

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

H

D

HOUSE DRH80239-LYx-99 (2/19)

Short Title: Public School Bond Act of 2007.

(Public)

Sponsors: Representative Yongue.

Referred to:

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, AND TO PROVIDE FUNDS FOR GRANTS TO COUNTIES FOR PUBLIC SCHOOL CAPITAL OUTLAY PROJECTS.

The General Assembly of North Carolina enacts:

SECTION 1. This act is entitled "The Public School Building Bond Act of 2007."

SECTION 2. Purpose. – It is the intent of the General Assembly by this act to provide for the issuance of two billion dollars (\$2,000,000,000) general obligation bonds of the State to facilitate the provision of public school buildings by making grants to counties to provide funds for public school capital outlay projects.

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

- (1) "Bonds" means bonds issued under this act.
- (2) "Cost" means, without intending thereby to limit or restrict any proper definition of this term in financing the cost of public school capital outlay projects authorized by this act:
 - a. The cost of constructing, reconstructing, enlarging, acquiring, and improving projects, and acquiring equipment and land therefor,
 - b. The cost of engineering, architectural, and other consulting services as may be required,
 - c. Administrative expenses and charges,
 - d. Finance charges and interest prior to and during construction and, if deemed advisable by the State Treasurer, for a period not

1 exceeding two years after the estimated date of completion of
2 construction,

3 e. The cost of bond insurance, investment contracts, credit
4 enhancement and liquidity facilities, interest-rate swap
5 agreements or other derivative products, financial and legal
6 consultants, and related costs of bond and note issuance, to the
7 extent and as determined by the State Treasurer,

8 f. The cost of reimbursing the State for any payments made for
9 any cost described above, and

10 g. Any other costs and expenses necessary or incidental to the
11 purposes of this act.

12 Allocations in this act of proceeds of bonds to the costs of a project or
13 undertaking in each case may include allocations to pay the costs set
14 forth in items c., d., e., f., and g. in connection with the issuance of
15 bonds for the project or undertaking.

16 (3) "Credit facility" means an agreement entered into by the State
17 Treasurer on behalf of the State with a bank, savings and loan
18 association, or other banking institution, an insurance company,
19 reinsurance company, surety company, or other insurance institution, a
20 corporation, investment banking firm, or other investment institution,
21 or any financial institution or other similar provider of a credit facility,
22 which provider may be located within or without the United States of
23 America, such agreement providing for prompt payment of all or any
24 part of the principal or purchase price (whether at maturity,
25 presentment or tender for purchase, redemption, or acceleration),
26 redemption premium, if any, and interest on any bonds or notes
27 payable on demand or tender by the owner, in consideration of the
28 State agreeing to repay the provider of the credit facility in accordance
29 with the terms and provisions of such agreement.

30 (4) "Notes" means notes issued under this act.

31 (5) "Par formula" means any provision or formula adopted by the State to
32 provide for the adjustment, from time to time, of the interest rate or
33 rates borne by any bonds or notes, including:

34 a. A provision providing for such adjustment so that the purchase
35 price of such bonds or notes in the open market would be as
36 close to par as possible,

37 b. A provision providing for such adjustment based upon a
38 percentage or percentages of a prime rate or base rate, which
39 percentage or percentages may vary or be applied for different
40 periods of time, or

41 c. Such other provision as the State Treasurer may determine to be
42 consistent with this act and will not materially and adversely
43 affect the financial position of the State and the marketing of
44 bonds or notes at a reasonable interest cost to the State.

1 (6) "Public School Capital Outlay Projects" means the construction of new
2 public school buildings or the renovation of existing public school
3 buildings, the purchase of equipment for a newly constructed public
4 school building or equipment related to the improvement of an existing
5 public school building including but not limited to technology
6 equipment and infrastructure, the purchase of land necessary for
7 immediate construction of school buildings, and other related capital
8 outlay projects constituting facilities for individual schools that are
9 used for instructional and related purposes, but not including
10 centralized administration, maintenance, trailers, relocatable
11 classrooms, or mobile classrooms.

