

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

H

5

HOUSE BILL 1100*
Committee Substitute Favorable 5/30/96
Third Edition Engrossed 6/6/96
Senate Finance Committee Substitute Adopted 6/11/96
Fifth Edition Engrossed 6/13/96

Short Title: 1996 School Bonds Act.

(Public)

Sponsors:

Referred to:

May 14, 1996

1 A BILL TO BE ENTITLED
2 AN ACT TO IMPLEMENT THE RECOMMENDATION OF THE SCHOOL CAPITAL
3 CONSTRUCTION STUDY COMMISSION TO AUTHORIZE THE ISSUANCE OF
4 GENERAL OBLIGATION BONDS OF THE STATE, SUBJECT TO A VOTE OF
5 THE QUALIFIED VOTERS OF THE STATE, TO PROVIDE FUNDS FOR
6 GRANTS TO COUNTIES FOR PUBLIC SCHOOL CAPITAL OUTLAY
7 PROJECTS, IN ORDER TO PROMOTE EQUITY IN LOCAL SCHOOL
8 FACILITIES ACROSS THE STATE AND TO ENABLE LOCAL GOVERNMENTS
9 TO GIVE LOCAL PROPERTY TAX RELIEF, AND TO ENSURE THAT
10 CERTAIN GRANTS FOR SCHOOL FACILITY NEEDS CONTINUE TO BE
11 MADE IN ACCORDANCE WITH THE 1988 PRIORITY LIST.

12 The General Assembly of North Carolina enacts:

13 Section 1. Short Title. – This act shall be known and may be cited as the
14 "Public School Building Bond Act of 1996".

15 Sec. 2. Purpose. – It is the intent of the General Assembly by this act to
16 provide for the issuance of one billion eight hundred million dollars (\$1,800,000,000)

1 general obligation bonds of the State to facilitate the providing of public school buildings
2 by making grants to counties to provide funds for public school capital outlay projects.

3 Sec. 3. Definitions. – As used in this act, unless the context otherwise requires:

4 (1) " Bonds" means bonds issued under this act.

5 (2) " Cost" means, without intending thereby to limit or restrict any proper
6 definition of this term in financing the cost of public school capital
7 outlay projects authorized by this act:

8 a. The cost of constructing, reconstructing, enlarging, acquiring,
9 and improving projects, and acquiring equipment and land
10 therefor,

11 b. The cost of engineering, architectural, and other consulting
12 services as may be required,

13 c. Administrative expenses and charges,

14 d. Finance charges and interest prior to and during construction and,
15 if deemed advisable by the State Treasurer, for a period not
16 exceeding two years after the estimated date of completion of
17 construction,

18 e. The cost of bond insurance, investment contracts, credit
19 enhancement and liquidity facilities, interest-rate swap
20 agreements or other derivative products, financial and legal
21 consultants, and related costs of bond and note issuance, to the
22 extent and as determined by the State Treasurer,

23 f. The cost of reimbursing the State for any payments made for any
24 cost described above, and

25 g. Any other costs and expenses necessary or incidental to the
26 purposes of this act.

27 Allocations in this act of proceeds of bonds to the costs of a project or
28 undertaking in each case may include allocations to pay the costs set
29 forth in items c., d., e., f., and g. in connection with the issuance of
30 bonds for the project or undertaking.

31 (3) " Credit facility" means an agreement entered into by the State
32 Treasurer on behalf of the State with a bank, savings and loan
33 association, or other banking institution, an insurance company,
34 reinsurance company, surety company, or other insurance institution, a
35 corporation, investment banking firm, or other investment institution, or
36 any financial institution or other similar provider of a credit facility,
37 which provider may be located within or without the United States of
38 America, such agreement providing for prompt payment of all or any
39 part of the principal or purchase price (whether at maturity, presentment
40 or tender for purchase, redemption, or acceleration), redemption
41 premium, if any, and interest on any bonds or notes payable on demand
42 or tender by the owner, in consideration of the State agreeing to repay

1 the provider of the credit facility in accordance with the terms and
2 provisions of such agreement.

3 (4) " Notes" means notes issued under this act.

4 (5) " Par formula" means any provision or formula adopted by the State to
5 provide for the adjustment, from time to time, of the interest rate or rates
6 borne by any bonds or notes, including:

7 a. A provision providing for such adjustment so that the purchase
8 price of such bonds or notes in the open market would be as close
9 to par as possible,

10 b. A provision providing for such adjustment based upon a
11 percentage or percentages of a prime rate or base rate, which
12 percentage or percentages may vary or be applied for different
13 periods of time, or

14 c. Such other provision as the State Treasurer may determine to be
15 consistent with this act and will not materially and adversely
16 affect the financial position of the State and the marketing of
17 bonds or notes at a reasonable interest cost to the State.

