

ENROLLED BILL

-- Budget and Taxation/Appropriations --

Introduced by **Senator Lawlah (Chairman, Joint Committee on the Management of Public Funds) and Senators Forehand, Haines, and McFadden**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this _____ day of _____ at _____ o'clock, _____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 **State Treasurer - Authorized Investments - Commercial Paper**

3 FOR the purpose of altering the characteristics of certain commercial paper in which
4 the State Treasurer may invest or reinvest unexpended or surplus money;
5 authorizing investment or reinvestment in certain money market mutual funds
6 that may contain commercial paper holdings under certain circumstances;
7 requiring the State Treasurer to notify certain officials and the governing bodies
8 of certain local government units about the provisions of this Act; and generally
9 relating to authorized investments in commercial paper by the State Treasurer.

10 BY repealing and reenacting, with amendments,
11 Article - State Finance and Procurement
12 Section 6-222
13 Annotated Code of Maryland
14 (2001 Replacement Volume and 2005 Supplement)

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

3 **Article - State Finance and Procurement**

4 6-222.

5 (a) The Treasurer may invest or reinvest unexpended or surplus money over
6 which the Treasurer has custody in:

7 (1) an obligation for which the United States has pledged its faith and
8 credit for the payment of the principal and interest;

9 (2) an obligation that a federal agency or a federal instrumentality has
10 issued in accordance with an act of Congress;

11 (3) a repurchase agreement collateralized in an amount not less than
12 102% of the principal amount by an obligation of the United States, its agencies or
13 instrumentalities, provided the collateral is held by a custodian other than the seller
14 designated by the buyer;

15 (4) bankers' acceptances guaranteed by a financial institution with a
16 short-term debt rating in the highest letter and numerical rating by at least one
17 nationally recognized statistical rating organization as designated by either the
18 United States Securities and Exchange Commission or the Treasurer;

19 (5) with respect to amounts treated by the Internal Revenue Service as
20 bond sale proceeds only, bonds, notes, or other obligations of investment grade in the
21 highest quality letter and numerical rating by at least one nationally recognized
22 statistical rating organization as designated by the United States Securities and
23 Exchange Commission issued by or on behalf of this or any other state or any agency,
24 department, county, municipal or public corporation, special district, authority, or
25 political subdivision thereof, or in any fund or trust that invests only in securities of
26 the type described in this paragraph;

27 (6) commercial paper that has received the highest letter and numerical
28 rating by at least [one] TWO nationally recognized statistical rating [organization]
29 ORGANIZATIONS as designated by the United States Securities and Exchange
30 Commission, provided that such commercial paper may not exceed [5%] ~~10%~~ 20% 10%
31 of the total investments made by the Treasurer under this subsection;

32 (7) money market mutual funds that:

33 (i) [contain only securities of the organizations listed in items (1),
34 (2), and (3) of this subsection;

35 (ii)] are registered with the Securities and Exchange Commission
36 under the Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., as amended;
37 [and

1 (iii)] (II) are operated in accordance with Rule 2A-7 of the
2 Investment Company Act of 1940, 17 C.F.R. § 270.2A-7, as amended; and

3 (III) HAVE RECEIVED THE HIGHEST POSSIBLE RATING FROM AT
4 LEAST ONE NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION AS
5 DESIGNATED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION;
6 AND

7 (8) any investment portfolio created under the Maryland Local
8 Government Investment Pool defined under Article 95, § 22G of the Code that is
9 administered by the Office of the State Treasurer.

10 (b) The Treasurer may sell, redeem, or exchange an investment or
11 reinvestment made under this section in accordance with the limitations of this
12 section.

13 (c) Subject to § 2-1246 of the State Government Article, the Treasurer shall
14 report by January 3 of each year to the General Assembly on investment activities for
15 unexpended or surplus money over which the Treasurer has custody which have been
16 conducted during the previous fiscal year. At a minimum, the report shall specify for
17 General Fund investments and all other investments:

18 (1) the inventory of investments with maturity dates and the book and
19 market value as of June 30;

20 (2) the net income earned;

21 (3) the percentage share of each category of investment in the portfolio;
22 and

23 (4) any sale of investments prior to the maturity date.

24 (d) An investment made pursuant to this section shall be made:

25 (1) with the care, skill, prudence, and diligence under the circumstances
26 then prevailing that a prudent person acting in a like capacity and familiar with such
27 matters would use in the conduct of an enterprise of a like character and with like
28 aims;

29 (2) in a manner designed to reasonably match the anticipated cash flow
30 of the State so that sufficient funds are available to pay obligations upon proper
31 presentation for payment;

32 (3) so that a reasonable amount of cash or cash equivalents is available
33 for unanticipated cash needs;

34 (4) with due regard for minimizing risk while maximizing return;

35 (5) using competitive purchasing practices except when impractical;

36 (6) in accordance with a written investment policy;

1 (7) so that the securities and collateral may continue to be priced on a
2 market to market basis; and

3 (8) to avoid the enhancement of the personal financial position of the
4 Treasurer or any employee of the Treasurer who has responsibilities for such
5 investments.

6 SECTION 2. AND BE IT FURTHER ENACTED, That prior to the effective date
7 of this Act, the Treasurer shall notify in writing the chief executive and governing
8 body of each local government unit required to have a local investment policy under
9 Article 95, Section 22F of the Code, to notify them of the changes contained in this Act
10 and to provide them an opportunity to review, revise, and report any changes in the
11 local investment policies to the Treasurer, as appropriate.

12 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
13 October 1, 2006.