

A PLAN TO GET MD. OUT OF HOLE

O'Malley proposal increases spending on some initiatives

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[SUN REPORTER]

Gov. Martin O'Malley will propose a budget with about \$2 billion in spending cuts, tax increases and new revenue from slot machines — enough to close a \$1.5 billion shortfall, and also to provide hundreds of millions of dollars for health care, transportation and the environment, legislative leaders said yesterday.

Senate President Thomas V. Mike Miller and House Speaker Michael E. Busch said the governor outlined a broad package of fiscal measures yesterday, but he did not offer specifics. They expect more details to emerge today, when O'Malley is scheduled to meet again with them and with other legislative leaders.

However, they said the governor discussed a possible increase to the sales tax; changes to income tax brackets so that top earners pay higher rates than others; and proposals to close corporate tax loopholes, among other tax law changes.

He also told them he will push a slots program that would amount to a compromise between the expansive plan the Senate has backed and the more restrictive one that passed in the House of Delegates three years ago.

Miller and Busch said the O'Malley plan includes a property tax cut — a priority [Please see SPENDING, 6A] that O'Malley identified months ago — and an income tax break for most workers.

Altogether, they said, it will form the biggest fiscal package ever attempted in Maryland and a tremendous challenge for the new governor.

"It's an aggressive plan, I can say that, but at least he's taking

it up," Busch said. "You're in the area of \$1.6 [billion] to \$1.7 billion in your structural deficit, and he's talking \$300 [million] to \$400 million in the Transportation Trust Fund and something to promote the environment and health care, and you're talking a significant amount of money."

O'Malley declined to answer questions about his proposals yesterday.

The governor's ability to translate support for the individual components of the plan into votes for the whole package could easily determine the success or failure of his term.

The former Baltimore mayor came into office nine months ago with ambitious plans to protect the environment, expand health care and increase opportunities for the middle class, but he also inherited a budget deficit more than five years in the making.

His solution, Miller and Busch said, is extremely complicated, and they said it will take significant work to get legislators and the public to fully understand it, much less support it.

The meetings left unresolved some key questions, such as whether O'Malley will call a special session of the legislature this fall and how he plans to find a compromise on the previously intractable divide between Miller's support for slots and Busch's opposition.

Both legislative leaders said they want to work with the governor but it will be difficult to forge a consensus in a legislature where some members wholeheartedly support slots but not taxes, others want taxes but not slots and some favor neither of the above.

"I consider myself a fiscal conservative, and I'm going to have to make some tough votes on some revenues, but I intend to fully support the governor in his initiatives and I intend to ask my members to do the same," Miller said. "Some people are going to be pleased because there are going to be less taxes they're going to have to pay, but others are going to be

chagrined."

The scope of O'Malley's package all but guarantees that he will have little chance of attracting support from Republicans, who have so far remained united in their opposition to tax increases. GOP leaders in both the House and Senate have advanced plans to balance the budget with slot machine gambling revenue and major reductions in spending growth, proposals that would force the state to renege on its commitments to education and health care.

Del. Steve Schuh, an Anne Arundel County Republican, said it's mind-boggling to go from a filling a budget hole created by the state spending beyond its means to a proposal for even more spending.

"There is a necessary budget correction that needs to be made now," Schuh said. "But to use that as an occasion to just go deeper into the taxpayers' pocket in order to further expand government spending seems imprudent to me."

But O'Malley's theory is that it's easier to get lawmakers to support a budget-balancing package if they can go home and tell their constituents that they did something to improve the quality of life in their communities.

Former state Sen. Donald C. Fry, a Harford Democrat, said that's probably true — balancing the budget is something people understand in the abstract, but expanding health care or environmental programs are things that will get advocates involved in the process.

Fry's organization, the **Greater Baltimore Committee**, strongly backs increased transportation funding. He said that, if anything, O'Malley's proposal is too modest in that regard.

"I'm certainly glad to see that transportation funding is a component of any fiscal program that the governor is advancing," he said. "But we would hope that any plan would include at least \$600 million, as we think that is the type



of investment that is needed to meet system preservation and future needs."

Environmental and health care advocates cheered news that their causes would be part of O'Malley's proposal.

"Our shoulders are behind the wheel for a dollar increase in the cigarette tax to reduce teen smoking and to expand Medicaid," said Vinnie DeMarco, president of the Maryland Citizens Health Initiative. "The number of uninsured in Maryland will drop dramatically, which will reduce a health care burden that we all now carry."

Maryland League of Conservation Voters President Cindy Schwartz said it's "a brave thing" for O'Malley to do.

"We have a budget deficit issue, but we also have an environmental deficit that needs to be addressed," she said. "The issue of solving the \$1.5 billion shortfall is paramount, but if the legislature does that in the absence of doing something to preserve and protect the environment, then we will have lost."

The governor has offered hints about elements of his proposal for weeks but has provided no details. He hopped out of a black Suburban in front of the State House about 2:30 yesterday afternoon, told reporters he had an important meeting and bounded up the stairs. Asked what he hoped to accomplish, he said, "Progress."

He spent a half-hour in Busch's office, emerged, conferred in a corner with his chief of staff, Michael R. Enright, and strode down the hall to Miller's office.

"We're making progress," he said. After a half-hour with Miller, he proclaimed that "progress continues" and ducked into an elevator.

He is scheduled to meet with legislators again this morning, but it is unclear when he will share his plans with the citizens he would ask to pay for them.

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