

Proposed FY 2015 Budget: \$41 Billion

What's In It for You, Your Family, and Your Community?

Governor O'Malley's total proposed FY 2015 budget is \$40.7 billion: \$39.2 billion for the Operating Budget, including \$2.6 billion for Transportation Capital projects, and \$1.5 billion in the capital budget. This fiscal plan continues the recent trend of transferring funds and relying on capital debt to balance the budget.

Earlier this month, Governor O'Malley introduced the state's \$43 billion Fiscal Year (FY) 2015 budget, the last state fiscal plan of his administration. The FY 2015 budget includes \$39.2 billion in the Operating Budget and \$1.5 Billion in the Capital Budget. Nearly two-thirds (64 percent) of the Operating Budget goes to Education and Health; and about three-quarters (73 percent) of the Operating Budget is paid for with State funds, including the General Fund, which receives collections from many ongoing state tax sources, and Special/Higher Education Funds. Capital funding includes \$2.6 billion for Transportation Capital projects, which are funded in the Operating Budget, and \$1.5 billion for General Capital projects.

The proposed budget aligns with the Spending Affordability Committee recommendations and projects that the structural budget deficit will be eliminated by FY 2017. The budget closes a current General Fund gap of \$584 million and leaves a \$30 million FY 2015 fund balance, in part through \$457 million in reductions, including \$336 million in savings in Employee Health and Retirement costs, and \$163 million in transfers and payments, including an additional \$69 million from the Transfer Tax.

While the structural gap in the Operating Budget may be closed by FY 2017, there are other threats to Maryland's finances. 11 percent of that year's Capital Debt will be pre-authorized for Operating Budget relief, slightly below the share in this year's budget. The projected Rainy Day Fund balance of \$800 million at the end of FY 2015 is barely at 5 percent of General Fund revenues, the level recommended by bond rating agencies and one factor in retaining the state's AAA bond rating. Other short-term and long-term risks in the administration plan include the potential for insufficient fund balances to pay for unexpected deficiencies, at least \$132 million in increased General Fund spending in the next budget due to assumptions and transfers in this budget, and future growth in debt service costs.

Operating Budget Overview

The Governor's \$39.2 billion FY 2015 Operating Budget includes \$9.8 billion to fund entitlements, like Medicaid, \$7.9 billion in local aid, like state aid to public schools, and \$17.3 billion to fund state agency operations. The Operating Budget also includes \$2.7 billion in Capital spending, mostly for Transportation, and \$1.3 billion to pay for debt service costs.¹

Like most state budgets, money for education and health care make up the majority of the budget, or 64 percent, with \$7.9 billion for Medicaid, \$7.7 billion for Early/K-12 Education, and \$5.8 billion for Higher Education.² \$1.4 billion in Federal funds for the Supplemental Nutrition Assistance Program (Food Stamps), make up the majority of Human Services spending, which also includes \$659 million for Family Investment, Energy Assistance, and Child Support and \$629 million for Child Welfare.³ Public Safety spending includes \$1.7 Billion in State Police and Department of Public Safety and Correctional Services spending, \$301 million for Juvenile Services, and \$117 million in related local aid.⁴ The budget also includes \$726

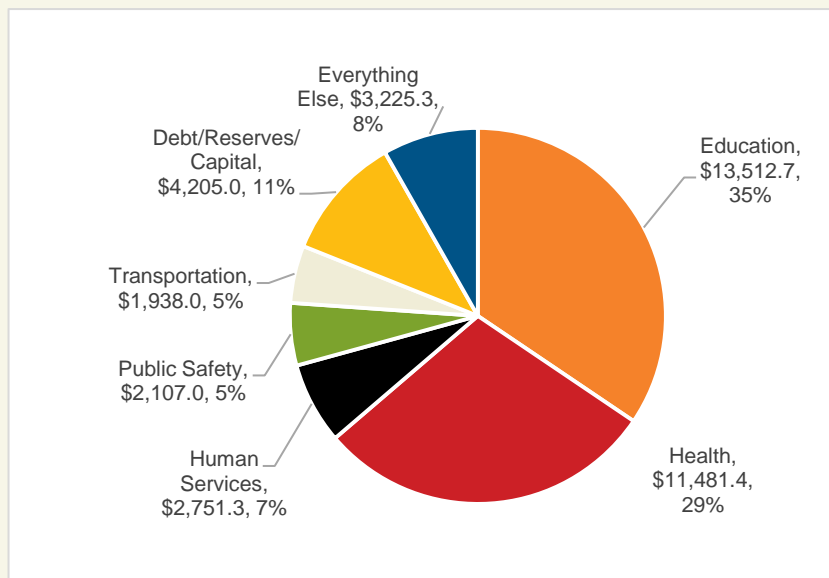
million for Agriculture, Environment and Natural Resources, and \$576 million for Legislative/Judiciary and \$524 million for Jobs/Economic Development and \$375 million for Housing and Community Development.⁵

Total spending in the FY 2015 budget grows by 5 percent from FY 2014, and by 15.6 percent from FY 2013. In the short term, the growth rate in spending for

EDUCATION & HEALTH ACCOUNT FOR NEARLY 2/3 OF THE BUDGET

Spending on Education, including Child Care/Early Education, K-12 Education and Higher Education, makes up 35 percent of total funds, while spending on Health, including Medicaid, accounts for 29 percent of the budget.

FY 2015 Operating Budget – All Funds (\$ in Millions)



1 See Department of Legislative Services (DLS), "Fiscal Briefing," January 2014, Appendix 6, page 64 at <http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2014rs-operating-budget-fiscal-briefing.pdf>

2 DLS Fiscal Briefing, Appendix 6. Education sums spending for Education/Libraries Local Aid and Other Education. Health spending is total of Local Health Aid, Medical Assistance and Health.

3 For SNAP funding, see Department of Budget and Management (DBM), "FY 2015 Proposed Operating Budget Detail," ("FY 2015 Budget Books,") at <http://dbm.maryland.gov/agencies/operbudget/Pages/2015ProposedOperBudget.aspx>, Volume II, page 372, "Department of Human Resources (DHR) – Local Assistance Payments. For other DHR spending data, see DLS "DHR Fiscal 2015 Budget Overview," <http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2015fy-budget-docs-operating-NoO-DHR-Overview.pdf>, page 6.

