Spending Affordability Committee Technical Supplement

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

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Contents

Fiscal 2025 Baseline Budget
Technical Supplement Overview

The Baseline Process

The baseline budget is an estimate of the cost of government services in the next budget year assuming:

- current laws, policies, and practices are continued;
- legislation, federal mandates, and multi-year commitments supported by the legislature are implemented and funded;
- efficiency is maintained at current levels;
- nondiscretionary changes in workload are recognized;
- unavoidable shortfalls in budgeted expenditures during the current fiscal year are funded as deficiencies;
- inflationary increases in costs are provided; and
- salary adjustments are funded consistent with statutory requirements and known legislative or executive intent.

General Assumptions

Forecasts of individual agency budget requirements are based on amounts appropriated for fiscal 2024. Adjustments are made to remove funds anticipated to be for one-time or limited-time purposes and to add funds as required to recognize expenses associated with legislation, new facilities, changes in caseloads, changes in contract costs, and continuing expenses related to fiscal 2024 budget deficiencies. The baseline estimate also allows for changes in personnel costs and inflationary increases in the cost of operating expenses.

Nonpersonnel Operating Cost Assumptions

Statewide fiscal 2024 funding is believed to be insufficient to cover certain costs due to current inflation expectations. The baseline assumes deficiency appropriations of $12.5 million for prescription drugs and $7.5 million for food in total funds. However, a deficiency appropriation removes $13.5 million for electricity due to funding that is higher than expected to be needed. Additional deficiency adjustments increase funding for natural gas ($9.5 million) and decrease funding for electricity ($13 million) in the University of Maryland, College Park campus. In addition, the baseline also assumes inflationary changes in specific subobjects. Specific inflation assumptions are:

- food (3.8%);
- electricity (1.25%);
- natural gas (1.1%); and
- gas and oil (-0.7%).

Zero inflation is assumed for all other items.

Assumptions Regarding Legislative Additions

The fiscal 2025 baseline assumes approximately $1.0 billion of legislative additions are one-time. This total includes $400 million in the Dedicated Purpose Account (DPA) to be transferred to the Blueprint for Maryland's Future Fund, $100 million in the DPA for future transportation projects, and $369 million in pay-as-you go capital funding.

Assumptions Regarding Federal Funds

The fiscal 2025 baseline includes adjustments reflecting the removal of federal stimulus funds budgeted in fiscal 2024 that will no longer be available in fiscal 2025. The fiscal 2025 baseline does not reflect all federal funds available through the federal Infrastructure Investment and Jobs Act or Inflation Reduction Act, as in many cases actual funding allocations are not yet known or the timing of spending is unclear. As a result, the fiscal 2025 baseline does not provide a complete portrayal of federal funds in many areas, and year-to-year comparisons are distorted.

Baseline Results

Overall, the baseline budget projects budget growth as indicated in the following by fund type.

Projected Baseline Budget
Fiscal 2024-2025
($ in Millions)

Fund[(1)]	Adjusted Appropriation 2024[(4)]	Baseline 2025	$ Change 2024-2025	% Change 2024-2025
General[(2)]	$27,226.2	$26,639.0	-$587.2	-2.2%
Special/Higher Education[(3)]	16,940.6	17,567.9	627.3	3.7%
Federal	19,596.5	18,525.8	-1,070.7	-5.5%
Total	**$63,763.3**	**$62,732.7**	**-$1,030.6**	**-1.6%**

(1) Excludes reimbursable and nonbudgeted funds.
(2) Net of reversions.
(3) Higher education funds include current restricted and unrestricted funds net of general and special fund appropriations.
(4) Adjusted for estimated deficiencies and reversions.

Note: The fiscal 2024 appropriation reflects estimated deficiencies of $711.2 million. Fiscal 2024 excludes $199.1 million, and 2025 excludes $211.1 million of special funds that double count general fund spending.

The tables on the following pages summarize the budgetary changes by major category of expenditure. Fiscal 2024 deficiencies are discussed next as part of the *Technical Supplement* Overview. Separate sections of the *Technical Supplement* present the assumptions used for estimates for select State agencies, aid to local governments, entitlements, debt service, and capital programs. Generally, the descriptions in the *Technical Supplement* are for adjustments greater than $100,000. The baseline estimates described in this document represent the judgments of the Department of Legislative Services as of November 1, 2023. Actions subsequent to that date or further changes to the economic outlook are not reflected here.

State Expenditures – General Funds
Fiscal 2024-2025
($ in Millions)

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

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

Note: The fiscal 2024 appropriation reflects estimated deficiencies of $86.6 million.

State Expenditures – Special and Higher Education Funds
Fiscal 2024-2025
($ in Millions)

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

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

State Expenditures – Federal Funds
Fiscal 2024-2025
($ in Millions)

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

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

State Expenditures – State Funds
Fiscal 2024-2025
($ in Millions)

Category	Adjusted Appropriation 2024	Baseline 2025	$ Change 2024 to 2025	% Change 2024 to 2025
Debt Service	$1,868.3	$1,928.0	$59.8	0.9%
County/Municipal	$966.1	$1,003.1	$36.9	18.0%
Community Colleges	475.4	506.8	31.4	16.4%
Education/Libraries	8,734.5	9,125.4	390.9	14.1%
Health	115.8	133.8	18.1	32.1%
Aid to Local Governments	***$10,291.8***	***$10,769.0***	***$477.3***	***14.7%***
Foster Care Payments	$275.9	$279.4	$3.5	14.8%
Assistance Payments	136.4	126.8	-9.6	-10.0%
Medical Assistance	5,676.3	5,848.7	172.4	14.3%
Property Tax Credits	87.4	81.3	-6.1	-7.0%
Entitlements	***$6,176.0***	***$6,336.1***	***$160.1***	***13.4%***
Health	$3,199.1	$3,258.1	$59.0	18.1%
Human Services	649.1	630.6	-18.5	3.1%
Juvenile Services	318.5	330.2	11.7	9.5%
Public Safety/Police	2,089.3	2,187.5	98.2	8.9%
Higher Education	7,436.3	7,848.1	411.8	0.8%
Other Education	979.4	1,013.4	34.0	10.2%
Transportation	2,225.3	2,655.5	430.2	37.4%
Agriculture/Natural Res./Environment	585.6	598.5	12.8	7.9%
Other Executive Agencies	2,842.8	2,919.0	76.1	13.4%
Judiciary	748.0	779.0	30.9	8.8%
Legislative	152.3	154.8	2.6	7.8%
State Agencies	***$21,225.6***	***$22,374.6***	***$1,149.0***	***10.2%***
Total Operating	**$39,561.6**	**$41,407.7**	**$1,846.1**	**11.3%**
Capital (1)	$3,570.3	$2,303.1	-$1,267.2	-36.1%
Transportation	1,503.3	1,477.2	-26.2	22.2%
Environment	254.7	205.0	-49.7	-14.9%
Other	1,812.2	620.9	-1,191.3	-71.2%
Subtotal	***$43,131.9***	***$43,710.8***	***$578.9***	***7.2%***
Reserve Funds	$1,079.9	$546.1	-$533.8	-78.4%
Appropriations	**$44,211.8**	**$44,256.9**	**$45.1**	**2.2%**
Reversions	-$45.0	-$50.0	-$5.0	-33.3%
Grand Total	**$44,166.8**	**$44,206.9**	**$40.1**	**2.2%**

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

Note: The fiscal 2024 appropriation reflects estimated deficiencies of $42.9 million. Fiscal 2024 excludes $199.1 million and 2025 excludes $211.1 million of special funds that double count general fund spending.

State Expenditures – All Funds
Fiscal 2024-2025
($ in Millions)

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

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

Note: The fiscal 2024 appropriation reflects estimated deficiencies of $711.2 million. Fiscal 2024 excludes $199.1 million and 2025 excludes $211.1 million of special funds that double count general fund spending.

Fiscal 2024 Deficiencies

The fiscal 2025 baseline assumes approximately $711.2 million in net total fund deficiencies in fiscal 2024. The net increase is driven primarily by federal fund spending, which adds $668.3 million to the appropriation, and an additional $86.6 million in general fund spending. These increases are partially offset by a $40.3 million reduction in special fund spending and $3.5 million in current unrestricted fund spending. The current unrestricted fund decrease results from lower anticipated utility costs.

As shown in the following exhibit, the general fund deficiency appropriations, totaling $73.5 million, are driven by provider reimbursements in Medicaid and behavioral health for Medicaid eligible recipients and expenditures. Of this amount, $40 million is related to shortfalls to pay fiscal 2023 bills that are received after the fiscal year. Providers have 12 months to bill for services. The Maryland Department of Health (MDH) accrues funds from the appropriation year to pay those bills, however, in fiscal 2023 the appropriation is believed to be insufficient for the anticipated bills to be paid. The remaining general fund deficiencies ($33.5 million) for provider reimbursements results from a higher estimated caseload in Medicaid as more information has become available about waivers and other aspects of how the unwinding of the continuous eligibility of Medicaid with the end of the public health emergency is occurring.

Detailed Fiscal 2024 General Fund Deficiencies
($ in Millions)

	Total
Medicaid and Behavioral Health Provider Reimbursements: Increased costs in provider reimbursements due to higher than anticipated enrollment ($33.5 million) and shortfalls in funding to pay fiscal 2023 costs ($40.0 million)	$73.5
Fiscal 2023 Expenses: Department of Public Safety and Correctional Services for the inmate medical contract ($32.6 million), Department of Commerce funds to capitalize the Child Care Capital Support Revolving Loan Fund inadvertently reverted ($4.5 million), Office of the Public Defender primarily for contractual employees ($2.4 million)	39.5
Foster Care Spending: Primarily due to higher than anticipated placement costs for group homes and flex funds supporting various emergency and ancillary services including respite care, transportation, and other support services	26.2

	Total
Legislation: Capitalization of the State Disaster Recovery Fund created in Chapter 549 of 2023 ($10.0 million), administrative expenses and one-time consultant spending to support Chapter 378 of 2023 ($3.2 million), the State share of costs for election judge compensation and marketing established under Chapter 157 of 2023 ($1.9 million), new positions to create the Environmental and Natural Resources Crimes Unit in the Office of Attorney General established by Chapter 689 of 2023 ($0.4 million), one-time costs for contractual positions in Office of Attorney General to support the Task Force to Study Crime Classification established by Chapter 712 of 2023 ($0.2 million), 1 new position associated with Chapter 679 of 2023 establishing the Interagency Committee on School Construction as an independent unit of State government ($0.1 million), a .05 position to support the Baltimore City Young Readers program (Chapter 650 of 2023) ($0.04 million)	15.8
Agency Expenses: Statewide costs for food and prescription drugs partially offset by lower electricity costs ($4.9 million). Anticipated underfunding including contractual employees in the Office of Public Defender ($2.1 million), overtime costs in the Department of Juvenile Services (DJS) ($0.8 million), residential per diem expenses in DJS ($0.6 million), funding for an agreement between Maryland and Virginia for veterinary medicine in the University of Maryland, College Park Campus, inadvertently not funded in fiscal 2024 ($0.3 million), partially offset by net decrease in funding for contractual conversions approved by the Board of Public Works (-$0.1 million)	8.6
Fund Swaps Due to Anticipated Revenue Shortfalls in the Maryland Department of Environment	4.5
Vacancy Savings	-81.5
Total Deficiencies	**$86.6**

Anticipated deficiency appropriations decrease special fund spending by a net of $40.3 million. Special funds deficiency appropriations increase spending by $9.5 million, of which $6.1 million is from the Blueprint for Maryland's Future Fund to implement changes under Chapter 111 of 2023 of the definition of a Tier 1 child within the Publicly Funded Full-Day Prekindergarten aid program in fiscal 2023 and 2024. Other increases in special fund deficiency appropriations are:

- $2.2 million supports an information technology project in MDH consistent with action taken by the General Assembly during the 2023 session to delete general funds because of the availability of special funds for this purpose;

- $0.5 million from the Strategic Energy Investment Fund for the Small, Minority, and Women-owned Business Account to fully fund the mandate in the Chapter 757 of 2019 (the Clean Energy Jobs Act);

- $0.5 million for the special fund share of anticipated shortfalls in residential per diem placements in DJS and foster care placements;

- $0.1 million for the special fund share of a statewide deficiency to reflect higher than expected costs for prescription drugs and food, partially offset by lower than budget expenditures for electricity; and

- the special fund share of shortfalls for fiscal 2023 expenditures reported by the Department of Natural Resources in closeout.

These increases are more than offset by decreases totaling $49.4 million. The largest decrease ($31.1 million) represents the special fund share of a deficiency appropriation recognizing savings due to vacancies. Other decreases represent:

- $14.2 million in the Maryland Department of Transportation due to Chapter 112 of 2023 which alters the distribution of funds to be passed through to counties for Bus Rapid Transit systems resulting in no anticipated distribution in fiscal 2024; and

- $4.5 million across the Maryland Department of Environment due to lower fee revenue and replaced by general funds.

Deficiency appropriations are expected to increase federal fund spending by $668.3 million in fiscal 2024. Increases totaling ($682.0 million) represent the federal fund share of the provider reimbursement shortfalls discussed earlier. The other substantial components of the increase results from:

- the federal fund share of anticipated shortfalls in residential per diem placements in DJS ($0.3 million);

- a contractual full-time equivalent and associated funding to support the Commission on Hate Crime Response and Prevention established in Chapter 712 of 2023 ($0.1 million).

These increases are partially offset by decreases in several areas totaling $15.7 million. The largest of these decreases results from the federal fund share of savings from vacancies ($13.7 million). The remaining decrease ($2.0 million) results from lower anticipated federal fund attainment for foster care payments.

Debt Service

State tax-supported debt includes general obligation (GO) bonds sold by the State Treasurer and Consolidated Transportation Bonds sold by the Maryland Department of Transportation (MDOT). GO bonds are secured by the full faith and credit of the State and are supported by property taxes and other funds, such as premiums realized at bond sales deposited into the Annuity Bond Fund (ABF). The State also receives federal funds that support Build America Bonds, Qualified Zone Academy Bonds, Qualified School Construction Bonds, and Qualified Energy Conservation Bonds issued by the State.

Transportation bonds are supported by pledged taxes (motor fuel taxes, vehicle excise taxes, motor vehicle registration fees, and a portion of the corporate income tax) and other Transportation Trust Fund revenues (such as modal operating revenues).

Expenditures and Funds for Debt Service
Fiscal 2024-2025
($ in Thousands)

	Leg. Approp. 2024	Baseline 2025	Increase 2024-2025	% Increase 2024-2025
Expenditures				
MDOT Debt Service Requirements	$426,454	$441,713	$15,259	3.6%
GO Bond Debt Service Requirements	1,449,300	1,491,000	41,700	2.9%
Total	**$1,875,754**	**$1,932,713**	**$56,959**	**3.0%**
Fund				
General Fund	$425,100	$433,000	$7,900	1.9%
Special Fund	1,443,154	1,495,013	51,859	3.6%
Federal Fund	7,500	4,700	-2,800	-37.3%
Total	**$1,875,754**	**$1,932,713**	**$56,959**	**3.0%**

GO: general obligation
MDOT: Maryland Department of Transportation

The fiscal 2025 baseline budget for GO bond debt service costs reflects reduced debt issuances in fiscal 2022 and 2023. Annual issuances have averaged over $1 billion since fiscal 2015. However, the March 2023 sale was $400 million and there was no bond sale in summer 2023. Issuances were reduced because capital projects are spending more slowly than anticipated. The average tax-exempt cash balance from GO bond proceeds increased from $195 million in fiscal 2020 to $780 million in fiscal 2023. Reduced issuances subsequently slow the growth in debt service costs.

The largest revenue source for the ABF is State property taxes. The current State property tax rate is $0.112 per $100 of assessable base. In recent years, debt service costs have exceeded State property tax revenues. Continuing the trend, fiscal 2025 State property tax receipts are projected to be $1.03 billion compared to debt service costs that total $1.49 billion. ABF balance remaining from prior years, other special fund revenues (such as repayment for issuance of bonds for Program Open Space), and federal funds are expected to be $5 million. Insofar as these sources are insufficient, $433 million in general funds will need to be appropriated in fiscal 2025.

