Spending Affordability Committee
Technical Supplement

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

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Fiscal 2028 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 2027. 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 2027 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 2027 funding is believed to be insufficient to cover certain costs due to current inflation expectations. The baseline assumes deficiency appropriations of $24.25 million for food, $5.83 million for natural gas, and $1.83 million for electricity in total funds, which are ongoing, and $2.09 million in total funds for gas/oil that is one-time in nature. In addition, the

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

- postage (9.0%);
- natural gas (6.0%);
- prescription drugs (3.5%);
- food (3.3%);
- electricity (1.0%).

Zero inflation is assumed for all other items.

Assumptions Regarding Legislative Additions

The fiscal 2028 baseline assumes that approximately $289.3 million in legislative additions ($139.2 million in general funds and $150.1 million in special funds) are one-time. Of this amount, $46.2 million is pay-as-you-go capital funding including in the Department of Housing and Community Development and the Department of General Services. An additional $300,000 in general funds for 3 new positions in the Maryland Department of Transportation is assumed to be shifted to special funds in fiscal 2028. Other legislative additions are retained in the fiscal 2028 baseline at the same or modified levels due to legislation, mandated funding levels, or ongoing support for new positions created or contracts.

Baseline Results

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

Projected Baseline Budget
Fiscal 2027-2028
($ in Millions)

Fund Type [1]	Adjusted Appropriation 2027 [4]	Baseline 2028	$ Change 2027-2028	% Change 2027-2028
General [2]	$28,528.1	$31,697.8	$3,169.7	11.1%
Special/Higher Education [3]	22,309.3	21,334.3	-976.0	-4.4%
Federal	22,294.5	21,479.1	-815.4	-3.7%
Total	**$73,131.8**	**$74,511.1**	**$1,379.3**	**1.9%**

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

Note: The fiscal 2027 legislative appropriation includes anticipated deficiencies of $2.1 billion. Fiscal 2027 excludes $95.0 million, and fiscal 2028 excludes $279.7 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 2027 deficiencies are discussed next as part of the *Technical Supplement* Overview. Separate sections of the *Technical Supplement* present the assumptions used for estimates for select State agencies, aid to local governments, entitlements, debt service, and capital programs. Generally, the descriptions in the *Technical Supplement* are for adjustments greater than $1.0 million. The baseline estimates described in this document represent the judgments of the Department of Legislative Services as of November 1, 2026. Actions subsequent to that date or further changes to the economic outlook are not reflected here.

State Expenditures – General Funds
Fiscal 2026-2028
($ in Millions)

Category	2026 Working Appropriation	2027 Adj. Legislative Appropriation	2028 Baseline	$ Change 2027 to 2028	% Change 2027 to 2028
Debt Service	$154.7	$177.7	$221.0	$43.3	24.4%
County/Municipal	$395.9	$420.0	$438.0	$18.0	4.3%
Community Colleges	504.3	518.5	528.7	10.3	2.0%
Education/Libraries	7,429.2	7,465.6	9,233.4	1,767.8	23.7%
Health	115.2	115.2	117.9	2.7	2.4%
Aid to Local Governments	***$8,444.6***	***$8,519.2***	***$10,318.1***	***$1,798.8***	***21.1%***
Foster Care Payments	$336.4	$347.4	$355.7	$8.3	2.4%
Assistance Payments	139.8	126.0	293.7	167.7	133.0%
Medical Assistance	5,626.2	6,170.1	6,364.1	194.0	3.1%
Property Tax Credits	98.3	90.5	90.5	0.0	0.0%
Entitlements	***$6,200.7***	***$6,734.0***	***$7,104.0***	***$369.9***	***5.5%***
Health	$3,387.4	$3,328.2	$3,407.9	$79.7	2.4%
Human Services	572.5	561.2	586.0	24.8	4.4%
Juvenile Services	367.2	386.0	385.1	-0.9	-0.2%
Public Safety/Police	2,231.7	2,286.4	2,353.3	66.9	2.9%
Higher Education	2,410.9	2,403.4	2,546.1	142.8	5.9%
Transportation	1.1	3.0	0.0	-3.0	n.a.
Other Education	1,049.9	1,076.4	1,115.6	39.2	3.6%
Agriculture/Natural Res./Environment	201.5	214.3	217.8	3.4	1.6%
Other Executive Agencies	1,628.2	1,744.6	1,914.2	169.7	9.7%
Judiciary	708.0	764.0	785.4	21.4	2.8%
Legislative	163.5	164.4	170.3	5.9	3.6%
State Agencies	***$12,721.9***	***$12,931.9***	***$13,481.8***	***$549.9***	***4.3%***
Deficiencies (for prior years)	$321.8	$134.9	$0.0	-$134.9	n/a
Total Operating	**$27,843.7**	**$28,497.7**	**$31,124.9**	**$2,627.1**	***9.2%***
Capital	$114.6	$107.7	$182.3	$74.6	69.3%
Subtotal	***$27,958.3***	***$28,605.5***	***$31,307.2***	***$2,701.7***	***9.4%***
Reserve Funds	$79.5	$22.6	$490.6	$468.0	2070.8%
Appropriations	**$28,037.8**	**$28,628.1**	**$31,797.8**	**$3,169.7**	**11.1%**
Reversions	-$100.0	-$100.0	-$100.0	$0.0	n/a
Grand Total	**$27,937.8**	**$28,528.1**	**$31,697.8**	**$3,169.7**	**11.1%**

Note: The fiscal 2027 adjusted legislative appropriation reflects anticipated deficiencies of $681.3 million.

State Expenditures – Special and Higher Education Funds
Fiscal 2026-2028
($ in Millions)

Category	2026 Working Appropriation	2027 Adj. Legislative Appropriation	2028 Baseline	$ Change 2027 to 2028	% Change 2027 to 2028
Debt Service	$1,673.4	$1,760.9	$1,759.4	-$1.5	-0.1%
County/Municipal	$649.9	$644.1	$543.0	-$101.1	-15.7%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	2,431.5	2,781.3	1,484.9	-1,296.4	-46.6%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	***$3,081.4***	***$3,425.4***	***$2,027.9***	***-$1,397.4***	***-40.8%***
Foster Care Payments	$4.3	$2.3	$2.3	$0.0	0.0%
Assistance Payments	14.1	11.1	12.1	1.0	9.0%
Medical Assistance	862.1	926.1	924.3	-1.8	-0.2%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	***$880.5***	***$939.6***	***$938.7***	***-$0.8***	***-0.1%***
Health	$903.0	$1,032.8	$994.9	-$37.9	-3.7%
Human Services	251.7	238.9	368.8	129.9	54.4%
Juvenile Services	3.5	3.3	3.4	0.1	3.1%
Public Safety/Police	242.9	248.0	256.8	8.7	3.5%
Higher Education	6,170.8	6,234.2	6,311.6	77.4	1.2%
Other Education	342.8	372.4	318.3	-54.0	-14.5%
Transportation	2,932.9	3,104.3	3,216.0	111.7	3.6%
Agriculture/Natural Res./Environment	415.0	430.9	432.1	1.2	0.3%
Other Executive Agencies	2,024.3	2,359.7	2,276.6	-83.1	-3.5%
Judiciary	83.5	80.2	88.5	8.3	10.4%
Legislative	0.0	0.0	0.0	0.0	n/a
State Agencies	***$13,370.2***	***$14,104.7***	***$14,267.1***	***$162.4***	***1.2%***
Deficiencies (for prior years)	-$1.0	$0.2	$0.0	-$0.2	-100.0%
Total Operating	**$19,004.5**	**$20,230.7**	**$18,993.2**	**-$1,237.5**	**-6.1%**
Capital	$1,855.1	$1,941.7	$2,338.6	$396.8	20.4%
Transportation	1,330.5	1,396.2	1,544.7	148.4	10.6%
Environment	205.7	169.1	205.0	35.9	21.2%
Other	318.9	376.4	588.9	212.5	56.4%
Subtotal	***$20,859.6***	***$22,172.5***	***$21,331.8***	***-$840.7***	***-3.8%***
Reserve Funds	$0.0	$136.8	$2.5	-$134.3	-98.2%
Grand Total	**$20,859.6**	**$22,309.3**	**$21,334.3**	**-$975.0**	**-4.4%**

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

Note: The fiscal 2027 adjusted legislative appropriation reflects anticipated deficiencies of $193.0 million. Fiscal 2026 excludes $68.7 million, fiscal 2027 excludes $95.0 million, and fiscal 2028 excludes $279.7 million of special funds that double count general fund spending.

State Expenditures – Federal Funds
Fiscal 2026-2028
($ in Millions)

Category	2026 Working Appropriation	2027 Adj. Legislative Appropriation	2028 Baseline	$ Change 2027 to 2028	% Change 2027 to 2028
Debt Service	$2.9	$0.8	$0.2	-$0.6	-75.7%
County/Municipal	$82.1	$82.2	$82.2	$0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	1,232.8	1,251.6	1,251.6	0.0	0.0%
Health	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	***$1,315.0***	***$1,333.7***	***$1,333.7***	***$0.0***	***0.0%***
Foster Care Payments	$85.1	$91.0	$92.1	$1.2	1.3%
Assistance Payments	1,840.3	1,579.7	1,453.1	-126.6	-8.0%
Medical Assistance	10,001.6	11,164.8	10,678.4	-486.4	-4.4%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Entitlements	***$11,927.0***	***$12,835.5***	***$12,223.7***	***-$611.9***	***-4.8%***
Health	$3,081.9	$3,146.9	$3,153.6	$6.6	0.2%
Human Services	779.9	679.4	667.0	-12.4	-1.8%
Juvenile Services	6.3	7.2	7.3	0.1	1.9%
Public Safety/Police	48.5	49.0	50.7	1.7	3.4%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	431.5	435.1	439.5	4.3	1.0%
Transportation	140.5	142.8	145.3	2.5	1.7%
Agriculture/Natural Res./Environment	113.8	128.4	129.9	1.5	1.2%
Other Executive Agencies	1,530.2	1,654.8	1,656.5	1.7	0.1%
Judiciary	1.0	1.4	1.4	0.0	0.0%
Legislature	0.0	0.0	0.0	0.0	n/a
State Agencies	***$6,133.7***	***$6,245.0***	***$6,251.1***	***$6.1***	***0.1%***
Deficiencies (for prior years)	$430.7	$211.2	$0.0	-$211.2	-100.0%
Total Operating	**$19,809.2**	**$20,626.3**	**$19,808.7**	**-$817.6**	**-4.0%**
Capital	$1,565.8	$1,668.2	$1,670.3	$2.2	0.1%
Transportation	1,342.2	1,413.0	1,520.8	107.8	7.6%
Environment	174.6	217.4	55.0	-162.4	-74.7%
Other	48.9	37.8	94.5	56.7	150.1%
Grand Total	**$21,375.0**	**$22,294.5**	**$21,479.1**	**-$815.4**	**-3.7%**

Note: The fiscal 2027 adjusted legislative appropriation reflects $1.2 billion in anticipated deficiencies.

State Expenditures – State Funds
Fiscal 2026-2028
($ in Millions)

Category	2026 Working Appropriation	2027 Adj. Legislative Appropriation	2028 Baseline	$ Change 2027 to 2028	% Change 2027 to 2028
Debt Service	$1,828.1	$1,938.6	$1,980.4	$41.8	2.2%
County/Municipal	$1,045.9	$1,064.1	$981.1	-$83.0	-7.8%
Community Colleges	504.3	518.5	528.7	10.3	2.0%
Education/Libraries	9,860.7	10,246.9	10,718.4	471.4	4.6%
Health	115.2	115.2	117.9	2.7	2.4%
Aid to Local Governments	***$11,526.0***	***$11,944.6***	***$12,346.0***	***$401.4***	***3.4%***
Foster Care Payments	$340.6	$349.7	$358.0	$8.3	2.4%
Assistance Payments	153.9	137.2	305.8	168.7	123.0%
Medical Assistance	6,488.3	7,096.2	7,288.4	192.1	2.7%
Property Tax Credits	98.3	90.5	90.5	0.0	0.0%
Entitlements	***$7,081.2***	***$7,673.6***	***$8,042.7***	***$369.1***	***4.8%***
Health	$4,290.4	$4,361.0	$4,402.8	$41.8	1.0%
Human Services	824.3	800.1	954.8	154.8	19.3%
Juvenile Services	370.7	389.3	388.4	-0.8	-0.2%
Public Safety/Police	2,474.6	2,534.5	2,610.1	75.6	3.0%
Higher Education	8,581.7	8,637.6	8,857.8	220.2	2.5%
Other Education	1,392.7	1,448.7	1,433.9	-14.8	-1.0%
Transportation	2,934.0	3,107.3	3,216.0	108.7	3.5%
Agriculture/Natural Res./Environment	616.5	645.2	649.9	4.7	0.7%
Other Executive Agencies	3,652.5	4,104.3	4,190.8	86.6	2.1%
Judiciary	791.4	844.2	874.0	29.7	3.5%
Legislative	163.5	164.4	170.3	5.9	3.6%
State Agencies	***$26,092.1***	***$27,036.6***	***$27,748.9***	***$712.3***	***2.6%***
Deficiencies (for prior years)	$320.8	$135.0	$0.0	-$135.0	n/a
Total Operating	**$46,848.2**	**$48,728.5**	**$50,118.1**	**$1,389.6**	**2.9%**
Capital	$1,969.6	$2,049.5	$2,520.9	$471.4	23.0%
Transportation	1,336.5	1,396.2	1,711.7	315.4	22.6%
Environment	206.3	169.6	205.8	36.1	21.3%
Other	426.8	483.6	603.4	119.9	24.8%
Subtotal	***$48,817.8***	***$50,777.9***	***$52,639.0***	***$1,861.0***	***3.7%***
Reserve Funds	$79.5	$159.4	$493.1	$333.7	209.3%
Appropriations	**$48,897.3**	**$50,937.3**	**$53,132.1**	**$2,194.7**	**4.3%**
Reversions	-$100.0	-$100.0	-$100.0	$0.0	n/a
Grand Total	**$48,797.3**	**$50,837.3**	**$53,032.1**	**$2,194.7**	**4.3%**

Note: The fiscal 2027 adjusted legislative appropriation reflects anticipated deficiencies of $874.3 million. Fiscal 2026 excludes $68.7 million, fiscal 2027 excludes $95.0 million, and fiscal 2028 excludes $279.7 million of special funds that double count general fund spending.

