

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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HOUSE BILL 1225

Short Title: Education & Transportation Bond Act of 2020. (Public)

Sponsors: Representatives Moore, Elmore, Torbett, and Wray (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Appropriations, if favorable, Rules, Calendar, and Operations of the House

May 27, 2020

A BILL TO BE ENTITLED

AN ACT TO ENACT THE EDUCATION AND TRANSPORTATION BOND ACT OF 2020.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Short Title. – This act shall be known as the "Education and Transportation Bond Act of 2020."

SECTION 1.(b) Purpose. – It is the intent of the General Assembly by this act to provide, subject to a vote of the qualified voters of the State, for the issuance of three billion one hundred million dollars (\$3,100,000,000) in general obligation bonds of the State for the purpose of providing funds, with any other available funds, (i) for public school facilities through grants to counties for public school capital outlay projects and repairs and renovations, in the amount of eight hundred million dollars (\$800,000,000), (ii) for community college facilities for community college capital outlay projects and repairs and renovations, in the amount of two hundred million dollars (\$200,000,000), (iii) for The University of North Carolina facilities for capital outlay projects for constituent institutions and repairs and renovations at such institutions, in the amount of six hundred million dollars (\$600,000,000), and (iv) for public transportation infrastructure projects, including construction and renovation of highways, roads, bridges, and related road infrastructure, in the amount of one billion five hundred million dollars (\$1,500,000,000).

SECTION 1.(c) Definitions. – Unless the context otherwise requires, the following definitions apply in this act:

(1) Bonds. – Bonds issued under this section.

(1a) Capital outlay project for a constituent institution. – A project for any of the following:

- a. Construction of one or more new buildings located at a constituent institution of The University of North Carolina.
- b. Renovation of one or more existing buildings located at a constituent institution of The University of North Carolina.
- c. Construction, acquisition, and installation of technology infrastructure at or in support of a constituent institution of The University of North Carolina.
- d. Acquisition and installation of equipment for a building located at a constituent institution of The University of North Carolina that will be used for an instructional or related purpose.



1 e. Purchase of land necessary for construction to commence within 24
2 months of one or more buildings at a constituent institution of The
3 University of North Carolina.

4 f. Other related capital outlay projects to provide facilities for individual
5 constituent institutions of The University of North Carolina that are
6 used for instructional or related purposes.

7 The term does not include projects for facilities for centralized administration, trailers,
8 relocatable classrooms, or mobile classrooms.

9 (1b) Community college capital outlay project. – A project for any of the
10 following:

11 a. Construction of one or more new community college buildings located
12 on a community college campus.

13 b. Renovation of one or more existing community college buildings.

14 c. Construction, acquisition, and installation of the enterprise resource
15 planning information technology in support of the North Carolina
16 Community College System and its community colleges.

17 d. Construction, acquisition, and installation of technology infrastructure
18 at or in support of a community college.

19 e. Acquisition and installation of equipment for a community college
20 building that will be used for an instructional or related purpose.

21 f. Purchase of land necessary for construction to commence within 24
22 months of one or more community college buildings.

23 g. Other related capital outlay projects to provide facilities for individual
24 community college campuses that are used for instructional or related
25 purposes.

26 The term does not include projects for facilities for centralized administration, trailers,
27 relocatable classrooms, or mobile classrooms.

28 (2) Cost. – Without intending thereby to limit or restrict any proper definition of
29 this term in financing the cost of any capital outlay projects as authorized by
30 this act, any of the following:

31 a. The cost of constructing, reconstructing, enlarging, acquiring, and
32 improving projects and acquiring equipment and land therefor.

33 b. The cost of engineering, architectural, and other consulting services as
34 may be required.

35 c. Administrative expenses and charges, including expenses related to
36 determining compliance with applicable requirements of federal law
37 and expenses relating to issuance. Nothing in this section shall permit
38 use of bond funds to pay salaries or fees for bond administration; such
39 salaries and fees shall come from funds appropriated by the General
40 Assembly.

41 d. Finance charges and interest prior to and during construction and, if
42 deemed advisable by the State Treasurer, for a period not exceeding
43 three years after the estimated date of completion of construction.

