

**MEMORANDUM**

July 3, 2013

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney 

SUBJECT: **Public Hearing:** Expedited Bill 8-13, Working Families Income Supplement – Amount

Expedited Bill 8-13, Working Families Income Supplement – Amount, sponsored by Councilmembers Riemer, Elrich, and Leventhal, was introduced on March 19. A Government Operations and Fiscal Policy Committee worksession will be scheduled at a later date.

**Background**

The County Working Families Income Supplement (WFIS) is derived from the Federal earned income tax credit (EITC). The EITC is a refundable tax credit for lower income working families and individuals. To qualify for the EITC in Tax Year 2013, a taxpayer must earn less than:

- \$46,227 (\$51,567 married filing jointly) with three or more qualifying children
- \$43,038 (\$48,378 married filing jointly) with two qualifying children
- \$37,870 (\$43,210 married filing jointly) with one qualifying child
- \$14,340 (\$19,680 married filing jointly) with no qualifying children

The Tax Year 2013 maximum credit is:

- \$6,044 with three or more qualifying children
- \$5,372 with two qualifying children
- \$3,250 with one qualifying child
- \$487 with no qualifying children

Twenty-two states (including Maryland), the District of Columbia, New York City, and Montgomery County offer their residents a WFIS based upon the EITC. Maryland permits residents to claim a credit of one-half of the Federal EITC. In 2000, the County began matching 100% of the Maryland credit to help working County residents meet the high costs of living in Montgomery County. In May 2010, the Council enacted Expedited Bill 33-10, which permitted the Council to set the WFIS at less than 100% of the Maryland credit by resolution each year. Accordingly, the Council set the WFIS at 72.5% for FY2011, 68.9% for FY2012, and 75.5% for FY2013.

Expedited Bill 8-13 would increase the WFIS to 80% of the Maryland credit beginning in FY2014, 90% in FY2015, and 100% in FY2016 and beyond. The Bill would also permit the Council, upon request of the Executive, to approve a lower amount in the annual operating budget by a vote of at least 6 Councilmembers. This limited waiver provision would apply during the transition years and after the WFIS reaches 100% of the Maryland credit in FY2016. A memorandum from Councilmember Hans Riemer describing the purpose of the Bill and outlining some of the occupations of County residents who are likely to qualify for the WFIS is at ©4.

On May 23, 2013, the Council approved Resolution No. 17-762, FY2014 Operating Budget of the Montgomery County Government, which appropriated funds to increase the WFIS to 85% of the Maryland credit during FY2014.

This packet contains:	<u>Circle #</u>
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Expedited Bill No. 8-13  
Concerning: Working Families Income Supplement – Amount  
Revised: March 13, 2013 Draft No. 2  
Introduced: March 19, 2013  
Expires: September 19, 2014  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: None  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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By: Councilmembers Riemer, Elrich, and Leventhal

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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:*

1           **Sec. 1. Section 20-79 is amended as follows:**

2   **20-79. Amount of Supplement.**

3           (a) Subject to subsection (b), [The] the amount of the Working Families  
 4           Income Supplement paid to each recipient must equal the amount of  
 5           any refund the recipient receives from the State earned income credit  
 6           program [[or another amount approved in the annual operating budget  
 7           or a Council resolution]].

8           (b) At the request of the Executive, the Council may approve a lower  
 9           amount in the annual operating budget by an affirmative vote of at  
 10           least six Councilmembers.

11           **Sec. 2. Transition.** Notwithstanding Section 20-79(a), as amended in  
 12   Section 1, the amount of the Working Families Income Supplement paid to each  
 13   recipient:

14           (a) must equal 80% of any refund the recipient receives from the State  
 15           earned income credit program in Fiscal Year 2014; and

16           (b) must equal 90% of any refund the recipient receives from the State  
 17           earned income credit program in Fiscal Year 2015.

18           **Sec. 3. Expedited Effective Date.**

19           The Council declares that this legislation is necessary for the immediate  
 20   protection of the public interest. This Act takes effect on July 1, 2013.

*Approved:*

21 \_\_\_\_\_  
 Nancy Navarro, President, County Council

\_\_\_\_\_ Date

## LEGISLATIVE REQUEST REPORT

Expedited Bill 8-13

*Working Families Income Supplement - Amount*

**DESCRIPTION:** Expedited Bill 6-13 would increase the WFIS to 80% of the Maryland credit beginning in FY 2014, 90% in FY 2015, and 100% in FY2016 and beyond. The Bill would permit the Council, at the request of the Executive, to approve a lower amount in the annual operating budget by a vote of at least 6 Councilmembers.

