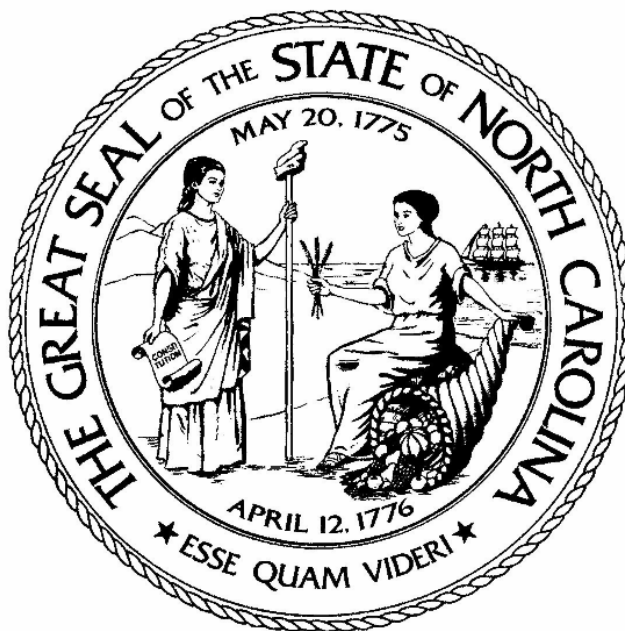


**JOINT LEGISLATIVE OVERSIGHT
COMMITTEE ON CAPITAL
IMPROVEMENTS**



**REPORT TO THE 2008
GENERAL ASSEMBLY OF NORTH CAROLINA
2008 SESSION**

A LIMITED NUMBER OF COPIES OF THIS REPORT IS AVAILABLE
FOR DISTRIBUTION THROUGH THE LEGISLATIVE LIBRARY

ROOMS 2126, 2226
STATE LEGISLATIVE BUILDING
RALEIGH, NORTH CAROLINA 27611
TELEPHONE: (919) 733-7778

OR

ROOM 500
LEGISLATIVE OFFICE BUILDING
RALEIGH, NORTH CAROLINA 27603-5925
TELEPHONE: (919) 733-9390

THE REPORT IS ALSO AVAILABLE ON-LINE:
<http://www.ncleg.net/LegLibrary/>

TABLE OF CONTENTS

Letter of Transmittal	i
Joint Legislative Oversight Committee on Capital Improvements Membership	ii
Preface	1
Committee Proceedings	3
Committee Recommendations and Legislative Proposals	17
1. AN ACT TO REQUIRE THE HIGHER EDUCATION BOND OVERSIGHT COMMITTEE TO REPORT ANNUALLY AND TO MEET BIANNUALLY	18
2. AN ACT TO CLARIFY THE RESTRICTION ON THE USE OF FUNDS IN THE REPAIRS AND RENOVATIONS RESERVE ACCOUNT AS IT APPLIES TO OUTDOOR THEATERS	25

Appendices

- A. [Authorizing Legislation, Article 29 of Chapter 120 of the General Statutes](#)
- B. [Meeting Agendas](#)



**JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON CAPITAL IMPROVEMENTS**
*State Legislative Building
Raleigh, North Carolina 27603*

Senator Linda D. Garrou, Cochair

Representative Henry M. Michaux, Jr., Cochair

May 13, 2008

TO THE MEMBERS OF THE 2008 GENERAL ASSEMBLY:

The Joint Legislative Oversight Committee on Capital Improvements submits to you for your consideration its report pursuant to G.S. 120-259.

