North Carolina Education Facilities Coalition

October 24, 2019

Governor Cooper  Senate Pro Tem Berger  Speaker Moore
116 W Jones St.  16 W. Jones St., Rm. 2007  16 W. Jones St., Rm 2304
Raleigh, NC 27603  Raleigh, NC 27601  Raleigh, NC 27601

Regarding: Cash Abated Bond (CAB) Proposal

Dear Governor Cooper, Senator Berger and Speaker Moore:

The coalition of organizations represented in this letter are calling upon you to pass a capital spending bill as soon as possible. We know that there is disagreement amongst parties about a major capital spending package. However, it appears that the parties are not far apart on the primary concepts of what needs to be funded and the amounts to be funded.

What appears to be the delay is the funding mechanism for a capital program. The Legislature ultimately promoted through its budget a Pay-Go process for the full biennium with intentional language for the next 4 years. As we understand, the Governor would prefer to use bonds to accomplish essentially the same construction goals. Additionally, the House of Representatives passed another version of the bond prior to the budget agreement.

From the standpoint of our coalition, both approaches have pros and cons. Pay-Go allows the State to maximize its construction funding by not having to pay debt on bonds over an extended period of time. While the bond approach guarantees that a voter defined and authorized construction program will assure communities, local authorities, design and construction companies and voters that the program’s projects will ultimately come to fruition.

We would like to propose a hybrid approach that blends the best of both approaches that we are calling a Cash Abated Bond (CAB). The concept is simple. Voters authorize the full construction program over a period of 6-10 years for instance, essentially authorizing the sale of bonds; however, the Legislature may infuse cash into the construction program annually, which then decreases the bond obligation by that amount provided. Essentially it’s a reverse line of credit for the state.

For example, if a 10-year bond authorization totals $4 billion, yet the Legislature is able to use $1 billion in 2019 and $1 billion in 2020, then the amount of the bond is decreased in the next biennium to $2 billion. The Legislature can then decrease the bond amount even more in the 2021/2022 budget cycle. This may mean the bond never has to be let and no debt incurred. However, the ability to bond ensures the financial and delivery stability of the entire construction program over the defined period of time. The Governor and Legislature can negotiate a partial bond sale for that budget cycle to keep the construction program moving along.

Contacts for the coalition: Leanne Winner, NC School Boards Association lwinner@ncsba.org / 919-522-2354
David Crawford, AIA North Carolina dcrawford@aianc.org / 919-810-0322
Again, the House passed a bond program (HB 241) in March, which currently sits in the Senate Rules Committee. We urge both sides to get back to the negotiating table and consider the needs and future of educational facilities. In order to meet a March 2020 ballot deadline for such a bond program, legislation needs to be enacted now. Our stakeholder group is happy to meet with representatives from all sides to discuss the details of this proposal.

Sincerely,

North Carolina Association of County Commissioners (NCACC)
Kevin Leonard

North Carolina School Boards Association (NCSBA)
Leanne Winner

North Carolina Association of School Administrators (NCASA)
Katherine Joyce

North Carolina Justice Center
Matt Ellinwood

American Institute of Architects, North Carolina (AIA)
David Crawford

Carolinas Associated General Contractors (AGC)
Betsy Bailey

American Council of Engineering Companies (ACEC)
James Smith

Professional Engineers of North Carolina (PENC)
David Collins

North Carolina Association of Educators (NCAE)
Marge Foreman

North Carolina Parent Teacher Association (NCPTA)
Jason Joyner

Public School Forum of North Carolina
Tom Williams

Low Wealth Schools Consortium
Gerry Hancock

cc: North Carolina Senate and House Members, North Carolina Treasurer, Dale Folwell

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