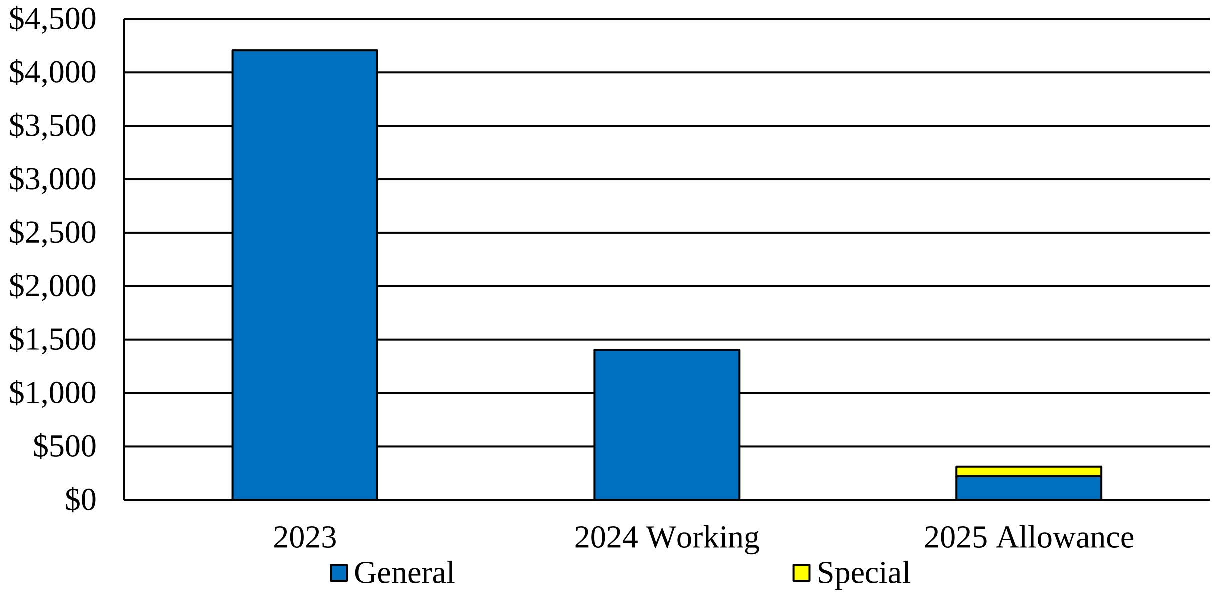
Y01A
State Reserve Fund

Program Description

The State Reserve Fund provides a means to designate monies for future use. This analysis includes the Revenue Stabilization Account (Rainy Day Fund), the Dedicated Purpose Account (DPA), and the Catastrophic Event Account (CEA). **Appendix 2, Appendix 3,** and **Appendix 4** provide detail on the characteristics and spending mechanisms for each account. Discussion of the Economic Development Opportunities Account can be found in the fiscal 2024 operating budget analysis for T00 – Department of Commerce.

Operating Budget Summary

Fiscal 2025 Budget Decreases $1,093.8 Million, or 77.9%, to $309.5 Million



Note: The fiscal 2024 working appropriation includes deficiencies.

- The fiscal 2025 budget includes language reducing the appropriations for mandatory contributions based on the fiscal 2023 surplus to the Rainy Day Fund ($495.5 million), the Pension System ($25 million) and Post-retirement Health Benefits Trust Fund ($25 million) contingent on the enactment of legislation removing the mandates. The Budget Reconciliation and Financing Act (BRFA) includes a provision repealing the required distributions in fiscal 2025 only.

For further information contact: Jason A. Kramer Jason.Kramer@mlis.state.md.us

- The fiscal 2025 allowance includes a $90 million special fund appropriation using funds transferred from the Strategic Energy Investment Fund (SEIF).

- Fiscal 2023 spending included a $2.4 billion appropriation the Rainy Day Fund and a nearly $1.8 billion appropriation to the DPA.

Fiscal 2024

Implementation of Legislative Priorities

The fiscal 2024 legislative appropriation included $516 million in general funds added to the DPA in Section 19 in the fiscal 2024 Budget Bill (Chapter 101 of 2023):

- $400 million for the Blueprint for Maryland's Future Fund;

- $100 million for transportation purposes;

- $9.5 million for trauma facilities;

- $6 million for End the Wait Medicaid waivers; and

- $200,000 for the implementation of Chapters 201 and 202 of 2023, which make certain requirements in the procurement of construction materials.

The funds provided for technical assistance related to Chapters 201 and 202 were transferred by budget amendment to the Maryland Department of Labor (MDL) to implement the legislation. However, none of the other funding has been transferred from the DPA. Further discussion of these funds and other funding remaining in the DPA can be found in Key Observation 1.

Proposed Deficiencies

The fiscal 2025 budget includes a proposed deficiency appropriation for fiscal 2024 of $30 million in general funds to the DPA for the purpose of assisting State agencies with the cost of moving out of State Center. Approximately $43 million in previously appropriated funds for this purpose remain in the DPA, and the fiscal 2025 allowance includes a further $5 million to fund demolition of the site and planning for its future use.

