41st Annual State Construction Conference

March 3, 2022
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.
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:

<table>
<thead>
<tr>
<th>FY2021-22</th>
<th>FY2022-23</th>
<th>FY2023-24</th>
<th>FY2024-25</th>
<th>FY2025-26</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,300,000,000</td>
<td>$1,345,500,000</td>
<td>$1,392,592,500</td>
<td>$1,441,333,238</td>
<td>$1,100,000,000</td>
</tr>
</tbody>
</table>

- 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

SCIF Funding Distribution, FY2021-22, $ millions

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

Total: $3,651M
## ‘Authorized’ vs funded projects

<table>
<thead>
<tr>
<th>Recipient / Spend Type</th>
<th>Total Authorized Projects</th>
<th>Amount Funded in Biennium</th>
<th>Future SCIF Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Agency Capital</td>
<td>$878M</td>
<td>$519M</td>
<td>$359M</td>
</tr>
<tr>
<td>UNC Capital</td>
<td>$1.0B</td>
<td>$583M</td>
<td>$417M</td>
</tr>
<tr>
<td>Community Colleges – Specific Projects</td>
<td>$295M</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>State Agency R&amp;R</td>
<td>$1.2B</td>
<td>$400M</td>
<td>$800M</td>
</tr>
<tr>
<td>UNC R&amp;R</td>
<td>$1.5B</td>
<td>$500M</td>
<td>$1.0B</td>
</tr>
<tr>
<td>Community College R&amp;R</td>
<td>$400M</td>
<td>$200M</td>
<td>$200M</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Program</th>
<th>FY 2021-22</th>
<th>FY2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public School Building Capital Fund</td>
<td>$100M</td>
<td>$100M</td>
</tr>
<tr>
<td>Needs-Based Capital Fund</td>
<td>$145.3M</td>
<td>$153.3M</td>
</tr>
<tr>
<td>Public School R&amp;R Fund</td>
<td>$30M</td>
<td>$50M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$275.3M</strong></td>
<td><strong>$303.3M</strong></td>
</tr>
</tbody>
</table>

- **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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