TABLE OF CONTENTS

EXECUTIVE SUMMARY

A decades-long process of de-industrialization has replaced Baltimore's well-paying manufacturing jobs with low-wage jobs in the service sector. This is the root cause of our city's underdevelopment.

Today, 90% of Baltimoreans work in service-providing jobs. Most do not provide the sustainable, middle-class living standards that working families earned when Baltimore was a prosperous manufacturing center. The social dynamics caused by this economic decline include grinding poverty, depopulation of the City, a shrinking tax base, and deterioration of urban neighborhoods.

Baltimore's development projects have not alleviated the City's underdevelopment. The typically investor-oriented projects have attracted capital investments to certain parts of the City – most notably the Inner Harbor and Downtown – but they have not benefited most working Baltimoreans. Many of the jobs they have created are temporary, part-time, and pay less than half the City's average wage.

The solution to Baltimore's persistent economic stagnation is a wage-driven strategy that will harness the consumer power of Baltimore's low-income service workers. A sector-wide raise in wages would be a major engine of economic growth and development in Baltimore, restoring the promise of a middle-class standard of living. The key sector, where raising wages will have such dramatic results, is health care.

Health care is unquestionably the dominant industry in Baltimore's new, service-based economy.

- Health care employment in Baltimore has grown over the last decade, while overall employment has declined.
- Eighteen percent of Baltimore's workforce – nearly one in five workers – works in health care.
- The concentration of workers in Baltimore's health care industry is more than 50% greater than the national average.

Raising the incomes of Baltimore's low-wage health care workers is key to launching our city onto a trajectory of sustained economic growth.

Johns Hopkins Hospital, one of the wealthiest and most prestigious hospitals in the world, dominates Baltimore's health care economy. As this study shows:

- As Maryland's largest acute care facility, Hopkins Hospital employs over 8,000 workers;
- Hopkins Hospital's total wealth increased by $110 million for the five-year period ending in FY 2002, to a total of $380 million;

Putting Baltimore's People First

- The Hospital earned more than $40 million in net operating income in FY 2002 alone – more than double the amount it earned the year before.

Despite its wealth and financial success, Johns Hopkins Hospital pays the majority of its unionized service workers less than the minimum required to live a decent life without public assistance. *For a family of three, the minimum wage for self-sufficiency is $17.41 an hour,* according to an academic study cited in this report. However, more than half the service workers at Hopkins earn less than $11.00 per hour. Some workers with many years of experience earn only $10.00 an hour. Workers earning such low wages often qualify for a range of public assistance programs, at an annual cost to taxpayers of as much as $13,000 per worker.

Raising Johns Hopkins Hospital workers' wage rates to the self-sufficiency standard will serve as the impetus for raising low service wages throughout Baltimore's dominant health care industry and will serve as the basis for real economic development in Baltimore.

It is time to recognize that Baltimore's labor unions, engaged in collective bargaining with many of its hospitals, have a unique responsibility for advancing the struggle for self-sufficient, middle-class wages. Baltimore's history demonstrates the strong relationship between unionization and well paying jobs; collective bargaining is still the most effective path to wage improvements. Therefore, a commitment to higher wages also entails a commitment to support workers' rights to organize a union without interference and a commitment to workers' collective bargaining rights.

There are many stakeholders in the struggle to achieve this goal of middle-class self-sufficiency. These include:

- **The general public**. In a poll of Baltimore residents conducted in December 2003, 88% agreed that paying more adults a middle-class wage is an effective way to improve the local economy;
- **Taxpayers** who finance public assistance programs for low-wage workers;
- **Elected leaders** who have a sincere interest in sustained economic development for Baltimore;
- **Community organizations, activists, and people of faith**, who understand that better jobs and higher wages for working families are critical to revitalize Baltimore's struggling communities;
- **Local businesses** that will prosper from rising worker incomes and the growing consumer demand that will accompany it;
- **Other service-sector workers**, who will experience spillover benefits from gains in health care workers' wages;
- **Health care workers.**

In addition to raising workers' wages to a self-sufficient, middle-class standard of living, it is important to ensure that Baltimore's economic development benefits working families. To this end, leaders must institute policies to provide for affordable housing and transportation, health coverage for all, quality education for our children, and access to life-long learning opportunities for adult workers. Success in achieving these policy goals will require continued cooperation and mutual support from all the stakeholders mentioned above.

I. INTRODUCTION

Everyone supports responsible economic development for Baltimore. However, current economic development plans do not give sufficient priority to raising the living standards of all Baltimore residents. Working families who have lived here and contributed to the life of Baltimore for generations receive little or no return on their investment. Unless the human needs and aspirations of Baltimore's current residents are integrated into the City's development plans, future projects will merely duplicate past patterns, enriching corporate investors, while displacing and further marginalizing working families. The plain fact is: we will not have the vibrant and revitalized city everyone wants without good jobs for Baltimore workers.

Responsible economic development – development that puts people first – is long overdue. Baltimore faces a crisis of underdevelopment. For many years, Baltimore was an industrial center. With the wages they earned in the factories, mills, and warehouses, workers could provide the necessities of life for their families. This is no longer true. Industrial jobs have all but disappeared in Baltimore, replaced by much lower-paying service jobs.

Section II chronicles the decades-long process of de-industrialization, which replaced manufacturing jobs with low-paying service sector jobs as the primary source of employment for working class Baltimoreans. The concurrent flight of white, middle-class residents and businesses, followed by the exodus of middle-class African-Americans, has left the City with limited resources to cope with problems of urban blight. The overall impact of this transformation and the social dynamics it has unleashed are the root causes of Baltimore's poverty and underdevelopment.

Section III reviews Baltimore's major economic development projects and examines why, despite their successes in bringing new investment into certain parts of the City, they have done little to raise living standards for most Baltimore residents. To raise living standards, our City leaders must adopt an alternative plan to revitalize depressed neighborhoods with sustainable, well paying jobs. Attracting investment capital is an important element of any economic development plan, but Baltimore's past experience demonstrates amply that investment alone is not enough to improve the lives of the great majority of Baltimore's working families.

Baltimore needs a strategy to raise the wages of its low-paying service jobs – so that they can serve as an engine for responsible growth in our city. Section IV examines the significant role of health care in the local economy, and how higher hospital wages can reverse declining economic trends. Given this sector's dominance of Baltimore's service economy, raising health care workers' wages is key to reversing Baltimore's spiral of economic decline.

Raising Baltimore's health care wages necessitates examining the dominant influence of Johns Hopkins Medicine – and particularly its flagship Johns Hopkins Hospital – in Baltimore's health care economy. This is the focus of Section V. An increase in Johns Hopkins service workers' incomes from their current low wages to self-sufficient, middle-class wages would have far-reaching effects on wage rates and living standards for health care workers throughout the City. This, in turn, would have a significant ripple effect on wages throughout Baltimore's low-wage service economy, generating a cycle of rising incomes and consumption-propelled economic development that Baltimore critically needs. This study determines that Hopkins Hospital, a very profitable institution, would not only be able to pay its workers middle-class wages, but would itself benefit from the economic revitalization such wage increases would engender.

Section VI examines the policies essential to assuring that Baltimore's economic development plan will benefit the working families who live here. These include provision of affordable housing and transportation, health coverage for all, assurance of quality education for our children and access to life-long learning opportunities for adult workers. Public policy recommendations are offered in each of these areas to make certain that the City's economic development plan will put Baltimore's people first.

While each of these policies is essential to a plan for realistic and responsible economic development in Baltimore, they all hinge on raising wages in the service sector, where the overwhelming majority of all Baltimoreans work. Unless low service wages are raised toward self-sufficient levels, sustainable economic development will not be achieved. Collective bargaining is the most effective way to win wage improvements; and the key to responsible economic development is a commitment to workers' rights to organize a union without employer interference and a commitment to workers' collective bargaining rights. If service wages are raised to serve as an engine of economic growth, the changes to Baltimore's economy will benefit all who live, work, and do business in our city.

II. A BRIEF ECONOMIC HISTORY OF MODERN BALTIMORE

In 1950, Baltimore was the sixth-largest city in the country, home to 950,000 people and a thriving manufacturing and shipping industry.[1] As the economic base of Maryland, Baltimore provided 75% of all jobs to workers in the region.[2] Many were manufacturing jobs in textiles and automobile production. The region's economic powerhouse, however, was the steel industry.

The Rise and Fall of Steel in Baltimore - Sparrows Point

Steel was brought to the City with the construction of a steel mill and shipyard by the Pennsylvania Steel Company in 1893, and came to dominate the local economy following the company's acquisition by Bethlehem Steel in 1916. Along with the plant, the company established a residential community called Sparrows Point. Workers from rural Maryland and Pennsylvania and the South, of Welsh, Irish, German, Russian, Hungarian and African-American descent, were attracted to the promise of high pay of industrial employment, and many came to live in the company town. There, they enjoyed low rent (between $4 - $14 a month for a nine room house) and free home maintenance, company-subsidized churches and schools, easy access to credit, and a strong sense of community.[3] The company segregated residents by race and by rank, which determined the size and location of houses. Community high schools prepared steelworkers' sons for jobs at the mill, reserving training in skilled jobs for whites. Still, steel work offered new opportunities for advancement to families of all backgrounds; the first school for African-American children, the Bragg School, produced many black business leaders and educators who grew up in Sparrows Point.

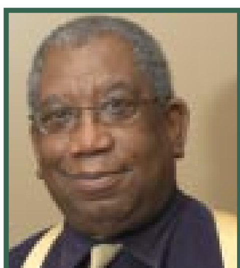
By the 1930s, Bethlehem's steelworkers had outgrown Sparrows Point, and began to move to Dundalk and into Baltimore, where immigrant Finns, Czechs, Poles, Lithuanians and Italians settled in Highlandtown, and African-American workers settled in Old West Baltimore. When the CIO set out to organize the steel industry by establishing the Steel Workers Organizing Committee, their first campaign to organize Bethlehem steelworkers found its greatest support among those newer transplants living outside of the company town. Foreign-born whites,

…Union representation helped transform an industry with a self-replicating workforce of unskilled workers into a means for economic and social advancement.

many of whom had participated in unions before coming to Baltimore, and African-Americans, who in 1933 had launched a successful boycott of stores that refused to hire black employees, threw their collective weight behind the organizing drive at Sparrows Point. By 1941, the 15,714 employees of Bethlehem Steel in Baltimore had won the right to union representation. Soon, steelworkers enjoyed health benefits, vacation and sick leave, and what one historian calls, "decent pay for one of the nation's most dangerous jobs."[4]

During World War II, the steel industry underwent a production boom. Bethlehem's mill at Sparrows Point, which built cargo and transport ships, expanded quickly to meet supply needs. The mill reached its peak employment in 1959, with 35,000 workers.[5] Second- or third-generation steelworkers earning union wages could achieve financial independence with middle-class living standards, save for the future, and afford higher education for their children to prepare them for employment beyond the steel mill. In short, union representation helped to transform an industry with a self-replicating workforce of unskilled workers into a means for economic and social advancement.

