

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 389
Committee Substitute Favorable 7/18/95
Committee Substitute #2 Favorable 7/19/95

Short Title: Public School Building Bond Act of 1995.

(Public)

Sponsors:

Referred to:

March 8, 1995

A BILL TO BE ENTITLED

1 AN ACT TO AUTHORIZE THE ISSUANCE OF GENERAL OBLIGATION BONDS
2 OF THE STATE, SUBJECT TO A VOTE OF THE QUALIFIED VOTERS OF THE
3 STATE, TO PROVIDE FUNDS FOR GRANTS TO COUNTIES FOR PUBLIC
4 SCHOOL BUILDING CAPITAL PROJECTS, IN ORDER TO PROMOTE EQUITY
5 IN LOCAL SCHOOL FACILITIES ACROSS THE STATE AND TO ENABLE
6 LOCAL GOVERNMENTS TO GIVE LOCAL PROPERTY TAX RELIEF.
7

8 The General Assembly of North Carolina enacts:

9 Section 1. Short title. This act shall be known and may be cited as the "Public
10 School Building Bond Act of 1995".

11 Sec. 2. Purpose. It is the intent of the General Assembly by this act to provide
12 for the issuance of five hundred million dollars (\$500,000,000) general obligation bonds
13 of the State to facilitate the providing of public school buildings by making grants to
14 counties to provide funds for new public school capital outlay projects or to retire debt
15 previously incurred for public school facilities.

16 Sec. 3. Definitions. As used in this act, unless the context otherwise requires:

17 (1) " Bonds" means bonds issued under this act.

1 (2) " Capital project allocation" means the allocation of bond proceeds
2 provided for in Section 6 of this act to capital project purposes
3 authorized in Section 5 of this act.

4 (3) " Cost" means, without intending thereby to limit or restrict any proper
5 definition of this term in financing the cost of facilities or purposes
6 authorized by this act:

7 a. The cost of constructing, reconstructing, enlarging, acquiring,
8 and improving facilities, and acquiring equipment and land
9 therefor,

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

12 c. Administrative expenses and charges,

13 d. Finance charges and interest prior to and during construction and,
14 if deemed advisable by the State Treasurer, for a period not
15 exceeding two years after the estimated date of completion of
16 construction,

17 e. The cost of bond insurance, investment contracts, credit
18 enhancement and liquidity facilities, interest-rate swap
19 agreements or other derivative products, financial and legal
20 consultants, and related costs of bond and note issuance, to the
21 extent and as determined by the State Treasurer,

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

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

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

30 (4) " Credit facility" means an agreement entered into by the State
31 Treasurer on behalf of the State with a bank, savings and loan
32 association, or other banking institution, an insurance company,
33 reinsurance company, surety company, or other insurance institution, a
34 corporation, investment banking firm, or other investment institution, or
35 any financial institution or other similar provider of a credit facility,
36 which provider may be located within or without the United States of
37 America, such agreement providing for prompt payment of all or any
38 part of the principal or purchase price (whether at maturity, presentment
39 or tender for purchase, redemption, or acceleration), redemption
40 premium, if any, and interest on any bonds or notes payable on demand
41 or tender by the owner, in consideration of the State agreeing to repay
42 the provider of the credit facility in accordance with the terms and
43 provisions of such agreement.

- 1 (5) "Debt retirement allocation" means the allocation of bond proceeds
2 provided for in Section 6 of this act, as modified in whole or in part
3 pursuant to Section 7 of this act.
- 4 (6) "Local Government Commission" means the Local Government
5 Commission of the Department of State Treasurer, established by
6 Article 2 of Chapter 159 of the General Statutes, and any successor of
7 the Commission.
- 8 (7) "Notes" means notes issued under this act.
- 9 (8) "Par formula" means any provision or formula adopted by the State to
10 provide for the adjustment, from time to time, of the interest rate or rates
11 borne by any bonds or notes, including:
- 12 a. A provision providing for such adjustment so that the purchase
13 price of such bonds or notes in the open market would be as close
14 to par as possible,
- 15 b. A provision providing for such adjustment based upon a
16 percentage or percentages of a prime rate or base rate, which
17 percentage or percentages may vary or be applied for different
18 periods of time, or
- 19 c. Such other provision as the State Treasurer may determine to be
20 consistent with this act and will not materially and adversely
21 affect the financial position of the State and the marketing of
22 bonds or notes at a reasonable interest cost to the State.
- 23 (9) "State" means the State of North Carolina.

