

# Maryland Fiscal Outlook & Policy Choices

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AFSCME Webinar: Adapting & Thriving Remotely

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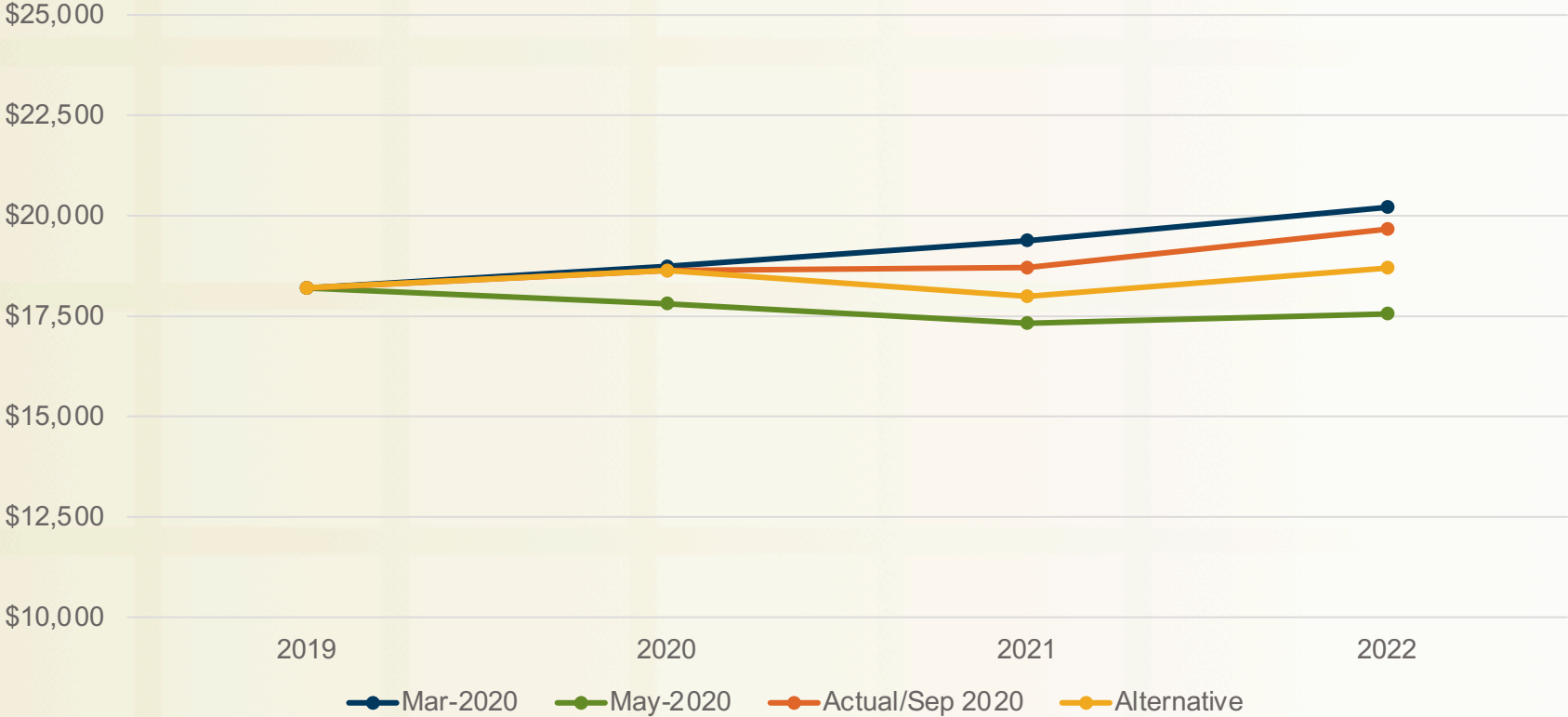
**Every Marylander should  
be able to achieve their full  
potential in a healthy  
economy that offers a  
widely shared, rising  
standard of living**

