

Senator Lincoln Fillmore proposes the following substitute bill:

LOCAL GOVERNMENT BONDS AMENDMENTS

2024 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Lincoln Fillmore

House Sponsor: Brady Brammer

LONG TITLE

General Description:

This bill modifies provisions relating to local government bonds.

Highlighted Provisions:

This bill:

- ▶ prohibits local government entities from issuing a lease revenue bond unless the purpose of the bond is to pay for a correctional facility, the amount of the bond is within a specified dollar amount and not within a specified time of the issuance of a previous lease revenue bond, or the bond is approved at an election.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

11-14-103, as last amended by Laws of Utah 2016, Chapter 386

17D-2-501, as enacted by Laws of Utah 2008, Chapter 360

Be it enacted by the Legislature of the state of Utah:



Section 1. Section **11-14-103** is amended to read:

11-14-103. Bond issues authorized -- Purposes -- Use of bond proceeds.

(1) Any local political subdivision may, in the manner and subject to the limitations and restrictions contained in this chapter, issue its negotiable bonds for the purpose of paying all or part of the cost of:

(a) acquiring, improving, or extending any one or more improvements, facilities, or property that the local political subdivision is authorized by law to acquire, improve, or extend;

(b) acquiring, or acquiring an interest in, any one or more or any combination of the following types of improvements, facilities, or property to be owned by the local political subdivision, either alone or jointly with one or more other local political subdivisions, or for the improvement or extension of any of those wholly or jointly owned improvements, facilities, or properties:

(i) public buildings of every nature, including without limitation, offices, courthouses, jails, fire, police and sheriff's stations, detention homes, and any other buildings to accommodate or house lawful activities of a local political subdivision;

(ii) waterworks, irrigation systems, water systems, dams, reservoirs, water treatment plants, and any other improvements, facilities, or property used in connection with the acquisition, storage, transportation, and supplying of water for domestic, industrial, irrigation, recreational, and other purposes and preventing pollution of water;

(iii) sewer systems, sewage treatment plants, incinerators, and other improvements, facilities, or property used in connection with the collection, treatment, and disposal of sewage, garbage, or other refuse;

(iv) drainage and flood control systems, storm sewers, and any other improvements, facilities, or property used in connection with the collection, transportation, or disposal of water;

(v) recreational facilities of every kind, including without limitation, athletic and play facilities, playgrounds, athletic fields, gymnasiums, public baths, swimming pools, camps, parks, picnic grounds, fairgrounds, golf courses, zoos, boating facilities, tennis courts, auditoriums, stadiums, arenas, and theaters;

(vi) convention centers, sports arenas, auditoriums, theaters, and other facilities for the holding of public assemblies, conventions, and other meetings;

(vii) roads, bridges, viaducts, tunnels, sidewalks, curbs, gutters, and parking buildings, lots, and facilities;

(viii) airports, landing fields, landing strips, and air navigation facilities;

(ix) educational facilities, including without limitation, schools, gymnasiums, auditoriums, theaters, museums, art galleries, libraries, stadiums, arenas, and fairgrounds;

(x) hospitals, convalescent homes, and homes for the aged or indigent; and

(xi) electric light works, electric generating systems, and any other improvements, facilities, or property used in connection with the generation and acquisition of electricity for these local political subdivisions and transmission facilities and substations if they do not duplicate transmission facilities and substations of other entities operating in the state prepared to provide the proposed service unless these transmission facilities and substations proposed to be constructed will be more economical to these local political subdivisions;

(c) new construction, renovation, or improvement to a state highway within the boundaries of the local political subdivision or an environmental study for a state highway within the boundaries of the local political subdivision; or

(d) except as provided in Subsection (5), the portion of any claim, settlement, or judgment that exceeds \$3,000,000.

(2) Except as provided in Subsection (1)(c), any improvement, facility, or property under Subsection (1) need not lie within the limits of the local political subdivision.

(3) A cost under Subsection (1) may include:

(a) the cost of equipment and furnishings for such improvements, facilities, or property;

(b) all costs incident to the authorization and issuance of bonds, including engineering, legal, and fiscal advisers' fees;

(c) costs incident to the issuance of bond anticipation notes, including interest to accrue on bond anticipation notes;

(d) interest estimated to accrue on the bonds during the period to be covered by the construction of the improvement, facility, or property and for 12 months after that period; and

(e) other amounts which the governing body finds necessary to establish bond reserve funds and to provide working capital related to the improvement, facility, or property.

(4) (a) Except as provided in Subsection (4)(b), the proceeds from bonds issued on or

after May 14, 2013, may not be used:

(i) for operation and maintenance expenses for more than one year after the date any of the proceeds are first used for those expenses; or

(ii) for capitalization of interest more than five years after the bonds are issued.

(b) The restrictions on the use of bond proceeds under Subsection (4)(a) do not apply to bonds issued to pay all or part of the costs of a claim, settlement, or judgment under Subsection (1)(d).

(5) Beginning on or after July 1, 2021, a local political subdivision may not issue its negotiable bonds for a purpose described in Subsection (1)(d).

(6) (a) Except as provided in Subsection (6)(b), a local political subdivision may issue a lease revenue bond on or after May 1, 2024 only if:

(i) the purpose of the lease revenue bond is to pay for the construction, reconstruction, or remodeling of a correctional facility, as defined in Section 77-16b-102; or

(ii) (A) the amount of the lease revenue bond does not exceed \$90,000,000; and

(B) the local political subdivision has not issued another lease revenue bond during the immediately preceding 12-month period.

(b) The limitations of Subsection (6)(a) do not apply to:

(i) a bond approved at an election as provided in Part 2, Bond Elections; or

(ii) a public transit district under Title 17B, Chapter 2a, Part 8, Public Transit District Act.

(c) The amount stated in Subsection (6)(a)(ii)(A) shall increase on May 1 of each year, beginning May 1, 2025, in proportion to the increase since the previous May 1 in the Producer Price Index by Commodity: Special Indexes: Construction Materials, as published by the United States Bureau of Labor Statistics.

Section 2. Section **17D-2-501** is amended to read:

17D-2-501. Provisions applicable to issuance of local building authority bonds.

(1) Except as otherwise provided in this chapter:

[(+)] (a) each local building authority that issues bonds shall:

[(a)] (i) issue them as provided in Title 11, Chapter 14, Local Government Bonding Act, except Section 11-14-306; and

[(b)] (ii) receive the benefits of Title 11, Chapter 30, Utah Bond Validation Act;

[~~(2)~~] (b) bonds issued by a local building authority are governed by and subject to Title 11, Chapter 14, Local Government Bonding Act, except Sections 11-14-306 and 11-14-403; and

[~~(3)~~] (c) each local building authority that issues refunding bonds shall issue them as provided in Title 11, Chapter 27, Utah Refunding Bond Act.

(2) (a) A local building authority may issue lease revenue bonds on or after May 1, 2024 only if:

(i) the purpose of the lease revenue bonds is to pay for the construction, reconstruction, or remodeling of a correctional facility, as defined in Section 77-16b-102; or

(ii) (A) the amount of the lease revenue bonds does not exceed \$90,000,000; and

(B) the local building authority has not issued another lease revenue bond during the immediately preceding 12-month period.

(b) The amount stated in Subsection (2)(a)(ii)(A) shall increase on May 1 of each year, beginning May 1, 2025, in proportion to the increase since the previous May 1 in the Producer Price Index by Commodity: Special Indexes: Construction Materials, as published by the United States Bureau of Labor Statistics.

Section 3. **Effective date.**

This bill takes effect on May 1, 2024.