



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

LARRY HOGAN
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BOYD K. RUTHERFORD
Lieutenant Governor

DAVID R. BRINKLEY
Secretary

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Deputy Secretary

SENATE BILL 640 Emergency Community Services Fund (Elfreth)

STATEMENT OF INFORMATION

DATE: February 17, 2021

COMMITTEE: Senate Budget & Taxation

SUMMARY OF BILL: SB 640 establishes the Emergency Community Services Fund to respond to increased demand for community services during a state of emergency or during a period of increased unemployment and requires an annual appropriation in the amount of \$10 million. Funds may only be used for food, rental and energy assistance programs. Funds may be transferred by budget amendment only after notice to and approval of the Legislative Policy Committee. The Department of Budget Management shall submit an annual report by December 1 that details the amount of funds distributed during the preceding fiscal year and the services provided.

EXPLANATION: Under current law, the Governor has the authority to transfer funds from the Rainy Day Fund (RDF), without General Assembly approval, unless the reserve balance dips below 5% of estimated General Fund revenues (\$991 million). There are no restrictions on how the funds can be used, thereby providing the necessary flexibility in supporting the operations of the State during challenging fiscal times. Dipping below the 5% fund balance does require General Assembly approval.

The RDF has historically been used to fund State operations during a period of economic recession. During the COVID pandemic, \$250 million was transferred from the RDF to provide assistance to businesses and nonprofits with the goal of stabilizing employment. This action, known as the Economic Recovery Initiative, provided prompt relief to a wide variety of urgent needs through use of the RDF.

While the proposed Emergency Community Services Fund limits its use to specific types of expenditures and under a declared state of emergency or during periods of high unemployment, there is nothing authorized by the bill that does not already exist through use of the RDF. Further, the RDF's resources far surpass the proposed \$10 million annual mandated appropriation to the Emergency Community Services Fund.

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