

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

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HOUSE BILL 866
Committee Substitute Favorable 5/16/17

Short Title: Public School Building Bond Act of 2017. (Public)

Sponsors:

Referred to:

April 21, 2017

1 A BILL TO BE ENTITLED
2 AN ACT TO ENACT THE PUBLIC SCHOOL BUILDING BOND ACT OF 2017.
3 The General Assembly of North Carolina enacts:

4 **SECTION 1.(a)** Short Title. – This section shall be known as the "Public School
5 Building Bond Act of 2017."

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 one billion nine
8 hundred million dollars (\$1,900,000,000) general obligation bonds of the State for the purpose
9 of providing funds, with any other available funds, for public school facilities through grants to
10 counties for public school capital outlay projects.

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
20 as 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;
25 such salaries and fees shall come from funds appropriated by the
26 General 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
34 State 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
8 Treasurer on behalf of the State with a bank, savings and loan association, or
9 other banking institution; an insurance company, reinsurance company,
10 surety company, or other insurance institution; a corporation, investment
11 banking firm, or other investment institution; or any financial institution or
12 other similar provider of a credit facility agreement, which provider may be
13 located within or without the United States of America, such agreement
14 providing for prompt payment of all or any part of the principal or purchase
15 price (whether at maturity, presentment or tender for purchase, redemption,
16 or acceleration), redemption premium, if any, and interest on any bonds or
17 notes payable on demand or tender by the owner, in consideration of the
18 State agreeing to repay the provider of the credit facility agreement in
19 accordance with the terms and 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
28 or percentages of a LIBOR rate, a prime rate, or base rate, which
29 percentage or percentages may vary or be applied for different
30 periods 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
33 affect the financial position of the State and the marketing of bonds
34 or notes at a reasonable interest cost to the State.

35 (6) Public school capital outlay project. – A project for the construction of one
36 or more new public school buildings or the renovation of one or more
37 existing public school buildings, for the building of technology
38 infrastructure, for the purchase of equipment for a public school building
39 that has never been used for public education purposes or equipment related
40 to the improvement of an existing public school building that will be used at
41 the building or become affixed to the building during its use for public
42 education, for the purchase of land necessary for construction to commence
43 within 24 months of one or more school buildings, and for other related
44 capital outlay projects to provide facilities for individual schools that are
45 used for instructional or related purposes. The term does not include projects
46 for facilities for centralized administration, trailers, relocatable classrooms,
47 or mobile classrooms.

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

49 **SECTION 1.(d)** Authorization of Bonds and Notes. – Subject to a favorable vote
50 of a majority of the qualified voters of the State who vote on the question of issuing bonds for
51 public school capital outlay projects in the election called and held as provided in this section,

1 the State Treasurer is hereby authorized, by and with the consent of the Council of State, to
 2 issue and sell, at one time or from time to time, general obligation bonds of the State to be
 3 designated "State of North Carolina Public School Building Bonds," with any additional
 4 designations as may be determined to indicate the issuance of bonds from time to time, or notes
 5 of the State as provided in this section, in an aggregate principal amount not exceeding one
 6 billion nine hundred million dollars (\$1,900,000,000) for the purpose of providing funds, with
 7 any other available funds, for the purposes authorized in this section. The principal amounts of
 8 bonds or notes issued in any 12-month period shall not exceed five hundred ninety-one million
 9 dollars (\$591,000,000). In determining whether this limit has been reached, the issuance of a
 10 note or bond to pay an outstanding note is not considered an issuance.

11 **SECTION 1.(e) Use of Public School Building Bond and Note Proceeds. –**

12 (1) Subject to the provisions of subdivision (2) of this subsection, the proceeds
 13 of public school building bonds and notes, including premium thereon, if
 14 any, shall be used for the purpose of making grants to counties for paying
 15 the cost of public school capital outlay projects in the following general
 16 amounts set forth in this subdivision. Any additional monies that may be
 17 received by means of a grant or grants from the United States of America or
 18 any agency or department thereof or from any other source to aid in
 19 financing the cost of public school capital outlay projects authorized by this
 20 act may be placed by the State Treasurer in the Public School Building
 21 Bonds Fund or in a separate account or fund and shall be disbursed, to the
 22 extent permitted by the terms of the grant or grants, without regard to
 23 limitations imposed by this act.

