



HOUSE BILL 679: UNC Self-Liquidating Projects

2015-2016 General Assembly

Committee:	House Finance	Date:	June 16, 2015
Introduced by:	Reps. Brawley, S. Martin, Szoka, Hastings	Prepared by:	Trina Griffin
Analysis of:	First Edition		Committee Counsel

SUMMARY: House Bill 679 would authorize the financing and construction of numerous capital improvement projects by The University of North Carolina. The projects will be financed through revenue bonds and special obligation bonds, not appropriations from the General Fund, with the exception of the NCSU project. NCSU is requesting \$77 million in General Fund support, which has been included in the House budget.

CURRENT LAW: Under Article 8 of the State Budget Act, no State agency may expend funds for the construction or renovation of a capital improvement project unless authorized to do so by the General Assembly. The Board of Governors of The University of North Carolina may approve expenditures for projects that are to be funded entirely with non-General Fund money. However, under Article 3 of Chapter 116D, the General Assembly must approve the issuance of special obligation bonds for UNC projects.

There are two types of self-liquidating bonds that may be issued by the Board of Governors of the University of North Carolina. Article 21 of Chapter 116 of the General Statutes authorizes the Board of Governors to issue revenue bonds for the types of projects enumerated in the article. The types of projects for which **revenue bonds** may be issued include educational buildings, dormitories, recreational facilities, dining facilities, student centers, health care buildings, parking decks, etc. for the educational institutions, the University of North Carolina Health Care System, the University of North Carolina General Administration, and the University of North Carolina Hospitals at Chapel Hill. The revenue bonds are payable from rentals, charges, fees, and other revenues generated by the facility. The bonds are not payable from tax revenues.

Article 3 of Chapter 116D of the General Statutes authorizes the Board of Governors to issue **special obligation bonds** payable with any sources of income or receipts of the Board of Governors or a constituent or affiliated institution, but not including tuition payments or appropriations from the General Fund from State revenues. The bond proceeds could be used for construction, improvement, and acquisition of any capital facilities located at UNC constituent and affiliated institutions. The project must be approved by the board of trustees for the respective institution for which the project is authorized and the General Assembly must approve the project and the maximum aggregate principal amount for the project. The bonds are not payable from tax revenues.

BILL ANALYSIS: House Bill 679 would authorize the campuses of The University of North Carolina (UNC) to finance and construct capital improvement projects utilizing obligated resources. UNC is authorized to change, with approval of the Director of the Budget, the means of finance for the projects authorized in the bill and increase or decrease the cost of the project. UNC is allowed to issue debt above 5% of the total cost of the project, including any increase authorized by the Director of the Budget, to cover various costs of issuance of the debt. The proposed indebtedness authorized under this bill is not a debt of the State.

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The table below provides an overview of the projects. For a more detailed description of each project, please see the Fiscal Note.

Campus	Project	Amount	Source	Existing Fee/Receipt Increase	New Fee
ASU	Replacement for Winkler Resident Hall - Supplement	\$32,000,000	Housing Receipts	4%	No
ECU	Renovation of Four Residence Halls	\$65,000,000	Housing Receipts	2%	No
NCCU	Deferred Maintenance and Infrastructure Improvements	\$10,500,000	Debt Service Fee	No	\$100
NCSU	Engineering Oval and Campus Infrastructure	\$77,000,000	Gifts and Energy Savings	No	No
Total			\$184,500,000		

EFFECTIVE DATE: This act is effective when it becomes law.

Mark Bondo, Fiscal Analyst in the Fiscal Research Division, substantially contributed to this summary.