44 e. The cost of bond insurance, investment contracts, credit enhancement
45 and liquidity facilities; interest rate swap agreements or other
46 derivative products; financial and legal consultants; and related costs
47 of bond and note issuance; and costs incurred by the State in
48 administering the bond issues, including costs of trustees, escrow
49 agents, arbitrage rebate liability consultants, securities disclosure
50 counsel or similar securities disclosure consultants, tax consultants

1 and financial advisors, to the extent and as determined by the State
2 Treasurer.

3 f. The cost of reimbursing the State for any payments made for any cost
4 described in this subdivision.

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

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

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

23 (4) Notes. – Notes issued under this act.

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

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

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

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

38 (6) Public school capital outlay project. – A project for any of the following:

39 a. Construction of one or more new public school buildings.

40 b. Renovation of one or more existing public school buildings.

41 c. Construction, acquisition, and installation of technology infrastructure
42 for a public school building.

43 d. Acquisition and installation of equipment or fixtures to ensure
44 building security for a public school building.

45 e. Acquisition and installation of equipment for a public school building
46 that will be used for an instructional or related purpose.

47 f. Purchase of land necessary for construction to commence within 24
48 months of one or more public school buildings.

49 g. Other related capital outlay projects to provide facilities for individual
50 public schools that are used for instructional or related purposes.

1 The term does not include projects for facilities for centralized administration, trailers,
2 relocatable 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 funds for community colleges
7 and The University of North Carolina in the election called and held as provided in this act, the
8 State Treasurer is hereby authorized, by and with the consent of the Council of State, to issue and
9 sell, at one time or from time to time, general obligation bonds of the State to be designated "State
10 of North Carolina Education and Transportation Bonds," with any additional designations as may
11 be determined to indicate the issuance of bonds from time to time, or notes of the State as
12 provided in this act, in an aggregate principal amount not exceeding three billion one hundred
13 million dollars (\$3,100,000,000) for the purpose of providing funds, with any other available
14 funds, for the purposes authorized in this act. For public improvement bonds authorized by this
15 section for transportation projects, although such bonds will constitute general obligation bonds,
16 secured by the faith and credit and taxing power of the State, and although the funds deposited
17 to the Highway Trust Fund are not specifically pledged to pay debt service on such bonds, it is
18 the intent of the General Assembly that the debt service on such bonds will be provided from
19 amounts deposited to the Highway Trust Fund. The principal amounts of bonds or notes issued
20 in any 12-month period shall not exceed five hundred ninety-one million dollars (\$591,000,000).
21 In determining whether this limit has been reached, the issuance of a note or bond to pay an
22 outstanding note is not considered an issuance.

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

24 (1) Subject to the provisions of subdivision (2) of this subsection, eight hundred
25 million dollars (\$800,000,000) of the proceeds of education and transportation
26 bonds and notes, including premium thereon, if any, shall be used for the
27 purpose of making grants to counties for paying the cost of public school
28 capital outlay projects and repairs and renovations in the following general
29 amounts set forth in this subdivision. Any additional monies that may be
30 received by means of a grant or grants from the United States of America or
31 any agency or department thereof or from any other source to aid in financing
32 the cost of public school capital outlay projects authorized by this act may be
33 placed by the State Treasurer in the Education and Transportation Bonds Fund
34 or in a separate account or fund and shall be disbursed, to the extent permitted
35 by the terms of the grant or grants, without regard to limitations imposed by
36 this act.
37

38 **Public Education**

39
40 Various Statewide Supplemental Education Funding \$800,000,000

41
42 **Total for Transportation \$800,000,000**

43
44 (1a) Subject to the provisions of subdivision (2) of this subsection, six hundred
45 million dollars (\$600,000,000) of the proceeds of education and transportation
46 bonds and notes, including premium thereon, if any, shall be used for paying
47 the costs of capital outlay projects for constituent institutions and repairs and
48 renovations in the following general amounts set forth below:
49

