

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Joint Resolution 4 (Delegate Flanagan. *et al.*)

Appropriations

General Assembly - Determinations of Spending Affordability

This joint resolution declares that the growth in State spending in the fiscal 2000 budget subject to the spending affordability limit will be limited to 4.8%.

Fiscal Summary

State Effect: The FY 2000 State budget allowance would have to be reduced by \$260 million to meet the goal established by this resolution. State revenues would not be affected.

Local Effect: Potential decrease in State aid to local governments. Local expenditures are not directly affected.

Small Business Effect: None.

Fiscal Analysis

Background: Each year the Spending Affordability Committee recommends to the Governor and the General Assembly a level of spending for the State operating budget that is reflective of the current and prospective condition of the State's economy. For purposes of spending affordability, State spending is defined as general, special, and higher education appropriations less capital appropriations, higher education restricted appropriations, and State Use Industries appropriations. Generally, the State budgets enacted by the General Assembly have complied with the recommendations of the Spending Affordability Committee. The budget enacted by the General Assembly has only exceeded the committee's recommendation once (fiscal 1985).

State Effect: The fiscal 2000 State budget allowance submitted by the Governor totals \$17.7 billion, of which \$11.8 billion is counted towards spending affordability. This represents a \$788 million (7.17%) increase over the portion of the fiscal 1999 State appropriation that is counted toward spending affordability. The Spending Affordability Committee recommended a 5.9% (\$648.9 million) increase in spending for fiscal 2000. Accordingly, in order to remain within the spending affordability guideline, approximately \$140 million must be eliminated from the Governor's proposed fiscal 2000 budget.

This joint resolution would establish a 4.8% limit on increased spending for fiscal 2000. As shown in the following table, this would allow appropriations counted toward spending affordability to increase \$527.9 million over fiscal 1999. Accordingly, approximately \$260 million would have to be eliminated from the Governor's proposed fiscal 2000 budget to meet the guidelines of this resolution.

**Under Spending Affordability Concept
Budget Growth (\$ in Millions)**

<u>Funds</u>	<u>FY 1999 Wk. Approp.</u>	<u>FY 2000 Allowance</u>	<u>\$ Change</u>	<u>% Change</u>
Governor's Proposed Budget				
General	\$7,991.6	\$8,645.4	\$653.9	8.2%
Special	2,017.8	2,103.0	85.2	4.2%
Higher Education	988.2	1,037.5	49.4	5.0%
Total	\$10,997.6	\$11,785.9	\$788.4	7.17%
Spending Affordability Limit		\$11,646.4	\$648.9	5.9%
Proposed Spending Affordability Limit (HJ 4)		\$11,525.5	\$527.9	4.8%

Local Effect: State aid to local governments represents about 25% of the fiscal 2000 State budget allowance, exclusive of federal funds. Reductions to the State budget in order to remain within the proposed spending limit could result in a reduction in State aid to local governments.

Information Source: Department of Legislative Services

Fiscal Note History:

First Reader - February 9, 1999

lnc/jr

Analysis by: Hiram L. Burch, Jr.

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 946-5510

(301) 970-5510