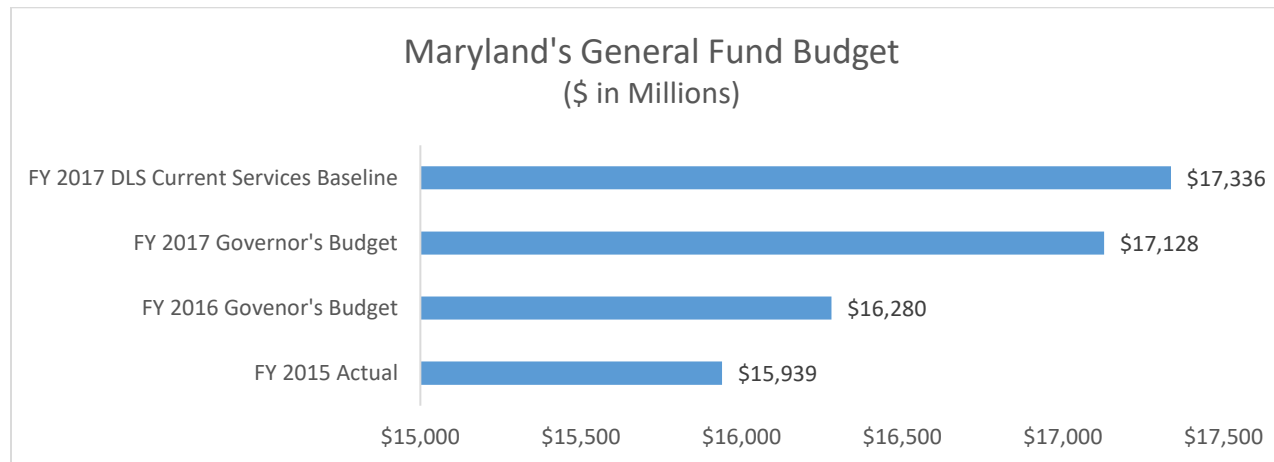


An Initial Review of the Governor's Fiscal Year 2017 Budget

The Governor recently released the state's Fiscal Year (FY) 2017 budget with \$42.3 billion in spending in the Operating Budget and \$1.46 Billion in expenditures in the Capital Budget. The Operating Budget grows \$2 billion from \$40.3 billion in FY 2016. On the other hand, the capital budget, which funds non-transportation capital projects, drops by \$98.2 million, or 6.3%, from FY 2016. The budget also includes a package of tax and fee reductions, which reduces revenues by \$23.2 million in FY 2017 and up to \$480 million over five years. In addition, the administration intends to introduce a budget "mandate relief" proposal.

Total FY 2017 spending on managing and preserving the state's environment and natural and agricultural resources increases \$120.4 million, or 17%, to \$834.3 million. Fiscal 2017 investments in economic and business development go up \$65.7 million, or 12.5%, to \$592.5 million. And the administration budget plan boosts spending for services for Marylanders with developmental disabilities by \$63.5 million, or 5.8%, to \$1.15 billion.

The FY 2017 General Funds operating budget, or Maryland's primary state-funded checking account, increases \$848.3 million from FY 2016, growing from \$16.28 billion to \$17.13 billion. General Funds for entitlements increase \$312.4 million, including \$309.2 million for Medicaid. General Funds for state personnel costs increase \$217.5 million. While General Fund support for local aid, including aid to education, goes up \$115.4 million.¹

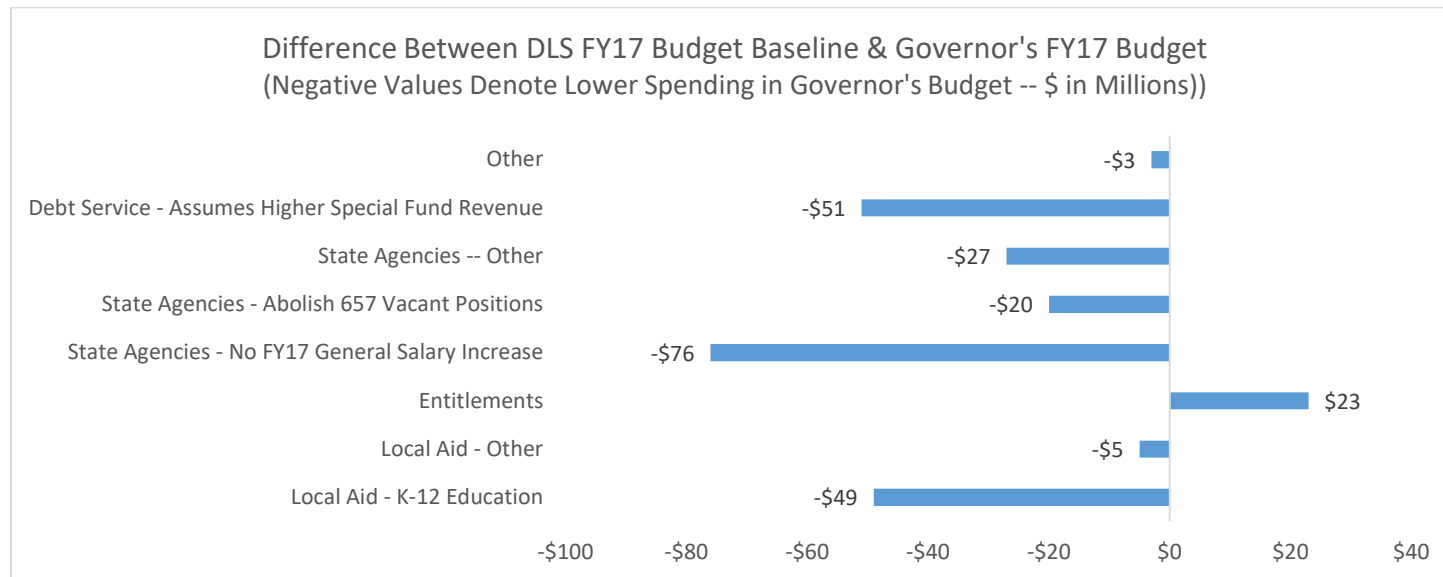


¹ "Fiscal Briefing," Department of Legislative Services, page 23, at <http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2016rs-operating-budget-fiscal-briefing.pdf>.

The Governor’s FY 2017 General Funds Budget is \$208 million below the current services baseline budget forecast by the Department of Legislative Services.² The largest DLS baseline budget spending item unfunded in the Governor’s budget is \$76 million to provide state employees with a 2% general salary increase. The Governor’s budget abolishes 657 vacant state positions, which saves \$20 million. These savings were not in the DLS baseline.

For local aid, education aid is \$63 million lower than baseline due to lower than anticipated enrollment growth and \$2 million less is funded in the Governor’s budget for math and science initiatives than expected. On the other hand, the \$6 million in supplemental education aid grants for Carroll, Kent and Garrett counties was not a component of the DLS baseline. The Governor’s budget provides \$5 million more than expected for other local aid, including police aid, local health grants and disparity grants.

