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

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 2025. 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 2025 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 2025 funding is believed to be insufficient to cover certain costs due to current inflation expectations. The baseline assumes deficiency appropriations of $14.5 million for prescription drugs, $9.2 million in natural gas, and $3.2 million in electricity in total funds. Additionally, a deficiency adjustment provides $4.2 million in current unrestricted funding, representing higher anticipated costs for food at public universities. In addition, the baseline also assumes inflationary changes in specific subobjects. Specific inflation assumptions are:

- natural gas (10.0%);
- food (6.0%);
- postage (5.0%);
- prescription drugs (3.4%);
- electricity (0.75%); and
- gas and oil (-4.8%).

Zero inflation is assumed for all other items.

Assumptions Regarding Legislative Additions

The fiscal 2026 baseline assumes that approximately $147.4 million of legislative additions are one time. This total includes $98.4 million in pay-as-you go capital funding.

Assumptions Regarding Cost Containment Action

The fiscal 2026 baseline assumes that approximately $67.1 million of the $148.3 million of cost containment actions approved by the Board of Public Works in July 2024 are one time. The largest of these one-time actions is $20.0 million reduced from the Education Excellence Awards in the Maryland Higher Education Commission to be replaced with special funds from the Need-based Student Financial Assistance Fund. Of the remaining one-time actions, $14.6 million is related to mandated funding, and $15.6 million was a reduction to the appropriation to the Major Information Technology Development Project Fund.

Assumptions Regarding Federal Funds

The fiscal 2026 baseline includes adjustments reflecting the removal of federal stimulus funds budgeted in fiscal 2025 that will no longer be available in fiscal 2026. The fiscal 2026 baseline does not reflect all federal funds available through the federal Infrastructure Investment and Jobs Act or the Inflation Reduction Act; in many cases, actual funding allocations are not yet known or the timing of spending is unclear. As a result, the fiscal 2026 baseline does not provide a complete portrayal of federal funds in many areas, and year-to-year comparisons are distorted.

Baseline Results

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

Projected Baseline Budget
Fiscal 2025-2026
($ in Millions)

Fund Type[1]	Adjusted Appropriation 2025[4]	Baseline 2026	$ Change 2025-2026	% Change 2025-2026
General[2]	$26,928.2	$28,189.2	-$1,261.0	4.7%
Special/Higher Education[3]	18,349.3	19,431.0	1,081.7	5.9%
Federal	18,988.2	18,352.8	-635.5	-3.3%
Total	**$64,265.7**	**$65,973.0**	**$1,707.2**	**2.7%**

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

Note: The fiscal 2025 appropriation reflects estimated deficiencies of $1.3 billion and $148 million of general fund reductions approved by the Board of Public Works, partially offset by assumed backfills with special funds of some of these reductions in fiscal 2025. Fiscal 2025 excludes $81.8 million, and fiscal 2026 excludes $95.6 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 2025 deficiencies are discussed next as part of the *Technical Supplement* Overview. Separate sections of the *Technical Supplement* present the assumptions used for estimates for select State agencies, aid to local governments, entitlements, debt service, and capital programs. Generally, the descriptions in the *Technical Supplement* are for adjustments greater than $100,000. The baseline estimates described in this document represent the judgments of the Department of Legislative Services as of November 1, 2024. Actions subsequent to that date or further changes to the economic outlook are not reflected here.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal 2025 Deficiencies

The fiscal 2026 baseline assumes approximately $1.29 billion in net total fund deficiencies for fiscal 2025. The net increase is driven primarily by general fund spending, which adds $1.13 billion to the appropriation; additional increases occur in special funds ($310.2 million), higher education funds ($13.9 million), and reimbursable funds ($0.6 million). These increases are partially offset by a decrease of $167.4 million in federal fund spending, primarily driven by lower than budgeted spending on the Supplemental Nutrition Assistance Program (SNAP) and partially offset by the federal fund share of covering Medicaid Behavioral Health provider reimbursement shortfalls.

As shown in the following exhibit, the general fund deficiency appropriations, totaling $1.13 billion, are driven primarily by four factors: (1) shortfalls in Medicaid and Medicaid-related Behavioral Health Provider reimbursements due to higher than expected caseloads, caseload mix, and utilization; (2) prior year expenses, including shortfalls in fiscal 2024 and general funds reverted in error in the fiscal 2024 closeout; (3) Maryland State Department of Education (MSDE) expenses for the Child Care Scholarship, Autism Waiver, and nonpublic placement program; and (4) the cost of the new inmate medical contracts, which were not known at the time of budget enactment.

Detailed Fiscal 2025 General Fund Deficiencies
($ in Millions)

Medicaid and Behavioral Health Provider Reimbursements: Medicaid ($283.9 million) and Medicaid-related behavioral health ($107.8 million) due to higher than expected enrollment and utilization.	$391.7
Fiscal 2024 Expenses: Medicaid ($213.7 million), DPSCS primarily for inmate medical contracts and food services contracts ($48.4 million); DHS for the foster care maintenance payments program and assistance payments program ($26.0 million); MSDE for the nonpublic placements program ($8.0 million); OPD ($2.2 million), partially offset by a higher than necessary accrual of funds for Medicaid Behavioral Health provider reimbursements (-$15.0 million).	283.2
Replacement of Funds Reverted in Error: Assistance Payments ($64.3 million); BPW – Capital ($24.1 million); DHCD for the Strategic Demolition program, Community Safety Works program, and Crime Victims Rental Assistance Program ($0.7 million).	89.1
Child Care Scholarship	155.0
DPSCS: Higher cost of new inmate medical contracts	107.3
MSDE: Autism Waiver ($27.4 million); Nonpublic Placement program ($16.2 million).	43.6

Foster Care Spending: Primarily due to higher than budgeted costs for flexible spending programs and placement costs as well as lower than budgeted federal fund availability.	$34.6
Legislation: Chapter 735 of 2024 (Juvenile Law – Reform) for 35 positions and contracts in DJS, 24 positions in OPD, and 2 positions in GOCPP ($6.9 million); the Comptroller's Office to implement changes from the BRFA of 2024, including 4 new positions ($1.6 million); DGS for a consultant to assess procurement for information technology projects involving modernization due to Chapter 497 of 2024 ($1.0 million); Judiciary to implement Chapter 715 of 2024, including 17 new positions ($0.9 million); MSA to conduct a Northwest Baltimore County Sports Tourism Feasibility Study due to Chapter 616 of 2024 ($0.3 million); MDE for contractual services costs for a greenhouse gas analysis framework required by Chapter 539 of 2024 and guidance for anaerobic digestion technology required by Chapter 445 of 2024 ($0.3 million); Chapter 479 of 2024, expanding death benefits to include legislative and judicial employees ($0.3 million); GOCPP for 2 contractual FTE to implement Chapters 946 and 947 of 2024, establishing a Prison Education Delivery Reform Commission ($0.1 million).	11.3
Agency Expenses: Statewide expenses for natural gas, electricity, and prescription drugs ($5.3 million); DSP overtime costs ($3.0 million); OPD shortfalls ($2.0 million); MDE for implementation and enforcement of Building Performance and Energy Standards ($1.0 million); BPW for expected awards for erroneously confined individuals ($0.9 million); WNADA for personnel costs to replace special funds that were not received ($0.5 million); GOCPP to fully fund costs related to prosecutorial support provided to OSP ($0.5 million); partially offset by lower costs for the Social Equity Partnership Program due to delays in operationalizing the program (-$1.3 million), and a change in fund source related to contractual conversions in MPBC (-$0.2 million)	11.7
Total Deficiencies	**$1,127.6**

BPW: Board of Public Works
BRFA: Budget Reconciliation and Financing Act
DGS: Department of General Services
DHCD: Department of Housing and Community Development
DHS: Department of Human Services
DJS: Department of Juvenile Services
DSP: Department of State Police
DPSCS: Department of Public Safety and Correctional Services
FTE: full-time equivalent
GOCPP: Governor's Office of Crime Prevention and Policy
MDE: Maryland Department of the Environment
MPBC: Maryland Public Broadcasting Commission
MSA: Maryland Stadium Authority
MSDE: Maryland State Department of Education
OPD: Office of the Public Defender
OSP: Office of the State Prosecutor
WNADA: West North Avenue Development Authority

Anticipated deficiency appropriations increase special fund spending by $310.2 million. Deficiency appropriations totaling $109.0 million from the Rainy Day Fund support Medicaid and foster care maintenance payments shortfalls as authorized in the fiscal 2025 Budget Bill. A net of $21.7 million in Medicaid is based on anticipated special fund availability. Significant additional special fund deficiency appropriations occur in:

- the Maryland Department of Transportation ($60.0 million), which includes $18.3 million to restore cost-containment-related hiring freeze reductions and a net increase of $41.5 million to reflect actual contract costs in the Maryland Transit Administration for commuter buses, paratransit/mobility transit, and various MARC-related contracts;

- the Maryland Department of Health (MDH) ($60.4 million), of which $59.2 million is due to increased revenue available to the Maryland Trauma Physicians Services Fund and Shock Trauma due to Chapters 717, 718, and 719 of 2024, and the remainder supports local health departments for tobacco retail inspections, with additional licensing revenue available from Chapter 462 of 2024;

- the Department of Human Services (DHS) ($12.6 million), the majority of which is to backfill general and federal fund reductions included in the fiscal 2025 budget due to the availability of Child Support Reinvestment Funds to support the Child Support Administration ($10.8 million);

- MSDE ($15.6 million), the majority of which ($12.0 million) is from the Dedicated Purpose Account to support Autism Waiver costs, and the remainder is to provide the special fund appropriation for the Attorneys, Advocates, and Consultants for Special Education Fund (the general fund appropriation into the fund is included in the enacted fiscal 2025 Budget Bill) due to Chapters 170 and 171 of 2024, and both the Drivers Education Public High Schools Grant program and the State Aided Institutions Field Trip Grant Program established in Chapter 857 of 2024;

- the Maryland Thoroughbred Racing Operations Authority ($10.0 million) for working capital as authorized in Chapter 410 of 2024;

- the special fund share of statewide deficiency appropriations for natural gas, electricity, and prescription drugs ($6.7 million);

- the Maryland Health Benefit Exchange ($7.7 million), representing prior year funds authorized for the Young Adult Subsidy program, but not needed, which under Chapters 247 and 248 of 2024 are allowed to be used in calendar 2024 and 2025;

- the Maryland Department of Labor ($3.0 million) for a supplemental local impact grant for Prince George's County due to Chapter 410 of 2024; and

- the Maryland Energy Administration ($1.0 million) related to Chapter 563 of 2024 supporting Thermal Energy Network Systems.

Deficiency appropriations are expected to decrease federal fund spending by a net of $167.4 million. Increases total $155.2 million, of which the largest increase ($134.2 million) represents the federal fund share of the Medicaid-eligible behavioral health provider reimbursements in MDH. The remaining components of the increase result from:

- federal funds available to support the fiscal 2024 shortfall for public benefits in DHS ($18.1 million);

- the federal fund share of statewide deficiency appropriations for natural gas, electricity, and prescription drugs ($2.6 million); and

- federal funds available to support the implementation and enforcement of Building Energy Performance Standards in the Maryland Department of the Environment ($300,000).

These increases are more than offset by decreases totaling $322.6 million. The largest decrease ($290.3 million) represents lower than expected federal fund spending for public benefits primarily for SNAP. A decrease of $25 million represents lower than expected federal funds needed for fiscal 2024 expenses to be paid in fiscal 2025 for Medicaid-eligible behavioral health provider reimbursements. A decrease of $7.3 million results from lower anticipated federal fund attainment for foster care payments.

Debt Service

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

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

Expenditures and Funds for Debt Service
Fiscal 2025-2026
($ in Thousands)

	Leg. Approp. 2025	Baseline 2026	Increase 2025-2026	% Increase 2025-2026
Expenditures				
MDOT – Debt Service Requirements	$432,150	$434,601	$2,451	0.6%
GO Bond – Debt Service Requirements	1,526,700	1,473,000	-53,700	-3.5%
Total	**$1,958,851**	**$1,907,602**	**-$51,249**	**-2.6%**
Fund				
General Fund	$397,100	$274,000	-$123,100	-31.0%
Special Fund	1,556,850	1,630,902	74,051	4.8%
Federal Fund	4,900	2,700	-2,200	-44.9%
Total	**$1,958,851**	**$1,907,602**	**-$51,249**	**-2.6%**

GO: general obligation
MDOT: Maryland Department of Transportation

The lower fiscal 2026 baseline budget for GO bond debt service costs reflects reduced debt issuances in fiscal 2022 and 2023 and during the Great Recession from calendar 2008 to 2009. Annual issuances have averaged over $1 billion since fiscal 2015. However, the March 2023 sale was $400 million, and there was no bond sale in summer 2023. Issuances were reduced because capital projects were spending more slowly than anticipated. The average tax-exempt cash balance from GO bond proceeds increased from $195 million in fiscal 2020 to $780 million in fiscal 2023.

Reduced issuances subsequently slowed the growth in debt service costs. Lower costs also reflect decisions made 15 years earlier, which is unsurprising since GO bonds mature in 15 years. In response to reduced revenues, the State reduced GO bond authorizations by $215 million in fiscal 2011. Bonds issued prior to the Great Recession are retired in fiscal 2025 and replaced by lower authorizations and issuances in fiscal 2011. After revenue collections recovered, authorizations and issuances increased so debt service costs increase after fiscal 2026.

