



Peter Franchot
Comptroller

Sandra L. Zinck, CPA
Director
General Accounting Division

September 9, 2020

The Honorable Peter Franchot
Comptroller of Maryland
Comptroller's Office
80 Calvert Street
Annapolis, Maryland 21401

Dear Comptroller Franchot:

Enclosed you will find the statement of General Fund Balance for the year ended June 30, 2020. In addition, you will find a schedule of General Fund revenues and an analysis of the variances between the 2020 estimated and actual revenues prepared by the Bureau of Revenue Estimates.

The State closed the fiscal year ended June 30, 2020 with a fund balance of \$703.5 million in the General Fund. Of this amount \$117.7 million was assigned by the 2020 General Assembly for fiscal year 2021 operations leaving an unassigned fund balance of \$585.8 million.

Please advise me if you have any questions or would like additional information.

Sincerely,

Sandra L. Zinck
Director

SZ:mms

Enclosure

cc: The Honorable David Brinkley
The Honorable Nancy Kopp
Ms. Victoria Gruber
Mr. Len Foxwell
Ms. Sharonne Bonardi
Mr. David Farkas

General Fund Balance
June 30, 2020

| | | |
|-----------------------------------------------------------------|----------------|--------------------|
| General Fund Balance, June 30, 2019 | \$ | 974,188,580 |
| 2020 Estimated Revenues (Bd. of Revenue Estimates -March, 2020) | | 18,721,180,859 |
| Adjustments to revenue (see detail) | | 15,151,265 |
| Reimbursement from reserves for Tax Credits | | 27,607,094 |
| Other adjustments to revenue: | | |
| Transfer from Revenue Stabilization Account | | 158,000,000 |
| Deduct: | | |
| 2020 General Fund Appropriations: | | |
| Appropriated by the 2019 General Assembly | 19,418,808,286 | |
| Deficiency Appropriations | 239,359,112 | |
| Legislative Reductions (see detail) | (6,394,640) | |
| Specific Reversions (see detail) | (66,492,745) | |
| Estimated Agency Reversions | (35,000,000) | |
| | | |
| Net appropriations | | (19,550,280,013) |
| Estimated 2020 General Fund Balance | | 345,847,785 |
| Add: | | |
| Excess of actual revenues over (under) estimates | (102,226,648) | |
| Excess of actual transfers over (under) estimates | (2,912,986) | |
| | | (105,139,634) |
| Add: | | |
| Board of Public Works Reductions May 2020 | 120,661,000 | |
| Excess of Actual Reversions Over Estimates | 342,103,971 | |
| | | 462,764,971 |
| Total General Fund Balance | | 703,473,122 |
| Deduct: | | |
| General Fund Balance Reserved for 2021 Operations | 345,847,785 | |
| Minus 2021 Estimated Surplus | (228,163,145) | |
| | | 117,684,640 |
| 2020 Unassigned General Fund Balance | \$ | 585,788,482 |

EXHIBIT A
GENERAL FUND BUDGET SUMMARY
Detail - Fiscal Year 2020

Adjustments to Revenues - Other

| | |
|----------------------------------------------|----------------------|
| Maryland Health Exchange | \$ 3,000,000 |
| MDH Disproportionate Hospital Share | 9,109,143 |
| MDH Audited Claims | 3,000,000 |
| Ch. 605 of 2020 - Public Safety - 9-1-1 Fees | 42,122 |
| | <u>\$ 15,151,265</u> |

Specific Reversions

| | |
|-----------------------------------------------------------|------------------------|
| FY 2020 Restricted Funding | |
| GOCPYVS - Baltimore City Crime Prevention Initiative | \$ (3,678,339) |
| Comptroller - Cash Campaign of Maryland | (200,000) |
| Comptroller - Private Letter Ruling Process | (255,946) |
| MDH - Tuberculosis Grants | (100,000) |
| MDH - Bed Registry | (100,000) |
| MDH - Non-Opioid Pain Management | (750,000) |
| MDH - Childhood Neurodevelopmental Disorders | (1,800,000) |
| MDH - Hepatitis C Funding | (1,300,000) |
| MDH - Prescription Drug Board | (750,000) |
| MDH - MCO Report | (1,000,000) |
| DHS - Two Gen. Grant | (950,000) |
| Labor - EARN Opportunity Zones | (2,500,000) |
| DPSCS - Staffing Study | (500,000) |
| DPSCS - Correctional Officer Salary Enhancement | (7,000,000) |
| MHEC - Promise Plus | (2,119,250) |
| MHEC - Promise Program IT Upgrades | (125,000) |
| DHCD - SEED Community Development Anchor Institution Fund | (2,500,000) |
| DHCD - Baltimore Regional Neighborhood Initiative | (175,000) |
| Commerce - MEDAAF | (1,250,000) |
| TEDCO - Technology Transfer | (250,000) |
| TEDCO - Opportunity Zones | (13,980,000) |
| MDE - Hazardous Waste | (200,000) |
| Reserve Fund - Sunny Day | (460,000) |
| DBM - Excess FY 20 COLA Funding | (12,543,998) |
| MSDE - TIF Funding | (2,514,340) |
| MSDE - Longitudinal Data Center Contract | (500,000) |
| Library Agency - Montgomery County Retirement | (787,872) |
| MHEC - Community College Optional Retirement | (328,000) |
| MHEC - Community College Promise Scholarship | (7,875,000) |
| | <u>\$ (66,492,745)</u> |

