Rep. Michael J. Madigan

Filed: 5/19/2004

AMENDMENT TO SENATE BILL 1605

AMENDMENT NO. ______. Amend Senate Bill 1605 by replacing everything after the enacting clause with the following:

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

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

Sec. 1. Every bill, except those bills making a direct appropriation, (1) the purpose or effect of which is (i) to expend any State funds or to increase or decrease the revenues of the State, either directly or indirectly, or (ii) to require the expenditure of their own funds by, or to increase or decrease the revenues of, units of local government, school districts or community college districts, or to revise the distribution of State funds among units of local government, school districts, or community college districts, either directly or indirectly, or (2) that amends the Mental Health and Developmental Disabilities Code or the Developmental Disability and Mental Disability Services Act shall have prepared for it prior to second reading in the house of introduction a brief explanatory statement or note which, for a bill under item (1), shall include a reliable estimate of the anticipated change in State, local governmental, school district, or community college district expenditures or revenues under its provisions and, for a bill under item (2), shall include a reliable estimate of the fiscal impact of its provisions upon community agencies. For purposes of this Act, indirect revenues include, but are not limited to, increased tax revenues or other increased revenues resulting from economic development, job creation, or cost reduction. The statement or note shall also include an explanation of the methodology used to determine the estimated direct and indirect costs or estimated impact on community agencies. Any notes for bills having a fiscal impact on units of local government, school districts or community college districts shall include such cost estimates as may be required under the State Mandates Act.

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

If a bill authorizes the issuance of Bonds, a statement or note shall be prepared by the Governor's Office of Management and Budget specifying the estimated total principal and interest payments (assuming interest is paid at a fixed rate) if all of the Bonds authorized were issued. The statement or note shall include the total principal on all other then-outstanding Bonds of the State.

These statements or notes shall be known as "fiscal notes".

(Source: P.A. 92-567, eff. 1-1-03; revised 8-23-03.)

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

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

Sec. 4. The State Debt Impact Note shall be factual in nature and as brief and concise as possible. For bills which would appropriate from bond funds, the note shall provide a reliable estimate of the impact of the bill on the State's debt service requirements; a description of the estimated useful life and intended use of the project; and maintenance and operating costs associated with the project. For bills which would add new or increase existing bond authorization levels the note shall assess current outstanding, unissued, and retired bond authorization levels and make reasonable projections of the cost associated with the retirement of the additional bonds. <u>The estimated costs shall specify the estimated total principal and interest payments (assuming interest is paid at a fixed rate) if all of the Bonds authorized were issued. The statement or note shall include the total principal on all other then-outstanding Bonds of the State.</u> A brief summary or work sheet of computations used in arriving at State Debt Impact Notes shall be attached.

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

Section 15. The General Obligation Bond Act is amended by changing Sections 2, 8, 9, 11, and 16 and by adding Sections 2.5 and 21 as follows:

(30 ILCS 330/2) (from Ch. 127, par. 652)

Sec. 2. Authorization for Bonds. The State of Illinois is authorized to issue, sell and provide for the retirement of General Obligation Bonds of the State of Illinois for the categories and specific purposes expressed in Sections 2 through 8 of this Act, in the total amount of $27,658,149,369.

The bonds authorized in this Section 2 and in Section 16 of this Act are herein called "Bonds".

Of the total amount of Bonds authorized in this Act, up to $2,200,000,000 in aggregate original principal amount may be issued and sold in accordance with the Baccalaureate Savings Act in the form of General Obligation College Savings Bonds.

Of the total amount of Bonds authorized in this Act, up to

$300,000,000 in aggregate original principal amount may be issued and sold in accordance with the Retirement Savings Act in the form of General Obligation Retirement Savings Bonds.

Of the total amount of Bonds authorized in this Act, the additional $10,000,000,000 authorized by this amendatory Act of the 93rd General Assembly shall be used solely as provided in Section 7.2.