24 Sec. 4. Authorization of bonds and notes. Subject to a favorable vote of a
25 majority of the qualified voters of the State who vote on the question of issuing Public
26 School Building Bonds in the election held as provided in this act, the State Treasurer is
27 authorized, by and with the consent of the Council of State, to issue and sell, at one time
28 or from time to time, general obligation bonds of the State to be designated "State of
29 North Carolina Public School Building Bonds", with any additional designations as may
30 be determined to indicate the issuance of bonds from time to time, or notes of the State as
31 provided in this act, in the aggregate principal amount not exceeding five hundred million
32 dollars (\$500,000,000) for the purposes authorized in this act.

33 Sec. 5. Uses of bond and note proceeds. The proceeds of Public School
34 Building Bonds and notes shall be used for the purpose of making grants to counties for
35 paying the cost of providing public school buildings including the planning, construction,
36 reconstruction, enlargement, improvement, repair, or renovation of public school
37 buildings, the purchase of land necessary for immediate construction of school buildings,
38 and other related capital outlay projects constituting facilities for individual schools that
39 are used for instructional and related purposes, but not including centralized
40 administration, maintenance, or other facilities, or to retire debt previously incurred by
41 counties for public school facilities.

42 Any additional moneys that may be received by means of a grant or grants
43 from the United States of America or any agency or department thereof or from any other

1 source to aid in financing the cost of any public school building capital projects
 2 authorized by this act may be placed by the State Treasurer in the Public School Building
 3 Bonds Fund or in a separate account or fund and shall be disbursed, to the extent
 4 permitted by the terms of the grant or grants, without regard to any limitations imposed
 5 by this act.

6 The proceeds of Public School Building Bonds and notes may be used with
 7 any other moneys made available by the General Assembly for public school building
 8 capital projects, including the proceeds of any other State bond issues, whether heretofore
 9 made available or that may be made available at the session of the General Assembly at
 10 which this act is ratified or any subsequent sessions. The proceeds of Public School
 11 Building Bonds and notes shall be expended and disbursed under the direction and
 12 supervision of the Director of the Budget. The funds provided by this act for public
 13 school building capital projects shall be disbursed for the purposes provided in this act
 14 upon warrants drawn on the State Treasurer by the State Controller, which warrants shall
 15 not be drawn until requisition has been approved by the Director of the Budget and which
 16 requisition shall be approved only after full compliance with the Executive Budget Act,
 17 Article 1 of Chapter 143 of the General Statutes.

18 The Director of the Budget shall provide quarterly reports to the State Board of
 19 Education, the General Assembly, and the Fiscal Research Division on the expenditure of
 20 moneys from the Public School Building Bonds Fund.

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

30 Funds shall be allocated to each county on the basis of the distribution amounts
 31 provided in the following table for the local school administrative units in the State. In
 32 the case of a local school administrative unit located entirely in one county, the unit's
 33 total distribution amount shall be allocated to that county. In the case of a local school
 34 administrative unit located in more than one county, the unit's distribution amount shall
 35 be allocated among the counties in which the unit is located in proportion to average
 36 daily membership of the unit in each county. A unit's distribution amount allocated to a
 37 county may be used only with respect to public school facilities of that unit.

	Distribution	Distribution	
	Based on	Based on	
41 Local School	Ability	Average Daily	
42 Administrative Unit	To Pay	Membership	Total

