

# Maryland

## BUDGET HIGHLIGHTS FISCAL YEAR 2021



LAWRENCE J. HOGAN, JR., GOVERNOR  
BOYD K. RUTHERFORD, LIEUTENANT GOVERNOR

# Budget in Brief

## Strong Financial Stewardship

- The FY 2021 general fund budget grows by only 1.0%, while total fund budget growth amounts to only 1.5%.
- The governor’s budget exceeds the legislature’s guidelines by leaving a Rainy Day Fund balance of 6.25% of revenues--\$242 million more than the statutory requirement--and a cash surplus greater than \$100 million.
- When combining the FY 2021 ending fund balance and the funds available in the Rainy Day Fund, the state has more than \$1.3 billion in reserves.
- Building on the Hogan administration’s commitment to shoring up the pension system, for the fifth year in a row, the budget proposal includes a pension payment that is \$75 million more than is actuarially required. In FY 2021, pension funding totals \$1.69 billion. Currently, the pension system is funded at 72.9%, compared to 69.7% in FY 2015. This rate of growth puts the system well on the way to the 80% benchmark for a well-funded pension system.
- For the second year in a row, the revenue estimate is reduced to account for volatility in non-withholding personal income tax revenues. This approach is fiscally responsible and ensures the state budget relies on sustainable, ongoing revenue growth, rather than one-time spikes.

## Investments in Maryland’s Education System

- The FY 2021 budget includes \$250 million in funding to support the second year of the “Hogan Lockbox” to ensure that Video Lottery Terminal revenue supplements education funding.
- Since FY 2015, per pupil funding for K-12 education has grown from \$7,273 to \$8,157 (an increase of 12%).
- For the fifth consecutive year, Governor Hogan’s education budget goes above and beyond statutory funding formulas to ensure that every jurisdiction receives more direct education aid than in the prior year.
- Governor Hogan’s budget includes nearly \$94 million to support the expansion of pre-kindergarten. Under the Hogan administration, state funding to expand pre-kindergarten access has grown by more than 2,000%.
- More than \$100 million in additional funding above current law will be dedicated over the next two years to expand access to early support and interventions for children and their families, including high-quality, full-day pre-kindergarten for three- and four-year-olds.
- The governor has also committed more than \$30 million above current law over two years to fund Concentration of Poverty Grants to provide full-time coverage of health care practitioners and community school coordinators.

### RECORD COMMITMENT TO EDUCATION

Sixth consecutive year of record funding--nearly **\$7.3 BILLION** in FY 2021

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**FULL** funding of **ALL** education formulas **AND** Kirwan Commission recommendations

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More than **\$350 MILLION** dedicated to Blueprint for Maryland’s Future initiatives

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**EVERY** jurisdiction receives an increase in direct aid

# Maryland's Capital Budget

The full amount of state transfer tax revenues available in FY 2021, \$156 million, is budgeted for its intended purposes of funding Program Open Space and other land preservation programs, recreational facility projects, and related uses. On top of that, \$44 million from state general funds are provided to repay a portion of the funds that were diverted from Program Open Space dating back to FY 2006. These paybacks will continue through FY 2030.

Other sources of capital funds include federal grants, revenue bonds issued by the University System of Maryland, and other, legally dedicated special funds.

## K-12 Education

The FY 2021 capital budget for school construction totals a new record level of \$733 million. This year begins a new initiative to substantially meet the state's school construction needs over the next four years. The Building Opportunity Fund initiative will provide \$2.2 billion in new school construction funding. The proposed new funding is in addition to the \$1.6 billion in GO bond funding for school construction currently included in the state's five-year CIP. Over five years, the proposed state investment totals nearly \$3.9 billion.

The governor's proposed budget will use a portion of casino revenues to fund 30-year revenue bonds totaling \$2.2 billion for school construction projects. Beginning in FY 2021, revenue bonds will fund two initiatives that will supplement the \$329 million in GO Bond funding already planned for school construction: the Building Opportunity Fund and a revolving loan fund to assist local governments in meeting matching fund requirements. The revenue bonds will also fund the Healthy Schools Facility Fund and various school safety improvements.

