

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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SENATE BILL DRS45508-MCxf-330

Short Title: Keep Our Schools Standing Act. (Public)

Sponsors: Senators Chitlik and Garrett (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO ENACT THE KEEP OUR SCHOOLS STANDING BOND ACT OF 2026.
3 The General Assembly of North Carolina enacts:
4 SECTION 1.(a) Short Title. – This act shall be known as the "Keep Our Schools
5 Standing Bond Act of 2026."
6 SECTION 1.(b) Purpose. – It is the intent of the General Assembly by this act to
7 provide, subject to a vote of the qualified voters of the State, for the issuance of fifty billion
8 dollars (\$50,000,000,000) general obligation bonds of the State for the purpose of providing
9 funds, with any other available funds, for public school facilities through grants to counties for
10 public school capital outlay projects and repairs and renovations.
11 SECTION 1.(c) Definitions. – Unless the context otherwise requires, the following
12 definitions apply in this section:
13 (1) Bonds. – Bonds issued under this section.
14 (2) Cost. – Without intending thereby to limit or restrict any proper definition of
15 this term in financing the cost of public school capital outlay projects
16 authorized by this section, any of the following:
17 a. The cost of constructing, reconstructing, enlarging, acquiring, and
18 improving projects and acquiring equipment and land therefor.
19 b. The cost of engineering, architectural, and other consulting services as
20 may be required.
21 c. Administrative expenses and charges, including expenses related to
22 determining compliance with applicable requirements of federal law
23 and expenses relating to issuance. Nothing in this section shall permit
24 use of bond funds to pay salaries or fees for bond administration; such
25 salaries and fees shall come from funds appropriated by the General
26 Assembly.
27 d. Finance charges and interest prior to and during construction and, if
28 deemed advisable by the State Treasurer, for a period not exceeding
29 three years after the estimated date of completion of construction.
30 e. The cost of bond insurance, investment contracts, credit enhancement
31 and liquidity facilities, interest rate swap agreements or other
32 derivative products, financial and legal consultants, and related costs
33 of bond and note issuance, to the extent and as determined by the State
34 Treasurer.
35 f. The cost of reimbursing the State for any payments made for any cost
36 described in this subdivision.



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1 g. Any other costs and expenses necessary or incidental to the purposes
2 of this section.

3 Allocations in this section of proceeds of bonds to the costs of a project or
4 undertaking in each case may include allocations to pay the costs set forth in
5 sub-subdivisions c. through g. of this subdivision in connection with the
6 issuance of bonds for the project or undertaking.

7 (3) Credit facility agreement. – An agreement entered into by the State Treasurer
8 on behalf of the State with a bank, savings and loan association, or other
9 banking institution; an insurance company, reinsurance company, surety
10 company, or other insurance institution; a corporation, investment banking
11 firm, or other investment institution; or any financial institution or other
12 similar provider of a credit facility agreement, which provider may be located
13 within or without the United States of America, such agreement providing for
14 prompt payment of all or any part of the principal or purchase price (whether
15 at maturity, presentment or tender for purchase, redemption, or acceleration),
16 redemption premium, if any, and interest on any bonds or notes payable on
17 demand or tender by the owner, in consideration of the State agreeing to repay
18 the provider of the credit facility agreement in accordance with the terms and
19 provisions of such agreement.

20 (4) Notes. – Notes issued under this section.

21 (5) Par formula. – Any provision or formula adopted by the State to provide for
22 the adjustment, from time to time, of the interest rate or rates borne by any
23 bonds or notes, including the following:

24 a. A provision providing for such adjustment so that the purchase price
25 of such bonds or notes in the open market would be as close to par as
26 possible;

27 b. A provision providing for such adjustment based upon a percentage or
28 percentages of a LIBOR rate, a prime rate, or base rate, which
29 percentage or percentages may vary or be applied for different periods
30 of time; or

31 c. Such other provision as the State Treasurer may determine to be
32 consistent with this section and will not materially and adversely affect
33 the financial position of the State and the marketing of bonds or notes
34 at a reasonable interest cost to the State.

