

MEMORANDUM

April 24, 2023

TO: Government Operations and Fiscal Policy Committee

FROM: Essie McGuire, Senior Legislative Analyst
 Tara Clemons Johnson, Legislative Analyst

SUBJECT: **Worksession – FY24 Operating Budget, Working Families Income Supplement Non-Departmental Account**

PURPOSE: To review FY24 operating budget and make recommendation; vote expected

Expected Participants:

Summary of FY24 Recommended Budget – WFIS NDA

	FY23 Approved	FY24 CE Recommended	Change from FY23 Approved
General Fund	\$20,105,090	\$27,490,751	\$7,385,661
ARPA	\$25,000,000	\$0	(\$25,000,000)
Personnel Costs	\$0 0.00 FTEs	\$0 0.00 FTEs	\$0 0.00 FTEs
Operating Costs	\$45,105,090	\$27,490,751	(\$17,614,339)
Total Expenditures (All Funds)	\$45,105,090 0.00 FTEs	\$27,490,751 0.00 FTEs	(\$17,614,339) 0.0%

- The Executive’s FY24 recommendation is an increase of County General Funds to maintain a 70% match to the Federal EITC Refund when combined with the State funds.
- Council staff recommends that this \$7,385,661 increase be placed on the reconciliation list as a priority item.

Background

The Working Families Income Supplement (WFIS) Non-Departmental Account (NDA) provides funds to supplement the State’s Refundable Earned Income Tax Credit (EITC) and is intended to benefit low-income working families in the County. The Federal government authorizes the Federal EITC for working people with low to moderate income. Several states, including

Maryland, provide state tax credits to residents who receive the Federal EITC. Maryland also provides refunds to eligible residents if their EITC exceeds their State tax liability. **The County supplements the State's refund by 100% for County residents, in effect doubling the amount received from the State.** The State administers the County refund, so the County provides funding to the State for any County-related refunds and the related administrative expenses.

The approved FY22 appropriation for the WFIS NDA was \$45,105,090. The County significantly increased the appropriation in FY22 to account for changes made by the State during the 2021 General Assembly. Those changes included:

- Increasing the refund in the Relief Act from 28% to 45% for tax years 2020 through 2022; and
- Expanding the eligibility of the program through SB218, which provided the refund to taxpayers that file with an ITIN. SB218's expansion was also for tax years 2020 through 2022.

The Council amended County law in 2021 to ensure all residents could receive the benefit of the State's expansion of this program. In addition, the County utilized \$25.0 million of the County's allotment for the American Rescue Plan Act (ARPA) funding to supplement this NDA's expansion. The Council approved \$25.0 million in ARPA funding for this same purpose in FY23.

FY24 County Executive Recommendation

- The approved FY23 appropriation for the WFIS NDA was \$45,105,090; that consisted of \$25 million in ARPA funds and \$20.1 million in County General Funds.
- FY24 increase cost: additional General Funds Needed to Provide a 70 Percent Match of Federal EITC When Combined with State Match **\$7,385,661**
- Eliminate: Reduction in ARPA Funding for WFIS: **(\$25,000,00)**
- **Total FY24 rec: \$27,490,751 in County funding.**

The Executive's recommendation replaces a small portion of the Federal ARPA funds by increasing the County contribution from \$20.1 million to \$27.5 million. The Executive explained his approach to the WFIS as follows (excerpt from the operating budget transmittal):

"With Governor Wes Moore's proposal to make these State changes permanent already passed by the House of Delegates, we face another decision on the future of the WFIS. Therefore, as part of the FY24 budget, I am proposing that we set our combined State/local refundable credit at 70 percent of the Federal Refundable amount and to keep the ITIN expansion in place. At this level, we will tie the District of Columbia for the highest refundable credit in the country. With the spend down of ARPA funds, the County General Fund contribution to this program will increase by \$7.4 million to accomplish my proposal."

WFIS Supplement Amounts

The table below shows the history of the WFIS in terms of total costs, numbers of recipients, and average EITC received.

