

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 389
Committee Substitute Favorable 7/18/95

Short Title: State Public School Bonds.

(Public)

Sponsors:

Referred to:

March 8, 1995

A BILL TO BE ENTITLED

1 AN ACT TO AUTHORIZE THE ISSUANCE OF 1,800,000,000 DOLLARS GENERAL
2 OBLIGATION BONDS OF THE STATE, SUBJECT TO A VOTE OF THE
3 QUALIFIED VOTERS OF THE STATE, TO PROVIDE FUNDS FOR LOANS TO
4 COUNTIES FOR PUBLIC SCHOOL BUILDINGS.
5

6 The General Assembly of North Carolina enacts:

7 Section 1. Short title. This act is the "North Carolina Public School Buildings
8 Loan Bond Act of 1995" and may be cited by that name.

9 Sec. 2. Purpose. It is the intent and purpose of the General Assembly by this act to
10 provide, subject to a vote of the qualified voters of the State, for the issuance of one
11 billion eight hundred million dollars (\$1,800,000,000) general obligation bonds of the
12 State to provide loans to counties to finance all or a portion of the cost of constructing,
13 reconstructing, renovating, and equipping public school buildings.

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

15 (1) " Bonds" means bonds authorized to be issued under this act.

16 (2) " Cost" means the capital cost of providing any public school buildings
17 for which a loan is made under this act, including, but not limited to, the
18 following:

19 a. The cost of doing any or all of the following:

1. Acquire, construct, erect, provide, develop, install, furnish, and equip.
 2. Reconstruct and renovate.
 3. Enlarge, expand, and extend.
 4. Demolish, relocate, improve, grade, drain, landscape, pave, widen, and resurface.
- b. The cost of all property, both real and personal and both improved and unimproved, plants, works, appurtenances, structures, facilities, furnishings, machinery, equipment, easements, water rights, franchises, and licenses used or useful in connection with the purpose authorized.
 - c. The cost of demolishing or moving structures from land acquired and acquiring any lands to which the structures are to be moved.
 - d. The cost of plans, specifications, studies and reports, surveys, and estimates of costs and revenues.
 - e. The cost of engineering, architectural, and other consulting services as may be required.
 - f. Administrative expenses and charges.
 - g. Finance charges and interest prior to and during construction and, if deemed advisable by the State Treasurer, for a period not exceeding two years after the estimated date of completion of construction.
 - h. The cost of bond insurance, investment contracts, credit enhancement and liquidity facilities, interest rate swap agreements and other derivative products, financial and legal consultants, and related costs of bond and note issuance, to the extent and as determined by the State Treasurer.
 - i. The cost of reimbursing a county for any payments for any costs described above with respect to public school buildings for which a loan is made under this act, and the cost of reimbursing the State for any payments made for any of the costs described above, in either case incurred after the date of the election referred to in Section 7 of this act, and subject to any applicable federal income tax requirements to be met in order that interest on the bonds will not be included in the gross income of the owners thereof for federal income tax purposes.
 - j. Any other costs and expenses necessary or incidental to the purposes of this act.

Allocations made pursuant to this act of proceeds of bonds to the costs of public school buildings in each case may include allocations to pay the costs set forth in items f., g., h., i., and j. in connection with the issuance of bonds for the buildings.

