



# THE PRINCE GEORGE'S COUNTY GOVERNMENT

## Office of Audits and Investigations

September 28, 2020

### FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.  
Council Administrator

William M. Hunt  
Deputy Council Administrator

THRU: Josh Hamlin *JH*  
Senior Legislative Budget and Policy Analyst

FROM: Cassandra Fields *KCF*  
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Note  
CB-028-2020, Prince George's County Re-Entry Employment Incentive Program

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**CB-028-2020** (Sponsored by: Councilmembers Franklin and Hawkins)

Referred to the Committee of the Whole (COW)

AN ACT CONCERNING PRINCE GEORGE'S COUNTY RE-ENTRY EMPLOYMENT INCENTIVE PROGRAM, for the purpose of establishing an incentive program to encourage employers to hire Prince George's County residents who are returning from incarceration.

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### Fiscal Summary

#### Direct Impact:

*Expenditures:* Potentially significant increased expenditures, dependent on approved applications and budgeted funding.

*Revenues:* None.

#### Indirect Impact:

Potentially positive, in the form of cost savings related to services typically provided to unemployed individuals.

### **Legislative Summary:**

CB-028-2020, proposed by Councilmembers Franklin and Hawkins was presented to the County Council on June 2, 2020, and referred to the Committee of the Whole. CB-028-2020 would establish an incentive program to encourage employers within the County to employ County residents returning to the community.

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### **Current Law/Background:**

Although some states, counties and local municipalities have started to reduce barriers to re-entry, across the nation, more than 48,000 legal restrictions limit, among other things, a returning member of society's ability to find sustainable employment with livable wages, whether he/she can vote and the ability to obtain affordable housing<sup>1</sup>. Research suggests the mere mark of a criminal record imposes impediments to employment, exacerbating economic disparities and contributing to recidivism<sup>2</sup>.

Evidence suggests that some policies that combine subsidies for local employment and investment with grants to local governments for services and infrastructure can increase employment and local property values<sup>3</sup>. Based in part on the belief that successful reintegration requires employment and economic opportunities in the formal workplace, there are several federal programs that seek to reduce the significant barriers individuals returning to the community face. For instance, the federal tax code has provided subsidies for employers that hire former inmates or those previously convicted of felony charges. The tax code also provides broad-based incentives intended to encourage economic opportunity and formal employment that may benefit these individuals, including the earned income tax credit (EITC) and place-based subsidies for disadvantaged neighborhoods, like "Empowerment Zones" (EZ)<sup>4</sup>. EZs are designated areas of high poverty and unemployment that benefit from tax incentives provided to businesses within the boundaries of these designated areas<sup>5</sup>. There are other federal programs that were implemented to address the same concerns. The Work Opportunity Tax Credit (WOTC) is a Federal tax credit available to employers for hiring individuals from certain targeted groups who consistently have obstacles to reintegrating into the workforce<sup>6</sup> (it should be noted that this program as written is currently authorized through December 31, 2020). "The Federal Bonding Program" is another program sponsored by the government through the Department of Labor. This program was created to help high-risk, but otherwise qualified, job seekers who have offers of employment. The Federal Bonding Program offers an insurance policy that protects employers against any possible losses incurred due to actions by high-risk employees<sup>7</sup>. However, these targeted incentives have had low rates of participation and high administrative burdens, and there are few broadly available incentives for childless adults<sup>8</sup>.

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<sup>1</sup> <https://www.usatoday.com/story/opinion/policing/reentry/column/2017/12/29/reentry-incarceration-corruption-prison-barriers-recidivism-policing-usa/979903001/>

<sup>2</sup> <https://sites.lsa.umich.edu/mgms/wp-content/uploads/sites/283/2015/09/incar.pdf>

<sup>3</sup> [https://www.brookings.edu/wp-content/uploads/2018/03/es\\_20180314\\_looneyincarceration\\_final.pdf](https://www.brookings.edu/wp-content/uploads/2018/03/es_20180314_looneyincarceration_final.pdf)

<sup>4</sup> [Id.](#)

<sup>5</sup> [https://www.hud.gov/hudprograms/empowerment\\_zones](https://www.hud.gov/hudprograms/empowerment_zones)

