

HOUSE BILL 794

I1
HB 1306/13 – ECM

6lr2655

By: **Delegates Gutierrez, Luedtke, and Moon**
Introduced and read first time: February 8, 2016
Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Public Banking Institutions – Authorization and Task Force**

3 FOR the purpose of authorizing a political subdivision to establish a public banking
4 institution within the jurisdiction of the political subdivision and act as an
5 incorporator to establish the public banking institution; requiring a political
6 subdivision to file with the Commissioner of Financial Regulation in the Department
7 of Labor, Licensing, and Regulation for examination and approval certain copies of
8 the articles of incorporation of a certain public banking institution; requiring the
9 Commissioner to adopt regulations establishing the required contents of the articles
10 of incorporation of a public banking institution and the process for approving the
11 articles; requiring a political subdivision to file for record an endorsed copy of the
12 articles with the State Department of Assessments and Taxation under certain
13 circumstances; specifying that articles of incorporation are not effective unless the
14 Commissioner has endorsed the articles as approved; requiring a certain public
15 banking institution to comply with certain provisions of law; establishing the
16 Maryland State Banking Task Force to review and evaluate the creation of a
17 Maryland State Bank; providing for the membership and staffing of the Task Force;
18 prohibiting members of the Task Force from receiving certain compensation, but
19 authorizing the reimbursement of certain expenses; requiring a final report on or
20 before a certain date; providing for the effective dates of this Act; providing for the
21 termination of certain provisions of this Act; defining a certain term; and generally
22 relating to public banking institutions and the Maryland State Banking Task Force.

23 BY adding to
24 Article – Financial Institutions
25 Section 1–212
26 Annotated Code of Maryland
27 (2011 Replacement Volume and 2015 Supplement)

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.



1 **Article – Financial Institutions**

2 **1-212.**

3 **(A) IN THIS SECTION, “PUBLIC BANKING INSTITUTION” MEANS A BANKING**
4 **INSTITUTION OWNED AND OPERATED BY A POLITICAL SUBDIVISION.**

5 **(B) A POLITICAL SUBDIVISION MAY ESTABLISH A PUBLIC BANKING**
6 **INSTITUTION WITHIN THE JURISDICTION OF THE POLITICAL SUBDIVISION.**

7 **(C) THE POLITICAL SUBDIVISION MAY ACT AS AN INCORPORATOR TO**
8 **ESTABLISH THE PUBLIC BANKING INSTITUTION.**

9 **(D) (1) A POLITICAL SUBDIVISION SHALL FILE WITH THE COMMISSIONER**
10 **FOR EXAMINATION AND APPROVAL TWO SIGNED COPIES OF THE ARTICLES OF**
11 **INCORPORATION.**

12 **(2) THE COMMISSIONER SHALL ADOPT REGULATIONS ESTABLISHING**
13 **THE REQUIRED CONTENTS OF THE ARTICLES OF INCORPORATION OF A PUBLIC**
14 **BANKING INSTITUTION AND THE PROCESS FOR APPROVING THE ARTICLES OF**
15 **INCORPORATION OF A PUBLIC BANKING INSTITUTION.**

16 **(E) (1) IF THE COMMISSIONER APPROVES THE ARTICLES OF**
17 **INCORPORATION, THE POLITICAL SUBDIVISION SHALL FILE FOR RECORD ONE OF**
18 **THE ENDORSED COPIES OF THE ARTICLES WITH THE STATE DEPARTMENT OF**
19 **ASSESSMENTS AND TAXATION.**

20 **(2) ARTICLES OF INCORPORATION THAT ARE FILED FOR RECORD ARE**
21 **NOT EFFECTIVE UNLESS THE COMMISSIONER HAS ENDORSED THE ARTICLES AS**
22 **APPROVED.**

23 **(F) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, A PUBLIC BANKING**
24 **INSTITUTION ESTABLISHED UNDER SUBSECTION (B) OF THIS SECTION SHALL**
25 **COMPLY WITH ALL APPLICABLE FEDERAL AND STATE LAWS GOVERNING BANKING**
26 **INSTITUTIONS.**

