



TRANSYLVANIA
— COUNTY —
N O R T H C A R O L I N A

BOARD OF COMMISSIONERS

Education Funding Data Presentation 11-29-17

Setting the Stage

- In NC, Boards of Education are elected, but do not have authority to levy tax or any other revenue source.
- Boards of Commissioners are required by law to fund capital for education (buildings, etc) including capital needed annually to maintain facilities and take on debt for large capital projects such as new construction. Originally, state funding was intended to operate schools and pay salaries. In recent history, counties have also begun funding for annual expenses to operate in addition to capital funding. (\$11.2 million for FY 18)
- Federal and State funding is used to operate except for lottery funds
- No request for large capital funding has yet been made from the Board of Education or staff although discussions have been underway

Setting the Stage- Funding Types

- Ways the County provides education funding:
 - Current Expense Funding: This is used for annual non-capital expenses with discretion from the school system on usage \$11.8 million for FY 18
 - Annual Capital Funding: This is used for capital expenses. The school system usually sends a prioritized list. At one time these were broken into categories that match the state legislation with some being required support and others discretionary. \$1.8 million for FY 18
 - Debt Service: This is for debt payments for larger projects and included in the annual budget as county debt. \$953k for FY 18
 - Lottery Funds: The state collects funds and then distributes back to counties, but counties must sign off on school system applications for projects to use the funds. May not be used for anything other than capital

Education Funding Analysis: Why?

- Goal: Looking at comparison data will allow both the Board of Education and County Commissioners to discuss ways to utilize funding for the maximum gain and to facilitate a community conversation that should inform elected officials on both boards of community priorities
 - Some data points were listed in quotes in the paper covering BOE meetings such as requests to compare county and school capital budgets
 - No formal request from the school system has been made on a bond, bond program or bond amount. A figure of \$93 million was used in fall 2016 during a capital planning workshop hosting both boards. A bond at that level would net in almost a 12 cent property tax increase or a 23.5% increase in tax bills (excluding fire or city/town tax)

Methodology and Sources

- Benchmarking:
 - Neighbor Counties (Jackson, Henderson, Buncombe, Haywood)
 - Peer comparison Counties for economic data (Scotland, Macon, Bladen, Dare, Montgomery, Jackson)
 - Peer comparison as submitted by Superintendent (Ashe, Greene, Martin, Anson, Cherokee, Jackson, Montgomery)
 - Two large urban and two small rural to test the data (Wake, Mecklenburg, Tyrell, Hyde)
- Sources:
 - North Carolina Department of Public Instruction Datasets (Facility Needs Surveys)
 - North Carolina Association of County Commissioners Budget and Tax Survey
 - Annual Financial Reports for School Systems
 - Transylvania County School System Budget Requests Since FY2003
 - Transylvania County Budgets Since FY2003

