

Chapter 102

(Senate Bill 777)

AN ACT concerning

Local Government Funds – Redeposit into Insured Accounts

FOR the purpose of authorizing a local government to deposit unexpended or surplus money in any federally insured bank or savings and loan association without certain security under certain conditions; and generally relating to the deposit of local government funds.

BY repealing and reenacting, with amendments,
Article 95 – Treasurer
Section 22–O
Annotated Code of Maryland
(2003 Replacement Volume and 2009 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article 95 – Treasurer

22–O.

- (a) (1) In this section the following words have the meanings indicated.
- (2) “Depositor” means a local government or its authorized acknowledged agent making a deposit of unexpended or surplus money as provided in this section.
- (3) “Local government” means:
- (i) The governing body of a county or municipal corporation;
 - (ii) A county board of education;
 - (iii) The governing body of a road, drainage, improvement, construction, or soil conservation district or commission in the State;
 - (iv) The Upper Potomac River Commission; or
 - (v) Any other political subdivision or body politic of the State.

(4) “State financial institution” means any of the following institutions that have a branch in the State that takes deposits:

- (i) Bank, trust company, or savings bank incorporated under the laws of the State;
- (ii) Bank incorporated under federal law;
- (iii) Bank incorporated under the laws of any other state; or
- (iv) Savings and loan association incorporated under the laws of the State or of the United States.

(b) Notwithstanding the provisions of § 22 of this article, a local government may deposit unexpended or surplus money in any federally insured bank or savings and loan association without the security required in § 22(a) of this article if:

(1) The unexpended or surplus money is initially placed for deposit with a State financial institution selected by the depositor;

(2) The State financial institution selected by the depositor arranges for the further deposit of the money into one or more certificates of deposit, each in an amount of not more than the applicable Federal Deposit Insurance Corporation maximum insurance coverage limit, in one or more federally insured banks or savings and loan associations for the account of the depositor;

(3) At the same time the money is deposited and the certificates of deposit are issued for the benefit of the depositor by other banks or savings and loan associations, the State financial institution selected by the depositor receives an amount of deposits from customers of other banks or savings and loan associations equal to the amount of money initially deposited by the depositor;

(4) Each certificate of deposit issued for the depositor’s account is insured by the Federal Deposit Insurance Corporation for 100% of the principal and accrued interest of the certificate of deposit; and

(5) The State financial institution selected by the depositor acts as custodian for the depositor with respect to the certificates of deposit issued for the depositor’s account.

(C) NOTWITHSTANDING THE PROVISIONS OF § 22 OF THIS ARTICLE, A LOCAL GOVERNMENT MAY DEPOSIT UNEXPENDED OR SURPLUS MONEY IN ANY FEDERALLY INSURED BANK OR SAVINGS AND LOAN ASSOCIATION WITHOUT THE SECURITY REQUIRED IN § 22(A) OF THIS ARTICLE IF:

(1) THE UNEXPENDED OR SURPLUS MONEY IS INITIALLY PLACED FOR DEPOSIT WITH A STATE FINANCIAL INSTITUTION THAT IS SELECTED BY THE DEPOSITOR TO ARRANGE FOR THE REDEPOSIT OF THE MONEY THROUGH A DEPOSIT PLACEMENT PROGRAM THAT MEETS THE REQUIREMENTS UNDER THIS SUBSECTION;

(2) ON OR AFTER THE DATE THAT THE LOCAL GOVERNMENT MONEY IS RECEIVED, THE STATE FINANCIAL INSTITUTION SELECTED BY THE DEPOSITOR:

(I) ARRANGES FOR THE REDEPOSIT OF THE MONEY INTO ONE OR MORE DEPOSIT ACCOUNTS, EACH IN AN AMOUNT OF NOT MORE THAN THE APPLICABLE FEDERAL DEPOSIT INSURANCE CORPORATION MAXIMUM INSURANCE COVERAGE LIMIT, IN ONE OR MORE FEDERALLY INSURED BANKS OR SAVINGS AND LOAN ASSOCIATIONS FOR THE ACCOUNT OF THE DEPOSITOR; AND

(II) ~~SERVES~~ ACTS AS CUSTODIAN FOR THE DEPOSITOR WITH RESPECT TO THE MONEY DEPOSITED INTO THE ACCOUNTS;

(3) ANY LOCAL GOVERNMENT MONEY DEPOSITED INTO A STATE FINANCIAL INSTITUTION IN ACCORDANCE WITH THIS SUBSECTION AND HELD BY THE STATE FINANCIAL INSTITUTION AT THE CLOSE OF A BUSINESS DAY THAT IS IN EXCESS OF THE AMOUNT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION IS SECURED IN ACCORDANCE WITH THIS ARTICLE;

(4) THE FULL AMOUNT OF THE LOCAL GOVERNMENT MONEY REDEPOSITED BY THE STATE FINANCIAL INSTITUTION INTO DEPOSIT ACCOUNTS IN FEDERALLY INSURED BANKS OR SAVINGS AND LOAN ASSOCIATIONS UNDER THIS SUBSECTION IS INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION; AND

(5) ON THE SAME DATE THAT THE MONEY OF THE LOCAL GOVERNMENT IS REDEPOSITED UNDER THIS SUBSECTION, THE STATE FINANCIAL INSTITUTION SELECTED BY THE DEPOSITOR RECEIVES AN AMOUNT OF DEPOSITS FROM CUSTOMERS OF OTHER BANKS OR SAVINGS AND LOANS IN ACCORDANCE WITH THE DEPOSIT PLACEMENT PROGRAM THAT IS EQUAL TO THE AMOUNT OF THE LOCAL GOVERNMENT MONEY REDEPOSITED BY THE SELECTED STATE FINANCIAL INSTITUTION.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2010.

Approved by the Governor, April 13, 2010.