



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**



Employment First State for Individuals with Disabilities

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

April 5, 2022

TO: Senator Brent Jackson
Chair, Joint Legislative Oversight Committee on Capital Improvements

Representatives Dean Arp and Kelly Hastings
Chairs, Joint Legislative Oversight Committee on Capital Improvements

FROM: Casey Harris Pratt, Assistant State Budget Officer

Casey Harris-Pratt

SUBJECT: Allocations from the Escalation Reserve for the Connect NC Bond

The Connect NC Bond Act (S.L. 2015-280) requires that the Office of State Budget and Management (OSBM) hold funds budgeted for escalation in a reserve, to be released if needed for inflation or unforeseen events. This report explains how the escalation reserve amounts are calculated, details the escalation reserve amounts by project and identifies three projects that have drawn from escalation reserves. Projects at the North Carolina Community College System, North Carolina State Parks, water and sewer infrastructure, and local parks are not subject to the escalation reserve requirement.

The Office of State Construction within the Department of Administration requires that projects have a certified construction estimate, also known as an OC-25. One important part of the construction estimate is escalation. The agency submitting a cost estimate first estimates how much it will cost to construct the project at the time of budget submission. The agency then estimates the mid-point of construction for their project. The agency utilizes these two figures to calculate the escalation reserve, which is designed to enable a building budgeted today to be built tomorrow, with any inflated costs for materials, labor, or components.

OSBM allows each agency to contract projects to the full amount provided in the Connect NC Bond Act but also requires that funds be held back in a reserve for escalation. Each agency is required to request an allocation, if necessary, from the project reserve as their projects are bid out and encounter inflation increases or unforeseen circumstances. If the project is supplemented with other funds, agencies prorate the amount of Connect NC Bond escalation to be held back.

OSBM is approving Western Carolina University's (Science/STEM Building) and the University of North Carolina – Chapel Hill (Medical School Replacement) to utilize their escalation reserve to complete their projects. Western Carolina University experienced cost increases due to inflation caused by supply chain issues during the ongoing COVID-19 Pandemic. The University of North

Carolina at Chapel Hill has experienced unforeseen site related issues resulting from constructing on a compact site.

The attached document details the amount of funds reserved for escalation by project and current and previously approved transfers from the reserve.

If you have any questions or concerns, you may contact me at 984-236-0651 or email casey.harris-pratt@osbm.nc.gov.

Attachment: Connect NC Bond Project Escalation Reserve

cc: Charlie Perusse
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Connect NC Bond Project Escalation Reserve

Agency	Project	Budget Code	Fund Code	Project Allocation	Escalation Reserve	Previously Approved	Escalation Reserve	Amount Requested	Approved Transfers	Amount Remaining
					Amount	Transfers from Reserve	After Previous Transfers	from Reserve Post Contract Award	from Reserve	
DPS	Samarcaand Training Center	46607	4W01	8,500,000	67,454	67,454	-	-	-	-
DPS	Guilford Regional Readiness Center	46607	4W02	37,789,542	929,400	-	929,400	-	-	929,400
DPS	Burke Regional Readiness Center	46607	4W03	25,210,458	630,075	-	630,075	-	-	630,075
DPS	Wilkes Regional Readiness Center	46607	4W04	7,000,000	289,885	-	289,885	-	-	289,885
DNCR	AustrailAsia Complex	46614	4A46	25,000,000	188,548	-	188,548	-	-	188,548
DACS	Consolidated Laboratory	46617	4W01	94,000,000	10,787,610	10,787,610	-	-	-	-
NCSSM	Western School of Engineering and Technology	46619	4W20	58,000,000	2,336,100	-	2,336,100	-	-	2,336,100
UNC-CH	Medical School Replacement	46623	4V01	68,000,000	4,834,635	-	4,834,635	4,834,635	4,834,635	-
NCSU	Engineering Building Oval	46624	4Y01	75,000,000	5,447,718	5,447,718	-	-	-	-
NCSU	Plant Sciences Building/AG NCSU Partnership	46624	4Y02	85,000,000	3,035,084	3,035,084	-	-	-	-
UNCG	Nursing and Instructional Building	46625	4E01	105,000,000	13,216,703	13,216,703	-	-	-	-
UNCC	Science Building	46626	4201	90,000,000	3,090,886	3,090,886	0	-	-	-
UNCA	Owen Hall Renovation	46627	4C20	15,100,000	625,273	625,273	-	-	-	-
UNCA	Carmichael Hall Renovation	46627	4C21	6,000,000	248,500	248,500	-	-	-	-
UNCW	Allied Health and Human Services/Nursing Building	46628	4Y01	66,000,000	575,734	575,734	-	-	-	-
WCU	Science/STEM Building	46629	4Y01	110,000,000	2,826,030	-	2,826,030	2,826,030	2,826,030	-
ASU	Health Sciences Building	46630	4301	70,000,000	585,236	585,236	-	-	-	-
UNCP	Business School	46631	4Y01	23,000,000	209,671	-	209,671	-	-	209,671
WSSU	Sciences Building	46632	4L01	50,000,000	1,190,830	-	1,190,830	-	-	1,190,830
ECSU	Moore Hall Renovation	46633	4Y01	8,500,000	60,763	-	60,763	-	-	60,763
ECSU	GR Little Library Renovation	46633	4Y02	4,500,000			Included in Above			
FSU	Lyons Science Renovation	46634	4V01	10,000,000	63,593	-	63,593	-	-	63,593
NCCU	Business School	46635	4X01	30,000,000	1,042,474	-	1,042,474	-	-	1,042,474
ECU	Life Sciences & Biotech Building	46636	4201	90,000,000	3,302,896	-	3,302,896	-	-	3,302,896
NCAT	Engineering Building	46636	4451	90,000,000	3,026,672	-	3,026,672	-	-	3,026,672
UNCSA	Old Library Renovation	46638	4V01	8,000,000	76,000	-	76,000	-	-	76,000
UNCSA	Performance Place Renovation	46638	4V02	2,900,000	26,936	-	26,936	-	-	26,936
Total				\$ 1,262,500,000	\$ 58,714,704	\$ 37,680,198	\$ 21,034,506	\$ 7,660,665	\$ 7,660,665	\$ 13,373,842