



93RD GENERAL ASSEMBLY

State of Illinois

2003 and 2004

Introduced 2/6/2004, by Christine Radogno - Dave Syverson -
Steven J. Rauschenberger - Pamela J. Althoff

SYNOPSIS AS INTRODUCED:

25 ILCS 50/1	from Ch. 63, par. 42.31
25 ILCS 65/4	from Ch. 63, par. 42.74
30 ILCS 330/8	from Ch. 127, par. 658
30 ILCS 330/9	from Ch. 127, par. 659
30 ILCS 330/11	from Ch. 127, par. 661
30 ILCS 330/16	from Ch. 127, par. 666
30 ILCS 330/21 new	

Amends the Fiscal Note Act and the State Debt Impact Note Act. Provides that if a bill authorizes the issuance of bonds, the Governor's Office of Management and Budget shall prepare a fiscal note specifying certain principal and interest payments required to be made by the State. Amends the General Obligation Bond Act. Provides that no more than 0.25% (now, 0.50%) of the principal amount of the proceeds of sale of each bond sale is authorized to be use to pay reasonable costs of issuance and sale of the bonds. Removes language authorizing the bond sale order to provide for a portion of the proceeds of the bond sale, up to 12 month's interest on the bonds, to be deposited directly into the capitalized interest account of the General Obligation Bond Retirement and Interest Fund. Provides that Bonds must be offered for sale with principal or mandatory redemption amounts in substantially equal amounts, with the first maturity offered for sale occurring within the fiscal year in which the Bonds are offered or within the next succeeding fiscal year, with bonds offered for sale maturing or subject to mandatory redemption each fiscal year thereafter up to 25 years. Provides that if more than half of the proceeds of an issue of Bonds to be offered for sale are expected to be used for refunding purposes or if more than half of the principal amount of bonds are offered for sale with a variable rate, the entire issue of the Bonds may be sold pursuant to notice of sale and public bid or by negotiated sale. Provides that all bonds in an issue that include refunding bonds must mature no later than the final maturity date of Bonds being refunded. Requires certain "truth in borrowing disclosures" upon the issuance of bonds and refunding bonds. Effective immediately.

LRB093 18171 SJM 46518 b

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning bonds.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Fiscal Note Act is amended by changing
5 Section 1 as follows:

6 (25 ILCS 50/1) (from Ch. 63, par. 42.31)

7 Sec. 1. Every bill, except those bills making a direct
8 appropriation, (1) the purpose or effect of which is (i) to
9 expend any State funds or to increase or decrease the revenues
10 of the State, either directly or indirectly, or (ii) to require
11 the expenditure of their own funds by, or to increase or
12 decrease the revenues of, units of local government, school
13 districts or community college districts, or to revise the
14 distribution of State funds among units of local government,
15 school districts, or community college districts, either
16 directly or indirectly, or (2) that amends the Mental Health
17 and Developmental Disabilities Code or the Developmental
18 Disability and Mental Disability Services Act shall have
19 prepared for it prior to second reading in the house of
20 introduction a brief explanatory statement or note which, for a
21 bill under item (1), shall include a reliable estimate of the
22 anticipated change in State, local governmental, school
23 district, or community college district expenditures or
24 revenues under its provisions and, for a bill under item (2),
25 shall include a reliable estimate of the fiscal impact of its
26 provisions upon community agencies. For purposes of this Act,
27 indirect revenues include, but are not limited to, increased
28 tax revenues or other increased revenues resulting from
29 economic development, job creation, or cost reduction. The
30 statement or note shall also include an explanation of the
31 methodology used to determine the estimated direct and indirect
32 costs or estimated impact on community agencies. Any notes for

1 bills having a fiscal impact on units of local government,
2 school districts or community college districts shall include
3 such cost estimates as may be required under the State Mandates
4 Act.

5 If a bill authorizes capital expenditures or appropriates
6 funds for capital expenditures, a statement shall be prepared
7 by the Governor's Office of Management and Budget ~~Bureau of the~~
8 ~~Budget~~ specifying by year any principal and interest payments
9 required to finance such capital expenditures.