Legislative Reductions

| | |
|-----------------------------------------------------------------------|-----------------------|
| GOCPYVS - Children and Parent Resource Group | \$ (156,500) |
| DoIT- Automated Election Management System | (234,387) |
| Agriculture - Dairy Margin Coverage Program Subsidy | (216,253) |
| MDH - BHA Administrative Services Organization (ASO) contract savings | (287,500) |
| DPSCS - Salary Savings | (2,500,000) |
| MHEC - Maryland Community College Promise Scholarship | (3,000,000) |
| | <u>\$ (6,394,640)</u> |

**Actual and Estimated General Fund Revenue
Fiscal Year 2020**

| | Fiscal Year 2020 | | | | Fiscal Year 2019 | | |
|-------------------------------------------|-----------------------|------------------------|--------------------------|--------------|-----------------------|----------------------|--------------|
| | Actual | Estimated ¹ | Difference from Estimate | | Actual | Growth FY 19 - FY 20 | |
| | | | \$ | % | | \$ | % |
| INCOME TAXES | | | | | | | |
| Individual | 10,698,874,684 | 10,587,326,518 | 111,548,167 | 1.1% | 10,272,351,915 | 426,522,769 | 4.2% |
| Corporation | 1,051,808,219 | 1,011,262,547 | 40,545,672 | 4.0% | 1,033,109,278 | 18,698,941 | 1.8% |
| Total | 11,750,682,903 | 11,598,589,064 | 152,093,839 | 1.3% | 11,305,461,193 | 445,221,710 | 3.9% |
| SALES AND USE TAXES | 4,634,873,635 | 4,951,863,180 | (316,989,545) | -6.4% | 4,812,089,855 | (177,216,221) | -3.7% |
| STATE LOTTERY RECEIPTS | 548,511,872 | 530,950,114 | 17,561,758 | 3.3% | 552,375,064 | (3,863,193) | -0.7% |
| OTHER REVENUES | | | | | | | |
| Business Franchise Taxes | 211,258,765 | 246,174,118 | (34,915,353) | -14.2% | 245,064,807 | (33,806,042) | -13.8% |
| Insurance Premium Tax | 395,851,096 | 351,648,666 | 44,202,430 | 12.6% | 335,168,061 | 60,683,035 | 18.1% |
| Estate and Inheritance Taxes | 197,174,594 | 196,946,663 | 227,931 | 0.1% | 180,439,693 | 16,734,901 | 9.3% |
| Tobacco Taxes | 362,911,842 | 348,559,925 | 14,351,916 | 4.1% | 356,696,875 | 6,214,966 | 1.7% |
| Alcoholic Beverages Excises | 30,208,980 | 32,878,348 | (2,669,368) | -8.1% | 32,534,251 | (2,325,271) | -7.1% |
| District Courts | 47,675,980 | 58,537,470 | (10,861,490) | -18.6% | 59,858,584 | (12,182,605) | -20.4% |
| Clerks of Court | 29,296,097 | 31,753,652 | (2,457,555) | -7.7% | 30,204,423 | (908,326) | -3.0% |
| Hospital Patient Recoveries | 60,565,828 | 57,402,016 | 3,163,812 | 5.5% | 64,296,997 | (3,731,170) | -5.8% |
| Interest on Investments | 46,797,602 | 50,000,000 | (3,202,398) | -6.4% | 50,239,933 | (3,442,331) | -6.9% |
| Miscellaneous | 318,296,284 | 323,246,907 | (4,950,623) | -1.5% | 374,609,065 | (56,312,781) | -15.0% |
| Total | 1,700,037,067 | 1,697,147,765 | 2,889,301 | 0.2% | 1,729,112,689 | (29,075,622) | -1.7% |
| TOTAL CURRENT REVENUES | 18,634,105,476 | 18,778,550,124 | (144,444,648) | -0.8% | 18,399,038,802 | 235,066,674 | 1.3% |
| Excellence in Education Fund ² | - | - | - | #N/A | (200,000,000) | 200,000,000 | -100.0% |
| Volatility Cap ³ | #NA ⁴ | (42,218,000) | | | - | - | #N/A |
| GRAND TOTAL | 18,634,105,476 | 18,736,332,124 | (102,226,648) | -0.5% | 18,199,038,802 | 435,066,674 | 2.4% |