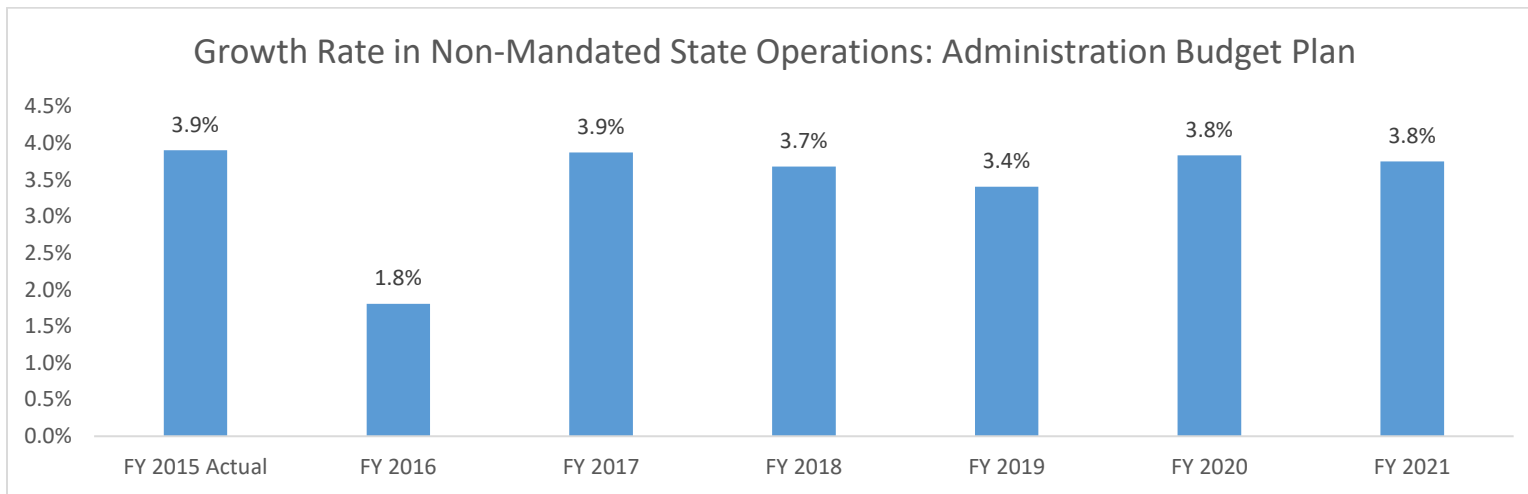
Spending on entitlements is \$23 million higher in the Governor’s budget than the DLS baseline, including \$22 million more for Medicaid. The DLS budget baseline assumed \$51 million more for Debt Service than the Governor’s budget, which assumes higher Annuity Bond Fund revenue, therefore requiring fewer General Fund dollars. The DLS budget baseline assumed \$20 million in General Funds for public school construction, which is funded with debt in the Governor’s plan. The administration plan includes \$15 million more for the state retirement system than required by statute.



² DLS Fiscal Briefing, page 64.

The administration fiscal plan would close out FY 2017 with \$449.5 million in General Fund cash balance, or \$233 million than the DLS baseline projection. The administration highlights that under their plan the Operating Budget’s structural deficit is closed, although the proposed package of budget mandate relief would need to pass to fully close the structural gap through FY 2021. Without the adoption of the mandate relief package the Governor’s budget would have a cumulative structural gap of \$617 million through FY 2021, compared to \$1,003 million in the DLS baseline forecast.³ DLS reports that if the legislature does not adopt the administration’s mandate relief package, the cumulative Rainy Day Fund balance above 5% General Fund revenues, or the threshold recommended by bond agencies, would close the structural budget gap through FY 2021.⁴

While the administration plans to focus on mandate relief, under the Governor’s proposed budget, fiscal 2017 spending on non-mandated state operations grows nearly as fast as combined spending on mandated operations, debt service, local aid and entitlements, or 3.9% vs. 6.3%. The forecasted 7-year average annual growth rate in spending from FY 2015 to FY 2021 is 3.5% for non-mandated state operations, compared to 3.9% for spending on mandated state operations, local aid, entitlements and debt service.⁵



³ For the administration plan, see “Maryland Budget Highlights – FY 2017,” Maryland Department of Budget and Management, January 2016, Appendix F at <http://dbm.maryland.gov/budget/Documents/operbudget/2017/2017Highlights.pdf>. For the DLS baseline forecast, see “Spending Affordability Briefing, Department of Legislative Services, November 2015, page 17, at <http://mgaleg.maryland.gov/Pubs/BudgetFiscal/2015-spending-affordability-briefing-november-18.pdf>.

⁴ FY 2017 Fiscal Briefing, page 3.

⁵ FY 2017 Budget Highlights, Appendix F.

The administration plans to introduce a package of tax and fee reductions that would reduce revenue by up to \$480 million over five years. The Governor plans to phase-in an increase in personal exemptions for seniors, accelerate an increase in the Refundable Earned Income Tax Credit (REITC), rollback a variety of statutory fees and reduce business filing fees.

The package also includes a set of proposals highlighted by the administration as a Manufacturing Jobs Initiative. The Governor proposes to eliminate the corporate income tax rate for 10 years for new manufacturers in designated Empowerment Zones, which would be in Baltimore City, the Lower Eastern Shore and Western Maryland. In addition, individuals who earn less \$65,000 a year employed by new manufacturers in Empowerment Zones would pay no state income tax.⁶

Beyond the FY 2016 and FY 2017 General Fund revenue projections made in December 2015 by the Board of Revenue Estimates (BRE), the administration makes relatively minor adjustments to revenues. In both FY 2016 and FY 2017, MSDE revenues are adjusted \$3.6 million upwards. Additional adjustments to FY 2017 available General Funds include \$15.5 million additional dollars from a lottery revenue adjustment, a decrease of \$20 million due to an accelerated payback of previously transferred Program Open Space funding.

Two components of the Governor's proposed tax and fee reduction package reduce available FY 2017 funds, with \$18 million to accelerate the increase of the state Refundable Earned Income Tax Credit and \$5.2 million to pay for the planned miscellaneous fee cuts. DLS estimates that FY 2018 revenues will be reduced \$8 million by the REITC increase and \$14 million by the business filing fee reduction.⁷

Unlike many budgets of the previous administration, the Governor's plan does not rely on large transfers of Special Funds into the General Fund to balance the budget. Both planned transfers to the General Fund, \$4 million from State Unemployment Trust Fund and \$500,000 from the Spinal Cord Trust Fund, were approved in the 2015 legislative session.

The Governor's FY 2017 budget includes \$303.7 million in specific FY 2016 agency reversions, or savings on specific programs or services that are being returned to the General Fund, as well as estimated reversions of \$30 million in FY 2016 and \$31 million in FY 2017. The administration plan also makes across-the-board General Fund cuts in FY 2017 of \$12.3 million for health insurance costs in state agencies and \$20 million for position reductions, as well as health insurance cuts of \$1.2 million for the Judiciary and \$222,983 for the General Assembly.⁸

The budget funds \$179.7 million in deficiency appropriations for FY 2016 operations, or additional funds in this budget to make up for under-funded items in the current budget. K-12 Education receives a total of \$30.1 million, including \$8.1 million for student assessment and \$20.5

⁶ The administration's press release is at <http://governor.maryland.gov/2016/01/12/governor-hogan-introduces-over-480-million-in-tax-relief-measures/>.

⁷ For FY 2018 revenue loss, see FY 2017 Fiscal Briefing, pages 57-58.

⁸ For detail on transfers, revenue adjustments and specific reversions, see FY 2017 Budget Highlights, Appendix A.

million for Aid to Education - Students with Disabilities. The Department of Public Safety and Correctional Services receives \$31.5 million, primarily for expenses in correctional facilities and the State Police get \$9.8 million for the Field Operations Bureau.⁹

FY 2016 Deficiency Appropriations

	General Funds	Special Funds	Federal Funds	Total
Legal Services	\$6,109,120			\$6,109,120
Executive Direction/Control	\$16,350,091	\$1,901,627	\$580,326	\$18,832,044
Transportation	\$0	\$563,810	\$0	\$563,810
Nat. Resources/Agric./Environ.	\$354,960	\$3,664,000	\$2,698,360	\$6,717,320
Public Safety/Police	\$41,678,692	\$0	\$0	\$41,678,692
Health	\$10,372,116	\$0	\$6,390,715	\$16,762,831
K-12 Education	\$45,322,646	-\$11,589,133	-\$3,600,000	\$30,133,513
Higher Education	\$26,100,855	\$0	\$0	\$26,100,855
State Reserve Fund	\$32,500,000	\$0	\$0	\$32,500,000
Other	\$325,000			\$325,000
TOTAL	\$179,113,480	-\$5,459,696	\$6,069,401	\$179,723,185

The spending data in the appropriation statements and Appendix C of the state budget books do not account for deficiency appropriations or specific reversion in the current budget. Therefore, to accurately compare spending growth in the current budget for specific programs, spending in the appropriation statements needs to be adjusted for deficiencies and reversions by program. For more information on changes in investments for specific program areas, see the detail below that does account for both deficiency spending and specific reversions in FY 2016. The FY 2017 spending detail by program has not been adjusted for either estimated, non-specific General Fund reversions or for across-the-board reductions in health insurance or for abolished state positions.

