

MARYLAND Budget Report Card



MARYLAND ENJOYS TRIPLE-A general obligation bond ratings from Moody’s Investors Service, Standard & Poor’s, and Fitch Ratings. While the scores reflect the state’s perceived risk of default, they don’t fully account for fiscal trouble spots if revenues should flag.

For instance, take Maryland’s average grade of D, the second-lowest mark possible, for its handling of legacy costs for fiscal 2016 through 2018. The mark resulted largely from the underfunding of other post-employment benefits (OPEB) for public workers, mainly health care. Maryland has two OPEB plans, the State Employee and Retiree Health and Welfare Benefits Program and the Maryland Transit Administration Retiree Healthcare Benefit. In fiscal 2013 through 2017, the state contributed an average of 71 percent of the annual contribution recommended by actuaries to the former and an average of 21 percent to the latter. In addition, as of 2017, Maryland set aside only 68.6 percent of assets needed to meet public worker pension obligations, the same funding level as the total for US states.

The state’s C average in reserve funds reflects a paucity of policies governing rainy day funds. As long as 5 percent of estimated general revenues remain in the fund, the governor can appropriate money from it, although the General Assembly can reduce any withdrawals by cutting the budget.

Maryland’s strongest performance was in budget forecasting, where it received an A average. The state uses consensus revenue forecasts and develops multiyear estimates for expenditures and revenues – potent tools for helping it prepare for events affecting money it collects or spends.


SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	D	C	B
North Carolina	A	B	B	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	C	B	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


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BUDGET FORECASTING			
	2016	2017	2018
 CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

BUDGET MANEUVERS			
	2016	2017	2018
 CATEGORY GRADE	C	C	D
Deferring Recurring Expenditures	✓	✓	✗
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✗	✗	✗
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE C		3-YEAR TREND ↘	

LEGACY COSTS			
	2016	2017	2018
 CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	65%	69%	69%
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS			
	2016	2017	2018
 CATEGORY GRADE	C	C	C
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✗	✗	✗
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE C		3-YEAR TREND —	

TRANSPARENCY			
	2016	2017	2018
 CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —	

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg; 2017 data also used for 2018.