



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

## Legislative Fiscal Note

**Short Title:** Education & Transportation Bond Act of 2020.  
**Bill Number:** House Bill 1225 (Second Edition)  
**Sponsor(s):** Representatives Moore, Elmore, Torbett, and Wray

### SUMMARY TABLE

#### FISCAL IMPACT OF H.B. 1225, V.2 (\$ in millions)

	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>
<b>State Impact</b>					
General Fund Revenue	-	-	-	-	-
Less Expenditures	-	33.6	66.2	97.9	128.7
<b>General Fund Impact</b>	-	<b>(33.6)</b>	<b>(66.2)</b>	<b>(97.9)</b>	<b>(128.7)</b>
Highway Trust					
Fund Revenue	-	-	-	-	-
Less Expenditures	-	29.0	57.4	85.0	111.9
<b>Highway Trust</b>					
<b>Fund Impact</b>	-	<b>(29.0)</b>	<b>(57.4)</b>	<b>(85.0)</b>	<b>(111.9)</b>
<b>NET STATE IMPACT</b>	-	<b>(\$62.6)</b>	<b>(\$123.5)</b>	<b>(\$182.9)</b>	<b>(\$240.6)</b>

### FISCAL IMPACT SUMMARY

*EDUCATION & TRANSPORTATION BOND ACT OF 2020 authorizes the State Treasurer, subject to a vote of the qualified voters of the State, to issue three billion one hundred million dollars (\$3,100,000,000) in general obligation bonds for the purpose of providing funds for capital outlay projects and repairs and renovations to public school facilities, community college enterprise resource planning information technology and community college capital outlay projects, and UNC system facilities, as well as provide funds for public transportation infrastructure projects, including construction and renovation of highways, roads, bridges, and related road infrastructure.*

**BILL ANALYSIS:** HB 1225 would establish a bond referendum for consideration by the voters of the State in 2020 on whether to issue \$3.1 billion in general obligation bonds for the purpose of providing funds for grants to counties for public school capital outlay projects, community college capital outlay projects, UNC constituent institution capital outlay projects, and public transportation infrastructure project

### **Local School Administrative Units - \$800,000,000**

The Bill specifies \$800,000,000 of the bond proceeds would be distributed among local school administrative units (LEAs) for paying the cost of public-school capital outlay projects and repairs and renovations. LEA allocations are calculated using 3 determining factors: Average daily membership (ADM), Low-wealth county, and a Base allocation. The Bill also specifies matching requirements for grants to counties for LEAs.

### **UNC Constituent Institutions - \$600,000,000**

The Bill specifies \$600,000,000 of bond proceeds are to be used for paying the costs of capital outlay projects for constituent institutions and repairs and renovations projects at UNC institutions. The Bill specifies the projects to be funded with bond proceeds and the amount each project is to receive.

### **Community Colleges - \$200,000,000**

The Bill specifies \$200,000,000 of bond proceeds are to be used for paying the costs of community college capital outlay projects, repairs and renovations, and enterprise resource planning information technology. The Bill specifies matching requirements from local funds and priority factors for the Community Colleges System Office.

### **Transportation- \$1,500,000,000**

The Bill specifies that \$1,500,000,000 of bond proceeds are to be used for paying the costs of supplemental highway funding for construction and renovations.

### **Other**

The Bill also specifies the process for issuing the bonds, handling the proceeds, reporting to the General Assembly, and obtaining voter approval.

### **Debt Capacity**

The \$1.6 billion in education debt assumed to be supported by the General Fund is within the State's General Fund debt capacity shown in the February 2020 *Debt Affordability Study*. The \$1.5 billion in transportation debt assumed to be supported by the Highway Trust Fund exceeds the \$0 billion in transportation debt capacity shown in the *Debt Affordability Study*. That study assumed that all \$3 billion of Build NC Bonds are issued and this bill does not appear to limit the issuance of the Build NC Bonds.

### **Estimated Debt Service**

The two tables below assume a maximum of \$591 million per issuance, beginning in FY 2020-21 and continuing through FY 2025-26. The first debt issuance is assumed to occur in June 2021 in both tables.

