



# SENATE BILL 733: UNC Capital Projects.

**This Bill Analysis  
reflects the contents  
of the bill as it was  
presented in  
committee.**

2019-2020 General Assembly

<b>Committee:</b> House Finance	<b>Date:</b> June 22, 2020
<b>Introduced by:</b> Sens. Newton, Gunn	<b>Prepared by:</b> Trina Griffin
<b>Analysis of:</b> PCS to Second Edition S733-CSBUxf-1	Staff Attorney

**OVERVIEW:** Senate Bill 733 would authorize the financing and construction of listed capital improvement projects by the constituent institutions of The University of North Carolina. The projects will be financed through revenue bonds, special obligation bonds, and other funds available to the institutions, excluding tuition and appropriations from the General Fund.

**BILL ANALYSIS:** Senate Bill 733 would authorize two campuses of The University of North Carolina (UNC) to finance and construct capital improvement projects. The proposed indebtedness authorized under this bill is not a debt of the State.

UNC is authorized to change, with approval of the Director of the Budget, the means of finance and increase or decrease the cost of the project. UNC can issue debt plus an additional 5% of the total cost of the project, including any increase authorized by the Director of the Budget, to cover the cost of debt issuance.

The table below lists the projects.

Campus	Project	Amount
University of North Carolina at Chapel Hill	Morehead Chemistry Laboratory HVAC Upgrades	22,000,000
University of North Carolina at Chapel Hill	Campus-Wide Life Safety Upgrades – Phase 1	\$6,500,000
Western Carolina University	Lower Campus Residence Halls Phase 2 <sup>1</sup>	20,000,000
	<b>TOTAL</b>	<b>\$48,500,000</b>

**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.

<sup>1</sup> S.L. 2019-124 authorized Western Carolina University to finance \$60M to construct Lower Campus Residence Halls.

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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 educational buildings, dormitories, recreational facilities, dining facilities, student centers, health care buildings, and parking decks. The projects may be 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 from any sources of income or receipts of the Board of Governors or a constituent or affiliated institution, excluding tuition payments and appropriations from the General Fund. Examples of sources of income or receipts would include rents, charges, fees, earnings on investments of endowment funds, or overhead receipts. 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 both the board of trustees of the recipient institution and the General Assembly. The General Assembly must also approve the maximum aggregate principal amount for the project. The bonds are not payable from tax revenues.

**EFFECTIVE DATE:** This bill would be effective when it becomes law.

*Cindy Avrette, counsel to Senate Finance, substantially contributed to this summary.*