Key Points

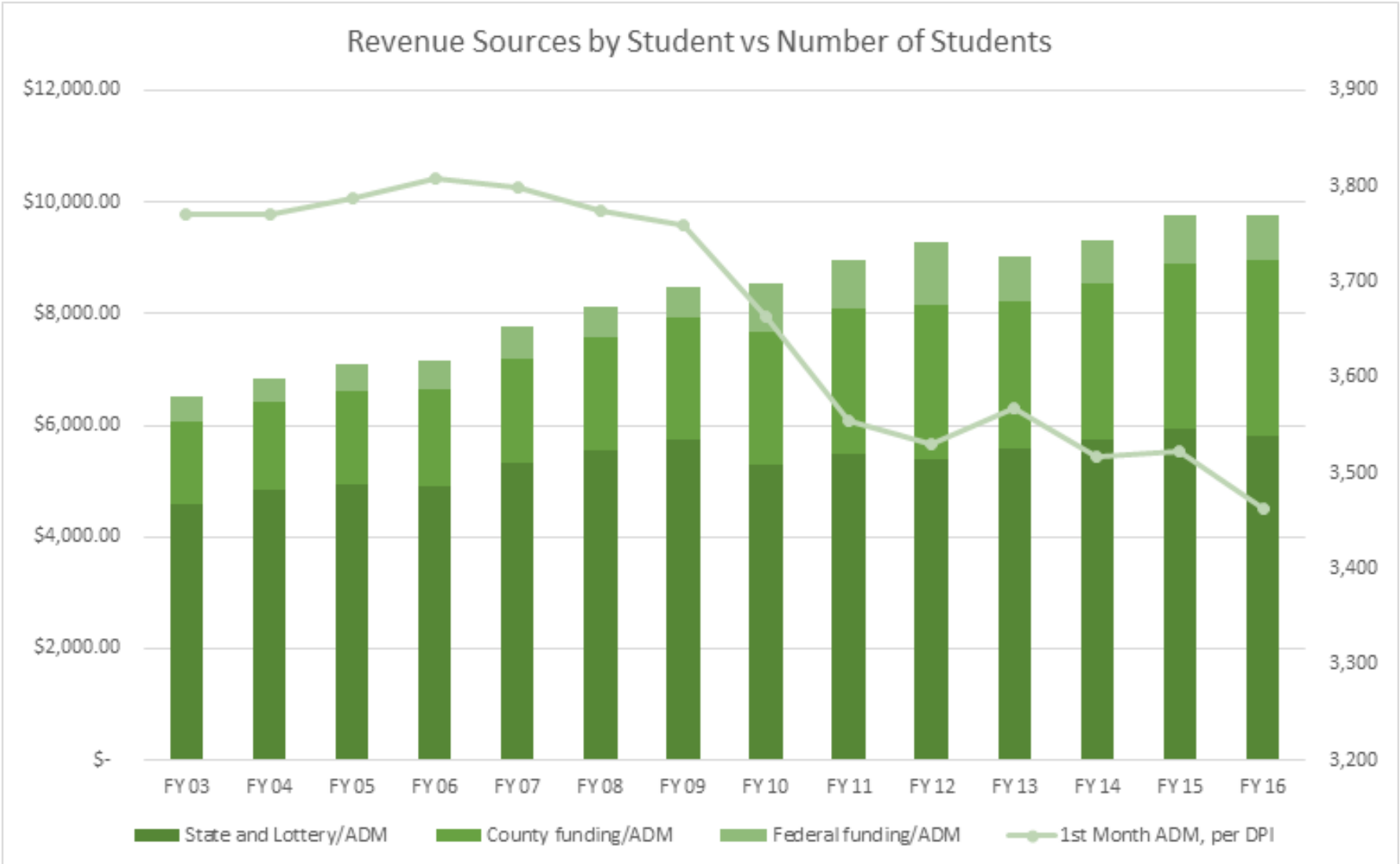
- As reflected in the budget presentation annually, the county funds annual operating expenses, or “current expenses” at the fifth highest per student rate in the state. This analysis, showed that By Any Standard, Transylvania County Government funds schools better relative to economic peers, school system peers and neighbors in both capital and annual expenses.
- Transylvania County has appropriated more for school system capital needs than for other governmental needs
- Transylvania County School’s Plant Operations (i.e. annual maintenance) budget is higher than Transylvania County’s annual maintenance budget. (More Services Are Contracted Out)
- Including Lottery Funds, Additional Revenues and Fund Balance Drawdowns raises questions of what needs were actually deferred
- Communication could be improved to show year to year what gets deferred on capital after the request is funded

