Budget Reconciliation and Financing Act of 2025 (HB 352/SB 321)

Budget Summary, Provisions, and Recommendations

Department of Legislative Services
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Provisions as Introduced and DLS Alternatives to HB 352/SB 321

Mandate Relief

- ***Tree Planting on Agricultural Land:*** Reduces the amount that the Governor must provide for tree planting on agricultural land in fiscal 2025 through 2031 from $2.5 million to $500,000 annually.

- ***Maryland Native Plants Program:*** Eliminates the requirement that the Governor provide $150,000 annually for a Native Plant Specialist at the University of Maryland Extension and $100,000 annually for the Maryland Department of Agriculture to administer the Native Plants Program

- ***Victim Services Programs:*** Alters the funding that the Governor is required to provide for services to victims of crime through the Governor's Office of Crime Prevention and Policy to a $35 million general fund mandate instead of requiring an amount that totals an aggregate $60 million when combined with the amount received under the federal Victims of Crime Act in the prior year.

- ***Maryland Watermen's Microloan Program:*** Eliminates the requirement that the Governor provide $500,000 for the Maryland Watermen's Microloan program in fiscal 2026.

- ***Tri-County Council for Southern Maryland:*** Phases out the requirement that the Governor provide $1 million for the Tri-County Council for Southern Maryland from the Cigarette Restitution Fund (CRF) over four years, reducing it by $250,000 per year beginning in fiscal 2026.

- ***Driver Education in Public High Schools Fund:*** Repeals the required distribution from the uninsured motorist penalty for the fund, allowing more of the penalty revenue to be distributed to the General Fund.

- ***Coordinated Community Supports Partnership Fund:*** Reduces the amount that the Governor must provide for the Consortium on Coordinated Community Supports from the Blueprint for Maryland's Future Fund from $130 million to $40 million beginning in fiscal 2026, the level appropriated in fiscal 2025.

- ***State-aided Institutions Field Trip Fund:*** Repeals the required distribution from the uninsured motorist penalty for the fund, allowing more of the penalty revenue to be distributed to the General Fund.

- ***Safe Schools Fund:*** Alters the requirement for the Governor to provide $10 million annually for grants for school resource officers or other local law enforcement coverage at public schools rather than to the Safe Schools Fund.

- ***St. Mary's College of Maryland:*** Eliminates the requirement that St. Mary's College of Maryland receive an annual appropriation based on a funding formula beginning in fiscal 2026.

- ***Baltimore City Community College:*** Specifies that the total State operating funds for the college in fiscal 2026 shall be $44,734,265, which has the effect of setting a new hold harmless level that is provided when the formula would otherwise provide a lower level than the prior year.

- ***Loan Assistance Repayment Program (LARP) for Police Officers and Probation Agents:*** Reduces the amount that the Governor must provide for the LARP for police officers and probation agents from $5 million to $200,000 annually.

- ***Police Officers and Probation Agents Scholarship Program:*** Reduces the amount that the Governor must provide for the Maryland Police Officers and Probation Agents Scholarship Program from $5 million to $200,000 annually and repeals a requirement that certain amounts of the funding be provided for scholarships to existing officers or agents and certain amounts to students interested in becoming officers or agents.

- ***Statewide Academic Health Center Cancer Research Grants:*** Repeals the requirement that the Governor provide $13 million in annual mandated funding for the grants from the CRF.

- ***Patient Safety Center Fund:*** Repeals the requirement that the Governor provide $1 million annually for the Maryland Patient Safety Center Fund.

- ***Continuing the CORE Partnership Fund:*** Authorizes the Governor to use general obligation bond funding to satisfy the requirement that $50 million be provided annually for the Continuing the CORE Partnership Fund.

- ***Long-term Care and Dementia Care Navigation Program:*** Reduces the amount that the Governor must provide for the Long-term Care and Dementia Care Navigation program from $2.4 million to $1.2 million beginning in fiscal 2025.

- ***Maryland New Start Grant Program:*** Reduces the amount that the Governor must provide for the Maryland New Start Grant program in the Maryland Department of Labor (MD Labor) from $200,000 to $50,000 beginning in fiscal 2026.

- DLS recommends modifying this provision to reduce the mandate beginning in fiscal 2025, consistent with a deficiency appropriation reducing funds contingent on this provision.

- ***Construction Education and Innovation Fund:*** Reduces the amount that the Governor must provide for the Construction Education and Innovation Fund from $625,000 to $531,250 beginning in fiscal 2025.

- ***Career Pathways for Health Care Workers Program:*** Reduces the amount that the Governor must provide for the Career Pathways for Health Care Workers program from $1 million to $500,000 beginning in fiscal 2026.

  - DLS recommends modifying this provision to reduce the mandate beginning in fiscal 2025, consistent with a deficiency appropriation reducing funds contingent on this provision.

- ***Teacher Retirement Supplemental Grants:*** Phases out over two years the general funds mandated for the Teacher Retirement Supplemental Grants to Allegany, Baltimore, Caroline, Dorchester, Garrett, Prince George's, Somerset, and Wicomico counties and Baltimore City beginning in fiscal 2026.

- ***Maryland Forestry Education Fund:*** Eliminates the requirement that the Governor provide $250,000 annually for the Maryland Forestry Education Fund.

- ***Warrants and Absconding Grants:*** Reduces the amount of funds that the Governor must provide for local law enforcement agencies to be used as grants for warrant apprehension efforts from $2 million to $1 million; the requirement ends after fiscal 2026 under current law.

- ***Rent Court Workforce Solutions Pilot Program in Montgomery and Prince George's Counties:*** Repeals the requirement that, for fiscal 2026 through 2028, the Governor provide $100,000 each to the designated organizations for Montgomery and Prince George's counties to be used for a Rent Court Pilot program.

- ***Expedited Projects in Information Technology Investment Fund:*** Repeals the requirement that the Governor set aside at least 20% of the amount included in the Governor's allowance and appropriation to the Information Technology Investment Fund for expedited projects each fiscal year.

  - DLS recommends striking the language making the reduction in funding contingent on the provision and instead deleting all funding for expedited projects ($28.8 million) rather than only a portion ($13.8 million) due to startup delays.

- ***Revenue Stabilization Account (Rainy Day Fund):*** Suspends, for fiscal 2026 only, the requirement to appropriate general fund surplus to the Rainy Day Fund and permanently eliminates requirements to include appropriations to the State Retirement and Pension System and Postretirement Health Benefits Trust Fund based on general fund surplus in the second preceding year.

  - DLS recommends striking the language making these reductions contingent on this provision and instead deleting the funds directly.

- ***Maryland State Arts Council:*** Eliminates the requirement that the Governor provide funding to the Maryland State Arts Council beyond fiscal 2025, under current law that funding is required to be based on the prior year appropriation and the annual general fund growth.

  - DLS recommends striking the language making the reduction in funding contingent on the provision and instead reducing the funding for the Maryland State Arts Council to the level of the fiscal 2025 working appropriation ($0.4 million) rather than the amount that was contingent ($0.1 million).

- ***Young Adult (YA) Service Year and Maryland Service Year (MSY) Pathway:*** Reduces the amount that the Governor must provide for the MSY Pathway from $15 million to $13 million in fiscal 2026 only, reduces the participation target for the YA Service Year program by 500 in fiscal 2027, and establishes participation targets for fiscal 2026 and 2028.

- ***Supplemental Retirement Reinvestment Contribution:*** Repeals, beginning in fiscal 2026, the $50.0 million annual supplemental contribution to the State Retirement and Pension System that is required to be paid until the system's funding ratio reaches 85%.

- ***9-8-8 Trust Fund:*** Repeals the requirement that the Governor provide, in fiscal 2025 only, $12.0 million for the 9-8-8 Trust Fund.

- ***Maryland Public Broadcasting Commission (MPBC):*** Eliminates the requirement that the Governor provide at least the amount of prior year appropriation for MPBC increased by general fund growth and the requirement that the Governor provide an additional amount based on lower receipts of specific federal grants.

Cost Containment

- ***Individual- and Family-directed Goods and Services:*** Removes a prohibition on the Developmental Disabilities Administration (DDA) establishing a limit on the maximum dollar amount of individual-directed and family-directed goods and services provided to a recipient under the Community Services Program.

- ***Delay Zero-emission Buses Requirement:*** Delays from 2027 to 2032, the requirement for the Maryland Transit Administration to purchase only zero-emission buses and clarifies language in statute authorizing the use of certain bonds to pay for buses in addition to Transportation Trust Fund (TTF) revenues.

- ***Substance Abuse and Mental Health Services Administration Grants:*** Repeals the requirement that the Maryland Department of Health (MDH) apply to the Substance Abuse and Mental Health Services Administration for federal planning, development, and implementation grant funds related to certified community behavioral health clinics for fiscal 2025 and for inclusion in the demonstration program for fiscal 2026.

- ***Low Intensity Support Services:*** Repeals the Low Intensity Support Services Program in DDA.

Revenue Adjustments

- ***Revenue Volatility Adjustment:*** Sets the maximum amount of projected nonwithholding income tax revenue that must, under certain circumstances, be subtracted from the projected general fund estimate to $0 through fiscal 2029.

- ***Table Game Taxes:*** Increases the tax rate on casino table games from 20% to 25% and specifies that the additional revenues go to the General Fund through fiscal 2027 and the Blueprint for Maryland's Future Fund beginning in fiscal 2028.

- ***Mobile Sports Wagering Taxes:*** Increases the tax rate on mobile sports wagering from 15% to 30% and specifies that the additional revenues go to the General Fund through fiscal 2027 and the Blueprint for Maryland's Future fund beginning in fiscal 2028.

- ***Strategic Energy Investment Fund (SEIF) Interest and Investment Earnings:*** Repeals the authorization for the SEIF to hold interest and investment earnings and removes the fund from the list of special funds exempted from having the interest and investment earnings being directed to the General Fund through fiscal 2028 and authorizes a transfer of interest and investment earnings from fiscal 2025 to the General Fund.

- ***Admissions and Amusement Tax Revenue:*** Caps, beginning in fiscal 2026, the amount of revenue attributable to a 20% tax rate from the admissions and amusement tax on electronic bingo and electronic tip jars distributed to the Maryland E-Nnovation Initiative Fund at $8.5 million and requires the remaining revenue from the 20% tax rate to be distributed to the General Fund.

- ***Estate and Inheritance Taxes:*** Reduces the estate tax exemption from $5 million to $2 million and repeals the inheritance tax.

- ***Student Loan Debt Relief Tax Credit:*** Reduces the cap on student loan debt relief tax credits that the Maryland Higher Education Commission may provide from $18 million to

$9 million in tax year 2025 only and requires the commission to submit a report on recommendations to better target the allocation of tax credits under the program.

- ***More Jobs for Marylanders Tax Credit Reserve Fund:*** Requires, beginning in fiscal 2026, a reversion to the General Fund of any excess resulting from the appropriation to the More Jobs for Marylanders Tax Credit Reserve Fund exceeding the final tax credit certificates issued and authorizes a transfer of $4.3 million from the fund in fiscal 2025.

- ***Enterprise Zone Tax Credit:*** Phases out the enterprise zone property tax credit by prohibiting new properties from qualifying or being awarded tax credits after fiscal 2025 and repeals the enterprise zone income tax credit, effective June 1, 2025.

- ***Individual Income Tax:*** Alters individual income tax rates by consolidating the lowest four income tax brackets and adds two new brackets for higher income categories, increases the standard deduction, eliminates the income-based phase-in of the standard deduction, eliminates the itemized deduction option, and phases out the Child Tax Credit for taxpayers as their incomes increase rather than having a cliff at $15,000.

- ***Capital Gains Surcharge Tax:*** Applies a surcharge tax on capital gains for taxable years 2025 through 2028 for individuals who meet certain conditions and have a federal adjusted gross income of $350,000 or higher.

- ***Corporate Income Tax:*** Phases in a reduction to the corporate income tax over two years and requires that companies use water's edge combined reporting, beginning in fiscal 2028.

- ***Cannabis Sales Tax:*** Increases the tax rate on cannabis sales from 9% to 15% beginning in fiscal 2027 and provides that 40% of cannabis sales tax revenue shall be distributed to the General Fund.

Transportation Revenues

- ***Motor Vehicle Administration (MVA) Cost Recovery:*** Authorizes MVA to increase the level of miscellaneous fees related to titling, vehicle certifications, and vehicle registrations to up to 115% rather than 100% of certain MVA costs.

  - DLS recommends (1) rejecting the increase to 115%; (2) modifying the existing statutory requirement that currently requires MVA to reduce fees if projected cost recovery revenues exceed cost recovery to instead require that MVA reduce fees only following the second consecutive year in which actual cost recovery revenues have exceeded cost recovery expenses; and (3) amending the existing statutory requirement that the Maryland Department of Transportation (MDOT) submit a financial forecast to require it to include a schedule showing projected cost recovery revenues and cost recovery expenses and the resulting cost recovery percentages.

