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SENATE BILL 284 / HOUSE BILL 392

BUDGET RECONCILIATION AND FINANCING ACT OF 2026

**Senate Budget and Taxation Committee
March 4th 2026**

**House Appropriations Committee
March 5th 2026**

**Testimony of
Yaakov "Jake" Weissmann
Secretary Department of Budget and Management**

SB284 / HB 392, the Budget Reconciliation and Financing Act of 2026 (BRFA), implements several actions to balance the FY 2026 and FY 2027 budgets and to provide out-year structural budget relief. These actions provide in excess of \$2.0 billion in General Fund savings and increased revenue through FY 2031, including \$1.38 billion between FY 2026 (\$493 million) and FY 2027 (\$887 million). The bill also provides budgetary and revenue relief to non-general fund sources.

Background

The Moore-Miller Administration developed the FY2027 budget during a period of significant fiscal transition for Maryland. The State is navigating growing federal uncertainty, continued growth in health care utilization, moderating revenue growth due to the federal economy, and statutory spending commitments enacted in prior years. In response, Maryland is taking proactive steps to ensure long-term fiscal stability while continuing to deliver essential services and maintain a strong foundation for economic growth.

Rather than relying on broad tax increases or abrupt reductions to essential services, SB284/HB392 advances a balanced approach centered on targeted adjustments and strategic

transfers. The legislation modifies certain mandated spending growth, authorizes the use of available special fund balances, and implements technical fiscal changes necessary to support a structurally balanced FY2027 budget. These actions align spending with sustainable revenues, allowing the State to meet current obligations while preparing responsibly for the future. Building on progress made during the 2025 Session, Senate Bill 284 continues a disciplined approach that prioritizes sustainability, stability, and responsible stewardship of public resources. The bill protects core investments, ensures long-term affordability, and positions Maryland to compete for businesses, talent, and innovation.

The bill includes targeted adjustments to right-size programs, sustain local partnerships, and redirect resources where funding exceeds current need. Specifically, the legislation moderates growth of selected mandated appropriations, adjusts the implementation timing of certain prior year session funding provisions, and captures administrative efficiencies that reduce ongoing General Fund obligations without cutting core services.

To achieve structural balance, the BRFA authorizes strategic transfers from the Strategic Energy Investment Fund (SEIF), the Fiscal Responsibility Fund, and other special fund sources to support the FY2027 Operating Budget. The budget also leverages the capital budget to offset operating pressures, preserving planned infrastructure investments that support long-term economic development and reducing the need for deeper programmatic reductions.

The proposal also addresses federal tax changes under HR1. Maryland retains authority over its own tax policy. The legislation selectively decouples from certain federal provisions that would negatively impact State revenues while conforming to others that simplify compliance and support economic development.

The proposed budget continues Maryland's strong tradition of fiscal discipline and responsible financial planning, supporting the State's AAA bond rating and long-term economic competitiveness.

As introduced, the Governor's budget:

- Maintains a positive cash ending balance in FY2027
- Reduces the projected out-year structural shortfall
- Preserves a Rainy Day Fund balance equal at 8.0 percent of General Fund revenues =well above the historical 5 percent standard.

Senate Bill 284 represents sound, forward-looking fiscal governance. By aligning spending with sustainable revenues and making measured adjustments today, Maryland is well positioned to

support economic growth, expand opportunity, maintain essential services, and meet future challenges with confidence.

General Fund Contingent Reductions

The BRFA allows the Administration to propose contingent reductions to the budget as the result of provisions that provide meaningful mandate relief in both the short and long-term and expand the use of special funds to address the State’s structural budget challenge. In total, the FY 2027 Budget includes \$591 million in reductions contingent on the enactment of the BRFA. To this end, the BRFA includes the following provisions:

