

STATE BOARD OF COMMUNITY COLLEGES

**Allocation of Special Indebtedness Proceeds to
Support Equipment and Related Capital Improvements**

Request

The State Board of Community Colleges is asked to approve a total of \$33 million in allocations to colleges to support health, science, engineering, and technical education equipment and related capital improvements. These funds are provided through the proceeds of special indebtedness (Certificates of Participation, or COPs) issued by the State.

Background

Through Section 30.7 of S.L. 2010-31, the North Carolina General Assembly authorized the issuance of up to \$55 million in special indebtedness to finance the capital facility costs of acquiring equipment and completing related capital improvements for use by The University of North Carolina System and the North Carolina Community College System. Section 30.11 of S.L. 2010-31 allocated 60%, or up to \$33 million, of these funds to the State Board of Community Colleges. The legislation also stipulates that the funds must be used for the purchase of equipment “to be used for teaching and research in the fields of health, science, engineering and technical education”. Upon approval by the Council of State, this special indebtedness will be issued in the form of Certificates of Participation (COPs).

Allocations

These funds are allocated on a weighted FTE basis, consistent with the weights used in the regular equipment formula. Colleges receive approximately \$195.89 per E/FTE. See Attachment “A” and “B” for the allocation amount for each college.

Authorized Uses

Equipment: Per Section 30.11 of S.L. 2010-31, the equipment purchased with these funds must be used for “teaching and research in the fields of health, science, engineering, and technical education.” Since these funds are being provided through special indebtedness proceeds, the instructional equipment purchased with these funds should have a useful life of at least six years.

Colleges may **not** use these funds to purchase technology that is likely to become obsolete or need replacement in less than six years, including (but not limited to):

Computers	Printers	Smartboards	Copiers
Fax Machines	Shredders	Scanners	A/V Equipment

Related Capital Improvements: These funds may also be used for capital improvements to **existing** facilities that are necessary in order to use the equipment purchased with these funds. Note that Section 30.11(b) of S.L. 2010-31 states, **“For the purposes of the subsection, it is not sufficient that a capital improvement would facilitate the use of the purchased equipment. The only authorized improvements are those without which purchased equipment could not be effectively utilized.”** Examples of allowable renovations include:

- Electrical work necessary to ensure a power source is adequate to operate the equipment.
- Renovations to ventilation system to ensure dust particles generated by the operation of the equipment are properly vented.
- Construction of a fixed partition needed to separate nursing students working on a simulators from the faculty member who working the controls.

Community colleges are not required to match these funds if used for allowable capital improvements to existing facilities.

Fiscal Management

Since these funds are provided through special indebtedness proceeds, all funds will be held in a Capital Improvement account at the state level. Funds will be disbursed to colleges upon receipt of invoices for approved expenditures. This procedure is required even if the college uses its entire allocation to purchase equipment and does not use any funds for related capital improvements.

Within its allocation, a college may determine what amount, if any, will be used for related capital improvements, subject to the approval of the State Board. If a college determines that a capital improvement is required to effectively utilize the equipment, the college must submit a NCCCS 3-1 form (Tentative Approval of Capital Improvement) for State Board approval.

To comply with legislative reporting requirements, colleges are required to submit a list to the System Office describing the equipment and related capital improvements (if applicable) they intend to purchase with these funds. If a college’s equipment needs or priorities change after the initial submission, the college will be required to notify the System Office of this change.

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