

PUBLIC SCHOOL FACILITY NEEDS

Richard Bostic

North Carolina School Boards Association



Johanna Reese

**North Carolina Association of County
Commissioners**



**PRESENTATION TO THE HOUSE
APPROPRIATIONS COMMITTEE ON
CAPITAL**

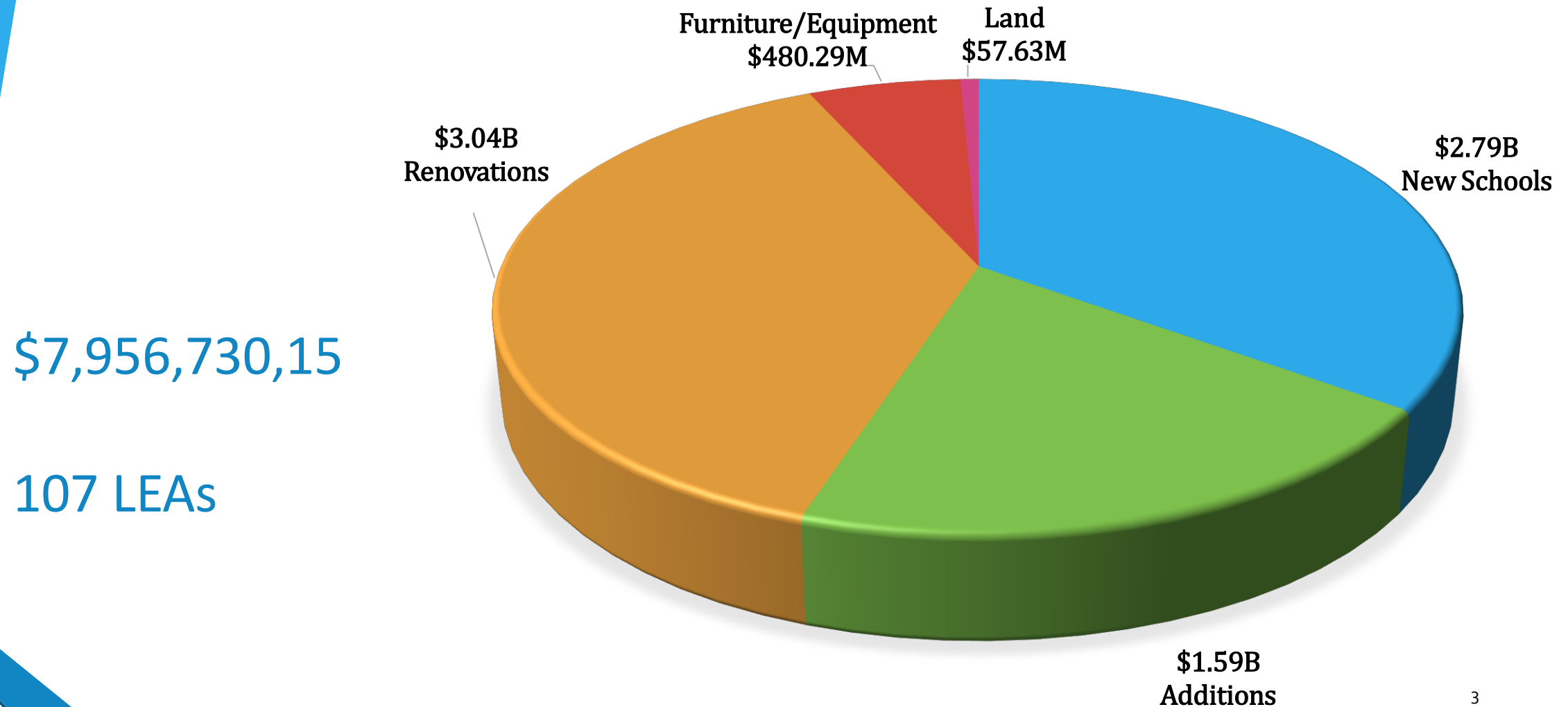
Statewide Facility Needs Survey 2015-16

- Local Boards of Education **required** to submit facility needs **every five years**

§G.S. 115C-521(a))

- Compiled by DPI School Planning Section

Five-Year Public School Facility Needs





Facility Needs Examples

- 118 New Schools
- 459 School Additions
 - 322 schools need new classrooms
- 1,560 School Renovations
 - Largest request is for Plumbing, HVAC, and Electrical Work

How Much Does it Cost to Build a School?



