

SENATE BILL 324

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HB 1165/01 - CGM

2004 Regular Session
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CF 4lr0531

By: **Senator Jones (By Request - Governor's Commission on Minority Business Enterprise Reform) and Senators Britt, Conway, Currie, Exum, Gladden, Grosfeld, Hughes, and Lawlah**

Introduced and read first time: February 2, 2004
Assigned to: Budget and Taxation

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 30, 2004

CHAPTER 114

1 AN ACT concerning

2 **State Treasurer – Selection of Financial Institutions**
3 **Task Force on Lending Equity within Financial Institutions Providing State**
4 **Depository Services**

5 FOR the purpose of ~~requiring certain financial institutions to submit a certain report~~
6 ~~to the Commissioner of Financial Regulation and the State Treasurer; specifying~~
7 ~~the contents of the report; altering the criteria the State Treasurer must~~
8 ~~consider prior to selecting a financial institution as a depository to include the~~
9 ~~extent of commercial loans made to certain minority business enterprises;~~
10 ~~prohibiting the State Treasurer from selecting certain financial institutions as~~
11 ~~depositories; and generally relating to the selection of a financial institution as~~
12 ~~a depository by the State Treasurer establishing a Task Force on Lending~~
13 ~~Equity within Financial Institutions Providing State Depository Services;~~
14 ~~providing for the purpose of the Task Force; providing for the composition,~~
15 ~~co-chairmen, and staff of the Task Force; providing that the members of the~~
16 ~~Task Force may not receive compensation, but may be reimbursed for certain~~
17 ~~expenses; providing for the duties of the Task Force; requiring the Task Force to~~
18 ~~submit certain reports to the Governor and to the General Assembly on or before~~
19 ~~certain dates; providing for the termination of this Act; defining certain terms;~~
20 ~~and generally relating to the Task Force on Lending Equity within Financial~~
21 ~~Institutions Providing State Depository Services.~~

22 ~~BY adding to~~
23 ~~Article – Financial Institutions~~
24 ~~Section 1-207~~

1 ~~Annotated Code of Maryland~~
2 ~~(2003 Replacement Volume)~~

3 ~~BY repealing and reenacting, with amendments,~~
4 ~~Article State Finance and Procurement~~
5 ~~Section 6-207~~
6 ~~Annotated Code of Maryland~~
7 ~~(2001 Replacement Volume and 2003 Supplement)~~

8 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
9 MARYLAND, That ~~the Laws of Maryland read as follows:~~

10 (a) In this Act, the following words have the meanings indicated:

11 (1) (i) "Minority business enterprise" means any legal entity, except a
12 joint venture, that is:

13 1. organized to engage in commercial transactions;

14 2. at least 51% owned and controlled by one or more
15 individuals who are socially and economically disadvantaged; and

16 3. managed by, and the daily business operations of which
17 are controlled by, one or more of the socially and economically disadvantaged
18 individuals who own it.

19 (ii) "Minority business enterprise" includes a not for profit entity
20 organized to promote the interests of physically or mentally disabled individuals.

21 (2) "Lending equity policy" means a policy that links the performance of
22 a financial institution in providing adequate access to credit and capital for minority
23 business enterprises with the selection of the financial institution as a depository.

24 (b) There is a Task Force on Lending Equity within Financial Institutions
25 Providing State Depository Services.

26 (c) The purpose of the Task Force is to:

27 (1) develop meaningful criteria for evaluating minority business
28 enterprises' access to credit and capital from financial institutions providing or
29 desiring to provide depository services to the State; and

30 (2) advise the State Treasurer on developing additional or supplemental
31 criteria to be considered in the selection of a financial institution as a depository.

32 (d) The Task Force consists of the following members:

33 (1) two members of the Senate of Maryland, appointed by the President
34 of the Senate;

- 1 (2) two members of the House of Delegates, appointed by the Speaker of
2 the House;
- 3 (3) the State Treasurer or the Treasurer's designee;
- 4 (4) the Commissioner of Financial Regulation or the Commissioner's
5 designee;
- 6 (5) one representative of the Governor's Office of Minority Affairs,
7 appointed by the Governor;
- 8 (6) one representative of the Governor's Council for Historically
9 Underutilized Businesses, appointed by the Governor;
- 10 (7) one representative of the Governor's Task Force on Centralized
11 Bidder Registration for Minority Business Procurement, appointed by the Governor;
- 12 (8) two representatives of the banking industry, appointed by the
13 Maryland Bankers Association;
- 14 (9) two owners of a minority business enterprise, appointed by the
15 Governor;
- 16 (10) one representative of the commercial insurance bonding industry,
17 appointed by the Governor; and
- 18 (11) one member of the public with State and national experience in
19 financial regulation and fair lending practices, appointed by the Governor.
- 20 (e) The President of the Senate and the Speaker of the House shall jointly
21 appoint co-chairmen from among the Senate and House members appointed to the
22 Task Force.
- 23 (f) The Treasurer's Office and the Department of Legislative Services shall
24 jointly provide staff for the Task Force.
- 25 (g) A member of the Task Force may not receive compensation for serving on
26 the Task Force, but is entitled to reimbursement for expenses under the Standard
27 State Travel Regulations, as provided in the State budget.
- 28 (h) The Task Force shall:
- 29 (1) identify appropriate data, such as a State Centralized Bidder
30 Registration Number, that would demonstrate whether financial institutions are
31 providing adequate access to credit and capital for minority business enterprises;
- 32 (2) advise the State Treasurer in developing additional or supplemental
33 criteria to be considered in the selection of a financial institution as a depository that
34 ensures that such institutions provide adequate opportunities for access to credit and
35 capital for minority business enterprises; and

1 ~~Article—State Finance and Procurement~~

2 ~~6-207.~~

3 (A) Before using a financial institution as a depository, the Treasurer shall
4 consider the extent to which the financial institution [makes] MAKES:

5 (1) ~~higher education loans under Title 18, Subtitle 10 of the Education~~
6 ~~Article; AND~~

7 (2) ~~COMMERCIAL LOANS TO MINORITY BUSINESS ENTERPRISES IN~~
8 ~~EACH OF THE GROUPS DESCRIBED UNDER § 14-301(F) OF THIS ARTICLE.~~

9 (B) ~~THE TREASURER MAY NOT DESIGNATE A FINANCIAL INSTITUTION AS A~~
10 ~~DEPOSITARY IF:~~

11 (1) ~~THE FINANCIAL INSTITUTION FAILS TO TRUTHFULLY AND~~
12 ~~ACCURATELY COMPLY WITH THE ANNUAL REPORTING REQUIREMENTS DESCRIBED~~
13 ~~UNDER § 1-207 OF THE FINANCIAL INSTITUTIONS ARTICLE; OR~~

14 (2) ~~THE FINANCIAL INSTITUTION HAS BEEN FOUND, THROUGH AN~~
15 ~~ADMINISTRATIVE OR JUDICIAL PROCESS, TO HAVE DISCRIMINATED IN ITS LENDING~~
16 ~~PRACTICES ON THE BASIS OF RACE, GENDER, OR NATIONAL ORIGIN.~~

17 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
18 effect July 1, 2004. It shall remain effective for a period of 1 year and 3 months and,
19 at the end of September 30, 2005, with no further action required by the General
20 Assembly, this Act shall be abrogated and of no further force and effect.