

PROCEDURES MANUAL PUBLIC SCHOOL BUILDING CAPITAL FUND

(Established by the School Facilities Finance Act of 1987)



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SCHOOL PLANNING SECTION - DISTRICT SCHOOL OPERATIONS DIVISION - NCDPI

**PROCEDURES MANUAL
PUBLIC SCHOOL BUILDING CAPITAL FUND**

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by
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by
Department of Public Instruction
301 N. Wilmington Street
Raleigh, North Carolina

Questions relating to the Public School Building Capital Fund should be directed to: School Planning Section, Department of Public Instruction, 6319 Mail Service Center, Raleigh, North Carolina, 27699-6319, (984) 236-2920.

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PUBLIC SCHOOL BUILDING CAPITAL FUND

Purpose

This manual contains general information, guidelines, procedures and regulations relevant to the Public School Building Capital Fund (PSBCF), provided to assist Counties and Local Education Administrations with the performance of the following tasks:

- (1) Applying for funds for public school capital projects.
- (2) Drawing down awarded funds (fund disbursement).
- (3) Reporting how awarded funds are used (Final Reports).

Format

This manual is comprised of original portions of the Manual written by the Office of State Budget Management (OSBM) in 1988 and subsequent modifications made by OSBM and the Department of Public Instruction (DPI) as necessitated by legislative action. Other revisions, modifications and additions have been made by DPI to further illuminate or clarify guidelines, procedures and regulations. The overall format of this edition of the Manual (March 2021) is, therefore, somewhat different from that of previous editions.

Background

Article IX, Section 2(1) of the North Carolina State Constitution provides that the State is responsible for public schools. *Article IX, Section 2(2)* delegates the financial responsibility for public school buildings and grounds to the County.

G.S. 115C-408(b) reads as follows:

“To insure a quality education for every child in North Carolina, and to assure that the necessary resources are provided, it is the policy of the State of North Carolina to provide from State revenue sources the instruction expenses for current operations of the public school system as defined in the standard course of study.”

“It is the policy of the State of North Carolina that the facilities requirements for a public education system will be met by county governments.”

In the past, the State has assisted county governments by providing funds for school construction through State-wide bond issues (most recently the 1996 Bond), but such funding is not legislated on a regular basis. The Public School Building Capital Fund was established by legislation “...to assist county governments in meeting their public school building needs” **[G.S. 115C-546.1(a)]**. The intent of this General Statute is for the PSBCF to supplement, not supplant, local funding for public school capital projects.

As of the publication date of this manual, the PSBCF is one of two sources of recurring State funding for the capital facility needs (buildings and land) of the local Boards of Education (i.e. Local Education Administrations, or LEAs). The other source is the Needs-Based Public School Capital Fund (NBPSCF), which was established by legislation in 2017. The primary differences between the NBPSCF and the PSBCF is that the NBPSCF is a grant-based fund for providing financial assistance to lower-wealth counties (those designated as Development Tier 1 or Tier 2) and can only be used for construction of new public school buildings.

The following section, **Origins of the Public School Building Capital Fund**, provides a brief history of the Public School Building Capital Fund. Similar information about the Needs-Based Public School Capital Fund is provided in the **NBPSCF Procedures Manual**, a copy of which can be found by accessing the Capital Funding page in the School Planning section of the DPI website:

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

On that page is a link for NBPSCF – Needs-Based Public School Capital Fund.

Origins of the Public School Building Capital Fund

The 1987 Session of the North Carolina General Assembly passed legislation (**House Bills 1155 and 1142**) that established two Funds to assist county governments in meeting their public school building capital needs. One was the Critical School Facility Needs Fund, which was administered by the State Board of Education. Revenue for school building capital needs is no longer provided by this Fund. The other Fund established in 1987, the Public School Building Capital Fund, was originally administered by the Office of State Budget and Management and funded from a portion of corporate tax revenue. This revenue was distributed among the counties according to the Average Daily Membership (ADM) of the schools within the counties, and thus the PSBCF became colloquially known as the “ADM Fund.”

Since 1987, funding through the PSBCF has been subject to a number of changes. State budget shortfalls in FY 2002-03 resulted in corporate tax revenue being directed away from the PSBCF, which prompted lawmakers to begin looking at other sources of revenue for funding public school building capital projects. A provision included by the General Assembly in the budget for FY 2003-04 (**HB 397**) transferred administration of the PSBCF from the Office of State Budget and Management to the Department of Public Instruction. In August 2005, as the General Assembly was considering **House Bill 1023** of the 2005 Regular Session (the “Lottery Bill”), the Governor ratified the 2005 Appropriations Act (**SB 622; 2005 N.C. Sess. Law 276**). Section 31.1(t) of that Act provided that, if the Lottery Bill was enacted, the bill would be amended so that 40% of the net revenue of the Lottery would be distributed to the Public School Building Capital Fund in accordance with **G.S. 115C-546.2**. The Lottery Bill was passed and ratified on August 31, 2005, the North Carolina Education Lottery was inaugurated, and the PSBCF was expanded to include two Funds, the original corporate tax fund (i.e. the “ADM Fund”) and what is commonly referred to as the “Lottery Fund.”

An informative overview and comparison of the basic characteristics of the ADM Fund and the Lottery Fund can be reviewed in the School Planning section of the DPI website by using the following link: <https://www.dpi.nc.gov/media/6773/download> .

Sources of Revenue for the PSBCF

A. Revenue Source per Original Legislation: Corporate Tax Revenue

From the establishment of the PSBCF until the year 2009, a portion of the State’s corporate tax revenue was deposited into the ADM Fund. No corporate tax revenue has been appropriated for the PSBCF since the end of FY 2008-09. Deposits from corporate tax revenue into the ADM fund were officially closed-out by a provision included in the Appropriations Act of 2013 (**SL 2013-360**). Unspent (unallocated) revenue in the ADM Fund at the time the provision was enacted was allowed to remain in the unallocated balance accounts of LEAs and serve as a source of funding for school capital projects under conditions specified by original PSBCF legislation (see **Expenditure Guidelines**).

B. Current Revenue Source: NC Education Lottery

Since 2009, the North Carolina Education Lottery has been the sole source of appropriated revenue for the PSBCF, with monies being deposited only into the Lottery Fund.

C. Additional Revenue Source: Interest Income

Cash (unallocated) balances in the PSBCF (both ADM Fund and Lottery Fund) earn monthly interest at the “standard” State interest rate. The interest rate is adjusted on a monthly basis. Monies that have been transferred from the PSBCF into county disbursing accounts also earn monthly interest. As warrants are written on county disbursing accounts, no further interest is earned by expended funds (i.e. only unspent funds earn interest).

Distribution of Revenue

A. Distribution of Lottery Revenue per Original Legislation:

The gross revenue of the Lottery was originally set up to be distributed as follows:

- At least 50% returned to the public as prizes.
- No more than 15% used for expenses and administration.
- At least 35% used for educational purposes.

The amount designated for educational purposes was to be allocated as follows:

- 50% for “More at Four” and class size reduction.
- 10% for scholarships.
- 40% for school construction through the PSBCF.

Using this method of allocation, revenue for school construction was calculated as 40% of 35% of gross Lottery revenue, or 14% of gross Lottery revenue.

Lottery funding distributed through the PSBCF was then allocated by the following formula:

- 65% allocated among the 115 LEAs in North Carolina (not just the 100 counties) based on ADM.
- 35% allocated among LEAs whose “tax effort” exceeded the state average, also according to ADM.

B. Distribution of Lottery Revenue per Current Legislation:

In FY 2010-11, the General Assembly changed the method of distributing Lottery revenue from utilizing the ‘percentage formula’ described above to allotting a specific dollar-amount to be transferred to the PSBCF each year. The amount allotted is subject to change with each legislative session. In recent years the amount allotted has been \$100 million.

