FY 2025 Budget Overview: Working in Partnership to Win the Decade

Governor Wes Moore
Lieutenant Governor Aruna Miller

January 17, 2024
FY25 BUDGET OVERVIEW
FY25 BUDGET OVERVIEW:

Goals

Taken together and working in partnership, the targeted investments and strategic choices we’ve outlined in this budget will help:

- Make Maryland safer
- Make Maryland more affordable
- Make Maryland more competitive
- Make Maryland the state that serves
PREDICTED CHALLENGES: Conditions that Created the Current Fiscal Situation
PREDICTED CHALLENGES:

COVID Funding Cliff

- Federal COVID funding created a structural surplus.
- The end of COVID funding and the lack of robust economic growth for the last four years made this situation predictable.
- Now is the time to rebalance the budget and refocus state government.
PREDICTED CHALLENGES:

Economic Stall

General Fund Revenue Growth Rates

- Pre-Pandemic: 3.6%
- FY 2021-2022: 13.6%
- FY 2023: 1.7%
- FY 2024E: 0.6%
- FY 2025E: 1.8%
Not Alone: Projected Shortfalls for States Across the Country

**State budget deficit already at $400 million, growing quickly**

*Arizona Mirror, December 29, 2023*

**‘It was a mirage’: States face budget woes as huge infusions of federal cash run out**

*Politico, January 10, 2024*

**NY Governor Faces Pressure to Raise Taxes Amid Budget Crunch**

*State officials project budget gap of $4.3 billion in fiscal 2025*

*Bloomberg Tax, December 28, 2023*

**California governor wants reserves and cuts to fix nearly $38B deficit, mostly sparing schools**

*APNews, January 11, 2024*

**Healey to announce spending cuts amid underwhelming tax revenue**

*The Healey administration is reportedly preparing to announce $375 million in cuts that will impact local earmarks.*

*Boston.com, January 8, 2024*

**State revenue under projections for first time this fiscal year**

*Indiana Capital Chronicle, November 9, 2023*
FY25 BUDGET OVERVIEW:

Three Guiding Principles

- Fiscally responsible action
- Data-directed resources
- Prioritized public investment
MARYLAND’S ECONOMY: Building Momentum and Increasing Stability
MARYLAND’S ECONOMY:

FY24 Budget Positioned Maryland Well

- Final FY 2024 budget reflected a $364M surplus General Fund balance
- Directed $1B of cash surplus to education and transportation funding
- Maintained 10% of General Fund revenue in the Rainy Day Fund ($2.5B)
- Positioned the administration to anticipate challenges and pursue opportunities
MARYLAND’S ECONOMY:
Strong Momentum in 2023

FBI Relocation to Greenbelt, MD
- 7,500+ jobs
- $4B economic activity

Frederick Douglass Tunnel
- More than 30,000 jobs, including 20,000 construction jobs

Baltimore Region Tech Hub Designation
- Eligible for up to $75M infusion of federal funds
- 52,000+ jobs by 2030

Offshore Wind Projects
- More than 15,000 jobs

Susquehanna River Bridge
- Replaces 117 year old bridge that will boost train speeds by nearly 80%
MARYLAND’S ECONOMY:

Baltimore Renaissance

Baltimore City’s GDP growth of 5.9% in 2022, 8th highest among large counties nationwide.

Baltimore City among the fastest growing large economies in the U.S.
Baltimore has the 8th fastest growing GDP among counties with at least $50 billion GDP in 2022

<table>
<thead>
<tr>
<th>County</th>
<th>Billions of 2017 dollars</th>
<th>Year-over-year increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Douglas, Nebraska</td>
<td>$54.6</td>
<td>9.2%</td>
</tr>
<tr>
<td>Colin, Texas</td>
<td>$83.2</td>
<td>8.7%</td>
</tr>
<tr>
<td>Travis, Texas</td>
<td>$105.8</td>
<td>7.7%</td>
</tr>
<tr>
<td>Denver, Colorado</td>
<td>$96.7</td>
<td>7.3%</td>
</tr>
<tr>
<td>Davidson, Tennessee</td>
<td>$85.5</td>
<td>6.9%</td>
</tr>
<tr>
<td>Essex, New Jersey</td>
<td>$58.6</td>
<td>6.6%</td>
</tr>
<tr>
<td>Orange, Florida</td>
<td>$115</td>
<td>6.5%</td>
</tr>
<tr>
<td><strong>Baltimore City, Maryland</strong></td>
<td><strong>$51.2</strong></td>
<td><strong>5.9%</strong></td>
</tr>
</tbody>
</table>
MARYLAND’S ECONOMY:

