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**STATE RESERVE FUND  
FY 2020 Budget Hearing**

**Testimony of  
David R. Brinkley, Secretary  
Department of Budget and Management**

**House Appropriations Committee  
March 1, 2019**

**Senate Budget and Taxation Committee  
March 5, 2019**

The Department of Budget and Management (DBM) appreciates this opportunity to respond to the Department of Legislative Services' (DLS) analysis of the State Reserve Fund budget.

As noted in the analysis, under the Governor's budget plan the Rainy Day Fund is expected to close FY 2020 with a balance equal to 6.5 percent of revenues, exceeding 5% for the first time in thirteen years. The Administration urges the budget committees not to consider reducing funding below this level, as it serves as a hedge against future economic downturns. Similarly, the Administration urges the committees not to consider further modifications to the revenue volatility cap which, as noted in the analysis, helps minimize the impact of recessions and avoids basing ongoing spending commitments on unsustainable revenue. Neither of these options should be used to address revenue gaps in the short-term.

DBM's responses to the recommendations raised in the analysis are provided below.

**DLS RECOMMENDATIONS:**

- 1. Reduce the grant to the Maryland Department of Transportation (MDOT) for the Washington Metropolitan Area Transit Authority contribution by \$15 million.**

**DBM Response:** DBM opposes this recommendation and respectfully requests the committees reject it.

As MDOT noted in budget hearing testimony, total funding budgeted for WMATA's capital program is \$350.1 million, including \$225.1 million in funding from the Transportation Trust Fund and \$125.0 million from the State's General Fund. Required funding for WMATA's capital program includes WMATA's capital request of \$309.0 million and \$31.1 million in debt service payments for prior authorized debt.

Since the time that MDOT first submitted its budget request, WMATA has continued to refine its budget numbers. Although the capital request decreased by \$10.0 million, there remains a significant funding gap on the operating side. DBM supports MDOT's request that the funding from the State's General Fund remain at \$125.0 million to help offset the up to \$63.1 million in additional Transportation Trust Fund funds needed in fiscal year 2020 for WMATA's operating expenses.

**2. Reduce the Appropriation to the Catastrophic Event Account by \$6 million.**

**DBM Response:** DBM opposes this recommendation and respectfully requests the committees fund the Catastrophic Event Account at \$10 million, consistent with the Governor's budget plan.

DBM believes \$10 million is an appropriate funding level for the Account and would note that the \$10 million deficiency approved in FY 2016 was recognized at the time as a sufficient balance to support typical events. Since that decision, the Account has been tapped to provide assistance in urgent situations in each of the past four years—three times for \$2.5 million. In fact, the Account has been used to address emergencies in six of the past seven fiscal years. Having these funds available has proved vital in addressing emergency and unforeseen events, such as Ellicott City Flood Relief, Baltimore City school HVAC repairs, and snowstorm costs.

**3. Adopt Annual Narrative Requiring a Report on Repayment of the Catastrophic Event Account and the Small, Minority, and Women-Owned Business Account**

**DBM Response:** DBM concurs with the annual reporting requirement.