
Fiscal Briefing

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Quick Look at Fiscal 2026 Budget

Budget Growth Fiscal 2025-2026 (\$ in Millions)

	<u>2025 Plan</u>	<u>2026 Plan</u>	<u>\$ Change</u>	<u>% Change</u>
All Funds	\$66,552	\$67,343	\$791	1.2%
General Funds	27,309	27,035	-274	-1.0%
Special Funds*	18,990	20,586	1,596	8.4%
Federal Funds	20,253	19,721	-531	-2.6%

*Includes higher education funds.

- The Governor's spending plan leaves a general fund balance of \$106 million at the end of fiscal 2026.
- The Revenue Stabilization Account (Rainy Day Fund) ends fiscal 2026 with a balance of \$2.1 billion (8% of general fund revenues). Combined cash balances at the close of fiscal 2026 of \$2.2 billion equal 8.4% of general fund revenues.
- Ongoing spending in the fiscal 2026 allowance exceeds ongoing revenues by \$186 million, falling short of the Spending Affordability Committee's (SAC) goal of eliminating the projected \$2.5 billion structural deficit.
- General fund spending declines due to cost containment efforts and the fiscal 2025 budget including \$268 million to pay fiscal 2024 costs that could not be absorbed in the fiscal 2024 budget. Proposed Budget Reconciliation and Financing Act (BRFA) reductions that relieve mandates save \$939 million in fiscal 2026.
- Federal spending declines in fiscal 2026 due primarily to lower federal Medicaid claims reflecting fiscal 2025 spending on fiscal 2024 bills. Growth in special fund spending is spurred by a \$543 million increase in the Blueprint for Maryland's Future Fund (Blueprint Fund) spending on education, a \$343 million increase in spending for transportation including a \$90 million increase in support for the State Climate Pollution Reduction Plan, and more than \$160 million of additional higher education spending from own-source revenues (tuition and fees, federal grants and contracts, etc.).
- The Administration's budget plan includes revenue and spending adjustments with a combined general fund impact of \$2.965 billion that are contingent on legislation.

General Fund Impact of Governor's Legislative Proposals
Fiscal 2026
(\$ in Millions)

Fiscal 2026 Closing Balance Before Legislative Action		-\$2.858.7
Revenue Adjustments		\$1,303.5
Personal Income Tax Reform	\$691.5	
Eliminate Revenue Volatility Cap	272.1	
Personal Income Tax – Capital Gains Surcharge	128.0	
Sports Wagering Tax Increases from 15% to 30% (2025 and 2026)	102.9	
SEIF Interest Earnings to General Fund (2025 and 2026)	65.0	
Table Game Tax Increases from 20% to 25% (2025 and 2026)	33.8	
Student Debt Relief Credit (\$9 Million) and Net Other Adjustments (\$1.1 Million)	10.1	
Transfers to General Fund		633.6
Local Income Tax Reserve Fund	230.0	
SEIF Alternative Compliance Payments	150.0	
PAYGO from Dedicated Purpose Account	113.9	
Cybersecurity Funds from Dedicated Purpose Account	63.5	
State Center Moving Funds from Dedicated Purpose Account	20.0	
Maternal and Child Health Population Improvement Fund	10.0	
Other	46.2	
Spending Reductions Contingent on Enactment of Legislation		1,032.4
No Appropriation to the Rainy Day Fund	419.5	
Increase Medicaid Hospital Assessment	138.8	
Reduce State Share of K-12 Teacher Retirement	92.9	
No Allocation of Fiscal 2024 Surplus to Retirement Liabilities	50.0	
Fund CORE Partnership Fund with Bonds	50.0	
No Retirement Reinvestment	43.6	
Shift Nonpublic Placement Costs to Locals	25.0	
Raise Local Government Share of Assessment Costs from 50% to 90%	20.9	
Expand Authorized Uses of Waiting List Equity Fund	15.0	
DDA Self-directed Services	14.5	
Phase-out Supplemental Retirement Grants to Local Governments	13.8	
Expedited IT Projects	13.8	
Victims of Crime Act Mandate	10.8	
Other	123.8	
New Spending Contingent on Enactment of Legislation		-4.8
Cyber Maryland	-3.1	
Education Aid: Guaranteed Tax Base	-1.7	
Fiscal 2026 Governor's Proposed Closing Balance		\$105.9

DDA: Developmental Disabilities Administration

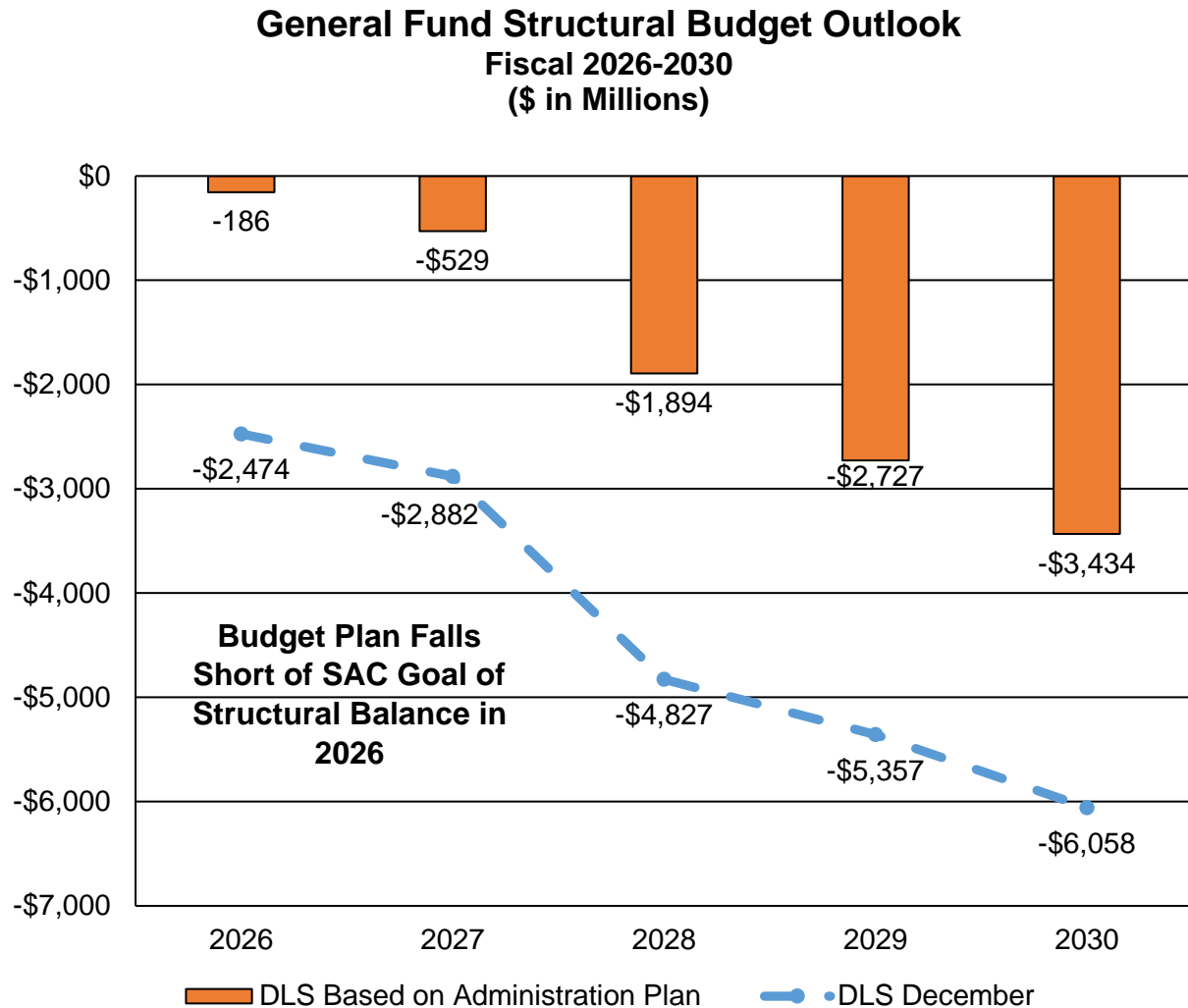
IT: information technology

PAYGO: pay-as-you-go

SEIF: Strategic Energy Investment Fund

Structural Outlook

- The Administration's budget plan reduces the projected structural deficit throughout the forecast period. Despite considerable progress, a significant structural gap remains in the out-years.



DLS: Department of Legislative Services
SAC: Spending Affordability Committee

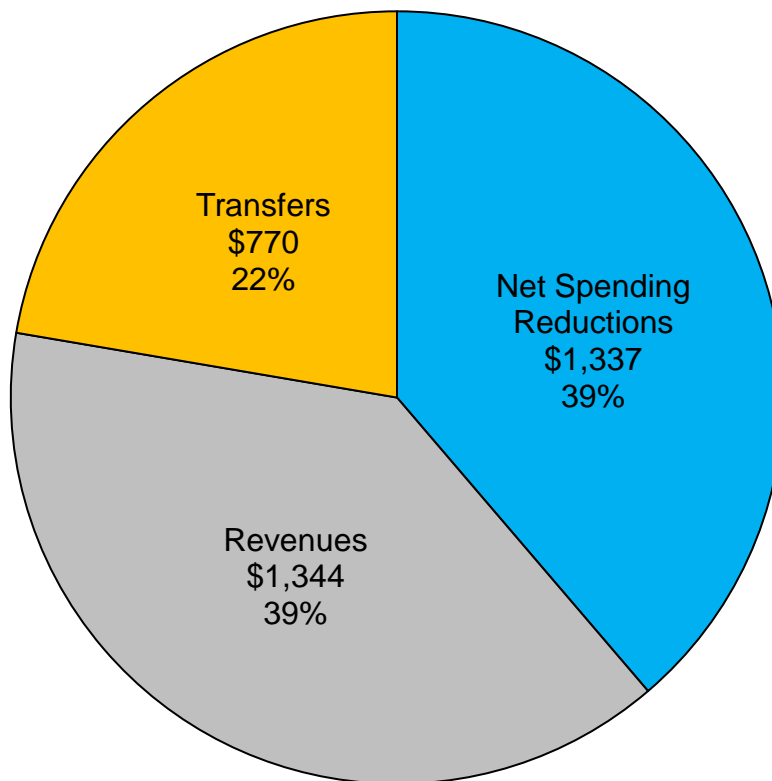
How Did the Governor Eliminate the Projected Cash Deficits for Fiscal 2025 (\$396 Million) and 2026 (\$2.950 Billion)?

- In December 2024, the Department of Legislative Services (DLS) estimated that the State would close fiscal 2025 with a cash shortfall of \$396 million and almost

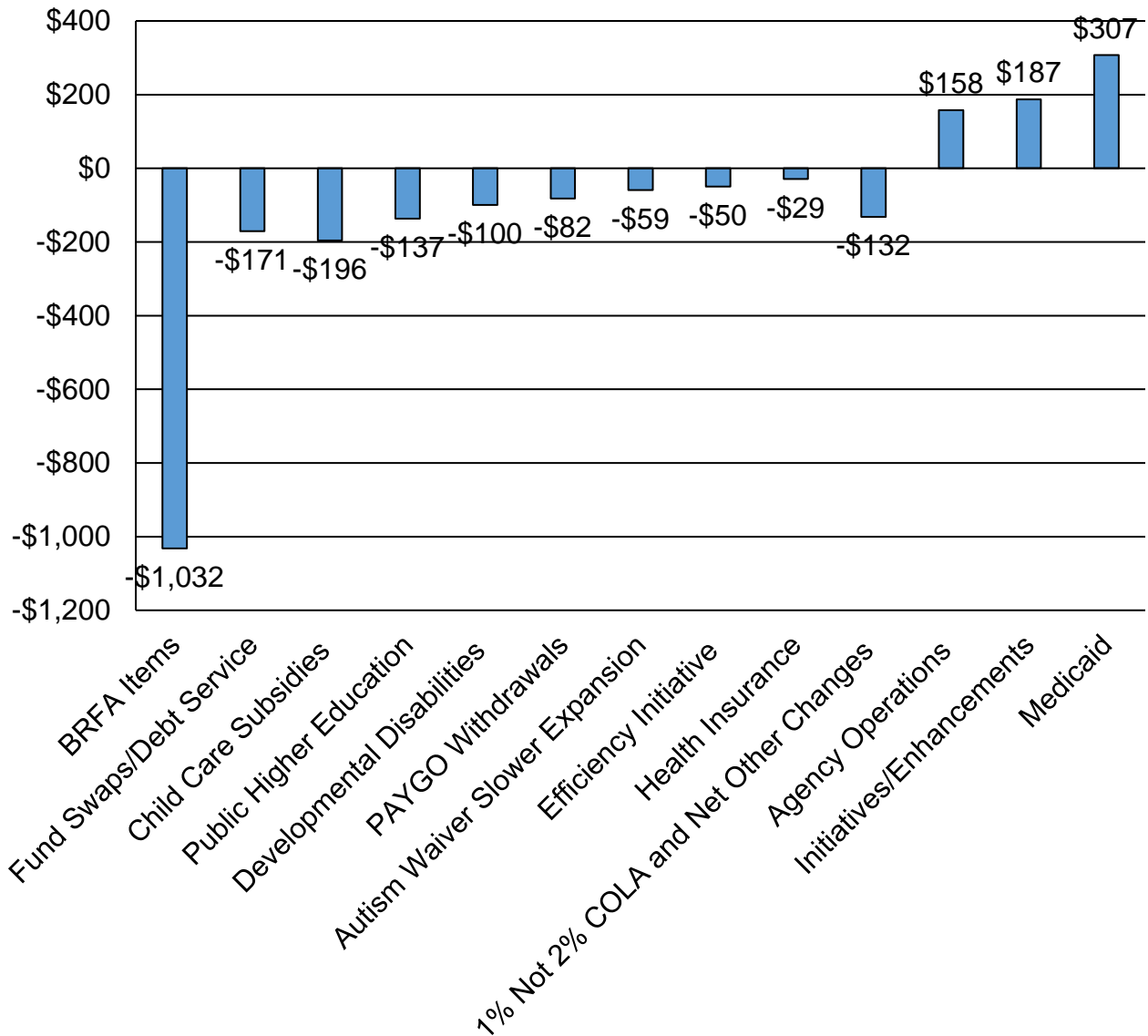
\$3 billion in fiscal 2026 assuming the Rainy Day Fund balance remained at 10% of general fund revenues.

- The Governor's budget plan erases the deficit by reducing spending, proposing revenue enhancements, transferring funds from various balances and accounts to the general fund, and by leaving less in the Rainy Day Fund.

**Governor's Balancing Strategy Erases Projected \$3.4 Billion Deficit
(\$ in Millions)**



What Accounts for the \$1.3 Billion of Spending Reductions? Allowance Compared to DLS December Forecast (\$ in Millions)



BRFA: Budget Reconciliation and Financing Act
COLA: cost-of-living adjustment
DLS: Department of Legislative Services
PAYGO: pay-as-you-go

Budget Includes Enhancements

- The budget plan includes at least \$187 million of funding for enhancements not anticipated in the DLS forecast. More than two-thirds of the funding is directed toward stimulating economic growth, including about \$55 million for capital projects.

Initial Summary of Discretionary Enhancements (\$ in Millions)

<u>Discretionary Enhancements</u>	<u>Amount</u>
Tradepoint Atlantic Container Terminal (PAYGO)	\$30
Sunny Day Fund (business attraction and closing)	25
ENOUGH Act Expansion	23
State Funded Behavioral Health Services for Medicaid Enrollees	19
Capital of Quantum Initiative	17
IonQ Corporate Headquarters (PAYGO)	10
Downtown Frederick Hotel Project (PAYGO)	8
Certified Sites Program	7
Manufacturing 4.0 Program Expansion	6
West North Avenue Grants	5
EARN Program Expansion	5
Cannabis Incubator (PAYGO)	5
Parole and Probation Staff	5
Department of Juvenile Services Enhanced Services Continuum	4
Cyber Maryland	3
Child Care Capital Revolving Loan Fund	2
Johns Hopkins University – Whiting School Design Center (PAYGO)	2
Education Aid – Hold Harmless	2
Biohub Maryland to Help Marylanders Pursue Careers in Life Sciences	2
Regional Navigators for Victims of Sex Trafficking	2
Other	6
Total	\$187

PAYGO: pay-as-you-go

Proposed Income Tax Changes

- Governor Wes Moore is proposing a package of personal income tax modifications that will generate \$820 million of general fund revenue in fiscal 2026.
- Proposed changes to the tax brackets and a new surcharge on capital gains income over \$350,000 are illustrated in the table below.

Changes to Tax Brackets

Single, Dependent Filer, Married Filing Separately

Joint, Head of Household, Widower

Maryland Taxable Income	Current Rate	Proposed Rate	Maryland Taxable Income	Current Rate	Proposed Rate
\$1-\$1,000	2.00%	4.70%	\$1-\$1,000	2.00%	4.70%
\$1,001-\$2,000	3.00%	4.70%	\$1,001-\$2,000	3.00%	4.70%
\$2,001-\$3,000	4.00%	4.70%	\$2,001-\$3,000	4.00%	4.70%
\$3,001-\$100,000	4.75%	4.70%	\$3,001-\$150,000	4.75%	4.70%
\$100,001-\$125,000	5.00%	5.00%	\$150,001-\$175,000	5.00%	5.00%
\$125,001-\$150,000	5.25%	5.25%	\$175,001-\$225,000	5.25%	5.25%
\$150,001-\$250,000	5.50%	5.50%	\$225,001-\$300,000	5.50%	5.50%
\$250,001-\$500,000	5.75%	5.75%	\$300,001-\$600,000	5.75%	5.75%
\$500,001-\$1,000,000	5.75%	6.25%	\$600,001-\$1,200,000	5.75%	6.25%
Excess of \$1 million	5.75%	6.50%	Excess of \$1.2 million	5.75%	6.50%

New 1% Surcharge on Capital Gains Income in Excess of \$350,000 (Sunsets after Four Years)

- Other features of the proposed income tax changes include:
 - increasing the maximum standard deduction to \$5,600/\$11,200 (single filer/joint return), which is indexed to inflation under current law;
 - eliminating the current phase-in of the standard deduction. All households will qualify for the \$5,600/\$11,200 regardless of income;
 - eliminating the option to itemize deductions; and
 - modifying the child tax credit to phase out benefits gradually. Under current law, households lose the \$500 per child benefit once their income exceeds \$15,000.

Impact of Administration's Revenue Proposals

Fiscal 2026 to 2030

(\$ in Millions)

<u>Tax & Fee Proposals</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Personal Income Tax – new rates, standard deduction, and Child Tax Credit changes* (assumes federal Tax Cuts and Jobs Act is extended)	\$692	\$526	\$547	\$569	\$591
Personal Income Tax – capital gains surcharge of 1% for income over \$350K*	128	128	128	128	
Increase Sports Wagering tax rate from 15% to 30%*	95	97	99	100	102
Increase Table Game tax rate from 20% to 25%*	31	32	32	33	33
Corporate Income Tax – combined reporting*			50	173	179
Corporate Income Tax – rate reduction*			-33	-69	-71
Increase cannabis tax rate from 9% to 15%*		90	95	97	98
Eliminate inheritance tax & lower estate tax exemption from \$5 million to \$2 million*	0	0	0	0	0
Retail delivery fee of \$0.75 per order subject to sales tax*	225	225	225	225	225
Limit trade in allowance to purchase of \$15,000 or less*	140	140	140	140	140
Accelerate scheduled increase in vehicle registration fees	50				
Raise the Vehicle Emissions Inspection Program fee from \$14 to \$30 & late fee from \$15 to \$30*	30	30	30	30	30
Increase the Motor Vehicle Administration cost recovery cap to 115% & apply installment fee*	25	25	25	25	25
0.15% Unemployment Insurance administrative fee (\$33 million) offset by Reduction in Unemployment Insurance Taxes*	0	0	0	0	0
Maryland Department of Agriculture fee revenues *	TBD	TBD	TBD	TBD	TBD
Maryland Department of Environment fee revenues*	14	TBD	TBD	TBD	TBD
Total Tax and Fee Revenue Assumed in Budget	\$1,431	\$1,293	\$1,337	\$1,451	\$1,352
<u>Other Revenue Proposals</u>					
Assume Congress extends Tax Cuts and Jobs Act		\$300	\$300	\$300	\$300
Eliminate Revenue Volatility Cap*	\$272	164	55		
Add Compliance Positions for Comptroller	24	44	53	70	88
Assign Strategic Energy Investment Fund Interest to General Fund*	30	20	15	15	15
Freeze Enrollment for the Enterprise Zone Tax Credit*	1	1	1	1	1
No Student Debt Relief Tax Credit*	9				
Cannabis – Social Equity Partnership Grants Fund Swap*	-3	-3	-3	-3	-3
Repeal Driver Education in Public High Schools Grant*	2	2	2	2	2
Repeal State Aided Institution Field Trip fund*	1	1	1	1	1
Reduce Maryland E-Innovation Mandate*	3	3	3	3	3
Total Other Revenue Proposals	\$338	\$532	\$427	\$389	\$407

Black: General Fund
Blue: Blueprint Fund

Green: Transportation Trust Fund
Red: Other Special Funds

*Require Legislation.

Other Key Features

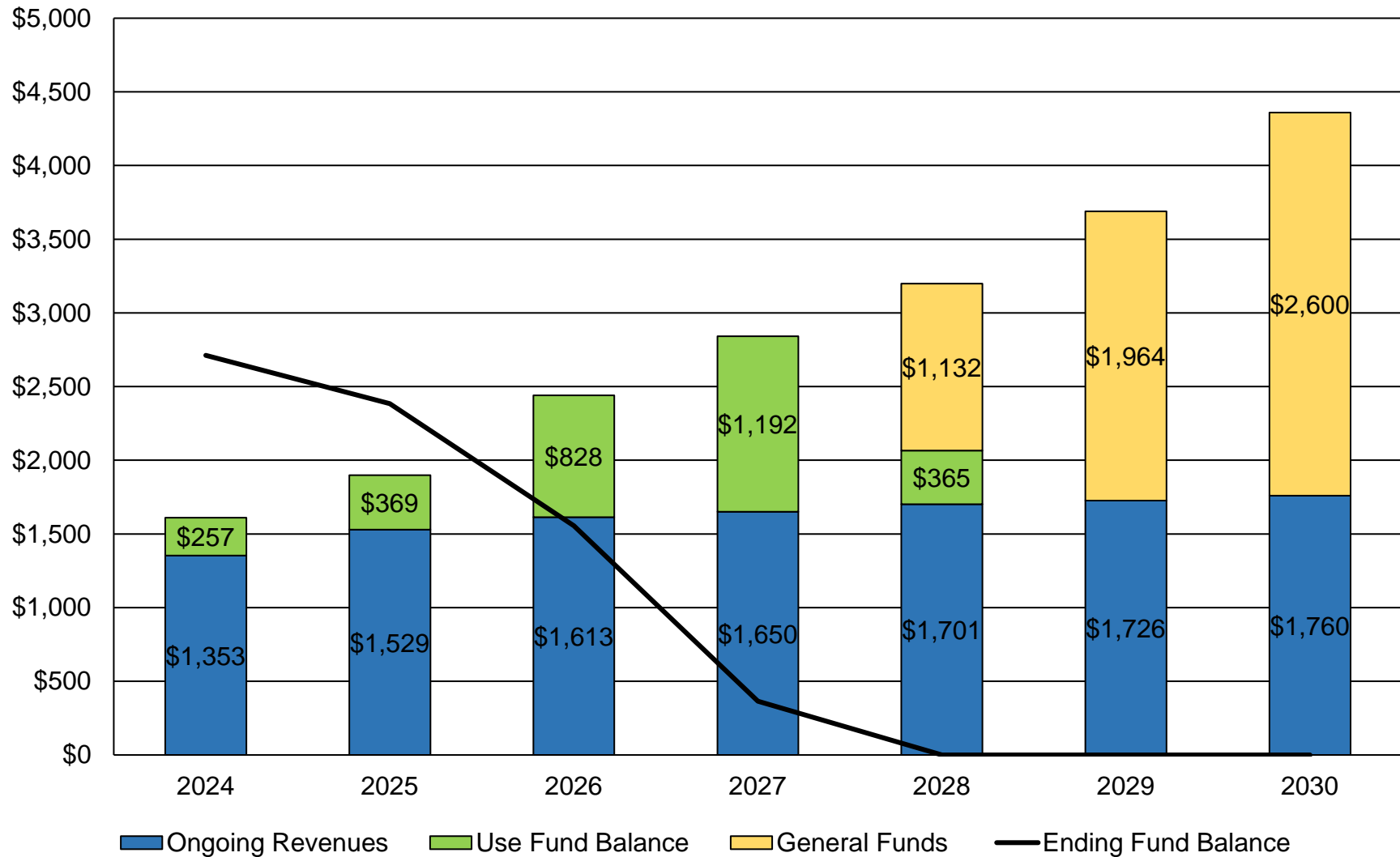
- K-12 education funding increases by \$551 million (6.1%). The allowance includes \$2 million of hold harmless funds for Dorchester County (\$0.1 million) and Garrett County (\$1.8 million).
- The proposed budget improves the health of the Blueprint Fund by:
 - permanently reducing the mandate for the Consortium on Coordinated Community Supports (behavioral health services) from \$130 million to \$40 million;
 - delaying from fiscal 2026 to fiscal 2030 the start of phased-in funding for teacher collaborative time. The funds would allow teachers to gradually reduce classroom time from 80% to 60%. The change saves the Blueprint Fund about \$124 million in fiscal 2026 and growing to about \$500 million by fiscal 2029;
 - assigning revenue from a proposed increase in sports gaming and table game tax rates to the Blueprint Fund beginning in fiscal 2028. The Blueprint Fund will receive more than \$130 million annually;
 - pausing growth in the Concentration of Poverty program for two years beginning with fiscal 2027; and
 - dedicating Blueprint Funds to a number of new programs including \$33.4 million for the Grow Your Own Educators Grant Program (Chapter 227 of 2024), \$19.3 million for the Academic Excellence Fund, and \$9.0 million for Collaborative Time Innovation Demonstration Grants.
- The changes delay the need for general fund support for Blueprint implementation until fiscal 2028 and reduce the amount of general fund support required to \$1.1 billion in fiscal 2028, growing to \$2.6 billion by fiscal 2030.
- Rates for most health care providers, including those serving Medicaid enrollees, the developmentally disabled, and people with behavioral health needs, increase by 1%. However, the budget does include cost containment measures to:
 - save the Developmental Disabilities Administration \$97 million of general funds in the current fiscal year and \$235 million in fiscal 2026; and
 - raise the Medicaid hospital deficit assessment generating \$138.8 million of general fund savings over fiscal 2025 and 2026.

