower levels of special and federal funds (\$41.2 million); Supplemental Nutrition Assistance Payments Program Payment Error Rate penalty for federal fiscal 2023 expected to be paid in fiscal 2026 (\$16.6 million); partially offset by lower expected expenditures for Assistance payments (-\$8.9 million)	48.9
Lower Than Expected Vacancy Savings	30.0
Child Care Scholarship	29.4
Office of Public Defender: Fiscal 2025 expenditures for which there was insufficient appropriation (\$10.5 million); fiscal 2026 shortfall primarily for panel attorneys (\$9.6 million)	20.1
Fund Swap Due to Lower Than Budgeted Revenue in the Higher Education Investment Fund	13.5
State Archives: Fiscal 2026 shortfall to replace special funds from fee revenue due to suspension of fee schedule changes (\$8.8 million) and to resolve a negative special fund balance after suspension of fee schedule changes due to equipment purchase (\$1.0 million)	9.8
Agency Expenses: Department of Juvenile Services to align overtime funding with fiscal 2025 expenditures (\$3.6 million) and fiscal 2025 expenditures for which there was insufficient appropriation (\$2.9 million); Statewide expenses for natural gas, electricity, and food (\$4.4 million); reversions in error for Canal Place Development Authority (\$1.3 million) and West North Avenue Development Authority (\$1.2 million); Veterans Home fiscal 2025 expenditures for which there was insufficient appropriation (\$1.3 million) and fiscal 2026 shortfall (\$1.3 million); Criminal Injuries Compensation Board expenses due to lower than expected federal fund awards (\$1.1 million); Department of General Services fiscal 2025 expenses for which there was insufficient appropriation (\$0.8 million); Comptroller's Office for fiscal 2025 expenditures for which there was insufficient appropriation (\$0.2 million); one-time programming costs for the licensing portal for security guards (\$0.1 million); partially offset by savings from the temporary closure of the FreeState Challenge Academy (-\$0.4 million); the availability of special funds in lieu of general funds for costs in the Department of State Police (-\$4.8 million); lower expected spending for behavioral health investments (-\$5.0 million).	\$8.1
Expected Reversion for the Nonpublic Placements Program Due to Lower Costs in Fiscal 2025	-\$5.6
Total Deficiencies	\$695.2

Appendix 10
**Summary of Baseline Budget Growth Compared to
Adjusted Legislative Appropriation**
(\$ in Millions)

State Agency Costs	\$550.6
Entitlements	343.6
Local Aid	187.2
Debt Service	133.3
Growth in Operating Budget, Accounting for Anticipated Deficiencies	\$1,214.7
Appropriation to Reserve Fund	\$431.6
PAYGO	106.6
One-time deficiency appropriations for prior year expenses	-339.2
Total Baseline Change In State Expenditures	\$1,413.8

Ongoing Requirements/Entitlements

Medicaid and Maryland Children's Health Program provider reimbursements	\$215.5
Debt service	133.3
Medicaid-eligible behavioral health provider reimbursements	83.3
First year of required funding to implement Certified Community Behavioral Health Clinics	33.9
Assistance Payments program based on anticipated caseload increases in TCA and Temporary Disability Assistance Payments Program, anticipated increases in benefit levels, and lower anticipated availability of federal funds to support TCA	23.4
Foster Care Maintenance Payments due to anticipated increased placement costs and changes in caseload	8.4
Mandated support for providers related to the implementation of FAMLI scheduled to begin in January 2027 under Chapter 363 of 2025	4.4
Aligning Homeowners Tax Credit with recent levels	2.0
One-time deficiency appropriation for a nursing home rate disallowance in Medicaid	-27.3
	\$476.9

Local Aid

General funds for Blueprint Costs due to insufficient fund balance to support costs	\$79.3
Retirement aid for teachers, libraries, and community colleges	77.2
Disparity Grant funding formula	36.2
Community college due to formula growth	31.2
Election Aid primarily due to major information technology projects	6.3
All other Education Aid primarily driven by increased costs of the transportation formulas	4.6
Local Health Department funding formula	2.6
Library Aid	1.9
Other Local Aid	0.3
Mandates that expire after fiscal 2026 for Warrants and Absconding grants through GOCPP (-\$1.0 million) and the Maryland Park Explorer Grant Pilot Program in DNR (-\$0.1 million)	-1.1
Repeal of Teacher Supplemental Retirement Grants in Chapter 604 of 2025	-13.8
One-time legislative additions to increase the maximum amount of uncapped disparity grants to local jurisdictions (-\$17.1 million), a grant to the College of Southern Maryland (\$0.3 million), and a grant for the Damascus Main Street (-\$50,000)	-18.2
Nonpublic Placements due to second year of the phase in of the change in local cost share partially offset by growth in costs	-19.4
	\$187.2

State Agency Costs

Statewide Personnel and Standard Inflation Adjustments

2% salary increase for State employees and contractual personnel	\$94.3
Health insurance contributions	49.8
Food	3.6
Other inflationary adjustments including natural gas, electricity, and postage	1.5
Gasoline	-1.1
Retirement contribution rate changes	-5.4
	\$142.8

Impact of Legislation and New Mandates

Chapter 237 of 2025 established the Academic Excellence Fund	\$19.3
Chapter 479 and 480 of 2025 authorizes funding for staffing of 5 additional beds at the John L. Gildner RICA	3.0
Chapter 97 of 2025 increases mandated funding for the Office of Attorney General for activities related federal government actions from \$1.0 million to \$2.5 million	1.5
Chapter 623 and 624 of 2025 (Renewable Energy Certainty Act) for DNR primarily for the Power Plant Research Program (\$1.2 million) and MD Labor for development and implementation of a new solar contractor license (\$0.2 million)	1.4
Chapter 501 of 2025 (Procurement Reform) primarily for positions in the Department of Information Technology	0.9
Chapters 639 and 640 of 2025 increased the authorized funding level for the Professional and Volunteer Firefighter Innovative Cancer Screening Technologies Program	0.6
New mandates: Chapter 242 of 2025 establishes a \$250,000 mandate for the Boys and Girls Club of Maryland; Chapter 288 of 2025 establishes a \$250,000 mandate for Community Action Agencies; and Chapter 317 of 2025 establishes a \$50,000 mandate for the Holocaust Education Assistance Grant Program; Chapters 325 and 326 of 2025 establish the mandate for the Deaf Culture Library at \$450,000 (an increase of \$49,000 compared to the fiscal 2026 funding level)	0.6
Other Select Legislation	4.9
	\$32.2

Other Major Agency Programmatic and Operating Expenses

Information Technology Investment Fund	\$97.5
MDH Provider Reimbursements: DDA including an anticipated 2% provider rate increase (\$38.2 million); Behavioral Health Services for the Uninsured including an anticipated 2% provider rate increase (\$12.7 million); Behavioral Health for nonMedicaid eligible services including an anticipated 2% provider rate increase (\$5.7 million); required payments to providers related to the FAMI program (\$4.0 million)	60.6
SNAP Administrative federal match rate reduced from 50% to 25% effective October 1, 2026	59.6
Public four-year institutions	51.2
Commerce: More Jobs for Marylanders due in part to use of fund balance in fiscal 2026 to support costs (\$73.4 million); one-time reductions to the RISE Zone Rental Program and Maryland New Start Microloan Program (\$1.1 million); Maryland State Arts Council formula growth (\$0.5 million); partially offset by additional capitalization for the Child Care Capital Support Revolving Loan Fund (-\$2.2 million), the end of mandates in fiscal 2026 for the Baltimore Symphony Orchestra, Baltimore Innovation Initiative Pilot, and the Western Marland Economic Future Investment Fund (-\$12.3 million), and one-time deposit into the Sunny Day Fund (-\$16.0 million)	44.5
Child Care Scholarship Program	35.8

