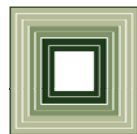


Overview of State Capital

**Senate Finance Subcommittee
on Capital and Infrastructure
Financing
March 13, 2007**

**Jim Klingler, Fiscal Analyst
Fiscal Research Division**



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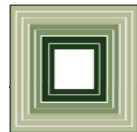
Preview

- State Capital Assets
- Methods of Funding State Capital Improvements
- Capital Improvement Funding Trends

State Capital Assets

**Senate Finance Subcommittee
on Capital and Infrastructure
Financing**

March 13, 2007



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State Assets – The Overall Points

1. The great size of the State's construction and property management program
2. Diversity of the types of assets managed by the State

Property Management Context

- November 2006, the Blackstone Group acquired Equity Office Properties Trust
- Equity Office was the largest publicly traded office building owner and manager
- Equity Office owned:
 - **580 office buildings**
 - **103 million gross square feet**

Overall State Assets

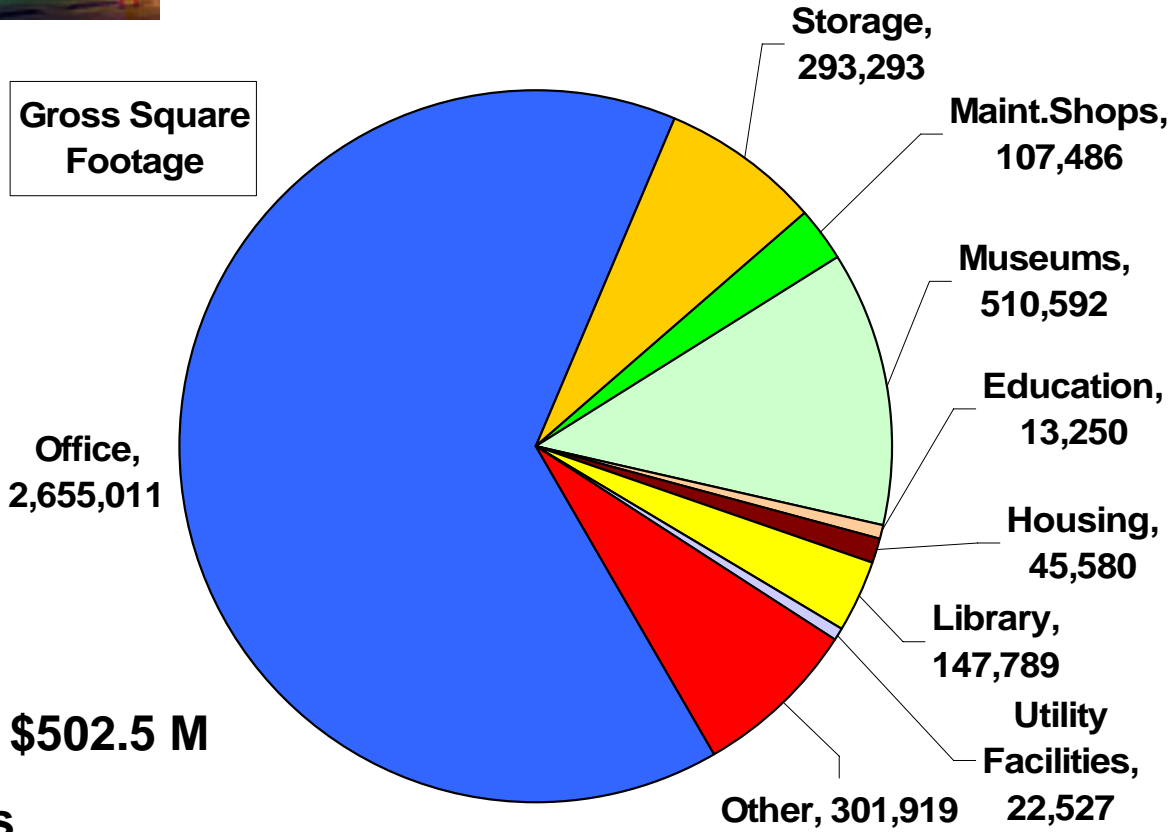
12,193 buildings
 107.3 million gross square feet
 \$14.9 billion replacement value (January 2006)

	Gross Square Footage	Insurance Value	Number of Buildings	Acreage	Number of Land Parcels
UNC	62,163,933	\$3,591,999,437	2,993	37,360	2,081
DOC	10,926,426	\$416,138,483	1,871	25,709	256
DHHS	8,355,945	\$555,293,251	870	29,957	303
DOT	6,387,244	\$194,595,462	2,626	8,333	754
DOA	4,097,447	\$502,592,694	130	4,813	343
DACS	3,275,688	\$100,257,454	687	37,031	142
Commerce	3,242,144	\$125,326,780	112	1,491	92
DENR	2,712,858	\$83,624,082	1,933	610,764	3,403
DCCPS	2,313,622	\$102,652,935	326	6,392	208
DCR	1,218,380	\$74,351,655	340	3,528	276
DJJDP	1,137,932	\$47,835,864	201	3,524	68
DOJ	478,481	\$15,757,140	54	172	6
Other	937,151	\$47,151,912	52	270	213
Total	107,247,251	\$5,857,577,149	12,195	769,343	8,145



Administration

- Property Manager for the State Government Complex
- Indian Cultural Tourist Center
- Veterans Homes & Cemeteries