18 (6) " Public School Capital Outlay Projects" means the construction of new
19 public school buildings or the renovation of existing public school
20 buildings, the purchase of equipment for a newly constructed public
21 school building or equipment related to the improvement of an existing
22 public school building, the purchase of land necessary for immediate
23 construction of school buildings, and other related capital outlay
24 projects constituting facilities for individual schools that are used for
25 instructional and related purposes, but not including centralized
26 administration, maintenance, trailers, relocatable classrooms, or mobile
27 classrooms.

28 (7) " State" means the State of North Carolina.

29 Sec. 4. Authorization of Bonds and Notes. – Subject to a favorable vote of a
30 majority of the qualified voters of the State who vote on the question of issuing Public
31 School Building Bonds in the election held as provided in this act, the State Treasurer is
32 authorized, by and with the consent of the Council of State, to issue and sell, at one time
33 or from time to time, general obligation bonds of the State to be designated "State of
34 North Carolina Public School Building Bonds", with any additional designations as may
35 be determined to indicate the issuance of bonds from time to time, or notes of the State as
36 provided in this act, in the aggregate principal amount not exceeding one billion eight
37 hundred million dollars (\$1,800,000,000) for the purposes authorized in this act. The
38 principal amounts of bonds or notes issued in any 12-month period shall not exceed four
39 hundred fifty million dollars (\$450,000,000). In determining whether this limit has been
40 reached, the issuance of a note or bond to pay an outstanding note is not considered an
41 issuance.

1 Sec. 5. Uses of Bond and Note Proceeds. – The proceeds of Public School
2 Building Bonds and notes shall be used for the purpose of making grants to counties for
3 paying the cost of public school capital outlay projects.

4 Any additional moneys that may be received by means of a grant or grants
5 from the United States of America or any agency or department thereof or from any other
6 source to aid in financing the cost of any public school capital outlay projects authorized
7 by this act may be placed by the State Treasurer in the Public School Building Bonds
8 Fund or in a separate account or fund and shall be disbursed, to the extent permitted by
9 the terms of the grant or grants, without regard to any limitations imposed by this act.

10 Moneys in the Public School Building Bonds Fund or in any separate fund or
11 account may be invested from time to time by the State Treasurer in the same manner
12 permitted for investment of moneys belonging to the State or held in the State treasury
13 except with respect to grant money to the extent otherwise directed by the terms of the
14 grant, and any investment earnings shall be credited to the Public School Building Bonds
15 Fund or the particular fund or account from which the investment was made.

16 All moneys deposited in, or accruing to the credit of, the Public School
17 Building Bonds Fund, other than moneys set aside for administrative expenses, including
18 expenses related to determining compliance with applicable requirements of the federal
19 tax law and cost of issuance, shall be used to pay the cost of public school capital outlay
20 projects in the manner authorized by this act.

21 The proceeds of Public School Building Bonds and notes may be used with
22 any other moneys made available by the General Assembly for public school capital
23 outlay projects, including the proceeds of any other State bond issues, whether heretofore
24 made available or that may be made available at the session of the General Assembly at
25 which this act is ratified or any subsequent sessions. The proceeds of Public School
26 Building Bonds and notes shall be expended and disbursed under the direction and
27 supervision of the Director of the Budget. The funds provided by this act for public
28 school capital outlay projects shall be disbursed for the purposes provided in this act upon
29 warrants drawn on the State Treasurer by the State Controller, which warrants shall not
30 be drawn until requisition has been approved by the Director of the Budget and which
31 requisition shall be approved only after full compliance with the Executive Budget Act,
32 Article 1 of Chapter 143 of the General Statutes.

33 The Director of the Budget shall provide quarterly reports to the State Board of
34 Education, the Superintendent of Public Instruction, and the General Assembly on the
35 expenditure of moneys from the Public School Building Bonds Fund. Reports to the
36 General Assembly shall be filed with the Legislative Library, the Speaker of the House of
37 Representatives, the President Pro Tempore of the Senate, and the Fiscal Research
38 Division.

39 Sec. 6. (a) Allocation of Proceeds. – The proceeds of Public School Building
40 Bonds and notes, including premium thereon, if any, except the proceeds of bonds the
41 issuance of which has been anticipated by bond anticipation notes or the proceeds of
42 refunding bonds or notes, shall be placed by the State Treasurer in a special fund to be
43 designated "Public School Building Bonds Fund". Moneys in the Public School Building

1 Bonds Fund shall be used for the purposes set forth in this act. The proceeds of Public
2 School Building Bonds and notes shall be allocated to counties and expended for paying
3 the cost of public school capital outlay projects, to the extent and as provided in this act
4 and subject to change as provided in this act.

5 (b) Small county school system allocation. – The State Board of Education shall
6 allocate the proceeds of thirty million dollars (\$30,000,000) Public School Building
7 Bonds and notes as grants to counties that have a small county school system, after
8 considering whether the counties demonstrate both greater than average school
9 construction needs and high property tax rates. A "small county school system" is a
10 school system who was entitled to receive small school system supplemental funding
11 under section 17.2 of Chapter 507 of the 1995 Session Laws, known as The Expansion
12 and Capital Improvements Act of 1995.

