



# HOUSE BILL 364: Self-Liquidating Projects/Property Transfers.

2023-2024 General Assembly

<b>Committee:</b>	Senate Education/Higher Education.	<b>If Date:</b>	May 31, 2023
	favorable, re-refer to Finance. If favorable, re-refer to Rules and Operations of the Senate		
<b>Introduced by:</b>	Reps. Hastings, Arp, Winslow, Hardister	<b>Prepared by:</b>	Drupti Chauhan*
<b>Analysis of:</b>	Second Edition		Committee Counsel

**OVERVIEW:** *House Bill 364 would do two things:*

- *Authorize constituent institutions of The University of North Carolina (UNC) to finance and acquire or construct the listed capital improvement projects reviewed and approved by the Board of Governors of UNC on February 23, 2023. 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.*
- *Authorize the transfer of personal property between constituent institutions of UNC with the approval of the President of UNC.*

## PART I: UNC SELF-LIQUIDATING CAPITAL PROJECTS

**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 (Board of Governors) 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 projects of The University of North Carolina (UNC).

There are two types of self-liquidating bonds that may be issued by the Board of Governors:

- 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 System Office, 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

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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.

**BILL ANALYSIS:** Part I would authorize five campuses of UNC to finance and acquire or construct the following capital improvement projects that have been reviewed and approved by the Board of Governors:

Campus	Project	Amount	Source of Funds
Appalachian State University	App 105 Phase 3 – Women's Softball & Indoor Tennis	\$10,000,000	<ul style="list-style-type: none"><li>Existing debt service fee</li><li>Gifts and donations</li></ul>
North Carolina State University	University Towers – Acquisition & Renovation	\$52,000,000	<ul style="list-style-type: none"><li>Housing auxiliary funds</li></ul>
University of North Carolina at Chapel Hill	Avery Residence Hall Renovation	\$30,000,000	<ul style="list-style-type: none"><li>Housing receipts</li></ul>
	Bingham Hall Comprehensive Renovation	\$9,000,000	<ul style="list-style-type: none"><li>Trust funds</li></ul>
	Business School/McColl Addition <sup>1</sup>	\$15,000,000	<ul style="list-style-type: none"><li>State appropriations</li><li>Gifts and donations</li><li>Trust funds</li></ul>
	Chilled Water Infrastructure Expansion – Phase 1	\$15,000,000	<ul style="list-style-type: none"><li>Utility receipts</li></ul>
	Nursing School/Carrington Hall Redevelopment <sup>2</sup>	\$10,000,000	<ul style="list-style-type: none"><li>State appropriations</li><li>Gifts and donations</li></ul>
University of North Carolina at Pembroke	Campus Recreation/Baseball & Softball Outdoor Complex <sup>3</sup>	\$3,420,000	<ul style="list-style-type: none"><li>Debt service fee</li><li>Trust funds</li></ul>
Western Carolina University	Athletic Facility Improvements	\$30,000,000	<ul style="list-style-type: none"><li>Athletic debt service fee</li><li>Gifts and donations</li></ul>

<sup>1</sup> The 2021 Appropriations Act (S.L. 2021-180) required the University of North Carolina-Chapel Hill to provide funding of at least \$75,000,000 from non-State sources by June 30, 2022, for the Business School project. After opening bids in December 2022, an additional \$30,000,000 will be required to award the project. UNC-Chapel Hill requested and received an additional \$15,000,000 from the Flex Funds administered by the Office of State Budget Management with the requirement for UNC-Chapel Hill to provide \$15,000,000 in matching funds.

<sup>2</sup> The 2021 Appropriations Act (S.L. 2021-180) provided state appropriations for the renovation of the nursing school. After reviewing the condition of the original 1969 structure and the need to increase enrollment by 50%, new construction is a more feasible option.

<sup>3</sup> S.L. 2018-35 authorized \$4.4 million of debt for this project which was approved by the Board of Governors on March 21, 2018. This is a request to increase the debt authorization to \$7.82 million to address escalating construction costs and minor scope adjustments.

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The proposed indebtedness authorized under this bill would not be a debt of the State.

The Director of the Budget, at the request of the Board of Governors, could authorize a change in the means of finance and increase or decrease the cost of the project. The Board of Governors could 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.

## **PART II: AUTHORIZE THE TRANSFER OF PERSONAL PROPERTY BETWEEN CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA**

**CURRENT LAW:** Article 3A of Chapter 143 of the General Statutes establishes the requirements for State surplus property. G.S. 143-64.03 authorizes and directs the State Surplus Property Agency (Department of Administration) to do the following:

- Sell all State-owned supplies, materials, and equipment that are surplus, obsolete, or unused.
- Warehouse such property.
- Distribute such property to tax-supported or nonprofit tax-exempt organizations.

**BILL ANALYSIS:** Part II would authorize constituent institutions, with the prior approval of the President of UNC, to transfer personal property at no cost, including the personal property of athletic departments, to other constituent institutions without prior approval from the State Surplus Property Agency or any other approval otherwise required by law.

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

*\*Brian Gwyn and Trina Griffin, Attorneys with the Legislative Analysis Division, substantially contributed to this summary.*