

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

	<b>Fiscal 2025</b>	<b>Fiscal 2026 Estimate</b>				<b>Percent Change vs. Fiscal 2025</b>	<b>Fiscal 2027 Estimate</b>				<b>Percent Change vs. Fiscal 2025</b>
	<b>Actual</b>	<b>September</b>	<b>December</b>	<b>\$ Diff.</b>	<b>%Diff.</b>	<b>September</b>	<b>December</b>	<b>\$ Diff.</b>	<b>%Diff.</b>	<b>Fiscal 2025</b>	
Personal Income Tax	\$14,565	\$15,342	\$15,421	\$78.6	0.5%	5.9%	\$15,679	\$15,789	\$110	0.7%	2.4%
Corporate Income Tax	1,877	1,791	1,694	-97	-5.4%	-9.7%	1,748	1,658	-90	-5.1%	-2.1%
Sales and Use Tax	6,049	6,639	6,563	-77	-1.2%	8.5%	6,949	6,870	-79	-1.1%	4.7%
State Lottery	519	532	543	11	2.0%	4.6%	475	475	0	0.0%	-12.4%
Tobacco Taxes	370	273	262	-11	-4.1%	-29.1%	262	252	-11	-4.0%	-4.0%
Other	2,336	2,069	2,255	186	9.0%	-3.5%	1,989	2,068	79	4.0%	-8.3%
<b>Ongoing General Funds</b>	<b>\$25,716</b>	<b>\$26,647</b>	<b>\$26,738</b>	<b>\$91</b>	<b>0.3%</b>	<b>4.0%</b>	<b>\$27,103</b>	<b>\$27,112</b>	<b>\$9</b>	<b>0.0%</b>	<b>1.4%</b>
Transfer Tax	\$0	\$25	\$25	\$0	n/a	n/a	\$25	\$25	\$0	n/a	n/a
<b>Total General Funds</b>	<b>\$25,716</b>	<b>\$26,672</b>	<b>\$26,763</b>	<b>\$91</b>	<b>0.3%</b>	<b>4.1%</b>	<b>\$27,128</b>	<b>\$27,137</b>	<b>\$9</b>	<b>0.0%</b>	<b>1.4%</b>

Source: Board of Revenue Estimates

## K-12 Enrollment Trends

### Fiscal 2026-2027

	Full-time Equivalent Enrollment				English Language Learners				Compensatory Education			
	<u>2026</u>	<u>2027</u>	<u>Chg</u>	<u>% Chg</u>	<u>2026</u>	<u>2027</u>	<u>Chg</u>	<u>% Chg</u>	<u>2026</u>	<u>2027</u>	<u>Chg</u>	<u>% Chg</u>
Allegany	7,635	7,595	-40	-1%	46	48	2	4%	4,720	4,135	-585	-12%
Anne Arundel	82,242	81,923	-319	0%	9,114	8,912	-202	-2%	34,268	33,374	-894	-3%
Baltimore City	71,475	71,486	12	0%	10,762	10,399	-363	-3%	63,322	48,651	-14,671	-23%
Baltimore	105,637	103,655	-1,981	-2%	13,375	13,268	-107	-1%	57,904	53,703	-4,201	-7%
Calvert	14,494	14,333	-161	-1%	228	236	8	4%	4,048	3,988	-60	-1%
Caroline	5,325	5,230	-96	-2%	575	567	-8	-1%	3,724	3,016	-708	-19%
Carroll	25,636	25,199	-437	-2%	571	519	-52	-9%	7,159	7,130	-29	0%
Cecil	14,056	13,837	-220	-2%	436	426	-10	-2%	7,733	6,962	-771	-10%
Charles	26,995	26,693	-303	-1%	1,444	1,443	-1	0%	12,624	12,174	-450	-4%
Dorchester	4,239	4,161	-78	-2%	303	288	-15	-5%	2,988	2,845	-143	-5%
Frederick	46,315	46,191	-125	0%	3,869	3,735	-134	-3%	15,394	15,240	-154	-1%
Garrett	3,190	3,140	-50	-2%	8	6	-2	-25%	1,776	775	-1,001	-56%
Harford	36,593	36,133	-461	-1%	1,126	1,085	-41	-4%	14,690	14,208	-482	-3%
Howard	55,777	55,358	-419	-1%	4,057	3,883	-174	-4%	16,491	16,410	-81	0%
Kent	1,587	1,608	21	1%	107	119	12	11%	1,083	1,039	-44	-4%
Montgomery	153,090	150,929	-2,161	-1%	32,514	30,725	-1,789	-6%	65,548	58,459	-7,089	-11%
Prince George's	125,706	125,854	149	0%	34,888	33,507	-1,381	-4%	86,296	79,071	-7,225	-8%
Queen Anne's	7,155	7,115	-40	-1%	434	425	-9	-2%	2,598	2,577	-21	-1%
St. Mary's	16,370	16,050	-320	-2%	496	475	-21	-4%	6,363	6,055	-308	-5%
Somerset	2,599	2,572	-27	-1%	144	154	10	7%	1,878	1,914	36	2%
Talbot	4,162	4,121	-41	-1%	679	661	-18	-3%	2,482	2,398	-84	-3%
Washington	21,584	21,513	-71	0%	1,208	1,219	11	1%	13,135	11,910	-1,225	-9%
Wicomico	14,855	14,677	-178	-1%	2,273	2,240	-33	-1%	9,293	8,472	-821	-9%
Worcester	6,406	6,338	-68	-1%	205	186	-19	-9%	3,388	3,120	-268	-8%
<b>Total</b>	<b>853,121</b>	<b>845,710</b>	<b>-7,411</b>	<b>-1%</b>	<b>118,862</b>	<b>114,526</b>	<b>-4,336</b>	<b>-4%</b>	<b>438,905</b>	<b>397,626</b>	<b>-41,279</b>	<b>-9%</b>

