
**Budget Reconciliation and Financing Act
of 2026
(SB 284/HB 392)**

**Budget Summary, Provisions, and
Recommendations**

**Department of Legislative Services
Office of Policy Analysis
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Provisions as Introduced and DLS Alternatives

SB 284/HB 392

Mandate Relief

- ***Maryland Healthy Soils Program:*** Reduces the amount that the Governor must provide for the Maryland Healthy Soils Program from \$500,000 to \$400,000 for fiscal 2027 and 2028, when the mandate is scheduled to end.
- ***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.
- ***Tri-County Council for Southern Maryland:*** Reduces the amount that the Governor must provide from the Cigarette Restitution Fund (CRF) for the Tri-County Council for Southern Maryland from \$1 million to \$700,000 annually.
- ***Lacrosse Opportunities Program:*** Eliminates the requirement that the Governor provide \$40,000 annually for the Lacrosse Opportunities Program and instead makes funding discretionary.
- ***Coordinated Community Supports Partnership Fund:*** Reduces the amount that the Governor must provide for the Coordinated Community Supports Partnership Fund from \$100 million to \$80 million annually.
- ***Senator John A. Cade Funding Formula:*** Provides that, for fiscal 2027 through 2029, the State share of funding for each community college under the Cade formula may not increase by more than 3% over the prior year.
- ***Baltimore City Community College:*** Reduces the amount of the State per full-time equivalent student (FTES) funding provided to select public four-year institutions received by Baltimore City Community College per FTES from 68.5% to 67.5%.
- ***Joseph A. Sellinger Program:*** For fiscal 2027 through 2029, sets specific funding levels for private four-year institutions receiving aid through the Sellinger Program that reflect the amount received in fiscal 2026.
- ***Community College Promise Scholarships:*** Reduces the amount that the Governor must provide for Community College Promise Scholarships from \$13.5 million to \$12.5 million annually.

- ***Maryland 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 \$2 million to \$500,000 annually.
- ***Maryland 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 \$2 million to \$500,000 annually.
- ***Tobacco Education and Cessation Campaigns:*** Reduces the amount that the Governor must provide for activities aimed at reducing tobacco use in Maryland from \$18.25 million to \$17.52 million annually.
- ***Public Safety Apprenticeship Program:*** Beginning in fiscal 2026, reduces the amount that the Governor must provide for the Public Safety Apprenticeship Program from \$750,000 to \$390,000 annually.
- ***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 \$500,000 to \$350,000 annually.
- ***Local Income Tax Disparity Grants:*** For fiscal 2027 through 2029, sets specific levels of funding for each jurisdiction receiving Local Income Tax Disparity Grants, which are equivalent to the level received in fiscal 2026.
- ***Prince George’s County Reentry Employment Incentive Program:*** Reduces the amount that the Governor must provide for the Reentry Employment Incentive Program from \$500,000 to \$350,000 for fiscal 2027 and 2028, when the mandate is scheduled to end.
- ***Waterway Improvement Fund:*** For fiscal 2027 through 2029 only, removes the requirement that at least \$250,000 from the Waterway Improvement Fund must be distributed to a Maryland-based historic preservation nonprofit organization for the purpose of a maritime heritage competitive grant program.
- ***Historic Revitalization Tax Credit Small Commercial Trust Account:*** Reduces the amount that the Governor must provide for the Historic Revitalization Tax Credit’s small commercial program from \$2 million to \$500,000 annually.
- ***Revenue Stabilization Account (Rainy Day Fund):*** Relieves for fiscal 2027 the requirement to appropriate general fund surplus to the Revenue Stabilization Account (Rainy Day Fund).
- ***Community Health Resources Commission:*** For fiscal 2027 only, eliminates a requirement that the Maryland Community Health Resources Commission Fund receive

an appropriation from the CRF; although the requirement is relieved, the budget as introduced reduces only \$1.0 million of funding.

- ***Urban Agriculture Water and Power Infrastructure Grant Fund:*** Reduces from \$500,000 to \$400,000 the amount that the Governor must provide for the Urban Agriculture Water and Power Infrastructure Grant Fund for fiscal 2027, which is the final year of the mandate.

Cost Containment

- ***Governor's Budget Books:*** Requires the Governor to publish online, rather than provide printed, budget books with required information.
 - DLS recommends striking this provision.
- ***Young Adult (YA) Service Year Pathway:*** Reduces the participation targets for the YA Service Year program in the fourth and fifth years, by 400 and 450, respectively, of the program's implementation and sets a participation target (2,000) for the sixth year of implementation.
 - DLS recommends implementing a one-year delay in participation goals compared to proposed levels, resulting in modified statutory participation targets of 750 in fiscal 2027, 1,100 in fiscal 2028, 1,550 in fiscal 2029, and 2,000 in fiscal 2030.
- ***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 implementation grant funds related to certified community behavioral health clinics, delays authorization from fiscal 2026 to 2029, and makes the authorization subject to State budget limitations.
- ***Nonpublic Placements:*** Prohibits an increase in the rates paid to providers of nonpublic placements in fiscal 2027 above the level in effect on January 21, 2026.
- ***Provider Rates Set by the Interagency Rates Committee:*** Prohibits an increase in the rates for providers whose rates are set by the Interagency Rates Committee in fiscal 2027 above the level in effect on January 21, 2026.

Revenue Adjustments

- ***Transfer Tax for Land Preservation:*** Redirects, for fiscal 2027 only, \$71.7 million from the transfer tax that would have otherwise been required to be distributed to Program Open Space (POS) Local, the Rural Legacy Program, and the Natural Resources Development Fund to the General Fund and requires the replacement of these funds with general

obligation (GO) bonds. In addition, transfers \$188,844 from the Land Preservation Fund balance to the General Fund.

- ***Driver Education in Public High Schools Fund:*** Eliminates a required distribution of \$2 million to the Driver Education in Public High Schools Fund from uninsured motorist fines beginning in fiscal 2027 and repeals the distribution from the authorized sources of funds to support the program.
- ***Bonus Depreciation Deduction:*** Partially decouples the State from a tax provision in the federal One Big Beautiful Bill Act (OBBBA) to limit bonus depreciation for a manufacturing entity to 20% rather than the full amount beginning in tax year 2026.
- ***Production Property Deduction:*** Decouples the State from a tax provision in the OBBBA related to accelerated depreciation of production property beginning in tax year 2026. Maryland automatically decoupled for tax year 2025.

