

# Advancing Justice through Fiscal Policy in Maryland

*Rigorous  
Independent  
Shared Prosperity*

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Founder, President & CEO

Maryland Center on Economic Policy

Crisis in the Black Community Conference

July 8, 2022



# Maryland Center on Economic Policy

*Every Marylander should be able to achieve their full potential in a healthy economy that offers a widely shared, rising standard of living*



# Maryland Center on Economic Policy

**MARYLAND  
CAMPAIGN  
FOR EARNED  
SICK DAYS**



**Court Extends  
Maryland  
Unemployment  
Benefits To  
September**

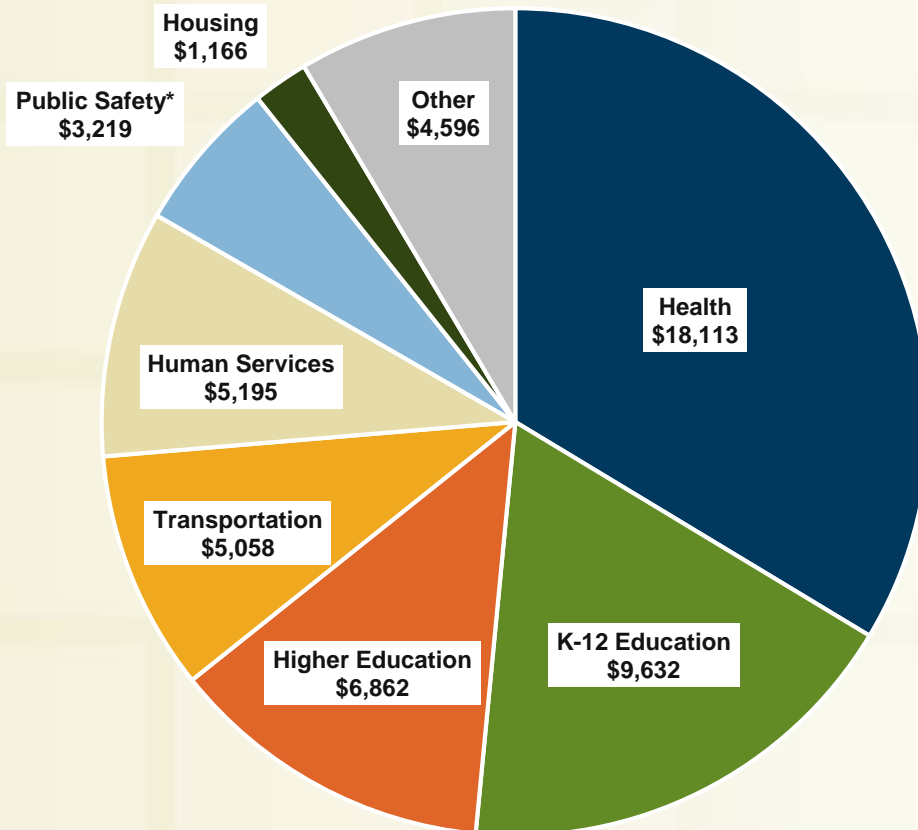
**BLUEPRINT**  
**for Maryland's**  
**FUTURE**

# Fiscal Policy As a Matter of Justice



# Maryland Budget 101

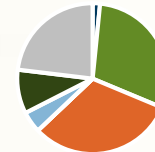
Operating Budget (FY21 Actual):  
**\$54 billion**



**Doing Things**

**Building Things**

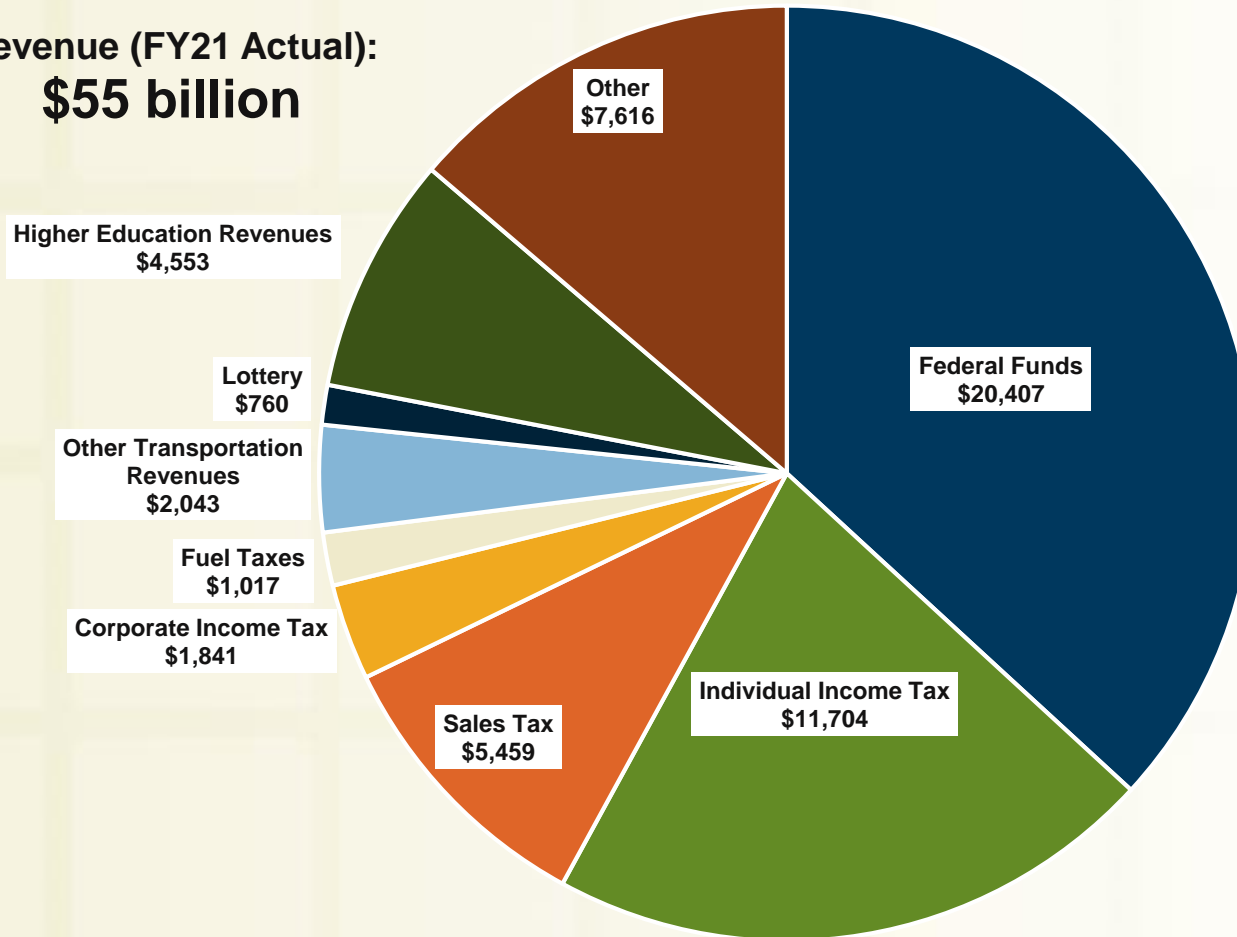
Capital Budget (FY21 Adopted):  
**\$1.2 billion**





