Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 352 (The Speaker)(By Request - Administration)

Appropriations and Ways and Means Budget and Taxation

Budget Reconciliation and Financing Act of 2025

This Administration bill executes actions to increase revenues, provide mandate relief, contain costs, use special funds in place of general funds, and reduce future year general fund expenditures, in addition to other actions. **Although the bill generally takes effect June 1, 2025, several provisions take effect July 1, 2025, or later.**

Fiscal Summary

State Effect: General fund revenues increase by $765.6 million in FY 2025 and $1.6 billion in FY 2026. General fund expenditures decrease by $104.7 million in FY 2025 and $897.9 million in FY 2026. Special fund revenues increase by $19.5 million in FY 2025 but decrease by $80.1 million in FY 2026. Special fund expenditures increase by $94.5 million in FY 2025 and $366.7 million in FY 2026. Federal fund and nonbudgeted revenues and expenditures also decrease, along with pay-as-you-go (PAYGO) general fund expenditures. Future years reflect the ongoing effects of the bill. **This bill affects existing mandated appropriations.**

($ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	$765.6	$1,566.0	$1,355.8	$1,324.4	$1,333.4
SF Revenue	$19.5	($80.1)	$421.0	$479.7	$537.4
FF Revenue	$0	$1.5	($0.5)	($14.5)	($14.5)
NonBud Rev.	$0	($33.0)	($33.0)	($33.0)	($33.0)
GF Expenditure	($104.7)	($897.9)	($530.2)	($510.9)	($452.6)
SF Expenditure	$94.5	$366.7	$157.2	$40.4	$133.6
FF Expenditure	$0	($0.4)	($2.4)	($16.4)	($16.4)
PAYGO GF exp	$0	($50.0)	($50.0)	($50.0)	($50.0)
NonBud Exp.	$0	($1.0)	($1.0)	($1.0)	($1.0)
Net Effect	$795.2	$2,036.9	$2,169.6	$2,294.5	$2,209.7

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local finances are generally affected beginning in FY 2026, as discussed below. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: The Administration has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: A brief overview of the bill's provisions is provided below. In general, the bill's actions increase revenues, provide mandate relief, contain costs, swap or transfer funds, and reduce future year general fund expenditures, in addition to various administrative and other actions.

Mandate Relief

- Reduces the amount of funding that the Governor must provide for tree planting on agricultural land from $2.5 million to $0.5 million for fiscal 2025 through 2031.
- Repeals, beginning in fiscal 2026, the requirement that the Governor provide at least $350,000 in *general* funds for specified costs and investigations of the Office of the Attorney General (OAG), Consumer Protection Division, and instead requires, beginning in fiscal 2026, the use of *special* funds to meet this mandate.
- Eliminates the requirement that the Governor provide an appropriation of $500,000 for the Maryland Watermen's Microloan Program in fiscal 2026.
- Removes a requirement that a mandated appropriation of $10.0 million be made to the Safe Schools Fund but maintains the mandated purpose of the appropriation for the School Resource Officers grant program.
- Reduces the State share of the cost of educating a child with disabilities in a nonpublic placement program by phasing in over two years a change in the additional amount above 200% of the basic cost of education that local education agencies are required to provide to (1) 40% in fiscal 2026 and (2) 50% in fiscal 2027 and subsequent years.
- Reduces, beginning in fiscal 2026, the amount that the Governor must provide to the Maryland Community College Promise Scholarship from $15.0 million to $13.5 million.
- Reduces the amount of annual funding that the Governor must provide to the Maryland Loan Assistance Repayment Program for Police Officers and Probation Agents from $5.0 million to $500,000 in fiscal 2025 and $2.0 million annually thereafter.
- Reduces the amount of annual funding that the Governor must provide to the Maryland Police Officers and Probation Agents Scholarship Program from

$5.0 million to $500,000 in fiscal 2025 and $2.0 million annually thereafter and repeals a related distribution requirement.

- Repeals the requirement that the Governor provide $600,000 annually (for fiscal 2025 through 2027) for the Behavioral Health Care Coordination Value-based Purchasing Pilot Program (along with the specified allocation of those funds) and, instead, authorizes the Governor to include $600,000 in the annual budget for this purpose.
- Authorizes, beginning in fiscal 2026, instead of requires, the Governor to include $1.0 million annually for the Maryland Patient Safety Center Fund.
- Authorizes the Governor to meet the requirement to provide $50.0 million for the Continuing the CORE Partnership Fund (known as Baltimore Vacants Reinvestment Initiative) in either the operating or capital budget, rather than only the operating budget, beginning in fiscal 2026.
- Reduces, for fiscal 2025 through 2028, the amount of funding that the Governor is required to provide annually for the Maryland New Start Grant Program from $200,000 to $50,000.
- Reduces, for fiscal 2025 through 2029, the amount of funding that the Governor is required to provide for the Construction Education and Innovation Center from $625,000 to $531,250.
- Reduces, beginning in fiscal 2025, the amount of funding that the Governor is required to provide annually for the Career Pathways for Health Care Workers Program from $1.0 million to $500,000.
- Phases out, over two years, the annual mandated appropriation for teacher retirement supplemental grants to eight counties and Baltimore City by reducing the mandated appropriation from $27.7 million to $13.8 million in fiscal 2026 and permanently repealing the mandate in fiscal 2027.
- Repeals the requirement that the Governor provide $250,000 for the Maryland Forestry Education Fund in fiscal 2026.
- Reduces the amount that the Governor must provide for warrants and absconding grants administered by the Governor's Office of Crime Prevention and Policy from $2.0 million to $1.0 million in fiscal 2025 and 2026.
- Repeals the requirement that the Governor set aside at least 20% of the amount included in the Governor's allowance and appropriated to the Information Technology (IT) Investment Fund for expedited projects each fiscal year.
- Reduces the amount the Governor must provide to the Historic Revitalization Tax Credit Reserve Fund (which supports the competitive commercial component of the Historic Revitalization Tax Credit program) from $20.0 million to $16.5 million for fiscal 2026 through 2028.
- Suspends, for fiscal 2026 only, the requirement that the Governor appropriate general fund surplus to the Revenue Stabilization Account (Rainy Day Fund) and

eliminates, beginning in fiscal 2024, the appropriations to the State Retirement and Pension System (SRPS) and the Postretirement Health Benefits (better known as OPEB) Trust Fund.

- Reduces, by $97.7 million, beginning in fiscal 2026, 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 and community colleges and modifies the timing of local payments, among other changes.
- Repeals, beginning in fiscal 2026, the $50.0 million annual supplemental contribution to SRPS that is required to be paid until the system's funding ratio reaches 85%.

Revenue Actions

- Increases various fees collected by the Secretary of Agriculture for the certification of nurseries, the licensing of brokers and dealers, and the inspection of nursery stock under statutory provisions related to plant disease control.
- Repeals the registration fee schedule for weights and measures used for commercial purposes in statute and authorizes the Secretary of Agriculture to set reasonable fees; requires that the Secretary send registration renewal notices/forms at least one month before registration expiration and allows a 60-day grace period after expiration, when a registration can be renewed retroactively with payment of the renewal fee and a late fee.
- Increases, from $50 to $65, the fee for an initial, renewal, or transfer of registration by an agent under the Maryland Securities Act beginning June 1, 2025, and increases, from $15 to $25, the amount of the fee that is distributed to the Securities Act Registration Fund.
- Authorizes the Maryland Department of the Environment (MDE) to establish by regulation a fee for processing and issuing training certifications required for specified personnel involved in on-site clearing and grading operations or sediment control associated with a construction project.
- Increases existing fees under the Wetlands and Waterways Program, establishes new additional application fees for activities proposed in a Tier II High Quality Watershed, and explicitly authorizes MDE to adjust the fees for inflation without legislative enactment.
- Alters and increases the registration fee for each rental dwelling unit paid by owners of affected property under the Reduction of Lead Risk in Housing Subtitle of the Environment Article and increases a related report processing fee.
- Increases the initial application fee that an applicant must pay to participate in the Voluntary Cleanup Program from $6,000 to $10,000 and requires an applicant to pay for any additional costs incurred by MDE if the direct costs of review of the

application and administration and oversight of the response action plan exceed the application fee.

- Requires MDE to set the existing tire recycling fee imposed on the first sale of a new tire in the State by a tire dealer at $1 per tire, beginning January 1, 2026, and authorizes MDE to adjust the fee for inflation every two fiscal years, as specified, among other changes.
- Increases and alters specified surface mining license and permit fees which accrue to the Surface Mined Land Reclamation Fund, among other changes.
- Applies, beginning January 1, 2026, an unemployment insurance (UI) administrative fee of 0.15% to all taxable employers and deposits all associated revenue into the Special Administrative Expense Fund to be used for specified administrative expenses, and beginning January 1, 2026, reduces the UI tax rate assigned to each taxable employer by 0.15%, subject to a minimum overall tax rate of 1.0% for new employers.
- Alters, in fiscal 2026 through 2029, the maximum amount of projected nonwithholding income tax revenue that must, under certain circumstances, be subtracted from the projected general fund revenue estimate each year to $0.
- Increases the mobile sports wagering tax rate from 15% to 20% and, beginning in fiscal 2026, distributes 25% of mobile sports wagering revenues to the general fund.
- Repeals the authorization for interest and investment earnings on the Strategic Energy Investment Fund (SEIF) to be held in the fund, removes an exemption on SEIF interest being directed to the general fund contained in § 8 of the Budget Reconciliation and Financing Act (BRFA) of 2024 (Chapter 717 of 2024), and authorizes the transfer of interest earned on SEIF in fiscal 2025 to the general fund, by June 30, 2025.
- Caps, beginning in fiscal 2026, at $8.5 million annually, the amount of funding the Maryland E-Nnovation Initiative Fund receives from the revenue attributable to a 20% tax rate from the State admissions and amusement tax on electronic bingo and electronic tip jars and requires the remaining revenue from the 20% tax rate to be distributed to the general fund.
- Requires the Motor Vehicle Administration (MVA) to increase the level of miscellaneous fees related to vehicle titling, vehicle certificates, and vehicle registration fees to at least 100% (rather than 95%) and as much as 105% (rather than 100%) of the sum of (1) the approved operating budget for MVA for the relevant fiscal year; (2) the average annual capital program of MVA as reported in the six-year *Consolidated Transportation Program*; and (3) MVA's portion of the cost of Maryland Department of Transportation (MDOT) data center operations (except for the cost of data center operations attributable to other administrations' activities).

- Accelerates, from fiscal 2027 to fiscal 2026, the annual vehicle registration fee increases for Class A (passenger), Class M (multipurpose) and Class E (truck) vehicles.
- Sets the annual registration fees for rental vehicles at the same level as nonrental vehicles, by class and weight of the vehicles, resulting in increases to those annual fees.
- Requires, beginning January 1, 2026, that a $5 fee be imposed on the first sale of a new tire in the State by a tire dealer, including new tires sold as part of a new or used vehicle, trailer, farm implement, or similar machinery; requires each tire dealer to (1) pay the fee; (2) complete and submit, under oath, a return; and (3) remit the fees to the Comptroller, as specified; and requires the Comptroller to forward all new tire fees, less the costs of administration, to the Transportation Trust Fund (TTF).
- Authorizes, beginning July 1, 2025, MVA to increase the testing fee for the Vehicle Emissions Inspection Program to a maximum of $30 (rather than $14) and requires the fee to be adjusted for inflation beginning July 1, 2026.
- Reduces, from $20.0 million to $12.0 million, the aggregate amount of film production activity tax credit certificates that may be awarded in fiscal 2026.
- Reduces the total amount of the Student Loan Debt Relief Tax Credit that may be approved by the Maryland Higher Education Commission (MHEC) for tax year 2025, from $18.0 million to $9.0 million, and requires MHEC to submit a report regarding the tax credit by January 1, 2026.
- Authorizes the Governor to transfer $4.3 million from the More Jobs for Marylanders (MJM) Tax Credit Reserve Fund to the general fund, by June 30, 2025, and requires, beginning in fiscal 2026, the Comptroller, upon notification that a final credit amount in the MJM program by the Department of Commerce has been certified, to transfer an amount equal to the credit amount in the *initial* tax credit certificate, instead of the amount in the *final* tax credit certificate, from the MJM Tax Credit Reserve Fund to the general fund.
- Increases the vehicle excise tax rate from 6% to 6.5% of the fair market value of the vehicle beginning July 1, 2025.
- Repeals the vehicle excise tax exemption for short-term rental vehicles and imposes an excise tax rate of 3.5% of the fair market value of a short-term rental vehicle beginning July 1, 2025.
- Doubles certificate of title fees beginning July 1, 2025.
- Limits the definition of "historic motor vehicle" to model year 1999 or earlier vehicles, repealing the requirement that the motor vehicle be at least 20 years old, beginning in fiscal 2026; accordingly, requires vehicles from model year 2000 or later that are registered as historic vehicles to instead be registered by their corresponding class and weight and pay higher annual registration fees.

- Alters the State's individual income tax rates and brackets; phases out Maryland itemized deductions for certain taxpayers; increases the value of the Maryland standard deduction and eliminates the phase-in of the standard deduction; and modifies the State child tax credit to phase out the benefit gradually for taxpayers with federal adjusted gross income in excess of $15,000.
- Imposes a 2% surtax – for individuals with federal adjusted gross income in excess of $350,000 – on certain net capital gain included in Maryland taxable income for tax year 2025 and beyond.
- Increases the maximum income tax rate a county may impose on Maryland taxable income from 3.2% to 3.3%, and authorizes a county to set an income tax rate of 3.3% for tax year 2025 if the county notifies the Comptroller of the rate change by May 15, 2025, and is not requesting any other rate or bracket change for tax year 2025.
- Reduces, from 7.5% to 3.75%, the general fund estimate reduction threshold at which the value of the senior tax credit is reduced for certain taxpayers beginning with tax year 2025.
- Increases the sales and use tax rate imposed on the retail sale of adult-use cannabis from 9% to 12% beginning in fiscal 2026 and alters the distribution of sales and use tax collections from the sale of cannabis.
- Imposes a 3% sales and use tax on data and IT services and distributes the revenue to the general fund, among other changes.
- Repeals a State sales and use tax exemption for the sale of snack food from a vending machine beginning in fiscal 2026.
- Imposes the State sales and use tax on the sale of precious metal bullion or coins with a sales price greater than $1,000, unless the sale is made at the Baltimore Convention Center, beginning in fiscal 2026.
- Repeals a State sales and use tax exemption for the sale of photographic and artistic material used in a publication beginning in fiscal 2026.
- Increases the required Medicaid Deficit Assessment imposed on hospitals from $294,825,000 to $344,825,000 in fiscal 2025 and $394,825,000 in fiscal 2026 and every fiscal year thereafter, and authorizes the Health Services Cost Review Commission (HSCRC) and the Maryland Department of Health (MDH) to adopt an alternative method to collect, by the end of fiscal 2026, the amount of revenue resulting from the increase in the Medicaid deficit assessment across fiscal 2025 and 2026 (a total of $150.0 million).
- Requires the Comptroller to set the annual interest rate paid for sales and use tax refunds resulting from a final decision under *Potomac Edison v. Comptroller of the Treasury* to equal the average prime rate of interest during the 12 months immediately preceding the month in which the final decision is rendered, based on a determination by the Board of Governors of the Federal Reserve Bank.

Fund Transfers and Swaps, Cost Shifts, and Cost Containment

- Expands the allowable uses of the Cannabis Regulation and Enforcement Fund to include supporting the Social Equity Partnership Grant Program and specifies that the fund must be used to meet the mandated appropriation of $5.0 million for the grant program.
- Expands, in fiscal 2026 and 2027 only, the allowable uses of the Expedited Service Fund to authorize up to $11.0 million in each year to be used for general operating expenses in the State Department of Assessments and Taxation (SDAT).
- Expands the allowable uses of the Securities Act Registration Fund to include supporting the general operations of OAG.
- Requires, for fiscal 2026 through 2028 only, a total of $9.0 million from current allocations received under the Small, Minority, and Women-Owned Business Account from previously unspent allocations to be made available to two other funds ($7.5 million for the Pre-Seed Builder Fund and $1.5 million for the Maryland Small Business Development Financing Authority).
- Authorizes the Maryland Department of Planning (MDP) to use an additional $340,000 of the Maryland Heritage Areas Authority's Program Open Space (POS) funding allocation for MDP operating expenses in fiscal 2026 only.
- Alters allowable uses of the Waiting List Equity Fund (WLEF) to remove a prohibition against WLEF supplanting funds for emergency community placements or transitioning students.
- Removes a prohibition against the Developmental Disabilities Administration (DDA) within MDH establishing a limit on the maximum dollar amount provided to recipients for individual-directed and family-directed goods and services under the Community Services program.
- Authorizes, rather than requires, unexpended grant funds for core service agencies, local addiction authorities, local behavioral health authorities, and community organizations to remain with the entities at the end of each fiscal year
- Expands the allowable uses of the Senior Prescription Drug Assistance Program Fund within MDH to include, beginning in fiscal 2025 (rather than only in fiscal 2025), depositing funds into health reimbursement accounts of certain State retirees transitioning from Medicare Part D.
- Expands, in fiscal 2026 only, the allowable uses of the Community Services Trust Fund to include provider reimbursements in the DDA Community Services program within MDH.
- Removes the prohibition against use of the Board of Nursing Fund to pay for the board's infrastructure operations, which was in place through fiscal 2025.

- Limits, beginning in fiscal 2025, the total amount of benefits restored by the Department of Human Services for Electronic Benefits Transfer card theft to $30.0 million per fiscal year.
- Expands allowable uses of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to support up to $10.5 million of Department of Natural Resources (DNR) operating expenses in the annual budget bill.
- Increases the allowed use of the Waterway Improvement Fund for marine operations of the Natural Resources Police by $100,000 from $2.0 million to $2.1 million beginning in fiscal 2026.
- Waives, for fiscal 2026 only, the requirements that the Governor specify how expenditure reductions in the budget bill will be achieved and identify across-the-board reductions at a minimum level of detail and instead authorizes the Governor to provide this detail.
- Eliminates, in fiscal 2026 only, the requirement that at least 30% of the annual Cigarette Restitution Fund (CRF) appropriation support Medicaid expenses.
- Authorizes the use of funds received from litigation related to the enforcement of the Master Settlement Agreement that are placed in a separate account from CRF to support Medicaid expenses in fiscal 2026 only.
- Expands the allowable uses of funds in the Mortgage Loan Servicing Practices Settlement Fund to include legal assistance for evictions and legal assistance in any legal proceeding.
- Waives, for fiscal 2025 and 2026 only, the requirement that Opioid Restitution Fund monies be supplemental to and not supplant funds otherwise provided for programs and services.
- Requires that the county government in which the conviction of an individual occurred pay to the State 50% of the amount of compensation awarded to an individual under § 10-501(a)(1) of the State Finance and Procurement Article for having been convicted, sentenced, and confined under State law for a crime the individual did not commit.
- Reduces the mandated distribution of lottery revenues to the Bus Rapid Transit Fund (BRTF) from $27.0 million annually to $17.0 million annually beginning in fiscal 2026 and, instead, requires the Governor to include in the State budget an appropriation of $10.0 million annually from TTF to BRTF for bus rapid transit grants beginning in fiscal 2026, among other changes.
- Expands the allowable uses of SEIF to include costs associated with the MDE Air and Radiation Administration.
- Expands, in fiscal 2026 only, the allowable uses of Alternative Compliance Payment (ACP) revenues in SEIF to include up to $100.0 million for solar development on State government property and local government clean energy programs, which must be accounted for separately within the fund.

- Authorizes, beginning in fiscal 2026, the use of up to $1.0 million each year from the Performance Incentive Grant Fund to be used for operations of the Office of the Correctional Ombudsman.
- Reduces the participation target for the Maryland Corps Young Adult Service Year Option Pathway in fiscal 2027 by 500 and establishes participation targets for fiscal 2026 and 2028, and reduces, only for fiscal 2026, the mandated appropriation to the Maryland Service Year Option Pathway Fund from $15.0 million to $13.0 million.
- Requires the Comptroller to distribute $230,000,000 and $40,567,430 from the Local Income Tax Reserve (LITR) Account to the general fund in fiscal 2025 and 2026, respectively; requires the State to repay these amounts by distributing $27,056,743 of the remaining income tax revenue from individuals to the LITR Account annually from fiscal 2029 through 2038.
- Requires the Comptroller to distribute $37,300,000 from the LITR Account to the Division of Paid Leave within the Maryland Department of Labor (MD Labor) by July 31, 2025, and requires MD Labor to repay this amount to the LITR Account within two years after Family and Medical Leave Insurance contributions begin.
- Redirects $25.0 million in transfer tax revenue to the general fund for fiscal 2026 through 2029 from specified State land preservation programs.
- Expands the allowable uses of the Maryland Emergency Medical System Operations Fund, in fiscal 2025 and 2026 only, to allow the fund to support general operations of the Maryland State Police Aviation Command.
- Increases the local cost share amount, from 50% to 90%, that Baltimore City and county governments are required to pay SDAT for costs associated with real property valuation, business personal property valuation, and IT beginning in fiscal 2026.
- Eliminates the funding requirement for the Governor to provide $12.0 million in fiscal 2025 for the 9-8-8 Trust Fund.
- Amends Section 9 from Chapter 717 of 2024 (BRFA of 2024) to increase a transfer authorized from the balance of the UI reserve account to the general fund from $60.0 million to $80.0 million, by June 30, 2025.
- Authorizes the Governor to transfer a total of $197,365,440 from the Dedicated Purpose Account to the general fund, by June 30, 2025.
- Authorizes the Governor to transfer $230.0 million from the Renewable Portfolio Standard/ACP Account of SEIF to the general fund, by June 30, 2025.
- Authorizes the Governor to transfer $5.0 million from the Maryland Police Training and Standards Commission Fund to the general fund, by June 30, 2025.
- Authorizes the Governor to transfer $6.0 million from the Maryland Innovation Investment Incentive Tax Credit reserve fund to the general fund, by June 30, 2025.

- Authorizes the Governor to transfer $5.0 million from the Mortgage Loan Servicing Practices Settlement Fund to the general fund, by June 30, 2025.
- Authorizes the Governor to transfer $4.9 million from the Maryland Violence Intervention and Prevention Program Fund to the general fund, by June 30, 2025.
- Authorizes up to $16.4 million from the POS land acquisition fund balance to be used for Maryland Park Service operating expenses in DNR in fiscal 2026 only.
- Authorizes the Governor to transfer $13.1 million from the Maternal and Child Health Population Health Improvement Fund to the general fund, by June 30, 2026.
- Authorizes the Governor to transfer a total of $6,933,699 from the fund balances of eight health professional licensing boards to the MDH Behavioral Health Administration, by June 30, 2026.
- Authorizes the Governor to transfer $20.0 million from the Circuit Court Real Property Records Improvement Fund (also known as the Land Records Improvement Fund) to the general fund, by June 30, 2026.
- Authorizes the Governor to transfer $1.0 million from the State Used Tire Cleanup and Recycling Fund to the general fund, by June 30, 2026.
- Authorizes the Governor to transfer $3.0 million of the Racing and Community Development Financing Fund's interest earnings to the general fund, by June 30, 2026.
- Authorizes the Governor to transfer sufficient funds by budget amendment, if necessary, by June 30, 2026, from the Rainy Day Fund to the Annuity Bond Fund to ensure that the State Treasurer is able to pay debt service to the State's bondholders.
- Authorizes the Governor to transfer $9.0 million from the Resilient Maryland Revolving Loan Fund to the Blueprint for Maryland's Future Fund, by June 30, 2025.
- Prohibits, for fiscal 2026 only, the Interagency Rates Committee (IRC) from increasing the payment rates for providers whose rates are set by IRC over the rates in effect on January 1, 2025.

Administrative and Other Actions

- Requires the Maryland Horse Industry Board to send horse establishment license renewal notices/forms at least one month before license expiration and allows (1) a 60-day grace period after expiration, when a license can be renewed retroactively with payment of the renewal fee and any late fee and (2) after the grace period, license reinstatement, with payment of the renewal fee and a reinstatement fee.
- Increases the percentage of open thoroughbred racing purses, from 2% to 3%, that may be deducted from the purses and paid to the Maryland Thoroughbred Horsemen's Association.

- Terminates the Maryland Thoroughbred Racetrack Operating Authority (MTROA), effective June 30, 2025, and makes the Maryland Stadium Authority the successor entity for the planning, design, construction, and ownership of a racing and community development project and the Maryland Economic Development Corporation (MEDCO) the successor entity for the operation of a racing and community development project; transfers all rights, responsibilities, personal property, etc. of MTROA, including those related to the Maryland Jockey Club, to MEDCO, among other provisions.
- Reduces the cap that DDA within MDH is authorized to establish under the Low Intensity Support Services program from a cap of no less than $2,000 to a cap of no less than $1,000 for services per qualifying individual per fiscal year beginning in fiscal 2026.
- Establishes a Medicaid Primary Care Program Fund within MDH to serve as the foundation for advancing primary care in the State under the Advancing All-Payer Health Equity Approaches and Development model, with capitalization of the new special fund from hospital payments administered on a one-time basis, through a uniform and broad-based assessment via the Medicare savings component for calendar 2023, by HSCRC and any other source accepted for the fund.
- Increases the cap on two Maryland Environmental Service project contingency funds to increase the total amounts of funding that can be retained in these funds for current and future costs for projects located at State-owned facilities.
- Removes the Judicial branch of State government from the list of entities which are not subject to review by the Office of Program Evaluation and Government Accountability within DLS.
- Eliminates the requirement that operating expenses in the TTF Forecast, for years beyond the budget year, be increased by the five-year average annual increase in actual operating expenses in developing departmental operating expense estimates, provided that the rate for these years cannot vary by more than 0.5 percentage points from the rate used in the prior forecast.
- Increases the debt outstanding limit on Consolidated Transportation Bonds from $4.5 billion to $5.0 billion.
- Expands the types of projects that MDOT may fund using proceeds from bonds backed by future federal aid (typically known as Grant Anticipation Revenue Vehicle (GARVEE) bonds) to include the major rehabilitation of the existing light rail system, including replacement light rail vehicles and related station and maintenance facility improvements.
- Delays the requirement that the Maryland Transit Administration procure only zero-emission buses to support its transit fleet from beginning in fiscal 2027 to beginning in fiscal 2032; clarifies the use of GARVEE bonds to pay for buses in addition to use of TTF revenues.

- Modifies, for tax year 2026 and beyond, the income tax apportionment of pass-through entity (PTE) income with respect to resident members such that each resident member's distributive or *pro rata* share of the PTE's income is fully apportioned to Maryland.
- Reduces $1,596,400 in special funds for five prior-year Baltimore City Direct Grant projects within DNR allocated as part of the POS State allocation that either have been (1) abandoned or (2) completed with funding remaining.
- Withdraws a $12.0 million fiscal 2024 PAYGO general fund grant to the County Executive and County Council of Baltimore County for infrastructure improvements to the Lansdowne Library.
- Reduces by $326,456 the unexpended appropriation within the Board of Public Works – Miscellaneous Grants to Local Governments program that was included in the fiscal 2024 budget for the 2023 Artscape Festival.
- Requires that, if congressional action or other federal changes result in a reduction of at least $1.0 billion in the State's estimated federal fund revenues compared to the federal funding budgeted in fiscal 2026, within 30 days of the determination or estimate of the federal fund revenue loss, the Secretary of Budget and Management certify whether the reduction is at least $1.0 billion, and if so, the Department of Budget and Management submit a report to the Legislative Policy Committee, as specified.
- Requires the Prince George's County Board of Education to use a competitive bidding process to procure, by August 1, 2025, an independent certified public accounting firm to conduct a performance (and/or financial) audit of all board revenues and expenditures from fiscal 2024 onward, among other provisions.
- Authorizes Montgomery County to request, and require MDH to delegate, authority to conduct nursing home surveys and complaint investigations to the county if MDH failed to comply with specified survey requirements in fiscal 2023 and 2024, along with other specified requirements.

Current Law: The Maryland Constitution requires the Governor to submit, and the General Assembly to pass, a balanced budget. General funds cannot be used to restore reductions made by the General Assembly after adoption of the budget, except through an approved deficiency appropriation in the following year's budget.

Beginning with the 2023 session (fiscal 2024 budget bill), the General Assembly may amend the budget to increase appropriations made by the Governor as well as add items to appropriations for Executive Branch agencies if the total appropriation for the Executive Branch does not exceed the total proposed appropriation submitted by the Governor. Prior to the 2023 session, the legislature could only add or increase funding for the General Assembly and the Judiciary.

Background: In December 2024, the Spending Affordability Committee recommended that the fiscal 2026 budget leave a closing general fund balance of at least $100.0 million. The committee also recommended maintaining a Rainy Day Fund balance of at least 7.5% of estimated general fund revenues. A structural deficit of $2.5 billion was forecasted for fiscal 2026 and was projected to increase to $6.0 billion by fiscal 2030, so the committee recommended that the fiscal 2026 budget erase the projected $2.5 billion gap between ongoing general fund revenues and ongoing spending in fiscal 2026 and improve the outlook for fiscal 2028 so that ongoing revenues will support at least 94% of projected ongoing spending.

The fiscal 2026 budget as introduced would have left a $106.0 million balance in the general fund and maintained the Rainy Day Fund balance at 8% of general fund revenues ($2.1 billion). However, ongoing spending in the fiscal 2026 budget as introduced exceeded ongoing revenues by $186.0 million, falling short of the Spending Affordability Committee's goal of eliminating the projected $2.5 billion structural deficit. While the fiscal 2026 budget as passed by the General Assembly reduces the projected structural deficit throughout the forecast period (through fiscal 2030), a significant structural gap still remains in the out-years.

State Fiscal Effect: Estimates of the fiscal 2025 and 2026 impact of the bill on the State general fund, totaling almost $3.4 billion, are shown in **Exhibit 1**.

Exhibit 1
General Fund Impact of the Budget Reconciliation and Financing Act of 2025
Fiscal 2025 and 2026
($ in Millions)

	FY 2025	FY 2026	
Revenues			
Mandate Relief	$0.0	$0.0	
Other Actions	765.6	1,566.0	
Revenue Subtotal	*765.6*	*1,566.0*	
Expenditures			
Mandate Relief	(9.2)	(722.1)	
Other Actions	(95.5)	(225.8)	
Expenditure Subtotal	*(104.7)*	*(947.9)*	
General Fund Improvement	**$870.2**	**$2,513.9**	**$3,384.11**

Notes: Numbers may not sum to total due to rounding. Mandate relief for fiscal 2026 includes $50.0 million in pay-as-you-go general fund expenditures.

Source: Department of Legislative Services

A discussion of each provision in the bill is provided in **Appendix A** (beginning on page 18). The fiscal 2025 through 2030 State effects for each provision, including the general fund impacts, the effects on other fund types, and other related information, such as any effects on local governments, are included with the discussions. **Appendix B** (beginning on page 232) identifies the quantified fiscal impact of separate provisions by budgeted fund type.

This analysis assumes that increased TTF revenues from the bill's provisions, totaling $481.7 million in fiscal 2026, are largely directed toward MDOT's operating spending needs and, thus, do not have a material impact on increasing MDOT's bond capacity.

Local Fiscal Effect: The impacts on local jurisdictions are included in the discussion of each provision in Appendix A. For example, the local share of the cost of educating a child with disabilities in a nonpublic placement program increases by $25.0 million in fiscal 2026 and by $52.9 million by fiscal 2030. County and Baltimore City expenditures increase by $97.7 million annually beginning in fiscal 2026 as a result of increasing the local share of annual employer pension contributions for members of TRS/TPS employed by local school systems and community colleges. County revenues in eight counties and Baltimore City decrease by $13.8 million in fiscal 2026 and by $27.7 million annually beginning in fiscal 2027 as a result of phasing out, over two years, the annual mandated appropriation for teacher retirement supplemental grants. Local expenditures increase by $21.2 million in fiscal 2026 and by $23.0 million in fiscal 2030 as a result of increasing the local cost share amount, from 50% to 90%, that Baltimore City and county governments are required to pay SDAT for property valuation. The fiscal 2026 effects of these provisions on local government finances are summarized in **Appendix C** (on page 243).

Approximately 16 other provisions also affect local finances, half of which stem from local governments receiving less funding from State-funded programs. Local expenditures increase for partial reimbursement of State expenditures for individuals erroneously convicted, sentenced, and confined under State law and for the purchase of new tires beginning in fiscal 2026 due to the new tire fee. Prince George's County Board of Education expenditures increase, likely by at least $200,000, to procure an independent certified public accounting firm to conduct a required audit. Montgomery County may request, and require MDH to delegate, authority to conduct nursing home surveys and complaint investigations to the county if MDH failed to comply with specified survey requirements in fiscal 2023 and 2024. To the extent Montgomery County is granted delegation authority to conduct surveys and complaint investigations, Montgomery County expenditures increase by an indeterminate but potentially significant amount beginning as early as fiscal 2026 to pay 50% of the costs for up to 60 months, as specified. Montgomery County estimates that additional staff will be required to conduct nursing home surveys and complaint investigations in the county.

However, notably, local income tax revenues increase by approximately $21.0 million or more beginning in fiscal 2026 due to the phase out of itemized deductions and enhancements to the standard deduction. Local income tax revenues may also increase beginning in fiscal 2026 to the extent counties alter income tax rates in a revenue-raising manner in response to the authorization to increase the maximum income tax rate a county may impose on Maryland taxable income from 3.2% to 3.3%. For tax year 2026 and beyond, counties that impose the current maximum county income tax rate of 3.2% on all Maryland taxable income have the necessary flexibility to adopt revenue-neutral, bracket-based income tax rates, should they opt to do so. Additionally, local governments may benefit from $50.0 million of ACP funds in the Maryland Energy Administration being used for local government renewable energy projects.

Additional Information

Recent Prior Introductions: Budget Reconciliation and Financing Acts have been introduced within the last three years. See SB 362 and HB 352 of 2024 and SB 183 and HB 202 of 2023.

Designated Cross File: SB 321 (The President)(By Request - Administration) - Budget and Taxation.

Information Source(s): Cecil, Charles, Frederick, Montgomery, Prince George's, and Wicomico counties; Department of Information Technology; Maryland Environmental Service; Maryland Department of Aging; Department of Commerce; Alcohol, Tobacco, and Cannabis Commission; Maryland Cannabis Administration; Office of the Attorney General (Consumer Protection Division and Securities Division); Comptroller's Office; Governor's Office of Crime Prevention and Policy; Maryland State Treasurer's Office; Judiciary (Administrative Office of the Courts); Register of Wills; Maryland State Department of Education; Maryland Higher Education Commission; University System of Maryland; St. Mary's College of Maryland; Interagency Commission on School Construction; Maryland Center for School Safety; Maryland Department of Agriculture; Department of Budget and Management; Maryland Department of the Environment; Maryland Department of Health; Department of Housing and Community Development; Department of Human Services; Department of Juvenile Services; Maryland Department of Labor; Department of Natural Resources; Maryland Department of Planning; Board of Public Works; Department of State Police; Maryland Department of Transportation; State Department of Assessments and Taxation; Maryland State Lottery and Gaming Control Agency; Office of People's Counsel; Public Service Commission; State Retirement Agency; Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2025
caw/ljm Enrolled - May 16, 2025
Revised - Amendment(s) - May 16, 2025
Revised - Budget Information - May 16, 2025
Revised - Other - May 16, 2025
Revised - Correction - May 16, 2025

Analysis by: Heather N. MacDonagh

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Appendix A – Contents

Mandate Relief

Revenue Actions

Fund Transfers and Swaps, Cost Shifts, and Cost Containment

Administrative and Other Actions

Note: Page numbers for locations of provisions in the bill within each discussion refer to the locations in the enrolled version of the bill.

Reduce Mandate for Tree Planting on Agricultural Land

Provision in the Bill: Reduces the amount of funding that the Governor must provide for tree planting on agricultural land from $2.5 million to $0.5 million for fiscal 2025 through 2031. The fiscal 2026 budget as passed by the General Assembly includes $2.0 million general fund reductions in fiscal 2025 and 2026, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	($2.0)	($2.0)	($2.0)	($2.0)	($2.0)	($2.0)

State Effect: General fund expenditures decrease by $2.0 million annually in fiscal 2025 through 2031. Revenues are not affected.

Local Effect: None.

Program Description: Chapter 645 of 2021 (Tree Solutions Now Act of 2021) established a new policy of the State to support and encourage public and private tree-planting efforts, with the goal of planting and helping to maintain five million sustainable native trees in the State by the end of calendar 2031. To help achieve this goal, Chapter 645 altered and directed additional resources to a number of existing programs and initiatives. For plantings on agricultural land, Chapter 645 specifies that a landowner who enrolls land planted with a forested streamside buffer receives a one-time signing bonus of up to $1,000 per acre of land enrolled in the Conservation Reserve Enhancement Program (CREP). In fiscal 2023, $2.5 million was required to be transferred from the Wastewater Account of the Bay Restoration Fund for tree plantings under CREP and other tree-planting programs on agricultural land, and for fiscal 2024 through 2031, the Governor must include an annual appropriation of $2.5 million in the State budget for tree plantings under CREP and other tree planting programs on agricultural land.

Recent History: At the close of fiscal 2024, MDA reverted $2.2 million in general funds from its Resource Conservation Grants program, of which the majority was likely part of the $2.5 million budgeted that year under Chapter 645 for tree plantings under CREP and other tree planting programs on agricultural land.

Location of Provision in the Bill: Section 1 (pp. 17-18)

Analysis prepared by: Andrew D. Gray

Alter Mandate for Consumer Protection Division

Provision in the Bill: Repeals, beginning in fiscal 2026, the requirement that the Governor provide at least $350,000 in *general* funds for specified costs and investigations of the Office of the Attorney General (OAG), Consumer Protection Division (CPD), and instead requires, beginning in fiscal 2026, the use of *special* funds to meet this mandate. No specific special fund is identified as the source for the special fund authorization going forward. The fiscal 2026 budget as passed by the General Assembly includes a $350,000 general fund reduction and a $350,000 special fund appropriation, contingent on the enactment of legislation modifying the mandate.

Agency: OAG

Type of Action: Mandate relief

Fiscal Impact:	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
			($ in millions)			
GF Exp	$0	($0.4)	($0.4)	($0.4)	($0.4)	($0.4)
SF Exp	$0	$0.4	$0.4	$0.4	$0.4	$0.4

State Effect: No impact in fiscal 2025. Special fund expenditures increase by $350,000 annually beginning in fiscal 2026 due to the requirement to meet the mandate with special funds. General fund expenditures for OAG decrease correspondingly. The Department of Legislative Services notes that, while a specific source of special funds is not identified, the Consumer Protection Division Recoveries Fund is expected to be used, based on previous actions. Revenues are not affected.

Local Effect: None.

Program Description: CPD assists residents by providing mediation and arbitration service to consumers to help resolve complaints against businesses and health insurance carriers, registers homebuilders and health clubs, and enforces consumer laws against businesses engaging in unfair or deceptive trade practices. The Consumer Protection Division Recoveries Fund receives certain revenues from cases handled by CPD. It is established as part of the Maryland Consumer Protection Act. The fund is used for operating expenses, including personnel, within CPD. Accounting for this provision, OAG estimates that, in fiscal 2026, the fund would have a closing fund balance of $7.2 million.

Recent History: The Budget Reconciliation and Financing Act of 2024 (Chapter 717) repealed the general fund mandate and authorized the use of special funds for fiscal 2025 only and, beginning in fiscal 2026, reduced the general fund mandate from $700,000 to $350,000.

Location of Provision in the Bill: Section 1 (pp. 23-24)

Analysis prepared by: Jacob L. Pollicove

Eliminate Mandate for Maryland Watermen's Microloan Program

Provision in the Bill: Eliminates the requirement that the Governor provide an appropriation of $500,000 for the Maryland Watermen's Microloan Program (MWLP) in fiscal 2026. The fiscal 2026 budget as passed by the General Assembly includes a $0.5 million general fund reduction, contingent on the enactment of legislation eliminating the mandate.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Mandate relief

Fiscal Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
	($ in millions)					
GF Exp	$0	($0.5)	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. General fund expenditures decrease by $0.5 million in fiscal 2026 only. Revenues are not affected.

Local Effect: None.

Program Description: The Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) is a quasi-public economic development organization chartered by the State. Chapter 384 of 2022 established MWLP in MARBIDCO. The purpose of MWLP is to provide loans to qualified commercial fishermen to continue commercial operations in the State, including for purchasing boats, mechanical equipment, fishing gear, fishing quota, and any other item used in commercial seafood harvesting. For fiscal 2024 through 2026, the Governor must include in the annual State budget bill an appropriation of $500,000 to MWLP; the appropriation must be distributed to a special fund that may only be used to make loans and pay the necessary costs to administer and operate the program. However, as Chapter 384 did not create a new special fund or specify an existing special fund, in practice, the fiscal 2024 and 2025 appropriations of $500,000 have been part of MARBIDCO's overall general fund appropriation. In fiscal 2024, MARBIDCO made nine microloans between $7,000 and $15,000 at an interest rate of 3.00% for $133,695 under MWLP.

Recent History: Chapters 573 and 574 of 2024 altered the definitions of "beginner waterman" and "generational waterman" so that, under MWLP, such an individual (1) must be a resident of the State but (2) may hold a commercial license to catch finfish, crabs, clams, and oysters issued by the Potomac River Fisheries Commission instead of just a tidal fish license issued by the Department of Natural Resources. In addition, Chapters 573 and 574 removed the requirement that a loan made under MWLP be between $7,000 and $15,000.

Location of Provision in the Bill: Section 1 (p. 27)

Analysis prepared by: Andrew D. Gray

Alter Mandate for School Resource Officer Grant

Provisions in the Bill: Remove a requirement for an annual appropriation of $10.0 million to the Safe Schools Fund (SSF) but maintain the mandated purpose of the appropriation for the School Resource Officers (SRO) grant program. Repeal the requirement that at least $10.0 million from SSF be used to provide grants to local school systems and local law enforcement agencies under the SRO grant program and the provision that authorizes SSF to receive revenue from the mandate. The fiscal 2026 budget as passed by the General Assembly includes a $5.0 million general fund reduction, contingent on the enactment of legislation reducing the mandate for the appropriation to SSF.

Agency: Maryland Center for School Safety (MCSS)

Type of Action: Mandate relief

Fiscal	($ in millions)					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	($5.0)	($10.0)	($10.0)	($10.0)	($10.0)
GF Exp	$0	($5.0)	($10.0)	($10.0)	$0	$0
SF Exp	$0	$0	$0	$0	($10.0)	($10.0)

State Effect: No impact in fiscal 2025. General fund expenditures to capitalize SSF decrease by $5.0 million in fiscal 2026, reflecting the contingent reduction in the fiscal 2026 budget as passed by the General Assembly. General fund expenditures decrease by $10.0 million in both fiscal 2027 and 2028 as adequate balance remains in SSF to meet the statutory requirement for a $10.0 million annual appropriation to the SRO grant program. No general fund savings are realized in fiscal 2029 and future years as the special fund balance will be exhausted and general funds will be required to meet the mandated appropriation to the SRO grant program.

Special fund revenues decrease by $5.0 million in fiscal 2026 and by $10.0 million in fiscal 2027 and 2028, consistent with the decrease in general fund appropriations to the fund. As general funds are instead provided *directly* to the local school systems for the SRO grants, special fund revenues and expenditures decline by $10.0 million annually beginning in fiscal 2029 after the fund balance is exhausted.

Local Effect: The annual mandated appropriation of $10.0 million for the SRO grant program, which supports local school systems and law enforcement agencies, is unchanged, as discussed below.

Program Description/Recent History: Chapter 30 of 2018, the Maryland Safe to Learn Act, made comprehensive changes designed to improve the safety of the State's public schools. SSF is administered by the School Safety Subcabinet, which must establish procedures for local school systems and law enforcement agencies to apply for grants from the fund (MCSS administers the grant program under the direction of the subcabinet). The purpose of the fund is to provide grants to local school systems to enhance school safety, and it may be used only for that purpose, as specified.

Each year, the Governor must include in the annual budget bill an appropriation of $10.0 million to the fund for the SRO grant program, and § 7-1512 of the Education Article requires that at least $10.0 million from the fund be used to provide grants to local school systems and local law enforcement agencies. The SRO grant program provides grants to local school systems and law enforcement agencies to assist in providing adequate law enforcement coverage for public schools. This includes offsetting the cost of assigning SROs to public schools. Chapter 179 of 2024 further authorized the use of grant funds to offset the cost of assigning school security employees to public schools. Grants must be made to each local school system in proportion to their share of public schools in the State and may not supplant funding that would otherwise be appropriated to local school systems. Any unspent funds revert to the fund each year but cannot be reallocated.

