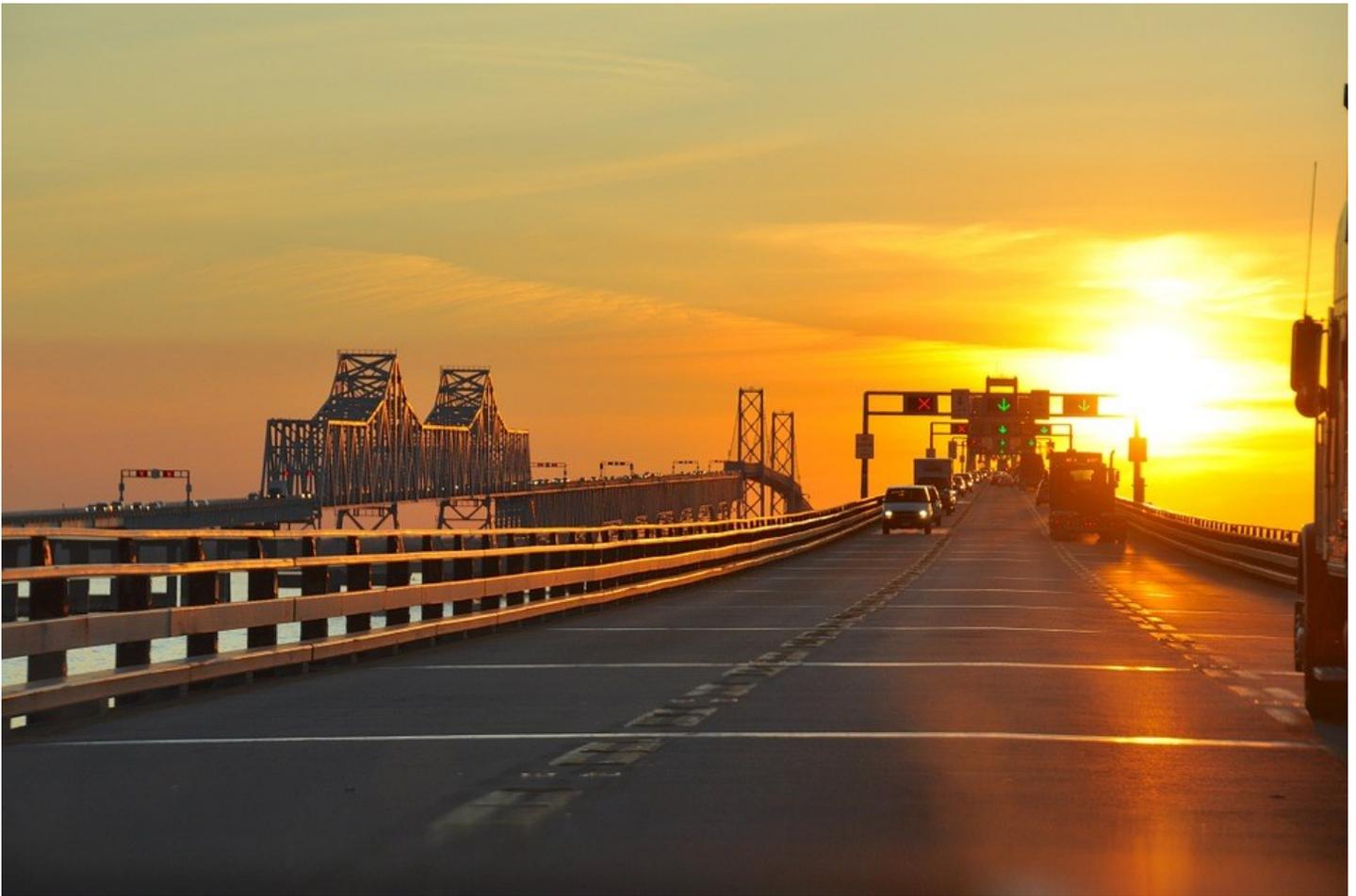




Blueprint for Broadly Shared Prosperity in Maryland



Maryland has a lot to be proud of. Our past investments in our education system, health care, transportation network, safe communities, and public recreation have made our state a great place to live and do business and have created the backbone of a successful economy. Maryland has the highest median income of any state in the country and is home to many thriving businesses.