K-12 Education

The majority of K-12 education funding in the state budget is state aid to local schools; and the large majority of that state aid is awarded through funding formulas. The Governor’s budget fully funds mandated state aid to local schools at levels dictated by the various funding

⁹ FY 2017 Budget Highlights, Appendix C. For more detail on deficiencies, see the end of Volume II of the state budget books at <http://dbm.maryland.gov/budget/Documents/operbudget/2017/Volume2.pdf>.

formulas. For FY 2017, state aid to local schools is \$7.4 billion, an increase of \$237.7 million, or 3.3%, from FY 2016 state aid of \$7.2 billion. Expenditure data for State Funds sums General Funds and Special Funds expenditures.

	FY 2016			FY 2017		
	State	Federal	Total	State	Federal	Total
MSDE Headquarters	\$115,756,419	\$180,951,537	\$296,707,956	\$116,070,213	\$185,552,839	\$301,623,052
MSDE Aid to Education	\$6,281,269,311 ¹⁰	\$894,315,878	\$7,175,585,189	\$6,427,894,724	\$985,459,847	\$7,413,354,571
MSDE Early Education & Child Care	\$62,690,296	\$95,030,481	\$157,720,777	\$67,396,685	\$104,048,714	\$171,445,399

Funding for the Maryland State Department of Education (MSDE) Headquarters remains relatively flat from FY 2016 to FY 2017, going up \$4.9 million to \$301.6 million in FY 2017. The MSDE budget also funds many of the state’s investments in child care and early education, which increase \$13.7 million, from \$157.7 million in FY 2016 to \$171.4 million in FY 2017.¹¹ The Division of Early Childhood Development’s budget increases \$7.2 million from \$53.1 million in FY 2016 to \$60.3 million in FY 2017. Money for child care subsidies goes up \$5.7 million to \$97.5 million in FY 2017; and funding for the Judy Hoyer Centers budgeted in Transitional Education Funding Program increase \$825,000 to \$11.9 million. While the state supplemental Head Start grant remains flat at \$1.8 million.

MSDE Aid to Education Budget by Program¹²

	FY 2014	FY 2015	FY 2016	FY 2017
Foundation Program	\$2,850,471,490	\$2,882,158,043	\$2,935,171,891	\$2,961,988,396
Geographic Cost of Education Index	\$130,789,740	\$132,684,798	\$68,100,236	\$136,898,081
Supplemental Grant	\$46,496,416	\$46,620,083	\$46,620,083	\$46,620,083
Net Taxable Income Adjustment	\$8,325,400	\$26,860,206	\$35,732,115	\$39,701,573
Other Grants		\$593,055	\$86,321	\$5,664,973
Total - Foundation Program	\$3,036,083,046	\$3,088,916,185	\$3,085,710,646	\$3,190,873,106

¹⁰ Accounts for a Section 48 General Funds reversion of \$11.9 million in the Foundation Program and \$21.5 million in Aid to Education fiscal 2016 deficiency expenses. The \$443,238 deficiency for the Food Services Program is for FY 2015 expenses for the Maryland Meals for Achievement program and is accounted for in FY 2015 actual data.

¹¹ Funding includes the Division of Early Childhood Development in MSDE Headquarters as well as money in Aid to Education budget for Child Care Subsidy Program, State Supplemental Head Start Grant and the Transitional Education Funding Program (Judy Hoyer Centers).

¹² These programs are budgeted in MSDE – Aid to Education. DLS factors out several programs budgeted in MSDE Aid to Education to calculate reported expenditures for Local Aid to Education/Libraries, including spending on the Child Care Subsidy Program and the Transitional Education Funding Program (Judy Hoyer Centers).

Compensatory Education	\$1,195,984,922	\$1,251,675,638	\$1,305,132,944	\$1,309,111,285
Students with Disabilities	\$389,639,829	\$413,053,967	\$447,555,437	\$434,858,582
Assistance to State Students w/Disabilities	\$201,423,516	\$200,070,886	\$202,365,484	\$201,294,786
Limited English Proficiency	\$193,427,735	\$197,653,373	\$217,180,270	\$227,201,204
Guaranteed Tax Base	\$52,317,464	\$59,390,154	\$53,762,142	\$54,511,367
Transportation Funding	\$254,526,492	\$258,379,692	\$266,246,924	\$270,858,167
Aid for Local Employee Fringe Benefits	\$745,420,086	\$757,672,688	\$748,986,037	\$787,908,173
Food Services Program	\$276,397,256	\$316,548,336	\$354,946,344 ¹³	\$429,340,672
State Library Network	\$16,196,779	\$16,323,271	\$16,612,968	\$17,016,786
Public Libraries	\$34,586,371	\$35,059,456	\$36,005,977	\$37,429,660
Teacher Development	\$41,917,027	\$54,108,251	\$42,050,000	\$35,200,000
Children at Risk	\$29,638,904	\$33,842,979	\$33,227,967	\$32,140,317
Formula Programs for Specific Populations	\$2,582,564	\$2,182,848	\$3,000,000	\$2,400,000
Prekindergarten Expansion Grant		\$4,300,000	\$18,550,000	\$18,550,000
Gifted and Talented	\$619,835	\$564,687		\$800,000
Educationally Deprived Children (Title I)	\$187,168,890	\$201,174,639	\$204,840,000	\$217,608,134
Innovative Programs	\$13,549,419	\$14,722,262	\$9,322,000	\$10,467,215
Language Assistance	\$8,790,381	\$9,343,356	\$9,363,356	\$10,076,648
Career and Technology Education	\$12,883,605	\$14,074,309	\$13,056,307	\$13,056,307
Science and Math Education Initiative	\$3,267,299	\$4,367,004	\$3,205,247	\$1,647,200
Transitional Education Funding Program	\$10,739,994	\$11,070,000	\$11,070,000	\$11,895,000
Head Start	\$5,899,983	\$1,799,999	\$1,800,000	\$1,800,000
Child Care Subsidy Program	\$81,588,355	\$81,947,554	\$91,735,139	\$97,449,962
Total – MSDE Aid to Education Budget	\$6,794,649,752	\$7,028,241,534	\$7,175,725,189	\$7,413,494,571

While state aid overall is increasing, formula aid for Baltimore City Public Schools (BCPS) is dropping, due to both an apparent decline in student enrollment and an increases in measures of local wealth. Formula aid for BCPS is down \$25.3 million in FY 2017 to \$839.2 million. This formula aid is not total local aid to the school system, but the portion of state support established by mandated funding formulas. FY 2016 formula aid

¹³ See supra note 9 regarding FY 2016 deficiency for Maryland Meals for Achievement FY 2015 expenses.

to BCPS of \$864.6 million is \$23 million below FY 2015 actual aid of \$887.6 million. FY 2017 BCPS formula funding is budgeted \$48.3 million below actual FY 2015 funding.

State Formula Aid to Baltimore City Public Schools

	FY 2014 Actual	FY 2015 Actual	FY 2016 Approp.	FY 2017 Allowance
State Share of Foundation Program	\$426,766,622	\$428,971,323	\$419,075,774	\$413,617,891
Compensatory Education	\$323,375,146	\$327,714,001	\$322,245,503	\$310,396,208
Students with Disabilities (Formula Only)	\$56,139,426	\$54,975,400	\$52,901,194	\$49,699,617
Limited English Proficiency	\$17,814,422	\$17,323,418	\$19,446,655	\$19,960,873
Guaranteed Tax Base	\$38,064,494	\$39,426,835	\$31,420,381	\$26,157,884
Transportation	\$19,486,216	\$19,167,522	\$19,504,310	\$19,412,733
Total	\$881,646,326	\$887,578,499	\$864,593,817	\$839,245,206

The Governor’s budget includes \$5.7 million in supplemental grants to three rural or suburban school districts experiencing declining student enrollment. Under the administration proposal, Carroll County would receive \$4 million, Garrett County would get an additional \$1.3 million and Kent County receives \$300,000 to offset decreases in state aid due to fewer students. Baltimore City is also experiencing a drop in state aid due to declining enrollment and should also receive supplemental grants to offset the loss.

The budget includes a FY 2016 deficiency appropriation of \$443,238 for the Maryland Meals for Achievement (MMFA) school breakfast pilot program. While the deficiency is for the FY 2016 budget, its purpose is to cover FY 2015 MMFA costs. Therefore, actual program funding is \$6.9 million for FY 2015 through FY 2017.

