

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Joint Resolution 7 (Delegate McHale, *et al.*)
Rules and Executive Nominations

State Spending of Federal Economic Recovery Funds

This joint resolution urges the State to spend federal economic recovery funds whenever possible on products made in the United States or services performed in the United States.

Fiscal Summary

State Effect: The joint resolution does not directly affect State finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: With the exception of steel for public construction projects, State procurement law does not require that State purchases of any single commodity be restricted to items produced in the United States. However, it does establish several exclusive purchasing requirements and procurement preferences. For purchases of supplies and services, State agencies must exhaust a series of priority preferences before engaging in a competitive procurement. First preference is given to Maryland Correctional Enterprises (MCE), the independent manufacturing arm of the Division of Correction. If MCE does not provide the supply or service, second preference goes to Blind Industries and Services of Maryland, followed by community service providers employing individuals with mental or physical disabilities. Only if none of those entities provides a desired supply or service is an agency free to conduct a competitive procurement.

There are a number of additional procurement requirements and preferences in the State. For example, at least 40% of paper purchased on behalf of State agencies must be recycled paper, and a separate price preference of 5% is given for the purchase of products made from recycled materials. Further, to the extent practicable, State agencies must buy supplies that are the quietest available. Also, the State's Small Business Reserve Program requires designated State agencies to set aside at least 10% of their procurements for small businesses.

The University System of Maryland, Morgan State University, and St. Mary's College of Maryland are exempt from most provisions of State procurement law. State law also exempts other agencies, in whole or in part, from State procurement law, including:

- Blind Industries and Services of Maryland;
- Maryland State Arts Council;
- Maryland Health and Higher Educational Facilities Authority;
- Department of Business and Economic Development;
- Maryland Food Center Authority;
- Maryland Public Broadcasting Commission;
- Maryland State Planning Council on Developmental Disabilities;
- Maryland Automobile Insurance Fund;
- Maryland Historical Trust;
- Rural Maryland Council;
- Maryland State Lottery Agency;
- Maryland Health Insurance Plan;
- Maryland Energy Administration;
- Maryland Developmental Disabilities Administration;
- Maryland Stadium Authority; and
- State Retirement and Pension System.

Background: On February 17, 2009, President Barack H. Obama signed the American Recovery and Reinvestment Act (ARRA) into law. The purposes of the Act are to:

- preserve and create jobs and promote economic recovery;
- assist those most impacted by the recession;
- provide investments needed to increase economic efficiency by spurring technological advances in science and health;

- invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and
- stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The Congressional Budget Office estimates that the ARRA increases federal spending by \$575 billion and reduces federal tax collections by \$212 billion between 2009 and 2019.

ARRA's provisions support state programs by investing in infrastructure, funding education programs, supporting human services programs, and providing discretionary funds to states. An initial review of ARRA by the Department of Legislative Services identifies \$4.0 billion in formula funding provided to Maryland governments. This includes:

- \$2.1 billion for fiscal stabilization and Medicaid to relieve stress on state and public school budgets;
- \$765 million in infrastructure grants;
- \$396 million for education aid;
- \$102 million in grants to local governments not appropriated in the State budget; and
- \$546 million in other grants.

The funds identified are ARRA appropriations that are distributed by formula to Maryland State and local governments. ARRA also funds programs for which State and local governments must competitively bid to receive grants. At this time, it is not possible to determine the fiscal impact that competitively bid appropriations will have on Maryland. **Exhibit 1** shows the effect the federal funds are expected to have on State spending in fiscal 2009, 2010, and 2011.

Exhibit 1
Impact of House Federal Recovery and Reinvestment Act on Maryland
State Fiscal 2009-2011
(\$ in Millions)

<u>Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
Potentially Helpful to the State General Fund				
Fiscal Stabilization – Education	\$0.0	\$296.0	\$425.2	\$721.2
Fiscal Stabilization – Discretionary	0.0	80.2	80.2	160.5
Medicaid	398.3	563.9	300.7	1,262.9
Subtotal	\$398.3	\$940.1	\$806.1	\$2,144.5
Education Grants Appropriated in the State Budget				
Special Education	\$26.0	\$104.0	\$78.0	\$208.0
Title I	22.5	89.8	67.4	179.7
Education Technology	1.0	4.2	3.1	8.3
Subtotal	\$49.5	\$198.0	\$148.5	\$396.0
Other Relief Appropriated in the State Budget				
State Energy Programs	\$7.2	\$28.7	\$21.5	\$57.5
Weatherization	0.0	35.0	30.6	65.6
Community Services Block Grant	1.7	6.9	5.1	13.7
Homelessness Prevention	0.0	2.9	2.9	5.7
Community Development Block Grant	0.0	2.2	0.0	2.2
Foster Care	3.2	12.9	9.7	25.9
Food Assistance	28.7	114.7	86.0	229.4
Temporary Assistance for Need Families	3.7	14.6	11.0	29.2
Ind. Living, Homeless Educ. & Work Study	0.5	2.1	1.6	4.2
Child Care & Development Block Grant	3.0	12.0	9.0	24.0
Vocational Rehabilitation	0.8	3.3	2.5	6.6
Workforce Inv./Dislocated Workers	4.4	17.6	13.2	35.3
UI State Administration Grants	1.5	6.2	1.5	9.2
Preventive Health BG/Immunization	0.5	2.0	1.5	4.0
Byrne Grants/Public Safety Grants	0.0	20.0	13.4	33.4
Subtotal	\$55.3	\$281.2	\$209.5	\$545.9
Infrastructure Appropriated in the State Budget				
Highways	\$53.9	\$269.4	\$107.8	\$431.0
Transit Capital	22.4	89.6	67.2	179.3
HOME Investment Partnerships Program	0.0	23.6	8.1	31.7
Clean Water	24.1	72.2	0.0	96.3
Drinking Water	6.8	20.3	0.0	27.0
Subtotal	\$107.1	\$475.1	\$183.0	\$765.2
Federal Grants Not Appropriated in the State Budget				
Local Homelessness Prevention	\$0.0	\$8.4	\$8.4	\$16.8
Local Community Development Block Grant	0.0	6.4	6.4	12.8
Head Start	7.9	0.0	0.0	7.9
Local Byrne Grants	0.0	9.5	6.3	15.8
Public Housing	0.0	48.4	0.0	48.4
Subtotal	\$7.9	\$72.7	\$21.1	\$101.8
Total	\$618.1	\$1,967.1	\$1,368.3	\$3,953.5

Source: Department of Legislative Services, March 2009

Additional Information

Prior Introductions: None.

Cross File: SJ 10 (Senator Stone) - Budget and Taxation.

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

Fiscal Note History: First Reader - March 16, 2009
mcp/hlb

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