

State of

Working Maryland

2013



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Contents

Executive Summary	v
Employment and Unemployment	1
Recent Unemployment Rates.....	1
Unemployment by Race/Ethnicity in Maryland.....	2
Geographic Distribution of Unemployment.....	2
Underemployment.....	3
Unemployment Insurance (UI)	4
Employment Figures by Industry.....	6
Unemployment and Education.....	7
Productivity and Real Hourly Compensation	8
The State of Unionization in Maryland	11
Household Income, Wages, and Poverty	13
Poverty	16
Poverty Demographics	17
Location and Poverty	17
Public Initiatives Reduce and Prevent Poverty	19
The Impact of the Falling Federal Minimum Wage on Workers and the State's Economy	20
Housing Affordability	22
Rental Costs Continue to Increase	22
High Costs and Foreclosure Fears for Homeowners.....	23
Childcare	24
Childcare Center Cost for Infants Exceeds College Tuition.....	24
Maryland Families Spend More Than They Can Afford on Childcare	25
College Affordability and Debt	27
Energy Costs	30

Health	32
Still Too Many Lack Adequate Coverage.....	32
Rising Costs.....	33
The Costs of Lacking Adequate Coverage.....	34
Worker Coverage.....	34
Coverage of Maryland Children	35
The Affordable Care Act.....	35
Health Outcomes And Health Factors	38
Policy Recommendations	41

Executive Summary

Amid the slow and uneven recovery from the Great Recession and the gridlock that has become the norm at the federal level, working families in Maryland struggle to move ahead in an uncertain economy. While there has been progress in certain areas, challenges remain.

- Maryland's **unemployment rate has fallen to its lowest rate in 4 years** to a rate of 6.4 percent at the end of 2013, slightly below the national rate of 7 percent. However, racial and geographic disparities persist.
- While Maryland benefits from its close proximity to the nation's capital, **federal gridlock has had a negative effect on the state economy**. The October 2013 federal shutdown cost Maryland and estimated \$5 million per day, and many residents looking for work lost jobless benefits at the end of 2013 after federal lawmakers failed to extend emergency Unemployment Insurance.
- The productivity of American workers continues to grow, but **wages are growing at a much slower rate**. Between the third quarter of 2011 and the third quarter of 2012, productivity increased by 1.7 percent while real hourly compensation increased by just 0.1 percent.
- Union membership is associated with higher wages for workers, meaning a higher standard of living for working families. But like the country as a whole, **union membership is steadily declining** in Maryland.
- Despite Maryland's high median household income, there were **tremendous earning disparities throughout the state**. For instance, Howard and Montgomery counties had median household incomes over \$90,000; but Allegany and Somerset counties and Baltimore City households were at the other end of the spectrum with median incomes under \$40,000. Racial disparities persist as well. In 2012 the median hourly wage for Whites was \$21, compared with about \$17 for African Americans and \$14 for Hispanics. Median wages for all three groups in Maryland have declined slightly since 2008.
- While Maryland's poverty rate of 10 percent is significantly lower than the national rate of 15.7 percent, **594,000 Marylanders live in poverty**, a number greater than the population of Maryland's eleven smallest counties combined, and racial disparities persist. According to the Census Bureau's American Community Survey, 6.3 percent of non-Hispanic Whites in Maryland live below the poverty level. Both African Americans and Hispanics were more than twice as likely to be living in poverty, at 13.8 percent and 12.7 percent, respectively.

- Maryland would do well to follow the lead of 23 states and its two largest counties by raising the minimum wage. **Raising Maryland's minimum wage** to \$10.10 per hour by 2016 would increase the earnings of the state's lowest-paid workers by \$800 million. These higher earnings after accounting for some change in labor costs for business and prices for consumers translates into \$456 million in increased economic activity. This additional economic activity could generate and support 1,600 new jobs.
- **Housing affordability remains a challenge for Maryland.** Marylanders, particularly those with low incomes, spend a disproportionate share of their income on housing. Marylanders who rent spend 31 percent of their income on housing. Homeowners face challenges as well. After a lull, foreclosures increased a staggering 280 percent from the third quarter of 2012 to the third quarter of 2013.
- Unmanageable student debt has become a crisis for the generation of recent college graduates. **Maryland students' debt rose more than 10 percent from 2010 to 2011.** About 55 percent of Maryland's 2012 graduates had student loan debt, with an average debt of \$26,000, which was below the national average.
- The **high cost of energy** continues to be a major burden for Marylanders living below 200 percent of the Federal Poverty Level. Maryland residents with that are least able to afford it are paying up to 40 percent of their incomes on energy costs that continue to increase.
- Between 2010 and 2012, 10.3 percent of Maryland residents — roughly 612,000 individuals — were without health insurance, including 51,000 children. For those that were insured, families' health insurance premiums as a percentage of median household income have increased 66 percent between 2003 and 2011. However, despite persistent technical difficulties, Maryland's implementation of the Affordable Care Act is helping to provide health coverage to many thousands of Maryland's uninsured. **Nearly 152,000 residents obtained coverage through the Maryland Health Connection by the end of 2013** when Medicaid and private coverage are combined.

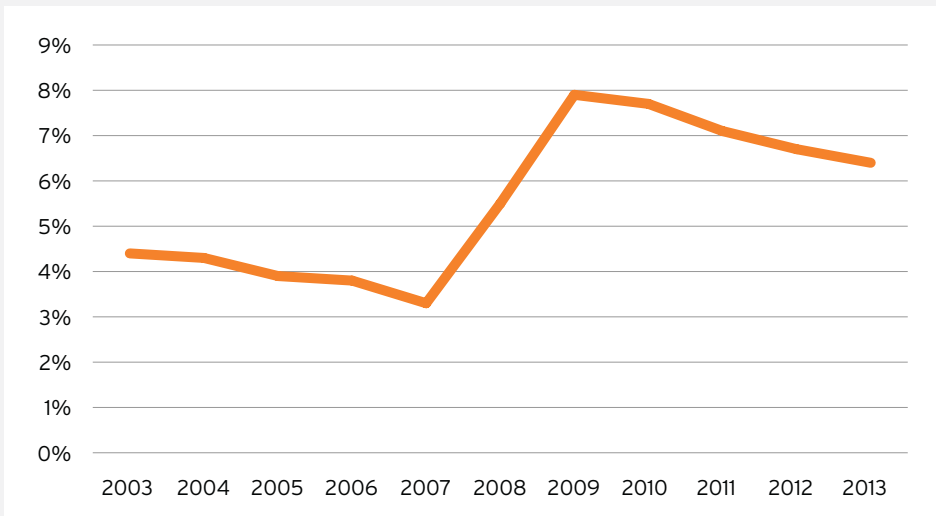
In the coming year, state and national lawmakers should make the investments necessary to foster broad prosperity for all of Maryland's residents.

Employment and Unemployment

RECENT UNEMPLOYMENT RATES

The unemployment rate measures the share of workers in the labor force who do not currently have a job but are actively seeking employment. As of November 2013, the Maryland unemployment rate was at 6.4 percent, slightly lower than the national rate of 7.0 percent. Though Maryland's unemployment rate is below national levels, some of the state's jurisdictions have much higher jobless rates, and many unemployed workers are reaching the end of their eligibility for benefits.

November Unemployment Rate in Maryland, 2003-2013



Source: United States Bureau of Labor Statistics

In the current economic cycle, unemployment peaked in Maryland at 8 percent in December 2009–February 2010. Since then it has been on a gradual downward trend, and the November 2013 rate of 6.4 percent is the lowest since January 2009.¹

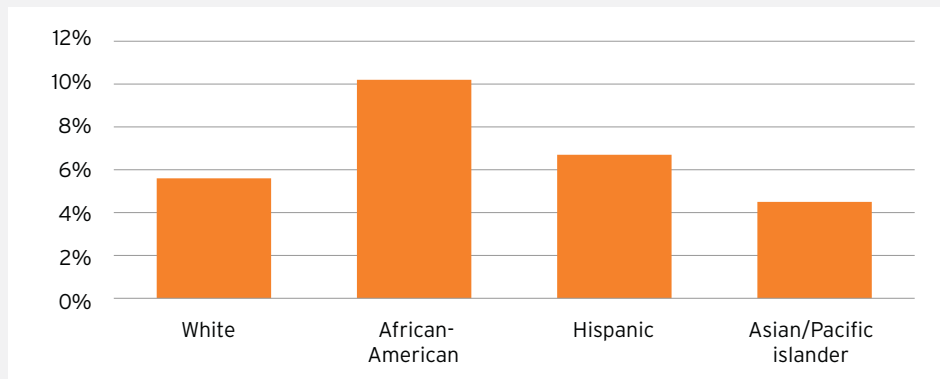
1 United States Bureau of Labor Statistics, <http://data.bls.gov/timeseries/LASST24000003>.

Current rates are well below the historic high of 8.4 percent Maryland experienced during the the deep recession of 1983–84 and higher than the historic low of 3.3 percent enjoyed in 2007.^{2,3}

UNEMPLOYMENT BY RACE/ETHNICITY IN MARYLAND

Maryland and the nation as a whole continue to struggle with deep racial disparities in unemployment rates. In 2012 for example, White workers faced a 5.6 percent unemployment rate, while Hispanics and African-American workers lagged behind at 6.7 percent and 10.2 percent, respectively.⁴

2012 Unemployment Rate by Race/Ethnicity in Maryland



Source: United States Bureau of Labor Statistics

Maryland and the nation as a whole continue to struggle with deep racial disparities in unemployment rates

GEOGRAPHIC DISTRIBUTION OF UNEMPLOYMENT

Maryland also suffers from significant geographic disparities in its unemployment burden. In October 2013, when the state's unemployment rate was at 6.7 percent, Dorchester, Somerset, and Worcester counties and Baltimore City had the highest unemployment rates among all of the state's 24 counties, all above 9 percent. Prince George's, Washington, and Wicomico counties experienced unemployment above 7.5 percent. At the same time, four

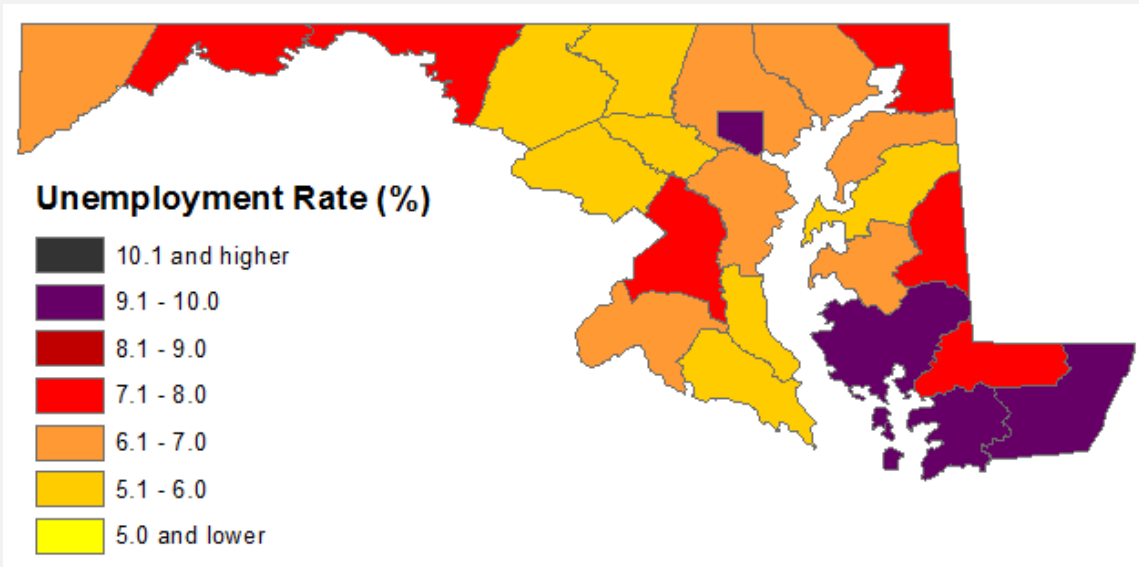
2 United States Bureau of Labor Statistics, "Local Area Unemployment Statistics," <http://www.bls.gov/lau/home.htm>.

3 United States Bureau of Labor Statistics, "Current Unemployment Rates for States and Historic Highs/Lows," December 20, 2013, <http://www.bls.gov/web/laus/lausthl.htm>.

4 United States Bureau of Labor Statistics, "Employment Status Of The Civilian Noninstitutional Population In States By Sex, Race, Hispanic Or Latino Ethnicity, Marital Status, And Detailed Age: 2012 Annual Averages," <http://www.bls.gov/lau/table14full12.xls> accessible via <http://www.bls.gov/lau/>.

counties had unemployment rates below 5.5 percent: Carroll, Howard, Montgomery, and Queen Anne's counties.⁵

Unemployment Rates by County in Maryland, November 2013⁶



Source: Bureau of Labor Statistics

UNDEREMPLOYMENT

The unemployment rate is an important metric, but it also masks the full picture. Underemployment is a serious concern for working families. Underemployment is measured as the percentage of workforce that is unemployed, plus involuntarily part-time workers who want full-time jobs but have had to settle for part-time hours, those who have stopped looking because they are discouraged, and marginally attached workers who want and are available for jobs and have looked for employment in the previous 12 months. The latest state underemployment rate in Maryland was 12.5 percent, measured from the fourth quarter of 2012 through the third quarter of 2013.⁷

5 United States Bureau of Labor Statistics, "Unemployment Rates by County in Maryland, November 2013," <http://www.bls.gov/ro3/mdlaus.htm>.

