

SENATE BILL 777

11, 12, L6

0lr2525
CF HB 844

By: **Senators DeGrange, Kasemeyer, King, Klausmeier, McFadden, Munson, Peters, Pugh, Robey, and Zirkin**

Introduced and read first time: February 10, 2010

Assigned to: Finance

Reassigned: Budget and Taxation, February 15, 2010

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 23, 2010

CHAPTER _____

1 AN ACT concerning

2 **Local Government Funds – Redeposit into Insured Accounts**

3 FOR the purpose of authorizing a local government to deposit unexpended or surplus
4 money in any federally insured bank or savings and loan association without
5 certain security under certain conditions; and generally relating to the deposit
6 of local government funds.

7 BY repealing and reenacting, with amendments,
8 Article 95 – Treasurer
9 Section 22–O
10 Annotated Code of Maryland
11 (2003 Replacement Volume and 2009 Supplement)

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

14 **Article 95 – Treasurer**

15 22–O.

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



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

4 (3) “Local government” means:

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

6 (ii) A county board of education;

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

9 (iv) The Upper Potomac River Commission; or

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

11 (4) “State financial institution” means any of the following institutions
12 that have a branch in the State that takes deposits:

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

15 (ii) Bank incorporated under federal law;

16 (iii) Bank incorporated under the laws of any other state; or

17 (iv) Savings and loan association incorporated under the laws of
18 the State or of the United States.

19 (b) Notwithstanding the provisions of § 22 of this article, a local government
20 may deposit unexpended or surplus money in any federally insured bank or savings
21 and loan association without the security required in § 22(a) of this article if:

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

24 (2) The State financial institution selected by the depositor arranges
25 for the further deposit of the money into one or more certificates of deposit, each in an
26 amount of not more than the applicable Federal Deposit Insurance Corporation
27 maximum insurance coverage limit, in one or more federally insured banks or savings
28 and loan associations for the account of the depositor;

29 (3) At the same time the money is deposited and the certificates of
30 deposit are issued for the benefit of the depositor by other banks or savings and loan
31 associations, the State financial institution selected by the depositor receives an

1 amount of deposits from customers of other banks or savings and loan associations
2 equal to the amount of money initially deposited by the depositor;

3 (4) Each certificate of deposit issued for the depositor's account is
4 insured by the Federal Deposit Insurance Corporation for 100% of the principal and
5 accrued interest of the certificate of deposit; and

6 (5) The State financial institution selected by the depositor acts as
7 custodian for the depositor with respect to the certificates of deposit issued for the
8 depositor's account.

9 (C) NOTWITHSTANDING THE PROVISIONS OF § 22 OF THIS ARTICLE, A
10 LOCAL GOVERNMENT MAY DEPOSIT UNEXPENDED OR SURPLUS MONEY IN ANY
11 FEDERALLY INSURED BANK OR SAVINGS AND LOAN ASSOCIATION WITHOUT THE
12 SECURITY REQUIRED IN § 22(A) OF THIS ARTICLE IF:

13 (1) THE UNEXPENDED OR SURPLUS MONEY IS INITIALLY PLACED
14 FOR DEPOSIT WITH A STATE FINANCIAL INSTITUTION THAT IS SELECTED BY THE
15 DEPOSITOR TO ARRANGE FOR THE REDEPOSIT OF THE MONEY THROUGH A
16 DEPOSIT PLACEMENT PROGRAM THAT MEETS THE REQUIREMENTS UNDER THIS
17 SUBSECTION;

18 (2) ON OR AFTER THE DATE THAT THE LOCAL GOVERNMENT
19 MONEY IS RECEIVED, THE STATE FINANCIAL INSTITUTION SELECTED BY THE
20 DEPOSITOR:

21 (I) ARRANGES FOR THE REDEPOSIT OF THE MONEY INTO
22 ONE OR MORE DEPOSIT ACCOUNTS, EACH IN AN AMOUNT OF NOT MORE THAN
23 THE APPLICABLE FEDERAL DEPOSIT INSURANCE CORPORATION MAXIMUM
24 INSURANCE COVERAGE LIMIT, IN ONE OR MORE FEDERALLY INSURED BANKS OR
25 SAVINGS AND LOAN ASSOCIATIONS FOR THE ACCOUNT OF THE DEPOSITOR; AND

26 (II) ~~SERVES~~ ACTS AS CUSTODIAN FOR THE DEPOSITOR
27 WITH RESPECT TO THE MONEY DEPOSITED INTO THE ACCOUNTS;

28 (3) ANY LOCAL GOVERNMENT MONEY DEPOSITED INTO A STATE
29 FINANCIAL INSTITUTION IN ACCORDANCE WITH THIS SUBSECTION AND HELD BY
30 THE STATE FINANCIAL INSTITUTION AT THE CLOSE OF A BUSINESS DAY THAT IS
31 IN EXCESS OF THE AMOUNT INSURED BY THE FEDERAL DEPOSIT INSURANCE
32 CORPORATION IS SECURED IN ACCORDANCE WITH THIS ARTICLE;

33 (4) THE FULL AMOUNT OF THE LOCAL GOVERNMENT MONEY
34 REDEPOSITED BY THE STATE FINANCIAL INSTITUTION INTO DEPOSIT
35 ACCOUNTS IN FEDERALLY INSURED BANKS OR SAVINGS AND LOAN

1 ASSOCIATIONS UNDER THIS SUBSECTION IS INSURED BY THE FEDERAL
2 DEPOSIT INSURANCE CORPORATION; AND

3 (5) ON THE SAME DATE THAT THE MONEY OF THE LOCAL
4 GOVERNMENT IS REDEPOSITED UNDER THIS SUBSECTION, THE STATE
5 FINANCIAL INSTITUTION SELECTED BY THE DEPOSITOR RECEIVES AN AMOUNT
6 OF DEPOSITS FROM CUSTOMERS OF OTHER BANKS OR SAVINGS AND LOANS IN
7 ACCORDANCE WITH THE DEPOSIT PLACEMENT PROGRAM THAT IS EQUAL TO
8 THE AMOUNT OF THE LOCAL GOVERNMENT MONEY REDEPOSITED BY THE
9 SELECTED STATE FINANCIAL INSTITUTION.

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

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.