

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H.B. 1134

SHORT TITLE: UNC /Horace Williams Campus

SPONSOR(S): Rep. Insko

FISCAL IMPACT

Yes () No (X) No Estimate Available ()

FY 1999-00 **FY 2000-01** **FY 2001-02** **FY 2002-03** **FY 2003-04**

REVENUES

** See Assumptions and Methodology **

EXPENDITURES

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: University of North Carolina at Chapel Hill, UNC Board of Governors.

EFFECTIVE DATE: Becomes effective July 1, 1999.

BILL SUMMARY: The bill has five primary effects. First, the legislation establishes the Horace Williams Campus Trust Fund. This fund is a special continuing, and non-reverting trust fund. Income placed in the Fund must be used for the development and operation of the Horace Williams Campus. Proceeds from the lease or rental of Horace Williams Campus property must be placed in the Fund. Second, the bill also authorizes the U.N.C. Board of Governors to issue revenue bonds to pay for campus facilities on the Horace Williams Campus. These bonds are to be paid out of fees, leases, rentals, and other sources. Taxes or the state's credit can not be pleaded for the bonds. Third, the bill defines the Horace Williams Campus as the real property left to the University by Mr. Williams, and all other real and incidental property the Board of Governors designates as a part of the campus. The properties do not have to be contiguous. Forth, it prohibits the collection of a service charge by the State Land Fund for the rental, lease, or easement of portions of the Horace Williams Campus. Fifth, it exempts the Horace Williams Campus from the state restriction on engaging directly or indirectly in the sale of goods. Finally, the bill makes conforming changes to create the same provisions for the U.N.C. Horace Williams Campus as are currently in effect for the Centennial Campus at North Carolina State University.

ASSUMPTIONS AND METHODOLOGY: The bill creates a governing structure and operational restrictions for the Horace Williams Campus that are analogous to those of the Centennial Campus. As a result the bill has several potential area for fiscal impact.

Fund Creation

By creating a special Horace Williams Campus Fund the legislation moves potential revenue out of the normal University budgeting process. However, because the Fund is treated like an institutional trust fund (G.S. 116-198.33), it is subject to established review procedures. Moving this revenue stream off-budget will not impact University funding or the general fund. Monies deposited in the Fund will be drawn primarily from the leases and rental that are unlikely to occur without the legislation.

Revenue Bonds

The bill authorizes the Board of Governors to issue revenue bonds to pay for capital improvements to the Horace Williams Campus. Because neither tax money or state credit can be used to secure or pay off the bonds, there is no fiscal impact to the state.

Leases

The legislation authorizes the University officials to lease property to private developers with out the approval of the Council of State. This is the same provision used to develop the Centennial Campus and should have no revenue or general fund impact.

State Land Fund

Section 4 of the bill exempts the William Horace Campus from paying a service charge to the State Land Fund for each of its lease, rental, or easement transactions. There is no fiscal impact from this change, because the Campus has never paid any fees to the Fund.

Property Tax

The bill has the potential to remove additional land and structures from the property tax rolls in Orange County if the UNC Board of Governors uses the power granted in the bill to expand the Horace Williams Campus to noncontiguous land not currently owned by the University of North Carolina at Chapel Hill. However, under current law, the county could recoup its tax loss in several ways. First, if the Campus land is leased at below market value to a private firm, then the leased land can be taxed. Second, if a private firm leases land from the campus at market value and builds its own building, then Orange county may levy property tax only on the building and its furnishings and equipment. Third, if a private firm leases the land and building from the Campus, then only the furnishings and equipment will be subject to property tax.

FISCAL RESEARCH DIVISION: 733-4910

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