

Maryland Needs Innovative Solutions to Address Poverty and Reduce Income Inequality

Testimony Supporting House Bill 1086

Given before the House Economic Matters Committee

Despite a range of federal and state tools that help Marylanders make ends meet, far too many Marylanders still struggle to afford housing, put food on the table, pay for utilities, and afford other basic necessities. About 1 in 10 Marylanders lives on incomes below the federal poverty line, and more than 1.3 million Marylanders lived in or near poverty between 2012 and 2016ⁱ. Maryland should join other states in exploring innovative ways to alleviate poverty and reduce income inequality. Creating a work group on basic economic security, as proposed in House Bill 1086, would provide an opportunity to thoughtfully explore innovative solutions.

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 30 out of every 100 families in poverty.ⁱⁱ Many other Maryland families earn too much to qualify for TCA or other assistance programs, but still live paycheck to paycheck. Universal basic income is an approach communities around the world are exploring as a way to increase economic security without the same administrative burdens and barriers that are part of existing programs.

A universal basic income provides minimum support to individuals and families regardless of their other income, social status, family position or other discriminating factors. Guaranteed income is similar, but more targeted to the lowest-income individuals and families. The goal of both is to give all people, regardless of the circumstances, sufficient access to basic economic resources. At the state level, they would complement – not replace – existing income supports.

Research on universal basic income programs shows that they can reduce poverty levels and income inequality while improving other social indicators such as health and education.ⁱⁱⁱ A basic income could provide a stable source of income to individuals and households and therefore limit the impact of income and employment shocks. A uniform transfer also provides greater social insurance to working people who live paycheck to paycheck and have little ability to save for an emergency.

A well-designed universal basic income or guaranteed income initiative could be effective in raising household incomes at least to the poverty level. Because of its simplicity, a universal basic income program is straightforward to administer and does not increase the paperwork families must complete. Because benefits remain the same as

earned income rises, it would avoid the problems of benefit cliffs and high effective marginal tax rates for low-income households and second earners.

Within Maryland, there are significant racial and ethnic disparities in wealth and income. People of color experience much higher rates of economic insecurity and poverty, and are more likely to be low-income workers. Typical white-headed households in Maryland take home about \$26,000 more each year than typical Black-headed households.^{iv} A universal basic income would both improve economic security and increase social mobility, making it easier for individuals to escape poverty, and ultimately could decrease racial inequity.

Creating a work group to study basic economic security would provide the time and resources needed to effectively fund and implement a universal basic income or other type of economic security program in Maryland.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Economic Matters Committee make a favorable report on House Bill 1086.

ⁱ MDCEP analysis of American Community Survey data

ⁱⁱ Center on Budget and Policy Priorities. Maryland's TANF Cash Assistance Disappearing for Poor Families. https://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_md.pdf

ⁱⁱⁱ "Fiscal Monitor," International Monetary Fund, October 2017, <file:///C:/Users/Kenna%20Lemu/Downloads/fm1702.pdf>

^{iv} Christopher Meyer, "Budgeting for Opportunity," Maryland Center on Economic Policy, July 2018. <http://www.mdeconomy.org/budgeting-for-opportunity/>