## Net Change in Projected K-12 Education Costs from November Forecast

Fiscal 2027-2031

(\$ in Millions)

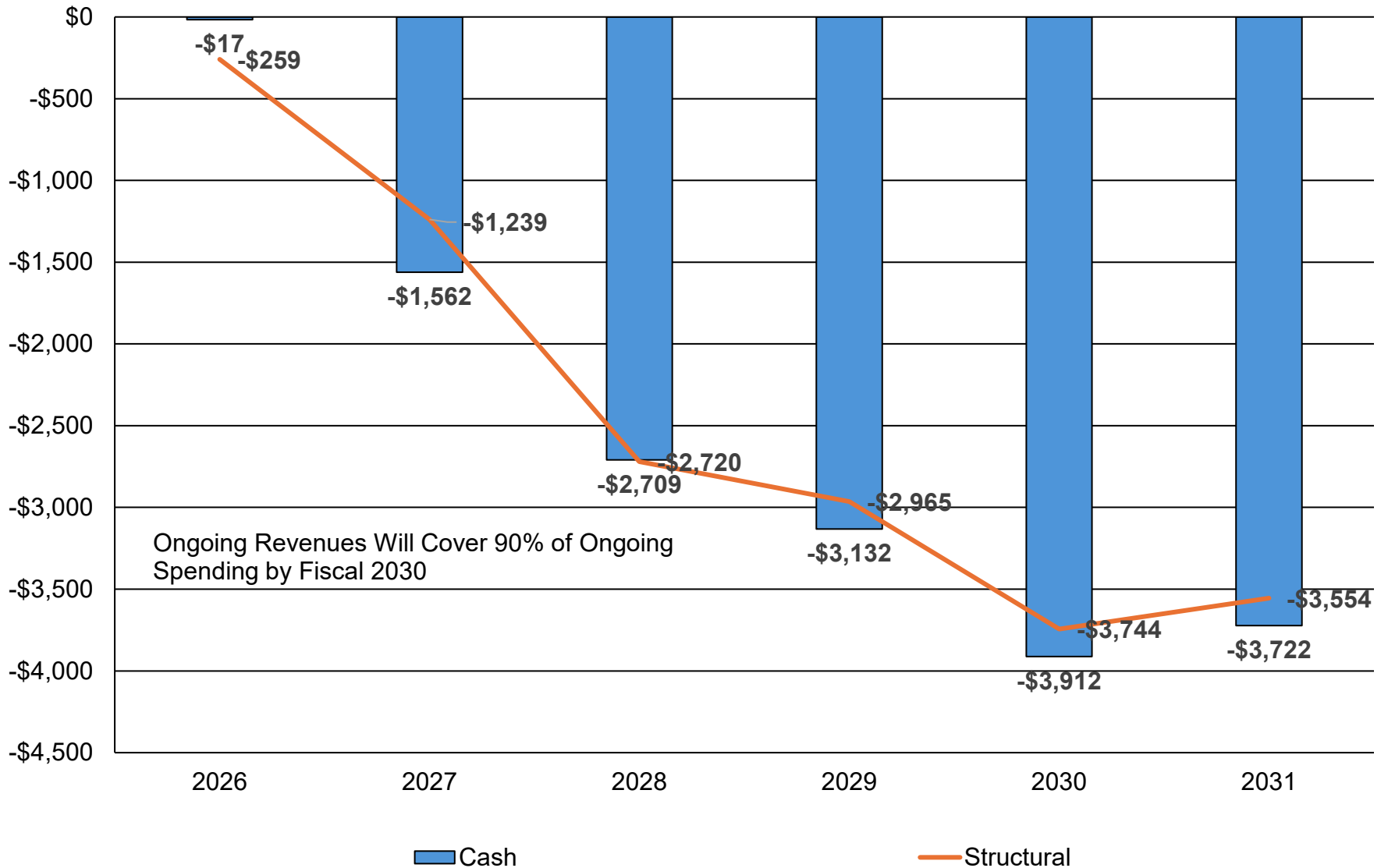
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Foundation Program	-\$3	-\$33	-\$51	-\$53	-\$56
Compensatory Education Program	-171	-173	-175	-182	-187
Special Education Formula	15	23	36	51	64
English Learners	-38	-53	-70	-86	-104
Education Effort Adjustment	-67	-68	-84	-75	-79
Other Programs	-1	-9	-9	-9	-14
<b>Total Direct Aid</b>	<b>-\$265</b>	<b>-\$313</b>	<b>-\$353</b>	<b>-\$354</b>	<b>-\$376</b>
Retirement Aid	2	-42	-69	-94	-118
<b>Total Aid</b>	<b>-\$263</b>	<b>-\$356</b>	<b>-\$421</b>	<b>-\$448</b>	<b>-\$493</b>

