

MDNonprofits_HBogdan_support_SB1028

Uploaded by: bogdan, henry

Position: FAV

March 4, 2020

To: Chair and Members of the Senate Budget and Taxation Committee

From: Henry Bogdan, Public Policy Director

Re: Senate Bill 1028 – Balancing the State Budget

Position: **Support**

Maryland Nonprofits supports Senate Bill 1028 and its proposed amendment to the Maryland Constitution that would grant the General Assembly at least a modicum of the budgetary power that many state legislatures may exercise for their constituents.

The General Assembly may be the weakest state legislature in the country in terms of its authority to direct public spending. For 100 years the state's budgetary power has been concentrated in the Executive. This is not only the authority to include or increase items in the executive budget, but by virtue of statute, to also reduce appropriations approved by the General Assembly, including most statutory mandates, by vote of the Board of Public Works.

Senate Bill 1028 would allow the voters of Maryland to vest in their locally-elected representatives in the House of Delegates and State Senate at least some power to re-direct program spending proposed by the Governor in the Budget Bill. It is important to remember that this amendment does not include any power to raise the overall level of spending.

In the absence of this authority, the only power of the legislature, theoretically the people's policy-making body, to prioritize the use of state funds is by "mandating" expenditures in a future budget

As a very practical matter, members of the General Assembly, elected from districts that each represent slightly more than 2% of the state's population, are clearly more easily accessible, and more accountable, to the people than the Governor of the State. The lack of greater balance in budgetary power reduces the practical influence and engagement of citizens, individually or through associations, on decisions regarding the use of public funds and the priorities of their state government.

For these reasons we strongly urge a **favorable report** on Senate Bill 1028.

AFSCME_FAV_SB1028

Uploaded by: Kilpatrick, Lance

Position: FAV



190 West Ostend St., #201
Baltimore, MD 21230
Phone: 410.547.1515
Fax: 410.837.5436

Patrick Moran - President

Testimony
SB 1028 – Balancing the State Budget
Budget & Taxation
March 4, 2020
Support

AFSCME strongly supports SB 1028. This amendment to the Maryland Constitution would modify the State budget process by allowing the General Assembly to increase appropriations made by the Governor and add additional appropriations for Executive Branch agencies, though not to exceed the total allowance as originally submitted by the Governor. The Governor can veto any increase or item added by the General Assembly, and if the Governor does so, the General Assembly may convene in an extraordinary session within 30 days after the Governor’s action to consider the vetoed items, provided the session solely considers action on the budget vetoes.

Maryland is alone in having the legislature – by logical definition the appropriating vehicle of government – engaged in such a limited way as to the development and execution of a state’s spending priorities. Money can’t be added, nor can money be reassigned from one area of spending to another.

This process, dating back to the early part of the 20th century, creates an inability for the tools of negotiation and compromise to be effectively employed – but it does create incentive to mandate spending and sharpen ideological differences. We find ourselves today in an environment where partisanship fosters talking past each other versus engagement to find common ground. For example, both the Governor and the General Assembly have stated that addressing understaffing in the Department of Public Safety & Correctional Services is a priority. In 2019 the General Assembly set aside \$7 million specifically for recruitment and retention of correctional officers. The Governor chose to withhold the expenditure of those funds, with no legislative recourse. If this amendment had been in place, there would have been a legislative reallocation, with the ability for the Governor to veto that reallocation – and then an ability of the Legislature to override that veto if they chose to do so. This process, much closer to the typical process of U.S. state governments, is logical and fair.

SB 1208 would restore a balance of powers to the executive and legislative branches when it comes to determining Maryland’s spending priorities. AFSCME Council 3 asks for a favorable report of SB 1208.

Every AFSCME Maryland State and University contract guarantees a right to union representation.
An employee has the right to a union representative if requested by the employee.
800.492.1996

Find us: afscmemd.org
Like us: facebook.com/AFSCMEMD
Follow/Tweet us: [@afscmemaryland](https://twitter.com/afscmemaryland)

MD Center on Economic Policy_FAV_SB1028

Uploaded by: Orr, Be1

Position: FAV

Maryland's Budget Process Needs Reform

Position Statement in Support of Senate Bill 1028

Given before the Senate Budget and Taxation 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. Senate Bill 1028 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 Senate Bill 1028.

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. Senate Bill 1028 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 Budget and Taxation Committee make a favorable report on Senate Bill 1028.

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>

MSEA_FAV_SB1028

Uploaded by: zwerling, samantha

Position: FAV

Testimony in Support of Senate Bill 1028 Balancing the State Budget

**Senate Budget & Taxation Committee
March 4, 2020**

**Samantha Zwerling
Government Relations**

The Maryland State Education Association supports Senate Bill 1028, a constitutional amendment, that would allow the Maryland General Assembly to add money back into the state budget for executive agencies. This change to the state constitution would need the approval of voters on the November 2020 ballot. If passed, Maryland would join most other states in the country that allow legislatures to have almost equal budgeting power as the Governor.

MSEA represents 75,000 educators and school employees who work in Maryland's public schools, teaching and preparing our 896,837 students for the careers and jobs of the future. MSEA also represents 39 local affiliates in every county across the state of Maryland, and our parent affiliate is the 3 million-member National Education Association (NEA).