- A \$116.6 million deficiency appropriation is provided to support rising demand for child care subsidies that are expected to benefit 42,000 children. Funding for child care subsidies falls by \$30 million in fiscal 2026, reflecting savings from a proposed enrollment cap.
- Base funding for the University System of Maryland declines by \$105 million (about 4.6%) in fiscal 2026, but funds are provided to cover fiscal 2026 salary enhancements for State employees.
- The allowance includes \$180.5 million of general funds for salary increases including a 1% cost-of-living adjustment and employee increments.
- The budget plan shifts \$144 million of costs to local governments by increasing the local share of the cost of property valuations (\$20.9 million), requiring locals to pay a larger share of teachers' retirement costs (\$97.7 million), and increasing the local contribution for nonpublic placements (\$25.0 million). Local governments will also receive \$124 million less aid than expected to fund teacher collaboration time (but the mandate is also relieved) and \$15 million less than fiscal 2025 for other mandates.
- Relief for the Transportation Trust Fund is provided through the allocation of \$199 million of general obligation (GO) bonds to transportation priorities. The funds support the Washington Metropolitan Area Transit Authority capital needs (\$167.0 million) and the Howard Street tunnel project (\$31.5 million).
- \$180 million, a \$90 million increase over fiscal 2025, from the Strategic Energy Investment Fund is reserved in the Dedicated Purpose Account to fund the State's Climate Pollution Reduction Plan.
- Capital spending from GO bonds is funded at \$1,750 million, the level recommended by SAC. Another \$64.8 million of GO capacity is created through deauthorizations of previously approved projects. GO bonds are supplemented with \$140 million of bond premiums and \$41 million of general fund pay-as-you-go.
- The budget reserves \$50 million for the General Assembly to allocate for capital priorities. Of the \$74 million of legislative preauthorizations from the 2024 session, \$52 million are funded.
- The budget dedicates \$453.5 million of GO bonds and cash to school facility needs which, when coupled with \$329.2 million of Built to Learn revenue bonds and cash, brings the total funding for school facilities to \$782.7 million.

Potential Legislative Issues

- The long-term sustainability of the budget.
 - The Governor's proposal does not meet the SAC goal for structural balance in fiscal 2026. Additional ongoing spending reductions and/or revenue enhancements are necessary to resolve the structural gap.
 - The Governor's budget plan achieves the SAC goal of ongoing revenues covering at least 94% of ongoing costs in fiscal 2028, but projected out-year deficits remain unsustainable, growing from \$529 million in fiscal 2027 to \$3.4 billion in fiscal 2030.
 - Funding implementation of the Blueprint for Maryland's Future remains the predominant out-year budget challenge, accounting for three quarters of the structural shortfall forecast for fiscal 2030.
- Potential federal policy changes create substantial uncertainty. Cuts to federal employment and/or aid to State governments will adversely impact the Maryland economy and budget.
 - About 8% of Maryland taxpayers received a federal W-2 in tax year 2021.
 - The fiscal 2026 budget anticipates more than \$20 billion of federal funds.
- The increased revenue volatility produced by the Governor's BRFA. The proposed income tax changes increase the State's reliance on volatile revenues such as capital gains while suspending the revenue volatility set-aside that mitigates the impact of large swings in capital gains revenue from year to year.
- The Child Victims Act of 2023 allows a survivor of alleged sexual abuse to file a civil lawsuit against the State with no statute of limitations. The State's liability is capped at \$890,000 per occurrence. Approximately 3,500 claims have been identified to date. Given the early stage of these claims, it is difficult to value the State's potential liability under the Act at this time.
 - The State is engaged with plaintiffs' counsel on an alternative dispute resolution process. Since the timing and amount of settlement payments is uncertain, no funds are included in the Governor's budget, and no funds are dedicated in the out-years to settlement payments.
 - Settlement negotiations are advancing rapidly, so the Governor and General Assembly may need to identify funding for settlement payments in fiscal 2025 and 2026 before the end of session.

Estimated Blueprint Costs and Funding Sources Fiscal 2024-2030 (\$ in Millions)



Estimated Effect of Administration's Personal Income Tax Proposals on Example Taxpayers Tax Year 2025

	<u>Filing Status</u>	<u>FAGI</u>	<u>State Income Tax Change</u>	<u>Local Income Tax Change</u>	<u>Total State & Local Income Tax Change Amount</u>	<u>Percent of FAGI</u>
Household 1 (Family of 3)	Head of Household	\$25,000	-\$304	\$0	-\$304	-1.2%
Household 2 (Family of 3)	Head of Household	50,000	-229	-126 to -180	-355 to -409	-0.7% to -0.8%
Household 3 (Family of 4)	Joint	100,000	-248	-126 to -179	-374 to -427	-0.4%
Household 4 (Family of 4)	Joint	300,000	-331	-126 to -179	-457 to -510	-0.2%
Household 5 (Family of 4)	Joint	750,000	3,866	873 to 1,241	4,739 to 5,107	0.6% to 0.7%
Household 6 (Family of 4)	Joint	1,250,000	9,670	1,548 to 2,201	11,218 to 11,871	0.9%

FAGI: federal adjusted gross income

Joint: married filing jointly

Assumptions:

Each household includes two dependent children younger than age 13, one of whom is younger than age 6.

All income for households 1 and 2 is salary and wage income; households 1 and 2 each claim the State and local earned income credits.

Households 1, 2, 3, and 4 elect the standard deduction on the federal income tax return, and households 5 and 6 itemize deductions on the federal return. Households 5 and 6 claim federal itemized deductions totaling \$60,000 and \$90,000, respectively.

Households 5 and 6 each have net capital gain for tax year 2025 totaling \$100,000 and \$250,000, respectively. The full amount of each gain is subject to the proposed 1% surtax.

Maryland Economy – Calendar 2024

<u>Quarter</u>	Total Personal Income		Wage and Salary Income		Gross Domestic Product	
	Nominal (Over 2023)	Inflation Adjusted (Over 2023)	Nominal (Over 2023)	Inflation Adjusted (Over 2023)	Nominal (Over 2023)	Inflation Adjusted (Over 2023)
January-March	6.7%	3.4%	7.7%	4.3%	5.4%	2.1%
April-June	5.6%	2.4%	6.0%	2.8%	5.6%	2.5%
July-September	5.1%	2.4%	4.9%	2.2%	4.8%	2.0%
Jan-Sep: 2024 over 2023	5.8%	2.7%	6.2%	3.1%	5.3%	2.2%
U.S. Growth	5.6%	2.5%	6.0%	2.9%	5.4%	2.9%
Virginia Growth	6.0%	2.9%	7.0%	3.9%	6.4%	3.2%
<i>Jan-Sep: 2024 over 2019</i>	<i>29.2%</i>	<i>5.3%</i>	<i>28.0%</i>	<i>4.4%</i>	<i>29.3%</i>	<i>7.4%</i>
<i>U.S. Growth</i>	<i>34.3%</i>	<i>9.5%</i>	<i>33.2%</i>	<i>8.5%</i>	<i>35.5%</i>	<i>12.6%</i>
<i>Virginia Growth</i>	<i>35.4%</i>	<i>10.4%</i>	<i>34.3%</i>	<i>9.4%</i>	<i>36.0%</i>	<i>13.9%</i>

Note: Total personal income and wage and salary income adjusted for inflation using the U.S. Consumer Price Index.

Source: U.S. Department of Commerce; Bureau of Economic Analysis and U.S. Department of Labor; Bureau of Labor Statistics

Federal Government in Maryland

- There are about 160,000 civilian federal jobs located in Maryland, with about 12,000 in the postal service. Virginia and the District of Columbia each have around 190,000 federal jobs and many Marylanders commute to those jurisdictions. Employment counts do not include classified agencies like the National Security Agency in Maryland and the Central Intelligence Agency in Virginia.
- An analysis of tax year 2021 data by the Comptroller's Office found about 256,000 Marylanders received a federal W-2, representing about 8% of taxpayers. St. Mary's, Charles, and Calvert counties are especially dependent on federal employment.
- Federal jobs account for a higher share of total wage income as they tend to have above average salaries. In the tax year 2021 data, federal wages of \$24 billion accounted for about 12% of total wages reported in federal adjusted gross income for Maryland residents. Federal wages in 2021 roughly equate to about \$1 billion of State income tax and \$715 million of local income tax.
- Federal contract spending is important to the Maryland private sector economy. In federal fiscal year 2023, federal contract obligations for work performed in Maryland totaled \$42 billion which is equal to about 10% of Maryland's private sector gross state product. The Department of Defense accounts for a little less than half of the federal contract spending in Maryland.
- Maryland's fiscal 2026 budget includes about \$20 billion of federal dollars. Medicaid (\$10.3 billion), and the Supplemental Nutrition Assistance Program (\$1.9 billion) are the largest sources of federal support.

General Fund Revenues: Fiscal 2024 (\$ in Millions)

	Fiscal 2023		Fiscal 2024			Fiscal 2023-2024 Percent Change	
	<u>Actual</u>	<u>Estimate</u>	<u>Actual</u>	<u>\$ Diff.</u>	<u>% Diff.</u>	<u>Estimated</u>	<u>Actual</u>
Personal Income Tax	\$13,469	\$13,696	\$13,617	-\$80	-0.6%	1.7%	1.1%
Corporate Income Tax	1,816	1,773	1,904	131	7.4%	-2.3%	4.8%
Sales and Use Tax	6,005	5,910	5,897	-13	-0.2%	-1.6%	-1.8%
State Lottery	655	649	655	6	0.9%	-0.9%	-0.1%
Other	2,527	2,467	2,641	174	7.0%	-2.4%	4.5%
Ongoing General Funds	\$24,473	\$24,496	\$24,713	\$217	0.9%	0.1%	1.0%
GAAP Transfer ⁽¹⁾	\$0	\$150	\$150	\$0			
Transfer to Blueprint Fund ⁽²⁾	-800	0	0	0			
Volatility Adjustment	n.a.	0	n.a.	0			
Total General Funds	\$23,673	\$24,646	\$24,863	\$217	0.9%	4.1%	5.0%

⁽¹⁾ The Comptroller's annual analysis of the local income tax reserve account determined the account was over-funded at the end of fiscal 2023 by \$315.7 million. The Board of Revenue Estimates chose to transfer a little less than half that amount to reduce the over-funding in the account.

⁽²⁾ Chapter 33 of 2022 required a transfer of \$800 million from personal income tax revenues to The Blueprint for Maryland's Future Fund in fiscal 2023 only.

Note: The estimate from March 2024 has been adjusted for actions taken at the 2024 legislative session.

Source: Office of the Comptroller; Board of Revenue Estimates

General Fund Revenue Forecast (\$ in Millions)

	Fiscal 2024	Fiscal 2025 Estimate					Percent Change vs. Fiscal 2024	Fiscal 2026 Estimate					Percent Change vs. Fiscal 2025
	<u>Actual</u>	<u>September</u>	<u>December</u>	<u>\$ Diff.</u>	<u>%Diff.</u>			<u>September</u>	<u>December</u>	<u>\$ Diff.</u>	<u>%Diff.</u>		
Personal Income Tax	\$13,617	\$14,271	\$14,432	\$161	1.1%	6.0%		\$14,861	\$14,861	\$0	0.0%		3.0%
Corporate Income Tax	1,904	1,921	1,945	25	1.3%	2.2%		1,951	1,961	10	0.5%		0.8%
Sales and Use Tax ⁽¹⁾⁽²⁾	5,897	5,979	5,996	17	0.3%	1.7%		6,135	6,135	0	0.0%		2.3%
State Lottery	655	532	523	-9	-1.6%	-20.2%		484	508	24	5.0%		-2.9%
Tobacco Taxes ⁽³⁾	405	401	363	-38	-9.5%	-10.3%		312	293	-19	-6.2%		-19.3%
Other	2,236	1,954	1,992	38	2.0%	-10.9%		1,844	1,868	24	1.3%		-6.3%
Ongoing General Funds	\$24,713	\$25,057	\$25,252	\$194	0.8%	2.2%		\$25,586	\$25,625	\$39	0.2%		1.5%
GAAP Adjustment	150	0	0	0	n.a	n/a		0	0	0	n.a		n.a
Volatility Adjustment ⁽⁴⁾	n.a.	0	0	0	n.a	n/a		-301	-272	29	n.a		n.a
Total General Funds	\$24,863	\$25,057	\$25,252	\$194	0.8%	1.6%		\$25,285	\$25,352	\$68	0.3%		0.4%

⁽¹⁾ Chapter 33 of 2022 changed the sales tax distribution to The Blueprint for Maryland's Future Fund (BMFF) beginning in fiscal 2023 to a percentage of total net receipts after the distribution of the short-term rental vehicle tax. In fiscal 2023 the percentage was 9.2% and rises to 11.0% in fiscal 2024, 11.3% in fiscal 2025 and 11.7% in fiscal 2026.

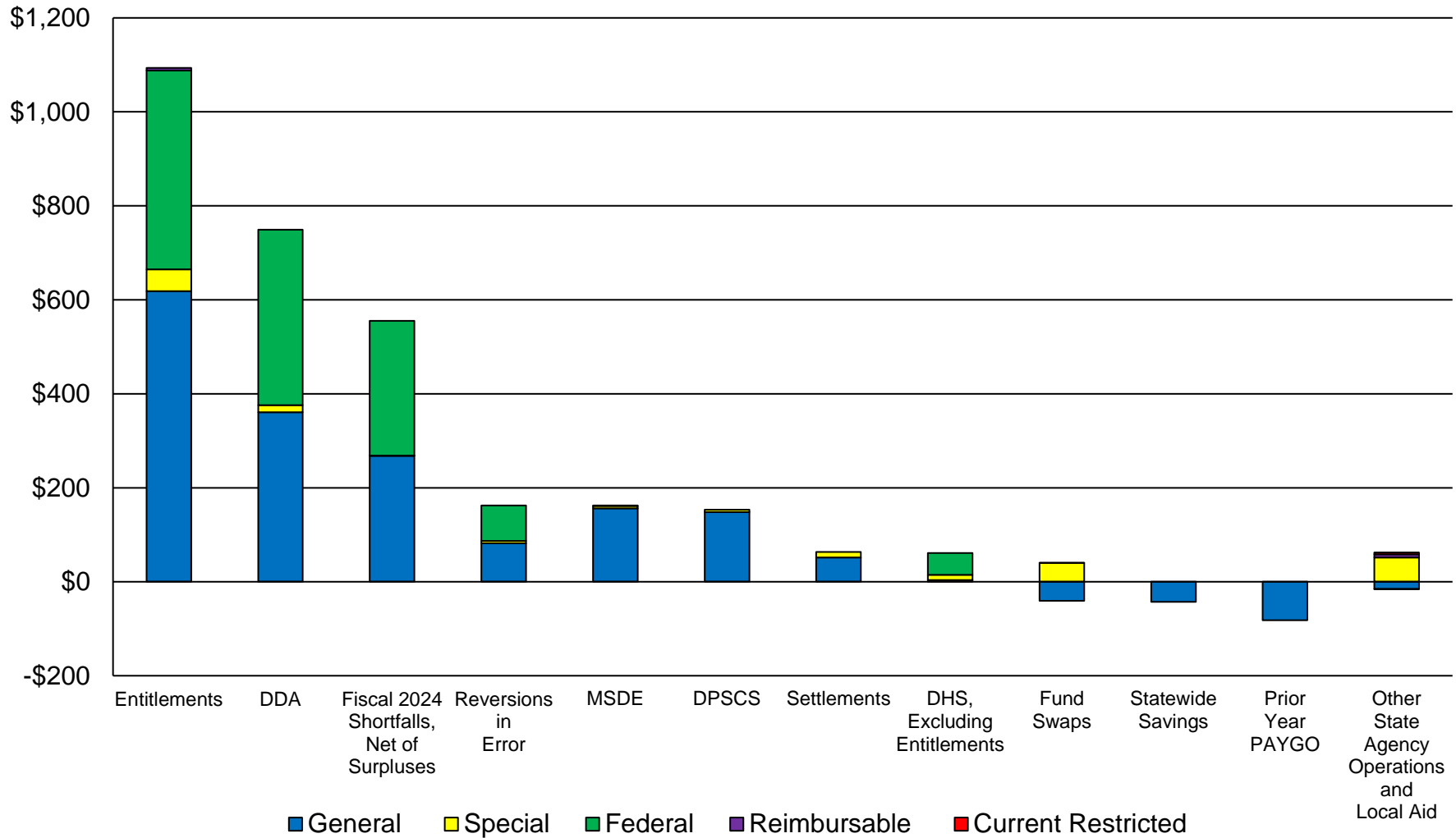
⁽²⁾ Fiscal 2024 includes \$30.5 million from the 9% sales tax imposed on cannabis authorized by Chapters 254 and 255 of 2023. Estimated general fund cannabis sales tax revenues equal \$30.4 million in fiscal 2025 and \$45.9 million in fiscal 2026.

⁽³⁾ The Budget Reconciliation and Financing Act of 2024 (Chapter 717) increased tobacco tax rates and added a new distribution of tobacco revenues to the BMFF. In fiscal 2025, the distribution is \$88.3 million equal to the expected impact of the rate increases. In fiscal 2026, the distribution is equal to 32.6% of tobacco tax revenues.

⁽⁴⁾ Chapters 4 and 550 of 2017 as amended by the Budget Reconciliation and Financing Act of 2018 requires the Board of Revenue Estimates, beginning with fiscal 2020, to calculate an adjustment to the general fund revenue estimate based on the share of revenues from nonwithholding personal income tax payments relative to the historical average. The amount of the adjustment is capped at 2.0% of the total general fund revenue estimate. The Budget Reconciliation and Financing Act of 2024 eliminated the adjustment for fiscal 2025.

Source: Board of Revenue Estimates

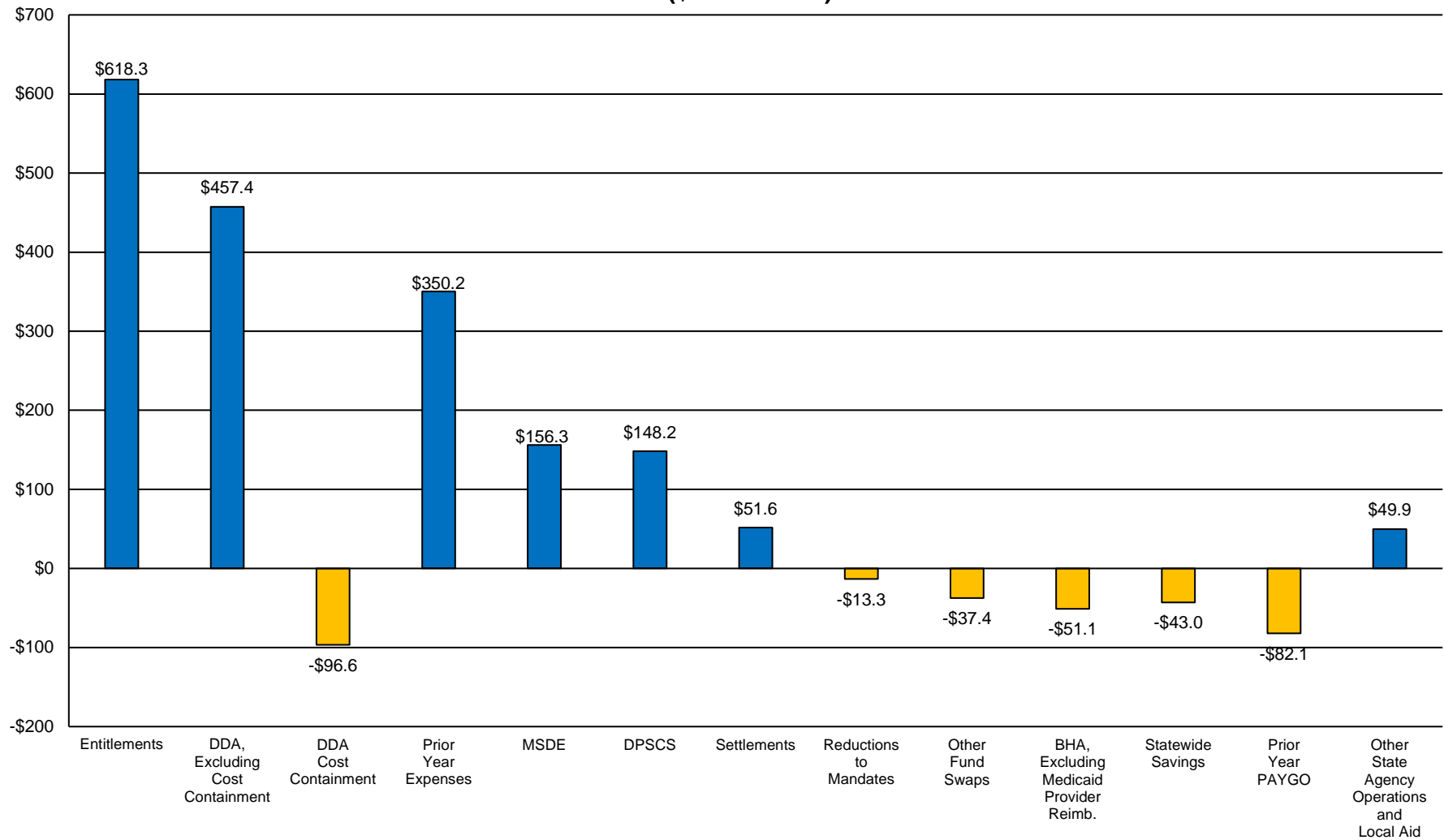
Fiscal 2025 Deficiencies, Net of Planned Reversions, Total \$2.92 Billion (\$ in Millions)



DDA: Developmental Disabilities Administration
DHS: Department of Human Services
DPSCS: Department of Public Safety and Correctional Services

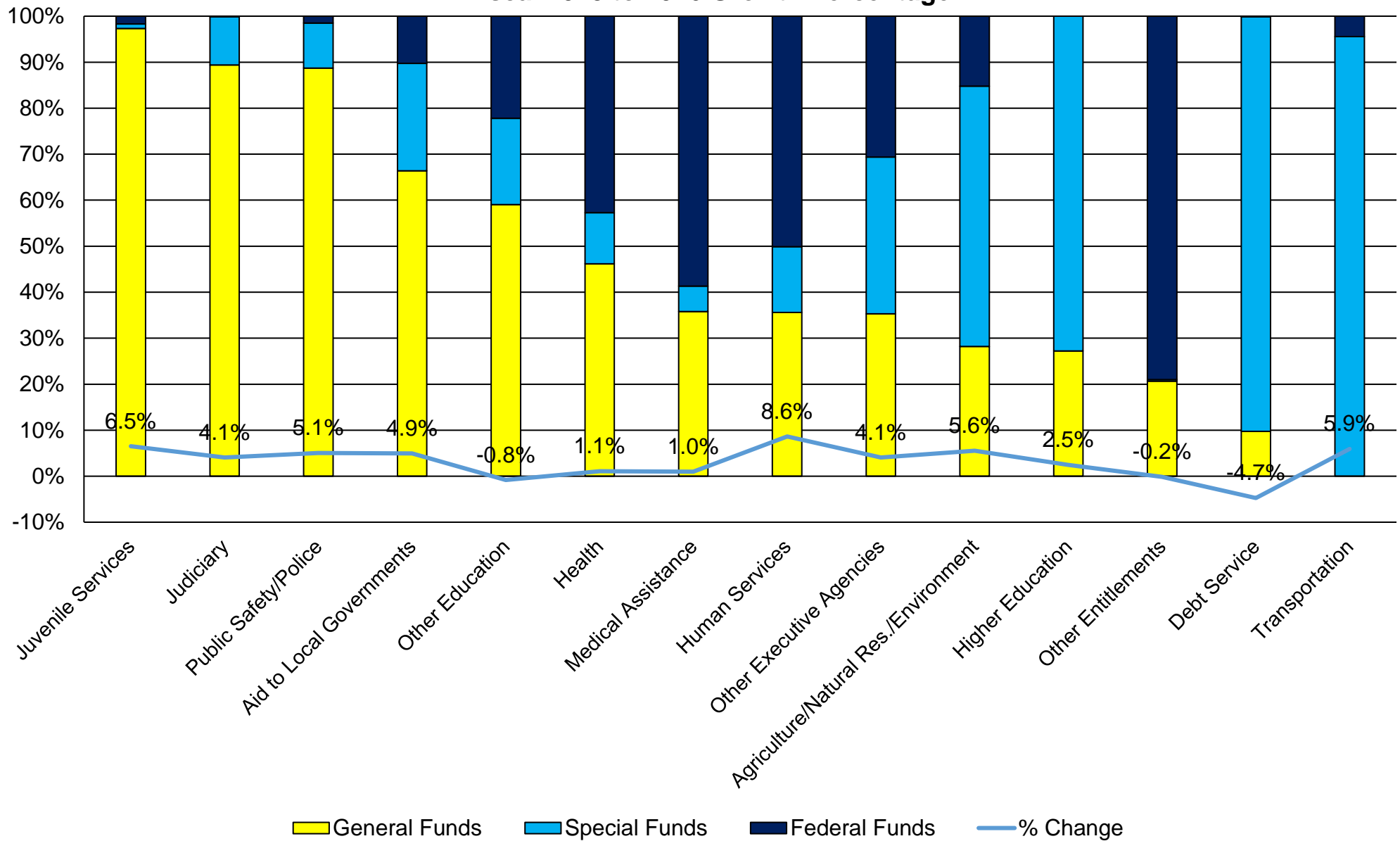
MSDE: Maryland State Department of Education
PAYGO: pay-as-you-go

General Fund Deficiencies, Net of Planned Reversions, Totals \$1.51 Billion (\$ in Millions)



