
Spending Affordability Committee Technical Supplement

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

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Contents

Fiscal 2026 Baseline Budget Technical Supplement Overview.....	1
Deficiencies.....	9
Debt Service	13
State Aid to Local Governments.....	15
Entitlement Programs.....	25
State Agencies	
Employee Compensation Overview	39
Higher Education – State Colleges and Universities	41
Pay-as-you-go Capital Programs	45
Reserve Funds	53
Other State Agency Baseline Adjustments	55

Fiscal 2027 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 2026. Adjustments are made to remove funds anticipated to be for one-time or limited-time purposes and to add funds as required to recognize expenses associated with legislation, new facilities, changes in caseloads, changes in contract costs, and continuing expenses related to fiscal 2026 budget deficiencies. The baseline estimate also allows for changes in personnel costs and inflationary increases in the cost of operating expenses.

Nonpersonnel Operating Cost Assumptions

Statewide fiscal 2026 funding is believed to be insufficient to cover certain costs due to current inflation expectations. The baseline assumes deficiency appropriations of \$11.6 million in natural gas, \$4.6 million in food, and \$2.1 million in electricity in total funds. In addition, the

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

- postage (7.5%);
- prescription drugs (7.5%);
- food (6.0%);
- natural gas (3.5%);
- electricity (1.0%); and
- gas and oil (-9.3%).

Zero inflation is assumed for all other items.

Assumptions Regarding Legislative Additions

The fiscal 2027 baseline assumes that approximately \$115.6 million in legislative additions (\$68.1 million in general funds and \$47.5 million in special funds) are one-time. Of this amount, \$58.2 million is pay-as-you-go capital funding including in the Maryland Department of Transportation and in certain higher education institutions.

Baseline Results

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

Projected Baseline Budget Fiscal 2026-2027 (\$ in Millions)				
<u>Fund Type</u> ⁽¹⁾	<u>Adjusted Appropriation</u> <u>2026</u> ⁽⁴⁾	<u>Baseline</u> <u>2027</u>	<u>\$ Change</u> <u>2026-2027</u>	<u>% Change</u> <u>2026-2027</u>
General ⁽²⁾	\$27,625.1	\$29,038.8	\$1,413.8	5.1%
Special/Higher Education ⁽³⁾	20,557.1	21,506.1	949.0	4.6%
Federal	20,046.6	20,889.9	843.3	4.2%
Total	\$68,228.8	\$71,434.9	\$3,206.1	4.7%

⁽¹⁾ Excludes reimbursable and nonbudgeted funds.

⁽²⁾ Net of reversions.

⁽³⁾ Higher education funds include current unrestricted and current restricted, net of general and special funds.

⁽⁴⁾ Adjusted for estimated deficiencies and planned reversions.

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

The tables on the following pages summarize the budgetary changes by major category of expenditure. Fiscal 2026 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 \$1.0 million. The baseline estimates described in this document represent the judgments of the Department of Legislative Services as of November 1, 2025. Actions subsequent to that date or further changes to the economic outlook are not reflected here.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal 2026 Deficiencies

The fiscal 2027 baseline assumes approximately \$1.37 billion in net total fund deficiencies for fiscal 2026, of which \$695.2 million is in general funds, \$573.0 million is in federal funds, \$88.2 million is in special funds, \$10.9 million is in current unrestricted funds, and \$0.5 million is in reimbursable funds. As shown in the following exhibit, the general fund deficiency appropriations, totaling \$695.2 million, are driven primarily by three factors: (1) shortfalls in Developmental Disabilities Administration (DDA) and Medicaid-related Behavioral Health Provider reimbursements; (2) prior year expenses, including shortfalls in fiscal 2025 and general funds reverted in error in the fiscal 2025 closeout; and (3) anticipated shortfalls in the Department of Human Services (DHS) primarily in the Foster Care Maintenance Payments Program and a penalty associated with the Supplemental Nutrition Assistance Program (SNAP) payment error rate from federal fiscal 2023 expected to be paid in fiscal 2026.

Detailed Fiscal 2026 General Fund Deficiencies (\$ in Millions)

Developmental Disabilities Administration Provider Reimbursements: Fiscal 2025 bills for which there was insufficient appropriation (\$189.7 million); fiscal 2026 shortfall (\$55.0 million)	\$244.6
Behavioral Health Provider Reimbursements: Fiscal 2026 shortfall for Medicaid-eligible services (\$160.3 million); fiscal 2025 bills to be paid in fiscal 2026 (\$40 million); partially offset by lower expected expenditures to align with fiscal 2025 expenses for Medicaid-eligible individuals for non-Medicaid-eligible services (-\$8.8 million) and for the uninsured (-\$44.1 million)	147.4
Medicaid Provider Reimbursements: Fiscal 2025 bills to be paid in fiscal 2026 (\$70.0 million); federal disallowance for nursing home rates (\$27.3 million)	97.3
Department of Public Safety and Correctional Services: Fiscal 2025 expenditures for the inmate medical contract for which there was insufficient appropriation (\$25.9 million); fiscal 2026 shortfall for the inmate medical contract (\$25.9 million)	51.8
Department of Human Services: Foster Care Maintenance Payments due to higher flexible fund spending, caseloads, placement costs, and lower levels of special and federal funds (\$41.2 million); Supplemental Nutrition Assistance Payments program payment error rate penalty for federal fiscal 2023 expected to be paid in fiscal 2026 (\$16.6 million); partially offset by lower expected expenditures for assistance payments (-\$8.9 million)	48.9

Lower Than Expected Vacancy Savings	30.0
Child Care Scholarship	29.4
Office of Public Defender: Fiscal 2025 expenditures for which there was insufficient appropriation (\$10.5 million); fiscal 2026 shortfall primarily for panel attorneys (\$9.6 million)	20.1
Fund Swap Due to Lower Than Budgeted Revenue in the Higher Education Investment Fund	13.5
State Archives: Fiscal 2026 shortfall to replace special funds from fee revenue due to suspension of fee schedule changes (\$8.8 million) and to resolve a negative special fund balance after suspension of fee schedule changes due to equipment purchase (\$1.0 million)	9.8
Agency Expenses: Department of Juvenile Services to align overtime funding with fiscal 2025 expenditures (\$3.6 million) and fiscal 2025 expenditures for which there was insufficient appropriation (\$2.9 million); Statewide expenses for natural gas, electricity, and food (\$4.4 million); reversions in error for Canal Place Development Authority (\$1.3 million) and West North Avenue Development Authority (\$1.2 million); Veterans Home fiscal 2025 expenditures for which there was insufficient appropriation (\$1.3 million) and fiscal 2026 shortfall (\$1.3 million); Criminal Injuries Compensation Board expenses due to lower than expected federal fund awards (\$1.1 million); Department of General Services fiscal 2025 expenses for which there was insufficient appropriation (\$0.8 million); Comptroller's Office for fiscal 2025 expenditures for which there was insufficient appropriation (\$0.2 million); one-time programming costs for the licensing portal for security guards (\$0.1 million); partially offset by savings from the temporary closure of the FreeState Challenge Academy (-\$0.4 million); the availability of special funds in lieu of general funds for costs in the Department of State Police (-\$4.8 million); lower expected spending for behavioral health investments (-\$5.0 million).	\$8.1
Expected Reversion for the Nonpublic Placements Program Due to Lower Costs in Fiscal 2025	-\$5.6
Total Deficiencies	\$695.2

Federal fund deficiency appropriations totaling \$573.0 million are primarily associated with the federal share of fiscal 2025 and 2026 shortfalls in Medicaid, DDA, and behavioral health provider reimbursements (\$859.5 million), which are partly offset by lower expected expenditures in SNAP and lower availability of federal funds in other public assistance programs (-\$297.8 million) and the lower expected availability of federal funds in the Foster Care Maintenance Payments program (-\$9.7 million). Other notable federal fund deficiency appropriations:

- provide additional federal funds based on historical levels of availability to support the Child Care Scholarship program (\$20.0 million);
- align spending in the Work Opportunities Program in DHS with fiscal 2025 levels (\$9.4 million);
- align spending in the Maryland Office for Refugees and Asylees with fiscal 2025 levels (-\$2.0 million); and
- reduce funding for the SNAP Nutrition Education program following the repeal of the program in the federal One Big Beautiful Bill Act (-\$6.6 million).

Anticipated deficiency appropriations increase special fund spending by a net of \$88.2 million, of which \$65.3 million reflects spending for the State-based subsidy program established in Chapter 486 of 2025 in the event that enhanced premium tax credits in the Maryland Health Benefit Exchange (MHBE) expire. This funding represents the first half of the calendar 2026 payments, as forecast by MHBE. The second half of the spending is reflected in the fiscal 2027 baseline, with an expected lower level of program offering for calendar 2027. Other significant special fund deficiency appropriations provide:

- \$16.1 million in child support reinvestment funds to support expenditures in DHS Child Support Administration, which were inadvertently excluded from the fiscal 2026 budget as introduced;
- \$16.1 million from the Transportation Trust Fund to support higher than budgeted contract costs in the Maryland Transit Administration for Paratransit/Mobility Transit (\$14.7 million) and Commuter Bus (\$1.4 million);
- \$7.3 million from remaining funds appropriated to the Dedicated Purpose Account to support the Autism Waiver program to support higher levels of slot utilization and increased costs per individual;
- \$4.8 million in special funds related to reimbursable overtime costs in the Department of State Police to align with the fiscal 2025 level (\$4.8 million);

- \$2.1 million reflecting the special fund share of statewide shortfalls in natural gas, electricity, and food; and
- \$1.4 million to reflect anticipated special fund availability to support benefit costs in the Assistance Payments program.

These increases are partially offset by reductions of:

- \$13.5 million from the Higher Education Investment Fund to reflect revenue estimates;
- \$8.8 million in the Maryland State Archives due to a suspension of the planned fee schedule change;
- \$3.9 million in special funds for the Maryland Public Broadcasting Commission, due to federal recissions and funding of the Corporation for Public Broadcasting; and
- \$1.2 million in the Foster Care Maintenance Payments program to align with recent spending.

Deficiency appropriations of \$10.9 million in current unrestricted funds and \$0.5 million in reimbursable funds are related to the statewide shortfalls in natural gas, electricity, and food costs.

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).

Fiscal 2026 GO bond debt service costs are exceptionally low. The timing of bond sales and applying all fiscal 2025 refunding savings to fiscal 2026 kept costs down. Regarding refunding, savings traditionally match debt service costs of the bonds that are refunded, which maximize total and present value savings.

The largest revenue source for the ABF is State property taxes. The current State property tax rate is \$0.112 per \$100 of the assessable base. In recent years, debt service costs have exceeded State property tax revenues. Continuing the trend, fiscal 2027 State property tax receipts are projected to be \$1.14 billion compared to debt service costs that total \$1.5 billion. ABF balance remaining from prior years and other special fund revenues (such as repayment for issuance of bonds for Program Open Space) will partially mitigate the need for general funds. Insofar as these sources are insufficient, the fiscal 2027 baseline anticipates that \$288 million in general funds will be needed to support debt service in that year.

Fiscal 2027 MDOT debt service requirements are projected at \$446 million, or an increase of \$18.5 million compared to fiscal 2026, reflecting new issuances of \$200 million in fiscal 2025 and \$345 million net of refunding in fiscal 2026. MDOT debt service also comprises debt service for bonds issued prior to fiscal 2025 and projected sales in future years. Bond issuances in the draft MDOT fiscal 2026 to 2031 financial forecast are projected to total \$2.6 billion, a 22.3% increase over the \$2.2 billion projected in the previous forecast.

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 environmental protection 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 2026-2027 (\$ in Thousands)

<u>Entity</u>	<u>Working 2026</u>	<u>Baseline 2027</u>	<u>\$ Change 2026-2027</u>	<u>% Change</u>
Public Schools	\$9,758,494	\$10,327,177	\$568,683	5.8%
County/Municipal	1,054,091	1,071,151	17,061	1.6%
Community Colleges	503,134	539,536	36,402	7.2%
Libraries	100,610	103,564	2,954	2.9%
Health	115,000	117,640	2,640	2.3%
Total	\$11,531,329	\$12,159,068	\$627,740	5.4%

Note: Totals may not sum due to rounding. The fiscal 2026 working appropriation for County/Municipal aid reflects the September estimates of casino revenues by the Board of Revenue Estimates.

Overview

State aid is projected to total \$12.2 billion in the fiscal 2027 baseline, representing a \$627.7 million, or 5.4%, increase over the prior fiscal year. Most of the State aid in fiscal 2027, as in prior years, is targeted to public schools. Public schools will receive \$10.3 billion in fiscal 2027 (84.9% of total State aid). Counties and municipalities will receive \$1.1 billion (8.8% of total State aid), community colleges will receive \$539.5 million (4.4%), libraries will receive \$103.6 million (0.9%), and local health departments will receive \$117.6 million (1.0%).

Public Schools

Public schools will receive an estimated \$10.3 billion in fiscal 2027, representing a \$568.7 million (5.8%) increase over the prior fiscal year. This increase results from the combined impact of a \$498.1 million increase in direct aid and a \$70.6 million increase in retirement aid. Chapter 237 of 2025 substantially curbed annual growth in the per pupil funding amount for the foundation program and the comparable wage index (CWI). General funds are expected to account for \$7.5 billion of State aid for public schools. Special funds, almost entirely from the Blueprint for Maryland's Future (Blueprint) Fund, account for approximately \$2.8 billion.

Foundation Program

In fiscal 2027, foundation program formula aid is estimated to increase by \$138.2 million (3.5%), for a total of \$4.1 billion. This increase is due primarily to a 3.6% increase in the per pupil foundation amount from \$9,226 per student in fiscal 2026 to \$9,561 per student in fiscal 2027. The enrollment count for the foundation program is estimated to be nearly equal to the count for fiscal 2026 funding. The enrollment count for the foundation program is the greater of the full-time equivalent (FTE) enrollment count and the three-year average of FTE. The foundation program is the primary formula grant program for funding local school systems.

Comparable Wage Index

Fiscal 2027 State funding for CWI is estimated to total \$159.6 million, a 1.1% increase compared to fiscal 2026 funding. CWI was calculated by measuring variation in the wages of workers similar to teachers and examining costs outside of a school district's control. There are 11 local school systems that are eligible for CWI funds each year.

