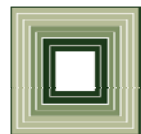


Overview of State Capital

**Joint Appropriations
Committee**

February 25, 2009

**Jim Klingler
Senior Fiscal Analyst
Fiscal Research Division**



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Preview

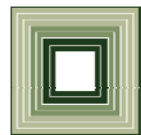
- State Capital Assets
- Capital Improvements Planning
- Methods of Financing Capital
- Capital Funding History
- Capital Appropriations Process and Issues for 2009
- Questions

State Capital Assets

**Overview of State Capital
Joint Appropriations Committee
February 25, 2009**



Old East – UNC-Chapel Hill



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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?

Agency	Gross Square Footage	Number of Buildings
UNC	63.1 million	2,970
Corrections	10.8 million	1,866
DHHS	8.8 million	871
DOT	6.3 million	2,240

Overall State Assets

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

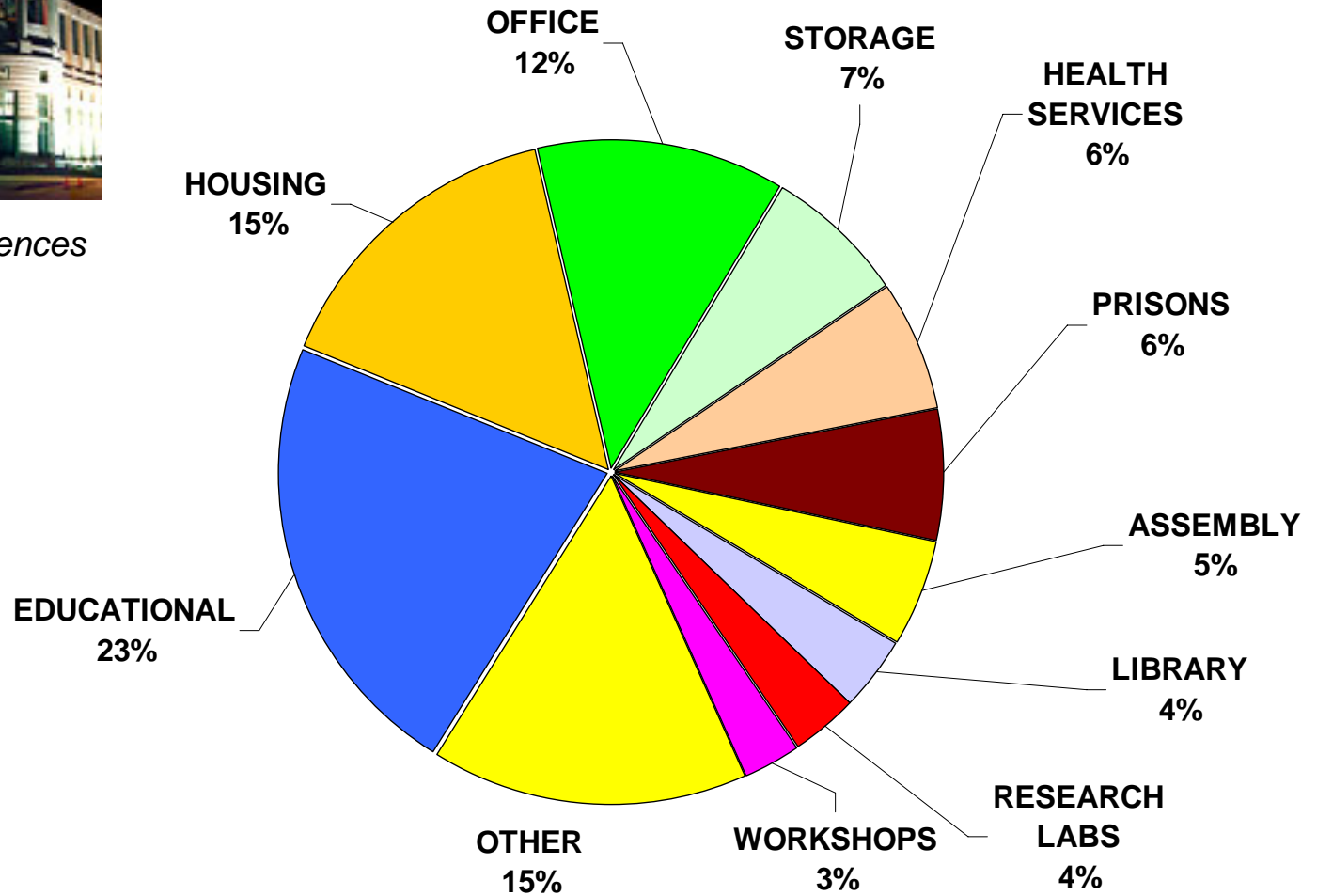
Which agencies have the most land?

