

**Department of Legislative Services**  
 Maryland General Assembly  
 2021 Session

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

Senate Bill 640 (Senator Elfreth)  
 Budget and Taxation

**Emergency Community Services Fund**

This bill establishes the Emergency Community Services Fund, administered by the Department of Budget and Management (DBM), to enable the State to respond without undue delay to increased demand for community services during a state of emergency or periods of increased unemployment. Beginning in fiscal 2023, the Governor must include \$10.0 million in the annual budget bill for the fund. If a state of emergency has been declared by the Governor, or if seasonally adjusted total employment is negative as compared with the previous six-month period, the Governor may, after notice to and approval by the Legislative Policy Committee (LPC), transfer monies in the fund by budget amendment to provide supplemental funding for (1) food and nutrition assistance programs; (2) rental assistance and services for residential tenants; and (3) energy assistance programs. The fund may not be used to offset operating deficiencies in regular programs of State government. DBM must submit a report to LPC and the budget committees by December 1 annually on the activities of the fund. **The bill takes effect July 1, 2021.**

**Fiscal Summary**

**State Effect:** No effect in FY 2022. General fund expenditures and special fund revenues increase by \$10.0 million annually beginning in FY 2023, reflecting the bill’s mandated appropriation. Special fund expenditures increase beginning as early as FY 2023 to the extent that available funds are spent. **This bill establishes a mandated appropriation beginning in FY 2023.**

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	\$0	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
GF Expenditure	\$0	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
SF Expenditure	\$0	-	-	-	-
Net Effect	\$0	(-)	(-)	(-)	(-)

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

**Local Effect:** Local government revenues and expenditures increase beginning as early as FY 2023 to the extent that additional State grants are provided to local governments as a result of the bill, as discussed below.

**Small Business Effect:** Potential minimal.

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## Analysis

**Bill Summary:** The State Treasurer must hold the fund separately, and the Comptroller must account for the fund. The fund consists of money appropriated in the State budget to the fund; interest earnings; and any other money from any other source accepted for the benefit of the fund. The State Treasurer must invest the money of the fund in the same manner as other State money may be invested. Interest earnings are credited to the fund.

Monies from the fund may be used only to provide supplemental funding to programs and services receiving funding in accordance with the State budget in the fiscal year in which the funds are provided. Money expended from the fund is not intended to take the place of funding that would otherwise be appropriated.

### *Required Notice and Information*

On submission of notice to LPC of a proposed budget amendment to transfer monies from the fund, the Governor must provide to LPC and the budget committees a detailed description of (1) the agency to which the funds will be distributed; (2) the proposed use of the funds; (3) the manner in which the proposed use meets the needs for the uses authorized under the bill; (4) the degree to which the proposed use of funds will address economic hardships resulting from increased unemployment or the state of emergency; and (5) the degree to which available sources of federal financial support have been sought and will be utilized.

### *Required Report*

By December 1 annually, DBM must submit a report to LPC and the budget committees that includes a detailed description for the preceding fiscal year of (1) the amount of funds transferred and distributed under the bill; (2) the additional services provided by the funding; (3) the amount of any unspent funds; and (4) the reasons any funds were not spent.

**Current Law:** In March 2020, the Governor declared a state of emergency and the existence of a catastrophic health emergency to deploy resources and implement the emergency powers of the Governor to control and prevent the spread of COVID-19.

Chapter 12 of 2020 authorized the Governor to transfer by budget amendment up to \$50.0 million from the Revenue Stabilization Account (Rainy Day Fund) to the expenditure accounts of the appropriate units of State government to fund costs associated with COVID-19. Chapter 538 of 2020 authorized the Governor to transfer up to an additional \$100.0 million from the Rainy Day Fund during calendar 2020 to fund costs associated with COVID-19. The Rainy Day Fund was established to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth. Statute limits transfers from the fund and prohibits transferring funds by budget amendment.

Additionally, the State has received a significant amount of federal aid in response to the COVID-19 pandemic through the federal Coronavirus Aid, Relief, and Economic Security Act; Families First Coronavirus Response Act; and Consolidated Appropriations Act of 2021. For detailed information on federal legislation regarding COVID-19 and federal funding for Maryland to address COVID-19, see the **Appendix – COVID-19**.

**State Fiscal Effect:** The bill requires the Governor to include in the annual budget bill an appropriation of \$10.0 million to the Emergency Community Services Fund beginning in fiscal 2023. Thus, general fund expenditures increase by \$10.0 million annually beginning in fiscal 2023. Special fund revenues increase by the same amount, reflecting the receipt of the mandated appropriation. As there is already substantial assistance being provided for the services mentioned in the bill in the Governor’s proposed fiscal 2022 budget and related legislation, a contribution to the fund is not anticipated in fiscal 2022.