- 1 (3) " Credit facility" means an agreement entered into by the State
2 Treasurer on behalf of the State with a bank, savings and loan
3 association, or other banking institution; an insurance company,
4 reinsurance company, surety company, or other insurance institution; a
5 corporation, investment banking firm, or other investment institution; or
6 any financial institution or other similar provider of a credit facility,
7 which provider may be located within or without the United States of
8 America; such agreement providing for prompt payment of all or any
9 part of the principal or purchase price of (whether at maturity,
10 presentment or tender for purchase, redemption, or acceleration),
11 redemption premium, if any, and interest on any bonds or notes payable
12 on demand or tender by the owner, in consideration of the State
13 agreeing to repay the provider of the credit facility in accordance with
14 the terms and provisions of the agreement.
- 15 (4) " Loan" means a loan by the State of the proceeds of bonds or notes to a
16 county as evidenced by a loan agreement.
- 17 (5) " Loan agreement" means any agreement or instrument entered into
18 by a county providing for or in connection with the making of a loan
19 pursuant to the provisions of this act.
- 20 (6) " Local Government Commission" means the Local Government
21 Commission of the Department of the State Treasurer, established by
22 Article 2 of Chapter 159 of the General Statutes, and any successor of
23 said Commission.
- 24 (7) " Public school buildings" means any buildings and related and
25 necessary equipment used or to be used for public school purposes
26 including, but not limited to, classrooms, laboratories, libraries,
27 auditoriums, administrative offices, gymnasiums, athletic fields,
28 lunchrooms, utility plants, and garages. For purposes of this definition,
29 "related and necessary equipment" means equipment acquired or
30 installed in a new building or a reconstructed or renovated building, but
31 does not include any equipment not to be acquired for or installed in a
32 new building or a reconstructed or renovated building, and "public
33 school buildings" means facilities for individual schools that are used
34 for instructional and related purposes and does not include centralized
35 administration, maintenance, or other facilities.
- 36 (8) " Notes" means notes authorized to be issued under this act.
- 37 (9) " Par formula" means any provision or formula adopted by the State to
38 provide for the adjustment, from time to time, of the interest rate or rates
39 borne or provided for by any bonds or notes, including any of the
40 following:
- 41 a. A provision providing for such adjustment so that the purchase
42 price of the bonds or notes in the open market would be as close
43 to par as possible.

1 b. A provision providing for such adjustment based upon a
2 percentage or percentages of a prime rate or base rate, which
3 percentage or percentages may vary or be applied for different
4 periods of time.

5 c. Any other provision the State Treasurer determines is
6 consistent with this act and will not materially and adversely
7 affect the financial position of the State and the marketing of
8 bonds or notes at a reasonable interest cost to the State.

9 (10) " State Board of Education" means the North Carolina State Board of
10 Education created by Article IX, Sec. 4 of the North Carolina
11 Constitution and any successor of this Board.

12 (11) "State" means the State of North Carolina.

13 Sec. 4. Authorization of bonds and notes. Subject to a favorable vote of a
14 majority of the qualified voters of the State who vote on the question of issuing Public
15 School Buildings Bonds in the election called and held as provided in this act, the State
16 Treasurer is hereby authorized, by and with the consent of the Council of State, to issue
17 and sell, at one time or from time to time, general obligation bonds of the State to be
18 designated "State of North Carolina Public School Buildings Bonds," with any additional
19 designations as may be determined to indicate the issuance of bonds from time to time, or
20 notes of the State as provided in this act, in an aggregate principal amount not exceeding
21 one billion eight hundred million dollars (\$1,800,000,000) for the purpose of providing
22 funds, with any other available funds, for the purposes authorized in this act.

23 Sec. 5. Uses of bond and note proceeds. The proceeds of bonds and notes
24 shall be used to make loans to counties or otherwise for the purpose of financing all or a
25 portion of the cost of public school buildings. The State Board of Education shall
26 allocate the proceeds of the bonds or notes among the counties requesting the borrowing
27 of such funds based on such factors as the State Board of Education deems relevant,
28 including average daily membership, condition of existing school buildings, the financial
29 condition of the county and the need for new, reconstructed, or renovated public school
30 buildings. The State Board of Education shall be responsible for determining the
31 eligibility for and priority of such loans and shall adopt such rules as may be necessary
32 for such purposes. The State Treasurer shall determine the form and details of the loans,
33 including, but not limited to, the interest rate or rates and amortization schedule, and shall
34 administer the loans as provided in this act.