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

13 **SECTION 4.** Authorization of Bonds and Notes. – Subject to a favorable
14 vote of a majority of the qualified voters of the State who vote on the question of
15 issuing 2007 Public School Building Bonds in the election held as provided in this act,
16 the State Treasurer is authorized, by and with the consent of the Council of State, to
17 issue and sell, at one time or from time to time, general obligation bonds of the State to
18 be designated "State of North Carolina 2007 Public School Building Bonds", with any
19 additional designations as may be determined to indicate the issuance of bonds from
20 time to time, or notes of the State as provided in this act, in the aggregate principal
21 amount not exceeding two billion dollars (\$2,000,000,000) for the purposes authorized
22 in this act. The principal amounts of bonds or notes issued in any 12-month period shall
23 not exceed five hundred million dollars (\$500,000,000). In determining whether this
24 limit has been reached, the issuance of a note or bond to pay an outstanding note is not
25 considered an issuance.

26 **SECTION 5.** Uses of Bond and Note Proceeds. – The proceeds of 2007
27 Public School Building Bonds and notes shall be used for the purpose of making grants
28 to counties for paying the cost of public school capital outlay projects.

29 Any additional moneys that may be received by means of a grant or grants
30 from the United States of America or any agency or department thereof or from any
31 other source to aid in financing the cost of any public school capital outlay projects
32 authorized by this act may be placed by the State Treasurer in the 2007 Public School
33 Building Bonds Fund or in a separate account or fund and shall be disbursed, to the
34 extent permitted by the terms of the grant or grants, without regard to any limitations
35 imposed by this act.

36 Moneys in the 2007 Public School Building Bonds Fund or in any separate
37 fund or account may be invested from time to time by the State Treasurer in the same
38 manner permitted for investment of moneys belonging to the State or held in the State
39 treasury except with respect to grant money to the extent otherwise directed by the
40 terms of the grant, and any investment earnings shall be credited to the 2007 Public
41 School Building Bonds Fund or the particular fund or account from which the
42 investment was made.

43 All moneys deposited in, or accruing to the credit of, the 2007 Public School
44 Building Bonds Fund, other than moneys set aside for administrative expenses,

1 including expenses related to determining compliance with applicable requirements of
2 the federal tax law and cost of issuance, shall be used to pay the cost of public school
3 capital outlay projects in the manner authorized by this act.

4 The proceeds of 2007 Public School Building Bonds and notes may be used
5 with any other moneys made available by the General Assembly for public school
6 capital outlay projects, including the proceeds of any other State bond issues, whether
7 heretofore made available or that may be made available at the session of the General
8 Assembly at which this act is ratified or any subsequent sessions. The proceeds of 2007
9 Public School Building Bonds and notes shall be expended and disbursed under the
10 direction and supervision of the Director of the Budget. The funds provided by this act
11 for public school capital outlay projects shall be disbursed for the purposes provided in
12 this act upon warrants drawn on the State Treasurer by the State Controller, which
13 warrants shall not be drawn until requisition has been approved by the Director of the
14 Budget and which requisition shall be approved only after full compliance with the
15 State Budget Act, Chapter 143C of the General Statutes.

16 The Director of the Budget shall provide quarterly reports to the State Board
17 of Education, the Superintendent of Public Instruction, and the General Assembly on the
18 expenditure of moneys from the 2007 Public School Building Bonds Fund. Reports to
19 the General Assembly shall be filed with the Legislative Library, the Speaker of the
20 House of Representatives, the President Pro Tempore of the Senate, and the Fiscal
21 Research Division.

22 **SECTION 6.(a)** Allocation of Proceeds. – The proceeds of 2007 Public
23 School Building Bonds and notes, including premium thereon, if any, except the
24 proceeds of bonds the issuance of which has been anticipated by bond anticipation notes
25 or the proceeds of refunding bonds or notes, shall be placed by the State Treasurer in a
26 special fund to be designated "2007 Public School Building Bonds Fund". Moneys in
27 the 2007 Public School Building Bonds Fund shall be used for the purposes set forth in
28 this act. The proceeds of 2007 Public School Building Bonds and notes shall be
29 allocated to counties and expended for paying the cost of public school capital outlay
30 projects, to the extent and as provided in this act and subject to change as provided in
31 this act.

