



# NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION

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www.dpi.nc.gov

## Lottery Capital Funding thru NC Department of Public Instruction

### Frequently Asked Questions (FAQ)

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#### **What is the purpose of Capital Funding thru NCDPI?**

To assist county governments in meeting their public school building needs.

#### **What types of Capital Funding are available thru NCDPI?**

The School Planning Section of NCDPI is the primary administrator for the following Lottery Capital Funds:

Public School Building Capital Fund (PSBCF)

Public School Building Repair & Renovation Fund (PSBRRF)

Need-Based Public School Capital Fund (NBPSCF)

School Planning has no administrative duties for other Lottery Funding that may be available thru NCDPI.

Information regarding such Funds is not included in this FAQ document.

#### **What are the revenue sources for the PSBCF, PSBRRF, and NBPSCF?**

The NC Education Lottery is currently the sole source of revenue for each of these Funds. Revenue for the PSBCF was originally provided by corporate taxes and distributed to what is referred to as the "ADM Fund". No corporate tax revenue has been distributed to the "ADM Fund" of the PSBCF since the end of FY 2008-09. Since 2006, Lottery revenue has been distributed to what is referred to as the "Lottery Fund" of the PSBCF. Any unspent revenue in the "ADM Fund" remains available for allocation.

#### **Who is eligible to receive Capital Funding thru NCDPI?**

All 100 counties (115 LEAs) in North Carolina currently receive revenue from the PSBCF and PSBRRF. NBPSCF revenue is made available to counties through Needs-Based grants that are awarded annually. Counties must apply for these grants. Needs-Based grant eligibility for a county is determined by the NC Department of Revenue's (NCDOR) Assessed Real Estate Value for the county, which is adjusted by a Sales Assessment Ratio. Counties that have an Adjusted Market Value that is less than \$40 billion are eligible to apply for a Needs-Based grant. County eligibility information is posted by NCDPI School Planning Section annually. Additional information regarding Needs-Based grants is provided in a subsequent FAQ section.

#### **Are Charter Schools eligible for funding through the PSBCF, PSBRRF and/or NBPSCF?**

Under current law Charter Schools are ineligible for these funds.

#### **How much Lottery revenue is distributed to counties/LEAs through the PSBCF, PSBRRF and NBPSCF?**

Per current Legislation, \$100 million of Lottery revenue is appropriated for the PSBCF annually. Of that amount, \$98 million is distributed to the 115 LEAs (school districts) across NC based solely on their average daily membership (ADM). ADM figures are updated each school year. The remaining \$2 million is reserved for

DPI School Operations. Barring Legislative changes, the appropriation of Lottery revenue for the PSBCF should continue on an annual basis as herein described.

The amount of Lottery revenue appropriated for the PSBRRF is determined on an annual basis by the NC General Assembly. The revenue is distributed equally to all 100 counties. For counties with multiple LEAs (school districts), their share of revenue is distributed to each LEA based upon its ADM. \$30 million was appropriated for the PSBRRF in FY 21-22. \$50 million was appropriated for FY 22-23, FY 23-24 and FY 24-25.

The amount of Lottery revenue appropriated for the NBPSCF for Needs-Based grants varies annually, subject to action taken by the NC General Assembly. Since its inception in FY 17-18, revenue for the NBPSCF has varied from a low of \$30 million to a high of \$436 million.

**When is Lottery revenue distributed and where is it deposited?**

Lottery revenue is distributed to NCDPI four times throughout a fiscal year, roughly coinciding with each fiscal year quarter. It is usually four to six weeks after the end of a fiscal year quarter before the final deposit of Lottery revenue for that quarter is made. Consequently, quarterly revenue deposits are typically recorded in the months of November, January, May, and July (July being the first month of the next fiscal year). The revenue is placed into Unallocated Balance Accounts that have been established at NCDPI for each county/LEA. There are separate sets of county/LEA Unallocated Balance Accounts for each of the Capital Funds.

**Are these Capital Funds interest-bearing?**

Yes. Each of the three Capital Funds earns monthly interest per the standard interest rate established by the State. For the PSBCF and the PSBRRF, revenue from interest earned on funds remaining in Unallocated Balance Accounts and from interest earned on unspent funds in county disbursing accounts is deposited into individual Unallocated Balance Accounts. Because the NBPSCF is a grant-based Fund, revenue from earned interest is not deposited into individual Unallocated Balance Accounts, but is instead held in reserve by NCDPI as a revenue source for future Needs-Based grants.