Blueprint Transition Grants

Since fiscal 2023, transition grants have been provided under Blueprint, helping to compensate for the termination of supplemental grants under the foundation program and other funding provisions after fiscal 2022. Per statute, these grants decline each year, beginning in fiscal 2025, until being fully phased out after fiscal 2029. Accordingly, transition grants decrease by \$8.7 million, from \$37.5 million in fiscal 2026 to \$28.8 million in fiscal 2027.

Compensatory Aid

Compensatory aid is estimated to decrease by \$9.0 million (0.5%), for a total of \$1.8 billion in fiscal 2027. This modest funding decrease is primarily due to a \$56 (0.7%) decrease in per pupil funding, which is only partially offset by a projected 0.2% increase in free and reduced-price meal (FRPM) student enrollment. This program provides additional funding to local school systems based on their enrollment of students eligible for FRPM.

Concentration of Poverty Grants

Under Chapter 771 of 2019, State grants were provided to public schools in which at least 80% of the students were eligible for FRPM. For both fiscal 2020 and 2021, grants equal to \$248,833 were provided for each existing eligible school. Schools receiving these grants must hire 1 community school coordinator and provide full-time coverage by at least 1 health care practitioner. These personnel grants were also provided for the fiscal 2022 budget. Personnel grants must be adjusted annually for inflation, such that each eligible school is estimated to receive a grant of \$285,788 in fiscal 2027. Beginning in fiscal 2023 under Chapters 36 and 55 of 2021, in addition to these personnel grants, per pupil grants are provided. Funding is phased in over several years for both personnel and per pupil grants to provide funding for an increasing number of schools at progressively lower poverty concentrations. In fiscal 2027, the concentration of poverty grants total an estimated \$572.2 million, an increase of \$79.6 million over fiscal 2026.

Students with Disabilities

In fiscal 2027, funding for students with disabilities via the special education formula is estimated to increase by \$86.1 million (14.6%), from \$589.8 million to \$675.9 million, largely due to a \$1,397 (14.7%) increase in per pupil funding. In fiscal 2027, funding for special education students in nonpublic placements is projected to total \$127.7 million, a \$19.4 million decrease from the fiscal 2026 funding level. Chapter 604 of 2025 reduced the State share of nonpublic placement program costs by phasing in over two years a change in the additional amount above 200% of the basic cost of education that local education agencies are required to provide; specifically, 40% in fiscal 2026 and 50% in fiscal 2027 and subsequent years.

English Learners

English learner funding increases by \$25.6 million (4.6%), from \$554.5 million in fiscal 2026 to \$580.0 million in fiscal 2027, reflecting a \$107 (1.2%) per pupil funding increase and projected enrollment growth of 3.3%. These grants are based on English learner student enrollment and a per pupil funding amount of \$9,148 in fiscal 2027.

Guaranteed Tax Base Program

In fiscal 2027, the Guaranteed Tax Base Program remains virtually level (\$65.0 million) with the fiscal 2026 State funding total. As currently estimated, eight local school systems receive the Guaranteed Tax Base Program funding. This program provides additional State funding to local school systems with less than 80.0% of statewide wealth per pupil through a formula based on local wealth and the amount of local funding that each jurisdiction provides to the local school system.

Education Effort Adjustment Grants

The Blueprint program includes a mechanism for establishing a maximum local share that a county must fund each year. Relief is provided to counties based on a local effort index and is offset by equivalent State aid. However, the education adjustment for a county is only allowed to the degree that per pupil local maintenance of effort is met each year. In fiscal 2027, State funding is projected to total \$199.3 million, an increase of \$53.9 million from the prior fiscal year.

Student Transportation

Student transportation funding is expected to increase by \$5.5 million, or 1.5%, to \$387.5 million in fiscal 2027. This amount reflects 1.0% inflation, increased FTE enrollment, and a 1.9% increase in the student count for special transportation. For special transportation funding, the State provides \$1,000 annually for each qualifying student.

Publicly Funded Full-day Prekindergarten

A funding formula for voluntary full-day prekindergarten for three- and four-year-olds from low-income families began to be phased in during fiscal 2023. The formula is jointly funded by the State and local governments and phases in through fiscal 2030. Generally, prekindergarten programs receive the full per pupil award for eligible children with family incomes at or below 300% of the federal poverty level (FPL) from the State and counties (Tier I); families whose income is between 300% and 600% of the FPL share in the program costs (Tier II); and families with income above 600% (Tier III) cover the full cost of full-day prekindergarten – though a local board may provide up to 100% of the family share on behalf of the family. However, Chapter 717 of 2024 altered the funding formula by (1) delaying the initiation of funding of Tier II students from fiscal 2025 to 2026; (2) limiting fiscal 2026 Tier II funding to families with incomes between 300% and 360% of the FPL; and (3) substantially increasing the annual per pupil funding amount for each year, beginning with fiscal 2027. Accordingly, fiscal 2027 funding is estimated to increase by \$158.4 million (91.7%) to a total of \$331.0 million.

Teacher Retirement

Projected State retirement costs for public school teachers and other professional personnel will total an estimated \$1.1 billion in fiscal 2027, which is a \$70.6 million (7.2%) increase from fiscal 2026. Chapter 604 reduced, by \$97.7 million beginning in fiscal 2026, the State share of annual employer pension contributions for members of the Teachers' Retirement System/Teachers' Pension System (TRS/TPS) employed by local school systems (\$92.9 million) and community colleges (\$4.8 million) while increasing employer contributions by counties and Baltimore City commensurately in proportion to their respective shares of TRS/TPS membership. Due largely to this provision, the fiscal 2027 increase in projected public school State retirement costs is similar in magnitude to the fiscal 2026 increase of 7.0%. The projected increase in State costs is largely attributable to pay increases for TRS/TPS members exceeding the assumed rate of

increase (3.0%) by almost 2 percentage points, and retiree cost-of-living adjustments (COLA) also exceeding the assumed rate of increase due to persistent inflation.

Local school systems are responsible for paying the normal cost (which represents the actuarial cost of pension benefits accrued in the current year). The increase in the normal cost rate for the combined teachers' systems (from 5.09% to 5.27%) is largely due to a provision of Chapter 717 that incorporated the equivalent of annual local board administrative fee costs into the normal cost rate; thus, the increase in the normal cost rate is offset by a commensurate decrease in administrative fee payments. Combined with the increase in payrolls (4.7%), local school board payments for the normal cost increase from \$438.7 million in fiscal 2026 to \$475.6 million statewide in fiscal 2027. Under current assumptions, local costs are projected to level off at about \$476 million annually through fiscal 2029.

Community Colleges

The majority of funding for the State's locally operated community colleges is determined by the Senator John A. Cade (Cade) Funding Formula. In fiscal 2027, Cade formula funding totals \$435.1 million. This represents an increase of \$30.6 million, or 7.6%, in general funds above fiscal 2026. Baltimore City Community College receives funding through a separate funding formula.

The fiscal 2027 baseline also includes \$4.7 million in general funds for the English Speakers of Other Languages Program and \$6.5 million in general funds for statewide and regional programs. In addition, small colleges are estimated to receive \$12.2 million in general funds in Small College and Mountain grants. The baseline also includes \$81.1 million in general funds for retirement benefits to community college employees, an increase of 7.3% compared to fiscal 2026.

Libraries

State library aid formula increases by \$1.4 million, from \$50.5 million in fiscal 2026 to \$51.9 million in fiscal 2027 in general funds. This increase is largely due to the increase in the per resident amount for this aid formula, from \$18.70 in fiscal 2026 to \$19.10 per resident in fiscal 2027.

Chapters 714 and 715 of 2016 provided \$3.0 million in the annual State budget for fiscal 2018 through 2022 to support additional operating expenses for branches of the Enoch Pratt Free Library in Baltimore City that allow for the 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 \$469,200 (2.1%) in fiscal 2027, bringing total funding for this program to \$23.1 million in general funds. The network is comprised of the Central Library of the Enoch Pratt Free Library System in Baltimore City, three regional resource

centers, and metropolitan cooperative service programs. Under Chapter 180 of 2024, the State Library Resource Center per resident annual funding totals \$2.07 in fiscal 2027. Under Chapters 496 and 497, per resident funding for regional resource centers increases from \$9.79 in fiscal 2026 to \$9.99 in fiscal 2027.

Finally, retirement costs for librarians will total an estimated \$28.6 million in fiscal 2027, representing a \$1.1 million, or 3.8%, increase over the prior fiscal year. Unlike the boards of education and community colleges, the State continues to pay State Retirement Agency administrative costs for local library employees.

County and Municipal Governments

Approximately 8.8% of State aid is allocated to county and municipal governments to finance general government, transportation, public safety, and environmental protection projects. County and municipal governments will receive \$1.1 billion in fiscal 2027, an increase of \$17.1 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, and local voting system grants.

Transportation

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

Chapters 330 and 331 of 2018 require 100% of the funds in the GMVRA in the Transportation Trust Fund (TTF) to be retained by the TTF beginning in fiscal 2020. Beginning in that same year, instead of directly sharing the GMVRA revenue with local governments, the Maryland Department of Transportation must provide capital transportation grants to local governments based on the amount of revenue allocated to the GMVRA. Chapter 240 of 2022 increased the local government share of GMVRA revenues beginning in fiscal 2024. For fiscal 2027, capital grants equivalent to 20% of the revenue allocated to the GMVRA must be provided to local governments as follows: Baltimore City (12.2%); counties (4.8%); and municipalities (3.0%).

The fiscal 2027 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 2027 baseline assumes that Baltimore City will receive \$280.1 million, county governments will receive \$110.2 million, and municipal governments will receive \$68.9 million for a total of \$459.2 million. The combined amount represents a \$13.4 million increase from the fiscal 2026 legislative appropriation.

In fiscal 2027, State funding for elderly/disabled transportation grants will total \$4.8 million, an increase of \$0.1 million from the fiscal 2026 working appropriation. In accordance with Chapter 416 of 2022, beginning in fiscal 2025, funding for elderly/disabled transportation grants is adjusted according to the prior year's inflation for urban consumers. State funding for paratransit grants is expected to maintain the previous level of \$1.4 million, and State funding for bus rapid transit system grants is expected to maintain the previous level of \$27.0 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 2027 baseline assumes an increase of 0.4% from the fiscal 2026 base formula amount, with funding totaling \$76.2 million.

The fiscal 2027 baseline includes \$45.9 million in enhanced funding to law enforcement agencies to address violent crime, which is the same level as provided in fiscal 2026. The baseline reflects \$16.5 million for fire and rescue aid, \$1.8 million for vehicle theft prevention grants, and \$28.4 million for emergency 9-1-1 grants.

The baseline assumptions include the removal of \$1.0 million in general fund grant spending within the Governor's Office of Crime Prevention and Policy in fiscal 2027 due to the expiration of the Warrants and Absconding grant mandate after fiscal 2026.

Other public safety grants totaling \$43.4 million (targeted crime grants, State Attorney's grant, etc.) are also included in the fiscal 2027 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. Based on the statutory formula, Baltimore City and eight counties (Allegany, Caroline, Dorchester, Garrett, Prince George's, Somerset, Washington, and Wicomico) will qualify for disparity grants in fiscal 2027.

Fiscal 2026 funding for the program totaled \$193.7 million, which included a one-time grant provided by the General Assembly that increased from 75% to 90%, the maximum amount of uncapped disparity grants for five jurisdictions (Caroline, Dorchester, Prince George's, Somerset, and Wicomico) that impose the maximum 3.2% local income tax rate. The one-time grant increased disparity grant funding by \$17.1 million over the previously required amount.

The fiscal 2027 baseline includes \$212.8 million in general funds, which represents a \$19.1 million increase from the fiscal 2026 appropriation due to the projected widening of income disparities between the high-and low-wealth jurisdictions.

Gaming Impact Grants

From the proceeds generated by video lottery terminals (VLT) at video lottery facilities in the State, generally 5.5% is distributed to local governments in which a video lottery facility is operating or that are in close proximity to a facility. In addition, 5.0% of table game revenues are distributed to local jurisdictions where a video lottery facility is located. For fiscal 2022 through 2032, under Chapter 590 of 2020, \$3.5 million of funds otherwise directed to the Pimlico Community Development Authority from VLT proceeds must be transferred to the State Lottery Fund. The fiscal 2027 baseline assumes gaming impact grants will total \$103.8 million, an increase of \$699,700, or 0.7%, from the fiscal 2026 estimate of \$103.1 million.

Instant Bingo Grants

Chapter 603 of 2012 made permanent the authority for existing qualified organizations and licensed commercial bingo licenses to operate electronic instant bingo machines that would otherwise be illegal under State law after July 1, 2012. A portion of the revenues from the State admissions and amusement tax imposed on the instant bingo machines in Calvert County is distributed to local governments and community organizations. The fiscal 2027 baseline includes \$3.2 million in funding, which is the same as the fiscal 2026 amount.

Prince George's County Local Impact Grant

Chapter 410 of 2024 requires a \$3 million annual distribution beginning in fiscal 2025 from the State Lottery Fund to Prince George's County as a supplemental local impact grant. The fiscal 2027 baseline includes funding for this grant.

Teacher Retirement Supplemental Grants

The fiscal 2027 baseline includes the removal of grants to nine counties (including Baltimore City) to help offset the impact of sharing teachers' retirement costs with the counties. Chapter 604 phased out over two years the annual mandated appropriation of \$27.7 million for the grant program, reducing the grants by half in fiscal 2026 and fully eliminating them in fiscal 2027.

Local Voting System Grants

The fiscal 2027 baseline includes \$9.3 million in grants to local boards of elections. This represents a \$6.3 million increase over the fiscal 2026 working appropriation due to projects to replace the statewide pollbook system and implement a new voting system.

Behavioral Health Crisis Response

The Behavioral Health Crisis Response Grant Program in the Maryland Department of Health provides funds to local jurisdictions to establish and expand community behavioral health crisis response systems. Chapter 666 of 2025 requires an annual appropriation of \$5.0 million through fiscal 2029. The fiscal 2027 baseline includes \$5.0 million for the program.

Local Health Departments

The State provides funds to support the delivery of public health services, including child health, communicable disease prevention, maternal health, family planning, environmental health, and administration of local health departments. The funding formula is adjusted annually for inflation and statewide population growth for the second preceding fiscal year. Chapter 805 of 2021 established new base levels of State funding for the local health formula of \$70.0 million and \$80.0 million in fiscal 2025 and 2026, respectively. Beginning in fiscal 2027, State funding must be the greater of the funding provided by the formula for the immediately preceding fiscal year or the actual funds appropriated for the immediately preceding year adjusted for inflation and population growth.