35 Sec. 6. Allocation of bond and note proceeds. The proceeds of the bonds and notes,
36 including any premium thereon, if any, except the proceeds of bonds the issuance of
37 which has been anticipated by bond anticipation notes or the proceeds of refunding bonds
38 or notes, shall be deposited by the State Treasurer in a special fund to be established in
39 the Department of the State Treasurer and to be designated the "Public School Buildings
40 Bonds Fund", which may include such appropriate special accounts therein as may be
41 determined by the State Treasurer.

42 Any additional moneys that may be received by means of a grant or grants from the
43 United States of America or any agency or department thereof or from any other source

1 to aid in the financing of public school buildings may be placed by the State Treasurer in
2 the Public School Buildings Bonds Fund, or in any separate funds or accounts as the State
3 Treasurer may determine, and shall be disbursed, to the extent permitted by the terms of
4 such grant or grants, without regard to any limitations imposed by this act.

5 Moneys in the Public School Buildings Bonds Fund or in any separate fund or
6 account may be invested from time to time by the State Treasurer in the same manner
7 permitted for investment of moneys belonging to the State or held in the State treasury
8 except with respect to grant money to the extent otherwise directed by the terms of the
9 grant, and any investment earnings shall be credited to the Public School Buildings
10 Bonds Fund or the particular fund or account from which such investment was made.

11 All moneys deposited in, or accruing to, the credit of the Public School Buildings
12 Bonds Fund, other than moneys set aside for administrative expenses, including expenses
13 related to determining compliance with applicable requirements of the federal tax law and
14 costs of issuance, shall be used to pay the cost of public school buildings authorized by
15 this act.

16 The proceeds of the bonds and notes may be used with other money made available
17 by the General Assembly for the purposes provided in this act, including the proceeds of
18 any other State bond issues, which may be made available at the session of the General
19 Assembly at which this act is ratified or any subsequent sessions. The proceeds of the
20 bonds and notes shall be expended and disbursed under the direction and supervision of
21 the Director of the Budget. The funds provided by this act shall be disbursed for the
22 purposes provided in this act upon warrants drawn on the State Treasurer by the State
23 Controller, which warrants shall not be drawn until a requisition has been approved by
24 the Director of the Budget and which requisition shall be approved only after
25 compliance with the Executive Budget Act, Article 1 of Chapter 143 of the General
26 Statutes.

27 Sec. 7. Election. The question of the issuance of the bonds authorized by this
28 act shall be submitted to the qualified voters of the State at an election to be held on a
29 date to be fixed by the Governor, but in any event not later than the first Tuesday after the
30 first Monday of November 1996. Any other primary, election, or referendum validly
31 called or scheduled by law at the time the election on the bond question provided for in
32 this section is held may be held as called or scheduled. Notice of the election shall be
33 given in the manner and at the times required by Section 163-33(8) of the General
34 Statutes, and the election and the registration of voters therefor shall be held under and in
35 accordance with the general laws of the State. Absentee ballots shall be authorized in the
36 election.

37 The State Board of Elections shall reimburse the counties of the State for all
38 necessary expenses incurred in holding the election which are in addition to those
39 which would have otherwise been incurred, the same to be paid out of the Contingency
40 and Emergency Fund or other funds available to the State Board of Elections.

41 Ballots, voting systems authorized by Article 14 of Chapter 163 of the General
42 Statutes, or both, may be used in accordance with rules prescribed by the State Board of

1 Elections. The bond question to be used in the ballots or voting systems shall be in
2 substantially the following form:

3
4 FOR AGAINST
5 the issuance of one billion eight hundred million dollars
6 (\$1,800,000,000) State of North Carolina Public School Buildings
7 Bonds constituting general obligation bonds of the State secured by a
8 pledge of the faith and credit and taxing power of the State for the
9 purpose of providing funds, with any other available funds, to make
10 loans to counties to pay, with any other available funds, the cost of
11 constructing, reconstructing, renovating, and equipping public school
12 buildings and related facilities.