The issuance and sale of Bonds pursuant to the General Obligation Bond Act is an economical and efficient method of financing the long-term capital ~~and general operating~~ needs of the State. This Act will permit the issuance of a multi-purpose General Obligation Bond with uniform terms and features. This will not only lower the cost of registration but also reduce the overall cost of issuing debt by improving the marketability of Illinois General Obligation Bonds.

(Source: P.A. 92-13, eff. 6-22-01; 92-596, eff. 6-28-02; 92-598, eff. 6-28-02; 93-2, eff. 4-7-03.)

(30 ILCS 330/2.5 new)

Sec. 2.5. Limitation on issuance of Bonds.

(a) Except as provided in subsection (b), no Bonds may be issued under this Act if, after the issuance, in the next State fiscal year after the issuance, the amount of debt service (including principal and interest) on all then-outstanding Bonds issued under this Act would exceed 7% of the aggregate appropriations from the general funds (which consist of the General Revenue Fund, the Common School Fund, the General Revenue Common School Special Account Fund, and the Education Assistance Fund) and the Road Fund for the fiscal year immediately prior to the fiscal year of the issuance.

(b) If the Comptroller and Treasurer each consent in writing, Bonds may be issued under this Act even if the issuance does not comply with subsection (a).

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

Sec. 8. Bond sale expenses~~; capitalized interest~~.

(a) All ~~An amount not to exceed 0.5 percent of the principal amount of the proceeds of sale of each bond sale is authorized to be used to pay the reasonable~~ costs of issuance and sale, including without limitation underwriter's discounts and fees, of State of Illinois general obligation bonds authorized and sold pursuant to this Act shall be paid from funds appropriated for that purpose.

(b) The Director of the Governor's Office of Management and Budget shall not contract with any underwriter, bond counsel, or financial advisor unless that underwriter, bond counsel, or financial advisor certifies that the underwriter, bond counsel, or financial advisor has not and will not pay a contingent fee to any party for having promoted the selection of the underwriter, bond counsel, or financial advisor for that contract. ~~The Bond Sale Order may provide for a portion of the proceeds of the bond sale, representing up to 12 months' interest on the bonds, to be deposited directly into the capitalized interest account of the General Obligation Bond Retirement and Interest Fund.~~

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

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

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

(a) Except as otherwise provided in this subsection, bonds ~~Bonds~~ shall be issued and sold from time to time, in one or more series, in such amounts and at such prices as may be directed by the Governor, upon recommendation by the Director of the Governor's Office of Management and Budget. Bonds shall be in such form (either coupon, registered or book entry), in such denominations, payable within 25 ~~30~~ years from their date, subject to such terms of redemption with or without premium, bear interest payable at such times and at such fixed or variable rate or rates, and be dated as shall be fixed and determined by the Director of the Governor's Office of Management and Budget in the order authorizing the issuance and sale of any series of Bonds, which order shall be approved by the Governor and is herein called a "Bond Sale Order"; provided however, that interest payable at fixed or variable rates shall not exceed that permitted in the Bond Authorization Act, as now or hereafter amended. Bonds shall be payable at such place or places, within or without the State of Illinois, and may be made registrable as to either principal or as to both principal and interest, as shall be specified in the Bond Sale Order. Bonds may be callable or subject to purchase and retirement or tender and remarketing as fixed and determined in the Bond Sale Order. <u>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.</u>

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

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

The State may, with respect to Bonds issued or anticipated to be issued, participate in and enter into arrangements with respect to interest rate protection or exchange agreements, guarantees, or financial futures contracts for the purpose of limiting, reducing, or managing interest rate exposure. The authority granted under this paragraph, however, shall not increase the principal amount of Bonds authorized to be issued by law. The arrangements may be executed and delivered by the Director of the Governor's Office of Management and Budget on behalf of the State. Net payments for such arrangements shall constitute interest on the Bonds and shall be paid from the General Obligation Bond Retirement and Interest Fund. The Director of the Governor's Office of Management and Budget shall at least annually certify to the Governor and the State Comptroller his or her estimate of the amounts of such net payments to be included in the calculation of interest required to be paid by the State.