Respectfully Submitted,

Sen. Linda D. Garrou, Co-Chair

Rep. Henry M. Michaux, Jr., Co-Chair

2007-2008

JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON CAPITAL IMPROVEMENTS

MEMBERSHIP

Senator Linda D. Garrou, Cochair

Representative Henry M. Michaux, Jr.,
Cochair

Sen. Stan Bingham
Sen. Daniel Clodfelter
Sen. Walter Dalton
Sen. Charlie Dannelly
Sen. Clark Jenkins
Sen. Joe Sam Queen
Sen. Richard Stevens

Rep. Cary Allred
Rep. Walter Church, Sr.
Rep. Leo Daughtry
Rep. Robert Grady
Rep. Hugh Holliman
Rep. Bill Owens
Rep. Larry Womble

Staff:

Daladier Miller, Committee Assistant
Jim Klingler, Fiscal Analyst
Cindy Avrette, Staff Attorney

PREFACE

The Joint Legislative Oversight Committee on Capital Improvements is established in Article 29 of Chapter 120 of the General Statutes to serve as a permanent legislative commission to examine, on a continuing basis, capital improvements approved and undertaken for State facilities and institutions. The Committee consists of sixteen legislative members, eight appointed by the President Pro Tempore of the Senate and eight appointed by the Speaker of the House of Representatives. The co-chairs for 2007-2008 are Senator Linda D. Garrou and Representative Henry M. Michaux, Jr.

G.S. 120-259 gives the Joint Legislative Oversight Committee on Capital Improvements oversight of the implementation of the six-year capital improvements plan. The Committee's oversight includes not only a review of new construction activities but also repairs and renovations of existing facilities. Its oversight includes State government facilities and institutions as well as the facilities and institutions of The University of North Carolina. The Committee may report as necessary to the General Assembly. A copy of Article 29 of Chapter 120 of the General Statutes is included in Appendix A. A committee notebook containing the Committee minutes and all information presented to the Committee is filed in the Legislative Library.

COMMITTEE PROCEEDINGS

The Joint Legislative Oversight Committee on Capital Improvements met five times after the adjournment of the 2007 Regular Session of the 2007 General Assembly on August 2, 2007. Appendix B contains a copy of the Committee's agenda for each meeting.

The Joint Legislative Oversight Committee on Capital Improvements began its work by reviewing the capital spending authorized by the General Assembly during the 2007 legislative session. The General Assembly appropriated more than \$230 million for various State capital projects. Of the total funds appropriated, the General Assembly appropriated \$28 million for capital planning for projects that do not currently have construction funding. These planning funds are estimated to yield \$441.1 million in construction requests for fiscal year 2008-09 and subsequent fiscal years. Approximately \$128.8 million of the appropriated amount is for planning and site development for projects that are not fully funded. The current estimate to complete these partially constructed projects is \$446.7 million.

The Department of Administration introduced the project team for the 2007 State Government Facilities Master Plan for Wake County. O'Brien Atkins Associates, PA led the planning efforts for the Master Plan. The goal of the Master Plan is to provide the State with a planning tool that enables the State to plan facilities to meet its projected space needs over the next five, ten, and 15 years. The Master Plan combines physical land planning and detailed space planning. Unlike previous State government facilities master plans, this Master Plan inventories all land owned by the State in Wake County and recommends different ways to use these land resources. A copy of the 2007 State

Government Facilities Master Plan is available with the Committee's minutes for this meeting.

The Joint Legislative Oversight Committee on Capital Improvements reviewed the 2008 Recommendations of the Debt Affordability Advisory Committee. This Committee advises the Governor and the General Assembly of the estimated debt capacity of the State for the upcoming ten years. North Carolina has outstanding more than \$5,900 million of general obligation bonds and \$943 million of special indebtedness. It has \$1,252.3 million of authorized but un-issued tax-supported debt as of December 31, 2007.¹ Since 2000, the State has relied exclusively on the authorization of special indebtedness through the use of certificates of participation. Special indebtedness carries a higher interest rate than general obligation bonds, but it is not subject to voter approval. Special indebtedness as a percentage of tax-supported debt will exceed 35% by fiscal year 2010.² The Debt Affordability Advisory Committee estimates current debt affordability in two ways: a total capacity for a given year and an annual capacity over five years. The total General Fund debt capacity for 2008³ is \$1,563.1 million or \$479.9 million over five years. The total debt affordability for transportation funds is \$1,190 million for 2008 or \$175 million over five years.

