COMMITTEE'S CHARGE, DUTIES, AND BACKGROUND

The Committee's Charge

Senate Bill 912 presents a general overview of committee responsibilities, while also providing some broad-based guidance regarding how those duties should be fulfilled. The following offices are charged with presenting written and oral reports to the Higher Education Bond Oversight Committee (HEBOC):

- the facilities office of each constituent institution of the University of North Carolina
- the facilities office of The General Administration of the University of North Carolina
- the State Construction Office of the Department of Administration
- the president of each community college or the president's designee
- the facilities services section of the North Carolina Community College System Office
- the State Treasurer The HEBOC is then to "analyze and prepare recommendations, based on the information received" on the following issues:

    - whether expenditures of the proceeds from the bonds issued under the act are in compliance with the provisions of the act
    - whether the awarded contracts are consistent with the budget and scope of the approved projectswhether changes in construction methods could enhance cost savings and promotion of on-time completion of projects
    - whether the bond issuances are adequately timed to reflect cash-flow requirements of the projects

University of North Carolina

The UNC Capital Plan provided the basis for projects currently receiving bond money. Its conclusions found that the projected enrollment growth in North Carolina's university system will require additional facilities, capital needs are significant and well-documented, competitiveness requires investment in facilities' modernization and expansion, and historic "pay-as-you-go" financing did not protect the state's capital investment. As a response to the findings of the study, the members of the North Carolina General Assembly authorized the Michael K. Hooker Higher Education Facilities Financing Act, ***Senate Bill 912***, pending voter approval in November 2000. Senate Bill 912 outlines each university project and cost—which may not be changed without legislative approval. The Bond Referendum provided $2.5 billion for renovation and construction projects. This is approximately 60% of the funding needed to carry out the first six years of the ten-year plan approved by the Board of Governors.

North Carolina Community College System

Senate Bill 912 provided approximately $600 million to local governments for real estate, capital improvement initiatives, and repair and renovations to the community colleges to help meet that need. The $600 million provided by the November 2000 Bonds is $150 million more than the State had given cumulatively during the existence of the community college system for capital needs. Unlike the University of North Carolina System, the local boards of trustees at community colleges have wide discretion on the use of bond funds to meet needs. Specific

projects and amounts were not specified in Senate Bill 912; instead, funds were designated to colleges by site in a lump sum. Budget and scope changes may (and do) occur without

legislative approval. The State Board of Community Colleges must approve the projects of local colleges. Smaller projects (less than $250,000) at a college were bundled into one project for purpose of management. Local governments are technically responsible for real estate and capital improvements for the colleges. However, the state has assisted (through the November 2000 Bonds and previous bond sales/funding allocations) the local governments in funding the community colleges.

Matching Funds

Under normal circumstances and as dictated by N.C.G.S. 115D-31, if the state provides $1 in capital facility funding for community colleges, it must be matched by an equivalent non-state dollar. However, many colleges in low wealth counties had struggled to raise matching funds provided by the 1993 Bonds. These counties found that even if they taxed themselves heavily, it would be difficult to raise matching funds. Therefore, for the 2000 Bonds, the General Assembly did several things. It waived the matching requirement for all repair and renovation projects. It also waived the requirement to match for any county with an ability to pay of less than 40%. If a county spent its money first, it could bank the credit for use when state funds became available. Counties may get matching funds by selling General Obligation Bonds for construction or appropriate funds from capital reserves.

The source and availability of matching funds must be shown before the State Board will approve a project. If a county does not have matching funds, the funds could be reallocated at the determination of the State Board. However, adjustments would be made only from funds available for reallocation. At the end of six years, if a county has not raised a sufficient amount for match or there is no need for funds, those Bond funds will go to a reserve in the State Treasurer's office and could be reallocated by the State Board at the end of the six-year period (pending demand and significant growth).

The $3.1 billion in university and community college General Obligation Bonds will be issued in amounts ranging from $202 million in 2001 to $650 million in 2006. Of the amounts, approximately $499 million is allocated for new construction and $101 million is earmarked for repair and renovation.