At the same time, we know that many Marylanders are not sharing in our state's successes. About 1 in 10 of our neighbors survive on incomes below the federal poverty line; about \$24,600 for a family of four. Even more – about 35 percent – struggle to afford basic necessities, even if they are working. While our unemployment rate has continued to go down since the Great Recession, incomes for the lowest-wage workers have only slightly improved.

It doesn't have to be this way. Sound state policies, motivated by a commitment to inclusion and justice, would make a critical difference. Investments in the economic success of all Maryland families would strengthen our entire economy.

Maryland ought to be the national leader in such policies. With a renewed commitment to building an inclusive economy that works for everyone and investing in our shared priorities, it can be.

Addressing the Changing Nature of Work

For a growing number of Marylanders, employment doesn't mean an eight-hour workday with a regular schedule. More people are working multiple jobs to get by, or are forced to choose part-time and contract positions with no benefits.

Working hard should at least leave you with enough at the end of the day to afford the basics, like a decent place to live and nutritious food on the table, and to maybe to save a little for the future.

For too many Marylanders, that is not the case. Hourly wages for typical Maryland workers as well as the lowest-paid workers fell sharply during the Great Recession, and are only now regaining their previous value. One reason why so many working people are falling behind at a time when incomes for the wealthiest are soaring is the failure of the minimum wage to keep up with the rising cost of living.

For others, there are systemic barriers in place that keep them from accessing good-paying jobs, whether that is a lack of transportation options in communities with high unemployment, insufficient workforce training programs, or limited opportunities for people with a criminal record. We know that people of color and people who live in low-income communities are more likely to face these kinds of obstacles.

Creating a strong, inclusive state economy demands that we address the changing nature of work, taking reasonable steps to guarantee workers fair wages, a predictable work schedule, and access to supports they need to enter and remain in the workforce.



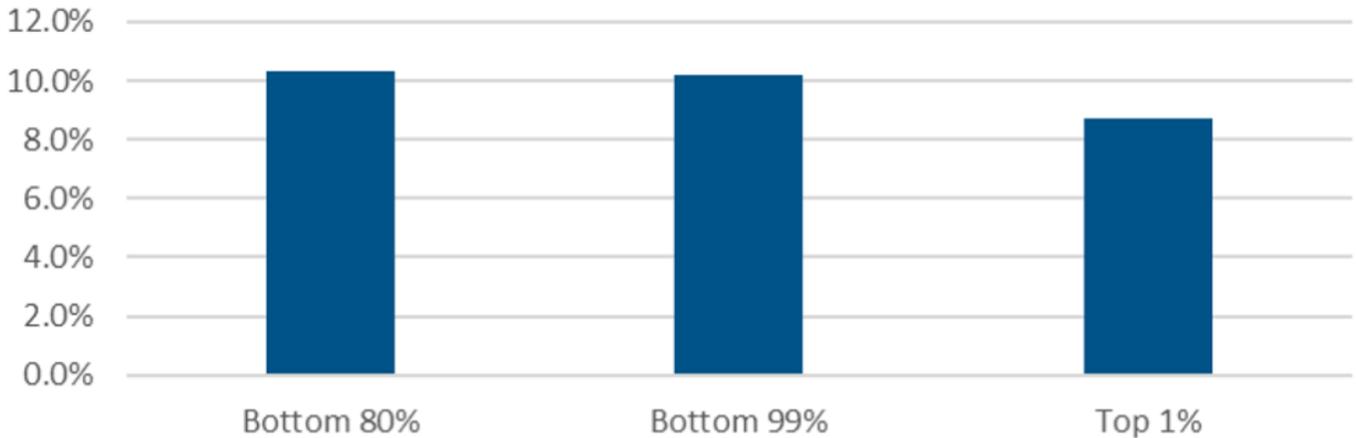
Policy Tools

- **Increase the minimum wage.** Continuing to raise the state's minimum wage beyond the already-planned increase in July 2018 would put more money in the hands of people who are now working but struggling to get by on low wages, which would mean stronger sales at local businesses and a healthier Maryland economy. Even in the lowest-cost parts of the state, the eventual minimum wage under current law—\$10.10 per hour, beginning in July 2018— isn't enough to afford a basic standard of living, even for a single adult with a full-time job and no children. To ensure that our state's economic growth benefits everyone, not just those at the very top, legislators should raise the minimum wage to \$15 per hour by 2023, and plan for automatic increases based on inflation over time.

