SB 683

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 683 (Senator Dorman)
Finance

Banking Institutions - Eligibility for Designation as a Depositary - Basic Banking Accounts

This bill requires the Commissioner of Financial Regulation to certify a banking institution as eligible for designation by the Treasurer as a depository for State money if the institution: (1) offers or maintains "basic banking accounts" at each branch within the State; and (2) certifies to the commissioner that the institution will continue to offer or maintain basic banking accounts throughout the period of eligibility. The bill establishes rules, conditions, terms, and required disclosures applicable to basic banking accounts. The bill requires a financial institution to be certified as eligible by the commissioner before the Treasurer may designate the institution as a depositary for State money.

The bill is effective July 1, 2001.

Fiscal Summary

State Effect: General fund expenditures could increase by $54,800 in FY 2002, reflecting a 90-day start-up delay from the bill's July 1, 2001 effective date. Out-year projections reflect annualization and inflation. Revenues would not be affected.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	$0	$0	$0	$0	$0
GF Expenditure	54,800	63,000	65,900	69,000	72,300
Net Effect	($54,800)	($63,000)	($65,900)	($69,000)	($72,300)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill applies only to banking institutions that offer consumer transaction accounts to the general public. The bill requires banking institutions that apply for certification by the commissioner to provide all records and evidence that the commissioner requires. Certification under the bill lasts for a period of one year, and commences on January 1. The bill specifies that the initial deposit required for opening the account may not exceed $25 and the institution may not require a minimum balance. The bill establishes other rules, conditions, and terms for such accounts, including that an institution may not charge more than $3 per periodic cycle (28 to 31 days) to maintain the account and that a financial institution may charge an account holder for transactions at automated teller machines not operated by the banking institution as long as the charge does not exceed the amounts charged to other consumers for similar transactions.

Banking institutions may require low cost banking applicants or account holders to: (1) be State residents; (2) provide the same information required of other consumer transaction accounts; or (3) arrange for direct deposit.

As a condition for opening the account, the banking institution must require an account holder to agree not to maintain another consumer transaction account, with certain exceptions. The bill requires that the agreement between the banking institution and the account holder be in writing. Account holders who violate the agreement required by the bill are subject to a fine of up to $500.

Banking institutions may apply to the Commissioner of Financial Regulation for approval to offer alternative accounts if their actual costs exceed the charges they are authorized to impose. The bill specifies information that must be contained in such an application and requires the commissioner to consider certain conditions.

Current Law: With certain limitations, the Treasurer may designate any financial institution as a depositary for State money. The Treasurer may designate foreign banks and similar institutions as depositaries for the purpose of conducting State government activities outside the United States, up to the amount appropriated in the State budget to conduct such activities. The Treasurer may not designate a financial institution or foreign institution as a depositary unless the Governor approves the designation. No provision requires banking institutions to offer basic, low initial deposit accounts.

Background: In a recent survey, the Commissioner of Financial Regulation found that a majority of banking institutions offers some form of basic banking services.

State Expenditures: The bill requires additional administrative and regulatory duties of the Commissioner of Financial Regulation. General fund expenditures could increase by an estimated $54,800 in fiscal 2002, which accounts for a 90-day start-up delay from the bill's July 1, 2001 effective date. This estimate reflects the cost of hiring one administrative officer to administer the certification process and monitor banking institutions certified under the program. It includes salaries, fringe benefits, one-time start-up costs, in- and out-of-State travel, and other ongoing operating expenses.

Salary and Fringe Benefits	$36,800
Oversight-Related Travel	7,500
Other Operating Expenses	10,500
Total FY 2002 State Expenditures	**$54,800**

Future year expenditures reflect: (1) full salaries with a 6.5% increase in fiscal 2003 and a 4.5% increase each year thereafter, with 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The Department of Labor, Licensing, and Regulation believes that the bill would require two people to administer the certification process and monitor banking institutions certified under the program. The Department of Legislative Services disagrees.

Additional Information

Prior Introductions: Similar bills were introduced in the 2000, 1999, and 1998 sessions as HB 524, HB 952, and HB 1147, respectively. Each received an unfavorable report from the House Commerce and Government Matters Committee.

Cross File: HB 821 (Delegates Bobo and Rawlings) – Commerce and Government Matters.

Information Source(s): Department of Labor, Licensing and Regulation; Department of Legislative Services

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