1	010 Alamance County	\$ 0	\$2,457,092
2		\$2,457,092	
3	011 Burlington City	0	1,395,637
4		1,395,637	
5	020 Alexander County	1,736,320	1,069,595
6		2,805,915	
7	030 Alleghany County	14,733	318,544
8		333,277	
9	040 Anson County	2,663,252	947,276
10		3,610,528	
11	050 Ashe County	985,060	744,839
12		1,729,899	
13	060 Avery County	0	517,982
14		517,982	
15	070 Beaufort County	2,537,080	1,665,338
16		4,202,418	
17	080 Bertie County	3,290,395	855,162
18		4,145,557	
19	090 Bladen County	2,972,490	1,165,137
20		4,137,627	
21	100 Brunswick County	0	1,963,531
22		1,963,531	
23	110 Buncombe County	0	5,206,164
24		5,206,164	
25	111 Asheville City	0	995,047
26		995,047	
27	120 Burke County	4,027,432	2,828,119
28		6,855,551	
29	130 Cabarrus County	0	3,350,599
30		3,350,599	
31	132 Kannapolis	157,552	863,945
32		1,021,497	
33	140 Caldwell County	4,171,190	2,508,504
34		6,679,694	
35	150 Camden County	700,523	270,559
36		971,082	
37	160 Carteret County	0	1,752,740
38		1,752,740	
39	170 Caswell County	2,206,252	737,556
40		2,943,808	
41	180 Catawba County	0	3,016,418
42		3,016,418	

1	181 Hickory City	0	930,353
2		930,353	
3	182 Newton City	0	594,886
4		594,886	
5	190 Chatham County	0	1,396,279
6		1,396,279	
7	200 Cherokee County	1,719,760	737,128
8		2,456,888	
9	210 Chowan County	1,192,073	558,469
10		1,750,542	
11	220 Clay County	437,753	257,920
12		695,673	
13	230 Cleveland County	1,876,091	1,856,208
14		3,732,299	
15	231 Kings Mountain City	864,539	855,376
16		1,719,915	
17	232 Shelby City	709,082	701,567
18		1,410,649	
19	240 Columbus County	5,123,569	1,645,416
20		6,768,985	
21	241 Whiteville City	1,876,396	602,598
22		2,478,994	
23	250 Craven County	5,241,935	3,127,812
24		8,369,747	
25	260 Cumberland County	13,424,480	10,835,839
26		24,260,319	
27	270 Currituck County	0	655,939
28		655,939	
29	280 Dare County	0	878,084
30		878,084	
31	290 Davidson County	2,177,638	3,737,693
32		5,915,331	
33	291 Lexington City	375,296	644,157
34		1,019,453	
35	292 Thomasville City	267,712	459,500
36		727,212	
37	300 Davie County	0	1,029,322
38		1,029,322	
39	310 Duplin County	4,609,520	1,772,234
40		6,381,754	
41	320 Durham County	0	5,993,848
42		5,993,848	

1	330 Edgecombe County	3,607,370	1,713,324
2		5,320,694	
3	340 Forsyth County	0	8,539,840
4		8,539,840	
5	350 Franklin County	4,071,102	1,439,123
6		5,510,225	
7	360 Gaston County	0	6,248,554
8		6,248,554	
9	370 Gates County	1,265,068	423,083
10		1,688,151	
11	380 Graham County	907,413	263,704
12		1,171,117	
13	390 Granville County	3,831,515	1,512,386
14		5,343,901	
15	400 Greene County	1,527,302	592,316
16		2,119,618	
17	410 Guilford County	0	12,088,164
18		12,088,164	
19	420 Halifax County	4,092,790	1,351,936
20		5,444,726	
21	421 Roanoke Rapids	2,060,339	680,574
22		2,740,913	
23	422 Weldon City	804,810	265,846
24		1,070,656	
25	430 Harnett County	9,614,755	2,922,804
26		12,537,559	
27	440 Haywood County	329,655	1,561,228
28		1,890,883	
29	450 Henderson County	0	2,329,203
30		2,329,203	
31	460 Hertford County	3,472,710	926,711
32		4,399,421	
33	470 Hoke County	5,752,475	1,232,616
34		6,985,091	
35	480 Hyde County	0	169,233
36		169,233	
37	490 Iredell County	0	3,022,844
38		3,022,844	
39	491 Mooresville City	0	717,419
40		717,419	
41	500 Jackson County	0	738,199
42		738,199	