State Expenditures – All Funds
Fiscal 2026-2028
($ in Millions)

Category	2026 Working Appropriation	2027 Adj. Legislative Appropriation	2028 Baseline	$ Change 2027 to 2028	% Change 2027 to 2028
Debt Service	$1,830.9	$1,939.4	$1,980.6	$41.2	2.1%
County/Municipal	$1,128.0	$1,146.2	$1,063.2	-$83.0	-7.2%
Community Colleges	504.3	518.5	528.7	10.3	2.0%
Education/Libraries	11,093.5	11,498.5	11,969.9	471.4	4.1%
Health	115.2	115.2	117.9	2.7	2.4%
Aid to Local Governments	***$12,841.0***	***$13,278.4***	***$13,679.8***	***$401.4***	***3.0%***
Foster Care Payments	$425.8	$440.7	$450.1	$9.4	2.1%
Assistance Payments	1,994.2	1,716.9	1,758.9	42.0	2.4%
Medical Assistance	16,489.9	18,261.0	17,966.8	-294.2	-1.6%
Property Tax Credits	98.3	90.5	90.5	0.0	0.0%
Entitlements	***$19,008.2***	***$20,509.1***	***$20,266.4***	***-$242.8***	***-1.2%***
Health	$7,372.3	$7,508.0	$7,556.4	$48.4	0.6%
Human Services	1,604.1	1,479.4	1,621.8	142.4	9.6%
Juvenile Services	377.0	396.4	395.7	-0.7	-0.2%
Public Safety/Police	2,523.1	2,583.5	2,660.8	77.3	3.0%
Higher Education	8,581.7	8,637.6	8,857.8	220.2	2.5%
Other Education	1,824.2	1,883.9	1,873.4	-10.4	-0.6%
Transportation	3,074.5	3,250.1	3,361.3	111.2	3.4%
Agriculture/Natural Res./Environment	730.2	773.6	779.9	6.2	0.8%
Other Executive Agencies	5,182.7	5,759.1	5,847.3	88.3	1.5%
Judiciary	792.5	845.6	875.4	29.7	3.5%
Legislative	163.5	164.4	170.3	5.9	3.6%
State Agencies	***$32,225.8***	***$33,281.7***	***$34,000.1***	***$718.4***	***2.2%***
Deficiencies (for prior years)	$751.6	$346.2	$0.0	-$346.2	n/a
Total Operating	**$66,657.4**	**$69,354.8**	**$69,926.8**	**$572.1**	**0.8%**
Capital	$3,535.4	$3,717.6	$4,191.2	$473.6	12.7%
Transportation	2,678.7	2,809.2	3,232.5	423.3	15.1%
Environment	381.0	387.1	260.8	-126.3	-32.6%
Other	475.7	521.4	698.0	176.6	33.9%
Subtotal	***$70,192.8***	***$73,072.4***	***$74,118.0***	***$1,045.6***	***1.4%***
Reserve Funds	$79.5	$159.4	$493.1	$333.7	209.3%
Appropriations	**$70,272.3**	**$73,231.8**	**$74,611.1**	**$1,379.3**	**1.9%**
Reversions	-$100.0	-$100.0	-$100.0	$0.0	n/a
Grand Total	**$70,172.3**	**$73,131.8**	**$74,511.1**	**$1,379.3**	**1.9%**

Note: The fiscal 2027 adjusted legislative appropriation reflects anticipated deficiencies of $2.1 billion. Fiscal 2026 excludes $68.7 million, fiscal 2027 excludes $95.0 million, and fiscal 2028 excludes $279.7 million of special funds that double count general fund spending.

Fiscal 2027 Deficiencies

The fiscal 2028 baseline assumes approximately $2.1 billion in net total fund deficiencies for fiscal 2027, of which $681.3 million is in general funds, $1.22 billion is in federal funds, $181.8 million is in special funds, $11.2 million is in current unrestricted funds, and $2.8 million is in reimbursable funds. As shown in the following exhibit, the general fund deficiency appropriations, totaling $681.3 million, are driven primarily by two factors: (1) shortfalls in Medicaid and Medicaid-related Behavioral Health Provider reimbursements; and (2) prior year expenses, including shortfalls in fiscal 2026 and general funds reverted in error in the fiscal 2026 closeout. The general fund deficiency net increase in fiscal 2027 also accounts for agency reversions of approximately $22.5 million related to overreported expenditures in the Department of Human Services (DHS) Assistance Payments program in the fiscal 2026 closeout, ability to receive retroactive federal reimbursement for certain behavioral health services, and Government Modernization Initiative savings not yet reflected in the fiscal 2027 budget.

Detailed Fiscal 2027 General Fund Deficiencies
($ in Millions)

Behavioral Health Administration Provider Reimbursements: Fiscal 2027 shortfall for Medicaid-eligible services ($231.4 million), fiscal 2026 bills for which there was insufficient appropriation ($105.9 million), and a fiscal 2027 net shortfall for non-Medicaid eligible services ($2.9 million), partially offset by anticipated federal reimbursement for certain prior year services (-$6.0 million)	$334.2
Medicaid Provider Reimbursements: Fiscal 2027 shortfall primarily driven by Managed Care Organization rate increases	250.0
Department of Human Services Closeout Errors: Reversions in error ($36.4 million) partially offset by anticipated reversions due to overreported expenditures in the Assistance Payments program ($14.1 million)	22.3
Department of Juvenile Services: Child Victims Act legal services to align with fiscal 2026 spending ($9.0 million), overtime ($4.8 million), and fiscal 2026 spending for which there was insufficient appropriation ($4.0 million)	17.8
Maryland State Department of Education: Fiscal 2027 shortfall for the Nonpublic Placement Program ($9.5 million), and fiscal 2026 spending for which there was insufficient appropriation for the Autism Waiver Program ($2.5 million) and Nonpublic Placement Program ($1.1 million)	13.1
Overtime in the Department of Public Safety and Correctional Services	12.8

Supplemental Nutrition Assistance Program Payment Error Rate Penalties: Remaining costs for the federal fiscal 2024 penalty and fiscal 2025 penalty	11.2
Developmental Disabilities Administration Provider Reimbursements: Primarily due to delays in the implementation of cost containment and adjustments to fund splits to reflect experience	9.6
Office of the Public Defender: Fiscal 2026 spending for which there was insufficient appropriation ($3.8 million) and fiscal 2027 shortfall to align spending with fiscal 2026 expenditures ($3.8 million)	7.5
Entitlement Programs in the Department of Human Services: Foster care maintenance payments ($1.3 million), more than offset by lower-than-expected caseloads in the Assistance Payments Program primarily for Temporary Cash Assistance ($13.5 million)	-12.2
Agency Expenses: Statewide expenses for food, natural gas, electricity, and gas/oil ($17.9 million), fiscal 2026 expenditures in the Department of General Services for which there was insufficient appropriation ($1.2 million), Maryland Commission on African American History and Culture fiscal 2026 shortfalls and fiscal 2027 shortfall in electricity ($0.2 million); payments to erroneously confined individuals ($0.1 million); study required by Chapter 669 of 2026 in the Maryland State Lottery and Gaming Control Agency ($0.1 million); partially offset by available special funds to replace general funds in the Department of State Police (-$2.1 million)	$17.4
Savings from Government Modernization Initiative	-$2.4
Total Deficiencies	**$681.3**

Federal fund deficiency appropriations totaling $1.22 billion are primarily associated with the federal share of fiscal 2026 and 2027 shortfalls in Medicaid, Developmental Disabilities Administration, and behavioral health provider reimbursements ($1.27 billion), which are partly offset by lower expected expenditures in Supplemental Nutrition Assistance Payments (-$65.0 million). Other notable federal fund deficiency appropriations:

- provide additional federal funds in the Work Opportunities Program in DHS to align with planned spending levels ($7.6 million);

- recognize anticipated availability of federal funds to support the foster care maintenance payments program ($5.9 million);

- align the federal fund appropriation for the Charlotte Hall Veterans Home with recent experience ($1.8 million); and

- cover the federal fund share of statewide shortfalls in food, natural gas, electricity, and gas/oil ($0.8 million).

Anticipated deficiency appropriations increase special fund spending by a net of $181.8 million, of which $48.8 million reflects spending for the Maryland Health Benefit Exchange's State-based subsidy program established in Chapter 486 of 2025 to align with anticipated spending for the second half of plan year 2026 and first half of plan year 2027. An additional increase of $23.8 million is for plan year 2025 costs of the State Reinsurance Program. Other significant special fund deficiency appropriations provide:

- $43.0 million for Medicaid Provider Reimbursements;

- $25.0 million for the Uncompensated Care Fund to reflect funds available from an approved rate increase;

- $22.2 million for the Dedicated Purpose Account to reflect transfers required to the Account in the Budget Reconciliation and Financing Act of 2026;

- $9.5 million from the Need-based Student Financial Assistance Fund for scholarships to align with recent spending;

- $8.1 million combined for the Statewide Rental Assistance Program and Rental Assistance for Community Schools Families Fund based on required surcharge revenue allocations from failure to pay rent cases;

- $4.5 million from the Dedicated Purpose Account to support payments to erroneously confined individuals;

- $3.6 million reflecting the special fund share of statewide shortfalls in gas, food, natural gas, and electricity;

- $2.0 million due to the increase in the required distribution of funds for the Blue Line Facility Corridor Fund in Chapter 376 of 2026;

- $2.0 million and 9 positions for the Strategic Energy Planning Office to align with anticipated spending in fiscal 2027 for the new office;

- $2.1 million from reimbursable overtime to replace general fund spending in the Department of State Police;

- $1.8 million from the Child Support Reinvestment Fund to align with planned spending levels in the Child Support Administration in DHS; and

- $0.9 million to align the cannabis sales tax distribution with revenue estimates.

These increases are partially offset by reductions of:

- $10.0 million for debt service in the Maryland Department of Transportation based on the results of the October 2026 bond sale;

- $2.5 million due to delays in the implementation of the Social Equity Partnership program;

- $2.0 million in the Foster Care Maintenance Payments program to better align with recent experience; and

- $1.2 million in the Assistance Payments program to better align with recent experience.

Deficiency appropriations of $11.2 million in current unrestricted funds and $0.5 million in reimbursable funds are related to the statewide shortfalls in natural gas, electricity, food costs, and gas/oil. An additional $2.3 million in reimbursable funds are related to a fiscal 2026 shortfall in the Comptroller's Office.

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 Qualified Zone Academy Bonds issued by the State.

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

Fiscal 2028 GO bond debt service costs are expected to rise due to increased issuances. The largest revenue source for ABF is State property taxes. The current State property tax rate is $0.112 per $100 of the assessable base. In recent years, debt service costs have exceeded State property tax revenues. Continuing the trend, fiscal 2028 State property tax receipts are projected to be $1.29 billion compared to debt service costs that total $1.51 billion. ABF balance remaining from prior years and other special fund revenues (such as repayment for issuance of bonds for Program Open Space) will partially mitigate the need for general funds. Insofar as these sources are insufficient, the fiscal 2028 baseline anticipates a general fund appropriation of $221 million to support debt service.

Fiscal 2028 MDOT debt service requirements are projected at $471.9 million, reflecting new issuances of $410 million and refunding of $148.9 million of previously issued debt in fiscal 2027 and new issuances of $750 million in fiscal 2028. MDOT debt service also comprises debt service for bonds issued prior to fiscal 2027 and projected sales in future years. Bond issuances in the draft MDOT fiscal 2027 to 2032 financial forecast are projected to total $3.6 billion, a 13.8% increase over the $3.2 billion projected in the previous forecast.

State Aid to Local Governments

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

State Aid by Governmental Entity
Fiscal 2027-2028
($ in Thousands)

Entity	Working 2027	Baseline 2028	$ Change 2027-2028	% Change 2027-2028
Public Schools	$10,137,176	$10,610,703	$473,527	4.7%
County/Municipal	1,064,075	981,058	-83,017	-7.8%
Community Colleges	518,455	528,706	10,251	2.0%
Libraries	103,566	106,611	3,044	2.9%
Health	115,158	117,901	2,743	2.4%
Total	**$11,938,430**	**$12,344,978**	**$406,548**	**3.4%**

Note: Totals may not sum due to rounding. The fiscal 2027 working appropriation for County/Municipal aid reflects the September estimates of casino and cannabis sales tax revenues by the Board of Revenue Estimates. Fiscal 2027 figures reflect post-2026 session changes by the Maryland State Department of Education to both enrollment and the Tier II sliding scale within the Full Day Prekindergarten program.

Overview

State aid is projected to total $12.3 billion in the fiscal 2028 baseline, representing a $406.5 million, or 3.4%, increase over the prior fiscal year. Most of the State aid in fiscal 2028, as in prior years, is targeted to public schools. Public schools will receive $10.6 billion in fiscal 2028 (86.0% of total State aid). Counties and municipalities will receive $981.1 million (7.9% of total State aid), community colleges will receive $528.7 million (4.3%), libraries will receive $106.6 million (0.9%), and local health departments will receive $117.9 million (1.0%).

Public Schools

Public schools will receive an estimated $10.6 billion in fiscal 2028, representing a $473.5 million (4.7%) increase over the prior fiscal year. This increase results from the combined impact of a $363.8 million increase in direct aid and a $109.8 million increase in retirement aid. General funds are expected to account for $9.1 billion of State aid for public schools. Special funds, almost entirely from the Blueprint for Maryland's Future (Blueprint) Fund, account for approximately $1.5 billion.

Foundation Program

In fiscal 2028, foundation program formula aid is estimated to increase by $76.1 million (1.8%), for a total of $4.2 billion. This increase is due primarily to a 2.4% increase in the per pupil foundation amount from $9,561 per student in fiscal 2027 to $9,789 per student in fiscal 2028. The enrollment count for the foundation program is estimated to decrease by 0.5% compared to the count for fiscal 2027 funding. The enrollment count for the foundation program is the greater of the full-time equivalent (FTE) enrollment count and the three-year average of FTE. The foundation program is the primary formula grant program for funding local school systems.

Comparable Wage Index

Fiscal 2028 State funding for the Comparable Wage Index (CWI) is estimated to total $159.5 million, a 0.3% decrease compared to fiscal 2027 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. There are 11 local school systems that receive CWI funds each year.

Blueprint Transition Grants

Since fiscal 2023, Blueprint transition grants have been provided to help 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 until being fully phased out after fiscal 2029. Accordingly, transition grants decrease from $28.8 million in fiscal 2027 to $20.2 million in fiscal 2028.

Compensatory Aid

Compensatory aid is estimated to decrease by $4.6 million (0.3%), for a total of $1.7 billion in fiscal 2028. This modest funding change is primarily due to a $122 (1.6%) increase in per pupil funding, which is more than offset by a projected 1.9% decrease in compensatory education student enrollment. This program provides additional funding to local school systems based on their enrollment of students from low-income families. The fiscal 2028 baseline accounts for the second year of the freeze in the change of how low-income students are counted in schools participating in the Community Eligibility Provision, as enacted in Chapter 602 of 2026. Under

Chapter 602, the State retains the methodology under statute from prior to fiscal 2027, which has the effect of increasing the count.

Concentration of Poverty Grants

In fiscal 2028, the concentration of poverty grants total an estimated $708.5 million, an increase of $135.8 million over fiscal 2027.

Students with Disabilities

In fiscal 2028, funding for students with disabilities via the special education formula is estimated to increase by $100.9 million (14.6%), from $691.4 million to $792.3 million, largely due to a $1,468 (13.5%) increase in per pupil funding. In fiscal 2028, funding for special education students in nonpublic placements is projected to total $137.7 million, a $2.7 million increase from the fiscal 2027 funding level.

English Learners

English learner funding increases by $8.7 million (1.6%), from $542.0 million in fiscal 2027 to $550.7 million in fiscal 2028, reflecting a $179 (2.0%) per pupil funding increase that is only partially offset by a projected enrollment decrease of 0.4%. These grants are based on English learner student enrollment and a per pupil funding amount of $9,327 in fiscal 2028.

Guaranteed Tax Base Program

In fiscal 2028, the Guaranteed Tax Base Program increases by an estimated $4.1 million, or 6.0%, for a total of $73.1 million. This program provides additional State funding to local school systems with less than 80.0% of statewide wealth per pupil through a formula based on local wealth and the amount of local funding that each jurisdiction provides to the local school system. As currently estimated, eight local school systems receive program funding.

Education Effort Adjustment Grant

The Blueprint program includes a mechanism for establishing a maximum local share that a county must fund each year. Relief is provided to counties based on a local effort index and is offset by equivalent State aid. However, the education adjustment for a county is only allowed to the degree that per pupil local maintenance of effort is met each year. In fiscal 2028, State funding is projected to total $181.9 million, an increase of $16.4 million from the prior fiscal year.

Student Transportation

Student transportation funding is expected to increase by $7.0 million, or 1.8%, to $394.0 million in fiscal 2028. This amount reflects 1.9% inflation, slightly decreased FTE

enrollment, and a 1.0% increase in the student count for special transportation. For special transportation funding, the State provides $1,000 annually for each qualifying student.

Publicly Funded Full-day Prekindergarten

A funding formula for voluntary full-day prekindergarten for three- and four-year-olds from low-income families began phasing in during fiscal 2023. The formula is jointly funded by the State and local governments and phases in through fiscal 2030. Generally, prekindergarten programs receive the full per pupil award for eligible children with family incomes at or below 300% of the federal poverty level (FPL) from the State and counties (Tier I), families whose income is between 300% and 600% of the FPL share in the program costs (Tier II), and families with income above 600% (Tier III) cover the full cost of full-day prekindergarten – though a local board may provide up to 100% of the family share on behalf of the family. However, Chapter 717 of 2024 altered the funding formula by (1) delaying the initiation of funding of Tier II students from fiscal 2025 to 2026; (2) limiting fiscal 2026 Tier II funding to families with incomes between 300% and 360% of the FPL; and (3) substantially increasing the annual per pupil funding amount for each year, beginning with fiscal 2027. Also, Chapter 6 of 2026 limited fiscal 2027 Tier II funding to 450% of FPL. Fiscal 2028 funding is estimated to increase by $4.8 million (1.9%) to a total of $253.9 million.

