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**For Information**

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Submitted by: Chesapeake Bay Trust

The Chesapeake Bay Trust (the Bay Trust), a nonprofit grant-maker, was established by the General Assembly in 1985 to complement the work of state agencies by reaching out directly to community-based groups on the ground. The Bay Trust provides these groups the ability to lead and own their own work to benefit their communities and the environment, mainly through grants. The Bay Trust awards \$25-30 million annually and has made grants in every Maryland district, from Western Maryland to the Coastal Bays, ranging from \$200 to \$200K+ per award.

When the Bay Trust was created, the General Assembly did not provide a general appropriation to support this grant-making activity, but instead created two revenue streams that raise private, non-governmental dollars: the Chesapeake and Endangered Species Tax Check Off, on the state income tax form, shared with the Maryland Department of Natural Resources, and the bay vehicle license plate.

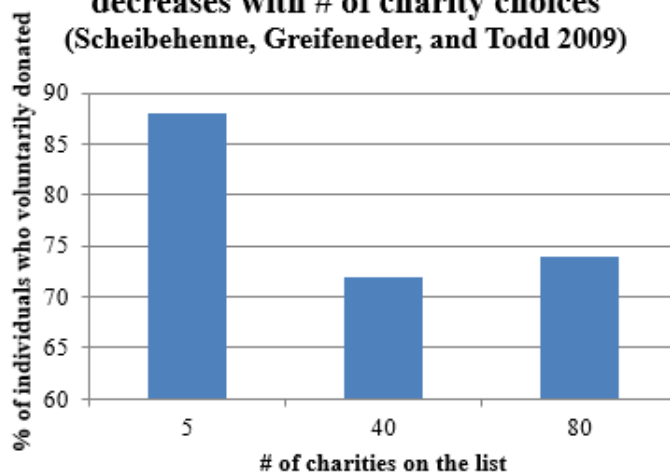
### **I. Nature of Tax Checkoffs as a Revenue Stream: Danger of Too Many Choices (“Choice Overload”)**

The Chesapeake and Endangered Species Tax Checkoff, created in 1988, was one of the first tax checkoffs in the nation to raise money for a cause. For 8 years, it was the only option. The Fair Campaign Fund was added in 1996 as a second option, the cancer checkoff was added in 2003 as a third option, the disabilities checkoff was added in 2010, and in 2023 for tax year 2024 (we haven’t seen the impacts yet), a fifth option was added to support veterans causes.

Unfortunately, while all of the additional causes and many more are worthy, more tax checkoff choices lead to an overall drop in revenue across all checkoffs as well as a drop in revenue to each individual checkoff. The reason: **Choice Overload**. Many of us have experienced that feeling in the peanut butter aisle of the supermarket, staring at 30+ options for something we don’t really need. When we feel rushed, we often give up and move on to the necessities just to finish the grocery shopping chore.

Studies around the world have shown similar phenomena: One gave participants a complicated task (like filing taxes), then offered them \$1 to either keep or donate to a charity on a list. When only five charity options were offered, 87% donated their \$1. When 40+ options were offered, that percentage dropped to 70-75%, meaning overall donations dropped and each charity individually received less. Another study gave participants an option to buy a jar of jam: When presented with 6 options, 12% of people bought a jar. When presented with 24 options, only 2%