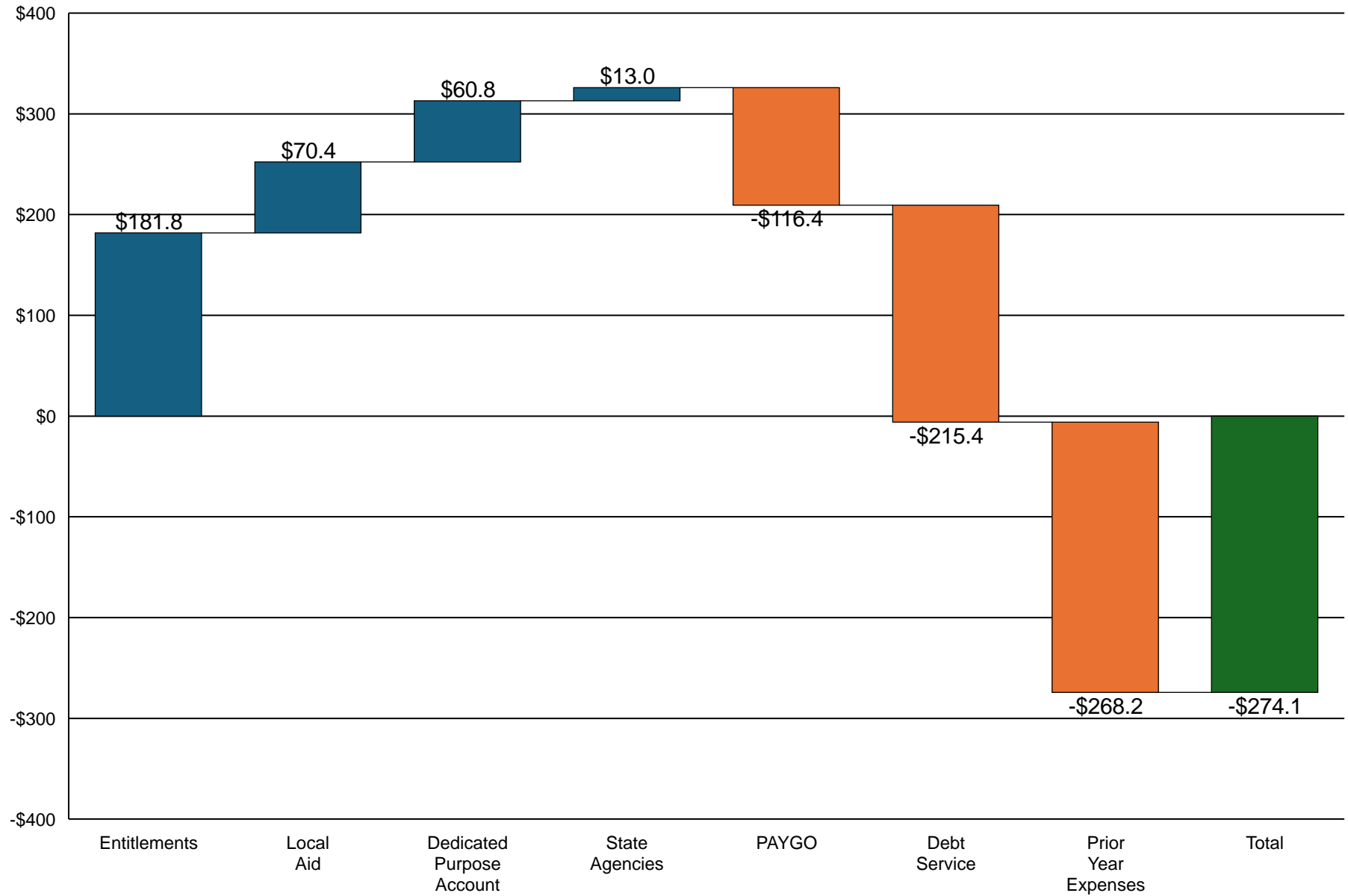
DDA: : Developmental Disabilities Administration
 DPSCS: Department of Public Safety and Correctional Services
 MSDE: Maryland State Department of Education
 PAYGO: pay-as-you-go

Fiscal 2026 Operating Budget by Fund Type and Fiscal 2025 to 2026 Growth Percentage

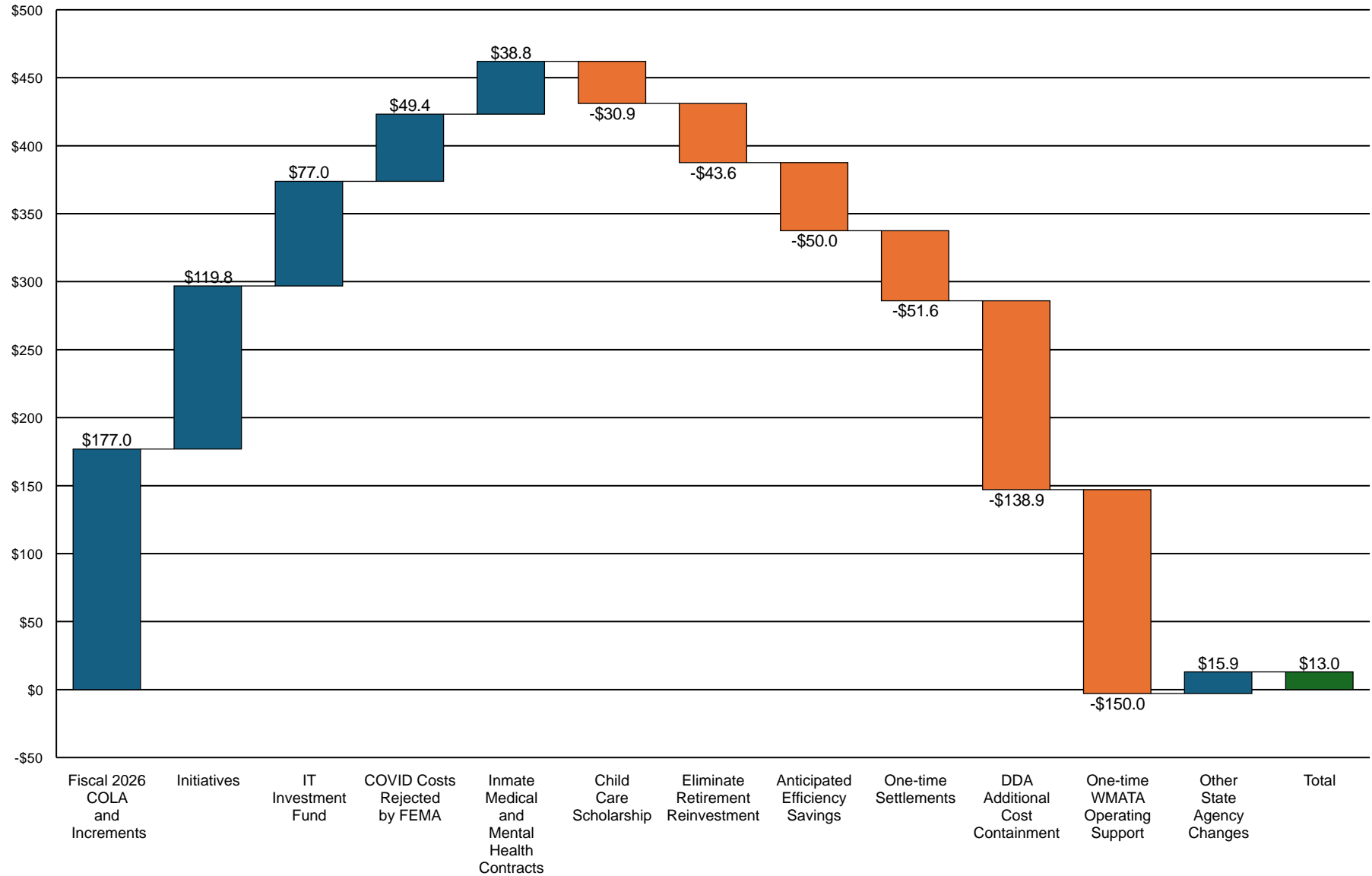


Note: In fiscal 2025, excludes proposed deficiency appropriations related to fiscal 2024 costs. Accounts for deficiency appropriations, targeted reversions, and contingent reductions.

Fiscal 2026 Allowance for General Funds Decreases by \$274 Million, Primarily Due to Prior Year Expenses Paid in Fiscal 2024 (\$ in Millions)



State Agency General Fund Spending Increases by \$13.0 Million in the Fiscal 2026 Allowance, Net of Contingent Reductions (\$ in Millions)



COLA: cost-of-living adjustment

DDA: Developmental Disabilities Administration

FEMA: Federal Emergency Management Agency

IT: information technology

WMATA: Washington Metropolitan Area Transit Authority

Budget Reconciliation and Financing Act

(\$ in Millions)

	<u>2025</u>	<u>2026</u>	<u>GF Totals</u>	<u>SF Totals</u>	<u>FF Totals</u>
General Fund Revenue Actions					
Personal Income Tax Reform – Including increasing the standard deduction, eliminating the standard deduction phase-in, eliminating itemized deductions, changing the Child Tax Credit to phase out, and altering tax brackets to add new brackets for high-income earners and consolidate lower income brackets	\$0.0	\$691.5			
Set the Revenue Volatility Cap to \$0 through fiscal 2029		272.1			
Personal Income Tax – Add a 1% surcharge on capital gain income for four years		128.0			
Increase the tax rate on sports wagering from 15% to 30%	7.5	95.4			
SEIF interest directed to General Fund	35.0	30.0			
Increase the tax rate on table games from 20% to 25%	2.5	31.3			
One-time reduction in Student Debt Relief Tax Credit		9.0			
Reduce the mandate for the Maryland E-Innovation Initiative Program		2.5			
Repeal Driver Education in Public High Schools Grant Program and Fund		2.0			
Freeze enrollment in the Enterprise Zone Tax Credit to phase out program		1.0			
Repeal State-Aided Institution Field Trip Fund		0.6			
MCA – Social Equity Partnership Grants	-2.5	-2.5			
Eliminate the inheritance tax and lower the estate tax exemption for no net impact on revenue	0.0	0.0			
Reduce the corporate income tax rate beginning in tax year 2027 but adopt waters edge combined reporting					
Increase the tax rate on cannabis from 9% to 15% beginning in fiscal 2027					
			\$1,303.5		
MDOT Revenue Actions					
Establish a retail delivery fee – 75 cents on each retail delivery	\$225.0				
Trade in allowance – Limit allowance to vehicle purchases of less than \$15,000	140.0				
Accelerate Vehicle Registration Fee increase by one year	50.0				
VEIP Fee – Increase to \$30	20.0				
MVA Installment Fee	15.0				
MVA Cost Recovery – Increase allowance to 115% of costs	10.0				
VEIP Late Fee – Increase from \$15 to \$30	10.0				
				\$470.0	
Fund Balance Transfers					
Local Income Tax Reserve Fund	\$230.0				

	<u>2025</u>	<u>2026</u>	<u>GF Totals</u>	<u>SF Totals</u>	<u>FF Totals</u>
MEA – SEIF Alternative Compliance Payments	150.0				
DPA – PAYGO funds	113.9				
DPA – Cybersecurity funds	63.5				
DPA – State Center Move funding	20.0				
MDH – Maternal and Child Health Population Improvement Fund		10.0			
MDEM – Resilient Maryland Revolving Loan Fund	9.0				
DPSCS – Police Training and Standards Commission Fund	7.0				
DPA – End the Wait Funding	6.0				
Commerce – Innovation Investment Tax Credit	6.0				
OAG – Securities Registration Act Fund	5.0				
GOCPP – Violence and Intervention Prevention Program Fund	4.9				
Commerce – More Jobs for Marylanders Tax Credit Fund	4.3				
GOCPP – Sexual Assault Kit Testing Fund	4.0				
			\$633.6		
Contingent General Fund Reductions and Planned Reversions					
Reserve Fund – Eliminate the required appropriation to the Rainy Day Fund in fiscal 2026 only		\$419.5			
*MDH – Increase the Medicaid Hospital Deficit Assessment	\$46.3	92.5			
MSDE – Alters the local share of teacher retirement costs		92.9			
DHCD – Allow mandated funding for the Continuing the CORE Partnership Fund to be met with general obligation bonds		50.0			
DBM – Eliminate the mandate for Retirement Reinvestment		43.6			
Reserve Fund – Eliminate the OPEB sweeper in fiscal 2026 only		25.0			
Reserve Fund – Eliminate the pension sweeper in fiscal 2026 only		25.0			
MSDE – Altering the mandate for the State share of the Nonpublic Placement program		25.0			
*SDAT – Alter the cost share of SDAT operations with local jurisdictions from 50/50 to 90/10		20.9			
*MDH – Remove the requirement that Waiting List Equity Funds not be used to supplant funds for emergency community placements and transitioning students, allowing for a broader use of the funds	15.0				
MDH – Modifies the Self-Directed Services program in DDA		14.5			
DoIT – Eliminate the mandate for Expedited Projects		13.8			
Payments to Civil Divisions – Phase out Supplemental Retirement Grants to local jurisdictions that help offset the impact of sharing teachers’ retirement costs over two years		13.8			

	<u>2025</u>	<u>2026</u>	<u>GF Totals</u>	<u>SF Totals</u>	<u>FF Totals</u>
*DNR – Allow up to \$10.5 million per year from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be used for operating expenses of the department	2.6	10.5			
*MDE – Allow Strategic Energy Investment Funds to be used for general expenses of the Air and Radiation Administration	6.6	6.1			
*DSP – Expands the use of MEMSOF for general operations in the Aviation Program in fiscal 2025 and 2026 only	5.5	5.5			
GOCPP – Reduce the mandated funding for the Victims of Crime Act to \$35 million		10.8			
MDH – Eliminate the Low Intensity Support Services Program in DDA	2.8	5.5			
MHEC – Reduce the mandate for the Police Officer and Probation Agent Loan Assistance Repayment Program to \$200,000	3.7	4.8			
MHEC – Reduce the mandate for the Police Officer and Probation Agent Scholarship Program to \$200,000	3.7	4.5			
SDAT – Freeze participation in the Enterprise Zone Tax Credit program to new properties starting July 1, 2025		7.2			
DSCI – Reduce the target participation in the Young Adult Service Pathway program by 250 participants in fiscal 2026 and reduce the mandate for the Maryland Service Year Pathway by \$2.0 million		6.8			
^SRA - Eliminate the administrative fee		5.7			
*MCA - Allow the Cannabis Regulation and Enforcement Fund to be used to fulfill the mandate for the Social Equity Partnership Grant Program		5.0			
MSDE - Alter the mandate for Safe Schools Grant to be a mandate to the program rather than the Fund		5.0			
MHEC – Alter the State's share of retirement costs for Community Colleges		4.8			
*MDH – Allow for special fund balance for various health occupation boards to be used to support behavioral health services		4.0			
MDA – Reduce the mandate for tree planting on agricultural land to \$500,000 beginning in fiscal 2025	2.0	2.0			
BCCC – Reset the Hold Harmless Level by setting the amount of funds to be provided in fiscal 2026		3.6			
MDH – Eliminate the one-time mandate for the 9-8-8 Crisis Hotline due to the availability of special funds	3.0				
*OAG – Allow funds from the Securities Registration Act Fund to be used for general agency operations	1.7	1.7			
MDOA – Reduce the mandate for the Long-Term Care and Dementia Care Navigation Program		1.2			

	<u>2025</u>	<u>2026</u>	<u>GF Totals</u>	<u>SF Totals</u>	<u>FF Totals</u>
MDH – Eliminate the mandate for the Maryland Patient Safety Center Fund		1.0			
*Office of Correctional Ombudsman – Allow the Performance Incentive Grant Fund to be used for agency operations		1.0			
GOCPP – Reduce mandate for Warrants and Absconding grants		1.0			
MPBC – Eliminate mandate		0.8			
MD Labor – Reduce the mandate for the Career Pathways for Healthcare Workers program	0.3	0.5			
*MDE – Increase wetlands and waterways fees and mineral, oil, and gas fees		0.7			
MD Labor – Reduce the mandate for the Law Enforcement Cadet program to \$200,000	0.6				
MDA – Eliminate the mandate for the Watermen's Microloan Program		0.5			
SMCM – Eliminate the formula		0.4			
*OAG – Require the Governor to meet the mandate for the Consumer Protection Division with special funds instead of general funds		0.4			
MD Labor – Reduce the mandate for the Maryland New Start program to \$50,000	0.2	0.2			
DNR – Eliminate the mandate for the Maryland Forestry Education Program		0.3			
MDA and UMCP – Eliminate the mandate for the Maryland Native Plants Program		0.3			
MD Labor – Eliminate the mandate for Montgomery County and Prince George's County Rent Court		0.2			
Commerce – Eliminate the mandate for the Maryland State Arts Council		0.1			
^TEDCO – Transfer the Cyber Maryland Program to MD Labor		0.1			
MD Labor – Reduce the mandate for the Construction Education and Innovation Fund		0.1			
			\$1,032.4		
Contingent Special Fund Reductions					
^MSDE – Delay the implementation of the Collaborative Time per Pupil amount		\$124.1			
MDH – Reduce the mandated funding from the Blueprint for Maryland's Future Fund for the Consortium on Community Supports to level fund at the fiscal 2025 level		90.0			
MDH – Eliminate the mandate for Statewide Academic Health Center Cancer Research Grants		13.0			
DSCI – Reduce the target participation in the Young Adult Service Pathway program by 250 participants in fiscal 2026 and reduce the mandate for the Maryland Service Year Pathway by \$2.0 million		5.3			
DBM – Eliminate the mandate for Retirement Reinvestment		3.5			
MSDE – Eliminate the mandate for the Driver Education in Public High School Grants Program and Fund		2.0			
MSDE – Eliminate the mandate for the State-Aided Institutions Field Trip Fund		0.6			

	<u>2025</u>	<u>2026</u>	<u>GF Totals</u>	<u>SF Totals</u>	<u>FF Totals</u>
MDA – Reduce the mandated funding from the Cigarette Restitution Fund for the Tri-County Council for Southern Maryland to \$750,000		0.3		\$238.7	
Contingent Federal Fund Reductions					
MDH – Modifies the Self-Directed Services program in DDA		\$14.5			
MDH – Eliminate the Low Intensity Support Services Program in the Developmental Disabilities Administration	\$2.8	5.5			
DBM – Eliminate the mandate for Retirement Reinvestment		1.9			\$24.7
Contingent General Fund Appropriations					
^MD Labor – Transfers the Cyber Maryland program from TEDCO, increases overall funding for the program		\$3.1			
MSDE – Delay the implementation of the Collaborative Time per Pupil amount, which has a net impact of increasing the Guaranteed Tax Base program		1.7			
			\$3.1		
Contingent Special Fund Appropriations					
MDOT – Increases in Transportation Revenue		\$206.1			
MDH – Increase the Medicaid Hospital Deficit Assessment	\$50.0	100.0			
DNR – Authorize the use of Program Open Space State fund balance to be used for the Maryland Park Service in fiscal 2026 only		16.4			
MDE – Increase and establish various fees		13.9			
DNR – Realign Program Open Space State Land Acquisition Balance to Support Operating Costs (includes 2 regular positions) under Certain Circumstances		0.2			
DNR – Allow an additional \$100,000 from the Waterway Improvement Fund to support marine operations of the Natural Resources Police		0.1			
				\$386.8	
Contingent Federal Fund Appropriation					
MDOT – Increases in Transportation Revenue		\$105.7			\$105.7
Contingent Special Fund Additions					
^MDOT – Provides additional funding for WMATA PAYGO contingent on funds being provided in the Capital Budget Bill		125.0			
				\$125.0	

Other Provisions

- Alters licensing processes, permit and other fees and establishes and alters administrative penalties for the Maryland Horse Industry Board, beekeepers, seedsman, and weights and measures registration
- Authorizes for fiscal 2026 only \$340,000 of POS for the Maryland Heritage Authority Financing Fund to be used for operating expenses in MDP
- Establishes a Maryland Primary Care Program special fund
- Establishes a 0.15% administrative fee for Unemployment Insurance to be used for administrative expenses of the program, the fee is deducted from the otherwise required contribution rate for no net impact on employers
- Increases contingency fee caps for the Maryland Environmental Service
- Removes certain requirements related to inclusion of operating expenses into the Transportation Trust Fund forecast
- Increases the cap on outstanding bonds in MDOT and expands the uses of bonds secured by pledged federal fund aid to include major rehabilitation of the existing light rail system
- Delays the prohibition on MTA purchasing non zero-emission buses from 2027 to 2032 and allows bonds backed by federal aid to be used for these purchases
- Increases the allowable cost recovery of MVA in fee setting
- Requires the difference in initial and final tax credits issued under the More Jobs for Marylanders program in any year to revert to the General Fund
- Removes the requirement that MDH apply for federal grants related to certified community behavioral health clinics in fiscal 2025 and 2026
- Authorizes MDH to move funds between programs through budget amendments in fiscal 2025 and 2026 notwithstanding language limiting flexibility contained in the budget bill

* Denotes items has an associated contingent special fund appropriation to complete the fund swap.

^ Denotes items contingent on legislation other than the Budget Reconciliation and Financing Act.

BCCC: Baltimore City Community College
 Commerce: Department of Commerce
 DBM: Department of Budget and Management
 DDA: Developmental Disabilities Administration
 DPA: Dedicated Purpose Account

MDOT: Maryland Department of Transportation
 MDP: Maryland Department of Planning
 MEA: Maryland Energy Administration
 MHEC: Maryland Higher Education Commission
 MPBC: Maryland Public Broadcasting Commission

DHCD: Department of Housing and Community Development
DNR: Department of Natural Resources
DoIT: Department of Information Technology
DPSCS: Department of Public Safety and Correctional Services
DSCI: Department of Service and Civic Innovation
DSP: Department of State Police
GOCPP: Governor's Office of Crime Prevention and Policy
MCA: Maryland Cannabis Administration
MDA: Maryland Department of Agriculture
MDE: Maryland Department of the Environment
MDEM: Maryland Department of Emergency Management
MDH: Maryland Department of Health
Md Labor: Maryland Department of Labor
MDOA: Maryland Department of Aging

MSDE: Maryland State Department of Education
MTA: Maryland Transit Administration
MVA: Motor Vehicle Administration
OAG: Office of the Attorney General
OPEB: Other Postemployment Benefits
PAYGO: pay-as-you-go
POS: Program Open Space
SEIF: Strategic Energy Investment Fund
SDAT: State Department of Assessments and Taxation
SMCM: St. Mary's College of Maryland
SRA: State Retirement Agency
TEDCO: Maryland Technology Development Corporation
VEIP: Vehicle Emissions Inspection Program
UMCP: University of Maryland, College Park Campus
WMATA: Washington Metropolitan Area Transit Authority

Analysis of Executive Branch Vacancies and Turnover Rate
Fiscal 2026 Allowance Compared to January 2025 Vacancies

<u>Department/Service Area*</u>	<u>Positions**</u>	<u>Budgeted Turnover Rate</u>	<u>Vacancies To Meet Turnover</u>	<u>January Vacancies**</u>	<u>Vacancies Above Turnover</u>	<u>Actual Vacancy Rate</u>
Public Safety, Health, and Human Services						
Public Safety and Correctional Services	9,229	12.0%	1,108	1,057	-51	11.5%
Health	7,346	9.2%	677	1,110	433	15.1%
Human Services	5,979	6.3%	379	483	104	8.1%
Police and Fire Marshal	2,593	9.9%	256	294	37	11.3%
Juvenile Services	2,146	7.6%	164	239	75	11.1%
Subtotal	27,293	9.5%	2,584	3,182	598	11.7%
Transportation	9,403	5.0%	470	637	167	6.8%
Other Executive						
Legal (Excluding Judiciary)	1,807	5.6%	102	161	59	8.9%
Executive and Administrative Control	2,200	4.6%	102	227	125	10.3%
Financial and Revenue Administration	2,455	6.1%	150	178	28	7.3%
Budget and Management and DoIT	584	5.3%	31	66	35	11.3%
Retirement	207	5.5%	11	23	12	11.1%
General Services	732	5.0%	37	81	44	11.0%
Service and Civic Innovation	77	9.5%	7	23	16	30.3%
Natural Resources	1,555	4.8%	74	188	114	12.1%
Agriculture	441	4.6%	20	49	28	11.0%
Labor	1,969	8.3%	164	181	17	9.2%
MSDE and Other Education	2,074	5.5%	114	133	19	6.4%
Housing and Community Development	447	5.7%	26	26	1	5.9%
Commerce	212	5.7%	12	23	11	10.8%
Environment	1,034	7.7%	79	118	39	11.4%
Subtotal	15,792	5.8%	929	1,476	547	9.3%
Executive Branch	52,487.85	7.5%	3,984	5,295	1,311	10.1%

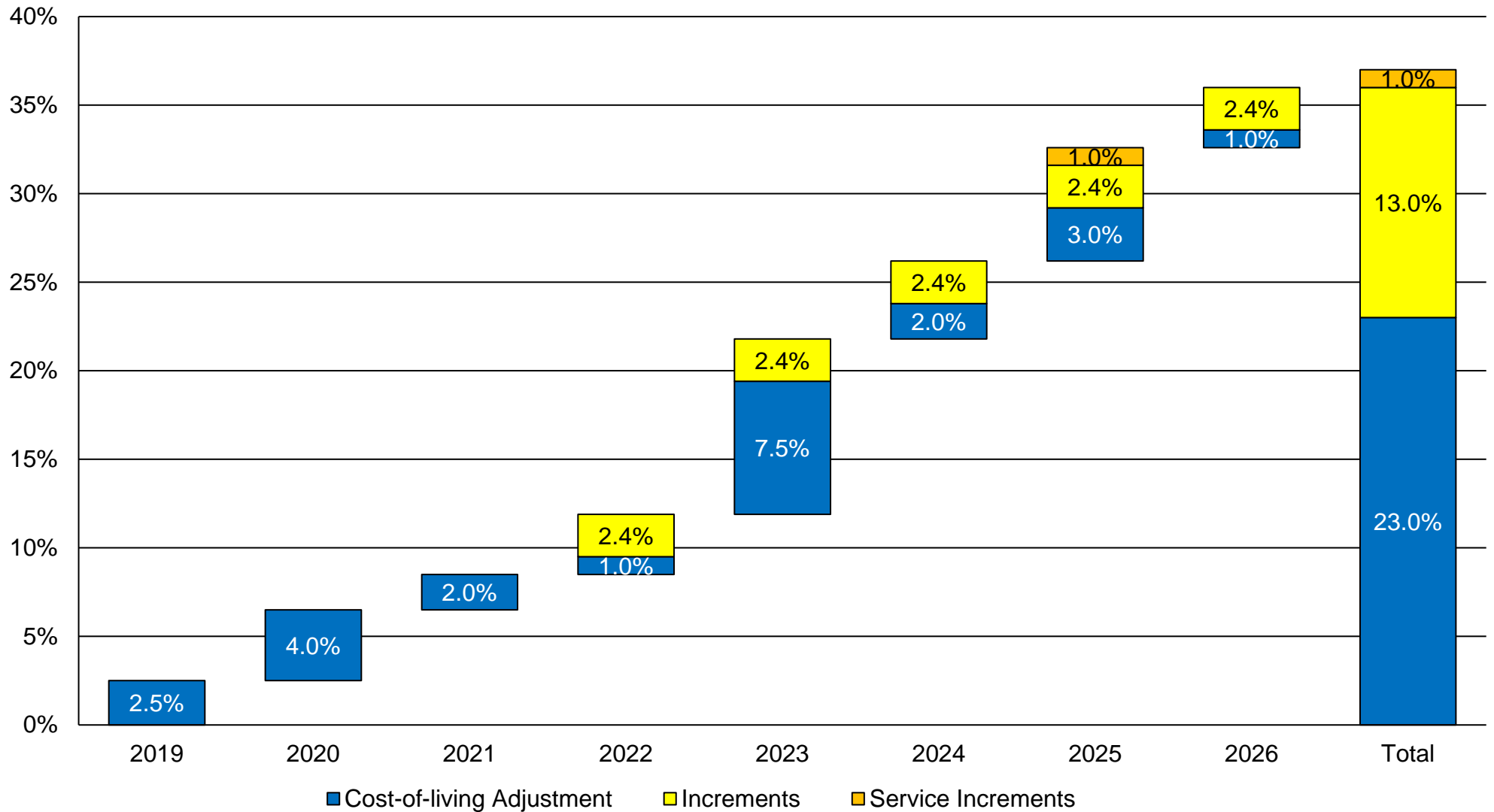
DoIT: Department of Information Technology
MSDE: Maryland State Department of Education

*Excludes Higher Education.

