Y01A

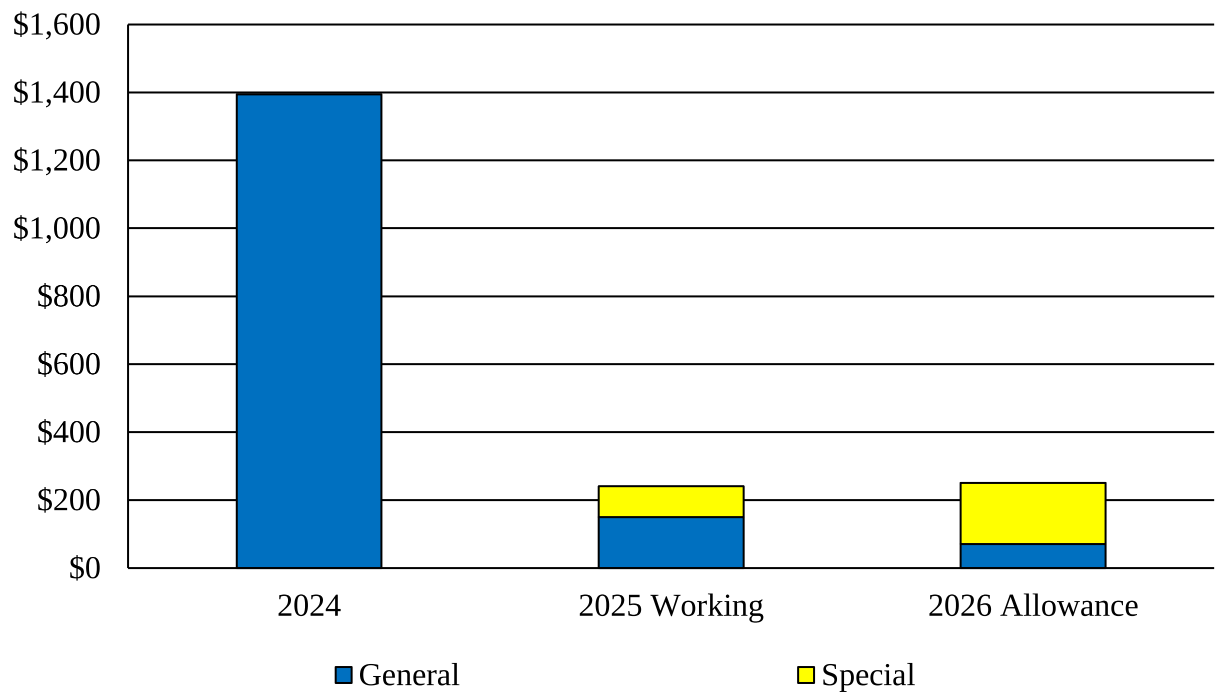
State Reserve Fund

Program Description

The State Reserve Fund provides a means to designate monies for future use. This analysis includes the Revenue Stabilization Account (Rainy Day Fund), the Dedicated Purpose Account (DPA), and the Catastrophic Event Account. **Appendix 2**, **Appendix 3**, and **Appendix 4** provide detail on the characteristics and spending mechanisms for each account. Discussion of the Economic Development Opportunities Account can be found in the fiscal 2026 operating budget analysis for T00 – Department of Commerce.

Operating Budget Summary

Fiscal 2026 Budget Increases $10.3 Million, or 4.3%, to $250.8 Million
($ in Millions)



- The fiscal 2026 budget includes language deleting the appropriations for mandatory contributions based on the fiscal 2024 surplus to the Rainy Day Fund ($420.0 million), the Pension System ($25 million), and the Post-retirement Health Benefits Trust Fund ($25 million) contingent on the enactment of legislation eliminating the required appropriations. The Budget Reconciliation and Financing Act (BRFA) of 2025 includes a

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provision repealing the required distribution to the Rainy Day Fund for fiscal 2026 only. The provision also repeals the required distributions to the Pension System and Post-retirement Health Benefits Trust Fund from fiscal 2024 onward.

- The fiscal 2026 allowance includes a $180 million special fund appropriation using funds transferred from the Strategic Energy Investment Fund (SEIF) Alternative Compliance Payments (ACP).

Authorizations to Transfer Rainy Day Fund Balance for Entitlement Shortfalls

Section 31 of the fiscal 2025 Budget Bill authorized fund transfers from the Rainy Day Fund to the Maryland Department of Health (MDH) and Department of Human Services (DHS) up to $90 million for MDH in fiscal 2024, up to $100 million for MDH in fiscal 2025, and $34 million in fiscal 2025 for DHS due to anticipated budget shortfalls. Section 31 provides that these transfers are limited to a maximum of $199 million in total and are contingent on the submission of a report at least 30 days prior to submitting a budget amendment that provides updated estimates of projected shortfalls for the entitlement program. MDH complied with the reporting requirement and was transferred $90 million from the Rainy Day Fund in fiscal 2024.

Following the transfer to MDH authorized by Section 31 of the fiscal 2025 Budget Bill, a total of $109 million remained authorized to address projected budget shortfalls including a maximum of $100 million to Medicaid and a maximum of $34 million to Foster Care. The Governor's fiscal 2026 budget plan assumes $100 million of this funding will be transferred to Medicaid in fiscal 2025 despite this transfer not yet occurring and that no funding will be transferred to DHS.

Fiscal 2025

Cost Containment

At a July 2024 meeting, the Board of Public Works approved cost-containment actions reducing general funds in fiscal 2025 for a variety of agencies. In the DPA, these actions eliminated the following fiscal 2025 appropriations:

- $10 million to End the Wait;

- $3 million to Rebuild State Government; and

- $5 million for State Center demolition planning.

Implementation of Legislative Priorities

Section 21 of the fiscal 2025 Budget Bill appropriated a total of $500,000 in general funds to the DPA to support registered apprenticeship sponsors to reimburse costs paid by the sponsor for related instruction at Maryland community colleges. The funds were released to the Maryland Department of Labor (MD Labor) by the Legislative Policy Committee on November 22, 2024. MD Labor reported plans to use the funding to establish the Plus Apprenticeship Grant Program. The program will provide grant funds of up to $5,000 per eligible student for designated outstanding tuition and mandatory fees not covered by the existing Community College Promise Scholarship program or for those who do not meet the eligibility criteria for state, federal, or institutional aid. Eligible students must be students at Maryland Community Colleges and be concurrently employed as a registered apprentice through a registered apprenticeship program.