10 If a bill authorizes the issuance of bonds, a statement or
11 note shall be prepared by the Governor's Office of Management
12 and Budget specifying the estimated total principal and
13 interest payments (assuming interest is paid at a fixed rate)
14 if all of the bonds authorized were issued. The statement or
15 note shall include estimated principal and interest payments to
16 be made by each fiscal year over all years that the proposed
17 bonds would be expected to be outstanding and total principal
18 and interest payments to be made by each fiscal year on all
19 other then-outstanding bonds of the State.

20 These statements or notes shall be known as "fiscal notes".
21 (Source: P.A. 92-567, eff. 1-1-03; revised 8-23-03.)

22 Section 10. The State Debt Impact Note Act is amended by
23 changing Section 4 as follows:

24 (25 ILCS 65/4) (from Ch. 63, par. 42.74)

25 Sec. 4. The State Debt Impact Note shall be factual in
26 nature and as brief and concise as possible. For bills which
27 would appropriate from bond funds, the note shall provide a
28 reliable estimate of the impact of the bill on the State's debt
29 service requirements; a description of the estimated useful
30 life and intended use of the project; and maintenance and
31 operating costs associated with the project. For bills which
32 would add new or increase existing bond authorization levels
33 the note shall assess current outstanding, unissued, and
34 retired bond authorization levels and make reasonable

1 projections of the cost associated with the retirement of the
2 additional bonds. The estimated costs shall specify the
3 estimated total principal and interest payments (assuming
4 interest is paid at a fixed rate) if all of the bonds
5 authorized were issued. The statement or note shall include
6 estimated principal and interest payments to be made by each
7 fiscal year over all years that the proposed bonds would be
8 expected to be outstanding and total principal and interest
9 payments to be made by each fiscal year on all other
10 then-outstanding bonds of the State. A brief summary or work
11 sheet of computations used in arriving at State Debt Impact
12 Notes shall be attached.

13 (Source: P.A. 81-615.)

14 Section 15. The General Obligation Bond Act is amended by
15 changing Sections 8, 9, 11, and 16 and by adding Section 21 as
16 follows:

17 (30 ILCS 330/8) (from Ch. 127, par. 658)

18 Sec. 8. Bond sale expenses; capitalized interest. ~~(a)~~ An
19 amount not to exceed 0.25% ~~0.5 percent~~ of the principal amount
20 of the proceeds of sale of each bond sale is authorized to be
21 used to pay the reasonable costs of issuance and sale of State
22 of Illinois general obligation bonds authorized and sold
23 pursuant to this Act. ~~(b) The Bond Sale Order may provide for a~~
24 ~~portion of the proceeds of the bond sale, representing up to 12~~
25 ~~months' interest on the bonds, to be deposited directly into~~
26 ~~the capitalized interest account of the General Obligation Bond~~
27 ~~Retirement and Interest Fund.~~

28 (Source: P.A. 93-2, eff. 4-7-03.)

29 (30 ILCS 330/9) (from Ch. 127, par. 659)

30 Sec. 9. Conditions for Issuance and Sale of Bonds -
31 Requirements for Bonds.

32 (a) Except as otherwise provided in this subsection, bonds
33 shall be issued and sold from time to time, in one or more

1 series, in such amounts and at such prices as may be directed
2 by the Governor, upon recommendation by the Director of the
3 Governor's Office of Management and Budget ~~Bureau of the~~
4 ~~Budget~~. Bonds shall be in such form (either coupon, registered
5 or book entry), in such denominations, payable within 25 ~~30~~
6 years from their date, subject to such terms of redemption with
7 or without premium, bear interest payable at such times and at
8 such fixed or variable rate or rates, and be dated as shall be
9 fixed and determined by the Director of the Governor's Office
10 of Management and Budget ~~Bureau of the Budget~~ in the order
11 authorizing the issuance and sale of any series of Bonds, which
12 order shall be approved by the Governor and is herein called a
13 "Bond Sale Order"; provided however, that interest payable at
14 fixed or variable rates shall not exceed that permitted in the
15 Bond Authorization Act, as now or hereafter amended. Bonds
16 shall be payable at such place or places, within or without the
17 State of Illinois, and may be made registrable as to either
18 principal or as to both principal and interest, as shall be
19 specified in the Bond Sale Order. Bonds may be callable or
20 subject to purchase and retirement or tender and remarketing as
21 fixed and determined in the Bond Sale Order. Bonds must be
22 offered for sale with principal or mandatory redemption amounts
23 in substantially equal amounts, with the first maturity offered
24 for sale occurring within the fiscal year in which the Bonds
25 are offered or within the next succeeding fiscal year, with
26 bonds offered for sale maturing or subject to mandatory
27 redemption each fiscal year thereafter up to 25 years.

