

MARYLAND Budget Report Card



MARYLAND AVERAGED AN A in budget forecasting for 2017 through 2019, earning the top mark for using long-term revenue and expenditure estimates and consensus forecasting. Yet it fell far short during the period in the other four categories evaluated.

The state averaged a C in budget maneuvers, although its annual grade dropped to D in fiscal 2018 after an estimate of lower gaming revenues led Maryland to use bond premiums—a form of upfront revenue on financial transactions—to offset a \$23.6 million appropriation for debt service. The state also deferred Medicaid spending and used a bond refinancing to lower debt service costs for the following three years. In addition, in fiscal 2018 and 2019, Maryland used annual surpluses to help support recurring general fund expenditures.

It received a B average in legacy costs. Maryland has made annual contributions for public worker pensions in line with actuarial recommendations since 2016, and its pension funding level rose from 65 percent that year to 70 percent in 2018, matching the total for all states. While annual funding of other postemployment benefits (OPEB), principally health care, met the actuarially determined annual amount in 2018 and 2019, it did not in the previous year.

Maryland’s C average in reserve funds for the latest period was the lowest of the eight states in the South Atlantic region. Six earned Bs, while Virginia posted an A. Maryland fails to tie its reserve fund levels to volatility and lacks effective policies for fund disbursements.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	A	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	A	B	B
Maryland	A	C	B	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	C	A	C
West Virginia	B	B	B	B	B
US AVERAGE	B	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: The Balancing Act* at VolckerAlliance.org.


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BUDGET FORECASTING				
	2017	2018	2019	
	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				
	2017	2018	2019	
	CATEGORY GRADE	C	D	C
	Deferring Recurring Expenditures	✓	✗	✗
	Revenue and Cost Shifting	✗	✗	✗
	Funding Recurring Expenditures with Debt	✗	✗	✓
	Using Asset Sales and Upfront Revenues	✓	✓	✓
3-YEAR AVERAGE		C	3-YEAR TREND —	

LEGACY COSTS				
	2017	2018	2019	
	CATEGORY GRADE	D	A	A
	Public Employee OPEB Funding	✗	✓	✓
	Public Employee Pension Funding	✓	✓	✓
	Public Employee Pension Funded Ratio*	69%	70%	70%
3-YEAR AVERAGE		B	3-YEAR TREND ↗	

RESERVE FUNDS				
	2017	2018	2019	
	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				
	2017	2018	2019	
	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; 2018 data also used for 2019.

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