The fiscal 2025 budget also includes a proposed general fund deficiency appropriation of $10 million to the CEA. The fund has a balance of $9.4 million after $635,000 was transferred to MDL in October 2023, to be used to administer a loan fund for federal employees in the case of a federal government shutdown. Congress took action prior to a shutdown, preventing a lapse in federal appropriations at that time. Another continuing resolution for federal fiscal 2024 was signed by President Joseph Biden on January 18, 2024, extending federal funding into early March 2024. **The Department of Legislative Services (DLS) recommends reducing the deficiency appropriation by $9.4 million to reflect recent federal budget actions and maintain the CEA balance at $10 million.**

Fiscal 2025 Overview of Agency Spending

Appendix 1 provides detail on the activity in the Rainy Day Fund for fiscal 2023 through the 2025 allowance.

Rainy Day Fund

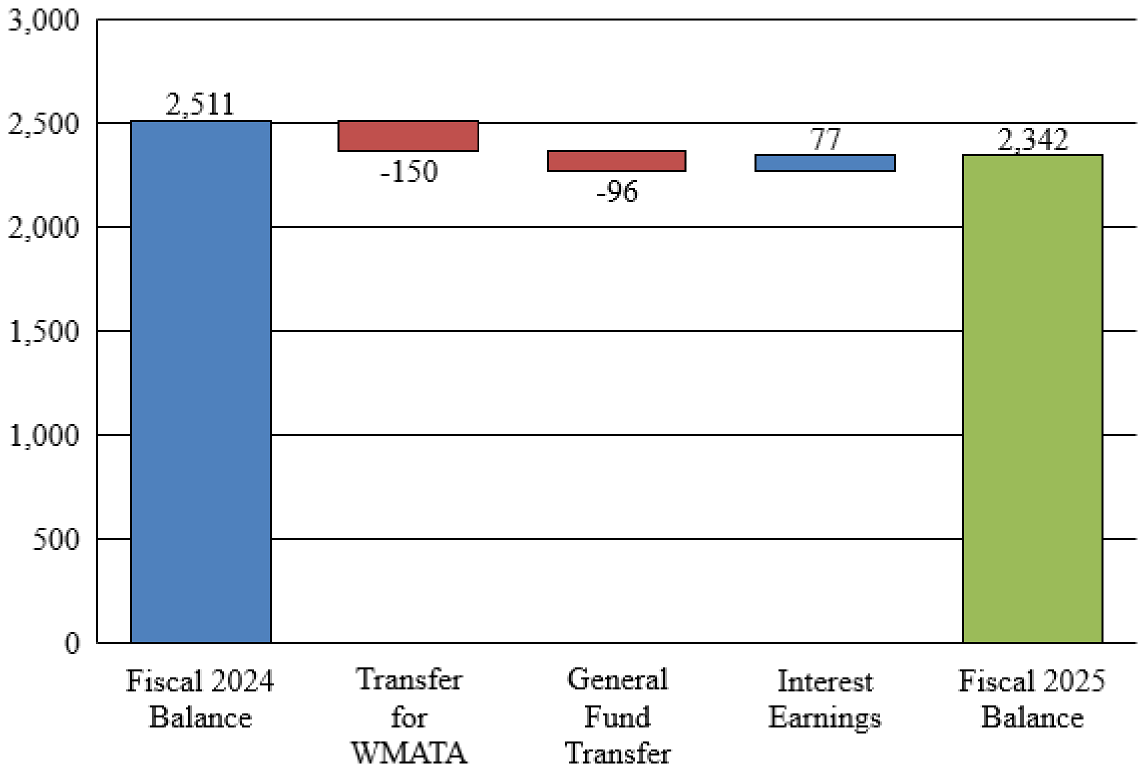
The Rainy Day Fund was established in 1986 to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth. Section 7-311 of the State Finance and Procurement Article requires that an amount equal to the unappropriated general fund surplus exceeding $10 million from two fiscal years prior to the allowance year shall be appropriated into the Rainy Day Fund. An appropriation totaling at least $50 million is required if projected revenues in the fund are less than 7.5% of general fund revenues.

Chapter 557 of 2017 required that for fiscal 2021 and beyond, for surpluses above $10 million, the first $100 million is divided between 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. Amounts above $110 million are credited to the Rainy Day Fund.

Fiscal 2023 ended with an unappropriated general fund balance totaling $555.5 million. The General Fund retains $10 million of this surplus. Chapter 557 requires a $25 million appropriation to each the Pension System and Post-retirement Health Benefits Trust Fund (typically done through the DPA), as well as a $495 million appropriation to the Rainy Day Fund. However, language in the fiscal 2025 Budget Bill would delete these appropriations contingent on the enactment of the BRFA of 2024 repealing those requirements. **DLS recommends reducing the Rainy Day Fund appropriation by $495 million, reducing the DPA appropriation by $50 million, and deleting language making these reductions contingent on legislation.**

The Governor's Budget plan includes a drawing down of $246.4 million from the Rainy Day Fund, as shown in **Exhibit 1**:

Exhibit 1
Fiscal 2025 Planned Draw Down of the Rainy Day Fund
($ in Millions)



Rainy Day Fund: Revenue Stabilization Account
WMATA: Washington Metropolitan Area Transit Authority