- Repeals the required “sweeper” contribution to the Rainy Day Fund for FY 2027 only, leaving a balance equal to 8.0% of the December 2025 Board of Revenue Estimates’ projection of FY 2027 General Fund revenues.
 - FY 2027 GF savings - \$449.8 million
- Requires local governments to pay half of the mandated State retirement increase from FY 2026 to FY 2027 for teachers at K-12 schools, librarians, and staff at community colleges. This additional required contribution is a set amount in all future years and is in addition to the contribution from FY 2026. With this provision, the local share of teacher retirement costs for FY 2027 is \$612 million and the State share is \$1.1 billion.
 - FY 2027 GF savings - \$39.3 million
- Level fund the disparity grant to FY 2026 levels for FY 2027 through FY 2029.
 - FY 2027 GF savings \$27.0 million
- Limits the growth in the “Cade” Community College formula to 3% over FY 2026 levels for FY 2027 through FY 2029.
 - FY 2027 GF savings - \$21.0 million
- Modify the use of certain Cigarette Restitution Funds revenues to allow recoveries to be used for Medicaid.
 - FY 27 GF savings - \$8.4 million
- Expands the use of the Maryland Emergency Medical System Operation Fund (MEMSOF) for FY 2027 through FY 2029 to allow the use of the MEMSOF on general operations of the State Police’s Aviation Division.
 - FY 2027 GF savings - \$5.5 million
- Level fund rates set by the Interagency Rates Committee to those in effect on January 21, 2026 for FY 2027 only.
 - FY 2027 GF savings - \$5.1 million

- Expands the use of the Cannabis Assistance Fund for FY 2027 through FY 2029 to include expenditures in the Department of Social and Economic Mobility.
 - FY 2027 GF savings - \$5.0 million
- Level fund the Sellinger formula to FY 2026 levels for FY 2027 through FY 2029.
 - FY 2027 GF savings - \$4.5 million
- Level fund Nonpublic Placement rate to those in effect on January 21, 2026 for FY 2027 only.
 - FY 2027 GF savings - \$2.5 million
- Expands the use of the Board of Physicians Fund for FY 2027 only to include expenditures in the Office of Population Health Improvement of the Maryland Department of Health.
 - FY 2027 GF savings - \$2.0 million
- Expands the use of the Strategic Energy Investment Fund to permanently support climate mitigation and resiliency efforts not directly related to energy across multiple State agencies.
 - FY 2027 GF savings - \$3.2 million
- Reduces the mandated appropriation to the Small Commercial Project Trust Account within the Historic Revitalization Tax Credit Reserve Fund from \$2.0 million to \$500,000.
 - FY 2027 GF savings - \$1.5 million
- Reduces the mandated appropriation for the Police Officer and Probation Agent Loan Assistance Repayment Program from \$2.0 million to \$500,000.
 - FY 2027 GF savings - \$1.5 million
- Reduces the mandated appropriation for the Police Officer and Probation Officer Scholarship Program from \$2.0 million to \$500,000.
 - FY 2027 GF savings - \$1.5 million
- Expands the use of the Advanced Directive Fund for FY 2027 only to include expenditures for maternal and child health quality initiatives in the Maryland Department of Health.
 - FY 2027 GF savings - \$1.0 million
- Allows the Community Health Resources Commission to use reserve funds for a portion of FY 2027 operating expenses.
 - FY 2027 GF savings - \$1.0 million
- Reduces the mandated appropriation for the Community College Promise Scholarship from \$13.5 million to \$12.5 million.

- o FY 2027 GF savings - \$1.0 million
- Reduces the mandated appropriation for the Tobacco Control Program from \$18.25 million to \$17.52 million.
 - o FY 2027 GF savings - \$0.73 million
- Modifies the Baltimore City Community College Formula to reduce the percentage of full-time equivalent appropriation from 68.5% to 67.5% for purposes of calculating the formula
 - o FY 2027 GF savings - \$0.7 million
- Expands the use of the Board of Professional Counselors Fund for FY 2027 only to include expenditures in the Behavioral Health Administration of the Maryland Department of Health.
 - o FY 2027 GF savings - \$0.5 million
- Reduces the mandated appropriation for the Public Safety Apprenticeship Program from \$0.75 million to \$0.39 million.
 - o FY 2027 GF savings - \$0.36 million
- Reduces the mandated appropriation for the Career Pathways for Health Care Workers Program from \$0.5 million to \$0.35 million.
 - o FY 2027 GF savings - \$0.15 million
- Reduces the mandated appropriation for the Prince George's County Re-entry Employment Incentive Program from \$0.5 million to \$0.35 million for FY 2027 and FY 2028.
 - o FY 2027 GF savings - \$0.15 million
- Eliminates the mandated appropriation for the Native Plants Program in the Department of Agriculture and the University of Maryland Extension.
 - o FY 2027 GF savings - \$0.25 million
- Expands the use of Program Open Space funds to support the Jefferson Patterson Park and Museum.
 - o FY 2027 GF savings - \$0.14 million
- Reduces the mandated appropriation for the Urban Agriculture Water and Power Reduction Program in the Department of Agriculture from \$500,000 to \$400,000.
 - o FY 2027 GF savings - \$0.1 million
- Reduces the mandated appropriation for the Maryland Healthy Soils Program in the Department of Agriculture from \$500,000 to \$400,000 for FY 2027 and FY 2028.
 - o FY 2027 GF savings - \$0.1 million

