
SCHOOL FACILITIES

KEY ISSUES

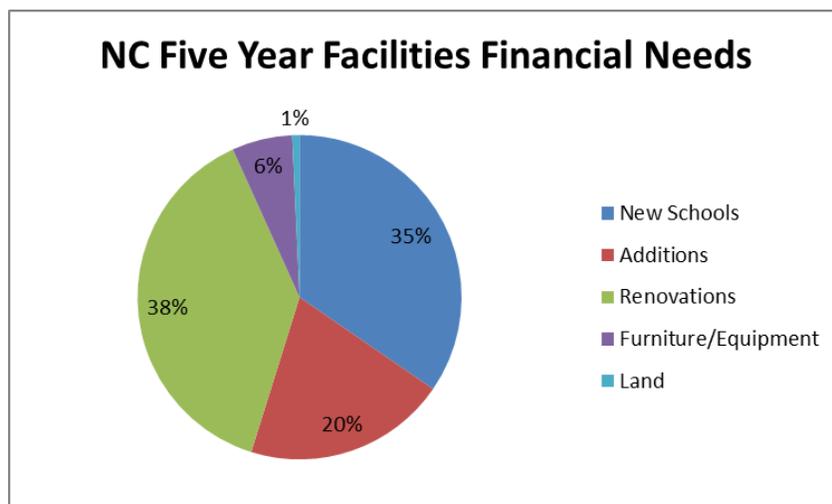
Since the 1930s, school facilities have officially been the responsibility of local districts, while operating costs (e.g., textbooks, instructional supplies, salaries) rested with the state. At present, however, these delineated responsibilities have encountered imbalance. Local school districts are funding operating costs at much higher rates. For example, in 2015-16, counties spent \$3.1 billion to fund instructional expenses (i.e., operating costs). LEAs provided funding for 16.3% of the total for principals and assistant principals, 6.1% of the total for teachers, 10.9% of the total for teacher assistants, and 21.2% of the total for professional instructional support personnel. The state, on the other hand, contributed around 2% on school capital (i.e., facility) needs.¹

Historically, NC has passed a statewide school bond referendum every ten years in order to address significant school facility needs. The last such statewide referendum was in 1996, at a cost of \$1.8 billion.

FACILITIES NEEDS SURVEY

The 2015-16 NC DPI Facilities Needs Survey estimated that \$8.1 billion is needed for new schools, additions, renovations, furniture and equipment, and land.² A breakdown of the facilities needs can be seen below.

This comprehensive survey also found that at least 118 new schools are needed across North Carolina: 50 are needed immediately, and approximately 68 are needed in three years. Besides new construction, the survey concluded that 1,560 schools need renovations to comply with safety and building code requirements and address deferred maintenance, and an estimated 459 schools need additions for new classrooms.



Source: 2015-16 NC DPI Facilities Needs Survey

¹ 2018 Local School Finance Study. Available at <https://www.ncforum.org/2018-local-school-finance-study/>.

² NC DPI 2015-16 Facilities Needs Survey. Available at [http://www.schoolclearinghouse.org/otherinf/FacilityNeedsSurvey/2015%20Facility%20Needs%20Survey%20\(SBE\).pdf](http://www.schoolclearinghouse.org/otherinf/FacilityNeedsSurvey/2015%20Facility%20Needs%20Survey%20(SBE).pdf).

NEEDS-BASED PUBLIC SCHOOL BUILDING CAPITAL FUND

In 2017, the General Assembly enacted a new Needs-Based Public School Building Capital Fund in the state budget with start-up funds at \$30 million. In 2018, the legislature increased this Fund by appropriating \$117,320,354 for 2018-19. The stated intent is to build up this Fund with additional Education Lottery revenues over time such that 40% of Lottery revenue will be dedicated to local school capital needs by 2028-29.³ This Fund, which is located in the NC Department of Public Instruction with the State Treasurer as its custodian, will award grants to counties designated as Development Tier 1 or Development Tier 2 to assist with their critical public school building capital needs. There is a matching requirement such that for Tier 1 counties, the grant cannot exceed \$3.00 in grant funds for every \$1.00 provided by the county. For Tier 2 counties, it is a 1:1 match.

In 2018, the General Assembly also enacted a new school building operational leasing option that allows districts in Tier 1 and 2 counties to enter into leasing agreements with developers that are not to exceed 25 years in length. These districts will be able to use grant funds not to exceed \$15 million (Tier 1) and \$10 million (Tier 2) from the Needs-Based Public School Building Capital Fund to enter into these leasing agreements.

Additionally, the General Assembly appropriated another \$100 million of Education Lottery funds in each year of the biennium (2017-2019) to a different fund, the Public School Building Capital Fund. From 2012-2018, the legislature has provided a “lump sum” appropriation every year in the amount of \$100 million statewide, to be shared among 100 counties. This equates to roughly 17% of the lottery proceeds.⁴ Based on approximations over the past three years, it costs about \$19 million on average to build an elementary school in North Carolina, \$27 million to build a middle school, and \$60 million to build a high school. Counties are also facing substantial debt obligations for school-related costs. Between 2011 and 2015, 75% of the lottery funds allocated to counties were spent to pay off debt rather than finance new construction.

