

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

House Bill 772
Appropriations

(Delegate George, *et al.*)

Budget and Taxation

Local Government Investments - Self-Insurance Funds and Trust Fund Accounts
of Political Subdivisions

This bill provides that local government trust fund accounts and funds for self-insurance purposes in the charge of a trustee or other officer are excluded from specified local government investment policies.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: The bill does not directly affect governmental operations or finances.

Local Effect: To the extent that local governments do not already engage in such practice, revenues for certain local government entities may be minimally affected. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Title 17 Subtitle 2 of the Local Government Article requires local governments, in accordance with the State Treasurer, to establish and follow an investment policy that limits the investment risk for specified types of public money. Chapter 516 of 2012 amended Section 17-201(d) to exclude funds held for self-insurance purposes from the definition of “public money.” Prior to Chapter 516, Section 17-201(d) only excluded a pension fund, other postemployment benefits fund, and trust fund accounts from the definition of “public money.”

Section 17-101 authorizes a governmental entity or its authorized agent to invest specified money pursuant to local government investment policies. Section 17-102(b) exempts only a trustee or other officer in charge of a pension/retirement system or other postemployment benefits funds from local government investment policies.

Background: The Attorney General’s Office advises that, because funds for self-insurance purposes and trust funds accounts are excluded from the definition of “public money,” “it seems clear” that the General Assembly intended for funds for self-insurance purposes and trust fund accounts to be “included with pension and postemployment benefits funds” under Section 17-102. But while the intent seems clear, the Attorney General’s Office further advises that funds for self-insurance purposes and trust fund accounts are not expressly included in Section 17-102, creating an ambiguity with respect to exclusion or inclusion from local government investment policies.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Calvert, Caroline, and Montgomery counties; City of Bowie; Maryland Association of Counties; Maryland Municipal League; Maryland State Treasurer’s Office; Office of the Attorney General; Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2014
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