- Eliminates the mandated appropriation for the Lacrosse Opportunities Program in the Department of Education.
 - FY 2027 GF savings - \$40,000
- Repeal the requirement to deliver printed budget books and instead requires the budget books be published online.
 - FY 2027 GF savings - \$40,000

Fund Transfers

The BRFA authorizes \$583 million of transfers across FY 2026 and FY 2027 to the General Fund as follows:

FY 2026:

- \$292 million from the Strategic Energy Investment Fund (SEIF) of which \$259 million comes from the Renewable Portfolio Standard / ACP Account and \$33 million from the Regional Greenhouse Gas Administration Account;
- \$188 million from the Fiscal Responsibility Fund;
- \$10 million from the Nurse Support Program Assistance Fund;
- \$2 million from the Performance Incentive Grant Fund; and
- \$1 million from the Dedicated Purpose Account reserved for various operating programs.

FY 2027 - Operating Transfers:

- \$6.7 million from the Maternal & Child Health Population Improvement Fund.

FY 2027 - Capital Transfers with funding to be replaced with General Obligation Bonds:

- \$70 million from the Bay Restoration Fund;
- \$13.1 million from the Waterway Improvement Fund; and
- \$0.2 million from Program Open Space (POS) Local Funds.

Revenue Adjustments

The BRFA increases General Fund revenue in FY 2027 by \$73.7 million through a series of provisions that realign revenue distributions including:

- \$49.6 million from POS Local funds to be replaced with General Obligation Bonds;
- \$13.4 million from Rural Legacy to be replaced with General Obligation Bonds;
- \$8.8 million from the Natural Resources Development Fund to be replaced with General Obligation Bonds; and
- \$2.0 million in additional revenue from Uninsured Motorist fines as the result of the repeal of a distribution to the Driver Education in Public High Schools Fund.

Federal Decoupling

The BRFA increases General Fund revenue in FY 2027 by \$132.8 by decoupling from certain provisions in H.R. 1, passed by Congress last July, that Maryland otherwise would have “conformed” with. Specifically:

- \$122.5 million from rejecting the qualified production property deduction, a new tax policy that will never appear on the Maryland tax return; and
- \$10.3 million from decoupling from H.R. 1’s increase to a tax benefit known as “bonus depreciation,” but still maintaining the benefit for eligible businesses at the lower level set in state law prior to the federal change.
- Additionally, by not taking action, the BRFA *chooses* to conform with other policies, including three major business tax policies—a R&D deduction, the business interest deduction, and small business expensing—that deliver roughly \$100 million in proven business tax cuts that make Maryland taxes simpler and more competitive.

Other Provisions

The BRFA includes a number of other provisions in State law, including:

- Tri-County Council of Southern Maryland - reduces an existing Cigarette Restitution Fund mandate by \$0.3 million;
- Maryland Consortium on Coordinated Community Supports - reduces an existing BluePrint Fund mandate by \$20 million;
- Assisted Outpatient Treatment - establishes a cost-sharing agreement with county governments beginning in FY 2028;
- Maritime Heritage Grant - repeals a special fund distribution for FY 2027 and FY 2028;
- 9-1-1 Fund - proposes additional allowable uses for the fund to support expenditures in the Maryland Department of Emergency Management;
- Young Adult Pathway Participation - proposes a modification to the target participation levels for the program.
- Local Income Tax Reserve Account - proposes technical clarifying language to the 2025 BRFA;
- Heritage Conservation Fund - clarifies that the fund should be considered as part of the POS state fund balance under 5-903(i) of the Natural Resources Article;

- Certified Community Behavioral Health Clinics - removes a requirement to apply for federal demonstration funding in FY 2026;
- FY 2018 POS funding - authorizes prior year fenced funding to be repurposed for State land acquisition under Program Open Space;
- FY 2026 Department of Juvenile Services funding - authorizes prior year fenced funding to be repurposed; and
- FY 2022 and FY 2023 Interagency for School Construction (IAC) funding - authorizes the IAC to reallocate federal funding to ensure compliance with the American Rescue Plan Act of 2021.

Proposed Amendments

The Administration is offering the following amendments to the Budget Reconciliation and Financing Act of 2026 as introduced. These amendments make clarifications and modifications to provisions of the first reading file bill itself.

