State of the State
in
School Construction

2018 NC A4LE Annual Conference
Wrightsville Beach, North Carolina
March 19, 2018
School Planning Section / NCDPI
Nathan Maune, AIA
We’ll discuss…

• School Construction Costs
• Population and Demographic Factors
• Facility Needs
• Capital Funding for Schools
• NC Legislation
• Whatever else comes to mind
So sit back, and enjoy your lunch...
School Construction Costs…

- National School Construction Data
- SF Costs of Schools in North Carolina
- General Economic Data
School Construction Spending

($ billions) (2017 is Estimated)

School Planning & Management magazine
NC New School Costs / SF

- Elementary
- Middle
- High

$ / SF

### NC New School Costs – 2017

--- A/E and LEA Self-Reported ---

<table>
<thead>
<tr>
<th></th>
<th>ES (8)</th>
<th>MS (1)</th>
<th>HS (0)</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost / SF</td>
<td>$207</td>
<td>$178</td>
<td>$0</td>
<td>$200</td>
</tr>
<tr>
<td>Cost / Student</td>
<td>$28,730</td>
<td>$33,150</td>
<td>$0</td>
<td>$29,497</td>
</tr>
<tr>
<td>Area / Student</td>
<td>139</td>
<td>187</td>
<td>0</td>
<td>147</td>
</tr>
</tbody>
</table>

Public Schools of North Carolina
Number of Projects Reviewed

<table>
<thead>
<tr>
<th>YEAR</th>
<th>New Schools</th>
<th>Addition &amp; Renov</th>
<th>Roof Project</th>
<th>Site</th>
<th>All Types</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>35</td>
<td>172</td>
<td>0</td>
<td>4</td>
<td>211</td>
</tr>
<tr>
<td>2010</td>
<td>22</td>
<td>225</td>
<td>50</td>
<td>7</td>
<td>304</td>
</tr>
<tr>
<td>2014</td>
<td>17</td>
<td>175</td>
<td>70</td>
<td>6</td>
<td>268</td>
</tr>
<tr>
<td>2015</td>
<td>13</td>
<td>69</td>
<td>26</td>
<td>2</td>
<td>110</td>
</tr>
<tr>
<td>2016</td>
<td>26</td>
<td>153</td>
<td>79</td>
<td>3</td>
<td>261</td>
</tr>
<tr>
<td>2017</td>
<td>24</td>
<td>142</td>
<td>48</td>
<td>2</td>
<td>216</td>
</tr>
<tr>
<td>2018 *</td>
<td>6</td>
<td>18</td>
<td>13</td>
<td>8</td>
<td>45</td>
</tr>
</tbody>
</table>

* YTD 2018
### Number of Projects Reported
(construction costs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td>5</td>
<td>9</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Middle</td>
<td>6</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>High</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>6</td>
<td>9</td>
<td>5</td>
<td>11</td>
<td>16</td>
<td>10</td>
<td>9</td>
</tr>
</tbody>
</table>

Number of new schools reviewed - 2014-2017: 80

Number of cost reports received - 2014-2017: 46
Construction Data Reporting…

• Provide Construction Cost Information
• Total SF and Bid Costs (*as awarded*)
• Complete and Return School Planning Form
  …or…
• Provide Schedule of Values Summary
  …*whichever is easier.*
Population and Demographics…

- Regional Trends in Population Growth
- ADM Trends in North Carolina
- Population Gains and Losses
## 2016-17 Population Change

<table>
<thead>
<tr>
<th>State</th>
<th>Increase</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>371,961</td>
<td>1.8</td>
</tr>
<tr>
<td>Georgia</td>
<td>119,008</td>
<td>1.2</td>
</tr>
<tr>
<td>Maryland</td>
<td>35,730</td>
<td>0.6</td>
</tr>
<tr>
<td>North Carolina</td>
<td>126,631</td>
<td>1.2</td>
</tr>
<tr>
<td>South Carolina</td>
<td>63,250</td>
<td>1.3</td>
</tr>
<tr>
<td>Virginia</td>
<td>58,212</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>U.S. Total</strong></td>
<td>2,591,665</td>
<td>0.8</td>
</tr>
</tbody>
</table>
NC Public Schools :: ADM

![Graph showing ADM from 2006-07 to 2017-18 with a steady increase and a slight dip in 2009-10.](image-url)
Changing Population

Population Growth, 2010-2020

Rate of Population Growth
- High, >14.2%
- Medium, 8.0%-14.2%
- Low, <8.0% Net In-Migration
- Low, <8.0% Net Out-Migration
- Population Loss, <0%
Population Density

Projected Population Density, 2020
(People/Square Mile)

People/Square Mile
- \( \leq 100 \)
- 101-250
- 251-500
- 501-1000
- >1000

Public Schools of North Carolina
Special Needs of Districts with Declining Population

Issues are Amplified for Smaller Districts…

• Facilities Needing Renovation
• Scarce Capital Funding
• Site Appropriateness – Size and Location
• Logistics and Transportation
• Local Political Challenges
School Facility Needs...

- School Planning Facility Needs Survey
- Program Evaluation Division Report
Why NC Schools Need Funds...