The allotted amount is distributed to the 115 LEAs based solely on ADM. “Official” ADM numbers are calculated in accordance with the following policy, which was passed by the State Board of Education in 1996:

“The basis for the distribution of the School Capital Outlay Fund will be the higher of prior year best one out of the first two months average daily membership or projected best one out of the first two months of average daily membership.”

ADM numbers are recalculated each year.

Lottery revenue is distributed four times throughout a fiscal year, roughly coinciding with each FY quarter, and placed into the PSBCF unallocated balance account of each LEA. It is, however, usually four to six weeks after the end of a quarter before the amount of the distribution is known to DPI and distribution among the LEAs can be calculated. Consequently, first quarter (July-August-September) revenue is usually distributed in mid-November, and so forth. When fourth quarter revenue cannot be distributed by DPI in June, the last month of a fiscal year, it is usually distributed in July, the first month of the next fiscal year.

C. Distribution of Interest Income – Unallocated Balances

Revenue from interest earned on funds remaining in unallocated balance accounts of the ADM Fund and from interest earned on funds deposited into unallocated balance accounts of the Lottery Fund is distributed to LEAs based upon the cash balances of their individual unallocated balance accounts. Earned interest revenue is deposited into those accounts.

D. Distribution of Interest Income – Disbursing Accounts

Revenue from interest earned on unspent funds in county disbursing accounts is distributed to LEAs based upon their individual project allocations. Earned interest revenue is deposited into the LEAs’ unallocated balance accounts. Earned interest revenue is not deposited into county disbursing accounts.

Matching Requirements

Matching requirements apply only to the ADM Fund; there are no matching requirements for the Lottery Fund.

A. Amount of Required Match

1. Local/State Ratio

- a. Allocations from the ADM Fund shall be matched on the basis of one dollar of local funds for every three dollars of State funds.
- b. Local match must be identified and designated for the requested project prior to submission of the application for State funds. The amount so designated shall be shown on the funding application.
- c. Local funds need not be expended before the State funds are expended.
- d. The ratios of local/State funds do not need to be maintained with each payment of invoices during the project, but the expenditure ratio of \$1 local (minimum) to \$3 State must be reached by the conclusion of the project.
- e. No local match is required for projects approved for School Technology.

2. Overmatch

Project funding is to be matched on a project-by-project basis. Local overmatching is allowed, but overmatch on one project cannot be used as match on another project since local and State expenditures must be on the same project.

B. Matching Fund Guidelines

1. County Funds

- a. The local option sales taxes of 1983, 1986, etc., local bond proceeds, donations, and general county revenues are allowable as matching funds.
- b. Local expenditures qualify as an allowable match only when expended on the same categories as those allowable for State funds. See **Expenditure Guidelines** for additional information.
- c. Local expenditures are matched on a project-by-project basis. Matching expenditures must be on the same project for which State funds are allocated.
- d. Local expenditures, including the purchase of land, made between July 1, 1986 and July 1, 1987, for a project not completed prior to July 1, 1987,

qualify as an allowable match but only for an approved project on the same site. Local funds expended prior to July 1, 1987, are not allowable as matching funds.

2. Donations/Grants

- a. To qualify as an allowable match, donations/grants must be of the same types as allowed for State and local expenditures. See **Expenditure Guidelines** for additional information.
- b. Donations, such as land, must have been made on or after July 1, 1986, to qualify as an allowable match, but only on the same site as the approved project. The project cannot have been completed prior to July 1, 1987.
- c. Donations/grants received prior to July 1, 1986, are not allowed to be used as matching funds.

3. Funding Sources Not Allowed

Funds from the following sources *cannot* be used as a match for ADM Fund allocations:

- a. The Critical School Facility Needs Fund;
- b. The Public School Building Bond Act of 1996;
- c. Allocations from the NC Education Lottery.

Expenditure Guidelines

A. General Information - **G.S. 115C-546.2(b)**:

“Counties shall use monies previously credited to the Fund by the Secretary of Revenue pursuant to G.S. 115C-546.1(b) for capital outlay projects including the planning, construction, reconstruction, enlargement, improvement, repair, or renovation of public school buildings and for the purchase of land for public school buildings; for equipment to implement a local school technology plan; or for both. Monies used to implement a local

school technology plan shall be transferred to the State School Technology Fund and allocated by that Fund to the local school administrative unit for equipment.”

“As used in this section, "public school buildings" only includes facilities for individual schools that are used for instructional and related purposes and does not include centralized administration, maintenance, or other facilities.”

“In the event a county finds that it does not need all or part of the funds allocated to it for capital outlay projects including the planning, construction, reconstruction, enlargement, improvement, repair, or renovation of public school buildings, for the purchase of land for public school buildings, or for equipment to implement a local school technology plan, the unneeded funds allocated to that county may be used to retire any indebtedness incurred by the county for public school facilities.”

“In the event that a county finds that its public school building needs and its school technology needs can be met in a more timely fashion through the allocation of financial resources previously allocated for purposes other than school building needs or school technology needs and not restricted for use in meeting public school building needs or school technology needs, the county commissioners may, with the concurrence of the affected local Board of Education, use those financial resources to meet school building needs and school technology needs and may allocate the funds it receives under this Article for purposes other than school building needs or school technology needs to the extent that financial resources were redirected from such purposes. The concurrence described herein shall be secured in advance of the allocation of the previously unrestricted financial resources and shall be on a form prescribed by the Local Government Commission.”

B. Allowable Types of Public School Building Capital Outlay Projects:

1. Purchase of Land for Public School Buildings
2. Planning/Design Fees (additional information below)
3. Construction of New Public School Buildings
4. Renovations of Existing Public School Buildings
5. Enlargement of Public School Buildings (additional information below)
6. Repair of Existing Public School Building Components and Systems (additional information below)
7. Equipment Purchases (additional information below)
8. School Technology (additional information below)

With the exception of Item B.8, allocations from both the ADM Fund and the Lottery Fund of the PSBCF can be used for projects of these types. Additional information about allowable expenditures follows.

Item B.2: It is allowable to use funds allocated from the PSBCF to pay for architectural and engineering design fees for construction and renovation projects. Other allowable expenses include fees for investigative services needed for design preparation, such as land surveying, subsurface investigation (soil borings) and wetlands determination, and fees for inspections to determine the presence of and need to remove hazardous materials (asbestos, lead-based paint, etc.) as part of building renovation projects.

Item B.5: Enlargement of public school buildings is typically accomplished with the construction of additions to be used for instructional or related purposes. Mobile and modular classroom units can also be used as additions to public school buildings, but the purchase and/or installation of new or relocated mobile or modular classrooms is not eligible for PSBCF funding or for use of matching funds.

Item B.6: Routine maintenance and repairs that can be performed by adequately trained and equipped school system personnel are typically not eligible for funding through the PSBCF. Examples of this would include minor roof patching and repair, small-scale replacement of lighting fixtures, floor coverings and ceiling tiles, replacement of single doors and windows, and touch-up painting. Repairs on a larger scale, such as re-roofing, replacement of doors and windows throughout one or more buildings, interior and/or exterior painting throughout one or more buildings, and replacement of lighting fixtures, floor coverings and ceiling tiles on a campus-wide or school system-wide basis, are eligible for funding through the PSBCF. Major repair of and upgrades to equipment that is an integral part of a building (see Item B.7) are also eligible for PSBCF funding.

Item B.7: Purchase/installation of new equipment that is an integral part of a building, such as HVAC, plumbing, electrical and security equipment, and wiring associated with such equipment, is eligible for funding through the PSBCF. Such equipment would be included in the appropriate category on the application for PSBCF funding (i.e. construction, renovation, or enlargement – see **Funding Application Process**). Purchase/installation of equipment that is moveable or not an integral part of a building, such as telephone systems, student desks and computers, is not eligible for PSBSF funding. There are, however, exceptions to this restriction; see Item B.8.

Item B.8: Computers are eligible for funding through the School Technology Trust Fund if they are included in the school technology plan for the LEA. Similar equipment listed in the local school technology plan is considered by definition to be ‘School Technology’ and is fundable through available balances in the ADM Fund (no match is required). ‘School Technology’ is not, however, fundable through Lottery Fund balances.

