

SB3311



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

SB3311

Introduced 2/14/2014, by Sen. Jennifer Bertino-Tarrant

SYNOPSIS AS INTRODUCED:

30 ILCS 350/17

from Ch. 17, par. 6917

Amends the Local Government Debt Reform Act. In provisions concerning leases and installment contracts, provides for an exception to the prohibition on indebtedness not exceeding the debt limits provided by applicable law if the indebtedness is incurred by a school district or regional office of education to purchase or lease equipment. Effective July 1, 2014.

LRB098 19902 NHT 55121 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning education.

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 17 as follows:

6 (30 ILCS 350/17) (from Ch. 17, par. 6917)

7 Sec. 17. Leases and installment contracts.

8 (a) Interest not debt; debt on leases and installment
9 contracts. Interest on bonds shall not be included in any
10 computation of indebtedness of a governmental unit for the
11 purpose of any statutory provision or limitation. For bonds
12 consisting of leases and installment or financing contracts,
13 (1) that portion of payments made by a governmental unit under
14 the terms of a bond designated as interest in the bond or the
15 ordinance authorizing such bond shall be treated as interest
16 for purposes of this Section (2) where portions of payments due
17 under the terms of a bond have not been designated as interest
18 in the bond or the ordinance authorizing such bond, and all or
19 a portion of such payments is to be used for the payment of
20 principal of and interest on other bonds of the governmental
21 unit or bonds issued by another unit of local government, such
22 as a public building commission, the payments equal to interest
23 due on such corresponding bonds shall be treated as interest

1 for purposes of this Section and (3) where portions of payments
2 due under the terms of a bond have not been designated as
3 interest in the bond or ordinance authorizing such bond and no
4 portion of any such payment is to be used for the payment of
5 principal of and interest on other bonds of the governmental
6 unit or another unit of local government, a portion of each
7 payment due under the terms of such bond shall be treated as
8 interest for purposes of this Section; such portion shall be
9 equal in amount to the interest that would have been paid on a
10 notional obligation of the governmental unit (bearing interest
11 at the highest rate permitted by law for bonds of the
12 governmental unit at the time the bond was issued or, if no
13 such limit existed, 12%) on which the payments of principal and
14 interest were due at the same times and in the same amounts as
15 payments are due under the terms of the bonds. The rule set
16 forth in this Section shall be applicable to all interest no
17 matter when earned or accrued or at what interval paid, and
18 whether or not a bond bears interest which compounds at certain
19 intervals. For purposes of bonds sold at amounts less than 95%
20 of their stated value at maturity, interest for purposes of
21 this Section includes the difference between the amount set
22 forth on the face of the bond as the original principal amount
23 and the bond's stated value at maturity.

24 This subsection may be made applicable to bonds issued
25 prior to the effective date of this Act by passage of an
26 ordinance to such effect by the governing body of a

1 governmental unit.

2 (b) Purchase or lease of property. The governing body of
3 each governmental unit may purchase or lease either real or
4 personal property, including investments, investment
5 agreements, or investment services, through agreements that
6 provide that the consideration for the purchase or lease may be
7 paid through installments made at stated intervals for a period
8 of no more than 20 years or another period of time authorized
9 by law, whichever is greater; provided, however, that
10 investments, investment agreements, or investment services
11 purchased in connection with a bond issue may be paid through
12 installments made at stated intervals for a period of time not
13 in excess of the maximum term of such bond issue. Each
14 governmental unit may issue certificates evidencing the
15 indebtedness incurred under the lease or agreement. The
16 governing body may provide for the treasurer, comptroller,
17 finance officer, or other officer of the governing body charged
18 with financial administration to act as counter-party to any
19 such lease or agreement, as nominee lessor or seller. When the
20 lease or agreement is executed by the officer of the
21 governmental unit authorized by the governing body to bind the
22 governmental unit thereon by the execution thereof and is filed
23 with and executed by the nominee lessor or seller, the lease or
24 agreement shall be sufficiently executed so as to permit the
25 governmental unit to issue certificates evidencing the
26 indebtedness incurred under the lease or agreement. The

1 certificates shall be valid whether or not an appropriation
2 with respect thereto is included in any annual or supplemental
3 budget adopted by the governmental unit. From time to time, as
4 the governing body executes contracts for the purpose of
5 acquiring and constructing the services or real or personal
6 property that is a part of the subject of the lease or
7 agreement, including financial, legal, architectural, and
8 engineering services related to the lease or agreement, the
9 governing body shall order the contracts filed with its nominee
10 officer, and that officer shall identify the contracts to the
11 lease or agreement; that identification shall permit the
12 payment of the contract from the proceeds of the certificates;
13 and the nominee officer shall duly apply or cause to be applied
14 proceeds of the certificates to the payment of the contracts.
15 The governing body of each governmental unit may sell, lease,
16 convey, and reacquire either real or personal property, or any
17 interest in real or personal property, upon any terms and
18 conditions and in any manner, as the governing body shall
19 determine, if the governmental unit will lease, acquire by
20 purchase agreement, or otherwise reacquire the property, as
21 authorized by this subsection or any other applicable law.

22 All indebtedness incurred under this subsection, when
23 aggregated with the existing indebtedness of the governmental
24 unit, may not exceed the debt limits provided by applicable
25 law, unless the indebtedness is incurred by a school district
26 or regional office of education to purchase or lease equipment.

1 (Source: P.A. 91-493, eff. 8-13-99; 91-868, eff. 6-22-00;
2 92-879, eff. 1-13-03.)

3 Section 99. Effective date. This Act takes effect July 1,
4 2014.