

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025**

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**HOUSE BILL 1123
Committee Substitute Favorable 5/6/26
Committee Substitute #2 Favorable 5/12/26**

Short Title: UNC Omnibus & Capital Contracting Law Changes.

(Public)

Sponsors:

Referred to:

April 30, 2026

A BILL TO BE ENTITLED
AN ACT TO MAKE VARIOUS CHANGES RELATED TO THE UNIVERSITY OF NORTH
CAROLINA AND UPDATES TO STATUTES RELATED TO CONTRACTING FOR
CAPITAL PROJECTS.

The General Assembly of North Carolina enacts:

PART I. 2026 UNC SELF-LIQUIDATING PROJECTS

SECTION 1.1. The purpose of this Part is to authorize the financing of the capital improvement projects listed in this Part for the respective institutions of The University of North Carolina with funds available to the institutions from gifts, grants, receipts, self-liquidating indebtedness, Medicare reimbursements for education costs, hospital receipts from patient care, or other funds, or any combination of these funds, but not including funds received for tuition or appropriated from the General Fund or State Capital and Infrastructure Fund of the State unless previously authorized by General Statute.

SECTION 1.2. The capital improvement projects, and their respective costs, authorized by this Part to be financed as provided in Section 1.1 of this Part including by revenue bonds, by special obligation bonds as authorized in Section 1.4 of this Part, or by both, are as follows:

North Carolina Central University

Richmond Residence Hall Renovation – Phase I \$20,000,000

North Carolina State University

Cates West Development – Phase I \$295,000,000

University of North Carolina at Chapel Hill

New Residence Hall I \$141,200,000

Parker & Teague Halls – Demolition and Replacement \$112,000,000

University of North Carolina at Charlotte

Witherspoon Residence Hall Renovation \$48,430,000

University of North Carolina at Wilmington

Parking Deck IV \$20,357,028



1 **SECTION 1.3.** At the request of the Board of Governors of The University of North
 2 Carolina and upon determining that it is in the best interest of the State to do so, the Director of
 3 the Budget may authorize an increase or decrease in the cost of, or a change in the method of,
 4 funding the projects listed in this Part. In determining whether to authorize a change in cost or
 5 funding, the Director of the Budget may consult with the Joint Legislative Commission on
 6 Governmental Operations.

7 **SECTION 1.4.** Pursuant to G.S. 116D-26, the Board of Governors may issue, subject
 8 to the approval of the Director of the Budget, at one time or from time to time, special obligation
 9 bonds of the Board of Governors for the purpose of paying all or any part of the cost of acquiring,
 10 constructing, or providing for the projects listed in Section 1.2 of this Part. The maximum
 11 principal amount of bonds to be issued shall not exceed the specified amounts in Section 1.2 of
 12 this Part plus five percent (5%) of such amount to pay issuance expenses, fund reserve funds, pay
 13 capitalized interest, and pay other related additional costs plus any increase in the specific project
 14 costs authorized by the Director of the Budget pursuant to Section 1.3 of this Part. The amounts
 15 specified in Section 1.2 of this Part are not inclusive of other amounts that may have been
 16 authorized by an act of the General Assembly for the projects listed.

17 **SECTION 1.5.** This Part is effective when it becomes law.

18
 19 **PART II. STANDARDIZE THE RESIDENCY DETERMINATION PROCESS FOR**
 20 **ADMISSION TO THE NORTH CAROLINA SCHOOL OF SCIENCE AND**
 21 **MATHEMATICS**

22 **SECTION 2.1.(a)** G.S. 116-235(b)(1) reads as rewritten:

23 "(1) Admission of Students. – The School shall admit students in accordance with
 24 criteria, standards, and procedures established by the Board of ~~Trustees.~~
 25 Trustees, as follows:

26 a. To be eligible ~~to be considered~~ for admission, an applicant ~~must be~~
 27 ~~either a legal resident of the State, as defined by G.S. 116-143.1(a)(1),~~
 28 ~~or a~~ shall be one of the following:

29 1. A student who is a resident for tuition purposes, as defined in
 30 G.S. 116-143.1(b), who has established legal residence
 31 (domicile) in North Carolina and maintained that legal
 32 residence for at least 12 months immediately prior to his or her
 33 classification as a resident for tuition purposes. This
 34 determination shall be made by the coordinated and centralized
 35 residency determination process administered by the State
 36 Education Assistance Authority.

