

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 953
Appropriations

(Delegates Buckel and Hinebaugh)

Budget and Taxation

Revenue Stabilization Account - Transfer of Funds - State Disaster Recovery
Fund

This bill authorizes the Governor, subject to the Board of Public Works' approval, to transfer funds from the Revenue Stabilization Account (Rainy Day Fund) to the State Disaster Recovery Fund (SDRF) unless the transfer would result in the Rainy Day Fund balance dropping below 5% of the estimated general fund revenues for the fiscal year in which the transfer is made. Funding sources for SDRF include funds transferred from the Rainy Day Fund. **The bill takes effect June 1, 2026.**

Fiscal Summary

State Effect: Because the bill is authorizing in nature, it does not directly affect State finances. However, should a fund transfer occur, special fund revenues for SDRF increase from receiving funds from the Rainy Day Fund. If funds are transferred, revenues to the Rainy Day Fund may decrease minimally from interest, and general fund expenditures may increase the following year under specified circumstances. Units of State government that receive funding from SDRF may benefit from additional assistance.

Local Effect: Local finances are not directly affected as the bill is authorizing in nature. However, in the event of a fund transfer to SDRF, local governments may benefit from receiving additional aid from SDRF.

Small Business Effect: None.

Analysis

Current Law: The State maintains two funds that can be used to support costs related to disasters: the Catastrophic Event Account and SDRF. In its 2025 interim report, the Spending Affordability Committee (SAC) recommended that the State maintain a combined balance of at least \$15.0 million in the two funds beginning in fiscal 2027 to cover the potential lack of federal disaster assistance in the future. Under the fiscal 2027 budget as introduced, the total closing balance of the two accounts at the end of fiscal 2027 is projected to be \$12.9 million, which includes \$10.6 million for the Catastrophic Event Account, that is consistent with the historical fund level, and \$2.3 million for SDRF.

State Disaster Recovery Fund

Chapter 549 of 2023 established SDRF, administered by the Maryland Department of Emergency Management (MDEM). Generally, the purpose of the fund is to provide disaster recovery assistance when disasters occur but a federal disaster declaration is not made. The fund is a special, nonlapsing fund and must be available in perpetuity for the purpose of providing disaster recovery assistance in accordance with the specified provisions. The fund may be used only if (1) the Governor has declared a state of emergency or (2) a local organization for emergency management requests assistance from the fund. A portion of the fund may be used to administer the fund, including providing disaster case management resources.

MDEM must submit an annual report to the Governor and the General Assembly by December 31 on the use of the fund for the previous fiscal year. The most recent annual [report](#) was submitted on December 31, 2025.

Chapter 559 of 2025 authorized funds appropriated to the Catastrophic Event Account, which is administered by the Department of Budget and Management, to be transferred to SDRF if (1) the balance of the fund has been depleted due to use or transfer or (2) the estimated costs for providing adequate disaster relief for a natural disaster or catastrophic situation are in excess of the fund's balance.

In addition to any money transferred from the Catastrophic Event Account, SDRF consists of money appropriated in the State budget, repayments of principal and interest from loans made from the fund, reimbursements from the federal government or other legal entities for disaster recovery assistance expenditures from the fund, interest earnings, and any other money from any other source accepted for the benefit of the fund.

Catastrophic Event Account

The Catastrophic Event Account, which is within the State Reserve Fund, enables the State or a local government to respond quickly to a natural disaster or catastrophe that could

not be addressed within existing State appropriations. It may also be used for current or former federal employee financial hardship in specified circumstances.

The account consists of direct appropriations in the budget bill. Interest earnings generated by the account are credited to the Rainy Day Fund. Prior to transferring funds by budget amendment to the appropriate Executive Branch agency, the Governor must notify the Legislative Policy Committee of the proposed amendment and allow the committee to review and approve the proposed amendment. The committee generally has 10 days to review and comment.

Rainy Day Fund

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. Any unappropriated revenues in excess of \$10.0 million are required to be appropriated into the Rainy Day Fund. The closing general fund balance for fiscal 2025 was in excess of \$10.0 million, which requires an appropriation in fiscal 2027 under current law.

Generally, if the fund balance is between 3% and 7.5% of projected general fund revenues, the Governor must appropriate at least \$50.0 million in the annual budget bill until the account balance reaches 7.5% of estimated general fund revenues. If the account balance is below 3%, an appropriation of at least \$100.0 million is required.

State Fiscal Effect: The bill is authorizing in nature and does not require the Governor to transfer funds from the Rainy Day Fund to SDRF. Thus, the bill does not directly affect State finances. However, if the Governor chooses to transfer funds, State finances are affected as discussed below.

The Department of Legislative Services assumes that the Governor only transfers funds under the bill if the fund balances of both SDRF and the Catastrophic Event Account are depleted. In that event, special fund revenues for SDRF increase from receiving funds from the Rainy Day Fund. However, as SDRF may only be used under specified circumstances, generally related to the occurrence of a natural disaster, it cannot be predicted when those fund balances will be depleted. Although the combined fund balance for SDRF and the Catastrophic Event Account is below SAC's \$15.0 million target, both funds have sufficient fund balances to cover expenses related to natural disasters in fiscal 2026; thus, special fund revenues likely do not increase until fiscal 2027 at the earliest.

If a substantial amount of funding is transferred from the Rainy Day Fund due to the bill, special fund revenues to the Rainy Day Fund decrease minimally from generating less interest.

If a fund transfer from the Rainy Day Fund to SDRF leaves the Rainy Day Fund with a fund balance of below 7.5% of projected general fund revenue (but at least 5% as required by the bill), under current law, the Governor must appropriate in the budget bill for the succeeding year(s) at least \$50.0 million annually to the Rainy Day Fund until the Rainy Day Fund balance reaches 7.5% of estimated general fund revenues. Thus, general fund expenditures may increase the following year if the bill results in the Rainy Day Fund with a fund balance of below 7.5% of projected general fund revenue.

Units of State government may benefit if they receive additional funding from SDRF. To the extent that MDEM receives a large influx of funding, MDEM may need additional staff, which it can hire using the funds it receives from the transfer.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Department of Emergency Management; Comptroller's Office; Maryland State Treasurer's Office; Department of Budget and Management; Board of Public Works; Department of Legislative Services

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