** Assumes 25% vacancy rate for newly created positions that are not contractual conversions.

Source: Department of Budget and Management; Department of Legislative Services

Salary Increases Fiscal 2019-2026



Note: Funding was provided in fiscal 2024 for an additional step increase for employees represented by the American Federation of State, County, and Municipal Employees. Fiscal 2025 includes funding for an additional step increase in January 2025 for employees who have been in service since June 30, 2019.

Change in Authorized Positions Since Fiscal 2025

<u>Department</u>	<u>Start of Fiscal 2025</u>	<u>Fiscal 2026 Allowance</u>	<u>Change from Fiscal 2025 Legislative Appropriation</u>
Transportation	9,193.5	9,402.5	209.0
Financial and Revenue Administration	2,322.5	2,454.5	132.0
Executive and Administrative Control	2,074.5	2,199.5	125.0
Labor	1,843.6	1,968.6	125.0
Legal (Excluding Judiciary)	1,717.0	1,807.0	90.0
Natural Resources	1,501.0	1,555.0	54.0
Environment	981.0	1,034.0	53.0
Service and Civic Innovation	39.0	77.0	38.0
MSDE and Other Education	2,036.4	2,074.4	38.0
Budget and Management and Information Technology	558.0	584.0	26.0
Other	29,264.6	29,331.4	66.8
Total	51,531.1	52,487.9	956.8

- Across all agencies, there are a total of 389 contractual conversions. Agencies with the most conversions were the Comptroller of Maryland (68), the Department of Natural Resources (52), and the Maryland Department of the Environment (50).
- 92 new positions are added in the Maryland Transit Administration to improve transit reliability.
- 78 new positions are added in the Maryland Transit Administration Police for patrolling the Purple Line.
- 125 new positions are added in the Maryland Department of Labor, Division of Unemployment Insurance.
- 26 new positions are added in the Department of Service and Civic Innovation.

MSDE: Maryland State Department of Education

State Retirement and Pension System

Employer Pension Contributions

Fiscal 2025-2026

(\$ in Millions)

<u>Plan</u>	<u>2025 Working</u>	<u>2026 Allowance</u>	<u>Change</u>	<u>% Change</u>
Teachers' Combined – State Share	\$992.4	\$1,192.7	\$200.3	20.2%
Employees' Combined	943.0	1,033.3	90.3	9.6%
State Police	152.8	183.9	31.1	20.4%
Law Enforcement Officers	52.0	59.0	7.0	13.5%
Judges	31.3	36.1	4.8	15.3%
Repeal Pension Reinvestment Mandate	50.0	0.0	-50.0	-100.0%
Reduce State Share of Teachers' Combined Plans		-97.7	-97.7	
	\$2,221.5	\$2,407.3	\$185.8	8.4%

Note: Totals for Teachers' Combined – State Share include State contributions for employees of local school boards, community colleges, and libraries. They do not include State contributions to the Optional Retirement Program for higher education faculty and staff.

Source: Department of Budget and Management; Department of Legislative Services

- The fiscal 2025 supplemental retirement contribution is budgeted in the Department of Budget and Management's Statewide Program. The Budget Reconciliation and Financing Act (BRFA) of 2025 proposes to eliminate the mandated appropriation for fiscal 2026 and future years. The BRFA reduces the State share of retirement contributions for teachers and community college instructors, shifting \$97.7 million in cost to the locals. The BRFA of 2025 also proposes to eliminate the \$25 million mandated appropriation to the accumulation funds of the State Retirement and Pension System for fiscal 2026.
- Multiple factors contribute to the large increase in State pension contributions:
 - **Actuarial assumptions** for total inflation and wage inflation were each increased by the Board of Trustees of the State Retirement and Pension System by 25 basis points, to 2.50% and 3.00%, respectively.
 - Even with the higher wage growth assumption, actual **payroll growth** (8.8% overall) exceeded the assumption.

- Although **investment returns** for the year ending June 30, 2024, (6.93%) exceeded the actuarial assumption of 6.8%, the “smoothed” actuarial rate of return (5.56%) used to calculate the contribution rate was below the assumed rate of return. This adds to State costs but not local school districts’ costs since the State funds all investment losses.
- **Cost-of-living adjustments for retirees** increased more than assumed due to persistent high rates of inflation, although substantially less than last year.
- Investment underperformance relative to the 6.8% assumed rate of return is due to a combination of underlying weakness in global financial markets and the system’s conservative asset allocation. The system’s investment program has outperformed its policy benchmark in each of the past four years. For fiscal 2024, the system’s 6.93% return exceeded the benchmark of 6.34% by 59 basis points. However, the annual return was among the lowest for large public pension plans due to the conservative asset allocation.
- The State Retirement and Pension System has more than \$2.4 billion in unrecognized actuarial losses that, barring strong investment performance in the next two years, will continue to put upward pressure on employer contribution rates, particularly in fiscal 2028.

State Aid by Governmental Entity
Amount and Percent of Total
(\$ in Millions)

	<u>FY 2026 State Aid Amount</u>	<u>Percent of Total</u>
Public Schools	\$9,648.9	84.7%
Libraries	100.5	0.9%
Community Colleges	500.1	4.4%
Local Health	117.0	1.0%
County/Municipal	1,024.4	9.0%
Total	\$11,391.0	100.0%

Change in State Aid
(\$ in Millions)

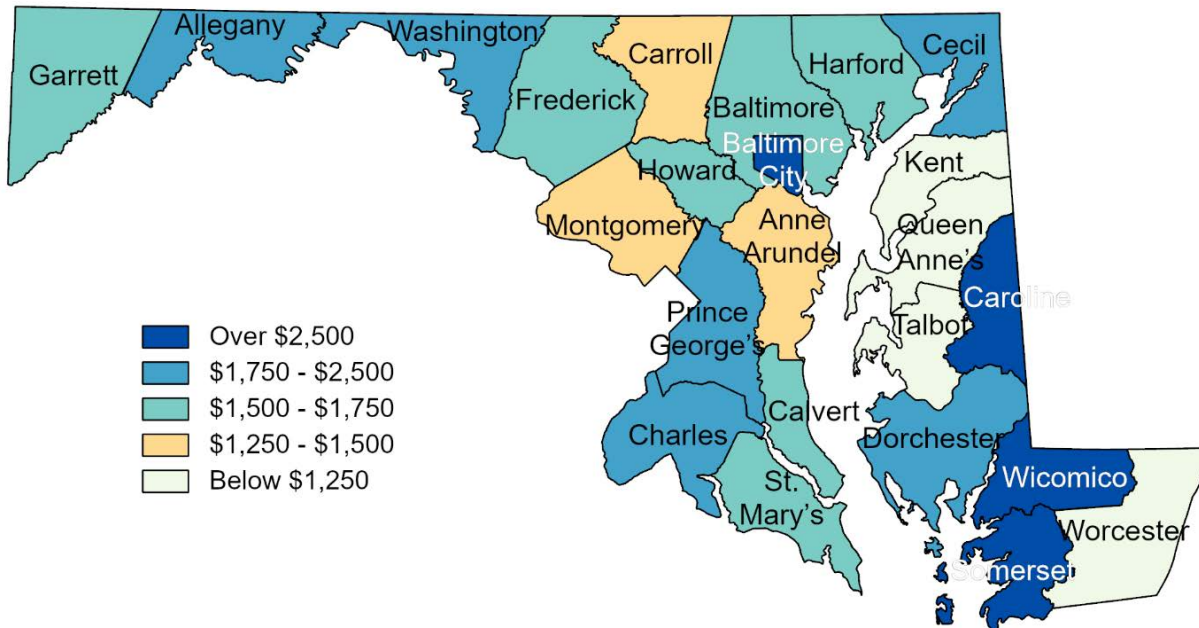
	<u>FY 2026 Aid Change</u>	<u>Percent Change</u>
Public Schools	\$554.3	6.1%
Libraries	4.3	4.5%
Community Colleges	22.5	4.7%
Local Health	5.8	5.2%
County/Municipal	14.4	1.4%
Total	\$601.4	5.6%

State Aid by Major Programs
Fiscal 2024-2026
State Funds
(\$ in Millions)

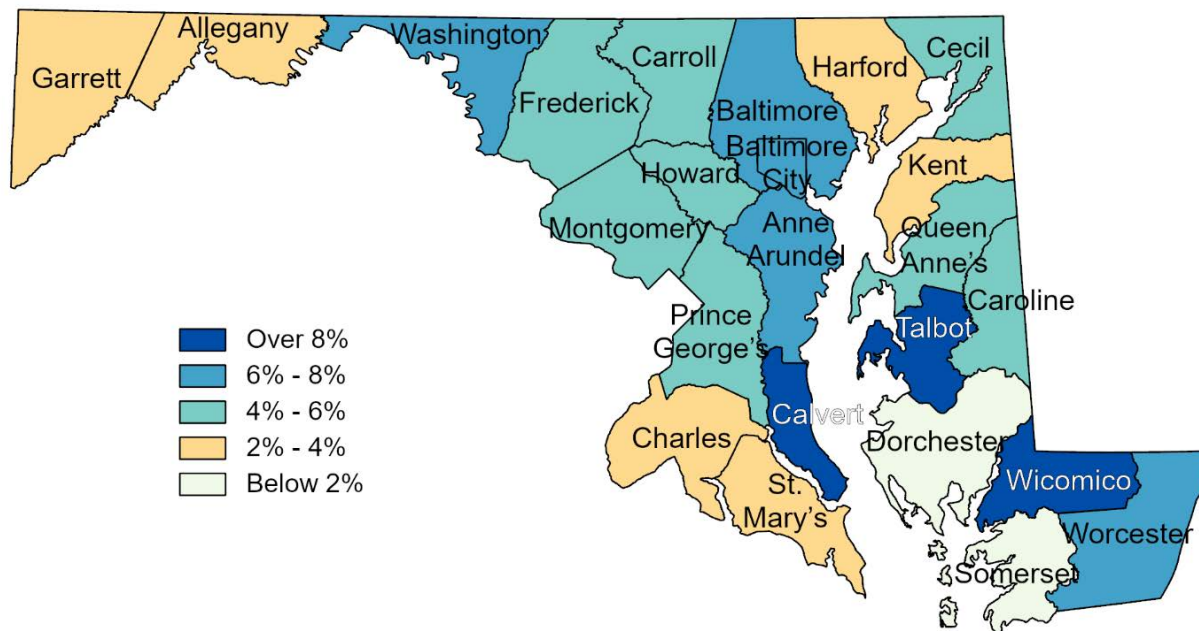
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Difference</u>	<u>Percent Difference</u>
Public Schools					
Foundation Programs	\$3,958.1	\$3,934.9	\$4,068.3	\$133.4	3.4%
Compensatory Aid	1,686.1	1,715.3	1,747.3	32.0	1.9%
Concentration of Poverty Grant	227.0	363.3	492.6	129.3	35.6%
English Learners Grant	473.5	519.5	544.7	25.2	4.9%
Special Education – Formula Aid	466.0	531.3	589.8	58.5	11.0%
Special Education – Nonpublic	148.6	172.5	147.1	-25.4	-14.7%
Student Transportation	363.4	369.6	381.9	12.4	3.3%
Full Day Prekindergarten	98.9	134.9	172.6	37.8	28.0%
Guaranteed Tax Base	56.8	74.9	66.7	-8.2	-11.0%
Education Effort Adjustment	88.0	96.5	135.5	39.0	40.4%
Other Education Programs	310.6	264.8	323.2	58.5	22.1%
Subtotal Direct Aid	\$7,876.9	\$8,177.4	\$8,669.8	\$492.4	6.0%
Retirement Payments	745.0	917.2	979.2	62.0	6.8%
Total Public School Aid	\$8,621.9	\$9,094.6	\$9,648.9	\$554.3	6.1%
Libraries					
Library Aid Formula	\$48.7	\$49.5	\$50.5	\$1.0	2.1%
State Library Network	21.4	22.5	22.6	0.1	0.5%
Subtotal Direct Aid	\$70.1	\$71.9	\$73.1	\$1.2	1.6%
Retirement Payments	20.7	24.3	27.4	3.2	13.1%
Total Library Aid	\$90.8	\$96.2	\$100.5	\$4.3	4.5%
Community Colleges					
Community College Formula	\$393.3	\$384.8	\$401.6	\$16.9	4.4%
Other Programs	37.6	38.6	40.6	2.1	5.4%
Subtotal Direct Aid	\$430.9	\$423.3	\$442.3	\$19.0	4.5%
Retirement Payments	45.1	54.3	57.8	3.5	6.5%
Total Community College Aid	\$476.0	\$477.6	\$500.1	\$22.5	4.7%
Local Health Grants	\$135.0	\$111.2	\$117.0	\$5.8	5.2%
County/Municipal Aid					
Transportation	\$339.2	\$426.1	\$478.8	\$52.8	12.4%
Public Safety	225.7	211.1	214.3	3.1	1.5%
Disparity Grant	220.2	188.5	176.6	-11.9	-6.3%
Gaming Impact Aid	103.1	103.9	104.9	1.0	1.0%
Other Grants	81.5	80.3	49.8	-30.5	-38.0%
Total County/Municipal Aid	\$969.8	\$1,010.0	\$1,024.4	\$14.4	1.4%
Total State Aid	\$10,293.4	\$10,789.6	\$11,391.0	\$601.4	5.6%

State Aid to Local Governments

**Per Capita State Aid
Fiscal 2026**



**Annual Percentage Change
Fiscal 2026**



Proposed Reductions to Local Funding
Fiscal 2026
(\$ in Millions)

Aid Program	Fiscal Impact
Public School Funding	
Collaborative Learning	-\$122.4
Nonpublic Placements	-25.0
Innovative Programs	-2.6
Retirement Payments	-92.9
Subtotal	-\$242.9
Community College Funding	
Retirement Payments	-\$4.8
County Government Funding	
Warrants and Absconding	-1.0
Teacher Retirement Supplemental Grants	-13.8
Subtotal	-\$14.8
Total State Aid	-\$262.5
Property Assessments Cost Share	-\$20.9
Total Fiscal Impact	-\$283.4
State-Local Cost Shift	-\$143.6
Retirement Reinvestment Reduction	-\$32.5

Triennial Change in Full Cash Value January 2019 – January 2025

County	2019 Group 1	2020 Group 2	2021 Group 3	2022 Group 1	2023 Group 2	2024 Group 3	2025 Group 1
Allegany	2.4%	3.2%	5.2%	10.7%	23.5%	24.4%	31.0%
Anne Arundel	7.9%	10.8%	6.0%	7.9%	17.4%	22.0%	22.0%
Baltimore City	8.4%	9.1%	4.1%	6.6%	21.6%	17.9%	17.4%
Baltimore	10.9%	8.1%	7.2%	11.1%	16.4%	23.3%	22.6%
Calvert	7.0%	7.4%	7.0%	11.7%	18.9%	24.9%	19.4%
Caroline	11.5%	6.8%	8.9%	17.3%	23.6%	26.6%	22.6%
Carroll	8.0%	6.2%	7.8%	12.9%	23.9%	23.5%	21.4%
Cecil	9.5%	9.2%	5.8%	6.8%	20.7%	22.0%	24.2%
Charles	12.2%	7.3%	8.6%	23.4%	29.4%	26.2%	11.9%
Dorchester	7.6%	7.9%	5.0%	11.8%	21.1%	21.0%	23.2%
Frederick	10.0%	9.8%	11.0%	18.4%	29.5%	30.8%	28.6%
Garrett	3.7%	4.0%	7.1%	10.0%	50.8%	44.2%	23.6%
Harford	5.8%	5.6%	6.3%	9.6%	16.0%	22.0%	19.8%
Howard	8.5%	8.3%	9.3%	10.8%	20.4%	20.5%	19.5%
Kent	2.3%	1.6%	4.3%	4.5%	15.1%	19.3%	19.0%
Montgomery	6.9%	7.6%	9.2%	11.1%	19.7%	21.0%	17.7%
Prince George's	16.8%	13.3%	13.4%	15.8%	22.7%	23.0%	16.1%
Queen Anne's	3.8%	6.9%	3.0%	12.1%	24.2%	25.2%	21.6%
St. Mary's	6.2%	6.9%	9.4%	14.3%	17.8%	25.9%	18.1%
Somerset	0.9%	1.2%	5.4%	12.8%	40.3%	40.5%	32.0%
Talbot	3.9%	5.6%	2.4%	6.2%	18.4%	18.4%	22.3%
Washington	6.6%	6.2%	6.8%	14.5%	26.6%	29.1%	29.3%
Wicomico	11.0%	11.2%	10.1%	18.5%	24.5%	32.4%	27.4%
Worcester	9.4%	4.7%	2.1%	16.5%	30.8%	46.1%	27.0%
Statewide	9.1%	8.9%	8.1%	12.0%	20.6%	23.4%	20.1%

Revenue Yield from Property Tax Rates Above Constant Yield Fiscal 2025

County	Assessable Base	Actual Rate	Constant Yield Rate	Difference	Estimated Revenue Yield	Per Capita Yield
Allegany	\$4,117,319,673	\$0.9750	\$0.9351	\$0.0399	\$1,643,000	\$24.42
Anne Arundel	89,911,535,166	0.9830	0.9567	0.0263	23,647,000	39.77
Baltimore City	45,559,177,744	2.2480	2.1569	0.0911	41,504,000	73.43
Baltimore	100,135,687,082	1.1000	1.0614	0.0386	38,652,000	45.76
Calvert	14,407,162,047	0.9670	0.8853	0.0817	11,771,000	124.26
Caroline	3,195,430,886	0.9800	0.9293	0.0507	1,620,000	48.22
Carroll	24,087,558,919	1.0180	0.9703	0.0477	11,490,000	65.05
Cecil	12,663,962,966	0.9824	0.9531	0.0293	3,711,000	35.12
Charles*	23,543,507,808	1.2050	1.1311	0.0739	17,407,000	101.22
Dorchester	3,428,306,890	1.0000	0.9572	0.0428	1,467,000	44.62
Frederick	42,095,152,115	1.1100	1.0025	0.1075	45,252,000	154.24
Garrett	5,892,778,297	1.0560	0.9437	0.1123	6,618,000	232.84
Harford	33,018,147,113	0.9779	0.9392	0.0387	12,778,000	48.28
Howard*	63,001,277,490	1.2500	1.2032	0.0468	29,474,000	87.72
Kent	3,284,097,712	1.0220	0.9871	0.0349	1,146,000	59.37
Montgomery*	229,177,779,579	1.0392	0.9988	0.0404	92,520,000	87.41
Prince George's*	111,151,266,769	1.3740	1.3214	0.0526	58,436,000	61.68
Queen Anne's	10,115,077,192	0.8300	0.7943	0.0357	3,611,000	68.77
St. Mary's	14,906,750,458	0.8478	0.8104	0.0374	5,575,000	48.36
Somerset	1,661,404,221	1.0000	0.9157	0.0843	1,401,000	56.24
Talbot	8,416,893,480	0.7910	0.7223	0.0687	5,782,000	152.87
Washington	15,562,100,024	0.9280	0.8893	0.0387	6,023,000	38.66
Wicomico	7,968,198,165	0.8468	0.8302	0.0166	1,323,000	12.62
Worcester	19,395,360,434	0.8450	0.7707	0.0743	14,411,000	266.03
Total	\$886,695,932,230				\$437,262,000	\$70.75

*Includes Special Property Tax Rates

Transportation

New and Proposed Transportation Revenues Fiscal 2025-2030 (\$ in Millions)

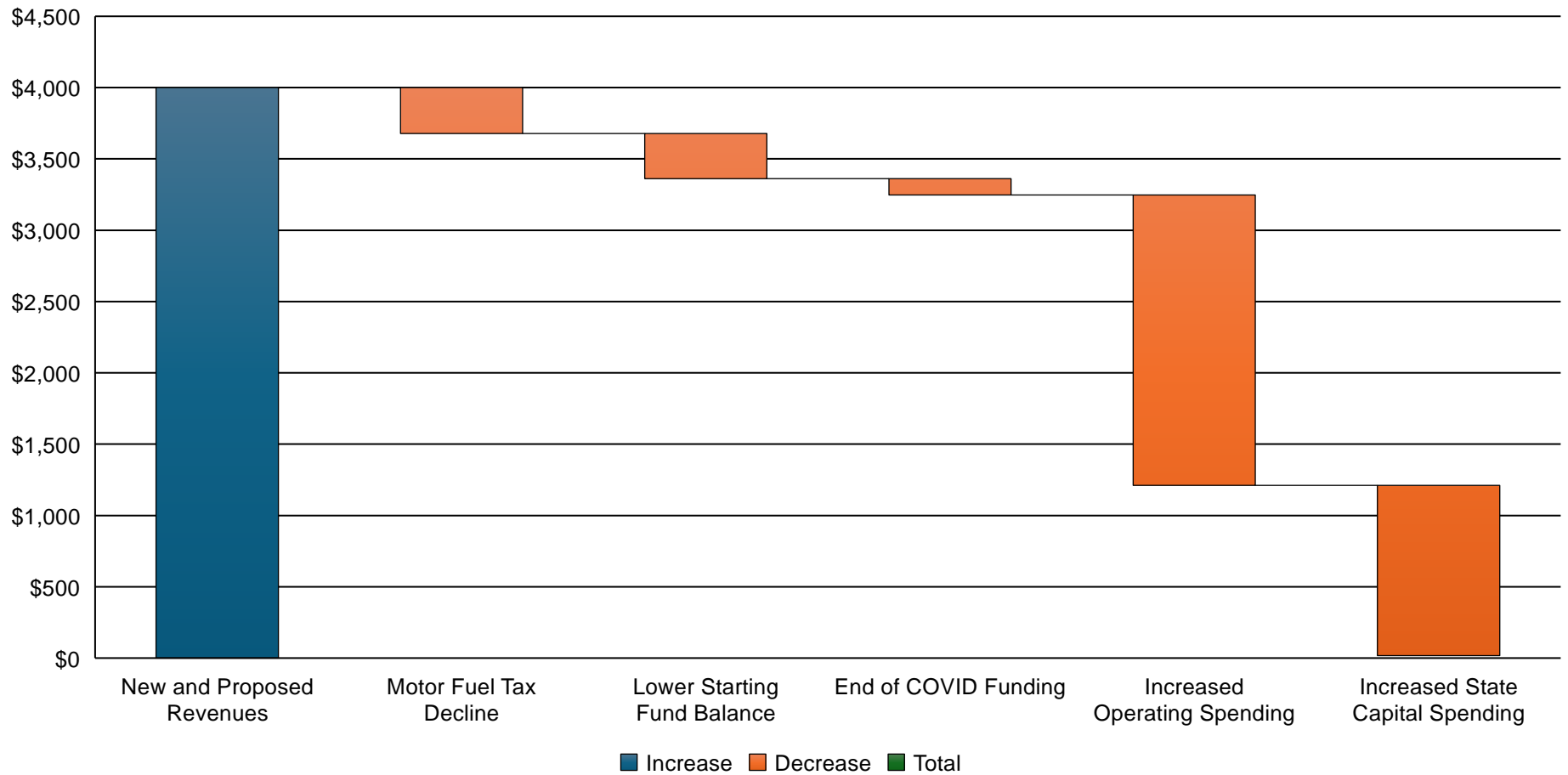
	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>Total 2025-2030</u>
Enacted 2024 Session							
Registrations – Non-HUR	\$152	\$170	\$220	\$245	\$250	\$255	\$1,292
Transportation Network Company Fee	33	36	39	42	47	53	250
Electric Vehicle Surcharge	9	27	34	45	58	72	244
SHA Work Zone Safety	5	11	10	9	8	8	50
Sales Tax – Electricity Used to Charge EVs	1	1	1	2	2	2	10
Subtotal – Enacted 2024 Session	\$199	\$244	\$304	\$343	\$365	\$390	\$1,845
2025 Session Proposed Revenues							
Retail Delivery Fee		\$225	\$225	\$225	\$225	\$225	\$1,125
Repeal Vehicle Trade-in Allowance for Most Vehicle Purchases		140	140	140	140	140	700
Modify New Registration Fee Increase Phase-in		50	0	0	0	0	50
Increase VEIP Fee and VEIP Late Fee		30	30	30	30	30	150
Assess Installment Fee on Vehicle Registration Payment Plans		10	10	10	10	10	50
Modify MVA Cost Recovery to Up to 115%		15	15	15	15	15	75
Subtotal – 2025 Session Proposed Revenues		\$470	\$420	\$420	\$420	\$420	\$2,150
Total Enacted and Proposed	\$199	\$714	\$724	\$763	\$785	\$810	\$3,995

EV: electric vehicles
MVA: Motor Vehicle Administration

HUR: Highway User Revenues
VEIP: Vehicle Emissions Inspection Program

Use of New and Proposed Transportation Revenues

Fiscal 2025-2030
(\$ in Millions)



