

SENATE BILL NO. 4—COMMITTEE OF THE WHOLE

JULY 9, 2020

Referred to Committee of the Whole

SUMMARY—Revises provisions governing public borrowing.
(BDR 30-19)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to state securities; authorizing the State Board of Finance to issue interim debentures to fund the general operations of the State; revising provisions governing payments made from the Consolidated Bond Interest and Redemption Fund; revising provisions governing the fixing of interest rates for certain state securities; revising provisions governing the issuance of interim debentures; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law requires the State Treasurer to make payments for the redemption of outstanding bonds, the interest thereon and any bank service charges from the Consolidated Bond Interest and Redemption Fund. (NRS 349.110) **Section 2** of this bill removes the term “bank service charges” and, instead, requires the State Treasurer to make payments for bond administrative expenses, including expenses incurred to administer an interim debenture line of credit, notes or bonds, from the Consolidated Bond Interest and Redemption Fund.

Existing law provides that an act or resolution authorizing the issuance of state securities or any trust indenture or other instrument appertaining thereto may fix a rate or rates of interest or provide for the determination of the rate or rates from time to time by a designated agent. (NRS 349.227) **Section 3** of this bill authorizes an act or resolution to include such terms if the act or resolution is for the issuance of securities bearing interest at a variable rate of interest or securities with a term of 270 days or less issued as commercial paper under a program for the issuance of commercial paper to be used for certain purposes. **Section 3** also requires such an act or resolution to specify parameters for the interest rate if it is to be fixed by an agent.

Existing law authorizes certain entities, before the sale of bonds, to delegate to the State Treasurer the authority to sign a contract for the purchase of the bonds or to accept a binding bid for the bonds, subject to certain requirements.



(NRS 349.303) **Section 4** of this bill authorizes such authority to also be delegated to the agent who is designated to fix interest rates.

Existing law authorizes the State to issue general obligation interim debentures and special obligation interim debentures to evidence certain amounts borrowed by the State. (NRS 349.318) **Section 5** of this bill authorizes such interim debentures to be in the form of a note, bond or line of credit agreement, the proceeds of which are used for the general operations of the State or to pay the costs of a project. **Section 5** also authorizes interim debentures and bond administrative expenses to be secured by the pledge of, security interest in and first lien on certain money and revenues. **Section 1** of this bill authorizes the State Board of Finance to issue general obligation interim debentures and special obligation interim debentures for the purpose of paying for the general operations of the State, provided that the aggregate principal amount of any such interim debentures outstanding at one time cannot exceed \$150,000,000.

Existing law requires an interim debenture to mature within 5 years and requires the proceeds of interim debentures to be used to defray the cost of a project. (NRS 349.322) **Section 6** of this bill requires an interim debenture in the form of a line of credit to mature within 3 years from the first date on which a draw is made under the line of credit.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 349 of NRS is hereby amended by adding thereto a new section to read as follows:

1. For the purpose of paying for the general operations of the State, at any time or from time to time, the State Board of Finance may issue general obligation interim debentures payable from taxes or special obligation interim debentures, which may be in the form of a line of credit, note or bond as provided by NRS 349.318. The aggregate principal amount of such interim debentures outstanding at one time may not exceed \$150,000,000.

2. Proceeds from the sale of interim debentures issued pursuant to this section must be deposited in the State General Fund. The interest and income earned on the proceeds of the interim debentures, including any line of credit, note or bond, after deducting any applicable charges and bond administrative expenses, must be credited to the State General Fund and used for the general operations of the State.

3. The provisions of NRS 349.150 to 349.364, inclusive, which are not inconsistent with the provisions of this section apply to the issuance of interim debentures under this section.

4. Securities may be issued under this section without regard to the procedure required by any other such law except as otherwise provided in this section or in NRS 349.150 to 349.364, inclusive. Insofar as the provisions of this section are inconsistent with the provisions of any other law, general or special, the provisions of this section are controlling.



5. *This section being necessary to secure the public health, safety, convenience and welfare, shall be liberally construed to effect its purposes.*

6. *As used in this section, "bond administrative expense" has the meaning ascribed to it in NRS 349.110.*

Sec. 2. NRS 349.110 is hereby amended to read as follows:

349.110 1. After March 28, 1939, so long as there shall be any outstanding bonds in the name of the State of Nevada, the State Treasurer shall make payment for redemption of such bonds, the interest thereon and any ~~[bank service charges]~~ *bond administrative expenses* from the Consolidated Bond Interest and Redemption Fund.

2. *As used in this section, "bond administrative expense" means any expense incurred by the State Treasurer, the State Board of Finance, bond trustees, paying agents, arbitrage compliance agents or any other person or entity to administer an interim debenture line of credit, notes or bonds in the name of the State of Nevada, or as otherwise necessary to ensure compliance with state or federal law.*

Sec. 3. NRS 349.227 is hereby amended to read as follows:

349.227 1. ~~[The]~~ *In the case of securities bearing interest at a variable rate of interest, or in the case of securities with a term of 270 days or less issued as commercial paper under a program for the issuance of commercial paper to fund the costs of a project, to be deposited into the State General Fund and used for the general operations of the State or to refinance any previously issued commercial paper or other securities, the* act or resolution authorizing the issuance of any state securities or any trust indenture or other instrument appertaining thereto may fix a rate or rates of interest or provide for the determination of the rate or rates from time to time by a designated agent according to the procedure specified in that resolution or other instrument. The rate so determined must approximate the rates then being paid for other securities which contain similar provisions and have an equivalent rating. The Commission may contract with or select any person *to act as an agent* to make that determination ~~[.]~~ *and shall specify parameters for the interest rate if it is fixed by such an agent.*

2. The Commission may enter into an agreement with a third party for an assurance of payment of the principal of, the interest on, or premiums, if any, due in connection with any state securities issued by the Commission. The obligation of the Commission to reimburse that third party for any advances made pursuant to that agreement may be provided in that agreement, recited in those securities or evidenced by another instrument as designated in the act or resolution authorizing the issuance of those securities or any



1 other instrument appertaining thereto. The Commission may assign
2 its rights under that agreement.

