

HOUSE BILL 434

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B5

2003 Regular Session
3r1356
CF 3r1357

By: **Delegate Heller (Joint Committee on the Management of Public Funds)**
and Delegates Conway, Edwards, and Marriott

Introduced and read first time: February 5, 2003

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **General Obligation Debt - Variable Interest Rate Bonds and Interest Rate**
3 **Exchange Agreements**

4 FOR the purpose of authorizing certain State bonds to be sold at a private, negotiated
5 sale; allowing State bonds to be issued in a variable interest rate form;
6 authorizing the Treasurer to appoint and contract with and specify certain
7 rights and duties of certain agents; authorizing the Board of Public Works to
8 designate and sell certain State bonds as variable interest rate bonds; setting a
9 certain limit on the aggregate par value of outstanding variable interest rate
10 State bonds; authorizing the Treasurer to enter into certain interest rate
11 exchange agreements under certain circumstances; and generally relating to
12 variable interest rate bonds and interest rate exchange agreements.

13 BY repealing and reenacting, with amendments,
14 Article - State Finance and Procurement
15 Section 8-120, 8-121, and 8-123
16 Annotated Code of Maryland
17 (2001 Replacement Volume and 2002 Supplement)

18 BY adding to
19 Article - State Finance and Procurement
20 Section 8-123.4 and 8-136
21 Annotated Code of Maryland
22 (2001 Replacement Volume and 2002 Supplement)

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

1 **Article - State Finance and Procurement**

2 8-120.

3 By resolution, the Board may provide that the State bonds authorized by an
4 enabling act:

- 5 (1) be in 1 or more series;
- 6 (2) bear a certain date of issue;
- 7 (3) be executed in a certain manner;
- 8 (4) be sold in a certain manner at public OR PRIVATE, NEGOTIATED sale;
- 9 (5) be in certain denominations, not necessarily in equal paramounts;
- 10 (6) mature in certain amounts at certain times, not necessarily in
11 consecutive annual installments, but not later than 15 years after their respective
12 dates of issue;
- 13 (7) bear interest at certain rates or at rates to be determined in the
14 manner stated in the resolution; and
- 15 (8) be paid, as to principal and interest, at certain places.

16 8-121.

17 (a) By resolution, the Board may specify the form in which State bonds are to
18 be issued, including:

- 19 (1) a coupon form;
- 20 (2) a capital appreciation form;
- 21 (3) A VARIABLE INTEREST RATE FORM;
- 22 [(3)] (4) a form that qualifies as a registered form under §§ 103 and 149
23 of the Internal Revenue Code or a regulation proposed or adopted under those
24 sections; and
- 25 [(4)] (5) any other registered form.

26 (b) (1) Whenever the Board provides for the sale of State bonds in registered
27 form, the Board may establish procedures for the registration and transfer of the
28 State bonds.29 (2) The Board may exercise any other power that relates to issuance of
30 State bonds in registered form and that is not conferred on the Treasurer.

1 (c) Whenever the Board provides for the sale of State bonds in registered
2 form, the Treasurer may:

3 (1) appoint any agent, including an authenticating trustee, corporate
4 trustee, paying agent, registrar, or transfer agent, or use the agent appointed under §
5 8-135 of this subtitle;

6 (2) specify the rights, duties, and compensation of the agent; and

7 (3) in connection with the establishment and maintenance of a central
8 depository system for the transfer or pledge of the State bonds, make agreements
9 with:

10 (i) custodian banks and their nominees; or

11 (ii) financial intermediaries and their nominees.

12 (D) WHENEVER THE BOARD PROVIDES FOR THE SALE OF STATE BONDS IN
13 VARIABLE INTEREST RATE FORM, THE TREASURER MAY:

14 (1) APPOINT ANY AGENT OR OTHER CONTRACTING PARTY, INCLUDING
15 AN UNDERWRITER, REMARKETING AGENT, DEALER, TENDER AGENT, INSURER,
16 LIQUIDITY PROVIDER, OR SIMILAR ENTITY; AND

17 (2) SPECIFY THE RIGHTS, DUTIES, AND COMPENSATION OF AND MAKE
18 AGREEMENTS WITH THE AGENT OR OTHER CONTRACTING PARTY.

19 8-123.

20 (a) [The] EXCEPT AS OTHERWISE PROVIDED IN THIS SUBTITLE, THE Board
21 shall offer State bonds at a public sale.

22 (b) (1) At least 10 days before the date of a public sale, the Board shall give
23 public notice of the sale.

24 (2) The notice shall state the date, time, and place of the public sale.

25 (c) (1) Except as provided in paragraph (2) of this subsection, at a public
26 sale, the Board shall sell State bonds for cash to the responsible bidder who:

27 (i) offers the lowest net interest cost to the State; or

28 (ii) meets other terms or conditions of sale or issuance that the
29 Board has set.

30 (2) Whenever the Board determines that no bid is satisfactory and that it
31 is in the best interests of the State to reject all bids, the Board may reject the bids.

32 (d) (1) By resolution, the Board may postpone the time for receipt of
33 proposals for the bonds without republishing the form of advertisement for the bonds.

1 (2) (i) The Treasurer shall provide notice of the new date and time of
2 sale not less than 24 hours prior to the time proposals are to be submitted, which date
3 may not be more than 30 days after the originally scheduled date of sale.

4 (ii) The notice may be given by Munifacts News Service or a similar
5 service or such other method as the Treasurer deems appropriate.

6 8-123.4.

7 (A) EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, IN
8 ACCORDANCE WITH THE AUTHORITY TO ISSUE VARIABLE INTEREST RATE BONDS
9 UNDER § 8-121 OF THIS SUBTITLE, THE BOARD, IN A RESOLUTION SETTING FORTH
10 THE TERMS AND CONDITIONS OF A STATE BOND ISSUE, MAY DESIGNATE THAT ALL
11 OR A PORTION OF THE STATE BONDS BE ISSUED AS VARIABLE INTEREST RATE
12 BONDS.

13 (B) THE BOARD MAY SELL VARIABLE INTEREST RATE BONDS AT A PRIVATE,
14 NEGOTIATED SALE ON THE TERMS AND CONDITIONS THAT THE BOARD DETERMINES
15 TO BE MOST ADVANTAGEOUS TO THE STATE.

16 (C) AT THE TIME OF ISSUANCE, THE AGGREGATE PAR VALUE OF THE STATE'S
17 GENERAL OBLIGATION VARIABLE INTEREST RATE BONDS SHALL COMPRISE NO
18 MORE THAN 15% OF THE OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS OF
19 THE STATE.

20 8-136.

21 IF THE BOARD HAS AUTHORIZED THE TRANSACTION AND APPROVED THE FORM
22 OF THE AGREEMENT, TO IMPROVE THE MANAGEMENT OF STATE GENERAL
23 OBLIGATION DEBT OR TO REDUCE THE COST OF SERVICING SUCH DEBT, AND AFTER
24 GIVING DUE CONSIDERATION TO THE CREDITWORTHINESS OF THE
25 COUNTERPARTIES, THE TREASURER MAY:

26 (1) ENTER INTO INTEREST RATE EXCHANGE AGREEMENTS OR
27 CONTRACTS PROVIDING FOR PAYMENTS BASED ON LEVELS OF OR CHANGES IN
28 INTEREST RATES; AND

29 (2) APPOINT ANY AGENTS NECESSARY TO IMPLEMENT AND ADMINISTER
30 SUCH AGREEMENTS OR CONTRACTS.

31 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
32 June 1, 2003.