The latter part of the 20th Century saw a nationwide decline in the manufacturing sector, and Bethlehem Steel was no exception to this trend. In 1971, when Sparrows Point was the largest steel mill in the country, a surge in steel imports led to massive layoffs among domestic producers. Three thousand workers at Sparrows Point lost their jobs that year, followed by another 7,000 in 1975.[6] By the late 1980s, the workforce had dwindled to 8,000, accompanied by a decline in wages and benefits as the union conceded on many pay and benefits issues.[7] Baltimore workers could no longer look to steel as a source of middle-class wages and job security.



Baltimore's Industrial Union Wages

"My grandfather, William L. Barber traveled up from South Carolina and landed a job as a steelworker at Sparrows Point. With the union wages he earned, he was able to send for his wife and kids. He bought a house on East Preston Street, where he raised his eight children and numerous grandchildren with those union wages. Grandpa sent two of his daughters to college. One became a nurse and the other was a school principal.

My father and at least five of my uncles became steelworkers. They were able to buy houses of their own and send many of their kids to college. Baltimore was booming."

Robert Moore
President, SEIU 1199E-DC

William L. Barber & wife Mamie Barber sit in the middle row, third and fourth from the right. Young Robert Barber Moore sits immediately in front of his grandfather.

The story of Bethlehem's steel mill at Sparrows Point is a microcosm of economic changes that profoundly affected Baltimore and other "rust belt" cities across the US during this period. The manufacturing industries, having long been the economic base for employment and output for nearly a century, dwindled and disappeared. Baltimore lost over 100,000 manufacturing jobs between 1950 and 1995, 75% of its industrial employment – not to mention most of the jobs with union representation. Currently, only 6% of all jobs in the City are in manufacturing. The collapse of industry led to a number of changes in the demographic makeup of the City and the surrounding region, contributing to a crisis in urban poverty that lingers today.

The Great Decline into Post-Industrial Poverty

As factories bled manufacturing jobs, Baltimore bled residents: nearly one-third of its population left between 1950 and 2000.[9] Businesses fled the City, followed by workers, and Baltimore began to lose its stature as the economic hub of central Maryland. The City's share of the region's manufacturing employment had dropped from 75% in 1954 to 30% in 1995, while its share of the region's retail sales fell from 50% to 18% in 1992.[10]
As the City's population shrank to 657,000 by 1997, Baltimore's suburbs grew from 387,656 residents in 1950 to over 1.8 million in 1997. Once the population center of central Maryland, by the end of the century, Baltimore contained only a quarter of the region's total population.

Major Demographic Changes

Contributing to the suburbanization of the central Maryland region were changes in the racial makeup of the City's population and the phenomenon of "white flight." Beginning in the early 20th Century, African-Americans from the rural South, many with sharecropping backgrounds, began moving north in great numbers. Baltimore became a major destination for southern blacks fleeing poverty and Jim Crow, seeking jobs and a better place to raise their children. Northern migration transformed the makeup of Baltimore's population. Prior to 1900, predominantly African-American neighborhoods did not exist in Baltimore: black residents were spread out throughout the City, and no single ward was more than one-third black.[11] Between 1950 and 1970, Baltimore's African-American population almost doubled, while whites moved away from the City. As a result, by 1997, Baltimore had gone from less than one-quarter to nearly two-thirds black.

Early on, black neighborhoods were largely confined to the areas directly northeast and northwest of downtown, but as more people moved in, these neighborhoods expanded into previously white neighborhoods. Middle-class whites reacted to these changes with uncertainty and alarm. Urban developers preyed on racial anxieties in order to maximize their profits from housing sales. In areas close to expanding black neighborhoods, real estate agents would float generous offers to the first white residents willing to sell their houses, which they would quickly sell or rent to black tenants. Then, agents would use the presence of new residents to play up fears of racial change among the remaining white residents. Often they would threaten white residents with the prospect of lower property values for those who would be the last to leave. One historian quotes a white former resident describing the change: "It was gradual – then a rush….A lot of people said they would never sell their houses to blacks, and they were the first ones to do it."[12]
Blockbusting is now illegal but the process was effective and extremely profitable for developers. In 1969, the Activists, a fair housing coalition, discovered that one developer, the Morris Goldseker Company, had bought homes north of Edmondson Avenue for an average of $7,320 and sold them immediately for $12,387, exacting a 69% markup from black home buyers.

Life was not easy for new residents. Black Baltimoreans continued to face discrimination, and were affected by poverty, unemployment, crime, and housing deterioration to a disproportionate degree compared to white residents. While the poverty rate for whites in the City was about 10% in 1960, it was roughly three times higher for blacks. Baltimore's crime rate went up steadily through the 1960s, and by 1970, the City had one of the highest homicide rates in the country. For many longtime residents, this decade – punctuated by the 1968 riots following the assassination of Dr. Martin Luther King – was the turning point. Middle-class whites began moving further and further towards the edges of the City, and increasingly began to look outside the city for an enclave apart from black expansion and social unrest. While in 1950, almost two-thirds of the region's white population lived in Baltimore, only 12.5% lived in the City by 1997.

Flight of the Black Middle Class

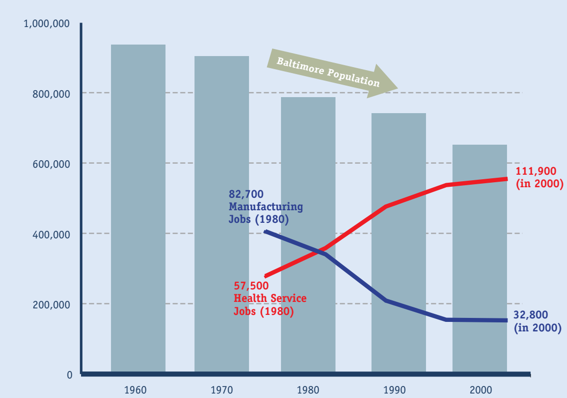
Exacerbating conditions was the subsequent flight from the City of middle class African-Americans. Increasingly, Baltimore's black middle class followed white Baltimoreans who had fled to the suburbs before them. Between 1990 and 2000, the number of African-Americans living in the City declined for the first time, while the most recent census report shows a decline in Baltimore's black population roughly equal to that of its white population.[13] Now, after decades of population drain, the characteristic that defines the City's polarization from the suburbs is not race, but economic class.

Rise of the Service Sector

With the decline of manufacturing, the service sector came to be the dominant base of employment for Baltimore City residents. Today, service-providing jobs account for over 90% of all jobs in Baltimore City.[14] Such jobs have a heavily minority workforce; one study found that in 1990, 71% of low-wage service workers in Baltimore were African-American, though African-Americans represented only 59% of the City's population.[15] In many positions, the majority of workers are women: according to the same report, women filled 83% of administrative support positions and 84% of personal services positions. Three-quarters of the women included in the survey who supported a family were the sole source of income for that household. Service industries such as hospitals, nursing homes and tourism had become the primary source of employment for poor and minority workers.

Service jobs are largely characterized by low pay, high turnover rates, irregular or part-time schedules, lack of benefits, job insecurity, and lack of union representation. Few offer vocational training or skills-building opportunities for advancement. Low pay forces many service workers to work second jobs, increasing their weekly work hours to more

Rise in Baltimore Health Service Employment Versus Decline in City Population



Source: Census Bureau, Bureau of Labor Statistics.[16]

than 60 in some cases. Also, many workplaces are located far from the neighborhoods where service workers live, adding to transportation and child care costs for working families.

In a city with an increasingly poor and minority population, the low-wage service sector has became the principal determinant of the economic status of Baltimore City residents. The growing concentration of urban poverty and the rise of a low-wage service economy have at once reinforced one another and exacerbated poor living conditions for urban workers.

Poorly maintained buildings surround Johns Hopkins Hospital.

III. THE LIMITS OF INVESTOR-ORIENTED DEVELOPMENT STRATEGIES

The combination of de-industrialization and flight sapped Baltimore of much of its economic vitality. Businesses and middle-class residents took to the suburbs, and took with them much of the City's income and private capital. The erosion of the middle class left a concentration of poorer citizens with a greater need for public services, and without a sufficient tax base to support them.

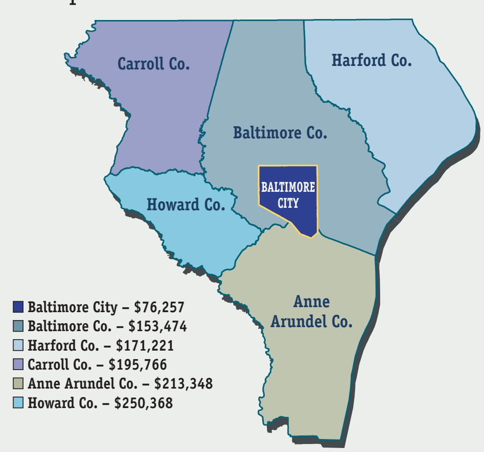
In addition to a shrinking tax base, the population drain has left fewer customers for local stores. Many retailers providing jobs and basic goods and services to inner-city residents disappeared entirely, while those remaining often charge exorbitant prices to offset the risk of doing business there. Deteriorating conditions motivated those who could afford it to move out of poor neighborhoods, hindering the accumulation of wealth in the community. Rising crime rates and declining economic activity made large areas of Baltimore undesirable to new businesses and developers.

The Public-Private Partnership Model for Investment

Half a century ago, Baltimore business leaders, growing increasingly wary of declining property values and retail sales, began urging the City government to develop a plan to attract and keep local businesses. In 1954, the City's 100 largest businesses formed the Greater Baltimore Committee (GBC) to promote private investment in the City. No major construction had been carried out in the downtown area since the 1920s, and business leaders recognized development as key to their success. Their development strategy, however, was not immediately self-sustainable. GBC's first project, the Charles Center, was completed at a cost of $180 million, $40 million of which came from public funds.[17] The second, more ambitious project to revitalize the Inner Harbor followed the same public-private partnership investment model which became the precedent for most subsequent development projects in Baltimore.

