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Capital Budget 2021-23: State Capital & Infrastructure Fund (SCIF) and R&R funding

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Capital and R&R

- Capital improvement defined as real property acquisition, new construction or rehabilitation, and repairs and renovations (R&R) over \$100,000 in value.
- State owns properties of both State agencies and UNC System. LEA and Community College properties are locally owned.
- Properties can vary in purpose, from offices in downtown Raleigh to classrooms / labs on UNC System campuses to small research stations or local offices scattered throughout the state.
- The General Assembly funds capital and R&R for General Fund-supported buildings, both new and existing, through appropriations from the General Fund or with debt (e.g. Connect NC Bond) serviced by the General Fund.

State Capital & Infrastructure Fund (SCIF)

- In the 2017 long session, the General Assembly established the State Capital and Infrastructure Fund (SCIF), effective July 1, 2019.
- The intention was to change the State's established practice of funding capital by either:
 - 1) Funding 100% of a capital project up front; or
 - 2) Issuing debt for the project.
- The SCIF implements a “pay-as-you-go” capital funding policy to cash flow capital projects, where projects would be paid for over several years as funds are needed.
- Ex. Project A has a total construction cost = \$100M
 - FY 2021-22 Appropriation = \$15M
 - FY 2022-23 Appropriation = \$30M
 - FY 2023-24 Appropriation = \$30M
 - FY 2024-25 Appropriation = \$25M

