**SB 739**

# Department of Legislative Services

Maryland General Assembly
2026 Session

## FISCAL AND POLICY NOTE
**Enrolled - Revised**

Senate Bill 739 (Senator Kramer)

Finance | Environment and Transportation and Judiciary

**Climate Change, Homeowner's Insurance, and Emergency Management - Study**

This bill requires the University System of Maryland (USM) to conduct a study to evaluate the relationship between climate change, the availability and price of homeowner's insurance, and emergency and disaster preparedness. USM must submit a report of its findings and recommendations to the General Assembly by July 1, 2027. Up to $100,000 of the money in the Strategic Energy Investment Fund (SEIF) may be used by USM to conduct the study. **The bill takes effect June 1, 2026.**

## Fiscal Summary

**State Effect:** No effect assumed for FY 2026. SEIF expenditures increase by $100,000 in FY 2027 as the bill effectuates a contingent appropriation in the budget passed by the General Assembly; higher education expenditures may increase, by as much as another $200,000, in FY 2027 for USM to complete the study, as discussed below. Higher education revenues and general fund expenditures increase correspondingly to the increase in higher education expenditures to the extent general funds are used to reimburse USM for costs it incurs. Other affected State agencies can coordinate with and oversee USM using existing budgeted resources.

| (in dollars) | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|
| Higher Ed Rev. | - | $0 | $0 | $0 | $0 |
| GF Expenditure | - | $0 | $0 | $0 | $0 |
| SF Expenditure | $100,000 | $0 | $0 | $0 | $0 |
| Higher Ed Exp. | - | $0 | $0 | $0 | $0 |
| Net Effect | ($100,000) | $0 | $0 | $0 | $0 |

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

**Local Effect:** Local government representatives can coordinate with and oversee USM using existing budgeted resources. Revenues are not affected.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** USM must conduct the study in coordination with, and with oversight by, (1) one member of the Senate of Maryland, appointed by the President; (2) one member of the House of Delegates, appointed by the Speaker of the House; (3) the Department of Natural Resources; (4) the Maryland Department of the Environment (MDE); (5) the Maryland Department of Emergency Management (MDEM); (6) the Maryland Insurance Administration; (7) a county emergency manager, appointed by the Maryland Association of Counties; (8) a municipal emergency manager, appointed by the Maryland Municipal League; and (9) a representative of the Independent Insurance Agents of Maryland designated by the Independent Insurance Agents of Maryland. The study must evaluate:

- the extent to which climate change has contributed to the decreasing availability of and increasing costs associated with homeowner's insurance;
- the impact of recent and future changes in federal policies and grant funding streams related to disaster preparedness, response, recovery, mitigation, and resilience;
- how federal funding has supported emergency management capabilities across the five emergency management mission areas identified by the Federal Emergency Management Agency (FEMA); and
- existing local resources or reserve funds available for disaster recovery needs.

The report submitted by USM must include an overview of the current state of the National Flood Insurance Program (NFIP), Community Rating System, and the private flood insurance market and make recommendations on:

- how the State can incentivize residents to invest in improvements to protect homes or mitigate damage from extreme weather events using specified incentives;
- potential modifications to the Insurance Article to better ensure that insurers adequately adjust rates for certain policyholders;
- best practices for funding emergency management capabilities based on an evaluation of similar practices in other states;
- potential modifications to the State Disaster Recovery Fund;
- recurring, dedicated funding mechanisms;
- annual *per capita* funding levels; and
- allocation ratios between emergency management programming, including training and staff, and disaster response funds for recovery assistance.

**Current Law:**

*Notice Required Related to Flood Insurance*

The Insurance Article includes very few provisions related to flood insurance. Most notably, a homeowner's insurer must provide an applicant, at the time a policy is initially purchased, with a written notice that states that a standard homeowner's insurance policy does not cover losses from flood. The notice must include, among other things, specified information about the availability of flood insurance from NFIP. Additionally, the Insurance Commissioner is required to adopt, by regulation, a notice that must be provided to insureds or policyholders at each homeowner's insurance policy renewal on specified areas of concern, including floods. The notice states the following:

> The standard homeowner's insurance policy does not cover loss caused by flood. Ask your producer (who is your agent or broker) or your insurance company about flood coverage. Visit the National Flood Insurance Program ("NFIP") at www.floodsmart.gov or by phone 888-379-9531 to learn more.

*National Flood Insurance and Flood Management*

NFIP is managed by FEMA and provides flood insurance directly and through a network of 47 insurance companies. Through the program, flood insurance is available to anyone living in one of the 22,600 participating communities.

In order to participate in NFIP, local communities must adopt and enforce a floodplain management ordinance containing minimum requirements specified by federal law, which apply in floodplain areas mapped by FEMA. More specifically, in conjunction with FEMA, MDE updates the State's regional flood risks and takes into account river flow, storm tides, rainfall, and coastal storm surges, and this information is used to create flood insurance rate maps that, among other things, are used for floodplain management and insurance purposes. All Maryland counties and 92 municipalities participate in NFIP.

