
Spending Affordability Briefing

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

November 12, 2024

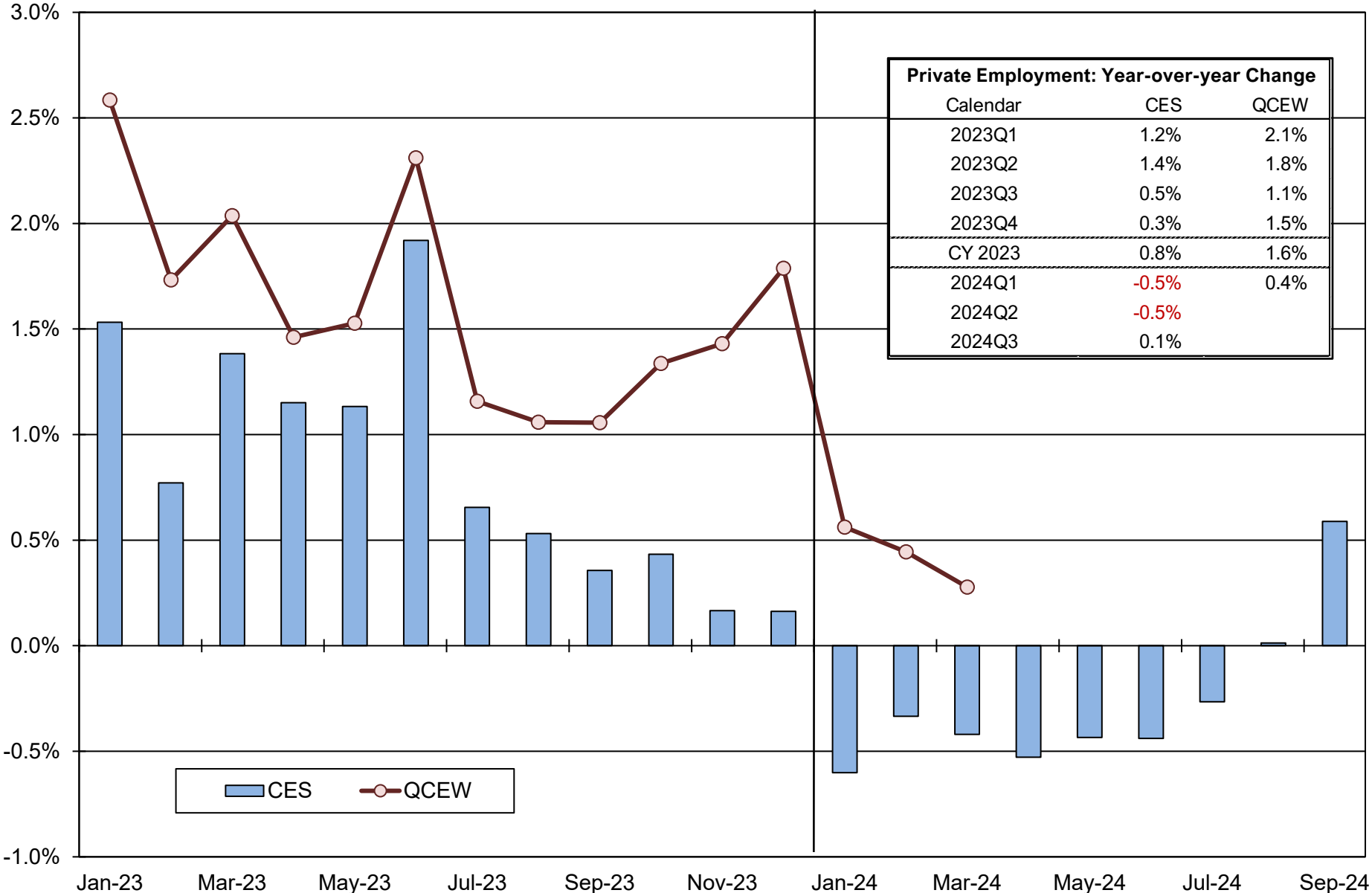
Maryland Economic Performance Year-over-year Percent Change

<u>Month-Year</u>	<u>Employment</u>		<u>Unemployment</u>	<u>Initial</u>	<u>Vehicle</u>	<u>Existing</u>	<u>Median</u>
	<u>Total</u>	<u>Private</u>	<u>Rate</u>	<u>UI Claims</u>	<u>Sales</u>	<u>Home Sales</u>	<u>Home Price</u>
Jan-24	-0.1%	-0.6%	2.3%	6.6%	-9.0%	-3.8%	6.9%
Feb-24	0.2%	-0.3%	2.4%	12.1%	6.3%	-4.8%	6.2%
Mar-24	0.1%	-0.4%	2.5%	16.2%	-0.5%	-13.9%	6.6%
Apr-24	0.1%	-0.5%	2.6%	12.5%	4.4%	2.4%	5.1%
May-24	0.1%	-0.4%	2.7%	9.0%	-0.2%	-3.4%	4.6%
Jun-24	0.2%	-0.4%	2.8%	3.8%	-3.0%	-12.3%	5.0%
Jul-24	0.2%	-0.3%	2.8%	10.4%	0.2%	4.2%	5.3%
Aug-24	0.3%	0.0%	2.9%	-4.8%		-5.9%	2.4%
Sep-24	0.7%	0.6%	2.9%	5.3%		-6.3%	4.1%
<i>Year to Date</i>	<i>0.2%</i>	<i>-0.3%</i>	<i>2.7%</i>	<i>7.6%</i>	<i>-0.3%</i>	<i>-5.1%</i>	<i>5.1%</i>

UI: unemployment insurance

Note: The unemployment rate is based on seasonally adjusted data. Monthly unemployment insurance claims are from the U.S. Bureau of Labor Statistics with seasonal adjustment by Moody's Analytics. Vehicle sales from the Maryland Motor Vehicle Administration include both new and used vehicles. Existing home sales and the median home price are from the Maryland Association of Realtors.

Private-sector Payroll Employment: Year-over-year Percent Change



CES: Current Establishment Survey

QCEW: Quarterly Census of Employment and Wages

Note: Non-seasonally adjusted data.

Maryland Economic Forecasts

Year-over-year Percent Change

Calendar Year	Employment		Wage and Salary Income	
	<u>Mar. 2024</u>	<u>Sep. 2024</u>	<u>Mar. 2024</u>	<u>Sep. 2024</u>
2021	2.7%	2.5%	6.5%	6.6%
2022	2.3%	2.4%	5.8%	6.0%
2023	1.3%	1.2%	5.4% E	5.2%
2024E	0.7%	0.4%	4.0%	3.8%
2025E	0.2%	0.4%	3.8%	3.8%
2026E	0.1%	0.1%	3.7%	3.6%
2027E	0.1%	0.1%	3.6%	3.6%

Calendar Year	Personal Income		Taxable Capital Gains Income*	
	<u>Mar. 2024</u>	<u>Sep. 2024</u>	<u>Mar. 2024</u>	<u>Sep. 2024</u>
2021	6.5%	6.5%	77.8%	77.8%
2022	1.5%	3.1%	-43.3%	-36.9%
2023	5.2% E	6.0%	-1.5%	4.0%
2024E	4.1%	4.4%	-2.5%	5.0%
2025E	4.1%	4.0%	-2.0%	1.0%
2026E	3.9%	3.9%	0.0%	0.0%
2027E	4.0%	3.9%	0.0%	0.0%

E: estimated

* For capital gains income, the calendar 2022-2023 figures are estimates for both March and September.

Source: Board of Revenue Estimates

Federal Government in Maryland

- There are about 160,000 civilian federal jobs located in Maryland with wages totaling \$25 billion, around 11% of total wages. Virginia and the District of Columbia each have around 190,000 federal jobs, and many Marylanders commute to those jurisdictions.
- An analysis of tax year 2021 data by the Comptroller's Office found about 256,000 Marylanders received a federal W-2, representing about 8% of taxpayers.
 - St. Mary's, Charles, and Calvert counties are especially dependent on federal employment.
- Federal contract spending is important to the Maryland private sector economy. In federal fiscal 2023, federal contract obligations for work performed in Maryland totaled \$42 billion, which is equal to about 10% of Maryland's private sector gross state product.
 - The Department of Defense accounts for a little less than half of the federal contract spending in Maryland.
- Maryland's fiscal 2025 budget includes about \$19 billion of federal dollars. Medicaid (\$9.8 billion), and the Supplemental Nutrition Assistance Program (\$2.1 billion) are the largest sources of federal support.
- One potential casualty of the election is the choice of Maryland as the future home of the Federal Bureau of Investigation.
- Federal funding for the Key Bridge repair is less certain.

General Fund Revenues: Fiscal 2024
(\$ in Millions)

	Fiscal 2023		Fiscal 2024			Fiscal 2023-2024 % Change	
	<u>Actual</u>	<u>Estimate</u>	<u>Actual</u>	<u>\$ Diff.</u>	<u>% Diff.</u>	<u>Estimated</u>	<u>Actual</u>
Personal Income Tax	\$13,469	\$13,696	\$13,617	-\$80	-0.6%	1.7%	1.1%
Corporate Income Tax	1,816	1,773	1,904	131	7.4%	-2.3%	4.8%
Sales and Use Tax	6,005	5,910	5,897	-13	-0.2%	-1.6%	-1.8%
State Lottery	655	649	655	6	0.9%	-0.9%	-0.1%
Other	2,527	2,467	2,641	174	7.0%	-2.4%	4.5%
Ongoing General Funds	\$24,473	\$24,496	\$24,713	\$217	0.9%	0.1%	1.0%
GAAP Transfer ⁽¹⁾	\$0	\$150	\$150	\$0			
Transfer to Blueprint Fund ⁽²⁾	-800	0	0	0			
Volatility Adjustment	n/a	0	n/a	0			
Total General Funds	\$23,673	\$24,646	\$24,863	\$217	0.9%	4.1%	5.0%

GAAP: generally accepted accounting principles

⁽¹⁾ 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 overfunding in the account.

⁽²⁾ Chapter 33 of 2022 required a transfer of \$800 million from personal income tax revenues to the Blueprint for Maryland's Future Fund in fiscal 2023 only.

Note: The estimate from March 2024 has been adjusted for actions taken at the 2024 legislative session.

Source: Office of the Comptroller; Board of Revenue Estimates

General Fund Revenue Forecast (\$ in Millions)

	Fiscal	Fiscal 2025 Estimate				Percent	Fiscal 2026	Percent
	2024	March	September	\$ Diff.	% Diff.	Change vs. Fiscal 2024	Estimate	Change vs. Fiscal 2025
	<u>Actual</u>							
Personal Income Tax	\$13,617	\$14,298	\$14,271	-\$27	-0.2%	4.8%	\$14,861	4.1%
Corporate Income Tax	1,904	1,747	1,921	174	10.0%	0.9%	1,951	1.6%
Sales and Use Tax ⁽¹⁾⁽²⁾	5,897	6,095	5,979	-116	-1.9%	1.4%	6,135	2.6%
State Lottery	655	533	532	-1	-0.2%	-18.8%	484	-9.0%
Tobacco Taxes ⁽³⁾	405	403	401	-1	-0.4%	-0.9%	312	-22.2%
Other	2,236	1,894	1,954	60	3.2%	-12.6%	1,844	-5.6%
Ongoing General Funds	\$24,713	\$24,969	\$25,057	\$88	0.4%	1.4%	\$25,586	2.1%
GAAP Adjustment	\$150	\$0	\$0	\$0	n/a	n/a	\$0	n/a
Volatility Adjustment ⁽⁴⁾	n/a	0	0	0	n/a	n/a	-301	n/a
Total General Funds	\$24,863	\$24,969	\$25,057	\$88	0.4%	0.8%	\$25,285	0.9%

GAAP: generally accepted accounting principles

⁽¹⁾ Chapter 33 of 2022 changed the sales tax distribution to the Blueprint for Maryland's Future Fund (BMFF) beginning in fiscal 2023 to a percentage of total net receipts after the distribution of the short-term rental vehicle tax. In fiscal 2023 the percentage was 9.2% and rises to 11.0% in fiscal 2024, 11.3% in fiscal 2025, and 11.7% in fiscal 2026.

⁽²⁾ Fiscal 2024 includes \$30.5 million from the 9% sales tax imposed on cannabis authorized by Chapters 254 and 255 of 2023. Estimated general fund cannabis sales tax revenues equal \$30.4 million in fiscal 2025 and \$45.9 million in fiscal 2026.

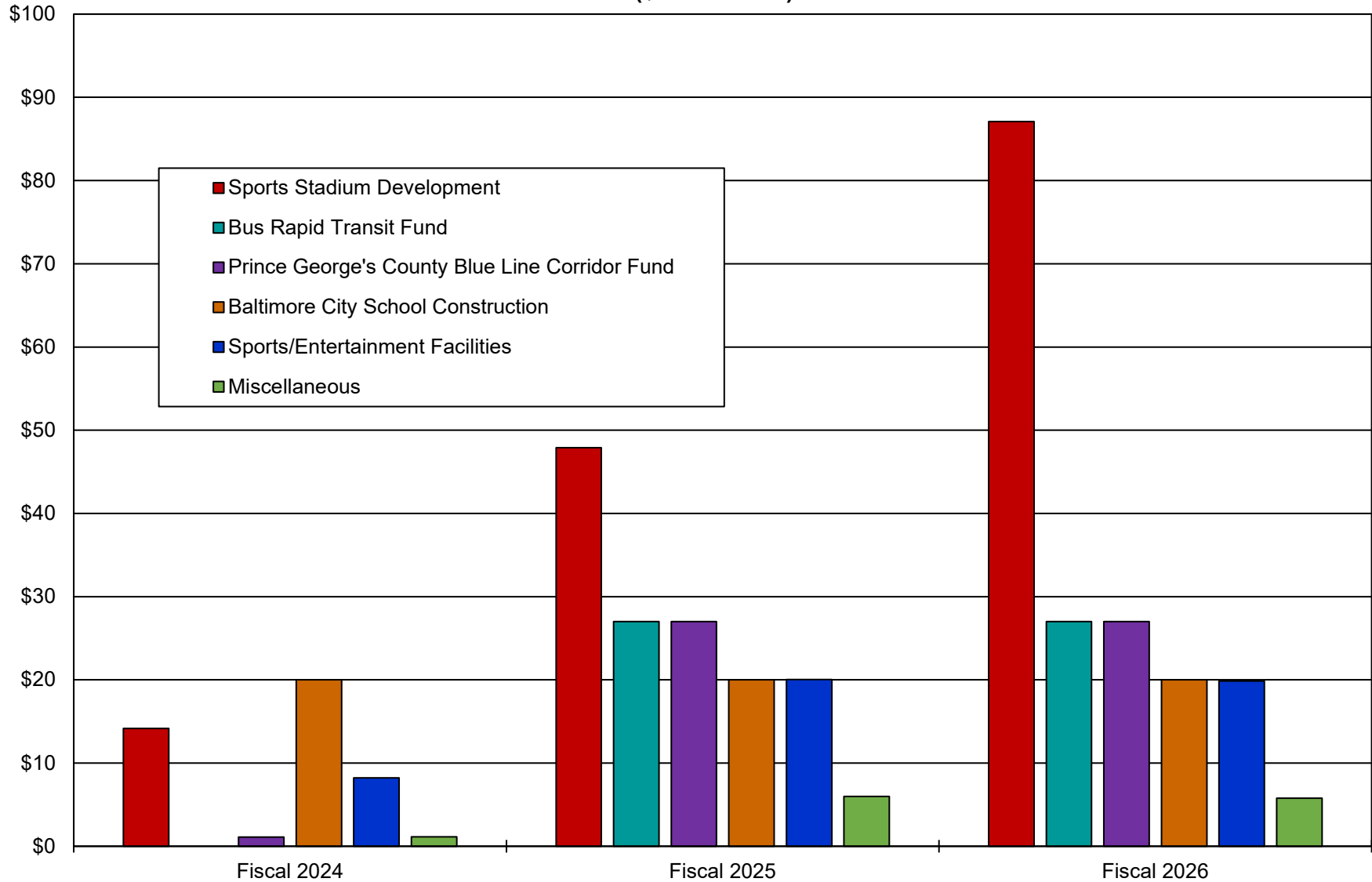
⁽³⁾ The Budget Reconciliation and Financing Act of 2024 (Chapter 717) increased tobacco tax rates and added a new distribution of tobacco revenues to the BMFF. In fiscal 2025, the distribution is \$88.3 million equal to the expected impact of the rate increases. In fiscal 2026, the distribution is equal to 32.6% of tobacco tax revenues.

⁽⁴⁾ Chapters 4 and 550 of 2017 as amended by the Budget Reconciliation and Financing Act of 2018 requires the Board of Revenue Estimates, beginning with fiscal 2020, to calculate an adjustment to the general fund revenue estimate based on the share of revenues from nonwithholding personal income tax payments relative to the historical average. The amount of the adjustment is capped at 2.0% of the total general fund revenue estimate. The Budget Reconciliation and Financing Act of 2024 eliminated the adjustment for fiscal 2025.

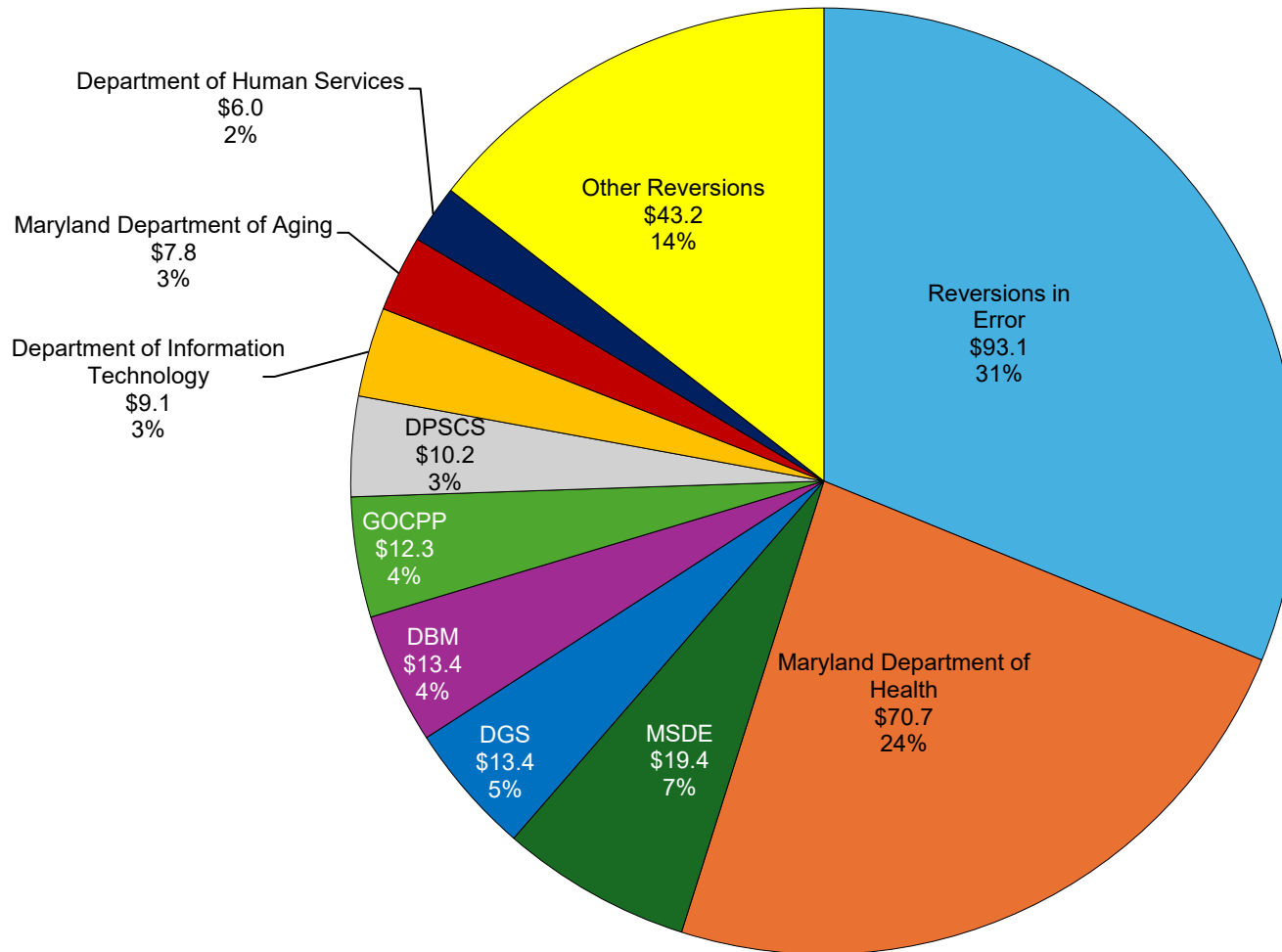
Note: The estimate from March 2024 has been adjusted for actions taken at the 2024 legislative session.