**Change in Budget Outlook Since November SAC Meeting**  
**Fiscal 2026-2031**  
**\$ in Millions**

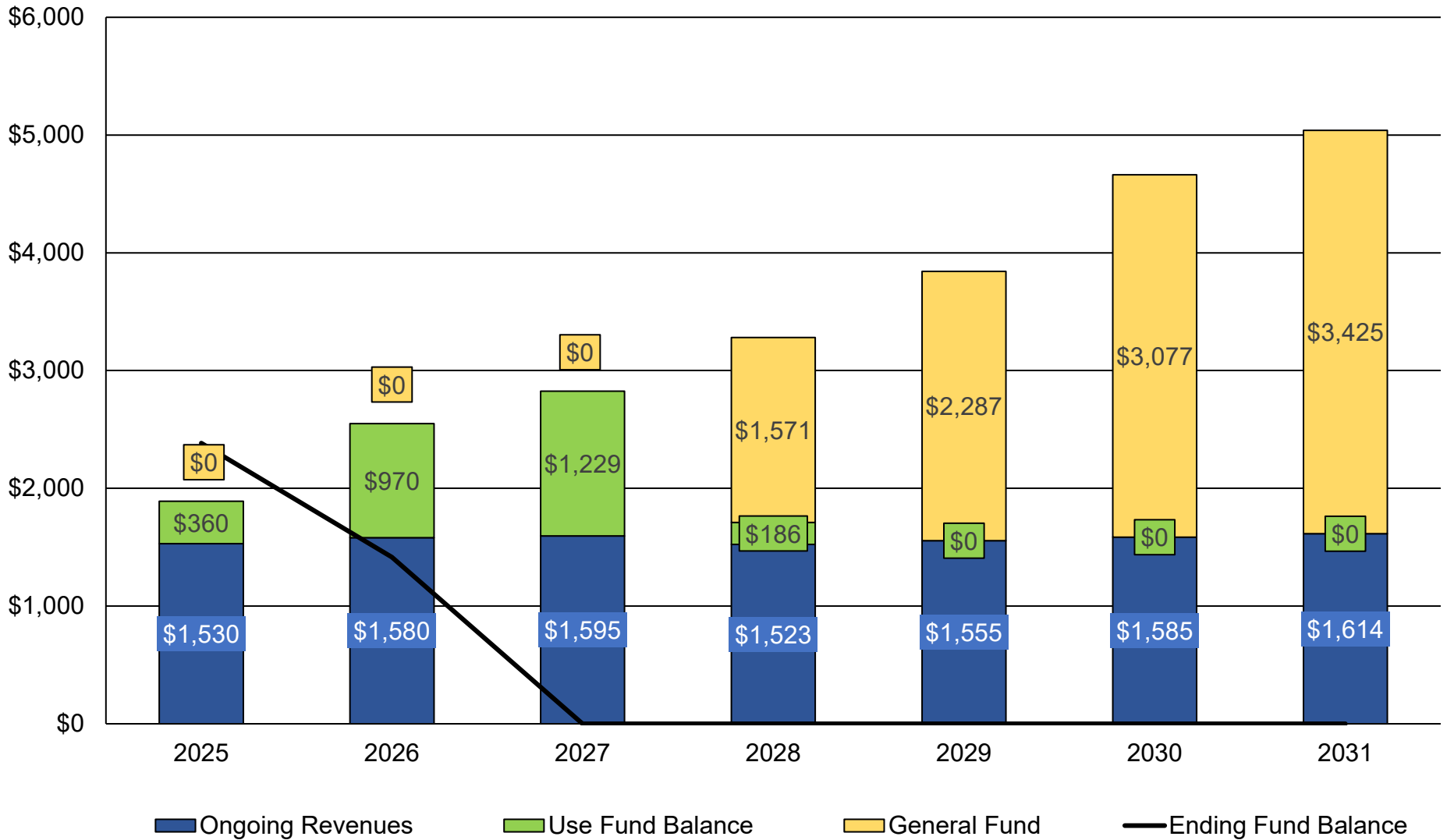
	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
<b>November SAC Cash Balance with Rainy Day at 8%</b>	<b>\$0</b>	<b>-\$1,496</b>	<b>-\$3,183</b>	<b>-\$3,477</b>	<b>-\$3,996</b>	<b>-\$3,942</b>
<b>December Adjustments</b>						
BRE Revenue Update	\$91	\$9	\$80	\$67	-\$10	\$11
Revenue Volatility Adjustment					-\$203	-\$124
Developmental Disabilities Administration Costs Understated in Baseline	-85	-156	-162	-169	-175	-182
K-12 Education Updated for actual Fall Enrollment and Retirement	0	75	534	413	437	479
Autism Waiver – Based on Updated Information from MSDE, Including Higher Than Budgeted Fiscal 2025 Costs, and Savings Related to Enrollment Freeze	-23	7	22	34	36	36
<b>Total December Adjustments</b>	<b>-\$17</b>	<b>-\$66</b>	<b>\$474</b>	<b>\$345</b>	<b>\$84</b>	<b>\$220</b>
<b>December SAC Cash Balance with Rainy Day at 8%</b>	<b>-\$17</b>	<b>-\$1,562</b>	<b>-\$2,709</b>	<b>-\$3,132</b>	<b>-\$3,912</b>	<b>-\$3,722</b>

MSDE: Maryland State Department of Education  
SAC: Spending Affordability Committee

**Cash and Structural Budget Shortfalls Forecast  
with Rainy Day Fund at about 8% of Revenues  
Fiscal 2026-2031  
(\$ in Millions)**



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



## Recommendations

In light of the considerations discussed earlier, the committee proposes the following recommendations for the 2026 session:

### 1. Operating Budget Spending Limit and Sustainability

A structural deficit of \$1.2 billion is forecast for fiscal 2027 and is projected to increase to \$3.7 billion by fiscal 2030. Cash shortfalls are expected to grow from \$1.6 billion in fiscal 2027 to \$3.9 billion by fiscal 2030.