Fiscal 2026 Overview of Agency Spending

Appendix 1 provides detail on the activity in the Rainy Day Fund for fiscal 2024 through the 2026 allowance.

Rainy Day Fund

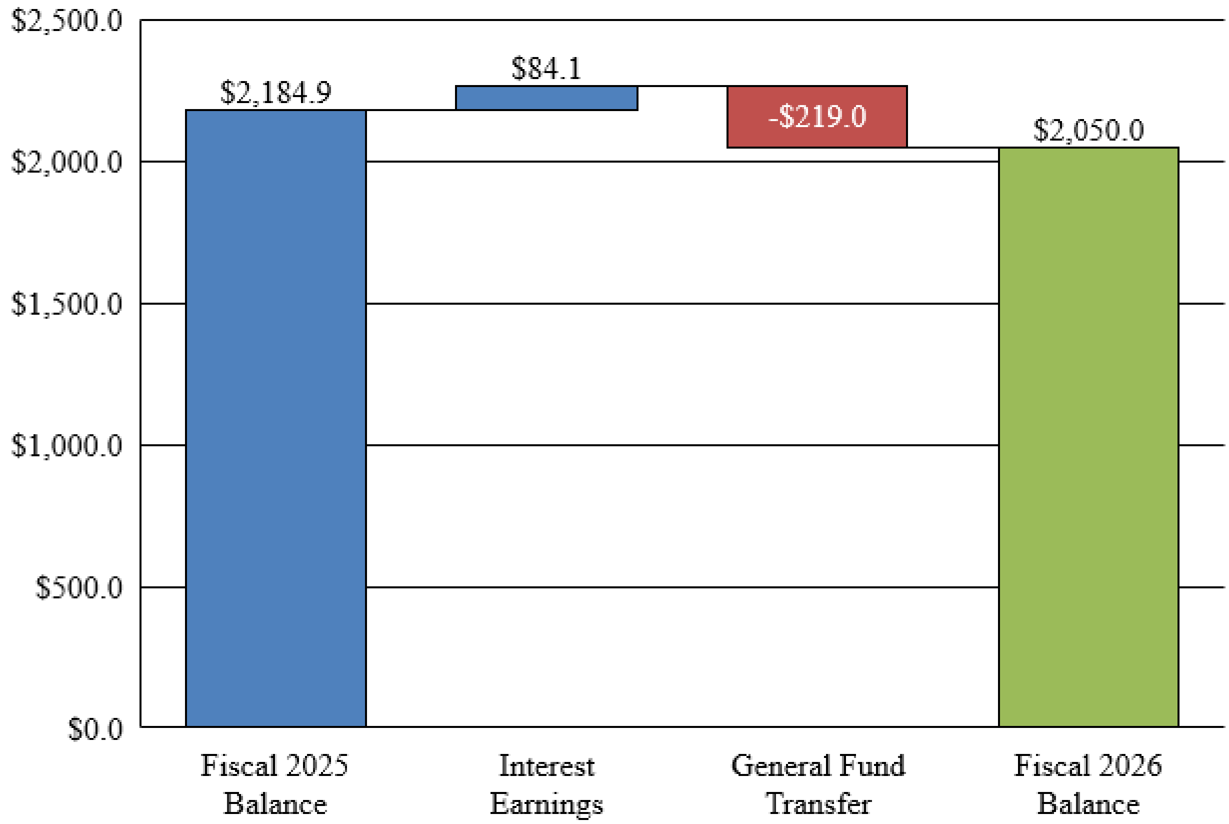
The Rainy Day Fund was established in 1986 to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth. Section 7-311 of the State Finance and Procurement Article requires that an amount equal to the unappropriated general fund surplus exceeding $10 million from two fiscal years prior to the allowance year shall be appropriated into the Rainy Day Fund. An appropriation totaling at least $50 million is required if projected revenues in the fund are less than 7.5% of general fund revenues.

Chapter 557 of 2017 required that for fiscal 2021 and beyond, for surpluses above $10 million, the first $100 million is divided between the Rainy Day Fund, the Pension System, and the Post-retirement Health Benefits Trust Fund so that the Rainy Day Fund receives 50%, the Pension System receives 25%, and the Post-retirement Health Benefits Trust Fund receives 25% on a dollar-for-dollar basis. Amounts above $110 million are credited to the Rainy Day Fund.

Fiscal 2024 ended with an unappropriated general fund balance totaling $479.5 million. The General Fund retains $10 million of this surplus. Section 7-311 requires a $25 million appropriation to each the Pension System and Post-retirement Health Benefits Trust Fund (typically done through the DPA), as well as a $419.5 million appropriation to the Rainy Day Fund. However, language in the fiscal 2025 Budget Bill would delete the $419.5 million mandated appropriation to the Rainy Day Fund and two $25 million sweeper appropriations contingent on the enactment of the BRFA of 2025 repealing the requirements that funds be included in the fiscal 2026 budget. **The Department of Legislative Services (DLS) recommends deleting the $419.5 million Rainy Day Fund appropriation, reducing the DPA appropriation by $50 million, and deleting language making these reductions contingent on legislation.**

The Governor's budget plan anticipates changes in the Rainy Day Fund balance that results in a net decrease of $134.9 million between fiscal 2025 and 2026. Specifically, the Rainy Day Fund balance would increase by $84.1 million due to interest, while a transfer to the General Fund of $219 million would reduce the Rainy Day Fund balance to approximately 8.1% of general fund revenues, as shown in **Exhibit 1.**

Exhibit 1
Fiscal 2026 Planned Draw Down of the Rainy Day Fund
($ in Millions)