4 DLS Fiscal Briefing, Appendix 6 and page 39 for Local Public/Safety Aid.

5 FY 2015 Budget Books

Capital/Reserves goes up the most from the last budget, with an increase of \$295.2 million for Transportation Capital projects.⁶ At the same time, the FY 2015 budget includes an increase of \$228 million in an appropriation to the Rainy Day Fund, but the budget also transfers \$205 million from the Rainy Day Fund to the General Fund.⁷ Spending on state agency operations only increases 1.4 percent from the FY 2014 budget.⁸

With a longer-term view, budget growth in Local Aid has been relatively constrained, partially as a result of state pension reform which decreased the state contribution for teacher and other local employee retirement costs and low rates of inflationary adjustments, which are used in part to determine annual increases in K-12 education funding formulas.⁹

MARYLAND'S OPERATING BUDGET GROWTH:

	FY 2012	FY 2013	FY 2014	FY 2015	Percent Change FY14-FY15	Percent Change FY12-FY15
Debt Service	\$1,050.6	\$1,090.3	\$1,195.3	\$1,294.8	8.3 percent	23.2 percent
Local Aid (Includes K-12 Aid)	\$7,258.9	\$7,447.5	\$7,717.6	\$7,927.1	2.7 percent	9.2 percent
Entitlements (Includes Medicaid)	\$8,355.5	\$8,518.0	\$8,932.6	\$9,807.6	9.8 percent	17.4 percent
State Agencies	\$15,426.9	\$15,948.2	\$17,063.7	\$17,310.9	1.4 percent	12.2 percent
Capital/Reserves	\$1,823.0	\$2,115.7	\$2,428.3	\$2,880.2	18.6 percent	58.0 percent
TOTAL	\$33,914.7	\$35,119.5	\$37,337.6	\$39,220.6	5.0 percent	15.6 percent

Accounting for fiscal 2014 deficiencies, FY 2015 General Fund spending goes up \$741 million, or 4.7 percent, to \$16.4 Billion, including \$6.8 Billion for state agency operations, \$5.8 Billion for state aid to public schools, and \$2.5 Billion for Medicaid. General Fund spending increases include \$219 million in personnel expenses, \$143 million for mandated grants and aid increases, \$48 million for state agencies, and \$24 million for new initiatives or program expansions.¹⁰

Mandated increases in local aid include \$86 million for direct K-12 education aid, \$11.3 million for direct Community College aid, \$11.1 million for teacher and librarian retirement, \$5.1 million for local health departments, and \$2.2 million Community College retirement. Required inflationary increases for community services provider rates cost \$17 million. General Funds for Entitlements are down \$12.5 million, mostly due to a decrease of \$19.3 million in foster care payments.

⁶ DBM, "FY 2015 Capital Budget," page 202, at <http://dbm.maryland.gov/agencies/capbudget/Documents/2015CapBudgetVolume.pdf>.

⁷ DLS Fiscal Briefing, page 4.

⁸ DLS Fiscal Briefing, Appendix 6

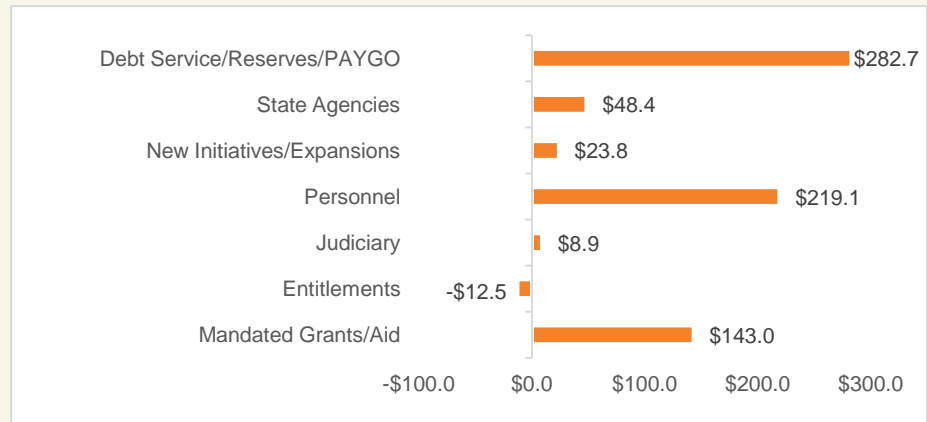
⁹ FY 2013 through FY 2015 data are from DLS Fiscal Briefing, Appendix 6. FY 2012 data are from DLS Fiscal Briefing on FY 2014 Budget, Appendix 9, page 66.

¹⁰ See DLS Fiscal Briefing, page 21 for spending by category, and Appendix 12 for program detail on spending changes.

Annualization of FY 2014 general salary increases and increments for state personnel cost \$120.6 million. And state employees also receive merit pay increases and increments in FY 2015 (\$78.2 million), a mid-year 2 percent general salary increase (\$37.8 million), and mid-year annual salary review adjustments (\$2.5 million). Employee retirement goes up \$49.9 million, while health care costs for employees and retirees go down by \$69.9 million.

GENERAL FUND BUDGET CHANGE

General Fund Spending Change from FY 2014 (\$ in Millions)



The Maryland Economic Development Assistance Authority and Fund receives \$8.2 million in boosted General Funds. Various economic development tax credits increase by \$3 million. A proposed expansion of Pre-Kindergarten cost \$4.3 million, and the Maryland Meals for Achievement school breakfast program receives a \$1.7 million increase. General Funds for the Maryland Food Bank go up by \$1 million, Moveable Feast gets a \$160,000 increase and Roberta's House receives a new \$100,000 grant.¹¹

State sources of funding, including the General Fund and Special/Higher Education Funds, pay for 73 percent of the budget. Federal funds, like Medicaid and Food Stamps, total \$10.6 billion and account for 27 percent of the total budget. Special/Higher Education Funds include higher education student tuition, state property tax and property transfer tax, transportation tolls, environmental/natural resources revenues, and some state gaming revenues. FY 2015 Special/Higher Education Funds total \$12.2 billion, or 31 percent of the budget.¹²

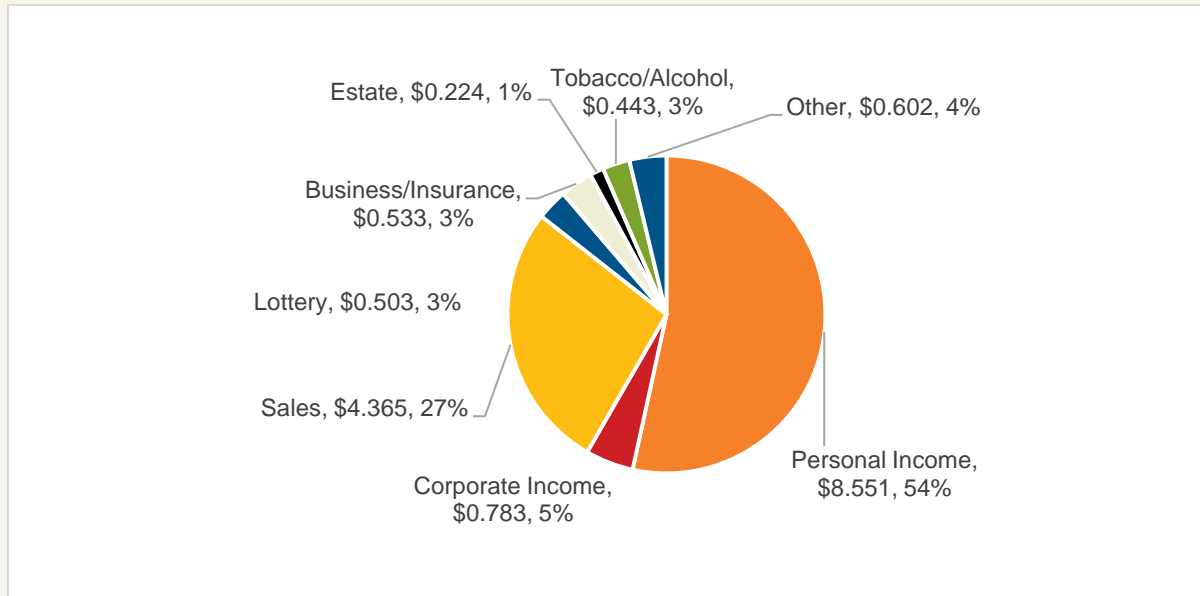
Though they are often transferred to the General Fund to balance the budget, Special Funds are collected through targeted, specific taxes or fees, like tolls, and are meant to be spent on specified purposes, such as Transportation, Tobacco Control and Cessation, Renewable Energy, or Bay Preservation.

