

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 8 (Delegate Shriver. *et al.*)

Appropriations

Working Parents Opportunity Act

This bill establishes the Working Parents Opportunity Program to improve the economic well-being of low-income parents and their children. The program will provide grants to local community colleges and business partnerships for education and job training pilot programs, employment advancement accounts, community outreach programs, and research and program evaluation. The Governor must include \$9 million in the State budget for the program in fiscal 2002 and \$17 million in fiscal 2003 and each fiscal year thereafter.

The Maryland Higher Education Commission (MHEC) must submit an annual report to the Governor and the General Assembly by December 31 on the number of participants in the program and the extent to which the participants are achieving established standards. The Department of Human Resources (DHR) must submit an annual report to the Governor and the General Assembly by December 31 on the status of child poverty among working families in Maryland. The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: General fund expenditures would increase by \$9 million in FY 2002 and \$17 million annually beginning in FY 2003. Revenues would not be affected.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	0	9.0	17.0	17.0	17.0
Net Effect	\$0	(\$9.0)	(\$17.0)	(\$17.0)	(\$17.0)

Note: () = decrease; GF = general funds

Local Effect: Local community colleges would receive up to \$8.1 million in FY 2002 and \$16.2 million beginning in FY 2003 to provide education/job training and employment advancement accounts to program participants.

Small Business Effect: Minimal.

Analysis

Bill Summary: The Working Parents Opportunity Program has three primary purposes: (1) to provide grants to local community colleges and partnerships of employers and providers of job training programs to develop innovative and coordinated pilot programs to improve the economic well-being of low-income parents and their children; (2) to establish and maintain employment advancement accounts for eligible parents to pay for expenses while enrolled in an education and job training program; and (3) to develop and maintain a community outreach program to ensure that all eligible parents are made aware of education and training programs.

MHEC is responsible for administering the program and providing grants to local community colleges and business partnerships. Each local community college must develop its own criteria for participation, methods for outreach to eligible parents, and methods for measuring and evaluating outcomes. A local community college must provide an assessment and develop an education and job training plan for each program participant. A local community college may appoint a mentor or counselor to provide ongoing advice and support to program participants. A local community college must establish an employment advancement account for each program participant. The account can be used to pay for expenses that are necessary for the participant to pursue education and job training, including tuition, fees, the cost of textbooks, supplies, tutoring, necessary transportation, and child care. The average cost for textbooks and supplies at Maryland's local community colleges for an academic year is \$613.

An individual participating in the program must be a custodial or noncustodial parent or legal guardian of one or more dependent children and must be responsible for the financial support of the dependent children. The individual must be a resident of Maryland living in a household with an income at or below 200% of the federal poverty level. The individual must have worked at least 20 hours per week for at least six months in public or private employment, a family investment program work activity, or a State-sponsored or related work activity. The individual must complete a career and skill assessment or assessment update and agree to participate in an education and job training program.

The Governor must include \$9 million in the State budget for the program in fiscal 2002 and \$17 million in fiscal 2003 and each fiscal year thereafter. For fiscal 2002, \$2 million must be spent for pilot projects, \$6 million for employment advancement accounts, \$500,000 for outreach programs, and \$500,000 for a research and evaluation report. Beginning in fiscal 2003, \$5 million must be spent for pilot projects, \$11 million for employment advancement

accounts, \$500,000 for outreach programs, and \$500,000 for a research and evaluation report. No more than 10% of the total annual funding for the program can be used to cover administrative costs.

Current Law: Maryland has several existing education and job training programs targeted to low-income residents or individuals receiving public assistance, including the Work Opportunity Program, the Welfare-to-Work Family Literacy Program, and the Job Skills Enhancement Pilot Program. Annual funding for these programs totals over \$40 million.

The Work Opportunity Program, which is Maryland's welfare-to-work initiative, will provide \$39.2 million to local departments of social services in fiscal 2001 to assist individuals receiving temporary cash assistance (TCA) find permanent unsubsidized employment. Local departments have considerable flexibility to design and fund their own employment related activities and support services.

The Welfare-to-Work Family Literacy Program provides educational services to welfare recipients with the goal of helping the family become self-sufficient. DHR received \$2.1 million in federal funds in fiscal 2000 and 2001 to operate the program in four jurisdictions: Baltimore City and Charles, Prince George's, and Somerset counties.

