

# HOUSE BILL 1306

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By: **Delegates Gutierrez, Bobo, Carr, and Hucker**

Introduced and read first time: February 8, 2013

Assigned to: Appropriations

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## A BILL ENTITLED

1 AN ACT concerning

2 **Public Banking Institutions – Authorization and Task Force**

3 FOR the purpose of authorizing a political subdivision to establish a public banking  
4 institution within the jurisdiction of the political subdivision and act as an  
5 incorporator to establish the public banking institution; requiring a political  
6 subdivision to file with the Commissioner of Financial Regulation in the  
7 Department of Labor, Licensing, and Regulation for examination and approval  
8 certain copies of the articles of incorporation of a certain public banking  
9 institution; requiring the Commissioner to adopt regulations establishing the  
10 required contents of the articles of incorporation of a public banking institution  
11 and the process for approving the articles; requiring a political subdivision to  
12 file for record an endorsed copy of the articles with the State Department of  
13 Assessments and Taxation under certain circumstances; specifying that articles  
14 of incorporation are not effective unless the Commissioner has endorsed the  
15 articles as approved; requiring a certain public banking institution to comply  
16 with certain provisions of law; establishing the Maryland State Banking Task  
17 Force to review and evaluate the creation of a Maryland State Bank; providing  
18 for the membership and staffing of the Task Force; prohibiting members of the  
19 Task Force from receiving certain compensation, but authorizing the  
20 reimbursement of certain expenses; requiring a final report on or before a  
21 certain date; providing for the termination of certain provisions of this Act;  
22 defining a certain term; and generally relating to public banking institutions  
23 and the Maryland State Banking Task Force.

24 BY adding to

25 Article – Financial Institutions

26 Section 1–212

27 Annotated Code of Maryland

28 (2011 Replacement Volume and 2012 Supplement)

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 **Article – Financial Institutions**

4 **1–212.**

5 (A) IN THIS SECTION, “PUBLIC BANKING INSTITUTION” MEANS A  
6 BANKING INSTITUTION OWNED AND OPERATED BY A POLITICAL SUBDIVISION.

7 (B) A POLITICAL SUBDIVISION MAY ESTABLISH A PUBLIC BANKING  
8 INSTITUTION WITHIN THE JURISDICTION OF THE POLITICAL SUBDIVISION.

9 (C) THE POLITICAL SUBDIVISION MAY ACT AS AN INCORPORATOR TO  
10 ESTABLISH THE PUBLIC BANKING INSTITUTION.

11 (D) (1) A POLITICAL SUBDIVISION SHALL FILE WITH THE  
12 COMMISSIONER FOR EXAMINATION AND APPROVAL TWO SIGNED COPIES OF THE  
13 ARTICLES OF INCORPORATION.

14 (2) THE COMMISSIONER SHALL ADOPT REGULATIONS  
15 ESTABLISHING THE REQUIRED CONTENTS OF THE ARTICLES OF  
16 INCORPORATION OF A PUBLIC BANKING INSTITUTION AND THE PROCESS FOR  
17 APPROVING THE ARTICLES OF INCORPORATION OF A PUBLIC BANKING  
18 INSTITUTION.

19 (E) (1) IF THE COMMISSIONER APPROVES THE ARTICLES OF  
20 INCORPORATION, THE POLITICAL SUBDIVISION SHALL FILE FOR RECORD ONE  
21 OF THE ENDORSED COPIES OF THE ARTICLES WITH THE STATE DEPARTMENT  
22 OF ASSESSMENTS AND TAXATION.

23 (2) ARTICLES OF INCORPORATION THAT ARE FILED FOR RECORD  
24 ARE NOT EFFECTIVE UNLESS THE COMMISSIONER HAS ENDORSED THE  
25 ARTICLES AS APPROVED.

26 (F) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, A PUBLIC  
27 BANKING INSTITUTION ESTABLISHED UNDER SUBSECTION (B) OF THIS SECTION  
28 SHALL COMPLY WITH ALL APPLICABLE FEDERAL AND STATE LAWS GOVERNING  
29 BANKING INSTITUTIONS.

30 SECTION 2. AND BE IT FURTHER ENACTED, That:

31 (a) There is a Maryland State Banking Task Force.