37 2. ~~student~~ A student who is not a resident for tuition purposes
 38 under sub-sub-subdivision 1. of this sub-subdivision whose
 39 parent is an active duty member of the Armed Forces, as
 40 defined by G.S. 116-143.3(a)(2), who is abiding in this State
 41 incident to active military duty at the time the application is
 42 submitted, provided the student shares the abode of that ~~parent;~~
 43 parent.

44 b. ~~eligibility~~ Eligibility to remain enrolled in the School shall terminate
 45 at the end of any school year during which a student becomes a
 46 nonresident of the State.

47 c. ~~The Board of Trustees shall ensure, insofar as possible~~ To the extent
 48 practicable without jeopardizing admission standards, that an equal
 49 number of qualified applicants is ~~shall be~~ admitted to the program and
 50 to the residential summer institutes in science and mathematics from
 51 each of North Carolina's congressional districts. In no event shall the

1 differences in the number of qualified applicants offered admission to
2 the program from each of North Carolina's congressional districts be
3 more than two and one-half percentage points from the average
4 number per district who are offered admission."

5 **SECTION 2.1.(b)** This section is effective when it becomes law and applies
6 beginning with applications for admission to the North Carolina School of Science and
7 Mathematics for the 2027-2028 school year.

9 **PART III. REVISE TUITION GRANTS FOR NCSSM AND UNCSA GRADUATES**

10 **SECTION 3.1.(a)** Part 6 of Article 23 of Chapter 116 of the General Statutes reads
11 as rewritten:

12 "Part 6. Tuition Grant for High School Graduates of the North Carolina School of Science and
13 Mathematics and the University of North Carolina School of the Arts.

14 **"§ 116-209.89. Definitions.Definitions; purpose.**

15 (a) Definitions. – The following definitions apply in this Part:

16 (1) Academic term. – Any of the following:

- 17 a. One fall semester.
- 18 b. One spring semester.
- 19 c. One summer term.

20 (1a) Eligible graduate. – A graduate of either of the following:

- 21 a. The North Carolina School of Science and Mathematics.
- 22 b. The University of North Carolina School of the Arts.

23 (1b) Eligible student. – A student who meets the requirements of subsection (a) of
24 G.S. 116-209.90.

25 (1c) Program. – The Program established in this Part to provide tuition grants to
26 high school graduates of the North Carolina School of Science and
27 Mathematics and the University of North Carolina School of the Arts.

28 (2) Summer term. – All instruction received in one summer between academic
29 years.

30 (b) Purpose. – The purpose of the Program is to provide financial assistance to eligible
31 students who graduated from the North Carolina School of Science and Mathematics and the
32 University of North Carolina School of the Arts to promote the retention of those
33 high-performing students in this State.

34 **"§ 116-209.90. Tuition grants for graduates to attend a constituent institution.**

35 (a) Within the funds available, an eligible graduate in each school year who meets the
36 following conditions shall qualify for a tuition grant awarded under this Part:

37 (1) Is at the time of application for the initial tuition grant a resident for tuition
38 purposes under the criteria set forth in G.S. 116-143.1 and in accordance with
39 the coordinated and centralized residency determination process administered
40 by the Authority.

41 (2) Enrolls as a full-time student in a constituent institution of The University of
42 North Carolina in the next academic year after graduation. The Authority shall
43 have the discretion to postpone this requirement for up to one academic year
44 after graduation if the student is able to demonstrate that any of the following
45 have substantially disrupted or interrupted the student's ability to enroll as a
46 full-time student:

- 47 a. A military service obligation.
- 48 b. Serious medical debilitation.
- 49 c. A short-term or long-term disability.
- 50 d. Other extraordinary hardship.

1 ~~(3) Submits a completed Free Application for Federal Student Aid (FAFSA)~~
2 ~~form.~~

3 (b) Students who receive initial tuition grants as a cohort of a high school graduating class
4 of NCSSM or UNCSA shall also be eligible to apply for tuition grants for subsequent academic
5 terms for up to a total of eight academic terms, provided that tuition grants are only used for
6 undergraduate tuition.

