WES MOORE
Governor

ARUNA MILLER
Lieutenant Governor

HELENE GRADY
Secretary

MARC L. NICOLE
Deputy Secretary

Maryland
DEPARTMENT OF BUDGET AND MANAGEMENT

STATE RESERVE FUND
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).

As noted in the analysis, in light of current economic uncertainty, the Moore Administration has budgeted to maintain the Rainy Day Fund at $2.3 billion in FY 2025 (9.4% of General Fund revenue). The Administration and the Department of Budget and Management (DBM) look forward to working together with the General Assembly to ensure Maryland remains on a fiscally responsible, sustainable path forward that best serves Marylanders now and in the future. DBM's responses to the DLS recommendations in the analysis are below.

We are available to answer any questions.

DLS Recommendations and DBM Responses

(1) Page 3: The Department of Legislative Services (DLS) recommends reducing the deficiency appropriation by $9.4 million to reflect recent federal budget actions and maintain the CEA balance at $10 million.

DBM respectfully disagrees with the DLS recommendation.

In October 2023, the Administration processed amendment 015-24, transferring $635,481 from the Catastrophic Event Account (CEA) to the Department of Labor to prepare to administer the Government Shutdown Employee Assistance Loan Fund, created by the Federal Shutdown Paycheck Protection Act of 2019. The Fund provides no-interest loans to civilian employees of the federal government who are

(1) required to report to work at a work site located in the State and (2) not being paid because of a full or partial federal government shutdown due to a lapse in appropriations. The remaining balance in the CEA, totaling $9.4 million, is designated for transfer to the Department of Labor when a federal shutdown does occur, which may be as early as March 2024.

The Administration's budget includes a $10 million deficiency to recapitalize the CEA following a potential transfer to the Government Shutdown Employee Assistance Loan Fund, ensuring that the State is prepared to respond to natural disasters or other emergencies. The proposed reduction would greatly diminish the State's ability to respond to such emergencies.

(2) Page 3: DLS recommends reducing the Rainy Day Fund appropriation by $495 million, reducing the DPA appropriation by $50 million, and deleting language making these reductions contingent on legislation.

DBM concurs.

(3) Page 8: DLS recommends adding language to the budget making this appropriation contingent on the enactment of legislation authorizing the transfer of funds from the SEIF. DLS also recommends adding a provision to the BRFA that would restrict funds from being transferred from the Energy Assistance account and direct more of the transfer from the Administration account balance.

DBM concurs.

(4) Page 12: DLS recommends a BRFA amendment transferring the unspent assisted living ($7.3 million), nursing home ($0.1 million), and hospital funds ($0.1 million) to the General Fund as the dollars were originally appropriated as one-time COVID assistance of which $82.4 million was spent in fiscal 2023; and transferring unspent Learning in Extended Academic Programs funds ($4.5 million) to the General Fund as the program has ended.

DBM should brief the budget committees on options for the usage of the other remaining funds, including an anticipated schedule for the transfer of funds, whether they will be re-transferred to the respective agencies to be used for their originally designated purpose, or if they could be transferred to the General Fund.

DBM concurs but notes that the $4.5 million for Learning in Extended Academic Programs may have been accounted for incorrectly by the Maryland State Department of Education and therefore may not be available for reversion. DBM is following up with MSDE on this matter and will keep DLS apprised of its findings.

Regarding the remaining funding listed as reverted in the analysis:
- Strategic Plan for Shady Grove ($3.69 million) – This funding was not reverted to the Dedicated Purpose Account (DPA) at the end of FY 2023 and is being used by the University System of Maryland for its initial purpose.
- State Police Gun Center ($1.37 million) – The agency still intends to utilize these funds for their initial purpose. The reversion was due to procurement delays in FY 2023. An amendment to transfer the funding back to the Maryland State Police will be processed before the end of FY 2024.

- Alzheimer's Services and Research ($1.12 million) – The agency still intends to utilize these funds for their initial purpose. An amendment to transfer the funding back to the Maryland Department of Health will be processed in FY 2024 or FY 2025.
- Maryland New Start Act ($0.18 million) – This funding was incorrectly reverted directly to the General Fund at the end of FY 2023 by the agency.
- Grants to Police Departments to Coordinate Task Forces that Cross Jurisdictional Boundaries ($0.1 million) – The agency still intends to utilize these funds for their initial purpose, and an amendment to transfer the funding back to the Governor's Office of Crime Prevention and Policy will be processed before the end of FY 2024.
- Center for Neuroscience of Social Injustice at Kennedy Krieger Institute ($0.1 million) – This funding is available for reversion to the General Fund, and DBM intends to propose an amendment to the Budget and Reconciliation and Financing Act of 2024 to authorize this reversion.
- Greater Baltimore Regional Integrated Crisis System ($0.05 million) – This funding is available for reversion to the General Fund, and DBM intends to propose an amendment to the Budget and Reconciliation and Financing Act of 2024 to authorize this reversion.

Finally, DBM intends to propose an amendment to strike the transfer of $355,760 from the DPA to the General Fund, which was included in error.