Community Colleges

The majority of funding for the State's locally operated community colleges is determined by the Senator John A. Cade (Cade) Funding Formula. In fiscal 2028, Cade formula funding totals $422.1 million. This represents an increase of $6.8 million, or 1.6%, in general funds above fiscal 2027. Notably, the Budget Reconciliation and Financing Act (BRFA) of 2026 (Chapter 6) established a 3.0% cap on each community college's year-over-year increase under the Cade formula for fiscal 2027 through 2029. Baltimore City Community College, operated by the State, receives funding through a separate funding formula.

The fiscal 2028 baseline includes $4.9 million in general funds for the English Speakers of Other Languages Program and $6.6 million in general funds for statewide and regional programs. In addition, small colleges are estimated to receive $11.8 million in general funds in Small College and Mountain grants. The baseline also includes $100,000 for Prince George's Community College, as required by Chapter 784 of 2026, to complete a feasibility study on establishing an Aerospace Aviation Program at the college. This mandated funding partially offsets a decrease of $250,000 in funding provided in Section 39 of the fiscal 2027 budget bill for same purpose. Finally, the baseline also includes $83.2 million in general funds for retirement benefits to community college employees, an increase of 5.0% compared to fiscal 2027.

Libraries

The State library aid formula totals $53.1 million in general funds in fiscal 2028, an increase of $0.6 million over fiscal 2027, reflecting an increase in the formula's per resident amount from $19.10 to $19.50 pursuant to Chapter 625 of 2026. The fiscal 2027 amount also includes a one-time grant to the Enoch Pratt Free Library in Baltimore City.

Of the $53.1 million provided through the State library formula in fiscal 2028, $3.0 million supports additional operating expenses for branches of the Enoch Pratt Free Library in Baltimore City that extend their operating hours beyond those in effect as of January 1, 2016. This annual funding was initially provided for fiscal 2018 through 2022, under Chapters 714 and 715 of 2016 and required annually beginning in fiscal 2023 under Chapters 401 and 402 of 2021.

State Library Network funding increases by $0.9 million (3.8%) in fiscal 2028, bringing total funding for this program to $23.9 million in general funds. The network is composed of the Central Library of the Enoch Pratt Free Library System in Baltimore City, three regional resource centers, and metropolitan cooperative service programs. Under Chapters 702 and 703 of 2026, the State Library Resource Center per resident annual funding totals $2.17 in fiscal 2028. Under Chapter 625 of 2026, per resident funding for regional resource centers increases from $9.99 in fiscal 2027 to $10.19 in fiscal 2028.

Finally, retirement costs for librarians will total an estimated $29.6 million in fiscal 2028, representing a $1.6 million, or 5.6%, increase over the prior fiscal year.

County and Municipal Governments

Approximately 7.9% 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 $981.1 million in fiscal 2028, a decrease of $83.0 million from the prior fiscal year, largely attributable to a statutory change in the allocation of highway user revenues. The major State aid programs assisting county and municipal governments include transportation aid, disparity grants, police aid, gaming impact aid, adult education, and local voting system grants.

Transportation

The State shares 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 required, beginning in fiscal 2020, 100% of the funds in the GMVRA in the Transportation Trust Fund (TTF) to be retained by the TTF. 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 temporarily increased the local government share of GMVRA revenues beginning in fiscal 2024. From fiscal 2024 through 2027, the revenue allocated to local governments increased from 15.6% to 20.0%. Pursuant to statute, the fiscal 2028 distribution reverts to the fiscal 2024 allocation. Accordingly, capital grants equivalent to 15.6% of the revenue allocated to the GMVRA must be provided to local governments as follows: Baltimore City (9.5%); counties (3.7%); and municipalities (2.4%).

The fiscal 2028 estimate is based on projected TTF revenue from motor fuel taxes, motor vehicle titling taxes, motor vehicle registration fees, corporate income taxes, and sales and use taxes on short-term vehicle rentals. Based on the mandated formula, the fiscal 2028 baseline assumes that Baltimore City will receive $203.7 million, county governments will receive $79.3 million, and municipal governments will receive $51.4 million for a total of $334.4 million. The combined amount represents a $103.2 million decrease from the fiscal 2027 legislative appropriation.

In accordance with Chapter 416 of 2022, funding for elderly/disabled transportation grants is adjusted according to the prior year's inflation for urban consumers. As a result, in fiscal 2028, State funding for elderly/disabled transportation grants will total $4.9 million, an increase of $0.2 million from the fiscal 2027 working appropriation. State funding for paratransit grants is expected to maintain the previous level of $1.4 million, and State funding for bus rapid transit grants will increase by $2.0 million, from $27.0 million to $29.0 million in accordance with Chapter 376 of 2026.

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 2028 baseline assumes an increase of 0.4% from the fiscal 2027 base formula amount, with funding totaling $77.3 million.

The fiscal 2028 baseline includes $47.1 million in enhanced funding to law enforcement agencies to address violent crime, reflecting the assumption that the full amount will be directed toward this purpose, compared with the fiscal 2027 appropriation, which allocated $41.1 million in enhanced funding and $6.0 million to provide grants to law enforcement agencies to encrypt communications systems. The baseline reflects $16.5 million for fire and rescue aid, $2.0 million for vehicle theft prevention grants, and $28.4 million for emergency 9-1-1 grants.

Other public safety grants totaling $43.7 million (targeted crime grants, State Attorney's grant, etc.) are also included in the fiscal 2028 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 2028. The fiscal 2028 baseline assumes $230.0 million in general funds, $26.4 million above the fiscal 2027 appropriation, based on projections that income disparities between high- and low-wealth jurisdictions will widen further.

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 2028 baseline assumes gaming impact grants will total $100.6 million, an increase of $0.6 million, or 0.6%, from the fiscal 2027 estimate of $100.0 million.

Instant Bingo Grants

Chapter 603 of 2012 made permanent the authority for existing qualified organizations and licensed commercial bingo licenses to operate electronic instant bingo machines that would otherwise be illegal under State law after July 1, 2012. A portion of the revenues from the State admissions and amusement tax imposed on the instant bingo machines in Calvert County is distributed to local governments and community organizations. The fiscal 2028 baseline includes $3.2 million in funding, which is the same as the fiscal 2027 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 2028 baseline includes funding for this grant.

Local Voting System Grants

The fiscal 2028 baseline includes $21.6 million in grants to local boards of elections, virtually level with the fiscal 2027 estimate. The sustained level of funding is attributable to multi-year costs related to the planned implementation of a new pollbook system and a new voting system for the 2028 elections.

Behavioral Health Crisis Response

The Behavioral Health Crisis Response Grant Program in the Maryland Department of Health provides funds to local jurisdictions to establish and expand community behavioral health crisis response systems, including programs and services such as mobile crisis teams, on-demand walk-in services, and crisis residential beds. Chapter 666 of 2025 requires an annual appropriation of $5.0 million through fiscal 2029. The fiscal 2028 baseline includes $5.0 million for the program.

Cannabis Sales Tax

Chapters 254 and 255 of 2023, which implemented the regulatory framework for the adult-use cannabis industry in the State, require the Comptroller to distribute 5% of the sales and use tax revenues collected from cannabis sales to Maryland counties and municipalities. Each county's share is based on the percentage of cannabis sales and use tax revenue generated within the county. A county must pay to a municipality within the county 50% of the county's allocation that is attributable to sales and use tax revenue generated by a dispensary located within that municipality. The fiscal 2028 baseline assumes cannabis sales tax distributions will total $4.0 million, reflecting a slight increase over the fiscal 2027 estimate of $3.9 million.

Prince George's County Reentry Employment Incentive Program

The Prince George's County Reentry Employment Incentive Program encourages qualifying Prince George's County employers to hire qualifying formerly incarcerated residents by providing them with a wage reimbursement, with the aim of decreasing crime and supporting both the citizens and economy of Prince George's County. Chapter 791 of 2023 required the Governor to provide $500,000 annually for fiscal 2025 through 2028. The BRFA of 2026 (Chapter 6) reduced the required annual funding for fiscal 2027 and 2028 to $350,000. Accordingly, the fiscal 2028 baseline reflects $350,000 in funding for the program.

Local Health Departments

The State provides funds to support the delivery of public health services, including child health, communicable disease prevention, maternal health, family planning, environmental health, and administration of local health departments. The funding formula is adjusted annually for

inflation and statewide population growth for the second preceding fiscal year. Chapter 805 of 2021 established new base levels of State funding for the local health formula of $70.0 million and $80.0 million in fiscal 2025 and 2026, respectively. Beginning in fiscal 2027, State funding must be the greater of the funding provided by the formula for the immediately preceding fiscal year or the actual funds appropriated for the immediately preceding year adjusted for inflation and population growth.

The baseline assumes grants to local health departments total $117.9 million in fiscal 2028, an increase of $2.7 million over fiscal 2027 due to growth in formula funding. This amount comprises $85.9 million in formula funding and $32.0 million for prior-year salary adjustments for State employees working at local health departments. The $32.0 million does not include funding for fiscal 2027 salary adjustments, which has yet to be allocated to local health departments.

Retirement Aid

State retirement aid for public schools, community colleges, and local libraries will total an estimated $1.2 billion in fiscal 2028, which is a $114.8 million (10.4%) increase from fiscal 2027. The projected increase in State costs is largely attributable to pay increases for the Teachers' Retirement System/Teachers' Pension System members exceeding the assumed rate of increase (3.0%), lower than anticipated five-year weighted investment returns, and retiree cost-of-living adjustments also exceeding the assumed rate of increase.

Local school systems are responsible for paying the normal cost (which represents the actuarial cost of pension benefits accrued in the current year). The normal cost rate for the combined teachers' systems is anticipated to decrease from 5.27% to 5.19%. Combined with the increase in payrolls (5.1%), local school board normal cost payments increase from $475.6 million in fiscal 2027 to $492.3 million statewide in fiscal 2028.

Entitlement Programs

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

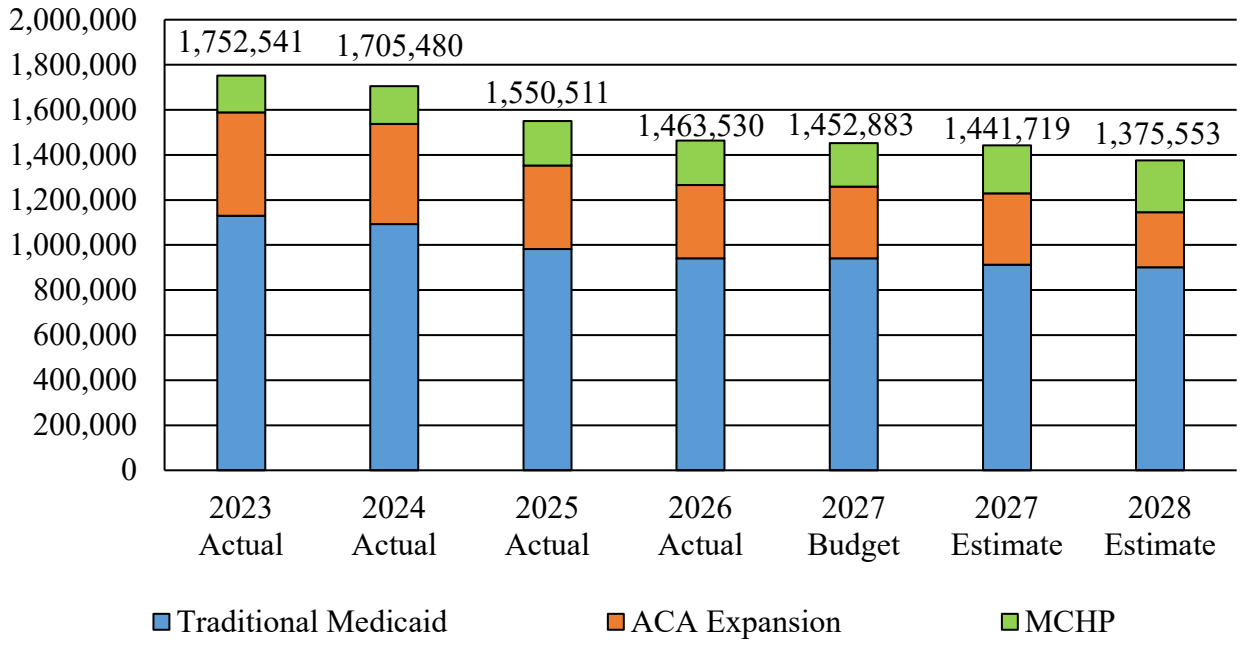
Medicaid Population and Expenditure Trends

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

Projected Enrollment

Based on monthly caseload trends through September 2026, the baseline projects fiscal 2027 enrollment of 1.44 million, which is slightly lower than the 1.45 million enrollees assumed in the budget. Major provisions in the federal One Big Beautiful Bill Act (OBBBA), such as implementing work requirements and conducting more frequent eligibility checks for ACA expansion adults, take effect in January 2027, with resulting enrollment impacts expected to phase in through fiscal 2027 and 2028, unless Maryland receives federal approval for a good faith effort waiver to delay implementation of work requirements to calendar 2029. States are allowed to accept self-attestation for compliance with or exemption from work requirements in calendar 2027 only, which will delay some of the estimated disenrollments to the second half of fiscal 2028.

Medicaid and MCHP Average Monthly Enrollment
Fiscal 2023-2028 Estimate



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

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

Source: Maryland Department of Health; Department of Legislative Services

The baseline assumes ACA expansion enrollment falls from 325,084 in fiscal 2026 to 316,642 in fiscal 2027 due to the initial OBBBA impact. OBBBA eligibility changes have a larger effect on enrollment in fiscal 2028 as the provisions are fully implemented, including the end of the self-attestation allowance, and fiscal 2027 disenrollments are annualized, leading to a projected average monthly caseload of 245,200 ACA adults (a 23% decrease from fiscal 2027). The implementation of these changes causes substantial uncertainty for Medicaid enrollment in fiscal 2027 and 2028, with specific uncertainty surrounding the number of individuals who will lose coverage due to the requirements, the number of individuals who will qualify for exemptions (particularly given uncertainty amid legal challenges on the guidance around the medical frailty exemption), and the extent to which the self-attestation allowance will delay enrollment losses.

Fiscal 2027 and 2028 Medicaid Outlook

The following exhibit displays total Medicaid and MCHP expenditures and per capita spending on provider reimbursements, including Medicaid-funded behavioral health services and some administrative costs. Despite enrollment declines, projected Medicaid expenditures outpace the fiscal 2027 budget as increases in health care costs and utilization drive higher per capita spending. The baseline estimates deficiency appropriations totaling $1.78 billion ($587.3 million in general funds). Of this funding, $317 million supports a shortfall in funds carried over to pay for fiscal 2026 behavioral health services billed in the following fiscal year. The remaining $1.46 billion covers projected deficits for fiscal 2027 costs, including $687.7 million ($231.4 million in general funds) for Medicaid-funded behavioral health services and $773 million ($250 million in general funds) for somatic Medicaid and MCHP services.

