



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: UNC Omnibus & Capital Contracting Law Changes.
Bill Number: House Bill 1123 (Second Edition)
Sponsor(s):

SUMMARY TABLE

FISCAL IMPACT OF H.B. 1123, V.2 (\$ in millions)

	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>
State Impact					
General Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
General Fund Impact	No Fiscal Impact				

NET STATE IMPACT

No Fiscal Impact

FISCAL IMPACT SUMMARY

Part I of House Bill 1123 (Second 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.

Part III modifies eligibility requirements for the Tuition Grant for High School Graduates of the North Carolina School of Science and Mathematics (NCSSM) and the University of North Carolina School of the Arts program. The changes increase the number of students eligible for the award, however, there are sufficient funds provided to the program to cover the increased grant expenditures without further appropriation.

FISCAL ANALYSIS

PART I. 2026 UNC SELF-LIQUIDATING PROJECTS

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 1 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
NCCU	Richmond Residence Hall Renovation – Phase I	\$20.0 m	Housing receipts
NCSU	Cates West Development – Phase I	\$295.0 m	Housing receipts
UNCCH	New Residence Hall I	\$141.2 m	Housing receipts
UNCCH	Parker & Teague Halls – Demolition and Replacement	\$112.0 m	Housing receipts
UNCC	Witherspoon Residence Hall Renovation	\$48.4 m	Housing receipts
UNCW	Parking Deck IV	\$20.4 m	Parking 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 2025-26, for the campuses impacted by this bill. The information source for all debt related information is the FY 2025 University of North Carolina Debt Capacity Study, as required by Article 5 of G.S. 116D.

Table 2: Existing Debt Information: FY 2025-26

Campus	Outstanding Debt	Debt Service Payment	Obligated Resources
NCCU	\$80.2 m	\$8.3 m	\$87.1 m
NCSU	\$530.3 m	\$44.2 m	\$1,269.6 m
UNCCH	\$1,121.9 m	\$81.5 m	\$4,088.5 m
UNCC	\$444.7 m	\$37.6 m	\$738.5 m
UNCW	\$158.6 m	\$17.1 m	\$366.0 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
NCCU	A3	Stable	-	-	-	-
NCSU	Aa1	Stable	AA+	Stable	-	-
UNCCH	Aaa	Stable	AAA	Stable	AAA	Stable
UNCC	Aa3	Stable	AA-	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 2025-26 to FY 2029-30. 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 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
NCCU	2.0	\$93.9 m	\$103.5 m	\$113.4 m	\$123.6 m	\$134.1 m
NCSU	1.25	\$1,056.7 m	\$1,122.0 m	\$1,188.8 m	\$1,265.9 m	\$1,345.9 m
UNC-CH	0.50	\$828.5 m	\$885.1 m	\$934.2 m	\$1,009.8 m	\$829.0 m
UNCC	1.75	\$847.6 m	\$901.8 m	\$956.9 m	\$1,013.2 m	\$1,071.1 m
UNCW	1.75	\$407.4 m	\$433.5 m	\$461.4 m	\$489.1 m	\$517.2 m

North Carolina Central University

This bill allows NCCU to issue \$20.0 million in debt to renovate and address several critical infrastructure issues within Richmond Hall, including the installation of a new chiller for Residence Hall 1, enabling the university to bring the building back online. Debt service is anticipated to begin with permanent financing in FY 2028-29 and will be funded with anticipated housing receipts generated from the reopening of Richmond Hall in Fall of 2028.

Table 5: NCCU Richmond Residence Hall Renovation – Phase I*

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Expense					
New Debt Service	\$0	\$0	\$0	\$1.1 m	\$1.2 m
Richmond Hall Operating Expenses	\$0	\$0	\$0	\$0.9 m	\$0.9 m
<i>Total Expenses – Richmond Hall</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$2.0 m</i>	<i>\$2.1 m</i>
Revenue					
Richmond Hall Housing Receipts	\$0	\$0	\$0	\$2.1 m	\$2.1 m
<i>Total Revenue - Richmond Hall</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$2.1 m</i>	<i>\$2.1 m</i>
Change in Housing Reserve Fund Balance	\$0	\$0	\$0	\$0.1 m	\$0

* Totals may not add due to rounding.

North Carolina State University

This bill allows NCSU to issue \$295.0 million in debt to construct two new residence halls in the first phase of a multi-phase Cates West project. This project will address increased demand for student housing, delivering a mix of approximately 1,354 traditional and semi-suite student beds. Debt service is anticipated to begin with permanent financing in FY 2028-29 and will be funded with the university’s current annual student housing revenue. Table 6 reflects the revenue and expenses of all housing at NCSU, inclusive of the project.