\$19
million

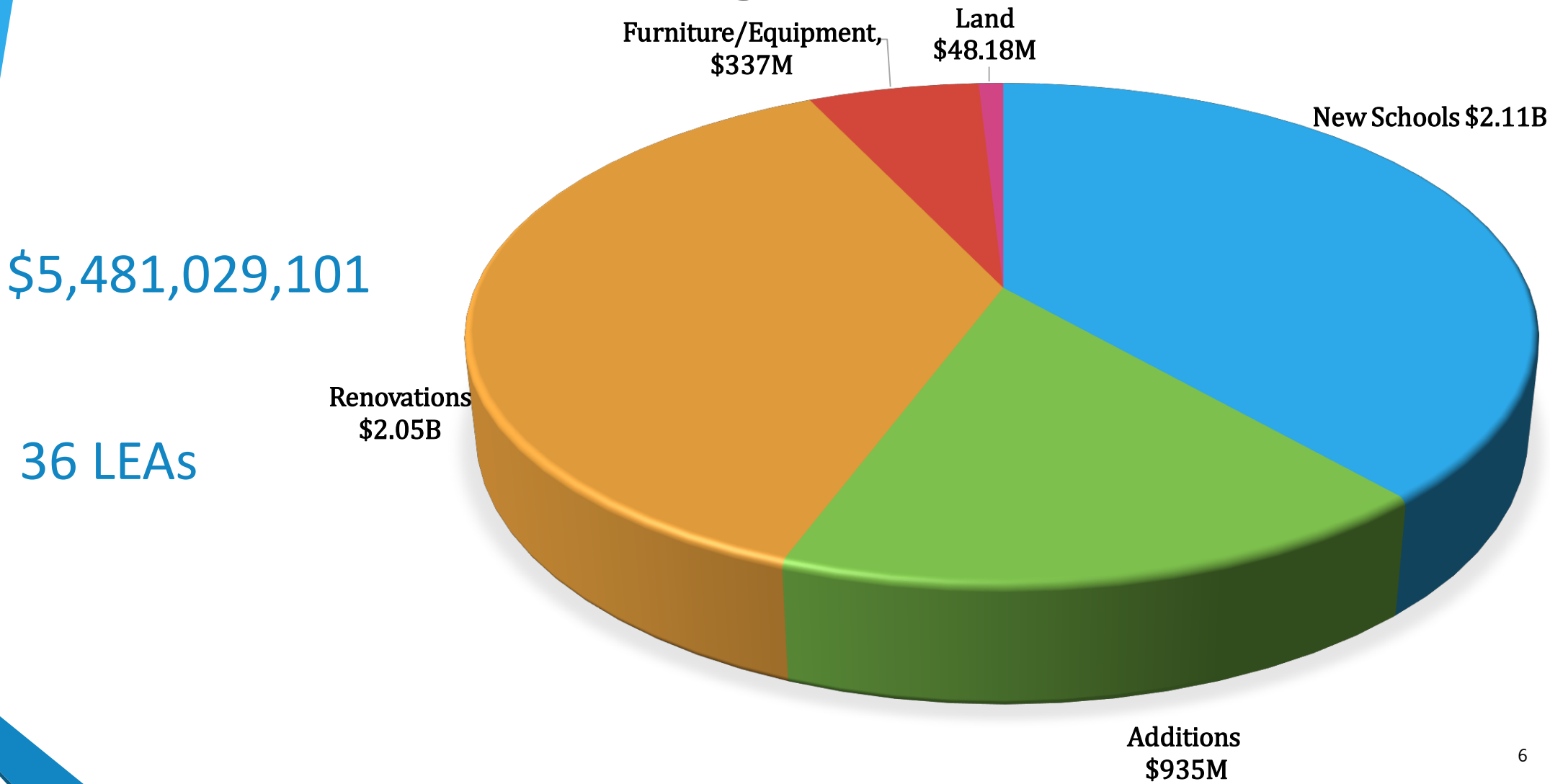


\$27
million



\$60
million

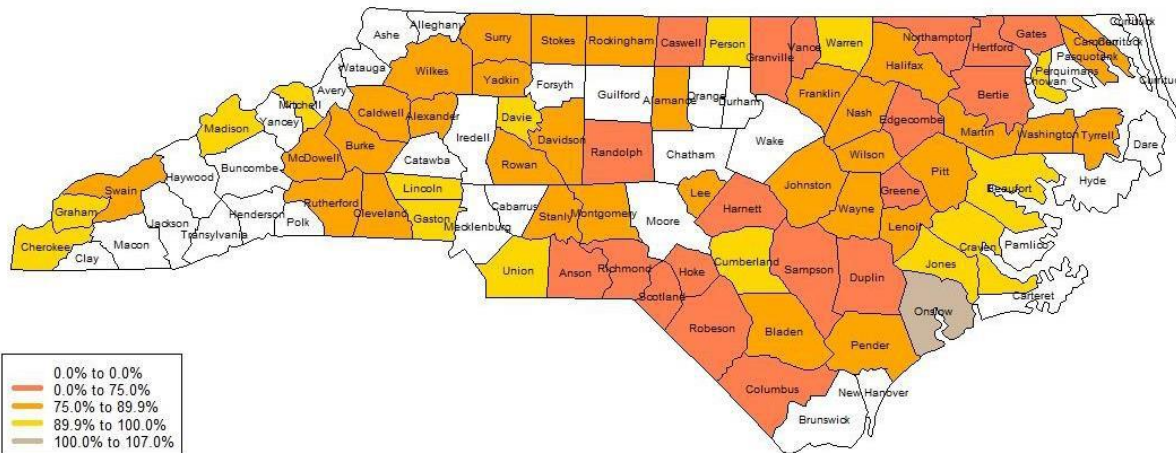
LEAs w/ Growing ADM



Low Wealth LEAs

\$3,344,317,006 Needs

70 LEAs

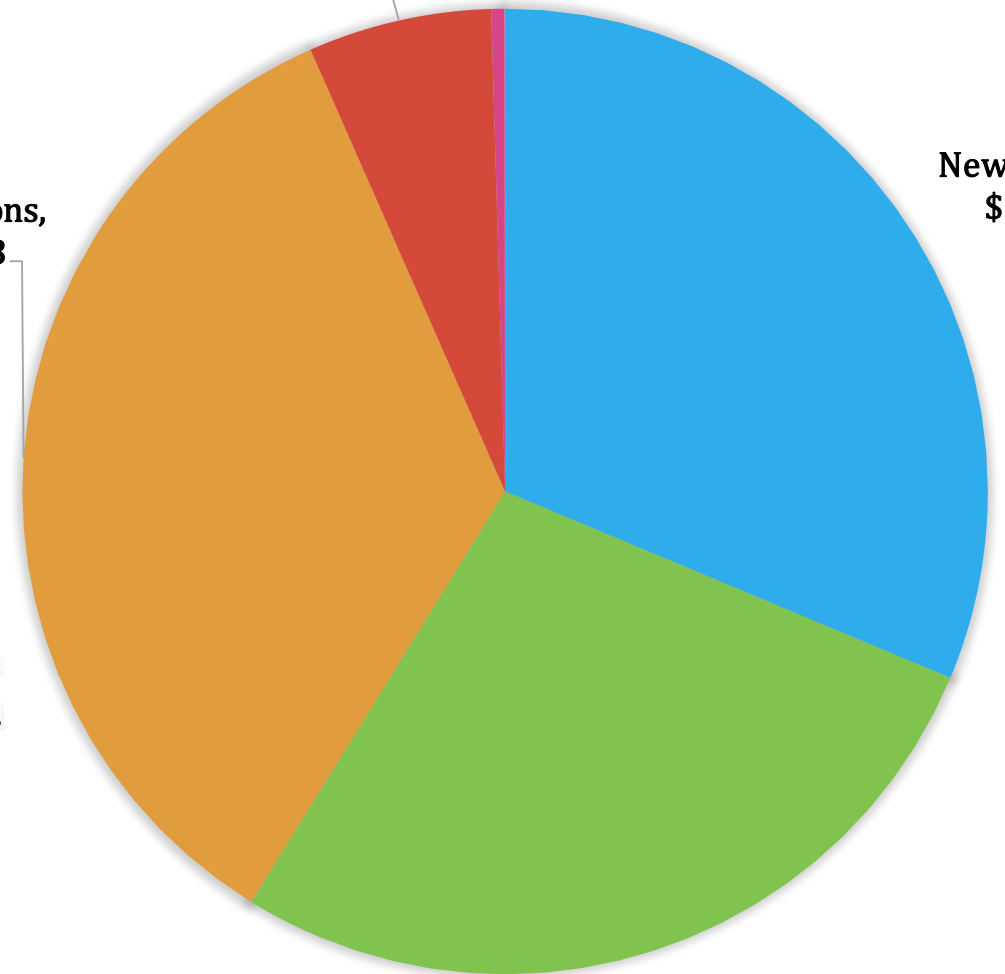


Furniture/Equipment,
\$205.46M

Land,
\$15.4M

New Schools,
\$1.05B

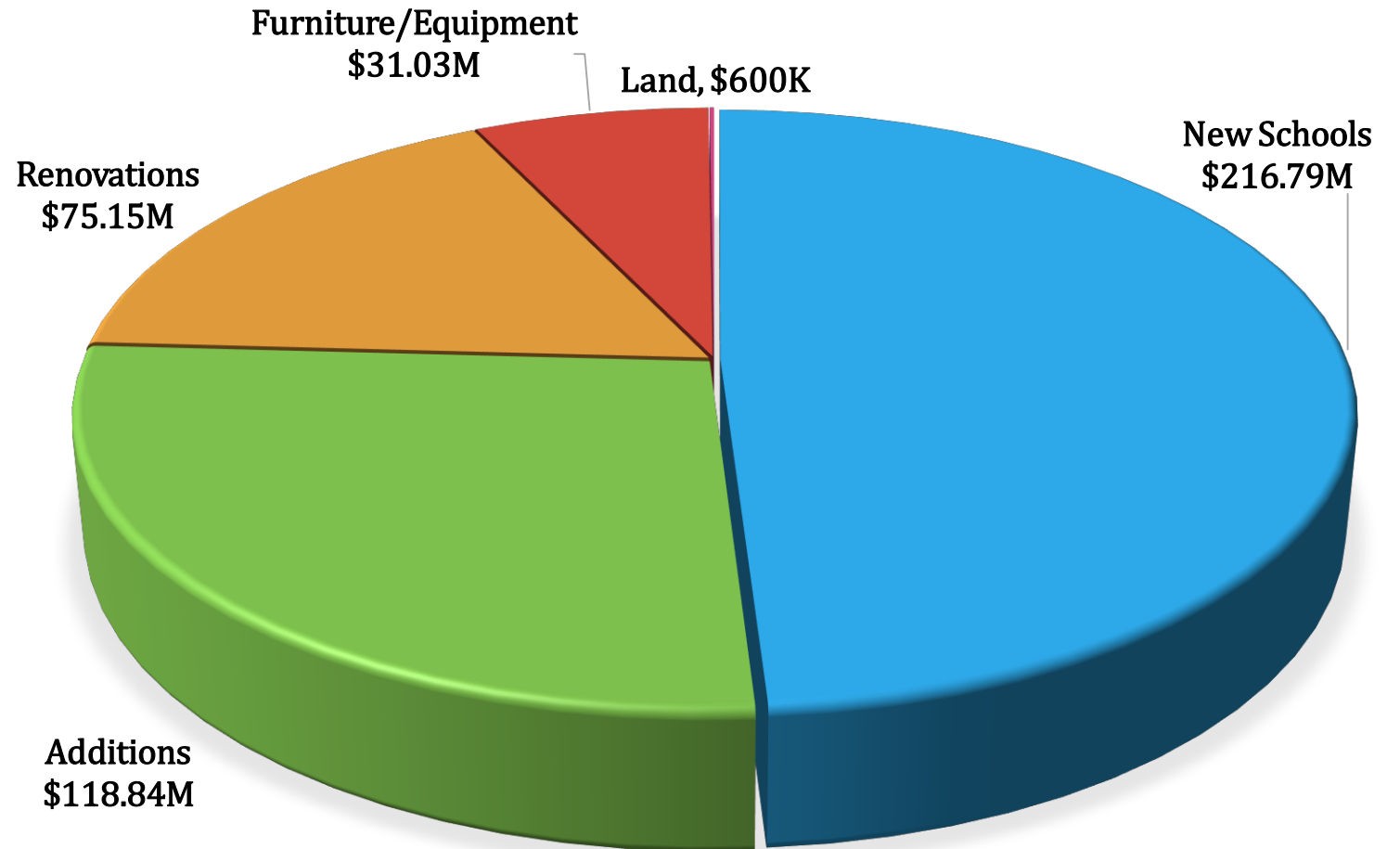
Renovations,
\$1.16B



Additions
\$919.81M

23 Small County LEAs

\$442,414,785



LEAs by Tiers

	<u>Tier 1 LEAs</u>	<u>Tier 2 LEAs</u>	<u>Tier 3 LEAs</u>
New Schools	\$448,949,763	\$534,925,666	\$1,803,515,470
Additions	\$297,708,026	\$843,996,689	\$448,442,085
Renovations	\$372,207,159	\$1,342,780,770	\$1,326,275,918
Furniture/Equipment	\$79,070,794	\$198,489,266	\$202,734,999
Land	<u>\$2,512,000</u>	<u>\$12,013,763</u>	<u>\$43,107,780</u>
	\$1,200,447,742	\$2,932,206,154	\$3,824,076,252

State Role in Public School Capital

C. Constitution Article IX, Section 2