35 (6) Public school capital outlay project. – A project for the construction of one or
36 more new public school buildings or the renovation of one or more existing
37 public school buildings, for the building of technology infrastructure, for the
38 purchase of measures to ensure building security, for the purchase of
39 equipment for a public school building that has never been used for public
40 education purposes or equipment related to the improvement of an existing
41 public school building that will be used at the building or become affixed to
42 the building during its use for public education, for the purchase of land
43 necessary for construction to commence within 24 months of one or more
44 school buildings, and for other related capital outlay projects to provide
45 facilities for individual schools that are used for instructional or related
46 purposes. The term applies to facilities, infrastructure, security, and equipment
47 suitable for pre-kindergarten through grade 12 and applies to cooperative
48 innovative high schools, as defined in Part 9 of Article 16 of Chapter 115C of
49 the General Statutes, and facilities designed for high school courses that are
50 co-located on community college campuses. The term does not include

1 projects for facilities for centralized administration, trailers, relocatable
2 classrooms, or mobile classrooms.

3 (7) State. – The State of North Carolina.

4 **SECTION 1.(d)** Authorization of Bonds and Notes. – Subject to a favorable vote of
5 a majority of the qualified voters of the State who vote on the question of issuing bonds for capital
6 outlay projects for public schools and for capital outlay projects and repairs and renovations
7 funds for community colleges and The University of North Carolina in the election called and
8 held as provided in this section, the State Treasurer is hereby authorized, by and with the consent
9 of the Council of State, to issue and sell, at one time or from time to time, general obligation
10 bonds of the State to be designated "State of North Carolina Education Bonds," with any
11 additional designations as may be determined to indicate the issuance of bonds from time to time,
12 or notes of the State as provided in this section, in an aggregate principal amount not exceeding
13 fifty billion dollars (\$50,000,000,000) for the purpose of providing funds, with any other
14 available funds, for the purposes authorized in this section. The principal amounts of bonds or
15 notes issued in any 12-month period shall not exceed two hundred fifty million dollars
16 (\$250,000,000). In determining whether this limit has been reached, the issuance of a note or
17 bond to pay an outstanding note is not considered an issuance.

18 **SECTION 1.(e)** Use of Education Bond and Note Proceeds. –

19 (1) Subject to the provisions of subdivision (2) of this subsection, fifty billion
20 dollars (\$50,000,000,000) of the proceeds of education bonds and notes,
21 including premium thereon, if any, shall be used for the purpose of making
22 grants to counties for paying the cost of public school capital outlay projects
23 and repairs and renovations in the amounts determined, in its discretion, by
24 the Department of Public Instruction to maximize the benefit of the funds. In
25 making allocations of proceeds for the local school administrative unit, the
26 Department of Public Instruction shall take into account average daily
27 membership, whether the unit is located in a low-wealth county, average daily
28 membership growth over the past five years, and the age and condition of the
29 facilities of the unit. Any additional monies that may be received by means of
30 a grant or grants from the United States of America or any agency or
31 department thereof or from any other source to aid in financing the cost of
32 public school capital outlay projects authorized by this act may be placed by
33 the State Treasurer in the Education Bonds Fund or in a separate account or
34 fund and shall be disbursed, to the extent permitted by the terms of the grant
35 or grants, without regard to limitations imposed by this act.

36 (2) Special allocation provisions. – In determining the use of the proceeds of
37 education bonds and notes, including premium thereon, if any, set forth in this
38 act, the following special allocation provisions apply:

39 a. The proceeds shall be used for new construction or rehabilitation of
40 existing facilities and repairs and renovations. Any items purchased
41 with such proceeds and installed or replaced as part of a renovation or
42 rehabilitation must have a useful life of at least 10 years or must extend
43 the life of the facility by at least 10 years once renovated or
44 rehabilitated.

45 b. In the case of a local school administrative unit located entirely in one
46 county, the unit's total distribution amount shall be allocated to that
47 county. In the case of a local school administrative unit located in more
48 than one county, the unit's distribution amount shall be allocated
49 among the counties in which the unit is located in proportion to
50 average daily membership of the unit in each county. A unit's
51 distribution amount allocated to a county may be used only with

1 respect to public school facilities of that unit. If two or more local
2 school administrative units are consolidated into one unit, the
3 distribution amounts determined pursuant to subdivision (1) of this
4 subsection for the units shall be considered the distribution amount for
5 the merged unit.