- A healthy economy is one that works for all of us.
- Our shared investments are part of the foundation of a thriving community:
  - World-class public schools
  - Modern transportations networks
  - Inviting public spaces
  - Effective government
  - Reliable public health infrastructure
  - ...
- Public policy is not neutral:
  - We must work to break down barriers and build prosperity for Marylanders of every race, ethnicity, gender, class, disability
- You can't build a strong economy out of bad jobs.
- Our work:
  - Earned sick days
  - \$15 minimum wage
  - Prevent counterproductive tax cuts
  - Protect high-quality state and local jobs
  - Prevent harmful budget cuts
  - Raise revenue fairly

# Maryland's Fiscal Outlook Has Improved

*The Future Remains Uncertain*

**General Fund Revenue (\$ millions)**

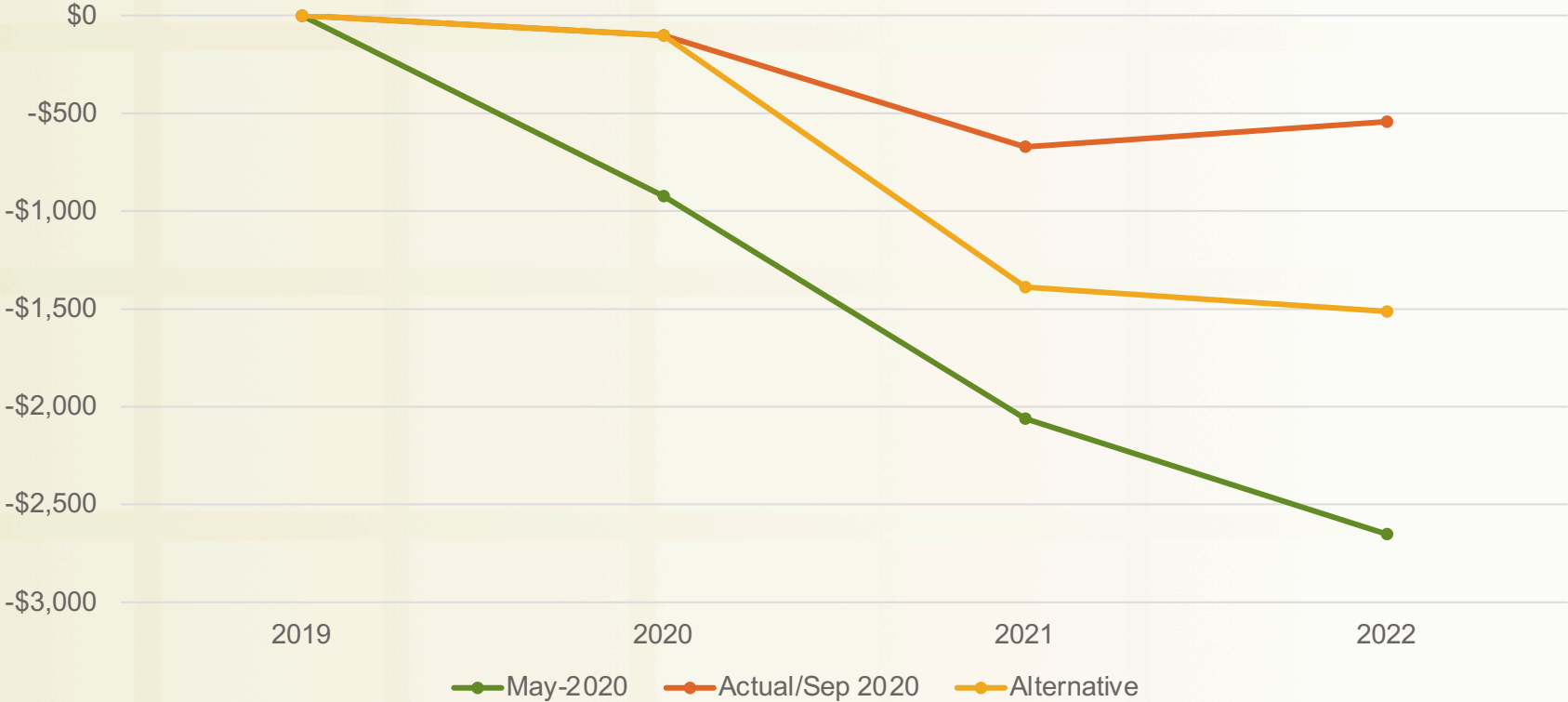


1 Board of Revenue Estimates.

# Maryland's Fiscal Outlook Has Improved

*The Future Remains Uncertain*

**COVID-Related General Fund Revenue Loss**

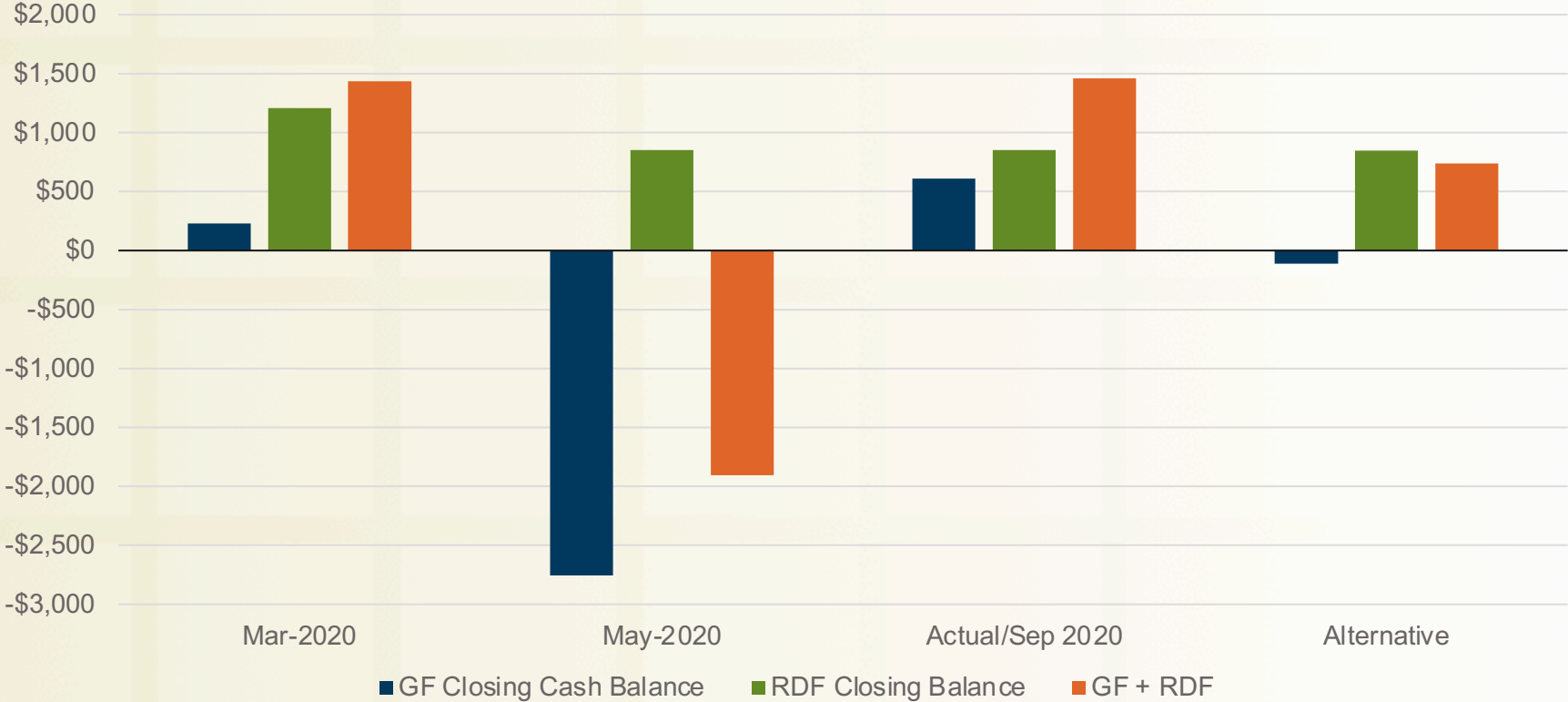


1 Board of Revenue Estimates with MDCEP calculations.

# Maryland's Fiscal Outlook Has Improved

*The Future Remains Uncertain*

**General Fund + Rainy Day Fund FY 2021 Closing Balance**

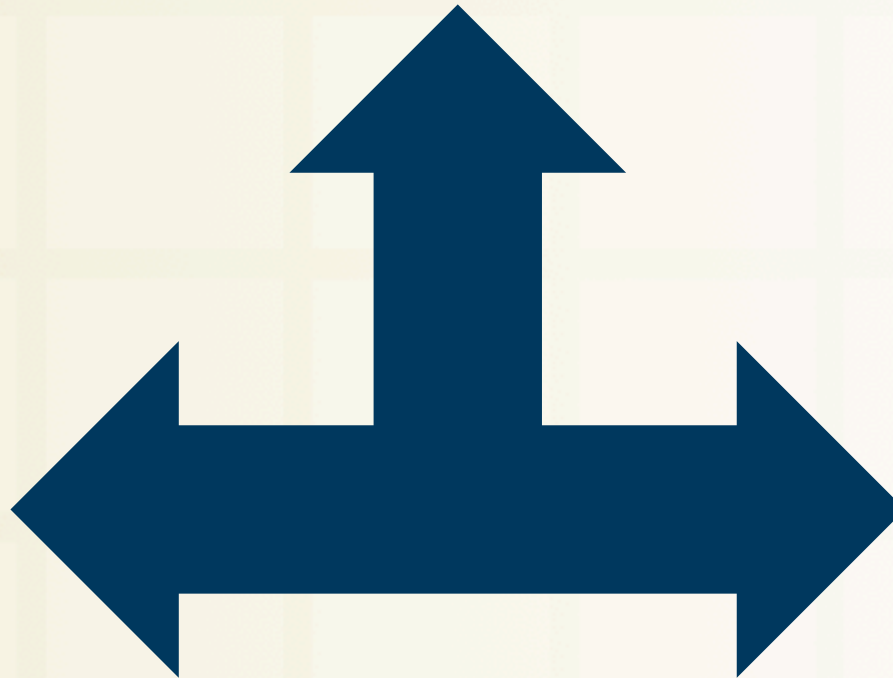


1 Board of Revenue Estimates with MDCEP calculations.

# Maryland Faces a Choice

**Strengthen our  
revenue system**

Continue  
underfunding  
schools



Cut other  
essential  
services

# We Can't Cut our Way to a Healthy Economy

- July 2020: Maryland lost 17,500 state and local jobs since February
- Good Jobs → Secure Families → Successful Businesses
- Each \$1.00 in public services adds up to \$1.15 to Marylanders' take-home income

During a recession ...	
Households with the <b>lowest incomes</b> ...	spend <b>\$41</b> ... out of every additional \$100 of income.
Households with the <b>highest incomes</b> ...	spend <b>\$14</b> ... out of every additional \$100 of income.
Households <b>living paycheck to paycheck</b> ...	spend <b>\$52</b> ... out of every additional \$100 of income.
Households with the <b>most built-up wealth</b> ...	spend <b>\$5</b> ... out of every additional \$100 of income.

