
2019 Session Review

**Presentation to the
Maryland Government Finance Officers Association**

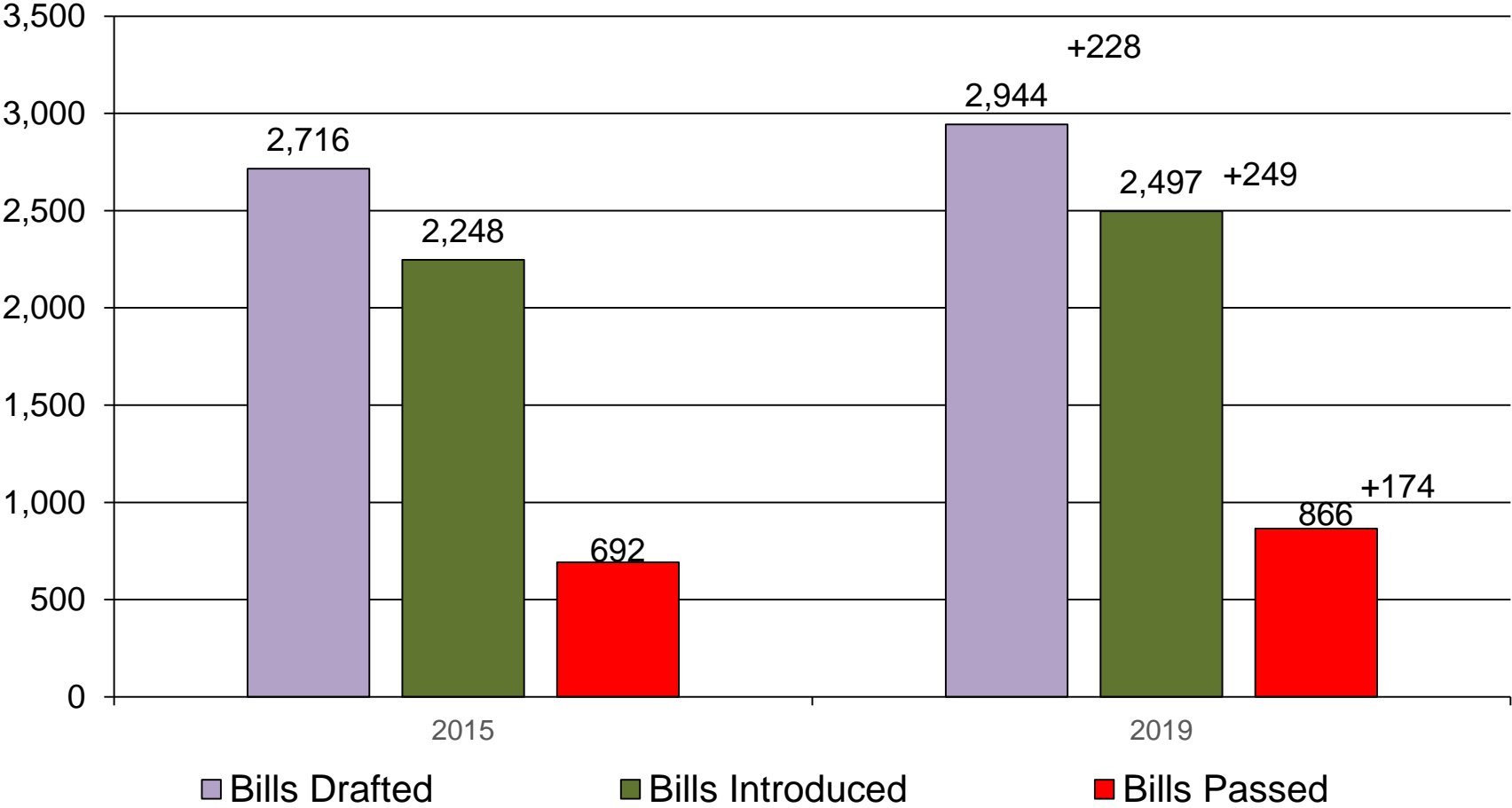
**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

April 26, 2019

2019 Session Highlights

The Growth of Legislative Action

(Comparison of First Year of Term Less Bond Bills in 2019)



Key Legislation

- The Blueprint for Maryland's Future
 - Report submitted January 2019 after three years of study by the Kirwan Commission
 - Estimated State and local costs at \$3.8 billion
 - The fiscal 2020 Budget Bill authorizes funding for fiscal 2020/SB 1030 establishes funding for fiscal 2020 to 2022
 - Additional work in 2019 to develop funding formulas and funding responsibilities