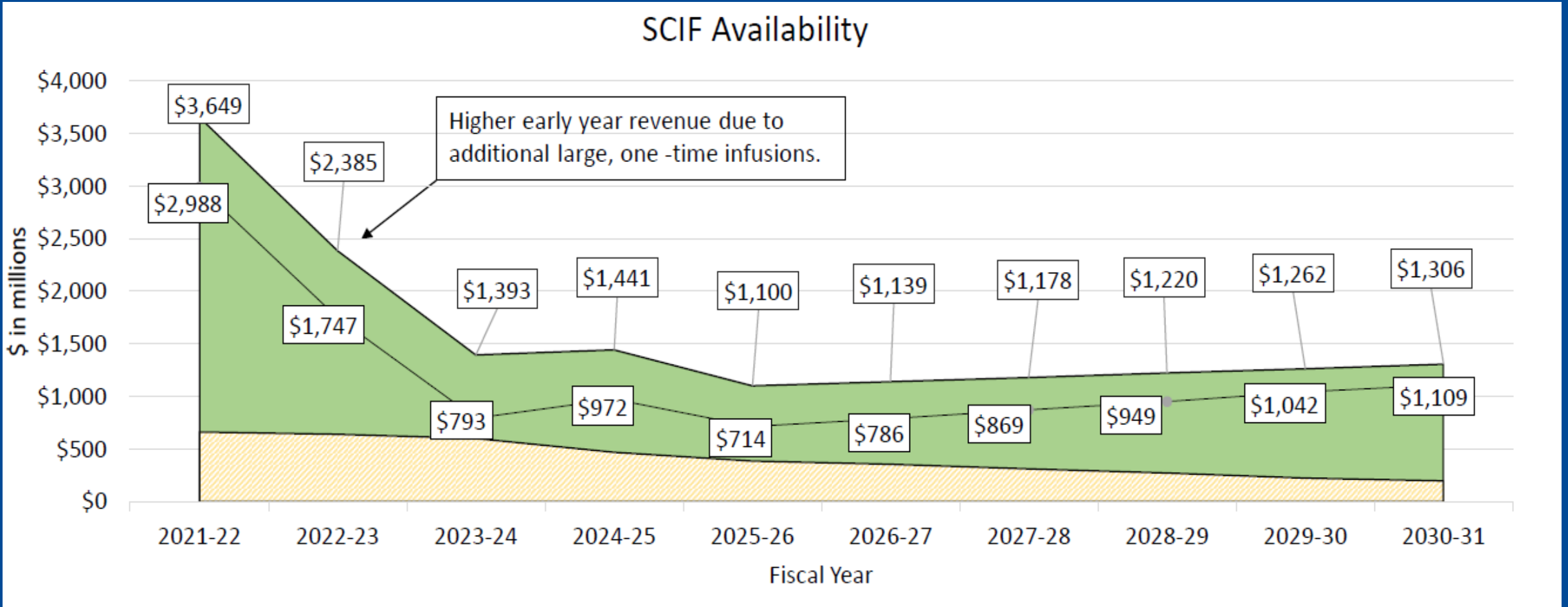
SCIF funding levels

- 2021 Appropriations Act changed the statutorily-required funding mechanism for the SCIF.
- Initially, the budget specifies annual SCIF funding as follows:

FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26
\$1,300,000,000	\$1,345,500,000	\$1,392,592,500	\$1,441,333,238	\$1,100,000,000

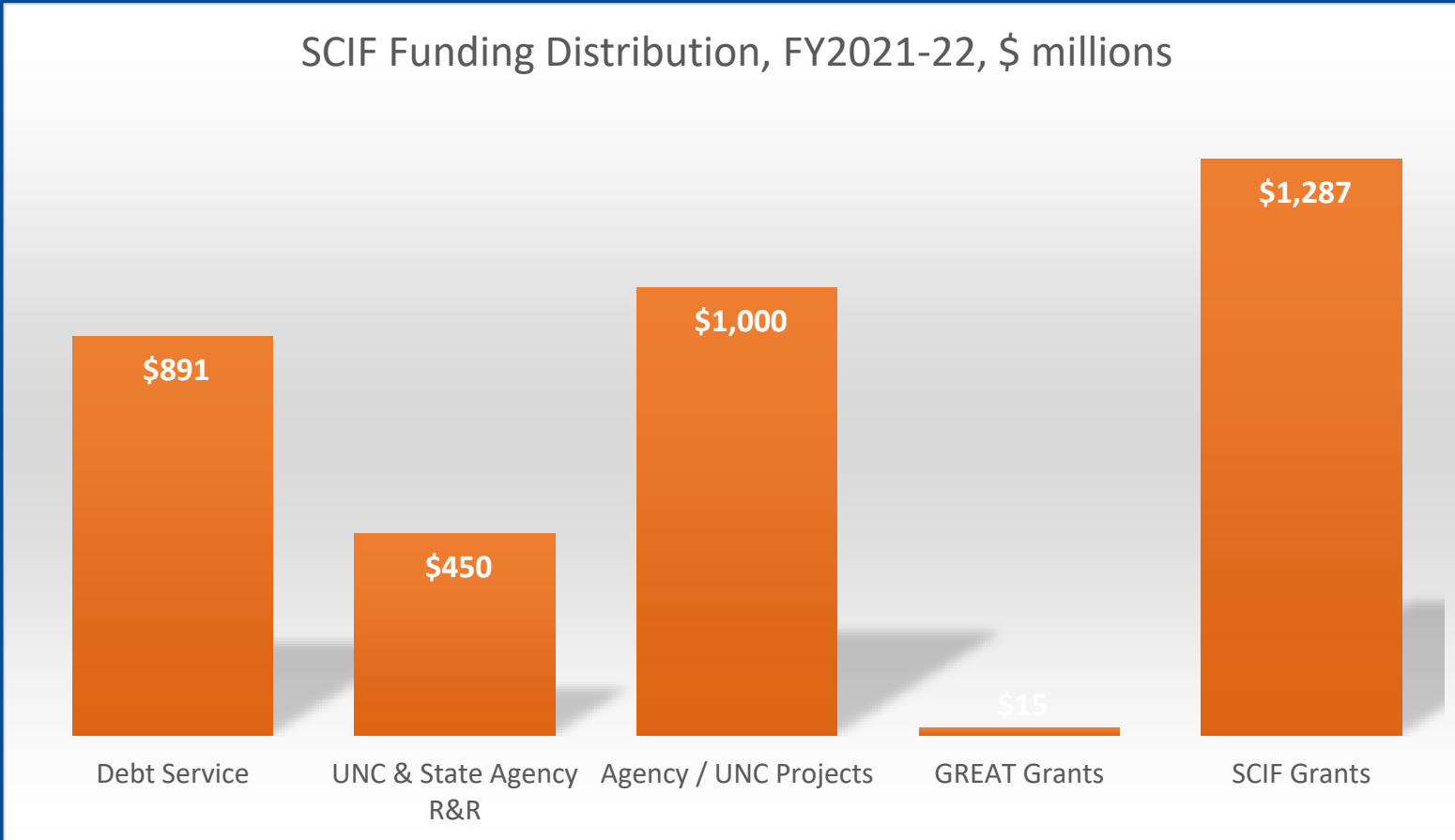
- The FY 2025-26 amount will then increase annually by 3.5% thereafter.
- NB Debt Service (FY2021-22: \$681M) is first call on this funding.

