



Percy Public Affairs / City of Frostburg

Council Presentation: Mid-Session Report (Session 2025)

March 11, 2025

Overview:

I. Introduction

- a. Countdown – 4 Weeks
 - i. SINE DIE: **Monday, April 7th at Midnight**
- b. Number of Bills (including LBIs)
 - i. Senate – 1379
 - ii. House – 1898
 - iii. **Grand Total – 3,277**

II. Budget / Special Session Whispers (Fall Forecast)

- i. Supplemental Budget
- ii. Board of Revenues Write Down
- iii. Impacts on Local Government
- iv. Legislative Bond Initiative – Status
 1. Capital Budget Hearings – Miscellaneous Grants Program

III. Targeted Legislation

- i. George Edwards Fund
- ii. Unhoused Individuals
 1. HB1164 – March 11th Hearing
- iii. Sewage Sludge Utilization
- iv. Business to Business Service Tax Bill – March 12th
- v. Employment Standards – Firefighters – Payment of Wages and Payroll Information

FY26 Budget – Overview

A. Governor’s Supplemental Budget

On March 4th, Governor Wes Moore today released the administration’s **FY 2026 supplemental budget**. The supplemental budget includes key adjustments to the proposed FY 2026 budget, reflecting a number of technical corrections and updated projections.

Supplemental budget items include:

- **Nearly \$300 million in additional General Fund appropriation for the Developmental Disabilities Administration across FY 2025 and FY 2026.** The appropriation includes \$143 million in General Fund appropriation in FY 2025 and \$154 million in General Fund

appropriation in FY 2026, reflecting updated cost projections based on actual expenses through January 2025 and updated estimated savings associated with the administration's planned cost containment actions.

- **\$37 million to fund implementation of the Maryland Department of Labor's FAMI program.** Given the sweeping and unprecedented changes at the federal level and a high degree of uncertainty for Maryland employers, the department is seeking approval to extend the FAMI implementation timeline by 18 to 24 months, delaying the collection of new Special Fund revenue to fund implementation costs in FY 2026.
- **\$15 million to fund the Registers of Wills full operating costs** in FY 2026, pending legislature approval of the governor's proposed elimination of the Inheritance Tax.
- **\$9 million to manage an anticipated surge in unemployment insurance claims and to help expedite the State's hiring of former federal employees who have been impacted by Trump Administration personnel and budget action** over FY 2025 and FY 2026.
- **\$80 million in reductions to the initiatives in the Governor's Allowance funded by the Strategic Energy Investment Fund**, diverted to provide additional General Fund relief. The supplemental budget reflects an increase from \$90 million in FY 2025 to \$100 million in FY 2026 for initiatives to support the State's climate action plan as well as a 60% increase in funding for low-income energy assistance from the fund.
- **\$37 million in reductions to proposed statewide salary increases for non-union staff across the executive branch** in FY 2026. Wage increases for employees who are represented by collective bargaining remain intact.

B. Board of Revenue Estimates: 'A worst-case scenario has developed'

Maryland's current and future revenue projections are lower than anticipated amid federal workforce layoffs and federal funding uncertainty, according to the Bureau of Revenue Estimates.

During the March meeting, the BRE said the revenue forecast for fiscal years 2025 and 2026 are \$280 million less than expected.

For fiscal year 2025, the BRE reduced revenue projects by \$106.8 million, and \$173.2 million in revenue reductions for fiscal year 2026.

Robert Rehreman, executive secretary for BRE, said the cuts under the Trump Administration is tied to the reduced revenues, along with the economic uncertainty that comes with the decisions.

Robert Rehreman said, "Compared to what our expectations were in December, a worst-case scenario. These cuts are materializing quicker than we anticipated, and they're as bad or worse than what we feared in December."

Differences in Opinions...

House Minority Leader Jason Buckel said the problem shows the state's dependency on federal workforce. He also stated that the state has to get control of its spending.

House Minority Whip Jesse Pippy pointed to the billion-dollar business to business tax proposal scheduled in Annapolis this week, along with other tax increases that are being debated. In the House and Senate, the 2.5% business-to-business tax plan is backed by Del. David Moon, House Majority Leader and Sen. Hettleman.

On the flip side, Del. Ben Barnes, chair of the House Appropriations Committee, and Sen. Guy Guzzone, chair of the Senate Budget and Taxation Committee, placed the blame squarely at the feet of President Trump and his decision to cut federal jobs and pause funding.