Source: Board of Revenue Estimates

Special Fund Lottery Distributions Increase from \$44.6 Million in Fiscal 2024 to \$147.9 Million in Fiscal 2025 and \$186.7 Million in Fiscal 2026
(\$ in Millions)



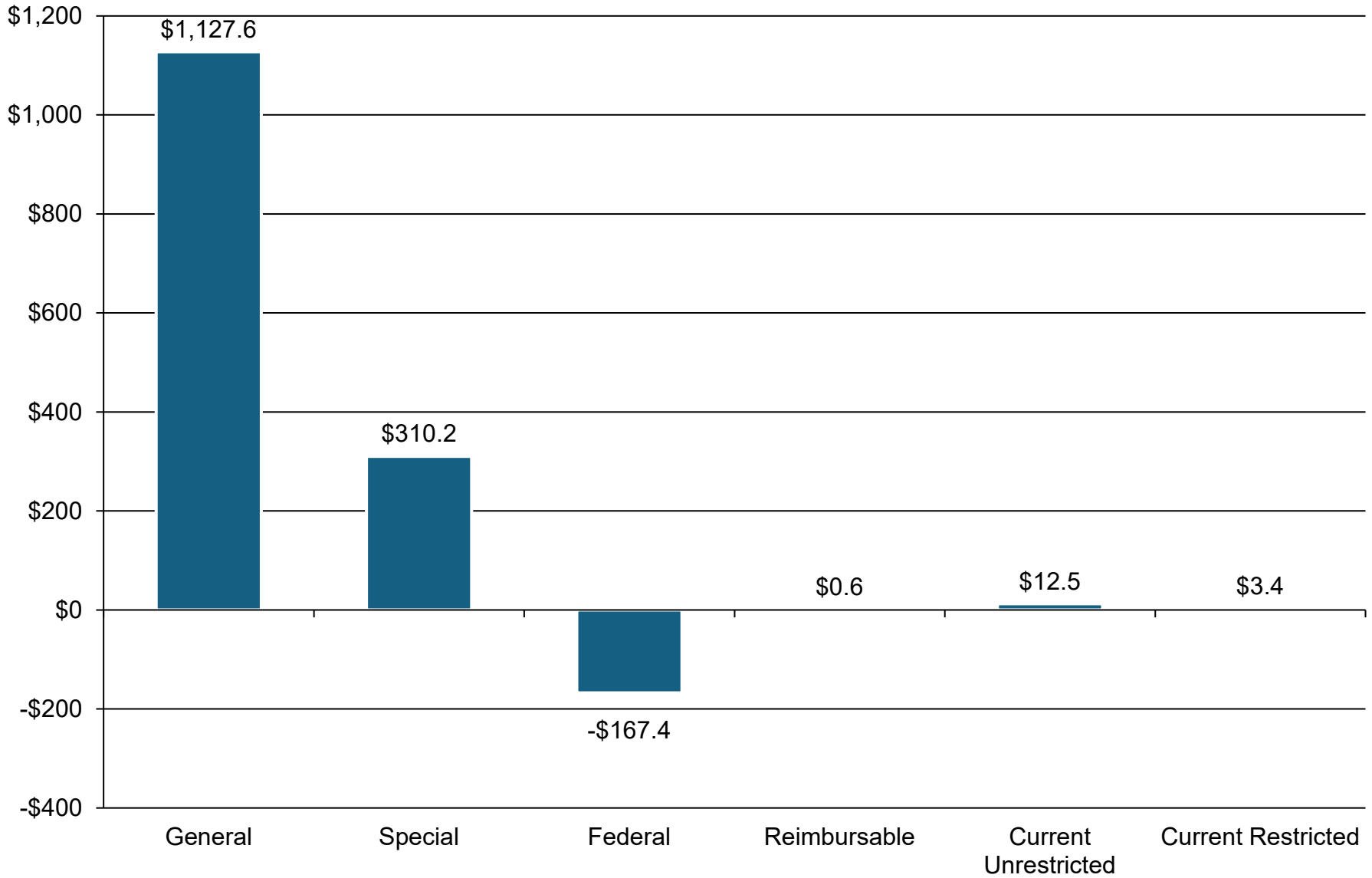
**General Fund Reversions Totaled \$299 Million, \$166 Million More Than Planned
During the 2024 Session
(\$ in Millions)**



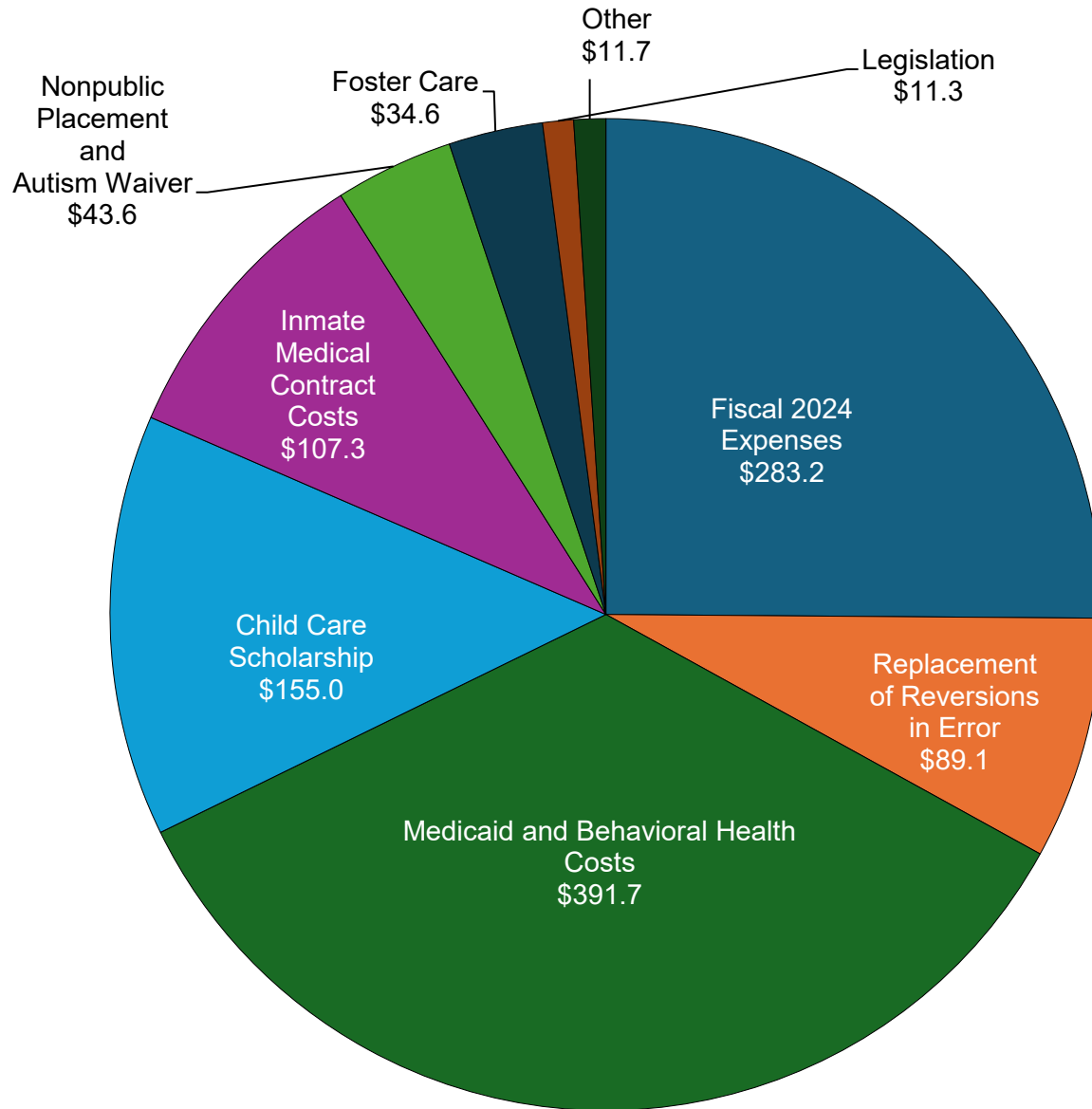
DBM: Department of Budget and Management
 DGS: Department of General Services
 DPSCS: Department of Public Safety and Correctional Services

GOCPP: Governor's Office of Crime Prevention and Policy
 MSDE: Maryland State Department of Education

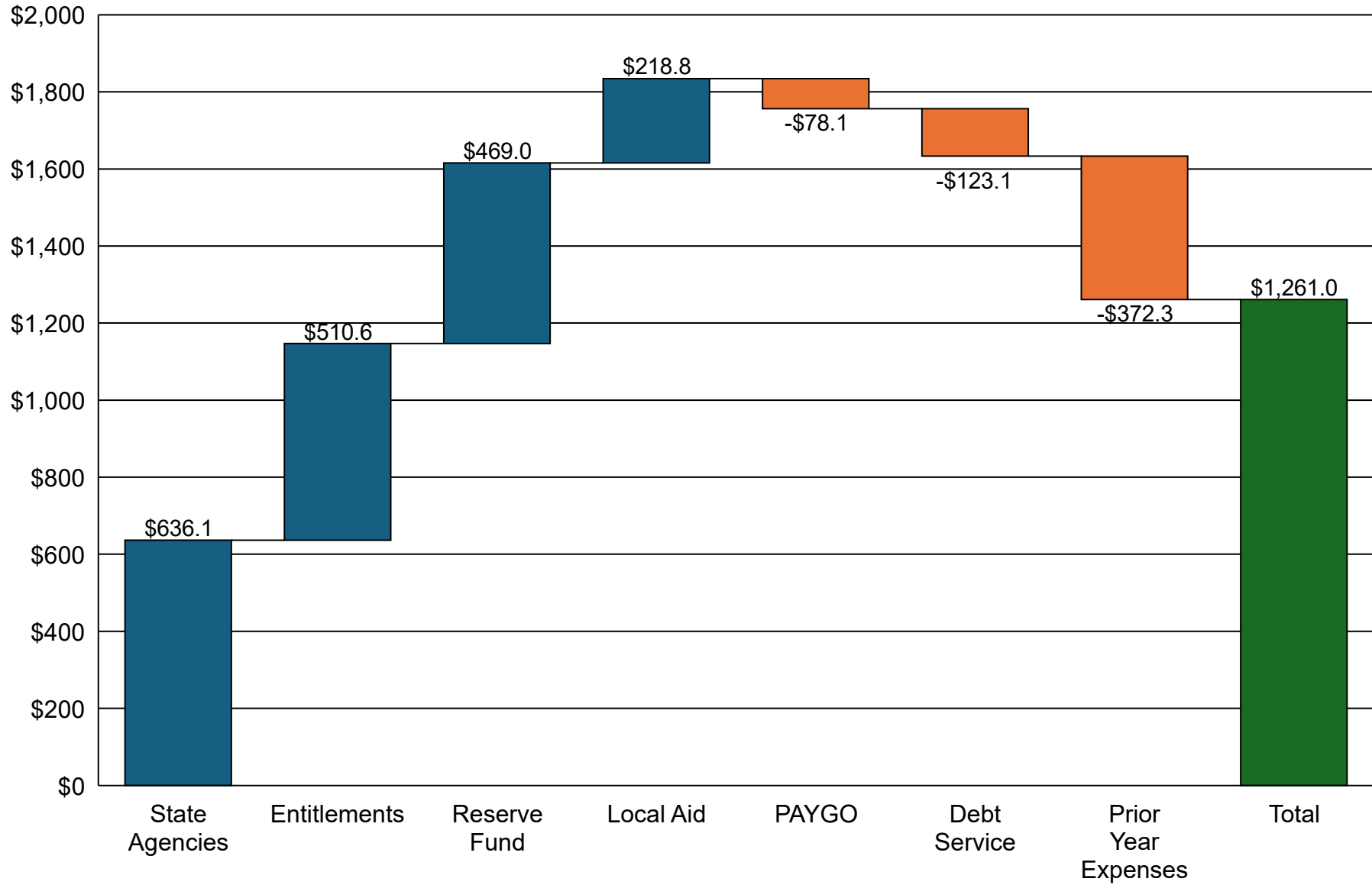
**Deficiency Appropriations Total \$1.3 Billion,
\$1.13 Billion in General Funds
(\$ in Millions)**



**General Fund Deficiency Appropriations Total \$1.13 Billion
(\$ in Millions)**

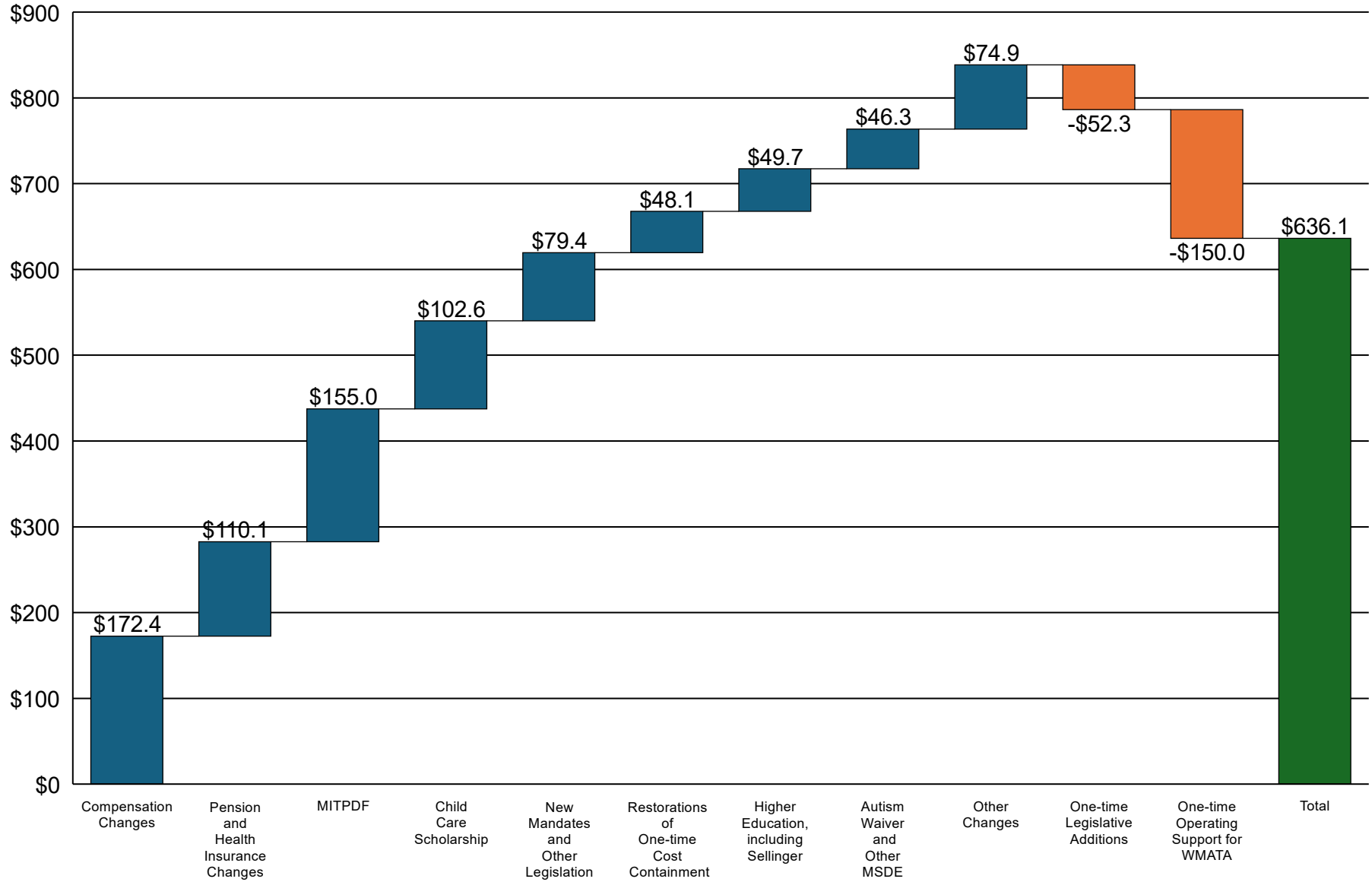


**General Fund Spending Increases by \$1.26 Billion Primarily Due to Entitlement Spending
and Required Appropriations to the Reserve Fund
(\$ in Millions)**



PAYGO: pay-as-you-go

**State Agency Changes Total \$636 Million, Personnel Changes Represent
Largest Areas of Increase
(\$ in Millions)**

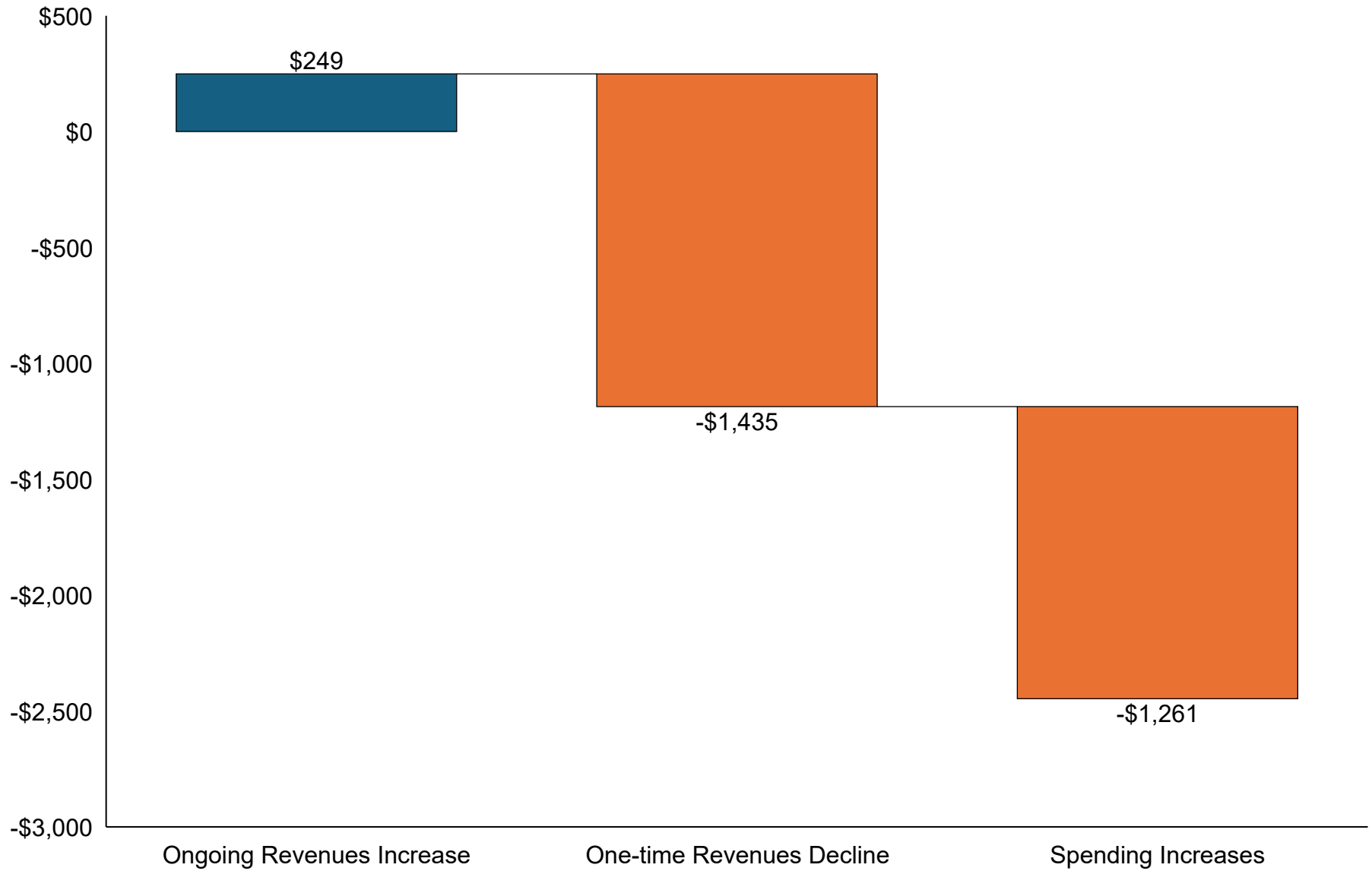


MITPDF: Major Information Technology Project Development Fund
 MSDE: Maryland State Department of Education
 WMATA: Washington Metropolitan Area Transit Authority

General Fund: End-of-year Balances
Fiscal 2024-2026
(\$ in Millions)

	2024 <u>Actual</u>	2025 <u>Working</u>	2026 <u>Baseline</u>
Total Funds Available	\$28,307	\$26,629	\$25,443
Total Spending	27,247	26,928	28,189
Cash Balance	\$1,060	-\$299	-\$2,746
Structural Balance (Ongoing Revenues Less Ongoing Spending)	\$220	-\$1,007	-\$2,291
Ratio (Ongoing Revenues/Ongoing Operating Costs)	100.9%	96.1%	91.7%
Reserve Fund Activity			
Appropriations to Rainy Day Fund	\$1,061	\$0	\$419
Transfers to General Fund	479	355	77
Estimated Rainy Day Fund Balance – June 30	\$2,411	\$2,134	\$2,528
Rainy Day Fund Balance in Excess of 5%	\$1,168	\$885	\$1,264

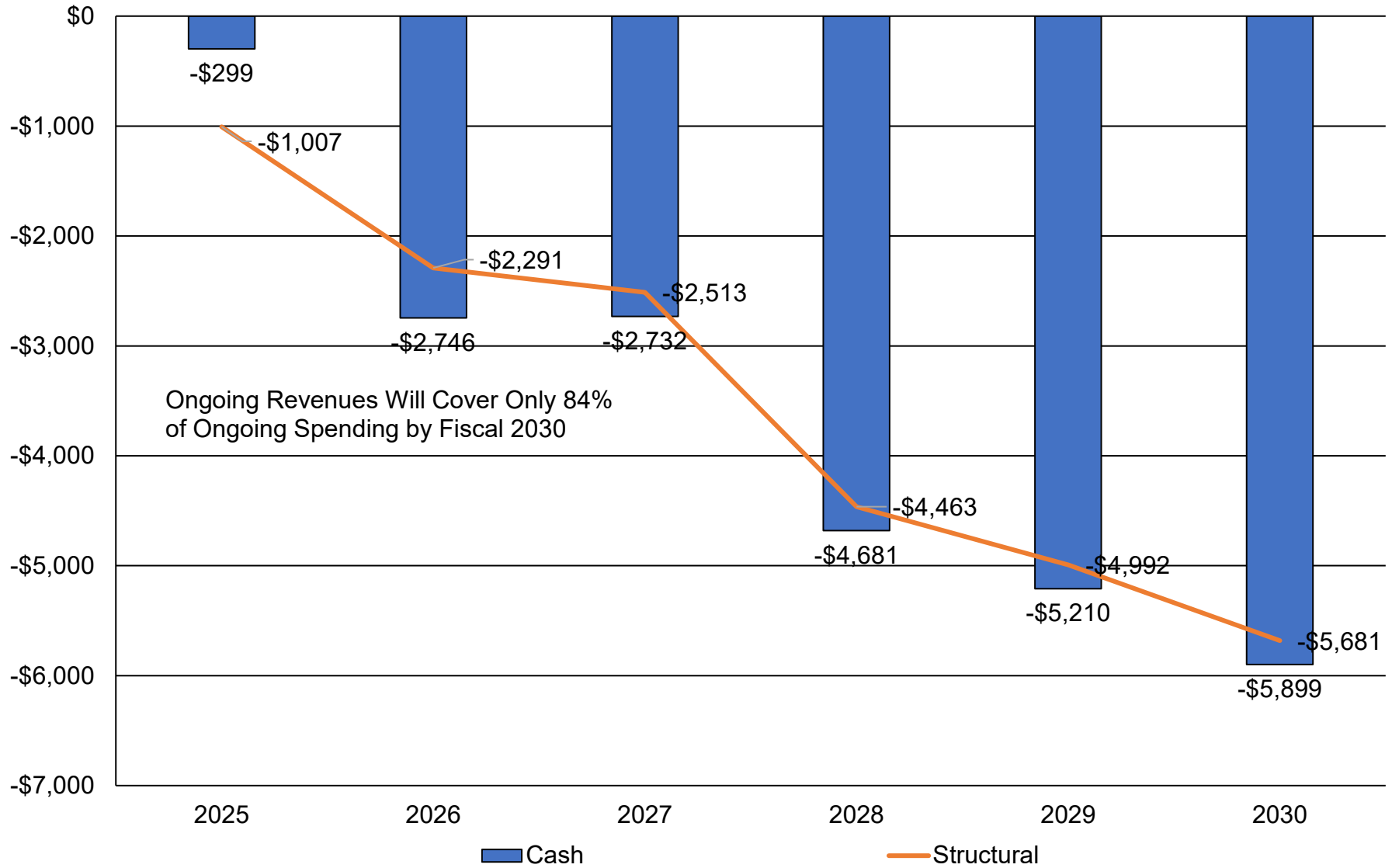
Why Does General Fund Outlook Deteriorate from Fiscal 2025 to 2026? (\$ in Millions)



