

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1154 (First Edition)

SHORT TITLE: UNC Nonappropriated Capital Projects.

SPONSOR(S): Senator Stevens

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
REVENUES					
		(Non-General Fund)			
	\$28,830,385	\$39,723,979	\$39,723,979	\$44,098,155	\$49,081,444
EXPENDITURES					
		(Non-General Fund)			
Total	\$557,373,258	\$29,737,880	\$36,599,917	\$40,639,722	\$51,841,322
Debt Service Receipt	\$10,829,973	\$23,473,187	\$29,903,044	\$33,069,019	\$33,109,284
Supported Expenditures					
Receipt Supported Operating	\$2,125,033	\$6,264,693	\$6,696,873	\$7,570,703	\$7,727,035
Self-Liquidating Capital Projects	\$544,418,252*				
POSITIONS (cumulative):	57.8	79.7	82.2	111.5	111.5
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	University of North Carolina and University of North Carolina Hospitals				
* FY 2010-11 reflects the total cost of the non-appropriated capital project and are not reflected on a cash flow basis. All other costs are related to operating expenditures.					
EFFECTIVE DATE:	When the bill becomes law				

BILL SUMMARY:

May 13, 2010

S 1154. UNC NONAPPROPRIATED CAPITAL PROJECTS. Filed 5/13/10. TO AUTHORIZE THE CONSTRUCTION AND FINANCING, WITHOUT APPROPRIATIONS FROM THE GENERAL FUND, OF CERTAIN CAPITAL IMPROVEMENTS PROJECTS OF THE

CONSTITUENT INSTITUTIONS AND AFFILIATED ENTERPRISES OF THE UNIVERSITY OF NORTH CAROLINA.

Section 1: Authorizes the construction of the following capital improvement projects by certain constituent institutions and affiliated enterprises of the University of North Carolina and authorizes their financing with funds available to the institutions from gifts, grants, receipts, self-liquidating special indebtedness, Medicare reimbursements for education costs, hospital receipts from patient care, or other funds, or any combination of these funds, but not including funds received for tuition or appropriated from the General Fund of the State.

Section 2: New Projects

Projects By Campus	Project Amount
1. Appalachian State University	
Steam and Chilled Water Tunnel serving the Center for Student Leadership and Development Project	\$2,752,000
Plemmons Student Union Expansion	\$20,619,000
Center for Student Leadership and Development Honors Residence Hall	\$32,887,000
Steam Distribution System Improvements – Phase IV-A	\$2,492,000
Winkler and Belk Residence Halls Fire Suppression Sprinkler System Installations	\$1,162,000
2. East Carolina University	
Clement and Greene Residence Halls Fire Suppression Sprinkler System Installations	\$2,910,600
3. North Carolina A&T State University	
Aggie Stadium Press Box Renovation and Expansion	\$3,200,000
4. North Carolina State University	
Talley Student Center Renovation and Expansion	\$120,000,000
Greek Village Townhomes	\$25,000,000
5. The University of North Carolina at Asheville	
Governors Village Renovation and Expansion	\$24,917,000
6. The University of North Carolina at Chapel Hill	
Carolina North Infrastructure Improvements	\$5,000,000
Graham Student Union Renovations	\$7,500,000
Kenan Stadium Improvements, Phase 2 Carolina Student Athlete Center for Excellence	\$55,000,000
Lenoir Hall Renovations	\$5,000,000
Woollen Gymnasium Renovations, Phase 2	\$7,100,000
7. The University of North Carolina at Charlotte	
Football Complex	\$45,394,000
Parking Deck I	\$28,080,000
8. The University of North Carolina at Greensboro	
Quad Residence halls Comprehensive Renovation and Expansion	\$52,500,000
Dining Hall Comprehensive Renovation	\$31,500,000

Projects By Campus	Project Amount
8. The University of North Carolina at Greensboro (cont)	
Ragsdale and Mendenhall Residence Halls Fire Suppression Sprinkler System Installations	\$1,700,000
9. Western Carolina University	
Residence Halls Renovation	\$4,735,300
Total	\$479,448,900

Section 3: Under G.S. 116-37(j), the UNC Hospital System has authority to construct new projects. They only require the authority to finance under G.S. 116-26(d).

