

**Maryland Operational Budget Review  
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## Introduction

The team has been tasked with assessing the state fund budget in the state of Maryland for the year 2022. On average, the annual total state fund budget in Maryland from 2017-2021 has been \$ 40,119,816,442.80. Among the top funded departments for the state budget are the State Medical Department, the State Department of Education, the State Department of Transportation as well as the State Support for State Operated Institutions of Higher Education. In the team's analysis of the state budget, key categories will be investigated to see where funds should be reallocated or reduced. In doing so the team will be comparing the state's budget to that of other top ranked states with highly ranked budget usage.

## Comparison to Other States

We have looked at some of the top ranked states for best used budgets and best return on investment to taxpayers. We decided to compare Maryland's operational budget to Florida, Missouri, Georgia, Texas, and Tennessee. This decision stemmed from the best ROI, similar taxing standards (would have used New Hampshire, but they as a state do not have sales tax). All recommendations made in this report are based on comparisons to the budgets of these aforementioned states.

## Data Analysis & Exploration

- Department of Budget and Management budget more than doubled this past year and the one before, likely indicating administrative issues and inefficiencies
  - 
  - \$151M jump in 2021, a +144% budget increase
  -

```
SELECT sum(Budget) as 'Department of Budget and Management', Fiscal_Year
FROM Maryland_Operating_Budget
WHERE Agency_Name LIKE 'Department of Budget and Management'
GROUP BY fiscal_year
ORDER BY fiscal_year DESC
```

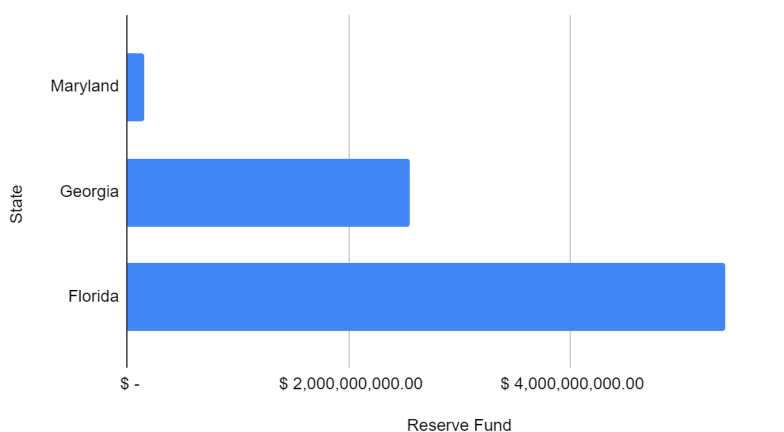
Department of Budget and Management	Fiscal_Year
178258362	2021
73146107	2020
34747824	2019
32400040	2018
34364424	2017

## ***Recommendations***

### ***I. State Reserve Fund***

Maryland has a state reserve fund much lower compared to a few states with high performing budgets. Reserve funds are very important for a state, especially in times of COVID-19 and the increased use of state funds, now more than ever is the time to have a stable reserve fund. Below is a graph comparing Maryland's reserve fund compared to those of high performing states' budgets.

Reserve Fund Comparison

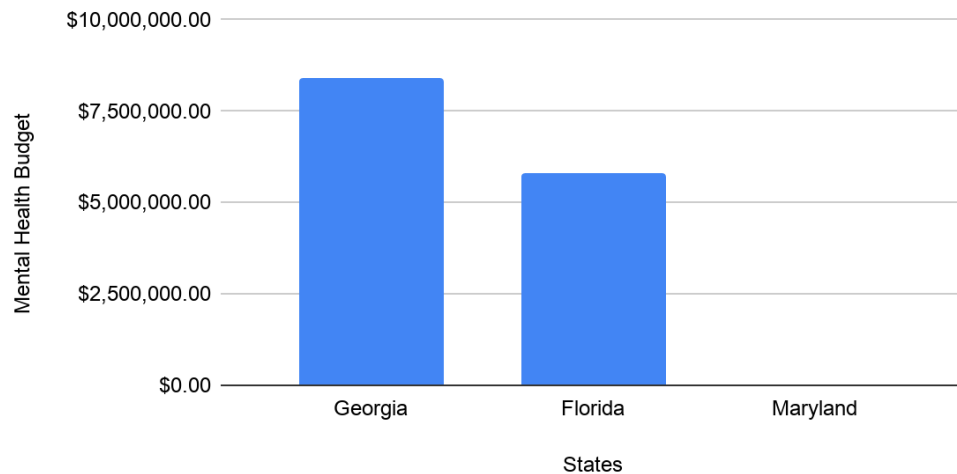


Maryland's \$152 million reserve fund is extremely low compared to high performing states. Maryland's reserve fund is only 0.35% of its total funds for the year, extremely low given the significance of the reserve fund. This fund is down from about \$600 million from the 2020 number. We recommend Maryland increase their reserve fund to account for the circumstances with COVID-19 relief, and other unprecedented events that may take place in the coming year with the repeated uncertainty that the past year has brought.

### ***II. Mental Health Initiatives for Students K-12***

Maryland has not allocated any funds towards mental health initiatives for students K-12 for the years 2017-2021. While Maryland ranks fairly well from a public education spending perspective at 10th overall, multiple states compared with Maryland including both Florida & Georgia have specified funds for mental health initiatives within their public education systems. In 2022, students across the country will continue to be feeling the lasting impacts of the Covid-19 pandemic. Therefore, such mental health initiatives could be a tremendous asset for anyone struggling with adjusting back to a more normalized school routine, perhaps.