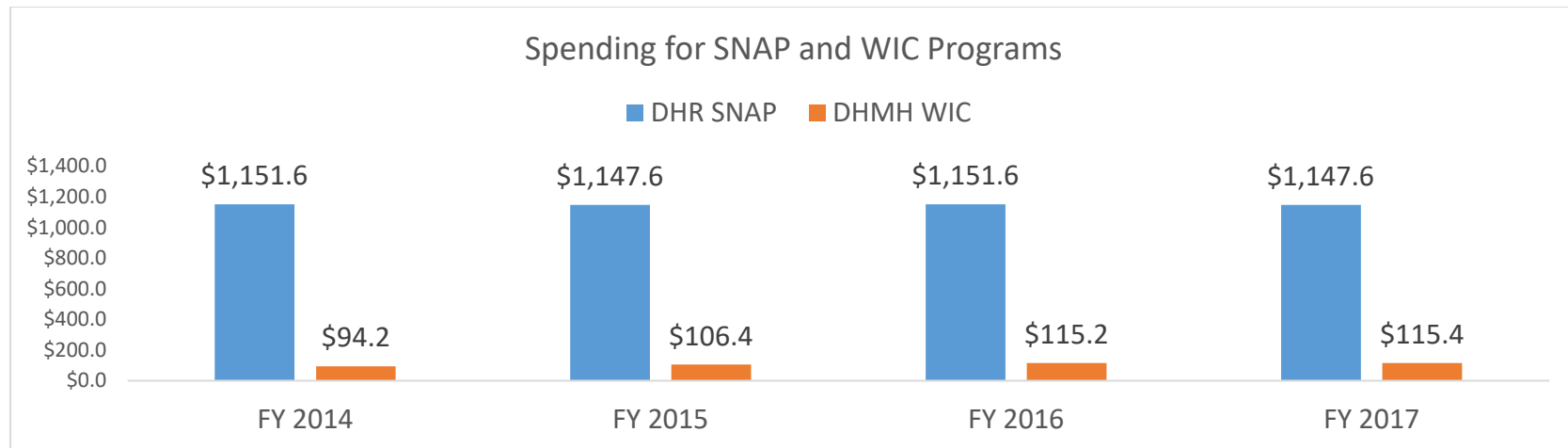
MSDE Food and Nutrition Programs Funding

	FY 2014	FY 2015	FY 2016	FY 2017
Headquarters - Office of School & Community Nutrition Programs	\$3,813,250	\$6,293,509	\$8,197,130	\$9,908,459
Aid to Education -- Food Services Program				
State Food Services Program	\$4,336,664	\$4,336,664	\$4,336,664	\$4,336,664
MD Meals for Achievement-Breakfast Pilot	\$5,180,000	\$6,900,000 ¹⁴	\$6,900,000	\$6,900,000

¹⁴ See supra note 9 regarding FY 2016 deficiency for Maryland Meals for Achievement FY 2015 expenses.

Subtotal - General Funds	\$9,516,664	\$11,236,664	\$11,236,664	\$11,236,664
School Breakfast Program (Federal)	\$54,971,266	\$65,583,394	\$71,000,000	\$103,484,400
National School Lunch Program (Federal)	\$149,464,740	\$167,015,832	\$190,244,100	\$228,731,645
Special Milk Programs for Children (Federal)	\$298,264	\$355,119	\$666,700	\$693,368
Child and Adult Care Food Programs (Federal)	\$51,002,869	\$60,738,615	\$68,826,000	\$71,579,040
Summer Food Service Program for Children (Federal)	\$7,997,510	\$8,325,015	\$8,812,880	\$9,165,395
Fresh Fruit and Vegetable Program (Federal)	\$3,145,943	\$3,293,697	\$4,160,000	\$4,450,160
Subtotal - Federal Funds	\$266,880,592	\$305,311,672	\$343,709,680	\$418,104,008
Total - Aid to Education - Food Services Program	\$276,397,256	\$316,548,336	\$354,946,344	\$429,340,672
TOTAL - MSDE Food & Nutrition Program Funding	\$280,210,506	\$322,841,845	\$363,143,474	\$439,249,131

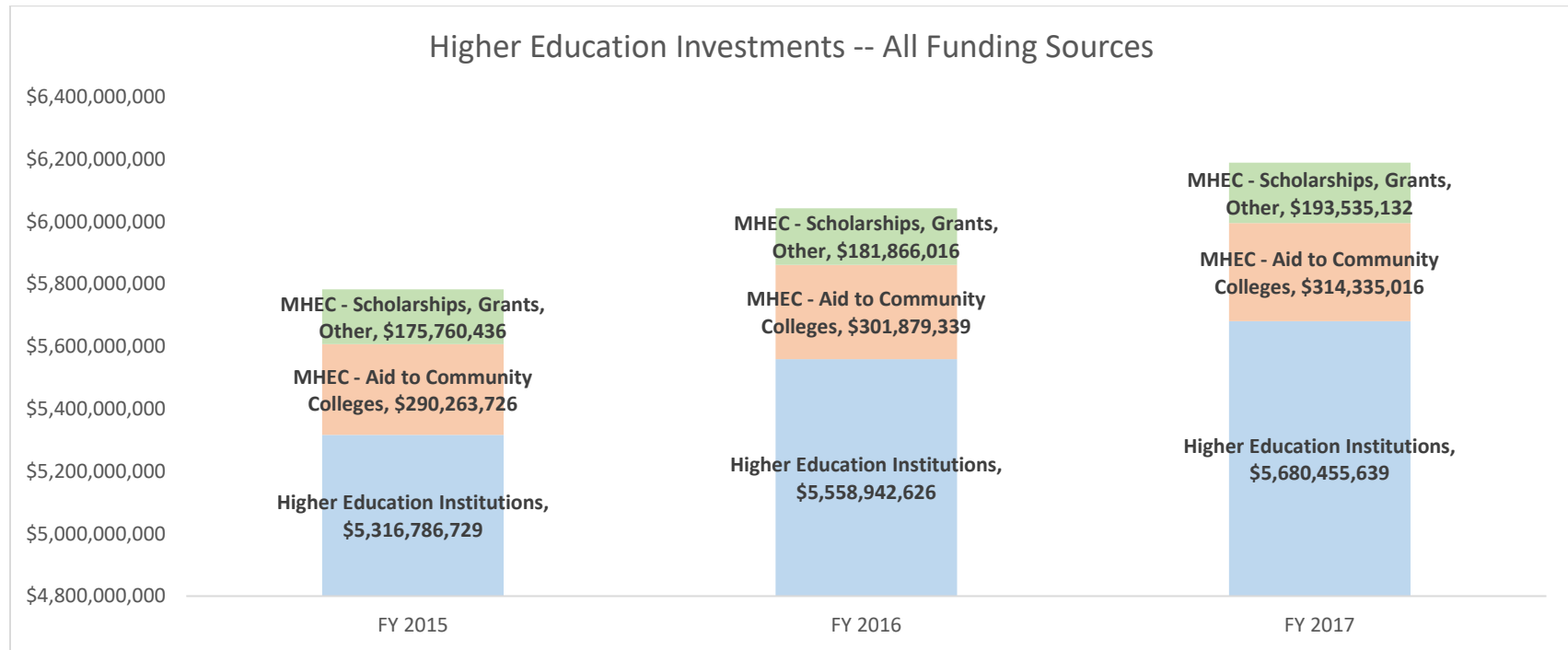
Other major sources of state investments in nutrition services and hunger prevention include the Supplemental Nutrition Assistance Program (SNAP), commonly referred to as “Food Stamps,” in the Department of Human Resources (DHR) and the Special Supplemental Food Program for Women, Infants, and Children (WIC) in the Department of Health and Mental Hygiene (DHMH).



The Children’s Cabinet Interagency Fund (CCIF) is budgeted in MSDE and administered by the Governor’s Office of Children (GOC). Funding for CCIF drops \$1.8 million to \$20.7 million in FY 2017, while the GOC budget is basically flat-funded at \$1.8 million.

Higher Education

Total FY 2017 Higher Education funding increases \$145.6 million, or 2.2%, to \$6.2 billion. Most of the increase goes to support state Higher Education Institutions, which receive boosted funding of \$121.5 million to \$5.7 billion.¹⁵ State aid to community colleges grows to \$314.3 million, an increase of \$12 million, or 4.1%, from \$301.9 million in FY 2016. Other FY 2017 spending budgeted in the Maryland Higher Education Commission includes \$50.8 million for private colleges and universities as well as a variety of scholarships, grants and loan assistance programs. This other MHEC spending increases \$11.7 million, or 6.4% in FY 2017 to \$193.5 million.



