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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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SENATE BILL DRS45508-MCxf-330

Short Title:	Keep Our Schools Standing Act.	(Public)
Sponsors:	Senators Chitlik and Garrett (Primary Sponsors).	
Referred to:		

A BILL TO BE ENTITLED

AN ACT TO ENACT THE KEEP OUR SCHOOLS STANDING BOND ACT OF 2026.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Short Title. – This act shall be known as the "Keep Our Schools Standing Bond Act of 2026."

SECTION 1.(b) Purpose. – It is the intent of the General Assembly by this act to provide, subject to a vote of the qualified voters of the State, for the issuance of fifty billion dollars ($50,000,000,000) general obligation bonds of the State for the purpose of providing funds, with any other available funds, for public school facilities through grants to counties for public school capital outlay projects and repairs and renovations.

SECTION 1.(c) Definitions. – Unless the context otherwise requires, the following definitions apply in this section:

(1) Bonds. – Bonds issued under this section.

(2) Cost. – Without intending thereby to limit or restrict any proper definition of this term in financing the cost of public school capital outlay projects authorized by this section, any of the following:

a. The cost of constructing, reconstructing, enlarging, acquiring, and improving projects and acquiring equipment and land therefor.

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

c. Administrative expenses and charges, including expenses related to determining compliance with applicable requirements of federal law and expenses relating to issuance. Nothing in this section shall permit use of bond funds to pay salaries or fees for bond administration; such salaries and fees shall come from funds appropriated by the General Assembly.

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

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

f. The cost of reimbursing the State for any payments made for any cost described in this subdivision.

g. Any other costs and expenses necessary or incidental to the purposes of this section.

Allocations in this section of proceeds of bonds to the costs of a project or undertaking in each case may include allocations to pay the costs set forth in sub-subdivisions c. through g. of this subdivision in connection with the issuance of bonds for the project or undertaking.

(3) Credit facility agreement. – An agreement entered into by the State Treasurer on behalf of the State with a bank, savings and loan association, or other banking institution; an insurance company, reinsurance company, surety company, or other insurance institution; a corporation, investment banking firm, or other investment institution; or any financial institution or other similar provider of a credit facility agreement, which provider may be located within or without the United States of America, such agreement providing for prompt payment of all or any part of the principal or purchase price (whether at maturity, presentment or tender for purchase, redemption, or acceleration), redemption premium, if any, and interest on any bonds or notes payable on demand or tender by the owner, in consideration of the State agreeing to repay the provider of the credit facility agreement in accordance with the terms and provisions of such agreement.

(4) Notes. – Notes issued under this section.

(5) Par formula. – Any provision or formula adopted by the State to provide for the adjustment, from time to time, of the interest rate or rates borne by any bonds or notes, including the following:

a. A provision providing for such adjustment so that the purchase price of such bonds or notes in the open market would be as close to par as possible;

b. A provision providing for such adjustment based upon a percentage or percentages of a LIBOR rate, a prime rate, or base rate, which percentage or percentages may vary or be applied for different periods of time; or

c. Such other provision as the State Treasurer may determine to be consistent with this section and will not materially and adversely affect the financial position of the State and the marketing of bonds or notes at a reasonable interest cost to the State.

(6) Public school capital outlay project. – A project for the construction of one or more new public school buildings or the renovation of one or more existing public school buildings, for the building of technology infrastructure, for the purchase of measures to ensure building security, for the purchase of equipment for a public school building that has never been used for public education purposes or equipment related to the improvement of an existing public school building that will be used at the building or become affixed to the building during its use for public education, for the purchase of land necessary for construction to commence within 24 months of one or more school buildings, and for other related capital outlay projects to provide facilities for individual schools that are used for instructional or related purposes. The term applies to facilities, infrastructure, security, and equipment suitable for pre-kindergarten through grade 12 and applies to cooperative innovative high schools, as defined in Part 9 of Article 16 of Chapter 115C of the General Statutes, and facilities designed for high school courses that are co-located on community college campuses. The term does not include

projects for facilities for centralized administration, trailers, relocatable classrooms, or mobile classrooms.

(7) State. – The State of North Carolina.

