

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

H

6

HOUSE BILL 389
Committee Substitute Favorable 7/18/95
Committee Substitute #2 Favorable 7/19/95
Fourth Edition Engrossed 7/24/95
Senate Finance Committee Substitute Adopted 7/26/95
Sixth Edition Engrossed 7/28/95

Short Title: Public School Building Bond Act of 1995.

(Public)

Sponsors:

Referred to:

March 8, 1995

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE STATE, SUBJECT TO A VOTE OF THE QUALIFIED VOTERS OF THE STATE, TO PROVIDE FUNDS FOR GRANTS TO COUNTIES FOR PUBLIC SCHOOL BUILDING CAPITAL PROJECTS, IN ORDER TO PROMOTE EQUITY IN LOCAL SCHOOL FACILITIES ACROSS THE STATE AND TO ENABLE LOCAL GOVERNMENTS TO GIVE LOCAL PROPERTY TAX RELIEF.

The General Assembly of North Carolina enacts:

Section 1. Short title. This act shall be known and may be cited as the "Public School Building Bond Act of 1995".

Sec. 2. Purpose. It is the intent of the General Assembly by this act to provide for the issuance of one billion eight hundred million dollars (\$1,800,000,000) general obligation bonds of the State to facilitate the providing of public school buildings by making grants to counties to provide funds for new public school capital outlay projects.

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

- 1 (1) " Bonds" means bonds issued under this act.
- 2 (2) " Cost" means, without intending thereby to limit or restrict any proper
3 definition of this term in financing the cost of facilities or purposes
4 authorized by this act:
- 5 a. The cost of constructing, reconstructing, enlarging, acquiring,
6 and improving facilities, and acquiring equipment and land
7 therefor,
- 8 b. The cost of engineering, architectural, and other consulting
9 services as may be required,
- 10 c. Administrative expenses and charges,
- 11 d. Finance charges and interest prior to and during construction and,
12 if deemed advisable by the State Treasurer, for a period not
13 exceeding two years after the estimated date of completion of
14 construction,
- 15 e. The cost of bond insurance, investment contracts, credit
16 enhancement and liquidity facilities, interest-rate swap
17 agreements or other derivative products, financial and legal
18 consultants, and related costs of bond and note issuance, to the
19 extent and as determined by the State Treasurer,
- 20 f. The cost of reimbursing the State for any payments made for any
21 cost described above, and
- 22 g. Any other costs and expenses necessary or incidental to the
23 purposes of this act.
- 24 Allocations in this act of proceeds of bonds to the costs of a project or
25 undertaking in each case may include allocations to pay the costs set
26 forth in items c., d., e., f., and g. in connection with the issuance of
27 bonds for the project or undertaking.
- 28 (3) " Credit facility" means an agreement entered into by the State
29 Treasurer on behalf of the State with a bank, savings and loan
30 association, or other banking institution, an insurance company,
31 reinsurance company, surety company, or other insurance institution, a
32 corporation, investment banking firm, or other investment institution, or
33 any financial institution or other similar provider of a credit facility,
34 which provider may be located within or without the United States of
35 America, such agreement providing for prompt payment of all or any
36 part of the principal or purchase price (whether at maturity, presentment
37 or tender for purchase, redemption, or acceleration), redemption
38 premium, if any, and interest on any bonds or notes payable on demand
39 or tender by the owner, in consideration of the State agreeing to repay
40 the provider of the credit facility in accordance with the terms and
41 provisions of such agreement.
- 42 (4) " Local Government Commission" means the Local Government
43 Commission of the Department of State Treasurer, established by

1 Article 2 of Chapter 159 of the General Statutes, and any successor of
2 the Commission.

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

4 (6) "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 (7) "State" means the State of North Carolina.

19 Sec. 4. Authorization of bonds and notes. Subject to a favorable vote of a
20 majority of the qualified voters of the State who vote on the question of issuing Public
21 School Building Bonds in the election held as provided in this act, the State Treasurer is
22 authorized, by and with the consent of the Council of State, to issue and sell, at one time
23 or from time to time, general obligation bonds of the State to be designated "State of
24 North Carolina Public School Building Bonds", with any additional designations as may
25 be determined to indicate the issuance of bonds from time to time, or notes of the State as
26 provided in this act, in the aggregate principal amount not exceeding one billion eight
27 hundred million dollars (\$1,800,000,000) for the purposes authorized in this act. No
28 more than four hundred million dollars (\$400,000,000) of these bonds may be issued
29 within a twelve-month period. The State Board of Education shall implement a process
30 for allocating available proceeds if more than four hundred million dollars
31 (\$400,000,000) of projects are ready during a period when the amount of bonds that may
32 be issued is limited to four hundred million dollars (\$400,000,000).