- ***Trade-in Allowance:*** Disallows, beginning June 1, 2025, the trade-in allowance under the vehicle excise tax if the purchase price of the vehicle exceeds $15,000.

- ***Vehicle Registration Payment Plan Installment Fees:*** Requires MVA to collect a reasonable installment fee for individuals that use vehicle registration payment plans.

- ***Vehicle Registration Fees:*** Accelerates by one year, from fiscal 2027 to fiscal 2026, the vehicle registration fee increases for certain classes of vehicles.

- ***Retail Delivery Fee:*** Imposes a retail delivery fee of $0.75 per transaction, beginning June 1, 2025, on certain retail deliveries that are subject to the State sales and use tax, and indexes the fee to the Consumer Price Index.

- ***Vehicle Emissions Inspection Program (VEIP) Fees:*** Authorizes MVA to increase the fee for the testing for VEIP from $14 to $30 beginning in fiscal 2026 and indexes future fees to increases in the Consumer Price Index.

Fund Transfers

- ***Local Income Tax Reserve Account:*** Requires the Comptroller to distribute $230 million from the Local Income Tax Reserve Account to the General Fund in fiscal 2025 and requires the State to repay this amount by distributing $23 million of the remaining income tax revenue from individuals to the account annually in fiscal 2029 through 2038.

- ***Transfers to the General Fund in Fiscal 2025:*** Authorizes the following transfers from the following funds:

Transfer of Funds Held in the Dedicated Purpose Account, in Fiscal 2025

Cybersecurity	$63,478,440
Pay-as-you-go (PAYGO) funds for State Veterans Home project	62,887,000
PAYGO funds for the University of Maryland Medical System Comprehensive Cancer and Organ Transplant Center	25,000,000
Relocation of State agencies out of State Center	20,000,000
PAYGO funds for Department of Natural Resources critical maintenance	11,000,000
PAYGO funds for Morgan State University for deferred maintenance	10,000,000
Funding to implement End the Wait Act	6,000,000
PAYGO funds for Baltimore City Community College deferred maintenance	5,000,000

Transfer Fund Balance from Various Funds to the General Fund

Renewable portfolio standard/Alternative Compliance Payment Account of the SEIF	$150,000,000	Fiscal 2025
Resilient Maryland Revolving Loan Fund	9,000,000	Fiscal 2025
Maryland Police Training and Standards Commission Fund	7,000,000	Fiscal 2025

Transfer Fund Balance from Various Funds to the General Fund

Maryland Innovation Investment Tax Credit Reserve Fund	6,000,000	Fiscal 2025
Securities Registration Act Fund	5,000,000	Fiscal 2025
Maryland Violence Intervention and Prevention Program Fund	4,900,000	Fiscal 2025
Rape Kit Testing Grant Fund	4,000,000	Fiscal 2025
Maternal and Child Health Population Improvement Fund	10,000,000	Fiscal 2026

- DLS recommends amending the proposed transfers to the General Fund for the following three funds to increase the transferred amounts by $30.0 million, $3.0 million, and $4.1 million respectively to:

Transfer Fund Balance from Various Funds to the General Fund

Renewable portfolio standard/Alternative Compliance Payment Account of the SEIF	$180,000,000	Fiscal 2025
Resilient Maryland Revolving Loan Fund	12,000,000	Fiscal 2025
Maternal and Child Health Population Improvement Fund	14,100,000	Fiscal 2026

Use of Special Funds

- ***Cannabis Social Equity Partnership Grant Program:*** Requires, beginning in fiscal 2025 and thereafter, that the $5 million that the Governor is required to provide annually for the Social Equity Partnership Grant Program be met with funds from the Cannabis Regulation and Enforcement Fund.

- ***Consumer Protection Laws Enforcement:*** Requires, beginning in fiscal 2026, the Governor to use special, rather than general, funds to meet the $350,000 annual appropriation required for the Office of the Attorney General (OAG) to enforce consumer protection laws.

  - DLS recommends amending the language making the general fund reduction and special fund appropriation contingent on this provision with a technical amendment to more closely align with the provision.

- ***Securities Act Registration Fund:*** Expands the allowable uses of the Securities Act Registration Fund to support operational costs of OAG.

- ***Program Open Space (POS):*** Authorizes the Maryland Department of Planning to use an additional $340,000 of the $6 million in Program Open Space (POS) funds that it receives for the Maryland Heritage Areas Authority program for operating expenses in fiscal 2026 only.

- ***Waiting List Equity Fund:*** Alters allowable uses of the Waiting List Equity Fund to remove a prohibition on using the fund to supplant other funds for emergency community placements or transitioning students.

- ***Chesapeake and Atlantic Coastal Bays 2010 Trust Fund:*** Expands the allowable uses of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to support up to $10.5 million of Department of Natural Resources (DNR) operating expenses in the annual budget bill.

  - DLS recommends modifying the provision to authorize the use of any amount of funding from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenue to support DNR operating expenses through fiscal 2029.

- ***Waterway Improvement Fund:*** Increases the allowed amount of funds from the Waterway Improvement Fund that may be allocated annually to support marine operations of the Natural Resources Police from $2 million to $2.1 million beginning in fiscal 2026.

- ***SEIF:*** Expands the allowable uses of the SEIF to include costs associated with the Air and Radiation Administration within the Maryland Department of the Environment (MDE).

- ***Performance Incentive Grant Fund:*** Authorizes, beginning in fiscal 2026, the use of up to $1 million annually of the Performance Incentive Grant Fund to support the operations of the Office of the Correctional Ombudsman.

- ***Maryland Emergency Medical Systems Operations Fund (MEMSOF) Uses:*** Expands the allowable uses of MEMSOF funds, in fiscal 2025 and 2026, only to include supporting the operations of the Maryland State Police Aviation Command.

- ***Medicaid Deficit Assessment:*** Increases the required Medicaid Deficit Assessment imposed on hospitals over two years from $294,825,000 to $344,825,000 in fiscal 2025 and $394,825,000 in fiscal 2026 and thereafter and authorizes the adoption of an alternative method to achieve equivalent revenue.

- ***POS Land Acquisition Fund:*** Authorizes, in fiscal 2026 only, the use of up to $16.4 million from the POS land acquisition balance for operating expenses in the Maryland Park Service in DNR.

- ***Behavioral Health Administration (BHA):*** Authorizes the transfer of a total of $4,017,728 from various health occupation board fund balances to BHA in fiscal 2026.

  - DLS recommends amending the provision to increase the proposed transfer to a total of $6.1 million by adding transfers from additional boards' funds, increasing the proposed transfer amount for one fund, and eliminating the proposed transfer for one fund.

- DLS also recommends amending the language making the general fund reduction that is contingent on this legislation to align with the higher transfer levels and for both the special fund and general fund contingent language amending the contingent language to remove references to specific health professional boards and instead broaden the reference.

Altering Cost Sharing

- ***Nonpublic Placement Program for Educating Children with Disabilities:*** Reduces the State share of the cost of educating a child with disabilities in a nonpublic placement program by increasing over two years the additional amount above 200% of the basic cost of education that local education agencies must provide from 30% under current law to 40% in fiscal 2026 and 50% in fiscal 2027 and each year thereafter.

- ***Teacher and Community College Retirement System Payments:*** Reduces by $97.7 million, beginning in fiscal 2026, the State share of annual employer pension contributions for members of the Teachers' Retirement System and Teachers' Pension System (TRS/TPS) employed by local school systems and community colleges.

    - DLS recommends shifting 100%, instead of 50%, of the fiscal 2026 increase in the State share of annual employer pension contributions for members of TRS/TPS employed by local school systems and community colleges to local jurisdictions.

    - DLS additionally recommends modifying the language making reductions contingent in the Aid to Education and Aid to Community College budget to increase the reduction to a combined $195.4 million instead of a combined $97.7 million.

- ***Property Valuation Costs:*** Increases, beginning in fiscal 2026, the local cost share amount from 50% to 90% that each county government and Baltimore City is required to pay the State Department of Assessments and Taxation for the costs of real property valuation, business personal property valuation, and information technology.

Fee and Regulation Changes

- ***Horse Establishment Licenses:*** Sets certain procedures for renewing or reinstating horse establishment licenses, adds a grace period for renewing licenses retroactively, and establishes a reinstatement fee after the grace period.

- ***Bee Colony Registration:*** Establishes various administrative penalties for beekeepers, including for failing to register a bee colony and failing to provide movable frames for a bee colony.

- ***Nutrient Management Plan Penalties:*** Alters the administrative penalty provisions that apply for failing to file a summary nutrient management plan or annual implementation report. Under current law, penalties are $100 to not less than $1,000, depending on the lateness; the provision would increase them to at least $1,000 and not more than $2,000.

- ***Wholesale Seedsman Permit:*** Increases the annual wholesale seedsman permit fee from $100 to $125.

- ***Weight and Measure Registration:*** Repeals the registration fee schedule for weights and measures used for commercial purposes in statute, authorizes the Secretary of Agriculture to set reasonable fees, requires the Secretary to send renewal notices at least one month before a registration expires, and provides a 60-day grace period for renewing a registration after it expires and a late fee after that grace period.

- ***Certification of Sediment and Erosion Control Training:*** Authorizes MDE to establish by regulation fees for processing and issuing certification of training, specifies that the certification fee must be approximately equal to the cost of processing and issuing certifications, and specifies that fees collected shall be deposited into the Maryland Clean Water Fund.

- ***Wetlands and Waterways Program Fund Fees:*** Increases existing fees under the Wetlands and Waterways Program, establishes new application fees for activities proposed in a Tier II High Quality Watershed, and authorizes MDE to adjust fees for inflation.

- ***Rental Property Lead Registration Fees:*** Alters and increases the registration fee for each rental dwelling unit paid by owners of affected property under the Reduction of Lead Risk in Housing statute, authorizes MDE to establish a protocol to stagger the registrations of affected properties, and increases the processing fee for owners that must submit a certification that the rental dwelling unit is lead free.

- ***Voluntary Cleanup Program Fees:*** Increases the initial application fee for the Voluntary Cleanup Program and requires applicants to pay for additional direct costs incurred by MDE if the direct costs of review of the application and administration and oversight of the response action plan exceed the application fee.

- ***Surface Mining License Fees:*** Increases and alters certain license and permit fees related to surface mining that accrue to the Surface Mined Land Reclamation Fund.

- ***Administrative Fees for Unemployment Insurance:*** Applies an administrative fee of 0.15% to all taxable employers, beginning January 1, 2026, authorizes the fee revenue to be used for certain administrative expenses, and reduces the unemployment insurance tax rate assigned to each taxable employer by 0.15%.

    - DLS recommends adding language making the special fund appropriation from this new fee in MD Labor contingent on this provision.

Miscellaneous

- ***Medicaid Primary Card Program Fund:*** Establishes the Medicaid Primary Card Program Fund within MDH to serve as the foundation for advancing primary care in the State under the Advancing All-payer Health Equity Approaches and Development (AHEAD) model, which is supported by new special fund revenue from hospital payments and any other source accepted for the fund.

    - DLS recommends amending the provision as a technical correction to adjust references to a Medicaid Primary Card Program Fund to instead establish a Medicaid Primary Care Program Fund and refer to the Health Services Cost Review Commission rather than the Health Services Review Commission.

    - DLS also recommends deleting the general funds for this program, as it is meant to be funded from special funds through a hospital assessment.

- ***Maryland Environmental Service (MES) Contingency Funds:*** Increases the cap on the amount of funds that MES may retain in the Eastern Correctional Institution Turbine Project Contingency Fund from $1.5 million to $5.0 million and increases the cap on the Reimbursable Project Contingency Fund from $1 million to $3 million.

- ***Across-the-board Reductions:*** Eliminates the requirements that the Governor (1) specify how expenditure reductions to be applied across multiple agencies will be achieved and (2) provide a schedule allocating the reduction for each agency.

    - DLS recommends eliminating the requirement for fiscal 2026 only.

- ***TTF Forecast:*** Eliminates the requirement that operating expenses in the TTF Forecast, for years beyond the budget year, be increased by the five-year average annual increase in developing departmental operating expense estimates and limiting the year-to-year variation in the rate compared to the prior forecast.

    - DLS recommends rejecting this provision.

- ***Consolidated Transportation Bonds:*** Increases the debt outstanding limit on consolidated transportation bonds from $4.5 billion to $5.0 billion.

- ***Pledge of Future Federal Aid to Support Bond Repayment:*** Expands the types of projects that MDOT may fund using proceeds from bonds backed by future federal aid to include major light rail rehabilitation, including replacing light rail vehicles and related station and maintenance facility improvements.