In addition to the annual $10.0 million mandated appropriation for the SRO grant program, SSF receives an annually mandated allocation of $600,000, which is supported by revenues from fines on motorists driving without proper insurance. Although SSF no longer receives an annual mandated appropriation under this bill, the requirement that at least $10.0 million from SSF be used for grants to local school systems and local law enforcement agencies is not affected. As SSF ended fiscal 2024 with a fund balance totaling $26.6 million, it is assumed that MCSS can use the existing fund balance to continue making the required grants from SSF for at least two additional years, so special fund expenditures are not affected in fiscal 2026, 2027, or 2028.

Location of Provisions in the Bill: Section 1 (pp. 32-33)

Analysis prepared by: Laura H. Hyde

Reduce State Share of Nonpublic Placement Program Cost for Educating Children with Disabilities

Provision in the Bill: Reduces the State share of the cost of educating a child with disabilities in a nonpublic placement program by phasing in, over two years, a change in the additional amount above 200% of the basic cost of education that local education agencies are required to provide – specifically 40% in fiscal 2026 and 50% in fiscal 2027 and subsequent years. The fiscal 2026 budget as passed by the General Assembly includes a $25.0 million general fund reduction, contingent on the enactment of legislation changing the mandate.

Agency: Maryland State Department of Education (MSDE)

Type of Action: Mandate relief; cost shift

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($25.0)	($49.9)	($50.9)	($51.9)	($52.9)

State Effect: No impact in fiscal 2025. General fund expenditures decrease by $25.0 million in fiscal 2026, reflecting the amount in the budget that is contingent on the enactment of the provision. General fund expenditures decrease by $49.9 million in fiscal 2027, reflecting the full phase in; subsequent decreases in general fund expenditures are expected to grow annually, based on inflationary increases, and reach $52.9 million in fiscal 2030. Revenues are not affected.

Local Effect: Local expenditures vary corresponding to the State/local share ratio; annual inflation set by MSDE based on the CPI-U index; and enrollment of students in the nonpublic placement program. The change in State aid is shown in **Exhibit 1**.

Program Description: The State and local school systems share in the costs of nonpublic placements for special education children who cannot receive an appropriate education in a public school. For those children in nonpublic placements approved by MSDE, the local school system contributes an amount equal to the local share of the basic cost of educating a child without disabilities plus two times the total basic cost. Any costs above this base amount are split on a State/local basis. Beginning in fiscal 2010 this share has been 70% State/30% local.

Recent History: Chapter 648 of 2023, the Teacher Parity Pay Act, mandates an increase in funding for nonpublic special education teacher salaries starting in fiscal 2025 to match the salaries of similarly qualified public school teachers.

Exhibit 1
Change in State Aid by County
Fiscal 2026-2030

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Allegany	($269,996)	($526,408)	($536,936)	($547,675)	($558,628)
Anne Arundel	(2,315,506)	(4,272,027)	(4,357,468)	(4,444,617)	(4,533,510)
Baltimore City	(1,666,525)	(3,031,839)	(3,092,476)	(3,154,325)	(3,217,412)
Baltimore	(4,828,425)	(8,931,432)	(9,110,061)	(9,292,262)	(9,478,107)
Calvert	(161,998)	(432,396)	(441,044)	(449,865)	(458,862)
Caroline	(12,112)	(44,565)	(45,457)	(46,366)	(47,293)
Carroll	(605,599)	(1,061,666)	(1,082,899)	(1,104,557)	(1,126,648)
Cecil	(127,097)	(357,209)	(364,354)	(371,641)	(379,074)
Charles	(238,875)	(557,396)	(568,544)	(579,915)	(591,513)
Dorchester	(46,799)	(118,432)	(120,801)	(123,217)	(125,681)
Frederick	(775,771)	(1,557,474)	(1,588,623)	(1,620,396)	(1,652,804)
Garrett	(3,701)	(22,544)	(22,995)	(23,455)	(23,924)
Harford	(1,007,986)	(2,675,234)	(2,728,738)	(2,783,313)	(2,838,979)
Howard	(1,564,464)	(3,607,316)	(3,679,463)	(3,753,052)	(3,828,113)
Kent	(21,600)	(44,006)	(44,886)	(45,784)	(46,700)
Montgomery	(3,573,395)	(6,277,046)	(6,402,587)	(6,530,638)	(6,661,251)
Prince George's	(3,863,646)	(7,033,776)	(7,174,451)	(7,317,940)	(7,464,299)
Queen Anne's	(67,289)	(140,148)	(142,951)	(145,810)	(148,726)
St. Mary's	(218,688)	(238,389)	(243,156)	(248,019)	(252,980)
Somerset	(9,000)	(26,163)	(26,686)	(27,220)	(27,764)
Talbot	(84,111)	(72,121)	(73,563)	(75,034)	(76,535)
Washington	(260,744)	(364,617)	(371,909)	(379,347)	(386,934)
Wicomico	(4,206)	(31,759)	(32,395)	(33,043)	(33,703)
Worcester	(1,800)	(5,123)	(5,225)	(5,330)	(5,436)
Unallocated/Statewide	(3,270,667)	(8,455,866)	(8,624,983)	(8,797,483)	(8,973,433)
Total	**($25,000,000)**	**($49,884,952)**	**($50,882,651)**	**($51,900,304)**	**($52,938,309)**

Source: Department of Legislative Services

Location of Provision in the Bill: Section 1 (pp. 33-34)

Analysis prepared by: Laura H. Hyde

Reduce Mandate for Community College Promise Scholarship Program

Provision in the Bill: Reduces the amount that the Governor must provide to the Maryland Community College Promise Scholarship from $15.0 million to $13.5 million beginning in fiscal 2026.

Agency: Maryland Higher Education Commission (MHEC)

Type of Action: Mandate relief

Fiscal Impact:	($ in millions) **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0.0	$1.5	$1.5	$1.5	$1.5	$1.5

State Effect: No impact in fiscal 2025. General fund expenditures decrease by $1.5 million annually beginning in fiscal 2026 due to the lower mandated appropriation. The fiscal 2026 budget as passed by the General Assembly reduces $1.5 million from the Community College Promise Scholarship program in both fiscal 2025 and 2026 (although the action for fiscal 2025 is consistent with this provision, it is not due to the provision). Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapter 554 of 2018 created the Maryland Community College Promise Scholarship program to provide tuition assistance for students attending a community college in the State and who meet specified eligibility criteria, including an income limitation. The Governor must appropriate at least $15.0 million annually for the program. The scholarship covers costs not met by any other student financial aid, excluding loans, also known as a last-dollar scholarship after the federal Pell Grant and State financial aid awards are calculated. A minimum GPA and credit completion are required.

Chapter 634 of 2023 made each community college in the State rather than the MHEC Office of Student Financial Assistance responsible for the selection and distribution of awards. Chapters 377 and 378 of 2025 alter the eligibility for the program to allow part-time associate's degree students to receive awards for up to six years, while making no change to the eligibility for other associate's degree students, and clarifying that students pursuing licensure, certification, or participating in a registered apprenticeship program are eligible to receive the award for up to three years.

Location of Provision in the Bill: Section 1 (p. 38)

Analysis prepared by: Micah R. Richards

Reduce Mandate for Maryland Loan Assistance Repayment Program for Police Officers and Probation Agents

Provision in the Bill: Reduces the funding the Governor must provide to the Maryland Loan Assistance Repayment Program (LARP) for Police Officers and Probation Agents from at least $5.0 million annually to at least $500,000 in fiscal 2025 and at least $2.0 million annually thereafter. The fiscal 2026 budget as passed by the General Assembly includes a general fund reduction of $3,375,000 in fiscal 2025, contingent on the enactment of legislation reducing funding for the program.

Agency: Maryland Higher Education Commission

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	($3.4)	($3.0)	($3.0)	($3.0)	($3.0)	($3.0)

State Effect: General fund-expenditures decrease by $3.4 million in fiscal 2025, reflecting the contingent reduction, and by $3.0 million annually beginning in fiscal 2026 due to reducing the mandated appropriation. The fiscal 2026 budget as passed by the General Assembly includes a $2.0 million appropriation to the program in fiscal 2026. Revenues are not affected.

Local Effect: None.

Program Description: The Maryland LARP for Police Officers and Probation Agents provides financial assistance in the repayment of educational loans to individuals currently serving as police officers and parole and probation agents in Maryland.

Recent History: The program was established by Chapter 59 of 2021 to provide financial assistance to police officers. However, Chapter 100 of 2023 expanded the program to include parole and probation agents and increased the amount of funding the Governor is required to include in the annual budget bill for the program from at least $1.5 million to at least $5.0 million beginning in fiscal 2024. In July 2024, the Board of Public Works approved cost containment actions, including reducing funding for the program from $5.0 million to $3.9 million for fiscal 2025.

Location of Provision in the Bill: Section 1 (p. 38)

Analysis prepared by: Micah R. Richards

Reduce and Alter Mandate for Maryland Police Officers and Probation Agents Scholarship Program

Provisions in the Bill: Reduce the funding the Governor must provide to the Maryland Police Officers and Probation Agents Scholarship Program from at least $5.0 million annually to at least $500,000 in fiscal 2025 and at least $2.0 million annually thereafter. Repeal the requirement that the Maryland Higher Education Commission (MHEC) use one-half of the funding ($2.5 million) for students who intend to become police officers or probation agents and the other half ($2.5 million) for existing police officers or probation agents. The fiscal 2026 budget as passed by the General Assembly includes a general fund reduction of $3,375,000 in fiscal 2025, contingent on the enactment of legislation reducing the mandate.

Agency: MHEC

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	($3.4)	($3.0)	($3.0)	($3.0)	($3.0)	($3.0)

State Effect: General fund expenditures decrease by $3.4 million in fiscal 2025, reflecting the contingent reduction, and by $3.0 million annually beginning in fiscal 2026 due to reducing the mandated appropriation. The fiscal 2026 budget as passed by the General Assembly includes a $2.0 million appropriation to the program in fiscal 2026. Revenues are not affected.

Local Effect: None.

Program Description: The Maryland Police Officers and Probation Agents Scholarship provides tuition assistance to Maryland students who intend to become police officers or parole or probation agents in the State after their graduation and existing Maryland police officers and parole or probation agents who are enrolled in a degree program to further their career.

Recent History: The scholarship program was established by Chapter 59 of 2021 to provide tuition assistance to aspiring and existing police officers only. However, Chapter 100 of 2023 expanded eligibility to encompass aspiring and existing parole and probation agents, decreased the amount that the Governor is required to include in the annual budget bill from at least $8.5 million to at least $5.0 million beginning in fiscal 2024, and specified how that funding is to be distributed between students who intend to serve in those roles and those who are already serving in them. In July 2024, the

Board of Public Works approved cost containment actions, including reducing funding for the scholarship program from $5.0 million to $3.9 million for fiscal 2025.

Location of Provisions in the Bill: Section 1 (pp. 38-39)

Analysis prepared by: Micah R. Richards

Eliminate Mandate for Behavioral Health Care Coordination Value-based Purchasing Pilot Program

Provisions in the Bill: Repeal the requirement that the Governor provide, for fiscal 2025 through 2027, $600,000 annually for the Behavioral Health Care Coordination Value-based Purchasing (VBP) Pilot Program (along with the specified required allocation of those funds), and instead authorize the Governor to include $600,000 in the annual budget for this purpose (and authorize certain allocations). The fiscal 2026 budget as passed by the General Assembly includes a $600,000 general fund reduction, contingent on the enactment of these provisions.

Agency: Maryland Department of Health (MDH)

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($0.6)	($0.6)	$0	$0	$0

State Effect: General fund expenditures for MDH's Behavioral Health Administration decrease by $600,000 annually in fiscal 2026 and 2027. There is no impact in fiscal 2025 as cost containment actions approved by the Board of Public Works in July 2025 deleted the fiscal 2025 appropriation for the program.

Local Effect: None.

Program Description/Recent History: Chapter 369 of 2023 established the Behavioral Health Care Coordination VBP Pilot Program in MDH to implement an intensive care coordination model using VBP in the specialty behavioral health system. Chapter 369 requires MDH to administer the pilot program for a three-year period and requires the Governor to include $600,000 in the annual budget from fiscal 2025 through 2027 to operate the program.

Beginning in fiscal 2026, MDH must allocate a percentage of the mandated appropriation for the pilot program to reimbursement paid based on the achievement of specified outcome measures. In fiscal 2027, MDH must increase this percentage over the percentage allocated in fiscal 2026.

In January 2025, MDH indicated that, to establish the program for fiscal 2026, the department planned to release a request for applications by the end of calendar 2025.

Location of Provisions in the Bill: Section 1 (p. 61)

Analysis prepared by: Naomi Komuro

Eliminate Mandate for Maryland Patient Safety Center Fund

Provision in the Bill: Repeals the funding mandate, beginning in fiscal 2026, for the Governor to provide $1.0 million annually for the Maryland Patient Safety Center Fund and instead authorizes the Governor to include at least $1.0 million in the annual budget for the fund. The fiscal 2026 budget as passed by the General Assembly includes a $1.0 million general fund reduction, contingent on the enactment of legislation eliminating the mandate.

Agency: Maryland Health Care Commission (MHCC)

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	($1.0)	($1.0)	($1.0)	($1.0)	($1.0)
GF Exp	$0	($1.0)	($1.0)	($1.0)	($1.0)	($1.0)
SF Exp	$0	($1.0)	($1.0)	($1.0)	($1.0)	($1.0)

State Effect: No impact in fiscal 2025. General fund expenditures decrease by $1.0 million annually beginning in fiscal 2026. Special fund revenues and expenditures decrease correspondingly.

Local Effect: None.

Program Description: Chapters 529 and 530 of 2022 required MHCC to designate a Patient Safety Center for the State by December 31, 2025, established the Patient Safety Center Fund to subsidize a portion of the costs of the center, and established a $1.0 million annual mandated appropriation for the fund beginning in fiscal 2024. MHCC administers the fund and may provide an annual grant from the fund to the designated center. Patient Safety Center activities include (1) developing, coordinating, and implementing patient safety initiatives across the State; (2) being a model for patient safety innovation and implementation; (3) convening health care providers, patients, and families to improve the quality of care, reduce preventable and avoidable harm, and provide safe and equitable health care for State citizens; and (4) sharing information related to best practices among providers and patients in the State.

Recent History: None.

Location of Provision in the Bill: Section 1 (p. 63)

Analysis prepared by: Anne W. Braun

Alter Mandate for Continuing the CORE Partnership Fund by Allowing Use of General Obligation Bonds

Provision in the Bill: Authorizes the Governor to meet the requirement to provide $50.0 million for the Continuing the CORE Partnership Fund (known as Baltimore Vacants Reinvestment Initiative) in either the operating or capital budget, rather than only the operating budget, beginning in fiscal 2026.

Agency: Department of Housing and Community Development (DHCD)

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
PAYGO GF Exp	$0	($50.0)	($50.0)	($50.0)	($50.0)	($50.0)

State Effect: No impact in fiscal 2025. Pay-as-you-go general fund expenditures decrease by $50.0 million in fiscal 2026 and in any year that the Governor chooses to use general obligation (GO) bond funds. The fiscal 2026 budget as passed by the General Assembly reduced $50.0 million in general funds due to the availability of GO bond funding as a result of this provision. GO bond funding for the program increases correspondingly. The 2025 *Capital Improvement Program* also reflects $60.0 million in GO bonds annually through 2030 ($50.0 million of which is for the Baltimore Vacants Reinvestment Initiative). The fiscal 2026 capital budget as passed by the General Assembly includes $50.0 million for the Baltimore Vacants Reinvestment Initiative. Providing funding through GO bonds does not affect overall State expenditures but does reallocate funding from other capital projects. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapters 639 and 640 of 2018 established the Continuing the CORE Partnership Fund within DHCD. The fund is a special, nonlapsing fund with the stated purpose of assisting DHCD, in conjunction with the Maryland Stadium Authority and Baltimore City, in removing blighted property within Baltimore City. For fiscal 2020, the Governor was explicitly authorized to include in the annual budget bill an appropriation of $30.0 million to the fund. For fiscal 2021 through 2024, the Governor was explicitly authorized to include in the annual operating budget bill an appropriation of $25.0 million to the fund. Chapter 335 of 2024 extended the fund indefinitely and required the Governor to provide $50.0 million in the annual budget bill for the program beginning in fiscal 2026.

Location of Provision in the Bill: Section 1 (pp. 64-65)

Analysis prepared by: Scott E. Benson

Reduce Mandate for Maryland New Start Grant Program

Provision in the Bill: Reduces, for fiscal 2025 through 2028, the amount of funding the Governor is required to provide annually for the Maryland New Start Grant Program from $200,000 to $50,000. The fiscal 2026 budget as passed by the General Assembly includes general fund reductions of $150,000 in both fiscal 2025 and 2026, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Department of Labor (MD Labor)

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	($0.2)	($0.2)	($0.2)	($0.2)	$0	$0

State Effect: General fund expenditures for MD Labor decrease by $150,000 annually in fiscal 2025 through 2028. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapter 485 of 2022 established the Maryland New Start Grant Program in MD Labor to award grants to at least five eligible organizations to create or support existing entrepreneurship development programs that assist specified formerly imprisoned individuals or specified individuals approved for release by a correctional facility. The Governor must include an appropriation of at least $200,000 for the program in fiscal 2024 through 2028, and the program terminates June 30, 2029.

Location of Provision in the Bill: Section 1 (pp. 73-74)

Analysis prepared by: Scott E. Benson

Reduce Mandate for Construction Education and Innovation Fund

Provision in the Bill: Reduces, for fiscal 2025 through 2029, the amount of funding the Governor is required to provide for the Construction Education and Innovation Center from $625,000 to $531,250. The fiscal 2026 budget as passed by the General Assembly includes a $93,750 general fund reduction, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Department of Labor

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($0.1)	($0.1)	($0.1)	($0.1)	$0

State Effect: No impact in fiscal 2025. General fund expenditures decrease by $93,750 annually from fiscal 2026 through 2029. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapter 34 of 2016 established the Construction Education and Innovation Fund to support the Maryland Center for Construction Education and Innovation (MCCEI), with a funding mandate of $250,000 annually beginning in fiscal 2018. MCCEI is a public-private partnership located at Towson University that aims to promote, develop, and connect career opportunities in the built environment. Chapter 493 of 2023 increased the amount of mandated funding to $625,000 for fiscal 2025 through 2029 and terminated the mandate after fiscal 2029.

Location of Provision in the Bill: Section 1 (p. 74)

Analysis prepared by: Scott E. Benson

Reduce Mandate for Career Pathways for Health Care Workers Program

Provision in the Bill: Reduces, beginning in fiscal 2025, the amount of funding the Governor is required to provide annually for the Career Pathways for Health Care Workers Program from $1.0 million to $500,000. The fiscal 2026 budget as passed by the General Assembly includes general fund reductions of $250,000 in fiscal 2025 and $500,000 in fiscal 2026, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Department of Labor (MD Labor)

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	($0.3)	($0.5)	($0.5)	($0.5)	($0.5)	($0.5)

State Effect: General fund expenditures for MD Labor decrease by $250,000 in fiscal 2025 and by $500,000 annually beginning in fiscal 2026. Any impact on higher education institutions is not reflected.

Local Effect: Community colleges benefit from the program so they may be affected by the program's reduced funding.

Program Description/Recent History: Chapter 403 of 2022 established the Career Pathways for Health Care Workers Program in the Division of Workforce Development and Adult Learning in MD Labor. The program provides matching grants to hospitals or related institutions to pay for training programs attended by health care workers, with a goal of providing increased opportunities for health care workers to receive training across the State.

Location of Provision in the Bill: Section 1 (pp. 74-75)

Analysis prepared by: Scott E. Benson

Phase Out Teacher Retirement Supplemental Grants

Provisions in the Bill: Phase out, over two years, the annual mandated appropriation for teacher retirement supplemental grants to eight counties and Baltimore City. Reduce the mandated appropriation from $27.7 million to $13.8 million in fiscal 2026 and permanently repeal the mandate in fiscal 2027. The fiscal 2026 budget as passed by the General Assembly includes a general fund reduction of $13,829,330, contingent on the enactment of legislation reducing the teacher retirement supplemental grants.

Agency: Payments to Civil Divisions of the State

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($13.8)	($27.7)	($27.7)	($27.7)	($27.7)

State Effect: No impact in fiscal 2025. General fund expenditures decrease by $13.8 million in fiscal 2026, based on the level of the reduction contingent on the enactment of the provision. General fund expenditures decrease annually by $27.7 million beginning in fiscal 2027. Revenues are not affected.

Local Effect: Revenues in eight counties and Baltimore City decrease by a combined $13.8 million in fiscal 2026 and by $27.7 million annually beginning in fiscal 2027.

Program Description: Chapter 1 of the First Special Session of 2012 mandated a general fund appropriation of $27.7 million each year for the Teacher Retirement Supplemental Grant for nine jurisdictions (Baltimore City and Allegany, Baltimore, Caroline, Dorchester, Garrett, Prince George's, Somerset, and Wicomico counties). The grant was established to partially offset costs associated with a requirement, beginning in fiscal 2012, that local school systems pay a portion of employer contributions for teacher pensions.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 75-76) and Section 7 (p. 190)

Analysis prepared by: Yashodhara Rai

Eliminate Mandate for Maryland Forestry Education Fund

Provision in the Bill: Repeals the requirement that the Governor provide $250,000 for the Maryland Forestry Education Fund in fiscal 2026. The fiscal 2026 budget as passed by the General Assembly includes a $250,000 general fund reduction in the Forest Service, contingent on legislation eliminating the mandate.

Agency: Department of Natural Resources

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	($0.3)	$0	$0	$0	$0
GF Exp	$0	($0.3)	$0	$0	$0	$0
SF Exp	$0	($0.3)	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. General fund expenditures decrease by $250,000 in fiscal 2026. Special fund revenues and expenditures decrease correspondingly. Chapters 479 and 480 of 2023 require that expenditures from the fund may be made only in accordance with the State budget. Accordingly, even though the fund is administered by the Maryland Forestry Foundation, which is a nonprofit organization, this analysis assumes that the special funds flow through the State budget.

Local Effect: To the extent local governments would otherwise receive a grant under the program, local revenues and expenditures decrease in fiscal 2026. In addition, local governments no longer benefit from the additional training and outreach provided under Chapters 479 and 480.

Program Description/Recent History: Chapters 479 and 480 established the Maryland Forestry Education Fund, to be administered by the Maryland Forestry Foundation. The purpose of the fund is to expand and enhance (1) the Maryland Forestry Foundation's capacity to provide education and resources that support forest landowners in the State; (2) the ability of district forestry boards and the knowledge of local governments to achieve environmental, economic, and social sustainability of forest health and the sustainable management of forest resources; and (3) the ability of businesses to test innovative best management practices in forestry. The Governor is required to include in the annual budget bill an appropriation of $250,000 to the fund in fiscal 2025 and 2026 only. However, as part of cost containment approved at a July 2024 meeting, the Board of Public Works approved a deletion of the $250,000 in fiscal 2025 funding.

Location of Provision in the Bill: Section 1 (p. 78)

Analysis prepared by: Andrew D. Gray

Reduce Mandate for Warrants and Absconding Grants

Provision in the Bill: Reduces the amount the Governor must provide for warrants and absconding grants administered by the Governor's Office of Crime Prevention and Policy (GOCPP) from $2.0 million to $1.0 million in fiscal 2025 and 2026. The fiscal 2026 budget as passed by the General Assembly includes a $1.0 million general fund reduction, contingent on legislation reducing the mandate.

Agency: GOCPP

Type of Action: Mandate relief

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($1.0)	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. General fund expenditures for GOCPP decrease by $1.0 million in fiscal 2026. Revenues are not affected.

Local Effect: Local government grant revenues associated with the grant decrease in total by $1.0 million in fiscal 2026. Expenditures are correspondingly affected.

Program Description: Chapter 174 of 2022 established a mandated appropriation of $2.0 million for warrants and absconding grants in fiscal 2024 through 2026 for warrant apprehension activities in local law enforcement agencies. GOCPP is required to administer the funds to local law enforcement agencies.

Recent History: Though this provision also lowers the mandated amount for fiscal 2025, a cost containment action approved by the Board of Public Works in July 2024 already reduced the funding available in fiscal 2025 from $2.0 million to $1.0 million.

Location of Provision in the Bill: Section 1 (pp. 81-82)

Analysis prepared by: Madelyn C. Miller

Eliminate Set Aside for Expedited Information Technology Investment Fund Projects

Provision in the Bill: Repeals the requirement that the Governor set aside at least 20% of the amount included in the Governor's allowance and appropriated to the Information Technology Investment Fund (ITIF) for expedited projects each fiscal year.

Agency: Department of Information Technology

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	$0	($68.2)	($48.9)	($61.7)	($44.4)

State Effect: ITIF may generally be used to pay for major information technology development projects (MITDP) in general funded agencies. Out-year expenditure reductions reflect 20% of currently planned ITIF funding levels and assume that these funds are not otherwise spent on MITDP. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Chapter 497 of 2024 created and defined a new "expedited project" category and modified how ITIF funds may be used to fund both MITDP and expedited projects. For a project to be eligible for funding through ITIF, it must (1) be estimated to cost at least $5.0 million; (2) support critical business functions associated with the public health, education, safety, or financial well-being of the citizens of Maryland; or (3) be determined to require special attention and consideration by the Secretary of Information Technology. An "expedited project" is a project that is not an MITDP but receives money from ITIF in a manner that allows for modernization projects to move forward in a nimble and expedited manner.

Chapter 497 requires at least 20% of the funding appropriated to ITIF each year to be set aside for expedited projects. Any amount set aside that is not used in the fiscal year must remain set aside in the fund and available for future expedited projects.

The fiscal 2026 budget as passed by the General Assembly deleted $28.8 million of funding budgeted for expedited projects due to delays in setting up criteria to identify expedited projects.

Location of Provision in the Bill: Section 1 (pp. 82-84)

Analysis prepared by: Yashodhara Rai

Reduce Mandate for Historic Revitalization Tax Credit Competitive Commercial Program

Provision in the Bill: Reduces, for three years, the amount the Governor must provide to the Historic Revitalization Tax Credit Reserve Fund (which supports the competitive commercial component of the Historic Revitalization Tax Credit program) from $20.0 million to $16.5 million for fiscal 2026 through 2028. The fiscal 2026 budget as passed by the General Assembly includes a $3.5 million general fund reduction, contingent on the enactment of legislation reducing the mandate.

Agency: Maryland Department of Planning (MDP)

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($3.5)	($3.5)	($3.5)	$0	$0
SF Rev	$0	($3.5)	($3.5)	($3.5)	$0	$0
SF Exp	$0	($3.5)	($3.5)	($3.5)	$0	$0

State Effect: No impact in fiscal 2025. General fund expenditures decrease by $3.5 million in fiscal 2026 through 2028 due to reducing the mandated appropriation in those years. Special fund revenues to the Historic Revitalization Tax Credit Reserve Fund decrease by a corresponding amount. To the extent that reduced funding results in fewer tax credits being awarded, special fund expenditures also decrease in those years.

Local Effect: None.

Program Description/Recent History: The Maryland Historic Revitalization Tax Credit program provides State income tax credits to cover a portion of qualifying rehabilitation expenses at certified historic properties. Each year, the Governor must include in the budget an appropriation to the Historic Revitalization Tax Credit Reserve Fund, which is used to determine the total amount of credits that MDP can certify and ultimately to reimburse the State when income tax credits are claimed. Chapters 449 and 450 of 2022 mandated $20.0 million annually for competitive commercial credits in fiscal 2023 through 2031 and established a small commercial project account with mandated funding of $2.0 million annually in fiscal 2024 through 2031. The small commercial project account is not affected by this provision, though the fiscal 2026 budget as passed by the General Assembly deletes the fiscal 2026 appropriation for the small commercial project account. Tax credits are also available for the rehabilitation of residential properties, but these credits can be claimed directly through the Comptroller and are not subject to annual appropriations.

Location of Provision in the Bill: Section 1 (pp. 84-85)

Analysis prepared by: Elizabeth Waibel

Suspend Requirement to Appropriate Surplus to Revenue Stabilization Account in Fiscal 2026 Only and Eliminate Postretirement Health Benefits and Pension Sweeper Mandates

Provisions in the Bill: Suspend, for fiscal 2026 only, the requirement that the Governor appropriate general fund surplus to the Revenue Stabilization Account (Rainy Day Fund).

Eliminate, beginning in fiscal 2024, the requirement that the Governor include an appropriation to the State Retirement and Pension System (SRPS) equal to one-quarter of the amount by which the unappropriated general fund surplus exceeds $10.0 million in the second preceding fiscal year, up to a maximum of $25.0 million.

Eliminate, beginning in fiscal 2024, the requirement that the Governor include an appropriation to the Postretirement Health Benefits (better known as OPEB) Trust Fund equal to one-quarter of the amount by which the unappropriated general fund surplus exceeds $10.0 million in the second preceding fiscal year, up to a maximum of $25.0 million.

Agency: State Retirement Agency; Department of Budget and Management (DBM); State Reserve Fund

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	($469.5)	($50.0)	($50.0)	$0	$0
GF Exp	$0	($469.5)	($50.0)	($50.0)	$0	$0

State Effect: General fund expenditures decrease by $419.5 million in fiscal 2026 only for the Rainy Day Fund and special fund revenues decrease by a corresponding amount. General fund expenditures further decrease by $50.0 million in fiscal 2026 and in any other year in which the Governor is no longer required to allocate funds from the general fund surplus to the SRPS trust fund and the OPEB trust fund. Special fund revenues for the trust funds decrease correspondingly. Decreases in general fund expenditures for fiscal 2027 and 2028 reflect the assumption in the fiscal 2026 budget as passed by the General Assembly that both fiscal 2025 and fiscal 2026 will close with a general fund surplus in excess of $110.0 million. No general fund impact is expected in fiscal 2029 and 2030 based on the projected general fund balance in fiscal 2027 and 2028.

The fiscal 2026 budget as passed by the General Assembly reflects the $419.5 million general fund reduction to the Rainy Day Fund, and $25.0 million general fund reduction to each of the OPEB and SRPS trust funds, not contingent on these provisions.

As the State does not prefund OPEB costs, there are no out-year effects resulting from the missed payments to the OPEB trust fund. Likewise, there are no out-year effects resulting from the missed payments to the SRPS trust fund since SRPS no longer assumes pension sweeper payments are made in their actuarial assumptions.

Local Effect: None.

Program Description: The Rainy Day Fund was established to retain State revenues to meet future short-term funding needs and to reduce the need for future tax increases by moderating revenue growth. If there is a surplus above $10.0 million, the first $100.0 million of unappropriated revenues two years after the close of each fiscal year must be appropriated to the Rainy Day Fund (receiving 50%), SRPS (receiving 25%, up to a maximum of $25.0 million), and Postretirement Health Benefits Trust Fund (receiving 25%, up to a maximum of $25.0 million). Any unappropriated revenues in excess of $110.0 million are required to be appropriated into the Rainy Day Fund. As noted above, the fiscal 2026 budget as passed by the General Assembly anticipates a closing general fund balance in excess of $110.0 million for fiscal 2026, which requires an appropriation in fiscal 2028 under current law.

Recent History: While the general fund surplus has exceeded the threshold requiring a contribution to the OPEB and SRPS trust funds each year since fiscal 2017, these payments have been suspended in most years since the contribution was first required by statute in fiscal 2017; it was not included in the fiscal 2024 or 2025 budgets as enacted (consistent with these provisions).

The Budget Reconciliation and Financing Act of 2023 (Chapter 103) altered the required appropriation to the Rainy Day Fund in fiscal 2024 only to reduce the appropriation from $1.06 billion and instead provide $500.0 million only, which was later transferred to the Blueprint for Maryland's Future Fund. The General Assembly deleted the funds appropriated for the Rainy Day Fund in the fiscal 2025 budget bill. The balance in the Rainy Day Fund is projected to be $2.05 billion, or 8.1% of projected general fund revenues, by the end of fiscal 2026.

Location of Provisions in the Bill: Section 1 (pp. 87-89)

Analysis prepared by: Jacob C. Cash

Alter Local Share of Teacher and Community College Retirement System Payments

Provisions in the Bill: Reduce, by $97.7 million, beginning in fiscal 2026, 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 and community colleges. Increase employer contributions by counties and Baltimore City commensurately, in proportion to their respective shares of TRS/TPS membership. Require local payments to be made to the Board of Trustees of the State Retirement and Pension System by January 1, 2026, for fiscal 2026, and by September 1 for all future fiscal years. Authorize the board to allow a grace period of up to 10 calendar days for local payments and require the Comptroller to offset any funds due or coming due for a county that is delinquent in its payment. The fiscal 2026 budget as passed by the General Assembly includes a $97.7 million general fund reduction, contingent on the enactment of legislation reducing the State's share of these retirement costs.

Agency: Maryland State Department of Education (MSDE); Maryland Higher Education Commission (MHEC); State Retirement Agency; Office of the Comptroller

Type of Action: Mandate relief; cost shift

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($97.7)	($97.7)	($97.7)	($97.7)	($97.7)

State Effect: No impact in fiscal 2025. General fund expenditures decrease by $97.7 million annually beginning in fiscal 2026. No effect on future pension liabilities because employer contributions by counties and Baltimore City increase commensurately. The Office of the Comptroller can implement the bill with existing resources.

Local Effect: County and Baltimore City expenditures increase by a combined $97.7 million annually beginning in fiscal 2026, as shown in **Exhibit 1**. No effect on local revenues.

Program Description: 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% to5% of member payroll, for their members. The State has continued to pay 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. The State shares of employer TRS/TPS contributions for employees of local school systems and community colleges are included as separate line items in the respective budgets of MSDE and MHEC.

Exhibit 1
Annual Increase in Employer Contributions, by County
Beginning in Fiscal 2026

Allegany	$754,195
Anne Arundel	9,738,875
Baltimore City	8,802,114
Baltimore	10,352,112
Calvert	1,647,480
Caroline	561,645
Carroll	2,624,055
Cecil	1,327,122
Charles	2,786,366
Dorchester	590,506
Frederick	5,925,608
Garrett	269,208
Harford	3,685,077
Howard	6,830,167
Kent	165,489
Montgomery	20,861,475
Prince George’s	13,000,062
Queen Anne’s	691,279
St. Mary’s	1,562,014
Somerset	314,066
Talbot	452,957
Washington	2,397,889
Wicomico	1,704,888
Worcester	699,872
Total	**$97,744,521**

Note: Although counties must pay $97,744,521 each year, the amount of contingent reductions in the budget bill total to a negligibly lower amount ($97,744,519, with $92,937,289 from the Maryland State Department of Education and $4,807,230 from the Maryland Higher Education Commission). In the out-years, the savings for the State are reflected as the amount paid by the counties.

Source: Department of Legislative Services

These provisions reduce the State's share of employer pension contributions for TRS/TPS members employed by local school systems and community colleges annually, beginning in fiscal 2026. The amount of the reduction ($97.7 million) is equal to one-half of the year-over-year increase in employer contributions from fiscal 2025 to 2026, as determined by the actuary, for members employed by local school systems and community colleges. The amount of the reduction, however, remains constant in the out-years. Unlike Chapter 1, which required *local school systems* to pay the normal cost share for their members, these provisions require *counties and Baltimore City* to make up the reduced State share. Of the total amount, $92.9 million is attributable to members employed by local school systems and $4.8 million is attributable to members employed by community colleges.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 107-111)

Analysis prepared by: Michael C. Rubenstein

Repeal Pension Supplemental Contribution

Provision in the Bill: Repeals, beginning in fiscal 2026, the $50.0 million annual supplemental contribution to the State Retirement and Pension System (SRPS) that is required to be paid until the system's funding ratio reaches 85%. The fiscal 2026 budget as passed by the General Assembly includes a $43,587,917 general fund reduction, $3,541,420 special fund reduction, and a $1,866,457 federal fund reduction, all contingent on the enactment of legislation eliminating the pension reinvestment funding mandate.

Agency: Statewide

Type of Action: Mandate relief

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($43.6)	($43.6)	($43.6)	($43.6)	($43.6)
SF Exp	$0	($3.5)	($3.5)	($3.5)	($3.5)	($3.5)
FF Exp	$0	($1.9)	($1.9)	($1.9)	($1.9)	($1.9)
NB Exp	$0	($1.0)	($1.0)	($1.0)	($1.0)	($1.0)

State Effect: No impact in fiscal 2025. General/special/federal/nonbudgeted fund expenditures totaling $50.0 million decrease annually beginning in fiscal 2026; no effect on revenues. No effect on future pension liabilities because the SRPS actuary stopped accounting for the supplemental contribution in its calculation of assets and liabilities beginning with the June 30, 2024 actuarial valuation.

Local Effect: None.

Program Description: Chapter 397 of 2011 (the Budget Reconciliation and Financing Act of 2011) included significant reforms to the benefit structure and financing of SRPS. The purpose of the reforms was to enhance the affordability and sustainability of the retirement benefits provided to State employees and teachers. Included in the reforms was a requirement that the Governor include in the annual budget a supplemental contribution in excess of the actuarially determined contribution to accelerate the system's return to a stable funding level after years of being underfunded. The amount of the supplemental contribution was initially $300.0 million, but it has been reduced several times. Statute requires that the supplemental payment be paid until the system's ratio of actuarial assets to actuarial liabilities reaches 85%, which is projected to occur no sooner than fiscal 2036.

Recent History: Chapter 489 of 2015 reduced the annual supplemental payment to $75.0 million beginning in fiscal 2016, and Chapter 717 of 2024 further reduced it to $50.0 million beginning in fiscal 2025.

Location of Provision in the Bill: Section 1 (pp. 109-110)

Analysis prepared by: Michael C. Rubenstein and Jacob C. Cash

Increase Various Fees Related to Nurseries

Provisions in the Bill: Increase various fees collected by the Secretary of Agriculture for the certification of nurseries, the licensing of brokers and dealers, and the inspection of nursery stock under statutory provisions related to plant disease control.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Revenue action

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0.0	$0.1	$0.1	$0.1	$0.1	$0.1

State Effect: Special fund revenues to the Plant Protection Fund in MDA increase minimally in fiscal 2025 and increase by at least $113,700 annually thereafter. This estimate, which is based on data provided by MDA from calendar 2023, assumes that (1) the number of certifications and licenses issued each year remains constant over time (at calendar 2023 levels) and (2) the increase in inspection fees is at least $2 per acre, reflecting the difference between the minimum fee, on a per acre basis, under current law ($3 per acre) and the minimum fee, on a per acre basis, under that provision (generally, $5 per acre).

Local Effect: None.

Program Description: The Secretary of Agriculture is given various responsibilities and authority to control plant diseases (pests), including (1) inspecting nurseries annually for any nursery stock infested or infected with dangerously injurious plant pests and certifying that the nurseries meet MDA standards; (2) inspecting and licensing plant brokers and dealers; (3) the ability to establish quarantines to control, retard, or eradicate dangerously injurious plant pests; (4) the ability to disseminate pesticides by aircraft if necessary to control any plant infestation, plant infection, or animal or human disease with a known or suspected arthropod vector; and (5) the ability to enter any public or private property in the State to inspect, destroy, treat, or experiment with dangerously injurious plant pests. Fees are collected for the certifications and licenses – as well as for inspections – and are deposited in the Plant Protection Fund, which is used to partially defray the cost of administering the plant protection provisions. **Exhibit 1** shows the fees under current law and the fees under the provisions.

Exhibit 1
Inspection, Certification, and License Fees under Current Law and the Provisions

Fee	Current Law	Provisions
For Inspection, Based on Acreage		
One acre or less	$10	$20
More than 1 acre to 5 acres	$20	$30
More than 5 acres to 10 acres	$30	$40
More than 10 acres	$3 per acre (up to a maximum of $1,000)	$5 per acre (up to a maximum of $1,500)
Annual Nursery Certification	$100	$150
Annual Broker/Dealer License	$100	$150

Source: Department of Legislative Services

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 14-16)

Analysis prepared by: Beatrice F. Amoateng

Alter Weight and Measure Registration Process and Fees

Provisions in the Bill: Repeal the registration fee schedule (for weights and measures used for commercial purposes) in statute and authorize the Secretary of Agriculture to set reasonable fees. Require that the Secretary send registration renewal notices/forms at least one month before registration expiration and allow a 60-day grace period after expiration, when a registration can be renewed retroactively with payment of the renewal fee and a late fee.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Revenue action

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$1.0	$1.0	$1.0	$1.0	$1.0

State Effect: No impact in fiscal 2025. Special fund revenues increase by $1.0 million annually beginning in fiscal 2026. This estimate (1) assumes the Secretary sets registration/renewal fees (and the late fee) at a level that generates enough new special fund revenue to sustain the Weights and Measures Program in the immediate future and (2) is based on the fund's expected balance at the end of fiscal 2025 and projected revenues and expenditures in fiscal 2026 and future years. (The program's allowance, under the fiscal 2026 budget as passed by the General Assembly, consists of $2.4 million in special fund expenditures and $556,612 in general fund expenditures.)

General fund revenues increase minimally beginning in fiscal 2026 due to interest earnings generated by the new revenue, which accrues to the general fund pursuant to § 8 of Chapter 717 of 2024 and § 6-226(a)(2) of the State Finance and Procurement Article.

Local Effect: None.

Program Description: MDA's Weights and Measures Program inspects and certifies the accuracy of measuring and weighing devices in the State to ensure the fairness and equity of all commercial transactions involving determination of quantity.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 20-22)

Analysis prepared by: Scott D. Kennedy

Increase Securities Registration Fee

Provisions in the Bill: Increase, from $50 to $65, the fee for an initial, renewal, or transfer of registration by an agent under the Maryland Securities Act beginning June 1, 2025. Increase, from $15 to $25, the amount of the fee that is distributed to the Securities Act Registration Fund.

Agency: Office of the Attorney General (OAG)

Type of Action: Revenue action

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0.1	$1.3	$1.3	$1.3	$1.3	$1.3
SF Rev	$0.2	$2.5	$2.5	$2.5	$2.5	$2.5

State Effect: General fund revenues increase by $104,200 in fiscal 2025 and by $1.3 million annually thereafter. Special fund revenues for the Securities Act Registration Fund increase by $208,300 in fiscal 2025 and by $2.5 million annually thereafter. This estimate assumes 250,000 total agent registrations (initial, renewal, or transfer) annually.

Local Effect: None.

Program Description: Under the Maryland Securities Act, an applicant for initial or renewal registration or transfer of registration as an agent must pay a fee of $50. Of each fee, $15 is distributed to the Securities Act Registration Fund and the balance ($35) is distributed to the general fund. The renewal registration is an annual fee.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 25-26)

Analysis prepared by: Joanne E. Tetlow

Authorize Responsible Person Fee for Certification of Sediment and Erosion Control Training

Provisions in the Bill: Authorize the Maryland Department of the Environment (MDE) to establish by regulation a fee for processing and issuing training certifications required for specified personnel involved in on-site clearing and grading operations or sediment control associated with a construction project. Require certification fee to be set at a rate that produces funds approximately the same as the cost of processing and issuing the certification. Require fee revenues to be deposited into the Maryland Clean Water Fund. The fiscal 2026 budget as passed by the General Assembly includes a special fund appropriation of $375,000 for the Water and Science Administration in MDE, contingent on the enactment of legislation to establish a Responsible Personnel Training Program fee.

Agency: MDE

Type of Action: Revenue action

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$0.4	$0.4	$0.4	$0.4	$0.4
SF Exp	$0	$0.4	$0.4	$0.4	$0.4	$0.4

State Effect: Special fund revenues increase by $375,000 annually beginning in fiscal 2026. This estimate assumes that MDE establishes a $75 certification fee and issues 5,000 certificates annually. It also assumes that the fee, which must be established by regulation, is not assessed until fiscal 2026, so there is no impact in fiscal 2025. Special fund expenditures increase correspondingly, reflecting the contingent appropriation in fiscal 2026 and ongoing costs thereafter.

Local Effect: Minimal. Local governments must pay the fee for affected employees; however, the overall effect on any one local government is anticipated to be minimal.

Program Description: Any applicant for sediment and erosion control plan approval must certify that any "responsible personnel" involved in the construction project will have a certificate of attendance at an MDE-approved training program for the control of sediment and erosion before beginning the project. There is no fee for the training course. Certificates are valid for three years and are automatically renewed unless MDE notifies the certificate holder that additional training is needed. The certification requirement may be waived under specified conditions. "Responsible personnel" means any foreman, superintendent, or project engineer who is in charge of on-site clearing and grading operations, or sediment control associated with a construction project.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 39-40)

Analysis prepared by: Kathleen P. Kennedy

Increase Wetlands and Waterways Program Fund Fees

Provisions in the Bill: Increase existing fees under the Wetlands and Waterways Program, establish new additional application fees for activities proposed in a Tier II High Quality Watershed, and explicitly authorize the Maryland Department of the Environment (MDE) to adjust the fees for inflation without legislative enactment. The fiscal 2026 budget as passed by the General Assembly includes $450,000 in general fund reductions and $450,000 in special fund appropriations, contingent on the enactment of legislation to increase wetlands and waterways fees.