7 ~~(b1) A student~~ An eligible student must be continuously enrolled full time in an
8 undergraduate program at a constituent institution of The University of North Carolina after the
9 award of the initial tuition grant to be eligible for tuition grants in subsequent academic terms.
10 The Authority shall have the discretion to waive this requirement if the student is able to
11 demonstrate that any of the following have substantially disrupted or interrupted the student's
12 pursuit of a degree:

- 13 (1) A military service obligation.
- 14 (2) Serious medical debilitation.
- 15 (3) A short-term or long-term disability.
- 16 (4) Other extraordinary hardship.

17 (c) The amount of the tuition grant to each graduate shall be determined and distributed
18 as provided in G.S. 116-209.91.

19 **"§ 116-209.91. Administration of tuition grants.**

20 ~~(a) The Except as otherwise provided in this subsection, the~~ Authority shall administer
21 the tuition grants provided for in this Part pursuant to guidelines and procedures established by
22 the Authority consistent with its practices for administering State-funded financial aid. The
23 guidelines and procedures shall include an application process and schedule, notification and
24 disbursement procedures, standards for reporting, and standards for return of tuition grants when
25 a student withdraws. The Authority shall also require students to submit (i) a completed Free
26 Application for Federal Student Aid (FAFSA) form or (ii) other documentation, as necessary, to
27 administer and award the tuition grant. The Authority shall not approve any grant until it receives
28 proper certification from the appropriate constituent institution that the student applying for the
29 grant is an eligible student. Upon receipt of the certification, the Authority shall remit, at the
30 times it prescribes, the tuition grant to the constituent institution on behalf, and to the credit, of
31 the eligible student. In the event a student on whose behalf a tuition grant has been paid is not
32 enrolled in an undergraduate program and carrying a minimum academic load as of the tenth
33 classroom day following the beginning of the school term for which the tuition grant was paid,
34 the constituent institution shall refund the full amount of the tuition grant to the Authority.

35 (b) Except as otherwise provided in this section, the amount of the grant awarded to ~~a~~ an
36 eligible student under the Program shall cover the tuition cost at the constituent institution in
37 which the eligible student is enrolled. No tuition grant awarded to ~~a~~ an eligible student under this
38 section shall exceed the cost of attendance at a constituent institution for which the eligible
39 student is enrolled.

40 ~~(c) If a student, who is eligible for a tuition grant under this section,~~ an eligible student
41 also receives a scholarship or other grant covering the cost of attendance at the constituent
42 institution for which the tuition grant is awarded, then the amount of the tuition grant shall be
43 reduced by an appropriate amount determined by the Authority so that the total amount of
44 scholarships and grants received by the eligible student does not exceed the cost of attendance
45 for the institution. The cost of attendance shall be determined by the Authority for each
46 constituent institution.

47 (c1) The Authority shall place all funds appropriated to, or otherwise received by, the
48 Authority for the award of tuition grants under this Part into an institutional trust fund established
49 in accordance with the provisions of G.S. 116-36.1. All interest earned on these funds shall also
50 be placed in the institutional trust fund established pursuant to this subsection. The monies in the
51 institutional trust fund may be used only for the purposes set forth in this Part.

1 (d) In the event there are not sufficient funds to provide each eligible student who has
2 applied in accordance with the application process and the schedule established by the Authority
3 with a full tuition grant as provided by this Part, each eligible student shall receive a pro rata
4 share of funds available for the academic term covered by the appropriation in the preceding
5 fiscal year.

6 (e) The Authority may use up to five percent (5%) of the funds appropriated each year
7 for tuition grants under this Part for the administrative costs-costs of the Program."

8 **SECTION 3.1.(b)** This section is effective when it becomes law and applies
9 beginning with the award of tuition grants for the 2026-2027 academic year.