**What does a county/LEA need to do to obtain funds from their Unallocated Balance Accounts?**

Capital funding requests must be submitted to the School Planning Section of NCDPI. Application/Distribution Request forms for each Capital Fund are posted on the Capital Funding page of the School Planning Section website. Submission of each type of form requires the signature of both the Chair of the Local Board of Education and the Chair of the County Commissioners.

Funding requests are processed monthly. Submitted Application/Distribution Request forms are accumulated throughout the month and processed together during the last week of the month, typically on or around the 26<sup>th</sup>. When funding is authorized, NCDPI transfers allocated revenue from a county/LEA Unallocated Balance Account to the county's disbursing account in the State Treasurer's Office, usually by the second or third business day of the upcoming month. A Memorandum is sent by School Planning via email to the finance officers of the county and the LEA to notify them of the funding transaction. Each county has a single disbursing account into which funds from any of the three Capital Funds can be deposited. It is therefore incumbent upon local finance officers to track the source and amount of revenue deposited into their county's disbursing account.

**Are there local matching requirements for these Capital Funds?**

Yes and No.

For the PSBCF, revenue requested from the “ADM Fund” must be matched on a 1:3 (local:state) basis. The exception to this is revenue requested for “School Technology,” for which there is no matching requirement. Also for the PSBCF, there is NO matching requirement for revenue requested from the “Lottery Fund.”

For the PSBRRF, there is NO matching requirement.

For the NBPSCF, a grant recipient’s match is based upon certain economic factors, and can vary from a low of 0% to a high of 35%. Additional match information is provided in a subsequent FAQ section.

**What must a county/LEA do to draw-down (spend) funds deposited into the county’s disbursing account?**

The State Treasurer’s Office is responsible for sending specifications for warrants (checks) to each county finance officer, who can then order warrants from a printer of the county’s choice. The county finance officer will write warrants against the account to the “ultimate” (or terminal) payee to pay expenses for the capital project for which Lottery funds were allocated. The ultimate payee may be, for example, a contractor that has performed or completed certain work. A warrant may also be made to the local Board of Education as reimbursement for a payment the Board has already made to a contractor or vendor. The process of spending disbursing account funds is the same for all three Capital Funds.

**Is there a deadline for spending PSBCF or PSBRRF funds?**

No.

**Is there a deadline for spending NBPSCF grant funds?**

No, but there is an established timeline for initiating construction of a project for which a Needs-Based grant is awarded. Additional information about this is provided in a subsequent FAQ section.

**Are there reporting requirements for the Capital Funds?**

Yes, each Fund has reporting requirements.

For the PSBCF and PSBRRF, a Final Report is to be submitted by the county/LEA to NCDPI within 60 days of completion of any project for which funds have been allocated.

For the NBPSCF, on or before April 1 of each year after receiving a grant award, the recipient must submit an Annual Report to NCDPI describing the previous year’s progress of the project for which the grant was awarded. Additionally, the grant recipient must submit a Final Report to NCDPI within three months of completion of the project.

For each Capital Fund, a project is considered “complete” once final payment is made to the ultimate payee(s). The county and the LEA bear joint responsibility for submitting Annual and Final Reports, and should therefore reach an understanding as to the assumption of that responsibility.

**Must projects for which Capital Funding is proposed be reviewed at the State level?**

Most, but not all, projects for which capital funding is proposed must be reviewed at the State level. In general, for projects requiring the use of professional design services per NC General Statute 133-1.1, construction documents must be submitted to and reviewed by NCDPI School Planning Section. School Planning has additional requirements regarding the need for professional design services, especially for projects that may affect life safety. Questions about whether a specific project requires submission of construction documents for review should be referred to School Planning for clarification. Revenue from each of the three Capital Funds can be allocated for payment of planning/design services upon request. Allocations for payment of construction phase services, however, cannot be made until School Planning has completed its design review and issued a Certificate of Review.