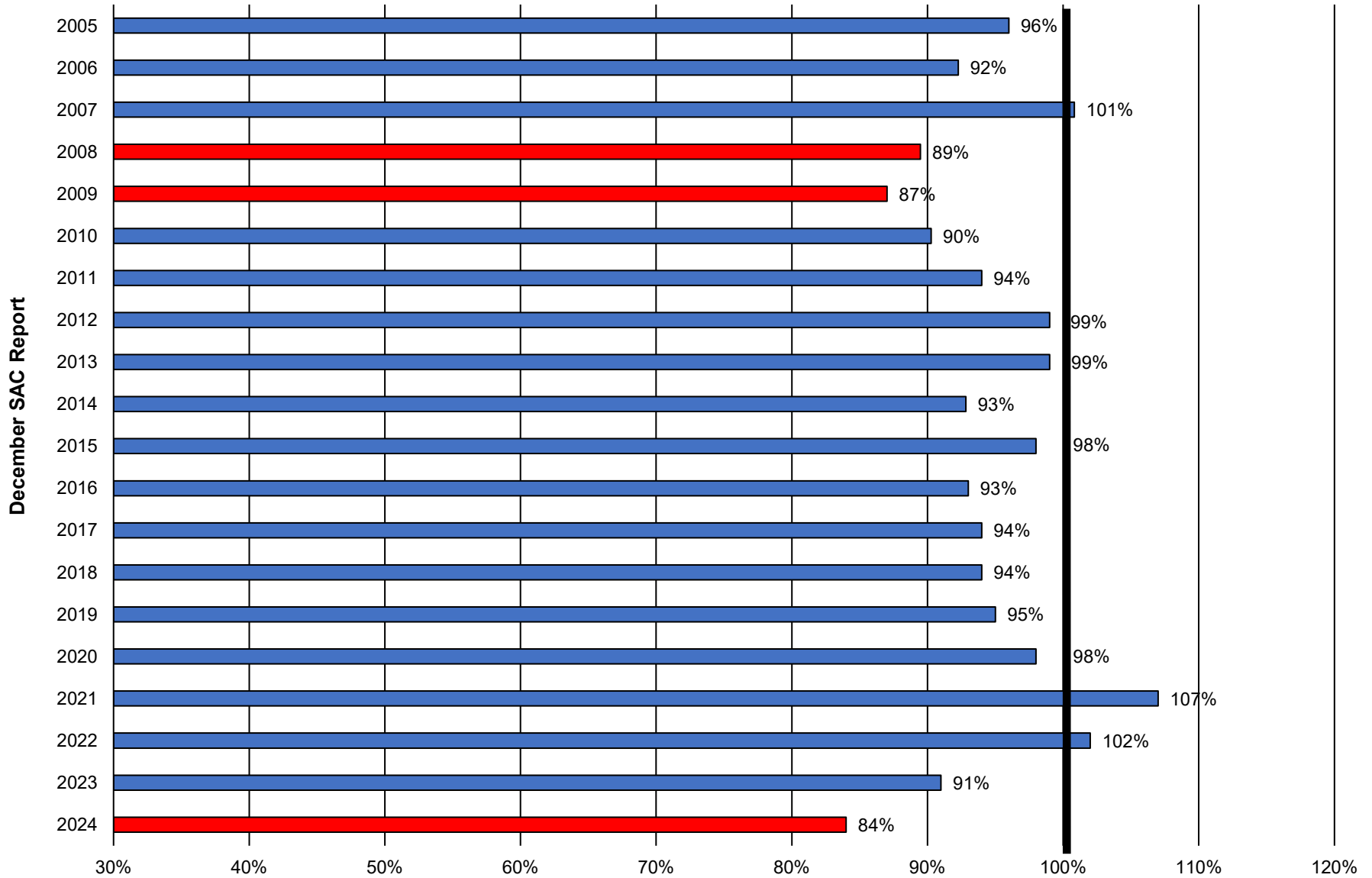
Cash and Structural Budget Shortfalls Forecast with Rainy Day Fund at about 10% of Revenues

Fiscal 2025-2030

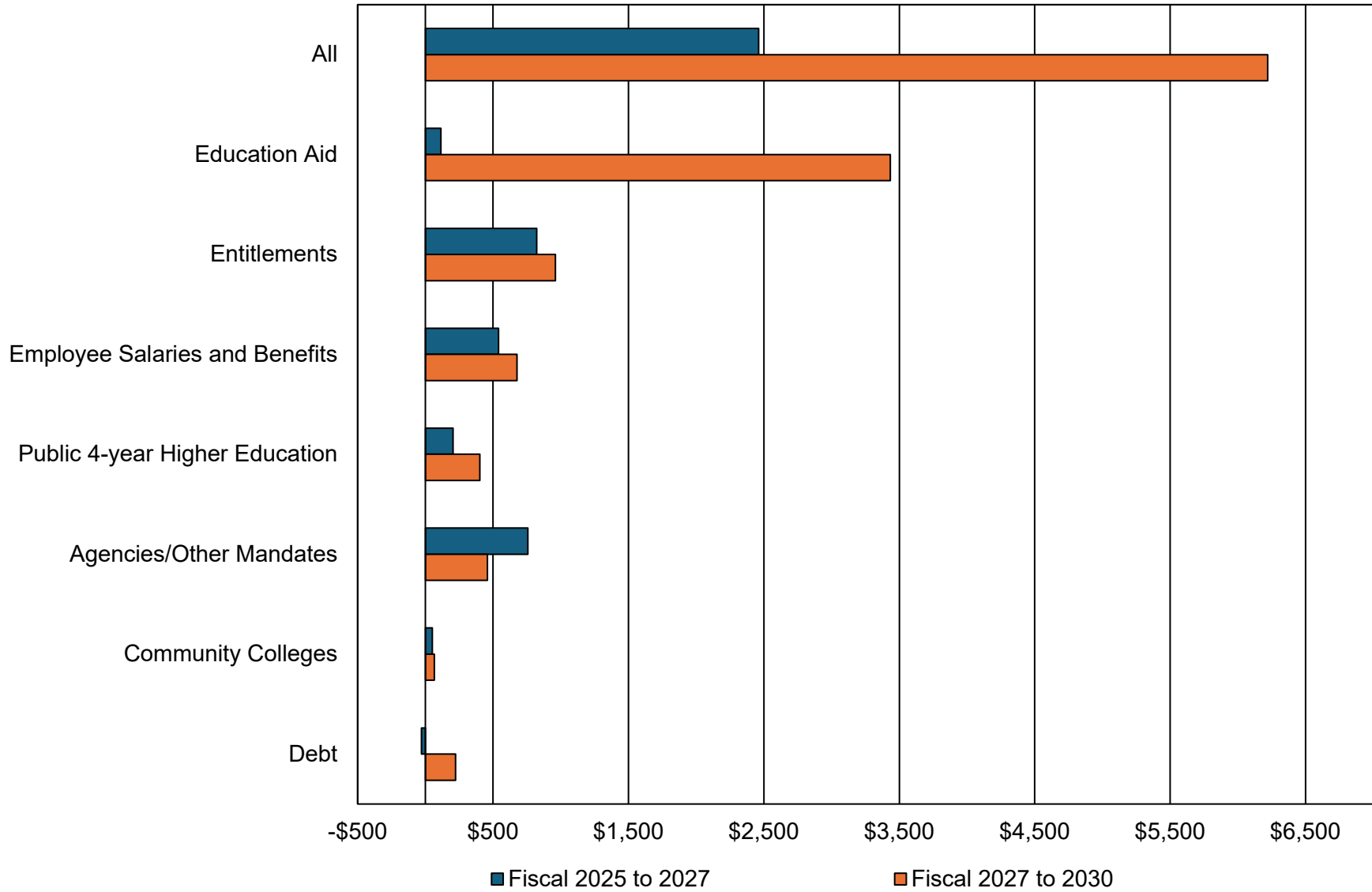
(\$ in Millions)



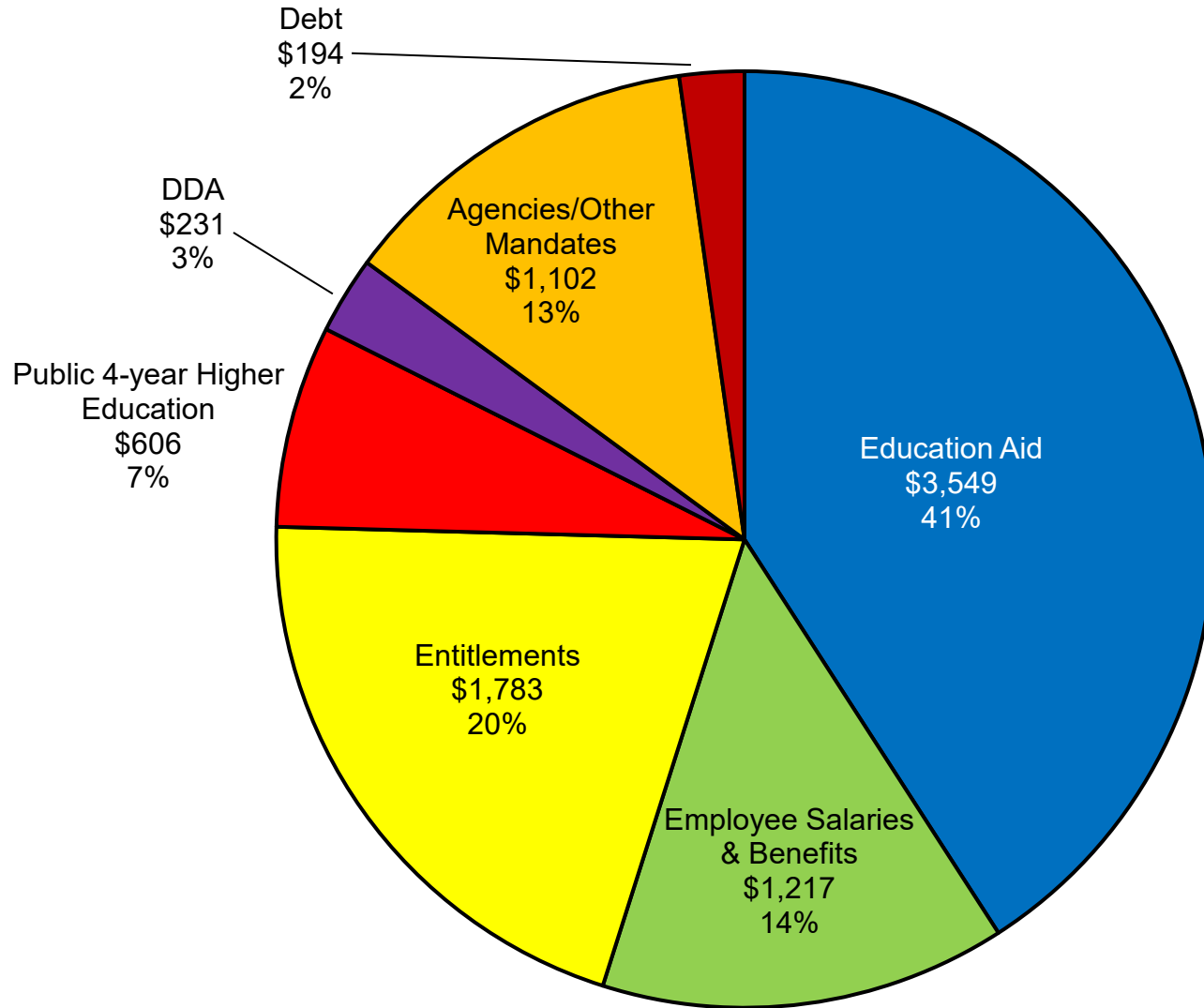
Long-term Budget Outlook Is Worse Than During the Great Recession Ongoing Revenues As % of Ongoing Spending: Year 5 of Outyear SAC Forecast



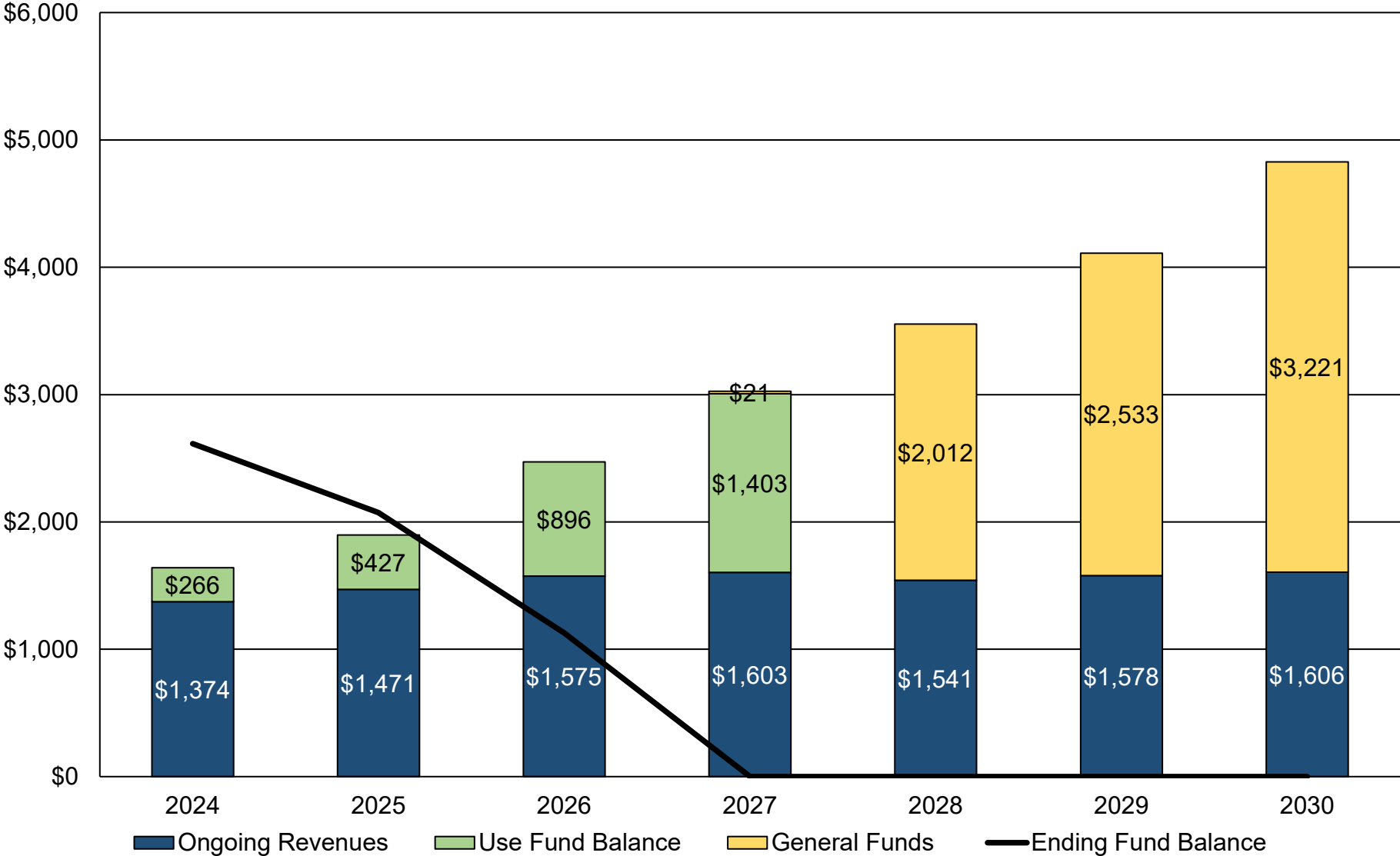
**Drivers of Ongoing Spending Growth Fiscal 2025 to 2027
Compared to Fiscal 2027 to 2030
(\$ in Millions)**



**Ongoing General Fund Spending Projected to Increase \$8.7 Billion
from Fiscal 2025 to 2030
(\$ in Millions)**



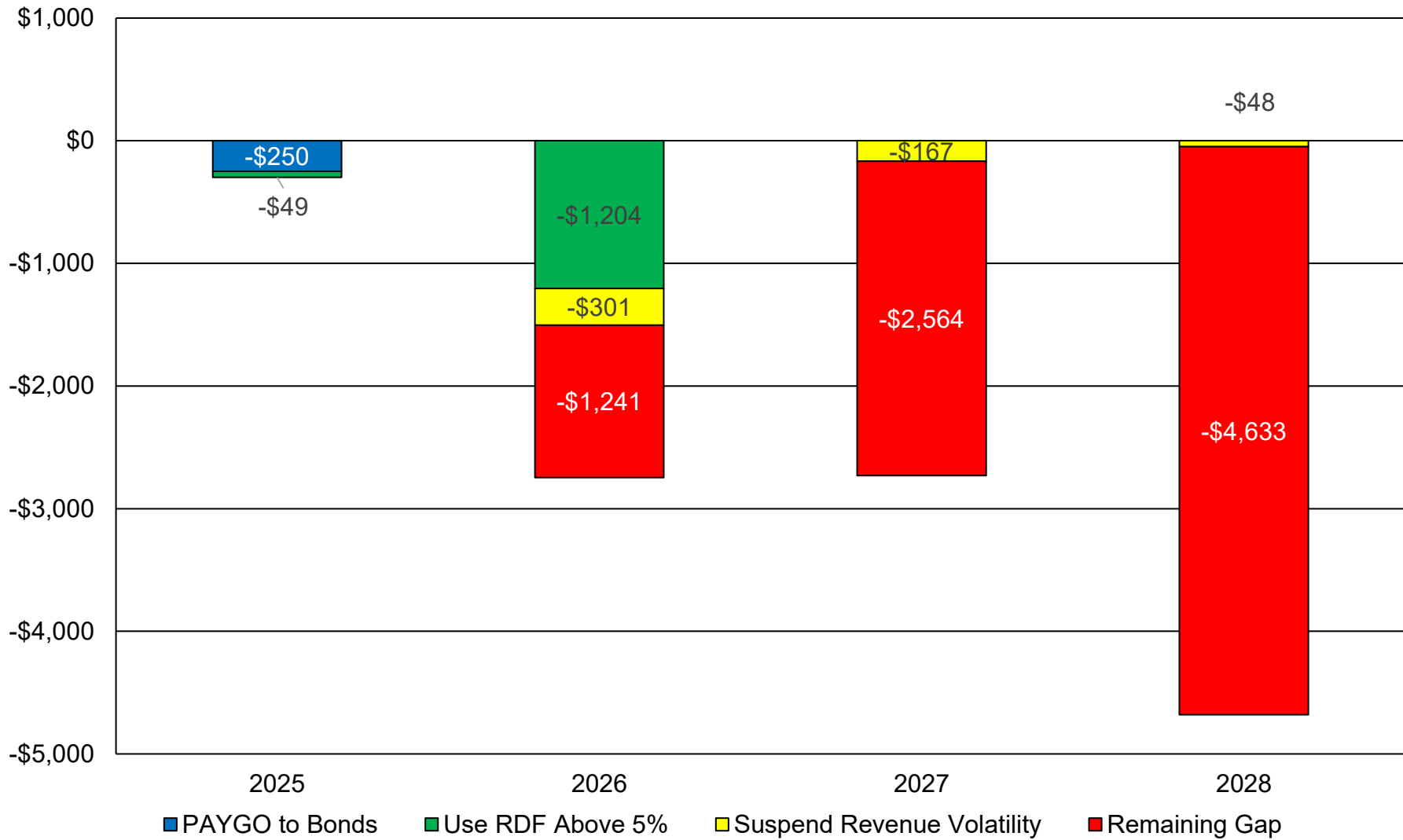
Estimated Blueprint Costs and Funding Sources
Fiscal 2024-2030
 (\$ in Millions)



Reserves, Suspension of Revenue Volatility, and Shift of PAYGO to Bonds Can Help Mitigate Budget Gap

Fiscal 2025-2028

(\$ in Millions)



PAYGO: pay-as-you-go

RDF: Rainy Day Fund

New Transportation Revenues Enacted 2024 Session
Fiscal 2025-2030
(\$ in Millions)

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>Total 2025-2030</u>
Registrations - Non-HUR	\$165	\$205	\$262	\$264	\$264	\$264	\$1,423
Transportation Network Company Fee	33	36	39	42	47	53	250
Electric Vehicle Surcharge	9	27	34	45	58	72	244
SHA Workzone Safety	10	11	10	9	8	8	55
Sales Tax - Electricity	1	1	1	2	2	2	10
Total New Revenues	\$217	\$279	\$346	\$361	\$378	\$399	\$1,981

HUR: highway user revenue
SHA: State Highway Administration

Source: Maryland Department of Transportation, Draft 2025 Transportation Trust Fund Financial Forecast

Transportation Trust Fund Six-year Forecast Comparisons
Fiscal 2024-2030
(\$ in Millions)

	<u>MDOT</u> <u>Jan. 2024</u>	<u>MDOT</u> <u>Sept. 2024</u>	<u>Diff.</u>	<u>DLS</u> <u>Nov. 2024*</u>	<u>Diff.</u>
Revenues					
Net Revenues and Fund Balance Use	\$28,182	\$29,666	\$1,484	\$30,027	\$360
Bond Proceeds and Premiums	2,050	3,010	960	3,010	0
Total Revenues	\$30,232	\$32,676	\$2,444	\$33,037	\$360
Expenditures					
Debt Service	\$2,703	\$2,903	\$200	\$2,903	\$0
Operating Budget	17,918	20,025	2,107	20,037	12
State Funds Available for Capital	9,612	9,748	137	10,096	348
Total Expenditures	\$30,232	\$32,676	\$2,444	\$33,037	\$360
Capital Summary					
State Program (excluding HUR)	\$7,459	\$7,429	-\$30	\$7,733	\$304
Highway User Revenues	2,152	2,319	167	2,363	44
Net Federal Capital (Cash Flow)	8,344	6,849	-1,495	6,849	0
Other Funds	2,197	2,258	61	2,258	0
Total Capital	\$20,153	\$18,855	-\$1,297	\$19,203	\$348

*Includes consensus attainment levels for motor vehicle fuel and titling taxes for fiscal 2025 and 2026.

DLS: Department of Legislative Services

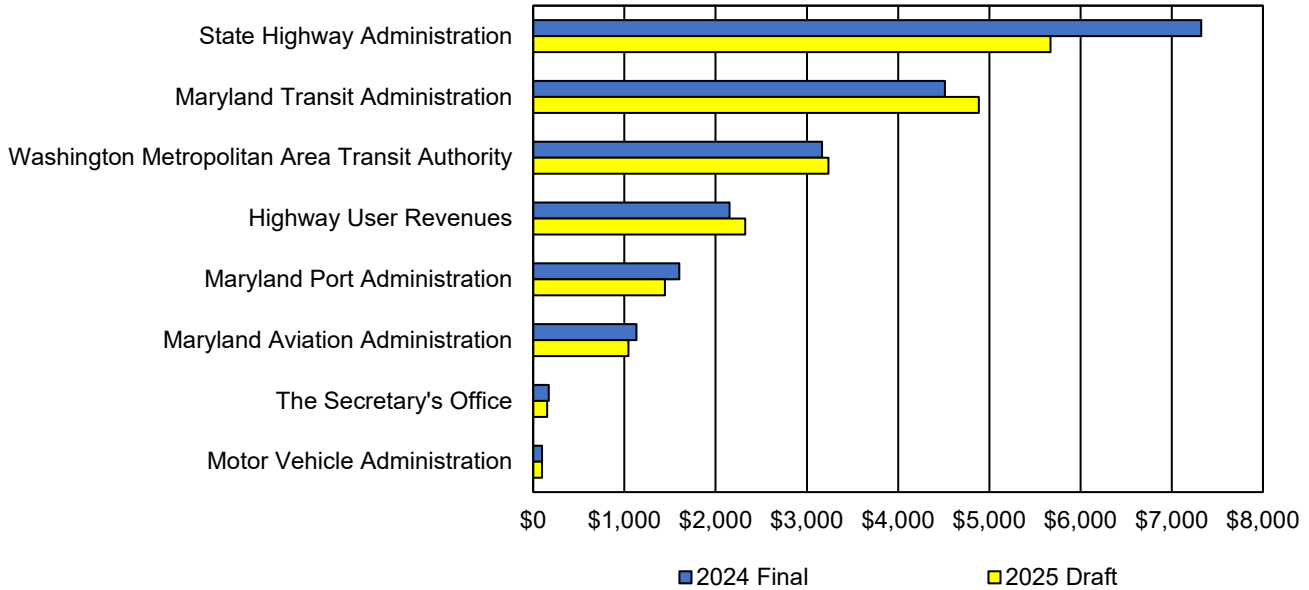
HUR: highway user revenue

MDOT: Maryland Department of Transportation

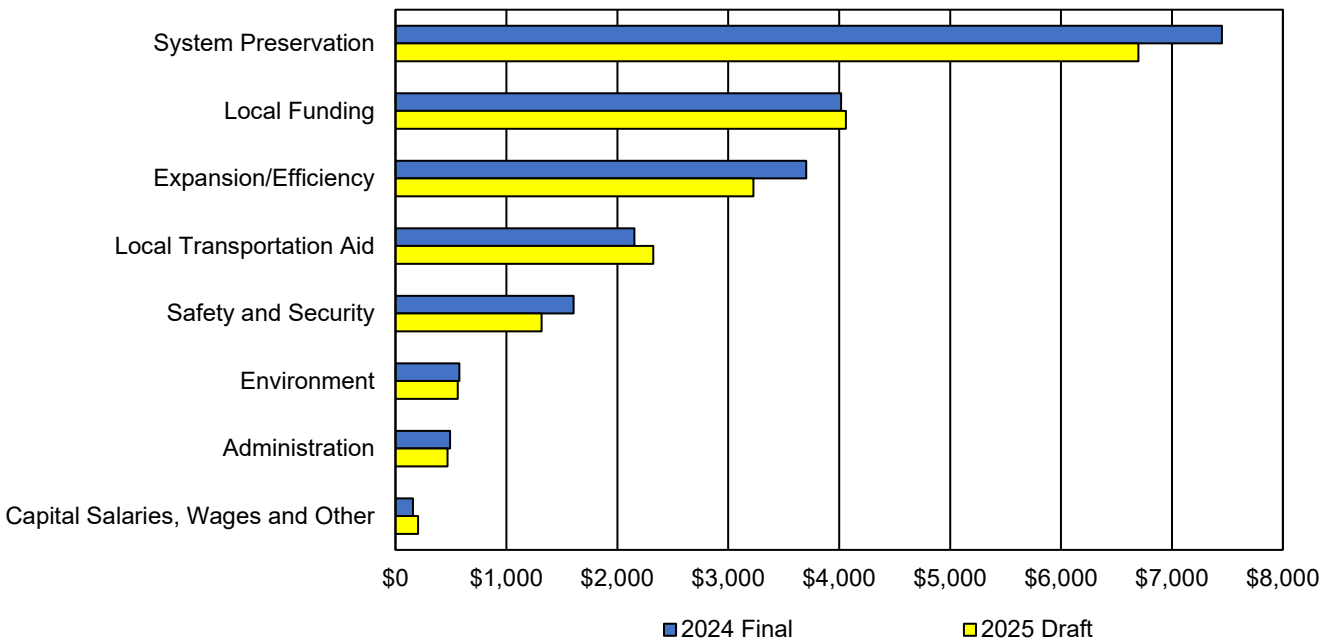
Note: Numbers may not sum to total due to rounding.

