

---

By: **Delegate Conway**

Introduced and read first time: February 11, 2005

Assigned to: Appropriations

---

A BILL ENTITLED

1 AN ACT concerning

2 **Local Governments - Deposits of Unexpended or Surplus Money**

3 FOR the purpose of authorizing certain local governments to deposit unexpended or  
4 surplus money into certain depository institutions under certain circumstances;  
5 providing that certain deposits are not required to be collateralized under  
6 certain circumstances; defining certain terms; and generally relating to local  
7 governments and deposits of unexpended or surplus money.

8 BY repealing and reenacting, with amendments,  
9 Article 95 - Treasurer  
10 Section 22  
11 Annotated Code of Maryland  
12 (2003 Replacement Volume and 2004 Supplement)

13 BY adding to  
14 Article 95 - Treasurer  
15 Section 22-O  
16 Annotated Code of Maryland  
17 (2003 Replacement Volume and 2004 Supplement)

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

20 **Article 95 - Treasurer**

21 22.

22 (a) Except as provided in subsection (b) of this section OR § 22-O OF THIS  
23 ARTICLE, and subject to § 22F of this article, and notwithstanding any provision of a  
24 local law or ordinance, the governing body of each county and municipal corporation,  
25 each county board of education, and the governing body of each road, drainage,  
26 improvement, construction or soil conservation district or commission in the State,  
27 the Upper Potomac River Commission, and any other political subdivision or body  
28 politic of the State, or their authorized acknowledged agent, are directed, authorized,

1 and empowered to invest, redeem, sell, exchange and reinvest all unexpended or  
2 surplus money in any fund or account of which they have custody or control in  
3 obligations or repurchase agreements in accordance with § 6-222 of the State Finance  
4 and Procurement Article, or deposit unexpended or surplus money in any federally  
5 insured bank in the State of Maryland or in any federally insured savings and loan  
6 association in the State of Maryland in interest-bearing time deposit or savings  
7 accounts, or in the local government investment pool created in this article.  
8 [Deposits] EXCEPT AS PROVIDED IN § 22-O OF THIS ARTICLE, DEPOSITS in banks or  
9 in savings and loan associations shall only be made if the bank or savings and loan  
10 association has given as security for these deposits any of the types of collateral set  
11 forth in § 6-202 of the State Finance and Procurement Article. The interest or income  
12 from any such investment or deposit shall become a part of the fund from which the  
13 investment or deposit was made and may itself be so invested or deposited. If the fund  
14 so invested or deposited constitutes the proceeds of the issue of bonds or other  
15 obligations, the principal of or interest on which the issuer is obligated to repay to the  
16 holders thereof, the interest or income from the investments may be used to pay the  
17 principal or interest by the issuer. Investments or deposits made pursuant to this  
18 section may be withdrawn or altered from time to time by the investing or depositing  
19 officer or governing body either to meet the requirements for which such funds are  
20 held or for reinvestment pursuant to this subsection.

21 (b) The trustees or other officers in charge of any pension or retirement  
22 system or fund of any political subdivision of the State or any agency or department of  
23 the political subdivision may invest, redeem, sell, exchange, and reinvest moneys  
24 under their custody or control as provided by law by the governing body of the  
25 political subdivision and shall comply with fiduciary standards that at least meet the  
26 standards set forth in Title 21, Subtitle 2 of the State Personnel and Pensions Article  
27 in connection with funds under their custody or control.

28 22-O.

29 (A) (1) IN THIS SECTION, THE FOLLOWING WORDS HAVE THE MEANINGS  
30 INDICATED.

31 (2) "DEPOSITOR" MEANS A LOCAL GOVERNMENT OR ITS AUTHORIZED  
32 ACKNOWLEDGED AGENT MAKING A DEPOSIT OF UNEXPENDED OR SURPLUS MONEY  
33 AS PROVIDED IN THIS SECTION.