¹¹ DLS Fiscal Briefing, Appendix 12.

¹² DLS Fiscal Briefing, Appendices 8 and 9.

MORE THAN 80 PERCENT OF GENERAL FUND REVENUE COMES FROM THE PERSONAL INCOME TAX AND SALES TAX

FY 2015 General Fund Revenue – All Funds (\$ in Millions)



Unlike federal funds, that are generally restricted for specified purposes, or Special Funds, which are collected through targeted, specific sources and reserved for specific uses, General Fund revenues, estimated at \$16 billion for FY 2015, are collected through broadly applied tax sources and are not typically specified for certain purposes. Collecting \$8.6 billion, the personal income tax is the state's largest single source of revenue and contributes the majority of funding for the FY 2015 General Fund budget. The state's sales and use tax is projected to collect \$4.3 billion, or 27 percent of the General Fund. Other sources of General Fund revenue include \$783 million in corporate income tax, \$533 million in business and insurance taxes, \$503 million in state lottery receipts and \$224 million from estate and inheritance taxes.¹³

Both the personal income tax and the sales tax are dependent on state economic conditions, particularly job and wage growth. Recent federal budget actions, including the cuts related to the budget sequester and the federal government shutdown, stalled the pace of wage growth in Maryland.

For 2013, both income and wage growth were 1.9 percent, compared to 3.5 percent for income growth and 3.3 percent for wage growth in 2012. A recovering real estate market and capital gains growth of 20 percent for 2013 partially offset

¹³ See Board of Revenue Estimates (BRE), "Estimated Maryland Revenues," December 2013, Tables 3 & 4.

the sluggish gains in income and wages.¹⁴ Still, as wage growth slowed, sales and income tax collections grew slower than expected and the state Board of Revenue Estimates dropped their forecasts of current year FY 2014 General Fund revenue by a total of \$164 million.¹⁵

Closing the Budget Gap

These cumulative revenue write-downs were the largest factor in the shrinking FY 2014 General Fund balance. When the FY 2014 budget was passed in last year's session, the projected General Fund Balance was \$293 million, accounting for revised tax credits. Lower revenue collections and other FY 2013 close-out adjustments chipped away at \$56 million of the anticipated surplus, while deficiencies lowered the anticipated balance by \$137 million. Following the second BRE revenue write-down in December of last year, the projected General Fund for the current FY 2014 budget gap was \$193 million. After the fiscal 2014 actions in the proposed budget, the current FY 2014 General Fund balance is forecast at \$82.8 million.¹⁶

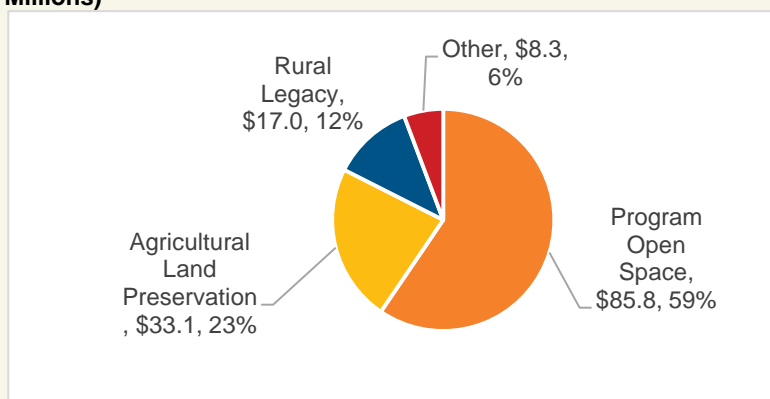
With a \$193 million gap in the fiscal 2014 budget and a projected \$391 million gap between General Fund spending and available funds in FY 2015, the total budget gap prior to the Governor's proposed budget was \$584 million. The administration highlights budget-balancing actions of \$457 million in spending reductions and \$167 million in transfers and payments to the General Fund.¹⁷

Anticipated retirement savings from capping pension reinvestment at \$200 million a year, a \$100 million reduction, total \$172.4 million, with \$86.1 million in FY 2014 and \$86.3 million in FY 2015. Cost containment in health and human services provider rates reduce related FY 2015 spending by \$61 million. Agency FY 2014 cost containment saves \$31.1 million in General Funds and \$42 million in

JUST BECAUSE IT'S CALLED THE TRANSFER TAX....

Of \$144 million in FY 2015 state property transfer tax receipts diverted to the General Fund to balance the budget, \$86 million would have gone to Program Open Space projects, \$33 million would have funded Agricultural Land Preservation, and \$17 million would have been for Rural Legacy projects.

Where Would The Money Have Gone? - FY 2015 Transfer Tax Receipts to the General Fund: Intended Funding Distributions (\$ in Millions)



14 BRE, "Estimated Maryland Revenues," December 2013, Table 2.

15 BRE, "Maryland General Fund and Budget Restoration Fund Revenues," September 2013. The September 2013 estimate and the December 2013 report are available at http://finances.marylandtaxes.com/Where_the_Money_Comes_From/Board_of_Revenue_Estimates/.

16 DLS Fiscal Briefing, page 15.

17 See Office of the Governor, "Better Choices, Better Results," January 2014, page 16, at <http://www.governor.maryland.gov/documents/FY2015Budget.pdf>.

total funds. Smaller reductions include \$8.5 million in Higher Education aid and \$1.1 million for the Maryland Agriculture Resource-Based Development Corporation (MARBIDCO).