Agency: MDE

Type of Action: Revenue action

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0.0	$0.5	$0.5	$0.6	$0.6	$0.6
GF Exp	$0.0	($0.5)	($0.5)	($0.5)	($0.5)	($0.5)
SF Exp	$0.0	$0.5	$0.5	$0.5	$0.5	$0.5

State Effect: No impact in fiscal 2025. Special fund revenues for MDE's Wetlands and Waterways Program Fund increase by approximately $33,600 in fiscal 2025, and by approximately $524,300 in fiscal 2026, increasing to $578,900 by fiscal 2030 due to increases in the fees for inflation, as authorized. This estimate is based on current revenues generated from the fees altered by the provisions (approximately $1.5 million annually) and information provided by MDE regarding the additional fee revenue anticipated to be collected from the establishment of new additional application fees for activities proposed in a Tier II High Quality Watershed.

Because the fiscal 2026 budget as passed by the General Assembly includes language that reduces MDE's general fund appropriation by $450,000, contingent on the enactment of legislation to increase wetlands and waterways fees, general fund expenditures for the program decrease by $450,000 in fiscal 2026. Future year general fund savings assume that the general fund appropriation for the program would have increased by 2% annually in the absence of the provisions. Out-year special fund expenditures increase correspondingly.

Local Effect: None.

Program Description: The Wetlands and Waterways Program within MDE administers a statewide program for the management, conservation, and protection of Maryland's tidal wetlands and nontidal wetlands and waterways. Under current law, generally, a person must obtain a permit or license before working in wetlands in the State. Under current law, application fees for wetlands and waterways authorizations range from $250 to $7,500 (multiplied by the impact area in acres). However, there are several fee exemptions. Application fees are paid into the Wetlands and Waterways Program Fund.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 40-45)

Analysis prepared by: Kathleen P. Kennedy

Increase Rental Property Lead Registration and Related Fees

Provisions in the Bill: Alter and increase the registration fee for each rental dwelling unit paid by owners of affected property under the Reduction of Lead Risk in Housing Subtitle of the Environment Article. Replace an *annual* fee of $30 per unit with a higher fee of $75 per unit to be collected by the Maryland Department of the Environment (MDE) *once every two years*. Authorize MDE to establish a protocol to stagger the registrations of affected property to equally divide registrations over sequential calendar years. Increase, from $10 to $30, the processing fee that must be paid by an owner who submits a certification to MDE that the rental dwelling unit is lead free. The fiscal 2026 budget as passed by the General Assembly includes a $1.5 million special fund appropriation for MDE, contingent on the enactment of legislation to increase the rental property lead registration fee.

Agency: MDE

Type of Action: Revenue action

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$1.2	$1.2	$1.2	$1.2	$1.2
SF Exp	$0	$1.5	$1.2	$1.2	$1.2	$1.2

State Effect: No impact in fiscal 2025. Special fund revenues to the Lead Poisoning Prevention Fund increase by an estimated $1.2 million annually beginning in fiscal 2026 due to the increase in the fees (approximately $749,900 annually from the increase in the registration fee and approximately $444,600 annually from the increase in the processing fee). With respect to the increase in revenues from the registration fee, MDE anticipates collecting approximately $3.0 million annually from the registration fee under current law, and by increasing the fee from $30 to $75 but changing the registration from an annual registration to a biennial registration, MDE's fee revenues increase by approximately 25% from this source. This estimate assumes that MDE establishes a protocol to stagger the registrations of affected property to equally divide registrations over sequential calendar years, as authorized by the provision. With respect to the increase in revenues from the processing fee, the estimate assumes that MDE collects the fee from owners for 20,000 rental dwelling units each year.

The fiscal 2026 budget as passed by the General Assembly includes $1.5 million in special funds for MDE's Land and Materials Administration, contingent on the enactment of legislation to increase the rental property lead registration fee; thus, special fund expenditures increase by $1.5 million in fiscal 2026. Accordingly, in future years, it is assumed that special fund expenditures also increase, but by a lesser amount, corresponding to the estimated increase in special fund revenues each year.

The Department of Legislative Services advises that it is likely that MDE does not have sufficient special fund revenues or fund balance in fiscal 2026 to cover the contingent special fund appropriation included in the fiscal 2026 budget as passed by the General Assembly. Accordingly, a general fund deficiency appropriation may be needed in fiscal 2026; any such effect has not been accounted for in this analysis.

Local Effect: Minimal or none.

Program Description: Generally, the Reduction of Lead Risk in Housing law requires owners of affected property (defined as residential rental property built before 1978) to register their properties with MDE, provide educational information to tenants, and satisfy specified lead risk reduction, testing, and inspection requirements, as applicable. An owner of affected property must pay the $30 annual registration fee, per rental dwelling unit, by December 31 each year. An owner who acquires affected property must register the affected property within 30 days after acquisition. A rental dwelling unit that has been certified as lead free may be exempted from annual registration fees and from further risk reduction requirements.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 45-46)

Analysis prepared by: Kathleen P. Kennedy

Increase Voluntary Cleanup Program Fees

Provisions in the Bill: Increase the initial application fee that an applicant must pay to participate in the Voluntary Cleanup Program (VCP) from $6,000 to $10,000. Require an applicant to pay for any additional costs incurred by the Maryland Department of the Environment (MDE) if the direct costs of review of the application and administration and oversight of the response action plan exceed the application fee. The fiscal 2026 budget as passed by the General Assembly includes $160,000 in special funds for MDE's Land and Materials Administration, contingent on the enactment of legislation to increase VCP fees.

Agency: MDE

Type of Action: Revenue action

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0.0	$0.4	$0.4	$0.4	$0.4	$0.4
SF Exp	$0.0	$0.2	$0.2	$0.2	$0.2	$0.2

State Effect: Special fund revenues for MDE's Voluntary Cleanup Fund increase minimally in fiscal 2025, reflecting the provision's June 1, 2025 effective date. Special fund revenues increase by an estimated $400,000 in fiscal 2026, reaching an estimated $433,000 by fiscal 2030. This estimate includes anticipated revenues from both the increase in the initial application fee (an increase of $4,000 per application) and the authorization to recover specified costs incurred by MDE that exceed the application fee paid by an applicant. The estimate, which is based on the number of initial applications MDE has received in recent years as well as information provided by MDE regarding recent program deficits, assumes that (1) MDE receives 30 initial applications in fiscal 2026, and that the number of initial applications increases by 2% annually and (2) costs recovered by MDE under the provision also increase by 2% annually.

Because the fiscal 2026 budget as passed by the General Assembly includes a $160,000 special fund appropriation, contingent on the enactment of legislation to increase the VCP fees, special fund expenditures increase by $160,000 in fiscal 2026. Future year estimates assume that special fund expenditures increase by 2% annually.

Local Effect: Minimal or none. To the extent that a local government owns an eligible property and applies for funding under the program, local expenditures increase. However, MDE advises that it receives a relatively small number of applications from local governments.

Program Description: VCP provides State oversight for the voluntary cleanup of properties contaminated by hazardous substances. To participate in the program, an applicant must submit a specified application and pay the applicable application fee. Fees accrue to the Voluntary Cleanup Fund. MDE may use the application fees from the fund for activities related to the review of proposed voluntary cleanup projects and the direct administrative oversight of voluntary cleanup projects, including cost recovery and program development. Any other money in the fund may be used for any activities related to VCP.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 46-47)

Analysis prepared by: Kathleen P. Kennedy

Increase and Alter Maryland Department of the Environment Tire Recycling Fee

Provisions in the Bill: Require the Maryland Department of the Environment (MDE) to set the existing tire recycling fee imposed on the first sale of a new tire in the State by a tire dealer at $1.00 per tire, beginning January 1, 2026; the current fee is $0.80 per tire. Authorize MDE to adjust the fee for inflation every two fiscal years, as specified, but establish that the fee may not exceed $2.00 per tire. Specify that MDE, instead of the Board of Public Works (BPW), is responsible for establishing the fee. The fiscal 2026 budget as passed by the General Assembly includes $1.2 million of special funds for MDE, contingent upon the enactment of legislation to increase scrap tire fees.

Agency: MDE

Type of Action: Revenue action

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$0.2	$1.0	$1.0	$1.2	$1.2
SF Exp	$0	$1.2	$1.0	$1.0	$1.2	$1.2

State Effect: No impact in fiscal 2025. Special fund revenues for MDE's State Used Tire Cleanup and Recycling Fund increase by an estimated $243,910 in fiscal 2026, by $975,640 in fiscal 2027 and 2028, and by approximately $1.2 million in fiscal 2029 and 2030. This estimate, which is based on recent revenues collected from the current tire recycling fee, reflects the increase in the fee from $0.80 to $1.00 beginning January 1, 2026, and a fee adjustment for inflation in fiscal 2029, as authorized. It also reflects a one-quarter delay in the distribution of fee revenues from the Comptroller to MDE, consistent with current law.

The fiscal 2026 budget as passed by the General Assembly includes $1.2 million in special funds for MDE, contingent upon the enactment of legislation to increase scrap tire fees; thus, special fund expenditures increase by $1.2 million in fiscal 2026. In future years, it is assumed that special fund expenditures increase correspondingly to the estimated increase in special fund revenues each year.

The Department of Legislative Services (DLS) notes that the estimated increase in special fund revenues is significantly less than the contingent special fund appropriation included in the fiscal 2026 budget. Thus, DLS advises that it is likely that MDE does not have sufficient special fund revenues in fiscal 2026 to cover the contingent special fund appropriation included in the fiscal 2026 budget and, thus, will utilize the existing fund balance to cover the appropriation. The estimated fiscal 2025 closing balance is $2.5 million.

Although not reflected in the table above, State expenditures (multiple fund types) also increase minimally for the purchase of new tires beginning in fiscal 2026 due to the increase in the fee.

Local Effect: Minimal increase in local expenditures for the purchase of new tires beginning in fiscal 2026 due to the increase in the fee. Local revenues are not affected.

Program Description/Recent History: A tire recycling fee is imposed on the first sale of a new tire in the State by a tire dealer, including new tires sold as part of a new or used vehicle, trailer, farm implement, or other similar machinery. The current fee, which is set by BPW, is $0.80 per tire; current law specifies that the fee may not exceed $1.00 per tire. The Comptroller must forward all tire recycling fees to MDE's Used Tire Cleanup and Recycling Fund (less the costs of administration) at the end of each quarter. If the fund balance and projected fee revenue for the next fiscal year exceeds $10.0 million, BPW must adjust the fees for the next fiscal year on a pro rata basis so that the sum of unallocated funds and actual fees does not exceed $10.0 million.

A separate provision in the bill transfers $1.0 million from the State Used Tire Cleanup and Recycling Fund balance to the general fund so long as the transfer occurs by June 30, 2026.

Location of Provisions in the Bill: Section 1 (pp. 47-49)

Analysis prepared by: Kathleen P. Kennedy

Increase and Alter Fees Related to Surface Mining

Provisions in the Bill: Increase and alter specified surface mining license and permit fees which accrue to the Surface Mined Land Reclamation Fund, among other changes. Increase the surface mining license fee from $300 to $400. Increase the per-acre fee, with respect to surface mining permits (including initial permits, permit renewals, and permit modifications), from $12 to $18.50, and increase the annual cap on total such fees from $1,000 to $3,000. Establish a new fee of 0.50 cent per ton of mined material sold per year and increase it by 0.13 cent per ton in fiscal 2028 and every two fiscal years thereafter. Increase the flat fee that accompanies permit modifications from $100 to $150, and increase the transfer of permit filing fee from $500 to $750. The fiscal 2026 budget as passed by the General Assembly includes a $125,000 general fund reduction and a $650,000 special fund appropriation, contingent on the enactment of legislation to increase mineral, oil, and gas fees.

Agency: Maryland Department of the Environment (MDE)

Type of Action: Revenue action

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0.0	$0.3	$0.3	$0.4	$0.4	$0.4
GF Exp	$0	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)
SF Exp	$0	$0.7	$0.3	$0.4	$0.4	$0.4

State Effect: Special fund revenues increase by an estimated $27,000 in fiscal 2025, reflecting one month of revenues. Special fund revenues increase by an estimated $323,900 in fiscal 2026, increasing to an estimated $401,500 by fiscal 2030. This estimate is based on information provided by MDE regarding recent revenues from the fees that are increased under the provisions. With respect to revenue from the new production fee, the estimate reflects the required increases in the per ton fee of mined material sold each year (in fiscal 2028 and 2030) and assumes that surface mining permittees pay the fee on an estimated 29.9 million tons of mined material annually.

Because the fiscal 2026 budget as passed by the General Assembly includes language that reduces MDE's general fund appropriation by $125,000, contingent on the enactment of legislation to increase the minerals, oils, and gas mining fees, general fund expenditures for the program decrease by $125,000 in fiscal 2026. Future year general fund savings assume that the general fund appropriation would have increased by 2% annually in the absence of the bill. The fiscal 2026 budget as passed by the General Assembly also includes $650,000 in special funds for MDE, contingent on the enactment of legislation to increase the minerals, oils, and gas mining fees; thus, special fund expenditures increase by

$650,000 in fiscal 2026. In future years, it is assumed that special fund expenditures increase correspondingly to the estimated increase in special fund revenues each year.

The Department of Legislative Services advises that, not only do these provisions effectuate the contingent reduction in general funds for the program in fiscal 2026, as discussed above, but also, the estimated increase in special fund revenues in fiscal 2026 is less than the contingent special fund appropriation included in the fiscal 2026 budget as passed by the General Assembly. Thus, it is likely that MDE does not have sufficient special fund revenues or fund balance in fiscal 2026 to cover the contingent special fund appropriation. Accordingly, a general fund deficiency appropriation may be needed in fiscal 2026; any such effect has not been accounted for in this analysis.

Local Effect: None.

Program Description: Under current law, a person may not engage in surface mining within the State without first obtaining a surface mining license. The license application fee is $300. Additionally, a licensee may not engage in surface mining within the State except on affected land that is covered by a valid surface mining permit. A permittee may apply at any time for modification of the permit; the permit modification fee is $100. In addition, a fee of $12 for each additional acre of affected land over and above the amount of land covered in the original permit, for each year of operation, must be charged. This additional fee may not exceed $1,000 per year. Generally, the fee to renew a permit is $12 per acre of affected land for each year of operation, not exceeding $1,000 per year. There is also a $500 filing fee that must be paid when the interest of a permittee in any uncompleted mining operation is sold, leased, assigned, or otherwise disposed of, as specified.

The Surface Mined Land Reclamation Fund may be used by MDE to administer and enforce the laws governing surface mining in the State, including, under specified circumstances, for the reclamation of pre-law surface mines.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 49-55)

Analysis prepared by: Kathleen P. Kennedy

Establish Fee for Administration of Unemployment Insurance

Provisions in the Bill: Apply, beginning January 1, 2026, an administrative fee of 0.15% to all taxable employers and deposit all associated revenue into the Special Administrative Expense Fund (SAEF) in the Maryland Department of Labor (MD Labor). Authorize the fee revenue to be used for specified administrative expenses of the department's Division of Unemployment Insurance, including those to collect and administer the fee. Prohibit the fee revenue from being used for the administrative expenses of the department's Division of Workforce Development and Adult Learning. Reduce, beginning January 1, 2026, the unemployment insurance (UI) tax rate assigned to each taxable employer by 0.15%, subject to a minimum overall tax rate of 1.0% for new employers. Make related and conforming changes to SAEF and the Unemployment Insurance Trust Fund (UITF). Authorize the Secretary of Labor to adopt implementing regulations.

Agency: MD Labor

Type of Action: Revenue action

Fiscal Impact:	($ in millions) **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$33.0	$33.0	$33.0	$33.0	$33.0
SF Exp	$0	$33.0	$33.0	$33.0	$33.0	$33.0
NBF Rev	$0	($33.0)	($33.0)	($33.0)	($33.0)	($33.0)

State Effect: No impact in fiscal 2025. Special fund revenues for MD Labor (specifically, SAEF) increase by approximately $33.0 million annually beginning in fiscal 2026. Special fund expenditures for MD Labor (specifically, SAEF) increase correspondingly for authorized administrative purposes. MD Labor advises that it will use its authority to collect a full year's administrative fees in fiscal 2026 despite the January 1 start date, and that initial implementation and ongoing administrative costs associated with collecting the fee are minimal. Nonbudgeted revenues for UITF decrease by identical amounts. Nonbudgeted expenditures for UITF are not affected.

This estimate assumes total taxable wages of approximately $22.0 billion annually; actual amounts in any fiscal year depend on total taxable wages subject to the administrative fee. Total taxable wages vary slightly with economic conditions but generally increase slowly over time. The fiscal 2026 budget as passed by the General Assembly includes $33.0 million in special funds for SAEF, contingent on enactment of legislation establishing an administrative fee for UI. The fiscal 2026 budget also includes 125 additional permanent positions in MD Labor's Division of Unemployment Insurance, which are not contingent on legislation, although MD Labor advises that the positions are partially funded by the administrative fee.

Continuously reducing revenues for UITF may eventually change the rate table in effect in a particular year as the fund balance decreases from what it would otherwise have been to an amount that triggers a rate table change. However, based on the current UITF balance, and typical UITF balance growth even in Table A, that is not likely to occur until there is a period of high unemployment.

Local Effect: None.

Program Description: Generally, funding for state UI programs is provided by employers through UI taxes paid to both the federal government for administrative and other expenses and to the states for deposit in their UI trust funds. Using federal tax revenues, each state UI program is administered pursuant to state law by state employees, subject to broad federal guidelines. MD Labor's Division of Unemployment Insurance administers the State's UI program.

Most Maryland employers pay State UI taxes, although State and local governments and some nonprofits elect to instead reimburse UITF for claims paid. Generally, the State UI tax rate is a function of an employer's specific UI claims history and the applicable tax table, which is based on the State's UITF balance. State UI taxes and reimbursements are typically due quarterly. As UI taxes are applied to the *first* $8,500 earned by each employee, each calendar year, the first two quarterly tax payments are typically the largest.

As of April 1, 2025, the UITF balance was $1.9 billion. The State is in Table A in 2025, the lowest range of tax rates. Based on the current taxable wage base, Table A applies when the UITF balance exceeds approximately $1.06 billion; balances below that amount result in other tax tables (B through F) with higher rates.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 68-73)

Analysis prepared by: Stephen M. Ross

Reduce Amount of Revenue Volatility Adjustment

Provision in the Bill: Alters, in fiscal 2026 through 2029, the maximum amount of projected nonwithholding income tax revenue that must, under certain circumstances, be subtracted from the projected general fund revenue estimate each year to $0.

Agency: State Reserve Fund

Type of Action: Revenue action

Fiscal Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
			($ in millions)			
GF Rev	$0	$205.1	$63.8	$0	$0	$0
SF Rev	$0	($205.1)	($63.8)	$0	$0	$0
SF Exp	$0	$0	$0	($102.6)	($31.9)	$0

State Effect: General fund revenues increase by $205.1 million in fiscal 2026 and $63.8 million in fiscal 2027 due to reducing the cap to $0 in each of those years. There is no revenue volatility adjustment forecasted for fiscal 2028 and 2029. (The fiscal 2026 budget as passed by the General Assembly assumes $205.1 million in revenues.) Special fund revenues for the Revenue Stabilization Account (Rainy Day Fund) and Fiscal Responsibility Fund each decrease by as much as $102.6 million in fiscal 2026 and $31.9 million in fiscal 2027, representing the amount that would have gone to each fund if the revenues exceeding the cap were realized. Special fund expenditures from the Fiscal Responsibility Fund decrease by the amount that would have been appropriated from the fund based on the amounts received in the second preceding year in fiscal 2028 and 2029 if the revenue exceeding the cap were realized.

Local Effect: None.

Program Description: Chapters 4 and 550 of 2017 established a cap on income tax nonwithholding revenues. The cap applies when the share of estimated general fund revenues attributable to income tax nonwithholding sources exceeds the 10-year average. If nonwithholding revenues, as a percentage of general fund revenues, are less than the 10-year average percentage, there is no effect. The cap requires reducing the estimate of nonwithholding income tax revenues so that nonwithholding income tax revenues as a share of general fund revenues do not exceed the 10-year average. In some years, actual income tax nonwithholding revenues will exceed the capped estimate. In those years, the Acts specify how the excess revenues are to be allocated. The excess revenues are to be distributed (1) to close any revenue gap for the fiscal year; (2) to the Rainy Day Fund (if the account is less than 6.0% of general fund revenues), the amount that is required to provide a balance in the account of 6.0% of general fund revenues; and (3) the remainder split 50.0% to the Rainy Day Fund and 50.0% to the Fiscal Responsibility Fund.

The Fiscal Responsibility Fund was established to hold the amount of nonwithholding income tax revenues that exceed the capped estimate. The funds are to be used only to provide pay-as-you-go capital funds for (1) public school construction and public school capital improvement projects; (2) capital projects at public community colleges; and (3) capital projects at four-year public institutions of higher education. The funds are required to be appropriated in the second following fiscal year.

Recent History: Chapters 4 and 550 originally set the cap on the revenue volatility adjustment at 2.0% of general fund revenues beginning in fiscal 2020, but legislation has delayed or modified the 2.0% cap. Most recently, Chapter 717 of 2024 (Budget Reconciliation and Financing Act of 2024) altered, in fiscal 2024 and 2025, the maximum amount of projected nonwithholding income tax revenue that must, under certain circumstances, be subtracted from the projected general fund revenue estimate each year to $0.

Location of Provision in the Bill: Section 1 (pp. 85-86)

Analysis prepared by: Heather N. MacDonagh

Increase Mobile Sports Wagering Tax Rate from 15% to 20%

Provisions in the Bill: Increase the mobile sports wagering tax rate from 15% to 20% and, beginning in fiscal 2026, distribute 25% of those mobile sports wagering revenues to the general fund. Modify the sports wagering license renewal fee to clarify legislative intent of the renewal fees.

Agency: State Lottery and Gaming Control Agency (SLGCA)

Type of Action: Revenue action

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$31.8	$32.4	$32.9	$33.4	$33.9
SF Rev	$2.9	$0	$0	$0	$0	$0
GF Exp	$0	$0	($2.9)	$0	$0	$0
SF Exp	$0	$0	$2.9	$0	$0	$0

State Effect: The Blueprint for Maryland's Future Fund (BMFF) special fund revenues increase by $2.9 million in fiscal 2025, reflecting one month of revenues due to increasing the mobile sports wagering tax rate. General fund revenues increase by at least $31.8 million annually beginning in fiscal 2026, reflecting the change in the mobile sports wagering revenue distribution from BMFF to the general fund, annualization, and anticipated growth in sports wagering revenues. (The fiscal 2026 budget as passed by the General Assembly assumes $31.8 million in general fund revenues and $2.5 million in BMFF special fund revenues.) Current projections indicate general funds will be needed to support Blueprint costs beginning in fiscal 2027. It is, therefore, assumed that the BMFF revenues of $2.9 million from fiscal 2025are expended in fiscal 2027 rather than being used for other BMFF costs before then. Thus, in fiscal 2027, special fund expenditures increase by $2.9 million, while general fund expenditures correspondingly decrease.

Modifying the sports wagering license renewal fees does not materially affect BMFF special fund revenues as it clarifies legislative intent, though increasing the mobile sports wagering tax rate causes mobile sports wagering licensees to retain less revenues, thereby reducing sports wagering license renewal fee revenues when mobile sports wagering licensees renew their licenses every five years.

Local Effect: None.

Program Description/Recent History: Chapter 492 of 2020 authorized sports and event wagering generally, subject to voter referendum, which was approved by Maryland voters in November 2020. The Act also specified that revenues from sports and event wagering must primarily be used for public education. Chapter 356 of 2021 implemented sports and event wagering in the State and provided for regulation of sports wagering by the State Lottery and Gaming Control Commission.

Licensees retain 85% of sports wagering proceeds, with the remainder distributed to BMFF. Revenues accruing to BMFF are to be used to provide a world-class education for early childhood and K-12 students so that they are prepared for college and a career in the global economy.

The license term for a sports wagering license is five years. The license renewal fee equals 1% of the licensee’s average annual proceeds from sports wagering revenues for the preceding three years, less proceeds distributed to the State. From the application and license renewal fees collected for sports wagering, the Comptroller must pay an amount to SLGCA necessary to reimburse SLGCA for expenses related to the issuance and renewal of sports wagering licenses, 5% collected for Class A-1 and A-2 licenses to the Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance Fund, and the remainder to BMFF.

Location of Provisions in the Bill: Section 1 (p. 100)

Analysis prepared by: Heather N. MacDonagh

Redirect Interest and Investment Earnings on Maryland Strategic Energy Investment Fund to General Fund

Provisions in the Bill: Repeal the authorization for interest and investment earnings on the Strategic Energy Investment Fund (SEIF) to be held in the fund, remove an exemption on SEIF interest being directed to the general fund contained in § 8 of the Budget Reconciliation and Financing Act (BRFA) of 2024 (Chapter 717), and authorize the transfer of interest earned on SEIF in fiscal 2025 to the general fund, so long as the transfer occurs before June 30, 2025.

Agency: Maryland Energy Administration

Type of Action: Revenue action

Fiscal Impact:	($ in millions) **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$35.0	$30.0	$20.0	$15.0	$15.0	$15.0
SF Rev	($35.0)	($30.0)	($20.0)	($15.0)	($15.0)	($15.0)

State Effect: General fund revenues increase by $35.0 million in fiscal 2025 and by $30.0 million in fiscal 2026. Future years are assumed to reflect projected decreased interest earnings as a result of reduced SEIF fund balances and lower expected interest earnings. Special fund revenues for SEIF decrease correspondingly. Special fund expenditures for SEIF may likewise decrease beginning as early as fiscal 2026 as those funds are no longer available for eligible purposes; amounts in any particular year are unknown.

This analysis does not reflect any change in SEIF fund balances stemming from Senate Bill 937 and House Bill 1035 of 2025; as such, the actual impact may vary.

Local Effect: None.

Program Description: Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing SEIF to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through the proceeds from the auction of carbon allowances under the Regional Greenhouse Gas Initiative (RGGI); the fund also receives revenues from compliance fees – often referred to as Renewable Portfolio Standard alternative compliance payments (ACPs) – generated under the State’s Renewable Energy Portfolio Standard. Although not required under statute, SEIF has held funds from various settlement agreements and orders related to Public Service Commission utility cases.

RGGI proceeds must be used for the following purposes: (1) at least 50% for energy assistance programs in the Department of Human Services; (2) at least 20% for energy efficiency and conservation (at least one-half of which must be used for low- and moderate-income programs); (3) at least 20% for renewable and clean energy programs, energy-related education and outreach, and climate change and resiliency programs; and (4) up to 10% but no more than $7.5 million for administrative expenses. 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. Interest earnings are deposited into the Administration account.

Recent History: The BRFA of 2024 redirected interest earned on a variety of special funds to the general fund for fiscal 2024 through 2028, with the exception of certain special funds and accounts which were specifically exempted. SEIF was one of the specifically exempted funds.

The BRFA of 2024 also authorized the transfer of $90.0 million from the SEIF balance to the Dedicated Purpose Account in fiscal 2025 to be used to help implement the Climate Solutions Now Act of 2022 and Maryland's Climate Pollution Reduction Plan and required at least 50% of funds transferred to support programs serving low- to moderate-income communities.

Other provisions in the BRFA of 2025 expand the use of SEIF for the Maryland Department of the Environment and authorize a transfer of fund balance from the ACP sub-account of SEIF to the general fund. These provisions are discussed elsewhere in this fiscal and policy note.

Location of Provisions in the Bill: Section 1 (pp. 100-101), Section 6 (p. 190), and Section 8 (p. 191)

Analysis prepared by: Suveksha Bhujel

Alter Distribution of Admissions and Amusement Tax on Electronic Bingo and Tip Jars

Provision in the Bill: Caps, beginning in fiscal 2026, at $8.5 million annually the amount of funding the Maryland E-Nnovation Initiative Fund (MEIF) receives from the revenue attributable to a 20% tax rate from the State admissions and amusement (A&A) tax on electronic bingo and electronic tip jars and requires the remaining revenue from the 20% tax rate to be distributed to the general fund.

Agency: Department of Commerce

Type of Action: Revenue action

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$2.5	$2.5	$2.5	$2.5	$2.5
SF Rev	$0	($2.5)	($2.5)	($2.5)	($2.5)	($2.5)

State Effect: No impact in fiscal 2025. General fund revenues increase by approximately $2.5 million annually beginning in fiscal 2026, based on previous fiscal years' A&A tax revenues on electronic bingo and electronic tip jars and assuming no growth in revenues. (The fiscal 2026 budget as passed by the General Assembly assumes $2.5 million in revenues). Special fund revenues to MEIF decrease correspondingly.

Local Effect: None.

Program Description: 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 20% imposed on electronic bingo and electronic tip jars are distributed to MEIF. The tax is currently only imposed in Anne Arundel and Calvert counties.

MEIF is administered by Commerce and offers a State match to private funds to support research endowments in scientific and technical fields at nonprofit higher education institutions. Under current law, the Governor must annually include, when combined with the amount received from the State A&A tax, at least $8.5 million for MEIF through fiscal 2026.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 111-112)

Analysis prepared by: Elizabeth Waibel

Increase Motor Vehicle Administration Cost Recovery from Miscellaneous Vehicle Titling, Vehicle Certificate, and Vehicle Registration Fees

Provisions in the Bill: Require the Motor Vehicle Administration (MVA) to increase the level of miscellaneous fees related to vehicle titling, vehicle certificates, and vehicle registration fees. Alter the definition of "miscellaneous fees" to include all fees collected by MVA other than three-fourths (rather than one-half) of the certificate of title fee (which, given the doubling of that fee, maintains the same level of funding from that source). Further authorize MVA to increase the level of miscellaneous fees to up to 105% of its cost recovery needs but *require* the fees to be set to at least 100%, rather than 95%, of that amount, based on the sum of (1) the approved operating budget for MVA for the relevant fiscal year; (2) the average annual capital program of MVA as reported in the six-year *Consolidated Transportation Program*; and (3) MVA's portion of the cost of the Maryland Department of Transportation's (MDOT) data center operations (except for the cost of data center operations attributable to other administrations' activities). Require revenue increases attributable to this provision to remain allocated within MDOT.

Agency: MDOT (MVA)

Type of Action: Revenue action

State Effect: As shown in **Exhibit 1**, the current statutory requirement for MVA to set the levels of miscellaneous fees at 95% of specified costs is not being fully met. Exhibit 1 also shows projected cost recovery levels under current law from fiscal 2025 through 2030. In fiscal 2026, the projected level of these fees is only expected to cover about 93% of the applicable costs (*i.e.*, below the 95% threshold noted above). Additionally, Exhibit 1 shows the amount of additional fee revenues needed to meet the 100% cost recovery requirement under the bill, relative to current fee revenue projections. Some portion of those fee revenues may be collected due to other provisions in the bill. Thus, Transportation Trust Fund revenues likely increase annually by an indeterminate amount beginning in fiscal 2026.

Exhibit 1
Projected Motor Vehicle Administration Cost Recovery Revenues
Fiscal 2025-2030
($ in Millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Operating Expenses*	$265.6	$275.0	$283.0	$292.3	$301.9	$311.8
95% of Operating Costs	252.3	261.2	268.9	277.7	286.8	296.2
Estimated Miscellaneous Fee Revenues	241.9	255.1	240.7	253.9	246.1	249.3
Percentage of Cost Recovery	91.1%	92.8%	85.1%	86.9%	81.5%	79.9%
Additional Fee Revenues Needed to Achieve 100% Cost Recovery	$23.7	$19.9	$42.3	$38.4	$55.8	$62.6

* As noted above, this amount includes the Motor Vehicle Administration's operating budget, capital expenses, and a portion of the cost of the Maryland Department of Transportation data center operations.

Source: Maryland Department of Transportation; Department of Legislative Services

Local Effect: None, as transportation revenues raised as a result of the provisions must remain allocated within MDOT.

Program Description: MVA is required to set the levels of miscellaneous fees (*i.e.*, all fees collected – other than the vehicle titling tax, 50% of the certificate of title fee, and vehicle registration fees) so that the total amount of projected revenues from the miscellaneous fees for the upcoming fiscal year is *at least* 95% (but does not exceed 100%) of the sum of specified costs.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 120-121) and Section 22 (p. 195)

Analysis prepared by: Eric F. Pierce

Accelerate Increases in Annual Vehicle Registration Fee for Certain Classes of Vehicles

Provisions in the Bill: Accelerate, from fiscal 2027 to fiscal 2026, the annual vehicle registration fee increases for certain classes of vehicles – specifically, make Class A (passenger), Class M (multipurpose), and Class E (truck) vehicles subject to the fully phased-in fee amounts established by the Budget Reconciliation and Financing Act (BRFA) of 2024 (Chapter 717) beginning July 1, 2025. Require revenue increases attributable to this provision to remain allocated within the Maryland Department of Transportation (MDOT).

Agency: MDOT (Motor Vehicle Administration)

Type of Action: Revenue action

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$52.3	$0	$0	$0	$0
SF Exp	$0	$1.1	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. Transportation Trust Fund (TTF) revenues from vehicle registration fees increase by $52.3 million in fiscal 2026 only. This estimate reflects the additional amount *payable* for registration in fiscal 2026; given the existing authorization for owners to opt to pay registration fees through installment plans, some portion of that revenue may be deferred to another year. TTF expenditures increase for additional credit card processing fees charged, commensurate with the increase in registration fee revenues paid by vehicle owners who use credit cards for their transactions. This estimate assumes that approximately 70% of transactions are subject to a credit card processing fee and the average fee paid is 3%.

Local Effect: None, as transportation revenues raised as a result of these provisions must remain allocated within MDOT.

Program Description/Recent History: Vehicle registration fees support TTF and the Gasoline and Motor Vehicle Revenue Account (an account within TTF that provides transportation aid to local governments). Registration fee revenues also support MDOT's bonding capacity. Fees vary by class and, for certain classes, depend on the shipping weight of the vehicle. Most classes of vehicle may register for one or two years. Registration fees vary based on a vehicle's characteristics (*e.g.*, class and weight, whether the vehicle is an electric drive vehicle, etc.).

The BRFA of 2024 phased in increases in vehicle registration fees for most classes of vehicles, established a new, lower, weight division within certain vehicle classes and allowed for installment payments of vehicle registration. The vehicle registration fees for Class A (passenger), Class M (multipurpose), and Class E (truck) vehicles affected by this provision are scheduled to increase by $25 on July 1, 2026, under current law.

Location of Provisions in the Bill: Section 1 (pp. 124-127) and Section 22 (p. 195)

Analysis prepared by: Eric F. Pierce

Alter Rental Car Registration Fees

Provisions in the Bill: Set the annual registration fees for rental vehicles at the same level as nonrental vehicles, by class and weight of the vehicles, resulting in increases to those annual fees. Require revenue increases attributable to the higher fees to remain allocated within the Maryland Department of Transportation (MDOT).

Agency: MDOT (Maryland Vehicle Administration (MVA))

Type of Action: Revenue action

Fiscal Impact:	*($ in millions)*					
	FY 2025	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$5.0	$5.0	$5.0	$5.0	$5.0

State Effect: MDOT advises that Transportation Trust Fund revenues increase by approximately $5.0 million annually under these provisions, which accounts for higher registration fees for nonrental vehicles beginning July 1, 2025 (*i.e.*, due to separate provisions of the bill). This estimate is based on projections from MVA for which the underlying assumptions were not shared. However, MVA indicated for a separate bill that there are more than 65,000 rental vehicles registered in the State. Therefore, under these provisions, the average annual registration fee increase is approximately $75.00 per rental vehicle.

Local Effect: None, as transportation revenues raised as a result of the provisions must remain allocated within MDOT.

Program Description/Recent History: Registration fees for rental vehicles differ from standard vehicle registration fees. **Exhibit 1** shows the annual registration fee for various classes of rental vehicles.

The Budget Reconciliation and Financing Act of 2024 phased in increases in vehicle registration fees for most classes of vehicles, established a new, lower, weight division within certain vehicle classes and allowed for installment payments of vehicle registration, but it did not alter registration fees for rental vehicles. Another set of provisions in the bill accelerates, from fiscal 2027 to 2026, the annual vehicle registration fee increases for certain classes of vehicles.

Exhibit 1
Annual Vehicle Registration Fees for Rental Vehicles by Class

Class of Rental Vehicle	Registration Fee (Annual)
A (passenger) / M (multipurpose)	
≤ 3,700 lbs.	$27.00
> 3,700 lbs.	40.50
D (motorcycle)*	55.00
E (truck)**	33.75
F (tractor)	Variable
G (nonfreight trailer)	Variable
G (freight trailer or semitrailer)***	20.25

* Increases to $65.00 on July 1, 2025.
** Lower-weight vehicles within this class pay a fixed registration fee, while higher-weight vehicles pay a variable registration fee based on weight increments.
*** In addition to a variable registration fee based on weight increments.

Source: Department of Legislative Services

Location of Provisions in the Bill: Section 1 (pp. 127-128) and Section 22 (p. 195)

Analysis prepared by: Eric F. Pierce

Establish $5 Fee for Purchase of Each New Tire

Provisions in the Bill: Require, beginning January 1, 2026, that a $5.00 fee be imposed on the first sale of a new tire in the State by a tire dealer, including new tires sold as part of a new or used vehicle, trailer, farm implement, or similar machinery. Require each tire dealer to (1) pay the fee; (2) complete and submit, under oath, a return; and (3) remit the fees to the Comptroller, as specified. Require the Comptroller to forward all new tire fees, less the costs of administration, to the Transportation Trust Fund (TTF) and that the revenue remain allocated within the Maryland Department of Transportation (MDOT). Require the Comptroller to administer the new tire fee and authorize the Comptroller to adopt regulations necessary to administer, collect, and enforce the new tire fee. Conform tax return provisions to apply to the new fee.

Agency: MDOT and Comptroller

Type of Action: Revenue action

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$0.1	$0	$0	$0	$0
SF Rev	$0	$10.1	$24.4	$24.4	$24.4	$24.4
GF Exp	$0	$0.1	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. General fund revenues and expenditures for the Comptroller's Office increase by $75,000 in fiscal 2026 only, reflecting administrative costs and related cost recovery. TTF revenues increase by an estimated $10.1 million in fiscal 2026 (which reflects net revenues after cost recovery by the Comptroller's Office) and by $24.4 million annually thereafter; this estimate, which is based on recent revenues collected from an existing tire recycling fee imposed under the Environment Article, reflects the $5.00 fee beginning January 1, 2026, and a one-month delay in the distribution of fee revenues from the Comptroller to TTF, consistent with the provisions.

Although not reflected in the table above, State expenditures (multiple fund types) also increase for the purchase of new tires by State agencies beginning in fiscal 2026 due to the new tire fee. The magnitude on any individual agency depends on the number of new tires purchased.

Local Effect: Local expenditures increase for the purchase of new tires beginning in fiscal 2026 due to the new tire fee. The magnitude on any individual local government depends on the number of new tires purchased. Local revenues are not affected.

Program Description: Separate from the new tire fee established by these provisions, a tire recycling fee is imposed on the first sale of a new tire in the State by a tire dealer, including new tires sold as part of a new or used vehicle, trailer, farm implement, or other similar machinery. The current tire recycling fee is $0.80 per tire, and current law specifies that the fee may not exceed $1.00 per tire; separate provisions in this bill alter that tire recycling fee. The Comptroller must forward all tire recycling fees to the Maryland Department of the Environment's Used Tire Cleanup and Recycling Fund (less the costs of administration) at the end of each quarter.

Recent History: None.

Additional Comments: This analysis assumes that "tire dealer," as it applies to these provisions, includes a person who sells new tires to a consumer of a tire on which a new tire fee (as opposed to a recycling fee, as specified in the provisions) has not been paid.

Location of Provisions in the Bill: Section 1 (pp. 114-115, pp. 132-133) and Section 22 (p. 195)

Analysis prepared by: Kathleen P. Kennedy

Increase Vehicle Emissions Inspection Fee and Index It to Inflation

Provisions in the Bill: Authorize the Motor Vehicle Administration (MVA) to increase the testing fee for the Vehicle Emissions Inspection Program (VEIP) to a maximum of $30 (rather than $14) beginning July 1, 2025. Require, beginning July 1, 2026, the fee to be adjusted for inflation, as specified, but to remain unchanged if there is a decline (or no growth) in the Consumer Price Index (CPI) for All Urban Consumers. Require revenue increases attributable to these provisions to remain allocated within the Maryland Department of Transportation (MDOT). Although not specifically required, MVA plans to make a corresponding increase in the late fee (from $15 to $30) by regulation.

Agency: MDOT (MVA)

Type of Action: Revenue action

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$30.5	$30.8	$31.3	$31.6	$32.1

State Effect: No impact in fiscal 2025. Transportation Trust Fund (TTF) revenues increase by approximately $30.0 million annually beginning in fiscal 2026, assuming MVA increases both the VEIP testing fee as well as the late fee on July 1, 2025. Although the estimate assumes the fee is raised to the maximum permissible amount (*i.e.*, from $14 to $30), it does not account for the impact of the required CPI adjustments, which could further increase TTF revenues beginning in fiscal 2027. Moreover, as MDOT advises the current $14 fee is sufficient to cover the VEIP contractor's costs, the additional revenues received due to the fee increase are retained by TTF. Accordingly, expenditures are not affected.

Local Effect: None, as transportation revenues raised as a result of these provisions must remain allocated within MDOT.

Program Description: Generally, all model year 1977 and newer vehicles in the State must be inspected and tested every two years, unless specifically exempt. MVA and the Maryland Department of the Environment must set the VEIP fee for each vehicle to be inspected and tested, which may not exceed $14. The current fee is $14. A specific portion of the fee must be paid or retained by MVA to cover the administration and enforcement costs of VEIP, as provided in the contract between the contractor and the State. The VEIP late fee ($15) is assessed the day after the inspection due date and every four weeks thereafter and accrues to TTF.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 138-140) and Section 22 (p. 195)

Analysis prepared by: Eric F. Pierce

Accelerate Reduction in Annual Film Production Activity Tax Credit Funding

Provision in the Bill: Reduces, from $20.0 million to $12.0 million, the aggregate amount of film production activity tax credit certificates that may be awarded in fiscal 2026 – thus accelerating by one year the phaseout of temporary enhancements to annual program funding.

Agency: Department of Commerce; Comptroller

Type of Action: Revenue action

Fiscal Impact:	*($ in millions)* FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev	$0	$6.0	$0	$0	$0	$0
SF Rev	$0	$2.0	$0	$0	$0	$0
SF Exp	$0	$0.3	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. In fiscal 2026 only, general fund revenues increase by $6.0 million, Higher Education Investment Fund and Transportation Trust Fund (TTF) revenues increase by $0.5 million and $1.5 million (respectively), and TTF expenditures for local highway user revenues 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 fiscal 2026 tax credit claims in the absence of the provision.

Local Effect: Local highway user revenues increase by $0.3 million in fiscal 2026.

Program Description/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.

Chapter 434 of 2023 increased the maximum amount of credits Commerce may award annually from $12.0 million to $15.0 million for fiscal 2024, $17.5 million for fiscal 2025, and $20.0 million for fiscal 2026. For fiscal 2027 and beyond, the annual limit on aggregate tax credit awards returns to $12.0 million. Any unused amount may be issued in a subsequent year. Commerce must reserve 10% of the total authorized amount each year for Maryland small or independent film entities.

Location of Provision in the Bill: Section 2 (pp. 144-146)

Analysis prepared by: Elizabeth Waibel

Temporarily Reduce Cap on Student Loan Debt Relief Tax Credit

Provisions in the Bill: Reduce the total amount of the Student Loan Debt Relief Tax Credit that may be approved by the Maryland Higher Education Commission (MHEC) for tax year 2025 from $18.0 million to $9.0 million. Require MHEC, by January 1, 2026, to submit a report on recommendations for changes to statute or regulations that would better target the allocation of tax credits.

Agency: MHEC

Type of Action: Revenue action

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$9.0	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. General fund revenues increase by $9.0 million in fiscal 2026 only, reflecting a one-time reduction in the amount of tax credits that may be approved by MHEC for tax year 2025. The amount authorized for tax credits returns to $18.0 million in tax year 2026, so there is no effect in the out-years. MHEC can complete the report with existing resources.

Local Effect: None.

Program Description/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 requires 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.

Due to the reduced amount of the authorized tax credits for tax year 2025, recipients of the tax credit will likely be only State employees, as the requirement to reserve $9.0 million for State employees is unchanged by this provision.

