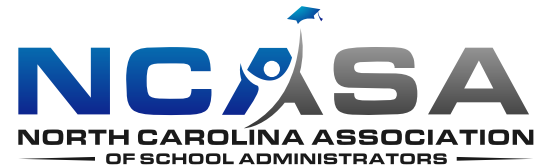


APPROVE SIGNIFICANT STATE INVESTMENT IN SCHOOL FACILITIES



BACKGROUND | In school districts across the state, many children are currently being taught in overcrowded classrooms, deteriorating buildings without air conditioning, and rusted temporary mobile trailer units. In 2016, the Department of Public Instruction (DPI) identified over \$8 billion in school capital needs through 2021, and these needs have only increased with the K-3 class size mandate beginning to take effect. While traditionally the state has covered the operational needs of public schools, including personnel, and local counties have maintained responsibility for facilities, these lines have blurred over the years, with counties putting in almost \$3 billion annually to supplement state support for operations, and the state periodically investing in school facilities to help counties meet vast needs they cannot meet alone. With the last K-12 bond approved in 1996, we are now nearing a crisis in school facility needs — exacerbated in parts of the state from major hurricane damage — in which a significant state investment is critical for lawmakers to authorize in 2019. NCASA is encouraged to see that legislators in both the Senate and House of Representatives, as well as Governor Roy Cooper, have already made school facilities funding a top priority in the 2019 legislative session.

OPTIONS FOR STATE SUPPORT

Senate Bill 5: Building North Carolina's Future

- Proposes to generate \$2 billion each for K-12 schools, community colleges and universities, and state agencies over 9 years through a “pay-as-you-go plan.”
- Funds school capital projects by increasing the amount of earmarked net tax revenue from 4% to 4.5% and dedicating 1/3 of the funds to public school construction.
- **PROS:** Begins in FY 2019-20; does not require debt service costs; and includes school safety projects as approved repairs/renovations.

- **Remaining Questions:** What specific allotment criteria will be used? What impact will this plan have on the availability of funds for other critical school needs?

House Bill 241: Education Bond Act of 2019

- Proposes \$1.9 billion statewide school bond, providing \$1.5 billion to K-12 public schools and \$200 million each to community colleges and the UNC system.
- Distributed based on the following four categories: average daily membership (ADM), low-wealth, ADM growth, and adjustment factor to ensure \$10 million minimum for each county.
- Requires individual counties to provide local funds to match funding provided by the state bond, but not including funds allocated from a low-wealth or adjustment factor designation.
- **PROS:** Guarantees funding through future legislative sessions; and provides clear distribution criteria.
- **Remaining Questions:** What impact will this plan have on the State's debt affordability? How long will it take for schools to receive funds?

Invest NC Proposal from Governor Roy Cooper

- \$3.9 billion construction bond package proposed by Governor Cooper in his 2019-2021 Recommended Budget.
- Provides \$2 billion for K-12 school facilities improvements, with each county receiving a minimum of \$10 million in facilities funding. Additional money provided based on ADM and low-wealth designations.
- **PROS:** Guarantees funding throughout future legislative sessions; provides clear distribution criteria; and provides the most money to K-12 schools at the fastest rate.
- **Remaining Questions:** What impact will this plan have on the State's debt affordability? What is the practical likelihood of this plan being approved by the Republican-controlled General Assembly?

RECOMMENDATION | NCASA urges lawmakers in 2019 to authorize a major statewide school bond referendum to ask voters in March 2020 to approve state debt for building and renovating school facilities statewide. This significant, stable funding stream over a 10-year period is our top priority for approval, but we also recommend lawmakers consider other viable options, such as the pay-as-you-go method, to facilitate this bond package and address other state capital needs while leaving adequate General Fund revenue intact to cover other state needs, including those for public school operations and personnel.