

## **Debt Policies and Other Financial Information Required by the State from Governmental Units**

As a result of the recent enactment of the State of Maryland Chapter 693 of the Laws of 2009, there are new requirements for most local government units and public corporations and authorities that are authorized to issue debt.

- The first requirement is that each local government unit submit their debt policy to the State Treasurer.
- The second requires that local government units submit information to both the State Treasurer and the State Department of Legislative Services regarding variable rate debt instruments, interest rate exchange agreements or swaps, and other derivatives including futures and options.

There is also another requirement that public corporations and State authorities submit an investment policy to the State Treasurer.

### **Requirement 1 – Submission of Debt Policy**

The specific mandate can be found in the Annotated Code of Maryland, Article 95, Section 22F (d).

*Each local government unit shall adopt by resolution, motion, or ordinance a local debt policy that:*

- *Is consistent with the Maryland Constitution, Articles 23A, 24, and 31 and all other applicable statutes, charters, and local laws; and*
- *Meets the individual needs of the local government unit.*

To obtain more information on developing a debt policy, the Government Finance Officers Association (GFOA) offers a Recommended Practice on Debt Management Policy. This document can be found at [www.gfoa.org/downloads/debt-management-policy.pdf](http://www.gfoa.org/downloads/debt-management-policy.pdf) GFOA also offers a publication titled “A Guide to Preparing a Debt Policy” for sale for \$20.00. This publication contains a booklet that presents an overview of the subject and an accompanying disk containing sample policies. To purchase this guide, visit [www.gfoa.org](http://www.gfoa.org) and select the Publications link. Next, select the e-store link. Type “Guide to Preparing a Debt Policy” in the e-store search area to locate and order the publication.

The law requires that the local government unit shall adopt a debt policy. Therefore, a certified copy of a debt policy as well as a copy of the resolution, motion, or ordinance approving the policy should be mailed no later than October 1, 2009 to the State Treasurer’s Office. The name, address, phone number, and email address of the financial officer of the governmental unit submitting the policy should also be included. If a jurisdiction is not authorized to issue debt, in lieu of submitting a debt policy, please notify the Treasurer’s Office via letter no later than October 1, 2009 that the local government unit is not authorized to issue debt.

### **Requirement 2 – Report on Variable Rate Debt, Interest Rate Exchange Agreements or Swaps, and Other Derivatives Including Futures and Options**

Chapter 693 also includes amendments to the Annotated Code of Maryland, Article 24, Section 2-101 requiring political subdivisions to submit information regarding any use of variable interest rate debt instruments, interest rate exchange agreements or swaps, and other derivatives including futures and options. The State Treasurer’s Office included forms to report the use of any of these

categories of indebtedness for fiscal year 2009 in the recent letter that was mailed to each governmental unit's financial officer.

The completed forms should be mailed to both the State Treasurer's Office and the Department of Legislative Services within 120 days after the end of fiscal year 2009, or 180 days after the end of fiscal year 2009 for political subdivisions with a population of more than 400,000.

For future fiscal years, the Uniform Financial Report (UFR) that is submitted to the Department of Legislative Services will be modified to add categories of debt including variable interest rate instruments, interest rate exchange agreements or swaps, and other derivatives including futures and options.

**Requirement 3 – Submission of Investment Policy (for Public Corporations & State Authorities Only)**

The governing bodies of public corporations and authorities of the State must also adopt and submit an investment policy that is consistent with the local government investment guidelines adopted by the State Treasurer and meets the individual needs of the public corporation or State authority. A certified copy of the investment policy as well as evidence that it was approved by the governing body of the public corporation or State authority must be mailed no later than October 1, 2009 to the State Treasurer's Office. The name, address, phone number, and email address of the financial officer of the corporation or authority submitting the policy must also be included. Mary Christine Jackman, Director of Investments in the State Treasurer's Office, may assist with any questions you may have regarding current investment guidelines. She may be contacted via email at [mcjackman@treasurer.state.md.us](mailto:mcjackman@treasurer.state.md.us) or by phone at 410-260-7129.

**Guidance Regarding Future Amendments to Debt or Investment Policies**

If a debt policy or investment policy is altered or revised, the revised and approved debt policy or revised and approved investment policy must be resubmitted to the State Treasurer.

**Access to Mailing Addresses and Forms**

Please go to [http://www.treasurer.state.md.us/Requirement\\_Information.htm](http://www.treasurer.state.md.us/Requirement_Information.htm) to obtain mailing addresses for policies and forms, or to download the forms needed to report variable rate debt. For other information regarding these requirements, please contact Cindy Reese at the State Treasurer's Office by email at [creese@treasurer.state.md.us](mailto:creese@treasurer.state.md.us) or by phone at 410-260-6203 or Patti Konrad by email at [pkonrad@treasurer.state.md.us](mailto:pkonrad@treasurer.state.md.us) or by phone at 410-260-7920.