3 **Sec. 4.** NRS 349.303 is hereby amended to read as follows:

4 349.303 1. The Commission may, before any sale of bonds,
5 delegate to the Treasurer or his or her designee, *or an agent in the*
6 *case of securities described in subsection 1 of NRS 349.227*, the
7 authority to sign a contract for the purchase of the bonds or to accept
8 a binding bid for the bonds subject to the requirements specified by
9 the Commission concerning:

10 (a) The rate of interest on the bonds;

11 (b) The dates on which and the prices at which the bonds may
12 be called for redemption before maturity;

13 (c) The price at which the bonds will be sold; and

14 (d) The principal amount of the bonds and the amount of
15 principal maturing in any particular year.

16 2. All terms of the bonds other than:

17 (a) The rate of interest;

18 (b) The dates and prices for the redemption of the bonds;

19 (c) The price for the sale of the bonds;

20 (d) The principal amount of the bonds; and

21 (e) The requirements for the principal maturing in particular
22 years,

23 ➤ must be approved by the Commission before the bonds are
24 delivered.

25 3. The final rate of interest, dates and prices of redemption,
26 price for the sale of the bonds, principal amount and the
27 requirements for the principal amount maturing in particular years
28 are not required to be approved by the Commission if each of those
29 terms complies with the requirements specified by the Commission
30 before the contract for the purchase of the bonds is signed or the bid
31 for the bonds is accepted.

32 **Sec. 5.** NRS 349.318 is hereby amended to read as follows:

33 349.318 1. Notwithstanding any limitation or other provision
34 herein, whenever the State is authorized to issue general obligation
35 bonds, regardless of whether majorities of the qualified electors of
36 the State voting on a proposal to issue the general obligation bonds
37 have authorized their issuance by the State for any project, the State
38 is authorized to borrow money without any other election in
39 anticipation of the proceeds of taxes, the proceeds of the bonds, the
40 proceeds of pledged revenues, or any other moneys of the State, or
41 any combination thereof, and to issue general obligation interim
42 debentures to evidence the amount so borrowed.

43 2. The State also is authorized to borrow money without any
44 election in anticipation of the proceeds of revenue bonds or any
45 other special obligations of the State and of its pledged revenues, or



1 any combination thereof, but excluding the proceeds of any taxes,
2 and to issue special obligation interim debentures to evidence the
3 amount so borrowed.

4 *3. General obligation interim debentures and special*
5 *obligation interim debentures may be in the form of a note, bond*
6 *or line of credit agreement with a bank or other lender under*
7 *which moneys are deposited into the State General Fund, either at*
8 *one time or from time to time, and used for the general operations*
9 *of the State or to pay the costs of a project.*

10 *4. Any general obligation interim debentures or special*
11 *obligation interim debentures issued pursuant to this section and*
12 *any bond administrative expenses may be additionally secured by*
13 *pledged revenue for the benefit of the owners of the interim*
14 *debentures and the obligees under any agreement described in*
15 *subsection 3, by the pledge of, security interest in and first lien on*
16 *all or a portion of the following, if applicable:*

17 *(a) Unrestricted revenues, including tax revenues, payable to*
18 *the State General Fund to be used for the general operations of*
19 *the State; or*

20 *(b) Money related to the interim debentures held on deposit in*
21 *any other fund or account under any instrument or agreement*
22 *pertaining to the interim debentures, including, without limitation,*
23 *reserves therefor and income on such money.*

24 *5. As used in this section, “bond administrative expense”*
25 *means any expense incurred by the State Treasurer, the State*
26 *Board of Finance, bond trustees, paying agents, arbitrage*
27 *compliance agents or any other person or entity to administer an*
28 *interim debenture line of credit, notes or bonds in the name of the*
29 *State of Nevada, or as otherwise necessary to ensure compliance*
30 *with state or federal law.*

31 **Sec. 6.** NRS 349.322 is hereby amended to read as follows:

32 349.322 1. Any interim debentures may mature at such time
33 or times not exceeding a period of time equal to the estimated time
34 needed to effect the purpose or purposes for which they are issued
35 or for which the bonds are authorized to be issued, but not
36 exceeding 5 years from the date of the interim debentures, *or in the*
37 *case of interim debentures in the form of a line of credit*
38 *agreement, not exceeding 3 years from the first date on which a*
39 *draw is made under the line of credit agreement,* as the
40 Commission may determine.

41 2. The proceeds of interim debentures shall be used to defray
42 the cost of a project **H** *or for the purposes set forth in*
43 *NRS 349.318.*

44 3. Any notes or warrants or both notes and warrants may be
45 funded with the proceeds of interim debentures, as well as bonds



1 authorized by the Commission authorizing the issuance of the
2 funded securities.

3 4. Except as otherwise provided in NRS 349.318 to 349.328,
4 inclusive, interim debentures shall be issued as provided herein for
5 state securities in NRS 349.230 to 349.316, and 349.352 to 349.364,
6 inclusive.

7 **Sec. 7.** Notwithstanding the provisions of NRS 218D.430, a
8 committee may vote on this act before the expiration of the period
9 for the return of a fiscal note in NRS 218D.475. This section applies
10 retroactively from and after July 8, 2020.

11 **Sec. 8.** This act becomes effective upon passage and approval.



