

# 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:

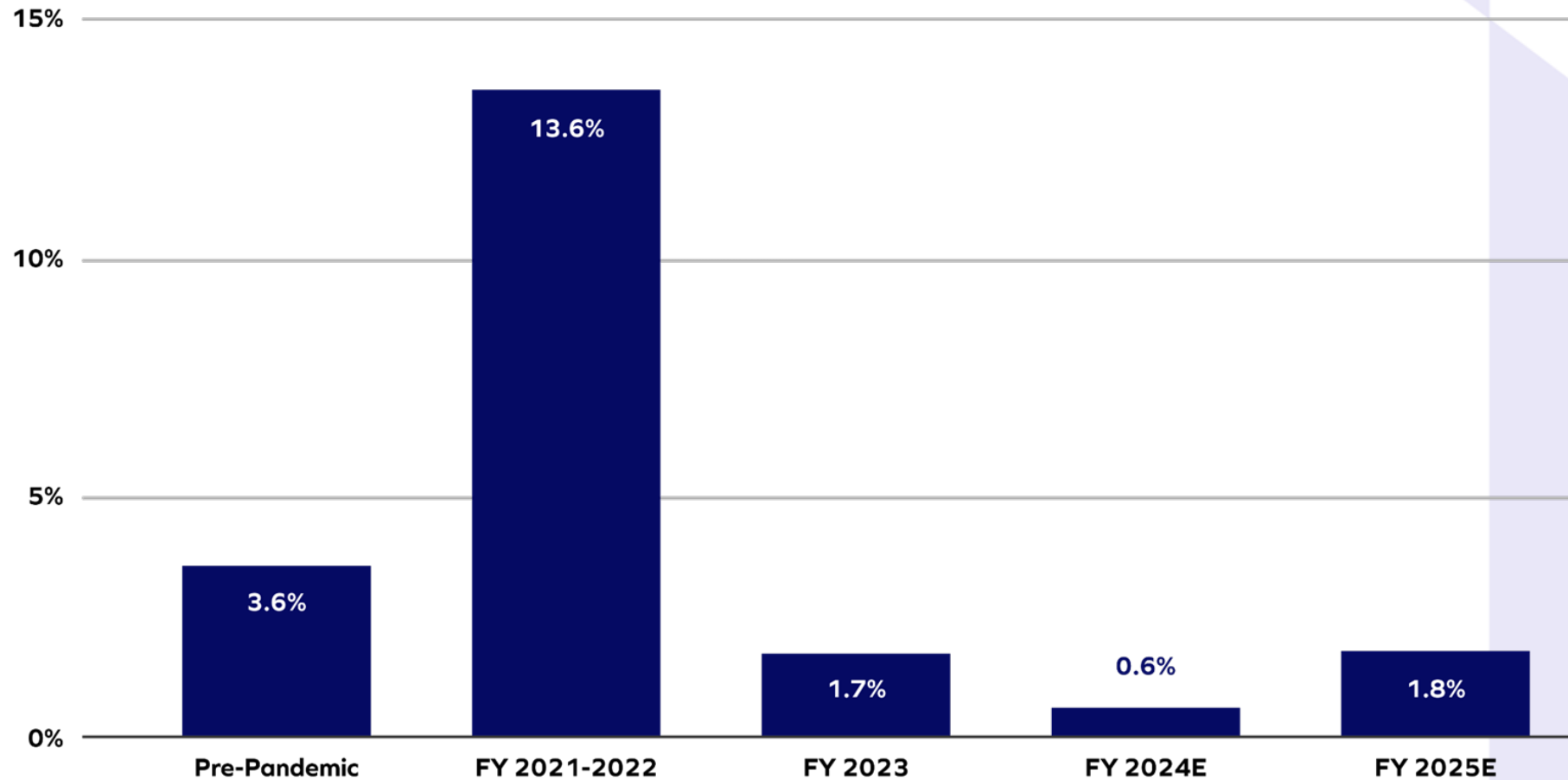
# COVID Funding Cliff

- **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



# Not Alone: Projected Shortfalls for States Across the Country

## 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*

## State budget deficit already at \$400 million, growing quickly

*Arizona Mirror, December 29, 2023*

## 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*

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

*APNews, January 11, 2024*

## 'It was a mirage': States face budget woes as huge infusions of federal cash run out

Huge buckets of pandemic funding allowed states to boost spending and cut taxes, but now the windfall has run out