10 11 **PART IV. UNC BOARD OF GOVERNORS APPROVAL/CAPITAL EXPENDITURES**

12 **SECTION 4.1.(a)** G.S. 116-31.11 reads as rewritten:

13 "**§ 116-31.11. Powers of Board regarding certain fee negotiations, contracts, and capital**
14 **improvements.**

15 (a) Notwithstanding G.S. 143-341(3) and G.S. 143-135.1, the Board shall, with respect
16 to the design, construction, or renovation of buildings, utilities, and other property developments
17 of The University of North Carolina requiring the estimated expenditure of public money of four
18 million dollars (\$4,000,000) or less:

- 19 (1) Conduct the fee negotiations for all design contracts and supervise the letting
20 of all construction and design contracts.
- 21 (2) Develop procedures governing the responsibilities of The University of North
22 Carolina and its affiliated and constituent institutions to perform the duties of
23 the Department of Administration and the Director or Office of State
24 Construction under G.S. 133-1.1(d) and G.S. 143-341(3).
- 25 (3) Develop procedures and reasonable limitations governing the use of open-end
26 design agreements, subject to G.S. 143-64.34 and the approval of the State
27 Building Commission.
- 28 (4) Use existing plans and specifications for construction projects, where feasible.
29 Prior to designing a project, the Board shall consult with the Department of
30 Administration on the availability of existing plans and specifications and the
31 feasibility of using them for a project.

32 (b) The Board may delegate its authority under subsection (a) of this section to a
33 constituent or affiliated institution if the institution is qualified under guidelines adopted by the
34 Board and approved by the State Building Commission and the Director of the Budget.

35 (c) The University shall use the standard contracts for design and construction currently
36 in use for State capital improvement projects by the Office of State Construction of the
37 Department of Administration.

38 (d) A contract may not be divided for the purpose of evading the monetary limit under
39 this section.

40 (e) Notwithstanding any other provision of this Chapter, the Department of
41 Administration shall not be the awarding authority for contracts awarded pursuant to this section.

42 (e1) The Board shall be responsible for making the final determination on all expenditures
43 and project scope for capital improvement projects at The University of North Carolina and its
44 constituent institutions.

45 (f) The Board of Governors shall annually report to the State Building Commission the
46 following:

- 47 (1) A list of projects governed by this section.
- 48 (2) The estimated cost of each project along with the actual cost.
- 49 (3) The name of each person awarded a contract under this section.

- (4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g)."

SECTION 4.1.(b) This section is effective when it becomes law.

PART V. CAPITAL IMPROVEMENT THRESHOLD CHANGES

SECTION 5.1.(a) G.S. 143C-1-1(d)(5) reads as rewritten:

- "(5) Capital improvement. – A term that includes real property acquisition, new construction or rehabilitation of existing facilities, and repairs and renovations over one hundred fifty thousand dollars ~~(\$100,000)~~ (\$150,000) in value."

SECTION 5.1.(b) G.S. 133-1.1 reads as rewritten:

"§ 133-1.1. Certain buildings involving public funds to be designed, etc., by architect or engineer.

(a) In the interest of public health, safety and economy, every officer, board, department, or commission charged with the duty of approving plans and specifications or awarding or entering into contracts involving the expenditure of public funds ~~in excess of;~~ shall require that such plans and specifications be prepared by a registered architect, in accordance with the provisions of Chapter 83A of the General Statutes, or by a registered engineer, in accordance with the provisions of Chapter 89C of the General Statutes, or by both architect and engineer, particularly qualified by training and experience for the type of work involved, and that the North Carolina seal of such architect or engineer together with the name and address of such architect or engineer, or both, be placed on all these plans and specifications, when the contract meets any of the following criteria:

- (1) ~~Three~~ In excess of three hundred thousand dollars (\$300,000) for the repair of public buildings where such repair does not include major structural change in framing or foundation support systems, or five hundred thousand dollars (\$500,000) for the repair of public buildings by The University of North Carolina or its constituent institutions where such repair does not include major structural change in framing or foundation support ~~systems,~~ systems.
- (1a) ~~One~~ In excess of one hundred fifty thousand dollars ~~(\$100,000)~~ (\$150,000) for the repair of public buildings affecting life safety ~~systems,~~ systems.
- (2) ~~One~~ In excess of one hundred ~~thirty five~~ fifty thousand dollars ~~(\$135,000)~~ (\$150,000) for the repair of public buildings where such repair includes major structural change in framing or foundation support ~~systems, or~~ systems.
- (3) One hundred ~~thirty five~~ fifty thousand dollars ~~(\$135,000)~~ (\$150,000) for the construction of, or additions to, public buildings or State-owned and operated ~~utilities, shall require that such plans and specifications be prepared by a registered architect, in accordance with the provisions of Chapter 83A of the General Statutes, or by a registered engineer, in accordance with the provisions of Chapter 89C of the General Statutes, or by both architect and engineer, particularly qualified by training and experience for the type of work involved, and that the North Carolina seal of such architect or engineer together with the name and address of such architect or engineer, or both, be placed on all these plans and specifications.~~ utilities.

