



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

# HOUSE BILL 1123: UNC Omnibus & Capital Contracting Law Changes.

2025-2026 General Assembly

<b>Committee:</b>	Senate Education/Higher Education.	<b>If Date:</b>	June 3, 2026
	favorable, re-refer to Finance. If favorable, re-refer to Rules and Operations of the Senate		
<b>Introduced by:</b>	Reps. Arp, Lambeth, Hastings, Pickett	<b>Prepared by:</b>	Brian Gwyn*
<b>Analysis of:</b>	Fourth Edition		Committee Co-Counsel

### OVERVIEW: The Fourth Edition of House Bill 1123 would:

- Authorize five campuses of The University of North Carolina (UNC) to finance certain capital improvement projects.
- Align the residency requirements for admission to the North Carolina School of Science and Mathematics (NCSSM) with the definition of "resident for tuition purposes" currently used by UNC to make in-State tuition eligibility decisions.
- Modify the eligibility requirements for the tuition grant program for high school graduates of NCSSM and the University of North Carolina School of the Arts.
- Require the Board of Governors of UNC to make final determinations on all expenditures and project scope for capital improvement projects at UNC or a constituent institution.
- Increase the dollar amount in various provisions of State laws governing public construction contracts.
- Prohibit the use of State funds appropriated for a capital improvement project or self-liquidating project at a State agency for the benefit of a public-private partnership without express authorization by the General Assembly.

### Part I: 2026 UNC Self-Liquidating Projects

**CURRENT LAW:** Under Article 8 of Chapter 143C (State Budget Act) of the General Statutes, State agencies cannot generally expend funds for the construction or renovation of a capital improvement project unless authorized to do so by the General Assembly. However, Article 8 allows the Board of Governors of The University of North Carolina (Board of Governors) to approve expenditures for projects that are to be funded entirely with non-General Fund money. For the issuance of special obligation bonds for projects, Article 3 of Chapter 116D requires the Board of Governors to receive approval from the General Assembly first.

There are two types of self-liquidating bonds that can 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 can 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.

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- 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 are rents, charges, fees, earnings on investments of endowment funds, or overhead receipts. The bond proceeds can 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 constituent 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
North Carolina Central University	Richmond Residence Hall Renovation – Phase I	\$20,000,000	• Housing Receipts
North Carolina State University	Cates West Development – Phase I	\$295,000,000	• Housing Receipts
University of North Carolina at Chapel Hill	New Residence Hall I	\$141,200,000	• Housing Receipts
University of North Carolina at Chapel Hill	Parker & Teague Halls – Demolition and Replacement	\$112,000,000	• Housing Receipts
University of North Carolina at Charlotte	Witherspoon Residence Hall Renovation	\$48,430,000	• Housing Receipts
University of North Carolina at Wilmington	Parking Deck IV	\$20,357,028	• Parking Receipts

The proposed indebtedness authorized under this act would not be 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 (subject to the approval of the Director of the Budget) could issue special obligation bonds of the Board of Governors for the purpose of paying all or any part of the costs of acquiring, constructing, or providing for the projects. The maximum principal amount of the bonds to be issued could not exceed the specified amounts in the bill plus an additional 5% of the amount to pay issuance expenses, fund reserve funds, pay capitalized interest, and pay other related additional costs plus any increase in the specified project costs authorized by the Director of the Budget.

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

**Part II: Standardize the Residency Determination Process for Admission to the North Carolina School of Science and Mathematics**

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**CURRENT LAW:** Under G.S. 116-143.1, to qualify as a resident for tuition purposes for public institutions of higher education in North Carolina, a person must establish legal residence (domicile) in the State and maintain a legal residence in the State for at least 12 months.

G.S. 116-204(12) requires the State Education Assistance Authority to administer the Residency Determination Service (RDS). RDS is a coordinated and centralized process for determining residency for tuition and State-funded financial aid purposes.

G.S. 116-235(b)(1) requires an applicant to the North Carolina School of Science and Mathematics (NCSSM) to either (i) be domiciled in North Carolina, or (ii) be the child of an active duty member of the Armed forces who is living in North Carolina incident to active military duty.