1 (b) The Task Force consists of the following members:

2 (1) one member of the Senate Budget and Taxation Committee,  
3 appointed by the President of the Senate;

4 (2) one member of the House Appropriations Committee, appointed by  
5 the Speaker of the House;

6 (3) the State Treasurer, or the State Treasurer's designee;

7 (4) the Comptroller of Maryland, or the Comptroller's designee;

8 (5) the Secretary of Business and Economic Development, or the  
9 Secretary's designee;

10 (6) the Commissioner of Financial Regulation, or the Commissioner's  
11 designee;

12 (7) the Director of the Office of Finance Programs, or the Director's  
13 designee;

14 (8) a representative of the Maryland State Retirement and Pension  
15 System;

16 (9) a representative of the Maryland and District of Columbia Credit  
17 Union Association (MDDCCUA);

18 (10) a representative of the labor community;

19 (11) a representative of an academic and research institution that  
20 studies economic policy; and

21 (12) two members of the public knowledgeable about the State's  
22 banking sector, finance, and economic development, appointed by the Governor, of  
23 which one is a member of the community banking community and one is a member of  
24 the consumer advocacy community.

25 (c) The Department of Legislative Services shall provide staff support to the  
26 Task Force.

27 (d) The Task Force shall be cochaired by the House and Senate chairs of the  
28 Joint Committee for the Management of Public Funds.

29 (e) A member of the Task Force:

30 (1) may not receive compensation as a member of the Task Force; but

1 (2) is entitled to reimbursement for expenses under the Standard  
2 State Travel Regulations, as provided in the State budget.

3 (f) (1) The Task Force shall review and evaluate the creation of a  
4 Maryland State Bank.

5 (2) The Task Force shall, at a minimum, undertake a review and  
6 evaluation of a Maryland State Bank that would:

7 (i) support the economic development of the State by increasing  
8 access to capital for businesses and farms within the State in partnership with local  
9 financial institutions;

10 (ii) provide stability to the local financial sector without  
11 entering into competition with community banks, credit unions, or other financial  
12 institutions for the deposit of private funds;

13 (iii) reduce the costs paid by the State for basic banking services;  
14 and

15 (iv) return profits, beyond those necessary to accomplish the  
16 mission and sound operations of the Bank, to the General Fund of the State.

17 (g) In undertaking the duties imposed under subsection (f) of this section, the  
18 Task Force shall:

19 (1) perform a general assessment of the State's current network of  
20 public and private financial resources for the purpose of identifying potential areas of  
21 State bank focus, including how a State bank may:

22 (i) strengthen the economic and community development needs  
23 of Maryland;

24 (ii) provide greater financial stability through its investments in  
25 other financial institutions;

26 (iii) reduce the cost paid by State government for banking  
27 services; and

28 (iv) generate earnings beyond those necessary for the continued  
29 operation of the bank, which could be used to supplement the General Fund of the  
30 State;

31 (2) examine how a State bank may support a strong private-sector  
32 financial community that would provide capital for businesses in Maryland;

1           (3)    examine various administrative and operational structures for  
2 organizing a State bank, including boards of directors, sources of deposits, oversight  
3 and audit of financial activities, and guarantees of financial products;

4           (4)    consider options for integrating a State bank model into the  
5 existing State financial services network, including ideas such as lending capital to  
6 banks, credit unions, and nonprofit community development financial institutions; and

7           (5)    examine the long-term impact of creating a Maryland State Bank  
8 on economic growth, job creation, and State revenues.

9           (h)    On or before December 1, 2013, the Task Force shall report its findings  
10 and recommendations to the Governor and, in accordance with § 2-1246 of the State  
11 Government Article, the Senate Budget and Taxation Committee and the House  
12 Appropriations Committee.

13           SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall  
14 take effect October 1, 2013.

15           SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in  
16 Section 3 of this Act, this Act shall take effect June 1, 2013. Section 2 of this Act shall  
17 remain effective for a period of 1 year and, at the end of May 31, 2014, with no further  
18 action required by the General Assembly, Section 2 of this Act shall be abrogated and  
19 of no further force and effect.