

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1925 (First Edition)

SHORT TITLE: UNC Nonappropriated Capital Projects.

SPONSOR(S): Senators Kerr and Stevens

FISCAL IMPACT					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>
REVENUES					
EXPENDITURES	\$3,845,893	\$3,907,438	\$3,968,983	\$4,030,537	\$4,092,072
POSITIONS (cumulative):	15.9	15.9	49.3	49.3	49.3
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: The University of North Carolina					
EFFECTIVE DATE: When law becomes effective.					

BILL SUMMARY: Authorizes UNC to undertake specific construction projects at various constituent institutions to be financed using funds available to the institutions from sources other than tuition or appropriations from the General Fund. Sets forth a maximum principal amount of bonds for project costs. Cites specific projects and funding requirements. Reallocates \$8.6 million from the Berryhill Laboratory capital project to a new capital project entitled Division of Laboratory Animal Medicine. Amends GS 142-94 to exempt special indebtedness issued for Gateway University Research Park, Inc., in Greensboro from state laws relating to the acquisition and construction of state property

Source: Bill Digest S.B. 1925 (05/22/0200).

Part I: Self-Liquidating Projects:

Section 1.1: Authorizes the construction or acquisition of the following capital improvement projects by certain constituent institutions of The University of North Carolina and authorizes their financing with funds available to the institutions from gifts, grants, receipts, self-liquidating indebtedness, or other funds or a combination of these funds, but not including funds received for tuition or appropriated from the General Fund.

Section 1.2: New Projects

Appalachian State University	
Kidd Brewer Stadium Improvements	\$8,300,000
East Carolina University	
Athletic Facilities Expansion and Improvements	\$30,000,000
Dining Facilities Improvements	\$9,700,000
Residence Halls Improvements and Expansion	\$28,500,000
Dowdy-Ficklen Stadium Improvements	\$24,000,000
North Carolina Central University	
Student Facilities Improvements	\$11,500,000
North Carolina State University	
Student Health Center Expansion	\$10,900,000
Avent Ferry Administration Center Renovation	\$5,200,000
Centennial Campus Tenant Space Renovations	\$10,000,000
Collaborative Research Building I	\$35,000,000
The University of North Carolina at Chapel Hill	
Athletic Facilities Renovation and Expansion	\$7,023,000
Dental Sciences Teaching and Learning Building	\$26,000,000
Fetzer Gymnasium Expansion	\$2,500,000
Kenan Stadium Expansion, Phase I	\$50,000,000
Mary Ellen Jones Animal Facility Renovation	\$10,000,000
Medical Research Building D Renovation and Expansion	\$5,000,000
Research Resource Facility – Phase III	\$8,600,000
Robertson Scholars Site Preparation	\$1,900,000
Chilled Water Infrastructure	\$6,000,000
Cogeneration and Steam Infrastructure Improvements and Expansion	\$17,000,000
Electrical Infrastructure Improvements	\$13,500,000
The University of North Carolina at Charlotte	
Residence Hall Fire Suppression Sprinkler System Installation	\$16,200,000
The University of North Carolina at Greensboro	
Cone Residence Hall Fire Alarm System Replacement	\$948,000
North and South Spencer Residence Hall Improvements	\$5,978,000
Baseball Locker Room and Training Facility	\$2,800,000
The University of North Carolina at Wilmington	
Student Recreation Center Expansion	\$35,000,000
Winston-Salem State University	
Student Activities Center	\$3,750,000

Project Supplements

Carmichael Auditorium – Supplement	\$9,500,000
Carmichael Residence Hall – Supplement	\$1,300,000
Old East and Old West Residence Halls Improvements – Supplement	\$3,200,000
Woollen Gymnasium (Sports Medicine) – Supplement	\$1,500,000

Section 1.3: The following projects, authorized for planning only, are also funded only with non-General Fund money (pursuant to G.S. 143C-8-12):

Appalachian State University	
Student Residential Learning and Activity Development – Advance Planning	\$6,400,000
Fayetteville State University	
Student Residence Hall and Fitness Center – Advance Planning	\$5,900,000
The University of North Carolina at Charlotte	
Partnership, Outreach, and Research for Accelerated Learning (PORTAL) Building – Advance Planning	\$5,000,000
Motorsports Building II – Advance Building	\$800,000

Section 1.4: At the request of the Board of Governors of The University of North Carolina, the Director of the Budget may authorize specified changes.

Section 1.5: Pursuant to G.S. 116D-26, the Board of Governors may, subject to the approval of the Director of the Budget, issue special obligation bonds of the Board of Governors for some projects.

Section 1.6: With regards to UNC Chapel Hill’s Research Resource Facility - Phase III, ECU’s Athletic Facilities Expansion and Improvements, and NCSU’s Avent Ferry Administration Center Renovation projects, the institutions may construct and finance notwithstanding the requirement as to location at the institution in G.S. 116D-22(5).

