

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 321 (The President)(By Request - Administration)
 Budget and Taxation

Budget Reconciliation and Financing Act of 2025

This Administration bill executes actions to increase revenues, provide mandate relief, contain costs, use special funds in place of general funds, and reduce future year general fund expenditures, in addition to other actions. **Although the bill generally takes effect June 1, 2025, several provisions take effect July 1, 2025, or later.**

Fiscal Summary

State Effect: General fund revenues increase by \$662.5 million in FY 2025 and \$1.3 billion in FY 2026. General fund expenditures decrease by \$98.0 million in FY 2025 and \$915.5 million in FY 2026. Special fund revenues increase by \$31.0 million in FY 2025 and decrease by \$87.7 million in FY 2026. Special fund expenditures increase by \$84.6 million in FY 2025 and \$122.8 million in FY 2026. Federal fund and nonbudgeted revenues and expenditures also decrease. Future years reflect the ongoing effects of the bill. **This bill affects existing mandated appropriations.**

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	\$662.5	\$1,334.8	\$1,088.1	\$896.8	\$878.7
SF Revenue	\$31.0	(\$87.7)	\$407.7	\$657.0	\$807.8
FF Revenue	(\$2.8)	(\$4.0)	(\$6.0)	(\$20.0)	(\$20.0)
NonBud Rev.	\$0	(\$47.7)	(\$59.7)	(\$60.2)	(\$60.8)
GF Expenditure	(\$98.0)	(\$915.5)	(\$562.0)	(\$966.1)	(\$749.7)
SF Expenditure	\$84.6	\$122.8	\$69.6	\$321.6	\$200.7
FF Expenditure	(\$2.8)	(\$5.9)	(\$7.9)	(\$21.9)	(\$21.9)
NonBud Exp.	\$0	(\$15.8)	(\$27.7)	(\$28.2)	(\$28.8)
Net Effect	\$706.9	\$2,009.7	\$1,958.1	\$2,168.2	\$2,205.4

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

Local Effect: Local finances are generally affected beginning in FY 2026, as discussed below. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary: A brief overview of the bill's provisions is provided below. In general, the bill's actions increase revenues, provide mandate relief, contain costs, swap or transfer funds, and reduce future year general fund expenditures, in addition to various administrative and other actions.

Mandate Relief

- Reduces the amount of funding that the Governor must provide for tree planting on agricultural land from \$2.5 million to \$0.5 million for fiscal 2025 through 2031.
- Authorizes, beginning in fiscal 2026, instead of requires, the Governor to provide \$150,000 for the University of Maryland Extension and \$100,000 for the Maryland Department of Agriculture for specified personnel.
- Repeals, beginning in fiscal 2026, the requirement that the Governor provide at least \$350,000 in *general* funds for specified costs and investigations of the Office of the Attorney General (OAG), Consumer Protection Division, and instead requires, beginning in fiscal 2026, the use of *special* funds to meet this mandate.
- Repeals the requirement that the Governor provide in the annual budget bill an appropriation that, together with the amount received under the federal Victims of Crime Act in the prior year, totals an aggregate \$60.0 million for victim services providers and instead requires the Governor to provide a general fund appropriation of \$35.0 million for victim services providers.
- Eliminates the requirement that the Governor provide an appropriation of \$500,000 for the Maryland Watermen's Microloan Program in fiscal 2026.
- Reduces the amount that the Governor must provide annually for the Coordinated Community Supports Partnership Fund to \$40.0 million beginning in fiscal 2025.
- Removes a requirement that a mandated appropriation of \$10.0 million be made to the Safe Schools Fund but maintains the mandated purpose of the appropriation for the School Resource Officers grant program.
- Reduces the State share of the cost of educating a child with disabilities in a nonpublic placement program by phasing in over two years a change in the additional amount above 200% of the basic cost of education that local education agencies are required to provide to (1) 40% in fiscal 2026 and (2) 50% in fiscal 2027 and subsequent years.
- Reduces the amount of annual funding that the Governor must provide to the Maryland Loan Assistance Repayment Program for Police Officers and Probation Agents from \$5.0 million to \$200,000.
- Reduces the amount of annual funding that the Governor must provide to the Maryland Police Officers and Probation Agents Scholarship Program from \$5.0 million to \$200,000 and repeals a related distribution requirement.

- Authorizes, beginning in fiscal 2026, instead of requires, the Governor to include at least \$13.0 million in the annual budget for the Statewide Academic Health Center Cancer Research Grants.
- Authorizes, beginning in fiscal 2026, instead of requires, the Governor to include \$1.0 million annually for the Maryland Patient Safety Center Fund.
- Authorizes the Governor to meet the requirement to provide \$50.0 million for the Continuing the CORE Partnership Fund (known as Baltimore Vacants Reinvestment Initiative) in either the operating or capital budget, rather than only the operating budget, beginning in fiscal 2026.
- Reduces, beginning in fiscal 2025, the amount of funding that the Governor must provide for the Long-Term Care and Dementia Care Navigation Program from \$2.4 million to \$1.2 million.
- Reduces, for fiscal 2026 through 2028, the amount of funding that the Governor is required to provide annually for the New Start Grant Program from \$200,000 to \$50,000.
- Reduces, for fiscal 2025 through 2029, the amount of funding that the Governor is required to provide for the Construction Education and Innovation Center from \$625,000 to \$531,250.
- Reduces, beginning in fiscal 2026, the amount of funding that the Governor is required to provide annually for the Career Pathways for Health Care Workers Program from \$1.0 million to \$500,000.
- Phases out, over two years, the annual mandated appropriation for teacher retirement supplemental grants to eight counties and Baltimore City by reducing the mandated appropriation from \$27.7 million to \$13.8 million in fiscal 2026 and permanently repealing the mandate in fiscal 2027.
- Repeals the requirement that the Governor provide \$250,000 for the Maryland Forestry Education Fund in fiscal 2026.
- Reduces the amount that the Governor must provide for warrants and absconding grants administered by the Governor's Office of Crime Prevention and Policy from \$2.0 million to \$1.0 million in fiscal 2025 and 2026.
- Authorizes, for fiscal 2026 through 2028, instead of requires, the Governor to provide \$100,000 each to the designated organizations for Montgomery and Prince George's counties to be used for a Rent Court Workforce Solutions Pilot Program.
- Repeals the requirement that the Governor set aside at least 20% of the amount included in the Governor's allowance and appropriated to the Information Technology (IT) Investment Fund for expedited projects each fiscal year.
- Suspends, for fiscal 2026 only, the requirement that the Governor appropriate general fund surplus to the Revenue Stabilization Account (Rainy Day Fund) and

eliminates, beginning in fiscal 2024, the appropriations to the State Retirement and Pension System (SRPS) and the Postretirement Health Benefits (better known as OPEB) Trust Fund.

- Eliminates the requirement that the Governor provide funding to the Maryland State Arts Council within the Department of Commerce beyond fiscal 2025.
- Reduces, by \$97.7 million, beginning in fiscal 2026, the State share of annual employer pension contributions for members of the Teachers' Retirement System/Teachers' Pension System (TRS/TPS) employed by local school systems and community colleges.
- Repeals, beginning in fiscal 2026, the \$50.0 million annual supplemental contribution to SRPS that is required to be paid until the system's funding ratio reaches 85%.
- Repeals the requirement that the Governor fund the Maryland Public Broadcasting Commission at specified levels.

Revenue Actions

- Establishes various administrative penalties for beekeepers who fail to register their colonies in a timely manner and requires a beekeeper to provide movable frames for a colony and establishes administrative penalties for beekeepers who fail to do so.
- Alters the administrative penalty provisions that apply for failing to file a summary or annual implementation report under the Nutrient Management Program by repealing the existing administrative penalty structure and establishing an administrative penalty of between \$1,000 and \$2,000 for failure to submit a required report after 30 days from the issuance of the notice.
- Increases the annual wholesale seedsman permit fee from \$100 to \$125.
- Repeals the registration fee schedule for weights and measures used for commercial purposes in statute and authorizes the Secretary of Agriculture to set reasonable fees. Requires that the Secretary send registration renewal notices/forms at least one month before registration expiration and allows a 60-day grace period after expiration, when a registration can be renewed retroactively with payment of the renewal fee and a late fee.
- Repeals the requirement that \$2.0 million in funds received from fines associated with vehicle security lapses (the uninsured motorist penalty) be distributed to the Driver Education in Public High Schools Fund annually.
- Repeals the requirement that \$600,000 in funds received from fines associated with vehicle security lapses (the uninsured motorist penalty) be distributed to the State-Aided Institutions Field Trip Fund.
- Authorizes the Maryland Department of the Environment (MDE) to establish by regulation a fee for processing and issuing training certifications required for

specified personnel involved in on-site clearing and grading operations or sediment control associated with a construction project.

- Increases existing fees under the Wetlands and Waterways Program, establishes new additional application fees for activities proposed in a Tier II High Quality Watershed, and explicitly authorizes MDE to adjust the fees for inflation without legislative enactment.
- Alters and increases the registration fee for each rental dwelling unit paid by owners of affected property under the Reduction of Lead Risk in Housing Subtitle of the Environment Article and increases a related report processing fee.
- Increases the initial application fee that an applicant must pay to participate in the Voluntary Cleanup Program from \$6,000 to \$10,000 and requires an applicant to pay for any additional costs incurred by MDE if the direct costs of review of the application and administration and oversight of the response action plan exceed the application fee.
- Increases and alters specified surface mining license and permit fees which accrue to the Surface Mined Land Reclamation Fund, among other changes.
- Applies, beginning January 1, 2026, an unemployment insurance administrative fee of 0.15% to all taxable employers and deposits all associated revenue into the Special Administrative Expense Fund to be used for specified administrative expenses, and beginning January 1, 2026, reduces the unemployment insurance tax rate assigned to each taxable employer by 0.15%, subject to a minimum overall tax rate of 1.0% for new employers.
- Alters, in fiscal 2026 through 2029, the maximum amount of projected nonwithholding income tax revenue that must, under certain circumstances, be subtracted from the projected general fund revenue estimate each year to \$0.
- Increase the table game tax rate from 20% to 25% and distribute 5% of table game revenues to the general fund through fiscal 2027, after which it is distributed to the Education Trust Fund.
- Increase the mobile sports wagering tax rate from 15% to 30% and distribute 15% of mobile sports wagering revenues to the general fund through fiscal 2027, after which it is distributed to the Blueprint for Maryland's Future Fund.
- Repeals the authorization for interest and investment earnings on the Strategic Energy Investment Fund (SEIF) to be held in the fund, removes an exemption on SEIF interest being directed to the general fund contained in § 8 of the Budget Reconciliation and Financing Act of 2024 (Chapter 717), and authorizes the transfer of interest earned on SEIF in fiscal 2025 to the general fund, by June 30, 2025.
- Caps, beginning in fiscal 2026, at \$8.5 million annually, the amount of funding the Maryland E-Innovation Initiative Fund receives from the revenue attributable to a 20% tax rate from the State admissions and amusement tax on electronic bingo and

electronic tip jars and requires the remaining revenue from the 20% tax rate to be distributed to the general fund.

- Authorizes the Motor Vehicle Administration (MVA) to increase the level of miscellaneous fees related to vehicle titling, vehicle certificates, and vehicle registration fees to as much as 115% (rather than 100%) of the sum of (1) the approved operating budget for MVA for the relevant fiscal year; (2) the average annual capital program of MVA as reported in the six-year *Consolidated Transportation Program*; and (3) MVA's portion of the cost of the Maryland Department of Transportation's (MDOT) data center operations (except for the cost of data center operations attributable to other administrations' activities).
- Disallows, beginning June 1, 2025, the trade-in exemption under the vehicle excise tax if the purchase price of the vehicle exceeds \$15,000.
- Requires MVA to collect a reasonable installment fee for individuals who utilize a payment plan for paying vehicle registration fees.
- Accelerates, from fiscal 2027 to fiscal 2026, the annual vehicle registration fee increases for Class A (passenger), Class M (multipurpose) and Class E (truck) vehicles.
- Imposes a 75-cent retail delivery fee beginning June 1, 2025, on specified retail deliveries of tangible personal property to a person located in the State and adjusts the fee annually for inflation beginning in fiscal 2027.
- Authorizes, beginning July 1, 2025, MVA to increase the testing fee for the Vehicle Emissions Inspection Program to a maximum of \$30 (rather than \$14) and requires the fee to be adjusted for inflation beginning July 1, 2026.
- Repeals the inheritance tax and reduces the applicable exclusion amount under the estate tax from \$5.0 million to \$2.0 million for decedents dying on or after July 1, 2025.
- Reduces the total amount of the Student Loan Debt Relief Tax Credit that may be approved by the Maryland Higher Education Commission (MHEC) for tax year 2025, from \$18.0 million to \$9.0 million, and requires MHEC to submit a report regarding the tax credit by January 1, 2026.
- Authorizes the Governor to transfer \$4.3 million from the More Jobs for Marylanders Tax Credit Reserve Fund to the general fund, by June 30, 2025, and requires, beginning in fiscal 2026, the reversion to the general fund of any excess resulting from the appropriation to the reserve fund exceeding the final tax credit certificates issued.
- Alters the State's individual income tax rates and brackets; eliminates Maryland itemized deductions; increases the value of the Maryland standard deduction and eliminates the phase-in of the standard deduction; and modifies the State child tax credit to phase out the benefit gradually for taxpayers with federal adjusted gross income in excess of \$15,000.

- Imposes a 1% surtax on certain net capital gain included in Maryland taxable income for tax years 2025 through 2028 only.
- Reduces the corporate income tax rate from 8.25% to 8.12% for tax year 2027 and 7.99% for tax year 2028 and beyond and requires affiliated corporations that are engaged in a unitary business to file a combined return and compute and pay tax on the combined group's Maryland taxable income using a "*Finnigan*" apportionment method.
- Increases the sales and use tax rate imposed on the retail sale of adult-use cannabis from 9% to 15% beginning in fiscal 2027 and alters the distribution of sales and use tax collections from the sale of cannabis.
- Increases the required Medicaid Deficit Assessment imposed on hospitals from \$294,825,000 to \$344,825,000 in fiscal 2025 and \$394,825,000 in fiscal 2026 and every fiscal year thereafter, and authorizes the Health Services Cost Review Commission (HSCRC) and the Maryland Department of Health (MDH) to adopt an alternative method to collect, by the end of fiscal 2026, the amount of revenue resulting from the increase in the Medicaid deficit assessment across fiscal 2025 and 2026 (a total of \$150.0 million).

Fund Transfers and Swaps, Cost Shifts, and Cost Containment

- Expands the allowable uses of the Cannabis Regulation and Enforcement Fund to include supporting the Social Equity Partnership Grant Program and specifies that the fund must be used to meet the mandated appropriation of \$5.0 million for the grant program.
- Expands the allowable uses of funds in the Securities Act Registration Fund to include supporting the general operations of OAG.
- Phases out, beginning in fiscal 2026, the mandated \$1.0 million appropriation from the Cigarette Restitution Fund (CRF) to the Tri-County Council for Southern Maryland (TCC) so that no appropriation from CRF to TCC is required after fiscal 2028.
- Eliminates the requirement that St. Mary's College of Maryland receive an annual appropriation based on a funding formula beginning in fiscal 2026.
- Sets the level for the fiscal 2026 appropriation of State funds for the Baltimore City Community College at \$44,734,265, instead of the level that would have been required under the funding formula and existing hold harmless level.
- Authorizes the Maryland Department of Planning (MDP) to use an additional \$340,000 of the Maryland Heritage Areas Authority's Program Open Space (POS) funding allocation for MDP operating expenses in fiscal 2026 only.
- Removes a prohibition against the Developmental Disabilities Administration within MDH establishing a limit on the maximum dollar amount provided to

recipients for individual-directed and family-directed goods and services under the Community Services program.

- Alters allowable uses of the Waiting List Equity Fund (WLEF) to remove a prohibition against WLEF supplanting funds for emergency community placements or transitioning students.
- Expands allowable uses of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to support up to \$10.5 million of Department of Natural Resources (DNR) operating expenses in the annual budget bill.
- Increases the allowed use of the Waterway Improvement Fund for marine operations of the Natural Resources Police by \$100,000 from \$2.0 million to \$2.1 million beginning in fiscal 2026.
- Eliminates the requirements that the Governor specify how expenditure reductions in the budget bill will be achieved and identify across the board reductions at a minimum level of detail and instead authorizes the Governor to provide this detail.
- Expands the allowable uses of SEIF to include costs associated with MDE Air and Radiation Administration.
- Authorizes, beginning in fiscal 2026, the use of up to \$1.0 million each year from the Performance Incentive Grant Fund to be used for operations of the Office of the Correctional Ombudsman.
- Reduces the participation target for the Maryland Corps Young Adult Service Option Pathway in fiscal 2027 by 500 and establishes participation targets for fiscal 2026 and 2028, and reduces, only for fiscal 2026, the mandated appropriation to the Maryland Service Year Option Pathway Fund from \$15.0 million to \$13.0 million.
- Requires the Comptroller to distribute \$230,000,000 from the Local Income Tax Reserve Account to the general fund in fiscal 2025 and requires the State to repay this amount by distributing \$23.0 million of the remaining income tax revenue from individuals to the Local Income Tax Reserve Account annually from fiscal 2029 through 2038.
- Expands the allowable uses of the Maryland Emergency Medical System Operations Fund, in fiscal 2025 and 2026 only, to allow the fund to support general operations of the Maryland State Police Aviation Command.
- Increases the local cost share amount, from 50% to 90%, that Baltimore City and county governments are required to pay the State Department of Assessments and Taxation (SDAT) for costs associated with real property valuation, business personal property valuation, and IT beginning in fiscal 2026.
- Phases out the enterprise zone property tax credit by prohibiting new properties from qualifying or being awarded tax credits after June 30, 2025, and repeals the enterprise zone income tax credit, effective June 1, 2025.

- Eliminates the funding requirement for the Governor to provide \$12.0 million in fiscal 2025 for the 9-8-8 Trust Fund.
- Repeal the requirement for MDH to apply to the Substance Abuse and Mental Health Services Administration at the Center for Mental Health Services for federal planning, development, and implementation grant funds related to certified community behavioral health clinics (CCBHC) for fiscal 2025, and for inclusion in the state certified CCBHC demonstration program for fiscal 2026.
- Repeals the Low Intensity Support Services Program authorized by § 7-717 of the Health General Article.
- Authorizes the Governor to transfer a total of \$203,365,440 from the Dedicated Purpose Account to the general fund, by June 30, 2025.
- Authorizes the Governor to transfer \$150.0 million from the Renewable Portfolio Standard/Alternative Compliance Payment Account of SEIF to the general fund, by June 30, 2025.
- Authorizes the Governor to transfer \$9.0 million from the Resilient Maryland Revolving Loan Fund to the general fund, by June 30, 2025.
- Authorizes the Governor to transfer \$7.0 million from the Maryland Police Training and Standards Commission Fund to the general fund, by June 30, 2025.
- Authorizes the Governor to transfer \$6.0 million from the Maryland Innovation Investment Incentive Tax Credit reserve fund to the general fund, by June 30, 2025.
- Authorizes the Governor to transfer \$5.0 million from the Securities Act Registration Fund to the general fund, by June 30, 2025.
- Authorizes the Governor to transfer \$4.9 million from the Maryland Violence Intervention and Prevention Program Fund to the general fund, by June 30, 2025.
- Authorizes the Governor to transfer \$4.0 million from the Rape Kit Testing Grant Fund to the general fund, by June 30, 2025.
- Authorizes up to \$16.4 million from the POS land acquisition fund balance to be used for Maryland Park Service operating expenses in DNR in fiscal 2026 only.
- Authorizes the Governor to transfer \$10.0 million to the general fund from the Maternal and Child Health Population Health Improvement Fund, by June 30, 2026.
- Authorizes the Governor to transfer a total of \$4,017,728 from the fund balances of eight health professional licensing boards and the Kidney Disease Fund to the MDH Behavioral Health Administration, by June 30, 2026.

Administrative and Other Actions

- Requires the Maryland Horse Industry Board to send horse establishment license renewal notices/forms at least one month before license expiration and allows (1) a 60-day grace period after expiration, when a license can be renewed retroactively

with payment of the renewal fee and any late fee and (2) after the grace period, license reinstatement, with payment of the renewal fee and a reinstatement fee.

- Establishes a Medicaid Primary Care Program Fund within MDH to serve as the foundation for advancing primary care in the State under the Advancing All-Payer Health Equity Approaches and Development model, with capitalization of the new special fund from hospital payments administered by HSCRC and any other source accepted for the fund.
- Increases the cap on two Maryland Environmental Service project contingency funds to increase the total amounts of funding that can be retained in these funds for current and future costs for projects located at State-owned facilities.
- Eliminates the requirement that operating expenses in the Transportation Trust Fund (TTF) Forecast, for years beyond the budget year, be increased by the five-year average annual increase in actual operating expenses in developing departmental operating expense estimates, provided that the rate for these years cannot vary by more than 0.5 percentage points from the rate used in the prior forecast.
- Increases the debt outstanding limit on Consolidated Transportation Bonds from \$4.5 billion to \$5.0 billion.
- Expands the types of projects that MDOT may fund using proceeds from bonds backed by future federal aid (typically known as Grant Anticipation Revenue Vehicle (GARVEE) bonds) to include the major rehabilitation of the existing light rail system, including replacement light rail vehicles and related station and maintenance facility improvements.
- Delays the requirement that the Maryland Transit Administration procure only zero-emission buses to support its transit fleet from beginning in fiscal 2027 to beginning in fiscal 2032. Also clarifies the use of GARVEE bonds to pay for buses in addition to use of TTF revenues.
- Authorizes MDH to transfer funds between budgetary programs within the department through an approved budget amendment in fiscal 2025 and 2026 only.

Current Law: The Maryland Constitution requires the Governor to submit, and the General Assembly to pass, a balanced budget. General funds cannot be used to restore reductions made by the General Assembly after adoption of the budget, except through an approved deficiency appropriation in the following year's budget.

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

Background: In December 2024, the Spending Affordability Committee recommended that the fiscal 2026 budget leave a closing general fund balance of at least \$100.0 million. The committee also recommended maintaining a Rainy Day Fund balance of at least 7.5% of estimated general fund revenues. A structural deficit of \$2.5 billion is forecast for fiscal 2026 and is projected to increase to \$6.0 billion by fiscal 2030, so the committee recommended that the fiscal 2026 budget erase the projected \$2.5 billion gap between ongoing general fund revenues and ongoing spending in fiscal 2026 and improve the outlook for fiscal 2028 so that ongoing revenues will support at least 94% of projected ongoing spending.

The fiscal 2026 budget as introduced leaves a \$106.0 million balance in the general fund and maintains the Rainy Day Fund balance at 8% of general fund revenues (\$2.1 billion). Combined cash balances at the end of fiscal 2026 of \$2.2 billion represent approximately 8.4% of general fund revenues. However, ongoing spending in the fiscal 2026 budget as introduced exceeds ongoing revenues by \$186.0 million, falling short of the Spending Affordability Committee's goal of eliminating the projected \$2.5 billion structural deficit. While the fiscal 2026 budget as introduced reduces the projected structural deficit throughout the forecast period (through fiscal 2030), a significant structural gap still remains in the out-years.

State Fiscal Effect: Estimates of the fiscal 2025 and 2026 impact of the bill on the State general fund, totaling more than \$3.0 billion, are shown in **Exhibit 1**.

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 14). The fiscal 2025 through 2030 State effects for each provision, including the general fund impacts, the effects on other fund types, and other related information, such as any effects on local governments, are included with the discussions. **Appendix B** (beginning on page 179) identifies the quantified fiscal impact of separate provisions by budgeted fund type.

This analysis assumes that increased TTF revenues from the bill's provisions, totaling \$522.4 million in fiscal 2026 (which includes \$250.0 million from imposition of the retail service delivery fee), are largely directed toward MDOT's operating spending needs and, thus, do not have a material impact on increasing MDOT's bond capacity.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2025
Fiscal 2025 and 2026
(\$ in Millions)

	<u>FY 2025</u>	<u>FY 2026</u>	
Revenues			
Mandate Relief	\$0.0	\$0.0	
Other Actions	662.5	1,334.8	
<i>Revenue Subtotal</i>	<i>662.5</i>	<i>1,334.8</i>	
Expenditures			
Mandate Relief	(9.8)	(759.9)	
Other Actions	(88.2)	(155.6)	
<i>Expenditure Subtotal</i>	<i>(98.0)</i>	<i>(915.5)</i>	
General Fund Improvement	\$760.5	\$2,250.4	\$3,010.9

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Local Fiscal Effect: The impacts on local jurisdictions are included in the discussion of each provision in Appendix A. For example, the local share of the cost of educating a child with disabilities in a nonpublic placement program increases by \$25.0 million in fiscal 2026 and by \$52.9 million by fiscal 2030. County and Baltimore City expenditures increase by \$97.7 million annually beginning in fiscal 2026 as a result of increasing the local share of annual employer pension contributions for members of TRS/TPS employed by local school systems and community colleges. County revenues in eight counties and Baltimore City decrease by \$13.8 million in fiscal 2026 and by \$27.7 million annually beginning in fiscal 2027 as a result of phasing out, over two years, the annual mandated appropriation for teacher retirement supplemental grants. Local expenditures increase by \$21.2 million in fiscal 2026 and by \$23.0 million in fiscal 2030 as a result of increasing the local cost share amount, from 50% to 90%, that Baltimore City and county governments are required to pay SDAT for property valuation. The fiscal 2026 effects of these provisions on local government finances are summarized in **Appendix C** (on page 189).

Approximately a dozen other provisions also affect local finances, most of which stem from local governments receiving less funding from State-funded programs. However, notably, local income tax revenues increase by approximately \$120.0 million or more beginning in fiscal 2026 due to the elimination of itemized deductions and enhancements

to the standard deduction. As a result of phasing out the enterprise zone tax credit program, local property tax revenues increase by \$14.5 million in fiscal 2026, annually escalating, though half of this increase is offset by the loss of State reimbursements.

Additional Information

Recent Prior Introductions: Budget Reconciliation and Financing Acts have been introduced within the last three years. See SB 362 and HB 352 of 2024 and SB 183 and HB 202 of 2023.

Designated Cross File: HB 352 (The Speaker)(By Request - Administration) - Appropriations and Ways and Means.

Information Source(s): Cecil, Charles, Frederick, Montgomery, Prince George's, and Wicomico counties; Department of Information Technology; Maryland Environmental Service; Maryland Department of Aging; Department of Commerce; Alcohol, Tobacco, and Cannabis Commission; Maryland Cannabis Administration; Office of the Attorney General (Consumer Protection Division and Securities Division); Comptroller's Office; Governor's Office of Crime Prevention and Policy; Maryland State Treasurer's Office; Judiciary (Administrative Office of the Courts); Register of Wills; Maryland State Department of Education; Maryland Higher Education Commission; University System of Maryland; St. Mary's College of Maryland; Interagency Commission on School Construction; Maryland Center for School Safety; Maryland Department of Agriculture; Department of Budget and Management; Maryland Department of the Environment; Maryland Department of Health; Department of Housing and Community Development; Department of Human Services; Department of Juvenile Services; Maryland Department of Labor; Department of Natural Resources; Maryland Department of Planning; Board of Public Works; Department of State Police; Maryland Department of Transportation; State Department of Assessments and Taxation; Maryland State Lottery and Gaming Control Agency; Office of People's Counsel; Public Service Commission; State Retirement Agency; Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2025
caw/ljm

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Appendix A – Contents

Mandate Relief

Reduce Mandate for Tree Planting on Agricultural Land.....	20
Eliminate Mandate for Maryland Native Plants Program.....	21
Alter Mandate for Consumer Protection Division.....	23
Reduce Mandate for Victims of Crime Act.....	25
Eliminate Mandate for Maryland Watermen’s Microloan Program	27
Reduce Blueprint for Maryland’s Future Funding Mandate for Coordinated Community Supports Partnership Fund	29
Alter Mandate for School Resource Officer Grant.....	31
Reduce State Share of Nonpublic Placement Program Cost for Educating Children with Disabilities	33
Reduce Mandate for Maryland Loan Assistance Repayment Program for Police Officers and Probation Agents.....	35
Reduce and Alter Mandate for Maryland Police Officers and Probation Agents Scholarship Program	36
Eliminate Mandate for Statewide Academic Health Center Cancer Research Grants.....	38
Eliminate Mandate for Maryland Patient Safety Center Fund	40
Alter Mandate for Continuing CORE Partnership Fund by Allowing Use of General Obligation Bonds	41
Reduce Mandate for Long-Term Care and Dementia Care Navigation Program.....	42
Reduce Mandate for Maryland New Start Grant Program.....	43
Reduce Mandate for Construction Education and Innovation Fund	44
Reduce Mandate for Career Pathways for Health Care Workers Program.....	45

Phase Out Teacher Retirement Supplemental Grants	46
Eliminate Mandate for Maryland Forestry Education Fund	47
Reduce Mandate for Warrants and Absconding Grants	48
Eliminate Mandate for Rent Court Workforce Solutions Pilot Program in Montgomery and Prince George’s Counties	49
Eliminate Set Aside for Expedited Information Technology Investment Fund Projects ..	50
Suspend Requirement to Appropriate Surplus to Revenue Stabilization Account in Fiscal 2026 Only and Eliminate Postretirement Health Benefits and Pension Sweeper Mandates.....	51
Eliminate Mandate to Maryland State Arts Council	53
Alter Local Share of Teacher and Community College Retirement System Payments	55
Repeal Pension Supplemental Contribution.....	58
Eliminate Mandate for Maryland Public Broadcasting Commission.....	60
Revenue Actions	
Establish Beekeeper Administrative Penalties	61
Increase Nutrient Management Plan Penalties	62
Increase Wholesale Seedsman Permit Fee	63
Alter Weight and Measure Registration Process and Fees.....	64
Eliminate Mandate and Distribution to Driver Education in Public High Schools Fund	65
Eliminate Mandate and Distributions to State-Aided Institutions Field Trip Fund	67
Authorize a Responsible Person Fee for Certification of Sediment and Erosion Control Training	69
Increase Wetlands and Waterways Program Fund Fees	71

Increase Rental Property Lead Registration Fee	73
Increase Voluntary Cleanup Program Fees	75
Increase and Alter Fees Related to Surface Mining	77
Establish Fee for Administration of Unemployment Insurance	79
Reduce Amount of Revenue Volatility Adjustment.....	81
Increase Table Game Tax Rate from 20% to 25%	83
Increase Mobile Sports Wagering Tax Rate from 15% to 30%	84
Redirect Interest and Investment Earnings on Maryland Strategic Energy Investment Fund to General Fund	86
Alter Distribution of Admissions and Amusement Tax on Electronic Bingo and Tip Jars	88
Increase Motor Vehicle Administration Cost Recovery from Miscellaneous Vehicle Titling, Vehicle Certificate, and Vehicle Registration Fees.....	89
Alter Vehicle Excise Tax Trade-In Allowance	91
Establish Installment Fee for Vehicle Registration Payment Plans	93
Accelerate Increases in Annual Vehicle Registration Fee for Certain Classes of Vehicles	94
Establish a Retail Delivery Fee	96
Increase Vehicle Emissions Inspection Fee and Index It to Inflation	98
Repeal Inheritance Tax and Reduce Estate Tax Exclusion Amount to \$2.0 Million.....	99
Reduce Cap on Student Loan Debt Relief Tax Credit	101
Alter More Jobs for Marylanders Tax Credit Reserve Fund and Authorize Transfer of \$4.3 Million to the General Fund	102

Alter Personal Income Tax Rates, Eliminate Itemized Deductions and Enhance Standard Deduction, and Enhance State Child Tax Credit.....	104
Impose Net Capital Gain Surtax.....	109
Reduce Corporate Income Tax Rate and Require Combined Reporting	111
Increase Cannabis Sales and Use Tax Rate and Alter Tax Distribution	114
Increase Medicaid Deficit Assessment and Authorize Alternative Method to Achieve Equivalent Revenue.....	115

Fund Transfers and Swaps, Cost Shifts, and Cost Containment

Expand Allowable Uses of Cannabis Regulation and Enforcement Fund to Support Social Equity Partnership Grant Program	117
Expand Allowable Uses of Securities Act Registration Fund.....	119
Phase Out Cigarette Restitution Fund Appropriation to Tri-County Council for Southern Maryland.....	120
Eliminate Mandated Funding Formula for St. Mary’s College of Maryland.....	122
Alter Mandated Funding for Baltimore City Community College	123
Expand Allowable Use of Program Open Space Funds in Fiscal 2026	124
Remove Prohibition on Capping Dollar Amount of Specified Self-directed and Family-directed Goods and Services.....	126
Alter Allowable Uses of Waiting List Equity Fund	128
Expand Allowable Uses of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to Support Department of Natural Resources Operating Expenses.....	130
Increase Allowed Use of Waterway Improvement Fund for Marine Operations	132
Eliminate Requirement to Specify Across the Board Reductions.....	133
Expand Use of Maryland Strategic Energy Investment Fund.....	134

Expand Use of Performance Incentive Grant Fund to Support Office of Correctional Ombudsman Operations	136
Reduce Participation Targets in Young Adult Service Year Option Pathway and Mandate Funding for Maryland Service Year Pathway Fund.....	138
Authorize Transfer to General Fund from Local Income Tax Reserve Account in Fiscal 2025 and Require Repayment.....	140
Expand Allowable Use of Maryland Emergency Medical System Operations Fund to Support Maryland State Police Aviation Command	142
Increase Required Share of Local Reimbursement for Property Valuation Expenditures	144
Phase Out Enterprise Zone Tax Credit Program and Repeal Enterprise Zone Income Tax Credit	146
Eliminate Funding Requirement for 9-8-8 Trust Fund	148
Eliminate Requirement for Maryland Department of Health to apply to Substance Abuse and Mental Health Services Administration.....	149
Repeal Low Intensity Support Services Program.....	151
Authorize Transfer to General Fund, as Specified, from Dedicated Purpose Account ..	152
Authorize Transfer from Renewable Portfolio Standard/Alternative Compliance Payment Account of Strategic Energy Investment Fund to General Fund	155
Authorize Transfer from Resilient Maryland Revolving Loan Fund to General Fund...	157
Authorize Transfer from Maryland Police Training and Standards Commission Fund to General Fund	159
Authorize Transfer from Maryland Innovation Investment Incentive Tax Credit Reserve Fund to General Fund	160
Authorize Transfer from Securities Act Registration Fund to General Fund	161
Authorize Transfer from Maryland Violence Intervention and Prevention Program Fund to General Fund	162

Authorize Transfer from Rape Kit Testing Grant Fund to General Fund 163

Authorize Use of Program Open Space State Land Acquisition Fund Balance for Maryland Park Service Operating Expenses 164

Authorize Transfer from Maternal and Child Health Population Health Improvement Fund to General Fund 166

Authorize Transfer of Fund Balances from Certain Health Professional Licensing Boards to Behavioral Health Administration in Fiscal 2026 167

Administrative and Other Actions

Specify Procedures for Renewing Horse Establishment Licenses 169

Establish a Medicaid Primary Care Program Fund 170

Increase Cap on Maryland Environmental Service Contingency Funds 172

Eliminate Requirement for Operating Expense Growth in Transportation Trust Fund Forecast 173

Increase Amount of Consolidated Transportation Bonds that May Be Issued from \$4.5 Billion to \$5.0 Billion 174

Expand Pledge of Future Federal Aid to Include Major Rehabilitation of Existing Light Rail System 175

Delay Requirement for Maryland Transit Administration to Purchase Only Zero emission Buses and Authorize Use of Bonds to Pay for Buses 176

Authorize Maryland Department of Health to Transfer Funds Amongst Budgetary Programs 177

Note: Page numbers for locations of provisions in the bill within each discussion refer to the locations in the first reader version of the bill.

Reduce Mandate for Tree Planting on Agricultural Land

Provision in the Bill: Reduces the amount of funding that the Governor must provide for tree planting on agricultural land from \$2.5 million to \$0.5 million for fiscal 2025 through 2031. The fiscal 2026 budget as introduced includes \$2.0 million general fund reductions in fiscal 2025 and 2026, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)

State Effect: General fund expenditures decrease by \$2.0 million annually in fiscal 2025 through 2031. Revenues are not affected.

Local Effect: None.

