

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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1

HOUSE BILL 2245*

Short Title: State Prison Bond Act.

(Public)

Sponsors: Representatives Sizemore, S. Hunt, Craven; Barbee, Bowie, Bowman, Brubaker, Creech, Culp, Dockham, Esposito, Foster, Gibson, Gray, Grimmer, Hege, Holmes, Hurley, Justus, Kimsey, Lail, Loflin, Pope, Privette, Rhyne, Stam, Warner, Weatherly, and P. Wilson.

Referred to: Rules.

June 1, 1990

A BILL TO BE ENTITLED

1
2 AN ACT TO AUTHORIZE THE ISSUANCE OF FOUR HUNDRED EIGHTY
3 MILLION ONE HUNDRED SIXTY-FIVE THOUSAND DOLLARS OF
4 GENERAL OBLIGATION BONDS OF THE STATE, SUBJECT TO A VOTE OF
5 THE QUALIFIED VOTERS OF THE STATE, TO PROVIDE FUNDS, WITH
6 ANY OTHER AVAILABLE FUNDS, FOR STATE PRISON AND YOUTH
7 SERVICES FACILITIES, AND MAKING CERTAIN APPROPRIATIONS TO
8 THE DEPARTMENT OF CORRECTION FOR EXPANSION OF ALTERNATIVE
9 PUNISHMENT PROGRAMS.

10 The General Assembly of North Carolina enacts:

11 Section 1. **Short title.** Sections 1 to 9, inclusive, of this act shall be known
12 and may be cited as the "State Prison and Youth Services Facilities Bond Act."

13 Sec. 2. **Findings and determinations.** It is hereby found and determined, as
14 follows:

- 15 (1) The problem of inadequate and insufficient prison and youth services
16 facilities in North Carolina has grown over the past decade and in
17 recent years has become a matter of vital concern to the citizens of
18 North Carolina and the Legislative, Executive and Judicial Branches of
19 government;
- 20 (2) In 1985, in response to legal action and with the support and
21 encouragement of the Executive Branch, the General Assembly began

1 funding a program of prison construction. Subsequently, a
2 commitment developed to build a constitutionally defensible prison
3 system for the then existing prison population of 18,000 inmates;

4 (3) In order to stabilize the prison population while improved facilities
5 were being constructed for the prison system, legislation was enacted
6 in 1987 to cap the prison population at 18,000. In extra session on
7 March 6, 1990, the prison cap was raised progressively to a temporary
8 increased capacity of 18,760 in accordance with the terms of the
9 consent decree in Small v. Martin, No. 85-987-CRT and Thorne v.
10 Martin, No. 87-446-CRT (EDNC). However, with the completion of
11 currently authorized construction, the constitutionally defensible
12 capacity of the prison system will be only 17,301 inmates. Additional
13 prison construction is necessary to meet constitutional standards, to
14 replace outmoded facilities and to add additional prison capacity;

15 (4) Notwithstanding significant new prison construction over the past four
16 years, there has been no increase in prison capacity. From 1986
17 through 1989 reported crime in North Carolina has increased by
18 twenty-eight percent (28%), a rate three times that in the nation as a
19 whole. Over the same period, dispositions of criminal cases in
20 Superior Court and general admissions to prison increased by the same
21 twenty-eight percent 28% while felony cases filed increased forty
22 percent (40%) and both felony case dispositions and felon admissions
23 increased thirty-five percent (35%);

24 (5) Since prison capacity remains static while crime and prison admissions
25 are on the increase, the average percent of sentence served per inmate
26 is decreasing. From 1985 to 1989 the average percent of sentence
27 served for assaultive felons, drug felons and repetitive property felons
28 dropped from forty percent (40%) to thirty-three percent (33%). For
29 less serious felons and misdemeanants, the average percentage of
30 sentence served dropped from forty-one percent (41%) to twenty-five
31 percent (25%);

32 (6) Additional prison capacity is required for the State to assure its citizens
33 of their safety and its ability to carry out appropriately the sentences of
34 those found guilty of crime. Without such assurances the citizens may
35 lose confidence in the capability of the criminal justice system and
36 convicts may gain confidence that crime may be worth the short stay
37 in prison required of them;

