

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 284 (The President)(By Request - Administration)
 Budget and Taxation

Budget Reconciliation and Financing Act of 2026

This Administration bill executes actions to provide mandate relief, increase revenues, 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, 2026, several provisions take effect July 1, 2026.**

Fiscal Summary

State Effect: General fund revenues increase by \$475.8 million in FY 2026 and \$296.5 million in FY 2027. General fund expenditures decrease by \$1.9 million in FY 2026 and \$605.7 million in FY 2027. Special fund revenues decrease by \$502.6 million in FY 2027. Special fund expenditures increase by \$5.1 million in FY 2026 and \$98.7 million in FY 2027. Federal fund revenues and expenditures also decrease. Future years reflect the ongoing effects of the bill. **This bill affects existing mandated appropriations.**

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	\$475.8	\$296.5	\$134.1	\$97.2	\$63.0
SF Revenue	\$0	(\$502.6)	\$16.9	\$19.8	\$14.2
FF Revenue	\$0	(\$4.2)	(\$6.5)	(\$6.6)	(\$0.8)
GF Expenditure	(\$1.9)	(\$605.7)	(\$162.1)	(\$144.1)	(\$91.1)
SF Expenditure	\$5.1	\$98.7	(\$171.1)	\$24.9	\$18.1
FF Expenditure	(\$3.2)	(\$8.6)	(\$7.7)	(\$7.7)	(\$1.9)
Net Effect	\$475.8	\$305.3	\$485.4	\$237.3	\$151.4

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 2027, 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 provide mandate relief, increase revenues, contain costs, swap or transfer funds, and reduce future year general fund expenditures, in addition to various administrative and other actions.

Mandate Relief

- Reduce the amount of funding that the Governor must provide for the Maryland Healthy Soils Program from \$500,000 to \$400,000 for fiscal 2027 and 2028.
- Repeal the requirement that the Governor provide \$150,000 for the University of Maryland Extension to hire one extension agent as a native plant specialist and \$100,000 for the Maryland Department of Agriculture (MDA) to hire staff to administer the Maryland Native Plants Program.
- Reduce the amount of funding that the Governor must annually provide to the Tri-County Council for Southern Maryland from the Cigarette Restitution Fund (CRF) from \$1.0 million to \$700,000 beginning in fiscal 2027.
- Eliminate the requirement that the Governor provide at least \$40,000 each year for the Lacrosse Opportunities Program and instead authorize the Governor to provide the funding.
- Reduce the amount of funding that the Governor must annually provide for the Coordinated Community Supports Partnership Fund from \$100.0 million to \$80.0 million beginning in fiscal 2027.
- Limit the State share of community college aid provided under the Senator John A. Cade Funding Formula to an increase of 3% over the State share provided to each community college in the preceding fiscal year for fiscal 2027 through 2029.
- Alter the Baltimore City Community College funding formula by reducing the funding percentage per full-time equivalent student of selected public four-year institutions from 68.5% to 67.5% beginning in fiscal 2027.
- Specify, for fiscal 2027 through 2029, the amount of funding each qualifying institution receives under the Joseph A. Sellinger formula for a total of \$73,322,724, freezing the amounts per institution at the fiscal 2026 level for all three years.
- Reduce the amount of funding that the Governor must annually provide for the Maryland Community College Promise Scholarship Program from \$13.5 million to \$12.5 million beginning in fiscal 2027.
- Reduce the amount of funding that the Governor must annually provide for the Maryland Loan Assistance Repayment Program (MLARP) for Police Officers and Probation Agents from at least \$2.0 million to at least \$500,000 beginning in fiscal 2027.

- Reduce the amount of funding that the Governor must annually provide for the Maryland Police Officers and Probation Agents Scholarship Program from \$2.0 million to \$500,000 beginning in fiscal 2027.
- Reduce the amount of funding that the Governor must include in the annual budget for activities aimed at reducing tobacco use in Maryland from \$18.25 million to \$17.52 million beginning in fiscal 2027.
- Reduce, beginning in fiscal 2026, the amount of funding that the Governor must annually provide for the Public Safety Apprenticeship Program from \$750,000 to \$390,000.
- Reduce the amount of funding that the Governor must annually provide for the Career Pathways for Health Care Workers Program from \$500,000 to \$350,000 beginning in fiscal 2027.
- Suspend the requirement that disparity grants be funded by statutory formula by specifying amounts by jurisdiction at fiscal 2026 statutory levels for fiscal 2027 through 2029.
- Reduce, for fiscal 2027 and 2028, the amount of funding that the Governor must annually provide to the Prince George's County Office of the County Executive for the Prince George's County Reentry Employment Incentive Program from \$500,000 to \$350,000.
- Reduce the amount of funding that the Governor must annually provide for the Small Commercial Project Trust Account within the Historic Revitalization Tax Credit Reserve Fund from \$2.0 million to \$500,000 beginning in fiscal 2027.
- Repeal the requirement that the Governor provide printed copies of annual budget books and instead require the budget books to be published online.
- Suspend, for fiscal 2027 only, the requirement that the Governor appropriate general fund surplus to the Revenue Stabilization Account (Rainy Day Fund).
- Reduce, by \$39.3 million, beginning in fiscal 2027, 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, community colleges, and libraries. Accordingly, increase employer contributions by counties and Baltimore City commensurately, in proportion to their respective shares of TRS/TPS membership.
- Reduce the amount of funding that the Governor must provide for MDA Urban Agriculture Water and Power Infrastructure Grant Fund from \$500,000 to \$400,000 in fiscal 2027 only.

Revenue Actions

- 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 annually and repeal the use of funds from the uninsured motorist penalty as a source for the Driver Education in Public High Schools Fund.

- Limit, for tax year 2026 and beyond, the amount of the federal § 168(k) bonus depreciation allowance a manufacturing entity may claim against Maryland taxable income to 20% of the adjusted basis of the qualified property and establish a related decoupling modification.
- Permanently disallow, for tax year 2026 and beyond, the federal § 168(n) special depreciation allowance for qualified production property against Maryland taxable income and establish a related decoupling modification.

Fund Transfers and Swaps, Cost Shifts, and Other Cost Containment

- Expand the allowable uses of the Cannabis Business Assistance Fund for fiscal 2027 through 2029 to include operating costs of up to \$5.0 million for the Department of Social and Economic Mobility.
- Expand the allowable uses of the Advance Directive Program Fund to include \$1.0 million to support maternal and child health quality initiatives in the Maryland Department of Health (MDH) in fiscal 2027 only.
- Require local governments for which MDH establishes Assisted Outpatient Treatment (AOT) programs to reimburse MDH for an increasing percentage of the State's share of their AOT program costs – 25% in fiscal 2028, 50% in fiscal 2029, 75% in fiscal 2030, and 100% in fiscal 2031.
- Expand the allowable uses of the Board of Physicians Fund to include using \$2.0 million of fund balance to support programs in the MDH Office of Population Health Improvement for fiscal 2027 only.
- Expand the allowable uses of the State Board of Professional Counselors and Therapists Fund to include using \$500,000 of fund balance to support programs in the MDH Behavioral Health Administration for fiscal 2027 only.
- Suspend, for fiscal 2027 and 2028 only, the mandate for the Department of Natural Resources (DNR) to distribute at least \$250,000 from the Waterway Improvement Fund to a statewide Maryland-based historic preservation nonprofit organization with demonstrated experience in grantmaking.
- Expand, beginning in fiscal 2026, the allowable uses of the 9-1-1 Trust Fund to include program operations of the Maryland Department of Emergency Management.
- Suspend, for fiscal 2027 only, the requirement that the Governor include an \$8.0 million appropriation from CRF for the Maryland Community Health Resources Commission Fund.

- Expand the authorized uses of funds distributed to the separate account within CRF in excess of the first \$35.0 million to include purposes other than supplanting the general fund appropriation for the settlement with historically Black colleges and universities in fiscal 2027 only.
- Expand the allowable uses of Regional Greenhouse Gas Initiative revenues in the Strategic Energy Investment Fund (SEIF).
- Expand, in fiscal 2027 only, the allowable uses of Renewable Portfolio Standard (RPS) alternative compliance payment (ACP) revenues in SEIF and authorize, for fiscal 2027 through 2031, that ACP revenues in SEIF may be used for grants or loans to support creation of new Tier 1 renewable energy sources.
- Reduce the participation targets for the Maryland Corps Young Adult Service Year Option Pathway in fiscal 2027 and 2028 by 400 and 450, respectively, and establish a participation target for fiscal 2029 of 2,000.
- Redirect, for fiscal 2027 only, \$71,743,156 in transfer tax revenue to the general fund, authorize the Governor to transfer another \$188,844 from a special account to the general fund by June 30, 2027, and specify that these monies must be replaced with general obligation (GO) bonds.
- Extend the expansion of the allowable uses of the Maryland Emergency Medical System Operations Fund to support general operations of the Maryland State Police Aviation Command for three more years, to encompass fiscal 2027 through 2029.
- Expand the use of funding from Program Open Space (POS) by requiring the Maryland Department of Planning to receive the greater of 0.2% of funds distributed to POS after certain other allocations or \$200,000 annually to operate and maintain the Jefferson Patterson Park and Museum.
- Authorize, rather than require, MDH to apply to the Substance Abuse and Mental Health Services Administration at the Center for Mental Health Services for inclusion in the state Certified Community Behavioral Health Clinics demonstration program. Delay the timing of application from fiscal 2026 to fiscal 2029 and make the authorization to apply for inclusion subject to the limitations of the budget.
- Authorize the Governor to transfer \$259.0 million from the RPS/ACP Account of SEIF to the general fund, as long as the transfer occurs by June 30, 2026.
- Authorize the Governor to transfer \$187,609,007 from the Fiscal Responsibility Fund to the general fund, as long as the transfer occurs by June 30, 2026.
- Authorize the Governor to transfer \$33.0 million from the Administration Account of SEIF to the general fund, as long as the transfer occurs by June 30, 2026.
- Authorize the Governor to transfer \$10.0 million from the MLARP Fund for Nurses and Nursing Support Staff to the general fund, as long as the transfer occurs by June 30, 2026.
- Authorize the Governor to transfer \$2.0 million from the Performance Incentive Grant Fund to the general fund, as long as the transfer occurs by June 30, 2026.

- Authorize the Governor to transfer a total of \$1,038,910 from the Dedicated Purpose Account to the general fund, as long as the transfer occurs by June 30, 2026.
- Authorize the Governor to transfer \$6.7 million from the Maternal and Child Health Population Health Improvement Fund to the general fund, as long as the transfer occurs by June 30, 2027.
- Authorize the Governor to transfer \$70.0 million from the Bay Restoration Fund to the general fund, as long as the transfer occurs by June 30, 2027, and stipulate that the transferred funds are to be replaced with GO bonds.
- Authorize the Governor to transfer \$13.1 million from the Waterway Improvement Fund in DNR to the general fund, as long as the transfer occurs by June 30, 2027, and stipulate that the transferred funds are to be replaced with GO bonds.
- Prohibit, for fiscal 2027 only, the use of funds to pay increases over the rates in effect on January 21, 2026, for nonpublic placement providers.
- Prohibit, for fiscal 2027 only, the use of funds to pay increases in the rates for providers whose rates are set by the Interagency Rates Committee over the rates in effect on January 21, 2026.

Administrative and Other Actions

- Modify the timing of an already authorized \$37.3 million transfer from the Local Income Tax Reserve Account (from on or before July 31, 2025, to on or before June 1, 2025) and change the recipient of the transferred funds from the Division of Paid Leave within the Maryland Department of Labor to the general fund.
- Require that the Heritage Conservation Fund and any other funds appropriated to POS Stateside be included as part of the POS State land acquisition balance for purposes of a fund transfer to the operating fund.
- Authorize \$980,000 in the unexpended fiscal 2018 POS State land acquisition special fund appropriation, which was previously restricted for the purpose of providing a grant to the College of Southern Maryland to purchase the La Grange property, to instead be used for POS State land acquisition.
- Alter the allowable uses of \$3.0 million in fiscal 2026 general funds in the Department of Juvenile Services, which were restricted to be used for reopening the Alfred D. Noyes Children's Center (Noyes) as an adolescent drug treatment center to instead provide drug treatment services at other child-serving facilities and to reopen Noyes as a facility for children.
- Authorize the Interagency Commission on School Construction to reallocate fiscal 2022 and 2023 federal funds for heating, ventilation, and air-conditioning upgrades for public school buildings to ensure compliance with the American Rescue Plan Act of 2021.

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 2025, the Spending Affordability Committee recommended that the fiscal 2027 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 8.0% of estimated general fund revenues. A structural deficit of \$1.2 billion is forecast for fiscal 2027 and is projected to increase to \$3.7 billion by fiscal 2030, so the committee recommended that the fiscal 2027 budget reduce the gap between general fund revenues and ongoing spending by 50% (\$600 million).

The fiscal 2027 budget as introduced leaves a \$108.0 million balance in the general fund and maintains the Rainy Day Fund balance at 8% of general fund revenues (\$2.2 billion). Combined cash balances at the end of fiscal 2027 of \$2.3 billion represent approximately 8.4% of general fund revenues. Ongoing spending in the fiscal 2027 budget as introduced exceeds ongoing revenues by \$394 million, meeting the Spending Affordability Committee's goal of limiting the structural deficit to no more than \$600 million. While the fiscal 2027 budget as introduced makes considerable progress in reducing the structural deficit for fiscal 2027, a significant structural gap still remains in the out-years.

State Fiscal Effect: Estimates of the fiscal 2026 and 2027 impact of the bill on the State general fund, totaling almost \$1.4 billion, are shown in **Exhibit 1**.

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 11). The fiscal 2026 through 2031 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 119) identifies the quantified fiscal impact of separate provisions by budgeted fund type.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2026
Fiscal 2026 and 2027
(\$ in Millions)

	<u>FY 2026</u>	<u>FY 2027</u>	
Revenues			
Mandate Relief	\$0.0	\$0.0	
Other Actions	475.8	296.5	
<i>Revenue Subtotal</i>	475.8	296.5	
Expenditures			
Mandate Relief	(0.4)	(550.0)	
Other Actions	(1.5)	(55.8)	
<i>Expenditure Subtotal</i>	(1.9)	(605.7)	
General Fund Improvement	\$477.7	\$902.3	\$1,380.0

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, county and Baltimore City expenditures increase by \$39.3 million annually beginning in fiscal 2027, as a result of increasing the local share of annual employer pension contributions for members of TRS/TPS employed by local school systems, community colleges, and libraries. Direct State aid for local community colleges decreases by \$21.0 million in fiscal 2027, \$5.5 million in fiscal 2028, and \$5.4 million in fiscal 2029 as a result of limiting the State share of community college aid provided under the Senator John A. Cade Funding Formula to an increase of 3% over the State share provided to each community college in the preceding fiscal year for fiscal 2027 through 2029. Funding the local income tax disparity grants at the fiscal 2026 level decreases local revenues for counties receiving disparity grants by a total of \$27.0 million in fiscal 2027 and at least similar amounts in fiscal 2028 and 2029. The fiscal 2027 effects of these provisions on local government finances are summarized in **Appendix C** (on page 128).

Approximately a dozen other provisions also affect local finances, many of which stem from local governments receiving less funding from State-funded programs. However, notably, local expenditures increase by \$1.6 million in fiscal 2028 and by up to \$4.7 million

in fiscal 2030 as a result of requiring local governments for which MDH establishes AOT programs to reimburse the State for their program costs. Prince George's County revenues and expenditures associated with the Prince George's County Reentry Employment Incentive Program decrease by \$150,000 in fiscal 2027 and 2028.

Several provisions benefit local governments. Prohibiting the use of funds in fiscal 2027 to provide rate increases over the rates in effect on January 21, 2026, for nonpublic placement providers decreases local expenditures beginning in fiscal 2027 by \$2.5 million for the local share of the costs above 200% of the basic cost of education due to a 50/50 share of these costs. Local income tax revenues and local highway user revenues increase beginning in fiscal 2027 due to the foregone acceleration of depreciation deductions claimed against the personal and corporate income tax, respectively. Specifically, local revenues increase by an estimated total of \$2.3 million (including \$1.9 million in local income tax revenues and \$0.4 million in local highway user revenues) from limiting the amount of the federal § 168(k) bonus depreciation allowance a manufacturing entity may claim against Maryland taxable income. Local revenues increase further, by an estimated total of \$27.6 million, (including \$23.4 million in local income tax revenues and \$4.2 million in local highway user revenues) from permanently disallowing the federal § 168(n) special depreciation allowance for qualified production property against Maryland taxable income.

Additional Information

Recent Prior Introductions: Budget Reconciliation and Financing Acts have been introduced within the last three years. See SB 321 and HB 352 of 2025, SB 362 and HB 352 of 2024, and SB 183 and HB 202 of 2023.

Designated Cross File: HB 392 (The Speaker)(By Request - Administration) - Appropriations.

Information Source(s): Maryland Association of County Health Officers; Maryland Association of Counties; Charles, Dorchester, Prince George's, St. Mary's, Washington, and Wicomico counties; Anne Arundel County Public Schools; Montgomery County Public Schools; Prince George's County Public Schools; Wicomico County Public Schools; St. Mary's County Public Schools; Comptroller's Office; Maryland State Treasurer's Office; Department of Social and Economic Mobility; Maryland State Department of Education; Maryland Higher Education Commission; University System of Maryland; St. Mary's College of Maryland; Interagency Commission on School Construction; Department of Budget and Management; Maryland Department of the Environment; Maryland Department of Health; Department of Juvenile Services; Department of Natural Resources; Department of State Police; Department of Service and

Civic Innovation; Public Service Commission; State Retirement Agency; Maryland Independent College and University Association; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2026
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Reduce Mandate for Maryland Healthy Soils Program

Provision in the Bill: Reduces the amount of funding that the Governor must provide for the Maryland Healthy Soils Program from \$500,000 to \$400,000 for fiscal 2027 and 2028. The fiscal 2027 budget as introduced includes a \$100,000 general fund reduction, contingent on the enactment of legislation modifying the mandate for the Maryland Healthy Soils Program.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$0.1)	(\$0.1)	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$100,000 in fiscal 2027 and 2028. Revenues are not affected.

Local Effect: None.

Program Description: Chapter 373 of 2017 established the Maryland Healthy Soils Program to (1) improve the health, yield, and profitability of the soils of the State; (2) increase biological activity and carbon sequestration in the soils of the State by promoting practices based on emerging soil science, including planting mixed cover crops, adopting no-till or low-till farming practices, and rotation grazing; and (3) promote widespread use of healthy soils practices among farmers in the State. MDA must (1) provide incentives, including research, education, technical assistance, and, subject to available funding, financial assistance, to farmers to implement farm management practices that contribute to healthy soils and (2) determine whether the program may be implemented in a manner to enhance other State and federal programs that provide financial assistance to farmers. Chapter 38 of 2022 requires the Governor to include in the annual budget bill an appropriation of at least \$500,000 for the program in fiscal 2024 through 2028. In addition to the general funds, MDA uses some funds from the 2010 Trust Fund to support the program.

Recent History: MDA obligated all funds in fiscal 2024 and 2025, though payments have been less than total obligations. For example, with the combined \$589,485 in obligated fiscal 2025 funds, \$196,296 in payments have been made and, for fiscal 2024, of the \$993,119 in obligations, payments have been made totaling \$686,595. MDA reports for fiscal 2026 it will obligate the entire general fund appropriation, and the agency is in the midst of making project selection and executing contracts.

Location of Provision in the Bill: Section 1 (p. 6)

Analysis prepared by: Andrew D. Gray

Eliminate Mandate for Maryland Native Plants Program

Provision in the Bill: Repeals the requirement that the Governor 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 staff to administer the Maryland Native Plants Program. The fiscal 2027 budget as introduced includes a \$150,000 general fund reduction at the University of Maryland, College Park Campus (UMCP) and a \$100,000 general fund reduction in MDA’s Marketing and Agriculture Development Program, contingent on the enactment of legislation eliminating the Maryland Native Plants Program mandate.

Agency: UME at UMCP; MDA

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)

State Effect: No impact in fiscal 2026. 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 2027. 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 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.

MDA hired a marketing specialist in July 2023 to administer the program and UME hired a native plants and landscapes specialist in September 2024. A statewide advisory board comprising representatives from UME, MDA, the Department of Natural Resources (DNR), the Maryland Native Plant Society, and various nurseries compiled the draft “Commercial Maryland Native Plants List.” UME published the Maryland Native Plant

Guide Piedmont Region in calendar 2025. MDA, in partnership with UME, DNR, and the Maryland Native Plant Society, launched the Maryland's Best Native Plant Program in April 2025. The Maryland's Best Native Plant Program is a voluntary marketing program that has three certification categories – gold, silver, and bronze – based on the percentage of native plants in a nursery's inventory.

Location of Provision in the Bill: Section 1 (pp. 6-7)

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

Reduce Mandate for Tri-County Council for Southern Maryland

Provision in the Bill: Reduces the amount of funding that the Governor must provide to the Tri-County Council for Southern Maryland (TCC) from the Cigarette Restitution Fund (CRF) from \$1.0 million to \$700,000 beginning in fiscal 2027. The fiscal 2027 budget as introduced includes a \$300,000 special fund reduction, contingent on the enactment of legislation reducing the CRF mandated appropriation for TCC to \$700,000.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)

State Effect: No impact in fiscal 2026. Special fund expenditures from CRF for TCC decrease by \$300,000 annually beginning in fiscal 2027. These savings are offset by repurposing of CRF dollars to fund other CRF eligible expenses for no net effect on total CRF expenditures. However, general fund expenditures decrease by a corresponding amount in each year due to CRF availability for other CRF-supported programs, including Medicaid expenses, which is an entitlement program 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 to help fund 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 monies 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 required the funds to be used for the activities of SMADC. Subsequently, Chapters 575 and 576 of 2024 made the funding requirement permanent and increased the annual mandated appropriation from CRF by \$100,000 – to \$1.0 million – beginning in fiscal 2026.

Location of Provision in the Bill: Section 1 (p. 8)

Analysis prepared by: Andrew D. Gray

Eliminate Mandate for Lacrosse Opportunities Program

Provision in the Bill: Eliminates the requirement that the Governor provide at least \$40,000 each year for the Lacrosse Opportunities Program; instead authorizes the Governor to provide the funding. The fiscal 2027 budget as introduced includes a \$40,000 general fund reduction, contingent on the enactment of legislation repealing the mandate.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Mandate relief

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$40,000 annually beginning in fiscal 2027. Revenues are not affected.