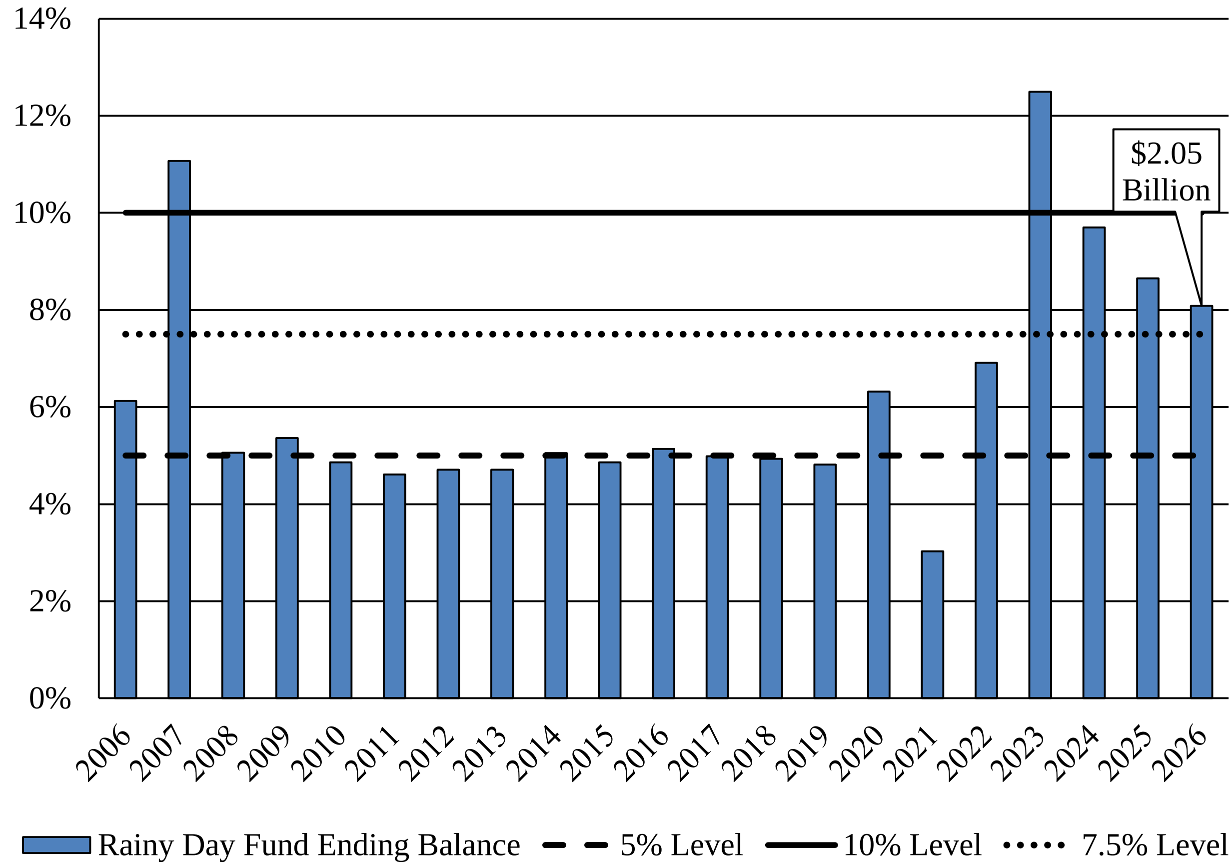


Rainy Day Fund: Revenue Stabilization Account

Source: Governor's Fiscal 2026 Budget Books; Department of Legislative Services

As shown in **Exhibit 2**, the Rainy Day balance peaked in fiscal 2023 due to a large fiscal 2021 general fund surplus that led to a mandated appropriation of $2.4 billion to the Rainy Day Fund in fiscal 2023. Fiscal 2023 ended the year with an $2.96 billion balance, equating to 12.5% of general fund revenues. Due to lower ending surpluses, transfers from the fund, and no new appropriations, the fund balance has declined since fiscal 2023.

Exhibit 2
Rainy Day Fund Balance as a Percentage of General Fund Revenues
Fiscal 2006-2026 Allowance



Rainy Day Fund: Revenue Stabilization Account

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

Dedicated Purpose Account

The DPA, also established in 1986, retains appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain and to meet expenditure requirements that may be affected by changes in federal law or fiscal policies or other contingencies. The unspent balance of an appropriation reverts to the Rainy Day Fund four years after the end of the fiscal year for which the appropriation was made.

Exhibit 3 provides detail on how the $250.8 million fiscal 2026 appropriation is allocated by purpose.

Exhibit 3
Dedicated Purpose Account Appropriations by Purpose
Fiscal 2026 Allowance
($ in Millions)

Purpose/Description	Allowance
SEIF from Alternative Compliance Payments to continue implementation of the State Climate Pollution Reduction Plan	$180.0
Capital of Quantum Initiative	17.5
Strategic Infrastructure Revolving Fund	10.0
Biomarker Testing Costs	8.0
Downtown Frederick Hotel Project (PAYGO)	7.5
Certified Sites Program	7.0
Division of Parole and Probation Staffing	5.0
EARN Maryland Program	5.0
Child Care Capital Revolving Fund	2.2
Johns Hopkins University Whiting School (PAYGO)	2.0
Permitting system and other IT upgrades	2.0
Cyber Workforce Grants	2.0
Baltimore Cyber Ranges	1.3
Labor Office of Strategic Initiatives	1.0
Hagerstown Public Safety Project (PAYGO)	0.3
Total	**$250.8**

EARN: Maryland Employment Advancement Right Now Program
IT: information technology
PAYGO: pay-as-you-go
SEIF: Strategic Energy Investment Fund

Source: Governor's Fiscal 2026 Budget Books; Department of Legislative Services

New Appropriations

- ***Climate Solutions Now SEIF ($180 million):*** The fiscal 2026 allowance to the DPA includes $180 million in special funds from the SEIF from ACP revenues to support implementation of the State's Climate Pollution Reduction Plan. While the BRFA of 2024 included language defining the authorization, source, and purposes for fiscal 2025 funding, the BRFA of 2025 does not contain any authorization for the fiscal 2026 funding uses. As required under Section 9-20B-05 of the State Government Article, ACP funds are limited in use for particular purposes. These purposes are loans and grants to support the creation of Tier 1 renewable energy (or solar energy depending on the source of the ACP) sources that are owned or directly benefit low-income communities located in a census tract with an average median income at or below 80% of the average median income for the State, overburdened or underserved communities, or low-to moderate-income households (solar only). For solar ACP at least 20% must be used to support the installation of new solar energy generating systems under the Customer-Sited Solar Program with up to 10% for administrative expenses. According to the fiscal 2026 budget highlights, the $180 million in Maryland Clean Energy Jobs Act ACP SEIF funding is allocated as follows:

  - $80 million to support solar and geothermal development on public facilities and municipal landfills as well as landfill methane emissions capture improvements that enable energy projects;

  - $50 million for solar development on State property, starting with Maryland Department of Transportation facilities; and

  - $50 million to support block grants to school districts to support solar and geothermal heat pumps on existing schools and the construction of net-zero schools.