Fund Transfers

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

Transfer Fund Balances from Various Funds to the General Fund

Renewable Portfolio Standard/ Alternative Compliance Payments Account of Strategic Energy Investment Fund (SEIF)	\$259,000,000	Fiscal 2026
Fiscal Responsibility Fund	187,609,007	Fiscal 2026
Administration Account of the SEIF	33,000,000	Fiscal 2026
Maryland Loan Assistance Repayment Program Fund for Nurses and Nursing Support Staff	10,000,000	Fiscal 2026
Performance Incentive Grant Fund	2,000,000	Fiscal 2026
Dedicated Purpose Account	1,038,910	Fiscal 2026
Bay Restoration Fund <i>Authorizes replacing funds with GO bonds</i>	70,000,000	Fiscal 2027
Waterway Improvement Fund <i>Authorizes replacing funds with GO bonds</i>	13,068,000	Fiscal 2027
Maternal and Child Health Population Health Improvement Fund	6,700,000	Fiscal 2027

Transfers from the Dedicated Purpose Account Are Comprised of Funds Provided For:

Domestic Violence Centers	\$355,760
Assisted Living Centers	201,292
State Police Gun Center	152,732
Police Departments to Coordinate Task Forces that Cross Jurisdictional Boundaries	101,537
Center for Neuroscience of Social Justice	100,001
Violence Prevention and Interruption Organizations	75,988
Greater Baltimore Regional Integrated Crisis System	51,600

- DLS recommends increasing the authorized transfer from the Dedicated Purpose Account (DPA) to the General Fund by \$1,135,648 for the following purposes due to unused remaining balances:

Comptroller Cybersecurity	\$931,074
Rebuild State Government and Modernize Human Resources Practices	197,530
Food Banks	7,044

Use of Special Funds

- ***Cannabis Business Assistance Fund (CBAF):*** Expands the allowable uses of the CBAF to authorize \$5 million to be used for operating costs of the Department of Social and Economic Mobility in each of fiscal 2027 through 2029.
- ***Advance Directive Program Fund:*** For fiscal 2027 only, expands the allowable uses of the Advance Directive Program fund to authorize the use of \$1 million for maternal and child health quality initiatives in MDH.
- ***Board of Physicians Fund:*** For fiscal 2027 only, authorizes the use of \$2 million from the Board of Physicians Fund balance to support programs in the Office of Population Health Improvement. These funds will be support for the Maryland LARP for Physicians and Physician Assistants.
- ***State Board of Professional Counselors and Therapists Fund:*** For fiscal 2027 only, authorizes the use of \$500,000 from the State Board of Professional Counselors and Therapists Fund balance to support programs in the Behavioral Health Administration.
- ***9-1-1 Trust Fund:*** Beginning in fiscal 2026, expands the allowable uses of the 9-1-1 Trust Fund to include supporting program operations in the Maryland Department of Emergency Management (MDEM).
- ***CRF:*** For fiscal 2027 only, expands the allowable uses of funds in the separate account in the CRF that are in excess of the first \$35.0 million distributed to the account. Specific expanded uses are not provided.

- ***Strategic Energy Investment Fund (SEIF):*** Expands the purpose and allowable uses of the SEIF to include supporting programs and initiatives related to the State’s climate mitigation and climate resiliency efforts and to support specific activities of the Department of Natural Resources and MDEM.

- ***Alternative Compliance Payments (ACP) in the SEIF:*** For fiscal 2027 through 2031, expands the authorized uses of ACP to include grants or loans to support the creation of new renewable energy sources, and for fiscal 2027 only, authorizes ACP to be available for the following purposes:
 - \$70 million for the Maryland Energy Administration to provide gap financing for at-risk, large-scale clean energy projects;
 - \$42 million to the DPA for higher education research grants;
 - \$25 million to the DPA for implementing Chapter 19 of the 2025 special session, the Energy Resource Adequacy and Planning Act;
 - \$10 million to the Public Service Commission (PSC) for research into grid-enhancing and advanced transmission technologies;
 - \$10 million for the Maryland Department of Transportation (MDOT) to establish certain processes, guidelines, and model leases for right-of-way for transmission infrastructure; and
 - \$5 million to the PSC for grants to utility companies to construct or modify transmission facilities that incorporate grid-enhancing and advanced transmission technologies.
 - DLS recommends striking language that would authorize, for fiscal 2027 through 2031, ACP revenues in the SEIF to be used for grants or loans to support creation of new Tier 1 renewable energy sources and striking language authorizing \$15 million to PSC and \$10 million to MDOT to avoid duplication and potentially conflicting outcomes with separate Administration-sponsored legislation (SB 386 and HB 897).
 - DLS recommends striking language authorizing \$42 million to be transferred to the DPA for higher education research grants that were recommended to be deleted in the State Reserve Fund analysis.

- ***Maryland Emergency Medical System Operations Fund (MEMSOF):*** Extends an expansion of the allowable use of MEMSOF funds to support general operation of the Aviation Command in the State Police from ending in fiscal 2026 to ending in fiscal 2029.

- **POS:** Provides formula funding from POS for the Maryland Department of Planning to operate and maintain the Jefferson Patterson Park and Museum.
- **State Land Acquisition:** Repurposes unexpended land preservation pay-as-you-go funds appropriated in fiscal 2018 to the College of Southern Maryland for acquisition of certain land to instead be used for State land acquisition under POS.
- **Alfred D. Noyes Children's Center:** Authorizes \$3 million restricted in the fiscal 2026 budget bill to be used for reopening the Alfred D. Noyes Children's Center as an adolescent drug treatment center to instead be used to provide drug treatment services at other child-serving facilities and to reopen the Alfred D. Noyes Children's Center as a facility for children.

Cost Shifts

- **Assisted Outpatient Treatment Program:** Requires a county in which MDH is required to establish an assisted outpatient treatment program because the county has not opted to establish one to reimburse MDH for increasing percentages of costs associated with the program, beginning with 25% in fiscal 2028 and increasing to 100% in fiscal 2031.
- **Teacher, Librarian, and Community College Retirement Aid:** Increases the local share of Teacher and Community College Retirement System payments by 50% of the increase in the State share of these costs between fiscal 2026 and 2027, by setting specific amounts per jurisdiction.
 - DLS recommends *shifting* 100% of the fiscal 2027 increase in the State share of those retirement costs to local jurisdictions.

Miscellaneous

- **Local Income Tax Reserve Account:** Alters the timing and makes other technical changes to effectuate a transfer from the Local Income Tax Reserve Account authorized in the Budget Reconciliation and Financing Act (BRFA) of 2025.
 - DLS recommends a technical adjustment to amend the date by which the transfer must occur from on or before June 1, 2025, to on or before June 1, 2026.
 - DLS recommends a separate transfer of \$150 million from the Local Income Tax Reserve Account to the General Fund in fiscal 2026. The Governor assumed the transfer in the fiscal 2027 budget but did not include a provision in the BRFA to effectuate.

- ***Heritage Conservation Fund:*** Requires the Heritage Conservation Fund balance and other POS funds to be included in the POS State land acquisition balance.
- ***American Rescue Plan Act (ARPA) Funding:*** Authorizes the Interagency Commission on School Construction to reallocate ARPA funds provided for HVA upgrades to ensure compliance with federal regulations.

DLS Additional Recommendations

SB 284/HB 392

Mandate Relief

- ***Major Sports and Entertainment Event Program Fund (MSEEPF):*** Reduces the required distribution from the State Lottery Fund to the MSEEPF from an amount necessary to restore the fund balance to \$10 million to an amount necessary to restore the fund balance to \$5 million.
- ***Racing and Community Development Financing Fund:*** Reduces the required distribution from the State Lottery Fund to the Racing and Community Development Financing Fund to \$13.4 million in fiscal 2026 only. This makes the mandate consistent with the fiscal 2026 budget appropriation.
- ***Special Education Funding Growth Rates:*** Reduces the mandated per pupil special education funding to provide a growth rate of 5% in fiscal 2027 through 2030.
- ***Prekindergarten Eligibility and Funding:*** Delays the expansion of Tier II full-day prekindergarten eligibility by capping eligibility at 360% of the federal poverty level in fiscal 2027 and phases in planned growth of 38% to the per pupil funding level over two years rather than all in fiscal 2027.
- ***Maryland State Arts Council (MSAC):*** Alters the funding formula for MSAC to require level, rather than increasing, general fund appropriations for MSAC each year.
- ***MSAC:*** Repeals a required annual distribution of \$1 million to MSAC from the State admissions and amusement tax revenue and instead direct that revenue to the General Fund.
- ***Equitech Growth Fund:*** Reduces the mandated funding for the Equitech Growth Fund within the Maryland Technology Development Corporation from \$5 million to \$3 million annually.

