A Budget Comparison

Between Maryland and Florida

By Andrew Zhong, Ella Sullivan

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Office of Delegate Chao Wu

Purpose and Summary

Maryland is ranked low for business development primarily as a result of its high tax burden, whilst Florida is ranked high due to its low tax burden. Importantly, the differences in states' tax policy is tied to their spending-per-capita, with Maryland spending nearly twice as much per capita compared to Florida. However, is spending more necessary? Delegate Wu's goal is to compare the two states and see if Florida and its spending policy has similar or better outcomes than Maryland in regard to standard of living. If Florida does have better outcomes, then how can Maryland lower its spending-per-capita– and thereby lower its tax burden– to encourage business development while maintaining its standard of living? The results of this report show that Maryland and Florida actually have differing spending-per-capita levels on different projects, with Maryland spending more on healthcare but less on transportation. In all aspects of comparison, the state that spends more per-capita performed better. While simply cutting spending to lower taxes is not feasible, there are other factors to consider, such as the unique occupational makeup of Maryland's and Florida's taxpayers.

I. Background and Current Facts on Budget and State of Business Development for Maryland, Florida

1. Brief Background for Maryland

The first portion of this report analyzes the political, economic and budgetary backgrounds for Maryland.

Maryland, a state in the mid-Atlantic region, is the 8th-smallest state by land-area, with 12.4 thousand square miles, and the 18th-most populous state, with a population of 6.1 million in 2021. This makes Maryland the 5th-most densely populated state.

Maryland is Democrat-controlled, with Democrats controlling both chambers of the General Assembly (the House of Delegates and the Senate) with veto-proof majorities, as well as controlling the governor's mansion. As of 2023, the Democrat-Republican ratio in the Senate is

34-13, the Democrat-Republican ratio in the House is 102-39 and the current governor, Wes Moore, was elected with 65 percent of the vote in 2022. All seats are up for re-election in 2026.

Maryland operates under an annual budget system, where a budget is produced annually to cover the government's operations for one fiscal year. In regard to the amount of state spending and revenue collection, there are no enforced tax and expenditure limits; however, Maryland requires a balanced budget, that is, the state can not spend more than it collects in revenue (i.e. no deficit spending). Both the Governor and the General Assembly are allocated powers over the budget according to Article III, Section 52 of Maryland's Constitution. Unique to Maryland, the governor is given more executive power over the budget than what is normal for the nation. Under the Constitution, the governor establishes the revenue estimates that serve as the basis for state spending and submits a balanced budget proposal to the General Assembly. The General Assembly is responsible for a final approval of the budget, but along the way it can cut the operating budget. Notably, the governor has no veto power once the General Assembly passes the budget bill.

Maryland's spending and budget has generally seen growth. Since 2019, the annual actual expenditure amounts are:

FY2019	**FY2020**	**FY2021**	**FY2022**
$45.1 billion	$48.6 billion	$55.1 billion	$65.5 billion

and the proposed budget amounts are:

FY2019	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**
$44.4 billion	$46.6 billion	$47.9 billion	$49.3 billion	$58.2 billion	$63.1 billion

2. Brief Background for Florida

The first portion of this report analyzes the political, economic and budgetary backgrounds for Florida.

Florida, a state in the Southeast, is the 22nd-largest state by land-area, with 65.7 thousand square miles, and the 3rd-most populous state, with a population of 21.7 million in 2021. This makes Florida the 8th-most densely populated state.

Florida is Republican-controlled, with Republicans controlling both chambers of the legislature (the House of Representatives and the Senate) with veto-proof majorities, as well as controlling the Governor's mansion. As of 2023, the Democrat-Republican ratio in the Senate is 12-28, the Democrat-Republican ratio in the House is 35-85 and the current governor, Ron Desantis, was elected with 59 percent of the vote in 2022. The entire legislature is up for re-election in 2024, and the governor's office is up for re-election in 2026.

Like Maryland, Florida operates under an annual budget system and is required to pass a balanced budget, though Florida's budget may allow for a one year carry-over deficit. Unlike Maryland, there is an enforced tax and expenditure limit based on personal income: Total revenue is limited to the amount collected in the previous fiscal year and a "growth amount" that equals the "average annual rate of growth in Florida personal income." Both the legislature and the governor are involved in the budgeting process. Mirroring Maryland's procedure, first, the governor creates a budget proposal using information from state agencies' long-range program plans (LRPPs) and presents this proposal to the legislature. Next, the legislature approves and passes Florida's budget; however, the governor may review the budget and submit a veto within one week.

Florida's spending and budget has generally seen growth. Since 2019, the annual actual expenditure amounts are as follows:

FY2019	FY2020	FY2021	FY2022
$82.6 billion	$86.0 billion	$93.7 billion	$101.7 billion

and the proposed budget amounts are:

FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
--	$90.98 billion	$92.2 billion	$101.5 billion	$109.9 billion	$114.8 billion

3. Current Budget of Maryland vs. Florida

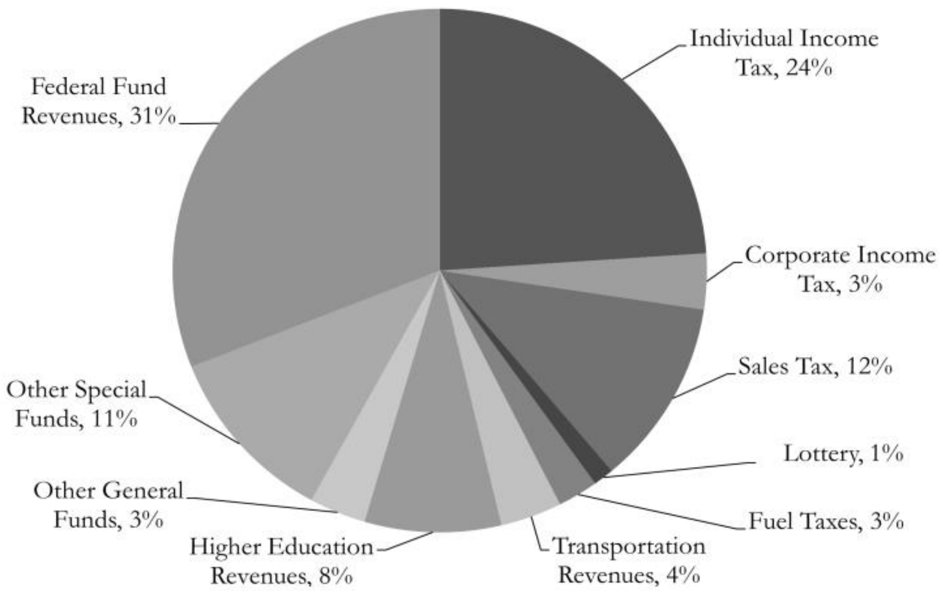
Governor Wes Moore proposed a FY2024 all-funds budget (budget and amount from reserve funds) of $63.1 billion, which was a 3.3 percent decrease from FY2023. The Maryland budget consists of three portions: the general fund, special funds and federal funds.