## Mental Health Initiatives for Students K-12

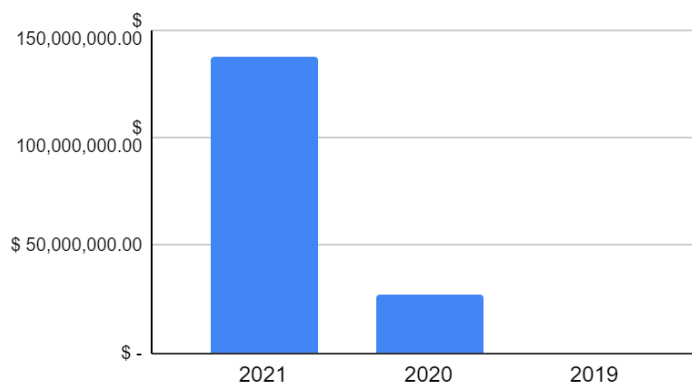


Georgia allocated \$8.4 million dollars towards mental health initiatives for their K-12 students, with Florida also spending a significant amount towards similar services at \$5.8 million. With respect to Florida, that \$5.8 million accounted for just 7.73% of their \$75 million public school health budget. With Maryland trending to allocate over \$40.7 million in their 2022 public school health budget, it would only take around \$2.5 million of that budget to designate a mental health budget for their students.

### *III. Reclassification*

At the beginning of 2020, Maryland started to spend money on reclassification programs which include health and salary changes. In their official document, the definition of reclassification is the change of a position from one classification to another classification and may be to a classification with a higher salary, a lower salary or the same salary. Since this program just started, the department of budget and management has only granted \$25 million.

## Reclassifications from 2019 to 2021



However, since the program started to spread to more people and the coronavirus changed people's working situation, the department of budget and management expected to

spend more money, even more than the expected budget \$137 million for 2021. Since there are 6 million people in 2019 living in Maryland. One thing the government needs to pay attention to is that they need to increase the reclassification speed in order to match the rate of people changing jobs. We recommended to switch the reclassification process online, through telephone or applications in order to speed up the whole process.

#### *IV. Education and Infeasible Investments*

Considering Maryland's low taxpayer ROI, appropriately allocating funding towards elementary education is critical for creating a talented pool of future workers. Adequate backing is key for a large educational initiative, as many schools, particularly those in poor neighborhoods, cannot afford to take on any more debt. In March, the Maryland House of Delegates approved a \$3.8 billion increase in education over the next decade. While this project is a smart investment in theory, it was already a heavily-debated issue before COVID. As Maryland continues to recover from COVID, it is clear that policymakers should be wary of accumulating too much debt, and for this reason we cannot fully support this initiative, at least in the way it is currently written.

Before Maryland can justify such a hefty long-term project, public debt needs to be considered first, as these spending patterns are impractical. For example, the \$74 million allocated for construction for 2021 may not be a prudent move, seeing the educational system has been greatly disrupted by COVID, and the project lacks backing. We believe at least some of this money would be better spent on employment programs for teachers. Even before COVID, the US as a whole has been struggling to attract new teachers and retain other ones. As of October 2020, the state unemployment rate was 7.8%, up from 7.0% in August, signaling a need for new employment initiatives as a whole. As teachers continue to leave and prospective ones are deterred by low pay and unsurity, it is imperative that Maryland increases the quality of its talent pool rather than putting large sums towards education in general. While simply cutting funding for education is a poor long-term investment, particularly for low-income individuals, and we do not suggest doing this, the \$4 billion currently lacks the backing to be an effective, financially secure investment as it stands. We are proposing that new projects such as these construction plans be deferred until they have proper funding to avoid half-finished projects, additional debt, and worsening conditions for students. However, we suggest that hiring and keeping teachers should be prioritized, to the tune of \$100 million immediately as soon as possible with more funding being provided immediately when it is feasible to do so. A new school building by itself is generally a positive for the students attending said school, but it helps little with delayed or incomplete construction and subpar teaching. Other construction and similar projects, if they have no backing, should be delayed (for as short of a period as makes sense), with some of the funding going towards recruitment instead. Additionally, this funding could be used for providing children with the materials they need for remote learning, such as laptops and tech support, as distance learning does not appear to be a temporary measure.

#### *V. Maryland Health Distribution Plan*

Due to the current situation with Covid-19, and current state of Maryland's healthcare system this plan is to be put in place in order to improve the general resources and maintenance of hospitals and their benefits.

This Plan consists of two minor budget changes that would change the quality of health care in Maryland.

The first change is to increase the Health Benefit Exchange from 1.253% to 1.275% that totals to \$9,569,410 increase. This change would immensely increase the affordability and accessibility of health insurance for the general public in order to better stack Covid-19.

The second change involves another funding increase under the Department of Health from 34.897% to 34.920% that totals to \$9,724,244. Due Covid-19 the poor ranking of Maryland's hospital and healthcare system became a highlighted problem. This change would not only improve the quality of hospital care but will also increase the medical resources of these hospitals in general in order to efficiently care for more patients.

## ***Conclusion***

These are the team's five recommendations for modifying the state budget in the upcoming year 2022. Between the increased state reserve fund, the new proposed health distribution plan, modifications to the reclassification fund, as well as the mental health initiatives for the Maryland public school systems; it's clear that the team believes that money needs to shifted around as result of the lasting impacts that the Covid-19 health crisis has had on the state's residents physically, mentally, and financially. Relief efforts along with extensive recovery programs being put into place will be the most impactful ways to spend the taxpayer's money in the years of recovery following the hopeful distribution of an effective vaccine by the end of 2021.