February 29, 2016

ENGROSSED
SENATE BILL No. 306

DIGEST OF SB 306 (Updated February 26, 2016 11:18 am - DI 113)

Citations Affected: IC 5-1.5; IC 5-13.

Synopsis: Bond bank community funding. Amends the Indiana bond bank law to require the county where a qualified entity is located to pay to the bond bank, from any assets of the qualified entity that are in the custody of the county, the amount of certain securities payments that the qualified entity has failed to make. Increases from five years to 10 years the maximum maturity period applicable to municipal securities purchased by the treasurer of state.

Effective: Upon passage.

Head, Bray, Broden, Taylor, Buck
(HOUSE SPONSORS — MAHAN, BROWN T, DELANEY, PORTER)

January 6, 2016, read first time and referred to Committee on Local Government.
January 21, 2016, reported favorably — Do Pass.
January 25, 2016, read second time, ordered engrossed. Engrossed.
January 26, 2016, read third time, passed. Yeas 49, nays 0.

HOUSE ACTION

February 9, 2016, read first time and referred to Committee on Ways and Means.
February 29, 2016, amended, reported — Do Pass.

February 29, 2016

Second Regular Session 119th General Assembly (2016)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2015 Regular Session of the General Assembly.

ENGROSSED
SENATE BILL No. 306

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 5-1.5-8-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. **(a)** Notwithstanding any other provision of law, to the extent that any department or agency of the state, including the treasurer of state, is the custodian of money payable to the qualified entity (other than for goods or services provided by the qualified entity), at any time after written notice to the department or agency head from the bank that the qualified entity is in default on the payment of principal or interest on the securities of the qualified entity then held or owned by or arising from an agreement with the bank, the department or agency shall withhold the payment of that money from that qualified entity and pay over the money to the bank for the purpose of paying principal of and interest on bonds of the bank. However, the withholding of payment from the qualified entity and payment to the bank under this section must not adversely affect the validity of the security in default.

(b) This subsection applies to securities of a qualified entity acquired by the bank, or arising from an agreement entered into

with the bank, on or after March 1, 2016. Upon receiving notice from the bank that a qualified entity has failed to pay when due the principal or interest on the securities of the qualified entity then held or owned by or arising from an agreement with the bank, the fiscal officer (as defined in IC 36-1-2-7) of the county, for any county in which the qualified entity is wholly or partially located, shall do the following:

(1) Reduce the amount of any revenues or other money or property that:

(A) is held, possessed, maintained, controlled, or otherwise in the custody of the county or a department, an agency, or an instrumentality of the county; and

(B) would otherwise be available for distribution to the qualified entity under any other law;

by an amount equal to the amount of the qualified entity's unpaid securities.

(2) Pay the amount by which the revenues or other money or property is reduced under subdivision (1) to the bank to pay the principal of and interest on bonds or other obligations of the bank.

(3) Notify the qualified entity that the revenues or other money or property, which would otherwise be available for distribution to the qualified entity, has been reduced by an amount necessary to satisfy all or part of the qualified entity's unpaid securities to the bank.

(c) This subsection applies to securities of a qualified entity acquired by the bank, or arising from an agreement with the bank, that is covered by subsection (b). A reduction under subsection (b) must be made as follows:

(1) First, from local income tax distributions under IC 6-3.6-9 that would otherwise be distributed to the qualified entity under the schedules in IC 6-3.6-9-12 and IC 6-3.6-9-16.

(2) Second, from any other revenues or other money or property that:

(A) is held, possessed, maintained, or controlled by, or otherwise in the custody of, the county or a department, an agency, or an instrumentality of the county; and

(B) would otherwise be available for distribution to the qualified entity under any other law.

SECTION 2. IC 5-13-9-2, AS AMENDED BY P.L.102-2014, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) Each officer designated in section 1 of

this chapter may invest or reinvest any funds that are held by the officer and available for investment in any of the following:

(1) Securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States and issued by any of the following:

(A) The United States Treasury.

(B) A federal agency.

(C) A federal instrumentality.

(D) A federal government sponsored enterprise.

(2) Securities fully guaranteed and issued by any of the following:

(A) A federal agency.

(B) A federal instrumentality.

(C) A federal government sponsored enterprise.

