



House Bill 772

Local Government Investments – Self-Insurance Funds and Trust Fund Accounts of Political Subdivisions

MACo Position: **SUPPORT**

Date: March 19, 2014

To: Budget and Taxation Committee

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS** House Bill 772. This bill would clarify that self-insurance funds and trust fund accounts may be invested in the same manner as pension funds and other postemployment funds.

Under current law, local governments are required to establish and follow an investment policy for specified public funds that is consistent with guidelines established by the State Treasurer. Since public funds are used to finance routine government operations throughout the fiscal year, they are invested on a short term basis to ensure daily liquidity. Revenues held in pension funds and other postemployment funds do not fall under the definition of public funds since these investments are paying future benefits and tend to be longer term.

Legislation (Ch. 516, Laws of 2012) excluded self-insurance funds from the definition of public funds. However, upon review by the Attorney General, it was found that the law was ambiguous because the legislation failed to make changes to another section of statute that would have made it absolutely clear that these funds could be invested in a more diversified manner. The Attorney General found that this same ambiguity applied to trust fund accounts.

HB 772 has been introduced to address this ambiguity and clearly express the intent of the General Assembly to authorize local governments to invest self-insurance funds and trust funds in a more diversified manner.

Therefore, MACo urges the Committee to give HB 772 a **FAVORABLE** report.