

SENATE BILL No. 306

DIGEST OF INTRODUCED BILL

Citations Affected: IC 5-1.5-8-5; IC 5-13-9-2.

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 any 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: July 1, 2016.

Head

January 6, 2016, read first time and referred to Committee on Local Government.



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.

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:

1 SECTION 1. IC 5-1.5-8-5 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 5. **(a)** Notwithstanding
3 any other provision of law, to the extent that any department or agency
4 of the state, including the treasurer of state, is the custodian of money
5 payable to the qualified entity (other than for goods or services
6 provided by the qualified entity), at any time after written notice to the
7 department or agency head from the bank that the qualified entity is in
8 default on the payment of principal or interest on the securities of the
9 qualified entity then held or owned by or arising from an agreement
10 with the bank, the department or agency shall withhold the payment of
11 that money from that qualified entity and pay over the money to the
12 bank for the purpose of paying principal of and interest on bonds of the
13 bank. However, the withholding of payment from the qualified entity
14 and payment to the bank under this section must not adversely affect
15 the validity of the security in default.

16 **(b) Upon receiving notice from the bank that a qualified entity**
17 **has failed to pay when due the principal or interest on the**



1 securities of the qualified entity then held or owned by or arising
 2 from an agreement with the bank, the county treasurer, for any
 3 county in which the qualified entity is wholly or partially located,
 4 shall do the following:

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

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

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

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

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

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

23 (c) A reduction under subsection (b) must be made as follows:

24 (1) First, from:

25 (A) county adjusted gross income tax distributions under
 26 IC 6-3.5-1.1;

27 (B) county option income tax distributions under
 28 IC 6-3.5-6; or

29 (C) county economic development income tax distributions
 30 under IC 6-3.5-7;

31 that would otherwise be distributed to the qualified entity
 32 under the schedule in IC 6-3.5-1.1-10, IC 6-3.5-1.1-21.1,
 33 IC 6-3.5-6-16, IC 6-3.5-6-17.3, IC 6-3.5-7-17, or
 34 IC 6-3.5-7-17.3, whichever is applicable.

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

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

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

42 SECTION 2. IC 5-13-9-2, AS AMENDED BY P.L.102-2014,



1 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
2 JULY 1, 2016]: Sec. 2. (a) Each officer designated in section 1 of this
3 chapter may invest or reinvest any funds that are held by the officer and
4 available for investment in any of the following:

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

8 (A) The United States Treasury.

9 (B) A federal agency.

10 (C) A federal instrumentality.

11 (D) A federal government sponsored enterprise.

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

13 (A) A federal agency.

14 (B) A federal instrumentality.

15 (C) A federal government sponsored enterprise.

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

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

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

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

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

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



1 governmental supervisory body.

2 (e) The state board of accounts may rely on safekeeping receipts or
3 other reporting from any depository or financial institution.

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

8 (1) municipal securities; and

9 (2) equity securities;

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

19 (g) In addition to any other investments allowed under this chapter,
20 a clerk-treasurer of a town with a population of more than five
21 thousand (5,000) but less than ten thousand (10,000) located in a
22 county having a population of more than one hundred forty thousand
23 (140,000) but less than one hundred fifty thousand (150,000) may also
24 invest money in a host community agreement future fund established
25 by ordinance of the town in:

26 (1) municipal securities; and

27 (2) equity securities;

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