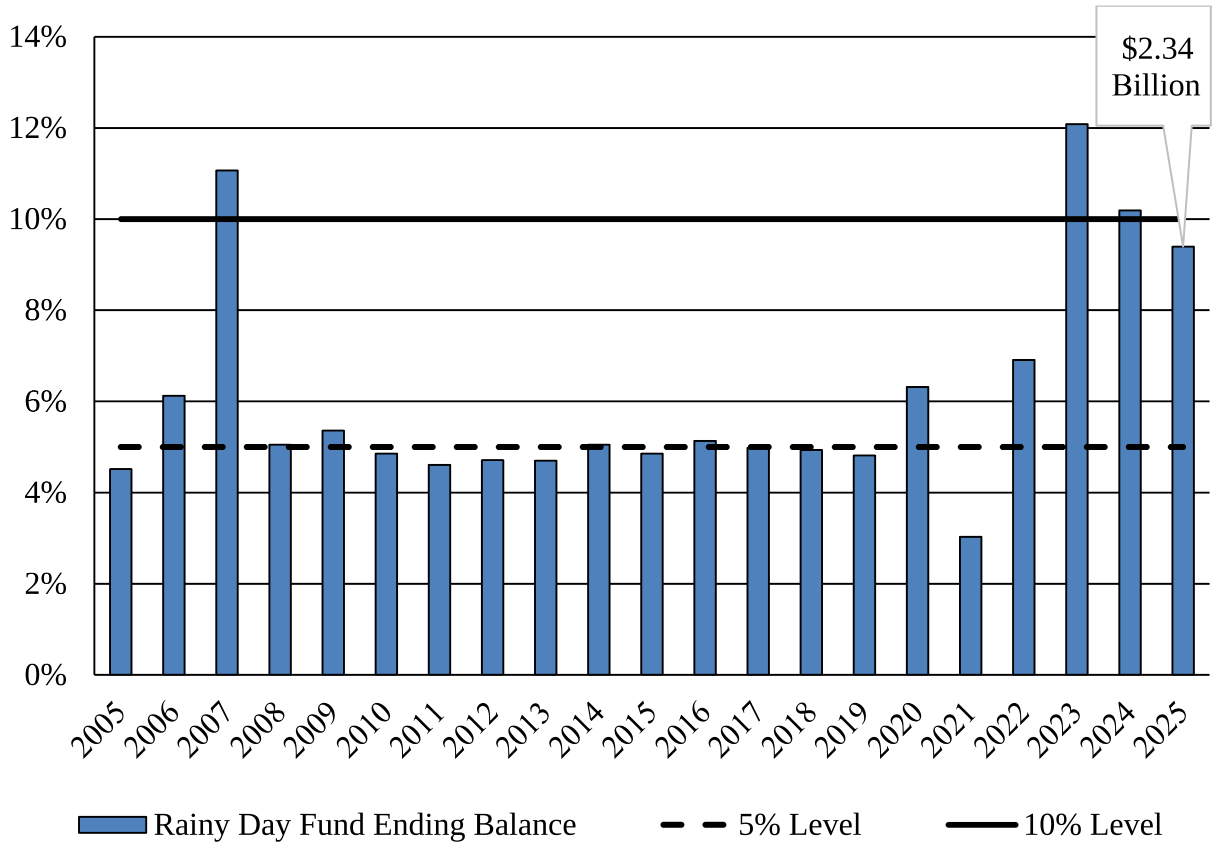
Source: Governor's Fiscal 2025 Budget Books; Department of Legislative Services

- $150 million to the general fund which the Administration indicates was then used to fund a general fund operating grant for the Washington Metropolitan Area Transit Authority (WMATA) via an appropriation to the DPA (discussed further in the next section of this analysis); and

- $96.4 million to the General Fund due to excess money in the Rainy Day Fund.

As shown in **Exhibit 2**, based on these actions, the estimated fiscal 2025 closing balance of the Rainy Day Fund is $2.34 billion, or 9.4%, of general fund revenues.

Exhibit 2
Rainy Day Fund Balance as a Percentage of General Fund Revenues
Fiscal 2005-2025 Allowance



Rainy Day Fund: Revenue Stabilization Account

Source: Department of Legislative Services

DPA

The DPA, also established in 1986, retains appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain and to meet expenditure requirements that may be affected by changes in federal law or fiscal policies or other contingencies. The unspent balance of an appropriation reverts to the Rainy Day Fund four years after the end of the fiscal year for which the appropriation was made.

Exhibit 3 provides detail on how the $30 million fiscal 2024 deficiency and fiscal 2025 appropriation is allocated by purpose.

Exhibit 3
Dedicated Purpose Account
Appropriations by Purpose
Fiscal 2024 Deficiency and Fiscal 2025 Allowance
($ in Millions)

Description	**Amount**
Fiscal 2024 Deficiency	
State Center Agency Moving Costs	$30.0
Fiscal 2025 Allowance	
WMATA Operating Grant	$150.0
Climate Solutions Now SEIF funds	90.0
Inner Harbor Promenade Infrastructure PAYGO	30.0
End the Wait – Medicaid Waiver	10.0
Enhance Services Continuum at DJS	7.0
JHU Data Center PAYGO	7.0
DJS Community Investment Initiative	5.0
State Center Demolition PAYGO	5.0
Rebuild State Government	3.0
Funding for Apprenticeship Positions in State Government	2.5
Total	**$339.5**

DJS: Department of Juvenile Services
JHU: Johns Hopkins University
PAYGO: pay-as-you-go
SEIF: Strategic Energy Investment Fund
WMATA: Washington Metropolitan Area Transit Authority

Note: Does not include funds reduced contingent on legislation

Source: Governor's Fiscal 2025 Budget Books; Department of Legislative Services

Annual or Recurring Appropriations Included in Budget

The DPA includes several appropriations that appear regularly. Funding for assisting State agencies with their moves from State Center was included in fiscal 2022 ($50 million) in addition to the $30 million 2024 deficiency appropriation.

