

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 690 (Senator McKay)
 Budget and Taxation

Property and Casualty Insurance - Distribution of Premium Tax Proceeds to State Disaster Recovery Fund

This bill requires that, beginning July 1, 2026, \$5.0 million from the premium receipts tax imposed on property and casualty insurers must annually be distributed to the State Disaster Recovery Fund (SDRF). **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund revenues decrease by \$5.0 million annually beginning in FY 2027; special fund revenues for SDRF increase correspondingly. Special fund expenditures for the Maryland Department of Emergency Management (MDEM) increase by \$90,000 in FY 2027 for additional staff to manage the fund; future years reflect annualization, inflation, and ongoing operating expenses. SDRF expenditures and/or revenues increase to the extent that there is an emergency that requires grants and/or loans from the fund; however, any such increase cannot be predicted and is not reflected below.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)
SF Revenue	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
SF Expenditure	\$90,000	\$106,000	\$110,900	\$116,000	\$121,000
Net Effect	(\$90,000)	(\$106,000)	(\$110,900)	(\$116,000)	(\$121,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Revenues and expenditures for local governments may be significantly affected to the extent that they receive any grants and/or loans through SDRF.

Small Business Effect: Potentially meaningful.

Analysis

Current Law: Title 6 of the Insurance Article imposes a 2% premium tax on each authorized insurance company and surplus lines broker that sells, or an individual who independently procures, any type of insurance coverage upon a risk that is located in the State. Revenues accrue to the general fund.

Chapter 549 of 2023 established SDRF. The fund must be administered by MDEM and, 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. 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.

State Revenues: Under current law, all premium tax revenues accrues to the general fund; however, the bill requires that \$5.0 million of the revenues derived from the imposition of the premium tax for property and casualty insurance policies in the State be distributed to SDRF. Accordingly, general fund revenues decrease by \$5.0 million annually beginning in fiscal 2027 while special fund revenues increase correspondingly.

State Expenditures: Special fund expenditures increase by \$90,008 in fiscal 2027, which assumes a 90-day start-up delay from the bill's July 1, 2026 effective date. This estimate reflects the cost of hiring one administrator to assist with management of SDRF and oversight of any new loans and grants. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$80,867
Operating Expenses	<u>9,141</u>
Total FY 2027 State Expenditures	\$90,008

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

This estimate does not account for any grants or loans that may be issued using the additional funds authorized by the bill as they are dependent upon the timing and severity of any future natural disasters, which are inherently unpredictable. To the extent that a natural disaster takes place, SDRF operations and finances are likely significantly affected

as grants and loans are issued, loan repayments are received, and additional staff are hired to help manage and oversee SDRF operations and finances.

Local Fiscal Effect: Local governments may be able to access additional recovery funds from SDRF under the bill to meet disaster needs, increasing local revenues and expenditures accordingly. However, any such impact is dependent upon the timing and severity of any future natural disasters, which are inherently unpredictable.

Small Business Effect: Similar to the effect discussed above for local governments, small businesses may be able to access additional recovery funds to meet disaster needs. However, any such impact is dependent upon the timing and severity of any future natural disasters, which are inherently unpredictable.

Additional Comments: MDEM advises that to date the fund has obligated one grant to Allegany County in the amount of \$459,000. MDEM has not used money from the fund to issue a loan.

Additional Information

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

Designated Cross File: HB 1189 (Delegate Hinebaugh) - Judiciary.

Information Source(s): Comptroller's Office; Maryland Department of Emergency Management; Maryland Insurance Administration; Department of Legislative Services

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jg/rld

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