**PROBLEM:** Due to the economic recession, the County reduced the WFIS to less than 100% of the Maryland credit. The high cost of living in the County has made it difficult for lower income working families and individuals to meet expenses.

**GOALS AND OBJECTIVES:** To mandate in law that the WFIS must be 100% of the Maryland credit.

**COORDINATION:** HHS, OMB, Finance

**FISCAL IMPACT:** To be requested.

**ECONOMIC IMPACT:** To be requested.

**EVALUATION:** To be requested.

**EXPERIENCE ELSEWHERE:** To be researched.

**SOURCE OF INFORMATION:** Robert H. Drummer, 240-777-7895

**APPLICATION WITHIN MUNICIPALITIES:** Not applicable.

**PENALTIES:** None.

Memorandum

Date: January 31, 2013

To: Council Colleagues

From: Councilmember Hans Riemer

Re: Legislation to restore the Working Families Income Supplement

I am writing to ask for your co-sponsorship of the attached bill, which would restore the county's Working Families Income Supplement (WFIS) to 100% of the level of the state's Earned Income Credit.

The impact of this bill is to provide badly needed income for our county's poorest residents, money that may be used to buy groceries or make a rent payment or repair a car.

The county's WFIS is derived from the federal Earned Income Tax Credit (EITC). Started in 1975, the EITC allows households earning income to apply tax credits to their returns. The credits are available to those with earned income ranging from \$13,980 (for single people with no children) to \$50,270 (for married couples with three or more children). The maximum federal credit is \$5,891.

The State of Maryland allows residents to claim half the federal credit on their state income tax returns. In 2000, Montgomery County began matching the state's credit to help working people meet the high costs of living here. But in 2010, the recession forced the county to reduce its tax credit at the very moment that working residents needed it the most. At the County Executive's request, the council passed Bill 33-10, which abolished the requirement in county law that the county match the state's credit dollar for dollar.

In FY11, the county cut its credit to 72.5% of the state's level. In the following year, the county cut its credit to 68.9% of the state's level. At the same time, the number of households who received the credit rose from less than 20,000 to more than 30,000.

In last year's recommended budget, the County Executive proposed to keep the county's tax credit at 68.9% of the state's credit, the same record-low level as last year. The council raised the county's match to 75.5%. But there is no assurance that the credit will ever return to the 100% match that the county was able to sustain for ten years. This bill will provide that assurance.

Recipients of the WFIS include some of the lowest-paid residents of the county. Following is a sample of occupations in the Bethesda-Rockville-Frederick metro area with annual wage payments that might qualify for the WFIS.

<u>Occupation</u>	<u>Annual Wages, 2011</u>
Fast Food Cooks	19,600
Dishwashers	19,700
Cashiers	22,320
Childcare Workers	22,890
Retail Salespersons	25,680
Janitors	26,640
Construction Laborers	28,360
Office Clerks	\$31,190

Source: U.S. Bureau of Labor Statistics.

WFIS recipients also reflect the county's diversity:

<u>Demographic</u>	<u>% of County Households</u>	<u>% of County Households with less than \$50,000 income</u>
White (Non-Hispanic)	57%	43%
Hispanic	12	19
Black	17	27
Asian	13	11

Source: U.S. Census Bureau, American Community Survey, 2011.

Due to our exceptionally high cost of living, these workers are barely able to make it in our county. The Maryland Community Action Partnership estimates that a single adult with a pre-schooler needs \$64,060 to be economically self-sufficient in Montgomery County.<sup>1</sup>

What does the county's tax credit mean for working families? In FY11, the county had 33,840 WFIS recipients who received an average amount of \$381.81 each. A restoration of the county match to 100% would put an extra \$124 into the pocket of each recipient, for a total of \$505.81. For workers on the edge, that could mean making a car payment or paying an overdue utility bill, meeting rent or a car payment. Or consider that, as we participate in Councilmember Ervin's SNAP challenge, it would provide \$5 per day for 101 days.

The attached bill would raise the county's WFIS match to 80% in FY14, 90% in FY15 and 100% in FY16 and thereafter. Last year's committee staff packet estimated that each percentage point increase would cost the county \$187,500. Based on that estimate, I expect the county to pay an additional \$843,750 in FY14, \$2.7 million in FY15 and \$4.6 million in FY16 and thereafter. Now that the worst of our fiscal crisis is hopefully behind us, I believe that these are manageable expenditures for us as well as critical income to our county's working class.

