
Public School Building Capital Fund

Key Takeaways

- School capital funding is traditionally a local school district responsibility
- The Public School Building Capital Fund is one of few State supports for school capital funding
- Funding is provided from both
 - Corporate Income Tax
 - and
 - North Carolina Education Lottery proceeds

Statutory Treatment of Public School Capital

- School Machinery Act of 1933
 - State assumed most responsibility for current operations while localities retain capital support role
- State Role [115C-408(b)] :

“...**instructional expenses for current operations of the public school system** as defined in the standard course of study.”
- County Governments:

“...the **facilities requirements** for a public education system...”

Purpose/Eligibility

- Public School Building Capital Fund (PSBCF)
 - G.S. 115C-546.1 outlines the purpose:

“...to assist county governments in meeting their public school building capital needs and their equipment needs under their local school technology plans.”
- PSBCF allocations are provided only to counties, not to all LEAs
 - Counties decide how to distribute to City LEAs where there is more than one LEA in a county

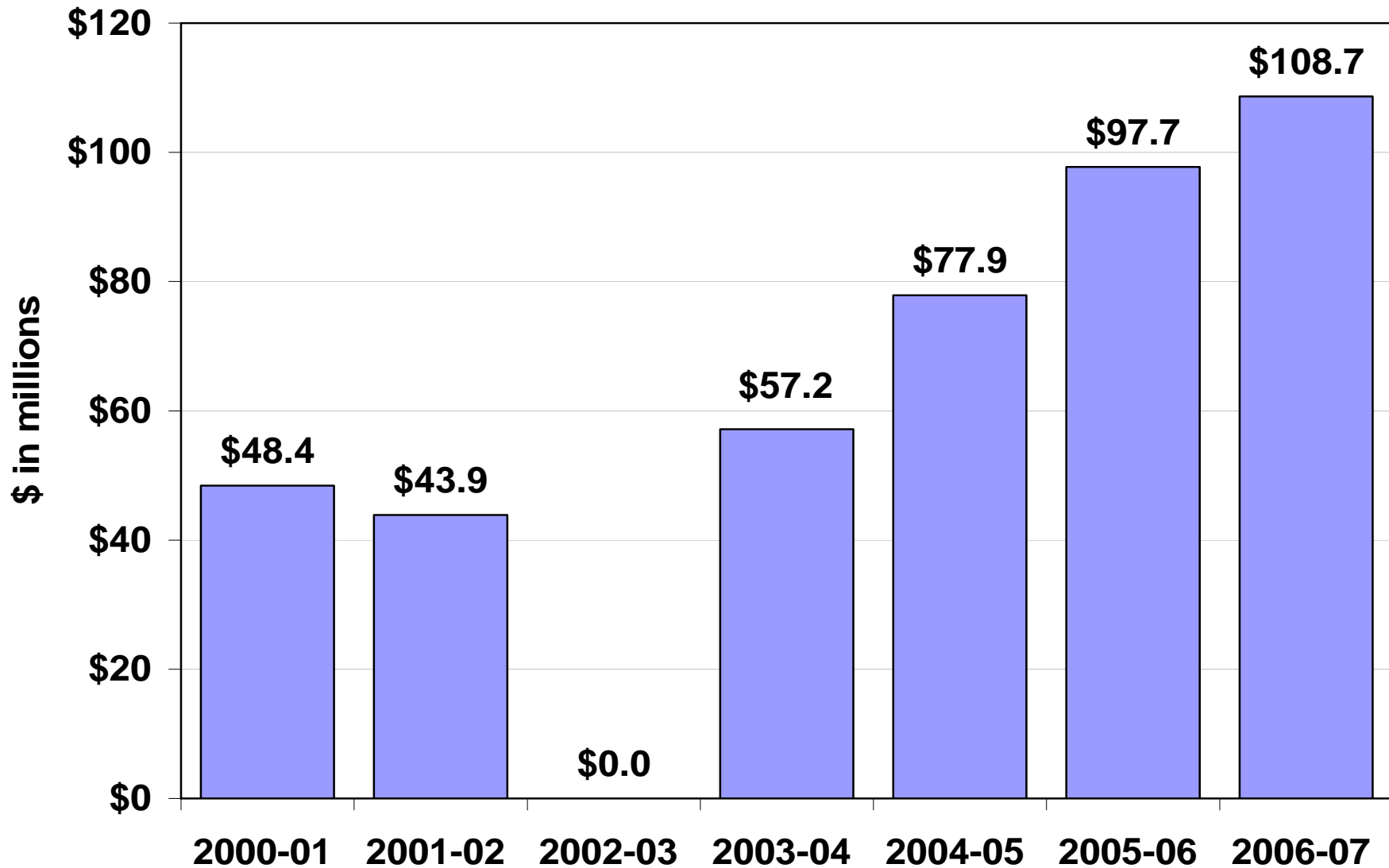
Determining PSBCF Funding

- 2 Sources for PSBCF funding:
 1. Corporate Income Tax (ADM Fund)
 2. North Carolina Education Lottery (Lottery)
- Determination of Corporate Income Tax resources
 1. Secretary of Revenue calculates Corporate Income Tax receipts (G.S. 105-130.3) from the prior quarter
 - Corporate Tax Rate is 6.9%
 2. Of this amount, 5/69 is provided for PSBCF
- What does it mean?
 - PSBCF revenues are approximately 7.25% of all Corporate Income Tax receipts

Comparing ADM Fund and Lottery Fund

<u>PSBCF Components:</u>	<u>Funding Source</u>	<u>Allotment Formula</u>	<u>Required Local Match</u>
ADM Fund	7.25% of Corporate Income Tax	100% by County ADM	\$1 Local: \$3 State
Lottery	40% of Lottery education revenues	65%--LEA ADM 35%--“local effort”	None

