

Investing in Opportunity
Budgets are Moral Documents

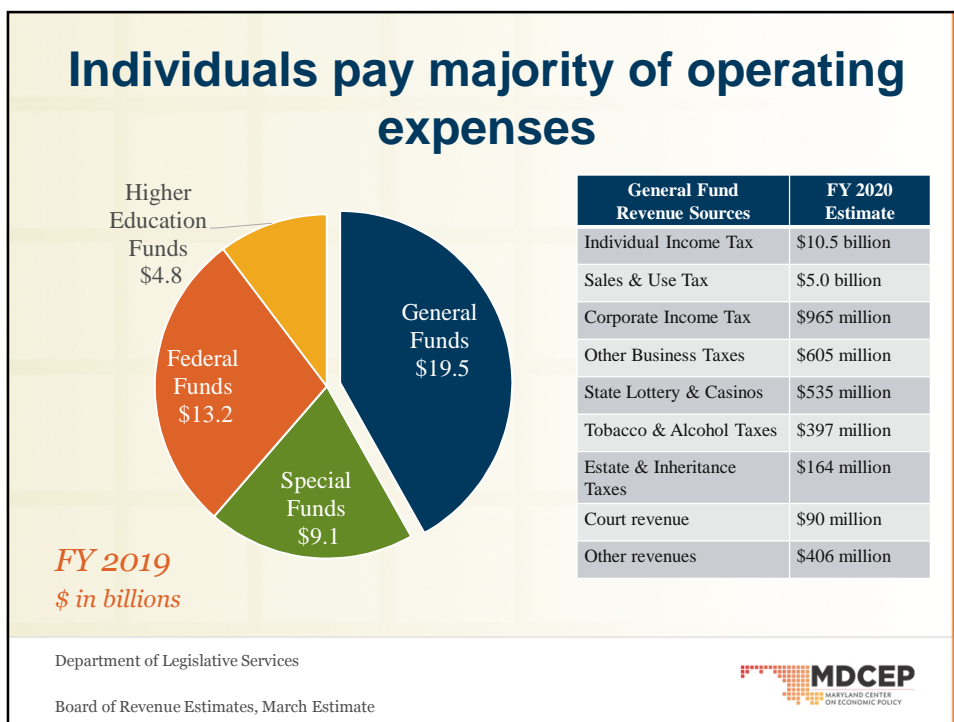
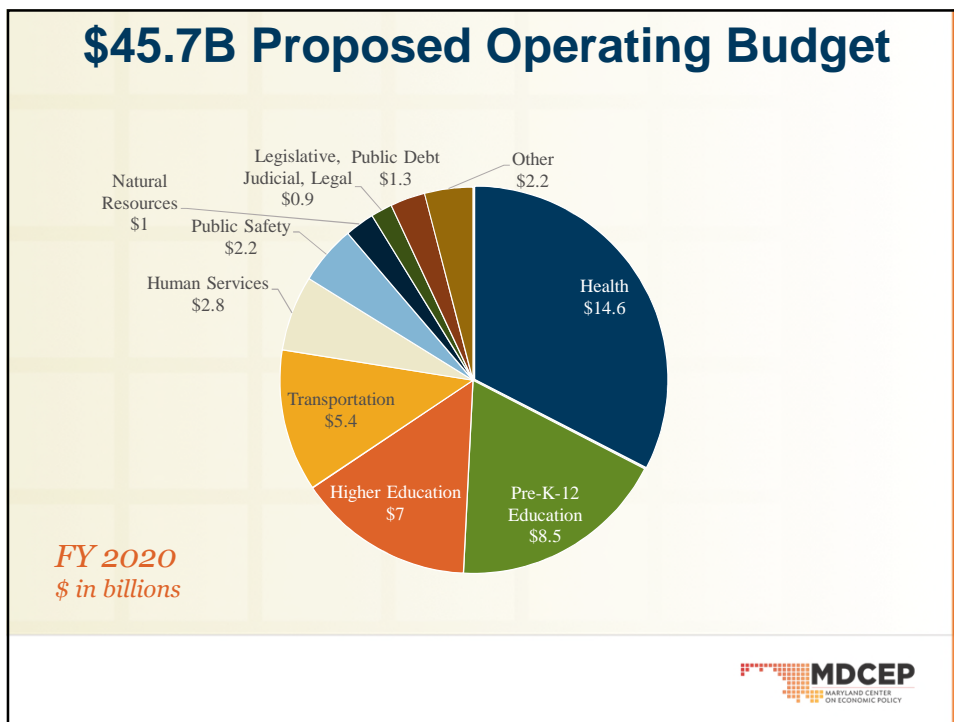
Christopher Meyer
Research Analyst
Housing Day 2019
February 14, 2019