Section 19 of Chapter 101 (fiscal 2024 Budget Bill) provided $6 million of general funds in the DPA for costs associated with End the Wait initiatives in Medicaid waivers. The fiscal 2025 allowance includes an additional $10 million in general funds in the DPA for provider recruitment strategies and capacity building for providers as part of the End the Wait initiatives.

The fiscal 2025 allowance includes $3 million in funding for Rebuilding State Government, in addition to $2.0 million that was provided in the fiscal 2024 budget. the fiscal 2024 funds were used to conduct a market study of State employee salaries in order to improve the competitiveness of the State's compensation and to conduct a Statewide workplace culture survey. The fiscal 2025 funding will be used to enhance diversity, equity, and inclusion in the State workforce, as well as developing plans to improve workplace culture and enhance recruitment. The fiscal 2025 allowance would also provide for 1 position in the Department of Budget and Management's (DBM) Office of Personnel Services and Benefits to develop and oversee a training and professional development program. This topic is further discussed in the operating budget analysis for F10A02 – DBM Personnel.

The fiscal 2023 budget included an appropriation of $25.0 million for apprenticeship initiatives in the DPA Although $5.0 million was transferred by budget amendment to MDL in fiscal 2023, MDL reverted all $5.0 million back to the DPA, and the full $25.0 million remains available. The recommendations of the Apprenticeship 2030 Commission, which is scheduled to complete its work by December 2024, may guide the use of this funding. Further discussion of this program can be found in the operating budget analyses for F10A02 – DBM Personnel and P00 – MDL. The fiscal 2025 allowance includes $2.5 million for apprenticeship roles in State government. DBM has been working with MDL and other State agencies to identify positions with high vacancies and develop apprenticeship paths. The focus of this program would be in the Maryland Department of Health (MDH), Department of Public Safety and Correctional Services (DPSCS), and the State Department of Assessments and Taxation.

The mandated dedicated capital grant for WMATA required by Chapters 351 and 352 of 2018 that has in recent years been funded with general funds in the DPA is instead funded with general obligation (GO) bonds in the Maryland Consolidated Capital Bond Loan of 2024. The fiscal 2025 allowance, however, includes a $150 million general fund appropriation in the DPA for an operating grant to WMATA. Further discussion of WMATA funding can be found in the budget analysis for J00A0104 – Maryland Department of Transportation (MDOT) WMATA.

New or One-time Appropriations

The fiscal 2025 allowance to the DPA includes $90 million in special funds from the SEIF. The funds are intended to support the implementation Chapter 38 of 2023 (the Climate Solutions Now Act) and the State's Climate Pollution Reduction Plan. The BRFA includes a provision authorizing the transfer of $90 million to the DPA for this purpose and specifies that at least 50% of the transferred funds be given to programs that support low-to-moderate income communities in a census tract with an average median income at or below 80% of the average median income for the State or overburdened or underserved communities. In budget hearing testimony, the Maryland Energy Administration identified fund balances that would be transferred under this provision. **Exhibit 4** shows the source accounts for the funds proposed to be transferred from the SEIF, as well as the fiscal 2025 balance remaining in each account.

Exhibit 4
Estimated Strategic Energy Investment Fund Account Balances
Fiscal 2024-2025
($ in Millions)

	2024	2025	Proposed Transfer	Remaining Balance
Energy Assistance	$39.5	$13.8	$8.0	$5.8
Low and Moderate Income Energy Efficiency	15.5	14.5	10.5	4.0
Energy Efficiency in All Sectors	13.0	13.3	6.6	6.7
Renewable Energy and Climate Change	20.1	9.4		9.4
Administration	10.7	43.5	21.8	21.7
Subtotal RGGI-Sourced Subaccounts	***$98.8***	***$94.5***	***$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
Pepco/Exelon Merger Most Favored Nation Provision	0.0	0.0		
AltaGas/WGL Settlement (Maryland Gas Expansion Fund)	1.6	1.6		1.6
Subtotal Non-RGGI-sourced Subaccounts	***$185.0***	***$86.8***	***$43.1***	***$43.7***
Total All Subaccounts	**$283.8**	**$181.3**	**$90.0**	**$91.3**

ACP: Alternative Compliance Payment
RGGI: Regional Greenhouse Gas Initiative

Source: Maryland Energy Administration

Although, as noted, the BRFA as introduced includes a provision authorizing this transfer, the appropriation to the DPA in the Budget Bill is not contingent on legislation authorizing the transfer. **DLS recommends adding language to the budget making this appropriation contingent on the enactment of legislation authorizing the transfer of funds from the SEIF. DLS also recommends adding a provision to the BRFA that would restrict funds from being**

transferred from the Energy Assistance account and direct that more of the transfer come from the Administration account balance.

The DPA also includes pay-as-you-go (PAYGO) capital funding for three projects:

- ***Infrastructure at the Inner Harbor Promenade in Baltimore City ($30 Million):*** The project will construct a public promenade that guarantees public access to Baltimore's waterfront and surrounding area generally known as Inner Harbor Park. Final designs and construction costs will be informed by a citywide community engagement process. The preliminary estimated costs for the total build-out will be at least $200 million. The State had previously authorized $37.5 million for the project.

