Montgomery County Council

Committee: GO
Committee Review: Completed
Staff: Essie McGuire, Senior Legislative Analyst
Craig Howard, Deputy Director
Purpose: To make preliminary decisions – straw vote expected
Purpose: Final action – vote expected
Keywords: #Working Families Income Supplement

AGENDA ITEM #30, 31
May 10, 2023
Worksession

SUBJECT

FY24 Operating Budget: Working Families Income Supplement Non-Departmental Account
FY23 Supplemental Appropriation to the Montgomery County Government Operating Budget, Working Families Income Supplement Non-Departmental Account

EXPECTED ATTENDEES

Michael Coveyou, Director, Department of Finance
Jed Millard, Chief, Administrative Services, Department of Finance

FY24 COUNTY EXECUTIVE RECOMMENDATION

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 Earned Income Tax Credit (EITC Refund) when combined with the State funds.

COMMITTEE RECOMMENDATIONS

- The Committee expressed its support for the Working Families Income Supplement program as a critical anti-poverty tool for County residents.
- The Committee supported the Executive's recommended approach to partial replacement of the Federal American Rescue Plan Act (ARPA) funding.

- The Committee unanimously (3-0) placed the Executive's recommended increase in County funds, a total of $7,385,661, on the reconciliation list in two tranches of $3,692,830 each, both as high priority items.

FY23 SUPPLEMENTAL APPROPRIATION

1. FY23 Supplemental Appropriation, Working Families Income Supplement Non-Departmental Account (NDA), $4,473,902

On March 15, 2023, in conjunction with his FY24 recommended operating budget, the County Executive transmitted eight FY23 Supplemental Appropriations for Council consideration that reflect actual and projected unplanned FY23 departmental expenditures based on the second quarterly analysis. The Council introduced these supplementals on March 28, 2023, and held public hearings on April 18, 2023.

For the Working Families Income Supplement NDA, the Executive recommends an increase of $4,473,902 due to a higher number of recipients than anticipated in FY23. The Executive recommends using unspent federal American Rescue Plan Act (ARPA) funds for this supplemental (©3).

March ARPA Update. On March 21st, the Council discussed the following information as part of an update on FEMA reimbursement and ARPA expenditures:

- **Projected unspent funds.** OMB projects that there will be $1,363,458 in unspent funds projected unspent ARPA funds from prior appropriations (excluding Working Families Income Supplement). This is primarily due to projected unspent funds in the Hotel Assistance ($952K) and Business Rental Assistance ($340K) appropriations.
- **Working Families Income Supplement.** The Council appropriated $50 million in ARPA funds to support the expansion of this supplement, $25 million each in FY22 and FY23. OMB reports that the FY22 appropriation was underspent by $3,173,902, but the FY23 appropriation is expected to be overspent by $4,473,902. The Executive Branch cannot use unspent FY22 appropriation towards FY23 expenditures unless authorized by the Council. On March 15, the Executive transmitted a supplemental appropriation request to fund the additional $4.4 million in FY23 expenditures with remaining ARPA funding (the $3.1 million in unspent FY22 funds and $1.3 million in unspent funds from other ARPA-funded appropriations). If the Council supports the Executive's recommendation, it would use up all of the projected unspent funds from existing appropriations.

Follow-Up Information. At the March 21st discussion, some Councilmembers expressed concerns about the projected unspent ARPA appropriations for the Hotel Relief Grant and Business Rental Assistance Grant programs and requested follow-up information from the Executive Branch. The responses from the Executive Branch are included below:

- **Question 1: Please provide additional detail on why the programs are anticipated to not spend all appropriated funds.**

As introduced and passed by the Council, the Appropriation had severe limitations that narrowed the universe of qualified businesses. These restrictions included size, legal business location, and when their losses occurred. Simply put, the programs qualifications restricted the use, and the Business Center implemented the funding based on those requirements.