UNC Hospitals	Cost
Ambulatory Care Center (ACC) Expansion and Renovation	\$26,777,000
Imaging and Outpatient Center	\$21,871,000
General Internal Hospital Renovations and Equipment	\$6,000,000
Total	\$54,648,000

Section 4: Under G.S. 143C-8-7, the University of North Carolina requires approval from the General Assembly prior to beginning full project planning.

Campus	Cost
University of North Carolina at Charlotte	
New Residence Hall Phase X	\$5,156,500
Residence Dining Hall Renovations/Replacement	\$2,033,000
Parking Deck J	\$2,741,800
University of North Carolina at Pembroke	
Student Health Services Comprehensive Renovation and Addition	\$390,052
Total	\$10,321,352

Section 5: At the request of the Board of Governors of The University of North Carolina, the Director of the Budget may authorize specified changes.

Section 6: 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 7: With regards to the University of North Carolina at Chapel Hill's Kenan Stadium Improvements Phase 2 Carolina Student Athlete Center for Excellence, the institution may accomplish construction and financing through lease arrangements to and from the Educational Foundation, Inc or any other special purpose entity created for that purpose. After the completion of the aforementioned capital project, the University of North Carolina at Chapel Hill may contract for operating and management of the constructed facility with the Educational Foundation, Inc. or any other special purpose entity created for that purpose. Furthermore, the University of North Carolina at Chapel Hill may also lease the aforementioned capital project to the Educational Foundation, Inc. or any other special purpose entity created for that purpose.

ASSUMPTIONS AND METHODOLOGY: The following table uses information supplied by the University of North Carolina to estimate various impacts of the University of North Carolina Capital Projects. When a campus seeks to issue Special Indebtedness, they are required under G.S. 116D-26(b), to submit information to the General Assembly regarding these projects. The following table consolidates this information.

Table 1

Campus	Project	Project Amount	Source of Funds	Effect of debt on Students	Increase in Annual Operating Costs (1st Year)	General Fund Support of Operating Costs (1st Year)
ASU	Steam and Chilled Water Tunnel serving the Center for Student Leadership and Development Project	\$2,752,000	Utility Receipts		\$0	\$0
ASU	Plemmons Student Union Expansion	\$20,619,000	Student Debt Service Fees	\$100	\$672,893	\$0
ASU	Center for Student Leadership and Development Honors Residence Hall	\$32,887,000	Housing Receipts	\$200	\$1,270,355	\$0
ASU	Steam Distribution System Improvements – Phase IV-A	\$2,492,000	Utility Receipts		\$0	\$0
ASU	Winkler and Belk Residence Halls Fire Suppression Sprinkler System Installations	\$1,162,000	Housing Receipts		\$0	\$0
ECU	Clement and Greene Residence Halls Fire Suppression Sprinkler System Installations	\$2,910,600	Housing Receipts		\$0	\$0
NCA&T	Aggie Stadium Press Box Renovation and Expansion	\$3,200,000	Gifts, Seat Licenses, Athletic Receipts		\$48,076	\$0
NCSU	Talley Student Center Renovation and Expansion	\$120,000,000	Student Debt Service Fee	\$290*	\$455,442	\$0
NCSU	Greek Village Townhomes	\$25,000,000	Housing Receipts		\$267,033	\$0
UNCA	Governors Village Renovation and Expansion	\$24,917,000	Housing Receipts	****	\$1,033,706	\$0
UNCCH	Carolina North Infrastructure Improvements	\$5,000,000	Facilities and Administrative Receipts		\$0	\$0

Campus	Project	Project Amount	Source of Funds	Effect of debt on Students	Increase in Annual Operating Costs (1st Year)	General Fund Support of Operating Costs (1st Year)
UNCCH	Graham Student Union Renovations	\$7,500,000	Dining Debt Service Fee & Student Activity Fee	\$20.93**	\$425,475	\$0
UNCCH	Kenan Stadium Improvements, Phase 2 Carolina Student Athlete Center for Excellence	\$55,000,000	Athletic Receipts, Gifts		\$600,874	\$0
UNCCH	Lenoir Hall Renovations	\$5,000,000	Dining Debt Service Fee	\$13.92***	\$61,447	\$0
UNCCH	Woollen Gymnasium Renovations, Phase 2	\$7,100,000	Campus Recreation Receipts, Athletic Receipts		\$371,930	\$0
UNCC	Football Complex	\$45,394,000	Gifts, Seat Licenses, Student Debt Service Fees	\$120	\$914,976	\$0
UNCC	Parking Deck I	\$28,080,000	Parking Receipts		\$231,173	\$0
UNCG	Quad Residence Halls Comprehensive Renovation and Expansion	\$52,500,000	Housing Receipts	****	\$763,797	\$0
UNCG	Dining Hall Comprehensive Renovation	\$31,500,000	Dining Receipts	****	\$269,223	\$0
UNCG	Ragsdale and Mendenhall Residence Halls Fire Suppression Sprinkler System Installations	\$1,700,000	Housing Receipts		\$9,000	\$0
WCU	Residence Halls Renovation	\$4,735,300	Housing Receipts		\$7,583,290	\$0

