NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 1795 (Second Edition)

SHORT TITLE: Modify Youth Facility Debt Authorization.

SPONSOR(S): Representative Luebke

FISCAL IMPACT

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

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09

EXPENDITURES

The 2003 General Assembly authorized $6,780,000 of debt authority for planning and design of new juvenile facilities. The authorized debt has not been issued. HB 1795 reauthorizes the same type of debt but at a lower amount due to a change in project scope and schedule. The new authorization of $4,460,000 represents a reduction of $2,320,000 that should reduce General Fund debt requirements. The total amount of reduction and savings cannot be determined at this time. (SEE ASSUMPTIONS AND METHODOLOGY)

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: The oversight and issuance of debt instruments will be issued by the Department of State Treasurer. The cost of issuing the instruments is financed from the sale. The State Construction Office will administer the funds.

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: As title indicates, amends GS 142-83 authorized in 2003 Session to reduce the amount of special indebtedness authorized for the planning and design of youth development centers to be operated by the Dep't of Juvenile Justice and Delinquency from $6,780,000 to $4,460,000 (Section 1). Section 2 authorizes the construction of up to 13 centers with a cumulative total of 512 beds at total of $81,340,000 House committee substitute makes the following changes to 1st edition. Deletes Sec. 2, authorizing the issuance of special indebtedness up to $81,340,000 to be used for construction costs for youth development centers. Continues Section 1, which reauthorizes debt for plan and design at different amount from 2003. This reduction is actually a modification of debt needs due to a change in project scope since authorization in 2003. The amount of special indebtedness in the bill reflects the actual amount needed to complete the planning and design for new juvenile facilities.

Special indebtedness is non-voted debt that is secured only by an interest in State property being acquired or improved. Before special indebtedness could be issued or incurred, the State Treasurer must certify that debt financing may be desirable for a specific project presented to it by the Department of Administration. Next, the Council of State must give preliminary approval. If preliminary approval is obtained, the Council of State must give final approval, setting out details such as the maximum amount to be financed, the maximum maturity, and the maximum interest rates. The maximum maturity may not exceed 40 years. The State Treasurer must approve the details of the financing, finding that the amount to be borrowed is adequate and not excessive and will not require an excessive increase in any State revenues to provide for repayment, and that the special indebtedness can be incurred or issued on terms favorable to the State. Finally, the State Treasurer must report to the Joint Legislative Commission on Governmental Operations at least five days before any special indebtedness is issued or incurred.

Second edition makes no substantive changes

Source: Bill Digest H.B. 1795 (05/31/2004) with modifications by Fiscal Research

ASSUMPTIONS AND METHODOLOGY:

Section 46A.2 of HB 397 in the 2003 Session authorized special indebtedness for the cost of the various components of planning new juvenile facilities. The debt amount was “up to” $6,780,000 for planning and design and some site work for up to three facilities and up to 500 beds. The project scope has now been changed to allow for up to 13 facilities and up to 512 beds. The funding amount has also been reduced to reflect actual costs needed to finish planning and design while subtracting amount needed for site work. *Based on advice from Department of State Treasurer and State Bond Counsel, legislation is needed to reflect the changes in project scope and funding prior to issuing debt.*

The new estimated amount needed is $4,460,00. These funds are needed by August 2004 in order to complete planning and design, construction drawings, and solicitation of construction bids by Spring 04. The Department of State Treasurer projects the total cost over 20 year period will be $7,217,150 (June 8, 2004), of which $2,757,150 is interest. Principal and interest for the five year fiscal note window are:

Year	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Principal & Interest	$183,975	$245,300	$473,837	$460,912	$447,987

The key assumptions for this analysis are:

- Debt is issued August 2004
- Debt will be one time issue since funds are to complete planning and design within 6 months (February 1, 2005)
- The average interest rate for August issuance for COPS will be 5.5%.
- The maximum maturity of debt issuance is 20 years

It is important to note that this is not new debt. Debt authority was provided in 2003 for a $6,780,000 project and that amount has now been reduced to reflect new project scope. Funding is already provided in debt service reserves for 2004-05. *Therefore, this bill will generate savings.*

SOURCES OF DATA: Department of State Construction, Department of State Treasurer; State Bond Counsel; Department of Juvenile Justice and Delinquency Prevention

TECHNICAL CONSIDERATIONS: None

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