

Martin O'Malley
Governor


Anthony Brown
Lt. Governor


Brenda Donald
Secretary

MEMORANDUM

DATE: May 3, 2010

TO: Governor Martin O'Malley

FROM: Secretary Brenda Donald 
Department of Human Resources

Secretary Alexander M. Sanchez 
Department of Labor, Licensing and Regulation

RE: Annual Work Not Welfare Tax Credit Report for 2009

It is our pleasure to provide you with the enclosed copy of the Department of Human Resources' and the Department of Labor, Licensing and Regulation's 2009 Annual Report on the Work Not Welfare Tax Credit Program.

If you have any questions concerning this report or should you need further information about the Work Not Welfare Tax Credit Program, do not hesitate to call us. I may be contacted at 410-767-7109. Secretary Sanchez may be contacted at 410-230-6020.

Enclosure

Martin O'Malley
Governor

Anthony Brown
Lt. Governor

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Secretary

May 3, 2010

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
State House
Annapolis MD 21401-1991


The Honorable Michael E. Busch
Speaker of the House
State House
Annapolis MD 21401-1991

Dear President Miller and Speaker Busch:

It is our pleasure to provide you with the enclosed copy of the Department of Human Resources' and the Department of Labor, Licensing and Regulation's 2009 Annual Report on the Work Not Welfare Tax Credit Program.

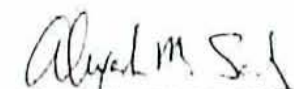
If you have any questions concerning this report or should you need further information about the Work Not Welfare Tax Credit Program, do not hesitate to call us. I may be contacted at 410-767-7109. Secretary Sanchez can be contacted at 410-230-6020.

Sincerely,



Brenda Donald
Secretary

Sincerely,



Alexander M. Sanchez
Secretary

Enclosure



Department of
Human Resources

311 West Saratoga Street, Baltimore, MD 21201

Report dated April 23, 2010:

**Annual Report on the Work Not Welfare
Tax Credit Report for 2009**

Prepared for:

Maryland General Assembly

As required by:

HB 1015 p. 6 2000

Tax - General Article Section 10-704.3 (i)

2009 ANNUAL REPORT ON
THE WORK, NOT WELFARE TAX CREDIT PROGRAM
(EMPLOYMENT OPPORTUNITY CREDIT – EOC) and
THE MARYLAND DISABILITY TAX CREDIT PROGRAM

BACKGROUND

House Bill 1015 - Work, Not Welfare, and Qualifying Employees with Disabilities Tax Credits was passed by the Maryland General Assembly in 2000. HB 1015 jointly authorized the Department of Human Resources (DHR), Department of Labor, Licensing and Regulation (DLLR), and the Office of the Comptroller of the Treasury (Comptroller) to administer the “Work, Not Welfare and Qualifying Employees with Disabilities Tax Credit” programs, and to provide an annual report to the Governor and General Assembly. The report should include:

- Marketing activities;
- Coordination of interagency activity;
- Number of “employment opportunity” employees hired in each business sector for the preceding year, and the number employed for less than one year;
- Summary of wages paid the preceding year;
- Number of credits for child care and transportation costs; and
- Number of “employment opportunity” employees employed for more than one but less than two years, between two and three years, and more than three years.

DEPARTMENTAL ROLES

THE DEPARTMENT OF HUMAN RESOURCES

Maryland employers who hire Welfare-to-Work customers and assist them in becoming economically self-sufficient benefit from financial incentives through the “Work, Not Welfare Tax Credit”. DHR continued to collaborate with DLLR and provided marketing support in the following manner:

- Conducted ongoing employer presentations highlighting the availability of tax credits for hiring welfare recipients.
- Distributed Welfare-to-Work business brochures featuring the availability of the “Work, Not Welfare Tax Credit”.
- Published the “Work, Not Welfare Credit” as part of the DHR Annual Report that is distributed to approximately 8,000 DHR employees, as well as community, business and faith partners.
- Updated the brochure, which serves as the key marketing piece for the program.

THE OFFICE OF THE COMPTROLLER OF THE TREASURY

The Comptroller's Office is the source and repository of all data concerning the monetary amounts of credits actually claimed. It publicizes tax credits through various mediums, to include tax forms. The most significant promotional piece is "A Guide to Business Tax Credits".

- Updated and republished "A Guide to Business Tax Credits" which describes the tax credit, provides eligibility criteria, tells how to apply and lists contact information to have queries answered. This booklet is disseminated to thousands of employers throughout the State and nation.

THE DEPARTMENT OF LABOR, LICENSING AND REGULATION

The "Work, Not Welfare Tax Credit," which operates under the name of the "Employment Opportunity Credit (EOC)," was first enacted in 1995. The Department of Labor, Licensing and Regulation is responsible for administering federal employment tax credit and administers the EOC program through the same administrative unit. Since its implementation, DLLR has certified in excess of 47,000 EOC eligible individuals as having entered employment from the state welfare rolls. In 1998, legislation extending and amending the program mandated the submission of a detailed annual report to the Governor and the General Assembly. Following is the requested information that we are able to capture.

THE DIVISION OF REHABILITATION SERVICES

The "Maryland Disability Tax Credit" (MDETC) was enacted in 1997 and certification responsibility was transferred to DLLR in 2000. The Division of Rehabilitation Services (DORS) is charged with promoting the program to their clients and employer customers, identifying and vouchering their eligible clients and serving as a resource to document eligibility of their clients served by other partner agencies.