28 In the case of any series of Bonds bearing interest at a
29 variable interest rate ("Variable Rate Bonds"), in lieu of
30 determining the rate or rates at which such series of Variable
31 Rate Bonds shall bear interest and the price or prices at which
32 such Variable Rate Bonds shall be initially sold or remarketed
33 (in the event of purchase and subsequent resale), the Bond Sale
34 Order may provide that such interest rates and prices may vary
35 from time to time depending on criteria established in such
36 Bond Sale Order, which criteria may include, without

1 limitation, references to indices or variations in interest
2 rates as may, in the judgment of a remarketing agent, be
3 necessary to cause Variable Rate Bonds of such series to be
4 remarketable from time to time at a price equal to their
5 principal amount, and may provide for appointment of a bank,
6 trust company, investment bank, or other financial institution
7 to serve as remarketing agent in that connection. The Bond Sale
8 Order may provide that alternative interest rates or provisions
9 for establishing alternative interest rates, different
10 security or claim priorities, or different call or amortization
11 provisions will apply during such times as Variable Rate Bonds
12 of any series are held by a person providing credit or
13 liquidity enhancement arrangements for such Bonds as
14 authorized in subsection (b) of this Section. The Bond Sale
15 Order may also provide for such variable interest rates to be
16 established pursuant to a process generally known as an auction
17 rate process and may provide for appointment of one or more
18 financial institutions to serve as auction agents and
19 broker-dealers in connection with the establishment of such
20 interest rates and the sale and remarketing of such Bonds.

21 (b) In connection with the issuance of any series of Bonds,
22 the State may enter into arrangements to provide additional
23 security and liquidity for such Bonds, including, without
24 limitation, bond or interest rate insurance or letters of
25 credit, lines of credit, bond purchase contracts, or other
26 arrangements whereby funds are made available to retire or
27 purchase Bonds, thereby assuring the ability of owners of the
28 Bonds to sell or redeem their Bonds. The State may enter into
29 contracts and may agree to pay fees to persons providing such
30 arrangements, but only under circumstances where the Director
31 of the Governor's Office of Management and Budget ~~Bureau of the~~
32 ~~Budget~~ certifies that he or she reasonably expects the total
33 interest paid or to be paid on the Bonds, together with the
34 fees for the arrangements (being treated as if interest), would
35 not, taken together, cause the Bonds to bear interest,
36 calculated to their stated maturity, at a rate in excess of the

1 rate that the Bonds would bear in the absence of such
2 arrangements.

3 The State may, with respect to Bonds issued or anticipated
4 to be issued, participate in and enter into arrangements with
5 respect to interest rate protection or exchange agreements,
6 guarantees, or financial futures contracts for the purpose of
7 limiting or restricting interest rate risk. The arrangements
8 may be executed and delivered by the Director of the Governor's
9 Office of Management and Budget ~~Bureau of the Budget~~ on behalf
10 of the State. Net payments for such arrangements shall
11 constitute interest on the Bonds and shall be paid from the
12 General Obligation Bond Retirement and Interest Fund. The
13 Director of the Governor's Office of Management and Budget
14 ~~Bureau of the Budget~~ shall at least annually certify to the
15 Governor and the State Comptroller his or her estimate of the
16 amounts of such net payments to be included in the calculation
17 of interest required to be paid by the State.