The list of project types that are eligible for funding through the PSBCF is not an all-inclusive one. Not listed are certain exterior (i.e. site) improvement projects. Parking lot expansion and repaving, lighting for athletic fields, and security upgrades are examples of exterior improvements that are eligible for PSBCF funding. Questions about the eligibility of specific projects should be directed to DPI School Planning.

C. Retirement of Debt

G.S. 115C-546.2(b) (above) includes the following statement (underlined for emphasis):

...In the event a county finds that it does not need all or part of the funds allocated to it for capital outlay projects...the unneeded funds allocated to that county may be used to retire any indebtedness incurred by the county for public school facilities.

G.S. 115C-546.2(d) includes the following provision (underlined for emphasis):

(4) A county may use monies in this Fund to pay for school construction projects in local school administrative units and to retire indebtedness incurred for school construction projects.

Per correspondence dated August 31, 2010, from Thomas J. Ziko, Senior Deputy Attorney General, to Steven W. Fowler and William W. Phipps, there is nothing in the General Statutes to indicate that the General Assembly intended to permit counties to use Lottery money appropriated to the PSBCF to retire indebtedness without making the “no need” finding required in **G.S. 115C-546.2(b)**.

Both funding sources of the PSBCF, ADM Fund and Lottery Fund, may be used for retirement of debt (i.e. Debt Service). It may, however, be problematic for a county to commit Lottery funding for debt service for years into the future because their school facility needs may change over time. The overall intent of the legislation is for counties to spend for public school capital outlay purposes the same amount of money they would otherwise spend without Lottery funding.

If PSBCF funds are used to retire debt, they can only be expended for debt on items that are allowable under the rules for an on-going or new project (see **Expenditure Guidelines**). PSBCF funding is allowed only during the fiscal year in which debt payment is due.

If funding to retire debt is sought from the ADM Fund, the local match for the State funds must be expended for Debt Service in the same fiscal year as the State funds.

The ADM Fund may be used for debt service for projects completed after July 16, 1987 (**S.L. 1987-622**). The Lottery Fund may be used for debt service incurred on or after January 1, 2003 (**S.L. 2005-276**).

D. Timing of Allowable Expenditures

Funding from the PSBCF may be used to pay contractors' invoices for an approved project, or to reimburse the LEA if the LEA has already made such payment. Funding from the PSBCF is not, however, allowable after one year following the final payment to the contractor or vendor. As indicated above, this condition is not applicable to retirement of debt.

Funding Application Process

A. Funding Application Forms are available online in the School Planning section of the DPI website:

1. Application form for ADM (Corporate Tax) Fund: [ADM Fund Application Form](https://files.nc.gov/dpi/documents/schoolplanning/adm-application-form.pdf)
<https://files.nc.gov/dpi/documents/schoolplanning/adm-application-form.pdf>
2. Application form for Lottery Fund: [Lottery Fund Application Form](https://files.nc.gov/dpi/documents/schoolplanning/psbcf-application-form.pdf)
<https://files.nc.gov/dpi/documents/schoolplanning/psbcf-application-form.pdf>

B. Completion of Application Forms

1. One Project per Application

Each project for which funding is being requested must be submitted on a separate application form.

2. Brief, Descriptive Phrases

Requested information should be submitted in brief, descriptive phrases; complete sentences are not required. The submitted information will be entered by DPI into a database for the purpose of recording the types of projects being funded and the amount of funds being allocated for those projects.

3. Information Required to Complete Funding Applications (ADM Fund and Lottery Fund application forms, unless otherwise noted)

Contact Person: County official communicating with DPI.

Title: Of the county contact person.

Address: Of the county contact person.

Phone: Of the county contact person.

Project Title: Short descriptive title; Example: "Construction of 7-classroom addition to South Elementary School"

Location: Town, rural address, etc.

Type of Facility: High school, middle school or junior high school, elementary or primary school, K-12, etc.; classroom building, gymnasium, cafeteria, etc.

Short Description of Construction Project:

- Land purchase - Location, size (acreage), proposed use, etc.
- Construction - Brief description of building including the number of students to be served, whether it replaces an existing building(s), is the result of consolidation of schools, etc. Integral equipment is considered as being part of construction and does not need to be itemized as a separate item.
- Renovation/Enlargement/Repair - Brief description of building and work to be done, such as the number of classrooms to be added, replacing HVAC, windows, doors, re-roof (on re-roofing jobs, indicate whether it is a flat or sloped roof), age of building, etc. Integral equipment is considered as being part of construction and does not need to be itemized as a separate item.

Estimated Costs:

- Purchase of Land - Include donated land being used as match.
- Planning - Include design fees (see **Expenditure Guidelines**).
- Construction, Renovation, Enlargement, Repair - The cost of integral equipment necessary for the project should be included but not itemized.
- State Funds Column (ADM Fund only) - Dollars in the State column cannot

exceed 75% of the total cost of the project.

- For multiple Estimated Cost items (ADM Fund only), each item does not have to be split as to State/Local expenditures. All the match (Local) expenditures may be in one item, or all the State expenditures may be in one item, but the total of the State column cannot exceed 75% of the total project cost.
- Local Funds Column (ADM Fund only) - Dollars in the Local column may exceed 25% of the total cost of the project. In other words, projects may be overmatched if desired. Overmatching funds for one project may not, however, be used as a match for a different project.

Bid Dates/Vendors: If project has been bid, provide date bids were received / name of general contractor (ADM Fund only).

Contracts Signed/Dates: Contract for planning/design and date; contract with general contractor and date (ADM Fund only).

- If the application is requesting authorization for more funds than are available in the county's ADM account, the contract with the general contractor must have been signed prior to submission of the application, using the county's financial backing as authority to sign the contract.

Match (source): 1/2 percent sales tax (1983 and/or 1986), local bond proceeds, general revenues, donations (applies to ADM Fund only).

\$_____: Amount of matching funds expended to date (ADM Fund only).

Expended for: Give date and short description of matching fund expenditures (ADM Fund only).

Estimated Project Dates: For Lottery Fund, provide estimated dates for project beginning and completion.

Reporting Requirements: Submission of a Final Report is required for each funded project. This is applicable to projects funded by both ADM Fund and Lottery Fund. See also **Reporting Requirements**.

Amount Requested: Provide the amount of State funds requested. For ADM Fund requests, the amount should be the same amount as the total of the State column in the **Estimated Costs** section.

Signatures: The Chairpersons of both the County Commissioners and the Board of Education must sign and date the application.

The intent of requiring signatures of the Chairpersons of both groups is to indicate that the two groups are in agreement with regards to the appropriateness of the proposed use of funds. In essence the Chairpersons are:

- a. Requesting release of a specific amount of money, which may be the same as or less than the total project costs listed elsewhere on the application form.
- b. Agreeing to submit a Final Report upon completion of the project.

Application forms submitted to DPI without the signature of both Chairpersons are not processed.

4. Attachments to the Application

- A copy of the "Certificate of Review" for the project for which funding is requested must be attached to the application, as applicable. This completed form is issued to school systems by the School Planning Section of the NC Department of Public Instruction to certify that construction documents for the project have been reviewed. Not all projects require School Planning review and a "Certificate of Review" to be funded. For projects that do require School Planning review, fees for Planning/Design services can be funded separately prior to construction document review and issuance of a "Certificate of Review."

Additional information regarding review of construction documents is provided in the **Project Planning and DPI Plan (Design) Review** section of the **Appendix**.

C. Application to Use the Public School Building Capital Fund to Retire Debt

1. The application forms are the same forms described above and are to be completed in the same manner as for a new or on-going project.
 - a. The funding application must be for one specific project.
 - b. Because PSBCF funding is allowed only during the fiscal year in which debt payment is due, a new application for funding is required in each subsequent fiscal year in which a finding of "no capital need" is made.
2. The following items are to be attached to the application form:
 - a. A statement attesting that the county does not need all (or part) of the

Public School Building Capital Funds for public school capital outlay projects, with an explanation of how these capital needs have been met.