50 **The University of North Carolina**

| | | | |
|----|---|--------------------------------------|----------------------|
| 1 | East Carolina | Brody School of Medicine | \$215,000,000 |
| 2 | University | | |
| 3 | | | |
| 4 | Elizabeth City State | HVAC Replacement | \$4,000,000 |
| 5 | University | | |
| 6 | | | |
| 7 | Elizabeth City State | Chiller | \$2,000,000 |
| 8 | University | | |
| 9 | | | |
| 10 | Elizabeth City State | Crime Lab | \$2,500,000 |
| 11 | University | | |
| 12 | | | |
| 13 | Fayetteville State | Rosenthal and Chick Bldg. Renovation | \$13,000,000 |
| 14 | University | | |
| 15 | | | |
| 16 | NC State University | STEM Building | \$80,000,000 |
| 17 | | | |
| 18 | North Carolina | Carver Hall Renovation | \$18,500,000 |
| 19 | A & T State | | |
| 20 | University | | |
| 21 | | | |
| 22 | UNC – Chapel Hill | Business Building | \$75,000,000 |
| 23 | | | |
| 24 | UNC – Charlotte | Cameron and Burson Renovation | \$45,000,000 |
| 25 | | | |
| 26 | UNC – Greensboro | Jackson Library Renovation | \$54,000,000 |
| 27 | | | |
| 28 | UNC – Pembroke | Health Science Center | \$91,000,000 |
| 29 | | | |
| 30 | | | |
| 31 | Total for The University of North Carolina | | \$600,000,000 |
| 32 | | | |

(1b) Subject to the provisions of subdivision (2) of this subsection, two hundred million dollars (\$200,000,000) of the proceeds of education and transportation bonds and notes, including premium thereon, if any, shall be used for paying the costs of community college capital outlay projects and repairs and renovations in the following general amount set forth below:

NC Community Colleges

| | | | |
|----|--|--|----------------------|
| 41 | Various Statewide | Technology Upgrades, New Construction, | \$200,000,000 |
| 42 | | Repairs, Renovations | |
| 43 | | | |
| 44 | Total for NC Community Colleges | | \$200,000,000 |
| 45 | | | |

(1c) Subject to the provisions of subdivision (2) of this subsection, one billion five hundred million dollars (\$1,500,000,000) of the proceeds of education and transportation bonds and notes, including premium thereon, if any, shall be used for paying the costs of supplemental highway funding for construction and renovations in the following general amount set forth below:

Transportation

| | | |
|---------------------------------|------------------------------|------------------------|
| Various Statewide | Supplemental Highway Funding | \$1,500,000,000 |
| Total for Transportation | | \$1,500,000,000 |

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

a. The public school capital outlay projects to be financed with the proceeds of the bonds issued under this act shall be determined by the State Board of Education based upon the criteria set forth in this act, and upon application by the county in which the public school capital outlay project is to be located or that will otherwise be served by the public school capital outlay project. With respect to proceeds allocated in subdivision (1) of this subsection:

1. The proceeds shall be used for new construction or rehabilitation of existing facilities and repairs and renovations. Any items purchased with such proceeds and installed or replaced as part of a renovation or rehabilitation must have a useful life of at least 10 years or must extend the life of the facility by at least 10 years once renovated or rehabilitated.
2. In the case of a local school administrative unit located entirely in one county, the unit's total distribution amount shall be allocated to that county. In the case of a local school administrative unit located in more than one county, the unit's distribution amount shall be allocated among the counties in which the unit is located in proportion to average daily membership of the unit in each county. A unit's distribution amount allocated to a county may be used only with respect to public school facilities of that unit. If two or more local school administrative units are consolidated into one unit, the distribution amounts provided in subdivision (1) of this subsection for the units shall be considered the distribution amount for the merged unit.
3. Local matching fund requirement for bond proceeds shall be as follows:
 - I. A county shall not be required to provide local matching funds for the bond proceeds if any portion of the proceeds results from low-wealth county or adjustment factor designation allocations.
 - II. A county shall be required to provide local matching funds for the bond proceeds if the county does not receive any portion of the proceeds results from low wealth county or adjustment factor designation allocations. The county shall provide local matching funds from county funds, other non-State funds, or a combination of these sources for such proceeds. The amount of matching funds shall be (i) one dollar (\$1.00) of local matching funds for every three dollars (\$3.00) of such proceeds for a local school

