Spending Affordability Committee Technical Supplement

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

November 2021

Contents

Fiscal 2023 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 2022. Adjustments are made to remove funds allowed for one-time purposes and to add funds as required to recognize expenses associated with legislation, new facilities, changes in caseloads, and continuing expenses related to fiscal 2022 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

The baseline also assumes inflationary changes in specific subobjects. Specific inflation assumptions are:

- prescription drugs at State facilities (8.5%);

- utilities and electricity (2.8%);
- postage (-1.3%);
- natural gas (3.2%);
- gas and oil (5.0% to align with prepandemic actuals); and
- food (10.0% to align with most recent actuals).

Zero inflation is assumed for all other items.

Assumptions Regarding Coronavirus Relief and Recovery Funds

The fiscal 2023 baseline includes federal stimulus funds where the timing of expenditures is certain but excludes billions in other stimulus funds that could be spent over fiscal 2022, 2023, and subsequent years. Some federal stimulus funds added by budget amendment to the fiscal 2022 budget are also not captured in fiscal 2022 numbers. No funds from the recently enacted federal infrastructure bill are included in the baseline. As a result, the fiscal 2023 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 below by fund type.

Projected Baseline Budget
Fiscal 2022-2023
($ in Millions)

Fund[1]	Adjusted Appropriation 2022[4]	Baseline 2023	$ Change 2022-2023	% Change 2022-2023
General[2]	$20,768.5	$24,147.7	$3,379.2	16.3%
Special/Higher Education[3]	13,733.2	15.023.0	1,289.8	9.4%
Federal	19,654.3	15,888.3	-3,765	-19.2%
Total	**$54,156.0**	**$55,059.1**	**$903.1**	**1.7%**

(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 2022 adjusted appropriation is the legislative appropriation excluding $10 million that double counts other spending. It includes $423.3 million of additional special and federal fund spending due to funding swaps, a supplementary appropriation of $14.3 million from HB 940 of 2021, and $1.9 billion in anticipated deficiencies.

Source: Department of Legislative Services

The tables on the following pages summarize the budgetary changes by major category of expenditure. Fiscal 2022 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 $500,000. The baseline estimates described in this document represent the judgments of the Department of Legislative Services as of November 1, 2021. Actions subsequent to that date or further changes to the economic picture are not reflected here.

State Expenditures – General Funds
Fiscal 2021-2023
($ in Millions)

Category	2021 Working Appropriation	2022 Adjusted Appropriation	2023 Baseline	2022-2023 $ Change	2022-2023 %
Debt Service	$131.0	$260.0	$354.0	$94.0	36.2%
County/Municipal	$314.4	$312.5	$321.4	$8.9	2.9%
Community Colleges	330.8	371.5	386.6	15.1	4.1%
Education/Libraries	6,617.0	6,590.7	7,225.1	634.4	9.6%
Health	34.4	48.3	55.1	6.8	14.0%
Aid to Local Governments	***$7,296.6***	***$7,323.0***	***$7,988.3***	***$665.2***	***9.1%***
Foster Care Payments	$206.2	$230.9	$239.8	$8.9	3.9%
Assistance Payments	127.7	81.3	49.8	-31.5	-38.8%
Medical Assistance	3,118.5	4,084.0	4,544.7	460.7	11.3%
Property Tax Credits	96.3	93.7	93.7	0.0	0.0%
Entitlements	***$3,548.8***	***$4,489.9***	***$4,928.0***	***$438.1***	***9.8%***
Health	$1,944.0	$1,692.8	$1,834.5	$141.7	8.4%
Human Services	368.4	389.7	405.7	16.0	4.1%
Juvenile Services	244.9	250.7	288.0	37.2	14.8%
Public Safety/Police	1,435.7	1,530.4	1,668.7	138.3	9.0%
Higher Education	1,557.5	1,581.8	1,671.9	90.2	5.7%
Other Education	491.2	541.1	585.1	43.9	8.1%
Agriculture/Natural Res./Environment	130.7	154.5	162.4	7.9	5.1%
Other Executive Agencies	913.3	1,013.7	934.4	-79.3	-7.8%
Judiciary	558.6	589.3	629.3	40.0	6.8%
Legislative	103.7	105.5	110.0	4.5	4.3%
State Agencies	***$7,747.9***	***$7,849.5***	***$8,289.9***	***$440.4***	***5.6%***
Total Operating	**$18,724.3**	**$19,922.4**	**$21,560.1**	**$1,637.7**	**8.2%**
Capital [1]	$68.2	$461.4	$86.0	-$375.4	-81.4%
Subtotal	***$18,792.5***	***$20,383.9***	***$21,646.1***	***$1,262.3***	***6.2%***
Reserve Funds	$114.0	$669.6	$2,536.6	$1,866.9	278.8%
Appropriations	**$18,906.5**	**$21,053.5**	**$24,182.7**	**$3,129.2**	**14.9%**
Reversions	-$56.5	-$285.0	-$35.0	$250.0	-87.7%
Grand Total	**$18,850.0**	**$20,768.5**	**$24,147.7**	**$3,379.2**	**16.3%**

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

Note: The fiscal 2021 working appropriation reflects $28.4 million in targeted reversions and $173.4 million in reductions to be replaced with federal funds. The fiscal 2022 adjusted appropriation is the legislative appropriation plus estimated deficiencies of $121.9 million. Reversions include an anticipated replacement of general funds with federal funds made available from the American Rescue Plan Act funding reflected in the Department of Budget and Management's spending plan because the intended action could not occur in fiscal 2021 due to federal regulations.

State Expenditures – Special and Higher Education Funds*
Fiscal 2021-2023
($ in Millions)

Category	2021 Working Appropriation	2022 Adjusted Appropriation	2023 Baseline	2022-2023 $ Change	2022-2023 %
Debt Service	$1,618.9	$1,574.3	$1,539.1	-$35.2	-2.2%
County/Municipal	$432.6	$451.7	$467.6	$15.9	3.5%
Community Colleges	8.8	0.0	0.0	0.0	n/a
Education/Libraries	675.3	805.3	903.0	97.7	12.1%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	***$1,116.7***	***$1,257.0***	***$1,370.6***	***$113.6***	***9.0%***
Foster Care Payments	$3.3	$3.0	$3.0	$0.0	0.0%
Assistance Payments	33.4	13.5	13.5	0.0	0.0%
Medical Assistance	1,025.6	833.7	726.6	-107.2	-12.9%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	***$1,062.3***	***$850.2***	***$743.0***	***-$107.2***	***-12.6%***
Health	$674.5	$465.2	$490.1	$24.8	5.3%
Human Services	87.1	94.7	105.9	11.2	11.8%
Juvenile Services	3.3	3.4	3.6	0.2	7.2%
Public Safety/Police	284.5	321.7	338.2	16.5	5.1%
Higher Education	4,976.4	4,857.9	5,094.9	237.0	4.9%
Other Education	80.8	107.9	185.3	77.4	71.7%
Transportation	1,967.1	1,519.1	1,825.3	306.2	20.2%
Agriculture/Natural Res./Environment	303.3	280.3	332.2	51.9	18.5%
Other Executive Agencies	1,273.0	859.0	1,016.3	157.4	18.3%
Judiciary	72.7	67.7	69.3	1.6	2.4%
State Agencies	***$9,722.8***	***$8,577.1***	***$9,461.1***	***$884.1***	***10.3%***
Total Operating	**$13,520.7**	**$12,258.6**	**$13,113.9**	**$855.3**	**7.0%**
Capital	$1,577.8	$1,474.7	$1,784.1	$309.5	21.0%
Transportation	1,130.5	982.0	1,098.1	116.1	11.8%
Environment	216.4	259.8	214.5	-45.3	-17.4%
Other	230.9	232.8	471.5	238.7	102.5%
Subtotal	***$15,098.5***	***$13,733.2***	***$14,898.0***	***$1,164.8***	***8.5%***
Reserve Funds	$0.0	$0.0	$125.0	$125.0	n/a
Grand Total	**$15,098.5**	**$13,733.2**	**$15,023.0**	**$1,289.8**	**9.4%**

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

Note: The fiscal 2021 working appropriation reflects $0.8 million in targeted reversions, $210.4 million in additional spending due to fund swaps, and $336 million in spending authorized by budget amendment pursuant to Chapter 39 of 2021 (RELIEF Act). It excludes $40 million that double counts general fund spending. The fiscal 2022 adjusted appropriation is the legislative appropriation excluding $10 million that double counts general fund spending. It includes $105.9 million of additional special fund spending due to funding swaps, a supplementary appropriation of $14.3 million from HB 940 of 2021, and estimated deficiencies of -$449.7 million.

State Expenditures – Federal Funds
Fiscal 2021-2023
($ in Millions)

Category	2021 Working Appropriation	2022 Adjusted Appropriation	2023 Baseline	2022-2023 $ Change	2022-2023 %
Debt Service	$11.0	$11.0	$8.4	-$2.6	-23.4%
County/Municipal	$74.7	$74.7	$74.7	$0.0	0.0%
Community Colleges	7.4	0.0	0.0	0.0	n/a
Education/Libraries	2,027.1	1,178.3	966.7	-211.6	-18.0%
Health	0.0	17.5	13.5	-4.0	-22.9%
Aid to Local Governments	***$2,109.2***	***$1,270.5***	***$1,055.0***	***-$215.6***	***-17.0%***
Foster Care Payments	$78.5	$80.7	$82.3	$1.6	2.0%
Assistance Payments	2,584.4	2,319.0	1,369.3	-949.6	-41.0%
Medical Assistance	8,350.6	9,098.5	8,062.6	-1,035.9	-11.4%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	***$11,013.5***	***$11,498.1***	***$9,514.2***	***-$1,983.9***	***-17.3%***
Health	$2,628.6	$2,077.0	$1,756.2	-$320.8	-15.4%
Human Services	653.5	599.8	603.4	3.6	0.6%
Juvenile Services	4.3	5.5	9.4	3.9	70.0%
Public Safety/Police	33.5	34.7	36.5	1.8	5.2%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	472.7	349.6	331.1	-18.6	-5.3%
Transportation	227.6	713.4	494.1	-219.3	-30.7%
Agriculture/Natural Res./Environment	81.7	72.6	76.4	3.8	5.2%
Other Executive Agencies	2,227.1	1,350.5	669.2	-681.3	-50.5%
Judiciary	1.0	0.3	0.3	0.0	1.6%
State Agencies	***$6,330.0***	***$5,203.5***	***$3,976.5***	***-$1,227.0***	***-23.6%***
Total Operating	**$19,463.7**	**$17,983.1**	**$14,554.1**	**-$3,429.0**	**-19.1%**
Capital	$1,357.7	$1,353.3	$1,334.2	-$19.1	-1.4%
Transportation	1,233.2	1,217.5	1,249.4	31.9	2.6%
Environment	53.1	53.2	53.5	0.3	0.6%
Other	71.3	82.7	31.3	-51.4	-62.1%
Subtotal	***$20,821.4***	***$19,336.4***	***$15,888.3***	***-$3,448.1***	***-17.8%***
Reserve Funds	$0.0	$317.8	$0.0	-$317.8	-100.0%
Grand Total	**$20,821.4**	**$19,654.3**	**$15,888.3**	**-$3,765.9**	**-19.2%**

Note: The fiscal 2021 working appropriation includes $37.3 million in additional federal fund spending due to funding swaps. The fiscal 2022 adjusted appropriation is the legislative appropriation including $317.4 million in additional federal fund spending due to funding swaps and estimated deficiencies of $2.3 billion.

State Expenditures – State Funds
Fiscal 2021-2023
($ in Millions)

Category	2021 Working Appropriation	2022 Adjusted Appropriation	2023 Baseline	2022-2023 $ Change	2022-2023 %
Debt Service	$1,749.9	$1,834.3	$1,893.1	$58.8	3.2%
County/Municipal	$747.0	$764.2	$789.0	$24.8	3.3%
Community Colleges	339.6	371.5	386.6	15.1	4.1%
Education/Libraries	7,292.3	7,396.0	8,128.1	732.1	9.9%
Health	34.4	48.3	55.1	6.8	14.0%
Aid to Local Governments	***$8,413.3***	***$8,580.0***	***$9,358.8***	***$778.8***	***9.1%***
Foster Care Payments	$209.5	$233.8	$242.8	$8.9	3.8%
Assistance Payments	161.1	94.8	63.3	-31.5	-33.2%
Medical Assistance	4,144.1	4,917.7	5,271.2	353.5	7.2%
Property Tax Credits	96.3	93.7	93.7	0.0	0.0%
Entitlements	***$4,611.1***	***$5,340.1***	***$5,671.0***	***$330.9***	***6.2%***
Health	$2,618.5	$2,158.0	$2,324.6	$166.6	7.7%
Human Services	455.5	484.5	511.6	27.2	5.6%
Juvenile Services	248.2	254.1	291.6	37.5	14.7%
Public Safety/Police	1,720.3	1,852.1	2,006.9	154.7	8.4%
Higher Education	6,533.9	6,439.7	6,766.8	327.1	5.1%
Other Education	572.1	649.1	770.4	121.3	18.7%
Transportation	1,967.1	1,519.1	1,825.3	306.2	20.2%
Agriculture/Natural Res./Environment	433.9	434.8	494.6	59.8	13.8%
Other Executive Agencies	2,186.3	1,872.6	1,950.7	78.0	4.2%
Judiciary	631.3	657.0	698.7	41.6	6.3%
Legislative	103.7	105.5	110.0	4.5	4.3%
State Agencies	***$17,470.7***	***$16,426.6***	***$17,751.1***	***$1,324.5***	***8.1%***
Total Operating	**$32,245.0**	**$32,181.0**	**$34,674.0**	**$2,493.0**	***7.7%***
Capital (1)	$1,645.9	$1,936.1	$1,870.1	-$66.0	-3.4%
Transportation	1,130.5	982.0	1,098.1	116.1	11.8%
Environment	216.6	260.5	214.5	-46.0	-17.7%
Other	298.9	693.5	557.5	-136.0	-19.6%
Subtotal	***$33,891.0***	***$34,117.1***	***$36,544.2***	***$2,427.1***	***7.1%***
Reserve Funds	$114.0	$669.6	$2,661.6	$1,991.9	297.5%
Appropriations	**$34,005.0**	**$34,786.7**	**$39,205.7**	**$4,419.0**	**12.7%**
Reversions	-$56.5	-$285.0	-$35.0	$250.0	-87.7%
Grand Total	**$33,948.5**	**$34,501.7**	**$39,170.7**	**$4,669.0**	**13.5%**

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

Note: The fiscal 2021 appropriation reflects $29.2 million in targeted reversions, $173.4 million in general fund reductions to be replaced with federal funds, $210.4 million in additional special fund spending due to funding swaps, and $336.0 million in spending authorized by budget amendment pursuant to Chapter 39 of 2021 (RELIEF Act). It excludes $40 million that double counts other spending. The fiscal 2022 adjusted appropriation is the legislative appropriation excluding $10 million that double counts other spending. It includes $105.9 million of additional special fund spending due to funding swaps, a supplementary appropriation of $14.3 million from HB 940 of 2021, and -$327.8 million in estimated deficiencies.

