

**Department of Legislative Services**  
 Maryland General Assembly  
 2023 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 183 (The President)(By Request - Administration)  
 Budget and Taxation

**Budget Reconciliation and Financing Act of 2023**

This Administration bill executes actions to provide mandate relief and swap funds in the fiscal 2024 operating budget. **The bill takes effect June 1, 2023.**

**Fiscal Summary**

**State Effect:** No effect in FY 2023. General fund expenditures decrease by \$11.4 million in FY 2024. Special fund revenues and expenditures decrease by \$50.0 million in FY 2024 only. The FY 2024 budget as introduced includes reductions, transfers, and appropriations, contingent on provisions in this bill. There is no impact in the out-years. **This bill affects existing mandated appropriations in FY 2024.**

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	(\$50.0)	\$0	\$0	\$0	\$0
GF Expenditure	(\$11.4)	\$0	\$0	\$0	\$0
SF Expenditure	(\$50.0)	\$0	\$0	\$0	\$0
Net Effect	\$11.4	\$0.0	\$0.0	\$0.0	\$0.0

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

## Analysis

**Bill Summary:** As described in more detail beginning on page 3, the bill:

- eliminates the requirement, for fiscal 2024 only, that the Governor provide specified monies to the Revenue Stabilization Account (Rainy Day Fund), freeing up most of those monies for transfer to other programs; and
- reduces the required fiscal 2024 Medicaid Deficit Assessment in the Medicaid program by \$50.0 million.

**Current Law:** The Maryland Constitution requires the Governor to submit, and the General Assembly to pass, a balanced budget. Generally, the General Assembly cannot add more spending to the budget introduced by the Governor, nor can general funds be used to restore reductions made by the General Assembly after adoption of the budget, except through an approved deficiency appropriation in the following year's budget.

Beginning with the 2023 session (fiscal 2024 budget bill), the General Assembly may amend the budget to increase appropriations made by the Governor as well as add items to appropriations for Executive Branch agencies if the total appropriation for the Executive Branch does not exceed the total proposed appropriation submitted by the Governor. Prior to the 2023 session, the legislature could only add or increase funding for the General Assembly and the Judiciary.

**Background:** In December 2022, the Spending Affordability Committee recommended that the fiscal 2024 budget leave a closing general fund balance of at least \$350.0 million. The committee also recommended maintaining a Rainy Day Fund balance of 10.0% of estimated general fund revenues. The fiscal 2024 budget as introduced leaves an \$819.8 million balance in the general fund and maintains the Rainy Day Fund balance at 10.0% of general fund revenues (\$2.5 billion). Combined cash balances at the end of fiscal 2024 of \$3.3 billion represent approximately 13.3% of general fund revenues.

## Reduce Appropriation to the Revenue Stabilization Account in Fiscal 2024 Only

**Provision in the Bill:** Reduces the fiscal 2024 funding that the Governor must provide to the Revenue Stabilization Account (Rainy Day Fund) by \$1,061,428,921. The fiscal 2024 budget as introduced includes a \$61,428,921 general fund reduction and transfers \$500.0 million to the Blueprint for Maryland’s Future Fund and \$500.0 million to the Dedicated Purpose Account (DPA) to support future transportation capital priorities from the required appropriation to the Rainy Day Fund, all contingent on the enactment of legislation eliminating the required Rainy Day Fund appropriation for fiscal 2024.

**Agency:** State Reserve Fund

**Type of Action:** Mandate relief

<b>Fiscal</b>	<i>(\$ in millions)</i>					
<b>Impact:</b>	<u><b>FY 2023</b></u>	<u><b>FY 2024</b></u>	<u><b>FY 2025</b></u>	<u><b>FY 2026</b></u>	<u><b>FY 2027</b></u>	<u><b>FY 2028</b></u>
GF Exp	\$0	(\$61.4)	\$0	\$0	\$0	\$0

**State Effect:** The bill effectuates contingent provisions in the budget bill. Accordingly, general fund expenditures decrease by \$61.4 million in fiscal 2024 due to the elimination of the required Rainy Day Fund appropriation (\$1.06 billion) in that year. As described above, the fiscal 2024 budget as introduced transfers the other \$1.0 billion from this appropriation for other purposes.

**Local Effect:** None.

**Program Description:** The Rainy Day Fund was established to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth. Statute limits transfers from the fund and prohibits transferring funds by budget amendment.