1 administrative unit located in a county that is a
2 development tier one area, as defined in
3 G.S. 143B-437.08, (ii) one dollar (\$1.00) of local
4 matching funds for every two dollars (\$2.00) of such
5 proceeds for a local school administrative unit located
6 in a county that is a development tier two area, as
7 defined in G.S. 143B-437.08, and (iii) one dollar
8 (\$1.00) of local matching funds for every one dollar
9 (\$1.00) of such proceeds for a local school
10 administrative unit located in a county that is a
11 development tier three area, as defined in
12 G.S. 143B-437.08. The match requirement may be
13 satisfied by non-State expenditures for public school
14 facilities made on or after January 1, 2015. If a debt has
15 been incurred since January 1, 2015, for the general
16 purpose of public school facilities, then the face
17 amount of the debt shall be considered as a non-State
18 expenditure for public school facilities for the purpose
19 of the match. No other expenditures made or debts
20 incurred before January 1, 2015, may be used to satisfy
21 the match requirement. As counties satisfy the match
22 requirements of this sub-sub-sub-subdivision, they
23 shall document the extent to which they have done so
24 in periodic reports to the State Board of Education.
25 These reports shall include any information and
26 documentation required by the State Board of
27 Education. The State Board of Education shall certify
28 to the State Treasurer from time to time the extent to
29 which the match requirements of this
30 sub-sub-sub-subdivision have been met with respect to
31 each county. Bond proceeds shall be distributed for
32 expenditure only as, and to the extent, the matching
33 requirement of this sub-sub-sub-subdivision are
34 satisfied, as certified by the State Board of Education.
35 If the State Board of Education determines that a
36 county has not met the matching requirement set forth
37 in this sub-sub-sub-subdivision by January 1, 2026, the
38 State Board of Education shall certify that fact to the
39 State Treasurer by March 1, 2026. Amounts that are
40 allocated in the ADM Growth Allocation of bond
41 proceeds under subdivision (1) of this subsection and
42 that have not been certified as matched by the State
43 Board of Education by January 1, 2026, shall be
44 reallocated among the counties that have been certified
45 as having met the matching requirement for that
46 allocation. The reallocation shall be made among the
47 eligible counties in proportion to the amount of ADM
48 Growth Allocations for those counties under
49 subdivision (1) of this subsection. Amounts that are
50 allocated in the ADM Allocation of bond proceeds
51 under subdivision (1) of this subsection and that have

- 1 not been certified as matched by the State Board of
2 Education by January 1, 2026, shall be reallocated
3 among the counties that have been certified as having
4 met the matching requirement for that allocation. The
5 reallocation shall be made on the basis of average daily
6 membership of the local school administrative units
7 within the remaining counties. Bond proceeds
8 reallocated to a county because of a local school
9 administrative unit's average daily membership within
10 the county may be used only with respect to public
11 school capital outlay projects of that unit. Bond
12 proceeds reallocated to a county under this
13 sub-sub-sub-subdivision must be matched at the same
14 rate as bond proceeds allocated to the county under this
15 sub-sub-sub-subdivision.
- 16 III. The State Board of Education shall also require
17 counties to report annually on the impact of funds
18 provided under this act on the property tax rate for that
19 year. These reports shall be public documents and shall
20 be furnished to any citizen upon request.
- 21 4. The General Assembly encourages, in projects for which bond
22 proceeds are allocated, consideration by counties and local
23 school administrative units of projects that primarily involve
24 materially improving the energy efficiency of the school
25 facility.
- 26 b. The capital outlay projects for a constituent institution to be financed
27 with the proceeds of the bonds issued under this act shall be
28 determined by the Board of Governors of The University of North
29 Carolina based upon the criteria set forth in this act, and upon
30 application by the constituent institution in which the capital outlay
31 projects for a constituent institution is to be located or that will
32 otherwise be served by the capital outlay projects for a constituent
33 institution. With respect to proceeds allocated in subdivision (1a) of
34 this subsection:
- 35 1. The proceeds shall be used for new construction or
36 rehabilitation of existing facilities and repairs and renovations.
37 Any items purchased with such proceeds and installed or
38 replaced as part of a renovation or rehabilitation must have a
39 useful life of at least 10 years or must extend the life of the
40 facility by at least 10 years once renovated or rehabilitated.
41 Local matching fund requirements to receive bond proceeds
42 shall be as follows:
- 43 I. For projects for new construction, the constituent
44 institution receiving the proceeds shall provide
45 matching funds from other non-State funds.
- 46 II. For rehabilitation of existing facilities and repairs and
47 renovations, constituent institutions shall not be
48 required to match bond proceeds allocated in this act.
- 49 2. In determining the allocation of proceeds, the Board of
50 Governors shall consider the following factors: (i) size of the
51 entity, with a focus on smaller campuses; (ii) population