38 (7) Adding to the pressure on prison capacity are the one-third of youth
39 who are released from training school and recidivate to prison;

40 (8) Renovation and expansion of existing youth services facilities and
41 construction of new, safe and secure facilities where at-risk and
42 delinquent youth can learn and practice life skills which are essential
43 to responsible citizenship will help stem the tide of recidivism to our
44 State prison system; and

1 (9) It is the intent and purpose of the General Assembly by this act to
2 provide for the issuance of general obligation bonds of the State in
3 order to facilitate the payment of the capital cost required in
4 connection with providing additional and improving existing prison
5 and youth services facilities.

6 Sec. 3. **Definitions.** As used in this act, unless the context otherwise
7 requires:

8 (1) " Bonds" means bonds issued under this act.

9 (2) " Cost" means, without intending thereby to limit or restrict any proper
10 definition of such word in financing the cost of State prison and youth
11 services facilities as authorized by this act:

12 a. The cost of constructing, reconstructing, enlarging, acquiring
13 and improving facilities, and acquiring equipment and land
14 therefore;

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

17 c. Administrative expenses and charges;

18 d. The cost of bond insurance, investment contracts, credit
19 enhancement and liquidity facilities, interest-rate agreements,
20 financial and legal consultants and related costs of bond and
21 note issuance, to the extent and as determined by the State
22 Treasurer; and

23 e. Any other costs and expenses necessary or incidental to the
24 purposes of this act.

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

39 (4) " Notes" means notes issued under this act.

40 (5) " Par formula" means any provision or formula adopted by the State to
41 provide for the adjustment, from time to time, of the interest rate or
42 rates borne by any bonds or notes, including:

- 1 a. A provision providing for such adjustment so that the purchase
2 price of such bonds or notes in the open market would be as
3 close to par as possible;
- 4 b. A provision providing for such adjustment based upon a
5 percentage or percentages of a prime rate or base rate, which
6 percentage or percentages may vary or be applied for different
7 periods of time; or
- 8 c. Such other provision as the State Treasurer may determine to be
9 consistent with this act and will not materially and adversely
10 affect the financial position of the State and the marketing of
11 bonds or notes at a reasonable interest cost to the State.

12 **Sec. 4. Authorization of bonds and notes.** Subject to a favorable vote of a
13 majority of the qualified voters of the State who vote on the question of issuing bonds in
14 the election called and held as hereinafter provided, the State Treasurer is hereby
15 authorized, by and with the consent of the Council of State, to issue and sell, at one time
16 or from time to time, general obligation bonds of the State to be designated "State of
17 North Carolina Prison and Youth Services Facilities Bonds", with such additional
18 designations as may be determined to indicate the issuance of bonds from time to time,
19 or notes of the State as herein provided, in an aggregate principal amount not exceeding
20 four hundred eighty million one hundred sixty-five thousand dollars (\$480,165,000) for
21 the purpose of providing funds, with any other available funds, for the uses authorized
22 in this act.

23 **Sec. 5. Uses of bond and note proceeds.** The proceeds of bonds and notes
24 shall be used for financing the cost of State prison and youth services facilities as herein
25 provided, including, without limitation, the cost of constructing facilities, renovating or
26 reconstructing existing facilities, acquiring equipment related thereto, purchasing land,
27 paying costs of issuance of bonds and notes and paying contractual services necessary
28 for the completion of the purposes of this act.

29 The proceeds of bonds and notes, including premium thereon, if any, except
30 the proceeds of bonds the issuance of which has been anticipated by bond anticipation
31 notes or the proceeds of refunding bonds or notes, shall be placed by the State Treasurer
32 in a special fund to be designated the "State Prison and Youth Services Facilities Bond
33 Fund" and shall be disbursed as herein provided.

34 Any additional moneys which may be received by means of a grant or grants
35 from the United States of America or any agency or department thereof or from any
36 other source to aid in financing the cost of any prison and youth services facilities
37 authorized by this act may be placed by the State Treasurer in the State Prison and
38 Youth Services Facilities Bond Fund or in a separate fund and, shall be disbursed, to the
39 extent permitted by the terms of such grant or grants, without regard to any limitations
40 imposed by this act.