1	510 Johnston County	6,873,372	3,568,460
2		10,441,832	
3	520 Jones County	698,703	327,755
4		1,026,458	
5	530 Lee County	697,798	1,747,384
6		2,445,182	
7	540 Lenoir County	3,287,542	2,214,168
8		5,501,710	
9	550 Lincoln County	1,498,755	1,992,879
10		3,491,634	
11	560 Macon County	0	786,398
12		786,398	
13	570 Madison County	1,386,397	543,902
14		1,930,299	
15	580 Martin County	2,381,220	1,067,882
16		3,449,102	
17	590 McDowell County	2,848,365	1,323,017
18		4,171,382	
19	600 Mecklenburg County	0	18,917,894
20		18,917,894	
21	610 Mitchell County	997,373	508,984
22		1,506,357	
23	620 Montgomery County	2,059,025	900,148
24		2,959,173	
25	630 Moore County	0	2,177,536
26		2,177,536	
27	640 Nash County	5,563,850	3,738,336
28		9,302,186	
29	650 New Hanover County	0	4,488,102
30		4,488,102	
31	660 Northampton County	2,738,060	817,460
32		3,555,520	
33	670 Onslow County	14,410,060	4,393,846
34		18,803,906	
35	680 Orange County	0	1,205,839
36		1,205,839	
37	681 Chapel Hill-Carrboro	0	1,686,332
38		1,686,332	
39	690 Pamlico County	893,130	458,429
40		1,351,559	
41	700 Pasquotank County	3,259,095	1,342,939
42		4,602,034	

1	710 Pender County	2,301,945	1,192,129
2		3,494,074	
3	720 Perquimans County	1,283,672	411,086
4		1,694,758	
5	730 Person County	0	1,178,419
6		1,178,419	
7	740 Pitt County	4,538,117	4,122,859
8		8,660,976	
9	750 Polk County	0	453,716
10		453,716	
11	760 Randolph County	3,800,027	3,253,130
12		7,053,157	
13	761 Asheboro City	975,405	835,026
14		1,810,431	
15	770 Richmond County	5,552,952	1,787,658
16		7,340,610	
17	780 Robeson County	20,167,610	4,930,679
18		25,098,289	
19	790 Rockingham County	3,905,840	3,032,484
20		6,938,324	
21	800 Rowan County	2,949,983	3,984,259
22		6,934,242	
23	810 Rutherford County	3,340,405	2,132,336
24		5,472,741	
25	820 Sampson County	3,423,359	1,502,746
26		4,926,105	
27	821 Clinton City	1,246,366	547,115
28		1,793,481	
29	830 Scotland County	4,452,662	1,540,235
30		5,992,897	
31	840 Stanly County	2,445,889	1,550,946
32		3,996,835	
33	841 Albemarle City	718,226	455,430
34		1,173,656	
35	850 Stokes County	1,223,540	1,418,558
36		2,642,098	
37	860 Surry County	1,555,653	1,665,981
38		3,221,634	
39	861 Elkin City	207,034	221,717
40		428,751	
41	862 Mount Airy City	385,863	413,228
42		799,091	

1	870 Swain County	1,307,115	354,747
2		1,661,862	
3	880 Transylvania County	0	844,451
4		844,451	
5	890 Tyrrell County	328,235	171,804
6		500,039	
7	900 Union County	2,435,007	3,843,303
8		6,278,310	
9	910 Vance County	3,273,215	1,543,448
10		4,816,663	
11	920 Wake County	0	17,224,064
12		17,224,064	
13	930 Warren County	2,206,617	654,867
14		2,861,484	
15	940 Washington County	1,782,985	567,038
16		2,350,023	
17	950 Watauga County	0	1,043,247
18		1,043,247	
19	960 Wayne County	10,175,367	3,990,900
20		14,166,267	
21	970 Wilkes County	3,054,177	2,095,276
22		5,149,453	
23	980 Wilson County	1,999,000	2,567,200
24		4,566,200	
25	990 Yadkin County	1,833,202	1,111,797
26		2,944,999	
27	995 Yancey County	<u>842,360</u>	<u>510,912</u>
28	<u>1,353,272</u>		
29	GRAND TOTAL	\$250,000,000	\$250,000,000
30		\$500,000,000.	

31
32 If two or more local school administrative units are consolidated into one unit,
33 the distribution amounts provided above for the units shall be considered the distribution
34 amount for the merged unit.