- ***Budgetary Transfers:*** Authorizes MDH to transfer funds among programs within the department with an approved budget amendment for fiscal 2025 and 2026.

    - DLS recommends rejecting this provision.

DLS Additional Recommendations to HB 352/SB 321 as Introduced

Mandate Relief

- ***Major Sports and Events Entertainment Program Fund (MSEEPF):*** Reduces the required distribution from the State Lottery Fund to the MSEEPF from an amount necessary to bring the fund balance to $10 million to an amount necessary to restore the fund balance to $5 million.

- ***Replace Sellinger Formula with Grant Program:*** Eliminates the Joseph A. Sellinger Formula for Aid to Non-Public Institutions of Higher Education and establishes a Sellinger grant program to provide funds to independent institutions based on financial need with required funding of $36,661,361 annually.

- ***Maryland Community College Promise Scholarship:*** Reduces the amount that the Governor is required to provide for the Maryland Community College Promise Scholarship from $15 million to $10 million annually.

Cost Containment

- ***Interagency Rates Committee (IRC) Provider Rates:*** Prohibits IRC from increasing the rate for providers over the rates in effect on January 1, 2025, for payments to providers with rates set by IRC.

- ***Full-day Prekindergarten Eligibility and Funding:*** Limits the expansion of Tier II full-day prekindergarten eligibility through fiscal 2030 and reduces the per pupil funding increase for fiscal 2027 before aligning with inflationary increases in subsequent years.

Revenue Actions

- ***Purse Dedication Account (PDA):*** Reduces the percentage of video lottery terminal proceeds that are allocated to the PDA from 6% to 5% and provides that the revenue from this reduction be distributed to the General Fund in fiscal 2026 and 2027 and to the Blueprint for Maryland’s Future Fund in fiscal 2028 and each year thereafter.

- ***Film Production Activity Tax Credit:*** Limits the aggregate amount of film production activity tax credits that may be awarded in each fiscal year to $12.0 million beginning in fiscal 2026 rather than beginning in fiscal 2027.

- ***Tax-Free Period for Back-to-school Shopping:*** Repeals the seven-day tax-free period for back-to-school shopping.

- ***Sales Tax Exemption for Certain Coins and Bullion:*** Repeals the sales tax exemption for sales of precious metal coins or bullion over $1,000.

- ***Income Tax Exemption for Seniors:*** Repeals the income tax exemption of $1,000 for individuals 65 or older.

- ***Transfer Tax Rate on High Value Properties:*** Increases the State transfer tax rate on residential properties with a sale price of $1 million or more and on commercial properties with a sale price of $10 million or more, from 0.5% to 1.0%, and dedicates the share of transfer tax collections generated by the higher tax rate to the General Fund.

- ***Snack Food Sales Tax:*** Repeals the current exemption for snack food from the State sales and use tax. Snack food is defined as potato chips and sticks, corn chips, pretzels, cheese puffs and curls, pork rinds, extruded pretzels and chips, popped popcorn, and snack mixtures.

- ***Maryland Humanities Council State Lottery Fund Grant:*** Repeals the distribution of State Lottery Funds for a grant of $150,000 to the Maryland Humanities Council beginning in fiscal 2026.

- ***Transfer Tax Allocation:*** Suspend distributions for State land preservation programs from fiscal 2026 through 2029 and direct the funds to the General Fund, reduce the distribution to Program Open Space – Local by 50% from fiscal 2026 through 2029, and provide a $40 million annual allocation (inflated annually) to the Maryland Park Service from fiscal 2027 through 2029.

Fund Transfers

Transfer Fund Balances from Various Funds to the General Fund

University System of Maryland State-supported Fund Balances	$47,000,000	Fiscal 2026
Administration Account of the Strategic Energy Investment Fund (SEIF)	30,000,000	Fiscal 2026
Land Records Improvement Fund	20,000,000	Fiscal 2026

Use of Special Funds

- ***Montgomery County Bus Rapid Transit Grant:*** Reduces the statutory distribution of lottery revenues to Montgomery County Bus Rapid Transit by $10 million annually, from

$27 million to $17 million, and authorize $10 million in Transportation Trust Fund special fund appropriation to restore the State grant.

- ***Clean Water Commerce Account:*** Authorizes the appropriation from the Clean Water Commerce Account to be used to support operating expenses in the Maryland Department of the Environment Water and Science Administration in fiscal 2026 only.

- ***Senior Prescription Drug Assistance Program (SPDAP) Funding for State Retirees:*** Expands the eligible uses of the SPDAP to include depositing funds into the health reimbursement accounts of certain State retirees enrolled to Medicare Part D.

- ***Cigarette Restitution Funds (CRF) Received from Litigation:*** Authorizes the use of funds received from litigation related to the CRF to support Medicaid expenses in fiscal 2026 only.

Altering Cost Sharing

- ***Payments to Erroneously Convicted Individuals:*** Requires that local governments be responsible for 50% of any payments owed to an individual for any new erroneous conviction settlement entered into by the Board of Public Works beginning in fiscal 2026.

Additional DLS Budget Proposal

- ***State Property Tax:*** Increases the State property tax rate by 1 cent from 11.2 cents per $100 of assessable base to 12.2 cents. This proposal will reduce general fund expenditures by $95 million in fiscal 2026. The property tax rate was reduced from 13.2 cents per $100 of assessable base to the current rate starting in fiscal 2007.

Detail on Alternative and Additional Recommendations on HB 352/SB 321

Proposed Amendment to HB 352/SB 321 as Introduced

Technical Corrections to Medicaid Primary Card Program Fund

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

Provision as Recommended by DLS: Amends the provision as a technical correction to adjust references to a Medicaid Primary Card Program Fund to instead establish a Medicaid Primary Care Program Fund and refer to HSCRC rather than the Health Services Review Commission.

Agency: MDH

Type of Action: Administrative

Fiscal Impact of DLS Recommendation *vs.* Current Law: No net effect on revenues or expenditures as the amendment would be a technical correction for the name of the program and reference to HSCRC.

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced: None.

State Effect: None.

Local Effect: None.

Subcommittee Assignments: HSS/HHS 32 – DLS Alt

Proposed Amendment to HB 352/SB 321 as Introduced

Maryland New Start Grant Program

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

Provision as Recommended by DLS: Modifies the provision to change the mandate in fiscal 2025. This action is necessary to effectuate the contingent reduction proposed by the Administration to the fiscal 2025 appropriation.

Agency: Maryland Department of Labor (MD Labor)

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Exp.	-$0.2	-$0.2	-$0.2	-$0.2	$0	$0

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced: None, as it would effectuate a contingent reduction included in the budget bill for a proposed fiscal 2025 deficiency appropriation. However, the provision absent this modification would not reduce the mandate in fiscal 2025.

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

State Effect: General fund expenditures for MD Labor decrease by $150,000 annually in fiscal 2026 through 2028.

Local Effect: None

Subcommittee Assignments: EED/EBA 37 – DLS Alt

Proposed Amendment to HB 352/SB 321 as Introduced

Career Pathways Mandate

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

Provision as Recommended by DLS: Modifies the provision to change the mandate in fiscal 2025. This action is necessary to effectuate the contingent reduction proposed by the Administration to the fiscal 2025 appropriations.

Agency: Maryland Department of Labor (MD Labor)

Type of Action: Mandate Relief

Fiscal Impact of DLS Recommendation *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Exp.	-$0.3	-$0.5	-$0.5	-$0.5	-$0.5	-$0.5

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: None, as it would effectuate a contingent reduction included in the budget bill for a proposed fiscal 2025 deficiency appropriation. However, the provision absent this modification would not reduce the mandate in fiscal 2025.

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

State Effect: General fund expenditures for MD Labor decrease by $250,000 in fiscal 2025 and by $500,000 annually thereafter.

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

Subcommittee Assignments: EED/EBA 39 – DLS Alt

Proposed Amendment to HB 352/SB 321 as Introduced

Authorize Chesapeake and Atlantic Coastal Bays 2010 Trust Fund for Operating Expenses

Provision in BRFA as Introduced: Alters allowable uses of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to support up to $10.5 million of the Department of Natural Resources (DNR) operating expenses annually. The fiscal 2026 budget as introduced (1) includes a $2.6 million general fund negative deficiency and $2.6 million special fund deficiency appropriation for fiscal 2025 and (2) for fiscal 2026, a $10.5 million general fund contingent reduction and $10.5 million special fund contingent appropriation. The budget actions in both fiscal 2025 and 2026 are contingent on legislation reducing the mandate.

Provision as Recommended by DLS: Modifies the provision to remove the limit on the amount of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues through fiscal 2029 that may be used to support general operating expenses of DNR.

Agency: DNR

Type of Action: Expanded Use of a Special Fund

Fiscal Impact of DLS Recommendation *vs.* Current Law: Potential general fund expenditure decrease through fiscal 2029 to the extent the Governor uses Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues to support DNR operating expenses.

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced: Potential general fund expenditure decrease to the extent that the Governor uses more than the $10.5 million of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to support DNR operating expenses proposed in the original provision.

Background/Recent History: Chapter 6 of the 2007 special session established a Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be used to implement the State's tributary restoration strategy. The fund is financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. Subsequently, Chapters 120 and 121 of 2008 established a framework for how the trust fund money must be spent by specifying that it be used for nonpoint source pollution control projects and by expanding it to apply to the Atlantic Coastal Bays.

Chapter 717 of 2024 (the Budget Reconciliation and Financing Act (BRFA)) established that $2.5 million in special funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund must be used annually from fiscal 2024 through 2031 for tree plantings on public and private land to satisfy the funding mandate in Chapter 645 of 2021 (Tree Solutions Now Act), thereby eliminating a general fund appropriation to the trust fund for that purpose. The fiscal 2025 budget as enacted included $2.5 million in general fund reductions for both fiscal 2024 and 2025 and a $2.5 million special fund appropriation for fiscal 2024, contingent on the enactment of legislation allowing the mandate to be satisfied in this manner.

Chapters 558 and 559 of 2024 authorized the use of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund as a revenue source for the Whole Watershed Fund created by the legislation and required that in each fiscal year from 2026 through 2030, inclusive, up to $100,000 from the fund must be used to fund the operations grants for approved Whole Watershed Fund projects, at a rate of $20,000 per project sponsor each fiscal year. The fiscal 2026 budget includes a $5.0 million allocation from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund for the purposes of the Whole Watershed Fund.

State Effect: To the extent that the Governor uses the maximum amount of revenue, general fund expenditures decrease by up to $65.0 million relative to current law in through fiscal 2029 or by up to $54.5 million relative to the BRFA as introduced. General fund expenditure decreases would be lower if the Governor uses a lesser amount annually to support operating expenses in DNR. Special fund expenditures are unaffected because the spending is reallocated among purposes. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund planned expenditures for fiscal 2025 and 2026 are reflected in **Exhibit 1**.

Exhibit 1
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Planned Expenditures
Fiscal 2025-2026
($ in Millions)

Category/Activity	Agency	2025	2026	Difference 2025-2026
Accountability, Verification, and Management				
Strategic Monitoring and Assessment	DNR	$0.4	$0.6	$0.2
Implementation Tracking	DNR/DoIT	0.2	0.2	0.0
Administration and Management (1.5%)	DNR	1.1	1.3	0.2
Subtotal		***$1.7***	***$2.1***	***$0.4***
Accelerating Restoration Through Research and Development				
Innovative Technology Fund	DNR/UM	$1.0	$1.0	$0.0
Targeted Pooled Monitoring (Formerly Restoration Research Grant Program)	DNR	0.3	0.3	0.0
Subtotal		***$1.3***	***$1.3***	***$0.0***
Implementation Technical Assistance				
Agricultural Technical Assistance	MDA	$6.3	$6.6	$0.3
Stormwater Management Permit Expediters	MDE	0.9	0.9	0.0
Field Restoration Specialists	DNR	0.9	0.9	0.0
Tree Solutions Now Coordinator	MDE	0.2	0.2	0.0
Subtotal		***$8.2***	***$8.5***	***$0.3***

Category/Activity	Agency	2025	2026	Difference 2025-2026
Nonpoint Source Pollution Control Projects				
Cover Crop Program	MDA	$11.3	$11.3	$0.0
Conservation Reserve Enhancement Program Bonus Payments	MDA	0.5	0.5	0.0
Grants to Farmers	MDA	3.0	3.0	0.0
Manure Transport Program	MDA	1.8	1.8	0.0
Competitive Grant Program	DNR	35.9	35.7	-0.2
Natural Filters on Public Lands	DNR	6.0	6.0	0.0
Tree Solutions Now Act Tree Plantings	DNR	2.5	2.5	0.0
Tree Solutions Now Forest Service Staffing	DNR	1.0	1.0	0.0
Adaptive Management and Maintenance (2%)	DNR	1.4	1.6	0.1
Subtotal		***$63.3***	***$63.3***	***-$0.1***
Additional Allocations				
Whole Watershed Fund per Whole Watershed Act	DNR	$0.0	$5.0	$5.0
DNR Administrative Operating Expenses General Fund Swap (BRFA)	DNR	0.0	8.4	8.4
DNR Chesapeake and Coastal Service General Fund Swap (BRFA)	DNR	2.6	2.1	-0.4
Subtotal		***$2.6***	***$15.5***	***$12.9***
Total		**$77.1**	**$90.7**	**$13.5**
DNR Total		**$53.2**	**$66.5**	**$13.2**
MDA Total		**$22.8**	**$23.1**	**$0.3**
MDE Total		**$1.1**	**$1.1**	**$0.0**

BRFA: Budget Reconciliation and Financing Act
DNR: Department of Natural Resources
DoIT: Department of Information Technology
MDA: Maryland Department of Agriculture
MDE: Maryland Department of the Environment
UM: University of Maryland

Note: Under Additional Allocations, the administrative operating expenses and Chesapeake and Coastal Service general fund swaps are both contingent on the BRFA of 2025 authorizing the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be used for this purpose. In addition, the Chesapeake and Coastal Service swap has both fiscal 2025 deficiency and fiscal 2026 allowance components.