41 The proceeds of bonds and notes may be used with any other moneys made
42 available by the General Assembly for the cost of State prison and youth services
43 facilities, including the proceeds of any other State bond issues, whether heretofore
44 made available or which may be made available at the session of the General Assembly

1 at which this act is ratified or any subsequent sessions. The proceeds of bonds and
 2 notes shall be expended and disbursed under the direction and supervision of the
 3 Director of the Budget. The funds provided by this act shall be disbursed for the
 4 purposes provided in this act upon warrants drawn on the State Treasurer by the State
 5 Comptroller, which warrants shall not be drawn until requisition has been approved by
 6 the Director of the Budget and which requisition shall be approved only after full
 7 compliance with the Executive Budget Act, Article 1 of Chapter 143 of the General
 8 Statutes, as it may be amended from time to time.

9 The Office of State Budget and Management in respect of prison facilities
 10 and the Department of Human Resources in respect of youth services facilities shall
 11 report quarterly to the Joint Legislative Commission on Governmental Operations, the
 12 Chairpersons of the Senate and House Appropriation Committees, and the Fiscal
 13 Research Division on the expenditure of moneys from the State Prison and Youth
 14 Services Facilities Bond Fund. These reports shall continue until the completion of the
 15 projects provided for in the State Prison and Youth Services Facilities Bond Fund.

16 **Sec. 6. Allocation of proceeds.** (1) **Descriptions, custodial levels, beds**
 17 **and projected costs.** The proceeds of bonds and notes shall be allocated and expended
 18 for paying the cost of prison and youth services facilities, to the extent and as provided
 19 in this act and subject to change as herein provided, as follows:

20 a. Settlement Committee Facilities:

<u>Project Description</u>	<u>Custodial Level</u>	<u>Beds</u>	<u>Projected Cost</u>
24 Divisional Male Felon	Medium	624	\$30,931,267
26 Diagnostic Center and	Mental	128	Health
28 Transportation Terminal			
30 Caswell Correctional	Medium	104	3,456,536
32 Center			
34 Randolph Correctional	Medium	208	6,239,363
36 Center			
38 Columbus Correctional	Medium	104	3,087,200
40 Center			
42 Pender Correctional	Medium	208	4,610,628
44 Center			

1		
2	Montgomery Correctional	Medium
3		104 4,227,592
4	Center	
5		
6	Western Institution	Close
7		480 28,724,300
8		
9	Central Youth	Close
10		128 6,046,898
11	Institution	
12	(Polk Replacement)	
13		
14	Burke Youth Center	Minimum
15	<u>100 2,782,956</u>	
16		
17		Total
18		2,188 \$90,106,739

b. Replacement Facilities:

<u>Project Description</u>	<u>Custodial Level</u>	<u>Beds Projected Cost</u>
24 Central Prison	Close/Maximum	
25 (Replacement K & O)	144 \$ 6,381,453	
26		
28 Capitol Correctional	Minimum	
29 Center, Phase I	300 9,410,049	
30 (Triangle Replacement)		
31 (Wake)		
32		
34 Central Youth	Medium	
35 Institution (Polk	592 28,105,328	
36 Replacement) (Wake)		
37		
38		
39 N.C. Correctional	Medium	
40 Institution for Women	208 3,720,110	
41 (A & B Dormitory		
42 Replacement)		
43		

1 Total
2 1,244 \$47,616,940

3
4 c. Expansion Facilities:

6 <u>Project Description</u>	<u>Custodial</u>	<u>Level</u>
7 <u>Beds Projected Cost</u>		
9 North Central	Close	
10 480	\$ 29,714,300	
11 Institution		
13 Lillington Correctional	Medium	
14 512	28,531,870	
15 Institution		
17 Cabarrus Correctional	Close	
18 768	40,628,166	
19 Institution		
21 Nash Correctional	Medium/Minimum	
22 228	5,687,392	
23 Institution		
25 Cherry Correctional	Medium	
26 752	23,961,993	
27 Institution		
29 Pender Correctional	Medium/Minimum	
30 802	23,541,544	
31 Institution		
33 Wayne Correctional	Medium	
34 312	8,268,593	
35 Center		
37 North Piedmont	Medium	
38 728	20,858,390	
39 Institution		
41 Anson Correctional	Medium	
42 728	20,858,390	
43 Institution		
44		

1	Eastern Youth	Medium
2		440 17,017,322
3	Institution	
4		
5	N.C. Correctional	Close/Medium
6		308 14,961,676
7	Institution for Women	
8		
9	Divisional Male Felon	Medium
10		440 8,889,431
11	Diagnostic Center and	
12	Transportation Terminal	
13		
14	Capitol Correctional	Minimum
15		200 1,905,200
16	Center (Triangle	
17	Replacement) (Raleigh)	
18		
19	Goldsboro Correctional	Minimum
20		500 10,614,718
21	Center	
22		
23	Washington Correctional	Minimum
24		100 2,013,466
25	Center	
26		
27	Richmond Correctional	Minimum
28		300 6,326,800
29	Center	
30		
31	Alamance Correctional	Minimum
32		200 4,183,861
33	Center	
34		
35	Charlotte Correctional	Minimum
36		600 12,833,458
37	Institution	
38		
39	Mecklenburg Correctional	Minimum
40		100 1,882,320
41	Center	
42		
43	Rowan Correctional	Minimum
44		200 3,691,171

1	Center	
2		
3	Eastern Youth Center	Minimum
4		300 5,992,492
5		
6	Fountain Correctional	Minimum
7		100 889,350
8	Center	
9		
10	Raleigh Correctional	Minimum
11	50 461,175	
12	Center for Women	
13		
14		Total
15		9,148 \$293,713,080
16		

17 d. Youth Services Facilities:

19	<u>Project Description</u>		<u>Projected Cost</u>
20			
21	7 secure/nonsecure group homes		\$
22	1,400,000		
23			
24	Pitt	Detention	Center
25			Expansion
26	70,000		3
27			
28	Reconstruction and renovation of		
29	unused dorms at Samarkand, Dobbs,		
30	Dillon, Jackson, and Juvenile		
31	Evaluation Center units to meet American		
32	Correctional	Association	Standards
33			2
34	,570,226		
35			
36	Construction of secure unit, and		
37	counseling space at Dillon unit and		
38	fencing	at	5 units
39			3
40	,950,276		
41			
42	Conversion of dorms to individual		

1	rooms	-	Dobbs,	Dillon	and	Samarkand	units
2							6
3	63,640						
4							
5	Increase the number of transitional beds						
6	at all five institutions						
7	<u>165,548</u>						
8							
9			Total				\$
10	9,119,690						
11							
12		e. Contingencies:		<u>\$ 39,608,551</u>			
13							
14			Combined				Total
15			<u>\$480,165,000</u>				
16							

17 (2) **Increases in projected costs.** Projected costs set forth above may be
 18 increased to reflect the availability of other funds, including, without limitation,
 19 contingency funds, income earned on the investment of bond and note proceeds and the
 20 proceeds of any grants.

21 (3) **Contingency funds.** The amount allocated for contingencies set forth
 22 above shall be placed by the State Treasurer in a special account in the State Prison and
 23 Youth Services Facilities Bond Fund to be designated the "State Prison and Youth
 24 Services Facilities Contingency Account." The funds in the State Prison and Youth
 25 Services Facilities Contingency Account shall be disbursed in accordance with the
 26 procedures herein established for disbursements from the State Prison and Youth
 27 Services Facilities Bond Fund. The funds in the State Prison and Youth Services
 28 Facilities Contingency Account shall be expended for paying the cost of projects,
 29 including, without limitation, the costs of issuance of bonds and notes, increased project
 30 costs resulting from construction costs exceeding projected costs, inflationary factors
 31 and changes in projects and allocations.