The largest revenue source for the ABF is State property taxes. The current State property tax rate is $0.112 per $100 of assessable base. In recent years, debt service costs have exceeded State property tax revenues. Continuing the trend, fiscal 2026 State property tax receipts are projected to be $1.09 billion compared to debt service costs that total $1.47 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, $274 million in general funds will need to be appropriated in fiscal 2026.

The fiscal 2026 baseline budget for MDOT's debt service comprises debt service for bonds issued prior to fiscal 2023 and projected sales in fiscal 2025 and 2026 (no sales took place in fiscal 2023 or 2024). For fiscal 2020 through 2023, debt issuances net of refunding totaled nearly $1.1 billion. Bond issuances in the draft MDOT fiscal 2025 to 2030 financial forecast are projected to total $3.01 billion, a 46.8% increase over the $2.05 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 recreation and State-paid retirement costs for public school teachers, librarians, and community college faculty. Although the grants may be for specific programs or purposes, local governments usually have considerable flexibility in the expenditure of these funds.

State Aid by Governmental Entity
Fiscal 2025-2026
($ in Thousands)

Entity	Working 2025	Baseline 2026	$ Change 2025-2026	% Change 2025-2026
Public Schools	$9,087,307	$9,742,083	$654,776	7.2%
County/Municipal	1,017,349	1,049,405	32,056	3.2%
Community Colleges	476,902	506,525	29,623	6.2%
Libraries	96,203	101,296	5,093	5.3%
Health	111,198	121,198	10,000	9.0%
Total	**$10,788,960**	**$11,520,508**	**$731,548**	**6.8%**

Note: Totals may not sum due to rounding. The fiscal 2025 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 $11.5 billion in the fiscal 2026 baseline, representing a $731.5 million, or 6.8%, increase over the prior fiscal year. Most of the State aid in fiscal 2026, as in prior years, is targeted to public schools. Public schools will receive $9.7 billion in fiscal 2026 (84.6% of total State aid). Counties and municipalities will receive $1.0 billion (9.1% of total State aid), community colleges will receive $506.5 million (4.4%), libraries will receive $101.3 million (0.9%), and local health departments will receive $121.2 million (1.1%).

Public Schools

Public schools will receive an estimated $9.7 billion in fiscal 2026, representing a $654.8 million (7.2%) increase over the prior fiscal year. This increase results from the combined impact of a $489.5 million increase in direct aid and a $165.3 million increase in retirement aid.

The per pupil foundation amount is set at $9,226, an increase of $437 (5.0%) compared to fiscal 2025. Under Chapters 36 and 55 of 2021, which implement the Blueprint for Maryland's Future (Blueprint), the per pupil foundation amount is set in statute through fiscal 2033 and increased by inflation in subsequent years. The per pupil foundation amount is an important factor in determining State education aid because it is used in major State aid formulas (the foundation program; the Comparable Wage Index (CWI); and the compensatory education, special education, and English learners formulas) that together account for approximately three-quarters of total education aid.

General funds are expected to account for $7.5 billion of State aid for public schools. Special funds, almost entirely from the Blueprint Fund, account for approximately $2.3 billion.

Foundation Program

In fiscal 2026, the foundation program formula aid is estimated to increase by $202.9 million (5.4%), for a total of $4.0 billion. This increase is due to a projected 0.3% increase in the enrollment count for the foundation program as well as a 5.0% increase in the per pupil foundation amount from $8,789 per student in fiscal 2025 to $9,226 per student in fiscal 2026. The enrollment count for the foundation program is the greater of (1) the full-time equivalent (FTE) enrollment count and (2) the three-year average of FTE. The foundation program is the primary formula grant program for funding the local school systems.

Comparable Wage Index

Fiscal 2026 funding for CWI is estimated to total $157.6 million, a 1.2% increase compared to fiscal 2025 funding. CWI is calculated by measuring variation in the wages of workers similar to teachers and examining costs outside of a school district's control. Eleven local school systems are eligible for CWI funds each year.

Blueprint Transition Grants

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 $11.5 million, from $49.0 million in fiscal 2025 to $37.5 million in fiscal 2026.

Compensatory Aid

Compensatory aid is estimated to increase by $7.2 million (0.4%), for a total of $1.7 billion in fiscal 2026. This modest funding increase is primarily due to the projected decline (3.2%) in free and reduced-price meal (FRPM) student enrollment, which is more than offset by a $283 (3.7%) increase in per pupil funding. This program provides additional funding to local school systems based on their enrollment of students eligible for FRPM.

Concentration of Poverty Grants

Under Chapter 771 of 2019, State grants were provided to public schools in which at least 80% of the students were eligible for FRPM. For both fiscal 2020 and 2021, grants equal to $248,833 were provided for each existing eligible school. Schools receiving these grants must hire 1 community school coordinator and provide full-time coverage by at least 1 health care practitioner. These personnel grants were also provided for in the fiscal 2022 budget. Personnel grants must be adjusted annually for inflation such that each eligible school is estimated to receive a grant of $280,212 in fiscal 2026. Beginning in fiscal 2023, under Chapters 36 and 55, in addition to these personnel grants, per pupil grants are provided. Funding is phased in over several years, for both personnel and per pupil grants, to provide funding for an increasing number of schools at progressively lower poverty concentrations. In fiscal 2026, concentration of poverty grants total an estimated $440.9 million, an increase of $77.6 million over fiscal 2025.

Students with Disabilities

In fiscal 2026, funding for students with disabilities via the special education formula is estimated to increase by $60.6 million (11.4%), from $531.3 million to $591.9 million, largely due to a $802 (9.2%) increase in per pupil funding. In fiscal 2026, funding for special education students in nonpublic placements is projected to total $174.2 million, a $6.4 million increase from the fiscal 2025 funding level.

English Learners

English learner funding increases by $24.4 million (4.7%), from $519.5 million to $543.9 million, which reflects a $76 (0.8%) per pupil funding increase and projected enrollment growth of 3.9%. These grants are based on English learner student enrollment and per pupil funding that is 98% of the per pupil foundation amount in fiscal 2026.

Guaranteed Tax Base Program

In fiscal 2026, the Guaranteed Tax Base Program decreases by $8.0 million (10.7%), from $74.9 million to $66.9 million. As currently estimated, in fiscal 2026, 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 each jurisdiction provides to the local school system.

Education Effort Adjustment Grants

Blueprint includes a mechanism for establishing a maximum local share that a county must fund each year. Relief is provided to counties based on local effort and is offset by equivalent State aid. However, the education adjustment for a county is only allowed to the degree that per pupil local maintenance of effort is met each year. In fiscal 2026, State funding is projected to total $149.3 million, an increase of $52.2 million from the prior fiscal year.

Student Transportation

Student transportation funding is expected to increase by $12.4 million, or 3.3%, to $381.9 million in fiscal 2026. This amount reflects 3.0% inflation, increased FTE enrollment, and a 0.7% 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 new 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 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 FPL; and (3) substantially increasing the annual per pupil funding amount for each year beginning with fiscal 2027. Fiscal 2026 funding will total an estimated $185.1 million, an increase of $50.2 million (37.2%) over fiscal 2025.

Teacher Retirement

State retirement costs for public school teachers and other professional personnel will total an estimated $1.1 billion in fiscal 2026, which is a $165.3 million (18.0%) increase from fiscal 2025. This increase is attributed to several factors, including (1) a 0.25 percentage-point increase in actuarial assumptions for price and wage inflation (from 2.5% to 2.75% and from 2.75% to 3.00%, respectively); (2) local education payrolls increasing substantially more than previously projected (7.5% vs. 3.0% assumed); and (3) higher-than-expected inflation causing cost-of-living-adjustments (COLA) to be greater than expected.

Local school systems are responsible for paying the normal cost (which represents the cost of pension benefits accrued in the current year). The increase in actuarial inflation assumptions is largely responsible for the rare increase in the normal cost rate for the Combined Teachers' Systems (from 4.96% to 5.09%). Combined with the increase in payroll, local school board payments for the normal cost increase from $397.1 million in fiscal 2024 to $437.6 million statewide in fiscal 2026. Local costs largely level off at about $435 million annually through fiscal 2030. Local school systems also contribute toward State Retirement Agency (SRA) administrative costs, totaling approximately $18.0 million in fiscal 2026.

Community Colleges

The majority of funding for the State's locally operated community colleges is determined by the Senator John A. Cade funding formula. In fiscal 2026, Cade formula funding totals $406.1 million. This represents an increase of $21.3 million, or 5.5%, in general funds above fiscal 2025. Baltimore City Community College receives funding through a separate funding formula.

The fiscal 2026 baseline also includes $3.5 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 $10.8 million in general funds in Small College and Mountain grants. The baseline also includes $79.7 million in general funds for retirement benefits to community college employees, an increase of 12.3% compared to fiscal 2025.

Libraries

State library aid formula increases by $1.0 million, from $49.5 million in fiscal 2025 to $50.5 million in fiscal 2026 in general funds. This increase is largely due to the increase in the per resident amount for this aid formula, from $18.30 in fiscal 2025 to $18.70 per resident in fiscal 2026, under Chapters 496 and 497 of 2022.

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

State Library Network funding increases by $112,800 (0.5%) in fiscal 2026, bringing total funding for this program to $22.6 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 2026. Under Chapters 496 and 497, per resident funding for regional resource centers increases from $9.59 in fiscal 2025 to $9.79 in fiscal 2026.

Finally, retirement costs for librarians will total an estimated $28.2 million in fiscal 2026, representing a $3.9 million, or 16.2%, increase over the prior fiscal year. Unlike the boards of education and community colleges, the State continues to pay SRA administrative costs for local library employees.

County and Municipal Governments

Approximately 9.1% of State aid is allocated to county and municipal governments to finance general government, transportation, public safety, and environmental protection projects. County and municipal governments will receive $1.0 billion in fiscal 2026, an increase of $32.1 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, teacher retirement supplemental grants, and local voting system grants.

Transportation

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

Chapters 330 and 331 of 2018 require 100% of the funds in the GMVRA of the Transportation Trust Fund (TTF) to be retained by the TTF beginning in fiscal 2020. Beginning in that same year, instead of directly sharing the GMVRA revenue with local governments, the Maryland Department of Transportation 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 2026, 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 2026 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 2026 baseline assumes that Baltimore City will receive $266.3 million, county governments will receive $104.8 million, and municipal governments will receive $65.5 million, for a total of $436.5 million. The combined amount represents a $40.5 million increase from the fiscal 2025 legislative appropriation.

In fiscal 2026, State funding for elderly/disabled transportation grants will total $4.6 million, an increase of $0.1 million from the fiscal 2025 working appropriation. In accordance with Chapter 416 of 2022, beginning with fiscal 2025, funding for elderly/disabled transportation grants are 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 2026 baseline assumes an increase of 0.3% from the fiscal 2025 base formula amount, with funding totaling $75.7 million.

The fiscal 2026 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 2025. The baseline reflects $2.0 million for vehicle theft prevention grants and $28.4 million for emergency 9-1-1 grants.

The State provides grants to local jurisdictions, through the Senator William H. Amoss Fire, Rescue, and Ambulance Fund, for the purchase of fire and rescue equipment and building rehabilitation. Under Chapters 718 and 719 of 2024, beginning in fiscal 2026, the Governor must include an annual appropriation to the fund of at least $16.5 million. The fiscal 2026 baseline assumes fire and rescue aid will total $16.5 million, an increase of $1.5 million over the prior year.

Other public safety grants totaling $45.4 million (targeted crime grants, State Attorney's grant, etc.) are also included in the fiscal 2026 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 2026. The fiscal 2026 baseline includes $183.6 million in general funds, a 2.6% decrease compared to the fiscal 2025 appropriation of $188.5 million.

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 2026 baseline assumes gaming impact grants will total $104.9 million, an increase of approximately $1.0 million, or 1.0%, from the fiscal 2025 estimate of $103.8 million.

Instant Bingo Grants

Chapter 603 of 2012 made permanent the authority for existing qualified organizations and licensed commercial bingo licensees to operate electronic instant bingo machines that would otherwise be illegal under State law after July 1, 2012. A portion of the revenues from the State admissions and amusement tax imposed on the instant bingo machines in Calvert County is distributed to local governments and community organizations. The fiscal 2026 baseline includes $3.2 million in funding, which is the same as the fiscal 2025 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 2026 baseline includes funding for this grant, along with a $3.0 million deficiency for the fiscal 2025 grant amount.

Teacher Retirement Supplemental Grants

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

Maryland Park Explorers Grant Pilot Program

Chapter 470 of 2022 established the Maryland Park Explorers Grant Pilot Program in the Department of Natural Resources to provide Anne Arundel and Baltimore counties, from fiscal 2024 through 2026, with equal funds to establish local park explorers pilot programs. The fiscal 2026 baseline includes $76,400 for the program, which is the same level as provided in fiscal 2025.

Local Voting System Grants

Chapter 564 of 2001 required the State Board of Elections, in consultation with local election boards, to select and certify a uniform statewide voting system with the costs to be split equally between the State and local jurisdictions. The fiscal 2026 baseline includes $14.4 million in grants to local boards of elections. This represents a $825,300 increase over the fiscal 2025 working appropriation.

Local Health Departments

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

In addition to the funding formula, grants to local health departments have included COLA and other salary enhancements, which total $41.2 million in fiscal 2025. Accordingly, the fiscal 2026 baseline assumes the total aid, comprised of the funding formula and personnel-related funding, will total $121.2 million, an increase of $10.0 million from the fiscal 2025 estimate.

