

## July 1, 2020 Board of Public Works – Budget Actions

On July 1<sup>st</sup>, Maryland’s Board of Public Works voted to approve \$413.1 million in FY 2021 budget cuts. Changes from the original administration proposal for reductions included removing cuts to state employee compensation and retirement contribution, reductions in Local Aid, and most cuts to K-12 Education. BPW cut Higher Education by \$191.5 million, Health/Medicaid by \$52.3 million, including a \$46.7 million cut to Medicaid providers, and \$45.9 million in Public Safety reductions. \$42.8 million is cut across Executive agencies, \$38 million in reductions occur in the State Reserve fund, \$21.8 million is cut from Housing/Human Services, \$11.6 million is cut from K-12 Education, and \$9.7 million is cut from Natural Resources/Environment.

These unwise cuts shift costs to Maryland’s working families. Cuts to state support for higher education may increase the likelihood of tuition increases, which can limit college affordability and increase student and family debt. Cuts to health care providers can lead to increased costs for patients. With the effects of COVID-19 increasingly hitting red states as well as blue states, state and local fiscal relief from Congress may be more likely. The state also has a range of revenue options to help close the budget gap. Revenue bills vetoed this year by the administration would have raised \$183.2 million in FY 2021 revenue. In addition, three bills introduced in the 2020 session that would have raised taxes on corporations and investment income would have increased FY 2021 revenue by \$670.7 million.

### BPW Budget Cuts by Program Area

Higher Education	\$191,527,572
Public Safety	\$45,957,341
MSDE/K-12 Education	\$11,606,810
Health/Medicaid	\$52,299,718
Executive/Administrative	\$42,792,970
State Reserve Fund	\$38,000,000
Housing/Human Services	\$21,246,595
Natural Resources/Environment	\$9,745,567
<b>Total BPW Budget Cuts - All Funds</b>	<b>\$413,176,573</b>

Higher Education cuts include \$10.6 million in state aid to private higher education institutions, \$36.4 million in state aid to Community Colleges, \$117.3 million cut across the University of Maryland system, \$9 million cut to Morgan State University, \$3.2 million reduced for Baltimore City Community College and \$2 million cut for St. Mary’s College.

Public Safety cuts include \$5 million in reductions for Office of the Public Defender, \$4.2 million cut from the Office of the Attorney General, and \$53,675 cut from Office of the State Prosecutor. Funding for the Governor’s Office of Crime Prevention, Youth and Victim Services goes down by \$5.4 million, including \$1.9 million cut from Baltimore Crime Prevention Initiative, \$997,401 cut from Local Law Enforcement grants, and \$130,000 cut from the Violence Intervention and Prevention Program. \$8.8 million is cut from the Department of Public Safety and Correctional Services and \$15.4 million is cut from the Department of Juvenile Services, or 5.6% of the agency budget.

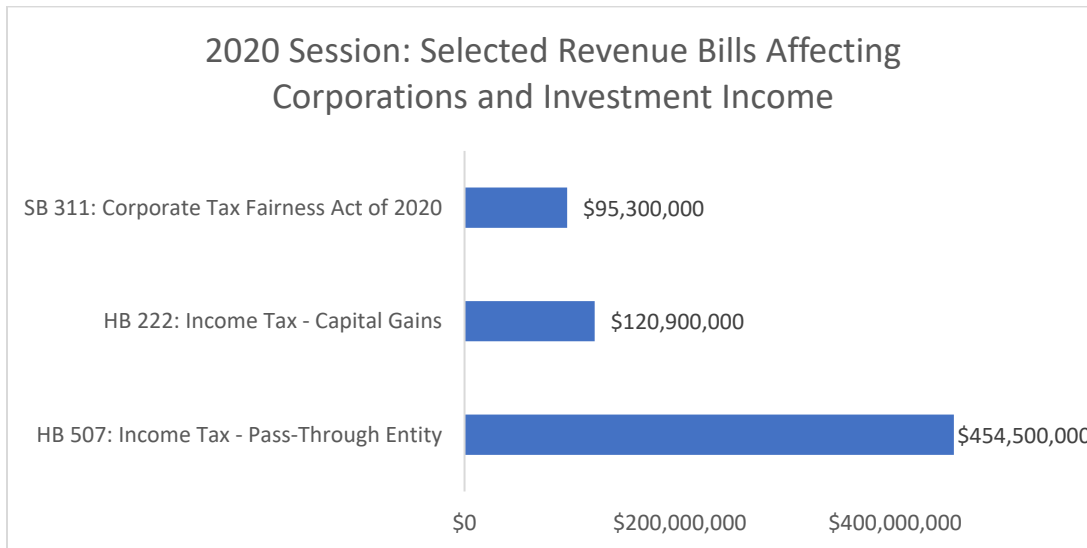
Housing/Human Services cuts include \$2 million cut for Community Services in the Department of Aging and \$8.5 million in General Administration reductions and \$3.1 million in cuts to institutional foster care provider rates in the Department of Human Services. The budget for the Department of Labor drops by \$1.3 million, including \$425,000 in cuts for youth apprenticeship programs. Spending for the Department of Housing and Community Development goes down \$5.3 million, including \$5 million in cuts to the National Capital Strategic Economic Development Fund and the SEED Fund.

K-12 Education cuts include \$1.8 million in reduced funding for Local Management Boards and \$607,043 is cut for State-Aided Institutions, as well as \$437,341 in reduced grant funding for Chesapeake Bay Foundation. Funding for the

Department of Natural Resources was cut \$4.3 million, the Department of Agriculture was cut \$1.4 million, and the Department of Environment budget was cut by \$4.1 million.

#### A Fiscal Alternative: Maryland's Range of Revenue Options

Instead of unwise and unnecessary budget cuts, the state has a range of revenue raising options to close the budget gap. Three revenue bills introduced in the 2020 legislative session that affected corporations and investment income would have raised \$670.7 million in FY 2021 revenue. HB 507 would have applied a tax on pass-through entity (PTE) income above \$1.0 million and would have yielded \$454.5 million in FY 2021 revenue. HB 222 imposed an added 1% state income tax on net capital gains income and would have increased FY 2021 revenue by \$120.9 million. SB 311 – Corporate Tax Fairness Act of 2020 – made changes to corporate income tax reporting and would have produced \$95.3 million in FY 2021.



Revenue bills vetoed by the administration would have raised \$183.2 million in FY 2021 revenue. HB 732 raised various tobacco taxes and applied a tax on certain digital advertising and would have raised \$100.1 million in FY 2021 revenue. HB 932 – 21<sup>st</sup> Century Economic Fairness Act – applied the state sales tax to specified digital products and codes and would have raised \$83.1 million in FY 2021 revenue.

Other proposed revenue items in 2020 session would have made changes to the sales and income taxes and generated large amounts of revenue. HB 1628 modernized the state's sales tax structure, by applying the sales tax to specified services and cutting the sales tax rate from 6% to 5%. The bill would have increased FY 2021 revenue by \$873.2 million. HB 1190 would have changed individual income tax brackets and increased tax rates and generated \$284.2 million in FY 2021 revenue. SB 876 would have regulated and taxed electronic smoking devices and vaping liquids. Legislative analysts were not able to calculate an increased revenue amount and reported that "General Fund revenues increase significantly beginning in FY 2020."