



**Maryland**

**DEPARTMENT OF BUDGET  
AND MANAGEMENT**

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ARUNA MILLER  
*Lieutenant Governor*

HELENE GRADY  
*Secretary*

MARC L. NICOLE  
*Deputy Secretary*

**SENATE BILL 362 / HOUSE BILL 352**

**BUDGET RECONCILIATION AND FINANCING ACT OF 2024**

**Senate Budget and Taxation Committee**

**House Appropriations Committee**

**February 28, 2024**

**February 29, 2024**

**Testimony by**

**Helene Grady**

**Secretary of Budget and Management**

SB 362 / HB 352, the Budget Reconciliation and Financing Act of 2024 (BRFA), implements several actions to balance the FY 2025 budget and to provide out-year structural budget relief. These budget actions provide approximately \$1.8 billion in General Fund savings through FY 2029, including nearly \$1.0 billion in savings between FY 2024 (\$199 million) and FY 2025 (\$806 million).

**Background**

The Governor's FY 2025 budget proposal continues the administration's commitment to fiscal discipline, addressing some of the State's critical and immediate needs while providing out-year structural budget relief. The Governor and Administration have been clear-eyed about the structural deficit and have acknowledged the problem since prior to assuming office. This transitional budget reflects progress on key objectives and allows us time to work in partnership with the legislature to address our longer-term structural challenges.

The Governor's proposed budget meets or exceeds the Spending Affordability Committee's recommendations to:

- Balance the budget on a cash basis with a minimum \$100 million fund balance;
- Reduce the FY2025 structural deficit by at least 33%; and
- Maintain a Rainy Day Fund balance of at least 8.5% of General Fund revenues.

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The proposed budget accomplishes these objectives while also making critical, and in some cases historic, investments in the top priorities for Marylanders. These include public safety, education, child care, housing, economic development, and workforce development, as well as critical investments in our state workforce that will help our agencies better serve Marylanders. We agree with many of the important and laudable programs that were previously established, and you see many of these reflected in the proposed budget, including historic funding under the Blueprint for pre-K through 12 education (an increase of \$461 million) and record funding for the child care scholarship program (an additional \$270 million annually and nearly \$490 million over two years).

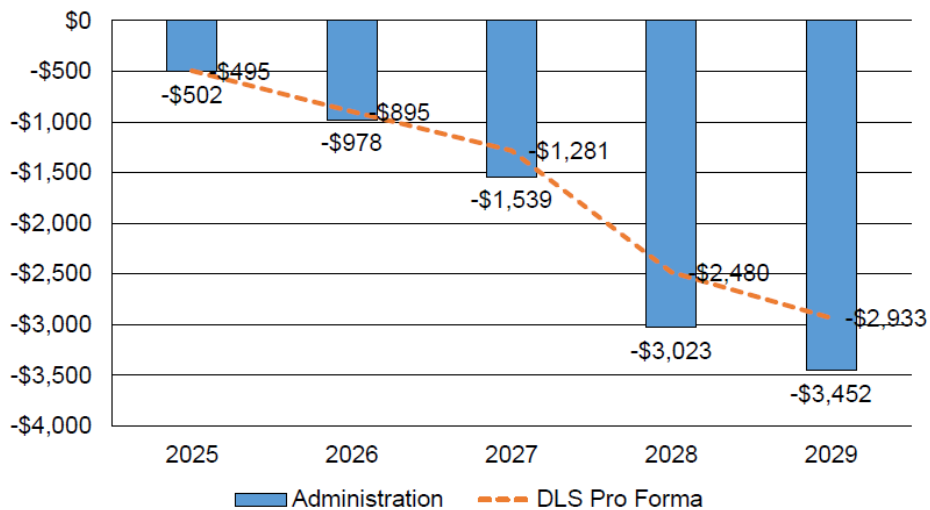
In order to meet our fiscal responsibility objectives while also prioritizing these critical investment areas, the Administration chose to refocus state government toward funding the state’s most core responsibilities, evaluating how and what the State is spending its money on before considering asking taxpayers to contribute more. This requires reining in some spending that grew unsustainably during the pandemic years in order to redirect resources across the State’s most core responsibilities and highest priorities.

The approach taken by the Administration, reflected in the BRFA, includes the following:

- Providing relief from various funding mandates, both one-time and ongoing;
- Increasing revenues to the General Fund in both the short and long term;
- Expanding allowable uses of certain funds and revenues as well as authorizing fund transfers; and
- Making other changes to current law to provide budget relief in the short and/or long term to both the General Fund and the Transportation Trust Fund.