33 Sec. 5. Uses of bond and note proceeds. The proceeds of Public School
34 Building Bonds and notes shall be used for the purpose of making grants to counties for
35 paying the cost of providing public school buildings including the planning, construction,
36 reconstruction, enlargement, improvement, repair, or renovation of public school
37 buildings, the purchase of land necessary for immediate construction of school buildings,
38 and other related capital outlay projects constituting facilities for individual schools that
39 are used for instructional and related purposes, but not including centralized
40 administration, maintenance, or other facilities.

41 Any additional moneys that may be received by means of a grant or grants
42 from the United States of America or any agency or department thereof or from any other
43 source to aid in financing the cost of any public school building capital projects

1 authorized by this act may be placed by the State Treasurer in the Public School Building
2 Bonds Fund or in a separate account or fund and shall be disbursed, to the extent
3 permitted by the terms of the grant or grants, without regard to any limitations imposed
4 by this act.

5 Moneys in the Public School Building 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 Building Bonds
10 Fund or the particular fund or account from which the investment was made.

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

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

28 The Director of the Budget shall provide quarterly reports to the State Board of
29 Education, the General Assembly, and the Fiscal Research Division on the expenditure of
30 moneys from the Public School Building Bonds Fund.

31 Sec. 6. Allocation of proceeds; match. (a) Initial Allocation. The proceeds of
32 Public School Building Bonds and notes, including premium thereon, if any, except the
33 proceeds of bonds the issuance of which has been anticipated by bond anticipation notes
34 or the proceeds of refunding bonds or notes, shall be placed by the State Treasurer in a
35 special fund to be designated "Public School Building Bonds Fund". Moneys in the
36 Public School Building Bonds Fund shall be used for the purposes set forth in this act.
37 The proceeds of Public School Building Bonds and notes shall be allocated to counties
38 and expended for paying the cost of public school building capital projects, to the extent
39 and as provided in this act and subject to change as provided in this act.

40 Funds shall be allocated to each county on the basis of the distribution amounts
41 provided in the following table for the local school administrative units in the State. In
42 the case of a local school administrative unit located entirely in one county, the unit's
43 total distribution amount shall be allocated to that county. In the case of a local school

1 administrative unit located in more than one county, the unit's distribution amount shall
 2 be allocated among the counties in which the unit is located in proportion to average
 3 daily membership of the unit in each county. A unit's distribution amount allocated to a
 4 county may be used only with respect to public school facilities of that unit.

	Distribution Based on High Growth	Distribution Based on Ability To Pay	Distribution Based on Average Daily Membership	Total
Local School Administrative Unit				
Alamance Co.	\$3,661,537.04	\$ 0	\$11,497,145	\$15,158,682.04
Burlington City	0.00	0	6,530,418	6,530,418.00
Alexander Co.	0.00	2,500,301	5,004,816	7,505,117.00
Alleghany Co.	0.00	21,215	1,490,519	1,511,734.00
Anson Co.	0.00	3,835,084	4,432,465	8,267,549.00
Ashe Co.	0.00	1,418,486	3,485,229	4,903,715.00
Avery Co.	0.00	0	2,423,722	2,423,722.00
Beaufort Co.	0.00	3,653,395	7,792,398	11,445,793.00
Bertie Co.	0.00	4,738,169	4,001,447	8,739,616.00
Bladen Co.	0.00	4,280,386	5,451,872	9,732,258.00
Brunswick Co.	2,228,851.82	0	9,187,692	11,416,543.82
Buncombe Co.	8,457,196.83	0	24,360,515	32,817,711.83
Asheville City	0.00	0	4,655,993	4,655,993.00
Burke Co.	3,452,128.64	5,799,503	13,233,244	22,484,875.64
Cabarrus Co.	10,994,977.88	0	15,678,016	26,672,993.88
Kannapolis City	0.00	226,875	4,042,544	4,269,419.00
Caldwell Co.	0.00	6,006,514	11,737,713	17,744,227.00
Camden Co.	362,836.34	1,008,752	1,265,989	2,637,577.34
Carteret Co.	0.00	0	8,201,363	8,201,363.00
Caswell Co.	0.00	3,177,004	3,451,148	6,628,152.00
Catawba Co.	4,430,750.09	0	14,114,324	18,545,074.09
Hickory City	0.00	0	4,353,278	4,353,278.00
Newton City	0.00	0	2,783,572	2,783,572.00
Chatham Co.	2,141,771.10	0	6,533,425	8,675,196.10
Cherokee Co.	0.00	2,476,454	3,449,143	5,925,597.00
Chowan Co.	0.00	1,716,584	2,613,170	4,329,754.00
Clay Co.	0.00	630,364	1,206,849	1,837,213.00
Cleveland Co.	0.00	2,701,571	8,685,506	11,387,077.00
Kings Mountain City	0.00	1,244,936	4,002,450	5,247,386.00
Shelby City	0.00	1,021,079	3,282,751	4,303,830.00
Columbus Co.	0.00	7,377,939	7,699,178	15,077,117.00
Whiteville City	0.00	2,702,011	2,819,657	5,521,668.00
Craven Co.	0.00	7,548,386	14,635,554	22,183,940.00
Cumberland Co.	19,644,996.31	19,331,251	50,702,709	89,678,956.31

