



NCACC Brief School Capital Funding

NC counties urge legislators to address urgent school capital needs by providing new sources of funding and expanding eligibility for Needs-Based Public School Capital grants, so more counties can access the program.

At-A-Glance

- The latest Statewide Facility Needs survey documented an \$8.1 billion need for public school construction.
- While counties and the state have distinct responsibilities to build and operate schools, they partner to share these responsibilities.
- Counties contributed over \$3 billion to supplement school operations funding for the 2019-2020 school year, while the state has provided financing and direct funding for school capital primarily through the NC Education Lottery.
- Prior to passage of the lottery, the state regularly issued bonds to assist counties with school capital funding. Revenue from the lottery for capital needs has diminished over time and is insufficient to meet the growing construction, repair, and renovation needs of public schools.
- Since 2017 the General Assembly has supplemented lottery funding through the Needs-Based Public School Capital Fund. However, not all counties and school districts have been able to access this fund.

Background

From 1946 to 1996 the state regularly issued bonds to assist counties with school capital funding. When the NC Education Lottery was enacted in 2005, 40% of the annual net proceeds were directed to the Public-School Building Capital Fund to replace bonds and financing with a sustainable source of revenue to help counties address these needs. A school bond has not been issued since 1996.

In 2010, the General Assembly reduced lottery funds for school construction to a flat \$100 million for all 100 counties. Since 2017 the General Assembly has supplemented this funding for Tier 1 and Tier 2 counties through the Needs-Based Public School Capital Fund. In 2020, counties received \$173 million in lottery funds for school construction. This amount was equal to 25% of the total lottery funds distributed for 2020. Counties appreciate the recent progress, but this amount is still below the 40% promised to counties with passage of the lottery.

Not all counties are able to access grants from the Needs-Based Public School Capital Fund. If a county receives a grant from the fund, it forfeits its share of the annual \$100 million lottery funding for five years, leaving counties to choose between the two sources of funding. Additionally, under current law, grants may only be used for new construction and for lease agreements in limited circumstances. The needs of every county are different and not all need new school construction. However, all counties have funding needs for repair and renovations of schools.

County Efforts & Recommendation

Counties seek legislation for additional state revenue sources, including a statewide bond referendum and expanded lottery proceeds, and changes to the Needs-Based Public School Capital Fund, to equitably address statewide public school and community college capital challenges. Revisions to the Needs-Based Public School Capital Fund that will allow more equitable access to counties to take advantage of the funds include:

- Allowing Needs-Based Public School Capital Funds to be used for renovations and improvements in addition to new construction.
- Reducing or eliminating local match requirements for Tier 1 and Tier 2 counties.
- Eliminate the five-year prohibition of receiving funds from the Public-School Building Capital Fund if a county receives a grant from the Needs-Based Public School Capital Fund by repealing G.S. 115C-546.2(f).

Act Now

Support additional state investment in public school capital funding, and make changes to the Needs-Based Public School Capital Fund to allow more counties to pursue grants from that fund.

For More Information

www.ncacc.org/advocacyhub

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