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Schaefer warns of deficit headed to $500 million

Education, local aid will need deep cuts, county officials hear

By John W. Frece
Annapolis Bureau

OCEAN CITY — Gov. William Donald Schaefer told shell-shocked county officials yesterday that Maryland might be heading for a budget deficit of $500 million — twice as much as previously thought.

Mr. Schaefer, speaking at the 42nd annual meeting of the Maryland Association of Counties, said he intended by Oct. 1 to develop a plan to eliminate the budget deficit, a plan he said was likely to include "hundreds of millions of dollars" in cuts to all levels of education, and new and deeper reductions in state aid to county governments.

"It is safe to say there will be a substantial reduction in the budget, and every area will be affected," Mr. Schaefer said. "You will be hit. No question about it. You knew it."

The governor said the problem was solely rooted in a flat economy that was not producing any increase in revenues. The current-year budget had anticipated a 6 percent growth in tax collections.

Mr. Schaefer stopped short of calling for a special legislative session to approve spending cuts the governor cannot make by himself to deal with this latest budget crisis, the eighth in three years. But he said such a session would be "a good idea."

"After the legislature sees what we're going to do, they will be so shocked they're going to have to do something," he predicted.

The governor made clear that this next round of cuts — coming as they will out of a budget already trimmed by $1.1 billion in two years — would be "a painful, devastating task."

Whole state agencies could be axed, he said, and employees — he declined to speculate on how many — are sure to lose their jobs. Optional health and welfare programs for the poor may simply become a luxury Maryland can no longer afford.

Other changes also are in the offing, he said, including possible increases in state fees for services ren-

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Swelling deficit to mean deep cuts, Schaefer says

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dered. The governor specifically hinted he might resurrect a highly controversial proposal to charge the parents of disabled children for services on a sliding scale tied to family income.

He also warned Maryland citizens that this next reduction in state aid to the counties was likely to force many jurisdictions to increase their local piggyback income tax rates again to make up the difference.

Legislators on hand to hear the governor's speech said the General Assembly intended to work with him on a consensus budget-reduction plan. But they insisted there was no support for higher taxes and considerable opposition, especially in the House of Delegates, to another special session.

Mr. Schaefer said he was not counting on the economy's improving, nor on help from the federal government, nor on higher taxes.

Senate President Thomas V. Mike Miller Jr., D-Prince George's, said, "There is absolutely, positively, unequivocally no support for new taxes, and anyone who supported same would be hooted down immediately."

Mr. Miller, however, said he thought the Senate might be interested in a special session, but not until after the Nov. 3 general election is over.

Instead, he and other lawmakers said they would have to work with Mr. Schaefer next month to reduce once again the mandated expenditures for Medicaid, aid to education, welfare and other programs over which Mr. Schaefer has no unilateral control.

Del. Timothy F. Maloney, D-Prince George's, a subcommittee chairman on the House Appropriations Committee, said House Speaker R. Clayton Mitchell Jr., D-Kent, did not want to bring lawmakers back to Annapolis for what would be their fourth special session in two years.

"The chance of a special session this fall is about zero," he said.

But he said he expected lawmakers to develop jointly with Mr. Schaefer a plan that could either be implemented by the governor administratively or through a quick "ratification session" possibly held just before the regular 1993 session convenes in January. He said there was internal pressure to develop such a plan before the state seeks to have its triple-A bond rating reaffirmed prior to a bond sale tentatively scheduled in October.

Mr. Maloney said University of Maryland officials had been holding internal meetings in recent weeks to prepare for "a major hit" that is likely to drain millions of dollars from higher education programs.

Both Mr. Maloney and President Miller said they thought the governor, burned repeatedly by overly optimistic revenue estimates the past few years, had erred in the other direction, picking a deficit target that might be overly pessimistic. Even Mr. Schaefer conceded the $500 million figure was "an outside number."

Mr. Schaefer has complained for months about the estimates he has received from the state's official Board of Revenue Estimates. As a result, he announced yesterday that he had brought in his personal revenue adviser, Dr. Mahlon Straszheim, chairman of the department of economics at the University of Maryland College Park.

Reading aloud from a report from Dr. Straszheim, the governor told county officials the outlook for even modest revenue growth over the next six months to a year was bleak at best.

The governor said he hoped to have a final plan in place by Sept. 15 and to put it into effect by Oct. 1. He repeatedly noted that the later in the budget year he waited to act, the larger the cuts would have to be and the more difficult it would be for counties and state agencies to react.

County officials were well aware the bad news was coming, but despite calls from the governor for them to work together, differences of opinion immediately popped up.

"I understand major cuts are likely to come in education. That's the last place they should cut," said Prince George's County Executive Parris N. Glendening.

Anne Arundel County Executive Robert R. Neall said he was concerned the state faced another year of patchwork decisions, rather than a more comprehensive review of state and local fiscal relations.