Agency	Acreage	Number of Parcels
DENR	655,793	4,078
UNC	39,696	2,119
DACS	38,213	151
DHHS	30,004	304



Museum of Natural Sciences

State Assets by Function

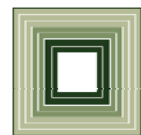


OTHER USES:

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

Capital Improvements Planning

**Overview of State Capital
Joint Appropriations Committee
February 25, 2009**



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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



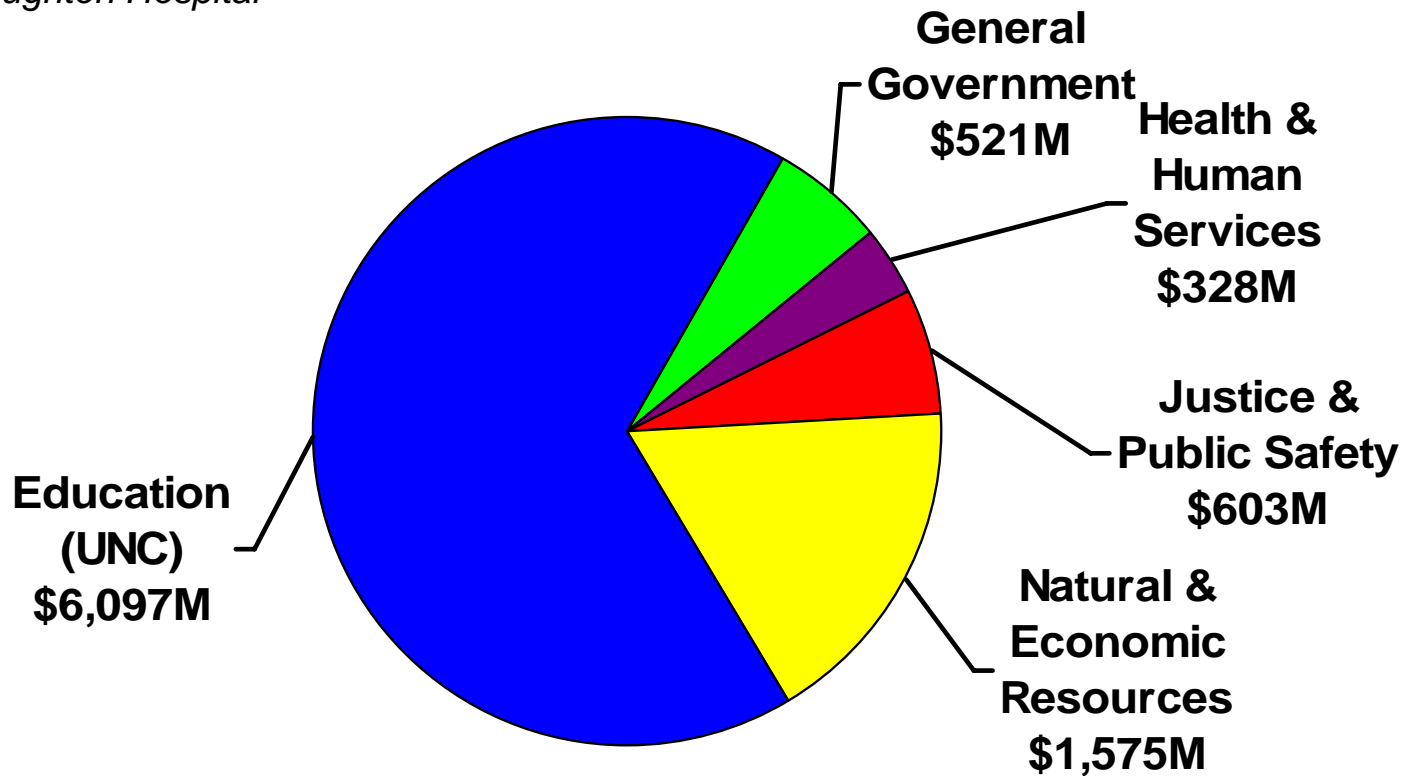
Central Prison

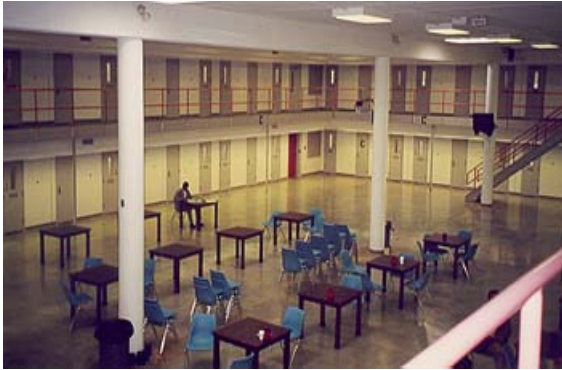


Avery Bldg. – Broughton Hospital

