

Capital Funding for North Carolina's Future



37th Annual State Construction Conference

Raleigh, NC

March 29, 2018

WHAT IF I TOLD YOU,

- We can Invest **OVER \$3 BILLION** in *Additional* new Capital *for NC*

AND

- Not Raise **TAXES**

AND

- **LOWER** our **DEBT** by **61%**

Interested?



Pay As You Go Capital & Infrastructure Fund and Debt Reduction Plan (Session Law 2017-57, Section 36.12)



OFFICE OF
REPRESENTATIVE DEAN ARP
House Appropriations Chairman

FOR IMMEDIATE RELEASE
April 5, 2017

**House Lawmakers Propose \$3 Billion
Capital Infrastructure Funding, 62% State Debt Reduction**

Proposal Would Not Require Raising Taxes

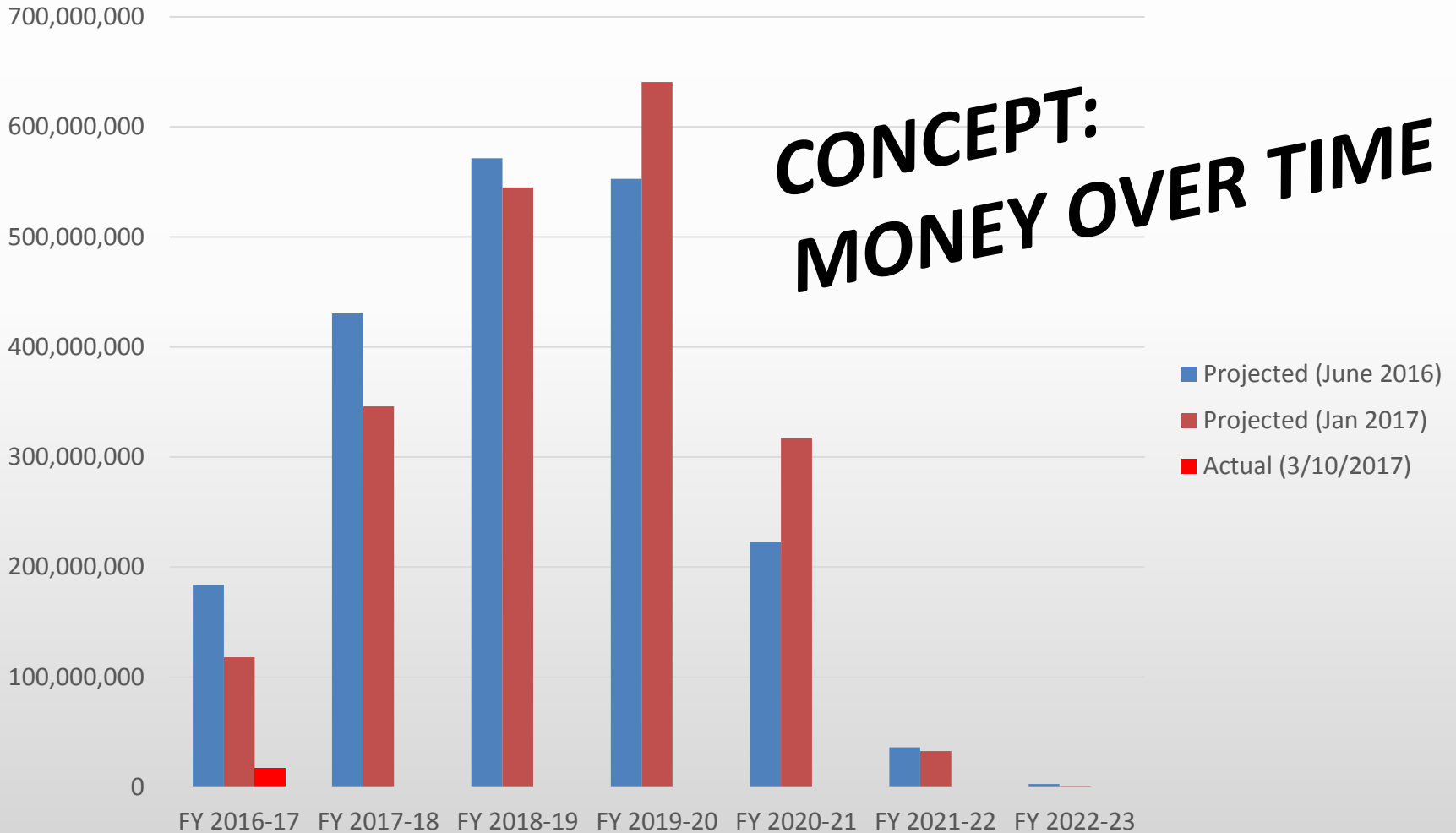
Raleigh, N.C. – North Carolina House Appropriations Chairman Dean Arp (R-Union) and Deputy Majority Leader Stephen Ross (R-Alamance) introduced [House Bill 583](#) Pay-As-You-Go Capital & Infrastructure Fund at a press conference in the North Carolina General Assembly on Thursday.

