HB 1191

Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1191 (Delegate Conway, *et al.*)
Appropriations Budget and Taxation

Local Government - Deposits of Unexpended or Surplus Money

This emergency bill alters the maximum amount of unexpended or surplus funds that a local government may deposit at a financial institution whereby the institution arranges for the funds to be deposited into one or more certificates of deposit (CD) at one or more federally insured banks or savings and loan associations. The maximum limit is increased from $100,000 to an amount equal to the applicable Federal Deposit Insurance Corporation (FDIC) maximum insurance coverage limit.

Fiscal Summary

State Effect: None.

Local Effect: Potential meaningful operational benefit to local governments. Local governments may also realize a minimal increase in investment income. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: A local government may deposit unexpended or surplus money in any federally insured bank or savings and loan association. Any deposits with financial institutions in excess of the FDIC limit must be collateralized by the financial institution. Any amount in excess of the FDIC limit may be deposited without the financial institution pledging collateral to secure the deposits as long as:

- the financial institution arranges for the amount over the limit to be further deposited into one or more CDs in other federally insured financial institutions;
- each CD cannot exceed $100,000;
- the CDs must be issued for the benefit of the local government;
- the local government's financial institution must receive deposits from customs of the other financial institutions equal to the amount of money invested in the CDs; and
- the local government's financial institution acts as custodian for the local government with respect to the CDs.

The FDIC insures deposits in most banks and savings and loan associations located in the United States. The FDIC protects depositors against the loss of their deposits if a FDIC-insured bank or savings and loan association fails. FDIC insurance is backed by the full faith and credit of the U.S. government. In October 2008, FDIC deposit insurance was temporarily increased from $100,000 to $250,000 per depositor through December 31, 2009.

Local Fiscal Effect: The bill provides an operational benefit to local governments by increasing the amount of unexpended or surplus funds that a particular local government can invest in an individual CD. The State Treasurer's Office indicates that this bill will allow a more efficient distribution of local government surplus funds which are deposited in community banks.

Additional Information

Prior Introductions: None.

Cross File:SB 617 (Senator DeGrange, *et al.*) - Budget and Taxation.

Information Source(s): Department of Legislative Services

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Analysis by: Erik P. Timme

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