

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 806 (Senators Pipkin and Brinkley)
Budget and Taxation

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 at one time during a fiscal year. The Governor must present proposed reductions to the General Assembly's budget committees at least one week before presenting proposed reductions to the Board of Public Works (BPW) for approval.

The bill takes effect July 1, 2010.

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.

The Attorney General’s Office has advised the Executive and Legislative branches that the limit is applied to a “current” appropriation as opposed to the initial appropriation adopted by the General Assembly, meaning that an appropriation can be reduced by up to 25% in each round of cost containment over the course of a fiscal year, and is applied at the agency or departmental level rather than at the program or individual item level.

Background: The Governor has used this budgetary authority numerous times to address the State’s fiscal problems. According to the Department of Budget and Management, since fiscal 1991, BPW has authorized the Governor to reduce appropriations by more than \$3.1 billion on 26 occasions. During this period of time, 45 specific appropriations were reduced by an amount more than 10%.

The most recent use of this authority occurred in July, August, and November 2009, when the Governor proposed and BPW unanimously adopted a total of \$956.7 million in reductions to fiscal 2010 appropriations during three rounds of cost containment. The board’s action reduced general fund spending by \$531.4 million or about 3.8%. **Exhibit 1** shows the cost containment reductions by category.

Exhibit 1
BPW General Fund Reductions by Budget Category – Fiscal 2010
(\$ in Millions)

<u>Category</u>	<u>Total Reductions</u>	<u>% of Total</u>	<u>Reduction as a Share of the Appropriation</u>
State Agencies	\$285.1	53%	4.8%
Entitlements	180.2	34%	8.9%
State Aid	41.1	8%	0.1%
Reserve Fund	<u>25.0</u>	<u>5%</u>	<u>17.9%</u>
Total:	\$531.4	100%	3.8%

Source: Department of Legislative Services

Additional Information

Prior Introductions: HB 285 of 2004 and HB 531 of 2005 were referred to the House Appropriations Committee, but no further action was taken on either bill. HB 444 of 2006 received a hearing in the House Appropriations Committee, but no further action was taken.

Cross File: None.

Information Source(s): Attorney General's Office, Board of Public Works, Department of Budget and Management, Governor's Office, Department of Legislative Services

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