



# SENATE BILL 367: UNC Self-Liquidating Capital Projects.

2021-2022 General Assembly

<b>Committee:</b>	House Education - Universities. If favorable, re-refer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	<b>Date:</b>	June 17, 2021
<b>Introduced by:</b>	Sen. Lee	<b>Prepared by:</b>	Brian Gwyn*
<b>Analysis of:</b>	Second Edition		Committee Co-Counsel

**OVERVIEW:** *Senate Bill 367 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 367 would authorize two campuses of The University of North Carolina (UNC) to finance and construct capital improvement projects:

- UNC at Greensboro (UNCG), The Arts Place at Tate and Gate \$10,330,306<sup>1</sup>  
*A new 20,000 GSF multi-purpose cultural arts venue located at 842 West Gate City Boulevard. The goal of the project is to foster an active partnership between UNCG with the surrounding local and regional arts community. The project will include a flexible performance space, instructional and practice rooms, and a retail component.*
- UNC at Wilmington (UNCW), Walton Drive Student Village Recreation Fields and Facilities \$9,750,000  
*A multi-purpose natural turf field, a smaller flex field, basketball, sand volleyball, tennis courts; an outdoor gym/yoga area; and a building for Student Recreation Center staff and equipment storage. The amenities exist but need replacement. This area was master planned in 2009-2010 and is included in the university's 2017 Campus Master Plan.*

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.

**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> The total project cost is \$10,330,306. A portion of this cost, \$830,306, will be funded through bond savings realized from the refinancing of existing debt and private philanthropy. The remaining amount, \$9,500,000 will be financed through the issuance of long-term debt.

Jeffrey Hudson  
Director



Legislative Analysis  
Division  
919-733-2578

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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, Staff Attorney with the Legislative Analysis Division, substantially contributed to this summary.*