

HHS COMMITTEE #3
April 24, 2014
Worksession

MEMORANDUM

April 23, 2014

TO: Health and Human Services Committee

FROM: Vivian Yao, Legislative Analyst 

SUBJECT: **Worksession: FY15 Operating Budget**
Department of Health and Human Services
Administration and Support - Community Action Agency

Those expected for this worksession:

Uma Ahluwalia, Director, Department of Health and Human Services
Stuart Venzke, Chief Operating Officer, DHHS
Patricia Stromberg, Budget Team Leader, DHHS
Betty Lam, Chief, Office of Community Affairs, DHHS
Sharon Strauss, Executive Director, Community Action Agency, DHHS
Pofen Salem, Office of Management and Budget

For FY15, the budget for the Community Action Agency is \$2,339,265 and 7.6 FTEs, which is a decrease of \$15,602 and no change to FTEs from the FY14 approved budget. The decrease in funding is attributable to reduced grant funding.

The Montgomery County Community Action Agency coordinates local, state, federal and private resources to help low-income individuals and families gain useful skills, and gain access to education and employment opportunities to achieve economic self-sufficiency.

The Community Action Agency, in conjunction with its governing Community Action Board, conducts community-wide assessments, develops anti-poverty strategies, provides service coordination, including contract management and monitoring with community-based partners, and promotes advocacy on behalf of low-income populations in the community to eliminate poverty.

Mr. Matthew J. Green Jr., Vice Chair of the Community Action Board, provided testimony to the Council (©1-4) requesting additional Community Action's VITA staff positions,

grants funding to increase free tax preparation services delivered by community partners, and community-wide marketing. In addition, the Community Action Board requested \$65,000 to continue issuing the Maryland Self-Sufficiency Standard.

VITA PROGRAM

The Volunteer Income Tax Assistance Program (VITA) offers free tax help and free electronic filing for low to moderate income individuals and families earning less than \$52,000 a year. Trained volunteers at sites and partnerships throughout the County help customers access any available credits they may be eligible for, such as the Earned Income Tax Credit (EITC), Child Tax Credit, and Credit for the Elderly or the Disabled.

The Executive recommended level funding of \$151,110 for the VITA program in FY15. The budget supports the following costs:

VITA	Amount
Program Specialist II (merit FT, 1.0FTE)	84,730.00
Personnel Costs	84,730.00
Contractual Staffing (Program Specialist, PT, .75FTE)	55,880.00
Supplies/Equipment/Printing	10,500.00
Operating Costs	66,380.00
Total Program Costs	\$151,110.00
Budget does not reflect the following In-kind contributions > space and equipment, > staff time from Gaithersburg and Rockville partners > 2 State funded part time Community Fellows. > training from the IRS, or from state, regional and national partners In addition this budget does not reflect the cost for Community Action Agency staff or management support at Wheaton and TESS, although significant assistance is provided, especially during the season.	

Service Data

The Department reports the following service data for the program in FY13:

- **Volunteers:** Sixty volunteers provided approximately 5,000 hours of service. Volunteer roles: preparers, site coordinators, greeters, intake screeners, reviewers, interpretation, administrative/appointment assistant, outreach, SNAP, and training.
- **Households Served:** 2,359 returns were prepared during the tax season and year round at 4 main sites and at satellite locations. (Includes back year and amended returns filed after the season ends). Results included \$4,598,175 in refunds and credits, \$452,928 fees avoided, \$1,284,094, and \$1,242,341 in EITC collected.

Unmet Demand

According to a survey conducted by the Maryland CASH Campaign, 14,404 of EITC eligible households in Montgomery County did not file, leaving \$30,942,598 in federal EITC unclaimed for tax year 2012. ***(HHS has not verified these numbers.)*** DHHS also reports that most Montgomery Sites with appointments are full or almost full by early March. Individuals at community-based walk-in sites must frequently return a 2nd date to receive services.

DHHS reports that the program would need approximately \$60,800 to provide tax preparation services to 1,500 households. This amount includes a .75 FTE contractual program specialist and \$5,000 in operating expenses. Examples of how program activities and outreach could be expanded to meet demand are provided at ©8. **Councilmember Riemer requested that the HHS Committee add \$60,800 to the reconciliation list to allow VITA to organize more volunteer tax preparers and better meet the demand for services. See ©9-10.**

Council staff comments:

The fact that many eligible households are not accessing the EITC is a significant concern; however, it is not entirely clear whether increasing the funding for VITA will have a greater impact on new EITC than other forms of information dissemination and outreach. For example, is information on the EITC, VITA and free tax preparation tools disseminated as part of IMPACT Silver Spring's door knocking campaign? Are there ways to enlist the PIO in information dissemination? Understanding what populations are not accessing VITA would be useful in tailoring outreach and education strategies. In addition, information on actual demand for tax preparation assistance, i.e., wait list numbers for individuals seeking VITA assistance would certainly be useful to know to assess the specific need for those services.



