

No. 77. An act relating to the State Treasurer's authority to intercept State funding to a municipality or school district in default from a Municipal Bond Bank borrowing.

(H.747)

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 24 V.S.A. § 4555 is amended to read:

§ 4555. DUTIES OF STATE TREASURER

(a) The ~~state treasurer~~ State Treasurer may receive from the United States of America or any department or agency thereof any amounts of money as and when appropriated, allocated, granted, turned over, or in any way provided for the purposes of the ~~bank~~ Bank or this chapter, and the amounts shall be credited to and deposited in the reserve fund or revenue bond reserve funds, as appropriate, and be available to the ~~bank~~ Bank.

(b) Any ~~moneys~~ monies in the custody of the ~~state treasurer~~ State Treasurer whether made available by reason of any grant, allocation, or appropriation by the United States of America or the ~~state~~ State or agencies thereof to assist any governmental unit in payment of its municipal bonds or revenue bonds ~~owned~~ acquired or held by the ~~bank~~ Bank, or required by the terms of any other law to be paid to holders or owners of municipal bonds or revenue bonds of a governmental unit upon failure or default of a governmental unit to pay the principal of or interest on its municipal bonds or revenue bonds when due and payable, shall, to the extent that those funds or ~~moneys~~ monies are applicable to municipal bonds or revenue bonds of a particular governmental unit and

which are then ~~owned~~ acquired or held by the ~~bank~~ Bank and as to which that governmental unit has defaulted on payment of principal or interest when due, be paid and deposited by the ~~state treasurer~~ State Treasurer in the applicable reserve fund or funds and made available to the ~~bank~~ Bank.

(c) ~~To the extent that~~ Upon receipt by the ~~state treasurer is the custodian of~~ any moneys payable to a governmental unit at any time subsequent to State Treasurer of written notice ~~to him or her~~ from the ~~bank~~ Bank, or the corporate trustee exercising rights on behalf of the holders of bonds issued by the Bank, that ~~the~~ a governmental unit is in default on the payment of principal or interest on ~~any a~~ a municipal ~~bonds~~ bond or revenue ~~bonds~~ of the governmental unit then ~~bond~~ acquired or held ~~or owned~~ by the ~~bank~~ Bank, the ~~state treasurer must~~ withhold the payment of that money from that governmental unit until the amount of the principal or interest then due and unpaid has been paid to the bank, or until the state treasurer has been advised that arrangements, satisfactory to the bank, have been made for the payment of the principal and ~~interest~~ State Treasurer shall immediately withhold all further payment to the governmental unit of any or all funds appropriated and payable by the State to the governmental unit, until the default is cured. During the default period, the State Treasurer shall make direct payment of all, or as much as is necessary, of the withheld amounts to the Bank, or at the Bank's direction, to the trustee or paying agent for the bonds, so as to cure, or cure insofar as possible, the default as to the bond or the interest on the bond.

(d) Any payments described in subsection (c) of this section made by the State Treasurer to the Bank, or the Bank's trustee or paying agent for the bond, shall be credited as if made directly by the governmental unit. The payment shall be offset against any appropriation otherwise payable to the governmental unit by the State during each fiscal year. Upon receipt of the payment, the Bank, or the Bank's trustee or paying agent, shall provide written notice of the payment to the governmental unit.

(e) Nothing in this section shall be construed:

(1) to limit, impair, or impede the rights or remedies granted to the holders of bonds issued by the Bank and the governmental units;

(2) to require the State to continue the payment of State aid or assistance to any governmental unit;

(3) to limit or prohibit the State from repealing or amending any law relating to State aid or assistance, including the manner and time of payment or apportionment, or the amount of aid or assistance;

(4) to create any obligation on the part of the State Treasurer or the State to make any payment on behalf of a defaulting governmental unit other than from funds appropriated and payable to a defaulting governmental unit by the State.

Sec. 2. EFFECTIVE DATE

This act shall take effect on July 1, 2016.

Date Governor signed bill: April 19, 2016