32 **SECTION 6.(b)** Allocation. – The proceeds of two billion dollars
33 (\$2,000,000,000) 2007 Public School Building Bonds and notes shall be allocated to
34 each county on the basis of the distribution amounts provided in the following table for
35 the local school administrative units in the State. No county shall receive less than one
36 million dollars (\$1,000,000). In the case of a local school administrative unit located
37 entirely in one county, the unit's total distribution amount shall be allocated to that
38 county. In the case of a county with more than one local school administrative unit, the
39 county's distribution amount shall be allocated among the local school administration
40 units in the county in proportion to average daily membership of each unit in the
41 county. A county's distribution amount allocated to a unit may be used only with
42 respect to public school capital outlay projects of that unit.

County	Distribution Based on	Distribution Based on	Distribution Based on
--------	--------------------------	--------------------------	--------------------------

	ADM	High-Growth	Low Wealth	Total	
1					
2	Alamance	\$15,962,976	\$9,085,752	\$15,757,078	\$40,805,805
3	Alexander	\$4,054,395	\$2,307,667	\$4,002,099	\$10,364,160
4	Alleghany	\$1,113,265	\$633,644	–	\$1,746,909
5	Anson	\$2,979,641	–	\$2,941,209	\$5,920,850
6	Ashe	\$2,356,327	\$1,341,166	–	\$3,697,493
7	Avery	\$1,650,285	–	–	\$1,650,285
8	Beaufort	\$5,069,955	–	\$5,004,560	\$10,074,515
9	Bertie	\$2,232,235	–	\$2,203,443	\$4,435,677
10	Bladen	\$3,936,721	–	\$3,885,943	\$7,822,664
11	Brunswick	\$8,304,199	\$4,726,556	–	\$13,030,755
12	Buncombe	\$21,000,837	\$11,953,185	–	\$32,954,022
13	Burke	\$10,122,080	–	\$9,991,521	\$20,113,600
14	Cabarrus	\$21,698,322	\$12,350,177	–	\$34,048,498
15	Caldwell	\$9,334,736	\$5,313,113	\$9,214,332	\$23,862,181
16	Camden	\$1,333,636	\$759,074	\$1,316,434	\$3,409,143
17	Carteret	\$5,877,268	\$3,345,203	–	\$9,222,471
18	Caswell	\$2,339,211	–	\$2,309,039	\$4,648,250
19	Catawba	\$17,774,438	\$10,116,794	–	\$27,891,232
20	Chatham	\$5,440,092	\$3,096,373	–	\$8,536,465
21	Cherokee	\$2,613,783	\$1,487,704	\$2,580,069	\$6,681,556
22	Chowan	\$1,799,338	\$1,024,141	\$1,776,130	\$4,599,609
23	Clay	\$969,204	\$551,648	–	\$1,520,852
24	Cleveland	\$12,086,161	–	\$11,930,268	\$24,016,430
25	Columbus	\$6,817,231	–	\$6,729,299	\$13,546,530
26	Craven	\$10,500,775	\$5,976,795	\$10,365,331	\$26,842,902
27	Cumberland	\$37,741,886	\$21,481,798	\$37,255,074	\$96,478,757
28	Currituck	\$2,904,045	\$1,652,914	–	\$4,556,959
29	Dare	\$3,481,003	\$1,981,305	–	\$5,462,308
30	Davidson	\$18,729,378	\$10,660,323	\$18,487,798	\$47,877,499
31	Davie	\$4,677,709	\$2,662,442	\$4,617,374	\$11,957,525
32	Duplin	\$6,402,877	\$3,644,368	\$6,320,290	\$16,367,534
33	Durham	\$22,514,193	\$12,814,551	–	\$35,328,744
34	Edgecombe	\$5,335,969	–	\$5,267,143	\$10,603,111
35	Forsyth	\$36,095,880	\$20,544,930	–	\$56,640,810
36	Franklin	\$5,892,957	\$3,354,133	\$5,816,947	\$15,064,038
37	Gaston	\$23,058,345	\$13,124,270	–	\$36,182,614
38	Gates	\$1,474,844	\$839,447	\$1,455,821	\$3,770,111
39	Graham	\$865,793	\$492,789	\$854,626	\$2,213,209
40	Granville	\$6,347,963	\$3,613,112	\$6,266,084	\$16,227,158
41	Greene	\$2,323,521	\$1,322,494	\$2,293,551	\$5,939,566
42	Guilford	\$50,104,759	\$28,518,455	–	\$78,623,214
43	Halifax	\$6,258,816	–	\$6,178,087	\$12,436,903
44	Harnett	\$12,893,474	\$7,338,664	\$12,727,168	\$32,959,306

