



Maryland

**DEPARTMENT OF BUDGET
AND MANAGEMENT**

WES MOORE
Governor

ARUNA MILLER
Lieutenant Governor

HELENE GRADY
Secretary

MARC L. NICOLE
Deputy Secretary

**PAYMENTS TO CIVIL DIVISIONS
FY 2025 Budget Hearing**

**Testimony of
Helene Grady, Secretary
Department of Budget and Management**

**Senate Budget & Taxation Committee
February 20, 2024**

**House Appropriations Committee
February 23, 2024**

The Administration appreciates the thorough analysis put forward by the Department of Legislative Services (DLS).

We are available to answer any questions.

DLS Recommendations and DBM Responses

(1) The Department of Budget and Management (DBM) should comment on how it will address the challenges associated with calculating the formula beginning in fiscal 2026 and work with the Office of the Comptroller to obtain the data needed. The Department of Legislative Services (DLS) recommends adopting committee narrative requesting a report from DBM and the Office of the Comptroller on the impact of the adoption of new income tax bracket rates by jurisdictions on the disparity grant calculation and a plan for how DBM will calculate the disparity grant amounts, starting with the fiscal 2026 allowance.

DBM acknowledges the challenges that the adoption of graduated income taxes at the local level could create for the calculation of the Disparity formula but does not expect any problems for fiscal 2026 given the current county income tax rate structures. DBM concurs with working with the Office of the Comptroller on the requested report but notes that certain components of the formula's statute - such as the limit on grant amounts based on county income tax rates - may require a statutory fix rather than an administrative one.