The fiscal 2025 baseline budget for MDOT's debt service comprises debt service for bonds issued prior to fiscal 2023 and projected sales in 2025 (no sales took place in fiscal 2023, and no sales are projected for fiscal 2024). Over the past four fiscal years (2020 to 2023), debt issuances net of refunding totaled nearly $1.1 billion. Bond issuances in the draft MDOT fiscal 2024 to 2029 financial forecast are projected to total $1.52 billion, a 15.6% decrease from the $1.8 billion projected in the previous forecast. The decrease in projected debt issuances is due to higher projected operating expenses combined with a small decline in motor fuel tax revenue in fiscal 2025.

State Aid to Local Governments

State aid includes direct grants to local governments for various public services, such as education, libraries, community colleges, transportation, public safety, health, and recreation and State-paid retirement costs for public school teachers, librarians, and community college faculty. Although the grants may be for specific programs or purposes, local governments usually have considerable flexibility in the expenditure of these funds.

State Aid by Governmental Entity
Fiscal 2024-2025
($ in Thousands)

Entity	Working 2024	Baseline 2025	$ Change 2024-2025	% Change 2024-2025
Public Schools	$8,643,161	$9,028,948	$385,788	4.5%
County/Municipal	963,565	1,003,054	39,489	4.1%
Community Colleges	475,398	506,781	31,383	6.6%
Libraries	91,330	96,423	5,093	5.6%
Health	115,766	133,840	18,075	15.6%
Total	**$10,289,220**	**$10,769,047**	**$479,827**	**4.7%**

Note: Totals may not sum due to rounding. The fiscal 2024 working appropriation for County/Municipal aid reflects the September estimates of casino revenues by the Board of Revenue Estimates.

Overview

State aid is projected to total $10.8 billion in the fiscal 2025 baseline, representing a $479.8 million, or 4.7%, increase over the prior fiscal year. Most of the State aid in fiscal 2025, as in prior years, is targeted to public schools. Public schools will receive $9.0 billion in fiscal 2025, 83.8% of total State aid. Counties and municipalities will receive $1.0 billion (9.3% of total State aid), community colleges will receive $506.8 million (4.7%), libraries will receive $96.4 million (0.9%), and local health departments will receive $133.8 million (1.2%).

Public Schools

Public schools will receive an estimated $9.0 billion in fiscal 2025, representing a $385.8 million (4.5%) increase over the prior fiscal year. This increase is the combined impact of a $215.1 million increase in direct aid and a $170.7 million increase in retirement aid.

The per pupil foundation amount is set at $8,789, an increase of $147 compared to fiscal 2024. Under Chapters 36 and 55 of 2021, which implement the Blueprint for Maryland's Future, the per pupil foundation amount is set in statute through fiscal 2033 and is increased by inflation in subsequent years. The per pupil foundation amount is an important factor in determining State education aid because it is used in major State aid formulas (the foundation program; the Comparable Wage Index (CWI); and the compensatory education, special education, and English learners formulas) that together account for approximately three-quarters of total education aid.

General funds are expected to account for $7.3 billion of State aid for public schools. Special funds, almost entirely from the Blueprint for Maryland's Future Fund, account for approximately $1.8 billion.

Foundation Program

In fiscal 2025, foundation program formula aid is estimated to increase by $28.1 million, (0.7%), for a total of $3.8 billion. This modest increase is due to a projected slight (0.2%) decrease in the enrollment count for the foundation program, which is more than offset by a 1.7% increase in the per pupil foundation amount from $8,642 per student in fiscal 2024 to $8,789 per student in fiscal 2025 as required under Chapters 36 and 55. The enrollment count for the foundation program is the greater of (1) the full-time equivalent (FTE) enrollment count; and (2) the three-year average of FTE. For fiscal 2023 and 2024, the three-year average used to determine the enrollment count excludes the fall of 2020 FTE, which was particularly suppressed by the COVID-19 pandemic. The foundation program is the primary formula grant program for funding the local school systems.

Comparable Wage Index

Fiscal 2025 funding for the CWI is estimated to total $157.1 million, a 1.2% increase compared to fiscal 2024 CWI funding. CWI is calculated by measuring variation in the wages of workers similar to teachers and examining costs outside of a school district's control. Eleven local school systems are eligible for CWI funds each year.

Blueprint Transition Grants

Beginning in fiscal 2023, transition grants are provided under the Blueprint for Maryland's Future, helping to compensate for the termination of supplemental grants under the foundation program and other funding provisions after fiscal 2022. Per statute, these grants decline each year, beginning in fiscal 2025 until being fully phased out after fiscal 2029. Accordingly, transition grants decrease by $8.7 million, from $57.7 million in fiscal 2024 to $49.0 million in fiscal 2025.

Compensatory Aid

In fiscal 2025, compensatory aid is estimated to total $1.7 billion, a decrease of $18.4 million compared to fiscal 2024. The decrease is primarily due to a projected decline in free and reduced-price meal (FRPM) student enrollment, which is assumed to have peaked for fiscal 2024 funding, and is only partially offset by a $40 (0.5%) increase in per pupil funding. This program provides additional funding to local school systems based on their enrollment of students eligible for FRPM.

Concentration of Poverty Grants

Under Chapter 771 of 2019, State grants were provided to public schools in which at least 80% of the students were eligible for FRPM. For both fiscal 2020 and 2021, grants equal to $248,833 were provided for each existing eligible school. Schools receiving these grants must hire 1 community school coordinator and provide full-time coverage by at least 1 health care practitioner. These personnel grants were also provided for in the fiscal 2022 budget. Personnel grants must be adjusted annually for inflation such that each eligible school is estimated to receive a grant of $276,752 in fiscal 2025. Beginning in fiscal 2023, under Chapters 36 and 55, in addition to these personnel grants, per pupil grants are provided. Funding is phased in over several years, for both personnel and per pupil grants, to provide funding for an increasing number of schools at progressively lower poverty concentrations. In fiscal 2025, concentration of poverty grants total an estimated $332.5 million, an increase of $105.3 million over fiscal 2024.

Students with Disabilities

In fiscal 2025, funding for students with disabilities via the special education formula is estimated to increase by $43.7 million (9.4%), from $466.0 million to $509.6 million. This change is due to the combined effect of a projected 0.4% increase in students with disabilities enrollment in the 2023-2024 school year and a $750 (9.4%) increase in per pupil funding. In fiscal 2025, funding for special education students in nonpublic placements is projected to total $156.5 million, a $7.3 million increase from the fiscal 2024 funding level.

English Learners

In fiscal 2025, funding for English learner students is estimated to increase by $55.5 million (11.7%), from $473.5 million to $529.0 million. The change is due to a projected 8.5% increase in relevant student enrollment for the 2023-2024 school year and a $323 (3.7%) increase in per pupil funding under the Blueprint for Maryland's Future. These grants are based on English learner student enrollment and per pupil funding that is 102% of the per pupil foundation amount in fiscal 2025.

Guaranteed Tax Base Program

In fiscal 2025, the Guaranteed Tax Base Program increases by $4.8 million (8.4%), from $56.8 million to $61.6 million. As currently estimated, in fiscal 2025, 8 local school systems receive the Guaranteed Tax Base Program funding. This program provides additional State funding to local school systems with less than 80.0% of statewide wealth per pupil through a formula based on local wealth and the amount of local funding each jurisdiction provides to the local school system.

Education Effort Adjustment Grants

The Blueprint for Maryland's Future includes a mechanism for establishing a maximum local share that a county must fund each year. Relief is provided to counties based on local effort and is offset by equivalent State aid. However, the education adjustment for a county is only allowed to the degree that per pupil local maintenance of effort is met each year. In fiscal 2025, State funding is projected to total $120.5 million, an increase of $32.5 million from the prior fiscal year.

Student Transportation

In fiscal 2025, total student transportation funding increases by $4.2 million, or 1.2%, to $367.6 million. This amount reflects projected low transportation cost inflation, increased FTE enrollment, and a 2.4% increase in the student count for special transportation. Estimated formula funding for student transportation increases by $3.5 million (1.0%), from $335.8 million to $339.3 million. This amount reflects low inflation (projected to be equivalent to the 1.0% floor in statute), and 0.7% increase in FTE enrollment. Estimated funding for disabled transportation increases by $669,000, from $27.5 million to $28.2 million, due to an assumed increase in students using disabled student transportation services. For disabled transportation funding, the State provides $1,000 annually for each qualifying student.

Publicly Funded Full-day Prekindergarten

Beginning in fiscal 2023, a new funding formula for voluntary full-day prekindergarten for three- and four-year-olds from low-income families began to be phased in. Expansion of full-day prekindergarten is first focused on making full-day prekindergarten available for all four-year-olds from low-income families as half-day slots are being converted into full-day slots, and new slots are coming online. This will occur at the same time as full-day prekindergarten is expanded gradually for three-year-olds from low-income families. Fiscal 2025 funding will total an estimated $122.3 million, an increase of $16.6 million (15.7%) over fiscal 2024.

Teacher Retirement

State retirement costs for public school teachers and other professional personnel will total an estimated $915.7 million in fiscal 2025, which is an increase of $170.7 million (22.9%) compared to fiscal 2024. The increase can be attributed to several factors, including (1) local education payrolls increasing substantially more than previously projected (6.1% vs. 2.75% assumed); (2) investment performance falling below the assumed rate of return for the second straight year (3.1% vs. 6.8% assumed); and (3) higher-than-expected inflation causing cost-of-living-adjustments (COLA) to be greater than expected.

Local school systems are responsible for paying the normal cost (which represents the cost of pension benefits accrued in the current year). While the normal cost rate declines for fiscal 2025, this decline is more than offset by payroll increases, resulting in local payments increasing from $380.2 million in fiscal 2024 to $397.1 million in fiscal 2025. Increases are projected through fiscal 2026, after which local costs largely level off at about $405 million annually. Local school systems also contribute toward State Retirement Agency (SRA) administrative costs, totaling approximately $19.4 million in fiscal 2025.

Community Colleges

The majority of funding for the State's locally operated community colleges is determined by the Senator John A. Cade funding formula. In fiscal 2025, Cade formula funding totals $414.5 million. This represents an increase of $21.2 million, or 5.4%, in general funds above fiscal 2024. Baltimore City Community College is a State agency and receives funding through a separate funding formula.

The fiscal 2025 baseline also includes $2.8 million in general funds for the English Speakers of Other Languages Program and $6.5 million in general funds for statewide and regional programs. In addition, small colleges are estimated to receive $9.7 million in general funds in Small College and Mountain grants. The baseline also includes $73.2 million in general funds for retirement benefits to community college employees, an increase of 18.5% compared to fiscal 2024.

Libraries

State library aid formula increases by $788,900, from $48.7 million in fiscal 2024 to $49.5 million in fiscal 2025 in general funds. This increase is largely due to the increase in the per resident amount for this aid formula, from $17.90 in fiscal 2024 to $18.30 per resident in fiscal 2025, under Chapters 496 and 497 of 2022.

Chapters 714 and 715 of 2016 provided $3.0 million in the annual State budget for fiscal 2018 through 2022 to support additional operating expenses for branches of the Enoch Pratt Free Library in Baltimore City that increase their operating hours above the hours in effect as of January 1, 2016. Chapters 401 and 402 of 2021 require $3.0 million in annual funding beginning in fiscal 2023.

State Library Network funding increases by $248,200 (1.2%) in fiscal 2025, bringing total funding for this program to $21.7 million in general funds. The network is comprised of the Central Library of the Enoch Pratt Free Library System in Baltimore City, three regional resource centers, and metropolitan cooperative service programs. Under Chapters 6 and 27 of 2021, the State Library Resource Center per resident annual funding totals $1.97 in fiscal 2025. Under Chapters 496 and 497, per resident funding for regional resource centers increases from $9.39 in fiscal 2024 to $9.59 in fiscal 2025.

Finally, retirement costs for librarians will total an estimated $25.3 million in fiscal 2025, representing a $4.1 million, or 19.1%, increase over the prior fiscal year. Unlike the boards of education and community colleges, the State continues to pay SRA administrative costs for local library employees.

County and Municipal Governments

Approximately 9.3% of State aid is allocated to county and municipal governments to finance general government, transportation, public safety, and environmental protection projects. County and municipal governments will receive $1.0 billion in fiscal 2025, an increase of $39.5 million from the prior fiscal year. The major State aid programs assisting county and municipal governments include transportation aid, disparity grants, police aid, gaming impact aid, adult education, teacher retirement supplemental grants, and local voting system grants.

Transportation

The State has shared various transportation revenues with the counties and municipalities through the local highway user revenue program. Allocations to counties and municipalities from the Gasoline and Motor Vehicle Revenue Account (GMVRA) have been based on the percentage of road miles and vehicle registrations within each local jurisdiction.

Chapters 330 and 331 of 2018 require 100% of the funds in the GMVRA of the Transportation Trust Fund (TTF) to be retained by the TTF beginning in fiscal 2020. Beginning in that same year, instead of directly sharing the GMVRA revenue with local governments, the Maryland Department of Transportation (MDOT) must provide capital transportation grants to local governments based on the amount of revenue allocated to the GMVRA. Chapter 240 of 2022 increased the local government share of GMVRA revenues beginning in fiscal 2024. For fiscal 2025, capital grants equivalent to 18% of the revenue allocated to the GMVRA must be provided to local governments as follows: Baltimore City (11%); counties (4.3%); and municipalities (2.7%).

The fiscal 2025 estimate is based on projected TTF revenue from motor fuel taxes, motor vehicle titling taxes, motor vehicle registration fees, and corporate income taxes. Based on the mandated formula, the fiscal 2025 baseline assumes that Baltimore City will receive $235.8 million, county governments will receive $92.2 million, and municipal governments will receive $57.9 million, for a total of $385.9 million. The combined amount represents a $54.5 million increase from the fiscal 2024 legislative appropriation.

In fiscal 2025, State funding for elderly/disabled transportation grants will total $4.5 million. In accordance with Chapter 416 of 2022, beginning in fiscal 2025, funding for elderly/disabled transportation grants will be adjusted according to the prior year's inflation for urban consumers. State funding for paratransit grants is expected to maintain the previous level of $1.4 million.

Finally, Chapter 61 of 2022 established a bus rapid transit system grant program in MDOT for certain counties or municipalities with a bus rapid transit system operating in their county or municipality. Beginning in fiscal 2023, MDOT must provide grants, not exceeding $27.0 million, to eligible jurisdictions based on State Lottery Fund deposits into the Maryland Stadium Facilities Fund. The fiscal 2025 baseline includes $27.0 million in funding for the program. Due to a change in the trigger for deposits into the fund enacted by Chapter 112 of 2023, the anticipated deposit in fiscal 2024 will not be made.

Public Safety

Maryland's counties and municipalities receive grants for police protection through the police aid formula. The police aid formula allocates funds on a per capita basis, and jurisdictions with a higher population density receive greater per capita grants. Municipalities receive additional grants based on the number of sworn officers. The Maryland State Police recovers 30% of the State crime laboratory costs relating to evidence-testing services from each county's formula allocation. The fiscal 2025 baseline assumes an increase of 0.7% from the fiscal 2024 base formula amount, with funding totaling $76.3 million.

The fiscal 2025 baseline includes $45.9 million in enhanced funding to law enforcement agencies to address violent crime, which is the same level as provided in fiscal 2024. The baseline reflects $15.0 million for fire and rescue aid, $1.9 million for vehicle theft prevention grants, and $28.4 million for emergency 9-1-1 grants.

Chapters 752 and 753 of 2023 established the Officer and Community Wellness Training Grant Fund to provide grants to local law enforcement agencies for Mental Health First Aid for Public Safety training and Critical Incident Stress Management peer support training. Beginning in fiscal 2025, the Governor may include an appropriation for the fund. The fiscal 2025 baseline includes $1.0 million in funding for the program.

Other public safety grants totaling $49.4 million (targeted crime grants, State Attorney's grant, etc.) are also included in the fiscal 2025 baseline.

Disparity Grants

The disparity grant program provides noncategorical State aid to low-wealth jurisdictions for county government purposes. Specifically, disparity grants address the differences in the abilities of counties to raise revenues from the local income tax, which for most counties is one of the larger revenue sources. The fiscal 2025 baseline includes $183.1 million in general funds, a 16.8% decrease compared to the fiscal 2024 appropriation of $220.2 million. Based on the statutory formula, Baltimore City and eight counties (Allegany, Caroline, Dorchester, Garrett, Prince George's, Somerset, Washington, and Wicomico) will qualify for disparity grants in fiscal 2025.