FY 2000-07 PSBCF ADM Fund Revenues

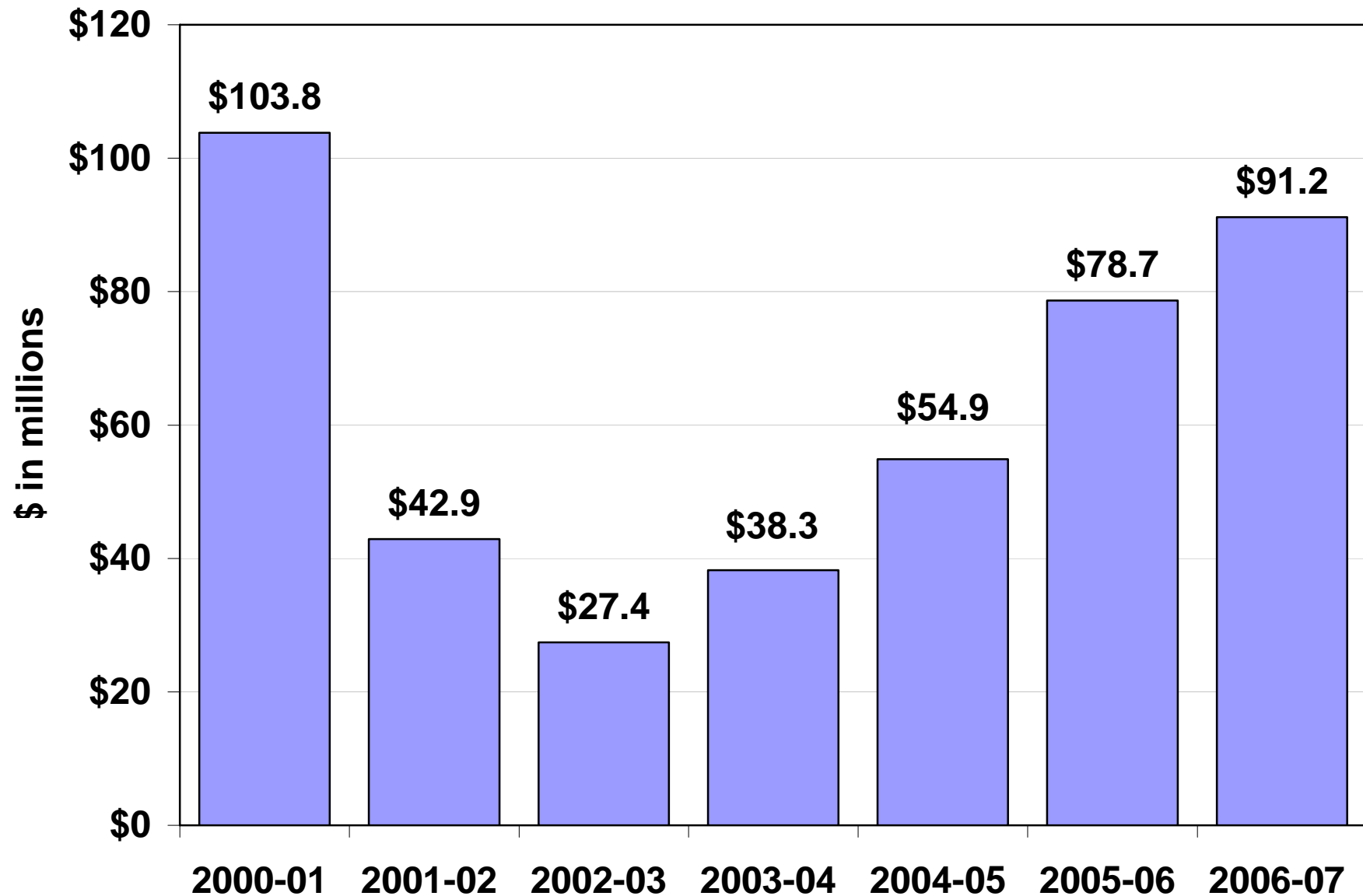


**2002-03 Revenues were diverted to the State Public School Fund due to budgetary shortfalls.

How Do Counties Access Funding?

- Funds accrue in dedicated accounts solely for capital projects
- Counties apply to DPI to access funding for specific projects
 - Application review finalized within 2-4 weeks
- Upon approval, DPI transfers funds to a disbursal account for the project's duration
 - Does not revert