Chapter 557 of 2017 required that for fiscal 2021 and beyond, for surpluses above \$10.0 million, the first \$100.0 million be divided among the Rainy Day Fund, the Pension System, and the Post-Retirement Health Benefits Trust Fund so that the Rainy Day Fund receives 50%, the Pension System receives 25%, and the Post-Retirement Health Benefits Trust Fund receives 25% on a dollar-for-dollar basis.

Chapter 391 of 2022 amended this distribution for fiscal 2024 only, reducing the amount distributed to the Pension System to 15% and directing 10% to the Maryland Equity Investment Fund. Amounts above \$110.0 million are credited to the Rainy Day Fund. Fiscal 2022 ended with an unappropriated general fund balance totaling nearly \$1.12 billion. The general fund retains \$10.0 million of this surplus. Per Chapter 391, the

appropriation to DPA includes a \$15.0 million supplemental appropriation provided to the employee pension fund and a \$25.0 million supplemental appropriation to the Post-Retirement Health Benefits Trust Fund. Another \$10.0 million is provided for the Maryland Equity Investment Fund within the Maryland Technology Development Corporation. The remaining surplus, approximately \$1.06 billion, is reflected in the fiscal 2024 budget, as introduced, for the Rainy Day Fund. That appropriation would increase the Rainy Day Fund balance to nearly \$4.1 billion, or 16.1%, of general fund revenues.

**Recent History:** The Spending Affordability Committee recommended the Rainy Day Fund end fiscal 2024 with an estimated balance equivalent to 10.0% of general fund revenues (approximately \$2.5 billion). The fiscal 2023 budget included an appropriation of \$2.3 billion to the fund.

## Reduce Medicaid Deficit Assessment in Fiscal 2024 Only

**Provision in the Bill:** Reduces the required Medicaid Deficit Assessment in the Medicaid program from \$294,825,000 to \$244,825,000 in fiscal 2024 only. The fiscal 2024 budget as introduced includes a \$50.0 million general fund expenditure increase and a \$50.0 million special fund expenditure reduction, both contingent on the enactment of legislation decreasing the Medicaid Deficit Assessment for fiscal 2024.

**Agency:** Maryland Department of Health

**Type of Action:** Fund swap

<b>Fiscal Impact:</b>	<i>(\$ in millions)</i>					
	<b><u>FY 2023</u></b>	<b><u>FY 2024</u></b>	<b><u>FY 2025</u></b>	<b><u>FY 2026</u></b>	<b><u>FY 2027</u></b>	<b><u>FY 2028</u></b>
SF Rev	\$0	(\$50.0)	\$0	\$0	\$0	\$0
GF Exp	\$0	\$50.0	\$0	\$0	\$0	\$0
SF Exp	\$0	(\$50.0)	\$0	\$0	\$0	\$0

**State Effect:** Special fund revenues and expenditures for Medicaid decrease by \$50.0 million in fiscal 2024 due to the reduction in the Medicaid Deficit Assessment. General fund expenditures increase by \$50.0 million in fiscal 2024 to backfill the foregone special funds. As described above, the fiscal 2024 budget as introduced includes contingent language for both general fund and special fund expenditures.

**Local Effect:** None.

**Program Description:** Following the 2007-2009 recession, a Medicaid Deficit Assessment was imposed on Maryland hospitals to support the Medicaid program. The assessment consists of (1) an amount included in hospital rates (and paid by hospital users) and (2) a remittance from hospitals (currently \$56.5 million).

**Recent History:** Since its imposition, budget reconciliation legislation in numerous years has altered the Medicaid Deficit Assessment. The Budget Reconciliation and Financing Act (BRFA) of 2017 (Chapter 23) specified the deficit assessment level and BRFAs in the three subsequent years amended the proposed assessment level. The BRFA of 2020 (Chapter 528) established the assessment level at \$294,825,000 for fiscal 2021 and each fiscal year thereafter.

## **Additional Information**

**Prior Introductions:** Budget Reconciliation and Financing Acts have been introduced within the last three years. See SB 493 and HB 589 of 2021 and SB 192 and HB 152 of 2020.

**Designated Cross File:** HB 202 (The Speaker)(By Request - Administration) - Appropriations.

**Information Source(s):** Maryland Department of Health; Treasurer's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 24, 2023  
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**ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES**

TITLE OF BILL: Budget Reconciliation and Financing Act of 2023

BILL NUMBER: SB 183

PREPARED BY: Department of Budget and Management

**PART A. ECONOMIC IMPACT RATING**

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

**OR**

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

**PART B. ECONOMIC IMPACT ANALYSIS**