6 Ibid.

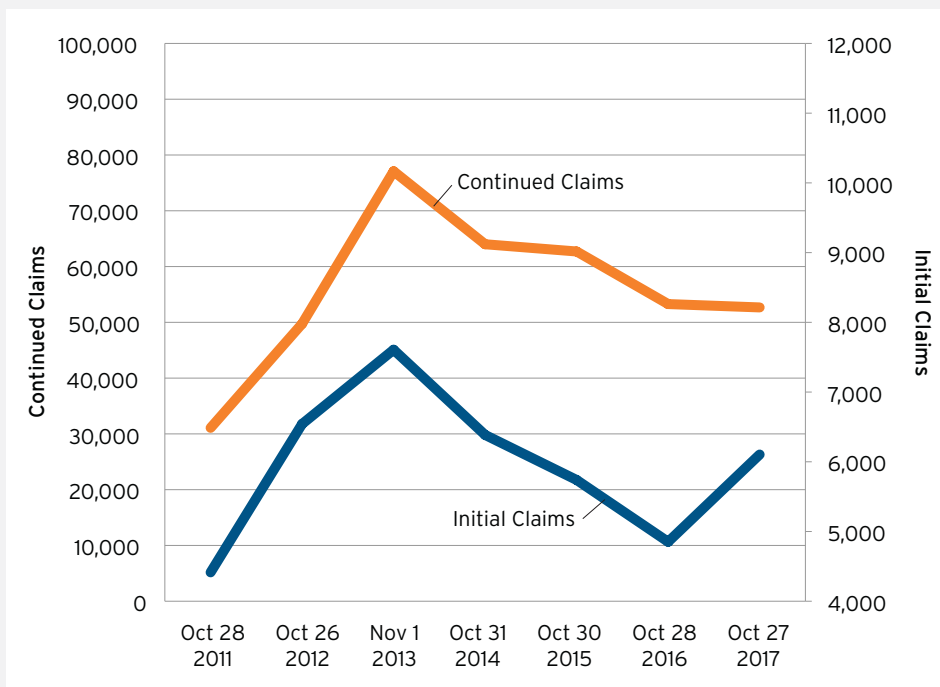
7 Measure U-6 from BLS's "Alternative Measures of Labor Underutilization for States" at <http://www.bls.gov/lau/stalt.htm>, accessible via <http://www.bls.gov/lau/>.

UNEMPLOYMENT INSURANCE (UI)

The Unemployment Insurance (UI) program is an income support program that was established in 1935 as part of the social insurance safety net provided by the Social Security Act. The program pays temporary benefits to workers who become unemployed through no fault of their own. It also promotes economic stability by maintaining consumer purchasing power as a counter-cyclical measure during recessions.

The number of unemployment insurance claims and recipients was dropping in Maryland over the course of the year until the partial government shutdown in October. The numbers below tell a clear story of positive economic momentum halted, at least temporarily, by an entirely avoidable, highly disruptive event.⁸

Maryland Initial and Continued Unemployment Insurance Claims, 2007-2013



Source: United States Department of Labor

Emergency long-term unemployment benefits were allowed to expire even though unemployment was twice as high as when benefits were cut after previous recessions

The timing of this disruption to Maryland’s economic momentum could not have been worse, given the late-December expiration of federal Emergency Unemployment Compensation. In 2008, Congress enacted Emergency Unemployment Insurance to provide up to 47 weeks of supplemental unemployment insurance benefits after regular benefits expired, usually at 26 weeks. The December extended benefits cutoff affected 1.3 million

⁸ United States Department of Labor, Unemployment Insurance Weekly Claims Data, <http://www.ows.doleta.gov/unemploy/claims.asp>.

unemployed Americans immediately and will cut off benefits for an estimated 4.9 million unemployed over the course of 2014.

As a result, in Maryland, the maximum length of time for receiving unemployment insurance benefits was from 63 to just 26 weeks.⁹ An estimated 28,881 Marylanders lost their benefits immediately, and a total of 82,600 Marylanders will lose their benefits in the first 12 months of the new policy.^{10,11}

In addition, cutting unemployment benefits in this way also cut consumer spending and economic activity, reducing GDP overall by \$37.8 billion and costing the economy an estimated 310,000 jobs in 2014, including 3,462 in Maryland.^{12,13}

The need to continue extended unemployment benefits points to one of the most harmful effects of the weak economy that has followed the 2007–2009 Great Recession: a record level of long-term unemployment. According to the Center on Budget and Policy Priorities (CBPP):

Long-term unemployment remains much worse than in previous recessions. The percentage of the labor force unemployed for 27 weeks or more hit record highs in the recession and is still *twice as high* as it was when the last three federal emergency UI programs expired. Some 4.1 million of the nation's 11.3 million unemployed workers have been looking for work for 27 weeks or longer. That's longer than the maximum number of weeks of regular state-funded UI in all but two states [Illinois and Nevada].¹⁴



In each of the previous three recessions, unemployment benefits were extended until the long-term unemployment rate had dropped to around 1.3 percent. As of December 2013, when unemployment were allowed to expire, the long-term unemployment rate was twice as high.¹⁵

Long-term unemployment matters for a variety of reasons, not least the increasingly well-documented phenomenon of the long-term unemployed having a harder time finding

9 United States House of Representatives Committee on Ways and Means, Committee Democrats, “Expiring Unemployment Insurance Interactive Map,” <http://democrats.waysandmeans.house.gov/expiring-unemployment-insurance-interactive-map#overlay-context=>.

10 Sparshott, Jeffrey. “Without Unemployment Extension, Which States Will be Hit the Hardest?” *The Wall Street Journal*, December 20, 2013, <http://blogs.wsj.com/economics/2013/12/20/without-unemployment-extension-which-states-would-be-hit-hardest/>.

11 Stone, Chad. “Failure to Extend Emergency Unemployment Benefits Will Hit Jobless Workers in Every State,” Center on Budget and Policy Priorities, December 11, 2013, <http://www.cbpp.org/cms/index.cfm?fa=view&id=4060>.

12 Shierholz, Heide and Lawrence Mishel. “Labor Market will Lose 310,000 jobs in 2014 if Unemployment Insurance Extensions Expire,” Economic Policy Institute, Issue Brief number 371, November 2013, <http://s3.epi.org/files/2013/ib371-ui-extension.pdf>.

13 United States House of Representatives Committee on Ways and Means, Committee Democrats, “Expiring Unemployment Insurance Interactive Map,” <http://democrats.waysandmeans.house.gov/expiring-unemployment-insurance-interactive-map#overlay-context=>.

14 Stone, Chad. “Congress Should Renew Emergency Unemployment Compensation Before the End of the Year,” Center on Budget and Policy Priorities, <http://www.cbpp.org/files/11-20-13ui.pdf>.

15 Ibid.

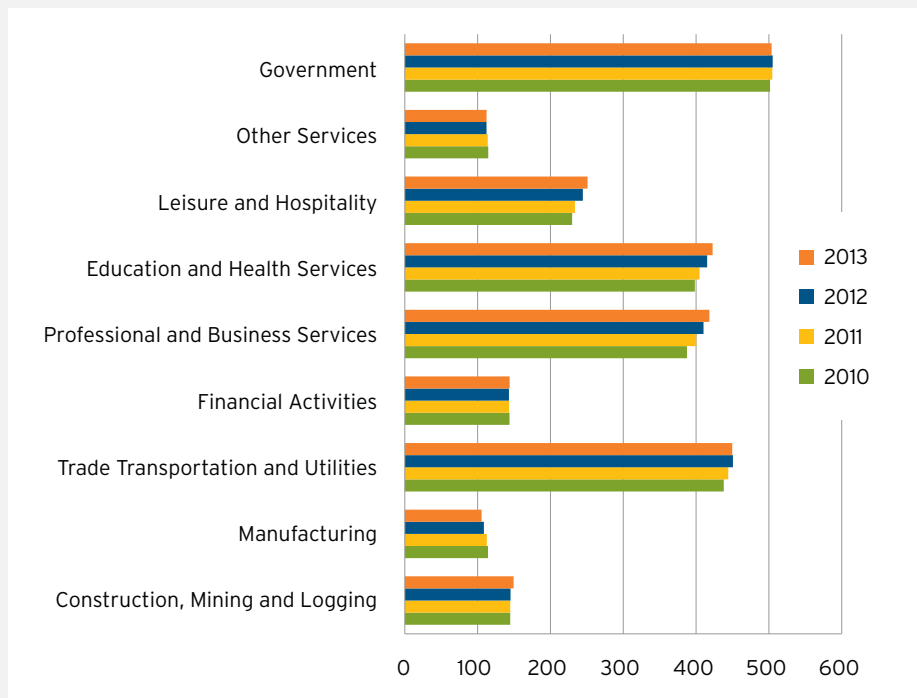
jobs simply because they have been unemployed for so long. In an article with the headline “Companies won’t even look at resumes of the long-term unemployed,” the *Washington Post* cites a growing body of research finding that “employers will almost never consider hiring them.”¹⁶

In addition, data from the Bureau of Labor Statistics indicate that the ratio of job seekers to job openings in late 2013 was 2.9:1, as high as it was at the peak of the early 2000s recession. In a healthy economy, the ratio would be close to 1:1. Moreover, that ratio would be 4.2:1 if it counted the 5 million workers who have dropped out of the workforce and are not counted as job seekers.¹⁷

Most industries experienced employment gains between 2010 and 2013 in Maryland. The two sectors that shrank were Manufacturing, which continues its long-term decline in the state, and Other Services.¹⁸

EMPLOYMENT FIGURES BY INDUSTRY

Maryland Job Count in Select Industries



Source: Economic Policy Institute

16 Plumer, Brad. “Companies won’t even look at resumes of the long-term unemployed,” *Washington Post*, April 15, 2013, <http://www.washingtonpost.com/blogs/wonkblog/wp/2013/04/15/companies-wont-even-look-at-resumes-of-the-long-term-unemployed/>.

17 Economic Policy Institute, “Ratio of Job Seekers to Job Openings Holds Steady at 2.9-to-1,” November 2013, www.epi.org/press/ratio-job-seekers-job-openings-holds-steady/.

18 Economic Policy Institute analysis of current employment statistics survey data.

One of the most notable phenomena of the current weak economic recovery is that, as discussed recently by economist Laura D’Andrea Tyson, even though “60 percent of the [Great Recession] net job losses occurred in middle-income occupations...these occupations have accounted for less than a quarter of the net job gains in the recovery, while low-wage occupations...have accounted for more than half of these gains.” Tyson goes on to conclude, “The result is “polarization” of employment with job growth concentrated at the high and low ends of the wage and skill distribution and the disappearance of jobs in the middle.”¹⁹

UNEMPLOYMENT AND EDUCATION

For both Maryland and the United States, unemployment rates are inversely related to education—the higher level of education a population has, the lower its unemployment rate. According to the Economic Policy Institute analysis, the unemployment rate among Marylanders (ages 25 and older) without a high school diploma was 15.5 percent, compared with 9.5 percent for those with a high school degree, 7.0 percent for those with some college, and 3.8 percent for those with a college degree or higher.²⁰

Overall, the employment prospects of working families in Maryland remain stagnant and uncertain. The recovery of the national and state economies from the Great Recession is weak and slow. For many working families, recession-like conditions persist.

19 Source: http://economix.blogs.nytimes.com/2013/09/20/the-quality-of-jobs-the-new-normal-and-the-old-normal/?_r=0.

20 Economic Policy Institute analysis of 2012 Current Population Survey data

Productivity and Real Hourly Compensation

From the end of World War II through the 1970s, American workers became more productive every year, and the increased productivity was matched by increased incomes. This reduced poverty, created a strong middle class, and made the American middle class standard of living the envy of the world. But this is no longer the case. Starting in the 1970s, the productivity of American workers continued to increase, but workers did not share in the benefits as their wages stagnated. Over the past four decades, and particularly since 2000, middle-class incomes have either barely kept up with inflation or lost ground. Instead, nearly all of the benefits of increased productivity have gone to those at the top of the income scale.

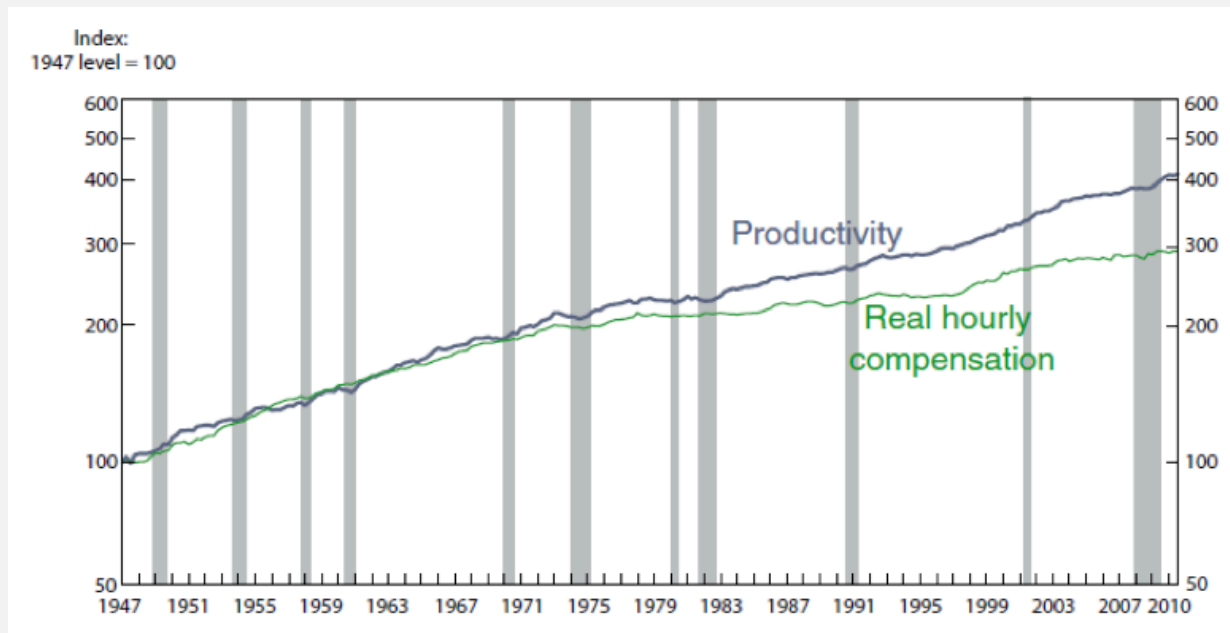
Productivity figures measure the dollar value of the output of the average worker in an hour, adjusted for inflation and price changes. State-by-state productivity figures are not available; all figures in this section are for the nation as a whole.