The Governor's plan relies on an additional \$69.1 million in FY 2015 state property transfer tax receipts sent to the General Fund instead of the Annuity Bond Fund.¹⁸ Last year's budget-balancing plan sent \$89.2 million in fiscal 2014 transfer tax receipts and \$75.1 million in FY 2015 transfer tax to the General Fund.¹⁹ If the new proposed transfer of \$69.1 million is approved, total fiscal 2015 transfer tax collections used to balance the General Fund budget would be \$144.2 million. The FY 2015 transfer tax receipts diverted from Program Open Space are 92 percent of capital eligible revenue and would leave only \$11.9 million to support FY 2015 Open Space POS capital projects.²⁰

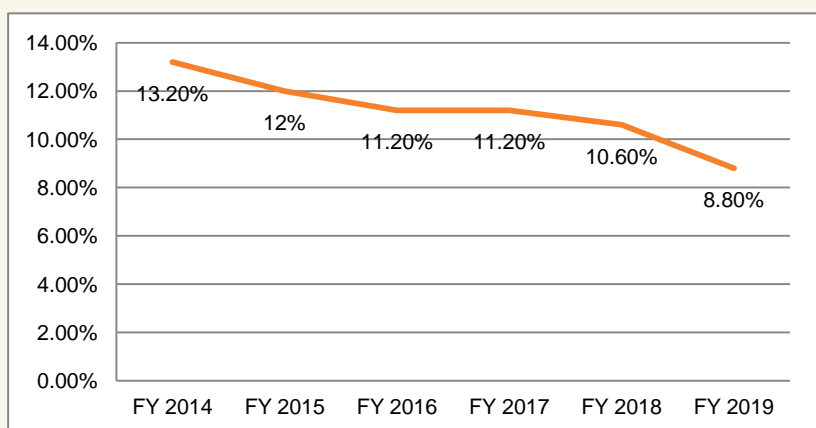
In addition to the transfer tax receipts, \$11.2 million in Bays 2010 Trust Fund revenues, \$8 million from fiscal 2014 and \$3.2 million from FY 2015, are booked as FY 2015 General Fund revenues; and \$8.8 million in new revenue is realized with changes to Lottery Commissions.²¹

The administration proposes to transfer several other sources of Special Funds to the General Fund. \$25.8 million would come from the University System of Maryland Fund and \$19.1 million would be transferred from the Sustainable Communities Tax Credit Fund. And \$17.6 million from the sale of the used Medevac helicopter fleet would be sent to the General Fund instead of the Bond Annuity Fund.

These Special Funds would typically have gone to fund related projects in the Capital Budget. Once they are diverted to the General Fund, any related Capital projects must be funded with cash (PAYGO), increased capital debt or delayed. This budget's multiple transfers and diversions of Special Funds meant to finance the Capital Budget continues a recent budget-balancing trend. The diverted Special Funds are scheduled to be replaced in the Capital Budget

CONSTRAINING CAPITAL BUDGET FINANCING OPTIONS BALANCING THE BUDGET WITH CAPITAL DEBT

Percent of General Obligation (GO) Bonds Used for Budget Relief



18 For a summary of Governor's budget actions, see DLS Fiscal Briefing, pages 17 – 20.

19 BRE, "Estimated Maryland Revenues," December 2013, Table 4.

20 DLS Fiscal Briefing, Page 49.

21 DLS Fiscal Briefing, page 18.

through a multi-year plan of using General Obligation (GO) Bonds, or increased capital debt. In fact, the use of GO Bonds for budget relief peaked at \$414.3 million in the FY 2011 budget and is \$146.8 million in the current budget, \$139.6 million in the current budget and projected at \$115.2 million in fiscal 2019.²² Prior allocation of GO Bonds leaves limited flexibility in funding the Capital Debt and builds pressure for increased capital debt levels, which increases debt service costs, which are 1.2 percent of total General Fund spending in the FY 2015 budget.²³

Capital Projects Funding Overview

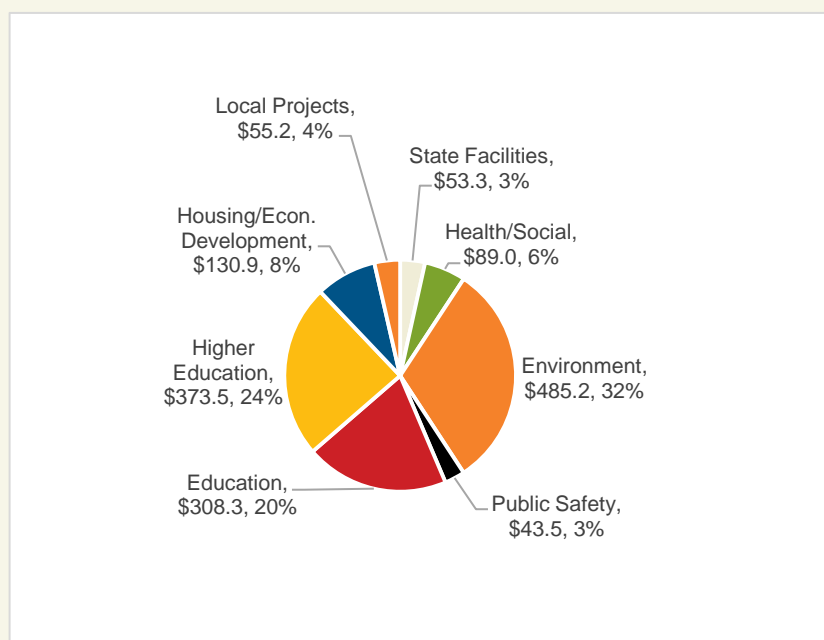
The Governor's FY 2015 Capital Budget funds the state's Capital Improvement Plan and \$1.5 Billion for General Capital projects. The Department of Transportation's Operating Budget allowance includes \$2.6 billion for Transportation Capital projects.

Transportation Capital projects are funded with a mix of state Special Funds, like fuel taxes, state bonds and federal funds, including federal aid directly received by the Washington Metropolitan Area Transit Authority (WMATA) for the DC Metro subway system. In FY 2015, state sources accounted for 1.6 billion of Transportation projects, with federal aid making up \$794 million. Other sources of FY 2015 Transportation Capital funding were user fees and the federal funds received by WMATA which total \$215 million. The \$1.5 billion in General Capital projects are funded through \$1.6 billion in GO Bonds, 11.4 million in General Fund PAYGO, \$251.1 million in Special Funds, \$64.5 million in federal funds, and \$4.6 million in Qualified Zone Academic Bonds (QZABs), a federal tax credit available to finance school construction or renovation.

Highlights of Transportation Capital funding include \$1.2 billion for state highway projects and \$654 million for Maryland Transit Administration projects, including \$90.9 million for the Baltimore Red Line Transitway and \$158.9

FY 2015 CAPITAL BUDGET

Funded General Capital Projects -- Non-Transportation (\$ in Millions)



²² DLS Fiscal Briefing, page 51. For recommended General Obligation Bond Limits by fiscal year, see the "Sept. 2013 Recommendation" data at DLS, "Spending Affordability Briefing," November 2013. Page 1, at <http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2013-spending-affordability-briefing-november-14.pdf>.

