

FY 2024 Budget Overview: Leave No One Behind

Governor Wes Moore
Lieutenant Governor Aruna Miller

January 20, 2023





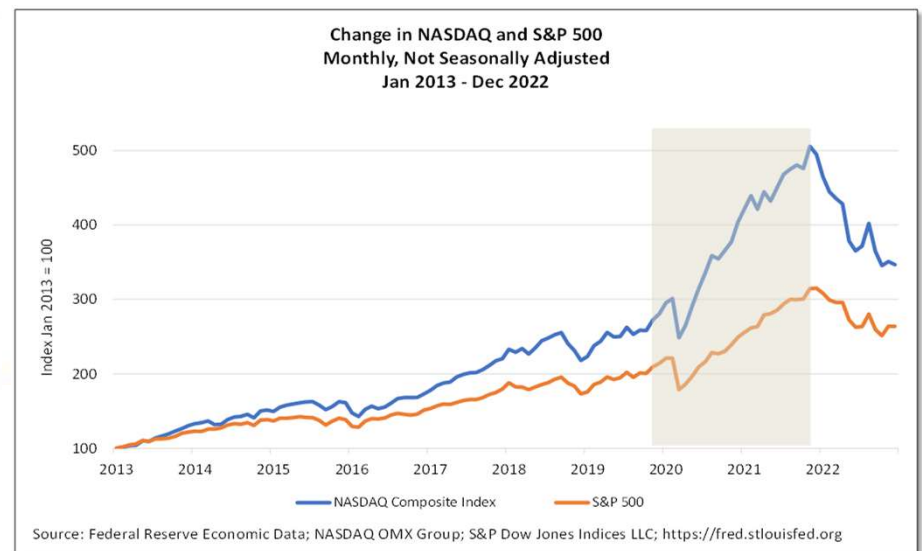
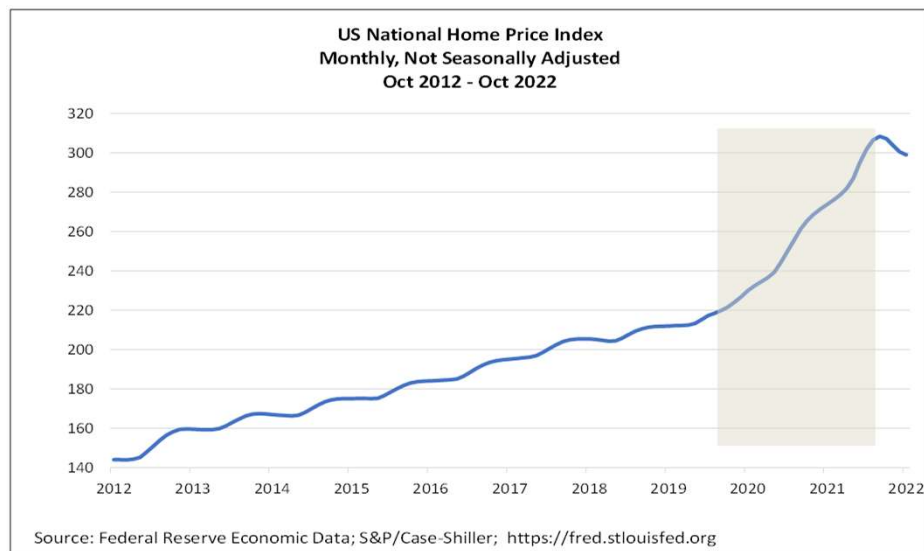
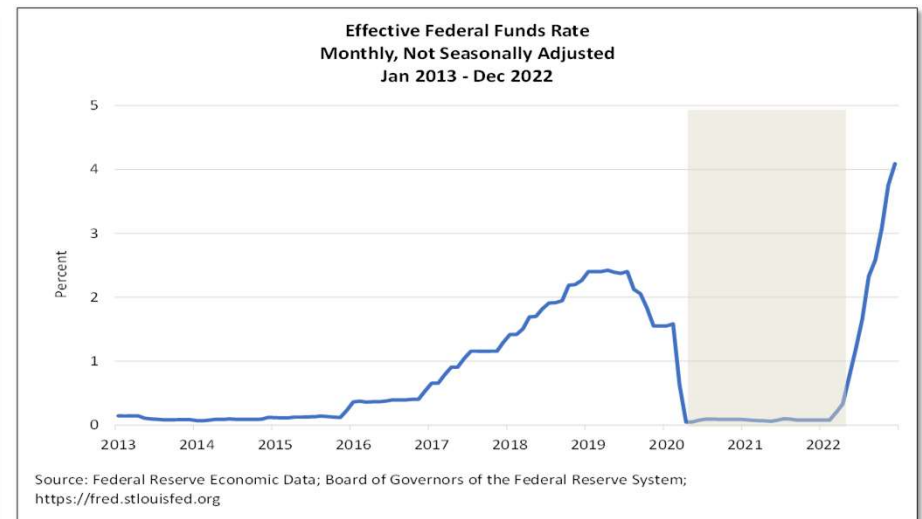
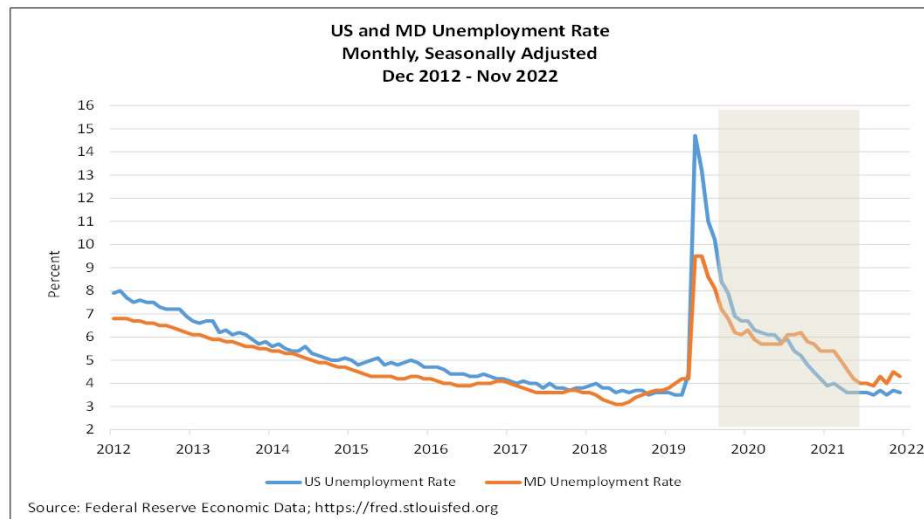
Discussion Topics

- The State's Current Economic and Fiscal Position
- FY 2024 Budget: Balancing Risks and Opportunities
- Operating Budget Select Highlights
- Capital Budget Select Highlights



The State's Current Economic and Fiscal Position

Strong National Economy During Fiscal Years 2021 and 2022 and Federal Stimulus Led to Windfalls for States