The State's budget challenges reflect the negative impact of the Donald J. Trump Administration's policies and the costs of entitlement and education programs surpassing planning estimates. Federal job cuts have weakened the State's economy, contributing to a March 2025 revenue write-down of more than \$1 billion over the fiscal 2025 through 2030 period. The One Big Beautiful Bill Act ALONE will increase State spending by about \$100 million annually and reduce taxes paid by businesses by more than \$350 million over the next two years. In addition, the Trump Administration's unpredictable policies on trade, federal employment, and government services add material downside risks to Maryland's economy and fiscal situation.

**In recognition of the fiscal outlook, the committee recommends that the fiscal 2027 budget, as introduced and enacted, reduce the gap between general fund revenues and ongoing spending by 50% (\$600 million).**

The committee notes that the reliability of budget actions depends heavily on the quality, consistency, and alignment of underlying fiscal projections. In recent budget cycles, changes to revenue and expenditure outlooks have materially affected the State's structural balance, underscoring the need for enhanced coordination, consensus, and shared forecasting assumptions. Recently, the Department of Legislative Services (DLS), the Department of Budget and Management (DBM), and the Board of Revenue Estimates have increased coordination and data sharing. To support more durable budget decisions, the committee recommends continued and regular consultation among the agencies, including more frequent cross-checks and updates.

### 2. Fund Balances

After assuming the transfer of funds in excess of 8% of general fund revenues from the Revenue Stabilization Account (Rainy Day Fund), it is anticipated that there will be a cash shortfall of \$1.6 billion at the close of fiscal 2027. Reducing the Rainy Day Fund balance below 8% would assist the State in resolving the short-term fiscal challenges but leave the State vulnerable to the impact of a recession. It is important to keep in mind that the Rainy Day Fund is supposed to be used in emergency situations such as when unemployment is above 5% or unexpected revenue write-downs occur in the middle of drafting the fiscal 2027 budget.

In light of current economic uncertainties, it is prudent to retain a healthy fund balance so that funds remain available in the event of a recession or additional federal actions that harm the Maryland economy. **Before considering drawing on the Rainy Day Fund, opportunities should**

be explored to (1) better align ongoing spending with ongoing revenues and (2) achieve one-time budgetary savings. The committee recommends:

- the fiscal 2027 budget as introduced maintain a Rainy Day Fund balance of **at least 8.0%** of general fund revenues to ensure that resources are available to mitigate the impact of an economic downturn and/or federal actions that harm the Maryland economy; and
- a minimum ending balance of at least \$100 million in the General Fund for fiscal 2027.

**Notwithstanding the goal of 8%, in the event that March revenues are revised downward by \$100 million or more or the State’s unemployment rate reaches 5.0% or more, a Rainy Day Fund balance of at least 7.5% will be maintained.**

Excluding COVID-19 related disaster assistance, between fiscal 2010 and 2025 Maryland received \$325.8 million in federal disaster assistance, an average of \$21.4 million per year. Federal policymakers appear to be transitioning to a policy of severely limiting future aid to states. The Federal Emergency Management Agency (FEMA) denied a request for a disaster declaration and resulting aid from the May 2025 floods in Western Maryland, for which Maryland had requested \$33.7 million in aid. Maryland has two funds that can be used to support costs related to disasters: (1) the Catastrophic Event Account – which supports disaster assistance and federal employee hardship related to layoffs, relocations, and government shutdowns; and (2) the State Disaster Recovery Fund – which supports disaster relief regardless of an official disaster declaration. Historically, the Catastrophic Event Account is maintained with a balance of \$10 million, and it is expected to require replenishment in fiscal 2027 to be at this level following use for federal government shutdown assistance. DLS anticipates a balance of \$2.3 million at the close of fiscal 2027 in the State Disaster Recovery Fund. **Since the federal government appears less likely to provide disaster assistance in the future, the State should maintain a combined balance of at least \$15 million in these two funds beginning in fiscal 2027. The Treasurer’s Office should also explore the cost of purchasing disaster recovery insurance to cover at least a portion of the cost of assisting communities impacted by natural disasters.**

### **3. Capital Budget**

#### **A. General Obligation Debt**

In its 2025 report, the Capital Debt Affordability Committee (CDAC) recommended keeping annual general obligation (GO) bond authorizations at \$1.750 billion in fiscal 2027 and through the five-year planning period, which is consistent with the amount planned by CDAC last year and with the amount programmed in the 2025 *Capital Improvement Program* (CIP). **The committee recommends the authorization of \$1.750 billion in new GO bonds for the**