Program Description: Chapter 645 of 2021 (Tree Solutions Now Act of 2021) established a new policy of the State to support and encourage public and private tree-planting efforts, with the goal of planting and helping to maintain five million sustainable native trees in the State by the end of calendar 2031. To help achieve this goal, Chapter 645 altered and directed additional resources to a number of existing programs and initiatives. For plantings on agricultural land, Chapter 645 specifies that a landowner who enrolls land planted with a forested streamside buffer receives a one-time signing bonus of up to \$1,000 per acre of land enrolled in the Conservation Reserve Enhancement Program (CREP). In fiscal 2023, \$2.5 million was required to be transferred from the Wastewater Account of the Bay Restoration Fund for tree plantings under CREP and other tree-planting programs on agricultural land, and for fiscal 2024 through 2031, the Governor must include an annual appropriation of \$2.5 million in the State budget for tree plantings under CREP and other tree planting programs on agricultural land.

Recent History: At the close of fiscal 2024, MDA reverted \$2.2 million in general funds from its Resource Conservation Grants program, of which the majority was likely part of the \$2.5 million budgeted that year under Chapter 645 for tree plantings under CREP and other tree planting programs on agricultural land.

Location of Provision in the Bill: Section 1 (pp. 12-13)

Analysis prepared by: Andrew D. Gray

Eliminate Mandate for Maryland Native Plants Program

Provision in the Bill: Repeals the funding mandate for the Maryland Native Plants Program and instead authorizes the Governor to provide \$150,000 for the University of Maryland Extension (UME) to hire one extension agent as a native plant specialist and \$100,000 for the Maryland Department of Agriculture (MDA) to hire one staff to administer the Maryland Native Plants Program. The fiscal 2026 budget as introduced includes two general fund reductions, specifically \$100,000 in MDA and \$150,000 for the University of Maryland, College Park Campus (UMCP), contingent on the enactment of legislation repealing the mandate for the Maryland Native Plants Program and Native Plant Specialist.

Agency: UME at UMCP; MDA

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)

State Effect: General fund expenditures decrease annually by \$150,000 in UME – one branch of which is at UMCP – and by \$100,000 in MDA beginning in fiscal 2026 due to repealing the mandated funding. Expenditures are not otherwise affected as the program can continue to be implemented with existing resources. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapters 489 and 490 of 2023 established the Maryland Native Plants Program to (1) respond to the increasing demand for, use of, and sale of native plants by retail garden centers, retail nurseries, and wholesale nurseries and (2) educate the public, landscapers, and other plant users on the importance, benefit, and availability of native plants. MDA must administer the program, and UME must administer the educational components of the program in coordination with MDA and other agencies. Chapters 489 and 490 mandated that, for fiscal 2025 and each fiscal year thereafter, the Governor must include in the annual budget bill an appropriation of \$150,000 for UME to hire one extension agent as a native plant specialist and \$100,000 for MDA to hire staff to administer the program.

Staff are in place who are handling the program: MDA is using existing staff in its Marketing program, and UME hired a native plants and landscapes specialist in September 2024. An advisory board comprised of representatives from UME, MDA, the Department of Natural Resources (DNR), the Maryland Native Plant Society, and various

nurseries has compiled the draft “Commercial Maryland Native Plants List.” MDA, in partnership with UME, DNR, and the Maryland Native Plant Society, has launched Maryland’s Best Native Plant Program. Maryland’s Best Native Plant Program is a voluntary marketing program with three certification categories – premium certification, certification, and novice – based on the percentage of native plants in a nursery’s inventory.

Location of Provision in the Bill: Section 1 (p. 15)

Analysis prepared by: Sara J. Baker and Andrew D. Gray

Alter Mandate for Consumer Protection Division

Provision in the Bill: Phases out, beginning in fiscal 2026, the mandated \$1.0 million appropriation from the Cigarette Restitution Fund (CRF) to the Tri-County Council for Southern Maryland (TCC) by requiring CRF appropriations as follows: \$750,000 in fiscal 2026; \$500,000 in fiscal 2027; and \$250,000 in fiscal 2028. Does not require an appropriation from CRF to TCC after fiscal 2028. The fiscal 2026 budget as introduced includes a \$250,000 special fund reduction, contingent on the enactment of legislation reducing the mandated CRF appropriation to \$750,000.

Agency: OAG

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)
SF Exp	\$0	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4

State Effect: Special fund expenditures increase by \$350,000 annually beginning in fiscal 2026 due to the requirement to meet the mandate with special funds. General fund expenditures for OAG decrease correspondingly. The Department of Legislative Services notes that, while a specific source of special funds is not identified, the Consumer Protection Division Recoveries Fund is expected to be used, based on previous actions. Revenues are not affected.

Local Effect: None.

Program Description: CPD assists residents by providing mediation and arbitration service to consumers to help resolve complaints against businesses and health insurance carriers, registers homebuilders and health clubs, and enforces consumer laws against businesses engaging in unfair or deceptive trade practices. The Consumer Protection Division Recoveries Fund receives certain revenues from cases handled by CPD. It is established as part of the Maryland Consumer Protection Act. The fund is used for operating expenses, including personnel, within CPD. Accounting for this provision, OAG estimates that, in fiscal 2026, the fund would have a closing fund balance of \$7.2 million.

Recent History: The Budget Reconciliation and Financing Act of 2024 (Chapter 717) repealed the general fund mandate and authorized the use of special funds for fiscal 2025 only and, beginning in fiscal 2026, reduced the general fund mandate from \$700,000 to \$350,000.

Location of Provisions in the Bill: Section 1 (pp. 18-19)

Analysis prepared by: Jacob L. Pollicove

Reduce Mandate for Victims of Crime Act

Provision in the Bill: Repeals the requirement that the Governor provide in the annual budget bill an appropriation that, together with the amount received under the federal Victims of Crime Act (VOCA) in the prior year, totals an aggregate \$60.0 million for victim services providers and instead requires the Governor to provide a general fund appropriation of \$35.0 million for victim services providers. The fiscal 2026 budget as introduced includes a \$10,767,580 general fund reduction, contingent on the enactment of legislation reducing the mandate.

Agency: Governor’s Office of Crime Prevention and Policy (GOCPP)

Type of Action: Mandate relief

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$10.8)	(\$2.1)	(\$2.1)	(\$2.1)	(\$2.1)

State Effect: General fund expenditures for GOCPP decrease by \$10.8 million in fiscal 2026. The amount of funding awarded to the State through VOCA varies each federal fiscal year, with \$14.2 million available in fiscal 2026. Over the five most recent awards, the amount of federal funding awarded to the State averaged \$22.9 million. Assuming \$22.9 million in federal funds is provided each year, beginning in fiscal 2027, the grant program’s general fund expenditures decrease by approximately \$2.1 million under the altered mandate. The actual fiscal impact of the provision depends on the amount awarded to the State through VOCA in the prior year. If federal fund receipts are greater than \$25.0 million, this provision requires a higher level of funding than current law, resulting in general fund expenditures increasing, and conversely, if less or no federal funds are provided, general fund savings of up to \$25.0 million are annually realized.

To the extent that State agencies receive GOCPP grants as victim services providers, State revenues may annually decrease minimally beginning in fiscal 2026.

Local Effect: Local government agency and local law enforcement agency grant revenues associated with the grant potentially decrease by up to \$10.8 million in fiscal 2025 and by up to an estimated \$2.1 million annually in fiscal 2026 through 2030, though the actual fiscal impact depends on the amount of federal VOCA funds received and the GOCPP distribution of grant awards.

Program Description/Recent History: Chapters 625 and 626 of 2023 require the Governor to provide an aggregate appropriation of \$60.0 million for victim services providers. GOCPP awards grants to victim services providers using federal VOCA and

general funds. Local government agencies, local law enforcement agencies, nonprofit organizations, and State agencies are eligible recipients.

Location of Provision in the Bill: Section 1 (pp. 19-20)

Analysis prepared by: Madelyn C. Miller

Eliminate Mandate for Maryland Watermen’s Microloan Program

Provision in the Bill: Eliminates the requirement that the Governor provide an appropriation of \$500,000 for the Maryland Watermen’s Microloan Program (MWLP) in fiscal 2026. The fiscal 2026 budget as introduced includes a \$0.5 million general fund reduction, contingent on the enactment of legislation eliminating the mandate.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$0.5)	\$0	\$0	\$0	\$0

State Effect: General fund expenditures decrease by \$0.5 million in fiscal 2026. Revenues are not affected.

Local Effect: None.

Program Description: The Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) is a quasi-public economic development organization chartered by the State. Chapter 384 of 2022 established MWLP in MARBIDCO. The purpose of MWLP is to provide loans to qualified commercial fishermen to continue commercial operations in the State, including for purchasing boats, mechanical equipment, fishing gear, fishing quota, and any other item used in commercial seafood harvesting. For fiscal 2024 through 2026, the Governor must include in the annual State budget bill an appropriation of \$500,000 to MWLP; the appropriation must be distributed to a special fund that may only be used to make loans and pay the necessary costs to administer and operate the program. However, as Chapter 384 did not create a new special fund or specify an existing special fund, in practice, the fiscal 2024 and 2025 appropriations of \$500,000 have been part of MARBIDCO’s overall general fund appropriation. In fiscal 2024, MARBIDCO made nine microloans between \$7,000 and \$15,000 at an interest rate of 3.00% for \$133,695 under MWLP.

Recent History: Chapters 573 and 574 of 2024 altered the definitions of “beginner waterman” and “generational waterman” so that, under MWLP, such an individual (1) must be a resident of the State but (2) may hold a commercial license to catch finfish, crabs, clams, and oysters issued by the Potomac River Fisheries Commission instead of just a tidal fish license issued by the Department of Natural Resources. In addition, Chapters 573 and 574 removed the requirement that a loan made under MWLP be between \$7,000 and \$15,000.

Location of Provision in the Bill: Section 1 (p. 20)

Analysis prepared by: Andrew D. Gray

Reduce Blueprint for Maryland’s Future Funding Mandate for Coordinated Community Supports Partnership Fund

Provision in the Bill: Reduces the amount that the Governor must provide annually for the Coordinated Community Supports Partnership (CCSP) Fund to \$40.0 million beginning in fiscal 2025. The fiscal 2026 budget as introduced includes a \$90.0 million special fund reduction of Blueprint for Maryland’s Future Funds (BMFF) in the Maryland Department of Health (MDH) Community Health Resources Commission (MCHRC), contingent on the enactment of legislation that level funds the mandate for the Consortium on Coordinated Community Supports program to the fiscal 2025 appropriation.

Agency: MDH; MCHRC

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Exp	\$0	(\$90.0)	(\$90.0)	\$180.0	\$0	\$0
GF Exp	\$0	\$0	\$0	(\$270.0)	(\$90.0)	(\$90.0)

State Effect: Special fund expenditures for MCHRC for the CCSP Fund decrease by \$90.0 million annually beginning in fiscal 2026 due to the lower mandated appropriation. However, current projections indicate general funds will be needed to support Blueprint costs beginning in fiscal 2028. It is, therefore, assumed that the cumulative savings of \$270.0 million from fiscal 2026 through 2028 are expended in fiscal 2028 rather than being used for other BMFF costs before then. Thus, in fiscal 2028, special fund expenditures increase by a net of \$180.0 million, while general fund expenditures decrease by \$270.0 million. Beginning in fiscal 2029, general fund expenditures decrease by \$90.0 million annually due to the ongoing availability of a commensurate amount of special funds in BMFF due to the lower mandate. Revenues are not affected.

Local Effect: None.

Program Description: Chapter 36 of 2021 (the Blueprint for Maryland’s Future – Implementation) established the Maryland Consortium on Community Supports within MCHRC, in part to develop coordinated community supports partnerships to meet student behavioral health needs and administer the CCSP grant program and fund.

Recent History: Chapter 713 of 2022 increased mandated funding levels for the CCSP Fund to \$85.0 million in fiscal 2024, \$110.0 million in fiscal 2025, and \$130.0 million in fiscal 2026 and annually thereafter. Chapter 717 of 2024 (the Budget Reconciliation and Financing Act of 2024) expanded, for fiscal 2025 only, the authorized uses of BMFF for

the Maryland Consortium on Coordinated Community Supports to include not only providing school-based behavioral health services but also reimbursing the MDH Medical Care Programs Administration for school-based behavioral health services provided on a fee-for-service basis through a Medicaid waiver. Funding for the CCSP Fund was reduced to \$40.0 million in fiscal 2025.

Location of Provision in the Bill: Section 1 (p. 22)

Analysis prepared by: Anne W. Braun

Alter Mandate for School Resource Officer Grant

Provision in the Bill: Removes a requirement for an annual appropriation of \$10.0 million to the Safe Schools Fund (SSF) but maintains the mandated purpose of the appropriation for the School Resource Officers (SRO) grant program. The fiscal 2026 budget as introduced includes a \$5.0 million general fund reduction, contingent on the enactment of legislation reducing the mandate for the appropriation to SSF.

Agency: Maryland Center for School Safety (MCSS)

Type of Action: Mandate relief

Fiscal Impact:	(\$ in millions)					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	(\$5.0)	(\$10.0)	(\$10.0)	\$0	\$0
GF Exp	\$0	(\$5.0)	(\$10.0)	(\$10.0)	\$0	\$0

State Effect: General fund expenditures to capitalize SSF decrease by \$5.0 million in fiscal 2026, reflecting the contingent reduction in the fiscal 2026 budget as introduced. General fund expenditures decrease by \$10.0 million in both fiscal 2027 and 2028 as adequate balance remains in SSF to meet the statutory requirement for a \$10.0 million annual appropriation to the SRO grant program. No general fund savings are realized in fiscal 2029 and future years as the special fund balance will be exhausted and general funds will be required to meet the mandated appropriation to the SRO grant program.

Special fund revenues decrease by \$5.0 million in fiscal 2026 and by \$10.0 million in fiscal 2027 and 2028, consistent with the decrease in general fund appropriations to the fund. To the extent general funds are appropriated into SSF for SRO grants in fiscal 2029 and future years, there is no impact on special fund revenues and expenditures in those years. If general funds are instead provided *directly* to the local school systems for the SRO grants, special fund revenues and expenditures decline by \$10.0 million annually beginning in fiscal 2029.

Local Effect: The annual mandated appropriation of \$10.0 million for the SRO grant program, which supports local school systems and law enforcement agencies, is unchanged, as discussed below.

Program Description/Recent History: Chapter 30 of 2018, the Maryland Safe to Learn Act, made comprehensive changes designed to improve the safety of the State's public schools. SSF is administered by the School Safety Subcabinet, which must establish procedures for local school systems and law enforcement agencies to apply for grants from the fund (MCSS administers the grant program under the direction of the subcabinet). The

purpose of the fund is to provide grants to local school systems to enhance school safety, and it may be used only for that purpose, as specified.

Each year, the Governor must include in the annual budget bill an appropriation of \$10.0 million to the fund for the SRO grant program, and § 7-1512 of the Education Article (which is not affected by the provision) requires that at least \$10.0 million from the fund be used to provide grants to local school systems and local law enforcement agencies. The SRO grant program provides grants to local school systems and law enforcement agencies to assist in providing adequate law enforcement coverage for public schools. This includes offsetting the cost of assigning SROs to public schools. Chapter 179 of 2024 further authorized the use of grant funds to offset the cost of assigning school security employees to public schools. Grants must be made to each local school system in proportion to their share of public schools in the State and may not supplant funding that would otherwise be appropriated to local school systems. Any unspent funds revert to the fund each year but cannot be reallocated.

In addition to the annual \$10.0 million mandated appropriation for the SRO grant program, SSF receives an annually mandated allocation of \$600,000, which is supported by revenues from fines on motorists driving without proper insurance. Although SSF no longer receives an annual mandated appropriation under another provision in this bill, the requirement that at least \$10.0 million from SSF be used for grants to local school systems and local law enforcement agencies is not affected. As SSF ended fiscal 2024 with a fund balance totaling \$26.6 million, it is assumed that MCSS can use the existing fund balance to continue making the required grants from SSF for at least two years, so special fund expenditures are not affected in fiscal 2026, 2027, or 2028.

Location of Provision in the Bill: Section 1 (p. 23)

Analysis prepared by: Laura H. Hyde

Reduce State Share of Nonpublic Placement Program Cost for Educating Children with Disabilities

Provision in the Bill: Reduces the State share of the cost of educating a child with disabilities in a nonpublic placement program by phasing in, over two years, a change in the additional amount above 200% of the basic cost of education that local education agencies are required to provide – specifically 40% in fiscal 2026 and 50% in fiscal 2027 and subsequent years. The fiscal 2026 budget as introduced includes a \$25.0 million general fund reduction, contingent on the enactment of legislation changing the mandate.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Mandate relief; cost shift

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$25.0)	(\$49.9)	(\$50.9)	(\$51.9)	(\$52.9)

State Effect: General fund expenditures decrease by \$25.0 million in fiscal 2026, reflecting the amount in the budget that is contingent on the enactment of the provision. General fund expenditures decrease by \$49.9 million in fiscal 2027, reflecting the full phase in; subsequent decreases in general fund expenditures are expected to grow annually, based on inflationary increases, and reach \$52.9 million in fiscal 2030. Revenues are not affected.

Local Effect: Local expenditures vary corresponding to the State/local share ratio; annual inflation set by MSDE based on the CPI-U index; and enrollment of students in the nonpublic placement program. The change in State aid is shown in **Exhibit 1**.

Program Description: The State and local school systems share in the costs of nonpublic placements for special education children who cannot receive an appropriate education in a public school. For those children in nonpublic placements approved by MSDE, the local school system contributes an amount equal to the local share of the basic cost of educating a child without disabilities plus two times the total basic cost. Any costs above this base amount are split on a State/local basis. Beginning in fiscal 2010 this share has been 70% State/30% local.

Recent History: Chapter 648 of 2023, the Teacher Parity Pay Act, mandates an increase in funding for nonpublic special education teacher salaries starting in fiscal 2025 to match the salaries of similarly qualified public school teachers.

Location of Provision in the Bill: Section 1 (pp. 23-24)

Analysis prepared by: Laura H. Hyde

Exhibit 1
Change in State Aid by County
Fiscal 2026-2030

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Allegany	(\$269,996)	(\$526,408)	(\$536,936)	(\$547,675)	(\$558,628)
Anne Arundel	(2,315,506)	(4,272,027)	(4,357,468)	(4,444,617)	(4,533,510)
Baltimore City	(1,666,525)	(3,031,839)	(3,092,476)	(3,154,325)	(3,217,412)
Baltimore	(4,828,425)	(8,931,432)	(9,110,061)	(9,292,262)	(9,478,107)
Calvert	(161,998)	(432,396)	(441,044)	(449,865)	(458,862)
Caroline	(12,112)	(44,565)	(45,457)	(46,366)	(47,293)
Carroll	(605,599)	(1,061,666)	(1,082,899)	(1,104,557)	(1,126,648)
Cecil	(127,097)	(357,209)	(364,354)	(371,641)	(379,074)
Charles	(238,875)	(557,396)	(568,544)	(579,915)	(591,513)
Dorchester	(46,799)	(118,432)	(120,801)	(123,217)	(125,681)
Frederick	(775,771)	(1,557,474)	(1,588,623)	(1,620,396)	(1,652,804)
Garrett	(3,701)	(22,544)	(22,995)	(23,455)	(23,924)
Harford	(1,007,986)	(2,675,234)	(2,728,738)	(2,783,313)	(2,838,979)
Howard	(1,564,464)	(3,607,316)	(3,679,463)	(3,753,052)	(3,828,113)
Kent	(21,600)	(44,006)	(44,886)	(45,784)	(46,700)
Montgomery	(3,573,395)	(6,277,046)	(6,402,587)	(6,530,638)	(6,661,251)
Prince George's	(3,863,646)	(7,033,776)	(7,174,451)	(7,317,940)	(7,464,299)
Queen Anne's	(67,289)	(140,148)	(142,951)	(145,810)	(148,726)
St. Mary's	(218,688)	(238,389)	(243,156)	(248,019)	(252,980)
Somerset	(9,000)	(26,163)	(26,686)	(27,220)	(27,764)
Talbot	(84,111)	(72,121)	(73,563)	(75,034)	(76,535)
Washington	(260,744)	(364,617)	(371,909)	(379,347)	(386,934)
Wicomico	(4,206)	(31,759)	(32,395)	(33,043)	(33,703)
Worcester	(1,800)	(5,123)	(5,225)	(5,330)	(5,436)
Unallocated/Statewide	(3,270,667)	(8,455,866)	(8,624,983)	(8,797,483)	(8,973,433)
Total	(\$25,000,000)	(\$49,884,952)	(\$50,882,651)	(\$51,900,304)	(\$52,938,309)

Source: Department of Legislative Services

Reduce Mandate for Maryland Loan Assistance Repayment Program for Police Officers and Probation Agents

Provision in the Bill: Reduces the annual funding the Governor must provide to the Maryland Loan Assistance Repayment Program (LARP) for Police Officers and Probation Agents from at least \$5.0 million to at least \$200,000. The fiscal 2026 budget as introduced includes general fund reductions of \$3,675,000 in fiscal 2025 and \$4.8 million in fiscal 2026, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	(\$3.7)	(\$4.8)	(\$4.8)	(\$4.8)	(\$4.8)	(\$4.8)

State Effect: General fund-expenditures decrease by \$3.7 million in fiscal 2025 and by \$4.8 million annually beginning in fiscal 2026 due to reducing the mandated appropriation to \$200,000. Revenues are not affected.

Local Effect: None.

Program Description: The Maryland LARP for Police Officers and Probation Agents provides financial assistance in the repayment of educational loans to individuals currently serving as police officers and parole and probation agents in Maryland.

Recent History: The program was established by Chapter 59 of 2021 to provide financial assistance to police officers. However, Chapter 100 of 2023 expanded the program to include parole and probation agents and increased the amount of funding the Governor is required to include in the annual budget bill for the program from at least \$1.5 million to at least \$5.0 million beginning in fiscal 2024. In July 2024, the Board of Public Works approved cost containment actions, including reducing funding for the program from \$5.0 million to \$3.9 million for fiscal 2025.

Location of Provision in the Bill: Section 1 (p. 28)

Analysis prepared by: Micah R. Richards

Reduce and Alter Mandate for Maryland Police Officers and Probation Agents Scholarship Program

Provisions in the Bill: Reduce the annual funding the Governor must provide to the Maryland Police Officers and Probation Agents Scholarship Program from at least \$5.0 million to at least \$200,000. Repeal the requirement that the Maryland Higher Education Commission (MHEC) use one-half of the funding (\$2.5 million) for students who intend to become police officers or probation agents and the other half (\$2.5 million) for existing police officers or probation agents. The fiscal 2026 budget as introduced includes general fund reductions of \$3,675,000 in fiscal 2025 and \$4.5 million in fiscal 2026, contingent on the enactment of legislation reducing the mandate.

Agency: MHEC

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	(\$3.7)	(\$4.5)	(\$4.8)	(\$4.8)	(\$4.8)	(\$4.8)

State Effect: General fund expenditures decrease by \$3.7 million in fiscal 2025 and \$4.5 million in fiscal 2026, reflecting the contingent reductions in those years. General fund expenditures decrease by as much as \$4.8 million annually beginning in fiscal 2027. Revenues are not affected.

Local Effect: None.

Program Description: The Maryland Police Officers and Probation Agents Scholarship provides tuition assistance to Maryland students who intend to become police officers or parole or probation agents in the State after their graduation and existing Maryland police officers and parole or probation agents who are enrolled in a degree program to further their career.

Recent History: The scholarship program was established by Chapter 59 of 2021 to provide tuition assistance to aspiring and existing police officers only. However, Chapter 100 of 2023 expanded eligibility to encompass aspiring and existing parole and probation agents, decreased the amount that the Governor is required to include in the annual budget bill from at least \$8.5 million to at least \$5.0 million beginning in fiscal 2024, and specified how that funding is to be distributed between students who intend to serve in those roles and those who are already serving in them. In July 2024, the Board of Public Works approved cost containment actions, including reduce funding for the scholarship program from \$5.0 million to \$3.9 million for fiscal 2025.

Location of Provisions in the Bill: Section 1 (pp. 28-29)

Analysis prepared by: Micah R. Richard

Eliminate Mandate for Statewide Academic Health Center Cancer Research Grants

Provision in the Bill: Repeals the funding mandate, beginning in fiscal 2026, for the Statewide Academic Health Center Cancer Research Grants and instead authorizes the Governor to include at least \$13.0 million in the annual budget for the grants. The fiscal 2026 budget as introduced includes a \$13.0 million special fund reduction, contingent on the enactment of legislation eliminating the mandate.

Agency: Maryland Department of Health (MDH)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$13.0)	(\$13.0)	(\$13.0)	(\$13.0)	(\$13.0)

State Effect: Statewide Academic Health Center Cancer Research Grants are supported with special funds from the Cigarette Restitution Fund (CRF). Special fund expenditures from CRF within the MDH Prevention and Health Promotion Administration for the grants decrease by \$13.0 million annually beginning in fiscal 2026, but overall, special fund expenditures are unaffected as these savings are offset by repurposing of the CRF dollars to fund other CRF eligible expenses. General fund expenditures decrease by a corresponding amount beginning in fiscal 2026 due to CRF availability for other CRF-supported programs, including Medicaid expenses which are an entitlement and would otherwise be paid for with general funds. To the extent the Governor provides discretionary funding to the program in any year beginning in fiscal 2027, general fund expenditure reductions are moderated. Revenues are not affected.

Local Effect: None.

Program Description: Beginning in fiscal 2011, State law required the Governor to provide funding for annual grants for cancer research to the University of Maryland Medical Group and the Johns Hopkins Institutions. The Governor is required to provide at least \$13.0 million in the annual budget with grants to the two institutions allocated according to the fiscal 2011 and 2012 proportions. Grant funding must be used for research activities that may lead to a cure for a targeted cancer and increase the rate at which cancer research activities are translated into treatment protocols in the State.

The institutions must also enter into memoranda of understanding with MDH, the Department of Commerce, and the Maryland Technology Development Corporation to establish the scope of the State's ownership or other financial interest in the commercialization and other benefits of the results, products, inventions, and discoveries

of cancer research activities and establish a plan for expediting the translation of cancer research activities into treatment protocols and clinical trials.

Recent History: The fiscal 2024 and 2025 budgets included \$15.0 million in CRF funds each year for the program.

Location of Provision in the Bill: Section 1 (pp. 45-46)

Analysis prepared by: Naomi Komuro

Eliminate Mandate for Maryland Patient Safety Center Fund

Provision in the Bill: Repeals the funding mandate, beginning in fiscal 2026, for the Governor to provide \$1.0 million annually for the Maryland Patient Safety Center Fund and instead authorizes the Governor to include at least \$1.0 million in the annual budget for the fund. The fiscal 2026 budget as introduced includes a \$1.0 million general fund reduction, contingent on the enactment of legislation eliminating the mandate.

Agency: Maryland Health Care Commission (MHCC)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)
GF Exp	\$0	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)
SF Exp	\$0	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)

State Effect: General fund expenditures decrease by \$1.0 million annually beginning in fiscal 2026. Special fund revenues and expenditures decrease correspondingly.

Local Effect: None.

Program Description: Chapters 529 and 530 of 2022 required MHCC to designate a Patient Safety Center for the State by December 31, 2025, established the Patient Safety Center Fund to subsidize a portion of the costs of the center, and established a \$1.0 million annual mandated appropriation for the fund beginning in fiscal 2024. MHCC administers the fund and may provide an annual grant from the fund to the designated center. Patient Safety Center activities include (1) developing, coordinating, and implementing patient safety initiatives across the State; (2) being a model for patient safety innovation and implementation; (3) convening health care providers, patients, and families to improve the quality of care, reduce preventable and avoidable harm, and provide safe and equitable health care for State citizens; and (4) sharing information related to best practices among providers and patients in the State.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 47-48)

Analysis prepared by: Anne W. Braun

Alter Mandate for Continuing CORE Partnership Fund by Allowing Use of General Obligation Bonds

Provision in the Bill: Authorizes the Governor to meet the requirement to provide \$50.0 million for the Continuing the CORE Partnership Fund (known as Baltimore Vacants Reinvestment Initiative) in either the operating or capital budget, rather than only the operating budget, beginning in fiscal 2026. The fiscal 2026 budget as introduced includes a \$50.0 million reduction in pay-as-you-go (PAYGO) general funds, contingent on the enactment of legislation altering the mandate. The fiscal 2026 capital budget includes \$60.0 million in general obligation (GO) bond funding for the Strategic Demolition Fund, of which \$50.0 million is for the Baltimore Vacants Reinvestment Initiative.

Agency: Department of Housing and Community Development (DHCD)

Type of Action: Mandate relief

Fiscal	(\$ in millions)					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
PAYGO GF Exp	\$0	(\$50.0)	(\$50.0)	(\$50.0)	(\$50.0)	(\$50.0)

State Effect: PAYGO general fund expenditures decrease by \$50.0 million in fiscal 2026 and in any year that the Governor chooses to use GO bond funds. GO bond funding for the program increases correspondingly. The 2025 *Capital Improvement Program* also reflects \$60.0 million in GO bonds annually for fiscal 2026 through 2030 (\$50.0 million of which is for the Baltimore Vacants Reinvestment Initiative). Providing funding through GO bonds does not affect overall State expenditures but does reallocate funding from other capital projects. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapters 639 and 640 of 2018 established the Continuing the CORE Partnership Fund within DHCD. The fund is a special, nonlapsing fund with the stated purpose of assisting DHCD, in conjunction with the Maryland Stadium Authority and Baltimore City, in removing blighted property within Baltimore City. For fiscal 2020, the Governor was explicitly authorized to include in the annual budget bill an appropriation of \$30.0 million to the fund. For fiscal 2021 through 2024, the Governor was explicitly authorized to include in the annual operating budget bill an appropriation of \$25.0 million to the fund. Chapter 335 of 2024 extended the fund indefinitely and required the Governor to provide \$50.0 million in the annual budget bill for the program beginning in fiscal 2026.

Location of Provision in the Bill: Section 1 (p. 48)

Analysis prepared by: Scott E. Benson

Reduce Mandate for Long-Term Care and Dementia Care Navigation Program

Provision in the Bill: Reduces the amount of funding that the Governor is required to provide for the Long-Term Care and Dementia Care Navigation Program from \$2.4 million to \$1.2 million beginning in fiscal 2025. The fiscal 2026 budget as introduced includes a \$1.2 million general fund reduction, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Department of Aging (MDOA)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$1.2)	(\$1.2)	(\$1.2)	(\$1.2)	(\$1.2)

State Effect: General fund expenditures for MDOA decrease by \$1.2 million annually beginning in fiscal 2026 due to the lower mandated appropriation. Revenues are not affected.

Local Effect: For those local governments that are area agencies on aging (AAAs), revenues decrease beginning in fiscal 2026; expenditures are correspondingly affected.

Program Description: Chapters 667 and 668 of 2023 established the Long-Term Care and Dementia Care Navigation Program, requiring local AAAs to establish or build upon existing dementia care navigation programs for their jurisdictions, and require the Governor, beginning in fiscal 2025, to include \$2.4 million annually in the budget to support the program. Dementia care navigation programs are intended to provide support to persons living with dementia and their care partners to mitigate the impact of dementia and ensure their access to quality dementia care navigation services.

Recent History: In July 2024, the Board of Public Works approved cost containment actions including a \$1.2 million general fund reduction for the Long-Term Care and Dementia Navigation Program.

Location of Provision in the Bill: Section 1 (pp. 48-49)

Analysis prepared by: Victoria M. Martinez

Reduce Mandate for Maryland New Start Grant Program

Provision in the Bill: Reduces, for fiscal 2026 through 2028, the amount of funding the Governor is required to provide annually for the New Start Grant Program from \$200,000 to \$50,000. The fiscal 2026 budget as introduced includes general fund reductions of \$150,000 in both fiscal 2025 and 2026, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Department of Labor (MD Labor)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)	\$0	\$0

State Effect: General fund expenditures for MD Labor decrease by \$150,000 annually in fiscal 2026 through 2028. Although the bill does not establish a lower mandated amount to be included by the Governor for fiscal 2025, the bill also effectuates the contingent \$150,000 reduction in fiscal 2025; accordingly, general fund expenditures are also reduced in fiscal 2025. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapter 485 of 2022 established the New Start Grant Program in MD Labor to award grants to at least five eligible organizations to create or support existing entrepreneurship development programs that assist specified formerly imprisoned individuals or specified individuals approved for release by a correctional facility. The Governor must include an appropriation of at least \$200,000 for the program in fiscal 2024 through 2028, and the program terminates June 30, 2029.

Location of Provision in the Bill: Section 1 (p. 54)

Analysis prepared by: Scott E. Benson

Reduce Mandate for Construction Education and Innovation Fund

Provision in the Bill: Reduces, for fiscal 2025 through 2029, the amount of funding the Governor is required to provide for the Construction Education and Innovation Center from \$625,000 to \$531,250. The fiscal 2026 budget as introduced includes a \$93,750 general fund reduction, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Department of Labor

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)	\$0

State Effect: General fund expenditures decrease by \$93,750 annually from fiscal 2026 through 2029. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapter 34 of 2016 established the Construction Education and Innovation Fund to support the Maryland Center for Construction Education and Innovation (MCCEI), with a funding mandate of \$250,000 annually beginning in fiscal 2018. MCCEI is a public-private partnership located at Towson University that aims to promote, develop, and connect career opportunities in the built environment. Chapter 493 of 2023 increased the amount of mandated funding to \$625,000 for fiscal 2025 through 2029 and terminated the mandate after fiscal 2029.

Location of Provision in the Bill: Section 1 (pp. 54-55)

Analysis prepared by: Scott E. Benson

Reduce Mandate for Career Pathways for Health Care Workers Program

Provision in the Bill: Reduces, beginning in fiscal 2026, the amount of funding the Governor is required to provide annually for the Career Pathways for Health Care Workers Program from \$1.0 million to \$500,000. The fiscal 2026 budget as introduced includes general fund reductions of \$250,000 in fiscal 2025 and \$500,000 in fiscal 2026, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Department of Labor (MD Labor)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	(\$0.3)	(\$0.5)	(\$0.5)	(\$0.5)	(\$0.5)	(\$0.5)

State Effect: General fund expenditures for MD Labor decrease by \$500,000 annually beginning in fiscal 2026. Although the bill does not establish a lower mandated amount to be included by the Governor for fiscal 2025, the bill also effectuates the contingent \$250,000 reduction in fiscal 2025; accordingly, general fund expenditures are also reduced in fiscal 2025. Any impact on higher education institutions is not reflected.

Local Effect: Community colleges benefit from the program so they may be affected by the program's reduced funding.

Program Description/Recent History: Chapter 403 of 2022 established the Career Pathways for Health Care Workers Program in the Division of Workforce Development and Adult Learning in MD Labor. The program provides matching grants to hospitals or related institutions to pay for training programs attended by health care workers, with a goal of providing increased opportunities for health care workers to receive training across the State.

Location of Provision in the Bill: Section 1 (p. 55)

Analysis prepared by: Scott E. Benson

Phase Out Teacher Retirement Supplemental Grants

Provisions in the Bill: Phase out, over two years, the annual mandated appropriation for teacher retirement supplemental grants to eight counties and Baltimore City. Reduce the mandated appropriation from \$27.7 million to \$13.8 million in fiscal 2026, and permanently repeal the mandate in fiscal 2027. The fiscal 2026 budget as introduced includes a general fund reduction of \$13,829,330, contingent on the enactment of legislation reducing the teacher retirement supplemental grants.

Agency: Payments to Civil Divisions of the State

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$13.8)	(\$27.7)	(\$27.7)	(\$27.7)	(\$27.7)

State Effect: General fund expenditures decrease by \$13.8 million in fiscal 2026, based on the level of the reduction contingent on the enactment of this provision. General fund expenditures decrease annually by \$27.7 million beginning in fiscal 2027. Revenues are not affected.

Local Effect: Revenues in eight counties and Baltimore City decrease by a combined \$13.8 million in fiscal 2026 and by \$27.7 million annually beginning in fiscal 2027. Expenditures in those nine jurisdictions increase by a corresponding amount for costs associated with teacher pensions.

Program Description: Chapter 1 of the First Special Session of 2012 mandated a general fund appropriation of \$27.7 million each year for the Teacher Retirement Supplemental Grant for nine jurisdictions (Baltimore City and Allegany, Baltimore, Caroline, Dorchester, Garrett, Prince George's, Somerset, and Wicomico counties). The grant was established to partially offset costs associated with a requirement, beginning in fiscal 2012, that local school systems pay a portion of employer contributions for teacher pensions.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 55-56) and Section 9 (p. 128)

Analysis prepared by: Yashodhara Rai

Eliminate Mandate for Maryland Forestry Education Fund

Provision in the Bill: Repeals the requirement that the Governor provide \$250,000 for the Maryland Forestry Education Fund in fiscal 2026. The fiscal 2026 budget as introduced includes a \$250,000 general fund reduction in the Forest Service, contingent on legislation eliminating the mandate.

