

**Public Hearing**

**MEMORANDUM**

May 7, 2010

TO: County Council

FROM: Amanda Mihill, Legislative Analyst *A. Mihill*

SUBJECT: **Public Hearing:** Expedited Bill 33-10, Finance – Working Families Income Supplement – Amount

Expedited Bill 33-10, Finance – Working Families Income Supplement – Amount, sponsored by the Council President at the request of the County Executive, was introduced on May 4, 2010. Action is tentatively scheduled for May 20.

**Background**

As introduced Bill 33-10 would reduce the Working Families Income Supplement to 67% of any refund an eligible recipient receives from the State-Earned Income Credit Program. In his transmittal memorandum, the Executive estimates that the average earned income tax credit payment would be \$530 in FY11. If the Council enacts Bill 33-10, the Executive estimates that the average payment would be reduced to \$353. The Executive estimates that this action would reduce FY11 expenditures by \$5,394,100 (©4). At its May 4 worksession on the Working Families Income Supplement Non-Departmental Account, the Management and Fiscal Policy Committee placed \$5,394,100 on the reconciliation list to fund the full amount of the supplement.

**Committee recommendation**

The MFP Committee held a worksession on Bill 33-10 on May 6 and recommended (2-1, Councilmember Ervin opposed) approval of Bill 33-10 with the following amendment:

The amount of the Working Families Income Supplement paid to each recipient must equal [the amount] ~~[[67%]]~~ the amount of any refund the recipient receives from the State earned income credit program or another amount approved in the annual operating budget or a Council resolution. ~~[[The Executive, by regulations issued under Method (1), may increase the amount of the Supplement.]]~~

This language would retain the amount of the supplement at equal to the State earned income credit, but would also provide the Council flexibility to determine a different amount by resolution. The Council would also not have to enact legislation if the Council wants to adjust the amount of the supplement in the future.

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Expedited Bill No. 33-10  
Concerning: Working Families Income Supplement—Amendment  
Revised: 5/7/2010 Draft No. 2  
Introduced: May 4, 2010  
Expires: November 4, 2011  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: \_\_\_\_\_  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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By: Council President at the Request of the County Executive

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**AN EXPEDITED ACT to:**

- (1) amend the amount paid to recipients under the Working Families Income Supplement Program; and
- (2) generally amend the Working Families Income Supplement Program.

By amending

Montgomery County Code  
Chapter 20, Finance  
Article XIV, Working Families Income Supplement  
Section 20-79

<b>Boldface</b>	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

*The County Council for Montgomery County, Maryland approves the following Act:*



## LEGISLATIVE REQUEST REPORT

Expedited Bill 33-10, *Working Families Income Supplement - Amendment*

- DESCRIPTION:** This legislation reduces the Working Families Income Supplement to 67% of any refund an eligible recipient receives from the State-Earned Income Credit Program. This reduction would reduce FY-11 expenditures by an estimated \$5,394,100.
- PROBLEM:** The County has experienced a severe reduction in revenue and must reduce its FY11 expenditures in order to balance the budget.
- GOALS AND OBJECTIVES:** The estimated savings of \$5,394,100 for FY11 would help balance the budget.
- COORDINATION:** Department of Finance.
- FISCAL IMPACT:** To be requested.
- ECONOMIC IMPACT:** To be requested.
- EVALUATION:** Subject to the general oversight of the County Executive and the County Council.
- EXPERIENCE ELSEWHERE:** Montgomery County is one of the few local jurisdictions in the nation that provides a local income tax credit for its residents.
- SOURCE OF INFORMATION:** Joseph Beach, Director, Office of Management and Budget.
- APPLICATION WITHIN MUNICIPALITIES:** Applicable in all municipalities.
- PENALTIES:** Certain provisions subject to a Class "A" violation.



OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

**MEMORANDUM**

April 27, 2010

TO: Nancy Floreen, President  
Montgomery County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Working Families Income Supplement - Amendment

Montgomery County is one of the few local governments in the nation that provides a local earned income tax credit (EITC) for its residents. This program, which began in FY00 at a cost of \$2.2 million, was based on matching the State's refundable EITC which, at that time, was 10% of the federal EITC. Participation in the program included 12,322 total recipients. Since that time, the State match of the federal EITC has grown to 25% at an estimated cost in FY11 of \$16.2 million to be paid to 30,505 recipients. The average EITC payment has grown from \$178 from FY00 to an estimated \$530 in FY11.

In order to respond to the current fiscal crisis, I am reluctantly forwarding with this memorandum legislation for Council consideration that would reduce this payment by 33%. This reduction would create an estimated savings of \$5,394,100 and would change the average EITC payment to \$353, which is approximately the level this payment was at in FY05.

As the Council is well aware, the County has experienced a severe reduction in revenue and must reduce its FY11 expenditures in order to balance the budget. If enacted, this legislation will assist in balancing the FY11 budget.

IL:tjs