13 (c) Primary allocation. – The proceeds of one billion seven hundred seventy
14 million dollars (\$1,770,000,000) Public School Building Bonds and notes shall be
15 allocated to each county on the basis of the distribution amounts provided in the
16 following table for the local school administrative units in the State. In the case of a local
17 school administrative unit located entirely in one county, the unit's total distribution
18 amount shall be allocated to that county. In the case of a local school administrative unit
19 located in more than one county, the unit's distribution amount shall be allocated among
20 the counties in which the unit is located in proportion to average daily membership of the
21 unit in each county. A unit's distribution amount allocated to a county may be used only
22 with respect to public school facilities of that unit.

23	Distribution	Distribution	Distribution		
24	Based on	Based on	Based on		
25	High	Ability	Average Daily		
26	Growth	to Pay	Membership	Total	
27					
28	Alamance Co.	\$8,084,430	\$0	\$11,080,174	\$19,164,604
29	Alexander Co.	1,216,676	4,941,875	2,995,962	9,154,513
30	Alleghany Co.	0	175,362	865,997	1,041,359
31	Anson Co.	0	6,981,548	2,612,710	9,594,258
32	Ashe Co.	0	2,134,326	2,045,190	4,179,516
33	Avery Co.	0	0	1,422,920	1,422,920
34	Beaufort Co.	0	7,070,465	4,514,843	11,585,308
35	Bertie Co.	0	8,211,510	2,324,829	10,536,339
36	Bladen Co.	245,118	7,579,706	3,315,045	11,139,869
37	Brunswick Co.	2,321,934	0	5,535,672	7,857,606
38	Buncombe Co.	7,723,439	0	14,461,155	22,184,594
39	Asheville City	365,448	0	2,736,340	3,101,788
40	Burke Co.	5,610,969	11,153,769	8,017,098	24,781,837
41	Cabarrus Co.	13,049,180	0	9,724,956	22,774,136
42	Kannapolis City	0	467,915	2,374,281	2,842,196
43	Caldwell Co.	2,558,138	10,265,914	7,055,141	19,879,193

1	Camden Co.	352,078	2,160,704	711,754	3,224,537
2	Carteret Co.	1,947,572	0	4,972,273	6,919,845
3	Caswell Co.	227,291	5,725,252	2,055,198	8,007,741
4	Catawba Co.	7,032,652	0	8,559,304	15,591,956
5	Hickory City	784,377	0	2,533,234	3,317,610
6	Newton City	0	0	1,620,728	1,620,728
7	Chatham Co.	3,458,389	0	4,010,315	7,468,705
8	Cherokee Co.	44,567	4,476,625	2,054,610	6,575,801
9	Chowan Co.	0	3,147,395	1,530,066	4,677,461
10	Clay Co.	173,811	828,575	729,416	1,731,802
11	Cleveland Co.	2,740,863	5,485,707	5,219,533	13,446,102
12	Kings Mtn. City	1,149,825	2,527,920	2,464,354	6,142,100
13	Shelby City	864,597	2,073,363	2,009,867	4,947,828
14	Columbus Co.	0	12,395,869	4,506,012	16,901,881
15	Whiteville City	0	4,539,719	1,640,744	6,180,463
16	Craven Co.	539,259	12,666,532	8,751,224	21,957,016
17	Cumberland Co.	21,530,255	21,491,991	30,284,593	73,306,839
18	Currituck Co.	1,243,416	0	1,759,076	3,002,491
19	Dare Co.	3,324,689	0	2,559,137	5,883,825
20	Davidson Co.	5,330,198	6,774,659	10,606,260	22,711,117
21	Lexington City	668,503	1,167,549	1,827,366	3,663,419
22	Thomasville City	690,786	832,854	1,299,879	2,823,520
23	Davie Co.	1,301,353	0	2,911,188	4,212,540
24	Duplin Co.	1,778,218	11,475,816	4,931,652	18,185,686
25	Durham Co.	5,379,221	0	17,059,147	22,438,368
26	Edgecombe Co.	0	9,341,292	4,682,626	14,023,918
27	Forsyth Co.	16,561,049	0	24,585,259	41,146,308
28	Franklin Co.	3,275,665	10,121,787	4,047,993	17,445,446
29	Gaston Co.	2,433,351	0	17,544,835	19,978,187
30	Gates Co.	1,154,282	3,704,201	1,159,765	6,018,248
31	Graham Co.	0	2,154,379	726,472	2,880,852
32	Granville Co.	3,445,019	9,667,973	4,335,874	17,448,866
33	Greene Co.	503,606	4,127,357	1,679,599	6,310,562
34	Guilford Co.	22,657,797	0	34,566,305	57,224,102
35	Halifax Co.	0	10,065,828	3,723,023	13,788,852
36	Roanoke Rapids	1,368,203	5,067,206	1,894,480	8,329,888
37	Weldon City	276,315	1,979,352	744,134	2,999,801
38	Harnett Co.	9,777,971	24,759,550	8,448,037	42,985,558
39	Haywood Co.	1,648,974	1,522,867	4,418,294	7,590,135
40	Henderson Co.	4,492,341	0	6,562,388	11,054,728
41	Hertford Co.	0	8,502,768	2,514,395	11,017,162
42	Hoke Co.	3,231,098	14,748,672	3,445,739	21,425,510
43	Hyde Co.	0	0	1,000,000	1,000,000

