

Senate Bill 514

By: Senators Cagle of the 49th, Starr of the 44th and Lee of the 29th

A BILL TO BE ENTITLED  
AN ACT

1 To amend Code Section 50-17-23 of the Official Code of Georgia Annotated, relating to  
2 general obligation and guaranteed revenue debts, so as to authorize the issuance of general  
3 obligation bonds bearing interest at variable rates; to provide for procedures, conditions, and  
4 limitations; to provide for related matters; to provide an effective date; to repeal conflicting  
5 laws; and for other purposes.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

7 **SECTION 1.**

8 Code Section 50-17-23 of the Official Code of Georgia Annotated, relating to general  
9 obligation and guaranteed revenue debts, is amended by adding a new subsection at the end  
10 thereof, to be designated subsection (d), to read as follows:

11 *"(d) Variable Rate Debt.*

12 (1) As used in this subsection, the term 'variable rate debt' means general obligation debt  
13 bearing interest at a variable interest rate.

14 (2) Variable rate debt may be incurred in the following manner:

15 (A) For purposes of calculating the highest annual debt service requirements for  
16 variable rate debt, interest shall be calculated at the maximum rate of interest that may  
17 be payable during any one fiscal year, after taking into account any credits permitted  
18 in the related bond resolution, indenture, or other instrument against such amount.

19 (B) Any resolution authorizing general obligation debt which is variable rate debt, in  
20 lieu of stating the rate or rates at which such variable rate debt shall bear interest and  
21 the price or prices at which such variable rate bonds shall be initial sold or remarketed,  
22 in the event of purchase and subsequent resale, may provide that such interest rates and  
23 prices may vary from time to time depending on criteria established in the approving  
24 resolution, which criteria may include, without limitation, references to indices or  
25 variations in interest rates as may, in the judgment of a remarketing agent, be necessary  
26 to cause variable rate debt to be remarketable from time to time at a price equal to its

1 principal amount and may provide for the appointment of a bank, trust company,  
2 investment bank, or other financial institution to serve as remarketing agent for such  
3 purposes. The resolution for any variable rate debt may provide that alternate interest  
4 rates or provisions for establishing alternate interest rates, different security or claim  
5 priorities, or different call or amortization provisions will apply during such times as  
6 the variable rate debt are held by a person providing credit or liquidity enhancement  
7 arrangements for such debt as authorized in subparagraph (C) of this paragraph. The  
8 resolution may also provide for such variable rate debt to bear interest at rates  
9 established pursuant to a process generally known as an auction rate process and may  
10 provide for appointment of one or more financial institutions or investment banks to  
11 serve as auction agents and broker-dealers in connection with the establishment of such  
12 interest rates and sale and remarketing of such debt.

13 (C) In connection with the issuance of any variable rate debt, the state may enter into  
14 arrangements to provide additional security and liquidity for such debt, including  
15 without limitation, bond or interest rate insurance or letters of credit, bond purchase  
16 contracts, or other arrangements whereby funds are available to retire or purchase such  
17 variable rate debt, thereby assuring the ability of owners of the variable rate debt to sell  
18 or redeem such debt. The state may enter into contracts and may agree to pay fees to  
19 persons providing such arrangements, but only under circumstances where the  
20 appropriate officer has certified that he or she reasonably expects that the total interest  
21 paid or to be paid on the variable rate debt, together with the fees for the arrangements,  
22 being treated as if interest, would not, taken together, cause the debt to bear interest,  
23 calculated to its stated maturity, at a rate in excess of the rate that the debt would bear  
24 in the absence of such arrangements.

25 (D) The state may enter into qualified interest rate management agreements with  
26 respect to any variable rate debt. Net payments for such qualified interest rate  
27 management agreements shall constitute interest on the variable rate debt and shall be  
28 paid from the same source as payments on the variable rate debt. During the term of any  
29 qualified interest rate management agreement, annual debt service requirements of the  
30 variable rate debt shall be calculated taking into account any amounts to be paid or  
31 received pursuant to the terms of such qualified interest rate management agreement."

## 32 SECTION 2.

33 This Act shall become effective upon its approval by the Governor or upon its becoming law  
34 without such approval.

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**SECTION 3.**

2 All laws and parts of laws in conflict with this Act are repealed.