The bill provides a state debt reduction plan and funding mechanism to provide \$3 billion in much-needed funding for school construction, public building repair and renovations, transportation, and other areas.

10 year Capital Total = \$5.2B
(Avg \$520M/Yr)
8 Year Capital Cash Total \$3.2B

Contact: Wendy Miller
919-715-3007

Connect NC Projected vs. Actual Expenditures



Debt Affordability Study

February 1, 2018

Debt Affordability Advisory Committee

Table 1

General Fund - 2017 Policy					
Alternate Debt Capacity using 4.5% debt service/revenues target ratio					
(In millions of dollars)					
Fiscal Year	2018	2019	2020	2021	2022
\$ to Unfunded Liabilities	\$200.0	\$162.2	\$158.7	\$194.3	\$267.4
Total Additional Debt Capacity per Year *	\$1,315.4	\$24.3	\$47.6	\$53.6	\$55.7
Debt Capacity Available each and every Year	\$194.0	\$194.0	\$194.0	\$194.0	\$194.0

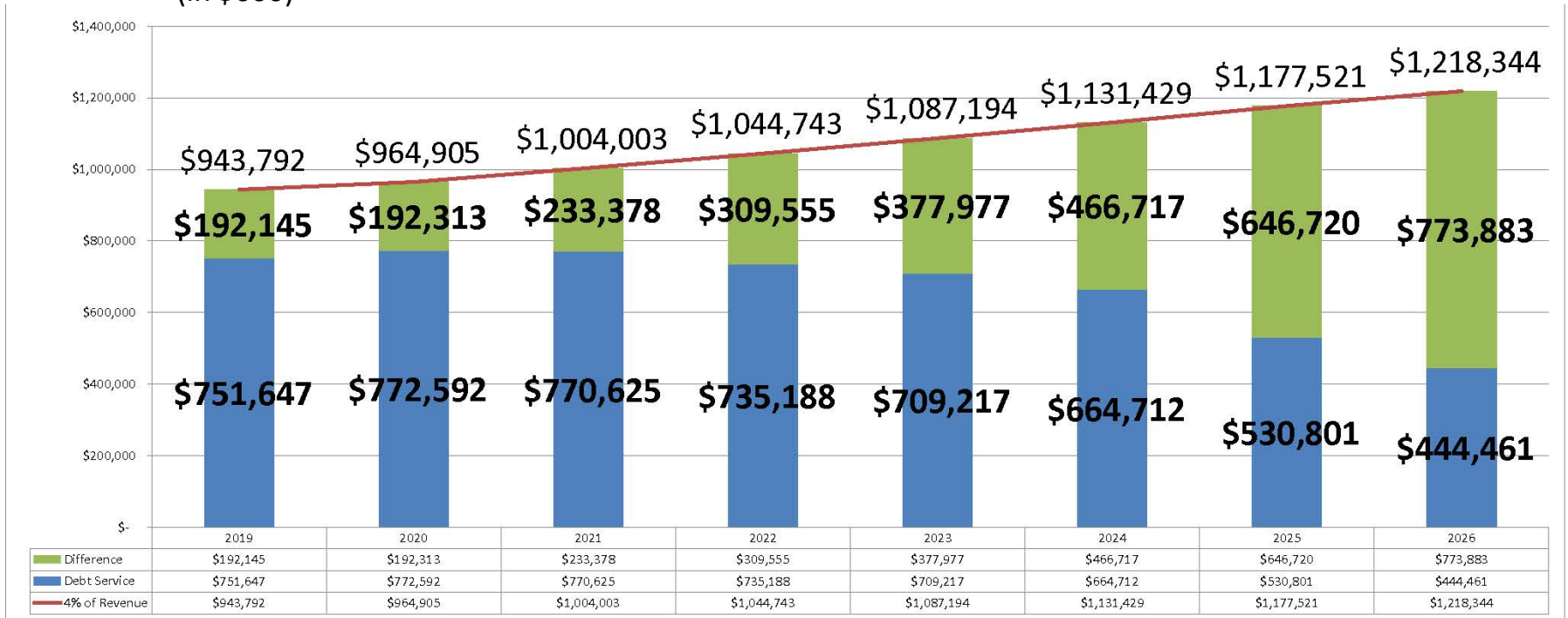
* In addition to that already authorized but unissued. Assumes additional debt capacity is authorized and issued in stated fiscal year.