*Politico, January 10, 2024*

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

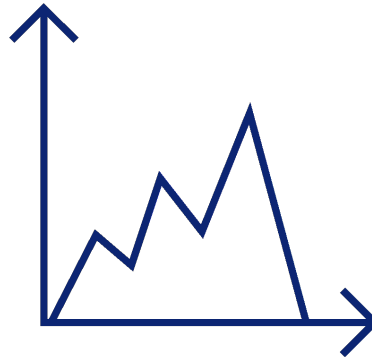
*Indiana Capital Chronicle, November 9, 2023*

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.**

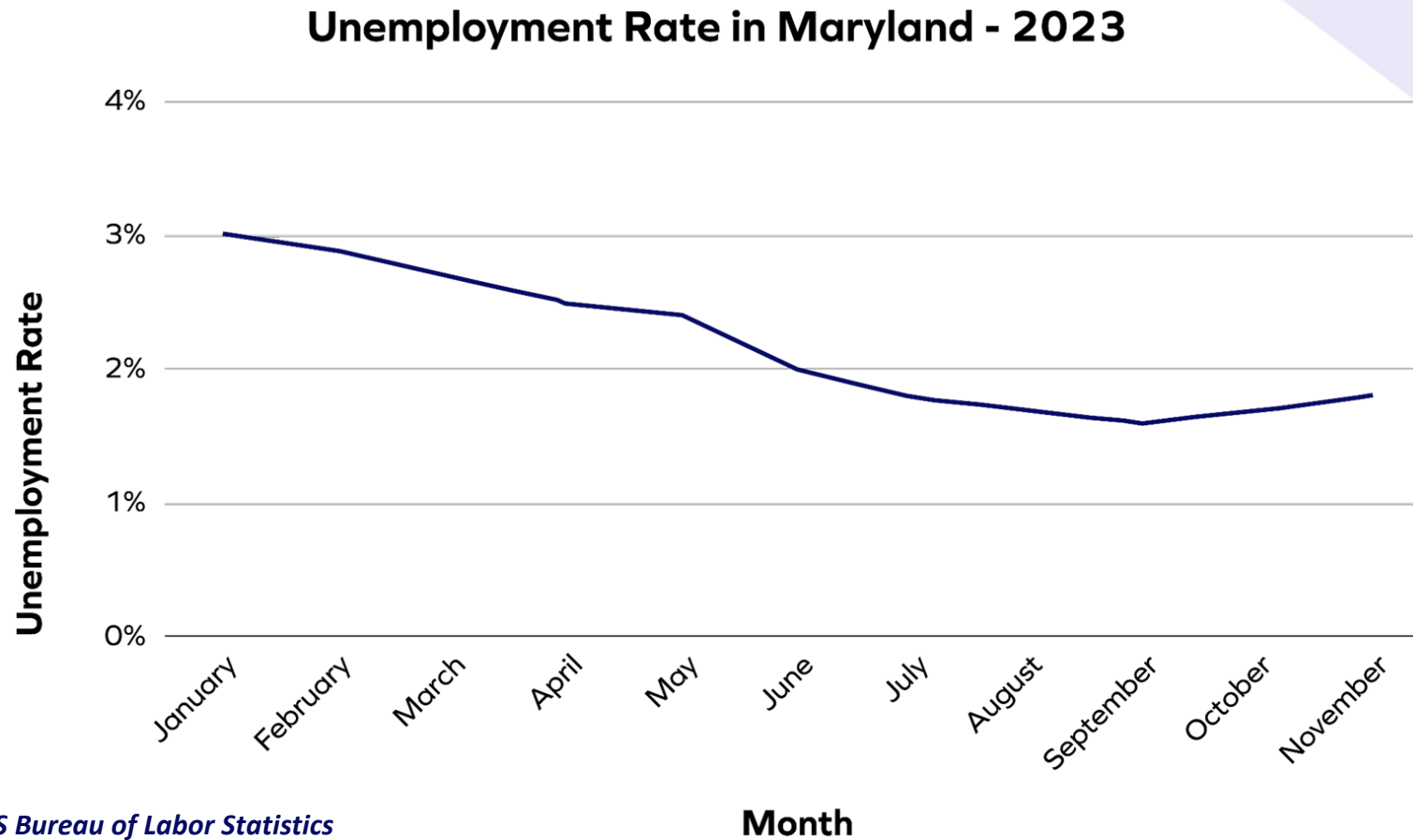
### **Baltimore City among the fastest growing large economies in the U.S.**

