

March 26, 2009

H 841. STATUTORY CHANGES FOR ARRTA FUNDS (=S 754). Filed 3/26/09. *TO AMEND THE NORTH CAROLINA GENERAL STATUTES TO ALLOW THE STATE TO TAKE FULL ADVANTAGE OF FEDERAL ECONOMIC STIMULUS LEGISLATION ALSO KNOWN AS THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRTA).*

Identical to S 754, filed 3/23/09.

Intro. by Owens.

GS 115C, 143, 159C

April 29, 2009

H 841. CHANGES FOR BONDS AUTHORIZED UNDER ARRTA (NEW). Filed 3/26/09. House committee substitute makes the following changes to 1st edition.

GS Chapter 115C, Article 34B, Qualified Zone Academy Bonds. Amends GS 115C-489.5 to clarify that the federal American Recovery and Reinvestment Tax Act of 2009 (ARRTA) includes providing a source of funds for the acquisition of land for public school facilities. Clarifies that the qualified zone academy bonds (zone bonds) and qualified school construction bonds (construction bonds) are to be sold at a price (was, at par value) so that the tax credits that are received produce the economic equivalent of interest that would have otherwise been paid on the bonds. Provides that the issuers of either the zone bonds or the construction bonds are obligated to repay the principal amount of the bonds but do not have to make the interest payments. Divides the amount of construction bonds that may be issued into: (1) amounts that are specifically designated for identified local school districts under ARRTA (local allocation) and (2) amounts allocated to North Carolina for use throughout the state (statewide allocation).

Amends GS 115C-489.6 to designate the State Board of Education (SBE) as the state education agency responsible for administering the statewide allocation (was, allocation) of authority to issue construction bonds under ARRTA. Makes additional conforming changes specifying that the SBE's authority extends to the statewide allocation for the construction bonds. Specifies that it is among the SBE's duties to establish conditions for use of the allocations designed to ensure that the allocations are made in accordance with the requirements of federal statutes, regulations, and rulings. Directs local school districts to coordinate the use of its local allocation with the SBE so that any unused local allocation by a local school district becomes eligible as a statewide allocation. Designates the SBE as the state entity to receive notice from any local school district regarding its unused local allocation.

GS Chapter 143, Article 51B, North Carolina Federal Tax Reform Allocation Committee. Amends GS 143-433.6 to declare that Section 1400U-3 of ARRTA adds a new type of government bond called "recovery zone economic development bonds." States that ARRTA provides a formula for allocating the authority to issue recovery zone economic development bonds and recovery zone facility bonds to the states, and that authority is reallocated by the state to counties and municipalities within the state. Provides that the General Assembly finds and determines that Section 54D of the Internal Revenue Code of 1986, as amended, permits the issuance of tax credit bonds called "qualified energy conservation bonds" (QECBs), the proceeds of which must be used for certain energy conservation purposes that are enumerated in Section 54D. Provides additional specifications regarding the QECBs and the authority to issue the bonds and permitted use of the bonds.

Amends GS 143-433.8 to add the management of recovery zone economic development bonds and qualified energy conservation bonds to the duties of the North Carolina Federal Tax Reform Allocation Committee (Committee), including studying how to best manage and utilize the allocation of these bonds in the state.

Amends GS 143-433.9(a) to direct the Committee regarding the allocation of the bonds managed under Article 51B. Specifically adds (1) recovery zone facility bonds, (2) recovery zone economic development bonds, and (3) qualified energy conservation bonds to the allocation provisions of this section. Requires the Committee to follow formulas for allocating limitations on the specified bonds. Directs the Committee to follow the formula provided in Section 1400U-1(a)(3) of ARRTA in making the initial allocations for recovery zone facility bonds and recovery zone economic development bonds and to follow the guidelines in Section 54D in making the

initial allocation for qualified energy conservation bonds. Delineates additional responsibilities of the Committee in exercising its allocation authority on behalf of the state.

GS Chapter 159, Local Government Finance. Amends GS 159-123(b) regarding the classes of bonds that may be sold at a private sale. Adds the following classes of bonds to those that may be sold at private sale: (1) bonds of which the ownership results in a tax credit to the owners under federal income tax laws (was, bonds designated as qualified zone academy bonds pursuant to GS 115C-489.6) if the Local Government Commission determines that a private sale is in the best interest of the issuing unit and (2) general obligation bonds, sold prior to December 31, 2010, that are rated below AA grade, issued under the Local Government Bond Act, and that are not described in subdivisions (1) through (7) of GS 159-123(b).

Miscellaneous. Amends GS 159C-36 and amends GS 159D-45 to authorize a county or a city to designate an agency as the government entity authorized to issue recovery zone facility bonds. Amends GS 159C-3 to allow facilities that qualify as recovery zone property in connection with the issuance of recovery zone facility bonds to qualify as "special purpose projects." Amends GS 159D-3 to allow facilities used in the production of tangible or intangible personal property and distribution facilities for industrial or manufactured products to qualify as "projects." Amends the title. Makes technical and conforming changes.