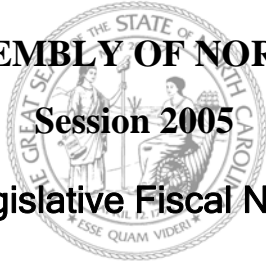


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2005

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1809 (Second Edition)

SHORT TITLE: University Indebtedness Projects.

SPONSOR(S): Senator Kerr

FISCAL IMPACT (\$Thousands)					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>
REVENUES:					
Various	See Assumptions and Methodology				
General Fund					
Part I. Self-Liquidating				\$5,013	\$5,186
Part II. UNC Special Indebtedness		Up to \$94	\$256 - \$667	\$639 - \$1,439	\$646 - \$1,454
Part III. UNC G.O. Indebtedness	No General Fund impact				
Various Receipt Supported	See Assumptions and Methodology				
POSITIONS (cumulative):		6.5	15.1	73.6	73.6
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: University of North Carolina Board of Governors					
EFFECTIVE DATE: This act is effective when it becomes law.					

BILL SUMMARY:

May 23, 2006

S 1809. UNIVERSITY SELF-LIQUIDATING PROJECTS. Filed 5/23/06. TO AUTHORIZE THE CONSTRUCTION AND THE FINANCING, WITHOUT APPROPRIATIONS FROM THE GENERAL FUND, OF CERTAIN CAPITAL IMPROVEMENTS PROJECTS OF THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA. As title indicates. Authorizes the financing of the following projects with funds available from sources other than the General Fund or by special obligation bonds, revenue bonds, or both.

Appalachian State University
 Central Dining Facility – Phase II \$4,850,000

East Carolina University
Mendenhall Student Center and Ledonia Wright Cultural Center –
Expansion and Renovation \$39,000,000
Todd Dining Hall – Renovation \$2,100,000
Brody School of Medicine – Renovations \$1,200,000
Brody School of Medicine – Health Science Campus – Renovations \$6,000,000

Elizabeth City State University
Residence Hall – Heating, Ventilating, and Air Conditioning
Improvements \$1,500,000

North Carolina State University
Derr Track – Renovation and Expansion – Phase II \$2,500,000
Partners VI Building and Parking Deck \$40,000,000
Centennial Campus Infrastructure \$10,000,000

The University of North Carolina at Chapel Hill
Food Service Facilities – Renovation and Expansion \$3,500,000
Science Complex – Phase II \$92,200,000
Carmichael Auditorium – Renovation and Expansion \$15,000,000
Research Resource Facility – Phase II \$12,400,000
Residence Halls – Improvements \$2,000,000
Woollen Gymnasium – Renovation \$4,500,000
Boshamer Baseball Stadium – Improvements \$14,000,000
Cogeneration Warehouse \$500,000
Steam Infrastructure Improvements \$55,700,000
Electrical Infrastructure Improvements \$29,530,000
Bell Tower Development – Phase I \$10,000,000
Global Education & International Studies Center – Improvements \$2,500,000

The University of North Carolina at Charlotte
Prospector Hall – Renovation – Phase II \$4,000,000
Residence Halls – Phase IX \$38,800,000

The University of North Carolina at Greensboro
Residence Hall – Acquisition \$29,500,000

The University of North Carolina at Wilmington
Residence Halls – Improvements \$4,900,000

Western Carolina University
Residence Hall – Renovation and Expansion \$1,000,000

Winston-Salem State University
Residence Hall – Renovation \$4,500,000

Also authorizes the financing of the following supplemental projects with funds available from sources other than the General Fund or by special obligation bonds:

North Carolina State University
Residence Halls – Renovation – Supplement \$11,500,000

Thompson Theater – Renovation and Expansion – Supplement \$4,500,000

The University of North Carolina at Chapel Hill
Residence Halls – Improvements – Supplement \$2,500,000
Botanical Garden Visitor Education Center – Supplement \$5,000,000
Educational Foundation Office Building – Supplement \$12,000,000
Cobb Residence Hall – Renovation – Supplement \$5,116,000
Residence College – Phase II – Supplement \$8,000,000
Rizzo Center – Expansion – Supplement \$5,300,000

The University of North Carolina at Charlotte
Student Union – Supplement \$10,000,000