DSCI: Increase funding to mandated level for the Maryland Corps, provide funding to meet the participation targets established in Chapter 604 of 2025, and general fund need after the exhaustion of fund balance to support program costs	26.4
MHEC: Special fund balance available to support Education Excellence Awards in fiscal 2027 is lower than fiscal 2026 (\$14.3 million); 2% increase in funding for Education Excellence Awards and legislative scholarships consistent with anticipated tuition increase (\$2.6 million), Joseph A. Sellinger Formula for Non-public Institutions of Higher Education based on enrollment estimates and state funding per full-time equivalent students (\$2.4 million)	19.3
Other MSDE: Autism Waiver based on increased slot utilization and higher expected costs per individual (\$12.8 million), lower availability of special funds to support BOOST (\$4.7 million), formula funding for the Maryland School for the Blind (\$0.8 million), additional funding for the adult high school program (\$0.3 million), partially offset by the end of the mandate for the Growing Child Care Opportunities Program (-\$0.5 million)	18.0
DNR: General fund need due to lower availability of revenue from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (\$11.8 million) and general funds to replace one-time use of Program Open Space Land Acquisition Fund Balance partially offset by higher availability of Transfer Tax revenue to support the Maryland Park Service (\$3.9 million)	15.7
Other DHS Changes: Estimated costs for CSMS and CJAMS contracts (\$10.0 million); Montgomery County Block Grant including adjustments to fund splits to align with recent trends (\$8.6 million); the portion of the federal fiscal 2024 SNAP payment error rate penalty to be paid in fiscal 2027 (\$5.7 million); general funds needed to replace lower estimated levels of Child Support Reinvestment Funds (\$1.2 million); more than offset by one-time deficiency for the federal fiscal 2023 SNAP payment error rate penalty (-\$16.6 million)	8.9
DJS: Anticipated operational cost of operating the Alfred Noyes Center as an adolescent treatment center, net of fiscal 2026 costs of de-hardening facility (\$7.0 million) and anticipated 2% provider rate increase for residential community providers (\$0.4 million)	7.4
Other MDH Changes: Realign funding for a capital lease with MEDCO from the Dedicated Purpose Account (\$3.8 million); higher cost of a contract for long term care nurse surveyors (\$2.7 million); end of a limited time authorization to use Opioid Restitution Funds in lieu of general funds for the Buprenorphine Initiative (\$2.4 million); partially offset by lower expected spending on behavioral health investments to better align with recent trends (-\$3.0 million)	5.9
DSP: Replacement of special funds with general funds after the expiration of enhanced use of MEMSOF to support costs authorized in Chapter 604 of 2025 for fiscal 2025 and 2026 only (\$5.5 million), partially offset by one-time costs to update the licensing portal for security guards (\$0.1 million)	5.4
MDP: Restore funding for the Small Commercial Program of the Historic Revitalization Tax Credit to the mandated level	2.0
DoIT: Radio replacements (\$2.6 million) partially offset by one-time funds for permitting work (-\$1.2 million)	1.4
Maryland School for the Deaf formula funding	1.1
DPSCS: Replacement of Opioid Restitution Funds with general funds for inmate medical contract (\$5.0 million), partially offset by one-time costs for purchase of body worn cameras (-\$0.4 million); lower expected equipment lease costs (-\$0.6 million); inmate medical and mental health contracts (-\$2.4 million); and savings from the Closure of MCI Jessup (-\$3.0 million)	-1.4
MSA: Lower expected costs for the Ocean City Convention Center operating subsidy, maintenance, and debt service (\$0.9 million) and Baltimore City Convention Center operating subsidy and maintenance (\$-1.2 million)	-2.1
DHCD: End of mandated funding for the Greenhouse Gas Reduction Program in fiscal 2026	-5.0

GOCPP: One-time deficiency appropriation for the Criminal Injuries Compensation Board due to lower federal fund availability (-\$1.1 million) and lower general fund need to meet the VOCA mandate due to higher federal fund availability (-\$8.9 million)	-10.0
One-time legislative additions	-31.8
MD Labor: One-time mandate for the Rosecroft Raceway required in Chapter 410 of 2024 (-\$4.5 million) and replacement of general funds with special funds in the Division of Paid Leave following the delay in implementation of the FAMLI program (\$36.4 million)	-40.9
Other Agency Personnel and Operating Expenses	6.1
	\$375.7

Reserve Fund

Required appropriation to the Rainy Day Fund, no appropriation provided in fiscal 2026	\$449.8
Anticipated cost to replenish Catastrophic Event Account to \$10 million, based on anticipated transfers to the Federal Government Employee Assistance Loan Fund created in Chapter 97 of 2025 due to layoffs and government shutdown	8.4
Realign appropriation for the Maryland Department of Health capital lease with MEDCO to MDH Administration	-3.8
One-time appropriations to the Dedicated Purpose Account in Fiscal 2026 for the Capital of Quantum (-\$17.5 million), DPSCS Division of Parole and Probation staffing (-\$5.0 million), one-time legislative addition for a grant to MEDCO (-\$0.2 million)	-22.7
	\$431.6

PAYGO

Appropriation in the Dedicated Purpose Account to support WMATA Capital as planned in the <i>Capital Improvement Program</i>	\$167.0
MCA: Limited time funding for the Cannabis Incubator	-5.0
One-time legislative additions for a grant to Baltimore County for the Randallstown Library (-\$12 million) and MEDCO for dredging (-\$6.0 million)	-18.0
DGS: State Center redevelopment consultant cost (\$0.8 million); more than offset by removal of one-time or limited time funding for Tradepoint Atlantic (-\$16.0 million), IonQ (-\$10.0 million); Downtown Frederick Hotel project (-\$7.5 million), DPSCS Life Skills and Re-Entry Center for Women (-\$2.0 million), Johns Hopkins University Whiting School of Engineering (-\$2.0 million), SEED School roof repairs (-\$0.5 million), and a feasibility study for a Hagerstown Public Safety project (-\$0.3 million)	-\$37.5
	\$106.6

