A BILL TO BE ENTITLED

AN ACT TO ALLOW STATE AND LOCAL EDUCATIONAL INSTITUTIONS ACCESS TO FUNDING FROM THE STATE CAPITAL AND INFRASTRUCTURE FUND TO ADDRESS CRITICAL CAPITAL FUNDING NEEDS.

The General Assembly of North Carolina enacts:

SECTION 1. The General Assembly is committed to supporting public education. Recognizing the current critical need for capital funding, it is the intent of the General Assembly to expand access to the State Capital and Infrastructure Fund and provide supplemental funding for local school administrative units and community colleges to address capital needs, including repair and renovation projects and school safety enhancements.

SECTION 2. (a) G.S. 143C-4-3.1 reads as rewritten:

"§ 143C-4-3.1. (Effective July 1, 2019) State Capital and Infrastructure Fund. (a) Legislative Intent. – The General Assembly recognizes the need to establish and maintain a sufficient funding source to address the ongoing capital and infrastructure needs of the State. The General Assembly further recognizes the need to protect the State’s substantial improvements in existing public facilities while providing a stable funding source to pay for new facilities to meet the needs of a growing population. The General Assembly intends to annually appropriate one-third of funds available in the State Capital and Infrastructure Fund each to State agencies, institutions of higher education, and local school administrative units through the 2027-2028 fiscal year.

(b) Creation and Source of Funds. – There is established in the General Fund the State Capital and Infrastructure Fund, hereinafter referred to as the "Fund." The Fund shall be maintained as a special fund and administered by the Office of State Budget and Management to carry out the provisions of this section. With the exception of debt service obligations, appropriations from the Fund may be administered by other State agencies as deemed necessary by the Office of State Budget and Management. Interest accruing from the monies in the Fund shall be credited to the Fund. The Fund shall consist of the following sources of funding:

(1) One-fourth of any unreserved fund balance, as determined on a cash basis, remaining in the General Fund at the end of each fiscal year.

(2) Four and one-half percent (4.5%) of the net State tax revenues that are deposited in the General Fund during the fiscal year.

(3) All monies appropriated by the General Assembly for the purposes of capital improvements, as defined in G.S. 143C-1-1(d).

(4) All interest and investment earnings received on monies in the Fund.

(5) Any other funds, as directed by the General Assembly.
Funding Requirements. – Each Current Operations Appropriations Act enacted by the General Assembly shall include (i) a transfer to the Fund of four and one-half percent (4%) of each fiscal year’s estimated net State tax revenues that are deposited in the General Fund and (ii) one-fourth of the General Fund unreserved fund balance, as determined on a cash basis, at the end of each fiscal year.

(d) Transfer of Funds to the Fund. – Each fiscal year, the Office of State Controller shall transfer to the Fund the estimated amounts required pursuant to subsection (c) of this section. Each fiscal year, the Office of State Controller shall transfer to the Fund one-fourth of the General Fund unreserved fund balance, as determined on a cash basis, at the end of the fiscal year.

(e) Use of Funds. – Monies in the Fund shall first be used to meet the debt service obligations of the State. In addition to meeting the State’s debt service obligations, monies in the Fund may be used for the following purposes:

(1) New State and The University of North Carolina capital projects governed pursuant to Article 8 of Chapter 143C of the General Statutes, new capital projects for community colleges under the jurisdiction of the State Board of Community Colleges, and new capital projects for local school administrative units.

(2) Repair and renovation of existing capital assets, as provided in G.S. 143C-8-13.

(e1) Administration of Local School Funds. – Funds appropriated for local school administrative units for capital projects pursuant to this section and for repairs and renovations pursuant to G.S. 143C-8-13 shall be administered by the Department of Public Instruction. Upon application, the Department shall distribute funds appropriated from the Fund for capital projects and repairs and renovations projects. In distributing the funds for capital projects and repairs and renovations projects, the Department shall give priority to applicants that demonstrate the greatest need. Applicants for capital projects that have not received a grant from the Needs-Based Public School Capital Fund in the previous five years shall receive a higher priority.

(f) Funds Available Only Upon Appropriation. – Funds reserved to the Fund shall be available for expenditure only upon an act of appropriation by the General Assembly.

(g) Restrictions for Class Size Noncompliance. – Notwithstanding any other provision of law to the contrary, funds appropriated from the Fund and allocated to a local school administrative unit that is not in compliance with the class size requirements in G.S. 115C-301 shall be used solely for capital expenditures needed to obtain compliance with the class size requirements.

(h) Funding of Projects. – To maximize the utility of available State funds, the General Assembly shall appropriate monies from the Fund for specific projects in an amount sufficient to fund that project for the fiscal year in which funds are appropriated. It is the intent of the General Assembly to provide future funding for capital projects receiving an appropriation from the Fund until those projects have been completed. Monies appropriated from the Fund shall not be used to retire existing debt obligations.

SECTION 2. (b) G.S. 143C-8-13 reads as rewritten:

"§ 143C-8-13. (Effective July 1, 2019) Repairs and Renovations.

(a) Use of Funds. – Funds for repairs and renovations shall be available for expenditure only upon an act of appropriation by the General Assembly. Funds appropriated for repairs and renovations shall be used only for (i) State facilities and related infrastructure that are supported from the General Fund, (ii) and for Department of Information Technology facilities and related infrastructure, (iii) community colleges under the jurisdiction of the State Board of Community Colleges, and (iv) local school administrative units. Funds appropriated for repairs and renovations projects shall not be used for new construction or the expansion of the building area (sq. ft.) of an existing facility unless required in order to comply with federal or State codes or standards. Allowable projects include any of the following:
Roof repairs and replacements.