¹ The 2020 Legislative Session resulted in an additional \$15.151 million in estimated revenues beyond the March 2020 official estimate; this table has been adjusted accordingly

² The 2018 BRFA diverted \$200M from individual income tax revenues to the Commission on Innovation and Excellence in Education Fund

³ Established by Chapters 4 & 550 of the 2017 Legislative Session and amended by the 2018 BRFA, see detail on next page

⁴ There is no "actual" result for the revenue volatility item. Rather, revenue volatility on this table simply limits the overall general fund estimate. For example, had we not had the volatility cap in place, general fund revenues would have been down \$144.4 million.

STATE OF MARYLAND
State Reserve Fund
June 30, 2020
(In Dollars)

| | Revenue Stabilization Account (Rainy Day) A0101 (fund 0201) | Dedicated Purpose Account A0201 (fund 0202) | Economic Development Opportunity (Sunny Day) A0301 (fund 0203) | Catastrophic Event Account A0401 (fund 0204) | Total |
|----------------------------------|-------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------------------------------|-------------------------------------------------------|----------------------------|
| Beginning Balance - July 1, 2019 | \$ 876,494,528.57 | \$ 500.00 | \$ 11,733,614.35 | \$ 2,479,921.43 | \$ 890,708,564.35 |
| Investment Earnings | 14,911,702.67 | | | | 14,911,702.67 |
| Replenishments | 285,836,013.00 | 118,860,950.00 | 460,000.00 | 464,250.00 | 405,621,213.00 |
| Distributions/Transfers | - | (a) (75,000,000.00) (b) | (5,000,000.00) (c) | 866,018.48 (d) | (79,133,981.52) |
| Ending Balance - June 30, 2020 | <u>\$ 1,177,242,244.24</u> | <u>\$ 43,861,450.00</u> | <u>\$ 7,193,614.35</u> | <u>\$ 3,810,189.91</u> | <u>\$ 1,232,107,498.50</u> |

Source: DAFRG110 & DAFRG400.

- (a) Budget Amendment #042-20 \$20,000,000 transfer to MDH for Corona help was returned.
- (a) Budget amendment #043-20 \$137,000,000 transfer to Dept. of Commerce for Corona help was returned.
- (b) Transfers to Transportation Trust Fund (BA0021-20).
- (c) JTY01T00 transfer to Dept of Commerce per DBM request.
- (d) Transfers from DHCD

Revenue Volatility Cap Implementation

| | Fiscal Year 2020 | | |
|-----------------------------------------------------------|------------------|----------------|--------------------------|
| | Actual | Estimated | Difference from Estimate |
| Non-Withholding Income Tax | 4,815,834,485 | 4,657,622,691 | 158,211,794 |
| State Share, % | 62.4% | 62.4% | |
| State Share, \$\$ | 3,003,316,457 | 2,904,508,155 | 98,808,302 |
| Volatility Cap | | -42,218,000 | |
| Net State Share of Non-Withholding Income Tax | 3,003,316,457 | 2,862,290,155 | 141,026,302 |
| Other GF Revenues | 15,695,789,019 | 15,939,041,968 | -243,252,950 |
| Excess of Non-Withholding Income Tax Over Capped Estimate | | | 141,026,302 |
| Gap in Revenues | | | -243,252,950 |
| Final General Fund Variance | | | -102,226,648 |

Established by Chapters 4 & 550 of the 2017 Legislative Session and amended by the 2018 BRFA, the revenue volatility cap came into effect in fiscal year 2020. According to the statute, if the general fund closes with a deficit in revenue for the fiscal year compared to the March estimate, the amount of non-withholding income tax revenue that exceeded the capped estimate shall first be applied to close the gap in revenues for the fiscal year.

In fiscal year 2020, non-withholding income tax revenues exceeds the capped estimate by \$141,026,302, and the deficit in general fund revenue is \$243,252,950. The excess amount is insufficient to close the entire gap in revenues; therefore no excess non-withholding revenue is distributed to either the Revenue Stabilization Account (Rainy Day Fund) or the Fiscal Responsibility Fund for fiscal year 2020.