27 **SECTION 2. AND BE IT FURTHER ENACTED, That:**

28 **(a) There is a Maryland State Banking Task Force.**

29 **(b) The Task Force consists of the following members:**

1 (1) one member of the Senate Budget and Taxation Committee, appointed
2 by the President of the Senate;

3 (2) one member of the House Appropriations Committee, appointed by the
4 Speaker of the House;

5 (3) the State Treasurer, or the State Treasurer's designee;

6 (4) the Comptroller of Maryland, or the Comptroller's designee;

7 (5) the Secretary of Commerce, or the Secretary's designee;

8 (6) the Commissioner of Financial Regulation, or the Commissioner's
9 designee;

10 (7) the Director of the Office of Finance Programs, or the Director's
11 designee;

12 (8) a representative of the Maryland State Retirement and Pension
13 System;

14 (9) a representative of the Maryland and District of Columbia Credit Union
15 Association (MDDCCUA);

16 (10) a representative of the labor community;

17 (11) a representative of an academic and research institution that studies
18 economic policy; and

19 (12) two members of the public knowledgeable about the State's banking
20 sector, finance, and economic development, appointed by the Governor, of which one is a
21 member of the community banking community and one is a member of the consumer
22 advocacy community.

23 (c) The Department of Legislative Services shall provide staff support to the Task
24 Force.

25 (d) The Task Force shall be cochaired by the House and Senate chairs of the Joint
26 Committee for the Management of Public Funds.

27 (e) A member of the Task Force:

28 (1) may not receive compensation as a member of the Task Force; but

29 (2) is entitled to reimbursement for expenses under the Standard State
30 Travel Regulations, as provided in the State budget.

1 (f) (1) The Task Force shall review and evaluate the creation of a Maryland
2 State Bank.

3 (2) The Task Force shall, at a minimum, undertake a review and
4 evaluation of a Maryland State Bank that would:

5 (i) support the economic development of the State by increasing
6 access to capital for businesses and farms within the State in partnership with local
7 financial institutions;

8 (ii) provide stability to the local financial sector without entering
9 into competition with community banks, credit unions, or other financial institutions for
10 the deposit of private funds;

11 (iii) reduce the costs paid by the State for basic banking services; and

12 (iv) return profits, beyond those necessary to accomplish the mission
13 and sound operations of the Bank, to the General Fund of the State.

14 (g) In undertaking the duties imposed under subsection (f) of this section, the
15 Task Force shall:

16 (1) perform a general assessment of the State's current network of public
17 and private financial resources for the purpose of identifying potential areas of State bank
18 focus, including how a State bank may:

19 (i) strengthen the economic and community development needs of
20 Maryland;

21 (ii) provide greater financial stability through its investments in
22 other financial institutions;

23 (iii) reduce the cost paid by State government for banking services;
24 and

25 (iv) generate earnings beyond those necessary for the continued
26 operation of the bank, which could be used to supplement the General Fund of the State;

27 (2) examine how a State bank may support a strong private-sector
28 financial community that would provide capital for businesses in Maryland;

29 (3) examine various administrative and operational structures for
30 organizing a State bank, including boards of directors, sources of deposits, oversight and
31 audit of financial activities, and guarantees of financial products;

1 (4) consider options for integrating a State bank model into the existing
2 State financial services network, including ideas such as lending capital to banks, credit
3 unions, and nonprofit community development financial institutions; and

4 (5) examine the long-term impact of creating a Maryland State Bank on
5 economic growth, job creation, and State revenues.

6 (h) On or before December 1, 2016, the Task Force shall report its findings and
7 recommendations to the Governor and, in accordance with § 2-1246 of the State
8 Government Article, the Senate Budget and Taxation Committee and the House
9 Appropriations Committee.

10 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall take
11 effect October 1, 2016.

12 SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in Section
13 3 of this Act, this Act shall take effect June 1, 2016. Section 2 of this Act shall remain
14 effective for a period of 1 year and, at the end of May 31, 2017, with no further action
15 required by the General Assembly, Section 2 of this Act shall be abrogated and of no further
16 force and effect.