The University of North Carolina at Greensboro
Parking Deck Addition – Supplement \$1,000,000

The University of North Carolina at Pembroke
University Center Expansion – Supplement \$2,000,000

The University of North Carolina at Wilmington
University Union Building – Expansion and Renovation –
Supplement \$12,000,000

Western Carolina University
Dodson Cafeteria Replacement – Supplement \$12,250,000
New Student Recreation Center – Supplement \$6,200,000

Allows the UNC Board of Governors to issue special obligation bonds to pay acquisition and construction costs of projects authorized in act in an amount not to exceed the specified project costs plus 5%. With respect to UNC-CH Research Resources Facility capital project, makes exception to GS 116D-22(5) requirements as to location at the institution. With respect to the Major Infrastructure Improvements capital project at UNC-CH previously authorized by SL 2005-324, authorizes UNC-CH to accomplish a portion of the project by making a payment to Duke Power to acquire distribution capacity in improvements to three electrical substations and negotiating necessary easements. With respect to the \$30 million Student Housing project at NCCU authorized by SL 2005-324, provides that NCCU may construct or purchase new buildings to meet its need for student housing.

June 1, 2006

S 1809. UNIVERSITY INDEBTEDNESS PROJECTS (NEW). Filed 5/23/06. Senate committee substitute makes the following changes to 1st edition. Designates the original provisions of the bill as Part I and adds new Parts II and III. The state was authorized in 2004 to issue special indebtedness under Article 9 of GS Chapter 142 for a variety of projects. Part II modifies the purposes for which this indebtedness may be used as follows: (1) authorizes use of the proceeds for construction of a research building at the joint Millennial Campus of NC A&T State University and UNC-Greensboro (was, pre-construction costs for facilities generally); (2) authorizes use of the proceeds for construction of a Nursing and Allied Health Building at UNC-Pembroke (was, pre-construction costs for an Optometry School); (3) authorizes the use of proceeds for construction of a building for the NC Center for Health and Aging (was, pre-construction costs for the Center); and (4) authorizes use of the proceeds for construction of a Center for Design Innovation for Winston-Salem State University and the NC School of the Arts (was, pre-construction costs) and deletes authorization for property acquisition for Winston-Salem State University programming related to biotechnology.

General Obligation bonds for UNC System projects were approved by the voters in 2000. Part III of the act reduces the scope of several projects and transfers the unused funds to other projects within each of the following campuses: NCSU, UNC-Chapel Hill, and WCU
Source: Bill Digest S.B. 1809 (05/23/0200).

ASSUMPTIONS AND METHODOLOGY:

Part I. Self-Liquidating Projects

Chart 1 on Page 3 lists each self-liquidating capital improvement project proposed by the Board of Governors of the University of North Carolina for FY 2006-07. There are 27 new capital improvement projects totaling \$431,680,000 in improvements. The Board also requests the authority to fund \$97,366,000 in supplements to 14 previously authorized self-liquidating capital projects. Six proposed projects will increase student fees to cover debt service payments. Three new projects at the University of North Carolina at Chapel Hill would require General Fund support for increased operating costs. Financial data for these charts was provided by the Division of Finance, University of North Carolina General Administration.

Chart 1						
Campus	Project	Amount	Source of Funds	Effect of Debt on Students	Increase in Annual Operating Costs	Source of Operating Costs
Appalachian State University	Central Dining Facility - Phase II	\$4,850,000	Food Service Receipts		\$48,314	Food Service Receipts
East Carolina University	Mendenhall Center/ Wright Center Expansion and Renovation	\$39,000,000	Debt Service Fee	\$150/year	\$402,269	Student Activities Receipts
East Carolina University	Todd Dining Hall	\$2,100,000	Food Service Receipts			
East Carolina University	Brody School of Medicine - Renovations	\$1,200,000	Medicare Receipts			
East Carolina University	Brody School of Medicine - Health Science Campus Renovations	\$6,000,000	Medicare Receipts and Medicare Practice Plan Receipts			
North Carolina State University	Derr Track - Renovation and Expansion - Phase II	\$2,500,000	Debt Service Fee	\$15/year	\$52,223	Athletic Receipts
North Carolina State University	Partners VI Building and Parking Deck	\$40,000,000	Centennial Campus Receipts		\$1,319,392	Centennial Campus Receipts

