

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 581 (Delegate Heller)
(Co-Chairman, Joint Committee on the Management of Public Funds)
Appropriations

State Treasurer - Investment of Public Funds - Money Market Mutual Funds

This bill repeals the requirement that any money market funds in which the State Treasurer invests unexpended or surplus funds must have received the highest possible rating from at least one nationally recognized statistical rating organization.

Fiscal Summary

State Effect: General fund revenues could increase by \$60,000 annually beginning in FY 1998. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: Minimal impact on small businesses as discussed below.

Fiscal Analysis

State Revenues: The State general fund currently has approximately \$80 million invested in money market funds. The elimination of the highest possible rating requirement for these funds is expected to increase the fund return by seven to eight basis points (.07% - .08%) because lower rated money market funds generally provide a higher investment return with greater volatility. This is estimated to increase general fund interest income by approximately \$60,000. This increase in annual revenues is expected to remain constant in future years.

Small Business Effect: This bill grants the State Treasurer the authority to invest funds in money market funds that have not received the highest possible rating. Small businesses offering such money market funds would benefit to the extent the Treasurer invests funds offered by these businesses.

Information Sources: Office of the State Treasurer, Prince George's County, Department of Fiscal Services

Fiscal Note History: First Reader - February 20, 1997

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Analysis by: Ryan Bishop

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710