6 c. In determining between projects for which bond proceeds are
7 allocated, the Department of Public Instruction shall give
8 consideration to those projects that primarily involve materially
9 improving the energy efficiency of the school facility.

10 **SECTION 1.(f) Allocation and Tracking of Proceeds. –**

11 (1) Education bonds. – The proceeds of education bonds and notes, including
12 premium thereon, if any, except the proceeds of bonds, the issuance of which
13 has been anticipated by bond anticipation notes or the proceeds of refunding
14 bonds or notes, shall be placed by the State Treasurer in a special fund to be
15 designated "Education Bonds Fund," which may include such appropriate
16 special accounts therein as may be determined by the State Treasurer and shall
17 be disbursed as provided in this section. Monies in the Education Bonds Fund
18 shall be allocated and expended as provided in this section.

19 Any additional monies that may be received by means of a grant or grants
20 from the United States of America or any agency or department thereof or
21 from any other source for deposit to the Education Bonds Fund may be placed
22 in the Education Bonds Fund or in a separate account or fund and shall be
23 disbursed, to the extent permitted by the terms of the grant or grants, without
24 regard to any limitations imposed by this section.

25 Monies in the Education Bonds Fund or any separate account established
26 under this section may be invested from time to time by the State Treasurer in
27 the same manner permitted for investment of monies belonging to the State or
28 held in the State treasury, except with respect to grant money to the extent
29 otherwise directed by the terms of the grant. Investment earnings, except
30 investment earnings with respect to grant monies to the extent otherwise
31 directed or restricted by the terms of the grant, may be (i) credited to the
32 Education Bonds Fund or (ii) used to satisfy compliance with applicable
33 requirements of the federal tax law.

34 The proceeds of education bonds and notes, including premium thereon,
35 if any, may be used with any other monies made available by the General
36 Assembly for funding the projects authorized by this section, including the
37 proceeds of any other State bond issues, whether heretofore made available or
38 that may be made available at the session of the General Assembly at which
39 this section is ratified or any subsequent sessions. The proceeds of education
40 bonds and notes, including premium thereon, if any, shall be expended and
41 disbursed under the direction and supervision of the Director of the Budget.
42 The funds provided by this section shall be disbursed for the purposes
43 provided in this section upon warrants drawn on the State Treasurer by the
44 State Controller, which warrants shall not be drawn until requisition has been
45 approved by the Director of the Budget and which requisition shall be
46 approved only after full compliance with the State Budget Act, Chapter 143C
47 of the General Statutes.

48 (2) Tracking of bond proceeds. – The State Treasurer or the State Treasurer's
49 designee is hereby authorized and directed to set up a comprehensive system
50 of tracking the proceeds of the education bonds and notes, including premium
51 thereon, if any, to the extent necessary to enable the State Treasurer or the

1 State Treasurer's designee to properly account for the use of such proceeds for
 2 compliance with applicable requirements of the federal tax law or otherwise.
 3 All recipients of such proceeds shall comply with any tracking system
 4 implemented by the State Treasurer or the State Treasurer's designee for this
 5 purpose. The State Treasurer may withhold proceeds if the recipient fails to
 6 comply with this subdivision.

- 7 (3) Costs. – Allocations to the costs of a capital improvement or undertaking in
 8 each case may include allocations to pay the costs set forth in sub-subdivisions
 9 c. through g. of subdivision (2) of subsection (c) of this section in connection
 10 with the issuance of bonds for that capital improvement or undertaking.

11 **SECTION 1.(g) Election.** – The question of the issuance of the bonds authorized by
 12 this section shall be submitted to the qualified voters of the State at an election to be held in
 13 November of 2026. Any other primary, election, or referendum, validly called or scheduled by
 14 law at the time the election on the bond question provided for in this subsection is held, may be
 15 held as called or scheduled. Notice of the election shall be given in the manner and at the times
 16 required by G.S. 163A-769(8). The election and the registration of voters therefor shall be held
 17 under and in accordance with the general laws of the State. Absentee ballots shall be authorized
 18 in the election.