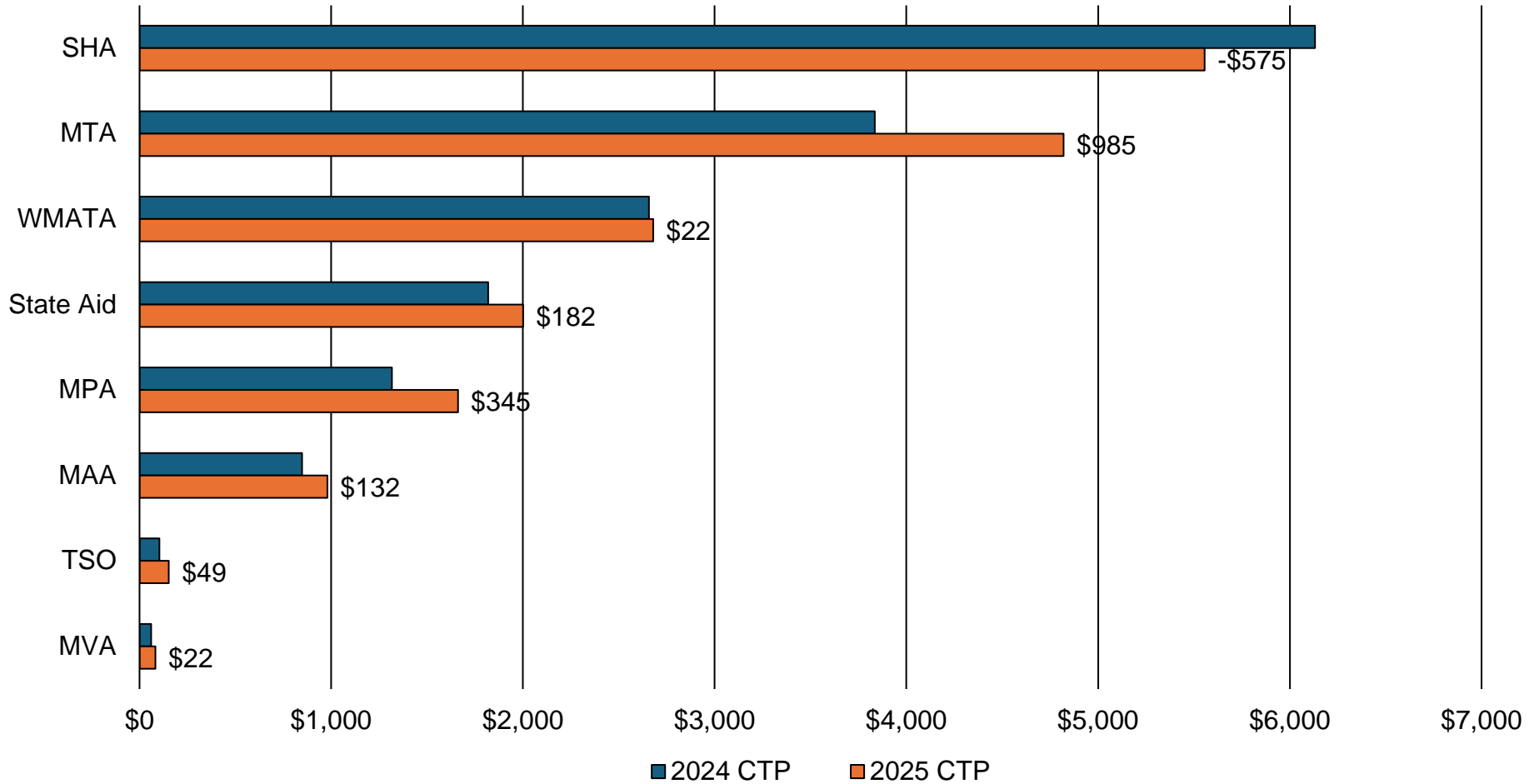
CTP Funding Comparison
Fiscal 2025-2030
(\$ in Million)

	<u>2024 CTP</u>	<u>2025 CTP</u>	<u>Change</u>
Special	\$6,928	\$8,343	\$1,415
General Fund Transfers	708	593	-116
<i>Subtotal Special</i>	<i>7,636</i>	<i>8,936</i>	<i>1,300</i>
Federal	\$7,101	\$6,455	-\$646
Other	\$1,449	\$1,708	\$259
Other State Funds	584	586	2
GARVEE		248	248
<i>Subtotal Other</i>	<i>\$2,032</i>	<i>\$2,541</i>	<i>\$509</i>
Total	\$16,769	\$17,932	\$1,163

CTP: Consolidated Transportation Program

GARVEE: Grant Anticipation Revenue Vehicle (bonds)

Consolidated Transportation Program
January 2024 v. January 2025
Fiscal 2025-2030
(\$in Millions)

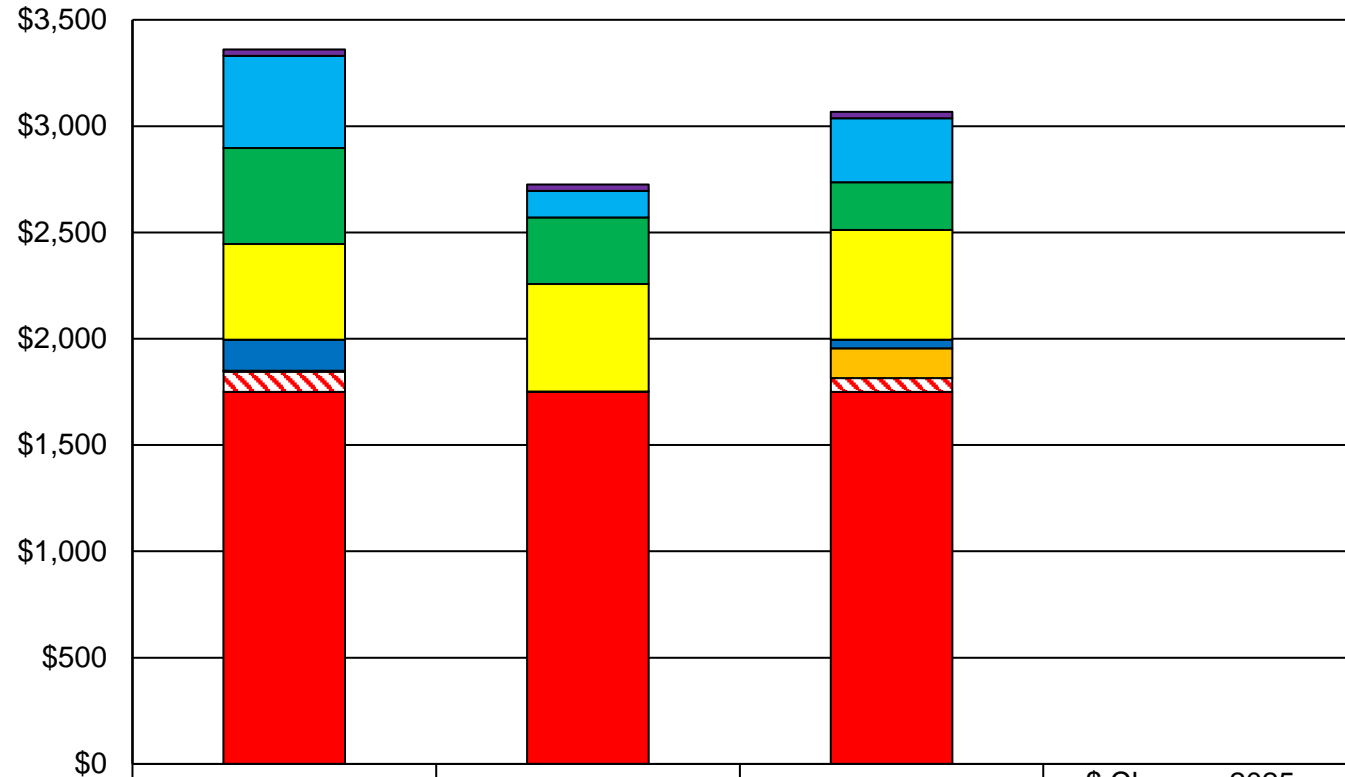


CTP: Consolidated Transportation Program
 MAA: Maryland Aviation Administration
 MPA: Maryland Port Administration
 MTA: Maryland Transit Authority
 MVA: Maryland Motor Vehicle Administration
 WMATA: Washington Metropolitan Area Transit Authority
 SHA: State Highway Administration
 TSO: The Secretary's Office

Capital Program by Fund Source

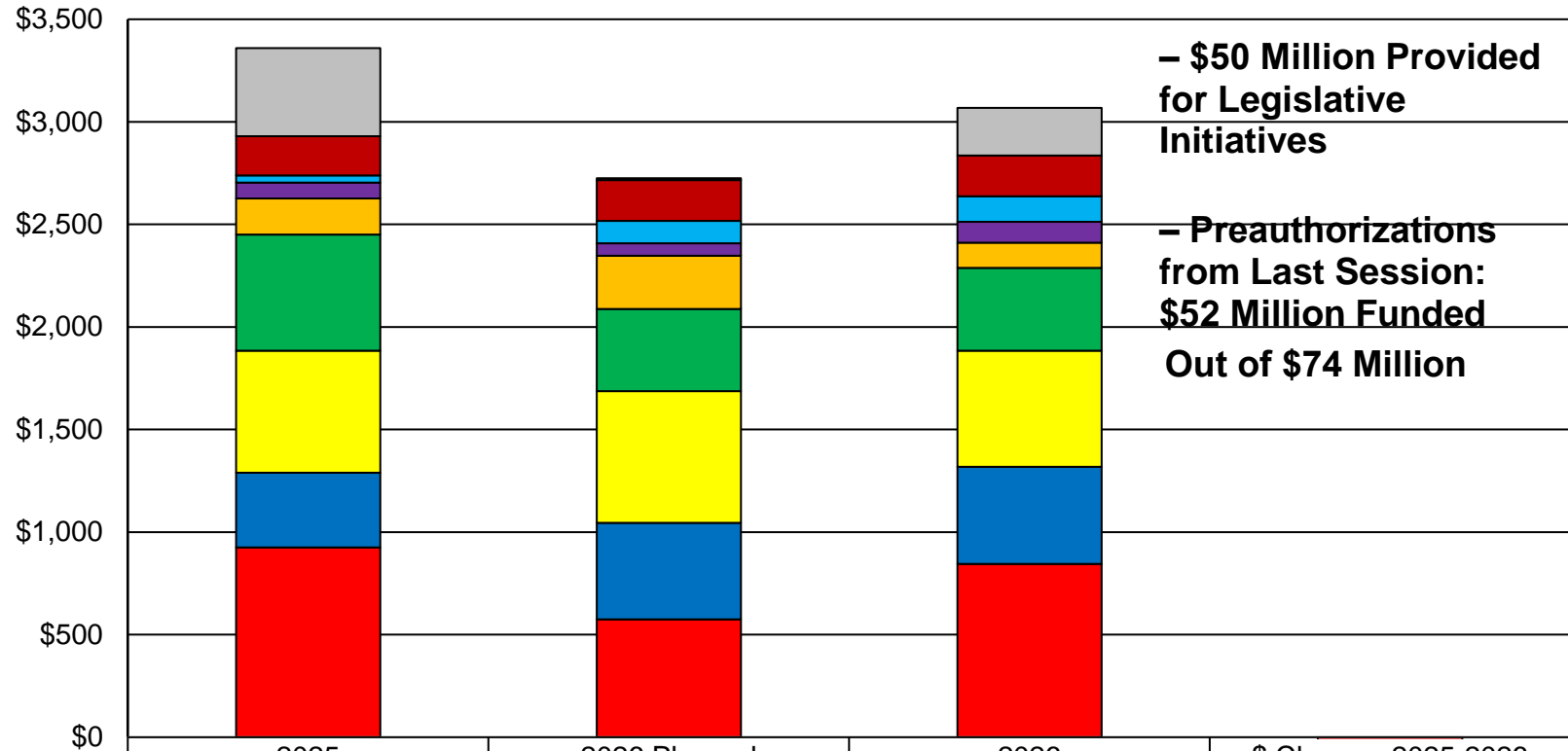
– General
Obligation Bond
Level Meets the
Spending
Affordability
Committee Limit
of \$1.75 Billion

– \$140.1 Million
in Bond Premium
Used to Replace
Planned
Transfers and
Reversions of
Prior General
Fund PAYGO



	2025	2026 Planned	2026	\$ Change, 2025-2026
Total	\$3,360.1	\$2,724.9	\$3,067.5	-\$292.6
Academic Revenue Bonds	30.0	30.0	30.0	0.0
Built to Learn Bonds	432.4	123.8	302.2	-130.2
Federal Funds	452.7	313.9	223.5	-229.2
Special Funds	449.9	506.2	516.0	66.1
General Funds	145.1	1.0	40.9	-104.2
Bond Premium Proceeds	5.0	0.0	140.1	135.1
General Obligation Bonds – Recycled	95.0	0.0	64.8	-30.2
General Obligation Bonds – New	1,750.0	1,750.0	1,750.0	0.0

Capital Program by Category



	2025	2026 Planned	2026	\$ Change, 2025-2026
Total	\$3,360.1	\$2,724.9	\$3,067.6	-\$292.5
Local Projects	430.9	9.7	232.2	-198.7
Transportation	191.1	198.5	198.5	7.4
Public Safety	34.3	108.2	124.4	90.1
Health	77.2	61.9	101.0	23.8
State Facilities	176.1	258.7	123.7	-52.4
Housing	566.5	401.3	403.8	-162.7
Environment	594.3	641.2	565.3	-29.0
Higher Education	364.7	471.4	474.3	109.6
Education	925.0	573.9	844.4	-80.6

Proposed Transfers and Reversions

<u>Agency</u>	<u>Project</u>	<u>Proposed Transfer/Reversion</u>	<u>Replacement Funding</u>	<u>Source</u>	<u>Notes</u>
Proposed Transfers from Dedicated Purpose Account					
BCCC	Deferred Maintenance	\$5,000,000	\$5,000,000	SF	Replaced with special funds from BCCC fund balance.
MSU	Deferred Maintenance	10,000,000	10,000,000	GO bonds	Additional \$3.4 million in GO bonds provided in fiscal 2026.
	Comprehensive Cancer and Organ				
UMMS	Transplant Center	25,000,000	25,000,000	GO bonds	
DVMF	New State Veterans Home	62,887,000	0		Project on hold. Did not receive federal award.
					Other funding still available from the Great Maryland Outdoors Act
DNR	Critical Maintenance	11,000,000	0		(Chapter 39 of 2022).
Subtotal		\$113,887,000	\$40,000,000		
Proposed Reversions					
Judiciary	New Supreme Court of Maryland Building	\$51,117,000	\$51,117,000	GO bonds	
DGS	Inner Harbor Promenade	30,000,000	30,000,000	GO bonds	Additional \$8 million in GO bonds provided in fiscal 2026.
DGS	William Donald Schaefer Tower	961,485	0		Project canceled. Prior GO bond funding is also deauthorized.
Subtotal		\$82,078,485	\$81,117,000		
Total		\$195,965,485	\$121,117,000		

BCCC: Baltimore City Community College
 DGS: Department of General Services
 DNR: Department of Natural Resources
 DVMF: Maryland Department of Veterans and Military Families
 GO: general obligation
 MSU: Morgan State University
 SF: special funds
 UMMS: University of Maryland Medical System

Appendix 1
State Expenditures – All Funds
Fiscal 2024-2026
(\$ in Millions)

Category	2024 Actual	2025 Working Appropriation	2026 Allowance	Contingent Reductions	2026 Adjusted Allowance	\$ Change 2025 to 2026	% Change 2025 to 2026
Debt Service	\$1,859.1	\$1,958.9	\$1,865.9	\$0.0	\$1,865.9	-\$93.0	-4.7%
County/Municipal	\$1,029.4	\$1,091.5	\$1,121.3	-\$14.8	\$1,106.5	\$15.0	1.4%
Community Colleges	476.0	477.6	506.3	-6.2	500.1	22.5	4.7%
Education/Libraries	9,898.9	10,388.3	11,242.5	-280.2	10,967.3	579.0	5.6%
Health	135.0	136.2	117.0	0.0	117.0	-19.2	-14.1%
Aid to Local Governments	\$11,539.3	\$12,093.6	\$12,987.1	-\$301.2	\$12,690.9	\$597.3	4.9%
Foster Care Payments	\$343.8	\$388.4	\$395.6	\$0.0	\$395.6	\$7.2	1.9%
Assistance Payments	1,867.9	2,201.5	2,206.2	0.0	2,206.2	4.7	0.2%
Medical Assistance	15,332.5	15,422.3	15,669.1	-92.5	15,576.6	154.3	1.0%
Property Tax Credits	93.8	96.0	87.1	-7.2	79.9	-16.1	-16.8%
Entitlements	\$17,637.9	\$18,108.2	\$18,358.0	-\$99.7	\$18,258.3	\$150.1	0.8%
Health	\$5,459.3	\$6,280.2	\$6,496.6	-\$148.1	\$6,348.5	\$68.3	1.1%
Human Services	1,423.0	1,412.9	1,534.9	0.0	1,534.9	122.0	8.6%
Juvenile Services	333.3	346.7	369.3	0.0	369.3	22.6	6.5%
Public Safety/Police	2,236.3	2,378.7	2,505.6	-6.5	2,499.1	120.4	5.1%
Higher Education	8,021.3	8,346.1	8,555.4	-4.2	8,551.2	205.1	2.5%
Other Education	1,639.3	1,742.6	1,741.1	-12.7	1,728.4	-14.1	-0.8%
Transportation	2,641.1	2,997.3	3,050.2	125.0	3,175.2	178.0	5.9%
Agriculture/Natural Res./Environment	650.5	699.5	758.7	-20.4	738.3	38.8	5.6%
Other Executive Agencies	4,258.7	4,842.0	5,121.1	-81.8	5,039.3	197.3	4.1%
Judiciary	756.3	776.1	807.6	0.0	807.6	31.5	4.1%
Legislative	155.2	160.8	165.3	0.0	165.3	4.6	2.8%
State Agencies	\$27,574.3	\$29,982.7	\$31,105.8	-\$148.7	\$30,957.2	\$974.4	3.2%
Deficiencies (for prior years)	0.0	635.0	0.0	0.0	0.0	-635.0	n/a
Total Operating	\$58,610.6	\$62,778.4	\$64,316.8	-\$549.6	\$63,772.2	\$993.8	1.6%
Capital	\$4,619.3	\$3,758.2	\$3,454.6	-\$50.0	\$3,404.6	-\$353.6	-9.4%
Transportation	2,305.7	2,702.4	2,633.2	0.0	2,633.2	-69.2	-2.6%
Environment	399.3	383.9	372.0	0.0	372.0	-11.9	-3.1%
Other	1,914.2	671.9	449.4	-50.0	399.4	-272.5	-40.6%
Subtotal	\$63,229.8	\$66,536.6	\$67,771.4	-\$599.6	\$67,176.8	\$640.2	1.0%
Reserve Funds	\$1,210.6	\$90.5	\$710.7	-\$469.5	\$241.3	\$150.8	166.6%
Appropriations	\$64,440.4	\$66,627.1	\$68,482.1	-\$1,069.1	\$67,418.0	\$791.0	1.2%
Reversions	\$0.0	-\$75.0	-\$75.0	\$0.0	-\$75.0	\$0.0	0.0%
Grand Total	\$64,440.4	\$66,552.1	\$68,407.1	-\$1,069.1	\$67,343.0	\$791.0	1.2%

Note: The fiscal 2025 working appropriation reflects deficiencies of \$3.1 billion. Fiscal 2024 excludes \$200.6 million, fiscal 2025 excludes \$72.1 million and fiscal 2026 excludes \$99.9 million of special fund spending that double counts general fund spending.

Appendix 2
State Expenditures – General Funds
Fiscal 2024-2026
(\$ in Millions)

Category	2024 Actual	2025 Working Appropriation	2026 Allowance	Contingent Reductions	2026 Adjusted Allowance	\$ Change 2025 to 2026	% Change
Debt Service	\$425.1	\$397.1	\$181.7	\$0.0	\$181.7	-\$215.4	-54.2%
County/Municipal	\$453.7	\$413.9	\$388.6	-\$14.8	\$373.8	-\$40.1	-9.7%
Community Colleges	476.0	477.6	506.3	-6.2	500.1	22.5	4.7%
Education/Libraries	7,214.7	7,383.8	7,589.4	-156.1	7,433.3	49.5	0.7%
Health	135.0	111.2	117.0	0.0	117.0	5.8	5.2%
Aid to Local Governments	\$8,279.4	\$8,386.5	\$8,601.3	-\$177.1	\$8,424.2	\$37.7	0.4%
Foster Care Payments	\$268.5	\$279.0	\$320.6	\$0.0	\$320.6	\$41.6	14.9%
Assistance Payments	58.4	136.4	153.1	0.0	153.1	16.8	12.3%
Medical Assistance	5,080.8	5,436.1	5,668.1	-92.5	5,575.6	139.6	2.6%
Property Tax Credits	93.8	96.0	87.1	-7.2	79.9	-16.1	-16.8%
Entitlements	\$5,501.5	\$5,947.5	\$6,229.0	-\$99.7	\$6,129.3	\$181.8	3.1%
Health	\$2,276.0	\$2,946.3	\$2,955.6	-\$25.1	\$2,930.5	-\$15.8	-0.5%
Human Services	515.6	513.3	546.0	0.0	546.0	32.6	6.4%
Juvenile Services	321.4	337.0	359.4	0.0	359.4	22.4	6.7%
Public Safety/Police	1,981.3	2,122.2	2,223.0	-6.5	2,216.5	94.3	4.4%
Higher Education	2,333.7	2,277.9	2,330.7	-4.2	2,326.5	48.5	2.1%
Transportation	0.3	196.9	0.0	0.0	0.0	-196.9	-100.0%
Other Education	930.0	1,051.3	1,030.2	-10.1	1,020.1	-31.1	-3.0%
Agriculture/Natural Res./Environmen	236.9	209.4	228.4	-20.1	208.3	-1.1	-0.5%
Other Executive Agencies	1,414.8	1,722.2	1,854.4	-76.4	1,778.0	55.7	3.2%
Judiciary	670.3	689.6	722.0	0.0	722.0	32.4	4.7%
Legislative	155.2	160.8	165.3	0.0	165.3	4.6	2.8%
State Agencies	\$10,835.5	\$12,226.9	\$12,415.0	-\$142.4	\$12,272.6	\$45.7	0.4%
Deficiencies (for prior years)	\$0.0	268.2	0.0	\$0.0	0.0	-\$268.2	-100.0%
Total Operating	\$25,041.5	\$27,226.2	\$27,427.0	-\$419.2	\$27,007.8	-\$218.4	-0.8%
Capital	\$1,145.0	\$157.3	\$90.9	-\$50.0	\$40.9	-\$116.4	-74.0%
Subtotal	\$26,186.5	\$27,383.5	\$27,517.9	-\$469.2	\$27,048.6	-\$334.8	-1.2%
Reserve Funds	\$1,210.6	\$0.5	\$530.7	-\$469.5	\$61.3	\$60.8	12150.0%
Appropriations	\$27,397.1	\$27,384.0	\$28,048.6	-\$938.7	\$27,109.9	-\$274.1	-1.0%
Reversions	\$0.0	-\$75.0	-\$75.0	\$0.0	-\$75.0	\$0.0	0.0%
Grand Total	\$27,397.1	\$27,309.0	\$27,973.6	-\$938.7	\$27,034.9	-\$274.1	-1.0%

Note: The fiscal 2025 working appropriation reflects \$1.7 billion in deficiencies and \$235.2 million in reversions including \$160.2 million in targeted reversions.

Appendix 3
State Expenditures – Special and Higher Education Funds*
Fiscal 2024-2026
(\$ in Millions)

Category	2024 Actual	2025 Working Appropriation	2026 Allowance	Contingent Reductions	2026 Adjusted Allowance	\$ Change 2025 to 2026	% Change
Debt Service	\$1,427.6	\$1,556.9	\$1,681.6	\$0.0	\$1,681.6	\$124.7	8.0%
County/Municipal	\$511.7	\$595.5	\$650.6	\$0.0	\$650.6	\$55.1	9.3%
Community Colleges	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Education/Libraries	1,498.0	1,807.0	2,435.3	-124.1	2,316.2	509.2	28.2%
Health	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Aid to Local Governments	\$2,009.6	\$2,402.5	\$3,085.9	-\$124.1	\$2,966.8	\$564.3	23.5%
Foster Care Payments	\$2.2	\$2.7	\$3.5	\$0.0	\$3.5	\$0.8	30.1%
Assistance Payments	8.9	6.2	6.4	0.0	6.4	0.2	3.6%
Medical Assistance	763.8	793.3	861.7	0.0	861.7	68.4	8.6%
Property Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Entitlements	\$774.8	\$802.2	\$871.6	\$0.0	\$871.6	\$69.4	8.7%
Health	\$697.3	\$725.3	\$807.5	-\$103.0	\$704.5	-\$20.8	-2.9%
Human Services	172.7	164.7	219.8	0.0	219.8	55.1	33.5%
Juvenile Services	2.5	3.4	3.5	0.0	3.5	0.1	2.9%
Public Safety/Police	218.9	218.9	244.7	0.0	244.7	25.8	11.8%
Higher Education	5,687.6	6,068.1	6,224.7	0.0	6,224.7	156.6	2.6%
Other Education	298.2	315.0	327.2	-2.6	324.6	9.6	3.0%
Transportation	2,386.8	2,660.5	2,909.1	125.0	3,034.1	373.6	14.0%
Agriculture/Natural Res./Environmen	330.0	381.7	417.9	-0.3	417.6	35.9	9.4%
Other Executive Agencies	1,300.0	1,568.7	1,722.5	-3.5	1,718.9	150.2	9.6%
Judiciary	85.3	84.3	84.6	0.0	84.6	0.2	0.2%
Legislative	0.0	0.0	0.0	0.0	0.0	0.0	n/a
State Agencies	\$11,179.3	\$12,190.8	\$12,961.4	\$15.6	\$12,977.0	\$786.3	6.4%
Deficiencies (for prior years)	0.0	5.6	0.0	0.0	0.0	-5.6	n/a
Total Operating	\$15,391.4	\$16,957.9	\$18,600.4	-\$108.4	\$18,497.0	\$1,539.1	9.1%
Capital	\$2,150.4	\$1,942.4	\$1,909.4	\$0.0	\$1,909.4	-\$33.0	-1.7%
Transportation	1,125.2	1,492.5	1,402.5	0.0	1,402.5	-90.0	-6.0%
Environment	265.7	209.6	196.7	0.0	196.7	-12.9	-6.2%
Other	759.5	240.3	310.3	0.0	310.3	70.0	29.1%
Subtotal	\$17,541.9	\$18,900.3	\$20,509.9	-\$108.4	\$20,406.4	\$1,506.2	8.0%
Reserve Funds	\$0.0	\$90.0	\$180.0	\$0.0	\$180.0	\$90.0	n/a
Grand Total	\$17,541.9	\$18,990.3	\$20,689.9	-\$108.4	\$20,586.4	\$1,596.2	8.4%

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

Note: The fiscal 2025 working appropriation reflects deficiencies of \$194.5 million. Fiscal 2024 excludes \$200.6 million, fiscal 2025 excludes \$72.1 million and fiscal 2026 excludes \$99.9 million that double counts general fund spending.