Baltimore has the 8th fastest growing GDP among counties with at least \$50 billion GDP in 2022

<b>County</b>	<b>Billions of 2017 dollars</b>	<b>Year-over-year increase</b>
Douglas, Nebraska	\$54.6	9.2%
Colin, Texas	\$83.2	8.7%
Travis, Texas	\$105.8	7.7%
Denver, Colorado	\$96.7	7.3%
Davidson, Tennessee	\$85.5	6.9%
Essex, New Jersey	\$58.6	6.6%
Orange, Florida	\$115	6.5%
<b>Baltimore City, Maryland</b>	<b>\$51.2</b>	<b>5.9%</b>

MARYLAND'S ECONOMY:

# Lowest Unemployment Rate



Source: US Bureau of Labor Statistics

**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](https://www.whitehouse.gov)

MARYLAND'S ECONOMY:

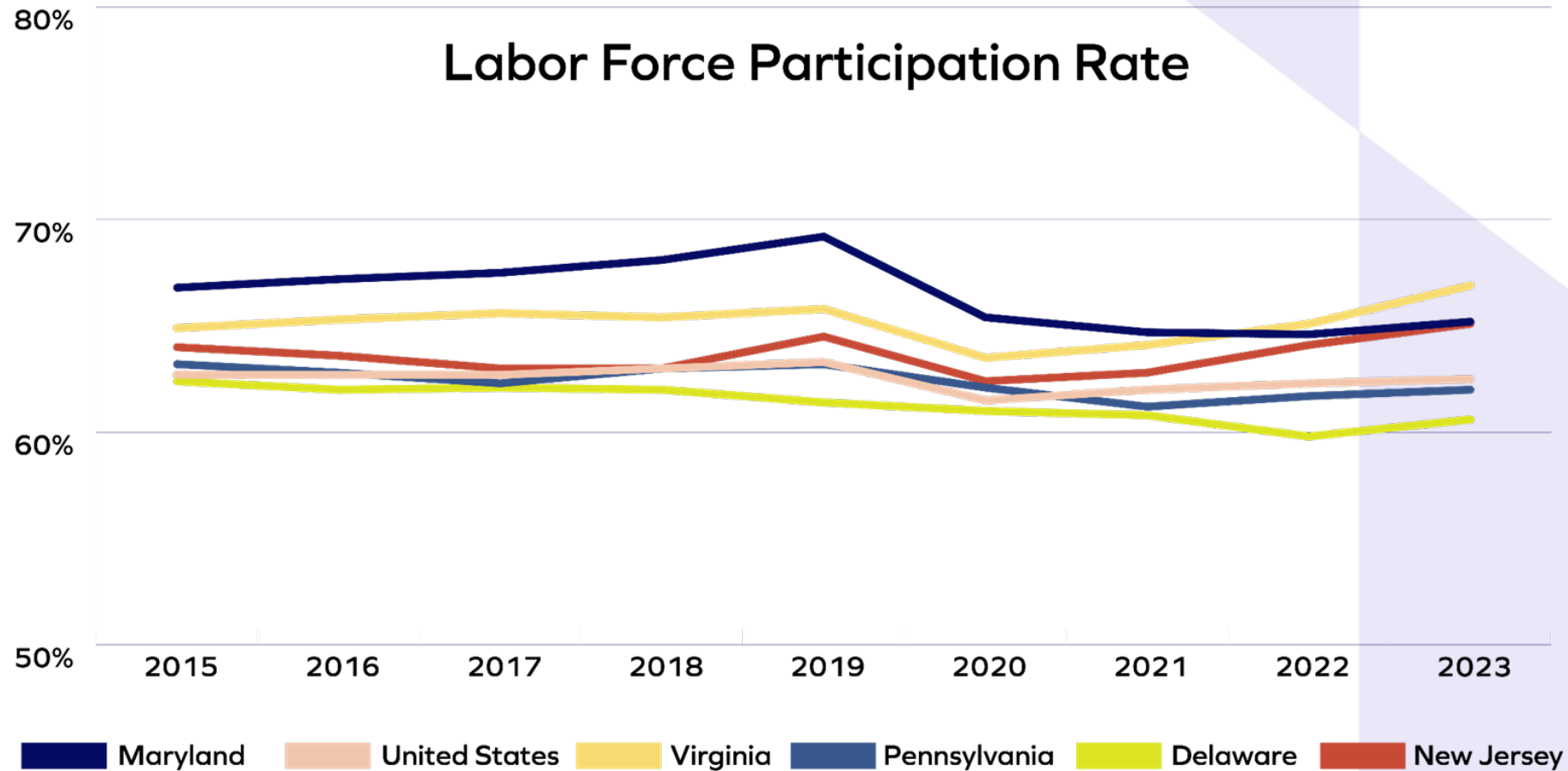
