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Institute Proposes Long Term Fiscal Fixes for Maryland

Spending Freeze, Debt Reform Included in State Fiscal Reform Plan

ROCKVILLE, MD (April 23, 2015) — With Maryland state government spending outpacing personal income, a new report calls for a broad spending freeze as a first step toward reorganizing government to better reflect Maryland's priorities. The spending freeze is one of several reforms the Maryland Public Policy Institute recommends in "Fixes for the Long Haul," a new report designed to help policymakers achieve sensible savings in Maryland's state budget. The full report can be viewed online at mdpolicy.org.

"Maryland's budget has grown nearly 50 percent faster than personal income over the last eight years," said Christopher B. Summers, president of the Institute. "With revenues and spending at record highs, it is only logical that policymakers take a breath and reassess whether eight years of new spending has actually benefited Maryland citizens. Fixes for the Long Haul is a roadmap to fiscal transformation centered on sound budgeting, more responsive government agencies and dynamic economic growth."

The Institute's recommendations include:

- **Spending Freeze:** On the heels of large increases in Maryland spending over the past eight years, a broad categorical freeze can reduce spending for the next two fiscal years and prepare the way for a reorganization and reassessment of how state government can be a better steward of public money.
- **Reorganization Authority:** Give the governor power to reorganize government that is triggered by certain fiscal thresholds in future recessions, such as when the general fund shortfall exceeds 5 percent of the budget.
- **Adopt Outcome Budgeting:** Like the City of Baltimore, require agency or department heads to prove they can make efficient use of the money that is available. Agencies should vie for funding based on a proven ability to deliver quality services or create a workable action plan to use the budgeted money most efficiently.
- **Stop Issuing New Debt:** Debt service was the second fastest growing line-item in the budget, estimated to grow by nearly 92 percent between FY 2015 and 2016. Interest on state debt is estimated to grow $140 million to $274 million in FY 2016.
- **Tie Debt Limit to Property Values:** Cap the amount of general obligation debt outstanding as a proportion of the net taxable property valuations in the state. That would create a "circuit breaker" for state debt: when property values drop, new debt issuance would cease until property valuations rise again.
- **Adopt A Spending Cap Formula:** Once the shortfall is addressed in the current budget, a long-term reassessment of what government funds and how it budgets should be undertaken. Adopt a spending cap formula based on factors beyond the direct control of lawmakers, such as personal income or population plus inflation.

About the Maryland Public Policy Institute: Founded in 2001, the Maryland Public Policy Institute is a nonpartisan public policy research and education organization that focuses on state policy issues. The Institute's mission is to formulate and promote public policies at all levels of government based on principles of free enterprise, limited government, and civil society. Learn more at mdpolicy.org.

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