1	Iredell Co.	6,007,614	0	8,590,505	14,598,119
2	Mooreville City	2,081,273	0	2,012,811	4,094,084
3	Jackson Co.	378,818	0	2,098,763	2,477,582
4	Johnston Co.	11,279,875	17,733,652	10,319,556	39,333,083
5	Jones Co.	49,024	1,548,899	924,280	2,522,202
6	Lee Co.	2,589,335	931,071	4,953,434	8,473,841
7	Lenoir Co.	0	7,202,394	6,167,361	13,369,755
8	Lincoln Co.	4,550,277	3,281,461	5,750,552	13,582,290
9	Macon Co.	1,555,384	0	2,263,603	3,818,987
10	Madison Co.	289,685	3,244,452	1,534,187	5,068,323
11	Martin Co.	365,448	5,532,445	2,947,688	8,845,581
12	McDowell Co.	0	7,226,827	3,628,829	10,855,656
13	Mecklenburg Co.	65,228,072	0	54,601,986	119,830,058
14	Mitchell Co.	0	2,332,411	1,387,597	3,720,009
15	Montgomery Co.	766,550	5,188,325	2,551,484	8,506,359
16	Moore Co.	4,452,230	0	6,160,297	10,612,527
17	Nash Co.	3,690,137	14,725,007	10,539,735	28,954,879
18	New Hanover Co.	7,830,399	0	12,515,457	20,345,856
19	Northampton Co.	160,441	7,155,039	2,244,764	9,560,244
20	Onslow Co.	5,673,363	38,447,459	12,123,374	56,244,195
21	Orange Co.	2,571,508	0	3,408,650	5,980,159
22	Chapel Hill-				
23	Carrboro	6,172,512	0	4,823,329	10,995,840
24	Pamlico Co.	57,937	2,360,084	1,229,822	3,647,844
25	Pasquotank Co.	1,439,510	8,125,362	3,681,225	13,246,097
26	Pender Co.	3,890,688	5,690,671	3,502,844	13,084,204
27	Perquimans Co.	17,827	2,984,367	1,130,918	4,133,112
28	Person Co.	1,586,581	829,294	3,269,125	5,685,000
29	Pitt Co.	6,261,645	10,985,395	11,426,926	28,673,967
30	Polk Co.	356,535	0	1,289,871	1,646,406
31	Randolph Co.	7,166,353	9,257,230	9,163,323	25,586,906
32	Asheboro City	1,778,218	2,376,181	2,420,201	6,574,600
33	Richmond Co.	699,700	14,419,990	4,922,821	20,042,511
34	Robeson Co.	2,353,131	47,978,887	13,636,956	63,968,974
35	Rockingham Co.	597,196	8,453,474	8,394,464	17,445,134
36	Rowan Co.	10,776,269	8,743,009	11,392,192	30,911,471
37	Rutherford Co.	1,501,904	7,997,008	5,969,553	15,468,465
38	Sampson Co.	3,418,279	7,902,362	4,307,027	15,627,668
39	Clinton City	0	2,877,068	1,511,227	4,388,295
40	Scotland Co.	0	11,042,166	4,251,688	15,293,854
41	Stanly Co.	2,250,627	6,658,864	4,352,358	13,261,849
42	Albemarle City	793,290	1,955,352	1,298,113	4,046,755
43	Stokes Co.	1,341,463	3,901,196	3,976,759	9,219,417

1	Surry Co.	2,357,587	4,070,611	4,669,674	11,097,873
2	Elkin City	338,708	541,736	625,214	1,505,658
3	Mount Airy City	445,669	1,009,671	1,201,564	2,658,903
4	Swain Co.	338,708	3,198,646	974,909	4,512,263
5	Transylvania Co.	280,771	0	2,330,127	2,610,899
6	Tyrrell Co.	271,858	1,091,336	469,793	1,832,987
7	Union Co.	10,339,514	6,192,466	11,140,812	27,672,792
8	Vance Co.	1,488,533	8,361,014	4,374,140	14,223,687
9	Wake Co.	72,773,243	0	50,523,969	123,297,212
10	Warren Co.	548,173	5,550,739	1,857,391	7,956,302
11	Washington Co.	0	4,105,098	1,533,010	5,638,108
12	Watauga Co.	953,731	0	2,904,712	3,858,443
13	Wayne Co.	3,030,547	23,725,815	11,230,296	37,986,659
14	Wilkes Co.	106,960	8,353,208	5,837,093	14,297,261
15	Wilson Co.	2,223,887	4,833,060	7,211,150	14,268,097
16	Yadkin Co.	2,232,800	4,728,588	3,214,964	10,176,352
17	Yancey Co.	227,291	2,134,456	1,457,066	3,818,813
18					
19	GRAND TOTAL	\$442,500,000	\$619,500,000	\$708,000,000	\$1,770,000,000