Table 6: NCSU Cates West Development – Phase I*

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Expense					
New Debt Service	\$0	\$0	\$0	\$8.0 m	\$18.1 m
Existing Housing Operating Expenses	\$51.3 m	\$55.9 m	\$55.9 m	\$58.3 m	\$57.6 m
<i>Total Housing Expenses</i>	<i>\$51.3 m</i>	<i>\$55.9 m</i>	<i>\$55.9 m</i>	<i>\$66.3 m</i>	<i>\$75.7 m</i>
Revenue					
Existing Housing Receipts	\$82.4 m	\$87.1 m	\$91.7 m	\$96.2 m	\$100.8 m
<i>Total Housing Revenue</i>	<i>\$82.4 m</i>	<i>\$87.1 m</i>	<i>\$91.7 m</i>	<i>\$96.2 m</i>	<i>\$100.8 m</i>
Change in Housing Reserve Fund Balance	\$31.1 m	\$31.2 m	\$35.8 m	\$29.9 m	\$25.1 m

* Totals may not add due to rounding.

University of North Carolina at Chapel Hill

The bill allows UNCCH to issue \$253.2 million in debt for two capital improvements projects.

Project 1: New Residence Hall I (\$141.2 million)

This bill allows UNCCH to issue \$141.2 million for the construction of two new residence halls with a combined estimate of 730 beds. This project is a component of the university’s Housing Master Plan to strategically address enrollment growth, and the construction of these residence halls allows for future comprehensive renovations without impacting available student housing. Debt service is anticipated to begin with permanent financing in FY 2028-29 and will be funded with the university’s current annual student housing revenue. Table 7 reflects the revenue and expenses of all housing at UNCHC, inclusive of the project.

Table 7: UNCCH New Residence Hall I*

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Expense					
New Debt Service	\$0	\$0	\$0	\$8.3 m	\$9.6 m
Existing Housing Operating Expenses	\$54.9 m	\$62.6 m	\$57.7 m	\$59.1 m	\$61.4 m
<i>Total Housing Expenses</i>	<i>\$54.9 m</i>	<i>\$62.6 m</i>	<i>\$57.7 m</i>	<i>\$67.4 m</i>	<i>\$71.0 m</i>
Revenue					
Existing Housing Receipts	\$75.5 m	\$80.5 m	\$84.0 m	\$91.0 m	\$93.7 m
<i>Total Housing Revenue</i>	<i>\$75.5 m</i>	<i>\$80.5 m</i>	<i>\$84.0 m</i>	<i>\$91.0 m</i>	<i>\$93.7 m</i>
Change in Housing Reserve Fund Balance	\$20.6 m	\$17.9 m	\$26.3 m	\$23.6 m	\$22.7 m

* Totals may not add due to rounding.

Project 2: Parker & Teague Halls – Demolition and Replacement (\$112.0 million)

This bill allows UNCCH to issue \$112.0 million for the demolition and replacement of Parker Residence Hall and Teague Residence Hall, resulting in an estimated net gain of 210 student beds. This project is a component of the university’s Housing Master Plan to strategically address enrollment growth. Debt service is anticipated to begin with permanent financing in FY 2028-29 and will be funded with the university’s current annual student housing revenue. Table 8 reflects the revenue and expenses of all housing at UNCCH, inclusive of the project.

Table 8: UNCCH Parker & Teague Halls – Demolition and Replacement*

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Expense					
New Debt Service	\$0	\$0	\$0	\$8.3 m	\$9.6 m
Existing Housing Operating Expenses	\$54.9 m	\$62.6 m	\$57.7 m	\$59.1 m	\$61.4 m
<i>Total Housing Expenses</i>	<i>\$54.9 m</i>	<i>\$62.6 m</i>	<i>\$57.7 m</i>	<i>\$67.4 m</i>	<i>\$71.0 m</i>
Revenue					
Existing Housing Receipts	\$75.5 m	\$80.5 m	\$84.0 m	\$91.0 m	\$93.7 m
<i>Total Housing Revenue</i>	<i>\$75.5 m</i>	<i>\$80.5 m</i>	<i>\$84.0 m</i>	<i>\$91.0 m</i>	<i>\$93.7 m</i>
Change in Housing Reserve Fund Balance	\$20.6 m	\$17.9 m	\$26.3 m	\$23.6 m	\$22.7 m

* Totals may not add due to rounding.