Special fund expenditures increase beginning as early as fiscal 2023 to the extent that funds available in the Emergency Community Services Fund are spent to provide supplemental funding for eligible programs. As noted above, the funds may be spent only under a declared state of emergency or during periods of increased unemployment. Thus, the timing of special fund expenditures from the Emergency Community Services Fund depends on the timing of such conditions.

**Local Fiscal Effect:** To the extent that funds available in the Emergency Community Services Fund are used to provide supplemental grant funding to local governments through eligible programs, local government revenues and expenditures increase. However, the timing and amount of any such funding is uncertain.

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## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 935 (Delegate Bartlett) - Appropriations.

**Information Source(s):** Maryland State Department of Education; Department of Budget and Management; Department of Housing and Community Development; Maryland Energy Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 2021  
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## Appendix – COVID-19

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In December 2019, a novel strain of coronavirus known as severe acute respiratory syndrome coronavirus 2 emerged in Wuhan, China. Coronavirus disease (COVID-19) is an infectious disease caused by this virus. As the number of cases spread globally by March 2020, the World Health Organization declared COVID-19 a pandemic.

### *Testing, Cases, and Deaths in Maryland*

Maryland's first three confirmed cases of COVID-19 were recorded on March 6, 2020, with the first two deaths occurring March 16, 2020. As of January 27, 2021, Maryland reported a total of 346,559 confirmed cases, 31,468 individuals ever hospitalized, and 6,821 confirmed deaths. The jurisdictions with the highest number of cases have been Prince George's, Montgomery, and Baltimore counties and Baltimore City. Statewide, 8.4% of cases (28,954) and 45.9% of COVID-19 deaths (3,130) occurred in congregate living settings (*i.e.*, nursing homes, assisted living, and group homes). Updated data on COVID-19 in Maryland is available on the Maryland Department of Health (MDH) dashboard: <https://coronavirus.maryland.gov>.

### *Vaccines*

In December 2020, the U.S. Food and Drug Administration approved both Pfizer-BioNTech and Moderna's COVID-19 vaccines for emergency use. Due to limited quantities, distribution began with priority groups as determined by states. Maryland began distribution in January 2021 with Phase 1A, which includes health care workers, residents and staff of nursing homes, first responders, public safety, corrections staff, and front-line Judiciary staff. Phase 1B began January 18, 2021, and includes residents of assisted living facilities and other congregate settings, adults age 75 and older, staff of K-12 schools and child care facilities, high-risk incarcerated individuals, and those involved in continuity of government. As of January 27, 2020, the State is in Phase 1C, which includes adults aged 65 and older, additional public safety and public health workers, and essential workers in food/agriculture, manufacturing, public transit, and the postal service. Phase 2 will include individuals aged 16 to 64 at increased risk of severe illness, incarcerated adults, and remaining essential workers. Phase 3 will include the general public. As of January 27, 2021, 852,625 doses of the vaccine have been distributed, and 419,579 doses have been administered (363,282 first doses and 56,297 second doses). Updated data is available on the MDH dashboard: [coronavirus.maryland.gov/#Vaccine](https://coronavirus.maryland.gov/#Vaccine).

### *Declaration of a State of Emergency and Initial Executive Orders*

On March 5, 2020, Governor Lawrence J. Hogan, Jr. declared a state of emergency and the existence of a catastrophic health emergency to deploy resources and implement the emergency powers of the Governor to control and prevent the spread of COVID-19. The declaration, which has been renewed several times (most recently January 21, 2021), initiated a series of executive actions, including moving the Maryland Emergency Management Agency to its highest activation level, activating the National Guard, and closing all public schools. The Governor then ordered the closure of in-house dining at bars and restaurants and banned mass gatherings of more than 50 people. This action was followed by a more extensive stay-at-home order on March 30, 2020, requiring closure of all nonessential businesses. This order remained in effect until May 15, 2020.

### *Emergency Legislation*

Chapters 13 and 14 of 2020 (the COVID-19 Public Health Emergency Protection Act of 2020) authorized the Governor, for the duration of the emergency, to take actions relating to health insurance, Medicaid, retailer profits, employer actions, and personnel at State health care facilities as a result of the state of emergency and catastrophic health emergency. The Acts also authorize the Secretary of Labor to determine certain individuals eligible for unemployment insurance (UI) benefits due to COVID-19. The Acts terminate April 30, 2021.