**What types of expenditures ARE eligible for funding through the PSBCF?**

The following types of expenditures are eligible for funding through the PSBCF:

1. Purchase of land for public school buildings.
2. Project planning/design fees.
3. Construction of new public school buildings.
4. Renovations of existing public school buildings.
5. Enlargement (expansion) of public school buildings.
6. Repair of existing public school building components and systems.
7. Equipment purchases (equipment that is an integral part of a building, such as HVAC, plumbing, electrical and security equipment).
8. School Technology (through the “ADM Fund” only; use of Lottery funds for School Technology is prohibited).
9. Certain exterior improvements (parking lots, athletic fields, playgrounds, etc.).
10. Debt Service (retirement of indebtedness incurred for public school facilities).

**What types of expenditures are NOT eligible for funding through the PSBCF?**

The following types of expenditures are not eligible for funding through the PSBCF:

1. Purchase/installation of new or relocated mobile/modular units that are to be used as classrooms, restrooms, etc.
2. Purchase/installation of equipment that is moveable or not an integral part of a building, such as telephone sets, student desks and other furniture. An exception to this restriction is made for new equipment that is needed to upfit a newly constructed facility that is being fully or partially funded by the PSBCF.

**What types of expenditures ARE eligible for funding through the PSBRRF?**

The following types of expenditures are eligible for funding through the PSBRRF:

1. Enlargement (expansion of classroom facilities).
2. Improvements to classroom facilities.
3. Repair of existing building components and systems of classroom facilities.
4. Renovation of existing classroom facilities.
5. Equipment purchases for classroom facilities.
6. Project planning/design fees.

Two points of emphasis for eligible PSBRRF expenditures: “repair and renovation” and “classroom facilities.”

**What types of expenditures are NOT eligible for funding through the PSBRRF?**

The following types of expenditures are not eligible for funding through the PSBRRF:

1. Real property acquisition.
2. Mobile or modular classroom purchase and/or installation.
3. Purchase of computers and other “school technology” equipment that does not meet the parameters of allowable expenditures.
4. Purchase/installation of equipment that is moveable or not an integral part of a building, such as telephone sets, student desks and other furniture. An exception to this restriction is made for new equipment that is needed to upfit a newly constructed classroom facility addition or expansion that is being fully or partially funded by the PSBRRF.
5. Improvements to school campus site features such as roads, parking lots, playgrounds, tennis courts, athletic fields and lighting, bleachers, etc.
6. Debt Service.

**What types of expenditures ARE eligible for funding through the NBPSCF?**

The following types of expenditures are eligible for funding through the NBPSCF:

1. Construction of new public school buildings.
2. Renovations of existing public school buildings.
3. Enlargement (expansion) of public school buildings.
4. Repair of existing public school building components and systems.

**What types of expenditures are NOT eligible for funding through the NBPSCF?**

The following types of expenditures are not eligible for funding through the NBPSCF:

1. Real property acquisition.
2. Mobile or modular classroom purchase and/or installation.
3. Acquisition of Leadership in Energy and Environmental Design (LEED) certification.
4. Purchase/installation of equipment that is moveable or not an integral part of a building, such as telephone sets, student desks and other furniture. An exception to this restriction is made for new equipment that is needed to upfit a newly constructed facility that is being fully or partially funded by the NBPSCF.
5. Debt Service.

**Can Needs-Based grant funds be used for a lease agreement?**

Yes, if all of the following criteria are met:

1. Ownership of the subject property on which the leased school is constructed shall be retained by the county.
2. The lease agreement shall include a repairs and maintenance provision that requires the landlord to bear the entire expense of all repairs, maintenance, alterations, or improvement to the basic structure, fixtures, appurtenances and grounds of the subject property for the term of the lease.
3. The lease agreement shall be for a term of at least 15 years and no more than 25 years.
4. In lieu of progress payment requirement provided in ***G.S. 115C-546.11.(b)***, a county that has entered into a lease agreement shall provide a copy of the lease agreement to the Department of Public Instruction and shall be periodically reimbursed upon submission of documentation satisfactory to the Department that the matching requirement of this section has been met.

**What if a proposed expenditure thru any of the Capital Funds is not like one of those listed above?**

Contact the School Planning Section of NCDPI at 984-236-2920.