# Stagnant Population 2021-2022





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

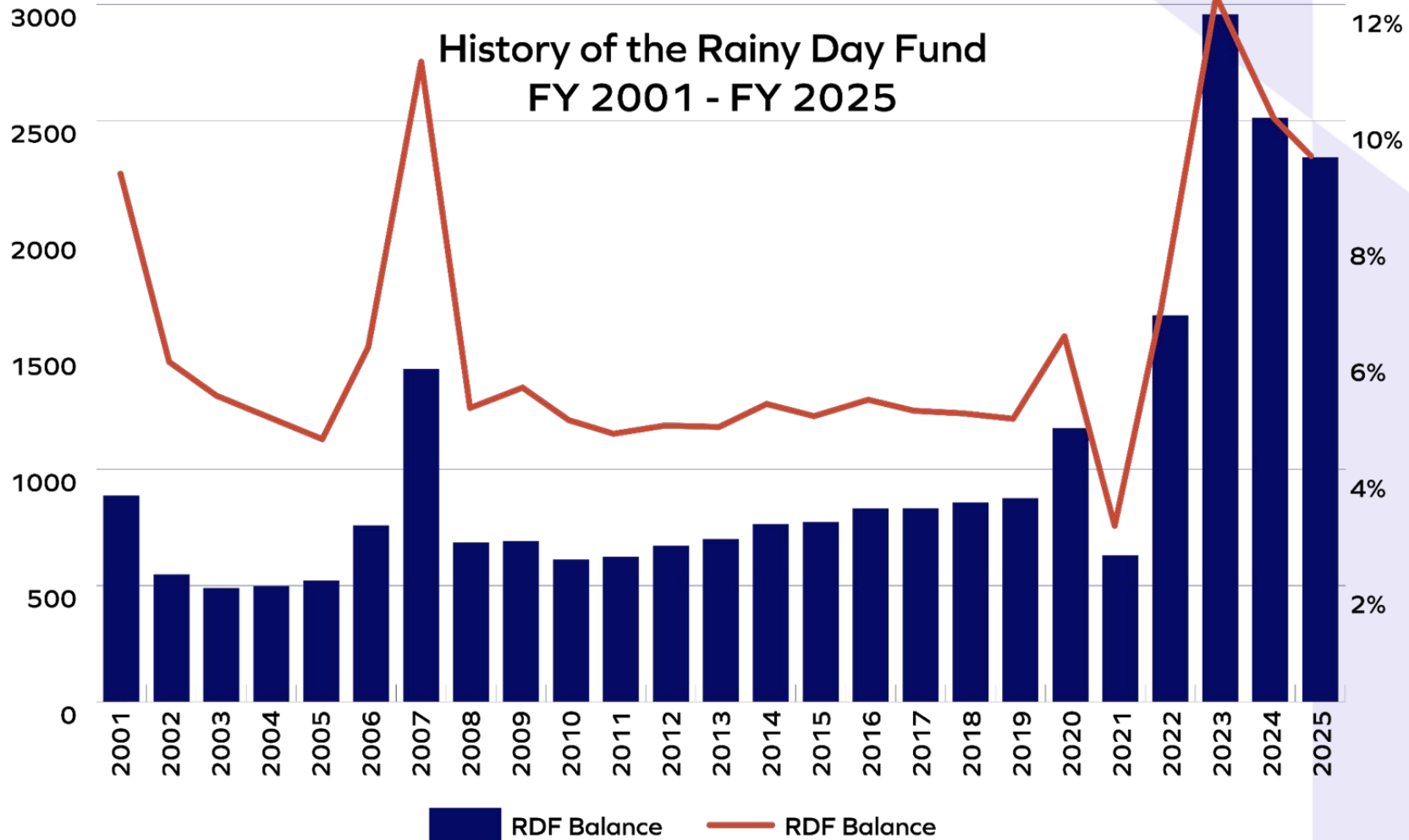
FY 25 BUDGET SUMMARY:

# 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



# **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**

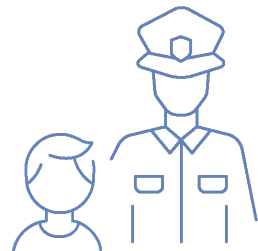


STRATEGIC INVESTMENTS:

# Make Maryland Safer

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



STRATEGIC INVESTMENTS:

# 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



STRATEGIC INVESTMENTS:

# Make Maryland More Affordable



This budget tackles two biggest drivers for rising costs for working families: **childcare costs** and **housing**.