Entitlement Programs

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

Expenditures and Funds for Entitlement Programs
Fiscal 2025-2026
($ in Thousands)

	Leg. Approp. 2025	Baseline 2026	$ Change 2025-2026	% Change 2025-2026
Expenditures				
SDAT	$79,400	$85,140	$5,740	7.2%
MDH – Behavioral Health Administration	2,523,896	2,832,198	308,302	12.2%
MDH – Medical Care Programs Administration	11,988,414	12,447,866	459,471	3.8%
DHS – Social Services	350,091	395,784	45,693	13.1%
DHS – Family Investment	2,181,130	1,840,295	-340,835	-15.6
Total	**$17,122,932**	**$17,601,303**	**$478,371**	**2.8%**
Fund				
General Fund	$5,337,584	$6,273,490	$930,907	17.5%
Special Fund	756,033	752,948	-3,085	-0.4%
Federal Fund	10,935,683	10,497,616	-438,067	-4.0%
Reimbursable Fund	93,632	77,249	-16,383	-17.5
Total	**$17,123,932**	**$17,601,303**	**$478,371**	**2.8%**

DHS: Department of Human Services
MDH: Maryland Department of Health
SDAT: State Department of Assessments and Taxation

Note: The fiscal 2025 legislative appropriation excludes anticipated deficiency appropriations and cost containment reductions.

Medicaid Population and Expenditure Trends

Maryland's Medical Care programs (including Medicaid, Maryland Children's Health Program (MCHP), Employed Individuals with Disabilities, and other programs) provide comprehensive health care coverage to eligible low-income individuals. Funding is derived from both federal and State sources, with federal fund participation rates in fiscal 2026 ranging from

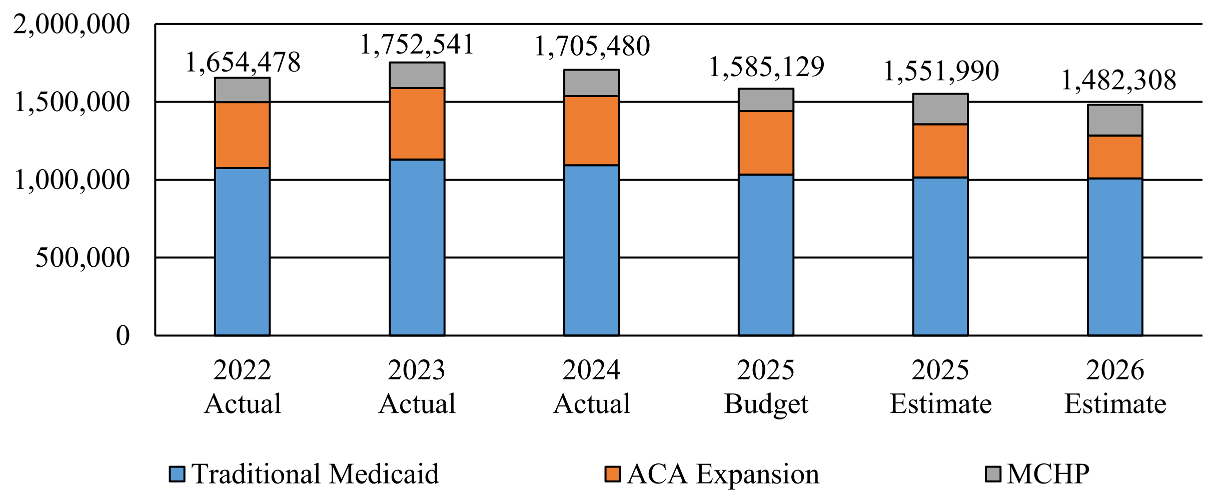
50% to 90% for Medicaid, depending on the eligibility category, and 65% for MCHP and services for noncitizen pregnant women covered through the Healthy Babies initiative.

Projected Enrollment

As a condition of receiving enhanced federal matching funds on qualifying Medicaid and MCHP expenditures during the national COVID-19 public health emergency, State Medicaid programs were required to freeze disenrollment with limited exceptions. During the continuous enrollment requirement, Medicaid and MCHP caseloads increased significantly, rising to a peak monthly enrollment of over 1.78 million participants in May 2023. The freeze on disenrollment ended April 1, 2023, and MDH initiated a 12-month eligibility redetermination schedule, referred to as the unwinding period.

Redetermination results during the unwinding period yielded fewer disenrollments than expected in prior projections. As shown in the following exhibit, fiscal 2024 average monthly enrollment decreased by 2.7%, or approximately 47,000 participants, compared to fiscal 2023. The low rate of disenrollment was partially due to a system error with the *ex parte* automatic renewal process that caused MDH to temporarily pause procedural disenrollments, *i.e.*, cases in which participants did not complete their renewals or had outstanding verification documents. MDH also implemented outreach efforts, federal waiver flexibilities, and other program changes throughout the unwinding period that kept eligible participants enrolled in Medicaid and MCHP.

Medicaid and MCHP Average Monthly Enrollment
Fiscal 2022-2026 Estimate



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

Source: Maryland Department of Health; Department of Legislative Services

Fiscal 2025 caseloads are expected to decrease to 1.55 million enrollees due in part to the expiration of federal waiver flexibilities authorized during the unwinding period. MDH received approval from the Centers for Medicare and Medicaid Services to automatically renew individuals with incomes at or below 100% of the federal poverty level who did not provide eligibility information. According to MDH, this policy had a larger impact on maintaining enrollment for adults served through the Affordable Care Act (ACA) expansion. Therefore, the ACA expansion group is expected to account for the largest share of disenrollments in fiscal 2025.

Additionally, beginning in October 2024, caseloads will decrease as MDH conducts a system reconciliation to ensure redeterminations in the Maryland Health Connection system appear in the Medicaid Management Information System. Enrollment declines are partially offset by an overall increase in the number of participants who are eligible for Medicaid due to age or disability status. This increase is related to a separate system error, in which Medicaid eligibility was not consistently added for individuals receiving Supplemental Security Income (SSI).

Fiscal 2026 enrollment is expected to decrease to 1.48 million participants, mainly due to the annualization of fiscal 2025 disenrollments. Despite the projected caseload decrease, fiscal 2026 and out-year enrollment is expected to remain higher than the prepandemic level of 1.39 million participants.

Fiscal 2025 and 2026 Medicaid Outlook

The following exhibit displays, from fiscal 2024 to the 2026 baseline, total Medicaid and MCHP expenditures and per capita spending on provider reimbursement expenditures, including behavioral health services and some administrative costs. Lower than expected disenrollment during the unwinding period and higher healthcare utilization caused fiscal 2024 Medicaid spending to increase substantially over the budgeted amount. Higher utilization occurred, especially among elderly and disabled adults receiving nursing home care and other services on a fee-for-service basis. As a result, MDH reported a general fund shortfall of $214 million at the end of fiscal 2024 for services billed in the next fiscal year, and the baseline includes a deficiency appropriation to cover these costs.

The baseline projects that per capita costs will increase in fiscal 2025, which, in combination with the increased enrollment among elderly and disabled adults, causes Medicaid and MCHP expenditures (including Medicaid-funded behavioral health services) to outpace the budget. Therefore, the baseline includes deficiency appropriations of $650 million in total funds ($427 million in State funds) for projected fiscal 2025 expenses. Of this, $100 million is supported with special funds from the Revenue Stabilization Account (Rainy Day Fund), as authorized in the fiscal 2025 Budget Bill.

Medical Care Programs Total and Per Capita Expenditures
Fiscal 2024-2026 Baseline

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

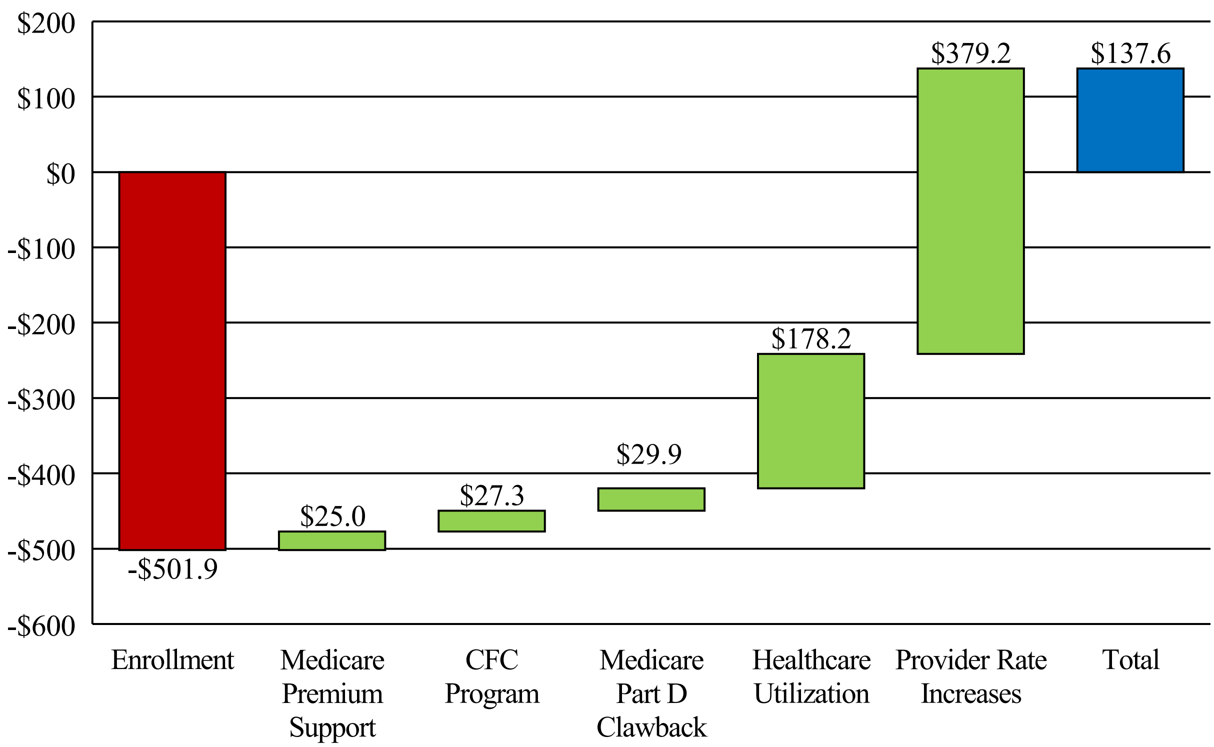
ACA: Affordable Care Act
MCHP: Maryland Children's Health Program

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

Compared to the adjusted fiscal 2025 appropriation, the fiscal 2026 baseline reflects a net increase of $137.6 million in total Medicaid and MCHP spending. As shown in the following exhibit, the largest factor in fiscal 2026 total fund spending is a $501.9 million reduction resulting from declining enrollment. However, this decline is more than offset by increases of $178.2 million due to fee-for-service healthcare utilization growth and $379.2 million for provider rate increases. Provider rate increase assumptions include:

- an average 3.4% increase in calendar 2025 managed care organization rates totaling $217.8 million;
- a 4.5% increase in regulated hospital rates; and
- 2% rate increases for long-term services and supports providers, effective July 1, 2025.

Medical Care Programs – Components of Total Fund Change
Adjusted Fiscal 2025 to 2026 Baseline
($ in Millions)



CFC: Community First Choice

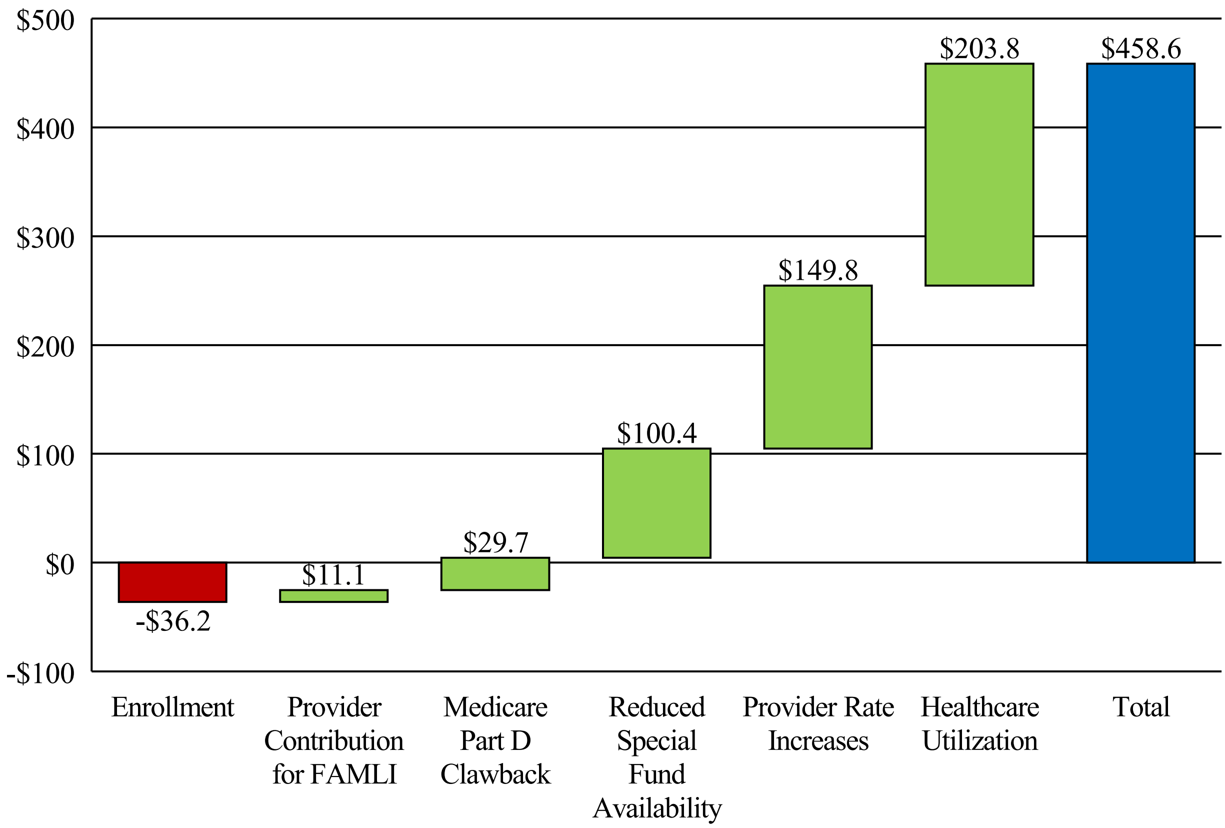
Note: Fiscal 2025 includes anticipated deficiency appropriations.