24 LEA	ADM	Low-Wealth County	ADM Growth	Small County	Total
26 Alamance-Burlington					
27 Schools	\$11,894,339	\$10,655,658	\$1,984,971	\$0	\$24,534,968
28 Alexander County					
29 Schools	\$2,583,358	\$5,268,881	\$0	\$0	\$7,852,238
30 Alleghany County					
31 Schools	\$711,838	\$0	\$0	\$11,400,000	\$12,111,838
32 Anson County					
33 Schools	\$1,748,952	\$4,758,716	\$0	\$0	\$6,507,668
34 Ashe County					
35 Schools	\$1,583,956	\$0	\$0	\$11,400,000	\$12,983,956
36 Avery County					
37 Schools	\$1,065,399	\$0	\$0	\$11,400,000	\$12,465,399
38 Beaufort County					
39 Schools	\$3,578,568	\$2,208,334	\$0	\$0	\$5,786,902
40 Bertie County					
41 Schools	\$1,147,635	\$3,062,328	\$0	\$11,400,000	\$15,609,963
42 Bladen County					
43 Schools	\$2,377,506	\$4,926,454	\$0	\$0	\$7,303,960
44 Brunswick County					
45 Schools	\$6,612,390	\$0	\$2,291,422	\$0	\$8,903,812
46 Buncombe County					
47 Schools	\$12,765,935	\$0	\$0	\$0	\$12,765,935
48 Asheville City					
49 Schools	\$2,387,982	\$0	\$2,681,452	\$0	\$5,069,434
50 Burke County					
51 Schools	\$6,412,300	\$14,627,330	\$0	\$0	\$21,039,630

1	Cabarrus County					
2	Schools	\$17,154,290	\$0	\$20,239,736	\$0	\$37,394,026
3	Kannapolis City					
4	Schools	\$2,779,257	\$864,967	\$174,120	\$0	\$3,818,344
5	Caldwell County					
6	Schools	\$6,195,449	\$11,838,398	\$0	\$0	\$18,033,847
7	Camden County					
8	Schools	\$970,592	\$1,102,185	\$0	\$11,400,000	\$13,472,778
9	Carteret County Public					
10	Schools	\$4,359,023	\$0	\$0	\$0	\$4,359,023
11	Caswell County					
12	Schools	\$1,390,676	\$3,168,512	\$0	\$11,400,000	\$15,959,188
13	Catawba County					
14	Schools	\$8,579,764	\$0	\$0	\$0	\$8,579,764
15	Hickory City					
16	Schools	\$2,221,939	\$0	\$0	\$0	\$2,221,939
17	Newton Conover City					
18	Schools	\$1,579,766	\$0	\$285,557	\$0	\$1,865,323
19	Chatham County					
20	Schools	\$4,602,064	\$0	\$4,715,176	\$0	\$9,317,240
21	Cherokee County					
22	Schools	\$1,735,333	\$1,545,096	\$0	\$0	\$3,280,430
23	Edenton-Chowan					
24	Schools	\$1,070,637	\$1,033,675	\$0	\$11,400,000	\$13,504,312
25	Clay County					
26	Schools	\$704,504	\$0	\$55,718	\$11,400,000	\$12,160,223
27	Cleveland County					
28	Schools	\$7,750,596	\$13,226,975	\$0	\$0	\$20,977,572
29	Columbus County					
30	Schools	\$3,040,107	\$9,559,234	\$0	\$0	\$12,599,340
31	Whiteville City					
32	Schools	\$1,167,539	\$3,671,180	\$0	\$0	\$4,838,720
33	Craven County					
34	Schools	\$7,365,083	\$2,972,533	\$0	\$0	\$10,337,616
35	Cumberland County					
36	Schools	\$26,443,796	\$23,904,327	\$0	\$0	\$50,348,124
37	Currituck County					
38	Schools	\$2,114,037	\$0	\$787,023	\$0	\$2,901,061
39	Dare County					
40	Schools	\$2,668,736	\$0	\$1,239,736	\$0	\$3,908,472
41	Davidson County					
42	Schools	\$10,031,724	\$10,460,171	\$0	\$0	\$20,491,895
43	Lexington City					
44	Schools	\$1,591,290	\$1,659,253	\$0	\$0	\$3,250,543
45	Thomasville City					
46	Schools	\$1,219,919	\$1,272,022	\$0	\$0	\$2,491,941
47	Davie County					
48	Schools	\$3,269,529	\$233,720	\$0	\$0	\$3,503,249
49	Duplin County					
50	Schools	\$5,051,480	\$13,913,743	\$2,549,120	\$0	\$21,514,343
51	Durham Public					