- **Question 2: Are there specific changes in eligibility or other program criteria that could be made to result in the full expenditure of funds for those appropriations (while still remaining compliant with ARPA eligibility requirements)?**

There are unlikely any specific changes that are obvious and/or justifiable under ARPA. For the hotel grants, more hotels recovered than expected, especially from the Omicron wave. While hotels – like all businesses - would like government funding, the use of ARPA funds must be directly related to losses due to COVID. For the rental assistance program, the Council narrowly defined the original criteria to make sure funding went to a certain size/type of business. While the parameters could be adjusted, there is no data to determine the new threshold that is also supported by the purpose of ARPA. A small adjustment could result in thousands of new applications that the County could not approve due to insufficient funding.

- **Question 3: Please provide a copy of the specific program application and/or eligibility criteria used for both programs.**

The Council established the requirements for these programs in Council Resolution No. 19-1273. The grants were administered based on these requirements.

Small Business Rental Assistance *(continuation of the Council's first round requirements for this program)*

- *Has its physical location(s) only in the County; or its County-based locations account for more than 50% of the business's total number of employees or 50% of the business's gross sales;*
- *Receives $500,000 or less in annual revenue prior to the pandemic;*
- *Is classified as a retail or service-related business but is not a restaurant or food service business, medical practice, professional services business, religious organization, or daycare facility;*
- *Has a commercial lease in the County; and*
- *Can demonstrate a revenue loss due to the pandemic.*

Hotel Relief Grant *(mirrored off the State requirements but dates were adjusted to omicron peak during Dec. 2021)*

- *Is a provider of an accommodation subject to: the sales and use tax under § 11-102 of the Tax-General Article of the Maryland Code generated for the tax codes 111 or 901; or the accommodations tax imposed by the jurisdiction in which the accommodations provider is located;*
- *Be in good standing with the State of Maryland;*
- *Have at least 10 sleeping rooms or if the accommodation is a bed and breakfast establishment as defined under § 9-201 of the Public Safety Article of the Maryland Code, have at least 5 sleeping rooms;*

- *Demonstrate a reduction in year-over-year gross revenue of at least 25% for the period of September 2021 – January 2022 compared to the gross revenue of September 2019 – January 2020; and*
- *Be open to the public for the provision of accommodations by no later than March 31, 2021.*

Council Options. Staff provide two options for Council consideration for action on the proposed supplemental appropriation:

- **Option #1: Approve the supplemental as recommended by the Executive.** This option would re-allocate $3,173,902 in unspent FY22 WFIS ARPA funds and $1,300,000 in unspent ARPA funds from the small business assistance and hotel assistance grant programs. It would not impact projected year-end FY23 or FY24 reserve levels.

- **Option #2: Approve the supplemental using $3,173,902 in unspent ARPA funds and $1,300,000 in General Fund Reserves.** This option would re-allocate the $3,173,902 in unspent FY22 WFIS ARPA funds but cover the remainder by using General Funds reserves. As such it would reduce the projected FY23 and FY24 ending reserve levels by $1,300,000. Alternatively, if the Council wanted to maintain the projected reserve levels, it would reduce resources available for the FY24 budget by $1,300,000. The Council would also need to make a separate decision on how to re-allocate the projected unspent ARPA funds.

Council staff recommends Option #1, approve the supplemental as recommended by the Executive.

<u>This report contains:</u>

GO COMMITTEE #1
April 27, 2023
Worksession

M E M O R A N D U M

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.**

<u>This packet contains the following:</u>
FY24 CE Recommendation © 1-2

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**

OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

March 15, 2023

TO: Evan Glass, President
Montgomery County Council

FROM: Marc Elrich, County Executive

SUBJECT: Supplemental Appropriation #23-95 to the FY23 Operating Budget
Montgomery County Government
Non-Departmental Accounts
Working Families Income Supplement (WFIS), $4,473,902

I am recommending a supplemental appropriation to the FY23 Operating Budget of the Non-Departmental Account (NDA) for the Working Families Income Supplement (WFIS) in the amount of $4,473,902. This appropriation will fund the expanded program through the end of FY23.