1 historically served, with a focus on historically
2 minority-serving institutions; (iii) development tier area
3 designations, with a focus on lower development tier areas; (iv)
4 constituent institutions operating a school serving any grade,
5 kindergarten through 12, with a focus on such institutions; and
6 (v) length of outstanding repairs and renovations requests, with
7 a focus on longer outstanding requests.

8 c. The community college capital outlay projects to be financed with the
9 proceeds of the bonds issued under this act shall be determined by the
10 Community College System Office based upon the criteria set forth in
11 this act, and upon application by the community college in which the
12 community college capital outlay projects is to be located or that will
13 otherwise be served by the community college capital outlay projects.
14 With respect to proceeds allocated in subdivision (1b) of this
15 subsection:

16 1. The proceeds shall be used for upgrades to the enterprise
17 resource planning information technology ("the ERP system"),
18 new construction or rehabilitation of existing facilities, and
19 repairs and renovations.

20 2. Any items purchased with such proceeds for new construction
21 or rehabilitation of existing facilities and repairs and
22 renovations and installed or replaced as part of a renovation or
23 rehabilitation must have a useful life of at least 10 years or
24 must extend the life of the facility by at least 10 years once
25 renovated or rehabilitated. Local matching fund requirements
26 to receive bond proceeds shall be as follows:

27 I. For projects for new construction, the community
28 college receiving the proceeds shall provide local
29 matching funds from county funds, other non-State
30 funds, or a combination of these sources for such
31 proceeds. The amount of matching funds shall be (i)
32 one dollar (\$1.00) of local matching funds for every
33 three dollars (\$3.00) of such proceeds for a community
34 college with a main campus located in a development
35 tier one area, as defined in G.S. 143B-437.08, (ii) one
36 dollar (\$1.00) of local matching funds for every two
37 dollars (\$2.00) of such proceeds for a community
38 college with a main campus located in a development
39 tier two area, as defined in G.S. 143B-437.08, and (iii)
40 one dollar (\$1.00) of local matching funds for every
41 one dollar (\$1.00) of such proceeds for a community
42 college with a main campus located in a development
43 tier three area, as defined in G.S. 143B-437.08. The
44 provisions of G.S. 115D-31, or any other provision of
45 law permitting prior expenditures to be used for match
46 purposes, do not apply for purposes of meeting the
47 matching funds requirements of this act.

48 II. For rehabilitation of existing facilities and repairs and
49 renovations, community colleges are not required to
50 match bond proceeds allocated in this act.

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III. No funds shall be required to match bond proceeds allocated in this act for the ERP system project.

3. In determining between projects for which bond proceeds are allocated, the Community Colleges System Office shall give first priority to the ERP system project and shall prioritize allocation of the remainder of funds among projects for new construction and repairs and renovations by ranking the projects for the various community colleges according to three components, as follows: (i) the development factor ranking by the Secretary of Commerce, as provided in G.S. 143B-437.08, for identification of the development tier of the county in which the project is located, which shall be single weighted, (ii) the community college's repairs and renovations needs, which shall be double weighted, and (iii) the community college's additional square footage needs, which shall be single weighted.

d. The proceeds of bonds issued under this act, including premium thereon, if any, for statewide supplemental highway funding for transportation, as provided in subdivision (1c) of this subsection, shall be issued only for highway projects satisfying all of the following conditions:

1. An environmental impact statement, if required by law, was completed prior to January 1, 2020.
2. Construction on the project is projected by the Department of Transportation to commence by January 1, 2022.
3. The project meets the requirements set forth in Article 14B of Chapter 136 of the General Statutes.