Location of Provisions in the Bill: Section 2 (pp. 146-148)

Analysis prepared by: Sara Baker

Alter More Jobs for Marylanders Tax Credit Reserve Fund and Authorize Transfer to General Fund

Provisions in the Bill: Require, beginning in fiscal 2026, the Comptroller, upon notification that a final credit amount in the More Jobs for Marylanders (MJM) program by the Department of Commerce has been certified, to transfer an amount equal to the credit amount in the *initial* tax credit certificate, instead of the amount in the *final* tax credit certificate, from the MJM Tax Credit Reserve Fund to the general fund. Authorize the Governor to transfer $4.3 million from the MJM Tax Credit Reserve Fund to the general fund, so long as the transfer occurs by June 30, 2025.

Agency: Commerce

Type of Action: Revenue action; fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$4.3	$6.0	$9.3	$12.4	$14.6	$16.1

State Effect: General fund revenues increase by $4.3 million in fiscal 2025 due to the authorized transfer from the MJM Tax Credit Reserve Fund. General fund revenues also likely increase in future years due to funds being transferred from the MJM Tax Credit Reserve Fund to the general fund at the time of notification of the final credit amount certified. Based on historical levels, $6.0 million is transferred to the general fund in fiscal 2026, escalating to $16.1 million in fiscal 2030. Expenditures are not affected. The fiscal 2006 budget passed by the General Assembly does not assume any fiscal 2026 revenue from the change.

Local Effect: None.

Program Description: The MJM Program provides State income tax credits (and, for new Tier I businesses certified before June 1, 2022, certain sales tax, property tax, and corporate filing fee benefits) to certain businesses that create and maintain a minimum number of qualified jobs. Commerce certifies companies that are eligible to participate in the program and the value of tax credits that may be claimed. The deadline for companies to enroll was May 31, 2024, but companies are eligible for up to 10 years of income tax credits, so expenditures are expected to extend into the 2030s.

The MJM Tax Credit Reserve Fund is used to reimburse the general fund for income tax credits claimed under the program. Currently, funds are deposited into the reserve fund each year based on the value of initial certificates Commerce issues under the program. These certificates represent the maximum value of tax credits that participants may be able to claim under the MJM program. After participants have completed qualifying activities for the program, Commerce issues final certificates, showing the maximum amounts that participants can actually claim on their State income tax returns.

The value of final certificates is frequently lower than the value of initial certificates, but since deposits to the reserve fund are based on initial credits, there is an excess balance in the reserve fund.

Recent History: Chapter 136 of 2022 extended the program for two additional years (allowing for the certification of projects through May 31, 2024) and modified the program for projects enrolled beginning June 1, 2022, to provide only an income tax credit instead of also including other credits and fees for new businesses, altered the eligible number of years of tax credits depending on the area the business is located in, altered the value of the tax credit, increased the minimum number of jobs required to be created, reduced the maximum amount of new credits authorized to be issued annually, and eliminated the ability to carry over unused authorizations.

Location of Provisions in the Bill: Section 2 (pp. 148-150) and Section 10 (pp. 191-192)

Analysis prepared by: Elizabeth Waibel

Increase Vehicle Excise Tax Rate to 6.5%

Provisions in the Bill: Increase the vehicle excise tax rate from 6.0% to 6.5% of the fair market value of the vehicle beginning July 1, 2025. Require revenue increases attributable to this higher rate to remain allocated within the Maryland Department of Transportation (MDOT) and not be credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA). Accordingly, alter statutory provisions relating to the distribution of vehicle excise tax revenues such that no portion of revenues attributable to the additional 0.5% tax is distributed to GMVRA.

Agency: MDOT

Type of Action: Revenue action

Fiscal Impact:	***($ in millions)*** **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$91.6	$94.4	$96.3	$98.2	$100.1

State Effect: No impact in fiscal 2025. In fiscal 2026, Transportation Trust Fund (TTF) revenues increase by an estimated $91.5 million, and Off-Highway Recreational Vehicle (OHRV) Trail Fund revenues increase by an estimated $0.1 million (reflecting an existing provision directing 50% of the proceeds from the excise tax imposed on OHRVs to the OHRV Trail Fund). Future years reflect projected growth in taxable vehicle sales.

Local Effect: None, as transportation revenues raised as a result of these provisions must remain allocated within MDOT.

Program Description/Recent History: Subject to specified exemptions, the vehicle excise tax is imposed for each original and subsequent certificate of title issued in the State for a motor vehicle, a trailer, a semitrailer, a moped, a motor scooter, or an OHRV for which sales and use tax is not collected at the time of purchase and for specified vehicles in interstate operation that are registered without a certificate of title. The tax is applied to the fair market value of the vehicle (as defined). Chapter 6 of the 2007 special session (the Transportation and State Investment Act) increased the vehicle excise tax rate from 5.0% to 6.0% and authorized a trade-in allowance against the tax equal to the full value of the trade-in vehicle. Subsequent legislation extended the trade-in allowance to persons trading in a nonleased vehicle as part of a vehicle lease agreement and persons trading in a leased vehicle to enter into a lease with a different leasing company or to purchase a vehicle.

With the exception of specified revenues from the excise tax imposed on OHRVs, the proceeds from the vehicle excise tax are deposited in TTF, of which two-thirds is credited to GMVRA within TTF. A portion of funds credited to GMVRA is used to provide capital transportation grants to local governments (local highway user revenues). TTF revenues from the vehicle excise tax totaled $1.05 billion in fiscal 2024 and are projected to total $1.08 billion in fiscal 2025.

Location of Provisions in the Bill: Section 2 (pp. 155-157), Section 22 (p. 195), and Section 33 (p.198)

Analysis prepared by: Elizabeth J. Allison

Repeal Vehicle Excise Tax Exemption for Short-term Rental Vehicles and Impose 3.5% Tax

Provisions in the Bill: Repeal the vehicle excise tax exemption for short-term rental vehicles and impose an excise tax rate of 3.5% of the fair market value of a short-term rental vehicle beginning July 1, 2025. Require revenue attributable to this provision to remain allocated within the Maryland Department of Transportation (MDOT) and not be credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA). Accordingly, alter statutory provisions relating to the distribution of vehicle excise tax revenues such that no portion of revenues attributable to the vehicle excise tax imposed on short-term rental vehicles is distributed to GMVRA.

Agency: MDOT

Type of Action: Revenue action

Fiscal Impact:	($ in millions)					
	FY 2025	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$46.1	$47.4	$48.4	$49.4	$50.3

State Effect: No impact in fiscal 2025. In fiscal 2026, Transportation Trust Fund (TTF) revenues increase by an estimated $46.1 million. Future years reflect projected growth in newly taxable vehicle sales. Actual revenues may differ from this estimate based on affected businesses' response to the tax, which cannot be reliably predicted.

Local Effect: None, as transportation revenues raised as a result of the provisions must remain allocated within MDOT.

Program Description: Subject to specified exemptions, the vehicle excise tax is imposed for each original and subsequent certificate of title issued in the State for a motor vehicle, a trailer, a semitrailer, a moped, a motor scooter, or an off-highway recreational vehicle (OHRV) for which sales and use tax is not collected at the time of purchase and for specified vehicles in interstate operation that are registered without a certificate of title. The 6.0% tax rate is applied to the fair market value of the vehicle (as defined). With the exception of specified revenues from the excise tax imposed on OHRVs, the proceeds from the vehicle excise tax are deposited in TTF, of which two-thirds are credited to GMVRA within TTF. A portion of funds credited to GMVRA are used to provide capital transportation grants to local governments (local highway user revenues). Separate provisions of this bill increase the vehicle excise tax rate from 6.0% to 6.5% and alter the distribution of vehicle excise tax revenues such that revenues attributable to the additional 0.5% tax remain allocated within MDOT.

Rental vehicles (as defined under § 11-148.1 of the Transportation Article) are specifically exempt from the vehicle excise tax. For purposes of the vehicle law, "rental vehicle" means a passenger car or other specified vehicle that is acquired solely for rental purposes but will not be rented to the same person for a period of more than 180 consecutive days, subject to certain other criteria and exemptions. The State imposes an 11.5% sales and use tax on short-term passenger car, multipurpose passenger vehicle, and motorcycle rentals and an 8.0% sales and use tax on certain short-term truck, tractor, and trailer rentals. TTF receives 45.0% of the proceeds from the sales and use tax on short-term vehicle rentals, and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund receives the remaining 55.0%.

Recent History: None.

Location of Provisions in the Bill: Section 2 (pp. 155-157), Section 22 (p. 195), and Section 33 (p.198)

Analysis prepared by: Elizabeth J. Allison

Double Certificate of Title Fees

Provisions in the Bill: Double certificate of title fees beginning July 1, 2025, and require revenue increases attributable to this provision to remain allocated within the Maryland Department of Transportation (MDOT).

Agency: MDOT

Type of Action: Revenue action

Fiscal Impact:	*($ in millions)* FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Rev	$0	$103.5	$103.5	$103.5	$103.5	$103.5

State Effect: No impact in fiscal 2025. Transportation Trust Fund revenues increase by an estimated $103.5 million annually beginning in fiscal 2026. This estimate is based on fiscal 2024 titling fee transactions and assumes that fees for duplicate and corrected certificates of title, which are set in regulation, also increase proportionately (accounting for $6.2 million of the increase).

Local Effect: None.

Program Description: In general, the fee for each certificate of title is $100. Reduced fees apply for certificates of title issued for rental vehicles ($50); off-highway recreational vehicles ($35); mopeds and motor scooters ($20); and trailers with a gross vehicle weight of 3,000 pounds or less that are transferred to a specified family member, if no money or other valuable consideration is involved in the transfer ($50). Fees for duplicate certificates of title to replace a lost, stolen, or damaged certificate of title are established by the Motor Vehicle Administration (MVA).

On the death of a sole or joint owner of a vehicle, MVA may not charge a fee for a new certificate of title issued for the vehicle to a surviving spouse, as specified. Similarly, MVA may not charge a fee for a certificate of title issued for a vehicle that is transferred to a trust or from a trust to one or more beneficiaries in accordance with certain provisions of the Estates and Trusts Article.

Recent History: None.

Location of Provisions in the Bill: Section 2 (pp. 155-156) and Section 22 (p. 195)

Analysis prepared by: Elizabeth J. Allison

Alter Definition of Historic Motor Vehicles to Limit Qualifying Model Years

Provisions in the Bill: Limit the definition of "historic motor vehicle" to model year 1999 or earlier vehicles, repealing the requirement that the motor vehicle be at least 20 years old, beginning in fiscal 2026. Accordingly, require vehicles from model year 2000 or later that are registered as historic vehicles to instead be registered by their corresponding class and weight and pay higher annual registration fees. Require revenue increases attributable to the change to remain allocated within the Maryland Department of Transportation (MDOT).

Agency: MDOT (Maryland Vehicle Administration (MVA))

Type of Action: Revenue action

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$6.2	$6.2	$6.2	$6.2	$6.2

State Effect: No impact in fiscal 2025. The provisions affect multiple special fund revenues; total special fund revenues increase by at least $6.2 million annually beginning in fiscal 2026. **Exhibit 1** shows the estimated impact on the Transportation Trust Fund and other special fund revenues under the provisions. Approximately 62,800 vehicles must obtain standard registration plates (and pay the applicable fees corresponding to the vehicle class). This change also subjects the owners to paying annual surcharges related to emergency medical services. Further, any such affected vehicles may become subject to Vehicle Emissions Inspection Program (VEIP) testing, assuming the owners are not otherwise exempt under other provisions of State law. The estimates shown in Exhibit 1 account for higher registration fees and VEIP fees established under separate provisions of the bill beginning July 1, 2025. Revenues may increase further each year as additional motor vehicles become 20 years old, although it is unknown to the extent that these cars would have registered as historic vehicles.

Local Effect: None, as transportation revenues raised as a result of the provisions must remain allocated within MDOT.

Program Description: A historic motor vehicle is currently defined as a motor vehicle, including a passenger vehicle, motorcycle, or truck, that is at least 20 years old; has not been substantially altered from the manufacturer's original design; and meets criteria contained in MVA regulations.

Recent History: The Budget Reconciliation and Financing Act of 2024 (Chapter 717) phased in increases in vehicle registration fees for most classes of vehicles, which included increasing the Class L (historic) vehicle registration from $45.50 to $55.50 per year beginning on July 1, 2025.

Exhibit 1
Effect on Transportation Trust Fund and Other Special Fund Revenues
Fiscal 2026-2030

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
TTF Revenues	**$3,729,623**	**$3,729,623**	**$3,729,623**	**$3,729,623**	**$3,729,623**
Registration Fees	*3,164,243*	*3,164,243*	*3,164,243*	*3,164,243*	*3,164,243*
VEIP Fees	*565,380*	*565,380*	*565,380*	*565,380*	*565,380*
EMS Surcharge Distribution	**$2,512,800**	**$2,512,800**	**$2,512,800**	**$2,512,800**	**$2,512,800**
MEMSOF	*1,539,090*	*1,539,090*	*1,539,090*	*1,539,090*	*1,539,090*
Shock Trauma	*565,380*	*565,380*	*565,380*	*565,380*	*565,380*
MTPSF	*408,330*	*408,330*	*408,330*	*408,330*	*408,330*
Total State Revenue Impact	**$6,242,423**	**$6,242,423**	**$6,242,423**	**$6,242,423**	**$6,242,423**

EMS: Emergency Medical Services
MEMSOF: Maryland Emergency Medical System Operations Fund
MTPSF: Maryland Trauma Physician Services Fund
Shock Trauma: R Adams Cowley Shock Trauma Center
TTF: Transportation Trust Fund
VEIP: Vehicle Emissions Inspection Program

Source: Maryland Department of Transportation; Department of Legislative Services

Location of Provisions in the Bill: Section 2 (pp. 157-159) and Section 22 (p. 195)

Analysis prepared by: Eric F. Pierce

Alter Personal Income Tax Rates, Deductions, and State Child Tax Credit

Provisions in the Bill: Alter the State's individual income tax rates and brackets; increase the value of the Maryland standard deduction and eliminate the phase-in of the standard deduction; phase out itemized deductions for certain taxpayers; and modify the State child tax credit to phase out the benefit gradually for taxpayers with federal adjusted gross income (AGI) in excess of $15,000. Apply changes, as detailed further below, to tax year 2025 and beyond. Require the Comptroller to waive any interest or penalty imposed on an individual relating to payment of estimated income tax for calendar 2025 to the extent the Comptroller determines that the interest or penalty would not have been incurred but for an increase in the income tax rates for calendar 2025 under this bill.

- *Individual Income Tax Brackets and Rates:* As shown later in **Exhibit 3**, two new income tax brackets are established at the top of the income tax rate schedule, and the top marginal income tax rate is increased from 5.75% to 6.50%.
- *Standard Deduction:* For tax year 2025, the maximum value of the Maryland standard deduction increases from $2,800 to $3,350 ($5,600 to $6,700 for joint filers, heads of household, and qualified surviving spouses). Consistent with existing law, these amounts are subject to annual cost-of-living adjustments for tax years after 2025. A taxpayer may claim the full value of the standard deduction regardless of income.
- *Itemized Deductions:* Taxpayers with federal AGI in excess of $200,000 ($100,000 if married filing separately) must reduce the amount of their otherwise allowable itemized deductions by an amount equal to 7.5% of federal AGI in excess of $200,000 ($100,000 if married filing separately).
- *State Child Tax Credit:* Taxpayers with federal AGI in excess of $15,000 (the existing income eligibility threshold) may claim the credit for each qualified child at a reduced amount ($500 reduced by $50 for each $1,000 or fraction thereof by which federal AGI exceeds $15,000). The credit fully phases out for taxpayers with federal AGI in excess of $24,000. The credit is decoupled from any changes to the definition of a qualified dependent under § 152 of the Internal Revenue Code after December 31, 2024.

Agency: Comptroller

Type of Action: Revenue action

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$344.4	$262.5	$271.9	$282.3	$293.2
GF Exp	$0	$0.3	$0	$0	$0	$0

State Effect: General fund expenditures for the Comptroller's Office increase by an estimated $250,000 in fiscal 2026 only for one-time programming changes. General fund revenues increase by an estimated $344.4 million in fiscal 2026, reflecting the effect of tax year 2025 and a portion of tax year 2026. Future years reflect annualization and projected income growth.

Exhibit 1 details the estimated State revenue effects by provision. The Department of Legislative Services (DLS) estimates that, were the deduction and rate provisions in effect for tax year 2023, taxpayers who otherwise claimed the Maryland standard deduction would have realized an aggregate net reduction in State income tax liability of $72.2 million, and taxpayers who itemized Maryland deductions would have realized an aggregate net increase in State income tax liability of $311.0 million.

Exhibit 1
State Revenue Effects by Provision
Fiscal 2026-2030
($ in Millions)

Provision	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Alter Standard and Itemized Deductions	$81.9	$62.8	$65.0	$67.4	$70.0
Establish New Top Marginal Brackets and Rates [1]	269.5	206.7	213.9	221.9	230.3
Alter CTC	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)
Net State Revenue Effect	**$344.4**	**$262.5**	**$271.9**	**$282.3**	**$293.3**

CTC: child tax credit

[1]Amounts shown reflect the estimated effect of the personal income tax rate and bracket changes as applied to the estimated personal income tax base under the bill's alterations to Maryland deductions.

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

The federal Tax Cuts and Jobs Act of 2017 (TCJA) made various changes to the federal individual income tax, most of which are scheduled to expire after tax year 2025. These changes include the elimination of federal personal exemptions for taxpayers and dependents, increases in the federal standard deduction, and the limitation and suspension of various itemized deductions. The enhancements to the federal standard deduction and alterations to federal itemized deductions have increased utilization of the federal and State standard deductions – which, because the value of the Maryland standard deduction is not tied to the value of the federal standard deduction, has generated increased personal income tax revenues for Maryland. The December 2024 general fund revenue forecast assumes a reduction in State personal income tax revenues beginning in fiscal 2026 due to the scheduled expiration of the aforementioned TCJA changes.

The estimate shown in this fiscal and policy note is based on an analysis of tax year 2023 income tax data – a year for which the TCJA provisions were in effect – and, thus, reflects a scenario in which the TCJA provisions continue beyond tax year 2025. However, should the TCJA provisions sunset as scheduled after tax year 2025, the general fund revenue effects of the personal income tax provisions of this bill are greater, as some taxpayers who return to the itemized deduction method or claim increased or additional itemized deductions must reduce the amount of their otherwise-allowed itemized deductions on the Maryland return in accordance with this bill. The precise effect of this scenario is not available at this time. DLS further notes that actual revenues under these provisions may differ from the information presented in this analysis depending on the enactment of any federal income tax changes.

Local Effect: Local income tax revenues are affected beginning in fiscal 2026 due to the phase out of itemized deductions and enhancements to the standard deduction. As shown in **Exhibit 2**, in fiscal 2026, local income tax revenues increase by an estimated $28.2 million, reflecting tax year 2025 and a portion of tax year 2026. Future years reflect annualization and projected income growth. To the extent the individual income tax provisions of TCJA sunset after tax year 2025 as scheduled, local income tax revenues generated by the provisions of this bill are greater; however, the precise effect is not available at this time. Local income tax revenues generated under the provisions of this bill may otherwise differ from the amounts shown below, depending on the timing of local income tax distributions.

Exhibit 2
Local Revenue Effects
Fiscal 2026-2030
($ in Millions)

FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
$28.2	$21.6	$22.4	$23.2	$24.1

Source: Department of Legislative Services

DLS does not have sufficient income tax data to analyze the State or local revenue effects of these provisions by county. However, a separate analysis prepared by the Comptroller's Office estimates the State and local revenue effects of the provisions by county.

Program Description/Recent History: The individual income tax is Maryland's largest source of general fund revenue. Individual income tax revenues totaled $13.6 billion for fiscal 2024, or 55% of total fiscal 2024 general fund revenue.

State Individual Income Tax Rates: As shown in Exhibit 3, Maryland imposes a top marginal State individual income tax rate of 5.75% on Maryland taxable income in excess of $250,000 ($300,000 for joint filers, heads of household, and qualified surviving spouses). Maryland taxable income is equal to federal AGI as adjusted for Maryland addition and subtraction modifications (Maryland AGI) minus Maryland deductions and exemptions.

Additionally, each county and Baltimore City imposes a local income tax on the Maryland taxable income of its residents at a rate of at least 2.25% and up to 3.2% and may impose the county income tax on a bracket basis. (A separate provision of this bill authorizes counties to impose an income tax rate of up to 3.3%.) Nonresidents who are subject to the State income tax but are not subject to the county income tax are subject to the special nonresident tax at a rate equal to the lowest county income tax rate in Maryland (currently 2.25%).

Maryland Deductions: Maryland's standard deduction is equal to 15% of Maryland AGI, subject to certain inflation-adjusted minimum and maximum amounts. For tax year 2025, the minimum and maximum standard deduction amounts are $1,850 and $2,800, respectively ($3,700 and $5,600, respectively, for joint filers, heads of household, and qualified surviving spouses). An individual who itemizes federal deductions may elect to itemize Maryland deductions, as specified. Maryland generally conforms to federal itemized deductions but disallows deductions for (1) state and local income taxes paid and (2) contributions of a preservation or conservation easement for which a Maryland income tax credit for preservation and conservation easements is claimed.

State Child Tax Credit: The State's child tax credit was originally enacted under Chapter 40 of 2021 and was extended and modified by Chapters 3 and 4 of 2023. For tax years 2023 and beyond, resident taxpayers who have one or more qualified children and federal AGI of up to $15,000 may claim a refundable income tax credit equal to $500 per qualified child. A qualified child is a dependent of the taxpayer who is (1) younger than age 6 or (2) younger than age 17 and is a child with a disability (as defined).

Exhibit 3
Maryland State Individual Income Tax Rates
Current Law vs. the Bill

Under Current Law:

Single, Dependent, Married Filing Separately		Joint, Surviving Spouse, Head of Household	
Rate	**Maryland Taxable Income**	**Rate**	**Maryland Taxable Income**
2.00%	$1-$1,000	2.00%	$1-$1,000
3.00%	$1,001-$2,000	3.00%	$1,001-$2,000
4.00%	$2,001-$3,000	4.00%	$2,001-$3,000
4.75%	$3,001-$100,000	4.75%	$3,001-$150,000
5.00%	$100,001-$125,000	5.00%	$150,001-$175,000
5.25%	$125,001-$150,000	5.25%	$175,001-$225,000
5.50%	$150,001-$250,000	5.50%	$225,001-$300,000
5.75%	Excess of $250,000	5.75%	Excess of $300,000

Under the Bill:

Single, Dependent, Married Filing Separately		Joint, Surviving Spouse, Head of Household	
Rate	**Maryland Taxable Income**	**Rate**	**Maryland Taxable Income**
2.00%	$1-$1,000	2.00%	$1-$1,000
3.00%	$1,001-$2,000	3.00%	$1,001-$2,000
4.00%	$2,001-$3,000	4.00%	$2,001-$3,000
4.75%	$3,001-$100,000	4.75%	$3,001-$150,000
5.00%	$100,001-$125,000	5.00%	$150,001-$175,000
5.25%	$125,001-$150,000	5.25%	$175,001-$225,000
5.50%	$150,001-$250,000	5.50%	$225,001-$300,000
5.75%	$250,001-$500,000	5.75%	$300,001-$600,000
6.25%	$500,001-$1,000,000	6.25%	$600,001-$1,200,000
6.50%	Excess of $1,000,000	6.50%	Excess of $1,200,000

Source: Department of Legislative Services

Location of Provisions in the Bill: Section 3 (pp. 160-161, pp. 164-167) and Section 26 (p. 196)

Analysis prepared by: Elizabeth J. Allison

Impose Net Capital Gain Surtax

Provisions in the Bill: Impose a 2% surtax for individuals with federal adjusted gross income in excess of $350,000 on certain net capital gain included in Maryland adjusted gross income for tax year 2025 and beyond. Specify that the surtax does not apply to any amount of capital gain from the sale or exchange of (1) a residential dwelling sold for less than $1.5 million that is the individual's primary residence; (2) assets held in specified retirement savings plans; (3) cattle, horses, or breeding livestock held for more than 12 months, as specified; (4) land that is subject to or will be subject to a conservation, agricultural, or forest preservation easement; (5) property used in a trade or business, the cost of which is eligible for expensing under § 179 of the Internal Revenue Code (IRC); or (6) affordable housing owned by a nonprofit organization. Distribute 37.5% of the proceeds from the surtax to the Transportation Trust Fund (TTF). Require the Comptroller to waive any interest or penalty imposed on an individual relating to payment of estimated income tax for calendar 2025 to the extent the Comptroller determines that the interest or penalty would not have been incurred but for an increase in the income tax rates for calendar 2025 under this provision or other provisions.

Agency: Comptroller; Maryland Department of Transportation

Type of Action: Revenue action

Fiscal			*($ in millions)*			
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$229.3	$169.9	$169.9	$169.9	$169.9
SF Rev	$0	$137.6	$101.9	$101.9	$101.9	$101.9
GF Exp	$0	$0.1	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. In fiscal 2026, general fund and TTF revenues increase by an estimated $229.3 million and $137.6 million (respectively), reflecting the effect of tax year 2025 and a portion of tax year 2026. Future years reflect annualization and projected capital gains income. General fund expenditures for the Comptroller's Office increase by up to $75,000 in fiscal 2026 only for one-time programming changes.

Local Effect: None.

Program Description: Under federal and Maryland income tax, gain or loss from the disposition of a capital asset held for more than one year is treated as long-term capital gain or loss, and gain or loss from the disposition of a capital asset that is held for one year or less is treated as short-term capital gain or loss. Net capital gain (net long-term capital gain minus net short-term capital loss) is generally taxed at preferential federal income tax rates (0%, 15%, or 20%, depending on the taxpayer's filing status and taxable income).

Maryland conforms to the federal income tax treatment of capital gains but taxes net capital gain at ordinary State income tax rates.

Per § 121 of the IRC, a taxpayer may exclude from gross income up to $250,000 ($500,000 for certain joint returns) of gain from the sale or exchange of the taxpayer's principal residence. To qualify for the exclusion, the taxpayer must have owned and used the property as the taxpayer's principal residence for at least two years out of the five years preceding the date of the sale or exchange. A taxpayer may apply the exclusion to only one sale or exchange within a two-year period.

Recent History: None.

Location of Provisions in the Bill: Section 3 (p. 159, pp. 162-163) and Section 26 (p. 196)

Analysis prepared by: Elizabeth J. Allison

Increase Maximum Allowable Local Income Tax Rate

Provisions in the Bill: Increase the maximum income tax rate a county may impose on Maryland taxable income from 3.2% to 3.3%. Authorize a county to set an income tax rate of 3.3% for tax year 2025 if the county notifies the Comptroller of the rate change by May 15, 2025, and is not requesting any other rate or bracket change for tax year 2025. Require the Comptroller to waive any interest or penalty imposed on an individual relating to payment of estimated income tax for calendar 2025 to the extent the Comptroller determines that the interest or penalty would not have been incurred but for an increase in the income tax rates for calendar 2025 under this provision or other provisions.

Agency: Comptroller

Type of Action: Revenue action

State Effect: None.

Local Effect: Local income tax revenues may increase beginning in fiscal 2026 to the extent counties alter income tax rates in a revenue-raising manner in response to the authorization. For tax year 2026 and beyond, counties that impose the current maximum county income tax rate of 3.2% on all Maryland taxable income have the necessary flexibility to adopt revenue-neutral, bracket-based income tax rates, should they opt to do so.

Program Description/Recent History: Each county and Baltimore City must impose a local income tax on the Maryland taxable income of its residents at a rate of at least 2.25% and up to 3.2%. Chapter 23 of 2021 authorized counties to impose the county income tax on a bracket basis; to date, Anne Arundel County has adopted bracket-based marginal income tax rates, and Frederick County has adopted a flat income tax rate schedule with rates that vary based on income level.

Exhibit 1 shows the current county income tax rates for tax year 2025. As shown in the exhibit, 14 counties and Baltimore City impose the maximum county income tax rate of 3.2% for tax year 2025 – including Anne Arundel and Frederick counties, which impose a top income tax rate of 3.2%.

Nonresidents who are subject to the State income tax but are not subject to the county income tax are subject to the special nonresident tax at a rate equal to the lowest county income tax rate in Maryland (currently 2.25%).

Location of Provisions in the Bill: Section 3 (p. 163), Section 26 (p. 196), and Section 28 (p. 196)

Analysis prepared by: Elizabeth J. Allison

Exhibit 1
County Income Tax Rates
Tax Year 2025

County	Rate	County	Rate
Allegany	3.03%	Harford	3.06%
Anne Arundel	3.20% [1]	Howard	3.20%
Baltimore City	3.20%	Kent	3.20%
Baltimore	3.20%	Montgomery	3.20%
Calvert	3.20%	Prince George's	3.20%
Caroline	3.20%	Queen Anne's	3.20%
Carroll	3.03%	St. Mary's	3.20%
Cecil	2.74%	Somerset	3.20%
Charles	3.03%	Talbot	2.40%
Dorchester	3.20%	Washington	2.95%
Frederick	3.20% [2]	Wicomico	3.20%
Garrett	2.65%	Worcester	2.25%

[1] Reflects the tax year 2025 top marginal county income tax rate for Anne Arundel County, which applies to the amount of Maryland taxable income in excess of $400,000 ($480,000 for joint filers, heads of household, and qualified surviving spouses). For single filers, married individuals filing separately, and dependent filers, the tax year 2025 county income tax rates are 2.70% of Maryland taxable income of $1 through $50,000; 2.94% of Maryland taxable income of $50,001 through $400,000; and 3.20% of Maryland taxable income over $400,000. For joint filers, heads of household, and qualified surviving spouses, the tax year 2025 county income tax rates are 2.70% of Maryland taxable income of $1 through $75,000; 2.94% of Maryland taxable income of $75,001 through $480,000; and 3.20% of Maryland taxable income over $480,000.

[2] Reflects the tax year 2025 top county income tax rate for Frederick County, which applies to taxpayers with Maryland taxable income of more than $150,000 ($250,000 for joint filers, heads of household, and qualified surviving spouses). For single filers, married individuals filing separately, and dependent filers, the tax year 2025 county income tax rates are 2.25% for taxpayers with Maryland taxable income between $1 and $25,000 (inclusive); 2.75% for taxpayers with Maryland taxable income between $25,001 and $50,000 (inclusive); 2.96% for taxpayers with Maryland taxable income between $50,001 and $150,000 (inclusive); and 3.20% for taxpayers with Maryland taxable income of $150,001 or more. For joint filers, heads of household, and qualified surviving spouses, the tax year 2025 county income tax rates are 2.25% for taxpayers with Maryland taxable income between $1 and $25,000 (inclusive); 2.75% for taxpayers with Maryland taxable income between $25,001 and $100,000 (inclusive); 2.96% for taxpayers with Maryland taxable income between $100,001 and $250,000 (inclusive); and 3.20% for taxpayers with Maryland taxable income of $250,001 or more.

Source: Comptroller's Office; Department of Legislative Services

Alter Trigger for Reduced Senior Tax Credit

Provision in the Bill: Reduces, from 7.5% to 3.75%, the general fund estimate reduction threshold at which the value of the senior tax credit is reduced for certain taxpayers, applicable to tax year 2025 and beyond.

Agency: Comptroller

Type of Action: Revenue action

State Effect: No quantifiable effect on general fund revenues at this time. To the extent the altered threshold for the reduced senior tax credit is met, general fund revenues increase significantly. Expenditures are not affected.

Local Effect: None.

Program Description/Recent History: Chapters 3 and 4 of 2022 established a nonrefundable State income tax credit for resident taxpayers who are at least age 65 and whose federal adjusted gross income (AGI) does not exceed $100,000 ($150,000 for joint filers, heads of household, and qualified surviving spouses). The amount of the tax credit is equal to $1,000 ($1,750 for heads of household, qualified surviving spouses, and joint filers if both spouses are at least age 65). For a tax year in which the September general fund estimate issued by the Board of Revenue Estimates for the current fiscal year is more than 7.5% below the March general fund estimate issued in the same year, the value of the tax credit is reduced by 50% for taxpayers whose federal AGI is at least $50,000 ($100,000 for joint filers, heads of household, and qualified surviving spouses).

Location of Provision in the Bill: Section 3 (pp. 167-168)

Analysis prepared by: Elizabeth J. Allison

Increase Cannabis Sales and Use Tax Rate and Alter Tax Distribution

Provisions in the Bill: Increase the sales and use tax rate imposed on the retail sale of adult-use cannabis from 9% to 12% beginning in fiscal 2026 and alter the distribution of sales and use tax collections from the sale of cannabis so that the entire portion of revenue attributable to the higher rate is distributed to the general fund. Distribute directly to the general fund, for fiscal 2026 and beyond, the first 25% of cannabis sales and use tax collections; maintain the distribution of the remaining 75% as under current law for no net effect on distribution of existing revenues.

Agency: Comptroller

Type of Action: Revenue action

Fiscal Impact:	($ in millions) **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0.0	$39.1	$45.1	$47.5	$48.5	$49.1

State Effect: No impact in fiscal 2025. General fund revenues increase by $39.1 million in fiscal 2026; future years reflect projected growth in taxable cannabis sales. Special fund revenues are not affected. Expenditures are not affected.

Local Effect: None.

Program Description/Recent History: Chapters 254 and 255 of 2023 imposed a 9% sales and use tax on the retail sale of adult-use cannabis. After distributions to the Cannabis Regulation and Enforcement Fund to defray Maryland Cannabis Administration operating and administrative expenses, the Comptroller must distribute cannabis sales and use tax collections to the State's general fund (50% through fiscal 2028, after which the general fund distribution increases to 55%); the Cannabis Reinvestment and Repair Fund (35% through fiscal 2033 only); counties (5% direct allocation); the Cannabis Public Health Fund (5%); and the Cannabis Business Assistance Fund (5% through fiscal 2028 only). Cannabis sales and use tax revenues totaled $63.8 million in fiscal 2024, of which $30.5 million was distributed to the general fund. In fiscal 2025 and 2026, cannabis sales and use tax revenues are projected to total $86.9 million and $117.4 million, respectively, including $30.4 million and $45.9 million in general fund revenues.

Location of Provisions in the Bill: Section 4 (p. 169, p. 174)

Analysis prepared by: Elizabeth J. Allison

Impose Sales and Use Tax on Data and Information Technology Services

Provisions in the Bill: Expand the definition of taxable services under the State sales and use tax, beginning in fiscal 2026, to include data and information technology (IT) services described under North American Industrial Classification System (NAICS) sectors 5132, 518, 519, and 5415. (NAICS sector 5132 includes software publishing services and NAICS sectors 518, 519, and 5415 include, respectively, (1) computing infrastructure providers, data processing, web hosting, and related services; (2) web search portals, libraries, archives, and other information services; and (3) computer systems design and related services.)

Impose a 3.0% sales and use tax on these services and distribute the revenue to the general fund, among other changes.

Establish that the sales and use tax on data and IT services does not apply to (1) sales of cloud computing services to a qualified cybersecurity business or (2) sales to or by a qualified company in an emerging technology development area, which encompasses quantum computing research and development at the University of Maryland, College Park Campus.

Agency: Comptroller

Type of Action: Revenue action

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$482.8	$684.0	$704.5	$725.7	$747.4
GF Exp	$0	$0.6	$0.3	$0.3	$0.3	$0.3

State Effect: No impact in fiscal 2025. General fund revenues increase by approximately $482.8 million in fiscal 2026 and by $747.4 million in fiscal 2030. The fiscal 2026 estimate discounts expected revenues by 25% to account for start-up and initial compliance issues. Future years reflect annualization and inflation.

The estimate is based on product line and NAICS code data from the Economic Census survey conducted by the U.S. Census Bureau in 2012 and adjusted to fiscal 2026 gross domestic product for Maryland. The Economic Census data reflects sales by private sector businesses in Maryland with at least one paid employee. It does not include any sales by sole proprietors or sales of services that may be purchased by Maryland residents from providers outside of the State that would be subject to the sales tax. Future year revenues are assumed to increase by approximately 3% annually. To the extent that there have been changes in the overall consumption of various services over the past several years, total sales and use tax revenues are affected accordingly.

The estimate assumes a decline in taxable sales to reflect sales that would not be subject to Maryland sales tax for three reasons: (1) the sale does not occur because the additional cost dissuades the purchaser; (2) the sale is diverted to a neighboring state where the service is not subject to a sales tax, or the sales tax rate is lower; or (3) the sale is made to a government or nonprofit entity. To the extent that the impact on sales volume varies from what is projected, sales tax revenues increase or decrease correspondingly. To the extent that businesses decrease their purchases of these services, by performing the services in-house, for example, revenues are lower.

General fund expenditures for the Comptroller's Office increase by $643,600 in fiscal 2026 and by $328,300 in fiscal 2030. This estimate reflects certain one-time costs in fiscal 2026 and a 90-day start-up delay after the provision's July 1, 2025 effective date.

The Comptroller's Office needs to hire three financial compliance auditors to administer the new sales and use tax on data and IT services. Their duties include identifying and licensing new sales and use tax account holders, tax compliance, auditing new sales and use tax returns, and handling potential litigation. The estimate reflects a one-time expenditure increase of $400,000 in fiscal 2026 for computer programming modifications to the tax reporting and collection system. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3.0
Salaries and Fringe Benefits	$221,451
Computer Programming Modification Costs	400,000
Operating Expenses	22,106
Total FY 2026 State Expenditures	**$643,557**

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Local Effect: None.

Program Description/Recent History: The State sales and use tax rate is 6%, except for the sale of alcoholic beverages and cannabis products, which are taxed at higher rates. Taxable services include cellular phone and other mobile telecommunications services; telephone custom calling features; 900-type telephone services; telephone answering services; prepaid telephone calling arrangements; security services; commercial building cleaning; certain commercial cleaning and laundering of textiles for businesses; credit reporting services; pay-per- view television; production of tangible personal property by special order; transportation services for transmission, distribution, or delivery of taxable electricity or natural gas; and consumption of wine not provided by a restaurant, club, or hotel.

Chapter 33 of 2022 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Chapter 33 requires the Comptroller, after making certain other distributions, to pay to the Blueprint for Maryland's Future Fund (BMFF) the following percentage of the remaining sales and use tax revenues:

- 9.2% for fiscal 2023;
- 11.0% for fiscal 2024;
- 11.3% for fiscal 2025;
- 11.7% for fiscal 2026; and
- 12.1% for fiscal 2027 and each subsequent fiscal year.

Chapter 33 also repealed the distribution of sales and use tax revenues to BMFF from marketplace facilitators, certain out-of-state vendors, and specified digital products or digital codes.

Location of Provisions in the Bill: Section 4 (pp. 169-174, pp. 176-180)

Analysis prepared by: Michael Sanelli

Repeal Sales and Use Tax Exemption for Sales of Snack Food from Vending Machines

Provision in the Bill: Repeals a State sales and use tax exemption for the sale of snack food from a vending machine beginning in fiscal 2026.

Agency: Comptroller

Type of Action: Revenue action

Fiscal Impact:	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
($ in millions)						
GF Rev	$0	$9.1	$9.3	$9.6	$9.8	$10.1
SF Rev	$0	$1.2	$1.3	$1.3	$1.4	$1.4
GF Exp	$0	$0	($2.5)	($1.3)	($1.4)	($1.4)
SF Exp	$0	$0	$2.5	$1.3	$1.4	$1.4

State Effect: No impact in fiscal 2025. General fund revenues increase by $9.1 million in fiscal 2026 and by $10.1 million in fiscal 2030. Blueprint for Maryland's Future Fund (BMFF) revenues increase by $1.2 million in fiscal 2026 and by $1.4 million in fiscal 2030. Out-years reflect inflation. Current projections indicate general funds will be needed to support Blueprint costs beginning in fiscal 2027. It is, therefore, assumed that the cumulative BMFF revenues of $2.5 million from fiscal 2026 and 2027 are expended in fiscal 2027 (rather than being used for other BMFF costs before then). Thus, in fiscal 2027, special fund expenditures increase by $2.5 million, while general fund expenditures correspondingly decrease. Beginning in fiscal 2028, general fund expenditures for education decrease to the same extent that BMFF revenues and expenditures increase.

Local Effect: None.

Program Description/Recent History: The sale of snack food sold through a vending machine is exempt from the State sales and use tax.

State Sales and Use Tax

The State sales and use tax rate is 6%, except for the sale of alcoholic beverages and cannabis products, which are taxed at higher rates. If a retail sale of tangible personal property or a taxable service is made through a vending or other self-service machine, the sales and use tax rate is 6%, applied to 94.5% of the gross receipts from the vending machine sales.

The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately $6.0 billion in fiscal 2025 and $6.1 billion in fiscal 2026, according to the December 2024 revenue forecast.

Blueprint for Maryland's Future Fund

Chapter 33 of 2022 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Chapter 33 requires the Comptroller, after making certain other distributions, to pay to BMFF the following percentage of the remaining sales and use tax revenues:

- 9.2% for fiscal 2023;
- 11.0% for fiscal 2024;
- 11.3% for fiscal 2025;
- 11.7% for fiscal 2026; and
- 12.1% for fiscal 2027 and each subsequent fiscal year.

Chapter 33 also repealed the distribution of sales and use tax revenues to BMFF from marketplace facilitators, certain out-of-state vendors, and specified digital products or digital codes.

Location of Provision in the Bill: Section 4 (pp. 174-175)

Analysis prepared by: Michael Sanelli

Impose Sales and Use Tax on Certain Sales of Precious Metal Coins and Bullion

Provision in the Bill: Imposes the State sales and use tax on the sale of precious metal bullion or coins with a sales price greater than $1,000 – unless the sale is made at the Baltimore Convention Center – beginning in fiscal 2026.

Agency: Comptroller

Type of Action: Revenue action

Fiscal Impact:	($ in millions) **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$2.5	$2.5	$2.6	$2.7	$2.7
SF Rev	$0	$0.3	$0.3	$0.4	$0.4	$0.4
GF Exp	$0	$0	($0.7)	($0.4)	($0.4)	($0.4)
SF Exp	$0	$0	$0.7	$0.4	$0.4	$0.4

State Effect: No impact in fiscal 2025. General fund revenues increase by $2.5 million in fiscal 2026 and by $2.7 million in fiscal 2030. Blueprint for Maryland's Future Fund (BMFF) revenues increase by $0.3 million in fiscal 2026 and by $0.4 million in fiscal 2030. (Out-years reflect inflation.) Current projections indicate general funds will be needed to support Blueprint costs beginning in fiscal 2027. It is, therefore, assumed that the cumulative BMFF revenues of approximately $0.7 million from fiscal 2026 and 2027 are expended in fiscal 2027 (rather than being used for other BMFF costs before then). Thus, in fiscal 2027, special fund expenditures increase by approximately $0.7 million, while general fund expenditures correspondingly decrease. Beginning in fiscal 2028, general fund expenditures for education decrease to the same extent that BMFF revenues and expenditures increase.

Local Effect: None.

Program Description/Recent History: The State sales and use tax does not apply to the sale of precious metal bullion or coins that have a sales price greater than $1,000.

State Sales and Use Tax

The State sales and use tax rate is 6%, except for the sale of alcoholic beverages and cannabis products, which are taxed at higher rates. The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately $6.0 billion in fiscal 2025 and $6.1 billion in fiscal 2026, according to the December 2024 revenue forecast.

Blueprint for Maryland's Future Fund

Chapter 33 of 2022 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Chapter 33 requires the Comptroller, after making certain other distributions, to pay to BMFF the following percentage of the remaining sales and use tax revenues:

- 9.2% for fiscal 2023;
- 11.0% for fiscal 2024;
- 11.3% for fiscal 2025;
- 11.7% for fiscal 2026; and
- 12.1% for fiscal 2027 and each subsequent fiscal year.

Chapter 33 also repealed the distribution of sales and use tax revenues to BMFF from marketplace facilitators, certain out-of-state vendors, and specified digital products or digital codes.

Location of Provision in the Bill: Section 4 (p. 175)

Analysis prepared by: Michael Sanelli

Repeal Sales and Use Tax Exemption for Sales of Photographic and Artistic Materials Used in a Publication

Provision in the Bill: Repeals a State sales and use tax exemption for the sale of photographic and artistic material used in a publication beginning in fiscal 2026.