- The General Assembly may assign to units of local government such responsibility for the financial support of the free public schools as it may deem appropriate.
- The governing boards of units of local government with financial responsibility for public education may use local revenues to add to or supplement any public school or postsecondary school program.

State Role in Public School Capital

§G.S. 115C-521(a))

- (b)it is the policy of the State of North Carolina to provide from State revenue sources the instructional 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.

Legislative Priorities

01

Statewide
Bond

02

Lottery
Allocation

03

Local
Option
Sales Tax

N.C. School Boards Association – Legislative Agenda

School Construction/Capital Funding

- The General Assembly needs to develop methods to assist school districts in handling this staggering backlog in order to better serve students. NCSBA believes the best way to help districts is through a two-pronged approach:
 - A significant one-time infusion of dollars in the form of a statewide bond.
 - Set up dedicated funding streams so that districts have ongoing access to school capital funds from the State, which could be done by returning the lottery allocation for school construction to 40% and/or establishing more local option sales taxes for school construction.



N.C. Association of County Commissioners – Legislative Goals

- Seek legislation to establish a new state-county partnership to address statewide public school capital challenges--including but not limited to maintenance, renovation, construction and debt--through a dedicated, stable funding stream that is consistent from county to county and sufficient to meet the school facility needs of all 100 counties.





General Obligation Bonds

39 County Bond Issues Approved Since 2005

- Total Amount = \$6.1 Billion
- Counties
 - 28 Counties
 - Wake (2) = \$1.8 billion
 - Mecklenburg (2) = \$806 million
 - Forsyth (3) = \$638.6 million
- Tiers
 - Tier 1 = \$42.1 million
 - Tier 2 = \$1.1 billion
 - Tier 3 = \$5.0 billion



Statewide Public School Bonds

1949	\$50 million
1953	\$50 million
1963	\$100 million
1973	\$300 million
1995	\$1.8 billion

Highlights of 1995 Bond

- \$30M set aside for small county LEAs
- 40% of funds allotted by ADM
- 35% of funds allotted by ability to pay
- 25% of funds allotted by high growth
- Counties had to match ADM and High Growth allotments

State Debt Affordability (in Millions)

	2017-18	2018-19	2019-20	2020-21	2021-22
Debt Capacity with OPEB					
Total Additional Debt Capacity per Year	\$1,268.3	\$56.3	\$39.7	\$40.9	\$42.2
Debt Capacity Available each and every Year	\$181.0	\$181.0	\$181.0	\$181.0	\$181.0
Debt Capacity without OPEB					
Total Additional Debt Capacity per Year	\$1,594.1	\$0.0	\$220.1	\$549.5	\$674.5
Debt Capacity Available each and every Year	\$591.0	\$591.0	\$591.0	\$591.0	\$591.0

Note: OPEB = Other Post Employment Benefits

19

Source: N.C. Department of State Treasurer Debt Affordability Study; Committee Draft January 30, 2017 and Final Report February 1, 2017



