



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB3452

Introduced 2/24/2011, by Rep. Brandon W. Phelps

SYNOPSIS AS INTRODUCED:

30 ILCS 440/3

Amends the Unemployment Insurance Trust Fund Financing Act. Provides that the quarterly report to the Employment Security Advisory Board concerning the Master Bond Fund is not required if the Master Bond Fund held a net balance of zero at the close of the immediately preceding calendar quarter, there have been no deposits into the Master Bond Fund within any of the immediately preceding 4 calendar quarters, and there have been no expenditures or transfers from the Master Bond Fund within any of the immediately preceding 4 calendar quarters. Effective immediately.

LRB097 05455 PJG 45514 b

1 AN ACT concerning finance.

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

4 Section 5. The Illinois Unemployment Insurance Trust Fund
5 Financing Act is amended by changing Section 3 as follows:

6 (30 ILCS 440/3)

7 Sec. 3. Definitions. For purposes of this Act:

8 A. "Act" shall mean the Illinois Unemployment Insurance
9 Trust Fund Financing Act.

10 B. "Benefits" shall have the meaning provided in the
11 Unemployment Insurance Act.

12 C. "Bond" means any type of revenue obligation, including,
13 without limitation, fixed rate, variable rate, auction rate or
14 similar bond, note, certificate, or other instrument,
15 including, without limitation, an interest rate exchange
16 agreement, an interest rate lock agreement, a currency exchange
17 agreement, a forward payment conversion agreement, an
18 agreement to provide payments based on levels of or changes in
19 interest rates or currency exchange rates, an agreement to
20 exchange cash flows or a series of payments, an option, put, or
21 call to hedge payment, currency, interest rate, or other
22 exposure, payable from and secured by a pledge of Fund Building
23 Receipts collected pursuant to the Unemployment Insurance Act,

1 and all interest and other earnings upon such amounts held in
2 the Master Bond Fund, to the extent provided in the proceedings
3 authorizing the obligation.

4 D. "Bond Administrative Expenses" means expenses and fees
5 incurred to administer and issue, upon a conversion of any of
6 the Bonds from one mode to another and from taxable to
7 tax-exempt, the Bonds issued pursuant to this Act, including
8 fees for paying agents, trustees, financial advisors,
9 underwriters, remarketing agents, attorneys and for other
10 professional services necessary to ensure compliance with
11 applicable state or federal law.

12 E. "Bond Obligations" means the principal of a Bond and any
13 premium and interest on a Bond issued pursuant to this Act,
14 together with any amount owed under a related Credit Agreement.

15 F. "Credit Agreement" means, without limitation, a loan
16 agreement, a revolving credit agreement, an agreement
17 establishing a line of credit, a letter of credit, notes,
18 municipal bond insurance, standby bond purchase agreements,
19 surety bonds, remarketing agreements and the like, by which the
20 Department may borrow funds to pay or redeem or purchase and
21 hold its bonds, agreements for the purchase or remarketing of
22 bonds or any other agreement that enhances the marketability,
23 security, or creditworthiness of a Bond issued under this Act.

24 1. Such Credit Agreement shall provide the following:

25 a. The choice of law for the obligations of a
26 financial provider may be made for any state of these

1 United States, but the law which shall apply to the
2 Bonds shall be the law of the State of Illinois, and
3 jurisdiction to enforce such Credit Agreement as
4 against the Department shall be exclusively in the
5 courts of the State of Illinois or in the applicable
6 federal court having jurisdiction and located within
7 the State of Illinois.

8 b. Any such Credit Agreement shall be fully
9 enforceable as a valid and binding contract as and to
10 the extent provided by applicable law.

11 2. Without limiting the foregoing, such Credit
12 Agreement, may include any of the following:

13 a. Interest rates on the Bonds may vary from time
14 to time depending upon criteria established by the
15 Director, which may include, without limitation:

16 (i) A variation in interest rates as may be
17 necessary to cause the Bonds to be remarketed from
18 time to time at a price equal to their principal
19 amount plus any accrued interest;

20 (ii) Rates set by auctions; or

21 (iii) Rates set by formula.

22 b. A national banking association, bank, trust
23 company, investment banker or other financial
24 institution may be appointed to serve as a remarketing
25 agent in that connection, and such remarketing agent
26 may be delegated authority by the Department to

1 determine interest rates in accordance with criteria
2 established by the Department.