As DLS’ forecast indicates (see Exhibit 1 below), this work is only going to get harder in the years to come. The measures included in the BRFA represent a strong starting point for the hard work ahead.

**Exhibit 1: General Fund Structural Budget Outlook**  
Fiscal 2025-2029  
(\$ in Millions)

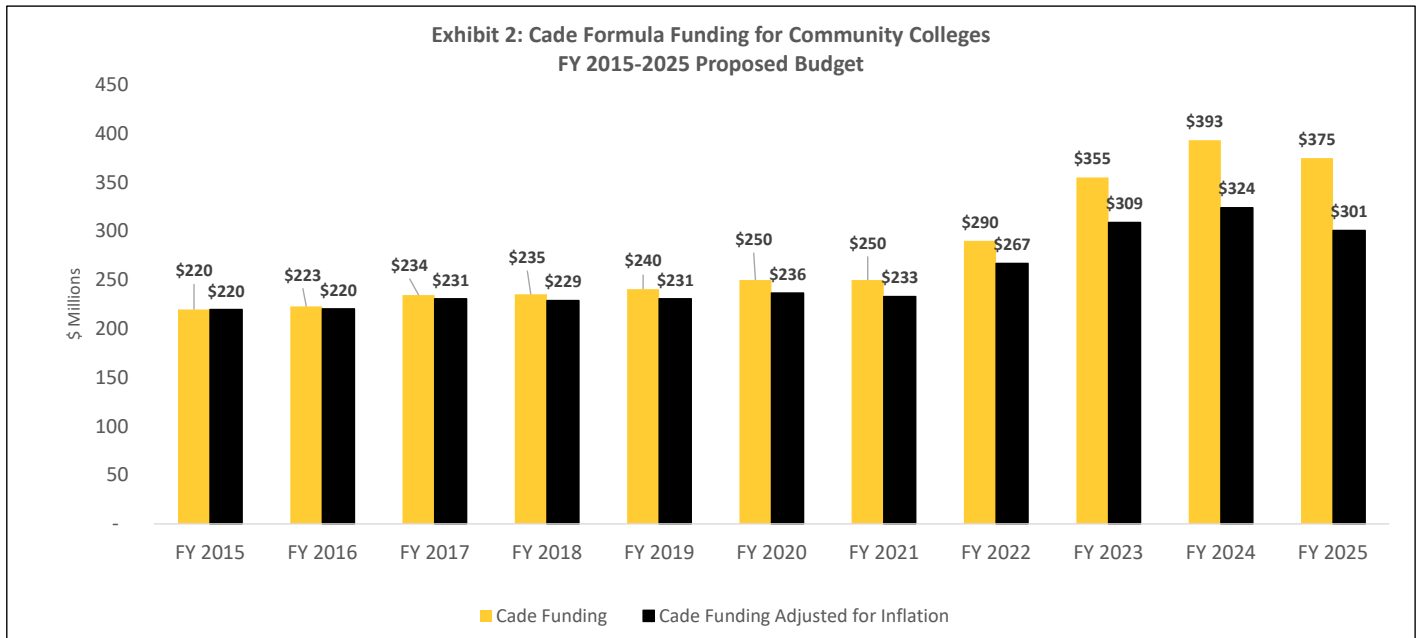


DLS: Department of Legislative Services

**Mandate Relief**

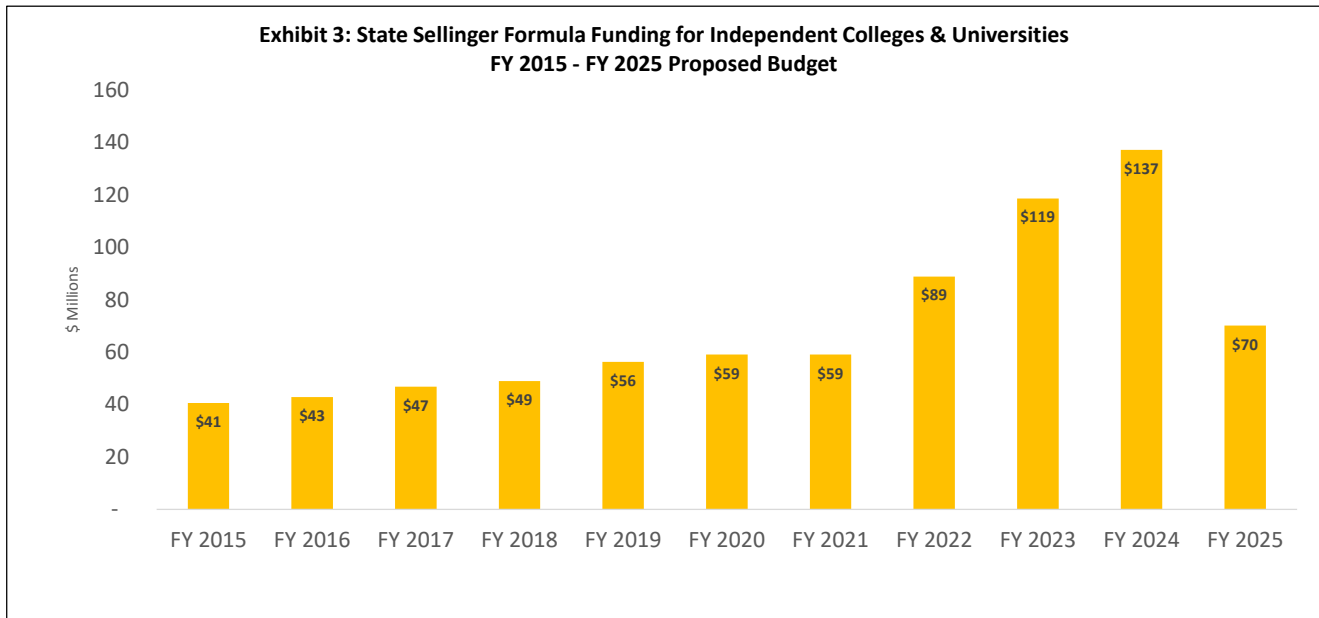
The BRFA allows the Administration to propose meaningful mandate relief in both the short and long-term to address the State’s structural budget challenge. To this end, the BRFA includes the following provisions:

- Makes funding for the Maryland Native Plants Program discretionary.
  - FY 2025 GF Savings: \$100,000
  - An Administration amendment to the budget bill proposes to increase the savings by an additional \$150,000.
- Shifts the Financial Consumer Protection Mandate from General to Special Funds.
  - FY 2025 GF Savings: \$700,000
- Delays additional funding for the School Construction Revolving Loan Fund by one year from FY 2025 to FY 2026 and makes the funding discretionary in light of the delay in implementing the program.
  - FY 2025 GF Savings: \$10 million
- Rebases funding for the Cade Formula for Community Colleges in FY 2025 and the out-years. Under current law, funding for the local community colleges has grown by 57 percent since FY 2021. The BRFA provision still allows for more than 50 percent growth in funding over the last 4 years—an increase of \$125 million versus the \$250 million in funding just 4 years ago. After adjusting for declining community college enrollment, per FTE spending grows by 86% from FY 2021 to FY 2025.
  - FY 2025 GF Savings - \$22.6 million



- Rebases funding for the Sellinger Formula for Non Public Higher Education Institutions by tying the formula to undergraduate enrollment only rather than total enrollment. Under current law, funding for private colleges and universities has grown by 132 percent since

FY 2021. After the BRFA provision, funding for the program will grow by 19 percent over the last 4 years. FY 2025 GF savings - \$63.8 million

