



HOUSE BILL 364: STIP Grant Anticipation Notes.

2025-2026 General Assembly

Committee:	House Transportation. If favorable, re-refer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	April 16, 2025
Introduced by:	Reps. Winslow, Chesser, Tyson, Paré	Prepared by:	Howard Marsilio
Analysis of:	PCS to First Edition H364-CSBG-9		Staff Attorney

OVERVIEW: *The Proposed Committee Substitute (PCS) to House Bill 364 would allow a local government to borrow money to accelerate a local government transportation project that is identified for funding under the State Transportation Improvement Program. The act would be effective when it becomes law.*

- The PCS specifically makes technical corrections to internal cross references and citations.

CURRENT LAW: A unit of local government may borrow money to pay appropriations for a capital project in anticipation of receiving money from grant commitments for the project from the State, the United States, or any State or federal agency and may issue negotiable notes. Grant anticipation notes must mature no later than 12 months after the estimated completion date of the capital project and may be renewed periodically. No renewal may mature later than 12 months after the estimated completion date of the capital project. G.S. 159-171(a).

No grant anticipation note may be issued if its amount, together with all other notes authorized or issued in anticipation of the grant commitment exceeds 90% of the unpaid amount of the grant commitment. Each note must contain a statement that the note is payable solely from moneys received from a grant and the issuing unit is not pledging its full faith and credit for payment. The grant anticipation note also must include a certificate signed by the finance officer. G.S. 159-171(b).

Grant anticipation notes are special obligations of the unit of local government. The unit's credit and taxing power are not pledged for the payment of grant anticipation notes. A holder of the note may not compel exercise of the taxing power of the issuing unit or the forfeiture of any of its property in the event of a default. G.S. 159-171(c).

BILL ANALYSIS:

Section 1 would allow a unit of local government to borrow money to pay appropriations for a capital project identified for funding as a State Transportation Improvement regional impact or division need (STIP project) in anticipation of receiving funding from the State or federal government and to issue negotiable notes. These grant anticipation notes would have to mature no later than 12 months after the first day of the calendar year following the calendar year in which the STIP project is scheduled to be completed. Renewal of these grant anticipation notes would not be allowed. Before borrowing money, the unit of local government would have to enter into an expedited agreement with the Department of Transportation (DOT). The terms of the agreement would include all of the following:

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- A provision requiring approval of the grant anticipation note from the Local Government Commission.
- Project identification and cost.
- A provision requiring compliance with the project plan as set out in the agreement.
- Funding expected, source of funding, revenue forecasts, and expected final installment funding date. Identified funding could include financing agreements with private entities but must be equal to the full estimated cost of the project.
- Repayment plan and contingency plan for unexpected events or circumstances.
- Any other terms DOT deems necessary to comply with federal law and to ensure that (i) State funds transferred to the unit of local government to repay the note will not exceed the local portion of the nonfederal share of the project cost and (ii) State funds flow back to the unit of local government to repay the note or are used directly to repay the note.

It would provide that no grant anticipation note may be issued under these provisions if the amount, together with all other notes authorized or issued in anticipation of the grant commitment, exceeds the amount if funding identified for the STIP project. Each note must contain a statement that the note is payable solely from moneys received from a grant and the issuing unit is not pledging its full faith and credit for payment. The grant anticipation note also must include a certificate signed by the finance officer.

Section 2 would require DOT to ensure that any change to the State Transportation Improvement Program will not result in a delay in the repayment of a grant anticipation note issued to a local government.

Section 3 would direct DOT to develop procedures and adopt rules for expedited project agreements that include the terms of grant anticipation notes as enacted in Section 1 of the bill and the amendment or modification of the State Transportation Improvement Program. It also would direct the Department of the Treasurer, in consultation with DOT, to adopt rules consistent with this act and Article 9 of Chapter 159, Bond Anticipation, Tax, Revenue and Grant Anticipation Notes, of the General Statutes.

EFFECTIVE DATE: The act would be effective when it becomes law.