

January 28, 1998

HOUSE BILL No. 1357

DIGEST OF HB1357 (Updated January 27, 1998 12:28 pm - DI 73)

Citations Affected: IC 20-12-7-2; IC 20-12-8-2; IC 20-12-9.5.

Synopsis: University bonds and borrowings. Provides that certain bonds issued by state universities may bear interest at fixed or variable rates. Authorizes state universities to borrow funds on a temporary basis in anticipation of the issuance of long term obligations and to negotiate a loan, line of credit, or other credit facility.

Effective: Upon passage.

Buell, Cochran, Frenz

January 13, 1998, read first time and referred to Committee on Ways and Means.
January 27, 1998, reported — Do Pass.

C
O
P
Y

HB 1357—LS 6999/DI 44



January 28, 1998

Second Regular Session 110th General Assembly (1998)

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 1997 General Assembly.

C
O
P
Y

HOUSE BILL No. 1357

A BILL FOR AN ACT to amend the Indiana Code concerning education.

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

- 1 SECTION 1. IC 20-12-7-2 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) For the
3 purpose of raising funds for the acquisition of property and the
4 erection, construction, remodeling, renovation, furnishing, and
5 equipping of property, the trustees, respectively, may issue and sell
6 bonds of the institution. The bonds, and the interest on the bonds, may
7 be secured by pledge or mortgage of:
8 (1) any property, real or personal, used or acquired or to be
9 acquired and used for the purposes described under this chapter
10 and the improvements made or to be made on the property;
11 (2) the net income from the property;
12 (3) the property and the net income from the property; or
13 (4) any unobligated net income of any property financed under
14 this chapter;
15 as the trustees may determine.
16 (b) The lien of the pledge or mortgage, to the extent of the lien, as
17 determined and provided by the respective trustees, and as authorized

HB 1357—LS 6999/DI 44



1 under this chapter, shall be a first and primary lien for the payment of
2 the bonds secured and the interest on the bonds.

3 (c) The bonds may be issued for the amount or amounts as the
4 trustees shall determine. However, these amounts may not exceed:

5 (1) the total estimated cost of acquiring, erecting, constructing,
6 remodeling, renovating, completing, equipping, and furnishing
7 any property as the respective trustees determine the cost to be;
8 plus

9 (2) incidental expenses, financing costs, underwriter's discount,
10 funded or capitalized interest, municipal bond insurance
11 premiums, or funding debt service reserve funds from bond
12 proceeds.

13 (d) The bonds may be issued in the denominations **and** with the
14 maturities **and for the rate of interest** as the respective trustees **fix and**
15 determine, and, in the discretion of the respective trustees, the bonds
16 may be sold either at public or negotiated sale as provided by IC 4-1-5.
17 **The rate or rates of interest on the bonds may be fixed or variable.**
18 **Variable rates shall be determined in the manner and in**
19 **accordance with the procedures set forth in the resolution or**
20 **indenture authorizing the issuance of the bonds. Bonds bearing a**
21 **variable rate of interest may be converted to bonds bearing a fixed**
22 **rate or rates of interest to the extent and in the manner set forth in**
23 **the resolution or indenture pursuant to which the bonds are issued.**
24 **The interest may be payable semiannually, annually, or at any**
25 **other interval or intervals provided in the resolution, or the**
26 **interest may be compounded and paid at maturity or at any other**
27 **time as specified in the resolution or indenture. The bonds may be**
28 **made subject to redemption by the corporation at the times and**
29 **under the circumstances set forth in the authorizing resolution or**
30 **indenture.**

31 (e) The bonds and the pledge or mortgage securing the bonds, shall
32 be issued, and made in the name, and on behalf of the respective
33 corporations by the officer or officers as the trustees respectively
34 designate.

35 SECTION 2. IC 20-12-8-2 IS AMENDED TO READ AS
36 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) For the
37 purpose of raising funds for the acquisition of property and the
38 erection, construction, reconstruction, extension, remodeling,
39 improvement, completion, equipping, and furnishing of property, the
40 governing boards of the corporations, respectively, may issue and sell
41 bonds of the corporations. The bonds and the interest on the bonds may
42 be secured by pledge or mortgage of:

C
O
P
Y

1 (1) any property, real or personal, used or acquired or to be
 2 acquired and used for such purposes, and the improvements made
 3 or to be made on the property;

4 (2) the net income from the property;

5 (3) the property and the net income from the property; or

6 (4) any unobligated net income of any property financed under
 7 this chapter;

8 as the governing boards may determine.

9 (b) The lien of the pledge or mortgage, to the extent of the lien, as
 10 determined and provided by the respective governing boards, and as
 11 authorized under this chapter, shall be a first and primary lien for the
 12 payment of the bonds and the interest on the bonds.