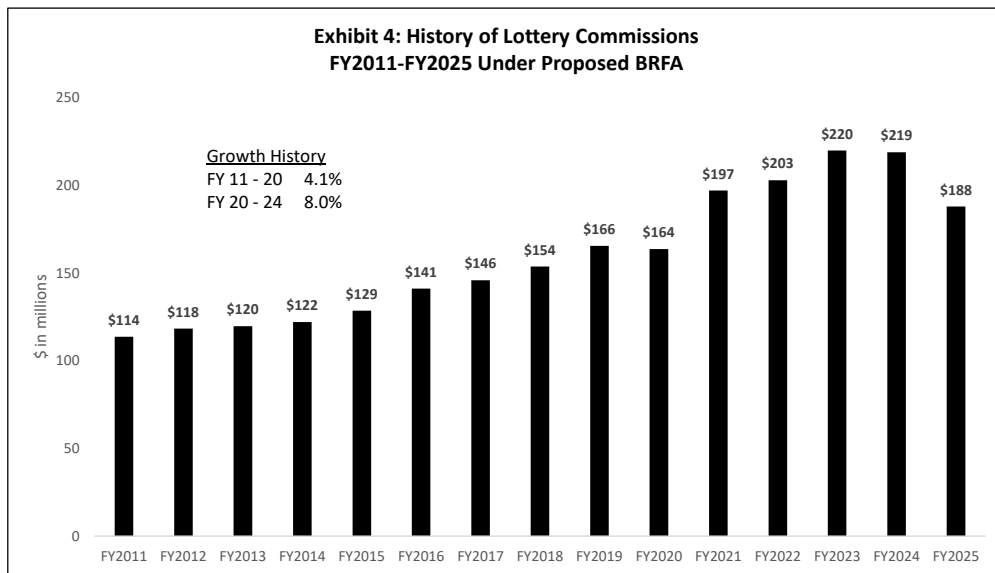


- Allows the Business Façade Improvement Program to be funded with General Obligation Bonds or General Funds in FY 2025 and the out years.
  - FY 2025 GF Savings - \$5 million
- Suspends the General Fund mandate for the Fisheries Research and Development Fund for one year as there is sufficient balance in the Fund to support the appropriation.
  - FY 2025 GF Savings - \$1.8 million
- Reduces funding for the Mel Noland Woodland Incentives and Fellowship Fund by \$500,000 in FY 2025 and the outyears. Prior to FY 2024 funding for this program was only \$50,000 a year.
  - FY 2025 GF Savings - \$500,000
- Shifts the Tree Plantings on Public Lands mandate from General to Special Funds for FY 2024 through FY 2031. There is sufficient revenue in the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to support these expenditures.
  - FY 2024 GF Savings: \$2.5 million
  - FY 2025 GF Savings: \$2.5 million
- Reduces funding for Warrant and Absconding Grants by \$1 million in FY 2025 and FY 2026 because the funding has not been fully spent in recent years.
  - FY 2025 GF Savings - \$1 million
- Repeals the required “sweeper” contribution to the Rainy Day Fund for FY 2025 only, leaving a balance equal to 9.4% of the December 2023 Board of Revenue Estimates’ projection of FY 2025 General Fund revenues.
  - FY 2025 GF savings - \$495.5 million
- Repeals the required “sweeper” contributions to the Postretirement Health Benefits Trust Fund and State Retirement and Pension Fund for FY 2025 only.
  - FY 2025 GF Savings - \$50 million

- Rebases funding for the Maryland Public Broadcasting Commission and eliminates mandated growth in the future. In FY 2020, the agency spent \$9.4 million in General Funds. Their FY 2025 allowance before the BRFA would be \$13.3 million, a more than 40% increase. The allowance reduces this by \$1 million so the increase over FY 2020 is closer to 30%.
  - FY 2025 GF Savings - \$1 million

## Revenue Adjustments

- Reduces the downward adjustment to General Fund revenues from Revenue Volatility to \$100 million in FY 2025 and 2026.
  - FY 2025 GF Savings - \$40 million
- Increases interest revenue to the General Fund for FY 2025 through FY 2028 by limiting the number of special funds allowed to earn interest on their fund balances.
  - FY 2024 GF Savings - \$2.25 million
  - FY 2025 GF Savings - \$27 million
- Reduces the commissions paid to Lottery agents from 6.0% to 5.5% on sales and from 3.0% to 2.0% on cashing. Under current law, lottery commissions have grown by \$56 million, or 34 percent, since FY 2020. After the BRFA provision, lottery agent commissions will grow by closer to 15 percent over the last 5 years. The proposed adjustments also bring Maryland’s commission rates more in line with neighboring states.
  - FY 2024 GF Savings - \$3 million
  - FY 2025 GF Savings - \$32 million



- Repeals the underutilized Small Business Tax Relief Credit Program. Although the estimated revenue loss is \$1.3 million annually, the Department of Commerce reports that less than \$10,000 in credits have been approved since the program’s inception.
  - FY 2025 GF Savings - \$1.3 million

## **Fund Transfers / Authorized Uses**

The BRFA expands the allowable use of certain funds or revenues for specified purposes.