The Joint Legislative Oversight Committee on Capital Improvements received updates on the following capital projects:

The State Psychiatric Bed Capacity: Secretary Benton, North Carolina Department of Health and Human Services, gave an overview of current mental health facilities' capacity and the projected capacity needed in 2008 and beyond. He reviewed the status of various projects, including the Central Regional Psychiatric Hospital, Cherry Hospital, and Broughton Hospital.

¹ The 2007 General Assembly authorized \$669.1 million of new debt.

² The average percentage for other similarly situated states with whom NC is compared is 26%.

³ Estimated at 4% of General Fund revenues.

The Department of Corrections Prison Plan: Bill Stovall, Deputy Secretary of the N.C. Department of Corrections (DOC) reviewed the inmate population projections from the N.C. Sentencing and Policy Advisory Commission and the inmate custody population projections from the DOC's Office of Research and Planning. The Sentencing Commission projects an inmate population of 46,801 by June 2017. Based on that projection, DOC estimates a bed capacity deficit of 6,137 based on expanded operating capacity⁴ (EOC) and a deficit of 11,964 based on standard operating capacity (SOC). By 2017, DOC's Office of Research and Planning estimates that adult male inmate bed capacity will need to be expanded by 2,050 minimum custody beds, 2,586 medium custody beds, and 307 close custody beds. It estimates that by 2017 female inmate bed capacity will need to be expanded by 358 medium custody beds, 361 minimum custody beds, and 22 close custody beds. The deficit in the youth bed capacity will be 454 by 2017.

N.C. State Ports Authority: Jeff Strader, CFO, and Mark Blake, Director of Engineering, for the N.C. State Ports Authority updated the Committee on the progress of the State Ports Authority's current capital projects and reviewed with the Committee its request for a \$7.5 million capital appropriation in the upcoming fiscal year 2008-09.

Green Square Project: Secretary Ross, Department of Environment and Natural Resources, updated the Committee on the status of the Green Square Complex, which includes an expansion of the museum, office space, and underground parking. The program requirements are complete, the architectural teams⁵ are in place, and the schematic drawings are in the process of being completed. The Department held a groundbreaking ceremony for the Complex on April 22, 2008, and expects to open the Complex in 2011.

⁴ EOC is the number of inmates housed in dormitories that operate at varying percentages (not to exceed 130%) beyond their SOC, plus the number of single cells with one inmate per cell plus the number of single cells that house two inmates per cell.

⁵ The architectural firms include O'Brien Atkins, Fentress, and Pearce Brinkley Cease & Lee.

The UNC System Capital Projects: The Committee heard presentations from representatives of The University of North Carolina System on the status of various capital projects and it reviewed several capital project requests The University of North Carolina System will be making in fiscal year 2008-09. The capital requests include funding for the following projects: Biomedical Research Imaging Center, Carolina North Development⁶, Inpatient Bed Tower & Operating Room Facility for the UNC Hospitals, and expansion of medical education at the University of North Carolina at Chapel Hill and East Carolina University.

The 2007 General Assembly enacted S.L. 2007-446, *Improve State Construction Process*. Through this legislation, the General Assembly expects to shorten project delivery time and reduce the impact of inflation on State construction costs. The Joint Legislative Oversight Committee on Capital Improvements wants to continue to find ways to reduce the cost of State construction. The chairs of the Committee asked two of its members, Senator Joe Sam Queen and Representative Bill Owens, to lead a working group on the Cost of State Construction. The working group includes representatives from the State Construction Office, the Office of State Budget & Management, the University of North Carolina System General Administration, and Committee staff. The working group began meeting during the interim and plans to continue meeting after the adjournment of the 2008 Session of the 2007 General Assembly.

