Budget Briefing
David Romans (Department of Legislative Services) and Secretary David Brinkley (Department of Budget and Management) briefed the Senate Budget and Taxation Committee on the status of the FY2021-22 budget outlook. The same briefing was provided yesterday to the House Appropriations Committee. The presentations can be downloaded here. The presentations are very similar. Overall, this was a high-level briefing and did not go into much detail about any one reduction. Much was focused on timing and process of how reductions would need to be made – budget amendments, Board of Public Works, legislative initiatives, etc.

Key takeaways are that for FY21 and FY22 the State has an approximate $5 billion budget challenge, with the greater hit in FY22. Right now, revenues are trending towards those of FY15. The uncertainty of the economy continues to present a challenge and several factors are in play. David Romans highlighted the reductions that were proposed and accepted during the July 1st Board of Public Works meeting and the proposals that were still on the table. David Romans did point out the fact that the Governor’s reductions did not include any reductions to Medicaid MCO’s despite indications are insurers in Maryland are experiencing favorable trends; no use of transfer tax revenues; and no use of local income tax reserve funds. In addition, he did highlight that additional revenues could come from the General Assembly overriding the Governor’s veto of the tobacco tax increase and digital downloads but noted that the funding from digital downloads was legislatively allocated to the BluePrint for Maryland Schools.

The Board of Revenue Estimates meets mid-September but the Department of Legislative Services, Comptroller and the Department of Budget and Management continues to discuss weekly the revenue trends. Whether additional monies are given to the states by Congress remains an uncertainty and Secretary Brinkley cautioned that the federal monies will eventually end and should not be overly relied on. But, if monies are obtained, the State may be able to back off some of the proposed reductions. He also mentioned that this is the time to start looking at efficiencies in the long run and how the State operates. Timing regarding a vaccine and/or treatment for the novel coronavirus also will determine revenue projections. Secretary Brinkley acknowledged that the cuts before the Board of Public Works were not popular but he did state that if difficult decisions are not made early, then harder decisions will need to be made later in the fiscal year, i.e., difference between a racing dive and a deep, deep dive.

COVID-19 Legislative Workgroup
Yesterday, the Joint COVID-19 Response Legislative Workgroup held a briefing on the status of the crisis. Dr. Clifford Mitchell, Director of the Maryland Environmental Health Bureau at the Maryland Department of Health, stated that Maryland, over the last month, experienced a downward trend in COVID-19 cases and hospitalizations. As of July 8th, there were 465 new positive cases and 398 patients are hospitalized. The State’s positivity rate is 5.23%, with a 7-day rolling positivity rate of 4.61%. There has been a noted shift in positivity rates from older people to younger people. There will be a renewed focus over the next few weeks on Marylanders to wear facemasks as much as possible, specifically around vulnerable populations. The State has launched a #masksonmaryland campaign to reach the largest number of people. Dr. Mitchell also announced that any health care provider is permitted to issue a COVID-19 lab test order. MDH has worked with Medicaid management organizations to ensure that anyone can get tested and not have to pay for it. It is working with the commercial insurers as well. The State is not currently recommending a mandatory quarantine for out-of-state visitors, but those people are asked to get tested if they think they've been exposed. So far, 5,087 cases have been entered into the COVID-19 link system for contact tracing. Nearly 3,000 cases have completed the interview, wherein over 2,000 participants have identified at least one person for follow up.

Dr. Justin Lessler at Johns Hopkins University provided a briefing on intervention impacts. Whereas early on they were trying to project forward COVID-19 transmission on little data, now they have several months of data to use and how it relates to various scenarios. One key thing to estimate is the reproductive number of COVID-19 over time. The reproductive number is the expected number of cases an infected individual would cause in the population under current conditions. The goal is to bring the reproductive number below 1. Maryland started out with an R-number close to 2 in late March, but the models have fallen to below 1 as reflected by declining cases. However, since the State entered Phase 2 of the reopening, the reproductive number has increased, and since July, it seems there is uniform growth across the state. The R-number is in a growth phase and not in a stability or receding phase. For example, during the stay at home order, the R-number was reduced by 60%. In Phase 1 of the reopening, there was not a huge change in the rate of reduction. However, the R-number has only decreased to 45-50% in Phase 2 of the reopening, which is not enough to
drive the R-number below 1. In terms of accumulating herd immunity, it is estimated that likely 812,000 Marylanders have been infected by COVID-19 based on a mathematical extrapolation of the r-number and number of deaths.

Joe DeMattos from the Health Facilities Association of Maryland disclosed that currently 60 nursing homes have COVID-19 outbreaks in Maryland (defined by at least 1 case). There are a handful of other centers that have hotspots, i.e. a positivity testing rate of 20% or more. He affirmed that there is a correlation between how much an area within a zip code is infected and how a nursing home is doing in that community, as well as other social determinants of health, underlying conditions, etc. Some insurance carriers are not covering COVID-19 tests when patients are asymptomatic.