32 (4) **Administration.** The Office of State Budget and Management may
 33 contract for and supervise all aspects of administration, technical assistance, design,
 34 construction or demolition of prison facilities in order to implement the providing of
 35 prison facilities under the provisions of this act without being subject to the
 36 requirements of the following statutes and rules implementing those statutes: G.S. 143-
 37 135.26(1), 143-128, 143-129, 143-131, 143-132, 143-134, 143-135.26, 143-64.10
 38 through 143-64.13, 113A-1 through 113A-10, 113A-50 through 113-66, 133-1.1(b),
 39 133-1.1(g) and 143-408. All contracts for the design, construction, or demolition of
 40 prison facilities shall include a penalty for failure to complete the work by a specified
 41 date.

42 The Department of Human Resources may contract for and supervise all
 43 aspects of administration, technical assistance, design, construction or demolition of

1 youth services facilities in order to implement the providing of youth services facilities
2 under the provisions of this act.

3 (5) **Changes.** The Director of the Budget is empowered, when the Director
4 determines it is in the best interest of the State and the State prison and youth services
5 system to do so, to change the projects and allocations therefor set forth herein
6 including, without limitation, the power to change the type of project to be provided at a
7 particular institution, to increase or decrease the amount allocated to a particular
8 institution within the aggregate amount of funds available under this act including the
9 proceeds of any investment earnings, to delete a project, to move a project from one
10 institution to another institution and to add a replacement project. Prior to taking any
11 action under this subsection, the Governor may consult with the Advisory Budget
12 Commission.

13 (6) **Quarterly reports.** The Office of State Budget and Management in
14 respect of prison facilities and the Department of Human Resources in respect of youth
15 services facilities shall provide quarterly reports to the Chairman of the Appropriations
16 Committee and the Base Budget Committee in the Senate, the Chairman of the
17 Appropriations Committee in the House, the Chairmen of the Senate and House Justice
18 and Public Safety Appropriations Committees, the Joint Legislative Commission on
19 Governmental Operations, and the fiscal Research Division as to any changes in
20 projects and allocations made under this section.

21 **Sec. 7. Election.** The question of the issuance of four hundred eighty million
22 one hundred sixty-five thousand dollars (\$480,165,000) State of North Carolina Prison
23 and Youth Services Facilities Bonds authorized by this act shall be submitted to the
24 qualified voters of the State at an election to be held on Tuesday, November 6, 1990.
25 Any other primary, election or referendum validly called or scheduled by law at the
26 time the bond election provided for in this section is held may be held as called or
27 scheduled. Notice of the bond election shall be given by publication twice in a
28 newspaper or newspapers having general circulation in each county in the State, and the
29 election and the registration of voters therefor shall be held under and in accordance
30 with the general laws of the State. Absentee ballots shall be authorized in the election.

31 The State Board of Elections shall reimburse the counties of the State for all
32 necessary expenses incurred in holding the election and registration therefor, the same
33 to be paid out to the Contingency and Emergency Fund.

34 Voting machines may be used in accordance with the rules and regulations
35 prescribed by the State Board of Elections. The State Board of Elections may also
36 cause to be printed and distributed, to the extent necessary, ballots for use in the
37 election. The question to be used in the voting machines and ballots shall be in
38 substantially the following form:

39 "For the issuance of four hundred eighty million one hundred sixty-five
40 thousand dollars (\$480,165,000) State of North Carolina Prison and Youth
41 Services Facilities Bonds constituting general obligation bonds of the
42 State secured by a pledge of the faith and credit and taxing power of the
43 State for the purpose of providing funds, with any other available funds,
44 for paying the cost of State prison and youth services facilities."

1
2 Against the issuance of four hundred eighty million one hundred sixty-
3 five thousand dollars (\$480,165,000) State of North Carolina Prison and
4 Youth Services Facilities Bonds constituting general obligation bonds of
5 the State secured by a pledge of the faith and credit and taxing power of
6 the State for the purpose of providing funds, with any other available
7 funds, for paying the cost of State prison and youth services facilities."