- New revenues primarily cover increased operating expenses that increase due to recent statewide employee compensation increases; escalation in major contracts, and the initiative to improve transit service.
- The federal fund capital decline reflects reduced expectations of the level of overall capital attainment. The 2024 *Consolidated Transportation Program* (CTP) reflects an 80/20 federal/State overall share that was an increase from the 70/30 split used in previous CTPs. The 2025 draft CTP assumes a 75/25 federal/State split.
- The Department of Legislative Services forecast reflects:
 - the actual fiscal 2024 closing balance, which is \$143 million higher than assumed in the Maryland Department of Transportation (MDOT) September forecast that was released before closeout was finalized;
 - consensus attainment levels for motor fuel taxes and titling taxes for fiscal 2025 and 2026; and
 - higher attainment in titling taxes, which more than offsets a slightly lower estimate of motor vehicle fuel tax revenue relative to the MDOT September forecast.

**Consolidated Transportation Program Comparison by Mode
2024 Final v. 2025 Draft
(\$ in Millions)**



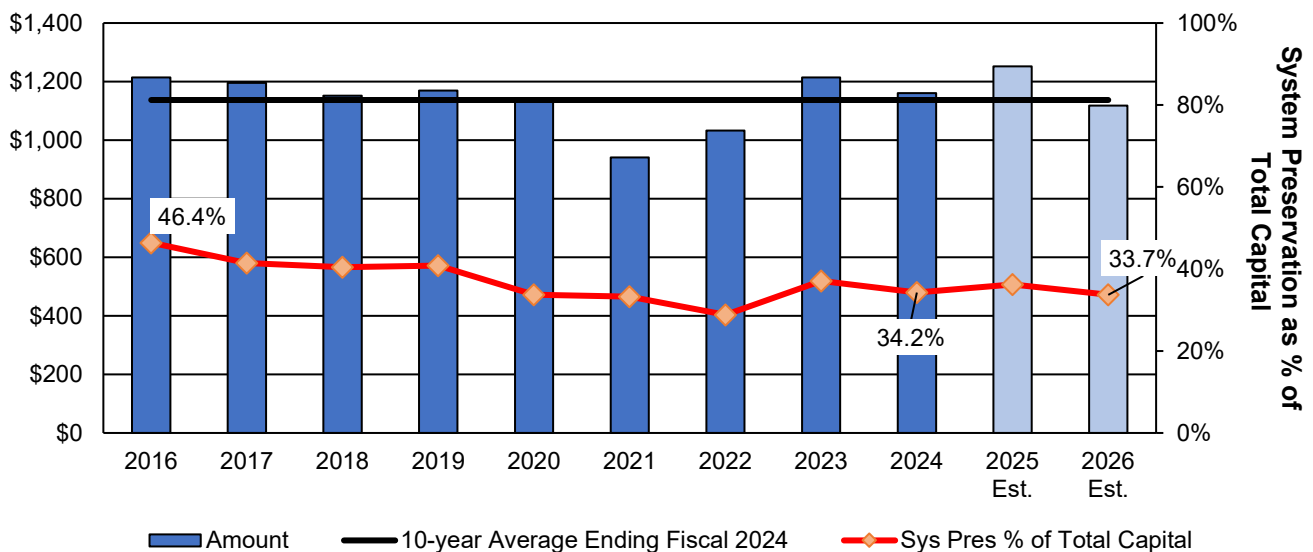
**Consolidated Transportation Program Comparison by Investment Category
2024 Final v. 2025 Draft
(\$ in Millions)**



Chapters 27 and 563 of 2022 require the Spending Affordability Committee to include recommendations in the report that it submits to the Legislative Policy Committee and the Governor on:

- a recommended fund balance for the Transportation Trust Fund (TTF); and
- a recommended minimum expenditure level for system preservation by the Maryland Department of Transportation (MDOT).
- MDOT's target closing balance for the TTF is set to meet projected working cash flow needs. The draft TTF forecast has a target closing balance of \$400 million in fiscal 2026. This level is unchanged from the target closing balance anticipated in the January 2024 financial forecast and is reasonable based on expected federal funding for the capital program.

**Consolidated Transportation Program Year 1 (Working Appropriation)
System Preservation Programmed Funding
Fiscal 2016-2026 Est.
(\$ in Millions)**

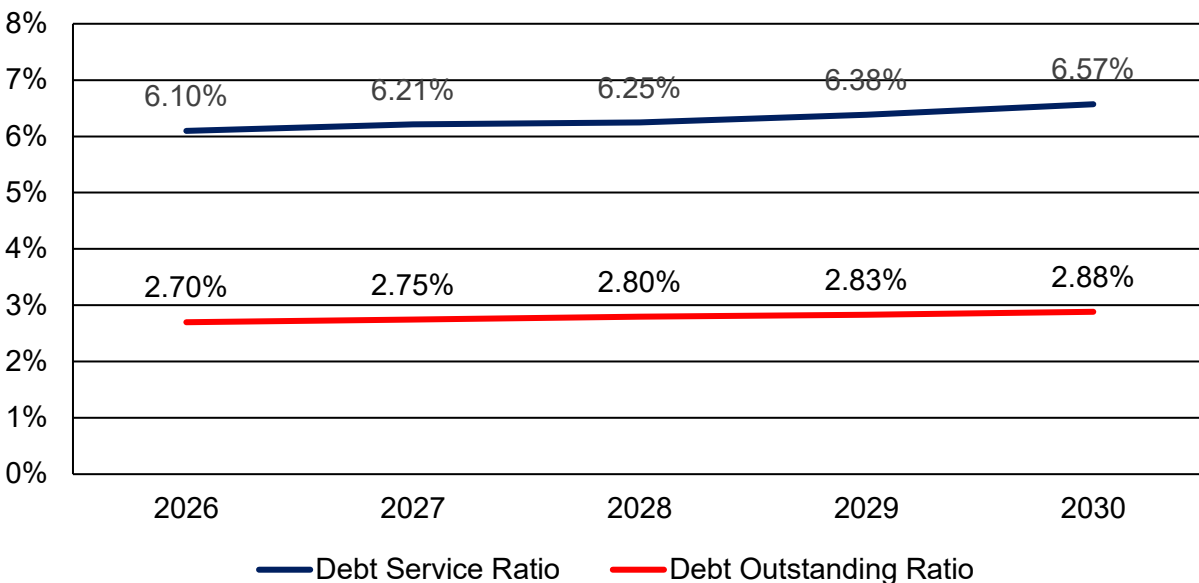


- MDOT periodically calculates the need for funding for State of Good Repair, which is roughly analogous to system preservation, and the amount currently programmed and projected over the next 10 years. The most recent calculation indicated there was a gap of \$11.2 billion between identified need and projected funding.
- Average annual spending for system preservation for the 10-year period ending with fiscal 2024 was \$1,137 million. The draft *Consolidated Transportation Program* includes \$1,118 million for system preservation projects for fiscal 2026, which is \$19 million short of the 10-year average.

State Debt Affordability Ratios

- The Capital Debt Affordability Committee (CDAC) develops State debt policy. CDAC has two affordability criteria:
 - State debt service cannot exceed 8% of State revenues; and
 - State debt outstanding cannot exceed 4% of personal income.
- In 2023, the Spending Affordability Committee (SAC) recommended that the fiscal 2026 general obligation bond authorization increase by 2% (\$35 million) for a \$1.785 billion authorization. CDAC's October 2024 recommendation maintains authorizations at \$1.75 billion.
- The SAC authorizations are affordable. Most of the additional costs of this increase are beyond the forecast period. The maximum annual debt service cost for each year is \$3.7 million, and five consecutive 2% authorization increases add \$18.7 million in annual debt service costs. Maximum annual debt service also increases the debt service ratio by a range of 0.04% to 0.07%.

Affordability Ratios with 2% Annual Authorization Increases Fiscal 2026-2030

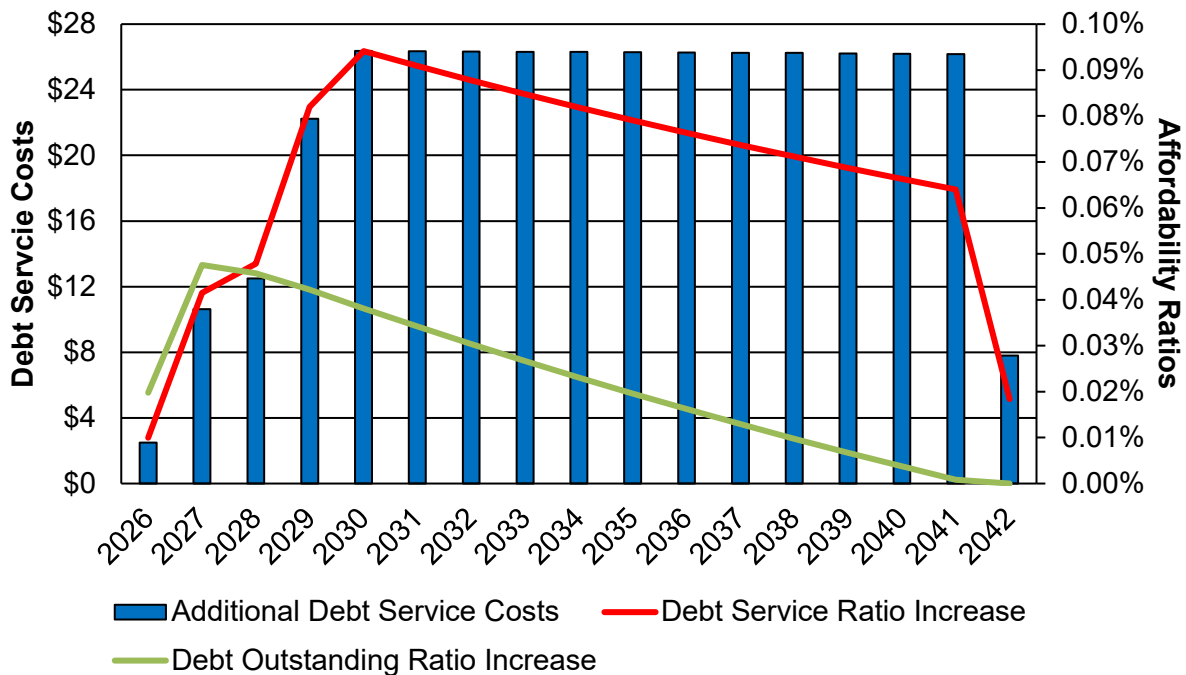


Source: Board of Revenue Estimates; Maryland Department of Transportation; State Treasurer's Office; Maryland Stadium Authority; Maryland Department of the Environment; Capital Debt Affordability Committee; State Department of Assessments and Taxation; Department of Legislative Services

Cost of One-time PAYGO Replacement Authorization

- To reduce the general fund shortfall, \$250 million of bonds could be authorized for projects and programs funded with general funds in prior years.
- This authorization’s maximum annual debt service is \$26.4 million. The effect on the Capital Debt Affordability Committee ratios is:
 - the debt service ratio increases by 0.09% and declines as revenues increase and debt service payments remain constant; and
 - the debt outstanding ratio increases peak at 0.05% in the second year and then decline, which is attributable to the short 15-year amortization period that retires debt quickly and anticipated increases in personal income.

**Effect of \$250 Million PAYGO Replacement Authorization
Fiscal 2026-2042
(\$ in Millions)**



PAYGO: pay-as-you-go

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

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

<u>State</u>	<u>Total Long-term Liabilities to Revenues</u>	<u>State Debt to Personal Income</u>	<u>Implied Debt Service to Revenues</u>	<u>Pension Liability to Personal Income</u>	<u>OPEB Liability to Personal Income</u>	<u>Capital Asset Depreciation Ratio</u>
Maryland	7	12	7	9	10	4
Delaware	8	4	10	14	1	29
Texas	15	34	30	20	13	48
Missouri	23	42	37	25	19	20
Ohio	31	22	14	38	33	13
Georgia	33	27	19	34	33	11
Virginia	34	18	16	42	32	46
Florida	36	34	28	47	30	23
Indiana	38	42	42	29	42	2
Minnesota	39	24	25	32	33	16
North Carolina	40	34	32	42	22	50
Utah	45	33	32	45	42	42
Tennessee	47	47	47	47	30	38
Iowa	49	42	42	47	33	20
South Dakota	50	39	42	44	42	45

OPEB: Other Postemployment Benefits

Note: Rankings compare 50 states and do not include the District of Columbia or territories. Lower rankings signifying higher liabilities. Maryland and AAA-rated states ranked higher than Maryland are shaded. 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.

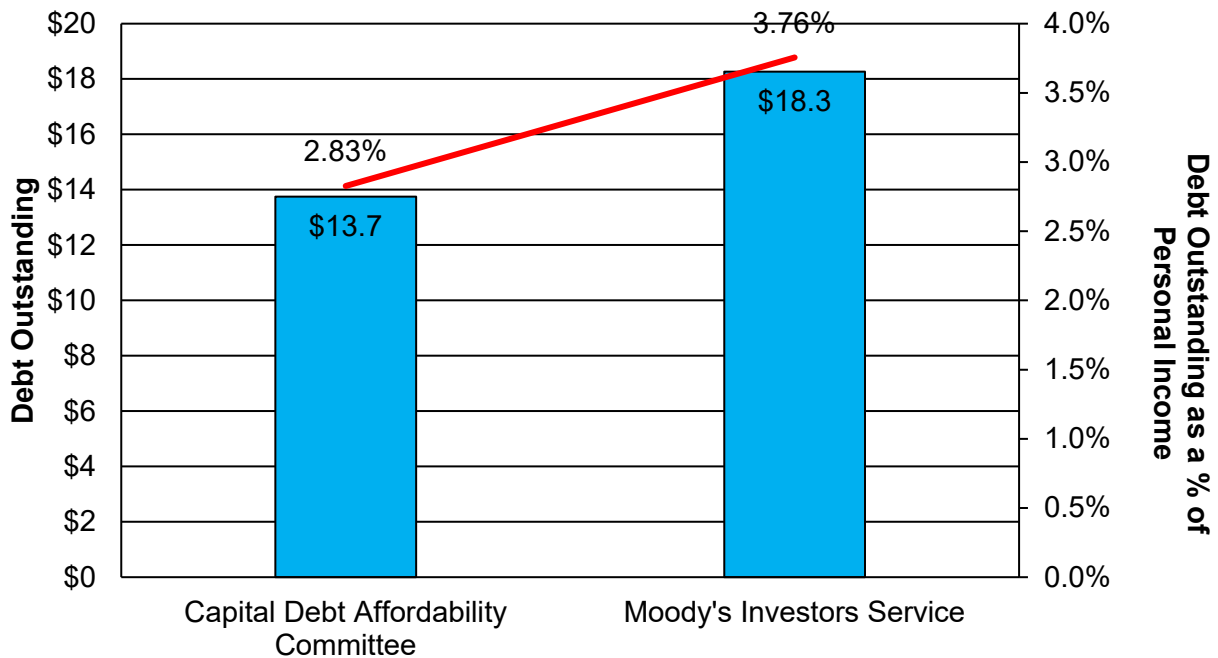
Source: Moody's Investor Services, September 2024

Moody's Revises Maryland Debt Outlook to Negative

- Prior to the June 2024 general obligation bond sale, Maryland received a AAA rating from all three major rating agencies. However, Moody's Investors Service revised Maryland's outlook to negative. Reasons cited were expected structural deficits and plans to reduce the general fund reserves.
- Rating agencies are moving toward more quantitative ratings assessments. Moody's published a revised methodology in July 2024 followed by Standard and Poor's Global Ratings in September 2024. These approaches quantify economic and financial performance, liabilities, and reserves.
- Moody's calculations include \$4.5 billion in additional State debt, including special capital leases consistent with Governmental Accounting Standards Board Statement 87, Built to Learn and Baltimore City School bonds, transportation project bonds, and net bond sale premiums. The exhibit shows increased total debt outstanding and debt outstanding as a share of personal income.

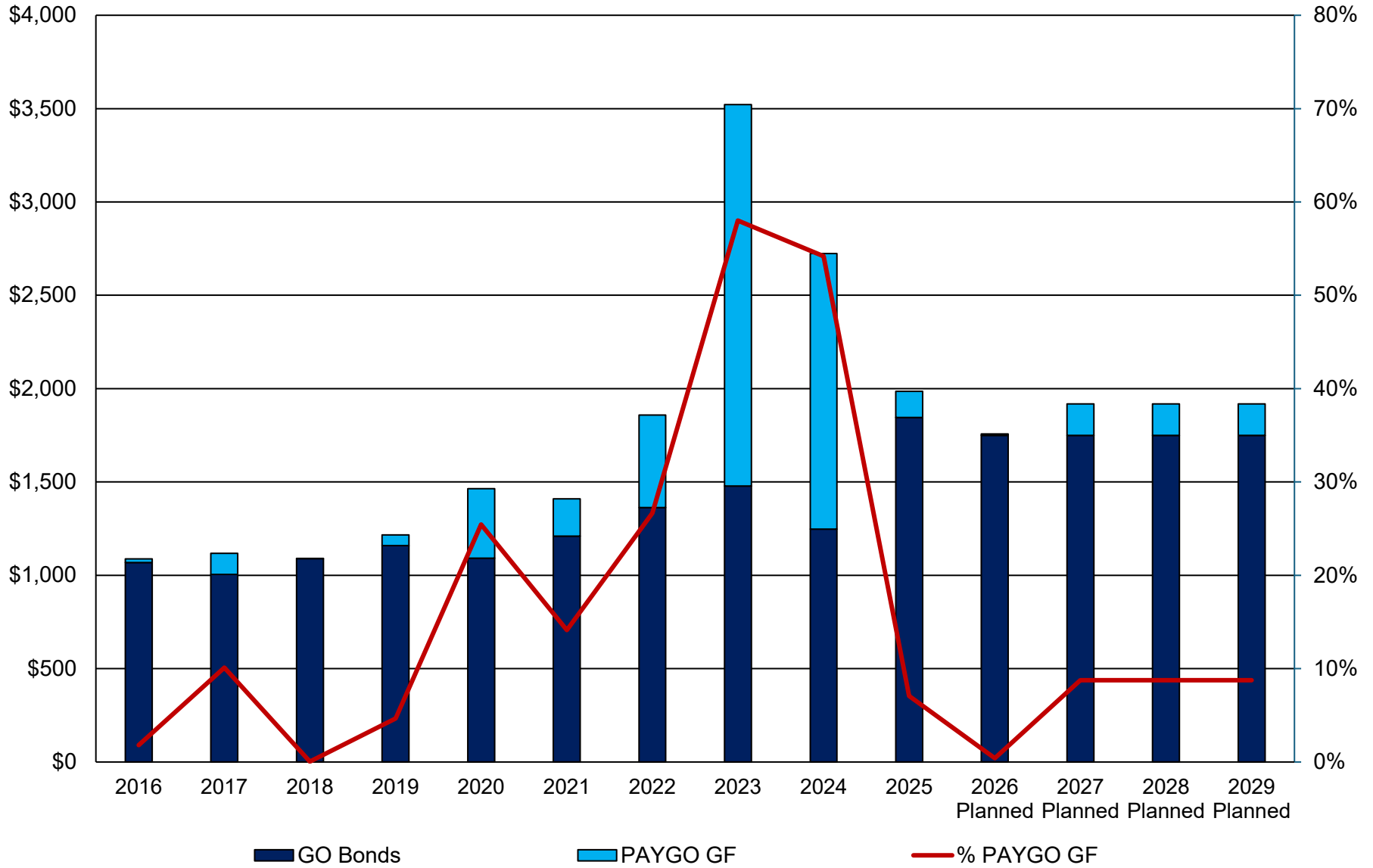
Difference Between Capital Debt Affordability Committee and Moody's State Debt Outstanding Calculations

Fiscal 2024
(\$ in Billions)



Sources: Moody's Investors Service; State Treasurer's Office; Department of Legislative Services

General Fund Support for the Capital Program Fiscal 2016-2029 Planned (\$ in Millions)

