Budget Reconciliation and Financing Act of 2024 (SB 362/HB 352)

Budget Summary, Provisions, and Recommendations

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

February 2024

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2024 Session BRFA "To Do" List

SB 362/HB 352

	2024	2025	GF Totals	SF Totals	DLS Recommendation
Revenue Actions					
Reduce the Amount of Funds Reserved Due to Revenue Volatility Cap		$40.0			
Reduce Lottery Agent Commissions for Sales from 6.0% to 5.5% and the Commission for Cashing of a Ticket from 3% to 2%	$3.0	32.0			
Redirect Interest from a Variety of Special Funds	2.3	27.0			
Repeal the Small Business Relief Tax Credit		1.3			
			$105.6		
Fund Balance Transfers					
DPA – Cybersecurity	$149.5				
DPA – PAYGO – Renovations to 2100 Guilford Ave.	28.9				
	9.1				
DPA – PAYGO – MDEM Headquarters Renovation and Expansion Project at Camp Fretterd Military Reservation					
DPA – PAYGO – Conowingo Dam Dredging	6.0				
DPA – Miscellaneous Expenses	0.4				
Unemployment Insurance Trust Fund (State Self-insured Fund)		$40.0			
Resilient Maryland Revolving Loan Fund		5.8			
Pediatric Cancer Fund (2023 Appropriation)		5.0			
			$244.6		
Contingent General Fund Reductions					
Reserve Fund – Relieve the Requirement to Appropriate Balance to the Rainy Day Fund in Fiscal 2025 Only		$495.5			Reduce Funds in the Budget Directly
MHEC – Sellinger Formula – Alter Funding Formula to Count Only Undergraduate Students in the FTE Count for Institutions		63.8			
Reserve Fund – Eliminate the OPEB Sweeper in Fiscal 2025 Only		25.0			Reduce Funds in the Budget Directly
Reserve Fund – Eliminate the Retirement Sweeper in Fiscal 2025 Only		25.0			Reduce Funds in the Budget Directly
MHEC – Cade Formula – Alter Formula to Change Enrollment Calculation, Alter Calculation, Remove the Hold Harmless Provisions, and Reduce the Percent of FTES from 29% to 26.5%		22.6			
IAC – Eliminate Mandate for the School Construction Revolving Loan Fund		10.0			
DNR – Allow Funds from the Chesapeake and Coastal Bays 2010 Trust Fund to Satisfy Mandate for Tree Solutions Now Act of 2021	$2.5	2.5			
DHCD – Alter the Mandate for the Business Façade Program to Allow the Use of GO Bonds to Satisfy the Mandate		5.0			
MDH – Authorize the Use of Special Fund Balances from State Board of Examiners of Professional Counselors ($1.6 million), State Board of Occupational Therapy Practice ($0.8 million), and State Board of Examiners of Psychologists ($0.6 million) to be Used for Programs in BHA		3.0			
DNR – Eliminate Mandated Appropriation into the Fisheries Research and Development Fund in Fiscal 2025 Only		1.8			
GOCPP – Reduce Mandate for Warrants and Absconding Grants		1.0			
MPBC – Eliminate Mandate		1.0			
OAG – Eliminate Mandate for the Consumer Protection Division		0.7			
DNR – Reduce Mandate for the Mel Noland Woodland Incentives and Fellowship Fund		0.5			
MDH – Transfer Funds from the Health Information Exchange Fund to the Medical Care Programs Administration for IT		0.2			Modify Language Reducing Funds in Budget Bill – Technical Correction

	2024	2025	GF Totals	SF Totals	DLS Recommendation
MDA – Eliminate Mandate for the Maryland Native Plants Program		0.1			
DBM – Remove Requirement to Print Budget Books		0.0			
			$660.3		
Contingent Special Fund Reductions					
MDOT – Eliminate Requirement for Registration Stickers on License Plates		$1.1			
				$1.1	
Contingent Special Fund Appropriations					
DNR – Allow Funds from the Chesapeake and Coastal Bays 2010 Trust Fund to Satisfy Mandate for Tree Solutions Now Act of 2021	$2.5				
				$2.5	
Contingent Federal Fund Appropriation					
MDH – Transfer Funds from the Health Information Exchange Fund to the Medical Care Programs Administration for IT		$0.2			Strike Language Making Funds Contingent – Technical Correction
Other Provisions					
• Alters the Allowable Uses of Blueprint Funds Provided for Coordinated Community Supports through CHRC to Include Reimbursement for School Based Behavioral Health Services					
• Removes the Prohibition on Implementing a Freeze in Child Care Scholarship Program Enrollment					
• Removes a Prohibition on DDA Setting a Dollar Cap for Self-directed and Family-directed Goods and Services					
• Eliminates Requirement that MTA Purchase Only Zero Emission Buses, and Instead Requires that at Least 25% of Purchases be Zero Emission					
• Advances the Reduction in Highway User Revenue Distribution from Fiscal 2028 to 2026					Modify – Begin Reduction in Fiscal 2025 and Reduce to 9.6% Rather Than 15.6%
• Authorizes a Transfer of $90 Million of SEIF to the Dedicated Purpose Account to Support Implementation of the Climate Solutions Now Act of 2022 and Climate Pollution Reduction Plan					Modify – To Specify which Accounts Funds May Be Transferred from; Add Language Making Appropriation Contingent
• Modify MTA State of Good Repair Funding in Fiscal 2025 Only					Strike Provision