**2026 session. For planning purposes, the level of authorizations should remain at the CDAC-recommended level of \$1.750 billion from fiscal 2028 through 2031.**

CDAC also considered alternative assumptions regarding the annual level of GO bond issuances. The *2025 Joint Chairmen's Report (JCR)* directed the State Treasurer's Office to work with DBM and DLS to convene a workgroup to evaluate the issuance assumptions used by CDAC, which are based on a formula that has been unchanged for several decades. The workgroup recommended that CDAC adopt issuance assumptions based on a 10-year weighted average of actual project expenditures.

Although DBM participated in the JCR workgroup, DBM proposed and CDAC adopted an alternative recommendation to use issuance assumptions based on recent experience of lower expenditure levels.

Because the CDAC-adopted issuance assumptions are based on trends in expenditure levels rather than trends in expenditure rates, the adopted assumptions significantly underestimate future issuance needs. The GO bond authorization level increased significantly in fiscal 2025, from \$1.205 billion in fiscal 2024 to \$1.750 billion in fiscal 2025. Issuances would also be expected to increase significantly as projects authorized in fiscal 2025 begin to expend funds. **Accordingly, the committee recommends using the JCR workgroup recommendation based on expenditure rates for the purposes of debt affordability analysis.**

## **B. Higher Education Debt**

The University System of Maryland (USM) intends to issue \$30 million in academic debt for fiscal 2027, which is the amount recommended by CDAC and is consistent with the level of issuance authorized for fiscal 2026. This level of issuance will result in a ratio of debt service, including payments on capital lease obligations, to operating revenues and State appropriations of 3% or less through fiscal 2031. This is well below the 4.0% limit recommended by the system's financial advisers.

**The committee recommends the level of Academic Revenue Bond authorizations be set at \$50 million for fiscal 2027 and for planning purposes remain at \$50 million annually through fiscal 2031. The recommendation is affordable within USM debt limitation policies and will provide \$20 million of additional authorization in fiscal 2027 and a total of \$100 million through the planning period above the amounts currently programmed in the 2025 CIP. The committee also recommends that the additional \$20 million annual authorization be earmarked for USM stand-alone State-owned projects included in the CIP.**

## 4. State Employment

Personnel costs comprise approximately 18% of the State's operating budget. The committee anticipates a net decrease of 318.7 positions in the fiscal 2027 budget compared to the fiscal 2026 legislative appropriation, adjusted to account for positions abolished in October 2025 by the Board of Public Works. The resulting authorized number of State employees would be 85,958.8 in fiscal 2027.

The Executive Branch currently has a vacancy rate of 10.0% with 5,194 Executive Branch vacancies in October 2025, excluding higher education. While the vacancy rate is relatively high, the budgeted turnover rate is higher, at 10.5%. The Executive Branch is approximately 318 vacancies short of meeting budgeted turnover in fiscal 2026. Compared to one year ago, the Executive Branch has grown by approximately 650 filled positions.

**The committee recommends that the Executive Branch maintain current levels of authorized positions, fill vacancies in mission critical positions, and increase vacancies overall to meet budgeted turnover.**

## 5. Transportation

The target closing balance for the Transportation Trust Fund (TTF) is intended to ensure that the Maryland Department of Transportation (MDOT) has sufficient working cash to administer its operating and capital programs. System preservation spending is necessary to maintain or bring capital assets into a State of Good Repair (SOGR), which is where assets are performing as designed, and the chance of breakdowns is small. MDOT's most recent calculation of the SOGR funding needs and the amount of programmed and projected funding identified a 10-year gap of \$12.5 billion. **The committee recommends:**

- **a fiscal 2027 target closing balance of at least \$550 million for the TTF, which is \$50 million greater than the target closing balance assumed by MDOT in its draft September 2025 financial forecast. The committee is recommending a larger TTF fund balance to ensure the continued ability of MDOT to meet its cash flow needs in the case that federal fund attainment, including federal reimbursement for capital projects, is less than currently projected by the department; and**
- **fiscal 2027 spending on system preservation of at least \$1.15 billion, which is the average annual amount spent over the previous 10 years.**