Although the Department of Budget Management (DBM) advises that it is the intent that the projects be located within eligible communities, DLS is concerned that these projects would not be considered as directly benefiting the communities as required in statute. Uses of funds from the prior transfer were described in more alignment with the notion of benefiting the communities such as multifamily buildings, hospitals, schools, and other community-facing buildings. While schools are one of the uses announced for these funds, the other $130 million are not at what would typically be considered community-facing buildings. Absent an authorization to alter the uses of the funds, it is not clear that these are eligible uses. **DLS recommends adopting budget bill language making the appropriation contingent on legislation authorizing the use of SEIF funds for the disclosed purposes. DLS notes that DBM should introduce an amendment to the BRFA to authorize the use of ACP funds for these purposes for fiscal 2026 only.**

In addition, as introduced, SB 434/HB 505 (Administration bills) include a provision that authorizes in fiscal 2026, funds from the DPA to be transferred by budget amendment to implement the requirements of certain sections of the bill related to establishing regulations and evaluation criteria for nuclear energy procurement. It is unclear what source is intended for this transfer. Though as the only energy specific funds appropriated in the DPA for fiscal 2026, it would seem that the ACP would be the referred to source. As the provisions do not appear to require any specific funding, it is unclear what the uses of the funds would be. **DBM should comment on the intended use of the funds and which source of appropriation from the DPA would be transferred for these purposes.**

- ***Biomarker Testing ($8 Million):*** Chapter 322 of 2023 requires health plan carriers beginning January 1, 2024, and Medicaid beginning July 1, 2025, to provide coverage for biomarker testing for the purpose of diagnosis, treatment, appropriate management, or ongoing monitoring of a disease or condition that is supported by medical and scientific evidence.

Due to the State's fiscal condition, DLS recommends reducing $8.0 million in general funds from the DPA for the biomarker testing. Additional discussion of this issue will be included in the analysis for M00Q – MDH Medical Care Programs Administration.

- ***Division of Parole and Probation Staffing ($5 Million):*** Funding is provided for establishment of additional positions pursuant to preliminary staffing study results. Agent vacancies have climbed since the May 31, 2024, the death of Officer Ramirez, and the Department of Public Safety and Correctional Services is working to address officer vacancies and safety concerns amidst growing staffing concerns. Based on current personnel spending, DLS estimates that this appropriation could be used for approximately 53 new positions.

- ***Hagerstown Public Safety Project Pay-as-you-go (PAYGO) ($0.3 Million):*** The City of Hagerstown seeks $250,000 to support a site and market analysis study for a proposed public safety center that would house the city's police and fire departments.

Economic Initiatives

The fiscal 2026 allowance to the DPA includes 15 new initiatives totaling $70.75 million in general funds. Approximately $57.5 million is designated for 12 economic initiatives, comprising 41.5% of the total funding for the administration's economic stimulus package.

- ***Capital of Quantum Initiative ($17.5 Million):*** The Moore-Miller administration announced plans to begin a five-year "Capital of Quantum" public-private partnership (P3) at University of Maryland College Park (UMCP) with an initial investment of $17.5 million. The investment is meant to grow the state's quantum science and technology sector. UMCP reports that funding will be used for the following purposes:

  - expansion of the Quantum Start-up Foundry and new Quantum Test-Beds, including the National Quantum Lab ($10 million);

- personnel costs associated with 20 faculty members in quantum information science and technology hired over time ($3.5 million);

- test and evaluation experts at the Applied Research Lab for Intelligence and Security and the Johns Hopkins University Applied Physics Lab ($3 million); and

- startup funding for the launch of Capital of Quantum, allocated for purchase of new testbeds ($1 million).

DLS recommends reducing $1.75 million in general funds from the DPA for the Capital of Quantum Initiative as the faculty complement is expected to grow over time and therefore only a portion of personnel costs are needed at this time.

- ***Strategic Infrastructure Revolving Fund ($10 Million):*** Established by Chapter 449 of 2024, the fund is intended to provide short-term loans to developers to stimulate transformative placemaking, transit-oriented development, and inclusive and equitable economic growth objectives with a focus on bringing underutilized assets into performance. This appropriation capitalizes the fund.

Due to the State's fiscal condition, DLS recommends reducing $2.5 million in general funds for the Strategic Infrastructure Revolving Fund.

- ***Downtown Frederick Hotel Project (PAYGO) ($7.5 Million):*** This funding is provided as part of an overall $100 million P3 project to develop a new hotel and conference center in Frederick. The project began the initial demolition phase in December 2024.

- ***Certified Sites Program ($7 Million):*** Established by the Governor's Economic Competitiveness Executive Order 01.01.2024.39 on December 20, 2024, the Site Readiness Program aims to address the lack of site readiness or incentives for basic infrastructure improvements to attract developer and/or industrial tenant interest. The Site Readiness Program will produce detailed information about potential sites for development across the State that offer significant economic development value and make investments into identified sites to accommodate business expansion opportunities.

Due to the State's fiscal condition, DLS recommends reducing $3.5 million in general funds from the DPA for the Certified Sites Program.

- ***Employment Advancement Right Now (EARN) Program Expansion ($5 Million):*** EARN Maryland invests in strategic industry partnerships from key economic sectors across all regions of the State to train and educate workers and place them in meaningful employment. Between fiscal 2018 and 2023, MD Labor awarded a total of $46.7 million in competitive grants under EARN.

- ***Child Care Capital Revolving Fund ($2.2 Million):*** Funding is provided for program expansion. The fund, established by Chapter 466 of 2022, provides no-interest loans for capital expenses related to child care facilities. Child care providers must repay loans from the fund within five years, and program eligibility is limited to providers who participate in the Maryland State Department of Education's Child Care Scholarship Program. The DECADE Act of 2025, SB 427 /HB 498, would modify requirements regarding loans from the fund, allowing up to $50,000 of a loan to be converted to a grant under certain circumstances and modifying target regions for loan prioritization.