1	Haywood	\$5,621,951	\$3,199,883	–	\$8,821,834
2	Henderson	\$9,278,395	\$5,281,045	–	\$14,559,440
3	Hertford	\$2,446,187	–	\$2,414,635	\$4,860,822
4	Hoke	\$5,167,659	\$2,941,311	\$5,101,005	\$13,209,975
5	Hyde	N/A	N/A	N/A	\$1,000,000
6	Iredell	\$18,675,177	\$10,629,473	–	\$29,304,650
7	Jackson	\$2,613,070	\$1,487,298	–	\$4,100,368
8	Johnston	\$20,766,203	\$11,819,637	\$20,498,351	\$53,084,191
9	Jones	\$910,723	–	\$898,976	\$1,809,700
10	Lee	\$6,674,596	\$3,799,024	\$6,588,504	\$17,062,124
11	Lenoir	\$6,964,145	–	\$6,874,318	\$13,838,463
12	Lincoln	\$8,589,469	\$4,888,924	\$8,478,678	\$21,957,071
13	Macon	\$3,071,641	\$1,748,306	–	\$4,819,947
14	Madison	\$1,881,353	\$1,070,822	\$1,857,087	\$4,809,262
15	Martin	\$2,976,789	–	\$2,938,393	\$5,915,181
16	McDowell	\$4,605,678	\$2,621,444	\$4,546,272	\$11,773,395
17	Mecklenburg	\$91,749,847	\$52,221,864	–	\$143,971,711
18	Mitchell	\$1,569,696	–	\$1,549,450	\$3,119,146
19	Montgomery	\$3,226,400	\$1,836,391	\$3,184,784	\$8,247,575
20	Moore	\$8,736,383	\$4,972,544	–	\$13,708,927
21	Nash	\$12,924,854	\$7,356,524	\$12,758,143	\$33,039,522
22	New Hanover	\$17,141,852	\$9,756,741	–	\$26,898,593
23	Northampton	\$2,125,972	–	\$2,098,550	\$4,224,522
24	Onslow	\$16,437,236	\$9,355,690	\$16,225,221	\$42,018,148
25	Orange	\$12,783,646	\$7,276,152	–	\$20,059,797
26	Pamlico	\$1,090,443	–	\$1,076,378	\$2,166,821
27	Pasquotank	\$4,435,230	\$2,524,429	\$4,378,022	\$11,337,681
28	Pender	\$5,488,588	\$3,123,976	\$5,417,793	\$14,030,357
29	Perquimans	\$1,231,652	\$701,027	\$1,215,765	\$3,148,444
30	Person	\$4,040,131	–	\$3,988,020	\$8,028,151
31	Pitt	\$16,041,425	\$9,130,403	\$15,834,515	\$41,006,343
32	Polk	\$1,727,308	\$983,143	–	\$2,710,451
33	Randolph	\$16,643,344	\$9,473,002	\$16,428,670	\$42,545,015
34	Richmond	\$5,816,648	–	\$5,741,622	\$11,558,270
35	Robeson	\$17,158,255	\$9,766,077	\$16,936,940	\$43,861,273
36	Rockingham	\$10,250,451	–	\$10,118,236	\$20,368,687
37	Rowan	\$14,919,602	\$8,491,888	\$14,727,162	\$38,138,652
38	Rutherford	\$7,149,570	\$4,069,368	\$7,057,352	\$18,276,290
39	Sampson	\$8,050,309	\$4,582,047	\$7,946,473	\$20,578,829
40	Scotland	\$4,879,537	\$2,777,318	\$4,816,599	\$12,473,454
41	Stanly	\$6,879,277	–	\$6,790,545	\$13,669,822
42	Stokes	\$5,206,171	–	\$5,139,019	\$10,345,190
43	Surry	\$8,323,455	\$4,737,516	\$8,216,095	\$21,277,065
44	Swain	\$1,305,822	\$743,243	\$1,288,979	\$3,338,044