Transylvania County Schools are funded well compared to peers

School System	Students	FY 16 Total Expenses Per Student	FY2016 State Revenue per Student	FY2017 Total Local Funding Per Student	FY2016 Total School System Budget	% in Charter School
Hyde	589	\$18,223.72	\$12,540.78	\$3,136.31	\$10,733,772	0.00%
Tyrrell	600	\$14,899.28	\$11,140.85	\$1,403.47	\$8,939,565	0.00%
Dare	4,976	\$11,853.34	\$5,793.99	\$4,637.28	\$58,982,202	0.03%
Martin	3,151	\$11,781.77	\$ 7,335.31	\$1,983.78	\$37,124,342	11.20%
Transylvania	3,402	\$11,637.66	\$5,905.78	\$3,888.10	\$39,591,307	7.80%
Anson	3,329	\$10,740.81	\$7,474.67	\$1,136.86	\$35,756,159	0.05%
Scotland	5,821	\$10,694.42	\$6,769.54	\$1,882.50	\$62,252,209	0.10%
Greene	3,110	\$10,630.77	\$ 7,460.29	\$900.85	\$33,061,683	0.03%
Montgomery	3,910	\$10,582.88	\$6,749.21	\$1,396.16	\$41,379,045	3.50%
Ashe	3,004	\$10,564.88	\$ 7,053.26	\$1,578.53	\$31,736,909	0.05%
Bladen	4,511	\$10,424.82	\$6,454.39	\$3,719.96	\$47,026,348	0.58%
Cherokee	3,294	\$10,389.37	\$ 6,190.82	\$1,987.49	\$34,222,589	0.55%
Wake	157,763	\$10,307.61	\$5,318.52	\$2,598.27	\$1,626,159,706	6.40%
Jackson	3,754	\$10,246.45	\$6,031.72	\$2,092.94	\$38,465,173	6.70%
Macon	4,341	\$10,140.09	\$6,132.29	\$4,503.01	\$44,018,150	1.40%
Haywood	7,156	\$10,102.01	\$5,624.95	\$2,200.66	\$72,289,987	5.20%
Buncombe	28,730	\$10,067.65	\$ 5,581.64	\$2,876.50	\$289,243,515	0.61%
Mecklenburg	145,830	\$9,623.30	\$ 5,185.22	\$2,869.46	\$1,403,366,000	10.20%
Henderson	13,467	\$8,562.67	\$5,647.86	\$1,924.70	\$115,313,418	4.40%

NOTE: By state law, Transylvania County schools must send a portion of local funding to the charter school annually based on the number of students that elect to attend there. The total amount sent in FY 17 was \$890,000. If you remove that amount from the school budget then the total funding per student attending in the school system is \$11,376.

Funding has grown as a total from all sources (state, federal, local) with declining student population



Transylvania County has appropriated more for school systems than other capital needs and operates with less annual maintenance costs.

- ❑ There is some argument of different usage types in each facility
- ❑ County buildings averaged \$750k total over 10 years
- ❑ School System averaged \$1.4 million over same time period
- ❑ Total budget for County maintenance comparison to Plant Operations found:
 - ❑ Roughly same average age of square footage per building
 - ❑ \$320k annual cost difference between personnel and contract services (contracted out HVAC, grass) that could be evaluated further for potential efficiencies in school facilities
 - ❑ HVAC expenditures are high in schools (\$1.5 million spent in capital funding on HVAC costs over 10 year period)
 - ❑ Generic capital expenditures on the request sheets totaled \$1.7 million over the same time period

NOTE: This comparison was requested in the newspaper by a Board of Education member along with a comparison of capital expenses from schools vs county. Usage type of the buildings may play a role in some of the differences. For instance, schools are used by students heavily 9 months out of the year while county facilities are used throughout the year by all age groups in varying amounts building to building. For instance, the library, courthouse or community services buildings are visited by more people on a regular basis than the Board of Elections building

Capital funding is on par with urban counties in funding per facility, funding per student count and overall funding

Counties / School System	Student Count in August 2016	Number of Schools	Total FY 2017 Local Budget (Current Expense + Capital) ²	Local Expenses by Number of Schools	Local Expenses by Student Count
Mecklenburg	145,830.00	171	\$ 418,453,792.00	\$ 2,447,098.20	\$ 2,869.46
Wake	157,763.00	171	\$ 409,911,000.00	\$ 2,397,140.35	\$ 2,598.27
Dare	4,976.00	11	\$ 23,075,113.00	\$ 2,097,737.55	\$ 4,637.28
Macon	4,341.00	11	\$ 19,547,575.00	\$ 1,777,052.27	\$ 4,503.01
Buncombe	28,730.00	51	\$ 82,641,869.00	\$ 1,620,428.80	\$ 2,876.50
<i>Transylvania</i>	3,402.00	9	\$ 13,227,315.00	\$ 1,469,701.67	\$ 3,888.10
Bladen	4,511.00	13	\$ 16,780,761.00	\$ 1,290,827.77	\$ 3,719.96
Henderson	13,467.00	23	\$ 25,920,000.00	\$ 1,126,956.52	\$ 1,924.70
Haywood	7,156.00	16	\$ 15,747,929.00	\$ 984,245.56	\$ 2,200.66
Ashe	3,004.00	5	\$ 4,741,903.00	\$ 948,380.60	\$ 1,578.53