Going all the way back to the beginning of the post-WWII period, productivity has on average increased 2.2 percent annually.²¹ Real hourly compensation — the cost of wages, salaries, and benefits to businesses — increased at an average rate of 1.7 percent annually over the same 64-year period from 1947 to 2011. This means that about three-fourths of the increases in productivity were passed back to workers in the form of higher wages.



21 United States Bureau of Labor Statistics. *Monthly Labor Review*, September 2012.

Productivity and Real Hourly Compensation 1947-2010



Note: Nonfarm business sector. The shaded bars denote National Bureau of Economic Research (NBER)-designated recessions.

Source: Bureau of Labor Statistics, Monthly Labor Review, January 2011

As the graph above shows, productivity and compensation growth began to diverge after 1973. While productivity continued to increase, increases in real hourly compensation were much less robust.

Real hourly compensation dramatically lagged behind productivity growth in recent years, especially since the Great Recession of 2007-2009. Between the third quarter of 2011 and the third quarter of 2012, productivity increased by 1.7 percent while real hourly compensation increased by just 0.1 percent. This continues a 40-year trend in which American workers have been barely benefiting (if at all) from their own increased productivity.²²

This trend is also clear in labor's decreasing share of business sector output in recent years. Labor's share of output includes the portion of output that employers spend on labor costs such as wages, salaries, and benefits. The nonlabor share of business output is returned to capital in the form of profits or depreciation. In the past decade, labor's share of business output has declined to its lowest point at 57.8 percent, down from 64.3 percent in 2000. According to the Bureau of Labor Statistics, labor's declining share of business output is

22 United States Bureau of Labor Statistics. Major Sector Labor Productivity and Costs. November 2012. <http://data.bls.gov/timeseries/PRS85006092>.

a major factor contributing to the growing gap between American workers productivity and compensation.²³

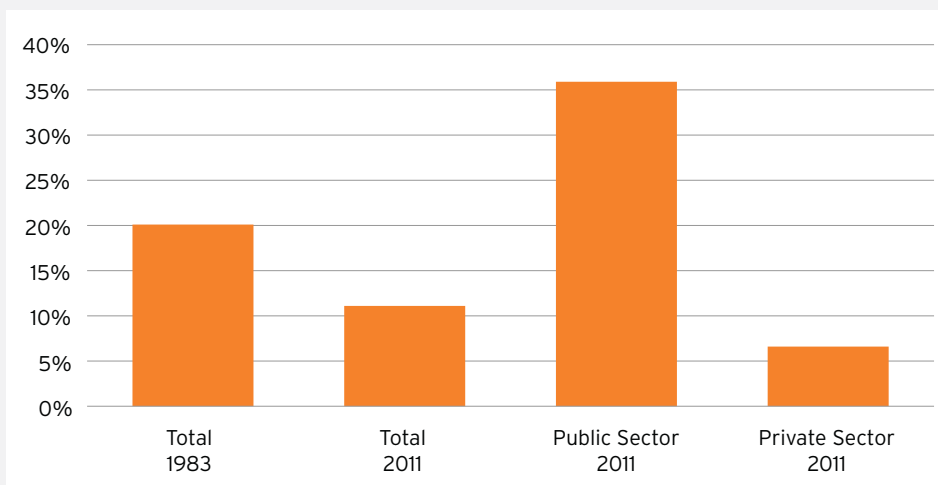
The result is rising inequality as middle-class and working class families work harder just to keep up while upper-income households enjoy a continually rising living standard.

23 Fleck, Susan, John Glaser, and Shawn Sprague: "The compensation-productivity gap: a visual essay" United States Bureau of Labor Statistics *Monthly Labor Review*, January 2011, <http://www.bls.gov/opub/mlr/2011/01/art3full.pdf>.

The State of Unionization in Maryland

Union membership is associated with higher wages for workers, meaning a higher standard of living for working families.²⁴ Economists have linked the decline in unionization rates to the stagnation seen in the American middle class standard of living in recent decades, even as worker productivity has grown and per capita GDP has risen steadily.²⁵ In recent decades, the rate of unionization has been fallen sharply, total union membership has decline by nearly 45 percent since 1983, and is composed largely of public sector employees.²⁶

Union Membership in the United States

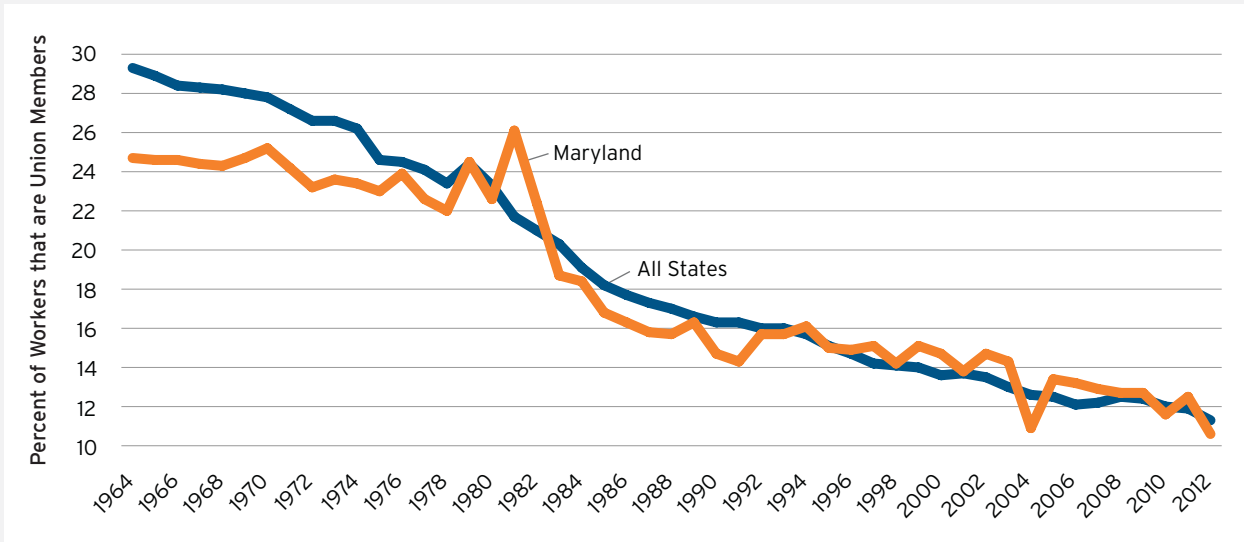


Note: Data seasonally adjusted
Source: Bureau of Labor Statistics

- 24 Long, George I. "Differences between union and nonunion compensation, 2001–2011," United States Bureau of Labor Statistics *Monthly Labor Review*, April 2013, <http://www.bls.gov/opub/mlr/2013/images/differences-in-union-and-nonunion-compensation-2001-2011.pdf>. See also David Madland and Keith Miller, "Middle Classes are Stronger in States with Greater Union Membership," Center for American Progress Action Fund, September 20, 2013, <http://www.americanprogressaction.org/issues/labor/news/2013/09/20/74751/middle-classes-are-stronger-in-states-with-greater-union-membership/>.
- 25 Stiglitz, Joseph E. *The Price of Inequality: How Today's Divided Society Endangers Our Future* Norton, 2012.
- 26 International Labor Organization, Union Membership in the United States, <http://www.ilo.org/washington/ilo-and-the-united-states/spot-light-on-the-us-labor-market/union-membership-us/lang-en/index.htm>.

Meanwhile, union membership density has steadily declined in both Maryland and the country as a whole.²⁷ Union density measures the portion of paid workers that are union members. As union membership declines, workers have less bargaining power in their efforts to gain better compensation and working conditions.

Maryland and National Average Union Membership Density, 1964-2012



Source: Unionstats.com

27 Barry T. Hirsch, David A. Macpherson, and Wayne G. Vroman. Union Density Estimates by State, 1964–2012, <http://unionstats.gsu.edu/MonthlyLaborReviewArticle.htm>.

Household Income, Wages, and Poverty

For 2012, the latest year for which the Census Bureau's Annual Social and Economic Supplement has published figures, Maryland's median household income (MHI) of \$71,836 placed it first in the nation once again, well above the national MHI of \$51,017. The District of Columbia and Virginia are also in the top 10 nationally, with Washington, DC 4th at \$65,246 and Virginia ranked 5th at \$64,632.²⁸

Despite Maryland's high median household income, there were tremendous earning disparities. For instance, Howard and Montgomery counties had MHIs over \$90,000; but Allegany and Somerset counties and Baltimore City households were at the other end of the spectrum with median incomes under \$40,000.²⁹



28 United States Census Bureau Median Household Income by State – Single-Year Estimates from http://www.census.gov/hhes/www/income/data/historical/household/2012/H08_2012.xls accessible via <http://www.census.gov/hhes/www/income/data/statemedian/>.

29 United States Census Bureau, Small Area Income and Poverty Estimates, December 2013 from http://www.mdp.state.md.us/msdc/HH_Income/Household_Median_Income_SAIPE_Data_2012.xls accessible via http://www.mdp.state.md.us/msdc/hhinc_median&mean.shtml, also http://www.census.gov/did/www/saife/data/highlights/files/releasesummary_state2012.xls via <http://www.census.gov/did/www/saife/data/highlights/2012.html>.

Maryland 2012 Median Household Income Ranked by County³⁰

MARYLAND	\$71,169
Howard County	\$108,234
Montgomery County	\$94,365
Charles County	\$89,203
Calvert County	\$87,215
Anne Arundel County	\$87,083
St. Mary's County	\$85,478
Frederick County	\$80,427
Carroll County	\$79,304
Queen Anne's County	\$79,012
Harford County	\$76,220
Prince George's County	\$69,258
Cecil County	\$62,443
Baltimore County	\$62,413
Talbot County	\$61,529
Worcester County	\$55,875
Washington County	\$52,604
Wicomico County	\$50,204
Kent County	\$49,969
Caroline County	\$48,772
Dorchester County	\$41,931
Garrett County	\$41,515
Baltimore City	\$39,077
Allegany County	\$38,670
Somerset County	\$34,454

Source: United States Census Bureau



While these geographical differences were pronounced, wage disparities were also apparent along demographic lines in Maryland in 2012. According to the Economic Policy Institute, in 2012 the median hourly wage for Whites was \$21, compared with about \$17 for African Americans and \$14 for Hispanics. Median wages for all three groups in Maryland have declined slightly since 2008.³¹

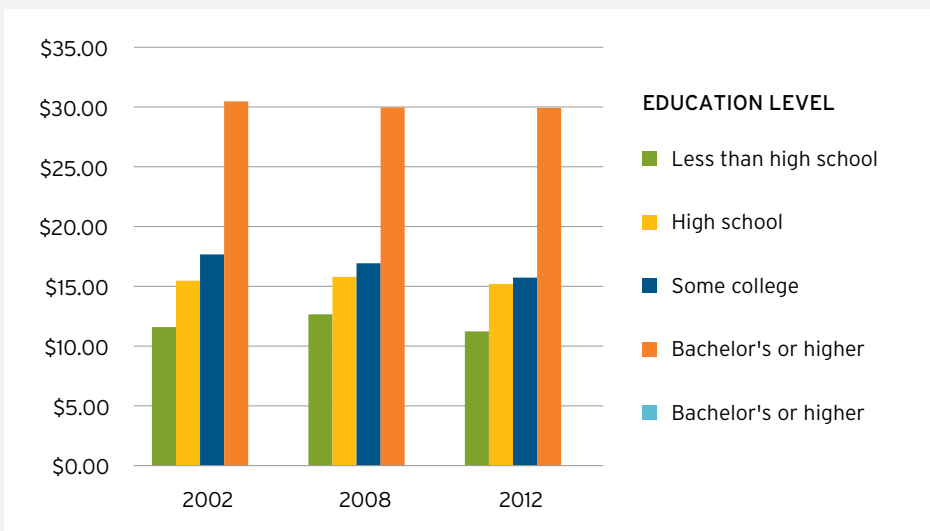
³⁰ Ibid.

³¹ Economic Policy Institute, Analysis of U.S. Census Bureau, Current Population Survey Data 2012

Educational attainment was also a significant determinant of household income. Those with a Bachelor’s degree or higher had a median wage of more than \$29 per hour, while those with less than a high school education had a median wage of just over \$11 per hour between 2008 and 2012.³²

The graph below — which is calculated in inflation-adjusted, 2012 dollars — illustrates the median hourly wages of workers by education level:

Median Hourly Wages of Workers By Education Level (Adjusted for Inflation)



Source: Economic Policy Institute

Maryland’s median household income (MHI) of \$71,836 placed it first in the nation once again

While the wage gap between men and women in the state has decreased over the past several decades there remains a persistent gender-based disparity. The median hourly wages for women in Maryland were considerably lower than those of their male co-workers in 2012.

Median Wages by Gender in 2012—United States and Maryland³³

	UNITED STATES	MARYLAND
Male	\$18.02	\$20.76
Female	\$14.92	\$17.87

Source: Economic Policy Institute

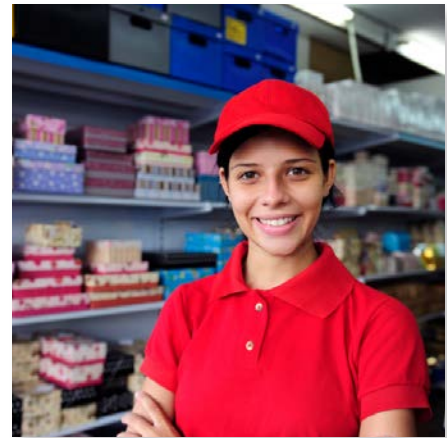
32 Ibid.

