

The Pew Charitable Trusts' 2023 report "Tools for Sustainable State Budgeting" examines whether and how states are using long-term budget assessments and budget stress tests to measure and strengthen their fiscal outlooks.¹ This is one of 20 fact sheets describing the approaches of and opportunities to improve for each state that produces at least one of these analyses.²



Maryland: Tools for Sustainable State Budgeting

Long-term budget assessment: ✓

Report: "Spending Affordability Committee 2022 Interim Report"³

Office: Department of Legislative Services and Spending Affordability Committee

Budget stress test: ✓

Report: "Spending Affordability Committee 2022 Interim Report"⁴

Office: Department of Legislative Services and Spending Affordability Committee

Analyses

The nonpartisan Department of Legislative Services (DLS) produces detailed analyses of Maryland's fiscal condition, including five-year projections of the state's structural surplus or deficit, which are updated and published multiple times a year. The publications typically include dozens of tables and graphs that present a mix of historic, current, and projected fiscal data.⁵ The DLS also updates the structural balance projections (but does not publish these updates) at key points during each legislative session, including when the House of Delegates and Senate pass their respective drafts of the budget, to account for the effects of proposed legislation.⁶

In addition, the DLS has occasionally published budget stress tests, most recently in 2022. That analysis estimated how a recession would affect revenue and spending and then forecast rainy day fund balances in light of those effects.⁷

Policy impact

By law, the Spending Affordability Committee, a panel of legislators that meets between sessions, reviews the DLS' projections and uses them to guide the General Assembly on key fiscal choices, such as the rate of spending growth and level of savings.⁸ The DLS' 2022 analysis, for example, showed structural surpluses through fiscal year 2028 but forecast the size of the surpluses to decline beginning in fiscal 2025.⁹ In response, the committee recommended that lawmakers maintain an operating surplus of at least \$100 million in the fiscal 2024 budget as a hedge against a recession and "to ensure sustainability throughout the long-term forecast period."¹⁰

Maryland's approach creates a reliable pipeline from high-quality, nonpartisan analysis to data-driven decision-making. Since its creation in 1982, the Spending Affordability Committee has a near-perfect record of having its recommendations adopted by the General Assembly.¹¹

Additionally, during legislative sessions, lawmakers use the DLS' updated, unpublished structural balance projections to see whether the decisions they are contemplating would put the state at risk of imbalances up to five years into the future and adjust the budget accordingly.¹² This sets Maryland apart from most states, where lawmakers are trying to balance the budget only for the upcoming year or two.

Next steps

By producing stress tests regularly, Maryland could ensure that lawmakers always have timely data on whether the state is prepared for a recession.

The DLS also could supplement its five-year revenue and spending projections with analyses of longer-term fiscal and economic threats, such as slowing population growth and climate change. These additional insights would allow policymakers to prepare before these ongoing issues become major budget problems.

Endnotes

- 1 The Pew Charitable Trusts, “Tools for Sustainable State Budgeting” (2023), <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/11/tools-for-sustainable-state-budgeting>.
- 2 The Pew Charitable Trusts, “States’ Use of Sustainable Budgeting Tools” (2023), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2023/11/states-use-of-sustainable-budgeting-tools>.
- 3 Maryland Department of Legislative Services, “Spending Affordability Committee 2022 Interim Report” (2022), https://dls.maryland.gov/pubs/prod/RecurRpt/Spending_Affordability_Committee_2022_Interim_Report.pdf.
- 4 Ibid.
- 5 Ibid.; Maryland Department of Legislative Services, “Fiscal Briefing January 2023” (2023), https://dls.maryland.gov/pubs/prod/OperBgt/Fiscal-Briefing_2023-Session.pdf; Maryland Department of Legislative Services, “The 90 Day Report: A Review of the 2023 Legislative Session” (2023), https://dls.maryland.gov/pubs/prod/RecurRpt/23rs_90_Day_Report.pdf.
- 6 D. Romans (coordinator, Maryland Department of Legislative Services), interview with The Pew Charitable Trusts, Jan. 10, 2023.
- 7 Maryland Department of Legislative Services, “Spending Affordability Briefing” (2022), 12, 15-16, https://dls.maryland.gov/pubs/prod/OperBgt/2022_Spending_Affordability_Briefing.pdf; Romans, interview.
- 8 Maryland Code Ann., State Government § 2-1004, <https://mgaleg.maryland.gov/mgawebsite/Laws/StatuteText?article=gsg§ion=2-1004>; Maryland Code Ann., State Government § 2-1005, <https://mgaleg.maryland.gov/mgawebsite/Laws/StatuteText?article=gsg§ion=2-1005>.
- 9 Maryland Department of Legislative Services, “Spending Affordability Briefing,” 13.
- 10 Maryland Department of Legislative Services, “Spending Affordability Committee 2022 Interim Report,” 5.
- 11 Ibid., 1.
- 12 Romans, interview.

For more information, please visit: pewtrusts.org/fiscaltools

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