
By: **Delegate Conway**

Introduced and read first time: February 11, 2005

Assigned to: Appropriations

Committee Report: Favorable

House action: Adopted

Read second time: March 25, 2005

CHAPTER_____

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:

1

Article 95 - Treasurer

2 22.

3 (a) Except as provided in subsection (b) of this section OR § 22-O OF THIS
4 ARTICLE, and subject to § 22F of this article, and notwithstanding any provision of a
5 local law or ordinance, the governing body of each county and municipal corporation,
6 each county board of education, and the governing body of each road, drainage,
7 improvement, construction or soil conservation district or commission in the State,
8 the Upper Potomac River Commission, and any other political subdivision or body
9 politic of the State, or their authorized acknowledged agent, are directed, authorized,
10 and empowered to invest, redeem, sell, exchange and reinvest all unexpended or
11 surplus money in any fund or account of which they have custody or control in
12 obligations or repurchase agreements in accordance with § 6-222 of the State Finance
13 and Procurement Article, or deposit unexpended or surplus money in any federally
14 insured bank in the State of Maryland or in any federally insured savings and loan
15 association in the State of Maryland in interest-bearing time deposit or savings
16 accounts, or in the local government investment pool created in this article.
17 [Deposits] EXCEPT AS PROVIDED IN § 22-O OF THIS ARTICLE, DEPOSITS in banks or
18 in savings and loan associations shall only be made if the bank or savings and loan
19 association has given as security for these deposits any of the types of collateral set
20 forth in § 6-202 of the State Finance and Procurement Article. The interest or income
21 from any such investment or deposit shall become a part of the fund from which the
22 investment or deposit was made and may itself be so invested or deposited. If the fund
23 so invested or deposited constitutes the proceeds of the issue of bonds or other
24 obligations, the principal of or interest on which the issuer is obligated to repay to the
25 holders thereof, the interest or income from the investments may be used to pay the
26 principal or interest by the issuer. Investments or deposits made pursuant to this
27 section may be withdrawn or altered from time to time by the investing or depositing
28 officer or governing body either to meet the requirements for which such funds are
29 held or for reinvestment pursuant to this subsection.

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

37 22-O.

38 (A) (1) IN THIS SECTION, THE FOLLOWING WORDS HAVE THE MEANINGS
39 INDICATED.

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

1 (3) "LOCAL GOVERNMENT" MEANS:

2 (I) THE GOVERNING BODY OF A COUNTY OR MUNICIPAL
3 CORPORATION;

4 (II) A COUNTY BOARD OF EDUCATION;

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

7 (IV) THE UPPER POTOMAC RIVER COMMISSION; OR

8 (V) ANY OTHER POLITICAL SUBDIVISION OR BODY POLITIC OF THE
9 STATE.

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

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

14 (II) BANK INCORPORATED UNDER FEDERAL LAW;

15 (III) BANK INCORPORATED UNDER THE LAWS OF ANY OTHER STATE;
16 OR

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

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

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

25 (2) THE STATE FINANCIAL INSTITUTION SELECTED BY THE DEPOSITOR
26 ARRANGES FOR THE FURTHER DEPOSIT OF THE MONEY INTO ONE OR MORE
27 CERTIFICATES OF DEPOSIT OF NOT MORE THAN \$100,000 EACH IN ONE OR MORE
28 FEDERALLY INSURED BANKS OR SAVINGS AND LOAN ASSOCIATIONS FOR THE
29 ACCOUNT OF THE DEPOSITOR;

30 (3) AT THE SAME TIME THE MONEY IS DEPOSITED AND THE
31 CERTIFICATES OF DEPOSIT ARE ISSUED FOR THE BENEFIT OF THE DEPOSITOR BY
32 OTHER BANKS OR SAVINGS AND LOAN ASSOCIATIONS, THE STATE FINANCIAL
33 INSTITUTION SELECTED BY THE DEPOSITOR RECEIVES AN AMOUNT OF DEPOSITS
34 FROM CUSTOMERS OF OTHER BANKS OR SAVINGS AND LOAN ASSOCIATIONS EQUAL
35 TO THE AMOUNT OF MONEY INITIALLY DEPOSITED BY THE DEPOSITOR;

1 (4) EACH CERTIFICATE OF DEPOSIT ISSUED FOR THE DEPOSITOR'S
2 ACCOUNT IS INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION FOR
3 100% OF THE PRINCIPAL AND ACCRUED INTEREST OF THE CERTIFICATE OF DEPOSIT;
4 AND

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

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