General fund expenditures in fiscal 2026 grow by $458.6 million, or 8.7%, as shown in the exhibit that follows. Net general fund growth is mainly attributable to the following factors:

- $203.8 million in fee-for-service healthcare utilization growth;
- $149.8 million in rate increases driven by the calendar 2025 managed care organization rate increase, growth in regulated hospital rates, and 2% rate increases assumed for specified Medicaid long-term services and supports and behavioral health providers; and
- $100 million in general funds backfill the special fund transfer from the Rainy Day Fund to cover a portion of the anticipated fiscal 2025 Medicaid shortfall.

These increases are partially offset by a reduction of $36.2 million due to declining enrollment. The lower impact on State funding compared to overall spending is due to enrollment mix. Adults in the ACA expansion group are projected to have the largest rate of disenrollment in fiscal 2025 and 2026. Considering this eligibility group receives an enhanced federal matching rate of 90%, State funding is less sensitive to this caseload decline.

Medical Care Programs – Components of General Fund Change
Adjusted Fiscal 2025 to 2026 Baseline
($ in Millions)



FAMLI: Family and Medical Leave Insurance Program

Note: Fiscal 2025 includes anticipated deficiency appropriations.

Tax Credit Programs

SDAT has three active tax credit programs authorized in statute: the Homeowners' Tax Credit; the Renters' Tax Credit; and the Enterprise Zone Tax Credit. The fiscal 2026 baseline reflects an increase of $5.7 million in general funds for SDAT's tax credit entitlements as follows:

- ***Homeowners' Tax Credit Program*:** expenditures are expected to increase by $7.3 million to $55.3 million in fiscal 2026. This adjustment is based on a recent increase in applicants determined eligible for credits claimed in fiscal 2023 and 2024 and the late processing of credits claimed for fiscal 2023.

- ***Renters' Tax Credit Program*:** expenditures are projected to decrease by $2.1 million to $2.3 million in fiscal 2026. This adjustment is based on actual utilization of the credit since fiscal 2021 and is driven by a decrease in applicants determined eligible for credits claimed in fiscal 2022 through 2024.

- ***Enterprise Zone Tax Credit Program*:** provides property and income tax credits for businesses that locate or expand within designated areas. Under this program, a business that locates or expands in a designated area is eligible for reduced property taxes for a number of years. The State then reimburses the locality one-half of the forgone revenue that would have been otherwise realized from the increased property assessment. The fiscal 2026 appropriation for the Enterprise Zone Tax Credit Program is projected to be $27.5 million, an increase of $546,720.

Department of Human Services

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

Foster Care and Subsidized Adoption/Guardianship Caseloads and Expenditures

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

Foster care caseloads in Maryland have been significantly impacted in recent years by the COVID–19 pandemic, as well as through ongoing efforts by DHS to reduce the number of children requiring out-of-home foster care placements through the provision of prevention services and other in-home alternatives to placement. Across all placement types, the average monthly foster care caseload declined by 15.4% in fiscal 2021 and 7.4 % in fiscal 2022 due to impacts of the COVID-19 pandemic, which generally reduced reports of maltreatment and court processes. However, the overall rate of caseload declines slowed in fiscal 2023 to 1.3%, returning to a level more consistent to prepandemic trends.

In fiscal 2024, the overall rate of caseload decline continued at 1.5%. Fiscal 2024 changes in foster care caseloads varied among placement types. Increases in subsidized guardianships (2.0%) were the largest increase to caseloads for individual placement types. The largest caseload decreases for individual placement types included treatment foster care (-31.8%), regular foster care (-13.9%), emergency foster care (-12.8%), and minor mothers (-10.9%). However, despite the overall decline in caseload, expenditures increased due to a combination of higher average provider payments and growth in flexible fund expenditures. These expenditures have more than doubled since fiscal 2022. The baseline anticipates a deficiency of $19.9 million ($18.6 million in general funds and $1.3 million in special funds) to cover fiscal 2024 expenditures that were greater than the appropriation level in that year. The fiscal 2026 baseline assumes that average monthly foster care caseloads will increase by 0.5% in both fiscal 2025 and 2026, with a slightly lower rate of increase for subsidized adoption and guardianship cases, based on year-to-date trends.

Foster Care and Subsidized Adoption/Guardianship Caseloads and Expenditures
Fiscal 2024-2026

	2024	Leg. Approp. 2025	DLS Estimate 2025	DLS Baseline 2026	Average Annual % Change 2024-2026
Caseload					
Foster Care	2,425	2,636	2,436	2,448	0.5%
Subsidized Adoption/Guardianship	7,738	7,770	7,750	7,764	0.2%
Total Combined	**10,163**	**10,406**	**10,186**	**10,212**	**0.2%**
Expenditures					
Monthly Cost Per Case					
Foster Care	$6,642	$6,162	$7,078	$7,081	3.3%
Subsidized Adoption/Guardianship	864	868	864	864	0.0%
Combined Average Cost	**$2,885**	**$2,804**	**$3,165**	**$3,229**	**2.0%**
Expenditures ($ in Millions)					
General Funds	$287.1	$261.3	$295.9	$330.8	7.6%
Total Cost	**$351.9**	**$350.1**	**$386.8**	**$395.7**	**6.2%**
Projected General Fund Shortfall			**-$34.6**		
Projected Total Fund Shortfall			**-$36.7**		

DLS: Department of Legislative Services

In October 2024, reform for group home provider rates began. These rates put providers into tiers based on type of services provided with rates separated for clinical and direct care. This is projected to significantly increase costs for this provider type. Additional phase-in of rate reform is expected to occur for certain other placement types in the future. The forecast includes only the impacts of the known rate reform. In addition, a 2% provider rate increase is expected to be provided in fiscal 2026. With these increases plus modest changes in the caseload, the average monthly expenditure per case across all foster care, subsidized adoption and guardianship placements, and other foster care expenditures are projected to increase by 9.7% in fiscal 2025 and 2.0% in fiscal 2026.

The baseline anticipates a deficiency of $36.7 million ($34.6 million in general funds, $9.4 million in special funds, partially offset by a reduction of $7.3 million in federal funds) in fiscal 2025 will be necessary due to projected program funding deficits occurring, primarily due to higher-than-expected placement costs, particularly among the purchased institutions and purchased homes placement types, as well as increased flexible fund expenditures.

Projected total program expenditures increase from $386.8 million in fiscal 2025 to $395.7 million in fiscal 2026, an increase of approximately $9.0 million (an increase of $34.5 million in general funds and decreases of $9.0 million and approximately $17.0 million in special funds and federal funds, respectively). This net increase occurs due to the annualization of the provider rate reform for group home providers and a projected 2% provider rate increase.

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 for a long-term disability for individuals pursuing an SSI benefit. The State is reimbursed for the cash assistance paid during the processing of the SSI application.

Enrollment Trends

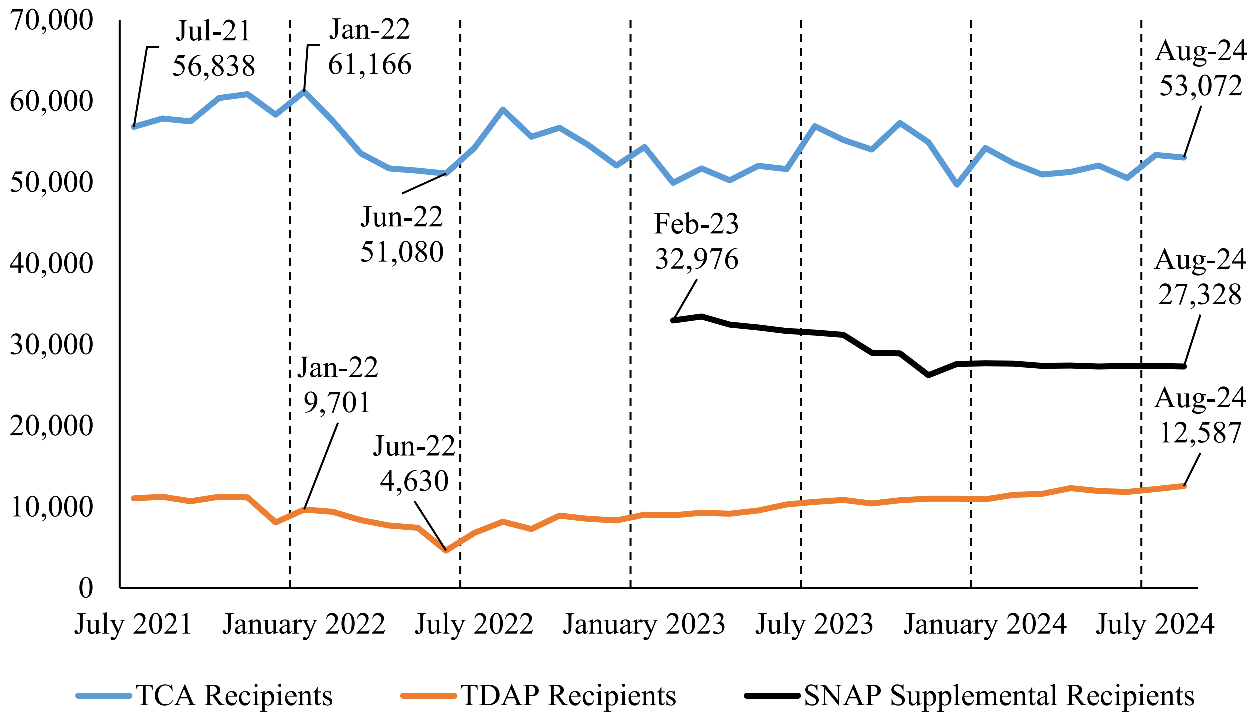
For several years, beginning at the start of the COVID-19 pandemic, the State had a number of policies in place intended to assist recipients in obtaining and maintaining benefits, including extensions on recertifications. These extensions largely continued through calendar 2021. In calendar 2022, DHS began the recertification process for public benefit programs.

With the restart of recertifications in January 2022, the number of TCA recipients initially declined by 16.5% by June 2022 (from 61,166 to 51,080). After that initial decline, the number of recipients has fluctuated, but through August 2024, it has been higher than the June 2022 level in all but three months. As a result, the average number of monthly TCA recipients declined by less than 0.5% in fiscal 2024 (53,293) compared to fiscal 2023 (53,317) after declines of 9.6% and 5.3% in fiscal 2022 and 2023, respectively. In the first two months of fiscal 2024, the number of recipients has been near that level (an average of 53,221). Given the recent trend of limited declines, the Department of Legislative Services (DLS) projects declines of only 1% in fiscal 2025 compared to fiscal 2024 (52,760) and 2% in fiscal 2026 (51,705). The projected fiscal 2025 average number of recipients is higher than the fiscal 2025 budget can support.

In calendar 2019, the average number of TDAP recipients was 12,259. In the initial months of the COVID-19 pandemic, the number of TDAP recipients increased before declining to historic lows in the second half of calendar 2020. These declines occurred despite recertification extensions in the public benefit programs, primarily because recipients began to again be required to submit documentation, including medical verifications, which posed challenges for recipients, as access to doctors remained limited and postal challenges made delivery of the documentation difficult. Chapter 39 of 2021 contained provisions that required the reenrollment of certain TDAP recipients and prohibited most case closures through June 30, 2021. With the implementation of Chapter 39, the number of TDAP recipients initially rose and then stabilized around 11,000 through November 2021, just below prepandemic levels. The number of recipients decreased substantially in December 2021 in part due to a system error. In January 2022, the number of recipients was 9,701 but declined once again due to the restart of recertifications in that month. In June 2022, the number of recipients was substantially below any month in program history (fewer than 5,000). The monthly number of TDAP recipients returned to prepandemic levels in April 2024. In the initial two months of fiscal 2025, the caseload has continued to increase reaching 12,587 in August 2024. This is a level significantly higher than the budget can support. DLS projects that the number of TDAP recipients will stay near the level of the August 2024 recipients through fiscal 2026.