Gaming Impact Grants

From the proceeds generated by video lottery terminals (VLT) at video lottery facilities in the State, generally 5.5% is distributed to local governments in which a video lottery facility is operating or that are in close proximity to a facility. In addition, 5.0% of table game revenues are distributed to local jurisdictions where a video lottery facility is located. For fiscal 2022 through 2032, under Chapter 590 of 2020, $3.5 million of funds otherwise directed to the Pimlico Community Development Authority from VLT proceeds must be transferred to the State Lottery Fund. The fiscal 2025 baseline assumes gaming impact grants will total $106.5 million, an increase of approximately $1.1 million or 1.0% from the fiscal 2024 estimate of $105.4 million.

Instant Bingo Grants

Chapter 603 of 2012 made permanent the authority for existing qualified organizations and licensed commercial bingo licensees to operate electronic instant bingo machines that would otherwise be illegal under State law after July 1, 2012. A portion of the revenues from the State admissions and amusement tax imposed on the instant bingo machines in Calvert County is distributed to local governments and community organizations. The fiscal 2025 baseline includes $3.15 million in funding, which is the same as the fiscal 2024 amount.

Teacher Retirement Supplemental Grants

Grants totaling $27.7 million are distributed annually to nine counties (including Baltimore City) to help offset the impact of sharing teachers' retirement costs with the counties.

Maryland Park Explorers Grant Pilot Program

Chapter 470 of 2022 established the Maryland Park Explorers Grant Pilot Program in the Department of Natural Resources to provide Anne Arundel and Baltimore counties, from fiscal 2024 through 2026, with equal funds to establish local park explorers pilot programs. The fiscal 2025 baseline includes $100,000 for the program.

Local Voting System Grants

Chapter 564 of 2001 required the State Board of Elections, in consultation with local election boards, to select and certify a uniform statewide voting system with the costs to be split equally between the State and local jurisdictions. The fiscal 2025 baseline includes $12.0 million in grants to local boards of elections. This represents a $6.4 million increase over the fiscal 2024 working appropriation, due to a new voting system information technology project.

Behavioral Health Crisis Response

Chapters 209 and 210 of 2018 established the Behavioral Health Crisis Response Grant Program in the Maryland Department of Health to provide funds to local jurisdictions to establish and expand community behavioral health crisis response systems. Chapters 755 and 756 of 2021 continue the $5.0 million distribution through fiscal 2025. The fiscal 2025 baseline includes $5.0 million for the program, which marks the final year of funding for the grant program.

Local Health Departments

The State provides funds to support the delivery of public health services, including child health, communicable disease prevention, maternal health, family planning, environmental health, and administration of local health departments. The funding formula is adjusted annually for inflation and statewide population growth for the second preceding fiscal year. Chapter 805 of 2021 established a new base level of State funding for the local health formula, which will total $70.0 million in fiscal 2025 and $80.0 million in fiscal 2026. In the fiscal 2025 baseline, the funding formula increases by $9.2 million over the fiscal 2024 working appropriation to reach the required level.

In addition to the funding formula, grants to local health departments have included COLA and other salary enhancements, which total $63.8 million in fiscal 2025. The fiscal 2025 baseline assumes the total aid, comprised of the funding formula and personnel-related funding, will total $133.8 million, an increase of approximately $18.1 million from the fiscal 2024 estimate.

Entitlement Programs

Entitlements include the State Department of Assessments and Taxation's (SDAT) tax credit programs, the Maryland Department of Health's (MDH) Medicaid program, and the Department of Human Services' (DHS) foster care and cash assistance programs. The following table shows State support for entitlement programs.

Expenditures and Funds for Entitlement Programs
Fiscal 2024-2025
($ in Thousands)

	Leg. Approp. 2024	Baseline 2025	$ Change 2024-2025	% Change 2024-2025
Expenditures				
State Department of Assessments and Taxation	$87,400	$81,256	-$6,144	-7.0%
MDH Behavioral Health Administration	2,116,001	2,317,962	201,961	9.5%
MDH Medical Care Programs Administration	11,978,286	12,306,989	328,703	2.7%
DHS Social Services	315,552	344,218	28,666	9.1%
DHS Family Investment	2,375,349	1,698,531	-676,818	-28.5%
Total	**$16,872,588**	**$16,748,955**	**-$123,633**	**-0.7%**
Fund				
General Fund	$5,317,746	$5,573,020	$255,275	4.8%
Special Fund	689,204	763,084	73,880	10.7%
Federal Fund	10,779,891	10,343,480	-436,411	-4.1%
Reimbursable Fund	85,747	69,371	-16,377	-19.1%
Total	**$16,872,588**	**$16,748,955**	**-$123,633**	**-0.7%**

DHS: Department of Human Services
MDH: Maryland Department of Health

Note: The fiscal 2024 legislative appropriation excludes anticipated deficiency appropriations and funds budgeted in the Dedicated Purpose Account.

Medicaid Population and Expenditure Trends

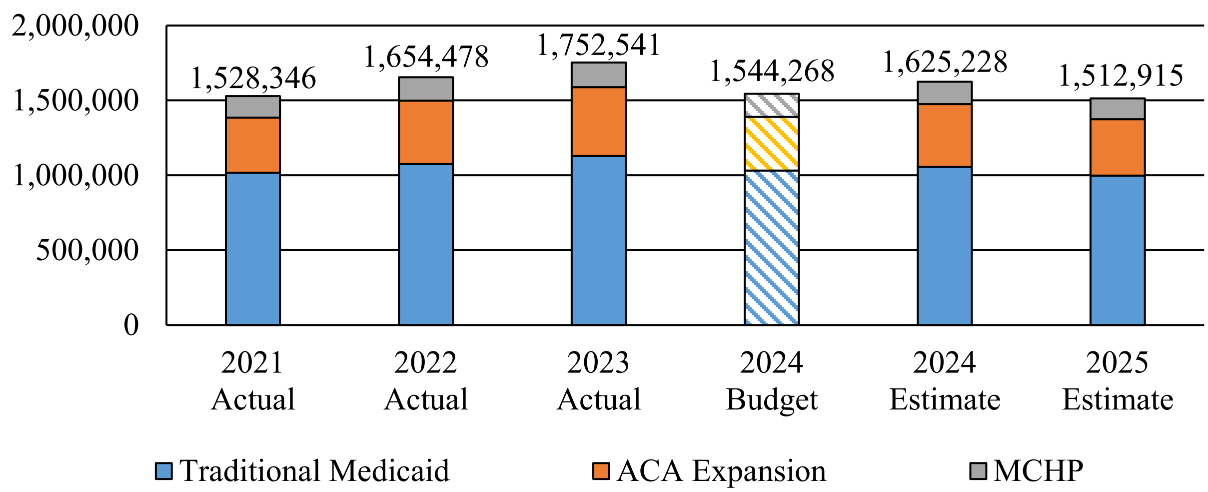
Maryland's Medical Care Programs (Medicaid, Maryland Children's Health Program (MCHP), Employed Individuals with Disabilities, etc.) provide comprehensive health care coverage to eligible low-income individuals. Funding is derived from both federal and State sources with a federal fund participation rate in fiscal 2025 ranging from 50% to 90% for Medicaid depending on the eligibility category and 65% for MCHP.

Projected Enrollment and Redetermination Process

As a condition of receiving enhanced federal matching funds on qualifying Medicaid and MCHP expenditures during the national COVID-19 public health emergency (PHE), State Medicaid programs were required to freeze disenrollment with limited exceptions. The continuous enrollment requirement was initially set to end with the termination of the national declaration of the COVID-19 PHE. However, the Consolidated Appropriations Act of 2023 ended this requirement on April 1, 2023, regardless of when the PHE terminated. Although states could begin disenrolling Medicaid and MCHP participants on April 1, 2023, Maryland started the standard redetermination process on that date, and the first disenrolled individuals lost their Medicaid or MCHP coverage at the end of May 2023.

MDH has outlined a 12-month eligibility redetermination schedule (also referred to as the unwinding period) in which Maryland will complete renewals over 12 cohorts of Medicaid participants. Additionally, MDH is prioritizing participants who appear to be ineligible for Medicaid or MCHP coverage mainly due to reporting increases in income or aging out. These individuals’ eligibility will be redetermined from May to November 2023. Given the ongoing unwinding of continuous eligibility and general economic improvement, the baseline projects that fiscal 2024 and 2025 average monthly enrollment will fall substantially compared to fiscal 2023 actual enrollment. As shown in the following exhibit, fiscal 2024 and 2025 estimated average caseloads are 1.63 million and 1.51 million enrollees per month, respectively.

Medicaid/MCHP Average Monthly Enrollment
Fiscal 2021-2025 Estimate



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

Note: Fiscal 2024 and 2025 caseload estimates exclude individuals covered under the Healthy Babies initiative, which covers noncitizen pregnant and postpartum individuals who would otherwise qualify for Medicaid. As of September 2023, there were 4,725 enrollees in the initiative.

From May to September 2023, MDH reported a net decrease of just under 55,000 monthly Medicaid and MCHP participants (or 3.1%) with a total of 128,841 participants disenrolled over that period. Disenrollments include cases in which an individual was found ineligible and procedural disenrollments in which the participant did not complete the renewal, had outstanding verification documents, or had returned mail. Early redetermination results have yielded lower disenrollments than anticipated partially due to the following unwinding process changes.

- In August 2023, Centers for Medicare and Medicaid Services (CMS) noted that many state Medicaid systems were processing automatic eligibility determinations (referred to as *ex parte* renewals) at the household level rather than the individual level. This process could lead to unnecessary procedural terminations, especially among children who have higher income thresholds to be considered eligible for Medicaid or MCHP. In response, MDH paused all procedural disenrollments from August through November 2023, reinstated coverage for approximately 5,000 children, and began making system changes to the automatic enrollment process.

- MDH indicated that it is using many strategies to avoid inappropriate disenrollments during the unwinding period. CMS has approved some of these strategies through waiver authorities and flexibilities. For example, CMS approved Maryland to temporarily renew

Medicaid eligibility based on Supplemental Nutrition Assistance Program (SNAP) participation. Other strategies can be implemented without federal approval, such as MDH's multimedia communications campaign (known as Medicaid Check-In 2023) and outreach activities with managed care organizations (MCO), health care providers, and community organizations, among other stakeholders.

As a result of the changes to the redetermination process leading to fewer disenrollments, the baseline anticipates about 81,000 more participants per month in fiscal 2024 than the fiscal 2024 legislative appropriation. It should be noted that there could be additional changes to Maryland's unwinding process, such as implementation of new waiver flexibilities. The full impact of the initial redetermination process on enrollment is difficult to project, making enrollment estimates more uncertain than usual.

The next exhibit details the baseline estimates on a cost per enrollee basis and presents enrollment change by eligibility category. As shown in this exhibit, caseload declines vary by eligibility group. While adults covered under the Affordable Care Act (ACA) expansion accounted for just over 26% of actual fiscal 2023 enrollment, this group made up about 42% of new enrollment over the PHE (from February 2020 to May 2023). Therefore, the baseline anticipates that the ACA expansion group will experience a higher rate of disenrollment than other eligibility groups. While the ACA expansion group accounted for a larger share of disenrollments from May to August 2023 relative to its share of enrollment, the number of ACA expansion disenrollments has been lower than expected.

Enrollment and Per Capita Expenditures
Fiscal 2023-2025

	Actual 2023	DLS Estimate 2024	Baseline 2025	% Change 2024-2025
Enrollment by Category				
Medicaid	1,129,433	1,056,707	998,241	-5.5%
MCHP	164,521	150,282	138,260	-8.0%
ACA Expansion	458,587	418,239	376,415	-10.0%
Total	**1,752,541**	**1,625,228**	**1,512,915**	**-6.9%**
Cost Per Enrollee				
Medicaid	$8,936	$9,415	$10,090	7.2%
MCHP	2,761	2,935	3,001	2.3%
ACA Expansion	8,577	8,847	8,950	1.2%
Total	**$8,262**	**$8,669**	**$9,158**	**5.6%**

ACA: Affordable Care Act
DLS: Department of Legislative Services
MCHP: Maryland Children's Health Program

Note: Cost estimates include behavioral health spending and are based on Medicaid-funded provider reimbursement expenditures excluding most administrative costs. Fiscal 2024 does not include anticipated deficiencies or accelerated provider rate increases budgeted under the Maryland Department of Health Office of the Secretary.

Fiscal 2025 Medicaid Outlook

The following exhibit displays Medicaid provider reimbursement expenditures, including behavioral health services and some administrative costs, from fiscal 2023 to the 2025 baseline. Due to higher fiscal 2024 enrollment projections compared to what was anticipated in the fiscal 2024 legislative appropriation, the baseline includes deficiency appropriations of $602.5 million in total funds ($33.5 million in general funds and $569 million in federal funds). Based on the enrollment mix, which was predominantly the ACA expansion group that receives a 90% federal fund match, the deficiency is mainly supported with federal funds.

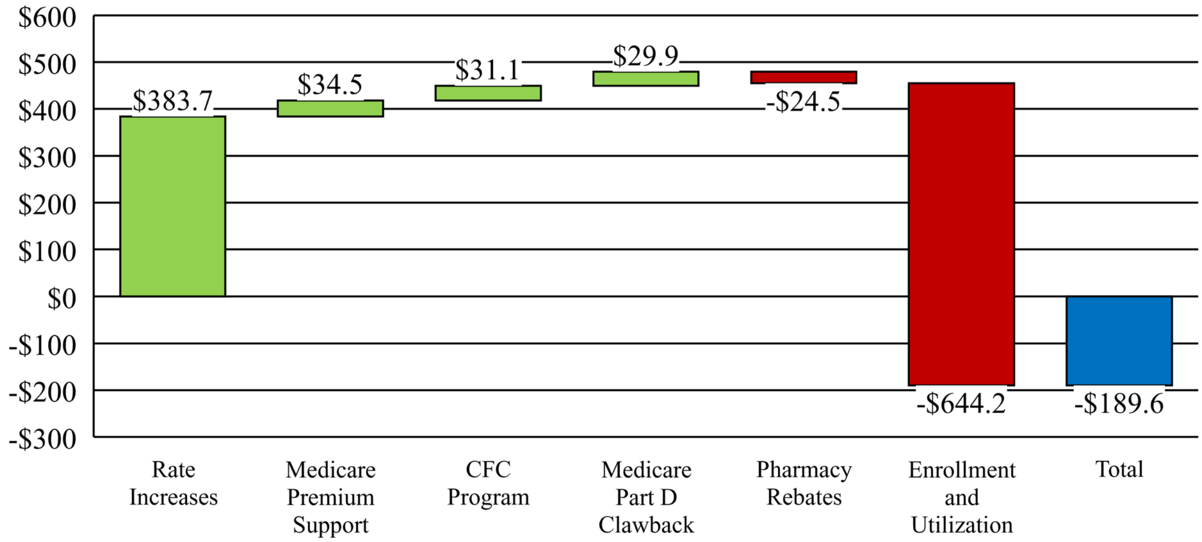
Medical Care Programs Expenditures
Fiscal 2023-2025 Baseline
($ in Millions)

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

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

The fiscal 2025 baseline reflects a net reduction of $189.6 million in total spending compared to the adjusted fiscal 2024 appropriation. As shown in the following exhibit, the largest factor in fiscal 2025 total fund spending is a $644.2 million reduction resulting from declining enrollment and utilization changes.

Medical Care Programs – Components of Total Fund Change
Adjusted Fiscal 2024-2025 Baseline
($ in Millions)



CFC: Customer Facility Charges

Note: Fiscal 2024 includes anticipated deficiency appropriations and accelerated rate increases (effective January 1, 2024) budgeted under the Maryland Department of Health Office of the Secretary. Rate assumptions include the annualization of the 8% accelerated rate increase.

Total fund spending reductions are partially offset by a net increase of $383.7 million in provider rates. Rate increases are driven by an average 2.3% increase in MCO calendar 2024 rates. The fiscal 2025 baseline also annualizes funding for 8% rate increases for specified Medicaid and behavioral health providers that takes effect January 1, 2024, representing rate increases that would have been provided in fiscal 2025 and 2026 under prior law. This occurred in accordance with Chapter 2 of 2023 (the Fair Wage Act) accelerating the increase in the State minimum wage. Although Chapter 2 removes the mandated provider rate increases in fiscal 2025 and 2026, the baseline assumes that a 2% provider rate increase will take effect July 1, 2024.

