



# SENATE BILL 758: Build NC Bond Act of 2018.

2017-2018 General Assembly

<b>Committee:</b>	Senate Transportation. If favorable, re-refer to Rules and Operations of the Senate	<b>Date:</b>	June 6, 2018
<b>Introduced by:</b>	Sens. Rabon, Harrington, J. Davis	<b>Prepared by:</b>	Howard Marsilio Committee Counsel
<b>Analysis of:</b>	Second Edition		

**OVERVIEW:** Senate Bill 758 would authorize the issuance of Build NC Bonds, a type of special indebtedness in which the proceeds shall be used only for Division Need Projects and Regional Impact Projects in accordance with the Strategic Transportation Investments ("STI") law set forth in Article 14B of Chapter 136 of the General Statutes.

**CURRENT LAW:** The State Capital Facilities Finance Act, which is set forth in Article 9 of Chapter 142 of the General Statutes, authorizes the State to incur or issue special indebtedness, subject to the various terms and conditions in the Article. Special indebtedness issued under this Article may be used to finance the cost of "capital facilities," which is defined as any one or more of the following:

- Any one or more buildings, utilities, structures, or other facilities or property developments, including streets and landscaping, and the acquisition of equipment, machinery, and furnishings in connection with these items.
- Additions, extensions, enlargements, renovations, and improvements to existing buildings, utilities, structures, or other facilities or property developments, including streets and landscaping.
- Land or an interest in land.
- Other infrastructure.
- Furniture, fixtures, equipment, vehicles, machinery, and similar items.

Special indebtedness is not secured by the full faith and credit (taxing power) of the State, so voter approval is not required.

**BILL ANALYSIS:** The bill would do the following:

**Section 1:** Provide that the act shall be known as the "Build NC Bond Act of 2018."

**Section 2:** Describe the legislative intent.

**Section 3:** Amend the State Capital Facilities Finance Act by defining the terms "Build NC Project", "Build NC Bonds" and Build NC Net Proceeds" and setting forth two requirements for Build NC Bonds, as:

- (i) within two percent (2%) of fifty percent (50%) of the net proceeds from an issuance of Build NC Bonds must be used for Division Need Projects in accordance with the requirements of the STI law; and
- (ii) the remainder of the proceeds must be used for Regional Impact Projects in accordance with the requirements of the STI law.

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**Section 4:** Further amend the State Capital Facilities Finance Act to include the following requirements and limitations regarding the issuance and sale of Build NC Bonds:

- The source of repayment for Build NC Bonds is the Highway Trust Fund.
- The State Treasurer shall not issue any Build NC Bonds unless (i) the State Treasurer recommends the issuance and (ii) the State Treasurer has made a determination that all of the following requirements have been or shall be met:
  - The Department of Transportation's average month end cash balance required for the first three months in the calendar year prior to the date of determination is equal to or less than one billion dollars (\$1,000,000,000).
  - The total amount of Build NC Bonds outstanding will not cause the recommended transportation debt target established by the Debt Affordability Advisory Committee to be exceeded.
  - At least 6 months prior to the expected date of a Build NC Bond issuance, the Department of Transportation has consulted with the State Treasurer, the Joint Legislative Transportation Oversight Committee, and the Joint Legislative Commission on Governmental Operations, about the total issuance, debt servicing, and post issuance debt capacity.
- The total amount of special indebtedness resulting from the sale of Build NC Bonds shall not exceed three billion dollars (\$3,000,000,000).
- Except as otherwise provided, each individual issuance of Build NC Bonds is limited to no more than three hundred million dollars (\$300,000,000) in each fiscal year.
- The Department of Transportation may not use the Build NC Proceeds for (i) non-highway projects or (ii) projects utilizing tolling.
- Passage of this act would satisfy the requirement, of G.S. 142-15.17, that the General Assembly expressly authorize this type of financing arrangement through legislation.
- Certain restrictions under Section 4 of the bill regarding the Department's cash balance prior to determination, total amount of special indebtedness, and amount cap per fiscal year, would not apply to Build NC Bonds used as a refunding bond under G.S. 142-29.5.
- The special indebtedness approval requirement and limitation set forth in G.S. 142-83.
- Since the projects to be financed with Build NC Bonds are selected through the STI process, the requirement set forth in G.S. 142-84(e) that the Department of Administration make decisions about the type of capital facility and amount financed would not apply.

**Section 5:** Provide that the maturity date for a Build NC Bond may not exceed 15 years.

**Section 6:** Direct the State Treasurer, in consultation with the Department of Transportation, to develop a debt management plan for Build NC Bonds and to submit a report to the Joint Legislative Transportation Oversight Committee by July 1, 2019.

**EFFECTIVE DATE:** This act would become effective January 1, 2019, and expire December 31, 2028.