

# Forecast for Construction State Construction Conference



Office of State Budget and Management

March 24, 2009

# Outline

- Capital Budget Trends
- FY 2008-09 Budget Management Plan
- Governor Perdue's Recommended Capital Budget
- Special Indebtedness Projects & Economic Stimulus
- State Budget Act
  - Reversion Requirements
  - Project Reserve
  - Upcoming Capital Budget Development
- Questions



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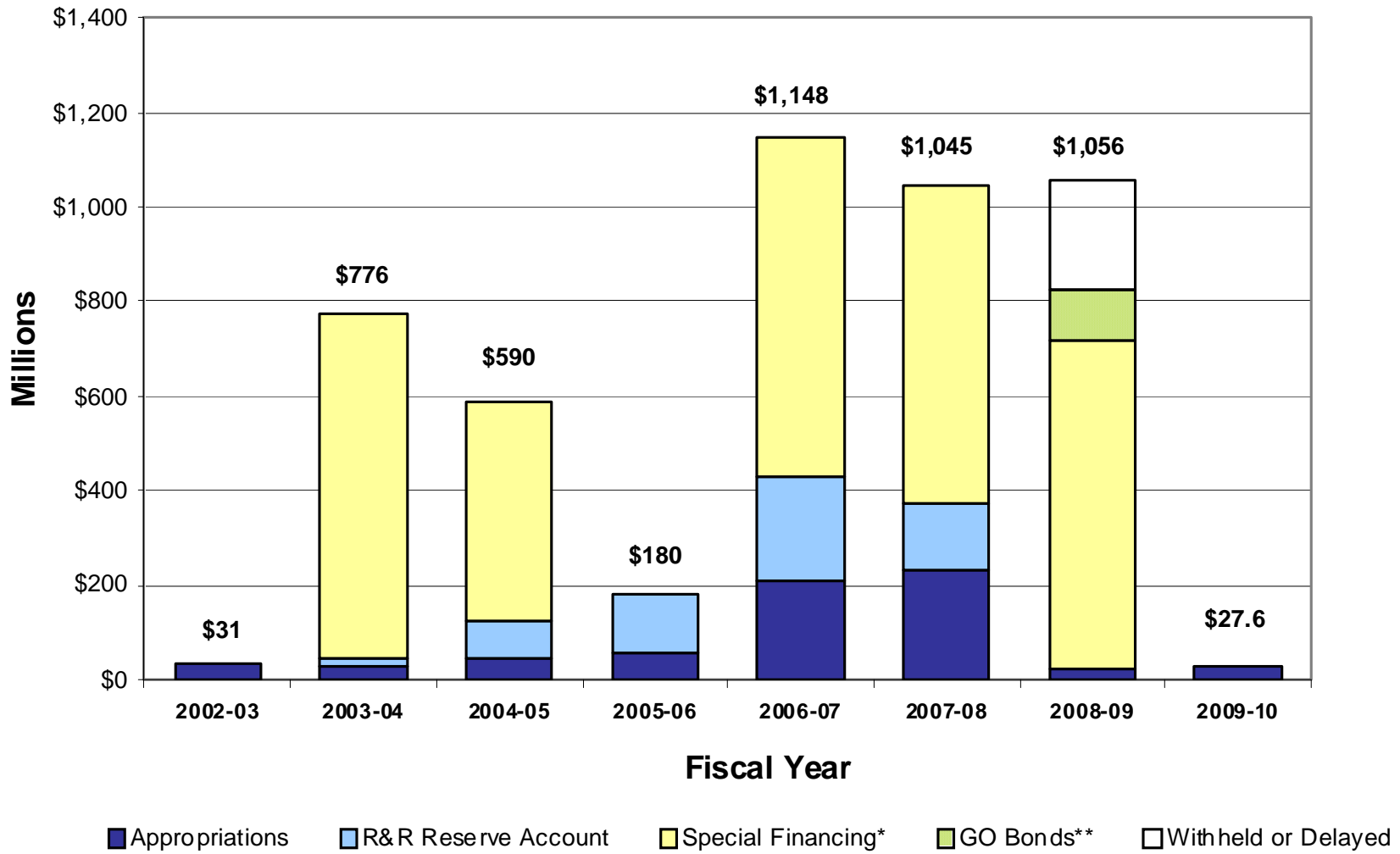
# Capital Budget Trends