Source: Department of Budget and Management

Local Effect: Funding for local projects from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund may decrease through fiscal 2029 as a result of funds being used to support DNR operating expenses. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund's fiscal 2025 appropriation is $77.1 million, of which $35.9 million, or approximately 46%, is allocated to the Competitive Grant Program for local projects. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund's fiscal 2026 appropriation is $90.7 million, of which $35.7 million, or approximately 39%, is allocated to the Competitive Grant Program for local projects.

Subcommittee Assignments: T&E/PSTE 43-DLS Alt

Proposed Amendment to HB 352/SB 321 as Introduced

Across-the-board Reductions

Provision in BRFA as Introduced: Authorizes the Department of Budget and Management (DBM) to include expenditure reductions to be applied across multiple Executive Branch agencies without specifying how the savings will be achieved and including a separate schedule for each reduction allocating the reduction for each agency by each fund type.

Provision as Recommended by DLS: Authorizes the provision for fiscal 2026 only.

Agency: DBM

Type of Action: Miscellaneous

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

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced: None in fiscal 2026.

Background/Recent History: The fiscal 2026 budget includes a $50 million across-the-board reduction in general funds for yet-to-be-determined agencies and purposes as identified by the Government Efficiency Initiative, a partnership between DBM and Boston Consulting Group to find efficiency savings within primarily information technology services, procurement contracting, fleet management services, and real estate management.

State Effect: Although the provision itself does not have a fiscal effect, the fiscal 2026 budget as introduced assumes $50.0 million in general fund savings from efforts to modernize and find efficiencies in government. The savings are from undetermined agencies and purposes as these savings are to be determined through work from a consultant that will identify the savings opportunities. Absent this change, this unspecified decrease would not be allowable under statute. While in fiscal 2026 this provision would be needed to effectuate the assumed savings, this provision as introduced limits transparency and oversight in future years as there would be no requirement to provide this additional detail on reductions going forward.

Local Effect: None.

Proposed Amendment to HB 352/SB 321 as Introduced

Alter Local Share of Teacher and Community College Retirement System Payments

Provision in BRFA as Introduced: Reduces by $97.7 million (50% of the fiscal 2026 year-over-year increase in employer contributions) beginning in fiscal 2026, the State share of annual employer pension contributions for members of the Teachers' Retirement System/Teachers' Pension System (TRS/TPS) employed by local school systems and community colleges. Employer contributions by counties and Baltimore City increase commensurately in proportion to their respective shares of TRS/TPS membership.

Provision as Recommended by DLS: Reduces by $195.4 million (or 100% of the fiscal 2026 year-over-year increase in employer contributions) the State share of annual employer pension contributions for members of the TRS/TPS employed by local school systems and community colleges. Employer contributions by counties and Baltimore City increase commensurately.

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

Type of Action: Mandate Relief/Cost Shift

Fiscal Impact of DLS Recommendation *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Exp.	$0.0	-$195.4	-$195.4	-$195.4	-$195.4	-$195.4

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Exp.	$0.0	-$97.7	-$97.7	-$97.7	-$97.7	-$97.7

Background/Recent History: TRS/TPS membership includes, among others, (1) teachers and principals employed by local school systems; (2) specified community college faculty members; and (3) librarians employed by county libraries. Prior to the enactment of Chapter 1 of the first special session of 2012, the State paid 100% of the employer pension contribution for members of TRS/TPS, including those employed by local school systems, community colleges, and libraries. Chapter 1 required local school systems to pay the "normal cost" portion of the employer contribution (the actuarial value of pension benefits earned in the current year), which historically has been about 4% to 5% of member payroll, for their members. The State has continued to pay 100% of the employer contribution on behalf of community colleges and libraries; all State payments on behalf of TRS/TPS members are paid with general funds. The State share of employer

TRS/TPS contributions for employees of local school systems and community colleges are included as separate line items in the respective budgets of MSDE and MHEC.

State Effect: General fund expenditures decrease by $195.4 million annually beginning in fiscal 2026. No effect on future pension liabilities because employer contributions by counties and Baltimore City increase commensurately.

Local Effect: County and Baltimore City expenditures increase by $195.4 million annually beginning in fiscal 2026, as seen in **Exhibit 1**. No effect on local revenues.

Exhibit 1
County by County Impact

County	DLS Recommendation
Allegany	-$1,508,390
Anne Arundel	-19,477,749
Baltimore City	-17,604,227
Baltimore County	-20,704,224
Calvert	-3,294,958
Caroline	-1,123,290
Carroll	-5,248,107
Cecil	-2,654,242
Charles	-5,572,731
Dorchester	-1,181,011
Frederick	-11,851,213
Garrett	-538,416
Harford	-7,370,153
Howard	-13,660,334
Kent	-330,977
Montgomery	-41,722,956
Prince George’s	-26,000,124
Queen Anne’s	-1,382,558
St. Mary’s	-3,124,027
Somerset	-628,131
Talbot	-905,912
Washington	-4,795,778
Wicomico	-3,409,775
Worcester	-1,399,743
Total	**-$195,489,024**

Subcommittee Assignments: EED/EBA 58 – DLS Alt

Proposed Amendment to HB 352/SB 321 as Introduced

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

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

Provision as Recommended by DLS: (1) Reject the increase to 115%; (2) modify the existing statutory requirement that currently requires MVA to reduce fees if projected cost recovery revenues exceed cost recovery expenses to instead require that MVA reduce fees only following the second consecutive year in which actual cost recovery revenues have exceeded cost recovery expenses; and (3) amend the existing statutory requirement that MDOT submit a financial forecast to require it to include a schedule showing the projected cost recovery revenues and cost recovery expenses and the resulting cost recovery percentages.

Agency: MDOT (MVA)

Type of Action: Revenue Action

Fiscal Impact of DLS Recommendation *vs.* Current Law: None.

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced: None in the short term, as the current statutory requirement for MVA to set the levels of miscellaneous fees at 95% of specified costs is not being met.

Recent History: None.

State Effect: There is likely no significant effect on Transportation Trust Fund revenues in the short term, as the current statutory requirement for MVA to set the levels of miscellaneous fees at 95% of specified costs is not being met.

Subcommittee Assignments: T&E/PSTE 66 – DLS Alt

Proposed Amendment to HB 352/SB 321 as Introduced

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

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

Provision as Recommended by DLS: Increases the authorized fund balance transfer from the Renewable Portfolio Standard/ACP Account of the SEIF to the General Fund from $150.0 million to $180.0 million.

Agency: Maryland Energy Administration (MEA)

Type of Action: Fund Balance Transfer

Fiscal Impact of DLS Recommendation *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$180.0	$0.0	$0.0	$0.0	$0.0	$0.0

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$30.0	$0.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The renewable energy portfolio standard (RPS), established under Title 7, Subtitle 7 of the Public Utilities Article, requires that a specified portion of retail electricity sold by electricity suppliers in the State come from renewable sources, as statutorily defined. To demonstrate compliance with RPS requirements, an electricity supplier must acquire renewable energy credits (REC) equal to the RPS percentage specified in statute each year or pay an ACP equivalent to the supplier's shortfall. As required in Section 9-20B-05(e) of the State Government Article, ACPs are paid into the SEIF, which is administered by MEA.

Section 9-20B-05(i)(2) requires that ACP related to the solar requirements under the RPS be held separately within the SEIF and be used only to make loans or grants to support the creation of new solar energy sources in the State that are owned by or directly benefit (1) low- to moderate-income communities located in a census tract with an average median income at or below 80% of the average median income of the State; (2) overburdened or underserved communities; or (3) households with low- to moderate- income.

In addition, Chapter 595 of 2024 authorized MEA to use up to 10% of solar ACP revenues for the administration of the SEIF. The chapter also required through June 30, 2027, at least 20% of solar ACP revenues received by the SEIF to be used to provide grants to support the installation of new solar energy generating systems under the Customer-Sited Solar Program established under Chapter 595.

ACP for other Tier 1 renewable energy sources, under Section 9-20B-05(i)(1), must be used for loans and grants that support the creation of new Tier 1 renewable energy sources in the State that are owned or directly benefit (1) low- to moderate-income communities located in a census tract with an average median income at or below 80% of the average median income of the State or (2) overburdened or underserved communities.

State Effect: General fund revenues increase by $180.0 million in fiscal 2025 as a result of this transfer. To the extent that MEA would have expended these funds, special fund expenditures decrease, though the timing of this potential special fund decrease cannot be reliably determined.

Local Effect: None.

Proposed Amendment to HB 352/SB 321 as Introduced

Increase the Authorized Transfer from the Resilient Maryland Revolving Loan Fund to the General Fund

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

Provision as Recommended by DLS: Increases the authorized fund balance transfer from the RMRLF to the General Fund from $9.0 million to $12.0 million.

Agency: Maryland Department of Emergency Management (MDEM)

Type of Action: Fund Balance Transfer

Fiscal Impact of DLS Recommendation *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$12.0	$0.0	$0.0	$0.0	$0.0	$0.0

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced:

($ in Millions)

Impact:	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$3.0	$0.0	$0.0	$0.0	$0.0	$0.0

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

The fiscal 2023 budget included $25 million in general funds paid into the RMRLF to support both the required 10% State match for awarded STORM Act funds as well as for fully State-funded projects. The closing RMRLF balance at the end of fiscal 2024 was $25.8 million. A proposed budget amendment for fiscal 2025 would appropriate $11.0 million from the fund for two projects. Accounting for the proposed budget amendment, the balance would be $15.0 million at the close of fiscal 2025. The fiscal 2026 allowance allocates $246,064 in RMRLF special funds and $130,977 in federal matching funds under MDEM.

State Effect: General fund revenues increase by $12.0 million in fiscal 2025 as a result of the transfer. To the extent that the special funds would have been used for projects in future years, special fund expenditures decrease correspondingly. However, the timing of these expenditures cannot be reliable estimated.

Local Effect: There is a corresponding reduction in the RMRLF fund balance available for local resilience projects to address hazard mitigation, though the timing of the decrease cannot be reliably estimated.

Proposed Amendment to HB 352/SB 321 as Introduced

Reject Authorization to Transfer Funds Amongst Budgetary Programs in the Maryland Department of Health

Provision in BRFA as Introduced: Authorizes the Maryland Department of Health (MDH) to transfer funds between budgetary programs within the department through an approved budget amendment in fiscal 2025 and 2026 only.

Provision as Recommended by DLS: Rejects the authorization for MDH to transfer funds among its budgetary programs within the department through an approved budget amendment in fiscal 2025 and 2026.

Agency: MDH

Type of Action: Miscellaneous

Fiscal Impact of DLS Recommendation *vs.* Current Law: None.

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced: Indeterminate.

Background/Recent History: Annual language in the budget bill has been placed on certain MDH programs to restrict funds to their budgeted purpose and to prohibit budgetary transfer to other programs or purposes, with some exceptions specified, to prevent transfers of funds that might create or increase deficits in entitlement programs. Programs with funding restrictions in fiscal 2025 are:

- ***Behavioral Health Administration (General Fund Appropriations Only):*** M00L01.02 Community Services; M00L01.03 Community Services for Medicaid State Fund Recipients; and M00Q01.10 Medicaid Behavioral Health Provider Reimbursements.

- ***Developmental Disabilities Administration:*** M00M01.02 Community Services.

- ***Medical Care Programs Administration:*** M00Q01.03 Medical Care Provider Reimbursements; and M00Q01.07 Maryland Children's Health Program.

DLS has made recommendations to add language to restrict funds in these programs in fiscal 2026.

