

**Department of Legislative Services**  
Maryland General Assembly  
2007 Session

**FISCAL AND POLICY NOTE**

House Bill 944  
Appropriations

(Delegate Heller)

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**Task Force to Study the Needs and Expenditures of State Programs**

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This bill establishes a Task Force to Study the Needs and Expenditures of State Programs, staffed by the Department of Legislative Services (DLS). The task force will examine State funding patterns since fiscal 2001 and recommend staffing and program funding requirements in order to meet current or future demands for government services. An interim report is due to the Governor and the General Assembly by December 1, 2007, with a final report due by December 1, 2008.

The bill takes effect July 1, 2007 and terminates June 30, 2009.

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**Fiscal Summary**

**State Effect:** Any expense reimbursements for task force members and staffing costs for DLS are assumed to be minimal and absorbable within existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** In making its findings and recommendations, the task force must consider the requirements of all agencies supported by general funds, in particular:

- funding requirements for programs serving individuals with special needs, including the poor, homeless, abused, mentally ill, developmentally disabled, juveniles, or elderly;
- demographics and needs related to income support, medical support, housing, nutrition, training, or other services; and
- funding requirements for higher education, public safety, environmental programs, economic development programs, other State agencies, debt service, and the revenue stabilization account.

**Current Law:** A similar task force to study State expenditures does not currently exist.

**Background:** General fund revenues declined in fiscal 2002 and 2003, and the State undertook efforts to restrain spending growth. Addressing the decline in revenues was particularly difficult in recent years as it occurred during implementation of the Bridge to Excellence in Public Schools Act (Chapter 288 of 2002) which mandated an increase in K-12 education spending of over \$1 billion between fiscal 2003 and 2008. Economic recovery began in earnest in fiscal 2004 and continued into fiscal 2005 and 2006. Coupled with continued cost containment actions, structurally balanced budgets were produced in both years. The picture in fiscal 2007 and 2008 shows signs of fiscal stress, as spending growth outpaces revenue in both years. DLS projects a \$526 million structural deficit in fiscal 2007 and a \$1.0 billion structural deficit in fiscal 2008. By fiscal 2009, the structural deficit is projected to increase to \$1.4 billion.

**Exhibit 1** shows the average annual increase in State general and special fund expenditures since fiscal 2001. **Exhibit 2** shows the average annual increase in State general fund expenditures since fiscal 2001 by program.

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**Exhibit 1**  
**State Expenditure Trends – General and Special Funds**  
**Fiscal 2001 to 2008**  
**(\$ in Millions)**

	<b><u>Actual</u></b> <b><u>FY 2001</u></b>	<b><u>Allowance</u></b> <b><u>FY 2008</u></b>	<b><u>Average Annual</u></b> <b><u>Increase</u></b>
General Funds	\$10,237.5	\$14,668.6	5.3%
Special Funds	3,623.3	5,593.7	6.4%
<b>Total</b>	<b>\$13,860.8</b>	<b>\$20,262.3</b>	<b>5.6%</b>

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**Exhibit 2**  
**State Expenditure Trends – General Funds**  
**Fiscal 2001 to 2008**  
**(\$ in Millions)**

	<b>Actual FY 2001</b>	<b>Allowance FY 2008</b>	<b>Average Annual Increase</b>
<b>Debt Service</b>	<b>\$204.5</b>	<b>\$43.5</b>	<b>-19.8%</b>
<b>Aid to Local Governments</b>			
Education/Libraries	2,718.1	5,223.8	9.8%
County/Municipal Governments	174.5	245.5	5.0%
Community Colleges	163.3	243.7	5.9%
Health Departments	52.5	66.6	3.4%
<b>Subtotal</b>	<b>\$3,108.4</b>	<b>\$5,779.5</b>	<b>9.3%</b>
<b>Entitlements</b>			
Medical Assistance	1,320.3	2,276.6	8.1%
Foster Care Payments	126.9	248.3	10.1%
Assistance Payments	34.5	43.6	3.4%
Property Tax Credits	52.6	62.4	2.5%
<b>Subtotal</b>	<b>\$1,534.3</b>	<b>\$2,630.9</b>	<b>8.0%</b>
<b>State Agencies</b>			
Health	1,006.6	1,393.4	4.8%
Human Resources	303.8	284.4	-0.9%
Systems Reform Initiative	46.9	52.7	1.7%
Juvenile Justice	150.3	222.7	5.8%
Public Safety/Police	863.9	1,197.4	4.8%
Higher Education	886.5	1,120.9	3.4%
Other Education	248.6	415.1	7.6%
Agriculture/Natural Res./Environment	125.5	145.1	2.1%
Other Executive Agencies	520.6	644.1	3.1%
Judicial/Legislative	281.4	431.0	6.3%
<b>Subtotal</b>	<b>\$4,434.2</b>	<b>\$5,906.7</b>	<b>4.2%</b>
<b>Total Operating</b>	<b>\$9,281.4</b>	<b>\$14,360.6</b>	<b>6.4%</b>
Capital	638.4	75.3	-26.3%
Reserve Fund	315.8	262.8	-2.6%
<b>Appropriations</b>	<b>\$10,237.5</b>	<b>\$14,698.6</b>	<b>5.3%</b>
Reversions	0.0	-30.0	
<b>Grand Total</b>	<b>\$10,237.5</b>	<b>\$14,668.6</b>	<b>5.3%</b>

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 420 (Senator Madaleno) – Budget and Taxation.

**Information Source(s):** Department of Legislative Services

**Fiscal Note History:** First Reader - February 27, 2007  
ncs/ljm

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