Fiscal 2025 Shortfalls and Reversions in Error Funded through Deficiency Appropriation	-\$339.2
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Total	\$1,413.7
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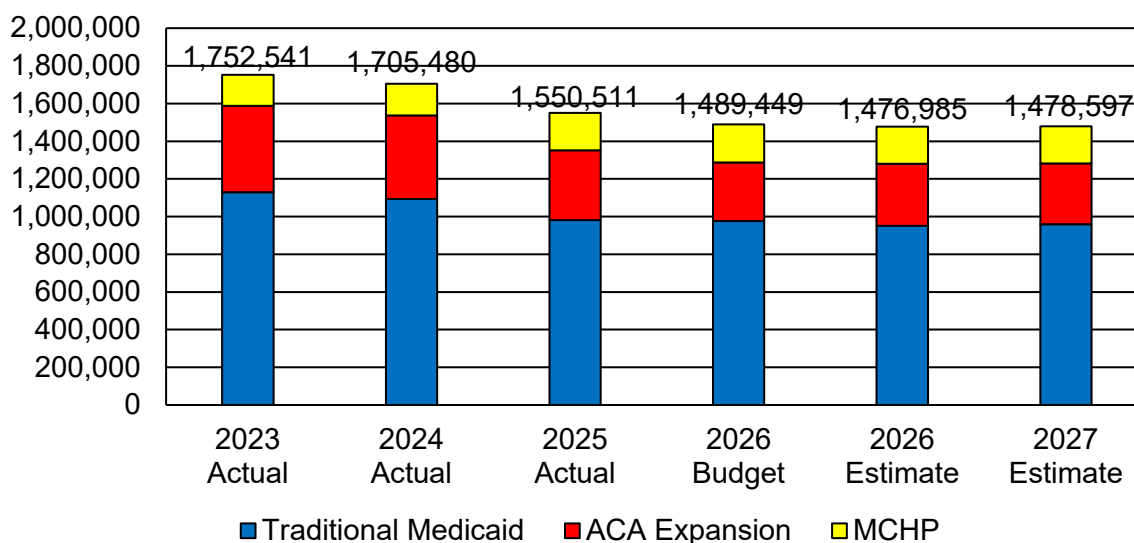
BOOST: Broadening Options and Opportunities for Students Today
 CSMS: Child Support Management System
 CJAMS: Child, Juvenile, and Adult Management System
 DDA: Developmental Disabilities Administration
 DGS: Department of General Services
 DHCD: Department of Housing and Community Development
 DHS: Department of Human Services
 DJS: Department of Juvenile Services
 DNR: Department of Natural Resources
 DoIT: Department of Information Technology
 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
GOCPP: Governor's Office of Crime Prevention and Policy
MCA: Maryland Cannabis Administration
MCI: Maryland Correctional Institution
MDH: Maryland Department of Health
MD Labor: Maryland Department of Labor
MDP: Maryland Department of Planning
MEDCO: Maryland Economic Development Corporation
MEMSOF: Maryland Emergency Medical Services Operations Fund
MHEC: Maryland Higher Education Commission
MSA: Maryland Stadium Authority
MSDE: Maryland State Department of Education
PAYGO: Pay-as-you-go
RICA: Regional Institute for Children and Adolescents
TCA: Temporary Cash Assistance
VOCA: Victims of Crime Act

Appendix 11 Medicaid

- Between fiscal 2023 and 2025, combined Medicaid and Maryland Children's Health Program (MCHP) enrollment gradually decreased from 1.75 million to 1.55 million due to ongoing unwinding processes and system reconciliation following the end of the COVID-19 public health emergency (during which disenrollments were frozen as a condition of states receiving enhanced federal funding).
- Adults served through the Affordable Care Act (ACA) expansion and traditional Medicaid enrollees drove the overall decline, while MCHP participation increased. MCHP serves low-income children with household incomes that exceed eligibility for Medicaid; therefore, the resumption of eligibility redetermination moved children from Medicaid into the higher MCHP income threshold.

Medicaid and MCHP Average Monthly Enrollment
Fiscal 2023-2027 Estimate



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

Note: Beginning in fiscal 2024, MCHP includes noncitizen pregnant women served through the Healthy Babies initiative.

Source: Maryland Department of Health; Department of Legislative Services

- Average monthly enrollment in fiscal 2026 is expected to further decrease as disenrollments in the prior year are annualized. Based on monthly caseloads through September 2025, the baseline projects fiscal 2026 enrollment of 1.48 million, which is slightly lower than the 1.49 million enrollees assumed in the budget.
- However, major provisions in the federal One Big Beautiful Bill Act (OBBBA), such as implementing work requirements and more frequent eligibility checks for ACA expansion adults, cause uncertainty for Medicaid. Due to the delayed effective dates for these provisions, estimated disenrollments would appear in the second half of fiscal 2027 and later. As a result, projected fiscal 2027 caseloads are largely level with fiscal 2026 at approximately 1.48 million.
- Despite the decline in enrollment, Medicaid expenditures outpace the fiscal 2026 budget as increases in health care costs and utilization drive higher per capita spending. The baseline estimates deficiency appropriations totaling \$935.1 million (\$297.5 million in general funds). Of this funding, \$273 million supports a shortfall in funds carried over to pay for fiscal 2025 services billed in the following fiscal year. The remaining \$662.1 million covers projected deficits for fiscal 2026 costs, mainly for Medicaid-funded behavioral health services.

Medicaid and MCHP Total and Per Capita Expenditures Fiscal 2025-2027 Baseline

	Actual 2025	Adjusted 2026	Baseline 2027	\$ Change 2026 Adjusted-2027	% Change Estimate
Total Expenditures (\$ in Millions)					
General Funds	\$5,762.3	\$5,654.3	\$5,964.1	\$309.8	5.5%
Special Funds	822.6	862.6	869.3	6.6	0.8%
Federal Funds	10,048.5	9,481.3	10,418.0	936.7	9.9%
Total	\$16,633.4	\$15,998.2	\$17,251.4	\$1,253.1	7.8%
Cost per Enrollee					
Medicaid	\$10,878	\$11,640	\$12,049	\$409	3.5%
MCHP	3,748	3,715	3,749	34	0.9%
ACA Expansion	10,565	11,500	12,265	765	6.7%
Total	\$9,891	\$10,550	\$10,998	\$448	4.2%

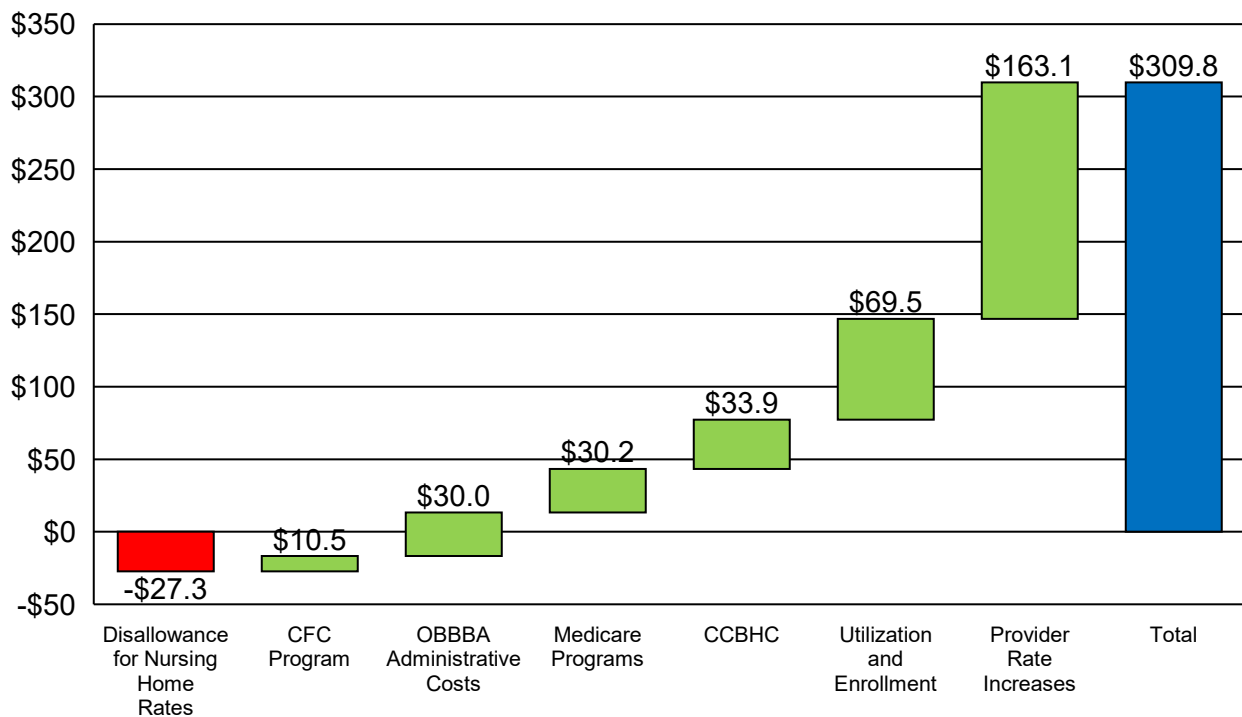
ACA: Affordable Care Act

MCHP: Maryland Children's Health Program

Note: Expenditures reflect provider payments (including Medicaid-funded behavioral health services) and some administrative costs. Fiscal 2025 expenditures include \$273 million to account for insufficient funds carried over to reimburse fiscal 2025 bills in fiscal 2026. Fiscal 2026 includes anticipated deficiencies.

