HOUSE BILL 1068:
UNC Non-Appropriated Capital Projects.

2021-2022 General Assembly

Committee:	Senate Rules and Operations of the Senate	**Date:**	June 16, 2022
Introduced by:	Reps. Hardister, Pickett, Hawkins, Hunter	**Prepared by:**	Greg Roney
Analysis of:	Third Edition		Staff Attorney

***OVERVIEW:* House Bill 1068 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. The bill would also make a series of changes related to capital improvement projects included in the 2021 Appropriations Act.**

BILL ANALYSIS: House Bill 1068 would authorize six campuses of The University of North Carolina (UNC) to finance and construct capital improvement projects. The Fiscal Note gives details on each project.

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.

Section 2(a)-(c) makes a series of changes to the 2021 Appropriations Act related to an increase of $7.5 million in the project cost for the new dining facility capital improvement project at ECSU. The increased project cost is offset by a reduction of $5 million in the State appropriation for the new residence hall capital improvement project, also at ECSU, and the reallocation of $2.5 million in funding for the renovation of Butler Hall at ECSU, which is currently vacant and is not scheduled to be renovated.

Section 2(d) makes technical changes to a six-year allocation schedule from the 2021 Appropriations Act that lists intended General Assembly funding for certain long-term State capital infrastructure projects to reflect actual intended levels of project funding

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 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 act will be effective when it becomes law.

*Greg Roney, Staff Attorney, contributed substantially to the contents of this summary.