

SENATE BILL 79

I1, L6, P1

8lr0558

By: **Senators Kelley, Della, Exum, Garagiola, Klausmeier, and Pugh**

Introduced and read first time: January 14, 2008

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Credit Unions – Deposits of State and Local Government Money**

3 FOR the purpose of authorizing certain local governmental units to deposit
4 unexpended or surplus money in certain accounts with certain federally insured
5 credit unions; requiring that certain collateral be given as security for deposits
6 made by certain local governmental units in certain federally insured credit
7 unions; authorizing certain local governmental units to deposit unexpended or
8 surplus money in certain credit unions without certain collateral under certain
9 circumstances; expanding a certain definition of “deposit insurance” to include
10 the National Credit Union Share Insurance Fund; expanding a certain
11 definition of “financial institution” to include certain credit unions; expanding
12 the types of financial institutions that the State Treasurer is authorized to
13 designate as a depository for State money to include certain credit unions;
14 making stylistic changes; and generally relating to credit unions and deposits of
15 State and local government money.

16 BY repealing and reenacting, with amendments,

17 Article 95 – Treasurer

18 Section 22 and 22–O

19 Annotated Code of Maryland

20 (2003 Replacement Volume and 2007 Supplement)

21 BY repealing and reenacting, with amendments,

22 Article – State Finance and Procurement

23 Section 6–201

24 Annotated Code of Maryland

25 (2006 Replacement Volume and 2007 Supplement)

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Article 95 – Treasurer

2 22.

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

32 (b) (1) In this subsection, "other postemployment benefits" means
33 postemployment health care benefits, regardless of the type of plan that provides
34 them, and all postemployment benefits provided separately from a pension plan.

1 22-O.

2 (a) (1) In this section, the following words have the meanings indicated.

3 (2) "Depositor" means a local government or its authorized
4 acknowledged agent making a deposit of unexpended or surplus money as provided in
5 this section.

6 (3) "Local government" means:

7 (i) The governing body of a county or municipal corporation;

8 (ii) A county board of education;

9 (iii) The governing body of a road, drainage, improvement,
10 construction, or soil conservation district or commission in the State;

11 (iv) The Upper Potomac River Commission; or

12 (v) Any other political subdivision or body politic of the State.

13 (4) "State financial institution" means any of the following institutions
14 that have a branch in the State that takes deposits:

15 (i) Bank, trust company, or savings bank incorporated under
16 the laws of the State;

17 (ii) Bank incorporated under federal law;

18 (iii) Bank incorporated under the laws of any other state; [or]

19 (iv) Savings and loan association incorporated under the laws of
20 the State or of the United States; **OR**

21 (V) **CREDIT UNION INCORPORATED UNDER THE LAWS OF**
22 **THE STATE OR OF THE UNITED STATES.**

23 (b) Notwithstanding the provisions of § 22 of this article, a local government
24 may deposit unexpended or surplus money in any federally insured bank [or], savings
25 and loan association, **OR CREDIT UNION** without the security required in § 22(a) of
26 this article if:

27 (1) The unexpended or surplus money is initially placed for deposit
28 with a State financial institution selected by the depositor;

29 (2) The State financial institution selected by the depositor arranges
30 for the further deposit of the money into one or more certificates of deposit **OR SHARE**

1 **CERTIFICATES** of not more than \$100,000 each in one or more federally insured
2 banks [or], savings and loan associations, **OR CREDIT UNIONS** for the account of the
3 depositor;

4 (3) At the same time the money is deposited and the certificates of
5 deposit **OR SHARE CERTIFICATES** are issued for the benefit of the depositor by other
6 banks [or], savings and loan associations, **OR CREDIT UNIONS**, the State financial
7 institution selected by the depositor receives an amount of deposits from customers **OR**
8 **MEMBERS** of other banks [or], savings and loan associations, **OR CREDIT UNIONS**
9 equal to the amount of money initially deposited by the depositor;

10 (4) Each certificate of deposit **OR SHARE CERTIFICATE** issued for the
11 depositor's account is insured by the Federal Deposit Insurance Corporation **OR THE**
12 **NATIONAL CREDIT UNION SHARE INSURANCE FUND** for 100% of the principal and
13 accrued interest of the certificate of deposit **OR SHARE CERTIFICATE**; and

14 (5) The State financial institution selected by the depositor acts as
15 custodian for the depositor with respect to the certificates of deposit **OR SHARE**
16 **CERTIFICATES** issued for the depositor's account.

17 Article – State Finance and Procurement

18 6–201.

19 (a) In this subtitle the following words have the meanings indicated.

20 (b) “Banking institution” means an institution that is incorporated under the
21 laws of the State as a State bank, trust company, or savings bank.

22 (c) “Collateral” means collateral that is listed under § 6–202 of this subtitle.

23 (d) “Deposit insurance” means insurance by:

24 (1) the Federal Deposit Insurance Corporation; [or]

25 (2) the Resolution Trust Corporation created under § 21A of the
26 Federal Home Loan Bank Act (12 U.S.C. § 1441a.); **OR**

27 (3) **THE NATIONAL CREDIT UNION SHARE INSURANCE FUND**.

28 (e) “Financial institution” means:

29 (1) any banking institution;

30 (2) any national banking association;

3 (4) an institution that is incorporated under the laws of this State or of
4 the United States as a savings and loan association; **AND**

(f) "National banking association" means an institution that is incorporated under federal law as a bank.

12 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
13 October 1, 2008.