Maryland’s new Republican governor unveils austerity budget

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In his first move since taking office last week, Maryland’s newly inaugurated governor, Republican Larry Hogan, unveiled an austerity budget aimed at eliminating a $750 million shortfall in state spending for the upcoming fiscal year, which begins in July.

The plan Hogan unveiled in a January 22 press conference consists of a series of hundred-million dollar cuts to wages and salaries for state employees, Medicaid reimbursements to doctors treating the poor, disabled, and elderly, and funding for primary (K-12) education. Hogan’s plan was submitted to the state legislature on January 23, and the governor has announced that, in the coming weeks, he intends to roll back a number of taxes and fees implemented by the O’Malley administration.

The great bulk of Hogan’s cuts are directed at eliminating Medicaid reimbursements to doctors and hospitals, a decision which claws back $200 million, but also sacrifices matching federal funds used to provide medical treatment to those least able to afford it. In addition, the Republican administration has moved to revoke a recent 2 percent pay increase received by state workers and eliminated all cost-of-living and merit-based raises for state employees, amounting to a total cut of $156 million. This is accompanied by a 2 percent across-the-board funding cut to all state agencies into the next fiscal year.

In addition to the broad assault on Maryland workers’ living conditions, the budget also aims to gouge K-12 and university-level education funding. Hogan announced plans to cut $68 million from the Geographical Cost of Education Index (GCEI), which provides extra money to districts with higher education costs and regional poverty rates. The reduction to the GCEI will primarily affect schools in urbanized areas such as Baltimore City and the Washington, DC suburbs—regions more inclined to vote Democratic.

Hogan has taken pains to stress that his administration will retain the record levels of state funding for education, but the claim is derived from specious reasoning. Based solely on overall dollar outlays, it conceals both the lopsided nature of the funding and the fact that he is retracting funds that would otherwise contribute to the growth of the education system. An article in the *Diamondback*, a student newspaper at the University of Maryland, remarks that although the Hogan budget grows state university funding by 1.3 percent, this rate is low enough to result in a projected 5 percent tuition increase for students in state schools, effectively eliminating a tuition “freeze” that was instated in 2011.

Hogan was inaugurated governor of the state of Maryland after defeating former-Lieutenant Governor Anthony Brown in November’s midterm election. Hogan replaces Democrat Martin O’Malley, who presided as governor for two terms and won a measure of national recognition as a strong advocate for President Obama’s 2012 re-election campaign.

Since the onset of the 2008 economic crisis, Maryland has undergone a sharp contraction in state revenues due to several reductions in federal spending, including the 2013 sequestration and subsequent government shutdown. Because of its close proximity to the nation’s capital of Washington, DC, Maryland’s economy is closely tied to federal expenditures, which are estimated to comprise over a quarter of the state’s productivity and growth.

Diminished revenues have contributed to a longstanding “structural deficit” in the state’s budget allocations and spending outlays. The *Washington Post* estimates that nearly 85 percent of state expenditures are used to fund social programs related to education, health care, and public safety. Maryland public schools have consistently been ranked as the best in the nation by *Education Week*, and most education funding in the state is directly mandated by law.

State Democrats have voiced opposition to Hogan's proposed budget, attacking his education formulas as particularly egregious. However, O'Malley resorted to a combination of budget cuts, increased taxes, fund transfers, and bond borrowing in order to close the gap between revenue and outlays during his time in office. Prior to stepping down, O'Malley footed his own, alternative budget proposal, which was to shift the heaviest cuts to various alternative state agencies, including a more expansive, 4 percent across-the-board reduction in spending by state agencies, amounting to about $238 million. O'Malley also successfully passed $200 million in cuts for spending in the current fiscal year. This was the origin of the 2 percent across-the-board reduction being continued by Hogan, and mainly affected the Department of Health and Mental Hygiene and the University System of Maryland.

The DC-Metro area—which includes the nation's capital as well as the states of Maryland and Virginia—has recently seen record lows in employment. Last year, the *Washington Post* ranked Washington, DC as number 14 in year-over-year job growth on a list of major American metropolitan areas, with the city of Detroit mentioned as the only major American city with less growth. A study conducted by the Department of Housing and Urban Development found that homeowners in the vicinity of the capital pay up to a third of income in housing costs, while renters pay closer to 50 percent.

In this social and political context, Hogan was able to win November's election by presenting himself as purely focused on "economic" questions such as tax policy and job growth and benefiting from the population's general disgust with the pro-business policies of the Democratic party.

As the governor's budget proposal suggests, there will be no letup in the bipartisan assault on living standards under the new administration. The essential agreement of the Democratic and Republican parties is shown by how O'Malley and Hogan have tag-teamed the budget deficit and stressed the need for cuts. It is further demonstrated by the Democratic-controlled General Assembly's responsiveness to Hogan's emphasis on a "bipartisan" governorship, as well as state politicians' mutual commitment to lowering corporate and estate taxes.