Campus	Project	Amount	Source of Funds	Effect of Debt on Students	Increase in Annual Operating Costs	Source of Operating Costs
North Carolina State University	Centennial Campus Infrastructure	\$10,000,000	Centennial Campus Receipts			
University of North Carolina at Chapel Hill	Food Services Facilities – Renovation and Expansion	\$3,500,000	Food Service Receipts			
University of North Carolina at Chapel Hill	Science Complex – Phase II	\$92,200,000	Facilities and Administrative Receipts		\$3,138,323	General Fund
University of North Carolina at Chapel Hill	Carmichael Auditorium – Renovation and Expansion	\$15,000,000	Student Fees and Gifts		\$262,658	General Fund
University of North Carolina at Chapel Hill	Research Resource Facility – Phase II	\$12,400,000	Facilities and Administrative Receipts		\$1,611,990	General Fund
University of North Carolina at Chapel Hill	Residence Halls Improvements	\$2,000,000	Housing Receipts			
University of North Carolina at Chapel Hill	Woollen Gymnasium Renovation	\$4,500,000	Student Fees			
University of North Carolina at Chapel Hill	Boshamer Baseball Stadium Improvements	\$14,000,000	Private Gifts			
University of North Carolina at Chapel Hill	Cogeneration Warehouse	\$500,000	Utility Receipts			
University of North Carolina at Chapel Hill	Steam Infrastructure Improvements	\$55,700,000	Utility Receipts			
University of North Carolina at Chapel Hill	Electrical Infrastructure Improvements	\$29,530,000	Utility Receipts			

Campus	Project	Amount	Source of Funds	Effect of Debt on Students	Increase in Annual Operating Costs	Source of Operating Costs
University of North Carolina at Chapel Hill	Bell Tower Development Phase I	\$10,000,000	Facilities and Administrative Receipts			
University of North Carolina at Chapel Hill	Global Education and International Studies Center Improvements	\$2,500,000	Private Gifts			
University of North Carolina at Charlotte	Prospector Hall Renovation Phase II	\$4,000,000	Food Service Receipts		\$107,310	Food Service Receipts
University of North Carolina at Charlotte	Residence Halls Phase IX	\$38,800,000	Housing Receipts		\$1,199,654	Housing Receipts
University of North Carolina at Greensboro	Residence Hall Acquisition	\$29,500,000	Housing and Parking Receipts		\$960,562	Housing and Parking Receipts
University of North Carolina at Wilmington	Residence Halls Improvements	\$4,900,000	Housing Receipts			
Western Carolina University	Residence Hall Renovation and Expansion	\$1,000,000	Housing Receipts			
Winston Salem State University	Residence Hall Renovation	\$4,500,000	Housing Receipts			

Supplemental Funding for Previously Authorized Projects						
Campus	Project	Amount	Source of Funds	Effect of Debt on Students	Increase in Annual Operating Costs	Source of Operating Costs
North Carolina State University	Residence Halls Renovation	\$11,500,000	Housing Receipts			
North Carolina State University	Thompson Theater Renovation and Expansion	\$4,500,000	Debt Service Fee	\$20/year	\$105,426	Student Activities Receipts

Campus	Project	Amount	Source of Funds	Effect of Debt on Students	Increase in Annual Operating Costs	Source of Operating Costs
University of North Carolina at Chapel Hill	Residence Halls Improvements	\$2,500,000	Housing Receipts			
University of North Carolina at Chapel Hill	Botanical Garden Visitor Education Center	\$5,000,000	Private Gifts			
University of North Carolina at Chapel Hill	Educational Foundation Office Building	\$12,000,000	Private Gifts		\$387,976	Gifts and Athletic Receipts
University of North Carolina at Chapel Hill	Cobb Residence Hall Renovation	\$5,116,000	Housing Receipts			
University of North Carolina at Chapel Hill	Residence College Phase II	\$8,000,000	Housing Receipts			
University of North Carolina at Chapel Hill	Rizzo Center Expansion	\$5,300,000	Rizzo Center Receipts			
University of North Carolina at Charlotte	Student Union	\$10,000,000	Auxiliary Receipts			
University of North Carolina at Greensboro	Parking Deck Addition	\$1,000,000	Parking Receipts			
University of North Carolina at Pembroke	University Center Expansion	\$2,000,000	Debt Service Fee	\$20/year		
University of North Carolina at Wilmington	University Union Building Expansion and Renovation	\$12,000,000	Debt Service Fee			
Western Carolina University	Dodson Cafeteria Replacement	\$12,250,000	Debt Service Fee	\$113/year		
Western Carolina University	New Student Recreation Center	\$6,200,000	Debt Service Fee	\$74/year		