18 (c) Prior to the issuance of any Variable Rate Bonds
19 pursuant to subsection (a), the Director of the Governor's
20 Office of Management and Budget ~~Bureau of the Budget~~ shall
21 adopt an interest rate risk management policy providing that
22 the amount of the State's variable rate exposure with respect
23 to Bonds shall not exceed 20%. This policy shall remain in
24 effect while any Bonds are outstanding and the issuance of
25 Bonds shall be subject to the terms of such policy. The terms
26 of this policy may be amended from time to time by the Director
27 of the Governor's Office of Management and Budget ~~Bureau of the~~
28 ~~Budget~~ but in no event shall any amendment cause the permitted
29 level of the State's variable rate exposure with respect to
30 Bonds to exceed 20%.

31 (Source: P.A. 92-16, eff. 6-28-01; 93-9, eff. 6-3-03; revised
32 8-23-03.)

33 (30 ILCS 330/11) (from Ch. 127, par. 661)

34 Sec. 11. Sale of Bonds. Bonds, except as otherwise provided
35 in this Section, shall be sold from time to time pursuant to

1 notice of sale and public bid ~~or by negotiated sale~~ in such
2 amounts and at such times as is directed by the Governor, upon
3 recommendation by the Director of the Governor's Office of
4 Management and Budget ~~Bureau of the Budget~~.

5 If more than half of the proceeds of an issue of Bonds to
6 be offered for sale are expected to be used for refunding
7 purposes or if more than half of the principal amount of bonds
8 are offered for sale with a variable rate, the entire issue of
9 the Bonds may be sold pursuant to notice of sale and public bid
10 or by negotiated sale. In the case of a ~~any Bonds, including~~
11 ~~refunding Bonds, are to be sold by~~ negotiated sale, the
12 Director of the Governor's Office of Management and Budget
13 ~~Bureau of the Budget~~ shall comply with the competitive request
14 for proposal process set forth in the Illinois Procurement Code
15 and all other applicable requirements of that Code.

16 If Bonds are to be sold pursuant to notice of sale and
17 public bid, the Director of the Governor's Office of Management
18 and Budget ~~Bureau of the Budget~~ shall, from time to time, as
19 Bonds are to be sold, advertise the sale of the Bonds in at
20 least two daily newspapers, one of which is published in the
21 City of Springfield and one in the City of Chicago. The sale of
22 the Bonds shall also be advertised in the volume of the
23 Illinois Procurement Bulletin that is published by the
24 Department of Central Management Services. Each of the
25 advertisements for proposals shall be published once at least
26 10 days prior to the date fixed for the opening of the bids.
27 The Director of the Governor's Office of Management and Budget
28 ~~Bureau of the Budget~~ may reschedule the date of sale upon the
29 giving of such additional notice as the Director deems adequate
30 to inform prospective bidders of such change; provided,
31 however, that all other conditions of the sale shall continue
32 as originally advertised.

33 Executed Bonds shall, upon payment therefor, be delivered
34 to the purchaser, and the proceeds of Bonds shall be paid into
35 the State Treasury as directed by Section 12 of this Act.

36 (Source: P.A. 91-39, eff. 6-15-99; revised 8-23-03.)

1 (30 ILCS 330/16) (from Ch. 127, par. 666)

2 Sec. 16. Refunding Bonds. The State of Illinois is
3 authorized to issue, sell, and provide for the retirement of
4 General Obligation Bonds of the State of Illinois in the amount
5 of \$2,839,025,000, at any time and from time to time
6 outstanding, for the purpose of refunding any State of Illinois
7 general obligation Bonds then outstanding, including the
8 payment of any redemption premium thereon, any reasonable
9 expenses of such refunding, any interest accrued or to accrue
10 to the earliest or any subsequent date of redemption or
11 maturity of such outstanding Bonds and any interest to accrue
12 to the first interest payment on the refunding Bonds; provided
13 that all Bonds in an issue that includes ~~such~~ refunding Bonds
14 shall mature no later than the final maturity date of Bonds
15 being refunded, and further provided that no refunding Bonds
16 shall be offered for sale that are expected to refund Bonds
17 under a refunding plan that would have the effect of decreasing
18 the State's principal payments on all Bonds in the fiscal year
19 in which the refunding Bonds are offered or in the next
20 succeeding fiscal year by a total of more than 5% of the
21 principal or redemption amounts due on all then-outstanding
22 Bonds in the fiscal year next succeeding the fiscal year in
23 which the refunding Bonds are offered.