BHA: Behavioral Health Administration
CHRC: Community Health Resources Commission
DBM: Department of Budget and Management
DDA: Developmental Disabilities Administration
DLS: Department of Legislative Services
DPA: Dedicated Purpose Account
DHCD: Department of Housing and Community Development
DNR: Department of Natural Resources
FTE: full-time equivalent
FTES: full-time equivalent student
GF: general funds
GOCCP: Governor' s Office of Crime Prevention and Policy
IAC: Interagency Commission on School Construction
IT: information technology
MDA: Maryland Department of Agriculture
MDEM: Maryland Department of Emergency Management
MDH: Maryland Department of Health
MDOT: Maryland Department of Transportation
MHEC: Maryland Higher Education Commission
MPBC: Maryland Public Broadcasting Commission
MTA: Maryland Transit Administration
OAG: Office of the Attorney General
OPEB: Other Postemployment Benefits
PAYGO: pay-as-you-go
SEIF: Strategic Energy Investment Fund
SF: special funds

DLS Alternatives to SB 362/HB 352 Provisions as Introduced

Mandate Relief

- ***State of Good Repair for the Maryland Transit Administration (MTA):*** Reduces the amount of funding that the Governor must provide for state of good repair funding in MTA in fiscal 2025 only from $450.0 million to $439.0 million.

  - The Department of Legislative Services (DLS) recommends striking the provision, as Supplemental Budget No. 1 removed the language that would have reduced funding contingent on this provision.

- ***Highway User Revenues (HUR):*** Advances the reduction in the local rate for the HUR distribution that would have occurred in fiscal 2028 to 2026, providing for a 15.6% rate in fiscal 2026 and 2027 compared to 20.0%.

  - DLS recommends reducing the local rate for the HUR distribution to 9.6% beginning in fiscal 2025.

Change Use of Special Funds

- ***Strategic Energy Investment Fund (SEIF):*** Authorizes a transfer of $90 million from unspecified balances within the SEIF to the Dedicated Purpose Account to be used to support the implementation of the Climate Solutions Now Act of 2022 and the State's Climate Pollution Reduction Plan and specifies at least half be used to support programs in certain communities.

  - DLS recommends restricting transfers out of the energy assistance account and directing more of the transfer to be from the administrative account within the SEIF.

DLS Additional Recommendations to SB 362/HB 352 as Introduced

Retirement System Funding

- ***Retirement Reinvestment and Contributions:*** Reduces the amount of the additional retirement contribution above the actuarially required level from $75 million to $50 million annually beginning in fiscal 2025. Alters the calculation beginning in fiscal 2026 for the payment to the pension system from pension contributions to no longer deduct administrative fees for local boards of education and local community colleges, which are charged separately from the pension contribution.

Transfers to the General Fund

- ***Dedicated Purpose Account (DPA):*** Authorizes a transfer of $25.0 million from the DPA in fiscal 2025 to the General Fund, representing funds provided in fiscal 2023 for critical maintenance in the Department of Natural Resources as part of overall funding provided for facility renewal for State agencies.

- ***DPA:*** Authorizes a transfer of $7.6 million from the DPA in fiscal 2025 to the General Fund, representing funds provided in fiscal 2023 for assisted living facilities, nursing homes, and hospitals that were unused.

- ***DPA:*** Authorizes a transfer in fiscal 2025 of $4.5 million from the DPA to the General Fund, representing funds provided in fiscal 2023 for the Learning in Extended Academic Programs provided in the Maryland State Department of Education that were unused.