- **Ensure a reasonable work schedule.** Almost half of the people who work part time receive their schedules one week or less in advance. Employers are able to schedule workers as “on-call” for the day without any guarantee of work or pay, cancel shifts at the last minute, and send workers home early without compensating them. If workers are unable to meet these expectations, they are often punished with fewer hours or risk being fired. More fair scheduling practices would require adequate notice of work schedules and would allow workers to decline any hours scheduled with less notice.
- **Update standards for overtime pay.** Like the minimum wage, federal rules regarding overtime pay were designed to ensure that people get fair wages for their work. However, the rules for determining who must receive overtime pay when they work more than 40 hours per week has not kept up with rising wages. Today, someone struggling to make ends meet on a salary of \$24,000 per year could be required to work more than full time without any additional compensation if their employer says their position is “managerial, administrative, or professional.” This places an unfair burden on working people who are getting by on wages just above the federal poverty line. Implementing a stronger overtime policy in Maryland would benefit workers and our economy.
- **Provide paid family leave.** Maryland should follow the lead of states like New Jersey, California, and New York, and create a state-run insurance fund that provides partial wages for Maryland workers who need to care for a new child, take care of a serious health condition that they or a family member faces, or take time off due a family member’s military deployment. Providing paid family leave would help more people keep their jobs and some of their salary while they care for their families. This would reduce the need for costlier public assistance and public health programs.
- **Increase access to affordable child care.** The cost of child care is on the rise around the country, and Maryland families have it especially hard. Our child care costs are the fifth highest in the country, with families typically paying about \$14,000 per year to keep an infant in good hands while parents work. In 2015, about 10,000 families in Maryland were better able to afford child care thanks to the state’s child care subsidies—which means thousands of children experience a safe, engaging environment and thousands of parents are able to go to work each day—but inadequate funding and high fees still put child care out of reach for too many families. We should invest more so that the high cost of child care doesn’t stand between working parents and their jobs.
- **Expand effective workforce training programs.** There are many examples throughout the state of highly effective workforce training programs that benefit unemployed people and employers by helping people gain skills for in-demand jobs. But these programs are generally small and lack sufficient funding to serve everyone who could benefit. Investing more in these proven programs would be a win-win for workers and businesses.

Maryland's Tax Code Asks Less of the Rich

Average effective state and local tax rate by income class



Source: Institute on Taxation and Economic Policy 2015. Chart does not include state and local tax deduction; including this deduction would likely produce a more regressive distribution.

Creating a Fairer Tax Code and More Responsible Budget Practices

Our shared investments in good schools, a robust transportation network, and safe communities have made Maryland a great place to live, work, and do business. But over time, our tax code has become full of tax breaks put there by special interests, and that is hurting our ability to maintain critical services, let alone make new investments that move our state forward.

In addition, Maryland's tax code asks the most of those least able to afford it. The wealthiest 1 percent pay about 16 percent less in taxes, as a share of their incomes, than the rest of us. This inequality becomes even worse when you take race and gender into consideration.

By taking three steps to reform our tax code, we can make sure everyone pays their fair share, and ensure that we're putting our shared resources into things that benefit all of us, rather than funding tax breaks for special interests.

Clean up the tax code. We should clean up our tax code by getting rid of special tax breaks, like those that favor large, multi-state corporations over local businesses, and the loophole allowing investment managers to avoid paying their fair share of income taxes. We should also reverse recent cuts to our multi-millionaire estate tax, which costs upward of \$100 million each year and does nothing to strengthen our economy.