1	Currituck Co.	1,391,218.21	0	3,069,246	4,460,464.21
2	Dare Co.	2,454,847.03	0	4,108,701	6,563,548.03
3	Davidson Co.	0.00	3,135,798	17,489,292	20,625,090.00
4	Lexington City	0.00	540,426	3,014,116	3,554,542.00
5	Thomasville City	0.00	385,505	2,150,076	2,535,581.00
6	Davie Co.	0.00	0	4,816,371	4,816,371.00
7	Duplin Co.	0.00	6,637,709	8,292,579	14,930,288.00
8	Durham Co.	0.00	0	28,046,217	28,046,217.00
9	Edgecombe Co.	0.00	5,194,613	8,016,928	13,211,541.00
10	Forsyth Co.	0.00	0	39,959,344	39,959,344.00
11	Franklin Co.	2,197,751.57	5,862,388	6,733,899	14,794,038.57
12	Gaston Co.	0.00	0	29,238,031	29,238,031.00
13	Gates Co.	912,274.24	1,821,697	1,979,674	4,713,645.24
14	Graham Co.	0.00	1,306,674	1,233,913	2,540,587.00
15	Granville Co.	0.00	5,517,382	7,076,708	12,594,090.00
16	Greene Co.	0.00	2,199,316	2,771,544	4,970,860.00
17	Guilford Co.	13,789,854.40	0	56,562,544	70,352,398.40
18	Halifax Co.	0.00	5,893,620	6,325,935	12,219,555.00
19	Roanoke Rapids	889,467.38	2,966,888	3,184,519	7,040,874.38
20	Weldon City	0.00	1,158,926	1,243,937	2,402,863.00
21	Harnett Co.	6,524,834.13	13,845,247	13,676,290	34,046,371.13
22	Haywood Co.	0.00	474,703	7,305,248	7,779,951.00
23	Henderson Co.	0.00	0	10,898,732	10,898,732.00
24	Hertford Co.	0.00	5,000,702	4,336,238	9,336,940.00
25	Hoke Co.	1,895,042.39	8,283,564	5,767,617	15,946,223.39
26	Hyde Co.	0.00	0	1,000,000	1,000,000.00
27	Iredell Co.	0.00	0	14,144,395	14,144,395.00
28	Mooreville City	3,499,815.70	0	3,356,926	6,856,741.70
29	Jackson Co.	0.00	0	3,454,155	3,454,155.00
30	Johnston Co.	8,185,587.91	9,897,656	16,697,423	34,780,666.91
31	Jones Co.	0.00	1,006,132	1,533,621	2,539,753.00
32	Lee Co.	0.00	1,004,828	8,176,304	9,181,132.00
33	Lenoir Co.	0.00	4,734,061	10,360,461	15,094,522.00
34	Lincoln Co.	0.00	2,158,207	9,325,016	11,483,223.00
35	Macon Co.	0.00	0	3,679,688	3,679,688.00
36	Madison Co.	0.00	1,996,412	2,545,009	4,541,421.00
37	Martin Co.	0.00	3,428,957	4,996,797	8,425,754.00
38	McDowell Co.	0.00	4,101,646	6,190,616	10,292,262.00
39	Mecklenburg Co.	43,357,906.38	0	88,519,995	131,877,901.38
40	Mitchell Co.	0.00	1,436,216	2,381,623	3,817,839.00
41	Montgomery Co.	0.00	2,964,996	4,211,944	7,176,940.00
42	Moore Co.	3,091,365.65	0	10,189,056	13,280,421.65
43	Nash Co.	0.00	8,011,944	17,492,299	25,504,243.00