- ***Baltimore City Community College (BCCC) Bard Building:*** Withdraws $2 million appropriated in fiscal 2022 for the BCCC Bard Building demolition that is unneeded based on the contract award approved in August 2023.

Use Funds for Other Purposes

- ***Senior Prescription Drug Assistance Program (SPDAP) Balance:*** Authorizes $5 million of the SPDAP balance be used for behavioral health services in fiscal 2025, consistent with funding provided in the fiscal 2025 budget from this fund.

- ***Program Open Space State Land Acquisition:*** Authorizes transfers of Program Open Space State funds totaling $6.7 million to be used for personnel costs in the Maryland Park Service and Forest Service in fiscal 2025 only.

Miscellaneous

- ***Calculation of Higher Education Formulas:*** Clarifies that the full-time equivalent student count for the selected public four-year institutions used in the calculation of the Cade formula for community colleges, Sellinger formula for private institutions, and Baltimore City Community College is determined using the self-reported numbers for the institutions that is calculated on a credit hour basis.

- ***Local Income Tax Reserve Repayment:*** Specifies that the $10 million annual distribution to the Local Income Tax Reserve Account from fiscal 2026 through 2060 is to be used to repay $350 million transferred from the account to the Education Trust Fund in fiscal 2010 and ends the distribution after fiscal 2060.

Detail on Alternative and Additional Recommendations on SB 362/HB 352

Proposed Amendment to SB 362/HB 352 as Introduced

Reduce Rate Used to Calculate Local Highway User Revenues

Provision in BRFA as Introduced: Advances the reduction in the rate used to calculate the amount for Highway User Revenue (HUR) grants to local governments from fiscal 2028 to 2026. In fiscal 2026 and 2027, the rate used to calculate the HUR grant amount is 20.0%. This provision changes the rate for fiscal 2026 and 2027 to the 15.6% rate set for fiscal 2028 and beyond.

Provision as Recommended by DLS: Reduces the rate used to calculate local HUR to 9.6% for fiscal 2025 and all future years.

Agency: Maryland Department of Transportation (MDOT)

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation *vs.* Current Law: Overall special fund revenues and expenditures for the Transportation Trust Fund (TTF) are unaffected; however, TTF expenditures that would have been mandated as HUR grants are reallocated to State projects in the MDOT capital program. The State program increases by $930 million between fiscal 2025 and 2029 relative to current law.

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced: Overall special fund revenues and expenditures for the TTF are unaffected. However, TTF expenditures that would have been mandated as HUR grants are reallocated to State projects in the MDOT capital program. The State program increases by $731 million between fiscal 2025 and 2029 relative to the BRFA as introduced.

Background/Recent History: Chapters 330 and 331 of 2018 increased the rate used to calculate the local HUR grant amounts from 9.6% in fiscal 2019 to 15.6% for fiscal 2020 through 2024. Chapter 240 of 2022 set the base rate to be used to calculate the local HUR grant amounts at 15.6% beginning in fiscal 2024 and provided temporary increases in the rates of 18.0% for fiscal 2025 and 20.0% for fiscal 2026 and 2027. These rate changes are shown in **Exhibit 1**. The reductions in local HUR based on the DLS recommendation relative to current law is shown in **Exhibit 2.** The BRFA as introduced assumes approximately $100 million of the reductions shown in Exhibit 2 in each of fiscal 2026 and 2027.

Exhibit 1
Highway User Revenue Local Share
Fiscal 2019-2028

Chapters 330 and 331 of 2018

	2019	2020	2021	2022	2023	2024	2025
Baltimore City	7.7%	8.3%	8.3%	8.3%	8.3%	8.3%	7.7%
Counties	1.5%	3.2%	3.2%	3.2%	3.2%	3.2%	1.5%
Municipalities	0.4%	2.0%	2.0%	2.0%	2.0%	2.0%	0.4%
Total Local	**9.6%**	**13.5%**	**13.5%**	**13.5%**	**13.5%**	**13.5%**	**9.6%**

Chapter 240 of 2022

	2024	2025	2026	2027	2028
Baltimore City	9.5%	11.0%	12.2%	12.2%	9.5%
Counties	3.7%	4.3%	4.8%	4.8%	3.7%
Municipalities	2.4%	2.7%	3.0%	3.0%	2.4%
Total Local	**15.6%**	**18.0%**	**20.0%**	**20.0%**	**15.6%**

Source: Department of Legislative Services

Exhibit 2
Impact of Resetting Local Highway User Revenue Rate
Fiscal 2025-2029
($ in Millions)