2003 Tax Base Per Household (by County)

Value of real property subject to taxation per household.



Source: Maryland State Department of Assessment and Taxation 2003; US Census 2000.

The Inner Harbor project became a watershed for the City's vision of economic development. Encouraged by Mayor William Donald Schaefer, who told businesses, "Baltimore wants you so badly, we'll let you write your own terms," City leaders went to great lengths to attract development partners, offering subsidized loans, property tax abatements, and other investment incentives. Businesses could also count on the support of the semi-private development corporations created by the City to oversee projects, such as the first entity, Charles Center-Inner Harbor Management, Inc., which enjoyed exemption from many laws and regulations applying to City agencies. Despite the boom in economic activity at the harbor, the City largely had to foot the bill: 90% of the first phase of the Inner Harbor project was funded by public money, much of it from federal HUD grants.[18] While the project was widely hailed as a model for urban revitalization in other cities, it was not until the 1980s that it was financially sound enough to attract most of its money from private investors.

Tourism-Based Development

Another precedent set by the Charles Center-Inner Harbor projects was the shift in focus from industry to real estate, retail business and tourism as engines for economic growth. Although the success of the Inner Harbor demonstrated the advantages of such a strategy in attracting private capital, the real estate bust at the end of the 1980s highlighted its vulnerabilities. The elimination of many real estate tax shelters by the federal tax reforms of 1986 burst the bubble of real estate speculation nationwide. In Baltimore, downtown property values dropped 40% between 1980 and 1996, while downtown office vacancy rates rose to 25%.[19]

Ultimately, the public-private partnership model would prove to be quite expensive for the City and its taxpayers. Much of the high cost of pumping up tourism can be explained by the nature of the tourist industry itself: any city that relies on its own novelty value to appeal to fickle tourist-consumers must constantly re-invent itself at great cost in order to keep them coming back for more. On average, Baltimore paid 30 cents for every dollar going towards downtown construction in the 1980s.[20] The 1990s saw several major development projects completed at high cost to the taxpayer: Oriole Park at Camden Yards (financed by over $200 million in public funds), Ravens Stadium ($200 million), an expanded Convention Center ($151 million), and the now-bankrupt Columbus Center ($147 million).[21] Compounding these costs have been the City's problems in holding investors accountable for their end of the deal. By 1992, almost $60 million in City redevelopment loans since the 1970s had not been repaid.[22]

While the benefits of a tourism-based, downtown-centered development strategy are obvious for the hotel and convention industry, the benefits for most Baltimore residents is dubious. While development did create many new jobs – the downtown

employment rate grew nearly 80% between 1970 and 1995 – it is questionable whether this shift in employment to the downtown area made up for job loss in other industries in the City as a whole.[23] The 1990s saw considerable decline, with 74,000 jobs lost by the end of the decade.[24]

The quality of these downtown jobs is an added reason for concern. According to one study, typical tourism jobs – for waiters, janitors, cashiers and food service workers – pay roughly 46% of the average city wage.[25] Such jobs offer few benefits, are not unionized, and many are part-time. For the majority of downtown workers, the tourism industry does not offer a sustainable wage. And while tourists can now enjoy convention centers, hotels, stadiums and restaurants built with public money, most Baltimore residents continue to live in deteriorating neighborhoods with high unemployment, a soaring crime rate, open-air drug markets, and underfunded public schools.

Biotechnology Development

More recent development projects in the City have focused on the lucrative field of biotechnology research. Recognizing the importance of health care to the City's economy, City leaders and developers plan to take advantage of Baltimore's singular concentration of elite academic and medical research facilities, most significantly the Johns Hopkins Medical Institutions. In January 2001, Mayor Martin O'Malley announced plans for the creation of a biotechnology park north of Johns Hopkins' East Baltimore medical campus. Another biotech park, near the University of Maryland's West Baltimore campus, is slated for construction in the coming years. The current strategy counts on the stellar reputation of Baltimore's university medical facilities to attract companies in the biotechnology sector to relocate to Baltimore, in order to have access to many of the country's top medical researchers and scholars.

The larger of the two projects, the East Baltimore Biotech Park, will take up two million square feet of land adjacent to the Johns Hopkins Hospital. It is currently expected to take 10 years to complete, at a cost of between $800 million and $1 billion, $200 million of which will come from public funds. Once completed, the park is projected to house 30 to 50 biotech companies, including biological researchers, small scale manufacturers, pharmaceuticals, and other biotech support industries. East Baltimore Development, Inc. (EBDI), the quasi-public, non-profit partnership overseeing the park's development, will acquire up to 3,300 East Baltimore properties for the construction of the park. Approximately 300 homeowners, 500 renters and 100 small businesses will be relocated for the project. Residents who must move out will receive up to $70,000 in relocation benefits.[26]

This time, we have to put the needs of Baltimoreans first. We have to assure that the coming wave of public-private investment partnerships do not leave the poorest Baltimore families and their communities mired in poverty, as has happened with the development schemes of the past.

EBDI predicts the biotech park will create a total of 8,000 new jobs in the area.[54] According to a an EBDI-commissioned study, the new jobs are projected to go in equal shares to high school graduates, college graduates, and post-college graduates. Some concerns have been raised about whether the East Baltimore Biotech Park will actually generate the predicted number of jobs.[27] The jobs are dependent on developers' ability to attract companies. To date, although the City has offered prospective investors such incentives as 10-year credits against property taxes for new construction, one- to three-year tax credits for wages paid to new employees, low interest loans, and workforce development grants, not a single company has committed to relocating to the park's premises.[28]

Moreover, biotechnology is not a low-skill field. Experience with biotech development has been that most of the jobs initially created by new biotech companies are reserved for the most highly educated workers. Typically, it takes biotech companies more than 10 years to research a product and win government approval before bringing a product to market. Only then does a company expand its workforce to include manufacturing, clerical and maintenance jobs available to less-skilled workers. And these jobs can leave the City once a company commercializes a drug, if it licenses production to pharmaceutical companies outside Baltimore.

These concerns do not lead us to oppose the City's current biotech-led economic development plan. But Baltimore must learn from the limits of past public-private investment experiments.

This time, we have to put the needs of Baltimoreans first. We have to assure that the coming wave of public-private investment partnerships do not leave the poorest Baltimore families and their communities mired in poverty, as has happened with the development schemes of the past.

IV. HIGHER WAGES AS THE KEY TO RESPONSIBLE ECONOMIC DEVELOPMENT IN BALTIMORE

The decline of industrial manufacturing is not unique to Baltimore. Nor is the urban blight that followed, as well paying manufacturing work was replaced by low-wage service sector jobs. This same process has ravaged cities across the country that once relied on heavy industrial manufacturing as a mainstay of their economies.

What is truly distinctive about the new economy of Baltimore, however, is the primacy of health care. Health care has largely replaced steel as the dominant industry for which Baltimore is known nationally. Baltimore is home to many hospitals and health care facilities, including the top-rated hospital in the country, the Johns Hopkins Hospital.[29] Health care is the only major sector of the local economy that has been steadily growing as overall employment has declined, adding 4,600 jobs to Baltimore in the last ten years. Health care now accounts for 18% of the City's workforce. The concentration of health care workers in the Baltimore workforce is roughly two-thirds higher than the national average.[30]

Despite their high representation in the local workforce, today's health care workers do not make nearly as much relative to the cost-of-living as their blue-collar counterparts in the steel industry once did. As late as 1982, in the midst of the industry's decline, unionized steelworkers covered by a nationwide contract earned an average wage equivalent to $22.83 an hour today.[31] In contrast, many hospital workers today earn less than $11 an hour. In their struggle to deal with the rising costs of housing, transportation, medical and child care, many rely on public funded programs that provide food, shelter, and health care.

> ***As late as 1982, in the midst of the industry's decline, unionized steelworkers covered by a nationwide contract earned an average wage equivalent to $22.83 an hour today. In contrast, many hospital workers today earn less than $11 an hour, while struggling with the rising costs of housing, transportation, medical and child care.***

The Economic Impact of Raising Service Workers' Wages

There is probably no better means to stimulate overall economic activity in a region than to raise the incomes of its low-wage workers. As a rule of thumb, low-wage workers spend more of their income and save less than wealthier, higher income earners, because their income must cover their basic economic needs. Low-wage workers spend a greater portion of their paychecks on goods and services for their families, often purchasing these in the stores, groceries, salons, and dealerships closest to them – in their own communities. These same stores are often owned by their neighbors, and employ workers from the same neighborhood. A dollar paid to a low-wage worker is a dollar invested in the community, not in mutual funds, currency speculation, or imported luxury goods. A raise for low-income workers raises revenues for neighborhood merchants and the incomes of other workers in the community. This impact from each dollar earned and spent in the community is known as the "spillover effect."

When low-wage workers receive a significant raise, it also puts significant pressure on employers to raise wages of non-union higher paid, more skilled workers in order to preserve pay differentials. For example, when bus aides negotiated a raise to $7.70 an hour under a 1997 Baltimore public schools transportation contract, bus drivers were then earning between $7.85 and $8.50 an hour. The raise for bus aides led drivers to demand raises to maintain their traditional differential. Thus a raise for the lowest paid workers can often have an additional effect of raising wages across the board, increasing take-home pay and consumer spending in a community many times over.

In order to maximize the impact of wage increases, an effective economic development strategy would seek to generate significant increases in income for the greatest possible number of low-wage workers in impoverished neighborhoods. In Baltimore, these workers are predominantly service workers, and the City's hospitals are among their largest employers.

Baltimore City Residents Support Lifting Wages to Middle-Class Levels as the Preferred Way to Improve the Local Economy

When asked about the effectiveness of various strategies to improve the local economy, Baltimore City residents found the following strategies to be very or somewhat effective:

Pay more working adults a middle class wage.	**88%**
Give more tax breaks to working families.	**87%**
Give more tax breaks and incentives to businesses.	**59%**

Poll conducted by Brilliant Corners Research, December 2003.