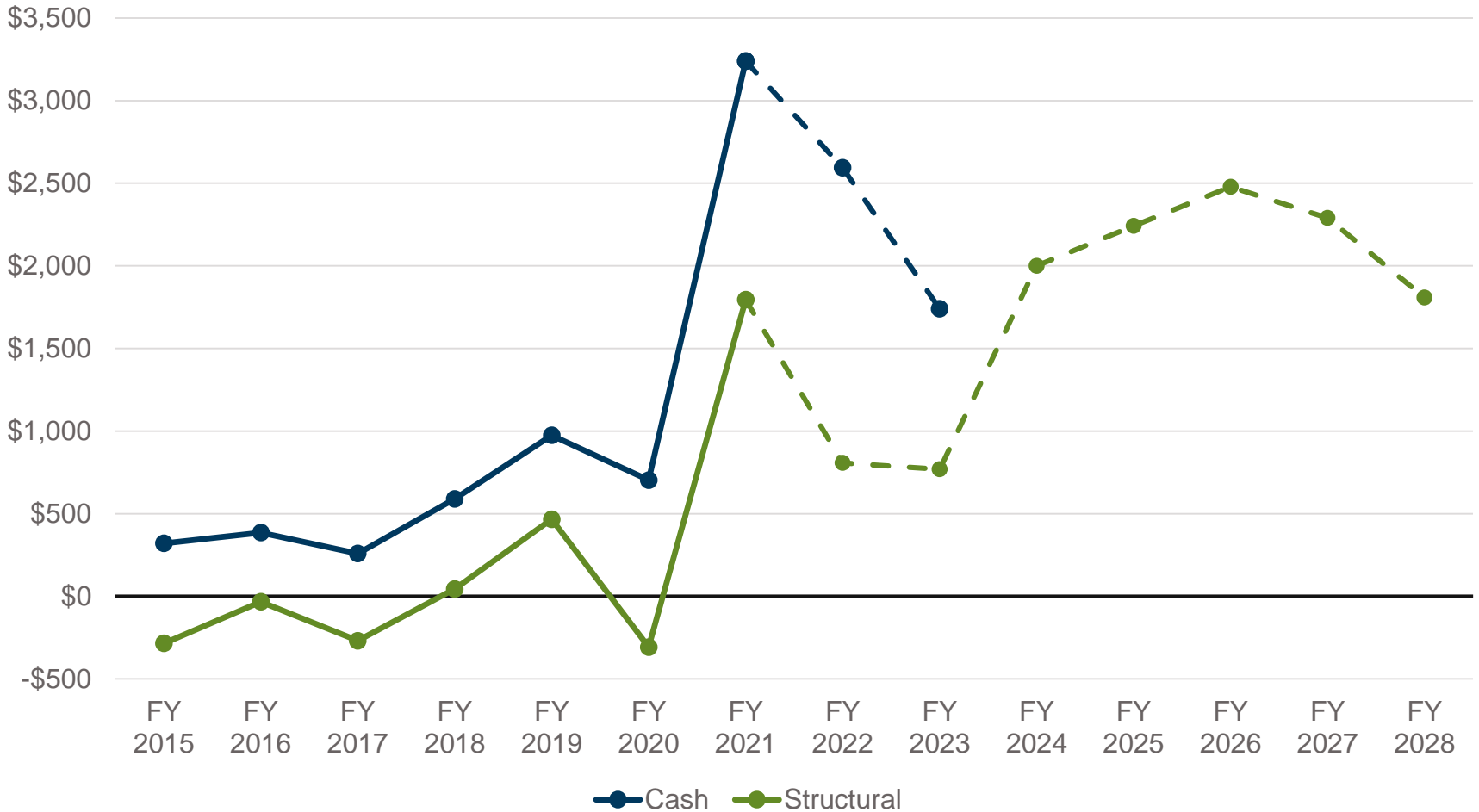
# Maryland Budget 101

Revenue (FY21 Actual):  
**\$55 billion**



# Historically Strong Fiscal Outlook

General fund cash and structural balance (dashed lines indicate estimates), FY2015–2028

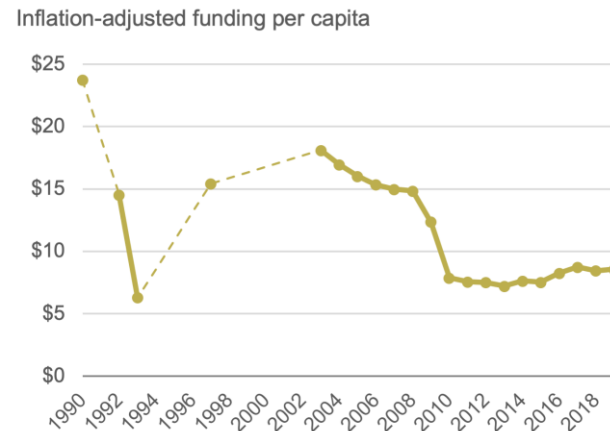
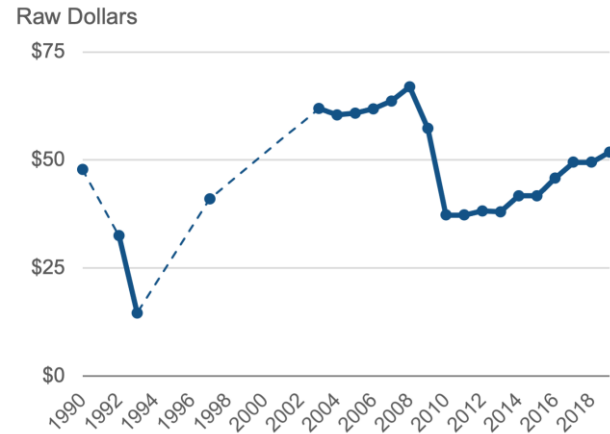


Source: Spending Affordability Committee Interim Briefings.

# Investing in Health Justice

- **Context:** Marylanders of color & families with low incomes face greater threats to their health
- **Smart choices:** ACA Medicaid expansion drove historic improvements in insurance coverage
- **Foolish choices:** Repeatedly slashing public health funding weakened our pandemic response

**Core Funding Grants to County Boards of Health**  
FY 1990–2019



1 Source: MDCEP analysis of 2016 American Community Survey one-year estimates and 2012–2016 American Community Survey five-year estimates. Neighborhoods are defined as census tracts for this analysis.



