

Department of Legislative Services  
Maryland General Assembly  
2018 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 1341  
Appropriations

(Delegate Jones, *et al.*)

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Maryland College Investment Plan – State Match Requirement – Revisions

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This bill extends the period during which specified 529 investment account holders must make a minimum contribution in order to be eligible to receive a \$250 State matching contribution. Minor clarifying and conforming changes are made to the program application process. The bill also extends the date by which the Maryland 529 Board must establish an outreach and marketing plan, specifies requirements for the plan, and requires that a related report be submitted to the General Assembly. **The bill takes effect June 1, 2018, and applies retroactively to eligible investment accounts established after December 31, 2016.**

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Fiscal Summary

**State Effect:** General fund expenditures increase by \$21,500 in FY 2018 to provide a State matching contribution to retroactively eligible 529 accounts. The FY 2018 budget includes sufficient funds to cover the bill's costs prior to a planned reversion at the end of the fiscal year, as discussed below. Revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** Minimum contributions necessary for a 529 investment account to be eligible for a \$250 State matching contribution can be made at any time prior to November 1 of a given year.

The date by which the board must establish an outreach and marketing plan is extended by two years to September 1, 2018. The plan must (1) make use of a variety of marketing media, including billboards, brochures, and electronic resources and (2) provide a centralized contact point for individuals to obtain information about opening an account and the availability of a State contribution. By December 1, 2018, the board must submit a report to the General Assembly on the details of the plan.

**Current Law:** A 529 investment account is eligible for a State matching contribution each year, provided that the account holder applies between January 1 and June 1, the minimum contribution is made between July 1 and November 1, and other eligibility requirements are met. The State matching contribution is then made by the end of the calendar year. Only investment accounts created after December 31, 2016, are eligible.

**Background:** As part of a multifaceted approach to address the affordability of higher education, the College Affordability Act of 2016 (Chapter 690) established an annual State matching contribution of \$250, per beneficiary, for new accounts in the Maryland College Investment Plan, which is administered by Maryland 529. The program is being implemented as the Save4College program.

The minimum personal contribution necessary to receive a State matching contribution varies with income, up to a maximum of \$125,000/\$175,000 for single/joint filers. The Governor must appropriate at least \$7.0 million in fiscal 2019, and \$10.0 million annually thereafter, for the State matching contributions. If funding provided in a fiscal year is not sufficient to fully fund all State contributions, Maryland 529 must prioritize certain recipients.

During the program's first application period from January 1 to June 1, 2017, 3,084 applications were filed. However, 1,269, or 41%, of applications were ultimately denied. Of those, 86 were denied even though they made sufficient contributions during the year to otherwise qualify, because they made contributions prior to the allowed July 1 to November 1 period. Maryland 529 administrators believe that enabling applicants to open an account and make the minimum required contribution to receive the State matching contribution at the same time would increase both applications and acceptances.

Matching contributions totaling \$453,750 were subsequently made in fiscal 2018. The Governor was required to include \$5.0 million in the fiscal 2018 budget to provide State matching contributions. The Governor's proposed fiscal 2019 budget, which does not account for the bill, anticipates a reversion of \$4.5 million of unspent fiscal 2018 funds.

**State Expenditures:** Maryland 529 advises that retroactively applying the expanded contribution period to contributions made in 2017 makes 86 accounts eligible for the State matching contribution for that year. As the bill takes effect June 1, 2018, this analysis

assumes that State matching contributions are made to those accounts prior to the end of fiscal 2018. Accordingly, general fund expenditures increase in fiscal 2018 by \$21,500. It is further assumed that \$21,500 of the unspent fiscal 2018 funds that remain in the budget can be used to cover the retroactively eligible matching contributions.

Since funding is mandated for the program annually, it is also assumed that the mandated appropriation amounts cover any additional matching contributions that are eligible as a result of the bill beginning in fiscal 2019. Extending the date by which the outreach and marketing plan must be conducted and specifying criteria within the general scope of such a plan is not anticipated to materially affect Maryland 529 expenditures. Maryland 529 currently engages in similar marketing activities for the program.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 933 (Senator Kasemeyer) - Budget and Taxation.

**Information Source(s):** Maryland 529; Comptroller's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2018  
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