SECTION 1.(d) Authorization of Bonds and Notes. – Subject to a favorable vote of a majority of the qualified voters of the State who vote on the question of issuing bonds for capital outlay projects for public schools and for capital outlay projects and repairs and renovations funds for community colleges and The University of North Carolina in the election called and held as provided in this section, the State Treasurer is hereby authorized, by and with the consent of the Council of State, to issue and sell, at one time or from time to time, general obligation bonds of the State to be designated "State of North Carolina Education Bonds," with any additional designations as may be determined to indicate the issuance of bonds from time to time, or notes of the State as provided in this section, in an aggregate principal amount not exceeding fifty billion dollars ($50,000,000,000) for the purpose of providing funds, with any other available funds, for the purposes authorized in this section. The principal amounts of bonds or notes issued in any 12-month period shall not exceed two hundred fifty million dollars ($250,000,000). In determining whether this limit has been reached, the issuance of a note or bond to pay an outstanding note is not considered an issuance.

SECTION 1.(e) Use of Education Bond and Note Proceeds. –

(1) Subject to the provisions of subdivision (2) of this subsection, fifty billion dollars ($50,000,000,000) of the proceeds of education bonds and notes, including premium thereon, if any, shall be used for the purpose of making grants to counties for paying the cost of public school capital outlay projects and repairs and renovations in the amounts determined, in its discretion, by the Department of Public Instruction to maximize the benefit of the funds. In making allocations of proceeds for the local school administrative unit, the Department of Public Instruction shall take into account average daily membership, whether the unit is located in a low-wealth county, average daily membership growth over the past five years, and the age and condition of the facilities of the unit. Any additional monies that may be received by means of a grant or grants from the United States of America or any agency or department thereof or from any other source to aid in financing the cost of public school capital outlay projects authorized by this act may be placed by the State Treasurer in the Education Bonds Fund or in a separate account or fund and shall be disbursed, to the extent permitted by the terms of the grant or grants, without regard to limitations imposed by this act.

(2) Special allocation provisions. – In determining the use of the proceeds of education bonds and notes, including premium thereon, if any, set forth in this act, the following special allocation provisions apply:

a. The proceeds shall be used for new construction or rehabilitation of existing facilities and repairs and renovations. Any items purchased with such proceeds and installed or replaced as part of a renovation or rehabilitation must have a useful life of at least 10 years or must extend the life of the facility by at least 10 years once renovated or rehabilitated.

b. In the case of a local school administrative unit located entirely in one county, the unit's total distribution amount shall be allocated to that county. In the case of a local school administrative unit located in more than one county, the unit's distribution amount shall be allocated among the counties in which the unit is located in proportion to average daily membership of the unit in each county. A unit's distribution amount allocated to a county may be used only with

respect to public school facilities of that unit. If two or more local school administrative units are consolidated into one unit, the distribution amounts determined pursuant to subdivision (1) of this subsection for the units shall be considered the distribution amount for the merged unit.

c. In determining between projects for which bond proceeds are allocated, the Department of Public Instruction shall give consideration to those projects that primarily involve materially improving the energy efficiency of the school facility.

SECTION 1.(f) Allocation and Tracking of Proceeds. –

(1) Education bonds. – The proceeds of education bonds and notes, including premium thereon, if any, except the proceeds of bonds, the issuance of which has been anticipated by bond anticipation notes or the proceeds of refunding bonds or notes, shall be placed by the State Treasurer in a special fund to be designated "Education Bonds Fund," which may include such appropriate special accounts therein as may be determined by the State Treasurer and shall be disbursed as provided in this section. Monies in the Education Bonds Fund shall be allocated and expended as provided in this section.

Any additional monies that may be received by means of a grant or grants from the United States of America or any agency or department thereof or from any other source for deposit to the Education Bonds Fund may be placed in the Education Bonds Fund or in a separate account or fund and shall be disbursed, to the extent permitted by the terms of the grant or grants, without regard to any limitations imposed by this section.

Monies in the Education Bonds Fund or any separate account established under this section may be invested from time to time by the State Treasurer in the same manner permitted for investment of monies belonging to the State or held in the State treasury, except with respect to grant money to the extent otherwise directed by the terms of the grant. Investment earnings, except investment earnings with respect to grant monies to the extent otherwise directed or restricted by the terms of the grant, may be (i) credited to the Education Bonds Fund or (ii) used to satisfy compliance with applicable requirements of the federal tax law.