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

23 Ballots, voting systems authorized by Subpart 2 of Part 3 of Article 20 of Chapter
 24 163A of the General Statutes, or both may be used in accordance with rules prescribed by the
 25 State Board. The bond question to be used in the ballots or voting systems shall be in substantially
 26 the following form:

27 "[] FOR [] AGAINST

28 The issuance of fifty billion dollars (\$50,000,000,000) State of North Carolina
 29 Education Bonds constituting general obligation bonds of the State secured by a pledge of the
 30 faith and credit and taxing power of the State for the purpose of providing funds, with any other
 31 available funds, for public school facilities suitable for pre-kindergarten through grade 12
 32 through grants for public school capital outlay projects."

33 If a majority of those voting on a bond question in the election vote in favor of the
 34 issuance of the bonds described in the question, those bonds may be issued as provided in this
 35 section. If a majority of those voting on a bond question in the election do not vote in favor of
 36 the issuance of the bonds described in the question, those bonds shall not be issued.

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

41 **SECTION 1.(h) Issuance of Bonds and Notes.** –

- 42 (1) Terms and conditions. – Bonds or notes may bear such date or dates, may be
 43 serial or term bonds or notes, or any combination thereof, may mature in such
 44 amounts and at such time or times, not exceeding 40 years from their date or
 45 dates, may be payable at such place or places, either within or without the
 46 United States of America, in such coin or currency of the United States of
 47 America as at the time of payment is legal tender for payment of public and
 48 private debts, may bear interest at such rate or rates, which may vary from
 49 time to time, and may be made redeemable before maturity, at the option of
 50 the State or otherwise as may be provided by the State, at such price or prices,
 51 including a price less than the face amount of the bonds or notes, and under

1 such terms and conditions, all as may be determined by the State Treasurer by
2 and with the consent of the Council of State.

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

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

40 (4) Notes; repayment. –

41 a. Subject to the consent of the Council of State, the State Treasurer is
42 hereby authorized to borrow money and to execute and issue notes of
43 the State for the same, but only in the following circumstances and
44 under the following conditions:

- 45 1. For anticipating the sale of bonds to the issuance of which the
46 Council of State shall have given consent, if the State Treasurer
47 shall deem it advisable to postpone the issuance of the bonds.
- 48 2. For the payment of interest on or any installment of principal
49 of any bonds then outstanding, if there shall not be sufficient
50 funds in the State treasury with which to pay the interest or
51 installment of principal as they respectively become due.

- 1 adversely affect the financial position of the State and the marketing of the
2 bonds or notes at a reasonable interest cost to the State;
- 3 (2) Be additionally supported by a credit facility agreement;
- 4 (3) Be made subject to redemption or a mandatory tender for purchase prior to
5 maturity;
- 6 (4) Bear interest at a rate or rates that may vary for such period or periods of time,
7 all as may be provided in the proceedings providing for the issuance of the
8 bonds or notes, including, without limitation, such variations as may be
9 permitted pursuant to a par formula; and
- 10 (5) Be made the subject of a remarketing agreement whereby an attempt is made
11 to remarket bonds or notes to new purchasers prior to their presentment for
12 payment to the provider of the credit facility agreement or to the State.

13 If the aggregate principal amount repayable by the State under a credit facility
14 agreement is in excess of the aggregate principal amount of bonds or notes secured by the credit
15 facility agreement, whether as a result of the inclusion in the credit facility agreement of a
16 provision for the payment of interest for a limited period of time or the payment of a redemption
17 premium or for any other reason, then the amount of authorized but unissued bonds or notes
18 during the term of such credit facility agreement shall not be less than the amount of such excess,
19 unless the payment of such excess is otherwise provided for by agreement of the State executed
20 by the State Treasurer.