1. The general fund consists of any revenues not dedicated that can be allocated for any purposes. Individual income tax and retail sales tax are the largest sources of general fund revenue, and the general fund revenue comes from other taxes (corporate income, tobacco, etc.) as well.
2. Special funds are revenues for which use is legally limited to certain purposes. These revenues come from state property taxes and other taxes (motor and vehicle taxes, etc.), fees, gifts and transfers from local governments.
3. Finally are federal funds, which are typically grants from federal agencies that have varying restrictions pertaining to use.

Out of the $63.1 billion, $26.9 billion came from the general fund, which is a 4.4 percent decrease from FY2023.

An explanation for the small decrease in the all-funds budget is Moore's priority of maintaining a reserve fund. Maryland projects to end FY2023 with a $2.3 billion surplus for the general fund and a $2.9 billion Rainy Day Fund. However, the factors contributing to FY2023's ample reserve fund– an increase in federal stimulus and a $1 billion underestimation of personal income tax for FY2022 coming from unprecedented final payments related to 2021 capital gains and market performance– are temporary. The Democratic governor's goals are to maintain the Rainy Day Fund at $2.5 billion (10 percent of the General Fund) and arrive at a general fund balance of $820 million for FY2024.

According to the governor's budget highlights, the complete distribution of revenue collection sources for Maryland's FY2024 budget is:



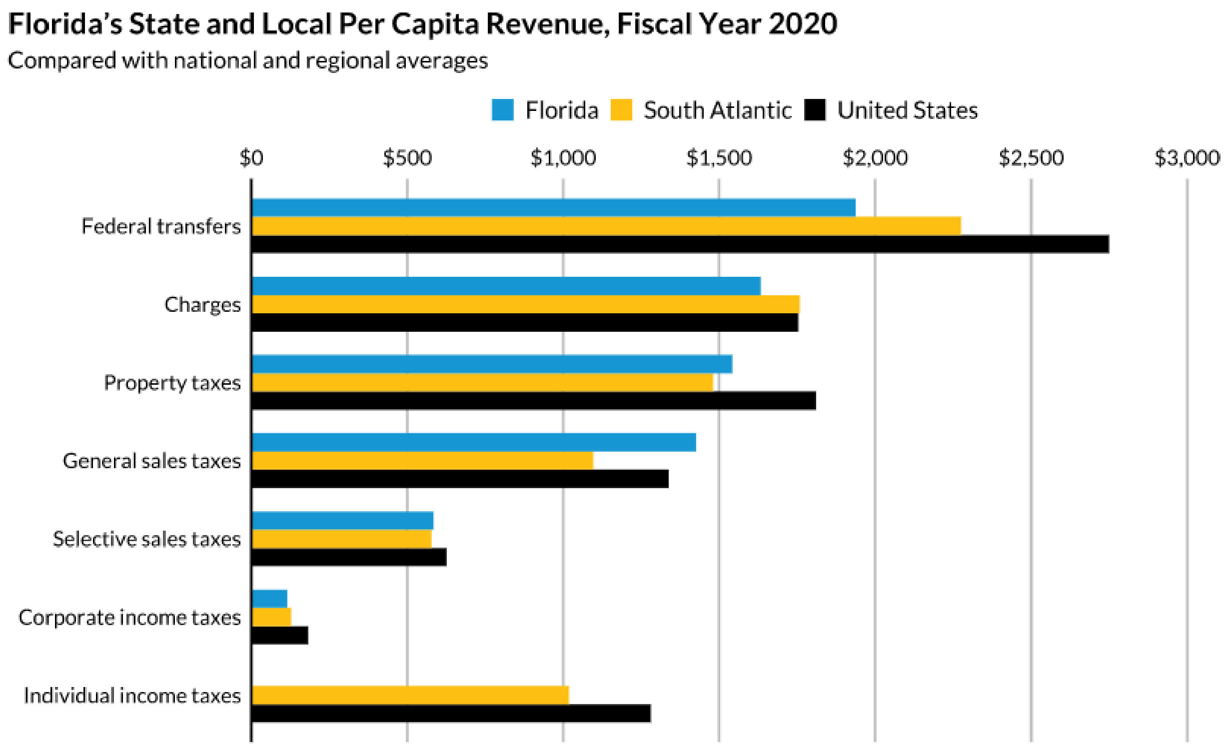
In aggregate, Maryland collects 43 percent of its revenue from general funds (and more specifically 24% from income tax); 26 percent comes from special funds and 31 percent from federal funds.

For Florida, Governor Ron Desantis proposed a $114.8 billion all-funds budget for FY2024, which is a 3.5 percent increase from FY2023. Florida's budget consists of multiple parts: the general revenue fund, trust funds, the budget stabilization fund.

1. General revenue funds come mainly from tax collections, licensing fees, and returns on investments; they consist of all forms of revenue collection except revenue collected for trust funds and the budget-stabilization fund.
2. Trust funds are analogous to Maryland's special funds, as they are revenue collected and dedicated, by law, for a specific purpose.
3. Finally is the budget-stabilization fund, which is an amount of revenue equal to at least five percent of the general revenue funds allocated to resolve budgetary inconsistencies.

Of the [$114.8 billion](), $42.4 billion came from general funds– roughly the same as FY2023– which in aggregate equates to 37 percent of the all-funds budget. [Typically]() 25 percent comes from the state trust fund and 36 percent from federal aid.

While Florida's Governor Desantis did not provide a revenue source distribution breakdown in his annual budget highlights, the Urban Institute– utilizing data from the US Census Bureau– displays the breakdown of Florida's revenue sources for FY2020, in millions, as such:



Both states rely on federal aid for about one-third of their revenue, as well as a collection of taxes. However, a stark contrast in their revenue collection statutes, and perhaps a reflection of Maryland and Florida's differing dominant political ideologies, is the spending-per-capita– the amount spent per person. Maryland's spending-per-capita is a bit over $10,000; Florida's spending-per-capita is just half of Maryland's, at only a bit over $5000. Additionally, Maryland's income tax is one of the largest forms of revenue collection (contributing 24% of Maryland's entire budget), whilst for Florida, income tax is zero.