Blueprint Funding Sources

(\$ in Millions)

Source	2020	2021	2022
Education Trust Fund (ETF) Lockbox	\$100.8	\$225.8	\$350.0
The Blueprint for Maryland's Future Fund	134.5	65.5	
Additional ETF	15.8	16.0	16.2
Teacher Induction, Retention, and Advancement	4.0	4.0	4.0
Corporate Filing Fees		36.0	
Marketplace Facilitators/Out of State Vendors		TBD	TBD
Total	\$255.0	\$347.2	\$370.9

TBD: to be determined

Blueprint Spending Priorities

Fiscal 2020-2022

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Prekindergarten	\$31.7	\$53.6	\$53.6
Teacher Salary Incentive	75.0	75.0	75.0
Concentration of Poverty Grants	54.6	58.9	58.9
Transitional Supplemental Instruction	23.0	23.0	23.0
Special Education	65.5	65.5	65.5
Mental Health Coordinators	2.0	2.0	2.0
Teacher Collaboratives	2.5	2.5	2.5
Outreach/Training	0.3	0.3	0.3
MSDE IT System	0.5	0.2	0.2
Declining Enrollment Grants		16.7	16.7
Blueprint for Maryland's Future Fund		58.0	73.0
Blueprint Fund Contingent on Revenues		TBD	130.0
MSDE Inspector General	0.7	0.8	0.8
Total	\$255.7	\$356.2	\$501.2

IT: information technology

MSDE: Maryland State Department of Education

TBD: to be determined

Key Legislation

- Minimum Wage Increase
 - Phases in from \$10.10 to \$15.00 per hour by January 1, 2025
 - Longer phase-in for employers with 14 or fewer employees
 - State budget impact \$12.9 million by fiscal 2024
 - Increase in salary schedule
 - Total mandated general fund spending for health care providers is \$369 million by fiscal 2024
 - Much of this increase was already assumed in the general fund forecast

Key Legislation (Cont.)

- Opportunity Zone Tax Incentives
 - Extends Heritage Structure Rehabilitation Tax Credit
 - Extends More Jobs for Marylanders Tax Credit and geographic and business eligibility
 - Extends geographic eligibility for State tax credit and financing programs to Opportunity Zones
 - Creates a State income tax credit for workforce housing projects in Opportunity Zones
 - Authorizes local property tax credit for investments in Opportunity Zones