20 If two or more local school administrative units are consolidated into one unit,
 21 the distribution amounts provided above for the units shall be considered the distribution
 22 amount for the merged unit.

23 (d) Match. – A county is not required to match bond proceeds allocated under
 24 subsection (b) of this section. A county is not required to match the Low-Wealth
 25 Allocation of bond proceeds under subsection (c) of this section. A county must match
 26 both the ADM Allocation and the Growth Allocation of bond proceeds under subsection
 27 (c) of this section. These two allocations must be matched at the rate of matching funds
 28 equal to three cents (3¢) times the county's ability to pay rank for every one dollar (\$1.00)
 29 of allocated bond proceeds. A county's ability to pay rank is its rank in the ranking of
 30 counties from lowest to highest county wealth as a percentage of State average wealth
 31 made by the State Board of Education for the 1995-96 fiscal year pursuant to Section
 32 17.1 of Chapter 507 of the 1995 Session Laws. The match requirement may be satisfied
 33 by non-State expenditures for public school facilities made on or after January 1, 1992.
 34 A non-State expenditure has been made for the purpose of the match if funds, including
 35 funds expended for debt service, have been budgeted, earmarked, or committed for the
 36 general purpose of public school facilities. If a debt has been authorized or incurred since
 37 January 1, 1992, for the general purpose of public school facilities, then the face amount
 38 of the debt shall be considered as a non-State expenditure for public school facilities for
 39 the purpose of the match.

40 As counties satisfy the match requirements of this section, they shall document
 41 the extent to which they have done so in periodic reports to the State Board of Education.
 42 These reports shall include any information and documentation required by the State
 43 Board of Education. The State Board of Education shall certify to the State Treasurer

1 from time to time the extent to which the match requirements of this section have been
2 met with respect to each county; this certification shall be binding and conclusive. Bond
3 proceeds shall be distributed for expenditure only as, and to the extent, the matching
4 requirements of this section are satisfied, as certified by the State Board of Education.
5 The State Board of Education shall also require counties to report annually on the impact
6 of funds provided under this act on the property tax rate for that year. These reports shall
7 be public documents and shall be furnished to any citizen upon request.

8 (e) Unmatched Proceeds. – If the State Board of Education determines that a
9 county has not met the matching requirements of this section by January 1, 2003, with
10 respect to any bond proceeds allocated under subsection (c) of this section, the State
11 Board of Education shall certify that fact to the State Treasurer by March 1, 2003.
12 Amounts that are allocated in the Growth Allocation of bond proceeds under subsection
13 (c) of this section and that have not been matched by January 1, 2003, as certified by the
14 State Board of Education, shall be reallocated among the counties that are allocated bond
15 proceeds under the Growth Allocation and have met the matching requirements for their
16 total Growth Allocation. The reallocation shall be made among the eligible counties in
17 proportion to the amount of Growth Allocations for those counties under subsection (c)
18 of this section. Amounts that are allocated in the ADM Allocation of bond proceeds
19 under subsection (c) of this section and that have not been matched by January 1, 2003,
20 as certified by the State Board of Education, shall be reallocated among the counties that
21 have met the matching requirements for their total ADM allocation. The reallocation
22 shall be made on the basis of average daily membership of the local school administrative
23 units within the remaining counties. Bond proceeds reallocated to a county because of a
24 local school administrative unit's average daily membership within the county may be
25 used only with respect to public school capital outlay projects of that unit. Bond
26 proceeds reallocated to a county under this subsection must be matched at the same rate
27 as bond proceeds allocated to the county under subsection (d) of this section.

28 (f) Administration. – Funds disbursed under this act shall be administered and
29 supervised by the State Board of Education and shall be used only for the purposes
30 provided in this act. Each school administrative unit shall submit to the State Board of
31 Education its plans for the expenditure of funds allocated under this act. After the State
32 Board of Education determines that a school administrative unit's planned expenditure of
33 part or all of the funds allocated to it is within the purposes provided in this act, the State
34 Board of Education shall make the funds to which the plans apply available to the school
35 administrative unit.

36 Allocations to the costs of a capital improvement or undertaking in each case
37 may include allocations to pay the costs set forth in Section 3(2)c., d., e., f., and g. of this
38 act in connection with the issuance of bonds for that capital improvement or undertaking.