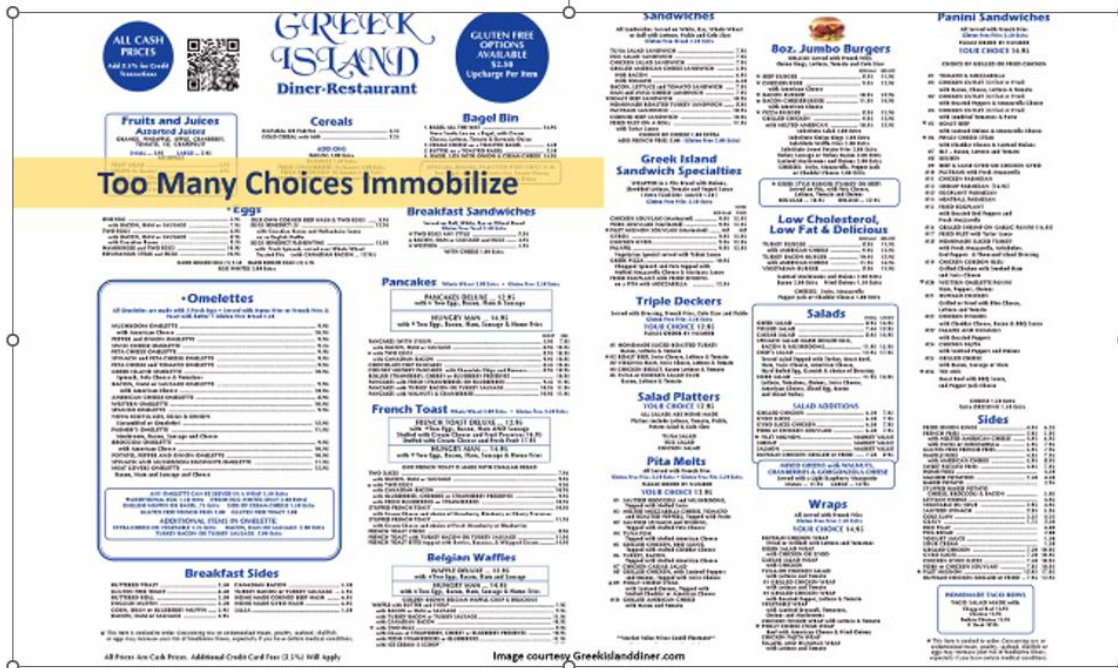
**Likelihood of voluntarily donating \$1 decreases with # of charity choices (Scheibehenne, Greifeneder, and Todd 2009)**



bought a jar. A study offering employees 401K plans found that 75% participated when only 2 plans were offered; only 62% participated when 59 plans were offered.

The reason? Scientists believe that humans do not have the capacity to efficiently compare more than five options.

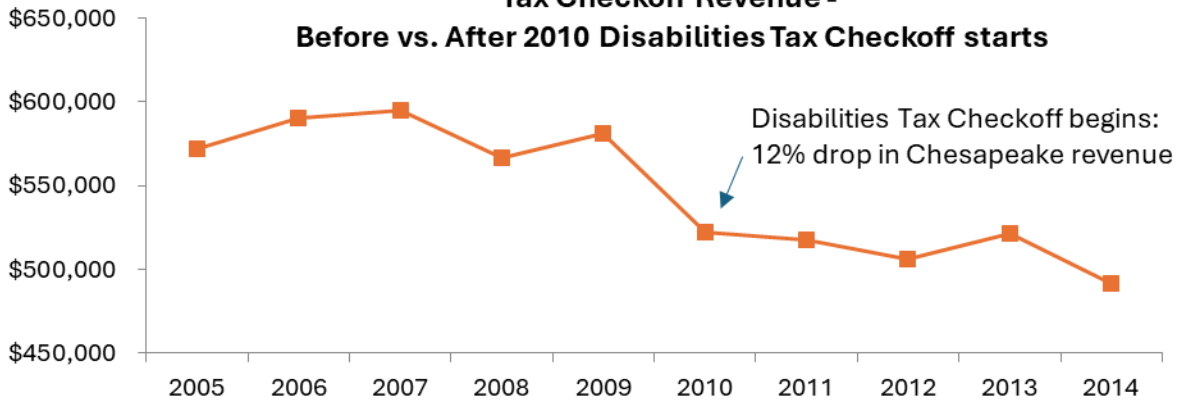
**Choice Overload:**



Donations to the Chesapeake and Endangered Species Fund show the same trend. When a new checkoff option was added in 2010, revenue to the Chesapeake checkoff dropped by 12%.