Lowest Unemployment Rate

Unemployment Rate in Maryland - 2023


Lowest unemployment rate in the country at 1.8%
MARYLAND’S ECONOMY:
The Stakes are Still High

Price Pressure

Stagnant Population

Fewer Marylanders are working
MARYLAND’S ECONOMY:

Price Pressure

Figure 4. Unemployment and Inflation
Percent of the labor force (unemployment rate)
Year-on-year percent (inflation)

Council of Economic Advisers
Sources: Bureau of Labor Statistics; CEA calculations.
As of December 15, 2023 at 8:30am.

Source: whitehouse.gov
MARYLAND’S ECONOMY:
Stagnant Population 2021-2022
Maryland's Economy:
Fewer Marylanders Working

NOTE: Employment and Labor Force Participation data for 2023 are from November and serve as the most recent data set available as of 1.12.24, except for the U.S where December data was available.
FY25 BUDGET SUMMARY
FY 25 BUDGET SUMMARY:

Toplines

- Total All Funds Operating Budget: $63.1B
- General Fund Operating Budget: $25.8B
- Total Capital $6.6B
  - $3.2B Capital Improvement Program
  - $3.6B Consolidated Transportation Program
**FY 25 BUDGET SUMMARY:**

**Protecting AAA Bond Rating**

- Flips the projected cash shortfall of $1.1B to a **positive cash ending balance of $103M** in FY 2025 (meets Spending Affordability Committee recommendation);

- **Reduces the structural deficit for FY 2025 by 34 percent** to $502M from $761M (meets SAC recommendation); and

- **Maintains a Rainy Day Fund balance of 9.4%** of General Fund revenues ($2.34B) in FY 2025 (meets SAC recommendation).

- **WITHOUT RAISING TAXES** invests in a more responsive government for Marylanders through investments in state workers.
FY 25 BUDGET SUMMARY:
Protecting AAA Bond Rating

History of the Rainy Day Fund
FY 2001 - FY 2025
STRATEGIC INVESTMENTS: Creating Maryland’s Decade
STRATEGIC INVESTMENTS:
Creating Maryland’s Decade

- Make Maryland Safer
- Make Maryland More Affordable
- Make Maryland More Competitive
- Make Maryland the State that Serves
All-of-the-above approach

- Funding local law enforcement
- Supporting victims in their time of need
- Innovating gun violence prevention strategies
- Engaging our most at-risk youth
STRATEGIC INVESTMENTS:
Make Maryland Safer

- **State Aid for Police Protection enhancement funds**
  - $5M increase ($127M total)

- **Funding for Victims of Crime Act (VOCA)**
  - $35M in funding for third year

- **New Statewide Gun Violence Prevention Center**
  - $10M in new funding
Make Maryland Safer

- **Thrive Academy**
  - $4.4M increase to expand rehabilitation services for the most at-risk youth from 190 youth participants to 300 statewide in FY 2025

- **Enhanced Services Continuum and Community Investment Initiative**
  - $12M total new funding for enhanced community services for the young people who need them most

- **Assisted Outpatient Treatment:**
  - $3M in new funding
This budget tackles two biggest drivers for rising costs for working families: childcare costs and housing.
maryland is currently the 8th most expensive state for child care.

across the state, the cost of childcare can range from $13,000 to $35,000 a year.

in 2018, it was estimated that maryland lost $2.34b in lost wages, taxes, and spending due to issues with child care.
These funds support the Child Care Scholarship program.
STRATEGIC INVESTMENTS:

Make Maryland More Affordable: Housing

The FY 2025 capital budget reflects an increase of $115M in FY 2025 for priority housing and community development investments.