This increase is needed because insufficient appropriation exists in the current fiscal year due to a higher number of recipients than anticipated.

For FY22, the Council appropriated $25 million in American Rescue Plan Act (ARPA) funds to pay for the first year of the expanded WFIS program. Of that amount, $3,173,902 was not used that year and can be reallocated for other purposes. In addition, approximately $1,300,000 in ARPA funds appropriation for Fresh Produce (Resolution 19-1222), hotel assistance (Resolution 19-1273), and Business Rental Assistance (Resolution 19-1273) will not be needed for the intended purposes and can be repurposed. The combined amount available of unneeded, previously appropriated ARPA funds that can be repurposed totals $4,473,902. In addition, the Office of Management and Budget estimates that approximately $11 million in ARPA funds have not yet been appropriated by Council.

I recommend that the County Council approve this supplemental appropriation in the amount of $4,473,902 and specify the source of funds as Federal Grant – American Rescue Plan Act (ARPA).

101 Monroe Street • Rockville, Maryland 20850
240-777-2500 • 240-777-2544 TTY • 240-777-2518 FAX
www.montgomerycountymd.gov

I appreciate your prompt consideration of this action.

ME:ar

Enclosure: Supplemental Appropriation #23-95

cc: Richard S. Madaleno, Chief Administrative Officer, Office of the County Executive
Fariba Kassiri, Deputy Chief Administrative Officer, Office of the County Executive
Jennifer Bryant, Director, Office of Management and Budget
James Bridgers, Acting Director, Department of Health and Human Services
Michael Coveyou, Director, Department of Finance

Resolution: ___________________
Introduced: ___________________
Adopted: _____________________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Supplemental Appropriation #23-95 to the FY23 Operating Budget
Montgomery County Government
Non-Departmental Accounts
Working Families Income Supplement, $4,473,902

Background

1. Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of six Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of seven Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.

2. The County Executive has requested the following FY23 Operating Budget appropriation increases for the Non-Departmental Account of Working Families Income Supplement (WFIS):

Personnel Services	Operating Expenses	Total	Source of Funds
$0	$4,473,902	$4,473,902	Federal Grant (ARPA)

3. This increase is needed because insufficient funds exist in the current FY23 appropriation due to a higher number of recipients than anticipated.

4. The County Executive recommends a supplemental appropriation to the FY23 Operating Budget in the amount of $4,473,902 for the NDA- Working Families Income Supplement and specifies that the source of funds will be Federal Grant funds– American Rescue Plan Act (ARPA)

5. Notice of public hearing was given and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following action:

A supplemental appropriation to the FY23 Operating Budget of the Non-Departmental Account Working Families Income Supplement (WFIS) is approved as follows:

Personnel Services	Operating Expenses	Total	Source of Funds
$0	$4,473,902	$4,473,902	Federal Grant (ARPA)

This is a correct copy of Council action.

Judy Rupp, Clerk of the Council

OFFICE OF RACIAL EQUITY AND SOCIAL JUSTICE

Marc Elrich
County Executive

Tiffany Ward
Director and Chief Equity Officer

MEMORANDUM

April 27, 2023

To: Jennifer Bryant, Director
Office of Management and Budget

From: Tiffany Ward, Director
Office of Racial Equity and Social Justice

Re: Racial Equity Impact Assessment (REIA) Supplemental Appropriation (SA) #23-95 – FY23 Operating Budget Non-Departmental Accounts (NDA) Working Families Income Supplement (WFIS)

I. **FINDING:** The Office of Racial Equity and Social Justice (ORESJ) finds that Supplemental Appropriation #23-95 – *FY23 Operating Budget Non-Departmental Accounts (NDA) Working Families Income Supplement (WFIS)* – aligns with the County's overall objective of reducing and eliminating racial disparities and inequities as research demonstrates a clear correlation between Working Family Tax Credits (such as WFIS) and their ability to push back against racial income disparities. Specifically, tax credits such as WFIS will be especially beneficial to single mothers who identify as Black, Indigenous, or People of Color (BIPOC) as well as individuals and families who file their taxes with an Individual Taxpayer Identification Number (ITIN)[1]—persons not eligible for a Social Security Number (SSN).

