

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 489 (Delegate Heller, *et al.*)
 (Joint Committee on the Management of Public Funds)
 Appropriations Budget and Taxation

State Treasurer - Deposit of Physical Securities

This bill repeals the requirement that the State Treasurer deposit certain physical securities in a box or vault at a financial institution and requires the State Treasurer to deposit the physical securities in a box or vault in the Treasurer's Office.

Fiscal Summary

State Effect: General fund expenditures would decrease by \$1,390 annually. Revenues would not be affected.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(1,390)	(1,390)	(1,390)	(1,390)	(1,390)
Net Effect	\$1,390	\$1,390	\$1,390	\$1,390	\$1,390

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The State Treasurer must deposit with a financial institution all of the physical securities that the State owns; and all of the physical securities that, by State law, the State Treasurer holds, in trust or otherwise, for a corporation or individual. The

State Treasurer, with the approval of the Board of Public Works, must procure a box or vault in a financial institution located in Baltimore City or Annapolis.

Background: In an earlier era, it was not uncommon for the State Treasurer to be the custodian of numerous physical securities, such as bonds, Treasury certificates, and stocks held in trust. Over the past decade, with the advent of sophisticated computerized systems, virtually the entire finance industry has shifted away from the possession and exchange of physical securities to the use of “book-entry” possession. As a result, there is a reduced need for a vault to store valuable securities.

State Fiscal Effect: The State Treasurer maintains two vaults, one located at Bank of America in Baltimore City and one located at First Union in Annapolis. The annual cost of the vaults total \$1,390 (\$1,040 for the vault at Bank of America and \$350 for the vault at First Union). The State Treasurer intends to transfer the two-key vault at First Union to the Treasurer’s Office. Accordingly, the State Treasurer will be able to deposit physical securities at a vault within the Treasurer’s Office at no additional cost. This change would reduce traveling time by State officials when accessing the two vaults.

Additional Information

Prior Introductions: None.

Cross File: SB 556 (Senator Lawlah, *et al.*) – Budget and Taxation.

Information Source(s): Maryland State Treasurer’s Office, Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2003
ncs/jr

Analysis by: Hiram L. Burch Jr.

Direct Inquiries to:
(410) 946-5510
(301) 970-5510