

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003**

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**SENATE BILL 1098
House Committee Substitute Favorable 6/15/04
House Committee Substitute #2 Favorable 6/15/04**

Short Title: State Health and Biotechnology Financing.

(Public)

Sponsors:

Referred to:

May 17, 2004

A BILL TO BE ENTITLED

1
2 AN ACT TO AUTHORIZE THE ISSUANCE OF SPECIAL INDEBTEDNESS TO
3 FINANCE VITAL STATE FACILITIES FOR HEALTH CARE AND
4 BIOTECHNOLOGY RESEARCH, AND TO DIRECT THE STATE TREASURER
5 TO STUDY THE POTENTIAL COSTS AND BENEFITS OF INNOVATIVE
6 STATE FINANCING.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** In accordance with G.S. 142-83, this section authorizes the
9 issuance or incurrence of special indebtedness in the following maximum aggregate
10 principal amounts to finance the costs of acquiring, constructing, and equipping the
11 following projects. The State, with the prior approval of the State Treasurer and the
12 Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is
13 authorized to issue or incur special indebtedness in order to provide funds to the State to
14 be used, together with other available funds, to pay the cost of these projects.

- 15 (1) One hundred eighty million dollars (\$180,000,000) for a new cancer
16 rehabilitation and treatment center, a nearby physicians' office
17 building, and a walkway between the two, all to be located at the
18 University of North Carolina Hospitals at Chapel Hill.
- 19 (2) Sixty million dollars (\$60,000,000) for the North Carolina
20 Cardiovascular Diseases Institute at East Carolina University.
- 21 (3) Thirty-five million dollars (\$35,000,000) for a Bioinformatics Center
22 at the University of North Carolina at Charlotte.
- 23 (4) Twenty-eight million dollars (\$28,000,000) for a stand-alone facility to
24 house the new Pharmacy School program to be located at Elizabeth
25 City State University, and interim temporary facilities to house the
26 program during construction of the stand-alone facility.

1 (5) Thirty-five million dollars (\$35,000,000) for a Center for Health
2 Promotion and Partnerships at the University of North Carolina at
3 Asheville.

4 **SECTION 2.** Article 9 of Chapter 142 of the General Statutes is amended by
5 adding a new section to read:

6 "**§ 142-95. RECOP indebtedness.**

7 (a) Authorization. – In addition to special indebtedness described in the
8 preceding sections of this Article, the State may incur special indebtedness as described
9 in this section to be called real estate certificates of participation (RECOP)
10 indebtedness. RECOP indebtedness shall be incurred for the purposes and otherwise as
11 prescribed in the preceding sections of this Article, with the exceptions and limitations
12 provided in this section. All of the provisions of this Article apply to RECOP
13 indebtedness except to the extent a provision of this section specifically conflicts with a
14 provision in the preceding sections of this Article.

15 (b) Purposes. – In addition to the purposes provided in G.S. 142-83, RECOP
16 indebtedness may be incurred to refund any indebtedness of the State. RECOP
17 indebtedness may refund non-RECOP indebtedness to the same extent it may refund
18 RECOP indebtedness in accordance with the preceding sections of this Article, except
19 that the General Assembly must first enact legislation authorizing the incurrence of
20 RECOP indebtedness for this purpose up to a specific maximum amount. The proceeds
21 of RECOP indebtedness may not be used for operating expenses, start-up costs, or other
22 items of working capital.

23 (c) Security. – In addition to the security authorized in G.S. 142-85(a), RECOP
24 indebtedness may be secured by any property or interest in property of the State selected
25 by the Director of the Budget in consultation with the State Treasurer and approved by
26 the Council of State in accordance with this Article. Before selecting as security any
27 property or interest in property not authorized in G.S. 142-85, the Director of the
28 Budget must consult with the Joint Legislative Commission on Governmental
29 Operations. This subsection supplements G.S. 142-85(a); all of the remaining provisions
30 of G.S. 142-85 apply to RECOP indebtedness.

31 (d) Principal. – The entire principal amount may mature on a single date. No
32 principal reduction is required prior to maturity.

33 (e) Interest. – Interest on RECOP indebtedness may be payable partly
34 periodically and partly at maturity or earlier redemption, in the latter case with interest
35 accruing and compounding at a stated interest rate.

36 (f) Additional State Property Law Exception. – Chapter 146 of the General
37 Statutes does not apply to any sale of the State's interest in property securing RECOP
38 indebtedness if the sales proceeds are used first to pay, or provide for the payment of, all
39 or a portion of that RECOP indebtedness. The property law exceptions in
40 G.S. 142-85(h) also apply to RECOP indebtedness."

41 **SECTION 3.(a)** Findings. – The General Assembly finds that there are
42 circumstances in which the State may benefit from the use of innovative or flexible
43 public financing tools not previously considered in North Carolina. In light of the value
44 of State property and its great potential for appreciation, financing vehicles may be

1 developed that provide for a lower annual debt service in exchange for a larger payment
2 when the debt matures. In the context of urgent State needs or temporary budget
3 restrictions, the General Assembly finds that it may be in the best interest of the State to
4 be able to take advantage of this type of financing option. In order for the General
5 Assembly to make a policy decision on this issue, more economic and financial
6 information is needed.

7 **SECTION 3.(b)** Study. – The State Treasurer shall study the effects of
8 refunding State indebtedness or financing new State facilities with RECOP indebtedness
9 as defined in G.S. 142-95. In evaluating the feasibility of incurring RECOP
10 indebtedness and the surrounding policy issues, the State Treasurer shall evaluate all of
11 the following:

- 12 (1) The overall net economic cost to the State in incurring RECOP
13 indebtedness as compared to other forms of indebtedness.
- 14 (2) The relative annual debt service costs and final maturity payments of
15 RECOP indebtedness as compared to other forms of indebtedness.
- 16 (3) The availability of alternative financing opportunities and their relative
17 costs to the State.
- 18 (4) For refundings, whether the refunding would result in an economic
19 gain, overall lower borrowing costs, or other benefits to the State.
- 20 (5) Factors that affect which circumstances might make RECOP financing
21 more or less desirable.
- 22 (6) The impact on the State's credit rating of various debt options in
23 various situations.
- 24 (7) Any other issues the State Treasurer considers relevant.

25 **SECTION 3.(c)** Report. – The State Treasurer shall report to the Joint
26 Legislative Commission on Governmental Operations by February 1, 2005, the results
27 of this study, including specific findings and recommendations.

28 **SECTION 4.** This act is effective when it becomes law.