²³ DLS Fiscal Briefing, page 21.

million to begin construction on the D.C. Metro Purple Line Transitway in Montgomery County and Prince George's County. The Maryland Aviation Administration receives \$197 million for projects at BWI Airport; and the Maryland Port Authority's capital budget totals \$154 million.²⁴

Over three-quarters (76 percent) of the \$1.5 Billion Capital Budget goes to fund Environmental/Natural Resources and Education projects. Environmental projects and programs to improve environmental quality include \$130 million for Water Quality projects, \$102 million for nutrient removal programs, and \$84 million in land preservation programs.

Higher Education funding includes \$289.1 million for State Colleges and Universities and \$65.4 million for Community Colleges. The Public School Construction Program is funded at \$289.2 million.²⁵

Governor's Budget Detail

Education

Early Education/Child Care programs and K-12 Education receive \$7.7 Billion in total FY 2015 funding, with 80 percent of the spending, or \$6.2 billion coming from the General Fund. The large majority of state spending for education goes to state local aid for K-12 education, which is funded at \$7 billion in total funding and \$5.8 billion in General Funds, or an increase of 2 percent in General Funds from FY 2014.²⁶

The largest state aid program for public schools is the Foundation Program, which provides the base per pupil formula funding. The Foundation Program also includes several smaller funding streams, including the Geographic Cost of Education Index (GCEI) which provides extra funding for high-cost-of-living school districts, the Supplemental Grant, which is locked in at FY 2010 inflationary adjustments, and the Net Taxable Income Adjustment, which provides additional funding to lower income jurisdictions through a change in the calculation of county income.

The base Foundation Program FY 2015 funding is \$2.9 billion, which is currently a \$3 million decrease from fiscal 2014, accounting for a \$34.8 million fiscal 2014 deficiency fund swap from gaming proceeds in the Education Trust Fund.²⁷ GCEI is funded at \$132.7 million, with Supplemental Grant receiving \$46.5 million and the Net Taxable Income adjustment \$26.9 million. Compensatory Education aid,

24 Summary of Transportation Capital Budget, DBM, "FY 2015 Budget Highlights," page 32, at <http://dbm.maryland.gov/agencies/operbudget/Documents/2015/BudgetHighlightsFY2015.pdf>.

25 General Capital Budget funding and spending detail, DBM, "Summary of FY 2015 Capital Budget As Proposed," at <http://dbm.maryland.gov/agencies/capbudget/Documents/2015CapBudgetProposed.pdf>

26 DLS Fiscal Briefing. Page 21 and Appendix 6.

27 For a complete list of FY 2014 deficiencies, see DLS Fiscal Briefing, pages 15 – 16.

which currently allocates aid based on Free and Reduce Priced Meal eligibility counts and is funded at \$1.25 billion, and the Guaranteed Tax Base program, at \$59.4 million, are two other wealth equalization aid programs.

State special education aid totals \$382.9 million, with \$272 million in formula aid and \$110.9 million in nonpublic special education and the federal special education grants total \$201.9 million. In addition, General Funds provide \$10.4 million for the Infants and Toddlers program and \$12 million for the Autism Waiver Program. Title I federal grants for educationally disadvantaged students total \$207.4 million. \$197.7 million in General Funds are provided for instruction for students with Limited English Proficiency. Total funding for Teacher Development is \$46.8 million.

School food programs receive \$319.8 million in education aid, with \$308.6 million in federal funding. State funding includes \$4.3 million for State Food Services Program and \$6.9 million for Maryland Meals for Achievement school breakfast program, an increase of \$1.7 million. The state also provides \$258.4 million in aid for Student Transportation and local personnel costs, including \$884.2 million for local employee fringe benefits and \$821 million in teacher/librarian retirement payments.

Maryland State Department of Education's (MSDE) Division of Early Childhood Development receives \$54.1 million in total funds, with \$13.4 million in General Funds and \$40.7 million in Federal Funds, which include \$16 million in Race to the Top-Early Learning Challenge grants. A new state aid program is created to expand Pre-Kindergarten and funded at \$4.3 million. The Child Care Subsidy Program assists working families with the costs of child care and receives \$82.9 million, with \$37.8 million in General Funds and \$45.1 million in federal funds. State aid for Head Start is \$1.8 million and is level-funded for the Judith P. Hoyer Early Learning Centers at \$10.6 million. General Funds are also flat-funded for School Based Health Centers at \$2.6 million and the Healthy Families/Home Visiting program at \$4.6 million.²⁸ In addition, the Department of Health and Mental Hygiene (DHMH) budget includes \$4 million in federal Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program grants.²⁹

Total funding for school construction in the Governor's budget is \$311 million. The Public School Construction Program is funded at \$275 million in the Capital Budget, all GO Bonds, which also fund \$6.1 million for Aging Schools program, and \$3.5 million for nonpublic school construction. Federal QZAB funding is

²⁸ For FY 2015 allowances in Maryland State Department of Education (MSDE), see FY 2015 Budget Books, Volume III, "Public Education – MSDE Headquarters and Aid to Education," pages III-3 – III-72. State aid to public schools by category data are also available in DLS Fiscal Briefing, page 39.

²⁹ DBM, FY 2015 Budget Books, Volume II, "Department of Health and Mental Hygiene – Prevention and Health Promotion Administration," page II-152.

\$4.6 million and brings total funding in the Capital Budget to \$289.2 million.³⁰ Operating Budget support includes \$1.8 million for the Interagency Committee on School Construction, and \$20 million in lottery proceeds are budgeted as Special Funds in the Maryland Stadium Authority (MSA) for the Baltimore City Public School Construction and Revitalization program.³¹ Baltimore City and Baltimore City Public Schools will each contribute \$20 million annually for \$60 million in total funding through MSA, which projects that level of annual funding can support up to \$1.1 billion in bonds for school construction.³² The Capital Budget also includes \$5 million for the Public Library Capital Grant Program and \$12.1 million for renovation of the State Library Resource Center.³³

Higher Education

Total FY 2015 funding to support Higher Education is \$5.8 Billion, with \$297.5 million in Community College Aid, and \$5.5 Billion in spending for Higher Education Institutions.³⁴ Tuition and Fees contribute \$1.6 billion; and federal funds contribute \$904.2 million to the budget for Higher Education Institutions. Sales and services of Educational Activities and of Auxiliary Enterprises, like apparel, fund \$1 billion for Higher Education Institutions.³⁵

Total Funding to selected institutions includes \$1.1 billion for University of Maryland (UM) Baltimore, \$1.9 billion for UM College Park, \$456.4 million for Towson University, \$443.6 million for UM University College, \$407.3 million for UM Baltimore County, and \$223.2 million for Morgan State University, and \$180.8 million for Salisbury University.³⁶

State funding from General and Special Funds for Higher Education totals \$1.9 billion for FY 2015, up \$113 million from fiscal 2014. State support for University System of Maryland (USM) is \$1.2 billion, and for Morgan State University is \$85 million, as well as \$22.8 million for St. Mary's College of Maryland. In addition to the \$297.5 million in state Community College Aid in Maryland Higher Education Commission (MHEC) budget, student financial aid in the MHEC budget paid for with state funds totals \$102.1 million, and Independent Institutions receive \$40.9 million in state funds.³⁷

30 DBM, "Summary of FY 2015 Capital Budget as Proposed," page 5.

31 DBM, "FY 2015 Budget Highlights," page 28 and Appendix C.

32 For more detail, see DLS, "Issue Papers: 2014 Legislative Session," December 2013, page 31, at <http://mgaleg.maryland.gov/Pubs/legislegal/2014rs-Issue-Papers.pdf>.