In addition to the funding formula, grants to local health departments have included COLAs and other salary enhancements. The fiscal 2027 baseline assumes the total aid, comprised of the funding formula and personnel-related funding, will total \$117.6 million, an increase of \$2.6 million from the fiscal 2026 estimate.

Entitlement Programs

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

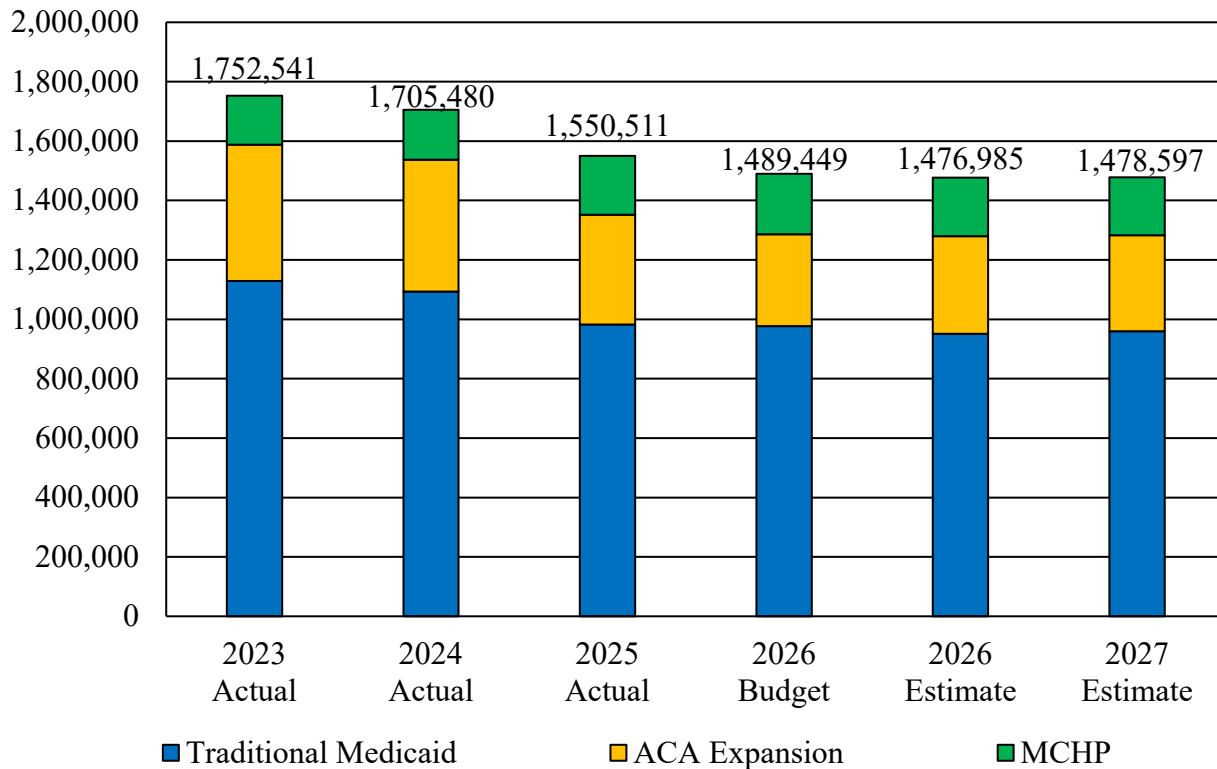
Medicaid Population and Expenditure Trends

Maryland's Medical Care programs (including Medicaid, the Maryland Children's Health Program (MCHP), Employed Individuals with Disabilities, and other programs) are joint federal and State programs that provide comprehensive health care coverage to eligible low-income individuals. Funding is derived from both federal and State sources. The federal fund participation rate is 50% for most Medical Care program spending, with enhanced federal funding for certain eligibility groups and services, including federal matching rates of 90% for adults under the Affordable Care Act (ACA) expansion and 65% for MCHP and services for noncitizen pregnant women enrolled through the Healthy Babies initiative.

Projected Enrollment

As shown in the following exhibit, between fiscal 2023 and 2025, combined Medicaid and MCHP enrollment gradually decreased from 1.75 million to 1.55 million due to ongoing unwinding processes and system reconciliation following the end of the COVID-19 public health emergency (during which disenrollments were frozen as a condition of states receiving enhanced federal funding). Adults served through the ACA expansion and traditional Medicaid enrollees drove the overall decline, while MCHP participation increased from 164,521 children in fiscal 2023 to 198,384 children in fiscal 2025. MCHP serves low-income children with household incomes that exceed eligibility for Medicaid; therefore, the resumption of eligibility redetermination that moved children from Medicaid into the higher MCHP income threshold and rising household incomes likely contributed to this growth.

Medicaid and MCHP Average Monthly Enrollment Fiscal 2023-2027 Estimate



ACA: Affordable Care Act

MCHP: Maryland Children's Health Program

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

Source: Maryland Department of Health; Department of Legislative Services

Estimated fiscal 2026 caseloads are expected to further decrease due to the annualization of disenrollments from the prior year. Based on monthly caseload trends through September 2025, the baseline projects fiscal 2026 enrollment of 1.48 million, which is slightly lower than the 1.49 million enrollees assumed in the budget.

Major provisions in the federal One Big Beautiful Bill Act (OBBBA), such as implementing work requirements and more frequent eligibility checks for ACA expansion adults, cause uncertainty for Medicaid. Due to the delayed effective dates for these provisions, estimated disenrollments would appear in the second half of fiscal 2027 and later. As a result, fiscal 2027 enrollment is expected to remain largely level with fiscal 2026, at approximately 1.48 million.

Fiscal 2026 and 2027 Medicaid Outlook

The following exhibit displays total Medicaid and MCHP expenditures and per capita spending on provider reimbursement expenditures, including behavioral health services and some administrative costs. Despite enrollment declines, projected Medicaid expenditures outpace the fiscal 2026 budget as increases in health care costs and utilization drive higher per capita spending. Medicaid spending growth in fiscal 2026 is partially offset by the recovery of \$50 million in State funds from managed care organizations for payments that exceeded limits on profits and administrative costs. After accounting for this recovery, the baseline estimates deficiency appropriations totaling \$935.1 million (\$297.5 million in general funds). Of this funding, \$273 million supports shortfalls in funds carried over to pay for fiscal 2025 services billed in the following fiscal year. The remaining \$662.1 million covers projected deficits for fiscal 2026 costs, including \$634.8 million for Medicaid-funded behavioral health services and \$27.3 million in general funds to pay the federal government for a disallowance of matching funds for nursing home rates.

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

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

ACA: Affordable Care Act

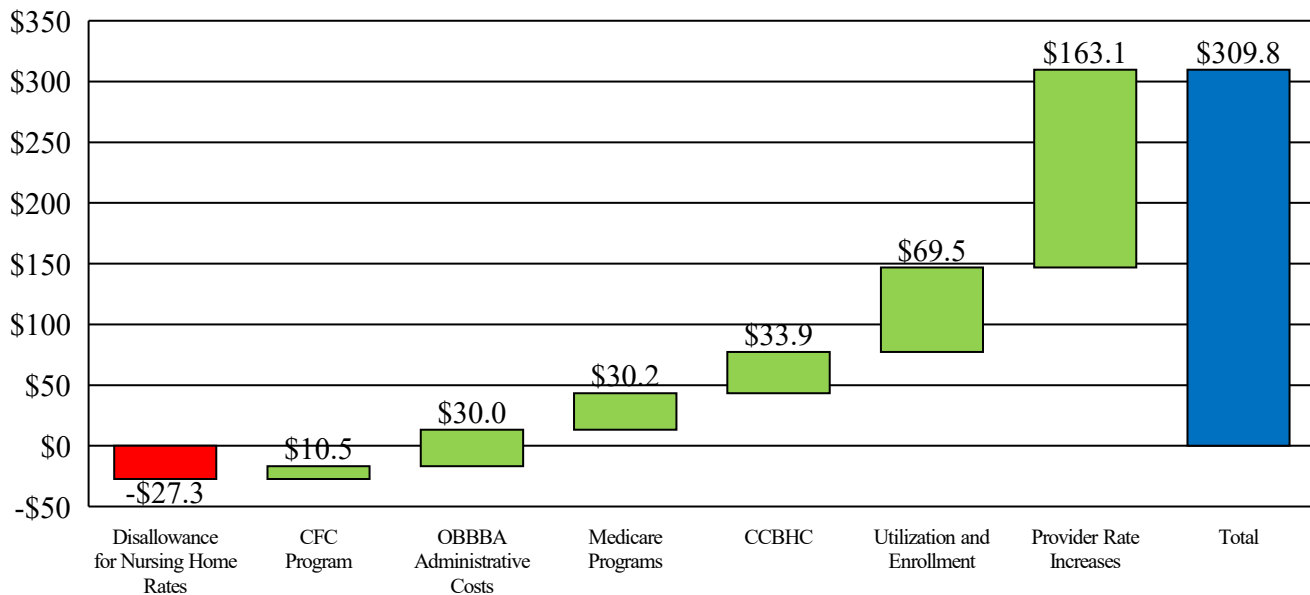
MCHP: Maryland Children's Health Program

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

The fiscal 2027 baseline increases by \$1.25 billion compared to the fiscal 2026 working appropriation after adjusting for anticipated deficiencies for fiscal 2026 costs. General fund spending in fiscal 2027 reflects a net increase of \$309.8 million, or 5.5%. As shown in the following exhibit, the largest factors driving the fiscal 2027 general fund spending growth are \$163.1 million for provider rate increases and a net increase of \$69.5 million resulting from utilization and enrollment changes. Provider rate increase assumptions include:

- a 6.4% increase in regulated hospital rates;
- an average 5.4% increase in calendar 2026 managed care organization rates totaling \$90.2 million in general funds; and
- 2% rate increases for long-term services and supports and community behavioral health providers, effective July 1, 2026.

Medical Care Programs – Components of General Fund Change Adjusted Fiscal 2026 to 2027 Baseline (\$ in Millions)



CCBHC: Certified Community Behavioral Health Clinics

CFC: Community First Choice

OBBBA: One Big Beautiful Bill Act

Note: Fiscal 2026 includes anticipated deficiency appropriations for services provided in that fiscal year and excludes \$273 million to account for insufficient funds carried over to reimburse fiscal 2025 bills in fiscal 2026.

General fund expenditures are projected to increase by \$33.9 million in fiscal 2027 for the implementation of the first-year demonstration grant for Certified Community Behavioral Health Clinics (CCBHC). Combined with the 50% federal reimbursement, the baseline assumes a total of \$67.8 million for this program. The CCBHC model expands services to increase accessibility and availability of specific behavioral health services, including 24-hour crisis support. The model relies on a prospective payment system to allow for greater flexibility of service provision and clinic budgeting but requires greater upfront costs than a fee-for-service model. Total projected costs to implement the CCBHC program with 10 clinics are based on the average costs incurred by five other states that have completed the first year of demonstration.

Although the enrollment impacts of the OBBBA are expected to phase in during the second half of fiscal 2027, upfront administrative spending on information technology system changes, personnel needs, and outreach efforts due to programmatic changes are expected to begin in fiscal 2026. The baseline anticipates \$20 million of State fund spending on these administrative costs in fiscal 2026, increasing to \$50 million in fiscal 2027. Much of the additional administrative costs are one-time or limited in nature, and the additional administrative costs are expected to be much lower in the out-years.

Tax Credit Programs

SDAT administers the Homeowners' Tax Credit (HTC) Program in which the State reimburses local governments to provide State and local property tax relief to all eligible homeowners who qualify based on a sliding scale of their property tax liability and income. The fiscal 2027 baseline estimates an increase of \$2 million in general funds for the HTC based on the three-year average of actual costs for this program, bringing the total expenditure to \$58 million.

Department of Human Services

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

Foster Care and Subsidized Adoption/Guardianship Caseloads and Expenditures

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

In fiscal 2025, the overall caseload increased by 0.6%; however, there were notable differences among placement types. Increased placements occurred for three foster care placement types, including regular foster care (24.9%), which has the highest number of placements, and purchased institution (group homes) (2.5%), which is the highest cost placement type, and intermediate foster care (11.4%). Four foster care placement types experienced decreased caseloads, including purchased homes (-5.5%), the second largest foster care placement type. Overall, subsidized guardianships and subsidized adoptions decreased, driven by ongoing declines in subsidized adoptions. Based on these trends and year-to-date changes in placements, the fiscal 2027 baseline assumes that average monthly foster care caseloads will increase by 9.7% in fiscal 2026, driven primarily by regular foster care and purchased institution placements. Slower growth is projected for both placement types in fiscal 2027, leading to an overall increase of 3.1% in that year.

**Foster Care and Subsidized Adoption/Guardianship
Caseloads and Expenditures
Fiscal 2025-2027**

	<u>2025</u>	<u>Leg. Approp. 2026</u>	<u>DLS Estimate 2026</u>	<u>DLS Baseline 2027</u>	<u>Average Annual % Change 2026-2027</u>
Caseload					
Foster Care	2,607	2,425	2,860	2,949	3.1%
Subsidized					
Adoption/Guardianship	7,619	7,738	7,564	7,549	-0.2%
Total Combined	10,226	10,164	10,425	10,498	0.7%
Expenditures					
Monthly Cost Per Case					
Foster Care	\$7,707	\$7,634	\$7,591	\$7,586	-0.1%
Subsidized					
Adoption/Guardianship	873	995	880	898	2.1%
Combined Average Cost	\$3,311	\$3,243	\$3,404	\$3,454	1.5%
Expenditures (\$ in Millions)					
General Funds	\$279.0	\$320.6	\$361.8	\$370.2	2.3%
Total Cost	\$406.2	\$395.6	\$425.8	\$435.1	2.2%
Projected General Fund Shortfall			-\$41.2		
Projected Total Fund Shortfall			-\$30.2		

Despite the overall modest increase in caseload, expenditures increased by approximately 15% in fiscal 2025, driven by growth in caseloads for high-cost placements, substantial increases in average monthly placements for purchased institutions due to provider rate increases including the implementation of rate reform for these providers in fiscal 2025, and growth in flexible fund spending. Chapter 604 of 2025 prohibited increased rates in fiscal 2026 over the rates in effect on January 1, 2025. However, due to the placement mix, anticipated growth in placements, and annualization of fiscal 2025 rate increases, overall costs are projected to increase by approximately 5% in fiscal 2026 to \$425.8 million, exceeding the budgeted level. As a result, the baseline anticipates that a deficiency of \$30.2 million (\$41.2 million in general funds, partially offset by a reduction of \$1.2 million in special funds and \$9.7 million in federal funds) in fiscal 2026 will be necessary.