Medicaid and MCHP Total and Per Capita Expenditures
Fiscal 2026-2028 Baseline

	Actual 2026	Adjusted 2027	Baseline 2028	$ Change 2027 Adj.-2028 Est.	% Change 2027 Adj.-2028 Est.
Total Expenditures ($ in Millions)					
General Funds	$5,790.7	$6,170.1	$6,364.1	$194.0	3.1%
Special Funds	904.8	926.1	924.3	-1.8	-0.2%
Federal Funds	10,494.8	11,164.8	10,678.4	-486.4	-4.4%
Total	**$17,190.4**	**$18,261.0**	**$17,966.8**	**-$294.2**	**-1.6%**
Cost per Enrollee					
Medicaid	$12,008	$13,015	$13,554	$538	4.1%
MCHP	3,980	4,468	4,592	$124	2.8%
ACA Expansion	13,336	14,846	15,564	$718	4.8%
Total	**$11,219**	**$12,160**	**$12,414**	**$255**	**2.1%**

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

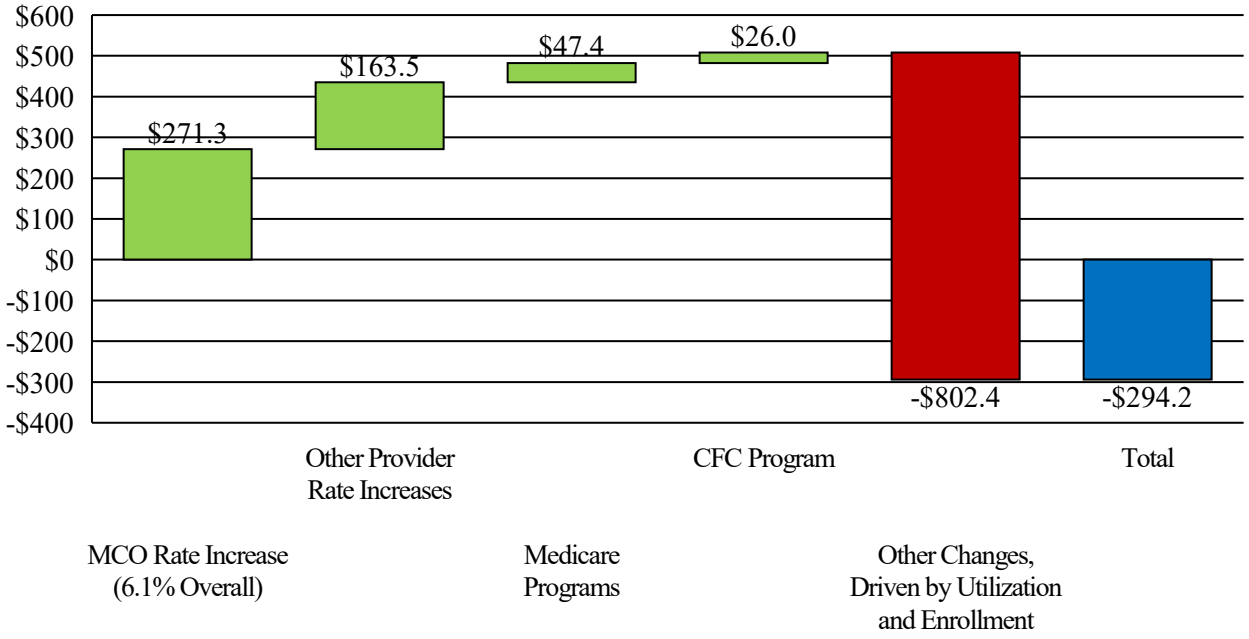
Note: Expenditures reflect provider payments (including Medicaid-funded behavioral health services) and some administrative costs. Fiscal 2026 expenditures include $317 million to account for insufficient funds carried over to reimburse fiscal 2026 bills in fiscal 2027. Fiscal 2027 includes anticipated deficiencies for services provided in that fiscal year.

Major drivers of recent cost and utilization increases include hospital services for elderly and disabled adults served through fee-for-service and adults served through managed care and high-cost drugs, such as medications to treat HIV and glucagon-like peptide-1 medications (commonly referred to as GLP-1s). These spending trends have led to unanticipated rate increases for managed care organizations, including average increases of 2.2% for midyear calendar 2026 adjustments and 6.1% for calendar 2027. In addition, in fiscal 2026, utilization of

Medicaid-eligible behavioral health services has also increased substantially across all service categories, a portion of which may be attributable to challenges associated with the transition of the Administrative Services Organization distorting year-to-year changes. Utilization increases were particularly large for inpatient treatment, psychiatric rehabilitation, applied behavioral health, and community-based outpatient services. Although growth has slowed or begun to decline in some categories early in fiscal 2027, the fiscal 2026 and 2027 budgets were built on substantially lower utilization.

Although health care costs and utilization continue to increase in fiscal 2028, the rate of growth is projected to slow compared to fiscal 2026 and 2027, and savings from projected OBBBA disenrollments fully offset provider rate increases and other utilization growth. As shown in the following exhibit, the fiscal 2028 baseline decreases by $294.2 million in total funds compared to the fiscal 2027 working appropriation after adjusting for anticipated deficiencies for fiscal 2027 costs. The largest component of this decline in spending is a net reduction of $802.4 million driven by enrollment and utilization trends, particularly the estimated 23% decrease in enrollment among ACA expansion adults. Due to the substantial eligibility changes required in the OBBBA and possible changes to the timing and implementation of work requirements, the Medicaid forecast for fiscal 2028 is particularly uncertain. For example, if an additional 10,000 ACA expansion adults are enrolled in Medicaid, the additional total fund cost would be $165.7 million.

Medical Care Programs – Components of Total Fund Change
Adjusted Fiscal 2027 to 2028 Baseline
($ in Millions)



CFC: Community First Choice
MCO: managed care organization

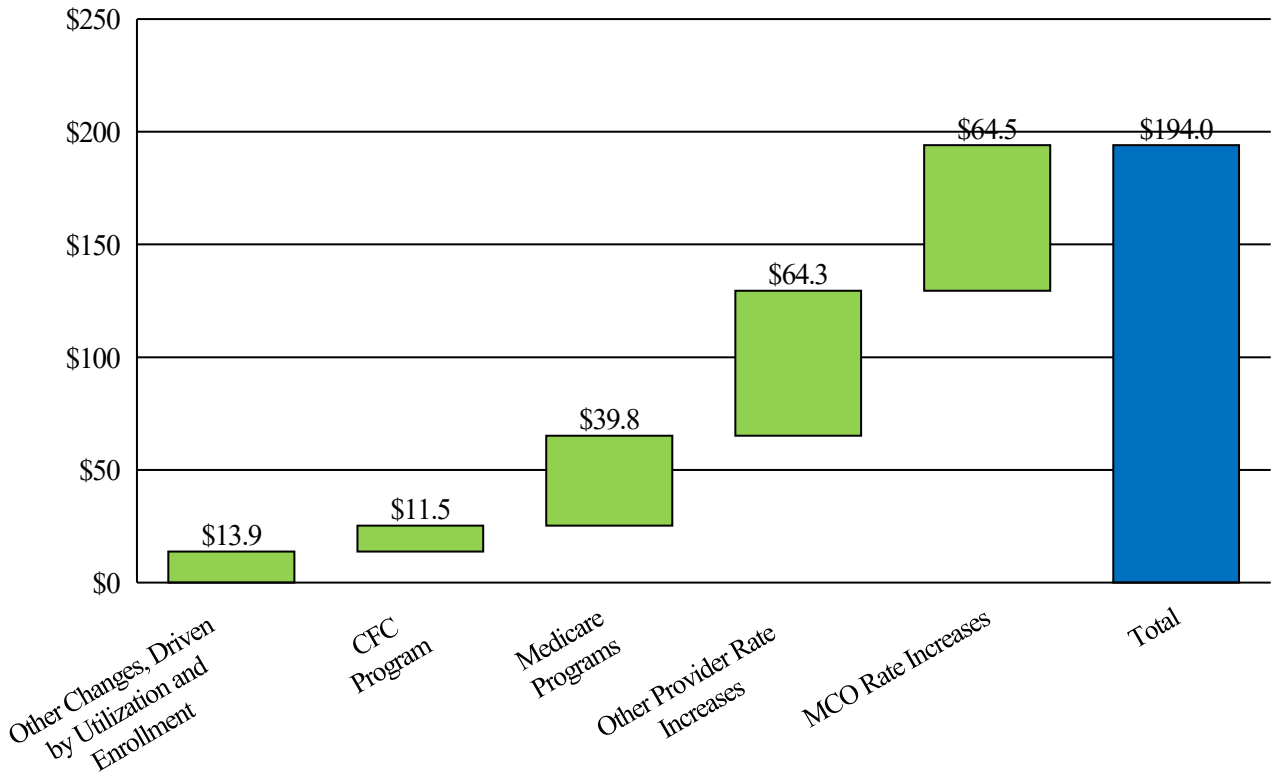
Note: Fiscal 2027 includes anticipated deficiency appropriations for services provided in that fiscal year and excludes $317 million to account for insufficient funds carried over to reimburse fiscal 2026 bills in fiscal 2027.

The largest factor driving the fiscal 2028 total fund spending growth is a total of $434.8 million ($128.8 million in general funds) for provider rate increases. Provider rate increase assumptions include:

- an average 6.1% increase in calendar 2027 managed care organization rates totaling $271.3 million ($64.5 million in general funds);
- 2% rate increases for long-term services and supports and community behavioral health providers, effective July 1, 2027, totaling $91.7 million ($35.9 million in general funds); and
- a 4.4% increase in regulated hospital rates for calendar 2027 and other rate increases totaling $71.8 million ($28.3 million in general funds).

While Medicaid and MCHP spending decreases overall, general fund spending in fiscal 2028 reflects a net increase of $194 million, or 3.1%. The following exhibit shows the components of general fund spending growth, including a net increase of $13.9 million driven by enrollment and utilization compared to the decrease of $802.4 million in total funds. Due to the enhanced federal match of 90% for ACA expansion adults, most savings from the projected OBBBA disenrollments would be federal funds rather than general funds. Utilization and enrollment growth among groups that receive the typical 50% or enhanced 65% federal matching rate is expected to fully offset the estimated general fund savings.

Medical Care Programs – Components of General Fund Change
Adjusted Fiscal 2027 to 2028 Baseline
($ in Millions)



CFC: Community First Choice
MCO: managed care organization

Note: Fiscal 2027 includes anticipated deficiency appropriations for services provided in that fiscal year and excludes $105.9 million in general funds to account for insufficient funds carried over to reimburse fiscal 2026 bills in fiscal 2027.

Tax Credit Programs

SDAT administers the following tax credit programs:

- ***Homeowners' Tax Credit (HTC):*** the State reimburses local governments to provide State and local property tax relief to all eligible homeowners who qualify based on a sliding scale of their property tax liability and income;

- ***Renters' Tax Credit (RTC):*** the State reimburses eligible renters based on the assumption that a portion of their monthly rent goes towards the owner's property tax payments. The size of the reimbursement varies based on income, age, disability status, number of dependents in the household, and whether other housing subsidies are already being utilized; and

- ***Enterprise Zone Tax Credit (ETC):*** businesses located within an enterprise zone are eligible for local property tax credits and State income tax credits. The real property tax credits are 10-year credits against local real property taxes on a portion of the qualifying real property improvements made in the enterprise zone; the State reimburses local jurisdictions for 50% of this lost tax revenue. The income tax credit is based on wages paid to newly hired employees and can be taken over a one- to three-year period.

The fiscal 2028 baseline estimates each tax credit program will be level funded at the following levels:

- HTC: $56 million;

- RTC: $3.1 million; and

- ETC: $31.4 million.

Department of Human Services

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

Foster Care and Subsidized Adoption/Guardianship Caseloads and Expenditures

The State's foster care and subsidized adoption/guardianship program provides temporary and permanent homes for children in need of out-of-home placements due to abuse or neglect. Foster care placements – such as placements in family homes, group homes, and institutions – offer temporary out-of-home care until implementation of a permanency plan is

finalized. Permanency options include reunification with family, adoption, and guardianship. Families that accept legal custody of a child with special needs may receive monthly payments under the subsidized adoption program. The goal of the subsidized guardianship program is to encourage relative caregivers to become legal guardians of children who have been placed in their homes through the removal of financial barriers.

In fiscal 2026, the overall caseload increased by 3.4%; however, there were notable differences among placement types. Increased placements occurred for two foster care placement types, including regular foster care (35.5%), which has the highest number of placements, and purchased institution (group homes) (8.3%), which is the highest cost placement type. Five foster care placement types experienced decreased caseloads, including purchased homes (-2.8%), the second largest foster care placement type. Overall, subsidized guardianships and subsidized adoptions decreased, driven by ongoing declines in subsidized adoptions. Based on these trends and year-to-date changes in placements, the fiscal 2028 baseline assumes that average monthly foster care caseloads will increase by 2.2% in fiscal 2027, driven primarily by regular foster care. Slower growth is projected for regular foster care placement in fiscal 2028, leading to an overall increase of 0.6% in that year.

Foster Care and Subsidized Adoption/Guardianship Caseloads and Expenditures
Fiscal 2026-2028

	2026	Leg. Approp. 2027	DLS Estimate 2027	DLS Baseline 2028	Average Annual % Change 2027-2028
Caseload					
Foster Care	2,993	2,676	3,060	3,078	0.6%
Subsidized Adoption/Guardianship	7,574	7,821	7,576	7,596	0.3%
Total Combined	**10,567**	**10,497**	**10,636**	**10,674**	**0.4%**
Expenditures					
Monthly Cost Per Case					
Foster Care	$7,721	$8,068	$7,609	$7,769	2.1%
Subsidized Adoption/Guardianship	878	911	895	913	2.0%
Combined Average Cost	**$3,433**	**$3,458**	**$3,453**	**$3,514**	**1.8%**
Expenditures ($ in Millions)					
General Funds	$327.3	$346.1	$347.4	$355.7	2.4%
Total Cost	**$435.3**	**$435.6**	**$440.7**	**$450.1**	**2.1%**
Projected General Fund Shortfall			**-$1.3**		
Projected Total Fund Shortfall			**-$5.1**		

DLS: Department of Legislative Services

Chapter 6 of 2026 prohibited the use of funds to pay increases in the rates in fiscal 2027 over the rates in effect on January 21, 2026. However, due to the placement mix and anticipated growth in placements, overall costs are projected to increase by approximately 1.2% in fiscal 2027 to $440.7 million, exceeding the budgeted level. As a result, the baseline anticipates that a deficiency of $5.1 million ($1.3 million in general funds and $5.9 million in federal funds, partially offset by a reduction of $2.0 million in special funds) in fiscal 2027 will be necessary.

A 2% provider rate increase is expected to be provided in fiscal 2028. With this increase plus changes in the caseload, the average monthly expenditure per case across all foster care, subsidized adoption and guardianship placements, and other foster care expenditures are projected to increase by 2.1% in fiscal 2028. Projected program expenditures in fiscal 2028 total $450.1 million, an increase of approximately $9.4 million after accounting for the projected deficiency appropriation ($8.3 million in general funds and $11 million in federal funds).