2. Structural repairs.

3. Repairs and renovations to meet federal and State standards.

4. Repairs to or installation of new electrical, plumbing, and heating, ventilating, and air-conditioning systems.

5. Improvements to meet the requirements of the Americans with Disabilities Act, 42 U.S.C. § 12101, et seq., as amended.

6. Improvements to meet fire safety needs.

7. Improvements to existing facilities for energy efficiency.

8. Improvements to remove asbestos, lead paint, and other contaminants, including the removal and replacement of underground storage tanks.

9. Improvements and renovations to improve use of existing space.


11. Improvements to roads, walks, drives, and utilities infrastructure.

12. Drainage and landscape improvements.


(b) Allocation and Reallocation of Funds for Particular Projects. – Any funds that are allocated to the Board of Governors of The University of North Carolina or to the Office of State Budget and Management may be allocated or reallocated by those agencies for repairs and renovations projects so long as all of the following conditions are satisfied:

1. Any project that receives an allocation or reallocation satisfies the requirements of subsection (a) of this section.

2. If the allocation or reallocation of funds from one project to another under this section is two million five hundred thousand dollars ($2,500,000) or more for a particular project, the Office of State Budget and Management or the Board of Governors, as appropriate, consults with the Joint Legislative Commission on Governmental Operations prior to the expenditure or reallocation.

3. If the allocation or reallocation of funds from one project to another under this section is less than two million five hundred thousand dollars ($2,500,000) for a particular project, the allocation or reallocation of funds is reported to the Joint Legislative Commission on Governmental Operations within 60 days of the expenditure or reallocation."

SECTION 3.1 Notwithstanding G.S. 143C-5-2, there is appropriated from the State Capital and Infrastructure Fund for the 2019-2020 fiscal year the following amounts for capital improvements:

Department of Natural and Cultural Resources

- NC Zoo - Asia/Australia project $17,500,000
- Museum of History Expansion $108,500,000

Western Carolina University

- Steam Plant Replacement $16,000,000

Elizabeth City State University

- Library Building $32,000,000

SECTION 3.2. Notwithstanding G.S. 143C-5-2 and G.S. 143-8-13(a), there is appropriated from the State Capital and Infrastructure Fund to the Community Colleges System Office for the 2019-2020 fiscal year the following amount for a repair and renovation project:

- Workforce Training Equipment $10,000,000

SECTION 4. G.S. 18C-164 reads as rewritten:

"§ 18C-164. Transfer of net revenues."
(a) The funds remaining in the North Carolina State Lottery Fund after receipt of all revenues to the Lottery Fund and after accrual of all obligations of the Commission for prizes and expenses, excluding balance sheet adjustments or prior-period expense adjustments necessary to implement changes in accounting methods or accounting standards, shall be considered to be the net revenues of the North Carolina State Lottery Fund. The net revenues of the North Carolina State Lottery Fund shall be transferred at least four times a year to the Education Lottery Fund, which shall be created in the State treasury.

(b) Repealed by Session Laws 2017-57, s. 5.3(c), effective July 1, 2017.

(b1) Net revenues credited to the Education Lottery Fund shall be appropriated in an amount equal to the amount appropriated from the Education Lottery Fund in the Current Operations and Capital Improvements Appropriations Act of 2017.

(b2) Of the net revenues credited to the Education Lottery Fund, there is appropriated to the Public School Building Capital Fund the sum of one hundred million dollars ($100,000,000) each fiscal year.

(b3) The Office of State Budget and Management shall transfer any net revenues remaining in the Education Lottery Fund after the appropriations made pursuant to subsections (b1) and (b2) of this section to the Education Lottery Reserve Fund, a special revenue fund, necessary to maintain a minimum balance in an amount equal to five percent (5%) of net revenue credited to the Education Lottery Fund from the State Lottery Fund during the previous fiscal year.

(b4) Any net revenues remaining after appropriation pursuant to subsections (b1) and (b2) of this section and transfer pursuant to subsection (b3) of this section are hereby appropriated to the Needs-Based Public School Capital Fund.

(b5) Notwithstanding subsection (b3)(b4) of this section, the minimum balance of the Education Lottery Reserve Fund may be less than the amount equal to five percent (5%) of net revenue credited to the Education Lottery Fund from the State Lottery Fund during the previous fiscal year if funds are necessary to meet the amount of net revenues appropriated pursuant to subsections (b1) and (b2) of this section.

(c) The General Assembly shall appropriate the remaining net revenue of the Education Lottery Fund annually in the Current Operations Appropriations Act for education-related purposes, based upon estimates of lottery net revenue to the Education Lottery Fund provided by the Office of State Budget and Management and the Fiscal Research Division of the Legislative Services Commission. A security interest shall not be granted in funds appropriated pursuant to this subsection.

(d) Repealed by Session Laws 2013-360, s. 6.11(c), effective June 30, 2013.

(e) If the actual net revenues are less than the appropriation provided in subsections (b1) and (b2) of this section for that given year, then the Governor may transfer from the Education Lottery Reserve Fund an amount sufficient to equal the appropriation provided by subsections (b1) and (b2) of this section.

(f) Repealed by Session Laws 2017-57, s. 5.3(c), effective July 1, 2017."

SECTION 5. This act becomes effective July 1, 2019.