# Investing in Housing Justice

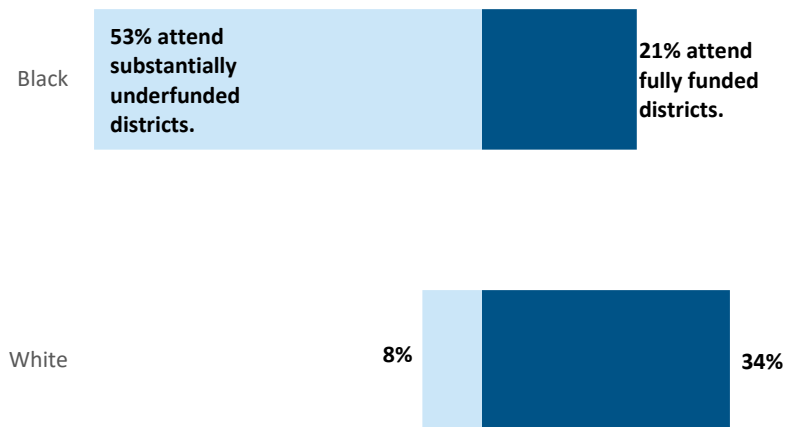
- **Context:** Even high-income Black families are more likely to live in struggling neighborhoods.
- **Impact:** Health, school, access to good jobs, ...
- **Solutions:**
  - Strengthen rental assistance
  - Build affordable housing

Average Neighborhood Income		
Household Income	White Households	Black Households
\$60,000 to \$74,999	<b>\$98,000</b>	\$82,000
\$100,000 to \$124,999	\$109,000	<b>\$94,000</b>
Average Neighborhood Poverty Rate		
Household Income	White Households	Black Households
\$60,000 to \$74,999	<b>8.9%</b>	12.6%
\$100,000 to \$124,999	7.5%	<b>9.6%</b>

1 Source: MDCEP analysis of 2016 American Community Survey one-year estimates and 2012–2016 American Community Survey five-year estimates. Neighborhoods are defined as census tracts for this analysis.

# Investing in Education Justice

## More than Half of Black Students in Maryland Attended Substantially Underfunded Schools as of 2015



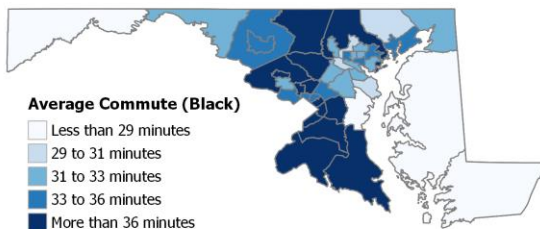
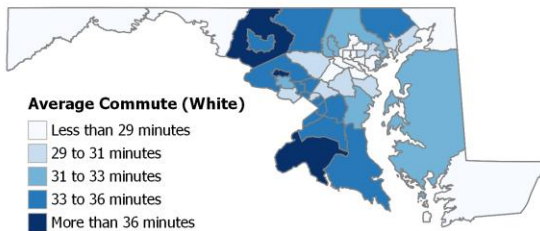
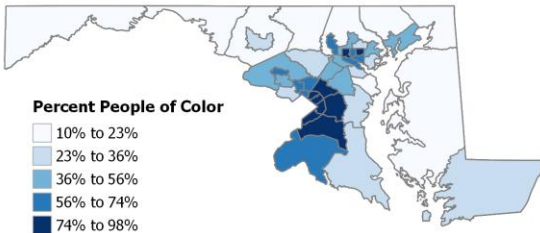
- **Great news!** The General Assembly passed the historic Blueprint for Maryland's Future in 2021!
- **The Blueprint was overdue:** Post-Great Recession, we underfunded schools, and we did it inequitably.
- **Faithful implementation:**
  - We can't repeat 2008–2015 cuts
  - Gov. Hogan attempted to shortchange schools *this year*

1 Source: MDCEP analysis of DLS funding adequacy data and National Center for Education Statistics data on enrollment by race. Schools are considered fully funded if they are at or above 95 percent of the Bridge to Excellence adequacy standard. Districts are considered substantially underfunded if they are below 85 percent of the standard.

# Investing in Transportation Justice

## Black Workers in Maryland Have Longer Commutes

Gaps are widest in predominantly nonwhite areas



Source: MDCEP analysis of 2012–2016 IPUMS American Community Survey. Geographic unit of analysis is public use microdata areas (PUMAs).

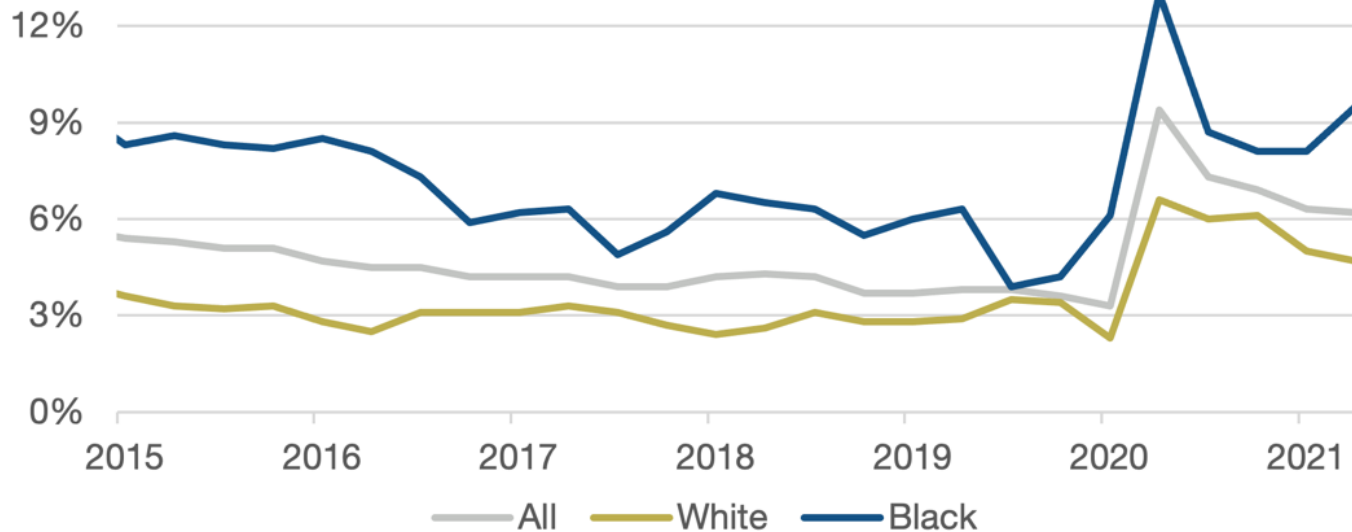
- **Context:** Black Marylanders spend more time commuting, *especially* in segregated communities
- **Impact:**
  - Access to good jobs
  - Freedom to live your life
  - Climate change
  - More
- **Foolish choices:** Canceling the Red Line massively set back transportation justice
- **Solutions:** Invest in frequent, reliable transit, dense development; address barriers facing drivers

1 Source: MDCEP analysis of DLS funding adequacy data and National Center for Education Statistics data on enrollment by race. Schools are considered fully funded if they are at or above 95 percent of the Bridge to Excellence adequacy standard. Districts are considered substantially underfunded if they are below 85 percent of the standard.