33 Ibid.

Poverty

The poverty rate measures all types of persons living in poverty — children, wage-earners, retirees, and so on. The Federal Poverty Level (FPL) for a family of four in 2013 was \$23,550.³⁴ This is the income level above which such a family should theoretically be able to meet all of its basic needs. It is estimated that more than 1 in 10 Marylanders live below the poverty level. While Maryland's rate is significantly lower than the national poverty rate of 15.7 percent, it still added up to an estimated 594,000 Marylanders, greater than the population of Maryland's eleven smallest counties combined.

The Census Bureau's Supplemental Poverty Measure (SPM), developed by the National Academy of Sciences in 1995, offers an alternative poverty threshold that takes into account more factors than the federal poverty threshold, including geographic price differences, work and childcare expenses, and the effects of tax and transfer policies. This measure estimated 13.4 percent of Marylanders facing poverty during the same time period, an additional 194,000 Marylanders.^{35,36}



Another alternative poverty measure is published every year by the Maryland Department of Human Resources, which annually updates its measure of “estimated monthly Minimum Living Level.” This measure “represents the minimal standard of living for a family in Maryland whose only source of financial income is Public Assistance,” which before 1997 was called Aid to Families with Dependent Children (AFDC) and is now known as Temporary Cash Assistance (TCA). This measure of poverty finds that a family of three currently requires \$1837 monthly to achieve the Minimum Living Level (vs. \$1628 for the federal poverty guideline).³⁷

34 United States Department of Health and Human Services, 2013 Poverty Guidelines, <http://aspe.hhs.gov/poverty/13poverty.cfm>.

35 United States Census Bureau, Supplemental Poverty Measure, <http://www.census.gov/hhes/povmeas/data/supplemental/index.html>.

36 Short, Kathleen. “The Research Supplemental Poverty Measure 2012,” November 2013, <http://www.census.gov/prod/2013pubs/p60-247.pdf>.

37 Maryland Department of Human Resources, “Estimated Minimum Living Levels for Temporary Cash Assistance Customers,” Updated through Fiscal Year 2014 <http://www.dhr.state.md.us/documents/Data%20and%20Reports/FIA/Minimum-Living-Level-Report2013-08-10%20FY-2014.pdf>.

POVERTY DEMOGRAPHICS

Even the various state poverty measures do not fully convey the situation of people who are living in poverty. The real story of poverty in Maryland can be found in the patterns and the people behind the numbers. Income varies greatly along racial lines. According to the Census Bureau's American Community Survey, 6.3 percent of non-Hispanic Whites in Maryland live below the poverty level. Both African Americans and Hispanics were more than twice as likely to be living in poverty, at 13.8 percent and 12.7 percent, respectively.³⁸

Education attainment is also a significant predictor of economic status. In Maryland households where the head of household lacks a high school diploma, 19 percent were below the poverty level between 2010 and 2012. In contrast, only 11 percent of those with a high school diploma, 7 percent of those with some college, and just 2 percent of those with a college degree were below the poverty line.³⁹

Poverty levels are also related to family living arrangements. Single-parent households headed by a female had a poverty rate of 29.1 percent in Maryland, versus just 7.9 percent of all Maryland families.⁴⁰ At the national level, married-couple family households had a poverty rate of just 6.3 percent.⁴¹

LOCATION AND POVERTY

Among major jurisdictions, Baltimore City had Maryland's highest average poverty rate, where a quarter of the population lives below the poverty level. After Baltimore City, the next highest poverty rates occurred in rural counties. Poverty rates in Allegany, Caroline, Dorchester, Somerset, and Wicomico counties all exceeded 15 percent.

Single-parent households headed by a female had a poverty rate of 29.1 percent in Maryland, versus just 7.9 percent of all Maryland families

38 United States Census Bureau, American Community Survey 2007–2011 five-year data, February 2013, <http://www.census.gov/prod/2013pubs/acsbr11-17.pdf>

39 United States Census Bureau, American Community Survey, Three Year Estimates, Table C17018,

40 United States Census Bureau, Current Population Survey (CPS) Annual Social and Economic Supplement, http://www.census.gov/hhes/www/cpstables/032013/pov/pov46_001_100125.htm.

41 United States Census Bureau, Current Population Survey (CPS) Annual Social and Economic Supplement, http://www.census.gov/hhes/www/cpstables/032013/pov/pov44_100.htm.

Poverty Rates by County in Maryland⁴²

UNITED STATES		15.9%	MARYLAND		10.4%
ALPHABETICALLY			RANK ORDER		
Allegany County, MD	18.1%	Somerset County, MD	29.6%	Baltimore City, MD	24.5%
Anne Arundel County, MD	6.3%	Baltimore City, MD	24.5%	Dorchester County, MD	18.4%
Baltimore County, MD	9.7%	Dorchester County, MD	18.4%	Allegany County, MD	18.1%
Baltimore City, MD	24.5%	Allegany County, MD	18.1%	Wicomico County, MD	16.7%
Calvert County, MD	7.0%	Wicomico County, MD	16.7%	Caroline County, MD	15.7%
Caroline County, MD	15.7%	Caroline County, MD	15.7%	Garrett County, MD	14.5%
Carroll County, MD	6.3%	Garrett County, MD	14.5%	Kent County, MD	14.0%
Cecil County, MD	11.9%	Kent County, MD	14.0%	Washington County, MD	13.7%
Charles County, MD	8.6%	Washington County, MD	13.7%	Cecil County, MD	11.9%
Dorchester County, MD	18.4%	Cecil County, MD	11.9%	Worcester County, MD	11.1%
Frederick County, MD	6.8%	Worcester County, MD	11.1%	Prince George's County, MD	10.3%
Garrett County, MD	14.5%	Prince George's County, MD	10.3%	Talbot County, MD	9.7%
Harford County, MD	7.9%	Talbot County, MD	9.7%	Baltimore County, MD	9.7%
Howard County, MD	5.3%	Baltimore County, MD	9.7%	Charles County, MD	8.6%
Kent County, MD	14.0%	Charles County, MD	8.6%	St. Mary's County, MD	8.4%
Montgomery County, MD	6.6%	St. Mary's County, MD	8.4%	Queen Anne's County, MD	8.2%
Prince George's County, MD	10.3%	Queen Anne's County, MD	8.2%	Harford County, MD	7.9%
Queen Anne's County, MD	8.2%	Harford County, MD	7.9%	Calvert County, MD	7.0%
Somerset County, MD	29.6%	Calvert County, MD	7.0%	Frederick County, MD	6.8%
St. Mary's County, MD	8.4%	Frederick County, MD	6.8%	Montgomery County, MD	6.6%
Talbot County, MD	9.7%	Montgomery County, MD	6.6%	Carroll County, MD	6.3%
Washington County, MD	13.7%	Carroll County, MD	6.3%	Anne Arundel County, MD	6.3%
Wicomico County, MD	16.7%	Anne Arundel County, MD	6.3%	Howard County, MD	5.3%
Worcester County, MD	11.1%	Howard County, MD	5.3%		

Source: United States Census Bureau

42 United States Census Bureau 2012 Small Area Income and Poverty Estimates published December 2013 via <http://www.census.gov/did/www/saipe/index.html>.

PUBLIC INITIATIVES REDUCE AND PREVENT POVERTY

As policymakers debate how to reduce the federal deficit and close state budget gaps, it is essential that they keep in mind how many families are protected from poverty by public initiatives. Governmental efforts such as Supplemental Security Income, the state and federal Earned Income Tax Credits, cash public assistance income, and “food stamps” (Supplemental Nutrition Assistance Program or SNAP) have ameliorated the effects of poverty for hundreds of thousands of low-income Marylanders. The effects of such programs are not reflected in the American Community Survey’s poverty data. Also worth noting are the effects of the American Recovery and Reinvestment Act (ARRA) of 2009. ARRA featured three major elements of income support — unemployment insurance, food stamps, and tax cuts — all of which provided financial relief to lower-income Americans. According to the Congressional Budget Office, the 70,000 jobs created and saved in Maryland by ARRA in 2010 staved off even more severe poverty.^{43,44}

While the Supplemental Poverty Measure indicates a bleaker picture in terms of poverty’s scope, it also demonstrates how public programs like the EITC, SNAP, and housing subsidies protect people, particularly children and the elderly, and lift them out of poverty. The official poverty measure does not take account for the role of these programs in recipients’ lives. With income from the refundable tax credits, the percentage of U.S. children considered poor under the SPM was 18.1 percent. Without the refundable tax credits, it would have been 24.4 percent, more than six percentage points higher. SNAP benefits (formerly food stamps) cut the percentage of children in poverty by three percentage points, nearly as much as the refundable tax credits, and reduced the percentage of elderly in poverty from 15.8 percent to 15.1 percent. Refundable tax credits such as the Earned Income Tax Credit (EITC) and SNAP were both expanded as part of the American Recovery and Reinvestment Act. But the EITC expansions expired at the end of 2012 and the SNAP expansion ended in November 2013.

The SPM also accounts for the impact of medical expenses, childcare costs, and other necessary expenses on poverty. Out-of-pocket medical expenses are a major contributor to poverty among both the elderly and children. Nationally, the poverty rate increased from 8 to 15.1 percent for the elderly and from 15.4 to 18.1 percent for children when medical expenses were factored in. Parental work expenses, including childcare costs, raised the child poverty rate from 15.9 percent to 18.1 percent. Without these work expenses, 15.9 percent of children in the United States would have been poor rather than 18.1 percent. These findings demonstrate the critical importance of programs like Medicaid, SCHIP, and childcare subsidies in reducing poverty by lowering these out-of-pocket expenses.⁴⁵

SNAP benefits (formerly food stamps) cut the percentage of children in poverty by three percentage points, nearly as much as the refundable tax credits, and reduced the percentage of elderly in poverty from 15.8 percent to 15.1 percent

43 Gould, E. and Shierholz, H. “A lost decade: Poverty and income trends paint a bleak picture for working families,” Economic Policy Institute. September 16, 2010. Retrieved from <http://www.epi.org/publications>.

44 Romer, Christina and Jared Bernstein. “The Job Impact of the American Recovery and Reinvestment Plan.” January 9, 2009.

45 Short, Kathleen. “The Research Supplemental Poverty Measure: 2011,” U.S. Census Bureau. November 2012. Online at <http://www.census.gov/prod/2013pubs/p60-247.pdf>, accessible via <http://www.census.gov/hhes/povmeas/data/supplemental/index.html>.

THE IMPACT OF THE FALLING FEDERAL MINIMUM WAGE ON WORKERS AND THE STATE'S ECONOMY

The presence of persistently low wages at the bottom of the US and Maryland economies represent a significant obstacle to addressing three challenges:

- reducing poverty
- boosting the stagnant working- and middle-class standard of living
- restoring historically normal rates of economic growth

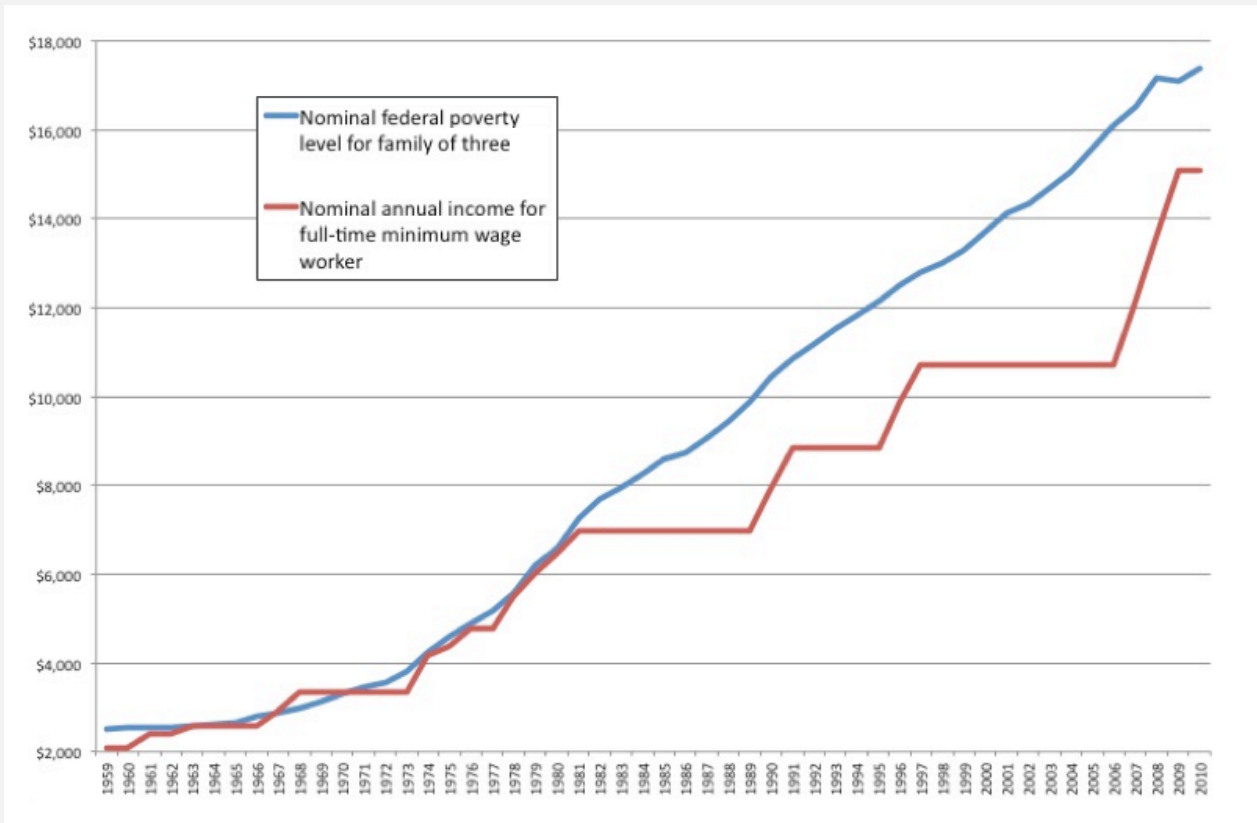
At the root of America's relatively high rate of poverty compared to other wealthy nations is our failure to establish through law a minimum level of wages and benefits sufficient to lift workers out of poverty even at the lowest levels of the economy.