Cost of new capital improvement projects = \$431,680,000
 Cost of supplements to previously authorized projects = \$97,366,000
 Cost of capital improvements for all projects = \$529,046,000

Inflation - General Fund operating expenditures were inflated by calculating a straight line dollar increase measured from the first year of operation and escalated using the 20-year average operating expenditure estimate provided by the University of North Carolina General Administration.

Indebtedness Funding Methods:

Chart 2 summarizes the total debt authority proposed by Senate Bill 1809 and the source of funds identified to service the proposed debt.

Chart 2	
Sources of Funding	Principal
Facilities and Administrative Receipts	\$102,200,000
Utility Receipts	\$85,730,000
Debt Service Fees	\$78,450,000
Housing Receipts	\$73,916,000
Centennial Campus Receipts	\$50,000,000
House and Parking Receipts	\$29,500,000
Student Fees	\$19,500,000
Auxiliary Receipts	\$10,000,000
Dining Receipts	\$9,600,000
Medicare Education Receipts	\$7,200,000
Rizzo Center Receipts	\$5,300,000
Parking Receipts	\$1,000,000

Part II. Revise University Special Indebtedness

The proposed revision to Session Law 2004-179 expands the authorized capital expenditures to include the construction of four new facilities in the University system. The revision also replaces the proposed School of Optometry at the University of North Carolina at Pembroke with a proposed School of Nursing. Under current law, the State Treasurer, with the approval of the Council of State, can issue special indebtedness for land acquisition, planning, design, and site preparation for three of the four capital projects proposed in this PCS. While this PCS expands the debt authorization of S.L. 2004-179 to include construction expenditures, this PCS does not increase the authorized debt amount for these projects. **Without an increase in the debt authority, no impact to General Fund debt service payments is anticipated.**

By authorizing the construction of these facilities, the proposed revision to S.L. 2004-179 will result in an increased operating impact. Each of the proposed facilities fulfills an academic purpose and the University anticipates a General Fund operating impact for each of the facilities. Please see Chart 3 for detail

information for each proposed project. Financial data for this chart was provided by the Division of Finance, University of North Carolina General Administration.

Chart 3					
Campus	Project	Total Project Cost	Source of Funds	Annual Operating Costs	Source of Operating Costs
Western Carolina University / UNC-Asheville / Mountain Area Health Education Consortium	Center for Health and Aging	\$20,382,000	General Fund supported COPs (\$10,000,000)/ MAHEC Funding	\$420,114	General Fund and other sources. General Fund support to be determined
UNC-Greensboro / NC Agricultural & Technical University	Millennial Campus Research Building	\$10,000,000	General Fund supported COPs	\$376,086	General Fund and other sources. General Fund support to be determined
University of North Carolina at Pembroke	Nursing and Allied Health Building	\$10,000,000	General Fund supported COPs	\$351,849	\$351,849
Winston Salem State University / NC School of the Arts	Center for Design Innovation	\$10,000,000	General Fund supported COPs	\$287,424	\$287,424

Inflation - General Fund operating expenditures were inflated by 1% per year. Similar facilities proposed as self-liquidating projects in Part I of this PCS were estimated to have operating budgets that increased by roughly 1% per year. This inflation factor was applied to the four proposed projects in Part II of this PCS.

Part III. Revise University General Obligation Indebtedness

According to the Division of Finance for the University of North Carolina General Administration, **no General Fund operating impact** is anticipated from the proposed modifications to Session Law 2000-3.

SOURCES OF DATA: The University of North Carolina General Administration

TECHNICAL CONSIDERATIONS: None

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DATE: June 5, 2006



Signed Copy Located in the NCGA Principal Clerk's Offices