1	Transylvania	\$2,707,209	\$1,540,880	–	\$4,248,089
2	Tyrrell	N/A	N/A	N/A	\$1,000,000
3	Union	\$24,442,616	\$13,912,164	\$24,127,343	\$62,482,123
4	Vance	\$5,609,114	–	\$5,536,765	\$11,145,879
5	Wake	\$91,295,555	\$51,963,292	–	\$143,258,847
6	Warren	\$2,002,593	–	\$1,976,762	\$3,979,355
7	Washington	\$1,471,278	–	\$1,452,301	\$2,923,579
8	Watauga	\$3,228,539	–	–	\$3,228,539
9	Wayne	\$13,824,167	\$7,868,392	\$13,645,856	\$35,338,414
10	Wilkes	\$7,189,508	\$4,092,100	\$7,096,774	\$18,378,382
11	Wilson	\$8,941,777	\$5,089,450	\$8,826,442	\$22,857,668
12	Yadkin	\$4,407,416	\$2,508,598	\$4,350,567	\$11,266,581
13	Yancey	\$1,833,571	\$1,043,625	\$1,809,920	\$4,687,116
14					
15	TOTAL	\$999,000,000.00	\$499,500,000.00	\$499,500,000.00	\$2,000,000,000.00

16 **SECTION 6.(c)** Match. – A county is not required to match the Low-Wealth
 17 Allocation of bond proceeds under subsection (b) of this section. A county must match
 18 both the ADM Allocation and the Growth Allocation of bond proceeds under subsection
 19 (b) of this section. These two allocations must be matched at the rate of matching funds
 20 equal to three cents (3¢) times the county's ability-to-pay rank for every one dollar
 21 (\$1.00) of allocated bond proceeds. A county's ability-to-pay rank is its rank in the
 22 ranking of counties from lowest to highest county wealth as a percentage of State
 23 average wealth made by the State Board of Education for the 2006-2007 fiscal year
 24 pursuant to Section 7.6 of S.L. 2005-276. The match requirement may be satisfied by
 25 non-State expenditures for public school facilities made on or after January 1, 2003. A
 26 non-State expenditure has been made for the purpose of the match if funds, including
 27 funds expended for debt service, have been budgeted, earmarked, or committed for the
 28 general purpose of public school facilities. If a debt has been authorized or incurred
 29 since January 1, 2003, for the general purpose of public school facilities, then the face
 30 amount of the debt shall be considered as a non-State expenditure for public school
 31 facilities for the purpose of the match.

32 As counties satisfy the match requirements of this section, they shall
 33 document the extent to which they have done so in periodic reports to the State Board of
 34 Education. These reports shall include any information and documentation required by
 35 the State Board of Education. The State Board of Education shall certify to the State
 36 Treasurer from time to time the extent to which the match requirements of this section
 37 have been met with respect to each county; this certification shall be binding and
 38 conclusive. Bond proceeds shall be distributed for expenditure only as, and to the
 39 extent, the matching requirements of this section are satisfied, as certified by the State
 40 Board of Education. The State Board of Education shall also require counties to report
 41 annually on the impact of funds provided under this act on the property tax rate for that
 42 year. These reports shall be public documents and shall be furnished to any citizen upon
 43 request.

1 **SECTION 6.(d)** Unmatched Proceeds. – If the State Board of Education
2 determines that a county has not met the matching requirements of this section by
3 January 1, 2015, with respect to any bond proceeds allocated under subsection (b) of
4 this section, the State Board of Education shall certify that fact to the State Treasurer by
5 March 1, 2015. Amounts that are allocated in the Growth Allocation of bond proceeds
6 under subsection (b) of this section and that have not been matched by January 1, 2015,
7 as certified by the State Board of Education, shall be reallocated among the counties
8 that are allocated bond proceeds under the Growth Allocation and have met the
9 matching requirements for their total Growth Allocation. The reallocation shall be
10 made among the eligible counties in proportion to the amount of Growth Allocations for
11 those counties under subsection (b) of this section. Amounts that are allocated in the
12 ADM Allocation of bond proceeds under subsection (b) of this section and that have not
13 been matched by January 1, 2015, as certified by the State Board of Education, shall be
14 reallocated among the counties that have met the matching requirements for their total
15 ADM allocation. The reallocation shall be made on the basis of average daily
16 membership of the local school administrative units within the remaining counties.
17 Bond proceeds reallocated to a county because of a local school administrative unit's
18 average daily membership within the county may be used only with respect to public
19 school capital outlay projects of that unit. Bond proceeds reallocated to a county under
20 this subsection must be matched at the same rate as bond proceeds allocated to the
21 county under subsection (c) of this section.