WORKING FAMILIES INCOME SUPPLEMENT NDA (EITC)

Fiscal Year	County Match	Admin. Cost	Cost of EITC Refunds	Total Cost	Total Recipients	Average EITC
2000	100.00%	\$11,813	\$2,199,592	\$2,211,405	12,322	\$178.51
2001	125.00%	\$9,740	\$2,544,412	\$2,554,152	10,917	\$233.08
2002	100.00%	\$10,921	\$3,952,062	\$3,962,983	14,122	\$279.86
2003	100.00%	\$10,732	\$4,585,128	\$4,595,860	14,814	\$309.51
2004	100.00%	\$12,910	\$6,012,089	\$6,024,999	18,074	\$332.64
2005	100.00%	\$14,109	\$7,907,451	\$7,921,560	20,805	\$380.08
2006	100.00%	\$25,376	\$10,236,647	\$10,262,023	20,789	\$492.40
2007	100.00%	\$16,027	\$9,970,176	\$9,986,203	20,210	\$493.33
2008	100.00%	\$17,577	\$12,910,993	\$12,928,570	26,584	\$485.66
2009	100.00%	\$15,361	\$9,000,906	\$9,016,267	19,559	\$460.19
2010	100.00%	\$19,448	\$15,063,537	\$15,082,985	30,189	\$498.97
2011	72.50%	\$32,726	\$12,920,388	\$12,953,114	33,840	\$381.81
2012	68.90%	\$33,231	\$12,805,177	\$12,838,409	34,290	\$373.44
2013	75.50%	\$34,058	\$14,686,507	\$14,720,565	34,876	\$421.11
2014	85.00%	\$38,663	\$16,847,181	\$16,885,860	37,281	\$451.90
2015	90.00%	\$40,811	\$18,919,815	\$18,960,626	38,824	\$487.32
2016	95.00%	\$41,650	\$20,724,479	\$20,766,129	40,076	\$517.13
2017	100.00%	\$40,346	\$21,978,370	\$22,018,716	39,452	\$557.09
2018	100.00%	\$36,120	\$21,384,743	\$21,420,863	37,898	\$564.27
2019	100.00%	\$35,694	\$20,938,374	\$20,974,068	36,269	\$577.31
2020	100.00%	\$37,983	\$20,883,964	\$20,921,947	38,424	\$543.51
2021	100.00%	\$36,973	\$21,733,107	\$21,770,080	38,579	\$563.34
2022*	100.00%	\$41,604	\$39,508,856	\$39,550,460	52,187	\$757.06
2023 Appr**	100.00%	\$42,000	\$45,063,090	\$45,105,090	52,200	\$863.28
2023 Est**	100.00%	\$46,155	\$49,015,627	\$49,061,782	64,302	\$762.27
2024 REC	56.00%	\$42,000	\$27,448,951	\$27,490,951	64,300	\$426.89

The County law outlines a 100% match of the State EITC refund; it also, however, allows the County Council to establish a different amount as part of the annual appropriation.

Council staff highlights the following:

- To fully fund 100% match of the State EITC would require the same funding level as FY23; however the full amount of \$49 million would need to be funded through County General Funds.
- The State EITC is approximately 45% of the Federal level.
- The Executive’s recommendation matches 56% of the State; together the County and State match 70% of the Federal level.

- If the same level of County funding as FY23 were appropriated in FY24, \$20.1 million, the County and State together would be approximately between 60-65% of the Federal level.

Council staff recommendation:

Council staff supports the overall approach to maintain the ITIN expansion and provide a County match to the ongoing State and Federal efforts. The Council may need to make an affordability decision on how much of a match to these efforts the County budget can support in FY24. **Council staff recommends placing the \$7.4 million increase on the reconciliation list in two priority increments to allow the Council flexibility in determining the ultimate level of support for this supplement in FY24.**

