

Maryland's Budget Process Needs Reform

Position Statement in Support of House Bill 1332

Given before the House Appropriations Committee

Maryland's budget process is unique. Its unusual executive-dominated model of budgeting allows the legislature only to reduce or restrict funding. Both the governor and legislature could do a better job of setting priorities and making important investments in the state's economy and quality of life if the state adopted significant changes to the annual state budgeting process. House Bill 1332 would modify Maryland's budget process by strengthening the fiscal capacity of the General Assembly. These reforms would put the public good ahead of politics and increase accountability. For these reasons, the Maryland Center on Economic Policy supports House Bill 1332.

Our budget should be a reflection of our shared priorities as a state, so it makes sense that it would include priorities identified by our elected representatives in both the executive branch and the legislature. However, under Maryland's unusual executive-dominated budget process, the legislature cannot increase funding for programs in most areas of the budget, even if they cut from other areas. That means the primary tool the legislature has to determine the state's level of investment in the public good and represent constituents' priorities is through funding formulas passed as regular legislation. As a result, the changes often can't go into effect in the upcoming budget year, unless the governor agrees to amend the budget.

Maryland is one of only three states that limit the ability of the legislature to increase spendingⁱ. The state created this limit on the power of the General Assembly in response to a problem that no longer exists. In 1916, the state faced large deficits and, in response, reformers won passage of an amendment to the state constitution that increased the power that the governor has over the budget. House Bill 1332 offers a better way to share decision-making authority between the branches. This bill would ultimately allow the Maryland legislature to add spending items to the operating budget, provided that the overall spending level the governor proposed is maintained. Maryland voters would have a chance to weigh in first, as the proposed constitutional amendment would be on the ballot in the next election.

The inadequacy of the state's current model has been evident at various points in recent years. For example, in 2015 the General Assembly put forth a bipartisan plan to restore over \$202 million in proposed cuts to education, healthcare, and other priorities. Because of the imbalance of budget power, the governor was able to refuse to spend \$68.1 million that the legislature had fenced off specifically for education. As a result, the following school year 80 percent of Maryland students attended schools that had fewer resources to invest in their education than the legislature felt was necessary and financially reasonable. Even though an overwhelming number of General Assembly members—and many Marylanders—disagreed with the governor's decision, our outdated budget system prevented anyone from overruling the governor's decision.

There are no other states in which only the Governor can directly add items or amounts to the executive branch operating budget. Multiple independent, nonpartisan reviews in the early 2000s recommended updating Maryland’s unbalanced budget processⁱⁱ. However, nothing has changed since that time. We know the state will be continue to face significant fiscal challenges and major budgeting decisions in the future. A process that creates increased collaboration between the governor and the legislature would allow us to better address these challenges.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Appropriations Committee make a favorable report on House Bill 1332.

ⁱ The Department of Legislative Services Office of Policy Analysis, “Assessment of the Maryland Budget Process.” July, 2003. <http://www.mgaleg.maryland.gov/pubs/budgetfiscal/2003rs-Assessment-of-the-Maryland-Budget-Process.pdf>

ⁱⁱ Meyers, Roy and Pilkerton, Thomas, “How Can Maryland’s Budget Process Be Improved,” Maryland Institute for Policy Analysis and Research (MIPAR).September, 2003. <http://userpages.umbc.edu/~meyers/improveMD.pdf>