Table 1 provides the schedule for the annual debt service payment on the \$1.6 billion portion of bond proceeds intended for LEAs, Community Colleges, and the UNC System. The analysis in this table assumes a level principal structure, 20 years maturity, and fixed 6.0% interest rate, similar to assumptions used in the *Debt Affordability Study*. The analysis assumes issuance of \$305 million per year through FY 2024-25 and a final issuance of \$75 million in FY 2025-26.



**Table 1: Debt Service on \$1.6 Billion in Education Bonds**

<b>Fiscal Year</b>	<b>Annual Debt Service Payment</b>
FY 2020-21	\$0
FY 2021-22	\$33,550,000
FY 2022-23	\$66,185,000
FY 2023-24	\$97,905,000
FY 2024-25	\$128,710,000
FY 2025-26	\$158,600,000
FY 2026-27	\$162,275,000
FY 2027-28	\$157,475,000
FY 2028-29	\$152,675,000
FY 2029-30	\$147,875,000
FY 2030-31	\$143,075,000
FY 2031-32	\$138,275,000
FY 2032-33	\$133,475,000
FY 2033-34	\$128,675,000
FY 2034-35	\$123,875,000
FY 2035-36	\$119,075,000
FY 2036-37	\$114,275,000
FY 2037-38	\$109,475,000
FY 2038-39	\$104,675,000
FY 2039-40	\$99,875,000
FY 2040-41	\$95,075,000
FY 2041-42	\$75,025,000
FY 2042-43	\$55,890,000
FY 2043-44	\$37,670,000
FY 2044-45	\$20,365,000
FY 2045-46	\$3,975,000

For this analysis Fiscal Research has assumed this debt service will be paid from the General Fund. While G.S. 143C-4-3.1 states that this type of debt service will be paid from the State Capital and Infrastructure Fund (SCIF), such debt service is currently being paid directly from the General Fund under the provisions of Session Law 2019-242. If the debt service on education bonds issued under the authorization in this bill is instead paid from the SCIF, then the debt service will impact the SCIF instead of the General Fund.

Table 2 provides the schedule for the annual debt service payment on the \$1.5 billion in bond proceeds intended for transportation infrastructure projects. The analysis in this table assumes a

level principal structure, 25 years maturity, and 6.15% interest rate, similar to assumptions used in the *Debt Affordability Study*. The analysis assumes issuance of \$286 million per year through FY 2024-25 and a final issuance of \$70 million in FY 2025-26.

**Table 2: Debt Service on \$1.5 Billion in Transportation Debt**

<b>Fiscal Year</b>	<b>Annual Debt Service Payment</b>
FY 2020-21	\$0
FY 2021-22	\$29,029,000
FY 2022-23	\$57,354,440
FY 2023-24	\$84,976,320
FY 2024-25	\$111,894,640
FY 2025-26	\$138,109,400
FY 2026-27	\$141,696,600
FY 2027-28	\$138,006,600
FY 2028-29	\$134,316,600
FY 2029-30	\$130,626,600
FY 2030-31	\$126,936,600
FY 2031-32	\$123,246,600
FY 2032-33	\$119,556,600
FY 2033-34	\$115,866,600
FY 2034-35	\$112,176,600
FY 2035-36	\$108,486,600
FY 2036-37	\$104,796,600
FY 2037-38	\$101,106,600
FY 2038-39	\$97,416,600
FY 2039-40	\$93,726,600
FY 2040-41	\$90,036,600
FY 2041-42	\$86,346,600
FY 2042-43	\$82,656,600
FY 2043-44	\$78,966,600
FY 2044-45	\$75,276,600
FY 2045-46	\$71,586,600
FY 2046-47	\$56,456,600
FY 2047-48	\$42,030,160
FY 2048-49	\$28,307,280
FY 2049-50	\$15,287,960
FY 2050-51	\$2,972,200

For this analysis Fiscal Research has assumed this debt service will be paid from the Highway Trust Fund, in accordance with the intention stated in Section 1(d) of the bill.

## **TECHNICAL CONSIDERATIONS**

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N/A

## **DATA SOURCES**

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Department of State Treasurer –*Debt Affordability Study*, February 2020

## **LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

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This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

## **CONTACT INFORMATION**

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Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

## **ESTIMATE PREPARED BY**

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## **ESTIMATE APPROVED BY**

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Mark Trogdon, Director  
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June 18, 2020



**Signed copy located in the NCGA Principal Clerk's Offices**