The drastic contrast in spending-per-capita and income tax makes sense given the political context. Democrats believe in regulating businesses and individuals who they believe would, under complete economic freedom, ignore social values in the pursuit of profit and wealth; this leads to economic intervention policies, such as taxes for environmental purposes or social welfare programs. As a result, Democrats often argue for more government spending, and thus more taxes. Republicans believe that the economy should not be regulated so as to create an environment where each participant can earn and keep more of their wealth. As such, Republicans often argue for lower taxes and focus less on social concerns for the sake of economic growth.

4. Business Development in Maryland vs. Florida

Political parties and their respective spending and revenue collection (tax) policies greatly impact the economy and the business development environment. Accordingly, since Maryland and Florida have differing dominant political parties, they have drastically different economic trends and environments for business.

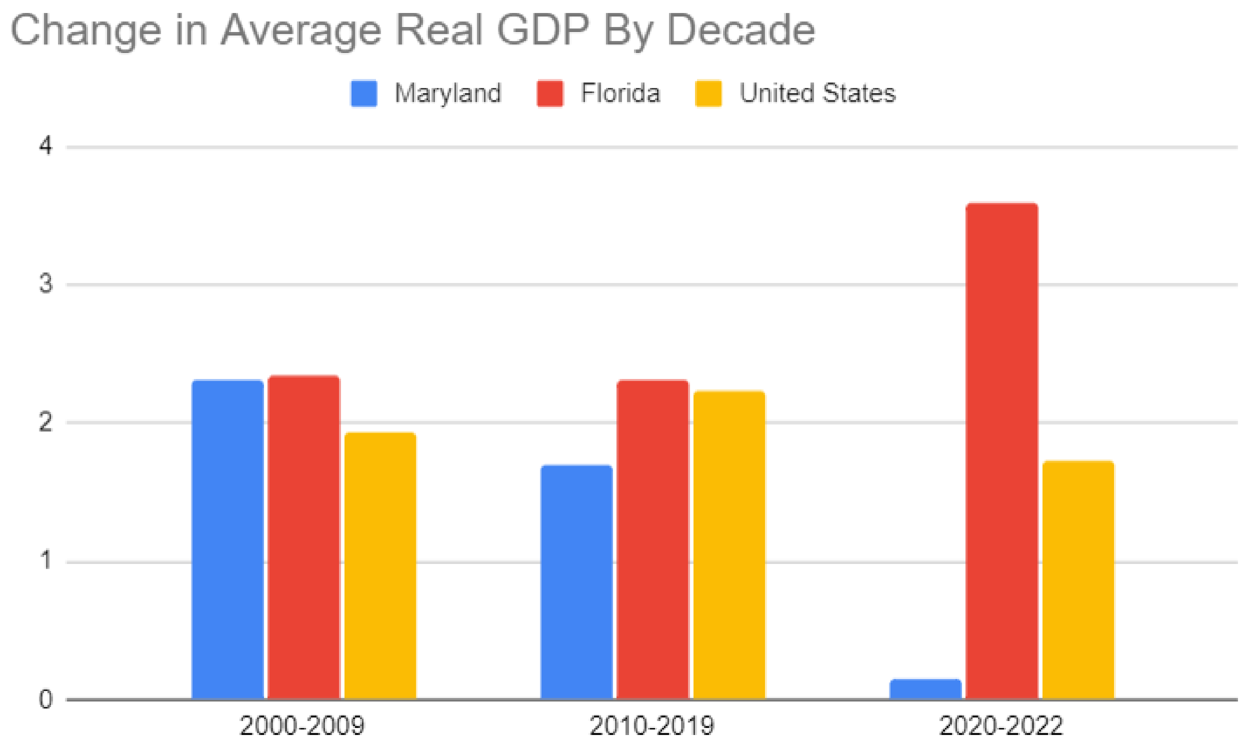
According to CNBC's America's Top States for Business in 2022, Maryland ranked 27th. Categories are ranked from most to least important, with cost of doing business and economy as extremely important measures– both of which Maryland performed abysmally in. The ranking's methodology states that the cost of doing business measures a state's business tax climate and standard costs for running a business (wages, utility, office space, etc.), while the economy measures gross domestic product (GDP) and job growth (which are contingent on having flourishing businesses).

By the numbers, Maryland's unemployment has decreased to a record-low 2.9 percent in February 2023; however, Maryland's real job growth has not seen significant improvement. The recorded decrease in the unemployment rate is a result of the Bureau of Labor Statistics recent revision of unemployment data for Maryland going back to 2018: This revision lowered the official unemployment rate for December 2022 to 3.0 percent, so the February 2023 rate is nearly the same as past months. The revisions mainly consisted of removing 50,000 people from the labor force; lowering the labor force results in a lower unemployment rate (number of unemployed / number in labor force) but does not necessarily suggest a stronger economy.

In aggregate, over the past decade, the US economy has grown 23 percent, but Maryland's economic growth has only been 11 percent, ranking Maryland 47th among the states and DC for economic momentum. Governor Moore himself noted that the 12 percent gap represents billions of dollars lost in economic growth.

Florida, on the other hand, is one of the most business-friendly states in the nation. Small businesses make up 99.8 percent of all Florida businesses, accounting for more than 41 percent of the state's workforce. According to the governor, through a business-friendly tax policy, Florida has seen 200,000 new business formations in 2022 alone. Florida's job growth rate has outpaced the national rate for 25 consecutive months since May 2021 and the unemployment rate fell to 2.6 percent in April 2023. The outperforming unemployment numbers are not attributed to numerical revisions, as unlike Maryland, Florida's labor force increased by 5.8 percent from February 2020 to April 2023.

In the aggregate, Florida's economic growth has outpaced that of the nation for several decades. Comparing Maryland's, Florida's and the nation's average real GDP growth rate by decade, we see:



Maryland's underperformance in business development and consequently economy and Florida's exceeding performance can be attributed to the fact that Maryland is seeing business leave for states such as Florida, North Carolina and Virginia– these three states being the greatest beneficiaries of wealth migration from Maryland that amounts to $655 million annually.

5. Tax Policy

A major cause for Maryland and Florida's business development discrepancy is tax policy. Even the Maryland Chamber of Commerce admits that high taxes discourage businesses from forming in a state, hindering economic growth and job creation.

