Overview of State Capital

Joint Appropriations Committee
February 25, 2009

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Preview

• State Capital Assets
• Capital Improvements Planning
• Methods of Financing Capital
• Capital Funding History
• Capital Appropriations Process and Issues for 2009
• Questions
State Capital Assets

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Old East – UNC-Chapel Hill
What is a Capital Improvement?

Definitions

- Capital Improvements - real property acquisition, new construction or rehabilitation of existing facilities, and repairs and renovations (G.S. 143C-1-1)

- Allocated to State agencies including the Board of Governors of the University of North Carolina
Overall State Assets

11,806 buildings
109.1 million gross square feet

Which agencies have the most building space?

<table>
<thead>
<tr>
<th>Agency</th>
<th>Gross Square Footage</th>
<th>Number of Buildings</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNC</td>
<td>63.1 million</td>
<td>2,970</td>
</tr>
<tr>
<td>Corrections</td>
<td>10.8 million</td>
<td>1,866</td>
</tr>
<tr>
<td>DHHS</td>
<td>8.8 million</td>
<td>871</td>
</tr>
<tr>
<td>DOT</td>
<td>6.3 million</td>
<td>2,240</td>
</tr>
</tbody>
</table>
Overall State Assets

8,779 parcels of land
819,665 acres of land

Which agencies have the most land?

<table>
<thead>
<tr>
<th>Agency</th>
<th>Acreage</th>
<th>Number of Parcels</th>
</tr>
</thead>
<tbody>
<tr>
<td>DENR</td>
<td>655,793</td>
<td>4,078</td>
</tr>
<tr>
<td>UNC</td>
<td>39,696</td>
<td>2,119</td>
</tr>
<tr>
<td>DACS</td>
<td>38,213</td>
<td>151</td>
</tr>
<tr>
<td>DHHS</td>
<td>30,004</td>
<td>304</td>
</tr>
</tbody>
</table>
State Assets by Function

Museum of Natural Sciences

OTHER USES:
AGRICULTURAL
ARMORY
FOOD SERVICE
STUDENT UNION
RETAIL SALES
MUSEUM
UTILITIES
RECREATIONAL
HISTORICAL
ANIMAL HOUSING
TV STUDIO/COMM.
WELCOME
CENTERS
RELIGIOUS

EDUCATIONAL 23%

OFFICE 12%

STORAGE 7%

HEALTH SERVICES 6%

PRISONS 6%

ASSEMBLY 5%

LIBRARY 4%

RESEARCH LABS 4%

WORKSHOPS 3%

OTHER 15%

HOUSING 15%
Capital Improvements Planning

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Capital Planning and the State Budget Act

• Requirements set out in Article 8 of Chapter 143C

• Six-Year Planning Horizon

• State agencies submit a prioritized capital needs estimate, including Repairs & Renovations
Capital Improvement Plan (G.S. 143C-8-5)

- The Governor submits the Plan biennially
- All capital projects, regardless of source of funding
- Six-Year Planning Horizon
- Year-one is Governor’s Capital Budget
2007-13 Capital Needs Schedule

- $7.8 billion for New Construction
- $1.3 billion for Repairs and Renov.
- $9.1 billion = Total

Avery Bldg. – Broughton Hospital
2007-13 Capital Improvements Plan

- $2.3 billion for New Construction
- $0.6 billion for Repairs and Renov.
- $2.9 billion = Total

Nash Correctional Institution

- Education (UNC) $919.0 M
- Natural & Economic Resources $643.1 M
- Justice & Public Safety $602.4 M
- Health & Human Services $245.4 M
- General Government $481.3 M
UNC Board of Governors Capital Plan

- Included in the State’s Six-Year Capital Plan
- Independently submitted to the General Assembly
- Considered side-by-side with the State’s overall capital plan
- 2009-15 BOG Capital Plan:

$11 Billion
Methods of Financing Capital

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Methods of Financing Capital

Pay-as-you-go (Cash)

• General Fund appropriations
• Dedicated revenues
• Statutory appropriations
• Gifts and Grants
• Receipts
Methods of Financing Capital

Debt Financing

• General Obligation Bonds
• Legislative Bonds ("Two-Thirds")
• Special Indebtedness
• Revenue Bonds
• Special Obligation Bonds
Capital Funding History

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Capital Improvement Funding History

• Traditional Policy
  – Pay-as-you-go
  – Availability driven

• Recent Policy
  – Debt and Cash Mix
  – Last GO Bond Vote (2000)
  – Recent reliance on special indebtedness

• Repairs and Renovations Reserve Account
  – 25% Unreserved Year-End Credit Balance
  – General Fund supported buildings
20 Years of Capital Spending

- Direct Appropriation
- Repairs & Renov.
- Debt Service
Capital Appropriations Process and Issues for 2009

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Capital Appropriations Process

• House Appropriations Subcommittee on Capital
  – Meets regularly
  – Recommends Capital Budget to Full Committee

• No Senate Capital Subcommittee
  – Chairs of Senate Appropriations deliberate
  – Recommend Capital Budget to Full Committee

• Debt Authorizations approved by the Finance and Appropriations Committees of both chambers
Issues for the 2009 Session

1. Managing the FY 2008-09 Budget Deficit
   - $70 million in R&R and $120 million in other capital spending withheld
   - Including $61 million in planning for new facilities

2. No Cash for Capital
   - Pay-as-you-go limited to Water Resources Development Projects match in recessions
   - No unreserved credit balance for Repairs and Renovations
Issues for the 2009 Session

3. Capacity to Authorize New Debt

• Debt Affordability Advisory Committee (G.S. 142-101)

• Target Policy – Debt Service does not exceed 4% of General Fund Tax Revenues
  
  $50.2 million in debt principal for each of the next 10 years

• Capacity Limit – Debt Service should not exceed 4.75% of General Fund Tax Revenues
  
  $561.8 million in debt principal for each of the next 10 years
Issues for the 2009 Session

4. Debt Service Pressures the General Fund

- $6.1 billion outstanding GF Debt with $2.1 billion in unissued authority
- Projected Debt Service for the Biennium
  - FY 2009-10 = $687.5 million (+$50 million)
  - FY 2010-11 = $746.9 million (+$60 million)
Issues for the 2009 Session

5. Biomedical Research Imaging Center

- UNC-CH Cancer Research Facility

- $8 million in 2007 and $35 million in 2008 (withheld)

- 2008 Budget included a statutory appropriation (G.S. 116-29.5)

- July 1, 2009 = $172 million

- July 1, 2010 = $45 million
For Additional Information

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NC Transportation Museum - Roundhouse