¹⁵ Includes the University System of Maryland, Morgan State University, St. Mary’s College, and the state-supported Baltimore City Community College. For DLS spending analyses, aid to community college is reported under local aid and other spending in MHEC is reported as “Other Education.”

Higher Education Detail by Institution

	FY 2015	FY 2016	FY 2017
Baltimore City Community College	\$82,780,211	\$91,262,748	\$91,043,062
Morgan State University	\$215,108,612	\$228,308,852	\$239,873,256
St. Mary's College	\$65,643,378	\$74,402,470	\$72,956,342
University of Maryland, Baltimore	\$1,046,182,790	\$1,084,530,486	\$1,094,813,794
University of Maryland, College Park	\$1,850,543,298	\$1,911,751,314	\$1,963,336,722
Bowie State University	\$114,910,364	\$121,572,070	\$122,335,418
Towson University	\$440,597,782	\$466,798,102	\$483,031,864
University of Maryland Eastern Shore	\$129,500,832	\$140,314,362	\$141,943,154
Frostburg State University	\$110,010,628	\$113,750,000	\$117,125,713
Coppin State University	\$81,868,766	\$91,339,947	\$93,094,158
University of Baltimore	\$127,541,443	\$139,770,850	\$139,680,338
Salisbury University	\$182,551,573	\$187,744,499	\$196,356,507
University of Maryland University College	\$391,199,072	\$391,226,661	\$407,237,612
University of Maryland Baltimore County	\$403,702,963	\$419,566,061	\$430,254,652
University of Maryland Center Environmental Science	\$45,250,031	\$47,614,400	\$48,136,206
University System of Maryland Office	\$29,394,986	\$48,989,804 ¹⁶	\$39,236,841
Total State Higher Education Institutions	\$5,316,786,729	\$5,558,942,626	\$5,680,455,639

Health

The DHMH budget grows \$525.1 million, or 4.3%, from \$12.3 billion in FY 2016 to \$12.8 billion in FY 2017. Spending on behavioral health increases \$17.5 million, or 1.1%, from FY 2016 to FY 2017 to \$1.67 billion.¹⁷ Investments in individuals with developmental disabilities jump

¹⁶ The seemingly large drop in FY 2017 funding for the University System of Maryland Office is due to a \$16.5 million fiscal 2016 deficiency for system-wide health insurance expenses is budgeted in the Office.

¹⁷ Funding includes Deputy Secretary for Behavioral Health, Behavioral Health Administration, State Psychiatric Centers, and Medicaid Behavioral Health Provider Reimbursements.

5.8%, or a \$63.5 million increase, from \$1.11 billion in FY 2016 to \$1.15 billion in FY 2017.¹⁸ Spending on Medicaid provider reimbursements and the Maryland Children’s Health Program (MCHP) goes up \$413.8 million, or 4.3%, growing from \$9.6 billion in FY 2016 to \$10 billion in FY 2017.¹⁹

	FY 2016			FY 2017		
	State	Federal	Total	State	Federal	Total
DHMH Behavioral Health	\$917,205,192	\$738,563,772	\$1,655,768,964	\$940,062,729	\$733,194,629	\$1,673,257,358
DHMH Developmental Disabilities	\$609,415,124	\$478,523,687	\$1,087,938,811	\$641,996,459	\$509,433,632	\$1,151,430,091
DHMH Medicaid Provider Reimbursements/MCHP	\$3,652,704,287	\$5,929,816,122	\$9,582,520,409	\$3,908,776,355	\$6,087,541,298	\$9,996,317,653
DHMH Total	\$5,459,880,253	\$6,815,880,732	\$12,275,760,985	\$5,780,203,787	\$7,020,609,880	\$12,800,813,667

The budget reverts \$207.1 million in FY 2016 Medicaid funds back to the General Fund, or a Medicaid surplus, including \$26.6 million in withheld allotments related to across-the-board reductions, \$161.6 million in Medicaid provider payments, and \$11.5 million for Medicaid behavioral health provider payments. The budget also includes a \$34 million General Fund reversion for a fiscal 2015 prior year Medicaid accrual.

DHMH Spending Selected Detail

	FY 2016			FY 2017		
	State	Federal	Total	State	Federal	Total
Prevention & Health Promotion Administration	\$150,497,068	\$206,618,535	\$357,115,603	\$151,467,510	\$206,973,579	\$358,441,089
Behavioral Health Administration	\$262,247,941	\$67,904,566	\$330,152,507	\$261,365,880	\$75,433,078	\$336,798,958
State Psychiatric Centers/RICAs	\$285,510,568	\$145,975	\$285,656,543	\$291,770,823	\$143,730	\$291,914,553
Developmental Disabilities Administration	\$568,935,753	\$478,523,687	\$1,047,459,440	\$600,500,036	\$509,433,632	\$1,109,933,668
Intellectual Disability Centers	\$40,479,371	\$0	\$40,479,371	\$41,496,423	\$0	\$41,496,423
Medicaid Behavioral Health Reimbursements	\$367,517,065	\$670,513,231	\$1,038,030,296	\$384,832,770	\$657,617,821	\$1,042,450,591

¹⁸ Spending includes the Developmental Disabilities Administration and State Intellectual Disability Centers.

¹⁹ Medicaid behavioral health provider reimbursements are counted in both behavioral health investments and Medicaid provider reimbursement spending.

Medicaid Provider Reimbursements	\$3,245,080,324	\$5,053,761,375	\$8,298,841,699	\$3,488,860,786	\$5,181,143,573	\$8,670,004,359
Maryland Children's Health Program	\$40,106,898	\$205,541,516	\$245,648,414	\$35,082,799	\$248,779,904	\$283,862,703

FY 2017 spending for the Prevention and Health Promotion increases just \$1.3 million, or 0.4%, to \$358.4 million. Medicaid reimbursements to behavioral health providers also see a 0.4% increase in FY 2017 to \$1.04 billion, due in part to a smaller service population than anticipated. Fiscal 2017 funding for MCHP jumps \$38.2 million, or 15.6%, to \$283.9 million.

Human Services & Housing

Total FY 2017 spending in DHR is \$2.58 billion, up 0.4%, or \$9.8 million, from \$2.57 billion in FY 2016. Child welfare funding drops \$8.8 million, mainly due to a declining foster care caseload and less expensive and less restrictive settings for those children that remain in care. Related spending drops to \$525.1 million in FY 2017.²⁰ Investments in Income Support & Nutrition increase by \$16.6 million to \$1.88 billion in FY 2017.²¹ Funding for executive and administrative functions is relatively flat at \$176.2 million for FY 2017, an increase of \$2 million.²²

	FY 2016			FY 2017		
	State	Federal	Total	State	Federal	Total
Child Welfare	\$365,335,799	\$168,620,680	\$533,956,479	\$360,523,995	\$164,607,652	\$525,131,647
Income Support & Nutrition	\$254,608,595	\$1,608,432,800	\$1,863,041,395	\$277,717,766	\$1,601,911,498	\$1,879,629,264
Executive & Administration	\$98,178,904	\$75,985,502	\$174,164,406	\$102,681,871	\$73,495,925	\$176,177,796
Total Department of Human Resources ²³	\$718,123,298	\$1,853,038,982	\$2,571,162,280	\$740,923,632	\$1,840,015,075	\$2,580,938,707

DHR Spending Detail

FY 2016

FY 2017

²⁰ Spending includes Social Services Administration, Local Department Operations – Foster Care Payments and Local Department Operations – Child Welfare Services.

²¹ Investments include Family Investment Administration, Child Support Enforcement Administration and the following Local Department Operations appropriation statements: Family Investment Program, Adult Services, Child Support Enforcement, Assistance Payments and Work Opportunity.

²² Spending includes the Office of the Secretary, Operations, Information Technology and Local Department Operations – General Administration.

²³ DLS reports spending on cash assistance and foster care payments as expenditures on Entitlements.