Montgomery County Community Action Board's
County Council Testimony

Tuesday, April 8, 2014

Matthew J. Green, Jr.
Community Action Board Vice-Chair

Good Evening Mr. President, and members of the Montgomery County Council.

My name is Matthew J. Green, Jr., and I am the Vice-Chair of the Community Action Board of the Montgomery County Community Action Agency, the county's anti-poverty group and governing board for Head Start and the Community Service Block Grants (CSBG).

2014 is an important year for the Community Action Agency, as it marks the 50th anniversary of the War on Poverty. We have been advising the County Council about key matters affecting people in poverty since 1968.

Although Montgomery County is one of the ten wealthiest counties in the country, poverty remains a significant concern. 6.5% of residents, or 63,154 people, live below the Federal Poverty Line. However, due to the high cost of living in Montgomery County, the 2012 Family Self-Sufficiency Standard, commissioned by the Maryland Community Action Partnership, provides a more accurate picture of how many of our residents are struggling to make ends meet. According to the Self-Sufficiency Standard, it costs about \$83,000 for a four-person family with two working parents, a preschooler and a school-age child, to afford the basic necessities here, **four times** the Federal Poverty Level.

Poverty disproportionately affects children. Currently, 35% of students enrolled in Montgomery County Public Schools qualify for Free and Reduced Meals. As alarming as this is, it is important to note that qualifying students live in families earning 185% of the Federal Poverty Level-- less than **half** of the Self Sufficiency Standard.

To address issues of poverty and self-sufficiency and continue your ongoing commitment to ameliorate poverty, the Community Action Board recommends funding three key items in the FY15 budget:

Universal Pre-K

First, the Board recommends that the Council develop a comprehensive plan to expand early childhood services, including Universal Pre-K. In addition, this year's budget should include an expansion of these programs in order to address the widespread need in the county.

Early childhood education helps to prepare children for school and can have long-term benefits for children. While Head Start does an exceptional job of addressing the needs of children in the county, twice as many children are eligible for Head Start as are currently served by the program. This is where Pre-K programs can make a huge difference.

CAB recommends that that the Council initiate its commitment by investing an additional \$5 million to deliver comprehensive early childhood services to County children. CAB also recommends that the County fund more early childhood services for three year olds, especially for Head Start eligible children, and those "at risk."

VITA/ EITC Funding

Research has affirmed that one of the most effective ways to address poverty is through the Earned Income Tax Credit, as well as the Child Tax Credit, which can only be accessed if people are filing taxes. Our Board appreciates that the Council has made a strong commitment to its low-income families by passing the WFIS legislation, restoring our County's EITC, and through your anti-poverty Resolution and through the Council's recent EITC Proclamation.

The Brookings Institute found that 121,886 people in Montgomery County are eligible for the EITC. Unfortunately, 1 in 5 residents who are eligible for the credit do not file.

The Community Action Agency has been working for decades to educate county residents about these credits. In the 1970's, the Agency began providing free tax help at "TESS " – its Takoma East Silver Spring Center. Last year, the Volunteer Income Tax Assistance program (VITA) served 2,500 families and ensured that they received over \$5 million in refunds and credits. VITA programs help people meet their tax obligations as well, with families served paying almost \$1.3 million in taxes owed last year.

With one in five qualifying Montgomery families not filing for the Earned Income Tax Credit, approximately 14,000 residents are leaving \$31 million behind in unclaimed federal EITC--- adding in Maryland and Montgomery's EITC—that's more than \$45 million! For County EITC recipients earning an average of \$12,600 per year, this "unclaimed" money could make a huge difference.

The VITA program has only one full-time staff member and relies on the assistance of 60 VITA volunteers. Since half of all VITA participants speak another language, these volunteers not only give their time to prepare tax returns, but often serve as interpreters.

During the last three years, 5,682 returns were prepared by dedicated VITA volunteers, a 62% increase.

To reach even more families who are missing out on valuable tax credits, CAB recommends the County Council increase Community Action's VITA staff positions, add grant funding to increase free tax preparation services delivered by community partners, and strengthen community-wide marketing.