The proceeds of education bonds and notes, including premium thereon, if any, may be used with any other monies made available by the General Assembly for funding the projects authorized by this section, including the proceeds of any other State bond issues, whether heretofore made available or that may be made available at the session of the General Assembly at which this section is ratified or any subsequent sessions. The proceeds of education bonds and notes, including premium thereon, if any, shall be expended and disbursed under the direction and supervision of the Director of the Budget. The funds provided by this section shall be disbursed for the purposes provided in this section upon warrants drawn on the State Treasurer by the State Controller, which warrants shall not be drawn until requisition has been approved by the Director of the Budget and which requisition shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.

(2) Tracking of bond proceeds. – The State Treasurer or the State Treasurer's designee is hereby authorized and directed to set up a comprehensive system of tracking the proceeds of the education bonds and notes, including premium thereon, if any, to the extent necessary to enable the State Treasurer or the

State Treasurer's designee to properly account for the use of such proceeds for compliance with applicable requirements of the federal tax law or otherwise. All recipients of such proceeds shall comply with any tracking system implemented by the State Treasurer or the State Treasurer's designee for this purpose. The State Treasurer may withhold proceeds if the recipient fails to comply with this subdivision.

(3) Costs. – Allocations to the costs of a capital improvement or undertaking in each case may include allocations to pay the costs set forth in sub-subdivisions c. through g. of subdivision (2) of subsection (c) of this section in connection with the issuance of bonds for that capital improvement or undertaking.

SECTION 1.(g) Election. – The question of the issuance of the bonds authorized by this section shall be submitted to the qualified voters of the State at an election to be held in November of 2026. Any other primary, election, or referendum, validly called or scheduled by law at the time the election on the bond question provided for in this subsection is held, may be held as called or scheduled. Notice of the election shall be given in the manner and at the times required by G.S. 163A-769(8). The election and the registration of voters therefor shall be held under and in accordance with the general laws of the State. Absentee ballots shall be authorized in the election.

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

Ballots, voting systems authorized by Subpart 2 of Part 3 of Article 20 of Chapter 163A of the General Statutes, or both may be used in accordance with rules prescribed by the State Board. The bond question to be used in the ballots or voting systems shall be in substantially the following form:

"[ ] FOR [ ] AGAINST

The issuance of fifty billion dollars ($50,000,000,000) State of North Carolina Education Bonds constituting general obligation bonds of the State secured by a pledge of the faith and credit and taxing power of the State for the purpose of providing funds, with any other available funds, for public school facilities suitable for pre-kindergarten through grade 12 through grants for public school capital outlay projects."

If a majority of those voting on a bond question in the election vote in favor of the issuance of the bonds described in the question, those bonds may be issued as provided in this section. If a majority of those voting on a bond question in the election do not vote in favor of the issuance of the bonds described in the question, those bonds shall not be issued.

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

SECTION 1.(h) Issuance of Bonds and Notes. –

(1) Terms and conditions. – Bonds or notes may bear such date or dates, may be serial or term bonds or notes, or any combination thereof, may mature in such amounts and at such time or times, not exceeding 40 years from their date or dates, may be payable at such place or places, either within or without the United States of America, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, may bear interest at such rate or rates, which may vary from time to time, and may be made redeemable before maturity, at the option of the State or otherwise as may be provided by the State, at such price or prices, including a price less than the face amount of the bonds or notes, and under

such terms and conditions, all as may be determined by the State Treasurer by and with the consent of the Council of State.