Fund Balance Transfer

- ***Maryland Police Training and Standards Commission Fund:*** Authorizes a transfer of \$2 million from the Maryland Police Training and Standards Commission Fund to the General Fund in fiscal 2026.
- ***Teaching Fellows Program Unused Appropriations:*** Returns unused appropriations for the Teaching Fellows for Maryland Scholarship, which is supported by the Blueprint for

Maryland's Future (Blueprint) Fund to the Blueprint Fund instead of the Need-based Student Financial Assistance Fund (NBSFAF).

Revenue Actions

- ***Student Loan Debt Relief Tax Credit:*** Extends a \$9 million cap on the amount of Student Loan Debt Relief tax credits that may be approved through tax year 2026 and alters the date by which the Maryland Higher Education Commission must submit a report on recommendations to better target the allocation of tax credits from January 1, 2026, to December 1, 2026.
- ***NBSFAF:*** Requires unused general fund-supported appropriations for non-income-based financial assistance programs to revert to the General Fund instead of the NBSFAF.
- ***More Jobs for Marylanders (MJM):*** Caps the annual value of final tax credit certificates that may be awarded through the MJM program at \$15 million, requires that the available funding be prorated among qualifying companies, and establishes a sunset date of June 30, 2037, for the program.
- ***Film Production Activity Tax Credit:*** Sunsets the Film Production Activity Tax Credit by providing that the Department of Commerce may not accept an application to qualify as a film production entity for the purpose of the tax credit after June 30, 2026.

Expand the Allowable Uses of Special Funds

- ***Child Care Capital Support Revolving Loan Fund:*** For fiscal 2026 only, authorizes the use of \$250,000 from the Child Care Capital Support Revolving Loan Fund for the Maryland Health Benefit Exchange to conduct an outreach campaign and a survey to effectuate a provision in the fiscal 2026 Budget Bill.

**Detail on Alternative and Additional
Recommendations on SB 284/HB 392**

Proposed Amendment to SB 284/HB 392 as Introduced

Eliminate Requirement to Print Budget Books

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

Provision as Recommended by DLS: Strikes the provision

Agency: Department of Budget and Management (DBM)

Type of Action: Mandate Relief

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

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Exp.	\$0.00	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04

Background/Recent History: On submission of the budget bill, the Governor is required to provide supporting material as specified in printed budget books and on DBM’s website. The BRFA of 2020 (Chapter 538) required that information in the budget books be provided on DBM’s website simultaneously with the submission of the annual State budget.

Prior BRFAs have proposed eliminating this requirement, and the General Assembly rejected the proposal. Most recently, this provision was struck from the BRFA of 2024.

State Effect: None.

Local Effect: None.

Proposed Amendment to SB 284/HB 392 as Introduced

Expand Authorized Uses of Alternative Compliance Payment Funds in the Strategic Energy Investment Fund in Fiscal 2027

Provisions in BRFA as Introduced: Expands, in fiscal 2027 only, the allowable uses of Renewable Portfolio Standard (RPS)/Alternative Compliance Payment (ACP) revenues in the Strategic Energy Investment Fund (SEIF) to provide:

- \$10.0 million to the Dedicated Purpose Account (DPA) for the Public Service Commission (PSC) to conduct research into grid enhancing technologies and advanced transmission technologies;
- \$5.0 million to the DPA for PSC for grants to utility companies to construct or modify transmission facilities that incorporate grid enhancing and advanced transmission technologies; and
- \$10.0 million to the Maryland Department of Transportation (MDOT) to establish a process and model leasing framework and create safety guidelines for right-of-way for transmission infrastructure.

Authorizes, for fiscal 2027 through 2031, the use of ACP revenues in the SEIF for grants or loans to support creation of new Tier 1 renewable energy sources including:

- \$20 million to the Department of General Services to install clean energy on State properties; and
- \$30 million to the Maryland Energy Administration (MEA) for tax incentives to support solar and clean energy projects impacted by solar disruptions.

Provision as Recommended by DLS: Strikes the language that would authorize, for fiscal 2027 through 2031, ACP revenues in the SEIF to be used for grants or loans to support creation of new Tier 1 renewable energy sources. This portion of the provision appears in separate Administration sponsored legislation (SB 386 and HB 897). To avoid duplication and potentially conflicting outcomes, DLS recommends using SB 386//HB 897 as the vehicle for expanding the allowable uses of ACP revenues.

Strikes language authorizing funds from the RPS/ACP Account of the SEIF in fiscal 2027 only to be available to provide \$10.0 million to MDOT for transmission infrastructure and \$15.0 million to PSC for grid-enhancing and transmission technologies. Language in SB 386/HB 897 contains the \$10 million authorization for MDOT. In addition, this legislation contains the underlying establishment of programs and requirements related to grid enhancing technologies, though there is no specific authorization for these funds in that legislation. This action would avoid duplication and potentially conflicting outcomes.

Agency: Maryland Energy Administration (MEA), Strategic Energy Planning Office, State Reserve Fund

Type of Action: Expand use of Special Fund

Fiscal Impact of DLS Recommendation vs. Current Law: None as these uses are not currently authorized.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: Special fund expenditures decrease by \$75.0 million in fiscal 2027 relative to the BRFA as introduced. However, if provisions authorizing the use of the funds are included or remain in enacted legislation (such as SB 386/HB 897), the expenditures would remain unchanged.

Background/Recent History: Maryland's RPS requires that a specified portion of retail electricity sold in the State each year come from renewable sources, as defined. To demonstrate compliance with RPS requirements, electricity suppliers must submit renewable energy credits equal to the percentage specified in statute each year or else pay an ACP equivalent to their shortfall. ACPs are paid into the SEIF, which is administered by MEA. Generally, ACP revenues may be used only to make loans and grants to support the creation of new renewable energy sources in the State that are owned by or directly benefit specified communities, households, or businesses. The loans and grants made from solar and post-2022 geothermal ACP revenues must be for specified purposes related to solar and geothermal energy, including for the Customer-sited Solar Program from fiscal 2025 through 2027. Additionally, MEA may use up to 10% of solar ACP revenues for administrative expenses.

The DPA is established to retain appropriations for major, multi-year expenditures in which the magnitude and timing of cash needs are uncertain and to meet specific expenditure requirements. Funds remain available in the DPA for four years after the close of the fiscal year in which the funds are appropriated.

SB 386/HB 897 as introduced among other actions establish a Solar and Energy Market Stabilization Program in MEA to provide loans or grants to clean energy projects affected by the loss of federal tax incentives, establishes requirements related to grid enhancing and advanced transmission technologies for PSC and utilities, and requires MDOT to develop, process, and conduct a study related to siting of transmission or distribution lines and battery energy storage systems within existing right of ways or on other MDOT property. SB 386/HB 897 also authorize a transfer of up to \$10 million of ACP revenues to MDOT to conduct the study and expand the allowable uses of the SEIF in fiscal 2027 through 2031 to be used for grants or loans to support creation of new Tier 1 renewable energy sources.

State Effect: None, as these purposes are not currently authorized and provisions authorizing most of these uses are contained in existing Administration sponsored legislation (SB 386/HB 897).

Local Effect: None.