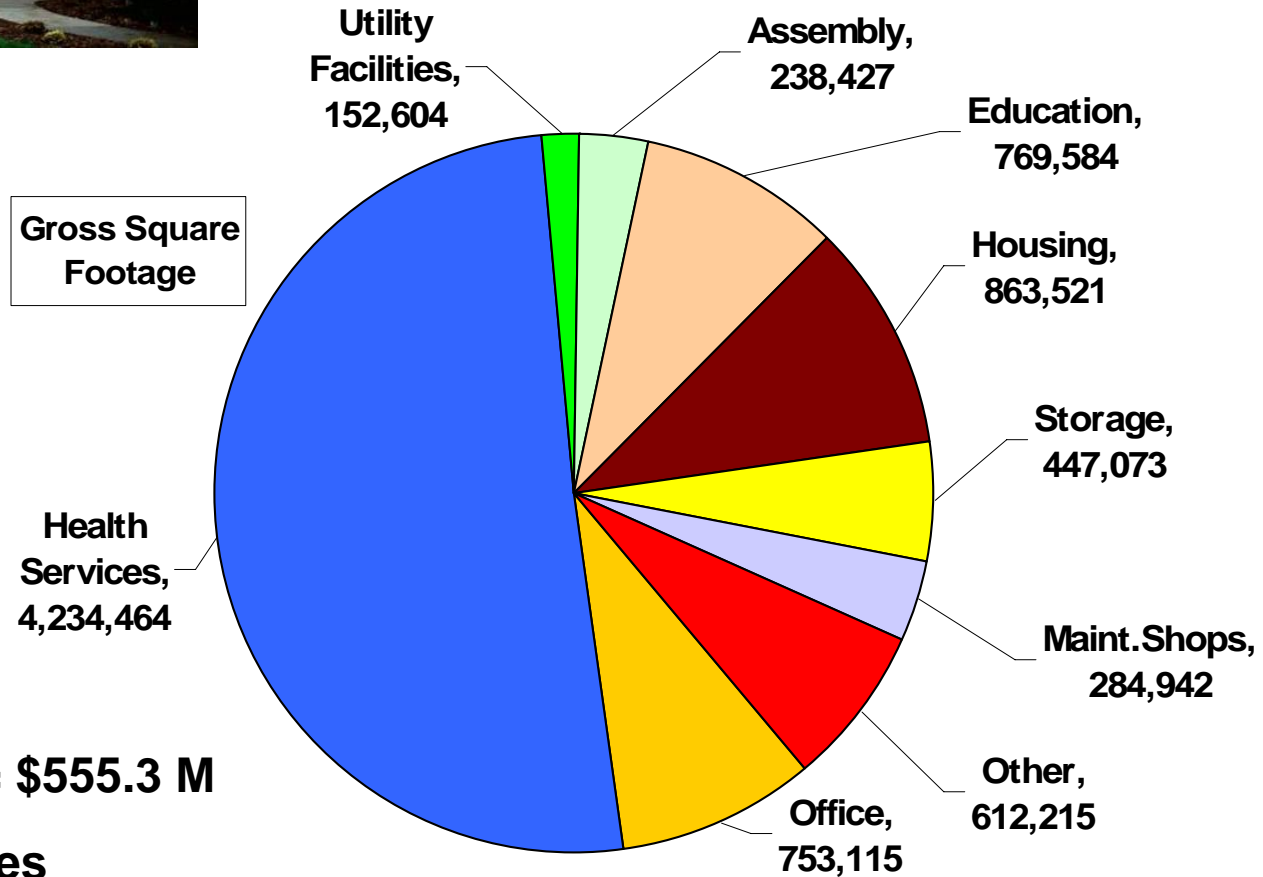
Insurance Value = \$502.5 M

Land = 4,813 acres



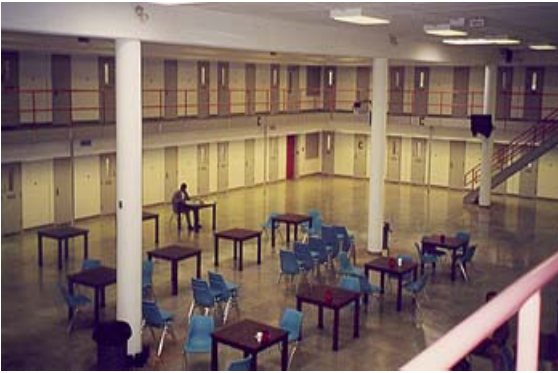
Health & Human Services

- 4 Psychiatric Hospitals
- 4 Mental Retardation Centers
- Schools; Special Care Centers; ADATC's