2015-16 FNS Report (DPI)

- Deferred Maintenance, 742
- Building Code / Life Safety, 301
- Replace Obsolete Facilities, 276
- All Other Justifications (9), 524

Public Schools of North Carolina
DPI Facility Needs Survey…

• Latest Report is 2015-16 *(five year cycle)*

• Facility Needs are Self-Reported by LEAs

• $8.0 billion across 115 Districts *(statewide)*

• $341 million across 9 LEAs
P.E.D. Facilities Survey Report

• Nine Counties
  – Anson, Bertie, Clay, Davie, Greene, Harnett, Jones, Scotland, and Yancey
• Originally Due to GA March 15, 2017
• Recently Presented to JL PED Oversight Committee on January 22, 2018

• $630 million across 9 LEAs (85% higher)
Capital Funding for Schools…

- Local Funding
- State Funding
- Federal Funding
Local Funding

- Property Taxes
- Bond Referenda
- COPs
- Public-Private Partnerships
**State Funding**

- Original “ADM” Corporate Tax Fund (1987)
  - Some LEAs Have Balances Available
  - Still Earning Interest
  - Local Matching Component
- PSBCF Lottery (2006)
  - $100 million / Fiscal Year / 115 LEAs (per ADM)
- Needs-Based PSBCF Lottery (2017)
  - $30 million / FY17-18
  - $75 million / FY18-19
NB PSCBF – Lottery Funding

• New Grant Funding – SL 2017-57, SL 2017-212

• SECTION 5.3.(d) It is the intent of the General Assembly to increase the amount of North Carolina Education Lottery net lottery revenue collected that is dedicated to assist local governments in meeting local school capital needs from sixteen and nine-tenths percent (16.9%) of net lottery revenue collected in the 2016-2017 fiscal year to forty percent (40%) of net lottery revenue collected no later than the 2028-2029 fiscal year.
NB PSCBF – Lottery Funding

• School Facility Needs in Low-Wealth Counties

• Tier 1 Counties beginning in FY 2017-18
  – $30m in FY17-18
  – $75m in FY18-19
  – $75m in FY19-20 (anticipated)

• Tier 1 & 2 Counties beginning in FY 2020-21
  – $75m (anticipated to continue / increase?)
NB PSCBF – Lottery Funding

- Application-Based Fund
- New School Buildings (not renovations)
- Not for Land Purchase or Operational Leases
- Planning, Design, and Construction
- Recipient Counties – 5-year Ineligibility (PSBCF)
  - Applies to ALL LEAs in the County
- Tier 1 Counties
  - Local Match of $1 / $3 Grant Funds
  - $15m Maximum Grant
- Tier 2 Counties
  - Local Match of $1 / $1 Grant Funds
  - $10m Maximum Grant
NB PSCBF – Lottery Funding

- First Year – ‘Standing Up’ the New Process
- School Planning Review Requirements
- Periodic Reporting
- Distribution Request Forms
  - Similar to ‘Regular’ PSBCF Distribution Process
  - Development of Forms and Process
  - Funds Allocated Quarterly (mirrors PSBCF)
- Application Period – FY18-19 (anticipated dates)
  - July 2018 – Guidance Issued
  - August 2018 – Applications Accepted
  - September 2018 – Grant Awards Announced
# Federal Funding

## QZAB's

<table>
<thead>
<tr>
<th>Year</th>
<th>Allotted</th>
<th>Issued</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>13,318,000</td>
<td>0</td>
<td>Expired</td>
</tr>
<tr>
<td>2013</td>
<td>13,318,000</td>
<td>2,985,878</td>
<td>Remainder expired 12/31/15</td>
</tr>
<tr>
<td>2014</td>
<td>13,540,000</td>
<td>0</td>
<td>Expired on 12/31/2016</td>
</tr>
<tr>
<td>2015</td>
<td>13,269,000</td>
<td>9,000,000</td>
<td>Remainder will expire 12/31/17</td>
</tr>
<tr>
<td>2016</td>
<td>13,269,000</td>
<td>0</td>
<td>Will expire 12/31/2018</td>
</tr>
<tr>
<td>2017</td>
<td>no bonds allotted</td>
<td></td>
<td>Program Terminated</td>
</tr>
</tbody>
</table>

## QSCB's

<table>
<thead>
<tr>
<th>Year</th>
<th>Allotment Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$0 remaining allotment</td>
</tr>
</tbody>
</table>

Public Schools of North Carolina
Federal Funding

- QZABs… Program Eliminated in New Tax Law
- Some ‘rumblings’ about bringing back QZABs
- QSCBs… Fully Allocated… No Further Availability
- Federal Infrastructure – Schools not Included
- Security Matching Grants (S.2495 & H.R.4909)
NC Legislation
NC Legislation

• Needs-Based Grants – Capital Funding
• Panic Alarm Grants – Will Funding Resume?
• K-3 Class Size – 3 Year Phase-In
  – $60 m – Art, Music, & other ‘non-Core’
  – $82 m – Expansion of Pre-K
• Study Committee – Division of Districts
• Select Committee on School Safety
**NC Legislation**

Class Size Funded Allotment Ratios

K 1:18

1st 1:16  
3-Year Phase-In (S703)

2nd-3rd 1:17

4th-12th “maximum flexibility”

Individual classroom not to exceed allowable ratio by more than 6 students.
NC Legislation

• State-Wide School Construction Bonds
  – HB 866 – may or may not be considered
  – How much? $1.8 billion? $1 billion?
  – How distributed? ADM plus Local Match?
    • Low wealth?
    • Tier 1?
    • Tier 2 & Tier 3?
    • High Growth?
    • Population decline???
NC Legislation

• Operating Leases of School Buildings
  – Understand the duration of the lease commitment and your total borrowing costs vs. a “standard” bond.
  – Understand the scope of your control over design, maintenance, repairs, & future renovations.
  – Understand the agreement in regard to guarantee of savings, source of funding, and identification of all costs.
Opportunities and Reminders...

- Submit Small Projects not Designed by A/E
- Consider Maintenance Costs in Design
- Consider all Possible Funding
- Advocate for School Facility Funding
- Provide Construction Costs
- Engage with School Planning
Thank You!