39 Sec. 7. Election. – The question of the issuance of the bonds authorized by this
40 act shall be submitted to the qualified voters of the State at a statewide election to be held
41 November 5, 1996. Any other primary, election, or referendum validly called or
42 scheduled by law at the time the election on the bond question provided for in this section
43 is held, may be held as called or scheduled. Notice of the election shall be given in the

1 manner and at the times required by G.S. 163-33(8). The election and the registration of
2 voters therefor shall be held under and in accordance with the general laws of the State.
3 Absentee ballots shall be authorized in the election.

4 Ballots, voting systems authorized by Article 14 of Chapter 163 of the General
5 Statutes, or both may be used in accordance with rules prescribed by the State Board of
6 Elections. The bond question to be used in the ballots or voting systems shall be in
7 substantially the following form:

8 **"[] FOR [] AGAINST**

9 The issuance of one billion eight hundred million dollars (\$1,800,000,000) State of
10 North Carolina Public School Building Bonds constituting general obligation bonds of
11 the State secured by a pledge of the faith and credit and taxing power of the State for the
12 purpose of providing funds to counties, with any other available funds, to pay the cost of
13 public school building capital improvements."

14 If a majority of those voting on the Public School Building Bond question in
15 the election vote in favor of the issuance of the bonds, the bonds may be issued as
16 provided in this act. If a majority of those voting on the Public School Building Bond
17 question in the election vote against the issuance of the bonds, the bonds shall not be
18 issued.

19 The results of the election shall be canvassed and declared as provided by law
20 for elections for State officers; the results of the election shall be certified by the State
21 Board of Elections to the Secretary of State, in the manner and at the time provided by
22 the general election laws of the State.

23 Sec. 8. Issuance of Bonds and Notes. – (a) Terms and Conditions. Bonds or notes
24 may bear such date or dates, may be serial or term bonds or notes, or any combination
25 thereof, may mature in such amounts and at such time or times, not exceeding 40 years
26 from their date or dates, may be payable at such place or places, either within or without
27 the United States of America, in such coin or currency of the United States of America as
28 at the time of payment is legal tender for payment of public and private debts, may bear
29 interest at such rate or rates, which may vary from time to time, and may be made
30 redeemable before maturity, at the option of the State or otherwise as may be provided by
31 the State, at such price or prices, including a price less than the face amount of the bonds
32 or notes, and under such terms and conditions, all as may be determined by the State
33 Treasurer, by and with the consent of the Council of State.

34 (b) Signatures; Form and Denomination; Registration. – Bonds or notes may be
35 issued as certificated or uncertificated obligations. If issued as certificated obligations,
36 bonds or notes shall be signed on behalf of the State by the Governor or shall bear his
37 facsimile signature, shall be signed by the State Treasurer or shall bear his facsimile
38 signature, and shall bear the Great Seal of the State or a facsimile thereof shall be
39 impressed or imprinted thereon. If bonds or notes bear the facsimile signatures of the
40 Governor and the State Treasurer, the bonds or notes shall also bear a manual signature
41 which may be that of a bond registrar, trustee, paying agent, or designated assistant of the
42 State Treasurer. Should any officer whose signature or facsimile signature appears on
43 bonds or notes cease to be such officer before the delivery of the bonds or notes, the

1 signature or facsimile signature shall nevertheless have the same validity for all purposes
2 as if the officer had remained in office until delivery and bonds or notes may bear the
3 facsimile signatures of persons who at the actual time of the execution of the bonds or
4 notes shall be the proper officers to sign any bond or note although at the date of the bond
5 or note such persons may not have been such officers. The form and denomination of
6 bonds or notes, including the provisions with respect to registration of the bonds or notes
7 and any system for their registration, shall be as the State Treasurer may determine in
8 conformity with this act; provided, however, that nothing in this act shall prohibit the
9 State Treasurer from proceeding, with respect to the issuance and form of the bonds or
10 notes, under the provisions of Chapter 159E of the General Statutes, the Registered
11 Public Obligations Act, as well as under this act.

12 (c) Manner of Sale; Expenses. – Subject to determination by the Council of State
13 as to the manner in which bonds or notes shall be offered for sale, whether at public or
14 private sale, whether within or without the United States of America, and whether by
15 publishing notices in certain newspapers and financial journals, mailing notices, inviting
16 bids by correspondence, negotiating contracts of purchase or otherwise, the State
17 Treasurer is authorized to sell bonds or notes at one time or from time to time at such rate
18 or rates of interest, which may vary from time to time, and at such price or prices,
19 including a price less than the face amount of the bonds or the notes, as the State
20 Treasurer may determine. All expenses incurred in preparation, sale, and issuance of
21 bonds or notes shall be paid by the State Treasurer from the proceeds of bonds or notes or
22 other available moneys.

23 (d) Notes; Repayment.