22 **SECTION 6.(e)** Administration. – Funds disbursed under this act shall be
23 administered and supervised by the State Board of Education and shall be used only for
24 the purposes provided in this act. Each school administrative unit shall submit to the
25 State Board of Education its plans for the expenditure of funds allocated under this act.
26 After the State Board of Education determines that a school administrative unit's
27 planned expenditure of part or all of the funds allocated to it is within the purposes
28 provided in this act, the State Board of Education shall make the funds to which the
29 plans apply available to the applicable county.

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

34 **SECTION 7.** Election. – The question of the issuance of the bonds
35 authorized by this act shall be submitted to the qualified voters of the State at an
36 election to be held on the first Tuesday after the first Monday of November 2007. Any
37 other primary, election, or referendum validly called or scheduled by law at the time the
38 election on the bond question provided for in this section is held may be held as called
39 or scheduled. Notice of the election shall be given in the manner and at the times
40 required by G.S. 163-33(8). The election and the registration of voters therefor shall be
41 held under and in accordance with the general laws of the State. Absentee ballots shall
42 be authorized in the election.

43 The State Board of Elections shall reimburse the counties of the State for all
44 necessary expenses incurred in holding the election that are in addition to those that

1 would have otherwise been incurred, the same to be paid out of the Contingency and
2 Emergency Fund or other funds available to the State Board of Elections.

3 Ballots, voting systems authorized by Article 14 of Chapter 163 of the
4 General Statutes, or both, may be used in accordance with rules prescribed by the State
5 Board of Elections. The bond questions to be used in the ballots or voting systems shall
6 be in substantially the following form:

7 "[] FOR [] AGAINST

8 The issuance of two billion dollars (\$2,000,000,000) State of North Carolina
9 2007 Public School Building Bonds constituting general obligation bonds of the State
10 secured by a pledge of the faith and credit and taxing power of the State for the purpose
11 of providing funds to counties, with any other available funds, to pay the cost of public
12 school building capital improvements."

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

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

21 **SECTION 8.** Issuance of bonds and notes. (a) Terms and Conditions. –
22 Bonds or notes may bear such date or dates, may be serial or term bonds or notes, or any
23 combination thereof, may mature in such amounts and at such time or times, not
24 exceeding 40 years from their date or dates, may be payable at such place or places,
25 either within or without the United States of America, in such coin or currency of the
26 United States of America as at the time of payment is legal tender for payment of public
27 and private debts, may bear interest at such rate or rates, which may vary from time to
28 time, and may be made redeemable before maturity, at the option of the State or
29 otherwise as may be provided by the State, at such price or prices, including a price less
30 than or greater than the face amount of the bonds or notes, and under such terms and
31 conditions, all as may be determined by the State Treasurer, by and with the consent of
32 the Council of State.

33 **SECTION 8.(b)** Signatures; Form and Denomination; Registration. – Bonds
34 or notes may be issued in certificated or uncertificated form. If issued in certificated
35 form, bonds or notes shall be signed on behalf of the State by the Governor or shall bear
36 the Governor's facsimile signature, shall be signed by the State Treasurer or shall bear
37 the State Treasurer's facsimile signature, and shall bear the Great Seal of the State, or a
38 facsimile of the Seal shall be impressed or imprinted thereon. If bonds or notes bear the
39 facsimile signatures of the Governor and the State Treasurer, the bonds or notes shall
40 also bear a manual signature which may be that of a bond registrar, trustee, paying
41 agent, or designated assistant of the State Treasurer. Should any officer whose
42 signature or facsimile signature appears on bonds or notes cease to be such officer
43 before the delivery of the bonds or notes, the signature or facsimile signature shall
44 nevertheless have the same validity for all purposes as if the officer had remained in

1 office until delivery. Bonds or notes may bear the facsimile signatures of persons who
2 at the actual time of the execution of the bonds or notes shall be the proper officers to
3 sign any bond or note although at the date of the bond or note such persons may not
4 have been such officers. The form and denomination of bonds or notes, including the
5 provisions with respect to registration of the bonds or notes and any system for their
6 registration, shall be as the State Treasurer may determine in conformity with this act.