Local Effect: To the extent local education agencies (LEAs) would otherwise receive a grant under the program, local revenues and expenditures may decrease. However, as the program received no applications in fiscal 2025, local finances are likely not affected.

Program Description/Recent History: Chapter 706 of 2012 established the Lacrosse Opportunities Program in MSDE to increase opportunities for minority public school students to participate in lacrosse in their communities. Initially, only specified LEAs were eligible to receive grants under the program. Chapter 551 of 2017 expanded eligibility for grants to include youth lacrosse nonprofit organizations in specified counties. The State Superintendent of Schools must develop and administer the program and provide grants to eligible LEAs and youth lacrosse nonprofit organizations, to the extent funds are available. The Governor must include at least \$40,000 annually for the program in the State budget. The program received no applications in fiscal 2025.

Location of Provision in the Bill: Section 1 (pp. 8-9)

Analysis prepared by: Katharine F. Barbour

Reduce Mandate for Coordinated Community Supports Partnership Fund

Provision in the Bill: Reduces the amount of funding that the Governor must provide annually for the Coordinated Community Supports Partnership (CCSP) Fund from \$100.0 million to \$80.0 million beginning in fiscal 2027. The fiscal 2027 budget as introduced includes a \$20.0 million special fund reduction from the Blueprint for Maryland’s Future Fund (BMFF) in the Maryland Department of Health’s (MDH) Maryland Community Health Resources Commission (MCHRC), contingent on the enactment of legislation that reduces the mandate for the Consortium on Coordinated Community Supports.

Agency: MDH

Type of Action: Mandate relief

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
SF Exp	\$0	(\$20.0)	\$20.0	\$0	\$0	\$0
GF Exp	\$0	\$0	(\$40.0)	(\$20.0)	(\$20.0)	(\$20.0)

State Effect: No impact in fiscal 2026. Special fund expenditures for MCHRC for the CCSP Fund decrease by \$20.0 million annually beginning in fiscal 2027 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 assumed that the savings of \$20.0 million from fiscal 2027 are expended in fiscal 2028 rather than being used for other BMFF costs before then. Therefore, in fiscal 2028, special fund expenditures increase by \$20.0 million, while general fund expenditures decrease by \$40.0 million. Beginning in fiscal 2029, general fund expenditures decrease by \$20.0 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 Coordinated 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 the 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. Funding for the CCSP Fund was reduced to \$40.0 million in fiscal 2025. Chapter 237 of 2025 (Excellence in Maryland

Public Schools Act) reduced the mandated appropriation for the CCSP Fund to \$70.0 million in fiscal 2026 and \$100.0 million annually thereafter.

Location of Provision in the Bill: Section 1 (p. 9)

Analysis prepared by: Anne W. Braun

Alter Senator John A. Cade Funding Formula for Local Community College Aid

Provision in the Bill: Limits the State share of community college aid provided under the Senator John A. Cade Funding Formula to an increase of 3% over the State share provided to each community college in the preceding fiscal year for fiscal 2027 through 2029. The fiscal 2027 budget as introduced includes a \$21.0 million general fund reduction, contingent on the enactment of legislation implementing the 3% cap.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$21.0)	(\$5.5)	(\$5.4)	\$0	\$0

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$21.0 million in fiscal 2027 and then by \$5.5 million in fiscal 2028 and \$5.4 million in fiscal 2029 – reflecting savings from capping growth at four community colleges otherwise projected to exceed the 3% cap in these years. Revenues are not affected.

Local Effect: Direct State aid for local community colleges decreases by \$21.0 million in fiscal 2027, \$5.5 million in fiscal 2028, and \$5.4 million in fiscal 2029. **Exhibit 1** shows the effect on each community college in fiscal 2027.

Program Description: The Cade funding formula makes up the majority of State funding for the 15 locally operated community colleges in the State. The total funds to be distributed through the formula are based on a percentage of the State’s funding per full-time equivalent student (FTES) for selected public four-year institutions of higher education. The State’s annual contribution to the Cade funding formula is determined by enrollment at community colleges and a percentage, set in statute, of the level of funding received by selected public four-year institutions in the second preceding year. Specifically, the formula bases per student funding on a set statutory percentage of current year State appropriations per FTES at the selected four-year institutions. This per FTES amount is multiplied by total community college enrollment from the second prior year or a combined average of the second, third, and fourth prior years, whichever is larger, to arrive at the total formula amount for the colleges. Under current law, the mandated percentage of selected public four-year per FTES funding for the Cade funding formula is 27.2%.

Exhibit 1
Distribution of Cade Formula Funding for Local Community Colleges
Fiscal 2027

<u>Community College</u>	<u>Current Law</u> <u>Distribution</u>	<u>BRFA</u> <u>Distribution</u>	<u>Difference</u>	<u>Difference</u> <u>As a %</u>
Allegany College of Maryland	\$9,616,589	\$9,397,435	(\$219,153)	-2.3%
Anne Arundel Community College	48,478,105	44,660,516	(3,817,589)	-7.9%
Community College of Baltimore County	73,796,474	70,896,218	(2,900,256)	-3.9%
Carroll Community College	13,807,739	13,212,963	(594,776)	-4.3%
Cecil College	8,063,445	7,991,668	(71,776)	-0.9%
College of Southern Maryland	21,267,665	20,371,285	(896,380)	-4.2%
Chesapeake College	10,609,870	10,538,004	(71,866)	-0.7%
Frederick Community College	24,783,597	23,303,494	(1,480,103)	-6.0%
Garrett College	4,250,368	4,250,368	0	0.0%
Hagerstown Community College	17,857,106	17,857,106	0	0.0%
Harford Community College	19,821,860	19,212,843	(609,016)	-3.1%
Howard Community College	35,848,871	34,939,725	(909,146)	-2.5%
Montgomery College	77,756,640	74,640,855	(3,115,786)	-4.0%
Prince George's Community College	55,644,541	51,165,697	(4,478,844)	-8.0%
Wor-Wic Community College	14,569,542	12,743,753	(1,825,789)	-12.5%
Total	\$436,172,411	\$415,181,931	(\$20,990,480)	-4.8%

BRFA: Budget Reconciliation and Financing Act

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

Source: Department of Legislative Services

Recent History: The Budget Reconciliation and Financing Act of 2024 (Chapter 717) altered the calculation under the formula to (1) reduce the per FTES funding percentage from 29.0% to 27.2%; (2) remove a hold harmless provision; (3) remove fixed costs as part of the calculation; and (4) change the enrollment used to determine the funding amount from the number of FTES from the level two years prior at each community college to the greater of the number of FTES two years prior or the combined average of FTES from the second, third, and fourth prior year. A separate provision changed the State per FTES used in the calculation to relate to the per FTES funding in the second prior year.

Location of Provision in the Bill: Section 1 (pp. 9-10)

Analysis prepared by: David Propert

Alter Baltimore City Community College Funding Formula

Provision in the Bill: Alters the Baltimore City Community College (BCCC) funding formula by reducing the funding percentage per full-time equivalent student (FTES) of selected public four-year institutions from 68.5% to 67.5% beginning in fiscal 2027. The fiscal 2027 budget as introduced includes a \$713,762 general fund reduction, contingent on the enactment of legislation decreasing the funding formula percentage.

Agency: BCCC

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$0.7)	(\$0.7)	(\$0.7)	(\$0.8)	(\$0.8)

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$0.7 million in fiscal 2027, reflecting the amount of the contingent reduction in the fiscal 2027 budget as introduced. General fund expenditures decrease by an equivalent amount in fiscal 2028 as the formula amount is anticipated to be at a hold harmless level in that year (due to declining State funding per FTES at the selected public four-year institutions in fiscal 2026, which is the basis for that calculation). General fund expenditures decrease by \$0.7 million in fiscal 2029 and \$0.8 million in fiscal 2030 and 2031. Out-year estimates assume an increase in BCCC enrollment of 0.5% per year. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapters 568 and 569 of 1998 established a funding formula for BCCC, which was enhanced in fiscal 2006 and has been further revised several times since then. The BCCC funding formula makes up the majority of State funding for the community college. The total funds to be distributed through the formula are based on a percentage of the State's funding per FTES for selected public four-year institutions of higher education and the enrollment two years prior at BCCC. However, the formula also includes a hold harmless provision that requires the Governor to fund the formula at an amount no lower than the amount provided in the prior year budget. A reduction of per FTES funding from 68.5% to 67.5% of selected public four-year institutions has a corresponding effect on the hold harmless provision in future fiscal years.

Prior to the fiscal 2027 budget submission, BCCC reports that enrollment counts used for formula funding in fiscal 2024 excluded eligible noncredit enrollment. This contributed to BCCC receiving funding at the hold harmless provision level in fiscal 2026.

The Budget Reconciliation and Financing Act of 2024 (Chapter 717) altered the calculation of the State per FTES funding at selected public four-year institutions to be based on the second preceding year.

Location of Provision in the Bill: Section 1 (p. 10)

Analysis prepared by: David Propert

Level Fund Sellinger Funding Formula from Fiscal 2027 through 2029

Provision in the Bill: Specifies, for fiscal 2027 through 2029, the amount of funding each qualifying institution receives under the Joseph A. Sellinger formula for a total of \$73,322,724. The amounts per institution are frozen at the fiscal 2026 level for all three years. The fiscal 2027 budget as introduced includes a reduction of \$4,467,023 in general funds, contingent on the enactment of legislation to level fund the program.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$4.5)	(\$3.3)	(\$5.5)	\$0	\$0

State Effect: No impact in fiscal 2026. General fund expenditures for the Sellinger program decrease by \$4.5 million in fiscal 2027 and then an estimated \$3.3 million in fiscal 2028 and \$5.5 million in fiscal 2029 – reflecting estimated State funding per full-time equivalent student (FTES) at the selected public four-year institutions on which the formula is based as well as changes in estimated enrollment at the private colleges and universities in fiscal 2026 and 2027, which are the basis of the calculations in those years. Revenues are not affected.

Local Effect: None.

Program Description: The Joseph A. Sellinger Program provides State funding to 13 qualifying nonprofit independent colleges and universities. The formula for the Sellinger program uses a percentage of the State’s per FTES funding for selected public four-year institutions of higher education to determine a per FTES funding amount for the independent institutions. Under current law, the mandated Sellinger percentage of per FTES funding at the public four-year institutions is 16.1% for fiscal 2025 and annually thereafter. This figure is then multiplied by the two-year prior undergraduate FTES enrollment at each of the qualifying institutions to determine the allocation of Sellinger funds. The impact of the fiscal 2027 reduction by institution is shown in **Exhibit 1**.

Exhibit 1
Comparison of Funding Distribution Under the Joseph A. Sellinger Program
Fiscal 2027

<u>Institution</u>	<u>Current Law</u>	<u>BRFA</u>	<u>Change</u>	
	<u>Distribution</u>	<u>Distribution</u>	<u>In Dollars</u>	<u>As a %</u>
The Johns Hopkins University	\$21,284,049	\$20,554,298	(\$729,751)	-3.6%
Loyola University of Maryland	13,366,529	12,550,328	(816,201)	-6.5%
Stevenson University	9,777,166	9,206,521	(570,645)	-6.2%
McDaniel College	6,200,024	5,945,264	(254,760)	-4.3%
Mount St. Mary's University	5,537,796	5,476,872	(60,924)	-1.1%
Maryland Institute College of Art	3,825,336	3,745,718	(79,618)	-2.1%
Hood College	3,634,666	3,611,811	(22,855)	-0.6%
Goucher College	3,462,650	3,168,940	(293,710)	-9.3%
Washington College	3,166,911	3,041,744	(125,167)	-4.1%
Notre Dame of Maryland University	3,462,422	2,037,187	(1,425,235)	-70.0%
St. John's College	1,649,412	1,701,410	51,998	3.1%
Washington Adventist University	1,340,803	1,367,650	26,847	2.0%
Capitol Technology University	1,081,983	914,981	(167,002)	-18.3%
Total	\$77,789,747	\$73,322,724	(\$4,467,023)	-6.1%

BRFA: Budget Reconciliation and Financing Act

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

Source: Department of Budget and Management; Department of Legislative Services

Recent History: The Budget Reconciliation and Financing Act of 2024 (Chapter 717) altered the calculation for apportionment of funding to qualifying institutions under the Joseph A. Sellinger Program beginning in fiscal 2025 to (1) be based on the full-time equivalent enrollment of undergraduate students only at the institutions; (2) increase the percentage of FTES in the calculation from 15.5% to 16.1%; and (3) modify the methodology for calculating the State funding per FTES at the selected public four-year institutions to be based on two-year prior actual expenditures for the general fund and Higher Education Investment Fund and two-year prior enrollment data.

Location of Provision in the Bill: Section 1 (pp. 10-12)

Analysis prepared by: Sara J. Baker

Reduce Mandate for Community College Promise Scholarship Program

Provision in the Bill: Reduces the amount of funding that the Governor must annually provide to the Maryland Community College Promise Scholarship Program from \$13.5 million to \$12.5 million beginning in fiscal 2027. The fiscal 2027 budget as introduced includes a \$1.0 million general fund reduction, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Higher Education Commission (MHEC)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$1.0 million in fiscal 2027 and annually thereafter due to the lower mandated appropriation. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapter 554 of 2018 created the Maryland Community College Promise Scholarship Program, which is a last-dollar award providing up to \$5,000 annually for tuition and fees for eligible students at Maryland community colleges. As a last-dollar award, it covers costs not met by any other student financial aid, excluding loans.

Chapter 634 of 2023 made each community college in the State, rather than the MHEC Office of Student Financial Assistance, responsible for the selection and distribution of awards. Chapters 377 and 378 of 2025 altered the eligibility for the program to allow part-time associate's degree students to receive awards for up to six years, while making no change to the eligibility for other associate's degree students. Chapters 377 and 378 also clarified that students who are pursuing licensure or certification or participating in a registered apprenticeship program are eligible to receive the award for up to three years. The Budget Reconciliation and Financing Act of 2025 (Chapter 604) reduced the amount that the Governor must annually provide from \$15.0 million to \$13.5 million beginning in fiscal 2026.

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

Analysis prepared by: David Propert

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

Provision in the Bill: Reduces the amount of funding that the Governor must annually provide to the Maryland Loan Assistance Repayment Program (MLARP) for Police Officers and Probation Agents from at least \$2.0 million to at least \$500,000 beginning in fiscal 2027. The fiscal 2027 budget as introduced includes a \$1.5 million general fund reduction, 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 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$1.5 million annually beginning in fiscal 2027. Revenues are not affected.

Local Effect: None.

Program Description: MLARP 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.

The Budget Reconciliation and Financing Act of 2025 (Chapter 604) reduced the funding the Governor must provide to \$500,000 in fiscal 2025 and set it at \$2.0 million for each fiscal year thereafter.

Location of Provision in the Bill: Section 1 (p. 13)

Analysis prepared by: David Propert

Reduce Mandate for Maryland Police Officers and Probation Agents Scholarship Program

Provision in the Bill: Reduces the amount of funding that the Governor must annually provide to the Maryland Police Officers and Probation Agents Scholarship Program from \$2.0 million to \$500,000 beginning in fiscal 2027. The fiscal 2027 budget as introduced includes a \$1.5 million general fund reduction, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Higher Education Commission (MHEC)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
G Exp	\$0	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$1.5 million annually beginning in fiscal 2027. Revenues are not affected.

Local Effect: None.

Program Description: The Maryland Police Officers and Probation Agents Scholarship Program is awarded to eligible current police officers or probation agents or individuals planning to become a police officer or probation (or parole) agent who are enrolled in an academic program that furthers their career in law enforcement. Recipients must pledge to work as a police officer or probation (or parole) agent in the State upon completion of their studies. The scholarship provides 50% of the equivalent annual tuition and mandatory fees of a resident undergraduate student at the eligible institution.

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 probation and parole 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.

Recent History: In July 2024, the Board of Public Works approved cost containment actions, including reducing funding for the scholarship program from \$5.0 million to \$3.9 million for fiscal 2025. The Budget Reconciliation and Financing Act (BRFA) of 2025 (Chapter 604) reduced the funding the Governor must provide in fiscal 2025 to \$500,000

and set it at \$2.0 million for each fiscal year thereafter. The BRFA of 2025 also repealed the requirement that MHEC use one-half of the funding for students who intend to become police officers or probation (or parole) agents and the other half for existing police officers or probation (or parole) agents.

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

Analysis prepared by: David Propert

Reduce Mandate for Activities Aimed at Reducing Tobacco Use

Provision in the Bill: Reduces the amount of funding that the Governor must include in the annual budget for activities aimed at reducing tobacco use in Maryland from \$18.25 million to \$17.52 million beginning in fiscal 2027. The fiscal 2027 budget as introduced includes a general fund reduction of \$730,000, contingent on the enactment of legislation *eliminating* the funding mandate for tobacco use reduction activities.

Agency: Maryland Department of Health (MDH)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$0.7)	(\$0.7)	(\$0.7)	(\$0.7)	(\$0.7)

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$730,000 annually beginning in fiscal 2027. However, as currently written, the enactment of this provision does not effectuate the contingent general fund reduction in fiscal 2027 because the provision reduces, rather than eliminates, the mandate. Revenues are not affected.

Local Effect: None.

Program Description: The Tobacco Use Prevention and Cessation Program in the MDH Prevention and Health Promotion Administration aims to reduce the use of tobacco products and to reduce the burden of tobacco-related morbidity and mortality in the State. Tobacco cessation programs and services are supported with general and federal funds, as well as special funds from the Cigarette Restitution Fund. Chapter 37 of 2021 increased the mandated appropriation for tobacco use reduction activities from \$10.0 million to at least \$18.25 million beginning in fiscal 2022. Due to the Governor vetoing and the legislature subsequently overriding the veto, the increase in funding was first included in the State budget in fiscal 2023.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 15-16)

Analysis prepared by: Naomi M. Komuro

Reduce Mandate for Public Safety Apprenticeship Program

Provision in the Bill: Reduces, beginning in fiscal 2026, the amount of funding the Governor must annually provide for the Public Safety Apprenticeship Program from \$750,000 to \$390,000. The fiscal 2027 budget as introduced includes general fund reductions of \$360,000 in each of fiscal 2026 and 2027, 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 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)

State Effect: General fund expenditures decrease by \$360,000 annually beginning in fiscal 2026. Revenues are not affected.

Local Effect: Reducing the amount of grants available to eligible local public safety agencies does not materially affect local finances as the program received no applications in recent years.

Program Description: Chapter 25 of 2019 created the Law Enforcement Cadet Apprenticeship Program to provide competitive grants to law enforcement agencies to help offset costs associated with hiring apprentices and required the Governor to include \$750,000 per year for the program beginning in fiscal 2021.

Recent History: From fiscal 2021 through 2024, MD Labor did not make any awards under the Law Enforcement Cadet Apprenticeship Program due to a lack of qualified applicants. Chapters 708 and 709 of 2024 renamed the program to be the Public Safety Apprenticeship Program and expanded eligibility for grants beyond traditional law enforcement agencies. Additionally, maximum grant awards were increased to encourage applications. However, MD Labor again did not make any awards under this program in fiscal 2025.

Location of Provision in the Bill: Section 1 (pp. 16-17)

Analysis prepared by: Connor A. Brown

Reduce Mandate for Career Pathways for Health Care Workers Program

Provision in the Bill: Reduces the amount of funding the Governor must annually provide for the Career Pathways for Health Care Workers Program from \$500,000 to \$350,000 beginning in fiscal 2027. The fiscal 2027 budget as introduced includes a \$150,000 general fund reduction, 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 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$150,000 annually beginning in fiscal 2027. Revenues are not affected. 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: 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. This program provides matching grants to hospitals or related institutions to pay for the training programs attended by health care workers, with a goal of providing increased opportunities for health care workers to receive training across the State. Chapter 403 required the Governor to include an appropriation of at least \$1.0 million annually for the program.

Recent History: The Budget Reconciliation and Financing Act of 2025 (Chapter 604) reduced the mandate for the Career Pathways for Health Care Workers Program to \$500,000 per year, beginning in fiscal 2025.

Location of Provision in the Bill: Section 1 (p. 17)

Analysis prepared by: Connor A. Brown

Alter Funding for Local Income Tax Disparity Grants

Provision in the Bill: Suspends the requirement that disparity grants be funded by statutory formula by specifying amounts by jurisdiction at fiscal 2026 statutory levels for fiscal 2027 through 2029. The fiscal 2027 budget as introduced includes a \$27.0 million general fund reduction, contingent on the enactment of legislation to fund the disparity grant at the fiscal 2026 level.

Agency: Payments to Civil Divisions of the State; Comptroller's Office

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$27.0)	(\$27.0)	(\$27.0)	\$0	\$0

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$27.0 million in fiscal 2027 and by at least similar amounts through fiscal 2029. Impacts in fiscal 2028 and 2029 are estimates based on fiscal 2027 formula funding levels. Revenues are not affected.

Local Effect: Local revenues decrease for counties receiving disparity grants by a total of \$27.0 million in fiscal 2027 and by at least similar amounts in fiscal 2028 and 2029. Impacted counties include Allegany, Caroline, Dorchester, Garrett, Prince George's, Somerset, Washington, and Wicomico, as shown in **Exhibit 1**.

Program Description: The disparity grant program provides grants to low-wealth local governments where per capita local income tax revenue is below 75% of the statewide average. The disparity grant formula increases as disparities in tax generation increase. The uncapped grant amount is the funding necessary to bring a county government's tax revenues to 75% of the statewide average. The capped grant amount is the fiscal 2010 grant level. The formula dictates that the disparity grant is equal to the lesser of the capped or uncapped grant. If the capped grant is lesser, however, the formula dictates that a percentage of the uncapped grant amount be provided dependent on the tier of tax effort. The formula provides grants at three tiers based on local tax effort, increasing grant amounts for jurisdictions with higher tax rates.

Recent History: Section 21 of the fiscal 2026 budget bill added \$17.1 million to the disparity grant program to increase the grants to counties taxing at the highest tier, from 75% to 90% of the uncapped grant amount.