State Effect: Funds that are restricted by budget language to their budgeted purpose and cannot be transferred to any other use or program will remain restricted rather than MDH being authorized to transfer funds across programs within the department with an approved budget amendment. The impact in fiscal 2025 and 2026 of the BRFA provision as introduced on the use of funds budgeted in MDH is indeterminant due to MDH receiving authorization to transfer an unspecified amount of funding across MDH programs. However, to the extent that the DLS recommendation would prohibit funds that are restricted to particular purposes from being transferred and expended for a new purpose instead of canceled or reverted, expenditures may be impacted.

Local Effect: None.

Proposed Amendment to HB 352/SB 321 as Introduced

Increase the Authorized Transfer from the Maternal and Child Health Population Health Improvement Fund to the General Fund

Provision in BRFA as Introduced: Authorizes the Governor to transfer to the General Fund, on or before June 30, 2026, $10.0 million from the Maternal and Child Health Population Health Improvement Fund.

Provision as Recommended by DLS: Increases the authorized fund balance transfer from the Maternal and Child Health Population Health Improvement Fund to the General Fund from $10.0 million to $14.1 million.

Agency: Maryland Department of Health (MDH)

Type of Action: Fund Balance Transfer

Fiscal Impact of DLS Recommendation *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$14.1	$0.0	$0.0	$0.0	$0.0

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$4.1	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The BRFA of 2021 (Chapter 150) established a Maternal and Child Health Population Health Improvement Fund to invest in maternal and child health improvements in Medicaid and the Prevention and Health Promotion Administration within MDH through calendar 2025. The fund is administered by MDH and the Health Services Cost Review Commission (HSCRC). Funding is derived from a uniform, broad-based assessment built into hospital rates, which must be approved by a majority of HSCRC members. The hospital assessment for maternal and child health was approved by HSCRC in May 2021 and terminates at the end of calendar 2025.

HSCRC approved $40.0 million in cumulative funding, and MDH and HSCRC advise that, by the end of fiscal 2025, the fund will have a balance of $24.1 million. The fiscal 2026 allowance includes $10 million in spending supported with this fund. Assuming that amount is spent in calendar 2025, the remaining balance would be $14.1 million when the authority to use the fund expires on December 31, 2025. Legislation introduced in the 2025 session would extend, from December 31, 2025, to December 31, 2027, the date through which the fund may be used.

State Effect: General fund revenues increase by $14.1 million in fiscal 2026. Although authorized to occur in either fiscal 2025 or 2026, the budget plan assumes the transfer occurs in fiscal 2026. Special fund expenditures are unaffected because the fund is authorized through calendar 2025 only.

Local Effect: None.

Proposed Amendment to HB 352/SB 321 as Introduced

Authorize Transfer of Balances to Behavioral Health Administration

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

Provision as Recommended by DLS: Increases the authorized fund balance transfers from various health professional boards and commissions to BHA by $6,059,359, resulting in a total transfer of $10,077,123 in special funds to BHA. The proposed amendment would add fund balance transfers of $3,642,578 from the Board of Counselors and Therapists Fund; $938,057 from the Board of Occupational Therapy Fund; $1,446,036 from the Board of Psychologists Fund; $4,673 from the Board of Massage Therapy Examiners Fund; and $30,569 from the Board of Podiatric Examiners Fund; increase the proposed fund balance transfer in the BRFA as introduced from $284,592 to $473,088 from the Board of Physical Therapy Examiners Fund; and eliminate the proposed fund balance transfer in the BRFA as introduced for the Board of Optometry. **Exhibit 1** provides a comparison of the transfers as proposed in the original provision and as proposed by DLS.

Exhibit 1

Proposed Special Fund Balance Transfers

	BRFA as Introduced	DLS Recommendation
Acupuncture	-$332,957	-$332,957
Audiologists	-720,938	-720,938
Chiropractic	-40,699	-40,699
Counselors/Therapists		-3,642,578
Dietetic	-371,904	-371,904
Kidney Disease	-96,654	-96,654
Massage Therapy		-4,673
Occupational Therapy		-938,057

	BRFA as Introduced	DLS Recommendation
Optometry	-191,016	0
Physical Therapy	-284,592	-473,089
Physicians	-1,570,750	-1,570,750
Podiatric		-30,570
Psychologists		-1,446,037
Social Work	-408,218	-408,218
Total	**-$4,017,728**	**-$10,077,123**

Agency: MDH

Type of Action: Fund Swap

Fiscal Impact of DLS Recommendation *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Exp. – MDH	$0.0	-$10.1	$0.0	$0.0	$0.0	$0.0
SF Exp. – MDH	0.0	10.1	0.0	0.0	0.0	0.0

Fiscal Impact of DLS Recommendation *vs.* BRFA as Introduced:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Exp. – MDH	$0.0	-$6.1	$0.0	$0.0	$0.0	$0.0
SF Exp. – MDH	0.0	6.1	0.0	0.0	0.0	0.0

Background/Recent History: 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, cooccurring, and problem-gambling disorders. These transferred funds would support provider reimbursements in the Community Services program for the Uninsured. The State boards are responsible for the licensing and regulation of individuals practicing in each board's respective field. The BRFA of 2024 authorized transfers of $1.6 million from the balance in the State Board of Professional Counselors and Therapists Fund, $426,551 from the balance in the State Board of Occupational Therapy Practice Fund, and $480,954 from the balance in the State Board of Examiners for Psychologists Fund to BHA.

State Effect: General fund expenditures for BHA community behavioral health services decrease by $10.1 million in fiscal 2026 due to the available special funds. BHA special fund expenditures increase correspondingly in fiscal 2026. To the extent that the 14 boards would have used the available fund balance, special fund expenditures decrease correspondingly in those boards.

However, the timing of any such expenditures cannot be reliably estimated. Overall, special fund revenues are not affected, merely reallocated within MDH.

Local Effect: None

Proposed Amendment to HB 352/SB 321

Authorize the Transfer of Funds from the Circuit Court Real Property Records Improvement Fund to the General Fund

Provision as Recommended by DLS: Authorizes the transfer of $20.0 million from the Circuit Court Real Property Records Improvement Fund to the General Fund in fiscal 2026.

Agency: Maryland Judiciary

Type of Action: Fund Transfer

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$20.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The Circuit Court Real Property Records Improvement Fund, also known as the Land Records Improvement Fund (LRIF) is used to fund the Judiciary's major information technology projects, certain expenditures of circuit court offices, eFiling operations and maintenance, MDLandRec, and Electronic Land Records Online Imagery operations and maintenance. The fund receives revenues from surcharge and copying fees. In December 2024, the Judiciary reported a fiscal 2024 closing fund balance in the LRIF, excluding encumbrances of $73.9 million, and not accounting for this proposed transfer, the Judiciary projected a fiscal 2026 closing fund balance of $51.0 million.

Chapter 719 of 2021, Chapter 522 of 2022, and Chapter 762 of 2023 authorized the Judiciary to transfer up to $12.0 million in general funds per year from unspent funds in the budget to the LRIF rather than reverting the funds.

State Effect: General fund revenues increase by $20.0 million in fiscal 2026. Special fund expenditures decrease by the same amount to the extent that the balance would have been used in a future year. However, the timing of those potential expenditures and, therefore, the special fund expenditure decrease cannot be reliably estimated.

Local Effect: None.

Subcommittee Assignments: PSA/PSTE 100 – DLS Addition

Proposed Amendment to SB 361/HB 352

Require Local Jurisdictions to Pay Half of Erroneously Convicted Individuals Payments

Provision as Recommended by DLS: Requires that local governments be responsible for 50% of any payments owed to an individual for any new erroneous conviction settlement entered into by the Board of Public Works (BPW) under the existing process for such payments beginning in fiscal 2026.

Agency: BPW

Type of Action: Cost Containment

Fiscal Impact *vs.* Current Law: Indeterminate decrease in general fund expenditures. Assuming the local share is reflected in the State budget as special funds, special fund revenues and expenditures increase correspondingly.

Background/Recent History: Subject to certain requirements, BPW may grant to an individual erroneously convicted, sentenced, and confined under State law for a crime that the individual did not commit an amount commensurate with the actual damages sustained by the individual and may grant a reasonable amount for any financial or other appropriate counseling for the individual due to the confinement. Chapters 799 and 800 of 2017 broadened eligibility for an award to add individuals who may not have received a gubernatorial pardon but have received a State's Attorney certification that the individual's conviction was in error.

Chapters 76 and 77 of 2021 amended §10-501 of the State Finance and Procurement Article so that BPW is now required to make awards. Chapters 76 and 77 also defined the amount of the award as the number of days an individual is wrongfully confined, divided by 365, and multiplied by the State's most recent annual median household income as published in the American Community Survey of the U.S. Census Bureau. The current annual income figure to use is $98,678. Chapters 138 and 139 of 2024 altered the circumstances under which individuals are eligible for compensation. Specifically, Chapters 138 and 139 (1) extend eligibility to individuals erroneously convicted, sentenced, and confined for conspiracy to commit a felony; (2) alter the benefits available to individuals; and (3) require the State to notify an individual in writing if the State intends to introduce certain evidence to reduce or prevent an award of compensation.

An administrative law judge at the Office of Administrative Hearings that is issuing an order may also direct the State to provide benefits free of charge, including:

- a State identification card;
- housing accommodations upon release not to exceed five years;
- health care and dental care for at least five years;

- education and training relevant to life skills, job training, or financial literacy as well as access to enrollment at and payment of tuition and fees for attending a public senior higher education institution, regional higher education center, and/or Baltimore City Community College; and

- reimbursement for court fines, fees, and restitution paid by the individual for the crime for which the individual was erroneously confined.

State Effect: General fund expenditures are reduced to the extent that any awards are entered into beginning in fiscal 2026; however, the effect in any particular year cannot be predicted, as the amount and number of awards vary substantially by year and circumstances. Assuming the local share is reflected in the State budget as special funds, special fund revenues and expenditures increase correspondingly.

For illustrative purposes, BPW awarded six new individuals grants in fiscal 2024 with an average annual award of approximately $725,000. The grants were paid for 2.2 years on average. If this provision had been in effect for fiscal 2024, general fund expenditures would have been reduced by approximately $363,000 annually, per grant, with those reductions lasting an average of 2.2 years.

Local Effect: This provision increases local expenditures by creating a local cost share of 50% of each new erroneous conviction grant awarded by BPW beginning in fiscal 2026. The amount of any increase in local spending depends on the number and amount of any awards.

Subcommittee Assignments: PSA/EBA 101 – DLS Addition

Proposed Amendment to HB 352/SB 321

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

Provision as Recommended by DLS: Authorizes a transfer of $30.0 million from the balance in administration account of the Strategic Energy Investment Fund (SEIF) to the General Fund.

Agency: Maryland Energy Administration (MEA)

Type of Action: Fund Balance Transfer

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$30.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: 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. The SEIF is 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 Alternative Compliance Payments (ACP) – generated under the State's Renewable Energy Portfolio Standard.

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

State Effect: General fund revenues increase by $30.0 million in fiscal 2026 as a result of this transfer. To the extent that MEA would have expended these funds, special fund expenditures decrease, though the timing of this potential special fund decrease cannot be reliably determined.

Subcommittee Assignments: T&E/PSTE 102 – DLS Addition

Proposed Amendment to HB 352/SB 321

Reduce Mandated Appropriations into the Major Sports and Events Entertainment Program Fund

Provision as Recommended by DLS: Reduces the required distribution from the State Lottery Fund to the Major Sports and Events Entertainment Program Fund (MSEEPF) from an amount necessary to bring the fund balance to $10 million to an amount necessary to restore the fund balance to $5 million.

Agency: Maryland Stadium Authority

Type of Action: Mandate Relief

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$0.0	$5.0	$5.0	$5.0	$5.0
SF Exp.	0.0	0.0	-5.0	-5.0	-5.0	-5.0
SF Rev.	0.0	0.0	-5.0	-5.0	-5.0	-5.0

Background/Recent History: Chapter 61 of 2022 established the MSEEPF and required an initial transfer from the State Lottery Fund in fiscal 2023 of $10 million. In subsequent years, State Lottery Fund transfers are required to be the amount necessary to restore the fund to $10 million, which can be replenished during the fiscal year. These replenishments have occurred through budget amendment and deficiency appropriation. The MSEEPF was established in fiscal 2023 when the State anticipated large general fund surpluses. The fund has grown so that estimated fiscal 2025 and 2026 spending in each year exceeds $10 million. Since lottery revenues that are not distributed for other purposes are deposited into the General Fund, reducing lottery distributions increases general fund revenues.

State Effect: Special fund expenditures from the MSEEPF supported by lottery revenues are reduced $5 million annually. General fund revenues increase correspondingly.

Local Effect: None.

