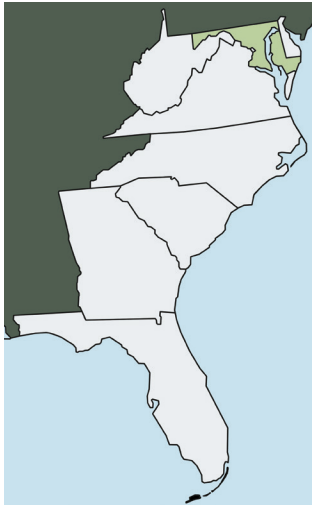# MARYLAND Budget Report Card

MARYLAND IS ONE OF TWELVE states to enjoy a top AAA bond rating from the three leading US credit rating companies. The rating indicates that the risk of default on the state's general obligation debt is deemed to be low. Yet like its eleven peers, Maryland has weaknesses in its budget procedures that may leave it vulnerable to fiscal shocks caused by recessions.

For example, in budget maneuvers—the use of one-time actions to plug gaps and achieve balance—Maryland received a C average grade for fiscal 2015 through 2019. In 2015–17 it used several maneuvers, including paying operating expenses with debt, and in 2018 it began to defer some recurring expenditures to future years. In 2019, the state put off a mandated $15 million expense for its Program Open Space, which provides assistance to localities for development of recreational areas.

In legacy costs, which include public employee pensions and other postemployment benefits (OPEB), principally health care, the state also averaged a C. In the five years studied, Maryland funded OPEB in line with actuarial recommendations only once, in 2018. By contrast, the state made actuarially determined pension contributions every year from 2016 through 2019; its 2019 pension funding ratio of 72 percent was 1 percentage point above the total for all states. In 2016 its pensions were 65 percent funded.

The state fared best in budget forecasting, with a top A average. It produces multiyear forecasts for expenditures and revenues, has a consensus revenue forecasting process, and provides explanations for revenue growth projections, including information about assumptions that went into the estimates.

SOUTH ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	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	C	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	B	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: Preparing for the Storm* at VolckerAlliance.org.

MARYLAND Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓					
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	D	D					
Deferring Recurring Expenditures	✓	✓	✓	✗	✗					
Revenue and Cost Shifting	✗	✗	✗	✗	✗					
Funding Recurring Expenditures with Debt	✗	✗	✗	✗	✗	●	●	●		
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE C									●	●

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	A	C					
Public Employee OPEB Funding	✗	✗	✗	✓	✗				●	
Public Employee Pension Funding	✗	✓	✓	✓	✓					●
Public Employee Pension Funded Ratio*	68%	65%	69%	70%	72%		●	●		
5-YEAR AVERAGE C						●				

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✗	✗	✗	✗	✗					
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE C										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

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.

© 2021 VOLCKER ALLIANCE INC.