State Expenditures – All Funds
Fiscal 2021-2023
($ in Millions)

Category	2021 Working Appropriation	2022 Adjusted Appropriation	2023 Baseline	2022-2023 $ Change	2022-2023 % Change
Debt Service	$1,760.9	$1,845.3	$1,901.5	$56.2	3.0%
County/Municipal	$821.7	$838.9	$863.7	$24.8	3.0%
Community Colleges	347.0	371.5	386.6	15.1	4.1%
Education/Libraries	9,319.4	8,574.3	9,094.9	520.6	6.1%
Health	34.4	65.8	68.6	2.8	4.2%
Aid to Local Governments	***$10,522.5***	***$9,850.5***	***$10,413.8***	***$563.3***	***5.7%***
Foster Care Payments	$288.0	$314.5	$325.1	$10.5	3.3%
Assistance Payments	2,745.5	2,413.7	1,432.6	-981.1	-40.6%
Medical Assistance	12,494.7	14,016.2	13,333.9	-682.4	-4.9%
Property Tax Credits	96.3	93.7	93.7	0.0	0.0%
Entitlements	***$15,624.6***	***$16,838.2***	***$15,185.2***	***-$1,653.0***	***-9.8%***
Health	$5,247.0	$4,235.0	$4,080.8	-$154.2	-3.6%
Human Services	1,109.0	1,084.3	1,115.0	30.7	2.8%
Juvenile Services	252.5	259.6	300.9	41.3	15.9%
Public Safety/Police	1,753.8	1,886.8	2,043.4	156.5	8.3%
Higher Education	6,533.9	6,439.7	6,766.8	327.1	5.1%
Other Education	1,044.7	998.7	1,101.5	102.8	10.3%
Transportation	2,194.6	2,232.5	2,319.4	86.9	3.9%
Agriculture/Natural Res./Environment	515.7	507.4	571.0	63.6	12.5%
Other Executive Agencies	4,413.5	3,223.1	2,619.8	-603.3	-18.7%
Judiciary	632.3	657.4	699.0	41.6	6.3%
Legislative	103.7	105.5	110.0	4.5	4.3%
State Agencies	***$23,800.7***	***$21,630.0***	***$21,727.6***	***$97.5***	***0.5%***
Total Operating	**$51,708.7**	**$50,164.1**	**$49,228.1**	**-$936.0**	**-1.9%**
Capital (1)	$3,003.6	$3,289.4	$3,204.4	-$85.0	-2.6%
Transportation	2,363.7	2,208.2	2,347.5	139.3	6.3%
Environment	264.1	313.7	269.0	-44.7	-14.2%
Other	375.9	767.5	587.8	-179.6	-23.4%
Subtotal	***$54,712.4***	***$53,453.5***	***$52,432.5***	***-$1,021.0***	***-1.9%***
Reserve Funds	$114.0	$987.5	$2,661.6	$1,674.1	169.5%
Appropriations	**$54,826.4**	**$54,441.0**	**$55,094.1**	**$653.1**	**1.2%**
Reversions	-$56.5	-$285.0	-$35.0	$250.0	-87.7%
Grand Total	**$54,769.9**	**$54,156.0**	**$55,059.1**	**$903.1**	**1.7%**

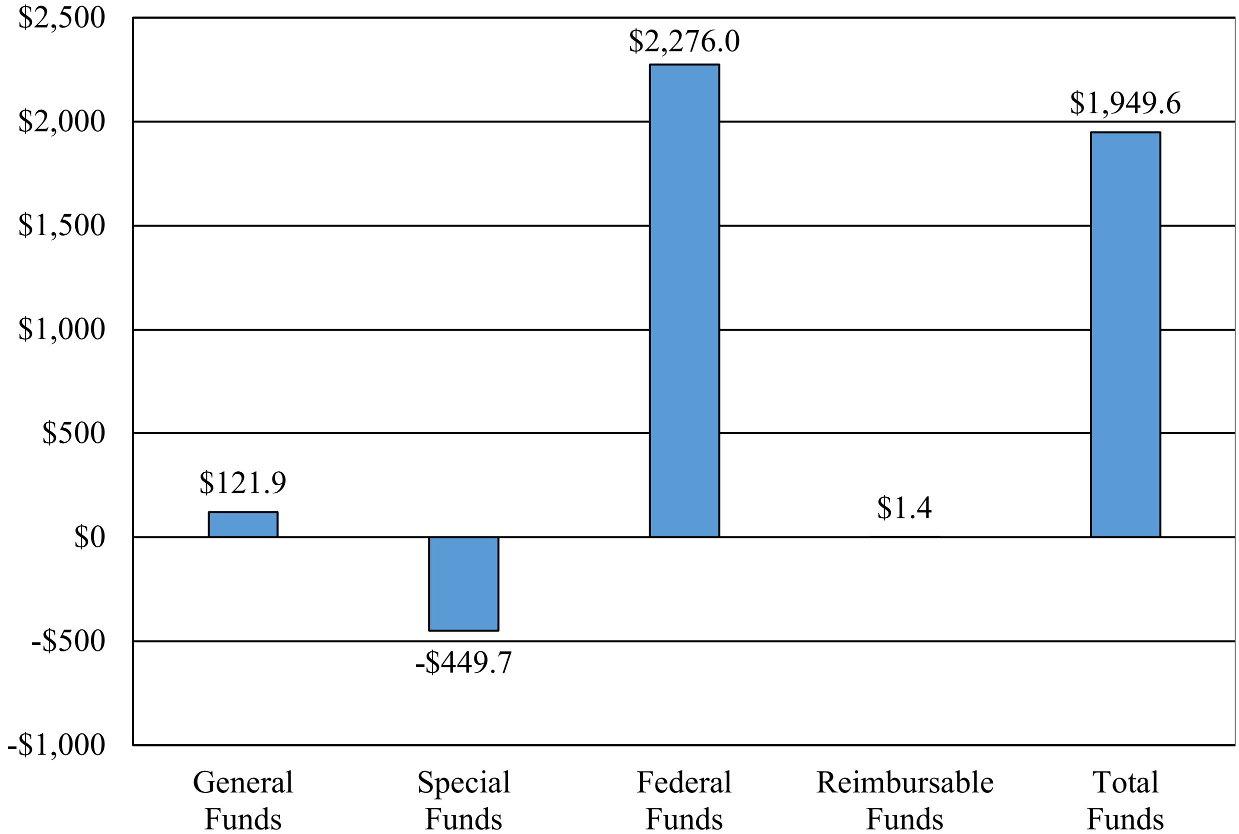
(1) Includes the Historic Revitalization Tax Credit Reserve Fund.

Note: The fiscal 2021 appropriation reflects $29.2 million in targeted reversions, $173.4 million in general fund reductions to be replaced with federal funds, $247.7 million in additional special and federal fund spending due to funding swaps, and $336.0 million in spending authorized by budget amendment pursuant to Chapter 39 of 2021 (RELIEF Act). It excludes $40 million that double counts other spending. The fiscal 2022 adjusted appropriation is the legislative appropriation excluding $10 million that double counts other spending. It includes $423.3 million of additional special and federal fund spending due to funding swaps, a supplementary appropriation of $14.3 million from HB 940 of 2021, and $1.9 billion in anticipated deficiencies.

Fiscal 2022 Deficiencies

As summarized in the following exhibit, the fiscal 2023 baseline assumes nearly $1.95 billion in net deficiencies in fiscal 2022 in terms of general, special, and federal funds. However, only $121.9 million of this increase relates to general fund spending. Federal fund spending increases by $2.3 billion, while special fund spending is reduced by approximately $450 million.

Anticipated Fiscal 2022 Deficiencies in the Fiscal 2023 Baseline
($ in Millions)



Source: Department of Legislative Services

As shown in the following exhibit, the extension of the enhanced Medicaid match through the first quarter of calendar 2022 is expected to reduce general fund spending in Medicaid, the Maryland Children's Health Program, and Developmental Disabilities Administration Community Services by $141.4 million, with additional general fund relief due to the anticipated availability of federal funds to support family planning programs ($3.0 million) and the Maryland Legal

Services program ($0.8 million). These decreases are more than offset by increased general fund spending in other areas. The largest area of increase is entitlement spending, attributable to increased need due to higher enrollment and fiscal 2021 bills rolled into fiscal 2022 in the Behavioral Health Administration partially offset by recoveries from reconciled estimated payments. Personnel spending increases by $84.2 million in general funds, primarily due to higher than expected health insurance costs and a general salary increase and bonus for employees in certain bargaining units and nonrepresented employees that were conditional on revenues exceeding Board of Revenue Estimates amounts by certain levels.

Detailed Fiscal 2022 General Fund Deficiencies
($ in Millions)

	Total
Entitlement Spending Based on Caseload Trends: Behavioral Health to account for fiscal 2021 accruals ($100.2 million); Behavioral Health due to increased need ($81.4 million); Foster Care/Subsidized Adoption and Guardianships primarily due to federal fund availability and higher placement costs ($20.6 million), partially offset by recoveries related to estimated payments in Behavioral Health (-$18.0 million) and lower estimated costs of Temporary Cash Assistance, Temporary Disability Assistance Program due to lower estimated caseloads and Supplemental Nutrition Assistance Program Supplemental Benefit for Seniors due to extension of Emergency Allotments through October (-$21.7 million).	$162.5
Personnel Actions: Health Insurance costs due to higher than expected expenditures ($60.9 million); 1% general salary increase effective April 1, 2022, and $500 bonus on January 1, 2022, for certain bargaining units and nonrepresented employees due to revenues exceeding estimates by a certain amount ($25.4 million), partially offset by overestimated statewide salary expenses (-$2.0 million).	84.2
Agency Operating Expenses: Developmental Disabilities Administration (DDA) audit disallowance ($34.0 million); overtime costs to align with experience in DDA ($1.2 million); expenses associated with Crownsville Hospital ($0.6 million); State Board of Elections (SBE) costs related to settlement with National Federation for the Blind and costs of financing replacement pollbook printers ($0.3 million); costs related to the implementation of Chapter 60 of 2021 for Department of General Services Police ($0.3 million) partially offset by savings associated with lower than expected food costs due to lower average daily population and vacancy savings in the Department of Public Safety and Correctional Services (-$14.8 million); and support for interest payments for the Unemployment Insurance Trust Fund unneeded due to full repayment (-$15.0 million).	6.7
Program Expenses to Meet Demand and Fully Fund Mandates: More Jobs for Marylanders ($13.5 million); 529 Plan ($3.9 million); Violence Intervention and Prevention Program to meet mandate due to unavailable special funds ($1.7 million); Payments for Erroneous Convictions ($1.1 million); Maryland State Arts Council due to unfunded portion of mandate ($1.0 million), partially offset by anticipated DDA underspending (-$12.8 million).	8.4

	Total
Major Information Technology Projects: Interagency Committee on School Construction business process project due to higher than anticipated costs ($4.0 million); SBE Pollbook Project due to announced change to a 50/50 State-Local Fund split ($1.2 million).	5.2
Savings Due to Available Federal Funds: Enhanced Medicaid match available for an additional three months ($141.4 million); alter fund split based on Title X awards ($3.0 million); Title IV-E Foster Care Funds available to support legal services for Children in Need of Assistance/Termination of Parental Rights in the Department of Human Services ($0.8 million).	-145.2
Total Deficiencies	**$121.9**

Source: Department of Legislative Services

Anticipated deficiency appropriations reduce special fund spending by a net of $449.7 million. Special fund decreases totaling $489.0 million are driven by $486 million of American Rescue Plan Act (ARPA) funds that are expected to be available to replace special fund spending in the Maryland Department of Transportation (MDOT). These decreases are partially offset by increases totaling $39.3 million primarily due to the special fund share of the health insurance and conditional compensation increases noted earlier ($21.4 million) and supplementary appropriations for various activities using the Blueprint for Maryland's Future Fund in Chapter 356 of 2021.

Deficiency appropriations are expected to increase federal fund spending by $2.3 billion in fiscal 2022. The largest components of this increase are in the areas of:

- Supplemental Nutrition Assistance Program due to increased caseloads, the extension of Emergency Allotments, and a larger than anticipated increase in benefit levels and a portion of the Pandemic-Electronic Benefit Transfer benefits from the 2020-2021 school year and summer programs due to the timing of approval of state plans ($943.9 million);

- replacement of MDOT special funds with funds from the ARPA ($486.0 million);

- enhanced Medicaid match, including replacement of general funds reduced in Medicaid during the 2021 session due to the anticipation of the funding through December 2021, and the extension of the enhanced match through the first quarter of calendar 2022 ($386.0 million);

- behavioral health costs for the federal fund share of the costs related to increased need and fiscal 2021 bills rolled into fiscal 2022, partially offset by anticipated recoveries from reconciled estimated payments noted earlier ($363.8 million); and

- administrative costs related to unemployment insurance benefits ($70.0 million).

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 2020-2023
($ in Thousands)

	Actual 2020	Working 2021	Leg. Approp. 2022	Baseline 2023	Increase 2022-2023	% Increase 2022-2023
Expenditures						
MDOT Debt Service	$356,921	$415,915	$451,330	$483,880	$32,550	7.21%
GO Bond Debt Service	1,321,827	1,345,000	1,376,000	1,417,654	41,654	3.03%
Total	**$1,678,747**	**$1,760,915**	**$1,827,330**	**$1,901,534**	**$74,204**	**4.06%**
Fund						
General Fund	$287,000	$131,000	$260,000	$354,000	$94,000	36.15%
Special Fund	1,381,363	1,618,915	1,557,330	1,539,112	-18,218	-1.17%
Federal Fund	10,385	11,000	10,000	8,422	-1,578	-15.78%
Total	**$1,678,747**	**$1,760,915**	**$1,827,330**	**$1,901,534**	**$74,204**	**4.06%**

GO: general obligation
MDOT: Maryland Department of Transportation

The fiscal 2023 baseline budget for GO bond debt service costs reflects slow and steady increases in debt issuances. Annual issuances have averaged over $1 billion annually since fiscal 2015. 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 2023 State property tax receipts are projected to be $931 million compared to debt service costs that total $1,418 million. Partially offsetting this shortfall are bond sale premiums ($202 million projected in fiscal 2023, of which

$125 million supports the Washington Metropolitan Area Transit Authority and $77 million supports debt service), federal funds ($8 million), ABF balance remaining from prior years ($39 million), and other special fund revenues (such as repayment for issuance of bonds for Program Open Space). Insofar as these sources are insufficient, $354 million in general funds will need to be appropriated in fiscal 2023.

The fiscal 2023 baseline budget for MDOT's debt service comprises debt service for bonds issued prior to fiscal 2022 and projected sales in fiscal 2022 and 2023. Over the past four fiscal years (2018 to 2021), debt issuances net of refunding totaled over $2.0 billion. Bond issuances in the draft MDOT fiscal 2022 to 2027 financial forecast are projected to total $1.6 billion, a significant drop from the more than $2.1 billion projected in the previous forecast. The decrease in projected debt issuances results from debt service coverage approaching minimum acceptable levels combined with COVID-19-related revenue decreases.

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 2020-2023
($ in Thousands)

Entity	Actual 2020	Working 2021	Working 2022	Baseline 2023	$ Change 2022-2023	% Change 2022-2023
Public Schools	$6,994,519	$7,260,971	$7,522,651	$8,040,278	$517,628	6.9%
County/Municipal	664,137	744,443	765,789	789,009	23,220	3.0%
Community Colleges	330,348	339,606	371,523	386,610	15,087	4.1%
Libraries	83,034	83,838	84,935	87,863	2,928	3.4%
Health	59,407	61,391	65,802	68,583	2,781	4.2%
Total	**$8,131,445**	**$8,490,249**	**$8,810,700**	**$9,372,343**	**$561,644**	**6.4%**

Note: Totals may not sum due to rounding.

Overview

State aid is projected to total $9.4 billion in the fiscal 2023 baseline, representing a $561.6 million, or 6.4%, increase over the prior year. Most of the State aid in fiscal 2023, as in prior years, is targeted to public schools. Public schools will receive $8.0 billion in fiscal 2023, 85.8% of total State aid. Counties and municipalities will receive $789.0 million (8.4% of total State aid), community colleges will receive $386.6 million (4.1%), libraries will receive $87.9 million (3.4%), and local health departments (LHD) will receive $68.6 million (0.7%).