1	Schools	\$17,529,851	\$0	\$2,751,100	\$0	\$20,280,951
2	Edgecombe County Public					
3	Schools	\$3,139,628	\$8,695,956	\$0	\$0	\$11,835,584
4	Winston-Salem/Forsyth County					
5	Schools	\$28,759,495	\$0	\$11,958,578	\$0	\$40,718,072
6	Franklin County					
7	Schools	\$4,417,164	\$9,580,484	\$0	\$0	\$13,997,648
8	Gaston County					
9	Schools	\$16,513,689	\$9,682,736	\$3,774,927	\$0	\$29,971,351
10	Gates County					
11	Schools	\$841,215	\$2,044,497	\$0	\$11,400,000	\$14,285,712
12	Graham County					
13	Schools	\$626,459	\$205,923	\$0	\$11,400,000	\$12,232,382
14	Granville County					
15	Schools	\$4,036,365	\$10,379,794	\$0	\$0	\$14,416,160
16	Greene County					
17	Schools	\$1,636,860	\$5,848,956	\$0	\$11,400,000	\$18,885,816
18	Guilford County					
19	Schools	\$37,701,201	\$0	\$0	\$0	\$37,701,201
20	Halifax County					
21	Schools	\$1,358,201	\$2,752,913	\$0	\$0	\$4,111,113
22	Roanoke Rapids City					
23	Schools	\$1,525,291	\$3,091,590	\$0	\$0	\$4,616,881
24	Weldon City					
25	Schools	\$454,654	\$921,533	\$0	\$0	\$1,376,187
26	Harnett County					
27	Schools	\$10,988,698	\$31,708,691	\$7,717,009	\$0	\$50,414,398
28	Haywood County					
29	Schools	\$3,757,182	\$0	\$0	\$0	\$3,757,182
30	Henderson County					
31	Schools	\$7,094,281	\$0	\$0	\$0	\$7,094,281
32	Hertford County					
33	Schools	\$1,511,149	\$3,743,868	\$0	\$11,400,000	\$16,655,017
34	Hoke County					
35	Schools	\$4,403,546	\$14,037,584	\$1,246,701	\$0	\$19,687,830
36	Hyde County					
37	Schools	\$317,944	\$0	\$229,839	\$11,400,000	\$11,947,782
38	Iredell-Statesville					
39	Schools	\$10,699,563	\$0	\$0	\$0	\$10,699,563
40	Mooreville Graded School					
41	District	\$3,186,246	\$0	\$2,792,889	\$0	\$5,979,134
42	Jackson County					
43	Schools	\$1,978,374	\$0	\$995,968	\$0	\$2,974,342
44	Johnston County					
45	Schools	\$18,475,301	\$35,189,800	\$14,605,205	\$0	\$68,270,306
46	Jones County					
47	Schools	\$585,079	\$450,538	\$0	\$11,400,000	\$12,435,617
48	Lee County					
49	Schools	\$5,254,713	\$6,713,788	\$1,218,842	\$0	\$13,187,342
50	Lenoir County Public					
51	Schools	\$4,582,683	\$8,123,174	\$0	\$0	\$12,705,858

1	Lincoln County					
2	Schools	\$5,970,217	\$586,814	\$0	\$0	\$6,557,031
3	Macon County					
4	Schools	\$2,303,651	\$0	\$0	\$0	\$2,303,651
5	Madison County					
6	Schools	\$1,224,633	\$403,668	\$0	\$11,400,000	\$13,028,301
7	Martin County					
8	Schools	\$1,693,953	\$3,441,064	\$0	\$0	\$5,135,017
9	McDowell County					
10	Schools	\$3,241,768	\$5,991,397	\$0	\$0	\$9,233,165
11	Charlotte-Mecklenburg					
12	Schools	\$78,674,026	\$0	\$72,872,801	\$0	\$151,546,827
13	Mitchell County					
14	Schools	\$969,021	\$95,246	\$0	\$11,400,000	\$12,464,267
15	Montgomery County					
16	Schools	\$2,056,420	\$2,204,655	\$0	\$0	\$4,261,074
17	Moore County					
18	Schools	\$6,650,103	\$0	\$1,372,067	\$0	\$8,022,170
19	Nash-Rocky Mount					
20	Schools	\$7,989,447	\$14,371,718	\$0	\$0	\$22,361,165
21	New Hanover County					
22	Schools	\$13,935,569	\$0	\$11,011,364	\$0	\$24,946,933
23	Northampton County					
24	Schools	\$933,927	\$2,214,071	\$0	\$11,400,000	\$14,547,998
25	Onslow County					
26	Schools	\$13,901,522	\$993,738	\$10,161,657	\$0	\$25,056,918
27	Orange County					
28	Schools	\$3,951,510	\$0	\$863,636	\$0	\$4,815,147
29	Chapel Hill-Carrboro City					
30	Schools	\$6,410,728	\$0	\$766,129	\$0	\$7,176,857
31	Pamlico County					
32	Schools	\$671,505	\$0	\$0	\$11,400,000	\$12,071,505
33	Elizabeth City-Pasquotank Public					
34	Schools	\$2,992,965	\$4,901,814	\$0	\$0	\$7,894,780
35	Pender County					
36	Schools	\$4,990,720	\$7,117,093	\$7,877,199	\$0	\$19,985,012
37	Perquimans County					
38	Schools	\$861,643	\$0	\$0	\$11,400,000	\$12,261,643
39	Person County					
40	Schools	\$2,392,696	\$1,638,918	\$0	\$0	\$4,031,614
41	Pitt County					
42	Schools	\$12,347,422	\$16,479,237	\$0	\$0	\$28,826,660
43	Polk County					
44	Schools	\$1,132,969	\$0	\$0	\$11,400,000	\$12,532,969
45	Randolph County					
46	Schools	\$9,064,274	\$17,536,732	\$0	\$0	\$26,601,006
47	Asheboro City					
48	Schools	\$2,436,171	\$4,713,281	\$0	\$0	\$7,149,452
49	Richmond County					
50	Schools	\$3,841,513	\$11,394,323	\$0	\$0	\$15,235,836
51	Public Schools of Robeson					