Agency: Department of Natural Resources

Type of Action: Mandate relief

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	(\$0.3)	\$0	\$0	\$0	\$0
GF Exp	\$0	(\$0.3)	\$0	\$0	\$0	\$0
SF Exp	\$0	(\$0.3)	\$0	\$0	\$0	\$0

State Effect: General fund expenditures decrease by \$250,000 in fiscal 2026. Special fund revenues and expenditures decrease correspondingly. Chapters of 479 and 480 of 2023 require that expenditures from the fund may be made only in accordance with the State budget. Accordingly, even though the fund is administered by the Maryland Forestry Foundation, which is a nonprofit organization, this analysis assumes that the special funds flow through the State budget.

Local Effect: To the extent local governments would otherwise receive a grant under the program, local revenues and expenditures decrease in fiscal 2026. In addition, local governments no longer benefit from the additional training and outreach provided under Chapters 479 and 480.

Program Description/Recent History: Chapters of 479 and 480 established the Maryland Forestry Education Fund, to be administered by the Maryland Forestry Foundation. The purpose of the fund is to expand and enhance (1) the Maryland Forestry Foundation's capacity to provide education and resources that support forest landowners in the State; (2) the ability of district forestry boards and the knowledge of local governments to achieve environmental, economic, and social sustainability of forest health and the sustainable management of forest resources; and (3) the ability of businesses to test innovative best management practices in forestry. The Governor is required to include in the annual budget bill an appropriation of \$250,000 to the fund in fiscal 2025 and 2026 only. However, as part of cost containment approved at a July 2024 meeting, the Board of Public Works approved a deletion of the \$250,000 in fiscal 2025 funding.

Location of Provision in the Bill: Section 1 (p. 58)

Analysis prepared by: Andrew D. Gray

Reduce Mandate for Warrants and Absconding Grants

Provision in the Bill: Reduces the amount the Governor must provide for warrants and absconding grants administered by the Governor’s Office of Crime Prevention and Policy (GOCPP) from \$2.0 million to \$1.0 million in fiscal 2025 and 2026. The fiscal 2026 budget as introduced includes a \$1.0 million general fund reduction, contingent on legislation reducing the mandate.

Agency: GOCPP

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$1.0)	\$0	\$0	\$0	\$0

State Effect: General fund expenditures for GOCPP decrease by \$1.0 million in fiscal 2026. Revenues are not affected.

Local Effect: Local government grant revenues associated with the grant decrease in total by \$1.0 million in fiscal 2026. Expenditures are correspondingly affected.

Program Description: Chapter 174 of 2022 established a mandated appropriation of \$2.0 million for warrants and absconding grants in fiscal 2024 through 2026 for warrant apprehension activities in local law enforcement agencies. GOCPP is required to administer the funds to local law enforcement agencies.

Recent History: Though this provision also lowers the mandated amount for fiscal 2025, a cost containment action approved by the Board of Public Works in July 2024 already reduced the funding available in fiscal 2025 from \$2.0 million to \$1.0 million.

Location of Provision in the Bill: Section 1 (p. 61)

Analysis prepared by: Madelyn C. Miller

Eliminate Mandate for Rent Court Workforce Solutions Pilot Program in Montgomery and Prince George’s Counties

Provision in the Bill: Repeals the funding mandate, for fiscal 2026 through 2028, for the Governor to provide \$100,000 each to the designated organizations for Montgomery and Prince George’s counties to be used for a Rent Court Workforce Solutions Pilot Program and instead authorizes the Governor to provide these funds. The fiscal 2026 budget as introduced includes a \$200,000 general fund reduction, contingent on the enactment of legislation eliminating this mandate.

Agency: Maryland Department of Labor

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$0.2)	(\$0.2)	(\$0.2)	\$0.0	\$0.0

State Effect: General fund expenditures decrease by \$200,000 annually in fiscal 2026 through 2028. Revenues are not affected.

Local Effect: None; funds under the program are distributed to designated organizations, so Montgomery and Prince George’s counties are not directly affected.

Program Description/Recent History: Chapters 294 and 295 of 2024 established the Rent Court Workforce Solutions Pilot Program in two counties – Montgomery and Prince George’s – to provide tenants in failure-to-pay-rent cases with workforce resources and information on workforce development, registered apprenticeships, and other employment opportunities. In fiscal 2026 through 2028, the Governor must include in the annual budget bill an appropriation of \$200,000 to be used for the pilot program, \$100,000 for each county’s program.

Location of Provision in the Bill: Section 1 (pp. 61-62)

Analysis prepared by: Scott E. Benson

Eliminate Set Aside for Expedited Information Technology Investment Fund Projects

Provision in the Bill: Repeals the requirement that the Governor set aside at least 20% of the amount included in the Governor’s allowance and appropriated to the Information Technology Investment Fund (ITIF) for expedited projects each fiscal year. The fiscal 2026 budget as introduced includes a \$13,820,979 general fund reduction, contingent on the enactment of legislation eliminating the mandate for expedited projects.

Agency: Department of Information Technology

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$13.8)	(\$68.2)	(\$48.9)	(\$61.7)	(\$44.4)

State Effect: ITIF may generally be used to pay for major information technology development projects (MITDP) in general funded agencies. General fund expenditures decrease by \$13.8 million in fiscal 2026 based on the amount of the contingent reduction. Out-year expenditure reductions reflect 20% of currently planned ITIF funding levels and assume that these funds are not otherwise spent on MITDP. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapter 497 of 2024 created and defined a new “expedited project” category and modified how ITIF funds may be used to fund both MITDP and expedited projects. For a project to be eligible for funding through ITIF, it must (1) be estimated to cost at least \$5.0 million; (2) support critical business functions associated with the public health, education, safety, or financial well-being of the citizens of Maryland; or (3) be determined to require special attention and consideration by the Secretary of Information Technology. An “expedited project” is a project that is not a MITDP but receives money from ITIF in a manner that allows for modernization projects to move forward in a nimble and expedited manner.

Chapter 497 requires at least 20% of the funding appropriated to ITIF each year to be set aside for expedited projects. Any amount set aside that is not used in the fiscal year must remain set aside in the fund and available for future expedited projects. However, the fiscal 2026 allowance (before accounting for the contingent reduction), includes only a total of \$28.8 million, which is 18.23% of the funding appropriated to ITIF as a set aside for expedited projects.

Location of Provision in the Bill: Section 1 (pp. 62-64)

Analysis prepared by: Yashodhara Rai

Suspend Requirement to Appropriate Surplus to Revenue Stabilization Account in Fiscal 2026 Only and Eliminate Postretirement Health Benefits and Pension Sweeper Mandates

Provisions in the Bill: Suspend, for fiscal 2026 only, the requirement that the Governor appropriate general fund surplus to the Revenue Stabilization Account (Rainy Day Fund). The fiscal 2026 budget as introduced includes a reduction of \$419,499,483, contingent on the enactment of legislation suspending the required contribution.

Eliminate, beginning in fiscal 2024, the requirement that the Governor include an appropriation to the State Retirement and Pension System (SRPS) equal to one-quarter of the amount by which the unappropriated general fund surplus exceeds \$10.0 million in the second preceding fiscal year, up to a maximum of \$25.0 million. The fiscal 2026 budget as introduced includes a \$25.0 million general fund reduction to the Dedicated Purpose Account (DPA), contingent on the enactment of legislation eliminating the required payment.

Eliminate, beginning in fiscal 2024, the requirement that the Governor include an appropriation to the Postretirement Health Benefits (better known as OPEB) Trust Fund equal to one-quarter of the amount by which the unappropriated general fund surplus exceeds \$10.0 million in the second preceding fiscal year, up to a maximum of \$25.0 million. The fiscal 2026 budget as introduced includes a \$25.0 million general fund reduction to DPA, contingent on the enactment of legislation eliminating the required payment.

Agency: State Retirement Agency; Department of Budget and Management (DBM); State Reserve Fund

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	(\$469.5)	(\$50.0)	(\$50.0)	(\$50.0)	(\$50.0)
GF Exp	\$0	(\$469.5)	(\$50.0)	(\$50.0)	(\$50.0)	(\$50.0)

State Effect: General fund expenditures decrease by \$419.5 million in fiscal 2026 only and special fund revenues for the Rainy Day Fund decrease by a corresponding amount. General fund expenditures further decrease by \$50.0 million in fiscal 2026 and in any other year in which the Governor is no longer required to allocate funds from the general fund surplus to the SRPS trust fund and the OPEB trust fund. Special fund revenues for the trust funds decrease correspondingly. Decreases in general fund expenditures for fiscal 2027

and 2028 reflect the assumption in the Governor's fiscal 2026 allowance that both years will close with a general fund surplus in excess of \$100.0 million.

As the State does not prefund OPEB costs, there are no out-year effects resulting from the missed payments to the OPEB trust fund. Likewise, there are no out-year effects resulting from the missed payments to SRPS trust fund since SRPS no longer assumes pension sweeper payments are made in their actuarial assumptions.

Local Effect: None.

Program Description: The Rainy Day Fund was established to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth. If there is a surplus above \$10.0 million, the first \$100.0 million of unappropriated revenues two years after the close of each fiscal year must be appropriated to the Rainy Day Fund (receiving 50%), SRPS (receiving 25%, up to a maximum of \$25.0 million), and Postretirement Health Benefits Trust Fund (receiving 25%, up to a maximum of \$25.0 million). Any unappropriated revenues in excess of \$110.0 million are required to be appropriated into the Rainy Day Fund. The fiscal 2026 budget as introduced anticipates a closing general fund balance of \$106.0 million in fiscal 2026, which requires an appropriation in fiscal 2028 under current law.

Recent History: While the general fund surplus has exceeded the threshold requiring a contribution to the OPEB and SRPS trust funds each year since fiscal 2017, these payments have been suspended in most years since it was first required by statute in fiscal 2017; it was not included in the fiscal 2024 or 2025 budgets as enacted.

The Budget Reconciliation and Financing Act of 2023 (Chapter 103) altered the required appropriation to the Rainy Day Fund in fiscal 2024 only to reduce the appropriation from \$1.06 billion and instead provide \$500.0 million only, which was later transferred to the Blueprint for Maryland's Future Fund. The General Assembly deleted the funds appropriated for Rainy Day Fund in the fiscal 2025 budget bill. DBM projects the balance in the Rainy Day Fund will be \$2.05 billion, or 8.1% of projected general fund revenues, by the end of fiscal 2026.

Location of Provisions in the Bill: Section 1 (pp. 65-68)

Analysis prepared by: Jacob C. Cash

Eliminate Mandate to Maryland State Arts Council

Provision in the Bill: Eliminates the requirement that the Governor provide funding to the Maryland State Arts Council (MSAC) within the Department of Commerce beyond fiscal 2025. The fiscal 2026 budget as introduced includes a \$119,451 general fund reduction to MSAC funding, contingent on the enactment of legislation eliminating the mandate.

Agency: Commerce

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$0.12)	(\$0.87)	(\$2.08)	(\$3.14)	(\$4.27)

State Effect: General fund expenditures decrease by \$119,451 in fiscal 2026 based on the amount of the contingent reduction. General fund expenditures decrease annually by *at least* \$868,033 in fiscal 2027 growing to *at least* \$4.3 million in fiscal 2030 assuming the Governor continues to provide funding at the level provided in fiscal 2026 after the contingent reduction. Since this provision eliminates the MSAC general fund mandate entirely, any future funding would be discretionary; thus, general fund savings could be greater.

Local Effect: None.

Program Description: MSAC provides grant funding, programming, and technical support to encourage the growth of the arts in Maryland. The Governor must include an appropriation for MSAC in the budget that is not less than the amount of the general fund appropriation for MSAC in the prior year's budget as enacted, increased by general fund growth.

The total general fund allowance for MSAC in fiscal 2026 is just over \$29.0 million prior to the reduction contingent on the enactment of this provision. Lower funding for the program overall could mean less funds are available for grant programs. MSAC's largest program, Grants for Organizations, had an average award amount of \$62,000 in fiscal 2024. At that rate, approximately two fewer grants would be awarded to arts organizations under this provision.

Recent History: Chapter 548 of 2023 clarified the general fund mandate calculation for MSAC. As part of cost containment actions approved in July 2024, the Board of Public Works approved a reduction to MSAC funding of \$437,220 in fiscal 2025.

Location of Provision in the Bill: Section 1 (p. 68)

Analysis prepared by: Elizabeth Waibel

Alter Local Share of Teacher and Community College Retirement System Payments

Provision in the Bill: Reduces, by \$97.7 million, beginning in fiscal 2026, the State share of annual employer pension contributions for members of the Teachers’ Retirement System/Teachers’ Pension System (TRS/TPS) employed by local school systems and community colleges. Increases employer contributions by counties and Baltimore City commensurately, in proportion to their respective shares of TRS/TPS membership. The fiscal 2026 budget as introduced includes a \$97.7 million general fund reduction, contingent on the enactment of legislation reducing the State’s share of these retirement costs.

Agency: Maryland State Department of Education (MSDE) and Maryland Higher Education Commission (MHEC)

Type of Action: Mandate relief; cost shift

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$97.7)	(\$97.7)	(\$97.7)	(\$97.7)	(\$97.7)

State Effect: General fund expenditures decrease by \$97.7 million annually beginning in fiscal 2026. No effect on future pension liabilities because employer contributions by counties and Baltimore City increase commensurately.

Local Effect: County and Baltimore City expenditures increase by \$97.7 million annually beginning in fiscal 2026, as shown in **Exhibit 1**. No effect on local revenues.

Program Description: TRS/TPS membership includes, among others, (1) teachers and principals employed by local school systems; (2) specified community college faculty members; and (3) librarians employed by county libraries. Prior to the enactment of Chapter 1 of the First Special Session of 2012, the State paid 100% of the employer pension contribution for members of TRS/TPS, including those employed by local school systems, community colleges, and libraries. Chapter 1 required local school systems to pay the “normal cost” portion of the employer contribution (the actuarial value of pension benefits earned in the current year), which historically has been about 4% to 5% of member payroll, for their members. The State has continued to pay 100% of the employer contribution on behalf of community colleges and libraries; all State payments on behalf of TRS/TPS members are paid with general funds. The State shares of employer TRS/TPS contributions for employees of local school systems and community colleges are included as separate line items in the respective budgets of MSDE and MHEC.

Exhibit 1
Annual Increase in Employer Contributions by County
Beginning in Fiscal 2026

Allegany	\$754,195
Anne Arundel	9,738,875
Baltimore City	8,802,114
Baltimore	10,352,112
Calvert	1,647,480
Caroline	561,645
Carroll	2,624,055
Cecil	1,327,122
Charles	2,786,366
Dorchester	590,506
Frederick	5,925,608
Garrett	269,208
Harford	3,685,077
Howard	6,830,167
Kent	165,489
Montgomery	20,861,475
Prince George's	13,000,062
Queen Anne's	691,279
St. Mary's	1,562,014
Somerset	314,066
Talbot	452,957
Washington	2,397,889
Wicomico	1,704,888
Worcester	699,872
Total	\$97,744,521

Source: Department of Legislative Services

This provision reduces the State's share of employer pension contributions for TRS/TPS members employed by local school systems and community colleges annually beginning in fiscal 2026. The amount of the reduction (\$97.7 million) is equal to one-half of the year-over-year increase in employer contributions from fiscal 2025 to 2026, as determined by the actuary, for members employed by local school systems and community colleges. The amount of the reduction, however, remains constant in the out-years. Unlike Chapter 1, which required *local school systems* to pay the normal cost share for their members, this provision requires *counties and Baltimore City* to make up the reduced State share. Of the
SB 321/ Page 56

total amount, \$92.9 million is attributable to members employed by local school systems and \$4.8 million is attributable to members employed by community colleges.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 75-77)

Analysis prepared by: Michael C. Rubenstein

Repeal Pension Supplemental Contribution

Provision in the Bill: Repeals, beginning in fiscal 2026, the \$50.0 million annual supplemental contribution to the State Retirement and Pension System (SRPS) that is required to be paid until the system’s funding ratio reaches 85%. The fiscal 2026 budget as introduced includes a \$43,587,917 general fund reduction, \$3,541,420 special fund reduction, and a \$1,866,457 federal fund reduction, all contingent on the enactment of legislation eliminating the pension reinvestment funding mandate.

Agency: Statewide

Type of Action: Mandate relief

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$43.6)	(\$43.6)	(\$43.6)	(\$43.6)	(\$43.6)
SF Exp	\$0	(\$3.5)	(\$3.5)	(\$3.5)	(\$3.5)	(\$3.5)
FF Exp	\$0	(\$1.9)	(\$1.9)	(\$1.9)	(\$1.9)	(\$1.9)
NB Exp	\$0	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)

State Effect: General/special/federal/nonbudgeted fund expenditures totaling \$50.0 million decrease annually beginning in fiscal 2026; no effect on revenues. No effect on future pension liabilities because the SRPS actuary stopped accounting for the supplemental contribution in its calculation of assets and liabilities beginning with the June 30, 2024 actuarial valuation.

Local Effect: None.

Program Description: Chapter 397 of 2011 (the Budget Reconciliation and Financing Act of 2011) included significant reforms to the benefit structure and financing of SRPS. The purpose of the reforms was to enhance the affordability and sustainability of the retirement benefits provided to State employees and teachers. Included in the reforms was a requirement that the Governor include in the annual budget a supplemental contribution in excess of the actuarially determined contribution to accelerate the system’s return to a stable funding level after years of being underfunded. The amount of the supplemental contribution was initially \$300.0 million, but it has been reduced several times. Statute requires that the supplemental payment be paid until the system’s ratio of actuarial assets to actuarial liabilities reaches 85%, which is projected to occur no sooner than fiscal 2036.

Recent History: Chapter 489 of 2015 reduced the annual supplemental payment to \$75.0 million beginning in fiscal 2016, and Chapter 717 of 2024 further reduced it to \$50.0 million beginning in fiscal 2025.

Location of Provision in the Bill: Section 1 (pp. 77-78)

Analysis prepared by: Michael C. Rubenstein and Jacob C. Cash

Eliminate Mandate for Maryland Public Broadcasting Commission

Provision in the Bill: Repeals the section of law requiring the Governor to fund the Maryland Public Broadcasting Commission (MPBC) at the level of the current year appropriation, as enacted by the General Assembly, and increased by general fund growth. Repeals, accordingly, a provision of current law that requires an additional general fund appropriation in certain situations; specifically, if special fund revenues from two specific federal grants are lower than what was budgeted for the second preceding year, the amount of the difference must also be appropriated. The fiscal 2026 budget as introduced includes a \$778,897 general fund reduction, contingent on the enactment of legislation eliminating the mandated funding.

Agency: MPBC

Type of Action: Mandate relief

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$0.8)	(\$0.4)	(\$0.9)	(\$1.5)	(\$2.0)

State Effect: General fund expenditures for MPBC decrease by \$778,897 in fiscal 2026 based on the amount of the reduction in the fiscal 2026 budget as introduced, contingent on the enactment of the provision, which is greater than the amount of growth that is required due to the formula. General fund expenditures decrease by *at least* \$365,414 in fiscal 2027, accounting only for anticipated general fund growth, escalating to at least \$2.0 million by fiscal 2030. However, decreases to general fund expenditures in subsequent fiscal years are dependent upon estimated general fund revenue growth and special funds received from the Corporation for Public Broadcasting (CPB). The impact on future funding shown above is only for the estimated impact on mandated funding due to general fund revenue growth as changes in CPB revenues are unknown.

Local Effect: None.

Program Description: Chapter 816 of 2017 established minimum funding levels for MPBC. Specifically, beginning in fiscal 2019, the Governor is required to increase the annual general fund appropriation by the projected percentage increase in general fund revenues for the upcoming fiscal year. The Governor must also annually appropriate general funds to offset any decline in CPB revenues from certain federal grants in the second prior fiscal year.

Recent History: None

Location of Provision in the Bill: Section 7 (p. 128)

Analysis prepared by: Scott E. Benson

Establish Beekeeper Administrative Penalties

Provisions in the Bill: Establish various administrative penalties for beekeepers who fail to register their colonies in a timely manner, as specified under current law. Require a beekeeper, after being notified by the Maryland Department of Agriculture (MDA) to provide movable frames for a colony, to provide the frames within 30 days from receipt of the notice; and establish administrative penalties for beekeepers who fail to do so.

Agency: MDA

Type of Action: Revenue action

State Effect: General fund revenues increase minimally beginning in fiscal 2026 due to the administrative penalty provisions. Expenditures are not affected.

Local Effect: None.

Program Description: MDA is the agency responsible for inspecting apiaries and honey houses and enforcing requirements applicable to bees, bee colonies, and used bee equipment shipped or transported into the State. A beekeeper must register annually with MDA each colony that it maintains. By January 1 each year, the beekeeper must complete and submit to MDA a registration form stating the number of maintained colonies and the location of each colony. Any person not registered as a beekeeper who acquires a colony must register it with MDA within 30 days of acquisition. In addition, every person engaged in beekeeping must provide movable frames in all hives and must cause the bees in hives to construct brood combs in the frames so that any frame may be removed without injury to other combs in the hive.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 11-12)

Analysis prepared by: Beatrice F. Amoateng

Increase Nutrient Management Plan Penalties

Provision in the Bill: Alters the administrative penalty provisions that apply for failing to file a summary or annual implementation report (AIR) under the Nutrient Management Program by repealing the existing administrative penalty structure and establishing an administrative penalty of between \$1,000 and \$2,000 for failure to submit a required report after 30 days from the issuance of the notice.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Revenue action

State Effect: General fund revenues may increase minimally, likely not beginning until fiscal 2026 to the extent administrative penalties are issued. Expenditures are not affected.

Local Effect: None.

Program Description: Pursuant to the Water Quality Improvement Act of 1998, agricultural operations with \$2,500 or more in gross annual income and livestock operations with 8,000 pounds or more of live animal weight must have and comply with a nutrient management plan for nitrogen and phosphorus. Pursuant to current regulations, a summary of each nutrient management plan must be filed with MDA when it is first developed. Following the first submission of the required nutrient management plan information, all operators must file an AIR by March 1 each year. Under current law, if a person fails to file a summary report or AIR, MDA must notify the person that they are in violation of the requirement and subject to (1) after 30 days from issuance of the notice, an administrative penalty between \$100 and \$250; (2) after 60 days from issuance of the notice, an administrative penalty between \$250 and \$1,000; and (3) after 90 days from issuance of the notice, an administrative penalty of not less than \$1,000.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 13-14)

Analysis prepared by: Kathleen P. Kennedy

Increase Wholesale Seedsman Permit Fee

Provision in the Bill: Increases the annual wholesale seedsman permit fee from \$100 to \$125.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Revenue action

State Effect: Special fund revenues increase by an estimated \$6,250 annually beginning in fiscal 2026 due to the increase in the fee. This estimate assumes that MDA continues to issue 250 permits annually. Based on information provided by MDA, no effect is anticipated in fiscal 2025. Expenditures are not affected.

Local Effect: None.

Program Description: No person may engage in the business of a wholesale seedsman in the State without first obtaining a permit from MDA. The annual permit fee is \$100, and permits are valid for one year beginning July 1. Fee revenue is deposited into an MDA special fund that is used to help offset program operating costs.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 14-15)

Analysis prepared by: Beatrice F. Amoateng

Alter Weight and Measure Registration Process and Fees

Provisions in the Bill: Repeal the registration fee schedule (for weights and measures used for commercial purposes) in statute and authorize the Secretary of Agriculture to set reasonable fees. Require that the Secretary send registration renewal notices/forms at least one month before registration expiration and allow a 60-day grace period after expiration, when a registration can be renewed retroactively with payment of the renewal fee and a late fee.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0

State Effect: Special fund revenues increase by \$1.0 million annually beginning in fiscal 2026. This estimate (1) assumes the Secretary sets registration/renewal fees (and the late fee) at a level that generates enough new special fund revenue to sustain the Weights and Measures Program in the immediate future and (2) is based on the fund's expected balance at the end of fiscal 2025 and projected revenues and expenditures in fiscal 2026 and future years. (The program's allowance, under the fiscal 2026 budget as introduced, consists of \$2.4 million in special fund expenditures and \$556,612 in general fund expenditures.)

General fund revenues increase minimally beginning in fiscal 2026 due to interest earnings generated by the new revenue, which accrues to the general fund pursuant to § 8 of Chapter 717 of 2024 and § 6-226(a)(2) of the State Finance and Procurement Article.

Local Effect: None.

Program Description: MDA's Weights and Measures Program inspects and certifies the accuracy of measuring and weighing devices in the State to ensure the fairness and equity of all commercial transactions involving determination of quantity.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 15-17)

Analysis prepared by: Scott D. Kennedy

Eliminate Mandate and Distribution to Driver Education in Public High Schools Fund

Provisions in the Bill: Repeal the requirement that \$2.0 million in funds received from fines associated with vehicle security lapses (the uninsured motorist penalty) be distributed to the Driver Education in Public High Schools Fund (Driver Education Fund) annually. Repeal use of funds from the uninsured motorist penalty as a source for the Driver Education Fund. The fiscal 2026 budget as introduced includes a \$2.0 million special fund reduction, contingent on the enactment of legislation eliminating the Driver Education in Public High Schools Grant Program and Fund mandate.

Agency: Maryland State Department of Education

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
SF Rev	\$0	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)
SF Exp	\$0	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)

State Effect: Special fund revenues and expenditures for the Driver Education Fund decrease by \$2.0 million annually beginning in fiscal 2026. General fund revenues increase by \$2.0 million annually beginning in fiscal 2026 as funds from the uninsured motorist penalty not otherwise distributed are then distributed to the general fund. (The fiscal 2026 budget as introduced assumes \$2.0 million in general fund revenues.)

Local Effect: Under this provision, local education agencies (LEAs) will not receive funds through the Driver Education in Public High Schools Grant Program.

Program Description: The Driver Education Fund consists of money received from the uninsured motorist penalty under specified provisions of the Transportation Article and any other money from any other source accepted for the benefit of the fund. The fund may be used only for providing grants under the Driver Education in Public High Schools Grant Program and administrative costs of the program. That program provides grants to public high schools and nonprofit organizations to assist public high schools in offering driver education courses for students. Currently, no LEAs are certified by the Motor Vehicle Administration (MVA) to provide driver’s education.

Uninsured motorist penalty revenues are distributed according to a statutory formula such that 30% is retained in the Transportation Trust Fund for MVA, while the general fund receives any balance remaining from the other 70% after other specified allocations are

made. More specifically, that 70% is required to be distributed as follows: \$600,000 to the Safe Schools Fund; \$2,000,000 to the Vehicle Theft Protection Fund; (3) \$2,000,000 to the Driver Education Fund; (4) \$600,000 to the State-Aided Institutions Field Trip Fund; (5) an amount to the Maryland Automobile Insurance Fund that equals the amount received in the prior fiscal year adjusted by the Consumer Price Index – All Urban Consumers – Medical Care (with specified exceptions for fiscal 2024 and 2025); and (6) the remainder to the general fund.

Recent History: Chapter 857 of 2024 established the Driver Education in Public High Schools Grant Program and special fund. Additionally, Chapter 857 increased the uninsured motorist penalties that apply when required security (*i.e.*, insurance) lapses and established a mandatory distribution of \$2.0 million from those penalty revenues to the Driver Education Fund.

Location of Provisions in the Bill: Section 1 (pp. 21-22 and pp. 90-93)

Analysis prepared by: Laura H. Hyde

Eliminate Mandate and Distributions to State-Aided Institutions Field Trip Fund

Provisions in the Bill: Repeal the requirement that \$600,000 in funds received from fines associated with vehicle security lapses (the uninsured motorist penalty) be distributed to the State-Aided Institutions (SAI) Field Trip Fund. Repeal use of funds from the uninsured motorist penalty as a source for the SAI Field Trip Fund. The fiscal 2026 budget as introduced includes a \$600,000 special fund reduction, contingent on the enactment of legislation eliminating the SAI Field Trip Fund mandate.

Agency: Maryland State Department of Education

Type of Action: Revenue action

Fiscal Impact:	(\$ in millions)					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$0	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
SF Rev	\$0	(\$0.6)	(\$0.6)	(\$0.6)	(\$0.6)	(\$0.6)
SF Exp	\$0	(\$0.6)	(\$0.6)	(\$0.6)	(\$0.6)	(\$0.6)

State Effect: Special fund revenues and expenditures for the SAI Field Trip Fund decrease by \$600,000 annually beginning in fiscal 2026. General fund revenues increase by \$600,000 annually beginning in fiscal 2026 as funds from the uninsured motorist penalty not otherwise distributed are then distributed to the general fund. (The fiscal 2026 budget as introduced assumes \$600,000 in general fund revenues.)

Local Effect: Under this provision, public schools will not receive funds through the SAI Field Trip Grant Program.

Program Description: The SAI Field Trip Fund consists of money received from the uninsured motorist penalty under specified provisions of the Transportation Article and any other money from any other source accepted for the benefit of the fund. The fund may be used only for providing grants under the SAI Field Trip Grant Program and administrative costs of the program. The SAI Field Trip Grant Program provides grants to public schools to provide transportation to students for field trips to educational institutions that are qualified as SAIs.

Uninsured motorist penalty revenues are distributed according to a statutory formula such that 30% is retained in the Transportation Trust Fund for MVA, while the general fund receives any balance remaining from the other 70% *after* specified allocations are made. More specifically, that 70% is required to be distributed as follows: \$600,000 to the Safe Schools Fund; \$2,000,000 to the Vehicle Theft Protection Fund; (3) \$2,000,000 to the Driver Education in Public High Schools Fund; (4) \$600,000 to the SAI Field Trip Fund;

(5) an amount to the Maryland Automobile Insurance Fund that equals the amount received in the prior fiscal year adjusted by the Consumer Price Index – All Urban Consumers – Medical Care (with specified exceptions for fiscal 2024 and 2025); and (6) the remainder to the general fund.

Recent History: Chapter 857 of 2024 established the SAI Field Trip Grant Program and special fund. Additionally, Chapter 857 increased the uninsured motorist penalties that apply when required security (*i.e.*, insurance) lapses and established a mandatory distribution of \$600,000 from those penalty revenues to the SAI Field Trip Fund.

Location of Provisions in the Bill: Section 1 (pp. 22-23 and pp. 90-93)

Analysis prepared by: Laura H. Hyde

Authorize a Responsible Person Fee for Certification of Sediment and Erosion Control Training

Provision in the Bill: Authorizes the Maryland Department of the Environment (MDE) to establish by regulation a fee for processing and issuing training certifications required for specified personnel involved in on-site clearing and grading operations or sediment control associated with a construction project. Requires certification fee to be set at a rate that produces funds approximately the same as the cost of processing and issuing the certification. Requires fees to be deposited into the Maryland Clean Water Fund. The fiscal 2026 budget as introduced includes a special fund appropriation of \$375,000 for the Water and Science Administration in MDE, contingent on the enactment of legislation to establish a Responsible Personnel Training Program fee.

Agency: MDE

Type of Action: Revenue action

Fiscal Impact:	(\$ in millions)					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4
SF Exp	\$0	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4

State Effect: Special fund revenues increase by \$375,000 annually beginning in fiscal 2026. This estimate assumes that MDE establishes a \$75 certification fee and issues 5,000 certificates annually. It also assumes that the fee, which must be established by regulation, is not assessed until fiscal 2026, so there is no impact in fiscal 2025. Special fund expenditures increase correspondingly, reflecting the contingent appropriation in fiscal 2026 and ongoing costs thereafter.

Local Effect: Minimal. Local governments must pay the fee for affected employees; however, the overall effect on any one local government is anticipated to be minimal.

Program Description: Any applicant for sediment and erosion control plan approval must certify that any “responsible personnel” involved in the construction project will have a certificate of attendance at an MDE-approved training program for the control of sediment and erosion before beginning the project. There is no fee for the training course. Certificates are valid for three years and are automatically renewed unless MDE notifies the certificate holder that additional training is needed. The certification requirement may be waived under specified conditions. “Responsible personnel” means any foreman, superintendent, or project engineer who is in charge of on-site clearing and grading operations or sediment control associated with a construction project.

Recent History: None.

Provision in the Bill: Section 1 (pp. 29-30)

Analysis prepared by: Kathleen P. Kennedy

Increase Wetlands and Waterways Program Fund Fees

Provisions in the Bill: Increase existing fees under the Wetlands and Waterways Program, establish new additional application fees for activities proposed in a Tier II High Quality Watershed, and explicitly authorize the Maryland Department of the Environment (MDE) to adjust the fees for inflation without legislative enactment. The fiscal 2026 budget as introduced includes \$450,000 in general fund reductions and \$450,000 in special fund appropriations, contingent on the enactment of legislation to increase wetlands and waterways fees.

Agency: MDE

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0.0	\$0.5	\$0.5	\$0.6	\$0.6	\$0.6
GF Exp	\$0.0	(\$0.5)	(\$0.5)	(\$0.5)	(\$0.5)	(\$0.5)
SF Exp	\$0.0	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5

State Effect: Special fund revenues for MDE’s Wetlands and Waterways Program Fund increase by approximately \$33,600 in fiscal 2025, and by approximately \$524,300 in fiscal 2026, increasing to \$578,900 by fiscal 2029 due to increases in the fees for inflation, as authorized. This estimate is based on current revenues generated from the fees altered by the provisions (approximately \$1.5 million annually) and information provided by MDE regarding the additional fee revenue anticipated to be collected from the establishment of new additional application fees for activities proposed in a Tier II High Quality Watershed.

Because the fiscal 2026 budget as introduced includes language that reduces MDE’s general fund appropriation by \$450,000, contingent on the enactment of legislation to increase wetlands and waterways fees, general fund expenditures for the program decrease by \$450,000 in fiscal 2026. Future year general fund savings assume that the general fund appropriation for the program would have increased by 2% annually in the absence of the provisions. Out-year special fund expenditures increase correspondingly.

Local Effect: None.

Program Description: The Wetlands and Waterways Program within MDE administers a statewide program for the management, conservation, and protection of Maryland’s tidal wetlands and nontidal wetlands and waterways. Under current law, generally, a person must obtain a permit or license before working in wetlands in the State. Under current law, application fees for wetlands and waterways authorizations range from \$250 to \$7,500

(multiplied by the impact area in acres). However, there are several fee exemptions. Application fees are paid into the Wetlands and Waterways Program Fund.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 30-34)

Analysis prepared by: Kathleen P. Kennedy

Increase Rental Property Lead Registration Fee

Provisions in the Bill: Alter and increase the registration fee for each rental dwelling unit paid by owners of affected property under the Reduction of Lead Risk in Housing Subtitle of the Environment Article. Instead of an *annual* fee of \$30 per unit, the fee is increased to \$120 per unit to be collected by the Maryland Department of the Environment (MDE) *once every two years*. Authorizes MDE to establish a protocol to stagger the registrations of affected property to equally divide registrations over sequential calendar years. Increase, from \$10 to \$50, the processing fee that must be paid by an owner who submits a certification to MDE that the rental dwelling unit is lead free. The fiscal 2026 budget as introduced includes \$3.0 million in special funds for MDE, contingent on the enactment of legislation to increase the rental property lead registration fee.

Agency: MDE

Type of Action: Revenue action

Fiscal Impact:	(\$ in millions)					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8
SF Exp	\$0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0

State Effect: There is no impact in fiscal 2025. Special fund revenues to the Lead Poisoning Prevention Fund increase by an estimated \$3.8 million annually beginning in fiscal 2026 due to the increase in the fees (\$3.0 million annually from the increase in the registration fee and \$0.8 million annually from the increase in the processing fee). With respect to the increase in revenues from the registration fee, MDE anticipates collecting approximately \$3.0 million annually from the registration fee under current law, and by increasing the fee from \$30 to \$120 but changing the registration from an annual registration to a biennial registration, MDE's fee revenues are effectively doubled from this source. This estimate assumes that MDE establishes a protocol to stagger the registrations of affected property to equally divide registrations over sequential calendar years, as authorized by the provision. With respect to the increase in revenues from the processing fee, the estimate assumes that MDE collects the fee from owners for 20,000 rental dwelling units each year.

The fiscal 2026 budget as introduced includes \$3.0 million in special funds for MDE's Land and Materials Administration, contingent on the enactment of legislation to increase the rental property lead registration fee; thus, special fund expenditures increase by \$3.0 million in fiscal 2026. In the out-years, it is likewise assumed that special fund expenditures increase by \$3.0 million annually.

Because the increase in special fund revenues estimated to be generated by the fee increases exceeds the contingent special fund appropriation in fiscal 2026 (and the estimated out-year special fund expenditures), additional special fund revenues are available that could be brought in via budget amendment.