- ***Cyber Workforce Grants (CyberMaryland) ($2 Million):*** This program focuses on building a diverse talent pipeline in cybersecurity, serving as a hub for State workforce development programs in cybersecurity and coordinating cybersecurity and research innovation. DPA funding is provided in addition to $3,099,000 in the fiscal 2026 Budget Bill contingent upon the enactment of legislation transferring the Cyber Maryland program from the Maryland Technology Development Corporation (TEDCO) to MD Labor. Prior to this appropriation, the program was only budgeted $99,000.

DLS recommends reducing $2 million in general funds from the DPA for Cyber Workforce Grants, as increased funding is already provided for this purpose in fiscal 2026.

- ***Johns Hopkins University Whiting School Design Center (PAYGO) ($2 Million):*** This funding is provided as part of an overall $118 million multidisciplinary design center project funded with a combination of institutional funds and philanthropy. The center will serve as a hub for students to design, prototype, test, and manufacture engineering solutions to real-world problems.

- ***Permitting System Upgrades ($2 Million):*** Funding is provided for permitting and licensing system improvements across State agencies ($1.2 million) and a customer relationship management system and other information technology (IT) tools in the Department of Commerce (Commerce) ($0.8 million).

Due to the State's fiscal condition, DLS recommends reducing $0.8 million in general funds from the $2 million appropriation to the DPA for Economic Agenda IT Investments, representing funds allocated for a customer management system and other IT tools in Commerce.

- ***Baltimore Cyber Ranges (Cyber Workforce Accelerator Initiative/MD Association of Community Colleges) ($1.3 Million):*** Funding is provided to support build-out of cyber ranges at Maryland's community colleges. This funding is in addition to $936,000 from the TEDCO Equitech Fund awarded to the Maryland Association of Community Colleges in fiscal 2025 for purchase of three additional Cyber Series 3000 cyber ranges. The Cyber Workforce Accelerator Initiative provides all 16 of Maryland's community colleges with access to Cyber Series 3000 cyber ranges for delivery of advanced experiential training and education technology to train and certify entry level IT and cyber practitioners.

- ***Strategic Initiatives Support at MD Labor ($1 Million):*** Funding is provided to enhance planning and administration of key workforce development programs focused on target industry sectors.

Key Observations

1. BRFA Proposes to Transfer $203 Million in Prior DPA Funds

The BRFA of 2025 proposes to transfer a total of $203.4 million from prior appropriations that remain in the DPA to the General Fund in fiscal 2025, primarily from PAYGO capital projects and cybersecurity purposes. **Exhibit 4** provides information on proposed transfers, the amount of funds remaining (if any), and the amount of replacement funding included in the capital budget to backfill the transfer of PAYGO funds**.**

Exhibit 4
Appropriations Proposed for Transfer to General Fund
Budget Reconciliation and Financing Act of 2025
Fiscal 2026
($ in Millions)

Purpose	BRFA Transfer	DPA Funds Remaining	Replacement Funds Available
Cybersecurity	$63.5		
New State Veterans Home	62.9	2.5	
UMMS Comprehensive Cancer and Organ Transplant Center	25.0		25.0
State Center relocation costs	20.0	29.3	
DNR Critical Maintenance	11.0		
Morgan State University deferred maintenance and site improvements	10.0		8.4
End the Wait	6.0		
BCCC deferred maintenance.	5.0		5.0
Total BRFA Transfers to General Fund	**$203.4**	**$31.8**	**$38.4**

BCCC: Baltimore City Community College
BRFA: Budget Reconciliation and Financing Act
DNR: Department of Natural Resources
DPA: Dedicated Purpose Account
UMMS: University of Maryland Medical System

Note: General obligation bonds replace DPA funds for the Comprehensive Cancer and Organ Transplant Center and Morgan State University projects. BCCC deferred maintenance funds are replaced by $5 million in special funds derived from the BCCC fund balance.

Source: Budget Reconciliation and Financing Act of 2025; Fiscal 2026 Capital Improvement Plan

- ***Cybersecurity ($63,478,440):*** Funding totaling $362.0 million for cybersecurity purposes was added to the DPA from fiscal 2021 through 2024 ($10.0 million in fiscal 2021; $100.0 million in fiscal 2022; $100.0 million in fiscal 2023; and $152.0 million in fiscal 2024). The BRFA of 2024 authorized a transfer of approximately $149.5 million to the General Fund and approximately $149.0 million has been used. After this transfer, no funding will remain in the DPA for cybersecurity.

- ***State Veterans Home ($62,887,000):*** Approximately $69.6 million was provided for this project over fiscal 2023 and 2024. The project has been canceled because necessary federal grants were not awarded. After this transfer, $2.5 million will remain for any remaining liabilities related to the project.

- ***University of Maryland Medical System (UMMS) Comprehensive Cancer and Organ Transplant Center ($25 Million):*** UMMS received $125 million in total State support through fiscal 2023 for the Marlene and Stewart Greenebaum Comprehensive Cancer Center and other high-acuity ambulatory and inpatient programs located in Baltimore City. The fiscal 2026 capital budget as introduced provides $32 million of general obligation (GO) bond funds and $5 million of bond premium revenue to fully replace the transferred funds and replace $12 million of fiscal 2022 general funds provided to the project that were inadvertently reverted to the General Fund at the fiscal 2024 closeout.

- ***State Center Relocation Costs ($20 Million):*** A total of $80 million in funding was appropriated to the DPA for the moving costs of agencies from the Baltimore State Center, a 28-acre site featuring several office buildings that has until recently housed the Baltimore offices of 12 State agencies. The fiscal 2022 appropriation to the DPA included $50 million for this purpose, and the fiscal 2025 Budget Bill provided $30 million in fiscal 2024 deficiency funds. State Center tenants are relocating and incurring relocation costs. Following this transfer, approximately $30 million will remain for this purpose.