- The fiscal 2027 baseline for Medicaid and MCHP increases by \$1.25 billion in total funds compared to fiscal 2026 after accounting for estimated deficiencies. General fund spending in fiscal 2027 reflects a net increase of \$309.8 million.
- Major components of the general fund growth include \$163.1 million for provider rate increases and a net increase of \$69.5 million resulting from utilization and enrollment changes. Assumptions for provider rate increases include:
 - a 6.4% increase in regulated hospital rates;
 - an average 5.4% increase in calendar 2026 managed care organization rates totaling \$90.2 million in general funds; and
 - 2% rate increases for long-term services and supports and community behavioral health providers, effective July 1, 2026.

Fiscal 2027 General Fund Spending Growth Over Fiscal 2026 (\$ in Millions)



CCBHC: Certified Community Behavioral Health Clinics
 CFC: Community First Choice
 OBBBA: One Big Beautiful Bill Act

- In fiscal 2027, general fund spending is projected to increase by \$33.9 million for the implementation of the first-year demonstration grant for Certified Community Behavioral Health Clinics (CCBHC). The CCBHC model expands the availability of specific behavioral health services, including 24-hour crisis support. The baseline uses average costs per clinic from other states in the first year of the demonstration grant and assumes 10 clinics operate under the demonstration.
- Although the baseline assumes OBBBA impacts on enrollment do not begin until the second half of fiscal 2027, upfront administrative spending on system changes, personnel needs, and outreach efforts related to the program changes are significant and assumed to begin in fiscal 2026. Specifically, the baseline assumes \$20 million in State administrative costs in fiscal 2026 increasing to \$50 million in fiscal 2027. Many of these costs are limited time, and lower levels of additional administrative costs are expected in the out-years.
- The Maryland Department of Health reported a shortfall of \$27.3 million to pay back the federal government for a disallowance of matching funds provided for nursing home rates. This one-time cost partially offsets the growth in general fund spending in fiscal 2027.

Appendix 12
One Big Beautiful Bill Act Impact on State Expenditures
State Fiscal 2026-2031
(\$ in Millions)

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Supplemental Nutrition Assistance Program (SNAP)						
Administrative Cost Share Increased from 50% to 75%		\$59.6	\$79.5	\$81.1	\$82.7	\$84.3
Benefit Cost Sharing up to 15% *			182.9	251.9	260.2	268.8
Heat and Eat			-23.5	-31.3	-31.3	-31.3
Expanded Work Requirements and Loss of Benefits for Refugee and Asylees			-15.1	-20.8	-21.5	-22.2
Medicaid						
Work Requirements (starting January 1, 2027) and Eligibility Redetermination Starting Every 6 Months (Calendar 2027) for Affordable Care Act Expansion Population**		-\$9.5	-\$143.2	-\$163.6	-\$170.5	-\$177.1
Cost of Administering New Requirements	\$20.0	50.0	10.0	10.0	10.0	10.0
Net Impact (Medicaid and SNAP)	\$20.0	\$100.1	\$90.6	\$127.2	\$129.6	\$132.5

*Assumes Error Rate remains above 10%, but below levels that would allow for a delay. If delayed, impacts would begin in either fiscal 2029 or 2030.

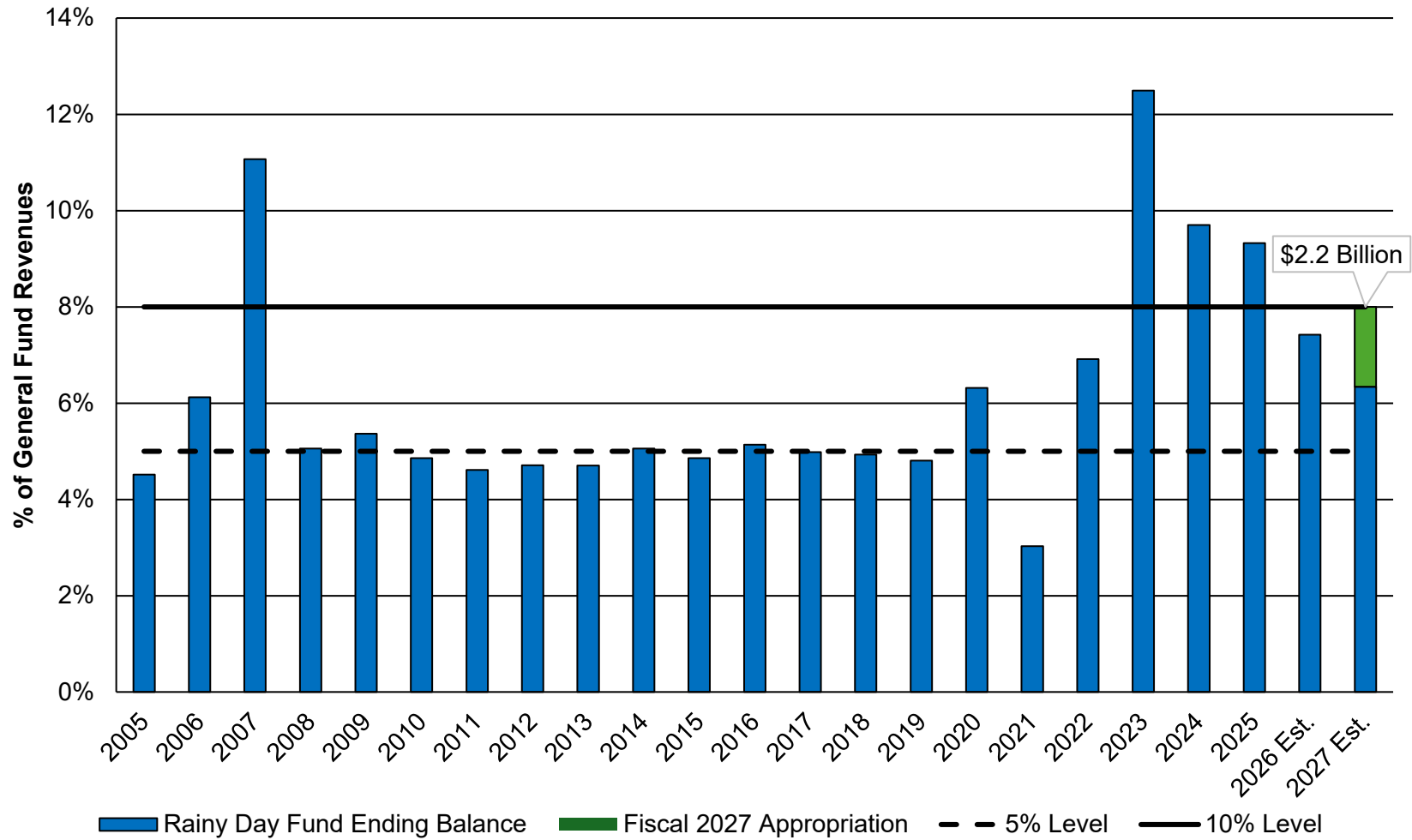
** Could be delayed to January 1, 2029 if Maryland receives a good faith effort exemption.