Local Effect: Minimal or none.

Program Description: Generally, the Reduction of Lead Risk in Housing law requires owners of affected property (defined as residential rental property built before 1978) to register their properties with MDE, provide educational information to tenants, and satisfy specified lead risk reduction, testing, and inspection requirements, as applicable. An owner of affected property must pay the \$30 annual registration fee, per rental dwelling unit, by December 31 each year. An owner who acquires affected property must register the affected property within 30 days after acquisition. A rental dwelling unit that has been certified as lead free may be exempted from annual registration fees and from further risk reduction requirements.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 34-36)

Analysis prepared by: Kathleen P. Kennedy

Increase Voluntary Cleanup Program Fees

Provisions in the Bill: Increase the initial application fee that an applicant must pay to participate in the Voluntary Cleanup Program (VCP) from \$6,000 to \$10,000. Require an applicant to pay for any additional costs incurred by the Maryland Department of the Environment (MDE) if the direct costs of review of the application and administration and oversight of the response action plan exceed the application fee. The fiscal 2026 budget as introduced includes \$160,000 in special funds for MDE’s Land and Materials Administration, contingent on the enactment of legislation to increase VCP fees.

Agency: MDE

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0.0	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4
SF Exp	\$0.0	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2

State Effect: Special fund revenues for MDE’s Voluntary Cleanup Fund increase minimally in fiscal 2025, reflecting the provision’s June 1, 2025 effective date. Special fund revenues increase by an estimated \$400,000 in fiscal 2026, reaching an estimated \$433,000 by fiscal 2030. This estimate includes anticipated revenues from both the increase in the initial application fee (an increase of \$4,000 per application) and the authorization to recover specified costs incurred by MDE that exceed the application fee paid by an applicant. The estimate, which is based on the number of initial applications MDE has received in recent years as well as information provided by MDE regarding recent program deficits, assumes that (1) MDE receives 30 initial applications in fiscal 2026, and that the number of initial applications increases by 2% annually and (2) costs recovered by MDE under the provision also increase by 2% annually.

Because the fiscal 2026 budget as introduced includes \$160,000 in special funds, contingent on the enactment of legislation to increase the VCP fees, special fund expenditures increase by \$160,000 in fiscal 2026. Future year estimates assume that special fund expenditures increase by 2% annually.

Local Effect: Minimal or none. To the extent that a local government owns an eligible property and applies for funding under the program, local expenditures increase. However, MDE advises that it receives a relatively small number of applications from local governments.

Program Description: VCP provides State oversight for the voluntary cleanup of properties contaminated by hazardous substances. To participate in the program, an applicant must submit a specified application and pay the applicable application fee. Fees accrue to the Voluntary Cleanup Fund. MDE may use the application fees from the fund for activities related to the review of proposed voluntary cleanup projects and the direct administrative oversight of voluntary cleanup projects, including cost recovery and program development. Any other money in the fund may be used for any activities related to VCP.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 36-37)

Analysis prepared by: Kathleen P. Kennedy

Increase and Alter Fees Related to Surface Mining

Provisions in the Bill: Increase and alter specified surface mining license and permit fees which accrue to the Surface Mined Land Reclamation Fund, among other changes. Increase surface mining license and renewal fees from \$300 to \$500 and from \$150 to \$300, respectively. Increase the per-acre fee, with respect to surface mining permits (including initial permits, permit renewals, and permit modifications), from \$12 to \$25, and increase the annual cap on total fees from \$1,000 to \$5,000. Establish a new fee of 1 cent per ton of mined material sold per year and increase it by 25 cents in fiscal 2028 and every two fiscal years thereafter. Increase the flat fee that accompanies permit modifications from \$100 to \$200 and increase the transfer of permit filing fee from \$500 to \$1,000. The fiscal 2026 budget as introduced includes a \$250,000 general fund reduction and a \$1.3 million special fund appropriation, contingent on the enactment of legislation to increase mineral, oil, and gas fees.

Agency: Maryland Department of the Environment (MDE)

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0.1	\$0.6	\$0.6	\$0.7	\$0.7	\$0.8
GF Exp	\$0	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)
SF Exp	\$0	\$1.3	\$0.6	\$0.7	\$0.7	\$0.8

State Effect: Special fund revenues increase by an estimated \$51,900 in fiscal 2025, reflecting one month of revenues. Special fund revenues increase by an estimated \$623,300 in fiscal 2026, increasing to an estimated \$772,600 by fiscal 2030. This estimate is based on information provided by MDE regarding recent revenues from the fees that are increased under the provisions. With respect to revenue from the new production fee, the estimate reflects the required increases in the per ton fee of mined material sold each year (in fiscal 2028 and 2030) and assumes that surface mining permittees pay the fee on an estimated 29.9 million tons of mined material annually.

Because the fiscal 2026 budget as introduced includes language that reduces MDE's general fund appropriation by \$250,000, contingent on the enactment of legislation to increase the minerals, oils, and gas mining fees, general fund expenditures for the program decrease by \$250,000 in fiscal 2026. Future year general fund savings assume that the general fund appropriation would have increased by 2% annually in the absence of the bill. The fiscal 2026 budget as introduced also includes \$1.3 million in special funds for MDE, contingent on the enactment of legislation to increase the minerals, oils, and gas mining fees; thus, special fund expenditures increase by \$1.3 million in fiscal 2026. In future years,

it is assumed that special fund expenditures increase correspondingly to the estimated increase in special fund revenues each year.

The Department of Legislative Services advises that, not only do these provisions effectuate the contingent reduction in general funds for the program in fiscal 2026, as discussed above, but also, the estimated increase in special fund revenues in fiscal 2026 is significantly less than the contingent special fund appropriation included in the fiscal 2026 budget as introduced. Thus, it is likely that MDE does not have sufficient special fund revenues or fund balance in fiscal 2026 to cover the contingent special fund appropriation. Accordingly, a general fund deficiency appropriation may be needed in fiscal 2026; any such effect has not been accounted for in this analysis.

Local Effect: None.

Program Description: Under current law, a person may not engage in surface mining within the State without first obtaining a surface mining license. The license application fee is \$300, and the annual renewal fee is \$150. Additionally, a licensee may not engage in surface mining within the State except on affected land that is covered by a valid surface mining permit. A permittee may apply at any time for modification of the permit; the permit modification fee is \$100. In addition, a fee of \$12 for each additional acre of affected land over and above the amount of land covered in the original permit, for each year of operation, must be charged. This additional fee may not exceed \$1,000 per year. Generally, the fee to renew a permit is \$12 per acre of affected land for each year of operation, not exceeding \$1,000 per year. There is also a \$500 filing fee that must be paid when the interest of a permittee in any uncompleted mining operation is sold, leased, assigned, or otherwise disposed of, as specified.

The Surface Mined Land Reclamation Fund may be used by MDE to administer and enforce the laws governing surface mining in the State, including, under specified circumstances, for the reclamation of pre-law surface mines.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 37-43)

Analysis prepared by: Kathleen P. Kennedy

Establish Fee for Administration of Unemployment Insurance

Provisions in the Bill: Beginning January 1, 2026, apply an administrative fee of 0.15% to all taxable employers and deposit all associated revenue into the Special Administrative Expense Fund (SAEF). Authorize the fee revenue to be used for specified administrative expenses, including those to collect and administer the fee. Reduce, beginning January 1, 2026, the unemployment insurance (UI) tax rate assigned to each taxable employer by 0.15%, subject to a minimum overall tax rate of 1.0% for new employers. Make related and conforming changes to SAEF and the Unemployment Insurance Trust Fund (UITF). Authorize the Secretary of Labor to adopt implementing regulations.

Agency: Maryland Department of Labor (MD Labor)

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	\$33.0	\$33.0	\$33.0	\$33.0	\$33.0
SF Exp	\$0	\$33.0	\$33.0	\$33.0	\$33.0	\$33.0
NBF Rev	\$0	(\$33.0)	(\$33.0)	(\$33.0)	(\$33.0)	(\$33.0)

State Effect: Special fund revenues for MD Labor (specifically, SAEF) increase by approximately \$33.0 million annually beginning in fiscal 2026. Special fund expenditures for MD Labor (specifically, SAEF) increase correspondingly for authorized administrative purposes. MD Labor advises that it will use its authority to collect a full year's administrative fees in fiscal 2026 despite the January 1 start date, and that initial implementation and ongoing administrative costs associated with collecting the fee are minimal. Nonbudgeted revenues for UITF decrease by identical amounts. Nonbudgeted expenditures for UITF are not affected.

This estimate assumes total taxable wages of approximately \$22.0 billion annually; actual amounts in any fiscal year depend on total taxable wages subject to the administrative fee. Total taxable wages vary slightly with economic conditions but generally increase slowly over time. The fiscal 2026 budget as introduced includes \$33.0 million in special funds for SAEF and 125 additional permanent positions in MD Labor's Division of Unemployment Insurance, neither of which are contingent on legislation. MD Labor advises that the positions are partially funded by the administrative fee.

Continuously reducing revenues for UITF may eventually change the rate table in effect in a particular year as the fund balance decreases from what it would otherwise have been to an amount that triggers a rate table change. However, based on the current UITF balance,

and typical UITF balance growth even in Table A, that is not likely to occur until there is a period of high unemployment.

Local Effect: None.

Program Description: Generally, funding for state UI programs is provided by employers through UI taxes paid to both the federal government for administrative and other expenses and to the states for deposit in their UI trust funds. Using federal tax revenues, each state UI program is administered pursuant to state law by state employees, subject to broad federal guidelines. MD Labor's Division of Unemployment Insurance administers the State's UI program.

Most Maryland employers pay State UI taxes, although State and local governments and some nonprofits elect to instead reimburse UITF for claims paid. Generally, the State UI tax rate is a function of an employer's specific UI claims history and the applicable tax table, which is based on the State's UITF balance. State UI taxes and reimbursements are typically due quarterly. As UI taxes are applied to the *first* \$8,500 earned by each employee, each calendar year, the first two quarterly tax payments are typically the largest.

As of January 1, 2025, the UITF balance was \$1.9 billion. The State is in Table A in 2025, the lowest range of tax rates. Based on the current taxable wage base, Table A applies when the UITF balance exceeds approximately \$1.06 billion; balances below that amount result in other tax tables (B through F) with higher rates.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 49-54)

Analysis prepared by: Stephen M. Ross

Reduce Amount of Revenue Volatility Adjustment

Provision in the Bill: Alters, in fiscal 2026 through 2029, the maximum amount of projected nonwithholding income tax revenue that must, under certain circumstances, be subtracted from the projected general fund revenue estimate each year to \$0.

Agency: State Reserve Fund

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$0	\$272.1	\$164.2	\$54.7	\$0	\$0
SF Rev	\$0	(\$272.1)	(\$164.2)	(\$54.7)	\$0	\$0
SF Exp	\$0	\$0	\$0	(\$136.1)	(\$82.1)	(\$27.3)

State Effect: General fund revenues increase by \$272.1 million in fiscal 2026, \$164.2 million in fiscal 2027, and \$54.7 million in fiscal 2028 due to reducing the cap to \$0 in each of those years. There is no revenue volatility adjustment forecasted for fiscal 2029. (The fiscal 2026 budget as introduced assumes \$272.1 million in revenues.) Special fund revenues for the Revenue Stabilization Account (Rainy Day Fund) and Fiscal Responsibility Fund each decrease by as much as \$136.1 million in fiscal 2026, \$82.1 million in fiscal 2027, and \$27.3 million in fiscal 2028, representing the amount that would have gone to each fund if the revenues exceeding the cap were realized. Special fund expenditures from the Fiscal Responsibility Fund decrease by the amount that would have been appropriated from the fund based on the amounts received in the second preceding year in fiscal 2028 through 2030 if the revenue exceeding the cap were realized.

Local Effect: None.

Program Description: 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 exceeds 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 as a share of general fund 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 Acts specify how the excess revenues are to be allocated. 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 and 50.0% to the Fiscal Responsibility Fund.

The Fiscal Responsibility Fund was established to hold the amount of nonwithholding income tax revenues that exceed the capped estimate. The funds are to be used only to provide pay-as-you-go capital funds for (1) public school construction and public school capital improvement projects; (2) capital projects at public community colleges; and (3) capital projects at four-year public institutions of higher education. The funds are required to be appropriated in the second following fiscal year.

Recent History: Chapters 4 and 550 originally set the cap on the revenue volatility adjustment at 2.0% of general fund revenues beginning in fiscal 2020, but legislation has delayed or modified the 2.0% cap. Most recently, Chapter 717 of 2024 (Budget Reconciliation and Financing Act of 2024) altered, in fiscal 2024 and 2025, the maximum amount of projected nonwithholding income tax revenue that must, under certain circumstances, be subtracted from the projected general fund revenue estimate each year to \$0.

Location of Provision in the Bill: Section 1 (pp. 64-65)

Analysis prepared by: Heather N. MacDonagh

Increase Table Game Tax Rate from 20% to 25%

Provisions in the Bill: Increase the table game tax rate from 20% to 25% and distribute 5% of table game revenues to the general fund through fiscal 2027, after which it is distributed to the Education Trust Fund (ETF).

Agency: State Lottery and Gaming Control Agency

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$2.5	\$31.3	\$31.7	\$0	\$0	\$0
SF Rev	\$0	\$0	\$0	\$32.1	\$32.6	\$33.0
GF Exp	\$0	\$0	\$0	(\$32.1)	(\$32.6)	(\$33.0)
SF Exp	\$0	\$0	\$0	\$32.1	\$32.6	\$33.0

State Effect: General fund revenues increase by \$2.5 million in fiscal 2025, reflecting one month of revenues, and by \$31.3 million in fiscal 2026 due to increasing the table game tax rate. (The fiscal 2026 budget as introduced assumes \$31.3 million in revenues.) Fiscal 2026 revenues reflect annualization and anticipated growth in table game revenues, and fiscal 2027 reflects continued anticipated growth. Beginning in fiscal 2028, ETF special fund revenues increase by at least \$32.1 million annually, reflecting the change in the table game revenue distribution from the general fund to ETF and continued anticipated growth. ETF special fund expenditures increase correspondingly. ETF revenues from table games are redirected to the Blueprint for Maryland's Future Fund (BMFF), and current projections indicate general funds will be needed to support Blueprint costs beginning in fiscal 2028. Thus, general fund expenditures for education decrease to the same extent that ETF/BMFF revenues and expenditures increase.

Local Effect: None.

Program Description: Licensees receive 80% of table game revenues, 15% is distributed to ETF, and 5% is distributed to local jurisdictions where a video lottery terminal facility is located. Revenues from table game proceeds distributed to Baltimore City must be used equally to fund school construction projects and for the maintenance, operation, and construction of recreational facilities.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 68-69)

Analysis prepared by: Heather N. MacDonagh

Increase Mobile Sports Wagering Tax Rate from 15% to 30%

Provisions in the Bill: Increase the mobile sports wagering tax rate from 15% to 30% and distribute 15% of mobile sports wagering revenues to the general fund through fiscal 2027, after which it is distributed to the Blueprint for Maryland’s Future Fund (BMFF).

Agency: State Lottery and Gaming Control Agency

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$8.6	\$95.4	\$97.3	\$0	\$0	\$0
SF Rev	\$0	\$0	\$0	\$98.7	\$100.2	\$101.7
GF Exp	\$0	\$0	\$0	(\$98.7)	(\$100.2)	(\$101.7)
SF Exp	\$0	\$0	\$0	\$98.7	\$100.2	\$101.7

State Effect: General fund revenues increase by \$8.6 million in fiscal 2025, reflecting one month of revenues, and by \$95.4 million in fiscal 2026 due to increasing the mobile sports wagering tax rate. (The fiscal 2026 budget as introduced assumes \$95.4 million in revenues.) Fiscal 2026 revenues reflect annualization and anticipated growth in sports wagering revenues, and fiscal 2027 reflects continued anticipated growth. Beginning in fiscal 2028, BMFF special fund revenues increase by at least \$98.7 million annually, reflecting the change in the mobile sports wagering revenue distribution from the general fund to BMFF and continued anticipated growth. BMFF special fund expenditures increase correspondingly. Current projections indicate general funds will be needed to support Blueprint costs beginning in fiscal 2028. Thus, general fund expenditures for education decrease to the same extent that BMFF revenues and expenditures increase.

Local Effect: None.

Program Description/Recent History: Chapter 492 of 2020 authorized sports and event wagering generally, subject to voter referendum, which was approved by Maryland voters in November 2020. The Act also specified that revenues from sports and event wagering must primarily be used for public education. Chapter 356 of 2021 implemented sports and event wagering in the State and provided for regulation of sports wagering by the State Lottery and Gaming Control Commission.

Licensees retain 85% of sports wagering proceeds, with the remainder distributed to BMFF. Revenues accruing to BMFF are to be used to provide a world-class education for early childhood and K-12 students so that they are prepared for college and a career in the global economy.

Location of Provisions in the Bill: Section 1 (p. 69)

Analysis prepared by: Heather N. MacDonagh

Redirect Interest and Investment Earnings on Maryland Strategic Energy Investment Fund to General Fund

Provisions in the Bill: Repeal the authorization for interest and investment earnings on the Strategic Energy Investment Fund (SEIF) to be held in the fund, remove an exemption on SEIF interest being directed to the general fund contained in § 8 of the Budget Reconciliation and Financing Act (BRFA) of 2024 (Chapter 717), and authorize the transfer of interest earned on SEIF in fiscal 2025 to the general fund, so long as the transfer occurs before June 30, 2025.

Agency: Maryland Energy Administration

Type of Action: Revenue action

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$35.0	\$30.0	\$20.0	\$15.0	\$15.0	\$15.0
SF Rev	(\$35.0)	(\$30.0)	(\$20.0)	(\$15.0)	(\$15.0)	(\$15.0)

State Effect: General fund revenues increase by \$35.0 million in fiscal 2025 and by \$30.0 million in fiscal 2026. Future years are assumed to reflect projected decreased interest earnings as a result of reduced SEIF fund balances and lower expected interest earnings. Special fund revenues for SEIF decrease correspondingly. Special fund expenditures for SEIF may likewise decrease beginning as early as fiscal 2026 as those funds are no longer available for eligible purposes; amounts in any particular year are unknown.

Local Effect: None.

Program Description: Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing SEIF to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through the proceeds from the auction of carbon allowances under the Regional Greenhouse Gas Initiative (RGGI); the fund also receives revenues from compliance fees – often referred to as Renewable Portfolio Standard alternative compliance payments (ACP) – generated under the State’s Renewable Energy Portfolio Standard. Although not required under statute, SEIF has held funds from various settlement agreements and orders related to Public Service Commission utility cases.

RGGI proceeds must be used for the following purposes: (1) at least 50% for energy assistance programs in the Department of Human Services; (2) at least 20% for energy efficiency and conservation (at least one-half of which must be used for

low- and moderate-income programs); (3) at least 20% for renewable and clean energy programs, energy-related education and outreach, and climate change and resiliency programs; and (4) up to 10% but no more than \$7.5 million for administrative expenses. Generally, ACP revenues may be used only to make loans and grants to support the creation of new renewable energy sources in the State that are owned by or directly benefit specified communities, households, or businesses. Interest earnings are deposited into the Administration account.

Recent History: The BRFA of 2024 redirected interest earned on a variety of special funds to the general fund for fiscal 2024 through 2028, with the exception of certain special funds and accounts which were specifically exempted. SEIF was one of the specifically exempted funds.

The BRFA of 2024 also authorized the transfer of \$90.0 million from the SEIF balance to the Dedicated Purpose Account in fiscal 2025 to be used to help implement the Climate Solutions Now Act of 2022 and Maryland's Climate Pollution Reduction Plan and required at least 50% of funds transferred to support programs serving low- to moderate-income communities.

Other provisions in the BRFA of 2025 expand the use of SEIF for the Maryland Department of the Environment and authorize a transfer of fund balance from the ACP sub-account of SEIF to the general fund. These provisions are discussed elsewhere in this fiscal and policy note.

Location of Provisions in the Bill: Section 1 (pp. 70-72), Section 6 (p. 128), and Section 12 (p. 129)

Analysis prepared by: Suveksha Bhujel

Alter Distribution of Admissions and Amusement Tax on Electronic Bingo and Tip Jars

Provision in the Bill: Caps, beginning in fiscal 2026, at \$8.5 million annually the amount of funding the Maryland E-Innovation Initiative Fund (MEIF) receives from the revenue attributable to a 20% tax rate from the State admissions and amusement (A&A) tax on electronic bingo and electronic tip jars and requires the remaining revenue from the 20% tax rate to be distributed to the general fund.

Agency: Department of Commerce

Type of Action: Revenue action

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$0	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5
SF Rev	\$0	(\$2.5)	(\$2.5)	(\$2.5)	(\$2.5)	(\$2.5)

State Effect: General fund revenues increase by approximately \$2.5 million annually beginning in fiscal 2026, based on previous fiscal years' A&A tax revenues on electronic bingo and electronic tip jars and assuming no growth in revenues. (The fiscal 2026 budget as introduced assumes \$2.5 million in revenues). Special fund revenues to MEIF decrease correspondingly.

Local Effect: None.

Program Description: A State A&A tax is imposed on the net proceeds derived from any charge for the operation of an electronic bingo machine permitted under a commercial bingo license or an electronic tip jar machine authorized under Title 13 of the Criminal Law Article that is operated for commercial purposes. The combined State and local tax rate may not exceed 35%. Revenues attributable to a State A&A tax rate of 20% imposed on electronic bingo and electronic tip jars are distributed to MEIF. The tax is currently only imposed in Anne Arundel and Calvert counties.

MEIF is administered by Commerce and offers a State match to private funds to support research endowments in scientific and technical fields at nonprofit higher education institutions. Under current law, the Governor must annually include, when combined with the amount received from the State A&A tax, at least \$8.5 million for MEIF through fiscal 2026.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 78-79)

Analysis prepared by: Elizabeth Waibel

Increase Motor Vehicle Administration Cost Recovery from Miscellaneous Vehicle Titling, Vehicle Certificate, and Vehicle Registration Fees

Provisions in the Bill: Authorize the Motor Vehicle Administration (MVA) to increase the level of miscellaneous fees related to vehicle titling, vehicle certificates, and vehicle registration fees. Authorize MVA to increase these fees up to 115% (rather than 100%) of the sum of (1) the approved operating budget for MVA for the relevant fiscal year; (2) the average annual capital program of MVA as reported in the six-year *Consolidated Transportation Program*; and (3) MVA’s portion of the cost of the Maryland Department of Transportation’s (MDOT) data center operations (except for the cost of data center operations attributable to other administrations’ activities). Require revenue increases attributable to this provision to remain allocated within MDOT.

Agency: MDOT (MVA)

Type of Action: Revenue action

State Effect: There is likely no significant effect on Transportation Trust Fund (TTF) revenues in the short term, as the current statutory requirement for MVA to set the levels of miscellaneous fees at 95% of specified costs is not being fully met. **Exhibit 1** shows projected cost recovery levels under current law from fiscal 2025 through 2030. In fiscal 2026, the projected level of these fees is only expected to cover about 93% of the applicable costs (*i.e.*, below the 95% threshold noted above). Exhibit 1 also shows the amount of additional fee revenues needed to meet the 95% cost recovery requirement under current law. Therefore, any immediate effect on TTF revenues is likely not a result of these provisions. Should the miscellaneous fees be increased to between 100% and 115% of the applicable costs, TTF revenues are more significantly affected.

Exhibit 1
Projected Motor Vehicle Administration Cost Recovery Revenues
Fiscal 2025-2030
(\$ in Millions)

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Operating Expenses*	\$265.6	\$275.0	\$283.0	\$292.3	\$301.9	\$311.8
95% of Operating Costs	252.3	261.2	268.9	277.7	286.8	296.2
Estimated Miscellaneous Fee Revenues	241.9	255.1	240.7	253.9	246.1	249.3
Percentage of Cost Recovery	91.1%	92.8%	85.1%	86.9%	81.5%	79.9%
<i>Additional Fee Revenues Needed to Achieve</i> <i>95% Cost Recovery</i>	<i>\$10.4</i>	<i>\$6.2</i>	<i>\$28.1</i>	<i>\$23.8</i>	<i>\$40.7</i>	<i>\$47.0</i>

* As noted above, this amount includes the Motor Vehicle Administration’s operating budget, capital expenses, and a portion of the cost of the Maryland Department of Transportation data center operations.

Source: Maryland Department of Transportation; Department of Legislative Services

Local Effect: None, as transportation revenues raised as a result of the provisions must remain allocated within MDOT.

Program Description: MVA is required to set the levels of miscellaneous fees (*i.e.*, all fees collected – other than the vehicle titling tax, 50% of the certificate of title fee, and vehicle registration fees) so that the total amount of projected revenues from the miscellaneous fees for the upcoming fiscal year is *at least* 95% (but does not exceed 100%) of the sum of specified costs.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 83-84) and Section 19 (p. 131)

Analysis prepared by: Eric F. Pierce

Alter Vehicle Excise Tax Trade-In Allowance

Provisions in the Bill: Disallow, beginning June 1, 2025, the trade-in exemption under the vehicle excise tax if the purchase price of the vehicle exceeds \$15,000. Require revenue increases attributable to this provision to remain allocated within the Maryland Department of Transportation (MDOT) and not be credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA).

Agency: MDOT

Type of Action: Revenue action

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$15.3	\$189.6	\$195.3	\$199.2	\$203.2	\$207.2

State Effect: Transportation Trust Fund (TTF) revenues increase by an estimated \$15.3 million in fiscal 2025 (reflecting the June 1, 2025 effective date) and \$189.6 million in fiscal 2026. Future years reflect projected growth in taxable vehicle sales. Also, 50% of the proceeds from the excise tax imposed on off-highway recreational vehicles (OHRVs) is deposited in the OHRV Trail Fund; thus, OHRV Trail Fund revenues may also increase minimally beginning in fiscal 2025 (not shown above). The fiscal 2026 budget as introduced assumes \$140.0 million in TTF revenues from the alterations to the trade-in allowance.

Local Effect: None.

Program Description/Recent History: Subject to specified exemptions, the vehicle excise tax is imposed for each original and subsequent certificate of title issued in the State for a motor vehicle, a trailer, a semitrailer, a moped, a motor scooter, or an OHRV and for specified vehicles in interstate operation that are registered without a certificate of title. The tax is applied to the fair market value of the vehicle (as defined). Chapter 6 of the 2007 special session (“Transportation and State Investment Act”) increased the vehicle excise tax rate from 5% to 6% and authorized a trade-in allowance against the tax equal to the full value of the trade-in vehicle. Subsequent legislation extended the trade-in allowance to persons trading in a nonleased vehicle as part of a vehicle lease agreement and persons trading in a leased vehicle to enter into a lease with a different leasing company or to purchase a vehicle.

With the exception of specified revenues from the excise tax imposed on OHRVs, the proceeds from the vehicle excise tax are deposited in TTF, of which two-thirds is credited to GMVRA within TTF. A portion of funds credited to GMVRA is used to provide capital

transportation grants to local governments (local highway user revenues). TTF revenues from the vehicle excise tax totaled \$1.05 billion in fiscal 2024 and are projected to total \$1.08 billion in fiscal 2025.

Location of Provisions in the Bill: Section 1 (pp. 84-86) and Section 19 (p. 131)

Analysis prepared by: Elizabeth J. Allison

Establish Installment Fee for Vehicle Registration Payment Plans

Provisions in the Bill: Require the Motor Vehicle Administration (MVA) to collect a reasonable installment fee for individuals who utilize a payment plan to pay their vehicle registration fees. Require revenue increases attributable to this provision to remain allocated within the Maryland Department of Transportation (MDOT).

Agency: MDOT (MVA)

Type of Action: Revenue action

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0.8	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0

State Effect: Transportation Trust Fund (TTF) revenues increase by as much as \$10.0 million on an annual basis beginning in fiscal 2026. In fiscal 2025, TTF revenues may increase by approximately \$833,300 due to the bill's June 1, 2025 effective date. MDOT advises that, based on preliminary data, approximately 40% of all vehicle registrations may be subject to the installment fee. Therefore, assuming the fee is set at \$5 and that approximately two million vehicle registrations are subject to the installment fee each year, TTF revenues increase by \$10.0 million annually. To the extent the fee deters individuals from paying in installments, TTF revenues may increase less significantly; however, any such effect cannot be determined without actual experience under the provision. Expenditures are not affected.

Local Effect: None, as transportation revenues raised as a result of this provision must remain allocated within MDOT.

Program Description/Recent History: Vehicle registration fees support TTF and the Gasoline and Motor Vehicle Revenue Account (an account within TTF that provides transportation aid to local governments). Registration fee revenues also support MDOT's bonding capacity. Fees vary by class and, for certain classes, depend on the shipping weight of the vehicle. Most classes of vehicle may register for one or two years. Registration fees vary based on a vehicle's characteristics (*e.g.*, class and weight, whether the vehicle is an electric drive vehicle, etc.). The Budget Reconciliation and Financing Act of 2024 (Chapter 717) phased in increases in vehicle registration fees for most classes of vehicles, established a new, lower, weight division within certain vehicle classes and required MVA to allow for payment of vehicle registration fees in installments throughout the registration period, as determined by MVA.

Location of Provisions in the Bill: Section 1 (p. 87) and Section 19 (p. 131)

Analysis prepared by: Eric F. Pierce

Accelerate Increases in Annual Vehicle Registration Fee for Certain Classes of Vehicles

Provisions in the Bill: Accelerate, from fiscal 2027 to fiscal 2026, the annual vehicle registration fee increases for certain classes of vehicles – specifically, Class A (passenger), Class M (multipurpose) and Class E (truck) vehicles are subject to the fully phased-in fee amounts established by the Budget Reconciliation and Financing Act (BRFA) of 2024 (Chapter 717) beginning July 1, 2025. Require revenue increases attributable to this provision to remain allocated within the Maryland Department of Transportation (MDOT).

Agency: MDOT (Motor Vehicle Administration)

Type of Action: Revenue action

Fiscal Impact:	(\$ in millions)					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	\$52.3	\$0	\$0	\$0	\$0
SF Exp	\$0	\$1.1	\$0	\$0	\$0	\$0

State Effect: Transportation Trust Fund (TTF) revenues from vehicle registration fees increase by \$52.3 million in fiscal 2026 only. This estimate reflects the additional amount *payable* for registration in fiscal 2026; given the existing authorization for owners to opt to pay registration fees through installment plans, some portion of that revenue may be deferred to another year. TTF expenditures increase for additional credit card processing fees charged, commensurate with the increase in registration fee revenues paid by vehicle owners who use credit cards for their transactions. This estimate assumes that approximately 70% of transactions are subject to a credit card processing fee and the average fee paid is 3%.

Local Effect: None, as transportation revenues raised as a result of these provisions must remain allocated within MDOT.

Program Description/Recent History: Vehicle registration fees support TTF and the Gasoline and Motor Vehicle Revenue Account (an account within TTF that provides transportation aid to local governments). Registration fee revenues also support MDOT’s bonding capacity. Fees vary by class and, for certain classes, depend on the shipping weight of the vehicle. Most classes of vehicle may register for one or two years. Registration fees vary based on a vehicle’s characteristics (*e.g.*, class and weight, whether the vehicle is an electric drive vehicle, etc.).

The BRFA of 2024 phased in increases in vehicle registration fees for most classes of vehicles, established a new, lower, weight division within certain vehicle classes and

allowed for installment payments of vehicle registration. The vehicle registration fees for Class A (passenger), Class M (multipurpose) and Class E (truck) vehicles affected by this provision are scheduled to increase by \$25 on July 1, 2026, under current law.

Location of Provisions in the Bill: Section 1 (pp. 87-90) and Section 19 (p. 131)

Analysis prepared by: Eric F. Pierce

Establish a Retail Delivery Fee

Provisions in the Bill: Impose a retail delivery fee beginning June 1, 2025, on specified retail deliveries of tangible personal property to a person located in the State as part of a retail sale that is subject to the State’s sales and use tax. Apply the fee and related requirements to a vendor that made retail sales totaling at least \$500,000 in the previous or current calendar year or a marketplace facilitator that facilitated retail sales of marketplace sellers totaling at least \$100,000 in the previous or current calendar year, as specified. Set the fee at 75 cents per retail delivery transaction and adjust it annually for inflation beginning in fiscal 2027. Assess the fee once per transaction regardless of whether the tangible personal property purchased is delivered in more than one shipment or the purchase contains more than one item of tangible personal property. Require the Comptroller to administer the fee and deposit the proceeds in the Transportation Trust Fund (TTF) after administrative cost recovery.

Agency: Comptroller’s Office; Maryland Department of Transportation

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	\$250.0	\$257.0	\$263.7	\$270.0	\$275.7
GF Exp	\$0.1	\$0	\$0	\$0	\$0	\$0

State Effect: TTF retail delivery fee revenues total an estimated \$250.0 million in fiscal 2026; out-years reflect fee indexing. (The fiscal 2026 budget as introduced assumes \$225.0 million in TTF revenues from retail delivery fees.) General fund expenditures for the Comptroller’s Office increase by an estimated \$125,000 in fiscal 2025 for one-time programming costs. To the extent the Comptroller’s Office requires additional ongoing resources in the out-years, general fund revenues and expenditures increase accordingly – and fee revenue distributions to TTF are less – as fee revenues are retained by the Comptroller’s Office to defray administrative costs.

Local Effect: None.

Program Description/Recent History: To date, Colorado and Minnesota have enacted similar legislation imposing retail delivery fees, of which Colorado’s is the most comparable to the fee contemplated in these provisions. Colorado similarly exempts from retail delivery fee requirements businesses whose retail sales of tangible personal property, commodities, or services in Colorado totaled \$500,000 or less in the prior year. In fiscal 2024, Colorado’s 27-cent delivery fee (which is adjusted annually for inflation) generated \$92.9 million in revenue.

Location of Provisions in the Bill: Section 1 (pp. 94-98)

Analysis prepared by: Elizabeth J. Allison

Increase Vehicle Emissions Inspection Fee and Index It to Inflation

Provisions in the Bill: Authorize the Motor Vehicle Administration (MVA) to increase the testing fee for the Vehicle Emissions Inspection Program (VEIP) to a maximum of \$30 (rather than \$14) beginning July 1, 2025. Require, beginning July 1, 2026, the fee to be adjusted for inflation, as specified; however, if there is a decline (or no growth) in the Consumer Price Index (CPI) for All Urban Consumers, the fee amount must remain unchanged. Require revenue increases attributable to this provision to remain allocated within the Maryland Department of Transportation (MDOT).

Agency: MDOT (MVA)

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	\$20.5	\$20.8	\$21.3	\$21.6	\$22.1

State Effect: Transportation Trust Fund (TTF) revenues increase by approximately \$20.0 million annually beginning in fiscal 2026, assuming MVA increases the fee on July 1, 2025. Although the estimate assumes the fee is raised to the maximum permissible amount (*i.e.*, from \$14 to \$30), it does not account for the impact of the required CPI adjustments, which could further increase TTF revenues beginning in fiscal 2027. Moreover, as MDOT advises the current \$14 fee is sufficient to cover the VEIP contractor's costs, the additional revenues received due to the fee increase are retained by TTF. Accordingly, expenditures are not affected.

Local Effect: None, as transportation revenues raised as a result of these provisions must remain allocated within MDOT.

Program Description: Generally, all model year 1977 and newer vehicles in the State must be inspected and tested every two years, unless specifically exempt. MVA and the Maryland Department of the Environment must set the VEIP fee for each vehicle to be inspected and tested, which may not exceed \$14. The current fee is \$14. A specific portion of the fee must be paid or retained by MVA to cover the administration and enforcement costs of VEIP, as provided in the contract between the contractor and the State.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 99-100) and Section 19 (p. 131)

Analysis prepared by: Eric F. Pierce

Repeal Inheritance Tax and Reduce Estate Tax Exclusion Amount to \$2.0 Million

Provisions in the Bill: Repeal the inheritance tax and reduce the applicable exclusion amount under the estate tax from \$5.0 million to \$2.0 million for decedents dying on or after July 1, 2025.