<sup>6</sup> <https://www.dol.gov/agencies/eta/wotc>

<sup>7</sup> <https://bonds4jobs.com/about-us>

<sup>8</sup> [https://www.brookings.edu/wp-content/uploads/2018/03/es\\_20180314\\_looneyincarceration\\_final.pdf](https://www.brookings.edu/wp-content/uploads/2018/03/es_20180314_looneyincarceration_final.pdf)

At the local level, re-entry employer incentives have been piloted and/or fully implemented in other municipalities. Baltimore, Washington, D.C., and Chicago have well-established reentry programs<sup>9</sup>. Each of these areas has seen some success as it relates to recidivism. Washington, D.C. has a re-entry program called the Mayor's Office on Returning Citizens Affairs (MORCA), which has supported and empowered justice-involved individuals since 2008<sup>10</sup>. In 2015, the office served 4,644 clients. With MORCA's help, 193 individuals were placed in jobs, and 56 trained to earn a commercial driver's license. Chicago saw a reduction in recidivism to 17.5 percent (17.5%) for participants who maintained employment for a 30-day period, compared to a State average of 40 percent (40%) by integrating legislative initiatives with wrap-around community services<sup>11</sup>. The legislative initiatives in this jurisdiction include private sector credits, local government hiring preferences, and wrap-around social services<sup>12</sup>.

Taking into consideration this data and, in an effort to ensure a relatively seamless transition back into the community, Prince George's County has been actively assessing successful programs on the national stage, as well as identifying gaps in services within its own boundaries in order to make this goal a reality. Based on these assessments and the mission of creating a comprehensive, wholistic approach, the County is working toward creating a clear and relatively unencumbered path to re-entry. Successful reintegration has been directly linked to a reduction in recidivism. Breaking the cycle of reoffending and reincarceration has many important implications for the public safety, health, economy and overall well-being of the community as a whole. The Council has identified this as a top priority, and as such, even created the Prince George's County Re-entry Task Force to determine, evaluate, access and assist County agencies in implementing a comprehensive Re-Entry Program and re-entry services in the County<sup>13</sup>.

Councilmembers Franklin and Hawkins discussed this proposed legislation during the past Re-entry Task Force meeting.

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### Discussion/Policy Analysis:

As proposed, CB-028-2020 would create Division 27, Under Section 10-334 of the County Code entitled, "Prince George's County Re-Entry Employment Incentive Program.

It sets forth the definition for *Qualifying Employee*, *Qualifying Employer*, and *Qualifying Positions* as the criteria to determine eligibility for the Program. As drafted, to be deemed a **Qualified Employee**, one must reside in the County and have been previously convicted of a felony, incarcerated and/or on probation/parole for the aforementioned convictions. The conditions of claiming domicile are specified in Section 10-334 (a)(1)(A-E), page 1, lines 18-21 and page 2, lines 1-9.

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<sup>9</sup> <https://human-services.baltimorecity.gov/reentry> <https://communityaffairs.dc.gov/morca>  
[https://www.chicago.gov/city/en/depts/mayor/supp\\_info/ex-offender\\_re-entryinitiatives.html](https://www.chicago.gov/city/en/depts/mayor/supp_info/ex-offender_re-entryinitiatives.html)

<sup>10</sup> <https://www.americanprogress.org/issues/criminal-justice/reports/2018/04/19/449474/second-chance-cities-local-efforts-promote-re-entry-success/>

<sup>11</sup> [https://iop.harvard.edu/sites/default/files/sources/program/IOP\\_Policy\\_Program\\_2019\\_Reentry\\_Policy.pdf](https://iop.harvard.edu/sites/default/files/sources/program/IOP_Policy_Program_2019_Reentry_Policy.pdf)

<sup>12</sup> [https://www.chicago.gov/city/en/depts/mayor/supp\\_info/ex-offender\\_re-entryinitiatives.html](https://www.chicago.gov/city/en/depts/mayor/supp_info/ex-offender_re-entryinitiatives.html)

<sup>13</sup> CB-049-2019

A commercial entity or non-profit organization operating within the County can be eligible to be a **Qualified Employer** if their operating in accordance with all applicable laws and regulations, engage a Qualified Employ in a Qualified Position, and execute a Re-entry Employment Reimbursement Program Agreement with the County.

A **Qualified Position** is proposed to be defined as one that is located within the County, to which the employing entity pays the Maryland Unemployment Insurance Tax; the Qualifying Employee works at least twenty-one (21) hours per week; the Qualifying Employee is paid at least \$15/hr. or Maryland Minimum Wage (whichever is greater); and is hired AFTER the Qualifying Employer has fully executed the Re-entry Employment Reimbursement Program Agreement and it is on file with the County's Finance Department.