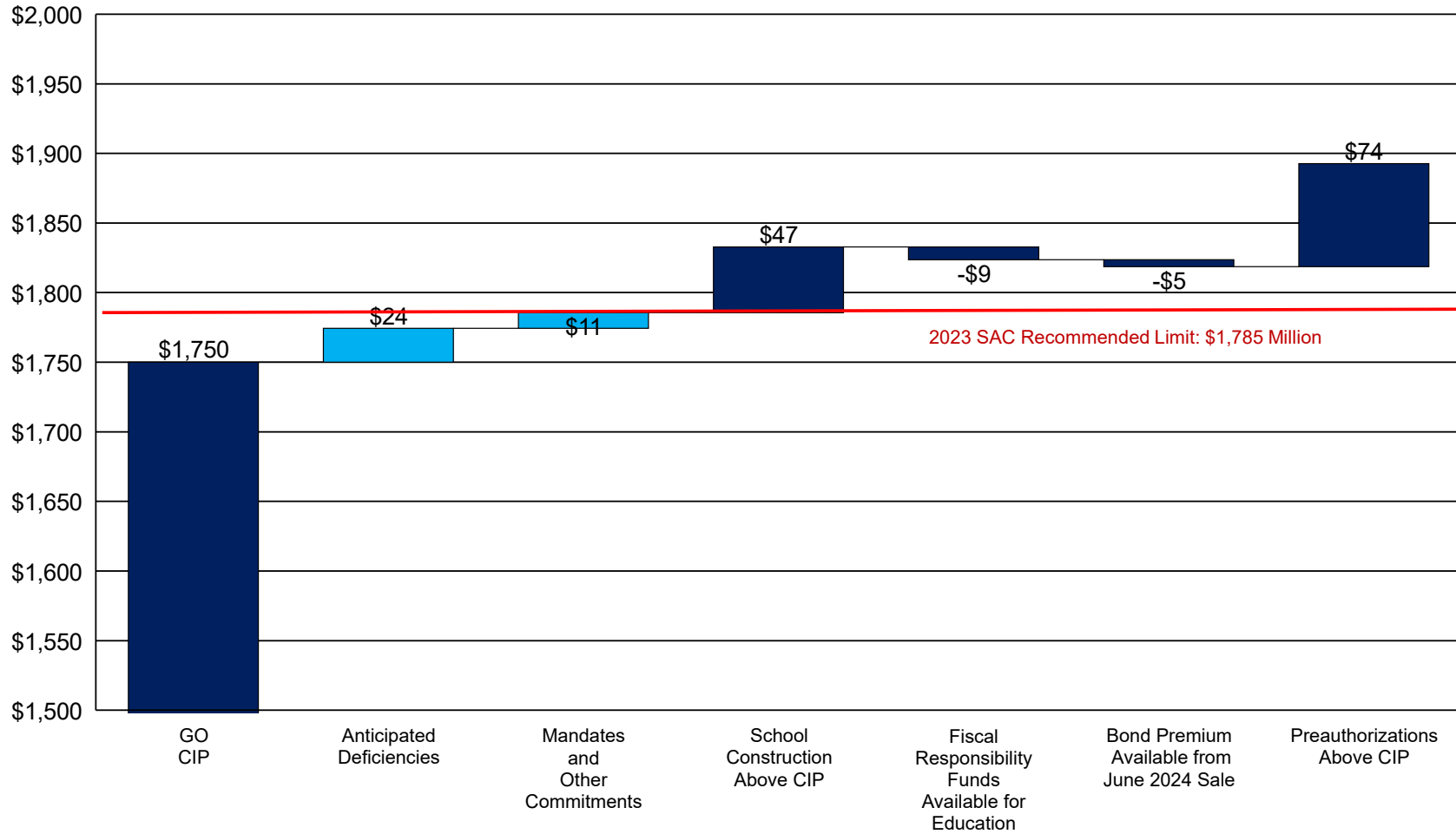



GF: general fund

GO: general obligation

PAYGO: pay-as-you-go

Capital Commitments and Other Fiscal Pressures Total \$1.89 Billion in Fiscal 2026
 (\$ in Millions)



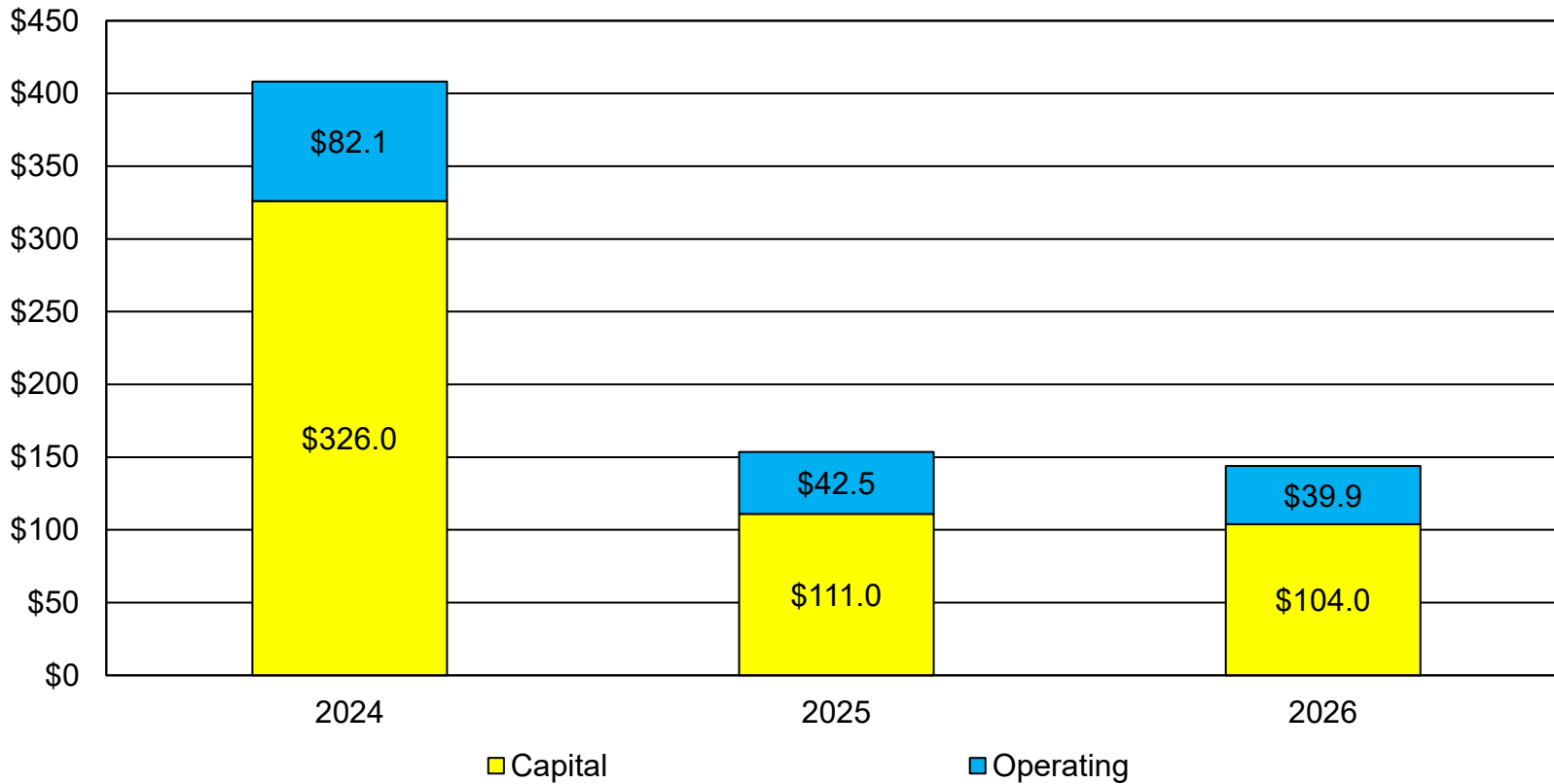
 Indicates items accounted for in the baseline general fund assumptions

CIP: *Capital Improvement Program*

GO: general obligation

SAC: Spending Affordability Committee

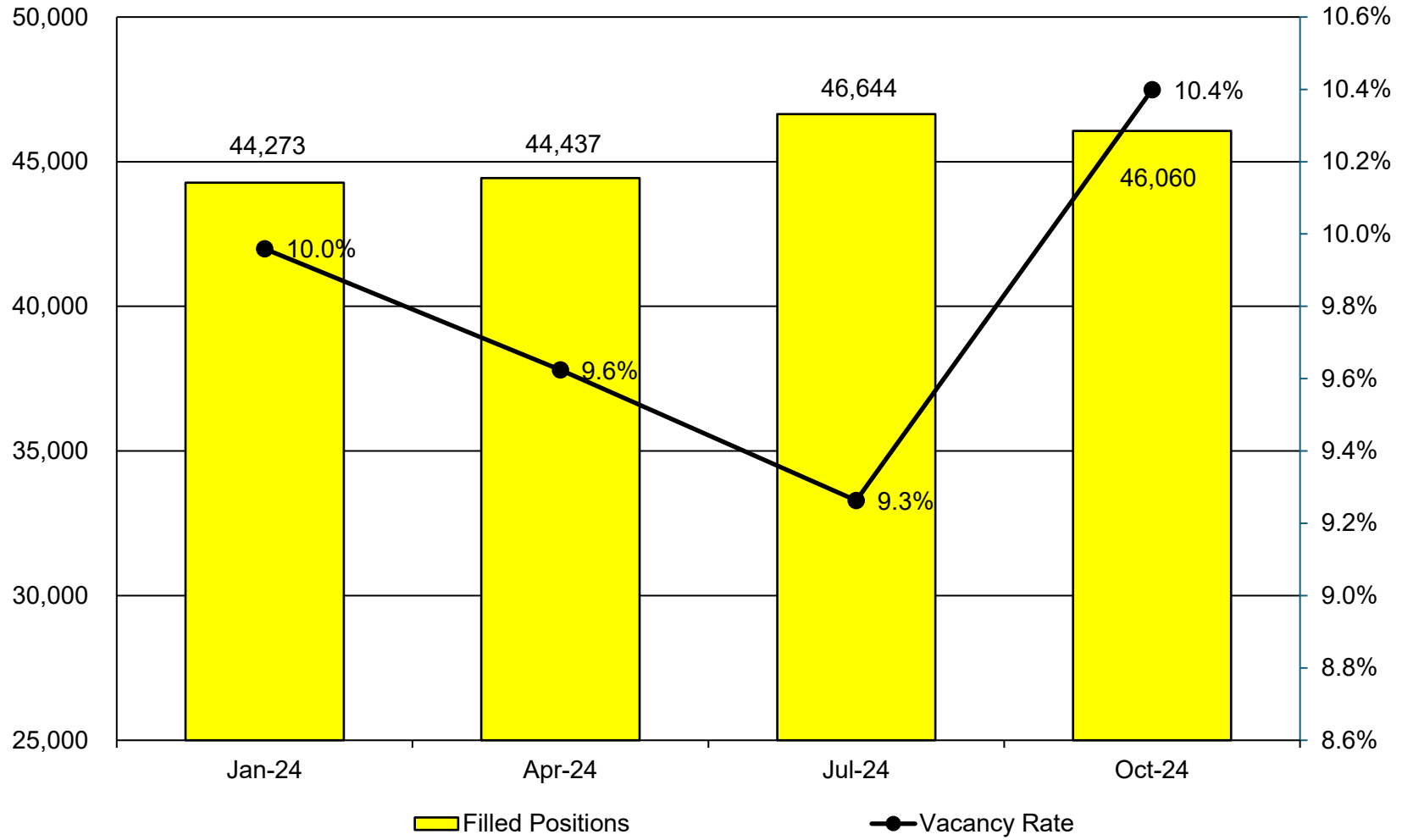
Reduced Transfer Tax Revenue to Operating and Capital Budgets
Fiscal 2024-2026
(\$ in Millions)



Note: Fiscal 2024 includes \$122 million of fiscal 2022 actual revenues above budgeted revenues. Fiscal 2025 includes a negative adjustment of \$79.5 million due to underattainment of actual fiscal 2023 revenues below budgeted revenues. Fiscal 2026 includes a negative adjustment of \$87.5 million due to underattainment of actual fiscal 2024 revenues below budgeted revenues.

Source: Board of Revenue Estimates

Filled Positions and Vacancy Rate January to October 2024



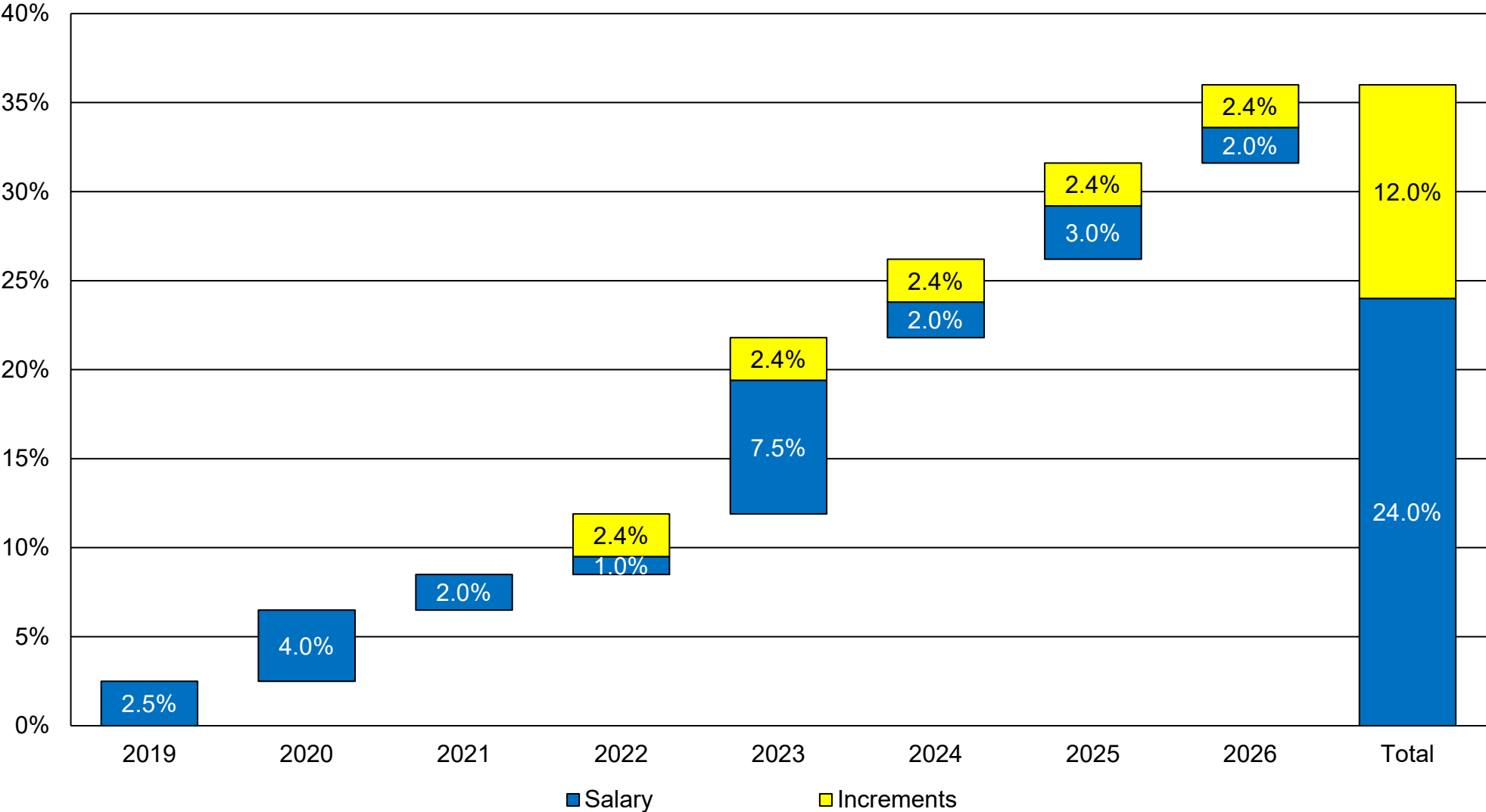
Analysis of Vacancies and Turnover Rate
Executive Branch, Excluding Higher Education
Fiscal 2025 Legislative Appropriation Compared to October 2024 Vacancies

<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	9,212	11.8%	1,088	1,019	-69	11.1%
Human Services	5,979	8.6%	514	472	-41	7.9%
Health	7,208	9.3%	669	1,122	453	15.6%
Police and Fire Marshal	2,578	8.6%	222	303	81	11.8%
Juvenile Services	2,157	7.7%	166	246	79	11.4%
Transportation	9,194	4.8%	439	629	190	6.8%
Subtotal	36,327	7.2%	3,097	3,791	694	10.4%
Other Executive						
Legal (Excluding Judiciary)	1,717	5.7%	99	201	102	11.7%
Executive and Administrative Control	2,075	5.7%	118	236	118	11.4%
Financial and Revenue Administration	2,323	6.8%	157	195	38	8.4%
Budget and Management and DoIT	558	3.8%	21	64	43	11.5%
Retirement	199	5.3%	11	19	8	9.5%
General Services	727	4.8%	35	73	38	10.0%
Service and Civic Innovation	39	9.8%	4	16	12	40.5%
Natural Resources	1,501	13.4%	200	197	-3	13.1%
Agriculture	426	4.9%	21	47	26	11.0%
Labor	1,844	10.8%	199	184	-15	10.0%
MSDE and Other Education	2,036	5.7%	116	152	36	7.5%
Housing and Community Development	446	5.0%	22	26	4	5.9%
Commerce	208	6.1%	13	21	8	10.1%
Environment	981	7.4%	72	126	54	12.8%
Subtotal	15,079	7.0%	1,087	1,556	469	10.3%
Executive Branch Subtotal	51,406	8.0%	4,184	5,347	1,163	10.4%

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

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

Salary Increases Fiscal 2019-2026



Note: Funding was provided in fiscal 2024 for an additional step increase for employees represented by the American Federation of State, County, and Municipal Employees. The fiscal 2025 legislative appropriation includes funding for an additional step increase in January 2025 for employees who have been in service since June 30, 2019.

State Retirement and Pension System

Projected Employer Pension Contributions Fiscal 2025-2026 (\$ in Millions, All Funds)

	<u>2025</u>	<u>2026</u>	<u>\$ Change</u>	<u>% Change</u>
Employees' Combined	\$906	\$1,027	\$121	13.4%
Teachers' Combined – State Share	1,017	1,208	191	18.8%
State Police	124	144	20	16.1%
Judges	29	33	4	13.8%
Law Enforcement Officers	70	78	8	11.4%
Supplemental and Sweeper Contributions	50	75	25	50.0%
State Total	\$2,196	\$2,565	\$369	16.8%
Teachers' Combined – Local Share	\$397	\$438	\$41	10.2%
Total	\$2,593	\$3,003	\$410	15.8%

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

Source: State Retirement Agency; Department of Legislative Services

- The State contribution for fiscal 2026 includes the annual mandated supplemental contribution of \$50.0 million, which was reduced from \$75.0 million in the Budget Reconciliation and Financing Act of 2024. The contribution also includes \$25.0 million from the pension sweeper provision, which was not included in the fiscal 2025 budget as enacted.
- Multiple factors contribute to the large increase in State pension contributions:
 - **Actuarial assumptions** for total inflation and wage inflation were each increased by the Board of Trustees of the State Retirement and Pension System by 25 basis points, to 2.50% and 3.00%, respectively.
 - Even with the higher wage growth assumption, actual **payroll growth** (8.8% overall) exceeded the assumption.

- Although **investment returns** for the year ending June 30, 2024, (6.93%) exceeded the actuarial assumption of 6.8%, the “smoothed” actuarial rate of return (5.56%) used to calculate the contribution rate was below the assumed rate of return. This adds to State costs but not local school districts’ costs since the State funds all investment losses.
- **Cost-of-living adjustments for retirees** increased more than assumed due to persistent high rates of inflation, although substantially less than last year.
- Investment underperformance relative to the 6.8% assumed rate of return is due to a combination of underlying weakness in global financial markets and the system’s conservative asset allocation. The system’s investment program has outperformed its policy benchmark in each of the past four years. For fiscal 2023, the system’s 6.93% return exceeded the benchmark of 6.34% by 59 basis points. However, the annual return was among the lowest for large public pension plans due to the conservative asset allocation.
- The State Retirement and Pension System has more than \$2.4 billion in unrecognized actuarial losses that, barring strong investment performance in the next two years, will continue to put upward pressure on employer contribution rates, particularly in fiscal 2028.

Appendices

Appendix 1
State Expenditures – General Funds
Fiscal 2024-2026
(\$ in Millions)

<u>Category</u>	2024 Working Appropriation	2025 Adj. Legislative Appropriation	2026 Baseline	\$ Change 2025 to 2026	% Change
Debt Service	\$425.1	\$397.1	\$274.0	-\$123.1	-31.0%
County/Municipal	\$456.0	\$415.6	\$408.7	-\$6.9	-1.7%
Community Colleges	475.5	476.9	506.5	29.6	6.2%
Education/Libraries	7,222.2	7,384.0	7,570.1	186.1	2.5%
Health	115.8	111.2	121.2	10.0	9.0%
Aid to Local Governments	\$8,269.4	\$8,387.7	\$8,606.5	\$218.8	2.6%
Foster Care Payments	\$268.5	\$295.9	\$330.9	\$35.0	11.8%
Assistance Payments	122.7	130.4	141.7	11.3	8.7%
Medical Assistance	4,880.1	5,257.2	5,715.8	458.6	8.7%
Property Tax Credits	76.4	79.4	85.1	5.7	7.2%
Entitlements	\$5,347.7	\$5,762.9	\$6,273.5	\$510.6	8.9%
Health	\$2,362.6	\$2,609.3	\$2,704.1	\$94.8	3.6%
Human Services	520.1	509.7	554.0	44.3	8.7%
Juvenile Services	312.9	343.5	368.7	25.2	7.3%
Public Safety/Police	1,895.3	2,084.8	2,264.2	179.4	8.6%
Higher Education	2,209.5	2,303.7	2,498.9	195.1	8.5%
Transportation	1.1	150.9	0.0	-150.9	-100.0%
Other Education	918.0	1,101.0	1,257.3	156.3	14.2%
Agriculture/Natural Res./Environment	234.5	221.4	258.9	37.5	16.9%
Other Executive Agencies	1,673.5	1,766.9	1,747.1	-19.8	-1.1%
Judiciary	667.9	690.4	757.7	67.2	9.7%
Legislative	152.3	160.8	167.7	7.0	4.3%
State Agencies	\$10,947.7	\$11,942.4	\$12,578.5	\$636.1	5.3%
Deficiencies (for Prior Years)	134.5	372.3	0.0	-\$372.3	-100.0%
Total Operating	\$25,124.5	\$26,862.4	\$27,732.5	\$870.1	3.2%
Capital	\$1,151.0	\$140.3	\$62.2	-\$78.1	-55.7%
Subtotal	\$26,275.5	\$27,002.7	\$27,794.7	\$792.0	2.9%
Reserve Funds	\$1,210.6	\$0.5	\$469.5	\$469.0	93799.9%
Appropriations	\$27,486.0	\$27,003.2	\$28,264.2	\$1,261.0	4.7%
Reversions	-\$75.0	-\$75.0	-\$75.0	\$0.0	0.0%
Grand Total	\$27,411.0	\$26,928.2	\$28,189.2	\$1,261.0	4.7%

Note: The fiscal 2025 adjusted legislative appropriation reflects \$148.3 million in reductions approved by the Board of Public Works in July 2024 and estimated deficiencies of \$1.1 billion.

Appendix 2
State Expenditures – Special and Higher Education Funds*
Fiscal 2024-2026
(\$ in Millions)

Category	2024 Working Appropriation	2025 Adj. Legislative Appropriation	2026 Baseline	\$ Change 2025 to 2026	% Change
Debt Service	\$1,443.2	\$1,556.9	\$1,630.9	\$74.1	4.8%
County/Municipal	\$513.5	\$601.2	\$640.7	\$39.4	6.6%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	1,500.7	1,799.5	2,270.3	470.8	26.2%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	\$2,014.2	\$2,400.8	\$2,911.0	\$510.2	21.3%
Foster Care Payments	\$2.2	\$11.7	\$2.7	-\$9.0	-77.1%
Assistance Payments	15.6	7.8	7.8	0.0	0.0%
Medical Assistance	681.1	866.7	742.5	-124.2	-14.3%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$699.0	\$886.1	\$752.9	-\$133.2	-15.0%
Health	\$745.6	\$755.5	\$826.0	\$70.5	9.3%
Human Services	167.2	164.3	215.0	50.8	30.9%
Juvenile Services	4.2	3.4	3.7	0.3	7.7%
Public Safety/Police	211.4	201.9	221.7	19.8	9.8%
Higher Education	5,268.6	5,638.3	5,909.6	271.3	4.8%
Other Education	287.5	305.3	256.2	-49.0	-16.1%
Transportation	2,332.9	2,558.8	3,094.1	535.3	20.9%
Agriculture/Natural Res./Environment	356.8	366.1	343.9	-22.2	-6.1%
Other Executive Agencies	1,295.1	1,483.3	1,582.7	99.5	6.7%
Judiciary	79.7	84.3	86.8	2.4	2.9%
Legislative	0.0	0.0	0.0	0.0	n/a
State Agencies	\$10,749.0	\$11,561.1	\$12,539.7	\$978.6	8.5%
Deficiencies (for Prior Years)	0.0	2.4	0.0	-2.4	-100.0%
Total Operating	\$14,905.3	\$16,407.2	\$17,834.5	\$1,427.3	8.7%
Capital	\$2,166.5	\$1,852.1	\$1,596.4	-\$255.7	-13.8%
Transportation	1,204.3	1,400.2	1,135.6	-264.6	-18.9%
Environment	254.7	209.6	195.0	-14.6	-7.0%
Other	707.4	242.3	265.9	23.6	9.7%
Subtotal	\$17,071.8	\$18,259.3	\$19,431.0	\$1,171.7	6.4%
Reserve Funds	\$0.0	\$90.0	\$0.0	-\$90.0	-100.0%
Grand Total	\$17,071.8	\$18,349.3	\$19,431.0	\$1,081.7	5.9%

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

Note: The fiscal 2025 adjusted legislative appropriation reflects anticipated deficiencies of \$326.1 million. It also includes additional special fund spending of \$30.8 million tied to general fund spending cuts approved by the Board of Public Works in July 2024. Fiscal 2024 excludes \$205.7 million, fiscal 2025 excludes \$81.8 million, and fiscal 2026 excludes \$85.7 million that double counts general fund spending.