Exhibit 1
Disparity Grant Changes by Jurisdiction
Fiscal 2027

County	Grant Amount Under Formula	Contingent Reduction	Funding Under This Provision
Allegany	\$13,611,973	(\$6,313,468)	\$7,298,505
Anne Arundel	0	0	\$0
Baltimore City	79,051,790	0	\$79,051,790
Baltimore	0	0	\$0
Calvert	0	0	\$0
Caroline	4,736,254	(841,501)	\$3,894,753
Carroll	0	0	\$0
Cecil	0	0	\$0
Charles	0	0	\$0
Dorchester	4,823,873	(664,863)	\$4,159,010
Frederick	0	0	\$0
Garrett	2,131,271	(83,863)	\$2,047,408
Harford	0	0	\$0
Howard	0	0	\$0
Kent	0	0	\$0
Montgomery	0	0	\$0
Prince George's	74,406,104	(17,516,640)	\$56,889,464
Queen Anne's	0	0	\$0
St. Mary's	0	0	\$0
Somerset	8,014,004	(762,272)	\$7,251,732
Talbot	0	0	\$0
Washington	2,823,659	(316,408)	\$2,507,251
Wicomico	14,000,657	(497,706)	\$13,502,951
Worcester	0	0	\$0
Total	\$203,599,585	(\$26,996,721)	\$176,602,864

Source: Department of Legislative Services

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

Analysis prepared by: Jacob C. Cash

Reduce Mandate for Prince George’s County Reentry Employment Incentive Program

Provision in the Bill: Reduces, for fiscal 2027 and 2028, the amount of funding that the Governor must annually provide to the Prince George’s County Office of the County Executive for the Prince George’s County Reentry Employment Incentive Program from \$500,000 to \$350,000. (The mandated appropriation for the program ends after fiscal 2028.) The fiscal 2027 budget as introduced includes a \$150,000 general fund reduction, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Department of Labor

Type of Action: Mandate relief

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$0.2)	(\$0.2)	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$150,000 in fiscal 2027 and 2028 (after which funding is no longer mandated for the program under current law). Revenues are not affected.

Local Effect: Prince George’s County revenues associated with the program decrease by \$150,000 in fiscal 2027 and 2028. Expenditures are correspondingly affected, unless Prince George’s County funds the program itself at a higher level.

Program Description: Chapter 791 of 2023 required the Governor to include \$500,000 each year from fiscal 2025 through 2028 for the Prince George’s County Reentry Employment Incentive Program. This program, which is operated by Prince George’s County, provides financial incentives for qualifying employers that hire qualifying Prince George’s County residents with criminal backgrounds, with the aim of decreasing crime and supporting both the citizens and economy of Prince George’s County.

Recent History: None.

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

Analysis prepared by: Connor A. Brown

Reduce Mandate for Small Commercial Project Trust Account Under Historic Revitalization Tax Credit Program

Provision in the Bill: Reduces the amount of funding that the Governor must annually provide for the Small Commercial Project Trust Account within the Historic Revitalization Tax Credit Reserve Fund from \$2.0 million to \$500,000 beginning in fiscal 2027. (The mandated appropriation for the trust account ends after fiscal 2031.) The fiscal 2027 budget as introduced includes a \$1.5 million general fund reduction, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Department of Planning (MDP)

Type of Action: Mandate relief

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
SF Rev	\$0	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)
GF Exp	\$0	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)
SF Exp	\$0	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)

State Effect: No impact in fiscal 2026. General fund expenditures for the Small Commercial Project Trust Account within the Historic Revitalization Tax Credit Reserve Fund decrease by \$1.5 million annually from fiscal 2027 through 2031 (after which funding is no longer mandated for the program under current law). Special fund revenues to the trust account decrease by a corresponding amount. To the extent that fewer tax credits are issued due to a lower available fund balance, special fund expenditures also decrease by up to \$1.5 million annually; however, the program is undersubscribed and typically certifies less than \$2.0 million in tax credits each year, so the actual decrease is likely to be less than \$1.5 million.

Local Effect: None.

Program Description: The Maryland Historic Revitalization Tax Credit program provides State income tax credits to cover a portion of qualifying rehabilitation expenses at certified historic properties. Each year, the Governor must include in the budget an appropriation to the Historic Revitalization Tax Credit Reserve Fund, which is used to determine the total amount of credits for commercial rehabilitation projects that MDP can certify and ultimately to reimburse the State when income tax credits are claimed. Chapter 601 of 2014 established credit eligibility for certain small commercial projects; tax credits for small commercial projects were nonbudgeted for much of the program’s history but subject to an aggregate cap.

Chapters 449 and 450 of 2022 established a Small Commercial Project Trust Account with mandated funding of \$2.0 million annually from fiscal 2024 through 2031. Small commercial rehabilitations eligible for the credit must have between \$5,000 and \$500,000 in total qualified rehabilitation expenses. Credits are capped at \$50,000 in a 24-month period. Tax credits are also available for the rehabilitation of residential properties, but these credits can be claimed directly through the Comptroller and are not subject to annual appropriations.

Recent History: The Budget Reconciliation and Financing Act of 2025 (Chapter 604) reduced mandated funding for the Maryland Historic Revitalization Tax Credit program's competitive commercial program for fiscal 2026 through 2028 but did not affect the small commercial program. The Small Commercial Project Trust Account closed fiscal 2025 with an unencumbered balance of more than \$2.0 million, and the fiscal 2026 budget bill as enacted eliminated funding for the small commercial program due to the existing fund balance. MDP approved anticipated credits under the small commercial program totaling \$1.5 million in fiscal 2024 and \$357,466 in fiscal 2025.

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

Analysis prepared by: Elizabeth Waibel

Eliminate Requirement to Print Budget Books

Provision in the Bill: Repeals the requirement that the Governor provide printed copies of annual budget books and instead requires the budget books to be published online. The fiscal 2027 budget as introduced includes a \$40,000 general fund reduction, contingent on the enactment of legislation removing this requirement.

Agency: Department of Budget and Management (DBM)

Type of Action: Mandate relief

State Effect: No impact in fiscal 2026. General fund expenditures for DBM decrease by \$40,000 annually beginning in fiscal 2027. Revenues are not affected.

Local Effect: None.

Program Description: On submission of the budget bill, the Governor is required to provide supporting material as specified in printed budget books and on DBM's website.

Recent History: The Budget Reconciliation and Financing Act of 2020 (Chapter 538) required that information in the budget books be provided on DBM's website simultaneously with the submission of the annual State budget.

Location of Provision in the Bill: Section 1 (p. 21)

Analysis prepared by: Jacob C. Cash

Suspend Requirement to Appropriate Surplus to Revenue Stabilization Account

Provision in the Bill: Suspends, for fiscal 2027 only, the requirement that the Governor appropriate general fund surplus to the Revenue Stabilization Account (Rainy Day Fund). The fiscal 2027 budget as introduced includes a \$449.8 million general fund reduction in the Rainy Day Fund, contingent on the enactment of legislation eliminating the appropriation for fiscal 2027.

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

Type of Action: Mandate relief

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
SF Rev	\$0	(\$449.8)	\$0	\$0	\$0	\$0
GF Exp	\$0	(\$449.8)	\$0	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$449.8 million in fiscal 2027 only, reflecting the contingent reduction to the Rainy Day Fund, and special fund revenues decrease by a corresponding amount.

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. 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. The Department of Legislative Services projects the balance in the Rainy Day Fund will be \$2.17 billion, or 8.0% of projected general fund revenues following fiscal 2027 actions.

Recent History: The Budget Reconciliation and Financing Act (BRFA) 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, which was later transferred to the Blueprint for Maryland's Future Fund. The General Assembly deleted the funds appropriated for the Rainy Day Fund in the fiscal 2025 budget bill. The BRFA of 2025 (Chapter 604 of 2025) suspended the requirement to appropriate surplus revenue to the Rainy Day Fund in fiscal 2026.

Location of Provision in the Bill: Section 1 (pp. 21-22)

Analysis prepared by: Jacob C. Cash

Alter Local Share of Teacher, Community College, and Library Retirement System Payments

Provision in the Bill: Reduces, by \$39.3 million, beginning in fiscal 2027, 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, community colleges, and libraries. Accordingly, increases employer contributions by counties and Baltimore City commensurately, in proportion to their respective shares of TRS/TPS membership. The fiscal 2027 budget as introduced includes, in the aggregate, \$39.3 million in general fund reductions, contingent on the enactment of legislation reducing the State’s share of these retirement costs.

Agency: Maryland State Department of Education (MSDE); Maryland Higher Education Commission (MHEC); Maryland State Library Agency (MSLA)

Type of Action: Mandate relief; cost shift

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$39.3)	(\$39.3)	(\$39.3)	(\$39.3)	(\$39.3)

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$39.3 million annually beginning in fiscal 2027. 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 \$39.3 million annually beginning in fiscal 2027, with payment due by September 1, 2027, 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. Prior to fiscal 2026, the State paid 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 Budget Reconciliation and Financing Act (BRFA) of 2025 (Chapter 604) permanently reduced by \$97.7 million, beginning in fiscal 2026, the State share of employer contributions for TRS/TPS members employed by local school systems and community

colleges, and required counties and Baltimore City to pay a commensurate amount to the State Retirement and Pension System (prorated by their respective share of TRS/TPS membership). The State shares of employer TRS/TPS contributions for employees of local school systems, community colleges, and libraries are included as separate line items in the respective budgets of MSDE, MHEC, and MSLA.

Exhibit 1
Annual Increase in Employer Contributions by County
Beginning in Fiscal 2027

Allegany	\$385,793
Anne Arundel	3,605,141
Baltimore City	3,239,053
Baltimore	4,770,451
<hr/>	
Calvert	637,225
Caroline	224,105
Carroll	1,037,865
Cecil	636,569
<hr/>	
Charles	1,114,558
Dorchester	204,119
Frederick	1,973,821
Garrett	159,657
<hr/>	
Harford	1,612,674
Howard	2,866,162
Kent	89,690
Montgomery	7,893,053
<hr/>	
Prince George's	5,675,275
Queen Anne's	282,556
St. Mary's	643,305
Somerset	128,509
<hr/>	
Talbot	198,222
Washington	882,020
Wicomico	674,474
Worcester	349,671
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Total	\$39,283,968

Note: Although counties must pay \$39,283,968 more each year, the amount of contingent reductions in the budget bill totals to a negligibly greater amount (\$39,283,971). In the out-years, the savings for the State are reflected as the additional amount paid by the counties.

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, community colleges, and libraries annually beginning in fiscal 2027. 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 (similar to the increased payments in Chapter 604). Of the total amount, \$36.2 million is attributable to members employed by local school systems, \$2.3 million is attributable to members employed by community colleges, and \$0.7 million is attributable to members employed by libraries (amounts do not sum to total due to rounding).

Recent History: The BRFA of 2025 (Chapter 604) included a similar permanent reduction of \$97.7 million to the State share of employer contributions for TRS/TPS members employed by local governments. Counties and Baltimore City were similarly required to pay a commensurate amount to the State Retirement and Pension System.

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

Analysis prepared by: Michael C. Rubenstein

Reduce Mandate for Urban Agriculture Water and Power Infrastructure Grant Fund

Provision in the Bill: Reduces the amount of funding that the Governor must provide for the Maryland Department of Agriculture’s (MDA) Urban Agriculture Water and Power Infrastructure Grant Fund from \$500,000 to \$400,000 in fiscal 2027 only. The fiscal 2027 budget as introduced includes a \$100,000 general fund reduction, contingent upon the enactment of legislation modifying the mandate for the Urban Agriculture Water and Power Grant Program and Fund.

Agency: MDA

Type of Action: Mandate relief

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
SF Rev	\$0	(\$0.1)	\$0	\$0	\$0	\$0
GF Exp	\$0	(\$0.1)	\$0	\$0	\$0	\$0
SF Exp	\$0	(\$0.1)	\$0	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. General fund expenditures decrease in fiscal 2027 by \$100,000 due to the reduction in the mandate. Special fund revenues to and expenditures from the Urban Agriculture Water and Power Infrastructure Grant Fund decrease correspondingly. The mandate is scheduled to end after fiscal 2027 so there is no effect in the out-years.

Local Effect: None.

Program Description: Chapters 393 and 394 of 2022 established the Urban Agriculture Water and Power Infrastructure Grant Program and Fund to provide grants to urban agricultural producers and qualified nonprofit organizations for the purchase and installation of (1) agriculture equipment associated with water supply and irrigation and (2) electric power access. For fiscal 2024 through 2027, the Governor is required to include an appropriation of \$500,000 in the annual budget bill to the fund.

Recent History: As of October 1, 2025, the program had received 29 applications requesting \$1,139,290 across six counties and Baltimore City to install water and power infrastructure on urban operations. Fifteen projects have been completed for \$374,638.

Location of Provision in the Bill: Section 1 (pp. 32-33)

Analysis prepared by: Andrew D. Gray

Eliminate Mandated Distribution to Driver Education in Public High Schools Fund from Fines for Vehicle Security Lapses

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 annually. Likewise, repeal the use of funds from the uninsured motorist penalty as a source for the Driver Education in Public High Schools Fund. Accordingly, increase the amount of money distributed to the general fund. The fiscal 2027 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 Fund mandate.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</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: No impact in fiscal 2026. Special fund revenues and expenditures for the Driver Education in Public High Schools Fund decrease by \$2.0 million annually beginning in fiscal 2027. General fund revenues increase by \$2.0 million annually beginning in fiscal 2027 as funds from the uninsured motorist penalty not otherwise distributed are then distributed to the general fund. (The fiscal 2027 budget as introduced assumes \$2.0 million in general fund revenues.)

Local Effect: Under these provisions, local education agencies (LEAs) will not receive funds through the Driver Education in Public High Schools Grant Program. Currently, no LEAs are certified by the Motor Vehicle Administration (MVA) to provide their own driver education.

Program Description: The Driver Education in Public High Schools Grant Program provides grants to public high schools and nonprofit organizations to assist public high schools in offering driver education courses to students. Priority is provided to public high schools, and nonprofit organizations working with schools, where at least 40% of the registered students are eligible for the federal free or reduced-price meal program.

The Driver Education in Public High Schools Fund, administered by MSDE, 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.

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: (1) \$600,000 to the Safe Schools Fund; (2) \$2.0 million to the Vehicle Theft Protection Fund; (3) 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); (4) \$2.0 million to the Driver Education in Public High Schools Fund; (5) \$600,000 to the State-Aided Institutions Field Trip Fund; 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 in Public High Schools Fund.

Location of Provisions in the Bill: Section 2 (pp. 34-35 and pp. 36-40)

Analysis prepared by: Katharine F. Barbour

Partially Decouple from Federal Bonus Depreciation Enhancement

Provisions in the Bill: Limit the amount of the federal § 168(k) bonus depreciation allowance a manufacturing entity may claim against Maryland taxable income to 20% of the adjusted basis of the qualified property and establish a related decoupling modification. Apply the change to tax year 2026 and beyond.

Agency: Comptroller’s Office

Type of Action: Revenue action

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Rev	\$0	\$10.3	\$9.3	\$6.0	\$4.3	\$3.2
SF Rev	\$0	\$2.4	\$1.9	\$1.2	\$0.9	\$0.7
SF Exp	\$0	\$0.4	\$0.2	\$0.1	\$0.1	\$0.1

State Effect: No impact in fiscal 2026. In fiscal 2027, general fund revenues increase by an estimated \$10.3 million, special fund revenues increase by an estimated \$2.4 million, and special fund expenditures for local highway user revenue grants increase by an estimated \$0.4 million due to the foregone acceleration of depreciation deductions claimed against Maryland taxable income. Future years reflect the projected net effect of (1) foregone § 168(k) bonus depreciation deductions and (2) the offsetting effect of regular depreciation deductions for qualified property that, absent the provisions, would have been fully expensed in a previous year.

This estimate is based on an analysis by the Comptroller’s Office of State and federal income tax return data and estimated federal revenue effects of recent amendments to the § 168(k) bonus depreciation allowance published by the U.S. Joint Committee on Taxation. **Exhibit 1** details the estimated State revenue effects by fund.

Exhibit 1
State Revenue Effects by Fund for Fiscal 2027-2031
(\$ in Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
General Fund	\$10.3	\$9.3	\$6.0	\$4.3	\$3.2
Higher Education Investment Fund	0.6	0.5	0.3	0.2	0.2
Transportation Trust Fund	1.8	1.4	0.9	0.7	0.5
Total State Revenue Effect	\$12.6	\$11.3	\$7.2	\$5.2	\$3.8

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

Source: Comptroller’s Office; Department of Legislative Services

Local Effect: Local income tax revenues and local highway user revenues increase beginning in fiscal 2027 due to the foregone acceleration of depreciation deductions claimed against the personal and corporate income tax, respectively. As shown in **Exhibit 2**, in fiscal 2027, local revenues increase by an estimated total of \$2.3 million, including \$1.9 million in local income tax revenues and \$0.4 million in local highway user revenues. Future years reflect the local share of highway user revenues and the projected net effect of (1) foregone § 168(k) bonus depreciation deductions and (2) the offsetting effect of regular depreciation deductions for qualified property that, absent the provisions, would have been fully expensed in a previous year.

Exhibit 2
Local Revenue Effects for Fiscal 2027-2031
(\$ in Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
Local Income Tax Revenue	\$1.9	\$1.7	\$1.1	\$0.8	\$0.6
Local Highway User Revenue	0.4	0.2	0.1	0.1	0.1
Total Local Revenue Effect	\$2.3	\$1.9	\$1.2	\$0.9	\$0.7

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

Source: Comptroller’s Office; Department of Legislative Services

Program Description: Section § 168(k) of the Internal Revenue Code allows an additional first-year depreciation deduction (“bonus depreciation”) for qualified property acquired for use in the active conduct of a trade or business and that is placed in service by the taxpayer during the tax year. Qualified property includes any Modified Accelerated Cost Recovery System property with a recovery period of 20 years or less (*e.g.*, machinery, equipment, and certain qualified improvements to nonresidential real property); depreciable computer software; water utility property; and certain film, television, theatrical, and sound recording productions.

Maryland has permanently decoupled from the § 168(k) bonus depreciation allowance except with respect to property placed in service by a qualified manufacturing entity on or after January 1, 2019. As further discussed below, the federal One Big Beautiful Bill Act (OBBBA) of 2025 permanently allows 100% bonus depreciation for qualified property placed in service after January 19, 2025. Maryland has automatically conformed to this federal tax change as it applies to manufacturing entities for tax year 2025.

For context, the U.S. Joint Committee on Taxation estimates that the permanent reinstatement of the 100% bonus depreciation allowance will reduce federal revenues by a net of \$362.7 billion over a ten-year period, including a net reduction of \$65.2 billion in federal fiscal 2027.

Recent History: The federal § 168(k) bonus depreciation allowance was first enacted under the federal Job Creation and Worker Assistance Act of 2002 as a 30% additional first-year depreciation deduction for qualified property placed in service after September 10, 2001, and before September 11, 2004. The Budget Reconciliation and Financing Act of 2002 (Chapter 440) permanently decoupled the Maryland income tax from this federal tax change.

The federal bonus depreciation allowance has since been enhanced, reinstated, extended, and otherwise modified several times and was most recently amended by the Tax Cuts and Jobs Act (TCJA) of 2017 and OBBBA of 2025. TCJA allowed a 100% bonus depreciation deduction for qualified property placed in service after September 27, 2017, and before January 1, 2023; the Act gradually phased down the bonus depreciation percentage for tax years after 2022 (80% for 2023; 60% for 2024; 40% for 2025; and 20% for 2026) and fully phased out the allowance for tax year 2027 and beyond. As noted above, OBBBA permanently restores 100% bonus depreciation for property placed in service after January 19, 2025.

The More Jobs for Marylanders Act of 2017 (Chapter 149) allowed qualified manufacturing entities to claim the federal § 168(k) bonus depreciation deduction against Maryland taxable income for qualified property placed in service after 2018. Maryland has otherwise remained decoupled from § 168(k).

Location of Provisions in the Bill: Section 3 (pp. 40-42) and Section 14 (p. 44)

Analysis prepared by: Elizabeth J. Allison

Decouple from Special Depreciation Allowance for Qualified Production Property

Provisions in the Bill: Permanently disallow the federal § 168(n) special depreciation allowance for qualified production property against Maryland taxable income and establish a related decoupling modification. Apply the change to tax year 2026 and beyond. The fiscal 2027 budget as introduced includes a \$6.8 million general fund reduction for public higher education institutions and a \$6.8 million special fund appropriation for public higher education institutions, each contingent on enactment of legislation to partially decouple from the federal One Big Beautiful Bill Act (OBBBA).

Agency: Comptroller’s Office

Type of Action: Revenue action

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Rev	\$0	\$122.5	\$122.7	\$89.2	\$56.8	\$19.1
SF Rev	\$0	\$28.3	\$26.1	\$18.9	\$12.0	\$4.1
GF Exp	\$0	(\$6.8)	(\$6.7)	(\$4.9)	(\$3.1)	(\$1.0)
SF Exp	\$0	\$11.0	\$9.7	\$7.0	\$4.5	\$1.5

State Effect: No effect in fiscal 2026. In fiscal 2027, general fund revenues increase by an estimated \$122.5 million, special fund revenues increase by an estimated \$28.3 million, and special fund expenditures for local highway user revenue grants increase by an estimated \$4.2 million due to the foregone acceleration of depreciation deductions claimed against Maryland taxable income. Special fund expenditures increase further in fiscal 2027, by an additional \$6.8 million, as Higher Education Investment Fund (HEIF) revenues generated by the provision substitute for general funds; general fund expenditures decrease by a corresponding amount. Future years reflect the projected net effect of (1) foregone § 168(n) special depreciation deductions and (2) the offsetting effect of regular depreciation deductions for qualified production property that, absent the decoupling provision, would have been expensed in a previous year. Future year general and special fund expenditures also reflect the assumption that the new HEIF revenues continue to substitute for general fund spending.

This estimate is based on an analysis by the Comptroller’s Office of State and federal income tax return data and estimated federal revenue effects of the § 168(n) special depreciation allowance published by the U.S. Joint Committee on Taxation.

Exhibit 1 details the estimated State revenue effects by fund.