13
14 If a majority of those voting on the bond question vote in favor of the issuance of
15 the bonds, the bonds may be issued as provided in this act. If a majority of those voting
16 on the bond question vote against the issuance of the bonds, the bonds shall not be
17 issued.

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

22 Sec. 8. Issuance of bonds and notes.

23 (a) Terms and conditions. Bonds or notes may bear such date or dates, may be
24 serial or term bonds or notes, or any combination thereof, may mature in such amounts
25 and at such time or times, not exceeding 30 years from their date or dates, may be
26 payable at such place or places, either within or without the United States of America, in
27 such coin or currency of the United States of America as at the time of payment is legal
28 tender for payment of public and private debts, may bear interest at such rate or rates,
29 which may vary from time to time, and may be made redeemable before maturity, at the
30 option of the State or otherwise as may be provided by the State, at such price or prices,
31 including a price less than the face amount of the bonds or notes, and under such terms
32 and conditions, all as may be determined by the State Treasurer, by and with the consent
33 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 the
37 Governor's facsimile signature, shall be signed by the State Treasurer or shall bear the
38 State Treasurer's facsimile signature, and shall bear the Great Seal of the State or a
39 facsimile thereof shall be impressed or imprinted thereon. If bonds or notes bear the
40 facsimile signatures of the Governor and the State Treasurer, the bonds or notes shall also
41 bear a manual signature which may be that of a bond registrar, trustee, paying agent, or
42 designated assistant of the State Treasurer. Should any officer whose signature or
43 facsimile signature appears on bonds or notes cease to be that officer before the delivery

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

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

24 (d) Notes; repayment. By and with the approval of the Council of State, the State
25 Treasurer is authorized to borrow money and to execute and issue notes of the State for
26 the borrowed money, but only in the following circumstances and under the following
27 conditions:

- 28 (1) For anticipating the sale of bonds the issuance of which the Council of
29 State shall have approved, if the State Treasurer shall deem it advisable
30 to postpone the issuance of the bonds;
- 31 (2) For the payment of interest on or any installment of principal of any
32 bonds then outstanding, if there shall not be sufficient funds in the State
33 treasury with which to pay the interest or installment of principal as they
34 respectively become due;
- 35 (3) For the renewal of any loan evidenced by notes;
- 36 (4) For refunding bonds or notes; or
- 37 (5) For the purposes authorized in this act.

38 Funds derived from the sale of bonds or notes may be used in the payment of any
39 bond anticipation notes issued under this act. Funds provided by the General Assembly
40 for the payment of interest on or principal of bonds shall be used in paying the interest on
41 or principal of any notes and any renewals of any notes, the proceeds of which shall have
42 been used in paying interest on or principal of the bonds.

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

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

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

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

24 Sec. 9. Variable interest rates. In fixing the details of bonds and notes, the
25 State Treasurer may provide that any of the bonds or notes may:

- 26 (1) Be made payable from time to time on demand or tender for purchase
27 by the owner of the bonds or notes provided a credit facility supports the
28 bonds or notes, unless the State Treasurer specifically determines that a
29 credit facility is not required upon a finding and determination by, the
30 State Treasurer that the absence of a credit facility will not materially
31 and adversely affect the financial position of the State and the
32 marketing of the bonds or notes at a reasonable interest cost to the
33 State;
- 34 (2) Be additionally supported by a credit facility;
- 35 (3) Be made subject to redemption or a mandatory tender for purchase prior
36 to maturity;
- 37 (4) Bear interest at a rate or rates that may vary for such period or periods
38 of time, all as may be provided in the proceedings providing for the
39 issuance of the bonds or notes, including, but not limited to, such
40 variations as may be permitted pursuant to a par formula; and
- 41 (5) Be made the subject of a remarketing agreement whereby an attempt is
42 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 is in
4 excess of the aggregate principal amount of bonds or notes secured by the credit facility,
5 whether as a result of the inclusion in the credit facility of a provision for the payment of
6 interest for a limited period of time or the payment of a redemption premium or for any
7 other reason, then the amount of authorized but unissued bonds or notes during the term
8 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
13 enhancement and liquidity facilities, interest rate swap agreements and other derivative
14 products, and any other related instruments and matters as the State Treasurer shall
15 determine desirable in connection with the issuance of bonds or notes.