The Building Opportunity Fund along with traditional school construction dollars, will provide

funding to cover all of the projects requested by local school systems from 2020 through 2024. The new construction projects are estimated to create more than 27,000 new jobs over the four-year construction period.



## FY 2021 School Construction Funding (Millions of \$)

<u>GO Bonds</u>	
Public School Construction Program	280.0
Supplemental Capital Grant Program	40.0
Aging Schools Program	6.1
Non-Public Aging Schools Program	3.5
<b>Subtotal GO Bonds</b>	<b>329.6</b>
<u>General Funds</u>	
Non-Public Schools Safety	
Improvements	3.5
<b>Subtotal General Funds</b>	<b>3.5</b>
<u>Revenue Bonds</u>	
Building Opportunity Fund	340.0
Local School Costs Revolving	
Loan Fund	20.0
Healthy Schools	30.0
School Safety Improvements	10.0
<b>Subtotal Revenue Bonds</b>	<b>400.0</b>
<b>TOTAL</b>	<b>733.1</b>

# Primary and Secondary Education

**Foundation Program:** The foundation program is the largest single local aid program and is fully funded in FY 2021. Under the program, aid is distributed on the basis of public school enrollment and equalized for taxable wealth so that jurisdictions with smaller per pupil tax bases receive proportionately more aid. Additional funding of \$9.4 million is provided to ensure that every jurisdiction receives at least \$100,000 more direct aid in FY 2021 than in FY 2020.

**Compensatory Education:** The compensatory education program is directed toward the education of children who are economically and environmentally disadvantaged. The Bridge to Excellence Act directs the aid according to the number of students receiving free or reduced price meals.

**Special Education:** Aid for special education is provided to school systems to help cover the additional cost of educating students with needs for special services. These funds are allocated on a formula basis for students in local schools and to support children placed in nonpublic special education schools. The FY 2021 budget reflects the state's share at 70% of the cost of nonpublic placements over a certain amount.

**Student Transportation:** This program provides aid for the transportation of students to and from school, including a specific grant aid for transporting special needs students.

**Other Education Aid:** Other education aid includes \$350.4 million in grants related to Commission on Innovation and Excellence in Education initiatives, \$348 million to support students with limited English proficiency, and \$41.2 million for the Guaranteed Tax Base program, which provides grants to those subdivisions that have less than 80% of the statewide average wealth per pupil and that provide local education funding above the local share required by the foundation program.

**State Retirement System:** In addition to direct aid for education, the state pays a portion of pension and retirement benefits for teachers, principals, administrators, and other eligible employees on behalf of each board of education.

## Primary and Secondary Education

(Thousands of \$)