(2) Signatures; form and denomination; registration. – Bonds or notes may be issued as certificated or uncertificated obligations. If issued as certificated obligations, bonds or notes shall be signed on behalf of the State by the Governor or shall bear the Governor's facsimile signature, shall be signed by the State Treasurer or shall bear the State Treasurer's facsimile signature, and shall bear the Great Seal of the State of North Carolina or a facsimile thereof shall be impressed or imprinted thereon. If bonds or notes bear the facsimile signatures of the Governor and the State Treasurer, the bonds or notes shall also bear a manual signature, which may be that of a bond registrar, trustee, paying agent, or designated assistant of the State Treasurer. Should any officer whose signature or facsimile signature appears on bonds or notes cease to be such officer before the delivery of the bonds or notes, the signature or facsimile signature shall nevertheless have the same validity for all purposes as if the officer had remained in office until delivery, and bonds or notes may bear the facsimile signatures of persons who at the actual time of the execution of the bonds or notes shall be the proper officers to sign any bond or note, although at the date of the bond or note such persons may not have been such officers. The form and denomination of bonds or notes, including the provisions with respect to registration of the bonds or notes and any system for their registration, shall be as the State Treasurer may determine in conformity with this section; provided, however, that nothing in this section shall prohibit the State Treasurer from proceeding, with respect to the issuance and form of the bonds or notes, under the provisions of Chapter 159E of the General Statutes, the Registered Public Obligations Act, as well as under this section.

(3) Manner of sale; expenses. – Subject to the consent of the Council of State, the State Treasurer shall determine the manner in which bonds or notes shall be offered for sale, whether at public or private sale, whether within or without the United States of America, and whether by publishing notices in certain newspapers and financial journals, mailing notices, inviting bids by correspondence, negotiating contracts of purchase, or otherwise, and the State Treasurer is authorized to sell bonds or notes at one time or from time to time at such rate or rates of interest, which may vary from time to time, and at such price or prices, including a price less than the face amount of the bonds or the notes, as the State Treasurer may determine. All expenses incurred in preparation, sale, and issuance of bonds or notes shall be paid by the State Treasurer from the proceeds of bonds or notes or other available monies.

(4) Notes; repayment. –

a. Subject to the consent of the Council of State, the State Treasurer is hereby authorized to borrow money and to execute and issue notes of the State for the same, but only in the following circumstances and under the following conditions:

1. For anticipating the sale of bonds to the issuance of which the Council of State shall have given consent, if the State Treasurer shall deem it advisable to postpone the issuance of the bonds.

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

3. For the renewal of any loan evidenced by notes herein authorized.
4. For the purposes authorized in this section.
5. For refunding bonds or notes as herein authorized.

b. Funds derived from the sale of bonds or notes may be used in the payment of any bond anticipation notes issued under this section. Funds provided by the General Assembly for the payment of interest on or principal of bonds shall be used in paying the interest on or principal of any notes and any renewals thereof, the proceeds of which shall have been used in paying interest on or principal of the bonds.

(5) Refunding bonds and notes. – By and with the consent of the Council of State, the State Treasurer is authorized to issue and sell refunding bonds and notes pursuant to the provisions of the State Refunding Bond Act for the purpose of refunding bonds or notes issued pursuant to this section. The refunding bonds and notes may be combined with any other issues of State bonds and notes similarly secured.

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

(7) Investment eligibility. – Bonds and notes are hereby made securities in which all public officers, agencies, and public bodies of the State and its political subdivisions; all insurance companies, trust companies, investment companies, banks, savings banks, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State; executors, administrators, trustees, and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. Bonds and notes are hereby made securities that may properly and legally be deposited with and received by any officer or agency of the State or political subdivision of the State for any purpose for which the deposit of bonds, notes, or obligations of the State or any political subdivision of the State is now or may hereafter be authorized by law.

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

SECTION 1.(i) Variable Interest Rates. – In fixing the details of bonds and notes, the State Treasurer may provide that any of the bonds or notes may:

(1) Be made payable from time to time on demand or tender for purchase by the owner thereof, provided a credit facility agreement supports the bonds or notes, unless the State Treasurer specifically determines that a credit facility agreement is not required, upon a finding and determination by the State Treasurer that the absence of a credit facility agreement will not materially or

adversely affect the financial position of the State and the marketing of the bonds or notes at a reasonable interest cost to the State;

(2) Be additionally supported by a credit facility agreement;

(3) Be made subject to redemption or a mandatory tender for purchase prior to maturity;

(4) Bear interest at a rate or rates that may vary for such period or periods of time, all as may be provided in the proceedings providing for the issuance of the bonds or notes, including, without limitation, such variations as may be permitted pursuant to a par formula; and

(5) Be made the subject of a remarketing agreement whereby an attempt is made to remarket bonds or notes to new purchasers prior to their presentment for payment to the provider of the credit facility agreement or to the State.