Section 1.7: With regards to UNC Chapel Hill’s Kenan Stadium – Expansion, Phase I, the institution may accomplish construction and financing through specified lease arrangements to and from The Educational Foundation, Inc. or any other special purpose entity created for that purpose. It may then contract with The Educational Foundation, Inc. or any other special purpose entity created for that purpose for the operation and management of such part of the project.

Section 1.8: The ASU’s Kidd Brewer Stadium Improvements projects, the institution may accomplish construction and financing through specified lease arrangements.

Section 1.9: With regards to UNC Chapel Hill’s Cogeneration and Steam Infrastructure Improvements and Expansion project, the institution may accomplish construction and financing of the Landfill Gas Utilization portion notwithstanding the requirement as to location (G.S. 116D-22(5)). The University of North Carolina at Chapel Hill may enter into any other required agreements for the completion of the project notwithstanding certain other provisions.

Part II. Revise University General Obligation Indebtedness. The General Assembly, pursuant to Section 2(b) of S.L. 2000-3, makes modifications to the scope of “Berryhill Laboratory Building – Comprehensive Renovation.” Its unused funds are transferred to a new capital project, “Division of Laboratory Animal Medicine Upfits.” Makes corresponding amendments to Section 2(a) of S.L. 2000-3.

Part III. Procurement Modifications

Rewrites G.S. 142-94, exempting Gateway University Research Park, Inc., (the joint Millennial Campus between NCA&T and UNCG) from Articles 3, 3B, 3C, 3D, and 8 of Chapter 143 for special indebtedness related to purchase, construction or operation of capital facilities. These articles are the purchase, conservation, and contract laws for publicly owned construction projects:

- Article 3: Purchases and Contracts
- Article 3B: Conservation of Energy, Water, and Other Utilities in Government Facilities
- Article 3C: Contracts to Obtain Consultant Services
- Article 3D: Procurement of Architectural, Engineering, and Surveying Services
- Article 8: Public Contracts

This revision would allow previously authorized COPs and appropriated cash funds to be transferred from UNCG and NC A&T to Gateway Research Park, Inc., to manage the construction projects. They would not be subject to all of the state construction regulations listed above.

ASSUMPTIONS AND METHODOLOGY:

Part I. Self-Liquidating Projects and Planning

(Financial data for these charts was provided by the Division of Finance, University of North Carolina General Administration.)

Chart 1 reports the source of funding, effect of additional debt on students, and operating costs associated with each of the 27 new and 4 supplemental capital projects for a total of \$401,499,000. Additional operating cost expenditures have been projected for the first year, and the amount of operating costs supported by the General Fund has been indicated. Operating costs that are supported by the General Fund are associated with buildings that have an academic mission.

Chart 1: Self-Liquidating Capital Improvement Projects

Campus	Project	Amount	Source of Capital Funds	Effect of Debt on Students	Increase in Annual Operating Costs (1st year)	General Fund Support of Operating Costs (1st year)
ASU	Kidd Brewer Stadium Improvements	\$8,300,000	Debt Service Fee	\$18 increase		
ECU	Athletic Facilities Expansion and Improvements	\$30,000,000	Debt Service Fee	Zero net effect	\$1,200,000	
ECU	Dining Facilities Improvements	\$9,700,000	Dining Receipts	<3% increase	\$157,098	

Campus	Project	Amount	Source of Capital Funds	Effect of Debt on Students	Increase in Annual Operating Costs (1st year)	General Fund Support of Operating Costs (1st year)
ECU	Residence Halls Improvements and Expansion	\$28,500,000	Housing Receipts	3% increase	\$497,027	
ECU	Dowdy-Ficklen Stadium Improvements	\$24,000,000	Gifts/ Athletic Receipts		\$1,361,769	
NCCU	Student Facilities Improvements	\$11,500,00	Debt Service Fee	\$39 net increase		
NCSU	Student Health Center Expansion	\$10,900,000	Debt Service Fee	\$7 net increase	\$244,596	
NCSU	Avent Ferry Administration Center Renovation	\$5,200,000	Facilities and Administrative Receipts/Other		\$275,104	Receipts and \$181,509 General Fund
NCSU	Centennial Campus Tenant Space Renovations	\$10,000,000	Centennial Campus Receipts			
NCSU	Collaborative Research Building I	\$35,000,000	Centennial Campus Receipts		\$996,572	
UNC-CH	Athletic Facilities Renovation and Expansion	\$7,023,000	Athletic Receipts		\$77,623	
UNC-CH	Carmichael Auditorium – Supplement	\$9,500,000	Gifts/ Athletic Receipts		\$115,405	General Fund
UNC-CH	Carmichael Residence Hall – Supplement	\$1,300,000	Housing Receipts	3% increase		
UNC-CH	Dental Sciences Teaching and Learning Building	\$26,000,000	Facilities and Administrative Receipts/Gifts		\$3,022,270	Receipts and \$1,762,910 General Fund
UNC-CH	Fetzer Gymnasium Expansion	\$2,500,000	Gifts/Athletic Receipts		\$78,802	General Fund
UNC-CH	Kenan Stadium Expansion, Phase I	\$50,000,000	Gifts/ Additional Premium Seating		\$208,250	

