



# HOUSE OF REPRESENTATIVES

HB 2301

bonding; sale; premiums; refunding; refinance  
Prime Sponsor: Representative Weninger, LD 17

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**DP** Committee on Ways and Means

**DP** Caucus and COW

**X** House Engrossed

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## OVERVIEW

HB 2301 modifies procedures for the issuance of bonds and refunding bonds in various political subdivisions.

## PROVISIONS

### *General Obligation Bond Liens*

1. Requires all general obligation bonds to be secured by a lien.
2. Specifies that the lien arises automatically with no need for action or authorization by the governing body and is valid from the time the bond is issued.
3. Stipulates that all tax levy revenues are subject to the lien.
4. Specifies that the lien is enforceable against the political subdivision, its successors, transferees, creditors and all other parties asserting rights in the revenues, regardless of whether the parties were given notice of the lien.

### *Net Premium Use*

5. Removes the bond and refunding bond net premium caps.
6. Allows net premium to be used for any purpose if all of the following apply:
  - a. Use of the net premium was approved by the voters.
  - b. Available capacity exists under the political subdivision's debt limitations.
  - c. The net premium will reduce the available aggregate debt capacity and the principal amount authorized by the voters.
7. Stipulates that, if a refunding bond net premium is used to fund the escrow account to pay the bonds and the principal amount of the refunding bond is less than the principal amount of the bond being refunded, the difference must be used to reduce the available aggregate debt capacity of the political subdivision.
  - a. Prohibits the difference in principal of the refunding bond and the bond being refunded from exceeding the available aggregate debt capacity of the political subdivision.
  - b. Specifies that the difference in principal amounts will not cause any increase or decrease in the original principal amount authorized at the bond election.

### *Issuance of Refunding Bonds*

8. Stipulates that the holder of any refunding bonds issued after August 31, 2016 and before the bond date of maturity must rely on the sufficiency of the funds or securities held in trust for the payment of the refunding bonds.

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9. Clarifies that a holder of refunding bonds may rely on a tax levy for the payment of principal and interest on the refunding bonds if the investments in the redemption funds are insufficient.
10. Limits the aggregate taxes levied to pay the principal and interest on refunding bonds to the aggregate principal and interest accrued on the bonds from the issuance date to the final date of maturity.
11. Requires the following taxes to be levied, with the proceeds kept in a special fund and used only for the purpose for which it was collected:
  - a. Taxes in an amount sufficient to pay:
    - i. The interest on all outstanding refunding bonds issued;
    - ii. The installments of the principal due in the ensuing year; and
    - iii. The annual portion of a sinking fund set up for retirement of the bonds.

### *Refunding Municipal Improvement District Bonds*

12. Repeals and replaces A.R.S. Title 48, Chapter 4, Article 4 relating to municipal improvement district refunding bonds.
13. Authorizes the issuance of municipal improvement district refunding bonds.
14. Requires interest on refunding bonds to be paid semiannually on January 1<sup>st</sup> and July 1<sup>st</sup>.
15. Prohibits refunding bonds from being exchanged for less than a like principal amount of bonds to be refunded.
16. Allows refunding bonds to be sold at, above or below par at a negotiated or public sale or to be exchanged or sold in part.
17. Stipulates that, if a bond is sold, the proceeds, monies in the debt service fund, amounts in any reserve fund and any other amounts may be invested, as long as the investment will mature with interest to provide funds to pay the refunding bond when due or called for redemption.
  - a. Requires investments to be deposited in trust with a national bank that is a member of the Federal Deposit Insurance Corporation and is authorized to do business in this state.
  - b. After a deposit, the refunding bonds are deemed paid and have no further interest in the assessments for the bonds being refunded.
18. Allows the Treasurer to enter into trust agreements with banks for the handling, safekeeping and administration of the amounts and investments that are derived from the refunding bond.
  - a. Requires the investments to be obligations issued by the U.S. government or fully guaranteed by the U.S. government for principal and interest.
19. Stipulates that refunding bonds may only be issued if the total amount of principal and interest on the refunding bonds does not exceed the total amount of remaining principal and interest on the bonds to be refunded.
20. Requires the superintendent to file a modified assessment reflecting any reduction after the issuance of a refunding bond.
  - a. Authorizes the governing body to approve the modified assessment without providing notice or a hearing to the owners of affected parcels, as long as no parcels' assessments are increased.

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- b. Requires the governing body to notice and call a hearing if the modified assessment is an increase.
- 21. Requires refunding bonds to be secured by the assessments levied to pay for the refunding bonds.
- 22. Requires, upon issuance of a refunding bond, the remaining unpaid installments of the assessments to be recalculated and modified so that the collected amount equals the amount necessary to repay the refunding bonds.
- 23. Specifies that payments for a bond being refunded remain in effect, securing the refunding bonds, until the refunding bond is paid in full.
- 24. Stipulates that refunding bonds may only be paid out of a special fund and that the monies in the fund may only be used for the payment of refunding bonds.
- 25. Specifies that the refunding bond assessments are the liens for the bonds being refunded.
- 26. Allows the city treasurer to enter into an agreement with the county treasurer for the county treasurer to collect the special assessments for the refunding bonds.
  - a. The agreement may include payment for expenses of collection by the county treasurer, as well as additional compensation.]
- 27. Specifies that the determination by the board of directors that the limitations and conditions prescribed by this Act have been met is conclusive in the absence of fraud or arbitrary and gross abuse of discretion.

### *Miscellaneous*

- 28. Removes the requirement that any bond sold in a public offering must receive one of the four highest investment grade ratings by a nationally recognized board or agency.
- 29. Allows county, municipal and special taxing district bonds to be sold by a negotiated sale.
- 30. Defines terms.
- 31. Makes technical and conforming changes.

### **ADDITIONAL INFORMATION**

A bond is a debt security that borrowers issue to raise money from investors willing to lend them money for a certain amount of time. A purchaser of a bond is essentially providing a loan to the issuer, which may be a government, municipality or corporation. In return, the issuer is required to pay a specified rate of interest during the life of the bond and to repay the principal when it matures or comes due after a set period of time (U.S. Securities and Exchange Commission).