In Maryland, the value of the state minimum wage peaked in 1976 at a value of \$9.42 in 2013 dollars.⁴⁶ Over the years, the value of the minimum wage rises and falls as it loses value to inflation before being raised sporadically by state policy makers.

The minimum wage plummeted in value after 1979, but the federally defined poverty threshold continued its inexorable rise with inflation. The following chart illustrates how the federal minimum wage kept up with the poverty line through the 1960s and 70s, even allowing a family of three with one full-time minimum wage worker to work its way out of poverty for a brief period in the late 1960s. But since the early 1980s, as the value of the federal minimum wage has fallen, the gap between the minimum wage and the federal poverty line has become significant.

46 United States Department of Labor, "Changes in Basic Minimum Wages in Non-Farm Employment Under State Law: Selected Years 1968 To 2013," December 2013, <http://www.dol.gov/whd/state/stateMinWageHis.htm>.

Federal Minimum Wage Compared to Federal Poverty Threshold, 1959-2010^{47, 48}



Note: The figures in this chart below are not adjusted for inflation.

Source: United States Department of Labor

Twenty-three states have recognized the inadequacy of the federal minimum wage by enacting higher state minimum wages, most recently California, which has passed a law to raise its state minimum wage to \$10.

47 United States Census Bureau, Poverty Thresholds, <http://www.census.gov/hhes/www/poverty/data/threshld/>.

48 United States Department of Labor, History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938–2009, <http://www.dol.gov/whd/minwage/chart.htm>.

Housing Affordability

Housing affordability remains a challenge for Maryland. Marylanders, particularly those with low incomes, spend a disproportionate share of their income on housing. This is true of both renters and home owners that make monthly mortgage payments. According to the U.S. Census, more than half of Maryland residents pay above 30 percent of their household income on living expenses, the level considered affordable by the U.S. Department of Housing and Urban Development.⁴⁹ Further, foreclosures reemerged as a major problem for Maryland homeowners in 2013.

RENTAL COSTS CONTINUE TO INCREASE

According to the Census, costs for Marylanders who rent continued to increase, from a median of \$1,073 per household between 2007 and 2009 to \$1,177 between 2010 and 2012.⁵⁰

As a result of increasing costs and stagnant wages, Maryland residents are paying a higher proportion of their income on rent. Though the increase was slight, with Marylanders paying 31 percent of their income for rent between 2010 and 2012 compared with 30.1 percent between 2007 and 2009, any increase is noteworthy when the initial proportion is relatively high to begin with.⁵¹ Worse still, these are median figures. Almost a quarter of Maryland renters spent over half of their income on rent between 2010 and 2012.⁵²



While only 41.3 percent of St. Mary's County renters fall into this category, 64.3 percent of Somerset County renters pay more than 30 percent of their income towards rent.

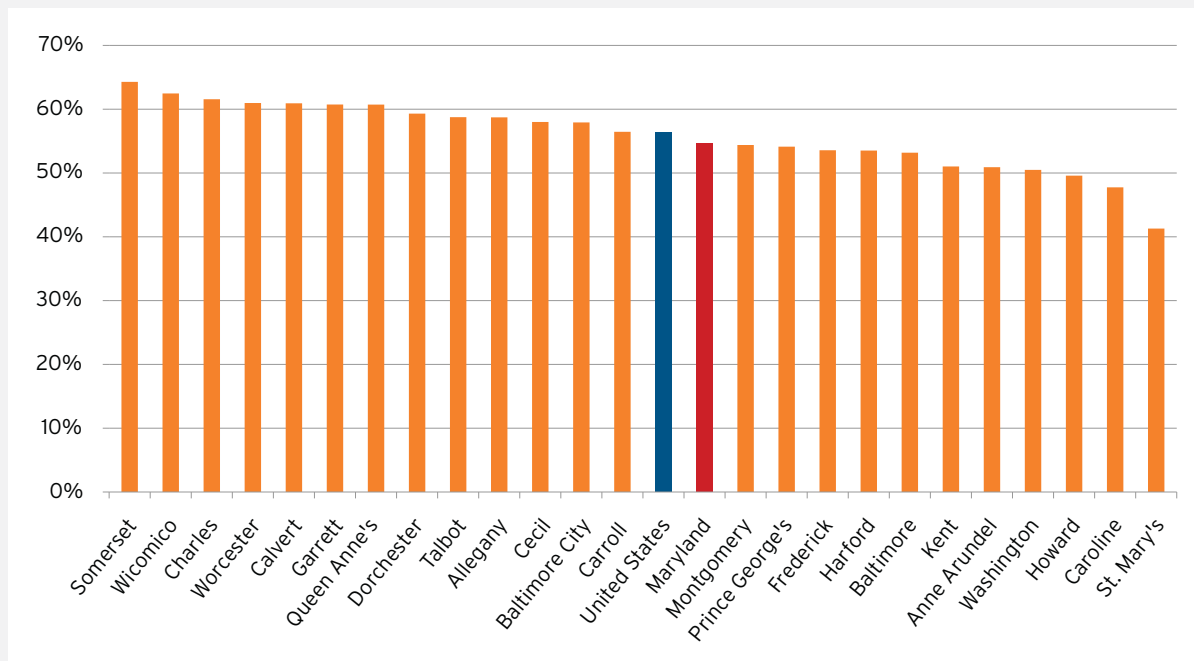
49 Schwartz, Mary and Wilson, Ellen. "Who Can Afford to Live in a Home? A look at data from the 2006 American Community Survey," U.S. Census Bureau.

50 United States Census Bureau, American Community Survey, 2010–2012, Table B25064

51 United States Census Bureau, American Community Survey, 2007–2009; 2010–2012, Table B25071

52 United States Census Bureau, American Community Survey 2010–2012, Table B25070

Percent of Households Paying More Than 30% on Rent, 2010-2012



Source: United States Census Bureau

HIGH COSTS AND FORECLOSURE FEARS FOR HOMEOWNERS

Maryland homeowners also face high monthly costs. Those with a mortgage pay almost a quarter of their income on housing costs per month.⁵³

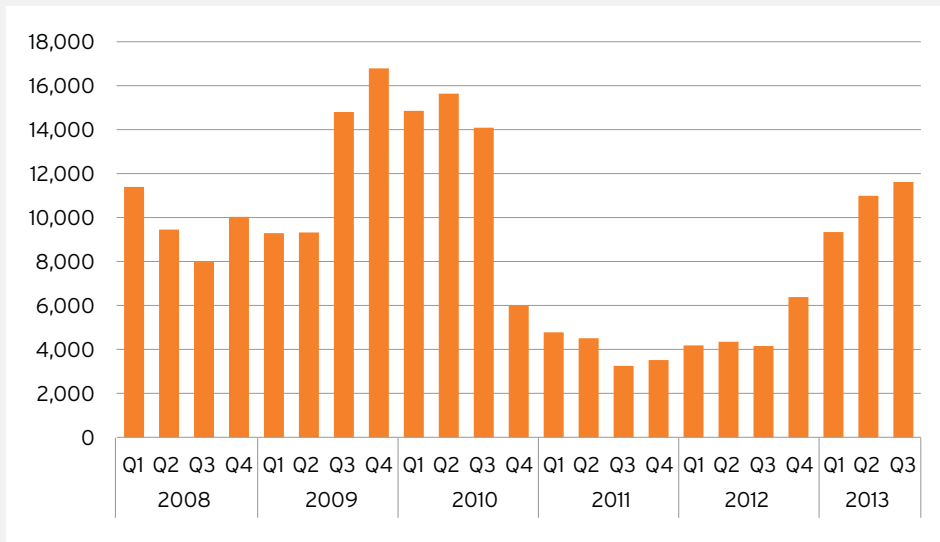
In addition, Maryland homeowners have found it increasingly difficult to stay in their homes as the effects of the Great Recession and the burst of the housing bubble persist.

While foreclosure rates slowed for a time following their peak in 2009/2010, data from the Maryland Department of Housing and Community Development show that foreclosure rates are increasing.⁵⁴

⁵³ United States Census Bureau, American Community Survey 2010–2012, Table B25092.

⁵⁴ Maryland Department of Housing and Community Development, “Property Foreclosures in Maryland, Third Quart 2013,” October 2013.

Total Foreclosure Activity in Maryland, 2008-2013



Source: Maryland Department of Housing and Community Development

Foreclosures increased a staggering 280 percent from the third quarter of 2012 to the third quarter of 2013. There is reason to believe that the recent increase in foreclosures is the delayed impact of the housing market collapse that triggered the Great Recession. Maryland requires that foreclosed homes be processed through the judicial system, and therefore the process is slower than in other states. In addition, investigations into the practices of mortgage lending banks also caused a temporary lull in foreclosures in Maryland. This is troubling, as the increase in foreclosed homes impacts surrounding property values, which not only hampers the recovery of Maryland’s housing sector but growth in other sectors as well.

CHILDCARE

High quality, affordable, and accessible childcare is critical for working parents. Accessible childcare fits into working parents schedules, allowing them to find and maintain employment. Affordable childcare incentivizes entering the workforce and helps families secure their financial future, including saving for college. Quality childcare prepares children for school, and helps them to succeed academically and socially. Unfortunately, working parents often have to prioritize between affordable, accessible, and quality when choosing childcare providers.

CHILDCARE CENTER COST FOR INFANTS EXCEEDS COLLEGE TUITION

The annual cost of childcare in Maryland can exceed the cost of sending a child to college. For an infant, childcare center costs averaged \$12,950 in 2013, far exceeding the \$10,068

2013–2014 in-state undergraduate tuition and fees at University of Maryland’s most expensive campus, University of Maryland-Baltimore County.^{55, 56}

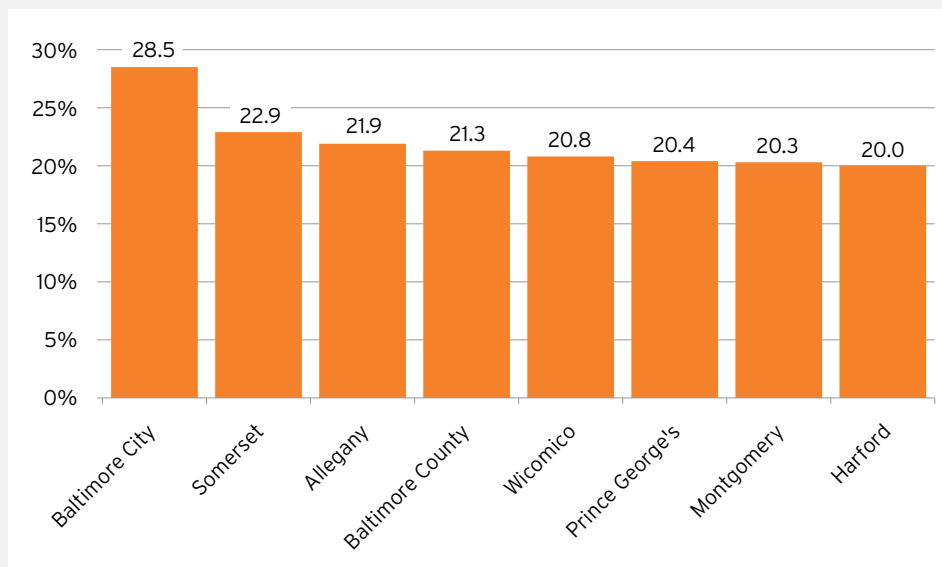
MARYLAND FAMILIES SPEND MORE THAN THEY CAN AFFORD ON CHILDCARE

After housing, childcare at all ages is often the most significant expense facing Maryland families. The lack of affordable, quality childcare can be a major barrier to the ability of working families to increase their incomes, achieve independence, and improve their financial security and quality of life. The Maryland Family Network’s Child Care Demographics 2013 report estimated that 79 percent of the state’s children under 12 years old had mothers in the workforce, and the cost of childcare for one infant and one preschooler in most parts of the state exceeded \$1,000 a month. In all Maryland counties except Garrett, childcare was ranked as the second or third largest component of family spending.⁵⁷

The U.S. Department of Health and Human Services recommends that parents should not spend more than 10 percent of their income on childcare. Yet statewide, Marylanders spent between 20 and 36 percent. This places a heavy financial burden on low- and middle-income parents who must have childcare in order to attend work and school, and this cost is cited as the leading reason that parents in Maryland cannot find childcare.³⁸

The annual cost of childcare in Maryland can exceed the cost of sending a child to college

Family Income Spent on Childcare 2012



Source: Maryland Child Care Resource Network

55 Child Care Aware of America and Maryland, 2012 Child Care in the State Of Maryland, June 2012 http://www.naccra.org/sites/default/files/default_site_pages/2012/maryland_060612-3.pdf.

56 University of Maryland Baltimore County, http://www.umbc.edu/sbs/tuition_fall_2013.html.

57 Maryland Family network, Child Care Demographics 2013, <http://mdchildcare.org/mdcfc/pdfs/demographics.pdf>.

The range of reported annual childcare expenses in the state was vast, from a low of \$9,832 in Garrett County to a high of \$25,234 in Montgomery County. Of course, there is also a wide disparity in family incomes when measured by county — median household income was \$94,365 in Montgomery, compared with \$41,515 in Garrett County. As a result, the percentage of family income devoted to childcare was not as variable from county to county; it varied from 16.6 percent in Calvert County to 28.5 percent in Baltimore City.⁵⁸

58 United States Census Bureau, Small Area Income and Poverty Estimates, December 2013 from http://www.mdp.state.md.us/msdc/HH_Income/Household_Median_Income_SAIPE_Data_2012.xls accessible via http://www.mdp.state.md.us/msdc/hhinc_median&mean.shtml, also http://www.census.gov/did/www/saipe/data/highlights/files/releasesummary_state2012.xls via <http://www.census.gov/did/www/saipe/data/highlights/2012.html>.