Exhibit 1
State Revenue Effects by Fund for Fiscal 2027-2031
(\$ in Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
General Fund	\$122.5	\$122.7	\$89.2	\$56.8	\$19.1
Higher Education Investment Fund	6.8	6.7	4.9	3.1	1.0
Transportation Trust Fund	21.1	18.9	13.8	8.8	2.9
Strategic Energy Investment Fund	0.4	0.4	0.3	0.2	0.1
Total State Revenue Effect	\$150.9	\$148.8	\$108.1	\$68.8	\$23.2

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

Source: Comptroller's Office; Department of Legislative Services

Local Effect: Local income tax revenues and local highway user revenues increase beginning in fiscal 2027 due to the foregone acceleration of depreciation deductions claimed against the personal and corporate income tax, respectively. As shown in **Exhibit 2**, in fiscal 2027, local revenues increase by an estimated total of \$27.6 million, including \$23.4 million in local income tax revenues and \$4.2 million in local highway user revenues. Future years reflect the local share of highway user revenues and the projected net effect of (1) foregone § 168(n) special depreciation deductions and (2) the offsetting effect of regular depreciation deductions for qualified production property that, absent the decoupling provision, would have been expensed in a previous year.

Exhibit 2
Local Revenue Effects for Fiscal 2027-2031
(\$ in Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
Local Income Tax Revenue	\$23.4	\$23.1	\$16.8	\$10.7	\$3.6
Local Highway User Revenue	4.2	3.0	2.1	1.4	0.5
Total Local Revenue Effect	\$27.6	\$26.0	\$18.9	\$12.0	\$4.1

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

Source: Comptroller's Office; Department of Legislative Services

Program Description/Recent History: The OBBBA of 2025 establishes a 100% first-year special depreciation allowance for certain qualified production property under a new § 168(n) of the Internal Revenue Code. Qualified production property includes any portion of nonresidential real property used by the taxpayer as an integral part of qualified manufacturing, agricultural or chemical production, or refining of a qualified product. Such property is otherwise generally subject to a 39-year recovery period.

The special depreciation allowance is available for qualified production property placed in service after July 4, 2025, and before January 1, 2031, the construction of which begins after January 19, 2025, and before January 1, 2029. Pursuant to § 10-108 of the Tax-General Article, Maryland has automatically decoupled from this federal tax change for tax year 2025 only. For context, the U.S. Joint Committee on Taxation estimates that the § 168(n) allowance will reduce federal revenues by a net of \$141.4 billion over a ten-year period, including a net reduction of \$34.4 billion in federal fiscal 2027.

Location of Provisions in the Bill: Section 3 (pp. 40-42) and Section 14 (p. 44)

Analysis prepared by: Eizabeth J. Allison

Expand Allowable Uses of Cannabis Business Assistance Fund

Provision in the Bill: Expands the allowable uses of the Cannabis Business Assistance Fund (CBAF) for fiscal 2027 through 2029 to include operating costs of up to \$5.0 million for the Department of Social and Economic Mobility (DoSEM) and makes a technical change. The fiscal 2027 budget as introduced includes special fund appropriations totaling \$5.0 million to DoSEM and corresponding general fund reductions totaling \$5.0 million, all contingent on the enactment of legislation authorizing use of CBAF for general agency operations.

Agency: DoSEM; Department of Commerce

Type of Action: Expand use of special fund

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$5.0)	(\$5.0)	(\$5.0)	\$0	\$0
SF Exp	\$0	\$5.0	\$5.0	\$5.0	\$0	\$0

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$5.0 million and special fund expenditures from CBAF increase by \$5.0 million in fiscal 2027, reflecting the level of contingent general fund reductions and contingent special fund appropriations. Assuming the maximum allowable funding for DoSEM operations continues to be used for that purpose, CBAF expenditures also increase by \$5.0 million annually in fiscal 2028 and 2029 and general fund expenditures correspondingly decrease. While CBAF expenditures by Commerce for grants and loans are likely affected due to this funding no longer being available to support such activities, any such impact is not accounted for in this analysis. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapter 605 of 2025 established DoSEM as an independent State agency to coordinate and monitor State social equity initiatives. The department includes the Office of Small, Minority, and Women Business Affairs; the Office of Social Equity; and the Office of Minority Business Enterprises.

Chapter 26 of 2022 established CBAF in Commerce to assist small, minority-, and women-owned businesses entering the cannabis industry. Commerce must prioritize awarding funds to social equity licensees, populations that have been historically disproportionately impacted by the enforcement of cannabis laws, and individuals who have been convicted of cannabis offenses. Funds may also be used for partnerships with minority-serving institutions including historically black colleges and universities.

Chapter 241 of 2024 authorized Commerce to use CBAF to cover the costs of administering the fund.

Chapters 254 and 255 of 2023 required, for fiscal 2024 through 2028 only, CBAF to receive 5% of cannabis sales tax revenues, which totaled \$3.2 million in fiscal 2024 and \$2.1 million in fiscal 2025. CBAF was also capitalized with \$80.0 million, in total, of general funds appropriated in fiscal 2023 and 2024. CBAF closed fiscal 2025 with a balance of more than \$40.0 million; after accounting for planned fiscal 2026 spending and anticipated sales and use tax revenue, the fund is projected to close fiscal 2026 with a balance of more than \$16.0 million.

Location of Provision in the Bill: Section 1 (pp. 7-8)

Analysis prepared by: Nathaly Andrade and Elizabeth Waibel

Expand Allowable Uses of Advance Directive Program Fund

Provision in the Bill: Expands the allowable uses of the Advance Directive Program Fund to include \$1.0 million to support maternal and child health quality initiatives in the Maryland Department of Health (MDH) in fiscal 2027 only. The fiscal 2027 budget as introduced includes a \$1.0 million general fund reduction and a \$1.0 million special fund appropriation, both contingent on the enactment of legislation expanding the authorized uses of the fund.

Agency: MDH

Type of Action: Expand use of special fund

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$1.0)	\$0	\$0	\$0	\$0
SF Exp	\$0	\$1.0	\$0	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. General fund expenditures for maternal and child health initiatives in the MDH Prevention and Health Promotion Administration (PHPA) decrease by \$1.0 million in fiscal 2027, reflecting the reduction contingent on the enactment of this provision. Special fund expenditures in PHPA increase correspondingly in fiscal 2027, reflecting the contingent appropriation. Revenues are not affected.

Local Effect: None.

Program Description: The Advance Directive Program Fund generates revenue from a tax imposed on health insurers by the Maryland Insurance Administration (MIA). MIA annually transfers \$500,000 from the tax to the Advance Directive Program Fund. The Advance Directive Program supports electronic health care planning activities, or an advance directive, for Marylanders unable to make decisions about medical treatment and care due to physical or mental health challenges. As of January 2026, the Advance Directive Program Fund has a balance of \$1,858,762.

Recent History: None.

Location of Provision in the Bill: Section 1 (p. 14)

Analysis prepared by: Naomi M. Komuro

Require Local Reimbursement for Assisted Outpatient Treatment Program Costs

Provision in the Bill: Requires local governments for which the Maryland Department of Health (MDH) establishes Assisted Outpatient Treatment (AOT) programs to reimburse MDH for 25% of the State’s share of their AOT program costs in fiscal 2028, 50% of the State’s share of their program costs in fiscal 2029, 75% of the State’s share of their program costs in fiscal 2030, and 100% of the State’s share of their program costs in fiscal 2031.

Agency: MDH

Type of Action: Cost shift

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
SF Rev	\$0	\$0	\$1.6	\$3.2	\$4.7	\$0
GF Exp	\$0	\$0	(\$1.6)	(\$3.2)	(\$4.7)	\$0
SF Exp	\$0	\$0	\$1.6	\$3.2	\$4.7	\$0

State Effect: No impact in fiscal 2026 or 2027. General fund expenditures decrease by \$1.6 million in fiscal 2028 and by up to \$4.7 million in fiscal 2030. These savings reflect the phased-in local reimbursement percentages and are based on a cost of \$6.3 million annually to operate these programs, though operating costs may be less than \$6.3 million after fiscal 2028. Special fund revenues and expenditures for MDH, reflecting the local cost share, increase correspondingly. To the extent that AOT programs cost less than \$6.3 million after fiscal 2028, the general fund expenditure reductions and the increases in special fund revenues and expenditures are less. As the requirement for AOT programs terminates June 30, 2030, this analysis assumes there is no effect after fiscal 2030.

Local Effect: Local expenditures increase by \$1.6 million in fiscal 2028 and by up to \$4.7 million in fiscal 2030. No effect on local revenues.

Program Description/Recent History: An AOT program is a specific regimen of outpatient treatment for serious and persistent mental illness to which an individual is ordered by the court to adhere. Chapters 703 and 704 of 2024 require an AOT program to be established in each county by July 1, 2026. A county may establish its own program, partner with another county to do so, or, for those that opt not to establish a program, MDH must establish a program for them. An AOT program established by a county must be approved and overseen by the local behavioral health authority or core service agency.

Counties were required to notify MDH by January 2025 as to whether they intended to establish an AOT program; no county has chosen to establish its own program. MDH has previously advised that establishing programs in each county would be cost prohibitive and

that it would start by using a regional approach on July 1, 2026 – with three sites that cover 11 jurisdictions. Chapters 703 and 704 terminate June 30, 2030.

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

Analysis prepared by: Naomi M. Komuro

Expand Allowable Uses of Board of Physicians Fund

Provision in the Bill: Expands the allowable uses of the Board of Physicians Fund to include using \$2.0 million of fund balance to support programs in the Maryland Department of Health (MDH) Office of Population Health Improvement (OPHI) for fiscal 2027 only. The fiscal 2027 budget as introduced includes a \$2.0 million general fund reduction and a \$2.0 million special fund appropriation, both contingent on the enactment of legislation authorizing the transfer of excess special fund balance from the State Board of Physicians.

Agency: MDH

Type of Action: Expand use of special fund

Fiscal Impact:	(\$ in millions)					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$2.0)	\$0	\$0	\$0	\$0
SF Exp	\$0	\$2.0	\$0	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. Although the language does not specify, these funds are expected to be used to support the Maryland Loan Assistance Repayment Program (MLARP) for Physicians and Physician Assistants under OPHI. General fund expenditures for MLARP for Physicians and Physician Assistants decrease by \$2.0 million in fiscal 2027, reflecting the reduction contingent on the enactment of this provision. Special fund expenditures in OPHI increase correspondingly in fiscal 2027, reflecting the contingent appropriation. To the extent that the State Board of Physicians would have otherwise used the available fund balance, special fund expenditures decrease correspondingly for the board. However, the timing of any such expenditures cannot be reliably estimated and has not been accounted for in this analysis. Revenues are not affected.

Local Effect: None.

Program Description: MLARP for Physicians and Physician Assistants provides student loan repayment assistance in exchange for a two-year service commitment to help ensure that underserved areas of the State have sufficient clinicians. Program participants must work in a health professional shortage area or medically underserved area in primary or behavioral health care. The fiscal 2027 budget as introduced includes \$4.4 million total for the program, after accounting for the contingent general fund reduction.

The State Board of Physicians is responsible for the licensing and regulation of individuals practicing medicine as well as many allied health professions. At the close of fiscal 2025, the fund balance for the Board of Physicians Fund was \$5.8 million.

Recent History: The Budget Reconciliation and Financing Act of 2025 (Chapter 604) authorized transfers from several health occupation boards, including \$1.6 million in fiscal 2025 from the balance in the Board of Physicians Fund to the MDH Behavioral Health Administration to replace general funds in the Community Services program to support provider reimbursements.

Location of Provision in the Bill: Section 1 (p. 16)

Analysis prepared by: Victoria Martinez and Naomi Komuro

Expand Allowable Uses of State Board of Professional Counselors and Therapists Fund

Provision in the Bill: Expands the allowable uses of the State Board of Professional Counselors and Therapists Fund to include using \$500,000 of fund balance to support programs in the Maryland Department of Health (MDH) Behavioral Health Administration (BHA) for fiscal 2027 only. The fiscal 2027 budget as introduced includes a \$500,000 general fund reduction and a \$500,000 special fund appropriation, both contingent on the enactment of legislation authorizing the transfer of excess special fund balance from the State Board of Professional Counselors and Therapists.

Agency: MDH

Type of Action: Expand use of special fund

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$0.5)	\$0	\$0	\$0	\$0
SF Exp	\$0	\$0.5	\$0	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. Although not specified, MDH indicates that these funds will be used to support provider reimbursements for the Uninsured Population within the Community Services program under BHA. General fund expenditures for provider reimbursements decrease by \$500,000 in fiscal 2027, reflecting the reduction contingent on the enactment of this provision. Special fund expenditures in BHA increase correspondingly in fiscal 2027, reflecting the contingent appropriation. To the extent that the State Board of Professional Counselors and Therapists would have used the available fund balance, special fund expenditures decrease correspondingly for the board. However, the timing of any such expenditures cannot be reliably estimated and has not been accounted for in this analysis. Revenues are not affected.

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. BHA also reimburses providers for behavioral health services for Medicaid enrollees, Medicaid-eligible individuals, and uninsured or underinsured individuals.

The State Board of Professional Counselors and Therapists is responsible for the licensing and regulation of individuals practicing in the field. At the close of fiscal 2025, the fund

balance for the State Board of Professional Counselors and Therapists Fund was \$3.8 million.

Recent History: The Budget Reconciliation and Financing Act (BRFA) of 2024 (Chapter 717) and the BRFA of 2025 (Chapter 604) authorized transfers from several health occupation boards, including \$1.6 million in fiscal 2024 and \$2.8 million in fiscal 2025 from the balance in the State Board of Professional Counselors and Therapists Fund to BHA to replace general funds in the Community Services program. These transfers each supported provider reimbursement costs in the program.

Location of Provision in the Bill: Section 1 (p. 16)

Analysis prepared by: Victoria Martinez and Naomi Komuro

Suspend Waterway Improvement Fund Distribution

Provision in the Bill: Eliminates, for fiscal 2027 and 2028 only, the mandate for the Department of Natural Resources (DNR) to distribute at least \$250,000 from the Waterway Improvement Fund to a statewide Maryland-based historic preservation nonprofit organization with demonstrated experience in grantmaking. The fiscal 2027 budget as introduced includes a \$250,000 special fund reduction, contingent on the enactment of legislation eliminating the mandate for the Waterway Improvement Fund distribution to a Maryland-based historic preservation nonprofit in fiscal 2027 and 2028 only.

Agency: DNR

Type of Action: Cost containment

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
SF Exp	\$0	(\$0.3)	(\$0.3)	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. Special fund expenditures from the Waterway Improvement Fund decrease by \$250,000 in fiscal 2027 and 2028. Revenues are not affected.

Local Effect: Counties and municipalities are eligible recipients of maritime heritage preservation, interpretation, and conservation funding and, thus, could be impacted.

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 5.0% 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. The statewide nonprofit Preservation Maryland created the Maryland Maritime Heritage Grant Program using the funds appropriated from the Waterway Improvement Fund. Preservation Maryland announced the award of \$200,000 to seven projects on December 4, 2025.

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.

The Budget Reconciliation and Financing Act of 2025 (Chapter 604) 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.

Chapter 433 of 2025 altered Waterway Improvement Fund funding limits.

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

Analysis prepared by: Andrew D. Gray

Expand Allowable Uses of 9-1-1 Trust Fund

Provision in the Bill: Expands, beginning in fiscal 2026, the allowable uses of the 9-1-1 Trust Fund to include program operations of the Maryland Department of Emergency Management (MDEM). The fiscal 2027 budget as introduced includes a federal fund reduction and special fund appropriation each totaling \$3.2 million in MDEM for both fiscal 2026 and 2027, all contingent on the enactment of legislation expanding the uses of the 9-1-1 Trust Fund to support MDEM operations to cover federal fund losses.

Agency: MDEM

Type of Action: Expand use of special fund

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
SF Exp	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2
FF Exp	(\$3.2)	(\$3.2)	\$0	\$0	\$0	\$0

State Effect: Federal fund expenditures for MDEM decrease by \$3.2 million in fiscal 2026 and 2027, and special fund expenditures increase correspondingly, reflecting the contingent reductions and appropriations effectuated by this provision. Assuming the Governor chooses to use the 9-1-1 Trust Fund as authorized in future years, special fund expenditures increase by similar amounts. However, MDEM advises that allowable uses of the 9-1-1 Trust Fund are set federally and are limited to 9-1-1 services. To the extent that some or all MDEM operations are not an allowable use of the 9-1-1 Trust Fund under federal law, the impact on special fund expenditures is mitigated.

Although federal fund reductions are effectuated by this provision, there is no impact on federal fund revenues or expenditures beyond fiscal 2027 because MDEM indicates the State will no longer receive federal awards and reimbursement due to federal actions reducing various grants that currently support these operating expenses. These federal sources include the Emergency Management Performance Grant, State Homeland Security Grant Program, Urban Area Security Initiative, and Building Resilient Infrastructure and Communities Program. Revenues are not affected.

Local Effect: Beginning in fiscal 2026, local governments may receive less funding from the 9-1-1 Trust Fund. Amounts, if any, in any particular year are unknown.

Program Description/Recent History: The 9-1-1 Trust Fund is a special fund administered by the Secretary of Emergency Management to support the operation and enhancement of 9-1-1 systems in the State, including guidance on equipment standards and assistance on training of 9-1-1 personnel. The 9-1-1 Trust Fund is supported through both

a State 9-1-1 fee and a county 9-1-1 fee. Telephone companies, wireless carriers, and other 9-1-1 accessible service providers collect and remit the fees monthly to the Comptroller for deposit into the fund. The 9-1-1 Trust Fund had a fiscal 2025 closing balance of \$132.3 million.

MDEM receives preparedness and mitigation grants – mainly through the Federal Emergency Management Agency (FEMA) – which provide funding for MDEM staffing and projects and pass-through grants to local jurisdictions. FEMA issued award packages for states for federal fiscal 2025 that reduced certain funding awards. The fiscal 2027 budget as introduced includes a total of \$20.6 million in federal funds through various preparedness grants and \$507,225 in federal funds through mitigation grants.

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

Analysis prepared by: Yashodhara Rai

Suspend Requirement for Maryland Community Health Resources Commission Fund to Receive Cigarette Restitution Fund Appropriation in Fiscal 2027

Provision in the Bill: Suspends, in fiscal 2027 only, the requirement that the Governor include an \$8.0 million appropriation from the Cigarette Restitution Fund (CRF) for the Maryland Community Health Resources Commission (MCHRC) Fund. The fiscal 2027 budget as introduced includes a \$1.0 million special fund reduction of CRF monies under MCHRC, contingent on enactment of legislation eliminating the funding mandate for MCHRC and allowing the commission to use existing fund balance for operations. The fiscal 2027 budget as introduced also includes a \$1.0 million general fund reduction and a \$1.0 million special fund appropriation in the Maryland Department of Health (MDH) Medical Care Provider Reimbursements program, contingent on enactment of legislation reducing the CRF mandate for the MCHRC Fund.

Agency: MDH

Type of Action: Change use of special fund

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$1.0)	\$0	\$0	\$0	\$0
SF Exp	\$0	\$1.0	\$0	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. Total special fund expenditures from CRF are not affected, reflecting the contingent \$1.0 million CRF spending reduction in MCHRC and \$1.0 million contingent CRF appropriation for Medicaid. However, special fund expenditures increase by \$1.0 million in fiscal 2027 to account for the use of available fund balance in the MCHRC Fund to replace the contingent CRF spending reduction under MCHRC. General fund expenditures for Medicaid decrease by \$1.0 million due to the reallocation of CRF special funds. Revenues are not affected.

Local Effect: None.

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. CRF uses are restricted by § 7-317 of the State Finance and Procurement Article, including the requirement that the Governor include an annual CRF appropriation of \$8.0 million for the MCHRC Fund from fiscal 2025 through 2029. The MCHRC Fund may be used to cover the administrative costs of MCHRC and provide operating grants to qualifying community health resources, among other uses. According to the commission, the fiscal 2025 closing balance for the MCHRC Fund was \$2.3 million.

Recent History: The Budget Reconciliation and Financing Act of 2025 (Chapter 604) eliminated, in fiscal 2026 only, the requirement that at least 30% of the annual CRF appropriation support Medicaid expenses.

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

Analysis prepared by: Anne W. Braun

Expand Allowable Uses of Funds in Separate Account in Cigarette Restitution Fund in Fiscal 2027

Provision in the Bill: Expands the authorized uses of funds distributed to the separate account within the Cigarette Restitution Fund (CRF) in excess of the first \$35.0 million to include purposes other than supplanting the general fund appropriation for the settlement with historically Black colleges and universities (HBCUs) in fiscal 2027 only. The fiscal 2027 budget as introduced includes an \$8.4 million general fund reduction, contingent on the enactment of legislation authorizing the distribution beyond the first \$35.0 million in settlement funding from the separate account in CRF to be used for purposes other than supplanting the general fund appropriation for HBCUs in fiscal 2027 only.

Agency: Maryland Department of Health

Type of Action: Change use of special fund

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$9.3)	\$9.3	\$0	\$0	\$0
SF Exp	\$0	\$9.3	(\$9.3)	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. No effect on overall special fund expenditures from CRF over a two-year period, but monies received from litigation are reallocated from making settlement payments to HBCUs in fiscal 2028 to instead support Medicaid expenses and other allowable uses of CRF in fiscal 2027. The fiscal 2027 budget as introduced includes \$60.7 million for the settlement payments to HBCUs, including the first \$35.0 million in CRF from the separate account and \$25.7 million in general funds. Total estimated revenue to the separate account in fiscal 2027 is assumed to be \$70.0 million, though actual revenues may be less. Absent the authority to use CRF from the separate account for other purposes, \$25.7 million in CRF from the separate account would be spent for the HBCU settlement in fiscal 2027 and the remaining \$9.3 million would support the HBCU settlement in fiscal 2028.

General fund expenditures for Medicaid decrease by \$8.4 million in fiscal 2027, reflecting the contingent reduction in the fiscal 2027 budget as introduced. Additionally, this analysis assumes general fund expenditures for other allowable CRF uses (presumably additional Medicaid expenditures beyond the \$8.4 million contingent reduction) decrease by as much as \$26.6 million in fiscal 2027 to the extent that additional general funds would be provided to backfill the expanded uses of CRF from the separate account absent this provision.