During most of the public health emergency, emergency allotments under SNAP enabled recipients to receive the maximum benefit for their household size. As a result, the State's Supplemental Benefit for Seniors program was effectively suspended, as the program provides a benefit only to households with an individual over the age of 62 whose SNAP benefit is below the State's minimum benefit that is set in statute. No households received benefits below these levels with the availability of emergency allotments. The authorization for emergency allotments ended in calendar 2023, and the benefits began to be issued under the program again in February 2023. In the first seven months of issuances, more than 30,000 recipients received the benefit each month. However, the number of recipients subsequently declined before holding relatively even between 27,000 and 28,000 between December 2023 and August 2024. Chapters 374 and 375 of 2024 altered eligibility for the program to provide benefits to households with individuals age 60 and above meeting the benefit level criteria. As a result, DLS forecasts the number of recipients will increase by approximately 3,000. The average monthly number of recipients is expected to increase from 30,825 in fiscal 2025 to 31,750 in fiscal 2026 due to the timing of the effective date of the change one-quarter into fiscal 2025.

TCA, TDAP, and SNAP Supplemental Benefit for Seniors Recipients
July 2021 to August 2024



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

Temporary Cash Assistance Expenditure Trends

Due to larger increases in federal SNAP benefits in recent years than the inflationary increase in the MMLL, the TCA maximum benefits had remained unchanged since fiscal 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 and despite a slightly lower increase in the federal SNAP benefit (3.5%) than the inflationary increase in the MMLL (4%) in federal fiscal 2024. Although the exact MMLL increase is not yet available from DHS, DLS projects that the inflationary increase in MMLL (assumed to be 3.3%) will result in an increase in the TCA benefit level of 3.6% due to a minimal increase in the federal SNAP benefit. The U.S. Department of Agriculture announced increase in the maximum benefit level for a three-person household (the household size used in the calculation of the required TCA benefit) for federal fiscal 2025 was only $2 (0.26%). DLS projects that the TCA benefit will increase once again in fiscal 2026 due to anticipated inflationary increases in the MMLL. DLS also assumes that the $45 per recipient per month additional benefit that has been provided since fiscal 2023 continues through fiscal 2026.

DLS anticipates a shortfall of $11.5 million in total funds in fiscal 2025 due to a higher number of recipients and higher average benefit than can be supported with the fiscal 2025 budget. However, DLS anticipates that the available TANF fund balance can largely cover this shortfall. Total expenditures are expected to slightly decline in fiscal 2026 (from $167.5 million to $166.9 million); however, general fund expenditures increase by nearly 23% due to lower availability of TANF.

Temporary Cash Assistance Enrollment and Funding Trends
Fiscal 2024-2026

	2024	Leg Approp. 2025	DLS Estimate 2025	DLS Estimate 2026	% Change 2025-2026
Average Monthly Enrollment	53,293	50,000	52,760	51,705	-2.0%
Average Monthly Grant	$258.82	$260.00	$264.56	$269.01	1.7%
Budgeted Funds in Millions					
General Funds	$82.2	$49.1	$49.2	$60.5	22.9%
Total Funds	**$165.2**	**$156.0**	**$167.5**	**$166.9**	-0.4%
Estimated Surplus			**-$11.5**		

DLS: Department of Legislative Services

TDAP Expenditure Trends

Chapter 408 of 2018 established a plan for increasing the TDAP maximum benefit beginning in fiscal 2020 to the level of the maximum allowable payment for a one-person household in TCA by fiscal 2027. However, Governor Lawrence J. Hogan, Jr. announced 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 2025 budget, like those of the prior two years, continued to fund benefits at that level, so DLS projects that the higher-than-required benefits will continue in fiscal 2026. Consistent with the anticipated increase in TCA benefits beginning October 1, 2024, in fiscal 2025, DLS projects an increase in the TDAP benefit level of $12 beginning October 1, 2024, and an additional $9 increase in fiscal 2026. DLS also anticipates the additional $45 per recipient per month benefit that has been provided since fiscal 2023 to continue through fiscal 2026. DLS assumes a slightly lower average benefit in fiscal 2025 and

2026 than the maximum benefit plus the additional $45 per month in each year due to historical experience and the timing of the effective date of the increase in benefit levels one-quarter into the fiscal year.

Overall, DLS is projecting a shortfall of $15.1 million in TDAP in fiscal 2025 due to the higher caseload than can be supported by the fiscal 2025 budget along with a higher benefit level due to the anticipated change in the TCA benefit. The general fund shortfall ($16.1 million) is higher than the total shortfall due to a lower level of expected special funds to support the program based on historical experience than is currently included in the fiscal 2025 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 2024-2026

	2024	Leg. Approp. 2025	DLS Estimate 2025	DLS Estimate 2026	% Change 2024-2026
Average Monthly Enrollment	11,251	9,529	12,601	12,595	0.0%
Average Monthly Grant	$368.82	$372.00	$381.21	$392.00	2.8%
Budgeted Funds in Millions					
General Funds	$47.1	$38.0	$54.1	$55.7	3.0%
Total Funds	**$49.8**	**$42.5**	**$57.6**	**$59.2**	2.8%
Estimated Shortfall			**-$15.1**		
Estimated General Fund Shortfall			**-$16.1**		

DLS: Department of Legislative Services

SNAP Supplemental Benefit for Seniors

Chapter 696 of 2016 established a new State minimum benefit of $30 for SNAP households that have at least 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, Chapter 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 2025, the federal minimum benefit is $23. As result, the maximum State benefit in fiscal 2025 will be $27. DLS anticipates that the maximum State benefit will slightly decrease in fiscal 2026 to $26, due to an anticipated inflationary increase in the federal minimum benefit.

The SNAP Supplemental Benefit for Seniors program is expected to have a surplus of $1.9 million in fiscal 2025 due to a combination of higher than estimated funding needed to implement Chapters 374 and 375 based on the effective date of the legislation and a lower-than-budgeted benefit level aside from the benefit change in the Acts. Expenditures are expected to increase slightly in fiscal 2026 due to the annualization of the benefit level and eligibility changes in Chapters 374 and 375.

Electronic Benefit Transfer Fraud Replacement

In calendar 2022, reports of fraud due to skimming of Electronic Benefit Transfer (EBT) fraud began to increase, receiving attention at both the State and federal 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 24, 2023, DHS began issuing replacement cash and SNAP benefit replacement in March 2023.

From March through June 2023, DHS issued replacement cash benefits totaling $2.4 million to 9,212 recipients and SNAP benefits totaling $5.0 million to 9,296 recipients, a combined $7.4 million. 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. The general fund costs of the two programs were higher than budgeted, contributing to an overall shortfall in general fund appropriation in fiscal 2024.

DLS projects substantially lower costs for both programs in fiscal 2025 based on year-to-date experience with recipients and the value of benefits replaced ($1.4 million for cash assistance and $8.3 million for SNAP). As a result, the fiscal 2025 budget is expected to have a substantial surplus ($13.0 million) in general funds for the combined programs, both due to the impact of recent experience and because federal funds are available for nearly an additional quarter than was expected at the time of budget enactment. This surplus is not assumed to be reverted, as the funds are required to offset shortfalls in other programs. Overall, DLS projects similar costs for the two programs in fiscal 2026 ($9.7 million) as fiscal 2025; however, the general fund share increases due to the elimination of the availability of federal SNAP to support SNAP benefit replacement after December 20, 2024.

Federal Fund Supported Benefits

DLS projects that federal fund spending on public benefit programs in fiscal 2025 will be approximately $290 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 new 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). Due to the timing of the first issuances, fiscal 2025 will include benefits for all three months of the summer 2024 period and the first month of summer 2025. After fiscal 2025, each year is expected to include funding only for three months. In addition to the additional month, the number of recipients exceeded the number anticipated in the budget. As a result, DLS projects that approximately $97.9 million will be needed for this benefit in fiscal 2025 compared to $60 million included in the budget.

In fiscal 2026, federally supported benefits are expected to decrease by $55.1 million. The decrease is primarily the result of anticipated declines in the SNAP caseload, the removal of the extra month of summer EBT program spending that occurred in fiscal 2025, as well as a reduction in TANF spending for the TCA program expected to be used in that year to offset a general fund shortfall in the program.

Fiscal 2024 Closeout Leads to Fiscal 2025 Deficiency Appropriations

As part of the fiscal 2024 closeout process, DHS recorded expenditures in error in the State's financial management system for the Assistance Payments program. These errors occurred among all fund sources, leading to a recording of overall expenditures that were greater than benefit payments. However, the overrecording of expenditures occurred among federal funds only, while general and special fund expenditures were underreported. This led to two issues during closeout. First, approximately $64 million of general funds were reverted in error in the program. In addition, based on the cost allocation used by DHS initially, the program should have reported a $25 million shortfall in general funds. This shortfall resulted primarily from higher than budgeted costs in TDAP due to the rising caseload, higher than budgeted costs for the fraud replacement programs, and a difference in the cost allocation between general funds and TANF in the TCA program. DHS has since reported that approximately $18.1 million of additional TANF could be used to cover some of the expenditures in TCA ($16.8 million) and fraud replacement ($1.3 million) that it initially paid with general funds, reducing the general fund shortfall to $7.4 million. In combination, however, the DLS baseline assumes a deficiency appropriation of $71 million in general funds in Assistance Payments to account for the replacement of the funds reverted in error and the additional $7.4 million in general funds needed to cover fiscal 2024 costs.

Employee Compensation Overview

Employee Compensation Overview

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

- ***2% Cost-of-living Adjustment (COLA) and Merit Increases:*** The fiscal 2026 baseline includes funding for a 2% COLA effective July 1, 2025, as well as merit increases for all employees. Funding for these purposes totals $395.9 million ($139.0 million in general funds) in the fiscal 2026 baseline.

- ***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 2026 claims (including prescription rebates) will total $2.0 billion, a decrease of 2.5% from fiscal 2025. The transition of retiree prescription drug coverage from State plans to federal Medicare Part D plans is expected to lower costs by $110.1 million in fiscal 2025 and by an additional $119.5 million in fiscal 2026. Cost reductions are partially offset by revenue reductions. Retiree prescription drug contributions are expected to decrease by $18 million in fiscal 2026 in addition to the loss of $55.9 million in Employer Group Waiver Program coverage gap revenues. Fiscal 2026 baseline health insurance expenditures increase by $132.7 million across all funds, including $83.1 million in general funds, compared to the fiscal 2025 legislative appropriation.

- ***Employees' Retirement and Pensions:*** Fiscal 2026 baseline expenditures increase by $50.7 million due to rate changes compared to the fiscal 2025 legislative appropriation. These estimates include higher education spending on pension costs, including funding for the Optional Retirement Program for certain university employees, which has a constant rate of 7.25%.

Maryland Department of Health

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

Expenditures, Funds, and Positions – Maryland Department of Health
Fiscal 2025-2026
($ in Thousands)

	Leg. Approp. 2025	Baseline 2026	$ Change 2025-2026	% Change 2025-2026
Expenditures				
Administration	$807,352	$853,688	$46,336	5.7%
Office of Health Care Quality	39,726	43,458	3,731	9.4%
Health Professional Boards and Commissions	46,733	54,423	7,691	16.5%
Public Health Administration	160,911	165,847	4,935	3.1%
Prevention and Health Promotion Administration	524,472	542,361	17,889	3.4%
Behavioral Health Administration	729,324	727,360	-1,964	-0.3%
Developmental Disabilities Administration	2,116,484	2,208,263	91,779	4.3%
Medical Care Programs Administration	245,324	240,592	-4,732	-1.9%
Health Regulatory Commissions	279,790	413,470	133,680	47.8%
Total	**$4,950,118**	**$5,249,462**	**$299,344**	**6.0%**
Fund				
General Fund	$2,624,824	$2,700,497	$75,672	2.9%
Special Fund	562,532	717,360	154,828	27.5%
Federal Fund	1,706,073	1,773,444	67,371	3.9%
Reimbursable Fund	53,338	54,812	1,473	2.8%
Nonbudgeted Fund	3,350	3,350	0	0.0%
Total	**$4,950,118**	**$5,249,462**	**$299,344**	**6.0%**
Personnel				
Regular Positions	7,378.9	7,505.4	26.5	0.4%
Full-time Equivalent Contractuals	447.5	434.6	-12.9	-2.8%

Note: The fiscal 2025 legislative appropriation excludes anticipated deficiency appropriations and cost containment reductions approved by the Board of Public Works in July 2024.

Major Program Changes

MDH Administration

The fiscal 2026 MDH Administration baseline budget includes an adjustment to add $62,641 in general funds to support operating costs of implementing Chapter 720 of 2024, which modifies processes for releasing individuals committed to MDH after being found not criminally responsible for a crime.

The fiscal 2026 baseline includes two reductions from fiscal 2025 spending:

- a reduction of $255,936 in general funds to account for reduced payments for capital equipment leases for computers; and

- the removal of $100,000 appropriated for a one-time grant to the ALS Association.

Chapters 222 and 223 of 2023 transferred oversight of the Board of Nursing infrastructure operations to the Office of the Secretary for fiscal 2024 and 2025. During this period, the Board of Nursing fund was not allowed to be used for this purpose. The fiscal 2025 budget included $4.3 million in general funds in the Office of the Secretary for this purpose. Consistent with the end of this authorization, the fiscal 2026 baseline anticipates the return of infrastructure operations to the Board of Nursing by removing these general funds in the Office of the Secretary and adding a similar level of special funds to the Board of Nursing

Health Professional Boards and Commissions

The fiscal 2026 baseline includes two additional adjustments, including:

- an increase of $103,521 in special funds to support the addition of 1 nurse program administrator position and the elimination of one-time costs in the Maryland Board of Nursing under Chapter 818 and 819 of 2024; and

- a decrease of $179,377 in special funds to add 7 new regular positions and eliminate 8.75 contractual full-time equivalents (FTE) as approved by the Board of Public Works (BPW) in June 2024.

