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Economic Picture Worsens for Poor Marylanders, Study Says

Posted on September 22, 2008

By **DAVID HILL** and **LINDSEY MCPHERSON**

WASHINGTON (Sept. 22, 2008) -- Middle- and low-income Marylanders struggled even during the state's strong economic growth in recent years, and their situations are likely to worsen in the coming months, according to a study released Friday.

"The economy, as everyone knows, has deteriorated seriously," said Neil Bergsman, director of the Maryland Budget and Tax Policy Institute, which with the Progressive Maryland Education Fund produced the report.

In the past few months, the federal government has taken over mortgage brokers Fannie Mae and Freddie Mac and engineered bailouts of the investment firm Bear Stearns and insurance giant AIG. Despite the rescues, the stock market has continued the downhill slalom it began when the home mortgage market plunged.

Sean Dobson, director of the Progressive Maryland Education Fund, said this year's findings are "sobering," but the next year's will be even more shocking.

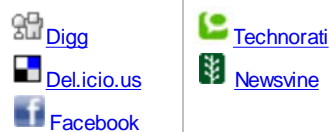
The report, which covered from 2001 through 2007, found great disparity among economic classes.

Maryland's median household income has increased to \$68,080, which is the largest in the country. The increase was "driven mostly

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by income growth among the affluent and upper-middle class Marylanders," the report states. While income among the wealthy increased, the report shows the working class faced rising unemployment, poverty rates and health care costs.

Some Marylanders gained in income, but the number of unemployed has significantly increased this year, reaching 131,000 in July, the largest it has been in more than 10 years.

Dobson said the unemployment rate has increased "relative to where it started from, but the overall rate isn't that high." Compared to the national unemployment rate in July 2008 of 5.7 percent, Maryland's rate of 4.4 percent is still low, he said.

Christine Hansen, a spokeswoman for the governor's office, said Maryland is bound to have economic problems because the entire country is facing similar circumstances.

"We're not immune to what is happening across the entire country," she said.

Poverty has been a consistent problem for Marylanders in recent years. The state's economy has grown by 18.6 percent since 2001, but the 2007 poverty rate of 8.3 percent is virtually unchanged from the years before, according to the report.

"We are taking steps to move that number lower than what it is," said Andy Moser, the assistant secretary for the Department of Labor, Licensing and Regulation.

Moser said the Maryland Senate passed a bill last session that will better connect adult education to the labor force.

"The idea is to be able to connect them to a better job and at the same time to instill in them the pursuit of lifelong learning," he said.

Moser said the connection between education and the work force will help workers attain better jobs with better pay.

"Once you move them from the entry level jobs to the middle level jobs, you actually create another opening for someone to move up," he said.

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In addition, the report showed the state's infant mortality rate and total mortality rate are higher than the national average, a trend owed in large part to an increasing number of uninsured Marylanders.

Funding projects to aid low-income residents could prove difficult with the state's \$432 million revenue shortfall. The study said more stringent tax enforcement and elimination of tax breaks for the wealthy is the first step toward more revenue.

In response, the state comptroller's office said it has made a strong effort to close corporate tax loopholes.

"Comptroller (Peter) Franchot has made a priority of targeting tax compliance," said Joe Shapiro, Franchot's spokesman. "We've also added auditors to our compliance division to ensure that corporations and individuals are paying a fair share."

Shapiro pointed to the Federal Vendor Offset Program as one successful project. Maryland was the first state to join the partnership where vendors who win bids for federal or state projects are checked to make sure they don't owe additional taxes on either government level.

"We initially had estimated that it was going to bring in about \$5 million the first year," Shapiro said. "It's bringing in closer to \$25 million."

Some of the report's more ambitious recommendations, like expanded child care and college scholarships, are difficult to execute, said Bergsman. But others, like raising the minimum wage and expanding health care, can and should be done in the very near future.

"In spite of the soft economy, we remain the wealthiest state in the nation," Bergsman said. "We just should not tolerate undue hardship to the folks who are at the lower end of our community's prosperity."

Capital News Service contributed to this report.

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