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

SECTION 1.(j) Interpretation of Section. –

(1) Additional method. – The foregoing subsections of this section shall be deemed to provide an additional and alternative method for the doing of the things authorized thereby and shall be regarded as supplemental and additional to powers conferred by other laws and shall not be regarded as in derogation of any powers now existing.

(2) Statutory references. – References in this section to specific sections or Chapters of the General Statutes or to specific acts are intended to be references to these sections, Chapters, or acts as they may be amended from time to time by the General Assembly.

(3) Broad construction. – The General Assembly specifically has chosen to combine what otherwise might be considered differing projects to be financed into one bond bill and bond question because the General Assembly finds that such differing projects, when taken together, constitute an interrelated, united, and single plan for the State's infrastructure as stated aforesaid. Accordingly, this section, being necessary for the health, welfare, and advancement of the people of the State, shall be broadly construed to affect the purposes thereof.

(4) Inconsistent provisions. – Insofar as the provisions of this section are inconsistent with the provisions of any general laws, or parts thereof, the provisions of this section shall be controlling.

(5) Severability. – If any provision of this section or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this section that can be given effect without the invalid provision or application and, to this end, the provisions of this section are declared to be severable.

SECTION 1.(k) Other Agreements. – The State Treasurer may authorize, execute, obtain, or otherwise provide for bond issuance, investment contracts, credit and liquidity facilities, interest rate swap agreements and other derivative products, and any other related instruments and matters the State Treasurer determines to be desirable in connection with the issuance of bonds and notes.

SECTION 2. Each entity, upon receiving the proceeds of education bonds and notes, including premium thereon, if any, issued pursuant to and for projects listed in Section 1 of this act, shall administer, supervise, and ensure that use of the proceeds comport with the purposes provided in this act. Each local school administrative unit, along with the corresponding board of county commissioners, shall jointly submit to the Department of Public Instruction a plan for the expenditure of proceeds allocated to it under this act. After the Department of Public Instruction determines that a local school administrative unit's planned expenditure of part or all of the proceeds allocated to it is within the purposes provided in this act, the Department of Public Instruction shall make the proceeds to which the plans apply available to the local school administrative unit. Each local school administrative unit receiving the proceeds of education bonds and notes, including premium thereon, if any, issued pursuant to Section 1 of this act shall report by January 1, 2028, and quarterly thereafter, to the Department of Public Instruction on the projects funded from education general obligation bonds authorized by Section 1 of this act, and the Department of Public Instruction shall combine the reports and submit them to the Joint Legislative Capital Oversight Committee, the House of Representatives Appropriations Committee, and the Senate Committee on Appropriations/Base Budget. Each report shall include the total project costs, the amount to be funded from the bonds, the expenditures to date from the bonds and other sources, and the percentage of each project completed.

SECTION 3.(a) Projects funded in whole or in part with the proceeds of education bonds and notes, including premium thereon, if any, issued pursuant to this act, and that portion of funds estimated to be needed for escalation of costs shall remain with the Office of State Budget and Management and shall be disbursed only for the following purposes:

(1) To address unforeseen contingencies related to the specific project for which the funds were made available.

(2) To address inflation costs related to that specific project.

SECTION 3.(b) Any funds retained by the Office of State Budget and Management pursuant to subsection (a) of this section at the time a project is completed shall be retained by the Office of State Budget and Management. The Office of State Budget and Management shall report on any funds retained pursuant to this subsection within 90 days of a project's completion.

SECTION 4. Notwithstanding the period of time provided in G.S. 163A-1045(a) for which transfers are effective, transfers of voters from a given precinct, for the purpose of voting, to an adjacent precinct for the election held in November of 2026 shall be for that election only and shall not apply to any subsequent election.

SECTION 5. Any funds from the Education Bond expended for school technology for public schools shall be reported to the State Board of Education and shall be credited against the judgment in N.C. Sch. Bds. Ass'n. v. Moore, No. 98-CVS-14159 (N.C. Super. Ct.)

SECTION 6. This act is effective when it becomes law.