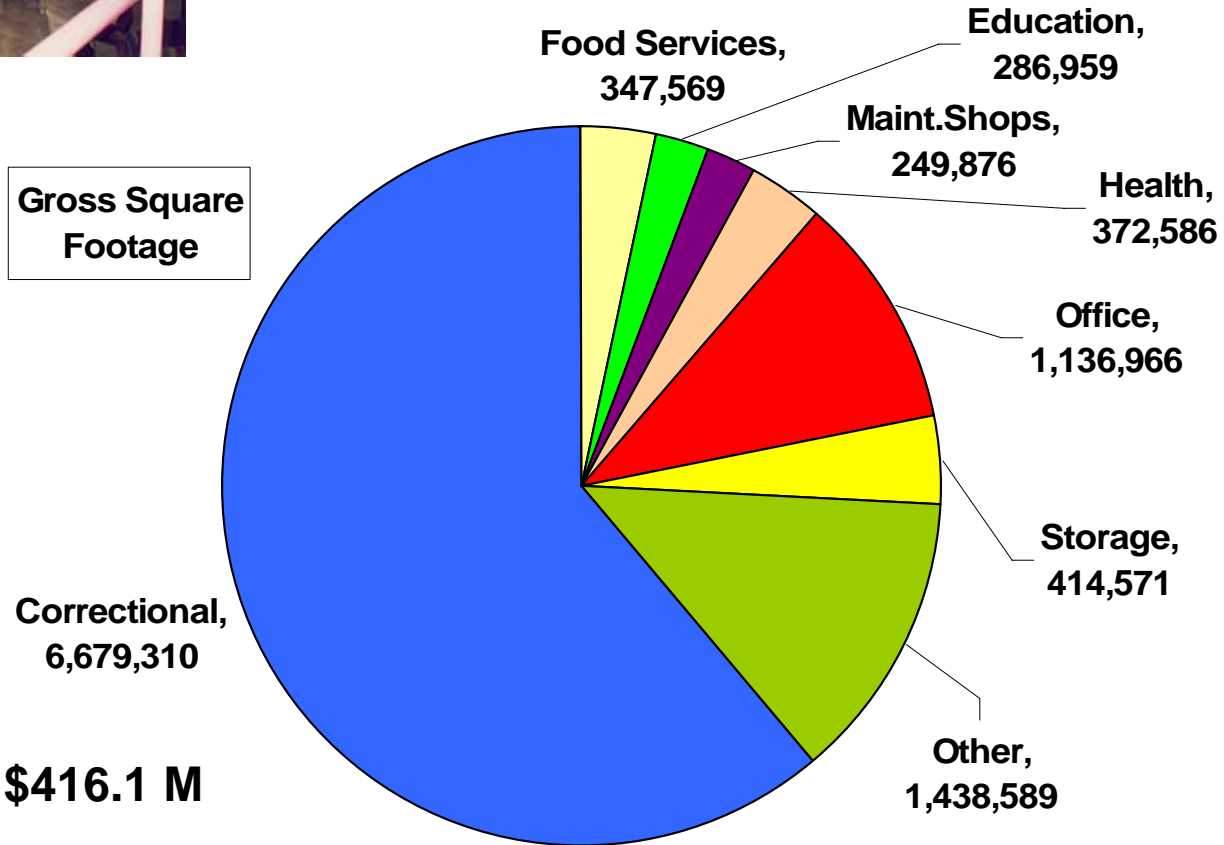
Insurance Value = \$555.3 M

Land = 29,957 acres



Correction

- 78 Prisons / 6 Women's Facilities
- Community Corrections

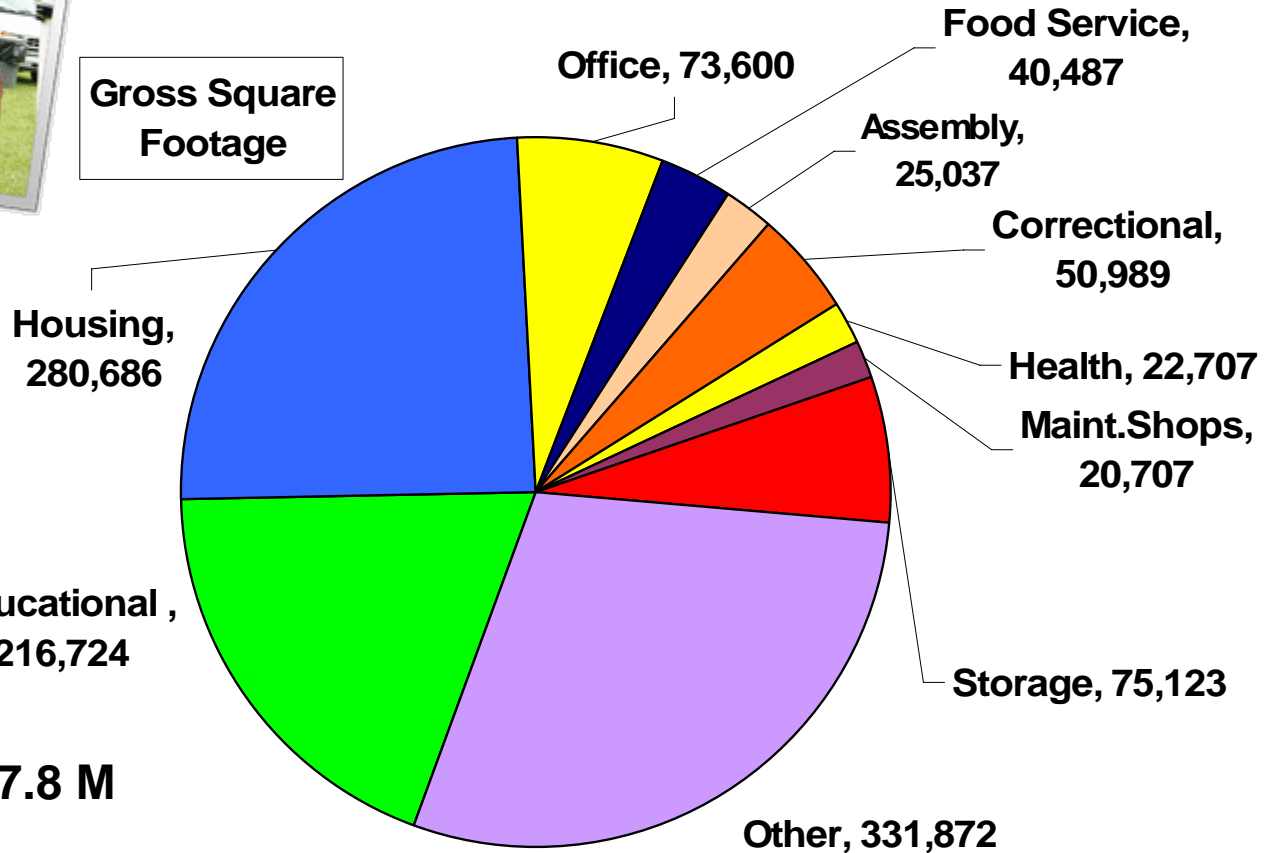


Insurance Value = \$416.1 M

Land = 25,709 acres

Juvenile Justice & Delinq. Prev.

- 5 Youth Development Centers
- 10 Detention Centers
- Community Services



Insurance Value = \$47.8 M

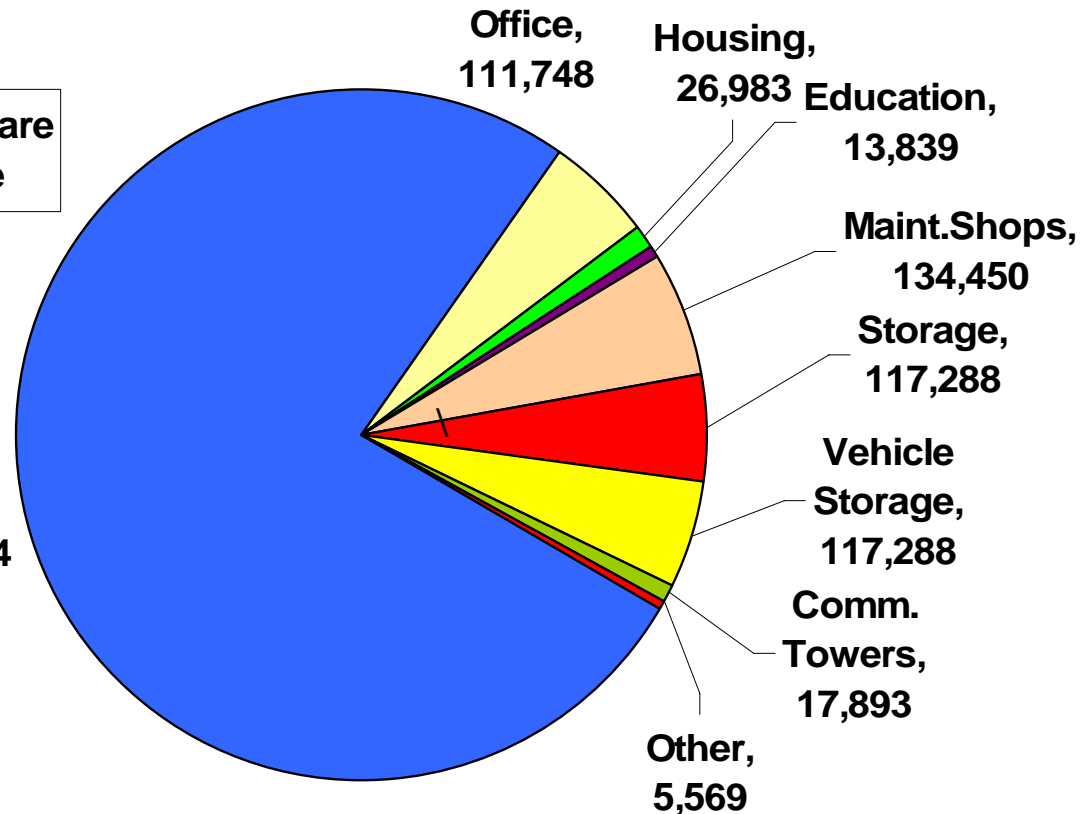
Land = 3,524 acres

Crime Control & Public Safety

- National Guard Armories Statewide
- State Highway Patrol Statewide
- Butner Public Safety



