Nov. 2015

Maryland's Budget Should Reflect Our Values

The way in which state resources are spent affects all Marylanders. Understanding how those decisions are made is the key to effective advocacy and protecting the state investments on which our economy is built.

The Two Most Important Facts about Maryland's Budget

- Maryland doesn't invest enough in the building blocks of our economy.
- Not all Marylanders pay their fair share.

Recent Budget Facts

The budget approved for Fiscal Year (FY) 2016 totals $40.5 billion. This was a 1.5 percent increase from last year's budget. Over the past 5 years, the budget has increased an average of 4 percent from year to year. The growth in the budget is due to population growth (which increases education costs and service costs, among other things), changes in demand for service (particularly in response to the long-lingering effects of the Great Recession), inflation, and spending increases.

The Governor and legislature focus most of their attention on the General Fund portion of the budget. The General Fund excludes federal funds and "special funds" that are dedicated to particular purposes. General Funds are used to pay for all the services people typically associate with state government, like education and public safety. In FY 2016, the General Fund budget is $16.4 billion, an increase of 2.8 percent. In recent years, due to the ongoing recovery from the recession, the state has diverted special funds to the General Fund to help balance the budget. Without those actions, Marylanders would have faced drastic cuts to necessary services. Often these funds have been replaced through borrowing by the state. While the state still has an excellent credit rating, allowing borrowing at lower interest rates, it has borrowed nearly as much as it can without putting that credit rating at risk. Going forward, it will be even more important to ensure that Maryland has the sustainable revenue sources needed to support services.

Outlook – Increased Funding Still Needed to Maintain Current Services

The state must raise enough revenue to maintain current service levels, otherwise it must cut programs. Small budget increases from year to year are necessary to support inevitable growth in state spending as the population grows and changes. Marylanders, like the state itself, are still recovering from the Great Recession. State revenues, while momentarily higher due to unusual capital gains growth, are still at long-term risk due to the extraordinarily long and deep recession, reductions in federal spending, the slow recovery of the nation's economy, and because we don't ask those at the top to pay their fair share. Hardworking families have been operating and continue to operate under a constant threat of damaging cuts to education, healthcare, and other critical services. The recession affected the majority of Marylanders and such cuts would take away supports for people hit by the bad economy. They would eliminate jobs for workers and revenues for businesses and nonprofits, reducing economic activity. Additional budget cuts would shift costs to local budgets at a time when local revenues are still low. And these cuts would harm Maryland's competitive position in the coming years. Maryland should use a balanced approach to balancing the budget every fiscal year, including reasonable revenue measures.

State Priorities

The largest items in the state operating budget are health and education, which together comprise almost two-thirds of the state budget. If we add transportation, human services, and public safety, then these six largest functions total 82 percent. The remaining 19 percent covers everything else, including environmental programs, the court system, debt payments, business development, arts and culture, and tax collection.

Where Does the Money Come From?

More than 80 percent of General Fund revenue comes from the personal income tax and sales tax. These sources are quite sensitive to economic conditions. As the state continues to recover from the recession, the Governor and lawmakers must look to other revenue options to protect Maryland and ensure that all those who benefit from state services pays their fair share.

Who Decides?

The state starts work on the next budget every summer. The Department of Budget and Management sends individual agencies instructions from the Governor, then each agency develops and submits its budget to DBM. Then DBM and the Governor work together to develop a comprehensive budget, which may or may not include everything the agencies asked for.

There is no formal process to allow for citizen input on the Governor's budget, but members of the public have the opportunity to submit written requests or try to meet with the Governor or members of his cabinet, who oversee agency budgets.

The Governor must submit this comprehensive budget to the General Assembly by the third Wednesday in January. Unlike in most states, the Maryland legislature has limited powers to adjust the governor's budget. Legislators can reduce allocations, but not increase or move funding. To make those types of changes, they must convince the governor to submit a supplemental budget that includes their desired changes. The legislature holds hearings and works feverishly for 75 days to pass a budget by the deadline in early April. Once the legislature passes the budget, it goes into law without the governor's signature.

As part the legislative review, the General Assembly holds a series of hearings on different parts of the budget, which offers another opportunity for input from members of the public.

Once the budget is adopted, the Board of Public Works – which includes the Governor, Comptroller and Treasurer – can make additional adjustments to the budget without notice.