**Source:** Carroll et al. (2017). See endnote ix. Here, "households living paycheck to paycheck" and "households with the most built-up wealth" refer, respectively, to households with the lowest and highest ratio of net worth to income.

1 Economic Policy Institute job loss data; Carroll et al. (2017) estimates of the marginal propensity to consume; multiplier estimate based on MDCEP analysis of DLS corporate tax cut model.



# A Better Way: Fix Our Tax Code

- Override Tobacco Tax Veto: **\$84 million**
- Close Corporate Tax Loopholes: **\$172 million**
- Offset Special Treatment of Capital Gains: **\$182 million**
- Repeal 2014 Estate Tax Giveaway: **\$117 million**
- Close the LLC Loophole: **\$316 million**
- Reform Maryland's Income Tax: **\$586 million**
- Legalize Cannabis: **\$256 million**
- More Ambitious Options: **\$1.8 billion to \$3.6 billion**

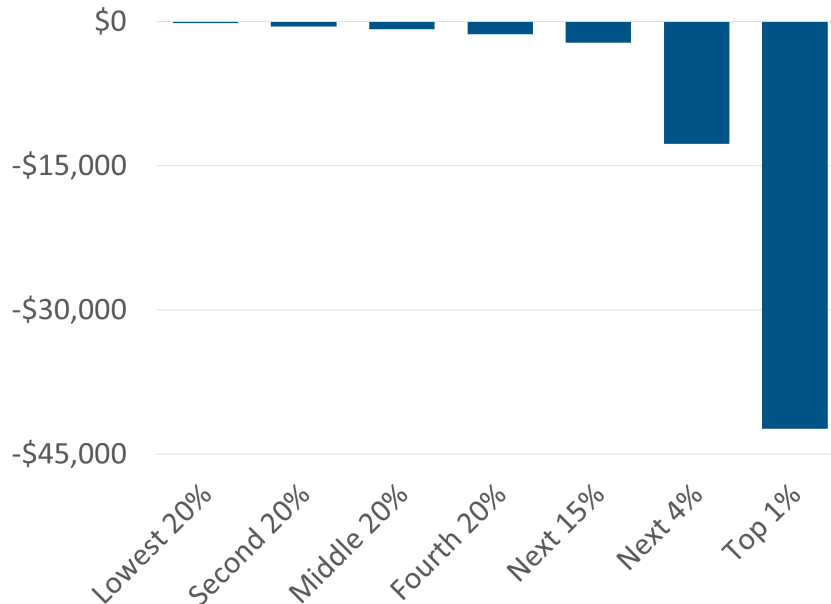
1 Revenue estimates for cannabis, more ambitious options from Institute on Taxation and Economic Policy; other revenues from 2020 DLS fiscal notes.

# Trump Tax Cuts: A Windfall for the Powerful Few

*Corporations and Wealthy Individuals Can Afford to Pay More*

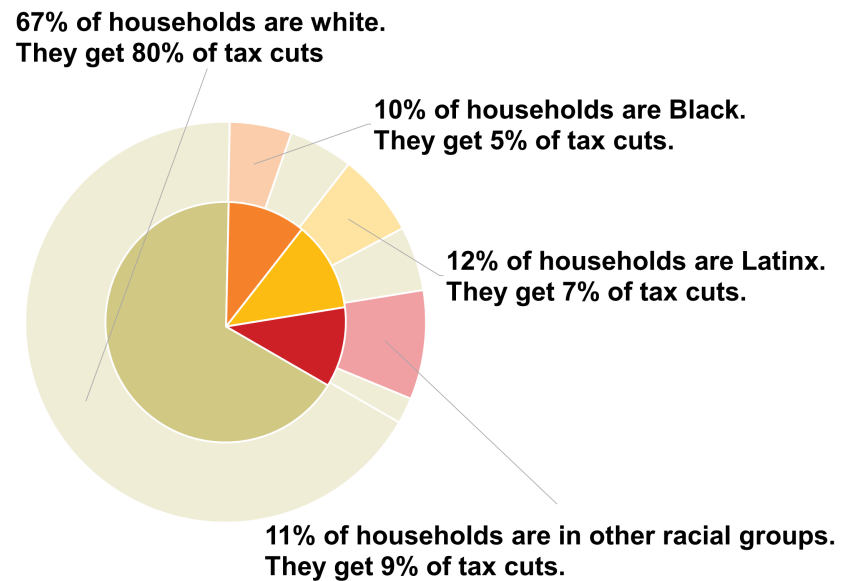
## Federal Tax Cut Law Primarily Benefits Wealthiest White Households