- Use of Special Financing (COPs/LOBs no voter approval)
  - 2003-04 Repair & Renovation COPs - \$300 million
  - 2005-08 Special Indebtedness - \$2.1 billion
  - 2008-09 Capital Budget - \$750 million LOBs, 107 million 2/3 Bonds
- Partial Funding/ Unfunded Balances
- Very Large Projects w/ Multiple Funding Sources
- Legislative Earmarking of R&R Projects
- The State Budget Act – Reduced Authority of the Governor
- Reducing Energy Use - S 668 and “Green” Buildings



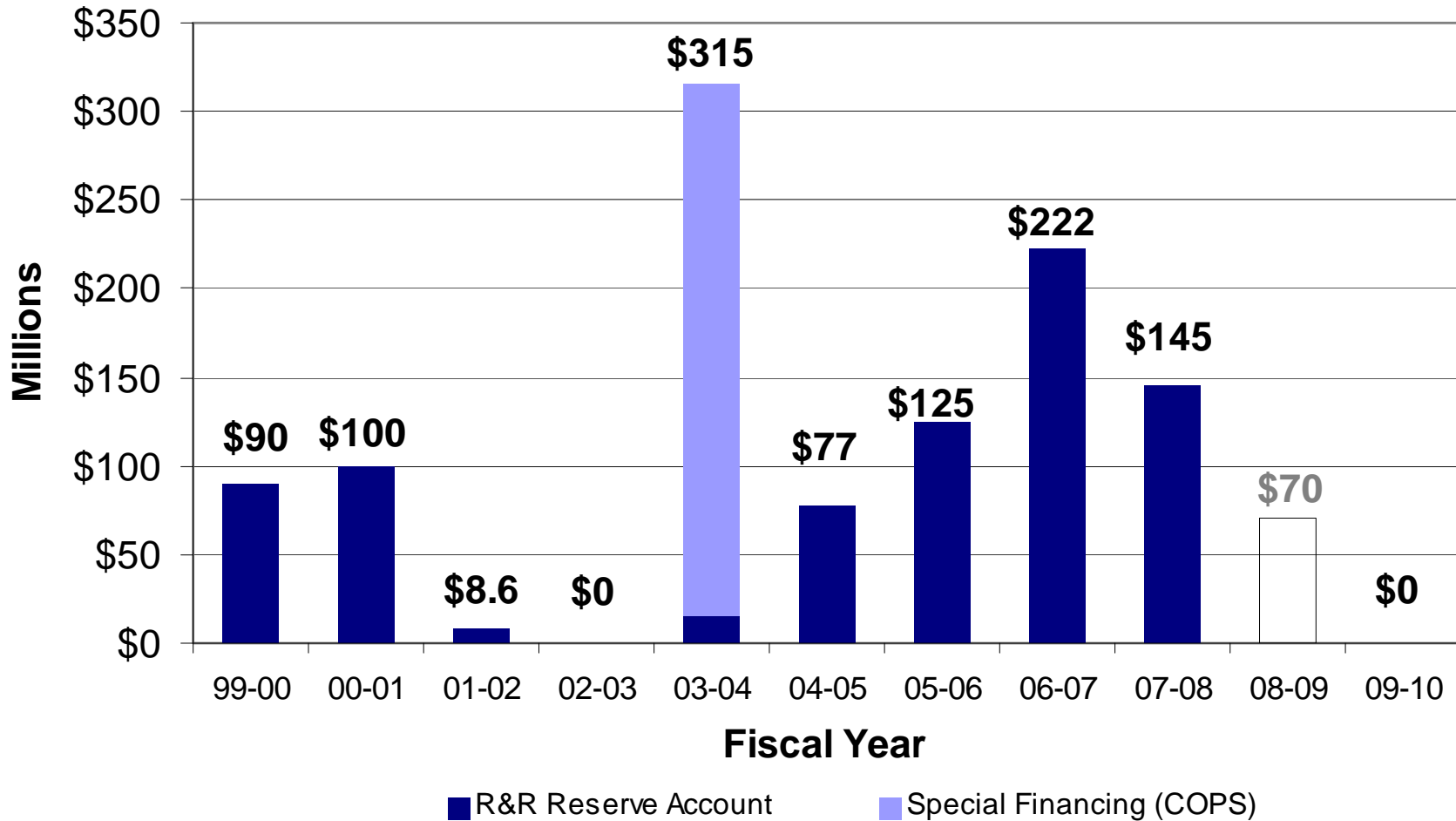
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## Authorized/Proposed Capital Funds