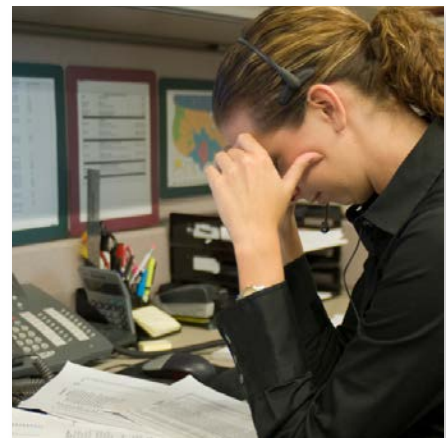
College Affordability and Debt

Education has always been a key component of economic security in America, and today, a college degree is often a necessity for young workers to compete for jobs with good incomes and benefits. Maryland is a national leader in producing an educated workforce, but college is becoming less affordable and students' debt obligations have grown.

The dilemma facing Maryland students is part of a paradox operating in the modern American economy. It is estimated that by 2020, 67 percent of jobs in Maryland will require a career certificate or a college degree, but only 45 percent of adults in the state current possess these requirements.⁵⁹ The state must bridge this skills gap to keep a productive, qualified workforce.

A study by the Southern Regional Education Board (SREB) confirms that the fastest-growing and highest paying jobs will require higher education.⁶⁰ In an effort to qualify for these opportunities, more Marylanders have pursued college degrees. The U.S. Census American Community Survey, for example, reports that 37 percent of Maryland adults ages 25 and older in 2012 had a bachelor's degree or higher, up from 31.4 percent in 2000.^{61, 62} Unfortunately, the real cost of higher education in Maryland and throughout the country keeps rising as real wages decline, which pushes attainment of a college degree out of reach for middle- and lower-income Americans.

The lack of affordable higher education continues to loom large. Maryland's median in-state tuition and fees for full-time undergraduates at four-year colleges was \$7,332 for the 2011–2012 school year, representing 10.6 percent of the median household income.⁶³ Median cost of room and board for in-state four year institutions was an additional \$8,499, putting combined base cost of attendance (not taking into account the cost



59 Complete College America. Maryland State Profile, 2011.

60 Diez, Alicia A. and Marks, Joseph L. Fact Book on Higher Education 2009. Southern Regional Education Board. June 2009.

61 United States Census Bureau. 2012 American Community Survey, 1-Year Estimates.

62 United States. 2000 Census Results.

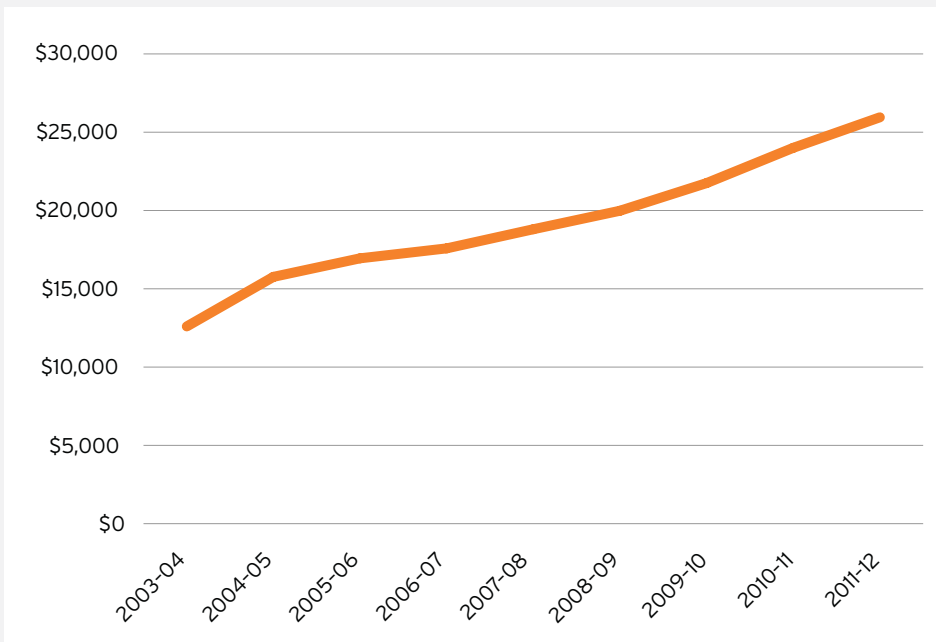
63 Southern Regional Education Board. Percent of Median Family Incomes Required to Pay Median Annual Tuitions and Fees. June 2013. Retrieved from http://www.sreb.org/page/1357/data_library_higher_ed_tuition_fees.html.

of books, health care, transportation, or other living expenses) near 23 percent of the median household income.⁶⁴

Maryland's neediest students qualify for aid under the Pell Grant program—the federal government's largest source of grant money for low-income undergraduates—but this support alone falls short of enabling low-income students to pay for their higher education. In the 2011–2012 school year, the average Pell award per recipient was \$3,500, which would cover less than half of the median public university tuition cost, or about one fifth the combined cost of tuition and room board.⁶⁵ Accordingly, this leaves low-income students to take out loans to make up for much of this difference.

Unmanageable student debt has become a crisis for the generation of recent college graduates. Maryland students' debt rose more than 10 percent from 2010 to 2011.⁶⁶ Carrying large debt early in their careers means that college graduates cannot easily build up the assets they will need to be financially secure, and home ownership becomes less of a reasonable economic possibility. This especially disadvantages minority group members and students who are the first college graduates in their families. In the long run, it also hurts the economy by suppressing consumer activity, mobility, and investment. These problems are further compounded by the growing amount of debt owed by graduates each year.

Average Student Debt of Graduates in Maryland



Source: The Institute for College Access and Success⁶⁷

⁶⁴ Ibid.

⁶⁵ Southern Regional Education Board. Fact Book 2013. College Affordability. Retrieved from http://www.sreb.org/page/1357/data_library_higher_ed_tuition_fees.html.

⁶⁶ Southern Regional Education Board. State Data Exchange: 2010–2011 Indicators Report. January 2011.

⁶⁷ The Institute for College Access and Success, <http://college-insight.org>.

The nationwide average debt for college seniors graduating in 2011 was \$9,400, up 5 percent from the previous year. About 55 percent of Maryland's 2012 graduates had student loan debt, according to the Institute for College Access and Success.⁶⁸ Nationally, 71 percent of all U.S. students graduating from four-year colleges in 2012 had incurred debt, increasing on average about 6 percent per year since 2008. Perhaps most troubling, 96 percent of students from private, for-profit institutions had student debt in 2008, up from 85 percent in 2004.⁶⁹

For Maryland students, their average debt of \$26,000 is below the national average, and Maryland ranks right in the middle of all states in terms of student debt load. Over half of Maryland student loans come from the federal government. Nonetheless, both the proportion of students in Maryland with college debt and the amount of debt that these students must repay are increasing as in states across the country at faster than wages.

The effects of high levels of student debt are compounded by the economic conditions that college students face upon graduation. A national analysis from the Bureau of Labor Statistics found that, as a percentage of population, the number of working people ages 16 to 24 has declined in the past decade. Unemployment among young college graduates was 7.7 percent in 2012, only slightly down from 8.8 percent in 2011, though 18.3 percent were either unemployed, working fewer hours than they wanted, or had given up looking for a job.⁷⁰ Underemployment is also becoming a significant problem for American workers. According to the Bureau of Labor Statistics, about 48 percent of employed college graduates hold jobs that require less than a four-year college degree.⁷¹ For these workers, their investments in higher education are not paying off well for themselves or for society.

Another major issue for Maryland and the nation as a whole is the degree to which students are enrolling in college but not completing their degree. These students often incur debt and have little improvement to their employability to show for it. A study by Complete College America reported that only 40 percent of students who enroll in public four-year colleges in Maryland graduate on time, and only 65.8 percent graduate within 6 years. The issue is worse for two-year public institutions, where only about 6 percent graduate on time.⁷² Timely graduate rates are especially low for students who are low-income, part time, non-White, or over age 25.⁷³

68 The Project on Student Debt. Student Debt and the Class of 2012, December 2013, <http://projectonstudentdebt.org/files/pub/classof2012.pdf>.

69 Ibid.

70 Ibid.

71 Vedder, Richard, Christopher Denhart, and Jonathon Robe. Center for College Affordability and Productivity. Why are Recent College Graduates Underemployed? January 2013.

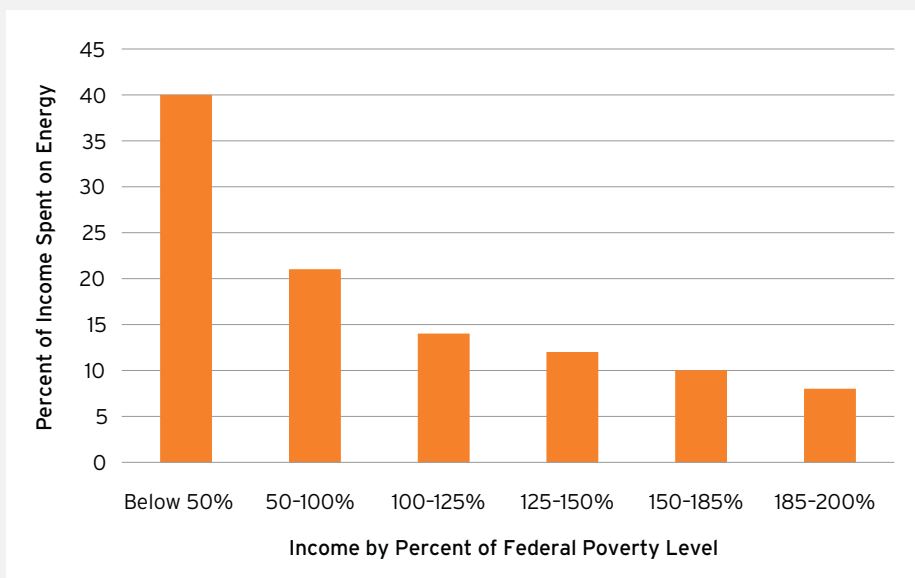
72 Complete College America. Time Is The Enemy Profiles. 2011. Retrieved from http://www.completecollege.org/docs/Time_Is_the_Enemy_Profiles.pdf.

73 Complete College America. Time Is The Enemy Profiles. 2011. Retrieved from http://www.completecollege.org/docs/Time_Is_the_Enemy_Profiles.pdf.

Energy Costs

The high cost of energy continues to be a major burden for Marylanders living below 200 percent FPL (energy costs are considered affordable when they do not exceed 6 percent of household income).⁷⁴ The size of the burden varies by income—from those with incomes below the 50 percent FPL paying 40 percent of their income for their energy consumption, to those between 185 percent and 199 percent paying 8 percent. This contrasts sharply with those above 200 percent who can expect to pay from 6 percent down to below 1 percent. Energy analysts expect the number of Maryland households living below 200 percent of the FPL to increase by more than 14,000 (almost 10 percent) putting further demand on already strained resources.

Home Energy Burden by Income Level

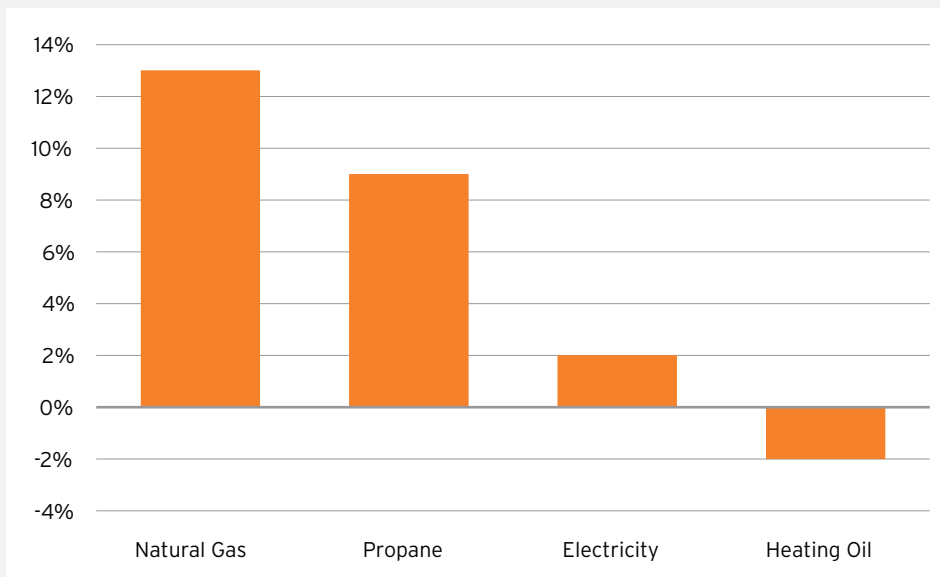


Source: Fischer, Sheehan, and Colton

⁷⁴ According to a report by Fisher, Sheehan & Colton published in May, 2013 in *Public Finance and General Economics*.

Many of these same households are also about to be hit with three simultaneous energy cost increases in 2014. First, sequester cuts to the federal budget are expected to result in a 4 to 8 percent cut in the federal Low Income Home Energy Assistance Program (LIHEAP) funding for heating sources. Second, state funds for electric assistance known as the Universal Electric Service Program (EUSP) will also likely decline because of an expected decrease in Regional Greenhouse Gas Initiative (RGGI) funding. The combined dollar amount for these sources may drop from about \$85 million last winter to around \$65 million this winter. Finally, the U.S. Energy Initiative Short-Term Energy and Winter Fuels Outlook published October 8, 2013 projects a 13 percent increase in natural gas prices; a 9 percent increase for propane; and a 2 percent rise for electric costs related to heating. Only heating oil costs are projected to decrease, by about 2 percent.⁷⁵

Expected Change in Energy Cost by Source



Source: United States Energy Information Administration

75 United States Energy Information Administration, "Projected Winter Fuel Expenditures by Fuel and Region," Short Term Energy Outlook, January 7, 2014, <http://www.eia.gov/forecasts/steo/report/winterfuels.cfm>.