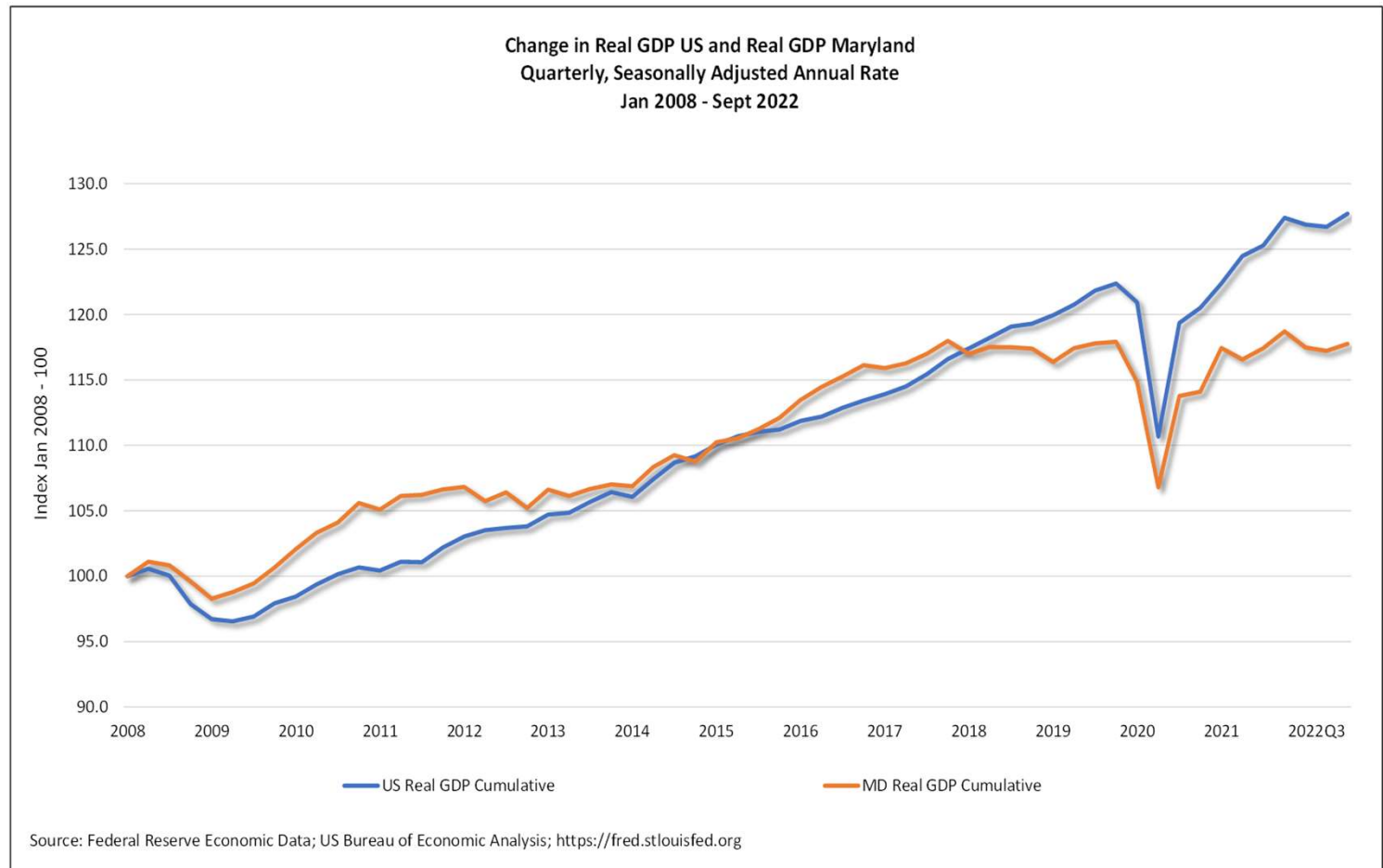
National Economy Today Has Shifted in Significant Ways – Sharp Break to More Challenging Conditions

- Fed has raised the **Federal Funds Rate** from zero to 4% in less than a year
- **Stock market** has been in retreat through 2022
- While unemployment remains muted, **layoff announcements** continue to gather momentum
- No expectations of further **federal stimulus**
- **Inflation** has started to fall but the Fed believes it will need to raise interest rates to 5% to meet its goal of 2% inflation

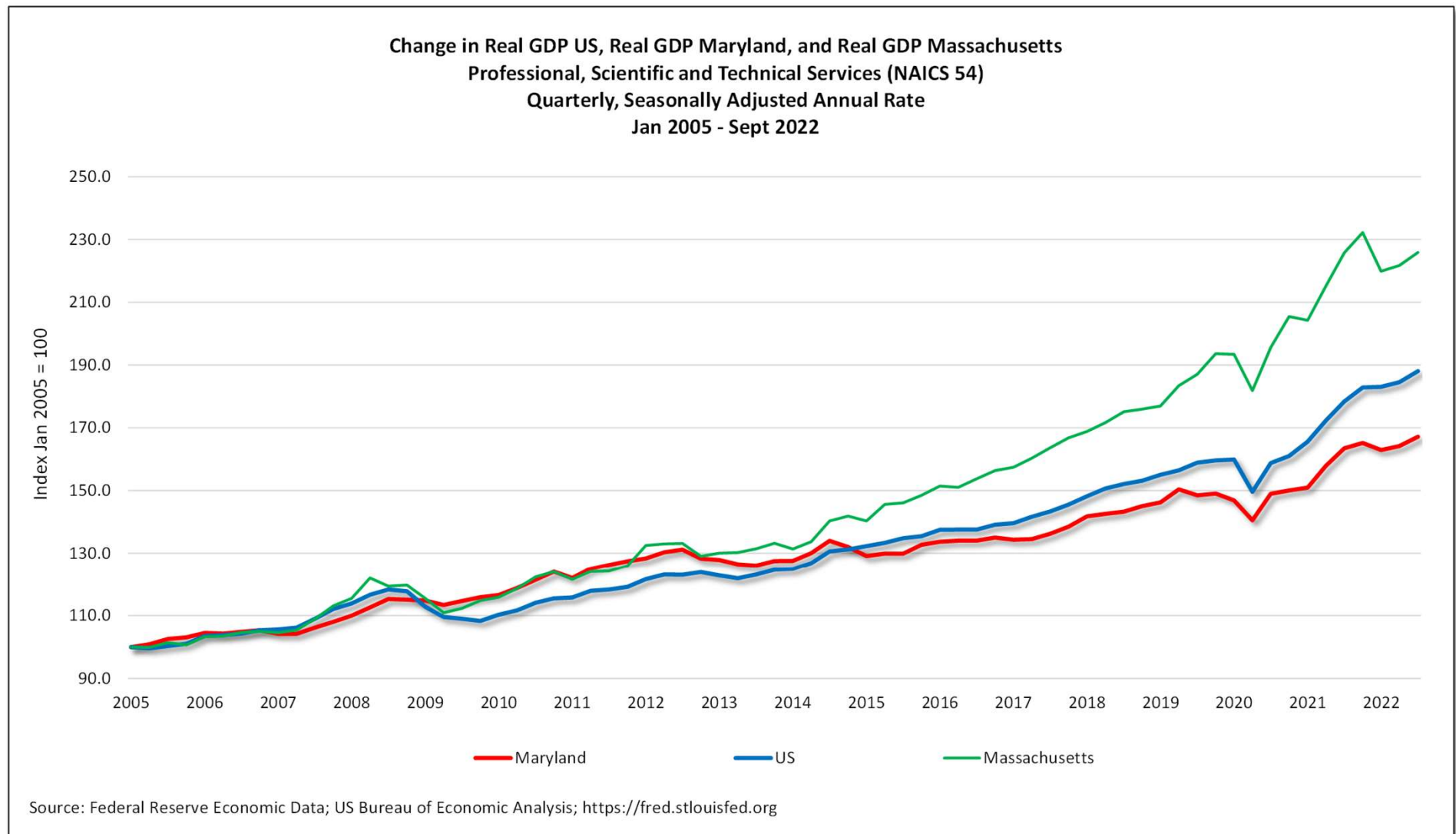
Maryland Economy Compared to the Nation – We Have Our Work Cut Out For Us

The outstanding characteristic of the Maryland economy compared to the national economy is Maryland's poor record of economic growth despite our great wealth and tremendous assets.

