



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

SPECIAL REPORT

Maryland Budget Update

Maryland Senate Approves Budget Plan

Special Report
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- The Senate plan cuts more from local government and Medicaid than the House of Delegates version.
- The Senate version cuts less from higher education.
- The Senate plan proposed a transfer of \$60 million from state and county Program Open Space accounts.
- Senate would leave a \$142 million year-end balance, compared with the House's \$51 million.
- Senate legislation would freeze certain public school and other local aid formulas for two more years.
- A House–Senate conference committee will meet to resolve differences before the legislative session closes April 13.

Maryland Senate Approves Budget Plan

The Senate of Maryland has now passed its version of the budget. The budget goes next to a conference committee, where House and Senate conferees will resolve the remaining differences.

The Senate plan differs from the House version in a few important respects. The Senate proposes more expenditures cuts – mostly affecting local government and more fund transfers, leaving a fund balance of about \$142 million rather than \$51 million in the House plan.

Fiscal Year 2010 Budget Proposals		
\$millions		
	House	Senate
Total Funds	31,638	31,539
<i>Increase over 2009</i>	2.0%	1.6%
General Funds	13,882	13,848
<i>Increase over 2009</i>	-2.7%	-2.9%
<i>Ending Balance</i>	51	142

Local Governments - Counties and other local governments will lose funding under several provisions of the Senate bill. For example:

- The Senate plan would subtract \$261 million from local transportation revenues (known as “Highway User Revenues”). The House had proposed transferring \$201 million from these transportation funds and another \$60 million from local income tax receipts. The Senate combined the two amounts in the transportation cut.
- \$25 million in local Program Open Space fund balances would be transferred to the state general fund, along with \$40 million in state Program Open Space balances. Program Open Space uses state property transfer tax revenues to finance land acquisition and related expenses for environmental and recreation uses. The amounts transferred are “unencumbered,” meaning they are not yet legally committed to any specific purchases. The House plan does not transfer any of these balances. This item is one of the reasons for the Senate’s larger fund balance.
- Under the Senate plan, local governments would be responsible for 50% of the cost of property tax assessment in fiscal year 2010 (\$35.6 million), 25% of the cost of circuit court clerks (\$2.1 million). The House version does not include the local shares for tax assessment and court clerks. Both versions reduce the state payments towards local jail operations (\$6.7 million under the Senate plan versus \$12.4 million under the House plan).

Medicaid - Under the Senate proposal, Medicaid would receive \$20 million less in state funding. The Senate budget package includes a cut to provider rates for Medicaid Managed Care Organizations (MCO’s).

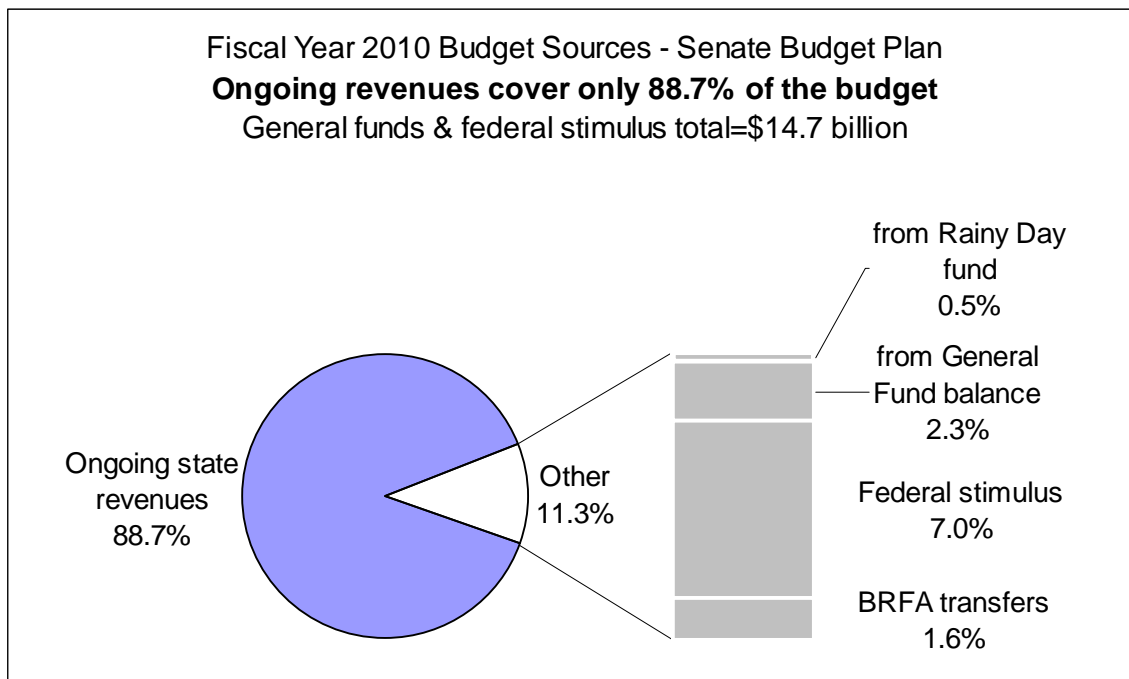
Higher Education - The Senate has provided more funding to higher education programs than the House. The Senate provides \$28.5 million more than the House for public colleges and universities, and \$10.6 million more for private colleges and universities.

Other Differences – The Senate made many other large and small changes to the House version of the budget. Here are some of the most significant differences between the two versions:

- The House eliminated state funding for Head Start pre-school programs, a cut of \$3 million. The Senate made this reduction conditional, so it can take effect only if federal stimulus funds are allowed to cover head start summer programs. Currently, Head Start providers may not use federal dollars for summer programs.
- The Senate cut \$13 million from stem cell research funding, leaving \$5 million in the budget. The House retained the \$18 million appropriation included in the original budget.
- The House cut \$10 million from the heritage tax credits available for redevelopment of historic properties. The Senate cut only \$4.7 million.

Flat Budgets – The New Normal

Both versions of the budget rely on transfers and federal stimulus funds to support a spending level essentially unchanged from this year. Ongoing revenues cover only 88.7% of expenditures. The chart below shows the Senate version of the budget. However, in the grand scheme of things, the overall totals are not very different for the House budget plan.



Looking ahead, this means that state leaders will struggle to maintain the existing level of services and payments. It usually takes 2-3 years following a recession for state revenue growth to return to normal. In the mean time, the fund balances will be exhausted. The federal stimulus funding is scheduled to expire after 2011. Service expansions, pay raises and rate increases will be hard to come by.

The Senate has passed legislation to freeze the per-pupil spending amount that forms the basis of the state's main public school aid program. The provision also eliminates inflation factors from other state formulas, like community colleges and school bus funding. If accepted by the conference committee, this will reduce the projected growth in state aid for education and other local services by over \$100 million in each of the next two budgets. Even with these freezes, budgets will still be short hundreds of millions of dollars.

Over the next few years, the state, its school systems, and local governments will face rising needs for public services alongside severely constrained revenues.

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.

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