Marketing Activities:

During the past six months, DLLR has included "Work, Not Welfare Tax Credit" or "Employment Opportunity Credit (EOC)" information in its numerous presentations to employer groups such as One-Stop Offices employer meetings and Chambers of Commerce. Literature on the EOC was disbursed at 31 Job Fairs, to include the two Baltimore Sun Career Fairs, the Clear Channel Communications Job Fair, Radio One Job Fair and many others at the county and local level. Our Business Resource Representatives made 5,247 in-person and 10,009 telephone employer contacts to promote our services, the Employment Opportunity Credit being one. An additional 874 mailings were made to employers nationwide who do business within the State, primarily as users of the federal Work Opportunity Tax Credit (WOTC). Outreach to community

activities such as the faith based partners were additional forums where the tax credit was promoted.

Similar efforts were made by DHR as well as other partners such as the job development staff at the Department of Public Safety and Correctional Services.

DHR promoted the "Work, Not Welfare Tax Credit" as a benefit to contractors doing business with the State of Maryland. Additionally, there is a website for employers and the general public to obtain information on the "Employment Opportunity Credit" and other tax credits at: <http://www.dllr.state.md.us/employment/taxcredits/html>.

There has been a marked decline in the use of the credit this year. The primary reasons being the sunset of the tax credit on June 30, 2009 and the lack of resources for the promotion and processing of the necessary paperwork. The program has never received funding during its existence and the decrease in our federal funding resulted in a corresponding decrease in staff availability to work on these State tax credits.

Coordination of Interagency Activities

As the partner agency responsible for the application eligibility/ certification process, DLLR takes the lead role in promoting and operating the tax credit programs. The primary role for DLLR has been to train staff of partner agencies, vendors, subcontractors and grantees of partner agencies on the eligibility determination process and how to sell the program to employers. In addition, DLLR has provided all the basics for the program such as forms, limited promotional materials and speakers for employer forums. Cooperating partner agencies performed joint and independent promotional activities and participated to the degree that the client base they serve could utilize the program as an employment resource. Other major partners include Public Safety and Correctional Services and a variety of private non-profit agencies.

MARYLAND DISABILITY EMPLOYMENT TAX CREDIT (MDETC):

Usage of Credit in Program Years 2004, 2005, 2006 and 2007

2004: 386 individuals certified

2005: 409 individuals certified

2006: 236 individuals certified

2007: 197 individuals certified

2008: 116 individuals certified

2009: 87 individuals certified

All jobs are in the sales or service categories for 2007- 79.2% service and 20.8% sales. All salaries fall in the range of \$6.15/hour - \$7.55/hr with the exception of four, which paid within the \$8.00 -\$8.99/hour

Per the request of the Legislature,
the following data reports are available:

Number of Employment Opportunity Employees Hired
By Occupation/Business Sectors

2009

(This is the 2008/2009 Report for the Year 2009. The following data was requested for the year preceding the report, i.e. 2008. However as the program sunset on June 30, 2009, we are combining the report.)

| | |
|-------------------------------------|------------|
| Regular EOC Certifications | 617 |
| Long Term EOC Certifications | 331 |
| TOTAL | 948 |
| | |
| Professional, Technical, Managerial | 77 |
| Clerical and Sales | 159 |
| Service | 382 |
| Farms, Forestry and Fishery | 0 |
| Processing | 56 |
| Machine Trades | 33 |
| Bench Work | 58 |
| Structural | 11 |
| Miscellaneous | 172 |
| TOTAL | 948 |

Summary of Wages Paid

| Hourly Starting Wages | |
|--------------------------------|-----------------------|
| Under the Federal Minimum Wage | 11 (tip compensation) |
| \$5.85 - \$5.99 | |
| \$6.15 - \$6.99 | 529 |
| \$7.00 - \$7.99 | 348 |
| \$8.00 - \$8.99 | 38 |
| \$9.00 and - up | 22 |

The decrease in numbers is attributable to the decrease in the welfare rolls and the lack of funding and the sunset of the program.

Number of Credits Claimed for Child Care and Transportation Costs

This portion of the report is currently under the purview of the Comptroller's Office. An addendum to the report will be submitted upon receipt of the number of credits claimed for Childcare and Transportation Costs.

Number of Employment Opportunity Employees Employed for Less Than One Year; Employed One Year but Less Than Two; Employed Between Two and three Years; and Three Years or More

When the Work, Not Welfare was initially implemented, there was no tracking or reporting component in the legislation. DLLR administers the state tax credit in conjunction with its responsibility to administer federal tax credits. For convenience and cost effectiveness, DLLR uses the same computer program. The federal system does not collect the same statistical data elements that the state tax credit system requires. To gather the additional requested information, DLLR would need to design and program software. Therefore, DLLR currently does not have the capability or resources to track length of time on the job for the 948 individuals covered by this report.

Conclusion

The Department of Labor, Licensing and Regulation, the Department of Human Resources and partner agencies have always made a good faith effort to promote and use the "Work, Not Welfare Tax Credit" and other state tax credit programs to benefit employers, targeted populations and citizens of Maryland. Leveraging limited available resources, DLLR, DHR and other partners has made significant contributions to the over 70% decline of the State welfare rolls.