



# HOUSE BILL 1225: Education & Transportation Bond Act of 2020.

2019-2020 General Assembly

<b>Committee:</b> House Finance	<b>Date:</b> June 18, 2020
<b>Introduced by:</b> Reps. Moore, Elmore, Torbett, Wray	<b>Prepared by:</b> Nicholas Giddings
<b>Analysis of:</b> Second Edition	Staff Attorney

**OVERVIEW:** House Bill 1225 would authorize the issuance of \$3.1 billion in general obligation bonds if approved by a majority of the voters in the 2020 general election, as follows:

- \$800,000,000 for public school capital outlay projects and repairs and renovations.
- \$600,000,000 for UNC facilities for capital outlay projects and repairs and renovations.
- \$200,000,000 for community college facilities for capital outlay projects and repairs and renovations.
- \$1,500,000,000 for public transportation infrastructure projects, including construction and renovation of highways, roads, bridges, and related road infrastructure.

**CURRENT LAW:** Except in limited circumstances, the General Assembly does not have the power to authorize the issuance of general obligation bonds secured by the general taxing power of the State without a referendum approved by a majority of the voters voting in an election.

## BILL ANALYSIS:

### Bond Proceed Allocations

House Bill 1225 would authorize the issuance of \$3,100,000,000 of general obligation bond debt pledging the faith and credit of the State for repayment of the indebtedness for infrastructure needs of the State. The indebtedness would go to the following general categories:

- **Public Schools: \$800,000,000** to be used for the purpose of making grants to counties for paying the cost of public school capital outlay projects and repairs and renovations.
  - Specific allocations to the various public school units are listed in subdivision (1) of Section 1(e) of the bill.
  - Public school capital outlay projects financed with bond proceeds must be determined by the State Board of Education upon application by the county in which the project is located.
  - Bond proceeds shall be used for new construction or rehabilitation of existing facilities and repairs and renovations. With respect to rehabilitation, repairs, and renovations, any items purchased must have a useful life of at least 10 years or extend the life of the facility by at least 10 years.

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- Local matching is not required if any portion of the bond proceeds results from low-wealth county allocations. If the county does not receive any proceeds from low-wealth allocations, then the county shall provide local matching funds<sup>1</sup> as follows:
  - Tier One Area: \$1.00 local match for every \$3.00 in bond proceeds.
  - Tier Two Area: \$1.00 local match for every \$2.00 in bond proceeds.
  - Tier Three Area: \$1.00 local match for every \$1.00 in bond proceeds.
- If a county does not meet its matching requirement by January 1, 2026, bond proceeds must be reallocated based on average daily membership of the local school administrative units in the remaining counties that fulfilled their matching requirement.
- **UNC Constituent Institutions: \$600,000,000** for new construction or rehabilitation of existing facilities and repairs and renovations. With respect to rehabilitation, repairs, and renovations, any items purchased must have a useful life of at least 10 years or extend the life of the facility by at least 10 years. Specific allocations to the various constituent institutions are listed in subdivision (1a) of Section 1(e) of the bill.
- **Community Colleges: \$200,000,000** for upgrades to the enterprise resource planning information technology system (ERP system), new construction or rehabilitation of existing facilities, and repairs and renovations.
  - Community college capital outlay projects financed with bond proceeds must be determined by the Community Colleges System Office upon application by the community college.
  - With respect to rehabilitation, repairs, and renovations, any items purchased must have a useful life of at least 10 years or extend the life of the facility by at least 10 years.
  - Local matching is not required for rehabilitation projects, renovations, repairs, or ERP system projects. Local matching is required for new construction based on where the main campus of the community college is located as follows:
    - Tier One Area: \$1.00 local match for every \$3.00 in bond proceeds.
    - Tier Two Area: \$1.00 local match for every \$2.00 in bond proceeds.
    - Tier Three Area: \$1.00 local match for every \$1.00 in bond proceeds.
  - The Community Colleges System Office must give first priority to ERP system projects. The remaining funds are ranked based on the following criteria:
    - Development tier of the county in which the project is located.
    - Community college's repairs and renovations needs.
    - Community college's additional square footage needs.
- **Transportation: \$1,500,000,000** for statewide supplemental highway funding for transportation.
  - Projects funded by bond proceeds are determined by the State Board of Transportation using the process set forth when making a strategic prioritization funding plan for transportation investments under Article 14B of Chapter 136.

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<sup>1</sup> The bill would provide that certain expenditures for public school facilities after January 1, 2015 may be counted as matching funds.

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- Bond proceeds may only be used for highway projects that satisfy the following criteria:
  - Completion of an environmental impact statement, if required, prior to January 1, 2020.
  - Construction on the project is projected to begin by January 1, 2022.
  - The project meets the requirements laid out under Article 14B of Chapter 136.

## **Ballot Questions**

House Bill 1225 would create two ballot questions: one for the issuance of \$1,600,000,000 in education bonds and another for the issuance of \$1,500,000,000 in transportation bonds, totaling \$3,100,000,000. The ballot questions would be submitted to the qualified voters of the State at the 2020 general election. If a majority of those voting on the bond questions vote in favor of the issuance of the bonds described in a question, those bonds may be issued. If not, the referendum for that question would fail and the bonds would not be issued.

**EFFECTIVE DATE:** This act would become effective when it becomes law.