Subcommittee Assignments: EED/EBA 103 – DLS Addition

Proposed Amendment to HB 352/SB 321

Reduce Lottery Revenues and Substitute Transportation Trust Fund Revenues for Montgomery County Bus Rapid Transit Grant

Provision as Recommended by DLS: Reduces the statutory distribution of lottery revenues to Montgomery County Bus Rapid Transit by $10 million, from $27 million to $17 million, and authorizes $10 million in Transportation Trust Fund (TTF) special funds appropriation to restore the $27 million State grant. This reduces statutory lottery distributions so that the estimated coverage ratio for lottery bonds remains above 3.

Agency: Maryland State Lottery and Gaming Control Agency (MSLGCA); Maryland Stadium Authority (MSA); Maryland Department of Transportation (MDOT)

Type of Action: Fund Swap

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$0.0	$10.0	$10.0	$10.0	$10.0
SF Rev.	0.0	0.0	-10.0	-10.0	-10.0	-10.0

Background/Recent History: Gross lottery sales support prizes, commissions, and a share of MSLGCA operating expenses. Net revenues are deposited into the Lottery Fund. State law mandates disbursement of some lottery revenues that are deposited into the Lottery Fund. Disbursements include debt service for MSA's lottery bonds and grants. Specific bonds include (1) renovations to Baltimore Orioles and Ravens' stadiums; (2) Baltimore City school construction and renovation; (3) minor league baseball stadiums construction and renovation; and (4) anticipated Pimlico Plus land acquisition, construction, and renovations. To demonstrate that the Lottery Fund deposits have adequate protections to withstand volatility, MSA's goal is to have a coverage ratio so that Lottery Fund deposits are at least three times statutory distributions. Rating agencies have identified this as a credit strength. Lottery bonds are rated AA, which is a high revenue bond rating. MSA is concerned that reducing the coverage ratio could increase borrowing costs and lead to bond rating's downgrade.

Exhibit 1 shows that projected increased distributions have reduced the coverage ratio from 19 in fiscal 2021 to less than three in fiscal 2027 and 2028.

Exhibit 1
Lottery Revenues, Distributions, and Lottery Bond Coverage Ratios
Fiscal 2021-2028
($ in Millions)

	2021	2022	2023	2024	2025	2026	2027	2028
Gross Lottery Sales	$2,611	$2,663	$2,764	$2,737	$2,660	$2,650	$2,659	$2,670
Net Lottery Fund Deposit	667	674	714	700	671	664	665	666
Statutory Disbursements Before General Fund Deposit	36	39	63	41	147	214	226	226
Coverage Ratio	18.7	17.5	11.4	17.1	4.6	3.1	2.9	2.9
Value Disbursements Pushing Coverage Ratio Above 3	n/a	n/a	n/a	n/a	n/a	n/a	$5	$4

Note: Fiscal 2021 to 2023 are audited, fiscal 2024 and 2025 are unaudited, and fiscal 2026 to 2028 are estimated.

Source: Maryland Stadium Authority, December 2024

State Effect: Reducing $10 million in lottery distributions for Montgomery County Bus Rapid Transit increases general fund revenues by $10 million, as funds not otherwise distributed are distributed to the General Fund. Special fund revenues are reduced correspondingly. Special fund expenditures are decreased in MSA but increase in MDOT for no net impact on special fund expenditures. TTF revenues are not impacted.

The key benefit of this action is to keep lottery coverage ratios above three times distributions to have adequate reserves that protect against revenue volatility and bond rating’s downgrades that could lead to higher borrowing costs.

Local Effect: There is no net change to the State’s grant to Montgomery County Bus Rapid Transit, which remains at $27 million.

Subcommittee Assignments: APP/B&T 104 – DLS Addition

Proposed Amendment to HB 352/SB 321

Expand the Use of Cigarette Restitution Funds Received from Litigation to Include Medicaid Expenses in Fiscal 2026 Only

Provision as Recommended by DLS: Authorizes the use of funds received from litigation related to the Cigarette Restitution Fund (CRF) that are placed in a separate account to support Medicaid expenses in fiscal 2026 only.

Agency: Maryland Department of Health

Type of Action: Change Use of Special Fund

Fiscal Impact vs. Current Law: No effect on overall special fund revenues or expenditures in the CRF, but funds received from litigation in fiscal 2026 are reallocated from supplanting the general fund appropriation for settlement payments to historically Black colleges and universities (HBCU) to supporting Medicaid expenses. General fund expenditures for Medicaid decrease by $25 million in fiscal 2026, and special fund expenditures increase by the same amount. Fiscal 2027 general fund expenditures for the HBCU settlement increase by $27 million, and special fund expenditures for the same purpose decrease by $27 million. The proposed action accelerates the use the CRF dollars from fiscal 2027 to 2026.

Background/Recent History: The 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. 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 Master Settlement Agreement to go into a separate account that may only be used to support settlement payments to HBCU, which are otherwise general fund expenditures.

An arbitration hearing to determine Maryland's settlements and diligent enforcement of qualifying statute in sales year 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 and that the State is likely to recover approximately $25 million in withheld funds.

State Effect: No effect on overall special fund revenues or expenditures in the CRF to the extent that funding is received from litigation in fiscal 2026, but it would reallocate the CRF among uses. The fiscal 2026 budget as introduced does not allocate any special funds attributed to litigation for sales year 2005 through 2007 and fully supports required HBCU settlement funds with general funds. DLS is recommending a reduction of $25.0 million in general funds in Medicaid in recognition of available CRF from the separate account to cover expenses.

Local Effect: None.

Subcommittee Assignments: APP/B&T 105 – DLS Addition

Proposed Amendment to HB 352/SB 321

Interagency Rates Committee Provider Rates

Provision as Recommended by DLS: Prohibits the Interagency Rates Committee (IRC) from increasing the rate for providers over the rates in effect on January 1, 2025. The action applies to payments to providers with rates set by IRC under Section 8-417 of the Education Article in fiscal 2026.

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

Type of Action: Cost Control

Fiscal Impact vs. Current Law: Indeterminate

Background/Recent History: 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. Budget reconciliation legislation in 2009 through 2011, and 2015 froze rates set by IRC. Budget reconciliation legislation in 2012 through 2014, 2017, 2018, and 2020 limited rate increases at varying levels between 1.0% and 3.0%. In October 2024, a revised rate structure was implemented for Residential Child Care (group home) providers with separate rates for direct and clinical care, which is based on classes of service provision. Material posted on the IRC website appears to plan for a 3% rate increase for these providers in fiscal 2026, despite a significant overall increase in rates with implementation of rate reform (over 19%). 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, 2025, are expected to receive their fiscal 2026 rate before July 1, while applications after that are held to the fiscal 2025 rate.

State Effect: The fiscal 2026 budget includes funding to support at 2% rate increase for providers with rates set by IRC, however, IRC is not limited under current law in the rate increases that are provided. General fund and federal expenditures are reduced by an indeterminate amount, representing the difference between what would be provided by IRC and no rate increase. For illustrative purposes, if a 2% provider rate increase was provided, general fund expenditures would increase by $1.25 million in total funds ($1.1 million in general funds and $0.1 million in federal funds) in the DHS Foster Care Maintenance Payments. Expenditures in DJS would also increase.

Subcommittee Assignments: HSS/HHS 106 – DLS Addition

Proposed Amendment to HB 352/SB 321

Decrease the Amount of Video Lottery Terminal Proceeds Going to Purse Dedication Account for the Blueprint for Maryland's Future Fund

Provision as Recommended by DLS: Reduces the share of video lottery terminal (VLT) proceeds going to the Purse Dedication Account (PDA) from 6% to 5%, with the additional revenue going to the General Fund in fiscal 2026 and 2027 and then the Blueprint for Maryland's Future (Blueprint) Fund beginning in fiscal 2028.

Agency: Maryland Department of Labor (MD Labor)

Type of Action: Revenue Action

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$13.8	$14.0	$0.0	$0.0	$0.0
GF Exp.	0.0	0.0	0.0	-14.2	-14.4	-14.5
SF Rev.	0.0	-13.8	-14.0	0.0	0.0	0.0
SF Exp.	0.0	-13.8	-14.0	0.0	0.0	0.0

Background/Recent History: The PDA is an account under the authority of the State Racing Commission in MD Labor to be used to support horse racing purses and bred funds in the State. As of February 2025, the PDA is expected to receive $83.1 million in fiscal 2026. Current law requires that of the funds distributed to the PDA, 80% is for the thoroughbred industry, which is estimated at $66.5 million for fiscal 2026, while the remaining 20% goes to the standardbred industry, an estimated $16.6 million in fiscal 2026. Section 9-1A-27 (a)(4) of the State Government Article, provided that the PDA receives 6% of VLT proceeds up to $100 million. Each percentage point share of revenue in fiscal 2026 is estimated at $13.8 million.

State Effect: General fund revenues increase by $13.8 million and $14.0 million in fiscal 2026 and 2027 due to the dedication of VLT proceeds to the General Fund in those years. Special fund revenues and expenditures decrease correspondingly as the PDA no longer receives the proceeds. General fund expenditures decrease beginning in fiscal 2028 due to the additional funding available in the Blueprint Fund supporting education costs by $14.2 million in fiscal 2028, $14.4 million in fiscal 2029, and $14.5 million in fiscal 2030. Special fund revenues and expenditures are neither increased nor decreased beginning in fiscal 2028 but reallocated from the PDA to the Blueprint Fund.

Local Effect: None

Subcommittee Assignments: EED/EBA 107 – DLS Addition

Proposed Amendment to HB 352/SB 321

Delay Expansion of Prekindergarten Eligibility and Adjust Per Pupil Funding

Provisions as Recommended by DLS: Under the full-day prekindergarten funding formula: (1) delays the expansion of Tier II full-day prekindergarten eligibility by capping eligibility at 360% of the federal poverty level (FPL) through 2030 and (2) reduces the per pupil funding increase for fiscal 2027, so that the per pupil funding would be $17,211 instead of $19,950. **Exhibit 1** shows the proposed changes compared to current law.

Exhibit 1
Proposed Changes to Full-day Prekindergarten Funding Formula
Fiscal 2026-2030

	2026	2027	2028	2029	2030
Child Eligibility as % of Poverty					
Current Law	360%	600%	600%	600%	600%
DLS Recommendation	360%	360%	360%	360%	360%
Per Pupil Amount					
Current Law	$14,473	$19,950	$19,950	Fiscal 2028 + Inflation	Fiscal 2029 + Inflation
DLS Recommendation	14,473	17,211	19,950	Fiscal 2028 + Inflation	Fiscal 2029 + Inflation

Source: Department of Legislative Services

Agency: Maryland State Department of Education (MSDE)

Type of Action: Mandate Relief; Miscellaneous

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Exp.	$0.0	-$62.6	$62.6	$0.0	$0.0
GF Exp.	0.0	0.0	-75.7	-14.7	-18.5

Background/Recent History: Since fiscal 2023, the Maryland State Prekindergarten Grant Program has fully covered the per pupil cost of high-quality full-day prekindergarten for families with incomes up to 300% of the federal poverty guidelines (FPG) (Tier I students). Under the formula established in Chapter 36 of 2021, as amended by Chapter 55 of 2021, MSDE must implement a sliding scale to subsidize prekindergarten for families earning between 300% and 600% of FPG (Tier II students) by the 2024-2025 school year. The Budget Reconciliation and Financing Act of 2024 (Chapter 717) delayed the initial of funding of Tier II students from fiscal 2025 to 2026 and limited the Tier II eligibility to 360% of FPG in fiscal 2026, before expanding to 600% in fiscal 2027 and beyond. Chapter 717 also accelerated the phase-in of the per pupil amount, setting it at $14,473 in fiscal 2026 and reaching the full rate of $19,950 in fiscal 2027 instead of fiscal 2030, with inflationary increases thereafter.

State Effect: Special fund expenditures decrease by $62.6 million in fiscal 2027, while general fund expenditures decrease by $75.7 million in fiscal 2028, $14.7 million in fiscal 2029, and $18.5 million in fiscal 2030 due to reductions in funding for the full-day prekindergarten program and the education effort adjustment (EEA), as well as changes to the guaranteed tax base (GTB) program. The majority of the reduction in fiscal 2027 is attributable to a $57.5 million decrease in full-day prekindergarten funding and an $5.2 million decrease in EEA funding. In subsequent years, full-day prekindergarten expenditures decline by $11.5 million in fiscal 2028, $14.1 million in fiscal 2029, and $17.2 million in fiscal 2030, while EEA funding decreases more gradually. GTB funding remains unchanged in fiscal 2027 but fluctuates in later years, decreasing by $1.1 million in fiscal 2028, increasing slightly in fiscal 2029, and decreasing again in fiscal 2030. Over the four-year period, cumulative State aid reductions total $108 million. General fund savings in fiscal 2028 reflect from lower prekindergarten costs ($13.1 million) and availability of $62.6 million of fiscal 2027 Blueprint for Maryland's Future (Blueprint) savings to fund Blueprint costs in fiscal 2028 that would otherwise be supported with general funds.