35 Funds disbursed under this act shall be administered and supervised by the
36 Director of the Budget and shall be used only for the purposes provided in this act. Each
37 school administrative unit shall submit to the Director of the Budget its plans for the
38 expenditure of funds allocated under this act. After the Director of the Budget
39 determines that a school administrative unit's planned expenditure of part or all of the
40 funds allocated to it is within the purposes provided in this act, the Director shall make
41 the funds to which the plans apply available to the school administrative unit.

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

4 Sec. 7. Debt retirement allocation. (a) Determination to Modify Allocation. If
5 the board of commissioners of a county determines by resolution in writing that it does
6 not need all or any part of its capital project allocation for a local school administrative
7 unit, whether the allocation is based on ability to pay or average daily membership or
8 some combination of both, which determination shall be binding and conclusive, then the
9 allocation may be modified in whole or in part to change it to a debt retirement allocation
10 for that local school administrative unit as provided in this section. The debt eligible to
11 be retired includes general obligation bonds and obligations incurred pursuant to
12 installment contracts entered into pursuant to G.S. 160A-20.

13 (b) Alternate Plan. The board of commissioners of a county desiring to modify its
14 allocation shall submit an alternative plan to the Local Government Commission for
15 review and approval. Upon the approval of the alternative plan by the Local Government
16 Commission, the board of commissioners shall proceed with the implementation of the
17 alternative plan in accordance with the directions of the Local Government Commission.
18 The alternative plan shall include the following:

- 19 (1) A description of the public school facilities debt of the county for the
20 applicable local school administrative unit, to which the debt retirement
21 allocation is intended to be applied.
- 22 (2) A schedule showing a preliminary estimate of the cash flow to be
23 produced by the investment of the debt retirement allocation pursuant to
24 the escrow agreement, defined in subsection (c) of this section, and the
25 application of the cash flow to the scheduled payment of principal and
26 interest, or any payments in respect of principal and interest, on the
27 county's debt.
- 28 (3) A schedule showing the maturities or redemption dates and amounts of
29 any debt that the county intends to pay at maturity or call for redemption
30 as part of its alternative plan.
- 31 (4) A statement as to the effect of the alternative plan on the federal and
32 State of North Carolina tax treatment of the debt. The Local
33 Government Commission shall not approve any alternative plan if the
34 implementation of the plan would cause interest on the debt to be
35 subject to federal or State of North Carolina income taxes to which it
36 was not subject before the implementation.
- 37 (5) Any other matters requested by the Local Government Commission.

38 (c) Escrow Agreement. A county shall enter into an escrow agreement with a
39 bank or trust company located in this State that will provide that the investments to be
40 purchased with the proceeds of the debt retirement allocation will be held in trust by the
41 bank or trust company, as escrow agent, and that the proceeds of these investments will
42 be applied to the payment of the principal of and the interests on the county's debt, or any
43 payments in respect of the principal and interest, in accordance with the provisions of the

1 escrow agreement. A county has the option of making a deposit of its own available
2 moneys under the escrow agreement. No escrow agreement shall become effective
3 without the approval of the Secretary of the Local Government Commission.

4 (d) Escrow Agreement Investments. Moneys invested under the escrow agreement
5 may be invested (i) in direct obligations of the United States government, (ii) in
6 obligations the principal of and the interest on which are guaranteed by the United States
7 government, (iii) to the extent then permitted by law, in obligations of any agency or
8 instrumentality of the United States government, or (iv) in certificates of deposits issued
9 by a bank or trust company located in this State if the certificates are secured by a pledge
10 of any of the obligations described in (i), (ii), or (iii) of this subsection having an
11 aggregate market value, exclusive of accrued interest, equal at least to the principal
12 amount of the certificates so secured.

13 (e) Escrow Duration. The escrow fund established under the escrow
14 agreement shall have the duration determined by the Local Government Commission,
15 which shall not exceed the last stated maturity of the debt to which the moneys in the
16 escrow fund are being applied.

17 Sec. 8. Election. The question of the issuance of the bonds authorized by this
18 act shall be submitted to the qualified voters of the State at a statewide election to be held
19 November 7, 1995. Any other primary, election, or referendum validly called or
20 scheduled by law at the time the election on the bond questions provided for in this
21 section is held, may be held as called or scheduled. Notice of the election on the bond
22 questions shall be given by publication twice in a newspaper or newspapers having
23 general circulation in each county in the State, and the election and the registration of
24 voters therefor shall be held under and in accordance with the general laws of the State.
25 Absentee ballots shall be authorized in the election.