Subcommittee Assignments: B&T/APP

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Proposed Amendment to SB 284/HB 392 as Introduced

Expand Authorized Uses of Alternative Compliance Payment Funds in the Strategic Energy Investment Fund in Fiscal 2027 for Higher Education Research

Provision in BRFA as Introduced: Expands, in fiscal 2027 only, the allowable uses of Renewable Portfolio Standard (RPS)/Alternative Compliance Payment (ACP) revenues in the Strategic Energy Investment Fund (SEIF) to provide \$42.0 million to the Dedicated Purpose Account (DPA) for higher education research grants.

Provision as Recommended by DLS: Strikes language authorizing funds from the RPS/ACP Account in the SEIF transferred to the DPA to provide \$42.0 million for higher education research grants that were recommended to be deleted in the State Reserve Fund analysis.

Agency: State Reserve Fund

Type of Action: Expanded use of special fund

Fiscal Impact of DLS Recommendation vs. Current Law: None, as this is not currently an allowable use of the funds.

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: Special fund expenditure decrease of \$42.0 million in fiscal 2027 relative to the BRFA as introduced.

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Exp.	\$0.0	-\$42.0	\$0.0	\$0.0	\$0.0	\$0.0

Background/Recent History: Maryland’s RPS requires that a specified portion of retail electricity sold in the State each year come from renewable sources, as defined. To demonstrate compliance with RPS requirements, electricity suppliers must submit renewable energy credits equal to the percentage specified in statute each year or else pay an ACP equivalent to their shortfall. ACPs are paid into the SEIF, which is administered by the Maryland Energy Administration (MEA). Generally, ACP revenues may be used only to make loans and grants to support the creation of new renewable energy sources in the State that are owned by or directly benefit specified communities, households, or businesses. The loans and grants made from solar and post-2022 geothermal ACP revenues must be for specified purposes related to solar and geothermal energy, including for the Customer-sited Solar Program from fiscal 2025 through 2027. Additionally, MEA may use up to 10% of solar ACP revenues for administrative expenses.

The DPA is established to retain appropriations for major, multi-year expenditures in which the magnitude and timing of cash needs are uncertain and to meet specific expenditure requirements. Funds remain available in the DPA for four years after the close of the fiscal year in which the funds are appropriated.

The fiscal 2027 budget includes \$42 million in the DPA to be used for higher education research grants contingent on this provision. The funds are to be used to assist higher education institution research centers to transition to energy, resiliency, and climate-related research. Of the amount, \$25 million is allocated to the University System of Maryland to be distributed among institutions, \$8.5 million for Morgan State University, and \$8.5 million for Johns Hopkins University. The grants are designed to partly offset the loss of federal funds. Prior State investments in higher education research have been ongoing rather than one-time or targeted to allow the State to build capacity to leverage available federal research dollars. No increase in available federal dollars is expected in the near term.

State Effect: None.

Local Effect: None.

Proposed Amendment to SB 284/HB 392 as Introduced

Reduce Participation Targets in Young Adult Service Year Option Pathway

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

Provision as Recommended by DLS: Implements a one-year delay in participation growth compared to proposed levels in the BRFA as introduced. Modifies statutory participation targets to 750 in fiscal 2027, 1,100 in fiscal 2028, 1,550 in fiscal 2029, and 2,000 in fiscal 2030.

Agency: Department of Service and Civic Innovation

Type of Action: Cost Containment

Fiscal Impact of DLS Recommendation vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Rev.	\$0.0	-\$15.3	-\$18.3	-\$9.2	\$0.0	\$0.0
GF Exp.	0.0	-15.3	-18.3	-9.2	0.0	0.0
SF Exp.	0.0	-15.3	-18.3	-9.2	0.0	0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Rev.	\$0.0	-\$7.1	-\$9.2	-\$9.2	\$0.0	\$0.0
GF Exp.	0.0	-7.1	-9.2	-9.2	0.0	0.0
SF. Exp.	0.0	-7.1	-9.2	-9.2	0.0	0.0

Background/Recent History: Chapter 99 of 2023 (the SERVE Act) established the YA and Maryland Service Year pathways of the Maryland Corps Program and participation targets for the YA pathway. Chapter 99 set the participation targets for the YA pathway at 200 in the first year (fiscal 2024) and 2,000 in the fourth year (fiscal 2027) of implementation. At that time, no interim targets were set. The BRFA of 2025 (Chapter 604) altered the targets for the YA pathway by creating a new interim target of 750 in the third year (fiscal 2026), reducing the target to 1,500 in the fourth year (fiscal 2027), and delaying the target of 2,000 until the fifth year of implementation (fiscal 2028).

State Effect: No impact in fiscal 2026. Using projected stipend and completion award costs, general fund expenditures decrease by \$7.1 million in fiscal 2027 and \$9.2 million in fiscal 2028 and 2029 compared to the BRFA as introduced. Assuming the general fund

appropriation would otherwise be deposited in full to the YA Pathway Fund and special funds would otherwise be expended from the Pathway Fund, special fund revenues and expenditures decrease correspondingly. No impact beyond fiscal 2030 when the participation target would return to current law for those years.

Local Effect: None.

Proposed Amendment to SB 284/HB 392 as Introduced

Alter the State Share of Retirement Costs for Public K-12 Schools, Libraries, and Community Colleges

Provision in BRFA as Introduced: Reduces by \$39.3 million, beginning in fiscal 2027, the State share of annual employer pension contributions for members of the Teachers’ Retirement System/Teachers’ Pension System (TRS/TPS) employed by local school systems, community colleges, and libraries. Accordingly, increases employer contributions by counties and Baltimore City commensurately, in proportion to their respective shares of TRS/TPS membership. The fiscal 2027 budget as introduced includes, in the aggregate, \$39.3 million in general fund reductions, contingent on legislation reducing the State’s share of these retirement costs.

Provision as Recommended by DLS: Reduces by \$78.6 million, beginning in fiscal 2027, the State share of these retirement costs representing 100% of the fiscal 2027 year over year increase rather than 50% in the BRFA as introduced.

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

Type of Action: Mandate Relief; Cost Shift

Fiscal Impact of DLS Recommendation vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Exp.	\$0.0	-\$78.6	-\$78.6	-\$78.6	-\$78.6	-\$78.6

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Exp.	\$0.0	-\$39.3	-\$39.3	-\$39.3	-\$39.3	-\$39.3

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. Prior to fiscal 2026, the State paid 100% of the employer contribution on behalf of community colleges and libraries; all State payments on behalf of TRS/TPS members are paid with general funds.

Chapter 604 of 2025 (BRFA) permanently reduced by \$97.7 million, beginning in fiscal 2026, the State share of employer contributions for TRS/TPS members employed by local school systems and community colleges, and required counties and Baltimore City to pay a commensurate amount to the State Retirement and Pension System (prorated by their respective share of TRS/TPS membership). The State shares of employer TRS/TPS contributions for employees of local school systems, community colleges, and libraries are included as separate line items in the respective budgets of MSDE, MHEC, and MSLA.

State Effect: No impact in fiscal 2026. General fund expenditures decrease by \$78.6 million in fiscal 2027 and each fiscal year thereafter. No effect on future pension liabilities because employer contributions by counties and Baltimore City increase commensurately. The cost shift to the counties consists of the following by program:

- \$72,432,354 for public K-12 education;
- \$4,689,644 for community colleges; and
- \$1,445,940 for libraries.

Local Effect: County and Baltimore City expenditures increase by \$78.6 million annually beginning in fiscal 2027, with the fiscal 2027 payment due by September 1, 2027. No effect on local revenues.

