



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

The Board of Public Works Budget Reduction Clarification Act (HB 133)

Testimony of Delegate Marc Korman -- Favorable

Thank you Madam Chair, Mr. Vice Chair, and my colleagues on the Appropriations Committee. I come before you today to discuss The Board of Public Works (BPW) Budget Reduction Clarification Act (HB 133). The legislation will make three important changes to the BPW's long-standing interim budget cutting authority, building upon legislation passed through this Committee and into law in 2016.

The BPW consists of the Governor, the Comptroller, and the Treasurer, and has numerous responsibilities related to the approval of state expenditures. The BPW can currently make budget reductions to certain appropriations in the state's operating budget of "not more than 25%."¹ Because of the wording of the statute, it is actually unclear if this budget cap allows the BPW to cut 25% of an agency's total appropriation, or just 25% of a specific line item. Furthermore, it is unclear if the statute means multiple 25% cuts can be made over the course of a fiscal year.

The Board of Public Works Budget Reduction Clarification Act makes three changes to clarify the statute and improve transparency.

First, the BPW will be required to provide advance public notice of any cuts within 10 business days, an increase from the 2016 legislated requirement of three business days. This change will not only provide greater transparency for the BPW, but will also give stakeholders and the public insight into the process that impacts the state functions they care about. When we passed the three business days requirement a few years ago there were doomsday warnings from some, but in reality it worked entirely as planned. There was no negative impact on the bond rating and most budget reductions have gone through when necessary, but some proposed budget reductions were more carefully scrutinized and revised or rejected. All in the light of day.

Second, the bill clarifies that the BPW can reduce a total of 25% over the course of a fiscal year, not 25% every time the Board meets. That is the better reading of the statute and mostly adhered to historically. Governor Hogan has acted consistently with that understanding, but his predecessor did not. In 2009, our research found that three agencies saw their budgets reduced by more than 25% for the fiscal year: Maryland Energy Administration (44%); Department of Information Technology (26%); and the Department of Housing and Community Development

¹ Md. Code State Finance & Procurement Art. § 7-213.

(27%). The bill would eliminate the unintended consequences resulting from the current interpretation of the law which has enabled these agencies to exceed the 25% budget ceiling. With clearer and undisputable language, the bill would restore the original goal of the law which is to allow the BPW to make a limited set of reductions to the state operating budget when the fiscal situation demands it, but not allow the BPW to essentially supplant the legislature by gutting entire programs or agencies.

Third, and on a similar note, the legislation clarifies what the BPW can reduce 25% of a line item. Under some interpretations of the current law, the BPW could reduce by 100% of certain line items—that is to say, programs—in the budget as long as it is less than 25% of the entire agency. The current language could be dangerously misinterpreted, granting the BPW power to effectively eliminate programs that the legislature has created. Again, the BPW is empowered with emergency budget reduction authority to allow Maryland to maintain a balanced budget when the General Assembly is not in session. Giving the BPW the authority to eliminate entire programs created and funded by the legislature supplants our role.

I urge the committee to support the Board of Public Works Budget Reduction Clarification Act to increase transparency, clarify the reduction process and limit cuts to valuable programs.