General fund expenditures increase for HBCU settlement payments by \$25.7 million in fiscal 2027 and \$9.3 million in fiscal 2028 due to the reduced availability of CRF monies for that purpose. **Exhibit 1** shows expenditures of special funds from the CRF separate account and general fund under current law and under the provision. To the extent revenues are less than \$70.0 million in fiscal 2027 or not all \$26.6 million of CRF monies is used to replace general fund expenditures, the reduction in general fund expenditures in fiscal 2027 is less and may result in an increase in general fund expenditures.

Exhibit 1
Expenditure of CRF Monies from the Separate Account and
General Funds under Current Law and the Provision
Fiscal 2027-2028
(\$ in Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>Total</u>
<u>Current Law</u>			
HBCU Settlement			
CRF Separate Account	\$60.7	\$9.3	\$70.0
<u>Provision</u>			
HBCU Settlement			
CRF Separate Account	\$35.0	\$0	\$35.0
General Funds	25.7	9.3	35.0
Medicaid			
CRF Separate Account	\$8.4	\$0	\$8.4
General Funds	(8.4)	0	(8.4)
Other CRF Uses			
CRF Separate Account	\$26.6	\$0	\$26.6
General Funds	(26.6)	0	(26.6)
Net CRF Separate Account Impact	\$9.3	(\$9.3)	\$0
Net General Fund Impact	(\$9.3)	\$9.3	\$0

CRF: Cigarette Restitution Fund
HBCU: historically Black college and university

Source: Department of Budget and Management; Department of Legislative Services

Local Effect: None.

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 (MSA). Chapters 41 and 42 of 2021 require payments received by the State as a result of litigation related to Maryland's enforcement of State law regarding the MSA to go into a separate account that may only be used to support settlement payments to HBCUs, except in fiscal 2026 when CRF monies from the separate account may also be used to support Medicaid expenses. Settlement payments to HBCUs are otherwise general fund expenditures.

Recent History: An arbitration hearing to determine Maryland's diligent enforcement of qualifying statute in sales years 2005 through 2007 occurred in March 2023. On November 20, 2023, the Office of the Attorney General announced that the panel of three arbitrators unanimously decided in favor of Maryland. However, on September 30, 2025, Maryland settled with a subset of smaller participating manufacturers that account for approximately 10% of MSA payments. This settlement applies to sales years 2005 through 2025 and results in an anticipated recovery of \$37.0 million in April 2026. In combination, the projected funding to be paid back to Maryland will range from \$60.0 million to \$67.0 million though the final amount and timing of the payments are still to be determined.

The Budget Reconciliation and Financing Act of 2025 (Chapter 604) authorizes the use of CRF from the separate account to include Medicaid expenses in fiscal 2026 only. Due to delays in recovering the funds that Maryland won through litigation, there are no CRF expenditures from the separate account for either purpose in fiscal 2026, and the HBCU settlement is entirely supported with general funds. In the fiscal 2027 budget as introduced \$35.0 million of CRF monies from the separate account supports the HBCU settlement, with the remainder of the required settlement costs supported with general funds.

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

Analysis prepared by: Anne W. Braun

Expand Allowable Uses of Regional Greenhouse Gas Initiative Revenues in Strategic Energy Investment Fund

Provisions in the Bill: Modify the purpose of the Maryland Strategic Energy Investment Program to include strengthening the State's climate mitigation and climate resiliency. Expand allowable uses of Regional Greenhouse Gas Initiative (RGGI) auction revenues deposited into the Strategic Energy Investment Fund (SEIF) to be used for programs and initiatives related to State climate change mitigation and climate change resiliency efforts. The fiscal 2027 budget as introduced includes (1) a \$1.5 million general fund reduction and corresponding \$1.5 million special fund appropriation in the Board of Public Works (BPW) for the Chesapeake Conservation and Climate Corps Program; (2) a \$9,485,000 special fund appropriation in the Maryland Department of the Environment (MDE) for the Comprehensive Flood Management Grant Program; (3) a \$131,529 general fund reduction and corresponding \$136,591 special fund appropriation associated with funding for a Lead Resilience Planner in the Maryland Department of Planning (MDP); (4) a \$125,051 general fund reduction and corresponding \$125,051 special fund appropriation for a Climate Resilience Director in the Comptroller's Office; (5) a \$183,673 general fund reduction and corresponding \$191,321 special fund appropriation for two positions in the Housing and Building Energy program within the Department of Housing and Community Development (DHCD); and (6) a \$178,267 general fund reduction and corresponding \$183,237 special fund appropriation for the Senior Climate Advisor in MDE. All of these actions are contingent on the enactment of legislation expanding the allowable uses of SEIF under these provisions. In addition, the fiscal 2027 budget as introduced includes a proposed deficiency appropriation to withdraw \$1.5 million in general funds and a corresponding \$1.5 million special fund appropriation in BPW for the Chesapeake Conservation and Climate Corps Program, contingent on the enactment of legislation expanding the allowable uses of SEIF under these provisions.

Expand the allowable uses of SEIF to include costs associated with the Power Plant Research Program within the Department of Natural Resources (DNR) to support environmental review of certificates of public necessity associated with specified power plant construction. The fiscal 2027 budget as introduced includes a \$764,039 general fund reduction and corresponding \$794,398 special fund appropriation, both contingent on the enactment of legislation expanding the allowable uses of SEIF under this provision.

Expand the allowable use of RGGI auction revenues deposited into SEIF to be used for programs and initiatives related to resiliency efforts defined and implemented by the Maryland Department of Emergency Management (MDEM), including the annual report by the Office of Resilience. The fiscal 2027 budget as introduced includes a \$304,583 general fund reduction and a \$1,165,530 federal fund reduction as well as a corresponding \$1,470,113 special fund appropriation for fiscal 2027, all contingent on the enactment of legislation expanding the allowable uses of SEIF under this provision. In addition, the

fiscal 2027 budget as introduced includes a proposed deficiency appropriation of \$400,000 in special funds in MDEM for the Office of Resilience’s annual report, contingent on the enactment of legislation expanding the allowable uses of SEIF under this provision.

Agency: BPW; Comptroller’s Office; DHCD; DNR; MDEM; MDE; MDP; and Maryland Energy Administration

Type of Action: Expand use of special fund

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	(\$1.5)	(\$3.2)	(\$3.2)	(\$3.3)	(\$3.3)	(\$3.3)
FF Exp	\$0	(\$1.2)	(\$1.2)	(\$1.2)	(\$1.2)	(\$1.2)
SF Exp	\$1.9	\$13.9	\$4.4	\$4.4	\$4.4	\$4.5

State Effect: General fund expenditures decrease by \$1.5 million and special fund expenditures increase by \$1.9 million in fiscal 2026, reflecting deficiencies contingent on the enactment of these provisions. In fiscal 2027, general fund expenditures decrease by \$3.2 million, federal fund expenditures decrease by \$1.2 million, and special fund expenditures increase by \$13.9 million due to the contingent reductions and appropriations effectuated by these provisions. Assuming the Governor chooses to use SEIF as authorized under these provisions in future years, general fund expenditures decrease, and special fund expenditures increase by similar amounts. Out-year estimates assume certain ongoing special fund expenditures increase by 2.0% to reflect anticipated levels of salary increases with corresponding higher general fund expenditure decreases. Revenues are not affected.

Local Effect: Beginning as early as fiscal 2027, 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 corresponding SEIF. Revenues for SEIF are primarily derived from the proceeds from the auction of carbon allowances under RGGI and revenues from compliance fees – often referred to as Renewable Portfolio Standard (RPS) 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. Revenues related to these distributions are held in separate accounts under SEIF. The fiscal 2025 closing balance of RGGI-supported SEIF accounts totaled \$438.2 million. With the actions proposed in these provisions, the estimated RGGI-supported SEIF account balances are projected to total \$160.2 million at the close of fiscal 2027.

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. It also required that at least 50% of the transferred funds be used to support programs serving low- to moderate-income communities.

The BRFA of 2025 (Chapter 604) (1) expanded the allowable uses of RGGI-supported revenues in SEIF to include general administrative expenses in the MDE Air and Radiation Administration; (2) redirected interest earning from SEIF to the general fund; (3) authorized the transfer of \$230.0 million from SEIF's RPS/ACP account to the general fund in fiscal 2025; and (4) expanded the allowable uses of ACP-supported SEIF revenues in fiscal 2026 only to include up to \$100.0 million for solar development on State government property and local government clean energy programs.

Other provisions in the BRFA of 2026 (1) authorize a transfer of fund balance from the ACP subaccount of SEIF to the general fund; (2) authorize a transfer from the Administration Account within SEIF to the general fund; and (3) expand the allowable uses of ACP revenues in SEIF for specified purposes. These other provisions are discussed elsewhere in this fiscal and policy note.

Additional Comments: This analysis assumes ongoing effects beyond fiscal 2027 even though these provisions are only reflected in a section of law that remains in effect until July 1, 2027. A replacement section of law takes effect July 1, 2027.

Location of Provisions in the Bill: Section 1 (pp. 23-25)

Analysis prepared by: Suveksha Bhujel, Andrew D. Gray, Emily R. Haskel, Yashodhara Rai, and Elizabeth Waibel

Expand Allowable Uses of Alternative Compliance Payment Revenues in Strategic Energy Investment Fund

Provisions in the Bill: Expand, in fiscal 2027 only, the allowable uses of Renewable Portfolio Standard (RPS) alternative compliance payment (ACP) revenues in the Strategic Energy Investment Fund (SEIF) to provide:

- \$70.0 million to the Maryland Energy Administration (MEA) for gap financing for at-risk, large-scale clean energy projects;
- \$10.0 million for the Public Service Commission (PSC) to conduct research into grid-enhancing technologies and advanced transmission technologies (funded via the Dedicated Purpose Account (DPA));
- \$5.0 million for PSC for grants to utility companies to construct or modify transmission facilities that incorporate grid-enhancing and advanced transmission technologies (funded via DPA);
- \$10.0 million to the Maryland Department of Transportation (MDOT) to – as relates to right-of-way for transmission infrastructure – establish a process and model leasing framework as well as create safety guidelines;
- \$25.0 million to DPA to implement Chapters 7 and 19 of the 2025 Special Session that established the Strategic Energy Planning Office (SEPO); and
- \$42.0 million to DPA for higher education research grants.

The fiscal 2027 budget as introduced includes special fund appropriations for all \$162.0 million delineated above, contingent on the enactment of legislation expanding the allowable uses of SEIF. The contingent appropriations include \$10.0 million in MDOT, \$70.0 million in MEA, and \$82.0 million in DPA.

Authorize, for fiscal 2027 through 2031, that ACP revenues in SEIF may be used for grants or loans to support creation of new Tier 1 renewable energy sources. The fiscal 2027 budget as introduced includes a \$20.0 million special fund appropriation for the Department of General Services (DGS) and a \$30.0 million special fund appropriation for MEA, both contingent on the enactment of legislation expanding the allowable uses of SEIF.

Agency: DGS; MDOT; MEA; PSC; SEPO; State Reserve Fund

Type of Action: Expand use of special fund

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
SF Exp	\$0	\$212.0	\$0	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. Special fund expenditures increase by \$212.0 million in fiscal 2027 only, reflecting the contingent appropriations. For purposes of this analysis, the funds appropriated to DPA are not accounted for as revenues. Thus, although special fund expenditures also increase by an indeterminate amount beginning in fiscal 2027 (as funds appropriated to DPA are later transferred for their intended purposes), those impacts are also not accounted for in this fiscal and policy note. Nevertheless, the Department of Budget and Management advises that funds related to SEPO are expected to be expended over a five-year period. Special fund expenditures, reflecting the use of these funds for other purposes, decrease beginning in fiscal 2028, but as the timing for any such expenditures is uncertain, they are not reflected above.

Local Effect: None.

Program Description: 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, MEA may use up to 10% of solar ACP revenues for administrative expenses.

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 specific expenditure requirements. Funds remain available in DPA for four years after the close of the fiscal year in which the funds are appropriated.

Chapters 7 and 19 established SEPO, which is funded through assessments imposed on public service companies through an existing process administered by PSC. By September 1, 2028, and every three years thereafter, SEPO must develop and submit a Comprehensive Wholesale Energy Markets and Bulk Power System Risk Report to the Governor and General Assembly. The Acts also require other reports from PSC related to independent distribution operators, from MDOT on methods for reducing transmission-constrained areas through the use of existing rights-of-way, and from MEA regarding power flow and resource adequacy.

Recent History: The Budget Reconciliation and Financing Act (BRFA) of 2025 (Chapter 604) (1) expanded the allowable uses of ACP-supported SEIF in fiscal 2026 only

to include up to \$100.0 million for solar development on State government property and local government clean energy programs; (2) authorized the transfer of \$230.0 million from SEIF's RPS/ACP account to the general fund in fiscal 2025; (3) redirected interest earnings from SEIF to the general fund; and (4) expanded the allowable uses of Regional Greenhouse Gas Initiative (RGGI) revenues in SEIF to include general administrative expenses in the Air and Radiation Administration of the Maryland Department of the Environment.

The BRFA of 2024 (Chapter 717) authorized the transfer of \$90.0 million from the SEIF balance to DPA to be used to help implement the Climate Solutions Now Act of 2022 and Maryland's Climate Pollution Reduction Plan. It also required that at least 50% of the transferred funds be used to support programs serving low- to moderate-income communities. The transfer was conditioned to prohibit the transfer from including funds from the Energy Assistance Account and to specify the distribution of the transfer from various accounts under SEIF: (1) \$43.1 million from ACP subaccount; (2) \$40.0 million from the Administration Account; (3) \$2.3 million from the Low and Moderate Income Energy Efficiency Account; (4) \$2.3 million from the Energy Efficiency in All Sectors Account; and (5) \$2.3 million from the Renewable Energy and Climate Change Account.

Other provisions in the BRFA of 2026 (1) authorize a transfer of fund balance from the ACP subaccount of SEIF to the general fund; (2) authorize a transfer of fund balance from the Administration Account within SEIF to the general fund; and (3) expand the allowable uses of RGGI revenues within SEIF. These other provisions are discussed elsewhere in this fiscal and policy note.

Location of Provisions in the Bill: Section 1 (pp. 24-25)

Analysis prepared by: Sara Baker, Suveksha Bhujel, Kelly Norton, and Yashodhara Rai

Reduce Participation Targets in Young Adult Service Year Option Pathway

Provisions in the Bill: Reduce the participation targets for the Maryland Corps Young Adult (YA) Service Year Option Pathway in fiscal 2027 and 2028 by 400 and 450, respectively, and establish a participation target for fiscal 2029 of 2,000.

Agency: Department of Service and Civic Innovation

Type of Action: Cost containment

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
SF Rev	\$0	(\$8.1)	(\$9.2)	\$0	\$0	\$0
GF Exp	\$0	(\$8.1)	(\$9.2)	\$0	\$0	\$0
SF Exp	\$0	(\$8.1)	(\$9.2)	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. Using projected stipend and completion award costs, general fund expenditures decrease by \$8.1 million in fiscal 2027 and \$9.2 million in fiscal 2028. This analysis assumes the general fund appropriation for this pathway (which is not mandated), would otherwise be deposited in the full amount needed to cover the higher participation levels to the YA Pathway Fund and special funds would otherwise be expended from the YA Pathway Fund. Thus, special fund revenues and expenditures decrease correspondingly. No further out-year impacts are anticipated as the newly established target for fiscal 2029 would have been expected to be met in fiscal 2028 under current law.

Local Effect: None.

Program Description/Recent History: The SERVE Act of 2023 (Chapter 99) established two pathways for completing a service year under the Maryland Corps Program and separate special funds for each pathway. However, participation targets were only set for the YA pathway, specifically 200 in the first year (fiscal 2024) and 2,000 in the fourth year (fiscal 2027) of implementation. At that time, no interim targets were set. The Budget Reconciliation and Financing Act of 2025 (Chapter 604) altered those targets for the YA pathway by creating a new interim target of 750 in the third year (fiscal 2026), reducing the target to 1,500 in the fourth year (fiscal 2027), and delaying the target of 2,000 until the fifth year of implementation (fiscal 2028).

Location of Provisions in the Bill: Section 1 (pp. 25-26)

Analysis prepared by: Jacob C. Cash

Redirect Land Preservation Funding to General Fund and Require Replacement with General Obligation Bonds

Provisions in the Bill: Redirect, for fiscal 2027 only, \$71,743,156 in transfer tax revenues from certain allocations to the general fund and require that the reduced allocations be replaced with general obligation (GO) bonds. Specify the allocation of the redirected transfer tax revenues as follows: (1) \$49,586,156 from Program Open Space (POS) Local; (2) \$13,400,000 from the Rural Legacy Program; and (3) \$8,757,000 from the Natural Resources Development Fund. Authorize the Governor to transfer to the general fund, by June 30, 2027, \$188,844 from POS Local funds that reverted to and are held in a special account by the Department of Natural Resources (DNR) and specify that these transferred funds are to be replaced with GO bonds. The fiscal 2027 budget as introduced includes a \$71,932,000 special fund reduction, contingent on the enactment of legislation allowing the transfer tax appropriation to POS Local, Rural Legacy, and the Natural Resources Development Fund to be swapped with GO bonds in fiscal 2027 only.

Agency: DNR

Type of Action: Cost containment

Fiscal Impact:	(\$ in millions)					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Rev	\$0	\$71.9	\$0	\$0	\$0	\$0
SF Rev	\$0	(\$71.7)	\$0	\$0	\$0	\$0
SF Exp	\$0	(\$71.9)	\$0	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. General fund revenues increase by \$71.9 million in fiscal 2027 attributable to the redirection of \$71.7 million in transfer tax special fund revenues and the transfer of \$188,844 in POS Local funds in a special account. Special fund revenues decrease by \$71.7 million reflecting the redirected revenues only. Special fund expenditures in fiscal 2027 decrease by \$71.9 million based on the level of reduction contingent on these provisions. Providing funding through GO bonds does not affect overall State expenditures but does reallocate funding from other capital projects.

Local Effect: None as the redirected and transferred funding is replaced with GO bonds in the fiscal 2027 capital budget.

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. Transfer tax funding distributed to POS is allocated by the following

approximate percentages and amounts: (1) 50% to State land acquisition, of which \$8.0 million is authorized to be used for the Rural Legacy Program and \$10.0 million is authorized for the Baltimore City Direct Grant and capital development; (2) 30% to local government acquisition and development; and (3) 20% to State forest and park operations. In addition, transfer tax funding is used to fund the Maryland Agricultural Land Preservation Program, administered by the Maryland Department of Agriculture, to provide a second allocation to the Rural Legacy Program, and to provide an allocation to the Heritage Conservation Fund.

Recent History: The Budget Reconciliation and Financing Act of 2025 (Chapter 604) redirected \$25.0 million in transfer tax revenues to the general fund for fiscal 2026 through 2029 from the following State land preservation programs: POS State land acquisition; the Rural Legacy Program; and the Maryland Agricultural Land Preservation Program. Chapter 604 also allocated the amount transferred annually proportionally to estimated revenues received by those three programs and specified that existing provisions requiring reimbursement do not apply to the transfers. The funds redirected through these provisions are in addition to the required redirection under Chapter 604.

The fiscal 2027 capital budget bill as introduced includes GO bond replacement funding as follows: (1) \$49,775,000 for POS Local, which includes \$49,586,156 to replace fiscal 2027 revenues and \$188,844 to replace the amount held in a special account; (2) \$13,400,000 for the Rural Legacy Program; and (3) \$8,757,000 for the Natural Resources Development Fund, which includes \$804,000 for Natural Resources Development Fund projects and \$7,953,000 for water and wastewater projects on DNR properties that is reflected as part of the Maryland Environmental Service's fiscal 2027 State Water and Sewer Infrastructure Improvement Fund authorization.

Location of Provisions in the Bill: Section 1 (pp. 29-32) and Section 9 (p. 43)

Analysis prepared by: Andrew D. Gray

Extend Expansion of Allowable Uses of Maryland Emergency Medical System Operations Fund

Provision in the Bill: Extends the expansion of the allowable uses of the Maryland Emergency Medical System Operations Fund (MEMSOF) to support general operations of the Maryland State Police Aviation Command (MSPAC) for three more years, to encompass fiscal 2027 through 2029. The fiscal 2027 budget as introduced includes a \$5.5 million general fund reduction and a \$5.5 million special fund appropriation, both contingent on the enactment of legislation expanding the allowable uses of MEMSOF.

Agency: Department of State Police (DSP)

Type of Action: Expand use of special fund

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$5.5)	(\$5.5)	(\$5.5)	\$0	\$0
SF Exp	\$0	\$5.5	\$5.5	\$5.5	\$0	\$0

State Effect: No impact in fiscal 2026, as this expansion was already authorized for that year. MEMSOF supports approximately 80.0% of MSPAC’s expenditures 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 from 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 2027 through 2029, reflecting the level of reduction contingent on the enactment of this provision. Special fund expenditures increase correspondingly, which assumes that these monies would otherwise have been maintained as fund balance. Revenues are not affected.

Local Effect: None; mandated funding from MEMSOF for local grants is not affected.

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) the Maryland Institute for Emergency Medical Services Systems; (3) the 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: The Budget Reconciliation and Financing Act of 2025 (Chapter 604) expanded the allowable uses of MEMSOF, in fiscal 2025 and 2026 only, for the same purpose as this provision. Though only \$500,000 in special funds from MEMSOF was used for this purpose in fiscal 2025, it is expected that \$5.5 million will be used in fiscal 2026. Chapters 717, 718, and 719 of 2024 increased the annual surcharge on motor vehicle registrations, thereby significantly increasing revenues for MEMSOF, and mandated funding of \$16.5 million a year to the Amoss Fund (an increase of \$1.5 million over the amount of funding that had been provided for several years).

Location of Provision in the Bill: Section 1 (pp. 33-34)

Analysis prepared by: Madelyn C. Miller

Expand Use of Program Open Space Funding to Include Jefferson Patterson Park and Museum

Provision in the Bill: Expands the use of funding from Program Open Space (POS) by requiring the Maryland Department of Planning (MDP) to receive the greater of 0.2% of funds distributed to POS after certain other allocations or \$200,000 annually to operate and maintain the Jefferson Patterson Park and Museum (JPPM). The fiscal 2027 budget as introduced includes a \$135,313 general fund reduction and a \$332,797 special fund appropriation in MDP, along with a \$332,797 special fund reduction in the Department of Natural Resources (DNR), all contingent on the enactment of legislation adding JPPM to the transfer tax POS formula.