A comparison of Maryland's and Florida's various tax rates, using data from the Tax Foundation:

	Maryland	**Florida**
Personal income tax (top)	5.75%	0.00%
Corporate income tax (top)	8.25%	5.5%

State sales tax rate	6.00%	6.00%
Property tax	1.05%	0.91%

Maryland has the 11th highest tax burden and 3rd highest individual income tax burden in the nation. Given such high taxes, Maryland's government has made working and starting and operating a business extremely expensive compared to Florida, Virginia, Utah, or North Carolina. In fact, Maryland ranked 46th in the Tax Foundation's annual State Business Tax Climate Index, with the tax most harmful to businesses being the personal income tax.

Maryland Tax Foundation State Business Tax Climate Index, 2022				
Corporate taxes	**Individual taxes**	**Sales taxes**	**Property taxes**	**Unemployment Insurance taxes**
4.86/10	3.66/10	4.58/10	4.15/10	4.46/10

In contrast, Florida is ranked 4th in the Tax Foundation's index. Since Florida is one of nine states to not have a personal income tax, it is highly attractive for pass-through entities, that is, entities not subject to corporate income tax and whose profits are solely subject to personal income tax (limited liability companies, S corporations, sole proprietorships and partnerships). Corporations– business entities subject to additional state corporate income tax because they are incorporated in or earn money through the state– are also treated well under the relatively low corporate income tax rate of 5.5 percent. The average sales tax is roughly equal to that of Maryland's, with some Florida counties being slightly higher; however, business expenses, such as machinery and equipment, are exempt from sales tax.

Florida's ability to keep business-related taxes low is first attributed to their *low spending-per-capita, which is just half of Maryland's*. Another reason for Florida's low business-burdening taxes is that Florida's sales tax makes up for it, contributing an overwhelming 80 percent to their general revenue. Florida's sales tax can contribute so much to general revenue because of Florida's prominent tourism industry: Florida is known for its tourist attractions, including famous theme parks, hotels and resorts. The enormous sales tax revenue is large enough to allow the state to exempt necessities, including groceries and prescription drugs, from sales tax. In fact, the state does not even need to raise sales tax to generate revenue and instead relies on the large amount of people paying the tax; the sales tax is capped at 7.5 percent, with 6 percent designated by the state (same as Maryland) and a maximum of a 1.5 percent add-on for each county.

Maryland's high taxes (and its negative effect on business development) and the opposite for and Florida's low taxes (and its positive effect) are exemplified when compared to neighboring states, as business states compete with nearby states for business opportunities.

The tax rates for Maryland's neighbors– Delaware, Pennsylvania and Virginia– are as follows:

	Delaware	Pennsylvania	Virginia
Personal income tax (top)	6.60%	3.07%	5.75%
Corporate income tax (top)	8.70%	8.99%	6.00%
State sales tax rate	0.00%	6.00%	5.30%
Property tax	0.61%	1.46%	0.87%

The Tax Foundation's Business Tax Climate Index ranks all the other mid-Atlantic states higher than Maryland, with Delaware, Pennsylvania and Virginia being placed 16th, 33rd and 26th respectively. As proven with Maryland's and Florida's different rankings, the foundation explains the absence of or a low rate of a major tax is a major factor for a better business climate. Delaware has a much lower state sales tax, Pennsylvania has a much lower personal income tax and Virginia has a much lower corporate income tax.

The tax rates for Florida's neighbors– Alabama, Georgia and Louisiana– are as follows:

	Alabama	Georgia	Louisiana
Personal income tax (top)	5.00%	5.75%	4.25%
Corporate income tax (top)	6.50%	5.75%	7.50%
State sales tax rate	4.00%	4.00%	4.45%
Property tax	0.40%	0.92%	0.56%

Florida's ranking of 4th is a great improvement from its neighboring southeast states. Alabama, Georgia and Louisiana rank 41st, 32nd and 39th, respectively. This is expected, for Florida has zero personal income tax, compared to the relatively high rates in all three of its neighboring states.

Other taxes, which are not directly business-related but still affect business-owners (i.e. individuals) include unemployment insurance tax, inheritance and estate taxes. Maryland once again has a higher tax burden for these taxes.

	Maryland	**Florida**
Unemployment insurance tax (top)	10.50%	5.40%
Inheritance tax	10.00%	0.00%
Estate tax (top)	16.00%	0.00%

Since a major incentive for business-owners is the ability to develop generational wealth, Florida's lack of an estate or inheritance tax– taxes for when someone receives property or an inheritance from a recently deceased person– make Florida a far more attractive state of business development than Maryland, which holds the unique state of being the only state of having both an estate and inheritance tax.

II. Analysis and Takeaways for Maryland with Reference to Standard of Living

6. Business Development too Narrow?

As stated above, one contributor– and perhaps the greatest contributor– to Florida's ability to keep taxes low and incentive business development is because of its low spending-per-capita, which amounts to only half that of Maryland's. Comparing the two states' tax policies and their respective rankings in business development, the narrative is straightforward: lower taxes leads to a flourishing economic state. However, such a narrative is too simple. This portion of the report assumes that the narrative's logic is true, but scrutinizes the merit of the narrative's impact, looking into whether states should lower spending-per-capita for the sole goal of increasing business development. In other words, *is prioritizing business development wise?*

The ultimate goal of each state's government is to create policies to increase the standard of living. Since the standard of living is a collection of economic factors, including income, access to goods/services and economic opportunity, then it is obvious– *to improve the standard of living, a state must improve economic growth.*

As a result, both states have a goal to increase economic growth. Florida justifies its tax-friendly policies with supply-side economics– the theory that the production of greater goods and services is a result of more business development, which can be encouraged through tax cuts.

Republican-controlled Florida has solidified the promotion of business development– via lower taxes– as the standard of merit for their spending statutes. While Florida does not provide a distribution of state spending, Governor Desantis noted that his primary budget highlight was not an allocation of spending, but instead the passage of multiple tax cuts. Florida's taxpayer relief plans total $2 billion, with $1.5 billion specifically dedicated for specific tax cuts, including:

- Permanent sales tax exemption for
    - Baby and toddler necessities for $138.7 million
    - Cribs and strollers for approximately $3.9 million
    - Gas stoves for $7 million

    - Over-the-counter pet medications for approximately $33.6 million
- 1-year sales tax exemption for
    - Cosmetic and toiletries for $72 million
    - Dental and oral hygiene products for $45.3 million
    - Children's books for $17.3 million
    - Children's toys for $132.7 million
    - Children's athletic equipment for $42.5 million
    - Household items under $25 for $138 million
    - Pet foods for $170.2 million
    - ENERGY STAR appliances (washing machines, clothes dryers and water heaters selling for $1,500 or less and refrigerators selling for $3,000 or less) for $82.4 million
- Two-year extension for the exemption on natural gas fuel tax for $1.2 million

Maryland, though not as successful results-wise, intrends to increase economic growth according to demand-side economics– the theory that economic growth is a result of increased demand for goods and services, which can be encouraged through increasing incomes of consumers.