STRATEGIC INVESTMENTS:



# Make Maryland More Affordable: Child Care

- 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.

STRATEGIC INVESTMENTS:



# Make Maryland More Affordable: Child Care

**\$218 Million**

Additional General Funds in  
FY24

&

**\$270 Million**

Funds in FY25

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.

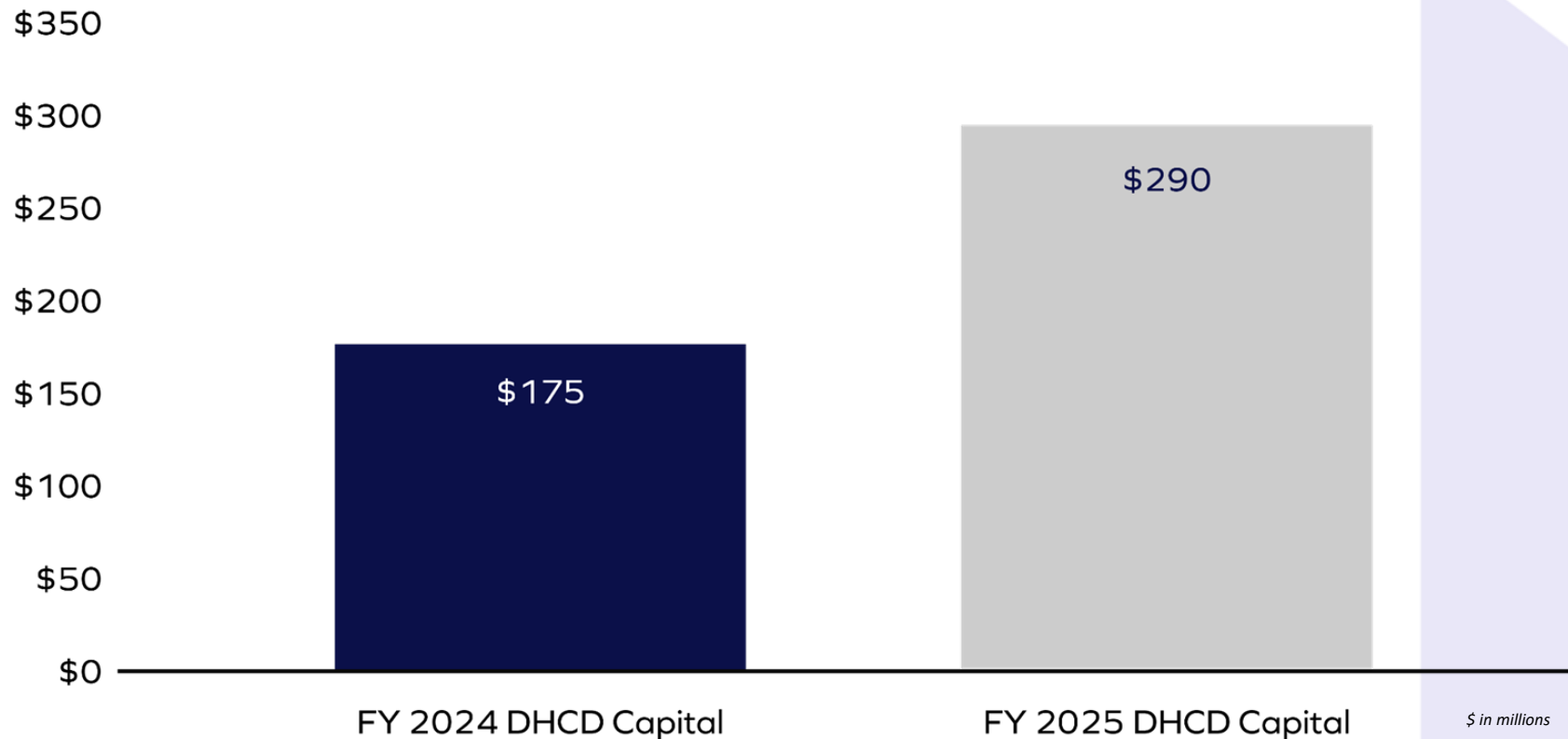
- Includes increased funding for:
  - Appraisal Gap (Homeownership Works) Program
  - Baltimore Regional Neighborhoods Initiative
  - National Capital Strategic Economic Development Fund
  - Rental Housing Works
  - Statewide Strategic Demolition, and
  - Project CORE