**Bay Trust portion of the Chesapeake and Endangered Species Tax Checkoff Revenue -**

**Before vs. After 2010 Disabilities Tax Checkoff starts**

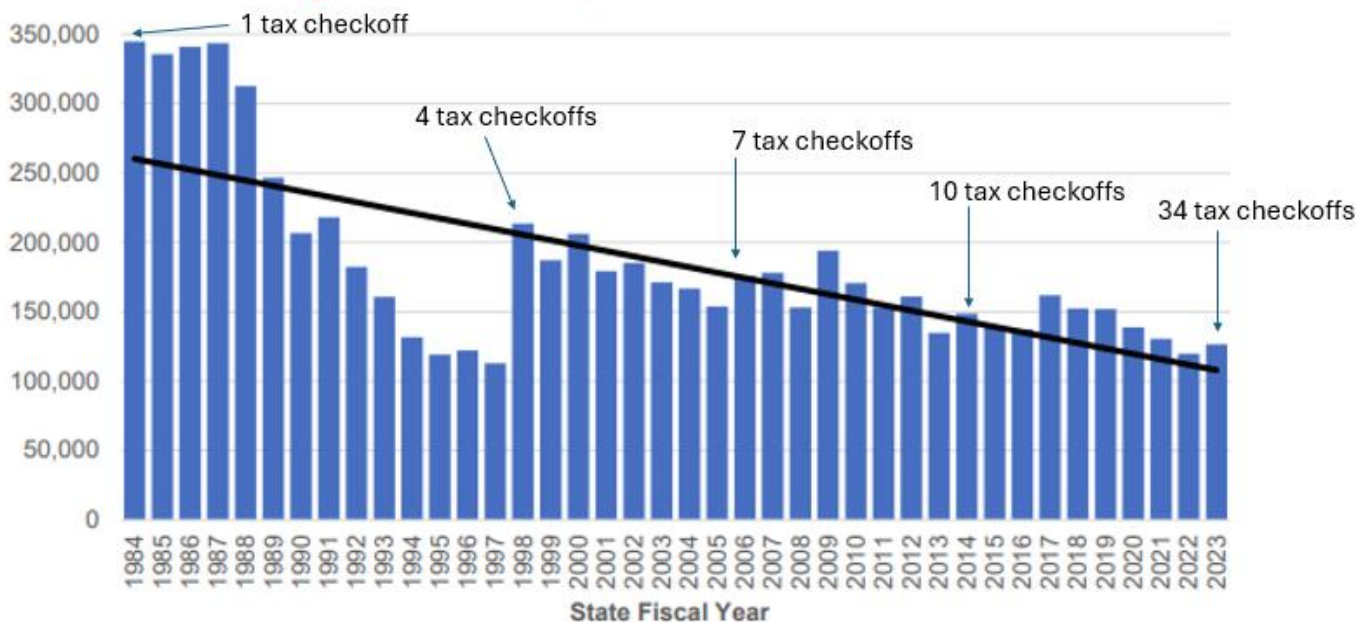


A fifth checkoff was passed in the 2023 legislative session, and the Bay Trust has budgeted for further decline. Two new checkoffs are proposed in the General Assembly in 2025. Seven checkoffs would most certainly lead to an even further decline in Bay Trust revenue, and would likely open the door to an even greater multitude of new checkoffs such that no cause will see meaningful revenue – each would most likely see a decline in revenue with each subsequent year. And, in fact, the total amount donated to all causes in total could drop as more people skip that section entirely.

## II. A Case Study from New York: Outcome of a Proliferation of Tax Checkoffs

A similar negative trend can be seen, though exaggerated because of the high degree of tax checkoff proliferation, in New York State, which currently has the highest number of options at 34. Their Comptroller studied the impact in 2024 (<https://www.osc.ny.gov/files/reports/pdf/tax-checkoffs-2024.pdf>) and concluded that “More checkoffs have not resulted in greater contributions” and “even as the number of checkoffs has grown dramatically in the last 10 years, they have not resulted in substantially more contributions and the number of filers participating have steadily declined.” In 1984 when there was 1 checkoff, 344,000 filers donated. By 2023, when there were 34 checkoff options, only 125,000 filers donated, a 63.4% drop.

**Total Filers Contributing to Tax Checkoffs, SFY 1983-84 – SFY 2022-23**



Source: NYS Department of Taxation and Finance

Each checkoff then, as more and more causes are added, drops in revenue each year: In 1984, filers gave \$1.5m to the one checkoff. In 2014 when there were 10 checkoffs, the average per checkoff was \$200,000. In 2023 when there were 34 checkoffs, the average per checkoff was \$100,000.

## III. Trade-Offs/ Unintended Consequences to Adding New Checkoffs

Revenue drops driven by new checkoffs suggest that **tradeoffs/unintended consequences should be considered before adding new ones.** Because new checkoffs will harm each previous checkoff *and* the total pot, legislators should consider:

- Whether a new cause is going to be attractive** to voluntary donors at tax time. If not, it will simply **bog down the list of checkoff options for no major benefit,** even for that particular cause.
- Whether a tax checkoff is the right kind of revenue stream.** I.e., is the magnitude of the problem (how much total money is needed for the “cause”) commensurate with the amount likely to be raised by the tax checkoff? **If the tax checkoff revenue is only going to be a drop in the bucket, so to speak,**

perhaps it's not worth harming the existing checkoffs. In essence, a business plan should accompany every new tax checkoff proposal.

