

credit for the remaining \$2,000 in tuition costs. A student with less than a B average could potentially receive a \$1,500 tax credit. I question whether students receiving these scholarships should receive alternative State education assistance through a tax credit and why the bill does not prohibit this.

My fourth concern is that the tax credit provides little incentive for the people who most need help with training. Lower-income citizens in particular will not be as greatly assisted under this approach as they are with the HOPE scholarship programs. I believe we should consider alternative approaches such as the recently enacted STEP pilot program which, if it proves successful, should be expanded to more areas of the State. Finally, the legislation contains no sunset provision to allow the Administration and General Assembly to review the program to determine its success or failure.

It is worth noting that the 2001 Session of the General Assembly was, at times, dominated by a discussion of responsible fiscal policy. Much debate surrounded the adequacy of our efforts to meet the health care needs of our citizens. In addition, despite a \$1 billion increase in the State's base budget contribution to K-12 education over the past 7 years, there is continued and warranted interest in significantly enhancing funds for this purpose. In the midst of these debates, the General Assembly passed legislation, like Senate Bill 455, that reduced the amount of revenue available to the State to meet these needs. Overall, legislation passed in the 2001 Session resulted in increased mandated expenditures of over \$35 million in FY 2003, and revenue loss of over \$10 million next year. Several of these initiatives involve significant commitments in future years. While many of the policies adopted this year are defensible, it is clear to me that we should not proceed with a new tax credit program that could cost an additional \$2.5 million to \$20 million loss in annual revenues.

While the above concerns prevent me from signing Senate Bill 455 into law, I want to reiterate my willingness to focus additional efforts on meeting the State's critical skills needs. During the 2001 Interim, the Maryland Higher Education Commission is undertaking a comprehensive review of all scholarship programs. Part of the Commission's focus will be on scholarship programs that address the critical skills needs of Maryland employers. The use of tax credits to encourage critical skills training will be examined as part of this comprehensive review.

For the above reasons, I have vetoed Senate Bill 455.

Sincerely,
Parris N. Glendening
Governor

Senate Bill No. 455

AN ACT concerning

Critical Skills and Occupations - Income Tax ~~Credits~~ Credit for Individuals

FOR the purpose of allowing an individual a credit against the State income tax for certain amounts paid by the individual during the taxable year for certain