2007-13 Capital Needs Schedule

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

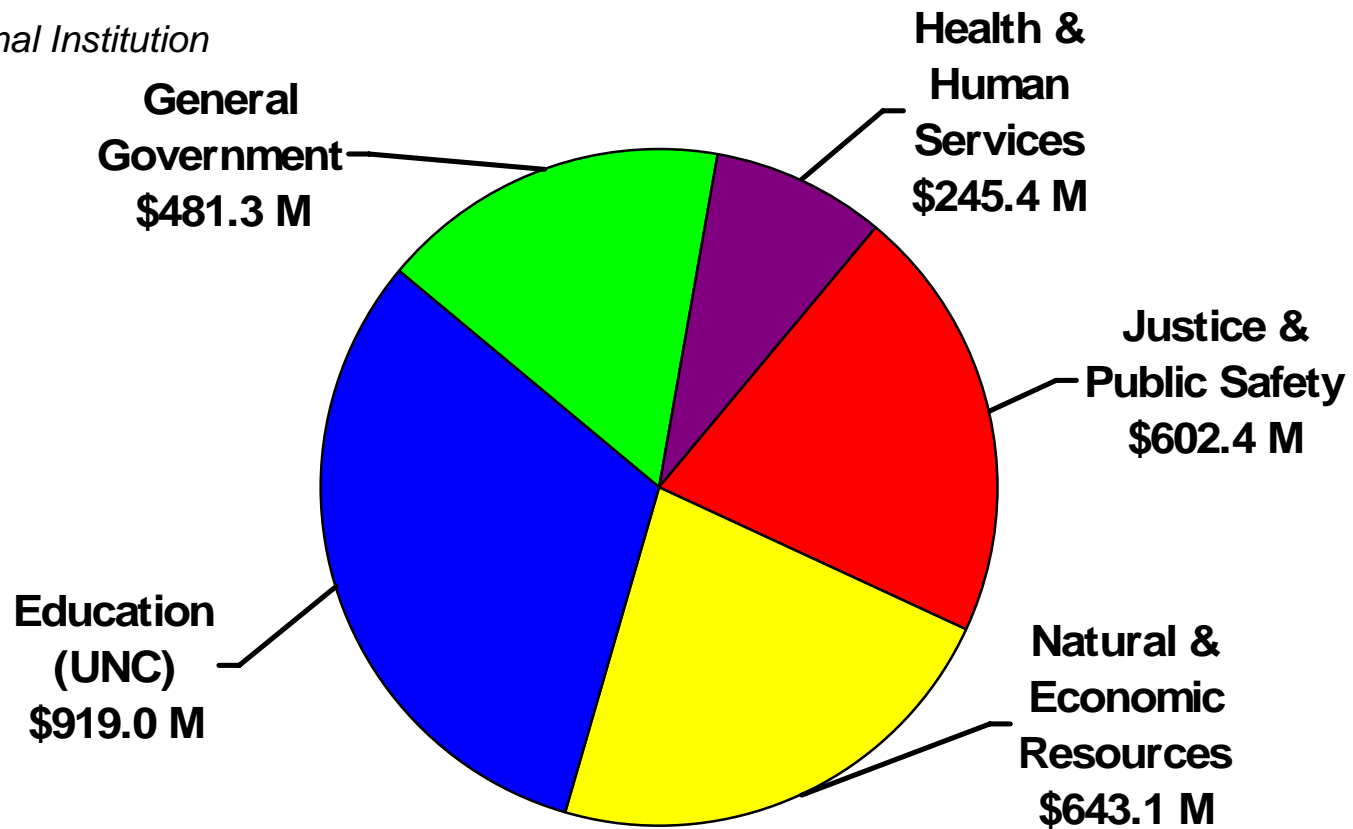




Nash Correctional Institution

2007-13 Capital Improvements Plan

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



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



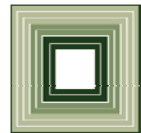
UNC - Charlotte

Methods of Financing Capital

**Overview of State Capital
Joint Appropriations Committee
February 25, 2009**



UNCW School of Education

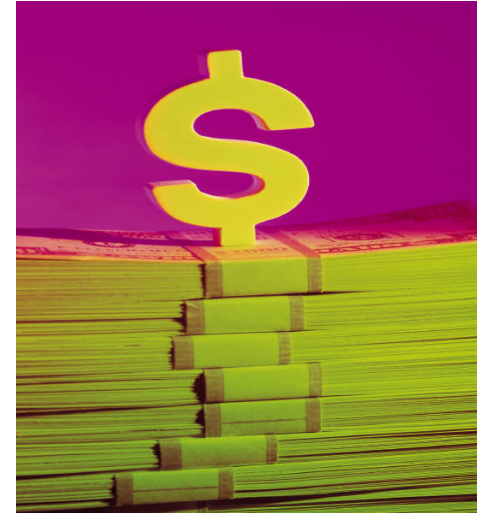


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Methods of Financing Capital

