

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 564

(Senators Hester and Salling)

Budget and Taxation

Catastrophic Event Account - Transfer of Funds - State Disaster Recovery Fund

This bill authorizes funds appropriated to the Catastrophic Event Account, which is administered by the Department of Budget and Management (DBM), to be transferred to the State Disaster Recovery Fund within the Maryland Department of Emergency Management (MDEM) if (1) the balance of the fund has been depleted due to use or transfer or (2) the estimated costs for providing adequate disaster relief for a natural disaster or catastrophic situation are in excess of the fund's balance. The bill (1) makes conforming changes to reflect these potential fund transfers and (2) reduces, from 15 days to 5 days, the length of the Legislative Policy Committee's (LPC) review and comment period before the Governor may transfer funds from the Catastrophic Event Account by budget amendment. **This bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Special fund expenditures for the Catastrophic Event Account increase and special fund revenues for the State Disaster Recovery Fund increase correspondingly should a fund transfer occur. If funds are transferred, revenues to the Revenue Stabilization Account (Rainy Day Fund) may decrease minimally. Units of State government that receive funding from the Catastrophic Event Account (or from funds transferred from that account to the State Disaster Recovery Fund under the bill) may benefit from the shorter LPC review period.

Local Effect: The bill is not anticipated to significantly affect local government finances. Local jurisdictions that receive funding from the Catastrophic Event Account (or from funds transferred from that account to the State Disaster Recovery Fund under the bill) may benefit from the shorter LPC review period.

Small Business Effect: Minimal.

Analysis

Current Law:

Catastrophic Event Account

The Catastrophic Event Account, which is within the State Reserve Fund and administered by DBM, enables the State or a local government to respond quickly to a natural disaster or catastrophe that could not be addressed within existing State appropriations. It may also be used for federal employee financial hardship in the event of a full or partial federal government shutdown due to a lapse in federal appropriations.

Funds appropriated to the Catastrophic Event Account (1) may not be used to offset operating deficiencies in regular programs of State government but (2) as noted above, may be expended to assist a unit of State or local government in funding costs in connection with a natural disaster, a catastrophic situation, or a full or partial federal government shutdown due to a lapse in appropriations.

In the event of a natural disaster or catastrophe, prior to transferring funds by budget amendment to the appropriate unit of State or local government, the Governor must notify LPC of the proposed amendment and allow the committee to review and approve the proposed amendment. LPC has 15 days to review and comment. If the federal government is in a full or partial shutdown, after a 2-day review and comment period by LPC, the Governor may transfer funds by budget amendment from the account to the Federal Government Shutdown Employee Assistance Loan Fund.

The Catastrophic Event Account consists of direct appropriations in the budget bill. Investment earnings are credited to the Rainy Day Fund. The fiscal 2026 budget as introduced projects a closing fund balance of \$10.0 million for fiscal 2026, which has been maintained for several years.

State Disaster Recovery Fund

Chapter 549 of 2023 established the State Disaster Recovery Fund, administered by MDEM. Generally, the purpose of the fund is to provide disaster recovery assistance when disasters occur but a federal disaster declaration is not made. The fund is a special, nonlapsing fund and must be available in perpetuity for the purpose of providing disaster recovery assistance in accordance with the specified provisions. The fund may only be used if (1) the Governor has declared a state of emergency or (2) a local organization for emergency management requests assistance from the fund. However, a portion of the fund may be used to administer the fund, including providing disaster case management resources. As of February 2025, the current fund balance is \$1.5 million, and the

fiscal 2026 budget as introduced includes \$1.1 million for the fund (\$1.0 million in general funds and \$0.1 million in federal funds).

MDEM must submit an annual report to the Governor and the General Assembly by December 31 on the use of the fund for the previous fiscal year. The most recent annual report was [submitted](#) on December 17, 2024.

State Fiscal Effect: The bill authorizes the transfer of funds from the Catastrophic Event Account to the State Disaster Recovery Fund under specified circumstances, generally related to the occurrence of a natural disaster. As a result, any transfer of funds under the bill cannot be predicted.

To the extent any transfer occurs pursuant to the bill's authorization, there is no net effect on State finances. In such a circumstance, special fund expenditures from the Catastrophic Event Account increase as funds are transferred, and revenues to the State Disaster Recovery Fund increase correspondingly. Additional funds are then available in the State Disaster Recovery Fund; however, the bill does not necessitate or require additional spending from the State Disaster Recovery Fund.

Additionally, under current law, any interest generated by the Catastrophic Event Account is credited to the Rainy Day Fund. Accordingly, if a substantial amount of funding is transferred from the Catastrophic Event Account due to the bill, special fund revenues to the Rainy Day Fund decrease minimally.

Units of State government that receive funding from the Catastrophic Event Account (or from funds transferred from that account to the State Disaster Recovery Fund under the bill) may benefit from the shorter LPC review period.

DBM and MDEM can handle any administrative changes with existing resources.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 865 (Delegate D. Jones) - Appropriations.

Information Source(s): Maryland Association of Counties; Maryland Department of Emergency Management; Maryland Municipal League; Department of Budget and Management; Department of Legislative Services

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js/aad

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