

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Joint Resolution 20 (Delegate Klima, *et al.*)
Appropriations

**Spending Affordability - Limitation on the Unrestrained Growth in State
Spending**

This joint resolution declares that the growth in State spending in the fiscal 2002 budget subject to the spending affordability limit will be limited to 6.2%.

Fiscal Summary

State Effect: The proposed FY 2002 State budget would have to be reduced by \$304.2 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.

Analysis

Current Law: 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 adopted by the General Assembly have complied with the recommendations of the

Spending Affordability Committee. The budget adopted by the General Assembly has only exceeded the committee's recommendation once (fiscal 1985).

Background: The Governor's proposed fiscal 2002 State budget totals \$21.4 billion, of which \$13.8 billion is counted towards spending affordability. This represents a \$1.1 billion (8.6%) increase over the portion of the fiscal 2001 State appropriation that is counted toward spending affordability. The Spending Affordability Committee recommended a 6.95% (\$885.4 million) increase in spending for fiscal 2002. Accordingly, in order to remain within the spending affordability guidelines, approximately \$208.6 million must be eliminated from the Governor's proposed fiscal 2002 budget.

State Fiscal Effect: This joint resolution establishes a 6.2% limit on increased spending for fiscal 2002. As shown in **Exhibit 1**, this would allow appropriations counted toward spending affordability to increase \$789.8 million over fiscal 2001. Accordingly, approximately \$304.2 million would have to be eliminated from the Governor's proposed fiscal 2002 budget to meet the guidelines of this resolution.

Exhibit 1
Under Spending Affordability Concept
Budget Growth (\$ in millions)

<u>Funds</u>	<u>FY 2001</u> <u>Wk. Approp.</u>	<u>FY 2002</u> <u>Allowance</u>	<u>\$ Change</u>	<u>% Change</u>
Governor's Proposed Budget				
General	\$9,193.0	\$10,123.1	\$930.1	10.1%
Special	2,455.5	2,541.3	85.8	3.5%
Higher Education	<u>1,090.8</u>	<u>1,168.9</u>	<u>78.1</u>	<u>7.2%</u>
Total	\$12,739.3	\$13,833.3	\$1,094.0	8.6%
Spending Affordability Limit		\$13,624.7	\$885.4	6.95%
Proposed Spending				
Affordability Limit (HJ 20)		\$13,529.1	\$789.8	6.2%

Local Fiscal Effect: State aid to local governments represents about 23.5% of the fiscal 2002 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.

Additional Information

Prior Introductions: Similar joint resolutions were introduced in the 1999 and 2000 sessions. The joint resolution received an unfavorable report from the House Appropriations Committee in 1999. No action was taken on the joint resolution in 2000.

Cross File: None.

Information Source(s): Department of Legislative Services

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ncs/jr

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