

# MARYLAND TAX EDUCATOR

## SPENDING AFFORDABILITY BRIEFING

The Maryland legislature's Spending Affordability Committee (SAC) met November 12, 2002 to learn from legislative staff recommendations what their alternatives are for setting levels of spending for the FY 2004 Budget. Some new faces were present, some old faces did not show up, some old faces left early, and almost no one seemed excited about the staff recommendations. Only a few members asked questions.

New was Delegate Alfred Redmer, replacing former Delegate Bob Kittleman, now a Sena-

tor. New was Dana M. Jones, a public member. Jones is the executive director of the Tri-County Council in Southern Maryland, a Community Action Committee. Jones was appointed by Speaker Casper Taylor. There is one vacancy in the membership from the House of Delegates. Public members not attending were H. Furlong Baldwin and John Miller. Legislators not attending were Delegates Casper Taylor, Sheila Hixon, Martha Klima, and Senators Clarence Blount and P. J. Hogan. Leaving

early from the one and a half hour meeting were Delegate Maggie McIntosh and Senator Robert Neal.

Interestingly, some on-lookers came to this meeting. Delegate Norman Conway, the House Co-Chair, introduced Lt. Governor-Elect Michael Steele, who attended the meeting to learn what the Legislature was doing about the budget situation. MTEF's president sat next to Steele and had a chance to say a few words about the last six-years of SAC meetings MTEF has attended. Steele had a very

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## TEACHER COMPENSATION STUDY

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active time meeting legislators until the briefing started. At the end, Delegate Pete Rawlings, House Appropriations Chairman, made a bee line to say hello to Steele and the press people bombarded Steele with questions. Sitting behind the SAC was Maryland Treasurer, Nancy Kopp, who until recently, was the House Co-Chair of the SAC. Kopp was introduced by Senate President Mike Miller. Kopp may or may not be re-elected as Treasurer next year. Miller and Senator Thomas Middleton, by the way, have seldom been present at SAC meetings for more than a few minutes, sometimes not at all. This time they stayed to the end.

The SAC meets one more time on November 19 at 4:00 P.M., then it will have a final decision session on December 17 at 6:00 P.M. At the next meeting, staff will report on more spending alternatives, capital debt, and personnel. Several issues will be decided by this statutory committee. First, how much of an increase in General Fund spending will it recommend to the other members of the Legislature. Second, how much capital debt increase and spending will it allow. And it will decide the effect of accelerating the Earned Income Tax Credit from 16% to 20% next year as well as the number of new personnel the state can hire. During the last couple of legislative sessions new tasks have been assigned to this Committee.

What happens at these meetings is that the legislative staff, pre-

sumably acting in a non-partisan way, reviews areas of the budget revenues, expenses, and legislative mandates, giving potential options for actions that would increase or decrease the two sides of the ledger. Sometimes the ideas offer a means of balancing the budget; sometimes the ideas do not. The ideas are legislative options left to the legislators.

Here is what happened with some editorial remarks interspersed in a different type format. Warren Deschenaux made opening remarks telling the SAC what its responsibility was for this year; he described in general terms the problems facing the Legislature with a total \$1.7 Billion shortfall and he minced no words in telling them that the deficit was due to spending and lack of revenues.

Theresa Tuszynski gave a broad economic analysis of the United States and Maryland showing a chart that spending and personal income have tracked one another since 1984. [This chart needs to be explored since the spending affordability limits have been a larger percentage increase than the personal income growth percentages in most of the last six years.] Tuszynski claimed that productivity was growing. [There is a difference in productivity in private industry and state government. Tuszynski did not explain this.] She said that Maryland employment and U.S. employment both changed year-over-year in a downward spiral, with Maryland reaching 17,000 fewer jobs in July 2002. Since summer employment is increasing. Personal Income and Wage & Sal-

ary Income both went from 7% down to less than 3% in a year-over-year change. She said that income was not falling, but growth was slowing. Economic forecasting is being done by buying data from Economy.com and four other economic analytical firms, then the staff adds their own interpretations. Personal income, for example, is projected for Marylanders at a percent change of 4.6% in 2003 over 2002, 5.3% in 2004 over 2003, and 5.4% in 2004 over 2003. Wage & Salary Income for the same years is projected at 4.5%, 5.7% and 5.6%. She ended on a sour note when she said that war with Iraq could send us into another recession.

David Romans spoke about Potential Fiscal Deficiencies in the current Fiscal Year of July 1, 2002 to June 30, 2003 and about the Fiscal 2004 Baseline. In the present Fiscal Year through October, we are \$36.6 million short of revenues. For the FY 2004, the projection is that we are \$131.4 million short. These numbers are in the General Fund Revenues, which does not include Federal payments, tuition payments and the like. The General Fund is made up of all of the State taxes, plus fines levied, hospital patient recoveries, interest on investments and other revenue items. The General Fund for FY 2004 is projected at \$10,028 Millions.

At the same time, the deficit projected for FY 2003 in the General

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Fund is \$385 Million. FY 2002 revenues were down over 4%, but the current forecast for ending FY 2003 is going to leave a negative balance of \$590 Million next June 30.

Deficiencies will be about \$100 Million on top of the negative balance. This means that the current budget plan will be that much short because program costs were not estimated correctly – Mental Health, \$36 Million; Overestimate of Reversions, \$25 Million; Foster Care, \$16 Million; Department

of Human Resources, \$13.7 Million; Public Safety, \$4.7 Million and other shortfalls of \$4.1 Million. These are the result of more people participating in a program or fewer dollars being received.

Baseline budget forecasts take into consideration a number of budget concepts and assumptions. Projections show a 1% increase in pupil enrollment, 3.9% in Medicaid, 8.0% increase in Children's Health costs, a reduction of – 1.0% for temporary cash assistance and an increase in Foster

Care/Adoption costs of 2.8%.



Typical Maryland Taxpayer

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TO GOVERN THEMSELVES A  
PEOPLE MUST HAVE KNOWLEDGE

**MTEF**

[www.marylandtaxeducation.org](http://www.marylandtaxeducation.org)

## MESSAGE FROM THE PRESIDENT

William J. Skinner, R.Ph., Esq.  
President, MTEF



*MTEF will work hard to educate  
Maryland Taxpayers about state  
spending.*