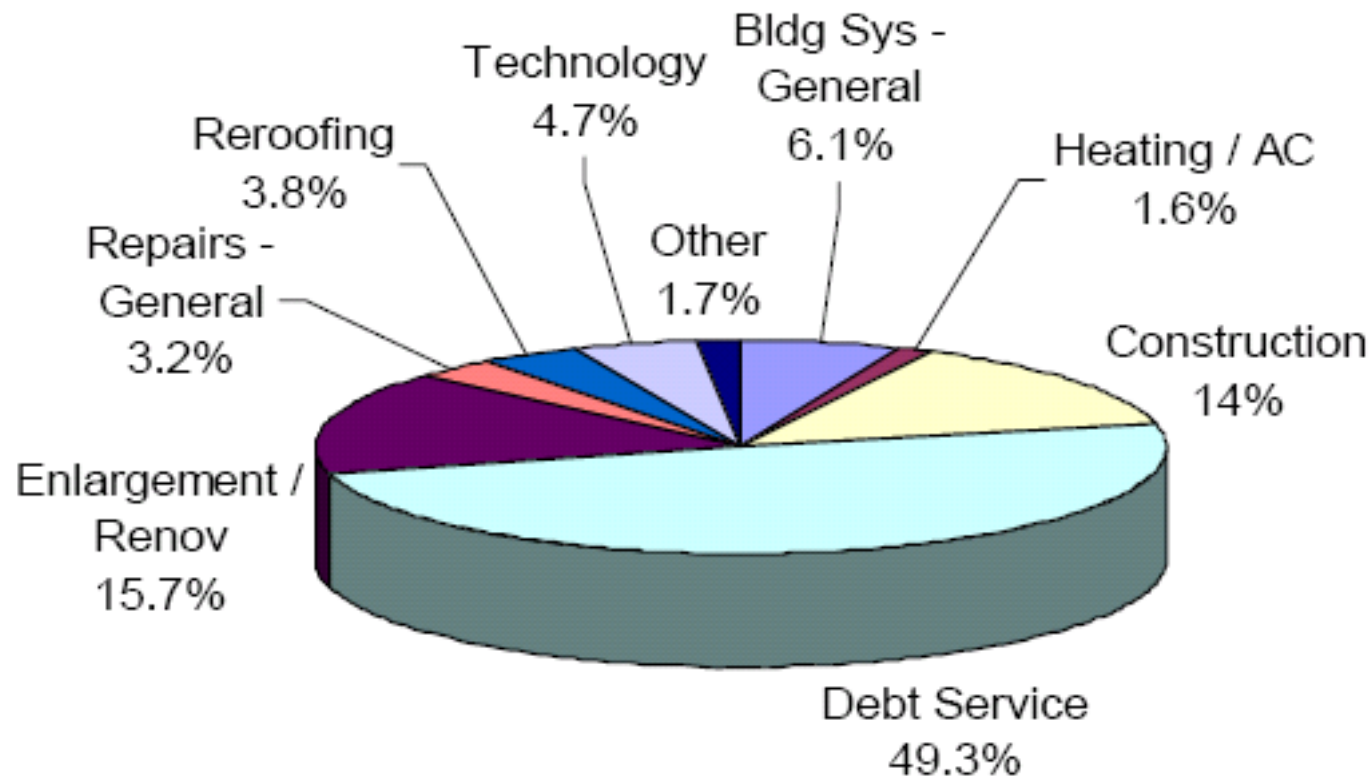
FY 2000-07 ADM Fund Project Allocations



Expenditures

- Funds can be used for the following:
 1. Purchase of land for public school buildings
 2. Planning/design fees
 3. Construction
 4. Renovation
 5. Enlargement
 6. Repair
 7. School technology (only “ADM” funds)
 8. Retirement of capital-related debt service
- Does not support centralized administration, maintenance, or non-school facilities

FY 2006-07 Project Allotments



FY 2006-07 PSBCF Allotments (ADM plus Lottery)

("Other" includes Land Purchase, Planning and Design, and Exterior Upgrades.)