Appendix 4
State Expenditures – Federal Funds
Fiscal 2024-2026
(\$ in Millions)

Category	2024 Actual	2025 Working Appropriation	2026 Allowance	Contingent Reductions	2026 Adjusted Allowance	\$ Change 2025 to 2026	% Change
Debt Service	\$6.4	\$4.9	\$2.6	\$0.0	\$2.6	-\$2.3	-46.9%
County/Municipal	\$64.0	\$82.1	\$82.1	\$0.0	\$82.1	\$0.0	0.0%
Community Colleges	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Education/Libraries	1,186.3	1,197.5	1,217.8	0.0	1,217.8	20.3	1.7%
Health	0.0	25.0	0.0	0.0	0.0	-25.0	-100.0%
Aid to Local Governments	\$1,250.2	\$1,304.6	\$1,300.0	\$0.0	\$1,300.0	-\$4.7	-0.4%
Foster Care Payments	\$73.1	\$106.7	\$71.5	\$0.0	\$71.5	-\$35.2	-33.0%
Assistance Payments	1,800.6	2,058.9	2,046.6	0.0	2,046.6	-12.3	-0.6%
Medical Assistance	9,488.0	9,192.9	9,139.3	0.0	9,139.3	-53.6	-0.6%
Property Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Entitlements	\$11,361.6	\$11,358.5	\$11,257.4	\$0.0	\$11,257.4	-\$101.1	-0.9%
Health	\$2,486.0	\$2,608.6	\$2,733.6	-\$20.0	\$2,713.5	\$104.9	4.0%
Human Services	734.7	734.8	769.1	0.0	769.1	34.3	4.7%
Juvenile Services	9.4	6.3	6.4	0.0	6.4	0.0	0.6%
Public Safety/Police	36.1	37.6	37.8	0.0	37.8	0.2	0.6%
Higher Education	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Other Education	411.1	376.2	383.7	0.0	383.7	7.5	2.0%
Transportation	253.9	139.9	141.1	0.0	141.1	1.2	0.9%
Agriculture/Natural Res./Environmen	83.6	108.4	112.4	0.0	112.4	4.0	3.7%
Other Executive Agencies	1,543.9	1,551.1	1,544.3	-1.9	1,542.4	-8.6	-0.6%
Judiciary	0.7	2.2	1.0	0.0	1.0	-1.2	-53.2%
Legislature	0.0	0.0	0.0	0.0	0.0	0.0	n/a
State Agencies	\$5,559.4	\$5,565.0	\$5,729.4	-\$21.9	\$5,707.5	\$142.5	2.6%
Deficiencies (for prior years)	0.0	361.3	0.0	0.0	0.0	-361.3	n/a
Total Operating	\$18,177.6	\$18,594.4	\$18,289.4	-\$21.9	\$18,267.5	-\$326.9	-1.8%
Capital	\$1,323.8	\$1,658.5	\$1,454.3	\$0.0	\$1,454.3	-\$204.2	-12.3%
Transportation	1,013.4	1,205.8	1,230.7	0.0	1,230.7	24.9	2.1%
Environment	116.8	173.2	174.6	0.0	174.6	1.4	0.8%
Other	193.6	279.4	48.9	0.0	48.9	-230.6	-82.5%
Grand Total	\$19,501.5	\$20,252.8	\$19,743.7	-\$21.9	\$19,721.7	-\$531.1	-2.6%

Note: The fiscal 2025 working appropriation reflects deficiencies of \$1.2 billion.

Appendix 5
State Expenditures – State Funds
Fiscal 2024-2026
(\$ in Millions)

<u>Category</u>	<u>2024 Actual</u>	<u>2025 Working Appropriation</u>	<u>2026 Allowance</u>	<u>Contingent Reductions</u>	<u>2026 Adjusted Allowance</u>	<u>\$ Change 2025 to 2026</u>	<u>% Change 2025 to 2026</u>
Debt Service	\$1,852.7	\$1,954.0	\$1,863.3	\$0.0	\$1,863.3	-\$90.7	-4.6%
County/Municipal	\$965.4	\$1,009.4	\$1,039.2	-\$14.8	\$1,024.4	\$15.0	1.5%
Community Colleges	476.0	477.6	506.3	-6.2	500.1	22.5	4.7%
Education/Libraries	8,712.7	9,190.8	10,024.7	-280.2	9,749.4780	558.7	6.1%
Health	135.0	111.2	117.0	0.0	117.0	5.8	5.2%
Aid to Local Governments	\$10,289.1	\$10,789.0	\$11,687.2	-\$301.2	\$11,391.0	\$602.0	5.6%
Foster Care Payments	\$270.7	\$281.7	\$324.1	\$0.0	\$324.1	\$42.4	15.0%
Assistance Payments	67.3	142.5	159.6	0.0	159.6	17.0	11.9%
Medical Assistance	5,844.5	6,229.4	6,529.8	-92.5	6,437.3	207.9	3.3%
Property Tax Credits	93.8	96.0	87.1	-7.2	79.9	-16.1	-16.8%
Entitlements	\$6,276.3	\$6,749.6	\$7,100.6	-\$99.7	\$7,000.8	\$251.2	3.7%
Health	\$2,973.3	\$3,671.6	\$3,763.0	-\$128.1	\$3,635.0	-\$36.6	-1.0%
Human Services	688.3	678.1	765.8	0.0	765.8	87.7	12.9%
Juvenile Services	324.0	340.4	362.9	0.0	362.9	22.5	6.6%
Public Safety/Police	2,200.1	2,341.1	2,467.7	-6.5	2,461.2	120.2	5.1%
Higher Education	8,021.3	8,346.1	8,555.4	-4.2	8,551.2	205.1	2.5%
Other Education	1,228.2	1,366.3	1,357.4	-12.7	1,344.7	-21.6	-1.6%
Transportation	2,387.1	2,857.4	2,909.1	125.0	3,034.1	176.7	6.2%
Agriculture/Natural Res./Environmen	566.9	591.2	646.3	-20.4	626.0	34.8	5.9%
Other Executive Agencies	2,714.8	3,290.9	3,576.8	-79.9	3,496.9	206.0	6.3%
Judiciary	755.6	773.9	806.6	0.0	806.6	32.6	4.2%
Legislative	155.2	160.8	165.3	0.0	165.3	4.6	2.8%
State Agencies	\$22,014.8	\$24,417.7	\$25,376.4	-\$126.8	\$25,249.7	\$832.0	3.4%
Deficiencies (for prior years)	\$0.0	273.8	0.0	0.0	0.0	-273.8	-100.0%
Total Operating	\$40,432.9	\$44,184.0	\$46,027.4	-\$527.7	\$45,504.7	\$1,320.7	3.0%
Capital	\$3,295.4	\$2,099.7	\$2,000.3	-\$50.0	\$1,950.3	-\$149.4	-7.1%
Transportation	1,292.3	1,496.6	1,402.5	0.0	1,402.5	-94.1	-6.3%
Environment	282.5	210.6	197.3	0.0	197.3	-13.3	-6.3%
Other	1,720.7	392.5	400.5	-50.0	350.5	-42.0	-10.7%
Subtotal	\$43,728.4	\$46,283.7	\$48,027.7	-\$577.7	\$47,455.0	\$1,171.3	2.5%
Reserve Funds	\$1,210.6	\$90.5	\$710.7	-\$469.5	\$241.3	\$150.8	166.6%
Appropriations	\$44,939.0	\$46,374.2	\$48,738.5	-\$1,047.2	\$47,696.3	\$1,322.1	2.9%
Reversions	\$0.0	-\$75.0	-\$75.0	\$0.0	-\$75.0	\$0.0	0.0%
Grand Total	\$44,939.0	\$46,299.2	\$48,663.5	-\$1,047.2	\$47,621.3	\$1,322.1	2.9%

Note: The fiscal 2025 working appropriation reflects deficiencies of \$1.9 billion. Fiscal 2024 excludes \$200.6 million, fiscal 2025 excludes \$72.1 million and fiscal 2026 excludes \$99.9 million of special fund spending that double counts general fund spending.

Appendix 6

State Aid to Local Governments – Comparison by Per Capita Aid and Annual Change Fiscal 2025-2026

\$ in Millions								
County	2025	2026	Difference	Percent Difference	Per Capita State Aid		Annual Change in State Aid	
Allegany	\$157.4	\$162.9	\$5.5	3.5%	1. Baltimore City	\$3,160	1. Calvert	18.8%
Anne Arundel	752.1	802.3	50.2	6.7%	2. Caroline	3,081	2. Wicomico	9.6%
Baltimore City	1,663.4	1,786.4	123.0	7.4%	3. Wicomico	2,685	3. Talbot	8.4%
Baltimore	1,192.9	1,269.5	76.6	6.4%	4. Somerset	2,548	4. Baltimore City	7.4%
Calvert	122.4	145.4	23.0	18.8%	5. Dorchester	2,485	5. Washington	6.8%
Caroline	99.4	103.5	4.1	4.1%	6. Allegany	2,421	6. Anne Arundel	6.7%
Carroll	242.3	253.9	11.6	4.8%	7. Prince George's	2,182	7. Baltimore	6.4%
Cecil	182.0	189.6	7.6	4.2%	8. Washington	2,096	8. Worcester	6.0%
Charles	319.9	326.2	6.2	2.0%	9. Charles	1,897	9. Howard	5.3%
Dorchester	80.4	81.7	1.3	1.6%	10. Cecil	1,794	10. Montgomery	5.2%
Frederick	474.4	495.9	21.5	4.5%	11. Garrett	1,699	11. Carroll	4.8%
Garrett	47.0	48.3	1.3	2.7%	12. Frederick	1,690	12. Prince George's	4.6%
Harford	394.6	409.5	14.9	3.8%	13. St. Mary's	1,598	13. Frederick	4.5%
Howard	497.3	523.5	26.3	5.3%	14. Howard	1,558	14. Cecil	4.2%
Kent	20.3	20.8	0.5	2.3%	15. Harford	1,547	15. Caroline	4.1%
Montgomery	1,334.4	1,403.5	69.0	5.2%	16. Calvert	1,535	16. Queen Anne's	4.0%
Prince George's	1,975.5	2,066.8	91.3	4.6%	17. Baltimore	1,503	17. Harford	3.8%
Queen Anne's	60.6	63.0	2.4	4.0%	18. Carroll	1,437	18. Allegany	3.5%
St. Mary's	179.9	184.3	4.3	2.4%	19. Anne Arundel	1,349	19. Garrett	2.7%
Somerset	62.7	63.5	0.8	1.3%	20. Montgomery	1,326	20. St. Mary's	2.4%
Talbot	35.9	38.9	3.0	8.4%	21. Queen Anne's	1,200	21. Kent	2.3%
Washington	305.8	326.6	20.9	6.8%	22. Worcester	1,121	22. Charles	2.0%
Wicomico	256.6	281.3	24.8	9.6%	23. Kent	1,078	23. Dorchester	1.6%
Worcester	57.3	60.7	3.4	6.0%	24. Talbot	1,028	24. Somerset	1.3%
Unallocated	275.1	282.9	7.8	2.8%				
Total	\$10,789.6	\$11,391.0	\$601.4	5.6%	Statewide Average	\$1,843	Statewide Average	5.6%

Appendix 7

State Aid to Local Governments Fiscal 2026 Allowance (\$ in Thousands)

County	County - Municipal	Community Colleges	Direct State Aid				Retirement	Total	Change	
			Public Schools	Libraries	Health	Subtotal			Over FY 2025	Percent Change
Allegany	\$18,901	\$11,440	\$115,724	\$913	\$5,399	\$152,377	\$10,515	\$162,893	\$5,513	3.5%
Anne Arundel	58,462	45,589	590,335	3,234	9,733	707,354	94,936	802,289	50,194	6.7%
Baltimore City	421,424	0	1,260,264	9,812	10,393	1,701,893	84,531	1,786,424	123,047	7.4%
Baltimore	37,898	72,492	1,012,154	7,825	6,824	1,137,194	132,343	1,269,537	76,590	6.4%
Calvert	7,858	4,909	110,548	629	3,463	127,407	17,991	145,398	23,001	18.8%
Caroline	7,835	3,200	83,821	382	2,210	97,446	6,070	103,517	4,114	4.1%
Carroll	11,262	15,019	194,111	1,351	4,798	226,541	27,369	253,909	11,589	4.8%
Cecil	11,699	9,662	146,116	1,013	3,480	171,968	17,655	189,623	7,581	4.2%
Charles	8,072	9,588	272,937	1,442	5,409	297,449	28,714	326,163	6,239	2.0%
Dorchester	9,370	2,111	61,398	364	3,065	76,307	5,392	81,700	1,324	1.6%
Frederick	18,192	23,870	393,716	2,067	5,285	443,130	52,787	495,916	21,495	4.5%
Garrett	7,747	6,161	26,792	144	3,035	43,879	4,426	48,305	1,285	2.7%
Harford	13,304	19,513	323,983	2,249	6,129	365,178	44,321	409,500	14,928	3.8%
Howard	13,564	35,860	386,144	1,311	6,474	443,354	80,190	523,544	26,253	5.3%
Kent	2,197	902	12,501	135	2,625	18,361	2,443	20,803	474	2.3%
Montgomery	73,937	74,842	1,028,507	3,959	5,063	1,186,307	217,143	1,403,450	69,047	5.2%
Prince George's	152,814	52,791	1,693,282	8,838	8,319	1,916,043	150,800	2,066,843	91,324	4.6%
Queen Anne's	3,637	3,569	45,008	224	2,339	54,776	8,212	62,988	2,436	4.0%
St. Mary's	5,465	6,210	149,504	975	4,076	166,230	18,032	184,262	4,347	2.4%
Somerset	10,586	1,430	45,138	344	2,128	59,626	3,845	63,471	818	1.3%
Talbot	4,525	2,605	24,141	141	2,202	33,615	5,253	38,868	3,017	8.4%
Washington	12,989	20,935	262,772	1,667	4,548	302,911	23,726	326,637	20,856	6.8%
Wicomico	23,077	9,658	223,678	1,300	5,525	263,237	18,107	281,345	24,759	9.6%
Worcester	11,184	3,433	31,809	203	4,480	51,109	9,614	60,722	3,413	6.0%
Unallocated	78,396	6,499	175,392	22,583	0	282,871	0	282,871	7,758	2.8%
Total	\$1,024,397	\$442,287	\$8,669,775	\$73,105	\$117,000	\$10,326,564	\$1,064,415	\$11,390,979	\$601,402	5.6%

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Appendix 8
State Aid to Local Governments
Fiscal 2025 Working Appropriation
(\$ in Thousands)

County	County - Municipal	Community Colleges	Direct State Aid				Retirement	Total
			Public Schools	Libraries	Health	Subtotal		
Allegany	\$19,083	\$10,300	\$112,066	\$894	\$4,994	\$147,337	\$10,042	\$157,379
Anne Arundel	56,534	45,157	550,583	3,117	9,155	664,546	87,550	752,096
Baltimore City	395,233	0	1,169,832	9,741	10,393	1,585,199	78,178	1,663,377
Baltimore	37,892	72,386	942,727	7,633	6,814	1,067,452	125,495	1,192,947
Calvert	7,457	5,068	89,252	610	3,223	105,611	16,785	122,396
Caroline	7,967	2,639	80,624	374	2,094	93,697	5,706	99,403
Carroll	9,973	13,932	187,203	1,304	4,481	216,894	25,426	242,320
Cecil	11,129	8,972	140,923	973	3,253	165,250	16,792	182,042
Charles	7,371	9,888	269,514	1,412	5,040	293,225	26,699	319,924
Dorchester	9,390	1,664	61,166	356	2,837	75,414	4,962	80,376
Frederick	17,028	21,906	380,431	1,991	4,966	426,322	48,100	474,421
Garrett	7,616	5,295	26,876	165	2,789	42,741	4,278	47,020
Harford	12,259	18,884	313,683	2,179	5,778	352,784	41,788	394,572
Howard	12,782	34,965	366,793	1,259	5,972	421,771	75,520	497,291
Kent	1,990	904	12,462	132	2,475	17,962	2,367	20,329
Montgomery	70,578	74,313	977,657	3,852	5,056	1,131,456	202,947	1,334,403
Prince George's	165,375	47,910	1,603,348	8,692	8,287	1,833,611	141,908	1,975,519
Queen Anne's	3,295	3,106	44,041	222	2,177	52,842	7,711	60,553
St. Mary's	5,018	6,577	146,666	949	3,829	163,039	16,876	179,916
Somerset	10,054	1,435	45,196	334	2,002	59,022	3,632	62,653
Talbot	4,034	2,590	22,095	139	2,068	30,926	4,925	35,851
Washington	12,257	16,707	248,888	1,664	4,296	283,813	21,968	305,781
Wicomico	22,598	8,413	202,254	1,286	5,132	239,683	16,903	256,586
Worcester	10,658	3,130	30,077	197	4,085	48,147	9,162	57,309
Unallocated	92,389	7,190	153,063	22,471	0	275,113	0	275,113
Total	\$1,009,959	\$423,331	\$8,177,421	\$71,946	\$111,198	\$9,793,856	\$995,722	\$10,789,577

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Appendix 9
State Aid to Local Governments
Dollar Difference Between Fiscal 2026 Allowance and Fiscal 2025 Working Appropriation
(\$ in Thousands)

County	County - Municipal	Community Colleges	<i>Direct State Aid</i>				Retirement	Total
			Public Schools	Libraries	Health	Subtotal		
Allegany	-\$182	\$1,140	\$3,658	\$19	\$405	\$5,040	\$473	\$5,513
Anne Arundel	1,928	432	39,752	117	578	42,808	7,386	50,194
Baltimore City	26,191	0	90,432	71	0	116,694	6,353	123,047
Baltimore	6	106	69,428	192	10	69,742	6,848	76,590
Calvert	401	-159	21,296	19	239	21,795	1,206	23,001
Caroline	-132	561	3,197	8	116	3,750	364	4,114
Carroll	1,289	1,087	6,908	47	316	9,647	1,942	11,589
Cecil	569	690	5,193	40	227	6,719	863	7,581
Charles	701	-300	3,423	30	369	4,224	2,015	6,239
Dorchester	-20	447	232	7	228	893	430	1,324
Frederick	1,165	1,963	13,284	76	319	16,808	4,687	21,495
Garrett	131	866	-84	-21	245	1,137	148	1,285
Harford	1,045	628	10,300	70	351	12,395	2,533	14,928
Howard	782	895	19,351	52	502	21,582	4,671	26,253
Kent	207	-2	40	4	150	398	76	474
Montgomery	3,360	529	50,849	106	7	54,852	14,196	69,047
Prince George's	-12,561	4,881	89,934	146	33	82,432	8,892	91,324
Queen Anne's	342	462	967	2	162	1,935	501	2,436
St. Mary's	447	-367	2,838	26	247	3,191	1,155	4,347
Somerset	532	-4	-58	10	125	605	213	818
Talbot	491	15	2,046	3	134	2,689	328	3,017
Washington	732	4,228	13,884	3	252	19,098	1,758	20,856
Wicomico	479	1,245	21,424	14	393	23,555	1,204	24,759
Worcester	526	303	1,732	5	394	2,961	452	3,413
Unallocated	-13,993	-691	22,329	113	0	7,758	0	7,758
Total	\$14,438	\$18,956	\$492,354	\$1,159	\$5,802	\$532,709	\$68,693	\$601,402

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Appendix 10

State Aid to Local Governments
Percent Change: Fiscal 2026 Allowance over Fiscal 2025 Working Appropriation

County	County - Municipal	Community Colleges	<i>Direct State Aid</i>				Subtotal	Retirement	Total
			Public Schools	Libraries	Health				
Allegany	-1.0%	11.1%	3.3%	2.2%	8.1%		3.4%	4.7%	3.5%
Anne Arundel	3.4%	1.0%	7.2%	3.8%	6.3%		6.4%	8.4%	6.7%
Baltimore City	6.6%	n/a	7.7%	0.7%	0.0%		7.4%	8.1%	7.4%
Baltimore	0.0%	0.1%	7.4%	2.5%	0.1%		6.5%	5.5%	6.4%
Calvert	5.4%	-3.1%	23.9%	3.1%	7.4%		20.6%	7.2%	18.8%
Caroline	-1.7%	21.3%	4.0%	2.1%	5.5%		4.0%	6.4%	4.1%
Carroll	12.9%	7.8%	3.7%	3.6%	7.1%		4.4%	7.6%	4.8%
Cecil	5.1%	7.7%	3.7%	4.1%	7.0%		4.1%	5.1%	4.2%
Charles	9.5%	-3.0%	1.3%	2.1%	7.3%		1.4%	7.5%	2.0%
Dorchester	-0.2%	26.8%	0.4%	2.0%	8.0%		1.2%	8.7%	1.6%
Frederick	6.8%	9.0%	3.5%	3.8%	6.4%		3.9%	9.7%	4.5%
Garrett	1.7%	16.4%	-0.3%	-12.8%	8.8%		2.7%	3.5%	2.7%
Harford	8.5%	3.3%	3.3%	3.2%	6.1%		3.5%	6.1%	3.8%
Howard	6.1%	2.6%	5.3%	4.1%	8.4%		5.1%	6.2%	5.3%
Kent	10.4%	-0.2%	0.3%	2.7%	6.0%		2.2%	3.2%	2.3%
Montgomery	4.8%	0.7%	5.2%	2.8%	0.1%		4.8%	7.0%	5.2%
Prince George's	-7.6%	10.2%	5.6%	1.7%	0.4%		4.5%	6.3%	4.6%
Queen Anne's	10.4%	14.9%	2.2%	1.1%	7.4%		3.7%	6.5%	4.0%
St. Mary's	8.9%	-5.6%	1.9%	2.8%	6.4%		2.0%	6.8%	2.4%
Somerset	5.3%	-0.3%	-0.1%	2.9%	6.2%		1.0%	5.9%	1.3%
Talbot	12.2%	0.6%	9.3%	1.9%	6.5%		8.7%	6.7%	8.4%
Washington	6.0%	25.3%	5.6%	0.2%	5.9%		6.7%	8.0%	6.8%
Wicomico	2.1%	14.8%	10.6%	1.1%	7.7%		9.8%	7.1%	9.6%
Worcester	4.9%	9.7%	5.8%	2.8%	9.7%		6.2%	4.9%	6.0%
Unallocated	-15.1%	-9.6%	14.6%	0.5%	n/a		2.8%	n/a	2.8%
Total	1.4%	4.5%	6.0%	1.6%	5.2%		5.4%	6.9%	5.6%

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Appendix 11
Proposed Reductions to Local Funding
Fiscal 2026
(\$ in Thousands)

County	Total State Aid	Property Assessments Cost Share	Total Fiscal Impact	State-Local Cost Shift	Retirement Reinvestment Reduction
Allegany	-\$3,103	-\$368	-\$3,472	-\$1,393	-\$303
Anne Arundel	-20,348	-1,985	-22,333	-14,039	-2,913
Baltimore City	-37,954	-2,116	-40,070	-12,584	-2,647
Baltimore	-30,848	-2,727	-33,575	-17,908	-3,965
Calvert	-3,415	-371	-3,786	-2,180	-550
Caroline	-1,925	-147	-2,071	-720	-185
Carroll	-5,975	-596	-6,571	-3,826	-834
Cecil	-3,409	-425	-3,835	-1,880	-530
Charles	-6,856	-613	-7,468	-3,638	-883
Dorchester	-1,498	-192	-1,690	-830	-168
Frederick	-12,381	-794	-13,176	-7,496	-1,642
Garrett	-732	-261	-993	-534	-127
Harford	-9,160	-899	-10,060	-5,592	-1,332
Howard	-13,902	-1,026	-14,928	-9,420	-2,431
Kent	-293	-112	-405	-299	-73
Montgomery	-38,849	-3,120	-41,969	-27,555	-6,645
Prince George's	-45,581	-2,636	-48,217	-19,500	-4,604
Queen Anne's	-1,348	-215	-1,563	-974	-248
St. Mary's	-3,877	-431	-4,308	-2,212	-549
Somerset	-977	-147	-1,124	-470	-117
Talbot	-820	-176	-996	-713	-158
Washington	-6,048	-544	-6,592	-3,202	-726
Wicomico	-5,299	-418	-5,717	-2,127	-554
Worcester	-1,058	-581	-1,639	-1,282	-288
Unallocated	-6,871	0	-6,871	-3,271	0
Total	-\$262,530	-\$20,900	-\$283,430	-\$143,645	-\$32,471

Appendix 12
Proposed Reductions to State Aid Programs
Fiscal 2026
(\$ in Thousands)

County	Collaborative Learning	Nonpublic Placements	Retirement Payments	Public Schools Subtotal	Community College Retirement	Supplemental Grants	County Government Subtotal	Total State Aid
Allegany	-\$1,263	-\$270	-\$605	-\$2,138	-\$150	-\$816	-\$816	-\$3,103
Anne Arundel	-8,294	-2,316	-9,085	-19,695	-654	0	0	-20,348
Baltimore City	-22,461	-1,667	-8,802	-32,930	0	-5,024	-5,024	-37,954
Baltimore	-14,167	-4,828	-9,460	-28,456	-892	-1,500	-1,500	-30,848
Calvert	-1,606	-162	-1,582	-3,350	-65	0	0	-3,415
Caroline	-1,008	-12	-509	-1,530	-52	-343	-343	-1,925
Carroll	-2,746	-606	-2,509	-5,860	-115	0	0	-5,975
Cecil	-1,955	-127	-1,275	-3,357	-53	0	0	-3,409
Charles	-3,830	-239	-2,658	-6,728	-128	0	0	-6,856
Dorchester	-706	-47	-551	-1,304	-40	-154	-154	-1,498
Frederick	-5,680	-776	-5,592	-12,048	-334	0	0	-12,381
Garrett	-256	-4	-219	-478	-50	-203	-203	-732
Harford	-4,467	-1,008	-3,385	-8,861	-300	0	0	-9,160
Howard	-5,508	-1,564	-6,675	-13,747	-156	0	0	-13,902
Kent	-106	-22	-161	-289	-4	0	0	-293
Montgomery	-14,414	-3,573	-19,858	-37,845	-1,004	0	0	-38,849
Prince George's	-23,903	-3,864	-12,619	-40,386	-381	-4,814	-4,814	-45,581
Queen Anne's	-589	-67	-644	-1,301	-47	0	0	-1,348
St. Mary's	-2,097	-219	-1,489	-3,804	-74	0	0	-3,877
Somerset	-463	-9	-311	-783	-3	-191	-191	-977
Talbot	-283	-84	-440	-807	-13	0	0	-820
Washington	-3,390	-261	-2,233	-5,883	-165	0	0	-6,048
Wicomico	-2,806	-4	-1,603	-4,413	-102	-784	-784	-5,299
Worcester	-357	-2	-672	-1,031	-28	0	0	-1,058
Unallocated	0	-3,271	0	-5,871	0	0	-1,000	-6,871
Total	-\$122,356	-\$25,000	-\$92,937	-\$242,893	-\$4,807	-\$13,829	-\$14,829	-\$262,530

Notes: *Public Schools Subtotal* includes \$2.6 million in unallocated funding for innovative programs. *County Government Subtotal* includes \$1.0 million in unallocated funding for warrants-absconding grants.