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

(Source: P.A. 92-16, eff. 6-28-01; 93-9, eff. 6-3-03; 93-666, eff. 3-5-04.)

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

Sec. 11. Sale of Bonds. Bonds<u>, except as otherwise provided in this Section,</u> shall be sold from time to time pursuant to notice of sale and public bid ~~or by negotiated sale~~ in such amounts and at such times as is directed by the Governor, upon recommendation by the Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~.

If more than half of the proceeds of an issue of Bonds to be offered for sale is expected to be used for refunding purposes or if more than half of the principal amount of Bonds is 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. The ~~any Bonds, including refunding Bonds, are to be sold by negotiated sale, the~~ Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~ shall comply with the competitive sealed bidding or competitive request for proposal process, as applicable, set forth in the Illinois Procurement Code and all other applicable requirements of that Code.

If Bonds are to be sold pursuant to notice of sale and public bid, in addition to the requirements of the Illinois Procurement Code, the Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~ shall, from time to time, as Bonds are to be sold, advertise the sale of the Bonds in at least 2 ~~two~~ daily newspapers, one of which is published in the City of Springfield and one in the City of Chicago. The sale of the Bonds shall also be advertised in the volume of the Illinois Procurement Bulletin that is published by the Department of Central Management Services. Each of the advertisements for proposals shall be published once at least 14 ~~10~~ days prior to the date fixed for the opening of the bids. The Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~ may reschedule the date of sale upon the giving of such additional notice as the Director deems adequate to inform prospective bidders of such change; provided, however, that all other conditions of the sale shall continue as originally advertised.

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

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

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

Sec. 16. Refunding Bonds. The State of Illinois is authorized to issue, sell, and provide for the retirement of General Obligation Bonds of the State of Illinois in the amount of $2,839,025,000, at any time and from time to time outstanding, for the purpose of refunding any State of Illinois general obligation Bonds then outstanding, including the payment of any redemption premium thereon, any reasonable expenses of such refunding, any interest accrued or to accrue to the earliest or any subsequent date of redemption or maturity of such outstanding Bonds and any interest to accrue to the first interest payment on the refunding Bonds; provided that all Bonds in an issue that includes ~~such~~ refunding Bonds shall mature no later than the final maturity date of Bonds being refunded; provided that no refunding Bonds shall be offered for sale unless the net present value of savings to be achieved by the issuance of the refunding Bonds is 3% or more of the amount of the refunding Bonds to be issued; and further provided that no refunding Bonds shall be offered for sale that are expected to refund Bonds under a refunding plan that would have the effect of decreasing the State's principal payments on all Bonds in the fiscal year in which the refunding Bonds are offered or in the next succeeding fiscal year by a total of more than 5% of the principal or redemption amounts due on all then-outstanding Bonds in the fiscal year next succeeding the fiscal year in which the refunding Bonds are offered.

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, those ~~Refunding~~ Bonds may be sold from time to time pursuant to notice of sale and public bid or by negotiated sale in such amounts and at such times, as directed by the Governor, upon recommendation by the Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~. The Governor shall notify the State Treasurer and Comptroller of such refunding. The proceeds received from the sale of refunding Bonds shall be used for the retirement at maturity or redemption of such outstanding Bonds on any maturity or redemption date and, pending such use, shall be placed in escrow, subject to such terms and conditions as shall be provided for in the Bond Sale Order relating to the Refunding Bonds. Proceeds not needed for deposit in an escrow account shall be deposited in the General Obligation Bond Retirement and Interest Fund. This Act shall constitute an irrevocable and continuing appropriation of all amounts necessary to establish an escrow account for the purpose of refunding outstanding general obligation Bonds and to pay the reasonable expenses of such refunding and of the issuance and sale of the refunding Bonds. Any such escrowed proceeds may be invested and reinvested in direct obligations of the United States of America, maturing at such time or times as shall be appropriate to assure the prompt payment, when due, of the principal of and interest and redemption premium, if any, on the refunded Bonds. After the terms of the escrow have been fully satisfied, any remaining balance of such proceeds and interest, income and profits earned or realized on the investments thereof shall be paid into the General Revenue Fund. The liability of the State upon the Bonds shall continue, provided that the holders thereof shall thereafter be entitled to payment only out of the moneys deposited in the escrow account.

