
Coates' Canons Blog: Needs-Based Public School Capital Fund

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In 1987, the legislature enacted the School Facilities Act, which created the Public School Building Capital Fund (PSBCF). The PSBCF was established to provide aid to all counties for school construction projects. It is currently funded with state lottery proceeds. Since 2013, the legislature has appropriated a sum certain amount of lottery proceeds for this purpose, which is then apportioned among all counties based on their respective average daily membership (ADM) numbers. A county and its local school administrative unit(s) jointly apply to the Department of Public Instruction for a distribution of the moneys “to fund school construction projects and to retire indebtedness incurred for school construction projects.”? No county matching funds are required. For the past several years, including FY 2018–19, the legislature has appropriated \$100 million to the fund.

In 2017, the General Assembly established a second public school capital fund, known as the Needs-Based Public School Capital Fund (NBPSCF). This post details the purpose of the new fund and highlights 2018 legislative changes.

Purpose of the NBPSCF

Funded with lottery proceeds, the purpose of the NBPSCF is to award grants to counties designated as a development tier one or tier two area to assist with specific critical public school building capital projects. For these counties, the NBPSCF is an alternative to the traditional PSBCF allocations.

Criteria for NBPSCF Grants

The fund is managed and invested by the State Treasurer. Grants are awarded by the Superintendent of Public Instruction, according to the following priorities: (1) counties designated as development tier one areas; (2) counties with greater need and less ability to generate sales tax and property tax revenue; (3) counties with a high debt-to-tax revenue ratio; and (4) the extent to which a project will address critical deficiencies in adequately serving the current and future student population. The grant funds are subject to a county match based on the development tier. For tier one counties, the match is \$3 in lottery funds for every \$1 in county appropriations, and grants may not exceed \$15 million. For tier two counties, the match is \$1 in lottery funds for every \$1 in county appropriations, and grants may not exceed \$10 million. The legislature appropriated \$30,450,000 in FY 2017–18, and \$117,320,354 in FY 2018–19, in lottery proceeds to the fund. **S.L. 2018-5.**

A county board of commissioners and local school board must jointly apply for a NBPSCF grant. The application describes the specific project for which grant funding is requested and identify both the critical need the project will address and expected impact on student outcomes. It also indicates if the project is included in the school's five-year needs horizon, or explains why not. The application must include detailed cost estimates, as well as estimates on project timing.

(Grant applications for 2017-2018 are available [here](#).)

Use of NBPSCF Grant Funds

Grant monies must be used to fund the construction of new school buildings or pay for certain capital leases for school facilities. (This new school capital lease authority will be explained in a future post.) They may not be used to reimburse the county for past projects or to make debt service payments on past projects. The grant proceeds also may not be used to purchase real property.

Administration of Grant Funds



If a county receives a NBPSCF grant, it must enter into a contract with the Department of Public Instruction that addresses the following: (1) a requirement that the grantee seek planning assistance and plan review from the School Planning Section of DPI; (2) a progress payment provision; (3) a provision requiring periodic reports to DPI on the use of grant funds and progress of the project; and (4) a requirement that matching funds paid by the county be derived from non-State and nonfederal funds.

Restrictions on NBPSCF Grant Program

A county that receives a NBPSCF grant must abide by the DPI contractual requirements. Additionally, no portion of the grant funds may be used to acquire Leadership in Energy and Environmental Design (LEED) certification. If a county receives a grant from the NBPSCF, it will not be eligible to receive allocations from either the NBPSCF or the PSBCF for five years from the date the grant was awarded. A county is ineligible for a grant from the NBPSCF if it received an aggregate amount over \$8,750,000 in funds from the PSBCF between FY 2012–13 and FY 2016–17.

Links

- www.ncleg.net/Sessions/2017/Bills/Senate/PDF/S99v6.pdf
- www.schoolclearinghouse.org/