

SENATE BILL 208

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CF HB 834

By: **Senator Jones (Chair, Joint Committee on the Management of Public Funds) and Senators Currie, Forehand, and Haines**

Introduced and read first time: January 21, 2010

Assigned to: Budget and Taxation

Committee Report: Favorable

Senate action: Adopted

Read second time: March 2, 2010

CHAPTER _____

1 AN ACT concerning

2 **State Treasurer – Permissible Investments – Linked Deposit Program**

3 FOR the purpose of altering the permissible investments that the State Treasurer may
4 make with financial institutions participating in the Linked Deposit Program;
5 and generally relating to permissible investments under the Linked Deposit
6 Program.

7 BY repealing and reenacting, with amendments,
8 Article – State Finance and Procurement
9 Section 6–211
10 Annotated Code of Maryland
11 (2009 Replacement Volume)

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

14 **Article – State Finance and Procurement**

15 6–211.

16 (a) (1) There is a Linked Deposit Program in the Department of Housing
17 and Community Development.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (2) The purpose of the Linked Deposit Program is to stimulate
2 opportunities for minority business enterprises to have access to credit by assisting
3 these businesses in obtaining loans at lower than market interest rates.

4 (b) A loan qualifies under the Linked Deposit Program if the loan:

5 (1) satisfies the financial institution's lending criteria;

6 (2) has a term not exceeding 10 years;

7 (3) is made to a minority business enterprise certified under Title 14,
8 Subtitle 3 of this article;

9 (4) has an interest rate that is 2 percentage points below the interest
10 rate the financial institution would charge for a loan for a similar purpose and a
11 similar term; and

12 (5) has points or fees charged at loan closing not exceeding 1 percent
13 of the loan amount.

14 (c) The Department of Housing and Community Development shall:

15 (1) confirm with the certification agency designated under Title 14,
16 Subtitle 3 of this article that each loan under the Linked Deposit Program is made to a
17 business that is certified as a minority business enterprise;

18 (2) establish procedures for notification by the certification agency
19 designated under Title 14, Subtitle 3 of this article if a business that has an
20 outstanding balance of a loan under the Linked Deposit Program is no longer certified;

21 (3) require minority business enterprises and lenders to notify the
22 Department concerning final loan disposition; and

23 (4) report annually to the Governor, the Treasurer, and, in accordance
24 with § 2-1246 of the State Government Article, the General Assembly on overall
25 performance of the Linked Deposit Program.

26 (d) The Treasurer may establish the Linked Deposit Program for investment
27 of deposits in any financial institution that:

28 (1) the Treasurer has designated as a depository for State money; and

29 (2) makes a loan in accordance with subsection (b) of this section.

30 (e) (1) The Treasurer may [purchase] **MAKE** one or more [certificates of
31 deposit] **INTEREST BEARING DEPOSITS** that are equal to:

1 (i) the amount of the loan made by the financial institution in
2 accordance with subsection (b) of this section; or

3 (ii) the aggregate amount of two or more loans made by one or
4 more financial institutions in accordance with subsection (b) of this section.

5 (2) In [purchasing a certificate of deposit] **MAKING AN INTEREST**
6 **BEARING DEPOSIT** under this subsection, the Treasurer may accept a rate that is 2
7 percentage points below current market rates or an index selected by the Treasurer.

8 (3) The Treasurer may use up to \$50,000,000 to [purchase certificates
9 of deposit] **MAKE INTEREST BEARING DEPOSITS** in an amount equivalent to the
10 amount financial institutions loan to certified minority business enterprises.

11 (f) (1) Subject to paragraph (2) of this subsection, on notification by the
12 Department of Housing and Community Development that a minority business
13 enterprise participating in the Linked Deposit Program is no longer certified under
14 Title 14, Subtitle 3 of this article, the Treasurer shall reduce the amount of the
15 [certificate of deposit] **INTEREST BEARING DEPOSIT** with the participating financial
16 institution by the outstanding balance of the loan made under this section to the
17 decertified minority business enterprise.

18 (2) A minority business enterprise that loses its certification due to
19 revenue or employee growth may not be considered decertified for purposes of
20 paragraph (1) of this subsection.

21 (g) (1) A loan assisted by a linked deposit is not a debt of the State or a
22 pledge of the credit of the State.

23 (2) The Treasurer and the State are not liable to any financial
24 institution for payment of the principal or interest on a loan assisted by a linked
25 deposit.

26 (h) The Department of Housing and Community Development and the
27 Treasurer may adopt regulations to carry out this section.

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