33 DBM, "Summary of FY 2015 Capital Budget as Proposed," page 2.

34 DLS Fiscal Briefing, Appendix 6.

35 DBM, FY 2015 Budget Books, Volume III, "Summary of Morgan State University," page III-93 and "Summary of St. Mary's College of Maryland," page III-105, and "Summary of University System of Maryland," page III-125.

36 DBM, "FY 2015 Budget Highlights," Appendix C.

37 DLS, "Higher Education Fiscal 2015 Budget Overview," page 1 at <http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2015fy-budget-docs-operating-HIGHED-Higher-Education-Overview.pdf>.



The Capital Budget funds \$373.5 million of Higher Education projects, including \$65.4 million for Community Colleges and \$259.5 million for USM, \$17.8 million for St. Mary's College, and \$11.7 million for Morgan State University. Funding for selected capital projects includes: \$60.8 million for a new engineering building at UM Eastern Shore, \$49 million for health services building at UM Baltimore, \$35 million for a new Academic Commons at Salisbury University, and \$23.3 million for a sciences building at Bowie State University.³⁸

Health

At \$11.4 billion in total FY 2015 funds, the DHMH budget is the largest state agency budget and includes \$8.6 billion for Medicaid Reimbursements, or 76 percent of the total DHMH budget. Provider Reimbursements for medical services to Medicaid clients through the Medical Care Programs Administration (MCPA) total \$7.8 billion in total funds, with \$4.3 billion in federal Medicaid funds, and \$3.4 billion in state matching funds. Federal Medicaid funds also provide \$427.8 million in mental health community services to Medicaid-eligible clients and \$415.1 million for community services for Medicaid-eligible clients of the Developmental Disabilities Administration (DDA). The Maryland Children's Health Program (MCHP) receives \$225.7 million in total funds, an increase of \$11.2 million from FY 2014. The Governor's budget also funds \$47 million in Local Health Aid.

Funding sources for the DHMH budget include \$5.8 billion in Federal funds, \$1.2 billion in Special Funds, and \$4.1 Billion in General Funds.

The FY 2015 Behavioral Health budget is \$1.4 billion in total funds and \$814.7 million in General Funds, with \$1.1 billion for community services and \$283.2 million for state facility operations. Community services for Medicaid-eligible clients total \$782.4 million and \$242 million for clients who are not Medicaid-eligible. The Behavioral Health budget also includes \$117.3 million for substance abuse treatment and \$7.9 million for prevention programs.

DDA is funded at \$997.3 million, a \$22.3 million increase from FY 2014. General Funds go up \$20.6 million to \$575 million. Most of the DDA budget, or \$947.3 million, goes to fund community services, with \$41.2 million for state facility operations. The administration highlights an increase of \$17.2 million in General Fund support for community services.

The Prevention and Health Promotion Administration receives \$357.7 million in total funding, an increase of \$31 million from FY 2014. The Women, Infants, and Children nutrition program is funded at \$119.9 million, the Maryland AIDS Drug Assistance Program receives \$58.8 million, \$37 million for Tobacco Cessation

³⁸ DBM, "FY 2015 Budget Highlights," page 17.

and Control and Cancer Prevention and Treatment,³⁹ and \$9.3 million for Family Planning services.⁴⁰

The FY 2015 DHMH budget includes \$37.2 million in increased funding for Long-Term Care Rebalancing, with a \$24.4 million increase in Community First Choice, a \$20.4 million boost to the Balancing Incentive Program, a \$1.8 million decrease to the Money Follows the Person program and a \$6.8 million decrease for the Home and Community-based Options Waiver.

Boosted spending associated with the ACA totals \$525.2 million, including \$474.3 million in new federal money for the ACA Medicaid expansion \$50.9 million in total spending for fee-for-service mental health community services for non-Medicaid-eligible clients. ACA savings are \$205.8 million, with \$84.8 million from annualization of Medically Needy savings and \$121.1 million in the defunct Primary Adult Care (PAC) program, whose enrollees are now covered by the ACA Medicaid expansion. The PAC savings would be accounted for in the new federal money for the ACA Medicaid expansion.⁴¹

Maryland Department of Aging's FY 2015 allowance is \$53.4 million, including \$21.9 million in General Funds and \$26.8 million in federal funds. General Administration funding is \$52.9 million and Senior Center Operating Fund receives \$500,000. Federal Senior Community Service Employment Program goes down by more than \$400,000.⁴²

Health-related spending in the Capital Budget includes \$30 million for Prince George's Hospital System, \$5.2 million for Private Hospital Grant Program, \$1.5 million for Sinai Hospital, \$1.5 million in the Department of Disabilities for accessibility modifications, \$5.5 million for the Community Health Facilities Grant Program, \$2.4 million for Federally Health Qualified Health Centers Grant Program, \$5 million for USM New Ambulatory Care Pavilion and NICU and Labor Delivery Suite Renovation, and \$5 million for USM Shock Trauma Center Renovation, \$5 million for the East Baltimore Biotechnology Park, and \$1.5 million for a Comprehensive Autism Center.⁴³

39 For most DHMH spending data, see DLS, "Department of Health and Mental Hygiene Fiscal 2015 Budget Overview," pages 9 – 11, at <http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2015fy-budget-docs-operating-Moo-DHMH-Overview.pdf>. DDA Community Services Medicaid Reimbursements: FY 2015 Budget Books, Volume II, "DHMH – Developmental Disabilities Administration – Community Services," page II-221. Mental Health Community Services for Medicaid-eligible clients: FY 2015 Budget Books, Volume II, "DHMH – Medical Care Programs Administration – Medicaid Behavioral Health Provider Reimbursements," page II-251.

40 FY 2015 Budget Books, Volume II, "DHMH – Prevention and Health Promotion Administration," page II-146.

41 DLS, "DHMH Fiscal 2015 Budget Overview," pages 12 – 14.

42 FY 2015 Budget Books, Volume I, "Department of Aging," pages I-251 – I-256.

43 DBM, "Summary of FY 2015 Capital Budget as Proposed."

Human Services

The total FY 2015 budget for the Department of Human Resources (DHR) is \$2.72 billion, an increase of \$158.2 million from fiscal 2014. The DHR budget includes the 100 percent federally funded Supplemental Nutrition Assistance Program (Food Stamps) benefits, which funds vary year-to-year based on Marylanders' income eligibility for the program. Federal funds for SNAP benefits increase \$165.2 million from FY 2014 to \$1.25 billion in FY 2015. Factoring out the increase in SNAP benefit funding, the rest of DHR's budget went down \$7 million to \$1.47 Billion in FY 2015.⁴⁴

Funding sources for DHR's budget include \$644.2 million in General Funds, \$121.2 million in Special Funds, the \$1.25 billion in federal SNAP funds, and \$707.5 million in other federal funding sources.