- ***Department of Natural Resources (DNR) Critical Maintenance ($11 Million):*** The fiscal 2023 budget included $100.0 million in general funds in the DPA for Facilities Renewal – State Agencies. Of this amount, DNR's allocation was $25.0 million. The funding was intended to help reduce DNR's sizeable backlog of critical maintenance projects and came on the heels of the State Park Investment Commission's December 2021 report, which recommended that the State make an immediate investment in critical maintenance to eliminate the existing critical maintenance backlog over the next three years. Additional funding provided in fiscal 2023 for DNR critical maintenance made it less likely that the $25.0 million in the DPA would be spent timely. Chapter 39 of 2022 (Great Maryland Outdoors Act) established a Park System Critical Maintenance Fund and required a $70.0 million general fund appropriation to the fund in fiscal 2024, which must be spent by July 1, 2026. Subsequently, due to the likelihood that DNR would not spend the full $70.0 million on critical maintenance before the deadline, Chapter 402 of 2024 extended the deadline by which DNR must spend the allocated funds by three years (from July1, 2026, to July 1, 2029). In the context of the State's fiscal situation and DNR being replete with critical maintenance funding, the BRFA of 2024 authorized the transfer of $14.0 million of the $25.0 million in the DPA to the General Fund. This provision transfers the remainder of the DNR critical maintenance funding in the DPA to the General Fund.

- ***Morgan State University (MSU) Deferred Maintenance and Site Improvements ($10 Million):*** The State funds an ongoing deferred maintenance and site improvement project to help address the MSU's aging infrastructure and building systems that are inoperable or in poor condition. This funding includes $10 million of fiscal 2023 general funds in the DPA. The fiscal 2026 capital budget provides $13.4 million of GO bond funds for this program, which is $8.4 million more than what was programmed for fiscal 2026 in the 2024 *Capital Improvement Program* to partially replace the proposed transfer.

- ***End the Wait Act ($6 Million):*** Chapter 464 required MDH to develop plans to reduce Medicaid Home and Community-based Services waiver waitlists and registries by 50%. Section 19 in the fiscal 2024 Budget Bill (Chapter 101 of 2023) provided $6.0 million in general funds in the DPA for costs associated with End the Wait initiatives. After this transfer, no funds will remain in the DPA for End the Wait initiatives from this appropriation.

- ***Baltimore City Community College (BCCC) Deferred Maintenance ($5 Million):*** The State funds an ongoing deferred maintenance and site improvement project to help address the BCCC's aging infrastructure and building systems that are inoperable or in poor condition. This funding includes $5 million of fiscal 2023 general funds in the DPA. The administration proposes fully replacing the transferred funds with BCCC fund balance.

Balances Remaining in the DPA

Significant surpluses in the State budget in recent years resulted in large amounts of funding being provided for specified purposes. As shown in **Exhibit 5**, the current budget plan is expected to result in $119 million remaining in the DPA from fiscal 2025 or earlier, while $251 million is added in fiscal 2026.

Exhibit 5
Funds Remaining in Dedicated Purpose Account
Fiscal 2023-2026 Appropriations
($ in Millions)

	Prior Year Funds	Fiscal 2026 Funds	All Years
State Center Relocation	$29.34		$29.34
Apprenticeships	25.00		25.00
Autism Waiver Expansions	12.04		12.04
Pay-as-you-go (PAYGO), Including Facilities Renewal	9.73		9.73
Awards to Erroneously Convicted	4.69		4.69
Unified Financial Aid System for Higher Ed	0.82		0.82
Grants to Domestic Violence Centers	0.36		0.36
Assisted Living Facilities	0.20		0.20
Rebuilding State Government	0.20		0.20
Grants to Police Departments to Coordinate Task Forces that Cross Jurisdictional Boundaries	0.10		0.10
Operating Grant to Center for Neuroscience of Social Injustice at the Kennedy Krieger Institute	0.10		0.10
Little Italy Neighborhood Association	0.10		0.10
Grants to Violence Prevention and Interruption Organizations	0.08		0.08
Greater Baltimore Regional Integrated Crisis System	0.05		0.05
Food Banks	0.01		0.01
Establish Maryland State Police Gun Center*	0.00		0.00
Climate Pollution Reduction	36.00	$180.00	216.00
Capital of Quantum Initiative		17.50	17.50
Strategic Infrastructure Revolving Fund		10.00	10.00
Biomarker Testing Costs		8.00	8.00
Downtown Frederick Hotel Project (PAYGO)		7.50	7.50
Certified Sites Program		7.00	7.00
Division of Parole and Probation Staffing		5.00	5.00
EARN Maryland Program		5.00	5.00
Child Care Capital Revolving Fund		2.20	2.20
Johns Hopkins University Whiting School (PAYGO)		2.00	2.00
Permitting system and other information technology upgrades		2.00	2.00
Cyber Workforce Grants		2.00	2.00
Baltimore Cyber Ranges		1.30	1.30

	Prior Year Funds	Fiscal 2026 Funds	All Years
Labor Office of Strategic Initiatives		1.00	1.00
Hagerstown Public Safety Project (PAYGO)		0.25	0.25
Total Dedicated Purpose Account Balance	**$118.80**	**$250.75**	**$369.55**

*Prior year funding for Maryland State Police Gun Center totaling $1,928 appears as zero due to rounding.

PAYGO: pay-as-you-go
SEIF: Strategic Energy Investment Fund

Source: Department of Budget and Management

Operating Budget Recommended Actions

1. Strike the following language to the general fund appropriation:

   ~~, provided that $419,999,483 of this appropriation shall be reduced contingent upon enactment of legislation eliminating the required Revenue Stabilization Account appropriation for fiscal 2026.~~

   Explanation: This action strikes contingent language that is not needed for the General Assembly to reduce the appropriation directly.

	Amount Change	
2. Reduce the appropriation to the Revenue Stabilization Account. Adequate funding exists to meet Spending Affordability Committee goals without the statutory appropriation in fiscal 2026.	$ 419,499,483	GF

3. Strike the following language to the general fund appropriation:

   ~~, provided that $25,000,000 of this appropriation shall be reduced contingent upon enactment of legislation eliminating the fiscal 2026 payment to the Retirement Health Benefits Trust Fund.~~

   Explanation: This action strikes contingent language that is not necessary for the General Assembly to reduce the appropriation directly.

4. Strike the following language to the general fund appropriation:

   ~~Further provided that $25,000,000 of this appropriation shall be reduced contingent upon enactment of legislation reducing the amount of retirement reinvestment contributions.~~

   Explanation: This action strikes contingent language that is not necessary for the General Assembly to reduce the appropriation directly.

