



# NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

## Legislative Fiscal Note

**Short Title:** Various Ed Law/Tax Acct/NIL Changes.  
**Bill Number:** House Bill 378 (Third Edition)  
**Sponsor(s):** Rep. Pickett, Rep. Cotham, Rep. Liu, and Rep. Hawkins

### SUMMARY TABLE

#### FISCAL IMPACT OF H.B. 378, V.3 (\$ in millions)

	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
<b>State Impact</b>					
General Fund Revenue	-	-	-	-	-
<u>Less Expenditures</u>	-	-	-	-	-
<b>General Fund Impact</b>	<b>No Fiscal Impact</b>				

#### NET STATE IMPACT

**No Fiscal Impact**

### FISCAL IMPACT SUMMARY

Section 5 of House Bill 378 (Third Edition) authorizes the campuses of the University of North Carolina (UNC) to finance and construct capital improvement projects utilizing obligated resources. This Bill does not require the need for additional General Fund Appropriations, however there is a fiscal impact that is funded with other sources of university receipts.

### FISCAL ANALYSIS

The bill authorizes the campuses of the University of North Carolina (UNC) to finance and construct capital improvement projects utilizing obligated resources. The projects are discussed below.

The statutory framework to authorize and issue debt lies within Article 3 of G.S. 116D. Under this Article, obligated resources refer to: rents, charges, or fees; earnings on investments of endowment funds, overhead receipts, and other resources that do not include appropriations from the General Assembly or tuition. UNC is authorized to change, with approval of the Director of the Budget, the means of finance for the projects authorized in the bill and increase or decrease the cost of the project. UNC is allowed to issue debt up to 5% above the total cost of the project, including any increase authorized by the Director of the Budget, to cover various costs of issuance of the debt. The proposed indebtedness authorized under this bill is not a debt of the State.



Table 1 provides information on the projects within Section 5 of the bill and identifies the proposed sources of funding. Article 3 of G.S. 116D authorizes all obligated resources to be used as means of repayment and does not limit the source of funding to those presented in the table below. If an existing fee or receipt is to be used, the table identifies the fee, and any annual increase associated with the fee.

**Table 1: Campus Project Information**

Campus	Project	Amount	Revenue Source
UNCCH	Electrical Distribution System/Substations & Switchgear Upgrade	\$14.6 m	Utility receipts
UNCCH	Fetzer Hall Addition/ Campus Recreation	\$90.0 m	Student fees
UNCW	Parking Deck III	\$12.0 m	Parking receipts
UNCW	Student Housing Village – Phase III	\$71.0 m	Housing receipts

In addition to this new debt, these campuses have existing debt that has been authorized under Article 3 of G.S. 116D and Part 4 of G.S. 116 (Revenue Bonds). Table 2 summarizes this outstanding debt, along with annual debt service payment information and revenue available to support debt service, estimated for FY 2024-25, for the campuses impacted by this bill. The information source for all debt related information is the FY 2024 University of North Carolina Debt Capacity Study, as required by Article 5 of G.S. 116D.

**Table 2: Existing Debt Information: FY 2024-25**

Campus	Outstanding Debt	Debt Service Payment	Obligated Resources
UNCCH	\$1,161.7 m	\$82.8 m	\$3,708.1 m
UNCW	\$169.2 m	\$17.1 m	\$321.8 m

Each campus receives a bond rating from the various bond rating agencies, and these ratings are summarized in Table 3. The most widely used agencies are Moody’s Investor Services (Moody’s), Standard and Poor’s Global Ratings (S&P), and Fitch Ratings (Fitch). A bond rating reflects the credit quality of an entity, or its ability to make timely principal and interest (i.e., debt service) payments. The rating agency also gives an “Outlook” with the rating. This factor is the agency’s estimate of how the rate will change in the future. A positive outlook means that the rating is likely to be upgraded in the future. A negative outlook means that the rating is likely to be downgraded in the future. A stable rating means the agency anticipates no change to the rating in the future.

**Table 3: Campus Bond Rating Information**

Campus	Moody's		S&P		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
UNCCH	Aaa	Stable	AAA	Stable	AAA	Stable
UNCW	Aa3	Stable	-	-	-	-

G.S. 116D-56 requires UNC to study each constituent institution's debt and ability to incur debt over the next five fiscal years. Table 4 presents the debt capacity for each constituent institution for FY 2024-25 to FY 2028-29. Each institution's debt capacity reflects the amount of debt each institution could issue during the Study Period without exceeding its ceiling ratio for debt to obligated resources. Each institution has developed its own target policy for each ratio in consultation with the UNC System to ensure the ratio is tailored and meaningful for that institution's size, mission, resources, and average age of plant. Debt capacity is a limited metric and does not equate to debt affordability. Debt capacity is a general indicator of the school's ability to take on more debt. Table 4 does not reflect debt proposed in this bill or associated revenue to support debt service and assumes no additional debt is issued prior to that year.

**Table 4: Selected Campus Debt Capacity Information**

Campus	Debt Ratio Ceiling	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2027-28
UNC-CH	0.50	\$615.5 m	\$497.8 m	\$464.3 m	\$462.3 m	\$561.3 m
UNCW	1.75	\$394.0 m	\$418.7 m	\$443.3 m	\$468.8 m	\$493.8 m

### University of North Carolina at Chapel Hill

The bill allows UNCCH to issue \$104.6 million in debt for two capital improvements projects.