1	County	\$12,144,190	\$48,064,710	\$0	\$0	\$60,208,900
2	Rockingham County					
3	Schools	\$6,529,630	\$11,917,196	\$0	\$0	\$18,446,826
4	Rowan-Salisbury					
5	Schools	\$10,118,674	\$12,983,241	\$0	\$0	\$23,101,915
6	Rutherford County					
7	Schools	\$4,248,502	\$7,595,758	\$0	\$0	\$11,844,260
8	Sampson County					
9	Schools	\$4,377,880	\$11,563,052	\$0	\$0	\$15,940,932
10	Clinton City					
11	Schools	\$1,586,052	\$4,189,151	\$285,557	\$0	\$6,060,760
12	Scotland County					
13	Schools	\$3,075,201	\$9,753,031	\$0	\$0	\$12,828,232
14	Stanly County					
15	Schools	\$4,433,926	\$7,413,291	\$0	\$0	\$11,847,217
16	Stokes County					
17	Schools	\$3,173,151	\$5,676,493	\$0	\$0	\$8,849,644
18	Surry County					
19	Schools	\$4,198,218	\$6,722,208	\$0	\$0	\$10,920,426
20	Elkin City					
21	Schools	\$618,078	\$989,669	\$0	\$0	\$1,607,747
22	Mount Airy City					
23	Schools	\$838,596	\$1,342,763	\$0	\$0	\$2,181,359
24	Swain County					
25	Schools	\$1,029,257	\$427,317	\$0	\$11,400,000	\$12,856,574
26	Transylvania County					
27	Schools	\$1,787,189	\$0	\$0	\$0	\$1,787,189
28	Tyrrell County					
29	Schools	\$319,515	\$599,330	\$278,592	\$11,400,000	\$12,597,437
30	Union County Public					
31	Schools	\$21,984,205	\$0	\$10,565,616	\$0	\$32,549,821
32	Vance County					
33	Schools	\$3,180,484	\$9,876,842	\$0	\$0	\$13,057,326
34	Wake County					
35	Schools	\$85,220,418	\$0	\$84,650,293	\$0	\$169,870,711
36	Warren County					
37	Schools	\$1,125,112	\$691,281	\$0	\$11,400,000	\$13,216,393
38	Washington County					
39	Schools	\$814,501	\$1,524,139	\$0	\$11,400,000	\$13,738,640
40	Watauga County					
41	Schools	\$2,343,983	\$0	\$0	\$0	\$2,343,983
42	Wayne County Public					
43	Schools	\$9,669,782	\$13,444,191	\$0	\$0	\$23,113,973
44	Wilkes County					
45	Schools	\$5,007,481	\$7,550,886	\$0	\$0	\$12,558,367
46	Wilson County					
47	Schools	\$6,314,874	\$9,028,273	\$0	\$0	\$15,343,147
48	Yadkin County					
49	Schools	\$2,774,543	\$5,457,894	\$0	\$0	\$8,232,437
50						
51						

1	Yancey County					
2	Schools	\$1,146,064	\$0	\$0	\$11,400,000	\$12,546,064
3	Total	\$760M	\$570M	\$285M	\$285M	\$1.9B

4 (2) Special allocation provisions. – In determining the use of the proceeds of
 5 public school building bonds and notes, including premium thereon, if any,
 6 set forth in subdivision (1) of this subsection, the following special
 7 allocation provisions apply:

8 a. In the case of a local school administrative unit located entirely in
 9 one county, the unit's total distribution amount shall be allocated to
 10 that county. In the case of a local school administrative unit located
 11 in more than one county, the unit's distribution amount shall be
 12 allocated among the counties in which the unit is located in
 13 proportion to average daily membership of the unit in each county. A
 14 unit's distribution amount allocated to a county may be used only
 15 with respect to public school facilities of that unit. If two or more
 16 local school administrative units are consolidated into one unit, the
 17 distribution amounts provided in subdivision (1) of this subsection
 18 for the units shall be considered the distribution amount for the
 19 merged unit.