Public Schools

Public schools will receive an estimated $8.0 billion in fiscal 2023, representing a $517.6 million (6.9%) increase over the prior fiscal year. This is explained by the net impact of a $579.6 million increase in direct aid and a $62.0 million decrease in retirement aid. The considerable funding increase stems from substantial reforms to education funding policy enacted during the 2021 legislative session. Chapter 36 of 2021, Blueprint for Maryland's Future – Implementation, results from the General Assembly's override of the Governor's veto of HB 1300 of 2020. Chapter 55 of 2021, Blueprint for Maryland's Future – Revisions, revises Chapter 36 to account for the timing of its enactment; addresses the effects of the COVID-19 pandemic on education, including education funding; and adjusts funding under the foundation program and the Concentration of Poverty grant program.

The per pupil foundation amount is set at $8,310, a 12.4% increase from fiscal 2022. Under Chapter 36 and Chapter 55, 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 Geographic Cost of Education Index (GCEI); and the compensatory education, special education, and English language learners formulas) that together account for approximately three-quarters of total education aid.

General funds are expected to account for $7.1 billion of State aid for public schools. Special funds account for approximately $902.4 million.

Foundation Program

In fiscal 2023, foundation program formula aid is estimated to increase $534.3 million (16.8%), from $3.2 billion to $3.7 billion. This increase is primarily attributable to the $920 increase in the per pupil foundation amount, from $7,390 to $8,310. Also, full-time equivalent enrollment increases by 32,437 (3.8%), from 854,564 to an estimated 887,001. The foundation program is the primary formula grant program for funding the local school systems.

GCEI

In fiscal 2023, the GCEI grant is estimated to increase $10.2 million (6.9%), from $147.7 million to $157.9 million. Thirteen local school systems are eligible for GCEI funds in fiscal 2023. GCEI is a formula grant that accounts for differences in the costs of educational resources among local school systems and provides additional funding where educational resource costs are above the State average.

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. These grants total $57.7 million in fiscal 2023. These grants will also total $57.7 million in fiscal 2024, then phase down annually to a total of $11.5 million by fiscal 2029. The grants terminate after fiscal 2029.

Compensatory Aid

In fiscal 2023, the Compensatory Aid program is estimated to increase $151.5 million (11.8%) from $1.3 billion to $1.4 billion. This change is due to a projected 8.3% increase in the number of children who are eligible for free and reduced-priced meals (FRPM) and the increase in the per pupil foundation amount. This program provides additional funding to local school systems based on their enrollment of students eligible for FRPM. The statewide funding level is calculated using the number of eligible students multiplied by a factor of the per pupil foundation amount.

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 one community school coordinator and provide full-time coverage by at least one health care practitioner. These personnel grants were also provided for in the fiscal 2022 budget. Beginning in fiscal 2023, under Chapters 36 and 55, in addition to these personnel grants (which are to be adjusted annually for inflation), per pupil grants are provided. Funding eligibility is phased in over several years, for both personnel and per pupil grants, thus providing funding for increasing numbers of schools at progressively lower poverty concentrations. In fiscal 2023, concentration of poverty grants total an estimated $182.6 million, an increase of $65.7 million over fiscal 2022.

Students with Disabilities

In fiscal 2023, funding for students with disabilities via the special education formula is estimated to increase $110.3 million (35.5%), from $311.1 million to $421.4 million. This change is due to a projected 3.4% increase in students with disabilities enrollment in 2021-2022 and a substantial increase in per pupil funding under the Blueprint for Maryland's Future. In fiscal 2023, funding for special education students in nonpublic placements is estimated to increase $4.3 million (3.4%), from $127.0 million to $131.3 million.

English Language Learners

In fiscal 2023, funding for English language learner students is estimated to increase by $85.4 million (25.5%), from $334.3 million to $419.7 million. This change is due to a projected 10.1% increase in relevant student enrollment for 2021-2022 and a substantial increase in per pupil funding under the Blueprint for Maryland's Future. These grants are based on English language learner student enrollment and the per-pupil foundation amount.

Guaranteed Tax Base Program

In fiscal 2023, the Guaranteed Tax Base Program (GTB) decreases $6.0 million (12.1%), from $49.9 million to $43.8 million. As currently estimated, eight local school systems receive

GTB funding in fiscal 2023. 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. State funding commences in fiscal 2023, at an estimated statewide total of $138.7 million.

Student Transportation

In fiscal 2023, total student transportation funding increases $59.0 million (20.5%), from $288.1 million to $347.1 million. Estimated formula funding for student transportation increases $33.7 million (11.8%), from $285.0 million to $318.7 million, largely due to the anticipated 8.0% inflation adjustment over fiscal 2022, equivalent to the 8.0% cap on inflation for the program. Estimated funding for disabled transportation increases by $25.4 million, from $3.0 million to $28.4 million, due to an assumed substantial increase in students using disabled student transportation services. For disabled transportation funding, the State provides $1,000 annually for each qualifying student. A portion of hold harmless grants in fiscal 2022 was dedicated toward addressing the relevant student count decrease due to the COVID-19 pandemic.

Publicly Funded Full-day Prekindergarten

Beginning in fiscal 2023, a new funding formula for voluntary full-day prekindergarten for four- and three-year-olds from low-income families is phased-in. Expansion of full-day prekindergarten will first be 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 2023 funding will total an estimated $75.9 million.

Teacher Retirement

State retirement costs for public school teachers and other professional personnel will total an estimated $716.9 million in fiscal 2023, representing a $62.0 million (8.0%) decrease, due largely to changes in contribution rates. In addition to the State's share of teacher pension costs, local governments will contribute approximately $368.4 million for the local share of pension contributions as well as $14.9 million toward the State Retirement Agency (SRA) administrative costs.

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 2023, Cade formula funding totals $303.0 million. This represents an increase of $12.9 million, or 4.4%, in general funds above fiscal 2022. Baltimore City Community College is a State agency and receives funding through a separate funding formula.

The fiscal 2023 baseline also includes $4.8 million in general funds for the English Speakers of Other Languages Program and $6.7 million in general funds for statewide and regional programs. In addition, small colleges are estimated to receive $7.8 million in general funds in Small College and Mountain grants and reciprocity agreement funding. The baseline also includes $64.3 million in general funds for retirement benefits to employees of community colleges, a slight increase compared to $62.9 million in fiscal 2022.

Libraries

State library aid formula increases by $2.0 million, from $41.7 million to $43.7 million in general funds. This increase is largely due to the increase in the per resident amount for this aid formula, from $16.70 in fiscal 2022 to the full phase-in amount of $17.10 per resident in fiscal 2023, under Chapter 27 of 2021.

Chapters 714 and 715 of 2016 (Enoch Pratt Free Library – Hours of Operation – Funding) 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 $775,100 (3.9%), bringing total funding for this program to $20.5 million in general funds in fiscal 2023. 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 Chapter 27, the State Library Resource Center per resident annual funding increases from $1.85 in fiscal 2022 to $1.93 in fiscal 2023. Per resident funding for regional resource centers remains at $8.75 in fiscal 2023.

Finally, retirement costs for librarians will total an estimated $20.6 million, representing a 0.8% increase. 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 8.4% 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 $789.0 million in fiscal 2023, an increase of $23.2 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) of the Transportation Trust Fund (TTF) 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 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 must provide capital transportation grants to local governments based on the amount of revenue allocated to the GMVRA. For fiscal 2020 through 2024, capital grants equivalent to 13.5% of the revenue allocated to the GMVRA must be provided to local governments as follows: Baltimore City (8.3%); counties (3.2%); and municipalities (2.0%). Beginning in fiscal 2025, capital grants equivalent to 9.6% of the revenue allocated to the GMVRA must be provided to local governments as follows: Baltimore City (7.7%); counties (1.5%); and municipalities (0.4%); this is equivalent to the prior GMVRA distribution to localities.

The fiscal 2023 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 2023 baseline assumes that Baltimore City will receive $166.4 million, county governments will receive $64.2 million, and municipal governments will receive $40.1 million, for a total of $270.7 million. This represents a $16.5 million increase from the fiscal 2022 working appropriation.

State funding for elderly/disabled transportation grants total $4.3 million in fiscal 2022, while State funding for paratransit grants total $1.4 million. State aid for elderly/disabled transportation programs and paratransit grants are projected to remain constant in fiscal 2023 at $5.7 million.

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 2023 baseline assumes an increase of 1.0% from the fiscal 2022 formula amount, with funding totaling $75.3 million.

The fiscal 2023 baseline reflects $15.0 million for fire and rescue aid and $1.9 million for vehicle theft prevention grants, which are the same as the fiscal 2022 amounts. Emergency 9-1-1 grants are projected to total $58.0 million in fiscal 2023. Other public safety grants totaling $33.4 million (targeted crime grants, State's Attorney grant, *etc.*) are also included in the fiscal 2023 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 2023 baseline includes $159.4 million in general funds, which represents a 0.8% increase from the fiscal 2022 appropriation of $158.2 million. Based on the statutory formula, Baltimore City and nine counties (Allegany, Caroline, Cecil, Dorchester, Garrett, Prince George's, Somerset, Washington, and Wicomico) will qualify for disparity grants in fiscal 2023.

Gaming Impact Grants

From the proceeds generated by video lottery terminals at video lottery facilities in the State, generally 5.5% is distributed to local governments in which a video lottery facility is operating or which 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. The fiscal 2023 baseline assumes gaming impact grants will total $98.4 million, an increase of approximately $1.7 million, or 1.7%, from the fiscal 2022 estimate of $96.7 million.

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.

Revenue Equity Program

Chapter 692 of 2017 established a State Forest, State Park, and Wildlife Management Area Revenue Equity Program to make annual payments to counties that have a certain amount of State forests, State parks, and wildlife management areas that are exempt from property tax beginning in fiscal 2019. These grants replace payments in lieu of taxes (PILOT) in the affected counties. The fiscal 2022 budget included $3.8 million for the program, and the fiscal 2023 baseline assumes the same amount for payments to the affected counties (Allegany, Garrett, and Somerset).

Forest Service and Maryland Park Service – PILOT

Each county in which any State forest or park is located annually receives 15% of the net revenues derived from the forest or park located in that county, including concession operations. If the forest or park reserve comprises 10% or more of its total land area, the county annually receives 25% of the net revenues derived from the reserve. The original intent of the county payments was to offset the loss in property taxes to counties in which the State owned a significant amount of acreage. The fiscal 2023 baseline assumes $144,700 in Forest Service payments, which represents level funding with the fiscal 2022 amount. In addition, the fiscal 2023 baseline includes $2.4 million in Maryland Park Service payments, which is the same as the fiscal 2022 working appropriation.

Wastewater Treatment – Nutrient Removal Program

The Maryland Department of the Environment provides grants to local governments to assist with operation and maintenance costs associated with enhanced nutrient removal at wastewater treatment facilities. The fiscal 2023 baseline includes $11.0 million in funding, which is the same as the fiscal 2022 amount.

Senior Citizen Activities Center Operating Fund

The Senior Citizen Activities Center Operating Fund is a nonlapsing fund that consists of appropriations from the State budget. The fund supplements any other funding for senior citizen activities centers in the State budget; it may not be used to replace existing funding. Money is distributed to counties based on a competitive grant process with at least 50% of the funds distributed based on the need for senior citizen activities centers in counties determined by the Maryland Department of Aging to meet criteria related to economic distress. The fiscal 2023 baseline includes $764,888 for the program, the same amount that was provided in fiscal 2022.

Adult Education

The State provides funding for adult education services, including classes on basic skills in reading, writing, and math, or learning to speak and understand the English language. Grants also assist adults to prepare to earn a high school diploma through GED tests or the National External Diploma Program. The fiscal 2023 baseline assumes $8.0 million for adult education programs, level with fiscal 2022 funding.

Local Voting System Grants

Chapter 564 of 2001 (Election Law – Uniform Statewide Voting Systems) 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 legislation required the State to provide funding through the annual budget bill for the exclusive purpose of reducing the fiscal impact of purchasing new voting equipment. The fiscal 2023 baseline includes $7.8 million in grants to local boards of elections. This represents a $3.1 million increase over the fiscal 2022 working appropriation, due to planned increases in the pollbook Major Information Technology Development Project cost schedule and fully funding the voting system through the entire fiscal year.

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. The fiscal 2023 baseline includes $5.0 million for the program, as required by Chapters 755 and 756 of 2021. In addition, Chapters 755 and 756 continue the $5.0 million distribution through fiscal 2025.

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 LHDs. The funding formula is adjusted annually for inflation and statewide population growth for the second preceding fiscal year. In the fiscal 2023 baseline, the funding formula increases by $2.8 million over the fiscal 2022 working appropriation for a total distribution of $64.6 million. Of this total, $13.5 million is supported with federal funds due to available COVID-19-related grants that can be used to support the LHDs' work responding to the public health emergency. Additionally, the fiscal 2022 budget included $4 million in COVID-19-related federal funds to be distributed to LHDs for infrastructure costs outside of the core public health services formula. The baseline assumes that $4 million in general funds is allocated to backfill the federal funds for another year of infrastructure grants.

Entitlement Programs

Entitlements include the State Department of Assessments and Taxation's 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 2020-2023
($ in Thousands)

	2020 Actual	2021 Working	2022 Leg. Approp.	2023 Baseline	2022-2023 $ Increase	2022-2023 % Increase
Expenditures						
State Department of Assessments and Taxation	$91,531	$102,523	$95,708	$96,705	$997	$1.0%
MDH Behavioral Health Administration	1,530,546	1,698,054	1,844,181	2,002,072	157,891	8.6%
MDH Medical Care Programs Administration	10,136,809	10,831,871	11,088,959	11,054,112	-34,847	-0.3%
DHS Social Services	293,818	288,049	299,596	325,066	25,470	8.5%
DHS Family Investment	1,550,311	2,887,530	1,642,488	1,599,324	-43,164	-2.6%
Total	**$13,603,016**	**$15,808,027**	**$14,970,932**	**$15,077,279**	**$106,347**	**0.7%**
Fund						
General Fund	$3,870,867	$3,617,366	$4,505,072	$4,863,363	$358,291	8.0%
Special Fund	1,004,464	1,048,757	754,682	749,015	-5,667	-0.8%
Federal Fund	8,665,328	11,069,386	9,641,878	9,395,467	-246,410	-2.6%
Reimbursable Fund	62,357	72,518	69,300	69,434	134	0.2%
Total	**$13,603,016**	**$15,808,027**	**$14,970,932**	**$15,077,279**	**$106,347**	**0.7%**
Personnel						
Regular Positions	1,734.0	1,740.0	0.0	0.0	0.0	0%
FTE Contractuals	13.0	1.0	0.0	0.0	0.0	0%

DHS: Department of Human Services
FTE: full-time equivalent
MDH: Maryland Department of Health

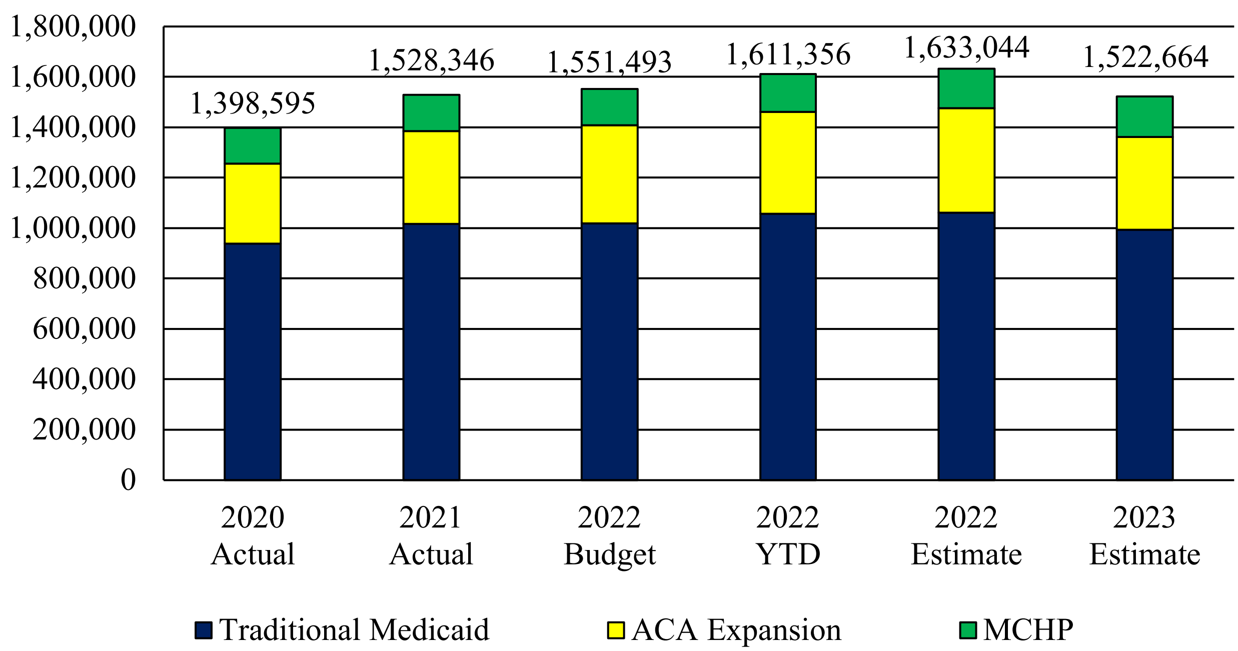
Medicaid Population and Expenditure Trends

Maryland's Medical Care Programs (Medicaid, Maryland Children's Health Program (MCHP), Employed Individuals with Disabilities, *etc.*) provide eligible low-income individuals with comprehensive health care coverage. Funding is derived from both federal and State sources with a federal fund participation rate in fiscal 2023 of 50% to 90% for Medicaid depending on the eligibility category and 65% for MCHP.

