

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

Senate Bill 704 (Senator Klausmeier)
 Budget and Taxation

Maryland Homeland Security Trust Fund - Income Tax Checkoff

This bill creates a Maryland Homeland Security Trust Fund checkoff on the individual income tax return form to support grants for emergency services. The director of the Maryland Emergency Management Agency (MEMA) is required to report to the General Assembly by August 31 of each year on the administration of the fund, including a description of promotional efforts.

The bill is effective October 1, 2003 and will apply to all taxable years beginning after December 31, 2002.

Fiscal Summary

State Effect: No net change in total donations to checkoff funds. Approximately \$1.0 million would be distributed among three funds. The exact amount contributed to each fund cannot be reliably estimated. Special fund expenditures increase by approximately \$190,500 in FY 2004, which includes personnel and computer programming. Future year expenditures reflect annualized salaries and inflation.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	190,500	0	0	0	0
Net Effect	(\$190,500)	\$0	\$0	\$0	\$0

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

Local Effect: Potential increase in local government revenues for police, fire, and rescue services – the magnitude will depend on the amount of checkoff donations and the distribution of grants.

Small Business Effect: None.

Analysis

Bill Summary: After the Comptroller deducts administrative expenses, the contributions will be credited to the fund and distributed by the director of the Maryland Emergency Management Agency (MEMA) through the annual budget process to eligible entities (Department of State Police and political subdivisions) for police, fire, rescue, and emergency medical services. Money credited to the fund may not be reverted to the general fund and any fund distributions used for these services are not intended to replace funds that would otherwise be appropriated for equipment. The director of MEMA may not distribute more than 5% of the net proceeds of the fund for promoting donations to the fund.

Current Law: There are currently two checkoffs on the personal income tax form – the Chesapeake Bay and Endangered Species Fund and the Fair Campaign Financing Fund.

Background: The fiscal 2004 allowance for State police, fire, and rescue services and grants to local jurisdictions includes the following:

- Maryland Institute Emergency Medical Services Systems (MIEMSS) – \$10.6 million;
- Senator William H. Amoss Fire Rescue and Ambulance – \$10 million;
- Fire Prevention Services – \$5.4 million;
- State Aid For Police Protection Fund – \$63.6 million; and
- Local Aid Law Enforcement Grants – \$13.1 million.

The U.S. Department of Justice also provides grants to local jurisdictions for equipment such as protective gear and decontamination equipment. After the terrorist attacks on September 11, 2001, Congress increased the funding for these “First Responder” grants. Maryland counties received \$4.3 million in 2002, compared to \$2 million in the previous year. The federal program awarded a total of \$1.4 million in fiscal 2002 to State agencies, including MEMA, the Maryland State Police, and the Department of Transportation.

A survey by the Federation of Tax Administrators identified 179 checkoff programs available to taxpayers in 41 states and the District of Columbia on state income tax returns filed for tax year 2000. Every state with a broad-based income tax has at least one checkoff program and some states have had to create a separate form just for

checkoffs. The most common checkoffs are for wildlife protection and child abuse prevention. No state that responded to the survey indicated a checkoff for police or fire services, though a bill was proposed in California to provide one for fire suppression.

State Revenues: The Chesapeake and Endangered Species Fund checkoff was established in 1990. Contributions were approximately \$1 million per year until the Fair Campaign Financing Fund checkoff was established in 1996. Beginning in 1996, total contributions to the two funds have been approximately \$1.0 million per year. As a result of this historical data, it is estimated that combined contributions for the three funds would be approximately \$1.0 million per year. As a result, revenue distributed to the two existing funds could decline. However, the distribution among the three funds cannot be reliably estimated at this time.

State Expenditures: MEMA will need one contractual position to establish program regulations, administer the fund, and begin promotion of the checkoff program in fiscal 2004 and 2005. Special fund expenditures would thus increase by \$39,117 in fiscal 2004 for a salary, fringe benefits, and one-time start up expenses. Fiscal 2005 expenditures reflect a full salary with a 4.5% annual increase. Depending upon the growth of the fund, MEMA advises that it may need a full-time planner to administer the grant program.

The Comptroller's Office reports that it would incur a one-time expenditure increase of \$151,370 to add the checkoff to the personal income tax form. This includes data processing changes to the SMART income tax return processing and imaging systems, as well as printing and mailing costs associated with inserting additional pages to the income tax booklet (existing forms do not have room for additional lines).

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland Emergency Management Agency, Department of Legislative Services

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