2017 Bond Allocations to Consider

- ADM
- ADM Growth over 5 Years
- Economic Tiers
- Low Wealth
- Small Counties
- Local Match

Bond Assumptions

- Election in 2018
- Bond payouts beginning in FY 2018-19
- Bond payouts spread over 6 years
- 20 year repayment (fixed principal payments)
- Assume 5.75% interest rate

School Bond Issuance

- If the bond issuance is follows:

FY 2018-19	\$95,000,000
FY 2019-20	\$285,000,000
FY 2020-21	\$570,000,000
FY 2021-22	\$570,000,000
FY 2022-23	\$190,000,000
FY 2023-24	\$190,000,000



Estimated State Debt Service

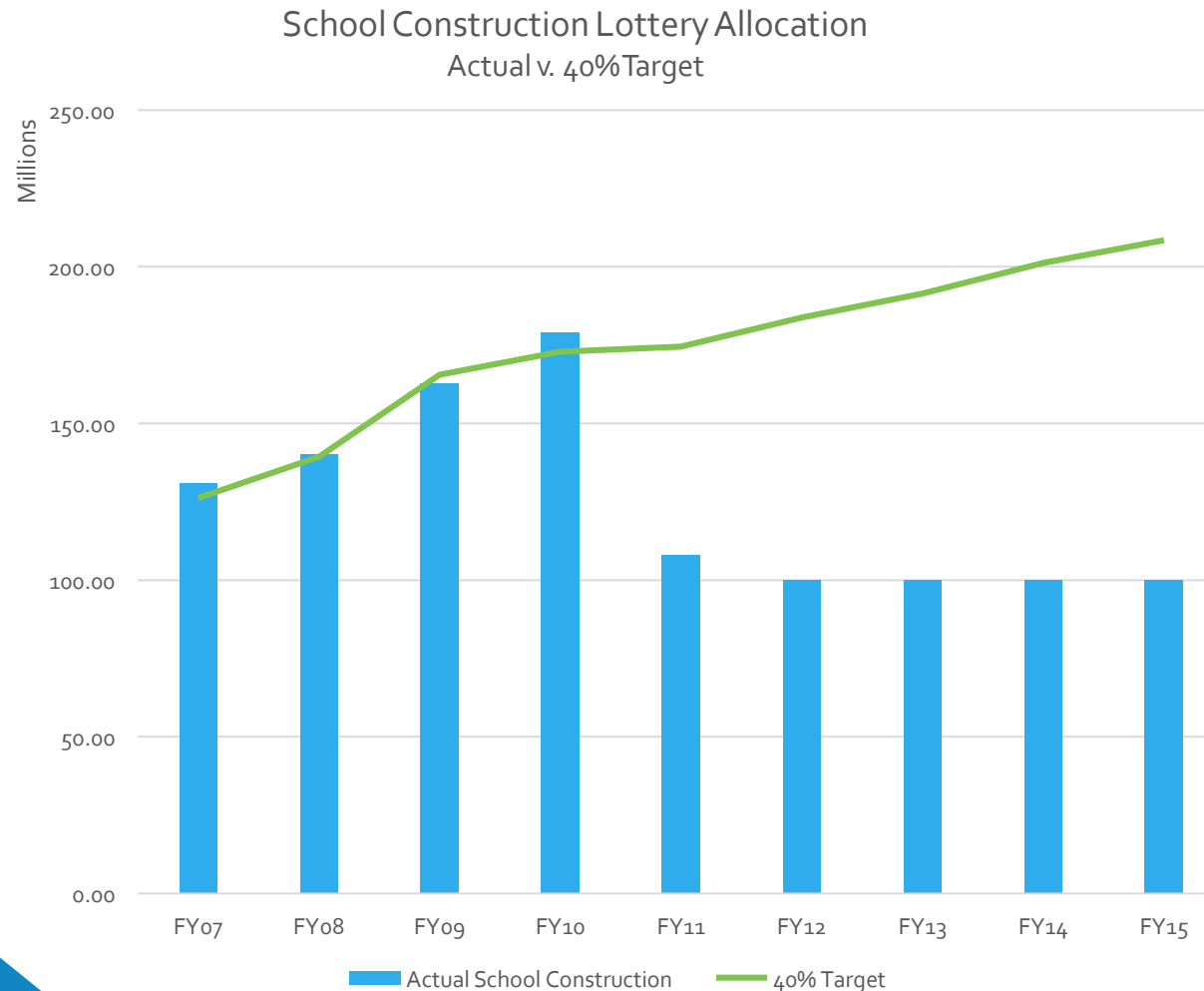
FY 2018-19	\$5,483,000
FY 2019-20	\$26,409,430
FY 2020-21	\$72,737,320
FY 2021-22	\$132,218,530
FY 2022-23	\$168,943,630
FY 2023-24	\$186,120,390



