

# Maryland Needs Innovative Solutions to Address Poverty and Reduce Income Inequality

## Testimony Supporting House Bill 470 with Amendment

*Given before the House Appropriations Committee*

Despite a range of federal and state tools that help families make ends meet, far too many Marylanders struggle to afford housing, put food on the table, pay for utilities, and afford other necessities. Half a million Marylanders had income below the federal poverty line in 2020<sup>i</sup> (\$25,750 at the time; \$27,750 for a family of four today) – and the coronavirus pandemic has created financial instability for many more. Both pre-existing insecurity and the impacts of the pandemic have fallen hardest on Marylanders of color. Maryland should join other states in exploring innovative ways to alleviate poverty and reduce income inequality. Creating the People’s Fund proposed in House Bill 470 would provide funding to support innovative solutions.

**However, the bill should be amended to create some basic parameters for how the funds could be used in the future.** The Maryland Center on Economic Policy supports House Bill 470 if it is amended to specify that the People’s Fund may be used only to address the needs of low-income Marylanders through a universal basic income or guaranteed income program.

Hundreds of thousands of Marylanders faced financial hardship even during the relatively strong pre-pandemic economy, and the pandemic has brought hardship and upheaval to many more families. As of the end of 2021:<sup>ii</sup>

- About 298,000 Marylanders over 18 did not always have enough to eat.
- Latinx adults in Maryland were nearly five times as likely as their white counterparts to at least sometimes have insufficient food. Black adults were three times as likely as their white counterparts to at least sometimes have insufficient food.
- One in four adults with a cognitive or mobility-related disability did not always have enough to eat.
- Adults caring for children were about twice as likely as those without children in the home to at least sometimes go without food.
- About 22% of adults with household income under \$35,000 did not always have enough to eat.

Our current suite of economic security investments does too little to protect individuals and families from hardship. Since the federal government overhauled its cash assistance programs in the 1990s, a very small share of low-income Maryland families qualify for Temporary Cash Assistance (TCA) due to increased restrictions – going from reaching 97 out of every 100 families experiencing poverty to just 25 out of every 100 families in poverty.<sup>iii</sup> Many other Maryland families earn too much to qualify for TCA or other assistance programs, but still live paycheck to paycheck.

The strengthened federal Child Tax Credit enacted under the American Rescue Plan temporarily changed this by effectively creating a child allowance, a type of targeted guaranteed income – with major benefits to children in Maryland and nationwide.<sup>iv</sup> However, families have now lost this support following the expiration of the temporary CTC and the U.S. Senate’s failure to make the program permanent through the Build Back Better Act. This has meant a substantial loss of income for the more than 1 million Marylanders who benefited from the CTC in December.<sup>v</sup> With appropriate safeguards, House Bill 470 would create an ongoing funding source for a universal basic income (UBI) or guaranteed income in Maryland, which would bring many of the same benefits.

A universal basic income provides minimum support to individuals and families regardless of their other income, social status, family position or other factors. Guaranteed income is similar, but is targeted to the lowest-income individuals and families. The goal of both is to ensure that all people, regardless of their circumstances, have sufficient resources to meet their specific needs. Effective UBI and guaranteed income programs build on but do not replace existing investments in economic security.

Research shows that direct cash payments can reduce poverty, improve health, and help kids succeed in school.<sup>vi</sup> A basic income could also cushion the blow of job loss or other financial emergencies without waiting periods or administrative bottlenecks.

The Maryland People’s Fund created under House Bill 470 could serve as the fiscal infrastructure on which a guaranteed income or UBI could be built. To make this foundation secure, the bill should be amended to specify that the fund can be used only for cash payments. With this important guardrail, House Bill 470 would be a first step toward a stronger, more just Maryland.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Appropriations Committee make a favorable report on House Bill 470 with amendments as specified above.**

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## Equity Impact Analysis: House Bill 470

### *Bill summary*

House Bill 470 would establish the Maryland People’s Fund and direct 25% of estate tax revenue into the fund.

### *Background*

The Maryland People’s Fund established under House Bill 470 could serve as the foundation for a universal basic income (UBI) or guaranteed income program. A universal basic income provides minimum support to individuals and families regardless of their other income, social status, family position or other factors. Guaranteed income is similar, but is targeted to the lowest-income individuals and families.

In 2020, 534,000 Marylanders had family income below the federal poverty line (\$26,200 at the time; \$27,750 today for a family of four). The coronavirus pandemic has contributed to deep financial hardship for many Marylanders. About 298,000 Marylanders over 18 did not always have enough to eat, as of the end of 2021.