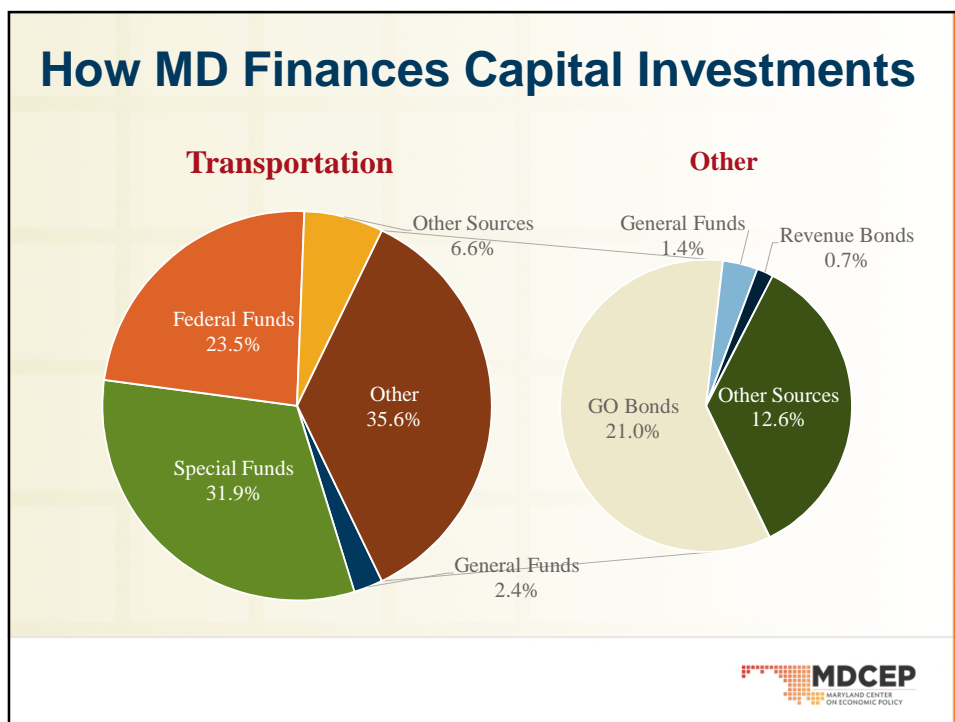
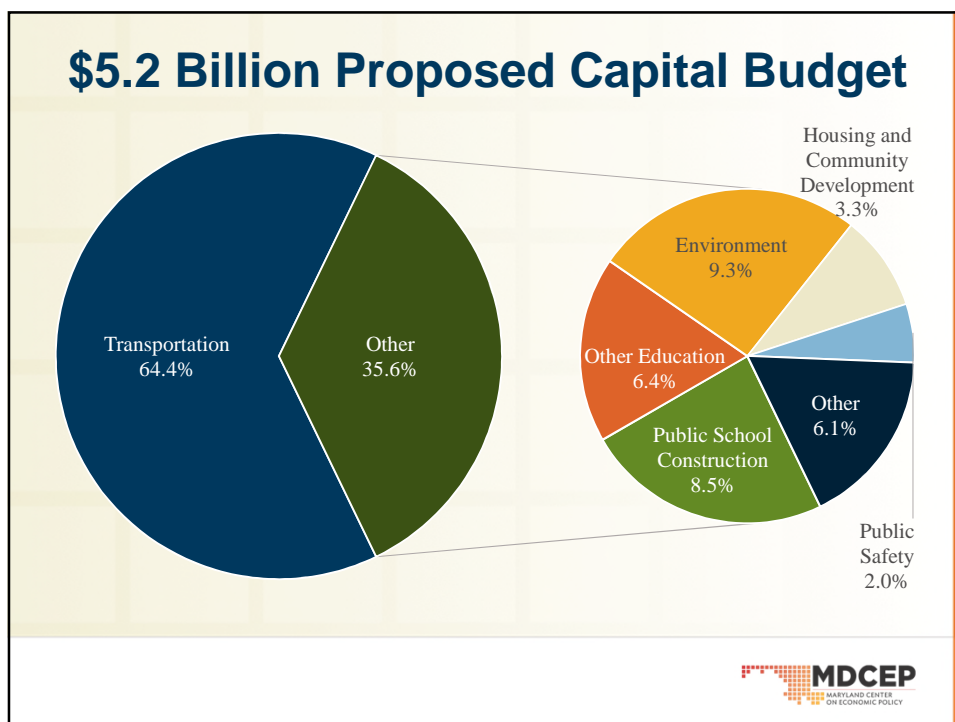
*Rigorous
Independent
Shared Prosperity*

MDCEP
MARYLAND CENTER
ON ECONOMIC POLICY

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

MDCEP
MARYLAND CENTER
ON ECONOMIC POLICY





FY 2020 Budget Picture

▪ Sunny January

- Strong revenue projection
- → Easy budget
- Welcome changes:
 - No major operating cuts
 - Lifted misguided bond cap
- Some new investments in housing
- But: \$62 million structural imbalance
 - (How) will General Assembly cut?

▪ Stormy February

- Month-long federal shutdown
- Another shutdown possible?
- March revenue estimate will likely be lower



Status quo misses lots of needs

- 19,000 students on waitlist for state need-based financial aid
- Public benefits only bring family income to 61% of the Maryland Minimum Living Level
- Public employees are underpaid and overworked
- **Kirwan Commission recommends \$3.8 billion annual increase in K-12 funding (state + local)**



Other Storm Clouds

- Sluggish wage growth & explosion in student debt
 - MD unemployment rate low, but higher than US (highly unusual)
 - Now \$1.5 trillion (more than auto loans or credit cards)
- Looming recession, perhaps in 2020
 - Will the federal government provide another stimulus?
- Potential for other adverse federal actions
 - Budget, staffing cuts
 - Counterproductive restrictions on investments in economic security
 - Trade slowdown (fight with China, Brexit, etc.)