	2025	2026	2027	2028	2029	2025-2029
Baltimore City						
Current Law	$242.0	$273.6	$278.9	$215.9	$219.5	$1,230.1
Proposed	169.4	172.7	176.1	175.0	177.9	871.1
Change	**-$72.6**	**-$100.9**	**-$102.9**	**-$40.9**	**-$41.6**	**-$358.9**
Counties						
Current Law	$94.6	$107.7	$109.7	$84.1	$85.5	$481.6
Proposed	33.0	33.6	34.3	34.1	34.7	169.7
Change	**-$61.6**	**-$74.0**	**-$75.5**	**-$50.0**	**-$50.8**	**-$311.9**

	2025	2026	2027	2028	2029	2025-2029
Municipalities						
Current Law	$59.4	$67.3	$68.6	$54.6	$55.5	$305.3
Proposed	8.8	9.0	9.1	9.1	9.2	45.3
Change	**-$50.6**	**-$58.3**	**-$59.4**	**-$45.5**	**-$46.2**	**-$260.0**
Total Local						
Current Law	$396.0	$448.6	$457.3	$354.6	$360.5	$2,017.0
Proposed	211.2	215.3	219.5	218.2	221.8	1,086.1
Change	**-$184.8**	**-$233.3**	**-$237.8**	**-$136.4**	**-$138.7**	**-$930.9**

Source: Maryland Department of Transportation; Department of Legislative Services

State Effect: Overall special fund revenues and expenditures for the TTF are unaffected; however, TTF expenditures that would have been mandated as HUR grants are reallocated to State projects in the MDOT capital program. The State program increases by $931 million between fiscal 2025 and 2029 relative to current law and by $731 million relative to the BRFA as introduced.

Local Effect: Local HUR grants decrease by amounts equal to the increases to the MDOT capital program.

Subcommittee Assignments: B&T/T&E 23- DLS Alt

Proposed Amendment to SB 362/HB 352 as Introduced

Restriction on Transfer of Funds from the Strategic Energy Investment Fund

Provision in BRFA as Introduced: Authorizes the transfer of $90.0 million from the balance in the Strategic Energy Investment Fund (SEIF) to the Dedicated Purpose Account (DPA) by June 30, 2025, and requires that at least 50% of funds transferred support programs serving low-to-moderate income communities as specified. Funds transferred may be used to help implement the Climate Solutions Act of 2022 and Maryland's Climate Pollution Reduction Plan.

Provision as Recommended by DLS: Restricts funds from being transferred from the Energy Assistance account and directs that more of the transfer come from the Administration account balance. **Exhibit 1** compares the transfer as initially proposed and the estimated remaining balance after the transfer with the transfer distribution as proposed by DLS. Under the proposal, the administration account balance would be reduced to $3.5 million compared to $21.7 million after the transfer; the renewable energy and climate change balance would be reduced from $9.4 million to $7.1 million compared to the provision as introduced. However, the energy efficiency and energy assistance account balances would be higher than as initially proposed.

Exhibit 1

Proposed Transfer Compared to Transfer as Recommended by DLS

	FY 2024	FY 2025	Proposed Transfer (As Introduced)	Remaining Balance	Proposed DLS Recommendation	Remaining Balance
Energy Assistance	$39.5	$13.8	$8.0	$5.8	$0.0	$13.8
Low-and Moderate-income Energy Efficiency	15.5	14.5	10.5	4.0	2.3	12.2
Energy Efficiency in All Sectors	13.0	13.3	6.6	6.7	2.3	11.0
Renewable Energy and Climate Change	20.1	9.4		9.4	2.3	7.1
Administration	10.7	43.5	21.8	21.7	40.0	3.5
Subtotal RGGI-Sourced Subaccounts	***$98.8***	***$94.5***	***$46.9***	***$47.6***	***$46.9***	***$47.6***
Offshore Wind Development	$0.2	$0.0				
Exelon Animal-Waste-to-Energy ACP	0.0	0.0				
Renewable Portfolio Standard ACP	183.2	85.2	$43.1	$42.1	$43.1	$42.1

	FY 2024	FY 2025	Proposed Transfer (As Introduced)	Remaining Balance	Proposed DLS Recommendation	Remaining Balance
Pepco/Exelon Merger Most Favored Nation Provision	0.0	0.0				0
AltaGas/WGL Settlement (Maryland Gas Expansion Fund)	1.6	1.6		1.6		1.6
Subtotal Non-RGGI-Sourced Subaccounts	***$185.0***	***$86.8***	***$43.1***	***$43.7***	***$43.1***	***$43.7***
Total All Subaccounts	**$283.8**	**$181.3**	**90.0**	**91.3**	**90.0**	**91.3**

ACP: alternative compliance payments
DLS: Department of Legislative Services
RGGI: Regional Greenhouse Gas Initiative

Agency: State Reserve Fund

Type of Action: Change in Use of a Special Fund

Fiscal Impact of DLS Recommendation *vs.* Current Law: Special fund revenues to the DPA increase in fiscal 2025 only to reflect the authorized transfer. Overall special fund expenditures are generally unchanged, but the timing of the expenditures may vary and are potentially reallocated among State agencies.

