

Department of Legislative Services
2011 Session

FISCAL AND POLICY NOTE

House Bill 808
Ways and Means

(Delegate Haddaway-Riccio)

Maryland Strategic Energy Investment Fund - Income Tax Checkoff

This bill establishes a Maryland Strategic Energy Investment Fund (SEIF) checkoff on the individual income tax return form. After the Comptroller deducts administrative expenses, contributions are credited to the fund.

The bill takes effect July 1, 2011, and applies to tax year 2011 and beyond.

Fiscal Summary

State Effect: Minimal net increase in special fund revenues in FY 2012 and beyond. General fund expenditures increase by \$40,000 in FY 2012 due to one-time computer programming expenses at the Comptroller's Office.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Revenue	-	-	-	-	-
GF Expenditure	\$40,000	\$0	\$0	\$0	\$0
Net Effect	(\$40,000)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program, and the implementing SEIF, in an effort to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. The fund's primary source of revenues is proceeds from the sale of carbon dioxide (CO₂) allowances under the Regional Greenhouse Gas Initiative. Notwithstanding the transfers enacted by

Chapter 490 of 2010 to offset the cost of the motor vehicle excise tax credit for plug-in electric vehicles, money received by SEIF from CO₂ auctions are required by statute to be distributed to energy efficiency and conservation programs (at least 46%), electricity rate relief (23%), energy assistance programs (17%), renewable and clean energy education and outreach (up to 10.5%), and administrative expenses (up to 3.5%, not exceeding \$4.0 million). Recent budget reconciliation action has altered the distribution of funds through fiscal 2012 to provide additional funds for energy assistance programs. As part of its energy management responsibilities, the Maryland Energy Administration (MEA) manages SEIF.

The Chesapeake Bay and Endangered Species Fund (CBESF), Cancer Research Fund (CRF), and Developmental Disabilities Waiting List Equity Fund Contribution (WLEF) are the three current checkoffs on the personal income tax form. Chapters 499 and 500 of 2010 established the WLEF checkoff beginning with tax year 2010. The Budget Reconciliation and Financing Act of 2010 (Chapter 484) eliminated the Fair Campaign Financing Fund (FCFF). In fiscal 2010, \$1.0 million was donated to CBESF, \$463,000 to CRF, and \$108,300 to FCFF. **Exhibit 1** shows the amount of donations provided through income tax checkoffs since fiscal 1990.

State Revenues: While the amount of donations cannot be accurately estimated, the Department of Legislative Services estimates that there will be a minimal net increase in special fund revenues in fiscal 2012 and beyond. Donations to this checkoff would likely divert funds from the three existing personal income checkoffs: CBESF, CRF, and WLEF. 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.

State Expenditures: The Comptroller's Office reports that it will incur a one-time general fund expenditure increase of \$40,000 in fiscal 2012 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. MEA can implement the bill with existing budgeted resources.

Exhibit 1
Donations to Existing Income Tax Checkoffs
Fiscal 1990-2010
(\$ in Thousands)

Fiscal	CBESF	FCFF	CRF	Total	Difference	Percent Difference
1990	\$1,045	\$0	\$0	\$1,045		
1991	1,093	0	0	1,093	\$48	4.6%
1992	1,167	0	0	1,167	74	6.8%
1993	995	0	0	995	-172	-14.7%
1994	1,037	0	0	1,037	42	4.2%
1995	1,171	0	0	1,171	134	12.9%
1996	958	75	0	1,033	-138	-11.8%
1997	875	85	0	960	-73	-7.1%
1998	828	92	0	920	-40	-4.2%
1999	954	110	0	1,064	144	15.7%
2000	958	115	0	1,073	9	0.8%
2001	965	123	0	1,088	15	1.4%
2002	1,109	134	0	1,243	155	14.2%
2003	1,380	173	0	1,553	310	24.9%
2004	1,571	184	0	1,755	202	13.0%
2005	1,144	114	423	1,681	-74	-4.2%
2006	1,180	121	455	1,756	75	4.5%
2007	1,189	118	550	1,857	101	5.8%
2008	1,133	113	522	1,768	-89	-4.8%
2009	1,223	117	569	1,909	141	8.0%
2010	1,000	108	463	1,571	-338	-18.0%

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland Energy Administration,
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mc/jrb

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