Several other tax checkoff ideas have been considered over the years. The fiscal note for one in 1998 (HB 1001) notes that after the addition of the second checkoff in 1996, “the total amount contributed by taxpayers to both check-off funds was approximately the same as before the introduction of the new check-off....This would imply that the introduction of a new check-off would not result in additional check-off contributions by taxpayers, but would reallocate funds among check-offs. The Chesapeake Bay and Endangered Species Fund... would thus likely decline to offset contributions to [the new check-off]...”

### **III. Value of the Chesapeake and Endangered Species Tax Checkoff: Grants in Your Districts**

The Bay Trust does not “keep” the tax checkoff revenue: It distributes the funds to ~400 grantees per year throughout Maryland (Youghiogheny, Chesapeake, and Coastal Bays watersheds).



The Bay Trust has made grants in every Maryland district, \$180 million through 12,500+ grants and projects since 1985, providing support for 100,000 K-12 students and adults annually to learn and accomplish measurable environmental improvement. The Trust makes ~400 awards per year and has ~1,000 active awardees at any one time. (see [www.cbtrust.org/impact](http://www.cbtrust.org/impact) or click on the QR code to the left for an interactive map to search for your district).

Demand exceeds availability of current level of funds by about 3:1. Trust grantees are of two types: environmental organizations and non-environmental organizations that pursue green projects. Examples of the latter are schools, faith-based entities, homeowners’ and civic associations, and nonprofits focusing on other causes (health, jobs, housing, etc.) who see an intersection between the environment and their cause (e.g., Veterans Engagement program (<https://cbtrust.org/grants/veterans-engagement/>)).

The Bay Trust is known for its efficiency, putting on average over 90 cents of every dollar into programs. (Last year, that number was 94 cents of every dollar.) Due to this uncommonly high efficiency, the Trust has been rated with the maximum four-star rating by the nation’s leading charity evaluator, Charity Navigator, for more than two decades, putting it in the top 1% of non-profits in the nation.



### **IV. Value of the Chesapeake and Endangered Species Tax Checkoff: Leveraging More Money for Maryland**

The Trust leverages the Tax Checkoff and other unrestricted dollars into \$25+ million annually by attracting other partners with resources. An example is the Trust’s partnership with the U.S. Environmental Protection Agency, in which the Trust offers \$300,000, and the EPA matches it with \$1,000,000 for a Green

Streets, Green Jobs, Green Towns grant program. <https://cbtrust.org/grants/green-streets-green-jobs-green-towns/>;

[\\$1M to help with ‘vital’ Chesapeake Bay improvement - WTOP News](#)



In addition, in 2021 and 2022, the General Assembly tapped the Trust to create and administer the Urban Trees Grant Program (2021) <https://cbtrust.org/grants/urban-trees/> and the Chesapeake Conservation Corps (2020) [www.cbtrust.org/corps](http://www.cbtrust.org/corps), which we have





partly staffed and supported with unrestricted Bay Plate dollars. The bay plate and other unrestricted revenue also funds our K-12 environmental education, on-the-ground restoration, and community engagement.

## V. More About the Chesapeake Bay Trust



The Trust was created by the Maryland General Assembly in 1985 as a nonprofit grant-making organization with a goal to increase stewardship and engagement in the restoration of the state's local rivers, streams, parks, and other natural resources in diverse communities across the state, from the mountains of Western Maryland and the Youghiogheny watershed to the marshes of the Coastal Bays. The goal was to create an entity that could complement state agency work with groups on the ground: schools, nonprofit organizations, faith-based and reach large institutions, homeowners associations, community and civic associations, and other types of groups.



The Trust does not receive a direct state appropriation to support its operations, instead supported through revenue from the Chesapeake Bay vehicle license plate; half of the Chesapeake and Endangered Species Fund checkoff on the state income tax form; two new donation options through Maryland's online boating, fishing, hunting license system, one that focuses on veterans' rehabilitation; partnerships with federal, state, local agencies, family foundations, and corporate foundations; and individual donors.

A key Bay Trust tenet: All Marylanders benefit from healthy natural resources, and all Marylanders can help make natural resources better (aided by Trust grants).