13 (c) The bonds may be issued for an amount or amounts as the
 14 governing boards shall determine. However, these amounts may not
 15 exceed:

16 (1) the total estimated cost of acquiring property for and erecting,
 17 constructing, reconstructing, extending, remodeling, improving,
 18 completing, equipping, furnishing, and financing the proposed
 19 property as the respective governing boards determine the cost to
 20 be; plus

21 (2) incidental expenses, financing costs, underwriter's discount,
 22 funded or capitalized interest, municipal bond insurance
 23 premiums, or funding debt service reserve funds from bond
 24 proceeds.

25 (d) The bonds may be issued in the denominations **and** with the
 26 maturities ~~and for the rate of interest~~ as the respective governing boards
 27 ~~fix and~~ determine, and, in the discretion of the respective boards, the
 28 bonds may be sold either at public or negotiated sale, as provided by
 29 IC 4-1-5-1. **The rate or rates of interest on the bonds may be fixed**
 30 **or variable. Variable rates shall be determined in the manner and**
 31 **in accordance with the procedures set forth in the resolution or**
 32 **indenture authorizing the issuance of the bonds. Bonds bearing a**
 33 **variable rate of interest may be converted to bonds bearing a fixed**
 34 **rate or rates of interest to the extent and in the manner set forth in**
 35 **the resolution or indenture pursuant to which the bonds are issued.**
 36 **The interest may be payable semiannually, annually, or at any**
 37 **other interval or intervals provided in the resolution, or the**
 38 **interest may be compounded and paid at maturity or at any other**
 39 **time as specified in the resolution or indenture. The bonds may be**
 40 **made subject to redemption by the corporation at the times and**
 41 **under the circumstances set forth in the authorizing resolution or**
 42 **indenture.**



C
O
P
Y

1 (e) The bonds and the pledge or mortgage securing the bonds, shall
 2 be issued and made in the name, and on behalf of the respective
 3 corporations by the officer or officers as the governing boards
 4 respectively designate.

5 SECTION 3. IC 20-12-9.5 IS ADDED TO THE INDIANA CODE
 6 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 7 UPON PASSAGE]:

8 **Chapter 9.5. Temporary Borrowings**

9 **Sec. 1. As used in this chapter, "corporation" means the trustees**
 10 **of Indiana University, the trustees of Purdue University, the**
 11 **University of Southern Indiana board of trustees, the Ball State**
 12 **University board of trustees, the Indiana State University board of**
 13 **trustees, the board of trustees for Vincennes University, or the**
 14 **trustees of Ivy Tech State College.**

15 **Sec. 2. As used in this chapter, "obligations" means bonds,**
 16 **notes, or other evidence of indebtedness or other obligation issued**
 17 **by a corporation.**

18 **Sec. 3. A corporation may borrow funds on a temporary basis**
 19 **in anticipation of the issuance of long term obligations and use the**
 20 **proceeds of a temporary borrowing for any purpose for which the**
 21 **corporation could issue obligations under IC 20-12-6, IC 20-12-7,**
 22 **IC 20-12-8, or IC 20-12-9. A temporary borrowing may be issued:**

- 23 (1) in the form of a bond, note, commercial paper, or any
 24 other form;
 25 (2) upon the terms and conditions and with the provisions,
 26 including redemption provisions;
 27 (3) at the rate or rates of interest (fixed or variable); and
 28 (4) in the denominations, which may be made convertible into
 29 different denominations;

30 as the corporation determines by the adoption of a resolution or
 31 approval of a form of indenture between the corporation and a
 32 designated corporate trustee, or both. A corporation may negotiate
 33 the terms of any temporary borrowing.

34 **Sec. 4. A corporation may negotiate a loan, line of credit, or**
 35 **other credit facility and issue a note for a credit facility with any**
 36 **institution or entity on the terms and conditions that the**
 37 **corporation determines by the adoption of a resolution or approval**
 38 **of an agreement between the corporation and the institution or**
 39 **entity.**

40 **Sec. 5. A corporation may pledge and assign for the benefit of**
 41 **holders of temporary obligations or a credit facility under this**
 42 **chapter any security that the corporation may pledge and assign**



C
O
P
Y

1 for the payment of bonds or notes under IC 20-12-6, IC 20-12-7,
2 IC 20-12-8, or IC 20-12-9.

3 Sec. 6. The powers of a corporation under this chapter are in
4 addition to all other powers of a corporation to issue obligations.

5 SECTION 4. An emergency is declared for this act.

C
o
p
y



COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1357, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

BAUER, Chair

Committee Vote: yeas 22, nays 0.

C
o
p
y