Appendix 13
Proposed State-Local Cost Shift
Fiscal 2026

County	Teacher Retirement	Nonpublic Placement	Community College Retirement	Property Assessments	Total Amount
Allegany	-\$604,665	-\$269,996	-\$149,530	-\$368,390	-\$1,392,581
Anne Arundel	-9,085,294	-2,315,506	-653,581	-1,985,014	-14,039,395
Baltimore City	-8,802,113	-1,666,525	0	-2,115,813	-12,584,452
Baltimore	-9,460,061	-4,828,425	-892,051	-2,727,109	-17,907,646
Calvert	-1,582,278	-161,998	-65,202	-370,543	-2,180,020
Caroline	-509,444	-12,112	-52,201	-146,722	-720,478
Carroll	-2,508,981	-605,599	-115,073	-595,872	-3,825,525
Cecil	-1,274,570	-127,097	-52,552	-425,492	-1,879,710
Charles	-2,658,455	-238,875	-127,911	-612,782	-3,638,023
Dorchester	-550,943	-46,799	-39,563	-192,472	-829,777
Frederick	-5,591,823	-775,771	-333,784	-794,173	-7,495,551
Garrett	-218,799	-3,701	-50,409	-261,421	-534,330
Harford	-3,385,485	-1,007,986	-299,592	-899,388	-5,592,451
Howard	-6,674,510	-1,564,464	-155,657	-1,025,796	-9,420,427
Kent	-161,495	-21,600	-3,994	-111,775	-298,863
Montgomery	-19,857,627	-3,573,395	-1,003,851	-3,120,288	-27,555,160
Prince George's	-12,619,160	-3,863,646	-380,902	-2,635,958	-19,499,667
Queen Anne's	-644,041	-67,289	-47,238	-215,127	-973,695
St. Mary's	-1,488,506	-218,688	-73,508	-431,134	-2,211,836
Somerset	-311,025	-9,000	-3,041	-146,529	-469,594
Talbot	-440,098	-84,111	-12,858	-176,145	-713,212
Washington	-2,232,752	-260,744	-165,137	-543,828	-3,202,461
Wicomico	-1,602,847	-4,206	-102,041	-418,048	-2,127,141
Worcester	-672,312	-1,800	-27,560	-580,573	-1,282,244
Unallocated	0	-3,270,667	0	0	-3,270,667
Total	-\$92,937,284	-\$25,000,000	-\$4,807,229	-\$20,900,392	-\$143,644,904

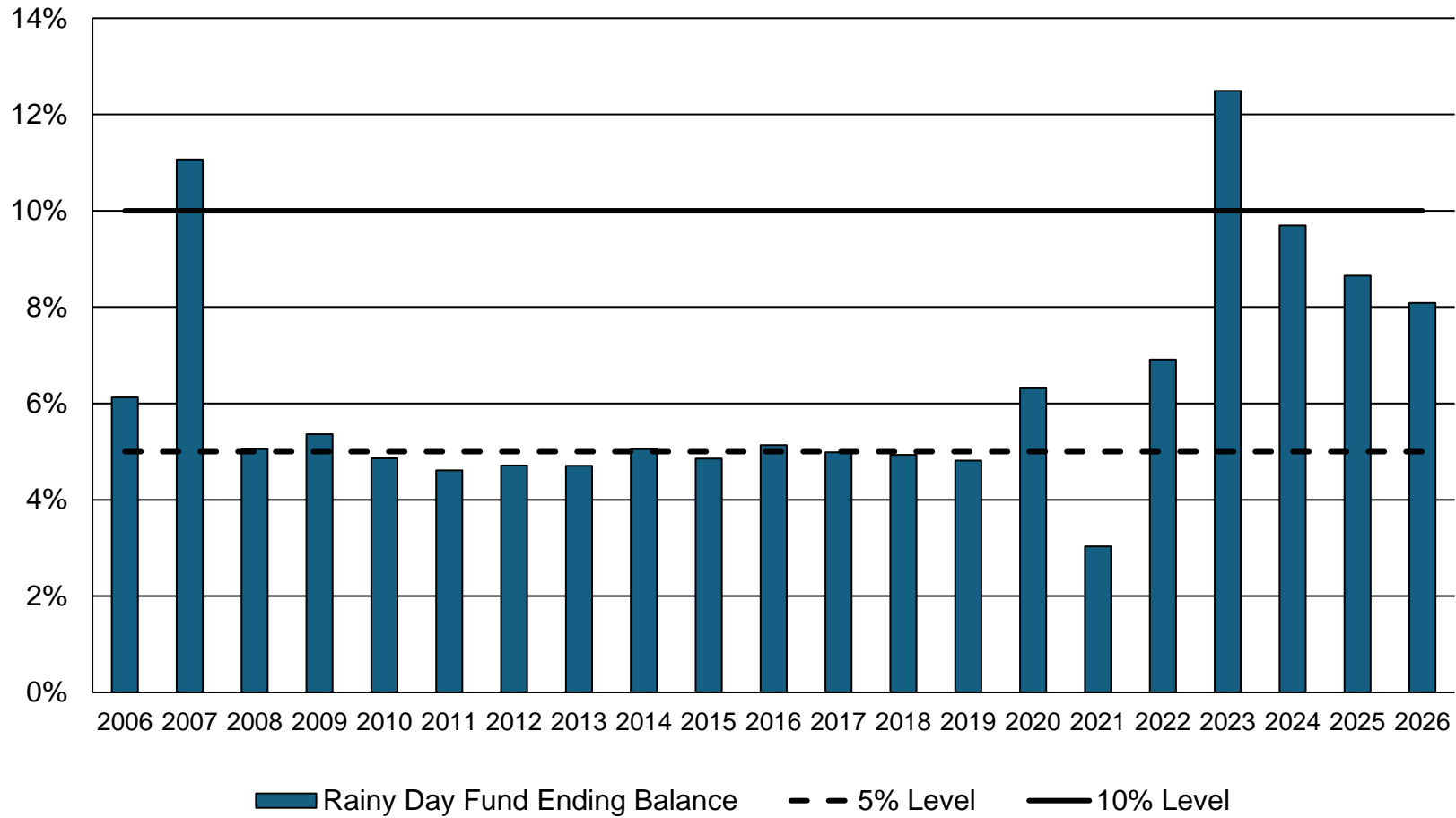
Appendix 14
Proposed Reductions to Retirement Reinvestment Plan
Fiscal 2026

County	Public Schools	Libraries	Community Colleges	Total Amount
Allegany	-\$254,172	-\$4,524	-\$43,963	-\$302,659
Anne Arundel	-2,713,720	-53,281	-146,258	-2,913,259
Baltimore City	-2,589,991	-56,824	0	-2,646,815
Baltimore	-3,676,277	-81,559	-206,743	-3,964,579
Calvert	-520,088	-15,743	-13,820	-549,651
Caroline	-172,260	-3,101	-9,315	-184,676
Carroll	-777,065	-23,261	-34,138	-834,464
Cecil	-498,439	-12,736	-18,906	-530,081
Charles	-839,691	-16,681	-26,993	-883,365
Dorchester	-159,507	-2,152	-6,146	-167,805
Frederick	-1,550,889	-30,791	-60,696	-1,642,376
Garrett	-109,601	-3,200	-14,350	-127,151
Harford	-1,230,072	-35,309	-66,329	-1,331,710
Howard	-2,287,026	-59,357	-84,261	-2,430,644
Kent	-68,383	-1,791	-2,627	-72,801
Montgomery	-6,362,692	0	-282,539	-6,645,231
Prince George's	-4,400,814	-60,879	-142,204	-4,603,897
Queen Anne's	-231,345	-6,184	-10,389	-247,918
St. Mary's	-519,420	-11,710	-17,485	-548,615
Somerset	-110,550	-2,199	-3,785	-116,534
Talbot	-146,243	-4,461	-7,584	-158,288
Washington	-673,941	-12,493	-39,685	-726,119
Wicomico	-521,724	-6,530	-25,556	-553,810
Worcester	-271,090	-7,900	-9,086	-288,076
Total	-\$30,685,000	-\$512,666	-\$1,272,858	-\$32,470,524

Appendix 15
General Fund: End-of-year Balances
Fiscal 2024-2026
(\$ in Millions)

	<u>2024</u> <u>Actual</u>	<u>2025</u> <u>Working</u>	<u>2026</u> <u>Allowance</u>
Total Funds Available	\$28,307	\$27,466	\$27,141
Total Spending	\$27,247	\$27,309	\$27,035
Cash Balance	\$1,060	\$157	\$106
Structural Balance (Ongoing Revenues Less Ongoing Spending)	\$220	-\$914	-\$187
Ratio (Ongoing Revenues/Ongoing Operating Costs)	100.9%	96.5%	99.3%
Reserve Fund Activity			
Appropriations to Rainy Day Fund	\$1,061	\$0	\$419
Transfers to General Fund	-479	-346	-219
Estimated Rainy Day Fund Balance – June 30	\$2,411	\$2,185	\$2,050
Available Cash Balance (General Funds + Rainy Day Fund Above 5%)	\$2,240	\$1,079	\$875
Rainy Day Fund Balance In Excess of 5%	\$1,180	\$922	\$769

Appendix 16
Rainy Day Fund Balance as a Percentage of General Fund Revenues
Fiscal 2005-2025



Appendix 17
General Fund – Proposed Fiscal 2026 Changes Over Adjusted Fiscal 2025 Spending
(\$ in Millions)

Aid to Local Governments	\$70.4
Teacher Retirement and Community College Retirement Aid, including contingent reductions to alter State share	99.0
Other Education and Library Aid	13.0
Local Health Department Funding	5.8
Cade Funding Formula for Community Colleges	18.7
One-time legislative additions	-0.9
End of mandate for Behavioral Health Crisis	-5.0
Disparity Grant formula changes	-11.9
Teacher Retirement Supplemental Grant contingent reduction to begin phase-out	-13.8
Nonpublic Placement Program, including contingent reduction altering State share of costs	-25.4
Other Local Aid, primarily due to delays in the Pollbook and Voting System IT projects	-9.0
Entitlements	\$181.8
Medicaid and Medicaid Behavioral Health: Enrollment and utilization changes (\$164.8 million), 1% provider rate increase (\$16.4 million), Behavioral Health Administrative Services Organization Contract (\$4.5 million), increase in Medicaid Deficit Assessment (-\$46.3 million), one-time legislative additions (-\$0.5 million)	139.6
Foster Care Maintenance Payments: Primarily due to lower use of federal Temporary Assistance for Needy Families Funds (\$30.4 million) and availability of Title IV-E (\$10 million)	41.6
Assistance Payments Program: Temporary Cash Assistance due to lower availability of federal funds and benefit changes despite declining caseload (\$11.9 million), Temporary Disability Assistance Program due to benefit changes (\$2.6 million), SNAP Electronic Benefit Transfer Fraud Replacement due to elimination of federal funds (\$1.6 million), and annualization of changes to the Senior SNAP minimum benefit following eligibility and benefit changes in Chapter 349 and 350 of 2024 (\$0.7 million)	16.8
Tax Credits: Renters Tax Credit (\$0.1 million), more than offset by Enterprise Zone Tax Credit including contingent reduction due to freezing new enrollment (-\$8.0 million) and Homeowners Tax Credit (-\$8.2 million)	-16.1
Major Personnel Costs	\$141.5
Fiscal 2026 cost-of-living adjustments and increments	177.0
Health insurance	0.0
Correctional officer bonuses based on anticipated costs	2.0
One-time reduction in Unemployment Insurance Rate	6.0
Eliminate Retirement Reinvestment, contingent	-43.6
State Agency Operations	-\$128.5
Maryland Department of Health	
Replacement of funds for COVID related expenses, for which federal funds were determined to be not available	49.4
1% provider rate increase for behavioral health and developmental disabilities providers	17.4
Provider reimbursements for behavioral health services for Medicaid eligible recipients for non-Medicaid-eligible services and uninsured, net of a contingent reduction to allow the use of special funds from health occupation boards	17.0
Provider contributions for FAMLI	14.8
Community Services for behavioral health	11.1
One-time deficiencies for delayed opening of unit at Finan Center and delayed move	7.8
One-time costs related to an IRS settlement	-4.8
One-time deficiency appropriation for an emergency contract for HVAC at Perkins Hospital	-9.8
One-time replacement of general funds in lieu of Cigarette Restitution Funds in the Breast and Cervical Cancer Diagnosis and Treatment Services and behavioral services	-11.7
One-time use of Waiting List Equity Fund balance for services (\$15.0 million); direct transitioning youth into the traditional model (-\$9.6 million); contingent reduction due to alteration of the self-directed services program (-\$14.5 million); and continuation of DDA cost containment related to Low Intensity Support Services, wage exception process, reasonable and customary wages, elimination of geographical wages, dedicated hours utilization, and reducing state only funded services (-\$129.8 million)	-138.9
Other State Agency Operations	
DoIT: Information Technology Investment Fund, net of a contingent reduction to eliminate the mandate related to Expedited Projects	77.0
DPSCS: Inmate medical and mental health contract (\$38.8 million), overtime (\$5.0 million), audio visual equipment (\$4.1 million), information technology equipment (\$1.2 million)	49.1
Higher Education: University System of Maryland and Morgan State University (\$48 million) due to the impact of fiscal 2025 salary adjustments not yet reflected in the budget of the universities, St. Mary's College of Maryland net of the contingent reduction (\$2.3 million), HBCU Funding primarily due to the use of special funds in lieu of general funds in fiscal 2025 (\$2.0 million), Contingent reduction to eliminate Native Plants Program mandate (-\$0.2 million), Baltimore City Community College net of the contingent reduction (-\$3.5 million)	48.5
Sunny Day Fund: Capitalize fund and alter purpose to business attraction	25.0
GOC: ENOUGH Act Increase	22.9
DJS: Community based youth programming (\$7.2 million), reopening of Catoctin Center (\$3.0 million), per diem costs (\$2.3 million), IT equipment net of deficiency for security related IT upgrades (\$1.6 million)	14.0

DHS: MD THINK related cloud services (\$7.1 million), Call Center (\$0.8 million), one-time deficiency related to a rate reform support contract (-\$1.2 million)	6.7
WNADA: Additional funding for grants for development projects	5.0
Judiciary including for contractual personnel, supplies, equipment, and contractual services	4.0
MHEC: One-time use of special funds in lieu of general funds in fiscal 2025 for Education Excellence Awards (\$22 million), Seller funding formula (\$0.7 million), Police Officers and Probation Officers Scholarship program (\$0.3 million), one-time higher education security enhancement (-\$18.8 million)	4.3
GOCPP: Protecting Against Hate Crimes Program (\$5 million)	5.0
DSP: Vehicle repair and maintenance (\$3.0 million), contracts related to specialized IT programmers (\$1.3 million), helicopter repair and replacement (\$1.0 million), Maryland Coordination and Analysis Center (-\$1.4 million)	3.0
Commerce: Industry 4.0 Technology Grant (\$5.0 million), Biotechnology Investment Tax Credit fund swap (\$1.6 million), Biohub Maryland Initiative (\$1.5 million), grant to Ignite Capital (\$1.0 million), partially offset by a decrease in the More Jobs for Marylanders Tax Credit Reserve Fund based on expected awards (-\$6.4 million)	2.7
BPW: Payments for erroneously confirmed individuals	2.6
DHCD: Statewide Rental Assistance Voucher Program	2.5
Comptroller: Third party call center contract	2.5
MSA: Baltimore City Convention Center and Ocean City Convention Center subsidies	1.8
TEDCO: Stem Cell Research Fund	-5.0
DNR: Restoration of the Fisheries Research and Development Fund mandate (\$1.8 million) more than offset by a higher contingent reduction related to expanded the uses of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (-\$7.9 million)	-6.1
MD Labor: Redevelopment of Laurel and Bowie Race Course due to Chapter 410 of 2024 (\$4.5 million), Cyber Maryland program contingent on a transfer of the from TEDCO (\$3.0 million), and Talent Innovation Program (\$2.0 million), more than offset by a one-time deficiency for Unemployment Insurance administration contracts (-\$17.4 million)	-9.5
SDAT: Contingent reduction to alter cost share from a 50/50 share to 90/10	-20.9
MSDE: Autism Waiver partially due to use of special funds in lieu of general funds in fiscal 2025 (\$6.9 million), Adult high school pilot program (\$0.3 million), one-time deficiency for assessment contracts (-\$10.0 million), child care scholarship (-\$30.9 million)	-33.8
One-time costs related to the State Center settlement	-46.8
DPA: One-time operating support for WMATA	-150.0
Estimated savings from initiative to modernize State government and increase efficiency	-50.0
One-time legislative additions	-59.9
Other changes	24.5
Reserve Fund	\$60.8
DPA: Capital of Quantum Initiative (\$17.5 million), Strategic Infrastructure Revolving Loan Fund established in Chapter 449 of 2024 (\$10.0 million), Coverage of Biomarker Testing in Medicaid due to Chapters 322 and 323 of 2023 (\$8.0 million), Certified Sites Program (\$7.0 million), EARN program in MD Labor (\$5.0 million), Additional staffing for DPSCS Division of Parole and Probation (\$5.0 million), Child Care Capital Revolving Loan Fund (\$2.2 million), Cyber Workforce Grants (\$2.0 million), Permitting/licensing and other IT improvements (\$2.0 million), Baltimore Cyber Ranges (\$1.3 million), MD Labor Office of Strategic Initiatives (\$1.0 million), Hagerstown Public Safety Feasibility Study (\$250,000)	61.3
One-time legislative addition	-0.5
Capital	-\$116.4
DGS: IonQ	10.0
DPA: Downtown Frederick Hotel (\$7.5 million) and Johns Hopkins University Whiting School (\$2.0 million)	9.5
MEDCO: Cannabis Incubator	3.0
DGS: State Center Demolition	0.8
MDE: Hazardous Substance Cleanup	-0.4
One-time legislative additions in DHCD and IAC	-3.3
End of planned funding for the Downtown Partnership	-9.0
One-time PAYGO funding for Miscellaneous Projects	-38.0
DHCD: Use of GO Bond funds in lieu of General Funds in fiscal 2026	-89.1
Debt Service	-\$215.4
Fiscal 2024 costs paid in fiscal 2025 net of prior year planned reversions:	-268.2
Total	-\$274.1
BPW: Board of Public Works	
Commerce: Department of Commerce	
DDA: Developmental Disabilities Administration	

DGS: Department of General Services
DHCD: Department of Housing and Community Development
DHS: Department of Human Services
DJS: Department of Juvenile Services
DNR: Department of Natural Resources
DoIT: Department of Information Technology
DPA: Dedicated Purpose Account
DPSCS: Department of Public Safety and Correctional Services
DSP: Department of State Police
FAML: Family and Medical Leave Insurance
GO: general obligation
GOC: Governor's Office for Children
GOCPP: Governor's Office of Crime Prevention and Policy
IAC: Interagency Commission on School Construction
MDE: Maryland Department of the Environment
MEDCO: Maryland Economic Development Corporation
MHEC: Maryland Higher Education Commission
MSA: Maryland Stadium Authority
MSDE: Maryland State Department of Education
PAYGO: pay-as-you-go
SDAT: State Department of Assessments and Taxation
SNAP: Supplemental Nutrition Assistance Program
TEDCO: Maryland Technology Development Corporation
WMATA: Washington Metropolitan Area Transit Authority
WNADA: West North Avenue Development Authority

Appendix 18

Funds Remaining in Dedicated Purpose Account

<u>Purpose</u>	<u>Funds Available</u>		<u>Total</u>
	<u>From Prior Years</u>	<u>From Fiscal 2026</u>	
PAYGO, Including Facilities Renewal	\$56.17		\$56.17
State Center Relocation	29.88		\$29.88
Apprenticeships	25.00		\$25.00
Autism Waiver Expansions	12.00		\$12.00
Trauma Facilities	7.67		\$7.67
Awards to Erroneously Confined Individuals	4.69		\$4.69
Veterans Home	2.50		\$2.50
Unified Financial Aid System for Higher Education	0.82		\$0.82
State Police Gun Center	0.41		\$0.41
Domestic Violence Center Grants	0.36		\$0.36
Rebuild State Government and Modernize HR	0.20		\$0.20
Cross-jurisdictional Task Forces	0.10		\$0.10
Little Italy Business Improvement District	0.10		\$0.10
Food Banks	0.01		\$0.01
Violence Prevention and Interruption Grants	0.00		\$0.00
Climate Solutions Now SEIF	36.32	\$180.00	\$216.32
Capital of Quantum Initiative		17.50	\$17.50
Strategic Infrastructure Revolving Fund		10.00	\$10.00
Biomarker Bill		8.00	\$8.00
Downtown Frederick Hotel Project		7.50	\$7.50
Certified Sites Program		7.00	\$7.00
Division of Parole and Probation Staffing		5.00	\$5.00
EARN Maryland Program		5.00	\$5.00
Child Care Capital Revolving Fund		2.20	\$2.20
Johns Hopkins University Whiting School		2.00	\$2.00
Economic Agenda IT Investments		2.00	\$2.00
Cyber Workforce Grants		2.00	\$2.00
Baltimore Cyber Ranges		1.30	\$1.30
Labor Office of Strategic Initiatives		1.00	\$1.00
Hagerstown Public Safety Project		0.25	\$0.25
	\$176.22	\$250.75	\$426.97

HR: human resources

IT: information technology

PAYGO: pay-as-you-go

SEIF: Strategic Energy Investment Fund

Appendix 19
Budget Reconciliation and Financing Act
Contingent Special Fund Appropriations Replacing General Fund Reductions

	<u>2025</u>	<u>2026</u>
MDH – Increase the Medicaid Hospital Deficit Assessment	\$50.0	100.0
SDAT – Alter the cost share of SDAT operations with local jurisdictions from 50/50 to 90/10		20.9
MDH – Remove the requirement that Waiting List Equity Funds not be used to supplant funds for emergency community placements and transitioning students, allowing for a broader use of the funds	15.0	
DNR – Allow funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be used for operating expenses in the Chesapeake and Coastal Services Program	2.6	10.5
MDE – Allow Strategic Energy Investment Funds to be used for general expenses of the Air and Radiation Administration	6.6	6.1
DSP – Expands the use of MEMSOF for the Aviation Program	5.5	5.5
MCA - Allow the Cannabis Regulation and Enforcement Fund to be used to fulfill the mandate for the Social Equity Partnership Grant Program		5.0
MDH – Allow for special fund balance for various health occupation boards to be used to support behavioral health services		4.0
OAG – Allow funds from the Securities Registration Act Fund to be used for general agency operations	1.7	1.7
Office of Correctional Ombudsman – Allow the Performance Incentive Grant Fund to be used for agency operations		1.0
OAG – Require the Governor to meet the mandate for the Consumer Protection Division with special funds instead of general funds		0.4
Total	\$81.3	\$155.0

DDA: Developmental Disabilities Administration
DPA: Dedicated Purpose Account
DNR: Department of Natural Resources
DSP: Department of State Police

MCA: Maryland Cannabis Administration
MDE: Maryland Department of the Environment
MDH: Maryland Department of Health
OAG: Office of the Attorney General
SDAT: State Department of Assessments and Taxation
SEIF: Strategic Energy Investment Fund

Appendix 20

Comparison of Transportation Trust Fund Forecasts Fiscal 2024-2029 v. Fiscal 2025-2030 (\$ in Millions)

	<u>January 2024</u> <u>2024-2029</u>	<u>January 2025</u> <u>2025-2030</u>	<u>Difference</u>
Revenues			
Taxes and Fees			
Motor Vehicle Fuel Taxes	\$8,569	\$8,246	-\$323
Titling Taxes	6,842	6,921	79
Sales Tax – Rental Vehicles and EV Electricity	266	267	1
Corporate Income Tax	2,505	2,898	393
Registration Fees	2,534	3,595	1,061
Miscellaneous Motor Vehicle Fees	1,727	1,972	245
Electric Vehicle Surcharge	0	244	244
Transportation Network Company Fee	0	257	257
Subtotal – Taxes and Fees	\$22,444	\$24,400	\$1,956
Other Revenues			
Operating Revenues	\$2,898	\$3,061	\$163
Federal Operating Assistance	827	839	12
Bond Proceeds/Premiums	2,050	2,155	105
Federal COVID/Stimulus	121	6	-115
Other	551	1,982	1,431
General fund transfers in	920	965	45
Change in Fund Balance	422	106	-316
Subtotal – Other Revenues	\$7,789	\$9,114	\$1,325
Total Revenues	\$30,232	\$33,514	\$3,281
Expenditures			
Debt Service	\$2,703	\$2,756	\$53
Operating Budget	17,918	19,953	2,035
Deductions to Other Agencies	0	0	0
Highway User Revenues Capital Grants	2,152	2,355	202
State Capital Program	7,459	8,450	990
Total Expenditures	\$30,232	\$33,513	\$3,281

	January 2024 <u>2024-2029</u>	January 2025 <u>2025-2030</u>	<u>Difference</u>
Capital Summary			
Special Fund Capital (excl. HUR)	\$7,459	\$8,450	\$990
HUR Grants	2,152	2,355	202
Net Federal Capital (Cash Flow)	8,344	7,753	-591
Other Funds	2,197	2,645	448
Total Capital	\$20,153	\$21,202	\$1,050

EV: electric vehicles

HUR: Highway User Revenues

Appendix 21

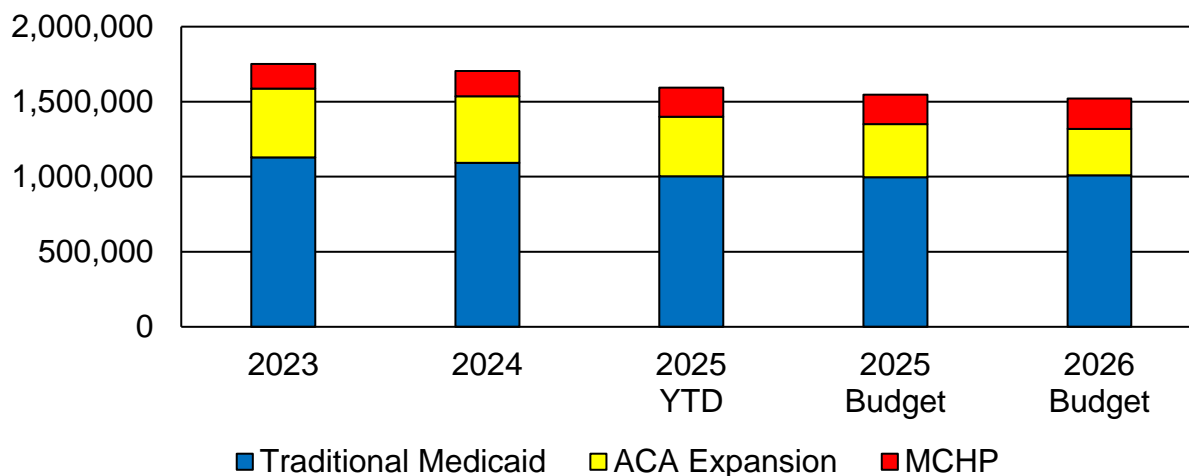
Medicaid and Maryland Children’s Health Program Budget

As a condition of receiving an enhanced federal match on qualifying Medicaid and Maryland Children’s Health Program (MCHP) spending during the COVID-19 public health emergency, the Maryland Department of Health (MDH) was required to freeze disenrollment with limited exceptions. Maryland implemented a 12-month redetermination schedule (referred to as the unwinding period) that started on April 1, 2023.

