LARRY HOGAN
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Lieutenant Governor

Maryland
DEPARTMENT OF BUDGET AND MANAGEMENT

DAVID R. BRINKLEY
Secretary

MARC L. NICOLE
Deputy Secretary

HOUSE BILL 158 Property Tax - Homeowners' Property Tax Credit - Calculation and Refunds (Carr, et al)

STATEMENT OF INFORMATION

DATE: January 26, 2021

COMMITTEE: House Ways & Means

SUMMARY OF BILL:. HB 158 excludes the amount of any property tax credit from the calculation of the "total property tax" in connection with the Homeowners' Property Tax Credit Program, requires a refund to homeowners who participated in the Program that dates back to FY 2018 based on this recalculation, and makes the recalculation permanent. The refund is made from the Local Reserve Account and mandates an annual appropriation in FY 2023-FY 2028 to repay the Local Reserve Account in six equal installments. The refund is excluded from being considered as income in FY 2022 for purposes of calculating income eligibility under the Program.

EXPLANATION: The Department of Budget and Management's (DBM) focus is not on the underlying policy proposal being advanced by the legislation, but rather on the increase in entitlement spending of approximately $12 million. The State reimburses local governments for the costs of the Homeowners' Property Tax Credit Program, the total cost of which is in excess of $60 million.

While the sponsor's intentions for introducing this bill may be laudable, this additional entitlement spending exacerbates the State's ability to fund our current fiscal needs while also planning for overall funding priorities for the future. By using mandates and entitlement spending more and more often, the General Assembly perpetuates the difficult task of reigning in our State's long-term structural budget deficit.

DBM has the responsibility of submitting a balanced budget to the General Assembly annually, which requires spending allocations for FY 2022 to be within the official revenues estimates approved by the Board of Revenue Estimates in December 2020. DBM's comments are not directed to the underlying policy proposal being advanced by the legislation, but rather on the impact to a structurally balanced budget moving forward. Flexibility in allocating available funds is paramount, particularly when the aggregate of increased spending mandates is unsustainable. Spending growth continues to outpace revenue growth.

General Fund Budget Outlook Fiscal 2021-2026

($ in Millions)

	2021 Working Approp.	2022 Baseline	2023 Est.	2024 Est.	2025 Est.	2026 Est.
Cash Balance	**$778**	**-$632**	**-$851**	**-$851**	**-$709**	**-$611**
Structural Balance	**-$649**	**-$816**	**-$566**	**-$581**	**-$450**	**-$339**

"However, it is important to note that revenue uncertainty as well as the potential for overrides of vetoes from the 2020 session, could impact this outlook." Department of Legislative Services, December 2020 Spending Affordability Committee Report

Economic conditions remain precarious as a result of COVID-19, making revenue predictions for the remainder of FY 2021 and FY 2022 highly volatile. Many individuals and households are unemployed or underemployed, with many industry sectors operating at much less than 100% capacity. Federal stimulus programs are providing much needed relief, but whether funds are sufficient to meet all COVID-related needs is another budgetary vulnerability.

The highest priority of the Administration is to work with the 2021 General Assembly in enacting the Governor's emergency Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families Act (RELIEF Act). The RELIEF Act provides $1 billion in direct stimulus and tax relief for Maryland working families, small businesses, and those who have lost their jobs as a result of the COVID-19 pandemic.

For additional information, contact Barbara Wilkins at
(410) 260-6371 or barbara.wilkins1@maryland.gov