During the 1998 session, the General Assembly approved the Welfare Innovation Act (Chapter 637) that established the Job Skills Enhancement Pilot Program. The program provides current and former welfare recipients with training in order for them to enhance their existing job-related skills, to gain additional or alternative job skills, or to learn interpersonal, communication, and other related skills. Training is targeted toward vocational programs that can be completed within a year and that will substantially raise the wages and opportunities for program participants. Pilot sites include Caroline, Frederick, Garrett, Montgomery, Somerset, and Talbot counties. Funding for this program could total \$1 million (to pay \$2,500 in expenses for each program participant). Other counties that have funded their own programs include Allegany, Charles, Howard, and Washington counties.

Background: Maryland has the fifth lowest poverty rate in the country. In 1998, Maryland's poverty rate totaled 8.6%, which represents over 440,000 people living in poverty. The poverty threshold for a family of three in 1998 totaled \$13,000. Nationally, approximately 30% of people reside in a household with an income level at or below 200% of poverty. This percentage increases to 59% for a single female-headed household.

The poverty rate increases for people who are outside of the State's labor force. People who worked at any time during the year had a lower poverty rate than nonworkers (6.3% compared to 21.1%). Among people with income below the poverty threshold, many worked either part-time or part-year. Of those 16 years old and over, 41% worked, but only 13% worked full-time, year-round. In contrast, 70% of all people aged 16 years old and over worked and 46% worked full-time, year-round. According to the Census Bureau, the dollar difference between a family's income and its poverty threshold averaged \$6,620 in 1998.

To assist individuals entering the workplace, local departments of social services provide an array of education and job training services to low-income and welfare recipients. These services can cost under \$500 per person for job prep services to over \$1,500 per person for enhanced work experience. The total cost of such services will depend upon the skills required for each program participant. For example, in fiscal 1998 the Allegany County Department of Social Services conducted skill classes for 22 TCA clients at a cost of \$6,458 per client. In Anne Arundel County, an intensive education training class for 198 individuals cost \$1,500 per person. In Baltimore City, work experience and literacy services can range from \$2,000 to \$10,000 per person.

Participants in the Working Parents Opportunity Program must apply for any available federal and State financial assistance before seeking funding from the employment advancement account. There are several existing federal and State programs targeted towards low-income students. The Federal Pell Grant Program provides awards to students who have demonstrated financial need. The maximum award for full-time students in 1999-2000 is \$3,125 and the minimum award is \$400. The Education Assistance Grant Program is a State financial aid program for students in need. Annual awards for full-time students range from \$200 to \$3,000. Maryland also has a Part-Time Grant Program for State residents, with awards ranging from \$200 to \$1,000 a year.

State Fiscal Effect: General fund expenditures would increase by \$9 million in fiscal 2002 and \$17 million annually beginning in fiscal 2003. Of this amount, approximately \$7.2 million in fiscal 2002 and \$14.4 million beginning in fiscal 2003 would be used to fund education/job training programs and the employment advancement accounts. Funding for community outreach programs would total \$500,000 in fiscal 2002 and research and program evaluation expenses would total \$500,000 in fiscal 2002. Up to \$800,000 in fiscal 2002 and

\$1.6 million in fiscal 2003 would be used to cover administrative expenses within MHEC, local community colleges, and business partnerships.

MHEC intends to spend approximately \$363,000 to develop guidelines and eligibility standards and to assist local community colleges and business partnerships administer the program. These costs include \$223,000 (salaries and benefits) to hire one director, one program manager, one research analyst, and one office assistant to establish, monitor, and administer the program.

Pursuant to the bill, MHEC must spend \$500,000 annually to conduct a research and program evaluation report. The majority of the expenses would be used to hire an outside evaluator. In addition, \$8.1 million would be distributed to local community colleges and business partnerships to fund the pilot programs, employment advancement accounts, and community outreach programs. Beginning in fiscal 2003, local community colleges and business partnerships would receive approximately \$16.2 million.

Local Fiscal Effect: Local community colleges would receive approximately \$8.1 million in fiscal 2002 to establish education/job training pilot programs, employment advancement accounts, and community outreach programs. Community colleges and business partnerships are responsible for providing services to program participants. Up to \$437,000 can be used for administrative expenses by the local community colleges and business partnerships and \$500,000 for community outreach programs. The remaining funds must be used for direct services to program participants (\$1.8 million for pilot programs and \$5.4 million for employment advancement accounts). Beginning in fiscal 2003, local community colleges would receive approximately \$16.2 million.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Department of Human Resources, Department of Legislative Services

Fiscal Note History: First Reader - February 8, 2000

cncsr

Analysis by: Hiram L. Burch, Jr.

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510