Projected Enrollment and Redetermination Process

Compared to fiscal 2020, average monthly Medicaid enrollment increased by 129,751 in fiscal 2021, reflecting the rapid caseload growth related to significant economic impacts of the COVID-19 pandemic and the requirement that State Medicaid programs suspend eligibility redeterminations as a condition of receiving 6.2% enhanced federal matching funds during the national public health emergency declaration. As shown in the exhibit below, year-to-date fiscal 2022 enrollment remained elevated at 1,611,356, as the national declaration of the COVID-19 public health emergency was still in effect.

Medicaid/MCHP Average Monthly Enrollment
Fiscal 2020-2023 Est.



ACA: Affordable Care Act
MCHP: Maryland Children's Health Program
YTD: year to date (as of September 2021)

On October 15, 2021, the Secretary of the U.S. Department of Health and Human Services renewed the COVID-19 public health emergency so that it expires mid-January 2022. Enhanced federal matching funds are authorized through the last quarter in which the public health emergency ends, so the baseline assumes that Maryland will receive enhanced matching funds through March 31, 2022, and that eligibility redeterminations resume April 1, 2022. Therefore, estimated fiscal 2022 enrollment increases to 1.6 million as MDH will not disenroll individuals (with limited exceptions) until April 2022 at the earliest. The baseline also includes a deficiency adding $118.0 million in additional federal funds, offset by general fund savings, to reflect an additional quarter of enhanced matching funds.

Based on guidance from the Centers for Medicare and Medicaid Services, State Medicaid programs will be able to process renewal backlogs over 12 months following the termination of the public health emergency. Following the end of the public health emergency, average monthly enrollment in fiscal 2023 is expected to decrease by 110,380 compared to the fiscal 2022 estimate. However, the fiscal 2023 caseload remains above the 1.4 million caseload level in fiscal 2020 due to the lingering economic impacts of the pandemic.

The next exhibit details the baseline estimates on a cost per enrollee basis and presents enrollment change by eligibility category, showing that the extent of declining caseloads varies by eligibility group. While adults covered under the Affordable Care Act (ACA) expansion accounted for about 24% of actual 2021 enrollment, this group made up 44% of new enrollment over the public health emergency so far (from March 2020 through September 2021). As a result, the baseline anticipates ACA adults experiencing a slightly higher reduction in enrollment compared to the traditional Medicaid groups. MCHP enrollment increases in fiscal 2023, as some children transition into MCHP coverage due to family income rising above Medicaid eligibility limits.

Enrollment and Service Year Per Capita Expenditures*
Fiscal 2021-2023

	Actual 2021	DLS Estimate 2022	Baseline 2023	% Change 2022-2023
Enrollment by Category				
Medicaid	1,017,671	1,060,990	993,984	-6.3%
MCHP	143,387	156,380	160,451	2.6%
ACA Medicaid Expansion	367,288	415,674	368,229	-11.4%
Total	**1,528,346**	**1,633,044**	**1,522,664**	**-6.8%**
Cost Per Enrollee				
Medicaid	$7,965	$8,552	$9,080	6.2%
MCHP	2,578	2,547	2,544	-0.1%
ACA Medicaid Expansion	9127	9209	9217	0.1%
Total	**$7,739**	**$8,144**	**$8,425**	**3.4%**

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

*Expenditures by fiscal year are based on the cost of providing services during that fiscal year rather than the year that the bills were paid. Cost estimates are based on provider reimbursements and expenditures excluding administrative costs.

Fiscal 2023 Medicaid Outlook

The following exhibit displays Medicaid-funded provider reimbursement expenditures, including behavioral health services, from fiscal 2021 to 2023.

Medical Care Programs Expenditures
Fiscal 2021-2023 Est.
($ Millions)

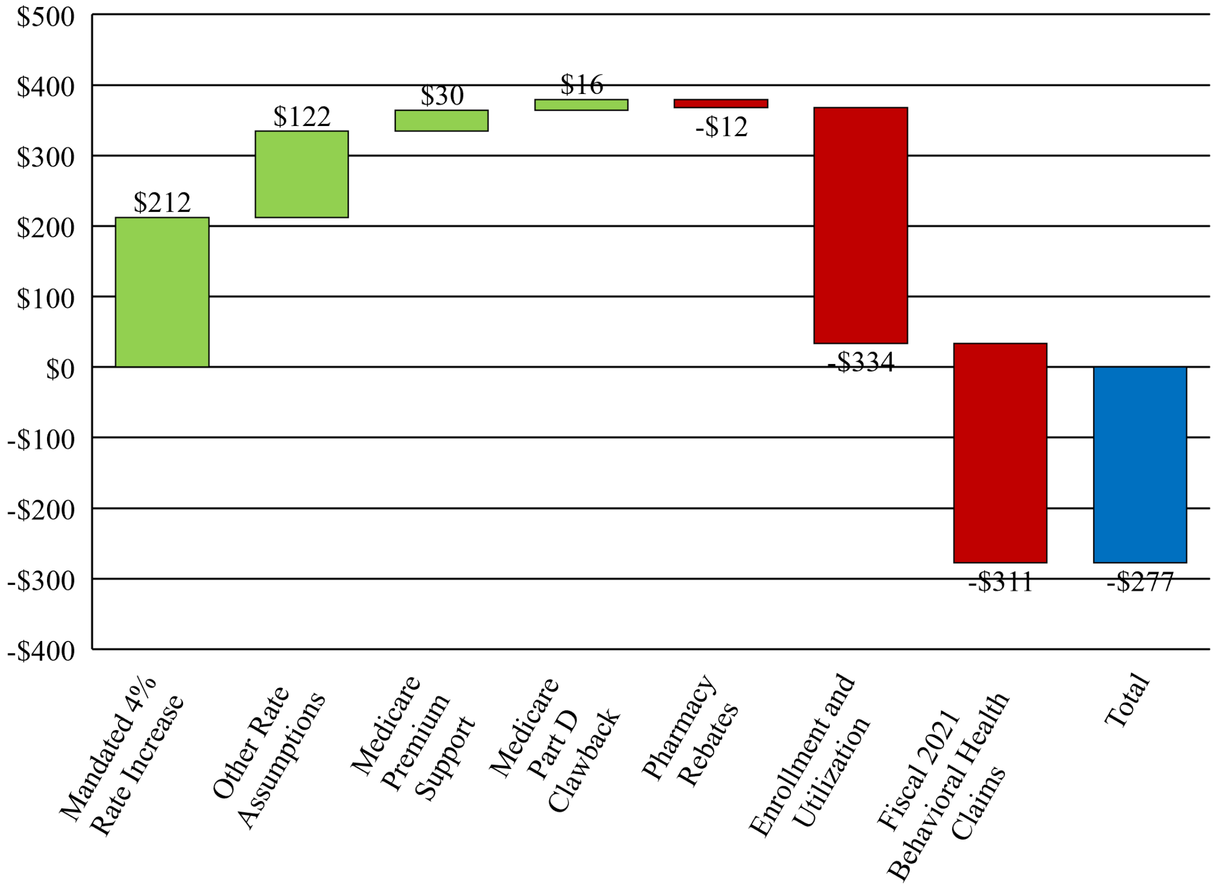
	Actual 2021	Adjusted 2022	Estimate 2023	$ Change 2022 Adj.-2023 Est.	% Change 2022 Adj.-2023 Est.
General Funds	$3,190.9	$3,983.8	$4,544.7	$560.9	14.1%
Special Funds	1,014.9	821.1	726.6	-94.5	-11.5%
Federal Funds	8,342.3	8,518.2	8,085.8	-432.4	-5.1%
Total	**$12,548.1**	**$13,323.1**	**$13,357.0**	**$33.9**	**0.3%**
Estimated Fiscal 2021 Behavioral Health Claims Covered in Fiscal 2022		$311.0	*		
Total with Behavioral Health Deficiency		**$13,634.1**	**$13,357.0**	**-$277.1**	**-2.0%**

*Shown in total funds ($100.2 million in general funds and $210.8 million in federal funds).

Note: Fiscal 2022 shows the legislative appropriation adjusted for anticipated deficiencies affecting behavioral health reimbursements. Data reflects major provider payments only and includes Medicaid-funded behavioral health services.

Total spending shows a net reduction of $277.1 million, or 2.0%, between the fiscal 2022 legislative appropriation (adjusted for deficiencies) and the fiscal 2023 estimate. This is largely due to declining enrollment described above and a one-time $311.0 million deficiency to cover behavioral health services provided in fiscal 2021 but paid in fiscal 2022. This reduction in spending is partially offset by rate increases in accordance with Chapters 10 and 11 of 2019.

Medicaid – Components of Total Fund Change
Fiscal 2022-2023
($ in Millions)



While overall spending decreases in fiscal 2023, general fund expenditures grow by $460.7 million, or 11.3%, as shown in the exhibit below. Net general fund growth is mainly attributable to the following factors:

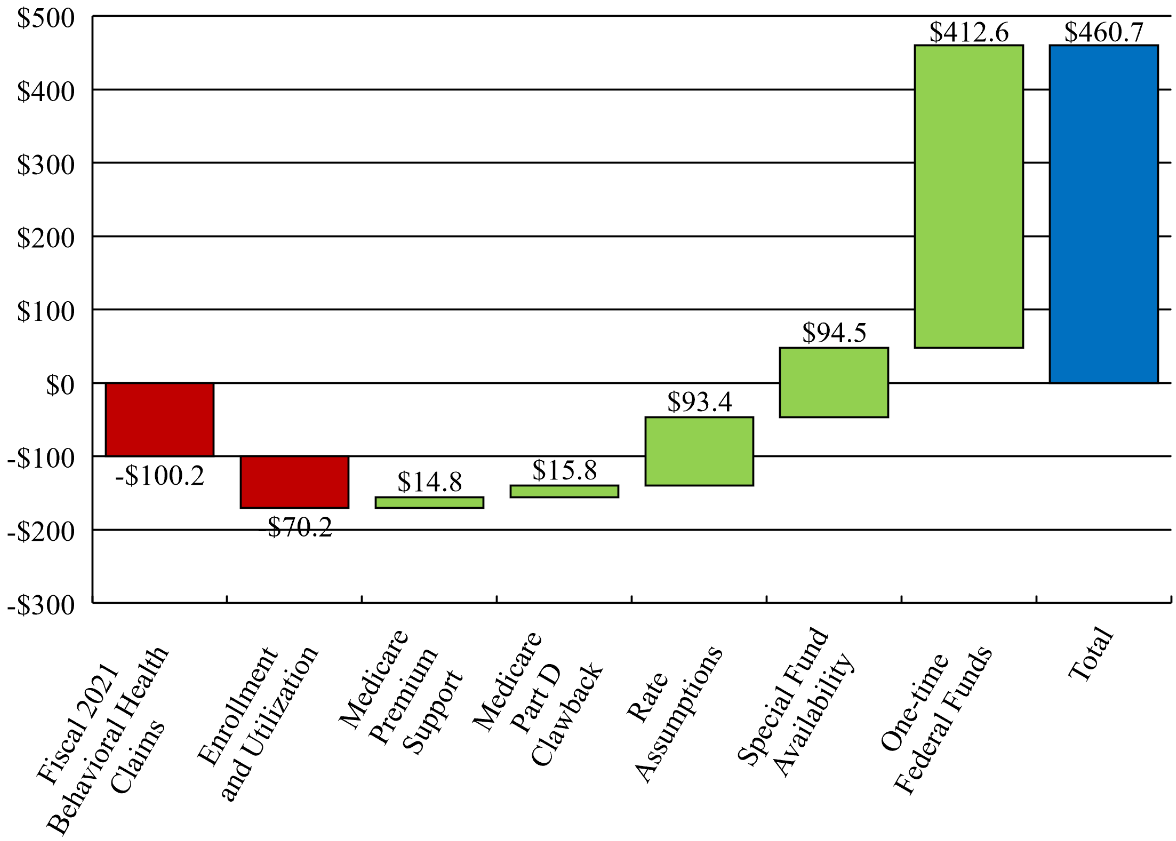
- approximately $412.6 million backfills one-time enhanced federal fund support, including the fiscal 2022 deficiency adding another quarter of enhanced matching funds, as the public health emergency declaration is expected to end in the third quarter of fiscal 2022;

- Chapter 150 of 2021 (the Budget Reconciliation and Financing Act) required that $100.0 million in special funds from the health insurance provider fee assessment be transferred to Medicaid in fiscal 2021 and 2022, driving the $94.5 million reduction in special fund availability in fiscal 2023;

- provider rate increases account for an increase of $93.4 million in general fund spending, including $49.7 million for 4% rate increases required annually from fiscal 2022 to 2026 in Chapters 10 and 11; and

- MDH resuming eligibility redeterminations and working through backlogged renewals after the public health emergency will cause a decline in enrollment, which is estimated to partially offset general fund growth by $70.2 million.

Medicaid – Components of General Fund Change
Fiscal 2022-2023
($ in Millions)



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 family homes, group homes, and institutions – offer temporary out-of-home care until implementation of a permanency plan. 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 subsidized guardianships is to encourage relative caregivers to become legal guardians of children who have been placed in their homes by a local department of social services by removing financial barriers.

The average monthly foster care caseload has declined in recent years, 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, declines were more pronounced during fiscal 2021 than in previous years due to ongoing impacts of the COVID-19 pandemic on the child welfare system. After declining by less than 2% in fiscal 2018 and 2019 and 4% in fiscal 2020, the net decrease in the foster care caseload in fiscal 2021 grew to 15.4%. Decreases occurred among nearly all placement types, though certain placement types experienced larger declines than others. The largest placement category (regular foster care) declined by 13.3%, while several smaller placement types declined by more than 15%. Placements in purchased institutions and purchased homes, the highest cost placement types, saw decreases consistent with other placement types in fiscal 2021 despite experiencing smaller declines than other placement types in the previous year. The entry into care and exit out of care in fiscal 2021 continued trends that began in fiscal 2020 due to the impacts of the COVID-19 pandemic that led to statewide closures of schools, limited daycare activities, and limited medical appointments, which reduced reports of maltreatment as well as entries into care while court closures impacted exits from care. Youth that might otherwise have been living in dorms at colleges returned to other placement types as colleges closed. Youth that would otherwise have aged out of care were allowed to remain in care due to both State decisions and a federal moratorium. As a result of increased reopenings and a return to more normal operations, the fiscal 2023 baseline assumes some rebounding in each placement category beginning in fiscal 2022 and continuing into fiscal 2023 as caseloads begin to return to near prepandemic levels. As statewide functions continue to resume, the increased contact with youth is likely to result in an increase in reports of maltreatment and entries into care comparable to levels seen in late fiscal 2020 and prior.