As the budget conversations evolve in Annapolis, lawmakers have several options on the table. Both Barnes and Guzzone have expressed openly that there would likely need to be new revenue generated – **meaning taxes.**

Maryland Democrats are saying high income earners, businesses and corporations should and are going to pay their fair share in the state, Barnes added, touching on Gov. Wes Moore's tax plan to raise taxes on wealthy Marylanders, along with the business-to-business tax.

Guzzone said everything is on the table, and lawmakers will continue to look for cost savings within the budget.

C. Impacts on Local Governments

Compounding county worries is a newly proposed additional county cut - **another \$93 million in suggested "cost shifts"** where the State finds budget relief by simply invoicing counties for expenses that are not attributable to county-level decision-making.

As the running total of proposed cuts and shifts onto counties approaches a quarter billion dollars a year, the Annapolis fiscal crisis may trigger a similar budget collapse in every county seat.

Most counties have only the property tax to rely on for substantial added revenues, a worrisome added element in this drama.

Targeted Legislation

(1) SB861/ HB1459: Economic Development - Western Maryland Economic Future Investment Board and Senator George C. Edwards Fund – Alterations – **PASSED Senate B&T Committee/ Pending Senate Finance Committee for Final Approval**

- This bill alters the Western Maryland Economic Future Investment Program by:
 - (1) modifying the membership of the Western Maryland Economic Future Investment Board;
 - (2) altering the purpose and eligible uses of money in the Senator George C. Edwards Fund;
 - (3) altering project evaluation criteria; and (4) extending the requirement that the Governor include at least \$10.0 million in the annual operating or capital budget to the fund through fiscal 2031.

Under current law, the mandated appropriation applies from fiscal 2024 through 2026. The bill takes effect July 1, 2025.

- This bill has been jointly assigned to the Budget Committees, Senate Finance, and House Ways & Means.
 - On Friday, March 7th, the Senate B&T Committee unanimously approved the bill with an amendment. It's not left to the Senate Finance Committee to adopted the bill as amended before going to the full Chamber.

(2) HB487: Unhoused Individuals - Rights, Civil Action, and Affirmative Defense – No Action

- The bill prohibits certain governmental entities, officials, or agents from imposing specified penalties for exercising a right established under the bill or for offering aid to unhoused individuals on or about public places.
- The bill also authorizes the Attorney General or an individual harmed by a violation of the bill's provisions to bring a civil action against governmental entities, officials, or agents. Furthermore, the bill establishes an affirmative defense of necessity for certain criminal prosecutions relating to trespass or disturbing the peace.
- Finally, the bill repeals the authority of a municipality to prohibit vagrancy. The provisions of the bill must supersede any local law or ordinance comparable in subject matter except to the extent that the local law or ordinance provides broader applicability or more protections for unhoused individuals than the bill.

(3) HB1164: Counties and Municipalities - Homelessness - Local Laws (Right to Rest Act)

- Prohibiting a county or municipality from enacting or enforcing a local law that is designed to prevent an individual from resting or sleeping in a public space, protecting oneself from the elements in a manner that does not obstruct the use of or access to private property, or sleeping in a legally parked vehicle.
- Hearing is scheduled for March 11, House Judiciary Committee

(4) SB732/ HB909: Sewage Sludge Utilization Permits - Per- and Polyfluoroalkyl Substances - Concentration Limits – No Action

- This bill requires a sewage sludge utilization (SSU) permit issued or renewed by the Maryland Department of the Environment (MDE) for the land application of sewage sludge to agricultural land to limit the total concentration of perfluorooctane sulfonic acid (PFOS) and perfluorooctanoic acid (PFOA) to the lesser of:
 - (1) one microgram per kilogram ($\mu\text{g}/\text{kg}$);
 - (2) the level established in health-based standards adopted by the U.S. Environmental Protection Agency (EPA); or
 - (3) the level established in regulations adopted by MDE pursuant to the bill.

(5) SB1045/HB1554: Sales and Use Tax - Taxable Business Services - Alterations

- Altering the definitions of "taxable price" and "taxable service" for the purposes of certain provisions of law governing the sales and use tax to impose the tax on certain labors and services if both the provider of the service and the buyer are business entities; and specifying the rate of the sales and use tax for certain labor and services.
- Hearings are scheduled this coming Wednesday, March 12th