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

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

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

Monies in the Education and Transportation Bonds Fund or any separate account established under this section may be invested from time to time by the State Treasurer in the same manner permitted for investment of monies belonging to the State or held in the State treasury, except with respect to grant money to the extent otherwise directed by the terms of the grant. Investment earnings, except investment earnings with respect to grant monies to the extent

1 otherwise directed or restricted by the terms of the grant, may be (i) credited
2 to the Education and Transportation Bonds Fund or (ii) used to satisfy
3 compliance with applicable requirements of the federal tax law.

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

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

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

32 **SECTION 1.(g) Election.** – The question of the issuance of the bonds authorized by
33 this act shall be submitted to the qualified voters of the State at the time of the general election
34 in 2020, which election shall be held under and in accordance with the general laws of the State.

35 The bond question to be used in the ballots or voting systems shall be in substantially
36 the following form:

37 " [] FOR [] AGAINST

38 The issuance of three billion one hundred million dollars (\$3,100,000,000) State of
39 North Carolina Education and Transportation Bonds constituting general obligation bonds of the
40 State secured by a pledge of the faith and credit and taxing power of the State for the purpose of
41 providing funds, with any other available funds, to fund capital improvements, construction of
42 new facilities, and the renovation and rehabilitation of existing facilities for the State's public
43 education system in local school administrative units, community colleges of the North Carolina
44 Community College System, and constituent institutions of The University of North Carolina
45 and to fund the construction and renovation of highways, roads, bridges, and related road
46 infrastructure."

47 If a majority of those voting on a bond question in the election vote in favor of the
48 issuance of the bonds described in the question, those bonds may be issued as provided in this
49 act. If a majority of those voting on the bond question in the election do not vote in favor of the
50 issuance of the bonds described in the question, those bonds shall not be issued.

1 The results of the election shall be canvassed and declared as provided in Chapter 163
2 of the General Statutes; the results of the election shall be certified by the State Board to the
3 Secretary of State.

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

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

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

42 (3) Manner of sale; expenses. – Subject to the consent of the Council of State, the
43 State Treasurer shall determine the manner in which bonds or notes shall be
44 offered for sale, whether at public or private sale, whether within or without
45 the United States of America, and whether by publishing notices in certain
46 newspapers and financial journals, mailing notices, inviting bids by
47 correspondence, negotiating contracts of purchase, or otherwise, and the State
48 Treasurer is authorized to sell bonds or notes at one time or from time to time
49 at such rate or rates of interest, which may vary from time to time, and at such
50 price or prices, including a price less than the face amount of the bonds or the
51 notes, as the State Treasurer may determine. All expenses incurred in