Foster Care and Subsidized Adoption/Guardianship Caseloads and Expenditures
Fiscal 2021-2023

	2021	Leg. Approp. 2022	DLS Estimate 2022	DLS Baseline 2023	Average Annual % Change 2021-2023
Caseload					
Foster Care	2,823	3,407	3,033	3,106	4.9%
Subsidized Adoption/Guardianship	8,169	7,406	8,577	8,471	1.8%
Total Combined	**10,992**	**10,813**	**11,611**	**11,578**	**2.6%**
Expenditures					
Monthly Cost Per Case					
Foster Care	$4,990	$4,274	$5,286	$5,427	4.3%
Subsidized Adoption/Guardianship	$844	$962	$844	$861	1.0%
Combined Average Cost	**$1,909**	**$2,006**	**$2,005**	**$2,086**	**4.5%**
Expenditures ($ in Millions)					
General Funds	$206.2	$210.2	$230.9	$239.8	7.8%
Total Cost	**$292.9**	**$299.6**	**$314.5**	**$325.1**	**5.4%**
Projected General Fund Shortfall			**-$20.6**		
Projected Total Fund Shortfall			**-$15.0**		

DLS: Department of Legislative Service

Source: Department of Legislative Services

Estimated total expenditures for fiscal 2022 include an anticipated deficiency appropriation of $14.9 million due to higher projected subsidized adoption/guardianship caseloads and placement costs than what was included in the operating budget. This deficiency primarily consists of general funds that total $20.6 million while federal funds are overbudgeted, resulting in a negative deficiency of $5.9 million.

Total expenditures in fiscal 2023 are expected to increase from $314.5 million to $325.1 million, an increase of approximately $10.5 million. The increase occurs primarily due to the anticipated growth in the foster care caseload, with the largest increases in expenditures occurring in the purchased home and purchased institution placement types. Expenditures are also impacted by the effects of an estimated 5% provider rate increase in fiscal 2022 and a 2% rate increase in fiscal 2023. General fund expenditures are expected to increase noticeably in fiscal 2022 by $24.6 million and by an additional $8.9 million in fiscal 2023. Federal fund expenditures decrease slightly in fiscal 2022 due to the expiration of supplemental COVID-19 funding and Coronavirus Aid, Relief, and Economic Security Act funding received in prior fiscal years. Temporary Assistance for Needy Families (TANF) funds for foster care are anticipated to increase slightly in fiscal 2022, while Title IV-E funds increase in both fiscal 2022 and 2023.

Assistance Payments

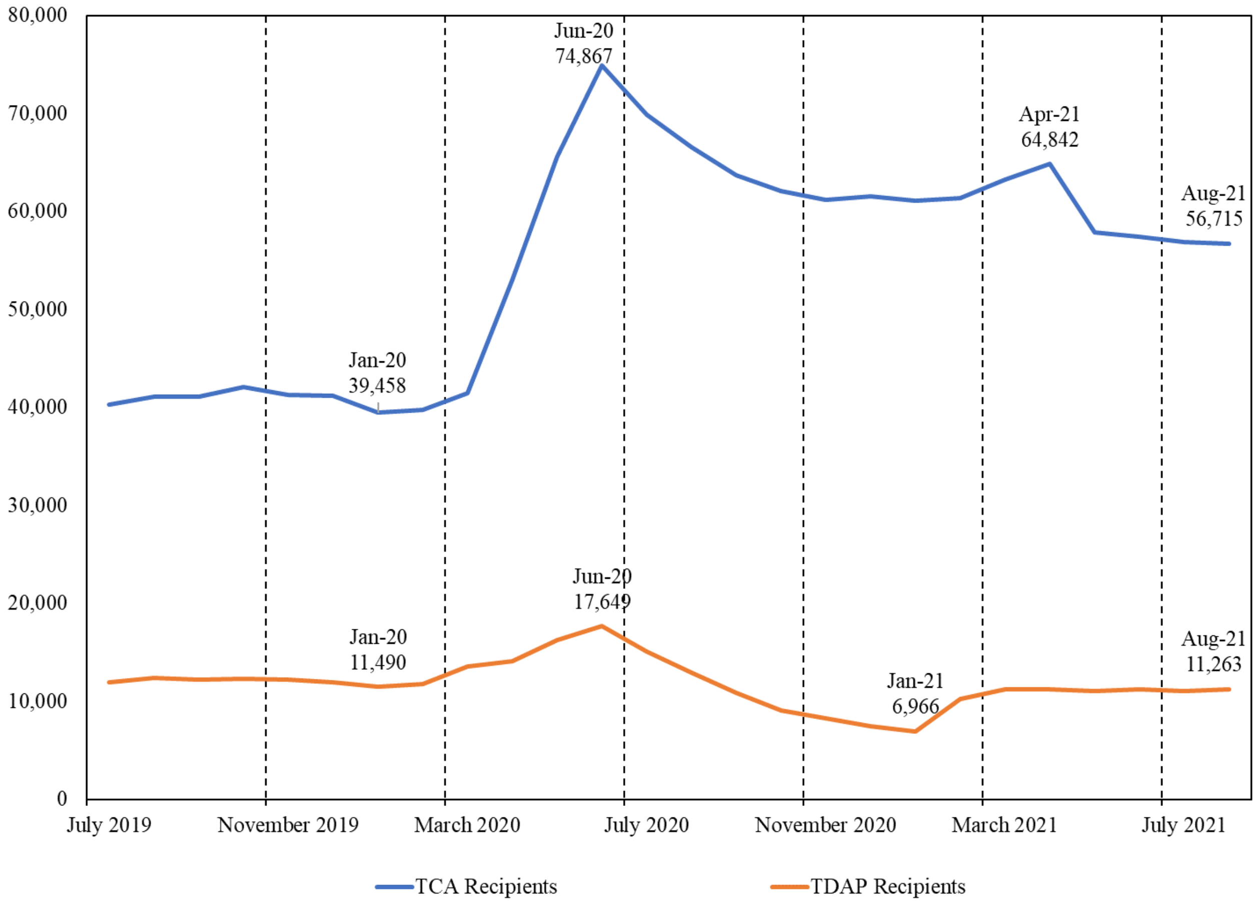
Temporary Cash Assistance (TCA) provides monthly cash grants to needy children and their parents or relative caretakers. The program is funded with general funds, federal TANF block grant dollars, and certain child support collections. Statute requires the TCA benefit in combination with the Supplemental Nutrition Assistance Program (SNAP) to equal at least 61.25% of the Maryland Minimum Living Level (MMLL) beginning in fiscal 2022.

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. In January 2020, the number of recipients of TCA was at an all-time program low (39,458) and the number of TDAP recipients was at the lowest level since June 2008 (11,490). The number of recipients in both programs increased rapidly beginning in March 2020 due the economic ramifications of the COVID-19 pandemic and alterations in application processing and recertifications, which made it easier for households to receive and maintain benefits. 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).

TCA and TDAP Recipients
July 2019 to August 2021



TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Program

Source: Department of Human Services

Following June 2020, both programs experienced declines in recipients reflective of improvements in the economy through reduced unemployment rates, an end to a temporary 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 issue extensions of the recertification periods for TCA and TDAP again, when additional authority to do so was granted in SNAP. However, the TCA caseload fell to approximately 58,000 in May 2021 and has fluctuated near that level since that time. The Department of Legislative Services (DLS) does not expect a substantial additional reduction until January 2022 when recertifications fully resume.

Despite the recertification extensions, the number of TDAP recipients continued to decline each month to all-time program lows primarily because recipients began to again be required to submit documentations, 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 (RELIEF Act) contained provisions that required the re-enrollment of all TDAP recipients who were denied benefits on or after July 1, 2020, (unless the closure was the result of a final determination on an SSI application and prohibited case closures through June 30, 2021), for reasons other than a final determination on an SSI application. With the implementation of the RELIEF Act, the number of TDAP recipients initially rose and then stabilized around 11,000, just below prepandemic levels.

Temporary Cash Assistance Caseloads and Expenditure Trends

DLS projects the TCA caseload will continue to decline, reflecting the continued improvement of the economy and case closures that result from assistance units that are no longer eligible due to income with the restart of recertifications. Overall, DLS projects a 12.3% decline in the number of recipients in fiscal 2022 and 7% in fiscal 2023.

The maximum TCA grant levels are expected to remain unchanged through fiscal 2023. The U.S. Department of Agriculture (USDA) announced an approximately 25% increase in the maximum SNAP monthly benefit for federal fiscal 2022, due largely to the completion of a re-evaluation of the Thrifty Food Plan upon which the benefit amount is based. This increase is substantially higher than inflation. As a result, the current TCA maximum benefit plus the SNAP benefits will exceed the required 61% in fiscal 2022 and 61.25% in fiscal 2023 of the MMLL for the combined benefit required in statute, even with inflationary increases anticipated in the MMLL.

However, the average benefit for TCA will decrease in fiscal 2023 due to a full year without the additional benefit that is being provided in calendar 2021. Governor Lawrence J. Hogan, Jr. initially announced an additional $100 per month benefit for TCA recipients from January through June 2020. With funding available through the American Rescue Plan Act (ARPA), this additional benefit was extended through the end of calendar 2021.

Due to the lower anticipated caseload than is supported by the fiscal 2022 appropriation, DLS projects a surplus of $17.8 million in funding for TCA. The general fund surplus is slightly less at $16.7 million due to the anticipation of lower than budgeted levels of Child Support Offset funds. Expenditures are projected to decrease in fiscal 2023 due to both the decline in the average monthly caseload and the lower average monthly benefit due to the end in calendar 2021 of the additional benefit. General funds are reduced to a minimal level in fiscal 2023 due to the availability of TANF fund balance. DHS was authorized to use the ARPA funding in lieu of TANF for a portion of the fiscal 2021 and 2022 costs. The unneeded TANF funds for this purpose are largely expected to accrue to balance and therefore be available to support most of the projected cost of TCA in fiscal 2023.

Temporary Cash Assistance Enrollment and Funding Trends
Fiscal 2021-2023

	2021	Leg. Approp. 2022	DLS Estimate 2022	DLS Estimate 2023	% Change 2022-2023
Average Monthly Enrollment	62,552	59,488	54,858	51,027	-7.0%
Average Monthly Grant	$269.25	$272.14	$269.25	$222.14	-17.5%
Budgeted Funds in Millions					
General Funds	$85.5	$55.9	$39.2	$5.0	-87.2%
Total Funds	**$202.1**	**$195.1**	**$177.2**	**$136.0**	-23.3%
Estimated Surplus			**$17.8**		
Estimated General Fund Surplus			**$16.7**		

DLS: Department of Legislative Services

Source: Department of Human Services; Department of Legislative Services

TDAP Caseloads and Expenditure Trends

DLS projects the average monthly number of TDAP recipients in fiscal 2022 to increase by 7% compared to fiscal 2021. This increase is to account for the re-enrollment of recipients that lost benefits due to documentation issues in the early part of fiscal 2021. The projected average monthly caseload is in line with the enrollment levels after the RELIEF Act was implemented. DLS projects a slight decline in the average monthly number of TDAP recipients in fiscal 2023.

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. In fiscal 2022, the required percentage is 78%, which increases to 82% in fiscal 2023. According to DHS, the maximum benefit in fiscal 2022 is $256 based on a one-person TCA benefit of $328 consistent with Chapter 408. In fiscal 2023, DLS forecasts an increase in the benefit to $269 to account for the statutory phase-in of the increase, even though overall TCA benefits are not expected to increase. The average benefit is typically slightly less than the allowed benefit. The fiscal 2022 average monthly benefit is estimated to be higher than what is required under Chapter 408 because TDAP recipients are also receiving the additional $100 per month benefit through calendar 2021 due to the RELIEF Act requirements and funds available from the ARPA.

Overall, DLS is projecting a surplus of $6.6 million in fiscal 2022 due to a lower than budgeted caseload. The general fund surplus is projected to be less ($2.8 million) due to an anticipated overstatement of federal reimbursement in the program budgeted as special funds and the portion of the surplus that is from the ARPA funding for the additional benefit. Expenditures in fiscal 2023 are expected to decline primarily due to the end of the additional $100 per month per recipient benefit and slightly lower estimated caseload, despite the increase in the average monthly grant. If the ARPA funds for the additional benefit ($9.5 million) were excluded, program expenditures would be expected to increase in fiscal 2023 due to the increase in the regular benefit.

Temporary Disability Assistance Program
Enrollment and Funding Trends
Fiscal 2021-2023

	2021	Leg. Approp. 2022	DLS Estimate 2022	DLS Estimate 2023	% Change 2022-2023
Average Monthly Enrollment	10,465	12,493	11,197	11,115	-0.7%
Average Monthly Grant	$315.36	$303.00	$303.84	$267.00	-12.1%
Budgeted Funds in Millions					
General Funds	$22.4	$32.4	$29.7	$31.2	5.1%
Total Funds	**$39.6**	**$47.4**	**$40.8**	**$35.6**	**-12.8%**
Estimated Surplus			**$6.6**		
Estimated General Fund Surplus			**$2.8**		

DLS: Department of Legislative Services

Source: Department of Legislative Services

SNAP Supplemental Benefit Programs

In response to the COVID-19 recession, SNAP benefits for all households were increased to the maximum level for that household (referred to as emergency allotments) for as long as the national state of emergency or Maryland state of emergency lasts (whichever is shorter). States are afforded a one-month transition period after the end of the state of emergency; as a result, Maryland's emergency allotments were expected to end following September 2021. However, Maryland was granted an additional extension through October.

Chapter 696 of 2016 established a new State minimum benefit of $30 for SNAP households that have at least one member that is at least 62 years old. For the period in which the emergency allotments are in effect, the program is temporarily suspended as no households receive less than $30. The benefit is the difference between the benefit the household receives from SNAP and $30. The minimum federal benefit in federal fiscal 2022 is $20, resulting in a maximum benefit of $10.

The average benefit in the program is typically near the maximum level. DLS forecasts an average benefit of $9.90 in each fiscal 2022 and 2023, lower than the level assumed in the fiscal 2022 budget due to the timing of the announcement of the SNAP minimum benefit for federal fiscal 2022. DLS forecasts that when benefits resume under this program, 16% more households than were receiving benefits through the program in February 2020 will receive these benefits based on the rate of growth in the program prior to its temporary suspension. DLS forecasts the number of households receiving these benefits will increase slightly through fiscal 2023.

The SNAP Supplemental Benefit for Seniors program is expected to have a surplus of $2.3 million in fiscal 2022, primarily due to a substantially lower than budgeted benefit and paying benefits for only three-quarters of the year. In fiscal 2023, DLS projects expenditures totaling $3.5 million with a return to the benefit for a full year. However, the spending remains lower than prepandemic levels due to the lower maximum benefit.

Deficiency Appropriations

The fiscal 2023 baseline includes deficiency adjustments of approximately $460 million for the estimated remaining payments for the 2020-2021 school year and 2021 summer programs under the Pandemic Electronic Benefit Transfer program. Maryland's plan for the 2020-2021 school year was approved in late April 2021, and retroactive payments dating back to October 2020 were required. Consistent with federal guidance, DHS split the payments over multiple months. As a result, much of these benefits will be paid in fiscal 2022. In addition, Maryland's plan for summer 2021 benefits was approved, but DHS is not issuing these benefits until after the school year benefits are paid.

An additional deficiency appropriation adjustment was made to account for the anticipated surplus of general funds ($21.7 million) in TCA, TDAP, and the SNAP Supplemental Benefits for Seniors Program, special funds in TCA and TDAP ($2.2 million), and the ARPA funds for the TDAP additional benefit ($2.8 million). These surpluses were partially offset by anticipated additional spending related to the Child Support pass through to better align with recent expenditures ($1.6 million in special funds) and the TCA Cliff Initiative ($9.0 million in federal TANF). The TCA cliff initiative provides an additional three months of benefits when households leave the TCA program due to employment has experienced a recent surge in recipients.