- Includes increased funding for:
  - Appraisal Gap (Homeownership Works) Program
  - Baltimore Regional Neighborhoods Initiative
  - National Capital Strategic Economic Development Fund
  - Rental Housing Works
  - Statewide Strategic Demolition, and
  - Project CORE
STRATEGIC INVESTMENTS:

Make Maryland More Affordable: Housing

Capital Investment for Housing and Community Development Increases by Two-Thirds in FY 2025

$175

FY 2024 DHCD Capital

$290

FY 2025 DHCD Capital

$ in millions
STRATEGIC INVESTMENTS:

Make Maryland More Affordable: Housing

Investments in Rental Housing Double

FY24 $55 million

FY25 $110 million

Creates +5,100 New Housing Units

Lifts 1,473 Families and 2,268 Children out of poverty
STRATEGIC INVESTMENTS:

Make Maryland More Competitive

- Investing in Education
- Investing in Infrastructure
- Investing in Economic Development
STRATEGIC INVESTMENTS:

Make Maryland More Competitive: Education

● Record funding for PK-12 education
  ○ $9.2B in operating funds in Maryland’s public schools
  ○ Fully funding Blueprint for Maryland’s Future programs
  ○ $906M in capital funds for public school construction.

● Funding to support low-income students PK-12
  ○ $160M increase over FY 2024
STRATEGIC INVESTMENTS:

Make Maryland More Competitive: Education

K-12 Education Aid by Fund Source, $ Millions
STRATEGIC INVESTMENTS:

Make Maryland More Competitive: Education

School Construction Funding History
FY 2008 - FY 2025
STRATEGIC INVESTMENTS:

Make Maryland More Competitive: Education

- $2.3B in record state funding to University System of Maryland institutions
  - An increase of $4.8M to University of Maryland Eastern Shore to double the state-federal match for 1890 land-grant institutions.

- $25M in new state funding for a higher education campus security fund.
STRATEGIC INVESTMENTS:

Make Maryland More Competitive: Infrastructure

- $150 million from Rainy Day fund to transportation to fund LOTS and HUR this year

- Leveraging federal money for Frederick Douglass Tunnel, Susquehanna River Bridge, expanding broadband to every Marylander

- Expansion of data science and computing infrastructure at Johns Hopkins University
  - $20 million state contribution
STRATEGIC INVESTMENTS:

Make Maryland More Competitive: Economic Development

$6.4M in new state investment to support Baltimore’s Tech Hub Consortium with tools to compete for $70 million in federal funding and enhanced opportunity to leverage capital from the private sector:

$1.8 million
Maryland Small Business Innovation Research and Technology Program
New funding

$1.5 million
Baltimore Innovation Initiative
(TEDCO two-year pilot)

$500,000
Pava LaPere Innovation Acceleration Grant Program
(TEDCO)
$6.4M in new state investment to support Baltimore’s Tech Hub Consortium with tools to compete for $70 million in federal funding and enhanced opportunity to leverage capital from the private sector:

$1 million
Baltimore Tech Hub Consortium

$840,000
UpSurge UpRise Program
toward a $2.5M three-year commitment

$700,000
Maryland Technology Internship Program (UMBC)
New funding
STRATEGIC INVESTMENTS:

Make Maryland More Competitive: Economic Development

- **Pre-Seed Builder Fund**
  - $7.5 million for the TEDCO, a 20% increase over FY 2024

- **Maryland Equitech Growth Fund**
  - $5 million for the TEDCO, an increase of $2M over FY 2024

- **Social Equity Partnership Grant**
  - $5 million towards the program

- **Institute for Health Computing at the University of Maryland Baltimore**
  - $2 million state contribution

- **Employment Advancement Right Now program expansion**
  - $2 million increase in state funds
$100M to support the location of the new FBI headquarters in Greenbelt.

New HQ will cement Maryland as the cybersecurity capital of the country.

Largest project GSA has ever undertaken and will drive economic growth and bring 7,500 jobs to Maryland.
STRATEGIC INVESTMENTS:
Make Maryland the State that Serves

● Protecting frontline workers
● Expanding opportunities for service
● Rebuilding state government
Make Maryland the State that Serves: Expanding the Service Year Option

- **Service Year Option**
  - Increasing Service Year Option participants from 200 in FY 2024 to **500 in FY 2025**

*Briana Whitehurst, Service Year Option Member*

“We are ready. We’re ready to work, ready to learn new skills, ready to get to know new people, ready to help build stronger communities and a stronger State. We are grateful to the governor and his team and to the people of Maryland who have made this opportunity possible.”
STRATEGIC INVESTMENTS:

Make Maryland the State that Serves: Rebuilding State Government

Net Hires* by Calendar Year

2021-2023

*Data includes the State Personnel Management System and MDOT and excludes higher education
FISCALLY RESPONSIBLE BUDGET:
Reflecting Maryland Values
FISCALLY RESPONSIBLE BUDGET:

Reflecting Maryland’s Values

- Fiscally responsible action
- Data-directed resources
- Prioritized public investment