**Appendix 1**  
**Prior Recommendations and Legislative Action on the Operating Budget**  
(\$ in Millions)

<u>Session Year</u>	<u>Committee Recommendation</u>		<u>Legislative Action</u>	
	<u>Growth Rate</u>	<u>Amount</u>	<u>Growth</u>	<u>Amount</u>
1983	9.00%	\$428.0	5.70	\$269.8
1984	6.15%	326.7	8.38	402.0
1985	8.00%	407.2	7.93	404.6
1986	7.70%	421.5	7.31	402.2
1987	7.28%	430.2	7.27	429.9
1988	8.58%	557.5	8.54	552.9
1989	8.79%	618.9	8.78	618.2
1990	9.00%	691.6	8.98	689.7
1991	5.14%	421.8	5.00	410.0
1992		No recommendation	10.0	823.3
1993	2.50%	216.7	2.48	215.0
1994	5.00%	443.2	5.00	443.2
1995	4.50%	420.1	4.50	420.0
1996	4.25%	415.0	3.82	372.8
1997	4.15%	419.6	4.00	404.6
1998	4.90%	514.9	4.82	506.6
1999	5.90%	648.8	5.82	640.6
2000 <sup>1</sup>	6.90%	803.0	6.87	800.0
2001 <sup>2</sup>	6.95%	885.3	6.94	884.6
2002	3.95%	543.2	3.40	468.1
2003	2.50%	358.2	0.94	134.1
2004	4.37%	635.2	4.33	629.0
2005 <sup>3</sup>	6.70%	1,037.1	6.69	1,036.3
2006 <sup>3</sup>	9.60%	1,604.7	9.57	1,599.0
2007	7.90%	1,450.0	7.51	1,378.4
2008	4.27%	848.7	4.16	826.8
2009 <sup>4</sup>	0.70%	145.7	0.19	39.2
2010 <sup>4</sup>	0.00%	0.0	-	-626.9
2011	Reduce fiscal 2012 structural deficit by 33⅓%		36.90%/46.00% <sup>5</sup>	
2012	Reduce fiscal 2013 structural deficit by 50.0%		50.60%	
2013	Reduce fiscal 2014 structural deficit by \$200.0 million			-211.2
2014	4.00%	937.8	2.76	646.4
	Reduce fiscal 2015 structural deficit by \$125.0 million			-126.1

<u>Session Year</u>	<u>Committee Recommendation</u>		<u>Legislative Action</u>	
	<u>Growth Rate</u>	<u>Amount</u>	<u>Growth</u>	<u>Amount</u>
2015	Reduce fiscal 2016 structural deficit by 50.0%		68.27%	
2016	4.85%	1,184.2	4.55	1,111.2
2017	Reduce fiscal 2018 structural deficit by at least 50.0%		90.19%	
2018	Eliminate 100% of the fiscal 2019 structural deficit		100%	
2019	3.75%	1,019.0	3.31	900.7
	Maintain structural balance in fiscal 2020			76.0 <sup>6</sup>
2020	Maintain structural balance in fiscal 2021			160.2
2021	Limit fiscal 2022 structural deficit to \$700 million or less			63.0
2022	Maintain structural balance in fiscal 2023			276.0
2023	Structural surplus of \$100 million in fiscal 2024			146.0
2024	Limit fiscal 2025 structural deficit to \$508 million or less			483.1
2025	Eliminate 100% of the fiscal 2026 structural deficit		100%	

<sup>1</sup>2000 legislative action does not reflect \$266 million of Cigarette Restitution Fund (CRF) appropriations. CRF dollars were excluded because it had not previously been available to the State. The 2000 growth rate, including CRF dollars, was 9.16%.

<sup>2</sup>Methodology revised effective with the 2001 session.

<sup>3</sup>The committee initially approved a limit of 5.70% for 2005 and 8.90% for 2006.

<sup>4</sup>Legislative action calculation includes federal funds under the American Recovery and Reinvestment Act of 2009 used in lieu of ongoing general fund spending.

<sup>5</sup>Spending reduction/total reduction.

<sup>6</sup>Amount reflects difference between the estimated structural deficit of \$64 million in the Governor's allowance and the structural surplus of \$12 million in the legislative appropriation.