But also large, one-time infusions for 2021-23



Source: Fiscal Research Division, NCGA

SCIF Capital Funding in 2021-22



Debt Service	\$891M
UNC & State Agency R&R	\$450M
Agency / UNC Projects	\$1,000M
GREAT Grants	\$15M
SCIF Grants	\$1,287M
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	\$3,651M

'Authorized' vs funded projects

Recipient / Spend Type	Total Authorized Projects	Amount Funded in Biennium	Future SCIF Requirement
State Agency Capital	\$878M	\$519M	\$359M
UNC Capital	\$1.0B	\$583M	\$417M
Community Colleges – Specific Projects	\$295M	-	-
State Agency R&R	\$1.2B	\$400M	\$800M
UNC R&R	\$1.5B	\$500M	\$1.0B
Community College R&R	\$400M	\$200M	\$200M

Grant funding – highlights

- \$155 million in capital for **airports**;
- \$63 million in capital for **dam repairs**;
- \$56 million in capital for **hospitals**;
- \$21 million in capital for **historic sites** across the state;
- \$44 million in capital for **K-12 athletic facilities**;
- \$87 million in capital for specific **parks and recreation** projects;
- \$119 million in funding for **local government infrastructure** grants;
- \$643 million in **other capital grants** to non-State entities.

Public school capital from Lottery funding

Program	FY 2021-22	FY2022-23
Public School Building Capital Fund	\$100M	\$100M
Needs-Based Capital Fund	\$145.3M	\$153.3M
Public School R&R Fund	\$30M	\$50M
Total	\$275.3M	\$303.3M

- **Needs-Based Capital Fund** maximum award raised from \$15M to \$50M
- Now 95 counties eligible (was 80) & reduced funding match requirements
- Grants can be used for R&R as well as new construction
- **New Public School R&R Fund:** all counties receive \$300,000 in 2021-22 and \$500,000 in 2022-23

Looking forward...

- OSBM currently processing SCIF grants for non-State entities – funding has started to be distributed.
- Also currently working through allocation process for state agency R&R for 2021-22.
- Just starting process for 2022-23 budget:
 - Don't anticipate more capital on scale of 2021-22 budget – agencies and campuses likely to be fully occupied with projects that have now been funded.
 - But possible that further areas of need may be identified.
 - And will be further allocation of R&R in 2022-23.

Questions

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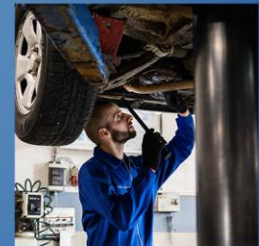
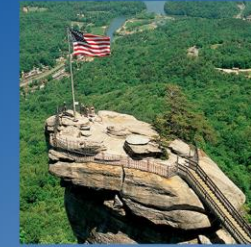
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