24 (1) By and with the consent of the Council of State, the State Treasurer is
25 hereby authorized to borrow money and to execute and issue notes of
26 the State for the same, but only in the following circumstances and
27 under the following conditions:

- 28 a. For anticipating the sale of bonds to the issuance of which the
29 Council of State shall have given consent, if the State Treasurer
30 shall deem it advisable to postpone the issuance of the bonds;
- 31 b. For the payment of interest on or any installment of principal of
32 any bonds then outstanding, if there shall not be sufficient funds
33 in the State treasury with which to pay the interest or installment
34 of principal as they respectively become due;
- 35 c. For the renewal of any loan evidenced by notes herein
36 authorized;
- 37 d. For the purposes authorized in this act; and
- 38 e. For refunding bonds or notes as herein authorized.

39 (2) Funds derived from the sale of bonds or notes may be used in the
40 payment of any bond anticipation notes issued under this act. Funds
41 provided by the General Assembly for the payment of interest on or
42 principal of bonds shall be used in paying the interest on or principal of

1 any notes and any renewals thereof, the proceeds of which shall have
2 been used in paying interest on or principal of the bonds.

3 (e) Refunding Bonds and Notes. – By and with the consent of the Council of
4 State, the State Treasurer is authorized to issue and sell refunding bonds and notes
5 pursuant to the provisions of the State Refunding Bond Act for the purpose of refunding
6 bonds or notes issued pursuant to this act. The refunding bonds and notes may be
7 combined with any other issues of State bonds and notes similarly secured.

8 (f) Tax Exemption. – Bonds and notes shall be exempt from all State, county,
9 and municipal taxation or assessment, direct or indirect, general or special, whether
10 imposed for the purpose of general revenue or otherwise, excluding inheritance and gift
11 taxes, income taxes on the gain from the transfer of bonds and notes, and franchise taxes.
12 The interest on bonds and notes shall not be subject to taxation as to income.

13 (g) Investment Eligibility. – Bonds and notes are hereby made securities in
14 which all public officers, agencies, and public bodies of the State and its political
15 subdivisions, all insurance companies, trust companies, investment companies, banks,
16 savings banks, savings and loan associations, credit unions, pension or retirement funds,
17 other financial institutions engaged in business in the State, executors, administrators,
18 trustees, and other fiduciaries may properly and legally invest funds, including capital in
19 their control or belonging to them. Bonds and notes are hereby made securities which
20 may properly and legally be deposited with and received by any officer or agency of the
21 State or political subdivision of the State for any purpose for which the deposit of bonds,
22 notes, or obligations of the State or any political subdivision is now or may hereafter be
23 authorized by law.

24 (h) Faith and Credit. – The faith and credit and taxing power of the State are
25 hereby pledged for the payment of the principal of and the interest on bonds and notes.

26 Sec. 9. Variable Interest Rates. – In fixing the details of bonds and notes, the
27 State Treasurer may provide that any of the bonds or notes may:

- 28 (1) Be made payable from time to time on demand or tender for purchase
29 by the owner thereof provided a credit facility supports the bonds or
30 notes, unless the State Treasurer specifically determines that a credit
31 facility is not required upon a finding and determination by the State
32 Treasurer that the absence of a credit facility will not materially or
33 adversely affect the financial position of the State and the marketing of
34 the bonds or notes at a reasonable interest cost to the State;
- 35 (2) Be additionally supported by a credit facility;
- 36 (3) Be made subject to redemption or a mandatory tender for purchase prior
37 to maturity;
- 38 (4) Bear interest at a rate or rates that may vary for such period or periods
39 of time, all as may be provided in the proceedings providing for the
40 issuance of the bonds or notes, including, without limitation, such
41 variations as may be permitted pursuant to a par formula; and
- 42 (5) Be made the subject of a remarketing agreement whereby an attempt is
43 made to remarket bonds or notes to new purchasers prior to their

1 presentment for payment to the provider of the credit facility or to the
2 State.

3 If the aggregate principal amount repayable by the State under a credit facility
4 is in excess of the aggregate principal amount of bonds or notes secured by the credit
5 facility, whether as a result of the inclusion in the credit facility of a provision for the
6 payment of interest for a limited period of time or the payment of a redemption premium
7 or for any other reason, then the amount of authorized but unissued bonds or notes during
8 the term of such credit facility shall not be less than the amount of such excess, unless the
9 payment of such excess is otherwise provided for by agreement of the State executed by
10 the State Treasurer.

11 Sec. 10. Other Agreements. – The State Treasurer may authorize, execute,
12 obtain, or otherwise provide for bond insurance, investment contracts, credit and liquidity
13 facilities, interest rate swap agreements and other derivative products, and any other
14 related instruments and matters the State Treasurer determines to be desirable in
15 connection with the issuance of bonds and notes.

16 Sec. 11. Interpretation of Act. – (a) Additional Method. The foregoing sections of
17 this act shall be deemed to provide an additional and alternative method for the doing of
18 the things authorized thereby and shall be regarded as supplemental and additional to
19 powers conferred by other laws, and shall not be regarded as in derogation of any powers
20 now existing.