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# History of R&R Funding



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# Budget Management Plan

## FY 2008-09

- **\$2.2 Billion** Budget Shortfall Predicted
- Reverted -
  - \$ **106 M** of 129 M Capital Appropriation Reverted
  - \$ **70 M** of Repair & Renovations Reverted
    - All R&R - Includes Earmarked Projects
- Delayed -
  - \$**55 M** of \$750 M Special Indebtedness Projects



# Budget Management Plan

## FY 2008-09

- FY 2008-09 CI Projects **not** Reverted -
  - \$ **181 M** of Non-General Fund projects
  - \$ **696 M** of Projects Financed with Special Indebtedness
  - \$ **107 M** for Projects Financed with GO Bonds
  - \$ **436 M** for University Self-Liquidating Projects
- CI Projects from Prior Budget Years – Appropriated, R&R, Special Indebtedness, Non-GF, & Self-Liquidating are **not** Reverted



# Budget Management Plan

## FY 2008-09

(millions of dollars)	FY 2008-09 Authorized	Reverted or Delayed	FY 2008-09 Certified
Appropriations	\$ 129.1	<b>\$ (106.1)</b>	\$ 23.0
Repair and Renovations	\$ 69.8	<b>\$ (69.8)</b>	—
Special Indebtedness	\$ 750.5	<b>\$ (55.0)</b>	\$ 695.5
General Obligation Bonds	\$ 107.0	—	\$ 107.0
	\$ 1,056.4	<b>\$ (230.9)</b>	\$ 825.5

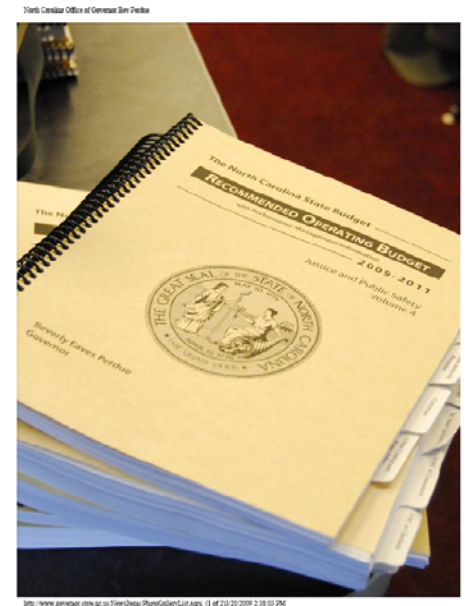


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# FY 2009-10 Governor's Budget

- Limited Capital Financing Due to Recession
- \$27.6M in Capital Appropriation
  - Water Resources Projects (\$ 17.6M State Match - \$83M Federal/Local Contribution)
  - Biomedical Research Imaging Center (\$10M)
- No Repair & Renovation Funding
- No Debt Financing



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# FY 2009-10 Governor's Budget

- Debt Affordability Study shows limited capacity for new debt

## Net Tax-Supported Debt Capacity Using 4.0% Target Ratio (Millions of dollars)

Fiscal Year	2009	2010	2011	2012	2013
Total Additional Debt Capacity per Year	188.1	14.2	0.6	222.0	548.1
Debt Capacity Available each and Every Year	50.2	50.2	50.2	50.2	50.2

From: Debt Affordability Study, February 1, 2009



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# FY 2009-10 Governor's Budget

