

## State of the State

On Wednesday, February 1, Governor Hogan introduced his 2018 Budget to the Legislature at the “2017 State of the State” address. Now the work begins in the House of Delegates and the Senate to review the proposed budget. The Governor of Maryland is the most powerful Governor in the country when it comes to the budget. The Legislature can make cuts to the budget, but can only add to the budget by creating “policy mandates.” Please remember that the 2018 Budget becomes effective on July 1, 2017 at the beginning of the fiscal year and runs through June 30, 2018.

I serve on the Environment and Transportation Committee and will not have direct input to the Budget process; those negotiations are left to the Appropriations Committee in the House and the Budget and Tax Committee in the Senate. Mr. David Juppe, Manager of the Operation Budget in Legislative Services did a presentation for my committee, reviewing some of the important highlights.

The Governor’s proposed budget is \$43.5 billion, which is a 0.5 billion (1.1%) increase, decreases spending in the General Fund \$19.4 million, (.1%) to \$17.1 billion and uses approximately \$170 million from the Rainy Day Fund to balance the budget. When the Rainy Day Fund monies are excluded, the General Fund spending increases by \$125.9 million (+0.7%).

The Rainy Day Fund issue is interesting. The State Code requires the Rainy Day Fund to be a minimum of 5% of the General Fund. Governor Hogan takes \$170.0 million from the Rainy Day Fund, which reduces the balance to \$860.3 million or 5% of the general fund revenues, then the Budget adds \$50 million for 2018. In short, the budget takes \$170 million and gives back the required \$50 million contribution.

The good news is the Governor supports:

- The Hometown Heroes act which proposes tax cuts to military retirees and law enforcement, fire and rescue personnel.
- New tax relief proposals for interest payments associated with student loans, and
- An exemption for small business owners who offer paid sick leave to their employees.

These possible tax reductions would create revenue losses in the estimated amount of \$106.0 million in Fiscal Year 2019 and growing to \$133.0 million by Fiscal Year 2022. In his budget message Governor Hogan also stated that he would like to make all retirement payments tax free. I was not able to obtain the amount that revenues would decrease if all retirement payments were free of income tax.

The estimate is that our Structural Deficit will grow to \$1.2 BILLION by 2022. The Structural Deficit was decreasing, but with this proposed budget the State will return to a growing Structural Deficit.

The budget also contains:

- A 2% tuition cap for College students
- \$20 million to Marriot International to keep that corporation in Maryland.
- An increase from \$5 million to \$7 million for scholarships to private schools.

The State Employees will not receive a COLA increase or step increases in FY2018.

There has been some recent news reports concerning the **Video Lottery Money (Casino Revenues)** increasing funding for education. I asked Mr. David Juppe to address this issue during my briefing. He stated that due to

the Thornton Commission recommendations in 2002 that increased the amount that Maryland is required to spend on education, the Video Lottery Money is “back filling” the money needed to fund prior increases in education, and the revenue that was being used from the General Fund education is being returned to the General Fund. The short answer is that the Casino money did not actually increase funding in education.

### **Transportation Trust Fund**

The forecast of the Transportation Trust Fund is not good. It does not adequately account for the operating expenses. The administration is using a low growth rate of 3.5% and the historic growth has been 5%. It is estimated that the Transportation Budget is about \$1.6 billion over budget over the next 5 years.

The Governor’s Budget Reconciliation Act reduces about \$200 million dollars in prior allocations and grants from 2016.

The Governor supports legislation including:

- earned sick leave,
- changing the way Maryland redistricts,
- addressing the heroin issue that is out of control in every county and
- improvements for the water quality of the Chesapeake Bay.

Much to our dismay and the disappointment of many, the Governor did **not** address the impact of Federal policy changes that will certainly affect Maryland residents:

- the repeal of the Affordable Care Act,
- the effect of job freezes for the Federal Government and
- the changes in immigration.

The good news from Governor Hogan included the facts that:

- Maryland has the highest Median Household Income in the Country,
- our unemployment remains one of the lowest in the country at 4.2%,
- we have created 73,000 new jobs and
- Maryland is now in the top ten in the country for economic performance.

We will continue to work with the Governor on the issues that affect the quality of life for all Marylanders!

### **Affordable Care Act**

If the Affordable Care Act is repealed, Maryland Health care will lose \$1.4 billion federal dollars and there will be additional federal revenue loss to our Medicaid Waiver. This reduction in Federal Aid will mean many Marylanders could be without health care coverage.

## The Clean Energy Jobs Bill

The Maryland House of Delegates and the Maryland Senate, both, voted to overturn the Governor's veto of HB 1106, the Clean Energy Jobs Bill, thus it became law per Maryland's Constitution. The vote in the House was 88 in favor of overriding the veto and 51 votes in opposition. The Senate vote was 32 in favor of the override and 14 opposed.

This bill increases Maryland's renewable energy requirement to 25% by 2020 and will create nearly 1,000 new high paying jobs in Maryland. The utility companies will be required to increase the amount of solar, wind and other renewable energy purchased each year, reducing carbon emission equal to 563,000 passenger vehicles.

Using more renewable energy will give Maryland cleaner air:

- improving public health,
- reducing premature deaths,
- reducing asthma attacks in children and adults, and
- lowering overall health care costs.

I believe that .58 cents per month is not too much to pay for cleaner air and water for our children. Maryland's rate of childhood asthma is 12% while the average for the children in the rest of the country is 8%.

Governor Hogan's Public Service Commission recently increased PEPCO's electric rates by \$53 million a year (about \$7.00 per month), .58 cents a month is **not** too much to pay for cleaner air.

The Baltimore Sun explains the need for renewable energy far better than I can.

<http://www.baltimoresun.com/news/opinion/editorial/bs-ed-veto-energy-20170129-story.html>

## Office Information

My office continues to be staffed by Nancy Lipin Crawford, my Chief of Staff and Maggie J. Hobbins, my Legislative Assistant this session. My office is open full time during the Session. Please feel free to contact me with your thoughts and concerns. My contact information remains: pamela.beidle@house.state.md.us or 410.841.3370. You can also find updates at my website [www.pambeilde.com](http://www.pambeilde.com) and on Facebook at Delegate Pam Beidle.

It is truly an honor to serve you in the Maryland General Assembly.