Pay As You Go Capital & Infrastructure Fund and Debt Reduction Plan

10 year Capital Total = \$5.2B (Avg \$520M/Yr)

8 Year Capital Cash Total \$3.2B

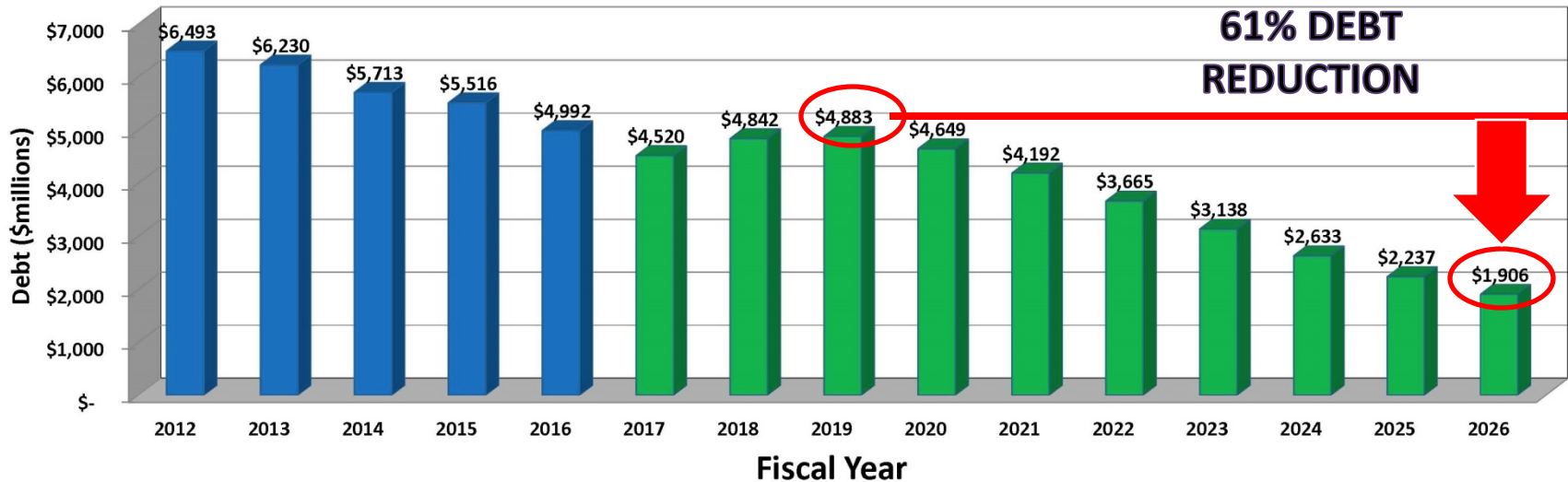
(in \$000)



Note: Based on data from the 2018 DAAC Study by the NC Department of State Treasurer and estimates from the NC Fiscal Research Division. Debt amounts include General Obligation debt and Special Indebtedness, but do not include capital leases and debt issued by NC Turnpike Authority. Projections include Connect NC H943.

61% DEBT REDUCTION

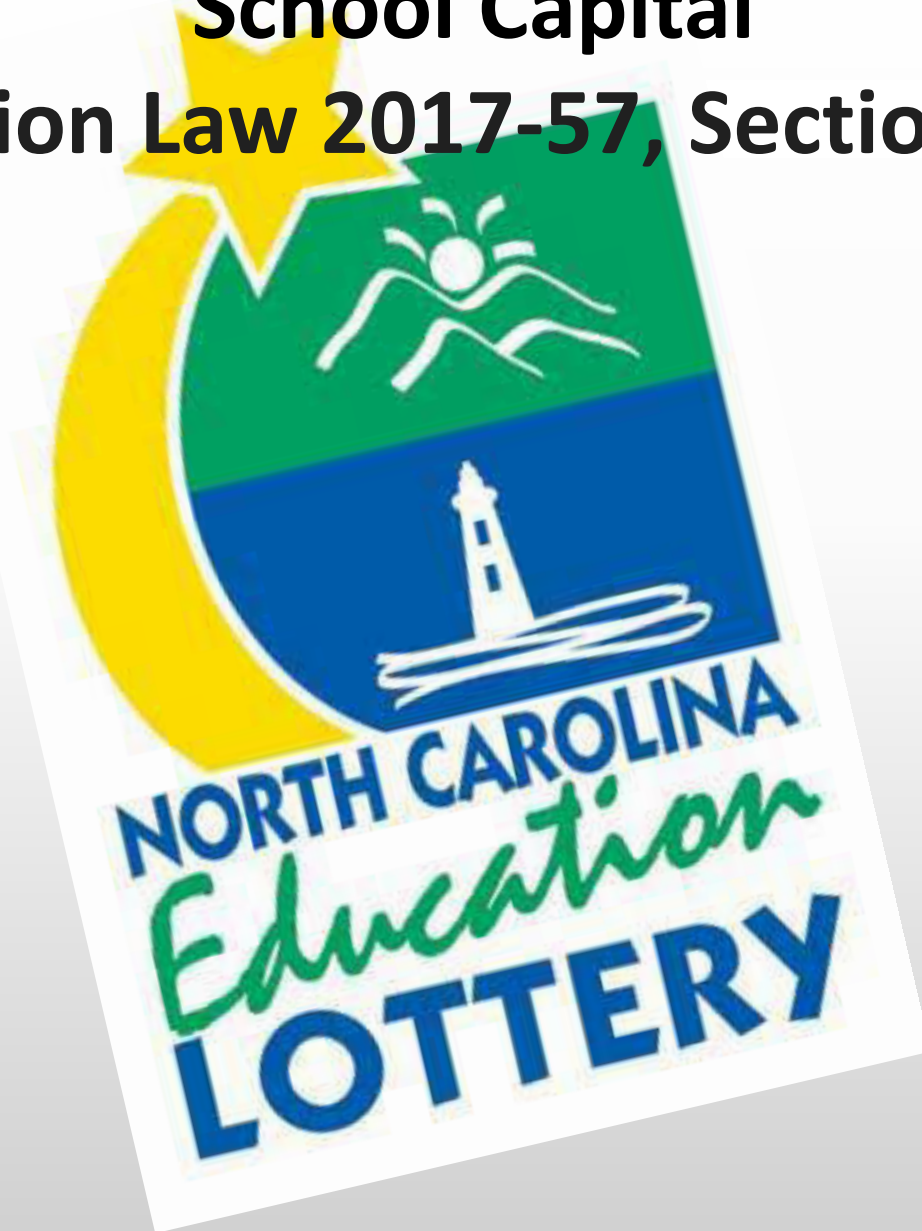
State of North Carolina General Fund Net Tax-Supported
Debt Outstanding 2012-2026 (Projected)