7 **SECTION 8.(c)** Manner of Sale; Expenses. – Subject to the approval by the
8 Council of State as to the manner in which bonds or notes shall be offered for sale,
9 whether at public or private sale, whether within or without the United States, and
10 whether by publishing notices in certain newspapers and financial journals, mailing
11 notices, inviting bids by correspondence, negotiating contracts of purchase or otherwise,
12 the State Treasurer is authorized to sell bonds or notes at one time or from time to time
13 at any rate or rates of interest, which may vary from time to time, and at any price or
14 prices, including a price less than or greater than the face amount of the bonds or the
15 notes, as the State Treasurer may determine. All expenses incurred in the preparation,
16 sale, and issuance of bonds or notes shall be paid by the State Treasurer from the
17 proceeds of bonds or notes or other available moneys.

18 **SECTION 8.(d)** Notes; Repayment.

19 (1) By and with the consent of the Council of State, the State Treasurer is
20 hereby authorized to borrow money and to execute and issue notes of
21 the State for the same, but only in the following circumstances and
22 under the following conditions:

- 23 a. For anticipating the sale of bonds the issuance of which the
24 Council of State has approved, if the State Treasurer considers
25 it advisable to postpone the issuance of the bonds;
- 26 b. For the payment of interest on or any installment of principal of
27 any bonds then outstanding, if there are not sufficient funds in
28 the State treasury with which to pay the interest or installment
29 of principal as they respectively become due;
- 30 c. For the renewal of any loan evidenced by notes herein
31 authorized;
- 32 d. For the purposes authorized in this act; and
- 33 e. For refunding bonds or notes as herein authorized.

34 (2) Funds derived from the sale of bonds or notes may be used in the
35 payment of any bond anticipation notes issued under this act. Funds
36 provided by the General Assembly for the payment of interest on or
37 principal of bonds shall be used in paying the interest on or principal
38 of any notes and any renewals thereof, the proceeds of which shall
39 have been used in paying interest on or principal of the bonds.

40 **SECTION 8.(e)** Refunding Bonds and Notes. – By and with the consent of
41 the Council of State, the State Treasurer is authorized to issue and sell refunding bonds
42 and notes for the purpose of refunding bonds or notes issued pursuant to this act and to
43 pay the cost of issuance of the refunding bonds or notes. The refunding bonds and notes
44 may be combined with any other issues of State bonds and notes similarly secured.

1 Refunding bonds or notes may be issued at any time prior to the final maturity of the
2 debt or obligation to be refunded. The proceeds from the sale of any refunding bonds or
3 notes shall be applied to the immediate payment and retirement of the bonds or notes
4 being refunded or, if not required for the immediate payment of the bonds or notes
5 being refunded, the proceeds shall be deposited in trust to provide for the payment and
6 retirement of the bonds or notes being refunded and to pay any expenses incurred in
7 connection with the refunding. Money in a trust fund may be invested in (i) direct
8 obligations of the United States government, (ii) obligations the principal of and interest
9 on which are guaranteed by the United States government, (iii) obligations of any
10 agency or instrumentality of the United States government if the timely payment of
11 principal and interest on the obligations is unconditionally guaranteed by the United
12 States government, or (iv) certificates of deposit issued by a bank or trust company
13 located in the State if the certificates are secured by a pledge of any of the obligations
14 described in (i), (ii), or (iii) above having an aggregate market value, exclusive of
15 accrued interest, equal at least to the principal amount of the certificates so secured.
16 This section does not limit the duration of any deposit in trust for the retirement of
17 bonds or notes being refunded but that have not matured and are not presently
18 redeemable, or if presently redeemable, have not been called for redemption.

19 **SECTION 8.(f)** Tax Exemption. – Bonds and notes shall at all times be free
20 from taxation by the State or any political subdivision or any of their agencies,
21 excepting estate, inheritance, or gift taxes, income taxes on the gain from the transfer of
22 the securities, and franchise taxes. The interest on the bonds and notes is not subject to
23 taxation as income.

24 **SECTION 8.(g)** Investment Eligibility. – Bonds and notes are securities in
25 which all of the following may invest, including capital in their control or belonging to
26 them: public officers, agencies, and public bodies of the State and its political
27 subdivisions, all insurance companies, trust companies, investment companies, banks,
28 savings banks, savings and loan associations, credit unions, pension or retirement funds,
29 other financial institutions engaged in business in the State, executors, administrators,
30 trustees, and other fiduciaries. Bonds and notes are hereby made securities which may
31 properly and legally be deposited with and received by any officer or agency of the
32 State or political subdivision of the State for any purpose for which the deposit of
33 bonds, notes, or obligations of the State or any political subdivision is now or may
34 hereafter be authorized by law.