I appreciate your consideration of this legislation and ask for your support and co-sponsorship.

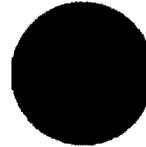
<sup>1</sup> *The Self Sufficiency Standard for Maryland, 2012.* Diana F. Pearce, University of Washington School of Social Work. Prepared for the Maryland Community Action Partnership, 2012.



OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

072220



MEMORANDUM

April 16, 2013

TO: Nancy Navarro, President County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget *JAH*  
Joseph F. Beach, Director, Department of Finance *JFB*

SUBJECT: Council Bill 8-13, Working Families Income Supplement - Amount

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:a2a

- c: Kathleen Boucher, Assistant Chief Administrative Officer
- Lisa Austin, Offices of the County Executive
- Joy Nurmi, Special Assistant to the County Executive
- Patrick Lacefield, Director, Public Information Office
- Joseph F. Beach, Director, Department of Finance
- Michael Coveyou, Department of Finance
- Robert Hagedoorn, Department of Finance
- Uma Ahluwalia, Director, Department of Health and Human Services
- Pat Brennan, Department of Health and Human Services
- Patricia Stromberg, Department of Health and Human Services
- Sara Black, Department of Health and Human Services
- Sharon Strauss, Department of Health and Human Services
- Erika Lopez-Finn, Office of Management and Budget
- Pofen Salem, Office of Management and Budget
- Ayo Apollon, Office of Management and Budget



**Fiscal Impact Statement**  
**Council Bill 8-13, Working Families Income Supplement - Amount**

**1. Legislative Summary.**

This legislation proposes to increase the Working Families Income Supplement Non Departmental Account in order to increase the County's contributions to the State Earned Income Tax Credit (EITC) to the amount of 80% in FY14, 90% in FY15, and 100% in FY16. This legislation requires that the amount can only be lowered if approved by six members of Council.

**2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

Increasing the portion of EITC benefits for County residents will proportionally affect the amount of revenue with which the County can fund other items. Currently the Working Families Income Supplement Non-Departmental Account (WFIS NDA) has an average cost of \$456.93 per recipient with County funding matching 80% of the State's contribution with the NDA having a total appropriation of \$16,661,800.

**3. Revenue and expenditure estimates covering at least the next 6 fiscal years.**

For FY14, the WFIS NDA has a County Executive Recommended amount of \$16,661,800. This amount is consistent with the proposed legislation, specifically the 80% match for the County.

For FY14 the full 100% match would increase the program cost by \$3,952,500 from \$16,661,800 (80% match) to \$20,614,300 (100% match). Since the administrative costs are fixed regardless of the match amount, the relationship is not purely linear. As a result, amounts will differ based on the match percentage, and is approximately \$200,000 for each 1% change.

Please see the chart below for a breakdown by fiscal year.

Fiscal Year	Administration Costs*	Current WFIS NDA Total Cost	Number of Recipients	Average Credit**	WFIS NDA Cost with Legislation	Additional Funds Needed
2014	\$34,700	\$16,661,800	36,389	456.93	\$16,661,800	\$0
2015	\$36,700	\$17,124,600	38,640	494.98	\$19,162,800	\$2,038,200
2016	\$37,300	\$18,100,300	39,653	563.77	\$22,392,400	\$4,292,100
2017	\$38,800	\$19,031,100	40,636	578.41	\$23,543,000	\$4,511,900
2018	\$39,300	\$19,986,500	41,615	593.20	\$24,724,900	\$4,738,400
2019	\$39,900	\$20,965,300	42,594	607.97	\$25,935,800	\$4,970,500

\*=This figure is included in the WFIS NDA Total

\*\*= This figure is for the current WFIS NDA.

**4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.**

This legislation does not affect retiree pension or group insurance costs.

**5. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**

Section 1b of the legislation notes that, "Council may approve a lower amount in the annual operating budget by an affirmative vote of six members." If this were to occur, spending projections would be lowered.

**6. An estimate of the staff time needed to implement the bill.**

No staff time needed to implement the bill because the formulas are only changed to reflect the new state match amount.

**7. An explanation of how the addition of new staff responsibilities would affect other duties.**

Not Applicable.

**8. An estimate of costs when an additional appropriation is needed.**

Please see the chart provided for question number 3.