STRATEGIC INVESTMENTS:



# Make Maryland More Affordable: Housing

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



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

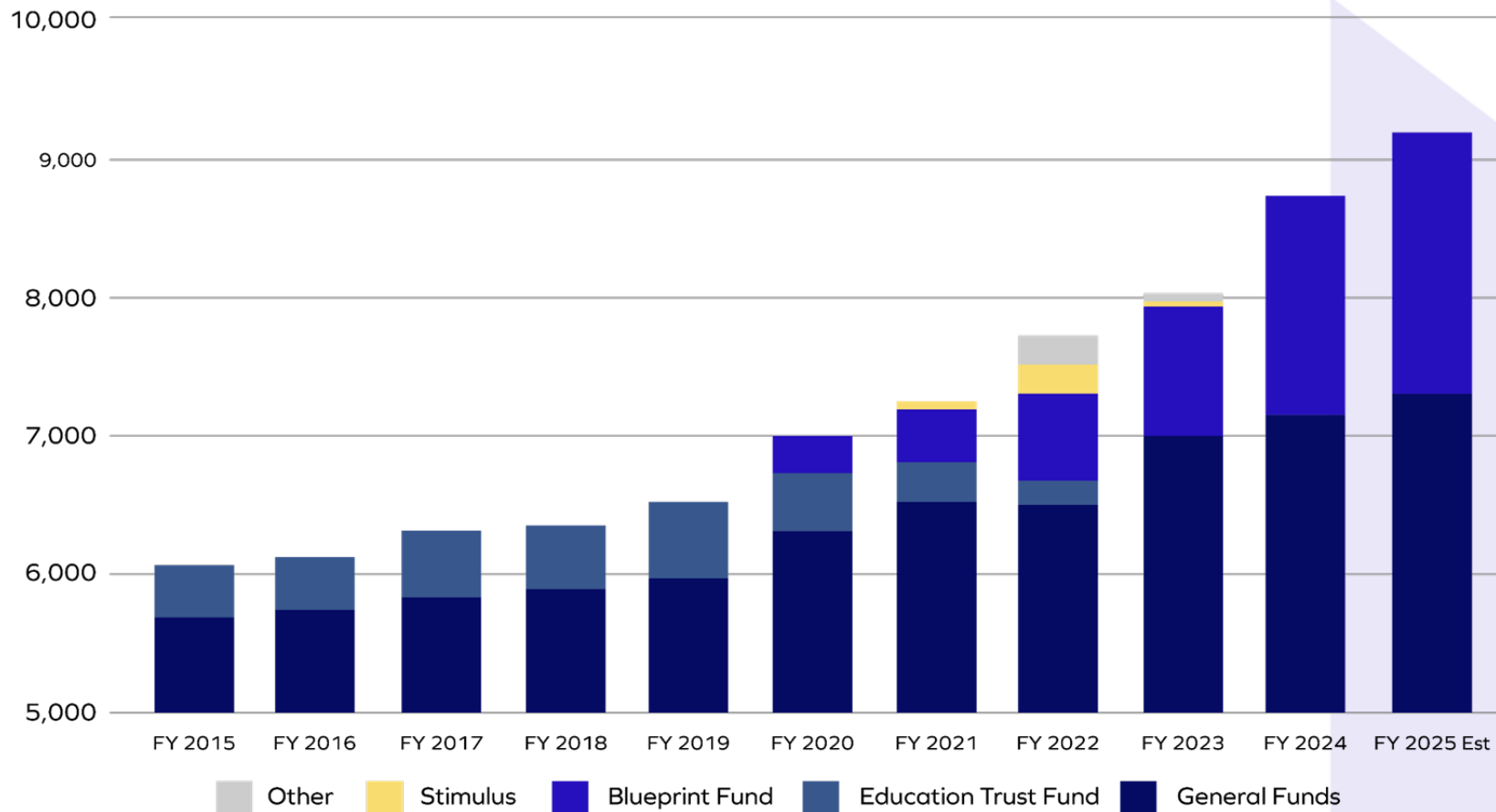
- **Record funding for PK-12 education**
  - **\$9.2B** in operating funds in Maryland's public schools
  - Fully funding **Blueprint for Maryland's Future** programs
  - **\$906M** in capital funds for public school construction.
- **Funding to support low-income students PK-12**
  - **\$160M** increase over FY 2024