8 If a majority of those voting thereon in the election shall vote in favor of the
9 issuance of the bonds, the bonds may be issued as herein provided. If a majority of
10 those voting thereon in the election shall vote against the issuance of the bonds, the
11 bonds shall not be issued.

12 The result of the election shall be canvassed and declared as provided by law
13 for the holding of elections for State officers and the result thereof certified by the State
14 Board of Elections to the Secretary of State, in the manner and at the time provided by
15 the general election laws of the State.

16 Sec. 8. **Issuance of bonds and notes.** (1) **Terms and conditions.** Bonds or
17 notes may bear such date or dates, may be serial or term bonds or notes, or any
18 combination thereof, may mature in such amounts and at such time or times, not
19 exceeding 40 years from their date or dates, may be payable at such place or places,
20 either within or without the United States of America, in such coin or currency of the
21 United States of America as at the time of payment is legal tender for payment of public
22 and private debts, may bear interest at such rate or rates, which may vary from time to
23 time, and may be made redeemable before maturity, at the option of the State or
24 otherwise as may be provided by the State, at such price or prices, including a price less
25 than the face amount of the bonds or notes, and under such terms and conditions, all as
26 may be determined by the State Treasurer, by and with the consent of the Council of
27 State.

28 (2) Signature; form and denomination; registration.

29 Bonds or notes may be issued as certificated or uncertificated obligations. If issued as
30 certificated obligations, bonds or notes shall be signed on behalf of the State by the
31 Governor or shall bear his facsimile signature, shall be signed by the State Treasurer or
32 shall bear his facsimile signature, and shall bear the Great Seal of the State or a
33 facsimile thereof shall be impressed or imprinted thereon. If bonds or notes bear the
34 facsimile signatures of the Governor and the State Treasurer, the bonds or notes shall
35 also bear a manual signature which may be that of a bond registrar, trustee, paying agent
36 or designated assistant of the State Treasurer. Should any officer whose signature or
37 facsimile signature appears on bonds or notes cease to be such officer before the
38 delivery of the bonds or notes, the signature or facsimile signature shall nevertheless
39 have the same validity for all purposes as if the officer had remained in office until
40 delivery and bonds or notes may bear the facsimile signatures of persons who at the
41 actual time of the execution of the bonds or notes shall be the proper officers to sign any
42 bond or note although at the date of the bond or note such persons may not have been
43 such officers. The form and denomination of bonds or notes, including the provisions
44 with respect to registration of the bonds or notes and any system for their registration,

1 shall be as the State Treasurer may determine in conformity with this act; provided,
2 however, that nothing in this act shall prohibit the State Treasurer from proceeding, with
3 respect to the issuance and form of the bonds or notes, under the provisions of Chapter
4 159E of the General Statutes, the Registered Public Obligations Act, as said Chapter
5 may be amended from time to time, as well as under this act.

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

17 (4) **Notes; repayment.** a. By and with the consent of the Council of State,
18 the State Treasurer is hereby authorized to borrow money and to execute and issue notes
19 of the State for the same, but only in the following circumstances and under the
20 following conditions:

- 21 1. For anticipating the sale of bonds to the issuance of which the
22 Council of State shall have given consent, if the State Treasurer
23 shall deem it advisable to postpone the issuance of the bonds;
- 24 2. For the payment of interest on or any installment of principal of
25 any bonds then outstanding, if there shall not be sufficient funds
26 in the State Treasury with which to pay the interest or
27 installment of principal as they respectively become due;
- 28 3. For the renewal of any loan evidenced by notes herein
29 authorized;
- 30 4. For the providing of prison and youth services facilities as
31 herein authorized; and
- 32 5. For refunding bonds or notes as herein authorized.

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

38 (5) **Refunding bonds and notes.** By and with the consent of the Council of
39 State, the State Treasurer is authorized to issue and sell refunding bonds and notes
40 pursuant to the provisions of the State Refunding Bond Act, as it may be amended from
41 time to time, for the purpose of refunding bonds or notes issued pursuant to this act.
42 The refunding bonds and notes may be combined with any other issues of State bonds
43 and notes similarly secured.

