Federal Funding Is Essential To Saving Maryland's Public Services

By Ryan Zamarripa July 10, 2020

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For a full list of sources, please see "Federal Funding Is Essential To Saving State and Local Public Services: State-by-State Fact Sheets," available at https://www.americanprogress.org/?p=487191.

The COVID-19 pandemic and resulting recession are wreaking havoc on Maryland; the state is facing a massive revenue shortfall, which will significantly affect its budget and ability to provide crucial services. Federal funding is needed to help Maryland, along with the local governments within the state, ensure that health care, education, transportation, first responders, and other services continue uninterrupted. The picture is already bleak: Since the pandemic started, the state has lost 20,400 public sector jobs. The economic gravity of the shortfall cannot be stressed enough. Without further federal aid to state and local governments, Maryland is projected to lose 97,100 private and public jobs by the end of 2021. The recent resurgence of the virus only compounds the urgency and should dispel all complacency.

The coronavirus pandemic has decimated Maryland's economy.

- In May, Maryland had an unemployment rate of 9.9 percent, one of the highest rates ever recorded, with roughly 200,000 more state residents out of work than in February.

- As of early July, approximately 720,000 Marylanders, representing 22.0 percent of the state's February labor force, have filed unemployment insurance claims since the beginning of March. Some estimates are projecting a double-digit unemployment rate well into 2021.

Maryland's tax revenues are plummeting, creating a severe funding crisis for schools, health care, and other critical services. The Maryland state government has projected a budget shortfall of $1.1 billion in FY 2020, $2.6 billion in FY 2021, and $4 billion in FY 2022, representing declines of 6 percent, 14 percent, and 20 percent, respectively.

Cities in Maryland are facing serious revenue shortfalls as well. Baltimore alone has recently projected a budget shortfall of $42.3 million, according to local sources. The National League of Cities estimates that cities will experience $360 billion in revenue loss through FY 2022, which will force them to significantly cut spending on crucial services or raise taxes on already recession-battered residents. Studies on the Great Recession have found that forcing states to deal with severe budget constraints through austerity dampen long-term gross domestic product (GDP), prolong spells of high unemployment, and extend recessions.

Between February and May, 20,400 public sector workers were laid off in Maryland.

- The National Education Association has estimated that by the end of FY 2022, Maryland could lose roughly 44,100 education jobs as a result of the decline in the state general revenues that fund education.

These job losses could get much worse. A recent analysis conducted by the Economic Policy Institute estimates that without federal action, Maryland will lose a combined total of 97,100 public and private jobs by the end of 2021.

Health care in Maryland is also in jeopardy. The Urban Institute has projected that Medicaid caseloads could increase by as much as 298,000, or 25.2 percent, through FY 2021—a massive and unprecedented spike. Maryland desperately needs help to cover those who are newly unemployed and expected to enroll in Medicaid and to offset extra Medicaid costs related to COVID-19. Without proper funding, the state will be unable to treat at-risk patients, keep families healthy, or provide lifesaving care. Funding Medicaid is critical to ensuring that Maryland can respond effectively to the coronavirus public health crisis and the current economic recession.

The **Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act,** which passed the U.S. House of Representatives on May 15 with bipartisan support, includes provisions that would help Maryland avoid additional layoffs and devastating cuts to services.

Specifically, it would:

- Allocate $9.6 billion to the government of Maryland and $5.6 billion to its localities over a span of two years, saving thousands of jobs and helping to maintain the uninterrupted delivery of public services such as health care, first responders, and safe drinking water.

- Increase Maryland's Federal Medical Assistance Percentage (FMAP) and provide an additional $2.1 billion in Medicaid dollars to Maryland over an 18-month period.

- Provide $1.4 billion for education in Maryland, including $898 million for public K-12 schools and $415 million to public colleges and universities, which would save an estimated 9,000 jobs supporting K-12 education and 2,800 supporting higher education. This funding would help strengthen distance learning and teaching strategies to keep students and teachers healthy.

Conclusion

As the recession stretches into the second half of 2020, it is becoming increasingly clear that states and localities are at the forefront of combating the pandemic and its economic fallout. From keeping students enrolled in remote learning programs to equipping community health centers with the protective gear needed to safely treat COVID-19 patients, state and local involvement can be seen and felt everywhere.

It is likely that both the coronavirus pandemic and the recession it led to are far from over. To help ease the financial pressures that states and localities are currently facing, it is imperative that the federal government pass legislation to:

1. Allocate at least $915 billion in direct grants to states, localities, tribes, and territories.
2. Increase the Medicaid FMAP by at least 14 percentage points until June 30, 2021.
3. Provide at least $90 billion to the State Fiscal Stabilization Fund to support both public schools and public colleges and universities.

Congress must act to get states and localities the aid they desperately need. Maryland and its residents can't afford to wait.

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