A 2% provider rate increase is expected to be provided in fiscal 2027. With this increase plus changes in the caseload, the average monthly expenditure per case across all foster care, subsidized adoption and guardianship placements, and other foster care expenditures is projected to increase by 1.5% in fiscal 2027. Projected program expenditures in fiscal 2027 total \$435.1 million, an increase of approximately \$9.3 million (\$8.4 million in general funds and \$0.9 million in federal funds).

Assistance Payments

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

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

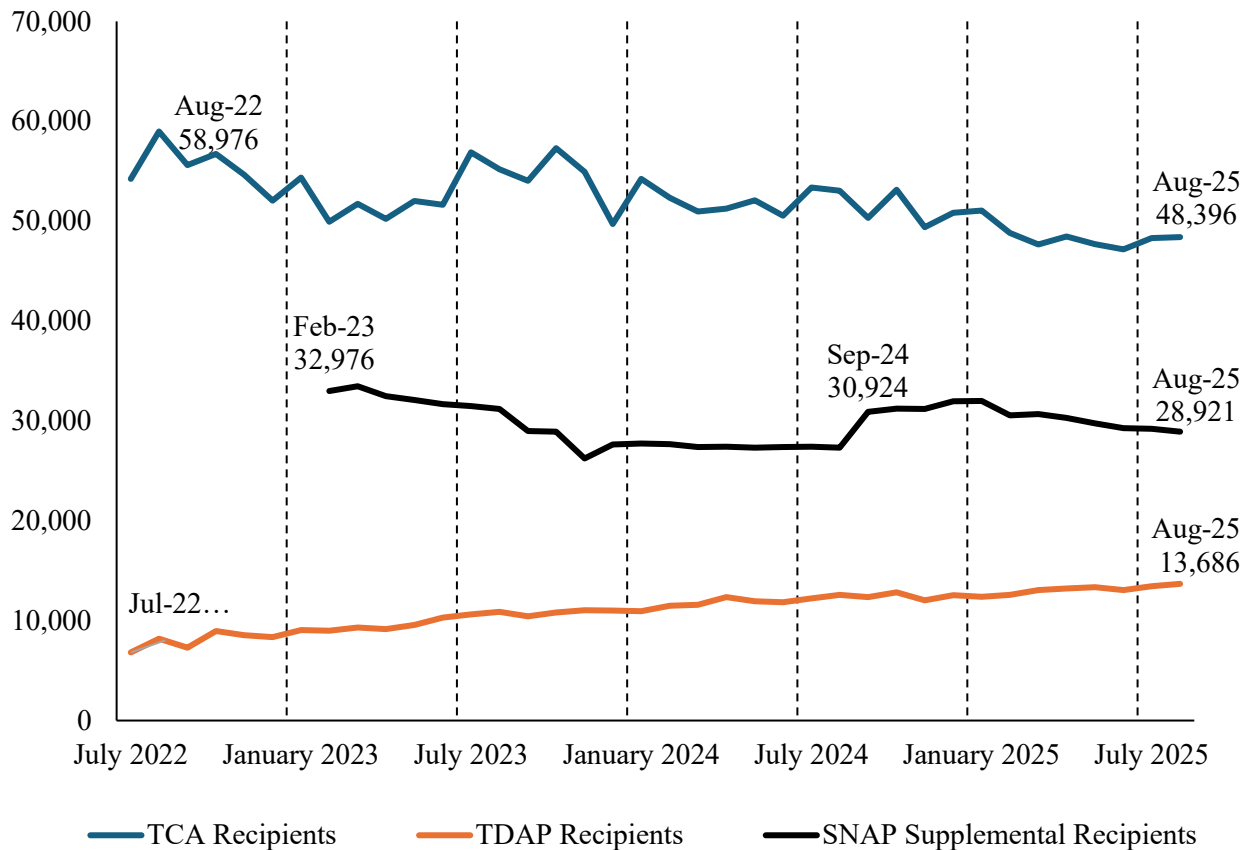
Enrollment Trends

The average number of monthly TCA recipients declined by 6.0% in fiscal 2025 (50,090) compared to fiscal 2024 (53,291). In the first two months of fiscal 2026, the number of recipients has averaged 48,348. Given the recent trend of declines, the Department of Legislative Services (DLS) projects a decline in fiscal 2026 to better align with the number of current recipients but projects limited additional decreases due to current economic uncertainty in Maryland with the high level of federal government layoffs (48,087). DLS projects a slight increase of 2.0% in fiscal 2027 (49,048).

Consistent with recent trends, DLS projects an increase of 11% in the number of TDAP recipients in fiscal 2026 (14,089), with an additional 5% increase in fiscal 2027 (14,793). The average number of recipients in fiscal 2026 is projected to be higher than the budget can support by nearly 1,600 recipients.

To better align with recent caseloads, DLS projects a 2% decline in average monthly recipients (29,616) in the State's Supplemental Benefit for Seniors in fiscal 2026, with a modest increase of 0.5% in fiscal 2027 (29,764). DLS notes that given recent changes in SNAP under the OBBBA, some individuals receiving this benefit will be subject to work requirements to maintain receipt, which could reduce the number of recipients below forecasted levels.

TCA, TDAP, and SNAP Supplemental Benefit for Seniors Recipients July 2022 to August 2025



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

TCA Expenditure Trends

Due to larger increases in federal SNAP benefits than the inflationary increase in the Maryland Minimum Living Level (MMLL), the TCA maximum benefits were unchanged between fiscal 2020 and 2024. This occurred even as the share of the MMLL that the combination of TCA and SNAP must meet under statute increased from 61% to 61.25% in fiscal 2023. Following a second year of lower-than-inflation increases in the federal SNAP benefit in federal fiscal 2025, the maximum TCA benefits increased during fiscal 2025. Contrary to recent history, the benefit increase did not occur until January 2025 (typically provided in October). On October 14, 2025, DHS reported that the inflationary increase in the MMLL (2.4%) will result in an increase in the TCA benefit level of 2.6% (to \$773) due to the announced increase in the federal SNAP benefit (2.2%) that is less than the MMLL increase. DHS notes this increase will take effect January 1, 2026. DLS projects that the TCA benefit will increase once again in fiscal 2027 due to anticipated inflationary increases in the MMLL by approximately 2.9% (to \$795). DLS anticipates this increase will occur October 1, 2026, to align with historical practice of adjusting the TCA benefit at the same time as the change in federal SNAP benefits. DLS also assumes that the \$45 per recipient per month additional benefit that has been provided since fiscal 2023 continues through fiscal 2027.

DLS anticipates a TCA surplus of \$11.7 million in total funds in fiscal 2026 due to a lower number of recipients and lower average benefit than can be supported with the fiscal 2026 budget. The general fund surplus is slightly lower due to a lower estimated federal fund availability based on the anticipated elimination of the TANF balance. Total expenditures are expected to increase by 4.1% in fiscal 2027 (from \$155.2 million to \$161.6 million); however, general fund expenditures increase by nearly 36% due to the expected lower availability of TANF following the anticipated elimination of the TANF balance along with rising costs in other TANF-funded programs.

Temporary Cash Assistance Enrollment and Funding Trends Fiscal 2025-2027

	<u>2025</u>	<u>Leg Approp 2026</u>	<u>DLS Estimate 2026</u>	<u>DLS Estimate 2027</u>	<u>% Change 2026-2027</u>
Average Monthly Enrollment	50,088	50,900	48,084	49,046	2.0%
Average Monthly Grant	\$263.40	\$273.25	\$268.94	\$274.52	2.1%
Budgeted Funds (\$ in Millions)					
General Funds	n/a	\$61.0	\$51.4	\$69.7	35.8%
Total Funds	\$158.3	\$166.9	\$155.2	\$161.6	4.1%
Estimated Surplus			\$11.7		
Estimated General Fund Surplus			\$9.7		

DLS: Department of Legislative Services

n/a: not available

Note: The Department of Human Services, Department of Legislative Services, and Department of Budget and Management are working to resolve discrepancies in fiscal 2025 benefit spending, which prevents a delineation by fund type at this time.

TDAP Expenditure Trends

Chapter 408 of 2018 established a plan for increasing the TDAP maximum benefit beginning in fiscal 2020 to the level of the maximum allowable payment for a one-person household in TCA by fiscal 2027. However, Governor Lawrence J. Hogan, Jr. announced that benefits in the program would increase to 100% of the one-person TCA level beginning in January 2022, ahead of the required schedule. The fiscal 2026 budget, like those of the prior two years, continued to fund benefits at that level. DHS reported an increase in the one-person TCA benefit to \$348 (an \$8 increase), which is used as the basis for the TDAP benefit, beginning January 1, 2026. DLS forecasts that the TDAP benefit will increase by \$10 to \$358 in fiscal 2027, beginning on October 1, 2026, consistent with the historical practice in timing for benefit changes. DLS also anticipates that the additional \$45 per recipient per month benefit that has been provided since fiscal 2023 to continue through fiscal 2027, bringing the benefit level to \$403 in fiscal 2027. The average benefits in each year are slightly lower than the maximum due to the delayed timing of the benefit increase one-quarter into the fiscal year.

Overall, DLS is projecting a shortfall of \$5.9 million in TDAP in fiscal 2026 due to a higher caseload than can be supported by the fiscal 2026 budget, partially offset by a lower benefit level than was estimated in budget development. The general fund shortfall (\$5.6 million) is slightly

lower than the total shortfall due to a slightly higher level of expected special funds to support the program based on historical experience than is currently included in the fiscal 2026 budget. However, surpluses in other programs can be used to offset the shortfall, so no additional general funds are required in the Assistance Payments program to meet this projected need.

**Temporary Disability Assistance Program
Enrollment and Funding Trends
Fiscal 2025-2027**

	<u>2025</u>	<u>Leg. Approp. 2026</u>	<u>DLS Estimate 2026</u>	<u>DLS Estimate 2027</u>	<u>% Change 2026-2027</u>
Average Monthly Enrollment	12,692	12,500	14,089	14,793	5.0%
Average Monthly Grant	\$378.53	\$399.00	\$389.00	\$400.50	3.0%
Budgeted Funds (\$ in Millions)					
General Funds	n/a	\$56.6	\$62.2	\$67.5	8.6%
Total Funds	\$57.7	\$59.9	\$65.8	\$71.1	8.1%
Estimated Shortfall			-\$5.9		
Estimated General Fund Shortfall			-\$5.6		

DLS: Department of Legislative Services

n/a: not available

Note: The Department of Human Services, Department of Budget and Management, and DLS are working to resolve discrepancies in fiscal 2025 benefit spending, which prevents a delineation by fund type at this time.

SNAP Supplemental Benefit for Seniors

Chapter 696 of 2016 established a State minimum benefit of \$30 for SNAP households that have at least one member who is at least 62 years old. Chapter 324 of 2022 codified an increase in the State minimum benefit to \$40. In addition to the changes in eligibility noted earlier, Chapters 374 and 375 also increased the State minimum benefit to \$50 effective October 1, 2024. The benefit is calculated as the difference between the benefit that the household receives from SNAP and the State minimum benefit for these households. In federal fiscal 2026, the federal minimum benefit is \$24. As result, the maximum State benefit in fiscal 2026 (after October 1, 2025) will be \$26, slightly lower than fiscal 2025. DLS anticipates that the maximum State benefit will slightly decrease in fiscal 2027 to \$25, due to an anticipated inflationary increase in the federal minimum benefit. The average benefit is slightly lower than the maximum grant levels in line with recent experience.

The SNAP Supplemental Benefit for Seniors program is expected to have a surplus of \$0.9 million in fiscal 2026 due to a lower than expected caseload. Expenditures are expected to decrease slightly in fiscal 2027 due to the lower maximum benefit, which more than offsets the slight increase in recipients.

Electronic Benefit Transfer Fraud Replacement

In calendar 2022, reports of fraud due to skimming of Electronic Benefit Transfer (EBT) began to increase, receiving attention at both the State and federal levels. Initially, DHS did not replace benefits lost due to skimming because it could not use federal funds in SNAP to replace these benefits due to federal rules, and the department noted that it did not have the appropriation to replace these funds with State dollars. The federal Consolidated Appropriations Act of 2023 requires reimbursement for SNAP benefits lost due to skimming from October 1, 2022, through September 30, 2024. A continuing resolution enacted in September 2024 extended the date for which federal reimbursement of these stolen benefits could occur to December 20, 2024. Chapters 171 and 172 of 2023 require DHS to automatically restore benefits lost due to skimming if a DHS investigation shows a household's benefits were lost due to theft. In addition, DHS must restore benefits lost due to theft that occurred between January 1, 2021, and October 1, 2022, by September 1, 2023. Although the legislation was not signed by Governor Wes Moore until April 2023, DHS began issuing cash replacement and SNAP benefit replacement in March 2023. Chapter 604 limits the overall amount of replacement benefits that can be issued in a fiscal year to \$30 million.

From March through June 2023, DHS issued replacement cash benefits totaling \$2.4 million to 9,212 recipients and SNAP benefits totaling \$5.0 million to 9,296 recipients, a combined \$7.4 million. In fiscal 2024, the number of recipients (4,535) and total value of replaced benefits for cash assistance were generally much lower than the initial months of the program and as a result, the total cost was \$3.1 million. The SNAP EBT replacement varied during the course of fiscal 2024 but was generally lower in the latter part of the year. Costs for the program totaled \$15.0 million in that year for 33,100 recipients; however, approximately \$1.4 million of the costs were supported with general funds, as the replacement met State but not federal requirements. In addition, TANF was used to support approximately \$1.0 million of the costs. In fiscal 2025, DHS issued replacement benefits totaling \$9.9 million for SNAP EBT replacement, of which \$5.1 million was general funds due to the eliminated availability of federal funds after December 20, 2024, and some benefits that met State but not federal law for replacement prior to that date. DHS issued cash benefit replacement of \$2.2 million in fiscal 2025. DLS projects \$8.0 million of SNAP EBT replacement and \$1.6 million of cash benefit replacement in each of fiscal 2026 and 2027 based on recent trends. All costs in fiscal 2026 and 2027 are supported with general funds, and the total payout is below the capped level of the Budget Reconciliation and Financing Act of 2025.