Public Health Administration

The fiscal 2026 baseline makes an adjustment for the Public Health Administration within MDH Public Health Services to remove a legislative addition of $2 million appropriated in fiscal 2025 as a supplement to the Maryland Loan Assistance Repayment Program for Nurses and Nurse Assistants.

Prevention and Health Promotion Administration

In the Prevention and Health Promotion Administration under MDH Public Health Services, the fiscal 2026 baseline makes the following adjustments related to legislation enacted during the 2024 session that took effect in fiscal 2025:

- Chapter 707 of 2024 established the Center for Firearm Violence Prevention. The fiscal 2025 appropriation includes $2 million and 3.0 regular positions to set up the center. The fiscal 2026 baseline includes an additional $6 million for contracts and grants to support violence prevention activities and research.

- Chapter 462 of 2024 alters how tobacco products are sold and requires MDH to inspect businesses and enforce the new requirements. The fiscal 2026 baseline includes $1.6 million in fiscal 2026 and a deficiency appropriation for fiscal 2025 of $1.2 million.

- Chapter 768 of 2024 established the Reproductive Health Care Clinic Security Grant Program to support security improvements at health clinics across the State. The fiscal 2026 baseline includes $500,000 and 0.25 contractual FTE for the program.

The fiscal 2026 baseline also removes funding a one-time legislative addition of $250,000 for a one-time grant to Zaching Against Cancer and $4.2 million allocated in fiscal 2025 through Supplemental Budget Number 2 for cancer research grants.

Behavioral Health Administration

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

In the fiscal 2026 baseline, provider reimbursements for the Medicaid-eligible population for non-Medicaid-eligible services decrease by $7.9 million compared to the fiscal 2025 appropriation for a total of $77 million. The decrease in provider reimbursements is due to a combination of lower than budgeted spending in prior years not yet reflected in the fiscal 2025 budget as well as an expected decrease in Medicaid enrollment following the end of the enrollment freeze and related enrollment flexibilities.

Provider reimbursements for the non-Medicaid-eligible population are expected to increase by $4.7 million in general funds compared to the fiscal 2025 appropriation, due primarily to utilization changes as individuals are disenrolled from Medicaid and an anticipated provider rate increase of 2%. Federal fund and special fund expenditures are projected to remain level. The fiscal 2025 budget included $5 million in special funds transferred from the Senior Prescription Drug Assistance Program to the Behavioral Health Administration (BHA) to subsidize prescription medication for certain Medicaid-eligible individuals. The Budget Reconciliation and Financing Act of 2024 expanded the eligible uses of the fund to include this purpose, and as there is balance available for fiscal 2026, the fiscal 2026 baseline includes $5 million for that purpose.

Chapters 266 and 267 of 2024 modify the Family and Medical Leave Insurance (FAMLI) program to delay deadlines for employer contributions, resulting in an increase of $473,790 in the fiscal 2026 baseline for providers reimbursed under these two programs.

The fiscal 2026 baseline includes the removal of one-time legislative additions for four grants to support direct behavioral health services totaling $1.8 million to Anne Arundel Lodge ($1 million), the City of Frederick ($500,000), Grassroots Crisis Intervention Center ($200,000), and Pro Bono Counseling ($100,000).

Chapters 703 and 704 of 2024 require MDH to establish an assisted outpatient treatment program in local jurisdictions that have not established their own by July 1, 2026. The fiscal 2025 appropriation included $3 million in BHA for startup costs related to establishing programmatic infrastructure. The fiscal 2026 baseline includes $154,305 for 1.5 regular personnel and removes the $3.0 million in startup costs.

Chapter 867 of 2024 establishes the Language Assistance Services Pilot Program in BHA to reimburse behavioral health providers for language assistance services for behavioral health patients. BHA must provide grants to local behavioral health authorities to reimburse providers. The fiscal 2026 baseline includes $189,317, including a $120,000 mandate for grants as well as funding for 1.0 contractual FTE.

Developmental Disabilities Administration

The Developmental Disabilities Administration (DDA) fiscal 2026 baseline increases by $41.8 million in total funds ($21.4 million in general funds, $0.1 million in special funds, and $20.3 million in federal funds) to support a 2% provider rate increase. The fiscal 2026 baseline also increases by $41.8 million in total funds ($21.4 million in general funds, $0.1 million in special funds, and $20.3 million in federal funds) for expanded placements and services in the Community Services program. General fund growth in the DDA baseline is partially offset by a fund swap of $18.8 million from general funds to federal funds to adjust federal fund participation higher in fiscal 2026 based on recent actual spending.

The fiscal 2026 baseline also includes an increase of $5.8 million in general funds for reimbursement of certain costs of providers under the FAMLI program, as required under Chapters 266 and 267.

Medicaid

Medicaid's fiscal 2026 baseline includes approximately $92.5 million in federal funds to continue work on two Major Information Technology Development Projects: the Medicaid Management Information System (MMIS) II (also referred to as the Medicaid Enterprise Systems Modular Transformation project) and the Long Term Services and Supports (LTSS) tracking system. These funds are in addition to general funds contained in the Major Information Technology Development Project Fund under the Department of Information Technology. Federal funding in the fiscal 2026 baseline for MMIS II is $13.4 million lower than the fiscal 2025 appropriation, and the LTSS tracking project is level funded. All other adjustments to Medicaid's baseline are further discussed in the Entitlement Programs section of this document.

Health Regulatory Commissions

Three independent agencies within MDH comprise the Health Regulatory Commissions, including the Maryland Health Care Commission (MHCC), Health Services Cost Review Commission (HSCRC), and the Maryland Community Health Resources Commission (MCHRC). MHCC's baseline increases by $59.2 million each year beginning in fiscal 2025 through a deficiency appropriation to account for the required distribution of increased revenues from the vehicle registration surcharge in accordance with Chapters 717, 718, and 719 of 2024. As required in the legislation, $9 of the increase in the surcharge (estimated to be $41.0 million) will be distributed through MHCC to the R Adams Cowley Shock Trauma Center, and $4 of the increase in the surcharge ($18.2 million) will support the Maryland Trauma Physician Services Fund (MTPSF). Of the MTPSF increase, $1.2 million is distributed to Level I pediatric trauma centers to increase the annual grants to a total of $1.8 million. Other adjustments to MHCC's fiscal 2026 baseline include:

- a reduction of $750,000 in general funds to remove a grant for the Maryland Patient Safety Center added by the General Assembly in the fiscal 2025 Budget Bill that is assumed to be one time; and

- an increase of approximately $110,000 in special funds and 1 new position to implement Chapters 816 and 817 of 2024, which require MHCC to review requests for acquisitions of nursing homes.

HSCRC's fiscal 2026 baseline accounts for 3 contractual conversions (2 analysts and 1 HSCRC chief position) that were approved by BPW in June 2024. Additionally, the baseline includes an adjustment in fiscal 2026 to remove $375,000 in general funds added by the General Assembly to be distributed through the Chesapeake Regional Information System for our Patients for services from DrFirst. The fiscal 2026 baseline also increases by $100,000 in HSCRC special funds for contractual services to support activities of the Maryland Emergency Department Wait Time Reduction Commission established in Chapter 844 of 2024.

MCHRC's fiscal 2026 baseline includes adjustments to two programs: the Consortium on Coordinated Community Supports; and the Health Equity Resource Communities (HERC) program. Chapter 36 of 2021 (Blueprint for Maryland's Future – Implementation) established the consortium to meet student behavioral health needs and other related challenges in a holistic, nonstigmatized, and coordinated manner. Chapter 713 of 2022 increased the consortium's mandated funding level beginning in fiscal 2024 and continuing through fiscal 2026. As a result, MCHRC's special fund appropriation from the Blueprint for Maryland's Future Fund for the consortium increases from $40 million in fiscal 2025 to $130 million in fiscal 2026.

Under the HERC program, MCHRC distributes grants to specific areas in Maryland designated as HERCs to target resources with the goal of reducing health disparities and improving health outcomes. Chapters 741 and 742 of 2021 required the Governor to transfer $15 million from the Maryland Health Benefit Exchange Fund to the HERC Reserve Fund each year from fiscal 2023 through 2025 to support the grants. The fiscal 2026 baseline for MCHRC decreases by $15 million in special funds to account for the end of these special fund transfers.

Department of Human Services

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

Expenditures, Funds, and Positions for the Department of Human Services

Fiscal 2025-2026
($ in Thousands)

	Leg. Approp. 2025	Baseline 2026	$ Change 2025-2026	% Change 2025-2026
Expenditures				
DHS Administration	$306,374	$317,344	$10,979	3.6%
Social Services Administration	382,008	411,069	29,061	7.6%
Child Support Administration	101,655	118,411	16,756	16.5%
Family Investment Administration	393,114	422,883	29,769	7.6%
Office of Home Energy Programs	201,396	250,623	49,227	24.4%
Total	**$1,384,547**	**$1,520,331**	**$135,783**	**9.8%**
Fund				
General Fund	$510,715	$554,010	$43,295	8.5%
Special Fund	153,511	215,025	61,515	40.1%
Federal Fund	688,644	719,617	30,973	4.5%
Reimbursable Fund	31,677	31,677	0	0.0%
Total	**$1,384,547**	**$1,520,331**	**$135,783**	**9.8%**
Personnel				
Regular Positions	5,978.7	5,978.7	0.0	0%
FTE Contractuals	76.8	76.8	0.0	0%

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

Note: The fiscal 2025 legislative appropriation excludes anticipated deficiency appropriations and cost-containment actions approved by the Board of Public Works in July 2024.

Montgomery County Block Grant

The fiscal 2026 baseline includes a series of adjustments to account for increments and general salary increases anticipated for fiscal 2026 in the Montgomery County Block Grant. In all jurisdictions except Montgomery County, most of the major functions of the department are administered by local departments of social services (LDSS) functioning as branches of DHS. Positions in these LDSS are State employees. In Montgomery County, these are local positions, except for the executive director and those working in the child support function. DHS provides funding to support general administration, child welfare services, adult services, and family investment services to Montgomery County through a block grant. As part of this funding, the State supports funding for the positions supporting these functions equivalent to the amount that the positions would have been paid if they were State positions (as is the case in all other jurisdictions). These adjustments result in increases totaling:

- $0.6 million in the Local Family Investment Program;
- $0.5 million in Child Welfare Services;
- $0.2 million in Adult Services; and
- $0.1 million in Administration.

One-time Legislative Additions

The fiscal 2026 baseline includes adjustments to remove funds added by the General Assembly in the fiscal 2025 Budget Bill that are assumed to be one-time. These decreases include:

- $500,000 in the Office of Home Energy Programs (OHEP) for a grant to the Fuel Fund of Maryland; and
- $325,000 in the Office of Grants Management for grants to A Wider Circle ($250,000) and the Light House Inc. ($75,000).

Child Support Administration

The fiscal 2026 baseline includes an adjustment that accounts for a deficiency appropriation to replace $10.7 million in general and federal funds with special funds from the Child Support Reinvestment Fund. These general funds were reduced by the General Assembly during the 2024 session, with the intent that the funds would be replaced by the Child Support

Reinvestment Fund. The fiscal 2025 budget as introduced did not account for the annual revenue from this source. The fiscal 2026 baseline continues this funding.

Family Investment Administration

The fiscal 2026 baseline includes an adjustment to lower the turnover expectancy in the Family Investment Administration (FIA) from 8.64% to 7% to be consistent with recent vacancy trends. Vacancy rates in FIA were 7.2% and 6.9%, respectively, in January and July 2024.

Office of Home Energy Programs

The fiscal 2026 baseline for OHEP contains an adjustment to reflect the availability of funds to support DHS-administered energy assistance programs. In particular, the adjustment increases the anticipated special funds available to DHS from the Regional Greenhouse Gas Initiative-sourced Strategic Energy Investment Fund (SEIF) revenue allocated for energy assistance by approximately $49.7 million, as available revenues from the SEIF are projected to be higher than in fiscal 2025.

Social Services Administration

The fiscal 2026 baseline for the Social Services Administration contains an adjustment to reflect fiscal 2026 expenditures related to legislation passed during the 2024 session; in particular, it adds $250,000 in general funds for costs associated with Chapter 366 of 2024 to develop and maintain a public information program about the Maryland Safe Haven Program

Department of Public Safety and Correctional Services

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

Expenditures, Funds, and Positions for the Department of Public Safety and Correctional Services

Fiscal 2025-2026
($ in Thousands)

	Leg. Approp. 2025	Baseline 2026	$ Change 2025-2026	% Change
Expenditures				
Administration and Offices	$211,532	$226,388	$14,856	7.0%
Corrections	1,014,735	1,198,689	183,954	18.1%
Community Supervision	133,704	150,138	16,434	12.3%
Police and Correctional Training Commissions	12,377	13,320	943	7.6%
Division of Pretrial Detention and Services	272,048	288,999	16,951	6.2%
Total	**$1,644,395**	**$1,877,534**	**$233,138**	**14.2%**
Fund				
General Fund	$1,524,435	$1,752,579	228,143	15.0%
Special Fund	88,389	91,012	2,623	3.0%
Federal Fund	27,438	29,745	2,306	8.4%
Reimbursable Fund	4,132	4,198	64	1.6%
Total	**$1,644,395**	**$1,877,534**	**$233,138**	**14.2%**
Personnel				
Regular Positions	9,212.4	9,217.4	5.0	0%
FTE Contractuals	280.3	280.3	0.0	0%

FTE: full-time equivalent

Note: The fiscal 2025 legislative appropriation excludes anticipated deficiency appropriations and cost-containment reductions approved by the Board of Public Works in July 2024.