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced: No net effect on overall special fund revenues or expenditures. However, special fund expenditures are reallocated among State agencies.

Background/Recent History: Chapter 98 of 2023 increased the dollar cap on the amount of Regional Greenhouse Gas Initiative Program revenues that may be credited to the Administration subaccount within the SEIF from $5.0 million to $7.5 million, along with modifying two transportation sector programs funded by the SEIF and modifying the authorized uses of certain alternative compliance payments deposited in the SEIF.

State Effect: No net effect on overall special fund revenues or expenditures. However, special fund expenditures are reallocated among State agencies.

Proposed Amendment to SB 362/HB 352

Dedicated Purpose Account Critical Maintenance Transfer

Provision as Recommended by DLS: Authorizes the Governor to transfer $25.0 million from the Dedicated Purpose Account (DPA) to the General Fund by June 30, 2025, from the fiscal 2023 appropriation to the DPA for the Facilities Renewal – State Agencies allocation to the Department of Natural Resources (DNR) for critical maintenance.

Agency: DPA

Type of Action: Fund transfer

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Rev.	$0.0	$25.0	$0.0	$0.0	$0.0	$0.0
SF Exp.	0.0	potential decrease	potential decrease	potential decrease	0.0	0.0

Background/Recent History: The fiscal 2023 Budget Bill appropriated $100.0 million in general funds in the DPA for Facilities Renewal – State Agencies, with $25.0 million of that total for critical maintenance at DNR facilities. Funds remain available in the DPA four years following the fiscal year during which the appropriation was made, after which they would revert to the General Fund. For this funding, that reversion would occur at the end of fiscal 2027. As mandated by Chapter 39 of 2022 (Great Maryland Outdoors Act), in fiscal 2024, DNR was appropriated $70.0 million in general funds in the Park System Critical Maintenance Fund that has not been spent. Additionally, House Bill 228 and Senate Bill 259 of 2024 propose that the deadline to spend the $70.0 million be extended from fiscal 2026 to 2029. Given the available other funding, the DPA funds are unneeded.

State Effect: General fund revenues increase by $25.0 million in fiscal 2025 as a result of the transfer. Special fund expenditures would decrease by $25.0 million if DNR were to expend these funds prior to fiscal 2027, the year in which the $25.0 million in the DPA would revert to the Revenue Stabilization Account absent policy change. However, the timing of when these funds might have been spent, if they were to be spent prior to the date of required reversion, cannot be reliably estimated.

Local Effect: None

Subcommittee Assignments: B&T/APP 100 – DLS Addition

Proposed Amendment to SB 362/HB 352

Senior Prescription Drug Assistance Program Funding for Behavioral Health Services

Provision as Recommended by DLS: Authorizes the use of the Senior Prescription Drug Assistance Program (SPDAP) special fund balance for behavioral health services in fiscal 2025.

Agency: Maryland Department of Health (MDH) – Behavioral Health Administration (BHA); MDH – Medical Care Programs Administration

Type of Action: Change in Use of Special Funds

Fiscal Impact vs. Current Law: No effect on overall special fund revenues or expenditures in MDH, but funds are reallocated among MDH offices for a different purpose. General fund expenditures decrease by $5.0 million, as absent the authority to spend these funds additional general funds would be required.

($ in Millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Exp.	$0.0	-$5.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: Funding is available through SPDAP, which provides assistance to subsidize prescription medication expenses for certain Medicare eligible individuals because the program has experienced declining enrollment. Under Section 15-1004 of the Health-General Article, the use of these funds for mental health services to the uninsured was an allowable use in fiscal 2018 only.

State Effect: No effect on overall special fund revenues or expenditures in MDH, but funds are reallocated among MDH offices for a different purpose. The fiscal 2025 allowance for BHA includes $5 million from the SPDAP special fund to provide behavioral health services to people without medical insurance. Because this is not an allowable expense in fiscal 2025 under statute, BHA will have a general fund deficit of $5 million for this purpose unless legislation authorizes the use of these funds for behavioral health purposes.