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

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

(30 ILCS 330/21 new)

Sec. 21. Truth in borrowing disclosures.

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

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

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

Section 20. The Build Illinois Bond Act is amended by changing Sections 3, 5, 6, 8, and 15 and by adding Section 8.5 as follows:

(30 ILCS 425/3) (from Ch. 127, par. 2803)

Sec. 3. Findings. The General Assembly hereby makes the following findings and determinations:

(a) The issuance and sale of Bonds pursuant to this Act is an economical and efficient method of financing long-term capital needs, including certain of the purposes of the State, as set forth in Section 4 hereof.

(b) This Act will permit the issuance of Bonds, from time to time, for various purposes and with varying terms, features and conditions in order to enhance marketability and lower interest costs incurred by the State. Subsection (a) of Section 6 of this Act authorizes the issuance, from time to time, of Bonds in one or more series, in such principal amounts, bearing interest at such fixed rates or variable rates and having such other terms and provisions as designated State officers may fix and determine pursuant to the authority delegated under this Act. Subsection (b) of Section 6 of this Act authorizes, in connection with the issuance of and as security for any series of Bonds, the purchase of bond or interest rate insurance, the establishment of credit and liquidity enhancement arrangements with financial institutions, and participation in interest rate swaps or guarantee agreements or other arrangements to limit interest rate risk.

(c) The financing of the facilities and other purposes described in Section 4 of this Act through the issuance of Bonds will involve numerous expenditures over extended periods of time, all of which expenditures shall be made only pursuant to and in conformity with appropriations from Bond proceeds by the General Assembly prior to the making of such expenditures.

(d) Determinations with respect to (i) advantageous timing and amounts of such expenditures for particular approved facilities or purposes, (ii) establishing an advantageous mix of short-term and long-term debt instruments under bond market conditions prevailing from time to time, and (iii) specific allocations of Bond proceeds to particular facilities and purposes should be based upon financial, engineering and construction management judgments made from time to time.

(e) The State's ability to issue Bonds from time to time, without further action by the General Assembly, in separate series, in various principal amounts and with various interest rates, maturities, redemption provisions and other terms will enhance the State's opportunities to obtain such financing as needed, upon favorable terms.

In order to provide for flexibility in meeting the financial, engineering and construction needs of the State and its agencies and departments and in order to provide continuing and adequate financing for the aforesaid purposes on favorable terms, the delegations of authority to the Governor, the Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~, the State Comptroller, the State Treasurer and other officers of the State which are contained in this Act are necessary and desirable because this General Assembly cannot itself as understandingly, advantageously, expeditiously or conveniently exercise such authority and make such specific determinations.

(Source: P.A. 84-111; revised 8-23-03.)

(30 ILCS 425/5) (from Ch. 127, par. 2805)

Sec. 5. Bond Sale Expenses.

(a) An amount necessary to pay the reasonable costs of each issuance and sale of Bonds authorized and sold pursuant to this Act, including, without limitation, underwriter's discounts and fees, advertising, printing, bond rating, travel, security, delivery, legal and financial advisory services, insurance, initial fees of trustees, registrars, paying agents and other fiduciaries, initial costs of credit or liquidity enhancement arrangements, initial fees of indexing and remarketing agents, and initial costs of interest rate swaps, guarantees or arrangements to limit interest rate risk, as determined in the related Bond Sale Order, shall ~~is hereby authorized to~~ be paid from funds appropriated for that purpose ~~the proceeds of each Bond sale~~.

(b) The Director of the Governor's Office of Management and Budget shall not contract with any underwriter, bond counsel, or financial advisor unless that underwriter, bond counsel, or financial advisor certifies that the underwriter, bond counsel, or financial advisor has not and will not pay a contingent fee to any party for having promoted the selection of the underwriter, bond counsel, or financial advisor for that contract.