Local Effect: Local school systems realize altered State funding, as described above, and as shown in **Exhibit 2**.

Exhibit 2
Change in State Aid by County
Fiscal 2026-2030

	2026	2027	2028	2029	2030
Allegany	0	-$929,026	-$246,724	-$303,499	-$383,940
Anne Arundel	0	-4,042,186	-455,917	-551,374	-661,314
Baltimore City	0	-12,380,627	-803,277	-908,658	-1,041,676
Baltimore	0	-1,204,975	-320,897	-413,351	-521,947
Calvert	0	-374,511	-27,542	-36,242	-45,568
Caroline	0	-1,551,210	-687,566	-568,043	-838,297
Carroll	0	-831,267	-63,269	-76,405	-99,986
Cecil	0	-2,141,120	-949,159	-1,224,591	-1,581,985
Charles	0	-3,171,898	-1,361,698	-1,633,173	-1,945,127
Dorchester	0	-1,098,961	-314,240	-319,059	-402,182
Frederick	0	-3,416,013	-1,266,391	-1,560,531	-1,824,948
Garrett	0	-434,436	-230,778	-282,915	-349,968
Harford	0	-1,721,299	-508,857	-623,108	-747,973

	2026	2027	2028	2029	2030
Howard	0	-1,138,679	-158,877	-192,544	-237,125
Kent	0	-171,707	-132,633	-177,782	-242,135
Montgomery	0	-2,938,994	2,333	5,199	-3,902
Prince George's	0	-13,274,070	-805,129	-924,831	-1,013,857
Queen Anne's	0	-283,836	-55,098	-68,219	-87,779
St. Mary's	0	-1,473,534	-158,243	-190,333	-220,041
Somerset	0	-996,459	-207,729	-144,218	-225,209
Talbot	0	-331,390	-136,189	-168,309	-224,181
Washington	0	-4,835,996	-3,035,267	-3,580,632	-4,539,849
Wicomico	0	-3,349,288	-975,162	-527,710	-976,306
Worcester	0	-527,416	-166,421	-202,890	-248,713
Total	**0**	**-$62,618,898**	**-$13,064,730**	**-$14,673,218**	**-$18,464,008**

Source: Department of Legislative Services

Proposed Amendment to HB 352/SB 321

Replace the Sellinger Formula with a Grant Program

Provision as Recommended by DLS: Eliminates the Joseph A. Sellinger Formula for Aid to Non-Public Institutions of Higher Education and establish a Sellinger grant program to provide funds to the independent institutions based on financial need. Requires the Governor to provide funding for the grant program at $36,661,361 per year beginning in fiscal 2027.

Agency: Maryland Higher Education Commission (MHEC)

Type of Action: Mandate Relief

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Exp	$0.0	$0.0	-$40.7	-$43.5	-$47.3	-$51.2

Background/Recent History: The Budget Reconciliation and Financing Act of 2024 altered the calculation for the apportionment of funding for qualifying institutions under the Sellinger program beginning in fiscal 2025 to be based on the full-time equivalent student (FTES) undergraduate enrollment only at the institutions. In addition, the percentage of FTES in the calculation increased from 15.5% to 16.1%, and the methodology for calculating the State funding per FTES at the selected public four-year institutions was changed to be based on two-year prior actual expenditures of the General Fund and the Higher Education Investment Fund and two-year prior FTES enrollment data. The fiscal 2026 allowance includes $73,322,722 for the Sellinger formula.

State Effect: General fund expenditures decrease for the Sellinger program from the level that would be anticipated under the formula to the amount that would be required to be appropriated under the grant program, which is set at half of the level that would be required under the formula in fiscal 2026. The estimated general fund expenditure decrease would be $40.7 million in fiscal 2027, increasing to $51.2 million in fiscal 2030 based on estimated State funding per FTES and enrollment levels. Fiscal 2026 savings are not assumed as this action is recommended to be taken within the budget rather than contingent on this provision.

Local Effect: None.

Subcommittee Assignments: EED/EBA 109 – DLS Addition

Proposed Amendment to HB 352/SB 321

Film Production Activity Tax Credit

Provision as Recommended by DLS: Limits the aggregate value of film production activity tax credits awarded in each fiscal year to $12.0 million, beginning in fiscal 2026 instead of in fiscal 2027.

Agency: Department of Commerce (Commerce)

Type of Action: Revenue

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$8.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: Maryland offers a refundable tax credit of up to 28% of the direct costs of film production activity in the State, or 30% for a series, with a per production cap of $10 million. Qualified small and independent films with direct costs in Maryland of $25,000 to $500,000 may receive a maximum credit of $125,000. The Maryland Film Office with Commerce accepts applications for the credits before production begins on a first-come, first-served basis up to an annual cap in statute, with 10% of the total annual cap set aside for qualified small films. After a production's application has been accepted and filming takes place, the production applies to the Film Office for final certification, which the production then submits with its State income tax return in order to claim the credits. The current statutory limit for the total value of Film Production Activity tax credits that may be awarded is $17.5 million in fiscal 2025, $20.0 million in fiscal 2026, and $12.0 million in fiscal 2027 and each year thereafter. SB 427/HB 498 (the DECADE Act) would increase the maximum aggregate value of tax credits to $20.0 million for fiscal 2026 and each year thereafter. In fiscal 2024, the Film Office approved 14 applications including 10 for qualified films with a maximum total credit value of $2.1 million.

State Effect: General fund revenues increase by $8 million in fiscal 2026 assuming the maximum value of tax credits are awarded. To the extent that awards would have been lower in fiscal 2026 due to requests for tax credits, the additional general fund revenue would be reduced.

Local Effect: None.

Subcommittee Assignments: EED/EBA 110 – DLS Addition

Proposed Amendment to HB 352/SB 321

University System of Maryland Fund Balance Transfer

Provision as Recommended by DLS: Authorizes the transfer of approximately 10% from the University System of Maryland (USM) state-supported fund balances to the general fund in fiscal 2026.

Agency: USM

Type of Action: Fund Balance Transfer

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$47.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: The estimated State-supported balance of USM institutions at the close of fiscal 2025 is $443.6 million and in fiscal 2026 is estimated at $467.8 million. The Budget Reconciliation and Financing Act legislation transferred $30.0 million from USM fund balances to the General Fund in fiscal 2017; $31.0 million in fiscal 2014; $11.7 million fiscal 2011, and $133.3 million in fiscal 2010.

State Effect: General fund revenues increase by $47.0 million in fiscal 2026 as a result of the transfer. An estimated approximately $421.0 million would remain in the State-supported portion of the fund balances after the transfer.

Local Effect: None.

Subcommittee Assignments: EED/EBA 111 – DLS Addition

Proposed Amendment to HB 352/SB 321

Repeal Tax Free Period for Back-to-school Shopping

Provision as Recommended by DLS: Repeals seven-day tax-free period for back-to-school shopping. Sales of clothing or footwear if the taxable price is $100 and the first $40 of any backpack or bookbag are currently exempt for a seven-day period beginning the second Sunday in August.

Type of Action: Revenue

Fiscal Impact of DLS Recommendation *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$6.3	$6.3	$6.3	$6.3	$6.3
GF Exp.	0.0	0.0	-1.6	-0.8	-0.8	-0.8
SF Rev.	0.0	0.8	0.8	0.8	0.8	0.8
SF Exp.	0.0	0.0	1.6	0.8	0.8	0.8

Background/Recent History: The tax-free period for back-to-school supplies began in calendar 2010.

State Effect: General fund and special fund (Blueprint for Maryland's Future (Blueprint) Fund) revenues increase from the repeal of the tax exemption. Increases in spending from the Blueprint Fund result in decreases in general fund spending of the same amounts.

Local Effect: None.

Subcommittee Assignments: APP/B&T 112 – DLS Addition

Proposed Amendment to HB 352/SB 321

Repeal Sales Tax Exemption for Certain Coins and Bullion

Provision as Recommended by DLS: Repeals sales tax exemption for sales of precious metal coins or bullion over $1,000.

Type of Action: Revenue

Fiscal Impact of DLS Recommendation *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$3.5	$3.5	$3.5	$3.5	$3.5
GF Exp.	0.0	0.0	-1.0	-0.5	-0.5	-0.5
SF Rev.	0.0	0.5	0.5	0.5	0.5	0.5
SF Exp.	0.0	0.0	1.0	0.5	0.5	0.5

Background/Recent History: None.

State Effect: General fund and special fund (Blueprint for Maryland's Future (Blueprint) Fund) revenues increase from the repeal of the tax exemption. Increases in spending from the Blueprint Fund result in decreases in general fund spending of the same amounts.

Local Effect: None.

Subcommittee Assignments: APP/B&T 113 – DLS Addition

Proposed Amendment to HB 352/SB 321

Repeal Personal Exemption for Seniors

Provision as Recommended by DLS: Repeals the $1,000 income tax exemption for being 65 or older.

Type of Action: Revenue

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$30.0	$30.0	$30.0	$30.0	$30.0

Background/Recent History: The exemption was enacted in 1989. In 2022, the General Assembly approved a tax credit for seniors with federal adjusted gross income not exceeding $100,000 ($150,000 if married and filing jointly) of $1,000 for an individual (if only one of the individuals filing a joint return is at least 65) or $1,750 if married filing jointly and both individuals are at least age 65. The tax credit provides a benefit of about $300 million annually to seniors.

State Effect: General fund revenues increase by about $30 million.

Local Effect: Local revenues increase by about $12 million.

Subcommittee Assignments: APP/B&T 114 – DLS Addition

Proposed Amendment to HB 352/SB 321

Clean Water Commerce Account Authorization for Operations

Provision as Recommended by DLS: Authorizes the appropriation from the Clean Water Commerce Account to be used to support operating expenses in the Maryland Department of the Environment (MDE) Water and Science Administration in fiscal 2026 only.

Agency: MDE

Type of Action: Expanded Use of a Special Fund

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Exp.	$0.0	-$20.0	$0.0	$0.0	$0.0	$0.0

Background/Recent History: Chapters 694 and 695 of 2021 reauthorized and modified the Clean Water Commerce Account through June 30, 2030, and required MDE to transfer $20.0 million from the Bay Restoration Fund Wastewater Account to the Clean Water Commerce Account, a new account within the Bay Restoration Fund established by the bills. Expenditures from the Account may be made only to purchase cost-effective environmental outcomes that (1) support the State's efforts to achieve the Chesapeake Bay total maximum daily load and (2) have an expected life of at least 10 years. Proposed fiscal 2026 Budget Bill language would reduce the Water and Science Administration's general fund appropriation by $20.0 million contingent on the Clean Water Commerce Account being authorized to be used to support operating expenses.

Chapters 501 and 502 of 2024 required MDE to allow nonuniform payment schedules for the purchase of environmental outcomes. The bills also authorized MDE to require a minimum final payment and certain financial protections under specified circumstances.

Chapters 558 and 559 of 2024 established the Whole Watershed Fund. The chapters also specified that the fund consists of revenue distributed from the Clean Water Commerce Account, among other sources.

State Effect: General fund expenditures decrease by $20.0 million in fiscal 2026.

Local Effect: Some local governments may receive less funding than they otherwise would have received.

Subcommittee Assignments: T&E/PSTE 115 – DLS Addition

Proposed Amendment to HB 352/SB 321

Reduce the Mandate for the Maryland Community College Promise Scholarship

Provision as Recommended by DLS: Reduces the level of funding that the Governor is required to provide for the Maryland Community College Promise Scholarship from $15.0 million to $10.0 million.

Agency: Maryland Higher Education Commission (MHEC) Student Financial Assistance

Type of Action: Mandate Relief

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Exp.	$0.0	$0.0	-$5.0	-$5.0	-$5.0	-$5.0

Background/Recent History: Chapter 554 of 2018 established the Community College Promise Scholarship. The program provides assistance for Maryland students attending a community college covering costs not met by any other student financial aid, excluding loans, also known as a last dollar scholarship after the federal Pell Grant and State financial aid awards are calculated. MHEC has consistently underspent the appropriation in the last three years. In fiscal 2024, MHEC awarded less than the appropriation by approximately $7.2 million. MHEC also awarded less than the appropriation in fiscal 2022 and 2023 by $8.9 million and $10.8 million, respectively.

State Effect: General fund expenditures decrease by $5.0 million annually beginning in fiscal 2027. The appropriation is expected to remain at $10.0 million in subsequent fiscal years. The Department of Legislative Services has also recommended reductions to the program's funding in fiscal 2025 and 2026.

Local Effect: None.

