

# *THE WEEKLY WHIP*

TUESDAY, MARCH 13, 2007

## THE BUDGET (HB 50)

## BOARD OF REVENUE ESTIMATES

In January the Governor introduced a balanced budget for FY 2008. His proposal increased spending 2.5% over the previous year, a lower rate than 9 of the last 10 budgets, and comes in under the spending affordability guidelines. It reflected our values by funding priorities which include education, public safety, the environment, healthcare, transportation, and economic development.

The Governor has introduced two supplemental budgets. The first was technical, and the second was narrowly focused \$49 million proposal to advance prison reform, enhance the Department of Juvenile Services, and expand health coverage for children. The Governor's Office acknowledged the supplemental budget redirected funds in anticipation of budget cuts by the General Assembly.

On Friday the Board of Revenue Estimates revised general fund revenue projections downward by \$50.2 million – \$24.4 million for FY 2007 and \$25.8 million for FY 2008. The Comptroller described the new projections as a “modest mid-course adjustment” to account for lower than anticipated personal income tax and business franchise tax collections.

To accommodate new spending in the supplemental budgets and adjust to the revenue write down, the Appropriations Committee cut \$148.5 million in general and special fund spending from the FY 2008 budget. The majority of these cuts limit the growth of specific programs, eliminate state government jobs that have been vacant for more than a year, reduce surpluses accumulated by specific programs, or substitute federal funds for state funds.

The amended budget is balanced and preserves the revenue balance envisioned in the Governor's initial budget submission. The state maintains a \$31.4 million balance in the general fund and \$673.7 million in the rainy day fund. The budget also sets aside \$200 million in the dedicated purpose fund to finance future retiree health care costs.

HB 50 came to the floor on second reader on Monday night and was special ordered until Wednesday.

The Board of Revenue Estimates, a three-member panel which includes Treasurer Nancy Kopp, Secretary of Budget and Management Eloise Foster, and is chaired by Comptroller Peter Franchot, met Friday to revise the state's revenue estimate for FY 2007 and 2008. The Board reduced the estimate by \$50.2 million – \$24.4 million for FY 2007 and \$25.8 million for FY 2008.

The adjustments are needed as a result of weaker than expected personal income and business franchise tax collections. The state anticipated individual income tax withholding to grow 5.1% through February, but growth was limited to 4.6%. The business franchise tax missed its projected mark by \$10.1 million.

State Treasurer Nancy Kopp noted: “Maryland surely has a stable, strong and diversified economy, but our tax system no longer reflects this economic strength well. The revenue estimates, while very close to December's projections, make it clear that we are not benefiting as we have for several years from exorbitant growth in residential housing prices and sales. This change is reflected in both income, and property-related taxes.”

The Board offered encouraging news about the state's economic health. Maryland's economy is expanding, with 1.25% employment growth for calendar year 2006. Two service industries – education and health services and business and professional services – grew most rapidly, and that growth is expected to continue. The unemployment rate declined to 3.9%, the lowest since 2000 and 0.75% below the national average. Personal income growth remains above the 10-year average.

The housing market remains a concern. Price growth has stagnated, active inventories are at a 6-year high, and sales have fallen. About 100,000 existing homes were sold in 2005, but only 79,000 were sold in 2006. Coupled with a sharp drop in home equity loans and cash-out refinancing, that falloff indicates the direct and indirect support real estate has given the state's economy is declining.

Despite these concerns and the revenue adjustment, the Board determined the state's economic overall forecast is healthy and remains fundamentally unchanged.

## **CHILDREN & WORKING FAMILIES HEALTHCARE ACT OF 2007 (HB 754)**

Over the last four years 200,000 Marylanders have lost their health insurance as the cost of coverage has become prohibitive for many individuals and small businesses. Today, the state's uninsured population stands at nearly 800,000, and nearly 90% of these people are employed or are dependents of working families.

The uninsured are turning with increasing frequency to emergency room treatment as their first point of contact with the health care system. The uninsured are the largest percentage of ER patients, and experts estimate 1/3 of their visits are non-emergencies. ER visits in Maryland increased by 55% since 1990 and 23% since 2000 – fully four points above the national average.

As hospitals provide more uncompensated care, patient wait times in the emergency room are increasing and the financial costs are jeopardizing the entire system. Prince George's Hospital Center struggles in part because of the large amount of uncompensated care it provides.

With patients using emergency rooms for basic care, expanding coverage is critical to the long term viability of our health system. Ensuring access to preventative care will ease the burden on the system and moderate costs for everyone who pays for care. It will also improve the lives of thousands of people who have no place to turn when they – or their children – get sick.

HB 754 will give every child in the state access to health insurance by expanding the Children's Health Insurance Program (CHIP). Under the current system, kids in households below 200% of the federal poverty level (FPL), or \$41,300 a year for a family of four, are eligible for full coverage, and kids in households between 200% and 300% of FPL, or \$41,300 to \$61,950 a year for a family of four, can enroll in a cost sharing program where the state pays part of the premium.

The bill expands eligibility for the cost sharing program to kids in households between 200% and 400% of FPL, or \$41,300 to \$82,600 a year for a family of four. The bill makes children in households above 400% of FPL eligible to enroll at the full cost of the premium, and requires private health insurers to allow dependents up to age 25 to remain on their parents' insurance policies.

This expansion of health care access will be financed by a \$1.00 per pack increase in the tobacco tax, surplus funds in existing health programs, and a federal match. The program will generate savings by reducing what the state spends on uncompensated care, which will make the program viable as tobacco tax revenue declines.

## **OYSTER RESTORATION**

Recognizing that the Chesapeake Bay's native oyster population played – and could again play – a crucial role in protecting the estuary's health, HB 133 proposes incremental steps towards oyster restoration in the Bay.

The bill creates an Oyster Advisory Commission in the Department of Natural Resources (DNR) to provide advice on matters related to oysters in the Bay. The Commission will review the best science and recommend strategies for rebuilding and managing the oyster population in the Bay, and issue a report on strategies to minimize the impact of oyster disease, maximize the ecological benefits of oyster bars, and improve enforcement of closed oyster areas.

The bill also authorizes a conservation organization to lease up to 30 acres of submerged land in Anne Arundel County for oyster restoration. DNR will approve a plan to plant at least 250,000 oysters at a density of 1,000,000 oysters per acre.

To supplement HB 133, the House will include capital funding for upgrades at the University of Maryland Center for Environmental Science's Oyster Hatchery at Horn Point. The hatchery unites shellfish specialists, biologists, educators and oyster growers to promote oyster restoration projects in the Bay. Working with outside groups, the hatchery has seen its production of oyster larvae and spat increase each year since 1994.

Taken together, these steps establish a foundation on which scientists, watermen, environmental activists, and government will be able to work together to expand the capacity for oyster restoration in the Chesapeake Bay.

## **NET NEUTRALITY**

Several members have asked their Whips for a sample constituent letter on HB 1069, the net neutrality bill. You may find the following two paragraphs helpful as you craft your response to your constituents:

“In response to inquiries on this bill, the Attorney General's Office issued a letter of advice which says HB 1069 ‘would raise significant federal preemption issues, and could be found to violate the Commerce Clause.’ In other words, we have been advised that market regulation of the Internet is not within the purview of state government.

“I respect your concern for consumer access to a free and open internet. Unfortunately, this is a federal issue. I understand legislation is currently under consideration in Congress, and I hope you will contact your federal representatives on this issue.”