



Sen. Don Harmon

Filed: 3/4/2004

09300HB2626sam002

SDS093 00073 LMT 40024 a

1 AMENDMENT TO HOUSE BILL 2626

2 AMENDMENT NO. _____. Amend House Bill 2626 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The General Obligation Bond Act is amended by
5 changing Section 9 as follows:

6 (30 ILCS 330/9) (from Ch. 127, par. 659)

7 Sec. 9. Conditions for Issuance and Sale of Bonds -
8 Requirements for Bonds.

9 (a) Bonds shall be issued and sold from time to time, in
10 one or more series, in such amounts and at such prices as may
11 be directed by the Governor, upon recommendation by the
12 Director of the Governor's Office of Management and Budget
13 ~~Bureau of the Budget~~. Bonds shall be in such form (either
14 coupon, registered or book entry), in such denominations,
15 payable within 30 years from their date, subject to such terms
16 of redemption with or without premium, bear interest payable at
17 such times and at such fixed or variable rate or rates, and be
18 dated as shall be fixed and determined by the Director of the
19 Governor's Office of Management and Budget ~~Bureau of the Budget~~
20 in the order authorizing the issuance and sale of any series of
21 Bonds, which order shall be approved by the Governor and is
22 herein called a "Bond Sale Order"; provided however, that
23 interest payable at fixed or variable rates shall not exceed
24 that permitted in the Bond Authorization Act, as now or

1 hereafter amended. Bonds shall be payable at such place or
2 places, within or without the State of Illinois, and may be
3 made registrable as to either principal or as to both principal
4 and interest, as shall be specified in the Bond Sale Order.
5 Bonds may be callable or subject to purchase and retirement or
6 tender and remarketing as fixed and determined in the Bond Sale
7 Order.

8 In the case of any series of Bonds bearing interest at a
9 variable interest rate ("Variable Rate Bonds"), in lieu of
10 determining the rate or rates at which such series of Variable
11 Rate Bonds shall bear interest and the price or prices at which
12 such Variable Rate Bonds shall be initially sold or remarketed
13 (in the event of purchase and subsequent resale), the Bond Sale
14 Order may provide that such interest rates and prices may vary
15 from time to time depending on criteria established in such
16 Bond Sale Order, which criteria may include, without
17 limitation, references to indices or variations in interest
18 rates as may, in the judgment of a remarketing agent, be
19 necessary to cause Variable Rate Bonds of such series to be
20 remarketable from time to time at a price equal to their
21 principal amount, and may provide for appointment of a bank,
22 trust company, investment bank, or other financial institution
23 to serve as remarketing agent in that connection. The Bond Sale
24 Order may provide that alternative interest rates or provisions
25 for establishing alternative interest rates, different
26 security or claim priorities, or different call or amortization
27 provisions will apply during such times as Variable Rate Bonds
28 of any series are held by a person providing credit or
29 liquidity enhancement arrangements for such Bonds as
30 authorized in subsection (b) of this Section. The Bond Sale
31 Order may also provide for such variable interest rates to be
32 established pursuant to a process generally known as an auction
33 rate process and may provide for appointment of one or more
34 financial institutions to serve as auction agents and

1 broker-dealers in connection with the establishment of such
2 interest rates and the sale and remarketing of such Bonds.

3 (b) In connection with the issuance of any series of Bonds,
4 the State may enter into arrangements to provide additional
5 security and liquidity for such Bonds, including, without
6 limitation, bond or interest rate insurance or letters of
7 credit, lines of credit, bond purchase contracts, or other
8 arrangements whereby funds are made available to retire or
9 purchase Bonds, thereby assuring the ability of owners of the
10 Bonds to sell or redeem their Bonds. The State may enter into
11 contracts and may agree to pay fees to persons providing such
12 arrangements, but only under circumstances where the Director
13 of the Governor's Office of Management and Budget ~~Bureau of the~~
14 ~~Budget~~ certifies that he or she reasonably expects the total
15 interest paid or to be paid on the Bonds, together with the
16 fees for the arrangements (being treated as if interest), would
17 not, taken together, cause the Bonds to bear interest,
18 calculated to their stated maturity, at a rate in excess of the
19 rate that the Bonds would bear in the absence of such
20 arrangements.

21 The State may, with respect to Bonds issued or anticipated
22 to be issued, participate in and enter into arrangements with
23 respect to interest rate protection or exchange agreements,
24 guarantees, or financial futures contracts for the purpose of
25 limiting, reducing, or managing ~~or restricting~~ interest rate
26 exposure risk. The authority granted under this paragraph,
27 however, shall not increase the principal amount of Bonds
28 authorized to be issued by law. The arrangements may be
29 executed and delivered by the Director of the Governor's Office
30 of Management and Budget ~~Bureau of the Budget~~ on behalf of the
31 State. Net payments for such arrangements shall constitute
32 interest on the Bonds and shall be paid from the General
33 Obligation Bond Retirement and Interest Fund. The Director of
34 the Governor's Office of Management and Budget ~~Bureau of the~~

1 ~~Budget~~ shall at least annually certify to the Governor and the
2 State Comptroller his or her estimate of the amounts of such
3 net payments to be included in the calculation of interest
4 required to be paid by the State.

5 (c) Prior to the issuance of any Variable Rate Bonds
6 pursuant to subsection (a), the Director of the Governor's
7 Office of Management and Budget ~~Bureau of the Budget~~ shall
8 adopt an interest rate risk management policy providing that
9 the amount of the State's variable rate exposure with respect
10 to Bonds shall not exceed 20%. This policy shall remain in
11 effect while any Bonds are outstanding and the issuance of
12 Bonds shall be subject to the terms of such policy. The terms
13 of this policy may be amended from time to time by the Director
14 of the Governor's Office of Management and Budget ~~Bureau of the~~
15 ~~Budget~~ but in no event shall any amendment cause the permitted
16 level of the State's variable rate exposure with respect to
17 Bonds to exceed 20%.

18 (Source: P.A. 92-16, eff. 6-28-01; 93-9, eff. 6-3-03; revised
19 8-23-03.)".