Enrollee Impacts

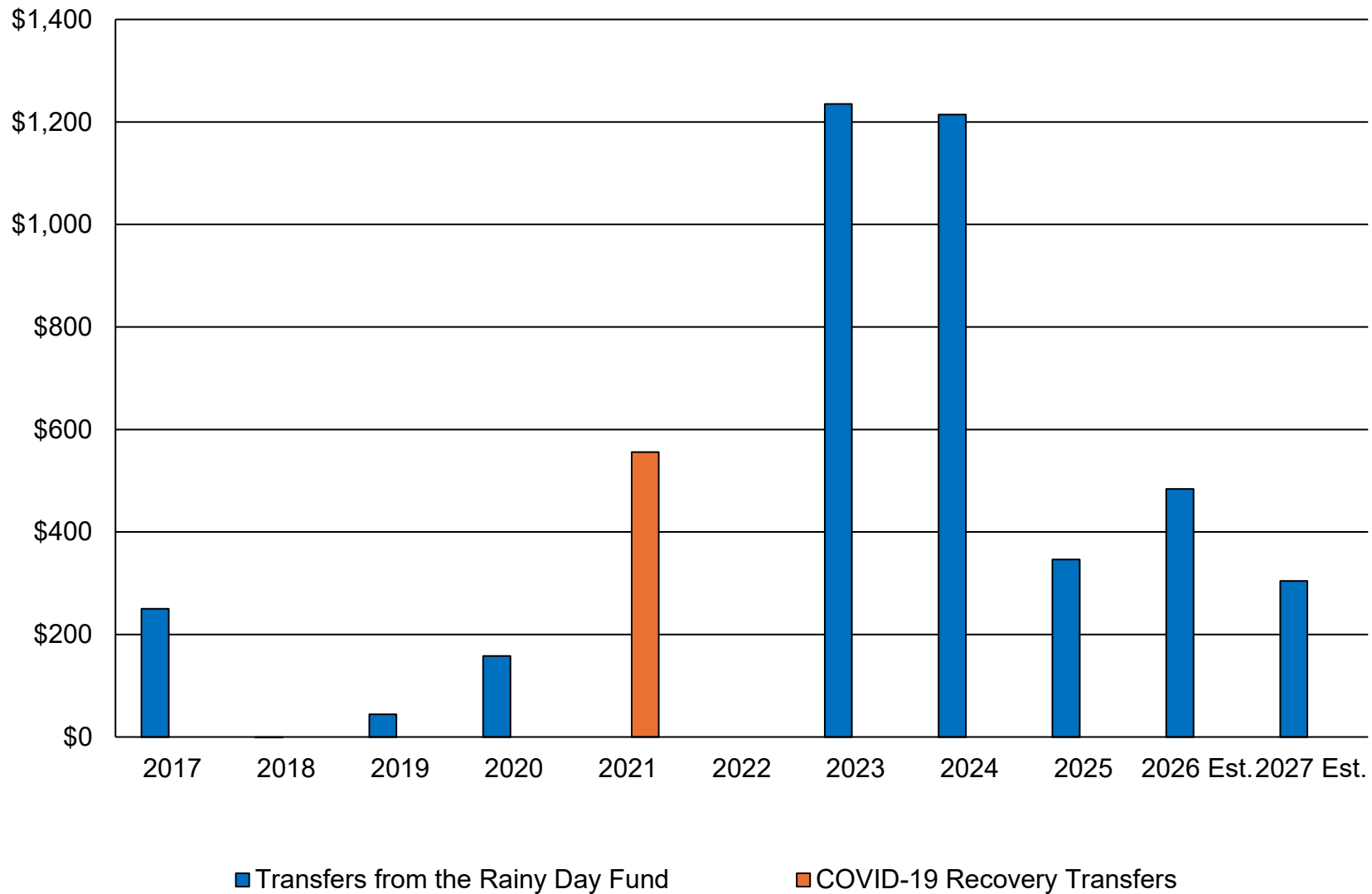
The Department of Legislative Services (DLS) estimates 7,555 SNAP case closures in fiscal 2026 increasing to 31,466 in fiscal 2027 and a net reduction of 140,000 Medicaid recipients.

The Department of Human Services estimates up to 118,700 households may see a reduction in SNAP benefits due to the changes to Heat and Eat. DLS estimates some households may be able to document utility costs to maintain benefit levels.

Appendix 13
Rainy Day Fund Balance as a Percentage of General Fund Revenues
Fiscal 2005-2027 Est.



Appendix 14
Transfers from the Rainy Day Fund
Fiscal 2017-2027 Est.
(\$ in Millions)