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Education Lottery Funds/Needs-based Public School Capital

(Session Law 2017-57, Section 5.3)



S.L. 2017-57

Appropriations Act of 2017

Impact on North Carolina State Lottery

October 12, 2017



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Substantive Changes

- Allocation of Education Lottery Fund Appropriations
- Creation of Needs Based Public School Capital Fund
- Statutory Appropriation of Future Lottery Proceeds
- Lottery Reserve Minimum Balance Requirement of \$25 million

3 Primary Lottery Funds

State Lottery Fund

- Receives lottery revenue
- Lottery operating expenditures (i.e. prizes, retailer commissions, administrative expenses)
- G.S. 18C-160 statutorily appropriates funds in the State Lottery Fund to the Lottery Commission to operate the State lottery
- Net lottery proceeds (i.e. profit) transferred to Education Lottery Fund

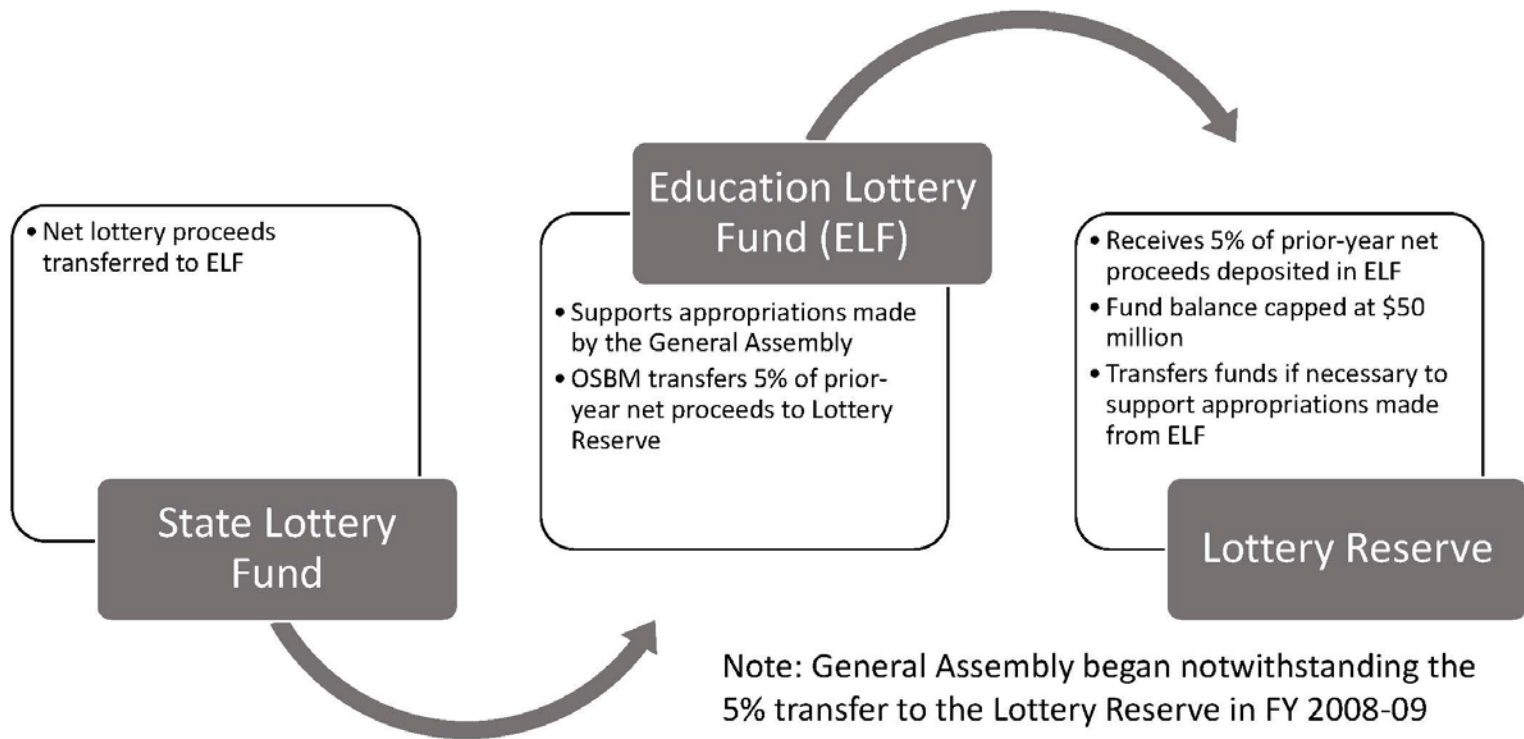
Education Lottery Fund

- Receives lottery proceeds from the State Lottery Fund
- Where appropriations to educational programs are made by the General Assembly

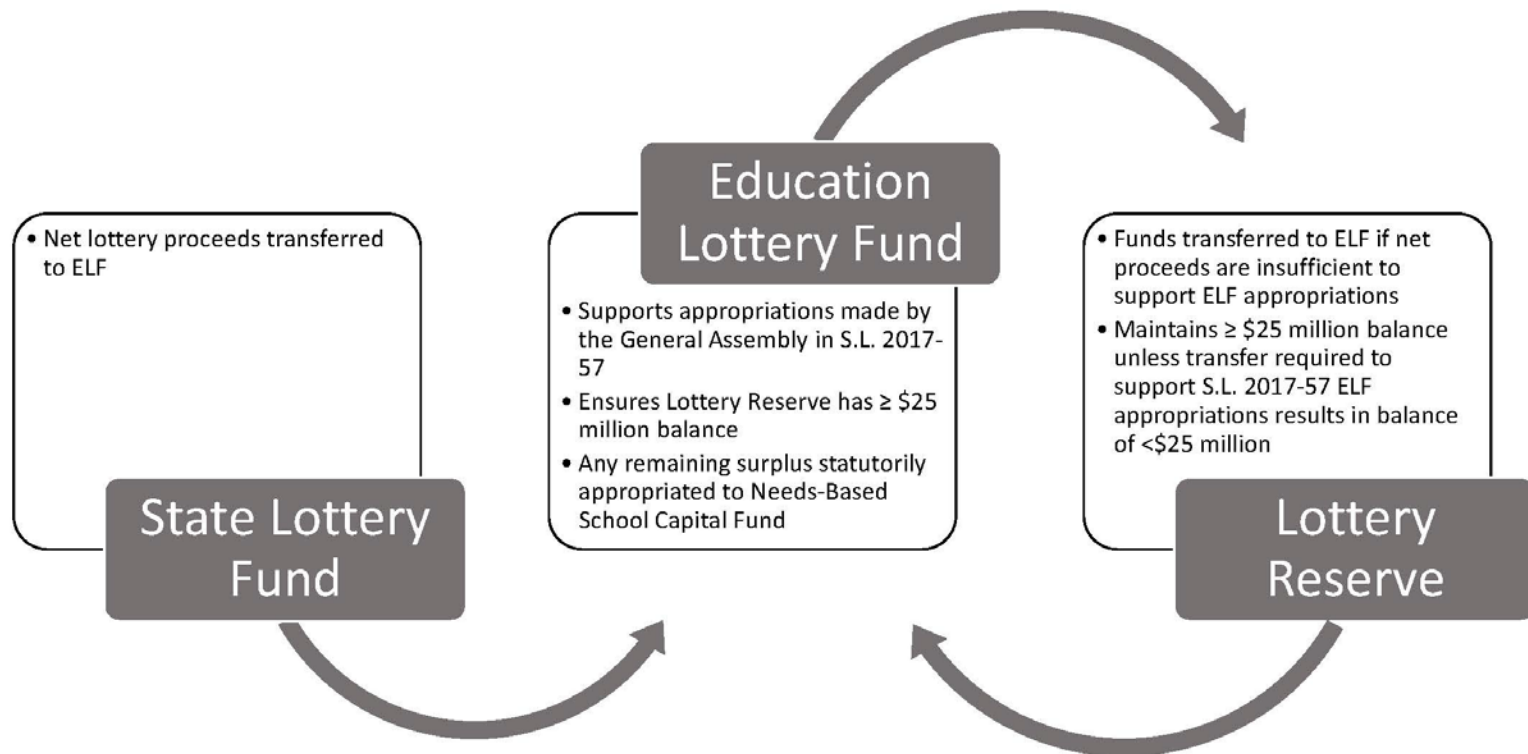
Education Lottery Reserve

- Established to provide a funding source to fill any shortfall between projected lottery proceeds and appropriations made from the Education Lottery Fund
- Fund originally received 5% of net proceeds from prior year up to a \$50 million cap
- Fund was liquidated in FY 2010-11 and had essentially no balance until FY 2016-17