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



Source: Institute on Taxation and Economic Policy, 2017.

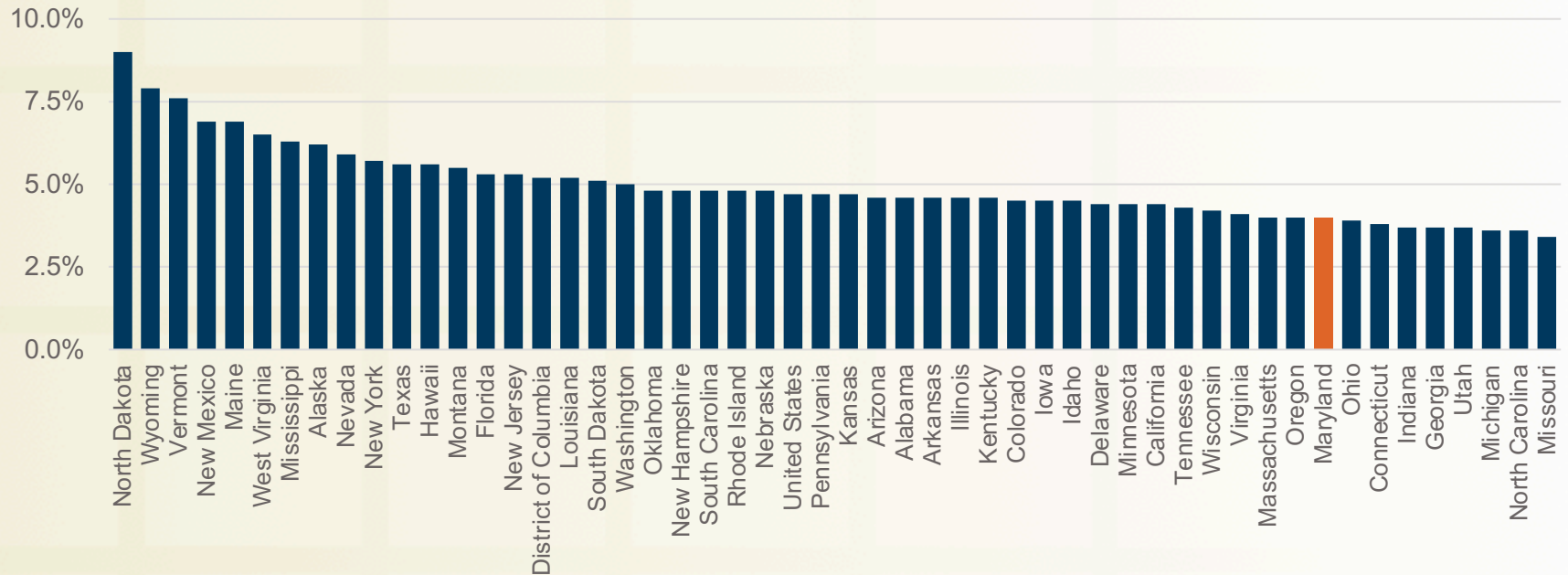
Distribution of tax cuts among racial and ethnic groups nationwide



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

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

Business Taxes as a % of the Economy



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

(#1 Nationwide)

# Which Path Will Maryland Choose?

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