

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE BILL 1539*
Committee Substitute Favorable 5/24/00
Committee Substitute #2 Favorable 6/12/00

Short Title: Qualified Zone Academy Bond Act of 2000.

(Public)

Sponsors:

Referred to:

May 16, 2000

A BILL TO BE ENTITLED
AN ACT TO DESIGNATE THE STATE BOARD OF EDUCATION AS THE STATE
EDUCATION AGENCY RESPONSIBLE FOR ADMINISTERING THE
QUALIFIED ZONE ACADEMY BOND PROGRAM.

The General Assembly of North Carolina enacts:

Section 1. Chapter 115C of the General Statutes is amended by adding a new
Article to read:

“ARTICLE 34B.

“QUALIFIED ZONE ACADEMY BONDS.

“§ 115C-489.5. Qualified zone academy bonds; findings.

The General Assembly finds:

(a) Section 226 of the Taxpayer Relief Act of 1997, as codified at 26 U.S.C. § 1397E, provides funds for school improvements through taxable qualified zone academy bonds. Ninety-five percent (95%) or more of the proceeds of a qualified zone academy bond issue must be used for a qualified purpose with respect to a qualified zone academy established by an eligible local education agency.

(b) Partnerships between private entities and local schools are promoted through the use of qualified zone academy bonds. Issuers must certify that they have received

1 written commitments from one or more private entities to make qualified contributions
2 valued at ten percent (10%) of the proceeds of the issue.

3 (c) Eligible taxpayers may receive federal tax credits for holding the qualified
4 zone academy bonds. It is intended that the qualified zone academy bonds be sold at par
5 value so that the tax credits received are instead of interest that otherwise would have
6 been paid on the bonds. Therefore, issuers of qualified zone academy bonds are
7 obligated to repay the principal amount of the qualified zone academy bonds but need not
8 make interest payments.

9 (d) Applicable federal law limits the amount of qualified zone academy bonds that
10 may be issued in North Carolina in a calendar year.

11 **"§ 115C-489.6. Administration; consultation; issuance of bonds.**

12 (a) State Board of Education to Administer Program. – The State Board of
13 Education is designated the State education agency responsible for administering the
14 qualified zone academy bond program in North Carolina for the purposes of 26 U.S.C. §
15 1397E. The State Board of Education shall perform all activities required to implement
16 and carry out the qualified zone activity bond program in North Carolina. Those
17 activities include:

18 (1) Defining those areas and schools that are eligible under federal law to
19 participate in the qualified zone academy bond program in North
20 Carolina.

21 (2) Designing an application process under which proposals may be
22 solicited from qualified zone academies.

23 (3) Determining the eligibility of an applicant to be a participating qualified
24 zone academy.

25 (4) Awarding the State's allocation of total funds among selected applicants
26 and establishing conditions upon the usage of the allocation. These
27 conditions must include:

28 a. Requiring that the bond proceeds be used only for rehabilitating
29 or repairing the public school facility in which the qualified zone
30 academy is located, which may include (i) wiring and other
31 infrastructure improvements related to providing technology and
32 (ii) equipment related to the rehabilitation or repair, but not
33 personal computers or similar technology equipment.

34 b. Conditions designed to assure that the allocation is used in a
35 timely manner.

36 (5) Confirming that the terms of any qualified zone academy bonds issued
37 in accordance with this program are consistent with the terms of the
38 federal program.

39 (b) Assistance. – The Department of Public Instruction shall provide the State
40 Board of Education any support it requires in carrying out this section.

41 (c) Consultation. – In reviewing applications and awarding allocations, the State
42 Board of Education shall consult with the Local Government Commission to determine

1 whether a prospective issuer of qualified zone academy bonds is able to issue or incur
2 marketable obligations.

3 (d) Issuance of Bonds. – Any bonds designated as qualified zone academy bonds
4 may be issued pursuant to the applicable provisions of and in compliance with the Local
5 Government Bond Act, Article 4 of Chapter 159 of the General Statutes, or pursuant to
6 the applicable provisions of and in compliance with G.S. 160A-20, to the extent
7 authorized by G.S. 153A-158.1. As provided in G.S. 159-123(b), bonds designated as
8 qualified zone academy bonds to be issued pursuant to the Local Government Bond Act
9 may be sold by the Local Government Commission at private sale."

10 Section 2. G.S. 159-123(b) reads as rewritten:

11 "(b) The following classes of bonds may be sold at private sale:

- 12 (1) Bonds that a State or federal agency has previously agreed to purchase.
- 13 (2) Any bonds for which no legal bid is received within the time allowed
14 for submission of bids.
- 15 (3) Revenue bonds, including any refunding bonds issued pursuant to G.S.
16 159-84, and special obligation bonds issued pursuant to Chapter 159I of
17 the General Statutes.
- 18 (4) Refunding bonds issued pursuant to G.S. 159-78.
- 19 (5) Refunding bonds issued pursuant to G.S. 159-72 if the Local
20 Government Commission determines that a private sale is in the best
21 interest of the issuing unit.
- 22 (6) Bonds designated as qualified zone academy bonds pursuant to G.S.
23 115C-489.6, if the Local Government Commission determines that a
24 private sale is in the best interest of the issuing unit."

25 Section 3. G.S. 150B-21.1 is amended by adding a new subsection to read:

26 "(a7) Notwithstanding the provisions of subdivision (a)(2) of this section, an agency
27 may adopt a temporary rule to implement the provisions of any of the following acts until
28 all rules necessary to implement the provisions of the act have become effective as either
29 temporary or permanent rules:

- 30 (1) Reserved.
- 31 (2) Article 34B of Chapter 115C of the General Statutes."

32 Section 4. Interpretation of Act. (a) Additional Method. This act provides an
33 additional and alternative method for the doing of the things it authorizes and is as
34 supplemental and additional to powers conferred by other laws. Except as otherwise
35 expressly provided, it does not derogate any powers now existing.

36 Section 4.(b) Statutory References. References in this act to specific sections or
37 Chapters of the General Statutes are intended to be references to those sections or
38 Chapters as they may be amended from time to time by the General Assembly.

39 Section 4.(c) Liberal Construction. This act, being necessary for the health and
40 welfare of the people of the State, shall be liberally construed to effect its purposes.

41 Section 4.(d) Severability. If any provision of this act or its application is held
42 invalid, the invalidity does not affect other provisions or applications of this act that can

1 be given effect without the invalid provisions or application, and to this end the
2 provisions of this act are severable.

3 Section 5. G.S. 150B-21.1(a7)(2), as enacted by Section 3 of this act, is
4 repealed effective July 1, 2003.

5 Section 6. This act is effective when it becomes law.