STRATEGIC INVESTMENTS:

# Make Maryland More Competitive: Education

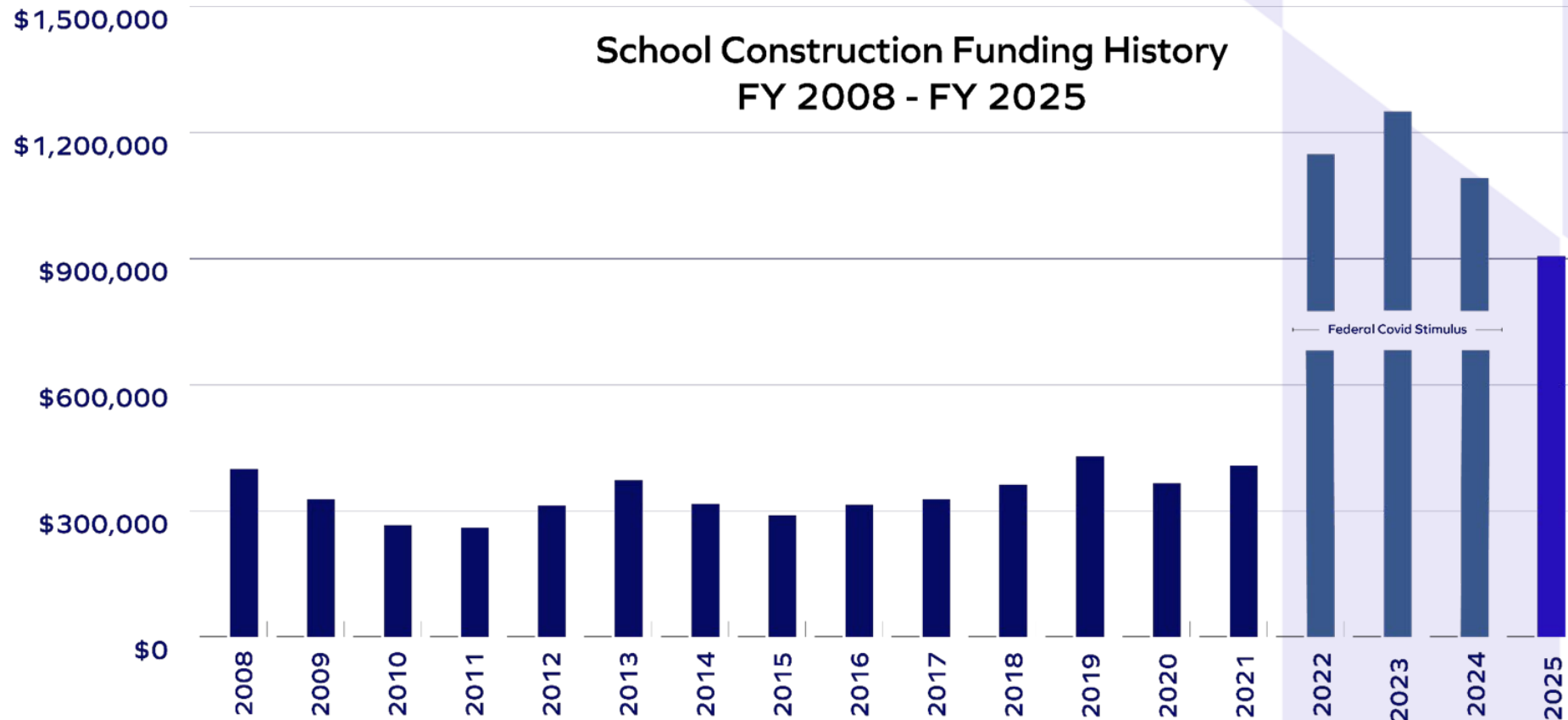
**K-12 Education Aid by Fund Source, \$ Millions**



STRATEGIC INVESTMENTS:



# Make Maryland More Competitive: Education



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)

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 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

STRATEGIC INVESTMENTS:



# Make Maryland More Competitive: Economic Development



- \$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*

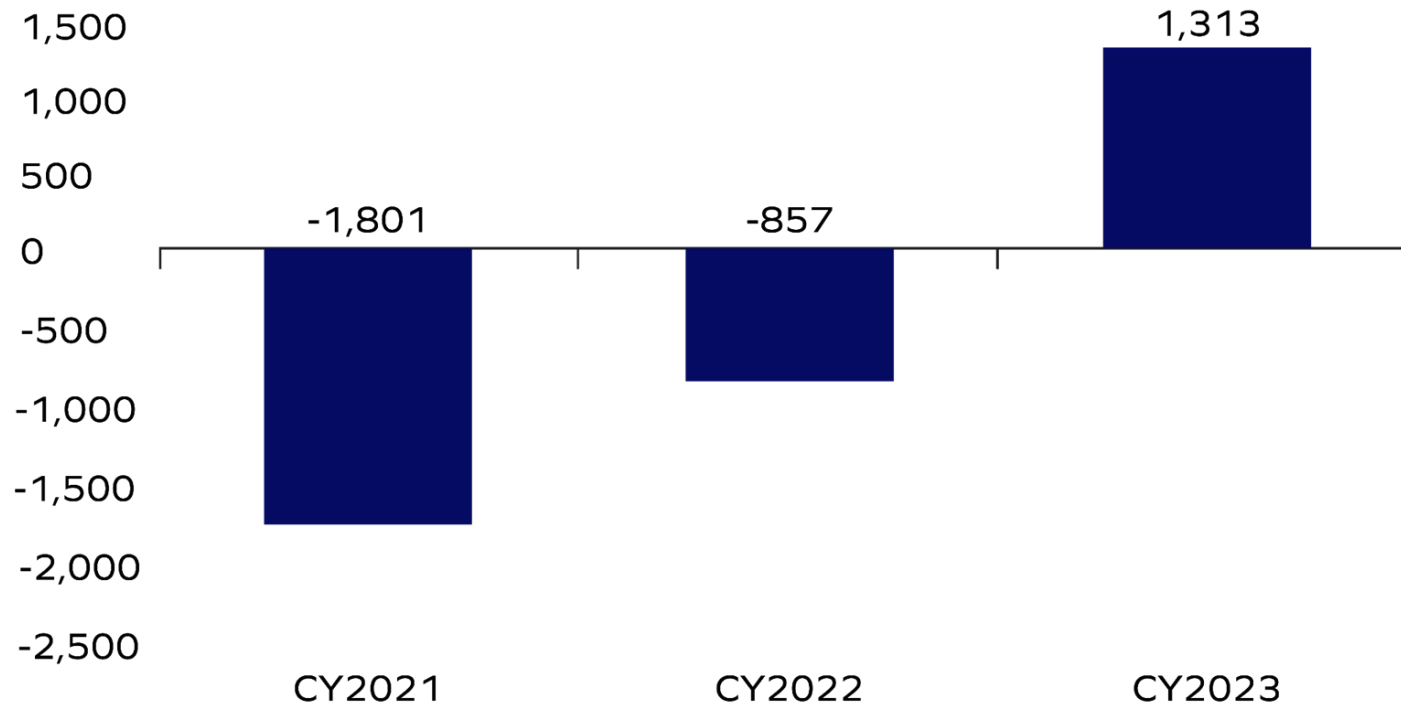
“We are ready. We're ready to work, ready to learn new skills, ready to get to know new people, ready to help build stronger communities and a stronger State. We are grateful to the governor and his team and to the people of Maryland who have made this opportunity possible.”

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*

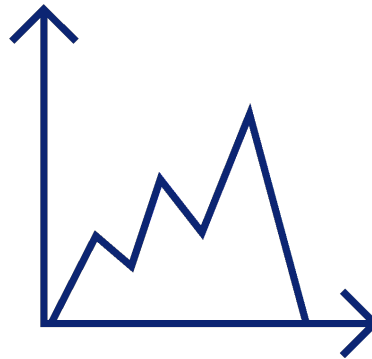
# **FISCALLY RESPONSIBLE BUDGET: Reflecting Maryland Values**

FISCALLY RESPONSIBLE BUDGET:

# Reflecting Maryland's Values



**Fiscally responsible action**



**Data-directed resources**



**Prioritized public investment**



THE OFFICE OF GOVERNOR  
**WES MOORE**