Excluding SNAP funds, Family Investment programs (FIP) receive \$427.5 million in fiscal 2015, a decrease of \$793,000. Temporary Cash Assistance (TCA) payments are budgeted at \$133.4 million, a decrease of \$6.9 million, and Temporary Disability Assistance Program (TDAP) is flat-funded at \$44.2 million. Work Opportunities program receives \$34.9 million in federal Temporary Assistance to Needy Families (TANF), and FIP Administration goes up \$6.2 million to \$197.5 million.

The Office of Home Energy Programs goes up slightly to \$142.3 million. DHR Child Welfare funding totals \$629.2 million, down 7.8 million from fiscal 2014. FY 2015 budget funds \$333.7 million in foster care and adoption subsidy payments, a drop of \$12.7 million, accounting for a \$19.3 million FY 2014 deficiency for foster care payments. Child Welfare staff and other services in the Local Departments of Social Services, including Child Protective Services, are funded at \$295.1 million, a \$4.8 million increase. General administrative expenses in the DHR budget total \$186.7 million, a \$2.4 million increase.⁴⁵ Funding for the Maryland Food Bank increases \$1 million to \$3 million, goes up \$160,000 to \$400,000 for Moveable Feast, and is budgeted at \$100,000 for a new grant for Roberta's House.⁴⁶

Human Services spending in the Operating Budget also includes \$2 million for the Governor's Office for Children and \$21.8 million for the Children's Cabinet Interagency Fund.⁴⁷

Related funding in the Capital Budget includes \$1 million for the Baltimore Food Hub and \$500,000 for Real Food Productions – Eastern Shore Food Hub.⁴⁸

⁴⁴ See supra note 3.

⁴⁵ Spending by category: DLS, "Department of Human Resources Fiscal 2015 Budget Overview," pages 6 – 7, at <http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2015fy-budget-docs-operating-No0-DHR-Overview.pdf>.

⁴⁶ DLS, "DHR Fiscal 2015 Budget Overview," page 11.

⁴⁷ DBM, "FY 2015 Budget Highlights," Appendix C.

Public Safety

The Department of Public Safety and Corrections Service (DPSCS) receives \$1.4 billion in the FY 2015 budget. State funds make up 98 percent of the DPSCS budget, with General Funds accounting for \$1.2 billion, and Special Funds adding \$141 million. Detention & Corrections are budgeted at \$961 million for FY 2015, or 71 percent of total budget, with \$787.5 million for Corrections (58 percent), and \$173.5 million for Detention. Community Supervision programs receive \$98.6 million; and DPSCS Administration is funded at \$230.9 million.

DPSCS personnel expenses increase by \$41.3 million, including \$4.8 million for new positions, and other adjustments for turnover, overtime, increment increases and employee health and retiree costs. Medical expenses for inmates at correctional institutions go up by \$10.9 million, while funds for food for inmates go up \$2.8 million. The budget also funds \$7.2 million in new money for cell phone managed access systems, to increase security at correctional facilities. \$620,000 in new money funds increases in compensation made to victims of crime and \$367,000 funds a pilot youth re-entry program.⁴⁹

The Governor's Total FY 2015 allowance for the State Police is \$352.8 million, with \$351 million in funding from state sources, including \$254.7 million in General Funds and \$93.3 million in Special Funds. The Field Operations Bureau receives a \$212.6 million allowance, the Criminal Investigation Bureau is funded at \$46.5 million and the Support Services Bureau gets \$61.6 million.⁵⁰ The administration highlights a \$7 million for vehicle replacement and a \$1.2 million enhancement to fully staff the Aviation Command and \$384,000 in increased funds to expand forensic staffing at the Hagerstown Crime Lab.⁵¹

The Department of Juvenile Services (DJS) receives a FY 2015 allowance of \$302.3 million, with \$290 million in General Funds, \$5 million in Special Funds and \$7.1 million in Federal Funds. State-operated detention facilities and state-operated committed residential programs receive \$114.4 million, while Regional Community Operations total \$142 million, though contracted residential programming for committed, post-adjudication youth is budgeted in Regional Community Operations. DJS Administrative funding includes \$4.1 million in the Office of the Secretary, \$24.9 million in Departmental Support, \$4.7 million in department-wide administrative support for Residential and Community Operations, and \$12.1 million in DJS Regional Administration expenses.⁵²

48 DBM, "Summary of FY 2015 Capital Budget as Proposed," pages 6 – 7.

49 DLS, "Department of Public Safety and Correctional Services Fiscal 2015 Budget Overview," pages 14 – 17, at <http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2015fy-budget-docs-operating-Q00-DPSCS-Overview.pdf>.

50 DBM, FY 2015 Budget Books, Volume III, "State Police," pages III-701 – II-716.

51 DBM, "FY 2015 Budget Highlights," page 21.

52 DBM, FY 2015 Budget Books, Volume III, "Department of Juvenile Services, pages III-637 – III-679.

DPSCS infrastructure projects are funded at \$29.9 million in the Capital Budget. A planned Baltimore City youth detention facility receives \$9.5 million, a minimum security compound at Dorsey Run gets \$15.3 million, and \$5.1 million goes to window and HVAC Replacement at correctional facilities. The State Police receive \$12.5 million for helicopter replacement and an Aircrew Training Facility and \$1.1 million for a Tactical Services Facility Garage, for a total of \$13.6 million in Capital Budget. DJS receives a \$33.9 million allowance in the Capital Budget, with \$31.5 million for a new detention facility at Cheltenham and \$2.4 million for a new detention center for young women.⁵³

Jobs/Economic Development

The Governor's total FY 2015 allowance for the Department of Labor, Licensing, and Regulation (DLLR) is \$375.6 million, with \$45.2 million in General Funds, \$140.1 million in Special Funds, and \$176.3 million in federal funds. The Division of Racing is budgeted at \$104.2 million, including \$102.2 million in Video Lottery Terminal proceeds distributions. The Division of Workforce Development and Adult Learning is funded at \$104.6 million.⁵⁴

The Department of Budget and Economic Development's (DBED) FY 2015 funding is \$161.6 million, up \$4.3 million from FY 2014. General Funds contribute \$80 million, an increase of \$13.6 million, with Special Funds at \$80.7 million, up by \$13.9 million, and Federal Funds at \$808,000, down by \$22.1 million, due to the one-time nature of funding under the U.S. State Small Business Credit Initiative. The largest single factor in the increased state funds is a \$14.6 million increase for the Maryland Economic Development Assistance Authority and Fund (MEDAAF). MEDAAF receives \$8.9 million in General Funds and \$19.1 million in Special Funds, or \$28 million total. Funding for the Small, Minority, and Women-Owned Business fund increases by \$2 million; and \$2 million is provided to restore funding for cultural arts preservation. The Biotechnology Tax Credit is increased by \$2 million and the CyberMaryland Investment Tax Credit goes up by \$1 million.⁵⁵

Housing/Community Development

The Department of Housing and Community Development (DHCD) receives a FY 2015 allowance of \$375.8 million, with \$262.7 million in federal funds, \$102 million in Special Funds and \$10.7 million in General Funds. The Division of Development Finance (DDF), which finances the state's affordable housing and housing development programs, receives \$308.7 million, while the Division of

⁵³ DBM, "Summary of FY 2015 Capital Budget as Proposed," pages 3 – 5.

