

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1511 (Chair, Health and Government Operations Committee and
 Chair, Ways and Means Committee)
 (By Request – Departmental – Veterans Affairs)
 Health and Government Operations and Ways and Means

Maryland Veterans Trust Fund

This departmental bill establishes a Maryland Veterans Trust Fund to provide grants and loans to veterans and their families as well as to public and private programs. Funds are derived from contributions made through the income tax checkoff system and other donations.

The bill takes effect July 1, 2008 and applies to all taxable years beginning after December 31, 2007.

Fiscal Summary

State Effect: Special fund revenues could increase beginning in FY 2009 to reflect checkoff contributions. General fund expenditures could increase by \$73,800 for one new position at the Department of Veterans Affairs and one-time programming costs incurred by the Comptroller’s Office. Future years reflect annualization and inflation.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
SF Revenue	-	-	-	-	-
GF Expenditure	73,800	49,700	52,300	55,000	57,900
Net Effect	(\$73,800)	(\$49,700)	(\$52,300)	(\$55,000)	(\$57,900)

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

Local Effect: None.

Small Business Effect: The Department of Veterans Affairs has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: The Comptroller must include a checkoff on the individual income tax return that allows each filer to designate an amount of contribution to the Maryland Veterans Trust Fund. The amount designated is deducted from the amount of any refund or added to the amount the filer must pay. The Comptroller must account for these contributions and distribute monies to the fund, less any administrative costs.

The fund is administered by the Secretary of Veterans Affairs with the advice of the Maryland Veterans Commission. The Secretary must annually report to the General Assembly on the administration of the fund, including the gross amount of donations credited to the fund, the Comptroller's costs in administering the fund, and an accounting of the fund's uses. Contributions to the fund are not intended to supplant funding that would be otherwise appropriated to the Department of Veterans Affairs.

Current Law/Background: The Comptroller is currently required to include three checkoffs on the individual income tax return form. The amount designated is deducted from the amount of any refund or added to the amount the filer must pay. The Comptroller must account for these contributions and distribute proceeds to the appropriate fund. The checkoff programs are:

- **State Chesapeake Bay and Endangered Species Fund Contribution:** Up to 5% of the fund's net proceeds may be used for promotional purposes, with remaining funds divided equally between the Chesapeake Bay Trust and the Endangered Species Account. The Comptroller collected \$1.2 million for these purposes in fiscal 2007.
- **Maryland Cancer Fund Contribution:** Up to 5% of the fund's net proceeds may be used for promotional purposes, with remaining funds used to provide grants to eligible physicians, hospitals, laboratories, educational institutions, and other organizations for cancer research, prevention, and treatment. The Comptroller collected \$0.5 million for these purposes in fiscal 2007.
- **Fair Campaign Financing Fund:** On the authorization of the State Board of Elections, the Comptroller must distribute these funds to a campaign finance entity

established for an eligible gubernatorial ticket. The Comptroller collected \$0.1 million for this purpose in fiscal 2007.

A 2002 survey by the Federation of Tax Administrators identified 220 checkoff programs on tax return forms in 41 states and the District of Columbia. At the time of the survey, 10 states maintained a checkoff program for veterans.

State Revenues: The amount of contributions cannot be reliably determined, though it is expected that contributions to the Maryland Veterans Trust Fund would divert revenues from existing tax checkoff programs. As an example, contributions to the Chesapeake Bay and Endangered Species Fund decreased by \$0.4 million with the 2005 introduction of the Maryland Cancer Fund checkoff, which generated \$0.4 million in contributions in its first year. Any net increase in total special fund revenues as a result of this bill is expected to be minimal.

State Expenditures: The bill requires the Department of Veterans Affairs to make distributions from the fund and report annually to the General Assembly. The department could incur general fund expenditures of \$38,137 in fiscal 2009, which assumes that one income maintenance specialist is hired October 1, 2008 in anticipation of the tax filing period that begins January 1, 2009. This estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	1
Salary and Fringe Benefits	\$36,184
Operating Expenses	<u>1,953</u>
Total FY 2009 State Expenditures	\$38,137

Future year expenditures reflect • a full salary with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

The Comptroller's Office could also incur a one-time expenditure of \$35,700 to add the checkoff to personal income tax forms. This estimate includes modifications to the income tax return processing and imaging systems as well as systems testing.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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