(Source: P.A. 84-111.)

(30 ILCS 425/6) (from Ch. 127, par. 2806)

Sec. 6. Conditions for Issuance and Sale of Bonds - Requirements for Bonds - Master and Supplemental Indentures - Credit and Liquidity Enhancement. (a) Bonds shall be issued and sold from time to time, in one or more series, in such amounts and at such prices as directed by the Governor, upon recommendation by the Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~. Bonds shall be payable only from the specific sources and secured in the manner provided in this Act. Bonds shall be in such form, in such denominations, mature on such dates within 25 ~~30~~ years from their date of issuance, be subject to optional or mandatory redemption, bear interest payable at such times and at such rate or rates, fixed or variable, and be dated as shall be fixed and determined by the Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~ in an order authorizing the issuance and sale of any series of Bonds, which order shall be approved by the Governor and is herein called a "Bond Sale Order"; provided, however, that interest payable at fixed rates shall not exceed that permitted in "An Act to authorize public corporations to issue bonds, other evidences of indebtedness and tax anticipation warrants subject to interest rate limitations set forth therein", approved May 26, 1970, as now or hereafter amended, and interest payable at variable rates shall not exceed the maximum rate permitted in the Bond Sale Order. Said Bonds shall be payable at such place or places, within or without the State of Illinois, and may be made registrable as to either principal only or as to both principal and interest, as shall be specified in the Bond Sale Order. Bonds may be callable or subject to purchase and retirement or remarketing as fixed and determined in the Bond Sale Order. 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.

All Bonds authorized under this Act shall be issued pursuant to a master trust indenture ("Master Indenture") executed and delivered on behalf of the State by the Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~, such Master Indenture to be in substantially the form approved in the Bond Sale Order authorizing the issuance and sale of the initial series of Bonds issued under this Act. Such initial series of Bonds may, and each subsequent series of

Bonds shall, also be issued pursuant to a supplemental trust indenture ("Supplemental Indenture") executed and delivered on behalf of the State by the Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~, each such Supplemental Indenture to be in substantially the form approved in the Bond Sale Order relating to such series. The Master Indenture and any Supplemental Indenture shall be entered into with a bank or trust company in the State of Illinois having trust powers and possessing capital and surplus of not less than $100,000,000. Such indentures shall set forth the terms and conditions of the Bonds and provide for payment of and security for the Bonds, including the establishment and maintenance of debt service and reserve funds, and for other protections for holders of the Bonds. The term "reserve funds" as used in this Act shall include funds and accounts established under indentures to provide for the payment of principal of and premium and interest on Bonds, to provide for the purchase, retirement or defeasance of Bonds, to provide for fees of trustees, registrars, paying agents and other fiduciaries and to provide for payment of costs of and debt service payable in respect of credit or liquidity enhancement arrangements, interest rate swaps or guarantees or financial futures contracts and indexing and remarketing agents' services.

In the case of any series of Bonds bearing interest at a variable interest rate ("Variable Rate Bonds"), in lieu of determining the rate or rates at which such series of Variable Rate Bonds shall bear interest and the price or prices at which such Variable Rate Bonds shall be initially sold or remarketed (in the event of purchase and subsequent resale), the Bond Sale Order may provide that such interest rates and prices may vary from time to time depending on criteria established in such Bond Sale Order, which criteria may include, without limitation, references to indices or variations in interest rates as may, in the judgment of a remarketing agent, be necessary to cause Bonds of such series to be remarketable from time to time at a price equal to their principal amount (or compound accreted value in the case of original issue discount Bonds), and may provide for appointment of indexing agents and a bank, trust company, investment bank or other financial institution to serve as remarketing agent in that connection. The Bond Sale Order may provide that alternative interest rates or provisions for establishing alternative interest rates, different security or claim priorities or different call or amortization provisions will apply during such times as Bonds of any series are held by a person providing credit or liquidity enhancement arrangements for such Bonds as authorized in subsection (b) of Section 6 of this Act.