1	New Hanover Co.	7,175,866.20	0	21,000,582	28,176,448.20
2	Northampton Co.	0.00	3,942,806	3,825,031	7,767,837.00
3	Onslow Co.	6,060,403.61	20,750,486	20,559,541	47,370,430.61
4	Orange Co.	1,677,340.58	0	5,642,321	7,319,661.58
5	Chapel Hill-				
6	Carrboro	6,659,601.92	0	7,890,630	14,550,231.92
7	Pamlico Co.	0.00	1,286,107	2,145,064	3,431,171.00
8	Pasquotank Co.	2,322,152.60	4,693,097	6,283,836	13,299,085.60
9	Pender Co.	2,529,487.65	3,314,801	5,578,170	11,422,458.65
10	Perquimans Co.	0.00	1,848,488	1,923,541	3,772,029.00
11	Person Co.	0.00	0	5,514,019	5,514,019.00
12	Pitt Co.	6,528,980.83	6,534,889	19,291,547	32,355,416.83
13	Polk Co.	0.00	0	2,123,012	2,123,012.00
14	Randolph Co.	5,556,579.43	5,472,039	15,221,939	26,250,557.43
15	Asheboro City	1,443,051.97	1,404,584	3,907,225	6,754,860.97
16	Richmond Co.	0.00	7,996,252	8,364,749	16,361,001.00
17	Robeson Co.	0.00	29,041,350	23,071,472	52,112,822.00
18	Rockingham Co.	0.00	5,624,410	14,189,501	19,813,911.00
19	Rowan Co.	7,051,465.17	4,247,975	18,643,016	29,942,456.17
20	Rutherford Co.	0.00	4,810,183	9,977,557	14,787,740.00
21	Sampson Co.	1,739,541.10	4,929,637	7,031,602	13,700,780.10
22	Clinton City	0.00	1,794,767	2,560,044	4,354,811.00
23	Scotland Co.	0.00	6,411,834	7,207,016	13,618,850.00
24	Stanly Co.	1,741,614.45	3,522,080	7,257,134	12,520,828.45
25	Albemarle City	0.00	1,034,246	2,131,031	3,165,277.00
26	Stokes Co.	0.00	1,761,898	6,637,672	8,399,570.00
27	Surry Co.	0.00	2,240,140	7,795,405	10,035,545.00
28	Elkin City	0.00	298,129	1,037,449	1,335,578.00
29	Mount Airy City	0.00	555,643	1,933,565	2,489,208.00
30	Swain Co.	0.00	1,882,246	1,659,919	3,542,165.00
31	Transylvania Co.	0.00	0	3,951,329	3,951,329.00
32	Tyrrell Co.	0.00	472,658	803,898	1,276,556.00
33	Union Co.	8,799,299.67	3,506,411	17,983,459	30,289,169.67
34	Vance Co.	0.00	4,713,430	7,222,051	11,935,481.00
35	Wake Co.	65,167,480.65	0	80,594,283	145,761,763.65
36	Warren Co.	0.00	3,177,529	3,064,235	6,241,764.00
37	Washington Co.	0.00	2,567,498	2,653,264	5,220,762.00
38	Watauga Co.	0.00	0	4,881,525	4,881,525.00
39	Wayne Co.	0.00	14,652,529	18,674,089	33,326,618.00
40	Wilkes Co.	0.00	4,398,016	9,804,148	14,202,164.00
41	Wilson Co.	0.00	2,878,560	12,012,361	14,890,921.00
42	Yadkin Co.	1,982,123.11	2,639,812	5,202,283	9,824,218.11
43	Yancey Co.	0.00	1,212,998	2,390,644	3,603,642.00