Proposed Amendment to SB 284/HB 392 as Introduced

Authorize Transfer from the Local Income Tax Reserve Account

Provision in BRFA as Introduced: Modifies the timing of a \$37,300,000 transfer from the Local Income Tax Reserve Account (LITRA) from on or before July 31, 2025, to on or before June 1, 2025, which is before the bill’s effective date. Changes the recipient of the transferred funds from the Division of Paid Leave within the Maryland Department of Labor to the general fund.

Provision as Recommended by DLS: Authorizes a separate transfer of \$150.0 million from the LITRA to the General Fund, so long as the transfer occurs on or before June 30, 2026.

Agency: Statewide

Type of Action: Fund Balance Transfer

Fiscal Impact of DLS Recommendation vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GR Rev.	\$150.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GR Rev.	\$150.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Background/Recent History: The LITRA is established in § 2-606 of the Tax-General Article and administered by the Comptroller of Maryland. The LITRA is used to manage the cash flow of personal income tax payments and distributions to local governments. The account is also used to meet the State’s liability for local income taxes according to generally accepted accounting principles. The State overallocated funds to the account at the close of fiscal 2025. This action would transfer a portion of the overallocated funds to the General Fund.

State Effect: General fund revenues increase by \$150.0 million in fiscal 2026 from the transfer. Expenditures are not affected. This revenue was assumed in the Governor’s Fiscal 2027 Budget Plan, but legislation is required to effectuate the transfer.

Proposed Amendment to SB 284/HB 392 as Introduced

Alter Timing of a Local Reserve Account Transfer Authorized in Chapter 604 of 2025 and Modified in SB 284/HB 392 as Introduced

Provision in BRFA as Introduced: Modifies the timing of a \$37,300,000 transfer from the Local Income Tax Reserve Account (LITRA) from on or before July 31, 2025, to on or before June 1, 2025, which is before the bill's effective date. Changes the recipient of the transferred funds from the Division of Paid Leave within the Maryland Department of Labor (MD Labor) to the General Fund.

Provision as Recommended by DLS: Amends the date by which the transfer must occur from on or before June 1, 2025, to on or before June 1, 2026.

Agency: Comptroller's Office; MD Labor

Type of Action: Fund Balance Transfer

Fiscal Impact of DLS Recommendation vs. Current Law: No impact, this change is technical to reflect the intent of the action in the BRFA of 2025 (Chapter 604).

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced: No impact, as this change is technical to reflect the effective date of the bill.

Background/Recent History: Chapter 604 required the Comptroller to distribute \$37.3 million from the LITRA to the Division of Paid Leave within MD Labor by July 31, 2025. Chapter 604 required MD Labor to repay this amount to the LITRA within two years after Family and Medical Leave Insurance contributions begin. However, MD Labor also received a \$37.3 million general fund appropriation in fiscal 2026, and this provision prevents the double payment to MD Labor (from general funds and the LITRA) and instead reimburses the general fund for the appropriation to MD Labor. MD Labor is still required to repay the \$37.3 million to the LITRA.

State Effect: No impact.

Local Effect: None.

Proposed Amendment to SB 284/HB 392 as Introduced

Transfer to General Fund, as Specified, from Dedicated Purpose Account

Provision in BRFA as Introduced: Authorizes the Governor to transfer a total of \$1,038,910 from the Dedicated Purpose Account (DPA) to the General Fund, so long as the transfer occurs by June 30, 2026. Specifically, the amounts to be transferred are derived from funds held in the DPA for (1) grants to domestic violence centers (\$355,760); (2) assisted living facilities (\$201,292); (3) State Police Gun Center (\$152,732); (4) police departments crossing jurisdictional boundaries (\$101,537); (5) Center for Neuroscience of Social Injustice (\$100,000); (6) grants to violence prevention and interruption organizations (\$75,988); and (7) Greater Baltimore Regional Integrated Crisis System (\$51,600).

Provision as Recommended by DLS: Increases the authorized amount to be transferred to the General Fund by an additional \$1,135,648 from the following dedicated purposes due to unused remaining balances: (1) Comptroller cybersecurity (\$931,074); (2) rebuild State government and modernize HR practices (\$197,530); and (3) food banks (\$7,044).

Agency: State Reserve Fund

Type of Action: Balance Transfer

Fiscal Impact of DLS Recommendation vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Rev.	\$2.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Fiscal Impact of DLS Recommendation vs. BRFA as Introduced:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Rev.	\$1.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Background/Recent History: The DPA is established to retain appropriations for major, multi-year expenditures in which the magnitude and timing of cash needs are uncertain and to meet expenditure requirements that may be affected by changes in federal law or fiscal policies or other contingencies. Funds remain available in the DPA for four years after the close of the fiscal year in which the funds were appropriated.

State Effect: General fund revenues increase by \$2.2 million in fiscal 2026. As DPA funds are appropriated as special funds when distributed to agencies for use, to the extent that these funds would have been used for these purposes in either fiscal 2026 or 2027, before the authorization for use expires, special fund revenues and expenditures decrease. However, no funds are included in

either the fiscal 2026 or 2027 budget for these purposes. Therefore, it is assumed special fund revenues and expenditures are not affected.

Local Effect: No direct impact.

Proposed Amendment to SB 284/HB 392

Extend Temporary Cap on Student Loan Debt Relief Tax Credit

Provision as Recommended by DLS: Extends the reduction of the Student Loan Debt Relief Tax Credit that may be approved by the Maryland Higher Education Commission (MHEC) at \$9 million through tax year 2026 and alters the date by which MHEC must submit a report on recommendations for changes to statute or regulations to better target the allocation of tax credits from January 1, 2026 to December 1, 2026.

Agency: MHEC

Type of Action: Revenue Action

Fiscal Impact vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Rev.	\$0.0	\$9.0	\$0.0	\$0.0	\$0.0	\$0.0

Background/Recent History: The Student Loan Debt Relief Tax Credit provides a refundable tax credit of up to \$5,000 for qualified undergraduate and graduate student loan debt to Maryland residents. Qualifying taxpayers must have had at least \$20,000 in total undergraduate and/or graduate student debt and a remaining balance of at least \$5,000 to be eligible for the credit. Chapter 738 of 2023 doubled the maximum amount of student debt relief tax credits that MHEC may approve from \$9.0 million to \$18.0 million in tax years 2023 and beyond and required MHEC to annually reserve \$9.0 million of the authorized credit for State employees. In addition, MHEC is required to prioritize tax credit recipients and amounts based on specified criteria, and recipients must use the credit within three years to pay down the student loan.

The BRFA of 2025 (Chapter 604) capped the amount of tax credits that MHEC may approve to \$9 million for tax year 2025 and required MHEC to submit a report by January 1, 2026, to the Governor and General Assembly with any recommendations for changes to the statute or regulations that would better target the allocation of tax credits. As of February 20, 2026, MHEC had not submitted the required report.

State Effect: General fund revenues increase by \$9.0 million in fiscal 2027 only, reflecting an extension of the reduction in the amount of tax credits that may be approved by MHEC for tax year 2026. The amount authorized for tax credits returns to \$18.0 million in tax year 2027, so there is no effect in the out-years. MHEC can complete the report within existing resources.

Local Effect: None.

Subcommittee Assignments: EBA/EED

101-DLS Add'l

Proposed Amendment to HB 392/SB 284

Reduce Mandated Growth Rates for Per Pupil Special Education Funding

Provision as Recommended by DLS: Reduces the mandated per pupil special education funding to provide a growth rate of 5% in fiscal 2027 through fiscal 2030.