Appendix 3
State Expenditures – Federal Funds
Fiscal 2024-2026
(\$ in Millions)

Category	2024 Working Appropriation	2025 Adj. Legislative Appropriation	2026 Baseline	\$ Change 2025 to 2026	% Change 2025 to 2026
Debt Service	\$7.5	\$4.9	\$2.7	-\$2.2	-44.9%
County/Municipal	\$83.1	\$82.1	\$82.1	\$0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	1,242.1	1,197.5	1,197.5	0.0	0.0%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	\$1,325.2	\$1,279.6	\$1,279.6	\$0.0	0.0%
Foster Care Payments	\$67.5	\$79.2	\$62.2	-\$17.0	-21.5%
Assistance Payments	2,239.0	1,751.7	1,690.8	-60.9	-3.5%
Medical Assistance	9,066.1	8,941.4	8,744.6	-196.8	-2.2%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	\$11,372.6	\$10,772.3	\$10,497.6	-\$274.7	-2.5%
Health	\$2,291.8	\$2,235.3	\$2,357.0	\$121.7	5.4%
Human Services	696.2	688.6	719.6	31.0	4.5%
Juvenile Services	9.0	6.3	6.5	0.2	3.4%
Public Safety/Police	41.5	37.6	39.9	2.3	6.2%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	484.1	374.8	397.8	22.9	6.1%
Transportation	248.2	139.9	143.9	4.1	2.9%
Agriculture/Natural Res./Environment	107.4	106.7	111.6	4.9	4.6%
Other Executive Agencies	1,583.8	1,533.9	1,481.0	-53.0	-3.5%
Judiciary	2.8	2.1	2.1	0.0	0.0%
Legislature	0.0	0.0	0.0	0.0	n/a
State Agencies	\$5,464.8	\$5,125.3	\$5,259.4	\$134.1	2.6%
Deficiencies (for Prior Years)	123.6	-6.9	0.0	6.9	-100.0%
Total Operating	\$18,293.7	\$17,175.3	\$17,039.4	-\$135.9	-0.8%
Capital	\$1,446.7	\$1,813.0	\$1,313.4	-\$499.6	-27.6%
Transportation	1,171.2	1,363.8	1,036.7	-327.1	-24.0%
Environment	116.8	173.2	179.7	6.4	3.7%
Other	158.7	275.9	97.0	-179.0	-64.9%
Grand Total	\$19,740.5	\$18,988.2	\$18,352.8	-\$635.5	-3.3%

Note: The fiscal 2025 adjusted legislative appropriation reflects anticipated deficiencies of -\$167.4 million.

Appendix 4
State Expenditures – State Funds
Fiscal 2024-2026
(\$ in Millions)

<u>Category</u>	<u>2024 Working Appropriation</u>	<u>2025 Adj. Legislative Appropriation</u>	<u>2026 Baseline</u>	<u>\$ Change 2025 to 2026</u>	<u>% Change</u>
Debt Service	\$1,868.3	\$1,954.0	\$1,904.9	-\$49.0	-2.5%
County/Municipal	\$969.5	\$1,016.9	\$1,049.4	\$32.6	3.2%
Community Colleges	475.5	476.9	506.5	29.6	6.2%
Education/Libraries	8,722.9	9,183.5	9,840.4	656.9	7.2%
Health	115.8	111.2	121.2	10.0	9.0%
Aid to Local Governments	\$10,283.6	\$10,788.5	\$11,517.5	\$729.1	6.8%
Foster Care Payments	\$270.7	\$307.6	\$333.6	\$26.0	8.5%
Assistance Payments	138.3	138.2	149.5	11.3	8.2%
Medical Assistance	5,561.3	6,123.8	6,458.2	334.4	5.5%
Property Tax Credits	76.4	79.4	85.1	5.7	7.2%
Entitlements	\$6,046.7	\$6,649.0	\$7,026.4	\$377.4	5.7%
Health	\$3,108.2	\$3,364.8	\$3,530.1	\$165.3	4.9%
Human Services	687.4	673.9	769.0	95.1	14.1%
Juvenile Services	317.1	346.9	372.3	25.5	7.3%
Public Safety/Police	2,106.7	2,286.7	2,485.9	199.2	8.7%
Higher Education	7,478.1	7,942.0	8,408.4	466.4	5.9%
Other Education	1,205.5	1,406.3	1,513.6	107.3	7.6%
Transportation	2,334.0	2,709.6	3,094.1	384.5	14.2%
Agriculture/Natural Res./Environment	591.3	587.5	602.8	15.3	2.6%
Other Executive Agencies	2,968.6	3,250.1	3,329.8	79.7	2.5%
Judiciary	747.5	774.8	844.4	69.6	9.0%
Legislative	152.3	160.8	167.7	7.0	4.3%
State Agencies	\$21,696.7	\$23,503.4	\$25,118.2	\$1,614.8	6.9%
Deficiencies (for Prior Years)	134.5	374.8	0.0	-374.8	-100.0%
Total Operating	\$40,029.8	\$43,269.6	\$45,567.1	\$2,297.5	5.3%
Capital	\$3,317.5	\$1,992.4	\$1,658.6	-\$333.8	-16.8%
Transportation	1,371.4	1,400.3	1,135.6	-264.7	-18.9%
Environment	271.5	210.6	196.0	-14.6	-6.9%
Other	1,674.6	381.5	327.1	-54.4	-14.3%
Subtotal	\$43,347.3	\$45,262.0	\$47,225.7	\$1,963.7	4.3%
Reserve Funds	\$1,210.6	\$90.5	\$469.5	\$379.0	418.8%
Appropriations	\$44,557.8	\$45,352.5	\$47,695.2	\$2,342.7	5.2%
Reversions	-\$75.0	-\$75.0	-\$75.0	\$0.0	0.0%
Grand Total	\$44,482.8	\$45,277.5	\$47,620.2	\$2,342.7	5.2%

Note: The fiscal 2025 adjusted legislative appropriation reflects a net reduction in spending of \$117.5 million approved by the Board of Public Works in July 2024. It also reflects anticipated deficiencies of \$1.4 billion. Fiscal 2024 excludes \$205.7 million, fiscal 2025 excludes \$81.8 million, and fiscal 2026 excludes \$95.7 million of special funds that double count general fund spending.

Appendix 5
State Expenditures – All Funds
Fiscal 2024-2026
(\$ in Millions)

<u>Category</u>	<u>2024</u> <u>Working</u> <u>Appropriation</u>	<u>2025</u> <u>Adj. Legislative</u> <u>Appropriation</u>	<u>2026</u> <u>Baseline</u>	<u>\$ Change</u> <u>2025 to 2026</u>	<u>% Change</u> <u>2025 to 2026</u>
Debt Service	\$1,875.8	\$1,958.9	\$1,907.6	-\$51.2	-2.6%
County/Municipal	\$1,052.6	\$1,099.0	\$1,131.5	\$32.6	3.0%
Community Colleges	475.5	476.9	506.5	29.6	6.2%
Education/Libraries	9,964.9	10,381.0	11,037.9	656.9	6.3%
Health	115.8	111.2	121.2	10.0	9.0%
Aid to Local Governments	\$11,608.8	\$12,068.1	\$12,797.2	\$729.1	6.0%
Foster Care Payments	\$338.2	\$386.8	\$395.8	\$9.0	2.3%
Assistance Payments	2,377.3	1,889.9	1,840.3	-49.6	-2.6%
Medical Assistance	14,627.4	15,065.2	15,202.8	137.6	0.9%
Property Tax Credits	76.4	79.4	85.1	5.7	7.2%
Entitlements	\$17,419.3	\$17,421.3	\$17,524.1	\$102.8	0.6%
Health	\$5,400.0	\$5,600.1	\$5,887.1	\$287.0	5.1%
Human Services	1,383.5	1,362.6	1,488.7	126.1	9.3%
Juvenile Services	326.1	353.2	378.9	25.7	7.3%
Public Safety/Police	2,148.3	2,324.3	2,525.8	201.5	8.7%
Higher Education	7,478.1	7,942.0	8,408.4	466.4	5.9%
Other Education	1,689.6	1,781.1	1,911.4	130.2	7.3%
Transportation	2,582.2	2,849.5	3,238.0	388.5	13.6%
Agriculture/Natural Res./Environment	698.7	694.2	714.4	20.2	2.9%
Other Executive Agencies	4,552.4	4,784.1	4,810.8	26.7	0.6%
Judiciary	750.3	776.9	846.6	69.6	9.0%
Legislative	152.3	160.8	167.7	7.0	4.3%
State Agencies	\$27,161.6	\$28,628.8	\$30,377.6	\$1,748.9	6.1%
Deficiencies (for Prior Years)	258.1	367.9	0.0	-367.9	K/a
Total Operating	\$58,323.5	\$60,444.9	\$62,606.5	\$2,161.6	3.6%
Capital	\$4,764.2	\$3,805.4	\$2,972.0	-\$833.4	-21.9%
Transportation	2,542.6	2,764.1	2,172.3	-591.8	-21.4%
Environment	388.3	383.9	375.7	-8.2	-2.1%
Other	1,833.3	657.4	424.0	-233.4	-35.5%
Subtotal	\$63,087.7	\$64,250.2	\$65,578.5	\$1,328.2	2.1%
Reserve Funds	\$1,210.6	\$90.5	\$469.5	\$379.0	418.8%
Appropriations	\$64,298.3	\$64,340.7	\$66,048.0	\$1,707.2	2.7%
Reversions	-\$75.0	-\$75.0	-\$75.0	\$0.0	0.0%
Grand Total	\$64,223.3	\$64,265.7	\$65,973.0	\$1,707.2	2.7%

Note: The fiscal 2025 adjusted legislative appropriation reflects a net reduction in spending of \$117.5 million approved by the Board of Public Works in July 2024. It also reflects anticipated deficiencies of \$1.3 billion. Fiscal 2024 excludes \$205.7 million, fiscal 2025 excludes \$81.8 million, and fiscal 2026 excludes \$95.7 million of special funds that double count general fund spending.

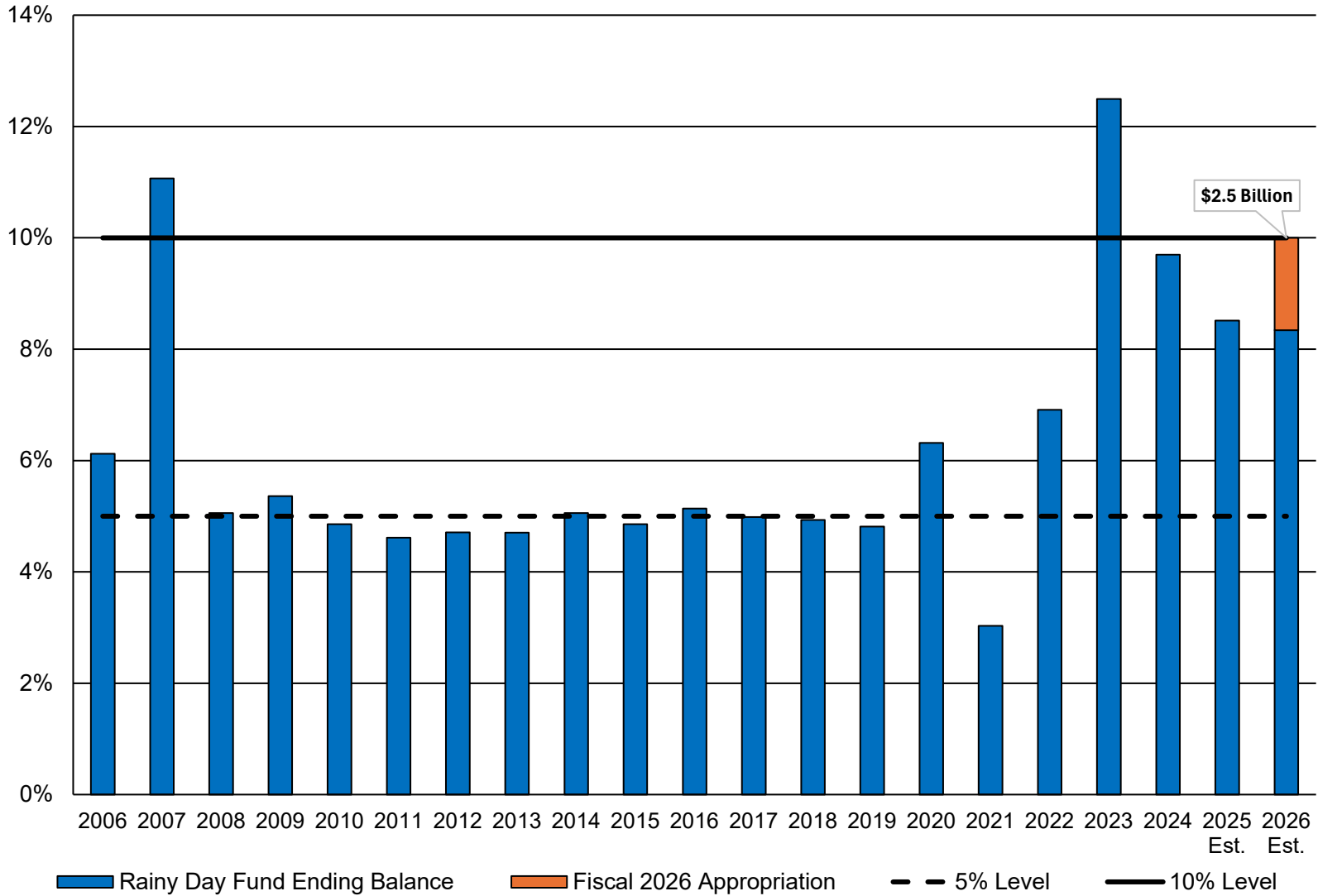
Appendix 6
Traditional Lottery Revenue Forecast
Fiscal 2022-2026
(\$ in Millions)

	Actual 2022	Actual 2023	Actual 2024	Estimate 2025	Estimate 2026
Total Net Sales	\$2,666.6	\$2,768.9	\$2,736.9	\$2,674.5	\$2,662.1
<i>Year-over-year Percent Change</i>		3.8%	-1.2%	-2.3%	-0.5%
Total Net Revenue	\$673.7	\$714.3	\$699.6	\$679.6	\$670.5
<i>Year-over-year Percent Change</i>		6.0%	-2.1%	-2.9%	-1.3%
Distributions	\$38.6	\$58.9	\$44.6	\$147.9	\$186.7
Share of Net Revenue	5.7%	8.2%	6.4%	21.8%	27.8%
General Fund	\$635.1	\$655.4	\$655.0	\$531.7	\$483.8
<i>Year-over-year Percent Change</i>		3.2%	-0.1%	-18.8%	-9.0%
Distribution Detail:					
Stadium Facilities Fund	\$15.2	\$14.6	\$14.2	\$13.4	\$11.3
Baltimore City School Construction Fund	20.0	20.0	20.0	20.0	20.0
Camden Yards Football Sports Facility Fund				34.5	34.9
Camden Yards Baseball Sports Facility Fund					40.9
Bus Rapid Transit Fund		14.6		27.0	27.0
Prince George's County Blue Line Corridor Fund			1.1	27.0	27.0
Sports Entertainment Facility Fund				12.4	12.4
Major Sports/Entertainment Event Fund		10.0	8.2	7.7	7.5
Veterans Trust Fund	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
Maryland Humanities Council	0.2	0.2	0.2	0.2	0.2
Maggie McIntosh School Arts Fund		0.3	0.3	0.3	0.3
Prince George's County Local Impact Grant				3.0	3.0
VLT Local Impact Grant Hold Harmless	1.9	1.7	1.7	1.3	1.1
Racetrack Renewal – Net Transfer		-3.8	-2.3		

VLT: video lottery terminal

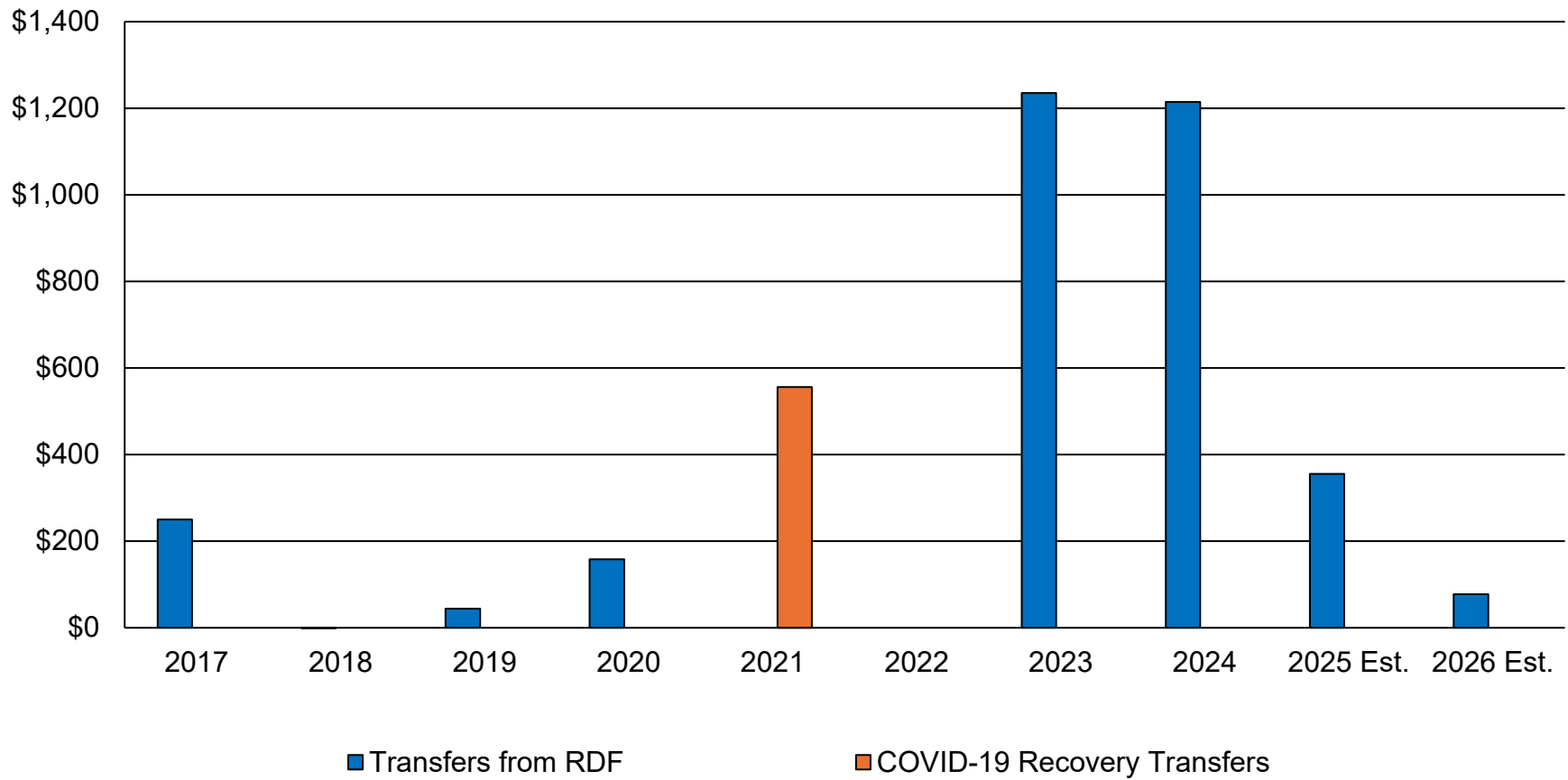
Source: Board of Revenue Estimates

Appendix 7
Rainy Day Fund Balance as a Percentage of General Fund Revenues
Fiscal 2006-2026 Est.



Note: Fiscal 2026 assumes \$77.3 million will be transferred to the General Fund to keep the Rainy Day Fund balance within 10% of General Fund revenues.