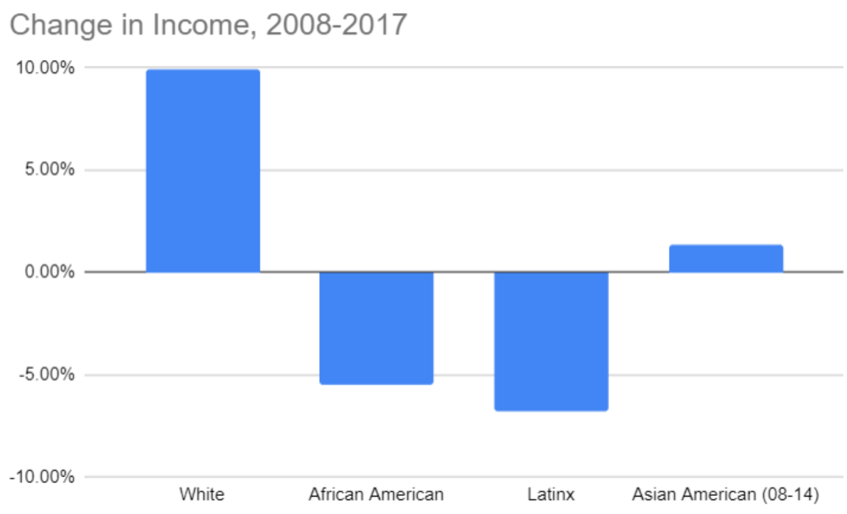
As stated before, Maryland is primarily Democrat; thus, the state government– following the party's beliefs– will enact policies that foster a business environment that coincides with the flourishing of social values, namely the lessening of socioeconomic inequality. Governor Moore's mission, as titled in his budget highlights presentation, is to create a *"competitive and equitable economy"*. Two notable means of promoting social values are the lessening of healthcare inequality and educational inequality, which are reflected in the fact that education and health are the largest sectors of Maryland's state spending.

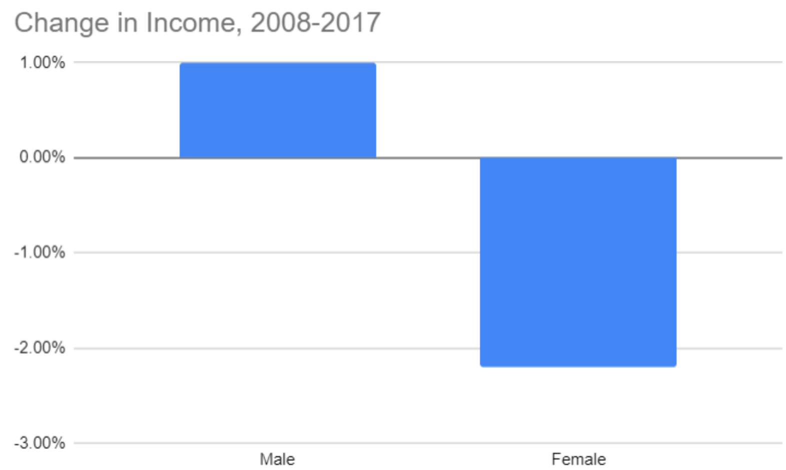
Maryland's adherence to demand-side economics is also evident in Governor Moore's unique approaches to building a better economy. The Democratic governor's primary objective is to boost the economy; and while increasing economic growth is good, he also wants to make growth more equitable, that is, to create better economic situations for all people rather than just the top few percent. He passed a law accelerating the minimum wage to $15 by 2024; as one of the governor's notable methods, this approach deserves some attention.

Currently, Maryland is one of 30 states to have a minimum wage higher than the federal level of $7.25/hr. Prior to Governor Moore's statute, the minimum wage would have become $15 for large businesses by the beginning of 2025 and for small businesses by the beginning of 2026. However, given that the COVID pandemic greatly reduced the ability to hire, especially for small business, a wage increase would be a way to counteract the effect and incentive employment. The Fair Wage Act of 2023, passed by Governor Moore, raised Maryland's minimum wage to $15 starting January 1, 2024, two years ahead of the original plan.

According to theory, by increasing the income for many low-income families, more goods and services will be demanded, thus increasing economic growth. A $15 minimum wage would increase wages for 573,600 workers (22 percent of the Maryland workforce), who care for 273,000 children. On average, affected workers would take home more than an extra $4600 per year, allowing aggregate pay to increase by $2.6 billion per year. Of the workers expected to benefit, 92,000 live below the federal poverty line and 200,000 live below double the federal poverty line; 90 percent are over 20, and thus are not merely youths looking for extra spending cash; and 64 percent work full time. The increase in income will help guarantee financial security and better access to opportunities like education, which is also necessary for economic growth.

The minimum wage not only stimulates the economy through increased spending, but also shares these economic gains for all. Income inequality is a major downside of the narrow lens of supply-side economic growth: while an economy may grow, the benefits may only be applied to the top few percent (large business owners, for example), while workers and small business owners struggle. For decades, Maryland's economy has been subject to increasing income inequality. Despites Maryland's economy producing 79 percent more output in 2018 compared to 1979, inflation-adjusted wages for a standard Maryland worker only increased by 13 percent, corresponding to a mere 0.3 percent increase per year. The top 1 percent of Marylanders, however, have seen their incomes increase by 138 percent since 1979. The income inequality can also be viewed through demographic lenses, namely race and gender, with women and people of color facing net decreases in income from 2008-2017.





On the other hand, *Florida's supply-side focus, while beneficial to economic growth, does not necessarily produce equitable growth*. When accounting for different tax brackets based on income, the reality is that Florida's low-tax environment is not the same for all income classes. As a whole, Florida has the nation's 5th lowest tax burden; however, the top 1 percent of Florida households spend about 2.3 percent of their income on taxes, while the state's poorest 20 percent of taxpayers spend 13.2 percent of income, which is the 3rd highest in the nation. The majority of the total tax burden comes from sales and excise taxes. While Florida's most affluent residents spend about 0.9 percent of their income on such taxes, the poorest 20 percent spend 9.1 percent. As a result of the increased tax burden, poorer residents are being pushed further into poverty.

