

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1426 (Delegates Hornberger and Ghrist)
 Ways and Means

Education - Maryland Public Education Fund - Income Tax Checkoff

This bill establishes the Maryland Public Education Fund checkoff on the individual income tax return form. After the Comptroller deducts administrative expenses, the contributions are credited to the fund. Beginning in fiscal 2019, the Governor must appropriate to each county board of education the contributions that are credited to the fund from the residents of each county. Funds may not be used for county board of education salaries or pensions.

The bill takes effect July 1, 2016, and applies to tax year 2016 and beyond.

Fiscal Summary

State Effect: General fund expenditures increase by \$50,900 in FY 2017 due to one-time computer programming expenses at the Comptroller’s Office. Special fund expenditures for county boards of education increase beginning in FY 2019. While special fund revenues to the Maryland Public Education Fund increase annually, total special fund revenues to other funds receiving contributions through tax checkoffs may decrease.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	-	-	-	-	-
GF Expenditure	\$50,900	\$0	\$0	\$0	\$0
SF Expenditure	\$0	\$0	-	-	-
Net Effect	(\$50,900)	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local school system revenues increase to the extent that individuals make contributions to the Maryland Public Education Fund. Local expenditures are not directly affected.

Small Business Effect: None.

Analysis

Bill Summary: The Comptroller must include a checkoff designated as the Maryland Public Education Fund Contribution on the individual income tax return form. The checkoff must state that the individual, or each spouse in the case of a joint return, may contribute to the fund an amount designated by the individual. The individual deducts the amount of the contribution from any refund to which the individual is entitled or, if the individual is not entitled to a refund, the individual adds the amount of the contribution to the income tax paid with the return. The Comptroller must include, with the individual income tax return package, a description of the purposes of the Maryland Public Education Fund. From the contributions collected, the Comptroller distributes an amount necessary to administer the checkoff system to an administrative cost account and distributes the remainder to the fund.

The State Superintendent of Schools must administer the fund. In addition to the revenue generated from contributions, the fund consists of (1) money appropriated in the State budget; (2) investment earnings of the fund; and (3) money from any other source accepted for the benefit of the fund. Expenditures from the fund may only be made in accordance with the State budget.

Current Law/Background: The Chesapeake Bay and Endangered Species Fund, Cancer Research Fund, Developmental Disabilities Services and Support Fund Contribution, and Fair Campaign Financing Fund are the four current checkoffs on the personal income tax form. In tax year 2013, taxpayers contributed a total of \$1.8 million via income tax checkoffs. This amount does not include donations to the Fair Campaign Financing Fund, which was reestablished beginning in tax year 2015.

State Fiscal Effect: Special fund revenues to the Maryland Public Education Fund increase, but the amount of the donations cannot be accurately estimated. Overall special fund revenues, however, may be unaffected or decrease. Donations to this checkoff would likely divert funds from the four existing checkoffs. To the extent that the new checkoff does not divert funds from the existing checkoffs, net special fund revenues will increase by a greater amount. Beginning in fiscal 2019, special fund expenditures for county boards of education will increase based on the amount of contributions generated by the checkoff.

The Comptroller's Office reports that it will incur a one-time general fund expenditure increase of \$50,900 in fiscal 2017 to add the checkoff to personal income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

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