Appendix 8
Transfers from the Rainy Day Fund
Fiscal 2017-2026 Est.
(\$ in Millions)



RDF: Rainy Day Fund

Appendix 9
State Aid by Governmental Entity
Amount and Percent of Total
Fiscal 2026
(\$ in Millions)

	<u>2026</u> <u>State Aid Amount</u>	<u>Percent</u> <u>of Total</u>
Public Schools	\$9,742.1	84.6%
Libraries	101.3	0.9%
Community Colleges	506.5	4.4%
Local Health	121.2	1.1%
County/Municipal	1,049.4	9.1%
Total	\$11,520.5	100.0%

Change in State Aid
Fiscal 2026
(\$ in Millions)

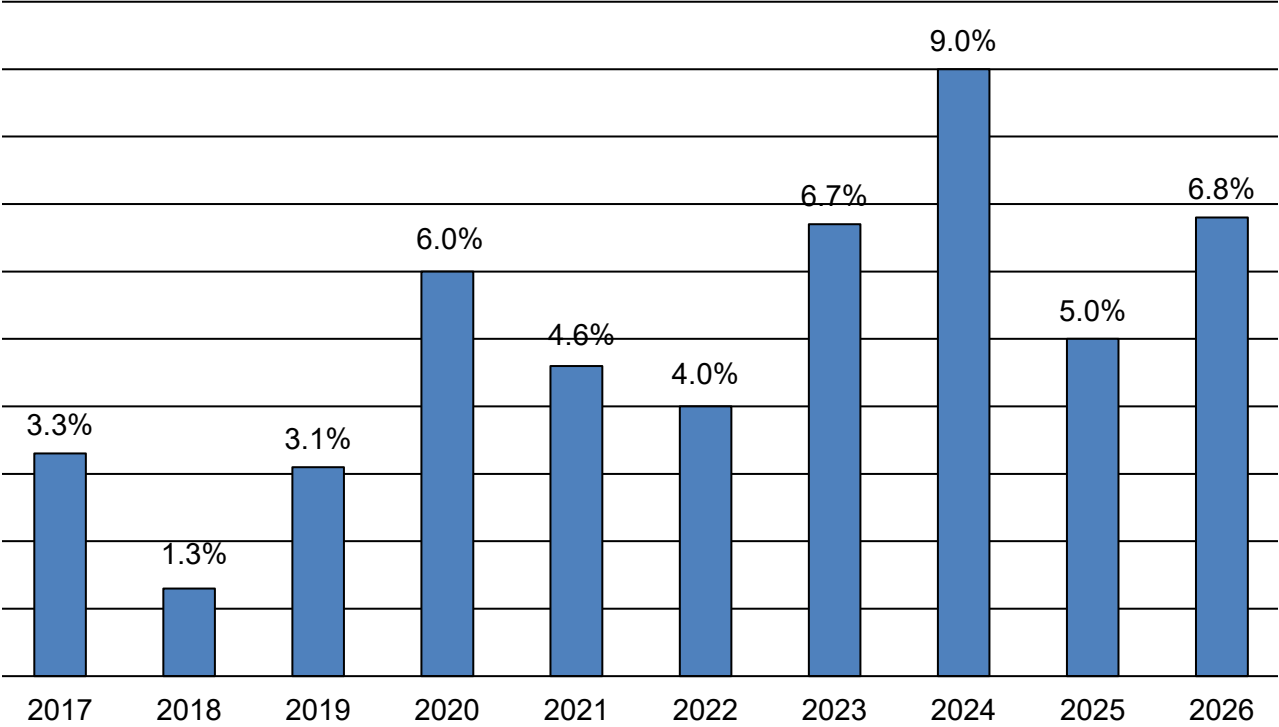
	<u>2026</u> <u>Aid Change</u>	<u>Percent</u> <u>Change</u>
Public Schools	\$654.8	7.2%
Libraries	5.1	5.3%
Community Colleges	29.6	6.2%
Local Health	10.0	9.0%
County/Municipal	32.1	3.2%
Total	\$731.5	6.8%

Appendix 10
State Aid by Major Programs
State Funds
Fiscal 2024-2026
(\$ in Millions)

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Difference</u>	<u>Percent Difference</u>
Public Schools					
Foundation Programs	\$3,958.1	\$3,934.9	\$4,138.9	\$204.0	5.2%
Compensatory Aid	1,686.1	1,715.3	1,722.5	7.2	0.4%
Concentration of Poverty Grant	227.3	363.3	440.9	77.6	21.4%
English Learners Grant	473.5	519.5	543.9	24.4	4.7%
Special Education – Formula Aid	466.0	531.3	591.9	60.6	11.4%
Special Education – Nonpublic	148.6	167.8	174.2	6.4	3.8%
Student Transportation	363.4	369.6	381.9	12.4	3.3%
Full Day Prekindergarten	99.6	134.9	185.1	50.2	37.2%
Guaranteed Tax Base	56.8	74.9	66.9	-8.0	-10.7%
Education Effort Adjustment	88.0	97.0	149.3	52.2	53.9%
Other Education Programs	319.3	261.8	264.2	2.5	0.9%
Subtotal Direct Aid	\$7,886.6	\$8,170.1	\$8,659.7	\$489.5	6.0%
Retirement Payments	\$745.0	\$917.2	\$1,082.4	\$165.3	18.0%
Total Public School Aid	\$8,631.5	\$9,087.3	\$9,742.1	\$654.8	7.2%
Libraries					
Library Aid Formula	\$48.7	\$49.5	\$50.5	\$1.0	2.1%
State Library Network	21.4	22.5	22.6	0.1	0.5%
Subtotal Direct Aid	\$70.1	\$71.9	\$73.1	\$1.2	1.6%
Retirement Payments	\$21.2	\$24.3	\$28.2	\$3.9	16.2%
Total Library Aid	\$91.3	\$96.2	\$101.3	\$5.1	5.3%
Community Colleges					
Community College Formula	\$393.3	\$384.8	\$406.1	\$21.3	5.5%
Other Programs	37.0	37.9	37.4	-0.4	-1.1%
Subtotal Direct Aid	\$430.3	\$422.6	\$443.5	\$20.9	4.9%
Retirement Payments	\$45.1	\$54.3	\$63.0	\$8.7	16.0%
Total Community College Aid	\$475.5	\$476.9	\$506.5	\$29.6	6.2%
Local Health Grants	\$115.8	\$111.2	\$121.2	\$10.0	9.0%
County/Municipal Aid					
Transportation	\$340.0	\$428.8	\$469.5	\$40.6	9.5%
Public Safety	218.2	212.8	213.9	1.1	0.5%
Disparity Grant	220.2	188.5	183.6	-4.9	-2.6%
Gaming Impact Aid	103.1	103.8	104.9	1.0	1.0%
Other Grants	83.2	83.3	77.6	-5.7	-6.9%
Total County/Municipal Aid	\$964.7	\$1,017.3	\$1,049.4	\$32.1	3.2%
Total State Aid	\$10,278.8	\$10,789.0	\$11,520.5	\$731.5	6.8%

Source: Department of Legislative Services

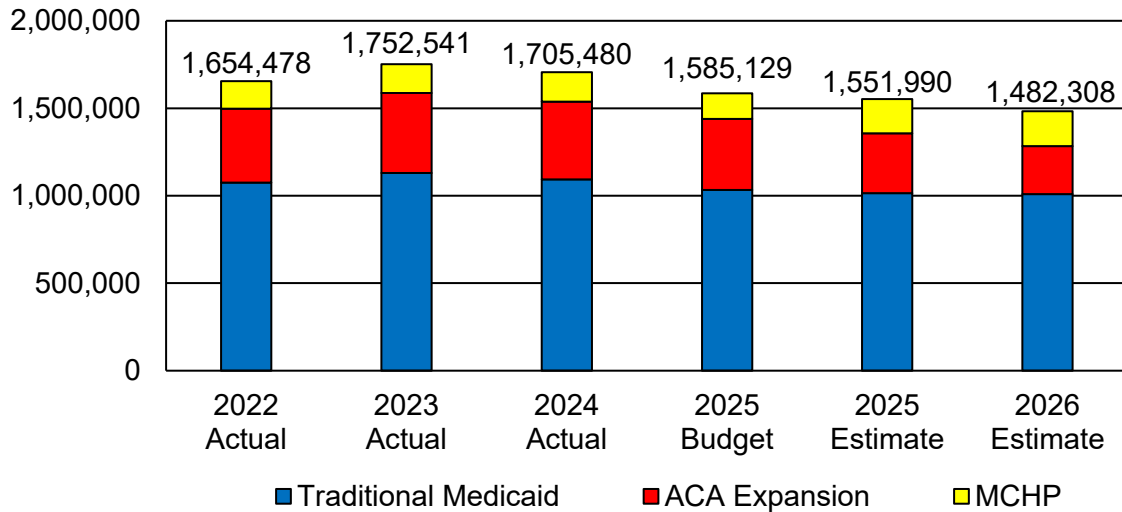
Appendix 11
Annual Change in State Aid to Local Governments
Fiscal 2017-2026



Appendix 12 Medicaid

- As a condition of receiving an enhanced federal match on qualifying Medicaid and Maryland Children’s Health Program (MCHP) expenditures during the national COVID-19 public health emergency, the Maryland Department of Health (MDH) was required to freeze disenrollments with limited exceptions. Maryland implemented a 12-month redetermination schedule (referred to as the unwinding period) that started on April 1, 2023. Redetermination results during the unwinding period yielded fewer disenrollments than expected as fiscal 2024 average monthly enrollment decreased by 2.7%, or 47,061 participants, compared to fiscal 2023.
- The low rate of disenrollment was partially due to a system error that caused MDH to temporarily pause procedural disenrollments, *i.e.*, cases in which participants did not complete their renewals or had outstanding verification documents.
- MDH also implemented outreach efforts and federal waiver flexibilities that kept eligible participants enrolled in Medicaid and MCHP.

**Medicaid and MCHP Average Monthly Enrollment
Fiscal 2022-2026 Estimate**



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

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

- The baseline projects that fiscal 2025 caseloads will decrease to 1.55 million enrollees due to two primary factors. The first is the expiration of federal waiver flexibilities at the end of the unwinding period. According to MDH, the waiver flexibilities had a larger impact on maintaining enrollment for Affordable Care Act (ACA) expansion adults, and as a result, those participants are expected to account for the largest share of disenrollments during fiscal 2025. In addition, beginning in October 2024, caseloads will decrease as MDH conducts a system reconciliation between the Maryland Health Benefit Exchange and the Medicaid Management Information System.
- Fiscal 2025 enrollment declines are partially offset by an overall increase in the number of participants who are eligible for Medicaid due to age or disability status.
- Estimated fiscal 2026 enrollment decreases to 1.48 million participants mainly due to the annualization of fiscal 2025 disenrollments. Despite these projected enrollment declines, fiscal 2026 and outyear caseloads are expected to remain higher than the prepandemic level of 1.39 million participants.

**Medicaid and MCHP Total and Per Capita Expenditures
Fiscal 2024-2026 Baseline**

	<u>Actual</u> <u>2024</u>	<u>Adjusted</u> <u>2025</u>	<u>Baseline</u> <u>2026</u>	<u>\$ Change</u> <u>2025 Adjusted-2026 Estimate</u>	<u>% Change</u> <u>2025 Adjusted-2026 Estimate</u>
Total Expenditures (\$ in Millions)					
General Funds	\$5,279.4	\$5,257.2	\$5,715.8	\$458.6	8.7%
Special Funds	763.8	866.7	742.5	-124.2	-14.3%
Federal Funds	9,463.0	8,941.4	8,744.6	-196.8	-2.2%
Total	\$15,506.2	\$15,065.2	\$15,202.8	\$137.6	0.9%
Cost Per Enrollee					
Medicaid	\$9,503	\$10,282	\$11,066	\$784	7.6%
MCHP	3,578	3,899	4,039	\$140	3.6%
ACA Expansion	9,311	9,408	9,445	\$37	0.4%
Total	\$8,868	\$9,286	\$9,823	\$537	5.8%

ACA: Affordable Care Act

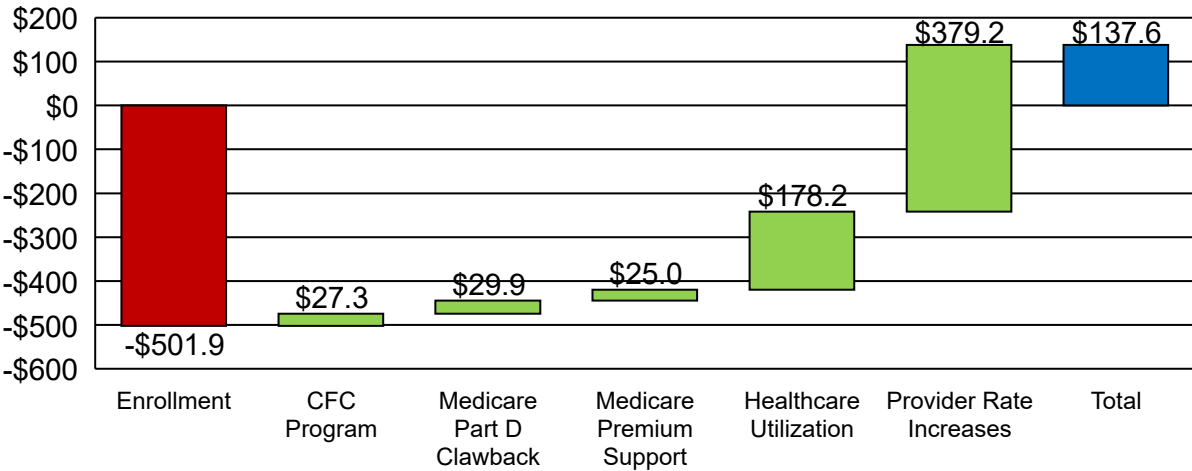
MCHP: Maryland Children’s Health Program

Note: Fiscal 2024 total expenditures include \$214 million to account for insufficient funds carried over to reimburse fiscal 2024 bills in the following year, partially offset by excess funding for behavioral health carryover spending. Fiscal 2025 includes anticipated deficiencies. Per capita expenditures reflect Medicaid and MCHP provider payments (including Medicaid-funded behavioral health services) and some administrative costs.

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

- Fiscal 2024 Medicaid expenditures increased substantially over the budgeted amount due to the lower than expected disenrollments during the unwinding period and higher healthcare utilization. Increased utilization occurred, especially among elderly and disabled adults receiving nursing home care and other services on a fee-for-service (FFS) basis. As a result, MDH reported a general fund shortfall of \$214 million at the end of fiscal 2024 for services billed in the next fiscal year, and the baseline includes a deficiency appropriation to cover these costs.
- The baseline projects that per capita costs will increase in fiscal 2025, which in combination with the enrollment mix, causes Medicaid and MCHP spending to outpace the budget. The baseline estimates deficiency appropriations of \$650 million in total funds (\$427.2 million in State funding) for fiscal 2025 expenses, including Medicaid behavioral health services. Of this, \$100 million is supported with special funds from the Revenue Stabilization Account (Rainy Day Fund), as authorized in Section 31 of the fiscal 2025 Budget Bill.

**Fiscal 2026 Total Fund Spending Growth Over Fiscal 2025
(\$ in Millions)**

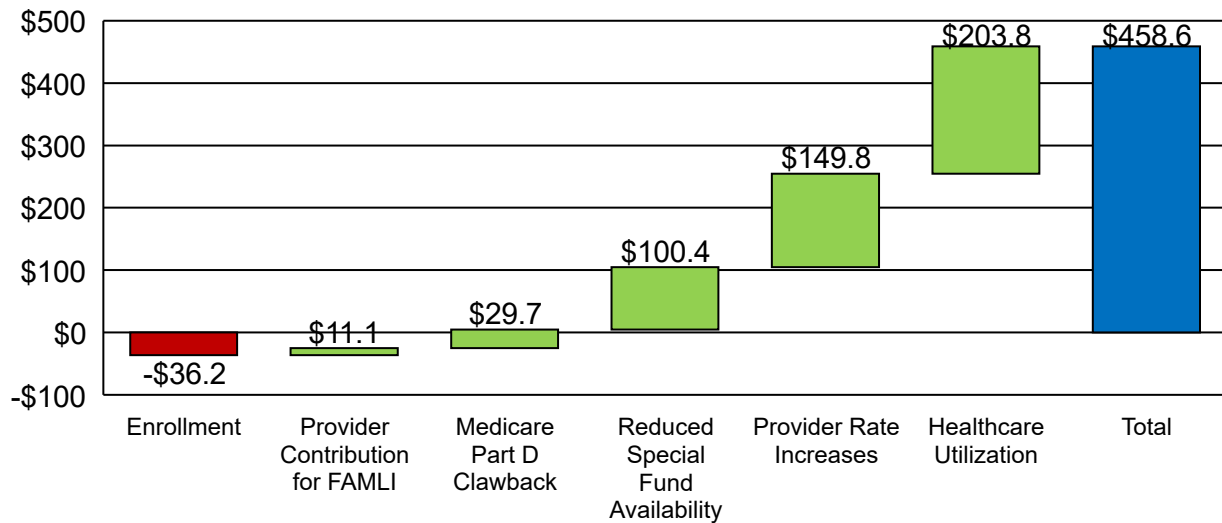


CFC: Community First Choice

- Fiscal 2026 expenditures increase by a net of \$137.6 million. Declining enrollment accounts for a \$501.9 million reduction in fiscal 2026 total fund spending. However, this decline is more than offset by increases of \$178.2 million due to FFS healthcare utilization growth and \$379.2 million for provider rate increases. Provider rate increase assumptions include:

- an average 3.4% increase in calendar 2025 managed care organization rates totaling \$217.8 million;
 - a 4.5% increase in regulated hospital rates; and
 - 2% rate increases for long-term services and supports providers, effective July 1, 2025.
- General fund spending in fiscal 2026 reflects a net increase of \$458.6 million, largely supporting \$203.8 million in FFS healthcare utilization growth and \$149.8 million for various provider rate increases.
 - In fiscal 2026, \$100 million in general funds backfill the special fund transfer from the Rainy Day Fund to cover a portion of the anticipated fiscal 2025 Medicaid shortfall.

Fiscal 2026 General Fund Spending Growth Over Fiscal 2025 (\$ in Millions)



FAML I: Family and Medical Leave Insurance

- Fiscal 2026 general fund spending growth is partially offset by a reduction of \$36.2 million due to declining enrollment. Adults in the ACA expansion group are projected to have the largest rate of disenrollment in fiscal 2025 and 2026. Considering this eligibility group receives an enhanced federal matching rate of 90%, the general fund impact from the decrease in Medicaid caseloads is substantially lower than the total fund impact.

Appendix 13

Key Baseline Budget Assumptions

- The baseline budget is an estimate of the cost of government services in the next budget year based on a set of assumptions. Assumptions include that current laws, policies, and practices are continued; federal mandates and multi-year commitments are observed; legislation adopted at the prior session is funded; and full-year costs of programs, rate increases, and any other enhancements started during the previous year are included.
 - The baseline and forecast do not make any assumptions about spending needs related to any State liability under the Child Victims Act of 2023.
 - K-12 enrollment is projected to increase; however, actual enrollment will not be known until December 1, 2024, when the Maryland State Department of Education is required to release the official enrollment counts for the current school year.
 - Medicaid and related caseloads reflect the end of certain flexibilities available during the unwinding of the prohibition on disenrollment and system reconciliations. The end of these flexibilities is expected to lead to additional reductions in the caseload throughout fiscal 2025 before beginning to stabilize in fiscal 2026.
 - Foster Care and Public Assistance Entitlement caseload trends reflect current experience.
-

Caseload Assumptions Fiscal 2024-2026

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>% Change 2025-2026</u>
Pupil Enrollment*	852,793	853,933	857,076	0.4%
Medicaid/Maryland Children's Health Program	1,699,152	1,551,990	1,482,308	-4.5%
Temporary Cash Assistance	53,293	52,760	51,705	-2.0%
Foster Care/Adoption/Guardianship	10,163	10,186	10,212	<0.1%
Adult Prison Population	18,282	18,771	19,328	2.9%

* Data for fiscal 2024 and 2025 reflect actual full-time equivalent enrollments. Fiscal 2026 is a projection.

- \$147 million of fiscal 2024 legislative adds are assumed to be one time, including \$89 million of pay-as-you go capital funding in the Department of Housing and Community Development expected to be funded with general obligation bonds in fiscal 2026.
- Approximately \$67.1 million of the \$148.2 million in cost containment reductions approved by the Board of Public Works is assumed to be one-time in nature, primarily due to mandated funding levels or one-time delays in filling positions.
- Tuition increases at the public higher education institutions are capped at 2%, and fee increases are capped at 2%.
- Required appropriation to the Revenue Stabilization Account (Rainy Day Fund) in fiscal 2026 totals \$419.5 million. The fiscal 2026 baseline assumes a transfer from the Rainy Day fund balance of \$77 million, to leave a balance of 10% of general fund revenues in fiscal 2026.
- Personnel assumptions for fiscal 2026 include:
 - 2% general salary increase effective July 2025 funded for all State employees and a merit increase.
 - An increase of 9% in employee and retiree health insurance costs.
- Higher than expected inflation will result in the need for deficiency appropriations to cover certain fiscal 2025 costs: prescription drugs (\$14.5 million); natural gas (\$9.2 million); food (\$4.2 million); and electricity (\$3.2 million). These deficiency appropriations result in a net increase of \$5.3 million in general funds.
- Inflation, after accounting for deficiency appropriations, anticipated for fiscal 2026 will increase costs for natural gas (10.0%), food (6.0%), postage (5.0%), prescription drugs (3.4%), and electricity (0.75%). Costs are expected to decrease for gas and oil (-4.8%).

Appendix 14 Reversions

- \$93.1 million (31%) of the general fund reversions were errors, including:
 - \$64.3 million of the reversions in error was from the Assistance Payments program in the Department of Human Services (DHS), DHS reverted an additional \$6.0 million of which it has provided an explanation for only \$2.2 million. Given other errors in the closeout process from the department, there is a potential that some of these additional reversions are also in error;
 - \$24.1 million of Board of Public Works – Capital from fiscal 2022;
 - \$4.0 million from the Maryland Department of Transportation from fiscal 2022 related to funding provided for the Howard Street Tunnel; and
 - \$0.7 million from the Department of Housing and Community Development including both current year and prior year funds for rental assistance for crime victims, the Community Safety Works program, and the Strategic Demolition program.
- \$70.7 million in the Maryland Department of Health, including:
 - \$31.5 million in the Community Services program in the Behavioral Health Administration (BHA) due to recoupment of overpayments to providers;
 - \$22.1 million in Medicaid-related provider reimbursements in BHA due to lower than expected fiscal 2023 bills paid in fiscal 2024;
 - \$4.4 million from fiscal 2023 funds due to lower than expected spending for minority health and Maryland Office of Overdose Response grants;
 - \$4.2 million from fiscal 2023 for cancer grants due to a planned reversion. Funds were provided in fiscal 2025 for the same purpose;
 - \$2.6 million from fiscal 2024 for Medicaid-related provider reimbursement rates for abortion care, Alzheimer’s services, and the recovery residence program, for which language in the budget bill required unspent funds to be reverted; and
 - \$2.0 million from fiscal 2022 for Behavioral Health Systems of Baltimore from BHA.

- \$19.4 million from the Maryland State Department of Education, primarily due to:
 - \$7.3 million from fiscal 2023 related to child care stabilization grants and child care bonuses which were not needed for these purposes;
 - \$2.6 million from fiscal 2022 and 2023 for students with disabilities due to lower than expected enrollment;
 - \$2.3 million in fiscal 2024 due to lower than expected costs for free and reduced price meal State costs;
 - \$1.3 million for the Office of Inspector General for Education which may be in error;
 - \$0.7 million from fiscal 2023 and 2024 for the Division of Early Childhood including lower than expected costs for the Therapeutic Child Care Grant program, funding for Head Start providers, and vacancy savings;
 - \$0.6 million from fiscal 2023 and 2024 for various grants in the Innovative Programs including AP Computer Science Courses, Adult High School, P-Tech, Next Generation Scholars program, Lacrosse Opportunities, Robotics, and Public School Opportunity programs; and
 - \$0.5 million from fiscal 2022 and 2023 for Hate Crime grant encumbrances that were canceled.

- \$13.4 million from the Department of General Services primarily due to \$11.5 million of pay-as-you-go funding from fiscal 2023 for which funds were not encumbered or distributed to grantees including \$8.8 million for resiliency and revitalization of the Annapolis City Dock, \$2.0 million for infrastructure and streetscaping in Baltimore City, and \$0.8 million for a Town Center Arts project in Harford County.

- \$13.4 million in the Department of Budget and Management primarily due to vacancy savings, reducing funds needed for statewide salary adjustments, this amount was lower than the planned reversion of \$30.0 million.