⁶ The Carolina North project includes a new UNC Law School facility.

COMMITTEE RECOMMENDATIONS AND LEGISLATIVE PROPOSALS

The Joint Legislative Oversight Committee on Capital Improvements makes the following two recommendations to the 2008 General Assembly.

AN ACT TO REQUIRE THE HIGHER EDUCATION BOND OVERSIGHT COMMITTEE TO REPORT ANNUALLY AND TO MEET BIANNUALLY.

The Higher Education Bond Oversight Committee (HEBOC) requested that its reporting requirement be changed to annually and its meeting requirement be changed to biannually. The General Assembly created HEBOC in 2000 when it authorized the State to issue general obligation bonds to finance \$2.5 billion of capital facilities for The University of North Carolina System. HEBOC will terminate upon completion of all projects funded by bond proceeds issued under S.L. 2000-3. HEBOC must report semiannually to the Board of Governors of The University of North Carolina, the State Board of Community Colleges, and the Joint Legislative Commission on Governmental Operations; and it must meet at least once a quarter. HEBOC requested that it be allowed to report annually and to meet at least twice a year, rather than four times a year. This proposal makes these suggested changes. As the projects authorized in 2000 near completion, HEBOC has less reason to meet and report.

AN ACT TO CLARIFY THE RESTRICTIONS ON THE USE OF FUNDS IN THE REPAIRS AND RENOVATIONS RESERVE ACCOUNT AS IT APPLIES TO OUTDOOR THEATERS.

The General Assembly revised the Executive Budget Act in 2006, S.L. 2006-203. The new State Budget Act became effective July 1, 2007. The State Budget Act restricts the use of funds in the Repairs and Renovations Reserve Account so the funds may not be used to expand the square footage of an existing facility. This provision is more restrictive than the one in the old Executive Budget Act. It is unclear how this restriction applies to outdoor theaters. The only facility of an outdoor theater is the stage area. Since the seating area is not part of any facility, it is unclear whether the funds in the Reserve Account may be used to improve the existing seating area of an outdoor theater. This proposal clarifies that funds in the Reserve Account may be used to improve the existing seating area of an outdoor theater by defining the term 'building area' to include both the facility and the seating area footprint for purposes of an outdoor theater.

LEGISLATIVE PROPOSAL #1

HEBOC REPORTING AND MEETING REQUIREMENTS

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007**

U

D

BILL DRAFT 2007-RBz-45 [v.2] (04/23)

**(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
5/9/2008 2:06:18 PM**

Short Title: HEBOC Reporting and Meeting Requirements.

(Public)

Sponsors: .

Referred to:

A BILL TO BE ENTITLED

AN ACT TO REQUIRE THE HIGHER EDUCATION BOND OVERSIGHT
COMMITTEE TO REPORT ANNUALLY AND TO MEET BIANNUALLY.

The General Assembly of North Carolina enacts:

SECTION 1. Section 4.(d) of S.L. 2000-3 reads as rewritten:

"Section 4.(d) Reports. The Committee shall report ~~semiannually~~ annually to the Board of Governors of The University of North Carolina, the State Board of Community Colleges, and the Joint Legislative Commission on Governmental Operations."

SECTION 2. Section 4.(e) of S.L. 2000-3 reads as rewritten:

"Section 4.(e) Organization. The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Committee. The Committee shall meet at least ~~once a quarter~~ twice a year upon the joint call of the cochairs. A quorum of the Committee is six members. No action may be taken except by a majority vote at a meeting at which a quorum is present."

SECTION 3. This act is effective when it becomes law.

LEGISLATIVE PROPOSAL #2

R&R OF OUTDOOR THEATERS

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007**

U

D

BILL DRAFT 2007-RBz-44 [v.5] (04/15)

**(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
5/9/2008 2:08:38 PM**

Short Title: R&R of Outdoor Theaters.