- Expands the use of the Coordinated Community Supports Partnership Fund to allow funding to support School-based behavioral health services provided through a Medicaid waiver.
  - FY 2025 GF cost avoidance: \$12,700,000
- Transfers \$3 million from health regulatory boards (below) to offset General Fund costs in the Behavioral Health Administration. All three boards have fund balances in excess of 150 percent of FY 2025 expenditures.
  - Professional Counselors and Therapists - \$1,648,669
  - Occupational Therapy - \$776,646
  - Examiners for Psychologists - \$588,771
- Transfers \$216,845 from the Health Information Exchange Fund in FY 2025 to the Medical Programs Administration to support information technology activities.

In addition, the bill authorizes the following transfers to the General Fund:

- \$149.5 million in the Dedicated Purpose Account reserved for Cybersecurity;
- \$44.0 million in the Dedicated Purpose Account reserved for capital projects that are no longer needed as follows:
  - \$28.9 million for renovations to 2100 Guilford Avenue;
  - \$9.1 million for the renovation and expansion of the Maryland Department of Emergency Management Headquarters; and
  - \$6.0 for Conowingo Dam dredging.
- \$40 million in excess funds in the reserve account established by the State to pay unemployment compensation for State employees;
- \$5.75 million from the Resilient Maryland Revolving Loan Fund;
- \$5.0 million from the Maryland Pediatric Cancer Fund; and
- \$355,760 in the Dedicated Purpose Account for miscellaneous operating expenses.

## **Cost Avoidance**

- Authorizes MSDE to implement a freeze in the Child Care Scholarship program enrollment, if needed, to ensure that the program is able to live within its newly expanded funding levels in FY 2024 and FY 2025.
  - FY 2025 GF cost avoidance: unknown
- Allows MDH to establish a limit on the dollar amount of individual-directed and family-directed goods and services provided to a recipient.
  - FY 2025 GF cost avoidance: unknown

## **MDOT Proposals**

The BRFA includes several provisions needed to align programmed spending with available funding in support of the January 2024 Consolidated Transportation Program.

- Reduces funding for State of Good Repair expenses in the Maryland Transit Administration by \$11 million in FY 2025 only.
  - FY 2025 SF savings: \$11.0 million
  - If the MTA capital items in Supplemental Budget #1 are approved, this BRFA item can be deleted.
- Provides the Maryland Transit Administration with flexibility in the replacement of the State transit bus fleet in case certain zero-emission buses are not available to be purchased.
  - FY 2025 SF cost avoidance: unknown
- Eliminates the requirement for validation tabs on license plates.
  - FY 2025 SF savings: \$1.1 million
- Modifies the Highway User Revenue formula to maintain level funding in FY 2026 and FY 2027. Changes are needed to balance MDOT's 6-year capital program.
  - FY 2025 SF savings: None

## **Other**

The BRFA also:

- Authorizes the transfer of \$90 million from the Strategic Energy Investment Fund to the Dedicated Purpose Account. The funding will be used to support the implementation of the Climate Solutions Now Act of 2022 and Maryland's Climate Pollution Reduction Plan. A majority of the funding must support programs helping low and moderate-income families or overburdened or underserved communities.
- Allows DBM to publish online budget books.
  - FY 2025 GF savings - \$40,000

## **Proposed Amendments**

The Administration is offering 9 amendments to the Budget Reconciliation and Financing Act of 2024 (attached) to the bill as introduced. These amendments make clarifications and modifications to provisions of the first reading file bill itself and provide additional budget relief in support of the Governor's budget plan.

## **Departmental Position**

The Department of Budget and Management believes that the Budget Reconciliation and Financing Act of 2024, as amended, is necessary to ensure a balanced FY 2025 budget and to provide out-year structural budget relief. For these reasons, we urge the Committees to vote favorable with amendments on SB 362 / HB 352.

AMENDMENTS TO SENATE BILL 362 / HOUSE BILL 352  
(First Reading File Bill)

AMENDMENT NO. 1

On page 20, after line 21 insert:

“15-1004.

(a) There is a Senior Prescription Drug Assistance Program Fund.

(f) (1) Except as provided in paragraph (2) of this subsection, the Fund may be used only for the administration, operation, and activities of the Program.

(2) [For fiscal year 2018 only,] **FOR FISCAL YEAR 2025 AND EACH YEAR THEREAFTER**, excess funds not required for the administration, operation, and activities of the Program may be used only to subsidize:

(i) The Kidney Disease Program under Title 13, Subtitle 3 of this article; or

(ii) The provision of mental health services to the uninsured under Title 10, Subtitle 2 of this article.