Federal Fund Supported Benefits

DLS projects that spending on SNAP benefits in fiscal 2026 will be approximately \$304 million lower than the legislative appropriation. The lower than anticipated spending is primarily the result of lower SNAP benefits due a lower anticipated caseload and benefit levels. The lower than budgeted SNAP expenditures are projected to be partially offset by spending on the federal SNAP EBT (Sun Bucks) benefit created in the Consolidated Appropriations Act of 2023. The program began in summer 2024, and benefits are available only for the summer months (June, July, and August). Based on actual spending for the two months of summer 2025 benefits paid and an estimate of the first month benefits for summer 2026 paid in fiscal 2026, the spending (approximately \$75.4 million), will be higher than the budgeted level (\$66.2 million). However, sufficient surplus of federal fund appropriation for SNAP will cover this shortfall. DLS expects a similar level of spending in fiscal 2027.

In fiscal 2027, SNAP benefits are projected to decrease by approximately \$119.3 million. The decrease is primarily the result of anticipated declines in the SNAP caseload, with the implementation of expanded definition of Able-bodied Adults without Dependents under the OBBBA, which is expected to lead to higher case closures and the implementation of a provision in the OBBBA that limits the SNAP Heat and Eat program to households with the elderly and disabled, which is projected to lower average benefits.

Employee Compensation Overview

Employee Compensation Overview

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

- ***Cost-of-living Adjustment:*** The fiscal 2027 baseline assumes a 2% general salary increase for State regular positions and contractual full-time equivalents. The fiscal 2027 baseline includes \$158.3 million in total funds, excluding higher education, for this increase, of which \$94.3 million is general funds.
- ***Employee and Retiree Health Insurance:*** State health insurance expenditures support employee and retiree pay-as-you-go health insurance costs. The baseline budget projects that fiscal 2027 claims (including prescription rebates) will total \$2.0 billion, an increase of 8.5% from fiscal 2026. Fiscal 2027 baseline health insurance expenditures increase by \$118.4 million across all funds, including \$49.8 million in general funds, compared to the fiscal 2026 legislative appropriation.
- ***Employees' Retirement and Pensions:*** Fiscal 2027 baseline expenditures decrease by \$9.8 million (\$5.4 million) due to rate changes compared to the fiscal 2026 legislative appropriation excluding higher education spending on pension costs.
- ***Personnel Costs and Deficiency:*** Based on current vacancy trends, the fiscal 2026 appropriation is insufficient to fully support personnel costs. The fiscal 2027 baseline assumes that \$30 million in deficiency funds will be needed in fiscal 2026 to support underfunded personnel costs.

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 (HEIF), tuition and fees, and other unrestricted and restricted fund sources, such as the sale of auxiliary and educational services and grants and contracts at each institution.

University System of Maryland and Morgan State University

The fiscal 2027 baseline assumes current unrestricted costs for USM and MSU increase by an estimated \$167.3 million and \$14.9 million, respectively. This includes \$124.7 million and \$15.5 million in current unrestricted funds (primarily State funds and tuition and fee revenue) for USM and MSU, respectively, and the remaining \$42.6 million and \$1.3 million in current restricted funds.

- The baseline budget assumes tuition and fees will increase by 2% in fiscal 2027 at USM and MSU. Of the estimated \$51.6 million increase in USM undergraduate tuition and fee revenue, \$13.1 million is attributable to new enrollments, which is based on USM's projected enrollment growth for each institution and the projected fiscal 2027 resident and nonresident tuition and fee rate. For MSU, \$2.4 million of the \$4.5 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 is estimated to increase by \$12.1 million and \$0.3 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 \$16.3 million and \$1.0 million for USM institutions and MSU, respectively, assuming a 1.0% increase.
- The baseline assumes State general funds and the HEIF will support unrestricted fund costs that estimated revenue from tuition and fees and other auxiliary revenues are inadequate to support.
- In fiscal 2027, State funding will increase by 2% for USM and MSU above the fiscal 2026 legislative appropriation adjusted for funding for statewide salary adjustments provided to USM and MSU. This increase provides support for statewide salary assumptions, as well as funding for new facilities, and other operating costs. In addition, the baseline assumes a net increase of \$1.7 million to account for new and changed mandates, as well as a mandate

that ends. These increases are partially offset by the removal of approximately \$12.5 million of one-time legislative additions in various institutions in USM and MSU. In total, these adjustments lead to additional State funding of \$47.0 million for USM and \$4.1 million for MSU.

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 2.01% in fiscal 2027, leading to an increase of \$837,900 in general funds. In addition, Chapter 420 of 2017 provides general funds for increases in the cost of health insurance for employees, and a performance bonus if the institution's six-year graduation rate is greater than or equal to 82.5%. Chapter 607 of 2022 increased the percentage that the State must pay for cost-of-living adjustments (COLA) from 50% to 100% for State-supported employees. The most recent six-year graduation rate was 73.6%, resulting in no performance bonus. The baseline provides \$687,700 in general funds to reflect the budgeting of 100% of the anticipated fiscal 2027 COLA for State-supported employees and \$447,700 based on the anticipated growth in contributions for State employees. In total, State support from SMCM is estimated at \$43.7 million in the fiscal 2027 baseline.

Baltimore City Community College

General funds for BCCC are determined by a statutory formula that considers enrollment and State support for selected public four-year institutions. As a result of Chapter 717 of 2024, in fiscal 2027, BCCC will receive 68.5% of funds per full-time equivalent student (FTES) that the selected public four-year institutions received per FTES in fiscal 2025. In fiscal 2027, per FTES funding is estimated to be \$13,782 using the 68.5% calculation, for a total of \$28.3 million. This is an increase of \$909,000 from fiscal 2026, accounting for both changes in enrollment and the per FTES funding. However, the estimated amount due to the funding formula is less than the hold harmless level of \$48.0 million. As a result, the fiscal 2027 baseline assumes BCCC will receive the hold harmless level.

BCCC also receives funding through the English for Speakers of Other Languages Program, estimated at \$376,000 in general funds in fiscal 2027.

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. Chapter 717 increased funding of the formula from 15.5% to 16.1% of the State funds per FTES at the selected public four year institutions, changed the methodology for calculating State funding per FTES to be based on two-year prior actual expenditures for State funds and enrollment, and based the allocation of

Sellinger funds on undergraduate FTES. In fiscal 2027, at 16.1% the State funding per FTES in the Sellinger program is estimated at \$3,239. General funds for the Joseph A. Sellinger Program for private institutions increase by \$2.4 million to \$75.8 million in the fiscal 2027 baseline based on the higher estimated State funding per FTES and enrollment increases.

The fiscal 2027 baseline for Educational Excellence Award (EEA) general funds increases by \$2.3 million, or 2%, to reflect an assumed 2% increase in resident undergraduate tuition at the public four-year institutions. In addition, the fiscal 2027 baseline replaces \$14.3 million in special funds with general funds for the EEA due to a lower balance in the Need-Based Student Financial Aid Fund, which was used to supplement general funds in fiscal 2026.

The fiscal 2027 baseline also anticipates the restoration of \$4.0 million in special funds for the Teaching Fellows for Maryland Scholarship, which were reduced in the fiscal 2026 budget. With this increase, the program would be fully restored to the mandated amount level of \$18.0 million.

Two financial aid programs (the Senatorial and Delegate Scholarships) are estimated to increase by a combined \$0.3 million, or 2%, in fiscal 2027 to reflect an assumed 2% increase in resident undergraduate tuition at the public four-year institutions.

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.

The fiscal 2027 baseline removes one-time fiscal 2026 general fund items and includes items programmed in the State's 2025 session five-year *Capital Improvement Program* (CIP) and maximizes the use of estimated special and federal funds, with the goal of level funding programs to the fiscal 2026 legislative appropriation or to the level programmed for fiscal 2027 in the 2025 CIP. Excluding funding provided through the *Consolidated Transportation Program* (CTP), the fiscal 2027 baseline includes \$1.204 billion of total PAYGO funding compared to the \$810.5 million fiscal 2026 legislative appropriation.

The baseline assumes that special funds will be distributed according to statutory requirements. Special fund transfer tax revenues used to fund Program Open Space (POS) are distributed based on the POS formula and adjusted to account for Chapter 604 of 2025 (Budget Reconciliation and Financing Act (BRFA)), which transfers \$25 million of budgeted transfer tax revenues that support land preservation to the General Fund. Because general fund revenues closed well above the estimate, and nonwithholding income tax revenues exceeded the estimate, the Fiscal Responsibility Fund (FRF) will receive \$191.2 million to be used to fund K-12 and higher education capital projects. It should be noted that, after the baseline was completed, Governor Moore declared a state of emergency and diverted \$72 million from the FRF to provide food assistance in fiscal 2026.

The baseline includes an increased level of federal fund support for the capital program, reflecting increased funding for cemetery improvements through the Department of Veterans and Military Families (DVMF) and increased federal support for new and improved Military Department facilities. The baseline assumes federal Infrastructure Investment and Jobs Act (IIJA) funding in the Maryland Department of the Environment (MDE) remains level with what was appropriated in fiscal 2026.

**Funding for PAYGO Capital Programs
Excluding MDOT
Fiscal 2026-2027**

<u>Program Code</u>	<u>Agency</u>	<u>2026 Leg. Approp.</u>	<u>2027 Baseline</u>	<u>\$ Difference</u>	<u>% Difference</u>
D23A0104	Maryland Cannabis Administration	\$5,000,000	\$0	-\$5,000,000	-100.0%
D25E0302	Interagency Commission on School Construction – Public School Construction	78,143,411	261,151,120	183,007,709	234.2%
D40W0111	Department of Planning – Historic Preservation	150,000	150,000	0	0.0%
D55P0004	Department of Veterans and Military Families	0	26,615,000	26,615,000	
D50H0105	Military Department	227,000	39,193,000	38,966,000	17165.6%
H00H0201	DGS – Statewide Capital Appropriation	2,750,000	1,550,000	-1,200,000	-43.6%
H00H0103	DGS – Miscellaneous Grants	48,000,000	0	-48,000,000	-100.0%
J00A0103	MDOT – Facilities and Capital Equipment	6,000,000	0	-6,000,000	-100.0%
J00A0105	MDOT – WMATA	0	167,000,000	167,000,000	
K00A0510	DNR – Outdoor Recreational Land Loan	72,784,284	138,221,088	65,436,804	89.9%
K00A0906	DNR – Ocean City Maintenance	1,000,000	1,000,000	0	0.0%
K00A1401	DNR – Waterway Improvement Fund	25,500,000	25,500,000	0	0.0%
L00A1111	Department of Agriculture – Office of the Secretary	18,629,108	38,793,112	20,164,004	108.2%
R13M00	Morgan State University	9,000,000	0	-9,000,000	-100.0%
R30B24	Towson University	9,000,000	0	-9,000,000	-100.0%
R30B21	University of Maryland, Baltimore Campus	5,000,000	0	-5,000,000	-100.0%
R30B22	University of Maryland, College Park	4,000,000	0	-4,000,000	-100.0%
R30B29	Salisbury University	5,000,000	0	-5,000,000	-100.0%
R95C00	Baltimore City Community College	9,000,000	0	-9,000,000	-100.0%
S00A2402	DHCD – Neighborhood Revitalization	30,358,000	30,403,000	45,000	0.1%
S00A2507	DHCD – Rental Housing Programs	28,500,000	28,500,000	0	0.0%
S00A2508	DHCD – Homeownership Programs	14,500,000	4,500,000	-10,000,000	-69.0%
S00A2509	DHCD – Special Loan Programs	9,440,000	9,440,000	0	0.0%
S00A2515	DHCD – Housing and Building Energy Programs	56,500,000	56,500,000	0	0.0%
U00A0103	MDE – Water Quality Revolving Loan Fund	188,310,000	195,000,000	6,690,000	3.6%

<u>Program Code</u>	<u>Agency</u>	<u>2026 Leg. Approp.</u>	<u>2027 Baseline</u>	<u>\$ Difference</u>	<u>% Difference</u>
U00A0104	MDE – Hazardous Substance Clean-up Program	625,000	650,000	25,000	4.0%
U00A0105	MDE – Drinking Water Revolving Loan Fund	118,046,000	115,000,000	-3,046,000	-2.6%
U00A0111	MDE – Bay Restoration Fund – Wastewater	65,000,000	65,000,000	0	0.0%
Total		\$810,462,803	\$1,204,166,320	\$393,703,517	48.6%
General Funds		\$62,375,000	\$169,200,000	\$106,825,000	171.3%
Special Funds		\$524,561,803	\$740,504,320	\$215,942,517	41.2%
Federal Funds		\$223,526,000	\$294,500,000	\$70,936,000	31.7%
Total		\$810,462,803	\$1,204,204,320	\$393,703,517	48.6%

DGS: Department of General Services

DHCD: Department of Housing and Community Development

DNR: Department of Natural Resources

MDE: Maryland Department of the Environment

MDOT: Maryland Department of Transportation

PAYGO: pay-as-you-go

WMATA: Washington Metropolitan Area Transit Authority

Note: Fiscal 2026 special fund appropriation figures adjusted to include \$32.0 million from the Strategic Energy Investment Fund for various higher education projects and \$9.0 million for Baltimore City Community College from its current unrestricted appropriation. The federal fiscal 2027 baseline figures do not include \$4.575 million of federal funds for the Maryland Environmental Service – State Water and Sewer Infrastructure program included in the baseline as an operating adjustment.

Interagency Commission on School Construction

The fiscal 2026 budget includes \$9.1 million in special funds budgeted to the Interagency Commission on School Construction (IAC) from the FRF. Following the fiscal 2025 closeout, general fund revenues closed \$521 million higher than forecasted, and the FRF received \$191.2 million, which the fiscal 2027 baseline programs to IAC to fund K-12 capital projects. Overall, the IAC baseline increases by a net \$182.1 million in FRF special funds.

Department of General Services

The fiscal 2026 operating budget included \$48 million in general funds for one-time capital PAYGO appropriations for miscellaneous capital grants to non-State organizations, which are removed from the fiscal 2027 baseline. The baseline also removes \$2.0 million in general funds appropriated to the Department of General Services for the Department of Public Safety and Correctional Services New Life Skills and Re-Entry Center for Women. The fiscal 2026 budget included \$750,000 of general funds to conduct an engineering study in support of the demolition of structures at the Baltimore State Center Complex, and the fiscal 2027 baseline includes \$1,550,000 to continue to fund the engineering study contract.

