



LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lieutenant Governor

DAVID R. BRINKLEY
Secretary

MARC L. NICOLE
Deputy Secretary

SENATE BILL 977 Maryland Health Benefit Exchange-Funding for Small Business Insurance Subsidies and Outreach (Hester, et al)

STATEMENT OF INFORMATION

DATE: March 4, 2020

COMMITTEE: Senate Finance Committee

SUMMARY OF BILL: SB 977 mandates an annual appropriation of \$17 million to the Maryland Health Benefit Exchange (MHBE), \$15 million of which is allocated to fund subsidies to employer for the purchase of health plans for employees through SHOP and the remaining \$2 million is to be allocated to fund small business outreach activities for SHOP.

EXPLANATION: The legislation seeks to rely on State funding for the MHBE to create a SHOP insurance subsidy program to provide small businesses a credit similar to the federal Advance Premium Tax Credit. The FY 2021 Budget includes a total of \$81 million in special and federal funds for the operation of the MHBE. DBM's focus is not on the underlying policy proposal being advanced by the legislation, but rather on the mandated appropriation provisions.

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and strives to create a structurally balanced budget, in which the growth in spending is less than the growth in revenues.

General Fund Budget Outlook Fiscal 2022 - 2025

	Est. 2022	Est. 2023	Est. 2024	Est. 2025
Cash Balance	-\$833	-\$1,135	-\$1,201	-\$1,298
Structural Balance	-\$701	-\$905	-\$984	-\$1,071

Department of Legislative Services, January 2020 Fiscal Briefing

For FY 22 – FY 25, the cumulative impact of an ongoing imbalance between spending and revenues is a \$3.6 billion structural gap. Our structural budget problem reflects a spending problem; not a revenue problem.

Until we achieve long-term structural balance, programs cannot rely on a consistent funding level. Constituencies for these proposed programs or enhanced spending bills should be forewarned that passage of this legislation does not guarantee future funding. The diversion of General Funds may be repealed or otherwise modified in a subsequent Budget Reconciliation and Financing Act (BRFA) – this action is necessary to ensure a constitutionally required balanced budget in the next fiscal year.

The Administration is cognizant of the downside risks facing our economy and, in the FY 2021 Budget, has set aside \$1.3 billion in reserves. The Rainy Day Fund balance is equal to 6.25% of revenues, \$48 million more than recommended by the Spending Affordability Committee (SAC). Moody’s Analytics has recently advised of a slowdown in employment growth in the latter part of FY 2021, which DLS estimates would add \$241 million to the structural budget gap in FY 2021 and \$419 million in FY 2022. Historic increases in funding for both K-12 education, as proposed by the Kirwan Commission, and school construction will further aggravate the budget gap.

The 2019 SAC commentary encourages a cautious fiscal approach -- **“Out-year fiscal stress is anticipated despite the expectation that personal income and employment will continue to grow steadily, and entitlement and prison caseloads will hold steady or decline. An imbalance is forecast before accounting for any recommendations from the Commission on Innovation and Excellence in Education.”**

**For additional information, contact Barbara Wilkins at
(410) 260-6371 or barbara.wilkins1@maryland.gov**