

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1378 (Second Edition)

SHORT TITLE: Build North Carolina's Future Act.

SPONSOR(S): Senator Foriest

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					
EXPENDITURES					
Total	\$18,222,000	\$37,806,530	\$39,105,920	\$43,422,475	\$47,335,089
Debt Service	\$18,222,000	\$37,806,530	\$39,105,920	\$39,106,120	\$39,106,500
Reserve for Repair And Renovations			No Estimate Available		
Equipment Purchases			No Estimate Available		
NC A&T Building Operating Impact	\$0	\$0	\$0	\$1,968,598	\$3,474,786
NCSU Building Operating Impact	\$0	\$0	\$0	\$2,347,757	\$4,753,803
North Carolina Bid Preference			No Estimate Available		
POSITIONS (cumulative):	0	0	0	88.7	88.7
PRINCIPAL DEPARTMENT(S)					
PROGRAM(S) AFFECTED: University of North Carolina, North Carolina Community College System, All General Fund Supported State Agencies					
EFFECTIVE DATE: When the bill becomes law					

BILL SUMMARY: Senate Bill 1378 authorizes \$450,836,175 of special indebtedness, pursuant to Article 9, Chapter 142 of the General Statutes. The Bill authorizes the proceeds of the bonds to be allocated to the Reserve for Repairs and Renovations, equipment purchases at the University of North Carolina and the North Carolina Community College System, building the College of Engineering Building at North Carolina Agricultural and Technical State University, and building Engineering Building IV at North Carolina State University.

Section 1: Authorizes the issuance of special indebtedness pursuant to Article 9 of Chapter 142 of the General Statutes (State Capital Facilities Finance Act). The specific projects and special indebtedness authorizations are detailed in the table below:

Table 1: Debt Authorization by Project

Project	FY 2010-11	FY 2011-12	Total Authorization
Reserve for Repairs and Renovation	\$130,000,000	\$0	\$130,000,000
Equipment Purchases	\$55,000,000	\$0	\$55,000,000
North Carolina Agricultural and Technical State University College of Engineering Building	\$20,000,000	\$84,374,000	\$104,374,000
North Carolina State University Engineering Building IV	\$20,000,000	\$141,462,175	\$161,462,175
Total	\$225,000,000	\$225,836,175	\$450,836,175

Section 2: Allocates the funds for the Reserve for Repairs and Renovations to the Board of Governors of the University of North Carolina and the Office of State Budget and Management. Of the total amount authorized, the campuses of the University of North Carolina will receive 54% or \$70,200,000 and the Office of State Budget and Management will receive 46% or \$59,800,000 to be allocated among state facilities and related infrastructure that is supported by the general fund. The allowable uses of Reserve Funds are delineated in G.S. 143C-4-3.

Section 3.(a): Allocates proceeds authorized for equipment purchases to the Board of Governors of the University of North Carolina and the State Board of the Community College System. Of the total amount authorized, the University of North Carolina will receive 40% or \$22,000,000 and the State Board of the Community College System will receive 60% or \$33,000,000. The equipment to be purchased is limited to that which is to be used for teaching and research in the fields of health, science, engineering, and technology.

Section 3.(b): Allows the State Board of Community Colleges to utilize a portion of the funds authorized for equipment purchases for capital improvements to existing facilities. The only improvements allowed are those to facilitate the use of the purchased equipment. The individual Community College Campuses are not required to match any funds for the purchase of equipment, as required by G.S. 115(D)-31(a)1 or any other provision in law.

Section 3.(c): Requires the Board of Governors and the State Board of Community Colleges to report to the Joint Legislative Commission on Governmental Operations on the allocation or reallocation of funds in Section 3 of this Bill.

Section 4: Transfers funds allocated in Section 1(a) to the Reserve for Repair and Renovations, in addition to any other funds allocated to the Reserve in FY 2011-12.

Section 5: Directs the Secretary of Administration to develop a price matching preference for North Carolina bidders for projects financed in Section 1. A qualified North Carolina company may be awarded a contract if they are within five percent of the low bid.

ASSUMPTIONS AND METHODOLOGY:

Debt Service Impacts: Annual debt service payment impacts of the Bill were provided by the North Carolina Department of State Treasurer. At the beginning of FY 2010-11, \$225,000,000 of the authorized special indebtedness is assumed to be issued. At the beginning of FY 2011-12, \$225,836,175 of the authorized special indebtedness is assumed to be issued. The assumed interest rate is 6.00% with a twenty year payback period. The following table provides the General Fund impact for debt service payments for the next five fiscal years. The cumulative principle and interest payments from FY 2010-11 to FY 2030-31 amount to \$780,833,070 under the above assumptions.