Subcommittee Assignments: EED/EBA 116 – DLS Addition

Proposed Amendment to HB 352/SB 321

Raise Transfer Tax Rate on High Value Properties

Provision as Recommended by DLS: Increases State transfer tax rate on residential properties with a sale price of $1,000,000 or more from 0.5% to 1.0% and on commercial properties with a sale price of $10,000,000 or more from 0.5% to 1.0%. Dedicates the share of transfer tax collections generated by the higher tax rate to the General Fund.

Agency: n/a

Type of Action: Revenue

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$39.9	$42.9	$45.3	$47.4	$49.6

State Effect: The proposal increases general fund revenues by $39.9 million in fiscal 2026 growing to $49.6 million by fiscal 2030. In fiscal 2024, 2.9% of residential property sales were for properties with a sale price of $1 million or more, and 6% of commercial property sales were for a property with a price of $10 million or more.

Local Effect: Minimal.

Subcommittee Assignments: APP/B&T 117 – DLS Addition

Proposed Amendment to HB 352/SB 321

Lottery Disbursement to Maryland Humanities Council

Provision as Recommended by DLS: Eliminates the required distribution of $150,000 to the Maryland Humanities Council from the State Lottery Fund beginning in fiscal 2026.

Agency: Maryland Department of Planning

Type of Action: Revenue

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.00	$0.15	$0.15	$0.15	$0.15	$0.15
SF Rev.	0.00	-0.15	-0.15	-0.15	-0.15	-0.15
SF Exp.	0.00	-0.15	-0.15	-0.15	-0.15	-0.15

Background/Recent History: Under current law, the Comptroller is required to distribute $150,000 for a grant to the Maryland Humanities Council for Maryland History Day and other program from the State Lottery Fund each fiscal year.

State Effect: General fund revenues increase by $150,000 annually beginning in fiscal 2026. Special fund revenues and expenditures decrease correspondingly.

Local Effect: None.

Subcommittee Assignments: T&E/PSTE 118 – DLS Addition

Proposed Amendment to HB 352/SB 321

Apply Sales Tax to Snack Food

Provision as Recommended by DLS: Imposes the State sales and use tax on the sale of snack food. Snack food is defined as potato chips and sticks, corn chips, pretzels, cheese puffs and curls, pork rinds, extruded pretzels and chips, popped popcorn, and snack mixtures.

Agency: N/A

Type of Action: Revenue

Fiscal Impact of DLS Recommendation *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$25.2	$25.9	$26.7	$27.5	$28.4
GF Exp.	0.0	0.0	-6.7	-3.5	-3.6	-3.7
SF Rev.	0.0	3.3	3.4	3.5	3.6	3.7
SF Exp.	0.0	0.0	6.7	3.5	3.6	3.7

Background/Recent History: The General Assembly approved a tax on the retail sale of snack food at the 1991 first special session. The "snack tax" was repealed at the 1996 session with an effective date of July 1, 1997.

State Effect: General and special fund (Blueprint for Maryland's Future (Blueprint) Fund) revenues will increase in fiscal 2026 by $25.2 million and $3.3 million, respectively. Blueprint Fund expenditures will increase beginning in fiscal 2028, and general fund expenditures on K-12 education will decline by identical amounts.

Local Effect: None.

Subcommittee Assignments: APP/B&T 119 – DLS Addition

Proposed Amendment to HB 352/SB 321

Senior Prescription Drug Assistance Program Funding for State Retirees Transitioning to Medicare Part D

Provision as Recommended by DLS: Expands the eligible uses of the Senior Prescription Drug Assistance Program (SPDAP) to include depositing funds into health reimbursement accounts of certain State retirees transitioning to Medicare Part D beginning in fiscal 2026.

Agency: Maryland Department of Health (MDH); Department of Budget and Management (DBM)

Type of Action: Change Use of Special Fund

Fiscal Impact *vs.* Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Exp.	$0.0	-$3.1	$0.0	$0.0	$0.0	$0.0

Background/Recent History: Funding is available through the SPDAP, which provides assistance to subsidize prescription medication expenses for certain Medicare-eligible individuals. MDH anticipates the SPDAP Fund will close fiscal 2025 with a balance of $12.8 million, after transferring funding to other uses. The Budget Reconciliation and Financing Act of 2024 expanded allowable uses of the SPDAP Fund to include, in fiscal 2025 only, depositing funds into health reimbursement accounts of certain State retirees transitioning to Medicare Part D.

State Effect: General fund expenditures decrease by $3.1 million in fiscal 2026, as absent the authority to spend the SPDAP to deposit funds into health reimbursement accounts of certain State retirees transitioning to Medicare Part D, additional general funds would be required. The fiscal 2026 budget as introduced includes a special fund appropriation of $3.1 million within DBM for this purpose. To the extent that the Governor chooses to spend SPDAP funding on this use beyond fiscal 2026, general fund expenditures decrease. Special fund expenditures are not impacted but reallocated among agencies and uses. Special fund revenues are not impacted.

Local Effect: None.

Subcommittee Assignments: HSS/HHS 120 – DLS Addition

Proposed Amendment to HB 352/SB 321

Modify Transfer Tax Allocation to Transfer Land Preservation Funding to the General Fund and Authorize Maryland Park Service Funding Floor

Provision as Recommended by DLS: Modifies the transfer tax as follows: (1) Land Preservation Programs (Fiscal 2026-2029) – diverts funding to the General Fund for the land preservation programs Program Open Space (POS) State, Maryland Agricultural Land Preservation Program, and Rural Legacy Program; (2) POS Local (Fiscal 2026-2029) – divert half of the POS Local funding to the General Fund; and (3) Maryland Park Service (MPS) (Fiscal 2027-2029) – provide a base amount of $40.0 million to MPS that would inflate by 3% each year.

Agency: Department of Natural Resources (DNR); Maryland Department of Agriculture (MDA)

Type of Action: Mandate Relief

Fiscal Impact vs. Current Law:

($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev.	$0.0	$48.8	$74.0	$108.4	$115.8	$0.0
GF Exp.	0.0	0.0	-10.0	-4.3	-3.8	0.0
SF Rev.	0.0	-48.8	-74.0	-108.4	-115.8	0.0
SF Exp.	0.0	-48.8	-74.0	-108.4	-115.8	0.0

Background/Recent History: 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% is allocated to local government acquisition and development; and (3) 20% is allocated to State forest and park operations. In addition, transfer tax funding is used to fund the Maryland Agricultural Land Preservation Program (MALPP), administered by MDA, and to provide a second allocation to the Rural Legacy Program.

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

Chapter 717 of 2024 (the Budget Reconciliation and Financing Act (BRFA)) authorized the Governor to transfer up to $6,678,827 of available special funds from the POS State land acquisition fund balance by June 30, 2025, to DNR to replace general funds budgeted for personnel expenses in DNR for the Maryland Forest Service and MPS. The fiscal 2025 budget as passed by the General Assembly includes general fund reductions of $5,710,734 in MPS and $968,093 in the Maryland Forest Service in DNR, contingent on the enactment of legislation authorizing the use of the POS fund balance for these purposes.

The BRFA of 2025 as introduced includes a provision authorizing up to $16.4 million from the POS land acquisition fund balance to be used for MPS operating expenses in DNR in fiscal 2026 only. The fiscal 2026 budget as introduced includes a $16.4 million special fund appropriation, contingent on legislation authorizing the use of the POS land acquisition fund balance.

A lower fiscal 2026 transfer tax revenue estimate coupled with the impact of a revenue underattainment in fiscal 2024 once again reduced the available revenues distributed through the POS formula to MPS. In addition, the Forest or Park Reserve Fund, the other main special fund supporting MPS, was reduced to a $0 balance in fiscal 2025 to help fund MPS operations. Therefore, the Forest or Park Reserve Fund balance is not available to backfill for the lower transfer tax revenues and support MPS operations in fiscal 2026 and presumably in fiscal 2027 through 2029 as well.

State Effect: General fund revenues increase by $48.8 million in fiscal 2026, which increases annually reaching $115.8 million in fiscal 2029 due to transfer of funding attributable to allocations for land preservation programs to the General Fund. Special fund expenditures decrease by an equivalent amount. General fund expenditures decrease by $10.0 million in fiscal 2027, $4.3 million in fiscal 2028, and $3.8 million in fiscal 2029. Lower general fund reductions in fiscal 2028 and 2029 are due to transfer tax revenue estimate increases, which would provide more funding to MPS under current law.

Exhibit 1
Transfer Tax Modifications
Fiscal 2026-2029
($ in Millions)

	2026			2027			2028			2029		
	Current	**Prop.**	**Diff.**	**Current**	**Prop.**	**Diff.**	**Current**	**Prop.**	**Diff.**	**Current**	**Prop.**	**Diff.**
Revenue Estimate	$219.6	$219.6	$0.0	$236.0	$236.0	$0.0	$249.2	$249.2	$0.0	$260.7	$260.7	$0.0
Administration	-6.6	-6.6	0.0	-7.1	-7.1	0.0	-7.5	-7.5	0.0	-7.8	-7.8	0.0
Underattainment	-85.3	-85.3	0.0	-33.7	-33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**$127.7**	**$127.7**	**$0.0**	**$195.3**	**$195.3**	**$0.0**	**$241.7**	**$241.7**	**$0.0**	**$252.9**	**$252.9**	**$0.0**
Programs												
Debt Service DNR	$1.5	$1.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Debt Service MDA	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Heritage Areas	6.0	6.0	0.0	6.0	6.0	0.0	6.0	6.0	0.0	6.0	6.0	0.0
Maryland Park Service/Forest Service	22.2	22.2	0.0	30.0	40.0	10.0	36.9	41.2	4.3	38.6	42.4	3.8
Baltimore City Direct Grant	10.0	10.0	0.0	10.0	10.0	0.0	10.0	10.0	0.0	10.0	10.0	0.0
Greenspace Equity Program	7.0	7.0	0.0	10.0	10.0	0.0	10.0	10.0	0.0	10.0	10.0	0.0
Ocean City Beach Maintenance	1.0	1.0	0.0	1.0	1.0	0.0	1.0	1.0	0.0	1.0	1.0	0.0

	2026			2027			2028			2029		
	Current	**Prop.**	**Diff.**	**Current**	**Prop.**	**Diff.**	**Current**	**Prop.**	**Diff.**	**Current**	**Prop.**	**Diff.**
Natural Resources Development Fund	10.4	10.4	0.0	17.2	17.2	0.0	19.4	19.4	0.0	19.0	19.0	0.0
Critical Maintenance Program	0.0	0.0	0.0	0.0	0.0	0.0	2.6	2.6	0.0	4.1	4.1	0.0
Heritage Conservation Fund	2.3	2.3	0.0	3.5	3.5	0.0	4.4	4.4	0.0	4.6	4.6	0.0
POS – Public Access	5.6	5.6	0.0	12.0	12.0	0.0	12.0	12.0	0.0	12.0	12.0	0.0
Subtotal	**$66.2**	**$66.2**	**$0.0**	**$89.7**	**$99.7**	**$10.0**	**$102.2**	**$106.5**	**$4.3**	**$105.2**	**$109.1**	**$3.8**
Land Preservation Programs												
POS – State	$0.0	$0.0	$0.0	$11.4	$0.0	-$11.4	$24.6	$0.0	-$24.6	$27.8	$0.0	-$27.8
Rural Legacy Program	14.4	0.0	-14.4	17.8	0.0	-17.8	20.1	0.0	-20.1	20.6	0.0	-20.6
MALPP	21.6	0.0	-21.6	33.3	0.0	-33.3	41.2	0.0	-41.2	43.1	0.0	-43.1
POS Local	25.5	12.7	-12.7	43.1	21.6	-21.6	53.6	26.8	-26.8	56.1	28.1	-28.1
Subtotal	**$61.5**	**$0.0**	**-$48.8**	**$105.6**	**$21.6**	**-$84.0**	**$139.5**	**$26.8**	**-$112.7**	**$147.6**	**$28.1**	**-$119.6**
Total	**$127.7**	**$78.9**	**-$48.8**	**$195.3**	**$121.3**	**-$74.0**	**$241.7**	**$133.3**	**-$108.4**	**$252.9**	**$137.1**	**-$115.8**
General Fund Transfer	**$0.0**	**$48.8**	**$48.8**	**$0.0**	**$74.0**	**$74.0**	**$0.0**	**$108.4**	**$108.4**	**$0.0**	**$115.8**	**$115.8**

DNR: Department of Natural Resources
MALPP: Maryland Agricultural Land Preservation Program
MDA: Maryland Department of Agriculture
POS: Program Open Space

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

Local Effect: Local jurisdictions would receive half of the current formula distribution of POS Local funding for land acquisition or development. In addition, local jurisdictions would not benefit from the land preservation afforded by MALPP and the Rural Legacy Program.