34 (3) "LOCAL GOVERNMENT" MEANS:

35 (I) THE GOVERNING BODY OF A COUNTY OR MUNICIPAL  
36 CORPORATION;

37 (II) A COUNTY BOARD OF EDUCATION;

38 (III) THE GOVERNING BODY OF A ROAD, DRAINAGE, IMPROVEMENT,  
39 CONSTRUCTION, OR SOIL CONSERVATION DISTRICT OR COMMISSION IN THE STATE;

40 (IV) THE UPPER POTOMAC RIVER COMMISSION; OR

1 (V) ANY OTHER POLITICAL SUBDIVISION OR BODY POLITIC OF THE  
2 STATE.

3 (4) "STATE FINANCIAL INSTITUTION" MEANS ANY OF THE FOLLOWING  
4 INSTITUTIONS THAT HAVE A BRANCH IN THE STATE THAT TAKES DEPOSITS:

5 (I) BANK, TRUST COMPANY, OR SAVINGS BANK INCORPORATED  
6 UNDER THE LAWS OF THE STATE;

7 (II) BANK INCORPORATED UNDER FEDERAL LAW;

8 (III) BANK INCORPORATED UNDER THE LAWS OF ANY OTHER STATE;  
9 OR

10 (IV) SAVINGS AND LOAN ASSOCIATION INCORPORATED UNDER THE  
11 LAWS OF THE STATE OR OF THE UNITED STATES.

12 (B) NOTWITHSTANDING THE PROVISIONS OF § 22 OF THIS ARTICLE, A LOCAL  
13 GOVERNMENT MAY DEPOSIT UNEXPENDED OR SURPLUS MONEY IN ANY FEDERALLY  
14 INSURED BANK OR SAVINGS AND LOAN ASSOCIATION WITHOUT THE SECURITY  
15 REQUIRED IN § 22(A) OF THIS ARTICLE IF:

16 (1) THE UNEXPENDED OR SURPLUS MONEY IS INITIALLY PLACED FOR  
17 DEPOSIT WITH A STATE FINANCIAL INSTITUTION SELECTED BY THE DEPOSITOR;

18 (2) THE STATE FINANCIAL INSTITUTION SELECTED BY THE DEPOSITOR  
19 ARRANGES FOR THE FURTHER DEPOSIT OF THE MONEY INTO ONE OR MORE  
20 CERTIFICATES OF DEPOSIT OF NOT MORE THAN \$100,000 EACH IN ONE OR MORE  
21 FEDERALLY INSURED BANKS OR SAVINGS AND LOAN ASSOCIATIONS FOR THE  
22 ACCOUNT OF THE DEPOSITOR;

23 (3) AT THE SAME TIME THE MONEY IS DEPOSITED AND THE  
24 CERTIFICATES OF DEPOSIT ARE ISSUED FOR THE BENEFIT OF THE DEPOSITOR BY  
25 OTHER BANKS OR SAVINGS AND LOAN ASSOCIATIONS, THE STATE FINANCIAL  
26 INSTITUTION SELECTED BY THE DEPOSITOR RECEIVES AN AMOUNT OF DEPOSITS  
27 FROM CUSTOMERS OF OTHER BANKS OR SAVINGS AND LOAN ASSOCIATIONS EQUAL  
28 TO THE AMOUNT OF MONEY INITIALLY DEPOSITED BY THE DEPOSITOR;

29 (4) EACH CERTIFICATE OF DEPOSIT ISSUED FOR THE DEPOSITOR'S  
30 ACCOUNT IS INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION FOR  
31 100% OF THE PRINCIPAL AND ACCRUED INTEREST OF THE CERTIFICATE OF DEPOSIT;  
32 AND

33 (5) THE STATE FINANCIAL INSTITUTION SELECTED BY THE DEPOSITOR  
34 ACTS AS CUSTODIAN FOR THE DEPOSITOR WITH RESPECT TO THE CERTIFICATES OF  
35 DEPOSIT ISSUED FOR THE DEPOSITOR'S ACCOUNT.

36 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
37 June 1, 2005.