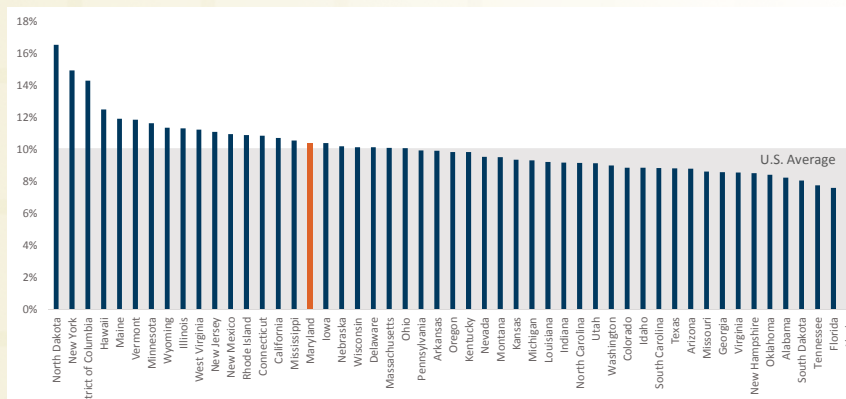


Maryland Faces a Choice



Maryland Taxes Near the Middle of the Pack

State and Local Taxes as a Share of Personal Income, 2015

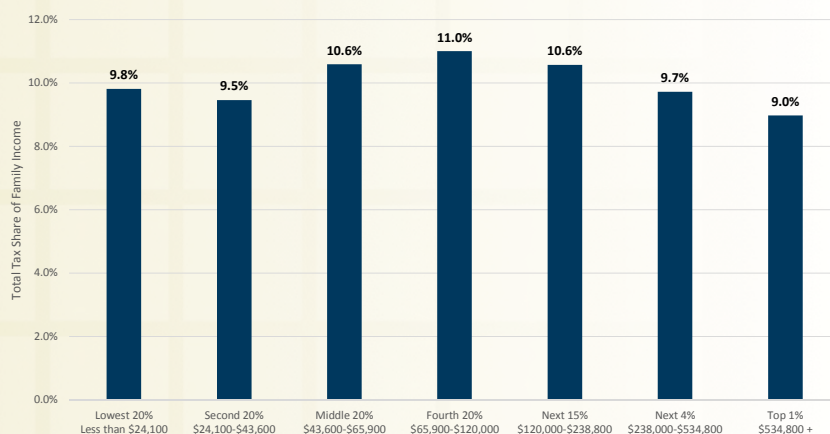


Source: Tax Policy Center 2017.

1 Footnote text can go here.



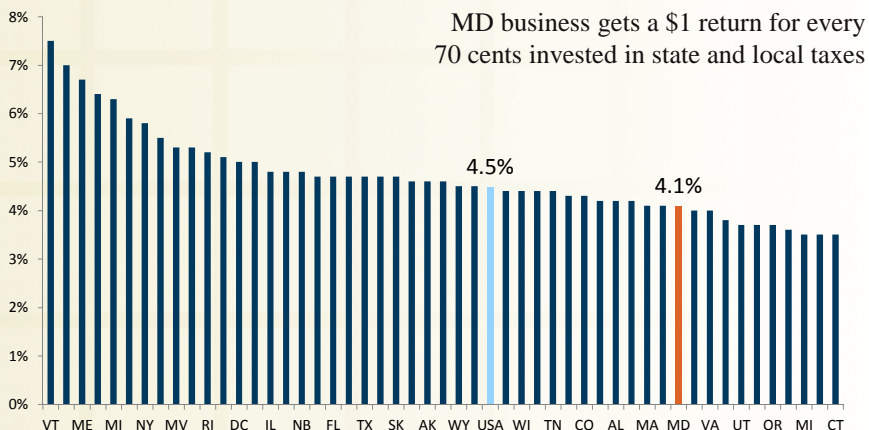
Wealthiest Marylanders Pay a Smaller Share of their Income in Taxes



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



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



Ernst & Young, FY16 COST report on state and local taxes



We can afford to invest in Maryland's economic backbone

- **Clean up our tax code** by removing tax breaks inserted by large, multistate corporations and powerful special interests: **\$560 million**
- **Modernize our sales tax** to reflect the role of services and digital commerce in our economy: **\$460 million**
- **Strengthen our income tax** to ask more of the small number of wealthy individuals who pay less under our current system and recently received a windfall from the 2017 federal tax overhaul: **\$920 million**

www.mdeconomy.org/building-our-future



Christopher Meyer
cmeyer@mdeconomy.org

www.mdeconomy.org
@mdeconomy

Sign up for our mailing list or
support our work at:
www.mdeconomy.org/donate