16 Sec. 11. Loan program.

17 (a) Administration. The State Treasurer shall be responsible for making and
18 administering all loans.

19 (b) Loans. (1) Eligibility/initial public hearing.

20 a. Prior to filing an application for a loan, a county shall hold a
21 public hearing on the proposed loan. A notice of the public
22 hearing shall be published in a newspaper of general circulation
23 in the county once at least 10 days prior to the date fixed for the
24 public hearing. The notice shall include the purpose of the loan
25 and the proposed amount of the loan.

26 b. All applications for loans shall be filed with the State Board of
27 Education. The form of application shall be developed by the
28 State Board of Education and shall require such information as
29 shall be necessary to determine the eligibility for a loan under the
30 provisions of this act. All applications approved by the State
31 Board of Education shall be filed by the State Board of Education
32 with the Local Government Commission. Each applicant shall
33 furnish to the State Board of Education or the Local Government
34 Commission any additional or supplemental information upon
35 request.

36 c. No county shall be eligible for a loan unless it demonstrates to
37 the satisfaction of the State Board of Education that:

38 1. The applicant is an eligible borrower under the provisions
39 of this act;

40 2. The applicant has the financial capability to pay the
41 principal of and interest on the proposed loan, as
42 evidenced by approval of the Local Government
43 Commission;

- 1 3. The applicant has substantially complied or will
2 substantially comply with all applicable laws, rules,
3 regulations, and ordinances, whether federal, State, or
4 local; and
- 5 4. The applicant has agreed by official resolution or
6 pursuant to a loan agreement to apply available sources of
7 revenue, which application may be subject to a right of
8 nonappropriation, to provide adequate funds for
9 repayment of principal of and interest on the proposed
10 loan.
- 11 (2) Assessment. The State Board of Education may require any applicant to
12 file with its application an assessment of the impact the public school
13 buildings for which the funds are sought will have upon meeting the
14 public school buildings needs of the area within which the public school
15 buildings are to be located.
- 16 (3) Hearing by State Board of Education or Local Government
17 Commission. A public hearing may be held at any time on any
18 application by the State Board of Education or the Local Government
19 Commission. Public hearings may also be held by the State Board of
20 Education in its discretion upon the written request of any citizen or
21 taxpayer who is a resident of the county in which the public school
22 buildings will be located or that proposes to borrow money from the
23 State pursuant to this act, if it appears that the public interest will be
24 served by the hearing. The written request shall set forth each
25 objection to the proposed public school buildings or the proposed loan
26 or any other reason for requesting a public hearing on the application
27 and shall contain the name and address of the persons submitting such
28 request. The State Board of Education may consider, in addition to the
29 application, all written objections to the proposed public school
30 buildings or the proposed loan and shall determine if the public interest
31 will be served by a public hearing. The determination by the State
32 Board of Education shall be conclusive, but all written requests for a
33 public hearing shall be retained as a permanent part of the records
34 pertaining to the application.
- 35 (4) Petition for vote. A petition demanding that the question of whether to
36 enter into a loan agreement with the State be submitted to the voters
37 shall be filed with the clerk of the county proposing to enter into the
38 loan agreement within 30 days after the initial public hearing required
39 by this section. The petition's sufficiency shall be determined and a
40 referendum, if any, shall be conducted according to the standards,
41 procedures, and limitations set out in G.S. 159-60 through G.S. 159-62.
- 42 (5) Approval. The Local Government Commission shall review and
43 approve proposed loans to counties under the provisions of Articles 4

1 and 5 of Chapter 159 of the General Statutes. The Local Government
2 Commission, in considering the ability of a county to repay a loan, may
3 regard as a source of repayment of a loan revenue sources that may not
4 be available other than on an annual discretionary basis and that may
5 not be subject to a pledge or agreement to apply.