While overall spending decreases in fiscal 2025, general fund expenditures grow by $133.9 million, or 2.7 %, as shown in the exhibit that follows. Net general fund growth is mainly attributable to the following factors:

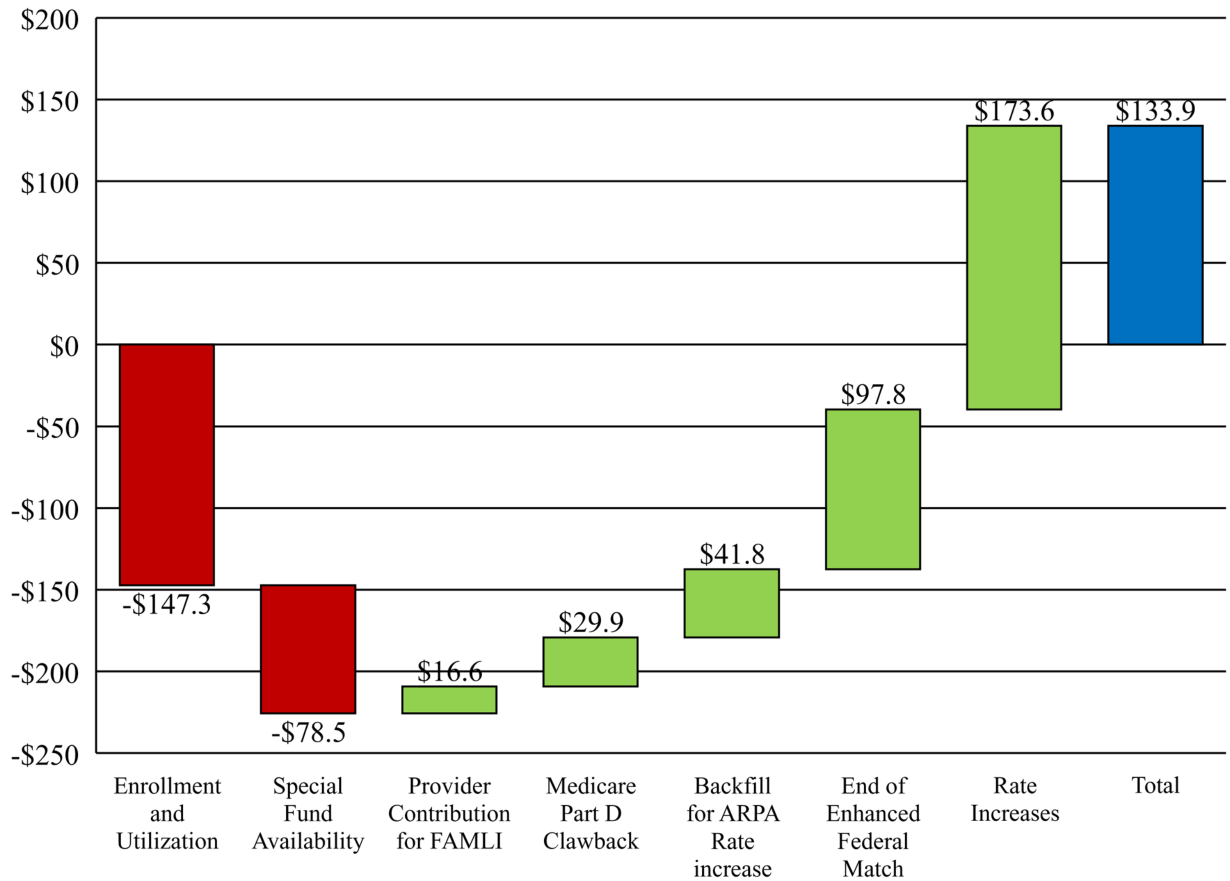
- $173.6 million in rate increases driven by the calendar 2024 MCO rate increase, annualized 8% rate increases effective January 1, 2024 (corresponding with the State minimum wage increase), and 2% rate increases for specified Medicaid and behavioral health providers;

- $97.8 million in general funds backfill estimated enhanced federal matching funds that will be claimed in the first two quarters of fiscal 2024. The Families First Coronavirus Response Act of 2020 authorized states to receive enhanced federal matching funds on Medicaid spending during the COVID-19 PHE, and the Consolidated Appropriations Act of 2023 established a phase-out timeline for the enhanced match that ends after calendar 2023; and

- $41.8 million in general funds backfill rate increases ranging from 5.2% to 5.4% for home- and community-based services that were funded with a temporary enhanced federal match authorized in the American Rescue Plan Act (ARPA) of 2021. ARPA funding for home- and community-based services enhancements expires March 31, 2024, but MDH has indicated that the rate increases will continue beyond that date and will be funded with State and federal funds at the typical federal fund participation rate.

These increases are partially offset by a reduction of $147.3 million due to declining enrollment and changes in utilization. The lower impact on State funding compared to overall spending is due to enrollment mix. The fiscal 2025 baseline anticipates that the ACA expansion group will experience a higher rate of disenrollment than other groups, which causes State funding to be less sensitive to this caseload decline.

Medical Care Programs – Components of General Fund Change
Adjusted Fiscal 2024-2025 Baseline
($ in Millions)



ARPA: American Rescue Plan Act

FAMLI: Family and Medical Leave Insurance Program

Note: Fiscal 2024 includes anticipated deficiency appropriations and accelerated rate increases (effective January 1, 2024) budgeted under the Maryland Department of Health Office of the Secretary. Rate assumptions include the annualization of the 8% accelerated rate increase.

Tax Credit Programs

SDAT has three active tax credit programs authorized in statute: the Homeowners' Tax Credit; the Renters' Tax Credit; and the Enterprise Zone Tax Credit. The fiscal 2025 baseline reflects a decrease of $6.1 million in general funds for SDAT's tax credit entitlements as follows:

- **Homeowners' Tax Credit Program** expenditures are expected to decrease by $4.6 million to $51.4 million in fiscal 2025. This adjustment is based on recent utilization of the credit and is driven by a decrease in applicants determined eligible for credits claimed in fiscal 2022 and 2023.

- **Renters' Tax Credit Program** expenditures are projected to decrease by $1.6 million to $2.8 million in fiscal 2025. This adjustment is based on actual utilization of the credit and is driven by a decrease in applicants determined eligible for credits claimed in fiscal 2022 and 2023.

- **Enterprise Zone Tax Credit Program** provides property and income tax credits for businesses that locate or expand within designated areas. Under this program, a business that locates or expands in a designated area is eligible for reduced property taxes for a number of years. The State then reimburses the locality one-half of the forgone revenue, which would have been realized otherwise from the increased property assessment. The fiscal 2025 appropriation for the Enterprise Zone Tax Credit Program is projected to be $27.1 million, an increase of $88,000.

Department of Human Services

DHS oversees two areas of entitlement spending: foster care and subsidized adoption/guardianship payments; and cash assistance and in-kind assistance.

Foster Care and Subsidized Adoption/Guardianship Caseloads and Expenditures

The State's foster care and subsidized adoption/guardianship program provides temporary and permanent homes for children in need of out-of-home placements due to abuse or neglect. Foster care placements – such as placements in family homes, group homes, and institutions – offer temporary out-of-home care until implementation of a permanency plan is finalized. Permanency options include reunification with family, adoption, and guardianship. Families that accept legal custody of a child with special needs may receive monthly payments under the subsidized adoption program. The goal of the subsidized guardianship program is to encourage relative caregivers to become legal guardians of children who have been placed in their homes through the removal of financial barriers.

Foster care caseloads in Maryland have been significantly impacted in recent years by the COVID-19 pandemic as well as through ongoing efforts by DHS to reduce the number of children requiring out-of-home foster care placements through the provision of prevention services and other in-home alternatives to placement. Prior to the onset of the COVID-19 pandemic, the average monthly foster care caseload declined by an average of 3.1% annually between fiscal 2015 and 2020, with the annual rate of decline ranging from 1.0% to 5.5% during this time period. These annual caseload declines were consistent with the department's focus on reducing the number of children entering into care and quickly moving children in care to permanent homes.

However, during fiscal 2021 and 2022, annual declines were comparatively much greater due to impacts of the COVID-19 pandemic on the child welfare system, which greatly affected the entry into and exit out of care. Rates of reporting of child maltreatment decreased significantly beginning in March and April 2020, as widespread closures of in-person activities including schools, daycare facilities, and in-person medical appointments reduced opportunities for mandated reporters of child abuse to have in-person contact with children. Across all placement types, the average monthly foster care caseload declined by 15.4% in fiscal 2021 and 7.4 % in fiscal 2022.

Foster care caseloads continued to be impacted by effects of the COVID-19 pandemic through the conclusion of fiscal 2022 and into early fiscal 2023. However, the overall rate of caseload declines slowed in fiscal 2023 to 1.3%, returning to a level more consistent to prepandemic trends. Fiscal 2023 changes in foster care caseloads varied among placement types, with some placement types experiencing increases for the first time in recent years. Increases in the intermediate foster care (19.5%), purchased institutions (2.8%), and subsidized guardianships (2.3%) placement types were the largest increases to caseloads for individual placement types. The largest caseload decreases for individual placement types included treatment foster care (-66.4%), minor mothers (-10.5%), and subsidized adoptions (-4.2%). Regular foster care, the largest placement type, declined by 2.3%. The fiscal 2025 baseline assumes that, overall, average monthly foster care caseloads will continue to decline at rates similar to fiscal 2023, by 1.2% in fiscal 2024 and 1.3% in fiscal 2025.

Foster Care and Subsidized Adoption/Guardianship Caseloads and Expenditures
Fiscal 2023-2025

	2023	Leg. Approp. 2024	DLS Estimate 2024	DLS Baseline 2025	Average Annual % Change 2023-2025
Caseload					
Foster Care	2,579	2,679	2,548	2,515	-1.2%
Subsidized Adoption/Guardianship	7,740	7,880	7,654	7,573	-1.1%
Total Combined	**10,319**	**10,559**	**10,202**	**10,088**	**-1.1%**
Expenditures					
Monthly Cost Per Case					
Foster Care	$6,132	$5,838	$6,453	$6,647	4.1%
Subsidized Adoption/Guardianship	860	856	894	912	3.0%
Combined Average Cost	**$2,178**	**$2,120**	**$2,283**	**$2,342**	**3.7%**
Expenditures ($ in Millions)					
General Funds	$253.6	$247.0	$273.3	$276.8	4.5%
Total Cost	**$342.0**	**$315.6**	**$340.2**	**$344.2**	**0.3%**
Projected General Fund Shortfall			**-$26.2**		
Projected Total Fund Shortfall			**-$24.6**		

DLS: Department of Legislative Services

Despite continued projected overall foster care caseload declines in fiscal 2024 and 2025, average monthly expenditures per case across all foster care and subsidized adoption and guardianship placements are projected to increase by 4.8% in fiscal 2024 and 3.7% in fiscal 2025. Increases in placement costs for foster care placements in purchased institutions and purchased homes, which are the two highest individual cost placement types, are a primary driver of overall growth in foster care maintenance payments expenditures in fiscal 2024 and 2025.

The baseline anticipates a deficiency of $24.6 million ($26.2 million in general funds, $0.4 million in special funds, partially offset by a decreases of $2.0 million in federal funds) in fiscal 2024 will be necessary due to projected program funding deficits occurring, primarily due to higher than expected placement costs, particularly among the purchased institutions and purchased homes placement types, as well as due to increased flex fund expenditures required for various emergency and ancillary services including respite care, transportation, and other support services.

Total program expenditures in fiscal 2025 are expected to grow from $340.2 million to $344.2 million, an increase of approximately $4.0 million ($3.5 million in general funds and approximately $0.5 million in federal funds). This increase occurs primarily due to the effects of provider rate increases and other increases to placement costs, which continue to offset the impacts of declining caseloads. In both fiscal 2024 and 2025, the baseline assumes that the largest increases in program expenditures will occur in the purchased homes, purchased institutions, and subsidized guardianship placement types. The fiscal 2025 baseline assumes a 2% rate increase in fiscal 2025, consistent with assumptions for other provider types. Actual provider rate increases will be determined by the Interagency Rates Committee under its normal rate setting process.

Assistance Payments

Temporary Cash Assistance (TCA) provides monthly cash grants to needy children and their parents or relative caretakers. The program is funded with general funds, federal Temporary Assistance for Needy Families block grant dollars, and certain child support collections. Statute requires the TCA benefit in combination with SNAP to equal at least 61.25% of the Maryland Minimum Living Level (MMLL).

The Temporary Disability Assistance Program (TDAP) provides a limited monthly cash benefit for disabled adults. The State provides the benefits for individuals with a short-term disability (at least 3 months but less than 12 months) or for a long-term disability for individuals pursuing a Supplemental Security Income (SSI) benefit. The State is reimbursed for the cash assistance paid during the processing of the SSI application.

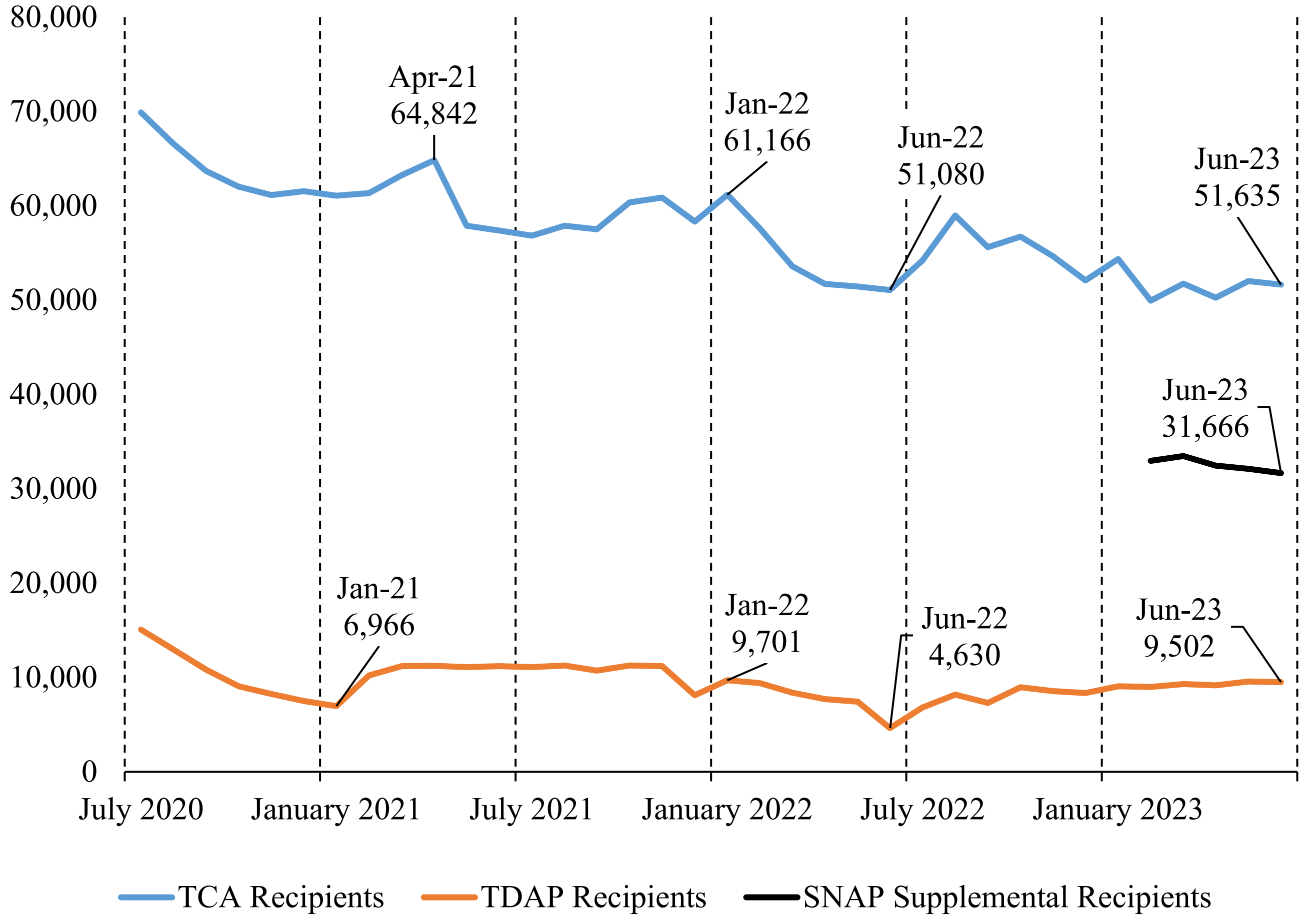
Enrollment Trends

Enrollment in TCA and TDAP has varied during the course of the COVID-19 pandemic. By June 2020, the number of recipients of TCA reached 74,867 (88.5% higher than February 2020), near the Great Recession peak, and the number of TDAP recipients climbed to 17,649 (49.4% higher than February 2020). For several years, beginning at the start of the COVID-19 pandemic, the State had a number of policies in place intended to assist recipients in obtaining and maintaining benefits, including extensions on recertifications. Following June 2020, both programs experienced declines in recipients reflective of improvements in the economy through reduced unemployment rates, a temporary end to an extension of redetermination for various public benefits, and enforcement of certain requirements for documentation that were delayed during the early months of the pandemic. In October 2020, DHS began to again issue extensions of the recertification periods for TCA and TDAP. These extensions largely continued through calendar 2021. In calendar 2022, DHS began the recertification process for public benefit programs. With the restart of recertification, the number of TCA recipients has generally declined, though some months have seen increases. Overall, the number of recipients in June 2023 (51,635) was approximately 15.6% lower than in January 2022.

