

SENATE BILL 208

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By: **Senator Jones (Chair, Joint Committee on the Management of Public Funds) and Senators Currie, Forehand, and Haines**
Introduced and read first time: January 21, 2010
Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **State Treasurer – Permissible Investments – Linked Deposit Program**

3 FOR the purpose of altering the permissible investments that the State Treasurer may
4 make with financial institutions participating in the Linked Deposit Program;
5 and generally relating to permissible investments under the Linked Deposit
6 Program.

7 BY repealing and reenacting, with amendments,
8 Article – State Finance and Procurement
9 Section 6–211
10 Annotated Code of Maryland
11 (2009 Replacement Volume)

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

14 **Article – State Finance and Procurement**

15 6–211.

16 (a) (1) There is a Linked Deposit Program in the Department of Housing
17 and Community Development.

18 (2) The purpose of the Linked Deposit Program is to stimulate
19 opportunities for minority business enterprises to have access to credit by assisting
20 these businesses in obtaining loans at lower than market interest rates.

21 (b) A loan qualifies under the Linked Deposit Program if the loan:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.



- 1 (1) satisfies the financial institution's lending criteria;
- 2 (2) has a term not exceeding 10 years;
- 3 (3) is made to a minority business enterprise certified under Title 14,
4 Subtitle 3 of this article;
- 5 (4) has an interest rate that is 2 percentage points below the interest
6 rate the financial institution would charge for a loan for a similar purpose and a
7 similar term; and
- 8 (5) has points or fees charged at loan closing not exceeding 1 percent
9 of the loan amount.

10 (c) The Department of Housing and Community Development shall:

- 11 (1) confirm with the certification agency designated under Title 14,
12 Subtitle 3 of this article that each loan under the Linked Deposit Program is made to a
13 business that is certified as a minority business enterprise;
- 14 (2) establish procedures for notification by the certification agency
15 designated under Title 14, Subtitle 3 of this article if a business that has an
16 outstanding balance of a loan under the Linked Deposit Program is no longer certified;
- 17 (3) require minority business enterprises and lenders to notify the
18 Department concerning final loan disposition; and
- 19 (4) report annually to the Governor, the Treasurer, and, in accordance
20 with § 2-1246 of the State Government Article, the General Assembly on overall
21 performance of the Linked Deposit Program.

22 (d) The Treasurer may establish the Linked Deposit Program for investment
23 of deposits in any financial institution that:

- 24 (1) the Treasurer has designated as a depository for State money; and
- 25 (2) makes a loan in accordance with subsection (b) of this section.

26 (e) (1) The Treasurer may [purchase] **MAKE** one or more [certificates of
27 deposit] **INTEREST BEARING DEPOSITS** that are equal to:

- 28 (i) the amount of the loan made by the financial institution in
29 accordance with subsection (b) of this section; or
- 30 (ii) the aggregate amount of two or more loans made by one or
31 more financial institutions in accordance with subsection (b) of this section.

1 (2) In [purchasing a certificate of deposit] **MAKING AN INTEREST**
2 **BEARING DEPOSIT** under this subsection, the Treasurer may accept a rate that is 2
3 percentage points below current market rates or an index selected by the Treasurer.

4 (3) The Treasurer may use up to \$50,000,000 to [purchase certificates
5 of deposit] **MAKE INTEREST BEARING DEPOSITS** in an amount equivalent to the
6 amount financial institutions loan to certified minority business enterprises.

7 (f) (1) Subject to paragraph (2) of this subsection, on notification by the
8 Department of Housing and Community Development that a minority business
9 enterprise participating in the Linked Deposit Program is no longer certified under
10 Title 14, Subtitle 3 of this article, the Treasurer shall reduce the amount of the
11 [certificate of deposit] **INTEREST BEARING DEPOSIT** with the participating financial
12 institution by the outstanding balance of the loan made under this section to the
13 decertified minority business enterprise.

14 (2) A minority business enterprise that loses its certification due to
15 revenue or employee growth may not be considered decertified for purposes of
16 paragraph (1) of this subsection.

17 (g) (1) A loan assisted by a linked deposit is not a debt of the State or a
18 pledge of the credit of the State.

19 (2) The Treasurer and the State are not liable to any financial
20 institution for payment of the principal or interest on a loan assisted by a linked
21 deposit.

22 (h) The Department of Housing and Community Development and the
23 Treasurer may adopt regulations to carry out this section.

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
25 October 1, 2010.