Local Effect: No effect on local revenues or expenditures

Subcommittee Assignments: B&T/HSS 101 – DLS Addition

Proposed Amendment to SB 362/HB 352

Specify Source of Full-time Equivalent Student Data

Provision as Recommended by DLS: Requires the use of full-time equivalent student (FTES) data, as reported by selected public four-year institutions that is based on credit hours for calculating the State funding per FTES for the Cade, Sellinger, and Baltimore City Community College (BCCC) formulas beginning in fiscal 2026**.**

Agency: Maryland Higher Education Commission (MHEC); BCCC

Type of Action: Miscellaneous

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Exp.	$0.0	$30.3	$32.3	$33.5	$34.5

Background/Recent History: In a break with prior practice, the Department of Budget and Management used the MHEC enrollment projections in calculating the funding per FTES at the selected public four-year institutions for fiscal 2025 rather than the projections prepared by the individual institutions that are reported in the Governor's Budget Books. The funding per FTES metric is used in the calculation for the Cade, Sellinger, and BCCC formulas, which allocate State funding to various types of higher education institutions. Overall, MHEC's projections have consistently missed enrollment declines and are overly optimistic compared to the institution's projections. For fiscal 2024 and 2025, MHEC's enrollment projections for the select four-year University System of Maryland institutions are 7.0% higher than the institution's projections. This resulted in the per FTES funding used in the formulas being 5.3% lower, resulting in funding for Cade and Sellinger being lower than expected.

State Effect: General fund expenditures are projected to increase by $30.3 million in fiscal 2026, $32.3 million in fiscal 2027, $33.5 million in fiscal 2028, and $34.5 million in fiscal 2029 compared to the current law calculation that assumes the continuation of the method used for the fiscal 2025 formula calculations. These estimates assume no other changes to the formulas compared to current law. The BRFA as introduced proposes changes to the Sellinger and Cade formulas. BCCC funding is not impacted in the forecast period because it is projected to continue to receive funding based on a hold harmless provision rather than only the amount calculated through the formula. **Exhibit 1** provides the projected impact for each formula.

Exhibit 1
Impact of the Proposed Change in Calculation by Formula

	2026	2027	2028	2029
Sellinger – Proposed	$148,048,415	$151,919,797	$156,012,977	$160,614,208
Sellinger – Current Law	139,952,717	143,606,707	147,469,722	151,815,623
Difference	**$8,095,698**	**$8,313,090**	**$8,543,255**	**$8,798,585**
Cade – Proposed	$432,466,586	$443,775,437	$455,731,144	$469,173,215
Cade – Current Law	410,302,689	419,762,137	430,776,001	443,470,355
Difference	**$22,163,897**	**$24,013,300**	**$24,955,143**	**$25,702,860**
BCCC – Proposed	$45,714,233	$45,676,940	$45,648,084	$45,625,755
BCCC – Current Law	45,714,233	45,676,940	45,648,084	45,625,755
Difference	**$0**	**$0**	**$0**	**$0**

Note: Assumes no other changes to the formulas. The BRFA as introduced proposes to permanently change the Sellinger formula calculation to count only undergraduate enrollment and the Cade formula in several ways including removing the hold harmless calculation and lowering the share of State per full-time equivalent student funding.

Local Effect: Direct State aid for local community colleges increase by a projected $22.2 million in fiscal 2026 increasing to $25.7 million in fiscal 2029.

Proposed Amendment to SB 362/HB 352

Transfer of Unspent Funds from the Dedicated Purpose Account (Maryland Department of Health)

Provision as Recommended by DLS: Authorizes a transfer of $7.6 million from the Dedicated Purpose Account (DPA) to the General Fund related to funds appropriated for assistance to assisted living facilities ($7,340,250), nursing homes ($132,321), and hospitals ($108,302) in fiscal 2023 that were unused.

Agency: State Reserve Fund (DPA)

Type of Action: Fund Balance Transfer

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Rev.	$0.0	$7.6	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The fiscal 2023 legislative appropriation included funds in the DPA for a wide variety of legislative priorities, including $20 million for assisted living facilities, $20 million for assistance to nursing homes, and $50 million for hospital assistance. These funds were transferred by budget amendment to the Maryland Department of Health in fiscal 2023, but a portion of the funds ($7.3 million for assisted living facilities, $132,321 for nursing homes, and $108,302 for hospitals) was not spent and was reverted to the DPA at closeout.