20 b. Bond proceeds allocated in subdivision (1) of this subsection for
 21 low-wealth county or small county designations require no county
 22 match. A county receiving bond proceeds otherwise allocated in
 23 subdivision (1) of this subsection must match each one dollar of bond
 24 proceeds allocated with an amount equal to the product of three cents
 25 (3¢) multiplied by the county's ability to pay rank. A "county's ability
 26 to pay rank" is the rank assigned to the county by the State Board of
 27 Education for the 2016-2017 fiscal year pursuant to Section 8.3 of
 28 S.L. 2015-241. The match requirement may be satisfied by non-State
 29 expenditures for public school facilities made on or after January 1,
 30 2017. If a debt has been incurred since January 1, 2017, for the
 31 general purpose of public school facilities, then the face amount of
 32 the debt shall be considered as a non-State expenditure for public
 33 school facilities for the purpose of the match. As counties satisfy the
 34 match requirements of this subsection, they shall document the extent
 35 to which they have done so in periodic reports to the State Board of
 36 Education. These reports shall include any information and
 37 documentation required by the State Board of Education. The State
 38 Board of Education shall certify to the State Treasurer from time to
 39 time the extent to which the match requirements of this subsection
 40 have been met with respect to each county. Bond proceeds shall be
 41 distributed for expenditure only as, and to the extent, the matching
 42 requirement of this section are satisfied, as certified by the State
 43 Board of Education. The State Board of Education shall also require
 44 counties to report annually on the impact of funds provided under
 45 this act on the property tax rate for that year. These reports shall be
 46 public documents and shall be furnished to any citizen upon request.

47 c. Unmatched proceeds. – If the State Board of Education determines
 48 that a county has not met the matching requirement of this subsection
 49 by January 1, 2024, with respect to any bond proceeds allocated
 50 under subdivision (1) of this subsection, the State Board of Education
 51 shall certify that fact to the State Treasurer by March 1, 2024.

1 Amounts that are allocated in the ADM Growth Allocation of bond
2 proceeds under subdivision (1) of this subsection and that have not
3 been certified as matched by the State Board of Education by January
4 1, 2024, shall be reallocated among the counties that have been
5 certified as having met the matching requirement for that allocation.
6 The reallocation shall be made among the eligible counties in
7 proportion to the amount of ADM Growth Allocations for those
8 counties under subdivision (1) of this subsection. Amounts that are
9 allocated in the ADM Allocation of bond proceeds under subdivision
10 (1) of this subdivision and that have not been certified as matched by
11 the State Board of Education by January 1, 2024, shall be reallocated
12 among the counties that have been certified as having met the
13 matching requirement for that allocation. The reallocation shall be
14 made on the basis of average daily membership of the local school
15 administrative units within the remaining counties. Bond proceeds
16 reallocated to a county because of a local school administrative unit's
17 average daily membership within the county may be used only with
18 respect to public school capital outlay projects of that unit. Bond
19 proceeds reallocated to a county under this sub-subdivision must be
20 matched at the same rate as bond proceeds allocated to the county
21 under sub-subdivision b. of this subdivision.

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

- 23 (1) Public improvement bonds. – The proceeds of public school building bonds
24 and notes, including premium thereon, if any, except the proceeds of bonds,
25 the issuance of which has been anticipated by bond anticipation notes or the
26 proceeds of refunding bonds or notes, shall be placed by the State Treasurer
27 in a special fund to be designated "Public School Building Bonds Fund,"
28 which may include such appropriate special accounts therein as may be
29 determined by the State Treasurer and shall be disbursed as provided in this
30 section. Monies in the Public School Building Bonds Fund shall be allocated
31 and expended as provided in this section.

32 Any additional monies that may be received by means of a grant or
33 grants from the United States of America or any agency or department
34 thereof or from any other source for deposit to the Public School Building
35 Bonds Fund may be placed in the Public School Building Bonds Fund or in a
36 separate account or fund and shall be disbursed, to the extent permitted by
37 the terms of the grant or grants, without regard to any limitations imposed by
38 this section.