Appendix 15
Baseline Position Changes

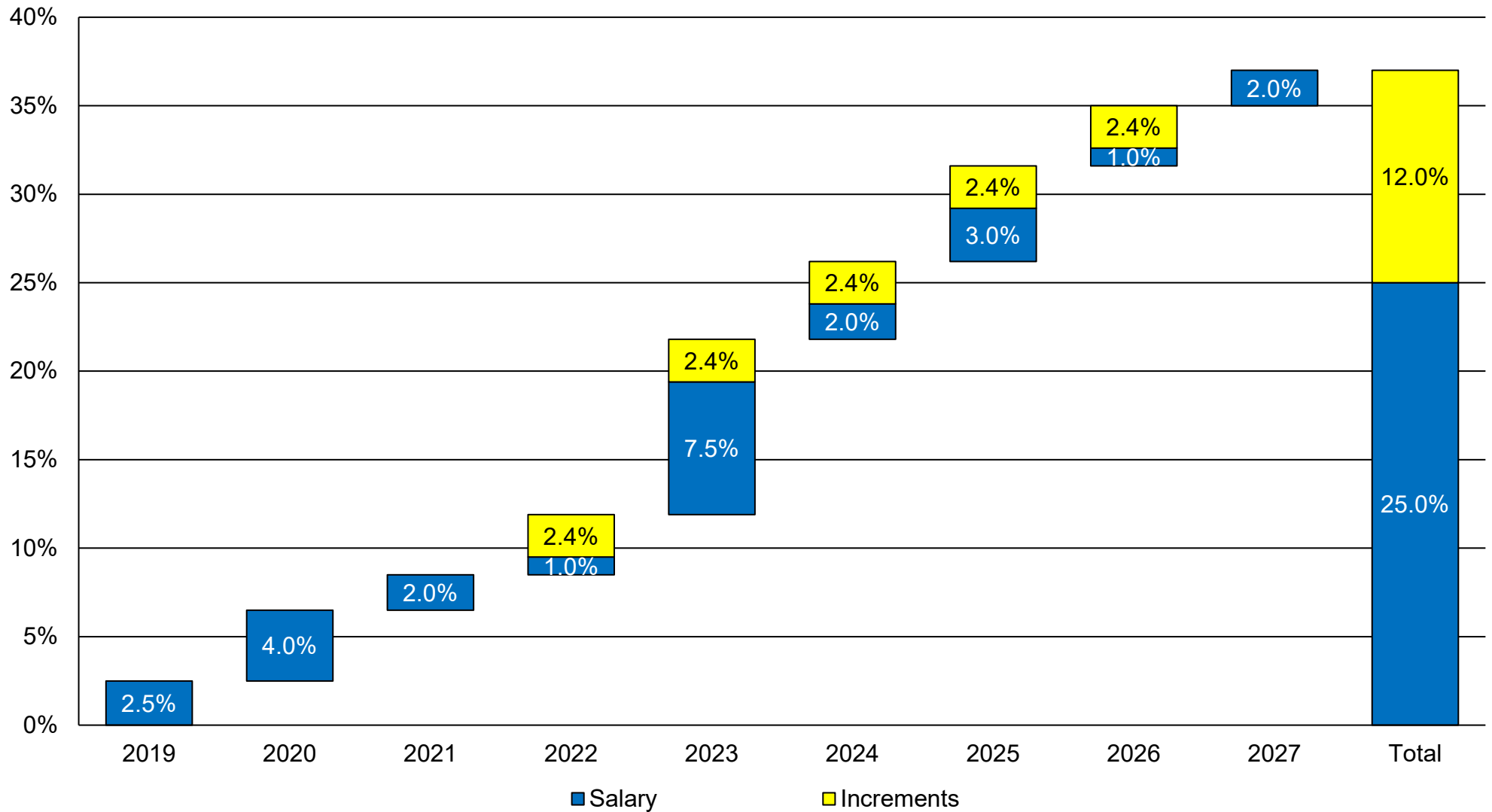
	Fiscal 2026 Leg. Approp. Adjusted	Fiscal 2027 Adjustments	Fiscal 2027 Baseline
<u>Department/Service Area</u>			
Health and Human Services			
Health	7,263.6	-1.0	7,262.6
Human Services	5,888.4	-18.0	5,870.4
Juvenile Services	2,135.0		2,135.0
Subtotal	15,286.9	-19.0	15,267.9
Public Safety			
Public Safety and Correctional Services	9,199.4	4.0	9,203.4
Police and Fire Marshal	2,574.0		2,574.0
Subtotal	11,773.4	4.0	11,777.4
Transportation	9,328.5	-32.0	9,296.5
Other Executive			
Legal (Excluding Judiciary)	1,777.0	33.0	1,810.0
Executive and Administrative Control	2,134.5	45.0	2,131.5
Financial and Revenue Administration	2,438.2	5.0	2,443.2
Budget and Management and DoIT	583.0	27.0	610.0
Retirement	204.0		204.0
General Services	727.0		727.0
Service and Civic Innovation	56.0	24.0	106.0
Natural Resources	1,521.0	15.0	1,536.0
Agriculture	430.5	1.0	431.5
Labor	1,936.9	-106.5	1,830.4
MSDE and Other Education	2,050.4		2,050.4
Housing and Community Development	446.0		446.0
Commerce	209.0		209.0
Environment	1,004.0	9.0	1,013.0
Subtotal	15,517.4	52.5	15,547.9
Executive Branch Subtotal	51,906.2	5.5	51,889.7
Higher Education	29,406.3	-324.2	29,082.1
Judiciary	4,173.0		4,173.0
Legislature	814.0		814.0
Grand Total	86,299.5	-318.7	85,958.8

IT: information technology

MSDE: Maryland State Department of Education

Note: Fiscal 2026 Adjusted Legislative Appropriation includes adjustments for positions abolished at the October 22, 2025 Board of Public Works meeting.

Appendix 16 Salary Increases Fiscal 2019-2027



Note: The fiscal 2026 legislative appropriation includes funding for salary step increases for employees represented by a bargaining unit. Employees not represented by a bargaining unit are excluded.

Appendix 17
State Aid by Governmental Entity
Amount and Percent of Total
(\$ in Millions)

	<u>Fiscal 2027 State Aid Amount</u>	<u>Percent of Total</u>
Public Schools	\$10,327.2	84.9%
Libraries	103.6	0.9%
Community Colleges	539.5	4.4%
Local Health	117.6	1.0%
County/Municipal	1,071.2	8.8%
Total	\$12,159.1	100.0%

Change in State Aid
(\$ in Millions)

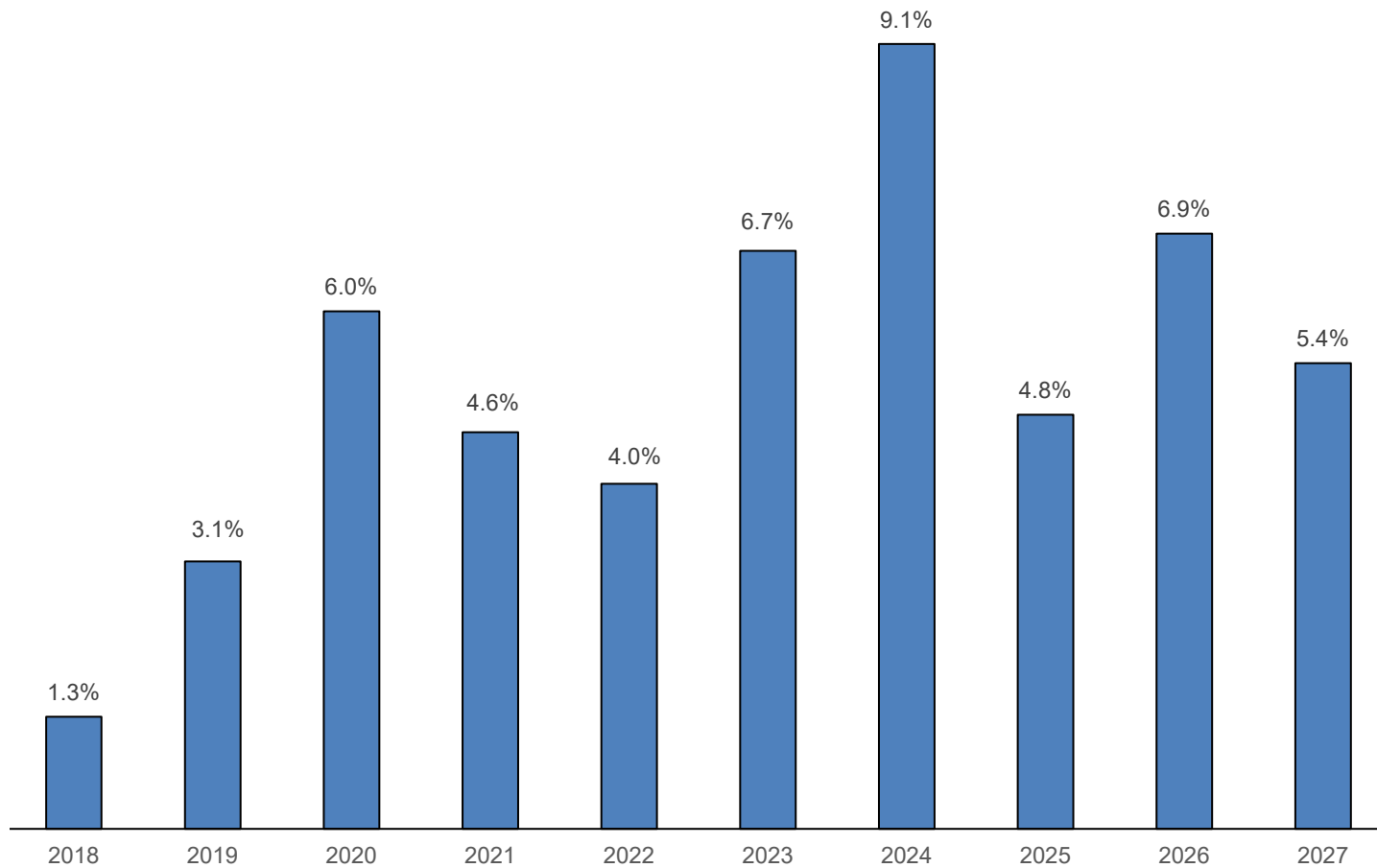
	<u>Fiscal 2027 Aid Change</u>	<u>Percent Change</u>
Public Schools	\$568.7	5.8%
Libraries	3.0	2.9%
Community Colleges	36.4	7.2%
Local Health	2.6	2.3%
County/Municipal	17.1	1.6%
Total	\$627.7	5.4%