State Effect: General fund revenues increase by $7.6 million in fiscal 2025.

Subcommittee Assignments: B&T/APP 103 – DLS Addition

Proposed Amendment to SB 362/HB 352

Transfer of Unspent Funds from the Dedicated Purpose Account (Maryland State Department of Education)

Provision as Recommended by DLS: Authorizes a transfer of $4.5 million from the Dedicated Purpose Account (DPA) to the General Fund in fiscal 2025 from funds appropriated in fiscal 2023 for the Learning in Extended Academic Programs in the Maryland State Department of Education (MSDE).

Agency: State Reserve Fund (DPA); MSDE

Type of Action: Fund Balance Transfer

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**
GF Rev.	$0.0	$4.5	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The fiscal 2023 legislative appropriation included funds in the DPA for a wide variety of legislative priorities, including $4.5 million for Learning in Extended Academic Programs. These funds were transferred by budget amendment to MSDE in fiscal 2023, but the grant program did not receive any requests for funding, and the funds reverted to the DPA at closeout.

State Effect: General fund revenues increase by $4.5 million in fiscal 2025.

Subcommittee Assignments: B&T/APP 104 – DLS Addition

Proposed Amendment to SB 362/HB 352

Specify a Distribution to the Local Income Tax Reserve Account Is for Repayment of a Fiscal 2010 Transfer Beginning in Fiscal 2026

Provision as Recommended by DLS: Specifies that from fiscal 2026 through 2060, the $10 million distribution to the Local Income Tax Reserve Account is to be used to repay $350 million transferred from the fund to the Education Trust Fund as required in Chapter 484 of 2010. In addition, the distribution to the local income tax reserve account after fiscal 2060 would end when the repayment is complete.

Agency: None

Type of Action: Miscellaneous

Fiscal Impact vs. Current Law: None until fiscal 2061. Savings beginning in fiscal 2061 when the provision sunsets. Statute currently requires a $10 million distribution in perpetuity.

Background/Recent History: The Local Income Tax Reserve Account is used to manage the cash flow of personal income tax payments and distributions to local governments. It is administered by the Comptroller's Office. The account is also used to meet the State's liability for local income taxes according to generally accepted accounting principles.

Chapter 484 required the Comptroller to distribute $350 million from the Local Reserve Account to the Education Trust Fund. Although Chapter 484 established a repayment plan for fiscal 2014 through 2020, the repayment was canceled. This was one of several transfers made from the account in various years. Chapter 489 of 2015 established a repayment of $10 million from fiscal 2016 through 2025 for a $100 million transfer authorized in that Act. Chapter 10 of 2018 extended the $10 million annual repayment indefinitely. However, after fiscal 2025, the distribution is not tied to any particular transfer.

State Effect: None until fiscal 2061. Savings beginning in fiscal 2061 when the provision sunsets. Statute currently requires a $10 million distribution in perpetuity. The State's unfunded liability for the $350 million borrowed in 2010 will be erased due to statute specifying a payback plan.

Local Effect: None.

Subcommittee Assignments: B&T/APP 105 – DLS Addition

Proposed Amendment to SB 362/HB 352

Reduce the Mandated Reinvestment Savings Pension Contribution and Repeal Requirement to Reduce Pension Contribution by the Amount of Administrative Fees Paid by Local School Districts and Community Colleges

Provision as Recommended by DLS: Permanently reduces the mandated reinvestment retirement savings contribution from $75 million to $50 million and repeals a requirement that the State reduce its budgeted pension contribution by the amount of administrative fees paid by the local boards of education and local community colleges beginning in fiscal 2026.

Agency: Statewide

Type of Action: Mandate Relief, Miscellaneous

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Rev.	$0.00	-$25.00	-$2.11	$2.47	$2.68	$5.02
GF Exp.	0.00	-21.61	-2.38	1.38	1.66	3.40
SF Exp.	0.00	-1.68	-0.15	0.51	0.51	0.67
FF Exp.	0.00	-0.91	-0.92	1.28	1.28	1.44
NB Exp.	0.00	-0.79	-0.79	-0.69	-0.60	-0.50

State Effect: State pension contributions decrease by $25 million in total funds until the reinvestment is no longer required when the system reaches 85% funded status. The decreases are offset beginning in fiscal 2026 when the requirement to reduce pension funding by the amount of administrative fees paid by the local boards of education and local community colleges is eliminated.

Background/Recent History: Chapter 397 of 2011 required the Governor to reinvest a portion of the savings generated by pension benefit reform by making excess State contributions into the State Retirement and Pension System trust fund. The purpose of the reinvestment was to enhance the financial stability of the trust fund and restore it to full funding more quickly.