Agency: MDP; DNR

Type of Action: Expand use of special fund

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$0.1)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$135,313 in fiscal 2027, reflecting the contingent reduction. Total special fund expenditures are not affected but are reallocated from POS allocations for local jurisdictions to be used instead by MDP for JPPM. The special funds contingently appropriated for exceed the contingently reduced general funds. MDP reports that the additional funds are needed to support site operations and maintenance contracts at the expanded Maryland Archaeology Conservation Laboratory (MAC Lab). Funding may also be used for increased heating fuel costs and off-site storage of artifacts while the MAC Lab is undergoing construction. Assuming general funds would have been provided for JPPM equal to the amount of anticipated POS revenues under the formula in future years, general fund expenditures decrease by \$380,636 in fiscal 2028, decreasing further to \$428,641 in fiscal 2031. Likewise, special fund revenues are not affected, merely reallocated to MDP for JPPM.

Local Effect: POS allocations to local jurisdictions for land acquisition and development for recreational or open space purposes decrease by \$332,797 in fiscal 2027, decreasing further to \$428,641 in fiscal 2031, based on estimated transfer tax revenues for POS.

Program Description: POS, administered by DNR, 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.

JPPM is a State-owned property in Calvert County that includes the Patterson House/Patterson Center and the MAC Lab, the State repository for archaeological collections.

Recent History: None.

Location of Provision in the Bill: Section 2 (pp. 35-36)

Analysis prepared by: Andrew D. Gray and Elizabeth Waibel

Authorize and Delay, Rather than Require, Application by Maryland Department of Health for Inclusion in Demonstration Program

Provisions in the Bill: Authorize rather than require 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 inclusion in the state Certified Community Behavioral Health Clinics (CCBHCs) demonstration program. Delay the timing of the application from fiscal 2026 to fiscal 2029 and make the authorization to apply for inclusion subject to the limitations of the budget.

Agency: MDH

Type of Action: Cost containment

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
FF Rev	\$0	(\$2.9)	(\$5.8)	(\$5.8)	\$0	\$0
GF Exp	\$0	\$0	(\$9.3)	(\$9.3)	(\$4.6)	\$0
SF Exp	\$0	(\$4.6)	\$0	\$0	\$4.6	\$0
FF Exp	\$0	(\$2.9)	(\$5.8)	(\$5.8)	\$0	\$0

State Effect: The fiscal 2027 budget as introduced includes \$4.6 million in the Dedicated Purpose Account (DPA) to fund two demonstration sites for one-half of the fiscal year, beginning January 1, 2027. MDH estimates that the annual cost to operate two CCBHCs in the State is \$15.1 million, of which \$5.8 million is covered by federal funds and \$9.3 million is general funds, and the Department of Budget and Management advises that general fund expenditures to operate five sites could exceed \$20.0 million annually. Thus, the State incurs significant cost savings from delaying application for inclusion in the CCBHCs demonstration program, as discussed below.

Funds remain available in DPA for four years after the budget year in which the funds are appropriated, so these funds may be used in fiscal 2030, after applying for the demonstration grant in fiscal 2029, rather than being expended in fiscal 2027. As the DPA funds are not utilized until fiscal 2030, special fund expenditures from DPA decrease by \$4.6 million in fiscal 2027 and correspondingly increase in fiscal 2030 when the program commences. Under current law, the State would already be operating CCBHCs at demonstration sites in fiscal 2030, so general fund expenditures decrease by \$4.6 million in fiscal 2030 from using special funds from DPA instead of general funds.

Under the CCBHCs demonstration program, there is a federal match of 65% for Medicaid services, while uninsured/underinsured individuals are supported with general funds. Thus, federal fund revenues and expenditures decrease by \$2.9 million in fiscal 2027, reflecting

the anticipated January 1, 2027 start date under current law, and by at least \$5.8 million annually in fiscal 2028 and 2029, reflecting annualization. General fund expenditures decrease by at least \$9.3 million annually in fiscal 2028 and 2029 from not participating in the program until later. These cost savings reflect not operating two sites, so cost savings may be greater if the State were to operate five sites. To the extent that the State opts not apply for participation in the CCBHCs demonstration program, cost savings continue beyond fiscal 2029.

Local Effect: None.

Program Description: The federal CCBHCs 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. In addition to awarding planning grants to establish state-level standards and regulations for the program, SAMHSA invites states that have completed the planning grant to apply for the demonstration to fully implement the model. Under the demonstration, CCBHCs are eligible to bill under a prospective payment system (PPS) model, and Medicaid services qualify for an enhanced federal match of 65%. The program must cover CCBHC services for those enrolled in Medicaid as well as uninsured/underinsured individuals, who are supported using general funds.

While five CCBHCs currently operate in Maryland, since they are not in the demonstration program, they are not fully certified. Accordingly, they are unable to bill under the PPS model. Nevertheless, all five have active CCBHC grants from SAMHSA, which awards funding to clinics operating as a CCBHC in non-CCBHC demonstration states.

Recent History: Chapter 275 of 2023 required Maryland to apply to SAMHSA for federal planning, development, and implementation grant funds related to CCBHCs for fiscal 2025 and inclusion in the state CCBHCs demonstration program for fiscal 2026. SAMHSA awarded MDH \$926,053 in fiscal 2025, and MDH accepted the award and began fulfilling the requirements of the planning grant in April 2025. MDH received a no-cost extension from SAMHSA to extend the planning grant end date from December 30, 2025, to December 30, 2026. The department has indicated that it intends to apply for the demonstration grant in April 2026 and, if awarded, would need to begin using the grant before June 2027 to comply with SAMHSA requirements.

Location of Provisions in the Bill: Section 4 (p. 42)

Analysis prepared by: Naomi M. Komuro

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 \$259.0 million from the Renewable Portfolio Standard (RPS)/Alternative Compliance Payment (ACP) Account of the Strategic Energy Investment Fund (SEIF) to the general fund, as long as the transfer occurs by June 30, 2026.

Agency: Maryland Energy Administration (MEA)

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Rev	\$259.0	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$259.0 million in fiscal 2026 as a result of this transfer. Special fund expenditures for SEIF decrease beginning as early as fiscal 2027 as those funds are no longer available for other eligible purposes; amounts in any particular year are unknown and, thus, are not reflected above. (The fiscal 2027 budget as introduced assumes \$259.0 million in general fund revenues.)

Local Effect: Beginning as early as fiscal 2027, local governments may receive less funding from ACP-funded programs. Amounts, if any, in any particular year are unknown.

Program Description: 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. ACP revenues primarily must be used to support the creation of new renewable energy sources in the State that are owned by or directly benefit low- to moderate-income, overburdened, or underserved communities.

The *Governor’s Fiscal 2027 Budget Books* indicate that the fiscal 2025 closing balance of the RPS/ACP subaccount of SEIF was \$393.4 million.

Other provisions in the Budget Reconciliation and Financing Act (BRFA) of 2026 (1) expand allowable uses of ACP revenues in SEIF for specified purposes; (2) expand the allowable uses of Regional Greenhouse Gas Initiative (RGGI) revenues in SEIF; and (3) authorize a transfer of fund balance from the Administration Account within SEIF to

the general fund. These other provisions are discussed elsewhere in this fiscal and policy note.

Recent History: The BRFA of 2024 (Chapter 717) authorized the transfer of \$90.0 million from the SEIF balance (of which \$43.1 million was from the ACP subaccount) 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. It also required that at least 50% of the transferred funds be used to support programs serving low- to moderate-income communities.

A provision in Chapter 595 of 2024 authorized up to 10% of solar ACP revenues to be credited to an administrative expense account for costs related to the administration of SEIF.

The BRFA of 2025 (Chapter 604) (1) authorized a transfer of \$230.0 million from SEIF’s RPS/ACP account to the general fund in fiscal 2025; (2) expanded the allowable uses of ACP-supported SEIF in fiscal 2026 only to include up to \$100.0 million for solar development on State government property and local government clean energy programs; (3) expanded the allowable uses of RGGI revenues in SEIF to include general administrative expenses in the Air and Radiation Administration in the Maryland Department of the Environment; and (4) redirected interest earnings from SEIF to the general fund.

Chapters 625 and 626 of 2025 authorize ACP revenues to be used to provide residential ratepayer credits or refunds and require a portion of ACP revenues to be used for those purposes in fiscal 2026.

Location of Provision in the Bill: Section 6 (p. 42)

Analysis prepared by: Suveksha Bhujel

Authorize Transfer from Fiscal Responsibility Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer \$187,609,007 from the Fiscal Responsibility Fund to the general fund, as long as the transfer occurs by June 30, 2026.

Agency: State Reserve Fund

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Rev	\$178.5	\$0	\$0	\$0	\$0	\$0
SF Exp	\$0	\$0	(\$178.5)	\$0	\$0	\$0

State Effect: General fund revenues increase by \$178.5 million in fiscal 2026, which is less than the authorized transfer by \$9.1 million due to the amount of available fund balance being less than the authorized transfer amount. Special fund expenditures decrease by a corresponding amount in fiscal 2028 as these funds would otherwise have been required to be appropriated for authorized purposes in that year.

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 Revenue Stabilization Fund (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 public four-year institutions of higher education. The funds are required to be appropriated in the second following fiscal year.

Recent History: The Budget Reconciliation and Financing Act (BRFA) of 2024 (Chapter 717) 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. The BRFA of 2025 (Chapter 604) suspended the goal of setting aside a portion of general fund revenues from the revenue estimate for the Fiscal Responsibility Fund for fiscal 2026 through 2029. The amount of general fund revenues set aside from the revenue estimate for fiscal 2030 and each year thereafter is 2.0%.

Recent deposits into the fund have totaled \$9.0 million based on fiscal 2024 closeout and \$191.0 million in fiscal 2025. The fiscal 2024 deposit was appropriated for Public School Construction in fiscal 2026. Using authority under a state of Emergency, the Governor appropriated \$72.0 million for use by the Department of Human Services to support feeding organizations (\$10.0 million) and for partial Supplemental Nutrition Assistance Program (SNAP) benefits (\$62.0 million) during the federal government shutdown. Only a portion of the funds for SNAP was needed (\$2.7 million); the remaining portion is expected to be part of the transferred funds.

Location of Provision in the Bill: Section 6 (p. 42)

Analysis prepared by: Jacob C. Cash

Authorize Transfer from Administration Account of Strategic Energy Investment Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer \$33.0 million from the Administration Account of the Strategic Energy Investment Fund (SEIF) to the general fund, as long as the transfer occurs by June 30, 2026.

Agency: Maryland Energy Administration (MEA)

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Rev	\$33.0	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$33.0 million in fiscal 2026 as a result of this transfer. Special fund expenditures for SEIF decrease beginning as early as fiscal 2027 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: 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 (RPS) 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.

ACP revenues primarily must be used to support the creation of new renewable energy sources in the State that are owned by or directly benefit low- to moderate-income, overburdened, or underserved communities. 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, MEA may use up to 10% of solar ACP revenues for administrative expenses.

The *Governor's Fiscal 2027 Budget Books* indicate that the fiscal 2025 closing balance of the Administration subaccount of SEIF was \$47.8 million.

Other provisions in the Budget Reconciliation and Financing Act (BRFA) of 2026 (1) authorize a transfer of fund balance from the ACP Account of SEIF to the general fund; (2) expand allowable uses of ACP revenues in SEIF for specified purposes; and (3) expand allowable uses of RGGI revenues in SEIF. These other provisions are discussed elsewhere in this fiscal and policy note.

Recent History: The BRFA of 2024 (Chapter 717) authorized the transfer of \$90.0 million from the SEIF balance (of which \$40.0 million was from the Administration Account) 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. It also required that at least 50% of the transferred funds be used to support programs serving low- to moderate-income communities.

A provision in Chapter 595 of 2024 authorized up to 10% of solar ACP revenues to be credited to an administrative expense account for costs related to the administration of SEIF.

The BRFA of 2025 (Chapter 604) (1) repealed the authorization for interest and investment earnings on SEIF to be held in the fund (interest earnings were previously initially deposited in the Administration Account), redirecting them to the general fund; (2) expanded the allowable use of ACP revenues in SEIF in fiscal 2026 only to include up to \$100.0 million for solar development on State government property and local government clean energy programs; (3) authorized the transfer of \$230.0 million from the RPS/ACP account of SEIF to the general fund in fiscal 2025; and (4) expanded the allowable uses of RGGI revenues in SEIF to include general administrative expenses in the Air and Radiation Administration in the Maryland Department of the Environment.

Chapters 625 and 626 of 2025 authorize ACP revenues to be used to provide residential ratepayer credits or refunds and require a portion of ACP revenues to be used for those purposes in fiscal 2026.

Location of Provision in the Bill: Section 6 (p. 42)

Analysis prepared by: Suveksha Bhujel

Authorize Transfer from Maryland Loan Assistance Repayment Program Fund for Nurses and Nursing Support Staff to General Fund

Provision in the Bill: Authorizes the Governor to transfer \$10.0 million from the Maryland Loan Assistance Repayment Program (MLARP) Fund for Nurses and Nursing Support Staff to the general fund as long as the transfer occurs by June 30, 2026.

Agency: Maryland Department of Health (MDH)

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Rev	\$2.3	\$0	\$0	\$0	\$0	\$0

State Effect: While the provision authorizes the Governor to transfer \$10.0 million from the MLARP Fund for Nurses and Nursing Support Staff to the general fund, the current balance in the fund totals \$2.3 million. Therefore, general fund revenues increase by up to \$2.3 million in fiscal 2026 depending on the level of balance still available to be transferred. Special fund expenditures for the MLARP Fund for Nurses and Nursing Support may decrease as early as fiscal 2027 as those funds are no longer available for eligible purposes; any such decrease is not reflected above.

Local Effect: None.

Program Description: Chapter 314 of 2022 established the MLARP for Nurses and Nursing Support Staff and the associated MLARP Fund for Nurses and Nursing Support Staff to assist in the repayment of education loans owed by a nurse or nursing support staff who (1) practices in an eligible field of employment or (2) meets any other requirements established by MDH. MDH indicates that, as of February 4, 2026, the program’s fund balance was \$2,297,167.

Recent History: Chapter 416 of 2025 expands eligibility under the MLARP for Nurses and Nursing Staff to include nurses and nursing support staff who work for a for-profit entity in an area of the State identified by MDH as having a health care workforce shortage or a public health need. MDH may also assist in the repayment of an education loan owed by a nurse or nursing support staff who (1) practices a medical specialty that has been identified by MDH as being in shortage in the geographic area of the State where the nurse practices and (2) commits to practicing in the area for a period determined by MDH.

Location of Provision in the Bill: Section 6 (p. 42)

Analysis prepared by: Naomi M. Komuro

Authorize Transfer from Performance Incentive Grant Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer \$2.0 million from the Performance Incentive Grant Fund to the general fund, as long as the transfer occurs by June 30, 2026.

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

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Rev	\$2.0	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$2.0 million in fiscal 2026. (The fiscal 2027 budget as introduced assumes \$2.0 million in revenues in fiscal 2026.) Expenditures 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 supplant funding that otherwise would be appropriated for such purposes.

The fiscal 2025 budget included \$1.0 million in special fund expenditures from the Performance Incentive Grant Fund for the Office of the Correctional Ombudsman (OCO), contingent on the enactment of Chapter 836 of 2024. The Budget Reconciliation and Financing Act of 2025 (Chapter 604) authorized, 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 OCO.

The fiscal 2027 budget as introduced includes \$12.9 million for the fund for these purposes. Prior to accounting for the transfer under this provision, GOCPP projects a fiscal 2026 closing balance of approximately \$4.9 million. Assuming GOCPP’s and OCO’s expenditures occur at expected levels, this action will leave a balance of approximately \$2.9 million in the fund.

Location of Provision in the Bill: Section 6 (p. 42)

Analysis prepared by: Madelyn C. Miller

Authorize Transfer from Dedicated Purpose Account to General Fund

Provision in the Bill: Authorizes the Governor to transfer a total of \$1,038,910 from the Dedicated Purpose Account (DPA) to the general fund, as long as the transfer occurs by June 30, 2026. Specifically, identifies the amounts to be transferred from funds held in DPA for (1) grants to domestic violence centers (\$355,760); (2) assisted living facilities (\$201,292); (3) the State Police Gun Center (\$152,732); (4) police departments crossing jurisdictional boundaries (\$101,537); (5) the Center for Neuroscience of Social Injustice (\$100,001); (6) grants to violence prevention and interruption organizations (\$75,988); and (7) the Greater Baltimore Regional Integrated Crisis System (\$51,600).

Agency: State Reserve Fund

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Rev	\$1.0	\$0	\$0	\$0	\$0	\$0

State Effect: General fund revenues increase by \$1.0 million in fiscal 2026. As DPA funds are appropriated as special funds when distributed to agencies for use, to the extent that these funds would have been used for these purposes in either fiscal 2026 or 2027, before the authorization for use expires, special fund expenditures decrease. However, no funds are included in either the fiscal 2026 or 2027 budget for these purposes. Therefore, it is assumed special fund expenditures are not affected.

Local Effect: No direct impact.

Program Description: 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.

- Grants to domestic violence centers (\$355,760): A total of \$3.0 million was appropriated in fiscal 2023 for this purpose. While the majority of funding for this purpose was distributed by the Governor’s Office of Crime Prevention and Policy (GOCPP), \$355,760 reverted to DPA. GOCPP reported that grantee agencies faced staffing challenges that prevented the distribution of the remaining funds.
- Assisted living facilities (\$201,292): A total of \$20.0 million was appropriated in fiscal 2023 for this purpose. While a majority of funding was distributed by the Maryland Department of Health for grants to assisted living facilities, the

Department of Budget and Management reports \$7.5 million was returned to DPA in fiscal 2023. The Budget Reconciliation and Financing Act of 2024 (Chapter 717) transferred \$7,340,250 of the balance to the general fund, leaving a remaining balance of \$201,292.

- State Police Gun Center (\$152,732): Chapter 142 of 2022 established the gun center as a statewide firearms enforcement center for the tracking, screening, and vetting of all firearms crimes committed. A total of \$3.4 million was appropriated in fiscal 2023 for this purpose. Funding was transferred in installments in fiscal 2023 and 2025 via budget amendment to the Department of State Police, primarily for personnel, operations, contracts, vehicle expenses, and contractual staff necessary to carry out the work. However, \$152,732 was not needed to finish the project and remains in the balance.
- Police departments crossing jurisdictional boundaries (\$101,537): A total of \$1.0 million was appropriated in fiscal 2023 for this purpose. While the majority of the funding was distributed by GOCPP for grants to police departments to coordinate task forces that cross jurisdictional boundaries, GOCPP reports grantee agencies faced staffing challenges that prevented distribution of the remaining funds and \$101,537 was returned to DPA in fiscal 2023.
- Center for Neuroscience of Social Injustice (\$100,001): A total of \$2.25 million was appropriated in fiscal 2023 for this purpose. The full amount of funding was transferred in fiscal 2023 via budget amendment to the Maryland Department of Health Behavioral Health Administration for an operating grant to the center. The full amount of funding was not needed, and \$100,001 was returned to the DPA in fiscal 2023.
- Grants to violence prevention and interruption organizations (\$75,988): A total of \$2.5 million was appropriated in fiscal 2023 for this purpose. While a majority of the funding was distributed by GOCPP for grants to violence prevention and interruption organizations, GOCPP reports that grantee agencies faced staffing challenges that prevented distribution of the remaining funds, and \$75,988 was returned to DPA in fiscal 2023.
- Greater Baltimore Regional Integrated Crisis System (\$51,600): A total of \$2.0 million was appropriated in fiscal 2023 for this purpose. The majority of the funding was distributed by the Maryland Department of Health Behavioral Health Administration for an operating grant to the Greater Baltimore Regional Integrated Crisis System, which has established a hot line, mobile crisis teams, crisis services, and outreach to assist individuals in crisis. However, \$51,600 was returned to DPA in fiscal 2023.

Location of Provision in the Bill: Section 7 (pp. 42-43)

Analysis prepared by: Jacob C. Cash

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

Provision in the Bill: Authorizes the Governor to transfer \$6.7 million from the Maternal and Child Health Population Health Improvement Fund to the general fund, as long as the transfer occurs by June 30, 2027.

Agency: Maryland Department of Health (MDH)

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Rev	\$0	\$6.7	\$0	\$0	\$0	\$0

State Effect: No likely impact in fiscal 2026. General fund revenues increase by \$6.7 million in fiscal 2027. Although authorized to occur in either fiscal 2026 or 2027, the budget plan assumes the transfer occurs in fiscal 2027. As this fund is authorized through calendar 2027 only, to the extent that the special fund balance would otherwise be used in fiscal 2026 through 2028, special fund expenditures decrease by up to \$6.7 million. However, the timing or amount of any such potential expenditures cannot be reliably estimated.

Local Effect: None.

Program Description: The Budget Reconciliation and Financing Act (BRFA) of 2021 (Chapter 150) established the 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. 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. In May 2021, HSCRC approved \$40.0 million in cumulative funding from hospital assessments for the fund. For fiscal 2022 through 2026, 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: Chapters 29 and 30 of 2025 extended, from December 31, 2025, to December 31, 2027, the date through which MDH can spend monies from the Maternal and Child Health Population Health Improvement Fund. The BRFA of 2025 (Chapter 604) authorized the Governor to transfer \$13.1 million from the Maternal and Child Health Population Health Improvement Fund to the general fund by June 30, 2026. The estimated

fund balance is \$9.7 million after accounting for expenditures and the \$13.1 million transfer planned in fiscal 2026.

Location of Provision in the Bill: Section 8 (p. 43)

Analysis prepared by: Anne W. Braun

Authorize Transfer from Bay Restoration Fund to General Fund and Require Affected Projects to Be Funded with General Obligation Bonds

Provision in the Bill: Authorizes the Governor to transfer \$70.0 million from the Bay Restoration Fund to the general fund, as long as the transfer occurs by June 30, 2027, and stipulates that the transferred funds are to be replaced with general obligation (GO) bonds. The fiscal 2027 capital budget as introduced includes an authorization of \$50.0 million in GO bonds for the Bay Restoration Fund Wastewater Program and the 2026 *Capital Improvement Program* reflects an additional \$20.0 million in GO bonds for fiscal 2028 to complete the replacement.