5. Amend the following language to the general fund appropriation:

Economic Agenda Information Technology Investments	~~2,000,000~~1,200,000
Strategic Infrastructure Revolving Fund	~~10,000,000~~7,500,000
Certified Sites Program	~~7,000,000~~3,500,000
Capital of Quantum Initiative	~~17,500,000~~15,750,000
~~Biomarker Bill~~	~~8,000,000~~

Hagerstown Public Safety Project Feasibility Study	250,000
EARN Maryland Program	5,000,000
~~Cyber Workforce Grants~~	~~2,000,000~~
Baltimore Cyber Ranges	1,300,000
Labor Office of Strategic Initiatives	1,000,000
Child Care Capital Revolving Fund	2,200,000
~~OPEB Sweeper~~	~~25,000,000~~
~~Pension Sweeper~~	~~25,000,000~~

Explanation: This action amends line-item appropriations for funds that are being reduced by the General Assembly.

		Amount Change	
6.	Delete funds for the Pension Trust Fund sweeper contribution. Adequate funding exists to meet State obligations without the statutory appropriation in fiscal 2026.	$ 25,000,000	GF
7.	Reduce funds for Strategic Infrastructure Revolving Fund due to the State's fiscal condition.	$ 2,500,000	GF
8.	Reduce funds for Certified Site Program due to the State's fiscal condition.	$ 3,500,000	GF
9.	Reduce funds for Cyber Workforce Grants due to the State's fiscal condition and the availability of other funds for this purpose.	$ 2,000,000	GF
10.	Reduce funds for Capital of Quantum Initiative, as the personnel spending for the 20 new quantum science faculty is expected to grow over time and only a portion of personnel costs are needed at this time.	$ 1,750,000	GF
11.	Reduce funds for Economic Agenda Information Technology (IT) Investments allocated for a customer management system and other IT tools in the Department of Commerce.	$ 800,000	GF
12.	Reduce funds for Biomarker testing, delaying implementation, due to the State's fiscal condition.	$ 8,000,000	GF
13.	Delete funds for the other postemployment benefits trust fund sweeper contribution.	$ 25,000,000	GF

14. Add the following language to the special fund appropriation:

    , provided that this appropriation for the purpose of implementation of the State's Climate Pollution Reduction Plan is contingent on the enactment of legislation expanding the use Alternative Compliance Payment revenues in the Strategic Energy Investment Fund in fiscal 2026 only.

    Explanation: This action makes the special fund appropriation to the Dedicated Purpose Account contingent on legislation authorizing the expanded use of funds.

    Total General Fund Net Change **$ 488,049,483**

Appendix 1
Rainy Day Fund Activity
Fiscal 2024-2026
($ in Millions)

	Rainy Day Fund
Closing Balance June 30, 2023	**$2,957.6**
Fiscal 2024 Appropriations	$500.0
Transfer to the General Fund	-479.0
Transfer to the Blueprint Fund	-500.0
Transfer for Transportation Purposes	-100.0
Transfer for Medicaid	-90.0
Transfer for Port Emergency	-72.0
Transfer to General Fund per Revenue Volatility Cap	9.1
Returned Funding for Port Emergency	26.5
Estimated Interest Earnings	158.5
Closing Balance June 30, 2024	**$2,410.7**
Fiscal 2025 Appropriation	$0.0
Proposed Transfer to General Fund for WMATA Operating Grant	-150.0
Transfer to Medicaid	-100.0
Transfer to the General Fund	-96.4
Estimated Interest Earnings	120.5
Estimated Balance June 30, 2025	**$2,184.9**
Fiscal 2026 Appropriation	$0.0
Proposed Transfer to the General Fund	-219.0
Estimated Interest Earnings	84.1
Estimated Balance June 30, 2026	**$2,050.0**

Rainy Day Fund: Revenue Stabilization Account
WMATA: Washington Metropolitan Area Transit Authority

Note: Fiscal 2026 appropriation reflects reductions contingent on legislation.

Appendix 2
Rainy Day Fund
Section 7-311 State Finance and Procurement Article

Account Characteristics

- ***Purpose:*** The account was established in 1986 to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth.

- ***Appropriations:*** The account consists of direct appropriations in the budget bill and interest earned from all reserve fund accounts.

- ***Required Appropriations If Account Balance Is Less Than 7.5% of General Fund Revenues:*** Current law requires that if the fund balance is between 3% and 7.5% of projected general fund revenues, annual appropriations of at least $50 million must be made until the account balance reaches 7.5% of estimated general fund revenues. If the account balance is below 3%, State law requires an appropriation of at least $100 million.

- ***Sweeper Provision:*** State law requires that the Administration appropriate an amount equal to any unassigned general fund balance at closeout in excess of $10 million into the Rainy Day Fund. This appropriation is made to the budget two years after the unassigned general fund surplus is realized. For example, fiscal 2020 closed with an unassigned surplus totaling $585.8 million, thus the Administration's fiscal 2022 allowance included a $575.8 million appropriation to the Rainy Day Fund. This appropriation to the Rainy Day Fund is referred to as the "sweeper."

  - Chapter 557 required that for fiscal 2021 and beyond, for surpluses above $10 million, the first $100 million is divided between the Rainy Day Fund, the Pension System, and the Post-retirement Health Benefits Trust Fund so that the Rainy Day Fund receives 50%, the Pension System receives 25%, and the Post-retirement Health Benefits Trust Fund receives 25% on a dollar-for-dollar basis. The appropriation for the pension and health benefits sweepers are typically made into the DPA. However, the fiscal 2026 allowance would reduce all three of these appropriations contingent on the enactment of the BRFA, which repeals the Rainy Day Fund mandatory appropriation for fiscal 2026 only and repeals the sweeper provisions for beginning in fiscal 2024.

Mechanisms for Transferring and Spending Funds

The Governor can transfer balance from the Rainy Day Fund above 5% of estimated general fund revenues in the Budget Bill. To transfer an amount that would reduce the Rainy Day Fund balance below 5% requires the transfer to be authorized in an Act of the General Assembly other than the budget bill.