Assistance Payments

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

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

Enrollment Trends

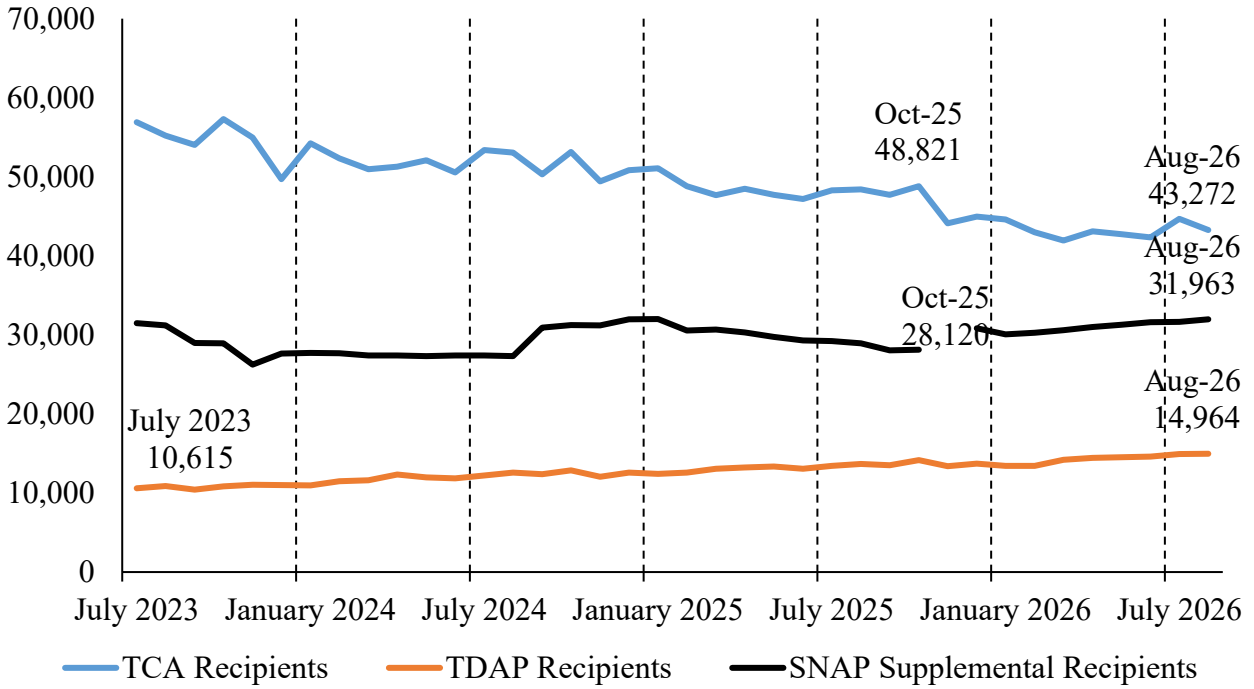
The average number of monthly TCA recipients declined by 10.2% in fiscal 2026 (45,000) compared to fiscal 2025 (50,088). The bulk of the decrease occurred between October and November 2025 (a decrease of 4,701 recipients), with an additional decrease of approximately 1,800 for the remainder of the fiscal year. In the first two months of fiscal 2027, the number of recipients averaged 43,973, a slight increase over the first half of calendar 2026 (42,951). Despite the recent increase, given the recent trend of declines, the Department of Legislative Services (DLS) projects a decline in fiscal 2027 (42,749) to slightly below the average for calendar 2026 year to date. At this level, the caseload would be substantially below the level that could be supported by the budget (48,100). Due to economic uncertainty and as the caseload begins to approach prepandemic levels, DLS projects the caseload will remain level in fiscal 2028.

The average number of TDAP recipients increased by 12.8% between fiscal 2024 and 2025, followed by an increase of 9.3% between fiscal 2025 and 2026. Consistent with recent trends, DLS projects an increase of 9% in the average number of TDAP recipients in fiscal 2027

(15,124), with an additional 5% increase in fiscal 2028 (15,880). The average number of recipients in fiscal 2027 is projected to be higher than the budget can support by nearly 625 recipients.

After declining to just over 28,000 in September and October 2025, the number of recipients in the State's Supplemental Benefit for Senior program jumped to over 30,000 beginning in December 2025 and has increased in nearly all months of calendar 2026. To better align with recent caseloads, but to reflect the anticipated impact of time-limited benefits under the OBBBA, which impact some recipients of the program, DLS projects 32,230 average monthly recipients in the State's Supplemental Benefit for Seniors in fiscal 2027, an increase of 1.3% compared to the fiscal 2027 year to date average through August 2026 (31,184), with a modest increase of 0.5% in fiscal 2028 (32,930).

TCA, TDAP, and SNAP Supplemental Benefit for Seniors Recipients
July 2023 to August 2026



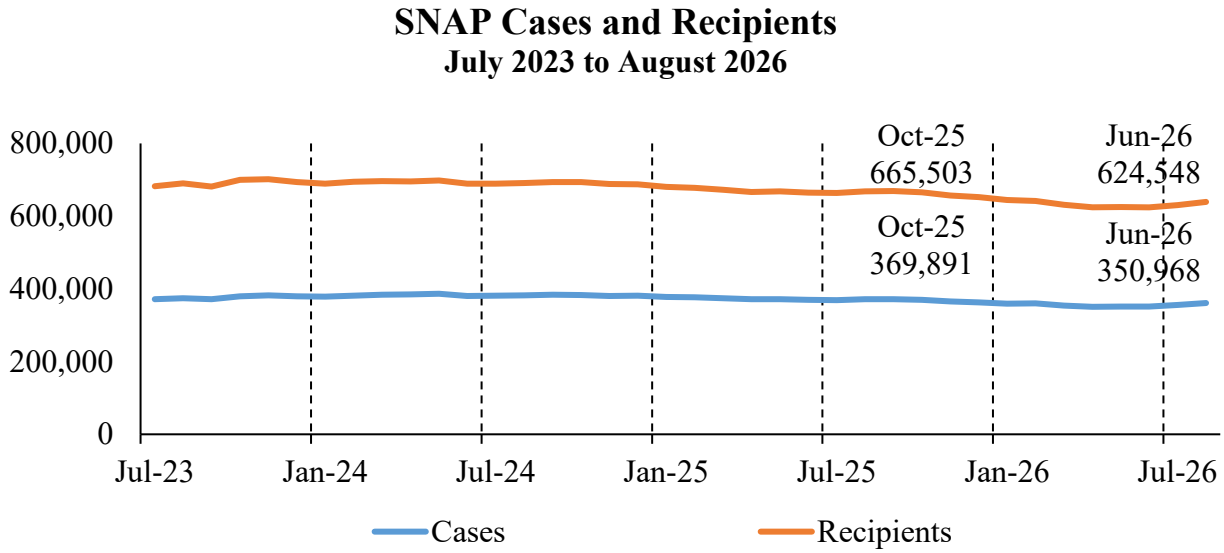
SNAP: Supplemental Nutrition Assistance Program TDAP: Temporary Disability Assistance Program
TCA: Temporary Cash Assistance

Note: November 2025 is not shown for the SNAP Supplemental Benefit program due to impacts of the federal government shutdown in fall 2025, during which 77,116 individuals received a benefit under the supplemental benefit program as the State attempted to mitigate the impact from the initial notification by the U.S. Department of Agriculture that SNAP benefits would not be provided in November 2025.

Source: Department of Human Services; Department of Legislative Services

Several provisions in the federal OBBBA have had the impact of reducing the number of SNAP recipients. The OBBBA altered eligibility for SNAP by changing the eligibility for certain immigrants. Under the definition of qualified immigrants under the OBBBA, certain lawfully present individuals (primarily refugees, asylees, and other humanitarian parolees) are no longer eligible for SNAP. These individuals can receive benefits without a waiting period after a change in status. In addition, the OBBBA expanded the population of individuals subject to time limited benefits unless the individual works or participates in education or training programs at least 20 hours per week. Prior to the OBBBA, only adults without dependents between the ages of 18 and 54 were subject to the time limit. The OBBBA expanded this to include individuals through age 64, and parents if they have no children age 13 or younger. DHS implemented these changes November 1, 2025. For the time limited benefits, the requirements went into effect for new applicants on that date and existing customers at the time of recertification. Because individuals may receive benefits for 3 months in a 36-month period without meeting the requirements, and the impacts of the government shutdown, closures first impacted benefits provided in March 2026.

The monthly number of SNAP cases and recipients had generally been declining since October 2024, even prior to the changes under the OBBBA, though due to the timing and relatively limited declines the average monthly caseload for SNAP decreased by only 0.5% between fiscal 2024 (379,611) and 2025 (377,828). However, caseload and recipient declines accelerated with the impacts of the expansion of time limited benefits, through the end of fiscal 2026. As a result, the average monthly number of SNAP cases decreased by 4.3% between fiscal 2025 and 2026 (361,504) and the monthly number of cases was below 352,000 from April through June 2026. DHS uses a set 36-month period for the time limited benefits, which reset July 1, 2026, with no closures or application denials due to the time limit, the number of recipients has increased in the first two months of fiscal 2027 compared to the final few months of fiscal 2026. However, closures are expected to begin again following the September benefits. As a result, DLS projects the average monthly caseload will decline to 345,236, a 4.5% decrease from the fiscal 2026 average but a more limited decrease (1.6%) from the number of cases in June 2026. DLS projects the caseload will remain at that level through fiscal 2028, as it is anticipated after initial declines the number of case closures from this cause will begin to level off and be offset by additional applicants.



SNAP: Supplemental Nutrition Assistance Program

Source: Department of Human Services; Department of Legislative Services

TCA Expenditure Trends

Due to larger increases in federal SNAP benefits than the inflationary increase in the MMLL, the TCA maximum benefits were unchanged between fiscal 2020 and 2024. This occurred even as the share of the MMLL that the combination of TCA and SNAP must meet under statute increased from 61% to 61.25% in fiscal 2023. The MMLL calculation has resulted in the need for a TCA benefit increase in each fiscal 2025 through 2027, due to lower federal SNAP benefit increases than inflationary increases in the MMLL. Contrary to historical practice, DHS has made these benefit changes effective January 1 rather than October (which coincided with the SNAP benefit increase). On October 1, 2026, DHS reported that the that the inflationary increase in the MMLL (4.2%) will result in an increase in the TCA benefit level for a household of three of 5.4% (to $808) due to the announced increase in the federal SNAP benefit (2.9%) that is less than the MMLL increase. DLS projects that the TCA benefit will increase once again in fiscal 2028 due to anticipated inflationary increases in the MMLL by approximately 3.4% (to $843). DLS also assumes that the $45 per recipient per month additional benefit that has been provided since fiscal 2023 continues through fiscal 2028.

DLS anticipates a TCA surplus of $17.5 million in total funds in fiscal 2027 due to the lower number of recipients than can be supported with the fiscal 2027 budget. The general fund surplus is slightly lower due to estimating no special fund availability for the program based on recent experience. Total expenditures are expected to increase by 1.7% in fiscal 2028 (from

$143.0 million to $145.4 million), while general funds increase by 3.2% (from $42.8 million to $44.2 million) as TANF expenditures are expected to remain level between years.

Temporary Cash Assistance Enrollment and Funding Trends
Fiscal 2026-2028

	2026	Leg. Approp. 2027	DLS Estimate 2027	DLS Estimate 2028	% Change 2027-2028
Average Monthly Enrollment	45,000	48,100	42,749	42,749	0.0%
Average Monthly Grant	$270.28	$278.16	$278.79	$283.43	1.7%
Budgeted Funds in Millions					
General Funds		$58.7	$42.8	$44.2	3.2%
Total Funds	**$145.9**	**$160.6**	**$143.0**	**$145.4**	1.7%
Estimated Surplus			**$17.5**		
Estimated GF Surplus			**$15.9**		

DLS: Department of Legislative Services

Note: Due to discrepancies in the fiscal 2026 closeout, the General Fund share of total expenditures cannot be delineated.

TDAP Expenditure Trends

Consistent with State law, the fiscal 2027 budget funded benefits at 100% of the estimated one person benefit level for TCA. On October 1, 2026, DHS reported an increase in the one-person TCA benefit to $367 (a $19 increase), which is used as the basis for the TDAP benefit, beginning January 1, 2027. DLS forecasts that the TDAP benefit will increase by $12 to $379 in fiscal 2028. DLS also anticipates that the additional $45 per recipient per month benefit that has been provided since fiscal 2023 to continue through fiscal 2028, bringing the benefit level to $424 in fiscal 2028 after the benefit changes take effect. The average benefits in each year are slightly lower than the maximum due to the timing of the benefit increases in the fiscal year.

Overall, DLS is projecting a shortfall of $3.2 million in TDAP in fiscal 2027 due to a higher caseload than can be supported by the fiscal 2027 budget. The general fund shortfall ($4.2 million) is slightly higher than the total shortfall due to a slightly more conservative estimate of special funds to support the program given uncertainty about the sustainability of recent higher levels of receipt. However, surpluses in other programs are more than sufficient 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 2026-2028

	2026	Leg. Approp. 2027	DLS Estimate 2027	DLS Estimate 2028	% Change 2027-2028
Average Monthly Enrollment	13,875	14,500	15,124	15,880	5.0%
Average Monthly Grant	$389.76	$403.16	$404.08	$419.00	3.7%
Budgeted Funds in Millions					
General Funds		$61.0	$65.1	$71.7	10.0%
Total Funds	**$67.4**	**$70.2**	**$73.3**	**$79.8**	8.9%
Estimated Shortfall			**-$3.2**		
Estimated General Fund Shortfall			**-$4.2**		

Note: Due to discrepancies in the fiscal 2026 closeout, the General Fund share of total expenditures cannot be delineated.

DLS: Department of Legislative Services

SNAP Supplemental Benefit for Seniors

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

The SNAP Supplemental Benefit for Seniors program is expected to have a shortfall of $0.5 million in fiscal 2027 due to a higher-than-expected caseload. Expenditures are expected to decrease slightly in fiscal 2028 due to the lower maximum benefit, which more than offsets the slight increase in recipients.

SNAP

The maximum allotment for SNAP benefits increased by 2.9% beginning October 1, 2026. DLS projects an increase in SNAP benefits of 3.4% beginning October 1, 2027, based on the 10-year average rate of food inflation.

The OBBBA created a cost share for SNAP benefits if a State's payment error rate equals or exceeds 6%. The cost share begins October 1, 2027. Beginning October 1, 2028, the cost share is based on the payment error rate in the third preceding year. In federal fiscal 2028, the cost share may be based on the payment error rate for either federal fiscal 2025 or 2026. The federal fiscal 2026 payment error rate will not be released until June 2027; therefore, the baseline assumes the cost share based on Maryland's federal fiscal 2025 payment error rate. This rate qualifies Maryland for the highest cost share level (15%). Based on estimated caseload and benefit levels, the fiscal 2028 baseline includes $160.3 million of general funds (11.3%) of the total estimated benefit level of $1.4 billion. The general fund share is lower than 15% due to the cost share beginning one quarter into the fiscal year.

Electronic Benefit Transfer Fraud Replacement

From March through June 2023, DHS issued replacement cash benefits totaling $2.4 million to 9,212 recipients and SNAP benefits totaling $5.0 million to 9,296 recipients, a combined $7.4 million. The number of recipients of cash assistance replacement has decreased in each subsequent fiscal year, declining to 3,165 in fiscal 2026. The number of SNAP replacement recipients surged in fiscal 2024 to 33,100 recipients. However, the number of recipients of SNAP replacement was substantially lower in the two subsequent fiscal years, totaling 23,850 in fiscal 2025. In fiscal 2025 and 2026, combined costs of the programs totaled just over $12.0 million. The fiscal 2027 budget anticipates substantial savings from the implementation of new chip technology in that year. Notable declines in benefits in the first two months of the fiscal year indicate substantially lower costs in fiscal 2027. Based on current trends, fiscal 2027 and 2028 estimates total $3.6 million. However, there is a high degree of uncertainty regarding this estimate, given the limited experience after the implementation of the new technology.

Employee Compensation Overview

Employee Compensation Overview

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

- ***Cost-of-living Adjustment (COLA):*** The fiscal 2028 baseline assumes a 2% general salary increase for State regular positions and contractual full-time equivalents (FTE). The fiscal 2028 baseline includes $113.5 million in total funds for State regular positions, excluding higher education, for this increase, of which $70.5 million is general funds. The value of the COLA for State-supported positions in higher education institutions was factored into the overall anticipated growth in the grants for the institutions. The general salary increase for contractual FTEs results in an increase of $3.4 million in total funds, excluding higher education, of which $1.7 million is general funds.

- ***Salary Step Increases:*** The fiscal 2028 baseline includes a total of $108.6 million in total funds for State employee increments, excluding higher education, of which $68.9 million is general funds. The value of the increment for State supported positions in higher education institutions was factored into the overall anticipated growth in the grants for the institutions.

- ***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 2028 claims (including prescription rebates) will total $2.3 billion, an increase of 5.9% from fiscal 2027 estimates. The fiscal 2028 baseline assumes level funding for health insurance due to the availability of fund balance in the nonbudgeted State Employee Health Insurance Account.

- ***Employees' Retirement and Pensions:*** Fiscal 2028 baseline expenditures increase by $14.4 million ($10.1 million in general funds) due to rate changes compared to the fiscal 2027 legislative appropriation.