- b. A copy of the amortization schedule for the applicable year of the loan or bond issue showing the outstanding debt.
- c. A statement explaining the original source of funds to repay the debt, such as the 1/2 percent sales tax.

D. Submission of Completed Application

The preferred method of submission is for completed and signed application forms to be emailed as PDF files to the School Planning Section contact person listed in the **Contact Information** section of the **Appendix**. If the application form is emailed, then submission of a duplicate hard copy via mail or other delivery method is not required. It is important for emailed documents to be legible. If they are not, then submission of a hard (paper) copy may be required.

For mailing an original, completed application form, the address to use is as follows:

NC Department of Public Instruction
School Planning Section
6319 Mail Service Center
Raleigh, NC 27699-6319

If service other than the USPS is used, the delivery address is:

NC Department of Public Instruction
School Planning Section
301 N. Wilmington Street
Raleigh, NC 27601-2825

Each county and LEA should keep on file a copy of each submitted funding application.

Funding Approval and Allocation

Funding applications are processed monthly by the School Planning Section of DPI. Application forms are accumulated throughout the month and processed together during the last week of the month, typically around the 26th. It is, therefore, requested that application forms be submitted to DPI no later than the 25th. For the months of February (shorter number of days), June (last month of fiscal year) and December (last month of calendar year), application forms should be submitted a week earlier. Exceptions to submission dates are typically posted on the home page of the School Planning section of the DPI website.

When funding is authorized, DPI transfers funds from an LEA's PSBCF (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. For example, if funding is authorized on January 26th, funds would be available by February 2nd or 3rd (unless there are non-business days between those dates). Additional information regarding disbursing accounts is provided in **Disbursing Accounts**.

Funds for School Technology are transferred to the State School Technology Trust Fund and allotted to LEA accounts at PRC 015 on the next scheduled allotment date.

Upon approval of funding, a Memorandum is sent via email to the finance officers of the county and LEA. County and LEA finance officers are encouraged to contact DPI regarding the status of a funding request if they have not received a Memorandum by the tenth business day of the month after the request was submitted. Completed and signed application forms are retained and filed by DPI School Planning Section.

Account Reports

Reports that show revenue distributions to the LEAs' unallocated balances, interest earnings and project allocations (fund disbursements) are published monthly in the School Planning section of the DPI website. An annual report of the activity of the Public School Building Fund is also published there. Additional website information is provided in the **School Planning Website Information** section of the **Appendix**.

DPI does not issue individual account reports to county managers, school superintendents or others. Circulation of account report copies to county and school staff is the responsibility of county and LEA finance officers.

Disbursing Accounts

A. County Disbursing Accounts

The State Treasurer's Office has established a disbursing account for each county and is responsible for monitoring disbursing account activity.

B. Transfer of Funds into County Disbursing Accounts

1. As indicated previously, funds will be transferred from a county/LEA's PSBCF account in the Department of Public Instruction to the county disbursing account in the State Treasurer's Office within the first few business days of the month immediately following DPI's approval of a project for funding.
2. If the county/LEA's PSBCF account has a balance (i.e. unallocated balance) equal to or greater than the capital project request, then the full amount of the request will be transferred to the county disbursing account at one time.
3. If the county/LEA's PSBCF account has a balance less than the amount of the project funding request, but the construction contracts have been signed using the county's financial backing as authority to sign the contracts, then the balance in the PSBCF account will be transferred to the county disbursing account in subsequent months/quarters until reaching the full amount of the project funding request.

C. Drawdown of Funds

1. The State Treasurer's Office is responsible for sending the specifications for warrants (checks) to each county finance officer, who will then order warrants from a printer of the county's choice.
2. After funds have been transferred to the disbursing account, the county finance officer will write warrants (checks) against the account to the "ultimate" (or terminal) payee to pay expenses for the capital project. The ultimate payee may be, for example, a contractor that has completed certain work. A warrant may also be made to the Board of Education as reimbursement for a payment the Board has already made to a contractor or vendor. The county finance officer may not make warrants to pay expenses for any project other than the

one funded, and must not transfer funds from the disbursing account into another account. Transfer of funds into another county account would deprive the county/LEA of interest that would be earned if those funds remained in the disbursing account.

D. Unexpended Balance in County Disbursing Accounts

DPI considers a capital project that was funded through the PSBCF to be “complete” upon final payment of all project expenses. If any State funds are left unspent upon completion of a capital project, a request must be sent to DPI by the county/LEA to release these funds and transfer them back to the PSBCF (see **Reporting Requirements**). Excess funds are supposed to remain in the county disbursing account until being transferred back to the PSBCF since warrants on that account are only to be written to the ultimate (terminal) payee.

DPI has a process for creating a ‘negative allocation’ to transfer funds from the county disbursing account back to the county/LEA’s unallocated balance account. Doing so allows unspent funds to be used on future projects. Additional steps are required by DPI and others to perform this adjustment process if funds have been transferred into a different account.

Reporting Requirements

A. State Treasurer’s Report

1. The State Treasurer’s Office publishes on its website statements for each county that show disbursing account activity such as deposits, cleared warrants and balances.
2. The NC Administrative Code (**20 NCAC 1C.0402**) requires all agencies for which a disbursing account has been established to reconcile their disbursing account activity with statements published by the State Treasurer’s Office on a monthly basis. The county finance officer is responsible for performing this reconciliation by completing the electronic Statement Verification process on the Core Banking System (CB\$) website. Additional information regarding this process is provided in the **Reports to the State Treasurer** section of the **Appendix**.

B. Report Upon Project Completion - Final Report

1. A Final Report is due within 60 days of completion of any project for which ADM Fund or Lottery Fund money has been allocated. As indicated above, a project is considered to be “complete” once final payment is made to the ultimate payee. Depending upon the arrangement made between county and LEA, the ultimate payee may be the LEA, with payments being reimbursement for project expenditures made by the LEA. Under this arrangement, the project would be considered “complete” upon final payment to the LEA by the County.
2. No specific format is required for a Final Report, but the report must state the amount of State money allocated, the amount spent, and the difference between these amounts, if any.

A Final Report form is available online in the School Planning section of the DPI website: [Project Final Report Form](#).

<https://files.nc.gov/dpi/documents/schoolplanning/psbcf-final-report-form.pdf>

The form accommodates reporting for both ADM Fund (upper section of form) and Lottery Fund (lower section of form).

A copy of the original application for funding may be used as the Final Report, in which case the document should be clearly marked “Final.” A letter or electronic memo sent to DPI from the LEA or from the county is also acceptable.

3. If the county has an unexpended balance in its disbursing account for a specific project and submits a Final Report form showing the resulting positive difference between funds allocated and funds spent for that project, then DPI will consider the submission to be a request to redeposit the unspent funds into the county/LEA’s PSBCF account. If a Final Report is not submitted, then a written request, either by letter or electronic memo, must be submitted to close out the project funding and have the unspent funds redeposited. The process for redepositing funds into the PSBCF account is as described above (**Disbursing Accounts**).
4. The County and the LEA bear joint responsibility for submitting a Final Report as evidenced by the signatures of the chairpersons of both the County

Commissioners and Board of Education on the application form. DPI does not designate which entity is responsible for preparing and submitting the Final Report. It does, however, suggest that the two boards reach an understanding as to the assumption of that responsibility. Following are some examples of how responsibility can be assigned:

- Final Reports are the responsibility of the county; or
- Final Reports are the responsibility of the school board; or
- Final Reports for debt service are the responsibility of the county and Final Reports for all other projects are the responsibility of the school board; or
- Responsibility for Final Reports is determined on a case-by-case basis, or by some other method.

Lacking an understanding to the contrary, audit exceptions may be recorded for both the county and the LEA if DPI does not receive a Final Report for a completed project.