The Strategic Importance of Baltimore Hospital Workers' Wages

Baltimore's hospitals set the prevailing standards for health care worker wages in the City. The US Commerce Department has developed a measure to calculate the multiplier effect of higher wages for Baltimore hospital workers on the economy as a whole. This measure shows that a one dollar per hour annual raise for 3,500 workers at Johns Hopkins Hospital, Greater Baltimore Medical Center, and Sinai Hospital of Baltimore would produce a total of $10.4 million in additional income for everyone in Baltimore within a year. In three years, it would produce a total of $62.4 million.[32]

Every additional dollar earned by Baltimore hospital workers would mean more money for the City as a whole and an infusion of much-needed revenues into the City's tax base. City leaders who are serious about economic development cannot afford to ignore the influence of health care employers over the direction of Baltimore's economy. In a rational and responsible economic development plan for Baltimore, City leaders would apply every available inducement for a local market-making hospital like Johns Hopkins to raise incomes to a self-sufficient level for its low-wage employees.

The Self-Sufficient Wage

Baltimore's hospital service workers do not generally earn wages that are adequate to sustain a self-sufficient life here. According to a study by Dr. Diana Pearce called *The Self-Sufficiency Standard for Maryland*, adding the minimal costs of food, housing, transportation, health care, child care, miscellaneous expenses and taxes, a worker would have to earn **$17.41 an hour** to provide for two children without needing outside assistance.[33]

Yet the typical Hopkins Hospital environmental services worker, with many years of service, earns ***only ten dollars an hour*** before taxes. If she is a sole provider for two children – a common situation for many service workers – her salary is far below the self-sufficiency level of $17.41 per hour that researchers calculate is needed for a family of three to lead a decent life in Baltimore.

She qualifies for the following public assistance programs: Maryland Child Care and Development Fund, Maryland Children's Health Program, Baltimore City Public Schools Reduced Price Meal Program, and – if she is pregnant, nursing, or has an infant child – the Women, Infants, and Children Program. ***The total cost for all state and federal assistance for which she is eligible, were she to use it, would come to $13,570 per year.***[34]

The Cost of a Decent Life for a Service Worker at Johns Hopkins Hospital

Household income needed for a ***Decent Life in Baltimore*** for a single parent supporting one pre-school and one school-age child:

Expense	Monthly Expenditures	Hourly Equivalent
Food	$396	$2.25
Housing	$722	$4.10
Transportation	$287	$1.63
Health Care	$248	$1.41
Child Care	$749	$4.26
Miscellaneous	$240	$1.36
Taxes	$421	$2.39
Total	**$3,064**	**$17.41**

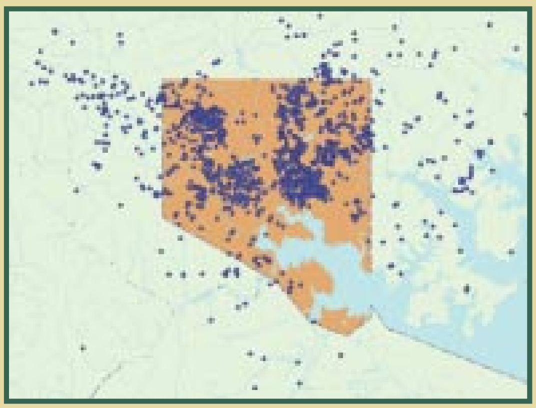
The self-sufficient wage for a three-person family in Baltimore is $17.41.

Pearce, Diana. The Self-Sufficiency Standard for Maryland. Prepared for Advocates for Children and Youth and the Center for Poverty Solutions, December 2001.

Wage-Driven Economic Development in Baltimore

Hospital service workers are overwhelmingly concentrated in some of the most economically depressed parts of the City. In neighborhoods where these hospital workers live, the effects of low wages on the level of development are obvious.

Where Union Hospital Workers Live



According to a survey of employees, the per capita income in the zip codes with the greatest density of unionized hospital workers in Baltimore was $12,740 in 2000, little more than half of the national average of $21,587. The average poverty rate in those zip codes was 31.4%, more than twice that of the US as a whole. The unemployment rate in 2000 was 15.7%, nearly three times as high as the national average. Finally, the high school dropout rate was 18.9%, in comparison to 9.8% nationwide.[35] Without a job base that allows workers to earn middle-class wages, real development will remain elusive for these communities.

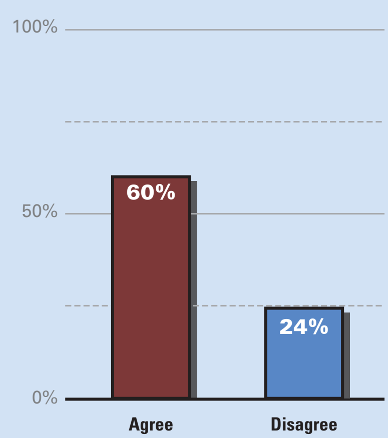
The economic impact of a raise in hospital worker wages to self-sufficiency levels would be substantial. The average wage rate for service and maintenance workers at Johns Hopkins, GBMC and Sinai Hospitals is $11.11. **According to the Department of Commerce's multiplier model described above, a wage increase to the self-sufficiency level of $17.41 per hour would create a substantial infusion of new income and consumption in the Baltimore area, targeted strategically at neighborhoods where low-income hospital workers live. Such an increase would create an additional $197 million in income over three years – a dramatic impact for these struggling communities.**

Unions as Strategic Partners in Baltimore's Economic Development

Establishing private sector wage increases as an engine of economic growth poses a challenge that our elected public leaders, no matter how well-intentioned, cannot be expected to meet alone. Strong unions, through collective bargaining for workers' wages, have a critical role in promoting economic growth. Successful unions can be effective strategic partners in the advancement of a responsible, people-oriented strategy for

Labor Unions Contribute to a Middle-Class Lifestyle

When asked whether labor unions contribute a great deal to the ability of working families achieve a middle-class lifestyle, Baltimore residents agreed by a margin of more than 2 to 1.



Poll conducted by Brilliant Corners Research, December 2003.

Hurdles to Organizing

Workers trying to organize face daunting management opposition, unless an employer has agreed to remain neutral. The chart below, adapted from the AFL-CIO's website, shows some common intimidating tactics with with managers respond to organizing drives

MANAGEMENT ANTI-ORGANIZING TACTIC	FREQUENCY OF OCCURANCE
Employers illegally fire at least one worker for union activity during organizing campaigns	**25% of the time**
Employers hire consultants or union-busters to help them fight union organizing drives	**75% of the time**
Employers force employees to attend one-on-one meetings with their own supervisors against the union	**78% of the time**
Employers force employees to attend mandatory closed-door meetings against the union	**92% of the time**
Employers threaten to call the Immigration and Naturalization Service during organizing drives that include undocumented employees	**52% of the time**
Workers in 1998 who won cases proving they had been illegally discriminated against for engaging in legally protected union activity	**24,000**
Percent of elections in which workers vote to have a union but still have no contract two years after the election	**32%**
Proportion of public who say laws protecting the freedom to join unions are important	**71%**
Proportion of public who know what happens in America's workplaces when workers try to form unions	**35%**
Nonunion workers who say they want to join a union	**42 million**
Percentage of U.S. workers who belong to unions	**13.5%**
Percentage of U.S. workers who would be in unions if workers could choose freely	**50%**

Sources: Kate Bronfennbrener, Uneasy Terrain: The Impact of Capital Mobility on Workers, Wages and Union Organizing, Cornell University, Sept. 6, 2000; Human Rights Watch, Unfair Advantage: Workers' Freedom of Association in the United States Under International Human Rights Standards, 2000; Membership survey for the AFL-CIO, Peter Hart Research, 1999 and 2001; Richard B. Freeman and Joel Rogers, What Workers Want, ILR Press, 2002, updated figures from authors, June 2002

the development of our city.

In the mid-twentieth century, industrial unions, by winning middle-class wages for Baltimore workers, became agents for social and economic advancement for the entire City. In the new economy of Baltimore, service sector unions can play a similarly vital role.

Unfortunately, there has been considerable erosion of American workers' rights to organize in recent decades. Workers have fewer protections from union-hostile employers than they had even a few years ago. In the 1950s, for example, workers who suffered reprisals for exercising the right to freedom of association numbered in the hundreds each year. In the 1960s, the number climbed into the thousands, reaching slightly over 6,000 in 1969. By the 1990's, more than 20,000 workers each year were victims of some form of employer harassment.[36] Workers who have tried to form and join trade unions to bargain with their employers have been spied on, harassed, pressured, threatened, suspended, fired, deported or otherwise victimized in reprisal for their exercise of the right to freedom of association. Hostile employers should not be permitted to obstruct this basic right.

By standing with unions in fighting to restore workers' rights to organize and bargain in good faith, elected leaders will enable unions to be effective strategic partners in promoting economic growth and development. By supporting efforts to secure employers' agreement to codes of conduct that prevent intimidation and punishment of workers for exercising their rights to organize, by calling for immediate recognition of a majority expression of preference for union representation, and by insisting on commencement of collective bargaining without delay when workers have made their choice for union representation, Baltimore's working people, community activists, people of faith, and our elected leaders can forge a partnership for improved living standards and working conditions for workers in our city.

Dr. King on March 10, 1968

Unfinished Business of the Civil Rights Movement

The Hospital Workers Union, 1199, was organized in Baltimore with the inspiration of the Civil Rights movement one year after the assassination of Martin Luther King.

The union's goals, today — to organize health care workers and raise their wages to self-sufficient levels — is the unfinished business of the Civil Rights and the worker rights struggles.

"I can remember just a few years ago right here in this city, that hospital workers made wages so inadequate that it was a shame to say to anybody that these people were being paid."

Dr. Martin Luther King, Jr.

V. DOMINANCE OF THE JOHNS HOPKINS INSTITUTIONS IN THE BALTIMORE ECONOMY

If increasing low service sector wages is to be the engine of a responsible economic development plan, the plan must begin by examining the critical role of the employer that has the most profound impact on Baltimore's private-sector economy: the Johns Hopkins Institutions. As the largest private employer in the state of Maryland, with over 46,000 employees in 2002, the Johns Hopkins Institutions have surpassed and replaced Bethlehem Steel and other manufacturing industries as the economic powerhouse of Baltimore's new economy.[37]

Hopkins' Profitability

According to a report commissioned by Hopkins, the non-profit Johns Hopkins Institutions – comprised of Johns Hopkins University, the Schools of Medicine, Public Health, Nursing, and other post-graduate institutions, as well as the Johns Hopkins Hospital and Health System – generate over $7 billion in business statewide: one of every 28 dollars in the Maryland economy.[38] The Hopkins Institutions are among the most "profitable" of all private institutions in Maryland, both non-profit and for-profit. The Hopkins Institutions earned a combined income of over $200 million in the 2002 fiscal year.[39] Their unparalleled renown in research and medical care attracts more grant funding than any other academic institution: $1.4 billion in 2002, more than twice the amount of the second-highest ranking recipient. From the National Institutes of Health alone, Hopkins received $510 million in 2002, nearly $100 million more than the second-highest recipient of NIH grants.[40] The Hopkins Institutions also regularly attract the nation's top doctors and medical students, having earned Hopkins Hospital the top spot in *US News and World Report's* annual hospital rankings for 13 years in a row.