In addition, policymakers should evaluate the state's many tax credits and business grants to make

sure they are working as intended. Many of these programs favor large, already successful corporations that have the resources to apply for these credits. While these programs claim to create jobs, state reviews have repeatedly shown that they have virtually no impact on businesses deciding to locate or expand in Maryland and may not be accomplishing what policymakers set out to do when they enacted them.

Modernize sales tax collection. We should modernize the way we collect sales taxes to reflect the increasing importance of services and online commerce to our economy. This includes taxing digital downloads at the same rate as physical copies and adding a sales tax on services like landscaping and housecleaners. This single step could bring in hundreds of millions of dollars in revenue.

Increase income tax fairness. By making some changes to our state income tax, we can help ensure everyone pays their fair share in state and local taxes, and that low-income workers aren't taxed further into poverty. To start, we should expand the Earned Income Tax Credit to include young workers and workers not raising children. Sales and payroll taxes can make it harder for low-wage workers to make ends meet. The EITC makes a real difference in these workers' lives. Making it available to those who are left out under the current rules, despite having very low incomes, would help even more.

In addition, we should reinstate the top income tax bracket for the wealthiest Marylanders. Maryland's millionaires are the only individual taxpayers likely to see a windfall from last year's overhaul of our federal tax code. And people in this income group already don't pay their fair share for the state services we all rely on. Reinstating an additional tax bracket that helps ensure that people earning more than \$1 million per year pay their fair share in state taxes would help ensure the state can continue to invest in things that support vibrant communities and a healthy economy.

Budget reforms

Maryland's current budget process doesn't work as well as it should. Today's governor-dominated process, unique among the states, prohibits the General Assembly from adding money to the budget in almost every case. This rule prevents effective collaboration between the General Assembly and the governor and discourages negotiation to decide on shared priorities.

Our state granted this broad power to the governor under circumstances unlike the ones our state faces today. By adopting a process similar to the ones used in every other state, we can improve on the current system. Maryland's governor and legislature could do a better job of working together to set priorities and make important investments in the state's economy and quality of life if we adopted significant changes to the annual state budgeting process. These reforms would promote greater citizen involvement, put the public good ahead of politics, and increase accountability.



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Policy Tools

- **Better balance power.** Maryland should adopt a state constitutional amendment giving the General Assembly greater say in key aspects of budget-making. A constitutional amendment could allow the Maryland legislature to add spending items to the operating budget, within certain guidelines – like maintaining the requirement that the overall budget be balanced – and give the governor the limited right to veto specific items.
- **Make budget changes easier to understand.** State budgets are complex documents, and that can make it harder for average citizens to express their opinions about state spending priorities. A couple simple changes could make them easier to understand, such as:
 - ◇ Explaining how a cut in funding will affect public services, rather than only giving the dollar amount. Budget documents commonly highlight new spending initiatives and program enhancements but often fail to include details of how cuts will affect the state’s ability to provide services at the current level or meet growing needs. Budget cuts or level-funding services often means that there is inadequate funding to meet residents’ needs. This leads to problems like higher student-teacher ratios, reduced maintenance on roads and bridges, and long waiting lists for services crucial to families’ wellbeing.
 - ◇ Disseminating an annual report that summarizes state spending and its impact on the public, and comparing it to previous years. One barrier to public understanding of the state budget is that the spending plan is broken down into somewhat arbitrary categories. A concise synopsis of expenditures broken down by major policy category, such as education, health, and the environment, could increase understanding and engagement with the budget process.
- **Increase tax credit transparency and tracking.** Only some of Maryland’s business tax credits are subject to public reporting requirements and periodic review. Expanding and improving the current procedures would make it easier for legislators and the public to determine whether these tax credits are actually stimulating job growth or giving unfair breaks to certain special interests.
- **Provide more comprehensive fiscal notes.** Every piece of legislation the General Assembly considers each year is subject to an analysis of how it will impact the state budget, as well as a handful of other policy outcomes. These documents are known as fiscal and policy notes. Adding a racial and ethnic equity impact assessment, as some other states have done, would allow for a more comprehensive understanding of proposed legislation and could make state policies more equitable over time. An environmental impact statement would also improve the usefulness of the notes.