(Public)

Sponsors: .

Referred to:

A BILL TO BE ENTITLED

AN ACT TO CLARIFY THE RESTRICTION ON THE USE OF FUNDS IN THE
REPAIRS AND RENOVATIONS RESERVE ACCOUNT AS IT APPLIES TO
OUTDOOR THEATERS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143C-4-3 reads as rewritten:

"§ 143C-4-3. Repairs and Renovations Reserve Account.

(a) Creation and Source of Funds. – The Repairs and Renovations Reserve Account is established as a reserve in the General Fund. The State Controller shall reserve to the Repairs and Renovations Reserve Account one-fourth of any unreserved fund balance, as determined on a cash basis, remaining in the General Fund at the end of each fiscal year.

(b) Use of Funds. – The funds in the Repairs and Renovations Reserve Account shall be used only for the repair and renovation of State facilities and related infrastructure that are supported from the General Fund. Funds from the Repairs and Renovations Reserve Account shall be used only for the following types of projects:

- (1) Roof repairs and replacements;
- (2) Structural repairs;
- (3) Repairs and renovations to meet federal and State standards;
- (4) Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning systems;
- (5) Improvements to meet the requirements of the Americans with Disabilities Act, 42 U.S.C. § 12101, et seq., as amended;
- (6) Improvements to meet fire safety needs;
- (7) Improvements to existing facilities for energy efficiency;
- (8) Improvements to remove asbestos, lead paint, and other contaminants, including the removal and replacement of underground storage tanks;

- 1 (9) Improvements and renovations to improve use of existing space;
2 (10) Historical restoration;
3 (11) Improvements to roads, walks, drives, utilities infrastructure; and
4 (12) Drainage and landscape improvements.

5 (b1) Restriction on Use of Funds. – Funds from the Repairs and Renovations
6 Reserve Account shall not be used for new construction or the expansion of the building
7 area (sq. ft.) of an existing facility unless required in order to comply with federal or
8 State codes or standards. For purposes of an outdoor theater, the building area is the
9 combined facility and seating area footprint.

10 (c) ~~Use of Funds.~~—Funds Available Only Upon Appropriation. – Funds reserved
11 to the Repairs and Renovations Reserve Account shall be available for expenditure only
12 upon an act of appropriation by the General Assembly."

13 **SECTION 2.** This act is effective when it becomes law.
14

APPENDIX A

AUTHORIZING LEGISLATION ARTICLE 29 OF CHAPTER 120 OF THE GENERAL STATUTES

Article 29.
**Joint Legislative Oversight Committee on Capital
Improvements.**

§ 120-258. Committee created.

There is established the Joint Legislative Oversight Committee on Capital Improvements. The Committee consists of 16 members as follows:

- (1) Eight members of the House of Representatives appointed by the Speaker of the House of Representatives; and
- (2) Eight members of the Senate appointed by the President Pro Tempore of the Senate.

Terms on the Committee are for two years and begin on the convening of the General Assembly in each odd-numbered year, except the terms of the initial members, which begin on appointment. Members may complete a term of service on the Committee even if they do not seek reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Committee.

A member continues to serve until the member's successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment. (2002-126, s. 29.3.)

§ 120-259. Purpose and powers of the Committee.

(a) The Joint Legislative Oversight Committee on Capital Improvements shall examine, on a continuing basis, capital improvements approved and undertaken for State facilities and institutions. As used in this section "capital improvements" includes repairs and renovations, and "State facilities and institutions" includes facilities and institutions of The University of North Carolina.

(b) The Committee shall have oversight over implementation of the six-year capital improvements plan developed pursuant to G.S. 143C-8-5.

(c) The Committee, while in discharge of official duties, shall have access to any paper or document and may compel the attendance of any State official or employee before the Committee or secure any evidence under G.S. 120.19. In addition, G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Committee as if it were a joint committee of the General Assembly.