- Amendment #1 - Makes funding for the Open-Source Phonics Matching Grant discretionary.
- Amendment #2 - Removes the provision expanding allowable uses of the 9-1-1 Trust Fund.
- Amendment #3 - Expands the allowable uses of the African American Heritage Preservation Grant Fund to include non-capital grants.
- Amendment #4 - Clarifies that the Strategic Energy Investment Fund (SEIF) is authorized to support the costs of the Environmental Review Program within the Power Plant Research Program.
- Amendment #5 - Updates the language in the bill to reflect where related contingent appropriations were included in the FY 2027 Budget Bill.
- Amendment #6 - Removes the \$9 million cap on the Student Loan Tax Credit in FY 2026.
- Amendment #7 - Adjusts the SEIF accounts from which fund balance is being transferred, corrects the transfer amount from the Fiscal Responsibility Fund, and corrects the fund name at the Maryland Higher Education Commission from which a transfer is planned.

Departmental Position

The Department of Budget and Management believes that the Budget Reconciliation and Financing Act of 2026, as amended, is necessary to ensure a balanced FY 2027 budget and to provide out-year structural budget relief. For these reasons, we urge the Committees to vote favorable with amendments on SB 284 / HB 392.

AMENDMENTS TO SENATE BILL 284 / HOUSE BILL 392

(First Reading File Bill)

AMENDMENT NO. 1

On page 9, after line 5 insert:

§7-135.

(a) (1) In this section the following words have the meanings indicated.

(2) “Open–source” means material with either freely obtainable source code, a license for modification, or permission for free distribution.

(3) “Open–source phonics organization” means any nonprofit organization, institution of higher education, or public library that produces or distributes free, open–source phonics materials in the State.

(4) “Phonics” has the meaning stated in § 4–136 of this article.

(5) “Program” means the Open–Source Phonics Matching Grant Program.

(h) For each fiscal year, the Governor [shall] **MAY** include in the annual budget bill an appropriation of \$150,000 to the Program.

Makes funding for the Open–Source Phonics Matching Grant Program discretionary.

AMENDMENT NO. 2

Strike page 19 line 27 through page 20 line 16.

Removes the provision expanding allowable uses of the 9-1-1 Trust Fund.

AMENDMENT NO. 3

On page 21, after line 21 insert:

§5A-330.

(a) (1) In this section the following words have the meanings indicated.

(2) “AAHP Grant Fund” means the African American Heritage Preservation Grant Fund of the Trust.

(c) (1) There is an African American Heritage Preservation Grant Fund in the Trust.

(2) The Trust shall administer the AAHP Grant Fund.

(3) The AAHP Grant Fund may be used only for African American Heritage Grants.

(4) (i) The AAHP Grant Fund is a special, nonlapsing fund that is not subject to reversion under § 7–302 of this article.

(ii) The State Treasurer shall hold the AAHP Grant Fund separately and the Comptroller shall account for the AAHP Grant Fund.

(5) The AAHP Grant Fund consists of:

(i) money appropriated in the State budget to the Program;

(ii) investment earnings of the AAHP Grant Fund;

(iii) grants and donations to the AAHP Grant Fund;

(iv) any other money from any other source accepted for the benefit of the AAHP Grant Fund; and

(v) money received from the sale of State general obligation bonds.

(6) For each fiscal year, the Governor shall include in the annual operating or capital budget an appropriation of \$5,000,000 to the AAHP Grant Fund, **TO BE USED FOR AFRICAN AMERICAN HERITAGE PRESERVATION PROJECTS.**

(h) (1) The Secretary shall:

(i) review each grant application submitted under subsection (d) or (g) of this section

and the recommendations of the Trust and the Commission;

(ii) consider:

1. the applications and recommendations under the criteria set forth in subsection (f)(2) of this section; and

2. if the grant was submitted under subsection (g) of this section, the nature of the emergency; and

(iii) subject to paragraphs (2) and (3) of this subsection, make the final decision to award the grant or deny the application.

(2) Subject to paragraph (3)(ii) of this subsection, the Secretary may award a grant under the Program funded by money received under subsection [(c)(5)(i),] **(c)(5)(ii)**, (iv), or (v) of this section for an African American Heritage Preservation Project.

(3) (i) The Secretary may award a grant funded by money received under subsection (c)(5)(iii) of this section as an African American Heritage Preservation Noncapital Grant.