Agency: Comptroller

Type of Action: Revenue action

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$18.7	$19.2	$19.7	$20.3	$21.0
SF Rev	$0	$2.5	$2.6	$2.7	$2.8	$2.9
GF Exp	$0	$0	($5.1)	($2.7)	($2.8)	($2.9)
SF Exp	$0	$0	$5.1	$2.7	$2.8	$2.9

State Effect: No impact in fiscal 2025. General fund revenues increase by $18.7 million in fiscal 2026 and by $21.0 million in fiscal 2030. Blueprint for Maryland's Future Fund (BMFF) revenues increase by $2.5 million in fiscal 2026 and by $2.9 million in fiscal 2030. Out-years reflect inflation. Current projections indicate general funds will be needed to support Blueprint costs beginning in fiscal 2027. It is, therefore, assumed that the cumulative BMFF revenues of $5.1 million from fiscal 2026 and 2027 are expended in fiscal 2027 (rather than being used for other BMFF costs before then). Thus, in fiscal 2027, special fund expenditures increase by $5.1 million, while general fund expenditures correspondingly decrease. Beginning in fiscal 2028, general fund expenditures for education decrease to the same extent that BMFF revenues and expenditures increase.

Local Effect: None.

Program Description/Recent History: The sale of photographic and artistic material used in a publication is exempt from the State sales and use tax.

State Sales and Use Tax

The State sales and use tax rate is 6%, except for the sale of alcoholic beverages and cannabis products, which are taxed at higher rates. The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately $6.0 billion in fiscal 2025 and $6.1 billion in fiscal 2026, according to the December 2024 revenue forecast.

Blueprint for Maryland's Future Fund

Chapter 33 of 2022 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Chapter 33 requires the Comptroller, after making certain other distributions, to pay to BMFF the following percentage of the remaining sales and use tax revenues:

- 9.2% for fiscal 2023;
- 11.0% for fiscal 2024;
- 11.3% for fiscal 2025;
- 11.7% for fiscal 2026; and
- 12.1% for fiscal 2027 and each subsequent fiscal year.

Chapter 33 also repealed the distribution of sales and use tax revenues to BMFF from marketplace facilitators, certain out-of-state vendors, and specified digital products or digital codes.

Location of Provision in the Bill: Section 4 (pp. 175-176)

Analysis prepared by: Michael Sanelli

Increase Medicaid Deficit Assessment and Authorize Alternative Method to Achieve Equivalent Revenue

Provisions in the Bill: Increase the required Medicaid Deficit Assessment imposed on hospitals from $294,825,000 to $344,825,000 in fiscal 2025 and $394,825,000 in fiscal 2026 and every fiscal year thereafter. Authorize the Health Services Cost Review Commission (HSCRC) and the Maryland Department of Health (MDH) to adopt an alternative method to collect, by the end of fiscal 2026, the amount of revenue resulting from the increase in the Medicaid deficit assessment across fiscal 2025 and 2026 (a total of $150.0 million). The fiscal 2026 budget as passed by the General Assembly includes a $46.25 million general fund reduction and a $50.0 million special fund appropriation in fiscal 2025 and a $92.5 million general fund reduction and a $100.0 million special fund appropriation in fiscal 2026, all contingent on the enactment of legislation increasing the hospital deficit assessment.

Agency: MDH

Type of Action: Revenue action; fund swap

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$50.0	$100.0	$100.0	$100.0	$100.0	$100.0
SF Exp	$50.0	$100.0	$100.0	$100.0	$100.0	$100.0
GF Exp	($46.3)	($92.5)	($92.5)	($92.5)	($92.5)	($92.5)

State Effect: Special fund revenues and expenditures for Medicaid increase by $50.0 million in fiscal 2025 and $100.0 million in fiscal 2026 due to the increase in the Medicaid Deficit Assessment, or other method used to collect $150.0 million in revenue by the end of fiscal 2026. Special fund revenues and expenditures for Medicaid increase by $100.0 million annually beginning in fiscal 2027 due to the ongoing increase in the Medicaid Deficit Assessment. General fund expenditures decrease by $46.3 million in fiscal 2025 and $92.5 million annually beginning in fiscal 2026 due to the use of additional special funds from the Medicaid Deficit Assessment, after accounting for a slight increase in Medicaid general fund expenditures to pay for the hospital rate increase administered by HSCRC to collect the assessment.

Local Effect: None.

Program Description: Following the Great Recession, a Medicaid Deficit Assessment was imposed on Maryland hospitals to support the Medicaid program. The assessment consists of (1) an amount included in hospital rates (and paid by hospital users) and (2) a remittance from hospitals.

Recent History: The Budget Reconciliation and Financing Act (BRFA) of 2020 (Chapter 528) set the assessment level at $294.8 million for fiscal 2021 and each fiscal year thereafter. The BRFA of 2023 (Chapter 103) reduced the assessment level by $50.0 million to $244.8 million in fiscal 2024 only. Due to this reduction, the remittance from hospitals decreased from $56.5 million in fiscal 2023 to $6.5 million in fiscal 2024.

Location of Provisions in the Bill: Section 6 (pp.188-189)

Analysis prepared by: Anne W. Braun

Alter Annual Interest Rate Paid for Certain Sales and Use Tax Refunds

Provision in the Bill: Requires the Comptroller to set the annual interest rate paid for sales and use tax refunds resulting from a final decision under *Potomac Edison v. Comptroller of the Treasury* to equal the average prime rate of interest during the 12 months immediately preceding the month in which the final decision is rendered, based on a determination by the Board of Governors of the Federal Reserve Bank.

Agency: Comptroller

Type of Action: Revenue action

State Effect: General fund revenues may increase by an indeterminate amount due to a lower interest rate being applied to sales and use tax refunds resulting from the final decision in *Potomac Edison v. Comptroller of the Treasury*. The amount of any interest on refunds that may be owed cannot be reliably estimated at this time.

Local Effect: None.

Program Description: By October 1 of each year, the Comptroller's Office must set the annual interest rate for tax refunds and monies owed to the State for the next calendar year at a rate that equals the greater of (1) 12% for calendar 2017, 11.5% for calendar 2018, 11% for calendar 2019, 10.5% for calendar 2020, 10% for calendar 2021, 9.5% for calendar 2022, and 9% for calendar 2023 and each year thereafter or (2) three percentage points above the average prime rate of interest in the previous fiscal year, based on information from the Federal Reserve Bank.

Recent History: In the case of *Potomac Edison v. Comptroller of the Treasury*, the Comptroller's Office has argued that certain equipment used by Potomac Edison for the transmission of electricity does not qualify for a sales and use tax exemption under current State law. However, the Maryland Tax Court has ruled that at least some of the equipment used by Potomac Edison in the transmission of electricity is considered to be used as part of a production activity and, therefore, entitled to the sales and use tax exemption.

Chapter 464 of 2014 (Budget Reconciliation and Financing Act of 2014) altered the annual interest rate paid for income tax refunds resulting from the final decision under *Maryland State Comptroller of the Treasury v. Brian Wynne, et ux*., 431 Md. 147 (2013). The Comptroller's Office was required to use an annual interest rate equal to the average prime rate of interest during fiscal 2015, based on a determination by the Board of Governors of the Federal Reserve Bank. The provision applied to applicable tax refunds for tax years 2006 through 2014.

Location of Provision in the Bill: Section 30 (pp. 196-197)

Analysis prepared by: Michael Sanelli

Expand Allowable Uses of Cannabis Regulation and Enforcement Fund to Support Social Equity Partnership Grant Program

Provisions in the Bill: Expand the allowable uses of the Cannabis Regulation and Enforcement Fund (CREF) to include supporting the Social Equity Partnership Grant Program and specify that the fund must be used to meet the mandated appropriation of $5.0 million for the grant program. The fiscal 2026 budget as passed by the General Assembly includes $5.0 million general fund reductions and $5.0 million special fund appropriations in both fiscal 2025 and 2026, contingent on the enactment of legislation allowing the use of CREF to fulfill the mandated appropriation for Social Equity Partnership Grant awards.

Agency: Maryland Cannabis Administration (MCA)

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev	($2.5)	($2.5)	($2.5)	($2.5)	($2.8)	($2.8)
SF Rev	$2.8	$2.8	$2.8	$2.8	$3.0	$3.0
GF Exp	($5.0)	($5.0)	($5.0)	($5.0)	($5.0)	($5.0)
SF Exp	$3.3	$3.3	$3.3	$3.3	$3.3	$3.3

State Effect: General fund expenditures for MCA decrease by $5.0 million annually beginning in fiscal 2025. Special fund revenues and expenditures for CREF increase correspondingly. CREF expenditures (which this analysis assumes includes the $5.0 million mandated funding to support the Social Equity Partnership Grant Program) are deducted before cannabis sales tax revenues are distributed. Thus, $5.0 million less in cannabis sales tax revenues is distributed to the general fund, various special funds, and directly to counties. Accordingly, general fund revenues decrease by $2.5 million annually in fiscal 2025 through 2028, after which general fund revenues decrease by $2.75 million annually, reflecting a change in cannabis sales tax distribution under current law. (The fiscal 2026 budget as passed by the General Assembly assumes a $2.5 million general fund revenue reduction in fiscal 2025 and 2026.) Special fund revenues for the Community Reinvestment and Repair Fund (CRRF), Cannabis Public Health Fund (CPHF), and Cannabis Business Assistance Fund (CBAF) decrease by a total of $2.25 million annually in fiscal 2025 through 2028 and by a total of $2.0 million annually thereafter. (Special fund revenues shown above reflect the net of CREF, CRRF, CPHF, and CBAF revenue effects.) Special fund expenditures for CRRF decrease by $1.75 million annually beginning in fiscal 2025, reflecting the decrease in CRRF revenues to counties. The net effect of increased CREF expenditures and decreased CRRF expenditures is special fund expenditures increase by $3.25 million annually.

Local Effect: Counties receive a direct allocation of 5% of adult-use cannabis sales tax revenues, thus county revenues decrease by $250,000 annually beginning in fiscal 2025. Municipal revenues are also affected, as each county must distribute to a municipality located in the county 50% of the county's allocation that is attributable to the cannabis sales and use tax revenue generated by a dispensary located in that municipality. Counties also receive funds from CRRF to provide funds to community-based organizations that serve communities determined to have been the most impacted by disproportionate enforcement of the cannabis prohibition before July 1, 2022. Thus, county revenues and expenditures decrease by $1.75 million annually from less available CRRF funding beginning in fiscal 2025.

Program Description/Recent History: Chapters 254 and 255 of 2023 (Cannabis Reform) established MCA, CREF, and the Social Equity Partnership Grant Program and required, beginning in fiscal 2025, the Governor to include in the annual budget bill an appropriation of $5.0 million for the grant program. The Social Equity Partnership Grant program promotes qualifying partnerships between operational cannabis licensees and social equity licensees.

CREF is a special fund that is primarily funded through cannabis tax sales, but also includes revenue from licensing and fees, and the purpose of the fund is for covering the operating costs of MCA and for administering and enforcing the cannabis program.

The sales and use tax revenues from adult-use cannabis sales are required to be distributed first to CREF for amounts necessary to defray MCA's operating and administrative costs. Remaining tax revenues are then distributed as follows: 50% to the State's general fund (through fiscal 2028, after which the general fund distribution increases to 55%); 35% to CRRF; 5% to CPHF; 5% to CBAF (through fiscal 2028, after which this distribution terminates); and 5% as a direct allocation to counties.

A separate provision in the Budget Reconciliation and Financing Act increases the sales and use tax on adult-use cannabis beginning in fiscal 2026 from 9% to 12% and alters the distribution of revenue raised through the sales and use tax, though that provision does not directly affect this provision.

Location of Provisions in the Bill: Section 1 (p. 22)

Analysis prepared by: Victoria M. Martinez

Authorize Use of Expedited Service Fund for State Department of Assessments and Taxation Operating Costs in Fiscal 2026 and 2027

Provision in the Bill: Expands, in fiscal 2026 and 2027 only, the allowable uses of the Expedited Service Fund to authorize up to $11,000,000 in each year to be used for general operating expenses in the State Department of Assessments and Taxation (SDAT). The fiscal 2026 budget as passed by the General Assembly includes a $10,000,000 general fund reduction and $10,000,000 special fund addition for SDAT, both contingent on the enactment of legislation expanding the allowable use of expedited service fees; SDAT is authorized to allocate the reduction and addition among programs in the department.

Agency: SDAT

Type of Action: Fund swap; change use of special fund

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($10.0)	($10.0)	$0	$0	$0
SF Exp	$0	$10.0	$10.0	$0	$0	$0

State Effect: No impact in fiscal 2025. General fund expenditures decrease by $10.0 million annually in fiscal 2026 and 2027, reflecting the contingent reduction in fiscal 2026 and assuming a similar level of funding in fiscal 2027. Special fund expenditures increase correspondingly. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: Revenue generated by SDAT from expedited services of business filing documents is deposited into the Expedited Service Fund. The Expedited Service Fund must be used by the department (1) for the costs of reviewing, processing, and auditing specified documents that are filed or requested; (2) to pay redemption or extinguishment amounts to former owners of ground rents redeemed or extinguished; and (3) for other costs incurred by the department to administer the provisions of the Tax – Property Article. Chapter 385 of 2024 increased, from 5% to 15%, the percentage of the Expedited Service Fund that may be used for administrative expenses under the SDAT Office of the Director.

Location of Provision in the Bill: Section 1 (pp. 24-25)

Analysis prepared by: David Propert

Expand Allowable Uses of Securities Act Registration Fund

Provision in the Bill: Expands the allowable uses of funds in the Securities Act Registration Fund to include supporting the general operations of the Office of the Attorney General (OAG). The fiscal 2026 budget as passed by the General Assembly includes $1,690,000 in general fund reductions (within the Legal Counsel and Advice Division and the Civil Litigation Division of OAG) in each of fiscal 2025 and 2026 and $1,690,000 in special fund appropriations in each of fiscal 2025 and 2026, contingent on the enactment of legislation expanding the allowable uses of the Securities Registration Fund.

Agency: OAG

Type of Action: Expand use of special fund

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	($1.7)	($1.7)	($1.7)	($1.7)	($1.7)	($1.7)
SF Exp	$1.7	$1.7	$1.7	$1.7	$1.7	$1.7

State Effect: Although the provision does not set a specific dollar amount associated with the ability to use the Securities Registration Fund for general operating expenses in OAG, general fund expenditures for OAG are assumed to decrease by $1.7 million annually beginning in fiscal 2025, reflecting the contingent reductions in fiscal 2025 and 2026 and assuming a similar level of out-year funding. Special fund expenditures increase correspondingly. Revenues are not affected.

Local Effect: None.

Program Description: The Legal Counsel and Advice Division in OAG includes the Attorney General and their staff. The division is responsible for the management and administration of OAG. The Civil Litigation Division handles major civil litigation in which the State, its agencies, or officers is a party. The division defends the State and State employees in State and federal trials and appellate courts, as well as files suits on behalf of the State. The Securities Act Registration Fund receives revenues from fees paid for securities registrations.

Recent History: A separate provision increases the fee for an initial and renewal registration and transfer of registration as an agent for securities registration by $15 and increases the share of the fee that is paid into the Securities Act Registration Fund by $10. While this could increase the available fund balance to use for these expanded purposes, it does not directly impact this provision.

Location of Provision in the Bill: Section 1 (p. 25)

Analysis prepared by: Jacob L. Pollicove

Expand Allowable Uses of Small, Minority, and Women-Owned Business Account

Provision in the Bill: Requires, for fiscal 2026 through 2028 only, a total of $9.0 million each year from the Small, Minority, and Women-Owned Business Account (SMWOBA), specifically from previously unspent allocations under the current allocation distribution, to be made available to two other funds as follows: $7.5 million to the Pre-Seed Builder Fund (Builder Fund) and $1.5 million to the Maryland Small Business Development Financing Authority (MSBDFA). The fiscal 2026 budget bill as passed by the General Assembly includes $9.0 million in general fund reductions for these two programs and $9.0 million in special fund appropriations, contingent on the enactment of legislation permitting the use of available SMWOBA funds.

Agency: Department of Commerce; Maryland Technology Development Corporation (TEDCO)

Type of Action: Fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($9.0)	($9.0)	($9.0)	$0	$0
SF Exp	$0	$9.0	$9.0	$9.0	$0	$0

State Effect: The bill effectuates the contingent provisions in the fiscal 2026 budget and modifies funding for fiscal 2027 and 2028 as well. Accordingly, general fund expenditures decrease by $9.0 million annually from fiscal 2026 through 2028 due to the requirement for available SMWOBA special funds to be used to fund the two programs, and special fund expenditures for the Builder Fund ($7.5 million) and MSBDFA ($1.5 million) increase annually from fiscal 2026 through 2028. This analysis assumes that the SMWOBA funds made available through this provision continue to be used to replace, rather than supplement, general funds through fiscal 2028. Further, although some portion of the $27.0 million in SMWOBA funds could otherwise have been expended by SMWOBA, for no net effect on special fund expenditures, this analysis does not account for that possibility as the likelihood and timing for any such expenditures cannot be reliably predicted. Finally, SMWOBA revenues are unaffected as the funding must be from previous allocations (*i.e.*, fund balance) rather than newly distributed revenues each year.

Local Effect: None.

Program Description: SMWOBA, is used to provide loans and grants to small, minority, and women-owned businesses in the State. A small percentage of gross video lottery terminal proceeds is distributed to SMWOBA each fiscal year. Commerce then provides grants from SMWOBA to eligible fund managers – in practice, mostly a mixture of county development corporations and private firms. The fund managers then provide loans and grants to small, minority, and women-owned businesses in the State. Generally, grants are limited to $10,000 per recipient and, except in the case of certain disasters or emergencies, must be issued in conjunction with a loan. The account historically has received more revenues each year than it provides via loans.

The Builder Fund, a program in TEDCO, supports the development of start-up companies run by entrepreneurs from socially or economically disadvantaged backgrounds that hinder access to traditional forms of capital and executive networks at the pre-seed stage.

MSBDFA provides financing services including contract financing, long-term guaranty, surety bonding, and equity participation investment to small businesses that have not been successful in obtaining assistance from traditional financing sources.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 26-27)

Analysis prepared by: Elizabeth Waibel

Expand Allowable Use of Program Open Space Funds for Fiscal 2026

Provision in the Bill: Authorizes the Maryland Department of Planning (MDP) to use an additional $340,000 of the Maryland Heritage Areas Authority's (MHAA) Program Open Space (POS) funding allocation for MDP operating expenses in fiscal 2026 only.

Agency: MDP

Type of Action: Change use of special fund

State Effect: No impact in fiscal 2025. In fiscal 2026 only, special fund expenditures are unchanged but reallocated among uses. To the extent that an additional $340,000 is used for operating expenses in MDP, these funds are redirected from the MHAA Grant Program. The funds are intended to support the cost of procuring grant management software for the Maryland Historic Trust within MDP that year. The fiscal 2026 budget as passed by the General Assembly does not assume general funds would have been used absent this special fund authorization. Nevertheless, if general funds might have been used for this purpose, general fund expenditures could decrease in fiscal 2026 only. Revenues are not affected.

Local Effect: Assuming an average grant amount of $46,800, this provision could result in as many as seven fewer MHAA grants being awarded to local governments and nonprofit organizations in fiscal 2026. According to MDP's fiscal 2026 *Managing for Results* submission, MHAA grants have a 4:1 ratio for non-State investment leveraged. Thus, reducing the MHAA grant funding by $340,000 may result in the loss of up to $1.4 million in leveraged non-State funds.

Program Description: POS, administered by the Department of Natural Resources, provides funds for State and local conservation acquisitions and development of public outdoor recreational sites, facilities, and open space. POS is principally funded through special funds derived from the State's property transfer tax. POS receives 75.15% of the total transfer tax revenues available for allocation, with further distribution of POS funds specified in statute. Up to $6.0 million of the total POS funds is allocated to the MHAA Financing Fund. Under current law, up to 10% of the POS funds allocated to MHAA may be used to pay MHAA operating expenses.

MHAA was established in 1996 to foster heritage tourism by providing technical and financial assistance to create additional historic and cultural destinations within the State. Maryland's 13 heritage areas are locally designated, and State certified, regions where public and private partners make commitments to preserving historical, cultural, and natural resources for sustainable economic development through heritage tourism.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 55-56)

Analysis prepared by: Andrew D. Gray and Elizabeth Waibel

Alter Allowable Uses of Waiting List Equity Fund

Provision in the Bill: Alters allowable uses of the Waiting List Equity Fund (WLEF) to remove a prohibition against WLEF supplanting funds for emergency community placements or transitioning students. The fiscal 2026 budget as passed by the General Assembly includes a $15.0 million general fund reduction and a $15.0 million special fund appropriation in fiscal 2025, contingent on the enactment of legislation expanding the use of WLEF.

Agency: Maryland Department of Health (MDH)

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	($15.0)	$0.0	$0.0	$0.0	$0.0	$0.0
SF Exp	$15.0	$0.0	$0.0	$0.0	$0.0	$0.0

State Effect: General fund expenditures for the Developmental Disabilities Administration (DDA) decrease by $15.0 million in fiscal 2025, reflecting the reduction contingent on the enactment of this provision. Special fund expenditures increase correspondingly in fiscal 2025. To the extent the Governor uses this authorization in the future, general fund expenditures decrease, and special fund expenditures increase in a similar manner. Revenues are not affected.

Local Effect: None.

Program Description: DDA provides direct services to developmentally disabled individuals through the funding of a coordinated community-based service delivery system and in two State Residential Centers (SRCs) and a Secure Evaluation and Therapeutic Treatment unit, which shares a campus with one of the SRCs.

WLEF was established to ensure that funding associated with individuals served in an SRC follows them when they are transitioned to a community-based care setting. MDH was required to adopt regulations for management and use of the funds. The funds are prohibited from being used to supplant funds for emergency community placements or transitioning youth. The primary ongoing source of revenue for WLEF is contributions through an income tax checkoff. WLEF may also receive funds appropriated in the State budget, which are equal to the cost of providing services to an individual in a SRC for a fiscal year or part of a year in which the individual is no longer served in a SRC and is provided community-based services, and any other source for the benefit of the fund. The fiscal 2024 closing balance for WLEF was $14,037,884.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 56-57)

Analysis prepared by: Victoria M. Martinez

Remove Prohibition on Capping Dollar Amount of Specified Self-directed and Family-directed Goods and Services

Provision in the Bill: Removes a prohibition against the Developmental Disabilities Administration (DDA) within the Maryland Department of Health (MDH) establishing a limit on the maximum dollar amount provided to recipients for individual-directed and family-directed goods and services (IFDGS) under the Community Services program. The fiscal 2026 budget as passed by the General Assembly includes reductions of $14.5 million in general funds and $14.5 million in federal funds, contingent on the enactment of legislation modifying the provisions of the Self-Directed Services Program.

Agency: MDH

Type of Action: Cost containment; miscellaneous

Fiscal Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
			($ in millions)			
FF Rev	$0.0	($14.5)	($14.5)	($14.5)	($14.5)	($14.5)
GF Exp	$0.0	($14.5)	($14.5)	($14.5)	($14.5)	($14.5)
FF Exp	$0.0	($14.5)	($14.5)	($14.5)	($14.5)	($14.5)

State Effect: No impact in fiscal 2025. General fund and federal fund expenditures decrease in fiscal 2026 by $14.5 million based on the level of reduction contingent on the enactment of this provision. Federal fund revenues decrease correspondingly. To the extent that DDA limits funding provided for IFDGS to individuals, general fund expenditures decrease in the out-years. This decrease is assumed to occur at the same level as the fiscal 2026 reduction. Corresponding federal fund revenues and expenditures claimed through the federal matching rate for Medicaid waivers are also reduced.

Local Effect: None.

Program Description: DDA funds direct services to intellectually and developmentally disabled individuals through a coordinated community-based service delivery system. IFDGS are defined as services, equipment, activities, or supplies for individuals who self-direct services that (1) relate to a need or goal identified in the person-centered plan of service; (2) maintain or increase independence; (3) promote opportunities for community living and inclusion; and (4) are not available under another waiver provided under the State plan.

Recent History: Chapters 736 and 737 of 2022 prohibit DDA from establishing a limit on the dollar amount of IFDGS provided to a recipient, but they also prohibit a recipient from receiving services or supports in excess of the recipient's annual approved budget.

MDH advised that, prior to Chapters 736 and 737 taking effect, there was a cap of $7,500 per year for family goods and services.

The fiscal 2026 budget as passed by the General Assembly added a total of $132.2 million in general funds and $15.0 million in special funds from the Community Services Trust Fund for the purpose of restoring and modifying various cost containment actions proposed for fiscal 2026. Of this funding, $7.0 million was added for the purpose of removing the day-to-day administrator category of services from IFDGS and placing the category on a separate service line.

Location of Provision in the Bill: Section 1 (p. 57)

Analysis prepared by: Victoria M. Martinez

Authorize Rather than Require Unexpended Grant Funds to Remain with Grantee Organizations at Fiscal Year Close

Provision in the Bill: Authorizes, rather than requires, unexpended grant funds for core service agencies (CSAs), local addiction authorities, local behavioral health authorities (LBHAs), and community organizations to remain with the entities at the end of each fiscal year.

Agency: Maryland Department of Health (MDH)

Type of Action: Cost containment

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$22.7	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $22.7 million in fiscal 2025, reflecting the reversion, at the close of fiscal 2025, of unspent grant funds from fiscal 2024. The reversion is assumed in the fiscal 2026 budget plan as passed by the General Assembly. The provision allows for reversion of unexpended grant funds going forward as well. Accordingly, general fund expenditures decrease beginning in fiscal 2025 to the extent that unexpended funds from these entities are not retained by them.

Local Effect: Residual funding available to CSAs, LBHAs, and community providers from fiscal 2024 decreases by a combined $22.7 million; the allocation among jurisdictions and type of providers is unknown. Funding for CSAs, LBHAs, and community providers may further decrease by the amount of any unexpended dollars from BHA grants, at the close of each fiscal year, beginning in fiscal 2025.

Program Description: BHA distributes annual grants to CSAs, LBHAs, and community providers to support the provision of behavioral health services across the State. Under current law, MDH was required to develop a mechanism to ensure any unexpended funds remain with the grantee organizations at the end of each fiscal year.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 59-60)

Analysis prepared by: Naomi Komuro

Expand Allowable Uses of Senior Prescription Drug Assistance Program Fund

Provision in the Bill: Expands the allowable uses of the Senior Prescription Drug Assistance Program (SPDAP) Fund within the Maryland Department of Health (MDH) to include, *beginning* in fiscal 2025 (rather than only in fiscal 2025), depositing funds into health reimbursement accounts of certain State retirees transitioning from Medicare Part D. The fiscal 2026 budget as passed by the General Assembly includes a $3,118,182 general fund reduction and a $3,118,182 special fund appropriation, both contingent on the enactment of legislation expanding the use of the SPDAP Fund.

Agency: MDH; Department of Budget and Management (DBM)

Type of Action: Change use of special fund

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($3.1)	$0	$0	$0	$0
SF Exp	$0	$3.1	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. General fund expenditures decrease by $3.1 million in fiscal 2026, reflecting the contingent appropriation (absent the authority to use SPDAP funding to deposit funds into health reimbursement accounts, additional general funds would be spent for that purpose). To the extent that the Governor chooses to spend SPDAP monies for this purpose beyond fiscal 2026, general fund expenditures decrease accordingly. Special fund expenditures increase in fiscal 2026, reflecting the contingent appropriation from the SPDAP Fund to the State Employee and Retiree Health Insurance Account within DBM. Beginning in fiscal 2027, special fund expenditures are neither increased nor decreased but may be reallocated among uses to the extent that the Governor chooses to spend SPDAP funding on this purpose. Special fund revenues are not affected.

Local Effect: None.

Program Description: SPDAP provides Medicare Part D premium assistance to offset costs for moderate-income Maryland residents (with household incomes at or below 300% of federal poverty guidelines) who are eligible for Medicare and are enrolled in certain Medicare Part D Prescription Drug Plans. The program is supported with the SPDAP Fund, which is made up of payments from CareFirst equivalent to the value of its premium tax exemption. MDH anticipates the SPDAP Fund will close fiscal 2025 with a balance of $12.8 million, after transferring funding to other uses.

Chapter 397 of 2011 terminated prescription drug coverage for Medicare-eligible State retirees effective in fiscal 2020. Chapter 10 of 2018 made the termination effective January 1, 2019, with the expectation that Medicare-eligible State retirees could enroll in prescription drug coverage programs under Medicare Part D. Chapter 767 of 2019 established reimbursement programs that cover out-of-pocket costs for retirees enrolled in Part D coverage.

Recent History: The Budget Reconciliation and Financing Act of 2024 (Chapter 717) expanded allowable uses of the SPDAP Fund to include the Kidney Disease Program and community mental health services to the uninsured, beginning in fiscal 2025 (rather than only in fiscal 2018) and expanded allowable uses of the SPDAP Fund to include, in fiscal 2025 only, depositing funds into health reimbursement accounts of certain State retirees transitioning to Medicare Part D.

Location of Provision in the Bill: Section 1 (pp. 62-63)

Analysis prepared by: Anne W. Braun

Expand Allowable Uses of Community Services Trust Fund in Fiscal 2026

Provision in the Bill: Expands, in fiscal 2026 only, the allowable uses of the Community Services Trust Fund to include provider reimbursements in the Developmental Disabilities Administration (DDA) Community Services program within the Maryland Department of Health (MDH).

Agency: MDH

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($15.0)	$0	$0	$0	$0
SF Exp	$0	$15.0	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. General fund expenditures for DDA decrease by $15.0 million in fiscal 2026, assuming that absent this expansion additional general funds would have been provided for the restoration of cost containment actions. Special fund expenditures increase correspondingly. The fiscal 2026 budget as passed by the General Assembly added a $15.0 million special fund appropriation from the Community Services Trust Fund to support provider reimbursements in the Community Services program as part of a restoration of certain cost containment actions for the program.

Local Effect: None.

Program Description: The DDA Community Services program funds provider reimbursements for direct services to intellectually and developmentally disabled individuals. Services provided through the program include residential, meaningful day, and support services. The Community Services Trust Fund includes an account that holds the proceeds from the sale or long-term lease of property and equipment resulting from the sale or long-term lease of DDA facilities. Under current law, the investment earnings from this account are transferred to the Waiting List Equity Fund.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 63-64)

Analysis prepared by: Victoria M. Martinez

Remove Prohibition Against Board of Nursing Fund Support for Infrastructure Operations

Provision in the Bill: Removes the prohibition against use of the Board of Nursing Fund to pay for the board's infrastructure operations, which was in place through fiscal 2025.

Agency: Maryland Department of Health (MDH)

Type of Action: Fund swap

Fiscal Impact:	($ in millions) FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Exp	($2.0)	$0	$0.0	$0.0	$0.0	$0.0
SF Exp	$2.0	$0	$0.0	$0.0	$0.0	$0.0

State Effect: General fund expenditures decrease by $2.0 million in fiscal 2025 due to removal of the prohibition, thereby allowing use of the Board of Nursing Fund in lieu of general funds for infrastructure operations. (As the fiscal 2026 budget plan assumes a reversion of $2.0 million related to this provision, general fund savings of that magnitude are reflected above). Special fund expenditures are assumed to increase correspondingly.

Local Effect: None.

Program Description/Recent History: The Maryland Board of Nursing (MBON) within MDH is responsible for the regulatory oversight of the practice of nursing in the State, through licensure, certification, and education. In accordance with Chapters 222 and 223 of 2023, authority for the MBON's infrastructure and oversight operations was transferred to the MDH Office of the Secretary through June 30, 2025. Infrastructure operations refer to the administrative activities of a health occupations board or commission, including tools and resources for the use and support of deliberative action. Chapters 222 and 223 also prohibited the use of special funds from the Board of Nursing Fund to pay for infrastructure operations while the Office of the Secretary retains authority.

Chapter 416 of 2025 extends MDH's authority over the board's infrastructure and human resources operations for an additional five years through June 30, 2030, after which authority reverts to MBON. However, Chapter 416 also repeals the prohibition against the Board of Nursing Fund being used to pay for infrastructure operations while the Secretary retains authority, effective June 1, 2025. Accordingly, the fiscal and policy note for that legislation assumed a one-month effect on special fund expenditures (an increase of $440,000) for fiscal 2025, it did not account for the general fund reversion.

At the close of fiscal 2024, the special fund balance for MBON was $1.8 million.

Location of Provision in the Bill: Section 1 (p. 64)

Analysis prepared by: Victoria M. Martinez

Limit Restoration of Benefits Lost Due to Electronic Benefits Transfer Card Theft

Provision in the Bill: Limits, beginning in fiscal 2025, the total amount of benefits restored by the Department of Human Services (DHS) for Electronic Benefits Transfer (EBT) card theft to $30.0 million per fiscal year.

Agency: DHS

Type of Action: Cost containment

State Effect: There is no anticipated impact, as expenditures to restore benefits lost due to EBT card theft have historically been significantly lower than the $30.0 million per fiscal year limitation specified in the provision. For instance, during the first eight months of fiscal 2025, a total of $8.7 million in benefits was restored. To the extent, however, that a *substantial* increase in theft activity related to EBT cards occurs in future years, general fund expenditures that may have otherwise been required to fully restore stolen benefits are avoided due to the $30.0 million limit per fiscal year.

Local Effect: None.

Program Description/Recent History: Chapters 171 and 172 of 2023 established an EBT card theft restoration program in DHS, generally requiring DHS to restore Supplemental Nutrition Assistance Program (SNAP) and cash benefits (*e.g.*, Temporary Cash Assistance) lost due to EBT card theft. The federal Consolidated Appropriations Act of 2023 authorized states to use federal funds to replace SNAP benefits stolen through card skimming, card cloning, and other fraudulent methods between October 1, 2022, and September 30, 2024. The authorization was subsequently extended to be applicable to benefits stolen through December 20, 2024.

Location of Provision in the Bill: Section 1 (pp. 65-68)

Analysis prepared by: Joanne E. Tetlow and Amberly E. Holcomb

Expand Allowable Uses of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to Support Department of Natural Resources Operating Expenses

Provision in the Bill: Expands allowable uses of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to support up to $10.5 million of Department of Natural Resources (DNR) operating expenses in the annual budget bill. The fiscal 2026 budget as passed by the General Assembly includes (1) for fiscal 2025, a $2.6 million general fund reduction and $2.6 million special fund appropriation and (2) for fiscal 2026, a series of general fund reductions totaling $10.5 million and a series of special fund appropriations totaling $10.5 million. All of these actions are contingent on the enactment of legislation allowing the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to support operating expenses in DNR.

Agency: DNR

Type of Action: Change use of special fund

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	($2.6)	($10.5)	($10.5)	($10.5)	($10.5)	($10.5)
SF Exp	$2.6	$10.5	$10.5	$10.5	$10.5	$10.5

State Effect: The provision specifies that up to $10.5 million of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund in the annual budget bill may be used for operating expenses in DNR. This analysis assumes the provision applies beginning in fiscal 2025. Therefore, general fund expenditures decrease by $2.6 million in fiscal 2025 and $10.5 million in fiscal 2026 reflecting the contingent reductions, and special fund expenditures increase correspondingly. This analysis assumes the authorization continues to be used; thus, out-year general fund expenditures decrease by as much as $10.5 million and special fund expenditures increase correspondingly. Revenues are not affected.

Local Effect: Funding for local projects from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund may decrease beginning in fiscal 2025 as a result of funds being used to support DNR operating expenses. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund's fiscal 2025 appropriation is $77.1 million, of which $35.9 million, or approximately 46%, is allocated to the Competitive Grant Program for local projects. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund's fiscal 2026 appropriation is $90.7 million, of which $35.7 million, or approximately 39%, is allocated to the Competitive Grant Program for local projects.

Program Description: Chapter 6 of the 2007 special session established a Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be used to implement the State's tributary restoration strategy. The fund is financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. Subsequently, Chapters 120 and 121 of 2008 established a framework for how the trust fund money must be spent by specifying that it be used for nonpoint source pollution control projects and by expanding it to apply to the Atlantic Coastal Bays.

Recent History: Chapter 717 of 2024 (Budget Reconciliation and Financing Act of 2024) establishes that $2.5 million in special funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund must be used annually from fiscal 2024 through 2031 for tree plantings on public and private land. Chapters 558 and 559 of 2024 authorized the use of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund as a revenue source for the Whole Watershed Fund created by the legislation and required that in each fiscal year from fiscal 2026 through 2030, inclusive, up to $100,000 from the fund be used to fund the operations grants for approved Whole Watershed Fund projects.

Location of Provision in the Bill: Section 1 (pp. 78-80)

Analysis prepared by: Andrew D. Gray

Increase Allowed Use of Waterway Improvement Fund for Marine Operations

Provision in the Bill: Increases the allowed use of the Waterway Improvement Fund for marine operations of the Natural Resources Police by $100,000 from $2.0 million to $2.1 million beginning in fiscal 2026. The fiscal 2026 budget as passed by the General Assembly includes a $100,000 special fund appropriation, contingent on the enactment of legislation increasing the allowed use of the Waterway Improvement Fund for marine operations of the Natural Resources Police.

Agency: Department of Natural Resources (DNR)

Type of Action: Cost containment; change use of special fund

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Exp	$0	$0.1	$0.1	$0.1	$0.1	$0.1

State Effect: No impact in fiscal 2025. Special fund expenditures increase by $100,000 in fiscal 2026 and as much as $100,000 annually thereafter. Accordingly, while reliance on the general fund may be mitigated, this analysis assumes that this funding would not have otherwise been expended. Revenues are not affected.

Local Effect: None.

Program Description: The provisions establishing and governing the Waterway Improvement Fund are contained within the State Boat Act. Financial support for the fund is derived from the 5% excise tax on the sale of vessels in the State and 0.5% of the motor vehicle fuel tax. The Waterway Improvement Fund finances projects and activities that promote, develop, and maintain Maryland's waterways for the benefit of the boating public. DNR may propose up to a $2.0 million annual appropriation from the Waterway Improvement Fund to support marine operations of the Natural Resources Police.

Recent History: Chapter 560 of 2024 requires, beginning in fiscal 2026, DNR to distribute at least $250,000 annually from the Waterway Improvement Fund to a qualifying statewide Maryland-based historic preservation nonprofit organization to establish, operate, and administer a maritime heritage competitive grant program.

Accounting for this provision, the Waterway Improvement Fund is projected to have a closing fund balance of $17.6 million in fiscal 2026.

Location of Provision in the Bill: Section 1 (pp. 80-81)

Analysis prepared by: Andrew D. Gray

Waive, Temporarily, Requirement to Specify Across-the-board Reductions

Provision in the Bill: Waives, for fiscal 2026 only, the requirements that the Governor specify how expenditure reductions in the budget bill will be achieved and identify across-the-board reductions at a minimum level of detail and instead authorizes the Governor to provide this detail.

Agency: Multiple

Type of Action: Cost containment; miscellaneous

State Effect: No impact in fiscal 2025. Although the provision itself does not have a fiscal effect, the fiscal 2026 budget as passed by the General Assembly assumes $50.0 million in general fund savings from efforts to modernize and find efficiencies in government. The savings are from undetermined agencies and purposes as these savings are to be determined through work from a consultant that will identify the savings opportunities. Absent this change, this unspecified decrease would not be allowable under statute.

Local Effect: None.

Program Description: The Department of Budget and Management (DBM) prepares the Governor's annual budget allowance in accordance with various statutes and regulations, including § 7-114.2 of the State Finance and Procurement Article which disallows across-the-board reductions unless the reductions are specified for each affected agency at a certain level of detail. The fiscal 2026 budget as passed by the General Assembly includes a $50.0 million general fund across-the-board reduction that has yet to be specified at an agency level or at the appropriate level of detail.

Recent History: The Board of Public Works approved a pay-for-performance contract between DBM and Boston Consulting to identify and implement initiatives intended to improve operational efficiency in the delivery of government services over a two-year period. DBM estimates that the project could yield $75.0 million in savings with a maximum pay-for-performance expenditure of $15.0 million in general funds dependent on the level of savings identified by the vendor.

Location of Provision in the Bill: Section 1 (pp. 86-87)

Analysis prepared by: Jacob C. Cash

Eliminate Requirement for Medicaid to Receive at Least 30% of Cigarette Restitution Fund Appropriation

Provision in the Bill: Eliminates, in fiscal 2026 only, the requirement that at least 30% of the annual Cigarette Restitution Fund (CRF) appropriation support Medicaid expenses.

Agency: Maryland Department of Health

Type of Action: Change use of special fund

Fiscal Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
	($ in millions)					
GF Exp	$0	$15.0	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. General fund expenditures increase by $15.0 million in fiscal 2026 as a general fund appropriation under Medicaid is needed to offset the reduced CRF funding for Medicaid. The fiscal 2026 budget as passed by the General Assembly includes a $15.0 million general fund appropriation for Medicaid. CRF revenues and expenditures are not affected since funds are reallocated among eligible uses in fiscal 2026 ($15.0 million is reallocated for the Statewide Academic Health Center cancer research grants). The fiscal 2026 budget as passed by the General Assembly includes a total CRF appropriation of $104.0 million. Of this amount, support for Medicaid expenses (after a $15.0 million reduction of CRF to restore funding for the Statewide Academic Health Center cancer research grants) accounts for 15.7%, or $16.3 million. By temporarily waiving the percentage allocation, the provision ensures budgetary actions comply with statutory requirements.

Local Effect: None.

Program Description/Recent History: CRF, established by Chapters 172 and 173 of 1999, is a special fund supported by payments made by tobacco manufacturers under the Master Settlement Agreement. CRF uses are restricted by § 7-317 of the State Finance and Procurement Article, including the requirement that at least 30% of the annual appropriation must be used for Medicaid. Another requirement is that at least 50% of the annual CRF appropriation must support certain activities (mainly health-related programs) that are specified in statute. The fiscal 2026 budget as passed by the General Assembly meets this second requirement with 50.5% of the CRF appropriation supporting the specified activities.

As introduced, the BRFA of 2025 would have eliminated the mandate to fund Statewide Academic Health Centers with $13.0 million of CRF. This provision was struck by the General Assembly. In addition to the restored funding, Section 21 of the fiscal 2026 budget adds another $2.0 million of CRF monies for this purpose, to level fund the grants with fiscal 2025. The fiscal 2026 budget as passed by the General Assembly includes a $15.0 million reduction in special funds from Medicaid to support the reallocation. The special fund reduction under Medicaid is backfilled with a $15.0 million general fund appropriation to fully fund Medicaid at the level of expected expenditures.

Location of Provision in the Bill: Section 1 (pp. 89-90)

Analysis prepared by: Anne W. Braun

Authorize Use of Certain Cigarette Restitution Fund Monies Received from Litigation to Include Medicaid Expenses in Fiscal 2026

Provision in the Bill: Authorizes the use of funds received from litigation related to the enforcement of the Master Settlement Agreement (MSA) that are placed in a separate account within the Cigarette Restitution Fund (CRF) to support Medicaid expenses in fiscal 2026 only. The fiscal 2026 budget as passed by the General Assembly includes a $25.0 million general fund reduction, contingent on the enactment of legislation authorizing the use of funds received from litigation related to the enforcement of MSA to support Medicaid expenses.

Agency: Maryland Department of Health

Type of Action: Change use of special fund

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($25.0)	$25.0	$0	$0	$0
SF Exp	$0	$25.0	($25.0)	$0	$0	$0

State Effect: No impact in fiscal 2025. No effect on overall special fund expenditures from CRF, but monies received from litigation are reallocated from making settlement payments to historically Black colleges and universities (HBCUs) in fiscal 2027 to instead supporting Medicaid expenses in fiscal 2026. General fund expenditures for Medicaid decrease by $25.0 million in fiscal 2026, contingent on the enactment of this provision, in recognition of available CRF monies from the separate account to cover expenses. General fund expenditures increase by $25.0 million for HBCU settlement payments in fiscal 2027 due to the reduced availability of CRF monies for that purpose.

Local Effect: None.

Program Description: CRF, established by Chapters 172 and 173 of 1999, is a special fund supported by payments made by tobacco manufacturers under MSA. Chapters 41 and 42 of 2021 require payments received by the State as a result of litigation related to Maryland's enforcement of State law regarding MSA to go into a separate account that may only be used to support settlement payments to HBCUs, which are otherwise general fund expenditures.

Recent History: An arbitration hearing to determine Maryland's settlements and diligent enforcement of qualifying statute in sales year 2005 through 2007 occurred in March 2023. On November 20, 2023, the Office of the Attorney General announced that the panel of three arbitrators unanimously decided in favor of Maryland and that the State is likely to recover approximately $25.0 million in withheld funds. As introduced, the fiscal 2026 budget did not reflect the special funds associated with this recovery for HBCU settlement payments due to the unknown timing of recovery.

Location of Provision in the Bill: Section 1 (pp. 89-90)

Analysis prepared by: Anne W. Braun

Expand Allowable Uses of Mortgage Loan Servicing Practices Settlement Fund

Provision in the Bill: Expands the allowable uses of funds in the Mortgage Loan Servicing Practices Settlement Fund to include legal assistance for evictions and legal assistance in any legal proceeding. The fiscal 2026 budget as passed by the General Assembly requires the Mortgage Loan Servicing Practices Settlement Fund to fund a $1.4 million special fund appropriation for access to counsel, contingent on the enactment of legislation expanding the allowable uses of the fund.