C. Project Status Report

The status of projects is provided for each LEA by the Monthly Projects Report posted in the School Planning section of the DPI website at the following link:

<https://www.dpi.nc.gov/media/6769/download>

In that report, a “Y” in the right-hand column indicates project completion and receipt of a Final Report by DPI; “N” indicates otherwise.

END OF PROCEDURES MANUAL

APPENDIX

Project Planning and DPI Plan (Design) Review

A primary planning/design tool used by School Planning is the publication *Public Schools of North Carolina - Facilities Guidelines*, a copy of which is posted in the School Planning section of the DPI website at the following link:

<https://files.nc.gov/dpi/documents/schoolplanning/facility-design-guidelines.pdf>.

This publication provides recommendations for school building elements and spaces. Other planning/design tools used by School Planning include computer programs that calculate needed spaces within school facilities and the sizes of those spaces (based upon anticipated capacity), and accumulated construction cost data. Additional planning/design resources are noted in the **School Planning Website Information** section of the **Appendix**.

In general, a project must be submitted to the School Planning Section of DPI for review and comment if the estimated project construction cost, per NC General Statutes, requires the design services of an architect and/or professional engineer. Projects that involve new building construction, building additions, major renovations or significant repairs typically fall into this category. There are some projects, however, that need to be submitted for review regardless of their estimated cost. Determining which projects fall into this category may be difficult. A table is provided in the *Facilities Guideline* publication (referenced above) to aid designers and LEAs in making this determination. The table lists the types of projects that do and do not require review by School Planning. The table, however, is not designed to be all-inclusive. If there is any question about whether a specific project must be reviewed, then a request for clarification should be submitted to School Planning.

Project funding, whether by local revenue, debt service, PSBCF, donation (e.g. the Boosters Club) or other sources, is not a factor used to determine if project construction documents must be submitted for review. It should be noted, however, that if a project is of the type that requires review by School Planning, construction funding from the PSBCF cannot be approved until the School Planning review process has been completed and a Certificate of Review has been issued.

For large construction projects, submittals at phase milestones are recommended: end of Schematic Design Phase; end of Design Development Phase; 95% to 100% completion of the Construction Documents. Doing so will allow time for comments to be evaluated and incorporated into the bid documents as appropriate. Document submittal is usually the responsibility of the Architect / Engineer, but the LEA should always check with School Planning to ensure it has been done. Submittal of "Final" documents for first-time review shortly before project bid date or when construction is already underway is strongly discouraged, and doing so

will not result in an expedited review. Untimely submission of review documents for projects that will be funded through the PSBCF could delay funding allocations.

When submitting project documents for review, designers should use the transmittal forms provided by DPI School Planning Section, available online at the following link:

<https://www.dpi.nc.gov/districts-schools/district-operations/school-planning/design-review#submittal-forms>

Smaller projects are often managed by local maintenance personnel without involving a professional designer. Small-scale roof repair and partial roof covering replacement projects are common examples. For roofing projects such as these, the LEA should submit the Roof Replacement Submittal Form provided by School Planning. The link to the form is:

<https://files.nc.gov/dpi/documents/schoolplanning/roof-submittal-form.pdf>

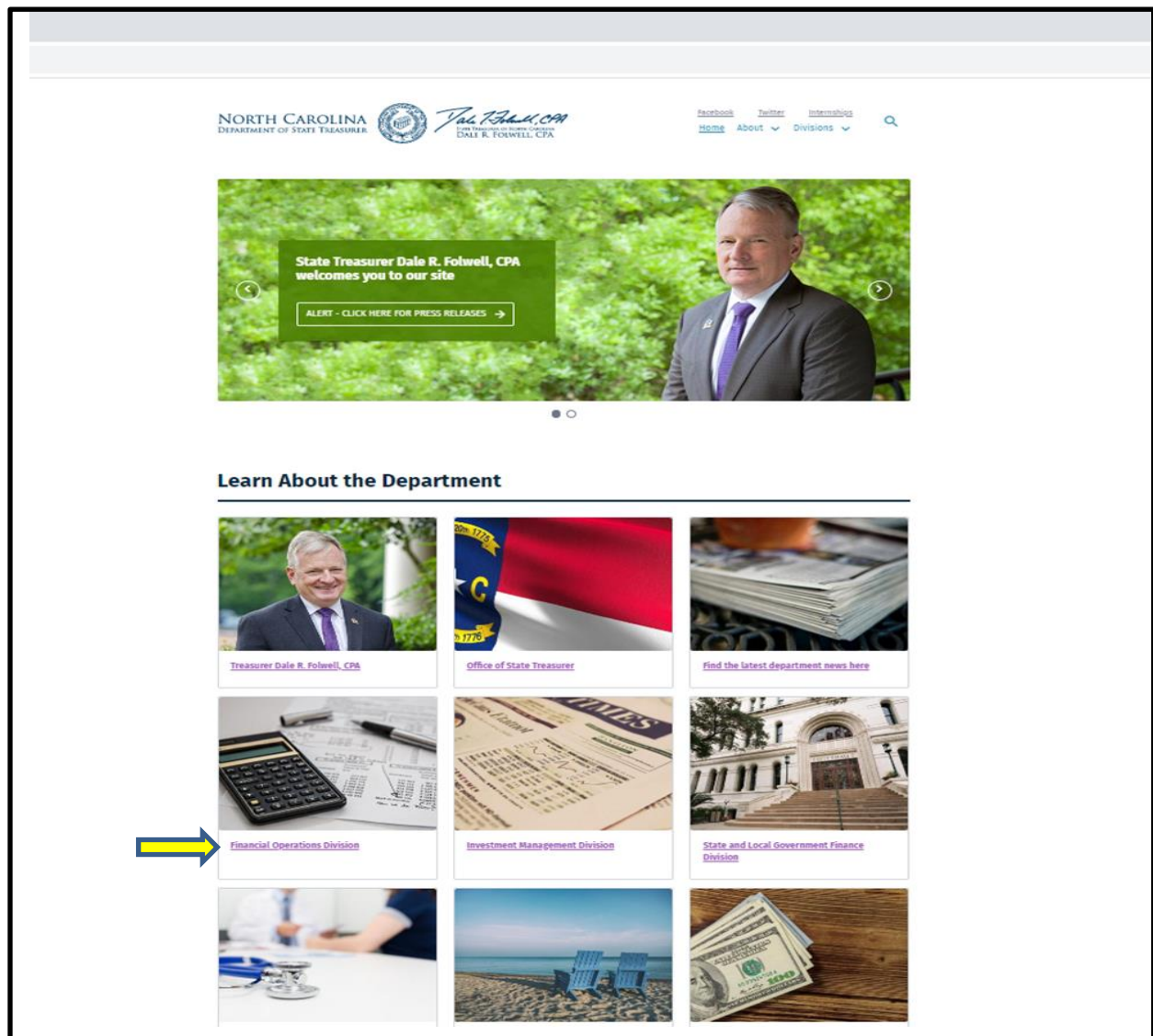
If additional information and/or drawings are required for a roofing project, School Planning will notify the LEA. Otherwise, the Roof Replacement Submittal Form will be sufficient for approval of PSBCF allocations.

