



Public Schools of North Carolina

# Funding School Construction

Dr. Ben Matthews, Deputy Chief  
Finance Officer for Operations

Dr. Ken Phelps, Architect  
Lead School Planning Consultant

# Overview

1. “Construction” definition
2. Funding – Local, State, Federal
3. Recent Legislation
4. Proposal

# What counts as “Construction?”

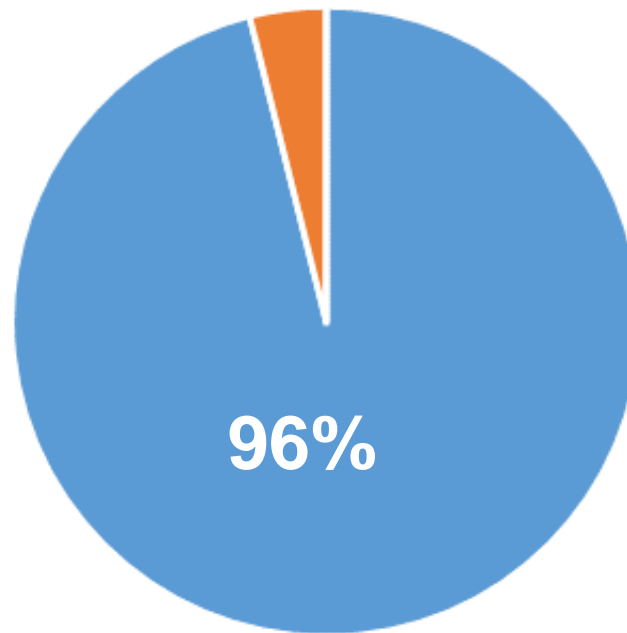
**Construction** includes:

- Land purchase
- Additions
- Renovations
- New buildings – excluding furniture and furnishings, textbooks, and equipment (unless built into the building)



# Local, state, and federal sources

Capital Outlay 2015-16



■ Local: 96.1%    ■ State: 3.9%    ■ Federal: <0.01%

# Local Funding- the major source

- Determined by county commissioners.
- Dependent on local economic and demographic conditions:
  - Tax base (the “wealth” of the county)
  - Tax rate (a “political” decision)
  - Allocation of funding among various competing needs.

# Other Local funding- Bonds and Certificates of Participation

Examples of recent successful bonds (in November 2016):

- Brunswick \$152 million
- Durham \$ 90.8 million
- Forsyth \$350 million
- Orange \$120 million
- Union \$ 54 million

# Local Bonds - Unsuccessful

- Onslow, \$75M in 2013: defeated
- Macon, \$42M in 2007: defeated
- Franklin, \$45M in 2006: defeated but \$53M in 2008: approved
- Davie, \$29M in 2003: defeated and \$37M in 2007: defeated but \$54M in 2014: approved

“If at first you don’t succeed....”



# Local Bonds- summary

Since 1995:

- 98 Bond Issues passed, with value of \$11.29 Billion. (84.65% by value.)
- 21 Bond Issues were defeated, with value of \$2.05 Billion. (15.35% by value.)



# Variations in local funding

## PER PUPIL CAPITAL EXPENDITURES, 5 YR. AVERAGE

<u>Rank</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
1	1,277.60	2,143.27	3,333.75
2	1,200.32	1,152.19	1,174.97
...			
6	1,116.99	991.59	878.70
State Average	455.86	451.21	454.32
110	93.59	90.63	83.97
...			
114	32.07	33.32	57.21
115	26.98	23.29	33.93
<b>Ratio, 110 to 6</b>	<b>1193.5%</b>	<b>1094.1%</b>	<b>1046.4%</b>

# State Funding- current

## The Public School Building Capital Fund

- The “ADM Fund” (no new revenue)  
Allocated \$1,620,595 in 2015-16
- The Education Lottery (2006 – present)  
Allocated \$105,033,891 in 2015-16  
Appropriated by lump sum, not per cent



# State Funding- previous

- School Facilities Finance Act- 1987
  - Increased corporate income tax
  - Created the Pub Sch Bldg Cap Fund
  - Created the Critical School Facility Needs Fund
- Public School Bond Act- 1996 (\$1.8 Billion)
  - Distributed \$30 million to Small Counties
  - Distributed \$1.770 billion on basis of...
    - ADM: 40%
    - High Growth: 25%
    - Ability to Pay: 35%



# Federal Programs

## QZABs

Year	Allocated	Issued	Expire
2012	13,318,000	-	12/31/2014
2013	13,318,000	2,985,878.00	12/31/2015
2014	13,540,000	-	12/31/2016
2015	13,269,000	13,269,000.00	12/31/2017
2016	13,269,000	4,270,427.50	12/31/2018
2017	none		
Remaining		8,998,572.50	12/31/2018

## QSCBs

\$0 Remaining allotment	all issued
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# Recent Legislation (S.L. 2014-42)

## Blue Ribbon Commission (Recommendations)

- GA fund repairs & renovations + O&M (not just new construction).
- GA recognize hardships of rural communities in funding schools, community colleges, and water/sewer systems.
- Develop uniform system to determine cost efficiency to build, lease, or renovate state building.

# Recent Legislation (S.L. 2016-94)

Survey by Consultant under P.E.D.

- Evaluate 10 (later reduced to 9) low-wealth LEAs
- Independently assess construction needs
- Determine the capacity of each county to raise revenue to meet facility needs
- Tabulate findings and rank the results

# Recent Legislation, 2017

- HB 481- Restore Lottery Formula
- HB 583- Capital & Infrastructure Fund
- HB 600- School Construction Flexibility (Operating Leases)
- HB 638- School Construction Grants &
- SB 234- Needs-based School Funding
- HB 866/HB 542- School Building Bond Act
- Appropriations Act

# Proposal

- The process of the study by the Outside Consultant (managed by P.E.D.) should be expanded to include all relevant LEAs
- Additional sources of state revenue (see 2017 Legislation, or other opportunities) should be pursued to provide revenue for school capital projects.



# Proposal, cont.

- Funding should be directed first to districts of greatest need
- Funding should be enough to “make a difference” – i.e., not distributed totally per ADM.
- Funding should support ALL purposes – new construction, additions, renovations, major repairs, consolidations, etc.

# Lead in Water: testing



# Questions?

