



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

March 31, 2021

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Senior Legislative Budget and Policy Analyst

FROM: Kassandra Fields 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Note
CB-019-2021, Prince George's County Re-Entry Employment Incentive Program

CB-019-2021 (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.

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 seeking gainful employment.

Legislative Summary:

CB-019-2021, proposed by Councilmembers Franklin and Hawkins was presented to the County Council on March 9, 2021, and referred to the Committee of the Whole. CB-019-2021 would establish an incentive program to encourage employers within the County to employ County residents returning to the community.

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 housing¹. Research has shown that the mere mark of a criminal record imposes impediments to employment, exacerbating economic disparities and contributing to recidivism².

Evidence also suggests that some policies that combine subsidies for local employment and investments with grants to local governments for services and infrastructure can increase employment and local property values³. 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)⁴. EZs are designated areas of high poverty and unemployment that benefit from tax incentives provided to businesses within the boundaries of these designated areas⁵. 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 workforce⁶ (it should be noted that this program as written is

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

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

³ https://www.brookings.edu/wp-content/uploads/2018/03/es_20180314_looneyincarceration_final.pdf

⁴ Id.

⁵ https://www.hud.gov/hudprograms/empowerment_zones

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

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 employees⁷. However, these targeted incentives have had low rates of participation and high administrative burdens, and there are few broadly available incentives for childless adults⁸.

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 programs⁹. Each of these areas has seen some success as it relates to a reduction in 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 2008¹⁰. 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 also 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 services¹¹. The legislative initiatives in this jurisdiction include private sector credits, local government hiring preferences, and wrap-around social services¹².

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, in 2014, created the Fair Criminal Record Screening Standards as policy to assist in the “successful reintegration of individuals with criminal records into the workforce by removing barriers to employment”¹³. In addition, the Prince George’s County Re-entry Task Force was created to determine, evaluate, access and assist County

⁷ <https://bonds4jobs.com/about-us>

⁸ https://www.brookings.edu/wp-content/uploads/2018/03/es_20180314_looneyincarceration_final.pdf

⁹ <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

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

¹¹ https://iop.harvard.edu/sites/default/files/sources/program/IOP_Policy_Program_2019_Reentry_Policy.pdf

¹² https://www.chicago.gov/city/en/depts/mayor/supp_info/ex-offender_re-entryinitiatives.html

¹³

agencies in implementing a comprehensive Re-Entry Program and re-entry services in the County¹⁴.

Discussion/Policy Analysis:

As proposed, CB-019-2021 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*, *Qualifying Positions* and *Incarcerated* 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 within the past five (5) years of becoming employed in a *Qualifying Position*; served a minimum of six (6) months during that five (5) year period; been released within three (3) years of becoming employed; and not listed on any government managed sex-offender registry. *Incarcerated* is defined as being confined for any period of time in a way that is intended to restrict movement or freedom and includes monitoring of movement by an electronic monitoring device.

A commercial entity or non-profit organization operating within the County can be eligible to be a **Qualified Employer** if they’re 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 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-019-2021 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) and the Office of Law. 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 Office of Law and Director of Finance. At the end of every twelve (12) month period from the date of hiring a Qualifying Employee, the Qualifying Employer

¹⁴ CB-049-2019

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*. Any unexpended funds would be segregated and maintained by the Director of Finance in a restricted 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 were available for reimbursement and disbursement.

One final noteworthy consideration is that initially, Counties were collectively facing a potential \$144 billion budgetary impact through FY2021 as a result of COVID-19¹⁵. That estimate represented a loss of revenue, however, in addition, Counties were 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. Currently, Maryland's economic recovery from the pandemic induced recession continues to exceed expectations. This past week, the state's top fiscal leaders agreed on revenue estimates that include a \$299 million more for the 2022 fiscal year than was predicted even three months ago.¹⁶ However, compared to the state's last pre-COVID revenue estimates early last March, the new estimates are \$185 million less for the current fiscal year (FY 2021), and \$161.1 million more for the 2022 fiscal year.¹⁷

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.

Maryland lost nearly 14% of all jobs – about 388,000 positions – during the depths of the COVID crisis, and overall employment is still down 4.9% – about the same percent of jobs that were lost in the state at the worst parts of the Great Recession and the economic downturn in the early 1990s.¹⁸

Fiscal Impact:

Direct Impact

The fiscal impact of enactment of CB-019-2021 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

¹⁵ https://www.naco.org/sites/default/files/documents/NACo_COVID-19_Fiscal_Impact_Analysis-Executive_Summary_0.pdf

¹⁶ <https://www.marylandmatters.org/2021/03/09/new-state-revenue-estimates-track-with-pre-covid-forecasts/>

¹⁷ Id.

¹⁸ Id.

reimbursement for 100 Qualified Employees through this program, for the 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 twelve (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 (or applicable agency) about the reimbursements and accounting for the funding of the Program.

Indirect Impact

At this time, the potential indirect impact is difficult to quantify. However, there could be decreases in expenditures associated with services typically provided unemployed members of the community. These may be realized within several agencies, *i.e.*, Employ Prince George's, Social Services, Family Services, 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 most severe anticipated fiscal impacts on local and County governments, as relates to the global 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.

Appropriated in the Current Fiscal Year Budget:

No.

Effective Date of Proposed Legislation:

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

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