

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 689

(Delegate Heller, *et al.*)

(Joint Committee on the Management of Public Funds)

Appropriations

Budget and Taxation

General Obligation Bonds - Payment and Accounting for Principal and Interest

This bill clarifies that a fiscal agent appointed to pay principal and interest on State debt is required, in addition to accounting for bonds and coupons redeemed every six months (or less), to account for bonds and coupons not redeemed and to return unredeemed principal and interest to the Treasurer. The bill also requires the Treasurer to deposit unredeemed principal and interest in an unrepresented bond and coupon fund and dispose of such unredeemed funds as abandoned property.

Fiscal Summary

State Effect: Potential increase in general fund revenues to the extent that the bill results in more abandoned property being deposited into the general fund than under current law.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Fiscal agents of the State are required to periodically account for bonds and coupons that have been redeemed. However, the law is silent on accounting for unredeemed bonds and coupons and the return of unredeemed principal and interest.

Background: There is no statutory guidance on disposition by the Treasurer of unredeemed principal and interest. The bill is intended to clarify the requirements of State fiscal agents with regard to the disposition of unredeemed bonds and coupons and

the return of unredeemed principal and interest. The bill directs the deposit of unredeemed principal and interest in an unrepresented bond and coupon fund and directs the disposition of such funds as abandoned. The Comptroller is responsible for the disposition of abandoned property.

Chapter 440 of 2002 reduced the period for presumption of abandoned property from five years to four years. In fiscal 2004 and thereafter, Chapter 440 reduced the period for presumption of abandoned property from four years to three years.

This bill was introduced as a recommendation from the Joint Committee on the Management of Public Funds.

State Fiscal Effect: Unredeemed bonds, coupons, and interest are deposited into an unrepresented bond and coupon account. The bill codifies this current practice. The bill also requires unredeemed principal and interest to be disposed of as abandoned property, which while not required under current law, is sometimes done.

After three years abandoned property reverts to the general fund. Therefore, to the extent that more unredeemed principal and interest is transferred from the unrepresented bond and coupon account to the abandoned property account, than under current law, it could ultimately lead to an increased transfer from the abandoned property account to the general fund. The amount of any increased transfer cannot be reliably estimated and would not be expected to occur until fiscal 2008.

Additional Information

Prior Introductions: None.

Cross File: SB 433 (Senator Lawlah, *et al.*) – Budget and Taxation.

Information Source(s): Maryland State Treasurer's Office, Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2004
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