(b) In connection with the issuance of any series of Bonds, the State may enter into arrangements to provide additional security and liquidity for such Bonds, including, without limitation, bond or interest rate insurance or letters of credit, lines of credit, bond purchase contracts or other arrangements whereby funds are made available to retire or purchase Bonds, thereby assuring the ability of owners of the Bonds to sell or redeem their Bonds. The State may enter into contracts and may agree to pay fees to persons providing such arrangements, but only under circumstances where the Director of the Bureau of the Budget <u>(now Governor's Office of Management and Budget)</u> certifies that he reasonably expects the total interest paid or to be paid on the Bonds, together with the fees for the arrangements (being treated as if interest), would not, taken together, cause the Bonds to bear interest, calculated to their stated maturity, at a rate in excess of the rate which the Bonds would bear in the absence of such arrangements. Any bonds, notes or other evidences of indebtedness issued pursuant to any such arrangements for the purpose of retiring and discharging outstanding Bonds shall

constitute refunding Bonds under Section 15 of this Act. The State may participate in and enter into arrangements with respect to interest rate swaps or guarantees or financial futures contracts for the purpose of limiting or restricting interest rate risk; provided that such arrangements shall be made with or executed through banks having capital and surplus of not less than $100,000,000 or insurance companies holding the highest policyholder rating accorded insurers by A.M. Best & Co. or any comparable rating service or government bond dealers reporting to, trading with, and recognized as primary dealers by a Federal Reserve Bank and having capital and surplus of not less than $100,000,000, or other persons whose debt securities are rated in the highest long-term categories by both Moody's Investors' Services, Inc. and Standard & Poor's Corporation. Agreements incorporating any of the foregoing arrangements may be executed and delivered by the Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~ on behalf of the State in substantially the form approved in the Bond Sale Order relating to such Bonds.
(Source: P.A. 84-111; revised 8-23-03.)

(30 ILCS 425/8) (from Ch. 127, par. 2808)

Sec. 8. Sale of Bonds. Bonds, except as otherwise provided in this Section, shall be sold from time to time pursuant to notice of sale and public bid in such amounts and at such times as are directed by the Governor, upon recommendation by the Director of the Governor's Office of Management and Budget.

If more than half of the proceeds of an issue of Bonds to be offered for sale is expected to be used for refunding purposes or if more than half of the principal amount of Bonds is 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. The Director of the Governor's Office of Management and Budget shall comply with the competitive sealed bidding or competitive request for proposal process, as applicable, set forth in the Illinois Procurement Code and all other applicable requirements of that Code.

If Bonds are to be sold pursuant to notice of sale and public bid, in addition to the requirements of the Illinois Procurement Code, the Director of the Governor's Office of Management and Budget shall, from time to time, as Bonds are to be sold, advertise the sale of the Bonds in at least 2 daily newspapers, one of which is published in the City of Springfield and one in the City of Chicago. The sale of the Bonds shall also be advertised in the volume of the Illinois Procurement Bulletin that is published by the Department of Central Management Services. Each of the advertisements for proposals shall be published once at least 14 days prior to the date fixed for the opening of the bids. The Director of the Governor's Office of Management and Budget may reschedule the date of sale upon the giving of such additional notice as the Director deems adequate to inform prospective bidders of the change; provided, however, that all other conditions of the sale shall continue as originally advertised. ~~Bonds shall be sold from time to time pursuant to advertised notice of sale and public bid or by negotiated sale as the Director of the Bureau of the Budget shall, in his sole discretion, determine in order to market the Bonds in an economic, effective manner.~~ Executed Bonds shall, upon payment therefor, be delivered to the purchaser, and the proceeds of Bonds shall be paid into the State Treasury as directed by Section 9 of this Act. The Governor or the Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~ is hereby authorized and directed to execute and deliver contracts of sale with underwriters and to execute and deliver such certificates, indentures, agreements and documents, including any supplements or amendments thereto, and to take such actions and do such things as shall be necessary or desirable to carry out the purposes of this Act. Any action authorized or permitted to be taken by the Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~ pursuant to this Act is hereby authorized to be taken by any person specifically designated by the Governor to take such action in a certificate signed by the Governor and filed with the Secretary of State.