The **Program** is proposed to be administered by the Director of Finance, in consultation with Employ Prince George's (unless the County Executive designates another organization for this purpose). Under the Program, the County would reimburse a Qualifying Employer five dollars (\$5) per hour for each hour worked in a Qualifying Position by a Qualifying Employee, up to a maximum of forty (40) hours per week and one thousand (1000) hours per 12-month period. Reimbursement would be made every 60 days. Additionally, CB-028-2020 includes a minimum post-hire probationary period of ninety (90) days prior to eligibility for reimbursement. The Bill also would require a Re-entry Employment Reimbursement Program Agreement approved by Employ Prince George's (or other applicable and authorized agency). Employ Prince George's would establish the content and form of the Agreement, as well as oversee the Qualifying Employer's compliance with it, in conjunction with the County's Director of Finance. At the end of every twelve (12) month period from the date of hiring a Qualifying Employee, the Qualifying Employer would be required to resubmit the Agreement as a condition of continued participation in the Program and reimbursement from the County, as budgeted.

It is important to emphasize that as drafted, *the Program is dependent on the availability and allocation of funds in the County budget*. This allocation would be maintained by the Director of Finance in a nonlapsing fund. Prior to the approval of a Re-entry Employment Reimbursement Program Agreement, the Director of Finance, in consultation with Employ Prince George's, or other agency as appropriate, would be required to determine whether sufficient funds are available for reimbursement.

One final noteworthy consideration is that Counties are collectively facing a potential \$144 billion budgetary impact through FY2021 as a result of COVID-19<sup>14</sup>. That estimate represents a loss of revenue, however, in addition, Counties are also seeing an unprecedented rise in expenditures related to the pandemic. The severe fiscal impacts on local and County governments has yet to be realized. One of the biggest indicators for successful securing of a job is the state of the economy to which the individual is returning. As a result of the aforementioned uncertainties, the County could also realize a spike in unemployment Countywide. In this case, jobs would become even more competitive for all demographics within the community.

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### **Fiscal Impact:**

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<sup>14</sup> [https://www.naco.org/sites/default/files/documents/NACo\\_COVID-19\\_Fiscal\\_Impact\\_Analysis-Executive\\_Summary\\_0.pdf](https://www.naco.org/sites/default/files/documents/NACo_COVID-19_Fiscal_Impact_Analysis-Executive_Summary_0.pdf)

*Direct Impact*

The fiscal impact of enactment of CB-028-2020 would be dependent on applications received and budgeted allocations for each ensuing year. While at this point, it is difficult to determine the exact direct impact, for the purposes of this analysis, one can assume if Qualified Employers apply for reimbursement for 100 Qualified Employees through this program, for maximum allowed 1,000 hours per employee per 12 month period, the cost to the County would be \$500,000 per year (based on the \$5/hr. maximum rate under this Program). Essentially, for each Qualified Employee that works the maximum allowed 1,000 hours, the cost would be \$5,000 for the 12 month period.

In addition, there will be likely be an incidental increase in expenditures, again dependent on participation, relating to:

1. Employ Prince George's additional administrative burden as the entity primarily charged with administering the Program (i.e., processing and approving applications and agreements); and
2. The Finance Department's additional administrative burden associated with consulting with Employ Prince George's on administration of the Program and preparing reimbursements and accounting for the funding from year to year.

*Indirect Impact*

At this time, the potential indirect impact is difficult to quantify. However, there could be decreases in expenditures associated with services relating those typically provided unemployed members of the community. These may be realized within several agencies, i.e. Employ Prince George's, social, family, health, and/or housing services. Additionally, any attendant decrease in recidivism rates among participants in the Program may result in cost savings to the County.

The severe fiscal impacts on local and County governments as it relates to the pandemic have yet to be realized. One of the biggest indicators for successful securing of a job is the state of the economy to which the individual is returning. As a result of the aforementioned uncertainties, the County could also realize a spike in unemployment Countywide. In this case, jobs would become even more competitive for all demographics within the community.

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**Appropriated in the Current Fiscal Year Budget:**

No.

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**Effective Date of Proposed Legislation:**

The proposed Bill shall take effect forty-five (45) calendar days after it becomes law.

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If you require additional information, or have questions about this fiscal impact statement, please call me.