# Investing in Workforce Justice

## Black Workers Consistently Face Higher Unemployment Rates

Maryland quarterly unemployment rate by race, 2015 Q1 to 2021 Q2



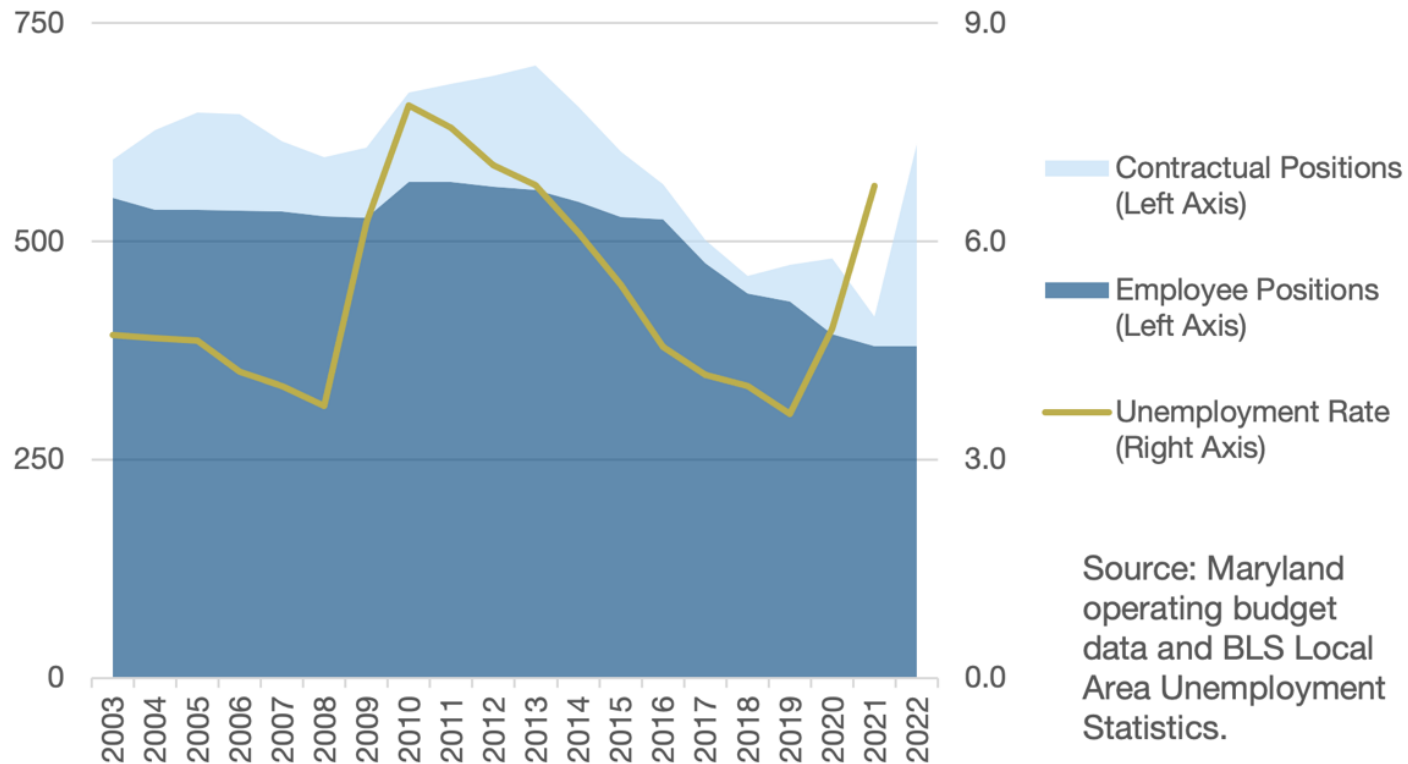
Source: Economic Policy Institute analysis of Bureau of Labor Statistics Local Area Unemployment Statistics data and Current Population Survey data.

1 Source: MDCEP analysis of DLS funding adequacy data and National Center for Education Statistics data on enrollment by race. Schools are considered fully funded if they are at or above 95 percent of the Bridge to Excellence adequacy standard. Districts are considered substantially underfunded if they are below 85 percent of the standard.

# Investing in Workforce Justice

## Maryland Unemployment Agency Entered Pandemic Historically Understaffed

Division of Unemployment Insurance employee and contractual positions (left axis) and Maryland unemployment rate (right axis), FY 2003–2022

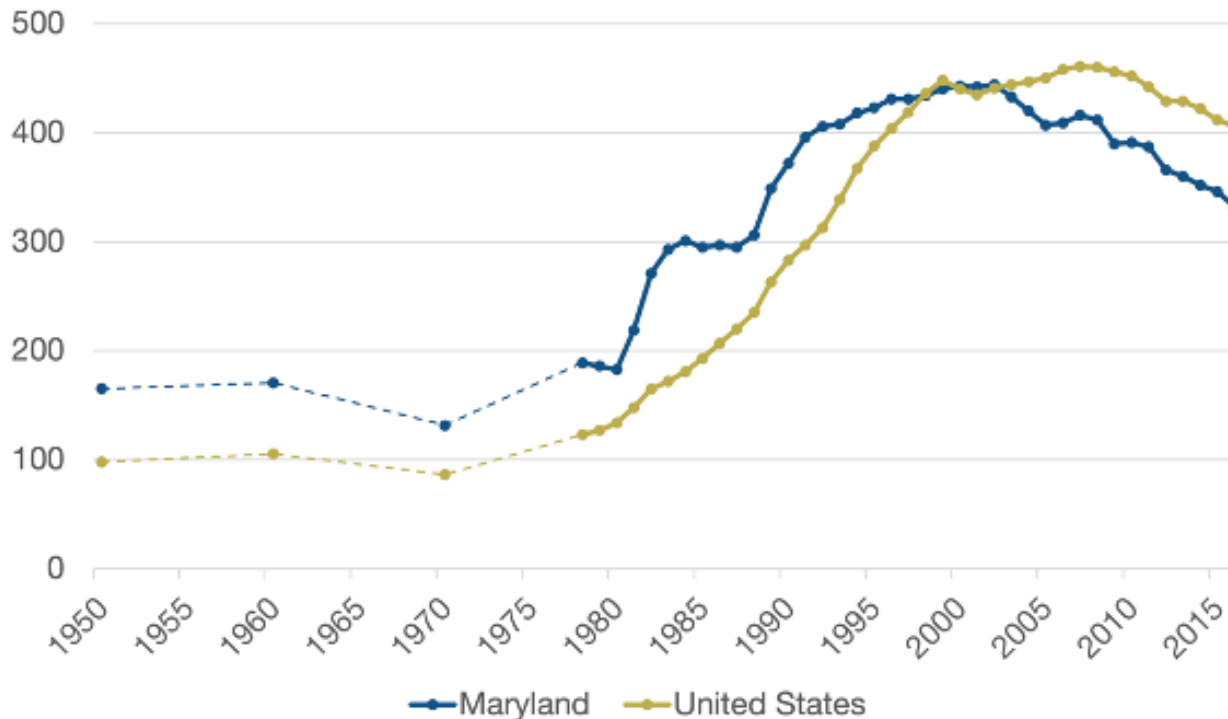


1 Source: MDCEP analysis of DLS funding adequacy data and National Center for Education Statistics data on enrollment by race. Schools are considered fully funded if they are at or above 95 percent of the Bridge to Excellence adequacy standard. Districts are considered substantially underfunded if they are below 85 percent of the standard.

# “Investing” in Mass Incarceration

## Three Decades of Explosive Growth in Incarceration

State prison incarceration rate per 100,000, United States and Maryland, 1950–2016



Source: MDCEP analysis of BJS Data Analysis Tool and U.S. Census Bureau *Statistical Abstract* series.