1 GRAND TOTAL \$270,000,000.00 \$360,000,000\$1,170,000,000
2 \$1,800,000,000.00

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

6 (b) Match. A county is not required to match bond proceeds allocated on the
7 basis of ability to pay. Bond proceeds allocated on the basis of high growth and the basis
8 of average daily membership must be matched by the county at the rate of matching
9 funds equal to two cents (2¢) times the county's ability to pay rank for every one dollar
10 (\$1.00) of allocated bond proceeds. A county's ability to pay rank is its rank in the
11 ranking of counties from lowest to highest county wealth as a percentage of State average
12 wealth made by the State Board of Education for the 1994-95 fiscal year pursuant to
13 Section 138 of Chapter 321 of the 1993 Session Laws as amended by Section 19.32 of
14 Chapter 769 of the 1993 Session Laws (1994 Regular Session). The match requirement
15 may be satisfied by non-State expenditures for public school capital outlay projects made
16 on or after January 1, 1992, and by funds allocated to a county under this section on the
17 basis of ability to pay. A non-State expenditure has been made for the purpose of the
18 match if funds have been budgeted, earmarked, or committed or if debt has been
19 authorized or incurred.

20 As local school administrative units satisfy the match requirements of this
21 section, they shall document the extent to which they have done so in periodic reports to
22 the Local Government Commission. These reports shall include any information and
23 documentation required by the Local Government Commission. The Local Government
24 Commission shall certify to the State Treasurer from time to time the extent to which the
25 match requirements of this section have been met with respect to each local school
26 administrative unit; this certification shall be binding and conclusive. Bond proceeds
27 shall be distributed for expenditure only as, and to the extent, the matching requirements
28 of this section are satisfied, as certified by the Local Government Commission. The
29 Local Government Commission shall also require counties to report annually on the
30 impact of funds provided under this act on the property tax rate for that year. These
31 reports shall be public documents and shall be furnished to any citizen upon request.

32 (c) Unmatched Proceeds. If the Director of the Budget determines that a
33 county has not met the matching requirements of this section by January 1, 2001, with
34 respect to any bond proceeds allocated under subsection (a) of this section, the Director
35 shall certify that fact to the State Treasurer by March 1, 2001. All of the bond proceeds
36 with respect to which the Director certifies that the matching requirement has not been
37 met by January 1, 2001, shall be reallocated among the remaining counties on the basis of
38 average daily membership of the local school administrative units within the remaining
39 counties. Bond proceeds reallocated to a county because of a local school administrative
40 unit's average daily membership within the county may be used only with respect to
41 public school facilities of that unit. Bond proceeds reallocated to a county under this
42 subsection must be matched at the same rate as bond proceeds allocated to the county on
43 an average daily membership basis in subsection (a) of this section.

1 (d) Administration. Funds disbursed under this act shall be administered and
2 supervised by the Director of the Budget and shall be used only for the purposes provided
3 in this act. Each school administrative unit shall submit to the Director of the Budget its
4 plans for the expenditure of funds allocated under this act. After the Director of the
5 Budget determines that a school administrative unit's planned expenditure of part or all of
6 the funds allocated to it is within the purposes provided in this act, the Director shall
7 make the funds to which the plans apply available to the school administrative unit.

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

11 Sec. 7. Election. The question of the issuance of the bonds authorized by this
12 act shall be submitted to the qualified voters of the State at a statewide election to be held
13 November 7, 1995. Any other primary, election, or referendum validly called or
14 scheduled by law at the time the election on the bond question provided for in this section
15 is held, may be held as called or scheduled. Notice of the election shall be given in the
16 manner and at the times required by G.S. 163-33(8). The election and the registration of
17 voters therefor shall be held under and in accordance with the general laws of the State.
18 Absentee ballots shall be authorized in the election.

19 The State Board of Elections shall reimburse the counties of the State for all
20 necessary expenses incurred in holding the election that are in addition to those that
21 would have otherwise been incurred, the same to be paid out of the Contingency and
22 Emergency Fund or other funds available to the State Board of Elections.

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

27 **"[] FOR [] AGAINST**

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

33 If a majority of those voting on the Public School Building Bond question in
34 the election vote in favor of the issuance of the bonds, the bonds may be issued as
35 provided in this act. If a majority of those voting on the Public School Building Bond
36 question in the election vote against the issuance of the bonds, the bonds shall not be
37 issued.