6 (6) Loans; disbursement. No funds shall be disbursed until the State Board
7 of Education certifies to the State Treasurer that all eligibility criteria
8 have been met and the county enters into a loan agreement. In the event
9 disbursement of funds are made in installments, no disbursement shall
10 be made until the county submits a request to the State Board of
11 Education for disbursement.

12 (7) Repayment of loans. Repayment of a loan will be an obligation of the
13 county receiving the loan.

14 The State Treasurer shall provide for the repayment of and the
15 interest rates on loans. The interest rates on loans shall reflect the self-
16 supporting nature of the loan program and shall be sufficient to cover
17 substantially all debt service payments on the State's bonds or notes and
18 the costs of issuance and administrative expenses associated with the
19 issuance of such bonds or notes and the making of such loans, subject to
20 any applicable requirements of the federal tax law. Repayments of the
21 loans shall be credited to the General Fund of the State and may be used
22 to pay, directly or indirectly, debt service on bonds and notes.
23 Repayments shall be initially placed into any fund or account as may be
24 determined by the State Treasurer for the purpose of determining
25 compliance with applicable requirements of the federal tax law and shall
26 be expended and disbursed therefrom under the direction and
27 supervision of the Director of the Budget.

28 Loans shall be outstanding debts for the purposes of Article 10 of
29 Chapter 159 of the General Statutes.

30 (8) Loan Agreement. Counties shall execute loan agreements pursuant to
31 which the counties shall agree to pay loan repayments to the State in
32 order to obtain loans provided for in this act. Counties may pledge or
33 agree to apply any of the following as security for their respective
34 obligations under their loan agreements:

35 a. Any available sources of revenues of the county, as the case may be,
36 provided that (i) the county is not restricted by the terms of any other indebtedness
37 or contractual agreement to pledge or agree to apply such revenues as security for
38 the payment of any other obligations of the county, (ii) the use of the revenues is
39 not otherwise restricted by law, or (iii) the revenues are not derived from the
40 exercise of the taxing power of the county.

41 b. The faith and credit of the county.

42 c. Any combination of a. and b.

1 The faith and credit of any county shall not be pledged or be deemed
2 to have been pledged unless the requirements of Article 4 of Chapter
3 159 of the General Statutes have been met. The State Treasurer, by and
4 with the consent of the Local Government Commission, shall develop
5 appropriate loan agreements for use under this act.

6 Nothing contained in this act shall prohibit any county from applying
7 any funds not otherwise restricted as to use by law to the payment of
8 any loan agreement entered into pursuant to the provisions of this act.

9 (9) Intercept. The board of commissioners of a county may by resolution
10 authorize to be included in its loan agreement a provision authorizing
11 the State Treasurer, upon failure of the county to make a scheduled
12 repayment of the loan, to withhold from the county any State funds that
13 would otherwise be distributed to the county in an amount sufficient to
14 pay all sums then due and payable to the State as a repayment of the
15 loan. In such event, notwithstanding any other provision of law, the
16 State Treasurer shall be authorized to withhold and apply such funds to
17 the repayment of the loan; provided, however, that such funds shall not
18 be withheld if (i) prior to the execution of the loan agreement, the funds
19 have been legally pledged to secure special obligation bonds or other
20 obligations of the county, or (ii) subsequent to the execution of the
21 loan agreement, such funds are legally pledged to secure special
22 obligation bonds or other obligations of the county as authorized in this
23 subsection. Subsequent to the execution of a loan agreement, all or any
24 portion of the State funds specified in such loan agreement to be so
25 withheld may be pledged to secure special obligation bonds or other
26 obligations of such county only with the prior written consent of the
27 State Treasurer.

28 The State Treasurer shall notify the Secretary of Revenue of the
29 State and the State Controller of the State of the amount to be withheld
30 from the county, and the Secretary of Revenue and the State Controller
31 shall transfer to the State Treasurer the amount so requested to be
32 applied by the State Treasurer to the repayment of the loan.