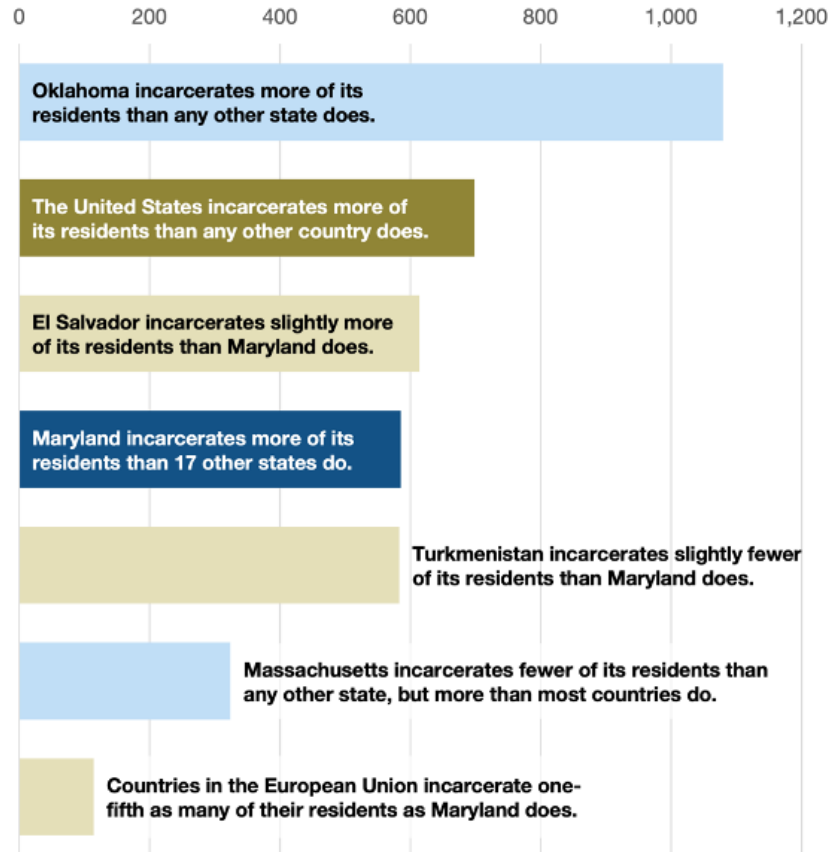
- 1 Source: MDCEP analysis of DLS funding adequacy data and National Center for Education Statistics data on enrollment by race. Schools are considered fully funded if they are at or above 95 percent of the Bridge to Excellence adequacy standard. Districts are considered substantially underfunded if they are below 85 percent of the standard.



# “Investing” in Mass Incarceration

## Maryland's Incarceration Rate Is High by Global Standards

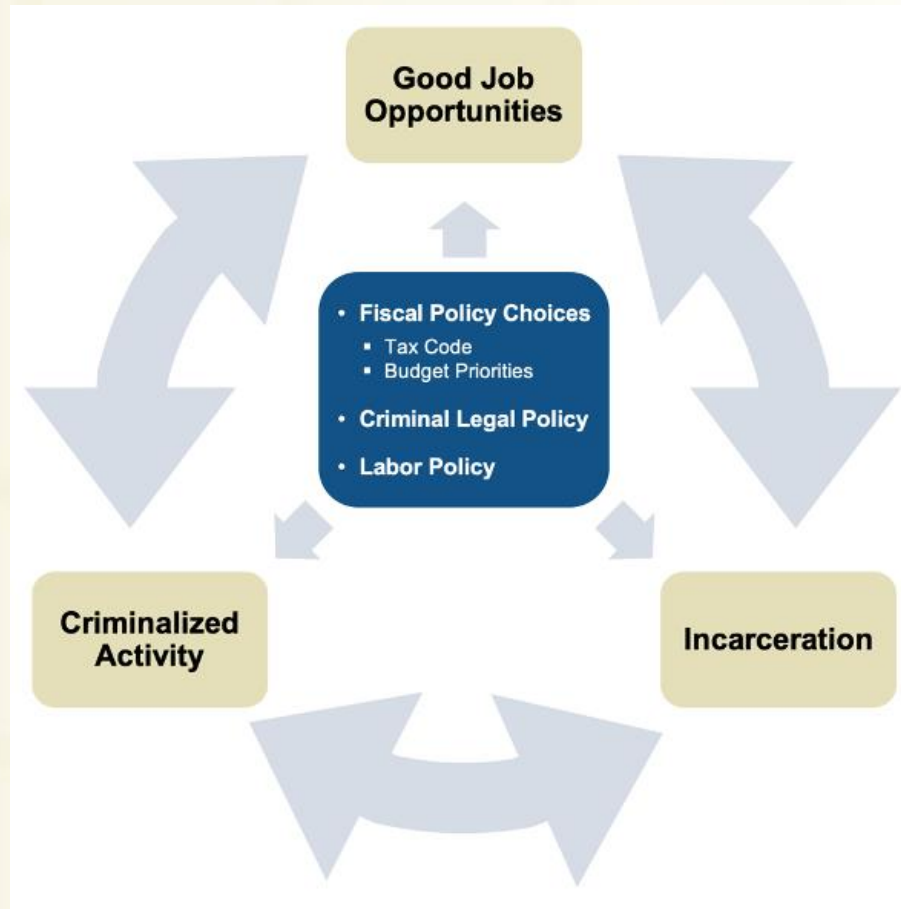
Incarcerated residents per 100,000



Source: Prison Policy Initiative 2018 with calculations by MDCEP.

