

## Where does funding to build, renovate and maintain schools come from?

<p><b>Annual Capital Funding</b></p>	<p>The Board of Education makes a list of capital projects and prioritizes them each year to request annual funding from the Board of Commissioners during the budget process. Commissioners typically determine a funding level and approve the priorities set by BOE up to that amount. Funding in current year, FY 24, totals \$3 million in capital funds approved and \$13.3 million in county contribution to operational funding.</p>
<p><b>State Lottery Funding</b></p>	<p>The NC Education Lottery puts some of the proceeds from the lottery into an account for each county to use for capital funding. The Board of Education approves an application to use lottery funding for a project and then commissioners must also approve in order to draw down the funds for use. Most recently, these funds were used to support the Pisgah Forest Elementary Piping Project and Roofs at Rosman Middle/High. The lottery revenue also supports grants as covered in the grant category below.</p>
<p><b>Financing/Borrowing</b></p>	<p>The State of North Carolina makes the rules for how counties can finance projects including schools. Private banks will fund projects under \$20 million for up to 20 years with a commercial bank loan, but larger projects require the sale of bonds with payback up to 20 year terms. Both loans and bonds require commitment of property tax to repay. The NC Local Government Commission governs financing requirements and must approve all financing.</p>
<p><b>Grants</b></p>	<p>There are not a lot of grants for public school buildings available, but the NC Public Lottery Fund does have a grant program that Boards of Education and Boards of Commissioners can jointly apply for funding called the Public School Needs Based Capital Grant Fund. These applications receive points for different factors including for if it is a consolidation and how many students the school site will serve vs the total making larger student schools in a district and consolidation plans the most competitive. Transylvania applied for funding last year for projects at RHS/RMS and BHS and did not score high enough to receive funding. Most recently, Franklin High in Macon County was awarded \$62 million to contribute towards a \$110 million consolidated high school to serve 1,400 students. The points categories for these grants are:</p> <ol style="list-style-type: none"> <li>a. Those who have received an award, but need more funds and have not started a project are prioritized <i>Does not apply to TC</i></li> <li>b. Priority points for for Tier 1 Counties. Does not apply to TC</li> <li>c. The 3<sup>rd</sup> criteria looks at the county's value of each penny to gauge and rank the ability to generate tax revenue.</li> <li>d. The 4<sup>th</sup> criteria ranks counties based on the current debt to tax ratio.</li> <li>e. Ranking of whether the request addresses critical deficiencies</li> <li>f. New construction or complete renovation gets points.</li> <li>g. Projects that consolidate one or more schools either with new construction or to one existing site receive points</li> <li>h. Counties that have not received a grant in three years prior</li> <li>i. Start date of construction (closer dates on applications get higher priority)</li> <li>j. Percentage of District ADM served (larger % of students on the site vs the total district)</li> </ol>



## **Funding and Bond FAQs**

### **What has happened to the bond money?**

There isn't bond money- yet. Bonds are a financing method where bonds are sold in order to gain revenue to complete a capital improvement. Bonds cannot be sold until a project is designed and the project has already gone out to bid. Once the bonds are sold, only the professional fees like architect and engineer fees can be reimbursed from the funding. The bonds can be sold up to 10 years from the vote (Nov 2028) up to the amount put on the referendum. The referendum does allow for bond financing to support all Transylvania K-12 schools including Rosman High, Rosman Middle and Brevard High.

### **What about the 10.5 cent tax increase for FY 20?**

The initial increase was based on the first expected payment if the bonds were sold in 2021 as projected. With projected interest rates that was \$6.2 million. The valuation of property and the total tax rate changes over time and there is no designation of property tax beyond what commissioners adopt each year in the county budget. They can also move funds out of capital funds depending on financial planning such as when they chose to finance. The reality is that commissioners set the tax rate each year based on the adopted budget. They have continued to include moving funds into the education capital fund- a fund on county books set up for their financial planning of multi year projects- for the last 4 years using that initial estimate amount and starting in FY 20 in the year after the bond vote. Commissioners are responsible for a lot of different services and capital needs and can adjust that amount based on the needs of the county, which includes the school system.

### **What is the status of the bond projects?**

Transylvania County is known for the county commitment to fund schools at a high level for our peers and that is a positive testament to elected officials and to the citizens of the county. The Board of Education and Board of Commissioners had plans going into the bond referendum in 2018 before the COVID Pandemic changed everyone's realities. Both the county and schools were overwhelmed with operating through the shut down to serve citizens and students. Between original timeline delays, supply chain, rapid increases in construction costs and rising interest rates, the original project plans cannot be built for \$68 million and the projected payments on the debt will also be higher. The two boards are now working on a plan to invest in the needs of school facilities and will need to revise the projections for payments to adjust the original financial plan.

### **Has any of the \$68 million original project budget been spent?**

Yes- architect and CMAR fees were approximately \$4 million. This was part of the \$68 million budget from the school system and those professionals were hired by them directly to perform work with funds coming from the education capital fund. The balance of cash in the education capital fund at the end of FY 23 was \$21 million. Commissioners have transferred \$6.2 million in property tax collections each year into the education capital fund. That number is based on the original projection from interest rates during the bond referendum for the bond debt payment initially scheduled to start in 2021. Interest earned by the funds are allocated back into the education capital fund for use on education capital projects along with other county revenues such as property and sales tax allocated for education capital. All education capital projects over \$50,000 approved for funding are tracked in the education capital fund along with the revenues to fund them.

### **If Step 1 is approximately \$62 million, why not go ahead and sell \$68 million of bonds?**

The financial advisor has indicated that selling a first tranche is the best way to use this financing method to address the urgent needs in Step 1 in the short term. Full bond sale is more likely to require bids in hand which will make the process take longer. If the bond sale is not on the agenda for the LGC by October, then another opportunity will not be available until the Spring of 2025 due to the audit requirements. The county will need to start the financing process in July at the latest to be able to leverage financing by the end of 2024. Any remaining bond sale funds will be available with a second tranche sale up until the referendum sunset in 2028.