1 (6) **Tax exemption.** Bonds and notes and their transfer (including any profit
2 made on the sale thereof) shall be exempt from all State, county and municipal taxation
3 or assessment, direct or indirect, general or special, whether imposed for the purpose of
4 general revenue or otherwise, excluding inheritance and gift taxes. The interest on
5 bonds and notes shall not be subject to taxation as to income, nor shall the bonds and
6 notes be subject to taxation when constituting a part of the surplus of any bank, trust
7 company or other corporation.

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

19 (8) **Faith and credit.** The faith and credit and taxing power of the State are
20 hereby pledged for the payment of the principal of and the interest on bonds and notes.

21 Sec. 9. **Variable interest rates.** In fixing the details of bonds and notes, the
22 State Treasurer may provide that any of the bonds or notes may:

- 23 (1) Be made payable from time to time on demand or tender for purchase
24 by the owner thereof provided a credit facility supports the bonds or
25 notes, unless the State Treasurer specifically determines that a credit
26 facility is not required upon a finding and determination by the State
27 Treasurer that the absence of a credit facility will not materially and
28 adversely affect the financial position of the State and the marketing of
29 the bonds or notes at a reasonable interest cost to the State;
- 30 (2) Be additionally supported by a credit facility;
- 31 (3) Be made subject to redemption or a mandatory tender for purchase
32 prior to maturity;
- 33 (4) Bear interest at a rate or rates that may vary for such period or periods
34 of time, all as may be provided in the proceedings providing for the
35 issuance of the bonds or notes, including, without limitation, such
36 variations as may be permitted pursuant to a par formula; and
- 37 (5) Be made the subject of a remarketing agreement whereby an attempt is
38 made to remarket bonds or notes to new purchasers prior to their
39 presentment for payment to the provider of the credit facility or to the
40 State.

41 If the aggregate principal amount repayable by the State under a credit facility
42 is in excess of the aggregate principal amount of bonds or notes secured by the credit
43 facility, whether as a result of the inclusion in the credit facility of a provision for the
44 payment of interest for a limited period of time or the payment of a redemption

1 premium or for any other reason, then the amount of authorized but unissued bonds or
2 notes during the term of such credit facility shall not be less than the amount of such
3 excess, unless the payment of such excess is otherwise provided for by agreement of the
4 State executed by the State Treasurer.

5 **Sec. 10. Appropriations to Department of Correction for expansion of**
6 **alternative punishment programs.** There is hereby appropriated to the Department of
7 Correction from the General Fund for the 1990-91 fiscal year the following amounts for
8 the following programs:

- 9 (1) \$1,559,856 to add 48 probation officers and support personnel and
10 expense in order to maintain the average probation caseload at 95
11 probationers per officer;
12 (2) \$1,046,886 to add 24 parole officers and support personnel and
13 expense in order to maintain the average parole caseload at 56 parolees
14 per officer;
15 (3) \$2,198,039 for 11 positions and necessary equipment to expand the
16 Electronic House Arrest Program statewide to serve all 100 counties;
17 and
18 (4) \$1,922,805 to provide positions and expense for 42 additional
19 intensive officers to serve 42 counties currently without intensive
20 officers.

21 **Sec. 11. Interpretation of act.** (1) **Additional method.** The foregoing
22 sections of this act shall be deemed to provide an additional and alternative method for
23 the doing of the things authorized thereby and shall be regarded as supplemental and
24 additional to powers conferred by other laws, and shall not be regarded as in derogation
25 of any powers now existing.

26 (2) **Liberal construction.** This act, being necessary for the health and
27 welfare of the people of the State, shall be liberally construed to effect the purposes
28 thereof.

29 (3) **Inconsistent provisions.** Insofar as the provisions of this act are
30 inconsistent with the provisions of any general laws, or parts thereof, the provisions of
31 this act shall be controlling.

32 (4) **Severability.** If any provision of this act or the application thereof to any
33 person or circumstance is held invalid, such invalidity shall not affect other provisions
34 or applications of the act which can be given effect without the invalid provision or
35 application, and to this end the provisions of this act are declared to be severable.

36 **Sec. 12.** This act is effective upon ratification.