

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 79

(Senator Kelley, *et al.*)

Budget and Taxation

Credit Unions - Deposits of State and Local Government Money

This bill adds federally insured credit unions to the list of financial institutions that are acceptable depositories for the unexpended or surplus funds of State or local government entities.

Fiscal Summary

State Effect: The bill is not anticipated to substantially affect State revenues.

Local Effect: The bill is not anticipated to substantially affect local government revenues.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: Credit unions authorized under the bill must be incorporated under the laws of the State or the laws of the United States. Funds deposited with such credit unions must be insured for 100% of the principal and accrued interest by the National Credit Union Share Insurance Fund (NCUSIF).

“Local government” is defined as the governing body of a county or municipal corporation; a county board of education; the governing body of a road, drainage, improvement, construction, or soil conservation district or commission in the State; the Upper Potomac River Commission, or any other political subdivision or body politic of the State.

Current Law/Background: Currently, unexpended or surplus State or local government funds may only be deposited with banks, banking institutions, national banking associations, or savings and loan associations that are insured by the Federal Deposit Insurance Corporation.

NCUSIF was established by the U.S. Congress in 1970 to insure member share accounts at federally insured credit unions. NCUSIF is managed by the National Credit Union Administration (NCUA) under the direction of the three-person NCUA board. Insured credit unions are required to deposit and maintain 1% of their insured shares and deposits in NCUSIF, and NCUSIF is backed by the full faith and credit of the U.S. government. Most properly established share accounts in federally insured credit unions are insured up to \$100,000, although certain retirement accounts, such as IRAs and Keoghs, are insured up to \$250,000. Generally, if a credit union member has more than one account in the same credit union, those accounts are added together and insured in the aggregate. Separate coverage on multiple accounts may be obtained in certain instances, but only when a member has different ownership interests or rights in different types of accounts.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Montgomery County; Prince George's County; Baltimore City; Town of La Plata; Department of Legislative Services

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mll/ljm

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