

Understanding the Governor's Budget

Fiscal Year 2026 Proposal

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Budget Overview

Budget Proposes \$1B in New Revenue

A More Equitable Income Tax

- Adding new top income tax brackets at \$500,000 and \$1 million+ in income
- Eliminating itemized deductions and doubling the standard deduction
- 1% capital gains surtax
- Strengthening the Child Tax Credit
- More than 80% of Marylanders would see lower taxes or no change in taxes

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Additional Tax Proposals

- Closing a major corporate income tax loophole and lowering the corporate tax rate from 8.25% to 7.99%
- Restoring the millionaire estate tax exemption to \$2 million and eliminating the inheritance tax (revenue neutral)
- Increasing taxes on mobile sports betting and table games
- Increase cannabis tax rate from 9% to 15% (in next budget year)

Budget Proposes \$1.3B in Cuts

Summary of Major Reductions

- Slowing down implementation the Blueprint for Maryland's Future education plan
- \$235 million in cuts to the Developmental Disabilities Administration
- A 4.6% decrease in state funding for four-year universities
- Capping enrollment in the child care scholarship program and instituting a wait list
- Shifting some costs to local governments

Overview of State Agency Budgets

Maryland Department of Health

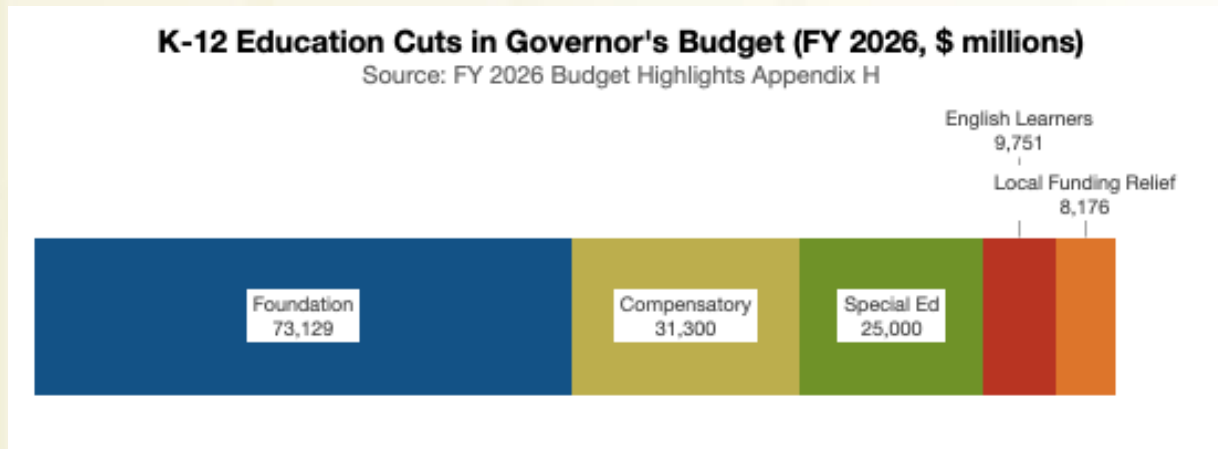
- Proposed cuts call for a reduction in healthcare spending to help with the deficit.
- Hospitals and insurers will be required to contribute more to offset the Medicaid deficit.
- Estimated \$138 million in savings of the general fund this fiscal year.

Developmental Disabilities Administration

- \$160.1 million cuts in FY 2025
- \$457.8 million cuts in FY 2026
 - ◆ \$146.1 million Reasonable and Customary Wage Modification.
 - ◆ \$112 million Geographical Differential Elimination
 - ◆ \$108 million Dedicated Hours Utilization Policy Change
- 19,000 people with developmental disabilities are currently receiving services through this funding
- Primarily Medicaid-funded program. Cuts in state funding means forgoing significant federal matching funds

K-12 Education

- Collaborative planning time delay
 - \$124 million cut in FY 2026
 - Partly motivated by staffing issues
 - Reduced foundation amount ripples out
- Other cuts:
 - Medicaid-funded in-school behavioral health: \$90 million
 - Special education non-public placements: \$25 million
 - Retirement cost shift: \$93 million
 - Future years: Concentration of poverty pause



Department of Transportation

- \$470M added to Transportation Trust Fund in FY26, and \$420M recurring
- Increased funding to localities for highway user revenue grants + funding grants for localities.
- MDOT Capital budget \$3B
- IIJA:
 - \$213 million from the Federal Transit Administration to acquire new light rail vehicles;
 - \$147 million from the Clean Ports Program to expedite decarbonization and electrification efforts at the Port of Baltimore;
 - \$31 million to reconstruct a berth at Dundalk Marine Terminal.

Department of Public Safety and Correctional Services

- 1.2% increase from FY25 (\$1.87B).
- Vacancy rate 11.5%, down from 12.6% in FY25.
- Capital funding for The Life Skills and Re-Entry Center for Women, formerly the women's pre-release facility, was delayed to FY28 due to delays in planning.
- \$4.4 million to Thrive Academy, gun violence prevention program
- \$122 million in State Aid for Police Protection (SAPP) program.
- \$45.9 million in enhancement grant funding for localities
- \$35 million for VOCA
- \$5 million in funding to fill Parole and Probation vacancies
- \$2 million in funds for 13 positions to expand the newly created Office of Correctional Ombudsman

Department of Housing and Community Development

- 14% decrease in funding for FY 26
- Notable program mentions:
 - National Capital Strategic Economic Development Fund saw a \$7 million decrease
 - Downtown Partnership of Baltimore saw a \$4 million decrease
 - Baltimore Business Works saw a \$2 million dollar decrease
 - Baltimore Regional Neighborhoods Initiative saw a \$7 million increase

Governor's Housing Package

- Housing For Jobs Act
 - Regional housing infrastructure gaps identify shortages of housing units by comparing housing stock to the total number of jobs in the region.
 - If there are more than 1.5 jobs per housing unit, a region has a shortage. Once a gap is closed, the bill will no longer apply.

Housing Bills To Watch Out For

- Right To Counsel
 - Allotted \$14 million for FY 25, which is a great but not enough to fully fund implementation of the program.
- Eviction Prevention Funding for Community Schools
 - Allotted \$5 million for FY 25, which a \$5 million decrease from FY 24.
- Advocates will be requesting additional funding

Department of Human Services

- 8.6% increase in funding for FY 2026.
- \$110 million increase for Family Investment Administration.
 - \$19.9 million increase in federal funds for Maryland Office for Refugees and Asylees.
 - \$86.8 million increase for Office of Home Energy Programs.

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