

Action

MEMORANDUM

May 18, 2010

TO: County Council

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

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

Management and Fiscal Policy Committee recommendation (2-1): enact Bill 33-10 with an amendment to allow the Council to approve an amount for the credit as part of the annual operating budget or another Council resolution.

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 was held on May 11 at which a representative of the Executive testified in support of Bill 33-10.

Background

As introduced 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). At its May 11 worksession on the Working Families Income Supplement Non-Departmental Account, the Council placed \$5,394,100 on the reconciliation list to fund the full amount of the supplement.

Committee recommendation

The MFP Committee held a worksession on Bill 33-10 on May 6 and recommended (2-1) approval of Bill 33-10 with 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 supplement in the future. Councilmember Ervin opposed Bill 33-10.

This packet contains:

	<u>Circle</u>
Expedited Bill 33-10	1
Legislative Request Report	3
Memo from County Executive	4
Fiscal Impact Statement	5
Public hearing testimony	6

Expedited Bill No. 33-10
Concerning: Working Families Income Supplement—Amendment
Revised: 5/7/2010 Draft No. 2
Introduced: May 4, 2010
Expires: November 4, 2011
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: _____
Ch. _____, Laws of Mont. Co. _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Council President at the Request of the County Executive

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

Boldface	<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:

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



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OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

May 11, 2010

TO: Nancy Floreen, President, County Council
FROM: Joseph F. Beach, Director
SUBJECT: Expedited Bill 33-10, Finance - Working Families Income Supplement - Amount

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MONTGOMERY COUNTY
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The purpose of this memorandum is to transmit a fiscal impact statement to the Council on the subject legislation.

LEGISLATION SUMMARY

This legislation amends Chapter 20, Finance of the Montgomery County Code with respect to Article XIV, Working Families Income Supplement. The purpose of these amendments is to reduce the amount paid to program recipients by approximately 33 percent. This action is needed as the County has experienced a severe reduction in FY10-11 revenue and must reduce its tax supported FY11 expenditures in order to balance the budget.

FISCAL SUMMARY

This legislative revision would provide future fiscal year, and beyond, operating budget cost savings. Specifically, this change would produce an FY11 estimated operating budget savings of \$5,394,100 by reducing the average Earned Income Tax Credit payment \$177 per program recipient; from \$530 to \$353, which is approximately the level this payment was at in FY05.

The following contributed to and concurred with this analysis: Bryan Hunt, Office of Management and Budget, and Robert Hagedoorn, Department of Finance.

JFB:bh

- c: Kathleen Boucher, Assistant Chief Administrative Officer
- Dee Gonzalez, Offices of the County Executive
- Jennifer Barrett, Director, Department of Finance
- Robert Hagedoorn, Department of Finance
- John Cuff, Office of Management and Budget

Office of the Director

6

12-1

**Testimony: Expedited Bill 33-10, Finance - Working Families Income Supplement -
Amount**

Good afternoon, I am Karen Hawkins, Chief Operating Officer of the Department of Finance, and I am here to testify on behalf of County Executive Isiah Leggett in support of Expedited Bill 33-10 Finance – Working Families Income Supplement - Amount.

This legislation will amend the amount of the Working Families Income Supplement paid to each recipient, as recommended by the County Executive in his amendments to the Recommended FY11 Operating Budget, and specifically in a memo dated April 27, 2010. In order to respond to the current fiscal situation, the County Executive reluctantly forwarded this legislation for Council consideration, which would reduce the payments under this program by 33% and create an estimated savings of \$5,394,100 in the FY11 budget. In making this recommendation, the County Executive is cognizant of the impact of this action on County residents. This action would change the average EITC payment to \$353, which is approximately the level this payment was at in FY05.

The Executive reached this decision only after making extensive expenditure reductions in the County Government tax-supported budget, and after the revenue outlook for FY10 and 11 deteriorated significantly, requiring an additional round of expenditure reductions and revenue raising measures to balance the budget. If enacted, this legislation will assist in this effort.

We urge the Council to approve this legislation.

May 11, 2010