Agency: Comptroller’s Office; Register of Wills

Type of Action: Revenue action

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$0	(\$6.7)	\$9.0	\$21.6	\$19.6	\$26.4
NB Rev	\$0	(\$14.7)	(\$26.7)	(\$27.2)	(\$27.8)	(\$28.2)
GF Exp	\$0	\$14.7	\$26.7	\$27.2	\$27.8	\$28.2
NB Exp	\$0	(\$14.7)	(\$26.7)	(\$27.2)	(\$27.8)	(\$28.2)

State Effect: No effect in fiscal 2025. Net general fund revenues *decrease* by an estimated \$6.7 million in fiscal 2026 and *increase* by an estimated \$9.0 million in fiscal 2027. Future years reflect annualization and the current estate and inheritance tax revenue forecasts. As registers of wills retain a portion of inheritance tax collections to defray expenses, their nonbudgeted revenues and expenditures decrease by an estimated \$14.7 million in fiscal 2026; future years reflect annualization and projected growth in their expenses. General fund expenditures increase to backfill foregone inheritance tax commissions for the registers of wills, resulting in a net negative impact on general funds each year.

Exhibit 1 details the estimated general fund revenue effects by provision.

Exhibit 1
General Fund Revenue Effects by Provision
Fiscal 2026-2030
(\$ in Millions)

<u>Provision</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Repeal Inheritance Tax	(\$41.4)	(\$77.4)	(\$78.9)	(\$80.6)	(\$81.9)
Reduce Estate Tax Exclusion	34.8	86.5	100.5	100.2	108.3
Net General Fund Revenue	(\$6.7)	\$9.0	\$21.6	\$19.6	\$26.4

Notes: Amounts shown also reflect revenues resulting from foregone credits against the estate tax for inheritance taxes paid. Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

Local Effect: None.

Program Description/Recent History: In fiscal 2024, estate and inheritance tax revenues totaled \$143.1 million and \$70.3 million, respectively, and accounted for less than 1% of total fiscal 2024 general fund revenues. According to the December 2024 revenue forecast, general fund estate and inheritance tax revenues are projected to total \$217.0 million in fiscal 2025 and \$232.4 million in fiscal 2026.

Inheritance Tax: The inheritance tax is imposed on the privilege of receiving property that has a taxable situs in the State and passes from a decedent to a collateral beneficiary. A tax rate of 10% is applied to the clear value of the property that passes from a decedent. The inheritance tax is administered by the registers of wills, who are allowed a 25% commission on the inheritance tax collected.

Estate Tax: The estate tax is imposed on the transfer of the Maryland estate of a decedent who, at the time of death, was (1) a resident the State or (2) a nonresident whose estate includes any interest in tangible real property located in the State or tangible personal property with a taxable situs in the State. The Maryland estate tax is based on the federal credit for death taxes paid as in effect on December 31, 2001, before the phase-out and repeal of the credit under the federal Economic Growth and Tax Relief Reconciliation Act of 2001. Because the federal credit is calculated based on a marginal rate schedule, no tax rates are specified in Maryland statute. A top marginal rate of 16% is applied to the portion of the adjusted taxable estate in excess of \$10,040,000. Estates are allowed a credit against the Maryland estate tax for Maryland inheritance tax paid.

The unified credit allowed against the federal estate tax effectively excludes a portion of the taxable estate from taxation (applicable exclusion amount). Maryland decoupled from increases in the value of the federal unified credit allowed against the federal estate tax for decedents dying after 2003. For decedents dying after 2018, the unified credit for Maryland estate tax purposes is \$1,945,800 – the amount which effectively excludes the first \$5.0 million of the taxable estate from tax.

Location of Provisions in the Bill: Section 2 (pp. 100-104) and Section 10 (p. 128)

Analysis prepared by: Elizabeth J. Allison

Reduce Cap on Student Loan Debt Relief Tax Credit

Provisions in the Bill: Reduce the total amount of the Student Loan Debt Relief Tax Credit that may be approved by the Maryland Higher Education Commission (MHEC) for tax year 2025 from \$18.0 million to \$9.0 million. Require MHEC, by January 1, 2026, to submit a report on recommendations for changes to statute or regulations that would better target the allocation of tax credits.

Agency: MHEC

Type of Action: Revenue action

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$0	\$9.0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$9.0 million in fiscal 2026 only, reflecting a one-time reduction in the amount of tax credits that may be approved by MHEC for tax year 2025. The amount authorized for tax credits returns to \$18.0 million in tax year 2026, so there is no effect in the out-years. MHEC can complete the report with existing resources.

Local Effect: None.

Program Description/Recent History: The Student Loan Debt Relief Tax provides a refundable tax credit of up to \$5,000 for qualified undergraduate and graduate student loan debt to Maryland residents. Qualifying taxpayers must have had at least \$20,000 in total undergraduate and/or graduate student debt and a remaining balance of at least \$5,000 to be eligible for the credit. Chapter 738 of 2023 doubled the maximum amount of student debt relief tax credits that MHEC may approve from \$9.0 million to \$18.0 million in tax years 2023 and beyond and requires MHEC to annually reserve \$9.0 million of the authorized credit for State employees. In addition, MHEC is required to prioritize tax credit recipients and amounts based on specified criteria, and recipients must use the credit within three years to pay down the student loan.

Due to the reduced amount of the authorized tax credits for tax year 2025, recipients of the tax credit will likely be only State employees, as the requirement to reserve \$9.0 million for State employees is unchanged by this provision.

Location of Provisions in the Bill: Section 2 (pp. 104-106)

Analysis prepared by: Sara Baker

Alter More Jobs for Marylanders Tax Credit Reserve Fund and Authorize Transfer of \$4.3 Million to the General Fund

Provisions in the Bill: Require, beginning in fiscal 2026, the reversion to the general fund of any excess resulting from the appropriation to the reserve fund exceeding the final tax credit certificates issued. Authorize the Governor to transfer, \$4.3 million from the More Jobs for Marylanders (MJM) Tax Credit Reserve Fund to the general fund, so long as the transfer occurs by June 30, 2025.

Agency: Department of Commerce

Type of Action: Revenue action

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$4.3	\$6.0	\$9.3	\$12.4	\$14.6	\$16.1

State Effect: General fund revenues increase by \$4.3 million in fiscal 2025 due to the authorized transfer from the MJM Tax Credit Reserve Fund. (The fiscal 2026 budget as introduced assumes \$4.3 million in revenues.) General fund revenues also likely increase in future years due to reversion of unneeded funding from the reserve fund on an annual basis. If 84% of Commerce’s projected value of initial certificates are claimed, \$6.0 million reverts to the general fund in fiscal 2026, escalating to \$16.1 million in fiscal 2030. Expenditures are not affected.

Local Effect: None.

Program Description: The MJM Program provides State income tax credits (and, for new Tier I businesses certified before June 1, 2022, certain sales tax, property tax, and corporate filing fee benefits) to certain businesses that create and maintain a minimum number of qualified jobs. Commerce certifies companies that are eligible to participate in the program and the value of tax credits that may be claimed. The deadline for companies to enroll was May 31, 2024, but companies are eligible for up to 10 years of income tax credits, so expenditures are expected to extend into the 2030s.

The MJM Tax Credit Reserve Fund is used to reimburse the general fund for income tax credits claimed under the program. Currently, funds are deposited into the reserve fund each year based on the value of initial certificates Commerce issues under the program. These certificates represent the maximum value of tax credits that participants may be able to claim under the MJM program. After participants have completed qualifying activities for the program, Commerce issues final certificates, showing the maximum amounts that participants can actually claim on their State income tax returns.

The value of final certificates is frequently lower than the value of initial certificates, but since deposits to the reserve fund are based on initial credits, there is an excess balance in the reserve fund.

Recent History: Chapter 136 of 2022 extended the program for two additional years (allowing for the certification of projects through May 31, 2024) and modified the program for projects enrolled beginning June 1, 2022, to provide only an income tax credit instead of also including other credits and fees for new businesses, altered the eligible number of years of tax credits depending on the area the business is located in, altered the value of the tax credit, increased the minimum number of jobs required to be created, reduced the maximum amount of new credits authorized to be issued annually, and eliminated the ability to carry over unused authorizations.

Location of Provisions in the Bill: Section 2 (pp. 106-108) and Section 14 (pp. 129-130)

Analysis prepared by: Elizabeth Waibel

Alter Personal Income Tax Rates, Eliminate Itemized Deductions and Enhance Standard Deduction, and Enhance State Child Tax Credit

Provisions in the Bill: Alter the State’s individual income tax rates and brackets; eliminate Maryland itemized deductions; increase the value of the Maryland standard deduction and eliminate the phase-in of the standard deduction; and modify the State child tax credit to phase out the benefit gradually for taxpayers with federal adjusted gross income (AGI) in excess of \$15,000. Apply changes, as detailed further below, to tax year 2025 and beyond. Require the Comptroller to waive any interest or penalty imposed on an individual relating to payment of estimated income tax for calendar 2025 to the extent the Comptroller determines that the income tax or penalty would not have been incurred but for an increase in the income tax rates for calendar 2025 under this bill.

- *Individual Income Tax Brackets and Rates:* As shown in **Exhibit 3**, the bottom four income tax brackets are consolidated under a marginal rate of 4.70%; two new income tax brackets are established at the top of the income tax rate schedule; and the top marginal income tax rate is increased from 5.75% to 6.50%.
- *Standard Deduction:* For tax year 2025, the maximum value of the Maryland standard deduction is doubled from \$2,800 to \$5,600 (\$5,600 to \$11,200 for joint filers, heads of household, and qualified surviving spouses). Consistent with existing law, these amounts are subject to annual cost-of-living adjustments (COLAs) for tax years after 2025. A taxpayer may claim the full value of the standard deduction regardless of income.
- *State Child Tax Credit:* Taxpayers with federal AGI in excess of \$15,000 (the existing income eligibility threshold) may claim the credit for each qualified child at a reduced amount (\$500 reduced by \$50 for each \$1,000 or fraction thereof by which federal AGI exceeds \$15,000). The credit fully phases out for taxpayers with federal AGI in excess of \$24,000.

Agency: Comptroller

Type of Action: Revenue action

Fiscal Impact:	(\$ in millions)					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$0	\$700.8	\$536.6	\$555.5	\$576.1	\$597.3
GF Exp	\$0	\$0.2	\$0	\$0	\$0	\$0

State Effect: General fund expenditures for the Comptroller’s Office increase by an estimated \$175,000 in fiscal 2026 only for one-time programming changes. General fund revenues increase by an estimated \$700.8 million in fiscal 2026, reflecting the effect of tax year 2025 and a portion of tax year 2026. Future years reflect annualization and

projected income growth. The fiscal 2026 budget as introduced assumes \$691.5 million in additional general fund revenues from these provisions.

Exhibit 1 details the estimated State revenue effects by provision. The Department of Legislative Services (DLS) estimates that, were the deduction and rate provisions in effect for tax year 2023, taxpayers who otherwise claimed the Maryland standard deduction would have realized an aggregate net reduction in State income tax liability of \$314.1 million, and taxpayers who otherwise itemized Maryland deductions would have realized an aggregate net increase in State income tax liability of \$794.5 million.

Exhibit 1
State Revenue Effects by Provision
Fiscal 2026-2030
(\$ in Millions)

<u>Provision</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Enhance Standard Deduction; Repeal Itemized Deductions	\$368.0	\$282.6	\$292.4	\$303.2	\$314.2
Alter PIT Brackets and Rates ¹	339.8	261.0	270.1	280.0	290.1
Alter CTC	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)
Net State Revenue Effect	\$700.8	\$536.6	\$555.5	\$576.1	\$597.3

CTC: child tax credit

PIT: personal income tax

¹Amounts shown reflect the estimated effect of the personal income tax rate and bracket changes as applied to the estimated personal income tax base under the bill's alterations to Maryland deductions.

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

The federal Tax Cuts and Jobs Act of 2017 (TCJA) made various changes to the federal individual income tax, most of which are scheduled to expire after tax year 2025. These changes include the elimination of federal personal exemptions for taxpayers and dependents, increases in the federal standard deduction, and the limitation and suspension of various itemized deductions. The enhancements to the federal standard deduction and alterations to federal itemized deductions have increased utilization of the federal and State standard deductions – which, because the value of the Maryland standard deduction is not tied to the value of the federal standard deduction, has generated increased personal

income tax revenues for Maryland. The December 2024 general fund revenue forecast assumes a reduction in State personal income tax revenues beginning in fiscal 2026 due to the scheduled expiration of the aforementioned TCJA changes.

The estimate shown in this fiscal and policy note is based on an analysis of tax year 2023 income tax data – a year for which the TCJA provisions were in effect – and, thus, reflects a scenario in which the TCJA provisions continue beyond tax year 2025. However, should the TCJA provisions sunset as scheduled after tax year 2025, the general fund revenue effects of the personal income tax provisions of this bill are greater, as taxpayers who would otherwise return to the itemized deduction method on the Maryland income tax return must continue to claim the Maryland standard deduction as modified by this bill. Specifically, the estimated revenue effects increase by an amount equal to the amount of the aforementioned reduction assumed in the December 2024 personal income tax forecast. Under this scenario, the Comptroller’s Office advises that, while the precise amount of the effect is not available at this time, the estimated net general fund revenues generated by the personal income tax provisions of this bill would increase by upward of \$40.0 million in fiscal 2026 and by upward of \$300.0 million annually in future years. DLS notes that actual revenues under these provisions may differ from the information presented in this analysis depending on the enactment of any federal income tax changes.

Local Effect: Local income tax revenues are affected beginning in fiscal 2026 due to the elimination of itemized deductions and enhancements to the standard deduction. As shown in **Exhibit 2**, in fiscal 2026, local income tax revenues increase by an estimated \$155.5 million, reflecting tax year 2025 and a portion of tax year 2026. Future years reflect annualization and projected income growth. To the extent the individual income tax provisions of TCJA sunset after tax year 2025 as scheduled, local income tax revenues generated by the provisions of this bill are greater; however, the precise effect is not available at this time. Local income tax revenues generated under the provisions of this bill may otherwise differ from the amounts shown below, depending on the timing of local income tax distributions.

Exhibit 2
Local Revenue Effects
Fiscal 2026-2030
(\$ in Millions)

<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
\$155.5	\$119.5	\$123.6	\$128.2	\$132.8

Source: Department of Legislative Services

DLS does not have sufficient income tax data to analyze the State or local revenue effects of these provisions by county. However, a separate analysis prepared by the Comptroller's Office, a copy of which can be downloaded from [this webpage](#), estimates the State and local revenue effects of the provisions by county.

Program Description/Recent History: The individual income tax is Maryland's largest source of general fund revenue. Individual income tax revenues totaled \$13.6 billion for fiscal 2024, or 55% of total fiscal 2024 general fund revenue.

State Individual Income Tax Rates: As shown in **Exhibit 3**, Maryland imposes a top marginal State individual income tax rate of 5.75% on Maryland taxable income in excess of \$250,000 (\$300,000 for joint filers, heads of household, and qualified surviving spouses). Maryland taxable income is equal to federal AGI as adjusted for Maryland addition and subtraction modifications (Maryland AGI) minus Maryland deductions and exemptions.

Additionally, each county and Baltimore City imposes a local income tax on the Maryland taxable income of its residents at a rate of at least 2.25% and up to 3.2% and may impose the county income tax on a bracket basis. Nonresidents who are subject to the State income tax but are not subject to the county income tax are subject to the special nonresident tax at a rate equal to the lowest county income tax rate in Maryland (currently 2.25%).

Maryland Deductions: Maryland's standard deduction is equal to 15% of Maryland AGI, subject to certain inflation-adjusted minimum and maximum amounts. For tax year 2025, the minimum and maximum standard deduction amounts are \$1,850 and \$2,800, respectively (\$3,700 and \$5,600, respectively, for joint filers, heads of household, and qualified surviving spouses). An individual who itemizes federal deductions may elect to itemize Maryland deductions, as specified. Maryland generally conforms to federal itemized deductions but disallows deductions for (1) state and local income taxes paid and (2) contributions of a preservation or conservation easement for which a Maryland income tax credit for preservation and conservation easements is claimed.

State Child Tax Credit: The State's child tax credit was originally enacted under Chapter 40 of 2021 and was extended and modified by Chapters 3 and 4 of 2023. For tax years 2023 and beyond, resident taxpayers who have one or more qualified children and federal AGI of up to \$15,000 may claim a refundable income tax credit equal to \$500 per qualified child. A qualified child is a dependent of the taxpayer who is (1) younger than age 6 or (2) younger than age 17 and is a child with a disability (as defined).

Additional Comments: As written, the bill does not achieve the intended standard deduction amounts for tax year 2025 or future tax years absent certain changes to the COLA under existing § 10-217(d) of the Tax-General Article. For purposes of this analysis,

it is assumed that the bill’s alterations to the standard deduction apply as intended, which would be achieved by amending the COLA to apply to tax years beginning after December 31, 2025 (as opposed to December 31, 2018), and to be determined by substituting “calendar 2024” (as opposed to “calendar 2017”) in the application of § 1(f)(3)(A) of the Internal Revenue Code.

Exhibit 3
Maryland State Individual Income Tax Rates
Current Law vs. the Bill

Under Current Law:

Single, Dependent, Married Filing Separately		Joint, Surviving Spouse, Head of Household	
<u>Rate</u>	<u>Maryland Taxable Income</u>	<u>Rate</u>	<u>Maryland Taxable Income</u>
2.00%	\$1-\$1,000	2.00%	\$1-\$1,000
3.00%	\$1,001-\$2,000	3.00%	\$1,001-\$2,000
4.00%	\$2,001-\$3,000	4.00%	\$2,001-\$3,000
4.75%	\$3,001-\$100,000	4.75%	\$3,001-\$150,000
5.00%	\$100,001-\$125,000	5.00%	\$150,001-\$175,000
5.25%	\$125,001-\$150,000	5.25%	\$175,001-\$225,000
5.50%	\$150,001-\$250,000	5.50%	\$225,001-\$300,000
5.75%	Excess of \$250,000	5.75%	Excess of \$300,000

Under the Bill:

Single, Dependent, Married Filing Separately		Joint, Surviving Spouse, Head of Household	
<u>Rate</u>	<u>Maryland Taxable Income</u>	<u>Rate</u>	<u>Maryland Taxable Income</u>
4.70%	\$1-\$100,000	4.70%	\$1-\$150,000
5.00%	\$100,001-\$125,000	5.00%	\$150,001-\$175,000
5.25%	\$125,001-\$150,000	5.25%	\$175,001-\$225,000
5.50%	\$150,001-\$250,000	5.50%	\$225,001-\$300,000
5.75%	\$250,001-\$500,000	5.75%	\$300,001-\$600,000
6.25%	\$500,001-\$1,000,000	6.25%	\$600,001-\$1,200,000
6.50%	Excess of \$1,000,000	6.50%	Excess of \$1,200,000

Source: Department of Legislative Services

Location of Provisions in the Bill: Section 3 (pp. 111-118) and Section 20 (p. 131)

Analysis prepared by: Elizabeth J. Allison

Impose Net Capital Gain Surtax

Provisions in the Bill: Impose a 1% surtax on certain net capital gain included in Maryland taxable income for tax years 2025 through 2028 only, which applies only to individuals with federal adjusted gross income in excess of \$350,000. Specify that the surtax does not apply to any amount of capital gain from the sale or exchange of (1) a residential dwelling sold for less than \$1.5 million that is the individual's primary residence; (2) assets held in specified retirement savings plans; (3) cattle, horses, or breeding livestock held for more than 12 months, as specified; (4) land that is subject to or will be subject to a conservation, agricultural, or forest preservation easement; (5) property used in a trade or business, the cost of which is eligible for expensing under § 179 of the Internal Revenue Code (IRC); or (6) affordable housing owned by a nonprofit organization. Require the Comptroller to waive any interest or penalty imposed on an individual relating to payment of estimated income tax for calendar 2025 to the extent the Comptroller determines that the income tax or penalty would not have been incurred but for an increase in the income tax rates for calendar 2025 under this provision and other provisions.

Agency: Comptroller

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$0	\$183.5	\$135.9	\$135.9	\$88.3	\$0
GF Exp	\$0	\$0.1	\$0	\$0	\$0	\$0

State Effect: No effect in fiscal 2025. General fund revenues increase by an estimated \$183.5 million in fiscal 2026, reflecting the effect of tax year 2025 and a portion of tax year 2026. (The fiscal 2026 budget as introduced assumes \$128.0 million in general fund revenues from the 1% surtax on net capital gain.) Future years reflect annualization, projected capital gains income, and the expiration of the surtax after tax year 2028. General fund expenditures for the Comptroller's Office increase by up to \$75,000 in fiscal 2026 only for one-time programming changes.

Local Effect: None.

Program Description: Under federal and Maryland income tax, gain or loss from the disposition of a capital asset held for more than one year is treated as long-term capital gain or loss, and gain or loss from the disposition of a capital asset that is held for one year or less is treated as short-term capital gain or loss. Net capital gain (net long-term capital gain minus net short-term capital loss) is generally taxed at preferential federal income tax rates (0%, 15%, or 20%, depending on the taxpayer's filing status and taxable income).

Maryland conforms to the federal income tax treatment of capital gains but taxes net capital gain at ordinary State income tax rates.

Per § 121 of the IRC, a taxpayer may exclude from gross income up to \$250,000 (\$500,000 for certain joint returns) of gain from the sale or exchange of the taxpayer's principal residence. To qualify for the exclusion, the taxpayer must have owned and used the property as the taxpayer's principal residence for at least two years out of the five years preceding the date of the sale or exchange. A taxpayer may apply the exclusion to only one sale or exchange within a two-year period.

Recent History: None.

Location of Provisions in the Bill: Section 3 (pp. 111-114) and Section 20 (p. 131)

Analysis prepared by: Elizabeth J. Allison

Reduce Corporate Income Tax Rate and Require Combined Reporting

Provisions in the Bill: Reduce the corporate income tax rate from 8.25% to 8.12% for tax year 2027 and 7.99% for tax year 2028 and beyond and require affiliated corporations that are engaged in a unitary business to file a combined return and compute and pay tax on the combined group’s Maryland taxable income using a “*Finnigan*” apportionment method. Apply the combined reporting requirement to tax year 2028 and beyond. Allow, subject to regulations adopted by the Comptroller, corporations that are part of a combined group to elect to file on a water’s edge basis.

Agency: Comptroller’s Office

Type of Action: Revenue action

Fiscal Impact:	(\$ in millions)					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$0	\$0	(\$9.6)	\$3.5	\$85.3	\$95.9
SF Rev	\$0	\$0	(\$3.2)	\$1.1	\$25.9	\$29.2
GF Exp	\$0	\$0	\$3.0	\$0	\$0	\$0
SF Exp	\$0	\$0	(\$0.5)	\$0.1	\$2.9	\$3.3

State Effect: No effect in fiscal 2025 or 2026. In fiscal 2027, general fund revenues decrease by \$9.6 million, special fund revenues decrease by \$3.2 million, and special fund expenditures for local highway user revenue grants decrease by \$0.5 million due to the reduction in the corporate income tax rate. In fiscal 2028, the provisions result in a net increase in corporate income tax revenues due to the introduction of combined reporting requirements, generating a net general fund revenue increase of \$3.5 million and net special fund revenue and expenditure increases of \$1.1 million and \$0.1 million, respectively. Future years reflect the anticipated timing of revenue collections and the corporate income tax revenue forecast.

General fund expenditures for the Comptroller’s Office increase by an estimated \$3.0 million in fiscal 2027 only for one-time information technology development to accommodate combined reporting. The Comptroller’s Office has advised the Department of Legislative Services (DLS) that additional personnel resources – including (1) two regular, full-time senior tax attorneys and (2) four contractual legal consultants for a period of at least 18 months are needed starting July 1, 2025 (with estimated costs of approximately \$800,000 in fiscal 2026), in order to implement the combined reporting requirements. While the transition to combined reporting in tax year 2028 likely necessitates additional personnel support, DLS is unable to independently verify the timing and cost of Comptroller personnel needs at this time and advises that the

Comptroller’s Office can request additional resources through the annual budget process as needed. Any related general fund expenditures are not shown above.

Exhibit 1 details the estimated State revenue effects by provision and by fund.

Exhibit 1					
State Revenue Effects					
Fiscal 2026-2030					
(\$ in Millions)					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
<i>By Provision</i>					
CIT Rate Reductions	\$0	(\$12.73)	(\$55.61)	(\$90.23)	(\$95.86)
Combined Reporting ¹	0	0	60.19	201.41	220.91
<i>By Fund</i>					
General Fund	\$0	(\$9.55)	\$3.52	\$85.26	\$95.89
HEIF	0	(0.76)	0.28	6.67	7.50
TTF	0	(2.38)	0.78	18.87	21.22
SEIF	0	(0.04)	0.02	0.39	0.43
Net State Revenue Effect	\$0	(\$12.73)	\$4.59	\$111.18	\$125.05

CIT: corporate income tax
 HEIF: Higher Education Investment Fund
 SEIF: Strategic Energy Investment Fund
 TTF: Transportation Trust Fund

¹Amounts shown reflect the estimated effect of the combined reporting provisions under the reduced corporate income tax rate of 7.99% for tax year 2028 and beyond.

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

DLS cautions that actual revenues under the provisions may differ significantly from the above estimate. Estimated revenue effects relating to combined reporting are based on a previous study conducted by the Comptroller’s Office using data collected from taxpayers for tax years 2006 through 2010. The Comptroller’s Office has historically advised DLS that, while combined reporting would likely increase corporate income tax revenues *on average*, it would also increase the volatility of these revenues; thus, the effect of combined reporting requirements on corporate income tax revenues may be positive or negative in any given year.

Local Effect: Local highway user revenues decrease by an estimated \$0.5 million in fiscal 2027 and increase by an estimated \$0.1 million in fiscal 2028, \$2.9 million in fiscal 2029, and \$3.3 million in fiscal 2030.

Program Description/Recent History: In fiscal 2024, corporate income tax revenues totaled \$2.47 billion, including \$1.90 billion in general funds (approximately 8% of total fiscal 2024 general fund revenues). According to the December 2024 revenue forecast, corporate income tax revenues are projected to total \$2.55 billion in fiscal 2025 and \$2.61 billion in fiscal 2026.

Maryland's corporate income tax rate is 8.25% of Maryland taxable income. For a corporation, Maryland taxable income is equal to federal taxable income as adjusted for Maryland addition and subtraction adjustments and modifications (Maryland modified income) and multiplied by the Maryland apportionment factor. A corporation operating a unitary business within and outside the State must allocate to Maryland income derived or reasonably attributable to trade or business carried on in the State, as provided by Maryland law. However, affiliated corporations must file separate Maryland returns and compute taxable income or loss on a separate basis.

After an allowance for refunds, the Comptroller must distribute 6% and 9.15% of remaining corporate income tax revenues to the Higher Education Investment Fund and general fund, respectively. After a subsequent distribution to an administrative cost account, the Comptroller must distribute a specified percentage of the remaining corporate income tax revenues to the Gasoline and Motor Vehicle Revenue Account (GMVRA) within the Transportation Trust Fund (TTF) (21% for fiscal 2025, 22% for fiscal 2026 and 2027, and 20% for fiscal 2028 and beyond). Remaining corporate income tax revenues are generally distributed to the general fund; Chapter 411 of 2024 requires the Comptroller to distribute 15% of the remaining income tax revenue from corporations that is attributable to qualified data centers that are operational on or after January 1, 2026, to the Strategic Energy Investment Fund.

Additional Comments: This analysis assumes that TTF revenues generated under the provisions are unaffected by § 19 of this bill, which specifies that transportation revenues raised in accordance with the provisions of this bill must remain allocated within the Maryland Department of Transportation and may not be credited to GMVRA.

Location of Provisions in the Bill: Section 3 (pp. 111-114) and Section 5 (pp. 119-126)

Analysis prepared by: Elizabeth J. Allison

Increase Cannabis Sales and Use Tax Rate and Alter Tax Distribution

Provisions in the Bill: Increase the sales and use tax rate imposed on the retail sale of adult-use cannabis from 9% to 15% beginning in fiscal 2027 and alter the distribution of sales and use tax collections from the sale of cannabis so that the entire portion of revenue attributable to the higher rate is distributed to the general fund. Distribute directly to the general fund, for fiscal 2027 and beyond, the first 40% of cannabis sales and use tax collections; maintain the distribution of the remaining 60% as under current law for no net effect on distribution of existing revenues.

Agency: Comptroller

Type of Action: Revenue action

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$0.0	\$0.0	\$90.2	\$94.9	\$97.0	\$98.1

State Effect: No effect in fiscal 2025 or 2026. General fund revenues increase by \$90.2 million in fiscal 2027; future years reflect projected growth in taxable cannabis sales. Special fund revenues are not affected. Expenditures are not affected.

Local Effect: None.

Program Description/Recent History: Chapters 254 and 255 of 2023 imposed a 9% sales and use tax on the retail sale of adult-use cannabis. After distributions to the Cannabis Regulation and Enforcement Fund to defray Maryland Cannabis Administration operating and administrative expenses, the Comptroller must distribute cannabis sales and use tax collections to the State’s general fund (50% through fiscal 2028, after which the general fund distribution increases to 55%); the Cannabis Reinvestment and Repair Fund (35% through fiscal 2033 only); counties (5%); the Cannabis Public Health Fund (5%); and the Cannabis Business Assistance Fund (5% through fiscal 2028 only). Cannabis sales and use tax revenues totaled \$63.8 million in fiscal 2024, of which \$30.5 million was distributed to the general fund. In fiscal 2025 and 2026, cannabis sales and use tax revenues are projected to total \$86.9 million and \$117.4 million, respectively, including \$30.4 million and \$45.9 million in general fund revenues.

Location of Provisions in the Bill: Section 4 (pp. 118-119)

Analysis prepared by: Elizabeth J. Allison

Increase Medicaid Deficit Assessment and Authorize Alternative Method to Achieve Equivalent Revenue

Provisions in the Bill: Increase the required Medicaid Deficit Assessment imposed on hospitals from \$294,825,000 to \$344,825,000 in fiscal 2025 and \$394,825,000 in fiscal 2026 and every fiscal year thereafter. Authorize the Health Services Cost Review Commission (HSCRC) and the Maryland Department of Health (MDH) to adopt an alternative method to collect, by the end of fiscal 2026, the amount of revenue resulting from the increase in the Medicaid deficit assessment across fiscal 2025 and 2026 (a total of \$150.0 million). The fiscal 2026 budget as introduced includes a \$46.25 million general fund reduction and a \$50.0 million special fund appropriation in fiscal 2025 and a \$92.5 million general fund reduction and a \$100.0 million special fund appropriation in fiscal 2026, all contingent on the enactment of legislation increasing the hospital deficit assessment.

Agency: MDH

Type of Action: Revenue action; fund swap

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$50.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0
SF Exp	\$50.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0
GF Exp	(\$46.3)	(\$92.5)	(\$92.5)	(\$92.5)	(\$92.5)	(\$92.5)

State Effect: Special fund revenues and expenditures for Medicaid increase by \$50.0 million in fiscal 2025 and \$100.0 million in fiscal 2026 due to the increase in the Medicaid Deficit Assessment, or other method used to collect \$150.0 million in revenue by the end of fiscal 2026. Special fund revenues and expenditures for Medicaid increase by \$100.0 million annually beginning in fiscal 2027 due to the ongoing increase in the Medicaid Deficit Assessment. General fund expenditures decrease by \$46.3 million in fiscal 2025 and \$92.5 million annually beginning in fiscal 2026 due to the use of additional special funds from the Medicaid Deficit Assessment, after accounting for a slight increase in Medicaid general fund expenditures to pay for the hospital rate increase administered by HSCRC to collect the assessment.

Local Effect: None.

Program Description: Following the Great Recession, a Medicaid Deficit Assessment was imposed on Maryland hospitals to support the Medicaid program. The assessment consists of (1) an amount included in hospital rates (and paid by hospital users) and (2) a remittance from hospitals.

Recent History: The Budget Reconciliation and Financing Act (BRFA) of 2020 (Chapter 528) set the assessment level at \$294.8 million for fiscal 2021 and each fiscal year thereafter. The BRFA of 2023 (Chapter 103) reduced the assessment level by \$50.0 million to \$244.8 million in fiscal 2024 only. Due to this reduction, the remittance from hospitals decreased from \$56.5 million in fiscal 2023 to \$6.5 million in fiscal 2024.

Location of Provisions in the Bill: Section 6 (pp. 126-127)

Analysis prepared by: Anne W. Braun

Expand Allowable Uses of Cannabis Regulation and Enforcement Fund to Support Social Equity Partnership Grant Program

Provisions in the Bill: Expand the allowable uses of the Cannabis Regulation and Enforcement Fund (CREF) to include supporting the Social Equity Partnership Grant Program and specify that the fund must be used to meet the mandated appropriation of \$5.0 million for the grant program. The fiscal 2026 budget as introduced includes \$5.0 million general fund reductions and \$5.0 million special fund appropriations in both fiscal 2025 and 2026, contingent on the enactment of legislation allowing the use of CREF to fulfill the mandated appropriation for Social Equity Partnership Grant awards.

Agency: Maryland Cannabis Administration (MCA)

Type of Action: Fund swap

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	(\$2.5)	(\$2.5)	(\$2.5)	(\$2.5)	(\$2.8)	(\$2.8)
SF Rev	(\$2.3)	(\$2.3)	(\$2.3)	(\$2.3)	(\$2.0)	(\$2.0)
GF Exp	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)
SF Exp	\$3.3	\$3.3	\$3.3	\$3.3	\$3.3	\$3.3

State Effect: General fund expenditures for MCA decrease by \$5.0 million annually beginning in fiscal 2025. Special fund expenditures for CREF increase correspondingly. CREF expenditures (which this analysis assumes includes the \$5.0 million mandated funding to support the Social Equity Partnership Grant Program) are deducted before cannabis sales tax revenues are distributed. Thus, \$5.0 million less in cannabis sales tax revenues is distributed to the general fund, various special funds, and directly to counties. Accordingly, general fund revenues decrease by \$2.5 million annually in fiscal 2025 through 2028, after which general fund revenues decrease by \$2.75 million annually, reflecting a change in cannabis sales tax distribution under current law. (The fiscal 2026 budget as introduced assumes a \$2.5 million general fund revenue reduction in fiscal 2025 and 2026.) Various special fund revenues, including the Community Reinvestment and Repair Fund (CRRF), annually decrease by a total of \$2.25 million in fiscal 2025 through 2028, after which special fund revenues decrease by \$2.0 million annually. Special fund expenditures for CRRF decrease by \$1.75 million annually beginning in fiscal 2025, reflecting the decrease in CRRF revenues to counties. The net effect of increased CREF expenditures and decreased CRRF expenditures is special fund expenditures increase by \$3.25 million annually.

Local Effect: Counties receive 5% of adult-use cannabis sales tax revenues, thus county revenues decrease by \$250,000 annually beginning in fiscal 2025. Municipal

revenues are also affected, as each county must distribute to a municipality located in the county 50% of the county's allocation that is attributable to the cannabis sales and use tax revenue generated by a dispensary located in that municipality. Counties also receive funds from CRRF to provide funds to community-based organizations that serve communities determined to have been the most impacted by disproportionate enforcement of the cannabis prohibition before July 1, 2022. Thus, county revenues and expenditures decrease by \$1.75 million annually from less available CRRF funding beginning in fiscal 2025.

Program Description/Recent History: Chapters 254 and 255 of 2023 (Cannabis Reform) established MCA, CREF, and the Social Equity Partnership Grant Program and required, beginning in fiscal 2025, the Governor to include in the annual budget bill an appropriation of \$5.0 million for the grant program. The Social Equity Partnership Grant program promotes qualifying partnerships between operational cannabis licensees and social equity licensees.

CREF is a special fund that is primarily funded through cannabis tax sales, but also includes revenue from licensing and fees, and the purpose of the fund is for covering the operating costs of MCA and for administering and enforcing the cannabis program.

The sales and use tax revenues from adult-use cannabis sales are required to be distributed first to CREF for amounts necessary to defray MCA's operating and administrative costs. Remaining tax revenues are then distributed as follows: 50% to the State's general fund (through fiscal 2028, after which the general fund distribution increases to 55%); 35% to CRRF; 5% to the Cannabis Public Health Fund; 5% to the Cannabis Business Assistance Fund (through fiscal 2028, after which this distribution terminates); and 5% to counties.

A separate provision in the Budget Reconciliation and Financing Act increases the sales and use tax on adult-use cannabis beginning in fiscal 2027 from 9% to 15% and alters the distribution of revenue raised through the sales and use tax, though that provision does not directly affect this provision.

Location of Provisions in the Bill: Section 1 (pp. 17-18)

Analysis prepared by: Victoria M. Martinez

Expand Allowable Uses of Securities Act Registration Fund

Provision in the Bill: Expands the allowable uses of funds in the Securities Act Registration Fund to include supporting the general operations of the Office of the Attorney General (OAG). The fiscal 2026 budget as introduced includes \$1,690,000 in general fund reductions (within the Legal Counsel and Advice Division and the Civil Litigation Division of OAG) in each of fiscal 2025 and 2026 and \$1,690,000 in special fund appropriations in each of fiscal 2025 and 2026, contingent on the enactment of legislation expanding the allowable uses of the Securities Registration Fund.