...

(d) On projects on which no registered architect or engineer is required pursuant to the provisions of this section, the governing board or awarding authority shall require a certificate of compliance with the State Building Code from the city or county inspector for the specific trade or trades involved or from a registered architect or engineer, except that the provisions of this subsection shall not apply to projects where any of the following apply:

- 1 (1) The plans and specifications are approved by the Department of
- 2 Administration, Division of State Construction, and the completed project is
- 3 inspected by the Division of State Construction and the State Electrical
- 4 Inspector.
- 5 (2) The project is exempt from the State Building Code.
- 6 (3) The project has a total projected cost of less than ~~\$100,000~~ one hundred fifty
- 7 thousand dollars (\$150,000) and does not alter life safety systems.

8"

9 **SECTION 5.1.(c)** G.S. 143-134.1(b1) reads as rewritten:

10 "(b1) No retainage on periodic or final payments made by the owner or prime contractor

11 shall be allowed on public construction contracts in which the total project costs are less than one

12 hundred fifty thousand dollars ~~(\$100,000).~~ (\$150,000). Retainage on periodic or final payments

13 on public construction contracts in which the total project costs are equal to or greater than one

14 hundred fifty thousand dollars ~~(\$100,000)~~ (\$150,000) is allowed as follows:

15"

16 **SECTION 5.1.(d)** G.S. 143-129 reads as rewritten:

17 **"§ 143-129. Procedure for letting of public contracts.**

18 (a) Bidding Required. – No construction or repair work requiring the estimated

19 expenditure of public money in an amount equal to or more than five hundred thousand dollars

20 (\$500,000) or purchase of apparatus, supplies, materials, or equipment requiring an estimated

21 expenditure of public money in an amount equal to or more than ninety thousand dollars

22 (\$90,000) may be performed, nor may any contract be awarded therefor, by any board or

23 governing body of the State, or of any institution of the State government, or of any political

24 subdivision of the State, unless the provisions of this section are complied with; provided that

25 The University of North Carolina and its constituent institutions may award contracts for

26 construction or repair work that requires an estimated expenditure of less than one million five

27 hundred thousand dollars ~~(\$500,000)~~ (\$1,500,000) without complying with the provisions of this

28 section.

29 For purchases of apparatus, supplies, materials, or equipment, the governing body of any

30 political subdivision of the State may, subject to any restriction as to dollar amount, or other

31 conditions that the governing body elects to impose, delegate to the manager, school

32 superintendent, chief purchasing official, or other employee the authority to award contracts,

33 reject bids, or readvertise to receive bids on behalf of the unit. Any person to whom authority is

34 delegated under this subsection shall comply with the requirements of this Article that would

35 otherwise apply to the governing body.

36"

37 **SECTION 5.1.(e)** G.S. 143-64.34 reads as rewritten:

38 **"§ 143-64.34. Exemption of certain projects.**

39 State capital improvement projects under the jurisdiction of the State Building Commission,

40 capital improvement projects of The University of North Carolina, and community college

41 capital improvement projects, where the estimated expenditure of public money is less than one

42 million five hundred thousand dollars ~~(\$500,000).~~ (\$1,500,000), are exempt from the provisions

43 of this Article."

44 **SECTION 5.1.(f)** G.S. 143-128 reads as rewritten:

45 **"§ 143-128. Requirements for certain building contracts.**

46 ...

47 (g) Exceptions. – This section shall not apply to:

48 (1) ~~The to the~~ purchase and erection of prefabricated or relocatable buildings or portions

49 thereof, except that portion of the work which must be performed at the construction site.

