

HB2499



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB2499

Introduced 2/4/2025, by Rep. Steven Reick

SYNOPSIS AS INTRODUCED:

30 ILCS 350/15

from Ch. 17, par. 6915

Amends the Local Government Debt Reform Act. Provides that alternate bonds issued on or after the effective date of the amendatory Act may not be secured by the proceeds of general obligation bonds issued without referendum approval. Effective immediately.

LRB104 04608 HLH 14635 b

A BILL FOR

1 AN ACT concerning revenue.

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

4 Section 5. The Local Government Debt Reform Act is amended
5 by changing Section 15 as follows:

6 (30 ILCS 350/15) (from Ch. 17, par. 6915)

7 Sec. 15. Double-barrelled bonds. Whenever revenue bonds
8 have been authorized to be issued pursuant to applicable law
9 or whenever there exists for a governmental unit a revenue
10 source, the procedures set forth in this Section may be used by
11 a governing body. General obligation bonds may be issued in
12 lieu of such revenue bonds as authorized, and general
13 obligation bonds may be issued payable from any revenue
14 source. Such general obligation bonds may be referred to as
15 "alternate bonds". Alternate bonds may be issued without any
16 referendum or backdoor referendum except as provided in this
17 Section, upon the terms provided in Section 10 of this Act
18 without reference to other provisions of law, but only upon
19 the conditions provided in this Section. Alternate bonds shall
20 not be regarded as or included in any computation of
21 indebtedness for the purpose of any statutory provision or
22 limitation except as expressly provided in this Section.

23 Such conditions are:

1 (a) Alternate bonds shall be issued for a lawful corporate
2 purpose. If issued in lieu of revenue bonds, alternate bonds
3 shall be issued for the purposes for which such revenue bonds
4 shall have been authorized. If issued payable from a revenue
5 source in the manner hereinafter provided, which revenue
6 source is limited in its purposes or applications, then the
7 alternate bonds shall be issued only for such limited purposes
8 or applications. Alternate bonds may be issued payable from
9 either enterprise revenues or revenue sources, or both.

10 Alternate bonds issued on or after the effective date of this
11 amendatory Act of the 104th General Assembly may not be
12 secured by the proceeds of general obligation bonds that were
13 issued without referendum approval.

14 (b) Alternate bonds shall be subject to backdoor
15 referendum. The provisions of Section 5 of this Act shall
16 apply to such backdoor referendum, together with the
17 provisions hereof. The authorizing ordinance shall be
18 published in a newspaper of general circulation in the
19 governmental unit. Along with or as part of the authorizing
20 ordinance, there shall be published a notice of (1) the
21 specific number of voters required to sign a petition
22 requesting that the issuance of the alternate bonds be
23 submitted to referendum, (2) the time when such petition must
24 be filed, (3) the date of the prospective referendum, and (4),
25 with respect to authorizing ordinances adopted on or after
26 January 1, 1991, a statement that identifies any revenue

1 source that will be used to pay debt service on the alternate
2 bonds. The clerk or secretary of the governmental unit shall
3 make a petition form available to anyone requesting one.

4 Except as provided in the following paragraph, if no
5 petition is filed with the clerk or secretary within 30 days of
6 publication of the authorizing ordinance and notice, the
7 alternate bonds shall be authorized to be issued. But if
8 within this 30 days period, a petition is filed with such clerk
9 or secretary signed by electors numbering the greater of (i)
10 7.5% of the registered voters in the governmental unit or (ii)
11 200 of those registered voters or 15% of those registered
12 voters, whichever is less, asking that the issuance of such
13 alternate bonds be submitted to referendum, the clerk or
14 secretary shall certify such question for submission at an
15 election held in accordance with the general election law.

16 Notwithstanding the previous paragraph, in governmental
17 units with fewer than 500,000 inhabitants that propose to
18 issue alternate bonds payable solely from enterprise revenues
19 as defined under Section 3 of this Act, except for such
20 alternate bonds that finance or refinance projects concerning
21 public utilities, public streets and roads or public safety
22 facilities, and related infrastructure and equipment, if no
23 petition is filed with the clerk or secretary within 45 days of
24 publication of the authorizing ordinance and notice, the
25 alternate bonds shall be authorized to be issued. But if,
26 within this 45-day period, a petition is filed with such clerk

1 or secretary signed by the necessary number of electors,
2 asking that the issuance of such alternate bonds be submitted
3 to referendum, the clerk or secretary shall certify such
4 question for submission at an election held in accordance with
5 the general election law. For purposes of this paragraph, the
6 necessary number of electors for a governmental unit with more
7 than 4,000 registered voters is the lesser of (i) 5% of the
8 registered voters or (ii) 5,000 registered voters; and the
9 necessary number of electors for a governmental unit with
10 4,000 or fewer registered voters is the lesser of (i) 15% of
11 the registered voters or (ii) 200 registered voters.

12 The question on the ballot shall include a statement of
13 any revenue source that will be used to pay debt service on the
14 alternate bonds. The alternate bonds shall be authorized to be
15 issued if a majority of the votes cast on the question at such
16 election are in favor thereof provided that notice of the bond
17 referendum, if held before July 1, 1999, has been given in
18 accordance with the provisions of Section 12-5 of the Election
19 Code in effect at the time of the bond referendum, at least 10
20 and not more than 45 days before the date of the election,
21 notwithstanding the time for publication otherwise imposed by
22 Section 12-5. Notices required in connection with the
23 submission of public questions on or after July 1, 1999 shall
24 be as set forth in Section 12-5 of the Election Code. Backdoor
25 referendum proceedings for bonds and alternate bonds to be
26 issued in lieu of such bonds may be conducted at the same time.