- Future Revenues are Uncertain
- Debt Reduces Future Budget Flexibility
- Budget Flexibility is Needed in Times of Budget Shortfalls
- Net Tax-Supported Debt Service for Existing Debt Authorizations:
  - \$ 695M in 2009-10
  - \$ 753M in 2010-11
  - Peaks in 2012 at \$ 787M



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# Economic Stimulus – Capital Projects

- Debt Authorized for 2005-2009 Provides Economic Stimulus this Year
  - \$2.8 Billion Authorized for Capital Projects
  - Many Projects are Under Construction
  - \$ 400M to be Issued in April 2009
    - Spent Within 8 Months
    - Additional Debt Issued in Late Fall
  - \$1.6 Billion Still to be Issued
- New Debt Authorizations Have Lag Time for Economic Impact



# Special Indebtedness (COPs/LOBs)

- No Voter Approval
- Legislature Authorizes Debt
- DOA, OSBM, and State Treasurer Review and Must Concur to Bring to:
- Council of State for Approval
- Debt sales are Scheduled to Meet Cash Flow Requirements of the Projects and
- Stay within Debt Affordability Limits



# Special Indebtedness Funding Status

- To date **\$792.6** million has been expended on Special Indebtedness projects

	<b>Allocation</b>	<b>Expenditures*</b>	
2005 Projects	732,000,000	547,552,902	74.80%
2006 Projects	692,168,700	108,888,076	15.73%
2007 Projects	650,148,025	97,654,382	15.02%
2008 Projects	750,463,944	38,500,842	5.13%
total	<u>2,824,780,669</u>	<u>792,596,202</u>	28.06%
* Expenditures through 3/20/2009			
R&R COPs	<u>300,000,000</u>	<u>274,363,898</u>	91.45%
	<u>3,124,780,669</u>	<u>1,066,960,100</u>	



# Special Indebtedness Project Status

<b>Project Status as of 3/24/09</b>	<b>Total Project Amount</b>	<b>Number of Projects</b>	<b>Percent of Total Projects</b>
100% complete	\$141,677,167	51	30%
75% to 100% complete	\$575,947,230	22	13%
50% to 75% complete	\$53,168,300	6	4%
25% to 50% complete	\$38,988,000	2	1%
< 25% complete	\$1,162,838,136	36	21%
Projects not started	\$770,396,030	52	31%
<b>Total</b>	<b>\$2,743,014,864</b>	<b>169</b>	<b>100%</b>



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# State Budget Act

- G.S. 143C - State Budget Act
- Effective July 1, 2007
- Establishes Requirements for:
  - Development of Governor's Recommended Budget
  - Development of a Six-Year Capital Plan
  - Execution of the Approved Budget





# State Budget Act: Enforcing Reversion Requirements

- Idle Funding will be Reverted for More Urgent Needs
- State Budget Act Reversion Requirements
  - G.S. 143C-8-11
  - 1 Year for Planning; 2 Years for Construction
  - OSBM may grant 12 month extensions
  - Otherwise, project authorization lapses



# State Budget Act: Project Reserve Account

- Funds Revert to OSBM Project Reserve
- Funds Must be Used for:
  - Emergency R&R Projects
  - Cost Overruns in Authorized Capital Projects
- Funds Allocated by OSBM when Other Funding Sources are Insufficient



# State Budget Act: Capital Planning Requirements

- 2009-15 Six-Year Capital Plan (CIP)
  - Required by G.S. 143C, Article 8
  - Land Acquisitions, New Construction, R&R
  - Released Spring 2009
- 2010-11 Capital Budget Development
  - Process Begins in July 2009
  - 2009-15 CIP Updated Using Worksheet III Forms



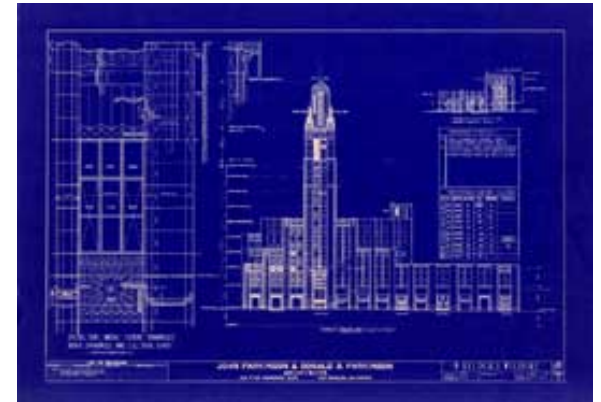
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# State Budget Act: Capital Planning Requirements