Self Sufficiency Standard

CAB believes a **current** Self-Sufficiency Standard, aligned with Census data, is a powerful advocacy tool for legislators, nonprofits and policymakers and is a key strategy to improve the well-being of our residents and advancing economic progress. Additionally, the new SSS Plus with Economic Security measure provide an invaluable tool to measure the progress of strategies to help the poor, especially Montgomery County's single mothers, who are SIX times as likely to be asset poor.

CAB proposes funding \$65,000 to continue issuing the Maryland Self-Sufficiency Standard. Full funding would generate three key sources of information:

1. An electronic copy of the Self-Sufficiency Standard for All Families, which includes 156 family types, for all counties in Maryland.
2. A Census-based dataset coded with the Self-Sufficiency Standard, which would be based on the Maryland Public Use Microdata Sample from the most recent American Community Survey.
3. A Report detailing the findings from both the Update of the Standard, and the analysis of the demographics of income inadequacy for Montgomery County and Maryland.

In conclusion, we thank the County for addressing longstanding gaps in our CSBG funding, for supporting many programs supporting low-income families, and for expanding affordable housing through the 100,000 Homes Campaign. We appreciate your continued leadership and ongoing commitment to meet the needs of our most vulnerable neighbors.

Thank you President Rice and members of the Council for your time. We hope we'll see you on May 27th at CAB's Community Action Month event to acknowledge leaders in the community dedicated to eliminating poverty in Montgomery County.

Community Action Agency's VITA Partnership and the EITC

1. The FY14 operating budget for the program broken out by staffing and operating costs. How many staff (FT or PT) and FTEs are assigned to the program?

Serving CAAs four main seasonal sites, CAA's year round services provide outreach, education and community coordination. **CAA VITA Budget: \$151,110**

VITA	Amount
Program Specialist II (merit FT, 1.0FTE)	84,730.00
Personnel Costs	84,730.00
Contractual Staffing (Program Specialist, PT, .75FTE)	55,880.00
Supplies/Equipment/Printing	10,500.00
Operating Costs	66,380.00
Total Program Costs	\$151,110.00
<p>Budget does not reflect the following In-kind contributions</p> <ul style="list-style-type: none"> > space and equipment, > staff time from Gaithersburg and Rockville partners > 2 State funded part time Community Fellows. > training from the IRS, or from state, regional and national partners <p>In addition this budget does not reflect the cost for Community Action Agency staff or management support at Wheaton and TESS, although significant assistance is provided, especially during the season.</p>	

2. Please provide the following service information for FY13 and FY14 projected: How many volunteers participate in the program? How many individual were served by the program?

- **Volunteers: TY12 (FY13): Sixty volunteers** provided approximately 5,000 hours of service. Volunteer roles: preparers, site coordinators, greeters, intake screeners, reviewers, interpretation, administrative/appointment assistant, outreach, SNAP, and training.
- **Households Served: 2,359** returns were prepared during the tax season and year round at 4 main sites and at satellite locations. (Includes back year and amended returns filed after the season ends).
- **Projected Volunteers, TY13 (FY14): Fifty volunteers projected** this season due to the IRS re-tooled content for their Basic and Advanced VITA certification, eliminating the intermediate level, making it more challenging for volunteers to pass examinations. We responded by adding training sessions, increasing mentoring, and engaging in a second university partnership (with American University).

Community Action Agency's VITA Partnership and the EITC

- **Projected Households Served TY13 (FY14):** Community Action's goal for TY13 seasonal tax preparation is 1,400, an increase from our TY12 seasonal goal of 1,250. However, we've had 5 cancellations due to weather or facility issues.

3. What outcomes are used to measure the success of the program?

Number of households served (returns filed); amount of refunds and credits; estimated amount of free tax savings to taxpayers; amount of taxes owed.

- **What were the results for FY13?**

Households served: 2,359

Total \$ in refunds and credits: \$ 4,598,175

Fees avoided: \$ 452,928 (A 2012 fee study by the National Society of Accountants found the average cost of preparing returns was \$192 per return at H&R Block).

Amount of taxes owed (federal/state): \$ 1,284,094

- **What was the total amount in Earned Income Tax Credit that the program was able to help individuals collect in FY13?**

TY 2012 EITC: \$ 1,242,341 (federal, state, and WFIS projected).

- **Is there a projected number for FY14?**

No; approximately half of customers are new each year, and the EITC amount is determined by the individual taxpayer's circumstances and the make up of the client cohort.