SNAP

Consistent with TCA and TDAP, the SNAP caseload dramatically increased beginning in March 2020 due to the economic effects of the COVID-19 pandemic. Between February 2020 and July 2020, the number of SNAP cases increased by 45.7%, while recipients increased by 44.4%. Both the number of cases (469,743) and number of recipients (854,133) in July 2020 substantially exceeded the Great Recession peak. Following the initial surge, the number of cases and recipients fell as DHS restarted recertifications. However, in October 2020, DHS began extending recertifications once again, and some cases were re-enrolled. As a result, the caseload climbed again, experiencing a second peak in March 2021 (476,489). The number of cases stayed relatively near that level through June 2021, before decreasing by 17.4% in July 2021. DLS forecasts that the caseload will continue to decline through fiscal 2022 and 2023 but remain significantly above prepandemic levels through fiscal 2023. In addition to the unprecedented caseload growth, as noted earlier among other administrative changes, SNAP benefits have been issued at the maximum allowed level per household size since April 2020. These emergency allotments were expected to end for Maryland in October 2021. The maximum allotment was also temporarily boosted in federal stimulus legislation through September 2021. However, USDA announced a substantial increase in the maximum benefit in federal fiscal 2022, as noted earlier.

The fiscal 2022 budget was based on the level of expenditures in fiscal 2020, which was substantially below the fiscal 2021 level. As a result, while the caseload and benefit levels are projected to decline from the fiscal 2021 level, a shortfall of $484.6 million in federal funds is projected. The fiscal 2023 baseline includes a deficiency appropriation to account for this shortfall. With the continued decline in caseload and a full year without the emergency allotments, DLS expects SNAP expenditures to be reduced from $1.7 billion in fiscal 2022 to $1.2 billion in fiscal 2023, a decrease of $474.2 million of federal funds in the fiscal 2023 baseline.

Employee Compensation Overview

Employee Compensation Overview

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

- ***2% Cost-of-living Adjustment (COLA) and Merit Increases:*** The fiscal 2023 baseline includes funding for a 2% COLA effective July 1, 2022, as well as merit increases. Funding for these purposes totals $273.2 million ($169.8 million in general funds).

- ***$500 Bonus and 1% COLA for Certain Employees:*** Two bargaining units – the American Federation of Teachers and the Maryland Professional Employees Council – have come to agreements with the State for conditional salary increases in calendar 2022. Fiscal 2021 revenues exceeded the December 2020 estimate from the Board of Revenue Estimates by more than $200 million, which triggers a $500 bonus on January 1, 2022, and a 1% COLA effective April 1, 2022. The Department of Budget and Management indicates that these salary actions would also be applied to nonunion and excluded employees. The baseline includes a fiscal 2022 deficiency appropriation of $24.4 million ($17.8 million in general funds) for the $500 bonus and $10.3 million ($7.5 million in general funds) for the 1% COLA. The fiscal 2023 baseline also includes $33.7 million ($25.5 million in general funds) to annualize the salary increase.

- ***Fiscal 2022 State Health Insurance Deficiency:*** Due to higher than anticipated medical and prescription drug costs, the baseline assumes a $85.3 million ($60.9 million in general funds) deficiency appropriation to the Employee and Retiree Health Insurance Account. Further funding for this purpose for higher education employees is provided in State Support for Higher Education Institutions.

- ***Employee and Retiree Health Insurance:*** State health insurance expenditures support employee and retireepay-as-you-go health insurance costs. The baseline budget projects that fiscal 2023 claims will total $1.9 billion, an increase of 5.5% over fiscal 2022. Fiscal 2023 baseline health insurance expenditures increase by $171.2 million across all funds compared to the fiscal 2022 legislative appropriation, to $1.4 billion.

- ***Employees' Retirement and Pensions:*** Fiscal 2023 baseline expenditures increase by $9 million due to rate changes compared to the fiscal 2022 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 $6.3 million ($3.8 million in general funds) for the Employees' State Retirement and Pension Systems;

- a reduction of $1.1 million (all 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 decrease by approximately $100,000 with no change in general funds;

- the State Police retirement plan appropriations increase by $1.6 million ($1.44 million in general funds); and

- the Law Enforcement Officers' Pensions System appropriations increase by $2.3 million ($1.3 million in general funds).

- ***Annual Salary Review:*** The fiscal 2023 baseline assumes $10 million ($8 million in general funds) will be provided for the Annual Salary Review.

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. Thus, 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.

Expenditures, Funds, and Positions for the Maryland Department of Health

Fiscal 2020-2023
($ in Thousands)

	Actual 2020	Working 2021	Leg. Approp. 2022	Baseline 2023	$ Increase 2022-2023	% Increase 2022-2023
Expenditures						
Administration	$454,846	$444,663	$470,653	$535,796	$65,143	13.8%
Office of Health Care Quality	24,244	24,280	24,936	28,060	3,124	12.5%
Health Professional Boards and Commissions	41,008	48,064	45,335	47,897	2,563	5.7%
Public Health Administration	1,351,544	1,253,276	122,670	121,088	-1,582	-1.3%
Prevention and Health Promotion Administration	390,324	722,148	704,567	443,800	-260,767	-37.0%
Behavioral Health Administration	1,940,116	2,187,248	2,344,918	2,444,862	99,944	4.3%
Developmental Disabilities Administration	1,328,799	1,467,096	1,504,001	1,567,768	63,767	4.2%
Medical Care Programs Administration	148,583	176,683	207,545	209,351	1,805	0.9%
Total	**$5,679,466**	**$6,323,458**	**$5,424,625**	**$5,398,622**	**-$26,003**	**-0.5%**
Fund						
General Fund	$2,091,645	$2,700,788	$2,308,743	$2,513,256	$204,513	8.9%
Special Fund	254,770	239,887	257,521	259,217	1,696	0.7%
Federal Fund	2,726,517	3,356,851	2,831,321	2,598,042	-233,279	-8.2%
Reimbursable Fund	606,534	25,931	27,040	28,107	1,067	4.0%
Total	**$5,679,466**	**$6,323,458**	**$5,424,625**	**$5,398,622**	**-$26,003**	**-0.5%**
Personnel						
Regular Positions	6,295.0	6,246.0	6373.15	6383.15	10.0	0%
FTE Contractuals	1,051.0	652.0	652.0	652.0	0.0	0%

FTE: full-time employee

Major Program Changes

Other than increases in personnel costs, which can be very significant in any given program based on the extent of the department's direct care mission, including increases to the minimum wage impacting certain MDH hospital staff, the most significant baseline changes within the various programs in MDH are detailed further in this section.

MDH Administration

The fiscal 2023 baseline budget includes a $4 million general fund increase for local health department grants issued with one-time federal funding in fiscal 2022. Prior to the availability of federal funds for these grants, MDH had funded them with general funds, and the baseline assumes that this grant funding to local health departments will continue for fiscal 2023.

Two pieces of legislation from the 2020 session impact the personnel expenditures at MDH facilities, which are now organized under MDH Administration. Chapters 572 and 576 of 2020 increased the pay scale for various employees at State facilities in the department and added other staffing requirements. At the time of formulation of the fiscal 2023 baseline, this funding was still in the Department of Budget and Management Personnel budget for fiscal 2022. The baseline moves these $30.5 million in fiscal 2022 general funds into the MDH Administration budget and allows these expenditures to continue to fiscal 2023. The baseline also considers the impact of Chapter 744 of 2021, which created a funding mandate for the Office of Minority Health and Health Disparities, a projected fiscal 2023 increase of $290,500.

The baseline also anticipates a fiscal 2022 deficiency of $728,187 for the maintenance of the Crownsville Hospital Center.

Office of Health Care Quality

The Office of Health Care Quality (OHCQ) is the office within MDH responsible for completing State and federally mandated surveys of healthcare facilities, including nursing homes and assisted living facilities. After difficulty completing the mandated surveys, Chapter 454 of 2018 mandated additional personnel in OHCQ through fiscal 2024. The fiscal 2023 baseline includes general funds for 10 new positions, totaling $986,507.

Health Professional Boards and Commissions

Chapter 484 of 2021 required the State Board of Environmental Health Specialists expenditures to be generally funded in fiscal 2022 and beyond. The baseline reflects this with a $113,000 increase in general fund expenditures for fiscal 2022, offset entirely by a decrease in special fund spending. This legislation also required revenue collected by the board to be paid to the general fund.

Public Health Services

Across the Prevention and Health Promotion Administration (PHPA) and Public Health Administration, the fiscal 2023 baseline removes the following one-time COVID-19-related federal fund expenditures and backfills ongoing personnel expenditures with general funds:

- $174.0 million in Epidemiology and Laboratory Capacity (ELC) Enhancing Detection Expansion funding authorized in the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) of 2021 for testing, contact tracing, and surveillance. Of this, $3.5 million is replaced with general funds for ongoing personnel expenditures in fiscal 2023. Substantial federal funding remains available to the State to fund COVID response costs in fiscal 2023 but is not included in the baseline as the amount that will be spent in fiscal 2023 is uncertain;

- $81.5 million in supplemental ELC Enhancing Detection grant funding allocated through the federal Paycheck Protection Program and Health Care Enhancement Act of 2020 and distributed by the U.S. Centers for Disease Control and Prevention for COVID-19 laboratory services, contact tracing, testing, and surveillance;

- $13.7 million in additional CRRSA federal funds awarded through the Immunizations and Vaccines for Children cooperative agreement for statewide COVID-19 vaccine preparedness and administration;

- $3.2 million budgeted in the Office of Population Health Improvement and $798,586 budgeted in PHPA for COVID-19 emergency response grants distributed by the U.S. Department of Health and Human Services Substance Abuse and Mental Health Services Administration for substance abuse prevention and treatment;

- $2.9 million appropriated in the MDH Office of Preparedness and Response for emergency response grants supporting hospital, health system, and local health department needs in responding to the COVID-19 pandemic; and

- $100,000 in federal funds covering increased overtime expenses in the Office of the Chief Medical Examiner resulting from the pandemic. Overtime needs are expected to remain high in fiscal 2023 and are fully backfilled with general funds.

PHPA's fiscal 2023 federal fund appropriation also decreases by approximately $9.3 million as the State Opioid Response (SOR) II grant funding used for prevention activities ends September 30, 2022.

Under the PHPA Maternal and Child Health Bureau, the following adjustments are made in the baseline:

- an anticipated deficiency swaps $3 million in general funds for an equivalent amount of federal funds from the Title X Family Planning Program. PHPA temporarily stopped accepting Title X federal funds and provided all family planning grants with general funds in accordance with Chapters 28 and 810 of 2017 and Chapters 733 and 734 of 2019 while a final rule was in effect that excluded family planning providers and did not require providers to offer a broad range of medically approved family planning methods. An injunction in Maryland blocked enforcement of that final rule starting September 3, 2020, and a new final rule was issued on October 4, 2021, allowing PHPA to receive Title X federal grants;

- the general fund appropriation increases by $1.1 million in fiscal 2023 for additional grants for care coordination services funded out of the Maryland Prenatal and Infant Care Grant Program Fund and for staffing needed to administer the expanded program, as required by Chapters 605 and 606 of 2021;

- the baseline increases by $1.0 million in special funds in fiscal 2022 and $2.0 million in special funds in fiscal 2023 for maternal and child population health improvement grants supported with an assessment built into hospital rates collected by the Health Services Cost Review Commission and distributed to PHPA, in accordance with Chapter 150 of 2021 (the Budget Reconciliation and Financing Act (BRFA)).

Behavioral Health Administration

For the Behavioral Health Administration (BHA), the largest changes concern the fee-for-service (FFS) programs. Beyond the traditional FFS 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, due to certain factors, continue to receive the behavioral health services that they need. The cost of these services in fiscal 2022 is projected to increase by $4 million in general funds compared to fiscal 2022 expenditures. This increase is driven by an anticipated increase in substance use disorder (SUD) residential services.

The baseline also reflects a decrease in federal funding available through the SOR Grant. The department budgeted most of the authorized SOR funding in prior fiscal years, with only $9.6 million anticipated to be available in fiscal 2023. This represents a $38.7 million decrease in federal funds.

The BHA budget also contains the Problem Gambling Fund, which is provided through assessments on table gaming and slot machines operated in Maryland. The baseline estimates the funding available to decrease by nearly $900,000, due to reduced operations of table games and slot machines.

The fiscal 2023 baseline also replaces $3.5 million in special funds that were authorized to be used for behavioral health services in fiscal 2022 by the BRFA of 2021 with general funds.

The BHA baseline in fiscal 2022 removes one-time federal funding from the various COVID-19 relief funding, including:

- $4.6 million in federal funds used to replace general funds for the provider rate increase. The baseline replaces these federal funds with general funds in fiscal 2023.

- $12.9 million in federal funds used to account for increased demand for behavioral health services in fiscal 2022. The baseline replaces these federal funds with general funds in fiscal 2023.

- $27.5 million in one-time federal fund increases to grants throughout the behavioral health program.

The fiscal 2023 baseline also considers the impact of two pieces of legislation passed during the 2021 legislative session. Chapter 786 of 2021 establishes a matching grant program for veterans with an anticipated fiscal 2023 funding level of $2.5 million in general funds. Chapter 29 of 2021 creates a registry for mental health and SUD services, with an anticipated general fund expenditure of $1.9 million in fiscal 2022. Of the fiscal 2022 costs, $1.1 million are expected to be one-time startup costs, and the fiscal 2023 baseline contains $754,600 for the continuation of this program.

Developmental Disabilities Administration

The Developmental Disabilities Administration (DDA) baseline budget increases by $57.5 million in total funds ($30.2 million in general funds, $0.2 million in special funds, and $27.1 million in federal funds) to continue to support a 4.0% provider rate increase for community service contracts as part of Chapters 10 and 11 of 2019 (Labor and Employment – Payment of Wages – Minimum Wage (Fight for Fifteen)). Fiscal 2023 baseline expenditures also increase by $24.3 million in total funds ($12.8 million in general funds, $0.1 million in special funds, and $11.5 million in federal funds) for expanded placements and services in the Community Services Program after accounting for recent underspending in that program.

The DDA baseline in fiscal 2023 includes the following one-time deficiency appropriations:

- $34.2 million in general funds for the purposes of paying the federal disallowance to the Centers for Medicare and Medicaid Services for overbilled residential habilitation add-on services;

- $24.3 million ($12.8 million general, $0.9 million special, and $11.5 million federal) removed from the budget to account for anticipated underspending in fiscal 2022; and

- $23.4 million of savings from the extension of the federal public health emergency and continuation of the 6.2% enhanced match for DDA Community Services. The baseline replaces these federal funds with general funds in fiscal 2023.

Medical Care Programs Administration

The baseline includes approximately $100.0 million in federal funds to continue work on two major information technology projects: the Medicaid Management Information System II or Medicaid Enterprise Systems Modular Transformation; and the Long Term Supports and Services Tracking System. These funds are in addition to general funds contained in the Major Information Technology Project Development Fund. The federal funding in the baseline is just under $3.0 million lower than that provided in the fiscal 2022 appropriation for these two projects.

Health Regulatory Commission

The fiscal 2023 includes $250,000 to support the Prescription Drug Affordability Board as outlined in Chapter 4 of 2021, the General Assembly's veto override of SB 669 of 2020.

The RELIEF Act, Chapter 39 of 2021, provided $14 million in fiscal 2021 dollars to the Community Health Resources Commission (CHRC) for the purposes of health equity grants. The RELIEF Act further authorized CHRC to retain these funds into fiscal 2022. The baseline assumes that this funding will be retained in full for fiscal 2022. Chapter 741 of 2021 aims to continue these grants beyond fiscal 2022, including funding for 2 new positions. The baseline adds these positions to CHRC and adds $1.17 million for one-time costs associated with these health equity grants for fiscal 2023.

