

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2007**

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**D**

**HOUSE DRH30455-MCx-154 (2/4)**

Short Title: The School Construction Bond Act of 2007.

(Public)

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Sponsors: Representative Dollar.

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Referred to:

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A BILL TO BE ENTITLED

1  
2 AN ACT TO AUTHORIZE THE STATE TO ISSUE THREE BILLION DOLLARS  
3 OF REVENUE BONDS TO BE SECURED BY REVENUES FROM THE NORTH  
4 CAROLINA EDUCATION LOTTERY FOR PUBLIC SCHOOL CAPITAL  
5 FACILITIES.

6 The General Assembly of North Carolina enacts:

7       **SECTION 1.** The State Treasurer may issue revenue bonds in the amount of  
8 three billion dollars (\$3,000,000,000) on behalf of the State. The net revenues of the  
9 North Carolina Education Lottery under G.S. 18C-164(c) shall be the sole source of  
10 repayment and security for the indebtedness, and all or a portion of the net revenues  
11 may be pledged as "revenue" under G.S. 159-81. The indebtedness shall be issued by  
12 the State Treasurer pursuant to an order adopted by the Council of State under  
13 G.S. 159-88. The State Treasurer shall develop and adopt appropriate debt instruments,  
14 consistent with the terms of the State and Local Government Revenue Bond Act, Article  
15 5 of Chapter 159 of the General Statutes, for use under this act. Prior to issuance of any  
16 special obligation indebtedness, the State Treasurer shall determine that anticipated net  
17 revenues from the North Carolina Education Lottery are sufficient to provide for the  
18 repayment of the indebtedness. Indebtedness issued under the provisions of this act may  
19 not be deemed to constitute a debt or liability of the State or of any political subdivision  
20 thereof, or a pledge of the full faith and credit of the State or of any political subdivision  
21 thereof, but shall be payable solely from the funds and revenues pledged therefor. All  
22 indebtedness issued under this act shall contain on its face a statement to the effect that  
23 the State of North Carolina shall not be obligated to pay the principal or the interest on  
24 the notes, except from the net revenues of the North Carolina Education Lottery as shall  
25 be provided by the documents governing the revenue bond issuance, and that neither the  
26 faith and credit nor the taxing power of the State of North Carolina or of any of its  
27 political subdivisions is pledged to the payment of the principal or interest on the bonds.

1 The issuance of bonds under this act shall not directly or indirectly or contingently  
2 obligate the State or any of its political subdivisions to levy or to pledge any form of  
3 taxation whatever or to make any appropriation for their payment. The proceeds of  
4 indebtedness issued under this act shall be used for the cost of capital facilities, the cost  
5 of issuing the bonds, credit enhancement, liquidation facilities, and other incidental  
6 costs for new or renovated public school facilities or to repay indebtedness incurred for  
7 these purposes on or after January 1, 2000. Funds shall be allocated for projects among  
8 the counties in accordance with the provisions of G.S. 115C-546.2(d).

9 **SECTION 2.(a)** G.S. 18C-164 reads as rewritten:

10 **"§ 18C-164. Transfer of net revenues.**

11 (a) The funds remaining in the North Carolina State Lottery Fund after receipt of  
12 all revenues to the Lottery Fund and after accrual of all obligations of the Commission  
13 for prizes and expenses shall be considered to be the net revenues of the North Carolina  
14 State Lottery Fund. The net revenues of the North Carolina State Lottery Fund shall be  
15 transferred four times a year to the Education Lottery Fund, which shall be created in  
16 the State treasury.

17 (b) From the Education Lottery Fund, the Commission shall transfer a sum equal  
18 to five percent (5%) of the net revenue of the prior year to the Education Lottery  
19 Reserve Fund. A special revenue fund for this purpose shall be established in the State  
20 treasury to be known as the Education Lottery Reserve Fund, and that fund shall be  
21 capped at fifty million dollars (\$50,000,000). Monies in the Education Lottery Reserve  
22 Fund may be appropriated only as provided in subsection (e) of this section.