Over the past ten years, in real terms, the national economy has grown about 23% vs. Maryland's growth of 11%. That 12 % cumulative gap represents tens of billions of dollars of lost economic gain.



Maryland Has Significant Opportunity to Compete Better for GDP Growth Within Professional, Scientific, and Technical Services





2022 Index of State Economic Momentum*

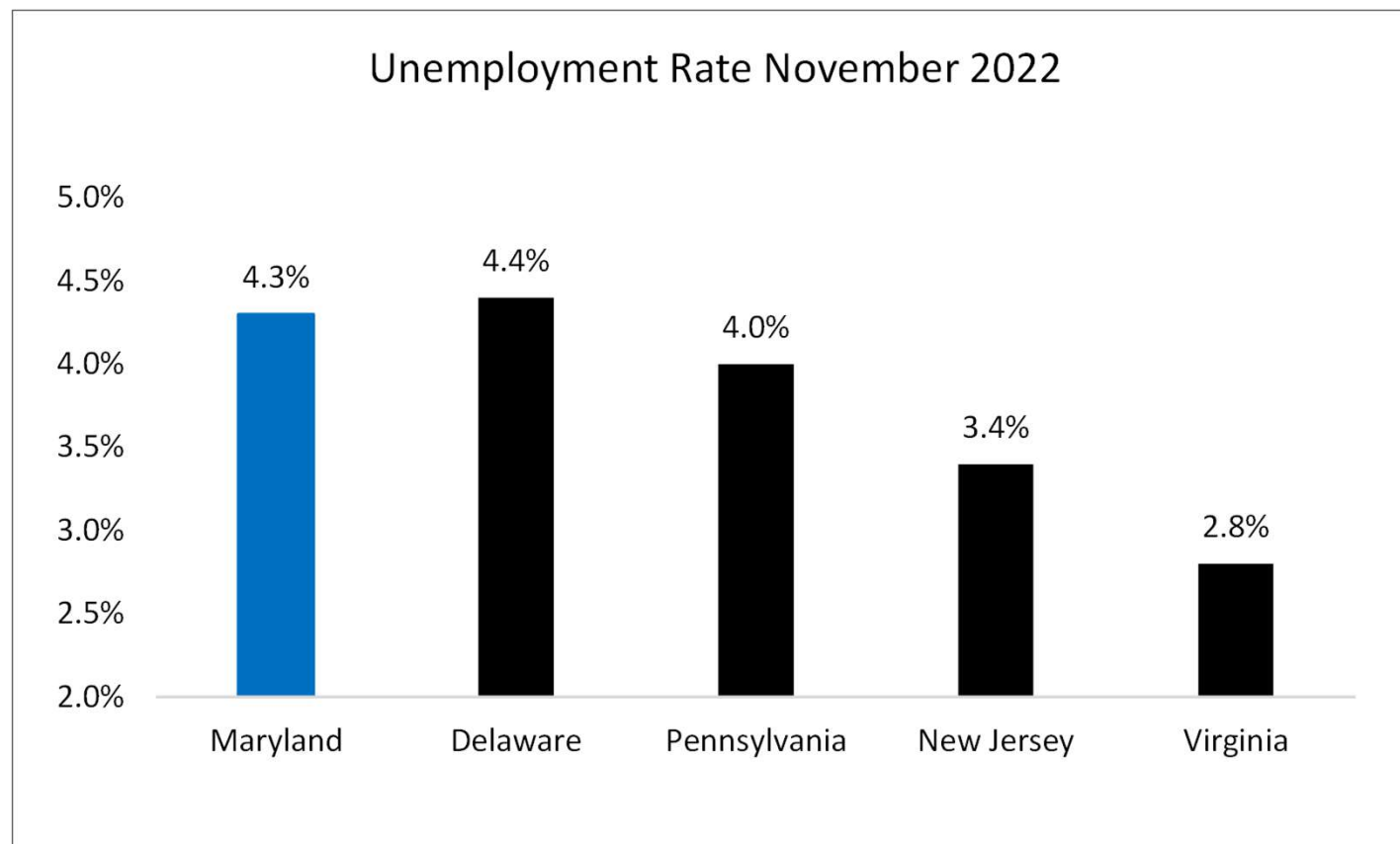
Has Maryland:

- Ranked 47th among states and DC for overall economic momentum*
- Ranked 45th on change in personal income
- Tied for 40th on change in state population
- Ranked 43rd highest on unemployment rate as of November 2022 (US at 3.7% and MD at 4.3%)

It will take significant time, investment of resources and strategic discipline to reverse these trends in an equitable manner, but the opportunity this represents for Maryland is enormous. This must be our top priority.

*Source: Federal Funds Information for States (FFIS); index of economic momentum ranks states based on their most recent performance in three key measures of economic vitality: personal income growth, employment growth, and population growth.

Maryland's Unemployment Rate Lags Behind Virginia, New Jersey and Pennsylvania Currently




Source: Federal Funds Information for States, December 2022



State's Current Fiscal Position

- Ended FY 2022 with a General Fund surplus of \$5.5B
- If revenue projections hold through June, we project to end FY 2023 with a \$2.3B surplus and \$2.9B Rainy Day Fund
- The State budgeted in FY 2023 to spend down \$2B of cash reserves on capital projects
- Factors driving the surplus are not expected to continue:
 - **Unprecedented federal stimulus** funding (\$800M savings to the State since FY 2020 and \$1.5B enhanced Medicaid funding)
 - **\$1B higher than estimated personal income tax in FY 2022** due primarily to extraordinary final payments related to capital gains and market performance in 2021



