

Testimony on
SB 691 (State Budget–Modifications-Reporting), and
SB 692 (Task Force to Study the Needs and Expenditures of State Programs)¹

before the Senate Budget and Taxation Committee
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Roy T. Meyers
Professor of Political Science
UMBC²

Chairman Currie and members of the committee, thank you for the opportunity to testify on these two bills.

I would like to suggest that you endorse in principle the goals these bills are meant to address, but postpone final consideration until you conduct a more comprehensive study of other possible changes to Maryland’s budget process. In last fall’s special session, the General Assembly statutorily required such a study. The Spending Affordability Committee, in cooperation with the Department of Budget and Management, is to complete a report by December 15, 2008, that will address “how current laws and practices relate to national norms and best practices with respect to budget formulation, review, management, and oversight by the Executive and Legislative branches.”

While Maryland’s budget process does have many good features, there is certainly room for improvement. The two bills being heard today seek to, first, increase the transparency of cuts to services (SB 692), and second, develop a statement of how much more funding would be needed to provide the services that should be provided to those in need (SB 691).

These are laudable goals. Those who work day-to-day with state

¹ Crossfiled as HB 1190 and HB 109, respectively

² <http://userpages.umbc.edu/%7Emeyers/index.html>, meyers@umbc.edu.

programs know there are many citizens who could benefit from the services these programs offer, but who do not receive them because of insufficient funding.³

While Governors always highlight spending increases included in budgets, they typically downplay funding or service cuts included in the same budgets. SB 692 could make Governors slightly less likely to impose such cuts because the cuts would be more transparent.

But unfortunately, fiscal realities sometimes require Governors to make cuts to worthy programs. Yet if a Governor's choices of which programs should be cut are not to the liking of the legislature, this bill would do nothing to allow the legislature to change those priorities.

I have written previously about the serious drawbacks of the Maryland Constitution's limit on the legislature's budget powers.⁴ It undemocratically reduces the public's opportunity to affect budgetary priorities through the legislature. And it indirectly encourages excessive legislatively-mandated spending in future budgets, which reduces the state's ability to respond to emerging priorities.⁵ I hope that one of you will take up the torch previously carried by Senators Levitan and Hogan, and advocate a rebalancing of gubernatorial and legislative powers.

The other bill under consideration today, SB 691, would charge a temporary task force with reporting by late 2009 on the "funding

³ See, e.g., Maryland Budget and Tax Policy Institute, and Advocates for Children and Youth, "Juvenile Services Budget: Funding for Current Operations But Not for Significant Reforms," February 2008.

⁴ See my paper, "How Can Maryland's Budget Process Be Improved?," coauthored with Thomas S. Pilkerton, September 2003, Maryland Institute for Policy Analysis and Research, <http://userpages.umbc.edu/%7Emeyers/improveMD.pdf>.

⁵ See Department of Legislative Services, "Considering Mandate Reform," Presentation to the House Committee on Appropriations, 11/2/07. Note that if even more spending is mandated, the inevitable BRFA cuts in response to budget deficits would place even more blame on the legislature for cuts to an expanded base.

requirements” and “needs” for many of the state’s activities (though it seems to exclude transportation activities). The model here appears to be the Thornton Commission, which triggered a massive spending increase for elementary and secondary education.

I fully support a process that could show how Maryland is missing opportunities to improve the quality of life for all citizens when there is insufficient funding for programs that effectively address those citizens’ needs. But there are reasons to doubt that the process proposed in SB 691 is the best approach.

Consider the state’s recent fiscal history. Thornton’s increase was enacted without sufficient long-term funding. This helped cause a structural deficit, and then for years you found temporary solutions to this problem. Finally, this fall you adopted policies that, assuming the slots referendum passes, will come close to eliminating that structural deficit over the medium-term.

I suggest that many legislators do not want to repeat that experience. Nor is it likely that many Maryland citizens would embrace another large tax increase in the year after this task force would report—2010, which I don’t need to remind you is an election year. It may be the case, though, that a report that demonstrates unmet needs could insulate incumbents from charges that taxes are too high.⁶

But I believe that there is a much better alternative. Appended to your testimony is a copy of a policy brief I released this summer. It argues that Maryland could do two things much better: set priorities, and determine the cost-effectiveness of program spending. It describes how other states use better practices. For example, Virginia has set long-term policy goals, and

⁶You should also keep in mind that long-term forecasts of the state and local fiscal conditions show substantial deficits under current policy, largely due to health spending. GAO, State and Local Governments: Growing Fiscal Challenges Will Emerge During The Next 10 Years, January 2008. While I hope that there will be comprehensive reform of health care financing at the national level, it is not likely that this will substantially reduce state fiscal burdens.

reports to the citizens each year, via the web, how well it has done.

In Maryland, by contrast, the main mechanism for “setting” priorities is to dedicate revenues to selected areas—such as with higher education and the Bay last fall. But given the fungibility of different budget accounts, dedicated funding is often less generous than it appears, especially over the long run. And even when dedicated funding leads to real increases, this does not necessarily increase performance. In the case of Thornton, e.g., it is not at all clear that extra funds are concentrated on those most in need.

More generally, Maryland’s existing performance management process needs a lot of improvement. Managing for Results data in the budget are often difficult to understand, and sometime seem to report on what are, at best, only minor concerns. And it is rarely clear how a program’s performance connects to costs, or compares to that of other states and to “good practice” benchmarks. Such comparisons are essential to determine whether allocating scarce resources to meet “needs” and “funding requirements” will be productively spent. The best of way of obtaining this information is not through a single task force report, but through an annual performance management process.

I hope that you will address such problems in the Spending Affordability Committee’s study after this session is over. You have the opportunity to do more than what is suggested by these two bills: developing a more comprehensive and stable process for setting state priorities, directing funds towards these priorities, ensuring that the state is on a sustainable fiscal path, and engaging legislators and citizens more directly in the budgetary process.

Now that you have taken the hard decisions you did last fall, it is time to carefully and thoughtfully modernize Maryland’s budget process.

Thank you.