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

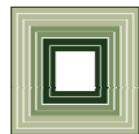


Capital Funding History

**Overview of State Capital
Joint Appropriations Committee
February 25, 2009**



State Farmers' Market – Raleigh



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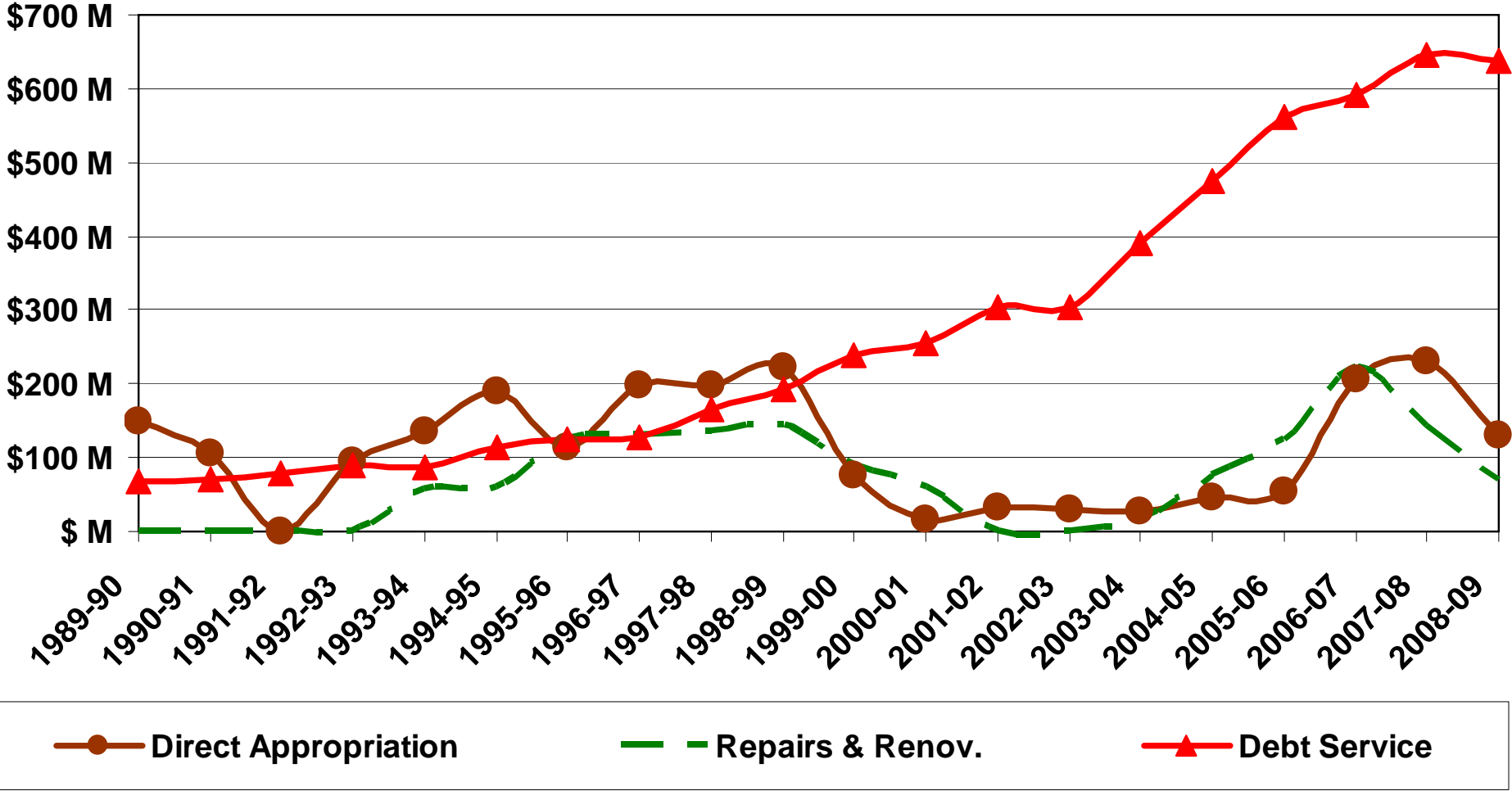
Capital Improvement Funding History

- 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



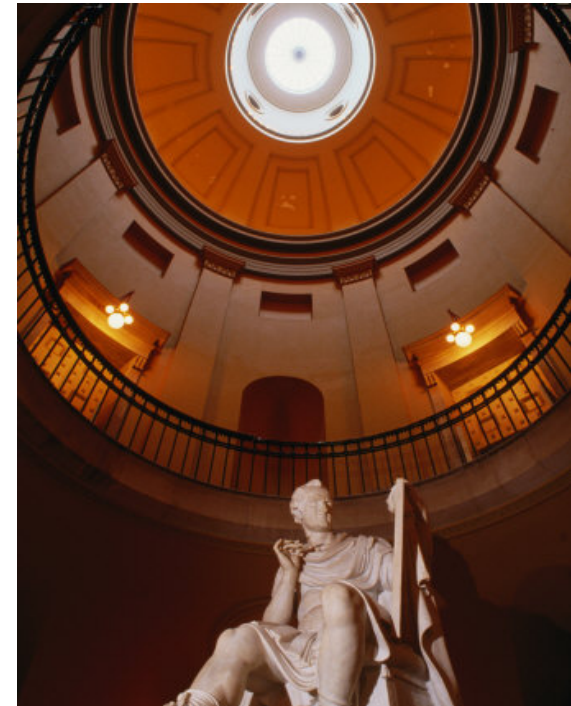
NC Museum of Art

20 Years of Capital Spending

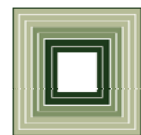


Capital Appropriations Process and Issues for 2009

**Overview of State Capital
Joint Appropriations Committee
February 25, 2009**



State Capitol Rotunda



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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

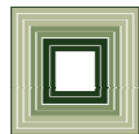
- UNC-CH Cancer Research Facility
- \$8 million in 2007 and \$35 million in 2008 (withheld)
- 2008 Budget included a statutory appropriation (G.S. 116-29.5)
 - July 1, 2009 = \$172 million
 - July 1, 2010 = \$45 million

For Additional Information

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NC Transportation Museum - Roundhouse



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