

Department of Legislative Services

Maryland General Assembly

2004 Session

FISCAL AND POLICY NOTE

Senate Joint Resolution 8 (Senator McFadden) (By Request – Baltimore City
Administration)

Education, Health, and Environmental Affairs

Rules and Executive Nominations

Compact for Sound Government

This joint resolution supports the establishment of an ongoing mechanism for agreements between the State and its 24 political subdivisions that improve the life chances of five specific populations; save scarce public resources by avoiding the predictable long-term State expenditures associated with continued poor outcomes for the specified populations; and redirect a share of savings accrued by the agreements for ongoing efforts to improve the lives and future of vulnerable children and the families at risk in the political subdivisions where these efforts are underway.

Fiscal Summary

State Effect: The State could establish an ongoing mechanism with local governments within existing resources. The amount of any cost savings resulting from the improved life chances of specific populations cannot be determined.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The five specific populations include young families in crisis, children entering school unprepared to learn and to succeed, disconnected youth at risk of harming others or causing harm to themselves, recovering substance abusers with dependent children, and ex-offenders returning to society.

Agreements would authorize the return of a significant portion of State general fund savings and any federal savings or increased revenue maximization allowed by law to the political subdivisions for further investment in opportunity, prevention, or early intervention for the populations listed above to generate future savings.

Background: Maryland is one of the most affluent states in the nation with the third highest median household income and the fourth lowest poverty rate. Marylanders are highly educated with the nation's fourth highest concentration of college-educated residents. Maryland enjoys a below-average unemployment rate and a large concentration of high-tech jobs. The State's homeownership rate continues to be above the national average.

While this portrait of prosperity captures the way of life in many jurisdictions, the reality in certain parts of Maryland is much different. In Baltimore City and many rural counties, jurisdictions are confronted with a high level of poverty, low educational attainment, a large amount of old and vacant housing, depressed economic conditions, and a limited revenue base by which to provide needed services to local residents. These jurisdictions continue to trail behind both the State and national averages in many indicators.

Educational Attainment

Even though education attainment in Maryland is high and overall student performance increasing, many jurisdictions in Maryland trail behind the State and national averages in terms of education attainment, student performance, and graduation rates. High poverty counties have the worst high school dropout rates in the State, ranging from 4% to 10% compared to 2% to 3% in other counties.

High poverty counties also have the lowest percentage of residents with a college degree. In six counties, less than 14.6% of residents have a college degree. This percentage is below the lowest performing state in the nation (West Virginia), where 14.8% of residents have a college degree. In four jurisdictions, all high poverty, over 25% of residents do not have a high school diploma, which is similar to the conditions in Mississippi and West Virginia, the lowest ranking states in the nation.

With personal earnings significantly affected by an individual's level of education, the lower educational levels in many Maryland counties could continue to hamper economic opportunities in these jurisdictions. Individuals who leave school without a high school diploma pay a substantial penalty throughout their lives. About 16% of the State's adult population do not have a high school diploma. A family headed by a high school dropout

earned about 50% less than a family headed by an individual with a high school diploma. Over 50% of current public assistance recipients were dropouts, and only 11% of dropouts were able to find a full-time job paying more than a poverty wage.

Economic Well-being

A community's economic well-being depends on the availability of jobs for its residents and the ability to create new jobs and employment opportunities. The effects of poverty cannot be reduced or eliminated in a community unless adequate job opportunities are provided to its residents. During the 1990s, a net increase of over 265,000 jobs was created in Maryland, representing employment growth of 12.4%. This increase exceeded the growth in the State's population, thereby providing greater job opportunities for many Marylanders. This employment growth, however, was not uniform across the State with the rate ranging from a negative 13.2% in Baltimore City to 77.8% in Calvert County. Dorchester County also realized a net decrease in jobs during the 1990s. Between 2000 and 2002, only three jurisdictions saw a decrease in average annual employment. Baltimore City lost 17,815 jobs during this period, Caroline County lost 269 jobs, and Somerset County lost 170 jobs.

Impact on Maryland Businesses

Both national and State employers indicate that they have a need for increased basic skills in their workers. The *American Management Association's Annual Survey of Workplace Testing* found that 36% of job applicants tested by major U.S. firms in 1998 lacked the reading and math skills to do the job they sought. This is up from 23% in 1997 and 19% in 1996. Employers overwhelmingly reported increased profits and other bottom-line benefits when their employees gained basic skills that enabled them to work more effectively. Benefits reported included improved work quality, better team performance, improved capacity to cope with change and ability to use new technology, and a reduction in errors and waste.

Additional Information

Prior Introductions: None.

Cross File: HJ 9 (Delegate Marriott) (By Request – Baltimore City Administration) – Rules and Executive Nominations.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - March 12, 2004
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