Appendix 18
State Aid by Major Programs
State Funds
Fiscal 2024-2027
(\$ in Millions)

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Difference</u>	<u>Percent Difference</u>
Public Schools						
Foundation Programs	\$3,958.1	\$3,934.9	\$4,141.4	\$4,279.4	\$138.0	3.3%
Compensatory Aid	1,686.1	1,715.3	1,778.6	1,769.6	-9.0	-0.5%
Concentration of Poverty Grant	227.0	363.3	492.6	572.2	79.6	16.2%
English Learners Grant	473.5	519.5	554.5	580.0	25.6	4.6%
Special Education – Formula Aid	466.0	531.3	589.8	675.9	86.1	14.6%
Special Education –Nonpublic	148.6	172.5	147.1	127.7	-19.4	-13.2%
Student Transportation	363.4	369.6	381.9	387.5	5.5	1.5%
Full Day Prekindergarten	98.9	134.9	172.6	331.0	158.4	91.7%
Guaranteed Tax Base	56.8	74.9	65.0	65.0	0.1	0.1%
Education Effort Adjustment	88.0	96.5	145.4	199.3	53.9	37.0%
Other Education Programs	310.6	264.8	307.8	287.2	-20.6	-6.7%
Subtotal Direct Aid	\$7,876.9	\$8,177.4	\$8,776.7	\$9,274.8	\$498.1	5.7%
Retirement Payments	\$745.0	\$917.2	\$981.8	\$1,052.4	\$70.6	7.2%
Total Public School Aid	\$8,621.9	\$9,094.6	\$9,758.5	\$10,327.2	\$568.7	5.8%
Libraries						
Library Aid Formula	\$48.7	\$49.5	\$50.5	\$51.9	\$1.4	2.8%
State Library Network	21.4	22.5	22.6	23.1	0.5	2.1%
Subtotal Direct Aid	\$70.1	\$71.9	\$73.1	\$75.0	\$1.9	2.6%
Retirement Payments	\$20.7	\$24.3	\$27.5	\$28.6	\$1.1	3.8%
Total Library Aid	\$90.8	\$96.2	\$100.6	\$103.6	\$3.0	2.9%
Community Colleges						
Community College Formula	\$393.3	\$384.8	\$404.5	\$435.1	\$30.6	7.6%
Other Programs	37.6	38.6	40.6	41.9	1.2	3.0%
Subtotal Direct Aid	\$430.9	\$423.3	\$445.2	\$477.0	\$31.8	7.1%
Retirement Payments	\$45.1	\$54.3	\$58.0	\$62.6	\$4.6	8.0%
Total Community College Aid	\$476.0	\$477.6	\$503.1	\$539.5	\$36.4	7.2%
Local Health Grants	\$135.0	\$111.2	\$115.0	\$117.6	\$2.6	2.3%
County/Municipal Aid						
Transportation	\$339.2	\$426.1	\$485.5	\$492.4	\$6.9	1.4%
Public Safety	226.8	212.8	213.6	212.2	-1.3	-0.6%
Disparity Grant	220.2	188.5	193.7	212.8	19.1	9.9%
Gaming Impact Aid	103.1	102.9	103.1	103.8	0.7	0.7%
Other Grants	81.7	80.1	58.2	49.9	-8.3	-14.3%
Total County/Municipal Aid	\$971.0	\$1,010.4	\$1,054.1	\$1,071.2	\$17.1	1.6%
Total State Aid	\$10,294.6	\$10,790.1	\$11,531.3	\$12,159.1	\$627.7	5.4%

Source: Department of Legislative Services

Appendix 19
Annual Change in State Aid to Local Governments
Fiscal 2018-2027



Appendix 20

Federal Funding Rescissions and Restorations

Through August 2025, approximately \$101.3 million in anticipated federal funding for State agencies has been rescinded or canceled and not restored (see **Exhibit 1**). An additional \$538.2 million has been canceled and subsequently restored under injunctions or settlements (see **Exhibit 2**).

The largest losses include approximately \$46.8 million in federal research funding for University of Maryland institutions and Morgan State University (see **Exhibit 3**). In addition to these losses, multiple federal agencies have also announced a 15% cap on indirect costs that may be covered under federal research grants, which could have an additional unknown cost. The cap on indirect costs is currently being challenged in court. Other losses include an anticipated \$4.6 million for the Local Food Purchase Assistance Agreement, which funds pass-through grants for food banks to buy food from Maryland farmers, and \$3.9 million in annual funding for Maryland Public Broadcasting that was lost when the U.S. Congress terminated the Corporation for Public Broadcasting.

The largest funding restorations include approximately \$237.8 million in Elementary and Secondary School Emergency Relief (ESSER) funds for local education agencies, provided via the Maryland State Department of Education (MSDE). MSDE was notified in March that it would not receive the pandemic-era funding, including \$190 million in reimbursement for funds already expended, but the federal Department of Education agreed to release the funds following a multistate lawsuit. An additional \$47.8 million in ESSER funds is expected to be made available in the future.

Funding for at least two programs has been restored under injunctions while litigation continues: \$30.0 million for the National Electric Vehicle and Infrastructure program, awarded to the Maryland Department of Transportation; and \$152.4 million in various grant obligations awarded to the Maryland Department of Health. While programs supported by these funding streams continue under the injunctions, they remain vulnerable to cancellation again in the future, should the injunctions be lifted. Funding for the Department of Natural Resources Police from the U.S. Coast Guard has been restored for fiscal 2025 at nearly \$4.0 million but is uncertain for federal fiscal 2026 as new terms and conditions may be applied to which the department may not agree.

Exhibit 1
Federal Award Rescissions Not Restored

<u>State Agency</u>	<u>Federal Grant or Program</u>	<u>Amount</u>
University of Maryland System	Various Research Grants	\$43,398,685
Maryland Department of Labor	Unemployment Insurance System Modernization	25,000,000
Department of Housing and Community Development	State Digital Equity Planning Grant Program – IIJA	13,427,134
Maryland Department of Agriculture	Local Food Purchase Assistance 2025 Agreement	4,850,000
Maryland Public Broadcasting Commission	Corporation for Public Broadcasting Annual Funding	3,900,000
Maryland Department of Transportation	Charging and Fueling Infrastructure Program	3,413,623
Morgan State University	Various Research Grants	3,400,000
Maryland Department of Health	Family Planning Services	2,171,714
Department of Disabilities	Social Security Research and Demonstration	1,275,467
Maryland Department of Agriculture	Spongy Moth Management	180,000
Historic St. Mary's City Commission	Promotion of the Humanities – Public Programs (National Endowment for the Humanities)	143,735
State Board of Elections	2023 State Homeland Security Program (via Maryland Department of Emergency Management)	117,078
Maryland Department of the Environment	Environmental Justice Government-to-Government Program	16,730
Total		\$101,294,166