Section 21-308 (a) (3) of the State Personnel and Pensions Article requires a reduction in the employer contribution by the amount of administrative fees paid by the local boards of education and local community colleges. This provision is a remnant of the pension plan's prior structure of including fees in employer contribution rates and was instituted in order to avoid double charging the local boards of education and community colleges. Since fiscal 2016, fees have been charged separately from employer contributions. However, the statute continues to require that the annual required employer contribution to the system be reduced by the amount of administrative fees paid by the local boards of education and local community colleges.

Subcommittee Assignments: B&T/APP 106 – DLS Addition

Proposed Amendment to SB 362/HB 352

Authorization to Use Program Open Space State Balance for Department of Natural Resources Operations

Provision as Recommended by DLS: Authorizes the Governor to transfer up to $6.7 million of available special fund balance from the Program Open Space State (POS) land acquisition fund balance, in fiscal 2025 only, to replace general funds budgeted for personnel expenses in the Department of Natural Resources (DNR) for the Forest Service and the Maryland Park Service (MPS).

Agency: DNR

Type of Action: Expand Special Fund Use

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Exp.	$0.0	-$6.7	$0.0	$0.0	$0.0	$0.0
SF Exp.	0.0	6.7	0.0	0.0	0.0	0.0

Background/Recent History: The State transfer tax, which is 0.5% of the amount paid for the transfer of real property, is used to fund several land conservation programs and State forest and park operations. After initial distributions for debt service and administrative costs, the revenue is held in a transfer tax special fund and distributed under § 13-209 of the Tax – Property Article and further distributed to POS under § 5-903 of the Natural Resources Article. In general, under § 5-903 of the Natural Resources Article, approximately 50% is allocated to State land acquisition and capital development, 30% is allocated to local government acquisition and development, and 20% is allocated to State forest and park operations.

Anticipated lower amounts of transfer tax revenues in fiscal 2025 coupled with the impact of a revenue underattainment in fiscal 2023 have significantly reduced the available revenues distributed through the POS formula. In fiscal 2024, $408.1 million was distributed, while fiscal 2025 is projected to distribute just $153.6 million. As a result, there is a $38.0 million reduction of transfer tax funding allocated to the Forest Service and MPS in fiscal 2025. The fiscal 2025 budget as introduced includes $1.0 million in general funds in the Forest Service and $5.7 million in general funds in MPS to replace the decline in special fund support for these programs. As of February 2024, the POS State land acquisition account has an unobligated fund balance of $172.4 million. DLS recommends a reduction of $968,093 in general funds in the Forest Service and $5,710,734 in MPS in the fiscal 2025 budget contingent upon the enactment of this provision.

State Effect: General fund expenditures would be reduced by $6.7 million of fiscal 2025 general fund appropriation in the amount of $1.0 million for the Forest Service and $5.7 million for MPS due to the use of special funds in lieu of general funds for this purpose. Special fund expenditures therefore increase by $1.0 million in the Forest Service and $5.7 million in MPS.

Local Effect: None

Proposed Amendment to SB 362/HB 352

Revert Unused Funding for Baltimore City Community College Bard Building Demolition

Provision as Recommended by DLS: Reduces $2.0 million in pay-as-you-go (PAYGO) general funds from a fiscal 2022 capital appropriation of $7.4 million made to the Board of Public Works (BPW) for the purpose of the demolition of the Baltimore City Community College (BCCC) Bard Building.

Agency: BPW; BCCC

Type of Action: Cost Containment

Fiscal Impact vs. Current Law: General fund expenditures for demolition of the Bard Building decrease by $2 million.

Background/Recent History: Supplemental Budget No. 4 to the fiscal 2022 Budget Bill appropriated $7.4 million in PAYGO general funds to BPW for the purpose of providing funding to BCCC to demolish the vacant Bard Building located in downtown Baltimore to allow for future redevelopment of the property. At its August 2, 2023 meeting, BPW approved a construction contract in the amount of $4.2 million procured by the Department of General Services (DGS) on behalf of BCCC for this purpose. Including architectural and engineering services, approximately $4.5 million has been authorized for the project to date. DLS and DGS estimate that approximately $2.0 million of the original $7.4 million general fund authorization for this project could be reverted, and the remaining funding would be sufficient to complete the project.

State Effect: General fund expenditures decrease by $2 million.

Local Effect: None

Subcommittee Assignments: B&T/CAP 108 – DLS Addition