- ***Johns Hopkins University (JHU) Data Science and Computing Center ($7 Million):*** The project would construct a data science center on JHU's Bayview campus in Baltimore City. At the time of this writing, details on the total cost of the project were not available. Another $13 million in GO bonds is included in the capital budget for this project.

- ***State Center Demolition and Planning ($5 Million):*** This funding would provide for the development of plans for the demolition and reuse of the Baltimore State Center, a 28-acre site featuring several office buildings that has until recently housed the Baltimore offices of 12 State agencies. State Center tenants are relocating, leaving their offices vacant. The current plan is to transfer the property to Baltimore City to repurpose the property.

DBM states that it will introduce a Supplemental Budget that would move the Inner Harbor and JHU funding to the Department of General Services (DGS) budget.

Funding is provided in the fiscal 2025 allowance for two new initiatives at the Department of Juvenile Services (DJS): $7 million for the Enhanced Services Continuum initiative; and $5 million for the DJS Community Investment Initiative. The Enhanced Services Continuum aims to serve youth who come in contact with DJS by investing in community-based alternative programs. The Community Investment Initiative is a joint effort between DJS, DPSCS, and the Department of Human Services (DHS) aimed at enhancing services provided to shared clients of those departments in communities with high crime rates. Further discussion of these programs can be found in the operating budget analysis for V00A – DJS.

Activities No Longer Included in the DPA

There are several appropriations that are typically made to the DPA that are not included in the fiscal 2025 DPA allowance. The DPA included $10 million in fiscal 2023 and 2024 for grants to Maryland food banks; that funding is included in the fiscal 2025 allowance for the DHS Family Investment Administration.

A total of $362 million has been appropriated to the DPA for cybersecurity purposes since fiscal 2021: $10 million in fiscal 2021; $100 million in both fiscal 2022 and 2023; and $152 million in fiscal 2024. The fiscal 2024 funds were mandated per Chapter 243 of 2022, the Modernize Maryland Act, for the continued support of cybersecurity assessments and remediation, along with supporting the implementation of other requirements within the legislation. At the close of fiscal 2023, $55 million that had been transferred to the Department of Information Technology (DoIT) was reverted to the DPA. There is no fiscal 2025 appropriation in the DPA, and the BRFA includes a provision authorizing the transfer of $149.5 million allocated for cybersecurity purposes to the General Fund. The proposed transfer would leave $98.5 million in the DPA for this purpose. The State's response to cybersecurity concerns, including the use of appropriated resources, is discussed in greater detail in the fiscal 2025 budget analysis for F50 – DoIT.

Key Observations

1. DPA Retains More Than $1 Billion in Prior Year Appropriations

As noted above, funds appropriated to the DPA can remain up to four fiscal years after the close of the fiscal year in which it was appropriated. However, it has been rare for the fund to carry over any balance; between fiscal 2008 and fiscal 2021, the largest closing balance for the fund was $43.9 million in fiscal 2020. The largest closing balance since 2000 was $142.6 million in fiscal 2007. In contrast, the fiscal 2023 closing balance was $527.8 million. Including new appropriations in fiscal 2024 and 2025 and excluding $400 million for the Blueprint Fund and $100 million expected to be transferred to MDOT soon, the DPA could begin fiscal 2025 with approximately $800 million in funds to be used for a wide variety of State projects, programs, and priorities. The expansion of funding in the DPA is due, in part, to the significant surpluses seen in the State budget in recent years, resulting in large amounts of funding being provided for specified purposes. Additionally, in fiscal 2023, the DPA was an avenue for the Governor to provide funding for agreed upon legislative priorities.

As shown in **Exhibit 5**, more than $1 billion in funds from fiscal 2024 or earlier appropriations remain in the DPA.

Exhibit 5
Funds Remaining in Dedicated Purpose Account
Fiscal 2022-2024 Appropriations
($ in Millions)

Purpose	Funds Available
Blueprint for Maryland's Future	$400.00
Transportation	100.00
Cybersecurity	98.46
Facilities Renewal – State Agencies	90.00
State Center Relocation	73.40
New Veterans Home	59.06
Various PAYGO Projects	48.00
Facilities Renewal – Higher Education	33.16
Trauma Facilities	9.50
Veterans Home	6.33
End the Wait – Medicaid Waivers	6.00
Awards to Erroneously Confined Individuals	5.23
Rebuild State Government and Modernize HR practices	2.00

Purpose	Funds Available
Fiscal 2023 Legislative Priorities Multi-year Use	
Autism Waiver Expansions	27.40
Apprenticeships	25.00
New Unified Financial Aid System for Higher Education	8.00
Fiscal 2023 Legislative Priority Funding Reverted Back to DPA by Agencies	
Assisted Living Facilities	7.34
LEAP	4.50
Strategic Plan for Shady Grove	3.69
State Police Gun Center	1.37
Alzheimer's Services and Research	1.12
Maryland New Start Act	0.18
Assistance to Nursing Homes	0.13
Hospital Assistance/Workforce Support	0.11
Grants to Police Departments to Coordinate Task Forces that Cross Jurisdictional Boundaries	0.10
Center for Neuroscience of Social Injustice at Kennedy Krieger Institute	0.10
Greater Baltimore Regional Integrated Crisis System	0.05
Total	**$1,010.17**

* Includes fiscal 2024 deficiency appropriation.