## ■ Required Information for Worksheet III Budget Requests:

- ❑ Project Description and Justification
- ❑ OC-25 Cost Estimate
- ❑ Construction Schedule
- ❑ Method of Financing
- ❑ FCAP Report for R&R
- ❑ Cash Flow Requirements by Quarter Until Completion
- ❑ Maintenance and Operating Costs for Five Years
- ❑ Estimate of Revenue Generated by Project
- ❑ Estimate of Space Needs Review by State Construction



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**QUESTIONS?**



**Capital Planning and Budgeting Under the New State Budget Act**  
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## 2007 COPS Authorized

		Maximum Prior to 7/1/08	Additional 2008-09	Additional 2009-10	Total Authorized
	Universities				
ASU	College of Education Building	3,000,000	31,000,000	-	34,000,000
FSU	Science and Technology Complex	5,000,000	17,587,000	-	22,587,000
NCSA	Library	1,775,600	12,598,000	10,546,400	24,920,000
NCSU	RB Terry Animal Hospital	28,500,000	9,500,000	-	38,000,000
UNCA	Rhoades Hall and Rhoades Tower Renovation	8,687,000	-	-	8,687,000
UNCCH	Genomics Sciences Building	31,000,000	55,000,000	33,608,225	119,608,225
WCU	Health and Gerontological Sciences Building	18,802,500	22,802,500	-	41,605,000
WSSU	Student Activities Center	2,000,000	3,000,000	13,708,000	18,708,000
NCSU	Engineering III Building	8,500,000	17,000,000	8,500,000	34,000,000
UNCG NCA&T	South Millenium Campus Nanoscience & Nanoengineering Building	25,000,000		28,000,000	53,000,000
UNCGA	Coastal Studies Institute	8,000,000	15,000,000	9,500,000	32,500,000
UNCP	Nursing and Allied Health Building	5,000,000	14,000,000	-	19,000,000
UNCW	Teaching Laboratory Building	2,500,000	6,131,250	25,893,750	34,525,000
	subtotals	147,765,100	203,618,750	129,756,375	481,140,225
	Agencies				
DCR	Tryon Palace History Education Center	5,000,000	20,000,000	10,000,000	35,000,000
DOC	Alexander Minimum Security Addition	6,595,650	6,595,650	-	13,191,300
DOC	Scotland Medium Security Addition	5,000,000	14,816,500	-	19,816,500
DENR	State Conservation Land Acquisition	120,000,000	-	-	120,000,000
	subtotals	136,595,650	41,412,150	10,000,000	188,007,800
	<b>Total</b>	<b>284,360,750</b>	<b>245,030,900</b>	<b>139,756,375</b>	<b>669,148,025</b>