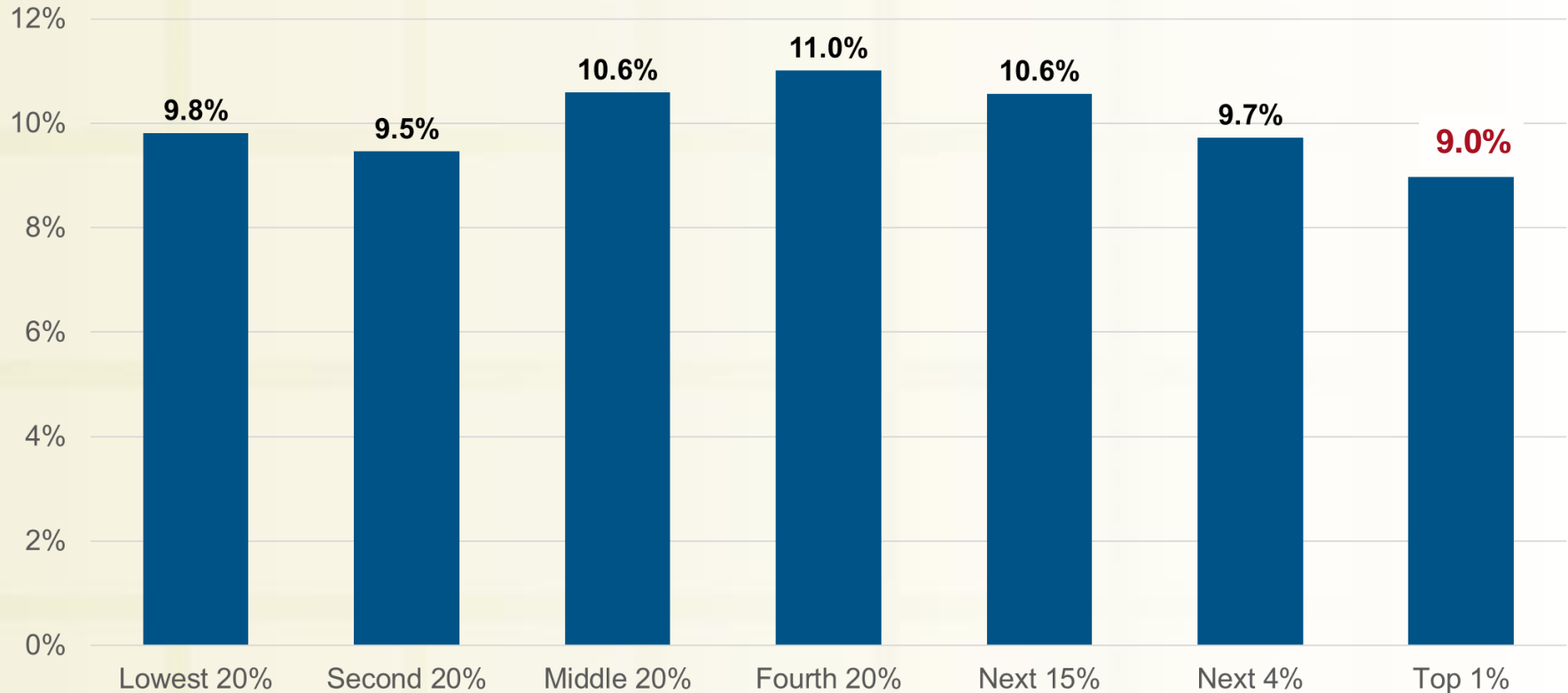
- 1 Source: MDCEP analysis of DLS funding adequacy data and National Center for Education Statistics data on enrollment by race. Schools are considered fully funded if they are at or above 95 percent of the Bridge to Excellence adequacy standard. Districts are considered substantially underfunded if they are below 85 percent of the standard.

# “Investing” in Mass Incarceration



1 Source: MDCEP analysis of DLS funding adequacy data and National Center for Education Statistics data on enrollment by race. Schools are considered fully funded if they are at or above 95 percent of the Bridge to Excellence adequacy standard. Districts are considered substantially underfunded if they are below 85 percent of the standard.

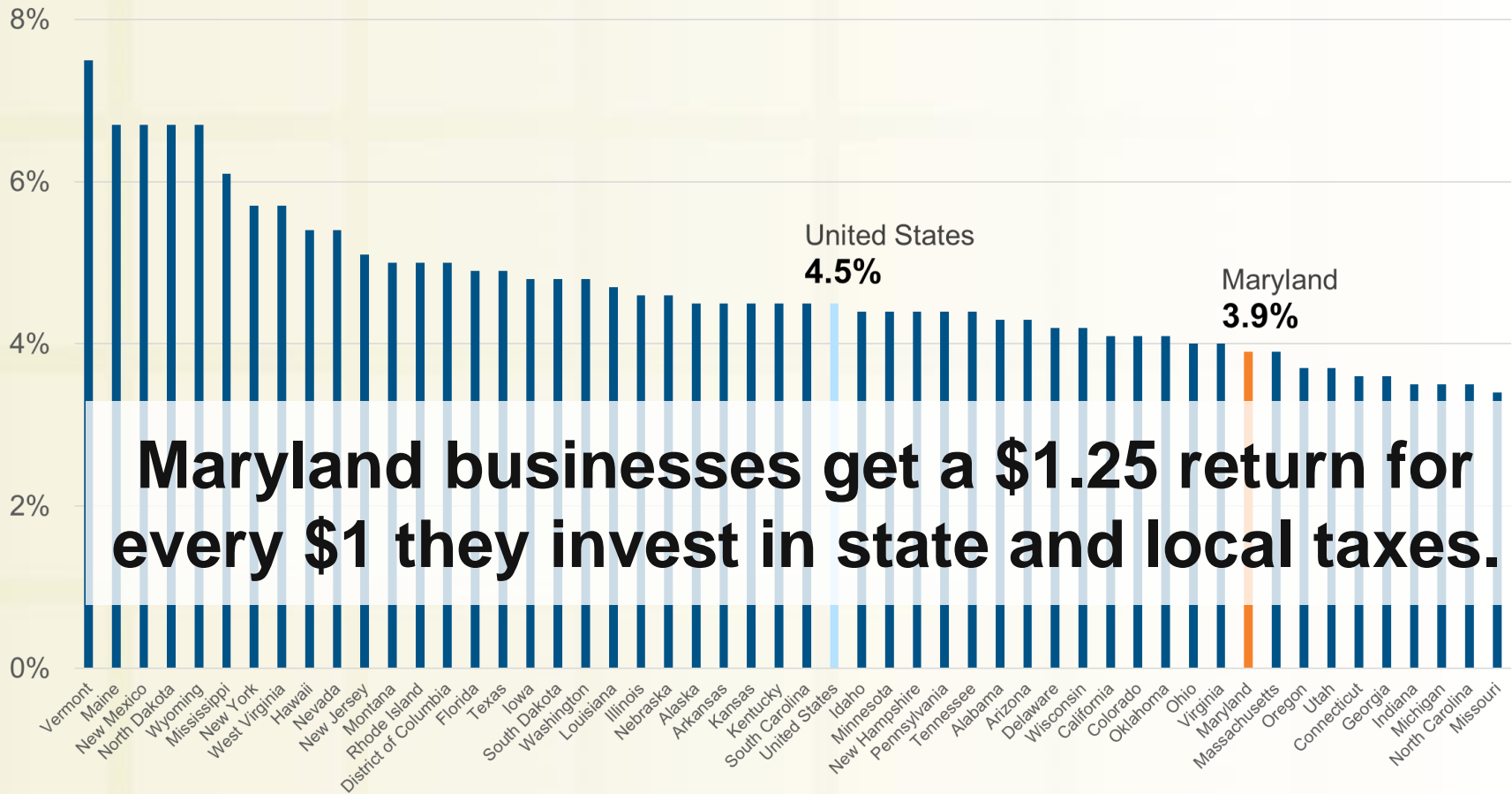
# Wealthiest Marylanders Pay a Smaller Share of their Income in State and Local Taxes



Source: Institute on Taxation and Economic Policy, 2018.