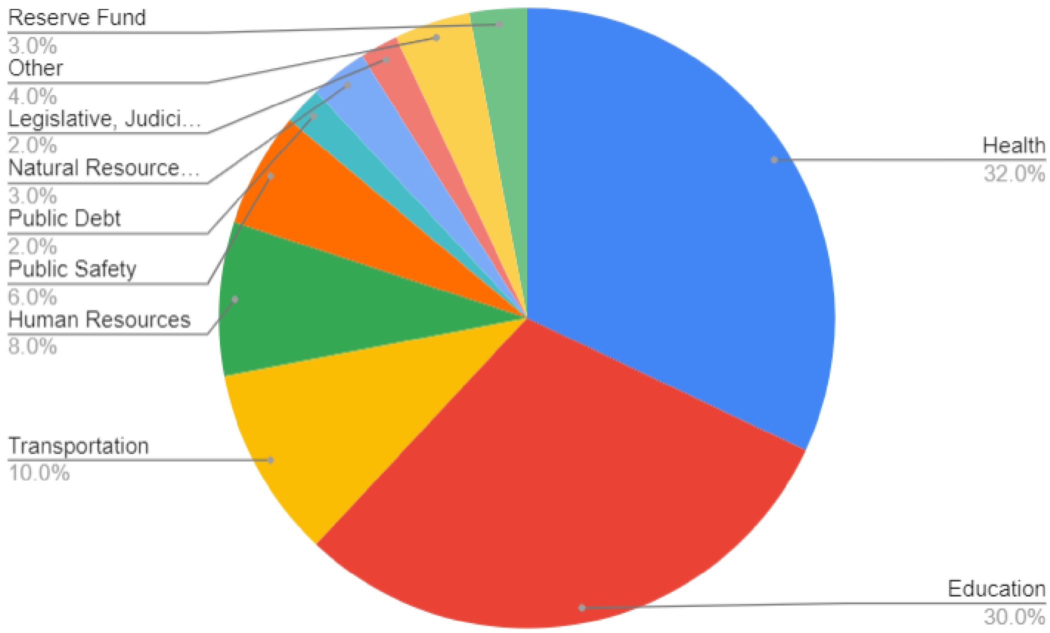
Maryland's tax system does not fall into this trap because it relies on personal income taxes, which are progressive taxes such that higher-income groups pay more. Florida's tax system relies on sales taxes, which are regressive taxes such that lower-income groups pay more.

7. Spending Patterns

While Florida does not prioritize equitable economic growth, this does not necessarily conclude that Florida's standard of living– the ultimate concern of any state government– is worse than Maryland's. Accordingly, this portion of the report examines whether a difference in tax burdens translates to a difference in standards of living. It will consequently be considered *whether Maryland can achieve a good standard of living with a lower tax burden*.

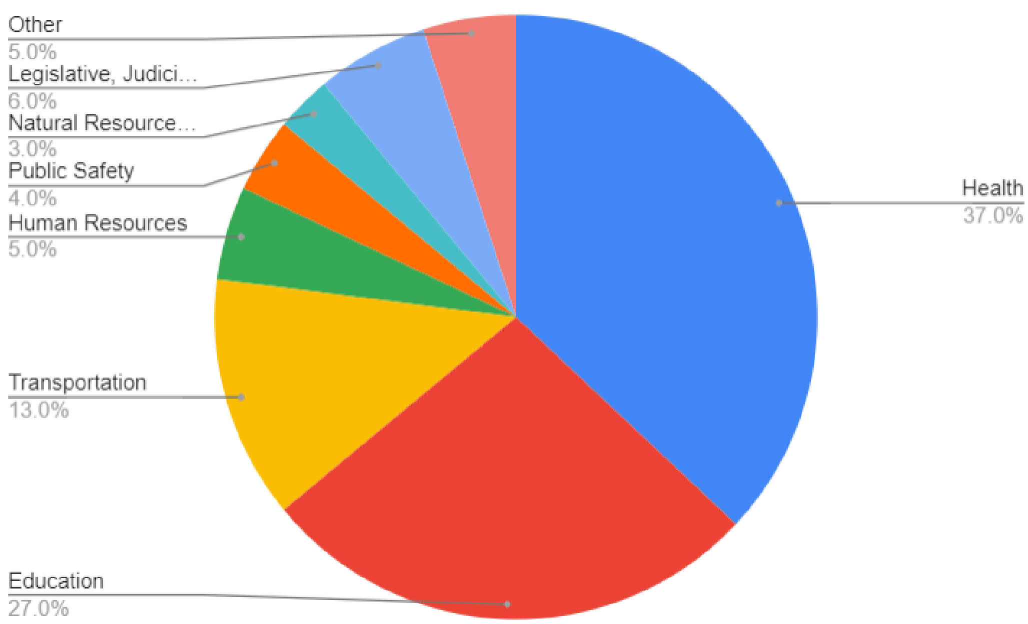
Recall that since both states are required to pass a balanced budget, the amount collected in revenue strictly correlates to the amount able to be spent. Thus, in order for a state to have a lower burden, it must collect less revenue, which only makes sense if the state plans on spending less (lower spending-per-capita). Thus, *we assume that tax burden is positively related to spending-per-capita*. In order to judge whether a state's revenue collection/tax policies are good (in the sense that it increases standard of living), one must determine if having a higher or lower spending-per-capita results in a higher standard of living. *The first step is to identify each state's* *spending patterns, namely main expenditure categories; the second step is to scrutinize each state's performance in each of those major categories.*

Maryland's proposed spending distribution for FY2024, as provided in Governor Moore's budget highlights, is:



Totals and percentages may not add due to rounding.

Florida's proposed spending distribution for FY2024 is:



Both Maryland's and Florida's top three expenditure categories are, from greatest to least: health, education, transportation. (Maryland's complete detailed spending breakdown can be found here, Florida's complete detailed spending breakdown can be found here).

8. Relation to Standard of Living

To evaluate whether Maryland should lower spending-per-capita and thus lower tax burden, one must establish if it can maintain its standard of living at the lower spending levels. This is best achieved by *comparing Maryland to states with already lower spending-per-capita levels, namely Florida, and their respective standard of living.* The major categories of spending for both states are health, education and transportation (HET), and thus will also serve as the categories of comparison.

Before looking at the standard of living in relation to HET, the report finds the spending-per-capita for the three categories. The report will first perform primary analysis on HET spending-per-capita, then look at other sources and spending policies.

Maryland has a population of 6.1 million and a budget of $63.1 billion, while Florida has a population of 21.7 million and a budget of $114.8 billion. Given that Florida has very roughly 4x the population of Maryland but only 2x the budget, we expect Maryland to have 2x the spending-per-capita. Dividing the total budget by the total population of each state, Maryland has an overarching spending-per-capita of $10,300 while Florida has an overarching spending-per-capita of around $5,300, putting Maryland's spending-per-capita at 2x that of Florida's– this is expected.