Agency: OAG

Type of Action: Expanded use of special funds

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	(\$1.7)	(\$1.7)	(\$1.7)	(\$1.7)	(\$1.7)	(\$1.7)
SF Exp	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7

State Effect: Although the provision does not set a specific dollar amount associated with the ability to use the Securities Registration Fund for general operating expenses in OAG, general fund expenditures for OAG are assumed to decrease by \$1.7 million annually beginning in fiscal 2025, reflecting the contingent reductions in fiscal 2025 and 2026 and assuming a similar level of out-year funding. Special fund expenditures increase correspondingly. Revenues are not affected.

Local Effect: None.

Program Description: The Legal Counsel and Advice Division in OAG includes the Attorney General and their staff. The division is responsible for the management and administration of OAG. The Civil Litigation Division handles major civil litigation in which the State, its agencies, or officers is a party. The division defends the State and State employees in State and federal trials and appellate courts, as well as files suits on behalf of the State. The Securities Act Registration Fund receives revenues from fees paid for securities registrations. Accounting for this provision and a separate provision that authorizes a transfer from this fund to the general fund, the Securities Registration Fund is expected to have a closing fund balance of \$5.7 million in fiscal 2026.

Recent History: None.

Location of Provision in the Bill: Section 1 (p. 19)

Analysis prepared by: Jacob L. Pollicove

Phase Out Cigarette Restitution Fund Appropriation to Tri-County Council for Southern Maryland

Provision in the Bill: Phases out, beginning in fiscal 2026, the mandated \$1.0 million appropriation from the Cigarette Restitution Fund (CRF) to the Tri-County Council for Southern Maryland (TCC) by requiring CRF appropriations as follows: \$750,000 in fiscal 2026; \$500,000 in fiscal 2027; and \$250,000 in fiscal 2028. No appropriation from CRF to TCC is required after fiscal 2028. The fiscal 2026 budget as introduced includes a \$250,000 special fund reduction, contingent on the enactment of legislation reducing the mandated CRF appropriation to \$750,000.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Cost containment

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$0.3)	(\$0.5)	(\$0.8)	(\$1.0)	(\$1.0)

State Effect: Special fund expenditures from CRF for TCC decrease by \$250,000 in fiscal 2026, \$500,000 in fiscal 2027, \$750,000 in fiscal 2028, and \$1.0 million in fiscal 2029 and annually thereafter. These savings are offset by repurposing of the CRF dollars to fund other CRF eligible expenses for no net effect on total CRF expenditures. However, general fund expenditures decrease by corresponding amounts in each year due to CRF availability for other CRF-supported programs, including Medicaid expenses which are an entitlement and would otherwise be paid for with general funds. Revenues are not affected.

Local Effect: In practice, the Southern Maryland Agricultural Development Commission (SMADC) – a division of TCC – receives the funding. As a result, this provision reduces funding for SMADC to implement the Southern Maryland Regional Strategy Action Plan.

Program Description: CRF, established by Chapters 172 and 173 of 1999, is a special fund supported by payments made by tobacco manufacturers under the Master Settlement Agreement. One purpose of CRF is for Medicaid, another is to fund the implementation of the Southern Maryland Regional Strategy Action Plan for Agriculture adopted by TCC – a nonprofit, quasi-governmental cooperative planning and development unit for Calvert, Charles, and St. Mary’s counties – with an emphasis on alternative crop uses for agricultural land used for growing tobacco. As required by the strategy action plan, TCC established SMADC as a division in calendar 2000, when the State instituted a voluntary buy-out program to transition farms out of tobacco production. CRF funds are appropriated to MDA, which then issues grants to TCC for SMADC to develop programs

to stabilize the region's agricultural economy as Maryland growers transition away from tobacco production.

Recent History: Chapter 187 of 2022 required the Governor to include in the annual budget bill an appropriation of \$900,000 in fiscal 2024 and 2025 to TCC from CRF and requires the funds to be used for the activities of SMADC. Subsequently, Chapters 575 and 576 of 2024 extended the funding requirement beyond fiscal 2025 and increased the annual mandated appropriation from CRF from \$900,000 to \$1.0 million.

Location of Provision in the Bill: Section 1 (pp. 20-21)

Analysis prepared by: Anne W. Braun and Andrew D. Gray

Eliminate Mandated Funding Formula for St. Mary’s College of Maryland

Provision in the Bill: Eliminates the requirement that St. Mary’s College of Maryland (SMCM) receive an annual appropriation based on a funding formula beginning in fiscal 2026. The fiscal 2026 budget as introduced includes a \$416,847 general fund reduction, contingent on the enactment of legislation reducing the mandated formula funding.

Agency: SMCM

Type of Action: Cost containment

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$0.4)	(\$3.6)	(\$5.5)	(\$7.7)	(\$9.9)

State Effect: General fund expenditures for SMCM decrease by \$416,847 in fiscal 2026 due to the contingent reduction. General fund expenditures decrease by \$3.6 million in fiscal 2027 escalating to \$9.9 million in fiscal 2030 due to no longer having the requirement to increase funding based on the graduation rate, cost-of-living adjustment (COLA), health insurance, and the implicit price deflator, and assuming SMCM continues to receive at least the amount of the appropriation that would have been provided in fiscal 2026 absent this provision. However, since there is no requirement for any set level of funding or calculation under this provision, the general fund expenditure decrease could be greater or less than estimated. Although not reflected above, higher education revenues and expenditures decrease correspondingly.

Local Effect: None.

Program Description: The State’s annual contribution to SMCM is determined by a base grant that is equal to the prior year’s grant adjusted to offset inflation as indicated by the implicit price deflator for State and local government. In addition to the base grant, the State provides 100% of COLAs for State employees, an increase in grant funding based on increased six-year graduation rates, and an increase for State-supported health insurance costs. For years in which the State provides funds to other public senior higher education institutions to moderate undergraduate resident tuition increases, it is the General Assembly’s intent that funds also be provided to SMCM for the same purpose.

Recent History: Chapter 607 of 2022 increased the percentage of the COLA provided to State-supported employees of SMCM from 50% to 100%.

Location of Provision in the Bill: Section 1 (pp. 24-26)

Analysis prepared by: Kelly K. Norton

Alter Mandated Funding for Baltimore City Community College

Provision in the Bill: Sets the level for the fiscal 2026 appropriation of State funds for Baltimore City Community College (BCCC) at \$44,734,265, instead of the level that would have been required under the funding formula and existing hold harmless level. The fiscal 2026 budget as introduced includes a \$3,632,823 general fund reduction, contingent on the enactment of legislation reducing the mandated funding.

Agency: BCCC

Type of Action: Cost containment

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$3.6)	(\$3.6)	(\$3.6)	(\$3.6)	(\$3.6)

State Effect: General fund expenditures for the BCCC formula decrease by \$3,632,823 beginning in fiscal 2026 by establishing a new hold harmless level of funding. BCCC has received an appropriation from the formula based on the hold harmless level rather than the calculation of the formula in recent years. Absent this provision, the hold harmless level would be \$48,005,840. Although not reflected above, higher education revenues and expenditures decrease correspondingly.

Local Effect: None.

Program Description/Recent History: The BCCC funding formula makes up the majority of State funding for the community college. The State's annual contribution to the BCCC formula is determined by enrollment at the community college and a percentage, 68.5%, set in statute, of the level of funding per full-time equivalent student (FTES) received by selected public four-year institutions. Additionally, the formula includes a hold harmless provision to prevent the State appropriation from decreasing when compared to the previous fiscal year.

Chapter 717 of 2024 (the Budget Reconciliation and Financing Act of 2024) altered the calculation of the BCCC formula by changing the basis for the State funding per FTES from being based on the allowance year funding and enrollment to the two-year prior actual expenditures and enrollment at the selected four-year institutions.

BCCC also receives State funding based on English Speakers of Other Language enrollment, which is unaffected by this provision.

Location of Provision in the Bill: Section 1 (pp. 26-28)

Analysis prepared by: Kelly. K Norton

SB 321/ Page 123

Expand Allowable Use of Program Open Space Funds in Fiscal 2026

Provision in the Bill: Authorizes the Maryland Department of Planning (MDP) to use an additional \$340,000 of the Maryland Heritage Areas Authority's (MHAA) Program Open Space (POS) funding allocation for MDP operating expenses in fiscal 2026 only.

Agency: MDP

Type of Action: Change use of special fund

State Effect: Special fund expenditures are unchanged but reallocated among uses. To the extent that an additional \$340,000 is used for operating expenses in MDP, these funds are redirected from the MHAA Grant Program. The funds are intended to support the cost of procuring grant management software for the Maryland Historic Trust within MDP in fiscal 2026. The fiscal 2026 allowance does not assume general funds would have been used absent this special fund authorization. Nevertheless, if general funds might have been used for this purpose, general fund expenditures could decrease in fiscal 2026 only. Revenues are not affected.

Local Effect: Assuming an average grant amount of \$46,800, this provision could result in as many as seven fewer MHAA grants being awarded to local governments and nonprofit organizations in fiscal 2026. According to MDP's fiscal 2026 *Managing for Results* submission, MHAA grants have a 4:1 ratio for non-State investment leveraged. Thus, reducing the MHAA grant funding by \$340,000 may result in the loss of up to \$1.4 million in leveraged non-State funds.

Program Description: POS, administered by the Department of Natural Resources, provides funds for State and local conservation acquisitions and development of public outdoor recreational sites, facilities, and open space. POS is principally funded through special funds derived from the State's property transfer tax. POS receives 75.15% of the total transfer tax revenues available for allocation, with further distribution of POS funds specified in statute. Up to \$6.0 million of the total POS funds is allocated to the MHAA Financing Fund. Under current law, up to 10% of the POS funds allocated to MHAA may be used to pay MHAA operating expenses.

MHAA was established in 1996 to foster heritage tourism by providing technical and financial assistance to create additional historic and cultural destinations within the State. Maryland's 13 heritage areas are locally designated, and State certified regions where public and private partners make commitments to preserving historical, cultural, and natural resources for sustainable economic development through heritage tourism.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 43-44)

Analysis prepared by: Andrew D. Gray and Elizabeth Waibel

Remove Prohibition on Capping Dollar Amount of Specified Self-directed and Family-directed Goods and Services

Provision in the Bill: Removes a prohibition against the Developmental Disabilities Administration (DDA) within the Maryland Department of Health (MDH) establishing a limit on the maximum dollar amount provided to recipients for individual-directed and family-directed goods and services (IFDGS) under the Community Services program. The fiscal 2026 budget as introduced includes reductions of \$14.5 million in general funds and \$14.5 million in federal funds, contingent on the enactment of legislation modifying the provisions of the Self Directed Services Program.

Agency: MDH

Type of Action: Cost containment; miscellaneous

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
FF Rev	\$0.0	(\$14.5)	(\$14.5)	(\$14.5)	(\$14.5)	(\$14.5)
GF Exp	\$0.0	(\$14.5)	(\$14.5)	(\$14.5)	(\$14.5)	(\$14.5)
FF Exp	\$0.0	(\$14.5)	(\$14.5)	(\$14.5)	(\$14.5)	(\$14.5)

State Effect: General fund and federal fund expenditures decrease in fiscal 2026 by \$14.5 million based on the level of reduction contingent on the enactment of this provision. Federal fund revenues decrease correspondingly. To the extent that DDA limits funding provided for IFDGS to individuals, general fund expenditures decrease in the out-years. This decrease is assumed to occur at the same level as the fiscal 2026 reduction. Corresponding federal fund revenues and expenditures claimed through the federal matching rate for Medicaid waivers are also reduced.

Local Effect: None.

Program Description: DDA funds direct services to intellectually and developmentally disabled individuals through a coordinated community-based service delivery system. IFDGS are defined as services, equipment, activities, or supplies for individuals who self-direct services that (1) relate to a need or goal identified in the person-centered plan of service; (2) maintain or increase independence; (3) promote opportunities for community living and inclusion; and (4) are not available under another waiver provided under the State plan.

Recent History: Chapters 736 and 737 of 2022 prohibit DDA from establishing a limit on the dollar amount of IFDGS provided to a recipient, but they also prohibit a recipient from receiving services or supports in excess of the recipient’s annual approved budget.

MDH advised that prior to Chapters 736 and 737 taking effect, there was a cap of \$7,500 per year for family goods and services.

Location of Provision in the Bill: Section 1 (p. 45)

Analysis prepared by: Victoria M. Martinez

Alter Allowable Uses of Waiting List Equity Fund

Provision in the Bill: Alters allowable uses of the Waiting List Equity Fund (WLEF) to remove a prohibition against WLEF supplanting funds for emergency community placements or transitioning students. The fiscal 2026 budget as introduced includes a \$15.0 million general fund reduction and a \$15.0 million special fund appropriation in fiscal 2025, contingent on the enactment of legislation expanding the use of WLEF.

Agency: Maryland Department of Health (MDH)

Type of Action: Fund swap

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	(\$15.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
SF Exp	\$15.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

State Effect: General fund expenditures for the Developmental Disabilities Administration (DDA) decrease by \$15.0 million in fiscal 2025, reflecting the reduction contingent on the enactment of this provision. Special fund expenditures increase correspondingly in fiscal 2025. To the extent the Governor uses this authorization in the future, general fund expenditures decrease and special fund expenditures increase in a similar manner. Revenues are not affected.

Local Effect: None.

Program Description: DDA provides direct services to developmentally disabled individuals through the funding of a coordinated community-based service delivery system and in two State Residential Centers (SRCs) and a Secure Evaluation and Therapeutic Treatment unit, which shares a campus with one of the SRCs.

WLEF was established to ensure that funding associated with individuals served in an SRC follows them when they are transitioned to a community-based care setting. MDH was required to adopt regulations for management and use of the funds. The funds are prohibited from being used to supplant funds for emergency community placements or transitioning youth. The primary ongoing source of revenue for WLEF is contributions through an income tax checkoff. WLEF may also receive funds appropriated in the State budget which are equal to the cost of providing services to an individual in a SRC for a fiscal year or part of a year in which the individual is no longer served in a SRC and is provided community-based services and any other source for the benefit of the fund. The fiscal 2024 closing balance for WLEF was \$14,037,884.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 44-45)

Analysis prepared by: Victoria M. Martinez

Expand Allowable Uses of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to Support Department of Natural Resources Operating Expenses

Provision in the Bill: Expands allowable uses of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to support up to \$10.5 million of Department of Natural Resources (DNR) operating expenses in the annual budget bill. The fiscal 2026 budget as introduced includes (1) for fiscal 2025, a \$2.6 million general fund reduction and \$2.6 million special fund appropriation and (2) for fiscal 2026, a series of general fund reductions totaling \$10.5 million and a series of special fund appropriations totaling \$10.5 million. All of these actions are contingent on the enactment of legislation allowing the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to support operating expenses in DNR.

Agency: DNR

Type of Action: Change use of special funds

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	(\$2.6)	(\$10.5)	(\$10.5)	(\$10.5)	(\$10.5)	(\$10.5)
SF Exp	\$2.6	\$10.5	\$10.5	\$10.5	\$10.5	\$10.5

State Effect: The provision specifies that up to \$10.5 million of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund in the annual budget bill may be used for operating expenses in DNR, so this analysis assumes the provision applies beginning in fiscal 2025. Therefore, general fund expenditures decrease by \$2.6 million in fiscal 2025 and \$10.5 million in fiscal 2026 reflecting the contingent reductions, and special fund expenditures increase correspondingly. This analysis assumes the authorization continues to be used; thus, out-year general fund expenditures decrease by as much as \$10.5 million and special fund expenditures increase correspondingly. Revenues are not affected.

Local Effect: Funding for local projects from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund may decrease beginning in fiscal 2025 as a result of funds being used to support DNR operating expenses. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund’s fiscal 2025 appropriation is \$77.1 million, of which \$35.9 million, or approximately 46%, is allocated to the Competitive Grant Program for local projects. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund’s fiscal 2026 appropriation is \$90.7 million, of which \$35.7 million, or approximately 39%, is allocated to the Competitive Grant Program for local projects.

Program Description: Chapter 6 of the 2007 special session established a Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be used to implement the State’s tributary restoration strategy. The fund is financed with a portion of existing revenues from the

motor fuel tax and the sales and use tax on short-term vehicle rentals. Subsequently, Chapters 120 and 121 of 2008 established a framework for how the trust fund money must be spent by specifying that it be used for nonpoint source pollution control projects and by expanding it to apply to the Atlantic Coastal Bays.

Recent History: Chapter 717 of 2024 (Budget Reconciliation and Financing Act of 2024) establishes that \$2.5 million in special funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund must be used annually from fiscal 2024 through 2031 for tree plantings on public and private land. Chapters 558 and 559 of 2024 authorized the use of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund as a revenue source for the Whole Watershed Fund created by the legislation and required that in each fiscal year from 2026 through 2030, inclusive, up to \$100,000 from the fund be used to fund the operations grants for approved Whole Watershed Fund projects.

Location of Provision in the Bill: Section 1 (pp. 58-60)

Analysis prepared by: Andrew D. Gray

Increase Allowed Use of Waterway Improvement Fund for Marine Operations

Provision in the Bill: Increases the allowed use of the Waterway Improvement Fund for marine operations of the Natural Resources Police by \$100,000 from \$2.0 million to \$2.1 million beginning in fiscal 2026. The fiscal 2026 budget as introduced includes a \$100,000 special fund appropriation, contingent on the enactment of legislation increasing the allowed use of the Waterway Improvement Fund for marine operations of the Natural Resources Police.

Agency: Department of Natural Resources (DNR)

Type of Action: Cost containment; change use of special funds

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Exp	\$0	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1

State Effect: Special fund expenditures increase by \$100,000 in fiscal 2026 and as much as \$100,000 annually thereafter. Accordingly, while reliance on the general fund may be further mitigated, this analysis assumes that this funding would not have otherwise been expended. Revenues are not affected.

Local Effect: None.

Program Description: The provisions establishing and governing the Waterway Improvement Fund are contained within the State Boat Act. Financial support for the fund is derived from the 5% excise tax on the sale of vessels in the State and 0.5% of the motor vehicle fuel tax. The Waterway Improvement Fund finances projects and activities that promote, develop, and maintain Maryland's waterways for the benefit of the boating public. DNR may propose up to a \$2.0 million annual appropriation from the Waterway Improvement Fund to support marine operations of the Natural Resources Police.

Recent History: Chapter 560 of 2024 requires, beginning in fiscal 2026, DNR to distribute at least \$250,000 annually from the Waterway Improvement Fund to a qualifying statewide Maryland-based historic preservation nonprofit organization to establish, operate, and administer a maritime heritage competitive grant program.

Accounting for this provision, the Waterway Improvement Fund is projected to have a closing fund balance of \$17.6 million in fiscal 2026.

Location of Provision in the Bill: Section 1 (p. 60)

Analysis prepared by: Andrew D. Gray

Eliminate Requirement to Specify Across the Board Reductions

Provision in the Bill: Eliminates the requirements that the Governor specify how expenditure reductions in the budget bill will be achieved and identify across the board reductions at a minimum level of detail and instead authorizes the Governor to provide this detail.

Agency: Multiple

Type of Action: Cost containment; miscellaneous

State Effect: Although the provision itself does not have a fiscal effect, the fiscal 2026 budget as introduced assumes \$50.0 million in general fund savings from efforts to modernize and find efficiencies in government. The savings are from undetermined agencies and purposes as these savings are to be determined through work from a consultant that will identify the savings opportunities. Absent this change, this unspecified decrease would not be allowable under statute.

Local Effect: None.

Program Description: The Department of Budget and Management (DBM) prepares the Governor's annual budget allowance in accordance with various statutes and regulations, including § 7-114.2 of the State Finance and Procurement Article which disallows across the board reductions unless the reductions are specified for each affected agency at a certain level of detail. The fiscal 2026 budget as introduced includes a \$50.0 million general fund across the board reduction that has yet to be specified at an agency level or at the appropriate level of detail.

Recent History: The Board of Public Works approved a pay-for-performance contract between DBM and Boston Consulting to identify and implement initiatives intended to improve operational efficiency in the delivery of government services over a two-year period. DBM estimates that the project could yield \$75.0 million in general fund savings with a maximum pay-for-performance expenditure of \$15.0 million in general funds dependent on the level of savings identified by the vendor.

Location of Provision in the Bill: Section 1 (p. 65)

Analysis prepared by: Jacob C. Cash

Expand Use of Maryland Strategic Energy Investment Fund

Provision in the Bill: Expands the allowable uses of the Strategic Energy Investment Fund (SEIF) to include costs associated with the Maryland Department of Environment’s (MDE) Air and Radiation Administration. The fiscal 2026 budget as introduced includes a \$6,069,452 general fund reduction and \$6,069,452 special fund appropriation for fiscal 2026 and a \$6,565,333 general fund reduction and \$6,565,333 special fund appropriation for fiscal 2025, each contingent on legislation to allow Regional Greenhouse Gas Initiative (RGGI) auction revenues deposited into SEIF to be used for general expenses within the Air and Radiation Administration.

Agency: Maryland Energy Administration; MDE

Type of Action: Cost containment; expand use of fund

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	(\$6.6)	(\$6.1)	(\$6.1)	(\$6.1)	(\$6.1)	(\$6.1)
SF Exp	\$6.6	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1

State Effect: General fund expenditures for MDE’s Air and Radiation Administration decrease by \$6.6 million in fiscal 2025 and \$6.1 million in fiscal 2026, and special fund expenditures increase commensurately, due to the contingent reductions and appropriations effectuated by this provision. Assuming the Governor chooses to use SEIF as authorized under this provision in future years, general fund expenditures decrease, and special fund expenditures increase by similar amounts. Revenues are not affected.

Local Effect: Beginning as early as fiscal 2026, local governments may receive less funding from SEIF-funded programs. Amounts, if any, in any particular year are unknown.

Program Description: Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing SEIF to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through the proceeds from the auction of carbon allowances under RGGI; the fund also receives revenues from compliance fees — often referred to as Renewable Portfolio Standard alternative compliance payments (ACPs) — generated under the State’s Renewable Energy Portfolio Standard. Although not required under statute, SEIF has held funds from various settlement agreements and orders related to Public Service Commission utility cases.

RGGI proceeds must be used for the following purposes: (1) at least 50% for energy assistance programs in the Department of Human Services; (2) at least 20% for

energy efficiency and conservation (at least one-half of which must be used for low- and moderate-income programs); (3) at least 20% for renewable and clean energy programs, energy-related education and outreach, and climate change and resiliency programs; and (4) up to 10% but no more than \$7.5 million for administrative expenses. Generally, ACP revenues may be used only to make loans and grants to support the creation of new renewable energy sources in the State that are owned by or directly benefit specified communities, households, or businesses.

Currently, MDE's Air and Radiation Administration has received and expended SEIF for climate change activities and the paying of Maryland's share of RGGI dues. In fiscal 2024, these expenditures totaled \$3.55 million. Prior to the proposed deficiency appropriation, the fiscal 2025 working appropriation provided \$4.28 million of SEIF for these purposes.

Recent History: Chapter 98 of 2023 increased the dollar cap on the amount of RGGI Program revenues that may be credited to the Administration subaccount within SEIF from \$5.0 million to \$7.5 million, along with modifying two transportation sector programs funded by SEIF and modifying the authorized uses of certain ACPs deposited in SEIF.

The Budget Reconciliation and Financing Act (BRFA) of 2024 (Chapter 717) authorized the transfer of \$90.0 million from the SEIF balance to the Dedicated Purpose Account in fiscal 2025 to be used to help implement the Climate Solutions Now Act of 2022 and Maryland's Climate Pollution Reduction Plan and required at least 50% of funds be transferred to support programs serving low- to moderate-income communities.

Other provisions in the BRFA of 2025 redirect SEIF interest and investment earnings to the general fund and authorize a transfer of fund balance from the ACP sub-account of SEIF to the general fund. These provisions are discussed elsewhere in this fiscal and policy note.

Location of Provision in the Bill: Section 1 (pp.70-72)

Analysis prepared by: Suveksha Bhujel and Andrew D. Gray

Expand Use of Performance Incentive Grant Fund to Support Office of Correctional Ombudsman Operations

Provision in the Bill: Authorizes, beginning in fiscal 2026, the use of up to \$1.0 million each year from the Performance Incentive Grant Fund to be used for operations of the Office of the Correctional Ombudsman (OCO). The fiscal 2026 budget as introduced includes a \$1.0 million general fund reduction and a corresponding \$1.0 million special fund appropriation under OCO, contingent on the enactment of legislation authorizing the use of the Performance Incentive Grant Fund for OCO operations.

Agency: OCO; Governor’s Office of Crime Prevention and Policy (GOCPP)

Type of Action: Cost containment; expand use of special fund

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)
SF Exp	\$0	\$1.0	\$0	\$0	\$0	\$0

State Effect: Special fund expenditures increase for OCO by \$1.0 million and general fund expenditures decrease correspondingly in fiscal 2026, reflecting the contingent appropriation and contingent reduction. Assuming the maximum allowable funding for OCO operations continues to be used, general fund expenditures also decrease by \$1.0 million in fiscal 2027 and annually thereafter. However, beginning in fiscal 2027, net special fund expenditures are not affected, merely reallocated among purposes. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: The Performance Incentive Grant Fund within GOCPP is intended to make use of the savings from the implementation of Chapter 515 of 2016, the Justice Reinvestment Act, to provide grants for specified programs and services, including providing for pretrial risk assessments, services to reduce pretrial detention, diversion programs, specialty courts, reentry programs, and ensuring that the rights of crime victims are protected and enhanced. Money expended from the fund for programs to reduce recidivism and control correctional costs is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for such purposes. The fiscal 2026 budget as introduced includes \$11.2 million for the fund.

The fiscal 2025 budget included \$1.0 million in special fund expenditure from the Performance Incentive Grant Fund for OCO, contingent on the enactment of Chapter 836 of 2024. Chapter 836 established OCO as an independent oversight entity with the power

to conduct reviews and investigations of the Department of Public Safety and Correctional Services and the Department of Juvenile Services (DJS). OCO has the authority to subpoena individuals as well as refer certain matters for disciplinary proceedings or criminal charges. Chapter 836 also transferred the Juvenile Justice Monitoring unit, which investigates the needs of children under DJS jurisdiction, from the Office of the Attorney General to OCO. Chapter 836 authorized, for fiscal 2025 only, Performance Incentive Grant Funds to be distributed to OCO.

Location of Provision in the Bill: Section 1 (pp.72-73)

Analysis prepared by: Madelyn C. Miller and Katharine F. Barbour

Reduce Participation Targets in Young Adult Service Year Option Pathway and Mandate Funding for Maryland Service Year Pathway Fund

Provisions in the Bill: Reduce the participation target for the Maryland Corps Young Adult (YA) Service Option Pathway in fiscal 2027 by 500 and establish participation targets for fiscal 2026 and 2028. Reduce, only for fiscal 2026, the mandated appropriation to the Maryland Service Year (MSY) Option Pathway Fund from \$15.0 million to \$13.0 million. The fiscal 2026 budget as introduced includes expenditure reductions of \$6.8 million in general funds and \$5.3 million in special funds, contingent on the enactment of legislation reducing the mandate for the MSY Pathway Fund in fiscal 2026 and reducing the YA Service Pathway participation in fiscal 2026 from 1,000 to 750.

Agency: Department of Service and Civic Innovation

Type of Action: Cost containment; mandate relief

Fiscal Impact:	(\$ in millions)					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	(\$6.8)	\$0	\$0	\$0	\$0
GF Exp	\$0	(\$6.8)	\$0	\$0	\$0	\$0
SF Exp	\$0	(\$5.3)	\$0	\$0	\$0	\$0

State Effect: Assuming that this provision effectuates the contingent reductions in the budget bill, general fund expenditures decrease by \$6.8 million in fiscal 2026. Assuming the mandated general fund appropriation would otherwise be deposited in full to the MSY Pathway Fund and discretionary general funds would have been deposited to the YA Service Pathway Fund, special fund revenues decrease correspondingly. Special fund expenditures decrease by \$5.3 million reflecting the contingent reduction in the budget bill.

Local Effect: None.

Program Description: Chapter 99 of 2023 (the SERVE Act) established the YA and MSY pathways of the Maryland Corps Program. Statutory targets for the YA pathway are 200 in the first year (fiscal 2024) and 2,000 in the fourth year (fiscal 2027) of implementation. However, current law does not include targets for other years of implementation, including the referenced target of 1,000 in the third year of implementation (fiscal 2026). Current law requires an appropriation to the MSY Pathway Fund of \$15.0 million in fiscal 2026 and \$20.0 million annually beginning in fiscal 2027. The provision makes no changes to the out-year mandated funding levels.

As noted above, this analysis assumes that this provision effectuates the contingent expenditure reductions in the budget bill. The reductions are contingent on legislation that

reduces the YA participation target for fiscal 2026, but there is no target established in current law for fiscal 2026 (and, therefore, no target to reduce). If it is determined that this provision does not effectuate those reductions, the only effect is a \$2.0 million general fund reduction to the MSY Pathway Fund and a corresponding reduction in special fund revenues.

Recent History: None

Location of Provisions in the Bill: Section 1 (pp. 73-75)

Analysis prepared by: Jacob C. Cash

Authorize Transfer to General Fund from Local Income Tax Reserve Account in Fiscal 2025 and Require Repayment

Provisions in the Bill: Require the Comptroller to distribute \$230,000,000 from the Local Income Tax Reserve (LITR) Account to the general fund in fiscal 2025. Require the State to repay this amount by distributing \$23.0 million of the remaining income tax revenue from individuals to the LITR Account annually over the 10-year period from fiscal 2029 through 2038.

Agency: Comptroller’s Office

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$230.0	\$0	\$0	\$0	(\$23.0)	(\$23.0)

State Effect: General fund revenues increase by \$230.0 million in fiscal 2025 due to the transfer. General fund revenues decrease by \$23.0 million annually in fiscal 2029 through 2038 due to repayment of the transfer. (The fiscal 2026 budget as introduced assumes \$230.0 million in revenues.) Expenditures are not affected.

Local Effect: None.

Program Description/Recent History: The Comptroller’s Office uses the LITR Account to manage the cash flow of personal income tax payments and distributions to local governments. The account is also used to meet the State’s liability for local income taxes according to generally accepted accounting principles.

The State has transferred from this account to support general fund spending and other specified spending on several occasions in recent years. Chapter 484 of 2010 required the Comptroller to distribute \$350.0 million from the LITR Account to the Education Trust Fund, which was one of several transfers made from the account in that and other years. Although Chapter 484 established a repayment plan for fiscal 2014 through 2020, Chapter 425 of 2013 repealed the repayment plan. Chapter 489 of 2015 established a repayment of \$10.0 million from fiscal 2016 through 2025 for another \$100.0 million transfer authorized in that Act. Chapter 10 of 2018 extended the \$10.0 million annual repayment indefinitely and no longer tied the repayment to any particular transfer. Chapter 717 of 2024 repealed the requirement for the annual \$10.0 million distribution to the LITR Account in fiscal 2024 and 2025 and specified that, from fiscal 2026 through 2060, the annual \$10.0 million distribution to the LITR Account is to repay \$350.0 million transferred from the account to the Education Trust Fund as required in Chapter 484 of

2010. Accordingly, Chapter 717 terminated that distribution to the LITR Account after fiscal 2060 when that repayment is complete.

Location of Provisions in the Bill: Section 1 (pp. 79-80)

Analysis prepared by: Heather N. MacDonagh

Expand Allowable Use of Maryland Emergency Medical System Operations Fund to Support Maryland State Police Aviation Command

Provision in the Bill: Expands the allowable uses of the Maryland Emergency Medical System Operations Fund (MEMSOF), in fiscal 2025 and 2026 only, to allow the fund to support general operations of the Maryland State Police Aviation Command (MSPAC). The fiscal 2026 budget as introduced includes a \$5.5 million general fund reduction and a \$5.5 million special fund appropriation for both fiscal 2025 and 2026, contingent on legislation expanding the allowable uses of MEMSOF.

Agency: Department of State Police (DSP)

Type of Action: Change use of special fund

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	(\$5.5)	(\$5.5)	\$0	\$0	\$0	\$0
SF Exp	\$5.5	\$5.5	\$0	\$0	\$0	\$0

State Effect: MEMSOF supports approximately 80.0% of MSPAC’s expenditure each fiscal year, representing the share of MSPAC’s functions that are medically oriented. Since this provision does not establish a limit on the amount of MEMSOF that could be used to support general operations of MSPAC, general fund expenditures for DSP are assumed to decrease by \$5.5 million in fiscal 2025 and 2026, reflecting the level of reduction contingent on the enactment of this provision. Special fund expenditures increase correspondingly. Revenues are not affected.

Local Effect: None.

Program Description: MEMSOF consists of (1) vehicle registration surcharges; (2) all funds, including charges for accident scene transports and interhospital transfers of patients, generated by specified units of State government; and (3) revenue distributed from a \$7.50 moving violation surcharge. Money from MEMSOF must be used solely for (1) medically oriented functions of MSPAC; (2) Maryland Institute for Emergency Medical Services Systems; (3) R Adams Cowley Shock Trauma Center; (4) the Maryland Fire and Rescue Institute; (5) local grants under the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (Amoss Fund); and (6) the Volunteer Company Assistance Fund.

Recent History: Chapters 717, 718, and 719 of 2024 increased the annual surcharge on motor vehicle registrations, increasing revenue for MEMSOF, and increasing the amount of funding mandated to the Amoss Fund.

Location of Provision in the Bill: Section 1 (p. 90)

Analysis prepared by: Madelyn C. Miller

Increase Required Share of Local Reimbursement for Property Valuation Expenditures

Provision in the Bill: Increases the local cost share amount, from 50% to 90%, that Baltimore City and county governments are required to pay the State Department of Assessments and Taxation (SDAT) for costs associated with real property valuation, business personal property valuation, and information technology beginning in fiscal 2026. The fiscal 2026 budget as introduced includes \$20,900,392 in general fund reductions and \$20,900,392 in special fund appropriations, contingent on the enactment of legislation that changes the cost split between the State and the counties from 50/50 to 90/10.

Agency: SDAT

Type of Action: Cost shift

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	\$21.2	\$21.7	\$22.1	\$22.5	\$23.0
SF Exp	\$0	\$21.2	\$21.7	\$22.1	\$22.5	\$23.0
GF Exp	\$0	(\$21.2)	(\$21.7)	(\$22.1)	(\$22.5)	(\$23.0)

State Effect: General fund expenditures decrease by \$21.2 million and special fund revenues and expenditures increase correspondingly in fiscal 2026 due to the shift in costs from the State to local governments; most of this amount is accounted for in the budget as introduced. Future years reflect inflation.

Local Effect: Local expenditures increase by \$21.2 million in fiscal 2026 and by \$23.0 million in fiscal 2030. Local expenditures are calculated on the basis of each jurisdiction's share of real property accounts and the business personal property assessable base for the preceding fiscal year. The increase in local expenditures for fiscal 2026 is shown in **Exhibit 1**.

Program Description: SDAT conducts the assessment of all property in the State. Baltimore City and county governments are required to reimburse SDAT for 50% of the costs associated with real property valuation, business personal property valuation, and information technology.

Recent History: None.

Location of Provision in the Bill: Section 2 (pp. 108-109)

Analysis prepared by: Michael Sanelli

Exhibit 1
Increase in Local Costs to Reimburse the
State Department of Assessments and Taxation
Fiscal 2026

<u>County</u>	<u>Total Local Impact</u>
Allegany	\$359,963
Anne Arundel	2,010,742
Baltimore City	2,080,550
Baltimore	2,711,968
Calvert	376,580
Caroline	139,437
Carroll	611,399
Cecil	438,600
Charles	620,010
Dorchester	190,050
Frederick	920,957
Garrett	267,650
Harford	932,791
Howard	1,028,816
Kent	112,232
Montgomery	3,120,562
Prince George's	2,750,473
Queen Anne's	234,602
St. Mary's	441,155
Somerset	158,176
Talbot	182,425
Washington	552,868
Wicomico	413,689
Worcester	576,260
Total	\$21,231,952

Source: Department of Legislative Services

Phase Out Enterprise Zone Tax Credit Program and Repeal Enterprise Zone Income Tax Credit

Provisions in the Bill: Phase out the enterprise zone property tax credit by prohibiting new properties from qualifying or being awarded tax credits after June 30, 2025. Repeal the enterprise zone income tax credit, effective June 1, 2025. The fiscal 2026 budget as introduced includes a \$7,241,614 general fund expenditure reduction, contingent on the enactment of legislation freezing participation in the program.