Health

STILL TOO MANY LACK ADEQUATE COVERAGE

Access to quality, affordable health insurance remains critical for the wellbeing of all Marylanders. Uninsured Americans receive about half as much health care as those with coverage, even after controlling for age, income, health status, and the availability of free care.⁷⁶ As a result, those without health insurance are far less likely to have a regular health care provider and are significantly less likely to get preventative care testing and cancer screenings, which results in higher morbidity rates among the uninsured population and increased costs to society as a whole when those lacking coverage do seek medical attention.⁷⁷ Uninsured residents are also less likely to seek the follow-up care recommended by their doctors when they have been treated for a medical condition, and this can substantially decrease the effectiveness of the health care they receive.⁷⁸

Although Maryland has higher household incomes relative to the national average and benefits from a close proximity to the nation's capital, the rate of uninsured residents within the state is not notably better than the national average. Between 2010 and 2012, 10.3 percent of Maryland residents — roughly 612,000 individuals — were without health insurance.⁷⁹

Maryland has a lower percent of residents that lack insurance than the nation as a whole, and the percent of residents that lack insurance has decreased in recent years. Nonetheless, hundreds of thousands of Marylanders lacked access to care in 2013.



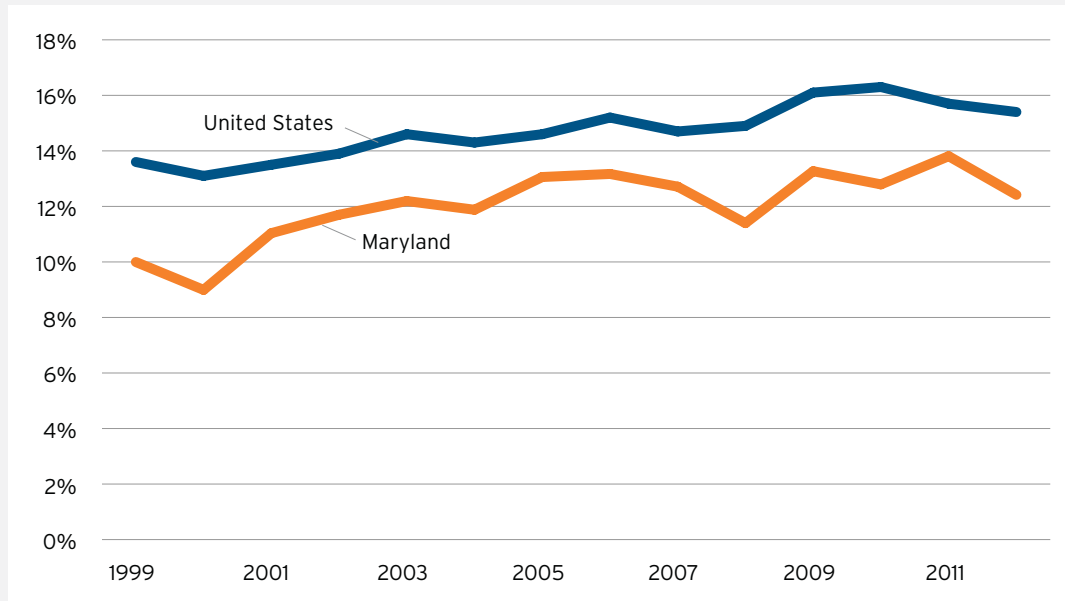
76 Bovbjerg, Randall R., and Jack Hadley. *Why Health Insurance Is Important*. Urban Institute. Health Policy Briefs. November 2007.

77 Commonwealth Fund. *Insuring the Future: Current Trends in Health Coverage and the Effects of Implementing the Affordable Care Act*. April 2013.

78 Bovbjerg, Randall, and Hadley, 2007.

79 U.S. Census Bureau. 2010–2012 American Community Survey, 3-Year Estimates.

Percent of Residents that Lack Health Insurance, 1999-2012



Source: US Census Bureau

Uninsured Marylanders disproportionately lack a high school education, were not born in the United States, and work part time. The impact of the insurance gap extends far beyond the uninsured individuals — there is an increased financial and medical burden on families, health care providers, and the state.

RISING COSTS

Even workers who do have insurance are being hurt economically. Premiums for those still receiving family insurance coverage grew 4 percent between 2012 and 2013, according to a report from the Kaiser Family Foundation.⁸⁰ Such increases have forced employers to re-evaluate their offerings to employees and institute cost-containment measures, such as opting for plans with higher deductibles and co-payments, both of which shift more of the plan costs to the employee.

Incomes are not keeping pace with the increased premiums. Between 2000 and 2007, health care premiums rose three times faster than earnings in Maryland.⁸¹ Families' health

80 The Kaiser Foundation, Health Research and Education Trust. Employer 2013 Employer Benefits Survey. August 20, 2013.

81 Families USA, "Health Care Premiums Rose Three Times Faster than Earnings in Maryland from 2000 to 2007," October 23, 2008.

insurance premiums as a percentage of median household income increased 66 percent between 2003 and 2011.⁸²

THE COSTS OF LACKING ADEQUATE COVERAGE

The societal costs of the uninsured are certainly serious, but the consequences for those individuals who remain uninsured or lack adequate insurance can be catastrophic. An average of eight Marylanders ages 25 to 64 die each week due to a lack of health coverage.⁸³ Surveys indicate that uninsured families experience difficulty paying medical bills at double or triple the rate of insured families.⁸⁴ When families are forced to take on serious medical debt, they are at greater risk for dire financial consequences such as foreclosure, credit trouble, and bankruptcy.

In addition, prohibitive costs and declining employer coverage have resulted in an increase in the number of people who delay getting health care or who forego it. Roughly six in 10 Americans reported delaying medical care in the past year due to cost. This places a further strain on the health care system when these individuals do finally seek help, as they are generally sicker and require more extensive and expensive care.⁸⁵

An average of eight Marylanders ages 25 to 64 die each week due to a lack of health coverage

WORKER COVERAGE

Estimates suggest that at least 9 million American adults lost a job with health benefits during the Recession.⁸⁶ According to a recent study by the Economic Policy Institute, workers age 18 to 64 were 30 percent more likely to be uninsured in 2012 than in 2011. While Maryland fares better than the rest of the country in this regard, the Economic Policy Institute nonetheless finds that fewer Maryland residents are receiving health insurance from their employers. Between 2000/2001 and 2011/2012, employer-sponsored insurance coverage decreased by 11.2 percentage points in Maryland.⁸⁷ However, recent policy changes have caused this decline to level off as well as access to public insurance programs increased.

82 The Commonwealth Fund. *State Trends in Premiums and Deductibles, 2003–2011: Eroding Protection and Rising Costs Underscore Need for Action*. December 2012.

83 Families USA. *Dying for Coverage: The Deadly Consequences of Being Uninsured*. June 2012.

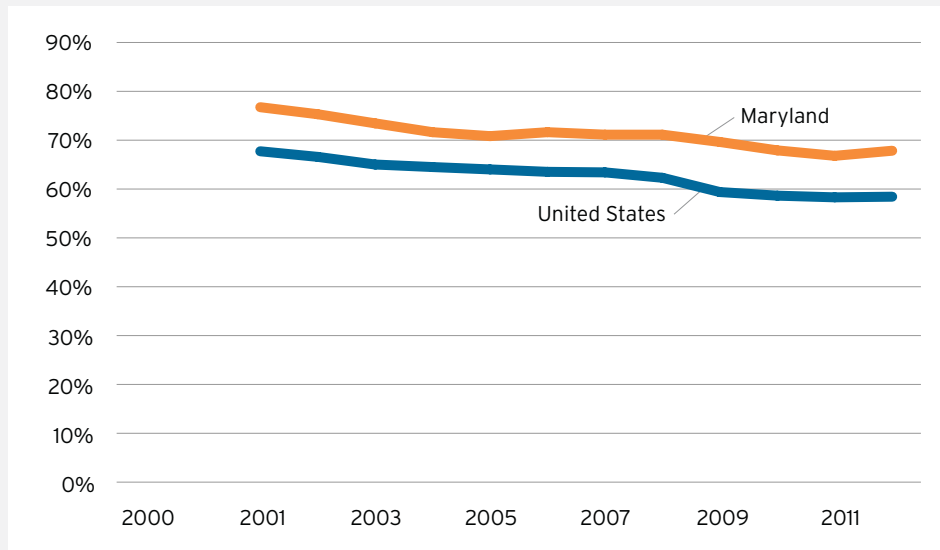
84 Bovbjerg, Randall, and Hadley, 2007.

85 Families USA. *Worry Less Spend Less: Out-of-pocket spending caps protect families in Maryland*. February 2011.

86 The Commonwealth Fund. *State Trends in Premiums and Deductibles, 2003–2011: Eroding Protection and Rising Costs Underscore Need for Action*. December 2012.

87 Gould, Elise. "Employer-Sponsored Health Insurance Coverage Ends its Steady Decline, But is Still Failing American Families," Economic Policy Institute, October 30, 2013.

Percent Under Age 65 with Employer-Sponsored Health Insurance



Source: Economic Policy Institute

COVERAGE OF MARYLAND CHILDREN

Over 51,000 Marylanders under age 18 were uninsured in 2012.⁸⁸ The percentage of Maryland children who are covered by employer-supplied health insurance has also decreased 15 percentage points (by almost 250,000 children) since 2000. Public insurance, enacted by Maryland's Medicaid expansion program and as part of the American Reinvestment and Recovery Act, has helped to fill in some of the gaps created by the sharp drops in job-based coverage, especially for children.⁸⁹

THE AFFORDABLE CARE ACT

Since its passage in 2010, the federal health reform law known as the Affordable Care Act (ACA) has been helping working families by making private insurance coverage more accessible and comprehensive as well as expanding access to public insurance.

The various elements of the ACA have been implemented in phases. Maryland is one of 16 states and the District of Columbia that have taken the lead in implementing a key part of the ACA and created a state-based health insurance exchange, the Maryland Health Connection, through which residents can shop for and compare health insurance plans, as well as receive federal subsidies to purchase these plans or sign up for public coverage through Medicaid if they are eligible. Premium tax credits will be available at varying

⁸⁸ U.S. Census Bureau. 2012 American Community Survey, 1-Year Estimates.

⁸⁹ Gould, 2012.

levels for families with incomes between 100 and 400 percent of the federal poverty level (between \$23,550 and \$94,200 for a family of four).

While the Maryland Health Connection has faced setbacks in its goal of signing up 150,000 uninsured residents in private health insurance plans due to technical difficulties, by the end of 2013 enrollment was 18,257.⁹⁰ Based on the experience of other states, the number of residents that sign up for coverage is expected to increase precipitously towards the end of the open enrollment period, which extends through March 2014.⁹¹

In addition, many other aspects of the ACA are helping to provide access to more complete insurance coverage and protect Maryland residents from unexpected and catastrophic health costs. The burden of health costs remains high even for the insured. Out-of-pocket expenses — co-pays, deductibles, and other expenses — take a large share of family income. According to Families USA, a non-partisan organization focused on health care consumers, 200,000 non-elderly insured Maryland residents were in families that spent more than one-fourth of their pre-tax income on health care in 2009.⁹² Beginning in 2014, the health reform law will help control those costs by putting a cap on out-of-pocket health care spending for insured Americans, providing relief to hundreds of thousands of lower- and middle-income Maryland residents. A recent study commissioned by Families USA estimated that in 2011 more than 221,000 non-elderly Marylanders resided in families that spent more than the out-of-pocket caps will allow. This spending was projected to exceed the caps by more than \$393 million.⁹³

The ACA currently outlaws lifetime coverage limits and will ban annual coverage caps starting in 2014. Over 1,400 Marylanders who could not previously qualify for insurance coverage due to pre-existing conditions became insured through the Pre-Existing Condition Insurance Plan due to health care reform.⁹⁴ In addition, children under age 26 can remain on their parents' family insurance plan. Because of this, 46,000 Marylanders have gained coverage under this rule.⁹⁵

The Affordable Care Act also benefits consumers by increasing the degree of mandated minimum coverage of health plans. Since September of 2010, the Affordable Care Act has required insurance companies to fully cover a wide range of preventative health services (including services such as cancer screenings, physicals, cholesterol tests, depression screenings, testing for sexually transmitted infections, and flu shots) without cost-sharing.

90 Report from the Maryland Health Benefit Exchange about Maryland Health Connection, the state-based health insurance marketplace, as of January 3, 2014, http://dev.marylandhealthconnection.com/assets/MHC_UPDATE_01032014.pdf.

91 When Massachusetts implemented a state health insurance exchange in 2006, many residents waited until the last month to enroll. See for example: Dorning, Mike, "Obamacare Resue-Rollout Model seen in Romney's Massachusetts," Bloomberg, November 18, 2013.

92 Families USA. Worry Less Spend Less: Out-of-pocket spending caps protect families in Maryland. February 2011.

93 Families USA, 2011.

94 U.S. Department of Health and Human Services. State by State: How the Health Care Law is Making a Difference for the People of Maryland. <http://www.hhs.gov/healthcare/facts/bystate/md.html>.