Previous Statutory Fund Flow



New Statutory Fund Flow



Appropriations from Education Lottery Fund (ELF)

Program/Purpose	FY 2016-17	FY 2017-18	FY 2018-19
Noninstructional Support Personnel	\$372,266,860	\$383,888,897	\$385,914,455
NC Pre-K	\$78,252,110	\$78,252,110	\$78,252,110
Public School Capital Fund	\$100,000,000	\$100,000,000	\$100,000,000
Needs-Based Public School Capital Fund	N/A	\$30,000,000	\$75,000,000
Scholarships for Needy Students	\$30,450,000	\$30,450,000	\$30,450,000
UNC Need-Based Financial Aid	\$10,744,733	\$10,744,733	\$10,744,733
LEA Transportation	N/A	\$43,288,192	\$1,386,090
TOTAL ELF APPROPRIATION	\$591,713,703	\$676,612,932	\$681,747,388

Lottery Reserve Balance (as of 6/30/17) - \$110,454,626

Needs-Based Public School Capital Fund

- Grant program administered by the Department of Public Instruction
- Tier 1 counties eligible; Tier 2 counties become eligible in FY 2020-21
- County is ineligible to receive grant if it received >\$8.75 million from Public School Capital Fund between FY 2012-13 and FY 2016-17
- Maximum grant award:
 - Tier 1 - \$15 million
 - Tier 2 - \$10 million
- Local match requirements:
 - Tier 1 - \$1 local for every \$3 from the fund
 - Tier 2 - \$1 local for every \$1 from the fund
- Priority given to:
 - Tier 1 counties
 - Counties with greater need and less ability to generate tax revenue
 - Counties with high debt-to-tax revenue ratios
 - Projects that will address critical deficiencies in adequately serving current and future student populations
- Counties receiving a grant award from the fund are ineligible to receive funding from the Public School Capital Fund for 5 years

Needs-Based Public School Capital Fund

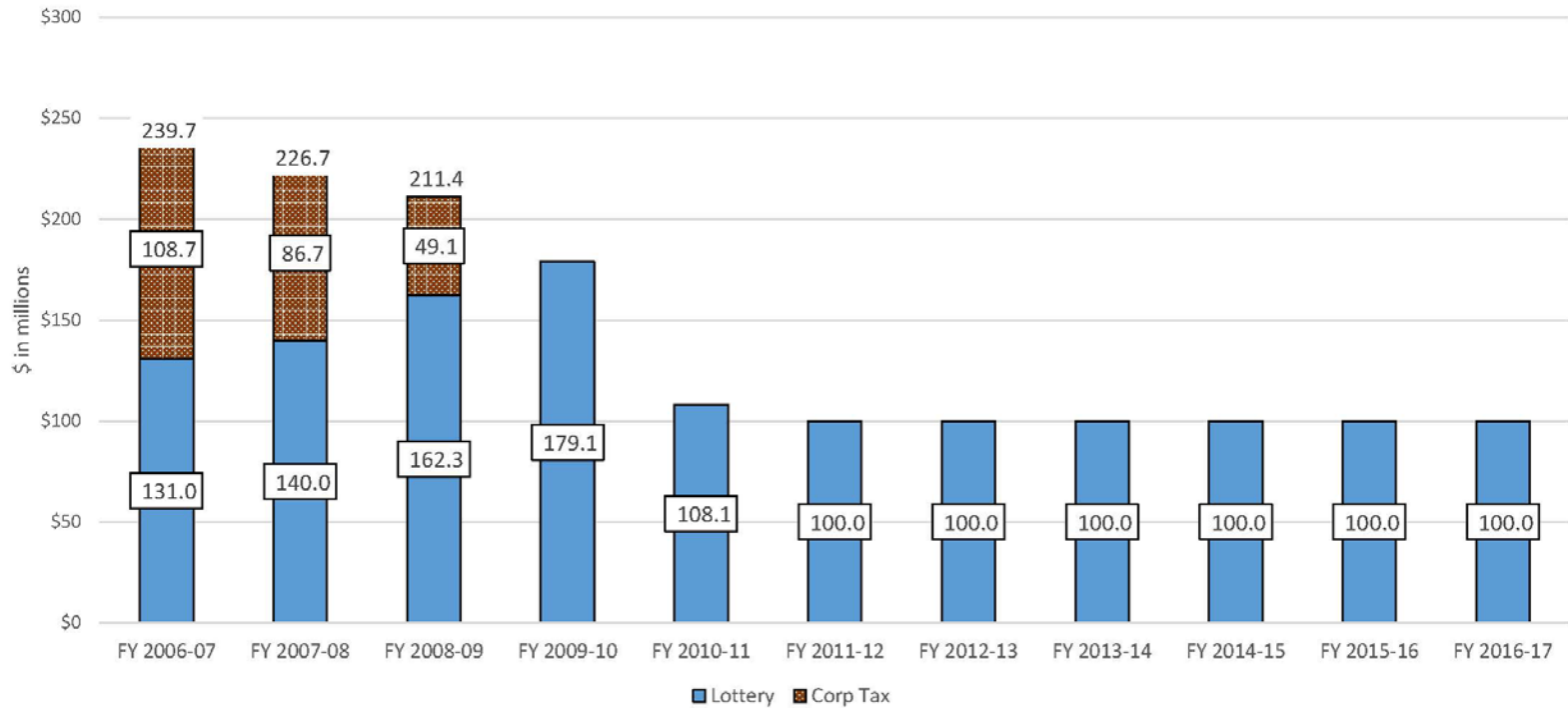
Related legislation subsequent to S.L. 2017-57:

- S.L. 2017-187 – allows grant funds to be awarded to projects that have entered into a pre-development operating lease agreement prior to June 30, 2017
- S.L. 2017-197 – directs the Joint Legislative Commission on Governmental Operations to appoint a committee to study the new program
- S.L. 2017-212 – restricts the uses of grant funds to new construction only

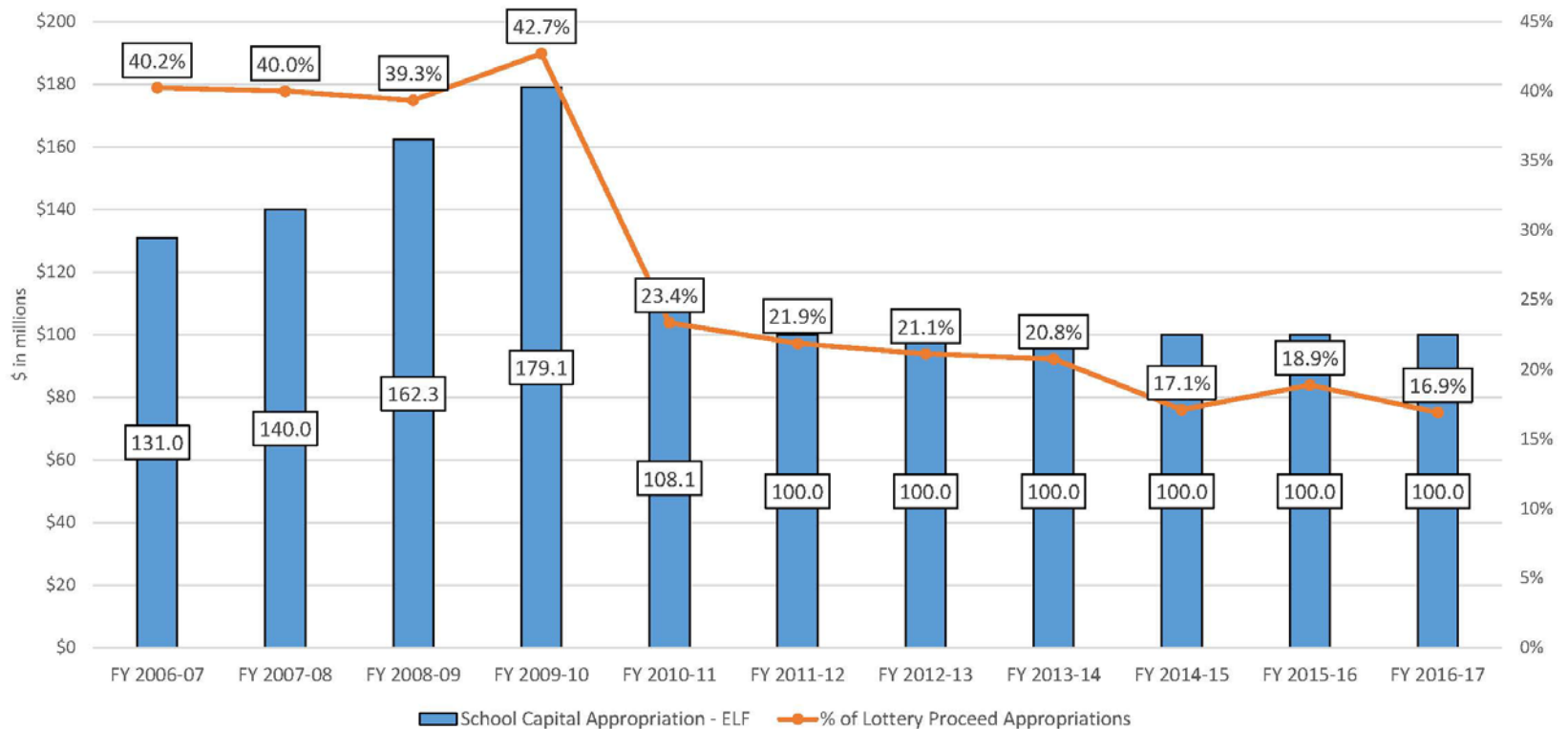
Needs-Based Public School Capital Fund