Implications for the FY 2024 Budget: Balancing Risks and Opportunities



Cautious Preservation of Cash Balances

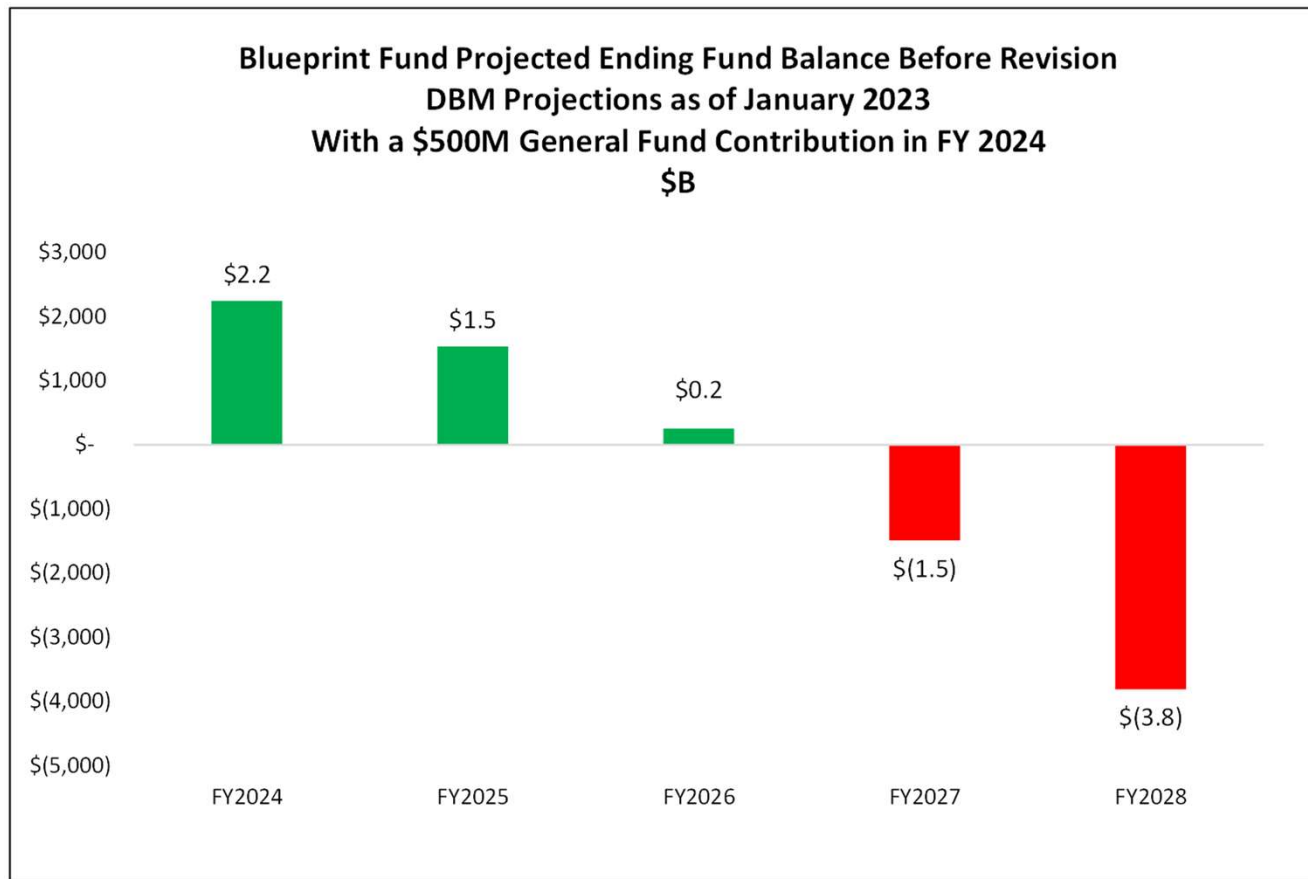
- In light of the potential for recession in the months ahead and revenue volatility risks related to final payments for personal income tax related to tax year 2022, our budget:
 - Maintains a **Rainy Day Fund** at the target level of **10%** of General Fund revenue or **\$2.5B**
 - **General Fund Balance** of **\$820M** in FY 2024 in addition to the Rainy Day Fund to serve as a strong hedge against revenue volatility and as dry powder for critical strategic investments
- Our Administration will partner with the General Assembly to deploy our surplus intentionally and strategically. We must marshal a data-driven, evidence-based approach to spending State dollars.



Deploying \$1B of Cash for Two of the State's Highest Priorities for Economic Growth

- Budget contributes **\$500M** of General Fund cash in FY 2024 to the fund for the **Blueprint for Maryland's Future**
- Budget sets aside **\$500M** of General Fund cash in FY 2024 as a dedicated reserve to support strategic priority transportation projects across the state that align with our economic competitiveness goals
 - We aim to leverage this funding with matching federal support

We Must Urgently Develop a Feasible Implementation Plan for the Blueprint



The Blueprint Fund has a projected \$2.2B ending balance in FY 2024 and \$1.5B in recurring funding annually to prioritize for the greatest impact on outcomes.



The Need for Transportation Investment is Clear

THE BALTIMORE SUN

Five years later, many across Baltimore bitterly lament Gov. Hogan's decision to kill the Red Line light rail

By Colin Campbell
Baltimore Sun • Sep 11, 2020 at 6:00 am

The Maryland Public Policy Institute

Maryland Transit Continues to Underperform

Carol Park Jul 30, 2020

In the latest report card by the American Society of Civil Engineers, released in March, Maryland received an embarrassing grade of [D+](#) for its transit system. Since then, the Covid-19 pandemic, which has [exacerbated](#) the Maryland Transit Administration's budget problem, and the ongoing [Purple Line fiasco](#) have continued to highlight Maryland's history of transit woes.

No Way to Build a Railroad

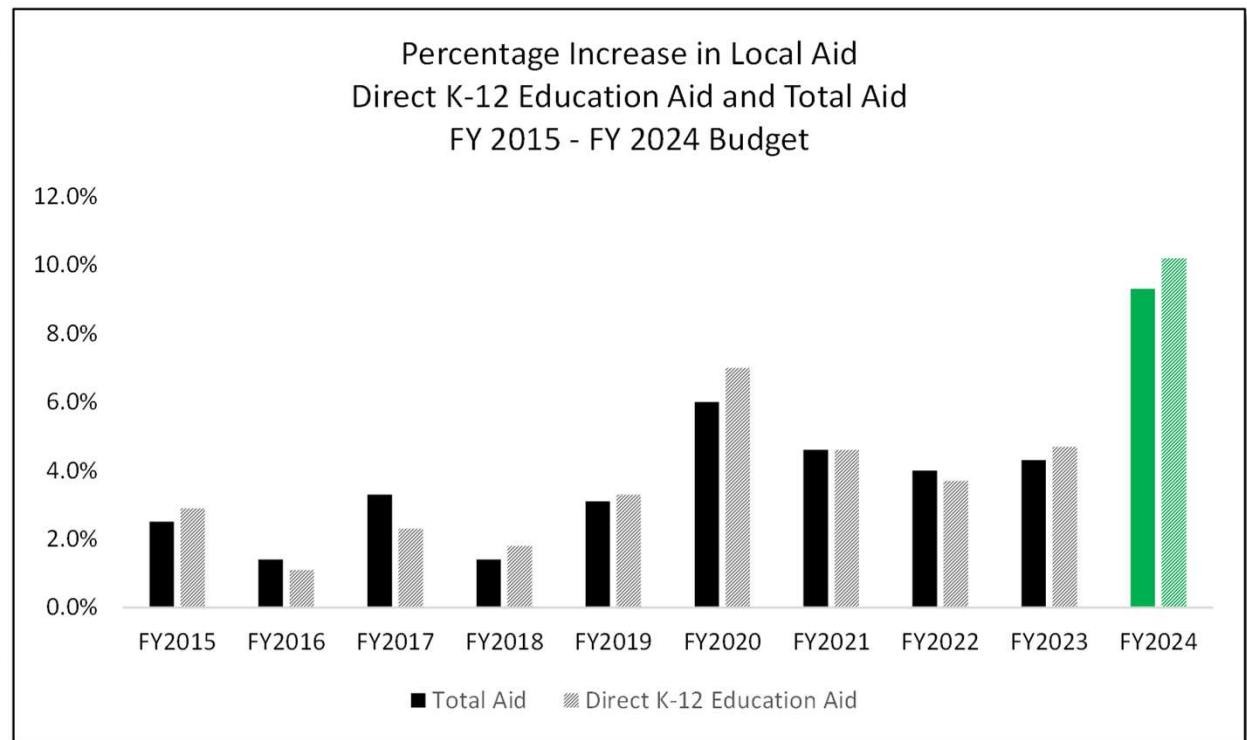
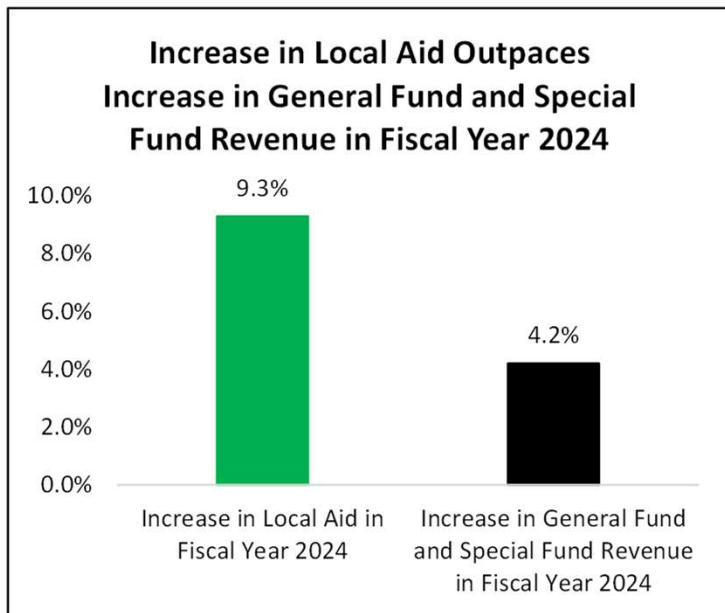
Washington[®]
MONTHLY