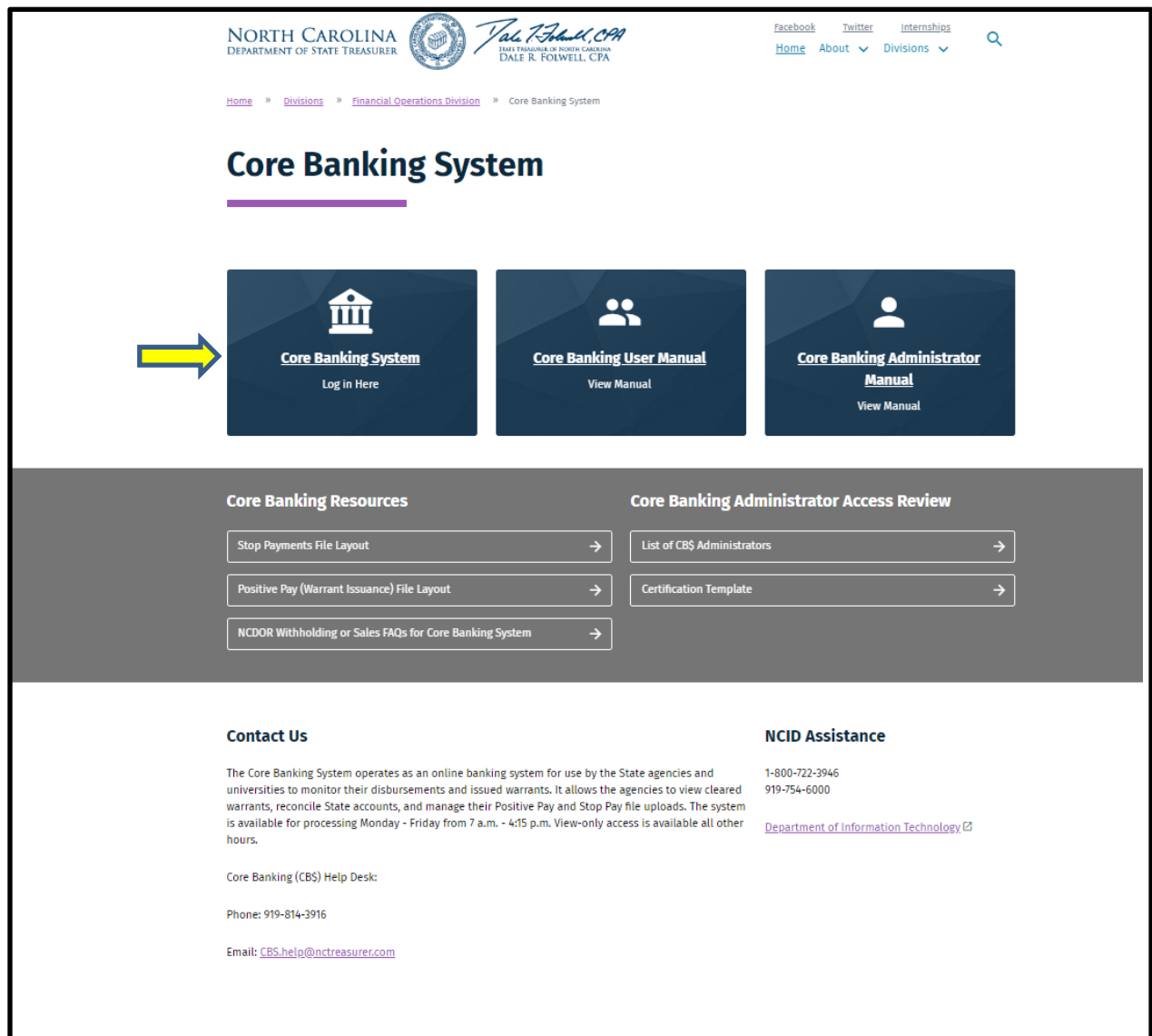
Plan (design) review by School Planning helps to ensure that proposed school facilities properly accommodate and facilitate educational programs. Comments made as part of a School Planning review will typically address safety, longevity, durability, flexibility, economy, and efficiency of building construction systems. Design review and comments will take into consideration local program flexibility while providing accountability with respect to the *North Carolina Public Schools - Facilities Guidelines*.

Reports to the State Treasurer

The office of the State Treasurer requires the county finance officers to reconcile their disbursing account activity each month and to report agreement via a 'check box' on the Core Banking System (CB\$) website. The State Treasurer does not issue printed statements to the counties; reconciliation and review are accomplished by this electronic process instead.

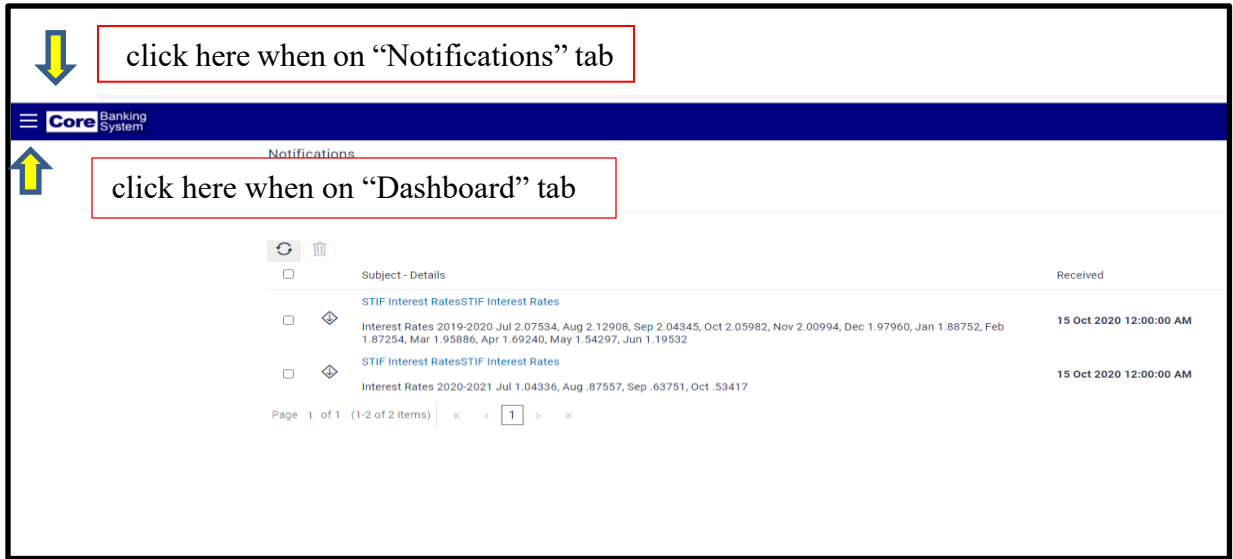
To access the State Treasurer website, open an internet browser and go to <https://www.nctreasurer.com>. Select Financial Operations Division from among the images and titles below the heading "Learn About the Department."



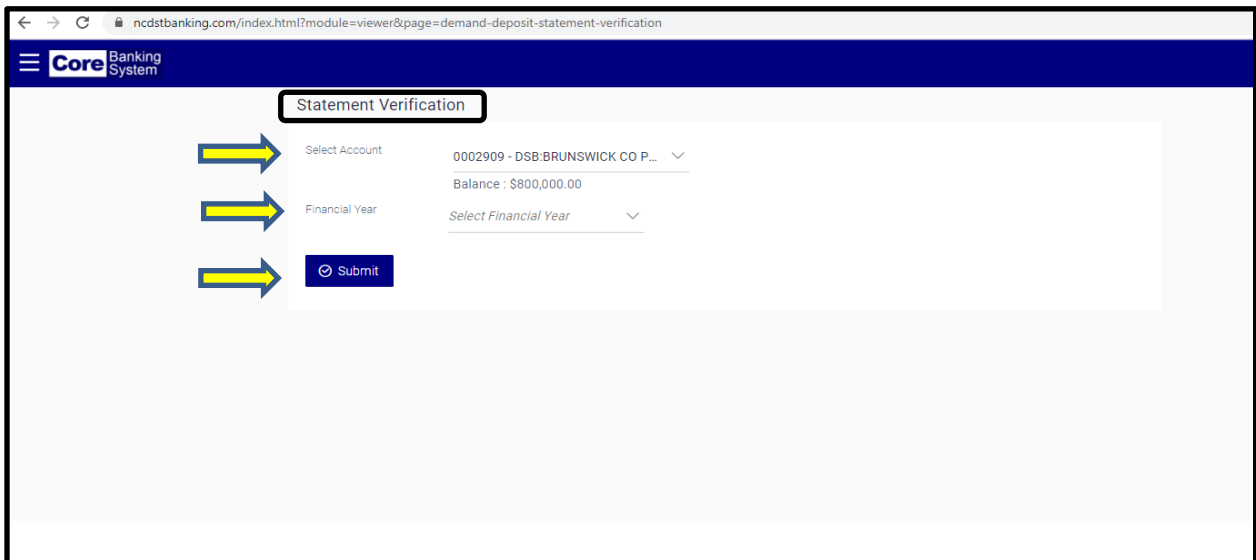


Log-in to the Core Banking System using the individual ID and password provided by the Financial Services Department of DPI or by the State Treasurer’s Office (log-in page not pictured above). Upon log-in the tab that opens should be the “Notifications – NCDST” tab (pictured below). The screen may contain important information such as interest rates, holidays or site maintenance.