35 **SECTION 8.(h)** Faith and Credit. – The faith and credit and taxing power of
36 the State are hereby pledged for the payment of the principal of and the interest on
37 bonds and notes. In addition to the State's right to amend any provision of this act to the
38 extent it does not impair any contractual right of a bond owner, the State expressly
39 reserves the right to amend any provision of this act with respect to the making and
40 repayment of loans, the disposition of any repayments of loans, and any intercept
41 provisions relating to the failure of a local government unit to repay a loan, the bonds
42 not being secured in any respect by loans, any repayments thereof, or any intercept
43 provisions with respect thereto.

1 **SECTION 8.(i)** Minority Business Participation. – The State Treasurer shall
2 provide contracting opportunities for historically underutilized businesses in providing
3 professional services in connection with the issuance of bonds and notes authorized by
4 this act. As used in this subsection, the term "historically underutilized business" means
5 a business described in G.S. 143-48. The State Treasurer shall strive to increase the
6 amount of legal, financial, and other professional services acquired by it from
7 historically underutilized businesses. With the assistance of the Office for Historically
8 Underutilized Businesses in the Department of Administration, the State Treasurer shall
9 set objectives for contracting with these businesses, identify and eliminate barriers or
10 constraints that may restrict these businesses from contracting with the State Treasurer,
11 and develop a plan for meeting its objectives. The State Treasurer shall report quarterly
12 to the Office for Historically Underutilized Businesses on its progress in carrying out
13 the requirements of this subsection.

14 **SECTION 8.(j)** Other Agreements. – The State Treasurer may authorize,
15 execute, obtain, or otherwise provide for bond insurance, investment contracts, credit
16 and liquidity facilities, interest rate swap agreements and other derivative products, and
17 any other related instruments and matters the State Treasurer determines are desirable in
18 connection with the issuance of bonds or notes. The State Treasurer is authorized to
19 employ and designate any financial consultants, underwriters, and bond attorneys to be
20 associated with any bond issue under this act as the State Treasurer considers necessary.

21 **SECTION 9.** Variable rate demand bonds and notes. – In fixing the details
22 of bonds and notes, the State Treasurer may provide that any of the bonds or notes may:

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

41 If the aggregate principal amount payable by the State under a credit facility
42 is in excess of the aggregate principal amount of bonds or notes secured by the credit
43 facility, whether as a result of the inclusion in the credit facility of a provision for the
44 payment of interest for a limited period of time or the payment of a redemption

1 premium or for any other reason, then the amount of authorized but unissued bonds or
2 notes during the term of such credit facility shall not be less than the amount of such
3 excess, unless the payment of such excess is otherwise provided for by agreement of the
4 State executed by the State Treasurer.

5 **SECTION 10.** Interpretation of act. – (a) Additional Method. – The
6 foregoing sections of this act shall be deemed to provide an additional and alternative
7 method for the doing of the things authorized thereby and shall be regarded as
8 supplemental and additional to powers conferred by other laws, and shall not be
9 regarded as in derogation of any powers now existing.

10 **SECTION 10.(b)** Statutory References. – References in this act to specific
11 sections or Chapters of the General Statutes or to specific acts are intended to be
12 references to these sections, Chapters, or acts as they may be amended from time to
13 time by the General Assembly.

14 **SECTION 10.(c)** Broad Construction. – This act, being necessary for the
15 health and welfare of the people of the State, shall be broadly construed to effect the
16 purposes thereof.

17 **SECTION 10.(d)** Inconsistent Provisions. – Insofar as the provisions of this
18 act are inconsistent with the provisions of any general, special, or local laws, or parts
19 thereof, the provisions of this act shall be controlling.

20 **SECTION 10.(e)** Severability. – If any provision of this act or the
21 application thereof to any person or circumstance is held invalid, such invalidity shall
22 not affect other provisions or applications of the act which can be given effect without
23 the invalid provision or application, and to this end the provisions of this act are
24 declared to be severable.

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