Despite the recertification extensions, the number of TDAP recipients declined from June 2020 through early calendar 2021 to all-time program lows, primarily because recipients began to again be required to submit documentation, including medical verifications, which posed challenges for recipients as access to doctors remained limited and postal challenges made delivery of the documentation difficult. Chapter 39 of 2021 contained provisions that required the reenrollment of certain TDAP recipients and prohibited most case closures through June 30, 2021. With the implementation of Chapter 39, the number of TDAP recipients initially rose and then stabilized around 11,000 through November 2021, just below prepandemic levels. The number of recipients decreased substantially in December 2021, in part due to a system error. In January 2022, the number of recipients was 9,701 but declined once again due to the restart of recertifications in that month. In June 2022, the number of recipients was substantially below any month in program history (fewer than 5,000). However, subsequently the number of recipients rose substantially. In October 2022, the number of recipients was near 9,000 and has generally trended slightly upward since that time. The number of recipients in June 2023 (9,502), although much higher than the prior year, was still approximately 20% below prepandemic levels.

The Department of Legislative Services (DLS) projects that the TCA caseload will continue to decline through fiscal 2025, reflecting the continued improvement of the economy. However, the rate of the decline will be modest in fiscal 2023 (3.25%) due to the increases early in the year. In fiscal 2025, DLS projects a decrease of 9% in the average monthly recipients. Overall, DLS projects the number of TDAP recipients to continue its slight upward trend through fiscal 2025, a 2% increase in fiscal 2025.

TCA, TDAP, and SNAP Supplemental Benefit for Seniors Recipients
July 2020 to June 2023



SNAP: Supplemental Nutrition Assistance Program
TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Program

Temporary Cash Assistance Expenditure Trends

Due to larger increases in federal SNAP benefits in recent years than the inflationary increase in the MMLL, the TCA maximum benefits have remained unchanged since fiscal 2020. This occurred even as the share of the MMLL that the combination of TCA and SNAP must meet under statute increased from 61% to 61.25% in fiscal 2023. However, the announced increase in federal SNAP benefit (3.5%) for federal fiscal 2024 is lower than the inflationary increase in the MMLL (4%). Despite this, no increase in the TCA benefit is needed to meet statutory requirements in fiscal 2024. However, DLS anticipates that, beginning in fiscal 2025, increases will be needed to meet the statutory requirements. However, the rate of increase in that year is projected to be relatively small 0.05%, resulting in a slight increase in the average benefit. DLS also assumes that the $45 per recipient per month additional benefit that has been provided since fiscal 2024 continues in fiscal 2025, consistent with intent expressed during the 2023 session.

DLS anticipates a surplus of approximately $6.6 million in general funds in fiscal 2024, due to a lower than anticipated average benefit based on recent experience. This surplus occurs despite a higher average number of recipients. The general fund surplus is lower than would otherwise be expected, due to a slight overstatement of special funds from the Child Support Offset funds in the fiscal 2024 budget based on recent experience. No deficiency removing the funds is assumed in the baseline. Both total and general fund expenditures are expected to decline in fiscal 2025, due to an anticipated 9% decrease in average monthly recipients.

Temporary Cash Assistance Enrollment and Funding Trends
Fiscal 2023-2025

	2023	Leg. Approp. 2024	DLS Estimate 2024	DLS Estimate 2025	% Change 2024-2025
Average Monthly Enrollment	53,517	50,000	50,574	46,022	-9.0%
Average Monthly Grant	$257.86	$279.86	$257.86	$259.46	0.6%
Budgeted Funds ($ in Millions)					
General Funds	$46.2	$60.0	$53.4	$40.2	-24.7%
Total Funds	**$166.5**	**$164.3**	**$156.5**	**$143.3**	**-6.0%**
Estimated Surplus			**$7.8**		
Estimated General Fund Surplus			**$6.6**		

DLS: Department of Legislative Services

TDAP Expenditure Trends

Chapter 408 of 2018 established a plan for increasing the TDAP maximum benefit beginning in fiscal 2020 to the level of the maximum allowable payment for a one-person household in TCA by fiscal 2027. However, Governor Lawrence J. Hogan, Jr. announced benefits in the program would increase to 100% of the one-person TCA level beginning in January 2022, ahead of the required schedule. The fiscal 2023 and 2024 budgets continued to fund benefits at that level, so DLS projects that the higher than required benefits will continue in fiscal 2025. However, as noted earlier, DLS does not anticipate an increase in TCA benefit levels in fiscal 2024, resulting in no increase in TDAP benefits in that year. However, consistent with the anticipated increase in TCA benefits in fiscal 2025, DLS projects a slight increase in fiscal 2025. DLS also anticipates the additional $45 per recipient per month benefit that has been provided in fiscal 2023 and 2024 will continue in fiscal 2025. DLS assumes a slightly lower average benefit in fiscal 2024 and 2025 than the maximum benefit plus the additional $45 per month in each year ($373 and $375, respectively) due to historical experience.

Overall, DLS is projecting a general fund shortfall of $2.6 million, which results primarily from the budget assuming a higher level of special funds than DLS anticipates based on recent experience. Absent that change in fund source, the shortfall would be approximately $0.3 million, due to a slightly higher anticipated average number of recipients. However, surpluses in other programs more than offset than shortfall, so no deficiency appropriation is expected to be required.

Temporary Disability Assistance Program
Enrollment and Funding Trends
Fiscal 2023-2025

	2023	Leg. Approp. 2024	DLS Estimate 2024	DLS Estimate 2025	% Change 2024-2025
Average Monthly Enrollment	8,646	9,750	9,878	10,076	2.0%
Average Monthly Grant	$373	$373	$371	$373	0.5%
Budgeted Funds ($ in Millions)					
General Funds	$29.7	$37.5	$40.1	$41.2	2.8%
Total Funds	**$38.7**	**$43.6**	**$44.0**	**$45.1**	**2.5%**
Estimated Shortfall			**-$0.3**		
Estimated General Fund Shortfall			**-$2.6**		

DLS: Department of Legislative Services

SNAP Supplemental Benefit for Seniors

Chapter 696 of 2016 established a new State minimum benefit of $30 for SNAP households that have at least 1 member who is at least 62 years old. Chapter 324 of 2022 codified an increase in the State minimum benefit to $40. The benefit is calculated as the difference between the benefit that the household receives from SNAP and $40 for these households. In federal fiscal 2024, the federal minimum benefit is $23. As result, the maximum State benefit in fiscal 2024 will be $17 rather than the $20 assumed in the budget development. DLS anticipates that the maximum State benefit will decrease in fiscal 2025 to $16, due to an anticipated inflationary increase in the federal minimum benefit.

In response to COVID-19, SNAP benefits for all households were increased to the maximum level for that household (referred to as emergency allotments). This was expected to extend for as long as the national PHE or Maryland state of emergency/limited emergency declaration lasted (whichever was shorter). However, due to federal legislation, emergency allotments ended after February 2023. During the period of emergency allotments, no households have received less than the minimum benefit, effectively suspending this supplemental benefit. Benefits began to be issued in the program again in February 2023. Recipients in the program since that time have averaged 32,466. DLS projects that the number of recipients stays near that level through fiscal 2025, an estimated average of 32,862 recipients per month.

The SNAP Supplemental Benefit for Seniors program is expected to have a surplus of $2.1 million in fiscal 2024 due to a lower anticipated benefit than was assumed in the budget despite having an estimated 20% higher number of recipients. The DLS baseline does not, however, assume reversion of these funds. Expenditures are expected to remain relatively steady in fiscal 2025.

EBT Fraud Replacement

In calendar 2022, reports of fraud due to skimming of Electronic Benefit Transfer (EBT) fraud began to increase, receiving attention at both the State and federal level. Initially, DHS did not replace benefits lost due to skimming because it could not use federal funds in SNAP to replace these benefits due to federal rules, and the department noted it did not have the appropriation to replace these funds with State dollars. The federal Consolidated Appropriations Act of 2023 requires reimbursement for SNAP benefits lost due to skimming from October 1, 2022, through September 30, 2024. Chapters 171 and 172 of 2023 require DHS to automatically restore benefits lost due to skimming, if a DHS investigation shows a household's benefits were lost due to theft. In addition, DHS must restore benefits lost due to theft that occurred between January 1, 2021, and October 1, 2022, by September 1, 2023. Although the legislation was not signed by Governor Wes Moore until April 24, 2023, DHS began issuing replacement cash and SNAP benefit replacement in March 2023.

From March through June 2023, DHS issued replacement cash benefits totaling $2.4 million to 9,212 recipients and SNAP benefits totaling $5.0 million to 9,296 recipients, a combined $7.4 million. The rate of benefit replacement was higher than anticipated in fiscal 2023; as a result, DLS anticipates that replacement benefit issuance in fiscal 2024 will be considerably higher than budgeted, $22.3 million compared to $8.1 million. Of the anticipated cost, in fiscal 2024, $8.2 million is expected to be general funds compared to $1.8 million budgeted for this purpose. Although general funds are projected to be substantially higher than budgeted, lower than expected expenditures in other programs are expected to offset this shortfall.

DLS projects a similar level of spending in fiscal 2025, however, the share of expenditures that are general funds is projected to increase from approximately 37% to 84% because federal funds are only available for the first quarter of the year. However, there is considerable uncertainty about the long-term costs of this benefit, given the new nature of the benefit. In addition, over time efforts to strengthen security for EBT cards would be expected to reduce fraud.

Federal Fund Supported Benefits

DLS projects federal fund spending on public benefit programs in fiscal 2024 will be approximately $617 million lower than the legislative appropriation. The lower than anticipated spending is primarily the result of lower SNAP benefits due a lower anticipated caseload and benefit levels. The lower than budgeted SNAP expenditures are projected to be partially offset by spending on Pandemic-EBT (P-EBT) benefits and the first month of spending in summer 2024 for a new federal SNAP EBT benefit created in the Consolidated Appropriations Act of 2023. Due to the end of the PHE, P-EBT benefits for children under age 6 were no longer authorized after May 11, 2023. P-EBT benefits were available through summer 2023. Although the period of available P-EBT benefits for the 2022-2023 school year was in fiscal 2023 due to the timing of State plan approval, none of the benefits for that school year were provided in fiscal 2023. In addition, no summer P-EBT benefits for school-aged children were provided in fiscal 2023. DHS will pay the benefits for both the 2022-2023 school year and summer benefits in fiscal 2024, prior to the expiration of the authorization to pay these benefits in December 2023. DLS anticipates that these benefits will total approximately $101 million. Only one month of the new summer EBT program benefits will be paid in fiscal 2024, an anticipated $18 million.

In fiscal 2025, federally supported benefits are expected to decrease by $50.2 million. The decrease is primarily the result of elimination of spending for P-EBT benefits, partially offset by full implementation of the new summer EBT program. SNAP benefits are also projected to increase due to higher anticipated benefit levels more than offsetting caseload decreases.

Employee Compensation Overview

Employee Compensation Overview

With respect to State employees, the following assumptions are made.

- ***2% Cost-of-living Adjustment (COLA), 5% State Law Enforcement Officers Labor Alliance (SLEOLA) COLA, and Merit Increases:*** The fiscal 2025 baseline includes funding for a 2% COLA effective July 1, 2024, a 5% COLA for SLEOLA members, as well as merit increases for all employees. Funding for these purposes totals $279.7 million ($138.4 million in general funds and $100.2 million in various sources for higher education) in the fiscal 2025 baseline. In addition, the fiscal 2025 baseline includes $4.3 million for salary increases for judges.

- ***Employee and Retiree Health Insurance:*** State health insurance expenditures support employee and retiree pay-as-you-go health insurance costs. The baseline budget projects that fiscal 2025 claims (including prescription rebates) will total $2.1 billion, an increase of 7.3% from fiscal 2024. Fiscal 2025 baseline health insurance expenditures decrease by $3 million across all funds compared to the fiscal 2024 legislative appropriation. An unanticipated fund balance in the State Health Insurance Account allows for level funding while claims increase.

- ***Employees' Retirement and Pensions:*** Fiscal 2025 baseline expenditures increase by $46.1 million due to rate changes compared to the fiscal 2024 legislative appropriation. These estimates include higher education spending on pension costs, including funding for the Optional Retirement Program for certain university employees, which has a constant rate of 7.25%. Specific changes to the different plans are as follows:

  - an increase of $26.5 million ($16.2 million in general funds) for the Employees' State Retirement and Pension Systems;

  - an increase of $2.8 million ($2.7 million general funds) for the judges plan;

  - although most teachers work for local governments, the State does employ some teachers; therefore, there is an adjustment to reflect that this plan's costs increase by $3.3 million ($2.2 million in general funds);

  - the State Police retirement plan appropriations increase by $13.0 million ($10.8 million in general funds); and

  - the Law Enforcement Officers' Pensions System appropriations increase by approximately $500,000 ($300,000 in general funds).

- ***Annual Salary Review:*** The fiscal 2025 baseline assumes $17.4 million ($14.1 million in general funds) will be provided for the Annual Salary Review.

- ***Family and Medical Leave Insurance (FAMLI) Program Contribution:*** The fiscal 2025 baseline assumes State employer contributions for State employees to the FAMLI program of $22.7 million ($14.5 million general funds).

Maryland Department of Health

The Maryland Department of Health (MDH) regulates the State's health care system, coordinates the delivery of public health services, and acts as a direct care provider. For the purposes of this section, provider reimbursements made under the Medical Care Programs Administration (Medicaid), including Medicaid Behavioral Health, are excluded from the budget information provided below and are instead discussed in the Entitlement Programs section. For example, Medicaid payments for nursing homes and somatic health care are excluded from this discussion, while Medicaid payments for services for the developmentally disabled are included. In addition, statewide personnel cost changes, which can be significant, are detailed in the Employee Compensation section.

Expenditures, Funds, and Positions for the Maryland Department of Health
Fiscal 2024-2025
($ in Thousands)

	Leg. Approp. 2024	Baseline 2025	$ Change 2024-2025	% Change 2024-2025
Expenditures				
Administration	$920,461	$705,500	-$214,961	-23.4%
Office of Health Care Quality	32,200	33,150	950	3.0%
Health Professional Boards and Commissions	60,612	35,463	-25,150	-41.5%
Public Health Administration	146,535	149,744	3,210	2.2%
Prevention and Health Promotion Administration	599,074	500,875	-98,199	-16.4%
Behavioral Health Administration	773,951	778,940	4,988	0.6%
Developmental Disabilities Administration	1,855,340	2,089,831	234,491	12.6%
Medical Care Programs Administration	373,403	325,487	-47,916	-12.8%
Health Regulatory Commissions	292,544	317,625	25,081	8.6%
Total	**$5,054,120**	**$4,936,616**	**-$117,504**	**-2.3%**
Fund				
General Fund	$2,504,394	$2,547,701	$43,306	1.7%
Special Fund	626,539	599,854	-26,685	-4.3%
Federal Fund	1,883,295	1,748,367	-134,928	- -7.2%
Reimbursable Fund	39,891	40,694	803	2.0%
Total	**$5,054,120**	**$4,936,616**	**-$117,504**	**-2.3%**
Personnel				
Regular Positions	6,492.0	6,537.0	45.0	0.7%
FTE Contractuals	900.0	732.0	-168.0	-18.7%

FTE: full time equivalent

Note: The fiscal 2024 legislative appropriation excludes anticipated deficiency appropriations.

