

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1190
Appropriations

(Delegate Heller, *et al.*)

Task Force to Study the Needs and Expenditures of State Programs

This bill establishes a Task Force to Study the Needs and Expenditures of State Programs, staffed by the Department of Legislative Services. 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, 2008, with a final report due by December 1, 2009.

The bill takes effect July 1, 2008 and terminates June 30, 2010.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: None.

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 approximately \$1.4 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. However, signs of fiscal stress reemerged in fiscal 2007 and 2008 as the structural deficit grew from \$465 million in fiscal 2007 to \$1 billion in fiscal 2008. The fiscal 2008 budget was balanced largely by transferring \$978 million from the State’s Rainy Day Fund to the general fund. Projections for the fiscal 2009 budget in October 2007 showed a structural deficit of approximately \$1.5 billion.

Legislation enacted during the 2007 special session closed the projected fiscal 2009 structural deficit by instructing the Governor to cut \$550 million from the baseline spending projection and by increasing general fund revenues by \$836.9 million (mostly by increasing State sales and tobacco taxes). Current DLS projections now show a fiscal 2009 structural deficit of \$308 million, in part due to lagging revenues.

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.

Exhibit 1
State Expenditure Trends – General and Special Funds
Fiscal 2001 to 2009
(\$ in Millions)

	<u>Actual</u> <u>FY 2001</u>	<u>Allowance</u> <u>FY 2009</u>	<u>Average Annual</u> <u>Increase</u>
General Funds	\$10,237.5	\$15,218.3	5.1%
Special Funds	3,623.3	6,250.0	7.1%
Total	\$13,860.8	\$21,468.3	5.6%

Exhibit 2
State Expenditure Trends – General Funds
Fiscal 2001 to 2009
(\$ in Millions)

	Actual FY 2001	Allowance FY 2009	Average Annual Increase
Debt Service	\$204.5	\$0	n/a
Aid to Local Governments			
Education/Libraries	2,718.1	5,419.0	9.0%
County/Municipal Governments	174.5	215.6	2.7%
Community Colleges	163.3	270.8	6.5%
Health Departments	52.5	68.8	3.4%
Subtotal	\$3,108.4	\$5,974.2	8.5%
Entitlements			
Medical Assistance	1,320.3	2,409.6	7.8%
Foster Care Payments	126.9	239.6	8.3%
Assistance Payments	34.5	35.5	0.4%
Property Tax Credits	52.6	64.9	2.7%
Subtotal	\$1,534.3	\$2,749.6	7.6%
State Agencies			
Health	1,006.6	1,412.0	4.3%
Human Resources	303.8	320.2	0.7%
Systems Reform Initiative	46.9	49.2	0.6%
Juvenile Justice	150.3	258.2	7.0%
Public Safety/Police	863.9	1265.6	4.9%
Higher Education	886.5	1,181.6	3.7%
Other Education	248.6	419.6	6.8%
Agriculture/Natural Res./Environment	125.5	135.8	1.0%
Other Executive Agencies	520.6	673.8	3.3%
Judicial/Legislative	281.4	448.6	6.0%
Subtotal	\$4,434.2	\$6,295.9	4.5%
Contingent Reductions	n/a	-40.8	n/a
Total Operating	\$9,281.4	\$14,978.8	6.2%
Capital	638.4	37.9	-30.7%
Reserve Fund	315.8	146.5	-9.2%
Appropriations	\$10,237.5	\$15,248.3	5.1%
Reversions	0.0	-30.0	
Grand Total	\$10,237.5	\$15,218.3	5.1%

Additional Information

Prior Introductions: HB 944 of 2007, an identical bill, was heard by the House Committee on Appropriations but no further action was taken. SB 420 of 2007, an identical bill, was heard by the Senate Budget and Taxation Committee but no further action was taken.

Cross File: None identified, but SB 691 is identical.

Information Source(s): Department of Budget and Management, Department of Legislative Services

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ncs/rhh

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