**Appropriations Act of 2008 - SL 2008-107**

		SL 2008-107 Appropriations Act	Amount authorized	Not Yet Authorized	Additional to Complete Project
<b>2008 Repair and Renovation Reserve</b>					
UNCGA	University Repair and Renovation Projects	29,826,049	-	29,826,049	-
UNCGA	Energy Efficiency Reserve	2,300,000	-	2,300,000	-
<b>UNC Totals</b>		<b>32,126,049</b>	-	<b>32,126,049</b>	-
OSBM	State Agency Repair and Renovation Projects	22,272,689	-	22,272,689	-
DOA	Energy Efficiency Reserve	2,700,000	-	2,700,000	-
DCR	Mattamuskeet Lodge Renovations - Phase I I	6,615,500	-	6,615,500	7,907,290
DCR	Museum of History Chronology Exhibit Phase I to 1900 (supplement)	2,600,000	-	2,600,000	-
DACS	Agriculture Building Comprehensive Renovation - Planning	1,225,000	-	1,225,000	16,307,450
DENR	NC Museum of Forestry	1,300,000	-	1,300,000	951,410
DCR	Charlotte Hawkins Brown State Historic Site Improvements	1,000,000	-	1,000,000	-
<b>State Agency Totals</b>		<b>37,713,189</b>	-	<b>37,713,189</b>	<b>25,166,150</b>
<b>2008 Repair &amp; Renovations Totals</b>		<b>69,839,238</b>	-	<b>69,839,238</b>	<b>25,166,150</b>
<b>2008 GF Appropriations</b>					
DOA	Capital Area Visitors Center and Parking Garage	2,600,000	-	2,600,000	37,800,000
DOA	North Carolina Freedom Monument - Phase I Planning	450,000	-	450,000	2,550,000
DACS	Study and Design Evaluation of Veterinary Diagnostic Lab System	620,000	-	620,000	-
DACS	Motor Fuels/Metrology Planning	300,000	-	300,000	-
DACS	New Horse Barn Units at the Hunt Horse Complex	900,000	-	900,000	-
DENR	Zoo Africa Pavilion Replacement - Planning	600,000	-	600,000	26,000,000
DENR	Water Resources Projects	20,000,000	9,899,000	10,101,000	-
Com	Wanchese - Fire Protection Improvements	110,900	-	110,900	-
Com	Wanchese - Road Repair and Road Const4ruction	94,800	-	94,800	-
Com	Wanchese - Wastewater Treatment Equipment Renovations/Improvements (Supplement)	400,000	-	400,000	-
DOJ	Addition to SBI Buildings 17 and 18	1,792,006	-	1,792,006	-
CCPS	Master Planning Statewide - Phase II	300,300	300,300	-	-
CCPS	Camp Butner Training Site Buffer - Phase II	126,200	126,200	-	-
CCPS	Camp Butner Training Site Sewer Extension & Latrine Replacement	245,430	245,430	-	-
CCPS	Siler City Armory Rehab Addition and Alteration	929,600	-	929,600	-
<b>State Agency Totals</b>		<b>29,469,236</b>	<b>10,570,930</b>	<b>18,898,306</b>	<b>66,350,000</b>
NCSSM	Discovery Center - Science Labs/Classrooms/Residence Hall	7,250,000	-	7,250,000	59,413,000
ECSU	School of Aviation Complex	1,500,000	-	1,500,000	15,500,000
UNCCH	Biomedical Research Imaging Center	35,000,000	12,500,000	22,500,000	217,000,000
WSSU	Sciences and General Office Building	3,000,000	-	3,000,000	25,272,300
NCSU	Engineering Complex Planning	14,400,000	-	14,400,000	199,300,000
UNCGA	Upper Coastal Plains Higher Education Center - Classroom Building	1,000,000	-	1,000,000	19,000,000
ASU	Nursing Building - Planning	4,200,000	-	4,200,000	37,800,000
FSU	Teaching Education Building - Planning	4,272,110	-	4,272,110	38,448,990
A&T/UNC	Millenium Campus - Joint Primary Data Center - Planning	1,852,016	-	1,852,016	44,447,984
UNCA	Carmichael Hall and Lecture Hall Replacement - Planning	1,100,000	-	1,100,000	25,701,000
UNCCH	Carolina North Phase 1 Development (New School of Law & Sitework)	11,500,000	-	11,500,000	157,500,000
UNCCH	Morehead Planetarium Renovation/Expansion Planning	1,800,000	-	1,800,000	56,200,000
UNCC	Science Building - Planning	2,400,000	-	2,400,000	117,600,000
UNCP	Information Commons Building - Planning	2,000,000	-	2,000,000	48,000,000
UNCW	Allied Health and Human Science Building - Planning	4,320,000	-	4,320,000	38,880,800
WCU	Education and Professions Building - Planning	4,018,700	-	4,018,700	36,168,300
<b>UNC Totals</b>		<b>99,612,826</b>	<b>12,500,000</b>	<b>87,112,826</b>	<b>1,136,232,374</b>
<b>2008 Appropriations Totals</b>		<b>129,082,062</b>	<b>23,070,930</b>	<b>106,011,132</b>	<b>1,202,582,374</b>