Gross Square Footage

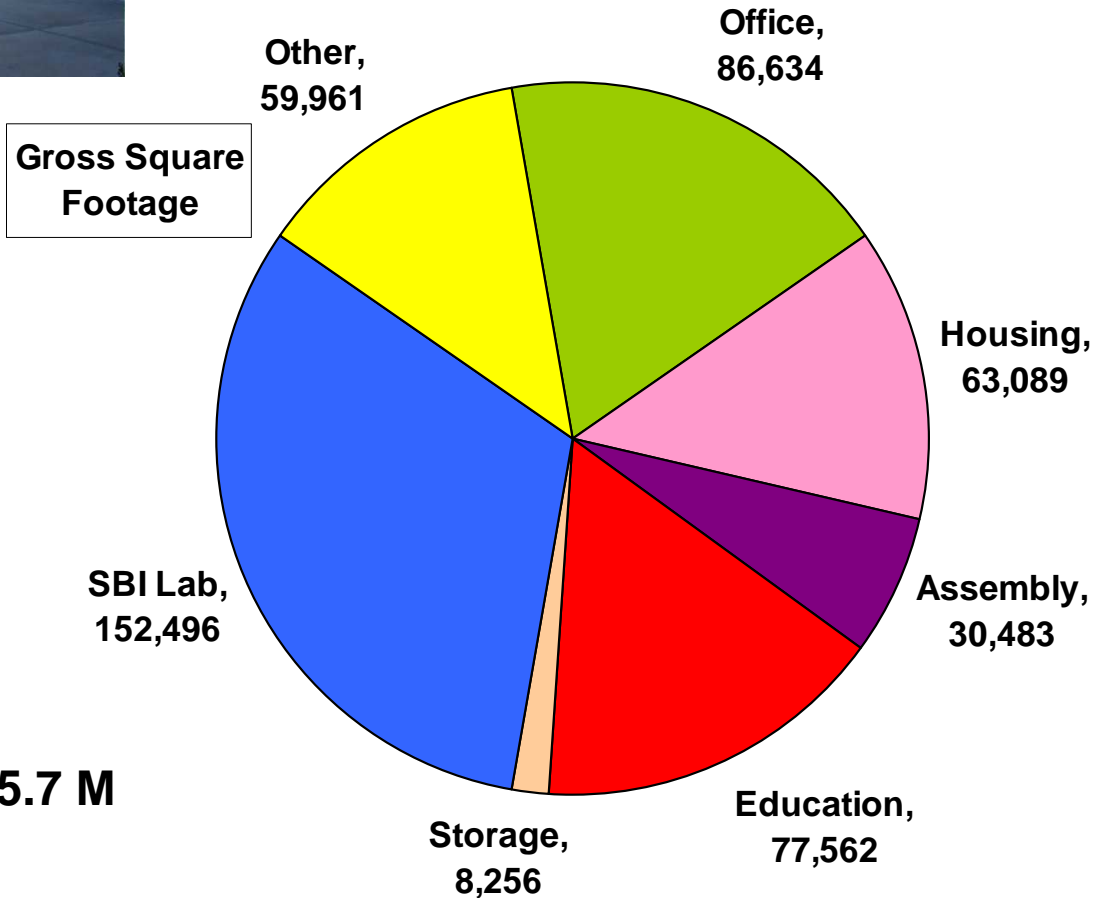


Insurance Value = \$102.6 M

Land = 6,392 acres

Justice

- 2 Justice Academies
- SBI Administration, Lab, Training



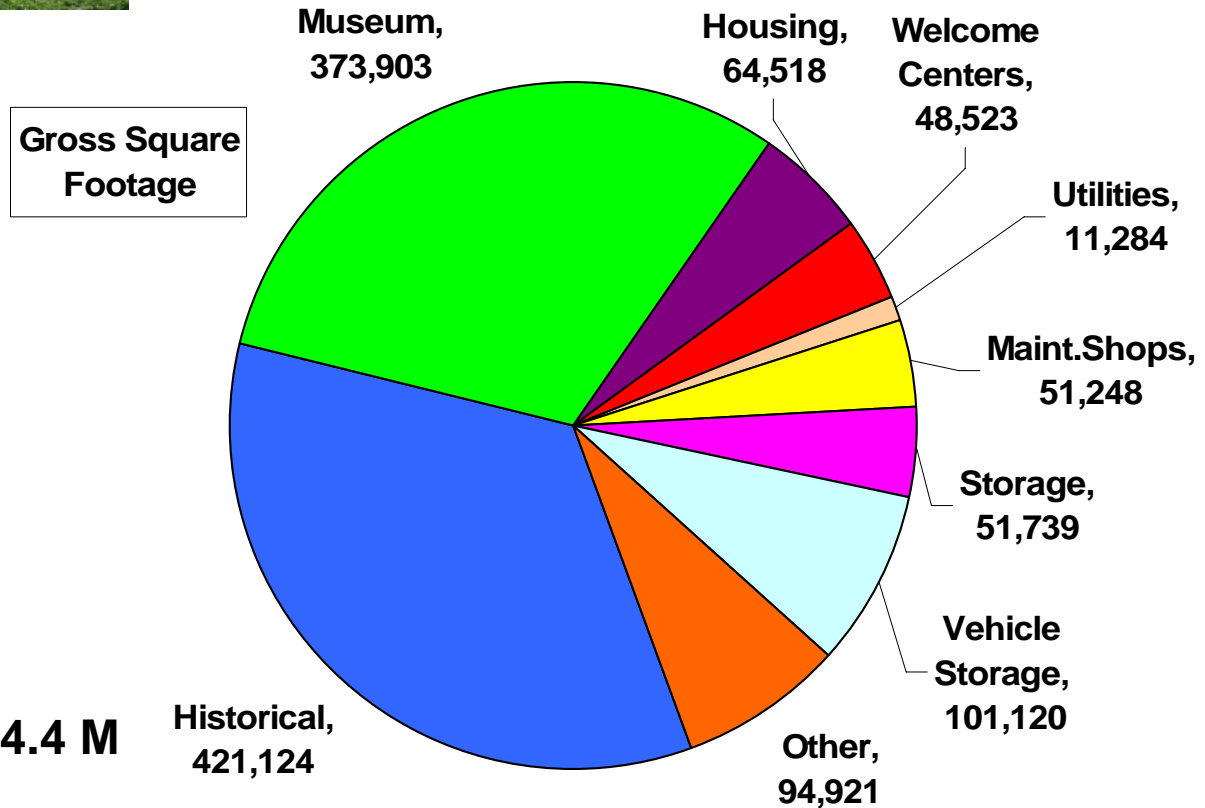
Insurance Value = \$15.7 M

Land = 171.5 acres



Cultural Resources

- Historic Sites Statewide
- Museum of Art; Museum of History; Maritime Museum
- 276 Buildings Statewide – few Complexes

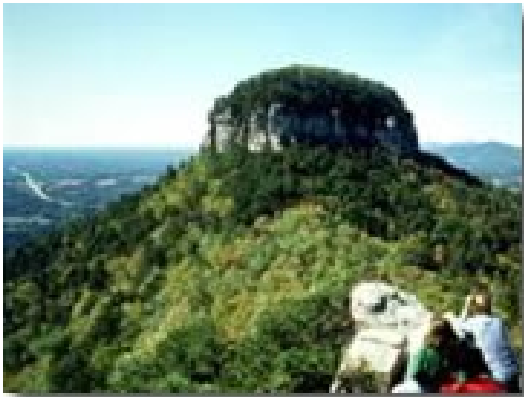


Insurance Value = \$74.4 M

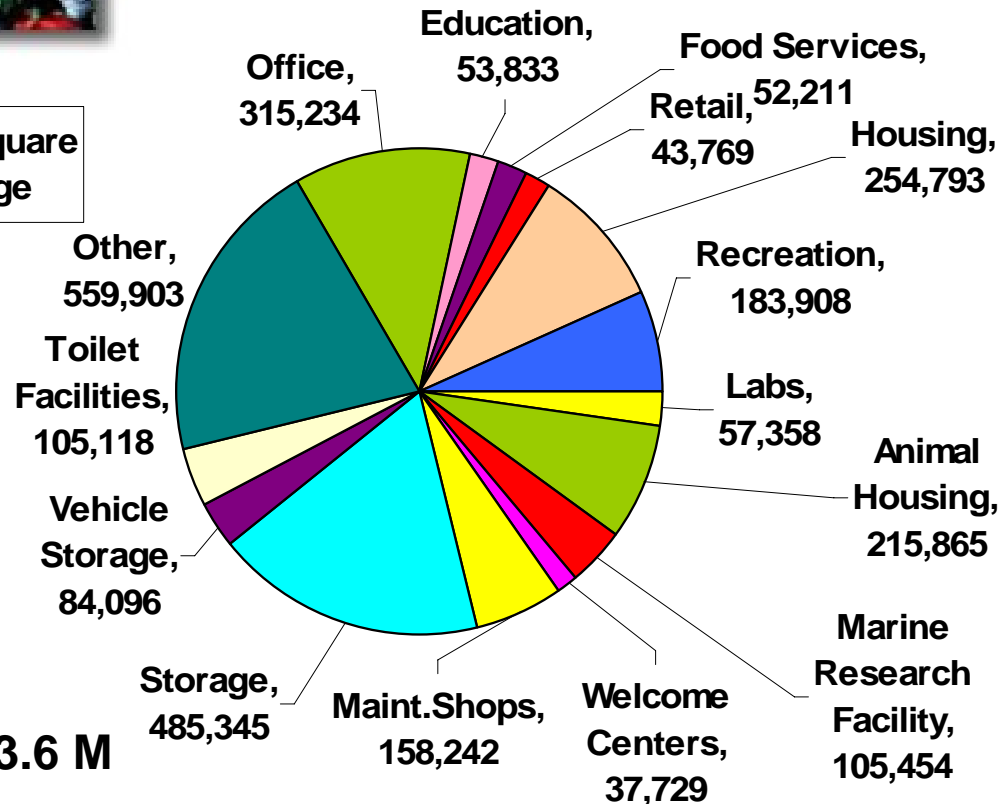
Land = 3,528 acres

Environment & Natural Resources

- Air Quality and Water Quality Labs
- Zoo; Aquariums
- State Parks; Forestry; and Game Lands