3 c. Alternative interest rates or provisions may
4 apply during such times as the Bonds are held by the
5 financial providers or similar persons or entities
6 providing a Credit Agreement for those Bonds and,
7 during such times, the interest on the Bonds may be
8 deemed not exempt from income taxation under the
9 Internal Revenue Code for purposes of State law, as
10 contained in the Bond Authorization Act, relating to
11 the permissible rate of interest to be borne thereon.

12 d. Fees may be paid to the financial providers or
13 similar persons or entities providing a Credit
14 Agreement, including all reasonably related costs,
15 including therein costs of enforcement and litigation
16 (all such fees and costs being financial provider
17 payments) and financial provider payments may be paid,
18 without limitation, from proceeds of the Bonds being
19 the subject of such agreements, or from Bonds issued to
20 refund such Bonds, provided that such financial
21 provider payments shall be made subordinate to the
22 payments on the Bonds.

23 e. The Bonds need not be held in physical form by
24 the financial providers or similar persons or entities
25 providing a Credit Agreement when providing funds to
26 purchase or carry the Bonds from others but may be

1 represented in uncertificated form in the Credit
2 Agreement.

3 f. The debt or obligation of the Department
4 represented by a Bond tendered for purchase to or
5 otherwise made available to the Department thereupon
6 acquired by either the Department or a financial
7 provider shall not be deemed to be extinguished for
8 purposes of State law until cancelled by the Department
9 or its agent.

10 g. Such Credit Agreement may provide for
11 acceleration of the principal amounts due on the Bonds.

12 G. "Department" means the Illinois Department of
13 Employment Security.

14 H. "Director" means the Director of the Illinois Department
15 of Employment Security.

16 I. "Fund Building Rates" are those rates imposed pursuant
17 to Section 1506.3 of the Unemployment Insurance Act.

18 J. "Fund Building Receipts" shall have the meaning provided
19 in the Unemployment Insurance Act and includes earnings on such
20 receipts.

21 K. "Master Bond Fund" shall mean, for any particular
22 issuance of Bonds under this Act, the fund established for the
23 deposit of Fund Building Receipts upon or prior to the issuance
24 of Bonds under this Act, and during the time that any Bonds are
25 outstanding under this Act and from which the payment of Bond
26 Obligations and the related Bond Administrative Expenses

1 incurred in connection with such Bonds shall be made. That
2 portion of the Master Bond Fund containing the Required Fund
3 Building Receipts Amount shall be irrevocably pledged to the
4 timely payment of Bond Obligations and Bond Administrative
5 Expenses due on any Bonds issued pursuant to this Act and any
6 Credit Agreement entered in connection with the Bonds. The
7 Master Bond Fund shall be held separate and apart from all
8 other State funds. Moneys in the Master Bond Fund shall not be
9 commingled with other State funds, but they shall be deposited
10 as required by law and maintained in a separate account on the
11 books of a savings and loan association, bank or other
12 qualified financial institution. All interest earnings on
13 amounts within the Master Bond Fund shall accrue to the Master
14 Bond Fund. The Master Bond Fund may include such funds and
15 accounts as are necessary for the deposit of bond proceeds,
16 Fund Building Receipts, payment of principal, interest,
17 administrative expenses, costs of issuance, in the case of
18 bonds which are exempt from Federal taxation, rebate payments,
19 and such other funds and accounts which may be necessary for
20 the implementation and administration of this Act. The Director
21 shall be liable on her or his general official bond for the
22 faithful performance of her or his duties as custodian of the
23 Master Bond Fund. Such liability on her or his official bond
24 shall exist in addition to the liability upon any separate bond
25 given by her or him. All sums recovered for losses sustained by
26 the Master Bond Fund shall be deposited into the Fund.

1 The Director shall report quarterly in writing to the
2 Employment Security Advisory Board concerning the actual and
3 anticipated deposits into and expenditures and transfers made
4 from the Master Bond Fund. Notwithstanding any other provision
5 to the contrary, no report is required under this subsection K
6 if (i) the Master Bond Fund held a net balance of zero as of the
7 close of the immediately preceding calendar quarter, (ii) there
8 have been no deposits into the Master Bond Fund within any of
9 the immediately preceding 4 calendar quarters, and (iii) there
10 have been no expenditures or transfers from the Master Bond
11 Fund within any of the immediately preceding 4 calendar
12 quarters.

13 L. "Required Fund Building Receipts Amount" means the
14 aggregate amount of Fund Building Receipts required to be
15 maintained in the Master Bond Fund as set forth in Section 4I
16 of this Act.

17 (Source: P.A. 93-634, eff. 1-1-04; 94-1083, eff. 1-19-07.)

18 Section 99. Effective date. This Act takes effect upon
19 becoming law.