Additionally, pursuant to the Flood Hazard Management Act of 1976, MDE is responsible for various initiatives designed to address flood hazards, including (1) assisting in the development of guidance to minimize the impacts of flooding; (2) providing State guidelines and technical assistance to local governments to manage flood areas; and (3) administering the Comprehensive Flood Management Grant Program. MDE and local governments that have the authority to adopt and enforce land use and control measures for the areas within their jurisdictions must coordinate flood management activities with all related programs, including NFIP, the Sediment Control Program, and the State water pollution control and abatement programs.

*State Disaster Recovery Fund*

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

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

*State Climate Change Goals and Activities*

Chapter 38 of 2022 (the Climate Solutions Now Act) made broad changes to the State's approach to reducing statewide greenhouse gas (GHG) emissions and addressing climate change. Among other things, the Act accelerated previous statewide GHG emissions reduction targets originally established under the Greenhouse Gas Emissions Reduction Act by requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045. In December 2023, MDE published Maryland's Climate Pollution Reduction Plan, which was developed to implement Chapter 38.

Pursuant to Executive Order 01.01.2024.19, various other State agencies have prepared their own individual climate implementation plans.

*Strategic Energy Investment Fund – Generally*

SEIF is administered by the Maryland Energy Administration (MEA) and primarily receives funds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative (RGGI) and alternative compliance payment revenues through the State's renewable energy portfolio standard. Additionally, SEIF will receive a portion of corporate income tax revenues from qualified data centers that are operational on or after January 1, 2026.

MEA is required to use SEIF for various specified uses, including investing in the promotion, development, and implementation of (1) cost-effective energy efficiency and conservation programs, projects, or activities; (2) renewable and clean energy resources; (3) climate change programs directly related to reducing or mitigating the effects of climate change; and (4) demand response programs that are designed to promote changes in electric usage by customers. SEIF must also be used to provide targeted programs, projects, activities, and investments to reduce electricity consumption by customers in low-income and moderate-income residential sectors, and to provide supplemental funds for low-income energy assistance administered by the Department of Human Services.

**State Expenditures:** USM advises that it cannot provide an estimate for the total cost to conduct the study required by the bill at this time. The Department of Legislative Services (DLS) advises, however, that the cost to complete the required study may total a couple hundred thousand dollars or more. This estimate is based on costs for other climate change studies in recent years, which often require technical modeling and/or economic analysis and have generally ranged from $200,000 to $300,000. Additionally, this analysis assumes that all costs associated with the study are incurred in fiscal 2027; however, costs in fiscal 2026 are possible given the June 1, 2026 effective date of the bill.

As the bill authorizes *up to* $100,000 from SEIF to be used to complete the study, it effectuates the appropriation of $100,000 from SEIF included in the fiscal 2027 budget as passed by the General Assembly. (The budgeted SEIF funding is contingent upon the enactment of the bill (or its cross file) *as well as* legislation authorizing this use of the monies for this purpose despite SEIF-RGGI restrictions. This use of SEIF monies is not assumed to result in a corresponding decrease in SEIF spending for other purposes. However, if MEA reduces other existing or planned SEIF spending as a result of the bill, the net impact on SEIF expenditures may be less than $100,000.) Accordingly, SEIF expenditures increase by $100,000 and higher education expenditures may increase by as much as another $200,000 in fiscal 2027 for USM to complete the required study. Higher education revenues and general fund expenditures increase correspondingly to the increase in higher education expenditures to the extent that general funds are used to reimburse USM for any costs incurred beyond what is provided through SEIF.

DLS also notes that the issues that must be addressed by the study required by the bill (*i.e.*, the links between climate change, insurance prices, and damage to communities and property) have been well researched and documented by various entities in recent years. As a result, USM may be able to synthesize available information for, at least, a portion of the study and mitigate some costs that would otherwise be incurred. Nevertheless, in conducting the study, USM must coordinate with and take instruction from nine different individuals and entities, potentially resulting in substantial administrative costs.

## Additional Information

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

**Designated Cross File:** HB 1219 (Delegate Fraser-Hidalgo, *et al.*) - Environment and Transportation and Judiciary.

**Information Source(s):** University System of Maryland; Maryland Department of Emergency Management; Maryland Municipal League; Maryland Department of the Environment; Department of Natural Resources; Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - February 23, 2026
jg/clb Third Reader - March 25, 2026
Revised - Amendment(s) - March 25, 2026
Revised - Clarification - March 25, 2026
Revised - Budget Information - April 6, 2026
Enrolled - May 5, 2026
Revised - Amendment(s) - May 5, 2026

---

Analysis by: Richard L. Duncan

Direct Inquiries to:
(410) 946-5510
(301) 970-5510