Research shows that increased family income in early childhood can bring lifetime health, educational, and workforce benefits.<sup>vii</sup>

## Equity Implications

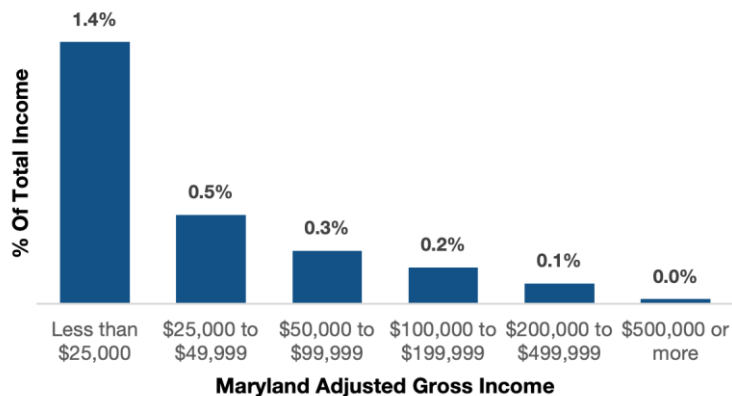
The central equity benefit of a universal basic income or guaranteed income program is their power to reduce poverty and economic hardship. Centuries of harmful policies – many of which continue today – have built up economic roadblocks that keep many Marylanders of color, women, and Marylanders with disabilities from meeting their basic needs. Many people face multiple forms of hardship at the same time, such as losing a job, struggling to pay rent, and scrimping on groceries simultaneously. This legacy is visible in the economic fallout from the coronavirus pandemic. As of the end of 2021:<sup>viii</sup>

- One in seven Latinx adults and one in 10 Black adults in Maryland did not always have enough to eat, far exceeding the share of white Marylanders without sufficient food.
- One in four adults with a cognitive or mobility-related disability did not always have enough to eat.
- Marylanders caring for children were twice as likely as those without children in the household to report that they did not always have enough to eat.
- One in five Marylanders with annual household income under \$35,000 did not always have enough to eat, compared to less than 1% of those with income over \$100,000.

Both a universal basic income and a guaranteed income would benefit families facing hardship and would reduce income inequality. While the expenditure cost of providing low-income families a given level of economic security is lower in a guaranteed income program, it is possible to achieve the same equity goals, with the same total fiscal impact, through a combination of cash benefits and taxes.

### A Universal Basic Income Would Bring the Greatest Benefits to the Families Facing the Most Hardship

Impact of a hypothetical \$100 per person UBI (% of total income)



Source: MDCEP analysis of Tax Year 2016 Maryland Statistics of Individual Income. Each tax unit is assumed to receive \$100 per exemption.

A universal basic income or a guaranteed income would also build on our current investments in economic security in important ways:

- It would not leave out individuals and families who have the lowest incomes and therefore face the greatest hardship.
- It would enable families to purchase whatever specific necessities they need rather than restricting purchases to only certain products.

- It would not require families to fill out complicated paperwork, satisfy rigid eligibility standards, or worry that payments made in error will be clawed back or penalized.

### *Impact*

If amended to specify that money in the Maryland People’s Fund can be used only to make direct cash payments, House Bill 470 would likely **improve racial, gender, and economic equity** in Maryland.

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<sup>i</sup> 2020 Small Area Income and Poverty Estimates.

<sup>ii</sup> MDCEP analysis of U.S. Census Bureau Household Pulse Survey data, Week 40 (December 1 to 13, 2021) and Week 41 (December 29, 2021 to January 10, 2022). Respondents are Maryland adults.

<sup>iii</sup> “TANF Cash Assistance Should Reach Many More Families in Maryland to Lessen Hardship,” Center on Budget and Policy Priorities, 2020, <https://www.cbpp.org/state-temporary-assistance-for-needy-families-programs-do-not-provide-adequate-safety-net-for-poor>

<sup>iv</sup> Megan Curran, “Research Roundup of the Expanded Child Tax Credit: The First 6 Months,” Center on Poverty and Social Policy at Columbia University, 2021, <https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61f946b1cbobb75fd2ca03ad/1643726515657/Child-Tax-Credit-Research-Roundup-CPSP-2021.pdf>

<sup>v</sup> MDCEP analysis of Household Pulse Survey data, Weeks 40 and 41. One million Maryland adults received CTC payments in December; together with their children, this means that more than 1 million Marylanders benefited.

<sup>vi</sup> “Fiscal Monitor: Tackling Inequality,” International Monetary Fund, 2017, <https://www.imf.org/en/Publications/FM/Issues/2017/10/05/fiscal-monitor-october-2017>

<sup>vii</sup> Marr et al., 2015.

<sup>viii</sup> MDCEP analysis of U.S. Census Bureau Household Pulse Survey data for February 3 to February 15, 2021. Respondents are Maryland adults.