Higher Education – State Colleges and Universities

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

University System of Maryland and Morgan State University

The fiscal 2028 baseline assumes total costs for USM and MSU increase by an estimated $217.1 million and $14.7 million, respectively. Of this increase, $173.5 million and $11.6 million are related to increases in current unrestricted costs for USM and MSU, respectively, and the remaining $43.6 million and $3.0 million are in current restricted costs.

- The baseline budget assumes tuition and fees will increase by 2% in fiscal 2028 at USM and MSU. Of the estimated $53.2 million increase in USM undergraduate tuition and fee revenue, $9.3 million is attributable to new enrollments, which is based on USM's projected enrollment growth for each institution and the projected fiscal 2028 resident and nonresident tuition and fee rate. For MSU, $2.7 million of the $5.7 million increase in undergraduate tuition and fee revenue is attributable to new enrollments, which is based on the Maryland Higher Education Commission's enrollment projections. Graduate tuition and fee revenue for USM institutions and MSU is estimated to increase by $12.8 million and $0.4 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 $34.0 million and $2.6 million for USM institutions and MSU, respectively, assuming a 3.0% increase in auxiliary revenues and a 1.0% increase in other revenues.

- In fiscal 2028, State funding will increase by 3.5% for USM and 2.7% MSU above the fiscal 2027 legislative appropriation, after accounting for one-time funding provided in fiscal 2027, and carries forward funding provided for fiscal 2027 statewide salary adjustments. This increase primarily provides support for statewide salary assumptions. In addition, the baseline assumes a net decrease of $0.6 million to account for new and changed mandates, as well as a mandate that ends. In addition, $4.9 million of one-time legislative additions as well as an additional $17.1 million of special funds from the Strategic Energy Investment Fund for one-time activities, primarily pay-as-you-go capital, to various USM institutions were removed. In total, these adjustments lead to additional State funding of $79.8 million for USM and $5.5 million for MSU.

- The fiscal 2028 baseline also replaces $35 million from the Cigarette Restitution Fund, which supports a portion of the historically Black colleges and universities settlement funding in fiscal 2027 with general funds, as these funds are not available in fiscal 2028.

St. Mary's College of Maryland

SMCM receives State support through a statutory formula that increases the current year appropriation by inflation as determined by the implicit price deflator for State and local government. The implicit price deflator is estimated to be 2.5% in fiscal 2028, leading to an increase of $1.1 million in general funds. Chapter 420 of 2017 also requires that funding be provided to cover increases in the cost of health insurance for employees, and a performance bonus if the institution's six-year graduation rate is greater than or equal to 82.5%. Chapter 607 of 2022 requires that SMCM receive funding to cover 100% of cost-of-living adjustments for State-supported employees. The fiscal 2028 baseline does not anticipate funding for the performance bonus. The baseline provides $1.2 million in general funds to reflect the budgeting of 100% of fiscal 2028 statewide salary increases for State-supported employees, accounting for a 2% general salary increase and increment. Consistent with statewide assumptions, there is no increase in funding provided for health insurance contributions for State employees. In total, State support for SMCM is estimated at $48.5 million in the fiscal 2028 baseline.

Baltimore City Community College

General funds for BCCC are determined by a statutory formula that considers enrollment and State support for selected public four-year institutions. As a result of Chapter 6 of 2026, in fiscal 2028, BCCC will receive 67.5% of the funds per full-time equivalent student (FTES) that the selected public four-year institutions received per FTES in fiscal 2026 or the hold harmless level based on the fiscal 2027 appropriation. In fiscal 2028, per FTES funding is estimated to be $13,155 using the 67.5% calculation, for a total of $36.0 million, which would be a decrease of $12.2 million from fiscal 2027, accounting for both changes in enrollment and the per FTES funding. Because the estimated amount due to the funding formula is less than the hold harmless level of $48.2 million, the fiscal 2028 baseline assumes BCCC will receive the hold harmless level.

BCCC also receives funding through the English for Speakers of Other Languages Program, estimated at $378,000 in general funds in fiscal 2028.

Maryland Higher Education Commission

The fiscal 2028 baseline for Educational Excellence Award (EEA) general funds increases by $2.8 million, or 2%, to reflect an assumed 2% increase in resident undergraduate tuition at the public four-year institutions. In addition, the fiscal 2028 baseline replaces $18.7 million of special funds with an equivalent amount of general funds for the EEA due to a lower balance in

the Need-Based Student Financial Aid Fund, which was used to supplement general funds in fiscal 2027.

Two financial aid programs (the Senatorial and Delegate Scholarships) are estimated to increase by a combined $0.3 million, or 2%, in fiscal 2028 to reflect an assumed 2% increase in resident undergraduate tuition at the public four-year institutions.

Pay-as-you-go Capital Programs

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

The fiscal 2028 baseline removes one-time fiscal 2027 general fund items and includes items programmed in the State's 2026 session five-year *Capital Improvement Program* (CIP) and maximizes the use of estimated special and federal funds, with the goal of level funding programs to the fiscal 2027 legislative appropriation or to the level programmed for fiscal 2028 in the 2026 CIP. Excluding funding provided through the *Consolidated Transportation Program* (CTP), the fiscal 2028 baseline includes $1.126 billion of total PAYGO funding compared to the $908.4 million fiscal 2027 legislative appropriation.

The baseline assumes that special funds will be distributed according to statutory requirements. Special fund transfer tax revenues used to fund Program Open Space (POS) are distributed based on the POS formula and adjusted to account for Chapter 604 of 2025 (Budget Reconciliation and Financing Act (BRFA)), which transfers $25 million of budgeted transfer tax revenues that support land preservation to the General Fund annually from fiscal 2026 through 2029. Because general fund revenues closed well above the estimate, and nonwithholding income tax revenues exceeded the estimate in fiscal 2026, the Fiscal Responsibility Fund (FRF) received $196.1 million to be used to fund K-12 and higher education capital projects in fiscal 2028.

The baseline includes a decreased level of federal fund support for the capital program, reflecting the anticipated end of federal Infrastructure Investment and Jobs Act (IIJA) funding in the Maryland Department of the Environment (MDE).

Funding for PAYGO Capital Programs
Excluding MDOT
Fiscal 2027-2028

Program Code	Agency/Program	2027 Leg. Approp.	2028 Baseline	$ Difference	% Difference
D25E0302	Interagency Commission on School Construction	$87,850,000	$265,092,883	$177,242,883	202%
D40W0111	Department of Planning – Historic Preservation	300,000	300,000	0	0%
D50H0104	Military Department	3,250,000	40,385,000	37,135,000	1143%
D55P0006	Department of Veterans and Military Families	0	4,636,000	4,636,000	n/a
H00H0102	DGS – Statewide Capital Appropriation	3,500,000	0	-3,500,000	-100%
H00H0103	DGS – Miscellaneous Grants	64,959,665	14,571,000	-50,388,665	-78%
Y01A0201	DPA – WMATA	0	167,000,000	167,000,000	n/a
K00A0510	DNR – Outdoor Recreation Land Loan	138,396,436	178,602,499	40,206,063	29%
K00A0902	DNR – Waterway Capital Appropriation	7,932,000	17,000,000	9,068,000	114%
K00A0906	DNR – Ocean City Maintenance	3,500,000	1,000,000	-2,500,000	-71%
L00A1111	Department of Agriculture	38,726,423	49,462,585	10,736,162	28%
R75	University System of Maryland	17,015,000	0	-17,015,000	-100%
S00A2402	DHCD – Neighborhood Revitalization	54,210,000	12,000,000	-42,210,000	-78%
S00A2507	DHCD – Rental Housing Programs	28,500,000	28,500,000	0	0%
S00A2508	DHCD – Homeownership Programs	5,000,000	5,000,000	0	0%
S00A2509	DHCD – Special Loan Programs	9,440,000	6,400,000	-3,040,000	-32%
S00A2515	DHCD – Housing and Building Energy Programs	56,500,000	56,500,000	0	0%
S00A3002	DHCD – Neighborhood Business Development	2,289,000	18,507,000	16,218,000	709%
U00A0103	MDE – Water Quality Revolving Loan Fund	210,963,815	150,000,000	-60,963,815	-29%
U00A0104	MDE – Hazardous Substance Clean-Up Program	550,000	750,000	200,000	36%
U00A0105	MDE – Drinking Water Revolving Loan Fund	151,064,807	45,000,000	-106,064,807	-70%
U00A0111	MDE – Bay Restoration Fund-Wastewater	0	50,000,000	50,000,000	n/a
U00A0112	MDE – Bay Restoration Fund-Septic Systems	15,000,000	15,000,000	0	0%

Program Code	Agency/Program	2027 Leg. Approp.	2028 Baseline	$ Difference	% Difference
U00A0115	MDE – Comprehensive Flood Management Grant Program	9,485,000	0	-9,485,000	-100%
Total		**$908,432,146**	**$1,125,706,967**	**$217,274,821**	**24%**
General Funds		**$107,719,665**	**$182,321,000**	**$74,601,335**	**69%**
Special Funds		**$545,501,801**	**$793,862,967**	**$248,361,166**	**46%**
Federal Funds		**$255,210,680**	**$149,523,000**	**-$105,687,680**	**-41%**
Total		**$908,432,146**	**$1,125,706,967**	**$217,274,821**	**24%**

DGS: Department of General Services
DHCD: Department of Housing and Community Development
DNR: Department of Natural Resources
DPA: Dedicated Purpose Account
MDE: Maryland Department of the Environment
MDOT: Maryland Department of Transportation
PAYGO: pay-as-you-go
WMATA: Washington Metropolitan Area Transit Authority

Interagency Commission on School Construction

The fiscal 2028 baseline includes $196.1 million in special funds in the Interagency Commission on School Construction from the FRF that are available to support K-12 or higher education capital projects. The baseline also removes $18.9 million in one-time special funds from the Strategic Energy Investment Fund (SEIF) appropriated in fiscal 2027 to support HVAC upgrades in Baltimore City public schools.

Military Department

The baseline includes $40.4 million of federal PAYGO funds to support renovation and expansion of (1) the White Oak Readiness Center ($30.0 million); (2) the Glen Burnie Readiness Center ($9.6 million); and (3) the Ruhl Readiness Center ($780,000). The baseline assumes that any applicable State matching funds are provided with GO bond funds consistent with the CIP.

Department of Veterans and Military Families

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 $4.6 million of federal PAYGO funds for the expansion of the Crownsville Veterans Cemetery.

Department of General Services

The fiscal 2028 baseline removes $50.4 million in general funds for one-time capital PAYGO appropriations for miscellaneous capital grants to non-State organizations included in the fiscal 2027 budget. The baseline also removes $3.5 million in special funds appropriated to the Facilities Renewal Fund in fiscal 2027 for projects that were eligible to be funded through the SEIF. The fiscal 2028 baseline includes $14.6 million in general funds for the second year of an ongoing grant for the AstraZeneca facility expansion project, level with fiscal 2027.

Maryland Department of Transportation

For the Maryland Department of Transportation PAYGO capital programs, adjustments were made to conform to the draft CTP for fiscal 2027-2032. In addition, the baseline includes $167 million of general funds for the dedicated capital grant to the Washington Metropolitan Area Transit Authority in the Dedicated Purpose Account, consistent with the CIP. The grant was funded with GO bonds in fiscal 2027.

Department of Natural Resources

The fiscal 2028 baseline includes the following adjustments to the level of funding attributable to the special fund transfer tax revenues used to fund POS:

- ***Transfer Tax Overattainment:*** The actual fiscal 2026 revenue attainment was $239.1 million, which is $19.5 million greater than the amount budgeted in fiscal 2026. This overattainment is added to the estimated fiscal 2028 revenues that support fiscal 2028 program funding levels.

- ***Transfer Tax Revenue Estimate Increase:*** The revenue estimate for fiscal 2028 is $272.1 million, which is $26.6 million more than the $245.4 million budgeted revenue figure for fiscal 2027.

Transfer tax overattainment and revenue estimate increases lead to increases in special funds in the fiscal 2028 baseline for the Department of Natural Resources POS – State allocation ($15.8 million increase), the POS Local Allocation ($12.9 million increase), the Rural Legacy Program ($3.8 million increase), and Capital Development Projects – Natural Resources Development Fund and Critical Maintenance ($2.9 million increase). The baseline accounts for the BRFA of 2025 reduction of $25 million in special funds for land preservation, allocated proportionally between State land acquisition under the POS – State Allocation, the Rural Legacy Program, and the Maryland Agricultural Land Preservation Program (MALPP).

The POS – Greenspace Equity Program receives $10.0 million in the fiscal 2028 baseline. This is an increase of $3.0 million relative to the fiscal 2027 legislative appropriation but is the same as the amount programmed in the 2026 CIP for fiscal 2028.

The fiscal 2028 baseline also includes an increase of $1.9 million in federal funds anticipated in the CIP for the Natural Resources Development Fund.

The fiscal 2028 baseline removes $2.5 million in special funds for the Ocean City beach replenishment project, which was added as one-time supplemental funding in fiscal 2027. Full funding of $1.0 million in transfer tax special funds from the State and $1.0 million in special funds from Worcester County and Ocean City is assumed in the fiscal 2028 baseline to reflect the 2026 CIP. Overall, funding is shared at 50% State, 25% Worcester County, and 25% Ocean City.

The fiscal 2028 baseline for the Waterway Improvement Program includes $17.0 million, which is consistent with the amount programmed in the 2026 CIP for fiscal 2028. The fiscal 2028 funding, which includes $16.0 million in special fund revenue available from the motor fuel tax and the vessel excise tax and $1.0 million in federal funding, is $2.1 million more than the $14.9 million fiscal 2027 legislative appropriation, comprised of $6.9 million in special funds, $1.0 million in federal funds, and $7.0 million in GO bonds. However, when a fiscal 2027 budget amendment of $6.1 million in special funds is considered, the fiscal 2028 baseline is $4.0 million less than fiscal 2027.

Maryland Department of Agriculture

The fiscal 2028 baseline for MALPP consists of $49.5 million in special funds. The baseline estimate is comprised of funding from the State transfer tax's statutory distribution as adjusted by prior year overattainment for a total of $37.5 million and county matching funding estimated at $12.0 million. As noted previously, this reflects MALPP's $10.8 million share of the $25.0 million land conservation funding reduction per the BRFA of 2025. Overall, the baseline reflects an increase of $10.7 million in special funds compared to the fiscal 2027 legislative appropriation, which reflects the increased transfer tax revenue estimate.

University System of Maryland

The baseline removes $17.0 million of special funds appropriated in fiscal 2027 from the SEIF for energy efficiency components for the following USM projects: $14.0 million for the University of Maryland, Baltimore New School of Social Work; and $3.0 million for the Towson University Smith Hall project.

Department of Housing and Community Development

For the Department of Housing and Community Development, the fiscal 2028 baseline decreases general funds by $42.2 million for the Strategic Demolition Fund due to a one-time shift of funding from GO bonds to general funds in the fiscal 2027 appropriation and to align with the CIP. The fiscal 2028 baseline also decreases federal funds by $3.0 million for the Special Loan Program and increases special funds by $114,000 and federal funds by $16.1 million for the Neighborhood Business Development Program to align with the CIP. The federal funds for the Neighborhood Business Development Program are available from the State Small Business Credit Initiative.

Maryland Department of the Environment

MDE's fiscal 2028 baseline includes a decrease of $58.0 million in federal funds and $3.0 million in special funds for the Water Quality Revolving Loan Fund as well as a decrease of $104.5 million in federal funds and $1.6 million in special funds for the Drinking Water Revolving Loan Fund to match the CIP, reflecting the anticipated end of IIJA funding after fiscal 2027.

The fiscal 2028 baseline includes $750,000 in general funds for the Hazardous Substance Clean-Up Program, increasing from $550,000 in fiscal 2027, as programmed in the 2026 CIP.

The baseline includes $50 million in special funds for the Bay Restoration Fund Enhanced Nutrient Removal Program, funded by a fee on public sewer/water users, which is consistent with the 2026 CIP amount for fiscal 2028 but is $50.0 million greater in special funds than the

fiscal 2027 legislative appropriation. Chapter 6 of 2026 (BRFA of 2026) authorized the Governor to transfer $70.0 million from the Bay Restoration Fund to the General Fund in fiscal 2027 and stipulated that the transferred funds be replaced with GO bonds. The fiscal 2027 capital budget replaced $50.0 million of the transferred special funds with GO bonds, and the 2026 CIP programmed an additional $20.0 million in GO bonds to complete the repayment in fiscal 2028.