II. **BACKGROUND:** The primary objective of Supplemental Appropriation #23-95 – *FY23 Operating Budget NDA WFIS* – is to fund the expanded tax supplement through the end of FY23. The NDA provides funds to supplement the State's Refundable Earned Income Tax Credit (EITC), with WFIS[2] providing financial assistance to low-income working families

[1] For more information regarding ITINs, please visit the IRS at: https://www.irs.gov/individuals/individual-taxpayer-identification-number#:~:text=The%20IRS%20issues%20ITINs%20to,Social%20Security%20Administration%20(SSA).

[2] Montgomery County MD Operating Budget. *Non-Departmental Accounts – Working Families Income Supplement*. 2023. Available at: https://apps.montgomerycountymd.gov/basisoperating/Common/Program.aspx?ID=99D&PROGID=P99P28

in Montgomery County. Eligible county residents who file a Maryland Tax return receive a 100% match of the state EITC.[3] The County, through the NDA, then reimburses the State for the cost of the refund and related administrative expenses.[4] Due to a higher than anticipated number of recipients who qualified for WFIS, there is currently not enough funding to cover the full costs of the tax supplement through the end of the current fiscal year. As such, an additional $4,473,902 is needed to fully fund the NDA.

Working Family Tax Credits such as the EITC and WFIS both encourage and reward work for low- and moderate-income working people in part by offsetting payroll and income taxes that ultimately boost their wages.[5] For eligible low-income County residents, WFIS serves as a vital economic support – providing economic stability for recipients throughout the year as it is delivered several months after receipt of federal and state tax refunds.[6] Additionally, ITIN taxpayers (which includes undocumented immigrants and their dependents as well as some individuals who are lawfully present in the United States with employment visas[7]) may also be eligible for both the Maryland EITC and the WFIS.[8] Given the proven benefits of tax credits such as WFIS to low-income working families – particularly single mothers of color and their children – ORESJ recommends funding the NDA to meet the needs of its recipients.

III. **ANALYSIS:** Throughout the history of the United States, strategic disinvestments in Black communities coupled with targeted investments in White communities have resulted in stark disparities in wealth accumulation and the benefits it provides. Specifically, centuries of institutional and systemic racism have resulted in disparities in income, health, education, and opportunity that continue to persist today.[9] The onset of the COVID-19 pandemic not only shed light on such disparities, but in many cases exacerbated them. As a result, the pandemic and resulting economic downturn that ensued had the most severe impacts on people with the lowest incomes—with women, immigrants, and those who

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[3] Montgomery County Government. *Earned Income and Other Tax Credits*. 2023. Available at: https://www.montgomerycountymd.gov/Cashback/tax_credits.html

[4] Montgomery County MD Operating Budget. *Non-Departmental Accounts – Working Families Income Supplement*. 2023. Available at: https://apps.montgomerycountymd.gov/basisoperating/Common/Program.aspx?ID=99D&PROGID=P99P28

[5] Center on Budget and Policy Priorities. *Policy Basics: The Earned Income Tax Credit*. 2019. Available at: https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit

[6] Cash Campaign of Maryland, MDCEP, & Community Action Partnership. *Updates to the Working Families Income Supplement*. 2021. Available at: https://www.montgomerycountymd.gov/Cashback/Resources/Files/WFIS%20Fact%20Sheet%202021.pdf

[7] National Immigration Law Center. *Individual Taxpayer Identification Number (ITIN): A Powerful Tool for Immigrant Taxpayers*. 2022. Available at: https://www.nilc.org/issues/taxes/itinfaq/