Major Adjustments

Significant fiscal 2026 baseline adjustments for DPSCS reflect:

- a one-time deficiency appropriation of $48.4 million in general funds in fiscal 2025 to pay unpaid fiscal 2024 bills within DPSCS Corrections;

- an increase of $24.5 million in general funds in fiscal 2026 for a new inmate medical and mental health contract, above the level provided in an anticipated deficiency appropriation;

- an increase of $5.2 million in general funds in fiscal 2026 for system upgrades to allow the Division of Parole and Probation to automate expungements as required by Chapter 940 of 2024;

- an increase of $485,000 in general funds in fiscal 2026 to support 5 new personnel and related operating costs to operate a facial recognition technology program within PCTC, as required by Chapters 808 and 809 of 2024; and

- the removal of one-time expenses of $300,000 in special funds in fiscal 2025 related to the temporary expansion of allowable uses of the Maryland Police Training and Standards Commission Fund under Chapter 717 of 2024 (Budget Reconciliation and Financing Act).

Maryland Department of Transportation

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

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

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

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

Fiscal 2025-2026
($ in Thousands)

	Leg. Approp. 2025	Baseline 2026	$ Change 2025-2026	% Change 2025-2026
Operating Expenditures				
The Secretary's Office	$114,076	$120,377	$6,300	5.5%
WMATA – Operating Budget	489,488	674,000	184,512	37.7%
State Highway Administration	359,204	373,168	13,964	3.9%
Maryland Port Administration	54,081	57,478	3,396	6.3%
Motor Vehicle Administration	230,977	264,710	33,733	14.6%
Maryland Transit Administration	1,188,000	1,327,453	139,453	11.7%
Maryland Aviation Administration	239,047	245,459	6,411	2.7%
PAYGO Expenditures				
The Secretary's Office	$36,704	$22,040	-$14,724	-40.0%
WMATA – Operating Budget	359,204	373,168	13,964	-46.4%
State Highway Administration	1,589,830	1,232,592	-357,238	-22.5%
Maryland Port Administration	353,922	342,030	-11,893	-3.4%
Motor Vehicle Administration	21,809	28,379	6,570	30.1%
Maryland Transit Administration	660,413	707,070	46,657	7.1%
Maryland Aviation Administration	216,417	159,470	-56,947	-26.3%
Total	**$5,907,264**	**$5,743,726**	**-$163,538**	**-2.8%**

	Leg. Approp. 2025	Baseline 2026	$ Change 2025-2026	% Change 2025-2026
Fund				
General Fund	$1,200	$0	-$1,200	-100.0%
Special Fund	4,330,124	4,490,806	160,681	3.7%
Federal Fund	1,575,940	1,252,920	-323,020	-20.5%
Total	**$5,907,264**	**$5,743,726**	**-$163,538**	**-2.8%**
Personnel				
Regular Positions	10,890.5	10,910.5	20.0	0.2%
FTE Contractuals	90.0	90.0	0.0	0%

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

Note: The exhibit reflects personnel for all of the Maryland Department of Transportation. Pay-as-you-go (PAYGO) funding is reflected in the PAYGO funding exhibit. The fiscal 2025 legislative appropriation excludes anticipated deficiency appropriations and funds budgeted in the Dedicated Purpose Account.

The Secretary's Office

The fiscal 2026 baseline includes adjustments to:

- increase special funds by $1.8 million in fiscal 2025 and 2026 to restore cost containment reductions related to a hiring freeze that MDOT had assumed in its fiscal 2025 budget as introduced but that it canceled due to revenue increases passed during the 2024 session; and

- remove a one-time legislative addition for a grant of $500,000 to Baltimore and Montgomery counties for bus pilot projects.

Washington Metropolitan Area Transit Authority

The operating grant subsidy for the Washington Metropolitan Area Transit Authority was modified to reflect the fiscal 2026 grant level assumed in the MDOT draft TTF forecast, an increase of $34.5 million over the fiscal 2025 level when including the $150 million general funds provided through the Dedicated Purpose Account.

State Highway Administration

The fiscal 2026 baseline budget for the State Highway Administration (SHA) includes adjustments to:

- reduce funding for winter maintenance/snow removal expenses by $5.7 million to reflect the five-year average expenditure level of $64.1 million;

- increase funds by $3.7 million for administrative expenses for running expanded Work Zone Speed Control systems required by Chapter 17 of 2024; and

- add 8 regular positions and associated funds for positions created by the Board of Public Works (BPW) and delete 5 contractual full-time equivalents (FTE) and associated funding.

Maryland Transit Administration

The fiscal 2026 baseline budget for the Maryland Transit Administration (MTA) includes adjustments to:

- recognize increases for paratransit/mobility transit service contracts ($32.4 million);

- account for fiscal 2026 increases in salary and benefit expenditures associated with newly ratified collective bargaining agreements ($9.9 million);

- increase special funds by $6.5 million in fiscal 2025 and 2026 to restore cost containment reductions related to a hiring freeze that MDOT had assumed in its fiscal 2025 budget as introduced but that it canceled due to revenue increases passed during the 2024 session;

- recognize increases for MARC third-party operator contracts ($5.2 million);

- recognize funding for MARC train access contracts ($4.9 million):

- recognize increases for commuter bus service contracts ($2.4 million);

- account for one-time expenses in fiscal 2025 associated with Chapters 754 and 755 of 2024 for the posting of "no smoking or vaping" signage in MTA buses, trains, and mobility/paratransit vehicles ($195,600);

- adjust the previous year's amount for Elderly and Handicapped Transportation Services for inflation for urban consumers as required by Chapter 416 of 2022 ($111,028); and

- remove one-time legislative additions in fiscal 2025 for the Maryland Senior Rides and Neighborhood Rides programs ($100,000).

Maryland Aviation Administration

The fiscal 2026 baseline budget for the Maryland Aviation Administration reflects an increase of $1.4 million in special funds to conform the annual reimbursement for Maryland Transportation Authority (MDTA) police force services to the expected level and a decrease of $1.7 million to remove debt service for bonds fully retired in fiscal 2025.

Maryland Port Administration

The fiscal 2026 baseline budget for the Maryland Port Administration includes adjustments to:

- increase special funds by $1.3 million in fiscal 2025 and 2026 to restore cost containment reductions related to a hiring freeze that MDOT had assumed in its fiscal 2025 budget as introduced but that it canceled due to revenue increases passed during the 2024 session;

- remove funding for a legislative addition for $1 million in general funds for drone security at the Port of Baltimore, $250,000 of which was reduced by BPW as a cost containment action; and.

- increase funding for MDTA police force services by $433,415 based on the MDTA fiscal 2024 to 2030 draft financial forecast.

Motor Vehicle Administration

The fiscal 2026 baseline budget for the Motor Vehicle Administration includes adjustments to:

- increase special funds by $8.7 million in fiscal 2025 and 2026 to restore cost containment reductions related to a hiring freeze that MDOT had assumed in its fiscal 2025 budget as introduced, but that it canceled due to revenue increases passed during the 2024 session;

- increase special funds by $6.6 million to cover increased credit card processing fees related to increases in vehicle registrations ($4.2 million), the imposition of a surcharge on electric and partially electric vehicles ($200,000), and an increase in the surcharge for the Maryland Emergency Medical System Operations Fund enacted through Chapters 717, 718, and 719 of 2024; and

- add $1.9 million in special funds to reflect the extension of the contract for operation of the Vehicle Emissions Program.

MDOT PAYGO

For the MDOT pay-as-you-go (PAYGO) capital programs, adjustments were made to conform to the draft *Consolidated Transportation Program: Fiscal 2025-2030*.

The fiscal 2026 baseline also includes deficiency adjustments to add 8 regular positions and delete 20 contractual FTEs in the State Highway Administration PAYGO program to reflect actions made by BPW.

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 2026 baseline assumes current unrestricted costs for USM and MSU increase by an estimated $199.5 million and $17.9 million, respectively. This includes $151.7 million and $15.3 million in current unrestricted funds (primarily State funds and tuition and fee revenue) for USM and MSU, respectively, and the remaining $50.4 million in current restricted funds.

- The baseline budget assumes tuition and fee revenue will increase by 2% in fiscal 2026 at USM and MSU. Of the estimated $54.2 million increase in USM undergraduate tuition and fee revenue, $17.9 million is attributable to new enrollments, which is based on USM's projected enrollment growth for each institution and the projected fiscal 2026 resident and nonresident tuition and fee rate. For MSU, $0.6 million of the $3.0 million increase in undergraduate tuition and fee revenue is attributable to new enrollments, which is based on the Maryland Higher Education Commission's (MHEC) enrollment projections. Graduate tuition and fee revenue for USM institutions and MSU are estimated to increase by $38 million and $1.0 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 $15.2 million and $0.8 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 revenues from tuition and fees and other auxiliary revenues are inadequate to support.

- In fiscal 2026, the State funding will increase by $61.8 million for USM and by $10.7 million for MSU. This includes $1.8 million in increased legislative mandates for USM and a return of $3.4 million in mandates reduced in cost containment actions approved in July 2024. Other increases include those for personnel similar to that of other State employees, new facilities, and other operating costs.

The fiscal 2026 baseline also assumes that approximately $3.8 million of legislative additions in various institutions in USM and MSU are one time in nature.

St. Mary's College of Maryland

SMCM receives State support through a statutory formula that increases the working appropriation by the funds required to offset inflation as determined by the implicit price deflator for State and local government. The implicit price deflator is estimated to be 2.34% in fiscal 2026. General funds through this formula for SMCM are expected to increase by $0.9 million.

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. In addition, Chapter 420 of 2017 provides general funds for increases in the cost of health insurance for employees, and a performance bonus if the institution's six-year graduation rate is greater than or equal to 82.5%. The baseline includes an increase of $0.5 million in general funds to reflect the budgeting of 100% of the anticipated fiscal 2025 COLA for State-supported employees. The most recent six-year graduation rate was 78.1%, resulting in no performance bonus. Funding for health insurance contributions increases by $0.4 million, based on the anticipated growth in contributions for State employees.

Baltimore City Community College

General funds for BCCC are determined by a statutory formula that takes into account enrollment and State support for selected public four-year institutions. As a result of Chapter 717 of 2024, in fiscal 2026, 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 2024, rather than the estimated per FTES funding in fiscal 2026. In fiscal 2026, per FTES funding is estimated to be $13,468 using the 68.5% calculation, for a total of $41.0 million. This is an increase of $7.0 million from fiscal 2025, 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 2026 baseline assumes BCCC will receive the hold harmless level.

BCCC also receives funding through the English for Speakers of Other Languages Program, estimated at $0.2 million in general funds in fiscal 2026, slightly less than the amount in fiscal 2025.

Maryland Higher Education Commission

MHEC is the State's coordinating body for the 13 campuses of USM, MSU, SMCM, 16 community colleges, and the State's private colleges and universities. General funds for the Joseph A. Sellinger Program for private institutions increase by $1.2 million in the fiscal 2026 baseline. 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.

The fiscal 2026 baseline assumes that $18.8 million for the higher education security grants are one time in nature. In addition, the fiscal 2026 baseline adds $0.8 million related to costs associated with establishing the Maryland Pathway to Nursing Pilot Program as specified in Chapter 866 of 2024, which includes an additional position and operating expenses.

In the fiscal 2026 baseline for two financial aid programs (the Senatorial and Delegate Scholarship projects) are estimated to increase by a combined $0.3 million, or 2%, in fiscal 2025 to reflect an assumed 2% increase in resident undergraduate tuition at the public four-year institutions.

Educational Excellence Award (EEA) general funds increase by $2.3 million, or 2%, to reflect an assumed 2% increase in resident undergraduate tuition at the public four-year institutions. The fiscal 2026 baseline also assumes the reduction of $20 million in the EEA general funds as part of the cost containment actions approved by the Board of Public Works in July 2024 and the $2.0 million reduction in general funds in the fiscal 2025 Budget Bill replaced by special funds from the Need-Based Student Financial Assistance Funds were one-time and returned to general funds in fiscal 2026.

Chapters 196 and 197 of 2024 transferred the administration of the Next Generation Scholars Program from the Maryland State Department of Education to MHEC. The baseline assumes an increase of $5.0 million in general and special funds in fiscal 2026 in MHEC due to this transition. In addition, the baseline includes an adjustment to increase general funds in MHEC by $0.2 million for 1.5 positions to administer the program and upgrade the financial aid system.

Pay-as-you-go Capital Programs

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

The fiscal 2026 baseline maintains the policy established by the Spending Affordability Committee and adopted in the Administration's five-year 2024 session *Capital Improvement Program* (CIP) to reflect the State's current fiscal outlook and projected structural deficit, and therefore includes a more limited use of PAYGO general funds. Excluding funding provided through the *Consolidated Transportation Program*, the fiscal 2026 baseline includes $799.7 million of total PAYGO funding compared to the $1.046 billion fiscal 2025 legislative appropriation.

