

**Department of Legislative Services**  
Maryland General Assembly  
2011 Session

**FISCAL AND POLICY NOTE**

Senate Bill 547

(Senator King, *et al.*)

Finance

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**State Procurement - Banking Services Preference - Lend Local Act of 2011**

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This bill requires the State Treasurer to consider whether a financial institution is (1) incorporated under the laws of the State; or (2) operating in the State with total assets of less than \$5.0 billion when designating a financial institution for banking services or as a depository for the State.

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**Fiscal Summary**

**State Effect:** None. The bill essentially codifies current practice.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** The State Treasurer may designate a financial institution as a depository for State funds or make an agreement with a financial institution as to terms, conditions, and compensation for banking services offered to the State or any State agency. A financial institution includes any banking institution, a national banking association, an institution incorporated under the laws of any other state as a bank, and an institution that is incorporated under the laws of Maryland or under federal law as a bank.

When designating a financial institution for banking services or as a State depository, the State Treasurer must give 15% of the weight of the decision to the following standards: (1) whether the financial institution received a rating of “needs improvement” or “substantial noncompliance” in its most recent examination under the federal Community

Reinvestment Act (CRA); (2) Maryland-specific information in the CRA report if the institution operates outside the State; (3) whether a Maryland court has found, in a final adjudication, that the institution has violated an antidiscrimination statute or regulation in the previous five years; and (4) whether the institution has demonstrated that during the previous five years it has participated in specified activities with small and minority-owned businesses.

**Background:** The State Treasurer currently procures banking services by issuance of a request for proposals (RFP). When awarding a contract through the RFP process, contracts are awarded on multiple factors, including price and technical requirements specified in the RFP. The State Treasurer currently targets certain RFPs for banking services to local banks, since they offer operational advantages in many situations. The State Treasurer currently has approximately 20 local in-state banks providing banking services.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** HB 619 (Delegate Frick, *et al.*) - Economic Matters.

**Information Source(s):** Maryland State Treasurer's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 28, 2011

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