

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 444
Appropriations

(Delegate G. Clagett, *et al.*)

Budget - Reductions of Appropriations

This bill alters the maximum reduction, from 25% to 10%, that the Governor can make to an appropriation in the State budget. The Governor must present proposed reductions to the General Assembly's budget committees at least one week before presenting the proposed reductions to the Board of Public Works (BPW) for approval.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Reducing the maximum reduction per appropriation may not affect total State expenditures since additional programs or services could be reduced to reach the overall required reduction in State expenditures.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Statute 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, 2003, and 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 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>% 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	<u>90.6</u>	<u>43%</u>	<u>2%</u>
Total	\$208.4	100%	2%

Additional Information

Prior Introductions: Identical bills, HB 531 of 2005 and HB 285 of 2004, were referred to the House Appropriations Committee, where no action was taken.

Cross File: None.

Information Source(s): Department of Budget and Management, Department of Legislative Services

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nas/ljm

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