If the percentages of the total budget spent on HET are the same between Maryland and Florida, then it is still expected for Maryland to have 2x Florida's spending-per-capita for HET. The percentages spent on healthcare, education and transportation are as follows:

	Maryland %	**Maryland Amount**	**Florida %**	**Florida Amount**
Healthcare	32%	20,192,000,000	37%	42,476,000,000
Education	30%	18,930,000,000	27%	30,996,000,000
Transportation	10%	6,310,000,000	13%	14,924,000,000
HET Total	72%	45,432,000,000	77%	88,396,000,000

Empirically, both Maryland and Florida spend roughly similar amounts on each HET category, with around three-quarters of their total budget on HET as a whole. Dividing each spending amount by the total population, we get overarching spending-per-capita for HET categories:

	Maryland Overarching Spending-per-Capita	**Florida Overarching Spending-per-Capita**
Healthcare	$3,310.16	$1,957.42
Education	$3,103.28	$1,428.39
Transportation	$1,034.43	$687.74
HET Total	$7,447.87	$4,073.55

According to the table above, Maryland does spend roughly 2x as much compared to Florida for each category and in aggregate for HET– this is expected.

To be more specific, the report next examines two predominant subcategories within HET: Medicaid (healthcare) and the K-12 public school system (education). Knowing all of this, the spending-per-capita for each subcategory should be 2x higher for Maryland *if the percentages spent on the categories are the same.* Accordingly, if Maryland's percentage is a bit more than 2x higher compared to Florida's, then it will send a bit less than 2x as much per-capita. The subcategory spending-per-capita will be equal to total category spending / subcategory population.

Regarding percentages of their population enrolled in Medicaid: Maryland is 27.86%, and Florida is 22.58%. Maryland Medicaid has 1.7 million enrollees, and since Maryland healthcare spending is $20.192 billion, Maryland's Medicaid spending-per-capita is around $11,900. Florida Medicaid has 4.9 million enrollees, and since Florida healthcare spending is $42.476 billion, Florida's Medicaid spending-per-capita $8600. Since Maryland's relevant population is slightly higher, percentage-wise, than Florida's, it makes sense that its spending-per-capita is slightly lower than twice that of Florida's.

Regarding percentages of their population enrolled in the K-12 public school system: Maryland is 15.89% and Florida is 13.98%. Maryland K-12 education has 969,000 enrollees, and since Maryland education spending is $18.93 billion, then Maryland's K-12 spending-per-capita is around $19,500. Florida K-12 education has slightly over 3 million enrollees, and since Florida education spending is near $31 billion, Florida's K-12 spending-per-capita is just over $10,200.

Since Maryland and Florida have very close percentages enrolled in K-12 public education, it makes sense that Maryland's education spending-per-capita is essentially 2x that of Florida's.

Knowing the relative HET spending-per-capita for both states, the report next looks at the standard of each HET category.

Health

The standard of healthcare consists of three factors: cost, access and outcomes. Cost features cost of medical visit, average monthly insurance premium and out-of-pocket medical spending.; access features multiple staff-per-capita measures, waiting time and share of uninsured individuals; outcomes features life expectancy, infant mortality and other illness percentages. Maryland's healthcare system is ranked, according to Wallethub, 6th best in the nation; Florida, on the other hand, is ranked 40th.

Florida has consistently ranked low in healthcare; the Harvard Business Review compiled that it has large numbers of uninsured adults, high levels of premature death from treatable conditions, less investment in public health, high number people with mental illness unable to access, and high insurance costs. The major causes of Florida's poor healthcare system come in its high number of uninsured adults. Insurance is important because it has a ripple effect; an insured adult can access many forms of healthcare and thus is likely to lead to improvements in other health measures. Directly related to this is the lack of public health investment (public spending being the focus of this report): the most common reason for being uninsured is the lack of affordability of health insurance, and one of the largest sources of insurance for low-income individuals is through government-run and funded Medicaid programs. While Maryland spends $136 per person for public health, Florida only spends $79 per person.

Medicaid is the government's public insurance program that provides health insurance coverage to low-income families and individuals with disabilities. Medicaid is a federal program, but each state operates its own Medicaid program under federal guidelines, and thus different states have different degrees of Medicaid administration and operation. The most notable way states administer Medicaid differently is through the special populations they choose to make eligible for Medicaid benefits. The federal eligibility requirements are children whose family income is below 138 percent of the federal poverty line; people who are pregnant and have income below 138 percent of the poverty line; certain parents or caretakers with very low income; and seniors and people with disabilities who receive cash assistance from Supplemental Security Income. The Affordable Care Act (ACA) expanded Medicaid coverage to non-disabled adults whose income is below 138 percent of the federal poverty line. However, given Medicaid's controversial views, especially from Republican-controlled states, the Supreme Court– in 2012– stated that states have the choice to expand Medicaid under the ACA. As of 2021, 12 states, including Florida, have not expanded Medicaid under the ACA, thus cutting off low-income adults from Medicaid unless they are pregnant, caring for children or disabled, as well as cutting off immigrants with lawful immigration status (temporary protected status, lawful permanent residents, etc.). Worse, non-expansion states like Florida make parents ineligible for Medicaid if their income exceeds merely 42 percent above the federal poverty line, translating to only a little over $9000 for a family of three.

Maryland, in contrast, has greatly expanded Medicaid under the ACA and spends much more per-capita on health. In fact, Governor Moore has made it a priority in health expenditures to fund Medicaid, stating that FY2024 will provide 1.6 million Marylanders with healthcare– 12 percent above pre-pandemic levels and a quarter of Maryland's population. As a whole, Maryland has only 6.5 percent of its population uninsured, while Florida has 12.7 percent– nearly double– of its population uninsured.