Agency: Maryland Department of the Environment (MDE)

Type of Action: Fund balance transfer

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Rev	\$0	\$70.0	\$0	\$0	\$0	\$0
SF Exp	\$0	(\$50.0)	(\$20.0)	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. General fund revenues increase by \$70.0 million in fiscal 2027. Special fund expenditures decrease by \$50.0 million in fiscal 2027 and \$20.0 million in fiscal 2028, reflecting the timing of the planned replacement using GO bonds. Providing funding through GO bonds does not affect overall State expenditures but does reallocate funding from other capital projects.

Local Effect: None.

Program Description: The Bay Restoration Fund, administered by MDE, was established by Chapter 428 of 2004 to address the significant decline in Chesapeake Bay water quality due to over-enrichment of nutrients such as nitrogen and phosphorus. This dedicated fund, financed in large part by wastewater treatment plant users, initially was used to provide grants to local governments to upgrade Maryland’s 67 major wastewater treatment plants with enhanced nutrient removal technology as part of reducing an additional 7.5 million pounds of nitrogen per year in order to reach Maryland’s Chesapeake Bay restoration commitment under the Total Maximum Daily Load as implemented by the Watershed Implementation Plan. The current funding prioritization schedule includes upgrades to the one remaining major wastewater treatment plant and minor wastewater treatment plants; an allocation to the Clean Water Commerce Account; abatement of combined sewer overflows; rehabilitation of existing sewers; upgrading pumping stations, septic systems and sewage holding tanks; and construction of stormwater control measures.

Recent History: Following transfers in fiscal 2010 and 2011 from the Bay Restoration Fund to the general fund, the rating agency Moody's downgraded Bay Restoration Fund revenue bonds from Aa1 to Aa2, citing concerns that the State was using the fund to balance the State's operating budget. That rating has fluctuated since then; however, MDE does not plan to issue any more revenue bonds under the current fee structure.

Location of Provision in the Bill: Section 9 (p. 43)

Analysis prepared by: Andrew D. Gray

Authorize Transfer from Waterway Improvement Fund to General Fund and Require Affected Projects to Be Funded with General Obligation Bonds

Provision in the Bill: Authorizes the Governor to transfer \$13,068,000 from the Waterway Improvement Fund in the Department of Natural Resources (DNR) to the general fund, as long as the transfer occurs by June 30, 2027, and stipulates that the transferred funds are to be replaced with general obligation (GO) bonds. The fiscal 2027 capital budget as introduced includes an authorization of \$13.1 million in GO bonds.

Agency: DNR

Type of Action: Fund balance transfer

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Rev	\$0	\$13.1	\$0	\$0	\$0	\$0
SF Exp	\$0	(\$13.1)	\$0	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. General fund revenues increase by \$13.1 million in fiscal 2027. Special fund expenditures decrease correspondingly. Providing funding through GO bonds does not affect overall State expenditures but does reallocate funding from other capital projects.

Local Effect: None.

Program Description: The State Boat Act contains the establishing and governing provisions of the Waterway Improvement Fund. Financial support for the fund is derived from the 5.0% 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.

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.

The Budget Reconciliation and Financing Act of 2025 (Chapter 604) increases the allowed uses 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.

Chapter 433 of 2025 altered Waterway Improvement Fund funding limits.

Location of Provision in the Bill: Section 9 (p. 43)

Analysis prepared by: Andrew D. Gray

Prohibit Provider Rate Increases for Nonpublic Placement Providers

Provision in the Bill: Prohibits, for fiscal 2027 only, the use of funds to pay increases over the rates in effect on January 21, 2026, for nonpublic placement providers. The fiscal 2027 budget as introduced includes a \$2.5 million general fund reduction, contingent on the enactment of legislation level funding provider rates.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Cost containment

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$2.5)	(\$2.6)	(\$2.6)	(\$2.7)	(\$2.7)

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$2.5 million in fiscal 2027 based on the amount of the reduction contingent on the enactment of this provision. General fund expenditures decrease by \$2.6 million in fiscal 2028, increasing to \$2.7 million in fiscal 2031, due to the lower base from which future rate increases are applied. Out-year estimates assume that a 2.0% provider rate increase will be provided in each subsequent year. Revenues are not affected.

Local Effect: Local expenditures decrease beginning in fiscal 2027 by corresponding amounts for the local share of the costs above 200% of the basic cost of education due to a 50/50 share of these costs.

Program Description/Recent History: 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 of educating a child without disabilities. Any costs above this base amount are split on a State/local basis. The Budget Reconciliation and Financing Act of 2025 (Chapter 604) reduced 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 enacted included a \$25.0 million general fund reduction to the program due to this provision. The fiscal 2027 budget as introduced reflects the second year of the phase-in.

Chapter 648 of 2023, the Teacher Parity Pay Act, mandated 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 11 (pp. 43-44)

Analysis prepared by: Katharine F. Barbour

Prohibit Provider Rate Increases for Providers with Rates Set by Interagency Rates Committee

Provision in the Bill: Prohibits, for fiscal 2027 only, the use of funds to pay increases in the rates for providers whose rates are set by the Interagency Rates Committee (IRC) over the rates in effect on January 21, 2026. The fiscal 2027 budget as introduced includes reductions of \$5,136,043 in general funds, \$64,473 in special funds and \$1,289,450 in federal funds, all contingent on the enactment of legislation prohibiting IRC from increasing rates for providers over the rates in effect on January 21, 2026.

Agency: Department of Human Services (DHS); Department of Juvenile Services (DJS); Maryland Department of Health (MDH)

Type of Action: Cost control

Fiscal Impact:	<i>(\$ in millions)</i>					
	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
FF Rev	\$0	(\$1.3)	(\$0.7)	(\$0.7)	(\$0.8)	(\$0.8)
GF Exp	\$0	(\$5.1)	(\$4.7)	(\$4.8)	(\$4.9)	(\$5.1)
SF Exp	\$0	(\$0.1)	\$0	\$0	\$0	\$0
FF Exp	\$0	(\$1.3)	(\$0.7)	(\$0.7)	(\$0.8)	(\$0.8)

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$5.1 million, special fund expenditures decrease by \$64,473, and federal fund expenditures decrease by \$1.3 million, reflecting the reductions that are contingent on the enactment of this provision. These reductions are greater than expected, assuming IRC would have provided a 2.0% rate increase. However, IRC is neither required by, nor limited under, current law with regard to provision of rate increases. Savings are also realized beginning in fiscal 2028 due to the lower base for future provider rate increases. General fund and federal fund expenditures in future years assume a 2.0% provider rate increase is provided. Federal fund revenues, which are received on a matching fund basis for certain expenditures, decrease by the same amount as the federal fund expenditure reductions in all years. Special fund expenditures are not affected in the out-years as special funds are not used for provider rates.

Local Effect: None.

Program Description: IRC establishes rates for residential and nonresidential child care programs licensed or approved by the Maryland State Department of Education (MSDE), MDH, DHS, and DJS. IRC includes representatives from the Department of Budget and Management, MDH, DHS, DJS, MSDE, and the Governor’s Office for Children.

In October 2024, a revised rate structure was implemented for Residential Child Care (group home) providers with separate rates for direct and clinical care. In fiscal 2025, the average monthly rate for group residential child care providers increased by 36.4% compared to fiscal 2024. Rates for other providers are based on the budgets of providers as compared to similar providers and are also impacted by when during the year applications for rates are submitted. For example, according to the information on the IRC website, applications submitted by February 15, 2026, were expected to receive their fiscal 2027 rate before July 1, while applications submitted after that were expected to be held to the fiscal 2026 rate.

Recent History: Various budget reconciliation legislation has prohibited or limited rate increases that could be provided by providers whose rates are set by IRC. Most recently, the Budget Reconciliation and Financing Act of 2025 (Chapter 604) prohibited, in fiscal 2026 only, IRC from increasing the payment rates for providers over the rates in effect on January 1, 2025.

Location of Provision in the Bill: Section 12 (p. 44)

Analysis prepared by: Suveksha Bhujel

Alter Timing and Recipient of Already Authorized Local Income Tax Reserve Account Transfer

Provision in the Bill: Modifies the timing of an already authorized \$37.3 million transfer from the Local Income Tax Reserve Account (LITRA) (from on or before July 31, 2025, to on or before June 1, 2025, which is before the bill's effective date) and changes the recipient of the transferred funds from the Division of Paid Leave within the Maryland Department of Labor (MD Labor) to the general fund.

Agency: Comptroller's Office; MD Labor

Type of Action: Administrative

State Effect: None. This provision is technical in nature and reflects the intent of actions taken in the fiscal 2026 budget.

Local Effect: None.

Program Description/Recent History: The Comptroller's Office uses LITRA 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.

Chapter 48 of 2022 established the Family and Medical Leave Insurance (FAMLI) Program. The program generally provides up to 12 weeks of benefits to a covered individual who is taking leave from employment due to caring for or bonding with certain family members, the individual's own serious health condition, or a qualifying exigency arising out of a family member's military deployment. The weekly benefit is based on an individual's average weekly wage and is indexed to inflation. Required contributions to the program, which are shared between employers and employees, are based on employee wages and are to be paid into the FAMLI Fund, a special fund, to carry out the program.

Chapter 363 of 2025 delayed the FAMLI Program's start dates, with employer and employee contributions beginning on January 1, 2027, and claims for benefits beginning after January 1, 2027, but no later than January 3, 2028, as determined and announced by the Secretary of Labor. Due to this delay, FAMLI Fund revenues were not available to support program expenditures, and the Budget Reconciliation and Financing Act of 2025 (Chapter 604) required the Comptroller to distribute \$37.3 million from LITRA to the Division of Paid Leave within MD Labor by July 31, 2025. Chapter 604 required MD Labor to repay this amount to LITRA within two years after FAMLI contributions begin. However, MD Labor also received a \$37.3 million general fund appropriation in fiscal 2026. This modification prevents the double payment to MD Labor (from

general funds and LITRA) and instead reimburses the general fund for that appropriation to MD Labor. MD Labor is still required to repay \$37.3 million to LITRA.

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

Analysis prepared by: Connor A. Brown

Require Heritage Conservation Fund and Other Funds to Be Included in Program Open Space State Land Acquisition Balance for Transfer Purposes

Provision in the Bill: Requires that the Heritage Conservation Fund and any other funds appropriated to Program Open Space (POS) Stateside be included as part of the POS State land acquisition balance for purposes of a fund transfer to the operating fund. The fiscal 2027 budget as introduced includes a \$5,598,443 special fund appropriation, contingent on the enactment of legislation that includes the Heritage Conservation Fund with the POS land acquisition balance for the purposes of fund transfer to the operating fund.

Agency: Department of Natural Resources (DNR)

Type of Action: Miscellaneous

Fiscal	<i>(\$ in millions)</i>					
Impact:	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
GF Exp	\$0	(\$5.6)	\$0	\$0	\$0	\$0
SF Exp	\$0	\$5.6	\$0	\$0	\$0	\$0

State Effect: No impact in fiscal 2026. Special fund expenditures increase by \$5,598,443 in fiscal 2027, based on the appropriation contingent on this provision. General fund expenditures decrease by \$5,598,443 in fiscal 2027, which is accounted for in the fiscal 2027 budget as introduced, since general funds would otherwise be needed to support the Maryland Park Service. Special fund expenditures may increase and general fund expenditures may correspondingly decrease beyond fiscal 2027; however, the amounts cannot be reliably estimated as they depend on the balance of both the Heritage Conservation Fund as well as the POS land acquisition balance. Also, to the extent that DNR already has the authority to include these funds in the POS land acquisition balance, there is no effect beyond fiscal 2027, when the provision effectuates the contingent special fund appropriation. Revenues are not affected.

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 (and certain other programs), 30% is allocated to local government acquisition and development, and 20% is allocated to State forest and park operations. In addition, transfer tax funding is used to fund the

Maryland Agricultural Land Preservation Program, to provide a second allocation to the Rural Legacy Program, and to provide an allocation to the Heritage Conservation Fund.

DNR includes the following POS Stateside appropriations as being part of the POS State land acquisition balance: State land acquisition funds; Heritage Conservation Fund; Advanced Option and Purchase Fund; general obligation bonds; and any other appropriations in the future.

Recent History: Chapter 443 of 2025 authorized the Governor to transfer, to DNR, funds from the POS State land acquisition balance if (1) the balance is more than \$80.0 million at the end of a given fiscal year and (2) DNR's existing special fund sources are insufficient to cover existing salaries for permanent, classified positions responsible for operating and maintaining land administered and managed by the department. After such a fund transfer, the remaining balance must be at least \$80.0 million. DNR may use any amount of the transferred funds as a one-time fiscal year expenditure for (1) operation and maintenance of lands administered and managed by the department; (2) administrative expenses related to land acquired by the department under POS; or (3) law enforcement activities, services, salaries, and related expenses of the Natural Resources Police. DNR may also transfer any amount of the transferred funds to the Forest or Park Reserve Fund. Any fund transfer supplements rather than supplants any other funding for operation, maintenance, and administration of lands administered and managed by DNR, regardless of the source of the other funding.

Location of Provision in the Bill: Section 2 (p. 36)

Analysis prepared by: Andrew D. Gray

Repurpose Funds for State Land Acquisition under Program Open Space

Provision in the Bill: Authorizes \$980,000 in the unexpended fiscal 2018 Program Open Space (POS) State land acquisition special fund appropriation, which was previously restricted for the purpose of providing a grant to the College of Southern Maryland to purchase the La Grange property, to instead be used for POS State land acquisition.

Agency: Department of Natural Resources (DNR)

Type of Action: Miscellaneous

State Effect: None. This provision is technical in nature and reallocates an existing appropriation. While it is anticipated that these funds will be used in fiscal 2026, due to the timing of when the appropriation would otherwise expire, no new appropriation would be required.

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. Transfer tax funding distributed to POS is allocated by the following approximate percentages and amounts: (1) 50% to State land acquisition, of which \$8.0 million is authorized to be used for the Rural Legacy Program and \$10.0 million is authorized for the Baltimore City Direct Grant and capital development; (2) 30% to local government acquisition and development; and (3) 20% to State forest and park operations. In addition, transfer tax funding is used to fund the Maryland Agricultural Land Preservation Program, administered by the Maryland Department of Agriculture, to provide a second allocation to the Rural Legacy Program, and to provide an allocation to the Heritage Conservation Fund.

Recent History: Language in the fiscal 2018 budget bill restricted \$980,000 in POS State land acquisition funding to be used only for providing a grant to the College of Southern Maryland. The funding was restricted to purchase the La Grange property located in La Plata, Charles County, Maryland, the home of Dr. James Craik and the birthplace of Josiah Henson, a leader of the Underground Railroad. The budget bill language also required the College of Southern Maryland to convene a workgroup of stakeholders, including representatives of the Town of La Plata, St. Mary's College, and the Charles County Chapter of the NAACP, to determine and report on the short-term and long-term plan for the property and historical structures. The submitted report included the recommendation to cancel the funding and seek a longer-term solution to the preservation

of the La Grange property. However, the appropriation was not cancelled. Funds encumbered for capital purposes remain available for seven years.

Location of Provision in the Bill: Section 5 (p. 42)

Analysis prepared by: Andrew D. Gray

Alter Allowable Uses of Facility Operations Administration and Support Funding within Department of Juvenile Services

Provision in the Bill: Alters the allowable uses of \$3.0 million in fiscal 2026 general funds in the Department of Juvenile Services (DJS), which were restricted to be used for reopening the Alfred D. Noyes Children's Center (Noyes) as an adolescent drug treatment center to instead provide drug treatment services at other child-serving facilities and to reopen Noyes as a facility for children.

Agency: DJS

Type of Action: Administrative

State Effect: General fund expenditures are unchanged but reallocated among uses within DJS in fiscal 2026. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: The Facility Operations Administration and Support program within DJS oversees all youth-serving DJS facilities statewide. Funding associated with the provision of substance abuse evaluations for youth in DJS facilities is also included in this budgetary program.

Language in Chapter 602 of 2025 (the fiscal 2026 budget bill) restricted \$3.0 million in general funding provided for opening the Catoctin Treatment Center to instead be used only for the purpose of reopening Noyes as an adolescent drug treatment center that serves as a treatment alternative to detention and commitment. Previously, DJS operated Noyes as a detention center, but it was closed in October 2022.

DJS reports that, in coordination with the Maryland Department of Health and the Department of Human Services, it will pursue relocating the Facility for Children from the neighboring Regional Institute for Children and Adolescents (RICA) facility to the Noyes facility. DJS will provide a substance abuse program at the RICA facility instead of at Noyes. DJS indicates it will use approximately \$2.5 million for the purpose of reopening Noyes in fiscal 2026.

Location of Provision in the Bill: Section 10 (p. 43)

Analysis prepared by: Madelyn C. Miller

Authorize Interagency Commission on School Construction to Reallocate Federal Funding to Ensure Federal Compliance

Provision in the Bill: Authorizes the Interagency Commission on School Construction (IAC) to reallocate fiscal 2022 and 2023 federal funds for heating, ventilation, and air-conditioning (HVAC) upgrades for public school buildings to ensure compliance with the American Rescue Plan Act (ARPA) of 2021.

Agency: IAC

Type of Action: Administrative

State Effect: The provision does not affect overall State expenditures, but it enables \$40.0 million of federal funds to be expended before expiring. While funding sources may change for some capital projects (*i.e.*, federal funds instead of general obligation bonds), total funding for capital projects remains unchanged. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: The Healthy Schools Facility Fund (HSFF) provides grants for capital projects at public primary and secondary schools that will improve the health of school facilities. For fiscal 2021 through 2026, 50% of the funds appropriated for HSFF must be awarded to Baltimore City schools.

The fiscal 2022 and 2023 budgets included appropriations totaling \$80.0 million in federal pay-as-you-go funds for HSFF in IAC, available from ARPA State and Local Fiscal Recovery Funds (SLFRF) program. Within HSFF, federal funds from SLFRF are designated for projects that mitigate the spread of COVID-19 and preserve public health.

ARPA required that all SLFRF monies be obligated by December 31, 2024, and expended by December 31, 2026. IAC awarded funding to local education agencies (LEAs) in advance of the obligation deadline.

As of January 2026, Baltimore City has not incurred any expenditures on its projects that were awarded \$40.0 million in SLFRF monies. In order to expend SLFRF monies before the deadline, IAC plans to apply the \$40.0 million in expiring federal funds to expenditures already incurred for HVAC projects in other jurisdictions, contingent on legislation authorizing the reallocation of funds. The general obligation bonds originally used to fund those projects would then be available to backfill funding for Baltimore City's projects. This fund swap will not impact the overall funding amounts allocated to each LEA.

Location of Provision in the Bill: Section 13 (p. 44)

Analysis prepared by: Katharine F. Barbour

Appendix B
Quantifiable Revenue and Expenditure Impacts on State Finances,
By Provision and Fund Type
Fiscal 2026-2031
(\$ in Dollars)

Notes: Includes only impacts on general, special, and federal funds (impacts on nonbudgeted funds are not included). Impacts on pay-as-you-go general funds are included with other general fund impacts. Any impacts that could not be reliably quantified or for which timing could not be determined are not reflected. Affected agencies are discussed in Appendix A; however, when a listed impact affects multiple agencies or special funds, the agency or special fund is also identified.