Agency: State Department of Assessments and Taxation (SDAT); Comptroller's Office

Type of Action: Revenue action; cost containment

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$0	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8
GF Exp	\$0	(\$7.2)	(\$10.1)	(\$12.8)	(\$15.1)	(\$18.7)

State Effect: General fund revenues annually increase by approximately \$765,000 beginning in fiscal 2026 from repealing the enterprise zone income tax credit based on the most recent year of credit activity (the fiscal 2026 budget as introduced assumes \$1.0 million in revenues). To the extent income tax credits would have been claimed against the corporate income tax, Transportation Trust Fund (TTF) and Higher Education Investment Fund revenues and TTF expenditures annually increase.

Prohibiting new properties from qualifying for the enterprise zone property tax credit causes the effect to stack each year as new projects would have become eligible. Therefore, this estimate assumes general fund expenditures for reimbursements to local governments decrease by \$7.2 million in fiscal 2026 (reflecting the contingent reduction), escalating to \$18.7 million in fiscal 2030.

Local Effect: Local property tax revenues increase by \$14.5 million in fiscal 2026, escalating to \$37.4 million in fiscal 2030, though half of this increase is offset by the loss of State reimbursements. Local Highway User Revenues increase beginning in FY 2026 to the extent income tax credits are no longer claimed against the corporate income tax.

Program Description: The Enterprise Zone Tax Credit Program is intended to encourage economic growth within economically distressed areas of the State and to increase employment of the chronically unemployed. Businesses located within an enterprise zone are eligible for local property tax credits and State income tax credits.

Real property tax credits are generally 10-year credits against local real property taxes on a portion of the qualifying real property improvements in the enterprise zone. SDAT reimburses local governments (through the department's annual general fund budget) for 50% of the property tax revenue decrease that results from the property tax credit.

The income tax credit is based on the wages paid during the taxable year to each qualified employee and vary in value and length of time depending on whether the employee is certified by the Maryland Department of Labor as being economically disadvantaged and if the business is located in a focus area. There are enhanced income tax credits available for businesses that are also located in opportunity zones.

Recent History: Chapter 732 of 2022 altered the Enterprise Zone program by (1) altering the authority of the Secretary of Commerce to designate areas as enterprise zones; (2) altering the definitions of “focus area employee” and “qualified employee” for the income tax credit; (3) establishing the purpose of the program; and (4) altering certain eligibility and reporting requirements. Chapters 449 and 450 of 2022 created an enhanced enterprise zone property tax credit for certain properties that can be claimed over a 13-year period.

Location of Provisions in the Bill: Section 2 (pp. 109-111) and Section 11 (p. 128)

Analysis prepared by: Heather N. MacDonagh

Eliminate Funding Requirement for 9-8-8 Trust Fund

Provision in the Bill: Repeals the one-time funding requirement that the Governor provide in fiscal 2025 an appropriation of \$12.0 million for the 9-8-8 Trust Fund. The fiscal 2026 budget as introduced includes a \$3.0 million general fund reduction in fiscal 2025, contingent on the enactment of legislation eliminating the mandate.

Agency: Maryland Department of Health (MDH)

Type of Action: Cost containment

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	(\$3.0)	\$0	\$0	\$0	\$0	\$0
SF Rev	(\$3.0)	\$0	\$0	\$0	\$0	\$0

State Effect: General fund expenditures for the MDH Behavioral Health Administration decrease by \$3.0 million in fiscal 2025, reflecting the contingent general fund reduction. Special fund revenues for the 9-8-8 Trust Fund decrease correspondingly. While, typically, special fund expenditures would be expected to decrease as well, special fund expenditures are not affected due to the availability of special funds generated by telephone fees.

Local Effect: None.

Program Description: Chapters 145 and 146 of 2022 established the 9-8-8 Trust Fund to provide reimbursement for costs associated with designating and maintaining 9-8-8 as the universal telephone number for a national suicide prevention and mental health crisis hotline and developing and implementing a statewide initiative for the coordination and delivery of the continuum of behavioral health crisis response services.

Recent History: Chapters 260 and 261 of 2023 established a one-time funding mandate of \$12.0 million in fiscal 2025 to support the 9-8-8 Trust Fund. Chapters 780 and 781 of 2024 established a \$0.25 fee for specific 9-8-8 accessible services in Maryland beginning October 1, 2024.

Chapter 716 of 2024 (the fiscal 2025 budget bill) included \$12.0 million in general funds for the 9-8-8 Trust Fund to meet the mandate. In July 2024, the Board of Public Works authorized a general fund reduction of \$9.0 million for the 9-8-8 Trust Fund due to the availability of special funds. Accounting for this provision, no funds would remain from the fiscal 2025 mandated funding. Beginning in fiscal 2025, 9-8-8 expenditures are expected to be supported by special fund revenue from the State 9-8-8 telephone fees.

Location of Provision in the Bill: Section 6 (pp. 127-128)

Analysis prepared by: Naomi Komuro

Eliminate Requirement for Maryland Department of Health to apply to Substance Abuse and Mental Health Services Administration

Provision in the Bill: Repeal the requirement for the Maryland Department of Health (MDH) to apply to the Substance Abuse and Mental Health Services Administration (SAMHSA) at the Center for Mental Health Services for federal planning, development, and implementation grant funds related to certified community behavioral health clinics (CCBHC) for fiscal 2025, and for inclusion in the state certified CCBHC demonstration program for fiscal 2026.

Agency: MDH

Type of Action: Cost containment

State Effect: MDH indicated that it can apply for inclusion in SAMHSA's state CCBHC demonstration program for fiscal 2026 using existing budgeted resources. However, MDH advises that participation in the planning and demonstration grant in fiscal 2026 would lead to significant costs associated with implementation in fiscal 2027. Thus, general funds and federal funds decrease significantly beginning in fiscal 2027.

For illustrative purposes, MDH estimates costs in fiscal 2027 of \$227.7 million (\$173.3 million in general funds; \$54.4 million in federal funds) to implement and support the program, including costs for 10 sites across the State, and \$367,413 (\$183,709 in general funds; \$183,704 in federal funds) annually thereafter for ongoing personnel costs. Thus, not participating in the program creates significant cost savings to the State.

Local Effect: None.

Program Description: The federal CCBHC model is designed to ensure access to coordinated comprehensive behavioral health care. CCBHCs are required to serve anyone who requests care for mental health or substance use, regardless of their ability to pay, place of residence, or age. CCBHCs must meet standards for the range of services they provide and are required to get people into care quickly. SAMHSA awards planning grants for the implementation of CCBHCs, funded at a 65% federal matching rate. The program must cover CCBHC services for those enrolled in Medicaid as well as uninsured/underinsured individuals, who are supported using general funds.

Recent History: Chapter 275 of 2023 requires MDH to apply to SAMHSA for federal planning, development, and implementation grant funds related to CCBHCs for fiscal 2025, and inclusion in the state CCBHC demonstration program for fiscal 2026. Maryland received approval for participation in the planning grant in December 2024.

Location of Provision in the Bill: Section 6 (p. 128)

Analysis prepared by: Naomi Komuro

Repeal Low Intensity Support Services Program

Provision in the Bill: Repeals the Low Intensity Support Services (LISS) Program authorized by § 7-717 of the Health General Article. The fiscal 2026 budget as introduced includes reductions of a \$2,772,250 in general and federal funds fund in fiscal 2025 and reductions of \$5,544,500 in general and federal funds in fiscal 2026, all contingent on the enactment of legislation eliminating LISS.

Agency: Maryland Department of Health

Type of Action: Cost containment

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
FF Rev	(\$2.8)	(\$5.5)	(\$5.5)	(\$5.5)	(\$5.5)	(\$5.5)
GF Exp	(\$2.8)	(\$5.5)	(\$5.5)	(\$5.5)	(\$5.5)	(\$5.5)
FF Exp	(\$2.8)	(\$5.5)	(\$5.5)	(\$5.5)	(\$5.5)	(\$5.5)

State Effect: General fund and federal fund expenditures for the Developmental Disabilities Administration (DDA) decrease by \$2.8 million in fiscal 2025 and \$5.5 million annually beginning in fiscal 2026, reflecting the reductions contingent on enactment of this provision. Federal fund revenues claimed through the federal matching rate for Medicaid waivers decrease by a corresponding amount.

Local Effect: None.

Program Description: DDA funds direct services to intellectually and developmentally disabled individuals through a coordinated community-based service delivery system. LISS provides temporary financial support for people on the DDA Community Services Waiting List and/or individuals who do not receive support through the three Medicaid home- and community-based services waivers administered by DDA. Some of the eligible services and items include adaptive items, assistive technology, attendant care/personal care, recreational services and items, therapeutic summer programs, and several other supports. Individuals must submit an application that includes an invoice or receipts for goods and services and must apply through a random selection process that occurs twice a year.

Recent History: None.

Location of Provision in the Bill: Section 8 (p. 128)

Analysis prepared by: Victoria M. Martinez

Authorize Transfer to General Fund, as Specified, from Dedicated Purpose Account

Provision in the Bill: Authorizes the Governor to transfer a total of \$203,365,440 from the Dedicated Purpose Account (DPA) to the general fund, so long as the transfer occurs by June 30, 2025. Authorize these monies to be transferred from funds held in DPA for (1) cybersecurity (\$63,478,440); (2) capital pay-as-you-go (PAYGO) funds for construction of a new State veterans home (\$62,887,000); (3) capital PAYGO funds for the University of Maryland Medical System (UMMS) Comprehensive Cancer and Organ Transplant Center (\$25,000,000); (4) State Center relocation costs (\$20,000,000); (5) capital PAYGO funds for Department of Natural Resources (DNR) critical maintenance (\$11,000,000); (6) capital PAYGO funds for Morgan State University (MSU) deferred maintenance and site improvements (\$10,000,000); (7) funding for implementation of Chapter 464 of 2022, End the Wait Act (\$6,000,000); and (8) capital PAYGO funds for Baltimore City Community College (BCCC) deferred maintenance (\$5,000,000).

Agency: BCCC; Department of General Services; Department of Information Technology; DNR; Department of Veterans and Military Families; Maryland Department of Health (MDH); MSU; State Reserve Fund; UMMS

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$203.4	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$203.4 million in fiscal 2025. Special fund expenditures decrease in fiscal 2025 through 2028; however, as the timing of the expenditures cannot be reliably estimated, any such reduction is not reflected above. Some projects are not proceeding or do not need the provided DPA funding. Also, for some other projects, DPA funding is being replaced with funding from other sources.

Local Effect: No direct impact.

Program Description/Recent History: DPA is established to retain appropriations for major, multi-year expenditures in which 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. Funds remain available in DPA for four years after the close of the fiscal year in which the funds were appropriated.

- Cybersecurity (\$63,478,440): Funding for cybersecurity purposes has been included as an appropriation to DPA each year beginning in fiscal 2021:

\$10.0 million in fiscal 2021; \$100.0 million in fiscal 2022; \$100.0 million in fiscal 2023; and \$152.0 million in fiscal 2024. Approximately \$149.5 million was transferred to the General Fund by Chapter 717 of 2024 (the Budget Reconciliation and Financing Act (BRFA) of 2024). With this transfer, no funds would remain in DPA for cybersecurity.

- State veterans home (\$62,887,000): Approximately \$69.6 million was provided for this project over fiscal 2023 and 2024. The project has been cancelled because necessary federal grants were not awarded. After this transfer, \$2.5 million will remain for any remaining liabilities related to the project.
- UMMS Comprehensive Cancer and Organ Transplant Center (\$25,000,000): UMMS received \$125.0 million in total State support through fiscal 2023 for the Marlene and Stewart Greenebaum Comprehensive Cancer Center and other high-acuity ambulatory and inpatient programs located in Baltimore City. This included \$25.0 million of general funds in DPA which are proposed to be transferred to the general fund. The fiscal 2026 capital budget as introduced provides general obligation (GO) bond funds to fully replace the transferred funds.
- State Center relocation costs (\$20,000,000): A total of \$80.0 million in funding was appropriated to DPA for the moving costs of agencies from 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 and incurring relocation costs. Following this transfer, approximately \$30.0 million will remain for this purpose, representing the \$30.0 million in fiscal 2024 deficiency funds provided in the fiscal 2025 budget bill.
- DNR critical maintenance (\$11,000,000): The fiscal 2023 budget included \$100.0 million in general funds in DPA for Facilities Renewal – State Agencies. Of this amount, DNR’s allocation was \$25.0 million. The funding was intended to help reduce DNR’s sizeable backlog of critical maintenance projects and came on the heels of the State Park Investment Commission’s December 2021 report, which recommended that the State make an immediate investment in critical maintenance to eliminate the existing critical maintenance backlog over the next three years. Additional funding provided in fiscal 2023 for DNR critical maintenance made it less likely that the \$25.0 million in DPA would be spent timely. Chapter 39 of 2022 (Great Maryland Outdoors Act) established a Park System Critical Maintenance Fund and required a \$70.0 million general fund appropriation to the fund in fiscal 2024, which must be spent by July 1, 2026. Subsequently, due to the likelihood that DNR would not spend the full \$70.0 million on critical maintenance before the deadline, Chapter 402 of 2024 extended the deadline by which DNR must

spend the allocated funds by three years (from July 1, 2026, to July 1, 2029). In the context of the State's fiscal situation and DNR being replete with critical maintenance funding, the BRFA of 2024 authorized the transfer of \$14.0 million of the \$25.0 million in DPA to the general fund. This provision transfers the remainder of the DNR critical maintenance funding in DPA to the general fund.

- MSU deferred maintenance and site improvements (\$10,000,000): The State funds an ongoing deferred maintenance and site improvement project to help address MSU's aging infrastructure and building systems that are inoperable or in poor condition. This funding includes \$10.0 million of fiscal 2023 general funds in DPA which is proposed to be transferred to the general fund. The fiscal 2026 capital budget as introduced provides \$13.4 million of GO bond funds for this program, which is \$8.4 million more than what was programmed for fiscal 2026 in the 2024 session *Capital Improvement Program* for this project to partially replace the proposed transfer.
- End the Wait Act (\$6,000,000): Chapter 464 of 2022 required MDH to develop plans to reduce Medicaid Home- and Community-based Services waiver waitlists and registries by 50%. Section 19 in the fiscal 2024 budget bill (Chapter 101 of 2023) provided \$6.0 million in general funds in DPA for costs associated with End the Wait initiatives. With this transfer, no funds would remain in DPA for End the Wait initiatives from this appropriation.
- BCCC deferred maintenance (\$5,000,000): The State funds an ongoing deferred maintenance and site improvement project to help address BCCC's aging infrastructure and building systems that are inoperable or in poor condition. This funding includes \$5.0 million of fiscal 2023 general funds in DPA which are proposed to be transferred to the general fund. The Administration proposes fully replacing the transferred funds with BCCC fund balance reflected as \$9.0 million of special funds.

Location of Provision in the Bill: Section 13 (p.129)

Analysis prepared by: Jacob C. Cash

Authorize Transfer from Renewable Portfolio Standard/Alternative Compliance Payment Account of Strategic Energy Investment Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer \$150.0 million from the Renewable Portfolio Standard (RPS)/Alternative Compliance Payment (ACP) Account of the Strategic Energy Investment Fund (SEIF) to the general fund, so long as the transfer occurs before June 30, 2025.

Agency: Maryland Energy Administration (MEA)

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$150.0	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$150.0 million in fiscal 2025 as a result of this transfer. Special fund expenditures for SEIF decrease beginning as early as fiscal 2026 as those funds are no longer available for eligible purposes; amounts in any particular year are unknown and, thus, are not reflected above.

Local Effect: Beginning as early as fiscal 2026, local governments may receive less funding from ACP-funded programs. Amounts, if any, in any particular year are unknown.

Program Description/Recent History: Maryland’s RPS requires that a specified portion of retail electricity sold in the State each year come from renewable sources, as defined. To demonstrate compliance with RPS requirements, electricity suppliers must submit renewable energy credits equal to the percentage specified in statute each year or else pay an ACP equivalent to their shortfall. ACPs are paid into SEIF, which is administered by MEA.

Generally, ACP revenues may be used only to make loans and grants to support the creation of new renewable energy sources in the State that are owned by or directly benefit specified communities, households, or businesses. The loans and grants made from solar, and post-2022 geothermal ACP revenues must be for specified purposes related to solar and geothermal energy, including for the Customer-Sited Solar Program from fiscal 2025 through 2027. Additionally, through June 30, 2027, MEA may use up to 10% of solar ACP revenues for administrative expenses.

The *Governor’s Fiscal 2026 Budget Books* indicate that the fiscal 2024 closing balance of the RPS/ACP subaccount of SEIF was \$414.2 million. The fiscal 2026 closing balance,

accounting for the fiscal 2026 budget as introduced, and accounting for this transfer, is estimated at \$141.6 million.

Location of Provision in the Bill: Section 14 (pp. 129-130)

Analysis prepared by: Suveksha Bhujel

Authorize Transfer from Resilient Maryland Revolving Loan Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer \$9.0 million from the Resilient Maryland Revolving Loan Fund (RMRLF) to the general fund, so long as the transfer occurs by June 30, 2025.

Agency: Maryland Department of Emergency Management (MDEM)

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$9.0	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$9.0 million in fiscal 2025 as a result of the transfer. To the extent that the RMRLF fund balance may have been used in the future, special fund expenditures decrease by up to \$9.0 million. However, the timing of any potential expenditures cannot be reliably estimated.

Local Effect: There is a corresponding reduction in RMRLF fund balance available for local resilience projects to address hazard mitigation.

Program Description/Recent History: Chapter 644 of 2021 established RMRLF in response to the passage of the federal Safeguarding Tomorrow Through Ongoing Risk Mitigation (STORM) Act that went into effect January 1, 2021. The STORM Act authorized the Federal Emergency Management Agency (FEMA) to provide capitalization grants to states that established revolving loan funds for hazard mitigation assistance that reduce risks from disasters and other natural hazards. Chapters 244 and 245 of 2022 altered RMRLF so that the fund may provide low- or no-interest loans to local governments and nonprofit organizations for resilience projects.

The fiscal 2023 budget provided \$25.0 million in pay-as-you-go general funds into RMRLF to support the required 10% State match for federal STORM Act funds and for State funded projects. MDEM received notice in September 2023 from FEMA of a total award of \$6.5 million. Delays in the federal allocation of awards caused corresponding delays in RMRLF expenditures, resulting in a fund balance. The closing balance at the end of fiscal 2024 was \$25.8 million. A proposed budget amendment for fiscal 2025 would appropriate \$11.0 million from the fund for two projects. Accounting for the proposed budget amendment, the balance would be \$15.0 million at the close of fiscal 2025.

The fiscal 2026 allowance allocates \$246,064 in RMRLF special funds and \$130,977 in federal matching funds under MDEM.

Location of Provision in the Bill: Section 14 (pp. 129-130)

Analysis prepared by: David Propert

Authorize Transfer from Maryland Police Training and Standards Commission Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer \$7.0 million from the Maryland Police Training and Standards Commission (MPTSC) Fund to the general fund, so long as the transfer occurs by June 30, 2025.

Agency: Department of Public Safety and Correctional Services

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$7.0	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$7.0 million in fiscal 2025 due to the transfer. To the extent that the MPTSC balance may have been used in the future, special fund expenditures decrease by up to \$7.0 million. However, the timing of any potential expenditures cannot be reliably estimated.

Local Effect: None.

Program Description: The MPTSC Fund provides a dedicated source of funds to enhance the training of police and public safety officials in the State. The fund receives \$2.0 million each year through special court fees. At the close of fiscal 2024, the MPTSC Fund had a balance of \$9.0 million.

Recent History: The Budget Reconciliation and Financing Act of 2024 expanded the allowable uses of the MPTSC Fund, in fiscal 2024 and 2025 only, to include general police and correctional training activity for the Police and Correctional Training Commissions.

Location of Provision in the Bill: Section 14 (pp. 129-130)

Analysis prepared by: Katharine Barbour

Authorize Transfer from Maryland Innovation Investment Incentive Tax Credit Reserve Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer \$6.0 million from the Maryland Innovation Investment Incentive Tax Credit (IIITC) reserve fund to the general fund, so long as the transfer occurs by June 30, 2025.

Agency: Department of Commerce

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$1.4	\$0	\$0	\$0	\$0	\$0

State Effect: While the provision authorizes the Governor to transfer \$6.0 million from the IIITC Reserve Fund to the general fund, the current IIITC fund balance is only \$1.4 million; thus, general fund revenues increase by up to \$1.4 million in fiscal 2025 depending on the level of balance available to be transferred. (The fiscal 2026 budget as introduced assumes \$6.0 million in general fund revenues in fiscal 2025.) Expenditures are not affected.

Local Effect: None.

Program Description: IIITC, formerly the Cybersecurity Innovation Investment Tax Credit, provides income tax credits to investors for investing in qualified Maryland technology companies. Enhanced credits are available for investing in companies located in certain counties or designated zones. Under Chapter 113 of 2021, the program sunsets on June 30, 2025.

Recent History: None.

Location of Provision in the Bill: Section 14 (pp. 129-130)

Analysis prepared by: Elizabeth Waibel

Authorize Transfer from Securities Act Registration Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer \$5.0 million from the Securities Act Registration Fund to the general fund, so long as the transfer occurs by June 30, 2025.

Agency: Office of the Attorney General (OAG)

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$5.0	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$5.0 million in fiscal 2025. (The fiscal 2026 budget as introduced assumes \$5.0 million in general fund revenues in fiscal 2025.) Expenditures are not affected in that year.

Local Effect: None.

Program Description: The Securities Act Registration Fund receives revenues from fees paid for securities registrations. Accounting for this provision and a separate provision which expands the allowable uses of the fund, OAG anticipates that in fiscal 2026, the fund will have a closing fund balance of \$5.7 million.

Recent History: None.

Location of Provision in the Bill: Section 14 (pp. 129-130)

Analysis prepared by: Jacob L. Pollicove

Authorize Transfer from Maryland Violence Intervention and Prevention Program Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer \$4.9 million from the Maryland Violence Intervention and Prevention Program (VIPP) Fund to the general fund, so long as the transfer occurs by June 30, 2025.

Agency: Governor’s Office of Crime Prevention and Policy (GOCPP)

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$4.9	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$4.9 million in fiscal 2025. (The fiscal 2026 budget as introduced assumes \$4.9 million in revenues in fiscal 2025.) Expenditures are not affected in that year.

Local Effect: None.

Program Description: The Maryland VIPP Fund, administered by GOCPP in consultation with the Maryland Violence Intervention and Prevention Advisory Council, is used to support effective violence reduction strategies by providing competitive grants to local governments and nonprofit organizations to fund evidence-based health programs or evidence-informed health programs.

Recent History: Prior to accounting for the transfer, GOCPP projects a fiscal 2025 closing balance of approximately \$4.9 million. Assuming GOCPP’s expenditures occur at expected levels, this action will leave approximately \$29,000 in the fund’s balance.

Location of Provision in the Bill: Section 14 (pp. 129-130)

Analysis prepared by: Madelyn C. Miller

Authorize Transfer from Rape Kit Testing Grant Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer \$4.0 million from the Rape Kit Testing Grant Fund to the general fund, so long as the transfer occurs by June 30, 2025.

Agency: Governor’s Office of Crime Prevention and Policy (GOCPP)

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$4.0	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$4.0 million in fiscal 2025 due to the transfer. Expenditures are not affected in that year.

Local Effect: None.

Program Description/Recent History: The Rape Kit Testing Grant Fund, administered by GOCPP, is used to provide law enforcement agencies with funding to pay for testing of sexual assault evidence collection kits by forensic laboratories. Chapters 704 and 705 of 2023 clarified that the Rape Kit Testing Grant Fund may be used for equipment, supplies, personnel, and outsourcing necessary for the testing of kits collected before or after the establishment of the fund.

The fund’s fiscal 2024 closing balance was approximately \$4.0 million. The fiscal 2025 legislative appropriation included a \$3.5 million general fund contribution to the Rape Kit Testing Grant Fund and authorized up to \$3.5 million in special fund grant expenditures. The fiscal 2026 budget bill includes a proposed deficiency appropriation for fiscal 2025 that would *decrease* both the general and special fund appropriations by \$1,700,000. Accordingly, the remaining general fund appropriation to the fund would total \$1.8 million, and the remaining special fund appropriation for awarding of grants in fiscal 2025 would total \$1.8 million.

The fiscal 2026 budget as introduced includes a \$3.5 million general fund appropriation to the fund and a corresponding \$3.5 million special fund appropriation from the fund.

Location of Provision in the Bill: Section 14 (pp. 129-130)

Analysis prepared by: Madelyn C. Miller

Authorize Use of Program Open Space State Land Acquisition Fund Balance for Maryland Park Service Operating Expenses

Provision in the Bill: Authorizes up to \$16.4 million from the Program Open Space (POS) land acquisition fund balance to be used for Maryland Park Service operating expenses in the Department of Natural Resources (DNR) in fiscal 2026 only. The fiscal 2026 budget as introduced includes a \$16.4 million special fund appropriation, contingent on the enactment of legislation authorizing the use of the POS land acquisition fund balance.

Agency: DNR

Type of Action: Change use of special funds

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Exp	\$0	\$16.4	\$0	\$0	\$0	\$0

State Effect: Special fund expenditures increase by \$16.4 million in fiscal 2026 only. Special fund expenditures on land acquisition decline by \$16.4 million over an indeterminate period of years.

Local Effect: None.

Program Description: The State transfer tax, which is 0.5% of the amount paid for the transfer of real property, is used to fund POS, along with several land conservation programs and State forest and park operations. DNR administers POS, which acquires and improves outdoor recreation and open space areas for public use. POS consists of a State and local component. Approximately 50% of the transfer tax funding distributed to POS 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.

The Maryland Park Service manages natural, cultural, historic, and recreational resources in parks across the State and provides related educational services.

Recent History: The POS State land acquisition balance has been used a number of times to help defray State budget shortfalls or otherwise limit the need for the use of State general funds. Chapter 39 of 2022 (Great Maryland Outdoors Act) authorized the Governor, on or before June 30, 2022, to transfer \$43.1 million of the funds for POS State land acquisition in the transfer tax special fund to the Park System Capital Improvements and Acquisition Fund created by Chapter 39, which obviated the need for \$43.1 million in State general funds for this purpose.

Chapter 717 of 2024 (Budget Reconciliation and Financing Act of 2024) authorized the Governor to transfer up to \$6,678,827 of available special funds from the POS State land acquisition fund balance by June 30, 2025, to DNR to replace general funds budgeted for personnel expenses in DNR for the Maryland Forest Service and the Maryland Park Service.

Anticipated lower amounts of transfer tax revenues in fiscal 2026 coupled with the impact of a revenue under attainment in fiscal 2024 once again reduced the available revenues distributed through the POS formula to the Maryland Park Service. In addition, the Forest or Park Reserve Fund, the other main special fund supporting the Maryland Park Service, was reduced to a \$0 balance in fiscal 2025 to help fund Maryland Park Service's operations. Therefore, the Forest or Park Reserve Fund balance is not available to backfill for the lower transfer tax revenues and support Maryland Park Service operations in fiscal 2026. As of September 2024, the POS State land acquisition account had an unencumbered balance of \$150.0 million, of which approximately \$115.0 million was obligated to projects.

Location of Provision in the Bill: Section 16 (p. 130)

Analysis prepared by: Andrew D. Gray

Authorize Transfer from Maternal and Child Health Population Health Improvement Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer to the general fund, on or before June 30, 2026, \$10.0 million from the Maternal and Child Health Population Health Improvement Fund.

Agency: Maryland Department of Health (MDH)

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Rev	\$0	\$10.0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$10.0 million in fiscal 2026. Although authorized to occur in either fiscal 2025 or 2026, the budget plan assumes the transfer occurs in fiscal 2026. Special fund expenditures are not affected because the fund is authorized through calendar 2025 only.

Local Effect: None.

Program Description: The Budget Reconciliation and Financing Act of 2021 (Chapter 150) established a Maternal and Child Health Population Health Improvement Fund to invest in maternal and child health improvements in Medicaid and the Prevention and Health Promotion Administration (PHPA) within MDH through calendar 2025. The fund is administered by MDH and the Health Services Cost Review Commission (HSCRC). Funding is derived from a uniform, broad-based assessment built into hospital rates, which must be approved by a majority of HSCRC members. For fiscal 2022 through 2025, appropriations from the fund included \$8.0 million annually under Medicaid to address severe maternal morbidity (funding that is eligible for federal matching funds) and \$2.0 million annually under PHPA to support childhood asthma initiatives and additional maternal morbidity interventions.

Recent History: The hospital assessment for maternal and child health was approved by HSCRC in May 2021 and terminates at the end of calendar 2025. HSCRC approved \$40.0 million in cumulative funding, and MDH and HSCRC advise that, by the end of fiscal 2025, the fund will have a balance of \$24.1 million.

Location of Provision in the Bill: Section 17 (p. 130)

Analysis prepared by: Anne W. Braun

Authorize Transfer of Fund Balances from Certain Health Professional Licensing Boards to Behavioral Health Administration in Fiscal 2026

Provision in the Bill: Authorizes the Governor to transfer a total of \$4,017,728 from the fund balances of eight health professional licensing boards and the Kidney Disease Fund to the Behavioral Health Administration (BHA) within the Maryland Department of Health (MDH), so long as the fund balance transfers occur by June 30, 2026. Authorize the transfer of (1) \$1,570,750 from the State Board of Physicians Fund; (2) \$720,938 from the State Board of Examiners for Audiologists, Hearing Aid Dispensers, Speech-Language Pathologists, and Music Therapists Fund; (3) \$408,218 from the State Board of Social Work Examiners Fund; (4) \$371,904 from the State Board of Dietetic Practice Fund; (5) \$332,957 from the State Board of Acupuncture Fund; (6) \$284,592 from the State Board of Physical Therapy Examiners Fund; (7) \$191,016 from the State Board of Examiners in Optometry Fund; (8) \$96,654 from the Kidney Disease Fund that supports the Commission on Kidney Disease; and (9) \$40,699 from the State Board of Chiropractic Examiners Fund. The fiscal 2026 budget as introduced includes a \$4,017,728 general fund reduction and a \$4,017,728 special fund appropriation, contingent on the enactment of legislation authorizing the transfer.

Agency: MDH

Type of Action: Fund swap

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
GF Exp	\$0	(\$4.0)	\$0	\$0	\$0	\$0
SF Exp	\$0	\$4.0	\$0	\$0	\$0	\$0

State Effect: General fund expenditures for BHA community behavioral health services decrease by \$4.0 million in fiscal 2026 only due to the available special funds. BHA special fund expenditures increase correspondingly in fiscal 2026. To the extent that the nine boards would have used the available fund balance, special fund expenditures decrease correspondingly for those boards. However, the timing of any such expenditures cannot be reliably estimated. Overall, special fund revenues are not affected, merely reallocated within MDH.

Local Effect: None.

Program Description: BHA has oversight over publicly funded inpatient and outpatient behavioral health services and provides services and supports for the treatment and rehabilitation of individuals with substance use, mental health, co-occurring, and

problem-gambling disorders. These transferred funds would support the Community Services program; however, the specific uses of the funding are unclear.

The State boards are responsible for the licensing and regulation of individuals practicing in each board's respective field. At the close of fiscal 2024, the special fund balance was \$3.6 million in the State Board of Physicians Fund; \$980,522 in the State Board of Examiners for Audiologists, Hearing Aid Dispensers, Speech-Language Pathologists, and Music Therapists Fund; \$1.1 million in the State Board of Social Work Examiners Fund; \$410,368 in the State Board of Dietetic Practice Fund; \$357,252 in the State Board of Acupuncture Fund; \$1.5 million in the State Board of Physical Therapy Examiners Fund; \$148,191 in the State Board of Examiners in Optometry Fund; \$112,268 in the Kidney Disease Fund; and \$494,968 in the State Board of Chiropractic Examiners Fund.

Recent History: The Budget Reconciliation and Financing Act of 2024 authorized transfers of \$1.6 million from the balance in the State Board of Professional Counselors and Therapists Fund, \$426,551 from the balance in the State Board of Occupational Therapy Practice Fund, and \$480,954 from the balance in the State Board of Examiners of Psychologists Fund to BHA, which also replaced general funds in the Community Services program.

Location of Provision in the Bill: Section 18 (pp. 130-131)

Analysis prepared by: Victoria M. Martinez and Naomi Komuro

Specify Procedures for Renewing Horse Establishment Licenses

Provision in the Bill: Requires the Maryland Horse Industry Board (MHIB) to send horse establishment license renewal notices/forms at least one month before license expiration and allows (1) a 60-day grace period after expiration, when a license can be renewed retroactively with payment of the renewal fee and any late fee and (2) after the grace period, license reinstatement, with payment of the renewal fee and a reinstatement fee.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Other provisions

State Effect: Special fund revenues for MHIB increase relatively minimally (by at least \$10,000 in fiscal 2026, \$7,500 in fiscal 2027, and \$5,000 annually thereafter) due to collection of late fees and reinstatement fees. Expenditures are not affected.

Local Effect: None.

Program Description: MHIB, which is housed at MDA, regulates and promotes the State's horse industry. The board promotes horse exhibitions, horse shows, rodeos, pony clubs, etc. held in the State. Among other duties, MHIB carries out licensing, inspection, and enforcement related to the equine industry.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 10-11)

Analysis prepared by: Scott D. Kennedy

Establish a Medicaid Primary Care Program Fund

Provision in the Bill: Establishes a Medicaid Primary Care Program (MDPCP) Fund within the Maryland Department of Health (MDH) to serve as the foundation for advancing primary care in the State under the Advancing All-Payer Health Equity Approaches and Development (AHEAD) model. Derives funding support for the new special fund from hospital payments administered by the Health Services Cost Review Commission (HSCRC) and any other source accepted for the fund.

Agency: MDH

Type of Action: Administrative

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Rev	\$0	\$16.0	\$14.0	\$0	\$0	\$0
FF Rev	\$0	\$16.0	\$14.0	\$0	\$0	\$0
GF Exp	\$0	\$16.0	\$14.0	\$0	\$0	\$0
SF Exp	\$0	\$16.0	\$14.0	\$0	\$0	\$0
FF Exp	\$0	\$16.0	\$14.0	\$0	\$0	\$0

State Effect: MDH indicates that a total of \$30.0 million in general funds will be transferred from HSCRC to MDH to capitalize the MDPCP Fund. General fund expenditures increase by \$16.0 million in fiscal 2026 due to the fiscal 2026 budget as introduced including \$16.0 million in general funds within Medicaid to support expenditures from the new special fund. The remaining \$14.0 million to be transferred is assumed to be spent in fiscal 2027. MDH special fund revenues and expenditures increase by corresponding amounts each year. Federal matching revenues and expenditures of at least 50% for Medicaid expenses increase accordingly. Expenditures and revenues are not affected beginning in fiscal 2028 as MDH did not indicate plans for another transfer of general funds from HSCRC or any other dedicated funding source for the new special fund. To the extent that this provision violates the Constitution’s one subject requirement and is declared unconstitutional, the provision has no effect.

Local Effect: None.

Program Description: The AHEAD Model, effective January 1, 2026, is a partnership between the federal Centers for Medicare and Medicaid Services and Maryland to continue the State’s all-payer hospital rate setting system and control health care costs, among other initiatives. A component of the AHEAD Model is a new Advanced Primary Care Program under Medicaid that will begin implementation on July 1, 2025, and will be supported by the new MDPCP Fund established in these provisions. This program will operate similarly

to the existing Maryland Primary Care Program, which is a component of the State's current Total Cost of Care Model that aims to reduce Medicare costs, among other efforts. Through the program, MDH will provide care management fees of \$2 per member per month assigned to eligible primary care practices and administer a quality incentive program for the calendar 2026 performance year.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 46-47)

Analysis prepared by: Anne W. Braun

Increase Cap on Maryland Environmental Service Contingency Funds

Provision in the Bill: Increases the cap on two of the three Maryland Environmental Service (MES) project contingency funds to increase the total amounts of funding that can be retained in these funds for current and future costs for projects located at State-owned facilities. Raises the Eastern Correctional Institution Turbine Project Contingency Fund cap from \$1.5 million to \$5.0 million and raises the Reimbursable Project Contingency Fund cap from \$1.0 million to \$3.0 million.

Agency: MES

Type of Action: Miscellaneous

State Effect: No immediate impact on State revenues or expenditures. Raising the caps on both contingency funds allows MES to continue to fulfill its contractual obligations and permits compliance as current and future estimated maintenance and repair costs exceed current contingency fund caps. However, raising the caps on both contingency funds does not require the funds to be fully funded at that level. Funding levels will be gradually increased over time based on estimated future funding needs.