Military Department

The baseline includes \$39.2 million of federal PAYGO funds to support renovation and expansion of (1) the Glen Burnie Readiness Center (\$6.4 million); (2) the White Oak Readiness Center (\$30 million); (3) the New Hagerstown Field Maintenance Shop (\$2 million); and (4) the Ruhl Readiness Center (\$780,000). The baseline assumes that any applicable State matching funds are provided with GO bond funds consistent with the CIP.

Department of Veterans and Military Families

DVMF operates five veteran cemeteries throughout the State to provide interment to eligible veterans and their dependents. The baseline includes \$12.1 million of federal PAYGO funds for the expansion of the Crownsville Veterans Cemetery and \$14.5 million for the expansion of the Garrison Forest Veterans Cemetery.

Maryland Department of Transportation

For the Maryland Department of Transportation PAYGO capital programs, adjustments were made to conform to the draft CTP for fiscal 2026-2031. In addition, the baseline includes \$167 million of general funds for the dedicated capital grant to the Washington Metropolitan Area

Transit Authority, consistent with the CIP, and removes a one-time \$6 million grant for the Tradeport Atlantic Container Terminal project.

Department of Natural Resources

The fiscal 2027 baseline includes the following adjustments to the level of funding attributable to the special fund transfer tax revenues used to fund POS:

- **Transfer Tax Underattainment:** The actual fiscal 2025 revenue attainment was \$220.0 million, which is \$13.0 million less than the amount budgeted in fiscal 2025. This underattainment is subtracted from the estimated fiscal 2027 revenues that support fiscal 2027 program funding levels.
- **Transfer Tax Revenue Estimate Increase:** The revenue estimate for fiscal 2027 is \$247.1 million, which is \$27.5 million more than the \$219.6 million budgeted revenue figure for fiscal 2026.

The fiscal 2027 baseline for the Department of Natural Resources POS – State allocation includes \$30.4 million in special funds – \$16.3 million for State land acquisition, \$10.0 million for the Baltimore City Direct Grant, and \$4.1 million for the Heritage Conservation Fund – and \$5.0 million in federal funds, which is an \$18.1 million increase in transfer tax special funds compared to the fiscal 2026 legislative appropriation. The \$16.3 million State land acquisition estimate accounts for the BRFA of 2025 reduction of \$7.2 million as part of the overall land preservation reduction of \$25.0 million proportionately allocated between State land acquisition, the Rural Legacy Program, and the Maryland Agricultural Land Preservation Program (MALPP).

The POS – Local allocation increases by \$24.7 million, from \$25.5 million in fiscal 2026 to \$50.2 million in fiscal 2027. There is also a reduction of \$1.6 million in special funds for five fiscal 2026 projects funded as one-time legislative additions. The project funding reflected prior year Baltimore City Direct Grant funding, which was restricted for projects that were either abandoned or completed with funding remaining.

The POS – Greenspace Equity Program receives \$10.0 million in the fiscal 2027 baseline. This is an increase of \$3.0 million relative to the fiscal 2026 legislative appropriation but is the same as the amount programmed in the 2025 CIP for fiscal 2027. The POS – Public Access Program is estimated to receive \$12.0 million in the fiscal 2027 baseline per the 2025 CIP. This is a \$6.4 million increase relative to the fiscal 2026 legislative appropriation of \$5.6 million.

The fiscal 2027 baseline includes \$13.4 million in special funds for the Rural Legacy Program that provides funds for the acquisition of conservation easements. As aforementioned, this reflects the Rural Legacy Program's \$5.9 million share of the \$25.0 million land conservation funding reduction. This is an increase of \$9.0 million compared to the fiscal 2026 legislative appropriation due to the increased amount of transfer tax special funds available in fiscal 2027.

The fiscal 2027 baseline includes \$18.2 million in special funds for Capital Development Projects. The special funds reflect transfer tax funding for the Natural Resources Development Fund (\$17.2 million) and the State contribution to the Ocean City Beach Maintenance Program (\$1.0 million); no funding is provided for the Critical Maintenance Program, which is consistent with the amount programmed in the 2025 CIP and the fiscal 2026 funding level. Overall, the baseline for Capital Development Projects increases by \$6.9 million between the fiscal 2026 legislative appropriation and the fiscal 2027 baseline, which reflects the increased amount of transfer tax special funds available in fiscal 2027.

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 2027 baseline to reflect the 2025 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. Of note, the U.S. Army Corps of Engineers did not receive funding for its share of the Ocean City beach replenishment, which leaves the project with a large funding gap.

The fiscal 2027 baseline for the Waterway Improvement Program (WIP) includes \$25.5 million, which is consistent with the fiscal 2026 legislative appropriation and the amount programmed in the 2025 CIP for fiscal 2027. The fiscal 2027 funding includes \$24.0 million in special fund revenue available from the motor fuel tax and the vessel excise tax and \$1.5 million in federal funding. The WIP provides grants and loans to local, State, and federal government agencies for projects that improve and promote the recreational and commercial capabilities, conditions, and safety of Maryland's waterways for the benefit of the general boating public.

Maryland Department of Agriculture

The fiscal 2027 baseline for MALPP consists of \$38.8 million in special funds. The baseline estimate is comprised of funding from the State transfer tax's statutory distribution as adjusted by prior year underattainment for a total of \$26.8 million and county matching funding estimated at \$12.0 million. As noted prior, this reflects MALPP's \$11.9 million share of the \$25.0 million land conservation funding reduction. Overall, the baseline reflects an increase of \$20.2 million in special funds compared to the fiscal 2026 legislative appropriation, which reflects the increased transfer tax revenue estimate.

Department of Housing and Community Development

For the Department of Housing and Community Development, the fiscal 2027 baseline decreases special funds by \$10 million for Homeownership Programs and increases special funds by \$45,000 for the Neighborhood Business Development Program to align with the CIP.

Maryland Department of the Environment

MDE's fiscal 2027 baseline of \$195 million for the Water Quality Revolving Loan Fund Program reflects the 2025 CIP funding plan of \$110.0 million in special funds and \$85.0 million in federal funds; an additional \$16.0 million in GO bonds is programmed in the 2025 CIP as matching funding. The federal funds reflect a combination of the base funding and the last year of federal IJA funding. The fiscal 2027 baseline reflects an increase of \$7.7 million compared to the fiscal 2026 legislative appropriation due to an increase of \$7.4 million in federal funds and \$1.0 million increase in matching GO bond funding, which is offset partially by a decrease of \$0.7 million in special funds. 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 \$115.0 million. This reflects the 2025 CIP funding plan for fiscal 2027 of \$20.0 million in special funds and \$95.0 million in federal funds; an additional \$11.2 million in GO bonds is programmed in the 2025 CIP as matching funding. The federal funds reflect a combination of the base funding and the last year of federal IJA funding. The fiscal 2027 baseline reflects a decrease of \$3.4 million compared to fiscal 2026 due to a \$1.0 million decrease in special funds, a \$2.0 million decrease in federal funds, and a \$0.3 million decrease in matching GO bond funding.

The fiscal 2027 baseline includes \$0.7 million in general funds for the Hazardous Substance Clean-Up Program, as programmed in the 2025 CIP.

The fiscal 2027 baseline includes \$15.0 million in special funds for the septic system capital grant program, which is a component of the Bay Restoration Fund, consistent with the amount programmed in the 2025 CIP and the fiscal 2026 legislative appropriation. The baseline estimate for the Enhanced Nutrient Removal Program, funded by a fee on public sewer/water users, is \$50.0 million in special funds and is consistent with the 2025 CIP and the fiscal 2026 legislative appropriation.

Other Agencies

The baseline also includes the following adjustments to PAYGO funding in other agencies:

- **IAC:** The \$191.2 million balance in the Fiscal Responsibility Fund was allocated to IAC in the baseline. Compared to fiscal 2026, the IAC baseline increased by a net \$182.1 million in FRF special funds.
- **Maryland Cannabis Administration (MCA):** The baseline removes \$5.0 million of general funds appropriated to MCA to provide a grant to the Maryland Economic Development Corporation for construction of a cannabis business incubator required by § 36-404 of the Alcoholic Beverages and Cannabis Article.

- ***University System of Maryland (USM):*** The baseline removes \$23.0 million of special funds appropriated from the Strategic Energy Investment Fund (SEIF) energy efficiency account to fund energy efficiency components for the following USM projects: (1) \$5.0 million for the construction of a New School of Social Work Building at the University of Maryland, Baltimore Campus; (2) \$4.0 million for the construction of a New Interdisciplinary Engineering Building at the University of Maryland, College Park Campus; (3) \$9.0 million for the renovation of Smith Hall at Towson University; and (4) \$5.0 million for the renovation of Smith Hall at Salisbury University.
- ***Morgan State University:*** The baseline removes \$9.0 million of special funds appropriated from the SEIF energy efficiency account to fund energy efficiency components for the New Science Center.
- ***Baltimore City Community College:*** The baseline removes \$9.0 million of special funds appropriated from the college's fund balance to fund the acquisition of property adjacent to the Liberty Campus.
- ***Maryland Environmental Service (MES):*** The baseline adds \$4.575 million of federal funds, consistent with the CIP. MES is pursuing U.S. Department of Veterans Affairs State Home Construction Grant funds for the Charlotte Hall Veteran's Home Water Treatment Plant Upgrade project.

Reserve Funds

State Reserve Fund

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

Rainy Day Fund

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. The fiscal 2027 baseline reflects the required appropriation of \$449.8 million for the Rainy Day Fund.

DPA

The fiscal 2027 baseline includes \$167 million in the DPA for the Washington Metropolitan Area Transit Authority Capital Grant, an annual commitment, reflecting the planned use of general funds to support this funding in the 2025 *Capital Improvement Program*. The fiscal 2027 baseline also removes one-time fiscal 2026 funding in the DPA, including \$17.5 million for the Capital of Quantum Initiative and \$5 million for Division of Parole and Probation staffing. In addition, \$3.8 million provided in the DPA in fiscal 2026 for a capital lease between the Maryland Department of Health (MDH) and the Maryland Economic Development Corporation is realigned for fiscal 2027 to MDH.

CEA

Chapter 97 of 2025 established the Federal Government Employee Assistance Loan Fund. The fiscal 2027 baseline assumes that \$10 million in CEA funds are used to support this program in fiscal 2026, requiring an appropriation of \$8.4 million to replenish the CEA fund balance to the goal level of \$10 million.

Other State Agency Baseline Adjustments

Maryland Department of Health – Behavioral Health Administration – Non-Medicaid Provider Reimbursements

The Maryland Department of Health (MDH) reimburses providers for behavioral health services for the uninsured and underinsured in the Community Services program and for Medicaid-eligible patients seeking care ineligible for reimbursement by Medicaid in the State-funded Medicaid program. Both programs are projected to be reduced in fiscal 2027 from the fiscal 2026 legislative appropriation due primarily to MDH projecting significant surpluses at the close of fiscal 2025.

In the Community Services program, the Department of Legislative Services (DLS) projects provider reimbursement expenditures of \$138.6 million in fiscal 2026 and \$151.3 million in fiscal 2027. The fiscal 2026 projection is lower than the legislative appropriation based on a fiscal 2025 surplus of \$128.0 million due in part to reduced expenditures for Substance Use Dependency residential services. The DLS fiscal 2026 projection assumes actual spending at approximately \$44.1 million lower than the legislative appropriation and assumes a 2% provider rate increase and 3% growth in fiscal 2027 service utilization. DLS also projects \$356,234 in general funds in this program in fiscal 2027 for the implementation of the Family and Medical Leave Insurance (FAMLI) Program, which was delayed until fiscal 2027. Under the program, MDH must reimburse providers for some or all of the employer share of contributions to FAMLI benefits.

Special funds in the Community Services program are reduced by \$4.0 million due to the expiration of a one-time transfer of excess balance from various health occupational boards. The Budget Reconciliation and Financing Act of 2025 authorized the transfer to replace general funds for behavioral health services in fiscal 2026 only, and the transfer is not anticipated to continue in fiscal 2027.

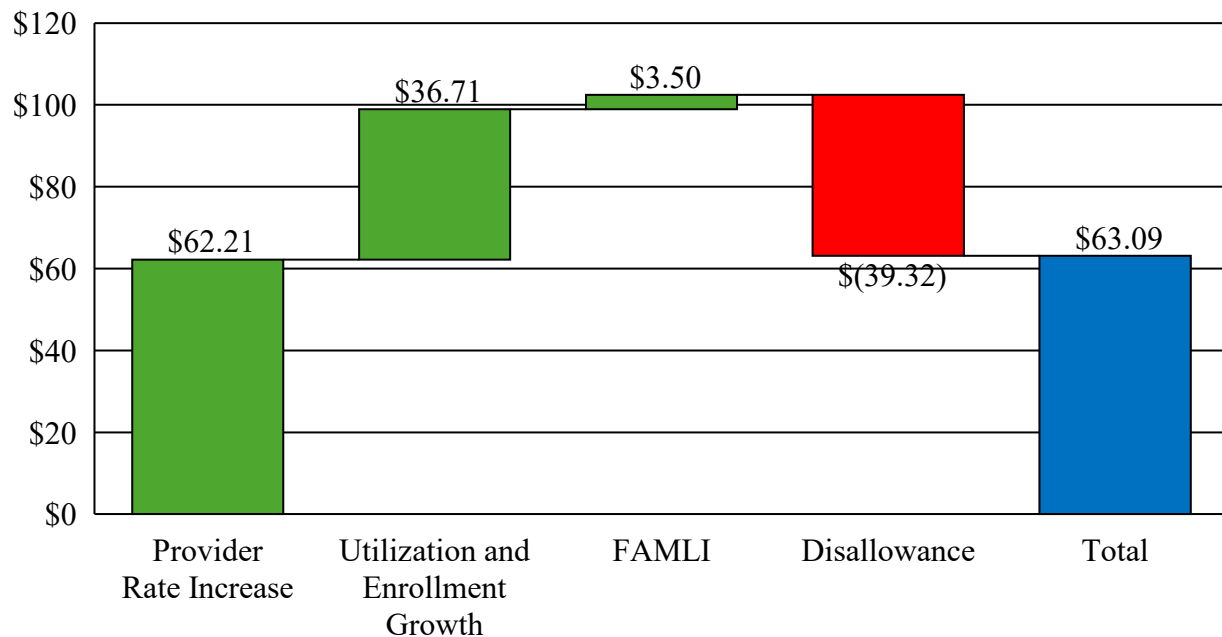
In the State-funded Medicaid program, DLS projects expenditures for provider reimbursements of \$86.1 million in fiscal 2026 and \$91.8 million in fiscal 2027. This program reimburses providers for services delivered to Medicaid enrollees and is therefore impacted by Medicaid enrollment and utilization trends. Actual fiscal 2026 spending is expected to be lower than the legislative appropriation due to reduced levels of service utilization and Medicaid enrollment compared to earlier forecasts. In fiscal 2027, this program is expected to grow by 6.6% from the fiscal 2026 estimate. In addition, DLS projects expenditures of \$185,091 in general funds in fiscal 2027 for FAMLI contributions to providers.