39 Monies in the Public School Building Bonds Fund or any separate
40 account established under this section may be invested from time to time by
41 the State Treasurer in the same manner permitted for investment of monies
42 belonging to the State or held in the State treasury, except with respect to
43 grant money to the extent otherwise directed by the terms of the grant.
44 Investment earnings, except investment earnings with respect to grant
45 monies to the extent otherwise directed or restricted by the terms of the
46 grant, may be (i) credited to the Public School Building Bonds Fund or (ii)
47 used to satisfy compliance with applicable requirements of the federal tax
48 law.

49 The proceeds of public improvement bonds and notes, including
50 premium thereon, if any, may be used with any other monies made available
51 by the General Assembly for funding the projects authorized by this section,

1 including the proceeds of any other State bond issues, whether heretofore
2 made available or that may be made available at the session of the General
3 Assembly at which this section is ratified or any subsequent sessions. The
4 proceeds of public school building bonds and notes, including premium
5 thereon, if any, shall be expended and disbursed under the direction and
6 supervision of the Director of the Budget. The funds provided by this section
7 shall be disbursed for the purposes provided in this section upon warrants
8 drawn on the State Treasurer by the State Controller, which warrants shall
9 not be drawn until requisition has been approved by the Director of the
10 Budget and which requisition shall be approved only after full compliance
11 with the State Budget Act, Chapter 143C of the General Statutes.

12 (2) Tracking of bond proceeds. – The State Treasurer or the State Treasurer's
13 designee is hereby authorized and directed to set up a comprehensive system
14 of tracking the proceeds of the public improvement bonds and notes,
15 including premium thereon, if any, to the extent necessary to enable the State
16 Treasurer or the State Treasurer's designee to properly account for the use of
17 such proceeds for compliance with applicable requirements of the federal tax
18 law or otherwise. All recipients of such proceeds shall comply with any
19 tracking system implemented by the State Treasurer or the State Treasurer's
20 designee for this purpose. The State Treasurer may withhold proceeds if the
21 recipient fails to comply with this subdivision.

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

27 **SECTION 1.(g)** Election. – The question of the issuance of the bonds authorized
28 by this section shall be submitted to the qualified voters of the State at an election to be held in
29 November of 2018. Any other primary, election, or referendum validly called or scheduled by
30 law at the time the election on the bond question provided for in this subsection is held may be
31 held as called or scheduled. Notice of the election shall be given in the manner and at the times
32 required by G.S. 163-33(8). The election and the registration of voters therefor shall be held
33 under and in accordance with the general laws of the State. Absentee ballots shall be authorized
34 in the election.

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

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

43 "[] FOR [] AGAINST

44 The issuance of one billion nine hundred million dollars (\$1,900,000,000) State of
45 North Carolina Public School Building Bonds constituting general obligation bonds of the State
46 secured by a pledge of the faith and credit and taxing power of the State for the purpose of
47 providing funds, with any other available funds, for grants to counties for costs of public school
48 building capital improvements."

49 If a majority of those voting on a bond question in the election vote in favor of the
50 issuance of the bonds described in the question, those bonds may be issued as provided in this

1 section. If a majority of those voting on a bond question in the election do not vote in favor of
2 the issuance of the bonds described in the question, those bonds shall not be issued.

3 The results of the election shall be canvassed and declared as provided by law for
4 elections for State officers; the results of the election shall be certified by the State Board of
5 Elections to the Secretary of State in the manner and at the time provided by the general
6 election laws of the State.

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

8 (1) Terms and conditions. – Bonds or notes may bear such date or dates, may be
9 serial or term bonds or notes, or any combination thereof, may mature in
10 such amounts and at such time or times, not exceeding 40 years from their
11 date or dates, may be payable at such place or places, either within or
12 without the United States of America, in such coin or currency of the United
13 States of America as at the time of payment is legal tender for payment of
14 public and private debts, may bear interest at such rate or rates, which may
15 vary from time to time, and may be made redeemable before maturity, at the
16 option of the State or otherwise as may be provided by the State, at such
17 price or prices, including a price less than the face amount of the bonds or
18 notes, and under such terms and conditions, all as may be determined by the
19 State Treasurer by and with the consent of the Council of State.