Major Program Changes

To account for 144 contractual conversions across the department that were approved by the Board of Public Works on October 25, 2023, MDH's baseline includes a fiscal 2024 deficiency adding 144 new regular positions and removing 180 contractual positions.

MDH Administration

The fiscal 2024 budget included $8 million in general funds in the MDH Office of the Secretary to oversee Board of Nursing operations, which was contingent on legislation transferring the infrastructure operations to be overseen by the Office of the Secretary. The transfer of infrastructure operations occurred in Chapters 222 and 223 of 2023 The fiscal 2025 baseline includes $4.4 million for this same purpose, a decrease of $3.6 million from fiscal 2024.

The fiscal 2025 baseline includes an adjustment to remove $36.2 million in special funds from the Opioid Restitution Fund. The fund receives dollars through the State's settlement with manufacturing and distribution companies.

The fiscal 2025 baseline includes two adjustments for major information technology development projects (MITDP). One removes $1.4 million of federal funds to transition the Vital Records Registration System to the Maryland Total Human Services Integration Network platform. The second reflects an anticipated fiscal 2024 deficiency appropriation of $2.2 million in special funds from rebates for the Maryland AIDS Drug Assistance Program Case Management System to replace general funds deleted in fiscal 2024 for this purpose. The fiscal 2025 baseline continues use of special funds for this purpose based on the available fund balance.

Finally, the fiscal 2025 baseline decreases overtime costs in MDH Administration by $822,055 due to anticipated hiring increases resulting in fewer staff needing to work overtime hours.

Health Professional Boards and Commissions

The fiscal 2025 baseline includes several adjustments to provide funding for and to comply with legislation enacted in the 2023 and 2022 sessions, including:

- a decrease of $19.4 million in special funds to transfer funding and 83 positions in fiscal 2024 from the Maryland Medical Cannabis Commission to the Maryland Cannabis Administration as required in Chapters 254 and 255 of 2023;

- a decrease of $8 million in special funds to transfer funding and 23 positions in fiscal 2024 to the MDH Office of the Secretary to assume responsibility over Maryland Board of Nursing infrastructure operations as required in Chapters 222 and 223 of 2023; and

- 2 new positions and an increase of $167,893 in general funds to continue supporting the assisted living program manager licensure program under Chapter 690 of 2022.

Prevention and Health Promotion Administration

In the Prevention and Health Promotion Administration (PHPA) under MDH Public Health Services, the fiscal 2025 baseline removes $105.1 million in COVID-19-related federal fund expenditures. These funds predominantly support COVID-19 surveillance, detection, prevention, communication, and coordination in fiscal 2024. PHPA's baseline also removes $655,000 in general funds for a one-time grant to B'More Healthy Babies that was provided in Supplemental Budget No. 2 and $325,000 in general funds for a one-time grant to the Center for Infant and Child Loss at the University of Maryland, Baltimore Campus School of Medicine added by the General Assembly. These general fund reductions are offset by an increase of $1 million for the Maryland Prenatal and Infant Care Grant Program in fiscal 2025 as required in Chapters 494 and 495 of 2021.

Across PHPA, the fiscal 2025 baseline makes the following adjustments related to legislation enacted during the 2023 session:

- In accordance with Chapters 254 and 255 of 2023 requiring that 5% of cannabis sales and use tax revenue be distributed to the Cannabis Public Health Fund, the fiscal 2025 baseline includes $1.8 million in fiscal 2024 and $3.7 million in fiscal 2025 for Cannabis Public Health Fund expenditures.

- Beginning in fiscal 2024, PHPA's baseline includes 1.0 regular positions, 8.0 contractual positions, and $172,030 in general funds for personnel costs to screen youth camp employment applicants by obtaining criminal history record checks, as required in Chapter 226 of 2023.

- PHPA's baseline includes 1 full-time equivalent (FTE) position, (2 part-time regular positions), and $129,663 in personnel costs in fiscal 2024 to staff the Parkinson's Disease Registry Advisory Committee and conduct registry data analysis, as required by Chapter 383 of 2023. A fiscal 2025 adjustment removes one-time expenses and reduces advisory committee personnel to 0.75 FTE based on PHPA's anticipated staffing needs.

Behavioral Health Administration

Beyond the traditional fee-for-service spending on behavioral health services through Medicaid, which are discussed in the Entitlements section, the State also funds certain services for the Medicaid-eligible population that are not covered under Medicaid. The State also continues to provide behavioral health services for individuals who may have lost their Medicaid or other health coverage but continue to require services.

In the fiscal 2025 baseline, the cost of services for the Medicaid-eligible population decreases by $25.7 million compared to the fiscal 2024 appropriation including a distribution of funding budgeted in MDH Administration for an 8% provider rate increase in January 2024 related to Chapter 2 of 2023. The decrease in cost of services is due to a combination of anticipated lower-than-budgeted spending in fiscal 2024, based on recent experience and an expected decrease in Medicaid enrollment following the end of the enrollment freeze. The total estimated $65.4 million in funding for these services includes $0.3 million to support reimbursements of certain provider costs for the Family and Medical Leave Insurance (FAMLI) Program as required under Chapters 258 and 259 of 2023.

The cost of services for the non-Medicaid-eligible population is expected to increase by $21.8 million compared to the fiscal 2024 appropriation including the aforementioned distribution of funding related to the 8% provider rate increase. The increase is primarily due to utilization increases as individuals are disenrolled from Medicaid and rate increases. The total spending of $258 million, of which $212.3 million is general funds, includes $0.7 million to support reimbursements of certain provider costs for the FAMLI program as required under Chapters 258 and 259. The Department of Legislative Services anticipates providers under these programs will receive a 2% rate increase in fiscal 2025.

The fiscal 2025 baseline includes the removal of several one-time fiscal 2024 costs. A decrease of $100,000 in general funds is associated with a legislative addition in the fiscal 2024 budget for a grant to Pro Bono Counseling to support the WARMLine and access to mental healthcare services. Additional adjustments result from the following fiscal 2024 investments in behavioral health infrastructure:

- $4.0 million for improvements to inpatient and outpatient infrastructure;
- $3.5 million to expand hospital bed capacity; and
- $1.7 million for crisis stabilization centers.

Chapters 378 and 379 of 2023 require the MDH Behavioral Health Administration to fund 100 slots to expand access to intensive, wraparound services for children and youth beginning in fiscal 2024. This legislation resulted in the following adjustments in the fiscal 2025 baseline:

- an anticipated fiscal 2024 deficiency of $3.2 million in general funds for relevant program costs in fiscal 2024, including $3 million for a one-time consultant; and

- 3 new positions and $587,166 in general funds for personnel and operating costs, including a mandated appropriation of $150,000.

The fiscal 2025 baseline also includes a number of adjustments related to other legislation enacted in the 2023 session and which take effect in fiscal 2024. These adjustments provide:

- $1 million in general funds and $1 million in special funds for the Behavioral Health Workforce Investment Fund established by Chapters 286 and 287 of 2023;

- $12 million in general funds for a one-time fiscal 2025 mandate to the 9-8-8 Trust Fund, as required by Chapters 260 and 261 of 2023, which is an increase of $6.5 million compared to the fiscal 2024 amount of $5.5 million; and

- 4 contractual FTEs and $723,327 in general funds for personnel and operating costs for a Commission for Behavioral Health Care Treatment and Access, established in Chapters 290 and 291 of 2023, and to meet a $600,000 mandate for Value-based Purchasing Pilot Program established in Chapters 290 and 291 as well as Chapter 369 of 2023.

Developmental Disabilities Administration

The Developmental Disabilities Administration fiscal 2025 baseline increases by $113.7 million in total funds ($53.8 million in general funds, $0.2 million in special funds, and $59.7 million in federal funds) to support a 6% provider rate increase. The 6% provider rate increase includes the annualization of an 8% provider rate increase, which takes effect January 1, 2024, and an anticipated 2% provider rate increase in fiscal 2025. The fiscal 2025 baseline expenditures also increase by $46.2 million in total funds ($21.9 million in general funds, $0.1 million in special funds, and $24.3 million in federal funds) for expanded placements and services in the Community Services Program.

The fiscal 2025 baseline also includes an increase of $8 million in general funds for reimbursement of certain costs of providers under the FAMLI program, as required under Chapters 258 and 259.

Additional fiscal 2025 baseline adjustments remove funding for one-time grants for fiscal 2024 legislative additions:

- $150,000 in general funds for Community Services for Autistic Adults and Children; and

- $50,000 in general funds for The Arc of Howard County.

Medicaid

Medicaid's baseline includes approximately $173.4 million in federal funds in fiscal 2025 to continue work on two MITDPs: the Medicaid Management Information System II (also referred to as the Medicaid Enterprise Systems Modular Transformation project); and the Long Term Services and Supports (LTSS) Tracking System. These funds are in addition to general funds contained in the Major Information Technology Project Development Fund under the Department of Information Technology. Federal funding in the fiscal 2025 baseline for the Medicaid Management Information Systems II is approximately $50.3 million lower than the fiscal 2024 appropriation, and the LTSS tracking project is level funded. All other adjustments to Medicaid's baseline are further discussed in the Entitlement Programs section of this document.

Health Regulatory Commissions

Three independent agencies within MDH comprise the Health Regulatory Commissions including the Maryland Health Care Commission (MHCC), Health Services Cost Review Commission (HSCRC), and Maryland Community Health Resources Commission (MCHRC). This section also describes major changes within the Prescription Drug Affordability Board (PDAB), an independent unit established in Chapter 692 of 2019.

Chapter 36 of 2021 (commonly referred to as the Blueprint for Maryland's Future) established the Maryland Consortium on Coordinated Community Supports within MCHRC to meet student behavioral health needs and other related challenges in a holistic, nonstigmatized, and coordinated manner. Chapter 713 of 2022 increased the consortium's mandated funding level beginning in fiscal 2024 and continuing through fiscal 2026. As a result, MCHRC's special fund appropriation from the Blueprint for Maryland's Future Fund for the consortium increases from $85 million in fiscal 2024 to $110 million in fiscal 2025.

When PDAB was first established, MHCC initially provided funding and staff for the board using special funds from the commission's budget. Chapters 4 and 28 of 2021 required PDAB to repay MHCC for its expenses over a three-year period. The fiscal 2025 baseline reflects $50,000 in special fund expenditures under PDAB to account for the third and final year of the MHCC repayment, a decrease of $250,000 from fiscal 2024. PDAB's baseline also decreases by $1 million in fiscal 2025 to remove one-time operating costs added by the General Assembly in the fiscal 2024.

HSCRC has a special fund consisting of user fees assessed on hospitals and related institutions with rates approved by the commission. Chapters 696 and 697 of 2022 increased the annual cap for HSCRC user fees from $16 million to the greater of (1) 0.1% of the immediately preceding fiscal year's budgeted, regulated, gross hospital revenue or (2) the largest cap amount determined during the immediately preceding five fiscal years. The baseline reflects a $622,478 increase in HSCRC special fund spending in fiscal 2025, based on 0.1% of the projected fiscal 2024 budgeted, regulated, gross hospital revenues.

Department of Human Services

The Department of Human Services (DHS) administers its programs through a State supervised and locally administered system. DHS is responsible for programs related to child and adult welfare, child support enforcement, and family investment. Spending related to public assistance programs and foster care maintenance payments is discussed in the Entitlements Programs section. In addition, statewide personnel cost changes, which can be significant, are detailed in the Employee Compensation section.

Expenditures, Funds, and Positions for the Department of Human Services
Fiscal 2024-2025
($ in Thousands)

	Leg. Approp. 2024	Baseline 2025	$ Change 2024-2025	% Change 2024-2025
Expenditures				
DHS Administration	$305,215	$293,938	-$11,277	-3.7%
Social Services Administration	375,443	387,995	12,552	3.3%
Child Support Administration	105,435	108,145	2,709	2.6%
Family Investment Administration	320,234	322,248	2,014	0.6%
Office of Home Energy Programs	215,416	189,776	-25,640	-11.9%
Total	**$1,321,744**	**$1,302,102**	**-$19,642**	**-1.5%**
Fund				
General Fund	$472,851	$473,366	$515	0.1%
Special Fund	166,221	147,226	-18,996	-11.4%
Federal Fund	657,594	656,323	-1,272	-0.2%
Reimbursable Fund	25,077	25,188	110	0.4%
Total	**$1,321,744**	**$1,302,102**	**-$19,642**	**-1.5%**
Personnel				
Regular Positions	5,979.0	5,979.0	0.0	0%
FTE Contractuals	77.0	77.0	0.0	0%

DHS: Department of Human Services
FTE: full-time equivalent

Note: The fiscal 2024 legislative appropriation excludes anticipated deficiency appropriations and funds budgeted in the Dedicated Purpose Account.

Montgomery County Block Grant

The fiscal 2025 baseline includes a series of adjustments to account for increments and general salary increases anticipated for fiscal 2025 in the Montgomery County Block Grant. In all jurisdictions except Montgomery County, most of the major functions of the department are administered by local departments of social services (LDSS) functioning as branches of DHS. Positions in these LDSS are State employees. In Montgomery County, these are local positions, except for the executive director and those working in the child support function. DHS provides funding to support general administration, child welfare services, adult services, and family investment services to Montgomery County through a block grant. As part of this funding, the State supports funding for the positions supporting these functions equivalent to the amount the positions would have been paid if they were State positions (as is the case in all other jurisdictions). These adjustments result in increases totaling:

- $0.9 million in Child Welfare Services;
- $0.8 million in the Local Family Investment Program;
- $0.2 million in Adult Services; and
- $0.1 million in Administration.

One-time Legislative Additions

The fiscal 2025 baseline includes a series of adjustments through DHS to remove funds added by the General Assembly in Section 19 of the fiscal 2024 Budget Bill that are assumed to be one-time. These decreases include:

- $5.0 million in the Maryland Office for Refugees and Asylees for services to immigrants relocated from other areas;
- $1.49 million in the Office of Grants Management for grants to various feeding organizations (including the Maryland Food Bank, Capital Area Food Bank, ArfiThrive Inc., Manna Food Center, Inc., Food for Thought, The UpCounty Hub, and Columbia Community Care) and Nonprofit Prince George's County, as well as increased grant funding for Mission of Love and Roberta's House; and
- $550,000 in the Child Welfare Services program for grants to Adoptions Together for support to the Family Find Step Down Project and to CONCERN for Kids.

Administration

The fiscal 2025 baseline includes two adjustments to remove funding for one-time costs associated with the relocation of the DHS headquarters building in Baltimore City. These decreases total $13.9 million, including $7.8 million in general funds and $6.0 million in federal funds.

Office of Home Energy Programs

The fiscal 2025 baseline for the Office of Home Energy Programs contains two adjustments to reflect the availability of funds to support DHS-administered energy assistance programs, including:

- an adjustment to decrease anticipated special funds available to DHS from the Regional Greenhouse Gas Initiative-sourced Strategic Energy Investment Fund revenue allocated for energy assistance by approximately $22.0 million, as available revenues from the fund are projected to be lower than in fiscal 2024;

- an adjustment to remove federal stimulus funds totaling $3.6 million in fiscal 2024. These federal funds were included in the fiscal 2024 operating budget from the federal Low Income Household Water Assistance Program to support low-income bill payment assistance for water bills.

In addition, the fiscal 2025 baseline reflects a decrease in general fund expenditures of $0.1 million due to the expiration of a mandated appropriation to the Power to the People Pilot Program at the conclusion of fiscal 2024.

Department of Public Safety and Correctional Services

The Department of Public Safety and Correctional Services (DPSCS) is a unit of State government whose primary focus is the supervision and management of Maryland's criminal population. The department's functions include the operation of State correctional and Baltimore City pretrial facilities as well as the supervision of offenders in the community via parole, probation, pretrial supervision, and home detention. Other agencies within the department include the Office of the Secretary, the Maryland Parole Commission, the Inmate Grievance Office, the Police and Correctional Training Commissions, and the Maryland Commission on Correctional Standards.