		SL 2008-107 Appropriations Act	Amount authorized	Not Yet Authorized	Additional to Complete Project
<b>2008 Special Indebtedness Projects</b>					
DCR	Museum of Art Expansion - Supplement	5,130,000	5,130,000	-	-
DOC	Womens Health and Mental Health Facility	45,170,000	45,170,000	-	-
DOC	Minimum Security Addition - Scotland	13,010,000	13,010,000	-	-
DOC	Medium Security Addition - Bertie	18,950,000	18,950,000	-	-
DOC	Minimum Security Addition - Tabor	13,010,000	13,010,000	-	-
DOC	Medium Security Addition - Lanesboro	18,950,000	18,950,000	-	-
DCR	CSS Neuse Phase I (20,000 sq.ft. bldg.)	2,925,000	2,925,000	-	-
Ports	Morehead City - Port-wide Berth Structure Construction	2,000,000	2,000,000	-	-
Ports	Wilmington - Berth 8 Replacement Phase I	5,000,000	5,000,000	-	-
AOC	Administrative Office of the Courts - System Office Building Acquisition	34,000,000	34,000,000	-	-
DACS	Southeastern NC Agricultural Center Pavilion	3,700,000	3,700,000	-	-
DACS	Bathroom & Truckshed Expansion at WNC Farmer's Market	650,000	650,000	-	-
DACS	Davis Arena Renovation & Expansion WNC Ag Ctr	7,450,000	7,450,000	-	-
DENR	Research Oyster Hatchery	4,303,944	4,303,944	-	-
DENR	Land for Tomorrow Conservation Funds	50,000,000	10,000,000	40,000,000	-
DENR	Zoo Polar Bear Exhibit Addition and Renovation	2,700,000	2,700,000	-	-
<b>State Agency Totals</b>		<b>226,948,944</b>	<b>186,948,944</b>	<b>40,000,000</b>	-
UNCGA	UNC System Fire Sprinkler Systems for Residence Halls	10,000,000	10,000,000	-	-
ECU	School of Dentistry	69,000,000	69,000,000	-	-
ECU	Family Medicine and Geriatric Center	36,800,000	36,800,000	-	-
ECSU	School of Education Building	18,000,000	18,000,000	-	-
NCA&T	Horse Barns - Rockingham County Horse Park	2,438,000	2,438,000	-	-
NCA&T	General Classroom Instructional Facility	20,490,000	20,490,000	-	-
NCCU	School of Nursing Building	24,500,000	24,500,000	-	-
NCSA	Central Storage Facility	11,100,000	11,100,000	-	-
NCSA	Film School Production Design Facility	12,900,000	12,900,000	-	-
NCSU	Centennial Campus Library	109,100,000	109,100,000	-	-
NCSU	4-H Campus Improvements	4,000,000	4,000,000	-	-
UNCCH	School of Dentistry Addition	69,000,000	69,000,000	-	-
UNCC	Energy Production Infrastructure Center	57,218,000	57,218,000	-	-
UNCGA	UNC System Land Acquisitions	25,000,000	10,000,000	15,000,000	-
UNCG	Academic Classroom and Office Building	42,670,000	42,670,000	-	-
WSSU	Student Activity Center - Supplemental	9,799,000	9,799,000	-	-
WSSU/ NCSA	Center for Design Innovation (supplement - Site Preparation)	1,500,000	1,500,000	-	-
<b>UNC Totals</b>		<b>523,515,000</b>	<b>508,515,000</b>	<b>15,000,000</b>	-
<b>2008 Special Indebtedness Totals</b>		<b>750,463,944</b>	<b>695,463,944</b>	<b>55,000,000</b>	-
<b>Two-Thirds Bond Act of 2008 (SL 2008-107, Section 27.9)</b>					
DENR	Green Square Complex	107,000,000	107,000,000	-	-
<b>2008 Totals</b>		<b>1,056,385,244</b>	<b>825,534,874</b>	<b>230,850,370</b>	<b>1,227,748,524</b>

Appropriated and Repair & Renovation Projects Frozen 2008

175,850,370