21 **SECTION 1.(j)** Interpretation of Section. –

- 22 (1) Additional method. – The foregoing subsections of this section shall be
23 deemed to provide an additional and alternative method for the doing of the
24 things authorized thereby and shall be regarded as supplemental and
25 additional to powers conferred by other laws and shall not be regarded as in
26 derogation of any powers now existing.
- 27 (2) Statutory references. – References in this section to specific sections or
28 Chapters of the General Statutes or to specific acts are intended to be
29 references to these sections, Chapters, or acts as they may be amended from
30 time to time by the General Assembly.
- 31 (3) Broad construction. – The General Assembly specifically has chosen to
32 combine what otherwise might be considered differing projects to be financed
33 into one bond bill and bond question because the General Assembly finds that
34 such differing projects, when taken together, constitute an interrelated, united,
35 and single plan for the State's infrastructure as stated aforesaid. Accordingly,
36 this section, being necessary for the health, welfare, and advancement of the
37 people of the State, shall be broadly construed to affect the purposes thereof.
- 38 (4) Inconsistent provisions. – Insofar as the provisions of this section are
39 inconsistent with the provisions of any general laws, or parts thereof, the
40 provisions of this section shall be controlling.
- 41 (5) Severability. – If any provision of this section or the application thereof to any
42 person or circumstance is held invalid, such invalidity shall not affect other
43 provisions or applications of this section that can be given effect without the
44 invalid provision or application and, to this end, the provisions of this section
45 are declared to be severable.

46 **SECTION 1.(k)** Other Agreements. – The State Treasurer may authorize, execute,
47 obtain, or otherwise provide for bond issuance, investment contracts, credit and liquidity
48 facilities, interest rate swap agreements and other derivative products, and any other related
49 instruments and matters the State Treasurer determines to be desirable in connection with the
50 issuance of bonds and notes.

1 **SECTION 2.** Each entity, upon receiving the proceeds of education bonds and notes,
2 including premium thereon, if any, issued pursuant to and for projects listed in Section 1 of this
3 act, shall administer, supervise, and ensure that use of the proceeds comport with the purposes
4 provided in this act. Each local school administrative unit, along with the corresponding board
5 of county commissioners, shall jointly submit to the Department of Public Instruction a plan for
6 the expenditure of proceeds allocated to it under this act. After the Department of Public
7 Instruction determines that a local school administrative unit's planned expenditure of part or all
8 of the proceeds allocated to it is within the purposes provided in this act, the Department of Public
9 Instruction shall make the proceeds to which the plans apply available to the local school
10 administrative unit. Each local school administrative unit receiving the proceeds of education
11 bonds and notes, including premium thereon, if any, issued pursuant to Section 1 of this act shall
12 report by January 1, 2028, and quarterly thereafter, to the Department of Public Instruction on
13 the projects funded from education general obligation bonds authorized by Section 1 of this act,
14 and the Department of Public Instruction shall combine the reports and submit them to the Joint
15 Legislative Capital Oversight Committee, the House of Representatives Appropriations
16 Committee, and the Senate Committee on Appropriations/Base Budget. Each report shall include
17 the total project costs, the amount to be funded from the bonds, the expenditures to date from the
18 bonds and other sources, and the percentage of each project completed.

19 **SECTION 3.(a)** Projects funded in whole or in part with the proceeds of education
20 bonds and notes, including premium thereon, if any, issued pursuant to this act, and that portion
21 of funds estimated to be needed for escalation of costs shall remain with the Office of State
22 Budget and Management and shall be disbursed only for the following purposes:

23 (1) To address unforeseen contingencies related to the specific project for which
24 the funds were made available.

25 (2) To address inflation costs related to that specific project.

26 **SECTION 3.(b)** Any funds retained by the Office of State Budget and Management
27 pursuant to subsection (a) of this section at the time a project is completed shall be retained by
28 the Office of State Budget and Management. The Office of State Budget and Management shall
29 report on any funds retained pursuant to this subsection within 90 days of a project's completion.

30 **SECTION 4.** Notwithstanding the period of time provided in G.S. 163A-1045(a) for
31 which transfers are effective, transfers of voters from a given precinct, for the purpose of voting,
32 to an adjacent precinct for the election held in November of 2026 shall be for that election only
33 and shall not apply to any subsequent election.

34 **SECTION 5.** Any funds from the Education Bond expended for school technology
35 for public schools shall be reported to the State Board of Education and shall be credited against
36 the judgment in N.C. Sch. Bds. Ass'n. v. Moore, No. 98-CVS-14159 (N.C. Super. Ct.)

37 **SECTION 6.** This act is effective when it becomes law.