University of North Carolina at Charlotte

This bill allows UNCC to issue \$48.4 million in debt for the comprehensive renovation of Witherspoon Residence Hall, including new mechanical, plumbing, electrical, flooring, and finishes. Witherspoon will be vacated for the 2027-28 fiscal year for renovation, with the loss of student housing offset by additional housing coming online and overflow housing through agreements with adjacent apartment properties. Debt service is anticipated to begin with permanent financing in FY 2028-29 and will be funded with the annual student housing revenue from Witherspoon Hall and the university’s existing housing reserve fund balance.

Table 9: UNCC Witherspoon Residence Hall Renovation*

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Expense					
New Debt Service	\$0	\$0	\$0	\$3.1 m	\$3.1 m
Witherspoon Hall Operating Expenses	\$2.3 m	\$0.7 m	\$0.1 m	\$0.7 m	\$0.7 m
<i>Total Expenses – Witherspoon Hall</i>	<i>\$2.3 m</i>	<i>\$0.7 m</i>	<i>\$0.1 m</i>	<i>\$3.8 m</i>	<i>\$3.8 m</i>
Revenue					
Witherspoon Hall Housing Receipts	\$3.8 m	\$3.9 m	\$0	\$4.2 m	\$4.3 m
<i>Total Revenue – Witherspoon Hall</i>	<i>\$3.8 m</i>	<i>\$3.9 m</i>	<i>\$0</i>	<i>\$4.2 m</i>	<i>\$4.3 m</i>
Change in Housing Reserve Fund Balance	\$1.5 m	\$3.2 m	(\$0.1 m)	\$0.4 m	\$0.5 m

* Totals may not add due to rounding.

University of North Carolina at Wilmington

This bill allows UNCW to issue \$20.4 million in debt for an elevated parking deck with surface parking lot expansion and related roadway improvements, providing an estimated 329 additional parking spaces. Debt service is anticipated to begin with permanent financing in FY 2028-29 and will be funded with parking receipts generated by the new parking deck and the university’s parking auxiliary reserve funds.

Table 10: UNCW Parking Deck IV*

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Expense					
New Debt Service	\$0	\$0	\$0	\$1.4 m	\$1.4 m
New Parking Deck Operating Expenses	\$0	\$0	\$0	\$0.1 m	\$0.1 m
<i>Total Expenses – New Parking Deck</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$1.5 m</i>	<i>\$1.5 m</i>
Revenue					
New Parking Deck Receipts	\$0	\$0	\$0	\$0.4 m	\$0.4 m
University Parking Auxiliary Reserve	\$0	\$0	\$0	\$1.3 m	\$1.4 m
<i>Total Revenue – New Parking Deck</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$1.7 m</i>	<i>\$1.8 m</i>
Change in Parking Reserve Fund Balance	\$0	\$0	\$0	\$0.2 m	\$0.3 m

* Totals may not add due to rounding.

PART III. REVISE TUITION GRANTS FOR NCSSM AND UNC SA GRADUATES

Under current law, North Carolina residents who graduate from NCSSM or UNC School of the Arts High School Program are eligible to receive a grant equal to the cost of tuition if they attend a UNC constituent institution. Students who maintain eligibility may receive the grant for up to eight academic semesters. To be eligible tuition grant award each year, a student must complete a Free Application for Federal Student Aid (FAFSA) form and be a resident for tuition purposes.

Part III of the bill expands eligibility by allowing documentation other than FAFSA and by specifying that the student must only be a resident for tuition purposes at the time of their initial grant.

The North Carolina State Education Assistance Authority estimates that a total of 19 additional students, 8 currently attending a UNC constituent institution and 11 in NCSSM graduating class of 2026, could become eligible for the award in FY 2026-27 under the bill.

Based on the average FY 2024-25 tuition grant award of \$6,382, an estimated \$121k in additional awards could be provided if those 19 students remain enrolled at UNC constituent institutions in FY 2026-27.

There are sufficient funds provided to the program to absorb the \$121k in additional award disbursements without further appropriation. The program receives an annual General Fund appropriation \$9.9 million, and by comparison, the projected program expenditure is \$9.1 million in FY 2025-26.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

UNC Debt Affordability Study; UNC System Office.
North Carolina State Education Assistance Authority; Fiscal Research Division Data Requests
North Carolina State Education Assistance Authority; 2024-25 Annual Report.

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
Stephen Bailey

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
May 11, 2026



Signed copy located in the NCGA Principal Clerk's Offices