4. What outreach does the program do to let potential clients know about the availability of services and the Earned Income Tax Credit?

In the last two years--

- CAA coordinates awareness of the EITC and County free tax provider info through our partnership among the IRS and free tax providers, 311, Maryland CASH Campaign, the Volunteer Center, and MCPL;
- CAA's website, our primary partner's websites (*Cities of Gaithersburg/Bank On, Rockville, and Family Services, Inc.*) and 311 also link to our online appointment system, which customers may use independently. The system provides email appointment reminders;
- Previous CAA customers receive reminder postcards; word of mouth from customers is an effective tool;
- Many referrals are received from caregivers/providers from nonprofits and public agencies, especially from the IRS (web and Wheaton Taxpayer Assistance Center);
- Customers are referred by 311, the County Council, CE, Montgomery delegation members, Congressional staff, and by community and faith partners;
- Thousands of internal flyers are distributed before the season and for off-season services. The Maryland CASH Campaign produces 5,000 seasonal county flyers. (All in English/Spanish).
- CAA produces Countywide fact sheets with FAQs for the season and afterwards;

Community Action Agency's VITA Partnership and the EITC

- CAA coordinates with the national EITC Outreach Campaign (Center on Budget & Policy Priorities); CAA distributes 250 outreach packets among HHS colleagues through service areas and with nonprofits, with posters and multilingual flyers;
- CAA and the Community Action Board participate in local and national annual EITC outreach and volunteer recognition events;
- CAA distributes an annual EITC press release with links to partners through the CE; we participate in County segments for Cable TV/You-tube, and VITA was featured in an article for Consumer Credit Counseling Services to help consumers prepare for the tax season;
- CAA distributes special flyers and distributes record keeping tools for self-employed taxpayers who are VITA eligible;
- CAA and Maryland Hunger Solutions have developed joint flyers for our VITA and SNAP outreach project;
- VITA and CAA staff participate and share resource info, presentations and/or trainings at consumer and provider events, including: the Head Start Community Forum; volunteer events at Montgomery College, AU and U of MD; SCUP (School and Community United Conference); Community Action Agency network events (for nonprofits delivering food, legal, social services, community engagement, emergency, youth, or employment services); World of Montgomery/Amu Tu Vida; MLK Day of Service; Pan-African Festival; Asian American Health Initiative event; Homeless Resource Day; poverty/hunger meetings; Military/Vets Resource Fair; Gaithersburg's Landlord's Breakfast; CAFÉ Montgomery's Financial Education events; Housing and Financial Wellness Day, Caregiver's Conference; Interfaith Coalition on Adolescent Pregnancy; Community Connectors (Neighborhood Opportunities Network); Up-County Coalition of Providers, Rockville Caregivers, the Emergency Assistance Coalition, Gaithersburg's "Bank On," the Down-County Provider's Network; MCAEL; Gilchrist; Primary Care Coalition; etc.
- CAA forwards outreach flyers through Holiday Giving: City of Gaithersburg, Rockville, Interfaith Works, Linkages to Learning, Housing Opportunities Commission;
- VITA provides special tax preparation for ARC and International Rescue Committee customers, and for HHS clients' needing case management who have Power of Attorney.

THE ANSWERS TO THE QUESTIONS 5 AND 6 BELOW ARE MERELY FACTUAL RESPONSES TO THE QUESTIONS ASKED AND SHOULD NOT BE CONSIDERED AS AN ASK FOR FUNDING.

5. Is there an unmet demand for services?

- A survey conducted by the Maryland CASH Campaign estimated **14,404** of EITC eligible households in Montgomery did not file, leaving **\$ 30,942,598** in federal EITC unclaimed for TY12. **HHS has not verified these numbers we are only providing the survey results as reported to us by Maryland CASH campaign.**
- 2010 IRS tax data indicate only 2% of Montgomery's low income taxpayers receive volunteer, free tax preparation; 53% of our low income taxpayers rely on paid preparers; 45% prepare taxes on their own.
- Most Montgomery sites with appointments are full or almost full by early March.
- Individuals at community-based walk-in sites must frequently return a 2nd date to receive services.

