

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 768
Appropriations

(Delegate George, *et al.*)

Spending Affordability Process - Forecasted Deficit - Spending Limits

This bill requires the Spending Affordability Committee (SAC), if a forecasted deficit is declared, to recommend a level of State spending that does not exceed the current fiscal year general fund appropriation by more than 3%. The Department of Legislative Services (DLS) is required to submit a report by September 1 annually that compares ongoing general fund appropriations with ongoing general fund revenues for the current fiscal year and five subsequent fiscal years. A forecasted deficit must be declared by DLS if the forecast for any subsequent fiscal year indicates that ongoing general fund appropriations are more than 5% higher than ongoing general fund revenues.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: The reporting requirement can be absorbed with existing budgeted resources.

Local Effect: The bill does not directly affect local government finances or operations.

Small Business Effect: None.

Analysis

Current Law/Background: Established in 1982, SAC studies and reviews the status and projections of State revenues and expenditures and the status and projections of the Maryland economy. SAC seeks to limit the rate of growth of State spending to a level that does not exceed the rate of growth of the State's economy. Annually, SAC

recommends to the Governor and Legislative Policy Committee the fiscal goals of the State government budget to be considered at the next General Assembly session. SAC recommendations cover levels of State spending, new debt authorization, and State personnel, as well as how any surplus may be used. SAC is composed of the Senate President and House Speaker; chairs of the Senate Budget and Taxation Committee and House Appropriations Committee; the majority and minority leaders of the Senate and House or their designees; an equal number of other senators and delegates chosen by the Senate President and House Speaker; and up to four members of the public who serve as citizen advisors.

SAC's prior recommendations and legislative action on the operating budget are reflected in **Exhibit 1**. In the past, the Governor's budget has generally complied with SAC recommendations, but it is not required to do so. The State Board of Revenue Estimates (BRE) makes official revenue forecasts in September each year. DLS prepares its own forecasts of State revenues and expenditures in October and presents them to SAC. BRE releases another official revenue forecast in December, after which SAC makes its final recommendations on the spending limit for the upcoming fiscal year. The Governor's annual budget submission is based on the December BRE forecast.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 1, 2009
ncs/rhh

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Exhibit 1
Spending Affordability Committee's Prior Recommendations and
Legislative Action on the Operating Budget
(\$ in Millions)

<u>Session Year</u>	<u>Committee Recommendation</u>		<u>Legislative Action</u>	
	<u>Growth Rate</u>	<u>Amount</u>	<u>Growth Rate</u>	<u>Amount</u>
1983	9.00%	\$428.0	5.70%	\$269.8
1984	6.15%	326.7	8.38%	402.0
1985	8.00%	407.2	7.93%	404.6
1986	7.70%	421.5	7.31%	402.2
1987	7.28%	430.2	7.27%	429.9
1988	8.58%	557.5	8.54%	552.9
1989	8.79%	618.9	8.78%	618.2
1990	9.00%	691.6	8.98%	689.7
1991	5.14%	421.8	5.00%	410.0
1992	No recommendation		10.00%	823.3
1993	2.50%	216.7	2.48%	215.0
1994	5.00%	443.2	5.00%	443.2
1995	4.50%	420.1	4.50%	420.0
1996	4.25%	415.0	3.82%	372.8
1997	4.15%	419.6	4.00%	404.6
1998	4.90%	514.9	4.82%	506.6
1999	5.90%	648.8	5.82%	640.6
2000*	6.90%	803.0	6.87%	800.0
2001**	6.95%	885.3	6.94%	884.6
2002	3.95%	543.2	3.40%	468.1
2003	2.50%	358.2	0.94%	134.1
2004	4.37%	635.2	4.33%	629.0
2005***	6.70%	1,037.1	6.69%	1,036.3
2006***	9.60%	1,604.7	9.57%	1,599.0
2007	7.90%	1,450.0	7.51%	1,378.4
2008	4.27%	848.7	4.16%	826.8
2009	0.70%	146.0		

*2000 legislative action does not reflect \$266 million of Cigarette Restitution Fund (CRF) appropriations. CRF dollars were excluded because they had not previously been available to the State. The 2000 growth rate including CRF dollars was 9.16%.

**Data from the 2001 session and subsequent years reflect a revised methodology for calculating the spending affordability limitation.

***The committee initially approved a limit of 5.70% for 2005 and 8.90% for 2006.

Source: Department of Legislative Services