Maryland's outgoing GOP Governor Larry Hogan is eyeing a 2024 run for president. He is also leaving behind a mass transit mess.

by Eric Cortellessa June 20, 2022

Local Aid

The FY 2024 budget provides \$10.4B in aid to local governments, \$885M more than FY 2023 (+9.3%). The primary increases include an additional \$784M for K-12 education aid (+10%), \$57M for transportation (+20%), and \$41M for community colleges (+9%).



Source: DLS Overview of State Aid to Local Governments, January 2022



Operating Budget Select Highlights



A Competitive and Equitable Economy

- Permanent extension of the enhanced **Earned Income Tax Credit (EITC)** and expansion of the **Child Tax Credit (CTC)** through the **Family Prosperity Act**: \$171M budgeted
- Accelerating Maryland's minimum wage to \$15 per hour through the **Fair Wage Act** and indexing the wage to inflation: \$218M budgeted for adjustments to State service providers
- Exempting a portion of military retirement income through the **Keep Our Heroes Home Act**: \$33M budgeted
- Incentivizing innovation economy business creation and expansion in Maryland through the **Innovation Economy Infrastructure Act**: \$10M budgeted



A Competitive and Equitable Economy

- \$2.4B for Maryland's State-operated **institutions of higher education**, annual growth of \$286M or 13%
- State support for Maryland's **historically black colleges and universities (HBCUs)** grows by 19% over the current year to \$421M; the capital budget includes \$165M for 9 projects at 3 HBCUs
- State support for the **University System of Maryland** grows by nearly 12 % or \$240M
- Record funding of \$112M for the **Educational Excellence Awards** program, the State's largest need-based student aid program, which is projected to serve more than 30,000 students in FY 2024
- Record level \$393M in funding for the State's **15 local community colleges** through the Cade formula, an increase of \$38M or 18.5% increase in State support per student
- \$5M in the Maryland Energy Administration budget to work with the higher education institutions on **campus green initiatives**



A Competitive and Equitable Economy

- \$5M for the **Maryland Apprenticeship Training Program**
- \$1M to establish the **Career Pathways for Healthcare Workers Program**
- \$1M for the **Cybersecurity Public Service Scholarships**
- \$1M to establish an **outdoor recreation apprenticeship program** through the Great Maryland Outdoors Fund
- \$750K for the **Law Enforcement Cadet Apprenticeship Program**
- \$5M General Funds for Maryland Higher Education Commission to work with the University System of Maryland and the community colleges on a strategy to strengthen **pathways for community college and other nontraditional students**



Safety Net Supports for When Families Need Help

- \$2.2B in federal **Supplemental Nutrition Assistance Program (SNAP)** benefits for more than 340,000 households and \$5M for the **Summer SNAP** program
- \$60M in General Funds to support **Temporary Cash Assistance (TCA)** program in FY 2024 and provide assistance to more than 50,000 individuals in Maryland, which includes \$10M General Funds to continue the extra \$45/month for recipients that began in FY 2023
- \$37.5M General Funds to support the **Temporary Disability Assistance Program** in FY 2024, which also includes funding to continue the extra \$45/month for recipients which began in FY 2023



A Call to Service

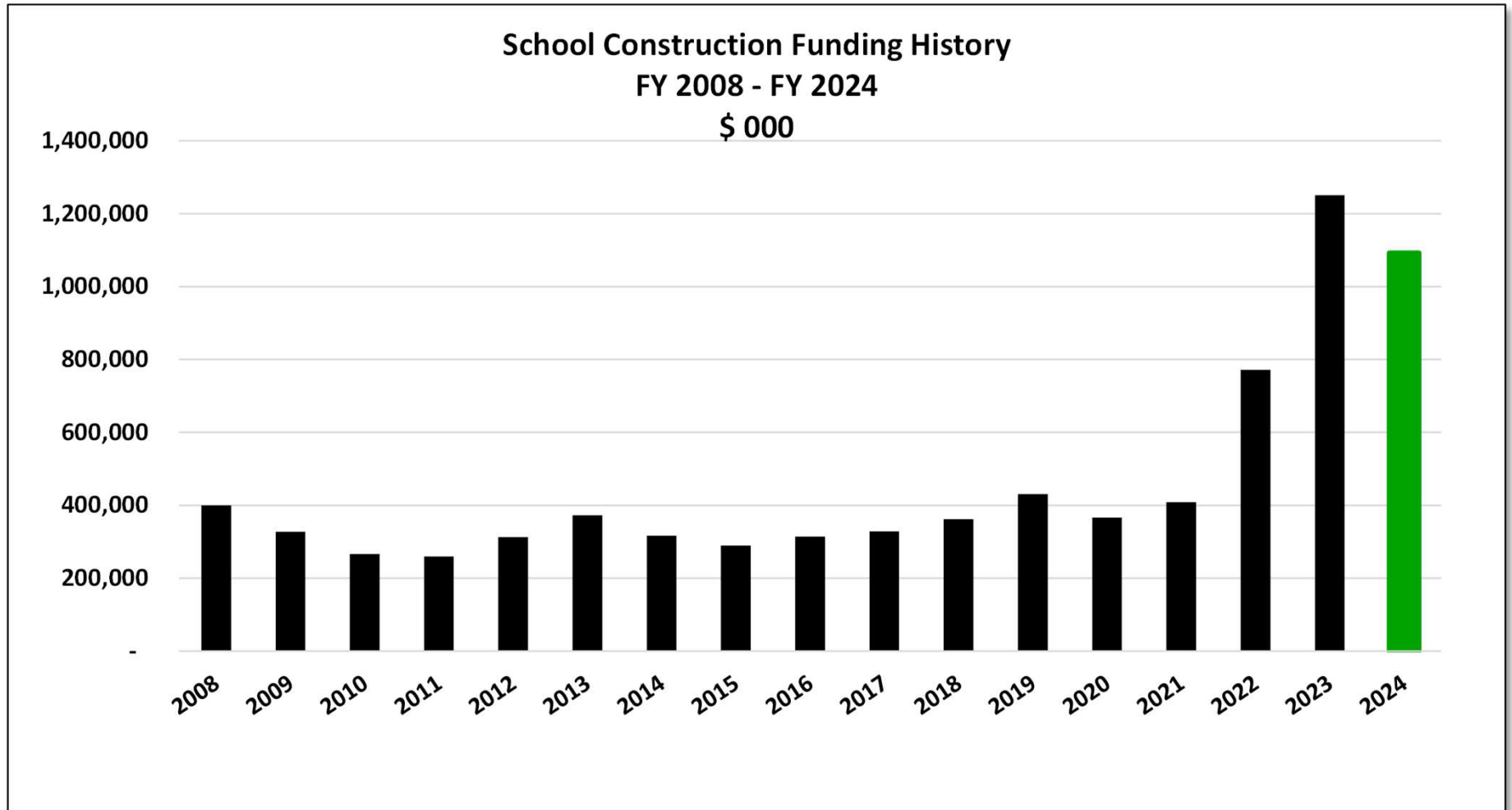
- The budget includes \$18M across FY 2023 and FY 2024 to fund our new cabinet-level agency—the Department of Service and Civic Innovation—to enhance and coordinate service opportunities for Marylanders
- The new agency will operate the Service Year Option, AmeriCorps State Commission and other service and volunteerism programs
- Will combine the Governor’s Office on Service and Volunteerism, the Governor’s Commission on Service and Volunteerism, and Maryland Corps under one agency for greater coordination and alignment