95 Ibid.

As of March 2013, this has improved the health care of over one million Maryland women who now have guaranteed free access to additional women's health preventative services.⁹⁶

The health reform law also protects consumers by requiring insurance companies to spend at least 80 percent of premium dollars on health care rather than on overhead or advertising. If companies fail to meet this mark, they must either reduce premiums or issue rebates to consumers. So far, Marylanders have received \$27,882,606 in rebates—which averages \$340 per insured family.⁹⁷

Maryland has also been a leader in expanding public insurance programs under the Affordable Care Act. Beginning in 2014, Maryland will expand Medicaid will expand Medicaid eligibility to all individuals at or below 138 percent of the federal poverty level (\$32,499 for a family of four) to help those with the lowest incomes afford medical coverage. According to the Center on Budget and Policy Priorities, 167,000 uninsured adults in Maryland will be eligible for Medicaid under the ACA expansion.⁹⁸

Maryland's history with expanding Medicaid suggests that doing so helps decrease the percent of residents that lack health insurance. In 2007, Maryland state lawmakers passed the Working Families and Small Business Health Coverage Act, which expanded Medicaid coverage for parents from 46 percent of the federal poverty level to 116 percent of the federal poverty level.⁹⁹ Childless adults with incomes up to 116 percent of the federal poverty level also received coverage through the Primary Adult Care program. As a result of this legislation, the rate of uninsured residents declined as more parents and childless adults gained coverage through these public health coverage programs enacted in 2007.



Further, Maryland will actually save money from expanding Medicaid, as the Federal government is covering most of the costs of expansion. Between 2014 and 2017, the federal government will pay 100 percent of the costs of expansion, after which the federal match will reduce slightly but not decreasing below 90 percent. The federal match rate for current Medicaid programs in Maryland is 50 percent. Residents that currently receive coverage through some programs that are financed by both the state and federal government will be eligible for an expanded Medicaid program financed by a higher proportion of federal dollars. For example, 70,000 childless adults currently receiving coverage through the Primary Adult Care will now be eligible for more comprehensive benefits under Medicaid

96 Ibid.

97 Ibid.

98 Center on Budget and Policy Priorities, "How Would the Medicaid Expansion Affect Maryland?" <http://www.cbpp.org/files/healthtoolkit2012/Maryland.pdf>.

99 The Commonwealth Fund, "Maryland: Increasing Adult Eligibility While Cutting the Budget," *States in Action*, August/September 2009, <http://www.commonwealthfund.org/Newsletters/States-in-Action/2009/August/August-September-2009/Snapshots/Maryland-Increasing-Adult-Eligibility-While-Cutting-the-Budget.aspx>.

while saving the state \$750 million between 2015 and 2020.¹⁰⁰ The Urban Institute estimates that expanding Medicaid will save Maryland \$1.8 billion between 2014 and 2022.¹⁰¹

Thus far, just short of 18, 257 Maryland residents have signed up for Medicaid through the Maryland Health Connection, while an additional 91,570 have been automatically enrolled through the Primary Adult Care Program. When Medicaid and private coverage obtained through the Maryland Health Connection are combined, nearly 152,000 will receive health coverage through Maryland's implementation of the Affordable Care Act.¹⁰²

Overall, the Hilltop Institute projects that the share of uninsured Marylanders will fall to 6.3 percent by 2020 as a result of the Affordable Care Act, cutting the uninsured rate by more than half.¹⁰³ The average household in Maryland will receive a total benefit of \$1,090 in 2019 due to the ACA, with households earning under \$30,000 receiving the greatest benefit (\$3,189).¹⁰⁴

HEALTH OUTCOMES AND HEALTH FACTORS

Data compiled by the United Health Foundation shows that health outcomes for Maryland have shown progress in some areas and decline in others in recent decades. Over the past decade, the state's rate of cardiovascular deaths declined drastically, from 334.4 to 278.5 deaths per 100,000 population.¹⁰⁵ During that same period, the state's rate of preventable hospitalizations declined from 78.3 to 62.7 discharges per 1,000 Medicare enrollees.¹⁰⁶ Smoking rates also show an overall declining trend over the past two decades.¹⁰⁷ This can be attributed in part to an increase in taxes on cigarettes. Maryland enacted a one dollar per pack increase in the state cigarette tax as part of the financing mechanism for the 2007 Medicaid expansion. This reduced the number of packs of cigarettes sold in Maryland by 74 million while raising \$144 million per year.¹⁰⁸

100 Milligan, Charles. "Expanding Medicaid: The Smart Decision for Maryland," *Health Affairs*, August 29, 2012, <http://healthaffairs.org/blog/2012/08/29/expanding-medicaid-the-smart-decision-for-maryland/>.

101 John Holahan, et. al., *The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State-by State Results*, Urban Institute and Kaiser Family Foundation, November 2012. Among those uninsured newly eligible for Medicaid, participation is assumed to be 74 percent.

102 Report from the Maryland Health Benefit Exchange about Maryland Health Connection, the state-based health insurance marketplace, as of January 3, 2014, http://dev.marylandhealthconnection.com/assets/MHC_UPDATE_01032014.pdf.

103 Fakhraei, S. H. (2012). "Maryland health care reform simulation model: Detailed analysis and methodology." Baltimore, MD: The Hilltop Institute, UMBC.

104 Families USA. *The Bottom Line: How the Affordable Care Act Helps Maryland Families*. Oct. 2011.

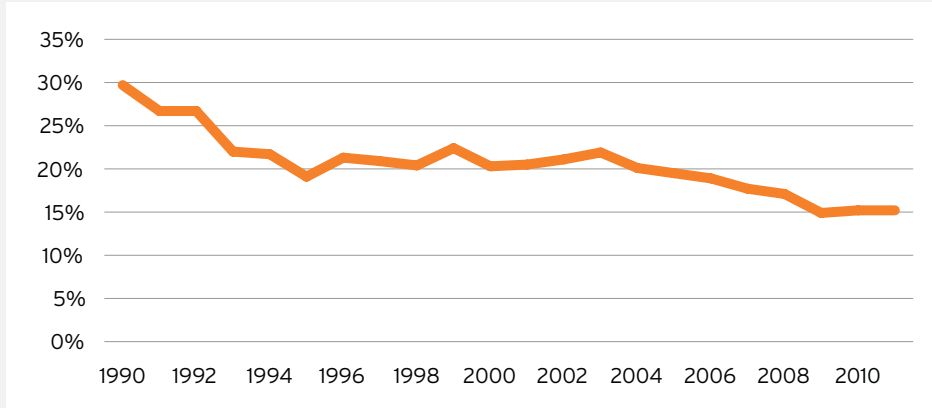
105 United Health Care Foundation. *America's Health Rankings for Maryland 2012*. <http://www.americashealthrankings.org/MD/2012>.

106 Ibid.

107 Center For Disease Control and Prevention. *Behavioral Risk Factor Surveillance System Survey Data, 1991–2011*.

108 Health Care for All, "Successes," <http://healthcareforall.com/successes/>.

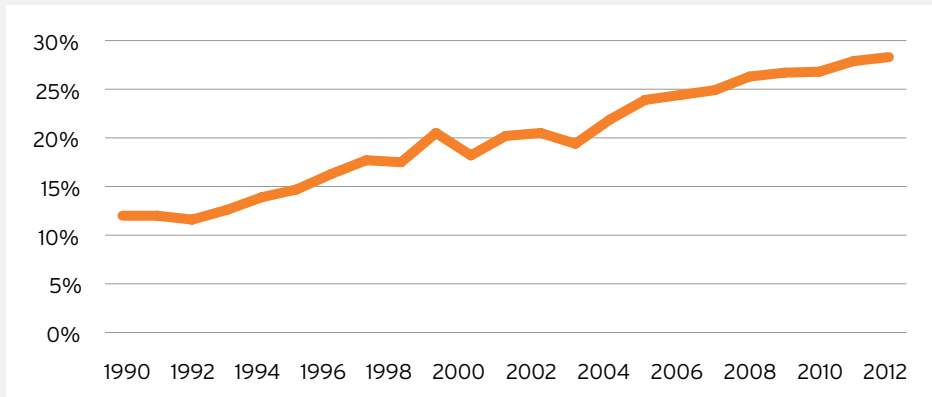
Regular Smokers as a Percent of Maryland's Adult Population



Source: The Center for Disease Control and Prevention

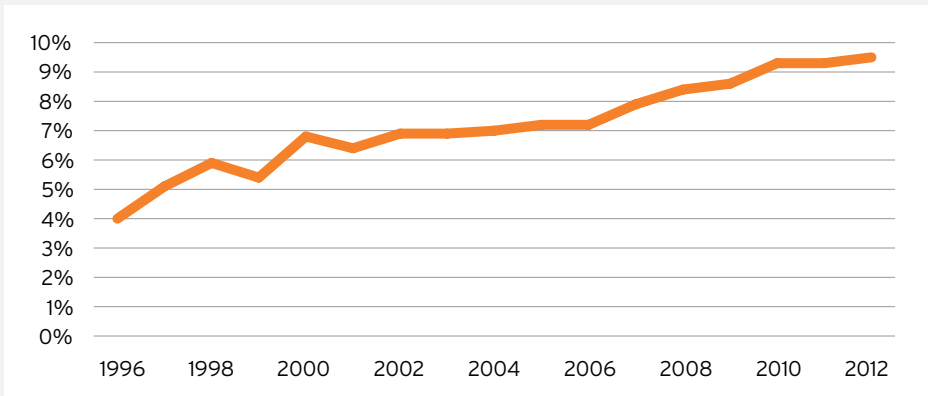
However, other measures suggest that health outcomes still have room for improvement in Maryland. In particular, the percent of obese adults has increased steadily since 1990, rising from 11.9 percent in 1990 to 28 percent in 2011. Similarly, the percent of Marylanders with diabetes has increased from 4 percent in 1996 to 9.3 percent in 2011.

Percent of Maryland's Adult Population with Obesity



Source: The Center for Disease Control and Prevention

Percent of Maryland's Adult Population With Diabetes



Source: The Center for Disease Control and Prevention

Nonetheless, Maryland ranks relatively well overall at 19 out of all states by United Health. The study cites ready availability of primary care physicians and relatively low percentage of children in poverty compared with other states and suggests that general healthiness in Maryland looks to improve over time. Despite this, challenges remain, such as high levels of air pollution, high prevalence of low birth weight and high infant mortality rate, and a high violent crime rate.¹⁰⁹

However, disparities exist within Maryland. Along racial lines, the same data published by United Health Care In Maryland shows that smoking is more prevalent among non-Hispanic blacks at 17.1 percent than Hispanics at 10.4 percent; obesity is more prevalent among non-Hispanic blacks at 36.7 percent than non-Hispanic Whites at 24.4 percent; and sedentary lifestyle is more prevalent among non-Hispanic blacks at 29.1 percent than non-Hispanic Whites at 20.7 percent.

At the county level, a joint report by the Robert Wood Johnson Foundation and the University of Wisconsin ranked all Maryland counties (and Baltimore City) according to health outcomes — morbidity and mortality — and health factors, the conditions in each county that can be closely related to improved health. The health factors ranking was based on behaviors (such as alcohol and tobacco use, safe sex practices, and exercise), clinical conditions (prevalence of doctors), socio-economic conditions (income, education, etc.), and environment (pollution levels as well as access to recreational facilities and healthy foods).

Baltimore City ranked the lowest in the majority of health outcomes and factors. Counties with poor rankings for health outcomes tended to also have poor rankings for health factors. Not surprisingly, Montgomery and Howard counties, the two wealthiest in the state, were the highest ranked in both health outcomes and health factors.¹¹⁰

¹⁰⁹ United Health Care Foundation, 2012.

¹¹⁰ Robert Wood Johnson Foundation and University of Wisconsin's Population Health Institute. County Health Rankings and Roadmaps: A Healthier Nation, County by County; Maryland, 2013.

Counties with poor rankings for health outcomes tended to also have poor rankings for health factors

Policy Recommendations

This report has outlined the multiple challenges that working families and households face in Maryland. For far too many Marylanders, figuring out how to provide for themselves or their families is a constant struggle. But there is hope. Below are a variety of policy options available to state leaders which would improve the state of working Maryland:

PREPARE WORKERS FOR THE JOBS OF TOMORROW

- Provide schools with adequate funding to ensure that high-quality education is more equitably available throughout the state.
- Keep post-secondary education affordable by holding down tuition increases, expanding need-based aid, and guaranteeing access to two years of training or education after high school.
- Implement policies that reduce the debt burden for college graduates.

MAKE WORK PAY

- Raise the minimum wage to at least \$10.10 an hour—including for tipped workers—and index it to inflation. Analysts estimate that doing so would raise pay for 455,000 Marylanders, increase economic activity by \$456 million and generate and support 1,600 new jobs.¹¹¹ The state should also support the efforts of local jurisdictions that choose to set higher standards for their communities by authorizing state regulators to enforce local minimums.
- Increase the state refundable Earned Income Tax Credit (EITC) from 25 percent to 30 percent. Increasing the EITC would also make Maryland's tax code more equitable by shifting it toward households more able to pay.
- Empower working Marylanders to organize and advocate for themselves in their workplace through policies that increase access to union membership.

111 Cooper, David, and Doug Hall. "How Raising Maryland's Minimum Wage Will Benefit Workers." Economic Policy Institute, January 2014

- Encourage job creation by reducing barriers to entrepreneurship through policies that increase access to start-up capital and affordable health insurance for very small businesses.

REDUCE BARRIERS TO SUCCESS FOR WORKING FAMILIES

- Protect and increase state investments in housing, health care, and energy costs.
- Require employers to provide—and allow workers to use—a minimum level of earned paid sick leave. More than 700,000 Maryland workers lack paid sick leave, and are forced to choose between caring for themselves or their family over their paycheck.¹¹² Providing paid sick leave would benefit Maryland workers and their families as well as avoid the negative public health effects of disease spread through restaurant or retail staff who must work while sick.
- Expand access to pre-kindergarten (preferably full-day) education. Doing so would improve the development of young children by expanding access to early learning opportunities as well as produce more broadly shared economic benefits, as the parents of young children are able to find and keep better quality jobs.

112 Institute for Women's Policy Research. "Access to Earned Sick Days in Maryland," Briefing Paper #313, February 2013.

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