

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 1322 (Delegate Rudolph, *et al.*)
 Commerce and Government Matters

Financial Institutions - Maryland Banking Institutions Regulation Fund

This bill establishes a Maryland Banking Institutions Regulation Fund to pay for the expenses of the Division of Financial Regulation in regulating banking institutions.

The bill is effective July 1, 2002.

Fiscal Summary

State Effect: General fund revenues and expenditures attributable to the regulation of banking institutions would become special fund revenues and expenditures. In FY 2003, revenues attributable to banking institutions total approximately \$3.8 million, and direct expenditures attributable to the regulation of banking institutions are approximately \$1.8 million.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	(\$3.8)	(\$3.9)	(\$4.0)	(\$4.2)	(\$4.3)
SF Revenue	3.8	3.9	4.0	4.2	4.3
GF Expenditure	(1.8)	(2.0)	(2.0)	(2.1)	(2.2)
SF Expenditure	1.8	2.0	2.0	2.1	2.2
Net Effect	\$0	\$0	\$0	\$0	\$0

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 requires the Commissioner of Financial Regulation to administer the fund. The Treasurer must hold the funds separately, and the Comptroller must account for it. Under the bill, the fund consists of fees and assessments collected from banking institutions by the commissioner, money appropriated in the State budget, and any other money from any other source. The fund may be used only to pay the costs and expenses incurred by the commissioner in fulfilling the commissioner's duties to supervise and regulate banking institutions.

The Treasurer must invest moneys from the fund in the same manner as other State moneys may be invested. Any investment earnings from the fund must be credited to the State's general fund. Expenditures must be made in accordance with the State's budget. Moneys expended from the fund are supplemental to, and are not intended to take the place of, funding that otherwise would be appropriated to pay the costs and expenses incurred by the commissioner in supervising and regulating banking institutions.

Current Law: The Division of Financial Regulation is general funded and housed within the Department of Labor, Licensing, and Regulation. A banking institution is an institution that is incorporated under Maryland law as a State bank, trust company, or savings bank. Banking institutions pay an annual assessment of \$1,000 plus \$0.08 for each \$1,000 of the institution's assets over \$1 million. An applicant for certification as a banking institution must pay a \$1,500 examination fee for the articles of incorporation.

State Fiscal Effect: Revenues from the annual assessment on banking institutions are expected to be approximately \$3.8 million in fiscal 2003. These general fund revenues would become special funds under the bill. The division's direct expenditures relating to the regulation of banking institutions are approximately \$1.8 million in fiscal 2003. These costs represent personnel costs, examiner travel expenses, supplies and equipment, information management, and professional organization dues. Personnel whose time is devoted to regulation of banking institutions include 2 assistant commissioners, 15 bank examiners, and 3 support staff. The cost allocation for personnel also includes part of the personnel costs for the commissioner and the deputy commissioner.

This cost allocation does not include the indirect costs of regulating the banking industry, which are not directly within the division's budget. These include costs allocated to the division by the Department of Labor, Licensing, and Regulation. Under one model, the total amount for the indirect costs attributable to the division in fiscal 2003 is approximately \$720,600. The share of these costs attributable to regulation of banking institutions cannot be accurately estimated.

The cost of administering the fund is assumed to be minimal and could be handled with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 3, 2002
ncs/cer

Analysis by: Ryan Wilson

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510