### *Subsequent Executive Orders and Advisories*

Since March 2020, the Governor has issued numerous executive orders relating to COVID-19, including (1) closing Maryland ports and harbors to passenger vessels; (2) expanding child care access; (3) expanding the scope of practice for health care practitioners, activating the Maryland Responds Medical Reserve Corps, controlling and restricting elective medical procedures, closing adult day care centers, and providing additional health care regulatory flexibility; (4) augmenting emergency medical services; (5) prohibiting price gouging; (6) fast tracking lab testing processes; (7) authorizing expanded telehealth services; (8) delegating authority to local health officials to control and close unsafe facilities; (9) extending certain licenses, permits, and registrations; (10) authorizing remote notarizations; (11) prohibiting evictions of tenants suffering substantial loss of income due to COVID-19, additionally prohibiting certain repossessions, restricting initiation of residential mortgage foreclosures, and prohibiting commercial evictions; (12) regulating certain businesses and facilities and generally requiring the use of face coverings; (13) establishing alternate health care sites and authorizing regulation of patient care space in health care facilities; and (14) implementing alternative correctional detention and supervision.

## *Federal Legislation Regarding COVID-19*

Five federal emergency bills have been enacted to address the COVID-19 pandemic:

- the **Coronavirus Preparedness and Response Supplemental Appropriations Act**, which provided \$8.3 billion in emergency funds for federal agencies (including \$950 million through the U.S. Centers for Disease Control and Prevention for state and local response);
- the **Families First Coronavirus Response Act**, which addressed emergency family and medical leave and paid sick leave, specified insurance coverage of COVID-19 testing, and provided additional funding for nutrition assistance programs and unemployment benefits;
- the **Coronavirus Aid, Relief, and Economic Security (CARES) Act**, which included a Coronavirus Relief Fund for state and local governments; an Education Stabilization Fund for states, school districts, and institutions of higher education; a Disaster Relief Fund for state and local governments; additional funding for public health agencies to prevent, prepare for, and respond to COVID-19; funding for transit systems; an expansion and extension of eligibility for UI benefits, and additional temporary unemployment compensation of \$600 per week; \$349 billion for the establishment of the Paycheck Protection Program (PPP); a \$500 billion lending fund for businesses, cities, and states; and Economic Impact Payments to American households of up to \$1,200 per adult and \$500 per child;
- the **Paycheck Protection Program and Health Care Enhancement Act**, which provided an additional \$310 billion to PPP, \$75 billion for health care providers, \$60 billion for small business disaster loans, and \$25 billion for increased testing capacity; and
- the **Consolidated Appropriations Act, 2021, and Other Extensions Act**, which included \$908 billion in relief, including another \$284 billion for PPP, \$82 billion for schools, \$45 billion for transportation, \$25 billion in emergency assistance to renters, \$20 billion for vaccine distribution, \$13 billion for a major expansion in Supplemental Nutrition Assistance benefits, \$13 billion for agriculture and rural programs, \$10 billion for child care assistance, extended federal unemployment benefits of up to \$300 per week, extended the federal moratorium on evictions through January 31, 2021, and provided a second stimulus payment of up to \$600 per person.

## *Federal Funding for Maryland to Address COVID-19*

The CARES Act and the Families First Coronavirus Response Act provided Maryland with a significant amount of federal aid. More than \$6 billion in assistance has been made available to the State and local governments, including an enhanced federal matching rate for Medicaid. More than \$900 million was directly provided to local governments. The largest and most flexible portion of CARES Act funding is the Coronavirus Relief Fund, which totals \$2.3 billion, \$691 million of which was allocated directly to Baltimore City and Anne Arundel, Baltimore, Montgomery, and Prince George's counties.

CARES Act funding also included \$800 million for the Disaster Recovery Fund; \$696 million for transit grants; \$575 million in enhanced Medicaid matching funds (through December 2020); \$239 million in CDC grants; \$108 million for airports; \$74 million for community development block grants; \$50 million for homelessness assistance; \$46 million for grants for local education agencies and higher education institutions; \$46 million for child care and development block grants; \$36 million for public housing and rental assistance grants; \$24 million for community health centers; \$20 million for senior nutrition; \$19 million for energy assistance; \$18 million for justice assistance grants; \$17 million for administration of the UI program; \$14 million for community service block grants; \$13 million for emergency food assistance; \$8 million for Head Start; \$8 million for the Women, Infants, and Children program; and \$7 million for election security.

The Consolidated Appropriations Act is estimated to provide Maryland with \$1.2 billion for education (including \$869 million for K-12 education, \$306 million for higher education, and \$57.7 million for the Governor's Fund); \$1.1 billion for transportation (including \$830.3 million for transit in the Washington, DC area, \$149.3 million for highways, \$76.2 million for transit in Baltimore, \$22.5 million for airports, and \$9.1 million for rural area grants); more than \$475 million for health (including \$335.6 million for testing, \$75.3 million for vaccines, \$32.6 million for mental health assistance, and \$31.9 million for substance use assistance); \$402.4 million for rental assistance; and \$140.6 million for human services (including \$130.4 million for child care).