LARRY HOGAN
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Lieutenant Governor

Maryland
DEPARTMENT OF BUDGET
AND MANAGEMENT

DAVID R. BRINKLEY
Secretary

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Deputy Secretary

SENATE BILL 289 Historic Revitalization Tax Credit - Funding and Extension (McCray)

STATEMENT OF INFORMATION

DATE: March 30, 2022

COMMITTEE: House Ways & Means

SUMMARY OF BILL:. SB 289, as amended, extends the sunset on the Historic Revitalization Tax Credit from FY 2024 to FY 2031; increases the current $12 million annual mandated appropriation to $22 million in FY 2024 through FY 2031. The bill also creates a new $4 million annual mandate in FY 2024 through FY 2031 for a Small Commercial Project Trust Account.

EXPLANATION: The Department of Budget and Management's focus is not on the underlying policy proposal being advanced by the legislation, but rather on the $14 million increase in the annual mandated appropriation amount that impacts the FY 2024 through FY 2031 budgets.

DBM has the responsibility of submitting a balanced budget to the General Assembly annually, which will require spending allocations for FY 2024 to be within the official revenues estimates approved by the Board of Revenue Estimates in December 2022.

Changes to the Maryland Constitution in 2020 provide the General Assembly with additional budgetary authority, beginning in the 2023 Session, to realign total spending by increasing and adding items to appropriations in the budget submitted by the Governor. The legislature's new budgetary power diminishes, if not negates, the need for mandated appropriation bills.

Fully funding the implementation of the Blueprint for Maryland's Future (Kirwan) will require fiscal discipline in the years ahead, if the State is to maintain the current projected structural budget surpluses. Mandated spending increases need to be reevaluated within the context of this education funding priority and the Governor's tax relief proposals.

Economic conditions remain precarious as a result of COVID-19. High rates of inflation and workforce shortages may be short lived or persist, thereby impacting the Maryland economy. While current budget forecasts project structural surpluses, the impact of the ongoing COVID-19 pandemic continues to present a significant budgetary vulnerability. The Department continues to urge the General Assembly to focus on maintaining the structural budget surplus.

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