Appendix 3
Dedicated Purpose Account
Section 7-310 State Finance and Procurement Article

Account Characteristics

- ***Purpose:*** The account was established in 1986 to retain appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain and to meet expenditure requirements that may be affected by changes in federal law or fiscal policies or other contingencies.

- ***Appropriations:*** The account consists of direct appropriations in the budget bill committed to a specific purpose. Interest earnings generated by the account are credited to the Rainy Day Fund.

- ***Other:*** The unspent balance of an appropriation reverts to the Rainy Day Fund four years after the end of the fiscal year for which the appropriation was made.

Mechanisms for Transferring and Spending Funds

To transfer funds from the DPA:

- funds may be reflected in the State budget subject to appropriation;

- after submission to the budget committees and review and approval by the Legislative Policy Committee (LPC), funds may be transferred by budget amendment to the appropriate Executive Branch agency; or

- the Governor may declare appropriations to the DPA surplus and may transfer funds by budget amendment to the Rainy Day Fund, following review by the budget committees and LPC.

Appendix 4

Catastrophic Event Account

Section 7-324 State Finance and Procurement Article

Account Characteristics

- ***Purpose:*** The account was established in 1990 to enable the State to respond quickly to a natural disaster or catastrophe that could not be addressed within existing State appropriations.

- ***Appropriations:*** The account consists of direct appropriations in the budget bill. Interest earnings generated by the account are credited to the Rainy Day Fund.

Mechanisms for Transferring and Spending Funds

Prior to transferring funds by budget amendment to the appropriate Executive Branch agency, the Administration must notify LPC of the proposed amendment and allow the committee to review and approve the proposed amendment. The committee has 15 days to review and comment.

Appendix 5

Fiscal Responsibility Fund

Section 7-330 State Finance and Procurement Article

The Fiscal Responsibility Fund (FRF) is not a budgeted account within the State Reserve Fund. Authorized appropriations from the FRF are budgeted directly within the agency budgets. For administrative purposes however, actions relating to the underlying revenue volatility calculation that distributes revenues to the FRF or other accounting maneuvers impacting the FRF balance are often discussed as a component of this analysis.

Account Characteristics

- ***Purpose:*** The account was established in 2017 to retain the amount of nonwithholding income tax revenues deposited to the fund in accordance with the revenue volatility calculation.

- ***Authorized Uses:*** Funds are to be used to address revenue shortfalls, maintain the equivalent of at least 6% of general fund revenues in the Rainy Day Fund, and support supplemental PAYGO capital funds for public school construction, public school capital improvement projects, capital projects at public community colleges, and capital projects at four-year public institutions of higher education.

Mechanisms for Allocating Revenues and Spending Funds

Calculation of Available Revenues

Chapters 4 and 550 of 2017 established a cap on income tax nonwithholding revenues. The cap applies when the share of estimated general fund revenues attributable to income tax nonwithholding sources exceed the 10-year average. If nonwithholding revenues as a percentage of general fund revenues are less than the 10-year average percentage, there is no effect. The cap requires reducing the estimate of nonwithholding income tax revenues so that nonwithholding income tax revenues do not exceed the 10-year average. In some years, actual income tax nonwithholding revenues will exceed the capped estimate. In those years, the excess revenues are to be distributed (1) to close any revenue gap for the fiscal year; (2) to the Rainy Day Fund (if the account is less than 6.0% of general fund revenues) the amount that is required to provide a balance in the account of 6.0% of general fund revenues; and (3) the remainder split 50.0% to the Rainy Day Fund (until a maximum balance of 10% is achieved) and 50.0% to the FRF. If the Rainy Day Fund balance exceeds 10% of general fund revenues, 100% of the remainder is directed toward the FRF.

The BRFA of 2025 proposes to alter the amount of adjustment made to general fund revenues, slowing the phase-in to the goal of setting aside 2% of general fund revenues from the revenue estimate. Per proposed statutory changes, the adjustment made may not exceed the following percentage of total general fund revenues or dollar value in a specified fiscal year:

- 0.225% for fiscal 2020;
- $0 for fiscal 2021;
- $80 million for fiscal 2022;
- $100 million for fiscal 2023;
- $0 for fiscal 2024 through 2029; and
- 2% for fiscal 2030 and each year thereafter.

Expenditure Requirements

The Governor must include in the budget bill for the second following fiscal year an appropriation equal to the amount in the fund for the authorized uses defined above. Authorized uses of the fund include public school construction and capital projects for higher education institutions.

Money expended from the fund for PAYGO capital projects is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for capital projects, including those funded with PAYGO funds and the proceeds from the sale of GO bonds.

Fiscal Responsibility Fund Activity

In fiscal 2022, nonwithholding revenues exceeded the capped Board of Revenue Estimates estimate by $870.3 million. Pursuant to the requirements of Chapters 4 and 550, as amended by subsequent BRFAs, the Comptroller distributed $500.2 million to the Rainy Day Fund, bringing its total balance to $1.66 billion. The remaining $370.0 million was distributed to the FRF.

The fiscal 2024 budget was the first year funds were appropriated from the FRF, allocating $40 million in fiscal 2023 deficiency appropriations and $20 million in the fiscal 2024 legislative appropriation to support a 4.5% employee cost-of-living adjustment (a one-time allowed use of the fund) and $310 million in fiscal 2024 to supplement education and higher education capital funding.

Appendix 6
Object/Fund Difference Report
State Reserve Fund

Object/Fund	FY 24 Actual	FY 25 Working Appropriation	FY 26 Allowance	FY 25 - FY 26 Amount Change	Percent Change
Objects					
12 Grants, Subsidies, and Contributions	$ 1,393,903,798	$ 240,500,000	$ 720,249,483	$ 479,749,483	199.5%
Total Objects	**$ 1,393,903,798**	**$ 240,500,000**	**$ 720,249,483**	**$ 479,749,483**	**199.5%**
Funds					
01 General Fund	$ 1,393,903,798	$ 150,500,000	$ 540,249,483	$ 389,749,483	259.0%
03 Special Fund	0	90,000,000	180,000,000	90,000,000	100.0%
Total Funds	**$ 1,393,903,798**	**$ 240,500,000**	**$ 720,249,483**	**$ 479,749,483**	**199.5%**

Note: The fiscal 2026 allowance does not include contingent reductions.