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**ADDITIONAL FAQ ABOUT THE NEEDS-BASED PUBLIC SCHOOL CAPITAL FUND (NBPSCF)**

**What is the application process for a Needs-Based grant?**

Applications for grants through the NBPSCF are processed by NCDPI once a year. Grant applications must be signed by the Chairs of the local Board of Education (LEA) and the County Commissioners (County). The application deadline is typically between August 31 and September 15, and grant awards are usually announced in early to mid-October. State Budget delays or other legislative action regarding the NBPSCF can alter the established timeline for application submission, review, and grant awards.

If “City” and “County” LEAs within a county have projects for which grant funds are being sought, then each LEA must submit its own application(s).

Only one application is to be submitted for a school campus, even if the project for which NBPSCF grant funds are being sought involves work at more than one building on that campus. If grant funds are being sought for projects on more than one school campus, then a separate application is to be submitted for each campus.

The total grant amount awarded to a county/LEA that submits multiple applications is considered to be the sum of the amounts awarded for each application. As such, should the expenses for one campus project exceed the amount awarded for that project, then allocations can be made from funds awarded for another campus project, as long as the total grant award amount is not exceeded.

A copy of the “active” NBPSCF Grant Application form for the current fiscal year is posted for an applicable period of time to the School Planning section of the NCDPI website. Outside of that time period an “inactive” sample copy of the form may be posted.

**How are applications for Needs-Based grants evaluated?**

Applications are evaluated on critical needs, budget detail, and the following criteria per G.S. 115C-546.10:

1. Counties designated as development tier one areas. (not an eligibility requirement)
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.
4. The extent to which a project will address critical deficiencies in adequately serving the current and future student population.
5. Projects with new construction or complete renovation of existing facilities.
6. Projects that will consolidate two or more schools into one new facility.
7. Counties that have not received a grant in the previous three years.

**Have there been any special Legislative provisions recently enacted with regards to the award of Needs-Based grants?**

Yes. **SECTION 4.3.(c)** of **S.L. 2023-134** gives NCDPI the option to award additional grant funds for new construction, up to the maximum amounts listed below, to a county that received an award for new construction under **G.S 115C-546.11.(c)** during FY 2022-23, provided that the county has not yet begun

construction on the project for which the grant was awarded. A county seeking additional funding pursuant to this subsection is to request additional funds from NCDPI (i.e. submit a grant application) for an amount not exceeding \$12,000,000 by June 30, 2024. To support their request for additional funding, the county must provide actual bids or other documentation of cost increases that are satisfactory to NCDPI based upon the original project scope that is outlined in their original grant agreement (i.e., no “scope creep”). NCDPI has until June 30, 2025 to award additional grant funds under the provisions of this subsection, and may do so outside of the “regular” grant application process and timeline.

**What are the maximum Needs-Based grant award amounts?**

Per Legislation in force as of the date of this document, maximum grant award amounts are as follows:

1. Up to forty-two million dollars (\$42,000,000) for an elementary school project.
2. Up to fifty-two million dollars (\$52,000,000) for a middle school project or for a project that combines an elementary school and a middle school.
3. Up to sixty-two million dollars (\$62,000,000) for a high school project.

**How are matching requirements assigned to counties that apply for a Needs-Based grant?**

Local matching requirements are based on Adjusted Market Value of Taxable Real Property within each county as follows:

<u>Over</u>	<u>Up To</u>	<u>Percentage Match</u>
\$0	\$2 billion	0%
\$2 billion	\$10 billion	5%
\$10 billion	\$20 billion	15%
\$20 billion	\$30 billion	25%
\$30 billion	\$40 billion	35%

County matching fund requirements are posted by NCDPI School Planning Section ahead of each annual grant application period.

**What is the first action required of a county that has been awarded a Needs-Based grant?**

Each county that has been awarded a Needs-Based grant must enter into an agreement with NCDPI detailing the use of grant funds. Per **G.S. 115C-546.12**, the agreement must contain at least all of the following provisions:

1. A requirement that the grantee seek planning assistance and plan review from the School Planning Section of NCDPI.
2. A progress payment provision governing disbursements to the county for the duration of the school construction project based upon the construction progress and documentation satisfactory to NCDPI that the matching requirement in **G.S. 115C-546.11** has been met.
3. A provision requiring periodic reports to NCDPI on the use of disbursed grant funds and the progress of the school construction project.
4. A requirement that matching funds paid by the county pursuant to **G.S. 115C-546.11** must be derived from non-State and non-Federal funds.
5. A provision requiring repayment in full of awarded grant funds in the event the grant recipient declines the grant award or the grant is forfeited.

