

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 1985.

May 28, 1985

The Honorable Melvin A. Steinberg
President of the Senate
State House
Annapolis, Maryland 21404

Dear Mr. President:

In accordance with Article II, Section 17 of the Maryland Constitution, I have today vetoed Senate Bill 455. In light of the very recent crisis in the Savings and Loan Industry and associated increased State regulatory, insurance and management requirements, enactment of this bill into law would be inappropriate.

Senate Bill 455 would, in part, reduce the rate of the franchise tax imposed on Savings and Loan Associations to half of its present rate of 0.013 percent by tax year 1987. The fiscal impact of this phased reduction of the franchise tax would be a loss of revenues of \$0.68 million in Fiscal Year 1986, \$1.02 million in Fiscal Year 1987, \$1.43 million in Fiscal Year 1988, and continued losses in future years.

Although not an expressly dedicated revenue source, the franchise tax was enacted as part of the Savings and Loan Association Act of 1961 (Chapter 205 of the Laws of 1961) for the purpose of levying an assessment on State and Federally chartered Savings and Loan Associations to provide the necessary funding for State regulation of the Savings and Loan industry in Maryland. See, American National Building and Loan Association v. Mayor and City Council of Baltimore, 245 Md. 23 (1966).

As I understand it, the purpose for approving Senate Bill 455 during the 1985 Session of the General Assembly was to restore an equilibrium between the revenues raised by way of the franchise tax and the costs to the State of regulating the Savings and Loan Industry. As recent events in Maryland have revealed, rather than maintaining State funding at prior historic levels, the State's role in regulating Savings and Loan Associations in Maryland will require enhancement in the short term. Further, enactment of House Bill 6 during the 1985 Extraordinary Session of the General Assembly created the State of Maryland Deposit Insurance Fund Corporation and transferred to the State the insurance responsibilities previously performed by the Maryland Savings-Share Insurance Corporation. In light of the fiscal uncertainties associated with the State's new and expanded responsibilities in the area of oversight and insurance