(Source: P.A. 84-111; revised 8-23-03.)

(30 ILCS 425/8.5 new)

Sec. 8.5. Truth in borrowing disclosures.

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

(b) Within 10 days after the issuance of any refunding bonds under Section 15 of this Act, the Director of the Governor's Office of Management and Budget shall publish a truth in borrowing disclosure that discloses the estimated present-valued savings to be obtained through the refunding, in total and by each fiscal year that the refunding Bonds may be outstanding.

(c) The disclosures required in subsections (a) and (b) shall be published by posting the disclosures for no less than 30 days on the web site of the Governor's Office of Management and Budget and by providing the disclosures in written form to the Illinois Economic and Fiscal Commission. These disclosures shall be calculated assuming Bonds are not redeemed or refunded prior to their stated maturities. Amounts included in these disclosures as payment of interest on variable rate Bonds shall be the maximum amounts of interest that may be payable during each fiscal year, after taking into account any credits permitted in the related indenture or other instrument against the amount of such interest for each fiscal year.

(30 ILCS 425/15) (from Ch. 127, par. 2815)

Sec. 15. Refunding Bonds. Refunding Bonds are hereby authorized for the purpose of refunding any outstanding Bonds, including the payment of any redemption premium thereon, any reasonable expenses of such refunding, and any interest accrued or to accrue to the earliest or any subsequent date of redemption or maturity of outstanding Bonds; provided that all Bonds in an issue that includes ~~such~~ refunding Bonds shall mature no later than the final maturity date of Bonds being refunded; provided that no refunding Bonds shall be offered for sale unless the net present value of savings to be achieved by the issuance of the refunding Bonds is 3% or more of the amount of the refunding Bonds to be issued; and further provided that no refunding Bonds shall be offered for sale that are expected to refund Bonds under a refunding plan that would have the effect of decreasing the State's principal payments on all Bonds in the fiscal year in which the refunding Bonds are offered or in the next succeeding fiscal year by a total of more than 5% of the principal or redemption amounts due on all then-outstanding Bonds in the fiscal year next succeeding the fiscal year in which the refunding Bonds are offered.

Refunding Bonds may be sold in such amounts and at such times, as directed by the Governor upon recommendation by the Director of the Governor's Office of Management and Budget ~~Bureau of the Budget~~. The Governor shall notify the State Treasurer and Comptroller of such refunding. The proceeds received from the sale of refunding Bonds shall be used for the retirement at maturity or redemption of such outstanding Bonds on any maturity or redemption date and, pending such use, shall be placed in escrow, subject to such terms and conditions as shall be provided for in the Bond Sale Order relating to the refunding Bonds. This Act shall constitute an irrevocable and continuing appropriation of all amounts necessary to establish an escrow account for the purpose of refunding outstanding Bonds and to pay the reasonable expenses of such refunding and of the issuance and sale of the refunding Bonds. Any such escrowed proceeds may be invested and reinvested in direct obligations of the United States of America, maturing at such time or times as shall be appropriate to assure the prompt payment, when due, of the principal of and interest and redemption premium, if any, on the refunded Bonds. After the terms of the escrow have been fully satisfied, any remaining balance of such proceeds and interest, income and profits earned or realized on the investments thereof shall be paid into the General Revenue Fund. The liability of the State upon the refunded Bonds shall continue, provided that the holders thereof shall thereafter be entitled to payment only out of the moneys deposited in the escrow account and the refunded Bonds shall be deemed paid, discharged and no longer to be outstanding.

Except as otherwise herein provided in this Section, such refunding Bonds shall in all other respects be issued pursuant to and subject to the terms and conditions of this Act and shall be secured by and payable from only the funds and sources which are provided under this Act.

(Source: P.A. 84-111; revised 8-23-03.)

Section 999. Effective date. This Act takes effect upon becoming law.".