Community Action Agency's VITA Partnership and the EITC

- Since the recession, the IRS continues reducing and limiting the types of services provided at the Taxpayer Assistance Center, referring individuals to VITA or TCE sites.
- Most people continue to seek paid or free tax preparation, especially those with limited education, English proficiency and disabilities. In last season's VITA survey, 57% of respondents reported speaking a language other than English at home. Most taxpayers find the IRS' complex 214 pages of instructions to be very challenging.
- Free tax preparation services are also provided by the Montgomery County Volunteer Center through the RSVP/AARP Tax Aide Program at County libraries. This program is also volunteer based serving low and moderate income tax payers; 120 volunteers completed more than 4,300 tax returns. The program has 8 bilingual volunteers.

6. How much would it cost to allow the program to meet any estimated unmet demand?

The program would need approximately \$60,800 to provide tax preparation services to 1,500 households. This includes a Contractual Staffing Program Specialist, PT, .75 FTE \$55,800 and \$5,000 in operating expenses. This assumes that additional in-kind resources are available.

- **What activities could be expanded to meet the demand for the program?**
 - Expand access to free tax services, engaging nonprofits providing social services assistance, financial education, or services to culturally diverse and LEP populations;
 - This is a very technical program, and new funding may be required to support capacity development, coordination, and training of new providers.
 - Colleges and some high schools could host sites, and award academic credit (University of MD at College Park currently recruits students for our program). Or, provide stipends, expanding Montgomery's cadre of Community Fellows.
- **How could outreach for the program be expanded and how much would that cost?**
 - Development of an integrated website to provide info about all Countywide free tax programs, including free tax software, with mapping links and social media—the IRS and national partners have numerous "tools" available.
 - Production of a professional, countywide flyer, reflecting all services and partners, (like MCAEL's), with locations mapped.
 - A higher visibility effort would include outreach to employers, who are now required by Maryland to provide EITC Information to employees.
 - A comprehensive community wide media campaign could target consumers, with banner advertising via Ride On and county bus stops.

OMB wanted to alert you that similar free tax preparation services are also provided by the Montgomery County Volunteer Center through the RSVP/AARP Tax Aide Program at County libraries. This program is also volunteer based serving primarily seniors with low and moderate income tax obligations; 120 volunteers completed more than 4,300 tax returns. The program has 8 bilingual volunteers. This is not part of the VITA program.



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

HANS RIEMER
COUNCILMEMBER AT-LARGE

April 21, 2014

To: HHS Committee
Fr: Councilmember Hans Riemer
Re: Strengthening our EITC through tax preparation services

Montgomery County's EITC program is a national model, one of only a few local government EITC programs in the country. Residents claim our local EITC when they claim the Federal and State EITC.

According to research, about 20 percent of workers who are eligible for the EITC do not claim the EITC, presumably because they failed to file taxes.

The Maryland CASH Campaign estimates that more than 14,000 residents of Montgomery County were eligible but did not claim the EITC. If those residents had claimed the EITC, they would have had about \$30 million in additional income to improve their circumstances as well as spend in our local economy.

We can do something about this. Boosting our funding for Montgomery County's Volunteer Income Tax Assistance Program (VITA) would help.

Please consider adding \$60,800 to the reconciliation list for VITA. This amount of money would allow VITA to organize more volunteer tax preparers and better meet the demand for these services. Today, demand exceeds resources that are available.

Clearly, Montgomery County has a strong interest in helping residents claim EITC tax refunds, since the refunds are proven to reduce poverty, improve educational outcomes, help women stay in the workforce, and many other benefits.

The proposal for an additional \$60,800 comes from the Community Action Agency, which provides VITA services for the county. They estimate that they could help as many as 1,500 more residents gain assistance with tax preparation through these funds. VITA is administered by the Community Action Agency within the Department of Health and Human Services.

We know that VITA is effective. According to our Department of Health and Human Services, for every dollar invested in the program, \$30.43 is returned to our most vulnerable county residents in the form of tax credits and refunds. The average household received \$1,949 in tax refunds and credits. In FY13, 2,359 tax filers were served for just \$151,110.

The National Community Tax Coalition states that, "As the benefits of the tax code for low-income working families increased through expansions of the EITC in the 1980s... so too did the complexity of the tax code increase. This made it ever more difficult for the families seeking these benefits to maximize their duly earned refunds without tax preparation assistance. VITA programs found their niche by meeting the demands posed by this complexity and establishing themselves as the best route through which a working family could access the full slate of deductions and refundable tax credit supports without losing a single cent to return preparation fees."

That is why our EITC policy should also be accompanied by an aggressive effort to help tax filers in claiming the funds they are due from the Federal, State and County governments.

I urge you to support our working families and local economy by increasing funding for VITA. I appreciate your consideration of this budget item and ask for your support.