2002 NIH Awards to Academic Institutions

Johns Hopkins University	*$510,005,326*
University of Pennsylvania	*$418,546,510*
University of Washington	*$405,729,042*
University of California at San Francisco	*$365,365,909*
Washington University	*$343,792,077*

Source: NIH Awards to All Institutions by Rank, Fiscal Year 2002: http://grants.nih.gov/grants/award/trends/rnk02all1to100.htm

Tax-Exempt Status

The Hopkins Institutions' non-profit status does not come without a cost. As Baltimore struggles with a dwindling tax

base, the City's charitable institutions, and Hopkins in particular, generate an ever greater portion of overall income — and these institutions are exempt from taxes. Within Baltimore City alone, Hopkins Institutions own $505 million worth of tax-exempt property, according to current tax assessments.[41] Were these properties subject to taxation, Hopkins would have to pay $12 million a year in property taxes to the City.[42] Instead, the burden of paying for schools and other services falls on the rest of Baltimore's residents and businesses.

The Johns Hopkins Hospital

The Johns Hopkins Hospital plays an enormous role in both the Hopkins universe and the local economy. Johns Hopkins Hospital generated over $40 million in net operating income for the system as a whole in 2002, more than double the amount it earned the year before, and its total fund balances (net worth) grew $110 million for the five years ending in fical year 2002, to a total of $380 million.[43] As a non-profit entity, the hospital is obliged to reinvest those earnings in the community which it serves.

In comparison to other hospitals, however, Johns Hopkins Hospital devotes a much smaller percentage of its care to local residents. According to the Hopkins report cited above, nearly one-quarter of all of Johns Hopkins Hospital's total revenues came from out-of-state patients, compared to just 4% at Bayview Medical Center and just over 2% at Howard County General Hospital, both components of the Johns Hopkins Health System.

Indirect Funding: Hidden Subsidies

As noted above, a substantial number of Hopkins Hospital service workers are eligible for public assistance while working full-time at the hospital. Thus, public assistance to full-time workers is a hidden government subsidy to the hospital, supplementing the low wages it pays to its service employees. As the chart below show, Hopkins and other Baltimore hospitals shift the burden of wage payments onto the community at large.

America's Leading Hospital Is No Wage Leader

Johns Hopkins Hospital employs far more workers than any other hospital in the City. Including Hopkins Baywiew Hospital, Johns Hopkins medical institutions account for 35 percent of the city's hospital workforce.

Shifting the Burden of Low Wages

A Hopkins Hospital environmental services worker who earns an annual income of $20,800 a year ($10/hour) while supporting two children, qualifies for the following public assistance programs:

Public Assistance Program	Annual Cost to Taxpayers
Maryland Child Care and Development Fund	*$2,858.37*
Federal CCDF expenditures	*$8,222.12*
Maryland Children's Health Program	*$498.00*
Baltimore City Public Schools Reduced Price Meal Program	*$1,222.00*
Women, Infants, and Children Program (if pregnant, nursing, or has an infant child)	*$ 770.25*
Total Annual Costs to Taxpayers Per Worker	**$13,570.74**

Hopkins thus has the greatest influence over wage rates among Baltimore hospital employers. Yet Johns Hopkins Hospital is not the wage leader among Baltimore Hospitals.

Despite the millions it earns in net income, Johns Hopkins' Hospital directs only a small portion of its tax-exempt earnings toward raising the wages of its most poorly paid employees. Despite Hopkins Hospital's robust growth and profitability, the wages it pays its employees fall well behind the wages paid to service and maintenance employees at a number of other private Maryland hospitals. In many job classifications, Hopkins Hospital's average base wage rates rank in the bottom half of all Maryland acute care hospitals. Many of the hospitals leading Hopkins in wages are also located in Baltimore, and earn far less in net operating revenue than Johns Hopkins.[44]

Hopkins service and maintenance employee wage policies are clearly independent of the hospital's ability to pay. Hopkins simply chooses not to pay. The result of that choice is a long-standing wage stagnation for all Baltimore health care workers. Other employers don't have to pay middle-class wages if Johns Hopkins does not.

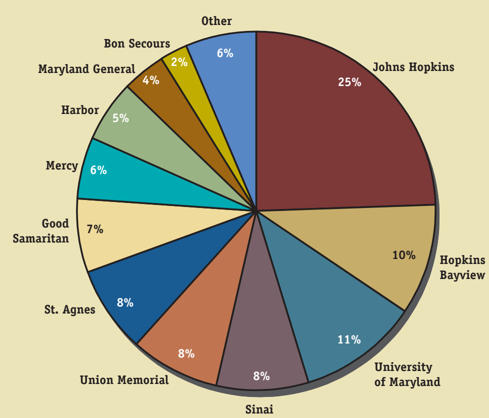
Higher Wages in Hospitals' Interest

Henry Ford realized early in his career the self-interest employers have in paying their workers fairly: besides providing labor, employees make up much of the industry's consumer base. Ford could not expect to sell cars if his own workers were not paid enough to afford one of their own. Baltimore's hospitals could learn from this example.

Johns Hopkins, geographically,

2003 Baltimore Hospital Employees

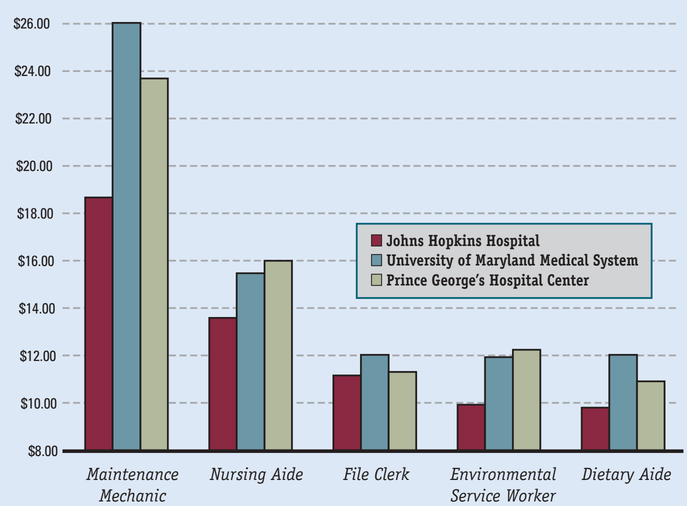
Hopkins institutions represent 35 percent of all hospital workers in Baltimore City.



Source: Maryland Health Services Cost Review Commission, Wage and Salary Survey, 2003; Bay Area Economics, 2003.

Hopkins Wages

Hopkins 2003 Average Wages Fall Below Wages at Other Maryland Hospitals



Source: Maryland Health Services Cost Review Commission Wage and Salary Survey, 2003. Base Rate Without Fringe Benefits.

serves a community with enormous needs for health care services, yet without sufficient means to pay for them. Nationwide, predominantly minority and low-income neighborhoods such as East Baltimore, where the Hopkins medical campus is located, have some of the highest rates of asthma, diabetes, cardiovascular disease, sexually transmitted diseases and HIV-related illnesses.[45] Baltimore area residents already spend more on health care than residents of any other region in Maryland.[46] When they cannot afford health coverage, however, many are either forced to rely on charity care, at great cost to the hospital, or forgo care entirely until their situation is dire, at great cost to the entire community.

Better wages would go directly into the community Hopkins serves, resulting in increased utilization of health services, a shift in reliance from emergency facilities to preventive medicine, and a greater number of privately insured patients, improving the hospital's payor mix. Additionally, higher wages decrease employee turnover and cut down on training costs, allowing for a more stable workforce to provide hospital services.

Workforce stability is of great importance for patient care; studies show that patient satisfaction and employee satisfaction at hospitals go hand in hand.[47]

A Matter of Public Policy

Raising hospital workers' wages needs to become more than an issue of employer responsibility to Baltimore. It needs to become a matter of public policy, as well, if only to prevent the further deterioration of the communities in which health industry employers like Johns Hopkins and other hospitals operate. Bold and visionary leadership is needed to compel trend-setting employers like Johns Hopkins to pay self-sufficient wages, at the very least, to the workers they employ. If the influence of such leadership is not brought to bear on Baltimore hospitals, these hospitals and the service sector employers that compete with them for labor will only continue to pay wages so low as to force their employees to rely on public assistance, creating additional burdens for a city that already lacks sufficient resources.

If leading Baltimore hospitals like Johns Hopkins are encouraged to raise their wages to self-sufficient levels, the rising incomes and spending power of Baltimore service workers will be harnessed as a major engine of economic growth and development that will contribute to meeting the human needs of Baltimore families, local businesses, and struggling communities of our city.

VI. OTHER POLICIES FOR RESPONSIBLE ECONOMIC DEVELOPMENT IN BALTIMORE

To launch an economic development plan that puts people first, planners and leaders must assign a high priority to meeting the human needs of Baltimore's working families. In addition to using well-paying jobs as a motor of economic development, a people-oriented plan must address issues beyond the workplace that affect the quality of life for working families. Among such issues are the following:

Affordable Housing

A responsible economic development plan for Baltimore needs to include specific plans and concrete measures to achieve the goal of insuring that all Baltimore families can reside in decent and affordable housing in livable communities – that is, communities where the streets are safe, schools educate children for economic success, and workers have access to jobs that can provide for their families. From an ethical and an economic perspective, it is obvious that this is the right thing to do.

There is another reason why provision of affordable housing throughout Baltimore is important to the responsible development of our city. Housing influences a broad array of factors that affect the quality of life for Baltimore residents. For example, studies show that the most significant determinant of academic success among public school students is the socioeconomic mix of students' families. Economically disadvantaged children have a greater capacity to succeed in schools in mixed neighborhoods than in uniformly poor neighborhoods.[48] In addition, youths are less likely to be out of work, drop out of high school, or become teenage parents in socioeconomically mixed neighborhoods than in uniformly poor neighborhoods.