Setting up Future Generations for Success



Maryland delivers some of the highest-quality education in the country by some measures, and yet too many students – particularly people of color – still see their educational opportunities limited based solely on where they live. This is because our investments in education have not kept pace with the standards we expect students to meet, and these investments are not distributed equitably among school districts or schools.

It is essential for Maryland children and for our economy that we provide schools across our state with the resources they need to deliver a first-rate education. When students have access to high-quality public schools, they are better prepared to succeed in college, find good jobs, and fully participate in their communities—and research shows that a well-educated workforce means a stronger economy for everyone.

Continuing to build on efforts to expand access to pre-K in Maryland is also important. Few educational interventions have been shown to bring greater returns both to children and to the community. Yet too many Maryland children are currently shut out of pre-K education due to high program costs and the inability of existing programs to meet demand.

Overall, the state currently does not put enough resources in schools to ensure that all Maryland students can access a first-rate education. This underinvestment falls hardest on the school districts where needs are greatest and undermines our economy. It's time to ensure that schools across Maryland have the resources they need.

Policy Tools

- **Make the K-12 funding formula more effective.** Maryland has a rare opportunity to overhaul our education funding system, as the Kirwan Commission completes its work and makes recommendations to the legislature this year. Policymakers should embrace solutions that ensure that we are investing enough in education, and that those investments are well-targeted to the students that need state help the most.
- **Fully implement universal pre-K.** Studies have found that students entering kindergarten from a high-quality pre-K program score higher on reading and math tests than children who did not attend preschool. These gains in achievement are substantial in all income groups, and greatest among children who grow up in families struggling to make ends meet. Because students who attend high quality pre-K programs need fewer targeted educational services during school and go on to pay more in income taxes, investments in pre-K can generate significant cost savings for the state over time.
- **Fully fund school nutrition programs.** Maryland has taken some innovative and highly effective approaches to ensure all students are able to get enough to eat while at school. Evidence demonstrates that children learn better and are more successful later in life because of these programs. However, right now not all schools that would benefit from these programs are able to implement them because of insufficient state support.

Making Investments That Support a Strong, Resilient Economy

Maryland has spent years cutting and capping its investment in public services as policymakers continue to deal with slow economic growth and increased need for public assistance in the years following the Great Recession. While these steps were a necessary and responsible approach in the short term, the need for significant new investments is continuing to pile up. To ensure that more Marylanders experience an economy that offers broad prosperity and a widely shared, rising standard of living, we must make meaningful investments in things like schools, health care, affordable housing, and transit.

- **Invest in transit.** An effective transit system helps people get to work, students travel to school, and reduces congestion on the roads – which in turn makes it easier and more cost effective for people and goods to get around. We have immediate needs for investment in transit. In the D.C. area, restoring the Metro system to a well-functioning, affordable system is critical for the region’s workers and our economy. In Baltimore, residents in neighborhoods most in need of investment were left without access to job centers when the Red Line project was cancelled in 2015. People in more rural areas of the state would benefit from innovative transit models that allow them to travel to work, school, and other destinations without a car. Expanding and improving our state’s transit options is essential if we want Maryland to continue to be an attractive business destination.
- **Increase broadband internet access.** Access to affordable, high-speed internet service is critical for any business or individual in their day-to-day life today. But, despite years of dis-



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cussion about increasing rural broadband access, there are still too many people in rural parts of Maryland who can't get this service because major companies don't see it as profitable. For low-income Marylanders in other parts of the state, internet access may be out of reach due to the cost. Maryland needs more flexibility in its policies to make it easier for Marylanders to develop creative, community-based solutions.

- **Increase availability of affordable housing.** Maryland's high housing costs make it difficult for many families to find and keep stable, decent housing. It also makes it harder for many businesses to recruit the workers they need. The federal government now allocates only enough money to assist one of every four eligible families, leaving the majority without any help in the face of rising rents. Last year, more than 8,000 Marylanders were homeless, including about 2,000 children. Additional investment in housing assistance at the state level would bring even greater benefits to Maryland families and our economy.
- **Reduce or eliminate waiting lists.** When Maryland families hit a rough patch, economic supports like nutrition assistance, public health programs, and tax credits help them get back on their feet. However, these supports are often inaccessible to many people who need them. Insufficient funding levels mean some families still can't meet their basic needs, even with assistance. Long waiting lists keep people from accessing child care assistance, services that help low-income seniors live independently, and supportive services for people with disabilities. Increasing funding levels to reflect the needs in the state will help struggling families and put money into local economies.