An additional agreement provision requires the grant recipient to certify that the project site for which grant funds were awarded is owned in fee simple by the local Board of Education in accordance with **G.S. 115C-521(d)**.

A copy of the current fiscal year Agreement form is posted to the School Planning section of the NCDPI website.

**Are there any time constraints for planning, design and construction of a project for which a Needs-Based grant is awarded?**

Yes. Per **G.S. 115C-546.12.(b)**, project construction must be initiated within 24 months of the award of grant funds. The Superintendent of Public Instruction, however, may grant a twelve month extension under extraordinary circumstances. NCDPI is tasked with determining what constitutes extraordinary circumstances.

**Are there any conditions that would require a recipient of a Needs-Based grant to forfeit their grant?**

Yes. Per **G.S. 115C-546.12.(c)**, an awarded grant may be forfeited if any of the following occur:

1. Project construction is not initiated on time.
2. Project scope changes significantly from what was outlined in the grant agreement.
3. Any statement or information provided in the grant application is later determined to be materially false.
4. Local funding is substantially decreased from the amount provided in the grant application.

**Have there ever been Needs-Based grant awards declined or forfeited by the recipient? If so, how is that handled administratively?**

Yes, since the inception of the NBPSCF there have been two grant awards declined. The timing of when NCDPI is notified of an award being declined generally dictates what administrative action is taken. If notified early enough within a fiscal year, grants totaling no more than the full amount of the declined award can be awarded to one or more of the applicants that did not receive a grant that fiscal year. If NCDPI is notified later in a fiscal year, the amount of the declined award may be reverted back into the overall pool of NBPSCF Lottery funds for use in subsequent grant award cycles.

Per **G.S. 115C-546.12.(d)**, if a grant award is forfeited or declined due to extraordinary circumstances and grant funds have already been allocated to the grant recipient, then NCDPI may, when calculating the required fund repayment per provisions of the grant agreement, deduct reasonable administrative costs associated with the project that have been incurred by the grant recipient. The grant recipient must provide documentation satisfactory to NCDPI to support any administrative costs to be deducted.

Per **G.S. 115C-546.11.(d)**, if a county declines or otherwise forfeits an awarded grant, then NCDPI can not award additional grants to that county for a period of 24 months. That time period starts from the date the grant award was declined or forfeited.

**What are some other things to consider regarding Needs-Based grants?**

The following items are offered for consideration:

1. The NC General Assembly typically reviews Legislation regarding the NBPSCF on an annual basis. Since its inception, there have been some significant changes to the NBPSCF with respect to the application



process, eligibility of grant applicants, matching requirements, and use of grant funds. NCDPI anticipates that additional changes will be made in the future.

2. Needs-Based grants are best suited for projects for which construction can start within 12 to 18 months after grant award. As noted above, construction must be initiated with 24 months of grant award except under extraordinary circumstances.
3. Cooperation between county governments and local School Boards of Education is essential. Preparation of grant applications often requires months or years of advance planning on the part of both groups.
4. Once a Needs-Based grant has been awarded, the basic programmatic scope established by the grant application for the project should not be altered.
5. Suggestions for how to make the NBPSCF better for counties/LEAs are always welcome. NCDPI contact information is provided below.

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**NCDPI – SCHOOL PLANNING SECTION - CAPITAL FUNDING WEB PAGE**

<https://www.dpi.nc.gov/districts-schools/district-operations/school-planning/capital-funding>

**NCDPI CONTACT INFORMATION**

*For information regarding NBPSCF grant eligibility and application materials, please contact:*

Nathan Maune, AIA  
Section Chief  
School Planning Section  
Phone: (984) 236-2919  
[nathan.maune@dpi.nc.gov](mailto:nathan.maune@dpi.nc.gov)

*For information regarding PSBCF, PSBRRF, and NBPSCF distributions, allocations, and disbursements, please contact:*

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