Campus	Project	Amount	Source of Capital Funds	Effect of Debt on Students	Increase in Annual Operating Costs (1st year)	General Fund Support of Operating Costs (1st year)
UNC-CH	Mary Ellen Jones Animal Facility Renovation	\$10,000,000	School of Medicine and Facilities and Administrative Receipts		\$171,816	General Fund
UNC-CH	Medical Research Building D Renovation and Expansion	\$5,000,000	School of Medicine Receipts		\$84,519	General Fund
UNC-CH	Old East and Old West Residence Halls Improvements – Supplement	\$3,200,000	Housing Receipts	3% increase		
UNC-CH	Research Resource Facility – Phase III	\$8,600,000	School of Medicine and Facilities and Administrative Receipts		\$446,498	General Fund
UNC-CH	Robertson Scholars Site Preparation	\$1,900,000	Facilities and Overhead Receipts		\$184,060	General Fund
UNC-CH	Woollen Gymnasium – Supplement	\$1,500,000	Gifts		\$100,149	General Fund
UNC-CH	Chilled Water Infrastructure	\$6,000,000	Utility Receipts		\$104,485	
UNC-CH	Cogeneration and Steam Infrastructure Improvements and Expansion	\$17,000,000	Utility Receipts			
UNC-CH	Electrical Infrastructure Improvements	\$13,500,000	Utility Receipts			
UNCC	Residence Hall Fire Suppression Sprinkler System Installation	\$16,200,000	Housing Receipts/ R&R	3% increase		
UNCG	Cone Residence Hall Fire Alarm System Replacement	\$948,000	Housing Receipts	.4% increase	\$2,475	
UNCG	North and South Spencer Residence Hall Improvements	\$5,978,000	Housing Receipts/R&R	2.6% increase	\$2,292	
UNCG	Baseball Locker Room and Training Facility	\$2,800,000	Student Activities Account		\$24,181	

Campus	Project	Amount	Source of Capital Funds	Effect of Debt on Students	Increase in Annual Operating Costs (1st year)	General Fund Support of Operating Costs (1st year)
UNCW	Student Recreation Center Expansion	\$35,000,000	Debt Service Fee	\$256 increase	\$857,211	
WSSU	Student Activities Center	\$3,750,000	Debt Service Fee	\$46 increase	\$800,250	Fees and \$720,225 General Fund

Chart 2 reflects the same information for each planning project financed by non-General Fund sources for a total of \$18,100,000.

Note: There are no operating costs associated with the three planning projects at this time; however, upon full authorization of these projects, operating costs and General Fund support of those operating costs would have to be calculated.

Chart 2: Self-Liquidating Capital Planning Projects

Campus	Project	Amount	Source of Funds
ASU	Student Residential Learning and Activity Development – Advance Planning	\$6,400,000	Housing Receipts
FSU	Student Residence Hall and Fitness Center – Advance Planning	\$5,900,000	Housing Receipts and Student Fees
UNCC	Partnership, Outreach, and Research for Accelerated Learning (PORTAL) Building – Advance Planning	\$5,000,000	Facilities and Administrative Receipts
UNCC	Motorsports Building II – Advance Building	\$800,000	Facilities and Administrative Receipts

Total Costs:

Cost of new capital improvement projects:	\$ 385,999,000
Cost of supplements to previously authorized projects:	\$ 15,500,000
Cost of capital improvements for all projects:	<u>\$ 401,499,000</u>
Cost of planning new projects:	<u>\$ 18,100,000</u>
Total cost of all projects:	\$ 419,599,000

Positions:

These projects will create a total of 65.4 new positions over the next five fiscal years. 49.3 of those positions will be supported by the General Fund. 15.9 of those positions will begin when projects are completed in 2009, while the remaining 33.4 will begin when projects are completed in 2011.

Indebtedness Funding Methods:

Chart 3 summarizes the total debt authority proposed by Senate Bill 1925 and the source of funds identified to service the proposed debt (planning projects are not included):

Chart 3: Funding sources

Utility Receipts	\$37,200,000
Debt Service Fees	\$102,250,000
Gifts and Grants	\$93,000,000
Housing and Dining Receipts	\$65,826,000
Facilities and Administrative Receipts	\$39,000,000
Medical and Athletic Receipts	\$19,223,000
Centennial Campus Receipts	\$45,000,000
Total	\$ 401,499,000

Five-year Total General Fund Operating Expenditures

The General Fund’s support of operating expenditures has been totaled for the next five fiscal years (planning projects are not included).

<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>
\$3,845,893	\$3,907,438	\$3,968,983	\$4,030,527	\$4,092,072

The University of North Carolina General Administration provided the figures to calculate the fiscal impact, including the first-year increase in operating costs, the 20-year average increase in operating costs, and the first-year increase in General Fund contributions. Inflation was assumed to increase along a straight line, and the percent contribution from the General Fund was applied to each year’s escalated operating costs.

Part II: There is no General Fund impact.

Part III: There is no General Fund impact.

SOURCES OF DATA: The University of North Carolina General Administration

TECHNICAL CONSIDERATIONS: None

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