NC EDUCATION LOTTERY

Proceeds to Public School Building Capital Fund

NC Education Lottery



- Originally, counties received 40% of the lottery proceeds, which were dedicated to education for their school construction needs.
- The legislature now provides a “lump sum” appropriation of \$100 million statewide, a percentage equal to roughly 15% of the lottery proceeds dedicated to education (less than 1/2 of what would have been distributed).
- 75% of the lottery funds allocated to counties between 2011 and 2015 were spent on debt service rather than new construction.²⁵

PROPOSAL

- Restore statutory language to direct specified percentage of lottery proceeds to PSBCF
- Direct all growth in proceeds to PSBCF
- Direct all revenue greater than projections to PSBCF
- Distribution:
 - One portion based on low wealth/revenue generation
 - One portion based on ADM
 - Possible consideration given to facility needs and high-growth

CURRENT LEGISLATION

- S234 SBA Pay/Needs-Based Public School Capital Fund
 - Tillman, Brown, Hise
- H481 Restore Lottery Revenue Distribution Structure
 - Boles, McNeill

GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2017		H.B. 481 Mar 23, 2017 HOUSE PRINCIPAL CLERK
H	HOUSE BILL DRH30185-MQ-53 (03/06)	D
Short Title: Restore Lottery Revenue Distrib. Structure. (Public)		
Sponsors: Representatives Boles and McNeill (Primary Sponsors).		
Referred to:		
A BILL TO BE ENTITLED		
AN ACT TO RESTORE THE ORIGINAL REVENUE DISTRIBUTION STRUCTURE OF THE NORTH CAROLINA EDUCATION LOTTERY.		

GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2017		1
S	SENATE BILL 234	
Short Title: SBA Pay/Needs-Based Pub. Sch. Capital Fund. (Public)		
Sponsors: Senators Tillman, Brown, Hise (Primary Sponsors); Clark, Cook, Ford, Horner, McInnis, Rabin, and Smith-Ingram.		
Referred to: Rules and Operations of the Senate		
March 14, 2017		
A BILL TO BE ENTITLED		
AN ACT TO APPROPRIATE A PORTION OF LOTTERY REVENUES TO REFORM THE COMPENSATION STRUCTURE FOR SCHOOL-BASED ADMINISTRATORS AND FOR K-12 SCHOOL CONSTRUCTION BASED UPON COUNTY NEED AND ABILITY TO PAY FOR SCHOOL CONSTRUCTION PROJECTS AND TO MAKE CHANGES TO ADVERTISING COST LIMITATIONS IN THE NORTH CAROLINA EDUCATION LOTTERY.		



SALESTAX FLEXIBILITY

Articles 43 & 46



CURRENT LAW

Article 43

- Public transit only
- $\frac{1}{4}$ or $\frac{1}{2}$ cent
- 6 counties authorized; 4 counties levy
- Other counties do not need for public transit



CURRENT LAW

Article 46

- General purpose
- $\frac{1}{4}$ cent
- All counties authorized; 31 counties levy
- Referendum required

PROPOSAL

- Expand Article 43 to public education uses
- Increase Article 46 to 1½ cent
- Does not raise current caps
- Gives counties additional revenue for school capital needs

CURRENT LEGISLATION

- H333 Local Option Sales Tax Flexibility
 - S Martin, Hunter, Watford, Saine
- S166 Expand Local Option Sales Tax for Education
 - Randleman
- H437 Expand Local Option Sales Tax for Education
 - Rogers

Contact Information

- Richard Bostic:
rbostic@ncsba.org 919-747-
6677 (office)
919-971-9251 (cell)
- Johanna Reese: johanna.reese@ncacc.org
919-606-1327 (cell)

