

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 133
Appropriations

(Delegate Korman)

Budget and Taxation

State Finance and Procurement - Appropriation Reductions (Board of Public Works Budget Reduction Clarification Act)

This bill limits the Governor’s authority to reduce specified appropriations, subject to the approval of the Board of Public Works (BPW), to up to 25% of the legislative appropriation as approved by the General Assembly for any eight-digit program in the State operating budget in any fiscal year. The bill also increases, from three business days to seven calendar days, the advance notice that BPW must give before it may approve a proposed reduction. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: State expenditures may be affected to the extent that future interim budget reductions exceeding the bill’s limit for a particular agency would be approved by BPW in the absence of the bill, as discussed below. The expanded notice requirement can be met with existing resources; however, it may delay BPW action on proposed reductions. Revenues are not affected.

Local Effect: Local revenues and expenditures may be affected, as discussed below.

Small Business Effect: None.

Analysis

Current Law: With the approval of BPW, the Governor may reduce up to 25% of any appropriation that the Governor considers unnecessary or that is subject to budgetary

reductions required under the budget bill approved by the General Assembly. However, the Governor may not reduce an appropriation for:

- the Legislative or Judicial branches of State government;
- payment of the principal or interest on State debt;
- public schools, including the Maryland School for the Deaf;
- the Maryland School for the Blind; or
- the salary of a public officer during the term of office.

Required Notice

At least three business days before BPW may approve a proposed reduction, the Secretary of Budget and Management must (1) publish notice of the proposed reduction on the Department of Budget and Management's website in a machine-readable format; (2) provide the notice to BPW for publication on the board's website; and (3) provide written notice to the Legislative Policy Committee, the Senate Budget and Taxation Committee, and the House Appropriations Committee.

Notice of the proposed reduction must include the name of the State agency or program for which the appropriation is intended; a brief narrative summary of the impact of the proposed reduction on the agency or program; the amount of the proposed reduction in dollar and percentage values; the fund source of the appropriation subject to the proposed reduction; and any projected reductions in workforce as a result of the proposed reduction.

State Expenditures: Since fiscal 2007, cost containment reductions have been implemented via BPW several times: in each budget from fiscal 2007 through 2010 and in fiscal 2015, 2017, 2018, 2020, and 2021. Most recently, in July 2020, BPW adopted \$413.2 million in cost containment actions, including \$394.9 million in general funds. The Attorney General's Office has consistently advised that the 25% limit on budget reductions authorized under § 7-213 of the State Finance and Procurement Article applies to the agency or departmental level rather than the item or program level.

In fiscal 2009 and 2010, BPW approved multiple rounds of reductions in order to balance the budget. According to research conducted by the Department of Legislative Services, in fiscal 2009, three agencies (the Maryland Energy Administration, the Department of Information Technology, and the Department of Housing and Community Development) experienced cumulative general fund budget reductions in excess of 25% of their fiscal 2009 legislative *general fund* appropriation; however, the cuts were less than 25% of the agencies' *total* legislative appropriation and, thus, allowed under current law.

Under the bill, the 25% budget reduction limit applies at the *program* level, as opposed to the agency or departmental level. Further, the bill specifies that interim budget reductions

may not exceed 25% of the legislative appropriation for any eight-digit program in the State budget bill in a given fiscal year. Thus, State expenditures may be affected to the extent that future interim budget reductions exceeding the bill's limit for a particular agency would be approved by BPW *in the absence of the bill*. Reductions exceeding 25% of the legislative appropriation for any program are precluded.

The bill's impact on agency- and program-level expenditures depends on the distribution of future cost containment reductions across State programs. To the extent such reductions are more widely spread across State programs as a result of the bill, some State agencies may experience greater or lesser reductions. Nevertheless, the total amount of reductions taken in any given year is likely not materially affected since such reductions are proposed and approved when necessary to keep the budget in balance.

Local Fiscal Effect: Local revenues and expenditures are affected to the extent that State grants to local governments are affected. The precise impact to local governments, however, is uncertain, due to the reasons discussed above.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 30 (Senators Elfreth and Guzzone) - Budget and Taxation.

Information Source(s): Board of Public Works; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - January 18, 2021
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Analysis by: Elizabeth J. Allison

Direct Inquiries to:
(410) 946-5510
(301) 970-5510