*Who Pays? A Distributional Analysis of the Tax System in All 50 States.* (2018). Institute on Taxation and Economic Policy. See: [http://www.itep.org/whopays/full\\_report.php](http://www.itep.org/whopays/full_report.php)

# Business taxes are a smaller share of MD's economy than in most states



**Maryland businesses get a \$1.25 return for every \$1 they invest in state and local taxes.**

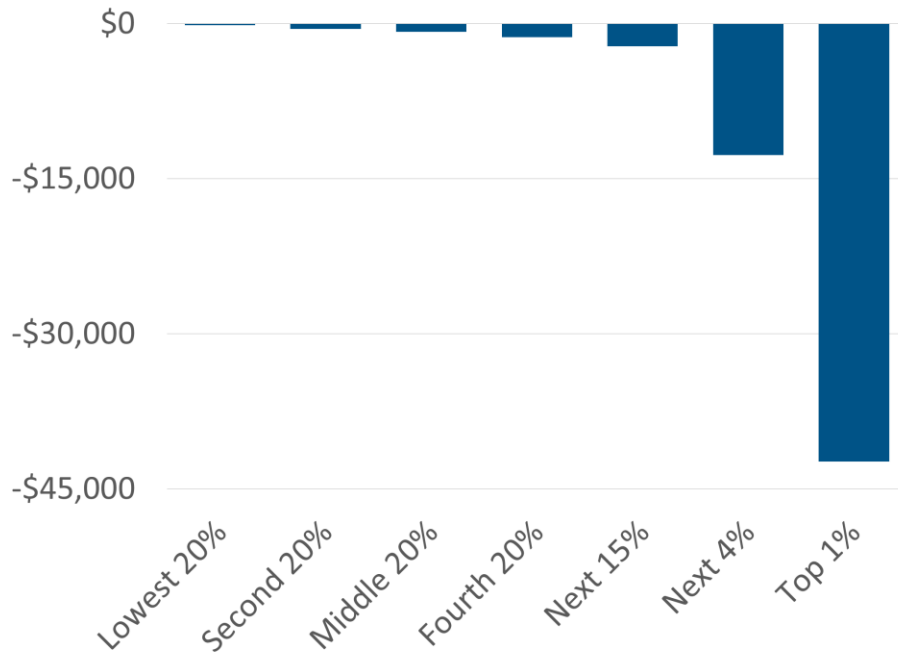
Ernst & Young, FY 2017 COST report on state and local taxes

# Wealthiest MDers Got Big Tax Cut in 2017

*Corporations and Wealthy Individuals Can Afford to Pay More*

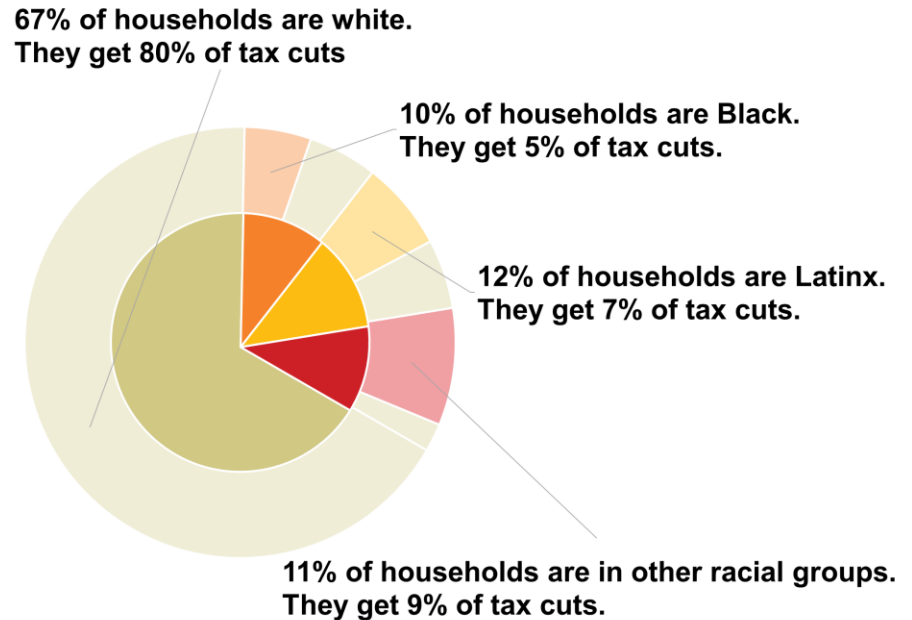
## Federal Tax Cut Law Primarily Benefits Wealthiest White Households

Average tax cut under 2017 federal overhaul by income group in Maryland



Source: Institute on Taxation and Economic Policy, 2017.

Distribution of tax cuts among racial and ethnic groups nationwide



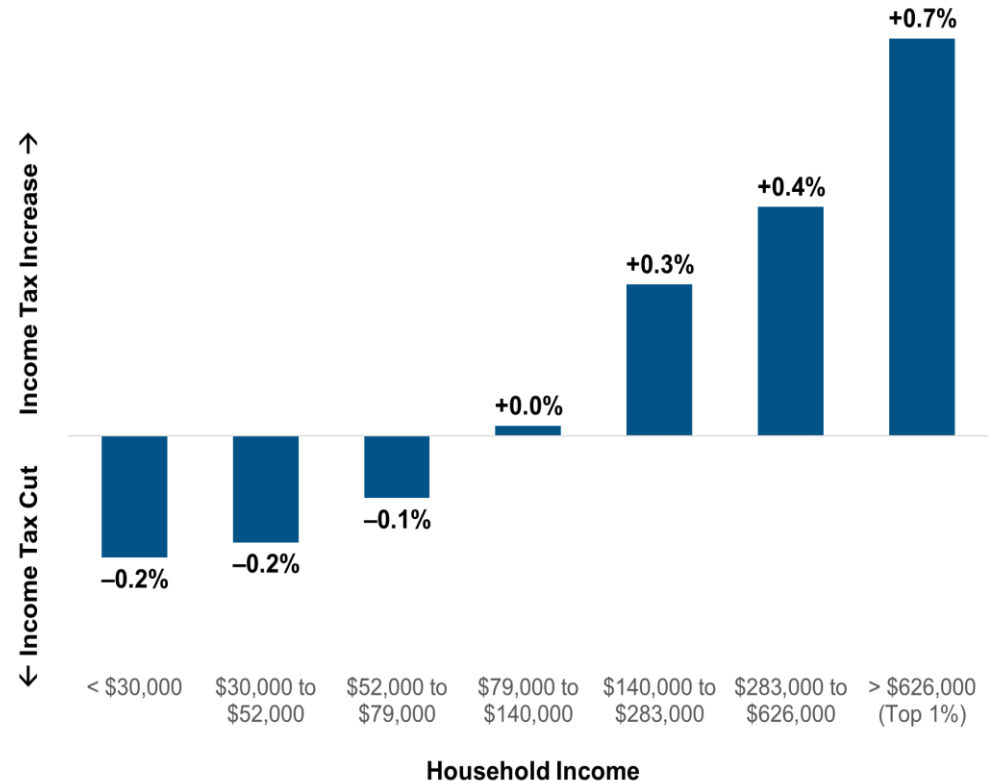
Source: Prosperity Now and Institute on Taxation and Economic Policy, 2018.

