

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 622
Appropriations

(Delegate Conway, *et al.*)

Budget and Taxation

**Board of Public Works - Reductions in Appropriations - Public Notice and
Hearing Process**

This emergency bill alters the maximum reduction, from 25% to 10%, that the Governor, with approval of the Board of Public Works (BPW), can make to an appropriation in the State budget.

The bill also requires BPW to provide at least a 21-day public notice and an invitation to comment on proposed reductions in appropriations. The invitation to comment is extended to the Legislative Policy Committee, the Senate Budget and Taxation Committee, and the House Appropriations Committee. BPW must hold a public hearing no earlier than 15 days after providing the public notice. The Department of Legislative Services must prepare an analysis of the practical and fiscal effects of the proposed reductions within 10 days after the issuance of the public notice. This analysis must be provided to the Legislative Policy Committee, the Senate Budget and Taxation Committee, the House Appropriations Committee, and BPW.

Fiscal Summary

State Effect: General fund expenditures could increase by \$38,200 each time the Governor exercises the budgetary authority under Section 7-213 of the State Finance and Procurement Article. Reducing the maximum reduction per appropriation may not affect total State expenditures since reductions could be allocated to additional programs or services to reach the overall required reduction in State expenditures.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: An appropriation may be reduced when the Governor finds and declares the reduction to be necessary to avoid a deficit in the fiscal year for which the appropriation is made. The Governor may not reduce an appropriation for: (1) any program or activity for which a minimum funding level is mandated under State law if that reduction would result in an appropriation less than the mandated amount; or (2) any program or activity operating under lawfully promulgated regulations, until those regulations are revised under specified procedures.

Current Law: Section 7-213 of the State Finance and Procurement Article authorizes the Governor to reduce an appropriation by up to 25% with the approval of BPW. Funds may be reduced under this provision only when the Governor finds an appropriation is “unnecessary” or when the reduction results from legislative action on the budget bill. Certain restrictions are placed on this authority. The Governor may not reduce: (1) Legislative or Judicial Branch appropriations; (2) appropriations for payment of the principal or interest on State debt; (3) mandated appropriations for public schools, including the Maryland School for the Deaf and the Maryland School for the Blind; (4) the salary of a public officer during the term of office; or (5) appropriations for the salary of any nontemporary employee in the State Personnel Management System.

Background: The Governor has used this budgetary authority several times in recent years. In fiscal 1991 through 1993, the Governor used this authority to reduce appropriations six times to address the State’s fiscal problems. This authority was also used to make reductions to the fiscal 2002, fiscal 2003, and fiscal 2004 budgets to address shortfalls in revenue estimates. The most recent use of this authority occurred on July 30, 2003, when the Governor proposed and BPW unanimously adopted \$208.4 million in reductions to the fiscal 2004 appropriations. The board’s action reduced general fund spending by about 2%. **Exhibit 1** shows the cost containment reductions by category.

Exhibit 1
Cost Containment Reductions – July 30, 2003
(\$ in Millions)

<u>Category</u>	<u>Total Reductions</u>	<u>Percent of Total</u>	<u>Reduction as a Share of the Appropriation</u>
Entitlements	\$53.4	26%	3%
Higher Education	45.5	22%	5%
Local Aid	18.9	9%	1%
State Agencies	90.6	43%	2%
Total	\$208.4	100%	2%

State Fiscal Effect: Expenditures for BPW could increase by \$38,200 for each required public hearing. This reflects the cost to publish one public notice in three newspapers in general circulation (\$35,200) and increased transcription costs (\$3,000) resulting from additional testimony at the board's regular meetings. The Department of Legislative Services can prepare an analysis of the proposed reductions with existing resources.

Additional Information

Prior Introductions: None.

Cross File: SB 261 (Senator Currie, *et al.*) – Budget and Taxation.

Information Source(s): Board of Public Works, Department of Legislative Services

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