

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 1258
Appropriations

(Delegate Gutierrez, *et al.*)

Maryland State Bank Task Force

This bill establishes the Maryland State Bank Task Force to review and evaluate the creation of a Maryland State Bank. The Department of Legislative Services (DLS) must provide staff support to the task force. A member of the task force may not receive compensation; however, the member is entitled to reimbursement for expenses as provided in the State budget. The task force must report its findings and recommendations to the Governor and the General Assembly on or before December 1, 2012.

The bill takes effect June 1, 2012, and terminates May 31, 2013.

Fiscal Summary

State Effect: Any expense reimbursements for task force members and staffing costs for DLS are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force must undertake a review and evaluation of a State bank which would:

- support the economic development of the State by increasing access to capital for businesses and farms within the State in partnership with local financial institutions;
- provide stability to the local financial sector without entering into competition with community banks, credit unions, or other financial institutions;
- reduce the costs paid by the State for basic banking services; and
- return profits, beyond those necessary to accomplish the mission and sound operations of the bank, to the general fund of the State.

The task force must also (1) perform a general assessment of the State's current network of public and private financial resources in order to identify potential areas of State bank focus; (2) examine how a State bank may support a strong private-sector financial community that would provide capital for businesses in Maryland; (3) examine potential various administrative and operational structures for the bank; (4) consider options for integrating a State bank model into the existing State financial services network; and (5) examine the bank's long-term impact on economic growth, job creation, and State revenues.

Current Law/Background: There is no State-owned bank in Maryland. North Dakota is the only state that currently owns and operates a bank. Established in 1919, the Bank of North Dakota currently operates with more than \$270 million in capital. It administers several lending programs, including farm and ranch financing programs; business financing programs; government guaranteed loans for lenders; and community, rural, and regional development loan funds, as well as several banking services for North Dakota's financial institutions. The state of North Dakota has been using profits transferred from the bank into the state's general fund since 1945.

According to the Public Banking Institute, 17 states since 2010 have considered legislation to either establish a state-owned bank or commission a study.

Additional Information

Prior Introductions: A similar bill, HB 1066 of 2011, received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

Information Source(s): Bank of North Dakota; Public Banking Institute; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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