



February 29, 2016

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## ENGROSSED SENATE BILL No. 306

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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.

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### Head, Bray, Broden, Taylor, Buck

(HOUSE SPONSORS — MAHAN, BROWN T, DELANEY, PORTER)

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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.

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ES 306—LS 6459/DI 97





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

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

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

ES 306—LS 6459/DI 97



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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

- 6 (A) The United States Treasury.
- 7 (B) A federal agency.
- 8 (C) A federal instrumentality.
- 9 (D) A federal government sponsored enterprise.

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

- 11 (A) A federal agency.
- 12 (B) A federal instrumentality.
- 13 (C) A federal government sponsored enterprise.

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

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

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

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

- 36 (1) a duly designated depository as prescribed in this article; or
- 37 (2) a financial institution located either in or out of Indiana having  
38 custody of securities with a combined capital and surplus of at  
39 least ten million dollars (\$10,000,000) according to the last  
40 statement of condition filed by the financial institution with its  
41 governmental supervisory body.

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



1 other reporting from any depository or financial institution.

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

6 (1) municipal securities; and

7 (2) equity securities;

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

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

24 (1) municipal securities; and

25 (2) equity securities;

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

35 **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.