	State	Federal	Total	State	Federal	Total
Office of the Secretary	\$20,342,486	\$8,949,595	\$29,292,081	\$20,717,020	\$8,752,596	\$29,469,616
Social Services Administration	\$8,125,910	\$17,724,359	\$25,850,269	\$9,563,116	\$16,176,292	\$25,739,408
Operations/Technology	\$49,659,865	\$51,948,207	\$101,608,072	\$51,250,428	\$50,198,733	\$101,449,161
Local Ops – Foster Care Payments	\$190,069,468	\$98,660,940	\$288,730,408	\$180,033,990	\$82,286,160	\$262,320,150
Local Ops - Family Investment Program	\$45,066,618	\$112,928,306	\$157,994,924	\$54,942,135	\$112,186,048	\$167,128,183
Local Ops - Child Welfare Services	\$167,140,421	\$52,235,381	\$219,375,802	\$170,926,889	\$66,145,200	\$237,072,089
Local Ops - Adult Services	\$10,791,711	\$35,569,261	\$46,360,972	\$11,111,316	\$36,404,419	\$47,515,735
Local Ops - General Administration	\$28,176,553	\$15,087,700	\$43,264,253	\$30,714,423	\$14,544,596	\$45,259,019
Local Ops = Child Support Enforcement	\$16,843,612	\$32,279,668	\$49,123,280	\$17,164,804	\$32,285,627	\$49,450,431
Local Ops - Assistance Payments	\$78,474,598	\$1,259,526,265	\$1,338,000,863	\$81,514,245	\$1,255,552,861	\$1,337,067,106
Local Ops - Work Opportunity	\$0	\$33,288,084	\$33,288,084	\$0	\$33,311,034	\$33,311,034
Child Support Enforcement Administration	\$12,141,604	\$29,515,744	\$41,657,348	\$12,187,589	\$30,417,521	\$42,605,110
Family Investment Administration	\$91,290,452	\$105,325,472	\$196,615,924	\$100,797,677	\$101,753,988	\$202,551,665

Department of Housing and Community Development: Affordable Housing Investments

Total spending on affordable housing in the Department of Housing and Community Development (DHCD) operating budget goes down \$10.2 million in FY 2017 to \$315.6 million. The capital appropriation for Rental Housing Programs drops by \$9 million; and the capital appropriation for Homeownership Programs goes down by \$4.8 million.²⁴ Operating spending for the Housing and Building Energy Programs increases by \$3.1 million, while operating spending for Rental Services Program goes up \$2.3 million.

	FY 2016			FY 2017		
	State	Federal	Total	State	Federal	Total
Housing Development Program	\$4,343,423	\$300,000	\$4,643,423	\$4,418,824	\$300,000	\$4,718,824
Single Family Housing	\$5,085,614	\$859,264	\$5,944,878	\$5,216,260	\$899,913	\$6,116,173
Housing and Building Energy Programs	\$36,125,676	\$7,858,039	\$43,983,715	\$41,265,773	\$5,855,433	\$47,121,206
Rental Services Programs	\$50,000	\$218,508,067	\$218,558,067	\$50,000	\$220,802,821	\$220,852,821
Rental Housing Programs - Capital	\$25,500,000	\$3,000,000	\$28,500,000	\$15,500,000	\$4,000,000	\$19,500,000

²⁴ These capital appropriations are funded in DHCD's operating budget and are in addition to funding in the Capital Budget. Although, DLS reports that investments in the Capital Budget for Housing and Economic Development drop \$22.9 million in FY 2017 to \$101.1 million from \$122.5 million in FY 2016.

Homeownership Programs - Capital	\$6,200,000	\$0	\$6,200,000	\$1,400,000	\$0	\$1,400,000
Special Loan Programs - Capital	\$1,550,000	\$3,000,000	\$4,550,000	\$2,300,000	\$2,000,000	\$4,300,000
Partnership Rental Housing - Capital	\$0	\$0	\$0	\$500,000	\$0	\$500,000
Maryland BRAC Preservation - Capital	\$3,500,000	\$0	\$3,500,000	\$3,500,000	\$0	\$3,500,000
Housing and Building Energy Programs - Capital	\$9,250,000	\$700,000	\$9,950,000	\$6,850,000	\$700,000	\$7,550,000
TOTAL -- DHCD Affordable Housing	\$91,604,713	\$234,225,370	\$325,830,083	\$81,000,857	\$234,558,167	\$315,559,024

Public Safety

The total FY 2017 budget for the Department of Public Safety and Correctional Services (DPSCS) is up \$26 million, or 1.9%, to \$1.42 billion. Spending on the state's correctional institutions increases 1.4% to \$997.7 million in FY 2017, while spending on parole and probation services jumps 6.8% to \$98.9 million. \$319.3 million in funding for Executive/Administrative functions accounts for the rest of the DPSCS budget.

Total spending for the Department of Juvenile Services (DJS) is essentially flat from FY 2016, increasing just 0.9%, to \$294 million in FY 2017 from \$291.4 million in FY 2016. Due to a change in budget reporting in the state budget books for DJS, spending detail by program or function, e.g., detention, or community vs. residential, is currently unavailable. Beginning with this budget, DJS regional spending is reported in the aggregate in one appropriation statement. The budget no longer includes spending by facility or program within a region.

The FY 2017 budget for the State Police increases \$16.6 million, or 4.6%, to \$374.3 million in FY 2017. Funding for the Field Operations Bureau goes up \$19.5 million in FY 2017. The administration highlights \$8 million for an ongoing fleet upgrade and additional funding for the new Medevac flight training simulator.

	FY 2016			FY 2017		
	State	Federal	Total	State	Federal	Total
DPSCS Executive/Admin HQ	\$310,584,321	\$3,191,102	\$313,775,423	\$312,840,481	\$6,428,629	\$319,269,110
DPSCS Institutions	\$957,604,385	\$25,958,665	\$983,563,050	\$971,120,866	\$26,583,057	\$997,703,923
DPSCS Parole and Probation	\$92,576,034	\$0	\$92,576,034	\$98,894,859	\$0	\$98,894,859
DPSCS Total	\$1,360,764,740	\$29,149,767	\$1,389,914,507	\$1,382,856,206	\$33,011,686	\$1,415,867,892
Department of Juvenile Services ²⁵	\$284,053,876	\$7,360,726	\$291,414,602	\$289,191,005	\$4,840,172	\$294,031,177
State Police	\$349,468,792	\$8,217,387	\$357,686,179	\$364,606,961	\$9,701,450	\$374,308,411

²⁵ The \$3 million General Fund FY 2016 reversion for DJS major IT projects adjusts the FY 2015 actual and is not accounted for in FY 2016 spending.

Natural Resources/Agriculture/Environment

The Governor’s budget includes significant boosts in spending to manage and preserve Maryland’s environment and natural resources, including maintaining the state’s open space. Overall, related spending goes up \$120.4 million, or 16.9%, from \$713.9 million in FY 2016 to \$834.3 million in FY 2017. With an increase of \$80.4 million, the Department of Natural Resources (DNR) accounts for about 2/3 of the boosted funding. The Outdoor Recreation Land Loan receives \$69.1 million in FY 2017, or \$56.8 million more than FY 2016; and Waterway Improvement Capital Projects get a \$6 million increase to \$12.6 million.²⁶ Funding in the FY 2017 Department of Agriculture budget goes up \$15.3 million to \$89.4 million, with \$12.1 million more for capital projects in the Office of the Secretary and \$2 million more for the Rural Council. The Department of the Environment gets a \$24.7 million increase to \$409.2 million in FY 2017, including \$16.2 million in new funding to create the Energy-Water Infrastructure Program and an \$11.5 million increase for debt service costs for the Bay Restoration Fund.

