

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 811

(Delegate Heller, *et al.*) (Chair, Joint Committee on the
Management of Public Funds)

Appropriations

Budget and Taxation

State Treasurer - Local Government Units - Local Debt Policies

This bill requires each local government to adopt a local debt policy and submit the policy to the State Treasurer by September 1, 2009. If the policy is altered, it must be resubmitted to the State Treasurer. At the request of the State Treasurer a local government must provide a report on its investment or debt portfolio. The definition of a local government is amended to include public corporations and authorities of the State that issue debt in order to expand the entities that report investment and debt information to the State Treasurer.

Local political subdivisions are also required to submit the comprehensive annual financial reports that are currently submitted to the Department of Legislative Services (DLS) to the State Treasurer. The required components of this annual report are expanded to include indebtedness from variable interest rate debt instruments, interest rate exchange agreements or swaps, and other derivatives, including futures and options.

Fiscal Summary

State Effect: None. The State Treasurer's Office can handle the bill's requirements within existing budget resources.

Local Effect: Most local governments can develop and adopt a local debt policy and comply with the reporting requirements with existing budgeted resources. Any additional costs are assumed to be minimal.

Small Business Effect: None.

Analysis

Current Law: Each local government is required to annually submit a comprehensive report on its financial condition to DLS. State law specifies what must be included in this report, which includes the total indebtedness and types of debt.

Local governments also are required to establish and follow an investment policy consistent with guidelines established by the State Treasurer. For this requirement, local government includes Baltimore City, counties, municipalities, community colleges, and the Washington Suburban Sanitary Commission.

Background: Public corporations of the State include the Maryland Economic Development Corporation, Maryland Agricultural & Resource-Based Industry Development Corporation, and Maryland Technology Development Corporation. Some example of authorities include the Maryland Transportation Authority, Maryland Stadium Authority, Maryland Food Center Authority, and Maryland Health and Higher Education Facilities Authority.

State Fiscal Effect: The State Treasurer advises that some staff time will be required to monitor the receipt of the required reports and notify local governments that are not in compliance. The ongoing monitoring of these reports can be handled by existing staff. Furthermore, requiring State authorities and public corporations to establish and submit debt policies provides an operational benefit to the State Treasurer by making it easier to assess the risk profile of local governments, State authorities, and public corporations.

Local Fiscal Effect: DLS advises that many counties and municipalities currently report much of the required information in the annual audit report and the Uniform Financial Report submitted annually to DLS. Most local governments will expend some additional staff time to develop and adopt a debt policy, but the impact is expected to be minimal and absorbable within existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: SB 458 (Senator Jones, *et al.*) (Chair, Joint Committee on the Management of Public Funds) - Budget and Taxation.

Information Source(s): Charles, Frederick, Montgomery, and Somerset counties; City of Bowie; State Treasurer's Office; Department of Legislative Services

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