Nevertheless, Baltimore suffers a persistent and critical shortage of affordable housing. In much of the Baltimore region, there is little or no affordable housing for working families in neighborhoods with safe streets, good schools, and good jobs. Too often, affordably priced housing can be found only in communities

> ***A responsible economic development plan for Baltimore needs to include specific plans and concrete measures with the goal of insuring that all Baltimore families can reside in decent and affordable housing in livable communities…***

with high crime, poor schools and no jobs. A concentration of low-income housing in such depressed neighborhoods cannot improve the quality of life for residents. What is needed is a housing strategy that creates mixed-income, affordable housing.

A first component of such a housing strategy would be passage of city regulations to require affordable housing set-asides in new housing projects. Montgomery County already has such regulations, which require a 15% affordable housing set aside for all housing developments of 35 units or more. This approach has achieved a great degree of success in creating affordable housing in livable communities. If applied to Baltimore City, such regulations would provide much needed housing options for low-income working families. For example, the Chapel Apartments in Baltimore, which are currently converting to market rate, should be required to keep a certain percentage of their units affordable. This complex and the planned Biotech Park developments are near the Johns Hopkins medical campus and could provide decent and affordable housing for Hopkins employees.

A second component of an affordable housing strategy would emphasize re-investment in older Baltimore communities to encourage mixed-income housing. City and state officials should seriously examine potential sources for this re-investment, including a federal housing trust fund, an enhanced state housing trust fund, an expanded state-community legacy program, and the creation of a Baltimore City housing trust fund.

Finally, it should be noted that no housing is affordable to workers who earn wages so low that they cannot afford to meet the basic costs of food, housing, transportation, health care, child care, miscellaneous expenses and taxes for their families. ***There is no solution to the affordable housing crisis in Baltimore independent of a targeted strategy to raise service sector incomes to a self-sufficient level.***

Affordable Transportation

Transportation ranks second only to housing as the largest household expense for families in the Baltimore area.[49] Here, as in other metropolitan regions, the rise of a service-based economy tends to locate more workers further from their place of employment, making car ownership a necessity for many jobs. Access to transportation greatly affects job opportunities for low-income workers. At the same time, the need to spend a large percentage of their income on transportation often puts homeownership out of reach for many working families.

> ***Access to transportation greatly affects job opportunities for low-income workers. At the same time, the need to spend a large percentage of their income on transportation often puts homeownership out of reach for many working families.***

Household expenditures on transportation have steadily risen, and currently take up 20% of the average American household budget. Poorer families, however, pay a much greater portion of their income for transportation.[50] Households that earn an income of less than $14,000 spend nearly 40% of their yearly budget on transportation. And because poor families generally cannot afford reliable vehicles, maintenance of their automobiles is often costlier.

Transportation costs can be especially detrimental to the accumulation of savings for other household expenses. Anne Canby of the Surface Transportation Policy Project points out that, because the value of a house appreciates over time while the value of a car goes down, spending on vehicles actually erodes wealth, and at the same time prevents families from building up their assets by buying a home. On the other hand, public transportation can cut costs dramatically. Even the least expensive car can cost $3,000 a year in fuel, insurance, and repairs, while public transit costs typically range from $800 to $1,500 per year. Hence, any plan aimed at encouraging homeownership and building net income for working families must include well paying jobs accessible by a high-quality public transportation system.

As 2004 begins, it is very much in doubt whether or not the Baltimore area and State of Maryland will pursue improvements in public transportation. The status of three key policies and initiatives is currently unclear:

Farebox Recovery Requirement

Ever since the Maryland Transit Administration was formed around 1970, the State legislature has required it to raise a certain percentage of its operating costs through transit rider fares, covering the rest through Maryland's Transportation Trust Fund. In 2000, the Maryland General Assembly lowered that "farebox recovery" requirement from 50%, which had been the second highest such requirement in the nation, to 40% – but only for four years. If the 2004 General Assembly does not act, the requirement will revert to 50 percent as of July 1, 2004.

Already in the summer of 2003 transit riders saw fare increases of 20% or more and the cutting of some routes in order for MTA service to meet the 40% mark. If MTA must meet a 50% farebox recovery level in July, riders will likely suffer a second round of even steeper fare increases and service cuts. Such a move would increase transportation costs and reduce choices for working families least able to bear those changes – moving us in the wrong direction in the Baltimore area. A new statewide coalition of transit advocates, the Maryland Transit Coalition, has formed to push for the repeal of the sunset provision in the 2000 farebox recovery law.

Baltimore Region Rail System Plan and Transit Funding

In 2002, a 23-member state-appointed advisory committee led by former State Delegate Anne Perkins and former MTA Administrator John Agro released the first plan for a comprehensive rapid transit system in Baltimore in nearly 40 years. Spurred by complaints from prominent Baltimore-area state legislators, the Baltimore Region Rail System Plan would

expand the region's current 43 miles of rail transit – a Metro subway line and light rail line – into a true system of 109 miles. This Baltimore Region Rail System Plan would dramatically improve travel times for transit riders and increase transit accessibility to job centers in the City of Baltimore and its suburbs, including several Hopkins locations. Unfortunately, the future of the plan is very much up in the air.

In March 2003, under pressure from Mayor O'Malley, local county executives, and members of Congress, Governor Robert Ehrlich agreed to request initial construction

funds for the Baltimore Rail Plan from Congress as part of its blueprint for federal transportation spending through 2009. Such federal funding would require matching funds from the State of Maryland, however, and when it came time this past fall for the Maryland Department of Transportation (MDOT) to lay out its needs through 2010, initial state construction funds for the Baltimore Region Rail System Plan had not been found.

Transportation funding will be a key topic of debate in the 2004 General Assembly. MDOT projects that, without new sources of revenue, the only new transportation expansion projects that will move into construction after this year will be the Inter-County Connector in the Washington region and widening of I-95 north of Baltimore. Already some rural state legislators are saying the only revenue increase they could support would be one solely for road expansion. Some are stating that transit funding should be removed from the Transportation Trust Fund altogether. If the Baltimore area is going to move toward a future in which its jobs and residents are connected by high quality transit service, its state legislators will need to stand firm in support of that future in the 2004 General Assembly and oppose measures that would remove transit from transportation funding.

Economic Development and Transit

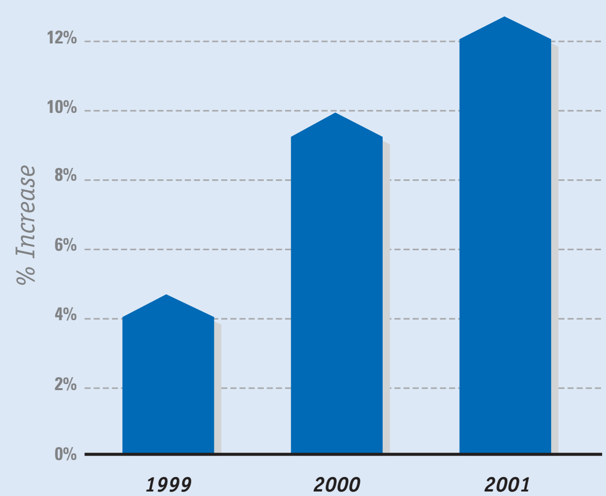
The flip side of a quality transit system is making sure that as many jobs and households are located within its reach as possible. We have enormous steps to take to reach that goal. In 2003, Good Jobs First released a survey showing that not a single state in the US uses incentives to target its job creation around its transit systems. Thus, as metropolitan areas tend to expand into their rural outer reaches, jobs move further and further away from quality transit service.

Baltimore-area jurisdictions and the State of Maryland must move aggressively to focus job creation and the development of quality, affordable housing within easy reach of quality transit service. Only in that way will transit service and metropolitan growth patterns reinforce and strengthen each other, resulting in robust transit service and sustainable economic development.

Health Coverage for All

Health coverage is a working-class issue. There are currently over 550,000 Marylanders who are without any form of health insurance – 43,000 of them are children – and the number is steadily growing.[51] Nearly 90% of these children live in working families.[52] As health care costs continue to rise at unprecedented rates, even more residents are likely to lose coverage for themselves and their families. A responsible economic development plan must assign a high priority to achieving full access to health care for all.

Rate of Increase in Out-of-Pocket Health Care Expenses for Maryland Residents



Source: Maryland Health Car Commission: State Health Care Expenditures, Experience from 2001.

This is no isolated or temporary problem. What Baltimore and Maryland residents face is part of a nationwide health care crisis. As health insurance premiums have risen by accelerating rates for six consecutive years, employers increasingly shift the cost of health coverage to workers, raising employees co-payments and reducing benefits.

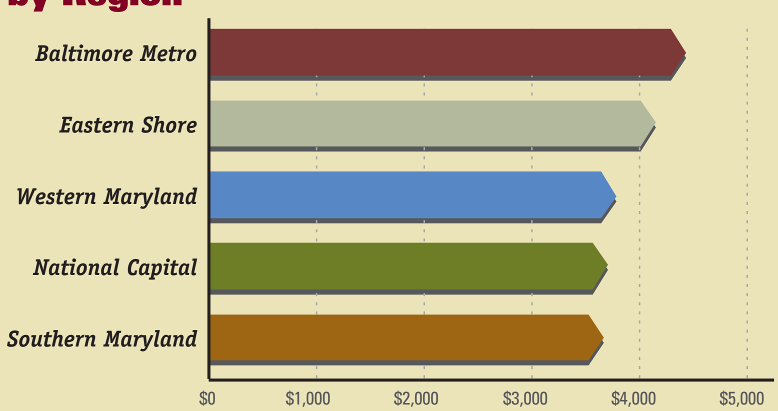
Maryland residents are particularly affected by this crisis. Statewide health care expenditures increased by $3 billion between 1999 and 2001. By 2001, Maryland outpaced the US in its rate of increase in health care expenditures. Out-of-pocket payments, the most significant measure of an individual's ability to actually afford medical care, have grown at a frightening rate. Encompassing co-payments, deductibles, prescription drugs, and all other costs not borne by health insurers, out-of-pocket expenses in Maryland grew by $3.4 billion in 2001, an increase of 12% over the previous year. For prescription drugs alone, those expenses went up 15%.[53]

To promote responsible economic development of Baltimore, our elected officials need to aggressively advocate passage of universal health care legislation. Meanwhile, elected officials should take the important step of actively encouraging and providing incentives for major service sector employers – and particularly leaders in Baltimore's dominant health care industry – to provide fully employer-paid health care coverage to their employees. This will have an important standard-setting effect on keeping health insurance within the reach of lower-income Baltimore workers.

