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How Did Maryland Lawmakers Fare in 2019?

Annapolis Report Finds Success on Pension Reform, Failures on Budget, Economy, and More

ROCKVILLE, MD (July 15, 2019) – The Maryland General Assembly this year brought long overdue transparency to the state's public pension system but failed to rein in government spending and added costly new mandates to many small employers. Those are key findings in the 2019 Annapolis Report, the Maryland Public Policy Institute's report card on the General Assembly legislative session that concluded in April. The full report can be viewed at mdpolicy.org.

"We commend lawmakers for insisting that Maryland's pension system fully disclose the exorbitant fees they pay investment managers in exchange for poor investment returns," said Christopher B. Summers, President and Chief Executive Officer of the Institute. "Doing so is the first step toward saving taxpayers billions of dollars and ensuring Maryland's 400,000 pension recipients get the secure retirement they deserve. We hope the 2019 legislative session is the beginning of meaningful, bipartisan effort to make our pension system more accountable to its members and to taxpayers."

Grades from the Annapolis Report include:

Pension Transparency – Grade: A
The Institute has produced years of research pointing out that the Maryland State Retirement and Pension System does not fully disclose carried interest fees it pays to Wall Street investment managers. This year, Maryland legislators successfully passed HB 821, which requires the MSRPS to fully disclose its annual carried interest fees. The new law hopes not only to improve overall transparency of Maryland's pension system, but to put more pressure on the MSRPS to reduce fees and improve its investment performance. The Institute estimates that Maryland pays upwards of $500 million annually to investment managers in exchange for low investment returns.

Criminal Justice - Grade: B
Legislators passed bills that decriminalized some alcohol offenses and gambling offenses. Since the state sanctions gambling through legalized casinos and the state lottery, it makes little sense to continue viewing other gambling as a criminal offense. Decriminalizing open containers and public consumption of alcohol will reduce the number of people caught up in the state's criminal justice system for minor offenses, so this is also a step in a positive direction.

Taxes – Grade: C
Maryland lawmakers failed to pass tax-friendly bills that would reduce the corporate and personal income tax burden for Maryland businesses and workers. Meanwhile, they successfully passed bills, including SB 581, which creates the Opportunity Zone Enhancement Program that would authorize targeted tax

breaks. Finally, under SB 96/HB 16, Baltimore City government will no longer be allowed to conduct tax sales for residences that have unpaid water bills. This was a large victory for Baltimore residents, some of whom risked losing their homes due to the city's water policy crisis.

Education – Grade: D

Maryland projects that implementing the Kirwan Commission's recommendations will cause a fiscal shortfall of $18.7 billion. The 2019 session ensured that this projection will become a reality. In addition to authorizing a half-billion dollars for school construction, the budget provides an extra $255 million to begin implementing the commission's recommendations. A separate bill also mandates an additional $850 million in Kirwan funding for the next two years. Maryland's record education spending will not help improve schools without added accountability to minimize wasteful spending.

Budget - Grade: D

Legislators passed a $46.6 billion budget for fiscal 2020 that reflects a 4 percent spending hike above the previous year. In doing so, legislators ignored the state comptroller's advice to be cautious with spending this year and warnings of an upcoming economic downturn. This budget session was characterized by exceptional disregard for Maryland's long-term fiscal health in order to once again pour money into underperforming schools.

Business and Economy - Grade: D

The minimum wage increase that legislators passed this year will have ramifications for the state's businesses and workers for years to come. By making it more expensive to do business in the state and pricing some low-income workers out of the job market, legislators took a profoundly negative step.

View the full report at mdpolicy.org.

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