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

42 Sec. 8. Issuance of bonds and notes. (a) Terms and Conditions. Bonds or notes
43 may bear such date or dates, may be serial or term bonds or notes, or any combination

1 thereof, may mature in such amounts and at such time or times, not exceeding 40 years
2 from their date or dates, may be payable at such place or places, either within or without
3 the United States of America, in such coin or currency of the United States of America as
4 at the time of payment is legal tender for payment of public and private debts, may bear
5 interest at such rate or rates, which may vary from time to time, and may be made
6 redeemable before maturity, at the option of the State or otherwise as may be provided by
7 the State, at such price or prices, including a price less than the face amount of the bonds
8 or notes, and under such terms and conditions, all as may be determined by the State
9 Treasurer, by and with the consent of the Council of State.

10 (b) Signatures; Form and Denomination; Registration. Bonds or notes may be
11 issued as certificated or uncertificated obligations. If issued as certificated obligations,
12 bonds or notes shall be signed on behalf of the State by the Governor or shall bear his
13 facsimile signature, shall be signed by the State Treasurer or shall bear his facsimile
14 signature, and shall bear the Great Seal of the State or a facsimile thereof shall be
15 impressed or imprinted thereon. If bonds or notes bear the facsimile signatures of the
16 Governor and the State Treasurer, the bonds or notes shall also bear a manual signature
17 which may be that of a bond registrar, trustee, paying agent, or designated assistant of the
18 State Treasurer. Should any officer whose signature or facsimile signature appears on
19 bonds or notes cease to be such officer before the delivery of the bonds or notes, the
20 signature or facsimile signature shall nevertheless have the same validity for all purposes
21 as if the officer had remained in office until delivery and bonds or notes may bear the
22 facsimile signatures of persons who at the actual time of the execution of the bonds or
23 notes shall be the proper officers to sign any bond or note although at the date of the bond
24 or note such persons may not have been such officers. The form and denomination of
25 bonds or notes, including the provisions with respect to registration of the bonds or notes
26 and any system for their registration, shall be as the State Treasurer may determine in
27 conformity with this act; provided, however, that nothing in this act shall prohibit the
28 State Treasurer from proceeding, with respect to the issuance and form of the bonds or
29 notes, under the provisions of Chapter 159E of the General Statutes, the Registered
30 Public Obligations Act, as well as under this act.

31 (c) Manner of Sale; Expenses. Subject to determination by the Council of State as
32 to the manner in which bonds or notes shall be offered for sale, whether at public or
33 private sale, whether within or without the United States of America and whether by
34 publishing notices in certain newspapers and financial journals, mailing notices, inviting
35 bids by correspondence, negotiating contracts of purchase or otherwise, the State
36 Treasurer is authorized to sell bonds or notes at one time or from time to time at such rate
37 or rates of interest, which may vary from time to time, and at such price or prices,
38 including a price less than the face amount of the bonds or the notes, as the State
39 Treasurer may determine. All expenses incurred in preparation, sale, and issuance of
40 bonds or notes shall be paid by the State Treasurer from the proceeds of bonds or notes or
41 other available moneys.

42 (d) Notes; Repayment.