24 If more than half of the proceeds of an issue of Bonds to
25 be offered for sale are expected to be used for refunding
26 purposes, those Refunding Bonds may be sold from time to time
27 pursuant to notice of sale and public bid or by negotiated sale
28 in such amounts and at such times, as directed by the Governor,
29 upon recommendation by the Director of the Governor's Office of
30 Management and Budget ~~Bureau of the Budget~~. The Governor shall
31 notify the State Treasurer and Comptroller of such refunding.
32 The proceeds received from the sale of refunding Bonds shall be
33 used for the retirement at maturity or redemption of such
34 outstanding Bonds on any maturity or redemption date and,
35 pending such use, shall be placed in escrow, subject to such

1 terms and conditions as shall be provided for in the Bond Sale
2 Order relating to the Refunding Bonds. Proceeds not needed for
3 deposit in an escrow account shall be deposited in the General
4 Obligation Bond Retirement and Interest Fund. This Act shall
5 constitute an irrevocable and continuing appropriation of all
6 amounts necessary to establish an escrow account for the
7 purpose of refunding outstanding general obligation Bonds and
8 to pay the reasonable expenses of such refunding and of the
9 issuance and sale of the refunding Bonds. Any such escrowed
10 proceeds may be invested and reinvested in direct obligations
11 of the United States of America, maturing at such time or times
12 as shall be appropriate to assure the prompt payment, when due,
13 of the principal of and interest and redemption premium, if
14 any, on the refunded Bonds. After the terms of the escrow have
15 been fully satisfied, any remaining balance of such proceeds
16 and interest, income and profits earned or realized on the
17 investments thereof shall be paid into the General Revenue
18 Fund. The liability of the State upon the Bonds shall continue,
19 provided that the holders thereof shall thereafter be entitled
20 to payment only out of the moneys deposited in the escrow
21 account.

22 Except as otherwise herein provided in this Section, such
23 refunding Bonds shall in all other respects be subject to the
24 terms and conditions of this Act.

25 (Source: P.A. 91-39, eff. 6-15-99; 91-53, eff. 6-30-99; 91-710,
26 eff. 5-17-00; revised 8-23-03.)

27 (30 ILCS 330/21 new)

28 Sec. 21. Truth in borrowing disclosures.

29 (a) Within 10 days after the issuance of any Bonds under
30 this Act, the Director of the Governor's Office of Management
31 and Budget shall publish a truth in borrowing disclosure that
32 discloses the total principal and interest payments to be paid
33 on the Bonds over the full stated term of the Bonds. The
34 disclosure also shall include principal and interest payments
35 to be made by each fiscal year over the full stated term of the

1 Bonds and total principal and interest payments to be made by
2 each fiscal year on all other outstanding Bonds issued under
3 this Act over the full stated terms of those Bonds.

4 (b) Within 10 days after the issuance of any refunding
5 bonds under Section 16 of this Act, the Director of the
6 Governor's Office of Management and Budget shall publish a
7 truth in borrowing disclosure that discloses the estimated
8 present-valued savings to be obtained through the refunding, in
9 total and by each fiscal year that the refunding bonds may be
10 outstanding.

11 (c) The disclosures required in subsections (a) and (b)
12 shall be published by posting the disclosures for no less than
13 30 days on the web site of the Governor's Office of Management
14 and Budget and by providing the disclosures in written form to
15 the Illinois Economic and Fiscal Commission. These disclosures
16 shall be calculated assuming Bonds are not redeemed or refunded
17 prior to their stated maturities. Amounts included in these
18 disclosures as payment of interest on variable rate Bonds shall
19 be the maximum amounts of interest that may be payable during
20 each fiscal year, after taking into account any credits
21 permitted in the related indenture or other instrument against
22 the amount of such interest for each fiscal year. Amounts
23 included in these disclosures as payment of interest on
24 variable rate Bonds shall include the amounts certified by the
25 Director of the Governor's Office of Management and Budget
26 under subsection (b) of Section 9 of this Act.

27 Section 99. Effective date. This Act takes effect upon
28 becoming law.