Expenditures, Funds, and Positions for the Department of Public Safety and Correctional Services
Fiscal 2024-2025
($ in Thousands)

	Leg. Approp. 2024.	Baseline 2025	$ Change 2024-2025	% Change 2024-2025
Expenditures				
Administration and Offices	$198,802	$207,367	$8,565	4.3%
Corrections	942,454	993,991	51,537	5.5%
Community Supervision	129,827	138,100	8,273	6.4%
Police and Correctional Training Commissions	11,639	12,175	537	4.6%
Division of Pretrial Detention and Services	284,445	306,441	21,995	7.7%
Total	**$1,567,167**	**$1,658,074**	**$90,908**	**5.8%**
Fund				
General Fund	$1,428,233	$1,513,478	$85,245	6.0%
Special Fund	103,919	107,206	3,287	3.2%
Federal Fund	31,033	33,170	2,138	6.9%
Reimbursable Fund	3,982	4,219	238	6.0%
Total	**$1,567,167**	**$1,658,074**	**$90,908**	**5.8%**
Personnel				
Regular Positions	9,217.0	9,217.0	0.0	0%
FTE Contractuals	270.0	270.0	0.0	0%

FTE: full-time equivalent

Note: The fiscal 2024 legislative appropriation excludes anticipated deficiency appropriations.

Personnel Expenses and Technical Adjustments

The most significant baseline adjustments for DPSCS, excluding those related to statewide personnel changes, concern its large personnel component:

- a decrease of $1.1 million in general funds as a one-time deficiency in fiscal 2024 brings budgeted turnover in line with actual vacancies;

- a decrease of $7.6 million in general funds in fiscal 2025 for overtime to reflect an improvement in staffing rates due to increased hiring; and

- a decrease of $11.6 million in general funds in fiscal 2025 for Retention and Longevity Pay Incentives to reflect the end of payments to the fiscal 2020 cohort, which is budgeted in the Department of Budget and Management Statewide Expenses program.

In addition, the fiscal 2025 baseline for DPSCS replaces $20 million of special funds from the Fiscal Responsibility Fund with the same amount of general funds. These were one-time funds available to support costs associated with the 4.5% general salary increase provided in November 2022.

Operational Expenses

Contractual changes related to project and procurement timelines, caseload changes, and one-time costs will impact the estimated budgets for fiscal 2024 and 2025 by way of:

- an increase of $32.6 million in general funds in fiscal 2024 as a one-time deficiency to rectify a medical contract dispute reflecting costs reported by the agency in fiscal 2023 for which there was insufficient appropriation;

- an increase of $4.4 million in general funds in fiscal 2025 for inmate medical, mental health, and dental contracts based on escalation rates; and

- removal of $3.5 million in general funds in fiscal 2025 to remove one-time fiscal 2024 spending for regional mailroom upgrades.

In addition, the fiscal 2025 baseline includes an adjustment to reduce funding for equipment leases from $1.8 million to $1.6 million in general funds based on the lease payment schedule.

Maryland Department of Transportation

The Maryland Department of Transportation (MDOT) is responsible for statewide transportation planning and the development, operation, and maintenance of key elements of the transportation system. It is involved in all modes of transportation within the State, including owning and operating the Baltimore/Washington International Thurgood Marshall Airport, Martin State Airport, and the public terminals at the Port of Baltimore; constructing and maintaining State roads; regulating and licensing drivers and vehicles; and operating bus and rail transit systems.

MDOT is funded through the Transportation Trust Fund (TTF), a nonlapsing special fund account whose revenue sources include motor fuel tax receipts, titling tax revenues, vehicle registration fees, a portion of the State's corporate income and sales tax, revenues generated by the individual modes, and proceeds from the sale of bonds.

This section discusses MDOT's operating budget. Debt service, State Aid, and capital programs are discussed elsewhere in this report. Changes in the baseline operating budgets of the individual modes are discussed in more detail in the following.

Expenditures, Funds, and Positions for the Maryland Department of Transportation
Fiscal 2024-2025
($ in Thousands)

	Leg. Approp. 2024	Baseline 2025	$ Change 2024-2025	% Change 2024-2025
Expenditures				
The Secretary's Office	$112,615	$115,821	$3,206	2.9%
WMATA – Operating Budget	466,934	614,000	147,066	31.5%
State Highway Administration	358,487	356,168	2,319	-0.7%
Maryland Port Administration	54,381	55,199	818	1.5%
Motor Vehicle Administration	230,031	240,745	10,714	4.7%
Maryland Transit Administration	1,045,208	1,187,649	142,441	13.6%
Maryland Aviation Administration	227,443	236,194	8,751	3.9%
Total	**$2,495,099**	**$2,805,777**	**$310,678**	**12.5%**
Fund				
General Fund	850	0	850	-100.0%
Special Fund	2,246,085	2,690,257	444,172	19.8%
Federal Fund	248,164	115,520	132,644	-53.5%
Reimbursable Fund	0	0	0	0%
Total	**$2,495,099**	**$2,805,777**	**$310,678**	**12.5%**

	Leg. Approp. 2024	Baseline 2025	$ Change 2024-2025	% Change 2024-2025
Personnel				
Regular Positions	7,340.0	7,340.0	0.0	0%
FTE Contractuals	62.0	62.0	0.0	0%

FTE: full-time equivalent
WMATA: Washington Metropolitan Area Transit Authority

Note: The exhibit reflects personnel for all of the Maryland Department of Transportation. Pay-as-you-go (PAYGO) funding is reflected in the PAYGO funding exhibit. The fiscal 2024 legislative appropriation excludes anticipated deficiency appropriations and funds budgeted in the Dedicated Purpose Account.

The Secretary's Office

The fiscal 2025 baseline includes adjustments to:

- provide $500,000 for the Pride of Baltimore; Chapter 131 of 2023 reestablished mandated funding through fiscal 2028; and

- add $575,000 for a grant to the Baltimore Regional Council for staffing the Baltimore Regional Transit Commission as required by Chapter 504 of 2023.

Washington Metropolitan Area Transit Authority

The operating grant subsidy for the Washington Metropolitan Area Transit Authority (WMATA) was modified to reflect the fiscal 2025 grant level assumed in the MDOT draft TTF forecast, an increase of $22.1 million, and to provide the estimated $125 million required contribution to address WMATA's "fiscal cliff" caused primarily by pandemic-related fare revenue declines and the exhaustion of federal COVID-19/stimulus aid.

State Highway Administration

The fiscal 2025 baseline budget includes one adjustment to decrease funding for winter maintenance/snow removal by $10.2 million to reflect the five-year average expenditure level of $69.8 million.

Maryland Transit Administration

The fiscal 2025 baseline budget for the Maryland Transit Administration includes adjustments to:

- recognize items forthcoming in a fiscal 2024 budget amendment including personnel costs associated with operator retention initiatives ($5.5 million), increased supply costs due to inflation ($10.8 million), higher MARC track access fee due to contractually indexed inflation ($32.8 million), and increased mobility services contract to reflect higher demand ($15.9 million);

- account for retroactive salary and benefit expenditures associated with newly ratified collective bargaining agreements ($23.8 million);

- recognize funding increases for mobility services ($11.8 million), the MARC line access and third-party operator contracts ($8.2 million), and a funding decrease for commuter bus service ($70,000);

- remove an anticipated fiscal 2024 distribution of $14.2 million into the Bus Rapid Transit Fund due to a change in the deposit mechanism resulting from Chapter 112 of 2023 and account for an anticipated fiscal 2025 distribution of $27.0 million into the fund;

- implement Chapter 584 of 2023 (Equity in Transportation Sector – Guidelines and Analysis) ($602,601);

- adjust the previous year's amount for Elderly and Handicapped Transportation Services for inflation for urban consumers as required by Chapter 416 of 2022 ($242,952);

- remove a one-time legislative addition for the Maryland Senior Rides program ($50,000); and

- recognize a reduction in federal COVID-19/stimulus funds of $135 million, with an increase in special funds of an equal amount.

Maryland Aviation Administration

The fiscal 2025 baseline budget for the Maryland Aviation Administration (MAA) reflects an increase of $3.9 million in special funds to conform the annual reimbursement for Maryland Transportation Authority (MDTA) police force services to the expected level, as well as an increase of $1.4 million to reflect the MAA loan payment to MDTA. These adjustments conform to the MDTA fiscal 2023 to 2029 financial forecast.

Maryland Port Administration

The fiscal 2025 baseline budget for the Maryland Port Administration includes adjustments to:

- increase funding for MDTA police force services by $400,000 based on the MDTA fiscal 2023 to 2029 draft financial forecast; and
- remove funding for a legislative addition for an $800,000 grant to Sail Baltimore.

Motor Vehicle Administration

The fiscal 2025 baseline budget for the Motor Vehicle Administration includes adjustments:

- for an anticipated fiscal 2024 budget amendment to cover increased supply costs ($1.5 million); and
- to reflect an increase in fiscal 2024 contract costs for the emission program operator and security services provided by the Maryland State Police ($1.3 million).

Higher Education – State Colleges and Universities

The baseline budget is comprised of estimated current unrestricted and restricted expenditures for the University System of Maryland (USM), Morgan State University (MSU), St. Mary's College of Maryland (SMCM), and Baltimore City Community College (BCCC). Expenditures are based on estimated mandatory costs and are funded by various revenue sources, including general funds, the Higher Education Investment Fund, tuition and fees, and other unrestricted and restricted fund sources such as the sale of auxiliary and educational services and grants and contracts at each institution.

University System of Maryland and Morgan State University

The fiscal 2025 baseline assumes costs for USM and MSU increase by an estimated $206.0 million and $19.7 million, respectively. This includes $155.2 million and $18.3 million in current unrestricted funds (primarily State funds and tuition and fee revenue) for USM and MSU, respectively, and the remaining $52.2 million in current restricted funds.

- The baseline budget assumes tuition and fee revenue will increase by 2% in fiscal 2025 at USM and MSU. Of the estimated $53.9 million increase in USM undergraduate tuition and fee revenue, $19.6 million is attributable to new enrollments, which is based on USM's projected enrollment growth for each institution and the projected fiscal 2025 resident and nonresident tuition and fee rate. For MSU, $0.9 million of the $2.8 million increase in undergraduate tuition and fee revenue is attributable to new enrollments, which is based on the Maryland Higher Education Commission's (MHEC) enrollment projections. Graduate tuition and fee revenue for USM institutions and MSU are estimated to increase by $23.1 million and $0.9 million, respectively, assuming modest enrollment growth.

- Other current revenues including auxiliary sources, sales of educational services, and federal and State grants are estimated to increase by $13.9 million and $2.7 million for USM institutions and MSU, respectively, assuming a 1.5% increase.

- The baseline assumes State general funds and Higher Education Investment Funds will fund unrestricted fund costs that estimated revenues from tuition and fees and other auxiliary revenues are inadequate to support.

- In fiscal 2025, the State funding will increase by $67.6 million for USM and by $5.8 million for MSU. This includes $3.4 million and $0.8 million in legislative mandates for USM and MSU, respectively. Other increases include those for personnel similar to that of other State employees, new facilities, and other operating costs.

- The fiscal 2025 baseline also assumes that approximately $7.0 million of legislative additions in various institutions in USM are one-time in nature.

St. Mary's College of Maryland

SMCM receives State support through a statutory formula that increases the working appropriation by the funds required to offset inflation as determined by the implicit price deflator for State and local government. The implicit price deflator is estimated to be 3.26% in fiscal 2025. General funds through this formula for SMCM are expected to increase by $1.3 million.

Chapter 607 of 2022 increases the percentage that the State must pay for cost-of-living adjustments (COLA) from 50% to 100%, for State-supported employees. In addition, Chapter 420 of 2017 provides general funds for increases in the cost of health insurance for employees and a performance bonus if the institution's six-year graduation rate is greater than or equal to 82.5%. The baseline includes an increase of $0.8 million in general funds to reflect the budgeting of 100% of the anticipated fiscal 2025 COLA for State-supported employees. The most recent six-year graduation rate was 79.1%, resulting in no performance bonus. No increase is expected due to health insurance contributions for State employees based on available fund balance.

Baltimore City Community College

General funds for BCCC are determined by a statutory formula that takes into account enrollment and State support for selected public four-year institutions. In fiscal 2025, BCCC will receive 68.5% of funds per full-time equivalent student (FTES) that the selected public four-year institutions receive per FTES. In fiscal 2025, per FTES funding is estimated to be $14,142 using the 68.5% calculation, for a total of $38.5 million. This is an increase of $2.0 million from fiscal 2024, accounting for both changes in enrollment and the per FTES funding. However, the estimated amount due to the funding formula is less than the hold harmless level of $45.5 million. As a result, the fiscal 2025 baseline assumes BCCC will receive the hold harmless level.

BCCC also receives funding through the English for Speakers of Other Languages Program, estimated at $0.2 million in general funds in fiscal 2025, slightly less than the amount in fiscal 2024.

Maryland Higher Education Commission

The Maryland Higher Education Commission (MHEC) is the State's coordinating body for the 13 campuses of USM, MSU, SMCM, 16 community colleges, and the State's private colleges and universities. General funds for the Joseph A. Sellinger Program for private institutions increase by $7.0 million in the fiscal 2025 baseline to reflect full funding of the formula of 15.5% of the State funds per FTES at the selected public four-year institutions and a 4.6% increase in the current year appropriation to select public four-year institutions on a per student basis.

In addition, the fiscal 2025 baseline of MHEC includes an increase of $6.0 million in special funds to the $18.0 million level mandated in Chapter 36 of 2021 for the Teaching Fellows program.

Expenditures in two financial aid programs (the Senatorial and Delegate Scholarship projects) are estimated to increase by $0.3 million, or 2%, in fiscal 2025 to reflect an assumed 2% increase in resident undergraduate tuition at the public four-year institutions. These programs each grow by $0.1 million to $7.3 million and $7.4 million in general funds, respectively.

Pay-as-you-go Capital Programs

The baseline for capital programs includes programs and projects funded with pay-as-you-go (PAYGO) capital general, special, and federal fund appropriations. This includes funds for community development, housing, and environmental programs for which the use of tax-exempt general obligation (GO) debt is limited under federal tax guidelines and for State-owned projects supported with federal funds that require a State cost share. In addition, the baseline includes estimated funding for transportation programs supported by Transportation Trust Fund revenues, federal funds, and transportation revenue bonds.

The fiscal 2024 capital program passed by the General Assembly is $6.970 billion, including $5.135 billion of PAYGO. Excluding funding provided through the *Consolidated Transportation Program*, fiscal 2024 PAYGO funding totaled $2.503 billion. Positive changes in the State's fiscal outlook during the 2021 session resulted in an expansion of the capital program in fiscal 2022 that continued in fiscal 2023 and 2024. With the budget surplus in mind, the General Assembly, working with the Administration, agreed to use the budget surplus to target spending toward one-time infrastructure investments in each of the last three budgets. In this time period, general fund support of the capital program increased from $165 million to $2.057 billion in fiscal 2023. General fund support for the fiscal 2024 capital program totaled $1.273 billion, in addition to $225 million provided for fiscal 2023 deficiency appropriations.

The use of general funds in the fiscal 2025 baseline starts with items programmed in the State's five-year *Capital Improvement Program* (CIP) and adds mandates above what is already programmed in the CIP. The baseline maximizes the use of estimated special and federal funds, with the goal of level funding programs to the fiscal 2024 legislative appropriation or to the level programmed for fiscal 2025 in the 2023 CIP. In addition, the baseline removes $310 million in PAYGO special funds from the Fiscal Responsibility Fund provided for educational purposes in fiscal 2024 that are anticipated to be one-time in nature. The baseline assumes that all other special funds will be available and distributed according to statutory requirements, including special fund transfer tax revenues used to fund Program Open Space (POS).

The level of federal fund support of the capital program has also increased in recent years due to funding from the American Rescue Plan Act (ARPA) and the Infrastructure Investment and Jobs Act (IIJA). ARPA funding primarily supported broadband initiatives and public school construction in prior years; the fiscal 2025 baseline includes only $18.8 million in continuing ARPA funding for housing and business assistance. The baseline reflects increased IIJA funding for broadband and environmental initiatives.

