

Department of Legislative Services  
Maryland General Assembly  
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 106 (Senator Astle)  
Education, Health, and Environmental Affairs

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**Chesapeake Bay Trust - Investment Options - Expansion**

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This bill expands a list of types of securities in which money of the Chesapeake Bay Trust may be invested to include marketable equity securities, marketable equity-related mutual funds, and debt-related mutual funds. The bill also modifies a requirement that the overall investment portfolio of the trust have a rating of at least AA to specify that the requirement applies only to the debt security portion of the portfolio.

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**Fiscal Summary**

**State Effect:** The bill does not affect State finances.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** Money of the Chesapeake Bay Trust, in the trust's discretion and unless otherwise provided in any agreement or covenant between the trust and the holders of any of its obligations limiting or restricting classes of investments, may be invested in bonds or other obligations of the United States, the State, the political subdivisions or units of the State, direct or indirect federal agencies, corporate bonds with a rating of BAA3/BBB, or mortgage-backed and asset-backed securities with a rating of AAA. The overall investment portfolio of the trust must have a rating of at least AA.

## **Background:**

### *Chesapeake Bay Trust*

The Chesapeake Bay Trust is a private, nonprofit grant-making organization established by the General Assembly in 1985 to promote public awareness and participation in the restoration and protection of the water quality and aquatic and land resources of the Chesapeake Bay and other aquatic and land resources of the State. The trust awards grants to community-led environmental education and habitat restoration projects through a portfolio of programs and manages the Chesapeake Conservation Corps Program as a special initiative. The trust is governed by a board of 19 trustees.

The trust's programs and activities are funded by (1) sales of *Treasure the Chesapeake* commemorative license plates; (2) donations from Maryland's Chesapeake Bay and Endangered Species Fund income tax check-off program; (3) federal and State grants, contracts, and agreements; and (4) private and corporate contributions.

### *Trust Investments*

The bill's expansion of the list of types of securities in which money of the trust may be invested is intended to increase return on the trust's investments and to reduce risk through diversification. The trust maintains a reserve of invested funding that originates from past private donations. The investments serve as an operating reserve functioning as an endowment, strengthening the trust's balance sheet and helping to attract federal grants, corporate sponsorships, and private donations. Investment earnings are used to help cover operating expenses, and the investments are liquidated as needed to provide working capital. At the end of fiscal 2014, the trust held \$7.7 million in investments (corporate obligations, U.S. Treasury obligations, money markets, and U.S. Government agency bonds). In fiscal 2013 and 2014, the trust averaged \$7.4 million in overall revenue per year and spent an average of \$7.4 million per year.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** Although designated as a cross file, HB 207 (Delegate S. Robinson - Environment and Transportation) is not identical.

**Information Source(s):** Chesapeake Bay Trust, Department of Legislative Services

**Fiscal Note History:** First Reader - February 5, 2015  
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