Education

- **Record funding for K-12 education** with \$8.8B for Maryland's public schools (+10%), exceeding statutory formulas with \$37M in education hold harmless grants
 - Per pupil funding increases by 9%
 - Funding to support low-income students grows by \$475M or 32%
- \$15M for a new teacher recruitment incentive program through the **Maryland Educator Shortage Act**
- \$3M in General Funds (an increase of \$1M) to address and **prevent hate crimes** at public and nonpublic schools, daycare facilities, and early childhood centers

Education



Note: Graph does NOT include Baltimore City Public Schools Construction Financing Fund

FY 2022 and FY 2023 represent enacted budget

FY 2024 data represents the Governor's proposed budget; FY 2023 proposed amount was just over \$1.0B and was increased before it was enacted.



Health

- Nearly \$15B for Maryland's **Medicaid** program with General Fund support exceeding \$5B, a \$287M increase vs FY 2023
 - Nearly 1.6M Marylanders will have access to healthcare through the State's Medicaid program including almost 150,000 children; Medicaid enrollment remains nearly 12% above pre-pandemic levels
- More than \$616M to fund provider rate increases in the fields of behavioral health, developmental disabilities, Medicaid, and other services, including \$413M to implement legislation that will advance the next two years of increases to providers to accelerate the glidepath to \$15 minimum wage
- More than \$154M to expand **adult dental coverage** to Medicaid clients
- \$15M annually over 2 years to establish the **Pathways to Health Equity** Program and **Health Equity Resource Community Reserve Fund**



Health

- Record funding for **mental health and substance use** programs with \$1.4B in direct State support
 - \$429M (+39%) for substance use disorder services
 - \$485M for mental health and substance use disorder treatment for the uninsured
 - \$78M in State funding over two years to make investments in Behavioral Health
 - \$35M additional funding (\$85M total) for the **Maryland Consortium on Coordinated Community Supports**, established under the Blueprint to oversee a statewide framework of wraparound behavioral health services for students
- \$152M in stimulus funding to the Department of Health to aid in the Department's continuing **pandemic response**
- \$17M to reduce waitlists for programs that allow **seniors to age in their communities**



Public Safety

- \$122M in **aid to local police departments** including \$17.5M dedicated to Baltimore City
- Nearly \$69M in **direct local law enforcement grants** including \$5M to protect Marylanders against hate crimes
- \$35M in General Funds for **Victims of Crime Act (VOCA)** funding
- \$8.6M over FY 2023 and FY 2024 **salary enhancements** to help recruit and retain Parole and Probation agents; \$18M for the Correctional Officers and Parole and Probation Agents **retention incentive bonus program**; and \$3.6M for salary enhancements for resident advisors within the Department of Juvenile Services
- \$8M and more than 40 additional positions to expand the **State Police Gun Center** and **Firearms Licensing Division** in an effort to stem gun violence
- Expansion of the **Office of the Attorney General** and the **Office of the Public Defender**



Environment

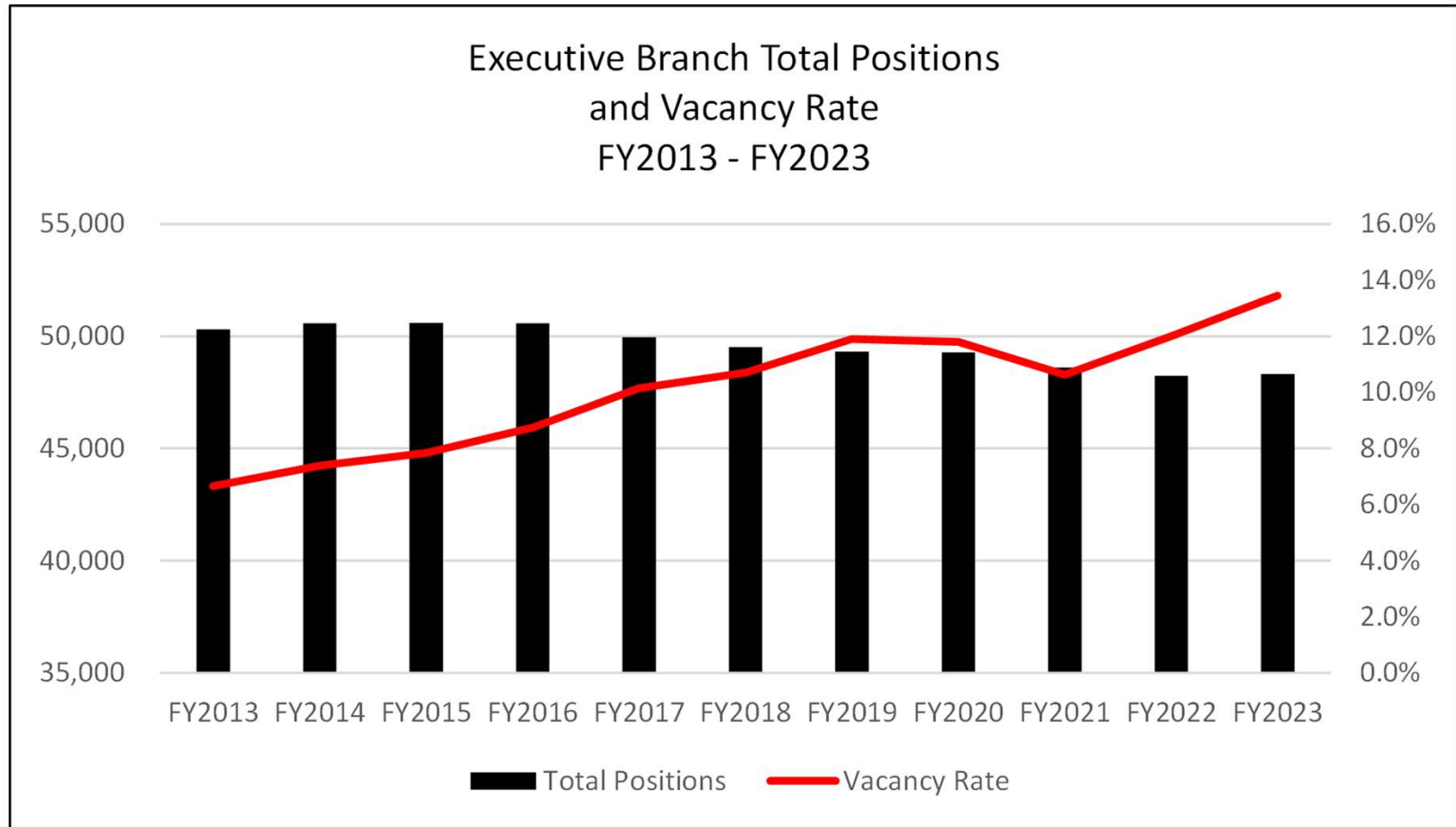
- Record levels of funding from the **Strategic Energy Investment Fund** (SEIF) to support long-term renewable energy goals:
 - \$103M for renewable energy programs (+15%)
 - \$52M for energy efficiency grants with \$20M dedicated to low-to-moderate income programs (+44%)
- New positions to clear the backlog of administratively continued discharge permits under the **National Pollutant Discharge Elimination System**
- New **Water Supply Program** positions to increase enforcement of drinking water standards
- \$20M for the **Clean Water Commerce Act** to make progress toward Maryland's Chesapeake Bay Total Maximum Daily Load goals
- New positions to support the **State parks**