Agency: Maryland State Department of Education

Type of Action: Cost Containment

Fiscal Impact vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Exp.	\$0.0	\$0.0	-\$207.7	-\$228.2	-\$349.9	-\$341.5
SF Exp.	0.0	-67.9	70.4	0.0	0.0	0.0

Background/Recent History: In development of the special education funding formula in 2021, the Commission on Innovation and Excellence in Education (also known as the Kirwan Commission) assumed that funding interventions in early childhood and early elementary school would lead to lower Special Education costs. This led to the expectation that in the long term Special Education programs would primarily consist of students with more severe learning challenges. Therefore, per pupil funding for the formula would need to grow at a higher rate than other formulas, but the number of pupils would decline over time, lessening the impact of the higher per pupil levels. However, as of January 2026, the eventual reduction in Special Education enrollment and subsequent cost savings have yet to come to fruition. As of fiscal 2026, approximately 120,700 students are in special education programs. Instead of declining, enrollment continues to trend steadily upward and grows by 2.0% in fiscal 2027 to 123,115, based on fall 2025 enrollment counts.

Section 5-225(3)(ii) of the Education Article requires per pupil special education funding to meet pre-established amounts in fiscal 2026 through 2033. The growth rate for fiscal 2027 through 2030 ranges from 13.5% to 17.2% out of anticipation of a smaller but higher-need student population. However, as of the 2025-2026 school year, actual enrollment is higher and encompasses a broader range of needs than initially expected, causing higher than expected costs.

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Mandated Growth	14.7%	13.5%	16.2%	17.2%	2.6%
Per Pupil Funding	\$10,900	\$12,368	\$14,367	\$16,836	\$17,277
DLS Recommended Growth	5.0%	5.0%	5.0%	5.0%	2.6%
Recommended Per Pupil Funding	\$9,503	\$9,978	\$10,477	\$11,001	\$11,287

In addition to changing the formula growth rates in fiscal 2027 through fiscal 2030, DLS recommends a fiscal 2027 reduction of \$172.0 million in general funds that is contingent on the enactment of the provision.

State Effect: No impact in fiscal 2026. Special fund expenditures decrease by \$67.9 million in fiscal 2027. The majority of the decrease in fiscal 2027 is attributable to a decrease in the special education formula (\$58.5 million), with the remainder of the decrease due to the education effort adjustment. It is assumed that the savings of \$67.9 million plus additional interest from a higher balance of \$2.4 million is expended in fiscal 2028 rather than being used for other Blueprint for Maryland's Future (Blueprint) costs before then resulting in a special fund expenditure increase of \$70.4 million. Current projections indicate that general funds will be needed to support Blueprint costs beginning in fiscal 2028. General fund expenditures decrease in fiscal 2028 by \$207.7 million primarily due to the additional Blueprint fund balance available to support costs in that year from the lower spending in fiscal 2027 as well as the lower growth and lower base for that growth for the special education funding formula, as well as impacts on the education effort adjustment. In addition, general fund expenditures through the Guaranteed Tax Base formula decrease by \$103,145. Beginning in fiscal 2029, general fund expenditure decreases reflect the amount of the reduction to Blueprint supported costs under the Special Education and Education Effort Adjustment formula in each year as well as additional general fund decreases from the Guaranteed Tax Base formula.

Local Impact: Local school systems realize lower State funds beginning in fiscal 2027 (\$67.9 million), increasing to \$341.5 million in fiscal 2031.

Proposed Amendment to SB 284/HB 392

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

Provision as Recommended by DLS: Reduces the required distribution from the State Lottery Fund to the Major Sports and Entertainment Events 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 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
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 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 by \$5 million annually. Special fund revenues decrease correspondingly. General fund revenues increase correspondingly.

Local Effect: None.

Proposed Amendment to SB 284/HB 392

Authorize Transfer from Maryland Police Training and Standards Commission Fund to General Fund

Provision as Recommended by DLS: Authorizes the Governor to transfer \$2.0 million from the Maryland Police Training and Standards Commission (MPTSC) Fund to the General Fund in fiscal 2026.

Agency: Department of Public Safety and Correctional Services

Type of Action: Fund Balance Transfer

Fiscal Impact of DLS Recommendation vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Rev.	\$2.0	\$0	\$0	\$0	\$0	\$0

Background/Recent History: The MPTSC Fund provides a dedicated source of funds to enhance the training of police and public safety officials in the State. The fund receives \$2.0 million each year through special court fees. The BRFA of 2025 (Chapter 604) transferred \$5 million from the MPTSC Fund to the General Fund in fiscal 2025. At the close of fiscal 2025, the MPTSC Fund had a balance of \$4,877,123.

State Effect: General fund revenues increase by \$2.0 million in fiscal 2026 due to the transfer. To the extent that the MPTSC balance may have been used in the future, special fund expenditures decrease by up to \$2.0 million. However, the timing of any potential expenditures cannot be reliably estimated.

Local Effect: None.

Proposed Amendment to SB 284/HB 392

Reduce Funding Mandate for the Equitech Growth Fund

Provision as Recommended by DLS: Reduces mandated funding for the Equitech Growth Fund from \$5.0 million to \$3.0 million annually beginning in fiscal 2028.

Agency: Maryland Technology Development Corporation (TEDCO)

Type of Action: Mandate Relief

Fiscal Impact vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Exp.	\$0.0	\$0.0	-\$2.0	-\$2.0	-\$2.0	-\$2.0
SF Rev.	0.0	0.0	-2.0	-2.0	-2.0	-\$0.0
SF Exp.	0.0	0.0	-2.0	-2.0	-2.0	-\$0.0

Background/Recent History: Chapters 461 and 462 of 2023 established the Equitech Growth Fund in TEDCO to provide support for infrastructure and workforce development projects and required the Governor to include \$5 million for the fund annually in fiscal 2025 through 2033. The fund received \$3 million in fiscal 2024. The first round of funding under the program in fiscal 2025 led to awards of \$6.7 million from the combined fiscal 2024 and 2025 appropriations totaling \$8 million. In fiscal 2026, \$4.3 million has been awarded of the \$5.0 million appropriation.

State Effect: General fund expenditures decrease by \$2.0 million annually beginning in fiscal 2028. Special fund revenues and expenditures for the Equitech Growth Fund decrease correspondingly.

Local Effect: None.

Proposed Amendment to SB 284/HB 392

Reduce Fiscal 2026 Mandated Appropriation to the Racing and Community Development Financing Fund

Provision as Recommended by DLS: Reduces the required distribution from the State Lottery Fund to the Racing and Community Development Financing Fund (RCDF) to \$13.4 million in fiscal 2026 only. The fiscal 2026 Budget Bill appropriated \$13.4 million. This makes the mandate consistent with the required spending and appropriation.

Agency: Maryland Stadium Authority

Type of Action: Mandate Relief/Technical to Implement 2025 Session Action

Fiscal Impact vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Rev.	\$3.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
SF Rev.	-3.6	0.0	0.0	0.0	0.0	0.0

Background/Recent History: The RCDF is a revolving loan fund to be used for the financing of racing facilities projects. The State Lottery is required to distribute at least \$17 million into the RCDF in fiscal 2026. The entire appropriation is not needed in fiscal 2026. The General Assembly reduced the special fund appropriation by \$3.6 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 revenues supported by lottery revenues are reduced by \$3.6 million in fiscal 2026 only. General fund revenues increase correspondingly. Special fund expenditures are not impacted as the associated special fund appropriation was reduced during the 2025 session.

Local Effect: None.