50 (2) ~~The erection, construction, alteration, or repair of a building when the cost~~

51 ~~thereof is three hundred thousand dollars (\$300,000) or less.~~

1 (3) ~~The erection, construction, alteration, or repair of a building by The University~~
2 ~~of North Carolina or its constituent institutions when the cost thereof is five~~
3 ~~hundred thousand dollars (\$500,000) or less.~~

4 Notwithstanding the other provisions of this subsection, subsection (f1) of this section shall
5 apply to any erection, construction, alteration, or repair of a building by a public entity."
6

7 **PART VI. USE OF CAPITAL FUNDS FOR PUBLIC-PRIVATE PARTNERSHIPS**

8 **SECTION 6.1.** G.S. 143C-8-7.1 reads as rewritten:

9 **"§ 143C-8-7.1. Procedures for disbursement of capital funds.**

10 (a) Appropriations made by an act of the General Assembly for capital improvements are
11 for constructing, repairing, or renovating State buildings, utilities, and other capital facilities; for
12 acquiring sites for them where necessary; for acquiring buildings and land for State government
13 purposes and other purposes as set forth in G.S. 143C-4-3.1; and shall be disbursed for the
14 purposes provided by that act. Expenditure of funds shall not be made by any State department,
15 institution, or agency until an allotment has been issued by the Governor as Director of the
16 Budget, which shall not be unreasonably withheld. The allotment shall be issued upon
17 compliance with the provisions of this Chapter. Prior to the award of construction contracts for
18 projects to be financed in whole or in part with self-liquidating appropriations, the Director of
19 the Budget shall approve the elements of the method of financing of those projects, including the
20 source of funds, interest rate, and liquidation period. Provided, however, that if the Director of
21 the Budget approves the method of financing a project, the Director shall report that action to the
22 Joint Legislative Commission on Governmental Operations within 30 days.

23 (a1) State funds appropriated for a capital improvement project at a State agency that is
24 not a public-private partnership project shall not be used in conjunction with or for the benefit of
25 a public-private partnership project without express authorization by an act of the General
26 Assembly. For the purposes of this subsection, the term "public-private partnership" means a
27 capital improvement project undertaken for the benefit of a governmental entity and a private
28 entity that may involve a contract, a financing arrangement, or other agreement, and includes
29 construction of a public facility or other improvements, including paving, grading, utilities,
30 infrastructure, reconstruction, or repair, and may include both public and private facilities.

31 (b) Where direct capital improvement appropriations include the purpose of furnishing
32 fixed and movable equipment for any project, those funds for equipment shall not be subject to
33 transfer into construction accounts except as authorized by the Director of the Budget. The
34 expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and
35 approved by the Director of the Budget prior to commitment of funds.

36 (c) Capital improvement projects authorized by an act of the General Assembly shall be
37 completed, including fixed and movable equipment and furnishings, within the limits of the
38 amounts of the direct or self-liquidating appropriations provided, except as otherwise provided
39 in that act. Capital improvement projects authorized by an act of the General Assembly for the
40 design phase only shall be designed within the scope of the project as defined by the approved
41 cost estimate filed with the Director of the Budget, including costs associated with site
42 preparation, demolition, and movable and fixed equipment. Amounts contracted for projects
43 authorized by the General Assembly cannot exceed the total project cost authorization.

44 (d) Disbursement of funds from the State Capital and Infrastructure Fund for projects
45 authorized by an act of the General Assembly shall be made as needed to initiate or advance a
46 capital project. Funds authorized for any particular project shall remain in the State Capital and
47 Infrastructure Fund until such time as disbursement is necessary to satisfy a financial obligation
48 for that project."
49

50 **PART VII. SEVERABILITY CLAUSE**

1 **SECTION 7.1.** If any section or provision of this act is declared unconstitutional or
2 invalid by the courts, it does not affect the validity of this act as a whole or any part other than
3 the part so declared to be unconstitutional or invalid.
4

5 **PART VIII. EFFECTIVE DATE**

6 **SECTION 8.1.** Except as otherwise provided, this act is effective when it becomes
7 law.