*Expands the allowable uses of the Senior Prescription Drug Assistance Program Fund to include the Kidney Disease program and certain mental health services for the uninsured.*

AMENDMENT NO. 2

On page 22, strike lines 3 through 6 and in line 7, strike “[“, “[”, and “2025”

*Clarifies that the intent of the provision is to support the cost of Tree Plantings with the Chesapeake and Atlantic Coastal Bays in FY 2024 in addition to FY 2025 through FY 2031.*

AMENDMENT NO. 3

On page 22, after line 12 insert:

“3-206.1.

(a) In this section, “Fund” means the Maryland Police Training and Standards Commission Fund.

(g) The Fund may be used [only] to [provide funding to] **SUPPORT POLICE AND CORRECTIONAL TRAINING ACTIVITIES OF** the [Commission] **COMMISSIONS.**”

*Expands the allowable uses of the Maryland Police Training and Standards Commission Fund to include correctional training activities in addition to police training activities.*



AMENDMENT NO. 4

On page 23, in line 21 strike “\$120,000,000” and insert “\$0”, and in line 22 strike “\$100,000,000” and insert “\$0”, and in line 22 strike “[“ and “] YEARS” and in line 23 strike “AND 2026; and” and insert “;”, and after line 23 insert “7. \$100,000,000 FOR FISCAL YEAR 2026; AND”, and in line 24 strike “7” and insert “8”

*Adjusts the revenue adjustment under the Revenue Volatility legislation to \$0 in both fiscal years 2024 and 2025.*

AMENDMENT NO. 5

On page 26, after line 8 insert:

“Article – State Personnel and Pensions

21–308.

(4) (i) For fiscal year 2016 **THROUGH FISCAL YEAR 2024**, in addition to the annual required contribution required under paragraph (2) of this subsection, the Governor shall include in the budget bill a supplemental contribution of \$75,000,000.

(ii) For fiscal year [2017] **2025** and each fiscal year thereafter, in addition to the annual required contribution required under paragraph (2) of this subsection, the Governor shall include in the budget bill a supplemental contribution of [\$75,000,000] **\$50,000,000** until the total actuarial value of assets for the several systems divided by the total actuarial accrued liability for the several systems equals a funding ratio of 85%.”

*Reduces the requirement to include a supplemental pension contribution from \$75 million to \$50 million.*

AMENDMENT NO. 6

On page 35, in lines 15 strike “\$40,000,000” and insert “\$60,000,000”

*Increases the amount of the transfer from the State’s (self-insured) reserve account established to pay unemployment compensation for State employees.*

AMENDMENT NO. 7

On page 35, in line 18 strike “and”, and in line 20 strike “.” and insert “;”, and after line 20 insert **“(4) \$10,000,000 FROM THE SCHOOL CONSTRUCTION REVOLVING LOAN FUND ESTABLISHED UNDER §5–315 OF THE EDUCATION ARTICLE; AND (5) ALL REMAINING FUNDS IN THE MARYLAND HEALTH CARE PROVIDER RATE STABILIZATION FUND ESTABLISHED UNDER SECTIONS 19-801 THROUGH 19-808 OF THE INSURANCE ARTICLE.”**

*Transfers \$10 million from the School Construction Revolving Loan Fund and the remaining balance of the Rate Stabilization Fund previously abolished under Chapter 538 of the Acts of 2020 to the General Fund.*

AMENDMENT NO. 8

On page 36, in line 6 strike “\$193,830,236” and insert “\$193,626,076” and in line 16 strike “\$355,760” and insert “\$151,600”

*Adjusts the transfer of miscellaneous operating expenses to \$151,600, which represents the remaining / unused grant funds originally awarded to the Center for Neuroscience of Social Injustice at Kennedy Krieger Institute and the Greater Baltimore Regional Integrated Crisis System.*

AMENDMENT NO. 9

On page 36, after line 30 insert:

“SECTION 10. AND BE IT FURTHER ENACTED, That, notwithstanding any other provision of law, on or before June 30, 2023, the Governor may broaden the allowable use of a PAYGO grant provided under the Miscellaneous Grants – Capital Appropriation (H00H01.03) that was included in the fiscal year 2024 operating budget (Chapter 101 of the Acts of 2023) to provide funding to the Living Classrooms Foundation to include insurance expenses.”

And in line 31 strike “10” and insert “11”

*Expands the allowable uses of an FY 2024 PAYGO grant for the Living Classrooms Foundation to allow funding to cover insurance expenses.*