MDH – Developmental Disabilities Administration

The Developmental Disabilities Administration (DDA) provides services for individuals with developmental and intellectual disabilities. Through their Community Services program, DDA provides three broad categories of services – Residential Services, Meaningful Day Services, and Support Services – and participants can participate in one of two service models – the Traditional model, where participants receive services through a provider agency, or the Self-Directed Services model, where participants employ their providers. The Community Services program is projected to increase in fiscal 2027, primarily due to a provider rate increase and estimated increase in utilization and enrollment across all service categories and models.

The following chart shows the components of growth in fiscal 2027 from the fiscal 2026 legislative appropriation adjusted for an anticipated deficiency of \$55 million in general funds based on actual fiscal 2025 spending trends. The fiscal 2027 baseline for the Community Services program increases by \$62 million (\$31.0 million in general funds, \$119,261 in special funds, and \$31.0 million in federal funds) to support a 2% provider rate increase. DLS's fiscal 2027 baseline also estimates an increase of \$40.0 million (\$20.0 million in general funds, \$76,738 in special funds, and \$20.0 million in federal funds) due to enrollment of new participants and growth in utilization of services based on fiscal 2025 trends. The fiscal 2027 baseline also includes an increase of \$3.5 million in general funds for reimbursement of certain costs of providers under the FAMILI program, which was delayed until fiscal 2027 per Chapter 363 of 2025. General fund growth in the DDA baseline for the Community Services program is partially offset by a decrease of \$39.3 million in general funds due to a one-time payment for unallowable Medicaid costs for residential add-on services.

Components of DDA Baseline Growth
Fiscal 2026 Adjusted to Fiscal 2027 Baseline
(\$ in Thousands)



DDA: Developmental Disabilities Administration
 FAMLI: Family and Medical Leave Insurance Program

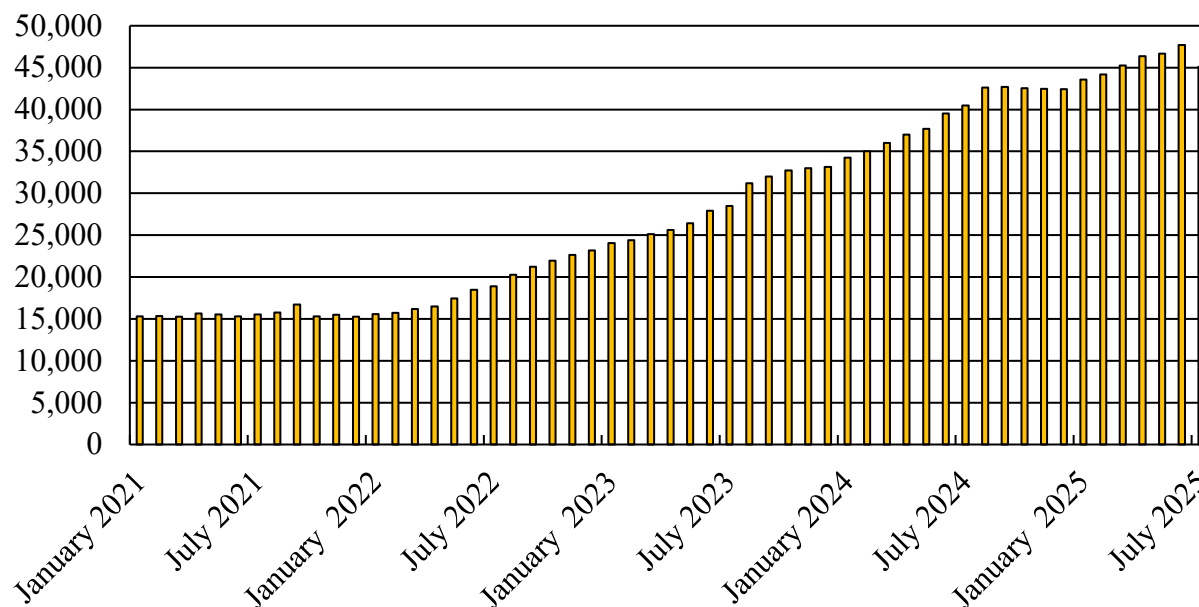
Source: Developmental Disabilities Administration, Department of Legislative Services

Child Care Programs

Child Care Scholarship Program

The Child Care Scholarship (CCS) program provides financial assistance with child care tuition to low-income families that meet applicable State or federal requirements. The program is funded through a combination of State funds and the federal Child Care and Development Block Grant (CCDBG). As shown in the following exhibit, the program has experienced substantial enrollment growth of over 210%, from 15,296 children served in January 2021 to a high of 47,713 children served in June 2025. Coupled with ongoing costs of programmatic changes that increased provider reimbursement rates and reduced family copayments, the rapid enrollment growth led the CCS program to report budget shortfalls of over \$100 million in State funds each year in fiscal 2024 and 2025.

Children Enrolled in the Child Care Scholarship Program January 2021 to July 2025



Source: Maryland State Department of Education

Chapters 731 and 732 of 2023 generally restrict the Maryland State Department of Education (MSDE) from changing key policies regarding the CCS program in place as of January 1, 2023, including freezing program enrollment. During the 2025 session, MSDE notified the General Assembly of its plan to temporarily implement an enrollment freeze to reduce program costs. Beginning on May 1, 2025, MSDE froze new enrollment with exceptions for additional children in families enrolled prior to the freeze and certain categorically eligible families, such as those receiving Temporary Cash Assistance or Supplemental Security Income.

MSDE projected that monthly enrollment would fall to 40,000 children by September 2025 and, at that time, the department would maintain level enrollment by replacing disenrollments with children from the waitlist. However, MSDE received an unanticipated surge of applications in the weeks just before the May 1 enrollment freeze and reported continued enrollment growth through June 2025. In July 2025, enrollment decreased slightly to 45,122 children, but caseloads remain much higher than MSDE estimated. Through September 8, 2025, the department reported a waitlist of 1,445 children and, as of October 20, 2025, MSDE had not lifted the enrollment freeze. Considering the additional children served above projections in fiscal 2026, the baseline assumes a deficiency appropriation of \$49.4 million in total funds. Based on actual CCDBG availability being slightly higher than budgeted in fiscal 2025, \$20 million of the deficiency appropriation is

expected to be supported with additional federal funds, and \$29.4 million is supported with general funds.

Although monthly enrollment in fiscal 2027 is projected to remain level as MSDE maintains a waitlist and invites families to apply as slots become open, program costs continue to grow due to an increase in provider reimbursement rates. MSDE determines provider reimbursement rates based on market rate surveys across geographic regions of the State conducted every two years. In a report dated September 1, 2025, MSDE indicated that it would increase reimbursement rates in spring 2026 based on the results of the latest market rate survey. The adjustment to the most recent market rate survey conducted in calendar 2024 is projected to increase scholarship rates by almost 15%. As a result, the fiscal 2027 baseline assumes CCS program costs increase by \$35.8 million in general funds above estimated fiscal 2026 spending.

Other Child Care Programs

The fiscal 2027 baseline for MSDE decreases by \$5.7 million in special funds from the Blueprint for Maryland's Future (Blueprint) Fund and increases by \$2.2 million in general funds due to the following legislation impacting child care programs:

- Chapter 165 of 2024 extended to fiscal 2026 only the mandated appropriation for the Maryland Child Care Credential Program, which provides achievement bonuses, training reimbursement, or training vouchers to eligible child care staff. Chapter 165 required the Governor to appropriate at least an amount equivalent to the fiscal 2024 appropriation (\$5.7 million). The fiscal 2027 baseline decreases by \$5.7 million to reflect the expiration of this mandated appropriation.
- Chapters 238 and 239 of 2025 reestablish from fiscal 2027 to 2029 a mandated appropriation of \$3.7 million for the Therapeutic Child Care Grant Program, which distributes grants to providers that specialize in providing child care and early childhood education to children younger than age six who have developmental delays; physical disabilities; or delays in social, emotional, or behavioral functioning. The fiscal 2026 budget includes \$1.5 million for the program on a discretionary basis, so the baseline adds \$2.2 million in general funds in fiscal 2027 to provide the mandated funding.

Federal Budgetary Actions

The fiscal 2027 baseline includes adjustments to reflect the following impacts of federal budgetary actions:

- The federal One Big Beautiful Bill Act (OBBBA), enacted on July 4, 2025, reduced the federal share of Supplemental Nutrition Assistance Program (SNAP) administrative costs to 25% beginning October 1, 2026. The fiscal 2027 baseline increases general fund

spending by \$59.6 million and reduces federal fund spending by the same amount to account for this change for three quarters of State fiscal 2027

- The OBBBA repealed SNAP Nutrition Education beginning in federal fiscal 2026. States are able to use any funds from federal fiscal 2025 not used in that year in federal fiscal 2026. DHS anticipates approximately \$2.3 million of these funds remaining in fiscal 2026 for a modified program. The baseline reduces federal funding from this source by \$6.6 million in a fiscal 2026 deficiency and the remaining \$2.3 million from the fiscal 2027 baseline.
- Due to the rescission of federal funds supporting grant funding for the Corporation for Public Broadcasting, special fund support for the Maryland Public Broadcasting Commission decreases by \$3.9 million annually in fiscal 2026 and 2027.

Impacts of State Legislation

The fiscal 2027 baseline includes the following adjustments to reflect legislation enacted from the 2025 session:

- \$98 million in special funds is added to reflect spending for the State-based subsidy program established in Chapter 486 of 2025 in the event that enhanced Premium Tax Credits in the Maryland Health Benefit Exchange (MHBE) expire. This funding represents the second half of the calendar 2026 payments as forecast by MHBE and the estimate for the first half of calendar 2027 at a lower level of program offering for calendar 2027. Although Chapter 722 of 2025 extended the Young Adult Subsidy, the fiscal 2027 baseline removes \$26.0 million in special funds for the program. MHBE indicates that it will not operate as a standalone program if the State-based subsidy program is operational.
- \$30 million in special funds from the Blueprint Fund is added to support Consortium on Coordinated Community Supports grants within the Maryland Community Health Resources Commission within MDH. Chapter 36 of 2021 (Blueprint – Implementation) established the Consortium and the Coordinated Community Supports Partnership Fund in part to provide grants to community supports partnerships to meet student behavioral health needs. Chapter 237 of 2025 reduces the mandated appropriation for Blueprint Fund support to the Coordinated Community Supports Partnership Fund from \$130 million to \$70 million in fiscal 2026 and \$100 million beginning in fiscal 2027.
- An increase of \$19.3 million in general funds to support a new mandate (Chapter 237) for the MSDE Academic Excellence Program, which was established to address critical academic needs in schools. The program seeks to provide equitable access to high-quality instruction and targeted academic support, with a focus on early literacy and support for elementary school educators in fiscal 2026 and 2027.

- An increase of \$3.3 million in special funds to implement Chapters 625 and 626 of 2025 (Next Generation Energy Act). An increase of \$2.3 million in special funds supports 8 new positions in the Public Service Commission (PSC) for personnel, consultant technical assistance, and operating expenses to implement and administer energy programs, including those involving distribution-connected energy storage devices, transmission energy storage devices, expedited Certificates of Public Convenience and Necessity, nuclear energy initiatives, and ratepayer refunds established by Chapters 625 and 626. The remaining increase (\$1.0 million) supports 6 positions in the Department of Natural Resources (DNR) – 5.0 positions in the Power Plant Research Program and 1.0 position in the Office of the Attorney General (OAG) – consultant costs, and operating expenses to implement Chapters 625 and 626 to expedite review of new proposals for the construction or expansion of dispatchable energy generation and large capacity energy resources.
- \$3.0 million in general funds is added in MDH to support staffing of five additional beds at the John L. Gildner Regional Institute for Children and Adolescents to address pediatric overstay as authorized in Chapters 479 and 480 of 2025.
- An increase of \$2.5 million in special funds in the MDH – Prevention and Health Promotion Administration due to the establishment of the Abortion Grant Program in Chapters 435 and 436 of 2025, which is supported by insurance premiums for abortion coverage required to be collected for Affordable Care Act plans. The fiscal 2027 level reflects the estimated required appropriation of 90% of ending balances of accounts holding the premiums.
- An increase of \$1.5 million in general funds in OAG, reflecting an increase in the mandate for OAG for certain activities related to federal actions from \$1.0 million to \$2.5 million; the funds are expected to be used primarily for personnel.
- An increase of \$1.4 million in general funds and \$0.2 million in special funds to implement Chapters 623 and 624 of 2025 (Renewable Energy Certainty Act). Of this amount \$1.1 million is in DNR in general funds for 5 positions – 4.5 positions in the Power Plant Research Program and 0.5 position in OAG – consultant costs, and operating expenses by completing standard siting requirements and design requirements and standard licensing conditions for the issuance of a Distributed Generation Certificate of Public Convenience and Necessity by July 1, 2026. The remaining general funds (\$0.2 million) are in the Maryland Department of Labor (MD Labor) for positions to support the development and implementation of a new solar contractor license. The special fund increase supports 2 positions in PSC.
- An increase of \$1.1 million in DNR in special funds for operating the Somers Cove Marina as authorized in Chapter 444 of 2025.

MD THINK

MD THINK is a cloud-based platform that integrates Maryland's health and human services systems. In fiscal 2026, the MD THINK subcabinet chairs unanimously recommended transfer of the MD THINK shared platform from DHS and MDH to DoIT in an effort to focus on the platform's underlying technology and identify efficiencies. The transfer in oversight as implemented is for the shared platform and the Eligibility and Enrollment system only. The Eligibility and Enrollment system is a service shared by DHS and MDH for eligibility determination of various benefit programs. Reimbursable fund amendments shift support for the personnel and operating costs associated with MD THINK from both DHS and MDH to DoIT, beginning in fiscal 2026. In fiscal 2027, the funds for the transferred systems are expected to be budgeted in DoIT. Consistent with this plan, the fiscal 2027 baseline transfers \$156.6 million from DHS (\$49.2 million in general funds, \$120,664 in special funds, \$74.9 million in federal funds, and \$32.5 million in reimbursable funds) and \$525,754 in general funds from MDH to DoIT.