Sec. 5.3(d) of S.L. 2017-57 expresses General Assembly intent to increase the amount of net lottery revenue appropriated to local governments for school capital needs to 40% by FY 2028-29

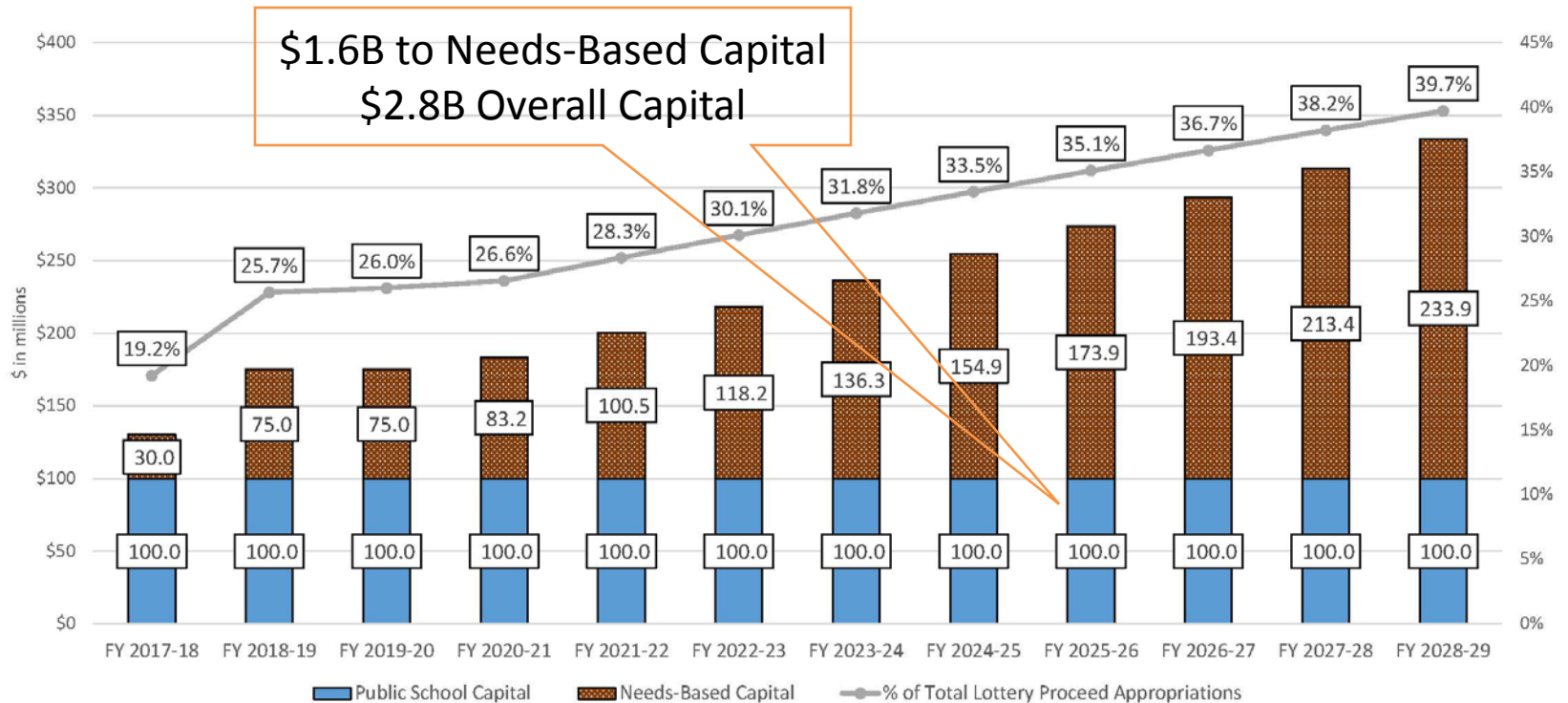
Historical State Support for Public School Capital (since lottery inception)



Historical Percentage of Lottery Proceed Appropriations to School Capital



ELF School Capital Appropriation Projections (2.5% Net Proceed Growth – Under Current Law)



ELF School Capital Appropriation Projections (5% Net Proceed Growth – Under Current Law)