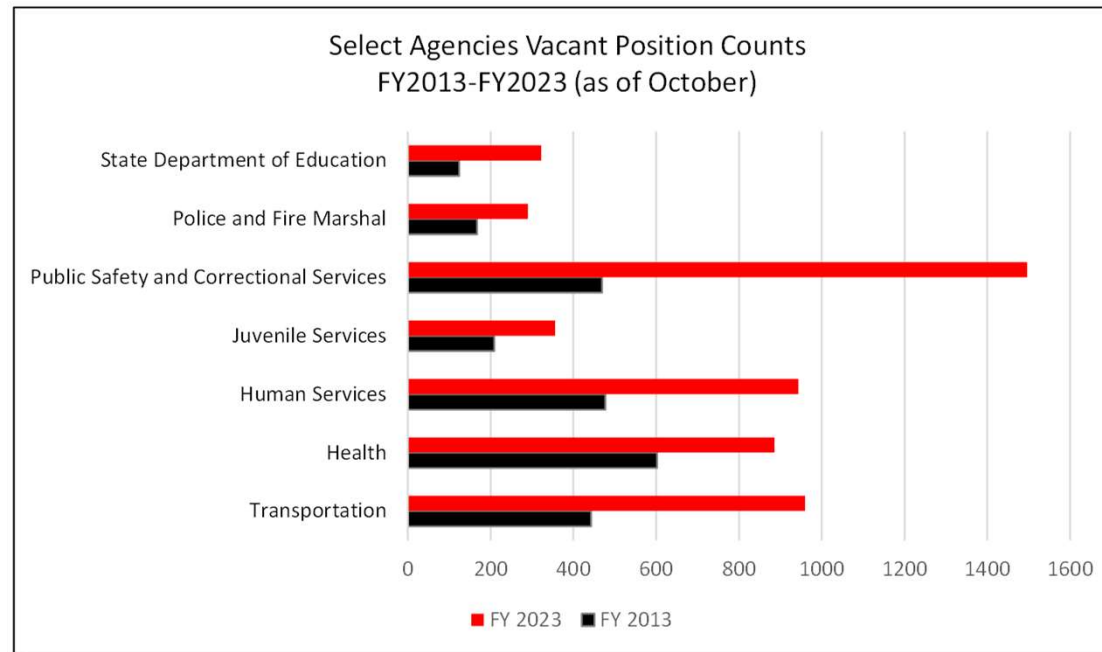
Environment

- \$422M for programs funded by the transfer tax that support land preservation and operations and capital projects in **State parks**
 - Includes \$129M in General Funds – \$107M more than planned – to fully fund the transfer tax repayment provision as revised by the **Great Maryland Outdoors Act**
- \$15M for the implementation of the **Tree Solutions Now Act** including \$10M for Urban Trees
- \$5M for the **Maryland Corps** program, which includes expanding the Maryland Conservation Corps and Chesapeake Conservation Corps and adding the Maryland Civilian Climate Corps and the Maryland Historic Trades Corp
- \$26M for the **Cover Crop** program to support farmers who reduce agricultural runoff into the Bay, \$9M for the **Rural Maryland Prosperity Investment Fund** and the **Rural Maryland Council**, and \$10M in transfer tax repayment funds to the **Next Generation Farmland Acquisition Program** to help qualified young or beginner farmers enter the agricultural profession

Rebuilding State Government



Rebuilding State Government



State Positions with the Highest Number of Vacancies

<u>Job Classification</u>	<u>January 2023 Vacancies</u>	<u>2023 Authorized Positions</u>	<u>Vacancy Rate</u>	<u>Department</u>
Corrections Officer II	212	3,449	6.1%	Department of Public Safety and Correctional Services
Corrections Officer Sergeant	160	837	19.1%	Department of Public Safety and Correctional Services
Social Worker II Fam Svcs	119	676	17.6%	Department of Human Services
Corrections Officer I	117	426	27.5%	Department of Public Safety and Correctional Services
Administrative Officer III	101	534	18.9%	Multiple
Family Investment Specialist I	101	312	32.4%	Department of Human Services
Facility Maintenance Tech I	92	299	30.8%	Maryland Department of Transportation
Administrator II	90	569	15.8%	Multiple
DJS Resident Advisor Trainee	85	196	43.4%	Department of Juvenile Services
Administrator I	82	552	14.9%	Multiple
Corrections Officer Lieutenant	75	380	19.7%	Department of Public Safety and Correctional Services
Office Services Clerk	72	390	18.5%	Multiple
Parole & Probation Agent I	68	188	36.2%	Department of Public Safety and Correctional Services