Table 2: Increase in Debt Service Payments

Issue Number	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
First Issue	\$18,222,000	\$19,516,680	\$19,516,580	\$19,516,320	\$19,516,520
Second Issue	\$0	\$18,289,850	\$19,589,340	\$19,589,980	\$19,589,980
Total	\$18,222,000	\$37,806,530	\$39,105,920	\$39,106,120	\$39,106,500

Reserve for Repair and Renovations: No estimate exists for expenditure impacts related to allocations from the Reserve for Repair and Renovations. Currently, the specific projects to be funded from this reserve are unknown, as the Board of Governors at the University of North Carolina and the Office of State Budget and Management will determine the recipients of funding, should the Bill become law. It is possible that some savings could result from repair and renovation projects, as buildings could become more efficient.

Equipment Purchases: No estimate exists for expenditures related for equipment purchases at either the Community College System or the University of North Carolina. It is possible that the acquisition of certain equipment could lead to operating expenditures, such as increased utility expenditures, increased software expenditures, and training expenditures. However, the exact equipment to be purchased is unknown, and will be determined by the Board of Governors at the University of North Carolina and the State Board of the Community College System.

NC Agriculture and Technical State University New College of Engineering: The New College of Engineering Building will replace the McNair Building. The total size of the building will be no more than 240,000 gross square feet. The new building is not expected to come online

until December 2013. NC A&T provided estimated additional General Fund operating budget expenditures as a result the new building. The McNair building will remain in operation after the New College of Engineering Building opens and no savings from building closure will occur.

Table 3: NC A&T College of Engineering Operating Expenditures

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Salary				\$691,550	\$1,383,099
Benefits				\$198,803	\$397,605
Supplies				\$150,858	\$247,706
Utilities				\$681,120	\$1,362,240
Moving				\$65,000	\$0
Maintenance Contracts				\$35,238	\$70,476
Insurance				\$6,830	\$13,660
Vehicles				\$80,000	\$0
Other Equipment				\$55,200	\$0
Total				\$1,964,598	\$3,474,786
Positions				44.3	44.3

NC State University Engineering Building IV: Engineering Building IV will create a new engineering building on NC State’s Centennial Campus and build related infrastructure to service the building. The building will house NC State’s Departments of Industrial and Systems Engineering, College of Engineering Administration, and a Data Center. The building will serve as a replacement to Page Hall. The total building size will be no more than 258,000 gross square feet. The new building is expected to come online on midway through Fiscal Year 2013-14. The related infrastructure at the building will be completed a year sooner and will result in increased maintenance costs. NC State provided the estimated additional General Fund expenditures. Page Hall will remain in operation after Engineering Building IV opens and no savings from building operation will occur.

Table 4: NC State Engineering Building IV Operating Expenditures

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Salary				\$664,048	\$1,328,095
Benefits				\$228,073	\$456,147
Supplies				\$174,943	\$486,133
Utilities				\$643,187	\$1,254,853
Maintenance Contracts				\$109,946	\$31,521
Infrastructure Maintenance				\$128,203	\$226,166
Insurance				\$1,128	\$2,256
Vehicles				\$126,300	\$0
Other Equipment				\$271,929	\$0
Total				\$2,347,757	\$4,753,803
Positions				44.4	44.4

Positions Created: The following tables provide detail on the positions created at the two new buildings:

Table 5: NC A&T Additional Position Detail

NC A&T	Positions
Housekeepers	20
Housekeepers Supervisor	1.7
Maintenance Mechanic IV	11.4
Police Officer I	2.4
Environmental Health and Safety Officer	2.4
IT Staff	1
IT Classroom Support Staff	1.2
General Utility Worker	4.2
Total	44.3

Table 6: NC State Additional Position Detail

NC State	Positions
Building Environment Service Tech.	21.5
Building Environmental Service Tech. Supervisor	1.8
Facilities Maintenance Tech. Mechanical	11.2
Public Safety Officer	2.6
Environmental Health and Safety Tech.	1.3
IT Networking Technician	1
IT Networking Technician (Classroom)	0.5
Facilities Maintenance Tech. Trade	4.5
Total	44.4

Preference for North Carolina Companies: No estimate is available for the fiscal impact related to Section 5 of this Bill. However, given that North Carolina companies may receive preference should their bid be within five percent of the low bid, some projects could be affected by higher than expected costs from contract awards. Furthermore, additional complexity in bidding state projects financed under this Bill different than other projects may create additional costs. Finally, certain states may enact a reciprocal preference on North Carolina firms resulting from this preference. For example, in Oregon, Oregon Revised Statute (ORS) 279A.120 requires public contracting agencies to adjust the bids from out of state firms by the amount of preference given within the firm's state location. In GS 143-59(b) provides a similar reciprocal preference for certain State contracts. However, other states have in-state preference laws.¹

¹ The State of North Carolina uses the State of Oregon's Reciprocal Preference Law list to fulfill the requirements of GS 143-59(b) which requires a list be kept of other state's Reciprocal Preference Laws. This list is available here: http://www.oregon.gov/DAS/SSD/SPO/reciprocal_detail.shtml.

SOURCES OF DATA: Department of the Treasurer, North Carolina State University, North Carolina Agricultural and Technical State University, Oregon State Procurement Office.

TECHNICAL CONSIDERATIONS: None

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