

MFP ITEM #7  
May 6, 2010

**Worksession**

**MEMORANDUM**

May 4, 2010

TO: Management and Fiscal Policy Committee

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

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

Expedited Bill 33-10, Finance – Working Families Income Supplement – Amount, sponsored by the Council President at the request of the County Executive, was introduced on May 4, 2010. A public hearing is tentatively scheduled for May 11 at 1:30 p.m.

Bill 33-10 would reduce the Working Families Income Supplement to 67% of any refund an eligible recipient receives from the State-Earned Income Credit Program. In his transmittal memorandum, the Executive estimates that the average earned income tax credit payment would be \$530 in FY11. If the Council enacts Bill 33-10, the Executive estimates that the average payment would be reduced to \$353. The Executive estimates that this action would reduce FY11 expenditures by \$5,394,100 (©4). The Committee is expected to recommend the amount of the supplement when it reviews the Working Families Income Supplement Non-Departmental Account at its meeting on May 4 at 3:00 p.m.

**Issue for Committee Discussion**

As noted above, the Council has not yet held a public hearing on Bill 33-10 and Council staff is not aware of any correspondence that the Council received on this supplement. In reviewing Bill 33-10, **Council staff recommends** that the bill not list a specific reduction in the law and recommends the following amendment:

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

This language would retain the amount of the supplement at equal to the State earned income credit, but would also provide the Council flexibility to determine a different amount by

resolution. The Council would also not have to enact legislation if the Council wants to adjust the amount of the credit in the future.

If the Committee supports Bill 33-10, then Council staff recommends doing so with the above amendment.

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Expedited Bill No. 33-10  
Concerning: Working Families Income Supplement—Amendment  
Revised: 4/29/2010 Draft No. 1  
Introduced: May 4, 2010  
Expires: November 4, 2011  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: \_\_\_\_\_  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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By: Council President at the Request of the County Executive

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**AN EXPEDITED ACT to:**

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

By amending

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

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

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

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

2   **20-79. Amount of Supplement.**

3           The amount of the Working Families Income Supplement paid to each  
4 recipient must equal [the amount] 67% of any refund the recipient receives from  
5 the State earned income credit program. The Executive, by regulations issued  
6 under Method (1), may increase the amount of the Supplement.

7           **Sec. 2. Expedited Effective Date.**

8           The Council declares that this legislation is necessary for the immediate  
9 protection of the public interest. This Act takes effect on the date on which it  
10 becomes law.

*Approved:*

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Nancy M. Floreen, President, County Council

Date

*Approved:*

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Isiah Leggett, County Executive

Date

*This is a correct copy of Council action.*

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Linda M. Lauer, Clerk of the Council

Date

## LEGISLATIVE REQUEST REPORT

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

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



OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

**MEMORANDUM**

April 27, 2010

TO: Nancy Floreen, President  
Montgomery County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Working Families Income Supplement - Amendment

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

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

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

IL:tjs