

April 13, 2010

Dear Constituent:

Maryland's budget sets the stage for tax increases next session after the election in November - For the last four sessions, the House GOP caucus has offered proposals to limit state spending, all of which have been rejected. The first was in 2007 to avoid the massive tax increases which followed in the special session. This year, we offered a plan to make \$830 million in reductions to the Governor's budget, to again attempt to get our spending in line with our revenues. The budget that passed the House and Senate grows General Fund spending due to a wide variety of fund transfers and more stimulus money, creating an unsustainable level of funding without tax increases. This year, we increased our debt capacity to "ease the pressure on the general fund". We are selling 15 year bonds to free up funds for increased operating spending. "It's kind of like using your MasterCard to pay off your Visa," to use a quote from Jonathan Williams, economist from the American Legislative Exchange Council. By increasing the debt service, we are likely to see property tax increases to cover the cost. We have "kicked the can down the road" on two of the real cost drivers of our budget - Retiree Pensions and Retiree Health care. Like other states, we have not fully funded our pension liabilities which would require millions of additional spending to meet actuarial levels like private plans are required to do. In addition, we have approximately \$15 billion in retiree health care liabilities. The Governmental Accounting Standards Board requires states to show the full extent of these liabilities on their balance sheet, including setting money aside to pay for these benefits, but nothing has been added since Governor Ehrlich left office. Lip service has been given to keeping our coveted AAA bond rating and selective comments from the rating agencies have been used to commend our budget work in floor debate. The reality is that Moody's has serious doubts about our spending levels and the underfunding of our liabilities. With the economy showing little sign of significant recovery and all our piggy banks empty, we leave here with only two options for next year - cut spending or raise taxes.

Use of Federal E-Verify Program to Prevent Employment of Unauthorized Alien Workers - Delegate Miller (with the support of Delegate Bates and the Republican Caucus) had again introduced House Bill 721, which is a common sense bill that will prevent the employment of unauthorized aliens (aka illegal immigrants) by any contractor, subcontractor or recipient of a state grant doing business with the state of Maryland. Once again this bill failed to pass the legislature.

Maryland Sex Offender Laws - The killing of an 11-year old girl in Salisbury, Maryland by a repeat sex offender again raised the issue of the unacceptable and dangerous way Maryland treats perpetrators of these heinous crimes. Several bills were introduced to correct weaknesses in law. Issues included "good time" credits for child sex offenders, lifetime supervision for the most violent and repeat sex offenders after they have served their sentences, increasing the maximum and mandatory minimum penalties for a person convicted of raping a child and changes to the reporting requirements for the sex offender registry to include locations of homeless offenders. We are happy to report that we supported all of these initiatives.

ObamaCare Has Come to Maryland - Much of ObamaCare may not take effect until 2014, but in the Maryland State House the effects are already being felt. Almost before the ink was dry, legislation made its way through the Maryland House of Delegates to accelerate implementation of the Risk Pool. HB 1564 establishes a program that creates high risk pools for people who are uninsured or unable to purchase health insurance. It is mandated by the Health Care Reform bill to be completed within 90 days of the signing of the bill in order to obtain part of the \$5 billion in Federal dollars to fund it. Once more, Maryland policy is being driven by the promise of Federal funds. Long-term cost of the program is unknown and is dependent almost entirely upon the Federal government. This will be a new unfunded mandate on the taxpayers of Maryland.

Unemployment Insurance Modernization and Tax Relief Act - Governor O'Malley and his Democrat colleagues passed the Labor and Employment-Unemployment Insurance Modernization and Tax Relief Act over the objections of the Republicans in the General Assembly. This bill liberalizes eligibility for unemployment insurance, makes changes to part-

time workers provisions, and provides for up to 26 weeks of additional training benefits. Because of the recession, Maryland is on track to pay out over \$1 billion in unemployment benefits this year and probably beyond that as well. This bill, in exchange for some minor federal funding, requires the state to incur additional long term liabilities which far overshadows the short term benefit of the stimulus funds received. Unfortunately, this provision also liberalizes the system by making more part time workers eligible for benefits that do not have sufficient attachment to the workforce to be eligible under Maryland's present system. The consequences of expanding the unemployment benefits trust fund to include others not presently covered will certainly result in fewer jobs and potentially fewer businesses to pick up the increased costs. We have no way of knowing what this liability could be, but it will greatly increase the drain on the employer funded Unemployment Insurance fund. We believe that the antidote to unemployment benefits is jobs and creating a business friendly environment where businesses can flourish, thereby increasing the need for more workers. Now is not the time to add long term liabilities that increase employer's costs, threaten trust fund solvency and hurt job creation.

Vehicle Laws – Required Security – Minimum Amounts - Another law that passed the General Assembly that we opposed, is that which raises the liability limits for those using the Maryland Automobile Insurance Fund. As in other legislation, this bill purports to help victims by increasing liability accident limits but in reality merely provides trial lawyers with larger awards for themselves at the expense of the victims and their families. What is most likely to happen with the passage of this law is that people at the lower end of the financial ladder will merely be forced to drop coverage entirely rather than have to pay premium increases, and who's protected by that?

Prohibition of Transfer of Money from Insurance Funds to General Funds – We worked extensively to protect \$20 million dollars of money given by employers to IWIF (Injured Workers Insurance Fund) from an unfair taking by the Governor and Legislature to cover unprecedented spending. While our bill HB 1403 did not pass the Legislature in the end, the decision was made not to take this money. We consider this a victory for Maryland Business and Workers who may be injured on the job.

Alcoholic Beverages – Direct Wine Shipper's License – We again dealt with a bill that would allow direct shipping of Wine into Maryland from out of state vineyards and liquor stores. Due to extensive debate and opposition to the bill on the grounds that there is no way to verify the age of a recipient and the Senate sponsor of the bill attempting to amend the bill on legislation designed to help Maryland Wineries. The House Economic Matters Committee again killed the bill, the Maryland Wineries Act legislation does contain language that will require the Maryland Comptroller to conduct a study into improving the legislation for possible passage next year.

We wanted to take this opportunity to thank all of our constituents who have given to us over the past four years. We would love the chance to be your voice again for the next four years. We will be announcing our run on April 25, 2010.

Sincerely,

Gail H. Bates

Warren E. Miller