

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 575
Appropriations

(Delegate Gutierrez, *et al.*)

Budget and Taxation

Local Government Investment Pool - Authorized Participants

This bill expands the list of participants that may place certain funds in the Maryland Local Government Investment Pool (MLGIP) to include (with the approval of the State Treasurer) a unit of State government or an entity of the State if its funds are not State money over which the State Treasurer has investment authority. The bill makes clarifying technical changes regarding specified monies and also allows the State Treasurer to specify maximum amounts that may be deposited by any authorized participant.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: The State Treasurer can continue to administer MLGIP with existing resources. Subject to any maximum deposit amount established under the bill, some units of State government and State-created entities gain access to an additional investment opportunity that may increase liquidity, investment security, and yields.

Local Effect: Local government entities may gain access to greater investment opportunities and increased liquidity through the potential increase in the balance of the investment pool. However, to the extent that any maximum deposit amount is established under the bill, local governments may have to divert funds that would otherwise be invested in the pool to less desirable investment vehicles.

Small Business Effect: None.

Analysis

Current Law: MLGIP consists of all funds from local governments placed in the custody of the State and any funds of the State that are placed in the pool by the State Treasurer. Investment guidelines for the pool are the same as those for State funds.

For purposes of MLGIP, “local government” includes:

- the governing body of each county or municipality;
- a county board of education;
- the governing body of each road, drainage, improvement, construction, or soil conservation district or commission in the State;
- the Upper Potomac River Commission;
- any other political subdivision or body politic of the State; and
- a local government insurance pool formed under Title 19, Subtitle 6 of the Insurance Article.

The State Treasurer sets investment policies for, and administers, MLGIP. Administrative procedures must include specification of minimum amounts that may be deposited in the pool and minimum periods of time for deposits to remain in the pool; payment of administrative expenses from the pool; and equitable distribution of earnings (or allocation of losses) from the pool to participants in the pool.

Background: MLGIP provides units of local government with a vehicle for the short-term investment of funds. While administered by the State Treasurer, MLGIP is managed by PNC Institutional Investments. In fiscal 2011, the fund balance for MLGIP averaged approximately \$3.0 billion. The Maryland State Treasurer’s Office advises that under current circumstances, the bill will allow the Maryland Transportation Authority access to MLGIP.

Additional Information

Prior Introductions: None.

Cross File: SB 542 (Senator Jones-Rodwell) - Budget and Taxation.

Information Source(s): Baltimore, Charles, Frederick, Garrett, and Montgomery counties; Maryland Municipal League; Department of Budget and Management; Maryland Insurance Administration; Maryland State Treasurer’s Office; Washington Suburban Sanitary Commission; Department of Legislative Services

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