MARYLAND ASSOCIATION OF COUNTIES, INC.

BILL NO.: Senate Bill 463

TITLE: Local Government Self-Insurance Funds – Investment Guidelines

POSITION: **SUPPORT**

DATE: March 7, 2012

COMMITTEE: Budget and Taxation

CONTACT: Andrea Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS** Senate Bill 463. This bill would give local governments greater flexibility to invest self-insurance funds in a more diversified manner.

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, other postemployment funds, or trust fund accounts do not fall under the definition of public funds since these investments are paying future benefits and tend to be longer term.

SB 463 would exclude revenues held for self-insurance purposes from the definition of public funds and treat them the same as these other longer term funds. Since the investment guidelines associated with funds not needed for quick liquidity would apply to self-insurance funds, these funds could be invested in more diverse offerings while preserving safety and liquidity maintaining appropriate oversight. It could also result in enhanced investment returns.

MACo believes that allowing local governments to invest self-insurance funds in the same manner as pension funds, other post-employment funds, and trust fund accounts is a sound investment strategy. Therefore, MACo urges the Committee to give SB 463 a **FAVORABLE** report.

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