# HOUSE BILL 268:
# 2025 UNC Self-Liquidating Capital Projects.

*2025-2026 General Assembly*

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| **Committee:** | House Higher Education. If favorable, re-refer to Rules, Calendar, and Operations of the House | **Date:** | March 19, 2025 |
| **Introduced by:** | Reps. Hastings, Pickett | **Prepared by:** | Samantha Yarborough<br>Committee Counsel |
| **Analysis of:** | First Edition | | |

***OVERVIEW: House Bill 268 would authorize constituent institutions of The University of North Carolina (UNC) to finance and acquire or construct certain capital improvement projects reviewed and approved by the Board of Governors of UNC (Board of Governors). The projects would be financed through revenue bonds, special obligation bonds, and other funds available to the institutions, excluding tuition and appropriations from the General Fund or the State Capital and Infrastructure Fund unless previously authorized by law.***

**CURRENT LAW:** Under Article 8 of the State Budget Act, no State agency can 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 can 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 UNC.

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.
- 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 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:** House Bill 268 would authorize two 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:

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| Campus | Project | Amount | Source of Funds |
|---|---|---|---|
| University of North Carolina at Chapel Hill | Electrical Distribution System/Substations & Switchgear Upgrade | $14,581,920 | • Utility Receipts |
| University of North Carolina at Chapel Hill | Fetzer Hall Addition/Campus Recreation | $90,000,000 | • Student Recreation Debt Service Fee |
| University of North Carolina at Wilmington | Parking Deck III | $12,000,000 | • Parking and Transportation Receipts |
| University of North Carolina at Wilmington | Student Housing Village – Phase III (Student Housing Village Building 5) | $71,002,458 | • Housing Receipts |

The proposed indebtedness authorized under this act is not a debt of the State.

The Director of the Budget, at the request of the Board of Governors, can 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) can 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 issues cannot 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:** The bill would be effective when it becomes law.