The fiscal 2028 baseline also removes $9.5 million in special funds from the SEIF that were appropriated in fiscal 2027 for the Comprehensive Flood Management Grant Program. The CIP plans to fund the program with GO bonds only in fiscal 2028.

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.

Rainy Day Fund

The Rainy Day Fund was created to retain revenues to meet future needs. Section 7-311 of the State Finance and Procurement Article requires that an amount equal to the unappropriated general fund surplus exceeding $10 million from two fiscal years prior to the allowance year shall be appropriated into the Rainy Day Fund. An appropriation totaling at least $50 million is required if projected revenues in the fund are less than 7.5% of general fund revenues. The fiscal 2028 baseline reflects the required appropriation of $490.6 million for the Rainy Day Fund.

DPA

The fiscal 2028 baseline includes $167 million in the DPA for the Washington Metropolitan Area Transit Authority Capital Grant and an annual commitment reflecting the planned use of general funds to support this funding in the 2026 *Capital Improvement Program*. As a result of Chapter 6 of 2026, the fiscal 2028 baseline anticipates a $2.5 million in special fund appropriation for health care access grants, representing funds anticipated to be transferred by the Maryland Insurance Administration from certain carriers that maintain a segregated account in accordance with the federal Patient Protection and Affordable Care Act.

The fiscal 2028 baseline also removes one-time fiscal 2027 funding in the DPA, including:

- $114.65 million in special funds from the Strategic Energy Investment Fund for the Residential Energy Equity Program ($72.65 million) and higher education research grants ($42 million);
- $10.0 million in general funds for statewide repeat audit finding solutions;
- $4.6 million in general funds for the Maryland Department of Health (MDH) for certified community behavioral health clinics;
- $4.0 million for State fiscal leadership capacity;
- $2.5 million for One Big Beautiful Bill Act implementation; and

- $1.5 million for MDH to administer a substance use treatment program for children in the juvenile justice system.

Other State Agency Baseline Adjustments

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

The Maryland Department of Health (MDH) reimburses providers for behavioral health services for the uninsured and underinsured in the Community Services program and for Medicaid-eligible patients seeking care ineligible for reimbursement by Medicaid in the State-funded Medicaid program.

In the Community Services program, the Department of Legislative Services (DLS) projects provider reimbursement expenditures of $228.3 million in fiscal 2027 and $242.0 million in totals funds, of which $204.4 million in fiscal 2027 is general funds and $213.6 million in fiscal 2028 is general funds. The DLS fiscal 2027 projection assumes actual spending at approximately $3.2 million lower than the legislative appropriation and assumes a 3% growth in fiscal 2027 service utilization. The fiscal 2028 projection assumes a 2% provider rate increase and a 4% increase in utilization. The larger total fund growth than general fund growth is due to a higher availability of special funds from the Cigarette Restitution Fund to support program costs.

In the State-funded Medicaid program, DLS projects general fund expenditures for provider reimbursements of $95.2 million in fiscal 2027 and $94.3 million for fiscal 2028. The fiscal 2027 projection is $6.7 million higher than the legislative appropriation. The decline in fiscal 2028 results primarily from the lower Medicaid enrollment partially offset by utilization changes. This program reimburses providers for services delivered to Medicaid enrollees and is therefore impacted by Medicaid enrollment and utilization trends.

MDH – Developmental Disabilities Administration

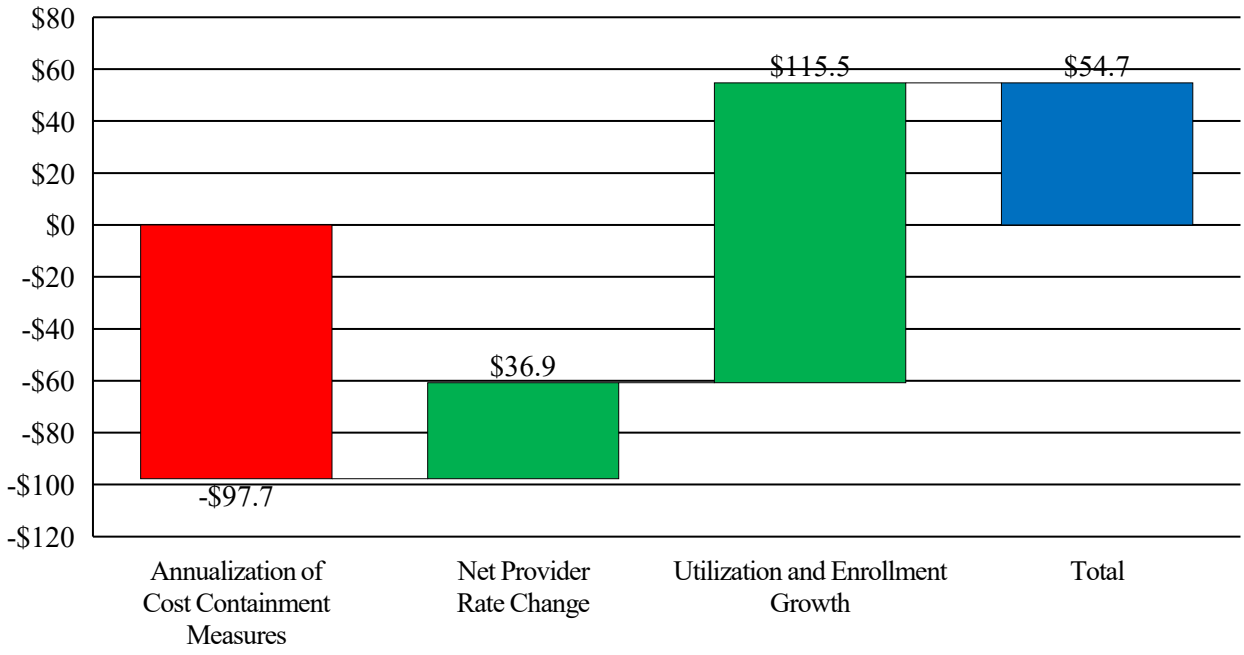
The Developmental Disabilities Administration (DDA) provides services for individuals with developmental and intellectual disabilities. Through its Community Services program, DDA provides three broad categories of services – Residential Services, Meaningful Day Services, and Support Services. Participants can receive services through one of two service models – the Traditional model, in which participants receive services through a provider agency, or the Self-Directed Services model, in which participants employ their providers.

As enacted, the fiscal 2027 budget assumed savings from a variety of cost containment measures. However, due to a delay in DDA receiving federal approval from the Centers for Medicare and Medicaid Services for the program changes, the application of these measures was delayed past the original July 1 effective date. Assuming that these measures will take effect on January 1, 2027, the revised impact on the fiscal 2027 appropriation is projected to total $97.5 million, excluding $25 million in savings from the 2% provider rate reduction. The overall

impact of the cost containment measures increases by $97.7 million between fiscal 2027 and 2028 to account for annualization.

Based on actual fiscal 2026 spending and federal fund participation trends and delayed implementation of cost containment actions included in the fiscal 2027 budget, the fiscal 2028 baseline anticipates a fiscal 2027 deficiency appropriation of $132.4 million ($9.6 million in general funds and $122.9 million in federal funds). The Community Services program is projected to increase by $54.7 million in fiscal 2028 after accounting for the projected fiscal 2027 deficiency appropriation, primarily due to a provider rate increase and estimated increase in utilization and enrollment across all service categories and models. The following chart shows the components of growth in fiscal 2028 from the fiscal 2027 legislative appropriation adjusted for an anticipated deficiency.

Components of DDA Baseline Growth
Fiscal 2027 Adjusted to Fiscal 2028 Baseline
($ in Millions)



DDA: Developmental Disabilities Administration

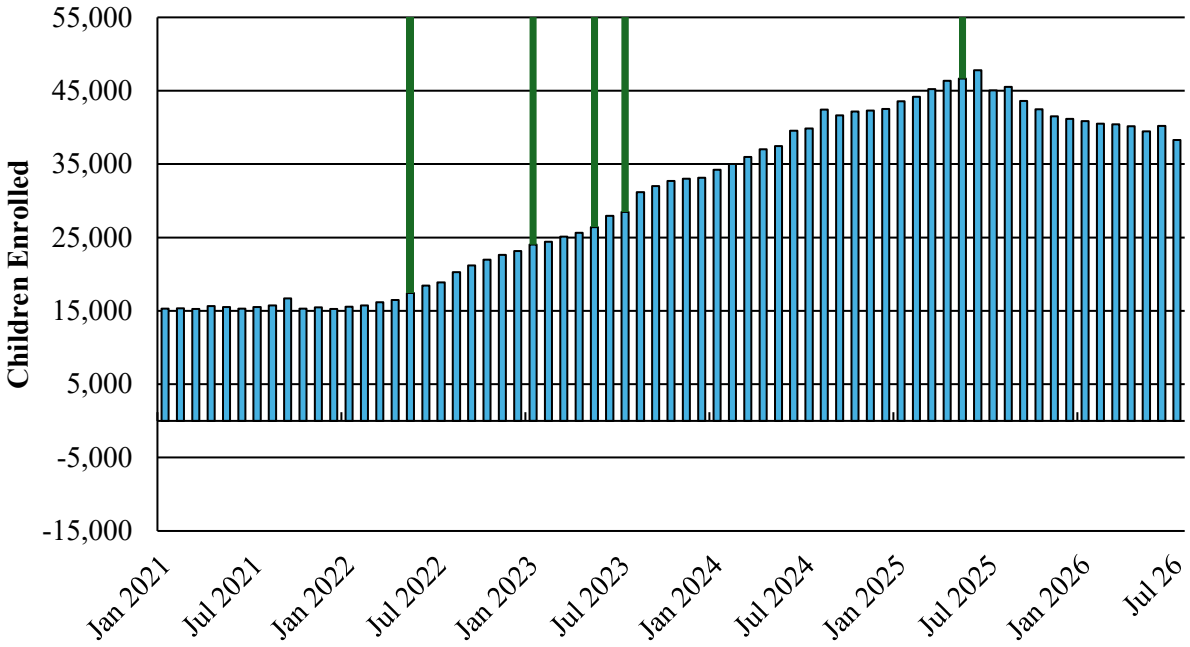
Source: Developmental Disabilities Administration; Department of Legislative Services

Child Care Programs

Child Care Scholarship Program

The Child Care Scholarship (CCS) program provides financial assistance with child care tuition to low-income families that meet applicable State or federal requirements. The program is funded through a combination of State funds and the federal Child Care and Development Fund (CCDF). As shown in the following exhibit, the program experienced substantial enrollment growth, from 15,296 children served in January 2021 to a high of 47,811 children served in June 2025, an increase of 213%. Enrollment growth, coupled with ongoing costs of programmatic changes that increased provider reimbursement rates and reduced family copayments led the CCS program to report budget shortfalls of over $100 million in State funds each year in fiscal 2024 and 2025.

Children Enrolled in the Child Care Scholarship Program
January 2021 to July 2026



Note: Enrollment counts in July 2026 are preliminary and may change. Bars shaded in green represent significant policy changes, such as the Maryland State Department of Education raising income eligibility levels in May 2022, reducing copays and increasing reimbursement rates in May 2022, opening the full presumptive eligibility program statewide in July 2023, and an enrollment freeze implemented in May 2025.

Source: Maryland State Department of Education; Department of Legislative Services

During the 2025 session, the Maryland State Department of Education (MSDE) notified the General Assembly of its plan to temporarily implement an enrollment freeze to reduce program costs. Beginning on May 1, 2025, MSDE froze new enrollment with exceptions for additional children in families enrolled prior to the freeze and certain categorically eligible families, such as those receiving Temporary Cash Assistance or Supplemental Security Income. Chapter 594 of 2026 additionally exempts children experiencing homelessness from the freeze beginning July 1, 2026, and established priorities for enrolling families from the waitlist when funding becomes available.

Following the partial enrollment freeze, enrollment declined to 40,222 children in June 2026 and 38,288 children based on preliminary data for July 2026. MSDE reported a waitlist of 8,243 children from 6,000 families as of July 2026. Although the partial enrollment freeze remains in effect, MSDE began issuing scholarships to children experiencing homelessness in July 2026 and initiated outreach to families with incomes below 10% of State median income that month, followed by families with incomes between 10% and 20% in August 2026.

The General Assembly added $20 million in general funds to the fiscal 2027 CCS budget during the 2026 session to support enrollment from the waitlist. Reflecting this additional funding, MSDE's September 2026 quarterly report projects monthly enrollment of approximately 40,650 children for most of fiscal 2027. MSDE determines provider reimbursement rates based on market rate surveys across geographic regions of the State conducted every two years, and families pay any required copayment and the remaining balance between the providers' rate and the reimbursement rates. Chapter 595 of 2026 also authorized MSDE to establish an income-based sliding scale for family copayments, creating an exception to the prohibition on increasing copayments above January 1, 2024 levels. Under the sliding scale, copayments increase gradually as household income rises, with a maximum of 7% of annual household income for families in the highest income category and lower copayments for each subsequent child. Families with incomes at or below the federal poverty level and families covered by other statutory exemptions are not required to pay copayments.

The fiscal 2028 baseline incorporates the ongoing cost of the provider reimbursement rate increase implemented in spring 2026 based on the calendar 2024 market rate survey, as well as estimated family copayments under the sliding scale to offset scholarship costs. Based on projected enrollment (assuming the continuation of the enrollment freeze), average cost per child, and family copayment collections, the fiscal 2028 baseline assumes general and federal fund support for the CCS program remains level with fiscal 2027.

Impacts of State Legislation

The fiscal 2028 baseline includes the following adjustments to reflect legislation enacted from the 2026 session:

- An increase of $14.0 million in special funds from the Strategic Energy Investment Fund (SEIF) alternative compliance payments in the Maryland Energy Administration (MEA) to provide grants or rebates to incentive customers to install renewable on-site generating systems as mandated by Chapter 353 of 2026 ($9.0 million) and for Green and Renewable Energy Efficiency for Nonprofits Loan Fund in the Maryland Clean Energy Center (MCEC) to provide no-interest loans to nonprofit organizations for renewable energy systems and energy efficiency actions as authorized by Chapter 353 of 2026. The fiscal 2028 baseline also assumes funding of $100 million for auctions to generate additional renewable energy capacity as authorized in Chapter 353.

- An increase in $12.0 million in special funds from the State Lottery Fund for additional debt service for the Maryland Stadium Authority's (MSA) Racing and Community Development Financing Fund to provide a total of $29 million, as mandated by Chapter 376 of 2026.

- An increase of $10.0 million in each general and special funds for the Suitland Development Authority, which was established by Chapter 458 of 2026 to promote the revitalization and economic development of the communities along the Suitland Road and Silver Road Corridor in Prince George's County. Although Chapter 458 established a mandate of $500,000, at least $10 million is expected to be required. Chapter 458 also establishes a special fund for the authority, and the general fund appropriation is expected to be deposited into the special fund with spending occurring from the special fund.

- An increase of $5.0 million in general funds for MSA to support backstretch housing facilities at Laurel Park Racecourse, as required by Chapter 376 of 2026.

- An increase of $5.0 million in special funds for the Maryland Small Business Development Financing Authority and a corresponding decrease in funding for the Small, Minority, and Women-Owned Businesses Account, both in the Department of Commerce (Commerce), due to a reallocation of video lottery terminal funds authorized by Chapters 351 and 352 of 2026.

- An increase of $5.0 million in general funds for school facilities under the Maryland Public Charter School Program. Chapter 767 of 2026 requires the Governor to provide funding for this program at a level equal to the aggregate student enrollment multiplied by $200. An additional $0.1 million is provided for administrative expenses associated with the program.

- An increase of $3.2 million in general funds in the Judiciary to adjust the salaries of judges and circuit court magistrates to reflect the Judicial Compensation Commission recommendations contained in JR 2 and 4 of 2026.