LEAP: Learning in Extended Academic Programs
PAYGO: pay-as-you-go

Source: Department of Legislative Services

Below is an update on the status of selected funds currently remaining in the DPA from fiscal 2024 or earlier allocations:

- ***Blueprint for Maryland's Future:*** This funding is intended as a down payment on future obligations. DBM advises that it is basing the timing of the transfer of funds to the Blueprint Fund on the best way to maximize interest earnings.

- ***Transportation Funding:*** These funds, which are authorized to be used for matching federal transportation funding, the proposed Red Line transit project in Baltimore City, or a rail transit project in southern Maryland, were restricted pending a report from MDOT. That report has been submitted, and a budget amendment to transfer the funds is imminent.

- ***State Center Relocation Costs:*** The move of State agencies has seen several delays, leading to the slow pace of usage of these funds. DGS reverted $ 2.5 million to the DPA at the close of fiscal 2023.

- ***Department of Natural Resources (DNR) Critical Maintenance:*** Of the $90 million remaining for State agency facilities renewal, $25 million is for critical maintenance projects at DNR. This topic is discussed further in the analysis for KA00 – DNR.

- ***Various PAYGO Projects:*** The BRFA includes a provision to transfer $44 million in funds from the DPA that were allocated to 3 projects: 2100 Guilford Avenue ($28.9 million); the Maryland Department of Emergency Management Headquarters at Camp Fretterd ($9.1 million); and the Conowingo Dam dredging project ($6 million). After these proposed transfers, the DPA retains $48 million for various PAYGO capital projects.

- ***Fiscal 2023 Legislative Priorities Planned to Have Multi-year Use:*** Funds to expand autism waivers, support apprenticeship programs in the State, and develop a financial aid system for higher education were expected to require multiple years before funds were exhausted.

- ***Funding for Fiscal 2023 Legislative Priorities Reverted to the DPA:*** State agencies reverted $18.7 million in funding to the DPA that had been transferred to respective agencies to fund legislative priorities. The reverted funds include $7.3 million (out of $20 million originally transferred) from MDH for assisted living facilities and $4.5 million (the entire amount transferred) from the Maryland State Department of Education for Learning in Extended Academic Programs. The BRFA includes a provision to transfer $355,760 from the DPA to the General Fund. The source of the transfer is not specified. **DLS recommends a BRFA amendment transferring the unspent assisted living ($7.3 million), nursing home ($0.1 million), and hospital funds ($0.1 million) to the General Fund as the dollars were originally appropriated as one-time COVID assistance of which $82.4 million was spent in fiscal 2023; and transferring unspent Learning in Extended Academic Programs funds ($4.5 million) to the General Fund as the program has ended.**

DBM should brief the budget committees on options for the usage of the other remaining funds, including an anticipated schedule for the transfer of funds, whether they will be re-transferred to the respective agencies to be used for their originally designated purpose, or if they could be transferred to the General Fund.

Operating Budget Recommended Actions

1. Strike the following language to the general fund appropriation:

   ~~, provided that $495,497,068 of this appropriation shall be reduced contingent on the enactment of legislation eliminating the required Revenue Stabilization Account appropriation for fiscal 2025.~~

   Explanation: This action strikes contingent language that is not needed for the General Assembly to reduce the appropriation directly.

	Amount Change	
2. Delete the appropriation to the Revenue Stabilization Account. Adequate funding exists to meet Spending Affordability Committee goals without the statutory appropriation in fiscal 2025.	-$ 495,497,068	GF

3. Amend the following language:

   ~~OPEB Sweeper 25,000,000~~
   ~~Pension Sweeper 25,000,000~~

   Explanation: This action strikes the line-item appropriations for funds that are being reduced by the General Assembly.

4. Strike the following language to the general fund appropriation:

   ~~, provided that $25,000,000 of this appropriation shall be reduced contingent upon the enactment of legislation eliminating the fiscal 2025 payment to the Postretirement Health Benefits Trust Fund.~~

   Explanation: This action strikes contingent language that is not needed in order for the General Assembly to reduce the appropriation directly.

5. Strike the following language to the general fund appropriation:

   ~~Further provided that $25,000,000 of this appropriation shall be reduced contingent upon the enactment of legislation reducing the amount of retirement reinvestment contributions.~~

   Explanation: This action strikes contingent language that is not necessary for the General Assembly to reduce the appropriation directly.

	Amount Change	
6. Delete the appropriation for the other postemployment benefits sweeper contribution.	-$ 25,000,000	GF
7. Delete the appropriation for the pension sweeper. The fiscal 2025 funding for the pension system meets actuarial requirements.	-$ 25,000,000	GF

8. Add the following language to the special fund appropriation:

   <u>, provided that this appropriation for the purpose of implementation of Chapter 38 of 2023 (the Climate Solutions Now Act) and the State's Climate Pollution Reduction Plan is contingent on the enactment of SB362 or HB352 authorizing the transfer of funds from the Strategic Energy Investment Fund.</u>

   Explanation: This action makes the special fund appropriation to the Dedicated Purpose Account contingent on legislation authorizing the transfer of funds. The Budget Reconciliation and Financing Act of 2024 includes a provision authorizing the transfer.