Proposed Amendment to SB 284/HB 392 as Introduced

Delay Expansion of Prekindergarten Eligibility and Adjust Per Pupil Funding

Provisions as Recommended by DLS: Alters the full-day prekindergarten funding formula by (1) delaying the expansion of Tier II full-day prekindergarten eligibility by capping eligibility at 360% of the federal poverty level (FPL) for fiscal 2027 and (2) reducing the per pupil funding level in fiscal 2027 only, 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 2027-2031**

	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Child Eligibility as % of Poverty					
Current Law	600%	600%	600%	600%	600%
DLS Recommendation	360%	600%	600%	600%	600%
Per Pupil Amount					
Current Law	\$19,950	\$19,950	Fiscal 2028 + inflation	Fiscal 2029 + inflation	Fiscal 2029 + inflation
DLS Recommendation	17,211	19,950	Fiscal 2028 + inflation	Fiscal 2029 + 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	FY 2031
SF Exp.	\$0.0	-\$52.6	\$52.6	\$0.0	\$0.0	\$0.0
GF Exp.	0.0	0.0	-52.6	0.0	0.0	0.0

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 FPL (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 FPL (Tier II students) by the 2024-2025 school year. However, the BRFA of 2024 (Chapter 717) postponed the initial funding of Tier II students from fiscal 2025 to 2026 and limited Tier II eligibility to 360% of FPL. Tier II eligibility is set to increase from 360% of FPL 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 beginning in fiscal 2029.

State Effect: No impact in fiscal 2026. Special fund expenditures decrease by \$52.6 million in fiscal 2027. The majority of the reduction in fiscal 2027 is attributable to a \$42.3 million decrease in full-day prekindergarten funding and a \$10.3 million decrease in education effort adjustment funding. Guaranteed tax base program funding remains unchanged in fiscal 2027. Current projections indicate that general funds will be needed to support Blueprint for Maryland's Future (Blueprint) costs beginning in fiscal 2028. It is assumed that the savings of \$52.6 million from fiscal 2027 are expended in fiscal 2028 rather than being used for other Blueprint costs before then. Therefore, in fiscal 2028, special fund expenditures increase by \$52.6 million, while general fund expenditures reflect savings of \$52.6 million.

Local Effect: Local school systems realize altered State funding, as described above.

Proposed Amendment to SB 284/HB 392

Expand Allowable Use of the Child Care Capital Support Revolving Loan Fund

Provision as Recommended by DLS: Authorizes, in fiscal 2026 only, \$250,000 from the Child Care Capital Support Revolving Loan Fund to be used by the Maryland Health Benefit Exchange (MHBE) for the purpose of an outreach campaign and a survey.

Agency: MHBE; Department of Commerce (Commerce)

Type of Action: Expand Use of Special Fund

Fiscal Impact: No net effect on special fund expenditures but would allow for \$250,000 of appropriation from this fund restricted for this purpose to be transferred to MHBE in fiscal 2026 as intended in the fiscal 2026 budget.

Background/Recent History: Per § 9.5-113.1 of the Education Article, the Child Care Capital Support Revolving Loan Fund may be used only to provide no-interest loans to child care providers for capital expenses related to a child care facility.

The fiscal 2026 Budget Bill (Chapter 602 of 2025) restricted \$250,000 of the special fund appropriation for the Child Care Capital Support Revolving Loan Fund in the Department of Commerce (Commerce) to be transferred to MHBE for the purpose of conducting a targeted outreach campaign to help child care workers enroll in health insurance and conducting a survey of the landscape and availability of health insurance among child care providers. The budget bill language also required MHBE to submit a report to the budget committees on the survey findings by January 1, 2026. MHBE has completed the study and submitted the report, but the funds have not yet been transferred.

State Effect: No net impact on special fund expenditures. However, special funds are reallocated among purposes. Special fund expenditures in fiscal 2026 increase by \$250,000 in MHBE and decrease by \$250,000 in Commerce.

Local Effect: None.

Proposed Amendment to SB 284/HB 392

Cap More Jobs for Marylanders Tax Credits and Set Sunset Date

Provision as Recommended by DLS: Caps the annual value of final tax certificates that may be awarded under the More Jobs for Marylanders (MJM) program at \$15 million annually beginning in fiscal 2027 and requires the available funds to be prorated among qualifying companies; establishes in statute a sunset date of June 30, 2037, for the program. Requires, beginning in fiscal 2027, the Comptroller, upon notification that a final credit amount in the MJM program has been certified, to transfer an amount equal to the credit amount in the *final* tax credit certificate, instead of the amount in the *initial* tax credit certificate, from the MJM Tax Credit Reserve Fund to the General Fund.

Agency: Department of Commerce (Commerce)

Type of Action: Revenue Action

Fiscal Impact vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Exp.	\$0.0	-\$17.0	-\$47.5	-\$47.5	-\$47.5	-\$47.5
SF Rev.	0.0	-17.0	-47.5	-47.5	-47.5	-47.5
SF Exp.	0.0	-17.0	-47.5	47.5	-47.5	-47.5

Background/Recent History: The MJM program provides State income tax benefits to certain businesses that create and maintain a minimum number of qualified jobs. Enrollment in the program closed May 31, 2024, and enrolled businesses may be eligible for up to 10 years of benefits. General funds are appropriated to the MJM Tax Credit Reserve Fund based on the anticipated amount of credits to be claimed, and the reserve fund is then used to reimburse the General Fund for credits to be claimed. For each benefit year, Commerce issues a business an initial certificate, which states the maximum amount of tax credits that the business may be eligible to receive. After qualified jobs are maintained for at least one year, a business can apply to Commerce for a final certificate, which states the amount of tax credit that the business may claim on its tax return. Under current law, as modified by the BRFA of 2025, when Commerce issues a final certificate, the maximum amount stated on the corresponding initial certificate is transferred to the General Fund. The aggregate amount of first-year initial certificates that Commerce may certify is capped in statute, but later years are not subject to a cap.

State Effect: No impact in fiscal 2026. Special fund expenditures decrease by \$17.0 million in fiscal 2027 due to the cap on expenditures from the MJM Tax Credit Reserve Fund. General fund expenditures decrease by a corresponding amount. Based on estimates of program activity for fiscal 2026 through 2030, general fund expenditures, and corresponding special fund revenues and expenditures, decrease by an estimated \$47.5 million annually beginning in fiscal 2028. Program expenditures have historically been difficult to predict; effects of the provision in the out-years are

uncertain but likely substantial. Other projections have placed the program cost much higher, at \$457.3 million in fiscal 2026 through 2030.

Local Effect: None.

Proposed Amendment to SB 284/HB 392

Alter Maryland State Arts Council Formula to Require Level Funding

Provision as Recommended by DLS: Alters the funding formula for the Maryland State Arts Council (MSAC) beginning in fiscal 2028 to require level funding each year at the fiscal 2026 working appropriation level of \$29,067,771, rather than increasing funding based on the amount by which general fund revenues are expected to grow.

Agency: Department of Commerce

Type of Action: Mandate Relief

Fiscal Impact vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Exp.	\$0.0	\$0.0	-\$1.8	-\$2.9	-\$3.9	-\$5.3

Background/Recent History: Under current law, the Governor is required to include a general fund allowance for MSAC that is at least equal to the previous year’s appropriation, increased by not less than the percentage by which statewide general fund revenues are projected by the Board of Revenue Estimates to rise in the allowance year. DLS has also recommended the fiscal 2027 allowance be reduced by \$425,240, which would level fund at the fiscal 2026 working appropriation.

State Effect: No impact in fiscal 2026 or 2027. General fund expenditures for MSAC are reduced by \$1.8 million in fiscal 2028 growing to \$5.3 million in fiscal 2031, based on current general fund revenue projections.