- An increase of $3.0 million in general funds and a $1.0 million increase in special funds for the Regional Institution Strategic Enterprise (RISE) Zones program in Commerce to be used by the Maryland Economic Development Corporation (MEDCO) following changes to the program made by Chapters 351 and 352 of 2026 which were expected to increase program participation.

- An increase of $2.7 million, comprised of $0.3 million in general funds and $2.3 million in special funds from the SEIF, in the Department of Natural Resources (DNR) to reflect the costs in Chapter 353 of 2026 (Utility RELIEF (Reducing Energy Load Inflation for Everyday Families) Act), including $2.0 million for the Power Plant Research Program to review renewable and clean energy projects, $0.2 million to hire a consultant to handle the anticipated increase in workload resulting from the community solar energy generating systems provision of Chapter 353, and an increase of 2.5 positions and operating expenses to address an increase in expected transmission line projects as a result of changes to the Certificate of Public Convenience and Necessity process.

- An increase of $2.0 million in special funds supported by the Purse Dedication Account to support debt service for a training facility, as required by Chapter 376 of 2026. MEDCO is authorized to issue the debt.

- An increase of $1.0 million in general funds, above the $4.0 million provided in § 39 of the fiscal 2027 Budget Bill, for the Maryland Growth Initiative established in Chapter 381 of 2026 in the Maryland Technology Development Corporation (TEDCO) to support the growth of startup companies. The $5 million provided in the fiscal 2028 baseline reflects the level of funding mandated in Chapter 381 for the program.

- An increase of $750,000 in special funds to establish the Legacy Protection Program under the State Tax Sale Ombudsman to allow heirs who inherit a dwelling to become the record title holder, prevent tax sales of dwellings inherited by heirs, and allow heirs to remain in their home. Chapters 718 and 719 of 2026 mandate funding of $750,000 comprised of $500,000 from county payments and $250,000 from State property tax interest revenues. As the State property tax interest would otherwise be used for debt service, the fiscal 2028 baseline assumes $250,000 in general funds is needed for this purpose.

- A reduction of $5.0 million in special funds in MEA to reflect transfer of the Jane E. Lawton Conservation Loan Program from MEA to MCEC, which occurred in fiscal 2027 due to Chapter 372 of 2026, which transferred administration of the program but is not reflected in the fiscal 2027 legislative appropriation.

- A reduction of $5.6 million in general funds in the Judiciary due to the end of grants assisting local jurisdictions with meeting security requirements established by Chapters 475 and 476 of 2026, reflecting funds included in the fiscal 2027 budget though not required by the Acts.

- The fiscal 2028 baseline includes $1 million in each of general and special funds for the Maryland Patient Safety Center, reflecting the level of funding mandated in Chapter 626 of 2026. An equivalent amount of general funds was provided for the center in § 39 of the fiscal 2027 Budget Bill.

- The fiscal 2028 baseline includes $1 million in general funds in Commerce for the Maryland Workforce Launch Pilot Program established by Chapter 535 of 2026, which is to provide customized, no-cost workforce training as a business attraction tool. An equivalent amount of general funds was provided for the center in § 39 of the fiscal 2027 Budget Bill.

- The fiscal 2028 baseline includes approximately $144,000 in general funds in Commerce for administration of the Maryland's Future Fund, established by Chapter 377 of 2026. No new funding to capitalize the fund is assumed for fiscal 2028, as funds are expected to remain available from the $1.5 million provided in § 39 of the fiscal 2027 Budget Bill for the fund.

Major Information Technology Development Project Funding

The fiscal 2028 baseline includes the following adjustments to reflect anticipated changes to funding levels for major information technology development projects (MITDP), primarily reflecting estimated planned levels of spending in fiscal 2028.

There is a an increase of $164.8 million in general funds in the Department of Information Technology (DoIT) Information Technology Investment Fund (a nonlapsing fund that supports MITDPs for the Executive Branch agencies) to align with the estimated fiscal 2028 expenditures for all major projects, excluding eight MITDPs transitioning out of MITDP in fiscal 2027. Funds are provided as follows:

- $40.0 million for the Comptroller of Maryland's Financial Management Information System Replacement;

- $15.2 million for the Department of Agriculture's Digitization and Modernization Project;

- $11.8 million for the Department of General Services' eMaryland Marketplace eProcurement Solution;

- $11.7 million for the State Board of Elections' New Voting System;

- $12.8 million for DoIT discovery, oversight, and intervention expenditures at the fiscal 2027 level; and

- $73.3 million for all other remaining MITDPs.

Fund Swaps

The federal One Big Beautiful Bill Act reduced the federal share of Supplemental Nutrition Assistance Program administrative costs from 50% to 25% beginning October 1, 2026. The fiscal 2027 budget accounts for a shift of $43.1 million of costs from federal funds to general funds for three-quarters of the fiscal year due to this change. The fiscal 2028 baseline anticipates an additional $14.4 million in general funds to replace an equivalent amount of federal funds as the change is in effect for the whole fiscal year.

The Budget Reconciliation and Financing Act (BRFA) of 2025 authorized up to $11 million from the Expedited Service Fund to be used for general operating expenses in fiscal 2026 and 2027 for the State Department of Assessments and Taxation's Office of the Director. In fiscal 2028, the authorization reverts to the statutory limitation (15% of administrative costs of the Office of the Director). As a result, the fiscal 2028 baseline assumes $9.8 million in general funds will be needed to replace a corresponding amount of special funds.

An increase of $6.0 million in general funds and a corresponding reduction of $6.0 million in special funds within Maryland Center for School Safety. Chapter 30 of 2018 requires the Governor to appropriate $10.0 million per year for safety efforts in local school systems and local law enforcement. In fiscal 2028, the Safe Schools Fund balance (approximately $1.0 million) is not sufficient to meet this mandate, and general funds totaling $9.0 million are required. The fiscal 2027 budget included $3.0 million in general funds for this purpose.

In the MDH Office of Health Care Quality, an increase of $3.2 million in general funds and a reduction of $2.7 million in special funds are included to continue a contract for nurse surveyors to inspect long-term care facilities. The contract in fiscal 2027 used special funds from the State Civil Money Penalty Fees Fund, which is expected to be depleted by the end of fiscal 2027.

An increase of $2.0 million in general funds to backfill a corresponding reduction in special funds within the MDH Public Health Administration Office of Population Health Improvement. Chapter 6 of 2026 authorized the use of $2.0 million of the Board of Physicians Fund balance to support the Office of Population Health Improvement for fiscal 2027 only.

The use of $1.6 million in general funds is assumed to backfill a corresponding reduction in federal funds within the Governor's Office of Crime Prevention and Policy for the Victims of Crime Act Assistance program due to the reduced availability of federal funds to maintain overall funding at the mandated level of $60.0 million.

There is an increase of $1.0 million in general funds and a corresponding reduction of $1.0 million in special funds within the MDH Prevention and Health Promotion Administration. Chapter 6 of 2026 authorized the use of $1.0 million from the Advance Directive Program funds for maternal and child health programs in fiscal 2027 only.

Other Baseline Adjustments

The fiscal 2028 baseline includes the following adjustments to reflect anticipated changes in funding levels for State agencies:

- Based on the Maryland Health Benefit Exchange's (MHBE) forecasted costs of the State Reinsurance Program in calendar 2026, for which costs are paid in fiscal 2028, the fiscal 2028 baseline assumes spending in the program of $746.9 million. Of this amount, $556.0 million is anticipated to be from federal pass-through funds, and $190.3 million is from the State Reinsurance Fund using available balance and revenue from the 1% provider assessment. These funds represent an increase of $49.2 million in special funds and a decrease of $21.1 million in federal funds compared to the funds required in fiscal 2027 to support program costs for calendar 2025.

- The fiscal 2028 baseline anticipates $566.3 million of spending supported by Regional Greenhouse Gas Initiative auction revenue to reflect higher average auction prices in calendar 2026, over-attainment of revenue in fiscal 2026 compared to estimates, and available balance. Despite the overall higher spending in fiscal 2028 ($64.8 million), some areas are projected to have decreased spending due to the use of fund balance in fiscal 2027 which is available at a lower level in fiscal 2028. The fiscal 2028 spending is anticipated to be comprised of:

    - $306.8 million for energy assistance programs in the Department of Human Services (DHS), an increase of $146.8 million compared to fiscal 2027;

    - $115.2 million for renewable and clean energy programs, which is a decrease of $5.4 million compared to fiscal 2027;

    - $57.4 million in general energy efficiency programs, a decrease of $6.9 million compared to fiscal 2027;

    - $52.8 million for low-and moderate-income energy efficiency programs, an increase of $7.8 million compared to fiscal 2027; and

    - $7.5 million for administration, a decrease of $2.1 million compared to fiscal 2027.

- Consistent with recent revenue, the fiscal 2028 baseline assumes the use of a total of $336.9 million in the SEIF from alternative compliance payments, which includes $114.0 million for uses identified in Chapter 353 of 2026 noted previously. The remainder is expected to be used for a variety of programs in MEA, MCEC, and the Department of Housing and Community Development (DHCD);

- The fiscal 2028 baseline anticipates an appropriation of $68.9 million for the More Jobs for Marylanders program in Commerce based on anticipated demand for tax credits through the program, an increase of $65.9 million in general funds and a $12.0 million reduction in special funds. Chapter 6 of 2026 established a one-year cap of $15.0 million in tax credits through the program for fiscal 2027 only; this estimate assumes the cap is removed in fiscal 2028;

- The fiscal 2028 baseline anticipates spending of $63.2 million for the Autism Waiver, a program that provides eligible children and young adults with Autism Spectrum Disorder with waivers and Medicaid services for support in their homes and communities, an increase of $1.1 million compared to the fiscal 2027 legislative appropriation. This level of spending would support the utilization of 1,500 slots as anticipated by MSDE at an average cost per slot of $42,957, which reflects recent levels and an anticipated 2% provider rate increase in fiscal 2028;

- The fiscal 2028 baseline assumes spending of $36.8 million, an increase of $9.5 million compared to fiscal 2027, in the Department of Service and Civic Innovation for stipends, completion awards, and miscellaneous costs associated with an increase in participation in the Service Year Option from 1,100 to 1,550 as set in the BRFA of 2026. In addition, the fiscal 2028 baseline includes approximately $797,000 for 10 new positions to support the higher number of participants;

- An increase of $32 million in special funds in the Maryland Department of Transportation (MDOT) Maryland Transit Administration (MTA) to support operating expenses for the Purple Line following its anticipated opening during fiscal 2028;

- An increase of $21.1 million in the operating grant for the Washington Metropolitan Area Transit Authority to conform to the draft 2027 Transportation Trust Fund Financial Plan;

- The fiscal 2028 baseline includes a total of $18.9 million in general funds to support the Maryland Public Broadcasting Commission (MPBC). This amount includes $3.5 million to offset lower-than-expected revenue from certain sources in the second preceding year and approximately $0.5 million due to the requirement to increase the general fund support for MPBC based on the projected general fund revenue increase;

- An increase of $14.9 million in MDH, to reflect the fiscal 2028 annualization of provider payments for the FAMLI program, which was in effect for half of fiscal 2027;

- An increase of $10.0 million in special funds in MDOT MTA to account for the estimated increases in salary and benefit expenditures associated with new collective bargaining agreements for transit workers;

- An increase of $9.3 million for contracts in the Maryland Department of Labor's (Md Labor) Division of Paid Leave to align with the department's revised contract cost estimates for accounting consultant services and information technology system development;

- An increase of $8.7 million in State transfer tax special funds supporting Maryland Park Service operations due to an increased revenue estimate and overattainment of the fiscal 2026 revenue estimate, which is added to the amount available for distribution through the transfer tax allocation formula in fiscal 2028;

- The fiscal 2028 baseline anticipates $6.0 million in general funds for payments to erroneously confined individuals. Although this amount is a decrease of $3.3 million in total funds compared to fiscal 2027 after accounting for a proposed deficiency appropriation, it is an increase of $1.4 million in general funds, as the fiscal 2027 anticipated deficiency appropriations assume the use of all remaining special funds from the Dedicated Purpose Account provided for this purpose;

- An increase of $3.8 million in special funds in MDOT MTA to reflect the growth in MARC train track access and third-party operator contracts;

- An increase of $3.8 million in general funds to reflect projected increases to the Department of Public Safety and Correctional Services (DPSCS) medical and mental health care contract in correctional and pretrial facilities;

- An increase of $2.8 million in MDOT State Highway Administration to account for an estimated increase in snow removal costs;

- An increase of $1.5 million in general funds to return funding for the Historic Revitalization Tax Credit Small Commercial Project Trust Account to the mandated level of $2.0 million;

- An increase of $1.2 million in general funds for the Office of the Public Defender (OPD), consistent with the second year of OPD's three-year plan to increase the hourly rate of panel attorneys by $5 an hour;

- A net increase of $1.1 million in the Montgomery County Block Grant in DHS. The State provides funding under the block grant to support employee salaries at the level they would if they were State employees. The net increase in total funds is comprised of an increase of $8.5 million in general funds, $0.1 million in special funds, and a decrease of $7.6 million

in federal funds. The variations by fund conform block grant funding by source to historical experience;

- A reduction of $1.0 million for teacher relocation payments in MSDE to provide a total of $1.0 million in fiscal 2028;

- A reduction of $1.3 million in general funds in DPSCS to account for a reduction in capital equipment lease payments from $3.4 million to $2.1 million based on the current payment schedule;

- A reduction of $1.6 million in general funds for MSA for the Baltimore Convention Center. This reflects average costs over the most recent four years;

- A reduction of $2.0 million in general funds appropriated to the Maryland Cannabis Administration for the Cannabis Incubator Project;

- A reduction of $2.5 million in Commerce to remove funding for anticipated debt service to support the Prieto Battery headquarters relocation project, as funds appropriated in fiscal 2027 are expected to be sufficient for fiscal 2028 costs;

- A reduction of $2.6 million in federal funds from American Rescue Plan Act programs in DHCD due to the expiration of funding;

- A reduction of $2.8 million in special funds for local impact aid within MD Labor to align with estimates of video lottery terminal and table game revenues;

- A reduction of $8.0 million in general funds in the Board of Public Works for a one-time grant to the City of Baltimore for the Computer-Aided Dispatch System;

- A reduction of $8.7 million (including $2.2 million in general funds and $6.5 million in special funds) to provide a total of $1.3 million in special funds for the Child Care Capital Revolving Loan Fund in Commerce to reflect anticipated expenditures from the fund balance in fiscal 2027 and no additional capitalization of the fund;

- A reduction of $8.9 million in special funds to the MSA's Maryland Stadium Facilities Fund to support the stadiums at Camden Yards. Appropriations cannot exceed $90 million, and additional issuances are anticipated;

- A reduction of $10.0 million in special funds in MEA to reflect the end of mandated funding for Medium/Heavy Duty Zero Emissions Vehicle grants;

- A reduction of $15.2 million in special funds for the Cannabis Business Assistance Fund to provide a total of $10.7 million in special funds in Commerce to reflect anticipated revenues and expenditures from the fund balance in fiscal 2027. The fiscal 2028 spending estimate also assumes $5.0 million from the fund balance is used to support the Department of Social and Economic Mobility, as authorized by Chapter 6 of 2026.

- A reduction of $15.6 million in special funds for the DNR Chesapeake and Atlantic Coastal Bays 2010 Trust Fund grants in Watershed and Climate Services due to revenue estimates for the motor fuel tax and short-term rental vehicle sales tax supporting the fund.

- A reduction of $17.5 million in special funds from the Electric Universal Service Program ratepayer surcharge in DHS to reflect available funds from the surcharge as the fiscal 2027 budget appropriated a level higher than the statutory level of collections ($37.0 million); and

- A reduction of $70.2 million in special funds for MHBE to reflect the end of the State health insurance subsidy program, which is authorized through calendar 2027. The fiscal 2028 baseline assumes $70.2 million is available for the program for the first half of fiscal 2028, reflecting subsidy payments for the second half of calendar 2027.