Baltimore workers have shouldered much of the burden of rising health costs. Baltimore area residents pay more, per capita, than residents in any other region in the state. In 2001, Baltimore area residents spent an average of $4,252 on health care, compared to $3,532 for those in the national capital area. Low-wage workers, who are heavily concentrated in Baltimore, are far less likely to receive fully-paid health insurance from their employers. Few low-wage workers can afford to pay for private health insurance.

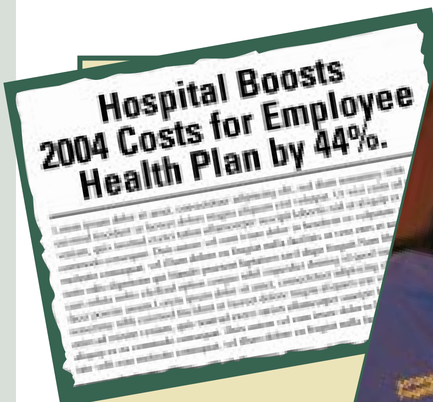
Absent aggressive intervention, the current problem will only get worse. The Center for

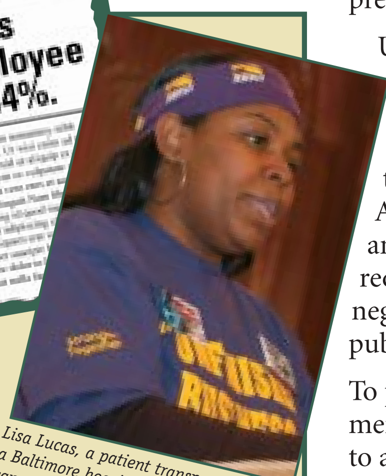
2001 Per Capita Health Care Expenditures by Region



Source: Maryland Health Care Commission: State Health Care Expenditures, Experience from 2001.

Medicaid and Medicare Services projects that wages will increase 38% nationwide over the current decade, while health insurance costs will increase 123% over the same period.[55] Most low-income families will resort to limited health coverage, or go without it, seeking care at emergency rooms and increasing the overall cost of medical services for those with insurance. The uninsured do not participate in large buying pools of insurers who negotiate discount rates with health care providers. Consequently, they face higher fees for medical care and prescription drugs at prices they cannot afford. These current dynamics of health coverage effectively deny care to the working poor.


Hospital Boosts 2004 Costs for Employee Health Plan by 44%.



Lisa Lucas, a patient transporter at a Baltimore hospital, says she cannot afford health coverage for her children.

"It's a shame, when you work at a hospital and can't afford to be covered by one. I can't even afford to pay the extra money to cover my children. I have to put them on public assistance for health coverage."

As health insurance falls increasingly out of reach for working families, the growing number of uninsured contributes to a looming public health crisis. At the state level, elected officials must enact legislative solutions to ensure equal access to health care for all Maryland residents. One solution is to expand and enhance already-existing public health programs, such as the Maryland Children's Health Care Program. Another solution is to create a buyers' pool to negotiate drug prices for those without prescription drug coverage. A "pay or play" tax on employers who do not provide health insurance would help finance a statewide health care trust fund for uninsured workers while rewarding employers who already cover their employees. The Maryland Citizens' Health Initiative, a proponent of this plan, estimates that it would reduce current administrative overhead in health systems by $49 million, and save $24 million annually in prescription drug costs.[56]

Until universal health care legislation is enacted and rising health care costs are contained, ever-increasing out-of-pocket health care costs will continue to cut into the take-home pay of Baltimore workers. Additionally, the rising cost of private insurance will force more working families to reduce or drop health coverage entirely, with negative implications for living standards and public health for all of Baltimore.

To promote responsible economic development of Baltimore, our elected officials need to aggressively advocate passage of universal health care legislation. Meanwhile, elected officials should take the important step of actively encouraging and providing incentives for major service sector employers – and particularly leaders in Baltimore's dominant health care industry – to provide fully employer-paid health care coverage to their employees. This will have an important standard-setting effect and thus help to keep health insurance within the reach of lower income Baltimore workers.

Good Public Schools

The state of a city's public school system is a

key indicator for future development trends. As researcher Myron Orfield writes, "Schools are the first victim and the most powerful perpetuator of metropolitan polarization. Local schools become socioeconomically distressed before their neighborhoods become poor. Hence, increasing poverty in a community's schoolchildren is a prophecy for the community." [57]

Without good public schools, communities can only expect continuing economic deterioration. Most obviously, many of today's public school students will grow up to shape the communities they live in. Moreover, education is often the most important factor causing families to move away from their communities. Middle-class families are usually the first to leave a neighborhood with deteriorating schools in search of better educational opportunities for their children.

Quality schools and economic development are closely tied. Schools will not improve without reversing the impoverishment of the communities around them. And without good schools, Baltimore will have a difficult time retaining families who begin to earn better wages and reach higher living standards.

The concentration of poverty in Baltimore City schools presents a major obstacle to economic development and community stabilization. Free and reduced-price lunch statistics are a widely-used measure of child poverty.[58] In 1995, 14 of Baltimore City's 100 elementary schools had over 95% of their students receiving free or reduced-cost lunches.[59] There were only 14 schools where less than half the students received free or reduced-cost lunches. The effects of concentrated poverty in schools are often seen in low test results, high dropout rates, crumbling infrastructure, and other factors not conducive to learning.

The City of Baltimore cannot, by itself, carry the full investment necessary to improve its public schools. Maryland's school funding system is inequitable and inadequate for meeting the needs of pupils. Education spending made up 16.6% of the total state budget, compared to the nationwide average of 22.2%.[60] Regional disparities in tax revenues leave many of the neediest schools underfunded. Proper tax reforms could provide the necessary revenue to boost education spending while redressing inequities in funding. Progressive Maryland identifies 51 loopholes in the Maryland tax code which are exploited by some businesses, at great cost to the state. Closing these corporate tax loopholes could save the state some $346 million for the current fiscal year.[61]

A study by the Thornton Commission found that Baltimore City has the highest percentage of at-risk students in the state, defined by the number of special education students, students receiving free or reduced-cost lunches, and students with limited English proficiency. The administration of Mayor Martin O'Malley should be applauded for increasing public school spending 15%, to $8,564 per pupil. Nevertheless, the Commission determined that the City needs to spend $12,458 per pupil to provide an adequate education for students.[62] While the Commission's recom-

mendations have been adopted into law under the Bridge to Excellence in Public Schools Act (generally known as the Thornton Act), uncertainty over the law's implementation continues to make equitable school funding an elusive goal.

Quality schools and economic development are closely tied. Schools will not improve without reversing the impoverishment of the communities around them. And without good schools, Baltimore will have a difficult time retaining families who begin to earn better wages and reach higher living standards. Middle class flight will continue to erode Baltimore's tax base and the City's potential for economic development. Full implementation of the Thornton Law, combined with programs to promote mixed-income development and well paying jobs, is necessary to sustain responsible economic development that meets the human needs of Baltimore working families. It is essential to ensuring better educational opportunities for our children.

Life-Long Learning

The Commission on a Nation of Life-Long Learners has estimated that rapid changes and technological innovation in the post-industrial economy will compel Americans to change careers an average of five times during a typical working life.[63] Most of the new jobs will require significant retraining, and there is constant pressure on individuals and businesses to adapt to changing workplace technology. Economic advancement in this kind of environment means that workers must have access to continuing opportunities for education and retraining throughout their working years.

The City and its elected leaders have an important role in assuring that life-long learning opportunities are available to adult workers. Such opportunities are critical to finding new employment and raising workers' earning potential over the course of their working lives. A responsible economic development plan would not be complete without the provision of life-long learning opportunities for Baltimore workers. Our elected leaders need to encourage and provide incentives for private sector investors to provide life-long training and educational opportunities to Baltimore workers; however, the burden of investment in such programs must be borne, ultimately, by private sector employers.

The City and its elected leaders have an important role in assuring that life-long learning opportunities are available to adult workers…

One of the most promising avenues for providing such opportunities are joint labor-management education funds, known as Taft-Hartley Funds. Taft-Hartley education funds are negotiated in collective bargaining agreements between unions and employers. Employers contribute to a multi-employer trust fund governed by a board of trustees made up of equal numbers of union and employer representatives. Taft-Hartley funds can have a significant upward effect on workers' wages over a lifetime of employment. Joint labor-management training programs currently exist in New York, Philadelphia, and Connecticut.

For example, the New York Hospital League/SEIU1199 NY Training and Job Security Program offers training from basic literacy to physician education. Tens of thou-

sands of healthcare workers have taken advantage of these programs. The AFSCME 1199C Training and Upgrading Fund in Philadelphia promotes workplace literacy, and provides RN and nursing assistant training. In Connecticut, the SEIU 1199 New England Training Fund provides tuition reimbursements, math and writing tutoring, GED preparation, and computer skills classes. These programs use funds that are negotiated in union contracts and then pooled together. The longevity of these programs is therefore not a constant worry.

A joint labor/management program for Baltimore would:

- Provide a stream of qualified, skilled workers to address labor shortages and job openings;
- Ensure incumbent workers are aware of identified career ladders;
- Provide training and skills upgrading for incumbent workers;
- Counsel and direct workers to appropriate jobs and career opportunities;
- Research labor market trends in healthcare;
- Develop proactive measures to meet future labor mark trends in health care;
- Work to achieve mutually beneficial goals for workers and facilities, such as improved Medicaid reimbursements and more affordable and accessible health care.

Currently, non-profits struggle to respond to the needs of Baltimore health care workers. They rely on public and private funding that is dependant on the economic and political winds of the day. Consistent, joint funding for their programs would guarantee continued benefits for workers and employers. And stable, consistent funding would make the programs more attractive to public and private funding agencies. The New York Hospital League/SEIU 1199NY Training and Job Security Program recently received $30 million retraining money from the State of New York and $200 milling in Temporary Assistance to Needy Families.[64]

Given the dominance of health care employment in the new Baltimore economy, adoption of Taft-Hartley-style life-long learning programs by Baltimore's leading hospitals will set an important, new standard for support of life-long learning by other Baltimore employers.

