



Analysis of state policy choices with particular attention to their impacts on low- and moderate-income Marylanders

SPECIAL REPORT

Maryland Budget Update

HOUSE COMMITTEE ACTION ON THE BUDGET

HOUSE APPROPRIATIONS COMMITTEE TRIMS THE BUDGET A BIT SHORTER

- The House committee agreed with the Senate on most items
- More reductions from higher education and payments toward future retirees' health insurance liability
- Softened the Senate's cuts to medical coverage and stem cell research

Special Report
March 18, 2008

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HOUSE APPROPRIATIONS COMMITTEE ACTIONS

On Monday March 17, the House Appropriations Committee reported its recommendations on the budget for fiscal year 2009 to the House of Delegates. Its starting point was the budget plan passed by the Senate the previous week.

Fiscal Year 2009 - General Funds		
\$millions		
Proposed Reductions	Senate	House
Payments for Retiree Health Liability	38	65
State Colleges & Universities	21	39
Inter-County Connector	32	32
Medicaid	20	24
Health Programs-alternative revenue source	21	21
Judiciary	16	16
Stem Cell Research	18	8
Local Community Colleges	8	8
Info. Tech. Projects	8	8
Children's Services	9	7
Housing Programs-alternative revenue source	5	5
Private Colleges & Universities	3	3
Local Libraries	3	3
Others	24	25
Total	226	264

Source: House Committee on Appropriations, March 17, 2008

The Senate had cut about \$226 million in general funds from the \$15-billion general fund budget proposed by the Governor, and authorized \$160 million in transfers to the general fund (the state's total budget, including federal and other restricted "special" funds, is over \$31 billion). The House Appropriations Committee added \$50 million to the transfers and cut another \$40 million. Some of the larger cuts were as follows:

- \$65 million from contributions towards the state's future liability for retiree health insurance. The Senate had cut only \$38 million. The cut is a miniscule setback in the state's progress towards addressing a multi-billion-dollar unfunded liability.
- \$32 million in general fund payments towards the Inter-County Connector highway project. The cut may require more borrowing to finance the project, slightly increasing the total cost. The Appropriations Committee agreed with the Senate action.
- \$39 million from state colleges and universities. The cut preserves an increase of 4% per pupil. The Senate had cut only \$24 million. The \$15 million would be made up by using funds from the new "Higher Education Investment Fund" for 3 building projects, rather than general funds. These funds come from the increase in corporation income tax rates approved in the special session of November 2007.

- \$24 million from Medicaid. \$20 million reflects a lower estimate of program growth approved by the Senate. The extra \$4 million cut by the House would be a limit on the increase in nursing home reimbursement rates.
- \$8 million from the stem-cell research funding, leaving \$15 million. The Senate had cut \$18 million, leaving only \$5 million.

The Appropriations Committee recommended transferring \$100 million of the funds reserved for future-year retiree health care, doubling the transfer approved by the Senate.

The Appropriations Committee made some reductions to items the Senate had left alone. It cut \$1.4 million from \$2.6 million in funds proposed for mental health services for returning veterans. Appropriations cut \$1.1 million of a \$12 million proposed increase for services for developmentally disabled adults transitioning from the special education system.

The Appropriations Committee restored, at least in part, other items cut by the Senate. For example, it restored \$2 million of a \$9 million cut to grants for children’s services to local agencies. It restored a \$1 million Senate cut to the “Community Legacy” program.

In action affecting special funds (which usually cannot be used to offset other cuts or to help balance the budget), House Appropriations reversed the six-month delay in Medicaid expansion approved by the Senate, but cut an additional \$14 million from the Department of Transportation and \$5 million from economic development funds.

Fiscal Year 2009 - General Funds
\$millions

	Senate	House
Sources		
Starting balance	393	393
Revenues	14,520	14,522
Transfer from reserve	125	125
Other Transfers	160	210
Total Sources	15,198	15,250
Uses		
Expenditures proposed by Governor	15,265	15,265
Reductions	(226)	(264)
Total uses	15,039	15,001
Ending Balance	159	249

Source: House Committee on Appropriations, March 17, 2008

OUTLOOK

Most of the Appropriations Committee's modifications to the Senate plan are one-time-only effects. They will improve the closing fund balance for fiscal year 2009, but will not significantly affect the shortfalls projected in future years. Based on the Appropriation Committee's budget plan, the Maryland Budget and Tax Policy Institute estimates a \$170 million budget gap to begin next year's budget cycle. Farther down the line, the administration's plan for structural balance depends on future slot machine revenue. If that revenue is not forthcoming, the budget gap could become a chasm at \$450 million in fiscal year 2012 and a canyon of \$700 million in fiscal year 2013.

NEXT STEPS

This week the full House of Delegates will consider the budget. A conference committee will meet to resolve differences. The constitutional target for finalizing the budget is March 31. The budget bill becomes law upon passage by the legislature and does not require the Governor's signature.

About the Maryland Budget & Tax Policy Institute

The Maryland Budget and Tax Policy Institute is a nonpartisan research organization that provides timely, accurate and accessible analysis of state budget and tax issues. In addition to general budget and tax research and analysis, the Institute examines issues affecting low-income Marylanders and other vulnerable populations and the important community programs that serve them. For additional information, to be added to our e-mail list, or to make a tax-deductible contribution, please visit our website at www.marylandpolicy.org.

The Maryland Budget and Tax Policy Institute gratefully acknowledges the Ford Foundation, which provides financial support for the Institute under its State Fiscal Analysis Initiative. Additional general support for the Maryland Budget and Tax Policy Institute is provided by the Aaron Straus and Lillie Straus Foundation, the Eugene and Agnes E. Meyer Foundation, the Open Society Institute-Baltimore, the Public Welfare Foundation and generous individual donors.

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