Prepare For the State's Changing Relationship With the Federal Government

The potential for major federal policy changes to harm Maryland families and our economy continues to loom large. Whether it's shifting billions of dollars in expenses for federal anti-poverty programs to Maryland's budget or shrinking the federal workforce, the state must be prepared to respond.

Programs like Medicaid, food assistance, and housing assistance provide them the stability they need to climb the economic ladder. All of these vital services are cut severely under budget visions put forward by the Trump administration and the House of Representatives budget committee.

While it would be very difficult for the state to make up for the billions in potential cuts, our state has a strong history of going beyond the minimum federal requirements, helping more Marylanders keep a roof over their heads, food on the table, and access to health care. Policymakers must continue this tradition – raising revenue needed to lessen the harm of potential federal cuts and looking for creative solutions that allow as many people as possible to get the assistance they need.



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Maryland must:

- **Increase access to health coverage.** While most pieces of the Affordable Care Act remain intact, the current leadership in Washington has made it clear that they intend to continue to undermine the law. Removing the federal requirement for people to carry health insurance alone is expected to cause 226,000 Marylanders to lose coverage in the coming years, significantly adding to the approximately 390,000 Marylanders who are already uninsured. There are a range of possible solutions, from expanding Medicaid access to people with moderate incomes to adopting a form of universal health care. Regardless of the specific approach, Maryland must continue to take proactive steps expand health coverage to those left out of the current system and ensure coverage remains affordable to the individuals that have it now.
- **Protect effective anti-poverty programs.** Some leaders in Congress, as well as the President, have called for harmful cuts to proven, effective anti-poverty programs like food assistance, Medicaid, Medicare, housing assistance, and more. One of the ways they have proposed doing so is getting states to enact harsh time limits or work requirements for these essential programs. Evidence shows these approaches don't lead to more people working. Rather, they leave people hungry, or homeless, or without the health care they need to maintain stability and find work. Maryland should resist calls to enact time limits and work requirements.

Regardless of any new actions at the federal level, economic experts have long agreed that Maryland would be wise to diversify its economy to be less reliant on the federal government. About 19 percent of Marylanders work for the federal, state, or local governments, and many more work at private businesses that rely on government contracts.

Just over half of Maryland workers are employed at a small business (defined by the Small Business Administration as having fewer than 500 employees), and these businesses create thousands of new jobs each year. While Maryland is already a great place to do business, boasting a highly educated workforce, leading academic and medical institutions, a large number of affluent customers and easy transportation connections to other markets, doing more to support small businesses and entrepreneurs would strengthen our economy.

Policy Tools

- **Level the playing field.** One barrier to small business expansion is the difficulty in competing with large corporations. Lawmakers should close the tax loophole that allows large, multi-state enterprises to use accounting tricks to avoid paying taxes on all their Maryland profits. Each year Maryland's small businesses pay their fair share and meet their tax responsibilities while large, multi-state companies are able to artificially shift their earnings to other states to avoid paying taxes in the state. Closing this loophole by implementing "combined reporting" would create a fairer, more effective corporate tax system.
- **Spend a larger share of public dollars in Maryland.** Maryland issues billions of dollars in state contracts each year, money that doesn't always wind up supporting local firms. Instituting a "buy Maryland, buy small" contracting policy that favors local businesses could ensure that more state tax dollars go to support Maryland businesses.

- **Increase access to capital.** Access to capital remains one of the biggest challenges facing the small business community. State support for small businesses shouldn't solely focus on the startup period. Stable businesses that are ready to expand also can have a hard time getting the capital they need. There are a variety of mechanisms Maryland can use to help support home-grown businesses, including allowing them to defer taxes in order to expand or guaranteeing loans.