	Amount Change	
9. Reduce the deficiency appropriation to the Catastrophic Event Account (CEA) to reflect recent federal budget actions while still maintaining the CEA balance at $10 million.	-$ 9,418,934	GF
Total Net Change to Fiscal 2024 Deficiency	**-$ 9,418,934**	
Total General Fund Net Change to Allowance	**-$ 545,497,068**	

Budget Reconciliation and Financing Act Recommended Actions

1. The Department of Legislative Services recommends amending the provision in the Budget Reconciliation and Financing Act to prohibit funds from being transferred to the Dedicated Purpose Account (DPA) from the Energy Assistance account in the Strategic Energy Investment Fund and direct additional transfers to occur from the Administration account balance for the transfer to the DPA.

2. The Department of Legislative Services recommends a Budget Reconciliation and Financing Act amendment transferring the unspent assisted living ($7.3 million), nursing home ($0.1 million), and hospital funds ($0.1 million) to the General Fund, as the dollars were originally appropriated as one-time COVID assistance, and transferring the unspent Learning in Extended Academic Programs funds ($4.5 million) to the General Fund as the program has expired with the funds unused.

Appendix 1
Rainy Day Fund Activity
Fiscal 2023-2025
($ in Millions)

	Rainy Day Fund
Closing Balance June 30, 2022	**$1,662.3**
Fiscal 2023 Appropriations	$2,415.8
Transfer to the General Fund	-1,166.2
Legislative Priorities and other uses	-69.0
Interest Earnings	114.7
Closing Balance June 30, 2023	**$2,957.6**
Fiscal 2024 Appropriations	$500.0
Transfer to the General Fund	-479.0
Transfer to the Blueprint Fund	-500.0
Transfer for Transportation Purposes	-100.0
Estimated Interest Earnings	132.9
Estimated Balance June 30, 2024	**$2,511.5**
Fiscal 2025 Appropriation	$0.0
Proposed Transfer to General Fund for WMATA Operating Grant	-150.0
Proposed Transfer to General Fund	-96.4
Estimated Interest Earnings	76.7
Estimated Balance June 30, 2025	**$2,341.8**

Rainy Day Fund: Revenue Stabilization Account
WMATA: Washington Metropolitan Area Transit Authority

Note: Fiscal 2025 appropriation reflects reductions contingent on legislation.

Appendix 2

Revenue Stabilization Account (Rainy Day Fund)

Section 7-311 State Finance and Procurement Article

Account Characteristics

- ***Purpose:*** The account was established in 1986 to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth.

- ***Appropriations:*** The account consists of direct appropriations in the budget bill and interest earned from all reserve fund accounts.

- ***Required Appropriations if Account Balance Is Less Than 7.5% of General Fund Revenues:*** Current law requires that if the fund balance is between 3% and 7.5% of projected general fund revenues, annual appropriations of at least $50 million must be made until the account balance reaches 7.5% of estimated general fund revenues. If the account balance is below 3%, State law requires an appropriation of at least $100 million.

- ***Sweeper Provision:*** State law requires that the Administration appropriate an amount equal to any unassigned general fund balance at closeout in excess of $10 million into the Rainy Day Fund. This appropriation is made to the budget two years after the unassigned general fund surplus is realized. For example, fiscal 2020 closed with an unassigned surplus totaling $585.8 million, thus the Administration's fiscal 2022 allowance included a $575.8 million appropriation to the Rainy Day Fund. This appropriation to the Rainy Day Fund is referred to as the "sweeper."

  - Chapter 557 required that for fiscal 2021 and beyond, for surpluses above $10 million, the first $100 million is divided between 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. The appropriation for the pension and health benefits sweepers are typically made into the DPA. However, the fiscal 2025 allowance would reduce all three of these appropriations contingent on the enactment the BRFA, which repeals those requirements for fiscal 2025.

Mechanisms for Transferring and Spending Funds

The Governor can transfer balance from the Rainy Day Fund above 5% of estimated general fund revenues in the Budget Bill. To transfer an amount that would reduce the Rainy Day Fund balance below 5% requires the transfer to be authorized in an Act of the General Assembly other than the Budget Bill.

Appendix 3

Dedicated Purpose Account

Section 7-310 State Finance and Procurement Article

Account Characteristics

- ***Purpose:*** The account was established in 1986 to retain appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain and to meet expenditure requirements that may be affected by changes in federal law or fiscal policies or other contingencies.

- ***Appropriations:*** The account consists of direct appropriations in the budget bill committed to a specific purpose. Interest earnings generated by the account are credited to the Rainy Day Fund.

- ***Other:*** The unspent balance of an appropriation reverts to the Rainy Day Fund four years after the end of the fiscal year for which the appropriation was made.

Mechanisms for Transferring and Spending Funds

To transfer funds from the DPA:

- Funds may be reflected in the State budget subject to appropriation;

- After submission to the budget committees and review and approval by the Legislative Policy Committee (LPC), funds may be transferred by budget amendment to the appropriate Executive Branch agency; or

- The Governor may declare appropriations to the DPA surplus and may transfer funds by budget amendment to the Rainy Day Fund, following review by the budget committees and LPC.

Appendix 4
Catastrophic Event Account
Section 7-324 State Finance and Procurement Article

Account Characteristics

- ***Purpose:*** The account was established in 1990 to enable the State to respond quickly to a natural disaster or catastrophe that could not be addressed within existing State appropriations.