- 1 preparation, sale, and issuance of bonds or notes shall be paid by the State
2 Treasurer from the proceeds of bonds or notes or other available monies.
- 3 (4) Notes; repayment. –
- 4 a. Subject to the consent of the Council of State, the State Treasurer is
5 hereby authorized to borrow money and to execute and issue notes of
6 the State for the same, but only in the following circumstances and
7 under the following conditions:
- 8 1. For anticipating the sale of bonds to the issuance of which the
9 Council of State shall have given consent, if the State Treasurer
10 shall deem it advisable to postpone the issuance of the bonds.
- 11 2. For the payment of interest on or any installment of principal
12 of any bonds then outstanding, if there shall not be sufficient
13 funds in the State treasury with which to pay the interest or
14 installment of principal as they respectively become due.
- 15 3. For the renewal of any loan evidenced by notes herein
16 authorized.
- 17 4. For the purposes authorized in this act.
- 18 5. For refunding bonds or notes as herein authorized.
- 19 b. Funds derived from the sale of bonds or notes may be used in the
20 payment of any bond anticipation notes issued under this section.
21 Funds provided by the General Assembly for the payment of interest
22 on or principal of bonds shall be used in paying the interest on or
23 principal of any notes and any renewals thereof, the proceeds of which
24 shall have been used in paying interest on or principal of the bonds.
- 25 (5) Refunding bonds and notes. – By and with the consent of the Council of State,
26 the State Treasurer is authorized to issue and sell refunding bonds and notes
27 pursuant to the provisions of the State Refunding Bond Act for the purpose of
28 refunding bonds or notes issued pursuant to this act. The refunding bonds and
29 notes may be combined with any other issues of State bonds and notes
30 similarly secured.
- 31 (6) Tax exemption. – Bonds and notes shall be exempt from all State, county, and
32 municipal taxation or assessment, direct or indirect, general or special,
33 whether imposed for the purpose of general revenue or otherwise, excluding
34 inheritance and gift taxes, income taxes on the gain from the transfer of bonds
35 and notes, and franchise taxes. The interest on bonds and notes shall not be
36 subject to taxation as to income.
- 37 (7) Investment eligibility. – Bonds and notes are hereby made securities in which
38 all public officers, agencies, and public bodies of the State and its political
39 subdivisions; all insurance companies, trust companies, investment
40 companies, banks, savings banks, savings and loan associations, credit unions,
41 pension or retirement funds, other financial institutions engaged in business
42 in the State; executors, administrators, trustees, and other fiduciaries may
43 properly and legally invest funds, including capital in their control or
44 belonging to them. Bonds and notes are hereby made securities that may
45 properly and legally be deposited with and received by any officer or agency
46 of the State or political subdivision of the State for any purpose for which the
47 deposit of bonds, notes, or obligations of the State or any political subdivision
48 of the State is now or may hereafter be authorized by law.
- 49 (8) Faith and credit. – The faith and credit and taxing power of the State are hereby
50 pledged for the payment of the principal of and the interest on bonds and notes.
51 In addition to the State's right to amend any provision of this act to the extent

1 it does not impair any contractual right of a bond owner, the State expressly
2 reserves the right to amend any provision of this act with respect to the making
3 and repayment of loans, the disposition of any repayments of loans, and any
4 intercept provisions relating to the failure of a local government unit to repay
5 a loan, the bonds not being secured in any respect by loans, any repayments
6 thereof, or any intercept provisions with respect thereto.

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

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

26 If the aggregate principal amount repayable by the State under a credit facility
27 agreement is in excess of the aggregate principal amount of bonds or notes secured by the credit
28 facility agreement, whether as a result of the inclusion in the credit facility agreement of a
29 provision for the payment of interest for a limited period of time or the payment of a redemption
30 premium or for any other reason, then the amount of authorized but unissued bonds or notes
31 during the term of such credit facility agreement shall not be less than the amount of such excess,
32 unless the payment of such excess is otherwise provided for by agreement of the State executed
33 by the State Treasurer.

34 **SECTION 1.(j)** Interpretation of Act. –

- 35 (1) Additional method. – The foregoing subsections of this section shall be
36 deemed to provide an additional and alternative method for the doing of the
37 things authorized thereby and shall be regarded as supplemental and
38 additional to powers conferred by other laws and shall not be regarded as in
39 derogation of any powers now existing.
- 40 (2) Statutory references. – References in this act to specific sections or Chapters
41 of the General Statutes or to specific acts are intended to be references to these
42 sections, Chapters, or acts as they may be amended from time to time by the
43 General Assembly.
- 44 (3) Broad construction. – The General Assembly specifically has chosen to
45 combine what otherwise might be considered differing projects to be financed
46 into one bond bill and bond question because the General Assembly finds that
47 such differing projects, when taken together, constitute an interrelated, united,
48 and single plan for the State's public education system as stated aforesaid.
49 Accordingly, this act, being necessary for the health, welfare, and
50 advancement of the people of the State, shall be broadly construed to affect
51 the purposes thereof.

- 1 (4) Inconsistent provisions. – Insofar as the provisions of this section are
2 inconsistent with the provisions of any general laws, or parts thereof, the
3 provisions of this act shall be controlling.
- 4 (5) Severability. – If any provision of this section or the application thereof to any
5 person or circumstance is held invalid, such invalidity shall not affect other
6 provisions or applications of the act that can be given effect without the invalid
7 provision or application, and to this end, the provisions of this section are
8 declared to be severable.