Funding for PAYGO Capital Programs
Excluding Maryland Department of Transportation
Fiscal 2024-2025
($ in Thousands)

	Legislative Appropriation 2024	Baseline 2025	$ Change	% Change
Agency				
Maryland Department of Planning	$22,150	$22,150	$0	0%
Military Department	11,881	26,108	14,227	120%
Department of Veterans Affairs	0	50,946	50,946	n/a
Canal Place Preservation and Development Authority	7,500	0	-7,500	-100%
Department of General Services	296,338	0	-296,338	-100%
Department of Natural Resources	390,646	120,599	-270,047	-69%
Maryland Department of Agriculture	94,698	38,040	-56,658	-60%
Interagency Commission on School Construction	635,000	226,276	-408,724	-64%
Maryland Higher Education Commission – Aid to Community Colleges	17,587	4,000	-13,587	-77%
Baltimore City Community College	4,000	0	-4,000	-100%
University System of Maryland	17,562	0	-17,562	-100%
Department of Housing and Community Development	343,700	407,638	63,938	19%
Maryland Department of the Environment	388,336	445,084	56,748	15%
Dedicated Purpose Account	273,326	167,000	-106,326	-39%
Total	**$2,502,723**	**$1,507,84**	**-$994,883**	**-40%**
Fund Type				
General	$1,272,949	$591,001	-$681,948	-54%
Special	961,016	401,938	-559,077	-58%
Federal	262,759	514,901	252,142	96%
Reimbursable	6,000	0	-6,000	-100%
Total	**$2,502,723**	**$1,507,84**	**-$994,883**	**-40%**

PAYGO: pay-as-you-go

Note: Numbers may not sum to total due to rounding. The fiscal 2024 legislative appropriation includes funds budgeted in the Dedicated Purpose Account (DPA) for the Department of Veterans Affairs New State Veterans Home project ($6.3 million), the Washington Metropolitan Area Transit Authority (WMATA) ($167 million), and other Maryland Department of Transportation initiatives ($100 million). The fiscal 2025 baseline includes $167 million for WMATA in the DPA.

Department of General Services

The fiscal 2024 operating budget included $103 million in general funds for one-time capital PAYGO appropriations for State agencies along with $188 million in one-time general funds and $5 million in one-time special funds for capital grants to non-State organizations. These general and special funds are removed from the fiscal 2025 baseline budget.

Military Department

Consistent with the 2023 CIP, the baseline includes $26.1 million of federal PAYGO funds to support several Military Department projects in fiscal 2025, including $20.9 million to renovate and expand the White Oak Readiness Center and $4.8 million to renovate the Frederick Readiness Center. The baseline does not include federal funds for the Civil Support Team Ready Building programmed in the 2023 CIP at $1.1 million, as the project has not been approved on the National Guard Bureau Unfunded Priority list. The baseline assumes that any applicable State matching funds are provided with GO bond funds consistent with the CIP. A separate baseline adjustment removes $10 million of fiscal 2024 general funds appropriated to supplement the funding for the Havre de Grace Combined Support Maintenance Shop project budgeted under the Department of General Services.

Maryland Department of Veterans Affairs

The Maryland Department of Veterans Affairs operates five veteran cemeteries throughout the State to provide interment to eligible veterans and their dependents. The baseline includes $3.1 million of federal PAYGO funds for the expansion of the Garrison Forest Veterans Cemetery, which is slightly higher than the $2.9 million programmed in the CIP based on updated project cost estimates. The baseline also includes $47.9 million of federal funds for the construction of a new 128-bed skilled nursing facility. This is the first of three federal fund installments for the project programmed at $129.2 million in the CIP. The State's $69.6 million funding contribution based on initial project cost estimates has already been appropriated to the Dedicated Purpose Account (DPA) in fiscal 2023 and 2024.

Maryland Department of Transportation

For the Maryland Department of Transportation PAYGO capital programs, adjustments were made to conform to the draft *Consolidated Transportation Program: Fiscal 2024-2029*.

In addition, Chapter 512 of 2023 requires the Governor to appropriate sufficient funds to ensure a minimum $5 million fund balance in the Transit-Oriented Development Capital Grant and Revolving Loan Fund, which is established in the legislation. The fiscal 2025 baseline assumes

$5 million in general funds to meet the required level. The fiscal 2025 baseline also removes $50,000 in general funds in The Secretary's Office PAYGO that was added to the fiscal 2024 appropriation for the Kim Lamphier Bikeways Network Program.

Department of Natural Resources

The fiscal 2025 baseline assumes that special fund transfer tax revenues used to fund POS will no longer be augmented by the repayment plan originally established in Chapter 10 of 2016 because the plan has been modified by Chapter 39 of 2022 (Great Maryland Outdoors Act) to provide funding only to particular programs. The baseline includes the following adjustments to the level of funding attributable to the transfer tax:

- ***Transfer Tax Underattainment:*** The actual fiscal 2023 revenue attainment was $227.0 million, which is $79.5 million less than the amount budgeted in fiscal 2023. This underattainment is subtracted from the estimated fiscal 2025 revenues that support fiscal 2025 program funding levels.

- ***Transfer Tax Revenue Estimate Decrease:*** The revenue estimate for fiscal 2025 is $254.5 million, which is $31.6 million less than the $286.1 million revenue figure for fiscal 2024.

The fiscal 2025 baseline for the Department of Natural Resources POS State allocation includes $32.0 million in special funds and $3.0 million in federal funds, which is a $70.2 million decrease in transfer tax special funds compared to the fiscal 2024 legislative appropriation. The POS local allocation decreases by $52.4 million, from $89.2 million in fiscal 2024 to $36.8 million in fiscal 2025.

The fiscal 2025 baseline includes $16.4 million in special funds for the Rural Legacy Program that provides funds for the acquisition of conservation easements. This is a decrease of $17.1 million compared to the fiscal 2024 legislative appropriation due to the one-time nature of the $5.4 million in general funds mandated by Chapter 39 in fiscal 2024 and the reduced amount of transfer tax special funds available in fiscal 2025.

The fiscal 2025 baseline includes $15.4 million in special funds for Capital Development Projects. The special funds reflect transfer tax funding for the Critical Maintenance Program ($3.2 million), the Natural Resources Development Fund ($11.2 million), and the State contribution to the Ocean City Beach Maintenance Program ($1.0 million). Overall, the baseline for Capital Development Projects decreases by $130.4 million between the fiscal 2024 legislative appropriation and fiscal 2025, which reflects the one-time funding of $70.0 million for the Park System Critical Maintenance Fund and $36.9 million for the Park System Capital Improvements and Acquisitions Fund per Chapter 39 as well as the reduced amount of transfer tax special funds available in fiscal 2025.

Full funding of $1.0 million in special funds is assumed for the Ocean City Beach Maintenance Program from Worcester County and Ocean City in the fiscal 2025 baseline to reflect the 2023 CIP. Overall, funding is shared at 50% State, 25% Worcester County, and 25% Ocean City. The State component is reflected under Capital Development Projects, as noted earlier.

The fiscal 2025 baseline for the Waterway Improvement Program (WIP) includes $16.0 million, which is consistent with the fiscal 2024 legislative appropriation and the amount programmed in the 2023 CIP for fiscal 2025. The fiscal 2025 funding includes $13.5 million in special fund revenue available from the motor fuel tax and the vessel excise tax and $2.5 million in federal funding. The WIP provides grants and loans to local, State, and federal government agencies for projects that improve and promote the recreational and commercial capabilities, conditions, and safety of Maryland's waterways for the benefit of the general boating public.

Maryland Department of Agriculture

The fiscal 2025 baseline for the Maryland Agricultural Land Preservation Program consists of $38.0 million in special funds. The baseline estimate is comprised of funding from the State transfer tax's statutory distribution as adjusted by prior year underattainment for a total of $28.0 million and county matching funding estimated at $10.0 million. Overall, the baseline reflects a decrease of $56.7 million compared to the fiscal 2024 legislative appropriation, which reflects the lower transfer tax revenue estimate and fiscal 2023 underattainment as well as the one-time allocation of $16.6 million in general funds from the DPA as mandated by Chapter 39.

Interagency Commission on School Construction – Public School Construction

The fiscal 2025 baseline estimate for the Interagency Commission on School Construction – Public School Construction totals $226.3 million in general funds. This amount includes $176.3 million programmed in the CIP for the traditional Public School Construction Program, $40.0 million for the Supplemental Capital Grant Program, and $10.0 million for the Revolving Loan Fund. The fiscal 2025 baseline also removes $268.5 million of special funds from the Fiscal Responsibility Fund provided in fiscal 2024 for the Public School Construction Program as well as $181.0 million in general funds provided in fiscal 2024, which included $90.0 million for the Healthy Schools Facility Fund and $91.0 million for the Public School Construction Program.

Community Colleges

The fiscal 2025 baseline for the Maryland Higher Education Commission administered Community College Facilities Renewal Grant Program (CCFRGP) is $4.0 million in general funds, as mandated by a formula established by Chapters 687 and 688 of 2018. The program provides grants to community colleges for improvements, repairs, and deferred maintenance projects. The mandated funding level for the CCFRGP equals 5% of the amount budgeted for the larger Community College Construction Grant Program (CCCGP) but is effectively capped at $4.0 million due to statutory requirements that a maximum of eight grants no larger than $500,000 each may be awarded through the program in a single fiscal year. Because the fiscal 2025 planned amount for the CCCGP shown in the five-year CIP is larger than $80 million, the baseline estimates that the mandated funding amount for CCFRGP in fiscal 2025 will be the maximum $4.0 million allowed by statute.

The fiscal 2025 baseline also includes an adjustment to remove $15.0 million in special funds from the Fiscal Responsibility Fund that was allocated to the CCFRGP in fiscal 2024 as supplemental funding. These funds are assumed to be one-time in nature and will not be available in fiscal 2025.

The fiscal 2025 baseline also includes an adjustment to remove $4.0 million in special funds from the Fiscal Responsibility Fund that were allocated separately to Baltimore City Community College (BCCC) as one-time supplemental funding for BCCC's multi-year deferred maintenance program.

University System of Maryland

The fiscal 2025 baseline removes $17.6 million in special funds from the Fiscal Responsibility Fund provided in fiscal 2024 for the University of Maryland Eastern Shore Agricultural Research Education Center and the University System of Maryland Columbus Center Deferred Maintenance projects. These funds are anticipated to be one-time in nature, and the 2023 CIP planned GO bonds for these projects in fiscal 2025.

Department of Housing and Community Development

Overall, the fiscal 2025 baseline assumes that funds for the Department of Housing and Community Development's (DHCD) PAYGO programs will decrease by $23 million in general funds and $1.5 million in special funds. PAYGO federal funds are anticipated to increase by $88.4 million. The following adjustments were made to the fiscal 2025 baseline:

- ***Adjustments to Align with the CIP:*** The fiscal 2025 baseline removes $25 million in one-time supplemental general funds for Rental Housing Programs and also decreases special funds for the program by $1.5 million, consistent with the CIP. The baseline also includes decreases in general funds for the Strategic Demolition Fund ($5 million) and Neighborhood Business Development Program ($5 million) as well as an increase in general funds for the Community Legacy Program ($2 million), consistent with the CIP.

- ***New or Increased Mandated Funding:*** The fiscal 2025 baseline includes $5.0 million in general funds for the first year of mandated funding for the Business Façade Improvement Program (Chapter 437 of 2023). Mandated funding for the National Capital Strategic

Economic Development Fund also increases from $7 million to $12 million (Chapter 494 of 2023).

- ***ARPA and IIJA Funding:*** Based on DHCD projections of program activity, the fiscal 2025 baseline includes $3.15 million for the HOME Investment Partnerships American Rescue Plan Program (a decrease of $4.9 million) and $15.6 million for the State Small Business Credit Initiative (no funding provided in fiscal 2024). Anticipated broadband funding from the IIJA increases by $77.7 million to $172.7 million, consistent with appropriating the remainder of the State's $267.7 million award in fiscal 2025.

Maryland Department of the Environment

The Maryland Department of the Environment's fiscal 2025 baseline of $217.1 million for the Water Quality Revolving Loan Fund Program reflects the 2023 CIP funding plan for fiscal 2025 of $12.8 million in general funds programmed as matching funding, $110.0 million in special funds, and $94.4 million in federal funds. The federal funds reflect a combination of the base funding and federal IIJA funding. The fiscal 2025 baseline reflects a decrease of $12.3 million compared to the fiscal 2024 legislative appropriation, primarily due to a decrease of $38.4 million in special funds, which is offset partially by an increase of $23.3 million in federal funding. The program provides low-interest loans to local governments and eligible private entities for water quality improvement projects, such as upgrading wastewater treatment plants and capping closed landfills.

The baseline for the Drinking Water Revolving Loan Fund Program is $152.0 million. This reflects the 2023 CIP funding plan for fiscal 2025 of $11.0 million in general funds programmed as matching funding, $20.0 million in special funds, and $121.0 million in federal funds. The federal funds reflect a combination of the base funding and federal IIJA funding. The fiscal 2025 baseline reflects an increase of $75.2 million compared to the fiscal 2024 legislative appropriation, primarily due to a $75.2 million increase in the federal funding. The program provides low-interest loans to local governments and eligible private entities for drinking water projects, such as the construction of water distribution mains, water storage facilities, and water treatment plant upgrades.

The fiscal 2025 baseline includes $1.0 million in general funds for the Hazardous Substance Clean-Up Program, as programmed in the 2023 CIP. The program provides funds for cleanup of uncontrolled sites listed on the federal National Priorities List (Superfund) and other uncontrolled waste sites within the State that do not qualify for federal funding through the Superfund program.

The fiscal 2025 baseline includes $15.0 million in special funds for the septic system capital grant program, which is a component of the Bay Restoration Fund, consistent with is the amount programmed in the 2023 CIP and the fiscal 2024 legislative appropriation. The baseline estimate for the Enhanced Nutrient Removal Program, funded by a fee on public sewer/water users, is $60.0 million in special funds and is consistent with the 2023 CIP, which is $6.2 million less than the fiscal 2024 legislative appropriation.

Other Agencies

The baseline removes one-time funding of $1.5 million in general fund PAYGO and $6.0 million in reimbursable funds for the Canal Place Preservation and Development Authority River Park project.

Reserve Funds

State Reserve Fund

The State Reserve Fund baseline budget consists of the Revenue Stabilization Account (Rainy Day Fund), the Dedicated Purpose Account (DPA), and the Catastrophic Event Account (CEA).

The Rainy Day Fund was created to retain revenues to meet future needs. Section 7-311 of the State Finance and Procurement Article requires that an amount equal to the unappropriated general fund surplus exceeding $10 million from two fiscal years prior to the allowance year shall be appropriated into the Rainy Day Fund. An appropriation totaling at least $50 million is required if projected revenues in the fund are less than 7.5% of general fund revenues.

Chapter 557 of 2017 required that for fiscal 2021 and beyond, for surpluses above $10 million, the first $100 million is to be divided between the Rainy Day Fund, the Pension System, and the Post-Retirement Health Benefits Trust Fund so that the Rainy Day Fund receives 50%, the Pension System receives 25%, and the Post-Retirement Health Benefits Trust Fund receives 25% on a dollar-for-dollar basis. Chapter 391 of 2022 amended this distribution for fiscal 2024 only, reducing the amount distributed to the Pension System to 15% and directing 10% to the Maryland Equity Investment Fund. Amounts above $110 million are credited to the Rainy Day Fund. Chapter 103 of 2023 also amended the distribution, for fiscal 2024 only, to eliminate the required distribution to the Rainy Day Fund.

Fiscal 2023 ended with an unappropriated general fund balance totaling nearly $555 million. Per Chapter 557, the Administration is required to provide a $25 million supplemental appropriation to the employee pension fund and a $25 million supplemental appropriation to the Post-Retirement Health Benefits Trust Fund. Another $10 million is retained by the General Fund. As required by law, an adjustment to the fiscal 2025 baseline reflects the required appropriation of $495.5 million for the Rainy Day Fund.

For the DPA, the baseline also includes a $167 million appropriation to support the funding required for the Washington Metropolitan Area Transit Authority capital grant as mandated in Chapters 351 and 352 of 2018 as well as $10 million for food banks.

For the CEA, the baseline includes an appropriation of $581,000 to increase the fund's balance to $10 million.