

IN THE SENATE

SENATE BILL NO. 1272

BY STATE AFFAIRS COMMITTEE

AN ACT

1 RELATING TO THE SCHOOL DISTRICT BOND CREDIT ENHANCEMENT PROGRAM; AMENDING
2 SECTION 57-728, IDAHO CODE, TO RAISE THE AGGREGATE GUARANTEE LIMIT OF
3 THE CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICT BONDS, TO RAISE THE
4 PER DISTRICT GUARANTEE LIMIT UNDER THE CREDIT ENHANCEMENT PROGRAM FOR
5 SCHOOL DISTRICT BONDS, TO PROVIDE APPLICATION AND TO PROVIDE CORRECT
6 TERMINOLOGY; AND DECLARING AN EMERGENCY.
7

8 Be It Enacted by the Legislature of the State of Idaho:

9 SECTION 1. That Section 57-728, Idaho Code, be, and the same is hereby
10 amended to read as follows:

11 57-728. CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICT BONDS. (1)
12 The endowment fund investment board shall administer a school district bond
13 credit enhancement program in accordance with this section and in conjunc-
14 tion with chapter 53, title 33, Idaho Code. This program applies to voter
15 approved bonds issued by school districts. The program is intended to ben-
16 efit school districts by authorizing the board to purchase notes issued by
17 the state of Idaho for the purpose of making debt service payments under
18 the Idaho school bond guaranty program established in chapter 53, title 33,
19 Idaho Code.

20 (2) The board shall promulgate rules to implement the program. Rules
21 may include the imposition of guaranty and administrative fees upon school
22 districts participating in the program. Rules shall include:

23 (a) The application materials school districts must provide to the
24 board; and

25 (b) The application procedures, submission deadlines, and the time pe-
26 riods for review and approval or denial of an application.

27 (3) A school district that seeks credit enhancement under this program
28 shall first apply to the state treasurer to participate in the Idaho school
29 bond guaranty program established in chapter 53, title 33, Idaho Code. If
30 approved to participate in the Idaho school bond guaranty program, a school
31 district may apply for credit enhancement, as provided in section 33-5310,
32 Idaho Code. The board shall approve or deny applications as set forth in rule
33 but not longer than twenty (20) days following the submission of a complete
34 application to the board. Nothing contained herein shall prohibit a school
35 district from reapplying following a rejected application.

36 (4) Upon approval of a school district's application to participate in
37 the credit enhancement program, the following shall be in effect in the event
38 moneys from the sales tax account or from the provisions of section 33-5309,
39 Idaho Code, are insufficient to pay a debt service payment under the Idaho
40 school bond guaranty program:

41 (a) The board may purchase on behalf of the public school endow-
42 ment fund, or from other funds administered by the board, notes from

1 the state issued by the state treasurer, in accordance with section
2 33-5308, Idaho Code, under such terms as are negotiated between the
3 board and the state treasurer; or

4 (b) Upon the request of the state treasurer pursuant to section
5 33-5308, Idaho Code, the board shall purchase on behalf of the public
6 school endowment fund notes issued by the state treasurer, the proceeds
7 of which shall be sufficient to pay the debt service payments as they
8 become due.

9 (5) Notes purchased by the board pursuant to subsection (4) (b) of this
10 section shall be subject to the following terms and conditions:

11 (a) The notes shall bear interest at a rate equal to the annual rate of
12 one (1) year treasury bills, as published by the federal reserve board
13 as of the date of the request of the state treasurer, plus four hundred
14 (400) basis points, plus, for the first six (6) months of the term of the
15 note, an amount, as determined by the board, up to a maximum of fifty
16 (50) basis points, to cover all additional administrative and transac-
17 tion costs related to the purchase of the notes;

18 (b) The notes will have a maximum term of one (1) year, and may be re-
19 newed at the request of the state treasurer;

20 (c) The notes, including principal and interest, shall be repaid from
21 the school district's next payments pursuant to section 33-5307, Idaho
22 Code, as collected by the state treasurer;

23 (d) The state may make additional payments on the note;

24 (e) The board may require the state treasurer to compel the school dis-
25 trict to modify its fiscal practices and its general operations if the
26 board determines that there is a substantial likelihood that the school
27 district will not be able to make future payments required under this
28 section.

29 (6) The provisions of this section shall not be deemed to interfere with
30 the state treasurer's ability in chapter 53, title 33, Idaho Code, to obtain
31 repayment of a delinquent obligation.

32 (7) For purposes of administering the provisions of this section, the
33 board shall make available the sum of ~~two~~ three hundred million dollars
34 (\$2300,000,000) from the public school endowment fund, for purposes of pur-
35 chasing notes as authorized by this section. Nothing in this section shall
36 require the board to hold at any time in excess of ~~two~~ three hundred million
37 dollars (\$2300,000,000) in notes issued pursuant to the credit enhancement
38 program. The principal amount of bonds guaranteed by the credit enhancement
39 program shall not be greater than four (4) times the amount made available by
40 the board from the public school ~~permanent~~ endowment fund for the purpose of
41 purchasing notes.

42 ~~On and after the effective date of this section, t~~The aggregate
43 principal amount of school district bonds outstanding that may be guaran-
44 teed by the credit enhancement program shall not exceed ~~twenty~~ forty million
45 dollars (\$240,000,000) per school district. ~~Notwithstanding this maximum~~
46 ~~limit, credit enhancement of bond guaranties for bonds issued prior to July~~
47 ~~1, 2007, exceeding the twenty million dollar (\$20,000,000) maximum limit~~
48 ~~shall remain in effect.~~ In the event school districts consolidate, the
49 maximum credit enhancement of the bonds of the newly consolidated school
50 district shall be the sum of the maximum limit of each school district par-

1 ticipating in the consolidation. The state treasurer shall monitor the
2 principal amounts of each school district participating in the credit en-
3 hancement program and provide such information to the board.

4 (9) Any bond originally guaranteed under this chapter shall no longer
5 be considered guaranteed from and after the date on which that bond no longer
6 has the benefit of the Idaho school bond guaranty program established in
7 chapter 53, title 33, Idaho Code.

8 SECTION 2. An emergency existing therefor, which emergency is hereby
9 declared to exist, this act shall be in full force and effect on and after its
10 passage and approval.