The unwinding period yielded fewer disenrollments than expected as fiscal 2024 average monthly enrollment decreased by 2.7%, or about 47,000 participants, compared to fiscal 2023. The low rate of disenrollment was partially due to system errors causing MDH to temporarily pause or not apply certain disenrollments and outreach efforts and waiver flexibilities implemented during the unwinding period to keep eligible participants enrolled.

The proposed fiscal 2026 budget anticipates that caseloads in fiscal 2025 and 2026 will decrease compared to the fiscal 2024 actual and fiscal 2025 year-to-date enrollment due to the expiration of waiver flexibilities and ongoing system reconciliation. The Affordable Care Act (ACA) Expansion group accounts for most of the enrollment decline in both years, while traditional Medicaid and MCHP caseloads are projected to increase in fiscal 2026, mainly driven by enrollment growth among children and parents/caretakers.

**Medicaid and MCHP Average Monthly Enrollment
Fiscal 2023-2026 Budget**



ACA: Affordable Care Act
MCHP: Maryland Children’s Health Program
YTD: year to date

Note: Beginning in fiscal 2024, MCHP enrollment includes noncitizen pregnant and postpartum individuals participating in the Healthy Babies Initiative.

The fiscal 2026 allowance for Medicaid and MCHP increases by \$154 million, or 1%, across all funds compared to the fiscal 2025 working appropriation, excluding a proposed deficiency of \$510 million for fiscal 2024 service costs paid in fiscal 2025.

Medicaid and MCHP Expenditures
Fiscal 2024-2026
(\$ in Millions)

	<u>Actual</u> <u>2024</u>	<u>Working</u> <u>2025</u>	<u>Allowance</u> <u>2026</u>	<u>\$ Change</u> <u>2025-2026</u>	<u>% Change</u> <u>2025-2026</u>
General Funds	\$5,080.8	\$5,436.1	\$5,575.6	\$139.6	2.6%
Special Funds	763.8	793.3	861.7	68.4	8.6%
Federal Funds	9,488.0	9,192.9	9,139.3	-53.6	-0.6%
Total	\$15,332.5	\$15,422.3	\$15,576.6	\$154.3	1.0%
Prior Year Costs		\$509.9	\$0.0	-\$509.9	100.0%

MCHP: Maryland Children's Health Program

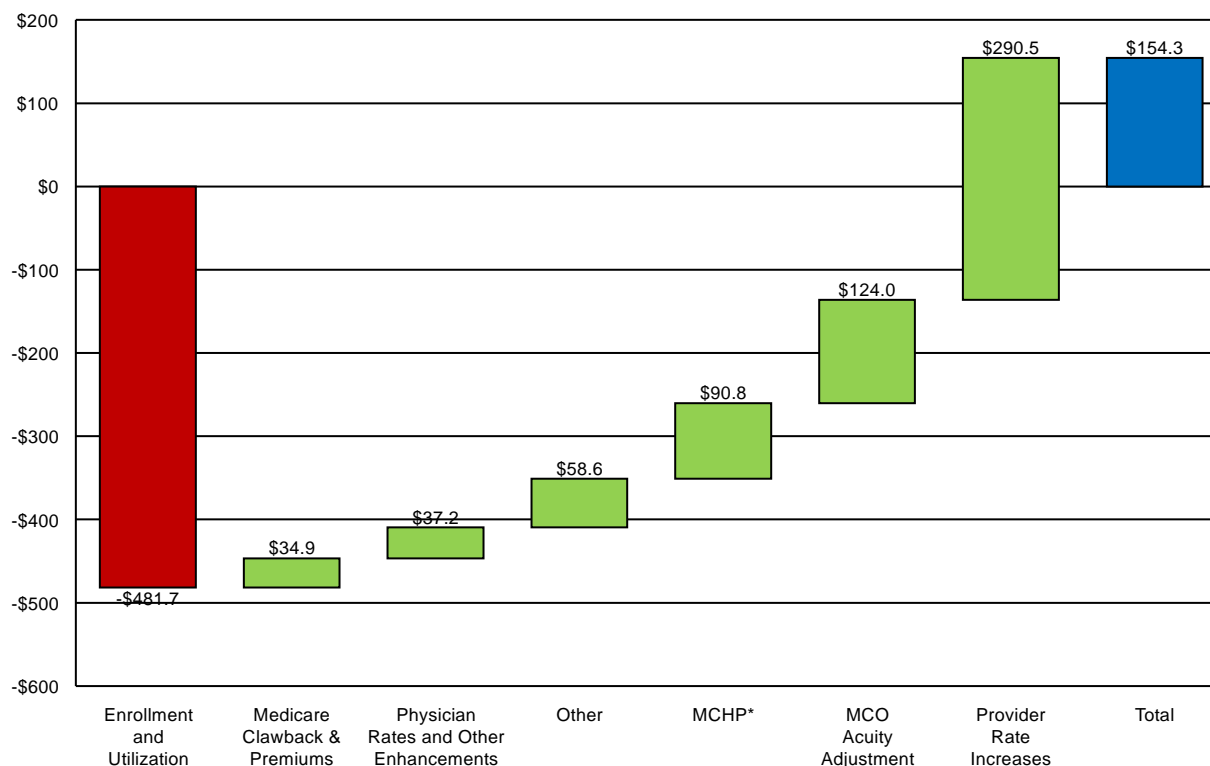
Note: Includes MCHP, Senior Prescription Drug Assistance Program, and behavioral health payments under Medicaid. The fiscal 2025 working appropriation includes deficiency appropriations. The fiscal 2026 allowance includes contingent reductions.

As shown in the following chart, the largest total fund change in fiscal 2026 spending compared to the fiscal 2025 working appropriation is a decrease of \$482 million due to the anticipated decline in Medicaid enrollment, combined with utilization assumptions. This reduction is more than offset by various spending increases, including \$291 million in provider rate increases, such as:

- an average 3.5% increase in calendar 2025 managed care organization (MCO) rates totaling \$200 million;
- a 5.11% increase for regulated hospital rates; and
- 1% increases for long-term services and supports and behavioral health providers, effective July 1, 2025.

The fiscal 2026 budget also increases by \$124 million in total funds to adjust MCO capitated rates based on higher expected health care needs and acuity among enrollees.

Fiscal 2025 to 2026 Medicaid Expenditure Growth in Total Funds (\$ in Millions)



MCHP: Maryland Children's Health Program

MCO: managed care organization

*MCHP includes spending for the Healthy Babies Initiative.

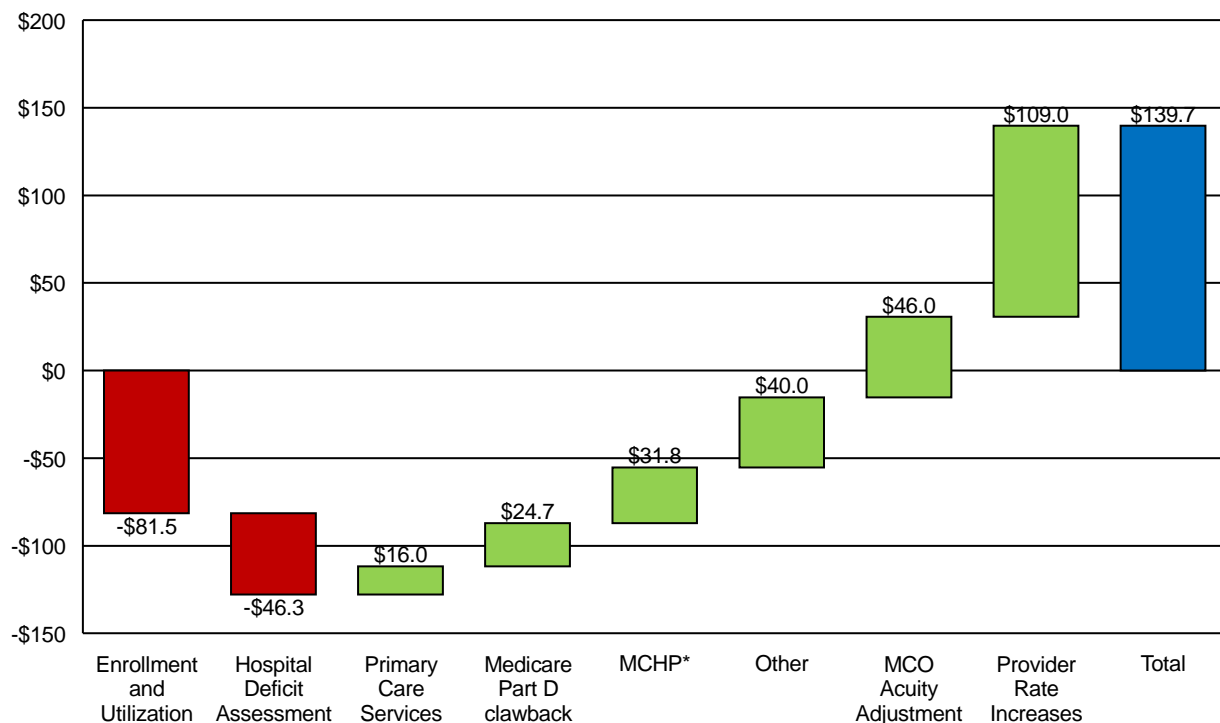
Note: Numbers may not sum to total due to rounding. Includes MCHP, the Senior Prescription Drug Assistance Program, and behavioral health payments under Medicaid. The fiscal 2025 working appropriation includes deficiency appropriations, with exception to a deficiency appropriation of \$510 million for service year 2024 costs. Fiscal 2026 includes contingent reductions.

The following chart shows components of the \$140 million increase in fiscal 2026 Medicaid general fund spending. Provider rate increases account for most of the expenditure growth (\$109 million). Increased spending is partially offset by a reduction of \$82 million due to declining Medicaid enrollment. Adults in the ACA expansion group are projected to have the largest rate of disenrollment in fiscal 2025 and 2026, and considering the enhanced federal match this group receives, the general fund impact of these disenrollments is substantially lower than the total fund impact.

General fund spending decreases by \$46.3 million in fiscal 2026 to be backfilled with additional special funds from the Medicaid deficit assessment contingent on enactment of the Budget Reconciliation and Financing Act (BRFA) of 2025. The BRFA would increase the deficit assessment imposed on Maryland hospitals from \$294.8 million to \$344.8 million in fiscal 2025 and \$394.8 million in fiscal 2026.

Section 31 of the Fiscal 2025 Budget Bill authorized a transfer of up to \$100 million from the Revenue Stabilization Account (Rainy Day Fund) to cover Medicaid expenditures. Despite documentation in the budget books that \$100 million will be transferred to Medicaid, the fiscal 2025 working appropriation does not reflect the available special funds.

Fiscal 2025 to 2026 Medicaid Expenditure Growth in General Funds



MCHP: Maryland Children's Health Program

MCO: managed care organization

* MCHP includes spending for the Healthy Babies Initiative.

Note: Numbers may not sum to total due to rounding. Includes MCHP, the Senior Prescription Drug Assistance Program, and behavioral health payments under Medicaid. The fiscal 2025 working appropriation includes deficiency appropriations, with exception to a deficiency appropriation of \$232 million for service year 2024 costs. Fiscal 2026 includes contingent reductions.

Appendix 22
Capital Program Summary for the 2025 Session

Function	Bonds		Current Funds (PAYGO)			Total
	General Obligation	Revenue	General	Special	Federal	
State Facilities						\$123.7
Facilities Renewal	\$54.7	\$0.0	\$0.0	\$0.0	\$0.0	
State Facilities Other	68.0	0.0	0.8	0.0	0.2	
Health/Social						\$101.0
Health Other	\$11.5	\$0.0	\$0.0	\$0.0	\$0.0	
Health State Facilities	14.6	0.0	0.0	0.0	0.0	
Private Hospitals	74.9	0.0	0.0	0.0	0.0	
Environment						\$565.3
Agriculture	\$0.0	\$0.0	\$0.0	\$33.6	\$0.0	
Environment	40.4	0.0	0.6	196.7	174.6	
MD Env. Services	2.6	0.0	0.0	5.6	0.0	
Natural Resources	9.0	0.0	0.0	95.6	6.5	
Public Safety						\$124.4
State Corrections	\$111.4	\$0.0	\$0.0	\$0.0	\$0.0	
State Police	12.9	0.0	0.0	0.0	0.0	
Education						\$844.4
Education Other	\$19.7	\$0.0	\$0.0	\$0.0	\$0.0	
School Construction	444.4	302.2	0.0	78.1	0.0	
Higher Education						\$474.3
Community Colleges	\$72.2	\$0.0	\$0.0	\$9.0	\$0.0	
Morgan State Univ.	104.2	0.0	0.0	0.0	0.0	
Private Colleges/Universities	8.0	0.0	0.0	0.0	0.0	
University System	250.8	30.0	0.0	0.0	0.0	
Housing and Community Development						\$403.8
Housing	\$250.0	\$0.0	\$0.0	\$97.1	\$42.2	
Housing Other	9.4	0.0	5.0	0.2	0.0	
Local Projects						\$232.2
Local Project Administration	\$147.7	\$0.0	\$34.5	\$0.0	\$0.0	
Local Project Legislative	50.0	0.0	0.0	0.0	0.0	
Transportation						\$198.5
Port	\$31.5	\$0.0	\$0.0	\$0.0	\$0.0	
Transit	167.0	0.0	0.0	0.0	0.0	
Current Year Total (Excluding MDOT)	\$1,955.0	\$332.2	\$40.9	\$516.0	\$223.5	3,067.6
Transportation CTP	0.0	245.0	0.0	1,235.5	1,303.0	2,783.5
Total Current Year (Including MDOT)	\$1,955.0	\$577.2	\$40.9	\$1,751.4	\$1,526.6	\$5,851.0
Deauthorizations	-\$64.83	\$0.00	\$0.00	\$0.00	\$0.00	-\$64.8
Total Current Year Less Deauthorizations	\$1,890.1	\$577.2	\$40.9	\$1,751.4	\$1,526.6	\$5,786.2
Fiscal 2025 Deficiencies	\$0.0	\$0.0	\$34.8	\$3.0	\$3.5	\$41.3
Grand Total	\$1,955.0	\$577.2	\$75.6	\$1,754.4	\$1,530.1	\$5,892.3

Appendix 23
Top Funded Capital Programs and Projects - All Funds
Fiscal Year 2026

Project Title	GO Bond	Revenue	General	Special	Federal	Total Funds
IAC: Built To Learn Fund	0.0	302.2	0.0	69.0	0.0	371.2
IAC: Public School Construction Program	290.9	0.0	0.0	9.1	0.0	300.0
MDE: Maryland Water Quality Revolving Loan Fund	15.0	0.0	0.0	110.7	77.6	203.3
MDOT: Washington Metropolitan Transit Authority Upgrades	167.0	0.0	0.0	0.0	0.0	167.0
MDE: Maryland Drinking Water Revolving Loan Fund	11.5	0.0	0.0	21.0	97.0	129.5
DHCD: Rental Housing Programs	85.0	0.0	0.0	19.5	9.0	113.5
DPSCS: Baltimore Therapeutic Treatment Center	91.9	0.0	0.0	0.0	0.0	91.9
IAC: Healthy School Facility Fund	90.0	0.0	0.0	0.0	0.0	90.0
TSU: Smith Hall Renovation and Reconstruction	71.1	0.0	0.0	0.0	0.0	71.1
MSU: New Science Center, Phase II	69.6	0.0	0.0	0.0	0.0	69.6
MHEC: Community College Construction Grant Program	60.2	0.0	0.0	0.0	0.0	60.2
DHCD: Strategic Demolition Fund	60.0	0.0	0.0	0.0	0.0	60.0
UMCP: New Interdisciplinary Engineering Building – Zupnik Hall	58.7	0.0	0.0	0.0	0.0	58.7
DHCD: Housing and Building Energy Programs	0.0	0.0	0.0	56.5	0.0	56.5
IAC: Supplemental Capital Grant Program for Local School Systems	53.9	0.0	0.0	0.0	0.0	53.9
BPW: Facilities Renewal Fund	53.2	0.0	0.0	0.0	0.0	53.2
BPW: New Supreme Court of Maryland Building	51.1	0.0	0.0	0.0	0.0	51.1
MDE: Bay Restoration Fund Wastewater Program	0.0	0.0	0.0	50.0	0.0	50.0
UMB: New School of Social Work Building	42.9	0.0	0.0	0.0	0.0	42.9
MISC: Inner Harbor Promenade	38.0	0.0	0.0	0.0	0.0	38.0
SU: Blackwell Hall Renovation	35.0	0.0	0.0	0.0	0.0	35.0
MDA: Agricultural Land Preservation Program	0.0	0.0	0.0	33.6	0.0	33.6
UMMS: Comprehensive Cancer Center	32.0	0.0	0.0	0.0	0.0	32.0
MDOT: Howard Street Tunnel	31.5	0.0	0.0	0.0	0.0	31.5
USMO: Capital Facilities Renewal	0.0	30.0	0.0	0.0	0.0	30.0
DHCD: Neighborhood Business Development Program	10.0	0.0	0.0	2.2	16.1	28.4
DHCD: Baltimore Regional Neighborhood Initiative	27.0	0.0	0.0	0.0	0.0	27.0
DNR: Waterway Improvement Fund	0.0	0.0	0.0	24.0	1.5	25.5
DNR: Program Open Space – Local	0.0	0.0	0.0	25.5	0.0	25.5
Local Senate Initiatives	25.0	0.0	0.0	0.0	0.0	25.0
Local House Initiatives	25.0	0.0	0.0	0.0	0.0	25.0
DHCD: Homeownership Programs	8.0	0.0	0.0	14.5	0.0	22.5
UMBC: Sherman Hall Renovation	21.2	0.0	0.0	0.0	0.0	21.2
UMMS: University of Maryland Shore Regional Health – New Easton Regional Medical Center	20.0	0.0	0.0	0.0	0.0	20.0
MDE: Bay Restoration Fund Septic System Upgrade Program	0.0	0.0	0.0	15.0	0.0	15.0
MSU: Campuswide Electric Infrastructure Upgrades	15.0	0.0	0.0	0.0	0.0	15.0
DNR: Program Open Space – State	0.0	0.0	0.0	10.0	5.0	15.0
DGS: Tradepoint Atlantic Container Terminal	0.0	0.0	15.0	0.0	0.0	15.0
DOIT: Maryland FIRST	14.9	0.0	0.0	0.0	0.0	14.9
DNR: Rural Legacy Program	0.0	0.0	0.0	14.4	0.0	14.4
MDE: Comprehensive Flood Management Grant Program	13.9	0.0	0.0	0.0	0.0	13.9
DHCD: Special Loan Programs	4.0	0.0	0.0	4.4	5.0	13.4
MSU: Deferred Maintenance and Site Improvements	13.4	0.0	0.0	0.0	0.0	13.4
MDH: Clifton T. Perkins Hospital Center Infrastructure Improvement	12.5	0.0	0.0	0.0	0.0	12.5
MSD: New Student Residences	12.2	0.0	0.0	0.0	0.0	12.2
DHCD: National Capital Strategic Economic Development Fund	12.0	0.0	0.0	0.0	0.0	12.0
DHCD: Community Development Block Grant Program	0.0	0.0	0.0	0.0	12.0	12.0
DGS: IonQ Headquarters	0.0	0.0	10.0	0.0	0.0	10.0
MISC: Luminis Health Doctors Community Medical Center – New Obstetrical Care Tower	10.0	0.0	0.0	0.0	0.0	10.0
DHCD: Appraisal Gap Program – UPLIFT	10.0	0.0	0.0	0.0	0.0	10.0
DHCD: Seed Community Development Anchor Institution Fund	10.0	0.0	0.0	0.0	0.0	10.0
MISC: MedStar Southern Maryland Hospital – Infrastructure Improvements	10.0	0.0	0.0	0.0	0.0	10.0
Subtotal – Top Funded Projects/Programs	\$1,682.6	\$332.2	\$25.0	\$479.5	\$223.3	\$2,742.6
Subtotal – Other Funded Projects/Programs	\$272.4	\$0.0	\$15.9	\$36.5	\$0.2	\$324.9
Fiscal 2026 Capital Program (Excluding MDOT)	\$1,955.0	\$332.2	\$40.9	\$516.0	\$223.5	\$3,067.6
Transportation CTP	\$0.0	\$245.0	\$0.0	\$1,235.5	\$1,303.0	\$2,783.5
Fiscal 2026 Capital Program (Including MDOT)	\$1,955.0	\$577.2	\$40.9	\$1,751.4	\$1,526.6	\$5,851.0
Deauthorizations as Introduced	-\$64.8	\$0.0	\$0.0	\$0.0	\$0.0	-\$64.8
Fiscal 2026 Less Deauthorizations	\$1,890.1	\$577.2	\$40.9	\$1,751.4	\$1,526.6	\$5,786.2
Prior Year Deficiencies:	\$0.0	\$0.0	\$34.8	\$3.0	\$3.5	\$41.3
Total 2025 Session Capital Program	\$1,955.0	\$577.2	\$75.6	\$1,754.4	\$1,530.1	\$5,892.3

BPW: Board of Public Works
CTP: Consolidated Transportation Program
DGS: Department of General Services
DHCD: Department of Housing and Community Development
DoIT: Department of Information Technology
DPSCS: Department of Public Safety and Correctional Services
DNR: Department of Natural Resources
IAC: Public School Construction
MDA: Department of Agriculture
MDE: Maryland Department of the Environment
MDH: Maryland Department of Health
MHEC: Maryland Higher Education Commission
MISC: miscellaneous
MDOT: Maryland Department of Transportation
MSD: Maryland School for the Deaf
MSU: Morgan State University
SU: Salisbury University
TSU: Towson University
UMB: University of Maryland, Baltimore
UMCP: University of Maryland, College Park Campus
UMBC: University of Maryland, Baltimore Campus
UMMS: University of Maryland Medical System
USMO: University of Maryland Office

Appendix 24
Capital Budget – Status of 2024 Session Legislative Preauthorizations for
Fiscal 2026
(\$ in Millions)

<u>Agency</u>	<u>Project Title</u>	Preauthorization	2026 Funded	<u>Difference</u>
		<u>Amount</u>	<u>Amount</u>	
BSU	New Academic Commons and Library	\$5.99	\$2.23	-\$3.76
UMBC	New Student Services Building	5.90	0.00	-5.90
MISC	Shady Grove Medical Center	3.00	0.00	-3.00
MISC	Baltimore Symphony Orchestra	2.50	0.00	-2.50
MISC	Principio Rail Spur	1.50	0.00	-1.50
MISC	Westport Capital Development – Kloman Street Relocation	2.00	1.00	-1.00
MISC	Olney Boys and Girls Club – Performance Sports Center	1.00	0.00	-1.00
MISC	Don Bosco Cristo Rey High School	1.00	0.00	-1.00
MISC	Franklin Square Hospital	1.00	0.00	-1.00
MISC	Westminster Fiber Network Construction Project	1.00	0.00	-1.00
MISC	Wolfsville Volunteer Fire Department	0.50	0.00	-0.50
MISC	Frederick Youth Center	0.16	0.00	-0.16
MISC	Luminis Health Doctors Community Medical Center – New Obstetrical Care Tower	10.00	10.00	0.00
MISC	Inner Harbor Promenade	8.00	8.00	0.00
MISC	Viva White Oak	6.00	6.00	0.00
MISC	Pikesville Armory	5.00	5.00	0.00
MISC	Rosecroft Raceway Economic Revitalization	3.10	3.10	0.00
MISC	B & O Railroad Museum	3.00	3.00	0.00
MISC	Maryland Center for History and Culture – Enoch Pratt House and Collections Storage Renovation	2.50	2.50	0.00
MISC	Bowie Mill Bike Trail	2.10	2.10	0.00
MISC	Southern Streams Health and Wellness Center	2.10	2.10	0.00
MISC	Catholic Charities – Intergenerational Center	2.00	2.00	0.00
MISC	White's Ferry Project	1.50	1.50	0.00
MISC	MedStar Southern Maryland Hospital	3.00	10.00	7.00
Total		\$73.85	\$58.53	-\$15.32

BSU: Bowie State University
UMBC: University of Maryland, Baltimore County
MISC: miscellaneous