

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 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  
25 hereafter amended. Bonds shall be payable at such place or  
26 places, within or without the State of Illinois, and may be  
27 made registrable as to either principal or as to both principal  
28 and interest, as shall be specified in the Bond Sale Order.  
29 Bonds may be callable or subject to purchase and retirement or  
30 tender and remarketing as fixed and determined in the Bond Sale  
31 Order.

32 In the case of any series of Bonds bearing interest at a

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

29 (b) In connection with the issuance of any series of Bonds,  
30 the State may enter into arrangements to provide additional  
31 security and liquidity for such Bonds, including, without  
32 limitation, bond or interest rate insurance or letters of  
33 credit, lines of credit, bond purchase contracts, or other  
34 arrangements whereby funds are made available to retire or  
35 purchase Bonds, thereby assuring the ability of owners of the  
36 Bonds to sell or redeem their Bonds. The State may enter into

1 contracts and may agree to pay fees to persons providing such  
2 arrangements, but only under circumstances where the Director  
3 of the Governor's Office of Management and Budget ~~Bureau of the~~  
4 ~~Budget~~ certifies that he or she reasonably expects the total  
5 interest paid or to be paid on the Bonds, together with the  
6 fees for the arrangements (being treated as if interest), would  
7 not, taken together, cause the Bonds to bear interest,  
8 calculated to their stated maturity, at a rate in excess of the  
9 rate that the Bonds would bear in the absence of such  
10 arrangements.

11 The State may, with respect to Bonds issued or anticipated  
12 to be issued, participate in and enter into arrangements with  
13 respect to interest rate protection or exchange agreements,  
14 guarantees, or financial futures contracts for the purpose of  
15 limiting, reducing, or managing ~~or restricting~~ interest rate  
16 exposure risk. The authority granted under this paragraph,  
17 however, shall not increase the principal amount of Bonds  
18 authorized to be issued by law. The arrangements may be  
19 executed and delivered by the Director of the Governor's Office  
20 of Management and Budget ~~Bureau of the Budget~~ on behalf of the  
21 State. Net payments for such arrangements shall constitute  
22 interest on the Bonds and shall be paid from the General  
23 Obligation Bond Retirement and Interest Fund. The Director of  
24 the Governor's Office of Management and Budget ~~Bureau of the~~  
25 ~~Budget~~ shall at least annually certify to the Governor and the  
26 State Comptroller his or her estimate of the amounts of such  
27 net payments to be included in the calculation of interest  
28 required to be paid by the State.

29 (c) Prior to the issuance of any Variable Rate Bonds  
30 pursuant to subsection (a), the Director of the Governor's  
31 Office of Management and Budget ~~Bureau of the Budget~~ shall  
32 adopt an interest rate risk management policy providing that  
33 the amount of the State's variable rate exposure with respect  
34 to Bonds shall not exceed 20%. This policy shall remain in  
35 effect while any Bonds are outstanding and the issuance of  
36 Bonds shall be subject to the terms of such policy. The terms

1 of this policy may be amended from time to time by the Director  
2 of the Governor's Office of Management and Budget ~~Bureau of the~~  
3 ~~Budget~~ but in no event shall any amendment cause the permitted  
4 level of the State's variable rate exposure with respect to  
5 Bonds to exceed 20%.

6 (Source: P.A. 92-16, eff. 6-28-01; 93-9, eff. 6-3-03; revised  
7 8-23-03.)

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