



**NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

*George Fouts*

*Interim President*

**December 15, 2015**

**MEMORANDUM**

**TO:** Presidents  
Chief Business Officers

**FROM:** Jennifer Haygood, Executive Vice President and CFO

**RE:** Use of Bond Funds and Matching Requirements

As you know, S.L. 2015-280 provides for a \$2 billion State bond referendum to support various infrastructure improvements across the state, including new construction and repairs and renovations at community colleges. We have received a number of questions from colleges seeking clarification on the authorized uses of the bond funds and match requirements. To assist colleges, we have developed the attached FAQ document and a bond project calculator. The bond project calculator helps colleges understand how overmatch credit can be used to help support a potential bond project and estimate how much in “new” local funds the project would require.

The bond calculator has been designed to model project funding under three scenarios:

- **Calculator – #1 Priority:** Enter your college ID # in the green cell and the calculator will prepopulate with information about the amount of bond and local funds needed to support the college’s previously identified #1 priority.
- **Calculator – Main Campus:** A college may choose to use bond funds to support projects other than its previously identified #1 priority. If the college is contemplating a different project *on its main campus, use this tab*. Complete all green cells: enter your college ID #, the name of the project, the estimated cost of the project, and whether it is R&R or new construction. The calculator will then update accordingly.
- **Calculator – OCC-MCC:** If a college is considering using bond funds for a project *at one of its multi-campus or off-campus centers, use this tab*. Complete all the green cells: enter your college ID #, the name of the project, the estimated cost of the project, and whether it is R&R or new construction. You will also need to manually insert the college’s overmatch credit for that particular location, which is available on the “Overmatch Credit” tab. The calculator will then update accordingly.

We hope these tools assist with the development of your bond plans.

**CC15-041**  
**E-mail Copy**

## NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

### CONNECTNC BOND FAQs

**1. How much would my college receive from the bond?**

The amount of bond proceeds allocated to each college is specifically listed in Section 1.(f) of S.L. 2015-280. You can easily find the amount for your college by entering your college ID # in the green box of the bond project calculator.

**2. Is the college required to expend the bond funds on the #1 priority we submitted this summer?**

No. The college should evaluate what project(s) would be best supported by the bond funds, given the amount allocated to the college and any required match conditions that must be met.

**3. Does the college have to use the bond funds for R&R?**

No. The college is authorized to use the bond funds for R&R and new construction. However, any items purchased with such proceeds and installed or replaced as part of a renovation or rehabilitation must have a useful life of at least 10 years or must extend the life of the facility by at least 10 years once renovated or rehabilitated.

**4. Is the college required to match bond funds expended for R&R?**

No. There is no match required for R&R projects.

**5. Is the college required to match bond funds expended for new construction?**

Yes. The amount of local match required is based on the NC Department of Commerce's tier designation for the county in which your main campus is located, regardless of which county the project is located. (Note that this is different than the 2000 Bonds.)

Colleges with main campuses in Tier 1 counties must provide \$1 in local funds for every \$3 dollars in State bond funds. Colleges with main campuses in Tier 2 counties must provide \$1 in local funds for every \$2 dollars in State bond funds. Colleges with main campuses in Tier 3 counties must provide \$1 in local funds for every \$1 dollar in State bond funds.

**6. Can my college's overmatch credit be used to satisfy this match requirement?**

Yes. As provided by G.S. 115D-31.(a).(1), colleges may use any prior expenditure of non-State funds for capital construction or land acquisition not already used for matching purposes. We call this amount your "overmatch credit".

Even though the match ratio is based on the county where the college's main campus is located, the amount of overmatch available for a project depends on the county where the project is located. For example, Central Carolina's main campus is located in Lee County, a Tier 2 county; therefore, it would be required to provide \$1 in local funds for every \$2 in State bond funds for a new construction project, regardless the project's location. If the new construction project was located at its Chatham County Campus, the college would only be able to use its Chatham County overmatch credit towards the match requirement.

**7. Can my college's overmatch credit be used to satisfy this match requirement?**

Yes. As provided by G.S. 115D-31.(a).(1), colleges may use any prior expenditure of non-State funds for capital construction or land acquisition not already used for matching purposes. We call this amount your "overmatch credit". The amount of overmatch available for a project depends on the county where the project is located.

**8. Can I use bond proceeds to acquire real property?**

Yes, if the real property acquisition is part of a capital improvement project with identified funding. The acquisition of real property is considered new construction and subject to the associated matching requirements.

**9. Can bond funds be used to support projects that were approved by the State Board prior to the date of the bond referendum?**

Only in two circumstances:

- a. If the State Board approved a project, but not all funding sources were identified at the time of approval. In this situation, bond funds may be used for the portion of the project funding that was previously unidentified.
- b. If bond funds are used to fund an increase the scope of the project.

Bond funds may not be used to supplant State or local funds already identified in a State Board approved project, as documented on the approved 3-1.

**10. Is there a deadline by which the college must expend the bond funds or by which matching funds must be identified?**

No. S.L. 2015-280 did not prescribe a deadline for colleges to expend bond funds or for identifying matching funds. However, colleges should be aware that Section 1.(f).(3) gives the General Assembly authority to reallocate bond funds within certain parameters. If the college fails to expend its bond funds after several years, there could be potential risk of reallocation.