[8] Montgomery County Government. *Earned Income and Other Tax Credits*. 2023. Available at: https://www.montgomerycountymd.gov/Cashback/tax_credits.html

[9] Mineo, L. *Racial wealth gap may be a key to other inequities: A look at how and why we got there and what we can do about it*. 2021. Available at: https://news.harvard.edu/gazette/story/2021/06/racial-wealth-gap-may-be-a-key-to-other-inequities/

identify as BIPOC being overrepresented in the low wage workforce.[10] As a result, these groups are disproportionately likely to be paid wages insufficient for their basic needs.[11] Again, this is due largely in part to both the legacy of severe discrimination and continued structural barriers to opportunity that makes it more likely for BIPOC workers to be employed in low-paid occupations, work part-time or part-year instead of full-time and year-round, and have lower wages within a given occupation when compared to their White peers.[12]

The ramifications of low wages result in making it difficult for families to make ends meet, with necessities such as safe and affordable housing, access to nutritious food, reliable transportation, high- quality child care, and educational opportunities that lend themselves to increased earnings,[13] being out of reach for most. Essentially, these low wages and the income instability they cause keep low income BIPOC families – particularly those headed by a single female householder – in a perpetual state of poverty that is difficult to traverse. Working Family Tax Credits have the ability to lift these families in particular over the current poverty line.

Working Family Tax Credits such as WFIS and the EITC reduce poverty both by increasing incomes for those eligible to receive the credits and increasing participation in the workforce. The amount of EITC an eligible tax filer receives is contingent on several factors such as a recipient's income, marital status, and number of children.[14] Workers receive the credit beginning with their first dollar of earned income with the amount of the credit rising until it reaches a maximum level – upon which it then begins to phase out at higher income levels.[15] Because the EITC (like WFIS) is refundable, the excess balance of a low-wage worker's income tax liability is then refunded by the IRS.[16]

When examining data on the gender and racial earnings gaps for all women, Black and Latina women's median annual earnings are substantially below those of White and Asian women, as well as those of men in all of the largest racial and ethnic groups with median earnings for a year of full-time work—with the wages of Latina women caring for at least

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[10] Waxman, S., & Hinh, I. *States Can Enact or Expand Child Tax Credits and Earned Income Tax Credits to Build Equitable, Inclusive Communities and Economies*. 2023. Available at: https://www.cbpp.org/research/state-budget-and-tax/states-can-enact-or-expand-child-tax-credits-and-earned-income-tax

[11] Ibid.

[12] Marr, C., & Huang, Y. *Women of Color Especially Benefit From Working Family Tax Credits*. 2019. Available at: https://www.cbpp.org/research/federal-tax/women-of-color-especially-benefit-from-working-family-tax-credits

[13] Waxman, S., & Hinh, I. *States Can Enact or Expand Child Tax Credits and Earned Income Tax Credits to Build Equitable, Inclusive Communities and Economies*. 2023. Available at: https://www.cbpp.org/research/state-budget-and-tax/states-can-enact-or-expand-child-tax-credits-and-earned-income-tax

[14] Center on Budget and Policy Priorities. *Policy Basics: The Earned Income Tax Credit*. 2019. Available at: https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit

[15] Ibid.

[16] Ibid.

two children being near poverty levels.[17] Disproportional representation in low wage work means that low income, single BIPOC mothers stand to benefit the most from Working Family Tax Credits. The table below, from the Center on Budget and Policy Priorities 2019 report [Women of Color Especially Benefit From Working Family Tax Credits](https://www.cbpp.org/research/federal-tax/women-of-color-especially-benefit-from-working-family-tax-credits), demonstrates how the EITC in particular is especially beneficial to Black and Latina women.