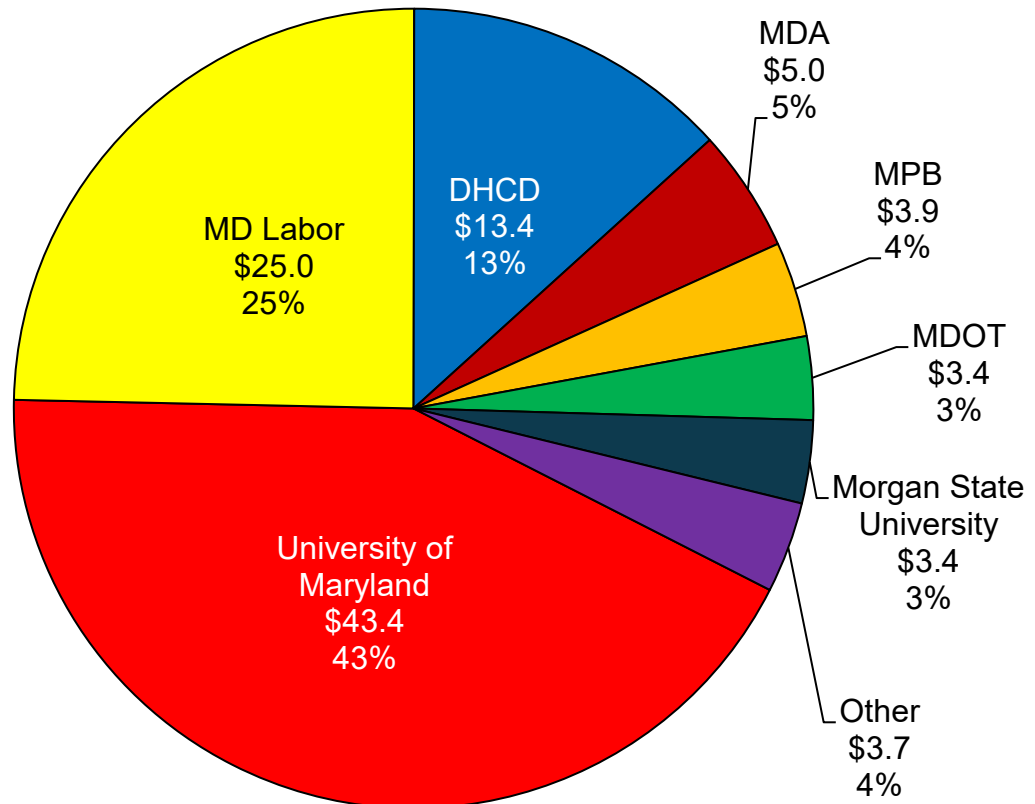
IIJA: Infrastructure Investment Jobs Act

Note: Some amounts are estimates. Funds that were awarded directly to local governments or organizations are not included. Losses that could not be quantified are not included.

Exhibit 2
Federal Funding Restored

<u>State Agency</u>	<u>Federal Grant or Program</u>	<u>Amount</u>
Maryland State Department of Education	Elementary and Secondary School Emergency Relief (ESSER) Funds for Local Education Agencies (LEA), for Expenses Already Incurred	\$190,000,000
Maryland Department of Health	Various Grants from the U.S. Centers for Disease Control and Prevention and the Substance Abuse and Mental Health Services Administration – Funding Continues under a Preliminary Injunction while Litigation Is Ongoing	152,442,634
Maryland State Department of Education	Titles IC, IIA, III, IVA, and IVB Funding	110,193,772
Maryland State Department of Education	ESSER Funds for LEAs, for Ongoing and Future Expenses	47,800,000
Maryland Department of Transportation	National Electric Vehicle Infrastructure Program – Funding Continues under a Preliminary Injunction while Litigation Is Ongoing	30,000,000
Department of Natural Resources	U.S. Coast Guard State Recreational Boating Safety Program – Continued Funding in Federal Fiscal 2026 Depends on Whether State and Federal Partners Can Agree on New Terms and Conditions	3,964,905
Maryland State Library Agency	Library Services Program	3,332,465
Department of Natural Resources	AmeriCorps funding for Maryland Conservation Corps	386,231
Historic St. Mary's City Commission	Save America's Treasures (Department of the Interior/National Park Service)	65,161
Total		\$538,185,168

Exhibit 3
Federal Funding Not Restored, by Agency
(\$ in Millions)



DHCD: Department of Housing and Community Development
MDA: Maryland Department of Agriculture
MD Labor: Maryland Department of Labor
MDOT: Maryland Department of Transportation
MPBC: Maryland Public Broadcasting Corporation

Appendix 21

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

State	State Debt to Personal Income	Implied Debt Service to Revenues	Total Long-term Liabilities to Revenues	Pension Liability to Revenues	OPEB Liability to Revenues	Capital Asset Depreciation Ratio
Maryland	12	9	7	8	6	7
Delaware	4	7	8	23	3	36
Ohio	21	14	30	32	40	11
Texas	34	31	17	15	8	49
Missouri	42	37	22	18	16	23
South Carolina	39	41	14	7	18	43
Georgia	27	19	35	33	34	16
Minnesota	22	26	38	38	32	18
Florida	34	29	36	35	23	22
Virginia	16	17	34	44	30	46
Indiana	43	43	40	29	43	1
North Carolina	34	31	39	39	17	50
Iowa	44	43	47	45	35	20
Utah	34	31	44	40	48	42
Tennessee	44	46	49	48	27	33

OPEB: Other Postemployment Benefits

Note: Rankings compare 50 states and do not include the District of Columbia or territories. Lower ranking numbers signify larger liabilities. AAA-rated states with larger liabilities than Maryland are shaded. States are sorted from largest to smallest combined liabilities. Moody's includes debt supported by lottery revenues in its state debt comparisons. 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 2025

Appendix 22
Legislative General Obligation Bond Preauthorizations

<u>Agency</u>	<u>Project Title</u>	<u>2026 Session</u>
DNR	Waterway Improvement Fund – Somers Cover Marina	\$8,727,000
UMCP	Graduate Student Housing	5,000,000
UMBC	New Student Service Building	6,000,000
UMGC	Global Campus Administration Building Renovation	3,200,000
BCCC	Unidentified Property Acquisition	9,000,000
MHA	Maryland Hospital Association	12,000,000
MISC	Luminis Health Doctors Community Medical Center – New Obstetrical Care Tower	10,000,000
MISC	Westminster Fiber	1,000,000
MISC	Maryland Center for History and Culture – Enoch Pratt House and Collections Storage	2,500,000
MISC	St. Agnes Healthcare	1,000,000
MISC	Ellicott City North Tunnel Extension Project	10,000,000
MISC	The Johns Hopkins Hospital	650,000
MISC	Catholic Charities – Intergenerational Center	2,000,000
MISC	Damascus Sidewalk Repair	250,000
MISC	B & O Railroad Museum	3,000,000
MISC	Glen Echo Park Spanish Ballroom Renovation	1,500,000
MISC	MD 32 Noise Mitigation for Fox Valley Estates	1,800,000
MISC	Young Artists of America, Inc.	1,500,000
MISC	Springsong Museum	1,000,000
MISC	Pikesville Armory	3,000,000
MISC	Bowie Mill Bike Trail	2,100,000
MISC	MedStar Southern Maryland	10,000,000
MISC	Baltimore Symphony Orchestra – Myerhoff Hall	1,500,000
MISC	Southern Bridge Career and Education Center	2,500,000
MISC	Kent County Public Schools	4,000,000
Total Legislative Preauthorizations		\$103,227,000

BCCC: Baltimore City Community College

DNR: Department of Natural Resources

MHA: Maryland Hospital Association

MISC: miscellaneous

UMBC: University of Maryland Baltimore Campus

UMCP: University of Maryland, College Park Campus

UMGC: University of Maryland and Global Campus

Note: Amount shown for MHA Private Hospital grants is net of the \$8 million already programmed in the *Capital Improvement Program* for the program.