(d) The Committee may make interim reports to the General Assembly on matters for which it may report to a regular session of the General Assembly. A report to the General Assembly may contain any legislation needed to implement a recommendation of the Committee. (2002-126, s. 29.3; 2006-203, s. 63.)

§ 120-260. Organization of Committee.

(a) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Joint Legislative Oversight Committee on Capital Improvements. The Committee shall meet at least once a quarter and may meet at other times upon the joint call of the cochairs.

(b) A quorum of the Committee is nine members. No action may be taken except by a majority vote at a meeting at which a quorum is present. While in the discharge of its official duties, the Committee has the powers of a joint committee under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4.

(c) Members of the Committee receive subsistence and travel expenses as provided in G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Supervisors of Clerks of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee. (2002-126, s. 29.3.)

§ 120-261. Reserved for future codification purposes.

§ 120-262. Reserved for future codification purposes.

§ 120-263. Reserved for future codification purposes.

§ 120-264. Reserved for future codification purposes.

APPENDIX B

MEETING AGENDAS

Agenda
Joint Legislative Committee on Capital Improvements
Room 421, Legislative Office Building
Wednesday, January 16, 2008, 1:30 pm

Senator Linda Garrou, Presiding
Representative Mickey Michaux, Co-Chair

- **Welcome and Opening Remarks**

- **Introduction of the Committee**

- **State Facilities Master Plan**

Secretary Britt Cobb
Department of Administration

John Atkins, Chairman
O'Brien/Atkins Associates, PA

Jay Smith, Principal
O'Brien/Atkins Associates, PA

- **Legislative Update**

Jim Klingler
Senior Fiscal Analyst
Fiscal Research Division

- **Committee Discussion/Direction**

- **Adjourn**

Agenda
Joint Legislative Committee on Capital Improvements
Room 421, Legislative Office Building
Monday, February 25, 2008, 2:00 pm

Representative Mickey Michaux, Presiding
Senator Linda Garrou, Co-Chair

- **Welcome and Opening Remarks**

- **Report on UNC System Capital Projects**

*Rob Nelson, Vice President
Finance Division
UNC General Administration*

- **Update on the Central Regional Psychiatric Hospital**

*Terry Hatcher, Director
Property & Construction Office
Dept. of Health & Human Services*

- **2008 Debt Affordability Study**

*Vance Holloman, Deputy Treasurer
State & Local Govt. Finance Division
Department of Treasurer*

- **Staff Update**

*Jim Klingler
Senior Fiscal Analyst
Fiscal Research Division*

- **Committee Discussion/Direction**

- **Adjourn**

Agenda
Joint Legislative Committee on Capital Improvements
Room 421, Legislative Office Building
Wednesday, April 23, 2008, 2:00 pm

Senator Linda Garrou, Presiding
Representative Mickey Michaux, Co-Chair

- **Welcome and Opening Remarks**
- **Update on the Green Square Project**

Secretary Bill Ross
Department of Environment
and Natural Resources

Bill Laxton, Deputy Secretary
DENR

Greg Driver, Director
State Construction Office
Department of Administration
- **Biomedical Research Imaging Center**

Dwayne Pinkney
Associate Vice Chancellor
Business and Finance
University of North Carolina
at Chapel Hill
- **Carolina North Development -
New UNC Law School Facility &
Campus Infrastructure**

Jack Evans, Executive Director
Carolina North
UNC-Chapel Hill
- **Inpatient Bed Tower & Operating
Room Facility**

Mary Beck,
Senior Vice President
Planning and Program
Development
UNC Hospitals

- **Expansion of Medical Education at the University of North Carolina at Chapel Hill and East Carolina University**

*Kevin Fitzgerald,
Executive Associate Dean
Finance and Administration
School of Medicine
UNC-Chapel Hill*

*TBA
East Carolina University*

- **Committee Discussion/Direction**
- **Adjourn**