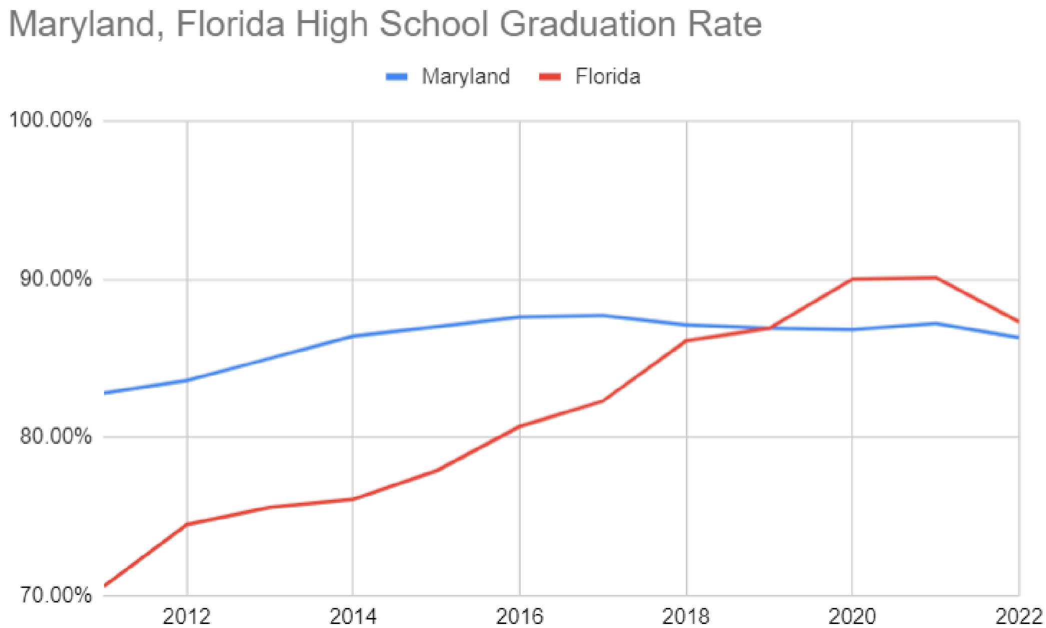
Education

A state's public education system starts with pre-education (pre-kindergarten) and ends with high school. Thus, the standard of public education includes access to pre-education and success in high schools. While higher education is included in state spending, all public universities receive money from federal funds and service out-of-state students. Thus, this report will focus on Pre-K and K-12 education, for it is entirely concentrated on in-state students. According to U.S. News, Maryland's K-12 education system is ranked 23rd, while Florida's is ranked 14th.

Since education spending can drastically vary between the pre-education, high school and university level, the report will examine the spending levels of the two states at each level and their respective performance.

Beginning with pre-education access, Maryland's budget allocates $99.6 million for pre-kindergarten expansion to low-income families. Maryland's 0-4 population– the target population for pre-education enrollment– for 2023 is around 364.7 thousand, thus putting Maryland at a pre-education per-capita spending of $273.10. On the other hand, Florida's voluntary pre-kindergarten initiative, endowed with $451 million, allows any age-eligible child to attend pre-kindergarten, regardless of income. Since Florida's 0-4 population for 2023 is 1.144 million, then Florida has a pre-education per-capita spending of $394.23. As of 2020, Florida had the nation's 5th highest preschool enrollment at 36 percent, while Maryland has a lackluster preschool enrollment of 22 percent.

The quality of public high schools can be measured through the high school graduation rate, for graduation represents completion of high school and readiness of higher education or careers. In the 2021-22 school year, the two states had similarly high graduation rates. Maryland's high school graduation rate was 86.3 percent and Florida's was 87.3 percent. Both percentages follow a trend of general growth since the past decade.



The slight decline in graduation rates is well-attributed to COVID's fostering of absenteeism, affecting 31 states and not being related to state spending.

While graduation rates are similar, other measures show that Maryland has lackluster education– a sentiment common among Maryland residents. U.S. News ranks Maryland 23rd out of all states for education, while it ranks Florida 1st. Even for Pre-K to high school rankings specifically, Florida ranks nine spots higher than Maryland. In fact, most Maryland schools– from elementary to high schools– have not shown improvement since 2019. Since 2018, Maryland has used a "Maryland School Report Card" that gives schools a rating from one to five stars showing quality. 62.5% of schools had the same rating in 2019, with 336 schools having lost a star.

Transportation

The standard of transportation consists of four factors: commute time, road quality, bridge quality and public transit usage. Since government spending directly covers roads, bridges and public transit, those categories will be the areas of comparison.

Per U.S. News, Maryland ranks 43rd for transportation, while Florida ranks 20th. Moore's current administration realizes that Maryland's transportation system faces major issues, stating that the "need for transportation investment is clear" in all aspects. Transit is one major area for Maryland's transportation failures– a topic Governor Moore placed front and center in his budget proposal. Maryland's Purple Line transit project, which costs $5.6 billion at the expense of maintaining and upgrading existing infrastructure. Maryland has further discussed unnecessary projects, such as a $15 billion Maglev connecting Baltimore to Washington D.C. and a $3.4 billion Monorail. These project plans that are merely used for political attention take attention away from funding for current infrastructure. Before the pandemic started, the Maryland Transit Administration had a $2 billion shortfall, and the Federal Transit Administration even found that MTA vehicles break down more compared to other cities' transit vehicles. Maryland's bridges and roads also require improvement. The Federal Highway Administration found that only 1,773 out of 4,830, or 24.29 percent of, bridges are in good condition, and the White House Infrastructure Fact Sheet places Maryland as the 9th worst state for roads, with only 73 percent of roads being in acceptable condition. Florida is faring better than Maryland in both bridges and roads. The Florida Department of Transportation finds that 67.16 percent of bridges are in good condition. 94.20 percent of roads are in acceptable condition, placing Florida above– and Maryland below– the national rate of 86.20 percent.

The discrepancies in transportation are linked to spending. Maryland's spending per mile of state-controlled road is $213,631: the 45th lowest in the nation for total spending per mile and 46th lowest for capital and bridge costs per mile. Compared to Florida's $410,482.63, this affirms the positive relationship between spending and standard of living.

9. Recommendations

After conducting a comparison of standards of living and their relation to state spending, it is clear that higher state spending correlates to improving standards of living, as shown across the major expenditure categories of health, education and transportation.

A straightforward interpretation of the paper's findings suggests a classical economic narrative: business development is hampered by high taxes; higher taxes necessary higher spending; higher spending leads to better standard of living; unwillingness to lower standard of living means taxes can not be lowered. However, there are many nuances that the Maryland state government should explore to lower taxes and maintain standard of living.

However, it is clear that in some cases, spending more per-capita does not lead to better results. Despite Maryland spending twice as much per-capita on K-12 education than Florida, Maryland ranks lower. Thus, a recommendation is to look for other wars of improving schools that do not simply involve more funding. Additionally, Maryland is the wealthiest state on average, so certain industries may not require government spending, which can either be gotten rid of or reallocated. Another recommendation is to find different sources of tax revenue besides residents. Florida, for example, has a unique quality of being a major tourist destination and uses that to its advantage by gaining sales tax revenue from out-of-state tourists.

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