



MARYLAND STATE TREASURER
Dereck E. Davis

Informational Testimony of the Maryland State Treasurer's Office

Senate Bill 516: Cannabis Reform

Senate Finance Committee and Senate Budget and Taxation Committee

March 9, 2023

Following the successful legalization referendum on adult-use cannabis, the State Treasurer's Office (STO) began taking steps to prepare for the revenue that the State will receive in the near future. As part of this effort, Treasurer Davis requested that staff reach out to other states to better understand how their treasuries manage the revenue given federal constraints. To date, STO has spoken with a number of states about their operational programs. The Treasurer also requested outreach to State and federally chartered banks to learn more about their interest and capacity to participate in the implementation of Maryland's new program.

Based on these conversations, STO notes for the committees' consideration an amendment to the State Finance and Procurement Article. Under current law, the State is limited to using entities that meet the definition of "financial institution" as depositories for State money. On advice of counsel from the Office of the Attorney General, the definition in § 6-201(e) of the State Finance and Procurement Article would preclude the State from using State-chartered banks or credit unions as depositories.

There are several reasons why the committees may wish to consider amending the law to allow State-chartered banks and credit unions to serve as depositories. First, diversification across multiple financial institutions would provide additional security with more sources to deposit revenue in a marketplace that is ever-changing. Second, working with State-chartered banks and credit unions would afford the State more avenues for supporting small and minority-owned businesses. For these reasons, STO believes that the law should be changed.

If the committees are amenable, § 6-201 of the State Finance and Procurement Article would need to be amended as illustrated on page two of this testimony.

We hope that this information is useful to you. At Treasurer Davis' direction, STO continues to communicate with financial institutions across the State and with representatives from other states to anticipate some of the known challenges that arise in this area of fiscal policy. Please do not hesitate to reach out to Laura Atas, Deputy Treasurer for Public Policy (latas@treasurer.state.md.us), with any questions.

Proposed Amendment

State Finance and Procurement Article

§ 6–201.

(a) In this subtitle the following words have the meanings indicated.

(b) “Banking institution” means an institution that is incorporated under the laws of the State as a State bank, trust company, or savings bank.

(c) “Collateral” means collateral that is listed under § 6–202 of this subtitle.

(d) **“CREDIT UNION” MEANS A CREDIT UNION THAT IS INCORPORATED UNDER THE LAWS OF THE STATE AS A STATE CREDIT UNION.**

(E) “Deposit insurance” means insurance by:

(1) the Federal Deposit Insurance Corporation; or

(2) the Resolution Trust Corporation created under § 21A of the Federal Home Loan Bank Act (12 U.S.C. § 1441a.).

[(e)](F) “Financial institution” means:

(1) any banking institution;

(2) any national banking association;

(3) an institution that is incorporated under the laws of any other state as a bank; **[and]**

(4) an institution that is incorporated under the laws of this State or of the United States as a savings and loan association; **OR**

(5) **A CREDIT UNION.**

[(f)](G) “National banking association” means an institution that is incorporated under federal law as a bank.

[(g)](H) “State money” for purposes of §§ 6–209 and 6–210 of this subtitle includes money in a bank account maintained under the control of an employee or official of the clerk of the court or register of wills.