**BILL ANALYSIS:** Part II would require an applicant to NCSSM to either (i) receive a determination by RDS that the applicant has established a domicile in North Carolina and maintained a domicile in North Carolina for at least 12 months, or (ii) be a child of an active duty member of the Armed Forces who is living in the State incident to active military duty. This change would align the residency requirements for admission to NCSSM with the residency requirements to qualify as a resident for in-State tuition purposes.

**EFFECTIVE DATE:** This Part would be effective when it becomes law and would apply beginning with applications for admission to NCSSM for the 2027-2028 school year.

## **Part III: Revise Tuition Grants for NCSSM and UNCSA Graduates**

**CURRENT LAW:** Part 6 of Article 23 of Chapter 116 governs the tuition grant program for high school graduates of NCSSM and the University of North Carolina School of the Arts (UNCSA), which is administered by the State Education Assistance Authority (SEAA). To qualify for a tuition grant, a high school graduate of NCSSM or UNCSA must meet all of the following requirements:

- Qualify as a resident for tuition purposes under G.S. 116-143.1.
- Enroll full-time at a constituent institution of UNC in the next academic year after graduation from NCSSM or UNCSA.
- Submit a completed Free Application for Federal Student Aid (FAFSA) form.

**BILL ANALYSIS:** Part III would modify the requirement that a high school graduate of NCSSM or UNCSA submit a completed FAFSA form by requiring SEAA to accept either (i) a completed FAFSA form or (ii) other necessary documentation. This Part would also clarify that a high school graduate of NCSSM or UNCSA must qualify as a resident for tuition purposes at the time that the graduate applies for the initial tuition grant. Additionally, this Part would make various technical changes to Part 6 of Article 23 of Chapter 116.

**EFFECTIVE DATE:** This Part would be effective when it becomes law and would apply beginning with the award of tuition grants for the 2026-2027 academic year.

## **Part IV: UNC Board of Governors Approval/Capital Expenditures**

**CURRENT LAW:** G.S. 116-31.11 imposes various requirements on the Board of Governors with respect to capital improvements. G.S. 116-31.11 allows the Board of Governors to delegate some of its authority with respect to capital improvement projects to a qualified constituent or affiliated institution.

**BILL ANALYSIS:** Part IV would clarify that the Board of Governors makes final determinations on all expenditures and project scope for capital improvement projects at UNC or a constituent institution.

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

## **Part V: Capital Improvement Threshold Changes**

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**CURRENT LAW:** G.S. 143C-1-1(d)(5) defines the term "capital improvement" to include any acquisition of real property, new construction, rehabilitation of existing facilities, or repairs and renovations over \$100,000 in value. The term "capital improvement" does not include any repairs and renovations less than \$100,000 in value.

G.S. 133-1.1(a) requires a registered architect or engineer to prepare the plans or specifications for public works projects when the project involves the expenditure of a specified amount of public money for any of the following:

- \$300,000 or more for the repair of a public building that does not include major structural change in framing or foundations support systems.
- \$500,000 or more for the repair of a public building by UNC or its constituent institutions that does not include major structural changes in framing or foundations support systems.
- \$100,000 or more for the repair of a public building affecting life safety systems.
- \$135,000 for the repair of a public building that include major structural changes in framing or foundations support systems.
- \$135,000 or more for the construction of new public buildings or State-owned utilities or additions to existing public buildings or State-owned utilities.

G.S. 133-1.1(d) requires the State entity that is overseeing a public works contract to obtain a certificate of compliance with the State Building Code from the city or county inspector for projects that are not required to be prepared by a registered architect or engineer, unless an exception applies. One exception to this requirement is for projects with a total projected cost of less than \$100,000.

G.S. 143-134.1(b1) prohibits the owner or prime contractor on public construction contracts from requiring retainage on projects with a total projected cost of less than \$100,000.

Under G.S. 143-129(a), any construction or repair work requiring an estimated expenditure of \$500,000 or more of public money is subject to bidding requirements. G.S. 143-129(a) authorizes UNC and its constituent institutions to award contracts for construction or repair work with an estimated cost of less than \$500,000 without complying with bidding requirements.