(c-1) In the case of alternate bonds issued as variable rate bonds (including refunding bonds), debt service shall be projected based on the rate for the most recent date shown in the 20 G.O. Bond Index of average municipal bond yields as published in the most recent edition of The Bond Buyer published in New York, New York (or any successor publication or index, or if such publication or index is no longer published, then any index of long-term municipal tax-exempt bond yields selected by the governmental unit), as of the date of determination referred to in subsection (c) of this Section. Any interest or fees that may be payable to the provider of a letter of credit, line of credit, surety bond, bond insurance, or other credit enhancement relating to such alternate bonds and any fees that may be payable to any remarketing agent need not be taken into account for purposes of such projection. If the governmental unit enters into an agreement in connection with such alternate bonds at the time of issuance thereof pursuant to which the governmental unit agrees for a specified period of time to pay an amount calculated at an agreed-upon rate or index based on a notional amount and the other party agrees to pay the governmental unit an amount calculated at an agreed-upon rate or index based on such notional amount, interest shall be projected for such specified period of time on the basis of the agreed-upon rate payable by the governmental unit.

(d) The determination of the sufficiency of enterprise

1 revenues or a revenue source, as applicable, shall be
2 supported by reference to the most recent audit of the
3 governmental unit, which shall be for a fiscal year ending not
4 earlier than 18 months previous to the time of issuance of the
5 alternate bonds. If such audit does not adequately show such
6 enterprise revenues or revenue source, as applicable, or if
7 such enterprise revenues or revenue source, as applicable, are
8 shown to be insufficient, then the determination of
9 sufficiency shall be supported by the report of an independent
10 accountant or feasibility analyst, the latter having a
11 national reputation for expertise in such matters, who is not
12 otherwise involved in the project being financed or refinanced
13 with the proceeds of the alternate bonds, demonstrating the
14 sufficiency of such revenues and explaining, if appropriate,
15 by what means the revenues will be greater than as shown in the
16 audit. Whenever such sufficiency is demonstrated by reference
17 to a schedule of higher rates or charges for enterprise
18 revenues or a higher tax imposition for a revenue source, such
19 higher rates, charges or taxes shall have been properly
20 imposed by an ordinance adopted prior to the time of delivery
21 of alternate bonds. The reference to and acceptance of an
22 audit or report, as the case may be, and the determination of
23 the governing body as to sufficiency of enterprise revenues or
24 a revenue source shall be conclusive evidence that the
25 conditions of this Section have been met and that the
26 alternate bonds are valid.

(e) The enterprise revenues or revenue source, as applicable, shall be in fact pledged to the payment of the alternate bonds; and the governing body shall covenant, to the extent it is empowered to do so, to provide for, collect and apply such enterprise revenues or revenue source, as applicable, to the payment of the alternate bonds and the provision of not less than an additional .25 (or .10 for governmental revenue sources) times debt service. The pledge and establishment of rates or charges for enterprise revenues, or the imposition of taxes in a given rate or amount, as provided in this Section for alternate bonds, shall constitute a continuing obligation of the governmental unit with respect to such establishment or imposition and a continuing appropriation of the amounts received. All covenants relating to alternate bonds and the conditions and obligations imposed by this Section are enforceable by any bondholder of alternate bonds affected, any taxpayer of the governmental unit, and the People of the State of Illinois acting through the Attorney General or any designee, and in the event that any such action results in an order finding that the governmental unit has not properly set rates or charges or imposed taxes to the extent it is empowered to do so or collected and applied enterprise revenues or any revenue source, as applicable, as required by this Act, the plaintiff in any such action shall be awarded reasonable attorney's fees. The intent is that such enterprise revenues or revenue source, as applicable, shall be sufficient

1 and shall be applied to the payment of debt service on such
2 alternate bonds so that taxes need not be levied, or if levied
3 need not be extended, for such payment. Nothing in this
4 Section shall inhibit or restrict the authority of a governing
5 body to determine the lien priority of any bonds, including
6 alternate bonds, which may be issued with respect to any
7 enterprise revenues or revenue source.

8 In the event that alternate bonds shall have been issued
9 and taxes, other than a designated revenue source, shall have
10 been extended pursuant to the general obligation, full faith
11 and credit promise supporting such alternate bonds, then the
12 amount of such alternate bonds then outstanding shall be
13 included in the computation of indebtedness of the
14 governmental unit for purposes of all statutory provisions or
15 limitations until such time as an audit of the governmental
16 unit shall show that the alternate bonds have been paid from
17 the enterprise revenues or revenue source, as applicable,
18 pledged thereto for a complete fiscal year.

19 Alternate bonds may be issued to refund or advance refund
20 alternate bonds without meeting any of the conditions set
21 forth in this Section, except that the term of the refunding
22 bonds shall not be longer than the term of the refunded bonds
23 and that the debt service payable in any year on the refunding
24 bonds shall not exceed the debt service payable in such year on
25 the refunded bonds.

26 Once issued, alternate bonds shall be and forever remain

1 until paid or defeased the general obligation of the
2 governmental unit, for the payment of which its full faith and
3 credit are pledged, and shall be payable from the levy of taxes
4 as is provided in this Act for general obligation bonds.

5 The changes made by this amendatory Act of 1990 do not
6 affect the validity of bonds authorized before September 1,
7 1990.

8 (Source: P.A. 97-542, eff. 8-23-11; 98-203, eff. 1-1-14.)

9 Section 99. Effective date. This Act takes effect upon
10 becoming law.