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

14 **SECTION 2.** Each entity, upon receiving the proceeds of education and
15 transportation bonds and notes, including premium thereon, if any, issued pursuant to and for
16 projects listed in Section 1 of this act, shall administer, supervise, and ensure that use of the
17 proceeds comport with the purposes provided in this act. Each local school administrative unit,
18 along with the corresponding board of county commissioners, shall jointly submit to the State
19 Board of Education a plan for the expenditure of proceeds allocated to it under this act. After the
20 State Board of Education determines that a local school administrative unit's planned expenditure
21 of part or all of the proceeds allocated to it is within the purposes provided in this act, the State
22 Board of Education shall make the proceeds to which the plans apply available to the local school
23 administrative unit. Each local school administrative unit receiving the proceeds of education
24 and transportation bonds and notes, including premium thereon, if any, issued pursuant to Section
25 1 of this act shall report by January 1, 2022, and quarterly thereafter, to the State Board of
26 Education on the projects funded from education and transportation general obligation bonds
27 authorized by Section 1 of this act, and the State Board of Education shall combine the reports
28 and submit them to the Joint Legislative Capital Oversight Committee, the House of
29 Representatives Appropriations Committee, and the Senate Committee on Appropriations/Base
30 Budget. Each report shall include the total project costs, the amount to be funded from the bonds,
31 the expenditures to date from the bonds and other sources, and the percentage of each project
32 completed.

33 Each constituent institution of The University of North Carolina receiving the
34 proceeds of education and transportation bonds and notes, including premium thereon, if any,
35 issued pursuant to subdivision (1a) of Section 1(e) of this act shall report by January 1, 2022, and
36 quarterly thereafter, to the Joint Legislative Oversight Committee on Capital Improvements, the
37 House of Representatives Appropriations Committee, and the Senate Committee on
38 Appropriations/Base Budget on the projects funded from education and transportation general
39 obligation bonds authorized by Section 1 of this act. Each report shall include the total project
40 costs, the amount to be funded from the bonds, the expenditures to date from the bonds and other
41 sources, and the percentage of each project completed.

42 Community colleges receiving the proceeds of education and transportation bonds
43 and notes, including premium thereon, if any, issued pursuant to subdivision (1b) of Section 1(e)
44 of this act shall report by January 1, 2022, and quarterly thereafter, to the North Carolina
45 Community Colleges System Office on the projects funded from education and transportation
46 general obligation bonds authorized by Section 1 of this act, and the System Office shall combine
47 the reports and submit them to the Joint Legislative Oversight Committee on Capital
48 Improvements, the House of Representatives Appropriations Committee, and the Senate
49 Committee on Appropriations/Base Budget. Each report shall include the total project costs, the
50 amount to be funded from the bonds, the expenditures to date from the bonds and other sources,
51 and the percentage of each project completed.

1 The Department of Transportation shall, with respect to received proceeds of
2 education and transportation bonds and notes, including premium thereon, if any, issued pursuant
3 to subdivision (1a) of Section 1(e) of this act, report by January 1, 2022, and quarterly thereafter,
4 to the Joint Legislative Oversight Committee on Transportatoin, the House of Representatives
5 Appropriations Committee, and the Senate Committee on Appropriations/Base Budget on the
6 projects funded from education and transportation general obligation bonds authorized by
7 Section 1 of this act. Each report shall include the total project costs, the amount to be funded
8 from the bonds, the expenditures to date from the bonds and other sources, and the percentage of
9 each project completed.

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

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

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

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

21 **SECTION 4.** Notwithstanding the period of time provided in G.S. 163A-1045(a) for
22 which transfers are effective, transfers of voters from a given precinct, for the purpose of voting,
23 to an adjacent precinct for the election held as required in Section 1(g) of this act shall be for that
24 election only and shall not apply to any subsequent election.

25 **SECTION 5.** Any funds from the Education and Transportation Bond authorized by
26 this act that are expended for school technology for public schools shall be reported to the State
27 Board of Education and shall be credited against the judgment in *N.C. Sch. Bds. Ass'n. v. Moore*,
28 No. 98-CVS-14159 (N.C. Super. Ct.).

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