Gross Square Footage

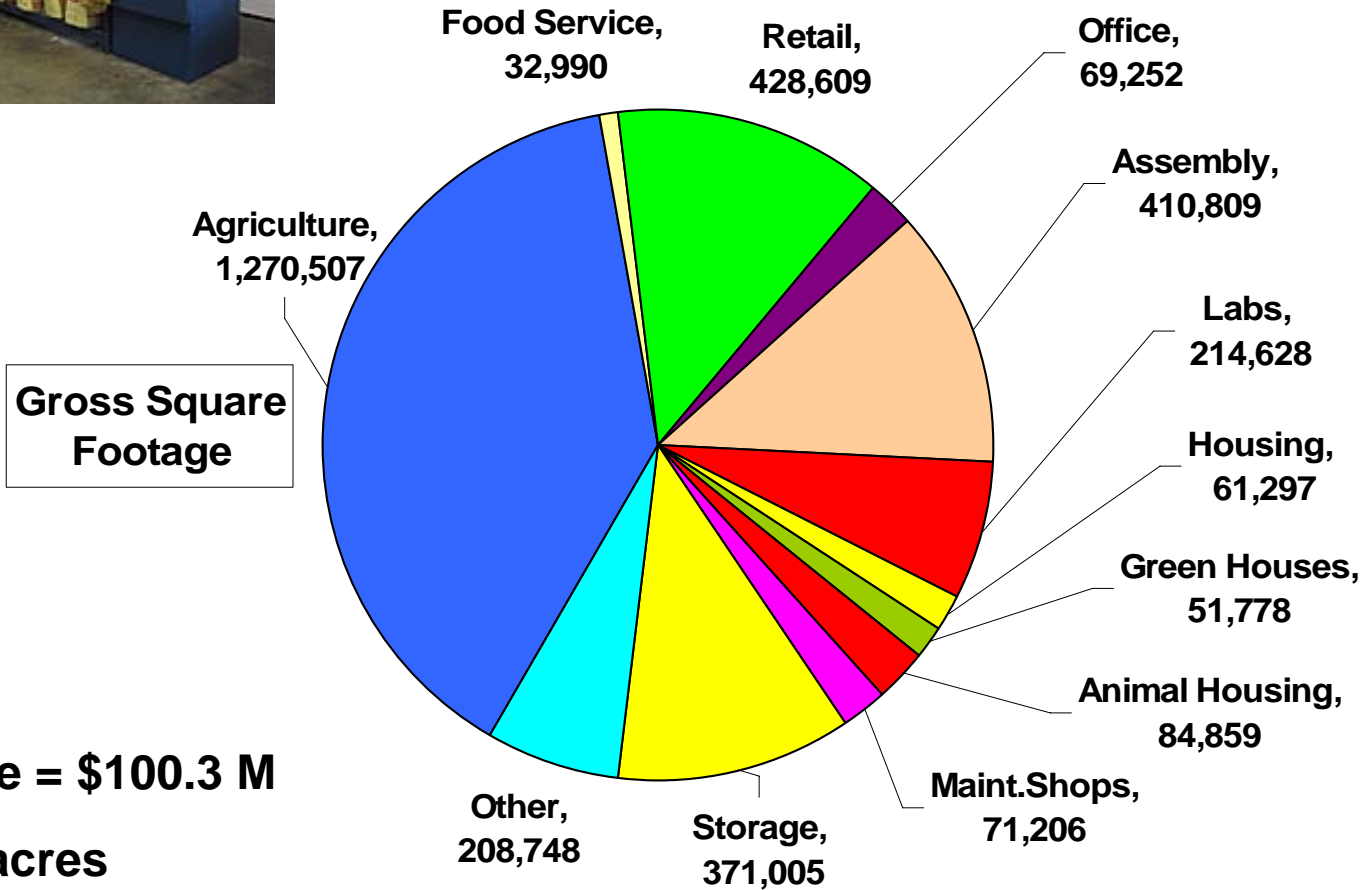


Insurance Value = \$83.6 M

Land = 610,764 acres

Agriculture & Consumer Services

- Labs – Veterinary, Consumer Standards, Food & Drug
- Farmers Markets; Research Stations
- State Fair



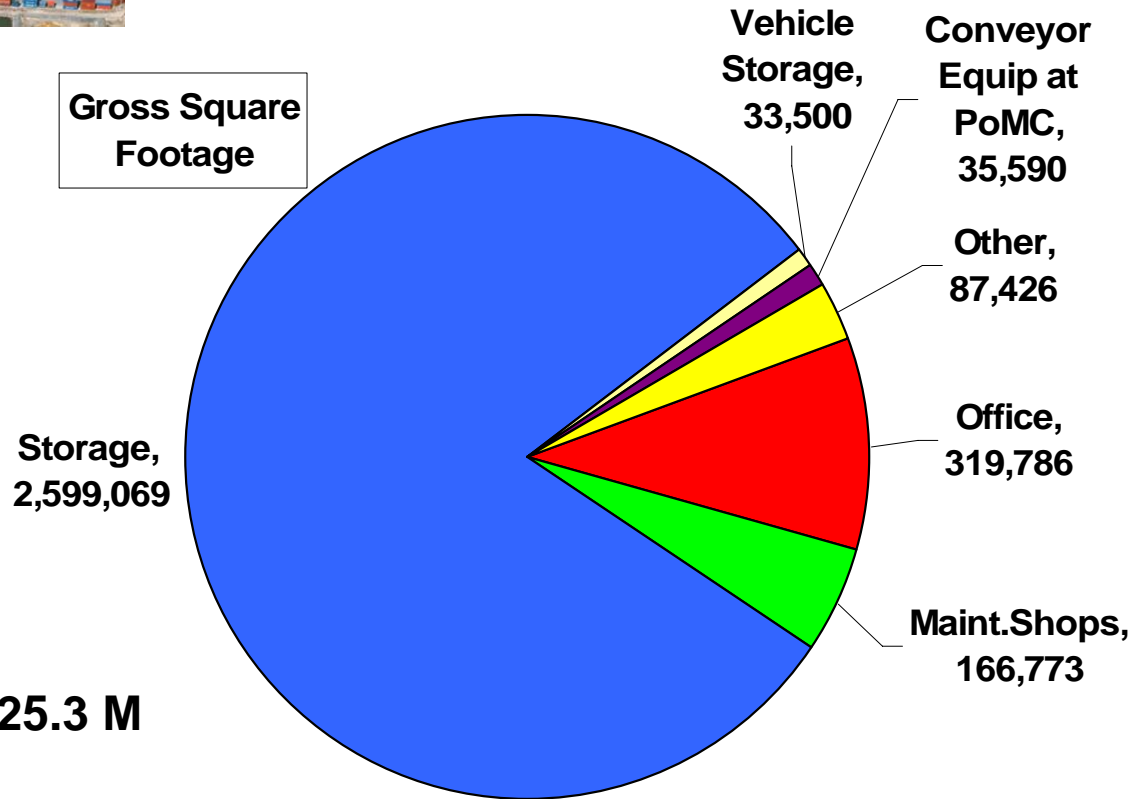
Insurance Value = \$100.3 M

Land = 37,031 acres



Commerce

- Ports of Wilmington and Morehead City
- Southport Harbor; Wanchese Ind. Park
- ABC Facilities; Employment Security Commission



Insurance Value = \$125.3 M

Land = 1,491 acres

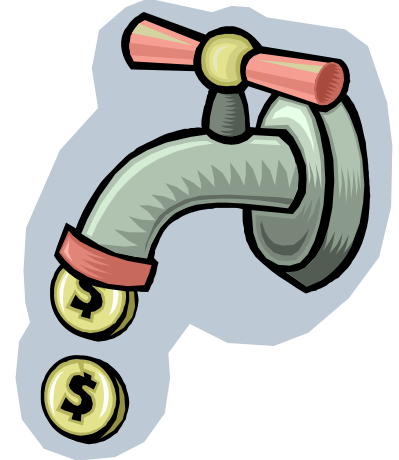
The State's Dependence on Leasing

As of February 2007:

- The State was leasing 5,679,167 net square feet
- Annual rent was \$65.9 million
- Average cost per square foot was \$11.61

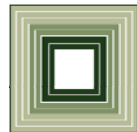
Since 1998:

- The State has added 1,505,576 net square feet (50.6% since 2005)
- At an additional annual rent of \$25.1 million (44% since 2005)



Methods of Financing Capital

**Senate Finance Subcommittee
on Capital and Infrastructure
Financing
March 13, 2007**

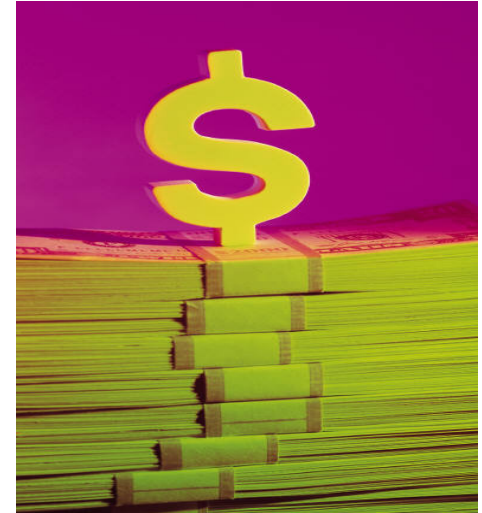


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Methods of Financing Capital

General Fund Appropriations

- Non-recurring funds from year-end fund balances (one-time revenue gains and reversions)
- Earmarked portion of year-end credit balance for repairs and renovations
- Statutory Appropriation – CWMTF



General Obligation Bonds (vote-of-the-people)

[Article V, Sec. 3]

- Secured by the faith and credit of the State
- Requires the approval of the majority of qualified voters

Methods of Financing Capital

Legislative Bonds (or two-thirds bonds)

[Article V, Sec. 3(f)]

- Secured by State's taxing power, but voter approval is not necessary
- Two-thirds of the amount of outstanding indebtedness reduced during the preceding biennium

Security Interest Indebtedness or COPs

[Chap.142 Art.9]

- Secured by a lien on or a security interest in all, or part of the capital facilities to be financed
- Not secured by the taxing power of the State
- Statutory framework enacted in 2003



Methods of Financing Capital

Revenue bonds

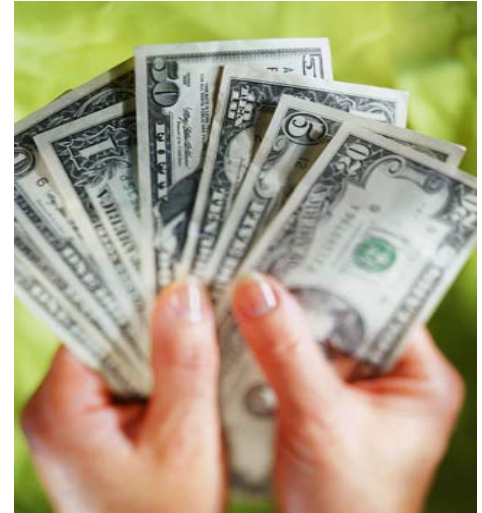
[Chap.159 Art.5]

- Voter approval not necessary
- Secured by non-tax revenues related to the project, such as parking fees for parking decks

Special obligation debt

[Chap.116D Art.3]

- Secured by non-tax revenues, but revenues are not related to the project
- GA authorized the Board of Governors to issue special obligation bonds payable from any source of income or receipt except tuition and GF appropriations



Methods of Financing Capital

Dedicated sources of funds

Earmarked a portion of deed stamp tax for Parks and Recreation Trust Fund and the Natural Heritage Trust Fund (1991 & 1996)

Other

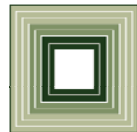
- Private gifts or grants
- Federal grants
- Receipts



Capital Funding History

**Senate Finance Subcommittee
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March 13, 2007



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Capital Improvement Funding History

General Fund Appropriations

- General Assembly has appropriated GF dollars for capital projects every year since fiscal year 1970, except FY 1992

Legislative Bonds (or two-thirds bonds)

- General Assembly has enacted legislative bonds only four times over this same 35 year period of time

General Obligation Bonds (vote-of-the-people)

- GA has enacted 10 G.O. bonds acts over 35 years
- Reserved for capital projects with voter appeal
- State debt issued for local projects



Special Indebtedness

- GA authorized the use of security interest indebtedness, commonly referred to as certificates of participation), for the first time in FY 2000 and then each subsequent year except FY 2006

Capital Improvement Funding History

Traditional Policy- pay as you go

- Lack of on-going appropriations for new construction
- Earmarking of R&R not enough

Last G.O bond issued in 2000 was for \$3.1 billion

- At the time, it was the largest G.O. bond issuance for higher education in US history