Agency: Office of the Attorney General

Type of Action: Change use of special fund

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Exp	$0	$1.4	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. Special fund expenditures increase by $1.4 million in fiscal 2026 as this provision effectuates a contingent appropriation in the fiscal 2026 budget as passed by the General Assembly. In particular, language in Supplemental Budget No. 1 makes the Mortgage Loan Servicing Practices Settlement Fund the fund source for a $1.4 million special fund appropriation for access to counsel. To the extent that the Governor chooses to use this source for expenditures for legal assistance for evictions or other legal assistance in the future, special fund expenditures may be reallocated from other purposes. To the extent that these funds are used to replace general fund expenditures in those years, general fund expenditures decrease.

Local Effect: None.

Program Description/Recent History: The Mortgage Loan Servicing Practices Settlement Fund provides funding for housing counseling, legal assistance related to foreclosure and housing, fraud investigations related to housing and mortgage loans, enforcement activities, and other public purposes related to housing and foreclosure relief. The fund's revenues are from judgments against or settlements with bank mortgage servicers or other parties in the mortgage servicing industry. As of March 10, 2025, the balance of the fund was approximately $14.9 million.

A separate provision in this bill authorizes a transfer of $5.0 million from the fund to the general fund in fiscal 2025.

Location of Provision in the Bill: Section 1 (pp. 91-92)

Analysis prepared by: Jacob L. Pollicove

Waive, Temporarily, Requirement that Opioid Restitution Fund Monies Supplement Other Funding

Provision in the Bill: Waives, in fiscal 2025 and 2026 only, the requirement that the Opioid Restitution Fund (ORF) be supplemental to and not supplant funds otherwise provided for programs and services. The fiscal 2026 budget as passed by the General Assembly includes, in fiscal 2025, general fund reductions and special fund appropriations each totaling $2,965,667 in the Maryland Department of Health (MDH) Behavioral Health Administration (BHA) and $5,000,000 in the Department of Public Safety and Correctional Services (DPSCS) and, in fiscal 2026, general fund reductions and special fund appropriations each totaling $2,430,383 in BHA and $5,000,000 in DPSCS, all contingent on the enactment of legislation allowing the use of ORF to supplant funding.

Agency: MDH; DPSCS

Type of Action: Fund swap

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	($8.0)	($7.4)	$0	$0	$0	$0
SF Exp	$8.0	$7.4	$0	$0	$0	$0

State Effect: Combined special fund expenditures from ORF increase by $8.0 million in fiscal 2025 and $7.4 million in fiscal 2026, reflecting contingent appropriations. General fund expenditures decrease correspondingly. In fiscal 2025 and 2026, these ORF monies are to support the Buprenorphine Initiative in BHA ($3.0 million in fiscal 2025 and $2.4 million in fiscal 2026) and to support, within DPSCS, medication for the treatment of opioid use disorder for inmates at two State correctional facilities ($2.5 million for Jessup Correctional Institution and $2.5 million for Eastern Correctional Institution each year), which would not otherwise be eligible uses of ORF. Special fund expenditures on activities that do not supplant existing funding decrease as early as fiscal 2026 as the funds are no longer available to expand services; amounts in any particular year are unknown and, thus, are not reflected above.

Local Effect: To the extent that ORF would have otherwise been used to support grants to local organizations, grant funds are potentially reduced, though the amount and timing of any potential decrease cannot be reliably estimated. ORF distributions to local governments in accordance with settlement term requirements are not affected.

Program Description/Recent History: Chapter 537 of 2019 established ORF, a special fund to retain any revenues received by the State relating to specified opioid judgments or settlements, which may be used only for opioid-related programs and services. Chapter 537 required that this funding be used to supplement, rather than supplant, funding otherwise appropriated for relevant services and programs to address the opioid crisis. Chapter 270 of 2022 further expanded the uses of ORF. The ORF Advisory Council publishes spending recommendations annually. The Maryland Office of Overdose Response distributes grant funding to local governments and local organizations in accordance with settlement term requirements and State law, and in alignment with ORF Advisory Council recommendations.

Location of Provision in the Bill: Section 1 (p. 92)

Analysis prepared by: Naomi Komuro

Require Local Cost Share for Individuals Erroneously Convicted, Sentenced, and Confined Under State Law

Provisions in the Bill: Require that the county government in which the conviction of an individual occurred must pay to the State 50% of the amount of compensation awarded to an individual under § 10-501(a)(1) of the State Finance and Procurement Article for being convicted, sentenced, and confined under State law for a crime the individual did not commit. Apply the requirement to new awards beginning in fiscal 2026. Maintain (as under current law) the formula for compensation awarded under § 10-501(a)(1) such that it is equal to the product of the total number of days that the individual was wrongfully confined after the erroneous conviction multiplied by a daily rate of the State's most recent annual median household income, as specified. Require counties to annually remit their full share of payments for the fiscal year to the Comptroller by June 30. Require the Board of Public Works (BPW) to periodically notify the Comptroller and each county of their share of each erroneous conviction award during the fiscal year – specifically on October 1, December 1, March 1, and June 1. Authorize the Comptroller to withhold a portion of a local income tax distribution of a county that fails to make a timely payment.

Agency: BPW and Comptroller's Office

Type of Action: Cost shift

Fiscal Impact:	($ in millions) FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev	$0	$0.8	$1.5	$2.3	$2.3	$2.3

State Effect: No impact in fiscal 2025. Under one set of assumptions, general fund revenues increase by $750,000 in fiscal 2026, $1.5 million in fiscal 2027, and $2.3 million annually thereafter. These amounts reflect projected revenues from the local share (50%) that are based on the average payment per person per year between fiscal 2022 and 2024 (approximately $380,000), assume four new grantees each year (with payments over multiple years), and assume stabilized awards payments subject to reimbursement beginning in fiscal 2028. Although this estimate is based on the aforementioned assumptions, the Department of Legislative Services notes that the number and monetary value of awards vary by year. For example, BPW advises that administrative law judges issued five orders for compensation in fiscal 2024; the compensation associated with those petitions is approximately $8.8 million, and the average projected time to complete payments for these awards is 1.8 years. There was also a related settlement of an appeal for approximately $226,700. In fiscal 2023, administrative law judges issued four new orders with compensation of $5.7 million, including attorney's fees, which are not subject to local reimbursement.

Local Effect: Local expenditures increase for partial reimbursement of State expenditures beginning in fiscal 2026.

Program Description: Individuals convicted, sentenced, and confined under State law for a crime they did not commit (a felony, a conspiracy to commit a felony, or a crime that was fully pardoned by the Governor and stated to be conclusively in error) can petition the State for compensation, subject to specified procedures. Individuals must file petitions with the Office of Administrative Hearings, administrative law judges are responsible for issuing orders to grant petitions, and BPW is responsible for making payments. If an administrative law judge orders that an individual is eligible for compensation and benefits in accordance with State law, the order must include the monetary award described above, reasonable attorney's fees and expenses associated with the action, benefits that may be awarded under State law, and a recommendation for an expedited payment schedule if the judge determines it is in the interests of the individual. The additional benefits that may be included in the order include a State identification card; housing accommodations for up to five years; health care and dental care for up to five years; vocational training; reimbursement for court fines, fees, and restitution paid by the individual; and higher education tuition and fees.

Recent History: Chapters 138 and 139 of 2024 (1) extended eligibility to receive compensation to individuals erroneously convicted, sentenced, and confined for conspiracy to commit a felony; (2) altered the benefits available to individuals; (3) required the State to notify an individual in writing if the State intends to introduce certain evidence to reduce or prevent an award of compensation; and (4) repealed obsolete provisions.

Location of Provisions in the Bill: Section 1 (pp. 92-95)

Analysis prepared by: Amy A. Devadas

Swap Funding for Bus Rapid Transit Fund and Alter Grant Requirements

Provisions in the Bill: Reduce the mandated distribution of lottery revenues to the Bus Rapid Transit Fund (BRTF) from $27.0 million annually to $17.0 million annually beginning in fiscal 2026. Require the Governor to include in the State budget an appropriation of $10.0 million annually from the Transportation Trust Fund (TTF) to BRTF for bus rapid transit (BRT) grants beginning in fiscal 2026. Increase the amount of funding that must be provided to Montgomery County from BRTF from $20.0 million to $25.0 million if there are two eligible grantees and one of the two is Montgomery County. Clarify that BRTF may be used to make funding commitments for the issuance of BRT bonds.

Agency: State Lottery and Gaming Control Agency and Maryland Department of Transportation (MDOT)

Type of Action: Fund swap

Fiscal Impact:	*($ in millions)* FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev	$0	$10.0	$10.0	$10.0	$10.0	$10.0
SF Exp	$0	$10.0	$10.0	$10.0	$10.0	$10.0

State Effect: No impact in fiscal 2025. General fund revenues increase by $10.0 million annually beginning in fiscal 2026; TTF expenditures increase correspondingly.

Local Effect: Total funding provided to local governments from BRTF is not affected; however, if there are two eligible grantees in future fiscal years, Montgomery County will receive more funding compared to current law.

Program Description: BRTF is a special fund administered by MDOT, the purpose of which is to provide grants to eligible grantees. An "eligible grantee" is a county or municipality that has a BRT system that operates in the county or municipality and has no ongoing or completed facility. BRTF consists primarily of State lottery revenues. Eligible grantees receiving funds from BRTF may use the grant funds for the financing and refinancing of specified BRT system costs, payment of debt service on bonds issued to finance BRT system projects, payment of all reasonable expenses and charges related to bond issuance and borrowing, and payment of costs relating to the management and operation of BRT system projects. If there is only one eligible grantee, MDOT must award a grant to the eligible grantee equal to the amount distributed to MDOT from State lottery revenues. If there is more than one eligible grantee, statute establishes conditions regarding the distribution of funds among eligible grantees. Among other things, if there are two eligible grantees, and one eligible grantee is Montgomery County, MDOT must distribute $20.0 million to Montgomery County and the remaining amount to the remaining eligible grantee.

Recent History: Chapter 112 of 2023 initially established BRTF and required the transfer of *up to* $27.0 million of State lottery funds to the special fund based on specified deposits for Maryland Stadium Authority (MSA) debt service. Chapter 483 of 2024 required the transfer of an amount *equal to* $27.0 million of State lottery funds to BRTF (instead of an amount of *up to* $27.0 million based on specified deposits for MSA debt service).

Location of Provisions in the Bill: Section 1 (pp. 95-99, pp. 119-120) and Section 2 (pp. 153-155)

Analysis prepared by: Richard L. Duncan

Expand Allowable Uses of Maryland Strategic Energy Investment Fund

Provision in the Bill: Expands the allowable uses of the Strategic Energy Investment Fund (SEIF) to include costs associated with the Maryland Department of Environment's (MDE) Air and Radiation Administration. The fiscal 2026 budget as passed by the General Assembly includes a $6,069,452 general fund reduction and $6,069,452 special fund appropriation for fiscal 2026 and a $6,565,333 general fund reduction and $6,565,333 special fund appropriation for fiscal 2025, each contingent on legislation to allow Regional Greenhouse Gas Initiative (RGGI) auction revenues deposited into SEIF to be used for general expenses within the Air and Radiation Administration.

Agency: Maryland Energy Administration; MDE

Type of Action: Cost containment; expand use of special fund

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	($6.6)	($6.1)	($6.1)	($6.1)	($6.1)	($6.1)
SF Exp	$6.6	$6.1	$6.1	$6.1	$6.1	$6.1

State Effect: General fund expenditures for MDE's Air and Radiation Administration decrease by $6.6 million in fiscal 2025 and $6.1 million in fiscal 2026, and special fund expenditures increase commensurately, due to the contingent reductions and appropriations effectuated by this provision. Assuming the Governor chooses to use SEIF as authorized under this provision in future years, general fund expenditures decrease, and special fund expenditures increase by similar amounts. Revenues are not affected.

Local Effect: Beginning as early as fiscal 2026, local governments may receive less funding from SEIF-funded programs. Amounts, if any, in any particular year are unknown.

Program Description: Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing SEIF to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through the proceeds from the auction of carbon allowances under RGGI; the fund also receives revenues from compliance fees – often referred to as Renewable Portfolio Standard alternative compliance payments (ACPs) – generated under the State's Renewable Energy Portfolio Standard. Although not required under statute, SEIF has held funds from various settlement agreements and orders related to Public Service Commission utility cases.

RGGI proceeds must be used for the following purposes: (1) at least 50% for energy assistance programs in the Department of Human Services; (2) at least 20% for energy efficiency and conservation (at least one-half of which must be used for low- and moderate-income programs); (3) at least 20% for renewable and clean energy programs, energy-related education and outreach, and climate change and resiliency programs; and (4) up to 10% but no more than $7.5 million for administrative expenses. 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.

Currently, MDE's Air and Radiation Administration has received and expended SEIF for climate change activities and the paying of Maryland's share of RGGI dues. In fiscal 2024, these expenditures totaled $3.55 million. Prior to the proposed deficiency appropriation, the fiscal 2025 working appropriation provided $4.28 million in SEIF monies for these purposes.

Recent History: Chapter 98 of 2023 increased the dollar cap on the amount of RGGI Program revenues that may be credited to the Administration subaccount within SEIF from $5.0 million to $7.5 million, along with modifying two transportation sector programs funded by SEIF and modifying the authorized uses of certain ACPs deposited in SEIF.

The Budget Reconciliation and Financing Act (BRFA) of 2024 (Chapter 717) authorized the transfer of $90.0 million from the SEIF balance to the Dedicated Purpose Account in fiscal 2025 to be used to help implement the Climate Solutions Now Act of 2022 and Maryland's Climate Pollution Reduction Plan and required at least 50% of funds be transferred to support programs serving low- to moderate-income communities.

Other provisions in the BRFA of 2025 redirect SEIF interest and investment earnings to the general fund and authorize a transfer of fund balance from the ACP sub-account of SEIF to the general fund. These provisions are discussed elsewhere in this fiscal and policy note.

Location of Provision in the Bill: Section 1 (pp. 100-102)

Analysis prepared by: Suveksha Bhujel and Andrew D. Gray

Expand Authorized Uses of Alternative Compliance Payment Revenues in Fiscal 2026

Provision in the Bill: Expands, in fiscal 2026 only, the allowable uses of Alternative Compliance Payment (ACP) revenues in the Strategic Energy Investment Fund (SEIF) to include up to $100.0 million for solar development on State government property and local government clean energy programs, which must be accounted for separately within the fund. The fiscal 2026 budget as passed by the General Assembly includes a $50.0 million special fund appropriation for the Maryland Department of Transportation (MDOT) and a $50.0 million special fund appropriation for the Maryland Energy Administration (MEA), both contingent on the enactment of legislation expanding the use of ACP revenues in SEIF in fiscal 2026 only.

Agency: MEA and MDOT

Type of Action: Expand use of special fund

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Exp	$0	$100.0	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. Special fund expenditures increase by $100.0 million in fiscal 2026 only, reflecting the contingent appropriations. Revenues are not affected.

Local Effect: Local governments may benefit from $50.0 million of ACP funding in MEA being used for local government renewable energy projects.

Program Description/Recent History: Maryland's renewable energy portfolio standard (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 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, through June 30, 2027, MEA may use up to 10% of solar ACP revenues for administrative expenses.

Supplemental Budget No. 1 added $50.0 million in special fund appropriations from ACP revenues in SEIF to both MDOT and MEA. The funds in MDOT are to be used for implementation of the State's Climate Pollution Reduction Plan, and the funds in MEA are to be used for local government renewable energy projects. Absent this provision, these activities would not be an allowable use of the funds as the projects do not directly benefit low- to moderate-income communities, low- to moderate-income households, or overburdened or underserved communities.

Location of Provision in the Bill: Section 1 (pp. 100-103)

Analysis prepared by: Suveksha Bhujel

Expand Use of Performance Incentive Grant Fund to Support Office of Correctional Ombudsman Operations

Provision in the Bill: Authorizes, beginning in fiscal 2026, the use of up to $1.0 million each year from the Performance Incentive Grant Fund to be used for operations of the Office of the Correctional Ombudsman (OCO). The fiscal 2026 budget as passed by the General Assembly includes a $1.0 million general fund reduction and a corresponding $1.0 million special fund appropriation under OCO, contingent on the enactment of legislation authorizing the use of the Performance Incentive Grant Fund for OCO operations.

Agency: OCO; Governor's Office of Crime Prevention and Policy (GOCPP)

Type of Action: Cost containment; expand use of special fund

Fiscal Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
			($ in millions)			
GF Exp	$0	($1.0)	($1.0)	($1.0)	($1.0)	($1.0)
SF Exp	$0	$1.0	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. Special fund expenditures increase for OCO by $1.0 million and general fund expenditures decrease correspondingly in fiscal 2026, reflecting the contingent appropriation and contingent reduction. Assuming the maximum allowable funding for OCO operations continues to be used, general fund expenditures also decrease by $1.0 million in fiscal 2027 and annually thereafter. However, beginning in fiscal 2027, net special fund expenditures are not affected, merely reallocated among purposes. Revenues are not affected.

Local Effect: None.

Program Description/Recent History: The Performance Incentive Grant Fund within GOCPP is intended to make use of the savings from the implementation of Chapter 515 of 2016, the Justice Reinvestment Act, to provide grants for specified programs and services, including providing for pretrial risk assessments, services to reduce pretrial detention, diversion programs, specialty courts, reentry programs, and ensuring that the rights of crime victims are protected and enhanced. Money expended from the fund for programs to reduce recidivism and control correctional costs is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for such purposes. The fiscal 2026 budget as passed by the General Assembly includes $11.2 million for the fund.

The fiscal 2025 budget included $1.0 million in special fund expenditures from the Performance Incentive Grant Fund for OCO, contingent on the enactment of Chapter 836 of 2024. Chapter 836 established OCO as an independent oversight entity with the power to conduct reviews and investigations of the Department of Public Safety and Correctional Services and the Department of Juvenile Services (DJS). OCO has the authority to subpoena individuals as well as refer certain matters for disciplinary proceedings or criminal charges. Chapter 836 also transferred the Juvenile Justice Monitoring unit, which investigates the needs of children under DJS jurisdiction, from the Office of the Attorney General to OCO. Chapter 836 authorized, for fiscal 2025 only, Performance Incentive Grant Funds to be distributed to OCO.

Location of Provision in the Bill: Section 1 (pp. 103-105)

Analysis prepared by: Madelyn C. Miller and Katharine F. Barbour

Reduce Participation Targets in Young Adult Service Year Option Pathway and Mandated Funding for Maryland Service Year Pathway Fund

Provisions in the Bill: Reduce the participation target for the Maryland Corps Young Adult (YA) Service Year Option Pathway in fiscal 2027 by 500 and establish participation targets for fiscal 2026 and 2028. Reduce, only for fiscal 2026, the mandated appropriation to the Maryland Service Year (MSY) Option Pathway Fund from $15.0 million to $13.0 million. The fiscal 2026 budget as passed by the General Assembly includes expenditure reductions of $6.8 million in general funds and $5.3 million in special funds, contingent on the enactment of legislation reducing the mandate for the MSY Pathway Fund in fiscal 2026 and reducing the YA Service Pathway participation in fiscal 2026 from 1,000 to 750.

Agency: Department of Service and Civic Innovation

Type of Action: Cost containment; mandate relief

Fiscal Impact:	*($ in millions)* FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Rev	$0	($6.8)	$0	$0	$0	$0
GF Exp	$0	($6.8)	$0	$0	$0	$0
SF Exp	$0	($5.3)	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. Assuming that this provision effectuates the contingent reductions in the budget bill, general fund expenditures decrease by $6.8 million in fiscal 2026. Assuming the mandated general fund appropriation would otherwise be deposited in full to the MSY Pathway Fund and discretionary general funds would have been deposited to the YA Service Pathway Fund, special fund revenues decrease correspondingly. Special fund expenditures decrease by $5.3 million reflecting the contingent reduction in the budget bill.

Local Effect: None.

Program Description: Chapter 99 of 2023 (the SERVE Act) established the YA and MSY pathways of the Maryland Corps Program. Statutory targets for the YA pathway are 200 in the first year (fiscal 2024) and 2,000 in the fourth year (fiscal 2027) of implementation. However, current law does not include targets for other years of implementation, including the referenced target of 1,000 in the third year of implementation (fiscal 2026). Current law requires an appropriation to the MSY Pathway Fund of $15.0 million in fiscal 2026 and $20.0 million annually beginning in fiscal 2027. The provision makes no changes to the out-year mandated funding levels.

As noted above, this analysis assumes that this provision effectuates the contingent expenditure reductions in the budget bill. The reductions are contingent on legislation that reduces the YA participation target for fiscal 2026, but there is no target established in current law for fiscal 2026 (and, therefore, no target to reduce). If it is determined that this provision does not effectuate those reductions, the only effect is a $2.0 million general fund reduction to the MSY Pathway Fund and a corresponding reduction in special fund revenues.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 105-107)

Analysis prepared by: Jacob C. Cash

Require Transfers to General Fund from Local Income Tax Reserve Account and Subsequent Repayment

Provisions in the Bill: Require the Comptroller to distribute $230,000,000 and $40,567,430 from the Local Income Tax Reserve (LITR) Account to the general fund in fiscal 2025 and 2026, respectively. Require the State to repay these amounts by distributing $27,056,743 of the remaining income tax revenue from individuals to the LITR Account annually over the 10-year period from fiscal 2029 through 2038.

Agency: Comptroller's Office

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$230.0	$40.6	$0	$0	($27.1)	($27.1)

State Effect: General fund revenues increase by $230.0 million in fiscal 2025 and $40.6 million in fiscal 2026 due to the transfers. General fund revenues decrease by $27.1 million annually in fiscal 2029 through 2038 due to repayment of the transfers. (The fiscal 2026 budget as passed by the General Assembly assumes $270.6 million in revenues.) Expenditures are not affected.

Local Effect: None.

Program Description/Recent History: The Comptroller's Office uses the LITR Account 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 has transferred from this account to support general fund spending and other specified spending on several occasions in recent years. Chapter 484 of 2010 required the Comptroller to distribute $350.0 million from the LITR Account to the Education Trust Fund, which was one of several transfers made from the account in that and other years. Although Chapter 484 established a repayment plan for fiscal 2014 through 2020, Chapter 425 of 2013 repealed the repayment plan. Chapter 489 of 2015 established a repayment of $10.0 million from fiscal 2016 through 2025 for another $100.0 million transfer authorized in that Act. Chapter 10 of 2018 extended the $10.0 million annual repayment indefinitely and no longer tied the repayment to any particular transfer. Chapter 717 of 2024 repealed the requirement for the annual $10.0 million distribution to the LITR Account in fiscal 2024 and 2025 and specified that, from fiscal 2026 through 2060, the annual $10.0 million distribution to the LITR Account is to repay $350.0 million transferred from the account to the Education Trust Fund as required in Chapter 484. Accordingly, Chapter 717 terminated that distribution to the LITR Account after fiscal 2060 when that repayment is complete.

Location of Provisions in the Bill: Section 1 (pp. 112-114)

Analysis prepared by: Heather N. MacDonagh

Require Transfer to Division of Paid Leave from Local Income Tax Reserve Account and Subsequent Repayment

Provisions in the Bill: Require the Comptroller to distribute $37,300,000 from the Local Income Tax Reserve (LITR) Account to the Division of Paid Leave within the Maryland Department of Labor (MD Labor) by July 31, 2025. Require MD Labor to repay this amount to the LITR Account within two years after Family and Medical Leave Insurance (FAMLI) contributions begin.

Agency: Comptroller's Office; MD Labor

Type of Action: Fund balance transfer

Fiscal Impact:	($ in millions) **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$37.3	$0	$0	$0	$0
SF Exp	$0	$0	$0	$0	$37.3	$0

State Effect: General fund revenues for MD Labor increase by $37.3 million in fiscal 2026 due to the transfer. Special fund expenditures increase by $37.3 million, likely in fiscal 2029, but potentially as early as fiscal 2027, due to repayment of the transfer within two years after FAMLI contributions commence. (The fiscal 2026 budget as passed by the General Assembly assumes $37.3 million in revenues.)

Local Effect: None.

Program Description/Recent History: The Comptroller's Office uses the LITR Account 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 has transferred from this account to support general fund spending and other specified spending on several occasions in recent years. Chapter 484 of 2010 required the Comptroller to distribute $350.0 million from the LITR Account to the Education Trust Fund, which was one of several transfers made from the account in that and other years. Although Chapter 484 established a repayment plan for fiscal 2014 through 2020, Chapter 425 of 2013 repealed the repayment plan. Chapter 489 of 2015 established a repayment of $10.0 million from fiscal 2016 through 2025 for another $100.0 million transfer authorized in that Act. Chapter 10 of 2018 extended the $10.0 million annual repayment indefinitely and no longer tied the repayment to any particular transfer. Chapter 717 of 2024 repealed the requirement for the annual $10.0 million distribution to the LITR Account in fiscal 2024 and 2025 and specified that, from fiscal 2026 through

2060, the annual $10.0 million distribution to the LITR Account is to repay $350.0 million transferred from the account to the Education Trust Fund as required in Chapter 484 of 2010. Accordingly, Chapter 717 terminated that distribution to the LITR Account after fiscal 2060 when that repayment is complete.

Chapter 48 of 2022 established the FAMLI Program. The program generally provides up to 12 weeks of benefits to a covered individual who is taking leave from employment due to caring for or bonding with certain family members, the individual's own serious health condition, or a qualifying exigency arising out of a family member's military deployment. The weekly benefit is based on an individual's average weekly wage and is indexed to inflation. Required contributions to the program, which are shared between employers and employees, are based on employee wages and are to be paid into the FAMLI Fund, a special fund, to carry out the program. The program has been delayed, and Chapter 363 of 2025 further delays the program's start dates.

Under Chapter 363, employer and employee contributions to the program begin 18 months later, on January 1, 2027, and claims for benefits begin at least 6 months later, on a date after January 1, 2027, but not later than January 3, 2028, as determined and announced by the Secretary of Labor. The delay in FAMLI contributions means that FAMLI Fund revenues are not available to support the program. The fiscal and policy note for Chapter 363 estimates general fund expenditures for MD Labor increase by $37.3 million in fiscal 2026 to fund existing personnel, contracts, and related FAMLI expenses that cannot be deferred; the fiscal 2026 budget as passed by the General Assembly includes a contingent $37.3 million general fund appropriation, effectuated by that legislation. The general fund revenues realized by this provision fully fund that contingent appropriation.

Location of Provisions in the Bill: Section 1 (pp. 112-114)

Analysis prepared by: Heather N. MacDonagh

Redirect Land Preservation Funding to General Fund

Provisions in the Bill: Redirect $25.0 million in transfer tax revenue to the general fund for fiscal 2026 through 2029 from the following State land preservation programs: Program Open Space (POS) State land acquisition; Rural Legacy Program in the Department of Natural Resources (DNR); and Maryland Agricultural Land Preservation Program in the Maryland Department of Agriculture (MDA). Allocate the amount transferred annually proportionally to estimated revenues received by those three programs. Specify that existing provisions requiring reimbursement do not apply to the transfers. The fiscal 2026 budget as passed by the General Assembly includes special fund reductions of $9,979,342 in the Rural Legacy Program and $15,020,658 in the Maryland Agricultural Land Preservation Program, contingent on the enactment of these provisions.

Agency: DNR; MDA

Type of Action: Cost containment

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$25.0	$25.0	$25.0	$25.0	$0
SF Rev	$0	($25.0)	($25.0)	($25.0)	($25.0)	$0
SF Exp	$0	($25.0)	($25.0)	($25.0)	($25.0)	$0

State Effect: No impact in fiscal 2025. General fund revenues increase by $25.0 million in fiscal 2026 through 2029 due to the redirection of funding attributable to allocations for land preservation programs to the general fund. Special fund revenues and expenditures decrease by an equivalent amount. The fiscal 2026 actual and fiscal 2027 through 2029 estimated redirections by program are shown in **Exhibit 1**.

Exhibit 1
Proportional Transfer Tax Redirection to General Fund
Fiscal 2026-2029
($ in Millions)

	Fiscal 2026			Fiscal 2027			Fiscal 2028			Fiscal 2029		
Program	**Current Law**	**Bill**	**Diff.**	**Current Law**	**Bill**	**Diff.**	**Current Law**	**Bill**	**Diff.**	**Current Law**	**Bill**	**Diff.**
POS – SLA	$0.0	$0.0	$0.0	$11.4	$6.8	($4.6)	$24.6	$17.4	($7.2)	$27.8	$20.2	($7.6)
RLP	14.4	4.4	(10.0)	17.8	10.7	(7.1)	20.1	14.2	(5.8)	20.6	15.0	(5.6)
MALPP	21.6	6.6	(15.0)	33.3	20.0	(13.3)	41.2	29.2	(12.0)	43.1	31.3	(11.8)
Total	**$36.0**	**$11.0**	**($25.0)**	**$62.5**	**$37.5**	**($25.0)**	**$85.9**	**$60.9**	**($25.0)**	**$91.5**	**$66.5**	**($25.0)**
Transfer to General Fund			**$25.0**			**$25.0**			**$25.0**			**$25.0**

MALPP: Maryland Agricultural Land Preservation Program
POS – SLA: Program Open Source – State land acquisition
RLP: Rural Legacy Program

Source: Department of Budget and Management; Department of Legislative Services

Local Effect: None.

Program Description: The State transfer tax, which is 0.5% of the amount paid for the transfer of real property, is used to fund POS, along with several land conservation programs and State forest and park operations. DNR administers POS, which acquires and improves outdoor recreation and open space areas for public use. POS consists of a State and local component. Transfer tax funding distributed to POS is allocated by the following approximate percentages and amounts: (1) 50% to State land acquisition, of which $8.0 million is authorized to be used for the Rural Legacy Program and $10.0 million is authorized for the Baltimore City Direct Grant and capital development; (2) 30% is allocated to local government acquisition and development; and (3) 20% is allocated to State forest and park operations. In addition, transfer tax funding is used to fund the Maryland Agricultural Land Preservation Program, administered by MDA, and to provide a second allocation to the Rural Legacy Program.

Recent History: The POS State land acquisition balance has been used a number of times to help defray State budget shortfalls or otherwise limit the need for the use of State general funds. Chapter 39 of 2022 (Great Maryland Outdoors Act) authorized the Governor, on or before June 30, 2022, to transfer $43.1 million of the funds for POS State land acquisition in the transfer tax special fund to the Park System Capital Improvements and Acquisition Fund created by Chapter 39, which obviated the need for $43.1 million in State general funds for this purpose.

Chapter 717 of 2024 (Budget Reconciliation and Financing Act of 2024) authorized the Governor to transfer up to $6,678,827 of available special funds from the POS State land acquisition fund balance by June 30, 2025, to DNR to replace general funds budgeted for personnel expenses in DNR for the Maryland Forest Service and Maryland Park Service.

A separate provision in the bill authorizes up to $16.4 million from the POS land acquisition fund balance to be used for Maryland Park Service operating expenses in DNR in fiscal 2026 only.

Location of Provisions in the Bill: Section 1 (pp. 77-78, pp. 115-117)

Analysis prepared by: Andrew D. Gray

Expand Allowable Use of Maryland Emergency Medical System Operations Fund to Support Maryland State Police Aviation Command

Provision in the Bill: Expands the allowable uses of the Maryland Emergency Medical System Operations Fund (MEMSOF), in fiscal 2025 and 2026 only, to allow the fund to support general operations of the Maryland State Police Aviation Command (MSPAC). The fiscal 2026 budget as passed by the General Assembly includes a $5.5 million general fund reduction and a $5.5 million special fund appropriation for both fiscal 2025 and 2026, contingent on legislation expanding the allowable uses of MEMSOF.

Agency: Department of State Police (DSP)

Type of Action: Change use of special fund

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	($5.5)	($5.5)	$0	$0	$0	$0
SF Exp	$5.5	$5.5	$0	$0	$0	$0

State Effect: MEMSOF supports approximately 80.0% of MSPAC's expenditures each fiscal year, representing the share of MSPAC's functions that are medically oriented. Since this provision does not establish a limit on the amount of MEMSOF that could be used to support general operations of MSPAC, general fund expenditures for DSP are assumed to decrease by $5.5 million in fiscal 2025 and 2026, reflecting the level of reduction contingent on the enactment of this provision. Special fund expenditures increase correspondingly. Revenues are not affected.

Local Effect: None.

Program Description: MEMSOF consists of (1) vehicle registration surcharges; (2) all funds, including charges for accident scene transports and interhospital transfers of patients, generated by specified units of State government; and (3) revenue distributed from a $7.50 moving violation surcharge. Money from MEMSOF must be used solely for (1) medically oriented functions of MSPAC; (2) Maryland Institute for Emergency Medical Services Systems; (3) R Adams Cowley Shock Trauma Center; (4) the Maryland Fire and Rescue Institute; (5) local grants under the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (Amoss Fund); and (6) the Volunteer Company Assistance Fund.

Recent History: Chapters 717, 718, and 719 of 2024 increased the annual surcharge on motor vehicle registrations, increasing revenue for MEMSOF, and increasing the amount of funding mandated to the Amoss Fund.

Location of Provision in the Bill: Section 1 (pp. 128-129)

Analysis prepared by: Madelyn C. Miller

Increase Required Share of Local Reimbursement for Property Valuation Expenditures

Provision in the Bill: Increases the local cost share amount, from 50% to 90%, that Baltimore City and county governments are required to pay the State Department of Assessments and Taxation (SDAT) for costs associated with real property valuation, business personal property valuation, and information technology beginning in fiscal 2026. The fiscal 2026 budget as passed by the General Assembly includes $21.2 million in general fund reductions and $21.2 million in special fund appropriations, contingent on the enactment of legislation that changes the cost split between the State and the counties from 50/50 to 90/10.

Agency: SDAT

Type of Action: Cost shift

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$21.2	$21.7	$22.1	$22.5	$23.0
SF Exp	$0	$21.2	$21.7	$22.1	$22.5	$23.0
GF Exp	$0	($21.2)	($21.7)	($22.1)	($22.5)	($23.0)

State Effect: No impact in fiscal 2025. General fund expenditures decrease by $21.2 million and special fund revenues and expenditures increase correspondingly in fiscal 2026 due to the shift in costs from the State to local governments. Future years reflect inflation.

Local Effect: No impact in fiscal 2025. Local expenditures increase by $21.2 million in fiscal 2026 and by $23.0 million in fiscal 2030. Local expenditures are calculated on the basis of each jurisdiction's share of real property accounts and the business personal property assessable base for the preceding fiscal year. The increase in local expenditures for fiscal 2026 is shown in **Exhibit 1**.

Program Description: SDAT conducts the assessment of all property in the State. Baltimore City and county governments are required to reimburse SDAT for 50% of the costs associated with real property valuation, business personal property valuation, and information technology.

Recent History: None.

Location of Provision in the Bill: Section 2 (pp. 150-151)

Analysis prepared by: Michael Sanelli

Exhibit 1
Increase in Local Costs to Reimburse the
State Department of Assessments and Taxation
Fiscal 2026

County	Total Local Impact
Allegany	$359,963
Anne Arundel	2,010,742
Baltimore City	2,080,550
Baltimore	2,711,968
Calvert	376,580
Caroline	139,437
Carroll	611,399
Cecil	438,600
Charles	620,010
Dorchester	190,050
Frederick	920,957
Garrett	267,650
Harford	932,791
Howard	1,028,816
Kent	112,232
Montgomery	3,120,562
Prince George's	2,750,473
Queen Anne's	234,602
St. Mary's	441,155
Somerset	158,176
Talbot	182,425
Washington	552,868
Wicomico	413,689
Worcester	576,260
Total	**$21,231,952**

Source: Department of Legislative Services

Eliminate Funding Requirement for 9-8-8 Trust Fund

Provision in the Bill: Repeals the one-time funding requirement that the Governor provide in fiscal 2025 an appropriation of $12.0 million for the 9-8-8 Trust Fund. The fiscal 2026 budget as passed by the General Assembly includes a $3.0 million general fund reduction in fiscal 2025, contingent on the enactment of legislation eliminating the mandate.

Agency: Maryland Department of Health (MDH)

Type of Action: Cost containment

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	($3.0)	$0	$0	$0	$0	$0
SF Rev	($3.0)	$0	$0	$0	$0	$0

State Effect: General fund expenditures for the MDH Behavioral Health Administration decrease by $3.0 million in fiscal 2025, reflecting the contingent general fund reduction. Special fund revenues for the 9-8-8 Trust Fund decrease correspondingly. While, typically, special fund expenditures would be expected to decrease as well, special fund expenditures are not affected due to the availability of special funds generated by telephone fees.

Local Effect: None.

Program Description: Chapters 145 and 146 of 2022 established the 9-8-8 Trust Fund to provide reimbursement for costs associated with designating and maintaining 9-8-8 as the universal telephone number for a national suicide prevention and mental health crisis hotline and developing and implementing a statewide initiative for the coordination and delivery of the continuum of behavioral health crisis response services.

Recent History: Chapters 260 and 261 of 2023 established a one-time funding mandate of $12.0 million in fiscal 2025 to support the 9-8-8 Trust Fund. Chapters 780 and 781 of 2024 established a $0.25 fee for specific 9-8-8 accessible services in Maryland beginning October 1, 2024.

Chapter 716 of 2024 (the fiscal 2025 budget bill) included $12.0 million in general funds for the 9-8-8 Trust Fund to meet the mandate. In July 2024, the Board of Public Works authorized a general fund reduction of $9.0 million for the 9-8-8 Trust Fund due to the availability of special funds. Accounting for this provision, no funds would remain from the fiscal 2025 mandated funding. Beginning in fiscal 2025, 9-8-8 expenditures are expected to be supported by special fund revenue from the State 9-8-8 telephone fees.

Location of Provision in the Bill: Section 6 (pp. 189-190)

Analysis prepared by: Naomi Komuro

Increase Transfer Authorized from Unemployment Insurance Reserve Fund

Provision in the Bill: Amends Section 9 from Chapter 717 of 2024 (Budget Reconciliation and Financing Act of 2024) to increase a transfer authorized from the balance of the Unemployment Insurance (UI) reserve account established by the State to pay for unemployment benefits for State employees to the general fund from $60.0 million to $80.0 million, so long as the transfer occurs by June 30, 2025.

Agency: Statewide

Type of Action: Fund balance transfer

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$20.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $20.0 million in fiscal 2025. Expenditures are not affected.

Local Effect: None.

Program Description: The State, as an employer, reimburses the UI program dollar-for-dollar for benefits paid to eligible claimants in the prior quarter. The State maintains a fund for the purpose of making these payments to the UI program and budgets 14 cents for every $100 of payroll for this purpose.

Recent History: Section 9 from Chapter 717 authorized a transfer of $60.0 million from this program to the general fund. In addition, the fiscal 2025 budget included a decrease of $6.0 million in general funds for UI contributions to lower the UI contribution rate on State employee payroll from 28 cents to 14 cents. Supplemental Budget No. 1 to the fiscal 2026 budget decreased general funds by $7.5 million to lower the UI contribution rate on State employee payroll from 28 cents to 14 cents.

Location of Provision in the Bill: Section 6 (p. 190)

Analysis prepared by: Jacob C. Cash

Authorize Transfer to General Fund from Dedicated Purpose Account

Provision in the Bill: Authorizes the Governor to transfer a total of $197,365,440 from the Dedicated Purpose Account (DPA) to the general fund, so long as the transfer occurs by June 30, 2025. Authorizes these monies to be transferred from funds held in DPA for (1) cybersecurity ($63,478,440); (2) capital pay-as-you-go (PAYGO) funds for construction of a new State veterans home ($62,887,000); (3) capital PAYGO funds for the University of Maryland Medical System (UMMS) Comprehensive Cancer and Organ Transplant Center ($25,000,000); (4) State Center relocation costs ($20,000,000); (5) capital PAYGO funds for Department of Natural Resources (DNR) critical maintenance ($11,000,000); (6) capital PAYGO funds for Morgan State University (MSU) deferred maintenance and site improvements ($10,000,000); and (7) capital PAYGO funds for Baltimore City Community College (BCCC) deferred maintenance ($5,000,000).

Agency: BCCC; Department of General Services; Department of Information Technology; DNR; Department of Veterans and Military Families; MSU; State Reserve Fund; UMMS

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$197.4	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $197.4 million in fiscal 2025. Special fund expenditures decrease in fiscal 2025 through 2028; however, as the timing of the expenditures cannot be reliably estimated, any such reduction is not reflected above. Some projects are not proceeding or do not need the provided DPA funding. Also, for some other projects, DPA funding is being replaced with funding from other sources.

Local Effect: No direct impact.

Program Description/Recent History: 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 DPA for four years after the close of the fiscal year in which the funds were appropriated.

- Cybersecurity ($63,478,440): Funding for cybersecurity purposes has been included as an appropriation to DPA each year beginning in fiscal 2021: $10.0 million in fiscal 2021; $100.0 million in fiscal 2022; $100.0 million in fiscal 2023; and $152.0 million in fiscal 2024. Approximately $149.5 million was transferred to the general fund by Chapter 717 of 2024 (the Budget Reconciliation and Financing Act (BRFA) of 2024). With this transfer, no funds would remain in DPA for cybersecurity.

- State veterans home ($62,887,000): Approximately $69.6 million was provided for this project over fiscal 2023 and 2024. The project has been cancelled because necessary federal grants were not awarded.

- UMMS Comprehensive Cancer and Organ Transplant Center ($25,000,000): UMMS received $125.0 million in total State support through fiscal 2023 for the Marlene and Stewart Greenebaum Comprehensive Cancer Center and other high-acuity ambulatory and inpatient programs located in Baltimore City. This included $25.0 million of general funds in DPA which are proposed to be transferred to the general fund. The fiscal 2026 capital budget as passed by the General Assembly provides general obligation (GO) bond funds to fully replace the transferred funds.

- State Center relocation costs ($20,000,000): A total of $80.0 million in funding was appropriated to DPA for the moving costs of agencies from the Baltimore State Center, a 28-acre site featuring several office buildings that has until recently housed the Baltimore offices of 12 State agencies. State Center tenants are relocating and incurring relocation costs. Following this transfer, approximately $30.0 million will remain for this purpose, representing the $30.0 million in fiscal 2024 deficiency funds provided in the fiscal 2025 budget bill.

- DNR critical maintenance ($11,000,000): The fiscal 2023 budget included $100.0 million in general funds in DPA for Facilities Renewal – State Agencies. Of this amount, DNR's allocation was $25.0 million. The funding was intended to help reduce DNR's sizeable backlog of critical maintenance projects and came on the heels of the State Park Investment Commission's December 2021 report, which recommended that the State make an immediate investment in critical maintenance to eliminate the existing critical maintenance backlog over the next three years. Additional funding provided in fiscal 2023 for DNR critical maintenance made it less likely that the $25.0 million in DPA would be spent on a timely basis. Chapter 39 of 2022 (Great Maryland Outdoors Act) established a Park System Critical Maintenance Fund and required a $70.0 million general fund appropriation to the fund in fiscal 2024, which must be spent by July 1, 2026. Subsequently, due to the likelihood that DNR would not spend the full $70.0 million on critical maintenance before the deadline, Chapter 402 of 2024 extended the deadline by which DNR must spend the allocated funds by three years (from July1, 2026, to July 1, 2029). In the context of the State's fiscal situation and DNR being replete with critical maintenance funding, the BRFA of 2024 authorized the transfer of $14.0 million of the $25.0 million in DPA to the general fund. This provision transfers the remainder of the DNR critical maintenance funding in DPA to the general fund.

- MSU deferred maintenance and site improvements ($10,000,000): The State funds an ongoing deferred maintenance and site improvement project to help address MSU's aging infrastructure and building systems that are inoperable or in poor condition. This funding includes $10.0 million of fiscal 2023 general funds in DPA which is proposed to be transferred to the general fund. The fiscal 2026 capital budget as passed by the General Assembly provides $13.4 million of GO bond funds for this program, which is $8.4 million more than what was programmed for fiscal 2026 in the 2024 session *Capital Improvement Program* for this project to partially replace the proposed transfer.

- BCCC deferred maintenance ($5,000,000): The State funds an ongoing deferred maintenance and site improvement project to help address BCCC's aging infrastructure and building systems that are inoperable or in poor condition. This funding includes $5.0 million of fiscal 2023 general funds in DPA which are proposed to be transferred to the general fund. The Administration proposes fully replacing the transferred funds with BCCC fund balance reflected as $9.0 million of special funds.

Location of Provision in the Bill: Section 9 (p. 191)

Analysis prepared by: Jacob C. Cash

Authorize Transfer from Renewable Portfolio Standard/Alternative Compliance Payment Account of Strategic Energy Investment Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer $230.0 million from the Renewable Portfolio Standard (RPS)/Alternative Compliance Payment (ACP) Account of the Strategic Energy Investment Fund (SEIF) to the general fund, so long as the transfer occurs before June 30, 2025.