Maryland's current budget process is unique and gives the Governor the most budgetary power in the country. If approved by voters, this constitutional amendment would bring Maryland in line with other state legislatures that can add to the Governor's budget. The current restrictive process limits the General Assembly's ability to meaningfully affect the appropriation recommendations of the Governor. Senate Bill 1028 would better facilitate collaboration between the Governor and the General Assembly to set priorities for the State, and to provide the resources to fund those priorities.

This constitutional amendment would allow the General Assembly to better respond to the needs of the State and limit the need for complicated and less transparent budget maneuvers like the BRFA. Legislators would be able to move savings from one part of the budget to areas of great need like public education. The Kirwan Commission has determined that Maryland will need to put substantially more resources into education if our state is to help our citizens become truly successful in the very competitive national and global economies. This is the time to locate and allocate more resources to public education and ensure that our budget process is as nimble as possible. The passage of this bill helps to do just that.

Senate Bill 1028 would make Maryland's budget process more transparent and give the General Assembly the ability to ensure vital state programs are funded at the necessary levels.

MSEA urges a favorable report of Senate Bill 1028.

DBM_INFO_SB1028

Uploaded by: Wilkins, Barbara

Position: UNF



LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lieutenant Governor

DAVID R. BRINKLEY
Secretary

MARC L. NICOLE
Deputy Secretary

SENATE BILL 1028 Balancing the State Budget (Rosapepe, et al)

POSITION: OPPOSE

DATE: March 4, 2020

COMMITTEE: Senate Budget & Taxation Committee

SUMMARY OF BILL: SB 1028 is a Constitutional Amendment that would allow the General Assembly to increase or add appropriations to the Budget Bill, not to exceed the total allowance submitted by the Governor. The Constitutional Amendment is to be submitted to the voters for approval at the November 2020 general election.

EXPLANATION OF POSITION: The Department of Budget and Management (DBM) opposes weakening the Executive Budget System that has existed since the enactment and ratification of Section 52 of Article III of the Maryland Constitution in 1916. The rationale for the Executive Budget Amendment is that the Governor is the official best suited to preparing a comprehensive plan of expenditures because he has daily responsibility for the administration of State government. Not only is the Governor in the best position to provide fiscal leadership, but he is the person that will be held singularly accountable by the electorate for the conduct of the State's financial affairs.

It is important to understand the impetus for the Executive Budget Amendment. In 1915, the State faced a financial crisis when appropriations exceeded revenues by \$1.5 million – total revenues were only \$12 million. The legislature possessed the power to initiate appropriation measures and, in fact, legislative appropriations increased from FY 1905 to FY 1915 by 153%. For nearly a decade, the Comptroller warned the General Assembly that “demands upon the Treasury have increased greater proportionately than its revenues.” Reigning in the legislature's spending power was needed to maintain a balanced budget. The purposes of the Executive Budget Amendment are as relevant in 2017 as they were in 1916.

Section 52 was revised in 1978 to allow the General Assembly to enact a statute requiring the Governor to fund a program at a particular level of funding. That mandated appropriation provision provides the legislature with significant budget authority and its use has become more prevalent in the past decade.

The General Assembly's increasing reliance on mandates and entitlement spending makes it more difficult to resolve our chronic long-term structural budget deficit which has existed for more than a decade.

DBM notes that all three bond rating agencies, as recently as February 24, 2020, have positively affirmed the importance of the State's strong Executive Budget System. Moody's, Standard & Poor's, and Fitch, each cited Maryland's strong and centralized financial management and its history of conservative fiscal operations as key reasons for renewing the State's triple AAA bond rating. All three rating agencies also specifically commended the Governor's ability to make proactive adjustment to the State's budget at the Board of Public Works, when necessary. Specifically, Standard & Poor's complements Maryland's "long history of proactive financial and budget management, including frequent and timely budget adjustments to align revenues and expenditures." Similarly, Fitch comments that "financial resilience is extremely strong with a willingness to trim spending commitments in response to changing circumstances."

DBM would further note, that not all spending is alike. Specifically, the Administration is concerned that the General Assembly could reallocate funding that is mandated for one-time purposes such as the Rainy Day Fund or pension funding to ongoing expenses that create longer-term structural problems. Recent experience would suggest that there is a strong likelihood of this occurring in the future.

- For example, during the FY 2020 budget deliberations, the General Assembly reallocated funding that would be appropriated for the Rainy Day Fund and for one-time capital projects and instead required that the funding be used to support ongoing costs in the form of a 2% cost-of-living-adjustment for certain unions.
- Similarly, during the 2016 Session, the General Assembly reallocated \$80 million in funding meant for the Rainy Day Fund and repurposed it for a variety of purposes, including grants to local governments, increases in physician rates, and various other grant programs. There are other instances of this occurring and there is no reason to believe that this would not continue after the enactment of a constitutional amendment.

Finally, it should be noted that the General Assembly's actions typically add to the structural budget deficit when compared to the budget introduced by the Governor.

- For instance, in FY 2019, the cumulative structural deficit for the FY 2020 through FY 2024 forecast period was more than \$1 billion greater after the General Assembly enacted the budget than it was when the Governor introduced it.

Proponents of this legislation may point out that legislatures in other states have the authority to add appropriations. That statement was true in 1916 and it is true today – one century later. But no state can match the fiscal record of Maryland. Maryland has maintained its triple AAA bond rating for nearly 60 years.

For these reasons, we respectfully request an unfavorable report.

**For additional information, contact Barbara Wilkins at
(410) 260-6371 or barbara.wilkins1@maryland.gov**

