

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 364
Committee Substitute Favorable 4/16/25
Committee Substitute #2 Favorable 5/6/25

Short Title: STIP Grant Anticipation Notes.

(Public)

Sponsors:

Referred to:

March 12, 2025

A BILL TO BE ENTITLED
AN ACT TO AUTHORIZE A LOCAL GOVERNMENT TO BORROW MONEY FOR THE
PURPOSE OF ACCELERATING A LOCAL TRANSPORTATION PROJECT THAT IS
IDENTIFIED FOR FUNDING UNDER THE STATE TRANSPORTATION
IMPROVEMENT PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 159-171 reads as rewritten:

"§ 159-171. Grant anticipation notes.

(a) ~~A-Except as provided in subsection (a1) of this section,~~ a unit of local government is authorized to borrow money for the purpose of paying appropriations made for a capital project in anticipation of the receipt of moneys from grant commitments for such capital project from the State or the United States or any agencies of either, and to issue its negotiable notes in evidence thereof. Grant anticipation notes under this subsection shall mature not later than 12 months after the estimated completion date of such capital project as determined by the governing body of the unit of local government and may be renewed from time to time, but no renewal shall mature later than 12 months after the estimated completion date of such capital project.

(a1) A unit of local government is authorized to borrow money for the purpose of paying appropriations made for a capital project identified for funding as a regional impact or division need project under Article 14B of Chapter 136 of the General Statutes, Strategic Prioritization Funding Plan for Transportation Investments, in anticipation of the receipt of grant funding from the State or the United States or any agencies of either and to issue its negotiable notes in evidence thereof. Grant anticipation notes under this subsection shall mature no later than 12 months after the first day of the calendar year following the calendar year in which the project is scheduled to be completed. Renewal of grant anticipation notes under this subsection is not allowed. Prior to borrowing money under this subsection, the unit of local government shall enter into an expedited project agreement with the Department of Transportation in accordance with G.S. 136-66.8, the terms of which shall include all of the following:

- (1) A provision requiring approval of the grant anticipation note from the Local Government Commission.
- (2) Project identification.
- (3) Cost of project.
- (4) A provision including, and requiring compliance with, the project plan as set out in the agreement, including the time line, whether the project is in development or delivery period, project phase, current expected completion



date, accelerated completion date using funds authorized under this subsection, and a requirement that the project be administered accordingly.

(5) Funding expected, source of funding, revenue forecasts that support funding assumptions, and expected final installment funding date. Identified funding may include financing agreements with private entities but must be equal to the full estimated cost of the project.

(6) Repayment plan, and contingency plan for unexpected events or circumstances such as natural disasters, delay in federal funding, unexpected revenue losses, increase in project costs, or other circumstances requiring modifying the Strategic Transportation Improvement Program.

(7) Any other terms the Department of Transportation deems necessary to comply with federal law and to ensure (i) any State funds transferred to the unit of local government for repayment of a note under this subsection will not exceed the local portion of the nonfederal share of the cost of the project and (ii) that State funds either flow back to the unit of local government for repayment of the note or are used directly to repay the note.

(b) No Except as provided in subsection (b1) of this section, no grant anticipation note under subsection (a) of this section may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant commitment, ~~shall exceed~~ exceeds ninety percent (90%) of the unpaid amount of said grant commitment. Each note shall bear on its face a statement to the effect that it is payable solely from moneys received from a described grant and that the faith and credit of the issuing unit are not pledged for the payment thereof, and on its face or reverse the following certificate signed by the finance officer: "This note and all other grant anticipation notes of (issuing unit) authorized or outstanding as of (date) and issued or to be issued in anticipation of (describe grant commitment) amount to ninety percent (90%) or less of the unpaid amount of said grant commitment." No grant anticipation note shall be valid without this certificate.

(b1) No grant anticipation note under subsection (a1) of this section may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant funding, exceeds the amount of funding identified for the identified project. Each note shall bear on its face a statement to the effect that it is payable solely from moneys received from a described grant and that the faith and credit of the issuing unit are not pledged for the payment thereof, and on its face or reverse the following certificate signed by the finance officer: "This note and all other grant anticipation notes of (issuing unit) authorized or outstanding as of (date) and issued or to be issued in anticipation of (describe grant) amount to not more than the unpaid amount of said grant." No grant anticipation note shall be valid without this certificate.

(c) Grant anticipation notes issued under this section shall be special obligations of the issuing unit. Neither the credit nor the taxing power of the issuing unit may be pledged for the payment of grant anticipation notes, and no holder of such notes shall have the right to compel the exercise of the taxing power by the issuing unit or the forfeiture of any of its property in connection with any default thereon."

SECTION 2. G.S. 136-189.11 is amended by adding a new subsection to read:

"(f1) Expedited Project Funded by Local Government. – The Department shall ensure any amendment or modification to the State Transportation Improvement Program will not cause a delay in the repayment of a grant anticipation note issued by a local government in accordance with G.S. 159-171(a1) and (b1)."

SECTION 3. The Department of Transportation shall develop procedures and adopt rules as necessary for expedited project agreements made under G.S. 136-66.8 that include the terms and use of grant anticipation notes under G.S. 159-171(a1) and (b1), as enacted by Section 1 of this act, and the amendment or modification of the State Transportation Improvement

1 Program under Section 2 of this act. The Department of the State Treasurer, in consultation with
2 the Department of Transportation, shall adopt rules as necessary that are consistent with the
3 purposes of Section 1 of this act and Article 9 of Chapter 159 of the General Statutes.

4 **SECTION 4.** This act is effective when it becomes law.