Agency: Maryland Energy Administration (MEA)

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$230.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $230.0 million in fiscal 2025 as a result of this transfer. Special fund expenditures for SEIF decrease beginning as early as fiscal 2026 as those funds are no longer available for eligible purposes; amounts in any particular year are unknown and, thus, are not reflected above.

Local Effect: Beginning as early as fiscal 2026, local governments may receive less funding from ACP-funded programs. Amounts, if any, in any particular year are unknown.

Program Description/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 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, through June 30, 2027, MEA may use up to 10% of solar ACP revenues for administrative expenses.

The *Governor's Fiscal 2026 Budget Books* indicated that the fiscal 2024 closing balance of the RPS/ACP subaccount of SEIF was $414.2 million.

Location of Provision in the Bill: Section 10 (pp. 191-192)

Analysis prepared by: Suveksha Bhujel

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

Provision in the Bill: Authorizes the Governor to transfer $5.0 million from the Maryland Police Training and Standards Commission (MPTSC) Fund to the general fund, so long as the transfer occurs by June 30, 2025.

Agency: Department of Public Safety and Correctional Services

Type of Action: Fund balance transfer

Fiscal Impact:	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
	($ in millions)					
GF Rev	$5.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $5.0 million in fiscal 2025 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 $5.0 million. However, the timing of any potential expenditures cannot be reliably estimated.

Local Effect: None.

Program Description: 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. At the close of fiscal 2024, the MPTSC Fund had a balance of $9.0 million.

Recent History: The Budget Reconciliation and Financing Act of 2024 expanded the allowable uses of the MPTSC Fund, in fiscal 2024 and 2025 only, to include general police and correctional training activity for the Police and Correctional Training Commissions.

Location of Provision in the Bill: Section 10 (pp. 191-192)

Analysis prepared by: Katharine Barbour

Authorize Transfer from Maryland Innovation Investment Incentive Tax Credit Reserve Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer $6.0 million from the Maryland Innovation Investment Incentive Tax Credit (IIITC) Reserve Fund to the general fund, so long as the transfer occurs by June 30, 2025.

Agency: Department of Commerce

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$1.4	$0	$0	$0	$0	$0

State Effect: While the provision authorizes the Governor to transfer $6.0 million from the IIITC Reserve Fund to the general fund, the current IIITC fund balance is only $1.4 million; thus, general fund revenues increase by up to $1.4 million in fiscal 2025 depending on the level of balance available to be transferred. (The fiscal 2026 budget as passed by the General Assembly assumes $1.4 million in general fund revenues in fiscal 2025.) Expenditures are not affected.

Local Effect: None.

Program Description: IIITC, formerly the Cybersecurity Innovation Investment Tax Credit, provides income tax credits to investors for investing in qualified Maryland technology companies. Enhanced credits are available for investing in companies located in certain counties or designated zones. Under Chapter 113 of 2021, the program sunsets on June 30, 2025.

Recent History: None.

Location of Provision in the Bill: Section 10 (pp. 191-192)

Analysis prepared by: Elizabeth Waibel

Authorize Transfer from Mortgage Loan Servicing Practices Settlement Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer $5.0 million from the Mortgage Loan Servicing Practices Settlement Fund to the general fund, so long as the transfer occurs by June 30, 2025.

Agency: Office of the Attorney General

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$5.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $5.0 million in fiscal 2025 as a result of the transfer. Expenditures are not affected in that year.

Local Effect: None.

Program Description/Recent History: The Mortgage Loan Servicing Practices Settlement Fund provides funding for housing counseling, legal assistance related to foreclosure and housing, fraud investigations related to housing and mortgage loans, enforcement activities, and other public purposes related to housing and foreclosure relief. The fund's revenues are from judgments against or settlements with bank mortgage servicers or other parties in the mortgage servicing industry. As of March 10, 2025, the balance of the fund was approximately $14.9 million.

A separate provision expands the allowable uses of the fund to include legal assistance related to evictions and legal assistance related to any other legal proceeding, which effectuates a contingency in Supplemental Budget No. 1 to use this source as the special funds supporting a $1.4 million appropriation for access to counsel.

Location of Provision in the Bill: Section 10 (pp. 191-192)

Analysis prepared by: Jacob L. Pollicove

Authorize Transfer from Maryland Violence Intervention and Prevention Program Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer $4.9 million from the Maryland Violence Intervention and Prevention Program (VIPP) Fund to the general fund, so long as the transfer occurs by June 30, 2025.

Agency: Governor's Office of Crime Prevention and Policy (GOCPP)

Type of Action: Fund balance transfer

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$4.9	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $4.9 million in fiscal 2025. (The fiscal 2026 budget plan as passed by the General Assembly assumes $4.9 million in revenues in fiscal 2025.) Expenditures are not affected in that year.

Local Effect: None.

Program Description: The Maryland VIPP Fund, administered by GOCPP in consultation with the Maryland Violence Intervention and Prevention Advisory Council, is used to support effective violence reduction strategies by providing competitive grants to local governments and nonprofit organizations to fund evidence-based health programs or evidence-informed health programs.

Recent History: Prior to accounting for the transfer, GOCPP projects a fiscal 2025 closing balance of approximately $4.9 million. Assuming GOCPP's expenditures occur at expected levels, this action will leave approximately $29,000 in the fund's balance.

Location of Provision in the Bill: Section 10 (pp. 191-192)

Analysis prepared by: Madelyn C. Miller

Authorize Use of Program Open Space State Land Acquisition Fund Balance for Maryland Park Service Operating Expenses

Provision in the Bill: Authorizes up to $16.4 million from the Program Open Space (POS) land acquisition fund balance to be used for Maryland Park Service operating expenses in the Department of Natural Resources (DNR) in fiscal 2026 only. The fiscal 2026 budget as passed by the General Assembly includes a $16.4 million special fund appropriation, contingent on the enactment of legislation authorizing the use of the POS land acquisition fund balance.

Agency: DNR

Type of Action: Change use of special fund

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Exp	$0	$16.4	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. Special fund expenditures increase by $16.4 million in fiscal 2026 only. Special fund expenditures on land acquisition decline by $16.4 million over an indeterminate period of years.

Local Effect: None.

Program Description: The State transfer tax, which is 0.5% of the amount paid for the transfer of real property, is used to fund POS, along with several land conservation programs and State forest and park operations. DNR administers POS, which acquires and improves outdoor recreation and open space areas for public use. POS consists of a State and local component. Approximately 50% of the transfer tax funding distributed to POS is allocated to State land acquisition and capital development, 30% is allocated to local government acquisition and development, and 20% is allocated to State forest and park operations.

The Maryland Park Service manages natural, cultural, historic, and recreational resources in parks across the State and provides related educational services.

Recent History: The POS State land acquisition balance has been used a number of times to help defray State budget shortfalls or otherwise limit the need for the use of State general funds. Chapter 39 of 2022 (Great Maryland Outdoors Act) authorized the Governor, on or before June 30, 2022, to transfer $43.1 million of the funds for POS State land acquisition in the transfer tax special fund to the Park System Capital Improvements and Acquisition Fund created by Chapter 39, which obviated the need for $43.1 million in State general funds for this purpose.

Chapter 717 of 2024 (Budget Reconciliation and Financing Act of 2024) authorized the Governor to transfer up to $6,678,827 of available special funds from the POS State land acquisition fund balance by June 30, 2025, to DNR to replace general funds budgeted for personnel expenses in DNR for the Maryland Forest Service and the Maryland Park Service.

Anticipated lower amounts of transfer tax revenues in fiscal 2026 coupled with the impact of a revenue under attainment in fiscal 2024 once again reduced the available revenues distributed through the POS formula to the Maryland Park Service. In addition, the Forest or Park Reserve Fund, the other main special fund supporting the Maryland Park Service, was reduced to a $0 balance in fiscal 2025 to help fund Maryland Park Service's operations. Therefore, the Forest or Park Reserve Fund balance is not available to backfill for the lower transfer tax revenues and support Maryland Park Service operations in fiscal 2026. As of September 2024, the POS State land acquisition account had an unencumbered balance of $150.0 million, of which approximately $115.0 million was obligated to projects.

Location of Provision in the Bill: Section 11 (p. 192)

Analysis prepared by: Andrew D. Gray

Authorize Transfer from Maternal and Child Health Population Health Improvement Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer to the general fund $13.1 million from the Maternal and Child Health Population Health Improvement Fund, so long as the transfer occurs by June 30, 2026.

Agency: Maryland Department of Health (MDH)

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$13.1	$0	$0	$0	$0

State Effect: No likely impact in fiscal 2025. General fund revenues increase by $13.1 million in fiscal 2026. Although authorized to occur in either fiscal 2025 or 2026, the budget plan assumes the transfer occurs in fiscal 2026. To the extent that the balance in the Maternal and Child Health Population Health Improvement Fund may have been used through fiscal 2028, special fund expenditures decrease by up to $13.1 million. However, the timing of any potential expenditures in each fiscal year cannot be reliably estimated.

Local Effect: None.

Program Description: The Budget Reconciliation and Financing Act of 2021 (Chapter 150) established a Maternal and Child Health Population Health Improvement Fund to invest in maternal and child health improvements in Medicaid and the Prevention and Health Promotion Administration (PHPA) within MDH through calendar 2025. Chapters 29 and 30 of 2025 extend the date through which the fund may be used from December 31, 2025, to December 31, 2027. The fund is administered by MDH and the Health Services Cost Review Commission (HSCRC). Funding is derived from a uniform, broad-based assessment built into hospital rates, which must be approved by a majority of HSCRC members. For fiscal 2022 through 2025, appropriations from the fund included $8.0 million annually under Medicaid to address severe maternal morbidity (funding that is eligible for federal matching funds) and $2.0 million annually under PHPA to support childhood asthma initiatives and additional maternal morbidity interventions.

Recent History: The hospital assessment for maternal and child health was approved by HSCRC in May 2021 and terminates at the end of calendar 2025. HSCRC approved $40.0 million in cumulative funding, and MDH and HSCRC advise that, by the end of fiscal 2025, the fund will have a balance of $24.1 million. The fiscal 2026 budget as passed by the General Assembly includes $10.0 million in special fund expenditures supported with this fund across Medicaid and PHPA. Assuming this appropriation is spent and the transfer of $13.1 million authorized in this provision occurs in fiscal 2026, the remaining balance would be $1.0 million at the end of fiscal 2026.

Location of Provision in the Bill: Section 12 (p. 192)

Analysis prepared by: Anne W. Braun

Authorize Transfer of Fund Balances from Health Professional Licensing Boards to Behavioral Health Administration

Provision in the Bill: Authorizes the Governor to transfer a total of $6,933,699 from the fund balances of eight health professional licensing boards to the Behavioral Health Administration (BHA) within the Maryland Department of Health (MDH), so long as the fund balance transfers occur by June 30, 2026. Authorizes the transfer of (1) $2,848,653 from the State Board of Professional Counselors and Therapists Fund; (2) $1,570,750 from the State Board of Physicians Fund; (3) $837,313 from the State Board of Examiners for Audiologists, Hearing Aid Dispensers, Speech-Language Pathologists, and Music Therapists Fund; (4) $633,191 from the State Board of Occupational Therapy Practice Fund; (5) $465,315 from the State Board of Examiners for Psychologists Fund; (6) $418,756 from the State Board of Dietetic Practice Fund; (7) $119,022 from the State Board of Acupuncture Fund; and (8) $40,699 from the State Board of Chiropractic Examiners Fund. The fiscal 2026 budget as passed by the General Assembly includes a $6,933,700 general fund reduction and a $4,017,728 special fund appropriation, contingent on the enactment of legislation authorizing the transfers from various health occupation boards.

Agency: MDH

Type of Action: Fund swap

Fiscal Impact:	***($ in millions)*** **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Exp	$0	($6.9)	$0	$0	$0	$0
SF Exp	$0	$6.9	$0	$0	$0	$0

State Effect: No impact in fiscal 2025. General fund expenditures for provider reimbursements in the Community Services program in BHA decrease by $6.9 million in fiscal 2026 only due to the available special funds. BHA special fund expenditures increase correspondingly in fiscal 2026, although only $4,017,728 is a contingent appropriation. To the extent that the eight boards would have used the available fund balance, special fund expenditures decrease correspondingly for those boards. However, the timing of any such expenditures cannot be reliably estimated. Overall, special fund revenues are not affected, merely reallocated within MDH.

Local Effect: None.

Program Description: BHA has oversight over publicly funded inpatient and outpatient behavioral health services and provides services and supports for the treatment and rehabilitation of individuals with substance use, mental health, co-occurring, and problem-gambling disorders. These transferred funds would support the Community Services program; however, the specific uses of the funding are unclear.

The State boards are responsible for the licensing and regulation of individuals practicing in each board's respective field. At the close of fiscal 2024, the special fund balance was $4.6 million in the State Board of Professional Counselors and Therapists; $3.7 million in the State Board of Physicians Fund; $975,484 in the State Board of Examiners for Audiologists, Hearing Aid Dispensers, Speech-Language Pathologists, and Music Therapists Fund; $1.2 million in the State Board of Occupational Therapy Practice Fund; $2.1 million in the State Board of Examiners for Psychologists Fund; $409,241 in the State Board of Dietetic Practice Fund; $589,101 in the State Board of Chiropractic Examiners Fund; and $353,544 in the State Board of Acupuncture Fund.

Recent History: The Budget Reconciliation and Financing Act of 2024 authorized transfers of $1.6 million from the balance in the State Board of Professional Counselors and Therapists Fund, $426,551 from the balance in the State Board of Occupational Therapy Practice Fund, and $480,954 from the balance in the State Board of Examiners of Psychologists Fund to BHA, which also replaced general funds in the Community Services program.

Location of Provision in the Bill: Section 13 (pp. 192-193)

Analysis prepared by: Victoria M. Martinez and Naomi Komuro

Authorize Transfer from Land Records Improvement Fund to General Fund

Provision in the Bill: Authorizes the Governor to transfer $20.0 million from the Circuit Court Real Property Records Improvement Fund, also known as the Land Records Improvement Fund, to the general fund, so long as the transfer occurs by June 30, 2026.

Agency: Judiciary

Type of Action: Fund balance transfer

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$20.0	$0	$0	$0	$0

State Effect: No likely impact in fiscal 2025. General fund revenues increase by $20.0 million in fiscal 2026 as a result of the transfer. To the extent that the Land Records Improvement Fund balance would have been used in the future, special fund expenditures decrease by up to $20.0 million. However, the timing of any potential expenditures cannot be reliably estimated.

Local Effect: None.

Program Description: The Land Records Improvement Fund is the funding source for the Judiciary's major information technology development projects, specified expenditures of circuit court offices, eFiling operations and maintenance, MDLandRec, and Electronic Land Records Online Imagery operations and maintenance. Revenues for the fund are generated through a recordation surcharge on all real estate transactions and other specified court surcharges. In December 2024, the Judiciary reported a fiscal 2024 closing balance in the fund, excluding encumbrances, of $73.9 million. Accounting for this transfer, the projected fiscal 2026 closing fund balance is $31.0 million.

Recent History: Chapter 719 of 2021, Chapter 522 of 2022, and Chapter 762 of 2023 authorized the Judiciary to transfer up to $12.0 million in general funds per year in fiscal 2021, 2022, and 2023 from unspent funds in the budget to the Land Records Improvement Fund rather than revert those funds.

Location of Provision in the Bill: Section 14 (p. 193)

Analysis prepared by: Jacob L. Pollicove

Authorize Transfer from State Used Tire Cleanup and Recycling Fund to General Fund

Provision in the Bill: Authorize the Governor to transfer $1.0 million from the State Used Tire Cleanup and Recycling Fund to the general fund, so long as the transfer occurs by June 30, 2026.

Agency: Maryland Department of the Environment (MDE)

Type of Action: Fund balance transfer

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$1.0	$0	$0	$0	$0

State Effect: No likely impact in fiscal 2025. General fund revenues increase by $1.0 million in fiscal 2026 only. Expenditures are not affected in that year.

Local Effect: None.

Program Description/Recent History: The State Used Tire Cleanup and Recycling Fund provides funds to respond to illegal disposal or storage of scrap tires. The fund is supported with a fee of $0.80 on each new tire sold in the State, and the fund balance is capped at $10.0 million. The estimated fiscal 2025 closing balance is $2.5 million.

Separate provisions in the Budget Reconciliation and Financing Act of 2025 establish a $1.00 per tire fee beginning January 1, 2026, authorize the fee to be increased by inflation every two fiscal years, set a maximum fee of $2.00 per tire, and alter the agency responsible for setting the fee from the Board of Public Works to MDE.

Location of Provision in the Bill: Section 15 (p. 193)

Analysis prepared by: Andrew D. Gray

Authorize Transfer of Racing and Community Development Financing Fund Interest Earnings to General Fund

Provision in the Bill: Authorizes the Governor to transfer $3.0 million of the Racing and Community Development Financing Fund's (RCDFF) interest earnings to the general fund so long as the transfer occurs by June 30, 2026.

Agency: Maryland Stadium Authority

Type of Action: Fund balance transfer

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$0	$3.0	$0	$0	$0	$0

State Effect: No likely impact in fiscal 2025. General fund revenues increase by $3.0 million in fiscal 2026. To the extent that the RCDFF fund balance may have been used in the future, special fund expenditures decrease by up to $3.0 million. However, the timing of any potential expenditures cannot be reliably estimated.

Local Effect: None.

Program Description/Recent History: RCDFF supports renovation and construction of Pimlico Race Course and the purchase, renovation, and construction of a training facility to support Pimlico. Since fiscal 2022, at least $17.0 million annually of lottery revenues must be distributed to RCDFF. Assets available for Pimlico projects include (1) $400 million in par value bonds supported by RCDFF debt service appropriations; (2) $81.4 million in appropriations to RCDFF; (3) $34.5 million in funds transferred from the Racetrack Facility Renewal Account; (4) $6.7 million in interest earnings through December 2024, with additional earnings anticipated; and (5) a $5.0 million general obligation bond authorization.

Location of Provision in the Bill: Section 16 (p. 194)

Analysis prepared by: Patrick S. Frank

Authorize Transfer from Revenue Stabilization Account to Annuity Bond Fund if Necessary for Debt Service Costs

Provision in the Bill: Authorizes the Governor to transfer sufficient funds by budget amendment, if necessary, by June 30, 2026, from the Revenue Stabilization Account (Rainy Day Fund) to the Annuity Bond Fund (ABF) to ensure that the State Treasurer is able to pay debt service to the State's bondholders.

Agency: State Reserve Fund; Public Debt

Type of Action: Fund balance transfer

State Effect: The amount of any transfer from the Rainy Day Fund to ABF and special fund expenditures for debt service are indeterminate and depend upon the results of the June 2025 general obligation (GO) bond sale.

Local Effect: None.

Program Description/Recent History: State property taxes and other revenue sources are deposited into ABF to support GO bond debt service costs. State property tax rates are insufficient to fund all debt service costs, so the costs are also supported by general fund appropriations. The fiscal 2025 bond sale is in June 2025. Financial markets are exceptionally volatile; it is unclear what the interest rates will be when the bonds are issued. To provide sufficient funds for potential debt service costs should interest rates increase more than anticipated, the State Treasurer requested that monies from the Rainy Day Fund be made available for debt service costs should costs exceed estimates. The provision authorizes this transfer.

Location of Provision in the Bill: Section 17 (p. 194)

Analysis prepared by: Patrick S. Frank

Authorize Transfer from Resilient Maryland Revolving Loan Fund to Blueprint for Maryland's Future Fund

Provision in the Bill: Authorizes the Governor to transfer $9.0 million from the Resilient Maryland Revolving Loan Fund (RMRLF) to the Blueprint for Maryland's Future Fund (BMFF), so long as the transfer occurs by June 30, 2025.

Agency: Maryland Department of Emergency Management (MDEM)

Type of Action: Fund balance transfer

Fiscal Impact:	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
	($ in millions)					
GF Exp	$0	$0	($9.0)	$0	$0	$0
SF Exp	$0	$0	$9.0	$0	$0	$0

State Effect: Special fund revenues are unaffected due to the transfer, which repurposes $9.0 million in RMRLF balance for another special fund (BMFF) in fiscal 2025. Current projections indicate general funds will be needed to support Blueprint costs beginning in fiscal 2027. Therefore, it is assumed that the $9.0 million in BMFF revenue in fiscal 2025 will result in a reduction of $9.0 million in general fund expenditures in fiscal 2027 and a corresponding increase in BMFF expenditures in fiscal 2027. To the extent that the RMRLF fund balance may have been used in the future, special fund expenditures decrease by up to $9.0 million. However, the timing of any potential expenditures cannot be reliably estimated.

Local Effect: There is a corresponding reduction in RMRLF fund balance available for local resilience projects to address hazard mitigation.

Program Description/Recent History: Chapter 644 of 2021 established RMRLF in response to the passage of the federal Safeguarding Tomorrow Through Ongoing Risk Mitigation (STORM) Act that went into effect January 1, 2021. The STORM Act authorized the Federal Emergency Management Agency (FEMA) to provide capitalization grants to states that established revolving loan funds for hazard mitigation assistance that reduce risks from disasters and other natural hazards. Chapters 244 and 245 of 2022 altered RMRLF so that the fund may provide low- or no-interest loans to local governments and nonprofit organizations for resilience projects.

The fiscal 2023 budget provided $25.0 million in pay-as-you-go general funds into RMRLF to support the required 10% State match for federal STORM Act funds and for State funded projects. MDEM received notice in September 2023 from FEMA of a total award of $6.5 million. Delays in the federal allocation of awards caused corresponding delays in RMRLF expenditures, resulting in a fund balance. The closing balance at the end of fiscal 2024 was $25.8 million. A budget amendment for fiscal 2025 appropriated $11.0 million from the fund for two projects. Accounting for the budget amendment, the balance should be $15.0 million at the close of fiscal 2025.

The fiscal 2026 budget as passed by the General Assembly allocates $246,064 in RMRLF special funds and $130,977 in federal matching funds under MDEM.

Location of Provision in the Bill: Section 18 (p. 194)

Analysis prepared by: David Propert

Prohibit Interagency Rates Committee from Increasing Provider Rates

Provision in the Bill: Prohibit, for fiscal 2026 only, the Interagency Rates Committee (IRC) from increasing the payment rates for providers whose rates are set by IRC over the rates in effect on January 1, 2025.

Agency: Department of Human Services (DHS); Department of Juvenile Services (DJS); Maryland Department of Health (MDH)

Type of Action: Cost control

State Effect: The fiscal 2026 budget as introduced included funding to support a 2% rate increase for providers with rates set by IRC. However, as IRC is neither required by, nor limited under, current law with regard to provision of rate increases, the provision prohibits implementation of rate increases for fiscal 2026. As the actual amount that would have been provided is not known, general fund and federal fund expenditures are reduced by an indeterminate amount. *For illustrative purposes only*, if a 2% provider rate increase were provided, expenditures would have increased by more than $1.2 million in total funds ($1.1 million in general funds and $0.1 million in federal funds) in the DHS Foster Care Maintenance Payments; expenditures in DJS would have also increased. Savings are also realized beginning in fiscal 2027 due to the lower base for future provider rate increases.

Despite the fiscal 2026 budget including funds for a 2% provider rate increase, no reduction in funding is included in the budget contingent on this provision as the foster care budget appears inadequate to cover projected costs.

Local Effect: None.

Program Description/Recent History: IRC establishes rates for residential and nonresidential child care programs licensed or approved by the Maryland State Department of Education (MSDE), MDH, DHS, and DJS. IRC includes representatives from the Department of Budget and Management, MDH, DHS, DJS, MSDE, and the Governor's Office for Children.

In October 2024, a revised rate structure was implemented for Residential Child Care (group home) providers with separate rates for direct and clinical care, which is based on classes of service provision. Material posted on the IRC website appeared to plan for a 3% rate increase for these providers in fiscal 2026, despite a significant overall increase in rates with implementation of rate reform (over 19%). Rates for other providers are based on the budgets of providers as compared to similar providers and are also impacted by when during the year applications for rates are submitted. For example, according to the information on the IRC website, applications submitted by February 15, 2025, were expected to receive their fiscal 2026 rate before July 1, while applications after that were expected to be held to the fiscal 2025 rate.

Location of Provision in the Bill: Section 19 (p. 194)

Analysis prepared by: Suveksha Bhujel

Specify Procedures for Renewing Horse Establishment Licenses

Provisions in the Bill: Require the Maryland Horse Industry Board (MHIB) to send horse establishment license renewal notices/forms at least one month before license expiration and allow (1) a 60-day grace period after expiration, when a license can be renewed retroactively with payment of the renewal fee and any late fee and (2) after the grace period, license reinstatement, with payment of the renewal fee and a reinstatement fee.

Agency: Maryland Department of Agriculture (MDA)

Type of Action: Other

State Effect: No impact in fiscal 2025. Special fund revenues for MHIB increase relatively minimally (by at least $10,000 in fiscal 2026, $7,500 in fiscal 2027, and $5,000 annually thereafter) due to collection of late fees and reinstatement fees. Expenditures are not affected.

Local Effect: None.

Program Description: MHIB, which is housed at MDA, regulates and promotes the State's horse industry. The board promotes horse exhibitions, horse shows, rodeos, pony clubs, etc. held in the State. Among other duties, MHIB carries out licensing, inspection, and enforcement related to the equine industry.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 13-14)

Analysis prepared by: Scott D. Kennedy

Increase Percentage of Open Purses that May Be Paid to Maryland Thoroughbred Horsemen's Association

Provision in the Bill: Increases the maximum percentage of open thoroughbred racing purses, from 2% to 3%, that may be deducted from the purses and paid to the Maryland Thoroughbred Horsemen's Association.

Agency: Maryland Department of Labor

Type of Action: Miscellaneous

State Effect: None. The bill does not affect State revenues or expenditures but rather allows the Maryland Thoroughbred Horsemen's Association to deduct a larger percentage of open purses.

Local Effect: None.

Program Description/Recent History: The Maryland Thoroughbred Horsemen's Association may deduct up to 2% from open purses to be paid to the association. Approximately 85% of the open purse money is distributed to the overnight races of the current year and approximately 15%, but not more than 17%, to the stakes races of the current year.

In 2023, the Maryland Thoroughbred Horsemen's Association was paid approximately $1.3 million from open purse money. If the percentage the association is allowed to keep were increased to 3%, the association could realize a revenue increase of approximately $641,000 annually.

Location of Provision in the Bill: Section 1 (pp. 22-23)

Analysis prepared by: Michael Sanelli

Terminate Maryland Thoroughbred Racetrack Operating Authority

Provisions in the Bill: Terminate the Maryland Thoroughbred Racetrack Operating Authority (MTROA), effective June 30, 2025. Make the Maryland Stadium Authority (MSA) the successor entity for the planning, design, construction, and ownership of a racing and community development project and the Maryland Economic Development Corporation (MEDCO) the successor entity for the operation of a racing and community development project. Transfer all rights, responsibilities, personal property, etc. of MTROA, including those related to the Maryland Jockey Club (MJC), to MEDCO.

Establish that a nonprofit operator of a racing and community development project (1) may not be construed to be an agency or instrumentality of the State, or a unit of the executive branch, for any purpose; (2) may be replaced with another business entity with the concurrent approval of MSA and MEDCO; and (3) must reimburse MSA for the cost of a full-time auditor responsible for overseeing the financial transactions and records related to racing and community development project costs and ongoing operations.

Require all remaining funds in the Maryland Racing Operations Fund to transfer to the Racing and Community Development Facilities Fund prior to June 30, 2025.

Agency: MEDCO and MSA

Type of Action: Other

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Exp	$0	($3.5)	$0	$0	$0	$0

State Effect: The fiscal 2026 budget as passed by the General Assembly includes a special fund reduction of $3,463,204 for administration and eliminates six regular positions (three of which are vacant) at MTROA, contingent on the enactment of these provisions abolishing MTROA before fiscal 2026. Accordingly, all funding and positions at MTROA are eliminated for fiscal 2026. Although special fund savings likely also occur in fiscal 2027 through 2029 from abolishing those positions, that impact is not reflected above.

Chapter 590 of 2020, as amended by Chapter 410 of 2024, authorized MSA, subject to the approval of the Board of Public Works (BPW), to issue up to $400.0 million in bonds to finance planning, design, and construction and related expenses for construction management, professional fees, and contingencies in connection with racing facilities. It is, therefore, assumed that MSA can handle the requirements of the bill with existing budgeted resources. To the extent that MSA requires additional funding or positions to carry out responsibilities associated with conducting a racing and community development project, the agency can request additional resources through the annual budget process.

The bill does not transfer any funding or positions to MEDCO. To the extent that MEDCO requires additional funding or positions to carry out responsibilities associated with overseeing the operation of a racing and community development project, the agency can request additional resources through the annual budget process.

Local Effect: None.

Program Description/Recent History: Chapter 111 of 2023 established MTROA to manage and oversee day-to-day thoroughbred horse racing operations, live racing days, and assets in the State and, in coordination with MEDCO, acquire property or contractual interests, as specified. Under such circumstances, the Maryland Racing Commission may issue a license and live racing days to MTROA. Under Chapter 410 of 2024, MTROA terminates on June 30, 2029. Chapter 410 also provided for the transfer of ownership and operation of thoroughbred racing facilities in the State to MTROA.

BPW approved the transfer of Pimlico Race Course to MTROA in May 2024. In addition, MJC was created in September 2024 as the nonprofit entity required to coordinate racing operations. All operational contracts and employee agreements for the prior Maryland Jockey Club were reviewed and assigned to the new MJC. The new MJC assumed day-to-day control of all horse racing operations in Maryland on January 1, 2025.

Location of Provisions in the Bill: Section 1 (pp. 27-29), Section 6 (p. 189), Section 23 (p. 195), Section 24 (p. 195), and Section 25 (pp. 195-196)

Analysis prepared by: Michael Sanelli

Reduce Funding Cap per Participant under Low Intensity Support Services Program

Provision in the Bill: Reduces the cap that the Developmental Disabilities Administration (DDA) within the Maryland Department of Health (MDH) is authorized to establish under the Low Intensity Support Services (LISS) program from a cap of no less than $2,000 to a cap of no less than $1,000 for services per qualifying individual per fiscal year beginning in fiscal 2026.

Agency: MDH

Type of Action: Miscellaneous

State Effect: General fund expenditures for DDA are not directly affected, given the expectation that DDA utilizes all budgeted funds under the LISS program but serves a larger number of individuals than would otherwise have occurred with the same level of funds due to the reduced cap of $1,000 per qualifying individual per fiscal year. The fiscal 2026 budget as passed by the General Assembly includes $2.0 million in general funds for the LISS program.

Local Effect: None.

Program Description: DDA funds direct services to intellectually and developmentally disabled individuals through a coordinated community-based service delivery system. LISS provides temporary financial support for individuals on the DDA Community Services Waiting List and/or individuals who do not receive support through the three Medicaid home- and community-based services waivers administered by DDA. Some of the eligible services and items include adaptive items, assistive technology, attendant care/personal care, recreational services and items, therapeutic summer programs, and several other supports. Individuals must submit an application that includes an invoice or receipts for goods and services and must apply through a random selection process that occurs twice a year.

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 57-59)

Analysis prepared by: Victoria M. Martinez

Establish Medicaid Primary Care Program Fund

Provisions in the Bill: Establish a Medicaid Primary Care Program (MDPCP) Fund within the Maryland Department of Health (MDH) to serve as the foundation for advancing primary care in the State under the Advancing All-Payer Health Equity Approaches and Development (AHEAD) model. Derive funding support for the new special fund from hospital payments administered on a one-time basis, through a uniform and broad-based assessment via the Medicare savings component for calendar 2023, by the Health Services Cost Review Commission (HSCRC) and any other source accepted for the fund. The fiscal 2026 budget as passed by the General Assembly includes a $16.0 million special fund appropriation, contingent on the enactment of this provision.

Agency: MDH

Type of Action: Administrative

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$0	$16.0	$14.0	$0	$0	$0
FF Rev	$0	$16.0	$14.0	$0	$0	$0
SF Exp	$0	$16.0	$14.0	$0	$0	$0
FF Exp	$0	$16.0	$14.0	$0	$0	$0

State Effect: No impact in fiscal 2025. MDH indicates that a total of $30.0 million in hospital payments, generated as a result of performance incentives for calendar 2023 Medicare savings under the Total Cost of Care Model, will be transferred from HSCRC to MDH to capitalize the MDPCP Fund. Supplemental Budget No. 1 added $16.0 million in special funds that are contingent on the enactment of legislation allowing the use of the MDPCP Fund for Medicaid provider reimbursements. The remaining $14.0 million to be transferred is assumed to be spent in fiscal 2027. Thus, MDH special fund revenues and expenditures increase accordingly in fiscal 2026 and 2027. Federal matching revenues and expenditures of at least 50% for Medicaid expenses also increase accordingly. Expenditures and revenues are not affected beginning in fiscal 2028 as MDH did not indicate plans for another transfer from HSCRC or any other dedicated funding source for the new special fund.

Local Effect: None.

Program Description: The AHEAD Model, effective January 1, 2026, is a partnership between the federal Centers for Medicare and Medicaid Services and Maryland to continue the State's all-payer hospital rate setting system and control health care costs, among other initiatives. A component of the AHEAD Model is a new Advanced Primary Care Program under Medicaid that will begin implementation on July 1, 2025, and will be supported by the new MDPCP Fund established in these provisions. This program will operate similarly to the existing Maryland Primary Care Program, which is a component of the State's current Total Cost of Care Model that aims to reduce Medicare costs, among other efforts. Through the program, MDH will provide care management fees of $2 per member per month assigned to eligible primary care practices and administer a quality incentive program for the calendar 2026 performance year.

Recent History: None.

Location of Provisions in the Bill: Section 1 (pp. 61-62)

Analysis prepared by: Anne W. Braun

Increase Cap on Maryland Environmental Service Contingency Funds

Provision in the Bill: Increases the cap on two of the three Maryland Environmental Service (MES) project contingency funds to increase the total amounts of funding that can be retained in these funds for current and future costs for projects located at State-owned facilities. Raises the Eastern Correctional Institution Turbine Project Contingency Fund cap from $1.5 million to $5.0 million and raises the Reimbursable Project Contingency Fund cap from $1.0 million to $3.0 million.

Agency: MES

Type of Action: Miscellaneous

State Effect: No immediate impact on State revenues or expenditures. Raising the caps on both contingency funds allows MES to continue to fulfill its contractual obligations and permits compliance as current and future estimated maintenance and repair costs exceed current contingency fund caps. However, raising the caps on both contingency funds does not require the funds to be funded at that level. Funding levels will be gradually increased over time based on estimated future funding needs.

Local Effect: None.

Program Description: MES is an independent instrumentality of the State that is nonbudgeted and provides a variety of environmental-related services on a reimbursable basis to other State agencies and at State-owned facilities, including the operation and maintenance of all State-owned water and wastewater treatment facilities. Funds retained in the Reimbursable Project Contingency Fund are used to support major facility maintenance and emergency repairs to State-owned facilities outside of Department of Natural Resources facilities (which have a separate contingency fund), and not including the Eastern Correctional Institution Turbine Project (which is supported through its own contingency fund).

Recent History: None.

Location of Provision in the Bill: Section 1 (pp. 76-77)

Analysis prepared by: Samuel M. Quist

Remove Judicial Branch Exemption from Review by Office of Program Evaluation and Government Accountability

Provisions in the Bill: Remove the Judicial Branch of State government from the list of entities which are not subject to review by the Office of Program Evaluation and Government Accountability (OPEGA) within the Department of Legislative Services (DLS). Specify a "unit" subject to a performance evaluation by OPEGA includes each clerk of the court.

Agency: Judiciary; DLS

Type of Action: Miscellaneous

State Effect: OPEGA can conduct any evaluations that occur due to the removal of this exemption within existing resources.

Local Effect: None.

Program Description: At the direction of the Joint Audit and Evaluation Committee, OPEGA conducts evaluations of activities and units across State government. OPEGA evaluates the efficiency, effectiveness, and economy with which resources are used; determines whether desired program results are achieved; determines whether a program aligns with the unit's mission; evaluates whether a program duplicates another program or activity within another unit; evaluates whether the governmental activity or unit operates in an open, accountable, fair, and non-discriminatory manner; and determines the reliability of specified performance measures.

The Judicial Branch is subject to review by the Office of Legislative Audits within DLS.

Recent History: None.

Location of Provisions in the Bill: Section 1 (p. 95)

Analysis prepared by: Jacob L. Pollicove

Eliminate Requirement for Operating Expense Growth in Transportation Trust Fund Forecast

Provision in the Bill: Eliminates the requirement that operating expenses in the Transportation Trust Fund Forecast, for years beyond the budget year, be increased by the five-year average annual increase in actual operating expenses ending with the most recently completed fiscal year (excluding availability payments made to public-private partnership concessionaires) in developing departmental operating expense estimates, provided that the rate for these years cannot vary by more than 0.5 percentage points from the rate used in the prior forecast.

Agency: Maryland Department of Transportation (MDOT)

Type of Action: Miscellaneous

State Effect: The provision does not directly affect revenues or expenditures for MDOT since it affects the planning years of the forecast only; however, it may decrease the amount of operating spending programmed in the financial forecast for the planning years and increase the amount programmed in the planning years for capital projects.

Local Effect: None.

Program Description: MDOT must submit a six-year supporting financial forecast to the *Consolidated Transportation Program* showing, among other things, a schedule of operating expenses for each specific modal administration. MDOT must provide for debt service and operating expenses from available revenues first, with remaining funding being available to support the capital program. Increased spending for operating decreases the amount available for capital.

Recent History: Chapter 10 of 2018 established the requirement that MDOT increase operating expenses for the planning years of the financial forecast by the average annual increase in actual operating expenses for the five-year period ending with the most recently completed fiscal year. The provision prevents MDOT from using unrealistically low operating expense assumptions in order to maximize the levels of capital spending it was projecting in the planning years of the forecast.

Location of Provision in the Bill: Section 1 (pp. 117-118)

Analysis prepared by: Steven D. McCulloch

Increase Amount of Consolidated Transportation Bonds that May Be Issued

Provision in the Bill: Increases the debt outstanding limit on Consolidated Transportation Bonds (CTBs) from $4.5 billion to $5.0 billion.

Agency: Maryland Department of Transportation (MDOT)

Type of Action: Miscellaneous

State Effect: Increasing the debt outstanding limit on CTBs may increase capital spending in the capital budget, which results in an increase in Transportation Trust Fund (TTF) expenditures in the operating budget due to increased debt service payments. The impact is indeterminate due to uncertainty about when the increased capacity to issue debt would be utilized; nevertheless, TTF expenditures could increase significantly. *For illustrative purposes only*, if an additional $500.0 million in CTBs were issued in fiscal 2026, TTF expenditures from debt service would increase by an estimated $164.0 million in total between fiscal 2026 and 2030.

Local Effect: None.

Program Description: MDOT issues 15-year CTBs to help fund its capital program. MDOT's current debt outstanding limit is set in statute at $4.5 billion. Typically, when MDOT is provided significant additional revenue, the debt outstanding cap is increased in recognition of MDOT's ability to issue more debt. This additional bonding must be used to support capital spending. Any additional debt issued by MDOT must be within the State's Capital Debt Affordability limits.

Recent History: The limit on CTBs outstanding was last increased by Chapter 429 of 2013.

Location of Provision in the Bill: Section 1 (p. 118)

Analysis prepared by: Steven D. McCulloch

Expand Pledge of Future Federal Aid to Include Major Rehabilitation of Existing Light Rail System

Provision in the Bill: Expands the types of projects that the Maryland Department of Transportation (MDOT) may fund using proceeds from bonds backed by future federal aid (typically known as Grant Anticipation Revenue Vehicle (GARVEE) bonds) to include the major rehabilitation of the existing light rail system, including replacement light rail vehicles and related station and maintenance facility improvements.

Agency: MDOT

Type of Action: Miscellaneous

State Effect: The provision does not directly affect total revenues or expenditures for MDOT because it authorizes, but does not require, MDOT to use GARVEE bonds for an additional project and does not change the $1.0 billion debt outstanding limit on the total issuance of these bonds. The provision would grant MDOT additional flexibility to fund its capital program beginning as early as fiscal 2027 because the *Consolidated Transportation Program* for fiscal 2025 through 2030 assumes passage of legislation to authorize the use of GARVEE bonds to modernize the State's light rail transit vehicle fleet.

Local Effect: None.

Program Description: The Transportation Article authorizes MDOT to issue GARVEE bonds to support certain projects in the capital program. The bonds are backed by and repaid from future federal aid.

Recent History: Chapter 455 of 2023 expanded the authority of MDOT to issue GARVEE bonds for additional transportation projects as long as the aggregate outstanding and unpaid principal amount of debt issued does not exceed $1.0 billion as of June 30 of any year. However, the proceeds of those bonds may only be used for six specified projects.

Location of Provision in the Bill: Section 1 (p. 119)

Analysis prepared by: Steven D. McCulloch

Delay Requirement to Purchase Only Zero-emission Buses and Authorize Use of Bonds to Pay for Buses

Provisions in the Bill: Delay the requirement that the Maryland Transit Administration (MTA) procure only zero-emission buses (ZEBs) to support its transit fleet from beginning in fiscal 2027 to beginning in fiscal 2032 and clarify language in statute authorizing the use of Grant Anticipation Revenue Vehicle bonds to pay for buses in addition to Transportation Trust Fund (TTF) revenues.

Agency: Maryland Department of Transportation (MTA)

Type of Action: Miscellaneous; cost containment

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Exp	$0	$0	($28.0)	($28.0)	($28.0)	($28.0)

State Effect: No impact in fiscal 2025 or 2026. TTF expenditures decrease by an anticipated $28.0 million annually from fiscal 2027 through 2031 due to deferring procuring ZEBs to fiscal 2032 and the lower costs associated with procuring new buses. Revenues are not affected.

Local Effect: None.

Program Description: MTA operates a comprehensive multimodal transit system throughout the Baltimore-Washington metropolitan area, including more than 50 local bus lines in the Baltimore metropolitan area served by a fleet of more than 800 buses. Core bus ridership in fiscal 2024 totaled more than 47.9 million. Bus procurement occurs annually to replace those that have been in service for 12 or more years to maintain the average age of the bus fleet.

Recent History: Chapter 693 of 2021 prohibited MTA, beginning in fiscal 2023, from procuring buses for the transit fleet that are not ZEBs. However, it allows the agency to purchase alternative-fuel buses if the agency determines that no ZEBs meet performance requirements needed for a particular use. Chapter 717 of 2024 (Budget Reconciliation and Financing Act of 2024) delayed from fiscal 2023 to fiscal 2027 the year by which MTA is prohibited from procuring buses for the transit fleet that are not ZEBs and also authorized MTA to procure additional alternative-fuel buses, including hybrid buses, if sufficient ZEBs or associated equipment to meet the requirement are not commercially available.

Location of Provisions in the Bill: Section 1 (p. 120)

Analysis prepared by: Samuel M. Quist

Alter Income Tax Apportionment of Pass-through Entity Income

Provision in the Bill: Modifies, for tax year 2026 and beyond, the income tax apportionment of pass-through entity (PTE) income with respect to resident members such that each resident member's distributive or *pro rata* share of the PTE's income is fully apportioned to Maryland.

Agency: Comptroller

Type of Action: Miscellaneous

State Effect: The change is expected to be revenue neutral; thus, there is no anticipated effect on State revenues. The Comptroller's Office may incur one-time general fund costs in fiscal 2026 only for related programming changes; however, a precise estimate is not available at this time.

Local Effect: The change is expected to be revenue neutral; thus, there is no anticipated effect on local revenues.

Program Description/Recent History: In response to federal law that limits the allowable state and local tax deduction for individuals in tax years 2018 through 2025, Maryland, like a number of other states, enacted legislation authorizing PTEs to elect to be taxed at the entity level for State income tax purposes. A member of an electing PTE may claim a credit for the amount of Maryland income tax paid by the PTE that is attributable to the member's share of the PTE's taxable income. "PTE's taxable income" is defined as the portion of a PTE's income under the federal Internal Revenue Code, calculated without regard to any deduction for taxes based on net income that are imposed by any state or political subdivision of a state, that is derived from or reasonably attributable to the trade or business of the PTE in Maryland. A resident member of a multistate PTE may claim a credit against the State income tax for income tax paid to another state, including the member's *pro rata* share of income tax paid by the PTE to another state.

Location of Provision in the Bill: Section 5 (pp. 180-181)

Analysis prepared by: Elizabeth J. Allison

Reduce Prior-year Baltimore City Direct Grant Project Funding

Provision in the Bill: Reduces $1,596,400 in special funds for five prior-year Baltimore City Direct Grant projects within the Department of Natural Resources (DNR) allocated as part of the Program Open Space (POS) State allocation that either have been (1) abandoned or (2) completed with funding remaining. Reduces, more specifically, $1,125,000 for the Herring Run Park project, $300,000 for the Druid Hill Trail Head project, $100,000 for the Saint Charles Park project, $21,400 for the Bond Street Park project, and $50,000 for the Warwick Park project.