The Child Support Management System (CSMS) supports various statewide child support functions, including collecting child support payments and the Child, Juvenile, and Adult Management System (CJAMS) supports the monitoring and coordination of child welfare, juvenile justice, and adult protective services. The fiscal 2027 baseline also assumes the addition of \$10 million in general funds and \$12 million in federal funds in DHS based on historical spending for CSMS and CJAMS, both of which remain under the direction of DHS.

Major Information Technology Development Project Funding

The fiscal 2027 baseline includes the following adjustments to reflect anticipated changes to funding levels for major information technology development projects (MITDP), primarily reflecting planned levels of spending in fiscal 2027 as noted in the Fiscal 2026 *Governor's Budget Books* Budget Highlights:

- An increase of \$97.5 million in general funds in the DoIT Information Technology Investment Fund (ITIF) to align with the estimated fiscal 2027 expenditures for all MITDPs, excluding certain costs related to State Board of Elections (SBE) projects, which are discussed in the State Aid section of this document. The ITIF is a nonlapsing fund that supports MITDPs for the Executive Branch agencies.
- An increase of \$30.2 million in reimbursable funds in the MDH – Administration budget for several MITDPs, including:
 - \$8.3 million for the Integration Electronic Vital Records Registration System;
 - \$1.8 million for the Statewide Electronic Health Record System;
 - \$4.3 million for the Non-Medicaid Case Management System;

- \$4.2 million for the Public Health Services Data Modernization project;
 - \$4.1 million for the Voiceover Internet Protocol Conversion project;
 - \$4.0 million for the Migration of the Cloud Data Center;
 - \$1.9 million for the Behavioral Health Administration (BHA) Bed Registry and Referral System; and
 - \$1.6 million for the Maryland AIDS Drug Assistance Program Case Management System.
- An increase of \$21.2 million in special funds in SBE to account for the local share for three MITDPs. Of this funding, \$18.6 million supports the Statewide Pollbook Modernization project, \$2.2 million supports the 2026 New Voting System, and \$470,746 supports the Voter Registration and Election Administration Modernization project. These funds are in addition to general funds contained in the ITIF under DoIT.
 - An increase of \$1.8 million in special funds in the Judiciary to reflect planned spending for MITDPs.
 - A reduction of \$2.7 million in federal funds for MSDE's Child Care Administrative Tracking System MITDP, which completes at the end of fiscal 2026.
 - A reduction of \$4.0 million in special funds in the State Department of Assessments and Taxation to reflect planned spending for two MITDPs (the Maryland Assessment Administration and Valuation System and the Cloud Revenue Integrated System).
 - A reduction of \$10.7 million in special funds in the Comptroller's Office for the Integrated Tax System MITDP to align with the estimated fiscal 2027 expenditures.
 - Medicaid's fiscal 2027 baseline includes \$89.0 million in federal funds to continue work on the Medicaid Enterprise Systems Modular Transformation (MMT) MITDP. These funds are in addition to general funds contained in the ITIF under DoIT. Compared to fiscal 2026, this is a reduction of \$34.7 million in federal funds for the MMT project. The fiscal 2027 baseline also assumes a reduction of \$29.9 million in federal funds due to MDH completing the Long Term Services and Supports major IT project in fiscal 2026. All other adjustments to Medicaid's baseline are further discussed in the Entitlement Programs section of this document.

Fund Swaps

- The use of \$11.8 million in general funds in DNR – Watershed and Climate Services (formerly Chesapeake and Coastal Service) to backfill for a corresponding reduction in available special funds. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund’s fiscal 2026 special fund appropriation of \$88.4 million cannot be sustained by the combination of the fiscal 2026 revenue estimate of \$64.4 million (*i.e.*, short-term rental vehicle tax – \$52.9 million, and motor fuel tax – \$11.5 million) and \$12.2 million fiscal 2026 estimated closing balance.
- The use of \$8.8 million in federal funds to backfill a corresponding decrease in general funds within the Governor’s Office of Crime Prevention and Policy (GOCPP) for the Victims of Crime Act Assistance program due to the greater availability of federal funds. The aggregate funding available for GOCPP to award is assumed to remain at the mandated level of \$60.0 million.
- The use of \$5.5 million in general funds within the Department of State Police to backfill a corresponding decrease in special funds following the conclusion of the \$5.5 million fund swap between the Maryland Emergency Medical System Operations Fund and the General Fund that was authorized by a provision in Chapter 604 of 2025 for fiscal 2025 and 2026 only.
- Chapter 604 authorized for fiscal 2025 and 2026 only the ability to use Opioid Restitution Funds to supplant general fund costs. In the Department of Public Safety and Correctional Services (DPSCS), \$5 million of these special funds replaced general fund spending for certain health costs. In MDH – BHA, \$2.4 million of these special funds replaced general funds for the Buprenorphine Initiative. The fiscal 2027 baseline assumes that with the end of this authorization, these costs revert back to general fund spending.
- An increase of \$3.9 million in general funds in the Maryland Park Service to backfill for a corresponding reduction in special funds. The net increase reflects general funds needed to replace the one-time use of Program Open Space balance as authorized in Chapter 604 and Chapter 443 of 2025 in fiscal 2026 (\$16.4 million), partially offset by a higher level of transfer tax special funds due to an increase in the transfer tax estimate and a lower prior year revenue adjustment in fiscal 2027 compared to fiscal 2026 (\$12.5 million).
- The use of \$1.2 million in general funds and \$2.4 million in federal funds to backfill for a corresponding decrease in special fund revenues from the Child Support Reinvestment Fund. This fund is comprised of federal incentive payments based on Maryland’s performance against various measures set by the U.S. Department of Health and Human Services. The fiscal 2026 budget did not include funds from this source, but the baseline assumes \$16.1 million in a deficiency appropriation based on department estimates of funding availability. The baseline assumes that revenue from this fund will decrease from

\$16.1 million in fiscal 2026 to \$12.5 million in fiscal 2027, consistent with DHS estimates. Due to the reduced availability of Child Support Reinvestment Fund special funds in fiscal 2027, additional general and federal funds are necessary to fully fund DHS – Child Support Administration operations.

Other Baseline Adjustments

The fiscal 2027 baseline includes the following adjustments to reflect anticipated changes in funding levels for State agencies:

- \$718.7 million (\$140.9 million in special funds from a provider assessment and \$577.8 million of federal pass-through funds) is included for MHBE, reflecting estimated payments under the State Reinsurance Program for plan year 2026. This level represents an increase of \$120.5 million (\$69.6 million in special funds and \$50.9 million in federal funds) compared to the fiscal 2026 appropriation for plan year 2025 estimated payments.
- Increases of \$77 million for Maryland Energy Administration (MEA) programs and \$63 million in DHS – Office of Home Energy Programs (OHEP) supported by Regional Greenhouse Gas Initiative (RGGI) auction revenue to reflect higher average auction prices over the last two calendar years compared to the average from the prior two years (\$18.87 compared to \$17.10) as well as overattainment of revenue in calendar 2025 compared to estimates. The increase in MEA programs includes \$49 million for low- and moderate-income energy efficiency and conservation programs, \$4 million for general energy efficiency programs, and \$24 million for renewable and clean energy programs. The increase of \$63 million in DHS – OHEP funds bill payment and arrearage assistance. In total, the fiscal 2027 baseline assumes \$404 million of revenue from RGGI auctions.
- An increase of \$43.0 million (\$26.4 million in general funds and \$16.6 million in special funds) and 24 positions in the Department of Service and Civic Innovation to reflect administrative and grant costs for projected participation growth in the Service Year Option pathway from 750 to 1,500 and the mandated level of funding in fiscal 2027 for the Maryland Corps program.
- An increase of \$41.8 million in total funds in the Department of Commerce (Commerce) for the More Jobs for Marylanders Tax Credit Reserve Fund, reflecting the department's projections of program usage (\$89.6 million). The general fund increase, however, totals \$73.4 million, as the fiscal 2026 appropriation includes \$31.7 million of special funds from the program fund balance.
- Increases totaling \$40.8 million in special funds in the Maryland Department of Transportation (MDOT) – Maryland Transit Administration (MTA) to reflect the following growth in service contracts for existing transit services in fiscal 2026 and 2027:

- paratransit/mobility transit service contracts (\$35.5 million);
 - commuter bus service contracts (\$2.7 million); and
 - MARC train access contracts (\$2.6 million).
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- An increase of \$33.2 million in total funding for MD Labor to support the FAMILI program to align with the department's estimated need of \$70 million for fiscal 2027. The fiscal 2027 baseline also assumes the replacement of all general and federal funds with special funds from the FAMILI Trust Fund, which will begin receiving dedicated payroll tax revenues in the fourth quarter of fiscal 2027.
 - An increase of \$28.9 million in special funds to support Maryland Stadium Authority (MSA) debt service costs for bonds to renovate the Baltimore Orioles' Camden Yards ballpark and the Baltimore Ravens' M&T Bank Stadium.
 - The addition of \$16.6 million for fiscal 2026 and \$5.7 million for fiscal 2027 to pay SNAP payment error rate penalties.
 - An increase of \$20.5 million in special funds in MDOT reflecting the fiscal 2027 operating grant subsidy for the Washington Metropolitan Area Transit Authority as assumed in the MDOT draft Transportation Trust Fund forecast.
 - An increase of \$10.5 million after accounting for an anticipated deficiency appropriation for the Autism Program in MSDE bringing total funding for the program to \$69.2 million. The increased funding supports filling 350 additional slots and an anticipated 2% increase in the average cost per student. The general fund increase totals \$17.8 million, as a portion of the costs in fiscal 2026 are expected to be supported with remaining funds for the program in the Dedicated Purpose Account.
 - An increase of \$12.6 million in special funds to support MSA debt service costs for Sports Entertainment Facilities bonds to renovate five minor league baseball stadiums.
 - An increase of \$12 million in special funds in MDOT – MTA to support operating expenses for the Purple Line related to its anticipated opening in fiscal 2028.
 - An increase of \$10.2 million in special funds in MDOT – MTA to account for estimated increases in salary and benefit expenditures associated with new collective bargaining agreements for transit workers.
 - A net increase of \$7 million in general funds in the Department of Juvenile Services (DJS) related to the Alfred D. Noyes Children's Center (Noyes). Noyes is a temporarily closed

DJS facility that was identified as a site for an adolescent drug treatment center that would serve as a treatment alternative to detention and commitment during the 2025 session. The DLS baseline assumptions are that DJS will use the \$3.0 million available to it to de-harden and re-open the facility in fiscal 2026 and will need approximately \$10.0 million to contract for services in fiscal 2027.

- An increase of \$4.7 million in total funds to support the 700 megahertz radio program within DoIT, which provides a primary operating radio system for all State agencies. This increase accounts for the base station radio replacement project estimated to begin in fiscal 2027. Of the increase, \$2.6 million is general funds, and \$2.1 million is special funds.
- An increase of \$2.7 million in general funds in the MDH – Office of Health Care Quality for extension of a contract for subcontractor nurse surveyors to resolve complaint backlogs in the Long Term Care Unit.
- An increase of \$2.0 million in general funds in the Department of Planning to restore mandated funding for the Historic Revitalization Tax Credit Small Commercial Project Trust Account after a one-time reduction.
- An increase of \$1.6 million in special funds for reimbursements paid by MDOT to the Maryland Transportation Authority (MDTA) for MDTA police services at the Baltimore/Washington International Thurgood Marshall Airport and the Port of Baltimore according to projected contract amounts.
- An increase of \$1.1 million in general funds for the Maryland School for the Deaf due to a \$335 increase per pupil amount in the MSD funding formula.
- An increase of \$1.0 million in Blueprint special funds to provide a total of \$2.0 million in MSDE for the Maryland Teacher Relocation Incentive Grant. This anticipated increase follows the increase in the base teacher salary to \$60,000 in fiscal 2026.
- A reduction of \$1.2 million in general funds to align the fiscal 2027 MSA subsidy for the Baltimore Convention Center to the five-year average.
- A reduction of \$1.3 million in special funds in MDOT – MTA to account for the conclusion of an energy performance contract in fiscal 2026.
- A reduction of \$1.4 million in one-time special funds for access to counsel within OAG.
- A reduction of \$1.5 million for the Maryland Innovation Initiative in the Maryland Technology Development Corporation to reflect the end of mandated funding for the Baltimore Innovation Initiative Pilot Program.

- A reduction of \$1.6 million in special funds for the Racetrack Facility Renewal Account within MD Labor to align with estimates of video lottery terminal revenues.
- A reduction of \$2.4 million in general funds, net of the fund swap noted previously, in DPSCS for the inmate medical and mental health contract, compared to the level provided in an anticipated deficiency, based on anticipated fiscal 2027 costs.
- A reduction of \$2.5 million in federal funds in the Department of Housing and Community Development (DHCD) for a study on housing barriers.
- A reduction of \$3.0 million in general funds in DPSCS to reflect savings associated with the closure of the Maryland Correctional Institution – Jessup.
- A reduction of \$3.0 million in general funds for behavioral health investments to better align with fiscal 2025 spending.
- A reduction of \$4.5 million in general funds from the Racetrack Facility Renewal Account in MD Labor due to the removal of a one-time mandate for Rosecroft Raceway.
- A reduction of \$5.0 million in general funds in DHCD to reflect the end of mandated funding for the Greenhouse Gas Reduction Program under the Climate Solutions Now Act (Chapter 38 of 2022).
- A reduction of \$7.8 million in special funds and \$2.2 million in general funds in Commerce for the Child Care Capital Support Revolving Loan Fund.
- A reduction of \$9.8 million in special funds for the Cannabis Business Assistance Fund in Commerce, reflecting the anticipated amount that will be available in fiscal 2027.
- A reduction of \$10.0 million in general funds in Commerce to reflect the end of mandated funding for the Western Maryland Economic Future Investment Program.
- A reduction of \$50.0 million in special funds in MEA from alternative compliance payments earmarked for local government renewable energy projects. Chapter 604 expanded allowable uses of Alternative Compliance Payment revenues in the Strategic Energy Investment Fund to include local government renewable energy projects in fiscal 2026 only.