



NORTH CAROLINA GENERAL ASSEMBLY

Session 2017

Legislative Fiscal Note

Short Title: Build NC Bond Act of 2018.
Bill Number: Senate Bill 758 (First Edition)
Sponsor(s): Sen. Rabon, Sen. Harrington, Sen. Davis

SUMMARY TABLE

FISCAL IMPACT OF S.B. 758, V.1 (\$ in millions)

	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>
State Impact					
Highway Trust					
Fund Revenue	-	-	-	-	-
Less Expenditures	-	30.9	61.8	92.7	123.6
Highway Trust					
Fund Impact	-	(30.9)	(61.8)	(92.7)	(123.6)
NET STATE IMPACT	-	(\$30.9)	(\$61.8)	(\$92.7)	(\$123.6)

TECHNICAL CONSIDERATIONS: See Technical Considerations Section

FISCAL IMPACT SUMMARY

Build NC Bond Act of 2018 authorizes the State Treasurer to issue Build NC Bonds, a type of special indebtedness in which the proceeds shall be used only for Division Need Projects and Regional Impact Projects in accordance with the Strategic Transportation Investments ("STI") law set forth in Article 14B of Chapter 136 of the General Statutes.

BILL ANALYSIS: Build NC Bond Act of 2018 does the following:

Section 1: Provides that the act shall be known as the "Build NC Bond Act of 2018."

Section 2: Provides that it is the intent of the General Assembly that the Build NC Bond Act of 2018 maintain the integrity of STI:

- Bond proceeds shall not be treated as revenue.
- Debt service is subject to STI distribution formula in G.S. 136-189.11.
- Funds distributed shall be used for Regional Impact and Division Need Project tiers of STI.
- The formula variance of STI only applies to the debt service.

Section 3: Amends the State Capital Facilities Finance Act to do the following:

- Authorize the issuance of Build NC Bonds, which is defined as special indebtedness issued to finance Build NC Projects.
- Defines the term "Build NC Project" as a capital facility identified and selected for financing with Build NC Bonds by the process set forth in the STI law.
- Provides that (i) approximately 50% of the proceeds from an issuance of Build NC Bonds may be used for Division Need Projects in accordance with the requirements of the STI law and (ii) the remainder of the proceeds may be used for Regional Impact Projects in accordance with the requirements of the STI law. No proceeds may be used for Statewide Strategic Mobility Projects.

Section 4: Further amends the State Capital Facilities Finance Act to include the following requirements and limitations in regards to the issuance and sale of Build NC Bonds:

- The source of repayment for Build NC Bonds is the Highway Trust Fund.
- The State Treasurer shall not issue any Build NC Bonds unless (i) the State Treasurer recommends the issuance and (ii) the State Treasurer has made a determination that all of the following requirements have been or shall be met:
 - The Department of Transportation's (DOT) month-end cash balance for the first 3 months in the calendar year is equal to or less than one billion dollars (\$1,000,000,000).
 - The total amount of Build NC Bonds outstanding will not cause the recommended transportation debt target established by the Debt Affordability Advisory Committee to be exceeded.
 - At least 6 months prior to the expected date of a Build NC Bond issuance, DOT has consulted with the State Treasurer, the Joint Legislative Transportation Oversight Committee, and the Joint Legislative Commission on Governmental Operations.
- The total amount of special indebtedness resulting from the sale of Build NC Bonds shall not exceed \$3,000,000,000 and each individual issuance shall not exceed \$300,000,000.
- The Department of Transportation may not use the Build NC Proceeds for non-highway projects or tolling projects.
- Passage of this act would satisfy the requirement of G.S. 142-15.17 that the General Assembly expressly authorize this type of financing arrangement through legislation.
- The aforementioned restrictions do not apply to a Build NC Bond used as a refunding bond under G.S. 142-29.5, which means the proceeds from a new debt issue may be used to retire an outstanding bond issue.
- Since the special indebtedness is supported by the Highway Trust Fund, the limitation set forth in G.S. 142-83(b) regarding bond indebtedness supported by the General Fund does not apply.



- Since the projects to be financed with Build NC Bonds are selected through the STI process, the requirement set forth in G.S. 142-84(e) that the Department of Administration make decisions about the type of facility and amount financed does not apply.

Section 5: Provides that the maturity date for a Build NC Bond may not exceed 15 years.

Section 6: Directs the State Treasurer, in consultation with DOT, to develop a debt management plan for Build NC Bonds.

Section 7: Provides that the Build NC Bond Act of 2018 becomes effective January 1, 2019 and expires December 31, 2028.

Estimated Debt Service

It is not known when the first issuance will be made, if the maximum of \$300 million will be issued each year, or if DOT's cash balance and debt capacity limits will allow for an issuance each year. Figure 1 assumes the \$300 million maximum per issuance will occur for 10 consecutive years with the first debt issuance in May 2019. This analysis assumes a 15-year maturity date and a 6% interest rate.

Figure 1 Estimated Debt Service for 10 \$300M Debt Issuances

Fiscal Year	Annual Debt Service Payment
FY 2019-20	\$30,900,000
FY 2020-21	\$61,800,000
FY 2021-22	\$92,700,000
FY 2022-23	\$123,600,000
FY 2023-24	\$154,500,000
FY 2024-25	\$185,400,000
FY 2025-26	\$216,300,000
FY 2026-27	\$247,200,000
FY 2027-28	\$278,100,000
FY 2028-29	\$309,000,000
FY 2029-30	\$309,000,000
FY 2030-31	\$309,000,000
FY 2031-32	\$309,000,000
FY 2032-33	\$309,000,000
FY 2033-34	\$309,000,000
FY 2034-35	\$278,100,000
FY 2035-36	\$247,200,000
FY 2036-37	\$216,300,000
FY 2037-38	\$185,400,000
FY 2038-39	\$154,500,000
FY 2039-40	\$123,600,000
FY 2040-41	\$92,700,000

FY 2041-42	\$61,800,000
FY 2042-43	\$30,900,000

Other Fiscal Impacts

The Department of State Treasurer responded that this bill creates additional work that can be absorbed into current operations. DOT costs, such as for bond counsel, are charged proportionately to bonded projects and are funded through bond proceeds. These costs are included in Figure 1.

TECHNICAL CONSIDERATIONS

DOT does not believe the reference to G.S. 143C-6-11(f) in Section 4 of the bill in G.S. 142-97(2)(a) is needed.

DATA SOURCES

Department of Transportation, Department of State Treasurer

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.

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