Capital Budget Select Highlights



FY 2024 Capital Budget Overview

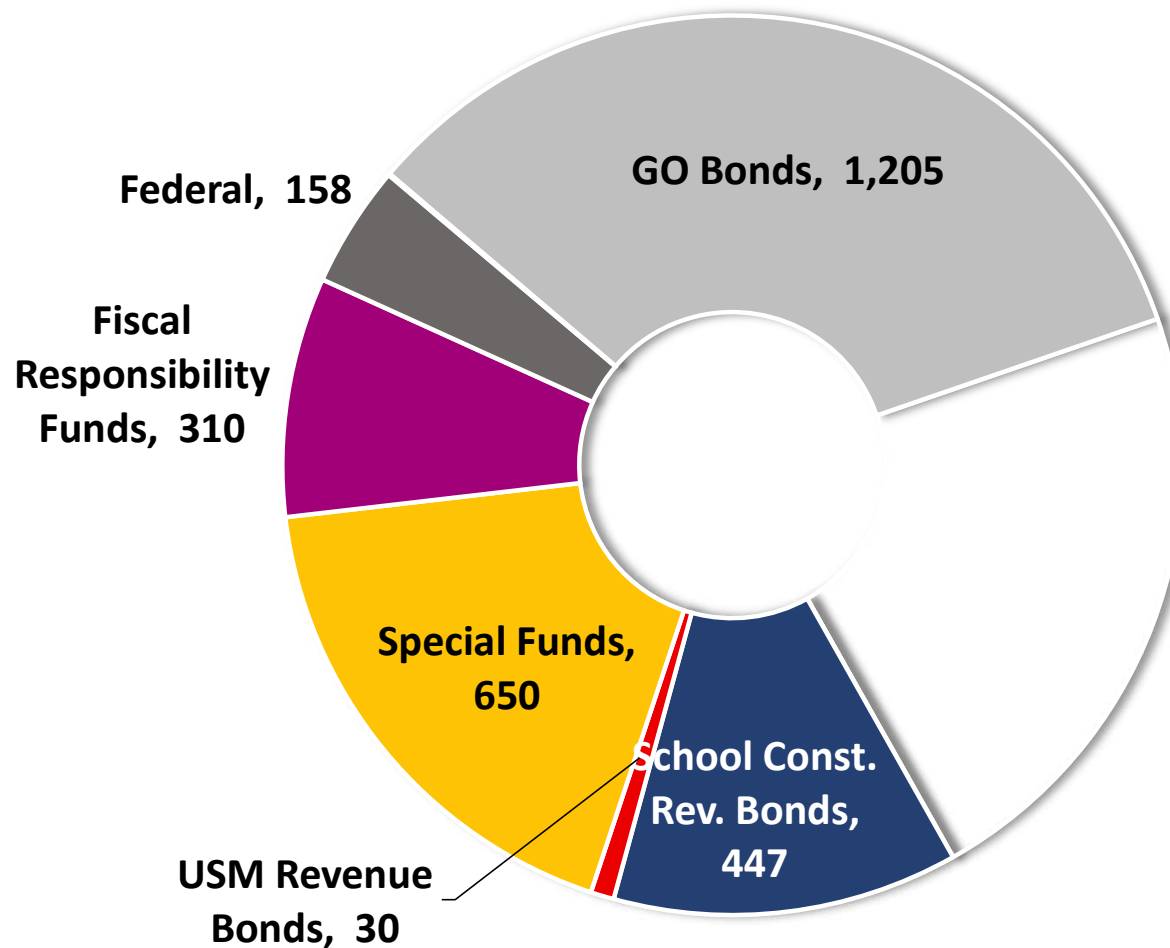
- \$7.069B Capital Improvement Program (CIP) and Consolidated Transportation Program (CTP) together (\$3.6B each)
- CIP totals \$1B more than planned for FY 2024 in the previous CIP
- Funding sources include:
 - \$1.205B in new G.O. bonds, while remaining within the State's affordability ratio guidelines
 - \$795M General Funds
 - \$960M Special Funds (including \$310M from the Fiscal Responsibility Fund)
 - \$158M Federal Funds (including \$76M Infrastructure Investment and Jobs Act funds for water quality)
- Fully funds all capital budget mandates
- Funds more than half of legislative preauthorizations (\$243M) and \$100M is budgeted for new legislative priorities

FY 2024 Capital Budget (CIP)

Where It Comes From

Total: \$3.60 billion

(\$ in millions)

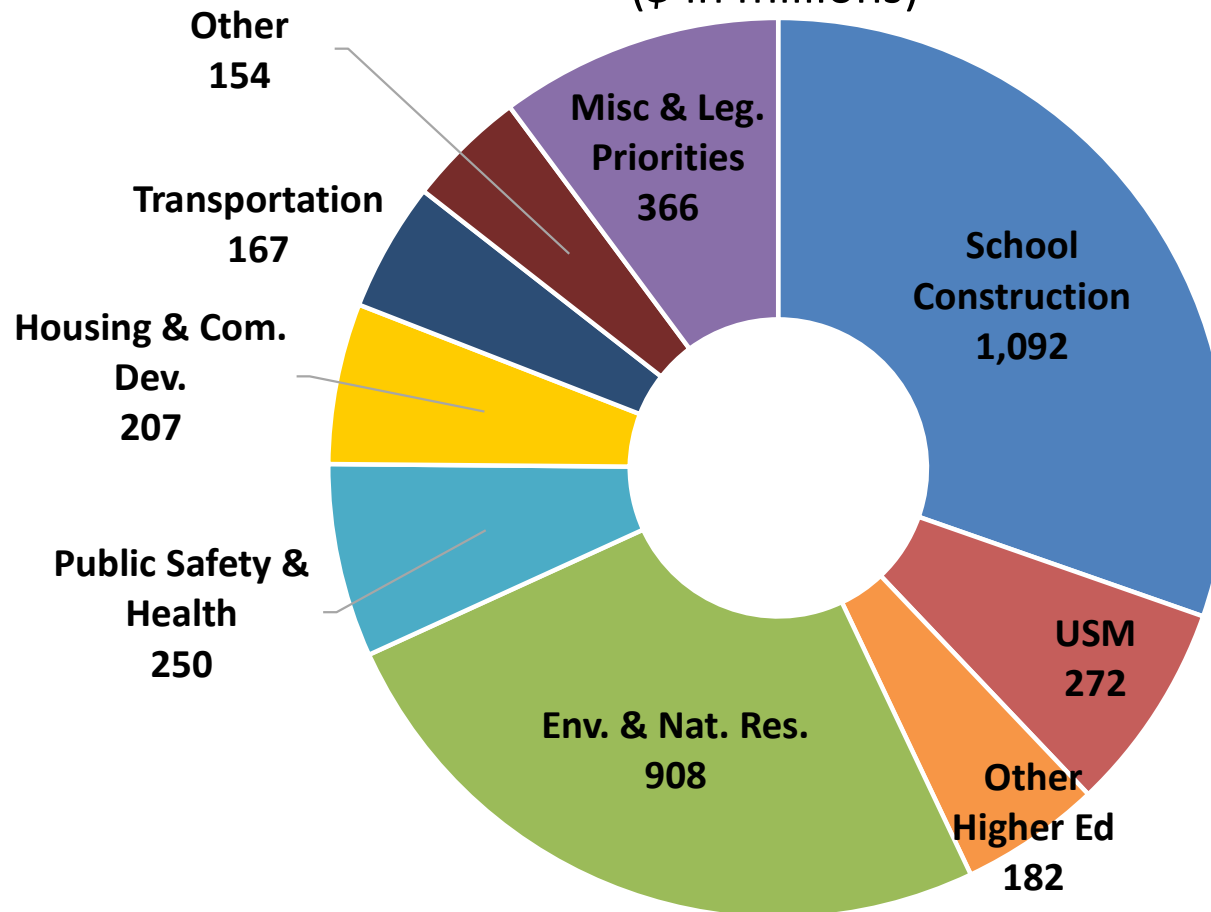


FY 2024 Capital Budget (CIP)

Where It Goes

Total: \$3.60 billion

(\$ in millions)





Education

- More than \$1B for school construction
 - Includes \$485M for the Public School Construction Program, exceeding the \$450M goal outlined in HB 1290 of 2022
- \$454M for higher education, notably:
 - \$272M for University System of Maryland
 - \$165M for 9 projects at 3 HBCUs
 - \$70M for local community colleges, including a \$15M enhancement to the facilities renewal program



Environment and Natural Resources

- \$908M for environmental programs - \$330M more than planned in the previous CIP
 - \$129M fully funds the transfer tax repayment to capital programs per the Great Maryland Outdoors Act
 - \$191M for Program Open Space
 - \$185M for Maryland parks, largely to address critical maintenance and infrastructure needs
 - \$79M in Infrastructure Investment and Jobs Act (IIJA) funding authorized for water quality and drinking water projects



Other Select Highlights

- \$250M for projects to address the needs of public safety and health-related agencies, including funding to begin construction of the New Courts of Appeal building.
- \$207M for DHCD programs
- \$100M for the proposed new FBI Headquarters
- \$41M for the new DLS building