

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 174
Appropriations

(Delegate George)

Budget and Taxation

Local Government Self-Insurance Funds - Investment Guidelines

This bill excludes revenues held by specified units of local government for self-insurance purposes from those public funds that must be invested in accordance with an investment policy that is required by State law.

Fiscal Summary

State Effect: None.

Local Effect: Revenues for certain local government entities may be minimally affected. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Local governments are required to establish and follow an investment policy for specified public funds that is consistent with guidelines established by the State Treasurer. For this requirement, local government includes Baltimore City, counties, municipalities, community colleges, the Washington Suburban Sanitary Commission, public corporations, and authorities of the State that issue debt. Investments by a board of education and a library board must comply with the respective county local investment policy. The public funds subject to the required policy do not include revenues held as part of a pension fund, other postemployment fund, or trust fund account. Borrowing of funds for the express purpose of investing those funds is prohibited.

The Maryland Code of Regulations (COMAR 25.03.03.03) requires that a local government investment policy meets or exceeds standards published by two nationally recognized financial organizations that are recognized by the State Treasurer: Municipal Treasurer's Association and Government Finance Officers Association. COMAR 25.03.03.04 requires that local government units invest in only those types of securities authorized by:

- the State Finance and Procurement Article § 6-222(a), thus aligning permissible investments of local governments with limits that must be followed by the State Treasurer; or
- those authorized by Article 95, §§ 22 through 22N, which generally govern local investment and encompass the investment policy law modified by this bill.

Local Fiscal Effect: The bill will have no fiscal effect on local governments that do not hold funds for self-insurance; those that do will have greater flexibility in investing those funds, but generally the impact on revenues will be minimal.

Additional Information

Prior Introductions: None.

Cross File: SB 463 (Chair, Anne Arundel County Senators) – Budget and Taxation.

Information Source(s): Kent, Montgomery, and Washington counties; Maryland Higher Education Commission; Maryland Municipal League; Department of Legislative Services

Fiscal Note History: First Reader - February 6, 2012
ncs/rhh

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