#### Project 1: Electrical Distribution System/Substations & Switchgear Upgrade (\$14.6 million)

This bill allows UNCCH to issue \$14.6 million in debt for consolidating the Emergency Substation Bus Connection among three sub stations and upgrade the switchgear for Cameron Station Bus B. The new emergency connection will provide an additional layer of needed resiliency for the campus, while the switchgear is at the end of its useful life and needs to be upgraded to prevent electrical failures. Debt service is anticipated to begin with permanent financing in FY 2030-31 and will be funded with utility receipts.

**Table 5: UNCCH Electrical Distribution System/Substations & Switchgear Upgrade\***

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
<b>Expense</b>					
New Debt Service	\$0	\$0	\$0	\$0	\$0
Operating Expense	\$44.1 m	\$45.5 m	\$46.9 m	\$48.4 m	\$50.0 m
<i>Total Expenses</i>	<i>\$44.1 m</i>	<i>\$45.5 m</i>	<i>\$46.9 m</i>	<i>\$48.4 m</i>	<i>\$50.0 m</i>
<b>Revenue</b>					
Utility Receipts	\$51.0 m	\$52.6 m	\$54.2 m	\$55.9 m	\$57.6 m
<i>Total Revenue</i>	<i>\$51.0 m</i>	<i>\$52.6 m</i>	<i>\$54.2 m</i>	<i>\$55.9 m</i>	<i>\$57.6 m</i>
<b>Change in Campus Fund Balance</b>	<b>\$6.9 m</b>	<b>\$7.1 m</b>	<b>\$7.3 m</b>	<b>\$7.5 m</b>	<b>\$7.6 m</b>

\* Totals may not add due to rounding.

#### Project 2: Fetzer Hall Addition/ Campus Recreation (\$90.0 million)

This bill allows UNCCH to issue \$90.0 million in debt for the renovation to Fetzer Hall to expand recreation and wellness programs. The renovation and expansion need is the result of significant overcrowding in indoor recreational spaces in recent years and the expansion of programs through the integrative health and wellbeing center. Debt service will be funded through a student fee increase of approximately 3% annually for four years, beginning with \$77 in FY 25-26, \$130 in FY 26-27, \$185 in FY 27-28, and finally \$217 in FY 28-29 and beyond. Debt service payments are anticipated to begin with permanent financing in FY 2029-30.

**Table 6: UNCCH Fetzer Hall Addition/ Campus Recreation\***

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
<b>Expense</b>					
New Debt Service	\$0	\$0	\$0	\$0	\$0
<i>Total Expenses</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
<b>Revenue</b>					
New Student Fee	\$0	\$2.3 m	\$3.9 m	\$5.6 m	\$6.5 m
Capital Fund Raising	\$0	\$0	\$5.0 m	\$5.0 m	\$0
<i>Total Revenue</i>	<i>\$0</i>	<i>\$2.3 m</i>	<i>\$8.9 m</i>	<i>\$10.6 m</i>	<i>\$6.5 m</i>
<b>Change in Campus Fund Balance</b>	<b>\$0</b>	<b>\$2.3 m</b>	<b>\$8.9 m</b>	<b>\$10.6 m</b>	<b>\$6.5 m</b>

\* Totals may not add due to rounding.

## University of North Carolina at Wilmington

The bill allows UNCW to issue \$83.0 million in debt for two capital improvements projects.

### Project 1: Parking Deck III (\$12.0 million)

This bill allows UNCW to issue \$12.0 million in debt to construct a new 500 space elevated parking deck and surface lot expansion, along with related roadway improvements. Debt service will be funded with parking receipts.

**Table 7: UNCW Parking Deck III\***

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
<b>Expense</b>					
New Debt Service	\$0	\$0	\$0.5 m	\$0.6 m	\$0.6 m
Operating Expense	\$0	\$0	\$0.2 m	\$0.2 m	\$0.2 m
<i>Total Expenses</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0.7 m</i>	<i>\$0.8 m</i>	<i>\$0.8 m</i>
<b>Revenue</b>					
Parking Receipts	\$0	\$0	\$0.7 m	\$0.7 m	\$0.8 m
<i>Total Revenue</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0.7 m</i>	<i>\$0.7 m</i>	<i>\$0.8 m</i>
<b>Change in Campus Fund Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$0.1 m)</b>	<b>\$0</b>

\* Totals may not add due to rounding.

### Project 2: Student Housing Village – Phase III (\$71.0 million)

This bill allows UNCW to issue \$83.0 million in debt to construct a new 140,000 square foot residence hall with approximately 525 beds. Debt service will be funded with housing receipts.

**Table 8: UNCW Student Housing Village – Phase III \***

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
<b>Expense</b>					
New Debt Service**	\$0	\$0	\$0	\$3.3 m	\$3.5 m
Operating Expense	\$0	\$0	\$0	\$1.5 m	\$1.6 m
<i>Total Expenses</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$4.8 m</i>	<i>\$5.1 m</i>
<b>Revenue</b>					
Housing Receipts	\$0	\$0	\$0	\$5.0 m	\$5.3 m
<i>Total Revenue</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$5.0 m</i>	<i>\$5.3 m</i>
<b>Change in Campus Fund Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0.2 m</b>	<b>\$0.2 m</b>

\* Totals may not add due to rounding.



## **TECHNICAL CONSIDERATIONS**

---

N/A.

## **DATA SOURCES**

---

UNC Debt Affordability Study; UNC General Administration.

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

---

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**

---

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

## **ESTIMATE PREPARED BY**

---

Travis Allen

## **ESTIMATE APPROVED BY**

---

Brian Matteson, Director of Fiscal Research  
Fiscal Research Division  
June 16, 2025



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