TABLE 1

Women (Filers and Spouses) Benefiting From EITC

	Women Benefiting from the EITC	Average EITC Benefit	Share of Women in Racial and Ethnic Group Receiving the EITC
White, non-Latina	7,380,000	$1,600	9%
Latina	4,040,000	$2,100	21%
Black, non-Latina	3,260,000	$2,200	21%
Asian and Pacific Islander, non-Latina	970,000	$1,400	12%
Native Americans, non-Latina	220,000	$2,300	23%
Other, non-Latina	270,000	$2,100	17%
Total	16,140,000	$1,900	13%

Source: CBPP estimates based on March 2018 Current Population Survey data.

As the table above shows, these tax credits are especially beneficial to BIPOC women, with the EITC boosting the incomes of 9 million women of color in 2019.[18] The influx of money Working Family Tax Credits provides not only enable recipients to pay down debts and afford other necessities such as housing costs, child care expenses, and groceries (whose costs are all on the rise due to the lingering effects of the pandemic and historic inflation), it also affords these households with an opportunity to save and build assets, while even

[17] IWPR. *Gender and Racial Wage Gaps Persist as the Economy Recovers: Annual Gender Wage Gap by Race and Ethnicity 2022*. 2022. Available at: https://iwpr.org/wp-content/uploads/2022/10/Annual-Gender-Wage-Gap-by-Race-and-Ethnicity-2022.pdf

[18] Marr, C., & Huang, Y. *Women of Color Especially Benefit From Working Family Tax Credits*. 2019. Available at: https://www.cbpp.org/research/federal-tax/women-of-color-especially-benefit-from-working-family-tax-credits

financing a "treat" for themselves and their families.[19] In particular, income tax refunds can provide an important pathway for households with low incomes to save and build assets, with studies showing the EITC's ability to improve financial stability by increasing the likelihood that single mothers with some college will save, and single mothers with a high school diploma or less being less likely to hold unsecured debt such as payday loans, in part because they are working more in response to the EITC.[20] While addressing racial and gender disparities and inequities related to income and wealth are not the stated purposes of Working Family Tax Credits, research demonstrates that they undeniably stand to benefit BIPOC working women and their children. In the case of WFIS in particular, ITIN tax filers (immigrant filers) stand to benefit greatly as well.

Through the use of their ITIN, undocumented immigrants, like all working United States citizens and residents, are required to pay taxes, however they have not always enjoyed the benefits of such taxation. Each year, undocumented immigrants add billions of dollars in sales, excise, property, income and payroll taxes, including Social Security, Medicare and unemployment taxes, to federal, state and local coffers, yet they are barred from almost all government benefits, including the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medicaid, federal housing programs, Supplemental Security Income (SSI), Unemployment Insurance, Social Security, Medicare, and the EITC.[21] Moreover, the climate of fear today in immigrant communities, exacerbated by Administration actions, has made many immigrants wary of claiming public benefits for which they or their children qualify; fears that also sow doubts regarding whether filing a tax return is wise.[22] Because WFIS allows these filers to claim their benefit so long as they file their Maryland State taxes, this NDA is uniquely equipped to serve these households by ensuring they receive the benefits they're entitled to. As a result, ORESJ strongly urges Montgomery County to fully fund this supplemental request and to continue doing so in the future as it aligns with the County's objective of reducing and eliminating racial disparities and inequities.

cc: Michael Coveyou, Director, Department of Finance
Ken Hartman, Director, Strategic Partnership, Office of the County Executive

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[19] Maag, E., Congdon, W., & Yau, E. *The Earned Income Tax Credit: Program Outcomes, Payment Timing, and Next Steps for Research*. 2021. Available at: https://www.urban.org/sites/default/files/publication/103722/the-earned-income-tax-credit-program-outcomes-payment-timing-and-next-steps-for-research.pdf

[20] Ibid.

[21] Lipman, F. *Taxing Undocumented Immigrants: Separate, Unequal and Without Representation*. 2006. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=881584

[22] Huang, C., & Taylor, R. How the Federal Tax Code Can Better Advance Racial Equity: 2017 Tax Law Took Step Backward. 2019. Available at: https://www.cbpp.org/research/federal-tax/how-the-federal-tax-code-can-better-advance-racial-equity