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Commentary

Reckless Spending
by
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The whole point of last year's General Assembly special session was to address Maryland's budget problems by fixing the "structural deficit" - so that's something we no longer have to worry about, right?

Wrong. Despite annual tax increases of more than $1 billion adopted in November, and a possible $500 million expected annually from slot machines, a transfer of $125 million from the state's rainy day fund is needed to balance the fiscal 2009 budget now being considered by the Assembly.

Fact is, contrary to what you may have heard, the structural deficit is here to stay - unless legislators can go against their instincts by reducing spending, or at least identifying funding sources for any new spending they propose.

According to the state's Spending Affordability Committee, ongoing spending commitments are expected to exceed ongoing revenues by $319 million in fiscal year 2010 and $254 million the following year. Structural balance is not expected to return until 2012, with a small surplus, thanks to revenue from slot machines (which, let us remember, have not been approved by voters).

But that shouldn't comfort us, because the spending affordability estimate does not reflect any additional costs from new or enhanced programs that will be adopted during this or future Assembly sessions, or the inevitable decline of federal funds that support existing state programs.

The reasons for this are straightforward. Each year, 188 legislators spend 90 days legislating. Legislators are aided by 700 registered lobbyists hired by 1,200 employers. Very few legislators, and even fewer of the lobbyists, propose spending less money.

Almost every piece of legislation costs money. During the 2007 regular session, 2,480 bills were introduced for consideration and 658 became law. Those bills added $45 million in general fund costs for fiscal 2009 and $35 million for fiscal 2010. Even during the special session, when Gov. Martin O'Malley and the Assembly were "fixing" the structural deficit, legislation requiring more than $500 million of new spending each year was adopted. These included laws funding health care expansion, higher education and Chesapeake Bay restoration.

As of Friday, 2,362 bills had been introduced for consideration before the Assembly adjourns in April. If the same percentage of these bills becomes law as in 2007, Marylanders will be subject to another 605 laws, along with their attendant costs.

A sampling of a few of those bills reflects potential additional annual costs to the state of $46 million. Only one bill in the sample provides revenue to support the expenditures: an increase in the state property tax of 2 cents per $100 of assessed valuation.

Perhaps $46 million seems like a small amount in budget terms. But even after the very substantial tax increases adopted in November, the governor and the Assembly acknowledge that revenues are insufficient to pay for all the current programs. This means that existing programs should be reduced or terminated to make room for the new programs. But as we all know, significant permanent reductions or outright terminations of programs are rare. And so the structural deficit continues and grows.

Many of the proposed bills may have merit, but the state's taxpayers cannot afford every new idea. With rare exceptions, there is no indication of how these programs will be financed.

Maryland officials appear to assume that growth will ensure that revenues from taxes, fees and gambling will be sufficient to pay for the increasing costs of current programs, as well as the new programs that are adopted each year. But as the special session outcome reveals, revenues cannot keep pace with the enactment of more than 600 laws each year, even in one of the nation's wealthiest states.

When the federal government begins to address its own deficit problems and cuts funding to the states, the structural deficit will grow even more. Twenty-two percent of Maryland's budget is supported by federal funds.

Until governors and legislators are required to identify how they will pay for each law they propose, the structural deficit will always be with us.

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