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

30 Voting machines, ballots, or both may be used in accordance with rules
31 prescribed by the State Board of Elections. The bond questions to be used in the voting
32 machines and ballots shall be in substantially the following forms:

33 **"[] FOR [] AGAINST**

34 The issuance of five hundred million dollars (\$500,000,000) State of North Carolina
35 Public School Building Bonds constituting general obligation bonds of the State secured
36 by a pledge of the faith and credit and taxing power of the State for the purpose of
37 providing funds to counties, with any other available funds, to pay the cost of public
38 school building capital improvements or to retire debt previously incurred by counties to
39 pay the cost of public school facilities."

40 If a majority of those voting on the Public School Building Bond question in
41 the election vote in favor of the issuance of the bonds, the bonds may be issued as
42 provided in this act. If a majority of those voting on the Public School Building Bond

1 question in the election vote against the issuance of the bonds, the bonds shall not be
2 issued.

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

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

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

39 (c) Manner of Sale; Expenses. Subject to determination by the Council of State as
40 to the manner in which bonds or notes shall be offered for sale, whether at public or
41 private sale, whether within or without the United States of America and whether by
42 publishing notices in certain newspapers and financial journals, mailing notices, inviting
43 bids by correspondence, negotiating contracts of purchase or otherwise, the State

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

7 (d) Notes; Repayment.

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

12 a. For anticipating the sale of bonds to the issuance of which the
13 Council of State shall have given consent, if the State Treasurer
14 shall deem it advisable to postpone the issuance of the bonds;

15 b. For the payment of interest on or any installment of principal of
16 any bonds then outstanding, if there shall not be sufficient funds
17 in the State treasury with which to pay the interest or installment
18 of principal as they respectively become due;

19 c. For the renewal of any loan evidenced by notes herein
20 authorized;

21 d. For the purposes authorized in this act; and

22 e. For refunding bonds or notes as herein authorized.

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

29 (e) Refunding Bonds and Notes. By and with the consent of the Council of
30 State, the State Treasurer is authorized to issue and sell refunding bonds and notes
31 pursuant to the provisions of the State Refunding Bond Act for the purpose of refunding
32 bonds or notes issued pursuant to this act. The refunding bonds and notes may be
33 combined with any other issues of State bonds and notes similarly secured.

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

39 (g) Investment Eligibility. Bonds and notes are hereby made securities in
40 which all public officers, agencies, and public bodies of the State and its political
41 subdivisions, all insurance companies, trust companies, investment companies, banks,
42 savings banks, savings and loan associations, credit unions, pension or retirement funds,
43 other financial institutions engaged in business in the State, executors, administrators,

1 trustees, and other fiduciaries may properly and legally invest funds, including capital in
2 their control or belonging to them. Bonds and notes are hereby made securities which
3 may properly and legally be deposited with and received by any officer or agency of the
4 State or political subdivision of the State for any purpose for which the deposit of bonds,
5 notes, or obligations of the State or any political subdivision is now or may hereafter be
6 authorized by law.

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

15 Sec. 10. Variable interest rates. In fixing the details of bonds and notes, the
16 State Treasurer may provide that any of the bonds or notes may:

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

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

1 Sec. 11. Interpretation of act. (a) Additional Method. The foregoing sections of
2 this act shall be deemed to provide an additional and alternative method for the doing of
3 the things authorized thereby and shall be regarded as supplemental and additional to
4 powers conferred by other laws, and shall not be regarded as in derogation of any powers
5 now existing.

6 (b) Statutory References. References in this act to specific sections or Chapters of
7 the General Statutes or to specific acts are intended to be references to these sections,
8 Chapters, or acts as they may be amended from time to time by the General Assembly.

9 (c) Liberal Construction. This act, being necessary for the health and welfare of
10 the people of the State, shall be liberally construed to effect the purposes thereof.

11 (d) Inconsistent Provisions. Insofar as the provisions of this act are inconsistent
12 with the provisions of any general laws, or parts thereof, the provisions of this act shall be
13 controlling.

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

18 Sec. 12. Effective date. This act is effective upon ratification.