	FY 2016			FY 2017		
	State	Federal	Total	State	Federal	Total
DNR Outdoor Recreation Land Loan	\$9,209,157	\$3,000,000	\$12,209,157	\$63,285,482	\$5,750,000	\$69,035,482
DNR Waterway Improvement Capital Projects	\$6,000,000	\$587,000	\$6,587,000	\$10,500,000	\$2,100,000	\$12,600,000
DNR Chesapeake & Coastal Service	\$41,698,437	\$6,584,706	\$48,283,143	\$55,363,837	\$6,391,071	\$61,754,908
Total Department Natural Resources	\$221,212,651	\$34,171,127	\$255,383,778	\$298,959,201	\$36,818,945	\$335,778,146
Dept. Agriculture - Capital Appropriation in Office of Secretary	\$9,100,000		\$9,100,000	\$21,227,744		\$21,227,744
Dept. Agriculture - Rural Council	\$167,984		\$167,984	\$2,167,000		\$2,167,000
Total Department of Agriculture	\$69,484,797	\$4,537,220	\$74,022,017	\$85,727,205	\$3,629,548	\$89,356,753
Dept. Environment -Energy-Water Infrastructure Program			\$0	\$16,200,000		\$16,200,000
Dept. Environment - Bay Restoration Fund - Debt Service	\$14,500,000		\$14,500,000	\$26,000,000		\$26,000,000
Total Department of Environment	\$304,904,225	\$79,551,064	\$384,455,289	\$331,315,204	\$77,841,830	\$409,157,034
Total Natural Resources/Agriculture/Environment	\$595,601,673	\$118,259,411	\$713,861,084	\$716,001,610	\$118,290,323	\$834,291,933

²⁶ This capital appropriation is funded in DNR’s Operating Budget.

Economic and Business Development

Total funding for economic and business development programs in the Department of Labor, Licensing and Regulation (DLLR), the Department of Commerce, and the Maryland Technology Development Corporation (TEDCO) jumps by \$65.7 million, or 12.5%, increasing from \$526.8 million in FY 2016 to \$592.5 million in FY 2017. The DLLR budget increases \$45.6 million to \$412.3 million, including \$9 million more for the Maryland Racing Commission. The share of Video Lottery Terminal revenues that fund Local Impact Grants and are budgeted DLLR's Division of Racing go up \$24 million, to \$62.9 million for FY 2017. Federal administrative funds for the Office of Unemployment Insurance go down \$6.4 million, while federal funds for Unemployment Insurance Information Technology projects increases \$14.6 million to \$23 million for FY 2017. FY 2017 investments in Workforce Development and Adult Learning are mainly flat-funded.

The overall budget for the reorganized Department of Commerce increases by \$29.3 million to \$153.4 million for FY 2017. Increased FY 2017 funding includes \$3.1 million increase for Small, Minority, and Women-Owned Business Investment Account, \$5 million in new money for the Economic Development Opportunity Fund, \$7.8 million in new money for the Maryland Industrial Development Financing Authority, and \$11.5 million to fund the Film Production Rebate Program. FY 2017 TEDCO funding drops by \$9.2 million to \$26.8 million. In addition to the economic and business development investments in state agencies, the FY 2017 budget also includes a \$20 million FY 2016 deficiency appropriation in the State Reserve Fund for the Economic Development Opportunity Program Account.

	FY 2016			FY 2017		
	State	Federal	Total	State	Federal	Total
DLLR - Maryland Racing Commission	\$50,365,914		\$50,365,914	\$59,388,676		\$59,388,676
DLLR - VLT Revenues for Local Impact Grants	\$38,876,975	\$0	\$38,876,975	\$62,856,120	\$0	\$62,856,120
DLLR - Total Division of Racing	\$98,293,340	\$0	\$98,293,340	\$133,437,193	\$0	\$133,437,193
DLLR - Office of Unemployment Insurance	\$3,118,613	\$73,024,915	\$76,143,528	\$3,421,597	\$66,300,254	\$69,721,851
DLLR - Unemployment Insurance - Major IT Projects		\$8,479,870	\$8,479,870	\$500,000	\$22,547,651	\$23,047,651
DLLR Total Division of Unemployment Insurance	\$3,118,613	\$81,504,785	\$84,623,398	\$3,921,597	\$88,847,905	\$92,769,502
DLLR Division of Workforce Development & Adult Learning	\$29,513,273	\$75,814,024	\$105,327,297	\$29,131,908	\$77,227,414	\$106,359,322
Total Department of Labor, Licensing and Regulation	\$180,258,176	\$186,406,638	\$366,664,814	\$216,870,098	\$195,393,206	\$412,263,304
Commerce - Small, Minority, and Women-Owned Business Investment Account	\$10,602,811		\$10,602,811	\$13,678,812		\$13,678,812

Commerce - Economic Development Opportunity Fund			\$0	\$5,000,000		\$5,000,000
Commerce - MD Industrial Development Financing Authority			\$0		\$7,828,741	\$7,828,741
Commerce - Total Division of Business Industry Sector Development	\$74,024,916	\$0	\$74,024,916	\$83,193,975	\$7,828,741	\$91,022,716
Commerce - Film Production Rebate Program			\$0	\$11,510,000		\$11,510,000
Commerce - Total Division of Tourism, Film & Arts	\$31,825,016	\$602,220	\$32,427,236	\$44,197,459	\$623,667	\$44,821,126
Department of Commerce - Total	\$122,168,065	\$1,945,148	\$124,113,213	\$143,952,209	\$9,488,851	\$153,441,060
Maryland Technology Development Corporation	\$36,054,919		\$36,054,919	\$26,812,012		\$26,812,012

Debt Service and State Reserve Fund

With the growth in the state's Capital Budget, the amount of outstanding capital debt has increased, along with the related cost of debt service, or interest. In FY 2017, the total cost of debt service increases by \$56.3 million, or 5%, to \$1.19 billion, while the General Fund debt service spending increases \$30.6 million, or 12.1%, to \$283 million.

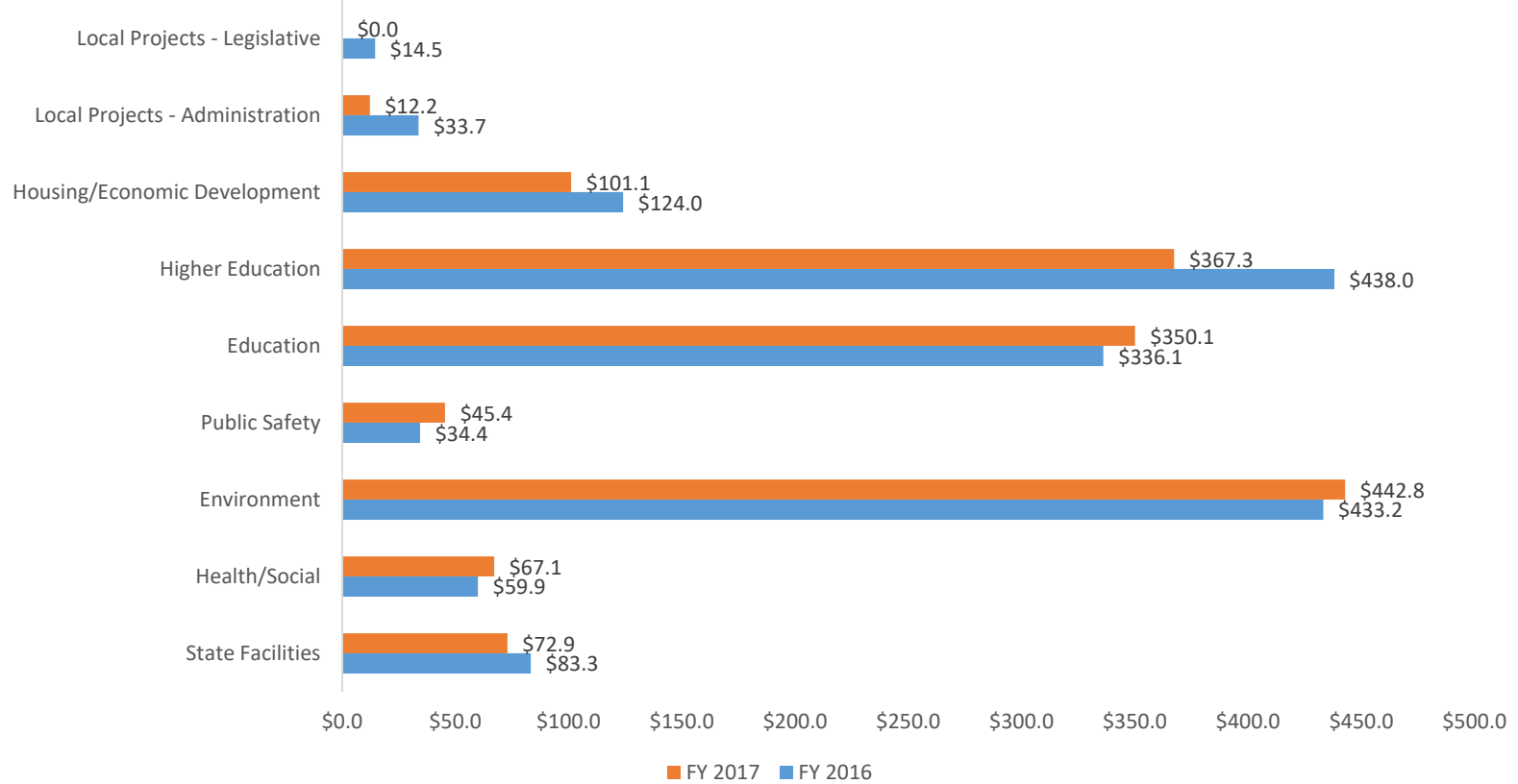
	FY 2016			FY 2017		
	State	Federal	Total	State	Federal	Total
Debt Service	\$1,119,377,926	\$11,477,263	\$1,130,855,189	\$1,175,639,657	\$11,539,169	\$1,187,178,826
Reserves - Revenue Stabilization Account	\$50,000,000		\$50,000,000	\$235,335,792		\$235,335,792
Reserves - Dedicated Purpose Account	\$12,500,000		\$12,500,000			\$0
Reserves -Economic Development Opportunity Program Account	\$20,000,000		\$20,000,000			\$0
Reserves - Catastrophic Events Account	\$10,000,000		\$10,000,000			\$0
Total - State Reserves	\$92,500,000		\$92,500,000	\$235,335,792		\$235,335,792