Local Effect: Local government arts agencies could be affected if less funding is available for local grants.

Proposed Amendment to SB 284/HB 392

Eliminate Admissions and Amusement Tax Distribution to the Maryland State Arts Council

Provision as Recommended by DLS: Beginning in fiscal 2027, repeals a mandated distribution of \$1.0 million from the State admissions and amusement (A&A) tax revenue to the Maryland State Arts Council (MSAC) and redirect revenue to the General Fund.

Agency: Department of Commerce

Type of Action: Revenue Action

Fiscal Impact vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Rev.	\$0.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
SF Rev.	0.0	-1.0	-1.0	-1.0	-1.0	-1.0
SF Exp.	0.0	-1.0	-1.0	-1.0	-1.0	-1.0

Background/Recent History: A State A&A tax is imposed on the net proceeds derived from any charge for the operation of an electronic bingo machine permitted under a commercial bingo license or an electronic tip jar machine authorized under Title 13 of the Criminal Law Article that is operated for commercial purposes. The combined State and local tax rate may not exceed 35%. Revenues attributable to a State A&A tax rate of 5% are distributed to MSAC (\$1.0 million), the Town of Chesapeake Beach (\$300,000), the Michael Erin Busch Sports Fund (\$500,000), and the remainder to the Special Fund for Preservation of Cultural Arts in Maryland. The tax is currently only imposed in Anne Arundel and Calvert counties.

State Effect: General fund revenues increase by \$1.0 million annually beginning in fiscal 2027. Special fund revenues and expenditures for MSAC decrease correspondingly.

Local Effect: None.

Proposed Amendment to SB 284/HB 392

Sunset the Film Production Activity Tax Credit

Provision as Recommended by DLS: Sunsets the Film Production Activity Tax Credit by providing that the Department of Commerce (Commerce) may not accept an application to qualify as a film production entity for the purpose of the tax credit after June 30, 2026.

Agency: Commerce; Comptroller

Type of Action: Revenue Action

Fiscal Impact vs. Current Law:

(\$ in Millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Rev.	\$0.0	\$9.0	\$9.2	\$9.2	\$9.2	\$9.2
SF Rev.	0.0	3.0	2.8	2.8	2.8	2.8
SF Exp.	0.0	0.4	0.3	0.3	0.3	0.3

Background/Recent History: A qualified film production entity may apply for and claim a refundable credit against the State income tax for film production activities in the State in an amount equal to 28% of qualified total direct costs (30% for a television series) as stated on a final tax credit certificate approved by the Secretary of Commerce. Commerce may not approve credits totaling more than \$10.0 million in aggregate for a single film production activity. The BRFA of 2025 reduced the maximum amount of tax credits that Commerce could certify under the program from \$20.0 million to \$12.0 million in fiscal 2026, thus accelerating by one year the phase-out of temporary enhancements to annual program funding.

State Effect: No impact in fiscal 2026. In fiscal 2027, general fund revenues increase by \$9.0 million, Higher Education Investment Fund (HEIF) and Transportation Trust Fund (TTF) revenues increase by \$0.7 million and \$2.2 million, respectively, and TTF expenditures for local highway user revenues (HUR) increase by \$0.4 million. In fiscal 2028 and each year thereafter, general fund revenues increase by \$9.2 million, HEIF revenues increase by \$0.7 million, TTF revenues increase by \$2.0 million, and TTF expenditures for local HURs increase by \$0.3 million. Based on historic tax credit claims, this estimate assumes that credits are claimed against the corporate income tax. Actual revenues and expenditures may differ from this estimate based on the timing and volume of tax credit claims in the absence of this provision.

Local Effect: Local HURs increase by \$0.4 million in fiscal 2027 and by \$0.3 million each year thereafter.

Proposed Amendment to SB 284/HB 392

Sweep Unused Funds from Certain Student Financial Assistance Programs to the General Fund

Provision as Recommended by DLS: Sweeps the unused general fund-supported appropriations for non-income-based financial assistance programs to the general fund instead of the Need-based Student Financial Assistance Fund (NBSFAF).

Agency: Maryland Higher Education Commission

Type of Action: Fund Balance Transfer

Fiscal Impact vs. Current Law: Likely increase in general fund revenues though the amount cannot be reliably estimated.

Background/Recent History: The NBSFAF, a nonlapsing special fund, was created to receive unused scholarship funds at the close of the fiscal year, which are then reserved for future need-based aid. Funds from the NBSFAF can be appropriated in the annual budget bill or by budget amendment, creating a transparent process to encumber unexpended scholarship funds. Under current law, the unused appropriations from most scholarship programs are transferred to the NBSFAF at the close of the fiscal year. However, not all of the programs for which unused appropriations are currently transferred are need-based programs. In fiscal 2025, \$1.6 million in unused general fund appropriations for scholarships that are not need-based were transferred to the NBSFAF to fund future need-based costs.

State Effect: General fund revenues potentially increase beginning in fiscal 2026. Amounts will vary year to year based on utilization levels in each program. Special fund revenue to the NBSFAF decreases in any year in which funds would have been transferred. Special fund expenditures decrease in any year that the balance would have been used to support scholarship programs. To the extent that the special funds from the NBSFAF are used to replace general fund expenditures rather than enhance spending on certain scholarships, general fund expenditures potentially increase by an equivalent amount in those same years for need-based scholarships that might otherwise have been partially supported by special funds.

Local Effect: None.

Proposed Amendment to SB 284/HB 392

Sweep Unused Funds from the Teaching Fellows for Maryland Scholarship to the Blueprint for Maryland's Future Fund

Provision as Recommended by DLS: Sweeps the unused special fund-supported appropriation for the Teaching Fellows for Maryland Scholarship (TFS) to the Blueprint for Maryland's Future (Blueprint) Fund instead of the Need-based Student Financial Assistance Fund (NBSFAF).

Agency: Maryland Higher Education Commission

Type of Action: Use of Special Funds

Background/Recent History: The NBSFAF, a nonlapsing special fund, was created to receive unused scholarship funds at the close of the fiscal year, which are then reserved for future need-based aid. Funds from the NBSFAF can be appropriated in the annual budget bill or by budget amendment, creating a transparent process to encumber unexpended scholarship funds. TFS covers 100% of tuition, fees, and room and board costs for students attending Maryland public higher education institutions that are pursuing a degree leading to a Maryland professional teacher's certificate. TFS requires a service obligation of teaching in a Maryland public school or prekindergarten program with at least 50% of students eligible for free and reduced-price meals. The program is funded through the Blueprint Fund; however, unused funds are transferred to the NBSFAF under current law. The amount of unused appropriation has varied each year, partly due to changing funding levels. In the last three years, the amounts unused and transferred to the NBSFAF were \$4.4 million in fiscal 2023, \$4.7 million in fiscal 2024, and \$1.3 million in fiscal 2025.

State Effect: The annual amount of transferred funds will vary by demand in the TFS program. Special fund revenue to the NBSFAF decreases in any year in which funds would have been transferred. Special fund expenditures decrease in any year that the balance would have been used to support scholarship programs. General fund expenditures are reduced in programs supported by the Blueprint Fund the year following any transferred appropriation. However, to the extent that the special funds from the NBSFAF are used to replace general fund expenditures rather than enhancing spending for certain scholarships, general fund expenditures potentially increase by an equivalent amount in those same years for need-based scholarships that might otherwise have been partially supported by special funds.

Local Effect: None.