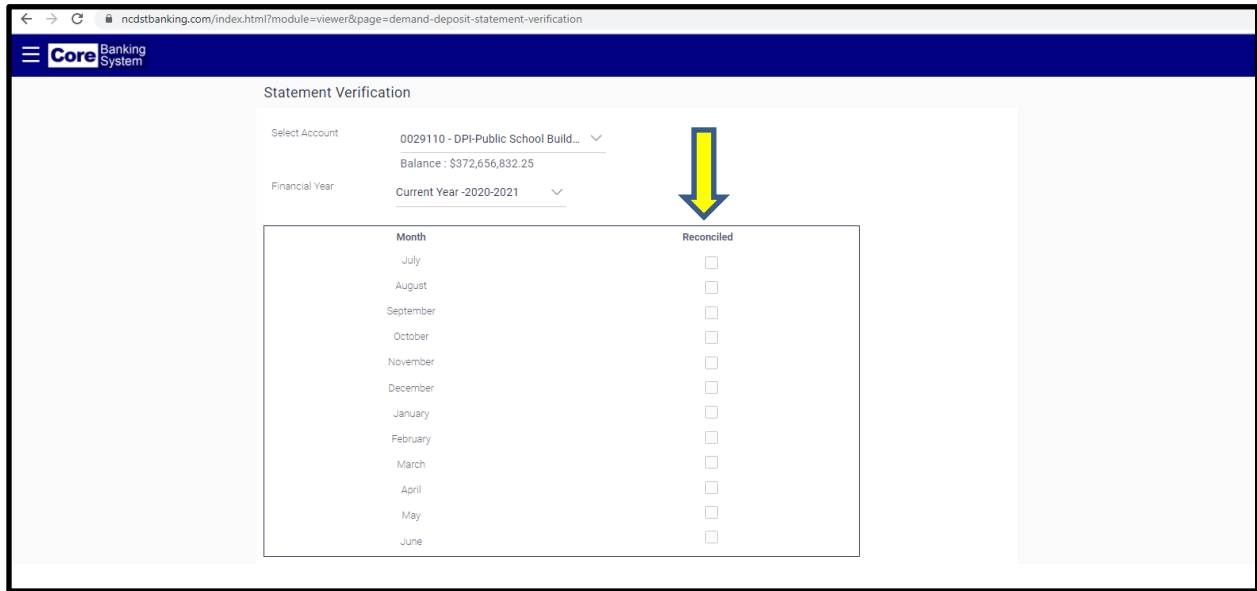
Next, access the CB\$ Dashboard by clicking on the “Core Banking System” logo at the top left corner of the screen. To get to the Functions Menu, click on the three bars at the top left corner of the Dashboard screen, just to the left of the “Core Banking System” logo.



A menu will open in the left margin of the screen. Click on "Accounts," then click on "Statement Verification." Doing so will open a new tab entitled "Statement Verification." Using the pull-down menu "Select Account," select/enter the applicable disbursing account. Using the pull-down menu "Financial Year," select/enter the applicable Financial Year. Click on "Submit" to open the 'check box.'



Click on the box under the heading “Reconciled” that corresponds with the applicable Month for which account reconciliation is being performed.

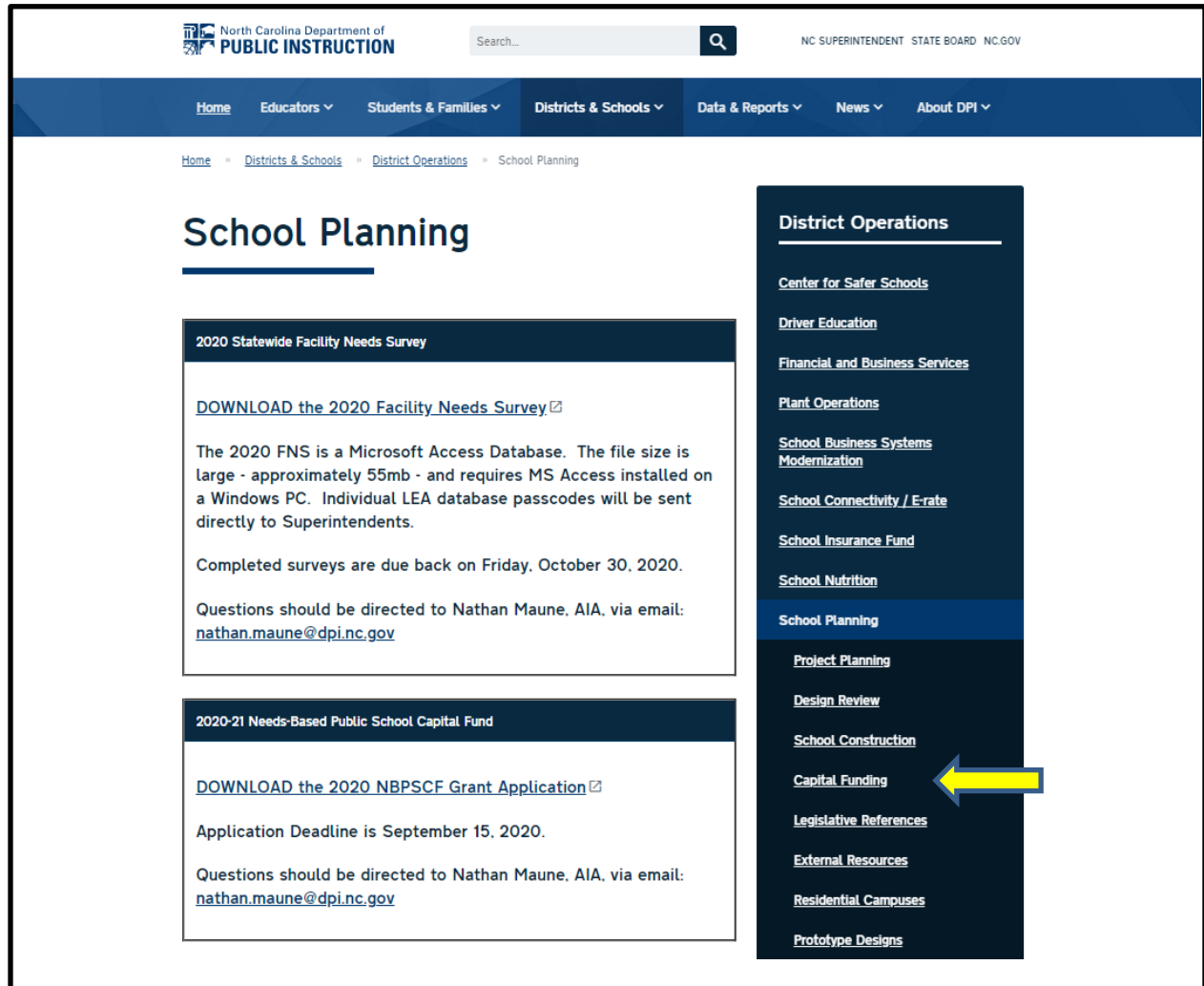


There will typically be no formal notification made to county finance officers by the State Treasurer’s Office regarding disbursing account reconciliation. As administrator of the PSBCF, School Planning will check the CB\$ website periodically to determine if the finance officers of counties to which funding has been allocated have complied with the provisions of **20 NCAC 1C.0402**. Reminders about performing disbursing account reconciliation will be issued by School Planning as needed.