Appendix 15
\$1.17 Billion in Potential General Fund Deficiencies
(\$ in Millions)

Medicaid and Behavioral Health Provider Reimbursements: Medicaid (\$283.9 million) and Medicaid-related behavioral health (\$107.8 million) due to higher than expected enrollment and utilization	\$391.7
Fiscal 2024 Expenses: Medicaid (\$213.7 million); Department of Public Safety and Correctional Services primarily for inmate medical contracts and food services contracts (\$48.4 million); Department of Human Services for the foster care maintenance payments program and assistance payments program (\$26.0 million); Maryland State Department of Education for the nonpublic placements program (\$8.0 million); Office of the Public Defender (OPD) (\$2.2 million), partially offset by a higher than necessary accrual of funds for Medicaid Behavioral Health provider reimbursements (-\$15.0 million)	283.2
Replacement of Funds Reverted in Error: Assistance Payments (\$64.3 million); Board of Public Works (BPW) – Capital (\$24.1 million); Department of Housing and Community Development for the Strategic Demolition program, Community Safety Works program, and Crime Victims Rental Assistance Program (\$0.7 million)	89.1
Child Care Scholarship	155.0
DPSCS: Higher cost of new inmate medical contracts	107.3
MSDE: Autism Waiver (\$27.4 million); Nonpublic Placement program (\$16.2 million)	43.6
Foster Care Spending: Primarily due to higher than budgeted costs for flexible spending programs and placement costs as well as lower than budgeted federal fund availability	34.6
Legislation: Chapter 735 of 2024 Juvenile Law Reform for 35 positions and contracts in the Department of Juvenile Services, 24 positions in OPD, and 2 positions in the Governor's Office of Crime Prevention and Policy (GOCPP) (\$6.9 million); Comptroller's Office to implement changes from the Budget Reconciliation and Financing Act of 2024 including 4 new positions (\$1.6 million); Department of General Services for a consultant to assess procurement for information technology projects involving modernization due to Chapter 497 of 2024 (\$1.0 million); Judiciary to implement Chapter 715 of 2024 including 17 new positions (\$0.9 million); Maryland Stadium Authority to conduct a Northwest Baltimore County Sports Tourism Feasibility Study due to Chapter 616 of 2024 (\$0.3 million); Maryland Department of the Environment (MDE) for contractual services costs for a greenhouse gas analysis framework required by Chapter 539 of 2024 and guidance for anaerobic digestion technology required by Chapter 445 of 2024 (\$0.3 million); Chapter 479 of 2024 expanding death benefits to include legislative and judicial employees (\$0.3 million); GOCPP for 2 contractual full-time equivalents to implement Chapters 946 and 947 of 2024 establishing a Prison Education Delivery Reform Commission (\$0.1 million)	11.3
Agency Expenses: Statewide expenses for natural gas, electricity, and prescription drugs (\$5.3 million); Department of State Police overtime costs (\$3.0 million); OPD shortfalls (\$2.0 million); MDE for implementation and enforcement of Building Performance and Energy Standards (\$1.0 million); BPW for expected awards for erroneously confined individuals (\$0.9 million); West North Avenue Development Authority for personnel costs to replace special funds that were not received (\$0.5 million); GOCPP to fully fund costs related to prosecutorial support provided to the Office of the State Prosecutor (\$0.5 million); partially offset by lower costs for the Social Equity Partnership Program due to delays in operationalizing the program (- \$1.3 million), and a change in fund source related to contractual conversions in the Maryland Public Broadcasting Commission (-\$0.2 million)	11.7
Total Deficiencies	\$1,127.6

Appendix 16
Summary of Baseline Budget Growth Compared to
Adjusted Legislative Appropriation

State Agency Costs	\$636.1
Entitlements	510.6
Local Aid	218.8
Debt Service	-123.1
Growth in Operating Budget, Accounting for Anticipated Deficiencies	\$1,242.5
Appropriation to Reserve Fund	469.0
PAYGO	-78.1
One-time deficiency appropriations for prior year expenses	-372.3
Total Baseline Change in State Expenditures	\$1,261.0

Ongoing Requirements/Entitlements

Medicaid, primarily resulting from utilization and provider rate increases (\$348.5 million); fund swap (\$100 million); and reimbursements to providers required to support FAMLII (\$10.6 million), partially offset by a one-time legislative addition for medical day care expenses (\$0.5 million)	\$458.6
Foster care maintenance payments due to lower availability of federal funds (\$17.0 million); one-time funding from the DPA (\$9 million); caseload changes (\$5.0 million); provider rate increases (\$3.8 million); and Chapter 345 of 2024, which requires the provision of luggage to children in foster care (\$84,480)	35.0
Assistance payments program primarily due to benefit increases and lower availability of federal funds to support the Temporary Cash Assistance program (\$11.5 million), benefit changes in the Temporary Disability Assistance Program (\$1.1 million), lower availability of federal funds to support replacement of stolen benefits (\$3.4 million), and annualization of the eligibility expansion and increase in benefit levels in the Supplemental Nutrition Assistance Program Supplemental Benefit for Seniors (\$0.7 million)	17.1
Property tax credit programs projected expenditures	5.7
Change in budgeting for administrative expenses for the summer EBT program	-5.8
Debt Service primarily due to fewer issuances in fiscal 2023 and 2024 as well as the retirement of debt from an unusually high issuance in fiscal 2010	-123.1
	\$387.5

Local Aid

Teacher and Library Retirement	\$169.2
Community College due to formula growth (\$21.3 million) and retirement (\$8.7 million), partially offset by other categorical aid (-\$0.3 million)	29.7
Local Health Department funding due to increase in mandated funding level	10.0
All other Education and Library Aid	11.4

Other County/Municipal Aid: Fund swap related to Forests and Parks (\$2.6 million) and Local Election Aid primarily due to estimated costs for the Pollbook Major IT project (\$0.8 million)	3.4
Fund swap for the Maryland Center for School Safety	3.0
Legislation: Chapters 227 and 228 of 2024 establishing the Grow Your Own Educators program	2.5
GOCPP: Restore mandated grant funding eliminated in fiscal 2025 through cost containment actions for warrants and absconding (\$1.0 million) and State Aid for Police Protection formula growth (\$0.2 million)	1.2
Remove One-time legislative additions: GOCPP for State's Attorneys Offices for automated case management systems, and the Olney Police Satellite Station (-\$0.8 million); MDH Behavioral Health Administration for a grant to the City of Frederick (-\$0.5 million); MDE for the City of Hagerstown (-\$0.3 million); DHCD for Prince George's County Development Authority (-\$0.3 million); MHEC for a facilities study at Hagerstown Community College (-\$0.1 million); and MDA for the Montgomery County Office of Agriculture (-\$25,000)	-1.7
Disparity Grant	-4.9
End of mandate for the Greater Baltimore Regional Integrated Crisis System	-5.0
	\$218.8

State Agency Costs

Statewide Personnel and Standard Inflation Adjustments

2% COLA and increments in fiscal 2026 and annualization of fiscal 2025 increments, excludes higher education	\$172.4
Employee and retiree health insurance	83.1
Retirement rate changes	27.0
Food related expenses	3.2
Natural Gas and Electricity	1.3
Postage and prescription drugs partially offset by gasoline	0.6
	\$287.5

Impact of Legislation

Chapter 449 of 2024 to establish the Strategic Infrastructure Revolving Loan Program and Fund in MEDCO	\$20.0
Chapter 221 of 2024 to capitalize the Community Health and Safety Works Grant Fund in DHCD	10.0
Chapters 706 and 707 of 2025 for administrative costs in MDH and increased funding for the Center for Firearm Violence Prevention (partially funded in fiscal 2025)	6.0
Chapter 940 of 2024 due to a requirement that system upgrades to allow for automated and partial expungements of charges be included in any DPSCS vendor contracts in negotiation at the time of the effective date of the Chapter	5.2
Chapters 210 and 211 to fully fund the authorized level of the Rental Assistance for Community Schools Program and administrative costs in DHCD (partially funded in fiscal 2025)	5.1

Chapter 161 of 2024 to fully fund the authorized level of appropriation, including administrative costs, in MDOA for the Caregiver Expense Grant Program	5.0
Chapters 493 and 494 of 2024 to fully fund the authorized level for administrative expenses and grant funds for the Historical and Cultural Museum Assistance Program at the Maryland Historical Trust in MDP	5.0
Chapter 410 of 2024 for mandated funding for the Rosecroft Raceway	4.5
Chapter 293 of 2024 establishing the Secure Schools Emergency Grant program	3.0
Chapter 767 of 2024 due to staffing needs associated with implementation of changes to the Criminal Injuries Compensation process	2.9
Chapter 735 of 2024 in costs above the anticipated deficiency appropriation in the Department of Juvenile Services for the annualization of salaries and contract costs related to Juvenile Law Reforms	2.0
Chapter 496 of 2024 in DoIT for an artificial intelligence subject matter expert and consultant costs	1.7
Chapters 780 and 781 of 2024 for administrative costs and computer programming expenses related to adding the 9-8-8 fee into the Comptroller's IT system	1.7
Chapter 165 of 2024 for a Career Ladder for Private Prekindergarten Providers program in MSDE	1.0
Chapter 705 of 2024 for administrative expenses associated with changes in the victim compensation awarded through the Criminal Injuries Compensation Board	1.0
Chapters 746 and 747 of 2024 to fully fund the authorized level of the Entertainment District Security Grant program (partially funded in fiscal 2025)	0.8
Chapter 503 of 2024 for mandated funding for the Baltimore Regional Water Governance Model Workgroup to hire consultants	0.5
Chapter 17 of 2024 for the replacement of general fund with special funds in DSP available due to revenue from Work Zone Speed Control changes	-1.9

Other New Mandates and Select Legislation 6.1
\$79.4

Other Major Agency Programmatic and Operating Expenses

Major Information Technology Project Development Fund after accounting for cost containment actions in fiscal 2025	\$155.0
Child Care Scholarship	102.6
Higher Education: Morgan State University and USM institutions due to anticipated salary increases, funding for increased mandates, returning to mandated levels after cost containment actions, partially offset by replacement of general funds with special funds for required HBCU funding (\$45.2 million); St. Mary's College of Maryland funding formula (\$3.3 million); and English for Speakers of Other Languages enrollment at BCCC (-\$62,069)	48.4
MSDE: Increased cost, filled slots, and replacement of special funds for autism waiver (\$27.4 million); fund swaps due to reduced special fund revenue (\$17.5 million); Maryland School for the Blind (\$1.1 million); and the Adult High School Program (\$0.3 million)	46.3

DNR: Replacement of special funds to support the Maryland Park Service (\$19.1 million), restoration of mandate for the Fisheries Research and Development Fund (\$1.8 million); restoration of one-time cost containment reductions related to purchasing equipment, purchasing replacement vehicles, and delayed hiring of vacant positions (\$1.7 million); restoration of mandated funding for the Maryland Forestry Education Fund (\$0.3 million)	22.9
MDH: DDA provider reimbursements (\$23.7 million); required reimbursements for providers related to the FAML I program for DDA and non-Medicaid-eligible behavioral health services (\$6.3 million); one-time delays in filling positions due to cost containment actions (\$3.1 million); return to mandated funding level for the Behavioral Health Care Coordination Value-Based Purchasing Pilot (\$0.6 million), partially offset by lower expected equipment lease payments (-\$0.3million), lower expected provider reimbursement for non-Medicaid eligible behavioral health services (-\$0.7 million), funding for the Assisted Outpatient Treatment Program not needed in fiscal 2026 due to timing of requirements (\$3 million), one-time funding for cancer research grants to replace funds reverted from fiscal 2023 (-\$4.3 million), returning infrastructure operations to the Board of Nursing special fund (-\$4.3million)	21.2
DPSCS: Increased cost of new inmate medical contracts (\$24.4 million), partially offset by lower anticipated bonus payments (-\$5.1 million)	19.4
DHS: Change in budgeting for summer EBT program (\$5.8 million), increased funding for Montgomery County Block grant based on anticipated salary adjustments (\$5.3 million), lower vacancy rates in the Family Investment Administration (\$0.8 million)	11.9
MHEC: General fund support for Educational Excellence Award (EEA) increases (\$22 million) due to reduced availability of special funds; Senatorial, Delegate, and EEA Scholarships based on the anticipated increase in tuition (\$2.6 million); returning to mandated funding levels for certain scholarships after reductions through cost containment (\$2.5 million), partially offset by one-time funding for higher education security enhancement grants (-\$18.8 million)	8.1
DSCI: Increase in the mandated funding level for the Maryland Service Year Pathway	5.0
BPW: Restoration of mandated funding for the Urban Trees program after cost containment reductions (\$2.5 million) and payments for erroneously confined individuals estimated awards (\$1.1 million) partially offset by the end of funding for the Justice Thurgood Marshall Center (-\$0.2 million)	3.3
Maryland School for the Deaf	1.6
MCA: Return to mandated funding level for the Social Equity Partnership Program	1.3
DSP: Restoration of cost containment reduction related to the computer forensics laboratory (\$1.5 million) and operating expenses associated with the opening of the new Tactical Services Facility (\$0.2 million)	1.2
Sellinger funding formula	1.2
MDOA: Restoration of mandated funding level for the Long Term Care and Dementia Navigation Program (\$1.2 million), partially offset by an increase in turnover expectancy to reflect vacancy trends (-\$0.1 million)	1.1

Office of Correctional Ombudsman: Startup funds provided with one-time special funds	1.0
DHCD: Restoration of mandated funding for the Statewide Rental Assistance Voucher Program (\$2.5 million), more than offset by an anticipated end to the operating grant for Downtown Partnership (-\$3.0 million)	-0.5
TEDCO: Restoration of the mandated funding level for the Minority Pre-Seed Investment Fund (\$0.3 million), more than offset by removal of one-time funds for the Baltimore Tech Hub Consortium (-\$1.0 million)	-0.7
Judiciary: Lower anticipated overtime costs after completion of rollout of electronic court filing system (-\$0.3 million) and one-time equipment costs (-\$1.3 million)	-1.7
Department of Commerce: Maryland State Arts Council Funding Formula (\$0.2 million) more than offset by a lower mandated funding level for the Baltimore Symphony Orchestra (-\$0.3 million) and lower expected costs for the More Jobs for Marylanders program (-\$2.8 million)	-2.9
MDA: Restoration of mandated funding for the Maryland Native Plants Program and Urban Agriculture Grant Programs (\$0.2 million), more than offset by an increase in turnover expectancy based on vacancy trends (-\$0.5 million); one-time funding for the Wood Products Industry Equity Investment and Maryland Livestock Processing Grant Program (-\$0.9 million); and end of mandated funding for the Maryland Agricultural and Resource-Based Industry Development Corporation and the Certified Local Farm Enterprise Food Aggregation Grant (-\$2.7 million)	-3.9
Comptroller: One-time cost containment reduction due to delayed filling of positions (\$1.2 million), more than offset by one-time costs associated with implementing programming changes for changes in taxes (-\$1.3 million), and one-time funds for fraud detection and compliance and translation of education materials (-\$4.0 million)	-4.1
MDL: Turnover adjustments (\$5.3 million) and restoration of funding for mandates after BPW reduction (\$0.3 million), more than offset by the availability of special funds for FAML I expenses (-\$18.8 million)	-13.2
One-time legislative additions: GOC (-\$12.4 million), MSDE (-\$9.6 million), MDH (-\$4.8 million), BPW (-\$4.6 million), USM institutions (-\$3.8 million), DHCD (-\$3.8 million), GOCPP (-\$3.8 million), MDL (-\$3.1 million), all other agencies (-\$6.4million)	-52.3
One-time operating support for the Washington Metropolitan Area Transit Authority	-150.0
Other agency personnel and operating expenses	47.1
	\$269.2

Reserve Fund

Required appropriation to the Rainy Day Fund, no appropriation provided in fiscal 2025	\$419.5
Required appropriation for the retirement system and other postemployment benefits	50.0
One-time legislative addition in the DPA for reimbursing registered apprenticeship sponsors	-0.5
	\$469.0

PAYGO

Chapter 335 of 2024 mandated funding for Project CORE	\$50.0
Chapter 410 of 2024 mandated funding for the Bowie Race Course Training Center	6.2
State Center Demolition funding in the DPA, funded in fiscal 2025 but eliminated as part of cost containment actions	5.0
One-time legislative additions for the Prince George’s County Public-Private Partnership Fund (-\$2.0 million), the East Baltimore Neighborhood Development Fund (-\$1.0 million), Jubilee Baltimore (-\$150,000), the Town of Forest Heights for traffic management (-\$100,000), and Strong Foundation (-\$50,000)	-3.3
Downtown Partnership programmed funding ended in fiscal 2025	-9.0
One-time miscellaneous grants	-38.0
Changes to Conform to the CIP, which supports DHCD programs with general obligation bonds in fiscal 2026	-89.1
	-\$78.1

Fiscal 2024 Shortfalls and Reversions in Error Funded through Deficiency Appropriation **-\$372.3**

Total **\$1,261.0**

- | | |
|--|---|
| BCCC: Baltimore City Community College | GOCPP: Governor’s Office of Crime Prevention and Policy |
| BPW: Board of Public Works | HBCU: historically Black college and university |
| CIP: <i>Capital Improvement Program</i> | IT: information technology |
| COLA: cost-of-living adjustment | MCA: Maryland Cannabis Administration |
| DDA: Developmental Disabilities Administration | MDA: Maryland Department of Agriculture |
| DHCD: Department of Housing and Community Development | MDE: Maryland Department of the Environment |
| DHS: Department of Human Services | MDH: Maryland Department of Health |
| DNR: Department of Natural Resources | MDL: Maryland Department of Labor |
| DoIT: Department of Information Technology | MDOA: Maryland Department of Aging |
| DPA: Dedicated Purpose Account | MDP: Maryland Department of Planning |
| DPSCS: Department of Public Safety and Correctional Services | MEDCO: Maryland Economic Development Corporation |
| DSCI: Department of Service and Civic Innovation | MHEC: Maryland Higher Education Commission |
| DSP: Department of State Police | MSDE: Maryland State Department of education |
| EBT: electronic benefit transfer | PAYGO: Pay-as-you-go |
| FAMLI: Family and Medical Leave Insurance | TEDCO: Maryland Technology Development Corporation |
| GOC: Governor’s Office for Children | USM: University System of Maryland |

Appendix 17
Transportation Trust Fund Six-year Forecast Comparisons
Fiscal 2024-2030
(\$ in Millions)

	<u>MDOT</u> <u>Jan. 2024</u>	<u>MDOT</u> <u>Sept. 2024</u>	<u>Diff.</u>	<u>DLS</u> <u>Nov. 2024*</u>	<u>Diff.</u>
Revenues					
Taxes and Fees	\$22,444	\$24,444	\$2,001	\$24,662	\$218
Operating and Other Revenues	3,349	3,100	-301	3,100	0
Federal Operating Assistance	827	1,110	283	1,110	0
Federal COVID/Stimulus	121	6	-115	6	0
Bond Proceeds and Premiums	2,050	3,010	960	3,010	0
General Fund Transfers In	920	918	-2	918	0
Use of Fund Balance	422	88	-334	231	143
Total Revenues	\$30,232	\$32,676	\$2,444	\$33,037	\$360
Expenditures					
Debt Service	\$2,703	\$2,903	\$200	\$2,903	\$0
Operating Budget	17,918	20,025	2,107	20,037	12
Highway User Revenues	2,152	2,319	167	2,363	44
State Capital Program	7,459	7,429	-30	7,733	304
Total Expenditures	\$30,232	\$32,676	\$2,444	\$33,037	\$360
Capital Summary					
State Program (excluding HUR)	\$7,459	\$7,429	-\$30	\$7,733	\$304
Highway User Revenues	2,152	2,319	167	2,363	44
Net Federal Capital (Cash Flow)	8,344	6,849	-1,495	6,849	0
Other Funds	2,197	2,258	61	2,258	0
Total Capital	\$20,153	\$18,855	-\$1,297	\$19,203	\$348

*Includes consensus attainment levels for motor vehicle fuel and titling taxes for fiscal 2025 and 2026.

DLS: Department of Legislative Services

HUR: highway user revenue

MDOT: Maryland Department of Transportation

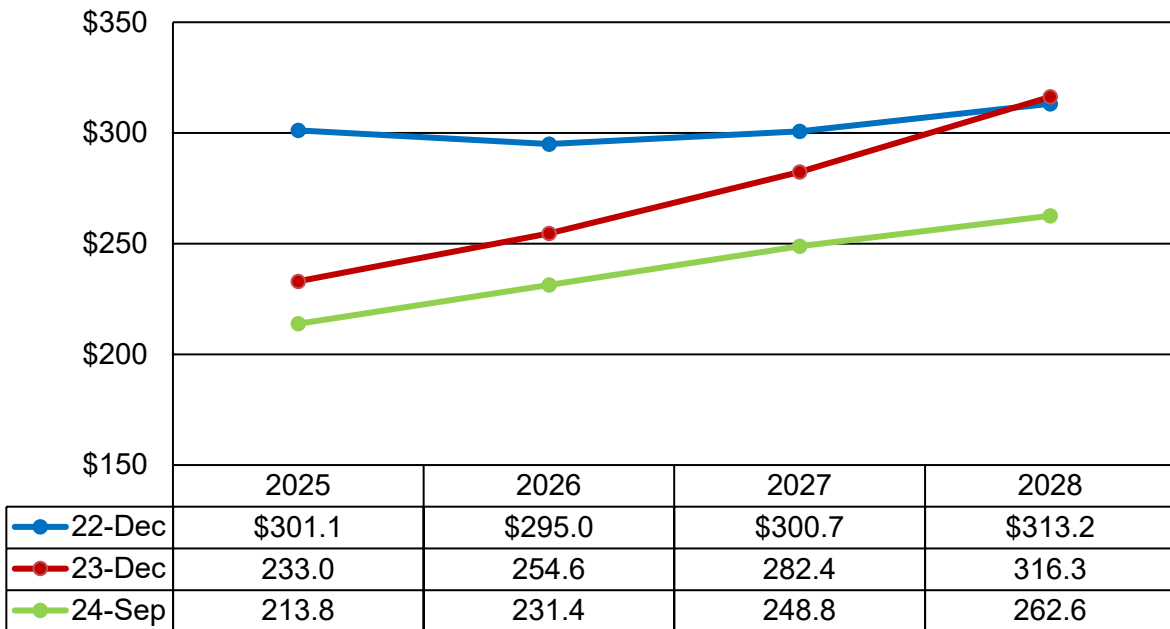
Note: Numbers may not sum to total due to rounding.

Appendix 18 Capital Program

Transfer Tax Revenue Decline

- Revised Revenue Forecast:** The revised September 2024 transfer tax revenue estimates for fiscal 2025 through 2028 are \$124 million under the December 2023 estimates and \$253 million under the December 2022 estimates, impacting both the capital and operating budgets.

Transfer Tax Revenue Estimates
Fiscal 2025-2028
(\$ in Millions)



Source: Board of Revenue Estimates

Changes to Transfer Tax Revenues and Impact on Capital Program
Fiscal 2024 and Budgeted Amount and Fiscal 2026 Estimate
(\$ in Millions)

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Difference</u> <u>2025-2026</u>
Budgeted 2024-2025 Revenue/ Estimated 2026 Revenues	\$286.1	\$233.1	\$231.4	-\$1.7
Over/Underattainment Adjustment	122.0	-79.5	-87.5	-8.0
Total Revenues	\$408.1	\$153.6	\$143.9	-\$9.7
Total to Capital Programs	\$326.0	\$111.0	\$104.0	-\$7.0

Source: Board of Revenue Estimates

- Impact on Fiscal 2026 General Fund Forecast:*** The transfer tax revenue available to support fiscal 2026 operations is projected to be insufficient to fully fund the fiscal 2026 baseline estimate for the Park Service. As a result, the baseline assumes that \$21 million of general funds will be required to backfill for insufficient levels of transfer tax revenue.

Appendix 19
Legislative Preauthorizations for the 2025 Session
(\$ in Millions)

<u>Agency</u>	<u>Project Title</u>	<u>2025 Session</u>
BSU	New Academic Commons and Library	\$6.0
UMBC	New Student Services Building	5.9
MISC	Catholic Charities - Intergenerational Center	2.0
MISC	Pikesville Armory	5.0
MISC	Luminis Health Doctors Community Medical Center - New Obstetrical Care Tower	10.0
MISC	Baltimore Symphony Orchestra	2.5
MISC	Olney Boys and Girls Club - Performance Sports Center	1.0
MISC	Bowie Mill Bike Trail	2.1
MISC	B & O Railroad Museum	3.0
MISC	Shady Grove Medical Center	3.0
MISC	MedStar Southern Maryland Hospital	3.0
MISC	Wolfsville Volunteer Fire Department	0.5
MISC	White's Ferry Project	1.5
MISC	Don Bosco Cristo Rey High School	1.0
MISC	Principio Rail Spur	1.5
MISC	Maryland Center for History and Culture	2.5
MISC	Inner Harbor Promenade	8.0
MISC	Rosecroft Raceway Economic Revitalization	3.1
MISC	Franklin Square Hospital	1.0
MISC	Viva White Oak	6.0
MISC	Frederick Youth Center	0.2
MISC	Westport Capital Development - Kloman Street Relocation	2.0
MISC	Westminster Fiber Network Construction Project	1.0
MISC	Southern Streams Health and Wellness Center	2.1
Total Legislative Preauthorizations		\$73.9

BSU: Bowie State University

UMBC: University of Maryland Baltimore County

MISC: miscellaneous