	Foundation Program	Compen- satory Ed.	Special Ed.	Student Trans.	Other	Total Direct	\$ Change from 2020	% Change from 2020	State Retirement System	TOTAL	\$ Change from 2020	% Change from 2020
Allegany	43,432	22,070	7,636	5,116	10,915	89,169	520	0.6%	6,616	95,785	254	0.3%
Anne Arundel	244,006	73,680	31,578	27,425	38,488	415,177	17,049	4.3%	63,071	478,248	16,310	3.5%
Baltimore City	404,269	289,147	59,880	21,270	158,676	933,241	2,622	0.3%	60,548	993,789	984	0.1%
Baltimore County	431,709	160,395	64,720	35,414	62,365	754,602	28,351	3.9%	92,285	846,887	28,743	3.5%
Calvert	66,359	10,078	5,657	6,412	4,144	92,651	1,486	1.6%	13,432	106,083	1,132	1.1%
Caroline	31,596	16,197	3,315	3,001	11,055	65,163	1,089	1.7%	4,544	69,708	910	1.3%
Carroll	98,516	14,893	11,664	10,859	7,512	143,445	3,613	2.6%	19,663	163,108	3,169	2.0%
Cecil	65,786	23,191	8,353	5,764	10,029	113,124	1,083	1.0%	13,131	126,255	900	0.7%
Charles	128,499	36,643	11,106	12,205	14,208	202,661	3,099	1.6%	21,259	223,919	2,792	1.3%
Dorchester	24,195	13,391	1,997	2,742	7,960	50,285	271	0.5%	3,715	54,000	85	0.2%
Frederick	183,995	37,460	19,796	14,573	23,112	278,937	11,500	4.3%	33,012	311,948	11,431	3.8%
Garrett	13,084	4,435	881	3,279	3,403	25,083	440	1.8%	2,806	27,889	364	1.3%
Harford	150,153	36,201	19,651	14,082	13,954	234,041	7,138	3.1%	27,644	261,684	6,233	2.4%
Howard	196,501	34,920	19,550	20,363	22,940	294,274	12,111	4.3%	57,036	351,310	9,632	2.8%
Kent	3,530	2,868	817	1,719	1,738	10,670	154	1.5%	1,683	12,353	121	1.0%
Montgomery	428,013	148,570	65,024	47,626	117,841	807,074	41,231	5.4%	158,074	965,148	36,756	4.0%
Prince George's	664,112	298,832	70,726	45,654	194,197	1,273,522	55,101	4.5%	111,391	1,384,913	51,315	3.8%
Queen Anne's	23,962	5,121	2,171	3,736	3,998	38,987	491	1.3%	5,891	44,878	310	0.7%
St. Mary's	76,364	19,382	6,429	7,671	7,079	116,924	2,082	1.8%	13,077	130,001	1,617	1.3%
Somerset	14,987	10,535	2,141	2,095	7,583	37,341	1,057	2.9%	2,784	40,126	987	2.5%
Talbot	4,892	5,886	1,316	1,875	3,498	17,467	1,794	11.4%	3,499	20,966	1,855	9.7%
Washington	109,571	45,632	10,510	8,038	24,168	197,919	2,846	1.5%	16,319	214,238	2,194	1.0%
Wicomico	80,044	46,125	8,064	5,864	27,804	167,900	5,938	3.7%	11,980	179,880	5,508	3.2%
Worcester	7,061	7,559	1,811	3,404	1,937	21,772	646	3.1%	6,831	28,604	512	1.8%
Statewide/Unallocated	0	0	14,365	0	126,471	140,836	28,690	25.6%	0	140,836	28,690	25.6%
<b>TOTAL</b>	<b>3,494,635</b>	<b>1,363,208</b>	<b>449,160</b>	<b>310,187</b>	<b>905,077</b>	<b>6,522,266</b>	<b>230,404</b>	<b>3.7%</b>	<b>750,289</b>	<b>7,272,555</b>	<b>212,804</b>	<b>3.0%</b>

# Education Aid Per Pupil

The chart below shows state aid for public schools on a per-pupil basis. Aid includes direct aid and contributions for teachers' retirement. Pupils are measured as full-time equivalent counts as of September 30, 2019--the same basis used for allocating aid under the statutory formulas.

## Total K-12 Education Aid per Eligible Full-Time Equivalent Pupil Fiscal Year 2021

	FTE Pupils as of September 30, 2019	Aid per Pupil
Allegany	7,955	\$12,041
Anne Arundel	82,486	\$5,798
Baltimore City	73,533	\$13,515
Baltimore County	110,655	\$7,653
Calvert	15,577	\$6,810
Caroline	5,507	\$12,659
Carroll	24,968	\$6,533
Cecil	14,592	\$8,652
Charles	26,579	\$8,425
Dorchester	4,466	\$12,091
Frederick	42,253	\$7,383
Garrett	3,627	\$7,689
Harford	37,407	\$6,996
Howard	57,386	\$6,122
Kent	1,800	\$6,862
Montgomery	160,386	\$6,018
Prince George's	130,580	\$10,606
Queen Anne's	7,505	\$5,980
St. Mary's	17,138	\$7,586
Somerset	2,685	\$14,944
Talbot	4,449	\$4,713
Washington	21,830	\$9,814
Wicomico	14,482	\$12,421
Worcester	6,421	\$4,455
<b>TOTAL FTE'S/AVERAGE*</b>	<b>874,268</b>	<b>\$8,157</b>

\* Excludes unallocated aid.

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