

**Department of Legislative Services**  
Maryland General Assembly  
2013 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 1390 (Chair, Health and Government Operations Committee, *et al.*) (By Request - Departmental - Veterans Affairs)

Health and Government Operations Education, Health, and Environmental Affairs

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**Maryland Veterans Trust and Fund - Establishment**

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This departmental bill establishes the Maryland Veterans Trust as a corporate body, subject to modification or termination by the General Assembly. The bill also repeals the Maryland Veterans Trust Fund (MVTF) as a special, nonlapsing fund and reestablishes it as a fund within the trust. The fund within the trust consists of various revenue sources, including (subject to a contingency which has not been met) contributions from the income tax checkoff system. In doing so, the bill removes the authority of the Maryland Department of Veterans Affairs (MDVA) to accept funds as a gift or grant and spend and invest the principal and income of the gift or grant and grants that authority to the trust's Board of Trustees. The bill also repeals the requirement that the Secretary of Veterans Affairs submit an annual financial report on MVTF to the General Assembly. The bill exempts the trust from the provisions of the State's general procurement law.

The bill takes effect July 1, 2013; however, the bill's provisions relating to the income tax checkoff system do not take effect as they are contingent on the enactment of House Bill 750 of 2013 (which did not pass).

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**Fiscal Summary**

**State Effect:** Special fund revenues and expenditures for MDVA decrease in FY 2014 and subsequent years to account for the repeal of MVTF as a special fund. Nonbudgeted revenues and expenditures increase by at least an equal amount in FY 2014 and subsequent years due to the establishment of the trust as a corporate body.

**Local Effect:** None.

**Small Business Effect:** MDVA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

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## **Analysis**

**Bill Summary:** The board members serve for a term of four years, except for specified *ex officio* members or their designees. A board member may not serve more than two consecutive terms, and the terms of the members are staggered. Board members may not be compensated but are entitled to reimbursement for expenses as provided for in the State budget. MDVA must provide staff, supplies, and office space for the board.

The bill requires that the trust have the powers and duties to:

- solicit and accept any gift, grant, legacy, or endowment of money from the federal government, State government, local government, or any private source in furtherance of the trust;
- maintain the fund, which consists of specified gifts, grants, legacies, or endowments provided to the trust;
- expend money from the fund to provide grants or loans to veterans and their families, any program that supports veterans and their families, or a similar program within the purpose for which the trust was established;
- develop projects for sponsorship by corporate and business organizations or private individuals;
- make, execute, and enter into any contract or other legal instrument;
- receive appropriations as provided in the State budget;
- acquire, hold, use, improve, and convey property;
- lease and maintain an office at a place within the State that the trust designates;
- adopt bylaws for the regulation of its affairs and the conduct of its business;
- take any other action necessary to carry out the purposes of the trust;
- sue and be sued, but only to enforce contractual or similar agreements with the trust; and
- submit a specified report by August 31 of each year to the Governor and the General Assembly.

The bill requires that any money received by the trust must be deposited, as directed by the trust, in any state or national bank or federally or State-insured savings and loan association located in the State having a total paid-in capital of at least \$1,000,000. The trust department of any state or national bank or savings and loan association may be

designated as a depository to receive any securities acquired or owned by the trust. The paid-in capital requirement may be waived if the qualifying bank or savings and loan association agrees on specified conditions. The bill also grants the trust the authority to invest any money received in various types of securities that may have various ratings. However, the overall investment portfolio of the trust must have a rating of at least AA.

The bill requires the trust to make provision for a system of financial accounting, controls, audits, and reports. Additionally, the trust's books, records, and accounts are subject to audit by the State.

Thus, the bill repeals standard requirements and specifications associated with State special funds (such as that the State Treasurer invest the money in the fund in the same manner as other State money and investment earnings of the fund be credited to the fund). Money expended from the fund is not intended to take the place of funding that would otherwise be appropriated to MDVA.

Any fund balance remaining in MVTF on June 30, 2013, transfers to the new trust on July 1, 2013.

**Current Law/Background:** HB 750 of 2013, another departmental bill, did not pass. It would have established an MVTF checkoff on the individual income tax return form. The Chesapeake Bay and Endangered Species Fund (CBESF), Cancer Research Fund (CRF), and Developmental Disabilities Waiting List Equity Fund Contribution (WLEF) are the three existing checkoffs on the personal income tax form. The Budget Reconciliation and Financing Act of 2010 (Chapter 484/SB 141) eliminated the Fair Campaign Financing Fund (FCFF) checkoff. In fiscal 2012, \$1.2 million was donated to CBESF, \$539,100 to CRF, and \$243,000 to WLEF.

Chapter 742 of 2009 (HB 1561) established MVTF as a special, nonlapsing fund to provide grants and loans to veterans and their families as well as to public and private programs. The fund is administered by the Secretary of Veterans Affairs. The fund consists of gifts and grants received by MDVA. Money in the fund may be used to make grants and loans to veterans and their families, support public and private programs that serve veterans in the State, or support the Charlotte Hall Veterans Home. Money in the fund may also be used to invest in general obligations of the State or other securities, pay for the cost of administering the fund, or support any other programs that the Secretary considers appropriate. Money expended from the fund is supplemental to and is not intended to take the place of funding otherwise appropriated to MDVA.

In its 2012 annual report, MDVA reports that a total of \$15,910 in gifts and grants were contributed to the fund. The fund also increased by an additional \$2,200 as a result of a loan repayment. MDVA hired a contractor to administer the fund, who subsequently

became a full-time employee. Most of the funds were distributed in order to secure housing for veterans. MDVA advises that the fund has received approximately \$75,000 since its formation in 2010 and has approximately \$23,000 as its current balance.

According to MDVA, the bill is necessary so that the fund may be converted into a nonprofit, tax-exempt (501(c)(3)) organization. The fund cannot legally apply for 501(c)(3) status as part of a State agency. MDVA further advises that many large companies and individuals have expressed a willingness to donate to the fund but cannot donate until the fund becomes a 501(c)(3) organization.

**State Fiscal Effect:** Special fund revenues and expenditures for MDVA decrease in fiscal 2014 and subsequent years to account for the repeal of MVTF as a special fund. As noted above, the fund currently has a balance of approximately \$23,000 and received \$75,000 in three years; therefore, special fund revenues (and expenditures) may decrease by approximately \$48,000 in fiscal 2014 and \$25,000 in subsequent years. Nonbudgeted revenues and expenditures for MDVA increase in fiscal 2014 and subsequent years by an equal amount. Nonbudgeted revenues (and expenditures) may increase by greater amounts in subsequent years assuming that MDVA converts the trust to a 501(c)(3) organization and to the extent the organization is able to attract larger donations. This analysis does not account for any income tax checkoff monies being directed to the new fund as those provisions of the bill do not take effect since HB 750, on which they are contingent, did not pass.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 26, 2013  
mc/kdm Revised - House Third Reader - April 4, 2013  
Revised - Enrolled Bill - May 8, 2013

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Veterans Affairs – Maryland Veterans Trust

BILL NUMBER: HB 1390

PREPARED BY: Veterans Affairs

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.