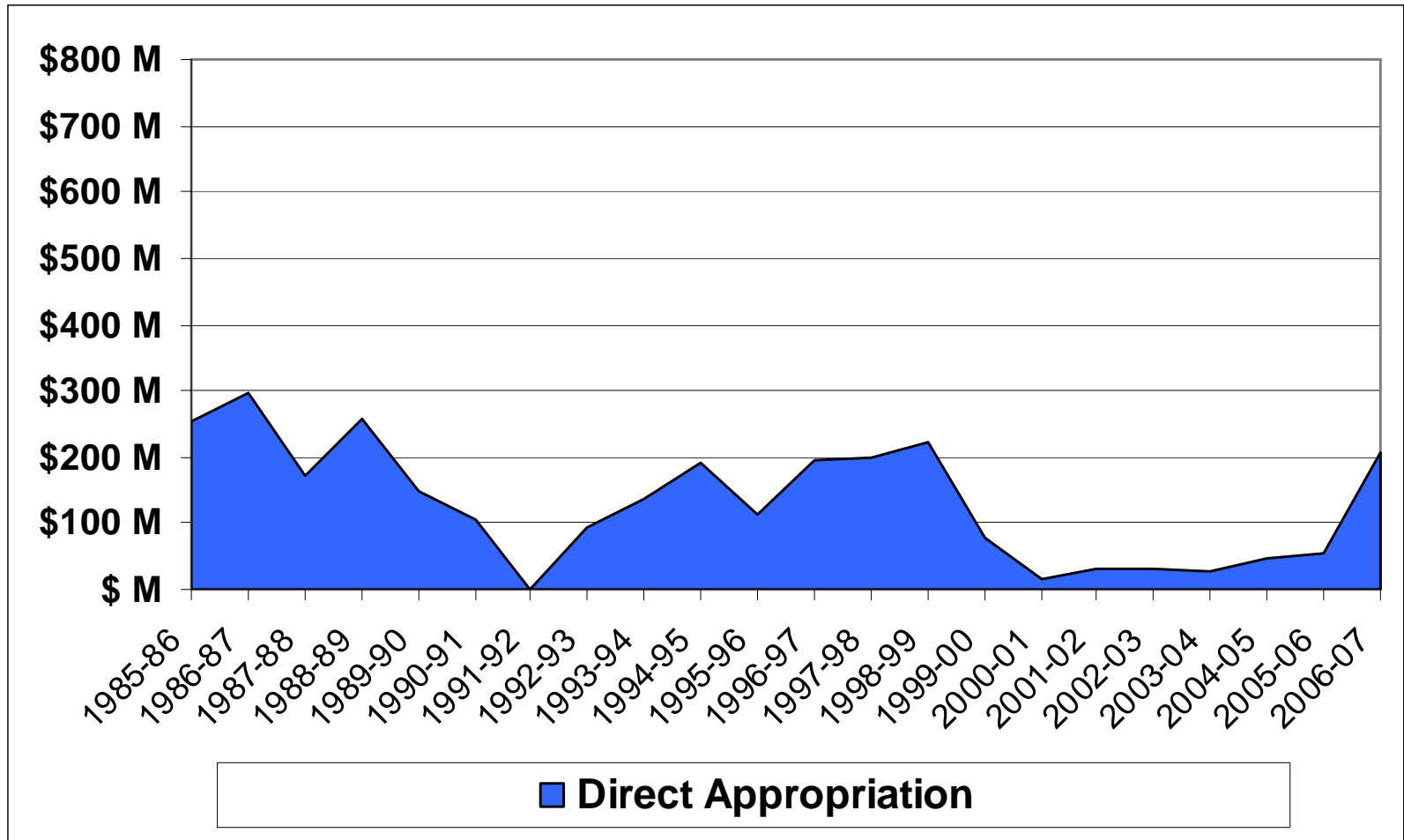


Greater reliance on special indebtedness

- GA enacts the “State Capital Facilities Financing Act” which governs the State’s issuance of security interest indebtedness (2003)
- GA authorized the issuance of \$300 million in special indebtedness in 2003 to pay for backlog of R&R needs