33 (c) Inspection. Inspection of public school buildings for which a loan has been
34 made may be performed by qualified personnel of the State Board of Education or may
35 be performed by qualified engineers registered in this State approved by the State Board
36 of Education. No person shall be approved to perform inspections who is an officer
37 employed by the county to which the loan was made or who is an owner, officer,
38 employer, or agent of a contractor or subcontractor engaged in the construction of the
39 project for which the loan was made. For the purpose of payment of inspection fees,
40 inspection services shall be included in the term "cost" as used in this act.

41 (d) Rules. The State Treasurer, the Local Government Commission, and the State
42 Board of Education may adopt, modify, and repeal rules necessary for the administration
43 of their respective duties under this act. Uniform rules may be jointly adopted where

1 feasible and desirable and no rule jointly adopted may be modified or revoked except
2 upon concurrence of all agencies involved. Chapter 150B of the General Statutes applies
3 to the adoption of rules under this act.

4 (e) Federal Grants and Loans. In order to carry out the purposes of this act to
5 secure the greatest possible benefits to the citizens of this State of the funds
6 appropriated, the State Board of Education shall adopt rules and criteria, not inconsistent
7 with provisions of this act, as are necessary and appropriate to conform to regulations for
8 federal grants and loans for any of the purposes set forth in this act.

9 (f) Reports. The State Board of Education shall prepare and file each year on or
10 before July 31 with the Joint Legislative
11 Commission on Governmental operations a consolidated report for the preceding fiscal
12 year concerning the allocation and making of loans. The report shall set forth all of the
13 following information:

- 14 (1) Itemized and total allocations of loans authorized and unallocated funds
15 as of the end of the preceding fiscal year.
- 16 (2) Identification of each loan agreement entered into by the State during
17 the preceding fiscal year and the total amount of loans authorized by
18 such loan agreements.
- 19 (3) The amount disbursed to each county pursuant to such loan agreements
20 during the preceding fiscal year and the total amount of such
21 disbursements.
- 22 (4) The loan repayments made by each county pursuant to such loan
23 agreements and the total amount of such loan repayments during the
24 preceding fiscal year.
- 25 (5) A summary for all preceding years of the information required by
26 subdivisions (1) to (4).

27 The State Treasurer shall report annually to the General Assembly the financial
28 condition of the loan program and identify existing delinquencies.

29 Sec. 12. In addition to the State's right to amend any provision of this act to
30 the extent it does not impair any contractual right of a bond or note owner, the State
31 expressly reserves the right to amend any provision of this act with respect to the
32 making and repayment of loans, the disposition of any repayments of loans, and any
33 intercept provisions relating to the failure of counties to repay loans, the bonds and notes
34 not being secured in any respect by loans, any repayments thereof, or any intercept
35 provisions with respect thereto. Notwithstanding the foregoing, it is the intention of the
36 General Assembly that the payment obligations of any county under a loan agreement
37 shall not be forgiven by the State prior to the payment in full thereof, and no loan
38 agreement may be amended to such effect.

39 Sec. 13. Interpretation of Act.

40 (a) Additional method. The foregoing sections of this act shall be deemed to
41 provide an additional and alternative method for the doing of the things authorized
42 thereby and shall be regarded as supplemental and additional to powers conferred by
43 other laws, and shall not be regarded as in derogation of any powers now existing.

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

4 (c) Liberal construction. This act, being necessary for the health and welfare of
5 the people of the State, shall be liberally construed to effect the purposes thereof.

6 (d) Severability. If any provision of this act or the application thereof to any
7 person or circumstance is held invalid, the invalidity shall not affect other provisions or
8 applications of the act which can be given effect without the invalid provision or
9 application, and to this end the provisions of this act are declared to be severable.

10 Sec. 14. Effective Date. This act is effective upon ratification.