- 1 (1) By and with the consent of the Council of State, the State Treasurer is
2 hereby authorized to borrow money and to execute and issue notes of
3 the State for the same, but only in the following circumstances and
4 under the following conditions:
- 5 a. For anticipating the sale of bonds to the issuance of which the
6 Council of State shall have given consent, if the State Treasurer
7 shall deem it advisable to postpone the issuance of the bonds;
- 8 b. For the payment of interest on or any installment of principal of
9 any bonds then outstanding, if there shall not be sufficient funds
10 in the State treasury with which to pay the interest or installment
11 of principal as they respectively become due;
- 12 c. For the renewal of any loan evidenced by notes herein
13 authorized;
- 14 d. For the purposes authorized in this act; and
- 15 e. For refunding bonds or notes as herein authorized.
- 16 (2) Funds derived from the sale of bonds or notes may be used in the
17 payment of any bond anticipation notes issued under this act. Funds
18 provided by the General Assembly for the payment of interest on or
19 principal of bonds shall be used in paying the interest on or principal of
20 any notes and any renewals thereof, the proceeds of which shall have
21 been used in paying interest on or principal of the bonds.
- 22 (e) Refunding Bonds and Notes. By and with the consent of the Council of
23 State, the State Treasurer is authorized to issue and sell refunding bonds and notes
24 pursuant to the provisions of the State Refunding Bond Act for the purpose of refunding
25 bonds or notes issued pursuant to this act. The refunding bonds and notes may be
26 combined with any other issues of State bonds and notes similarly secured.
- 27 (f) Tax Exemption. Bonds and notes shall be exempt from all State, county,
28 and municipal taxation or assessment, direct or indirect, general or special, whether
29 imposed for the purpose of general revenue or otherwise, excluding inheritance and gift
30 taxes, income taxes on the gain from the transfer of bonds and notes, and franchise taxes.
31 The interest on bonds and notes shall not be subject to taxation as to income.
- 32 (g) Investment Eligibility. Bonds and notes are hereby made securities in
33 which all public officers, agencies, and public bodies of the State and its political
34 subdivisions, all insurance companies, trust companies, investment companies, banks,
35 savings banks, savings and loan associations, credit unions, pension or retirement funds,
36 other financial institutions engaged in business in the State, executors, administrators,
37 trustees, and other fiduciaries may properly and legally invest funds, including capital in
38 their control or belonging to them. Bonds and notes are hereby made securities which
39 may properly and legally be deposited with and received by any officer or agency of the
40 State or political subdivision of the State for any purpose for which the deposit of bonds,
41 notes, or obligations of the State or any political subdivision is now or may hereafter be
42 authorized by law.

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

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

- 5 (1) Be made payable from time to time on demand or tender for purchase
6 by the owner thereof provided a credit facility supports the bonds or
7 notes, unless the State Treasurer specifically determines that a credit
8 facility is not required upon a finding and determination by the State
9 Treasurer that the absence of a credit facility will not materially or
10 adversely affect the financial position of the State and the marketing of
11 the bonds or notes at a reasonable interest cost to the State;
- 12 (2) Be additionally supported by a credit facility;
- 13 (3) Be made subject to redemption or a mandatory tender for purchase prior
14 to maturity;
- 15 (4) Bear interest at a rate or rates that may vary for such period or periods
16 of time, all as may be provided in the proceedings providing for the
17 issuance of the bonds or notes, including, without limitation, such
18 variations as may be permitted pursuant to a par formula; and
- 19 (5) Be made the subject of a remarketing agreement whereby an attempt is
20 made to remarket bonds or notes to new purchasers prior to their
21 presentment for payment to the provider of the credit facility or to the
22 State.

23 If the aggregate principal amount repayable by the State under a credit facility
24 is in excess of the aggregate principal amount of bonds or notes secured by the credit
25 facility, whether as a result of the inclusion in the credit facility of a provision for the
26 payment of interest for a limited period of time or the payment of a redemption premium
27 or for any other reason, then the amount of authorized but unissued bonds or notes during
28 the term of such credit facility shall not be less than the amount of such excess, unless the
29 payment of such excess is otherwise provided for by agreement of the State executed by
30 the State Treasurer.

31 Sec. 10. The General Assembly recognizes that the State's numerous forms of
32 assistance to local governments in funding school facilities and other needs in the past 20
33 years have led to a substantial reduction in local property tax rates. It is the intent of the
34 General Assembly that the assistance provided in this act, if approved by the voters, shall
35 further reduce local property tax rates. Any applicable General Fund expenditure limit
36 for a fiscal year shall be increased by the amount of any increase in debt service
37 requirements for the fiscal year due to the issuance of bonds or notes of the State under
38 this act. Any applicable General Fund expenditure limit for a fiscal year shall be
39 decreased by the amount of any decrease in debt service requirements for the fiscal year
40 due to the retirement of bonds or notes of the State under this act. For the purpose of this
41 section, the term "General Fund expenditure limit" means the General Fund expenditure
42 limit set in G.S. 143-2.1, if enacted.

1 Sec. 11. Interpretation of act. (a) Additional Method. The foregoing sections of
2 this act shall be deemed to provide an additional and alternative method for the doing of
3 the things authorized thereby and shall be regarded as supplemental and additional to
4 powers conferred by other laws, and shall not be regarded as in derogation of any powers
5 now existing.

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

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

11 (d) Inconsistent Provisions. Insofar as the provisions of this act are inconsistent
12 with the provisions of any general laws, or parts thereof, the provisions of this act shall be
13 controlling.

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

18 Sec. 12. Effective date. This act is effective upon ratification.