Operating Budget Highlights

Key Features of Budget

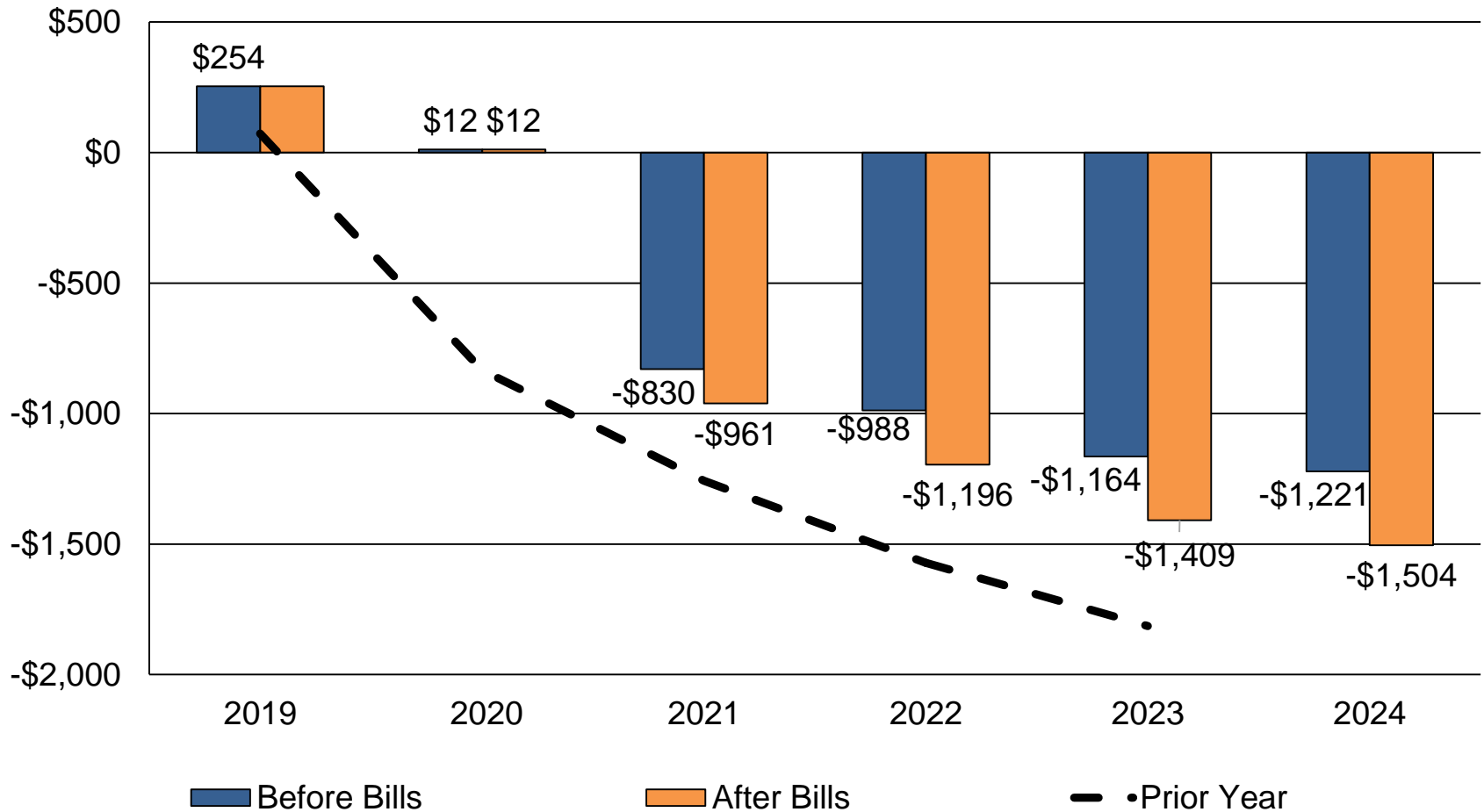
- Expected to be an “easy” budget year but March revenue estimate written down by \$268 million across 2019 to 2020
- Fiscal 2020 general fund spending increases \$1.0 billion, or 5.6%, excluding appropriations to the State Reserve Fund
- More than \$1.2 billion in cash balances and reserves
- Fully funds education and other mandates
- Increases provider reimbursements 3%+
- Assumes in-state tuition increase at 2%
- Increases funds for drug treatment, anti-opioid initiatives
- 3% general salary increase/5%+ increments for law enforcement

Highlights for Local Government

- Additional Transportation Aid
 - \$19.9 million in Capital Grants
- Direct K-12 Education Aid Increases
 - \$116.1 million (Foundation, LEP, NTI)
 - Prekindergarten Expansion and Prekindergarten Supplemental Grant \$20.1 million
- Public Safety Aid
 - \$17.1 million
 - Largely Baltimore City technology improvements and safe streets funding

LEP: limited English proficiency
NTI: net taxable income

General Fund Structural Deficits Projected Fiscal 2019 through 2024



Revenues and Spending on Divergent Paths

Forecast Annual Increase Fiscal 2020 to 2024

Operating Spending	5.0%
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Ongoing Revenues	3.2%
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Annual Budget Gap	\$1.0 Billion
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Drivers of the Budget Gap

- General fund spending projected to grow \$4.0 billion by fiscal 2024
- Major growth drivers include:

Fiscal 2020 to 2024

– K-12 Education Aid	\$1.3 billion (33%)
– Medicaid	1.0 billion (25%)
– State Agencies	1.0 billion (25%)
• Mostly due to discretionary salary growth	
– Higher Education	0.3 billion (7%)
– Debt Service	0.2 billion (5%)
– New Legislation	0.2 billion (5%)

Future Challenges

- Short Term
 - Balancing the fiscal 2021 budget
- Long Term
 - Achieving structural balance
 - The Blueprint for Maryland's Future (K-12 Adequacy)
 - When is the next recession?
 - Moody's Analytics predicting June 2020

Capital Budget Highlights

Capital Budget Highlights

- General obligation debt authorizations set at \$1.085 billion, as recommended by the Spending Affordability Committee
- School Construction funded at \$500.6 million
 - \$378.8 million for general school construction
 - \$68.2 million for Supplemental Capital Grant program school systems with enrollment growth or relocatable classrooms
 - \$30.0 million for Healthy School Facility Fund
 - \$13.5 million for school safety (\$10.0) and nonpublic school safety (\$3.5 million)
 - \$10.1 million for aging schools (\$6.1) and nonpublic aging schools (\$4.0 million)

The End

- Questions?