21 (b) Statutory References. – References in this act to specific sections or Chapters
22 of the General Statutes or to specific acts are intended to be references to these sections,
23 Chapters, or acts as they may be amended from time to time by the General Assembly.

24 (c) Liberal Construction. – This act, being necessary for the health and welfare of
25 the people of the State, shall be liberally construed to effect the purposes thereof.

26 (d) Inconsistent Provisions. – Insofar as the provisions of this act are inconsistent
27 with the provisions of any general laws, or parts thereof, the provisions of this act shall be
28 controlling.

29 (e) Severability. – If any provision of this act or the application thereof to any
30 person or circumstance is held invalid, such invalidity shall not affect other provisions or
31 applications of the act which can be given effect without the invalid provision or
32 application, and to this end the provisions of this act are declared to be severable.

33 Sec. 12. Critical School Facility Needs Fund. – G.S. 115C-489.2(b) reads as
34 rewritten:

35 "~~(b) The Commission on School Facility Needs State Board of Education shall~~
36 ~~make grants from the Fund to the counties which it determines, according to the~~
37 ~~following criteria, have the greatest critical school facility needs in relation to resources~~
38 ~~available to pay for school facility needs:~~

39 ~~(1) The critical school facility needs in the county, as determined by the~~
40 ~~Commission on School Facility Needs pursuant to G.S. 115C 489.4.~~
41 ~~(Until the Commission issues a final report on critical school facility~~
42 ~~needs in the counties, the Commission shall use the preliminary report.)~~

43 ~~(2) Ability to pay as measured by:~~

- 1 a. ~~The per pupil adjusted property tax base in the county. The per~~
2 ~~pupil adjusted property tax base in the county is the property tax~~
3 ~~base in the county adjusted using the sales assessment ratio study~~
4 ~~performed by the Department of Revenue, and~~
5 b. ~~The per capita income of the county.~~
6 (3) ~~Any critical nonschool needs that may force the county to divert its~~
7 ~~resources from school facilities. based on the grant priority list~~
8 ~~established in 1988 by The Commission on School Facility Needs until~~
9 ~~the next 11 local school administrative units on that priority list are~~
10 ~~funded."~~

11 Sec. 13. Repeal of The Commission on School Facility Needs. – G.S. 115C-
12 489.3 and G.S. 115C-489.4 are repealed.

13 Sec. 14. Repeal of the Critical School Facility Needs Fund. – Effective 30
14 days after the last local school administrative unit on the priority list established in 1988
15 by The Commission on School Facility Needs is funded under G.S. 115C-489.2, Article
16 34A of Chapter 115C of the General Statutes is repealed. Any unexpended funds in the
17 Critical School Facility Needs Fund, as provided for in G.S. 115C-489.1, which is
18 repealed by this section, are transferred to the Public School Building Capital Fund
19 created in G.S. 115C-546.1.

20 Sec. 15. Public School Building Capital Fund. – G.S. 115C-546.1(b) reads as
21 rewritten:

22 "(b) Each calendar quarter, the Secretary of Revenue shall remit to the State
23 Treasurer for credit to the Public School Building Capital Fund an amount equal to two
24 thirty-firsts (2/31) of the net collections received during the previous quarter by the
25 Department of Revenue under ~~G.S. 105-130.3 minus two million five hundred thousand~~
26 ~~dollars (\$2,500,000).~~ G.S. 105-130.3. All funds deposited in the Public School Building
27 Capital Fund shall be invested as provided in G.S. 147-69.2 and G.S. 147-69.3."

28 Sec. 16. General Fund Expenditure Limit. – The General Assembly recognizes
29 that the State's numerous forms of assistance to local governments in funding school
30 facilities and other needs in the past 20 years have led to a substantial reduction in local
31 property tax rates. It is the intent of the General Assembly that the assistance provided in
32 this act, if approved by the voters, shall further reduce local property tax rates. Any
33 applicable General Fund expenditure limit for a fiscal year shall be increased by the
34 amount of any increase in debt service requirements for the fiscal year due to the issuance
35 of bonds or notes of the State under this act. Any applicable General Fund expenditure
36 limit for a fiscal year shall be decreased by the amount of any decrease in debt service
37 requirements for the fiscal year due to the retirement of bonds or notes of the State under
38 this act. For the purpose of this section, the term "General Fund expenditure limit"
39 means the General Fund expenditure limit set in G.S. 143-2.1, if enacted.

40 Sec. 17. Effective Dates. – Sections 14 and 15 of this act become effective 30
41 days after the last local school administrative unit on the priority list established in 1988
42 by The Commission on School Facility Needs is funded under G.S. 115C-489.2. The

- 1 remainder of this act is effective upon ratification. This act does not obligate the General
- 2 Assembly to appropriate funds.