Agency: DNR

Type of Action: Miscellaneous

Fiscal Impact:	*($ in millions)* **FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
SF Rev	$1.6	$0	$0	$0	$0	$0

State Effect: Special fund revenues increase by $1,596,400 in fiscal 2025 due to the cancellation of prior appropriations for these projects, which remained available.

Local Effect: No overall effect, as the same level of funding is provided to Baltimore City for five new projects through Section 21 of the fiscal 2026 operating budget bill as passed by the General Assembly.

Program Description: DNR administers POS, which acquires and improves outdoor recreation and open space areas for public use. POS consists of a State and local component. Approximately 50% of the transfer tax funding distributed to POS is allocated to State land acquisition and capital development, 30% is allocated to local government acquisition and development, and 20% is allocated to State forest and park operations. Of the 50% of POS funding allocated to State land acquisition and capital development, $10.0 million of that funding, each fiscal year, must be used to make grants to Baltimore City for projects which meet park purposes. This funding is in addition to funding the city receives from the 30% of POS funding allocated to local government acquisition and development.

Recent History: The $1,596,400 in reduced funding for the five projects is tied to the following allocations and appropriations:

- $1,125,000 for the Herring Run Park project, with $400,000 allocated in fiscal 2018 per a statutory requirement (Chapter 10 of 2016 as amended by Chapter 407 of 2017) and $725,000 allocated in fiscal 2019, comprising $100,000 per a statutory requirement (Chapter 407) and $625,000 in the fiscal 2019 operating budget (Chapter 570 of 2018);

- $300,000 allocated to the Druid Hill Trail Head project in fiscal 2018 per a statutory requirement (Chapter 10);
- $100,000 appropriated to the Saint Charles Park project in the fiscal 2019 operating budget (Chapter 570);
- $21,400 remaining of the $50,000 appropriated to the Bond Street Park project in the fiscal 2020 operating budget (Chapter 565 of 2019); and
- $50,000 appropriated to the Warwick Park project in the fiscal 2020 operating budget (Chapter 565).

Chapter 39 of 2022 (Great Maryland Outdoors Act) increased from $6.0 million each fiscal year to $10.0 million each fiscal year, beginning in fiscal 2024, the amount of POS State funding that is used to make grants to Baltimore City for projects which meet park purposes.

Location of Provision in the Bill: Section 20 (pp. 194-195)

Analysis prepared by: Andrew D. Gray

Eliminate Fiscal 2024 Funding for Lansdowne Library Infrastructure Improvements

Provision in the Bill: Withdraws a $12.0 million fiscal 2024 pay-as-you-go (PAYGO) general fund grant to the County Executive and County Council of Baltimore County for infrastructure improvements to the Lansdowne Library.

Agency: Department of General Services (DGS)

Type of Action: Miscellaneous

Fiscal	*($ in millions)*					
Impact:	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
GF Rev	$12.0	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $12.0 million in fiscal 2025, reflecting the reversion associated with this funding withdrawal.

Local Effect: No overall effect, as the same level of funding is provided to Baltimore County for a different library project through Section 21 of the fiscal 2026 operating budget bill as passed by the General Assembly.

Program Description: The DGS Capital Grants and Loans Office administers capital PAYGO grants appropriated to the agency and general obligation bond funded grants as delegated to DGS by the Board of Public Works (BPW). Under § 7-305 of the State Finance and Procurement— Article, the authority to spend a capital appropriation for a project terminates two years after the effective date of the appropriation if there has been no evidence of a matching fund, if required, or no part of the project is under contract and BPW has not encumbered money for any part of the project.

Recent History: The fiscal 2024 budget included a $12.0 million general fund capital PAYGO grant to the County Executive and County Council of Baltimore County for infrastructure improvements to the Lansdowne Library, which the county is unable to use for its intended purpose.

Location of Provision in the Bill: Section 21 (p. 195)

Analysis prepared by: David Propert

Reduce Fiscal 2024 Grant for the 2023 Artscape Festival

Provision in the Bill: Reduces, by $326,456, the unexpended appropriation within the Board of Public Works (BPW) – Miscellaneous Grants to Local Governments program that was included in the fiscal 2024 budget for the 2023 Artscape Festival.

Agency: BPW

Type of Action: Miscellaneous

Fiscal Impact:	($ in millions) FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Rev	$0.3	$0	$0	$0	$0	$0

State Effect: General fund revenues increase by $326,456 in fiscal 2025 only.

Local Effect: None. The fiscal 2026 budget as passed by the General Assembly includes funding for BPW to provide a $326,456 grant for the Artscape Festival.

Program Description: Artscape is billed as America's largest free outdoor arts festival and is organized by the Baltimore Office of Promotion & The Arts. The festival originated in 1982 as a way to draw community support and stimulate economic development and investment near the then newly developed Meyerhoff Symphony Hall.

Recent History: The fiscal 2024 budget added $1.5 million in general funds to the appropriation for the BPW – Miscellaneous Grants to Local Governments program to provide funding to the Baltimore City Mayor's Office of Art and Culture for the 2023 Artscape Festival.

Location of Provision in the Bill: Section 27 (p. 196)

Analysis prepared by: Andrew D. Gray

Establish Requirements to Certify Specified Federal Fund Revenue Loss and Report Budgetary Impact

Provisions in the Bill: Require that, if congressional action or other federal changes result in a reduction of at least $1.0 billion in the State's estimated federal fund revenues compared to the federal funding budgeted in fiscal 2026, within 30 days of the determination or estimate of the federal fund revenue loss, the Secretary of Budget and Management must certify whether the reduction is at least $1.0 billion. Require the Department of Budget and Management (DBM), if a reduction of at least $1.0 billion in federal fund revenue is certified, within 90 days of the certification, to submit a report to the Legislative Policy Committee with (1) a description of the impact of the reduced federal fund revenues by program and (2) proposed actions, including reductions if appropriate.

Agency: DBM

Type of Action: Miscellaneous

State Effect: DBM can fulfill reporting requirements under these provisions with existing resources. Revenues are not directly affected.

Local Effect: None.

Program Description/Recent History: In the fiscal 2026 budget as passed by the General Assembly, federal funding accounts for $19.5 billion, or approximately 29% of the total budget. Federal grants are classified as block grants or categorical grants, and in many instances, federal funds must be matched by State funds in a prescribed ratio. Medicaid and highway construction are two activities that particularly rely on federal funds. Other programs, such as the Supplemental Nutrition Assistance Program and Special Supplemental Nutrition Program for Women, Infants, and Children, provide benefits that are entirely supported with federal funds. Maryland currently receives substantial federal fund participation under Medicaid through a matching rate of 50% for most costs to implement the program, with some groups receiving enhanced matching rates of 65% and 90%.

The federal Administration and a budget resolution passed by the U.S. Congress in March 2025 have called for or proposed substantial reductions in federal spending, including in areas of grants and programs receiving federal reimbursement. The largest potential impacts on the State budget include potential changes to the Medicaid reimbursement model, though other proposals could lead to significant lost federal revenue and/or increase State costs both due to changes in federal reimbursement and to the extent the State proposes to backfill in full or part lost federal revenue.

Location of Provisions in the Bill: Section 29 (p. 196)

Analysis prepared by: Anne W. Braun

Require Independent Audit of Prince George's County Board of Education

Provisions in the Bill: Require the Prince George's County Board of Education to use a competitive bidding process to procure, by August 1, 2025, an independent certified public accounting firm to conduct a performance (and/or financial) audit of all board revenues and expenditures from fiscal 2024 onward. Establish that a firm that provides services to the board may not bid on the procurement. Require, on award of the contract and before commencement of the audit, the firm to consult with the Joint Audit and Evaluation Committee (JAEC) and the Department of Legislative Services (DLS) Office of Legislative Audits (OLA) in the development of the audit's scope and objectives. Require the audit report to be submitted to JAEC, OLA, and the General Assembly by January 1, 2026.

Agency: DLS, OLA

Type of Action: Miscellaneous

State Effect: OLA can consult on the design and scope of the audit with existing resources.

Local Effect: Prince George's County Board of Education expenditures increase by an indeterminate, but potentially significant, amount to procure an independent certified public accounting firm to conduct the audit as specified. Exact costs depend on the results of the competitive bidding process; however, Prince George's County Public Schools (PGCPS) advises that procuring an audit of this size and scope likely costs at least $200,000.

Program Description: Generally, local boards of education implement the public education laws, regulations, and policies of the State Board of Education. Local boards of education and the local superintendents appointed by the local boards control educational matters and policymaking within the school districts and oversee the day-to-day operation of public schools.

Recent History: Chapter 792 of 2023 established the Office of Integrity and Compliance (OIC) within PGCPS. OIC is required to (1) assist the county council and the local school system by providing independent evaluation and recommendations regarding opportunities to preserve the local school system's reputation and improve the effectiveness, productivity, or efficiency of school system programs, policies, practices, and operations; (2) ensure public accountability by preventing, investigating, and reporting instances of fraud, waste, and abuse of school system property or funds; (3) examine, evaluate, and report on the adequacy and effectiveness of the systems of internal controls and their related accounting, financial, technology, and operational policies; and (4) report noncompliance with and propose ways to improve employee compliance with applicable law, policy, and ethical standards of conduct. Chapter 776 of 2024 specifies that OIC is an independent office within PGCPS and that the Integrity and Compliance Officer serves as an independent employee within PGCPS.

Location of Provisions in the Bill: Section 31 (p. 197)

Analysis prepared by: Michael E. Sousane

Delegate Authority to Conduct Nursing Home Surveys and Complaint Investigations in Montgomery County

Provisions in the Bill: Authorize Montgomery County to request, and accordingly require the Maryland Department of Health (MDH) to delegate, authority for the county to conduct nursing home surveys and complaint investigations if MDH failed to comply with specified survey requirements in fiscal 2023 and 2024. Require, within 90 days of a request, MDH to execute a memorandum of understanding (MOU) with Montgomery County that (1) delegates to the county the requirement to conduct surveys and complaint investigations, as specified; (2) commits the county to paying 50% of the costs for up to 60 months; and (3) is modeled after a specified MOU that MDH executed with the county on July 1, 2019. Require MDH to calculate the cost share for the county in a manner that may not exceed 50% of the costs for conducting surveys and complaint investigations in fiscal 2020, adjusted for inflation, as specified. Require MDH to ensure that the general fund savings of shifting 50% of the State costs to the county accrues to MDH for the immediately following fiscal year to comply with specified nursing home oversight requirements on a statewide basis.

Agency: MDH

Type of Action: Miscellaneous

State Effect: No impact in fiscal 2025. Assuming that Montgomery County requests and is granted delegated authority to conduct surveys and complaint investigations in fiscal 2026, MDH general fund expenditures increase by an indeterminate but significant amount annually in fiscal 2026 through 2030. Expenditures reflect, at a minimum, payment of 50% of the costs for conducting surveys and complaint investigations in Montgomery County. MDH advises that the total cost to conduct all surveys and investigations for the 34 nursing homes in the county is approximately $1.0 million annually. Additionally, MDH advises that the Office of Health Care Quality (OHCQ) would require additional State personnel to manage the MOU and maintain federal accountability. Delegating authority to Montgomery County allows OHCQ to redirect State personnel to conducting inspections and surveys in other jurisdictions and may allow filling of fewer vacant positions going forward, which may offset some State costs. Revenues are not affected.

Local Effect: To the extent Montgomery County is granted delegated authority to conduct surveys and complaint investigations, expenditures increase by an indeterminate but potentially significant amount beginning as early as fiscal 2026 to pay 50% of the costs for up to 60 months, as specified. Montgomery County estimates that additional staff are required to conduct nursing home surveys and complaint investigations in the county.

Program Description: To ensure compliance with specified federal and/or State requirements, OHCQ generally makes an unannounced site visit and conducts a full survey of each licensed nursing home at least once per year. After a nursing home complaint alleging actual harm, OHCQ must initiate an investigation within 10 business days. If MDH receives a complaint alleging immediate jeopardy to a resident, it must make every effort to investigate the complaint within 24 hours, and no later than 48 hours, after receiving the complaint.

Recent History: A previous MOU between MDH and the Montgomery County Department of Health and Human Services authorized Montgomery County to survey new and existing nursing home facilities in Montgomery County, conduct follow-up visits and complaint investigations, and participate in the informal dispute resolution process. MDH did not reinstate the previous MOU.

Location of Provisions in the Bill: Section 32 (pp. 197-198)

Analysis prepared by: Amberly E. Holcomb

Appendix B
Quantifiable Revenue and Expenditure Impacts on State Finances, by Provision and Fund Type
Fiscal 2025-2030
($ in Dollars)

Notes: Includes only impacts on general, special, and federal funds (impacts on nonbudgeted funds are not included). Impacts on pay-as-you-go general funds are included with other general fund impacts. Any impacts that could not be reliably quantified or for which timing could not be determined are not reflected. Affected agencies are discussed in Appendix A; however, when a listed impact affects multiple agencies, the agency is also identified.

Source: Department of Legislative Services

Acronym Key

A&A: Admissions and Amusement Tax
ACP: Alternative Compliance Payment
BHA: Behavioral Health Administration
BMFF: Blueprint for Maryland's Future Fund
CACBTF: Chesapeake and Atlantic Coastal Bays 2010 Trust Fund
CBAF: Cannabis Business Assistance Fund
CC: Community College
CCPF: Continuing the CORE Partnership Fund
CCPSP: Community College Scholarship Program
CEIF: Construction Education and Innovation Fund
CPHCWP: Career Pathways for Health Care Workers Program
CPHF: Cannabis Public Health Fund
CREF: Cannabis Regulation and Enforcement Fund
CRF: Cigarette Restitution Fund
CRRF: Community Reinvestment and Repair Fund
DNR: Department of Natural Resources
DPL: Division of Paid Leave
DPSCS: Department of Public Safety and Correctional Services
FB: Fund Balance
GF: General Fund
HE: Higher Education
HEIF: Higher Education Investment Fund
HRTCCCP: Historic Revitalization Tax Credit, Competitive Commercial Program
IFDGS: Individual-directed and Family-directed Goods and Services
IT: Information Technology
LARP: Loan Assistance Repayment Program
LITRA: Local Income Tax Reserve Account
MBON: Maryland Board of Nursing
MCA: Maryland Cannabis Administration
MCHPHIF: Maternal & Child Health Population Health Improvement Fund
MDA: Maryland Department of Agriculture
MDEM: Maryland Department of Emergency Management
MDH: Maryland Department of Health
MDOT: Maryland Department of Transportation
MEA: Maryland Energy Administration
MEMSOF: Maryland Emergency Medical System Operations Fund
MFEF: Maryland Forestry Education Fund
MHEC: Maryland Higher Education Commission
MIIITCRF: Maryland Innovation Investment Incentive Tax Credit Reserve Fund
MJMTCRF: More Jobs for Marylanders Tax Credit Reserve Fund
MLSPSF: Mortgage Loan Servicing Practices Settlement Fund
MPSCF: Maryland Patient Safety Center Fund
MPTSCF: Maryland Police Training and Standards Commission Fund
MSDE: Maryland State Department of Education
MTPSF: Maryland Trauma Physician Services Fund
MTROA: Maryland Thoroughbred Racetrack Operating Authority
MVIPPF: Maryland Violence Intervention and Prevention Program Fund
MWMP: Maryland Watermen's Microloan Program
ORF: Opioid Restitution Fund
PIT: Personal Income Tax
POPA: Police Officers and Parole Agents
POS: Program Open Space
PV: Property Valuation
RDF: Rainy Day Fund
RCDFF: Racing and Community Development Financing Fund
RMRLF: Resilient Maryland Revolving Loan Fund
RPS: Renewal Portfolio Standard
SARF: Securities Act Registration Fund
SDAT: State Department of Assessments and Taxation
SECT: Sediment and Erosion Control Training
SEIF: Strategic Energy Investment Fund
SMWOBA: Small, Minority, and Women-Owned Business Account
SPDAP: Senior Prescription Drug Assistance Program
STRVs: Short-term Rental Vehicles
SUT: Sales and Use Tax
SUTCRF: State Used Tire Cleanup and Recycling Fund
TC: Tax Credit
TEDCO: Maryland Technology Development Corporation
TTF: Transportation Trust Fund
UI: Unemployment Insurance
VEIP: Vehicle Emissions Inspection Program
VR: Vehicle Registration
WIF: Waterway Improvement Fund
WLEF: Waiting List Equity Fund
W&M: Weights and Measures
WWPF: Wetlands and Waterways Program Fund
YA/MSY: Young Adult Pathway/Maryland Service Year Pathway
ZEB: Zero-Emission Bus

GENERAL FUND REVENUES	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Mandate Relief						
Subtotal – Mandate Relief	***0***	***0***	***0***	***0***	***0***	***0***
Transfers, Fund Swaps, Cost Shifts/Control, Revenue/Other Actions						
Increase Fee – Securities Registration	104,170	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Reduce Adjustment – Revenue Volatility	0	205,109,000	63,815,000	0	0	0
Increase Tax Rate – Mobile Sports Wagering	0	31,811,287	32,422,537	32,908,875	33,402,508	33,903,546
Redirect SEIF Interest and Investment Earnings	35,000,000	30,000,000	20,000,000	15,000,000	15,000,000	15,000,000
Alter A&A Distribution – Electronic Bingo/Tip Jars	0	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Establish Fee – $5 for Purchase of Each New Tire	0	75,000	0	0	0	0
Accelerate Reduction – Film Production Activity TC	0	6,026,642	0	0	0	0
Reduce Cap – Student Loan Debt Relief Tax Credit	0	9,000,000	0	0	0	0
Alter MJMTCRF and Transfer Funds	4,300,000	6,000,000	9,312,000	12,359,175	14,569,524	16,099,799
Alter PIT – Rates, Deductions, and Child Tax Credit	0	344,445,000	262,500,000	271,861,000	282,344,000	293,250,000
Impose Surtax – Net Capital Gain	0	229,346,250	169,886,250	169,886,250	169,886,250	169,886,250
Alter SUT – Cannabis Rate/Distribution	0	39,119,000	45,116,000	47,451,000	48,483,000	49,054,000
Impose SUT – Data and IT Services	0	482,752,000	684,005,000	704,524,000	725,659,000	747,429,000
Repeal SUT Exemption – Vending Machine Snacks	0	9,118,856	9,318,485	9,565,818	9,819,716	10,080,352
Impose SUT – Precious Metal Coins and Bullion	0	2,500,000	2,525,191	2,590,846	2,658,208	2,727,322
Repeal SUT Exemption – Published Artistic Materials	0	18,700,000	19,173,747	19,748,960	20,341,429	20,951,672
Expand Use – CREF	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,750,000)	(2,750,000)
Authorize Unexpended Grants to Remain with Organizations	22,701,797	0	0	0	0	0
Require Local Cost Share – Erroneous Convictions	0	750,000	1,500,000	2,300,000	2,300,000	2,300,000
Swap Funding – Bus Rapid Transit Fund	0	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Transfer – from LITRA with Later Repayment	230,000,000	40,567,430	0	0	(27,056,743)	(27,056,743)
Transfer to DPL – from LITRA with Repayment	0	37,300,000	0	0	0	0
Redirect to GF – from Land Preservation Funding	0	25,000,000	25,000,000	25,000,000	25,000,000	0
Increase Transfer – from UI Reserve Fund	20,000,000	0	0	0	0	0
Transfer – from Dedicated Purpose Account	197,365,440	0	0	0	0	0
Transfer – from RPS/ACP Account of SEIF	230,000,000	0	0	0	0	0
Transfer – from MPTSCF	5,000,000	0	0	0	0	0
Transfer – from MIIITCRF	1,362,055	0	0	0	0	0
Transfer – from MLSPSF	5,000,000	0	0	0	0	0
Transfer – from MVIPPF	4,900,000	0	0	0	0	0
Transfer – from MCHPHIF	0	13,100,000	0	0	0	0
Transfer – from Land Records Improvement Fund	0	20,000,000	0	0	0	0

GENERAL FUND REVENUES	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Transfer – from SUTCRF	0	1,000,000	0	0	0	0
Transfer – from RCDFF (Interest Earnings)	0	3,000,000	0	0	0	0
Reduce Grant – 2023 Artscape Festival	326,456	0	0	0	0	0
Eliminate Funding – Fiscal 2024 Lansdowne Library	12,000,000	0	0	0	0	0
Subtotal – Other Actions	***765,559,918***	***1,565,970,465***	***1,355,824,210***	***1,324,445,924***	***1,333,406,892***	***1,344,625,198***
Total General Fund Revenues	**765,559,918**	**1,565,970,465**	**1,355,824,210**	**1,324,445,924**	**1,333,406,892**	**1,344,625,198**

GENERAL FUND EXPENDITURES	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Mandate Relief						
Reduce Mandate – Tree Planting on Agricultural Land	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Alter Mandate – Consumer Protection Division	0	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
Eliminate Mandate – MWMP	0	(500,000)	0	0	0	0
Alter Mandate – School Resource Officer Grant	0	(5,000,000)	(10,000,000)	(10,000,000)	0	0
Reduce State Share – Nonpublic Placement Costs	0	(25,000,000)	(49,884,952)	(50,882,651)	(51,900,304)	(52,938,309)
Reduce Mandate – CCPSP	0	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Reduce Mandate – POPA LARP	(3,375,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Reduce/Alter Mandate – POPA Scholarship	(3,375,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Eliminate Mandate – Value-based Purchasing Pilot Program	0	(600,000)	(600,000)	0	0	0
Eliminate Mandate – MPSCF	0	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Alter Mandate – CCPF	0	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)
Reduce Mandate – MD New Start Grant Program	(150,000)	(150,000)	(150,000)	(150,000)	0	0
Reduce Mandate – CEIF	0	(93,750)	(93,750)	(93,750)	(93,750)	0
Reduce Mandate – CPHCWP	(250,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Phase Out – Teacher Retirement Supplemental Grants	0	(13,829,330)	(27,658,661)	(27,658,661)	(27,658,661)	(27,658,661)
Eliminate Mandate – MFEF	0	(250,000)	0	0	0	0
Reduce Mandate – Warrants and Absconding Grants	0	(1,000,000)	0	0	0	0
Eliminate Set Aside – IT Expedited Projects	0	0	(68,239,444)	(48,864,128)	(61,673,803)	(44,405,138)
Reduce Mandate – HRTCCCP	0	(3,500,000)	(3,500,000)	(3,500,000)	0	0
Suspend RDF Appropriation/Eliminate Sweepers	0	(469,499,483)	(50,000,000)	(50,000,000)	0	0
Alter Share – Teacher/CC Retirement Payments (MSDE)	0	(92,937,289)	(92,937,290)	(92,937,290)	(92,937,290)	(92,937,290)
Alter Share – Teacher/CC Retirement Payments (MHEC)	0	(4,807,230)	(4,807,231)	(4,807,231)	(4,807,231)	(4,807,231)
Repeal – Pension Supplemental Contribution	0	(43,587,917)	(43,587,917)	(43,587,917)	(43,587,917)	(43,587,917)
Subtotal – Mandate Relief	***(9,150,000)***	***(722,104,999)***	***(412,809,245)***	***(393,831,628)***	***(344,008,956)***	***(327,684,546)***
Transfers, Fund Swaps, Cost Shifts/Control, Revenue/Other Actions						
Increase Fees – WWPF	0	(450,000)	(459,000)	(468,180)	(477,544)	(487,094)
Increase/Alter Fees – Surface Mining	0	(125,000)	(127,500)	(130,050)	(132,651)	(135,304)
Increase Tax Rate – Mobile Sports Wagering	0	0	(2,871,867)	0	0	0
Establish Fee – $5 for Purchase of Each New Tire	0	75,000	0	0	0	0
Alter PIT – Rates, Deductions, and Child Tax Credit	0	250,000	0	0	0	0
Impose Surtax – Net Capital Gain	0	75,000	0	0	0	0
Impose SUT – Data and IT Services	0	643,557	288,568	301,396	314,852	328,260
Repeal SUT Exemption – Vending Machine Snacks	0	0	(2,491,023)	(1,316,796)	(1,351,747)	(1,387,625)
Impose SUT – Precious Metal Coins and Bullion	0	0	(675,209)	(356,647)	(365,919)	(375,433)

GENERAL FUND EXPENDITURES	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Repeal SUT Exemption – Published Artistic Materials	0	0	(5,117,193)	(2,718,571)	(2,800,128)	(2,884,132)
Increase Assessment – Medicaid Deficit	(46,250,000)	(92,500,000)	(92,500,000)	(92,500,000)	(92,500,000)	(92,500,000)
Expand Use – CREF	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Expand Use – SDAT Expedited Service Fund	0	(10,000,000)	(10,000,000)	0	0	0
Expand Use – SARF	(1,690,000)	(1,690,000)	(1,690,000)	(1,690,000)	(1,690,000)	(1,690,000)
Expand Use – SMWOBA (Commerce)	0	(1,500,000)	(1,500,000)	(1,500,000)	0	0
Expand Use – SMWOBA (TEDCO)		(7,500,000)	(7,500,000)	(7,500,000)	0	0
Alter Allowable Uses – WLEF	(15,000,000)	0	0	0	0	0
Remove Prohibition – Capping IFDGS	0	(14,500,000)	(14,500,000)	(14,500,000)	(14,500,000)	(14,500,000)
Expand Use – SPDAP Fund	0	(3,118,182)	0	0	0	0
Expand Use – Community Services Trust Fund	0	(15,000,000)	0	0	0	0
Remove Prohibition – MBON Fund for Infrastructure Operations	(1,971,117)	0	0	0	0	0
Expand Use – CACBTF	(2,586,587)	(10,500,000)	(10,500,000)	(10,500,000)	(10,500,000)	(10,500,000)
Eliminate Requirement – 30% of CRF Appropriation to Medicaid	0	15,000,000	0	0	0	0
Expand Use – CRF, from Litigation for Medicaid (MDH)	0	(25,000,000)	0	0	0	0
Expand Use – CRF, from Litigation for Medicaid (HE)		0	25,000,000	0	0	0
Waive Requirement – ORF Monies Must Supplement (MDH)	(2,965,667)	(2,430,383)	0	0	0	0
Waive Requirement – ORF Monies Must Supplement (DPSCS)	(5,000,000)	(5,000,000)	0	0	0	0
Expand Use – SEIF	(6,565,333)	(6,069,452)	(6,069,452)	(6,069,452)	(6,069,452)	(6,069,452)
Expand Use – Performance Incentive Grant Fund	0	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Reduce Participation Targets/Mandate – YA/MSY	0	(6,800,000)	0	0	0	0
Expand Use – MEMSOF	(5,500,000)	(5,500,000)	0	0	0	0
Increase Share – Local Reimbursement for PV	0	(21,231,952)	(21,656,591)	(22,089,723)	(22,531,517)	(22,982,148)
Eliminate Required Funding – 9-8-8 Trust Fund	(3,000,000)	0	0	0	0	0
Transfer – from Certain Boards to BHA	0	(6,933,700)	0	0	0	0
Transfer – from RMRLF to BMFF	0	0	(9,000,000)	0	0	0
Subtotal – Other Actions	***(95,528,704)***	***(225,805,112)***	***(167,369,267)***	***(167,038,023)***	***(158,604,106)***	***(159,182,928)***
Total General Fund Expenditures	**(104,678,704)**	**(947,910,111)**	**(580,178,512)**	**(560,869,651)**	**(502,613,062)**	**(486,867,474)**

SPECIAL FUND REVENUES	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Mandate Relief						
Alter Mandate – School Resource Officer Grant	0	(5,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
Eliminate Mandate – MPSCF	0	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Eliminate Mandate – MFEF	0	(250,000)	0	0	0	0
Reduce Mandate – HRTCCCP	0	(3,500,000)	(3,500,000)	(3,500,000)	0	0
Suspend RDF Appropriation/Eliminate Sweepers	0	(469,499,483)	(50,000,000)	(50,000,000)	0	0
Subtotal – Mandate Relief	***0***	***(479,249,483)***	***(64,500,000)***	***(64,500,000)***	***(11,000,000)***	***(11,000,000)***
Transfers, Fund Swaps, Cost Shifts/Control, Revenue/Other Actions						
Increase Fees – Related to Nurseries	0	113,672	113,672	113,672	113,672	113,672
Alter Fees and Process – W&M Registration	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Increase Fee – Securities Registration	208,330	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Authorize Responsible Person Fee – SECT	0	375,000	375,000	375,000	375,000	375,000
Increase Fees – WWPF	33,638	524,332	540,356	555,228	566,704	578,899
Increase Fees – Rental Property Lead Registration/Certification	0	1,194,535	1,194,535	1,194,535	1,194,535	1,194,535
Increase Fees – Voluntary Cleanup Program	12,000	400,000	408,000	416,160	424,483	432,973
Increase Fee – Tire Recycling	0	243,910	975,640	975,640	1,158,573	1,219,550
Increase/Alter Fees – Surface Mining	26,989	323,868	323,868	362,682	362,682	401,495
Establish Fee – Administration of UI	0	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000
Reduce Adjustment – Revenue Volatility	0	(205,109,000)	(63,815,000)	0	0	0
Increase Tax Rate – Mobile Sports Wagering	2,871,867	0	0	0	0	0
Redirect SEIF Interest and Investment Earnings	(35,000,000)	(30,000,000)	(20,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
Alter A&A Distribution – Electronic Bingo/Tip Jars	0	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Accelerate Fee Increases – Annual VR	0	52,328,975	0	0	0	0
Alter Fees – Rental Car Registration	0	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Establish Fee – $5 for Purchase of Each New Tire	0	10,087,921	24,391,009	24,391,009	24,391,009	24,391,009
Increase Fee/Index to Inflation – VEIP	0	30,457,143	30,800,000	31,257,143	31,600,000	32,100,000
Accelerate Reduction – Film Production Activity TC (TTF)	0	1,493,359	0	0	0	0
Accelerate Reduction – Film Production Activity TC (HEIF)	0	480,000	0	0	0	0
Increase Tax Rate – Vehicle Excise Tax to 6.5% (MDOT)	0	91,491,000	94,236,000	96,120,000	98,043,000	100,004,000
Increase Tax Rate – Vehicle Excise Tax to 6.5% (DNR)	0	128,000	132,000	135,000	137,000	140,000
Repeal Exemption/Impose 3.5% Excise Tax – STRVs	0	46,057,000	47,438,000	48,387,000	49,355,000	50,342,000
Double Fees – Certificate of Title	0	103,485,000	103,485,000	103,485,000	103,485,000	103,485,000
Limit Historic Motor Vehicle Registration (TTF)	0	3,729,623	3,729,623	3,729,623	3,729,623	3,729,623
Limit Historic Motor Vehicle Registration (MEMSOF)	0	1,539,090	1,539,090	1,539,090	1,539,090	1,539,090
Limit Historic Motor Vehicle Registration (MTPSF)	0	408,330	408,330	408,330	408,330	408,330

SPECIAL FUND REVENUES	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Limit Historic Motor Vehicle Registration (Shock Trauma)	0	565,380	565,380	565,380	565,380	565,380
Impose Surtax – Net Capital Gain	0	137,607,750	101,931,750	101,931,750	101,931,750	101,931,750
Repeal SUT Exemption – Vending Machine Snacks	0	1,208,274	1,282,749	1,316,796	1,351,747	1,387,625
Impose SUT – Precious Metal Coins and Bullion	0	327,600	347,609	356,647	365,919	375,433
Repeal SUT Exemption – Published Artistic Materials	0	2,477,803	2,639,390	2,718,571	2,800,128	2,884,132
Increase Assessment – Medicaid Deficit	50,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Expand Use – CREF (MCA – CREF)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Expand Use – CREF (Comptroller – CRRF)	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)
Expand Use – CREF (MDH – CPHF)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Expand Use – CREF (Commerce – CBAF)	(250,000)	(250,000)	(250,000)	(250,000)	0	0
Reduce Participation Targets/Mandate – YA/MSY	0	(6,800,000)	0	0	0	0
Redirect to GF – from Land Preservation Funding (DNR)	0	(9,979,342)	(11,672,193)	(13,005,392)	(13,223,794)	0
Redirect to GF – from Land Preservation Funding (MDA)	0	(15,020,658)	(13,327,807)	(11,994,608)	(11,776,206)	0
Increase Share – Local Reimbursement for PV	0	21,231,952	21,656,591	22,089,723	22,531,517	22,982,148
Eliminate Required Funding – 9-8-8 Trust Fund	(3,000,000)	0	0	0	0	0
Transfer – from RMRLF to BMFF (MSDE)	9,000,000	0	0	0	0	0
Transfer – from RMRLF to BMFF (MDEM)	(9,000,000)	0	0	0	0	0
Specify Procedures – Horse Establishment License Renewal	0	10,000	7,500	5,000	5,000	5,000
Establish Medicaid Primary Care Program Fund	0	16,000,000	14,000,000	0	0	0
Reduce Grants – Prior-year Baltimore City Direct Grant Projects	1,596,400	0	0	0	0	0
Subtotal – Other Actions	***19,499,224***	***399,130,517***	***485,456,092***	***544,178,979***	***548,435,142***	***577,586,644***
Total Special Fund Revenues	**19,499,224**	**(80,118,966)**	**420,956,092**	**479,678,979**	**537,435,142**	**566,586,644**

SPECIAL FUND EXPENDITURES	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Mandate Relief						
Alter Mandate – Consumer Protection Division	0	350,000	350,000	350,000	350,000	350,000
Alter Mandate – School Resource Officer Grant	0	0	0	0	(10,000,000)	(10,000,000)
Eliminate Mandate – MPSCF	0	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Eliminate Mandate – MFEF	0	(250,000)	0	0	0	0
Reduce Mandate – HRTCCCP	0	(3,500,000)	(3,500,000)	(3,500,000)	0	0
Repeal – Pension Supplemental Contribution	0	(3,541,420)	(3,541,420)	(3,541,420)	(3,541,420)	(3,541,420)
Subtotal – Mandate Relief	*0*	*(7,941,420)*	*(7,691,420)*	*(7,691,420)*	*(14,191,420)*	*(14,191,420)*
Transfers, Fund Swaps, Cost Shifts/Control, Revenue/Other Actions						
Authorize Responsible Person Fee – SECT	0	375,000	375,000	375,000	375,000	375,000
Increase Fees – WWPF	0	450,000	459,000	468,180	477,544	487,094
Increase Fees – Rental Property Lead Registration/Certification	0	1,500,000	1,194,535	1,194,535	1,194,535	1,194,535
Increase Fees – Voluntary Cleanup Program	0	160,000	163,200	166,464	169,793	173,189
Increase Fee – Tire Recycling	0	1,200,000	975,640	975,640	1,158,573	1,219,550
Increase/Alter Fees – Surface Mining	0	650,000	323,868	362,682	362,682	401,495
Establish Fee – Administration of UI	0	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000
Reduce Revenue Volatility Adjustment	0	0	0	(102,554,500)	(31,907,500)	0
Increase Tax Rate – Mobile Sports Wagering	0	0	2,871,867	0	0	0
Accelerate Fee Increases – Annual VR	0	1,098,908	0	0	0	0
Accelerate Reduction – Film Production Activity TC	0	298,672	0	0	0	0
Repeal SUT Exemption – Vending Machine Snacks	0	0	2,491,023	1,316,796	1,351,747	1,387,625
Impose SUT – Precious Metal Coins and Bullion	0	0	675,209	356,647	365,919	375,433
Repeal SUT Exemption – Published Artistic Materials	0	0	5,117,193	2,718,571	2,800,128	2,884,132
Increase Assessment – Medicaid Deficit	50,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Expand Use – CREF (MCA – CREF)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Expand Use – CREF (Comptroller – CRRF)	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)	(1,750,000)
Expand Use – SDAT Expedited Service Fund	0	10,000,000	10,000,000	0	0	0
Expand Use – SARF	1,690,000	1,690,000	1,690,000	1,690,000	1,690,000	1,690,000
Expand Use – SMWOBA (Commerce)	0	1,500,000	1,500,000	1,500,000	0	0
Expand Use – SMWOBA (TEDCO)	0	7,500,000	7,500,000	7,500,000	0	0
Alter Allowable Uses – WLEF	15,000,000	0	0	0	0	0
Expand Use – SPDAP Fund	0	3,118,182	0	0	0	0
Expand Use – Community Services Trust Fund	0	15,000,000	0	0	0	0
Remove Prohibition – MBON Fund for Infrastructure Operations	1,971,117	0	0	0	0	0
Expand Use – CACBTF	2,586,587	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000

SPECIAL FUND EXPENDITURES	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Increase Allowed Use – WIF for Marine Operations	0	100,000	100,000	100,000	100,000	100,000
Expand Use – CRF, from Litigation for Medicaid (MDH)	0	25,000,000	0	0	0	0
Expand Use – CRF, from Litigation for Medicaid (HE)	0	0	(25,000,000)	0	0	0
Expand Use – MLSPSF	0	1,400,000	0	0	0	0
Waive Requirement – ORF Monies Must Supplement (MDH)	2,965,667	2,430,383	0	0	0	0
Waive Requirement – ORF Monies Must Supplement (DPSCS)	5,000,000	5,000,000	0	0	0	0
Swap Funding – Bus Rapid Transit Fund	0	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Expand Use – SEIF	6,565,333	6,069,452	6,069,452	6,069,452	6,069,452	6,069,452
Expand Use – ACP Revenues (MEA)	0	50,000,000	0	0	0	0
Expand Use – ACP Revenues (MDOT)	0	50,000,000	0	0	0	0
Expand Use – Performance Incentive Grant Fund	0	1,000,000	0	0	0	0
Reduce Participation Targets/Mandate – YA/MSY	0	(5,264,475)	0	0	0	0
Transfer to DPL – from LITRA with Repayment	0	0	0	0	37,300,000	0
Redirect to GF – from Land Preservation Funding (DNR)	0	(9,979,342)	(11,672,193)	(13,005,392)	(13,223,794)	0
Redirect to GF – from Land Preservation Funding (MDA)	0	(15,020,658)	(13,327,807)	(11,994,608)	(11,776,206)	0
Expand Use – MEMSOF	5,500,000	5,500,000	0	0	0	0
Increase Share – Local Reimbursement for PV	0	21,231,952	21,656,591	22,089,723	22,531,517	22,982,148
Authorize Use – POS State Land Acquisition FB	0	16,400,000	0	0	0	0
Transfer – from Certain Boards to BHA	0	6,933,699	0	0	0	0
Transfer – from RMRLF to BMFF	0	0	9,000,000	0	0	0
Terminate – MTROA	0	(3,463,204)	0	0	0	0
Establish Medicaid Primary Care Program Fund	0	16,000,000	14,000,000	0	0	0
Delay ZEB Requirement/Authorize Use of Bonds	0	0	(28,000,000)	(28,000,000)	(28,000,000)	(28,000,000)
Subtotal – Other Actions	***94,528,704***	***374,628,569***	***164,912,578***	***48,079,190***	***147,789,390***	***168,089,653***
Total Special Fund Expenditures	**94,528,704**	**366,687,149**	**157,221,158**	**40,387,770**	**133,597,970**	**153,898,233**

FEDERAL FUND REVENUES	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Remove Prohibition – Capping IFDGS	0	(14,500,000)	(14,500,000)	(14,500,000)	(14,500,000)	(14,500,000)
Establish Medicaid Primary Care Program Fund	0	16,000,000	14,000,000	0	0	0
Total Federal Fund Revenues	**0**	**1,500,000**	**(500,000)**	**(14,500,000)**	**(14,500,000)**	**(14,500,000)**
FEDERAL FUND EXPENDITURES						
Repeal – Pension Supplemental Contribution	0	(1,866,457)	(1,866,457)	(1,866,457)	(1,866,457)	(1,866,457)
Remove Prohibition – Capping IFDGS	0	(14,500,000)	(14,500,000)	(14,500,000)	(14,500,000)	(14,500,000)
Establish Medicaid Primary Care Program Fund	0	16,000,000	14,000,000	0	0	0
Total Federal Fund Expenditures	**0**	**(366,457)**	**(2,366,457)**	**(16,366,457)**	**(16,366,457)**	**(16,366,457)**

Appendix C
Impact on Funding Provided to or on Behalf of Local Jurisdictions of Selected Provisions of the Budget Reconciliation and Financing Act of 2025
Fiscal 2026

County	Nonpublic Placement Costs	Teacher and Community College Retirement System Payments[1]	Teacher Retirement Supplemental Grants	State Share of SDAT Valuation Costs	Total Impact
Allegany	($2,315,506)	($754,195)	($816,053)	($359,963)	($4,245,717)
Anne Arundel	(1,666,525)	(9,738,875)	0	(2,010,742)	($13,416,142
Baltimore City	(4,828,425)	(8,802,114)	(5,023,798)	(2,080,550)	($20,734,887
Baltimore	(161,998)	(10,352,112)	(1,500,000)	(2,711,968)	($14,726,078
Calvert	(12,112)	(1,647,480)	0	(376,580)	($2,036,172)
Caroline	(605,599)	(561,645)	(342,554)	(139,437)	($1,649,235)
Carroll	(127,097)	(2,624,055)	0	(611,399)	($3,362,551)
Cecil	(238,875)	(1,327,122)	0	(438,600)	($2,004,597)
Charles	(46,799)	(2,786,366)	0	(620,010)	($3,453,175)
Dorchester	(775,771)	(590,506)	(154,457)	(190,050)	($1,710,784)
Frederick	(3,701)	(5,925,608)	0	(920,957)	($6,850,266)
Garrett	(1,007,986)	(269,208)	(203,200)	(267,650)	($1,748,044)
Harford	(1,564,464)	(3,685,077)	0	(932,791)	($6,182,332)
Howard	(21,600)	(6,830,167)	0	(1,028,816)	($7,880,583)
Kent	(3,573,395)	(165,489)	0	(112,232)	($3,851,116)
Montgomery	(3,863,646)	(20,861,475)	0	(3,120,562)	($27,845,683
Prince George's	(67,289)	(13,000,062)	(4,814,351)	(2,750,473)	($20,632,175
Queen Anne's	(218,688)	(691,279)	0	(234,602)	($1,144,569)
St. Mary's	(9,000)	(1,562,014)	0	(441,155)	($2,012,169)
Somerset	(84,111)	(314,066)	(191,000)	(158,176)	($747,353)
Talbot	(260,744)	(452,957)	0	(182,425)	($896,126)
Washington	(4,206)	(2,397,889)	0	(552,868)	($2,954,963)
Wicomico	(1,800)	(1,704,888)	(783,919)	(413,689)	($2,904,296)
Worcester	(3,270,667)	(699,872)	0	(576,260)	($4,546,799)
Unallocated/ Statewide	(3,270,667)	0	0	0	0
Total	**($25,000,000)**	**($97,744,521)**	**($13,829,332**	**($21,231,952)**	**($157,535,80**

[1] Although counties must pay $97,744,521 each year, the amount of the contingent reductions in the budget bill total to a negligibly lower amount of $97,744,519.

Notes: The total impact reflects amounts no longer paid by the State; accordingly, equivalent costs are incurred by local jurisdictions in fiscal 2026 due to the four selected provisions. However, not shown above, revenues to local governments increase from additional local income tax revenues beginning in fiscal 2026 due to altering deductions and authorizing counties to increase the maximum income tax rate a county may impose on Maryland taxable income from 3.2% to 3.3%. Numbers may not sum to total due to rounding.

SDAT: State Department of Assessments and Taxation

Source: Department of Legislative Services

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Budget Reconciliation and Financing Act of 2025

BILL NUMBER: HB0352

PREPARED BY:

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

_____ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

__**X**__ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The Department of Budget and Management has reviewed the provisions of HB 352, The Budget Reconciliation and Financing Act of 2025, and believes that some provisions of the legislation will result in an impact on small businesses. The department would highlight the following provisions:

- Various fee and penalty provisions applied to programs administered by the Departments of Agriculture and Environment could increase costs to small businesses.
- Small businesses that "pass through" business income to their personal income tax will be impacted by the changes to the personal income tax. There are no specific changes related to business income, though. Thus, any impact for a business taxpayer is the same as any other taxpayer (individual or business) with similar income and living circumstances.
- Small businesses that pay corporate income tax will see a reduction in their tax bills compared to the current law beginning in fiscal year 2028. The reduction will increase in fiscal year 2029.

- Reducing the mandate for Maryland Watermen's Microloan program one year earlier than under current law will result in fewer loans being made in fiscal 2026 and could result in the liquidation of the program sooner than under current law.
- The freeze in enrollment to the Enterprise Zone credit means that all businesses would no longer be able to apply and be awarded tax credits for projects in fiscal year 2026 and future fiscal years.