The fiscal 2026 baseline removes one-time fiscal 2025 general fund items and includes items programmed in the State's 2024 session five-year CIP and adds mandates above what is already programmed in the CIP. The baseline maximizes the use of estimated special and federal funds, with the goal of level funding programs to the fiscal 2025 legislative appropriation or to the level programmed for fiscal 2026 in the 2024 CIP. The baseline assumes that all special funds will be available and distributed according to statutory requirements, including special fund transfer tax revenues used to fund Program Open Space (POS), and special funds available in the Fiscal Responsibility Fund to support K-12 and higher education capital spending.

The baseline includes a reduced level of federal fund support of the capital program reflecting reductions in funding from the American Rescue Plan Act and the Infrastructure Investment and Jobs Act (IIJA) primarily attributable to the end of funding that supported broadband initiatives.

Funding for PAYGO Capital Programs
Excluding Maryland Department of Transportation
Fiscal 2025-2026

Program Code	Agency	2025 Leg Approp	2026 Baseline	$ Increase	% Increase
D25E0302	Interagency Commission on School Construction – Public School Construction	$29,000,000	$36,143,411	$7,143,411	24.6%
D40W0111	Department of Planning – Historic Preservation	300,000	160,000	-140,000	-46.7%
D50H0104	Department of Military	5,658,000	6,640,000	982,000	17.4%
D55P0006	Veterans Affairs	47,881,000	42,661,000	-5,220,000	-10.9%
H00H0103	Department of General Services – Miscellaneous Grants	37,957,000	6,200,000	-31,757,000	-83.7%
K00A0510	Department of Natural Resources (DNR) – Outdoor Recreation Land Loan	91,470,887	86,917,028	-4,553,859	-5.0%
K00A0906	DNR – Ocean City Maintenance	1,000,000	1,000,000	0	0.0%
K00A1401	DNR – Waterway Improvement Fund	24,000,000	24,000,000	0	0.0%
L00A1111	Department of Agriculture	36,493,015	35,242,703	-1,250,312	-3.4%
S00A2109	Department of Housing and Community Development (DHCD) – Division of Broadband	172,738,401	0	-172,738,401	-100.0%
S00A2402	DHCD – Neighborhood Revitalization	70,514,000	80,358,000	9,844,000	14.0%
S00A2507	DHCD – Rental Housing Programs	71,561,700	28,500,000	-43,061,700	-60.2%
S00A2508	DHCD – Homeownership Programs	21,000,000	5,250,000	-15,750,000	-75.0%
S00A2509	DHCD – Special Loan Programs	9,445,000	9,440,000	-5,000	-0.1%
S00A2515	DHCD – Housing and Building Energy Programs	38,400,000	56,500,000	18,100,000	47.1%

Program Code	Agency	2025 Leg Approp	2026 Baseline	$ Increase	% Increase
U00A0103	Maryland Department of Environment (MDE) – Water Quality Revolving Loan Fund	188,952,543	195,000,000	6,047,457	3.2%
U00A0104	MDE – Hazardous Substance Clean-Up Program	1,000,000	1,000,000	0	0.0%
U00A0105	MDE – Drinking Water Revolving Loan Fund	118,915,617	114,695,000	-4,220,617	-3.5%
U00A0111	MDE – Bay Restoration Fund-Wastewater	60,000,000	50,000,000	-10,000,000	-16.7%
U00A0112	MDE – Bay Restoration Fund-Septic Systems	15,000,000	15,000,000	0	0.0%
Y01A01	State Reserve Fund – Dedicated Purpose Account	5,000,000	5,000,000	0	0.0%
Total		**$1,046,287,163**	**$799,707,142**	**-$246,580,021**	**-23.6%**
General Funds		**$145,218,700**	**$62,200,000**	**-$83,018,700**	**-57.2%**
Special Funds		**$451,883,952**	**$460,857,142**	**$8,973,190**	**2.0%**
Federal Funds		**$449,184,511**	**$276,650,000**	**-$172,534,511**	**-38.4%**
Total		**$1,046,287,163**	**$799,707,142**	**-$246,580,021**	**-23.6%**

PAYGO: pay-as-you-go

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

Department of General Services

The fiscal 2025 operating budget included $38 million in general funds for one-time capital PAYGO appropriations for miscellaneous capital grants to non-State organizations, which are removed from the fiscal 2026 baseline. The baseline includes $6.2 million of general funds for a one-time grant for the Bowie Race Course Training Center as required by Chapter 410 of 2024.

Military Department

The baseline includes $6.6 million of federal PAYGO funds to support renovation and expansion of the Glen Burnie Readiness Center. This is $1.2 million less than the amount programmed in the CIP for fiscal 2026, reflecting a downward adjustment in the amount of federal funds needed for the Glen Burnie project and a deferral of federal funding for the planned renovation of the Ruhl Readiness Center based on a revised project schedule that will not require funding until fiscal 2027. 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

The Department of Veterans and Military Families operates five veteran cemeteries throughout the State to provide interment to eligible veterans and their dependents. The baseline includes $887,000 of federal PAYGO funds for the expansion of the Garrison Forest Veterans Cemetery and $4.9 million for the expansion of the Crownsville Veterans Cemetery. The baseline also includes $36.9 million of federal funds for the construction of a new 128-bed skilled nursing facility, which is $10 million less than the previously recommended CIP due to updated project cost estimates.

Maryland Department of Transportation

An adjustment also removes $100,000 in general funds in The Secretary's Office PAYGO that was added to the fiscal 2025 appropriation for the Town of Forest Heights.

Department of Natural Resources

The fiscal 2026 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 2024 revenue attainment was $198.7 million, which is $87.5 million less than the amount budgeted in fiscal 2024. This underattainment is subtracted from the estimated fiscal 2026 revenues that support fiscal 2026 program funding levels.

- ***Transfer Tax Revenue Estimate Decrease*:** The revenue estimate for fiscal 2026 is $231.4 million, which is $1.7 million less than the $233.1 million revenue figure for fiscal 2025.

The fiscal 2026 baseline for the Department of Natural Resources POS State allocation includes $12.5 million in special funds – $10.0 million for the Baltimore City Direct Grant and $2.5 million for the Heritage Conservation Fund – and $3.0 million in federal funds, which is a $0.2 million decrease in transfer tax special funds and a $2.0 million decrease in federal funding compared to the fiscal 2025 legislative appropriation. The POS Local allocation decreases by $3.2 million, from $32.1 million in fiscal 2025 to $29.0 million in fiscal 2026.

POS – Public Access Program and Greenspace Equity Program are broken out from POS State for the first time in the fiscal 2026 baseline. The Greenspace Equity Program receives $7.0 million in the fiscal 2026 baseline. This is an increase of $2.0 million relative to the fiscal 2025 legislative appropriation but is the same as the amount programmed in the 2024 CIP for fiscal 2026. The Public Access Program is estimated to receive $8.3 million in the fiscal 2026 baseline, based on the assumption that it receives a portion of POS State funding after the allocations for other purposes and that no funding is available for POS State land acquisition. This is a $0.2 million increase relative to the fiscal 2025 legislative appropriation.

The fiscal 2026 baseline includes $14.9 million in special funds for the Rural Legacy Program that provides funds for the acquisition of conservation easements. This is a decrease of $0.5 million compared to the fiscal 2025 legislative appropriation due to the reduced amount of transfer tax special funds available in fiscal 2026.

The fiscal 2026 baseline includes $12.3 million in special funds for Capital Development Projects. The special funds reflect transfer tax funding for the Natural Resources Development Fund ($11.3 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 2024 CIP. Overall, the baseline for Capital Development Projects decreases by $1.0 million between the fiscal 2025 legislative appropriation and the fiscal 2026 baseline, which reflects the reduced amount of transfer tax special funds available in fiscal 2026.

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 2026 baseline to reflect the 2024 CIP. Overall, funding is shared at 50% State, 25% Worcester County, and 25% Ocean City. The State component is reflected under Capital Development Projects, as noted earlier.

The fiscal 2026 baseline for the Waterway Improvement Program (WIP) includes $24.0 million, which is consistent with the fiscal 2025 legislative appropriation and the amount programmed in the 2024 CIP for fiscal 2026. The fiscal 2026 funding includes $21.5 million in special fund revenue available from the motor fuel tax and the vessel excise tax and $2.5 million in federal funding. The WIP provides grants and loans to local, State, and federal government agencies for projects that improve and promote the recreational and commercial capabilities, conditions, and safety of Maryland's waterways for the benefit of the general boating public.

Maryland Department of Agriculture

The fiscal 2026 baseline for the Maryland Agricultural Land Preservation Program consists of $35.2 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 $23.2 million and county matching funding estimated at $12.0 million. Overall, the baseline reflects a decrease of $1.3 million in special funds compared to the fiscal 2025 legislative appropriation, which reflects the lower transfer tax revenue estimate and fiscal 2024 underattainment.

Department of Housing and Community Development

Overall, the fiscal 2026 baseline assumes that funds for the Department of Housing and Community Development's (DHCD) PAYGO programs will decrease by $49.1 million in general funds after accounting for deficiencies and by $172.7 million in federal funds. PAYGO special funds are anticipated to increase by $18.4 million. The following adjustments were made to the fiscal 2026 baseline:

- ***Adjustments to Align with the CIP*:** The fiscal 2026 baseline removes $90.3 million in one-time legislative general fund additions from DHCD's capital budget, consisting of $1.2 million in grants for community development organizations, and $89.1 million in funding shifted from GO bonds for the Rental Housing, Homeownership, and Strategic Demolition programs. The CIP plans GO bond funding for these programs in fiscal 2026. Consistent with the CIP, the baseline also removes $9 million in general funds for the Downtown Partnership of Baltimore; increases special funds by $18.4 million for Housing and Building Energy Programs ($18.1 million), Homeownership Programs ($250,000), and the Neighborhood Business Development Program ($44,000); and decreases federal funds by $5,000 for Special Loan Programs.

- ***Mandated Funding*:** The fiscal 2026 baseline includes $50 million in general funds for the Continuing the CORE Partnership Fund within the Strategic Demolition Program to meet the mandated funding level per Chapter 335 of 2024. The CIP planned $50 million in GO bonds for the program.

- ***IIJA Funding*:** The fiscal 2025 budget included the remaining $172.7 million of the State's $267.7 million broadband award from the IIJA. The fiscal 2026 baseline removes this funding.

Maryland Department of the Environment

The Maryland Department of the Environment's fiscal 2026 baseline of $195.0 million for the Water Quality Revolving Loan Fund Program reflects the 2024 CIP funding plan for fiscal 2026 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 2024 CIP as matching funding. The federal funds reflect a combination of the base funding and federal IIJA funding. The fiscal 2026 baseline reflects an increase of $6.0 million compared to the fiscal 2025 legislative appropriation due to an increase of $0.9 million in special funds and $5.2 million in federal funding. The program provides low-interest loans to local governments and eligible private entities for water quality improvement projects, such as upgrading wastewater treatment plants and capping closed landfills.

The baseline for the Drinking Water Revolving Loan Fund Program is $114.7 million. This reflects the 2024 CIP funding plan for fiscal 2026 of $20.0 million in special funds and $94.7 million in federal funds; an additional $11.2 million in GO bonds is programmed in the 2024 CIP as matching funding. The federal funds reflect a combination of the base funding and federal IIJA funding. The fiscal 2026 baseline reflects a decrease of $4.2 million compared to fiscal 2025 due to a $5.5 million decrease in special funds, which is offset partially by an increase of $1.3 million in federal funding.

The fiscal 2026 baseline includes $1.0 million in general funds for the Hazardous Substance Clean-Up Program, as programmed in the 2024 CIP.

The fiscal 2026 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 2024 CIP and the fiscal 2025 legislative appropriation. The baseline estimates 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 2024 CIP, which is $10.0 million less than the fiscal 2025 legislative appropriation.

Other Agencies

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

- ***Interagency Commission on School Construction*:** The baseline includes $27.0 million in special funds from the Education Trust Fund for Prince George's County Public-Private Partnership payments under the Built to Learn Program. The baseline also includes $9.1 million of special funds from the Fiscal Responsibility Fund to support K-12 and higher education capital spending.

- ***Department of Planning*:** The baseline includes $160,000 in special funds for the Historic Preservation Loan Fund, which is a reduction from the $300,000 appropriated in fiscal 2025 based on available special fund loan proceeds.

- ***State Reserve Fund*:** The baseline also includes $5.0 million of general funds under the State Reserve Fund to fund predevelopment work associated with the divestment of the State Center Complex. This adjustment replaces the $5.0 million appropriated in fiscal 2025 that was deleted in cost-containment actions approved by the Board of Public Works in July 2024.

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.

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

Chapter 557 of 2017 required that for fiscal 2021 and beyond, for surpluses above $10 million, the first $100 million is to be divided between the Rainy Day Fund, the Pension System, and the Post-Retirement Health Benefits Trust Fund so that the Rainy Day Fund receives 50%, the Pension System receives 25%, and the Post-Retirement Health Benefits Trust Fund receives 25% on a dollar-for-dollar basis.

Fiscal 2024 ended with an unappropriated general fund balance totaling approximately $479.5 million. Per Chapter 557, the Administration is required to provide a $25 million supplemental appropriation to the employee pension fund and a $25 million supplemental appropriation to the Post-Retirement Health Benefits Trust Fund. Another $10 million is retained by the General Fund. As required by law, adjustments to the fiscal 2026 baseline reflects the required appropriation of $419.5 million for the Rainy Day Fund and $50 million in the DPA ($25 million each for the required appropriations to the Pension System and Post-Retirement Health Benefits Trust Fund).