Article 3A of Chapter 143 governs the surplus property owned by the State. G.S. 143-64.34 exempts the capital improvement projects under the jurisdiction of the State Building Commission, UNC, and community colleges from the provisions of Article 3A of Chapter 143 for projects with an estimated cost of less than \$500,000.

G.S. 143-128 establishes minimum requirements for certain State building contracts. G.S. 143-128(g) exempts the following from those minimum requirements:

- Contracts for the purchase and erection of prefabricated or relocatable buildings.
- Contracts for the erection, construction, alteration or repair of a building with a cost of \$300,000 or less.
- Contracts for the erection, construction, alteration, or repair of a building owned by UNC or its constituent institutions with a cost of \$500,000 or less.

State building contracts that are exempted from the provisions of G.S. 143-128 must comply with the dispute resolution requirements of G.S. 143-128(f1).

**BILL ANALYSIS:** Part V would increase the dollar amount in various State laws governing public construction contracts and clarify various statutory exemptions.

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Section 5.1(a) would modify the definition of a "capital improvement" under the State Budget Act to include any repairs and renovations valued at \$150,000 or more, instead of \$100,000.

Section 5.1(b) would clarify that all of the public works in G.S. 133-1.1 require that plans or specifications be prepared by a registered architect or registered engineer above a certain dollar threshold. Additionally, this subsection would modify the monetary thresholds in the following ways:

- \$150,000 or more for the repairs of a public building affecting life safety systems, instead of \$100,000.
- \$150,000 or more for the repairs of a public building that include major structural changes in framing or foundations support systems, instead of \$135,000.
- \$150,000 or more for the construction of new public buildings or State-owned utilities or additions to existing public buildings or State-owned utilities, instead of \$135,000.

Additionally, this subsection would raise the exemption for public works projects from the requirement that the State entity overseeing the project receive a certificate of compliance from local building inspectors to include projects with a projected cost to \$150,000, instead of \$100,000.

Section 5.1(c) would provide that owners or prime contractors could not require retainage on public construction contracts with an estimated cost of \$150,000, instead of \$100,000.

Section 5.1(d) would explicitly expand the authority for UNC and its constituent institutions to award contracts for construction or repair work that requires an estimated expenditure under \$1,500,000, instead of \$500,000.

Section 5.1(e) would modify the exemption for capital improvement projects under the jurisdiction of the State Building Commission, UNC, or community colleges from State laws governing procurement of architecture, engineering, and surveying services in Article 3D of Chapter 143 to include projects with an estimated cost of \$1,500,000, instead of \$500,000.

Section 5.1(f) would remove the following exemptions from the requirements in G.S. 143-128 for certain State building contracts that would now be generally included in G.S. 133-1.1:

- Contracts for the erection, construction, alteration or repair of a building with a cost of \$300,000 or less.
- Contracts for the erection, construction, alteration, or repair of a building owned by UNC or its constituent institutions with a cost of \$500,000 or less.

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

## **Part VI: Use of Capital Funds for Public-Private Partnerships**

**CURRENT LAW:** G.S. 143C-8-7.1 governs the procedure for disbursement of capital funds to a State agency from appropriations made by the General Assembly.

**BILL ANALYSIS:** Part VI would prohibit the use of State funds appropriated for a capital improvement project or self-liquidating project at a State agency either in conjunction with or for the benefit of a public-private partnership project without express authorization by an act of the General Assembly. A public-private partnership would be defined as a "capital improvement project undertaken for the benefit of a government entity and a private entity that may involve a contract, a financing agreement, or other agreement, and includes construction of a public facility or other improvements, including paving, grading, utilities, infrastructure, reconstruction, or repair, and may include both public and private

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facilities." State funds appropriated to the Department of Transportation for transportation infrastructure and capital, repairs, and renovations would require express authorization from the Board of Transportation.

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

## **Part VII: Severability Clause**

**BILL ANALYSIS:** Part VII provides that the validity of other provisions or applications of the act would not be affected if any provision or application of the act is declared unconstitutional or invalid by the courts.

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

## **Part VIII: EFFECTIVE DATE**

**Bill EFFECTIVE DATE:** Except as otherwise provided, the bill would be effective when it becomes law.

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