



HOUSE BILL 943: Connect North Carolina Bond Act of 2015

2015-2016 General Assembly

Committee:
Introduced by:
Analysis of: S.L. 2015-280

Date:
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Legislative Analyst

SUMMARY: *S.L. 2015-280 authorizes the issuance of \$2 billion in general obligation bonds if approved by a majority of the voters in the presidential primary in 2016.*

This act became effective October 21, 2015.

BILL ANALYSIS: House Bill 943 provides, subject to a majority of voters in the presidential primary in 2016 voting in favor of the measure, for the issuance of \$2,000,000,000 of general obligation bond debt pledging the faith and credit of the State for repayment of the indebtedness for infrastructure needs of the State. The indebtedness would go to the following general categories:

- \$935,000,000 for allocation among 14 projects for new construction for the constituent institutions of the University of North Carolina, and \$45,000,000 for repairs and renovations needed in the UNC System.**
- \$350,000,000 for allocation among the constituent institutions of the NC Community Colleges system. The method of allocation of \$175,000,000 of the funds is based on county wealth, and the remainder is based on three factors: (i) county wealth (35%), (ii) repairs and renovations need, based on age of square footage (35%), and need for additional square footage (30%). Proceeds must be used for new construction, rehabilitation of existing facilities, and repairs and renovations.** No local match is required for costs for rehabilitation, repairs and renovations, but a match is required for costs for new construction in the amount of one local dollar to three, two, or one dollars of bond proceeds for, respectively, community colleges with a main campus located in a development tier one, two, or three area.
- \$3,000,000 for allocation among local units of government for matching grants for parks for children with disabilities and veterans with disabilities. Grants may not exceed \$500,000 per project and require a local match of one local dollar for every four dollars of bond proceeds.
- \$309,500,000¹ for the Department of Environmental Quality to use for grants and loans for water and sewer improvement, divided equally between the State Drinking Water Reserve and the Wastewater Reserve, which provide grants for construction of critical needs for wastewater collection systems, wastewater treatment works, and public water system projects.
 - If loan proceeds exceed project demand, statutory loan amount limitations are waived.
 - Priority for proceeds goes to projects subject to an EPA administrative order or consent decree. The proceeds are capped as follows: (i) for grant funds from the Wastewater Reserve, the cap is the lesser of 50% of the project costs or 1/3 of the proceeds allocated to the Wastewater Reserve and (ii) for loan funds from the Wastewater Reserve, the cap

¹ Of this amount, \$100,000,000 is allocated for grants and the remainder is allocated for low-interest loans.

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is the lesser of all project costs minus grant funds received for the project or \$15,000,000.

- \$70,000,000 for capital improvements to readiness centers for the National Guard located in Guilford, Burke, and Wilkes Counties.
- \$85,000,000 for a new Plant Sciences Building for a partnership between DACS and NCSU.
- \$94,000,000 for construction of a new Veterinary/Food/Drug/Motor Fuels lab for DACS.
- \$25,000,000 for replacing the Africa Pavilion at the North Carolina Zoo. This would include real property acquisition, new construction, rehabilitation of existing facilities, and repairs and renovations.**
- \$75,000,000 for State Parks.**
- \$8,500,000 for the Department of Public Safety for the Samarcand Training Academy.

The act permits modification of proceeds allocation among the projects set forth specifically in the act or among agencies or projects not listed in the act but listed in the six-year capital improvement plan developed pursuant to G.S. 143C-8-5, provided the aggregate amount of the allocation does not exceed the \$2B of debt authorized.

All entities receiving proceeds of the bonds must report by 1/1/17 and quarterly thereafter to the Joint Legislative Oversight Committee on Capital Improvements and the appropriations committees on the projects funded (the community colleges' reports are collated and sent in by the North Carolina Community Colleges System Office). The report must include total project costs, amount funded from the bonds, expenditures to date, and the percentage of project completion.

No bonds authorized by the act may be issued by the State Treasurer if issuance of the debt would violate the Debt Affordability Advisory Committee's recommendations on debt capacity.

Bond proceeds for escalation of costs (applicable to all projects, other than those for Community Colleges and the water/sewer loans and grants) are housed with OSBM, which may disburse them only for project-specific, unforeseen contingencies and/or inflation costs. OSBM must report to the Joint Legislative Oversight Committee on Capital Improvements on escalation funds for a project remaining within 90 days of the project's completion.

EFFECTIVE DATE: House Bill 943 became effective upon signature of the Governor on October 21, 2015.

** With respect to rehabilitation, repairs, and renovations, any items purchased must have a useful life of at least 10 years or extend the life of the facility by at least 10 years.