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## **The Never-Ending Maryland Structural Deficit**

**by**

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Sometimes it seems that those who run our governments live in the Twilight Zone, "a wondrous land whose boundaries are that of imagination." Our elected officials imagine all manner of programs costing hundreds of millions of dollars. They also imagine that the money to pay for these programs will materialize without any sacrifice by their constituents.

The latest example of this magical thinking is the Dec. 10, 2008, draft recommendations of the Commission to Develop the Maryland Model for Funding Higher Education. The commission, comprised primarily of state legislators, state employees and education lobbyists, recommends increasing annual funding to public higher education institutions by \$758 million. Notably absent from the recommendations is the "model for funding" -- the plan to generate the funds to support the significant increase in funding. The few recommendations for additional funding are minuscule compared with the substantial financial commitment recommended by the commission.

The recommendations for increased funding for higher education are eerily similar to the recommendations made by the Thornton Commission. In 2002, the Thornton Commission recommended, and the General Assembly approved, increasing state

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spending on K-12 education by more than one billion dollars per year. Neither the commission nor the General Assembly dealt with how the \$1 billion would be generated.

Not surprisingly, each narrowly focused task force recommends substantial increases in funding for its specific area of inquiry but fails to identify the source of funds to support the enhanced funding. This failure to match promises of state spending with a revenue source or redirected spending from other state programs creates and perpetuates the structural deficits that have plagued Maryland since the beginning of the 21st century.

Our elected officials would like us to believe that the state's budget problems are because of the dismal state of the economy. The reality is that budget crises are created by making new commitments without any plan to pay for those new commitments even as the state has insufficient resources to pay for its existing commitments.

Matching state commitments with a plan to pay for those commitments is just one of the solutions to Maryland's budget problems. Another significant step in addressing the state's budget problems would be to eliminate the broken "spending affordability" process.

In practice, the spending affordability process has encouraged increased spending even when the state has had insufficient revenues to pay current expenses. By characterizing the increased spending as "affordable," state officials can pretend they are responsible. With an unbroken string of recommendations to increase spending regardless of the state's fiscal circumstances, the spending affordability process encourages citizens to demand more services from the state without addressing payment for those additional services. Witness the recommendations of the Higher Education Commission.

Rather than avoiding deficits or limiting state spending, the spending affordability process has contributed to the creation and perpetuation of deficits. It has provided a false sense of fiscal restraint and has facilitated continued budget growth -- even when structural deficits appear as far into the future as estimates are made.

The spending affordability process has failed miserably in controlling state spending and in avoiding deficits as witnessed by the history of the last 25 years during which the state has lurched from one budget crisis to the next. There is a simpler and more transparent mechanism to control state spending -- limiting spending to estimated revenues. This approach is also what has been explicitly required by the Maryland Constitution since 1974. In other words, the road back to fiscal responsibility lies in adherence to a common sense constitutional command: The state's spending cannot exceed the revenues available to pay for such spending.

*\*Cecilia Januszkiewicz is a senior fellow at the Free State Foundation. She served as secretary of Maryland's Department of Budget and Management from June 2005-January 2007. On Dec. 5, 2008, the Free State Foundation released Ms. Januszkiewicz's study, "Structural Solutions for Maryland's Structural Deficit: Pathways to Reform."*