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 and foster care maintenance payments is discussed in the Entitlements Program section.

Expenditures, Funds, and Positions for the Department of Human Services
Fiscal 2020-2023
($ in Thousands)

	Actual 2020	Working 2021	Leg. Approp. 2022	Baseline 2023	$ Increase 2022-2023	% Increase 2022-2023
Expenditures						
Administration	$341,976	$246,026	$263,749	$259,356	-$4,392	-1.7%
Social Services	301,677	323,259	321,175	337,530	16,356	5.1%
Child Support Administration	93,847	96,292	94,603	98,914	4,311	4.6%
Family Investment	261,495	272,471	258,342	272,645	14,303	5.5%
Office of Home Energy Programs	125,169	161,739	154,359	154,577	218	0.1%
Total	**$1,124,164**	**$1,099,788**	**$1,092,228**	**$1,123,023**	**$30,796**	**2.8%**
Fund						
General Fund	$367,851	$368,381	$390,457	$405,709	$15,252	3.9%
Special Fund	81,590	77,128	94,745	105,901	11,156	11.8%
Federal Fund	601,392	653,451	599,083	603,387	4,304	0.7%
Reimbursable Fund	73,331	828	7,943	8,026	84	1.1%
Total	**$1,124,164**	**$1,099,788**	**$1,092,228**	**$1,123,023**	**$30,796**	**2.8%**
Personnel						
Regular Positions	6,119.0	6,118.0	5,990.68	5,990.68	0.00	0.0%
FTE Contractuals	217.0	77.0	76.83	76.83	0.00	0.0%

FTE: full-time equivalent

Other than increases in personnel costs, which can be very significant in any given program, the most significant baseline changes within the various programs in DHS are detailed further in this section.

Montgomery County Block Grant

The fiscal 2023 baseline includes a series of adjustments to account for anticipated general salary increases 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 the State office in each jurisdiction. Positions in LDSS are State employees. However, 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 operating in these functions equivalent to what 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:

- $496,200 in the Local Family Investment Program;
- $80,161 in Administration;
- $446,144 in Child Welfare Services; and
- $164,769 in Adult Services.

Administration

The fiscal 2023 baseline anticipates a decrease of $10.5 million in federal funds to reflect the conclusion of the Maryland Total Human Services Integrated Network Major Information Technology Development Project, as anticipated in the project schedule. The corresponding reduction of matching general funds is included in the baseline of the Department of Information Technology.

The baseline also recognizes the availability of federal funding to support eligible Social Security Act Title IV-E cases in the Maryland Legal Services Program. DHS expects $750,000 in federal funds to be available for this purpose in fiscal 2022; the baseline anticipates a corresponding reduction in general fund need. In fiscal 2023, the Department of Legislative Services anticipates approximately $2.7 million in federal funds available for this purpose.

Adult Services

The fiscal 2023 baseline includes reductions in the Adult Services program of one-time federal funding included in the fiscal 2022 operating budget for the purpose of Elder Abuse Prevention. As a result, federal funds decrease by a total of $1.3 million for this purpose.

Work Opportunities Program

The fiscal 2023 baseline includes an increase of $2.6 million in federal funds in the Work Opportunities program to reflect a return to more typical levels of spending after declines related to the COVID-19 pandemic.

Office of Home Energy Programs

The fiscal 2023 baseline for the Office of Home Energy Programs contains two notable adjustments to reflect the availability of special and federal fund sources to support the energy assistance programs in fiscal 2023. The first adjustment increases special funds available from the Regional Greenhouse Gas Initiative-sourced Strategic Energy Investment Fund revenue for energy assistance in fiscal 2023 by approximately $10.1 million due to available fund balance resulting from higher fund revenue. The fiscal 2023 baseline also includes an adjustment to remove one-time funding totaling $10 million in federal funds in fiscal 2022. These federal funds were included in the fiscal 2022 operating budget to support the utility arrearage and bill assistance provisions of Chapter 638 and 639 of 2021.

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 2020-2023
($ in Thousands)

	Actual 2020	Working 2021	Approp 2022	Baseline 2023	$ Increase 2022-2023	% Increase 2022-2023
Expenditures						
Administration and Offices	$225,380	$168,461	$164,100	$177, 531	$13,431	8.2%
Corrections	842,375	837,866	813,217	836,622	23,405	2.9%
Community Supervision	111,203	109,688	111,729	127,996	16,267	14.6%
Police and Correctional Training Commissions	8,550	10,774	10,523	12,632	2,109	20.0%
Division of Pretrial Detention and Services	243,620	244,810	234,236	259,661	25,425	10.9%
Total	**$1,431,129**	**$1,371,599**	**$1,333,805**	**$1,414,443**	**$80,638**	**6.1%**
Fund						
General Fund	$1,258,446	$1,231,327	$1,222,047	$1,297,644	$75,597	6.2%
Special Fund	73,628	80,507	79,494	82,800	3,306	4.2%
Federal Fund	30,875	26,553	27,699	29,015	1,316	4.8%
Reimbursable Fund	68,179	33,212	4,565	4,984	419	9.2%
Total	**$1,431,129**	**$1,371,599**	**$1,333,805**	**$1,414,443**	**$80,638**	**6.1%**
Personnel						
Regular Positions	10,139.40	9,613.4	9,251.4	9,285.4	34.0	0.3%
FTE Contractuals	180.23	362.62	287.88	287.88	0.0	0.0%

FTE: full-time equivalent

Personnel Expenses and Technical Adjustments

The most significant baseline adjustments for DPSCS relate to its large personnel component:

- a negative deficiency of $13.1 million in fiscal 2022 that continues in fiscal 2023 to bring budgeted turnover in line with actual vacancies;

- an expected transfer of $7.9 million in fiscal 2022 and $3.6 million in fiscal 2023 for various employee bonuses budgeted in the Department of Budget and Management (DBM) in the legislative appropriation;

- nearly $10.0 million in funds realigned from the statewide account in DBM for various personnel enhancements; and

- $500,000 for a technical adjustment to reflect the Deferred Retirement Option Program for law enforcement officers.

Operational Expenses

Contractual changes related to project and procurement timelines, caseload changes, and teleworking will impact the estimated budgets for fiscal 2022 and 2023 by way of:

- a negative adjustment of $1.1 million for Major Information Technology Development Projects ending their respective funding cycles in fiscal 2023;

- a negative deficiency of $1.7 million in fiscal 2022 that decreases further by $800,000 to $2.5 million in fiscal 2023 for less food costs associated with a much smaller inmate population;

- a $5.0 million general fund increase related to the procurement of a substance use disorder treatment contract; and

- an increase of $600,000 in general funds in fiscal 2023 for laptops, tablets, and communications equipment purchased through the Master Equipment Lease Purchase Program.

Recent Legislation

Several legislative actions taken during the 2021 session are expected to increase the fiscal 2022 and 2023 budgets for DPSCS:

- Chapter 20 of 2021, the P.R.O.T.E.C.T. (Public Resources Organizing to End Crime Together) Program, requires a general fund deficiency of $1.4 million and 21 regular positions in fiscal 2022 and will continue into the fiscal 2023 baseline;

- Chapter 59 of 2021, the Maryland Police Accountability Act, adds 9 regular positions and $1.0 million in general funds to the fiscal 2023 baseline; and

- Chapter 734 of 2021, the Correctional Facilities Voter Registration and Voting Act, adds 4 regular positions, $179,417 in general funds, and $179,417 in special funds to the fiscal 2023 baseline.

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 and capital programs are discussed elsewhere in this report. Changes in the baseline operating budgets of the individual modes are discussed in more detail below.

Expenditures, Funds, and Positions for the Maryland Department of Transportation
Fiscal 2020-2023
($ in Thousands)

	Actual 2020	Working 2021	Leg. Approp. 2022	Baseline 2023	$ Increase 2022-2023	% Increase 2022-2023
Expenditures						
The Secretary's Office	$89,806	$101,681	$99,949	$100,005	$55	0.1%
WMATA – Operating Budget	465,894	424,480	438,123	436,000	-2,123	-0.5%
State Highway Administration	267,038	289,557	303,420	318,759	15,339	5.1%
Maryland Port Administration	47,038	48,639	49,924	51,938	2,014	4.0%
Motor Vehicle Administration	206,694	204,755	205,039	216,020	10,980	5.4%
Maryland Transit Administration	898,818	897,469	944,803	1,008,301	63,498	6.7%
Maryland Aviation Administration	198,008	215,589	198,650	209,337	10,687	5.4%
Total	**$2,173,295**	**$2,182,169**	**$2,239,907**	**$2,340,359**	**$100,451**	**4.5%**

	Actual 2020	Working 2021	Leg. Approp. 2022	Baseline 2023	$ Increase 2022-2023	% Increase 2022-2023
Fund						
Special Fund	$1,719,852	$1,954,592	$2,012,517	$1,853,725	-$158,792	-7.9%
Federal Fund	430,279	227,577	227,390	486,633	259,243	114.0%
Reimbursable Fund	23,164	0	0	0	0	0%
Total	**$2,173,295**	**$2,182,169**	**$2,239,907**	**$2,340,359**	**$100,451**	**4.5%**
Personnel						
Regular Positions	9,057.5	9,057.5	9,057.5	9,060.5	3.0	0%
FTE Contractuals	83.06	122.2	115.00	155.0	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 Secretary's Office

The fiscal 2023 baseline includes one adjustment removing the debt service payment for bonds issued for MDOT headquarters; fiscal 2022 was the final year of debt service for those bonds.

Washington Metropolitan Area Transit Authority

The operating grant subsidy for the Washington Metropolitan Area Transit Authority was modified to reflect the fiscal 2023 grant level assumed in the MDOT draft TTF forecast. While the fiscal 2023 funding appears to be a decrease, the budgeted amount is more than is needed in fiscal 2022. Correcting for the overbudgeting in fiscal 2022, the fiscal 2023 funding level is approximately 3% greater.

State Highway Administration

The fiscal 2023 baseline budget includes adjustments to:

- implement the Building Out Broadband Act ($140,067);
- increase funding by $3.7 million for winter maintenance/snow removal to the five-year average expenditure level of $74.7 million; and
- adjust the special/federal fund split to remove federal stimulus funding that does not carry forward ($47 million).

Maryland Transit Administration

The fiscal 2023 baseline budget for the Maryland Transit Administration includes adjustments to:

- implement the Maryland Police Accountability Act ($101,436);
- recognize increases for Mobility services ($6.7 million), commuter bus service ($19.8 million), and the MARC line access and the third-party operator contracts ($6.6 million);
- restore funding for diesel fuel purchases related to MARC service returning to the pre-COVID-19 level; and
- reflect the use of $300 million in American Rescue Plan Act funds in place of special funds in fiscal 2023.

Maryland Aviation Administration

The fiscal 2023 baseline budget for the Maryland Aviation Administration (MAA) includes an increase of $4.4 million in debt service. In addition, the baseline budget reflects an increase of $975,000 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 $900,000 to reflect the MAA loan payment to MDTA. These adjustments conform to the MDTA fiscal 2021 to 2027 financial forecast.

Maryland Port Administration

The fiscal 2023 baseline budget for the Maryland Port Administration includes an increase of $325,000 in special funds to conform the annual reimbursement for MDTA police force services to the expected level. These adjustments are based on the MDTA fiscal 2021 to 2027 financial forecast.

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 baseline assumes costs for USM and MSU increase by an estimated $265.3 million and $11.8 million, respectively. This includes $201.9 million and $9.6 million in current unrestricted funds (primarily State funds and tuition and fee revenue) for USM and MSU, respectively, and the remaining $65.6 million in current restricted funds.

- The baseline budget assumes tuition and fee revenues will increase by 2% in fiscal 2023 at USM and MSU. Of the estimated $37.6 million increase in USM undergraduate tuition and fee revenue, $9.7 million is attributable to new enrollments, which is based on USM's projected enrollment growth for each institution and the projected fiscal 2023 resident and nonresident tuition and fee rate. For MSU, $0.7 million of the $1.3 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 $6.1 million and $0.5 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 $37.5 million and $1.2 million for USM institutions and MSU, respectively, assuming a 3% increase.

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

- In fiscal 2023, the State funding will increase by $157.6 million for USM and $21.7 million for MSU. This includes $37.0 million and $15.1 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.

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 3.38% in fiscal 2023. General funds through this formula for SMCM are expected to increase 6.2%, or $1.8 million.

- Chapter 420 of 2017 provides for three possible general fund increases in State support to SMCM that began in fiscal 2019. This includes 50.0% of any cost-of-living adjustment (COLA) for State-supported employees, the increase 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 $832,000 in general funds to reflect the budgeting of 50% of the fiscal 2021 COLA for State-supported employees ($174,000) and increased health insurance costs ($658,000). The most recent six-year graduation rate was 78.6%, resulting in no performance bonus.

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 2023, BCCC will receive either 66.5% of funds per full-time equivalent student (FTES) that the selected public four-year institutions receive per FTES or the prior year's appropriation, whichever is higher. In fiscal 2023, per FTES funding is estimated to be $9,707 using the 66.5% calculation, for a total of $32.0 million. This is an increase of $13,000 from fiscal 2022 but less than the BCCC State funding formula minimum level. Hold harmless funding is, therefore, necessary to make the fiscal 2023 appropriation equal to the fiscal 2022 appropriation of $39.5 million.

- BCCC also receives funding through the English for Speakers of Other Languages (ESOL) Program, estimated at $0.3 million in general funds in fiscal 2023, slightly less than the amount in fiscal 2022.

Community Colleges

- The majority of funding for the State's locally operated community colleges is determined by the Senator John A. Cade Funding (Cade) Formula. The Cade Formula bases per pupil funding on a set statutory percentage of current year State appropriations per FTES at selected public four-year institutions of higher education. The resulting community college per student amount is multiplied by the number of FTES enrolled in the colleges in the second preceding fiscal year to identify a total formula amount. The Cade Formula distributes funding based upon three components: fixed costs (38.0% of funding) proportional to full formula funding in the previous fiscal year; marginal costs (60.0% of funding) in proportion to the distribution of FTES across community colleges; and a size factor (2.0% of funding) providing additional funds to community colleges with enrollments below 80.0% of the statewide median enrollment. In fiscal 2023, Cade Formula funding totals $303.6 million in general funds. This represents an increase of $14.3 million, or 4.6%, in general funds, above the fiscal 2022 appropriation. As previously discussed, BCCC receives funding through a separate funding formula.

- The fiscal 2023 baseline includes $4.8 million in general funds for the ESOL Program and $6.0 million in general funds for statewide and regional programs. In addition, small colleges are estimated to receive $8.5 million in general funds for Small College and Mountain grants and reciprocity agreement funding. Overall, there is an increase of $0.7 million in general funds for these miscellaneous programs.

- The baseline also includes $64.3 million in general funds for retirement benefits to employees of community colleges, an increase of $1.5 million in general funds relative to fiscal 2022.

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 $12.3 million in the fiscal 2023 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 7.6% increase in the current year appropriation to select public four-year institutions on a per student basis. The baseline includes $23.7 million in legislative mandates: $23.2 million related to Chapter 41 of 2021 for attorney fees and expenses, 10 additional personnel for a program evaluation unit, and a new document management system; $300,000 mandated in Chapter 677 of 2021 for inmate training grants; and $150,000 as mandated in Chapter 580 of 2021 for hunger-free campus grants. In addition, the baseline reflects a fiscal 2022 deficiency of $3.9 million in general funds for the match to the Maryland 529 Save4College State Contribution Program that is anticipated to carry over into fiscal 2023. Expenditures in three financial aid programs are estimated to increase by $1.8 million, or 2%, in fiscal 2022 to reflect an assumed 2% increase in resident undergraduate tuition at the public four-year institutions. Educational Excellence Awards increase by $1.6 million for a total of $84.1 million in general funds, while the Senatorial and Delegate Scholarship programs grow by $0.1 million each to $6.9 million and $7.0 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.