**9. A description of any variable that could affect revenue and cost estimates.**

A key variable affecting revenues and cost estimates would be the number of County recipients that receive the EITC. A sharp increase in the number of recipients would divert and strain fiscal resources. If the economy were to decline, the County could face an increase in recipients and a decrease of revenues which would place an excess burden on the County.

The State's EITC contribution amount can affect the County's contribution. For example, in the most recent State Legislative session, Maryland House Bill 845 and Senate Bill 703 were introduced and proposed increasing the State's match of the Federal EITC from 25% to 30%. If passed, this increase would have affected the County's EITC contribution.

The Federal EITC amount is another factor which could influence the County's cost, since the County pegs its EITC to the State, which pegs its own EITC to the Federal Government. A Federal EITC increase would obligate the County to pay a higher EITC.

**10. Ranges of revenue or expenditures that are uncertain or difficult to project.**

The number of recipients or any changes to the Federal EITC would be difficult to forecast.

**11. If a bill is likely to have no fiscal impact, why that is the case.**

Not Applicable.

**12. Other fiscal impacts or comments.**

Not Applicable.

**13. The following contributed to and concurred with this analysis:**

Erika Lopez-Finn, Office of Management and Budget;  
Pofen Salem, Office of Management and Budget;  
Robert Hagedoorn, Department of Finance;  
Michael Coveyou, Department of Finance;  
Pat Brennan, Legislative Liaison, Department of Health and Human Services;  
Patricia Stromberg, Budget Team Leader, Department of Health and Human Services;  
Sara Black, Special Needs Housing, Department of Health and Human Services;  
Sharon Strauss, Office of Community Affairs, Department of Health and Human Services

  
\_\_\_\_\_  
Jennifer A. Hughes, Director  
Office of Management and Budget

4/16/13  
\_\_\_\_\_  
Date

**Economic Impact Statement**  
**Expedited Bill 8-13, Working Families Income Supplement - Amount**

**Background:**

This legislation would:

- Increase the County's Working Families Income Supplement (WFIS) to 80 percent of the Maryland Earned Income Tax Credit (EITC) beginning in Fiscal Year (FY) 2014, to 90 percent in FY2015, and 100 percent in FY2016 and beyond
- Permit the County Council, upon request of the County Executive, to approve a lower amount in the annual operating budget by a vote of at least six Council members.

**1. The sources of information, assumptions, and methodologies used.**

The methodology used by the Department of Finance to estimate the amount of the County's WFIS incorporates the growth in population, the change in total personal income, the amount of the Federal EITC, refundable EITC formula in Maryland, and historical trends in prior year amounts. Changes in population and personal income are derived from historical trends from the Census Bureau and Bureau of Economic Analysis, U.S. Department of Commerce, and assumptions developed by the Department of Finance for the operating budget. Data on the amount of the Federal EITC come from the Internal Revenue Service, U.S. Treasury. Finally collection and refund data from the Maryland Comptroller are incorporated into the estimate of the County's WFIS.

**2. A description of any variable that could affect the economic impact estimates.**

The following variables could affect the economic impact estimates:

- a. The number of recipients from FY2014 and beyond,
- b. Changes in economic conditions that impact the earnings of working families,
- c. The percentage of reduction in the matching amount from FY2014 and beyond, and
- d. The demographic economic variables discussed in paragraph 1.

**3. The Bill's positive or negative effect, if any on employment, spending, saving, investment, incomes, and property values in the County.**

The bill will have a positive economic effect on the recipients of the WFIS in the amount of additional income that they would receive under Bill 8-13 compared to current policy. Finance estimates that the total cost from Bill 8-13 would be \$2.038 million above current policy in FY2015, or an increase in the average credit of

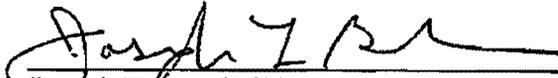
**Economic Impact Statement**  
**Expedited Bill 8-13, Working Families Income Supplement - Amount**

\$38.05, and \$4.971 million above current policy in FY2019, or an increase in the average credit of \$151.04.

**4. If a Bill is likely to have no economic impact, why is that the case?**

Yes, recipients under the Working Families Income Supplement would see an increase in their disposal income. The average amount of the increase would be \$52.75 in FY2015 to \$116.69 in FY2019.

**5. The following contributed to and concurred with this analysis: Rob Hagedoorn, Chief, Treasury Division, David Platt, and Mike Coveyou, Finance.**

  
\_\_\_\_\_  
Joseph F. Beach, Director  
Department of Finance

4-15-13  
Date