* The NC State University Tally Student Center Renovation and Expansion Project will be funded by a student fee to be phased in over a four-year period. In Fall 2010, the fee will be \$83 per student; the Fall 2011 fee will increase to \$185 per student; the Fall 2012 fee will increase to \$275 per student; the Fall 2013 fee will increase to \$290 per student.

** The UNC-Chapel Hill Graham Student Union Renovations will be financed through a \$16.75 increase in the Student Facilities Debt Service Fee and portion (\$4.18) of an increase in the Student Dining Debt Service Fee.

*** The UNC-Chapel Hill Lenoir Hall Renovation will be financed with the remainder of the increase of the Student Dining Debt Service Fee referenced above. The portion of the fee financing this project will be \$13.92.

**** The Governor’s Village Renovation and Expansion at UNC-Asheville is predicated on a typical 3% per year increase in housing rents. At UNC-Greensboro, the Quad Residence Halls Comprehensive Renovation and Expansion requires a 4% increase in housing rents and the Dining Hall Comprehensive Renovation requires a 3% increase in dining costs. These increases reflect typical yearly increases.

Total Project Cost:

Cost of new capital projects: \$544,418,252.

Estimated General Fund Impact:

There is no estimated impact on the General Fund.

Indebtedness Funding Methods: The following chart illustrates the special indebtedness funding methods.

Table 2

Funding Source	Amount	Percent of Total
Debt Service Fee	\$195,513,000	41%
Housing Receipts	\$145,811,900	30%
Athletic and Recreation Receipts	\$65,300,000	14%
Dining Receipts	\$31,500,000	7%
Parking Receipts	\$28,080,000	6%
Utilities, Facilities, and Administrative Receipts	\$10,244,000	2%

Revenues: Many of the projects will be financed by University of North Carolina Campus revenue, as illustrated in Table 2 and Table 1. The following table illustrates expected gross revenues as a result of the various projects.

Table 3 Estimated Gross Revenue Associated with Specified Projects

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
UNC	\$9,775,501	\$30,688,158	\$37,590,578	\$39,416,102	\$39,821,998
UNC Hospitals	\$28,830,385	\$35,694,401	\$39,723,979	\$44,098,155	\$49,081,444
Total	38,605,886	66,382,559	77,314,557	83,514,257	88,903,442

Estimated University and Affiliated Enterprises Impact: There will be impacts to the Universities and affiliated enterprises in the form of debt service payments. The total non-general fund supported debt service is reflected below:

Table 4: Non-General Fund Supported Debt Service Expenditures

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
UNC	\$7,952,861	\$20,196,119	\$26,626,426	\$29,789,801	\$29,831,316
UNC Hospitals	\$2,877,112	\$3,277,068	\$3,276,618	\$3,279,218	\$3,277,968
Total	10,829,973	23,473,187	29,903,044	33,069,019	33,109,284

Fiscal impacts as a result of this bill will be financed by non-General Fund Revenue. The University of North Carolina estimates the creation of up to 111.5 full time equivalent positions as a result of this bill. The reported expenditures also include other items, such as increases in utilities and supplies. The figures submitted by UNC were adjusted for inflation per the Fiscal Research Division’s guidelines.

Table 5 Further Operating Impacts at the University of North Carolina

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
UNC	\$2,125,033	\$6,382,845	\$7,280,775	\$8,581,082	\$9,063,373

SOURCES OF DATA: Financial data for these charts was provided by the Division of Finance, University of North Carolina General Administration.

TECHNICAL CONSIDERATIONS: None

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