The FY 2017 budget includes a fiscal \$21.4 million reversion in the Dedicated Purpose Account and funds several FY 2016 deficiencies for the State Reserve Fund, including \$33.9 million for the Dedicated Purpose Account, \$20 million for the Economic Development Opportunity Program Account, and \$10 million to create a Catastrophic Events Account. The Revenue Stabilization Account receives \$233.3 million in FY 2017.

Capital Budget

The administration has opted to reduce the issuance of new debt, which reduces available funding sources for the state's Capital Budget, which funds non-transportation projects. The Governor's \$1.46 billion Capital Budget drops \$98.2 million from \$1.56 billion in FY 2016. Funding for higher education projects takes the biggest cut, dropping by \$70.7 million, from \$438 million in FY 2016 to \$367.3 million in FY 2017. Spending on Housing and Economic Development projects is down \$22.9 million to \$101.1 million in FY 2017. Public schools and libraries receive total FY 2017 funding of \$350.1 million, an increase of \$14 million.

Maryland's Capital Budget (Non-Transportation) (\$ in Millions)



Transportation capital projects are funded in the Department of Transportation’s operating budget and receive total support of \$2.81 billion, up from \$2.38 billion in FY 2016.²⁷

²⁷ DLS FY 2017 Fiscal Briefing, page 50.

Fiscal Year 2016 Deficiency Appropriations

Agency	General	Special	Federal	Total
Office of the Public Defender	\$6,055,519			\$6,055,519
General Administration	\$160,706			\$160,706
District Operations	\$5,894,813			\$5,894,813
Office of the State Prosecutor - General Administration	\$53,601			\$53,601
Executive Department - Board of Contract Appeals	\$14,000			\$14,000
Interagency Committee on School Construction	\$67,999			\$67,999
Department of Aging	\$6,585,304			\$6,585,304
General Administration	\$6,125,614			\$6,125,614
Senior Citizens Activities Centers	\$291,500			\$291,500
Community Services	\$168,190			\$168,190
Maryland Stadium Authority - Baltimore Convention Center	\$1,403,403			\$1,403,403
State Board of Elections - Help America Vote Act	\$757,508	\$757,508		\$1,515,016
Department of Planning	\$200,000		\$160,326	\$360,326
Planning Data Services	\$200,000			\$200,000
Management Planning and Educational Outreach			\$94,076	\$94,076
Research Survey and Registration			\$66,250	\$66,250
Military Department -- State Operations	\$140,000		\$420,000	\$560,000
Department of Veterans Affairs	\$1,064,640			\$1,064,640
Cemetery Program - Capital Appropriation	\$26,000			\$26,000
Executive Direction	\$1,038,640			\$1,038,640

Maryland Health Benefit Exchange	\$8,086,794		\$6,390,715	\$14,477,509
Comptroller of Maryland -- Revenue Administration		\$700,000		\$700,000
Dept. of Assessments & Taxation		\$101,202		\$101,202
Department of Budget and Management	\$2,402,400	\$342,917		\$2,745,317
Divison of Personnel Services	\$217,340			\$217,340
Statewide Expenses	\$2,185,060	\$342,917		\$2,527,977
Department of General Services	\$3,782,836			\$3,782,836
Facilities Security	\$958,304			\$958,304
Facilities Operation and Maintenance	\$2,387,569			\$2,387,569
Reimbursable Lease Management	\$436,963			\$436,963
Department of Transportation		\$563,810		\$563,810
transit Administration		\$39,674		\$39,674
Bus Operations		\$383,327		\$383,327
Rail Operations		\$140,809		\$140,809
Department of Natural Resources		\$2,214,000	\$2,158,077	\$4,372,077
Forest Service			\$477,000	\$477,000
Wildlife and Heritage Service			\$673,796	\$673,796
Land Acquisition and Planning		\$918,000		\$918,000
Outdoor Recreation Land Loan		\$1,100,000		\$1,100,000
DNR Police - General Direction		\$196,000		\$196,000
Chesapeake and Coastal Service			\$1,007,281	\$1,007,281
Department of Agriculture - Animal Health	\$354,960		\$55,283	\$410,243

Department of Health and Mental Hygiene	\$2,285,322			\$2,285,322
Family Health and Chronic Disease Services	\$1,456,208			\$1,456,208
Western MD Center - Services and Institutional Operations	\$829,114			\$829,114
Department of Public Safety and Correctional Services	\$31,926,361			\$31,926,361
Dep Secy Administrative Services	\$3,728,163			\$3,728,163
MCI Hagerstown	\$2,464,637			\$2,464,637
Jessup	\$2,255,161			\$2,255,161
Baltimore Central Booking and Intake Center	\$11,247,961			\$11,247,961
Baltimore Pretrial	\$9,188,468			\$9,188,468
MD Reception, Diagnostic and Classification Center	\$3,041,971			\$3,041,971
State Department of Education	\$45,254,647	-\$11,589,133	-\$3,600,000	\$30,065,514
Headquarters	\$11,715,248		-\$3,600,000	\$8,115,248
Office of the State Superintendent	\$3,600,000		-\$3,600,000	\$0
Division of Accountability and Assessment	\$8,115,248			\$8,115,248
Aid to Education	\$33,539,399	-\$11,589,133		\$21,950,266
State Share of Foundation Program	\$11,589,133	-\$11,589,133		\$0
Aid for Local Employee Fringe Benefits	\$600,000			\$600,000
Students with Disabilities	\$20,307,028			\$20,307,028
Innovative Programs	\$600,000			\$600,000
Food Services Program	\$443,238			\$443,238
Maryland Public Broadcasting Commission	\$325,000			\$325,000
Maryland Higher Education Commission	\$8,032,407			\$8,032,407
General Administration	\$311,300			\$311,300
Senator Cade Funding Formulas	\$2,697,609			\$2,697,609
Aid to Community Colleges - Fringe Benefits	\$3,052,597			\$0
Education Excellence Awards	\$1,664,078			\$1,664,078
Janet L. Hoffman Loan Repayment Assistance	\$306,823			\$306,823

Higher Education Institutions	\$18,068,448			\$18,068,448
Department of the Environment		\$1,450,000	\$485,000	\$1,935,000
Land Management Administration		\$1,450,000		\$1,450,000
Coordinating Offices			\$485,000	\$485,000
State Police - Field Operations Bureau	\$9,752,331			\$9,752,331
State Reserve Fund	\$32,500,000			\$32,500,000
Dedicated Purpose Account	\$2,500,000			\$2,500,000
Economic Development Opportunities Program Account	\$20,000,000			\$20,000,000
Catastrophic Event Account	\$10,000,000			\$10,000,000
Total Deficiencies	\$179,113,480	-\$5,459,696	\$6,069,401	\$179,723,185