Local Effect: None.

Program Description: MES is an independent instrumentality of the State that is nonbudgeted and provides a variety of environmental-related services on a reimbursable basis to other State agencies and at State-owned facilities, including the operation and maintenance of all State-owned water and wastewater treatment facilities. Funds retained in the Reimbursable Project Contingency Fund are used to support major facility maintenance and emergency repairs to State-owned facilities outside of Department of Natural Resources facilities (which have a separate contingency fund), and not including the Eastern Correctional Institution Turbine Project (which is supported through its own contingency fund).

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 56-57)

Analysis prepared by: Samuel M. Quist

Eliminate Requirement for Operating Expense Growth in Transportation Trust Fund Forecast

Provision in the Bill: Eliminates the requirement that operating expenses in the Transportation Trust Fund Forecast, for years beyond the budget year, be increased by the five-year average annual increase in actual operating expenses ending with the most recently completed fiscal year (excluding availability payments made to public-private partnership concessionaires) in developing departmental operating expense estimates, provided that the rate for these years cannot vary by more than 0.5 percentage points from the rate used in the prior forecast.

Agency: Maryland Department of Transportation (MDOT)

Type of Action: Miscellaneous

State Effect: The provision does not directly affect revenues or expenditures for MDOT since it affects the planning years of the forecast only; however, it may decrease the amount of operating spending programmed in the financial forecast for the planning years and increase the amount programmed in the planning years for capital projects.

Local Effect: None.

Program Description: MDOT must submit a six-year supporting financial forecast to the *Consolidated Transportation Program* showing, among other things, a schedule of operating expenses for each specific modal administration. MDOT must provide for debt service and operating expenses from available revenues first, with remaining funding being available to support the capital program. Increased spending for operating decreases the amount available for capital.

Recent History: Chapter 10 of 2018 established the requirement that MDOT increase operating expenses for the planning years of the financial forecast by the average annual increase in actual operating expenses for the five-year period ending with the most recently completed fiscal year. The provision prevents MDOT from using unrealistically low operating expense assumptions in order to maximize the levels of capital spending it was projecting in the planning years of the forecast.

Location of Provision in the Bill: Section 1 (pp. 80-81)

Analysis prepared by: Steven D. McCulloch

Increase Amount of Consolidated Transportation Bonds that May Be Issued from \$4.5 Billion to \$5.0 Billion

Provision in the Bill: Increases the debt outstanding limit on Consolidated Transportation Bonds (CTBs) from \$4.5 billion to \$5.0 billion.

Agency: Maryland Department of Transportation (MDOT)

Type of Action: Miscellaneous

State Effect: Increasing the debt outstanding limit on CTBs may increase capital spending in the capital budget, which results in an increase in Transportation Trust Fund (TTF) expenditures in the operating budget due to increased debt service payments. The impact is indeterminant due to uncertainty about when the increased capacity to issue debt would be utilized; nevertheless, TTF expenditures could increase significantly. If an additional \$500.0 million in CTBs were issued in fiscal 2026, TTF expenditures from debt service would increase by an estimated \$164.0 million in total between fiscal 2026 and 2030.

Local Effect: None.

Program Description: MDOT issues 15-year CTBs to help fund its capital program. MDOT's current debt outstanding limit is set in statute at \$4.5 billion. Typically, when MDOT is provided significant additional revenue, the debt outstanding cap is increased in recognition of MDOT's ability to issue more debt. This additional bonding must be used to support capital spending. Any additional debt issued by MDOT must be within the State's Capital Debt Affordability limits.

Recent History: The limit on CTBs outstanding was last increased by Chapter 429 of 2013.

Location of Provision in the Bill: Section 1 (p. 81)

Analysis prepared by: Steven D. McCulloch

Expand Pledge of Future Federal Aid to Include Major Rehabilitation of Existing Light Rail System

Provision in the Bill: Expands the types of projects that the Maryland Department of Transportation (MDOT) may fund using proceeds from bonds backed by future federal aid (typically known as Grant Anticipation Revenue Vehicle (GARVEE) bonds) to include the major rehabilitation of the existing light rail system, including replacement light rail vehicles and related station and maintenance facility improvements.

Agency: MDOT

Type of Action: Miscellaneous

State Effect: The provision does not directly affect total revenues or expenditures for MDOT because it authorizes, but does not require, MDOT to use GARVEE bonds for an additional project and does not change the \$1.0 billion debt outstanding limit on the total issuance of these bonds. The provision would grant MDOT additional flexibility to fund its capital program beginning as early as fiscal 2027 because the *Consolidated Transportation Program* for fiscal 2025 through 2030 assumes passage of legislation to authorize the use of GARVEE bonds to modernize the State's light rail transit vehicle fleet.

Local Effect: None.

Program Description: The Transportation Article authorizes MDOT to issue GARVEE bonds to support certain projects in the capital program. The bonds are backed by and repaid from future federal aid.

Recent History: Chapter 455 of 2023 expanded the authority of MDOT to issue GARVEE bonds for additional transportation projects as long as the aggregate outstanding and unpaid principal amount of debt issued does not exceed \$1.0 billion as of June 30 of any year. However, the proceeds of those bonds may only be used for six specified projects.

Location of Provision in the Bill: Section 1 (p. 82)

Analysis prepared by: Steven D. McCulloch

Delay Requirement for Maryland Transit Administration to Purchase Only Zero-emission Buses and Authorize Use of Bonds to Pay for Buses

Provisions in the Bill: Delay the requirement that the Maryland Transit Administration (MTA) procure only zero-emission buses (ZEBs) to support its transit fleet from beginning in fiscal 2027 to beginning in fiscal 2032 and clarify language in statute authorizing the use of Grant Anticipation Revenue Vehicle bonds to pay for buses in addition to Transportation Trust Fund (TTF) revenues.

Agency: Maryland Department of Transportation (MTA)

Type of Action: Miscellaneous; cost containment

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
SF Exp	\$0	\$0	(\$28.0)	(\$28.0)	(\$28.0)	(\$28.0)

State Effect: TTF expenditures decrease by an anticipated \$28.0 million annually from fiscal 2027 through 2031 due to deferring procuring ZEBs to fiscal 2032 and the lower costs associated with procuring new buses. Revenues are not affected.

Local Effect: None.

Program Description: MTA operates a comprehensive multimodal transit system throughout the Baltimore-Washington metropolitan area, including more than 50 local bus lines in the Baltimore metropolitan area served by a fleet of more than 800 buses. Core bus ridership in fiscal 2024 totaled more than 47.9 million. Bus procurement occurs annually to replace those that have been in service for 12 or more years to maintain the average age of the bus fleet.

Recent History: Chapter 693 of 2021 prohibited MTA, beginning in fiscal 2023, from procuring buses for the transit fleet that are not ZEBs. However, it allows the agency to purchase alternative-fuel buses if the agency determines that no ZEBs meet performance requirements needed for a particular use. Chapter 717 of 2024 (Budget Reconciliation and Financing Act of 2024) delayed from fiscal 2023 to fiscal 2027 the year by which MTA is prohibited from procuring buses for the transit fleet that are not ZEBs and also authorized MTA to procure additional alternative-fuel buses, including hybrid buses, if sufficient ZEBs or associated equipment to meet the requirement are not commercially available.

Location of Provisions in the Bill: Section 1 (pp. 82-83)

Analysis prepared by: Samuel M. Quist

Authorize Maryland Department of Health to Transfer Funds Amongst Budgetary Programs

Provision in the Bill: Authorizes the Maryland Department of Health (MDH) to transfer funds between budgetary programs within the department through an approved budget amendment in fiscal 2025 and 2026 only.

Agency: MDH

Type of Action: Miscellaneous

State Effect: Funds that were restricted by budget language to their budgeted purpose and could not be transferred to any other use or program can instead be transferred across MDH programs with an approved budget amendment. The bill's impact in fiscal 2025 and 2026 on the use of funds budgeted in MDH is indeterminant due to MDH receiving authorization to transfer an unspecified amount of funding across MDH programs. However, to the extent that funds that are restricted to particular purposes are transferred and expended for a new purpose instead of canceled or reverted, expenditures may be affected.

Local Effect: None.

Program Description: After enactment of the budget bill, appropriations can be changed through the budget amendment process to transfer funds among programs within an agency or department. Budget amendments to transfer funds within an agency or department are submitted to the Secretary of Budget and Management for the Governor's approval. Annual language in the budget bill has been placed on certain MDH programs to restrict funds to their budgeted purpose and to prohibit budgetary transfer to other programs or purposes, with some exceptions specified, to prevent transfers of funds that might create or increase deficits in entitlement programs.

Recent History: Language in the fiscal 2025 budget bill (Chapter 716 of 2024) restricts funds in the following MDH programs to their budgeted purpose, with certain transfers across programs allowed. For example, language restricting funds in M00L01.02 Community Services within the Behavioral Health Administration allows budgetary transfers to M00L01.03 Community Services for Medicaid State Fund Recipients, M00Q01.03 Medical Care Provider Reimbursements, or M00Q01.10 Medicaid Behavioral Health Provider Reimbursements. Programs with funding restrictions in fiscal 2025 are:

- **Behavioral Health Administration (general fund appropriations only):** M00L01.02 Community Services; M00L01.03 Community Services for Medicaid State Fund Recipients; and M00Q01.10 Medicaid Behavioral Health Provider Reimbursements.

- **Developmental Disabilities Administration:** M00M01.02 Community Services.
- **Medical Care Programs Administration:** M00Q01.03 Medical Care Provider Reimbursements and M00Q01.07 Maryland Children’s Health Program.

Location of Provision in the Bill: Section 15 (p. 130)

Analysis prepared by: Anne W. Braun

Appendix B
Quantifiable Revenue and Expenditure Impacts on State Finances,
by Provision and Fund Type
Fiscal 2025-2030
(\$ in Dollars)

Notes: Includes only impacts on general, special, and federal funds (impacts on nonbudgeted funds are not included); any impacts that could not be reliably quantified are not reflected. Affected agencies are discussed in Appendix A; however, when a listed impact affects multiple agencies, the agency is also identified.

Source: Department of Legislative Services

Acronym Key

A&A: Admissions and Amusement Tax	MPBC: Maryland Public Broadcasting Commission
ACPA: Alternative Compliance Payment Account	MPSCF: Maryland Patient Safety Center Fund
AHC: Statewide Academic Health Center	MPTSCF: Maryland Police Training and Standards Commission Fund
BCCC: Baltimore City Community College	MSAC: Maryland State Arts Council
BHA: Behavioral Health Administration	MSDE: Maryland State Department of Education
CACBTF: Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	MVIPPF: Maryland Violence Intervention and Prevention Program Fund
CC: Community College	MWMP: Maryland Watermen's Microloan Program
CCSPF: Coordinated Community Supports Program Fund	PIT: Personal Income Tax
CCPF: Continuing the CORE Partnership Fund	POPA: Police Officers and Parole Agents
CEIF: Construction Education and Innovation Fund	POS: Program Open Space
CIT: Corporate Income Tax	PV: Property Valuation
CPHCWP: Career Pathways for Health Care Workers Program	RDF: Rainy Day Fund
CPT: Comptroller's Office	RCWSPP: Rent Court Workforce Solutions Pilot Program
CR: Combined Reporting	RMRLF: Resilient Maryland Revolving Loan Fund
CREF: Cannabis Regulation and Enforcement Fund	RPS: Renewal Portfolio Standard
CRF: Cigarette Restitution Fund	SAI: State-Aided Institutions
ET: Estate Tax	SARF: Securities Act Registration Fund
EZs: Enterprise Zones	SECT: Sediment and Erosion Control Training
FB: Fund Balance	SEIF: Strategic Energy Investment Fund
HE: Horse Establishment	SMCM: St. Mary's College of Maryland
HEIF: Higher Education Investment Fund	SUT: Sales and Use Tax
IFDGS: Individual-directed and Family-directed Goods and Services	TCC: Tri-County Council for Southern Maryland
IT: Information Technology	TF: Trust Fund
LARP: Loan Assistance Repayment Program	TTF: Transportation Trust Fund
LITRA: Local Income Tax Reserve Account	UI: Unemployment Insurance
LTCDCNP: Long-Term Care and Dementia Care Navigation Program	UME: University of Maryland Extension
MCA: Maryland Cannabis Administration	VEIP: Vehicle Emissions Inspection Program
MCHPHIF: Maternal & Child Health Population Health Improvement Fund	VR: Vehicle Registration
MDA: Maryland Department of Agriculture	WIF: Waterway Improvement Fund
MDOT: Maryland Department of Transportation	WLEF: Waiting List Equity Fund
MDH: Maryland Department of Health	W&M: Weights and Measures
MEMSOF: Maryland Emergency Medical System Operations Fund	WWPF: Wetlands and Waterways Program Fund
MFEF: Maryland Forestry Education Fund	YA/MSY: Young Adult Pathway/Maryland Service Year Pathway
MIIITCRF: Maryland Innovation Investment Incentive Tax Credit Reserve Fund	ZEBs: Zero-Emission Buses
MJMTCRF: More Jobs for Marylanders Tax Credit Reserve Fund	

<u>GENERAL FUND REVENUES</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
<u>Mandate Relief</u>						
<i>Subtotal -- Mandate Relief</i>	0	0	0	0	0	0
<u>Transfers, Fund Swaps, Cost Shifts/Control, and Revenue/Other Actions</u>						
Expand Use of CREF	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,750,000)	(2,750,000)
Eliminate Distribution to Driver Education Fund	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Eliminate Distribution to SAI Field Trip Fund	0	600,000	600,000	600,000	600,000	600,000
Reduce Amount of Revenue Volatility Adjustment	0	272,104,000	164,242,000	54,660,000	0	0
Increase Table Game Tax Rate	2,475,148	31,322,387	31,715,472	0	0	0
Increase Mobile Sports Wagering Tax Rate	8,615,602	95,433,862	97,267,611	0	0	0
Redirect Interest and Investment Earnings on SEIF	35,000,000	30,000,000	20,000,000	15,000,000	15,000,000	15,000,000
Alter A&A Distribution – Electronic Bingo/Tip Jars	0	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Transfer – from LITRA	230,000,000	0	0	0	(23,000,000)	(23,000,000)
Repeal Inheritance Tax and Reduce ET Exclusion	0	(6,670,807)	9,033,958	21,554,958	19,591,558	26,366,978
Reduce Cap on Student Loan Debt Relief Tax Credit	0	9,000,000	0	0	0	0
Alter MJMTCRF and Transfer Funds	4,300,000	6,000,000	9,312,000	12,359,175	14,569,524	16,099,799
Phase Out/Repeal Tax Credits for EZs	0	765,000	765,000	765,000	765,000	765,000
Alter PIT Rates, Deductions, and Child Tax Credit	0	700,801,000	536,555,000	555,503,000	576,140,000	597,293,000
Impose Net Capital Gain Surtax	0	183,477,000	135,909,000	135,909,000	88,341,000	0
Reduce CIT Rate and Require CR	0	0	(9,552,000)	3,518,000	85,257,000	95,892,000
Alter Cannabis SUT Rate and Distribution	0	0	90,231,000	94,902,000	96,967,000	98,107,000
Transfer – from Dedicated Purpose Account	203,365,440	0	0	0	0	0
Transfer – from RPS/ACPA of SEIF	150,000,000	0	0	0	0	0
Transfer – from RMRLF	9,000,000	0	0	0	0	0
Transfer – from MPTSCF	7,000,000	0	0	0	0	0
Transfer – from MIITCRF	1,362,055	0	0	0	0	0
Transfer – from Securities Act Registration Fund	5,000,000	0	0	0	0	0
Transfer – from MVIPPF	4,900,000	0	0	0	0	0
Transfer – from Rape Kit Testing Grant Fund	4,000,000	0	0	0	0	0
Transfer – from MCHPHIF	0	10,000,000	0	0	0	0
<i>Subtotal -- Other Actions</i>	662,518,245	1,334,832,442	1,088,079,041	896,771,133	878,731,082	828,873,777
Total General Fund Revenues	662,518,245	1,334,832,442	1,088,079,041	896,771,133	878,731,082	828,873,777

<u>GENERAL FUND EXPENDITURES</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
<u>Mandate Relief</u>						
Reduce Mandate – Tree Planting on Ag Land	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Eliminate Mandate – MD Native Plants (UME)	0	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Eliminate Mandate – MD Native Plants (MDA)	0	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Alter Mandate – Consumer Protection Division	0	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
Reduce Mandate – Victims of Crime Act	0	(10,767,580)	(2,070,886)	(2,070,886)	(2,070,886)	(2,070,886)
Eliminate Mandate – MWMP	0	(500,000)	0	0	0	0
Reduce Mandate – CCSPF	0	0	0	(270,000,000)	(90,000,000)	(90,000,000)
Alter Mandate – School Resource Officer Grant	0	(5,000,000)	(10,000,000)	(10,000,000)	0	0
Reduce State Share of Nonpublic Placement Costs	0	(25,000,000)	(49,884,952)	(50,882,651)	(51,900,304)	(52,938,309)
Reduce Mandate – POPA LARP	(3,675,000)	(4,800,000)	(4,800,000)	(4,800,000)	(4,800,000)	(4,800,000)
Reduce/Alter Mandate – POPA Scholarship	(3,675,000)	(4,500,000)	(4,800,000)	(4,800,000)	(4,800,000)	(4,800,000)
Eliminate Mandate – AHC Cancer Grants	0	(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)	(13,000,000)
Eliminate Mandate – MPSCF	0	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Alter Mandate – CCPF	0	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)
Reduce Mandate – LTCDCNP	0	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)
Reduce Mandate – MD New Start Grant Program	(150,000)	(150,000)	(150,000)	(150,000)	0	0
Reduce Mandate – CEIF	0	(93,750)	(93,750)	(93,750)	(93,750)	0
Reduce Mandate – CPHCWP	(250,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Phase Out Teacher Retirement Supplemental Grants	0	(13,829,330)	(27,658,661)	(27,658,661)	(27,658,661)	(27,658,661)
Eliminate Mandate – MFEF	0	(250,000)	0	0	0	0
Reduce Mandate – Warrants and Absconding Grants	0	(1,000,000)	0	0	0	0
Eliminate Mandate – RCWSPP	0	(200,000)	(200,000)	(200,000)		
Eliminate IT Expedited Projects Set Aside	0	(13,820,979)	(68,239,444)	(48,864,128)	(61,673,803)	(44,405,138)
Suspend RDF Appropriation/Eliminate Sweepers	0	(469,499,483)	(50,000,000)	(48,000,000)	0	0
Eliminate Mandate to MSAC	0	(119,451)	(868,033)	(2,075,442)	(3,139,074)	(4,274,285)
Alter Share – Teacher/CC Retirement Payments	0	(97,744,521)	(97,744,521)	(97,744,521)	(97,744,521)	(97,744,521)
Repeal Pension Supplemental Contribution	0	(43,587,917)	(43,587,917)	(43,587,917)	(43,587,917)	(43,587,917)
Eliminate Mandate – MPBC	0	(778,897)	(365,414)	(942,206)	(1,452,090)	(1,994,816)
<i>Subtotal -- Mandate Relief</i>	<i>(9,750,000)</i>	<i>(759,941,908)</i>	<i>(428,763,578)</i>	<i>(680,170,162)</i>	<i>(457,221,006)</i>	<i>(442,574,533)</i>

<u>GENERAL FUND EXPENDITURES</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
<u>Transfers, Fund Swaps, Cost Shifts/Control, and Revenue/Other Actions</u>						
Expand Use of CREF	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Expand Use of SARF	(1,690,000)	(1,690,000)	(1,690,000)	(1,690,000)	(1,690,000)	(1,690,000)
Phase Out CRF Appropriation to TCC	0	(250,000)	(500,000)	(750,000)	(1,000,000)	(1,000,000)
Eliminate Mandated Funding Formula for SMCM	0	(416,847)	(3,606,383)	(5,523,178)	(7,706,091)	(9,864,727)
Alter Mandated Funding for BCCC	0	(3,632,823)	(3,632,823)	(3,632,823)	(3,632,823)	(3,632,823)
Increase WWPFF Fees	0	(450,000)	(459,000)	(468,180)	(477,544)	(487,094)
Increase and Alter Fees Related to Surface Mining	0	(250,000)	(255,000)	(260,100)	(265,302)	(270,608)
Remove Prohibition on Capping IFDGS	0	(14,500,000)	(14,500,000)	(14,500,000)	(14,500,000)	(14,500,000)
Alter Allowable Uses of WLEF	(15,000,000)	0	0	0	0	0
Establish Medicaid Primary Care Program Fund	0	16,000,000	14,000,000	0	0	0
Expand Use of CACBTF	(2,586,587)	(10,500,000)	(10,500,000)	(10,500,000)	(10,500,000)	(10,500,000)
Increase Table Game Tax Rate	0	0	0	(32,147,549)	(32,586,077)	(33,031,153)
Increase Mobile Sports Wagering Tax Rate	0	0	0	(98,726,625)	(100,207,525)	(101,710,638)
Expand Use of SEIF	(6,565,333)	(6,069,452)	(6,069,452)	(6,069,452)	(6,069,452)	(6,069,452)
Expand Use of Performance Incentive Grant Fund	0	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Reduce Participation Targets/Mandate (YA/MSY)	0	(6,800,000)	0	0	0	0
Expand Use of MEMSOF	(5,500,000)	(5,500,000)	0	0	0	0
Establish Retail Delivery Fee	125,000	0	0	0	0	0
Repeal Inheritance Tax and Reduce ET Exclusion	0	14,746,936	26,738,681	27,240,681	27,788,147	28,242,341
Increase Share of Local Reimbursement for PV	0	(21,231,952)	(21,656,591)	(22,089,723)	(22,531,517)	(22,982,148)
Phase Out/Repeal Tax Credits for EZs	0	(7,241,614)	(10,100,000)	(12,800,000)	(15,100,000)	(18,700,000)
Alter PIT Rates, Deductions, and Child Tax Credit	0	175,000	0	0	0	0
Impose Net Capital Gain Surtax	0	75,000	0	0	0	0
Reduce CIT Rate and Require CR (CPT)	0	0	3,000,000	0	0	0
Increase Medicaid Deficit Assessment	(46,250,000)	(92,500,000)	(92,500,000)	(92,500,000)	(92,500,000)	(92,500,000)
Eliminate Required Funding – 9-8-8 TF	(3,000,000)	0	0	0	0	0
Repeal Low Intensity Support Services Program	(2,772,250)	(5,544,500)	(5,544,500)	(5,544,500)	(5,544,500)	(5,544,500)
Transfer – from Certain Boards to BHA	0	(4,017,728)	0	0	0	0
<i>Subtotal -- Other Actions</i>	(88,239,170)	(155,597,980)	(133,275,068)	(285,961,449)	(292,522,684)	(300,240,802)
Total General Fund Expenditures	(97,989,170)	(915,539,888)	(562,038,646)	(966,131,611)	(749,743,690)	(742,815,335)

<u>SPECIAL FUND REVENUES</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
<u>Mandate Relief</u>						
Alter Mandate – School Resource Officer Grant	0	(5,000,000)	(10,000,000)	(10,000,000)	0	0
Eliminate Mandate – MPSCF	0	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Eliminate Mandate – MFEF	0	(250,000)	0	0	0	0
Suspend RDF Appropriation/Eliminate Sweepers	0	(469,499,483)	(50,000,000)	(48,000,000)	0	0
<i>Subtotal -- Mandate Relief</i>	0	(475,749,483)	(61,000,000)	(59,000,000)	(1,000,000)	(1,000,000)
<u>Transfers, Fund Swaps, Cost Shifts/Control, and Revenue/Other Actions</u>						
Specify Procedures for Renewing HE Licenses	0	10,000	7,500	5,000	5,000	5,000
Increase Wholesale Seedsman Permit Fee	0	6,250	6,250	6,250	6,250	6,250
Alter W&M Registration Process and Fees	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Expand Use of CREF (CPT)	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)
Expand Use of CREF (MCA)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Expand Use of CREF (MDH)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Expand Use of CREF (Commerce)	(250,000)	(250,000)	(250,000)	(250,000)	0	0
Eliminate Distribution to Driver Education Fund	0	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Eliminate Distribution to SAI Field Trip Fund	0	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)
Authorize Responsible Person Fee – SECT	0	375,000	375,000	375,000	375,000	375,000
Increase WWPF Fees	33,638	524,332	540,356	555,228	566,704	578,899
Increase Rental Property Lead Registration Fee	0	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
Increase Voluntary Cleanup Program Fees	12,000	400,000	408,000	416,160	424,483	432,973
Increase and Alter Fees Related to Surface Mining	51,943	623,316	623,316	697,958	697,958	772,599
Establish Medicaid Primary Care Program Fund	0	16,000,000	14,000,000	0	0	0
Establish Fee – Administration of UI	0	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000
Reduce Amount of Revenue Volatility Adjustment	0	(272,104,000)	(164,242,000)	(54,660,000)	0	0
Increase Table Game Tax Rate	0	0	0	32,147,549	32,586,077	33,031,153
Increase Mobile Sports Wagering Tax Rate	0	0	0	98,726,625	100,207,525	101,710,638
Redirect Interest and Investment Earnings on SEIF	(35,000,000)	(30,000,000)	(20,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
Reduce Participation Targets/Mandate (YA/MSY)	0	(6,800,000)	0	0	0	0
Alter A&A Distribution on Electronic Bingo/Tip Jars	0	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Alter Vehicle Excise Tax Trade-In Allowance	15,338,000	189,582,000	195,269,000	199,174,000	203,158,000	207,221,000

<u>SPECIAL FUND REVENUES</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Establish Installment Fee for VR Payment Plans	833,333	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Accelerate Increases in Annual VR Fee	0	52,328,975	0	0	0	0
Establish Retail Delivery Fee	0	250,000,000	257,000,000	263,667,000	270,000,000	275,667,000
Increase VEIP Fee and Index It to Inflation	0	20,457,143	20,800,000	21,257,143	21,600,000	22,100,000
Increase Share of Local Reimbursement for PV	0	21,231,952	21,656,591	22,089,723	22,531,517	22,982,148
Reduce CIT Rate and Require CR (HEIF)	0	0	(764,000)	275,000	6,671,000	7,503,000
Reduce CIT Rate and Require CR (TTF)	0	0	(2,376,000)	778,000	18,867,000	21,220,000
Reduce CIT Rate and Require CR (SEIF)	0	0	(38,000)	15,000	385,000	430,000
Increase Medicaid Deficit Assessment	50,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Eliminate Funding Requirement – 9-8-8 TF	(3,000,000)	0	0	0	0	0
<i>Subtotal -- Other Actions</i>	<i>31,018,914</i>	<i>388,084,968</i>	<i>468,716,013</i>	<i>715,975,636</i>	<i>808,781,514</i>	<i>824,735,660</i>
Total Special Fund Revenues	31,018,914	(87,664,515)	407,716,013	656,975,636	807,781,514	823,735,660

<u>SPECIAL FUND EXPENDITURES</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
<u>Mandate Relief</u>						
Alter Mandate – Consumer Protection Division	0	350,000	350,000	350,000	350,000	350,000
Reduce Mandate – CCSPF (MDH)	0	(90,000,000)	(90,000,000)	(90,000,000)	(90,000,000)	(90,000,000)
Reduce Mandate – CCSPF (MSDE)				270,000,000	90,000,000	90,000,000
Eliminate Mandate – MPSCF	0	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Eliminate Mandate – MFEF	0	(250,000)	0	0	0	0
Repeal Pension Supplemental Contribution	0	(3,541,420)	(3,541,420)	(3,541,420)	(3,541,420)	(3,541,420)
<i>Subtotal -- Mandate Relief</i>	<i>0</i>	<i>(94,441,420)</i>	<i>(94,191,420)</i>	<i>175,808,580</i>	<i>(4,191,420)</i>	<i>(4,191,420)</i>

<u>SPECIAL FUND EXPENDITURES</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
<u>Transfers, Fund Swaps, Cost Shifts/Control, and Revenue/Other Actions</u>						
Expand Use of CREF (MCA)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Expand Use of CREF (CPT)	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)
Expand Use of SARF	1,690,000	1,690,000	1,690,000	1,690,000	1,690,000	1,690,000
Eliminate Distribution to Driver Education Fund	0	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Eliminate Distribution to SAI Field Trip Fund	0	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)
Authorize Responsible Person Fee – SECT	0	375,000	375,000	375,000	375,000	375,000
Increase WWPf Fees	0	450,000	459,000	468,180	477,544	487,094
Increase Rental Property Lead Registration Fee	0	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Increase Voluntary Cleanup Program Fees	0	160,000	163,200	166,464	169,793	173,189
Increase and Alter Fees Related to Surface Mining	0	1,300,000	623,316	697,958	697,958	772,599
Alter Allowable Uses of Waiting List Equity Fund	15,000,000	0	0	0	0	0
Establish Medicaid Primary Care Program Fund	0	16,000,000	14,000,000	0	0	0
Establish Fee – Administration of UI	0	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000
Expand Uses of CACBTF	2,586,587	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000
Increase Allowed Use – WIF for Marine Operations	0	100,000	100,000	100,000	100,000	100,000
Reduce Amount of Revenue Volatility Adjustment	0	0	0	(136,052,000)	(82,121,000)	(27,330,000)
Increase Table Game Tax Rate	0	0	0	32,147,549	32,586,077	33,031,153
Increase Mobile Sports Wagering Tax Rate	0	0	0	98,726,625	100,207,525	101,710,638
Expand Use of SEIF	6,565,333	6,069,452	6,069,452	6,069,452	6,069,452	6,069,452

<u>SPECIAL FUND EXPENDITURES</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
<u>Transfers, Fund Swaps, Cost Shifts/Control, and Revenue/Other Actions</u>						
Expand Use of Performance Incentive Grant Fund	0	1,000,000	0	0	0	0
Reduce Participation Targets/Mandate (YA/MSY)	0	(5,264,475)	0	0	0	0
Delay Requirement for ZEBs/Authorize Use of Bonds	0	0	(28,000,000)	(28,000,000)	(28,000,000)	(28,000,000)
Accelerate Increases in Annual VR Fee	0	1,098,908	0	0	0	0
Expand Use of MEMSOF	5,500,000	5,500,000	0	0	0	0
Increase Share of Local Reimbursement for PV	0	21,231,952	21,656,591	22,089,723	22,531,517	22,982,148
Reduce CIT Rate and Require CR (MDOT)	0	0	(475,000)	121,000	2,943,000	3,310,000
Increase Medicaid Deficit Assessment	50,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Authorize Use of POS State Land Acquisition FB	0	16,400,000	0	0	0	0
Transfer – from Certain Boards to BHA	0	4,017,728	0	0	0	0
<i>Subtotal -- Other Actions</i>	84,591,920	217,278,565	163,811,559	145,749,951	204,876,866	262,521,273
Total Special Fund Expenditures	84,591,920	122,837,145	69,620,139	321,558,531	200,685,446	258,329,853

<u>FEDERAL FUND REVENUES</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Remove Prohibition on Capping IFDGS	0	(14,500,000)	(14,500,000)	(14,500,000)	(14,500,000)	(14,500,000)
Establish Medicaid Primary Care Program Fund	0	16,000,000	14,000,000	0	0	0
Repeal Low Intensity Support Services Program	(2,772,250)	(5,544,500)	(5,544,500)	(5,544,500)	(5,544,500)	(5,544,500)
Total Federal Fund Revenues	(2,772,250)	(4,044,500)	(6,044,500)	(20,044,500)	(20,044,500)	(20,044,500)
<u>FEDERAL FUND EXPENDITURES</u>						
Remove Prohibition on Capping IFDGS	0	(14,500,000)	(14,500,000)	(14,500,000)	(14,500,000)	(14,500,000)
Establish Medicaid Primary Care Program Fund	0	16,000,000	14,000,000	0	0	0
Repeal Pension Supplemental Contribution	0	(1,866,457)	(1,866,457)	(1,866,457)	(1,866,457)	(1,866,457)
Repeal Low Intensity Support Services Program	(2,772,250)	(5,544,500)	(5,544,500)	(5,544,500)	(5,544,500)	(5,544,500)
Total Federal Fund Expenditures	(2,772,250)	(5,910,957)	(7,910,957)	(21,910,957)	(21,910,957)	(21,910,957)

Appendix C
Impact on Funding Provided to or on Behalf of Local Jurisdictions of
Selected Provisions of the Budget Reconciliation and Financing Act of 2025
Fiscal 2026

<u>County</u>	<u>Nonpublic Placement Costs</u>	<u>Teacher and Community College Retirement System Payments</u>	<u>Teacher Retirement Supplemental Grants</u>	<u>State Share of SDAT Valuation Costs</u>	<u>Total Impact</u>
Allegany	(\$2,315,506)	(\$754,195)	(\$816,053)	(\$359,963)	(\$4,245,717)
Anne Arundel	(1,666,525)	(9,738,875)	0	(2,010,742)	(\$13,416,142)
Baltimore City	(4,828,425)	(8,802,114)	(5,023,798)	(2,080,550)	(\$20,734,887)
Baltimore	(161,998)	(10,352,112)	(1,500,000)	(2,711,968)	(\$14,726,078)
Calvert	(12,112)	(1,647,480)	0	(376,580)	(\$2,036,172)
Caroline	(605,599)	(561,645)	(342,554)	(139,437)	(\$1,649,235)
Carroll	(127,097)	(2,624,055)	0	(611,399)	(\$3,362,551)
Cecil	(238,875)	(1,327,122)	0	(438,600)	(\$2,004,597)
Charles	(46,799)	(2,786,366)	0	(620,010)	(\$3,453,175)
Dorchester	(775,771)	(590,506)	(154,457)	(190,050)	(\$1,710,784)
Frederick	(3,701)	(5,925,608)	0	(920,957)	(\$6,850,266)
Garrett	(1,007,986)	(269,208)	(203,200)	(267,650)	(\$1,748,044)
Harford	(1,564,464)	(3,685,077)	0	(932,791)	(\$6,182,332)
Howard	(21,600)	(6,830,167)	0	(1,028,816)	(\$7,880,583)
Kent	(3,573,395)	(165,489)	0	(112,232)	(\$3,851,116)
Montgomery	(3,863,646)	(20,861,475)	0	(3,120,562)	(\$27,845,683)
Prince George's	(67,289)	(13,000,062)	(4,814,351)	(2,750,473)	(\$20,632,175)
Queen Anne's	(218,688)	(691,279)	0	(234,602)	(\$1,144,569)
St. Mary's	(9,000)	(1,562,014)	0	(441,155)	(\$2,012,169)
Somerset	(84,111)	(314,066)	(191,000)	(158,176)	(\$747,353)
Talbot	(260,744)	(452,957)	0	(182,425)	(\$896,126)
Washington	(4,206)	(2,397,889)	0	(552,868)	(\$2,954,963)
Wicomico	(1,800)	(1,704,888)	(783,919)	(413,689)	(\$2,904,296)
Worcester	(3,270,667)	(699,872)	0	(576,260)	(\$4,546,799)
Unallocated/ Statewide	(3,270,667)	0	0	0	0
Total	(\$25,000,000)	(\$97,744,521)	(\$13,829,332)	(\$21,231,952)	(\$157,535,809)

Notes: The total impact reflects amounts no longer paid by the State; accordingly, equivalent costs are incurred by local jurisdictions in fiscal 2026 due to the four selected provisions. Numbers may not sum to total due to rounding.

SDAT: State Department of Assessments and Taxation

Source: Department of Legislative Services

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Budget Reconciliation and Financing Act of 2025

BILL NUMBER: SB0321

PREPARED BY:

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

 X WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The Department of Budget and Management has reviewed the provisions of SB 321, The Budget Reconciliation and Financing Act of 2025, and believes that some provisions of the legislation will result in an impact on small businesses. The department would highlight the following provisions:

- Various fee and penalty provisions applied to programs administered by the Departments of Agriculture and Environment could increase costs to small businesses.
- Small businesses that "pass through" business income to their personal income tax will be impacted by the changes to the personal income tax. There are no specific changes related to business income, though. Thus, any impact for a business taxpayer is the same as any other taxpayer (individual or business) with similar income and living circumstances.
- Small businesses that pay corporate income tax will see a reduction in their tax bills compared to the current law beginning in fiscal year 2028. The reduction will increase in fiscal year 2029.

- Reducing the mandate for Maryland Watermen’s Microloan program one year earlier than under current law will result in fewer loans being made in fiscal 2026 and could result in the liquidation of the program sooner than under current law.
- The freeze in enrollment to the Enterprise Zone credit means that all businesses would no longer be able to apply and be awarded tax credits for projects in fiscal year 2026 and future fiscal years.