2017-2018 SCHOOL BOND BILL (HOUSE BILL 866/SENATE BILL 542)

School facilities experts agree that the only solution to the statewide need for significant school building construction, renovation and repair is a statewide bond referendum. Public school advocates and legislators proposed such a solution in 2017 and 2018: The Public School Building Bond Act of 2017.⁵ This bill, however, did not pass in the 2018 short session. It would have put a bond referendum for public school facility grants to all 100 counties on the November 2018 statewide ballot asking NC voters to approve a \$1.9 billion bond. The amounts of grants were based on four categories for which each school system would have been eligible: 1) average daily membership (ADM); 2) low-wealth county; 3) ADM growth; and 4) small county. Proponents of the bill explained that interest rates are low, and the state has the debt capacity to support such a bond. Significantly, the bond would not have required any increase in taxes.

CLASS SIZE MANDATE (HOUSE BILL 90)

For several years, the General Assembly has expressed its intent through budget provisions and legislation to reduce class sizes in elementary grades in an effort to improve student achievement, especially increased

³ Session Law 2017-57, Section 5.3, Education Lottery Funds/Changes to Revenue Allocations/Needs-Based Public School Capital Fund. Available at <https://www.ncleg.net/EnactedLegislation/SessionLaws/HTML/2017-2018/SL2017-57.html>.

⁴ Lottery Funding for School Construction Isn't Enough. Available at <https://www.ncschoolbond.com/copy-of-environment>.

⁵ HB 866/SB 542 Public School Building Bond Act of 2017. Available at <https://www.ncleg.net/Sessions/2017/Bills/House/PDF/H866v2.pdf>.

literacy by the third grade. The General Assembly has done so in grades Kindergarten – Grade 3, as enacted in House Bill 90 “Changes to Education and Elections Laws.”⁶ The reduction of these class sizes (decreasing the student:teacher ratio) is relevant to school facilities needs in a significant way, as a reduced number of students per class requires increased facilities, especially when the student population has been on a steady increase in NC. Notably, the above-referenced NC DPI 2015-16 Facility Needs Survey did not take into account the new costs of construction to accommodate this reduction of class sizes as the survey occurred years before the General Assembly enacted this 2018 law. Therefore, the projected \$8.1 billion need for school facilities will be higher as a result of these enacted class size reductions through 2022.

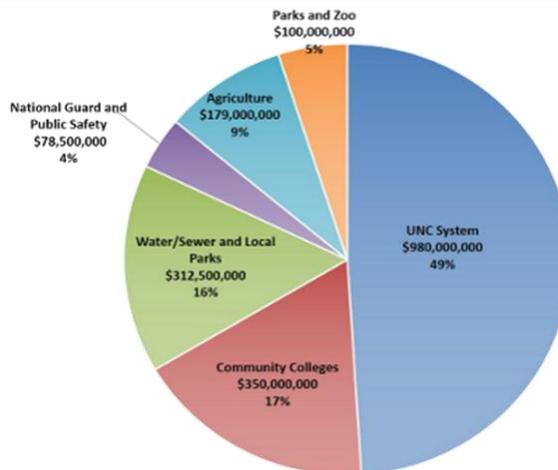
Session Law 2018-2 set forth the following on Class Size reductions and state funding for personnel:

1. In 2018-19, “program enhancement” teachers (e.g., Music, Arts, Physical Education, World Languages, etc.) for K-5 will be funded at \$61,359,225.
2. Phases in K-3 class size reductions over a 4-year period through 2021-22. Funding will increase by 25% each year so that the 1:191 ratio for K-5 “program enhancement” teachers will be 100% funded by 2021-22 as follows:

School Year	Grades	Class Size Average	Individual Class Size Cap
2018-19 ⁷	K-3	20	23
2019-20	K-3	19	22
2020-21	K-3	18	21
2021-22 & beyond	K	18	21
	1	16	19
	2-3	17	20

2016 CONNECT NC BOND

In March 2016, the \$2 billion Connect NC Bond Referendum passed in the statewide primary election.⁸ This bond primarily supported the UNC System and Community Colleges, along with parks, water/sewer, agriculture, and the National Guard/public safety. While the House and Senate versions of the original bill differed, ultimately, no funds were earmarked for K-12 education in the final legislation and referendum.



Source: Connect NC

⁶ Session Law 2018-2. Available at <https://www.ncleg.net/Sessions/2017/Bills/House/PDF/H90v5.pdf>.

⁷ See NC DPI’s Financial & Business Services webpage for the 2018-19 projected new positions (estimates only) by LEA. Available at <http://www.ncpublicschools.org/docs/fbs/hb90projections18-19.pdf>.

⁸ Connect NC. Available at <https://www.northcarolina.edu/connect-nc-bond>.