# How to Improve Maryland's Tax Code:

- Close loopholes that only benefit large, profitable businesses
- Eliminate ineffective economic development subsidies
- Restore the pre-2014 estate tax on the top 3% of estates
- Fair income tax reform

## Impact of State Income Tax Reform

Average tax increase/decrease (% of household income)



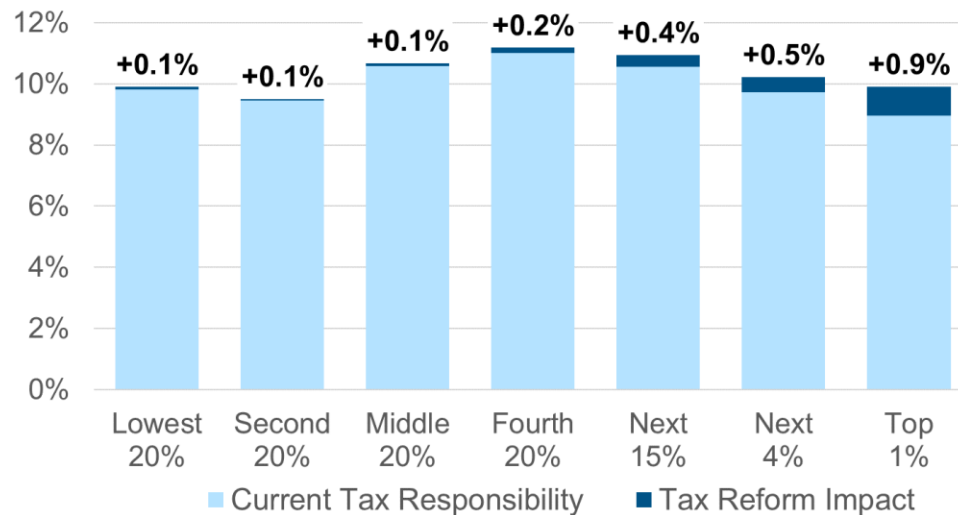


# Result: A Fairer, More Effective Revenue System

- Strengthens long-term fiscal position
- Improves Maryland's upside-down tax code
- Advances racial equity

## Tax Reform Would Help Build a More Equitable Revenue System in Maryland

Impact of tax reform as a share of income by income group



**1 in 9**

**Black and Latinx households are among the wealthiest 20%.**

**1 in 4**

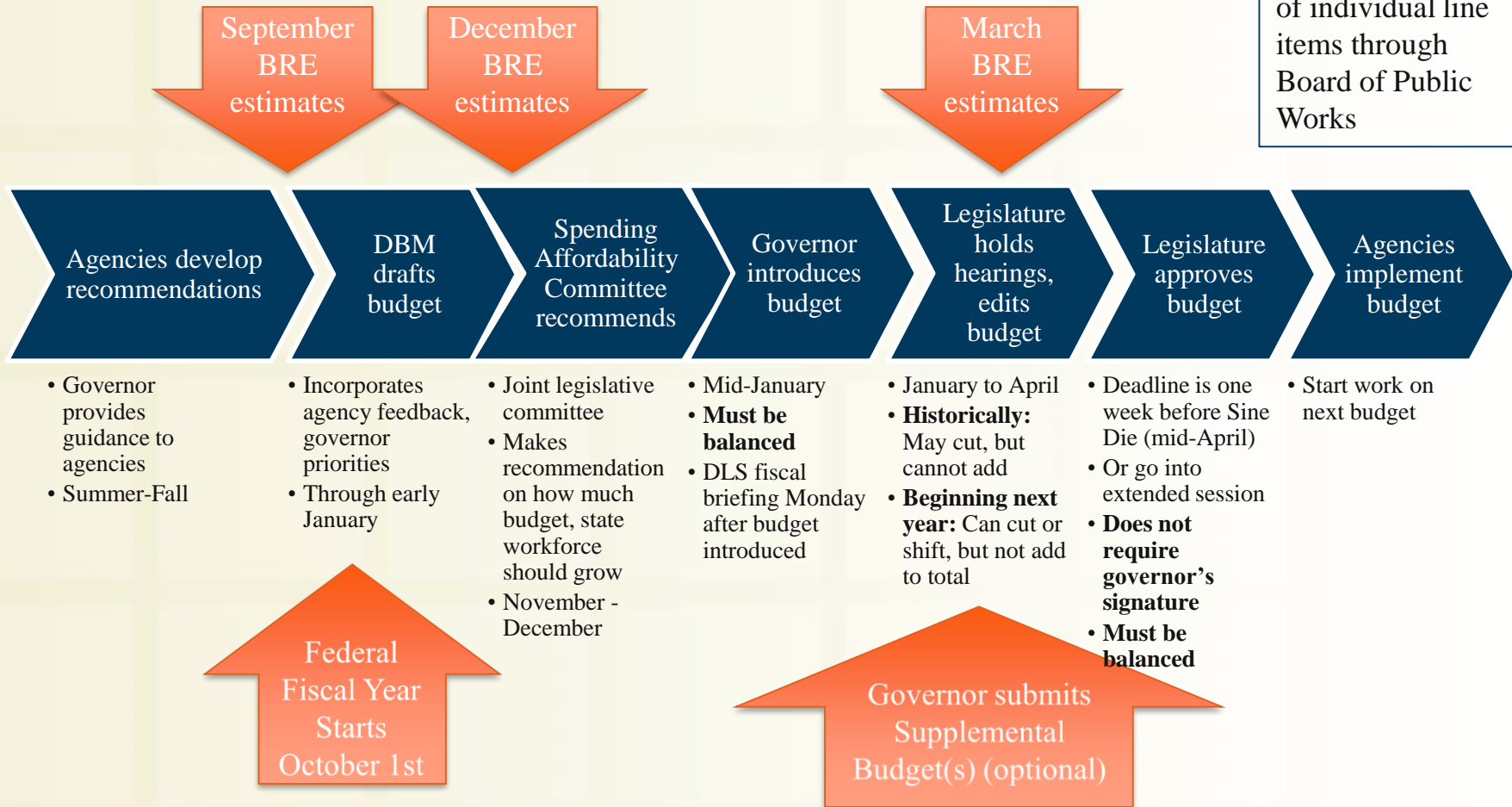
**White households are among the wealthiest 20%.**

Source: Institute on Taxation and Economic Policy. Some revenue components are excluded from distributional estimates due to insufficient data. Note that the income classes used to define current tax responsibility differ slightly from those used to estimate tax reform impact. See endnotes xxviii and xxix for details

# Operating Budget Lifecycle

*Maryland's fiscal year starts July 1st*

After budget passes, Governor can cut up to 25% of individual line items through Board of Public Works



BRE stands for Board of Revenue Estimates  
 DBM stands for Department of Budget and Management  
 DLS stands for Department of Legislative Services

Sine Die is the name for the last day of session

# Looking Ahead

## *2020 Ballot Measure Creates New Opportunities*

### Current Budget System

- Most powerful governor in the country
- **Corollary:** Least powerful legislature
- Current system created 1916
- Legislature can only cut
- Can't increase funding
- **Can't move funding**
- Cf: Annual budget tug-of-war

### Beginning in the 2023 Session:

- Comparable process to all the other states
- Legislature can move funding
- Legislature can't increase total budget
- Governor has line-item veto
- Supermajority can override

# Looking Ahead

## *2020 Ballot Measure Creates New Opportunities*

### **Current Budget System**

- Budget development untransparent
- Limited advocacy opportunities with executive agencies
- Limited advocacy opportunities with governor
- Session advocacy opportunities:
  - Reject “contingent reductions”
  - “Fence off” money
  - Create future mandates
  - Cut more

### **Beginning in the 2023 Session:**

- Same limited opportunities with executive branch
- New opportunity to advocate with legislators
- Every increase has to come with a corresponding cut (not revenue)
- Resist temptation to fight for crumbs

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