START\_STATUTE15-1696.  Commercial paper; requirements

A.  The board has the power and is hereby authorized to issue commercial paper from time to time to provide short‑term financing for any capital project or costs and expenses related to a capital project of one or more institutions or to provide for payment of commercial paper or other obligations previously issued. The commercial paper may be issued as notes or other obligations, to be issued as a single instrument or as a succession of instruments, each of which matures in not more than two hundred seventy days, to provide for payment of instruments previously issued.

B.  The following apply to commercial paper issued under this section:

1.  Commercial paper may be issued pursuant to a resolution of the board or pursuant to board-authorized agreements.

2.  The board's repayment obligations on commercial paper may be payable from and secured by a pledge of the same sources and covenants allowed by section 15-1685, or other sources that may be pledged without violating article IX, section 5, Constitution of Arizona, or may be payable from amounts budgeted and allocated by the board for that purpose for the current fiscal period.

3.  Any commercial paper payable from amounts budgeted and allocated by the board for that purpose for the current fiscal period shall provide that both:

(a)  The obligation of the board to make any payments for or related to the commercial paper is a current expense of the board and is not a general obligation indebtedness of the board or this state.

(b)  If the board fails to budget and allocate monies for any periodic payment or renewal term for any future fiscal period, the board's obligation to make payments for or related to the commercial paper ceases at the end of the current fiscal period, and the board and this state are relieved of any subsequent payment obligations.

4.  The board shall establish by resolution or in the authorizing agreement a final maturity date or final renewal period for commercial paper and a maximum rate of interest for commercial paper issued pursuant to this section.  The individual instruments representing the commercial paper may bear interest at rates not exceeding the maximum rate established by the board, may mature and be retired, including with the proceeds of subsequent instruments, over periods ending not later than the final maturity date or renewal period established by the board and may be retired with the proceeds of bonds or other obligations of the board.

5.  Commercial paper may be sold through an agent or dealer that is recognized in municipal finance.  Commercial paper shall mature at intervals, bear interest, be in the form, be executed and have such other terms and conditions as provided by the board.

6.  In connection with the commercial paper requirements of this section, the board may:

(a)  Contract with a bank or other financial institution, insurance company or indemnity company to provide additional security for the commercial paper in the form of a letter of credit, a line of credit, an insurance policy or other security.

(b)  Pay the costs of the additional security from amounts provided by the commercial paper or from other lawfully available sources and may enter into reimbursement obligations in connection with the cost of that additional security.

7.  Any reimbursement obligation entered into with a bank or other financial institution, insurance company or indemnity company may not provide for the payment of interest in excess of the maximum interest rate established by the board for the commercial paper or a different maximum interest rate established by the board for the reimbursement obligation. The reimbursement obligation may be payable from the same source as the commercial paper or from other lawfully available monies of the board but may not constitute a general obligation of the board or this state.

8.  Any commercial paper issued by the board pursuant to this section shall be repaid within two hundred seventy days, and at no time shall the outstanding principal amount of commercial paper be more than twenty‑five percent of a university's total debt capacity as reported to the board pursuant to section 15‑1683, subsection A, paragraph 1. END\_STATUTE