(ii) If, after the award of all eligible grants under subparagraph (i) of this paragraph have been made, there is additional money in the AAHP Grant Fund received under subsection (c)(5)(iii) of this section, the Secretary may award a grant funded by money received under subsection (c)(5)(iii) of this section for an African American Heritage Preservation Project.

(4) SUBJECT TO PARAGRAPH (c)(6) OF THIS SECTION, THE SECRETARY MAY AWARD A GRANT FUNDED BY MONEY RECEIVED UNDER SUBSECTION (c)(5)(i) AS EITHER AN AFRICAN AMERICAN HERITAGE PRESERVATION PROJECT OR AS AN AFRICAN AMERICAN HERITAGE PRESERVATION NONCAPITAL GRANT.

Expands the allowable uses of the African American Heritage Preservation Grant Fund to include non-capital projects.

AMENDMENT NO. 4

On page 24, line 5 through 10 strike “AND (II) THE POWER PLANT RESEARCH PROGRAM WITHIN THE DEPARTMENT OF NATURAL RESOURCES, INCLUDING TO SUPPORT ENVIRONMENTAL REVIEW OF CERTIFICATES OF PUBLIC NECESSITY ASSOCIATED

WITH POWER PLANT CONSTRUCTION REQUIRED UNDER § 3–306 OF THE NATURAL RESOURCES ARTICLE” and insert:

“(II) THE POWER PLANT RESEARCH PROGRAM WITHIN THE DEPARTMENT OF NATURAL RESOURCES, INCLUDING TO SUPPORT REVIEW OF APPLICATIONS FOR CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY ASSOCIATED WITH POWER PLANT CONSTRUCTION AS REQUIRED UNDER § 3-306 OF THE NATURAL RESOURCES CODE; AND

(III) THE ENVIRONMENTAL REVIEW PROGRAM WITHIN THE DEPARTMENT OF NATURAL RESOURCES, INCLUDING TO SUPPORT THE REVIEW OF NATURAL RESOURCE IMPACTS OF PROPOSED DEVELOPMENT PROJECTS ON STATE AND PRIVATE LANDS;”

Clarifies that the Strategic Energy Investment Fund is authorized to support the costs of the Environmental Review Program (ERP) within the Power Plant Research Program (PPRP), as intended in the first reading version of the Budget Reconciliation and Financing Act of 2026.

AMENDMENT NO. 5

On page 25, line 9 strike “Public Service Commission” and insert “**DEDICATED PURPOSE ACCOUNT**”, and on line 12 strike “Public Service Commission” and insert “**DEDICATED PURPOSE ACCOUNT**”

Updates the language to reflect where related contingent appropriations were included in the FY 2027 Budget Bill.

AMENDMENT NO. 6

On page 29, after line 17 insert:

§10–740.

- (a) (1) In this section the following words have the meanings indicated.
- (2) “Commission” means the Maryland Higher Education Commission.
- (3) “Qualified taxpayer” means an individual who has:

(i) incurred at least \$20,000 in undergraduate or graduate student loan debt or both; and

(ii) has at least \$5,000 in outstanding undergraduate or graduate student loan debt or both when submitting an application under subsection (c) of this section.

(b) Subject to the limitations of this section, a qualified taxpayer may claim a credit against the State income tax for the taxable year in which the Commission certifies a tax credit under this section.

(c) (1) (i) By September 15 of each year, an individual shall submit an application to the Commission for the credit allowed under this section.

(3) (i) For tax year 2025, the total amount of tax credits approved by the Commission under this section may [not] exceed \$9,000,000.

Removes the \$9,000,000 cap on the Student Loan Tax Credit in FY 2026.

AMENDMENT NO. 7

On page 42, in line 22 strike “\$259,000,000” and insert “**\$292,000,000**”, in line 25 strike “187,609,007” and insert “**178,465,596**”, strike lines 27 through 28, and in lines 29 through 31 strike “Maryland Loan Assistance Repayment Program Fund for Nurses and Nursing Support Staff established under § 24–1902 of the Health – General Article” and insert “**NURSE SUPPORT PROGRAM ASSISTANCE FUND ESTABLISHED UNDER §11-405 OF THE EDUCATION ARTICLE**”

Adjusts the Strategic Energy Investment Fund accounts from which fund balance is being transferred. Corrects the transfer amount from the Fiscal Responsibility Fund to reflect the projected balance. Corrects the fund at the Maryland Higher Education Commission from which a transfer is planned.