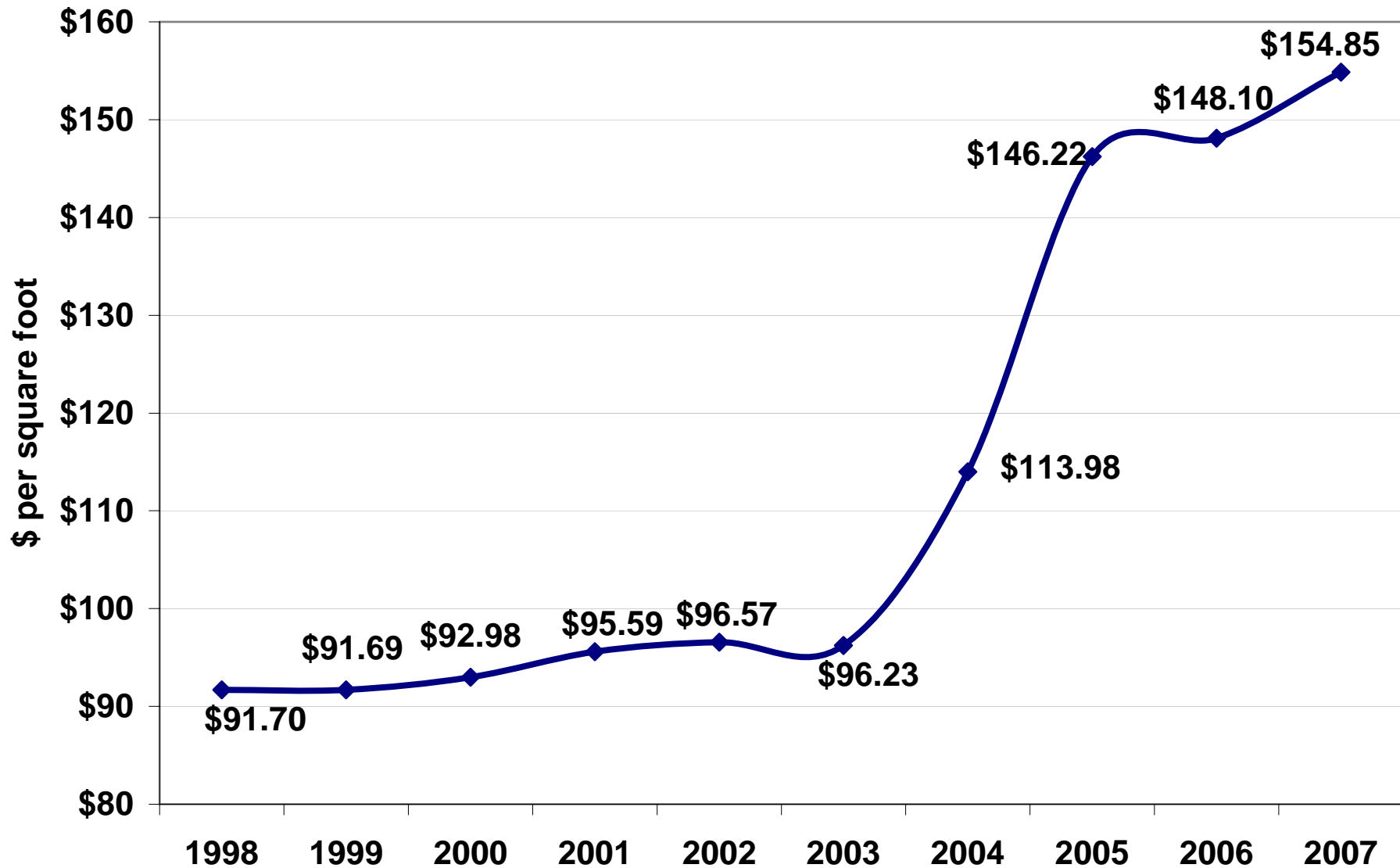
Public School Capital Context

- County Needs
 - 2005-06 Five-Year Public School Facilities Needs Assessment report identified over \$9.8 billion in capital needs
- County Bond Issues
 - Over \$3 billion in local bonds passed in FY 2006-07

Other State Public School Capital Support

- The General Assembly has provided or allowed for other types of capital support:
 - State Bond Issues
 - 1949 (\$25 million and \$25 million appropriation)
 - 1953 (\$50 million)
 - 1963 (\$100 million)
 - 1973 (\$300 million)
 - 1996 (\$1.8 billion)
 - County Sales Tax expansion
 - 1983—30% of 0.5 cent increase dedicated to capital
 - 1986—60% of 0.5 cent increase dedicated to capital
 - Both are due to sunset in 2011

1998-2007 School Construction Costs/sq. ft.



SOURCE: Department of Public Instruction



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Medicaid Swap

- S.L. 2007-323 requires a one-time reduction to PSBCF funding as part of the State's assumption of certain Medical Assistance Program expenses
- DPI is required to withhold from a County's PSBCF allotment the lowest amount of:
 - 60% of the PSBCF allocation
 - or
 - 60% of State Medicaid payments
- County must “replace” foregone PSBCF funding with revenues saved by lowered Medicaid costs

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Questions to Consider

- Allocation Criteria
 - Is it a concern that PSBCF funds are allocated based on differing criteria?
- Construction Costs Outpacing Corporate Tax Revenues
 - Should the diminished purchasing power of PSBCF support be addressed?