

WES MOORE
Governor

ARUNA MILLER
Lieutenant Governor



HELENE GRADY
Acting Secretary

MARC L. NICOLE
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HOUSE BILL 202 / SENATE BILL 183

BUDGET RECONCILIATION AND FINANCING ACT OF 2023

**House Appropriations Committee
February 28, 2023**

**Senate Budget and Taxation Committee
March 1, 2023**

Testimony by

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

The Budget Reconciliation and Financing Act of 2023 (BRFA) supports key elements of the Administration's fiscal year 2024 budget plan and helps to maintain the Rainy Day Fund balance at the State's target of \$2.5 billion (10% of General Fund revenue) in fiscal year 2024.

The provisions of the legislation include:

Rainy Day Fund

The BRFA proposes to repeal the requirement that a portion of the fiscal year 2022 unappropriated surplus be appropriated into the Rainy Day Fund for fiscal year 2024. This provision, when combined with the fiscal year 2024 budget supports two of the Administration's key priorities for economic growth:

- A \$500 million contribution to the Blueprint for Maryland's future, and
- The creation of a \$500 million dedicated reserve to support strategic priority transportation projects across the state.

These actions maintain the Rainy Day Fund balance at the State's target of \$2.5 billion (10% of General Fund revenue) in fiscal year 2024.

Medicaid Deficit Assessment

The BRFA proposes a one-year reduction of \$50 million to the Medicaid Deficit Assessment as part of a multi-pronged short-term solution proposed by the Health Services Cost Review Commission (HSCRC) to mitigate the excess Medicare Total Cost of Care (TCOC) growth. The Administration views this as a temporary measure to provide the HSCRC additional time to develop a long-term solution to achieve the financial tests under the TCOC model.

Proposed Amendment

The Administration is offering an amendment (attached) to HB 202 / SB 183 as introduced to amend the provisions of Chapter 717 and 718, Laws of Maryland 2021. The amendment proposes to repeal a provision requiring the repayment of the Local Reserve Account over a fifteen-year period. Appropriations included in the fiscal year 2023 and 2024 budgets complete the repayment early.

Departmental Position

The Department of Budget and Management believes that the Budget Reconciliation and Financing Act of 2023 is necessary to support key provisions of the Administration's fiscal year 2024 budget plan.

DBM urges the Committees to vote for a favorable report on HB 202 / SB 183 with amendment.

AMENDMENTS TO HOUSE BILL 202
(First Reading File Bill)

AMENDMENT NO. 1

Chapters 717 and 718 of the Acts of 2021

SECTION 2. AND BE IT FURTHER ENACTED, That:

(a) For taxable years beginning after June 30, 2017, but before July 1, 2021, the State Department of Assessments and Taxation shall determine whether a homeowner is owed additional State homeowners' property tax credits as a result of the property tax credit under § 9–104 of the Tax – Property Article, as enacted by Section 1 of this Act, and if so, the amount of the refund owed.

(b) The State Department of Assessments and Taxation shall notify the homeowner and the county within which the homeowner's dwelling is located of the amount of the refund determined under subsection (a) of this section.

(c) [(1) Subject to paragraph (2) of this subsection, on] **ON** certification by the State Department of Assessments and Taxation, the Comptroller shall pay to an eligible homeowner the refund determined under subsection (a) of this section from the Local Reserve Account established under § 2–606 of the Tax – General Article.

[(2) For each of the fiscal years 2023 through 2037, the Governor shall include in the annual budget bill an appropriation to the Local Reserve Account in an amount equal to one–fifteenth of the total refunds paid in accordance with paragraph (1) of this subsection from the Local Reserve Account during fiscal year 2022.]

(d) Notwithstanding any other provision of law, for the taxable year beginning after June 30, 2021, but before July 1, 2022, a refund paid to a homeowner in accordance with this section may not be included in the calculation of the homeowner's gross income for purposes of eligibility for the property tax credit under § 9–104 of the Tax – Property Article.

