

Article 38B.

Needs-Based Public School Capital Fund.

**§ 115C-546.10. Fund created; purpose; prioritization.**

There is created the Needs-Based Public School Capital Fund as an interest-bearing, nonreverting special fund in the Department of Public Instruction. The State Treasurer shall be the custodian of the Needs-Based Public School Capital Fund and shall invest its assets in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The Department of Public Instruction shall award grants from the Fund to counties to assist with their critical public school building capital needs in accordance with 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.
- (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 under this Article in the previous three years. (2021-180, s. 4.4(a).)

**§ 115C-546.11. Matching requirement; use of funds; maximum awards; project review.**

(a) An eligible county awarded a grant under this Article shall provide local matching funds from county funds, other non-State funds, or a combination of these sources for the grant as provided in this section. An eligible county is a county with an adjusted market value of taxable real property of less than forty billion dollars (\$40,000,000,000). The adjusted market value of taxable property in a county is equal to the county's assessed taxable real property value, using the latest available data published by the Department of Revenue, divided by the county's sales assessment ratio determined under G.S. 105-289(h). The amount of matching funds for a county awarded a grant shall be published annually by the Department of Public Instruction prior to any application period. The local match requirement applied to the project shall be based on the match requirement effective at the time of the grant award. The local match requirement is calculated as follows:

**Adjusted Market Value of Taxable Real Property**

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

(b) Grant funds shall be used only for the construction of new school buildings and additions, repairs, and renovations. Grant funds shall not be used for real property acquisition or for capital improvements to administrative buildings. Grant funds shall be disbursed in a series of payments based on the progress of the project. To obtain a payment, the grantee shall submit a request for payment along with documentation of the expenditures for which the payment is requested and evidence that the matching requirement contained in subsection (a) of this section

has been met. No portion of grant funds may be used to acquire a Leadership in Energy and Environmental Design (LEED) certification.

(c) Maximum grant award amounts shall be determined as follows:

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

(d) The Department of Public Instruction shall review projected enrollment to evaluate the reasonableness of a project's size and scope. A county may include in a grant application a minimum grant amount that would enable the project to proceed. A grant application that proposes to consolidate two or more schools by (i) making additions or renovations at one or more school facilities and (ii) closing one or more existing school facilities may be submitted and considered by the Department of Public Instruction as a single project. Each application for a grant under this Article shall be evaluated independent of other grant applications submitted. A county may not apply for projects that exceed an aggregate amount greater than the maximum grant award amounts listed in subsection (c) of this section in any single year. The Department of Public Instruction shall not award a grant to an applicant at less than the requested amount or less than the maximum grant amounts listed in subsection (c) of this section for the purpose of reserving the amount of grant funds available for other grant applications. If a county declines or otherwise forfeits a grant awarded under this section, the Department shall not award additional grants to that county for 24 months from the date the grant award was declined or forfeited. (2021-180, s. 4.4(a); 2022-74, s. 4.2(b); 2023-134, s. 4.3(b).)

#### **§ 115C-546.12. Grant agreement; requirements.**

(a) A county receiving grant funds pursuant to this Article shall enter into an agreement with the Department of Public Instruction detailing the use of grant funds. The agreement shall contain at least all of the following:

- (1) A requirement that the grantee seek planning assistance and plan review from the School Planning Section of the Department of Public Instruction.
- (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 the Department that the matching requirement in G.S. 115C-546.11 has been met.
- (3) A provision requiring periodic reports to the Department of Public Instruction 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 nonfederal 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.

(b) Project construction must be initiated within 24 months of the award of grant funds. The Superintendent of Public Instruction may grant a 12-month extension under extraordinary circumstances.

(c) A grant awarded under this section 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 subsequently decreased from the amount provided in the grant application.

(d) For grant awards that, due to extraordinary circumstances, are forfeited or declined, the Department of Public Instruction may deduct reasonable administrative costs incurred by the grant recipient in connection with the project from grant funds disbursed to the grant recipient in the calculation of fund repayment. A grant recipient shall provide documentation satisfactory to the Department to support any administrative costs to be deducted. (2021-180, s. 4.4(a); 2023-134, s. 4.3(b).)

**§ 115C-546.13. Lease exception; requirements.**

(a) Notwithstanding any provision of this Article to the contrary, a county may utilize grant funds for a lease agreement 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 improvements 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 the 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.

(b) For the purposes of this section, the term "lease agreement" shall include any ancillary agreements or predevelopment agreements entered into in anticipation of or in accordance with a lease. A lease agreement entered into pursuant to this subsection shall be subject to the requirements of Article 8 of Chapter 159 of the General Statutes. In determining whether the lease agreement is necessary or expedient pursuant to G.S. 159-151(a)(1) and G.S. 159-151(b)(1), the Local Government Commission may consider any other relevant construction and financing methods available to the county. (2021-180, s. 4.4(a).)

**§ 115C-546.14. Reporting.**

(a) On or before April 1 of each year, a grant recipient shall submit to the Department of Public Instruction an annual report for the preceding year that describes the progress of the project for which the grant was received. The grant recipient shall submit a final report to the Department of Public Instruction within three months of the completion of the project.

(b) On or before May 1 of each year, the Department of Public Instruction shall submit a report to the chairs of the Senate Appropriations Committee on Education/Higher Education, the chairs of the House Appropriations Committee on Education, and the Fiscal Research Division. The report shall contain at least all of the following information for the fiscal year:

- (1) Number, description, and geographic distribution of projects awarded.
- (2) Total cost of each project and amount supported by the Needs-Based Public School Capital Fund.
- (3) Projections for local school administrative unit capital needs for the next 30 years based upon present conditions and estimated demographic changes.
- (4) Any legislative recommendations for improving the Needs-Based Public School Capital Fund program. (2021-180, s. 4.4(a); 2022-74, s. 4.2(b).)

**§ 115C-546.15: Reserved for future codification purposes.**

**§ 115C-546.16: Reserved for future codification purposes.**

**§ 115C-546.17: Reserved for future codification purposes.**

**§ 115C-546.18: Reserved for future codification purposes.**

**§ 115C-546.19: Reserved for future codification purposes.**