School Planning Website Information

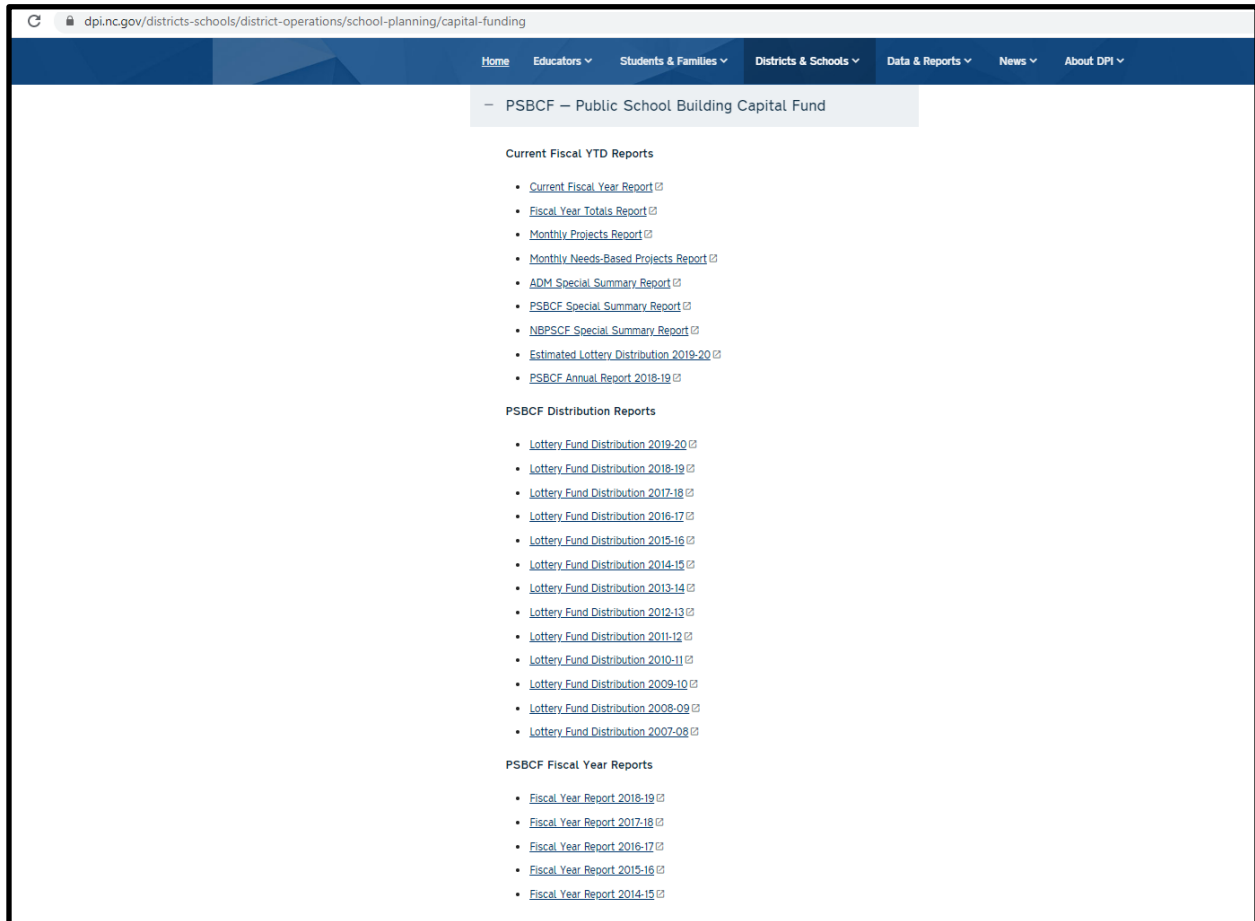
To access the School Planning section of the NCDPI website, open an internet browser and go to <https://www.dpi.nc.gov/districts-schools/district-operations/school-planning>.

In the menu for District Operations in the right-hand margin of the Home Page, select the link for Capital Funding:



The screenshot displays the NCDPI website's School Planning page. At the top, the header includes the North Carolina Department of Public Instruction logo, a search bar, and navigation links for NC SUPERINTENDENT, STATE BOARD, and NC.GOV. Below the header is a main navigation bar with links for Home, Educators, Students & Families, Districts & Schools, Data & Reports, News, and About DPI. A breadcrumb trail shows the path: Home > Districts & Schools > District Operations > School Planning. The main content area features a large heading for "School Planning" and two informational boxes. The first box, titled "2020 Statewide Facility Needs Survey", provides a link to download the survey and details about the Microsoft Access Database, including its size (55mb) and the requirement for MS Access on a Windows PC. It also states that completed surveys are due back on Friday, October 30, 2020, and provides contact information for Nathan Maune, AIA, via email at nathan.maune@dpi.nc.gov. The second box, titled "2020-21 Needs-Based Public School Capital Fund", provides a link to download the grant application and states that the application deadline is September 15, 2020. It also provides contact information for Nathan Maune, AIA, via email at nathan.maune@dpi.nc.gov. On the right side of the page, there is a dark blue sidebar menu titled "District Operations" containing a list of links: Center for Safer Schools, Driver Education, Financial and Business Services, Plant Operations, School Business Systems Modernization, School Connectivity / E-rate, School Insurance Fund, School Nutrition, School Planning, Project Planning, Design Review, School Construction, Capital Funding, Legislative References, External Resources, Residential Campuses, and Prototype Designs. A yellow arrow with a blue outline points to the "Capital Funding" link in this menu.

The new tab that opens will display lists of PSBCF reports and other documents:



Select the desired report from the list.

The following PSBCF Reports are posted to the web page on a monthly basis:

- Current Fiscal Year Report
- Fiscal Year Totals Report
- Monthly Projects Report
- Monthly Needs-Based Projects Report
- ADM Special Summary Report
- PSBCF Special Summary Report
- NBPSCF Special Summary Report

The following PSBCF Reports and Documents are posted to the web page annually:

Estimated Lottery Distribution for FY YYYY-YY
Lottery Fund Distribution YYYY-YY
PSBCF Annual Report YYYY-YY
YYYY-YY Fiscal Year Report

Included in the menu for District Operations on the School Planning home page are links for Project Planning, Design Review and School Construction, as well as links for various references and resources. Selecting the link for Project Planning will open a page that has Headings such as “Facility Programming,” “Site Design” and “Building Design.” Clicking on “Building Design” will open a list of links to building design publications, one of which is the *Public Schools of North Carolina - Facilities Guidelines* that is referenced in the **Project Planning and DPI Plan (Design) Review** section of the **Appendix**.

It should be noted that guidelines for planning and design of public school facilities, as well as requirements and provisions associated with the PSBCF, are subject to periodic updates, revisions, and legislative changes. LEAs and Designers should always check with the School Planning Section of DPI for current editions of all publications and any special information that may be posted on the School Planning home page.

Contact information for personnel responsible for administration of the PSBCF and related funding activities (current as of the publication date of this manual) is provided in the following section of the **Appendix**.

Contact information

Department of Public Instruction - School Planning Section

For information regarding applications for PSBCF funding, criteria for approval, available funds, etc., please contact:

Dennis R. Hilton, PE
Structural Engineer / School Planning Consultant
School Planning Section
Phone: (984) 236-2922
dennis.hilton@dpi.nc.gov
<https://www.dpi.nc.gov/districts-schools/district-operations/school-planning>

Department of Public Instruction – Financial Services Division

For information regarding access to Core Banking, please contact:

Denise Jackson
Systems Accountant
Financial Services Division
Phone: (984) 236-2122
denise.jackson@dpi.nc.gov

North Carolina Department of State Treasurer

For information regarding county disbursing accounts, signature cards, account balances, etc., please contact:

Amber Straley
Disbursing Account Services Unit Supervisor
Financial Operations Division
Phone: (919) 814-3904
amber.straley@nctreasurer.com
www.nctreasurer.com

END OF APPENDIX