Source: Department of Legislative Services

Acronym Key

ACP: Alternative Compliance Payment	MDE: Maryland Department of the Environment
AOT: Assisted Outpatient Treatment	MDEM: Maryland Department of Emergency Management
BCCC: Baltimore City Community College	MDH: Maryland Department of Health
BPW: Board of Public Works	MDOT: Maryland Department of Transportation
BRF: Bay Restitution Fund	MDP: Maryland Department of Planning
CC: Community College	MEA: Maryland Energy Administration
CCSPF: Coordinated Community Supports Program Fund	MEMSOF: Maryland Emergency Medical System Operations Fund
CO: Comptroller's Office	MHEC: Maryland Higher Education Commission
CPHCWP: Career Pathways for Health Care Workers Program	MLARP: Maryland Loan Assistance Repayment Program
CRF: Cigarette Restitution Fund	MSDE: Maryland State Department of Education
DEPHS: Driver Education in Public High Schools	MSLA: Maryland State Library Agency
DGS: Department of General Services	POPA: Police Officers and Probation Agents
DHCD: Department of Housing and Community Development	POS: Program Open Space
DNR: Department of Natural Resources	PSC: Public Service Commission
DPA: Dedicated Purpose Account	QPP: Qualified Production Property
FB: Fund Balance	RDF: Rainy Day Fund
GO: General Obligation	REIP: Reentry Employment Incentive Program
HBCUs: Historically Black Colleges and Universities	RGGI: Regional Greenhouse Gas Initiative
HCF: Heritage Conservation Fund	RPS: Renewable Portfolio Standard
HE: Higher Education	SBPCTF: State Board of Professional Counselors and Therapists Fund
HEIF: Higher Education Investment Fund	SEIF: Strategic Energy Investment Fund
HRTCP: Historic Revitalization Tax Credit Program	SEPO: Strategic Energy Planning Office
IRC: Interagency Rates Committee	TTF: Transportation Trust Fund
JPPM: Jefferson Patterson Park and Museum	UAWPIGF: Urban Agriculture Water and Power Infrastructure Grant Fund
MCHPHIF: Maternal and Child Health Population Health Improvement Fund	UME: University of Maryland Extension
MCHRC: Maryland Community Health Resources Commission	WIF: Waterway Improvement Fund
MDA: Maryland Department of Agriculture	YA: Young Adult Service Year Option

<u>GENERAL FUND REVENUES</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
<u>Mandate Relief</u>						
<i>Subtotal – Mandate Relief</i>	0	0	0	0	0	0
<u>Transfers, Fund Swaps, Cost Shifts/Control, Revenue/Other Actions</u>						
Redirect – Land Preservation Funding and Replace with GO Bonds	0	71,932,000	0	0	0	0
Eliminate Distribution – DEPHS Fund from Fines	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Partially Decouple – Federal Bonus Depreciation Enhancement	0	10,308,393	9,334,467	5,972,454	4,268,420	3,186,569
Decouple – Special Depreciation Allowance for QPP	0	122,538,303	122,744,488	89,195,782	56,764,142	19,122,512
Transfer – from RPS/ACP Account of SEIF	259,000,000	0	0	0	0	0
Transfer – from Fiscal Responsibility Fund	178,465,696	0	0	0	0	0
Transfer – from Administration Account of SEIF	33,000,000	0	0	0	0	0
Transfer – from MLARP for Nurses and Nursing Support Staff	2,297,167	0	0	0	0	0
Transfer – from Performance Incentive Grant Fund	2,000,000	0	0	0	0	0
Transfer – from Dedicated Purpose Account	1,038,910	0	0	0	0	0
Transfer – from MCHPHIF	0	6,700,000	0	0	0	0
Transfer – from BRF and Replace with GO Bonds	0	70,000,000	0	0	0	0
Transfer – from WIF and Replace with GO Bonds	0	13,068,000	0	0	0	0
<i>Subtotal – Other Actions</i>	475,801,773	296,546,696	134,078,955	97,168,236	63,032,562	24,309,081
Total General Fund Revenues	475,801,773	296,546,696	134,078,955	97,168,236	63,032,562	24,309,081

GENERAL FUND EXPENDITURES

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
<u>Mandate Relief</u>						
Reduce – for Maryland Healthy Soils Program	0	(100,000)	(100,000)	0	0	0
Eliminate – for Maryland Native Plants Program (MDA)	0	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Eliminate – for Maryland Native Plants Program (UME)	0	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Reduce – for Tri-County Council for Southern Maryland	0	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Eliminate – for Lacrosse Opportunities Program	0	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
Reduce – for CCSPF	0	0	(40,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
Alter – Cade Funding Formula for Local CC Aid	0	(20,990,480)	(5,502,678)	(5,400,723)	0	0
Alter – BCCC Funding Formula	0	(713,762)	(713,777)	(722,861)	(750,776)	(781,044)
Level Fund – Sellinger Funding Formula	0	(4,467,023)	(3,304,365)	(5,458,647)	0	0
Reduce – for CC Promise Scholarship Program	0	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Reduce – for POPA MLARP	0	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Reduce – for POPA Scholarship	0	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Reduce – for Activities Aimed at Reducing Tobacco Use	0	(730,000)	(730,000)	(730,000)	(730,000)	(730,000)
Reduce – for Public Safety Apprenticeship Program	(360,000)	(360,000)	(360,000)	(360,000)	(360,000)	(360,000)
Reduce – for CPHCWP	0	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Alter – Funding for Local Income Tax Disparity Grants	0	(26,996,719)	(26,996,719)	(26,996,719)	0	0
Reduce – for Prince George’s County REIP	0	(150,000)	(150,000)	0	0	0
Reduce – for HRTCP Small Commercial Project Trust Account	0	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Eliminate – for Printing Budget Books	0	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
Suspend – Appropriation to Revenue Stabilization Account	0	(449,787,611)	0	0	0	0
Alter – Share of Teacher/CC/Library Retirement Payments (MHEC)	0	(2,344,824)	(2,344,823)	(2,344,823)	(2,344,823)	(2,344,823)
Alter – Share of Teacher/CC/Library Retirement Payments (MSDE)	0	(36,216,177)	(36,216,176)	(36,216,176)	(36,216,176)	(36,216,176)
Alter – Share of Teacher/CC/Library Retirement Payments (MSLA)	0	(722,970)	(722,969)	(722,969)	(722,969)	(722,969)
Reduce – for UAWPIGF	0	(100,000)	0	0	0	0
<i>Subtotal – Mandate Relief</i>	<i>(360,000)</i>	<i>(549,959,566)</i>	<i>(123,421,507)</i>	<i>(105,232,918)</i>	<i>(67,404,744)</i>	<i>(67,435,012)</i>

<u>GENERAL FUND EXPENDITURES</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
<u>Transfers, Fund Swaps, Cost Shifts/Control, Revenue/Other Actions</u>						
Expand Use – Cannabis Business Assistance Fund	0	(5,000,000)	(5,000,000)	(5,000,000)	0	0
Expand Use – Advance Directive Program Fund	0	(1,000,000)	0	0	0	0
Require Local Reimbursement – AOT Program Costs	0	0	(1,575,000)	(3,150,000)	(4,725,000)	0
Expand Use – Board of Physicians Fund	0	(2,000,000)	0	0	0	0
Expand Use – SBPCTF	0	(500,000)	0	0	0	0
Suspend – CRF Appropriation to MCHRC Fund	0	(1,000,000)	0	0	0	0
Expand Use – Separate Account in CRF (MDH)	0	(35,000,000)	0	0	0	0
Expand Use – Separate Account in CRF (HCBUs)	0	25,694,103	9,305,897	0	0	0
Expand Use – RGGI Revenues in SEIF (BPW)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Expand Use – RGGI Revenues in SEIF (DNR)	0	(764,039)	(810,286)	(826,492)	(843,022)	(859,882)
Expand Use – RGGI Revenues in SEIF (MDEM)	0	(304,583)	(310,675)	(310,675)	(310,675)	(310,675)
Expand Use – RGGI Revenues in SEIF (CO)	0	(125,051)	(127,552)	(130,103)	(132,705)	(135,359)
Expand Use – RGGI Revenues in SEIF (MDP)	0	(131,529)	(139,323)	(142,109)	(144,951)	(147,850)
Expand Use – RGGI Revenues in SEIF (MDE)	0	(178,267)	(139,323)	(142,109)	(144,951)	(147,850)
Expand Use – RGGI Revenues in SEIF (DHCD)	0	(183,673)	(195,147)	(199,050)	(203,031)	(207,092)
Reduce – YA Pathway Participation Targets	0	(8,138,340)	(9,155,633)	0	0	0
Extend Expanded Use – MEMSOF	0	(5,500,000)	(5,500,000)	(5,500,000)	0	0
Expand Use – POS Funding for JPPM	0	(135,313)	(380,636)	(398,701)	(415,969)	(428,641)
Account for – HCF in POS State Land Acquisition Balance	0	(5,598,443)	0	0	0	0
Decouple – Special Depreciation Allowance for QPP	0	(6,788,391)	(6,696,052)	(4,866,290)	(3,096,358)	(1,042,954)
Authorize/Delay – MDH Application for Demonstration Program	0	0	(9,252,713)	(9,252,713)	(4,600,000)	0
Prohibit – Rate Increases for Nonpublic Placement Providers	0	(2,500,000)	(2,550,000)	(2,601,000)	(2,653,020)	(2,706,080)
Prohibit – Rate Increases for Providers with Rates Set by IRC	0	(5,136,043)	(4,697,901)	(4,819,789)	(4,945,151)	(5,074,090)
<i>Subtotal – Other Actions</i>	(1,500,000)	(55,789,569)	(38,724,344)	(38,839,031)	(23,714,833)	(12,560,473)
Total General Fund Expenditures	(1,860,000)	(605,749,135)	(162,145,851)	(144,071,949)	(91,119,577)	(79,995,485)

<u>SPECIAL FUND REVENUES</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
<u>Mandate Relief</u>						
Reduce – for Tri-County Council for Southern Maryland (MDH)	0	300,000	300,000	300,000	300,000	300,000
Reduce – for Tri-County Council for Southern Maryland (MDA)	0	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Reduce – for HRTCP Small Commercial Project Trust Account	0	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Suspend – Appropriation to Revenue Stabilization Account	0	(449,787,611)	0	0	0	0
Reduce – for UAWPIGF	0	(100,000)	0	0	0	0
<i>Subtotal – Mandate Relief</i>	0	(451,387,611)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
<u>Transfers, Fund Swaps, Cost Shifts/Control, Revenue/Other Actions</u>						
Require Local Reimbursement – AOT Program Costs	0	0	1,575,000	3,150,000	4,725,000	0
Reduce – YA Pathway Participation Targets	0	(8,138,340)	(9,155,633)	0	0	0
Redirect – Land Preservation Funding and Replace with GO Bonds	0	(71,743,156)	0	0	0	0
Eliminate Distribution – DEPHS Fund from Fines	0	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Expand Use – POS Funding for JPPM (MDP)	0	332,797	380,636	398,701	415,969	428,641
Expand Use – POS Funding for JPPM (DNR)	0	(332,797)	(380,636)	(398,701)	(415,969)	(428,641)
Partially Decouple – Federal Bonus Depreciation Enhancement (HEIF)	0	569,177	507,476	324,698	232,056	173,240
Partially Decouple – Federal Bonus Depreciation Enhancement (TTF)	0	1,770,803	1,435,311	918,354	656,333	489,983
Decouple – Special Depreciation Allowance for QPP (HEIF)	0	6,788,389	6,696,052	4,866,290	3,096,358	1,042,954
Decouple – Special Depreciation Allowance for QPP (TTF)	0	21,119,808	18,938,654	13,763,502	8,757,530	2,949,830
Decouple – Special Depreciation Allowance for QPP (SEIF)	0	406,636	422,009	314,247	189,917	61,507
<i>Subtotal – Other Actions</i>	0	(51,226,683)	18,418,869	21,337,091	15,657,194	2,717,514
Total Special Fund Revenues	0	(502,614,294)	16,918,869	19,837,091	14,157,194	1,217,514

SPECIAL FUND EXPENDITURES**FY 2026****FY 2027****FY 2028****FY 2029****FY 2030****FY 2031****Mandate Relief**

Reduce – for Tri-County Council for Southern Maryland (MDA)	0	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Reduce – for Tri-County Council for Southern Maryland (MDH)	0	300,000	300,000	300,000	300,000	300,000
Reduce – for CCSPF (MDH)	0	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
Reduce – for CCSPF (MSDE)	0	0	40,000,000	20,000,000	20,000,000	20,000,000
Reduce – for HRTCP Small Commercial Project Trust Account	0	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Reduce – for UAWPIGF	0	(100,000)	0	0	0	0
<i>Subtotal – Mandate Relief</i>	0	(21,600,000)	18,500,000	(1,500,000)	(1,500,000)	(1,500,000)

Transfers, Fund Swaps, Cost Shifts/Control, Revenue/Other Actions

Expand Use – Cannabis Business Assistance Fund	0	5,000,000	5,000,000	5,000,000	0	0
Expand Use – Advance Directive Program Fund	0	1,000,000	0	0	0	0
Require Local Reimbursement – AOT Program Costs	0	0	1,575,000	3,150,000	4,725,000	0
Expand Use – Board of Physicians Fund	0	2,000,000	0	0	0	0
Expand Use – SBPCTF	0	500,000	0	0	0	0
Suspend Distribution – WIF	0	(250,000)	(250,000)	0	0	0
Expand Use – 9-1-1 Trust Fund	3,232,157	3,232,157	3,232,157	3,232,157	3,232,157	3,232,157
Suspend – CRF Appropriation to MCHRC Fund	0	1,000,000	0	0	0	0
Expand Use – Separate Account in CRF (MDH)	0	1,000,000	0	0	0	0
Expand Use – Separate Account in CRF (HCBUs)	0	(1,000,000)	0	0	0	0
Expand Use – RGGI Revenues in SEIF (BPW)	0	35,000,000	0	0	0	0
Expand Use – RGGI Revenues in SEIF (DNR)	0	(25,694,103)	(9,305,897)	0	0	0
Expand Use – RGGI Revenues in SEIF (MDEM)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Expand Use – RGGI Revenues in SEIF (CO)	0	794,398	810,286	826,492	843,022	859,882
Expand Use – RGGI Revenues in SEIF (MDP)	400,000	1,470,113	1,470,113	1,470,113	1,470,113	1,470,113
Expand Use – RGGI Revenues in SEIF (MDE)	0	125,051	127,552	130,103	132,705	135,359
Expand Use – RGGI Revenues in SEIF (DHCD)	0	136,591	139,323	142,109	144,951	147,850
Expand Use – ACP Account in SEIF (MDOT)	0	9,668,237	139,323	142,109	144,951	147,850
Expand Use – ACP Account in SEIF (MEA)	0	191,321	195,147	199,050	203,031	207,092
Expand Use – ACP Account in SEIF (PSC)	0	10,000,000	0	0	0	0
Expand Use – ACP Account in SEIF (DGS)	0	100,000,000	0	0	0	0
Expand Use – ACP Account in SEIF (DPA – HE)	0	15,000,000	0	0	0	0
Expand Use – ACP Account in SEIF (DPA – SEPO)	0	20,000,000	0	0	0	0

<u>SPECIAL FUND EXPENDITURES</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
Reduce – YA Pathway Participation Targets	0	42,000,000	0	0	0	0
Redirect – Land Preservation Funding and Replace with GO Bonds	0	25,000,000	0	0	0	0
Extend Expanded Use – MEMSOF	0	(8,138,340)	(9,155,633)	0	0	0
Eliminate Distribution – DEPHS Fund from Fines	0	(71,932,000)	0	0	0	0
Expand Use – POS Funding for JPPM (MDP)	0	5,500,000	5,500,000	5,500,000	0	0
Expand Use – POS Funding for JPPM (DNR)	0	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Account for – HCF in POS State Land Acquisition Balance	0	332,797	380,636	398,701	415,969	428,641
Partially Decouple – Federal Bonus Depreciation Enhancement	0	(332,797)	(380,636)	(398,701)	(415,969)	(428,641)
Decouple – Special Depreciation Allowance for QPP (TTF)	0	5,598,443	0	0	0	0
Decouple – Special Depreciation Allowance for QPP (HEIF)	0	354,161	223,909	143,263	102,388	76,437
Authorize/Delay – MDH Application for Demonstration Program	0	4,223,962	2,954,430	2,147,106	1,366,175	460,173
Transfer – from Fiscal Responsibility Fund	0	6,788,391	6,696,052	4,866,290	3,096,358	1,042,954
Transfer – from BRF and Replace with GO Bonds	0	(4,600,000)	0	0	4,600,000	0
Transfer – from WIF and Replace with GO Bonds	0	0	0	0	0	0
Prohibit – Rate Increases for Providers with Rates Set by IRC	0	0	(178,465,696)	0	0	0
<i>Subtotal – Other Actions</i>	5,132,157	120,335,909	(189,613,934)	26,448,792	19,560,851	7,279,867
Total Special Fund Expenditures	5,132,157	98,735,909	(171,113,934)	24,948,792	18,060,851	5,779,867

<u>FEDERAL FUND REVENUES</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
Authorize/Delay – MDH Application for Demonstration Program	0	(2,913,556)	(5,827,111)	(5,827,111)	0	0
Prohibit – Rate Increases for Providers with Rates Set by IRC	0	(1,289,450)	(717,068)	(735,672)	(754,807)	(774,487)
Total Federal Fund Revenues	0	(4,203,006)	(6,544,179)	(6,562,783)	(754,807)	(774,487)
<u>FEDERAL FUND EXPENDITURES</u>						
Expand Use – 9-1-1 Trust Fund	(3,232,157)	(3,232,157)	0	0	0	0
Expand Use – RGGI Revenues in SEIF	0	(1,165,530)	(1,165,530)	(1,165,530)	(1,165,530)	(1,165,530)
Authorize/Delay – MDH Application for Demonstration Program	0	(2,913,556)	(5,827,111)	(5,827,111)	0	0
Prohibit – Rate Increases for Providers with Rates Set by IRC	0	(1,289,450)	(717,068)	(735,672)	(754,807)	(774,487)
Total Federal Fund Expenditures	(3,232,157)	(8,600,693)	(7,709,709)	(7,728,313)	(1,920,337)	(1,940,017)

Appendix C
Impact on Funding Provided to or on Behalf of Local Jurisdictions of
Selected Provisions of the Budget Reconciliation and Financing Act of 2026
Fiscal 2027

County	Retirement System Payments ¹	Cade Community College Funding	Disparity Grants	Total Impact
Allegany	(\$385,793)	(\$219,153)	(\$6,313,468)	(\$6,918,414)
Anne Arundel	(3,605,141)	(3,817,589)	0	(\$7,422,730)
Baltimore City	(3,239,053)	0	0	(\$3,239,053)
Baltimore	(4,770,451)	(2,900,256)	0	(\$7,670,707)
Calvert	(637,225)	(209,517)	0	(\$846,742)
Caroline	(224,105)	(17,285)	(841,501)	(\$1,082,891)
Carroll	(1,037,865)	(594,776)	0	(\$1,632,641)
Cecil	(636,569)	(71,776)	0	(\$708,345)
Charles	(1,114,558)	(429,813)	0	(\$1,544,371)
Dorchester	(204,119)	(12,775)	(664,863)	(\$881,757)
Frederick	(1,973,821)	(1,480,103)	0	(\$3,453,924)
Garrett	(159,657)	0	(83,863)	(\$243,520)
Harford	(1,612,674)	(609,016)	0	(\$2,221,690)
Howard	(2,866,162)	(909,146)	0	(\$3,775,308)
Kent	(89,690)	(5,343)	0	(\$95,033)
Montgomery	(7,893,053)	(3,115,786)	0	(\$11,008,839)
Prince George's	(5,675,275)	(4,478,844)	(17,516,640)	(\$27,670,759)
Queen Anne's	(282,556)	(20,991)	0	(\$303,547)
St. Mary's	(643,305)	(257,050)	0	(\$900,355)
Somerset	(128,509)	(182,088)	(762,272)	(\$1,072,869)
Talbot	(198,222)	(15,473)	0	(\$213,695)
Washington	(882,020)	0	(316,408)	(\$1,198,428)
Wicomico	(674,474)	(1,222,933)	(497,706)	(\$2,395,113)
Worcester	(349,671)	(420,768)	0	(\$770,439)
Unallocated/Statewide	0	0	0	0
Total	(\$39,283,968)	(\$20,990,480)	(\$26,996,721)	(\$87,271,169)

1 Paid on behalf of local school systems, community colleges, and libraries. Although counties must pay \$39,283,968 more each year, the amount of the contingent reductions in the budget bill total to a negligibly greater amount of \$39,283,971.

Notes: Numbers may not sum to total due to rounding in the amounts apportioned to the appropriate jurisdiction for regional community colleges that are funded by and serve multiple jurisdictions. Baltimore City Community College, as a State agency, is not affected. The total impact reflects amounts no longer paid by the State; accordingly, equivalent costs are incurred by local jurisdictions in fiscal 2027 due to two of the three selected provisions; otherwise, less revenue is received from disparity grants.

Source: Department of Legislative Services

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Budget Reconciliation and Financing Act of 2026

BILL NUMBER: SB 284

PREPARED BY: Nathan Bowen, Nathan.Bowen@maryland.gov

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

Small Business Impact: The Department of Budget and Management has reviewed the provisions of SB 284, The Budget Reconciliation and Financing Act of 2026, and believes that some provisions of the legislation will result in an impact on small businesses. The department would highlight the following provisions:

- Reducing the mandate for the Healthy Soils Program in the Maryland Department of Agriculture may reduce the number of distributed grants by 2-4 in fiscal 2028. The grant program is available to Maryland farmers and organizations that work with farmers to implement innovative conservation practices.
- Use of the Cannabis Business Assistance Fund to support the Department of Social and Economic Mobility will reduce the fund balance by \$15 million between fiscal 2027 and fiscal 2029, potentially reducing grants or loans to small, minority-owned or women-owned businesses, grants to historically black colleges and universities for cannabis-related programs and business development organizations. However, the Fund balance at the end of fiscal 2025 was \$40 million and the Fund will continue to accrue new revenue so the provision should have minimal impact in the short term.
- Reduction of the Tri-County Council for Southern Maryland mandate for the Southern Maryland Agricultural Development Commission (SMADC) from \$1 million to \$700,000 may impact southern Maryland farmers to the extent that they were receiving direct financial assistance from SMADC which now would be reduced.

- The legislation reduces the Career Pathways for Healthcare Workers Program in the Department of Labor from \$500,000 to \$350,000, reducing funding available for eligible employers that pay for training programs attended by health care workers. However, the program has been underutilized and the reduction is therefore not anticipated to have an impact.
- The Prince George’s County Re-Entry Employment Incentive program is reduced from \$500,000 to \$150,000 in fiscal 2027, reducing funding the program which provides local businesses with up to \$5,000 in annual payroll reimbursement for hiring returning citizens. The FY 2025 grant agreement was issued late in the year, generating prior year carryover balance that will be spent over time to help offset this reduction.
- Reduction of the mandated appropriation for the Small Commercial Project Trust Account within the Historic Revitalization Tax Credit (HRTC) Reserve Fund from \$2 million to \$500,000 reduces funding available for such credits. However, the Small Commercial program has been undersubscribed in recent years and in FY 2025 only about \$500,000 was awarded, so there should be minimal if any impact to businesses.
- Various initiatives under the expanded use of the Strategic Energy Investment Fund will benefit small businesses in Maryland in the area of renewable and clean energy.
- The Department of Agriculture’s Urban Agriculture Water and Power Infrastructure Grant Fund mandate is reduced from \$500,000 to \$400,000, reducing available funds for urban agricultural producers for the purchase and installation of agriculture equipment associated with water supply and irrigation and electric power access. However, the Department reports that it can absorb the impact of the reduction while maintaining the success of the grant program in fiscal 2027.
- Federal HR 1 (2025) changed many individual and corporate income tax laws that Maryland conforms with. The BRFA permanently decouples Maryland from a new deduction for qualified production property, starting in tax year 2026. The new deduction for qualified production property did not take effect in tax year 2025 because of Maryland’s “trigger” rule for conformity, and thus, if the BRFA is enacted, it will never appear on the Maryland tax return and not impact businesses relative to the status quo. The BRFA also decouples Maryland from the updated federal rules for bonus depreciation, but the benefit is not eliminated. Under the BRFA, eligible businesses will claim 20% of eligible investments in tax year 2026—the pre-OBBBA federal and state law for tax year 2026—instead of the 100% federal rate created by the OBBBA. The state will then permanently use the 20% rate for bonus depreciation. Bonus depreciation remains a benefit that only manufacturing companies can access on the Maryland tax return.
- Provider rate freezes for nonpublic placements and foster out-of-home care placements would reduce funding available to certain small businesses / nonprofit providers.

PART B. ECONOMIC IMPACT ANALYSIS