20 (2) Signatures; form and denomination; registration. – Bonds or notes may be
21 issued as certificated or uncertificated obligations. If issued as certificated
22 obligations, bonds or notes shall be signed on behalf of the State by the
23 Governor or shall bear the Governor's facsimile signature, shall be signed by
24 the State Treasurer or shall bear the State Treasurer's facsimile signature, and
25 shall bear the Great Seal of the State of North Carolina or a facsimile thereof
26 shall be impressed or imprinted thereon. If bonds or notes bear the facsimile
27 signatures of the Governor and the State Treasurer, the bonds or notes shall
28 also bear a manual signature, which may be that of a bond registrar, trustee,
29 paying agent, or designated assistant of the State Treasurer. Should any
30 officer whose signature or facsimile signature appears on bonds or notes
31 cease to be such officer before the delivery of the bonds or notes, the
32 signature or facsimile signature shall nevertheless have the same validity for
33 all purposes as if the officer had remained in office until delivery, and bonds
34 or notes may bear the facsimile signatures of persons who at the actual time
35 of the execution of the bonds or notes shall be the proper officers to sign any
36 bond or note, although at the date of the bond or note such persons may not
37 have been such officers. The form and denomination of bonds or notes,
38 including the provisions with respect to registration of the bonds or notes
39 and any system for their registration, shall be as the State Treasurer may
40 determine in conformity with this section; provided, however, that nothing in
41 this section shall prohibit the State Treasurer from proceeding, with respect
42 to the issuance and form of the bonds or notes, under the provisions of
43 Chapter 159E of the General Statutes, the Registered Public Obligations Act,
44 as well as under this section.

45 (3) Manner of sale; expenses. – Subject to the consent of the Council of State,
46 the State Treasurer shall determine the manner in which bonds or notes shall
47 be offered for sale, whether at public or private sale, whether within or
48 without the United States of America, and whether by publishing notices in
49 certain newspapers and financial journals, mailing notices, inviting bids by
50 correspondence, negotiating contracts of purchase, or otherwise, and the
51 State Treasurer is authorized to sell bonds or notes at one time or from time

1 to time at such rate or rates of interest, which may vary from time to time,
2 and at such price or prices, including a price less than the face amount of the
3 bonds or the notes, as the State Treasurer may determine. All expenses
4 incurred in preparation, sale, and issuance of bonds or notes shall be paid by
5 the State Treasurer from the proceeds of bonds or notes or other available
6 monies.

7 (4) Notes; repayment. –

8 a. Subject to the consent of the Council of State, the State Treasurer is
9 hereby authorized to borrow money and to execute and issue notes of
10 the State for the same, but only in the following circumstances and
11 under the following conditions:

- 12 1. For anticipating the sale of bonds to the issuance of which the
13 Council of State shall have given consent, if the State
14 Treasurer shall deem it advisable to postpone the issuance of
15 the bonds.
- 16 2. For the payment of interest on or any installment of principal
17 of any bonds then outstanding, if there shall not be sufficient
18 funds in the State treasury with which to pay the interest or
19 installment of principal as they respectively become due.
- 20 3. For the renewal of any loan evidenced by notes herein
21 authorized.
- 22 4. For the purposes authorized in this section.
- 23 5. For refunding bonds or notes as herein authorized.

24 b. Funds derived from the sale of bonds or notes may be used in the
25 payment of any bond anticipation notes issued under this section.
26 Funds provided by the General Assembly for the payment of interest
27 on or principal of bonds shall be used in paying the interest on or
28 principal of any notes and any renewals thereof, the proceeds of
29 which shall have been used in paying interest on or principal of the
30 bonds.

31 (5) Refunding bonds and notes. – By and with the consent of the Council of
32 State, the State Treasurer is authorized to issue and sell refunding bonds and
33 notes pursuant to the provisions of the State Refunding Bond Act for the
34 purpose of refunding bonds or notes issued pursuant to this section. The
35 refunding bonds and notes may be combined with any other issues of State
36 bonds and notes similarly secured.

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

43 (7) Investment eligibility. – Bonds and notes are hereby made securities in
44 which all public officers, agencies, and public bodies of the State and its
45 political subdivisions; all insurance companies, trust companies, investment
46 companies, banks, savings banks, savings and loan associations, credit
47 unions, pension or retirement funds, other financial institutions engaged in
48 business in the State; executors, administrators, trustees, and other
49 fiduciaries may properly and legally invest funds, including capital in their
50 control or belonging to them. Bonds and notes are hereby made securities
51 that may properly and legally be deposited with and received by any officer

1 or agency of the State or political subdivision of the State for any purpose
2 for which the deposit of bonds, notes, or obligations of the State or any
3 political subdivision of the State is now or may hereafter be authorized by
4 law.

- 5 (8) Faith and credit. – The faith and credit and taxing power of the State are
6 hereby pledged for the payment of the principal of and the interest on bonds
7 and notes. In addition to the State's right to amend any provision of this
8 section to the extent it does not impair any contractual right of a bond owner,
9 the State expressly reserves the right to amend any provision of this section
10 with respect to the making and repayment of loans, the disposition of any
11 repayments of loans, and any intercept provisions relating to the failure of a
12 local government unit to repay a loan, the bonds not being secured in any
13 respect by loans, any repayments thereof, or any intercept provisions with
14 respect thereto.