(3) Municipal securities issued by an Indiana local governmental entity, a quasi-governmental entity related to the state, or a unit of government, municipal corporation, or special taxing district in Indiana, if the issuer has not defaulted on any of the issuer's obligations within the twenty (20) years preceding the date of the purchase. A security purchased by the treasurer of state under this subdivision must have a stated final maturity of not more than ~~five (5)~~ **ten (10)** years after the date of purchase.

(b) If an investment under subsection (a) is made at a cost in excess of the par value of the securities purchased, any premium paid for the securities shall be deducted from the first interest received and returned to the fund from which the investment was purchased, and only the net amount is considered interest income.

(c) The officer making the investment may sell any securities acquired and may do anything necessary to protect the interests of the funds invested, including the exercise of exchange privileges which may be granted with respect to maturing securities in cases where the new securities offered in exchange meet the requirements for initial investment.

(d) The investing officers of the political subdivisions are the legal custodians of securities under this chapter. They shall accept safekeeping receipts or other reporting for securities from:

(1) a duly designated depository as prescribed in this article; or

(2) a financial institution located either in or out of Indiana having custody of securities with a combined capital and surplus of at least ten million dollars ($10,000,000) according to the last statement of condition filed by the financial institution with its governmental supervisory body.

(e) The state board of accounts may rely on safekeeping receipts or

other reporting from any depository or financial institution.

(f) In addition to any other investments allowed under this chapter, an officer of a conservancy district located in a city having a population of more than five thousand (5,000) but less than five thousand one hundred (5,100) may also invest in:

(1) municipal securities; and

(2) equity securities;

having a stated final maturity of any number of years or having no stated final maturity. The total investments outstanding under this subsection may not exceed twenty-five percent (25%) of the total portfolio of funds invested by the officer of a conservancy district. However, an investment that complies with this subsection when the investment is made remains legal even if a subsequent decrease in the total portfolio invested by the officer of a conservancy district causes the percentage of investments outstanding under this subsection to exceed twenty-five percent (25%).

(g) In addition to any other investments allowed under this chapter, a clerk-treasurer of a town with a population of more than five thousand (5,000) but less than ten thousand (10,000) located in a county having a population of more than one hundred forty thousand (140,000) but less than one hundred fifty thousand (150,000) may also invest money in a host community agreement future fund established by ordinance of the town in:

(1) municipal securities; and

(2) equity securities;

having a stated final maturity of any number of years or having no stated final maturity. The total investments outstanding under this subsection may not exceed twenty-five percent (25%) of the total portfolio of funds invested by the clerk-treasurer of a town. However, an investment that complies with this subsection when the investment is made remains legal even if a subsequent decrease in the total portfolio invested by the clerk-treasurer of a town causes the percentage of investments outstanding under this subsection to exceed twenty-five percent (25%).

SECTION 3. **An emergency is declared for this act.**

COMMITTEE REPORT

Madam President: The Senate Committee on Local Government, to which was referred Senate Bill No. 306, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS.

(Reference is to SB 306 as introduced.)

HEAD, Chairperson

Committee Vote: Yeas 8, Nays 0

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred Senate Bill 306, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Replace the effective dates in SECTIONS 1 through 2 with "[EFFECTIVE UPON PASSAGE]".

Page 1, line 16, after "(b)" insert "**This subsection applies to securities of a qualified entity acquired by the bank, or arising from an agreement entered into with the bank, on or after March 1, 2016.**".

Page 2, line 2, delete "county treasurer," and insert "**fiscal officer (as defined in IC 36-1-2-7) of the county,**".

Page 2, line 23, after "(c)" insert "**This subsection applies to securities of a qualified entity acquired by the bank, or arising from an agreement with the bank, that is covered by subsection (b).**".

Page 2, line 24, delete ":" and insert "**local income tax distributions under IC 6-3.6-9 that would otherwise be distributed to the qualified entity under the schedules in IC 6-3.6-9-12 and IC 6-3.6-9-16.**".

Page 2, delete lines 25 through 34.
Page 4, after line 36, begin a new paragraph and insert:
"SECTION 3. **An emergency is declared for this act.**".

and when so amended that said bill do pass.

(Reference is to SB 306 as printed January 22, 2016.)

BROWN T

Committee Vote: yeas 21, nays 0.