23 (c) The Commission shall distribute the remaining net revenue of the Education  
24 Lottery Fund, as follows, in the following manner: Fund to the State Treasurer to repay  
25 indebtedness secured by all or a portion of the net revenues of the Education Lottery. If  
26 the remaining net revenue of the Education Lottery Fund exceeds the amount needed to  
27 repay indebtedness secured by all or a portion of the net revenues of the Education  
28 Lottery, the Commission shall transfer the excess

29 ~~(1) A sum equal to fifty percent (50%) to support reduction of class size in~~  
30 ~~early grades to class size allotments not exceeding 1:18 in order to~~  
31 ~~eliminate achievement gaps and to support academic prekindergarten~~  
32 ~~programs for at risk four year olds who would otherwise not be served~~  
33 ~~in a high quality education program in order to help those~~  
34 ~~four-year-olds be prepared developmentally to succeed in school.~~

35 ~~(2) A sum equal to forty percent (40%) to the Public School Building~~  
36 ~~Capital Fund in accordance with G.S. 115C-546.2.~~

37 ~~(3) A sum equal to ten percent (10%) to the State Educational Assistance~~  
38 ~~Authority to fund college and university scholarships in accordance~~  
39 ~~with Article 35A of Chapter 115C of the General Statutes.~~

40 (d) Of the sums transferred under subsection (c) of this section, the General  
41 Assembly shall appropriate the funds annually based upon estimates of lottery net  
42 revenue to the Education Lottery Fund provided by the Office of State Budget and  
43 Management and the Fiscal Research Division of the North Carolina General Assembly.

1 (e) If the actual net revenues are less than the appropriation for that given year,  
2 then the Governor may transfer from the Education Lottery Reserve Fund an amount  
3 sufficient to equal the appropriation by the General Assembly. ~~If the monies available in~~  
4 ~~the Education Lottery Reserve Fund are insufficient to reach a full appropriation, the~~  
5 ~~Governor shall transfer monies in order of priority, to the following:~~

6 (1) ~~To support academic prekindergarten programs for at risk~~  
7 ~~four year olds who would otherwise not be served in a high quality~~  
8 ~~education program in order to help those four year olds be prepared~~  
9 ~~developmentally to succeed in school.~~

10 (2) ~~To reduce class size.~~

11 (3) ~~To provide financial aid for needy students to attend college.~~

12 (4) ~~To the Public School Building Capital Fund to be spent in accordance~~  
13 ~~with this section.~~

14 (f) ~~If the actual net revenues exceed the amounts appropriated in that fiscal year,~~  
15 ~~the excess net revenues shall remain in the Education Lottery Fund, and then be~~  
16 ~~transferred as follows:~~

17 (1) ~~Fifty percent (50%) to the Public School Building Capital Fund to be~~  
18 ~~spent in accordance with this section.~~

19 (2) ~~Fifty percent (50%) to the State Educational Assistance Authority to~~  
20 ~~be spent in accordance with this section."~~

21 **SECTION 2.(b)** G.S. 115C-546.2(d) reads as rewritten:

22 "(d) Monies transferred into the Fund in accordance with Chapter 18C of the  
23 General Statutes shall be allocated for capital projects for school construction projects  
24 as follows:

25 (1) ~~A sum equal to sixty five percent (65%) of those monies transferred in~~  
26 ~~accordance with G.S. 18C 164 shall be allocated on a per average~~  
27 ~~daily membership basis according to the average daily membership for~~  
28 ~~the budget year as determined and certified by the State Board of~~  
29 ~~Education.~~

30 (2) ~~A sum equal to thirty five percent (35%) of those monies transferred in~~  
31 ~~accordance with G.S. 18C 164 shall be allocated to those local school~~  
32 ~~administrative units located in whole or part in counties in which the~~  
33 ~~effective county tax rate as a percentage of the State average effective~~  
34 ~~tax rate is greater than one hundred percent (100%), with the following~~  
35 ~~definitions applying to this subdivision:~~

36 a. ~~"Effective county tax rate" means the actual county rate for the~~  
37 ~~previous fiscal year, including any countywide supplemental~~  
38 ~~taxes levied for the benefit of public schools, multiplied by a~~  
39 ~~three year weighted average of the most recent annual sales~~  
40 ~~assessment ratio studies.~~

41 b. ~~"State average effective tax rate" means the average effective~~  
42 ~~county tax rates for all counties.~~

- 1                   e.     ~~"Sales assessment ratio studies" means sales assessment ratio~~  
2                   ~~studies performed by the Department of Revenue under~~  
3                   ~~G.S. 105-289(h).~~
- 4           (3)     No county shall have to provide matching funds required under  
5           subsubsection (c) of this section.
- 6           (4)     A county may use monies in this Fund to pay for school construction  
7           projects in local school administrative units and to retire indebtedness  
8           incurred for school construction projects incurred on or after January  
9           1, 2003.
- 10          (5)     A county may not use monies in this Fund to pay for school  
11          technology needs."
- 12          **SECTION 3.** This act is effective when it becomes law.