Positive changes in the State's fiscal outlook during the 2021 session resulted in a $764 million expansion of the capital program above what the Governor originally introduced for fiscal 2022. This expansion was made possible due to the enactment of the federal American Rescue Plan Act, which provided Maryland with more than $4 billion of flexible funding, and an almost $900 million increase in the general fund revenue estimates for fiscal 2021 and 2022 by the Board of Revenue Estimates. The fiscal 2023 baseline assumes that most of the additional fiscal 2022 PAYGO funds are of a one-time nature unless supported with federal funds that can also be used in fiscal 2023. The use of general funds is limited to mandates or items programmed in the State's five-year *Capital Improvement Program* (CIP) for fiscal 2023. The baseline maximizes the use of estimated special and federal funds with the goal of level funding programs to the fiscal 2022 legislative appropriation or to the level of anticipated fiscal 2023 encumbrance activity as programmed in the 2021 CIP. The baseline also assumes that special fund transfer tax revenues used to fund Program Open Space (POS) will be allocated first in accordance with the statutory formula and then distributed in accordance with provisions in Chapter 10 of 2016 (POS – Transfer Tax Repayment – Use of Funds) as amended by Chapter 150 of 2021 (Budget Reconciliation and Financing Act). The baseline assumes that all other special funds will be available and distributed according to statutory requirements.

Expenditures and Funds for PAYGO Capital Programs
Fiscal 2020-2023 ($ in Thousands)

	Actual 2020	Working 2021	Leg. Approp. 2022	Baseline 2023	$ Increase 2022-2023	% Increase 2022-2023
Expenditures						
Board of Public Works	$0	$1,500	$414,631	$0	-$414,631	-100.0%
Department of Planning	9,300	9,300	9,300	12,150	2,850	30.7%
Military Department	26,168	0	0	3,824	3,824	0%
Department of Veterans Affairs	11,538	1,227	0	0	0	0%

	Actual 2020	Working 2021	Leg. Approp. 2022	Baseline 2023	$ Increase 2022-2023	% Increase 2022-2023
Department of Information Technology	2,104	0	0	0	0	0%
MDOT – Secretary's Office	37,003	34,237	38,258	26,703	-11,555	-30.2%
MDOT – WMATA	304,194	339,814	341,462	345,700	4,238	1.2%
MDOT – State Highway Administration	1,597,958	1,378,059	1,204,475	1,226,956	22,481	1.9%
MDOT – Maryland Port Administration	98,925	141,699	168,980	304,492	135,511	80.2%
MDOT – Motor Vehicle Administration	39,569	39,002	34,065	25,036	-9,029	-26.5%
MDOT – Maryland Transit	696,016	652,415	679,145	667,422	-11,724	-1.7%
MDOT – Maryland Aviation Administration	91,921	81,214	61,945	87,806	25,861	41.8%
Department of Natural Resources	148,733	142,986	158,409	256,801	98,392	62.1%
Department of Agriculture	46,816	42,105	45,518	69,223	23,705	52.1%
IAC – Capital Appropriation	33,500	73,500	51,500	80,000	28,500	55.3%
Aid to Community Colleges	1,009	6,791	0	3,500	3,500	0%
Department of Housing and Community Development	93,163	122,800	88,130	122,350	34,220	38.8%
Department of the Environment	298,056	281,463	325,421	280,800	-44,621	-13.7%
Total	**$3,535,973**	**$3,348,112**	**$3,621,239**	**$3,512,762**	**-$108,478**	**-3.0%**
Fund						
General Fund	$52,089	$68,166	$461,431	$86,001	-$375,430	-81.4%
Special Fund	2,253,528	1,844,649	1,728,889	2,014,835	285,946	16.5%
Federal Fund	1,214,202	1,423,580	1,419,198	1,400,126	-19,072	-1.3%
Reimbursable Fund	16,155	11,717	11,721	11,800	79	0.7%
Total	**$3,535,973**	**$3,348,112**	**$3,621,239**	**$3,512,762**	**-$108,478**	**-3.0%**
Personnel						
Regular Positions	1,726.0	1,728.0	0.0	0.0	0.0	0%
FTE Contractuals	96.0	74.0	0.0	0.0	0.0	0%

IAC: Interagency Committee on School Construction
FTE: full-time equivalent
MDOT: Maryland Department of Transportation
PAYGO: pay-as-you-go
WMATA: Washington Metropolitan Area Transit Administration

Board of Public Works

The baseline removes $414.6 million in general funds used to fund State-owned projects and one-time capital grants in fiscal 2022. This includes $371.7 million in general funds used to restore GO bond reductions to State-owned projects and $42.9 million to fund other facilities renewal projects and miscellaneous grants.

Maryland Department of Planning

The baseline estimate for the Maryland Department of Planning includes $12.0 million in general funds for the Historic Revitalization Tax Credit Program, which is $3.0 million more than the fiscal 2022 legislative appropriation. The $3.0 million increase reflects the mandated fiscal 2023 funding level established in Chapter 332 of 2021. The baseline also includes $150,000 in special funds for the Maryland Historical Trust Revolving Loan Fund, which is $150,000 below the fiscal 2022 legislative appropriation but consistent with the amount programmed in the 2021 CIP. The baseline assumes $150,000 in GO bonds used to level fund the program at $300,000 in fiscal 2023.

Military Department

The Military Department's capital improvements are typically made on a 75% federal and 25% State cost-share basis for eligible project costs. Grants from the National Guard Bureau provide the source for the federal fund portion of the cost-share. The fiscal 2023 baseline includes $3.8 million of federal funds, including $2.8 million for the Camp Fretterd Access Control Point and $991,000 for the Frederick Readiness Center Renovation.

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 2022-2027*.

Department of Natural Resources

The baseline assumes that special fund transfer tax revenues used to fund POS will be augmented by the repayment plan originally established in Chapter 10 of 2016 and most recently modified by Chapter 150 of 2021. Accordingly, the baseline includes $28.0 million in enhancement funding of which $24.7 million supports capital expenditures. Of the total, $22.0 million is allocated in accordance with the POS statutory formula, and $6.0 million is provided to Capital Development Projects for the Critical Maintenance Program. The baseline includes the following adjustments to the level of funding attributable to the transfer tax:

- ***Transfer Tax Overattainment:*** Actual fiscal 2021 revenue attainment was $269.3 million, which is $48.5 million more than the amount budgeted in fiscal 2021. This overattainment is added to the estimated fiscal 2023 revenues that support fiscal 2023 program funding levels;

- ***Transfer Tax Revenue Estimate Increase:*** The revenue estimate for fiscal 2023 is $297.5 million, which is $65.5 million more than the $232.1 million revenue figure for fiscal 2022; and

- ***Transfer Tax Repayment Plan:*** The fiscal 2023 allocation includes $28.0 million budgeted in the Dedicated Purpose Account (DPA) as general funds but expensed as special funds in the Department of Natural Resources' (DNR) budget for the PAYGO capital portion of the repayment plan in accordance with the repayment plan originally established in Chapter 10 and most recently modified by Chapter 150. Chapter 150 repurposed $17.1 million of the fiscal 2022 repayment – $ 5.9 million as an enhancement to the Critical Maintenance Program and $1.2 million to the State Lakes Protection and Restoration Fund – which impacts the change between the fiscal 2022 legislative appropriation and the fiscal 2023 baseline estimate. In addition, there is a decrease of $15.9 million in the transfer tax repayment amount as scheduled between the fiscal 2022 legislative appropriation and the fiscal 2023 baseline estimate.

The fiscal 2023 baseline for the DNR POS State allocation includes $98.4 million in special funds and $3.0 million in federal funds, which is a $47.2 million increase in transfer tax special funds over the fiscal 2022 legislative appropriation once the allocation of funding from the DPA is reflected in the budget. The POS Local allocation increases by $26.7 million, from $53.4 million to $80.1 million in fiscal 2022 once the allocation of funding from the DPA is reflected in the budget.

The baseline includes $26.0 million in special funds for the Rural Legacy Program that provides funds for the acquisition of conservation easements. This is an increase of $5.9 million compared to the fiscal 2022 legislative appropriation funded exclusively with special funds once the allocation of funding from the DPA is reflected in the budget.

The baseline includes $32.4 million in special funds for Capital Development Projects, which is a decrease of $12.4 million compared to the fiscal 2022 legislative appropriation once the allocation of funding from the DPA is reflected in the budget. Capital Development Projects include funding for the Critical Maintenance Program ($6.6 million in transfer tax special funds), the Natural Resources Development Fund ($24.8 million in transfer tax special funds), and the State contribution to the Ocean City Beach Maintenance Program ($1.0 million in transfer tax special funds).

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 2023 baseline to reflect the 2021 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 2023 baseline for the Waterway Improvement Program (WIP) includes $16.0 million, which is consistent with the fiscal 2022 legislative appropriation and the amount programmed in the 2021 CIP for fiscal 2023, although the funding mix has changed. The fiscal 2023 baseline reflects $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, while the fiscal 2022 legislative appropriation included $1,350,000 in general funds provided in Supplemental Budget No. 5, $12.15 million in special funds, and $2.5 million in federal funds. 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 baseline for the Maryland Agricultural Land Preservation Program consists of $69.2 million in special funds. Overall, the baseline reflects an increase of $20.2 million compared to the fiscal 2022 legislative appropriation once the allocation of funding from the DPA is reflected in the budget. The special fund baseline estimate is comprised of funding from the State transfer tax's statutory distribution as adjusted by prior year underattainment and transfer tax repayments and county matching funding estimated at $8.5 million based on a single easement purchase cycle in fiscal 2023.

Interagency Commission on School Construction – Public School Construction

The fiscal 2023 baseline estimate for the Interagency Commission on School Construction – Public School Construction includes $40 million of general funds and $80 million of special funds for the Healthy School Facility Fund. The general funds reflect the mandated fiscal 2023 amount for the program. The special funds reflect the use of $40 million of federal funds appropriated to the DPA in the fiscal 2022 budget that once transferred to the fund will be spent as special funds supporting fiscal 2023 program activity. Another $40 million of special funds provides the appropriation level necessary to expense the general funds in fiscal 2023. The baseline also removes $13.5 million in general funds including $10.0 million for the Public School Safety Grant Program mandated by Chapter 30 of 2018 (Safe to Learn Act) and $3.5 million in for nonpublic public school security improvements that are programmed in the 2021 CIP to use GO bond funds in fiscal 2023.

Maryland Higher Education Commission – Community College Facilities Grant Program

The Aid to Community Colleges – Community College Facilities Grant Program baseline is $3.5 million in general funds, as mandated 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 equals 5% of the amount budgeted for the Community

College Construction Grant Program. The baseline reflects 5% of the $70.0 million programmed for fiscal 2023 in the 2021 CIP.

Department of Housing and Community Development

The Department of Housing and Community Development (DHCD) works to encourage homeownership, expand affordable rental housing, and revitalize communities. The baseline includes changes in various PAYGO capital grant and loan programs based on the agency's estimates of revenues, encumbrances, available fund balances, and amounts programmed in the 2021 CIP. Overall, the baseline assumes that funds for DHCD's PAYGO programs, excluding funds available from the American Rescue Plan Act of 2021 (ARPA), will increase by $14 million in general funds and $11 million in special funds. ARPA funds are reflected in the baseline through increases in special funds from the DPA of $73.2 million in fiscal 2022 and $24.4 million in fiscal 2023. The following adjustments were made to the fiscal 2023 baseline:

- ***Baltimore Regional Neighborhoods Initiative (BRNI):*** The baseline includes $12 million in general funds, compared to $6 million in general funds in fiscal 2022, when the $12 million mandate was met with an equal split between general funds and GO bonds. The 2021 CIP included only $3 million in general funds for BRNI as mandated funding was set to expire after fiscal 2022, but Chapters 416 and 417 of 2021 made the mandate permanent.

- ***National Capital Strategic Economic Development Program:*** The baseline includes $7 million in general funds for this program, consistent with the mandated level of funding. This is an increase of $3 million in general funds from fiscal 2022, when the mandate was met with both general funds and GO bonds.

- ***Seed Community Development Anchor Institution Fund:*** The baseline includes $10 million in general funds for the Seed program, consistent with the mandated level of funding. This is an increase of $5 million in general funds from fiscal 2022, when the mandate was met with an equal split between general funds and GO bonds.

- ***Homeownership Programs:*** The baseline increases special funds in Homeownership Programs by $11 million to a total of $15 million to account for the expected increase in available funds. Additional funds are available due to both increased loan repayments as well as an increase in funds from Montgomery County under an existing memorandum of understanding for DHCD to provide down payment assistance to Montgomery County homebuyers.

- ***Local Government Infrastructure Program:*** The baseline assumes an increase of $73.2 million in special funds in fiscal 2022 for the construction of broadband infrastructure, on top of the $15.2 million in federal funds already available for this purpose in fiscal 2022. These funds are replaced in the fiscal 2023 baseline with a total of $24.4 million in special funds. These special funds are available from ARPA funding that was appropriated to the DPA in fiscal 2022.

Maryland Department of the Environment

The Maryland Department of the Environment's fiscal 2023 baseline of $156.8 million for the Water Quality Revolving Loan Fund Program reflects the 2021 CIP funding plan. The fiscal 2023 baseline reflects a decrease of $20.0 million compared to the fiscal 2022 legislative appropriation. In total, the budget reflects $110.0 million in special funds, $39.0 million in federal funds, and $7.8 million in GO bonds. 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 $33.0 million, based on the 2021 CIP funding plan. This is $24.8 million less than the fiscal 2022 legislative appropriation. The funding is comprised of $14.5 million in special funds, $14.5 million in federal funds, and $4.0 million in GO bonds. 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 baseline includes $1.0 in general funds for the Hazardous Substance Clean-Up Program, as programmed in the 2021 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 baseline includes $15.0 million in special funds for the septic system capital grant program, which is a component of the Bay Restoration Fund. This is consistent with what is programmed in the 2021 CIP and the fiscal 2022 legislative appropriation. The baseline estimate for the Enhanced Nutrient Removal Program, funded by a fee on public sewer/water users, is $75 million in special funds, which is level with both the fiscal 2022 legislative appropriation and the amount programmed in the 2021 CIP. The baseline estimate is not adjusted for the legislation passed in the 2021 legislative session because the legislation requires the funding of cost-effective Enhanced Nutrient Removal upgrades to minor wastewater treatment plants before the transfer of $20.0 million per Chapter 694 and 695 of 2021 and $15.0 million per Chapter 645 of 2021.

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. There are no appropriations to the Catastrophic Event Account.

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 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. Amounts above $110 million are credited to the Rainy Day Fund.

Fiscal 2021 ended with an unappropriated general fund balance totaling nearly $2.5 billion. The Administration is required to provide $25 million each in supplemental appropriations to the employee pension fund and Post-Retirement Health Benefits Trust Fund. The baseline budget has adjusted the pension contribution rates to the employees, teachers, State police, and Law Enforcement Officers Pension System pensions to provide that $50 million in appropriation go to the DPA. Another $10 million is retained by the General Fund. As required by law, an adjustment totaling $2.4 billion has been added to the Rainy Day Fund appropriation. For the DPA, the baseline also includes appropriations for the following:

- $167.0 million to support the funding required for the Washington Metropolitan Area Transit Authority capital grant as mandated in Chapters 351 and 352 of 2018, including $125.0 million in anticipated bond premiums and $42.0 million in general funds;

- $28.0 million in general funds to reflect the capital portion of the required payment to Program Open Space (POS) for prior year POS fund transfers into the General Fund; and

- $760,000 in general funds to reflect the first year of repayment to the Local Income Tax Reserve Account in accordance with Chapters 717 and 718 of 2021, which authorize the Comptroller to borrow $11.4 million from the account in fiscal 2022 to provide property tax credit refunds to certain homeowners.