⁵⁴ DBM, FY 2015 Budget Books, Volume III, "Department of Budget and Management, pages III-513 – III-563.

⁵⁵ DLS, "Analysis of the FY 2015 Maryland Executive Budget – Department of Business and Economic Development, pages 1 and 11 – 12.

Neighborhood Revitalization is funded at \$37.2 million. Within the DDF budget, the Rental Services Program, which administers the federal Section 8 Housing Voucher program receives \$228.4 million, with \$225.7 million in federal housing aid. The DDF budget also funds homeownership programs at \$5.7 million, and special loan programs at \$28.9 million.⁵⁶

DHCD Capital funding totals \$119.2 million and includes \$6 million for the Community Legacy Program, \$15 million for homeownership programs, \$57.5 million for Rental Housing programs, including \$24 million for Rental Housing Works and \$9.9 million for Special Loan programs. DHCD's Capital Budget also funds \$10 million for Smart Growth Strategic Demolition, \$1 million for a Baltimore Regional Neighborhoods Demonstration Initiative, \$3 million for the MD-BRAC Preservation Loan Fund, \$5.2 million for Neighborhood Business Development Program, and \$10 million in federal Community Development Block Grant funding.⁵⁷

Agriculture/Environment/Natural Resources

The Department of Agriculture receives a FY 2015 allowance of \$114.1 million, with \$77.3 million in Special Funds, \$29.4 million in General Funds and \$4.3 million in federal funds. The Office of Resource Conservation receives \$43.1 million, and the Office of Plant Industries and Pest Management is budgeted at \$11.2 million. Marketing and Agriculture Development are funded at 9.3 million. The Maryland Agriculture and Resource-Based Industry Development Corporation is funded at \$4 million, but the budget includes a \$1.125 million contingent reduction so final MARBIDCO funding would be \$2.875 million. The Maryland Agricultural Education and Rural Development Assistance Fund gets \$167,000, and the Rural Maryland Council receives \$219,899.⁵⁸

The Department of the Environment (DOE) receives a FY 2015 allowance of \$390.6 million, with \$263.4 million in Special Funds, \$37.7 million in General Funds, and \$76.1 million in federal funds. The Land Management Administration gets \$34.4 million, the Water Management Administration is funded at \$31.8 million, and the Air and Radiation Management Administration receives \$19.8 million. The Coordinating Offices are budgeted at \$31.6 million.⁵⁹ The budget funds Department of Natural Resources (DNR) at \$320.4 million, with \$226.3 million in Special Funds, \$53.3 million in General Funds, and \$30.7 million in federal funding. Major FY 2015 funding items include \$71.6 million for Land Acquisition and Planning, \$42.3 million for the Maryland Park Service,

56 DBM, FY 2015 Budget Books, Volume III, "Department of Housing and Community Development," pages III-467, and III-476, and III-481 – III-491.

57 DBM, "Summary of FY 2015 Capital Budget as Proposed," page 3.

58 DBM, FY 2015 Budget Books, Volume II, "Department of Agriculture," pages II-41 – II-44.

59 DBM, FY 2015 Budget Books, Volume III, "Department of the Environment," pages III-597 – III-609.

\$40.7 million for the Natural Resources Police, \$12.1 million for the Forest Service, and \$10.6 million for the Wildlife and Heritage Service.

The Department of Agriculture's Capital Budget is funded at \$24.9 million, including \$15.2 million for Agricultural Land Preservation Program, \$7 million for Agricultural Cost-Share Program, and \$2.7 million for Tobacco Transition Program.⁶⁰

The Department of Environment's Capital Budget totals \$280.4 million, with \$130 million for the Water Quality Loan Fund, \$81 million for Wastewater Program, which enhances nutrient removal, \$22 million for the Drinking Water Quality Loan Fund, \$21.2 million for Biological Nutrient Removal Program, \$15 million for Septic System improvements, \$5.3 million for Supplemental Assistance Program, \$4.4 million for Water Supply Financial Assistance Program, and \$1 million for Hazardous Substance Clean-Up.

DNR's Capital FY 2015 Allowance is \$112 million, including \$45.6 million for Program Open Space, \$25 million for the Chesapeake Bay 2010 Trust Fund, \$16 million for Rural Legacy Program, \$7.6 million for Oyster Restoration program, \$5 million for Waterway Improvement Program, \$4.6 million for Natural Resources Development Fund, \$4.6 million for Critical Maintenance projects, \$2.5 million for Community Parks and Playgrounds, and \$1 million for Ocean City Beach Replenishment Fund.⁶¹

Legislative analysts have estimated the total spending in the FY 2015 budget, both the Operating Budget and the Capital Budget, that supports Chesapeake Bay Restoration at \$947.9 million. The analysts reported total related spending in DOE of \$282.1 million, \$117.4 million in DNR, and \$22.9 million from Program Open Space, \$32.3 million from the Department of Agriculture, and \$26.5 million from the Maryland Agricultural Land Preservation Foundation.⁶²

Legislative, Legal, Judiciary


The General Assembly receives \$82.7 million for FY 2015 operations. The Judiciary is funded at \$495.6 million, while the Office of the Public Defender receives \$99.3 million, though legislative analysts report no additional funding related to the *Richmond v. DeWolfe* decision which requires pre-trial representation. The Office of the Attorney General receives \$32.9 million and the Office of the State Prosecutor gets \$1.5 million.⁶³ The Capital Budget funds \$15

60 DBM, FY 2015 Budget Books, Volume I, "Department of Natural Resources," pages I-718 – I-736.

61 DBM, "Summary of FY 2015 Capital Budget as Proposed."

62 DLS, "Chesapeake Bay Fiscal 2015 Budget Overview," page 14, at <http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2015fy-budget-docs-operating-CHESBAY-Chesapeake-Bay-Overview.pdf>.

63 DBM, "FY 2015 Budget Highlights," Appendix C. For information on *Richmond v. DeWolfe* funding, see DLS Fiscal Briefing, page 55.



million for Legislative Initiatives and \$2.2 million in the Board of Public Works allowance for a new Catonsville District Court.