15 **SECTION 1.(i) Variable Interest Rates.** – In fixing the details of bonds and notes,
16 the State Treasurer may provide that any of the bonds or notes may:

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

34 If the aggregate principal amount repayable by the State under a credit facility
35 agreement is in excess of the aggregate principal amount of bonds or notes secured by the
36 credit facility agreement, whether as a result of the inclusion in the credit facility agreement of
37 a provision for the payment of interest for a limited period of time or the payment of a
38 redemption premium or for any other reason, then the amount of authorized but unissued bonds
39 or notes during the term of such credit facility agreement shall not be less than the amount of
40 such excess, unless the payment of such excess is otherwise provided for by agreement of the
41 State executed by the State Treasurer.

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

- 43 (1) Additional method. – The foregoing subsections of this section shall be
44 deemed to provide an additional and alternative method for the doing of the
45 things authorized thereby and shall be regarded as supplemental and
46 additional to powers conferred by other laws and shall not be regarded as in
47 derogation of any powers now existing.
48 (2) Statutory references. – References in this section to specific sections or
49 Chapters of the General Statutes or to specific acts are intended to be
50 references to these sections, Chapters, or acts as they may be amended from
51 time to time by the General Assembly.

1 (3) Broad construction. – The General Assembly specifically has chosen to
2 combine what otherwise might be considered differing projects to be
3 financed into one bond bill and bond question because the General
4 Assembly finds that such differing projects, when taken together, constitute
5 an interrelated, united, and single plan for the State's infrastructure as stated
6 aforesaid. Accordingly, this section, being necessary for the health, welfare,
7 and advancement of the people of the State, shall be broadly construed to
8 affect the purposes thereof.

9 (4) Inconsistent provisions. – Insofar as the provisions of this section are
10 inconsistent with the provisions of any general laws, or parts thereof, the
11 provisions of this section shall be controlling.

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

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

22 **SECTION 2.** The State Board of Education, upon receiving the proceeds of public
23 improvement bonds and notes, including premium thereon, if any, issued pursuant to and for
24 projects listed in Section 1 of this act, shall administer, supervise, and ensure that use of the
25 proceeds comport with the purposes provided in this act. Each school administrative unit shall
26 submit to the State Board of Education its plans for the expenditure of proceeds allocated under
27 this act. After the State Board of Education determines that a school administrative unit's
28 planned expenditure of part or all of the proceeds allocated to it is within the purposes provided
29 in this act, the State Board of Education shall make the proceeds to which the plans apply
30 available to the school administrative unit. Each local school administrative unit receiving the
31 proceeds of public improvement bonds and notes, including premium thereon, if any, issued
32 pursuant to and for projects listed in Section 1 of this act shall report by January 1, 2019, and
33 quarterly thereafter, to the Department of Public Instruction on the projects funded from public
34 improvement general obligation bonds authorized by Section 1 of this act, and the Department
35 of Public Instruction shall combine the reports and submit them to the Joint Legislative Capital
36 Oversight Committee, the House of Representatives Appropriations Committee, and the Senate
37 Committee on Appropriations/Base Budget. Each report shall include the total project costs, the
38 amount to be funded from the bonds, the expenditures to date from the bonds and other sources,
39 and the percentage of each project completed.

40 **SECTION 3.(a)** Projects funded in whole or in part with the proceeds of public
41 improvement bonds and notes, including premium thereon, if any, issued pursuant to Section 1
42 of this act, and that portion of funds estimated to be needed for escalation of costs shall remain
43 with the Office of State Budget and Management and shall be disbursed only for the following
44 purposes:

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

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

48 **SECTION 3.(b)** Any funds retained by the Office of State Budget and
49 Management pursuant to subsection (a) of this section at the time a project is completed shall
50 be retained by the Office of State Budget and Management. The Office of State Budget and

1 Management shall report on any funds retained pursuant to this subsection within 90 days of a
2 project's completion.

3 **SECTION 4.** Notwithstanding the period of time provided in G.S. 163-128(a) for
4 which transfers are effective, transfers of voters from a given precinct, for the purpose of
5 voting, to an adjacent precinct for the election held in November of 2018 shall be for that
6 election only and shall not apply to any subsequent election.

7 **SECTION 5.** Any funds from the Public School Building Bond expended for
8 school technology shall be reported to the Department of Public Instruction and shall be
9 credited against the judgment in *N.C. Sch. Bds. Ass'n. v. Moore*, No. 98-CVS-14159 (N.C.
10 Super. Ct.).

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