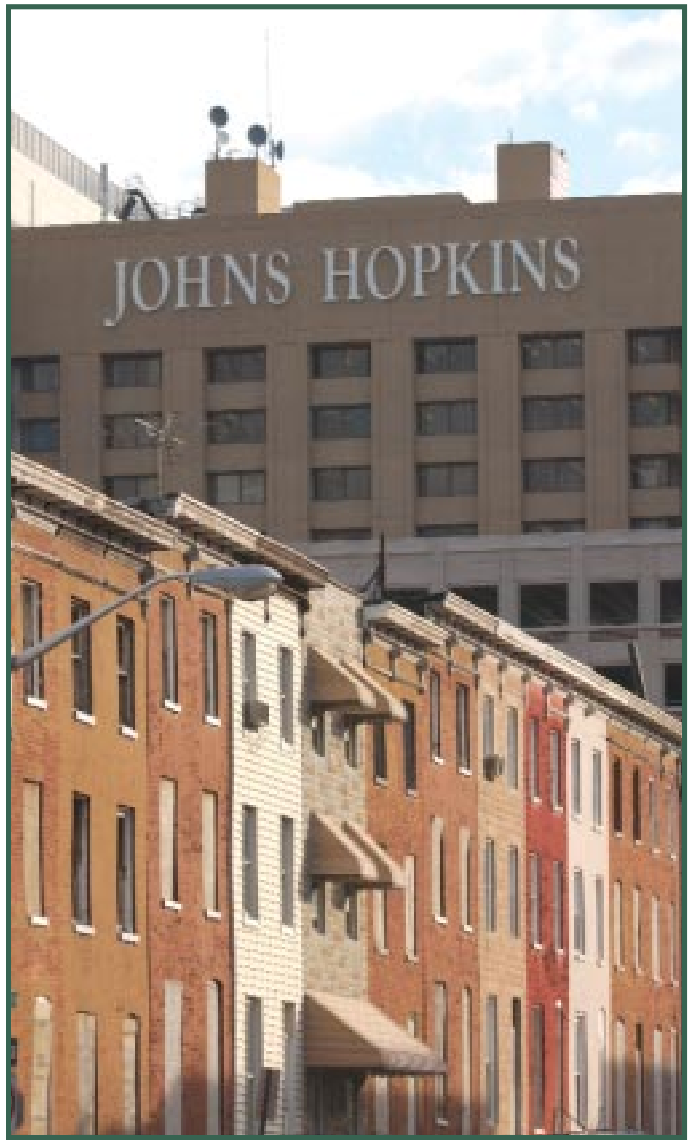
VII. CONCLUSIONS

Baltimore's potential to achieve economic prosperity and improve the quality of life for all depends on its workers earning wages sufficient to sustain a decent standard of living. Not long ago, unionized workers made the City a leading center of manufacturing that paid middle-class wages. Today, Baltimore is one of the world's top centers for health care, and yet the incomes which employers pay hospital and other service workers are wholly inadequate for the needs of working families. Unless major service employers begin to provide decent pay for the work that sustains Baltimore's economy, true economic development will remain elusive.

A strategy of responsible economic development is necessary to put Baltimore's working people first. The engine of such a growth strategy is higher wages, especially in Baltimore's dominant service sector. Higher wages increase consumer activity for local businesses and increase tax revenues for government services, creating conditions to achieve other development goals for which leaders must strive: affordable housing and transportation, high quality education, and health care coverage for all. What is at stake is nothing less than the future of Baltimore's economy and working families.

The success of such far-reaching changes depends on major service-sector employers living up to their obligation to serve their community. Because health care dominates the local economy, large employers like Johns Hopkins bear the greatest responsibility for leading this wage-driven growth strategy. Many parties throughout the City have a stake in assuring that employers like Hopkins fulfill their responsibility. These stakeholders include political leaders, community organizations, local businesses and working people throughout the City. The union, as the workers' representative for bargaining wages, is an important strategic partner with these stakeholders in working toward these shared goals. It is in the interest of all parties to enhance the union's effectiveness by defending workers' rights to organize and bargain collectively with their employers. Collective bargaining is still the most effective way to win wage improvements. And the key to responsible economic development is a commitment to workers' rights to organize a union without employer interference and a commitment to workers' collective bargaining rights. The mobilization of workers to raise their own incomes to a self-sufficient, middle-class level is the key to responsible economic development in Baltimore.

Baltimore cannot look to its past for a model of sustainable, rewarding employment. Baltimore's future is in its health care industry, and the service workers who sustain it. For the City to realize its promise to become the region's center of economic activity once again, to reverse the flight of taxpayers, jobs, and capital, and to raise the standard of living for the next generation of Baltimoreans, it must work in the interest of workers. Employers can no longer simply look to Baltimore residents as a steady source of cheap labor. City leaders must hold employers accountable for the state of their surroundings and the prosperity of their workforce. Workers will need the City's full support as they stand up and fight for a city in which everyone would wish to live.



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BRIDGE (**Baltimore Regional Initiative Developing Genuine Equality**), an interfaith association of 30 congregations in the Baltimore region, which work for social, racial and economic justice. BRIDGE uses faith-based organizing and leadership development to address the problems of poverty, racial segregation, disinvestment, sprawl development, and regional tax base disparities.
www.gamaliel.org/BRIDGE/index.htm

CASA de Maryland, a community organization, provides services and advocacy for Latino immigrants and refugees in Maryland and the Washington, DC metropolitan area. CASA offers aid in immigration matters, legal and social services, employment, education, tenant support, and women's empowerment.
www.casademaryland.org

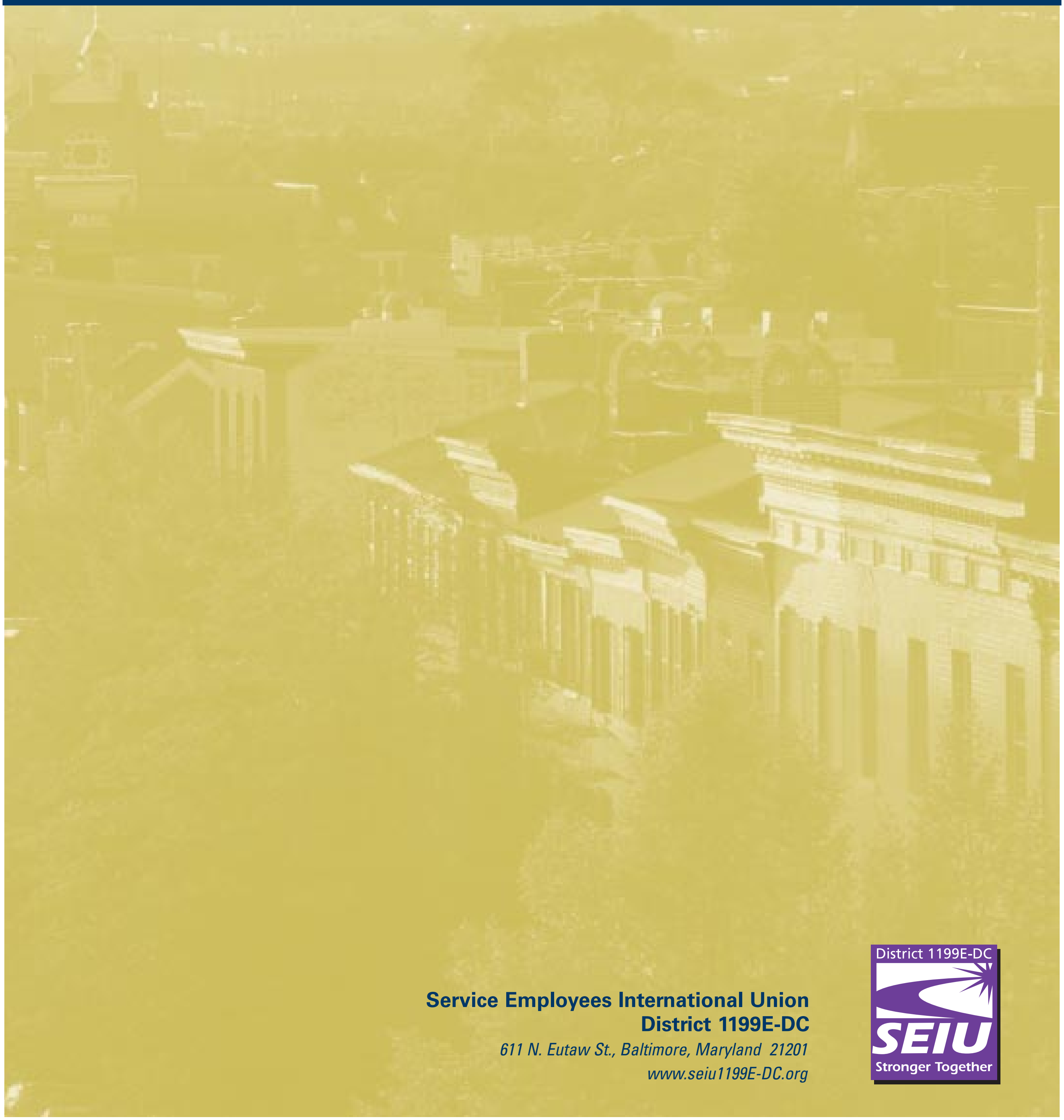
The Center For Poverty Solutions focuses on eradicating poverty through programs that foster self-sufficiency. The Center provides grants and technical support to services for needy families, works with legislators to develop and improve policies that attempt to eliminate poverty, and develops leadership through a network of grassroots coalitions.
www.povertysolutions.org

Citizens Planning and Housing Association, a 63-year-old activist organization, works for decent, affordable housing and public transit in the Baltimore region. CPHA currently mobilizes citizens around a common agenda of transportation, housing, community conservation, drug treatment and sprawl control.
www.cphabaltimore.org

The Enterprise Foundation, the Baltimore office of a national foundation, helps communities develop affordable housing and improve neighborhoods. The Foundation is currently working to improve not just housing, but also schools, health care, employment, public safety and the commercial/retail base in the west-side neighborhood of Sandtown-Winchester.
www.enterprisefoundation.org/cities/baltimore/index.asp

Maryland Citizens' Health Initiative, which works for universal health coverage for Marylanders, established the Maryland Health Care for All Coalition, the state's largest health care consumer coalition made up of diverse organizations dedicated to developing a plan to ensure that all Marylanders have access to quality and affordable health care.
http://healthcareforall.com

Progressive Maryland, an alliance of working families and religious, community, and labor organizations, supports living wages, health care, election reform, tax fairness, public transportation and voter registration.
http://progressivemaryland.org



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