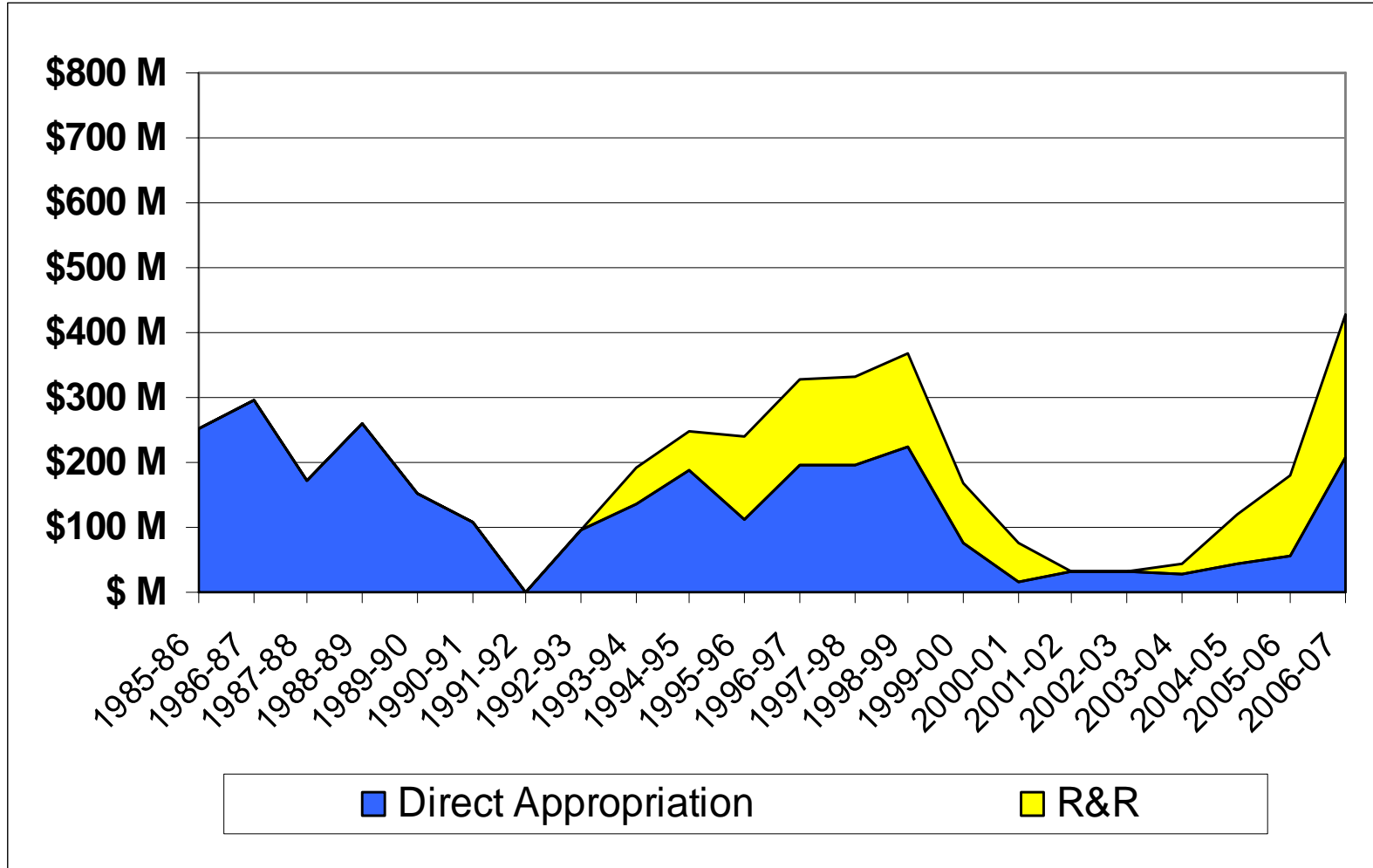
General Fund Appropriations

State Facilities Including UNC Capital



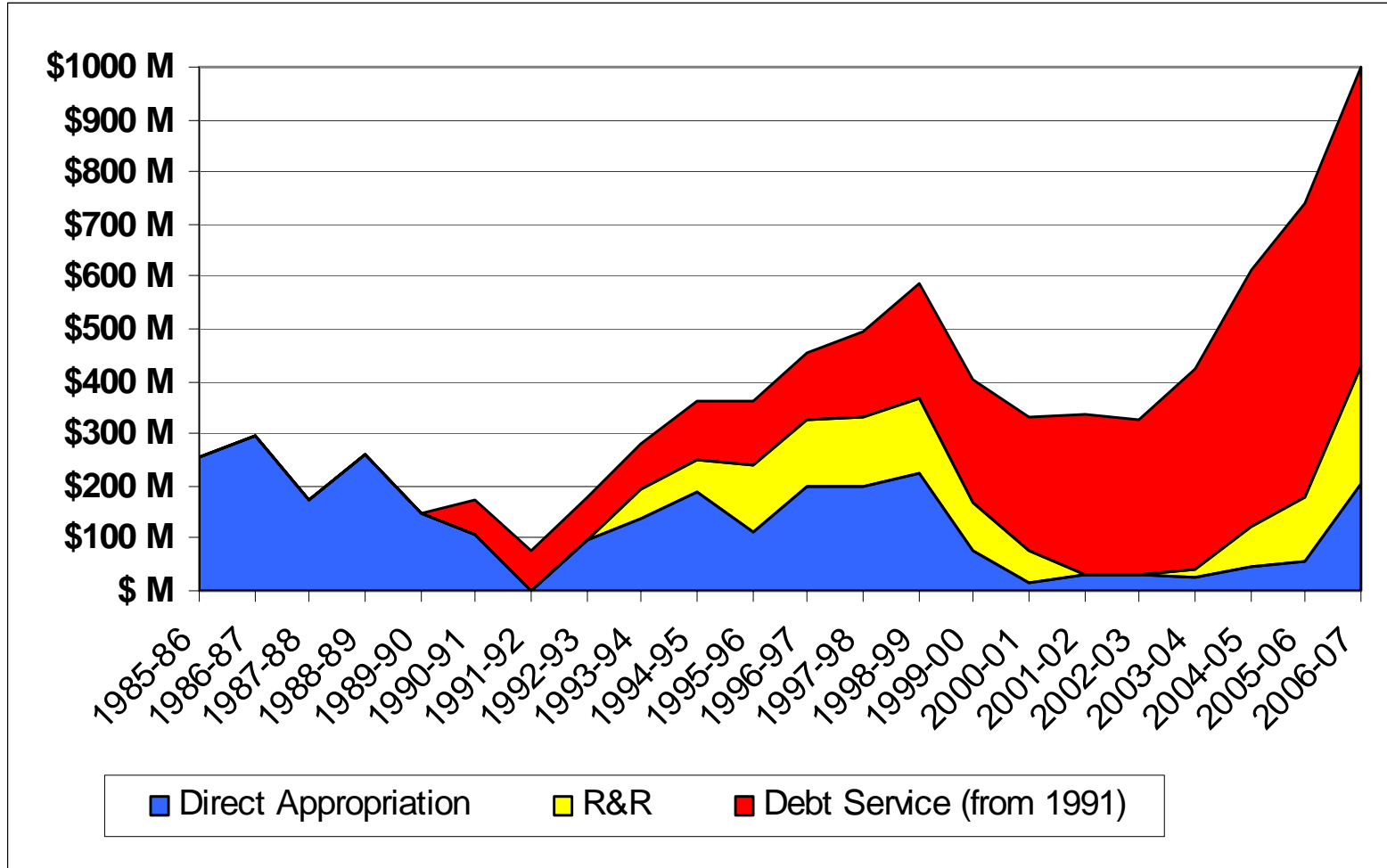
General Fund Appropriations

State Facilities Including UNC Capital



General Fund Appropriations

State Facilities, UNC, State-supported Debt Service



Capital Improvement Funding Trends

General Fund Appropriations

Yearly Average

Past 25 Years - \$128.6 million

Past 10 Years - \$91 million

Past 5 Years - \$73 million

R&R Appropriation

- \$88 million average since 1993
- 3% Replacement Value = \$320 million

Non-Voted Debt Authorizations

Yearly Average

Past 25 Years - \$ 64.4 million

Past 10 Years - \$162.5 million

Past 5 Years - \$361.3 million



Total Capital Authorizations

Excluding G.O. Debt

Yearly Average

Past 25 Years - \$245.5 million

Past 10 Years - \$324.2 million

Past 5 Years - \$450 million

Capital Improvement Funding Trends

Capital appropriations as a percentage of all General Fund appropriations

1981-1990 – 3.27%

1991-2000 – 2.08%

2001-2006 - 0.70%

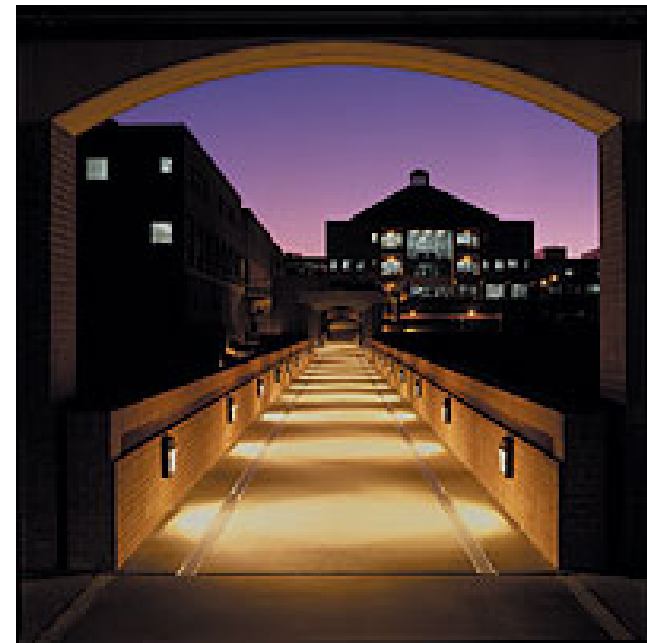
Capital appropriations as a percentage of all GF appropriations

After reversions due to natural disasters and budget shortfalls

1981-1990 – 3.14%

1991-2000 – 1.81%

2001-2006 -- 0.48%



Capital Improvement Funding Trends

General Fund Debt Service Expenditures

Since 1991

Includes Public Schools(1996); Water Sewer(1998); Comm. Colleges(2000)

Yearly average

17 Years - \$244.6 million

10 Years - \$348.2 million

5 Years - \$459.8 million

Debt Service as a Percentage of General Fund Appropriations

1991-1996 – 1.02%

1997-2001 – 1.58%

2002-2006 – 2.65%



Planned General Fund Debt Service

Office of State Treasurer

FY 2006-07 - \$598 million

FY 2007-08 - \$677.5 million

FY 2008-09 - \$704.5 million

FY 2009-10 - \$713.5 million

FY 2010-11 - \$713.3 million

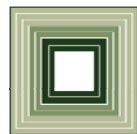
In Closing

- Few organizations public or private have building programs as large as the State
- The State's broad mission results in significant building variety
- Funding of the State's building program has increased, but has shifted from pay-as-you-go to debt financing
- The State has consistently fallen short of the reserve policy for funding repairs and replacements
- The State is increasingly relying on leased space to meet capital needs

Questions?

**Senate Finance Subcommittee
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March 13, 2007



FISCAL RESEARCH DIVISION
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23-year Capital Authorizations – General Fund

Fiscal Year	Direct Appropriation	Repairs and Renovations	G.O. Bonds State Projects	Legislative Bonds / COPs	Grand Total
1986-87	297,667,245				297,667,245
1987-88	173,020,035				173,020,035
1988-89	258,659,030			20,498,803	279,157,833
1989-90	150,092,738		200,000,000	0	350,092,738
1990-91	106,400,195			75,000,000	181,400,195
1991-92	0			45,000,000	45,000,000
1992-93	95,205,570				95,205,570
1993-94	135,371,704	57,000,000	740,000,000		932,371,704
1994-95	189,391,450	60,000,000			249,391,450
1995-96	113,522,500	125,000,000	345,000,000		583,522,500
1996-97	196,786,567	130,000,000			326,786,567
1997-98	197,252,975	135,000,000			332,252,975
1998-99	222,199,500	145,000,000	1,000,000,000		1,367,199,500
1999-00	77,059,168	90,000,000			167,059,168
2000-01	14,974,172	60,500,000			75,474,172
2001-02	32,936,000		2,500,000,000	17,500,000	2,550,436,000
2002-03	31,158,000			50,000,000	81,158,000
2003-04	27,601,000	15,000,000		651,590,000	694,191,000
2004-05	45,192,000	76,797,361		558,000,000	679,989,361
2005-06	54,960,000	125,000,000			179,960,000
2006-07	206,343,300	222,229,189		185,868,700	614,441,189
2007-08				211,000,000	211,000,000
2008-09				105,500,000	105,500,000
2009-10				176,800,000	176,800,000

General Obligation Bonds since 1971

Year	Authorization	Description	State Projects	Local Projects
1971	Chapter 909	Clean Water Bonds		150,000,000
1971	Chapter 953	NC Zoological Park Facilities	2,000,000	
1973	Chapter 657	Public School Facilities		300,000,000
1975	Chapter 854	UNC System	43,250,000	
1977	Chapter 677	Clean Water Bonds		230,000,000
1990	Chapter 935	Prison and Youth Services Facilities		
		Authorized for use in 1991	112,500,000	
		Authorized for use in 1993	87,500,000	
1993	Chapter 542	Education, Clean Water and Parks		
		UNC System	310,000,000	
		State Parks	35,000,000	
		Community Colleges		250,000,000
		Clean Water		145,000,000
1996	Chapter 631	Public School Facilities		1,800,000,000
1998	SL 1998-132	Clean Water and Natural Gas		
		Clean Water	800,000,000	
		Extension of Natural Gas Service	200,000,000	
2000	SL 2000-3	Higher Education Bonds		
		UNC System	2,500,000,000	
		Community Colleges		600,000,000