Department of Legislative Services

Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 16 (Senator Serafini)
Budget and Taxation

Workgroup on Categories for Funding Priorities in the Annual State Budget

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This bill establishes a Workgroup on Categories for Funding Priorities in the Annual State Budget, staffed jointly by the Department of Budget and Management (DBM), the Comptroller's Office, and the Department of Legislative Services (DLS). The workgroup consists of representatives from each of these departments. The workgroup may hold public hearings and receive testimony from the public and other interested parties, and it may retain the services of consultants. **The bill takes effect June 1, 2019, and terminates June 30, 2020.**

Fiscal Summary

State Effect: General fund expenditures may increase in FY 2020 only. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: DBM must convene the workgroup to study, evaluate, and make recommendations concerning budgeting models used by state or local governments in the United States that use well-defined service categories to set budget funding priorities and then allocate budget resources based on those established priorities. The workgroup must submit a report of its findings and recommendations to the Governor and the General Assembly by December 31, 2019.

Current Law: The Maryland Constitution requires the Governor to submit, and the General Assembly to pass, a balanced budget. The General Assembly cannot add spending to the budget introduced by the Governor, nor can general funds be used to restore reductions made by the General Assembly after adoption of the budget, except through an approved deficiency appropriation in the following year's budget. Generally, a budget amendment may not increase the sum of the appropriations from the general fund for all the programs of an Executive Branch unit, but a budget amendment may shift the monies within that unit.

The General Assembly can increase or add appropriations relating to the legislature or Judiciary. Through a supplementary appropriations bill, the General Assembly can also add expenditures if matched with new revenues. Through legislation, the General Assembly can mandate expenditures in the Executive budget for a subsequent fiscal year.

With the approval of the Board of Public Works, the Governor may reduce up to 25% of any appropriation that the Governor considers unnecessary or that is subject to budgetary reductions required under the budget bill approved by the General Assembly. However, the Governor may not reduce an appropriation for:

- the Legislative or Judicial branches of State government;
- payment of the principal or interest on State debt;
- public schools, including the Maryland School for the Deaf;
- the Maryland School for the Blind; or
- the salary of a public officer during the term of office.

Budget analysts within DBM must continually conduct studies of all budget expenditures of Executive Branch units, make recommendations to the Secretary of Budget and Management for greater efficiency and economy in those units, and perform any other duties that the Secretary assigns. The Secretary may create any citizens' advisory body that the Secretary considers necessary for the operation of DBM.

State Expenditures: DBM advises that, since it is in the process of implementing a new budgeting system, it does not have the capacity to provide staff to complete the study required of the workgroup and would, therefore, need to a hire a consultant. Likewise, the Comptroller's Office advises that it does not have the capacity to provide staff due to the Board of Revenue Estimates' current workload and expected employee turnover. Given limited staffing resources, it is anticipated that the workgroup may hire a consultant to carry out many of the staffing responsibilities. Thus, general fund expenditures may increase in fiscal 2020, only to the extent that the workgroup hires a consultant as authorized by the bill; if the workgroup does so, it is assumed that a consultant would not be needed until July 2019. Any such expenditures are at the discretion of the workgroup and, therefore, cannot be reliably estimated. Assuming a consultant is retained, DLS can carry out its staffing responsibilities with existing budgeted resources.

Additional Information

Prior Introductions: SB 192 of 2018 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. SB 839 of 2017 was amended to be identical to this bill and then passed the Senate. It was referred to the House Economic Matters Committee, but no further action was taken.

Cross File: None.

Information Source(s): Comptroller's Office; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - January 24, 2019
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Analysis by: Heather N. Ruby

Direct Inquiries to:
(410) 946-5510
(301) 970-5510