

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 940

Short Title: Local Gov. Funding Agreements.

(Public)

Sponsors: Senator Odom.

Referred to: Finance.

April 17, 1997

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE INVESTMENTS BY LOCAL GOVERNMENTS IN FUNDING AGREEMENTS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 159-30(c) is amended by adding a new subdivision to read:

In connection with funds held by or on behalf of a local government or public authority, which funds are subject to the arbitrage and rebate provisions of the Internal Revenue Code of 1986, as amended, a funding agreement, as defined in G.S. 58-7-16, issued by an insurer incorporated in the State of North Carolina (i) having a commercial paper rating that is the highest rating of at least one nationally recognized rating service and does not have a commercial paper rating below the highest by any nationally recognized rating service which rates the particular obligation or a long-term or claims-paying rating which is one of the two highest ratings of at least one nationally recognized rating service and which is not below one of the two highest ratings by any nationally recognized rating service which rates the particular company, or both; and (ii) whose funding agreements require that if the issuer's commercial paper rating or long-term or claims-paying rating is downgraded below that described in this subsection, the issuer shall offer the three following alternatives within 20 business days:

- a. Payment of the principal balance of the funding agreement and accrued interest without penalty or adjustment;

- 1                            b. Upon mutual agreement, assignment of the funding  
2                            agreement to another issuer authorized under this section  
3                            which is rated consistent with the requirements of this  
4                            section; or  
5                            c. Upon mutual agreement, full collateralization of the  
6                            principal balance of the funding agreement, consistent  
7                            with applicable insurance and investment laws, including  
8                            the requirements of G.S. 159-30(c)(12) regarding the  
9                            obligations that are subject to repurchase agreements."

10                    Section 2. This act is effective when it becomes law.