This packet contains the following:
FY24 CE Recommendation

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Station in the Pike District that will serve as an anchor and attraction to developers and businesses. The Institute will include research in Artificial Intelligence (AI), Machine Learning and Virtual and Augmented Reality (VR/AR). The new facility will bring together world-class researchers from the University System of Maryland's partner institutions prominent in artificial intelligence, machine learning, and the virtual/augmented reality fields with researchers and clinicians at the UMMS. The Institute is expected to open in leased space in early 2023, with final completion of laboratory and office space at the North Bethesda Metro location in 2028.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	0	0.00
Enhance: Operating Expenditures by the Universities for Ongoing Space, Staffing, Electrical and Infrastructure Costs of the Center	5,000,000	0.00
FY24 Recommended	5,000,000	0.00

Universities at Shady Grove

This NDA provides for the services of the Resilient Education for All, Designed for You (READY) Institute at the Universities of Shady Grove (USG). The school-based and out-of-school time programs will drive impactful change on the County's talent pipeline efforts and educational ecosystem by focusing on the changing workforce demands of biotechnology, healthcare, construction, hospitality, cybersecurity, data analytics, and entrepreneurship.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	475,000	0.00
FY24 Recommended	475,000	0.00

Vision Zero

This NDA funds the County Executive's oversight and coordination of the Vision Zero Initiative to end traffic related serious injuries and fatalities through a full-time Vision Zero Coordinator and supporting operational funds. The operational funds assist the Coordinator in implementing and updating the Vision Zero Action Plan.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	189,563	1.00
Add: La Abuelina Roadway Safety Campaign	100,000	0.00
Increase Cost: FY24 Compensation Adjustment	4,160	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	8,221	0.00
FY24 Recommended	301,944	1.00

Working Families Income Supplement

This NDA provides funds to supplement the State's Refundable Earned Income Tax Credit (EITC). The intent of the Working Families Income Supplement is to provide financial assistance to low-income working families in Montgomery County. The County, through the NDA, reimburses the State for the cost of the refund and related administrative expenses.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	45,105,090	0.00

FY24 Recommended Changes	Expenditures	FTEs
Increase Cost: Additional General Funds Needed to Provide a 70 Percent Match of Federal EITC When Combined with State Match	7,385,661	0.00
Eliminate: Reduction in ARPA Funding for Working Families Income Supplement	(25,000,000)	0.00
FY24 Recommended	27,490,751	0.00

WorkSource Montgomery, Inc

WorkSource Montgomery (WSM) is the private non-profit corporation authorized by Council Resolution 18-295 as the County's designated workforce development corporation. WorkSource Montgomery has been designated to implement the County's workforce development policies established by the Workforce Development Board to promote job growth and talent attraction.

The Employment and Training Services for Immigrants program is designed to offer employment and training services directly to immigrant and refugee residents in Montgomery County. Specifically, the program will promote entrepreneurship and occupational skills to refugee and immigrant adults to help them secure employment as quickly as possible. The program will assist our clients to find employment through employment professional development, vocational training, support services, barrier remediation, and entrepreneurial and occupational skills training.

Summer RISE is an initiative led by the Montgomery County Public Schools' (MCPS) Partnerships Unit in collaboration with corporate and private businesses, educational institutions, faith-based institutions, government agencies, and non-profit organizations. Summer RISE is a four week, 40-hour program for rising MCPS juniors and seniors to participate in a live, virtual, or hybrid career-based learning opportunity during the summer. With a hybrid model, MCPS and WSM saw an increase in student program participation as well as an expanded host/employer network with the ability to host multiple students each.

Coding Our Way Home is a training component of the DOCR Montgomery County Correctional Facility Job Center program, which also includes community-based services offered at the American Job Centers and Ignite Hub. As clients participate in the Individual Service Planning processes, those with an interest in software coding will be appropriately assessed (i.e., aptitude and interests) and offered an opportunity to participate in the Coding Our Way Home program.

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	2,172,594	0.00
Increase Cost: Increase in Back Office Operations and Healthcare Benefit Rates	63,279	0.00
FY24 Recommended	2,235,873	0.00

REALIGNED PROGRAMS

Funding in the following programs has been realigned to other programs within this department.

Children's Opportunity Fund

FY24 Recommended Changes	Expenditures	FTEs
FY23 Approved	425,000	0.00