- ***Appropriations:*** The account consists of direct appropriations in the budget bill. Interest earnings generated by the account are credited to the Rainy Day Fund.

Mechanisms for Transferring and Spending Funds

Prior to transferring funds by budget amendment to the appropriate Executive Branch agency, the Administration must notify LPC of the proposed amendment and allow the committee to review and approve the proposed amendment. The committee has 15 days to review and comment.

Appendix 5

Fiscal Responsibility Fund

Section 7-330 State Finance and Procurement Article

The Fiscal Responsibility Fund (FRF) is not a budgeted account within the State Reserve Fund. Authorized appropriations from the FRF are budgeted directly within the agency budgets. For administrative purposes however, actions relating to the underlying revenue volatility calculation that distributes revenues to the FRF or other accounting maneuvers impacting the FRF balance are often discussed as a component of this analysis.

Account Characteristics

- ***Purpose:*** The account was established in 2017 to retain the amount of nonwithholding income tax revenues deposited to the fund in accordance with the revenue volatility calculation.

- ***Authorized Uses:*** Funds are to be used to address revenue shortfalls, maintain the equivalent of at least 6% of general fund revenues in the Rainy Day Fund, and support supplemental PAYGO capital funds for public school construction, public school capital improvement projects, capital projects at public community colleges, and capital projects at four-year public institutions of higher education.

Mechanisms for Allocating Revenues and Spending Funds

Calculation of Available Revenues

Chapters 4 and 550 of 2017 established a cap on income tax nonwithholding revenues. The cap applies when the share of estimated general fund revenues attributable to income tax nonwithholding sources exceed the 10-year average. If nonwithholding revenues as a percentage of general fund revenues are less than the 10-year average percentage, there is no effect. The cap requires reducing the estimate of nonwithholding income tax revenues so that nonwithholding income tax revenues do not exceed the 10-year average. In some years, actual income tax nonwithholding revenues will exceed the capped estimate. In those years, the excess revenues are to be distributed (1) to close any revenue gap for the fiscal year; (2) to the Rainy Day Fund (if the account is less than 6.0% of general fund revenues) the amount that is required to provide a balance in the account of 6.0% of general fund revenues; and (3) the remainder split 50.0% to the Rainy Day Fund (until a maximum balance of 10% is achieved) and 50.0% to the FRF. If the Rainy Day Fund balance exceeds 10% of general fund revenues, 100% of the remainder is directed toward the FRF.

Chapter 538 altered the amount of adjustment made to general fund revenues, slowing the phase-in to the goal of setting aside 2% of general fund revenues from the revenue estimate. Per statute, the adjustment made may not exceed the following percentage of total General Fund Revenues or dollar value in a specified fiscal year:

- 0.225% for fiscal 2020;
- $0 for fiscal 2021;
- $80 million for fiscal 2022;
- $100 million for fiscal 2023; and
- $120 million for fiscal 2024.

The BRFA would alter the caps in fiscal 2025 and 2026:

- From $140 million to $100 million for fiscal 2025; and
- From 2% to $100 million for fiscal 2026.

For fiscal 2027 and each fiscal year thereafter, the cap would be 2% of general fund revenues, unchanged from current law.

Expenditure Requirements

The Governor must include in the budget bill for the second following fiscal year an appropriation equal to the amount in the fund for the authorized uses defined above. Authorized uses of the fund include public school construction and capital projects for higher education institutions.

Money expended from the fund for PAYGO capital projects is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for capital projects, including those funded with PAYGO funds and the proceeds from the sale of GO bonds.

Fiscal Responsibility Fund Activity

In fiscal 2022, nonwithholding revenues exceeded the capped Board of Revenue Estimates estimate by $870.3 million. Pursuant to the requirements of Chapters 4 and 550, as amended by subsequent BRFAs, the Comptroller distributed $500.2 million to the Rainy Day Fund, bringing its total balance to $1.66 billion. The remaining $370.0 million was distributed to the FRF.

The fiscal 2024 budget is the first year of appropriated funds from the FRF, allocating $40 million in fiscal 2023 and $20 million in fiscal 2024 to support a 4.5% employee cost-of-living adjustment (a one-time allowed use of the fund) and $310 million in fiscal 2024 to supplement education and higher education capital funding.

Appendix 6
Object/Fund Difference Report
State Reserve Fund

Object/Fund	FY 23 Actual	FY 24 Working Appropriation	FY 25 Allowance	FY 24 - FY 25 Amount Change	Percent Change
Objects					
12 Grants, Subsidies, and Contributions	$ 4,205,388,848	$ 1,363,222,732	$ 854,957,068	-$ 508,265,664	-37.3%
Total Objects	**$ 4,205,388,848**	**$ 1,363,222,732**	**$ 854,957,068**	**-$ 508,265,664**	**-37.3%**
Funds					
01 General Fund	$ 4,205,388,848	$ 1,363,222,732	$ 764,957,068	-$ 598,265,664	-43.9%
03 Special Fund	0	0	90,000,000	90,000,000	N/A
Total Funds	**$ 4,205,388,848**	**$ 1,363,222,732**	**$ 854,957,068**	**-$ 508,265,664**	**-37.3%**

Note: The fiscal 2024 appropriation does not include deficiencies. The fiscal 2025 allowance does not include contingent reductions.