Transylvania County has a low number of students per school

Counties / School System	High Schools	Middle Schools	Elementary Schools	Alternative Schools	Total Schools	Average Number of Students Per School
Wake	27	34	106	4	171	923
Mecklenburg	27	27	109	8	171	853
Ashe	1	1	3	0	5	601
Henderson	5	4	13	1	23	586
Buncombe	11	12	27	1	51	563
Greene	2	2	2	0	6	518
Dare	3	2	5	1	11	452
Haywood	4	3	9	0	16	447
Jackson	3	0	5	1	9	417
Scotland	2	3	8	1	14	416
Macon	2	2	4	3	11	395
<u>Transylvania</u>	<u>2</u>	<u>2</u>	<u>4</u>	<u>1</u>	<u>9</u>	<u>378</u>
Montgomery	2	2	6	1	11	355
Bladen	2	4	7	0	13	347
Martin	2	2	6	0	10	315
Anson	4	2	5	0	11	303
Cherokee	4	2	7	1	14	235
Tyrrell	1	1	1	0	3	200
Hyde	1	0	1	1	3	196

Transylvania County has the 2nd highest annual appropriation for capital of the 19 counties

Counties / School System	Student Count in August 2016	Number of Schools	Capital Outlay FY2017	2017 Capital Outlay by Number of Schools
Buncombe	28,730.00	51	\$ 13,318,569.00	\$ 261,148.41
<i>Transylvania</i>	3,402.00	9	\$ 1,800,000.00	\$ 200,000.00
Macon	4,341.00	11	\$ 1,729,091.00	\$ 157,190.09
Jackson	3,754.00	9	\$ 1,030,700.00	\$ 114,522.22
Hyde	589.00	3	\$ 274,760.00	\$ 91,586.67
Greene	3,110.00	6	\$ 484,644.00	\$ 80,774.00
Bladen	4,511.00	13	\$ 1,009,516.00	\$ 77,655.08
Dare	4,976.00	11	\$ 850,000.00	\$ 77,272.73
Henderson	13,467.00	23	\$ 1,600,000.00	\$ 69,565.22
Martin	3,151.00	10	\$ 596,888.00	\$ 59,688.80

Transylvania County reported capital needs are higher than other like jurisdictions

Counties / School System	Self Reported Facility Needs Survey FY2016	Facility Needs Ratio Per Student	Facility needs Ratio Per School	Most Recent School Construction
Wake	\$ 866,928,008.00	\$ 5,495.13	\$ 5,069,754.43	2016
Mecklenburg	\$ 439,176,801.00	\$ 3,011.57	\$ 2,568,285.39	2016
<u>Transylvania</u>	<u>\$ 101,416,269.00</u>	<u>\$ 29,810.78</u>	<u>\$ 11,268,474.33</u>	<u>1991</u>
Henderson	\$ 100,884,892.00	\$ 7,491.27	\$ 4,386,299.65	2013
Anson	\$ 85,522,286.00	\$ 25,690.08	\$ 7,774,753.27	-
Buncombe	\$ 63,792,812.00	\$ 2,220.43	\$ 1,250,839.45	2016
Macon	\$ 41,929,653.00	\$ 9,658.98	\$ 3,811,786.64	2010
Ashe	\$ 29,014,949.00	\$ 9,658.77	\$ 5,802,989.80	2000
Martin	\$ 14,592,184.00	\$ 4,630.97	\$ 1,459,218.40	2011
Cherokee	\$ 12,986,164.00	\$ 3,942.37	\$ 927,583.14	-
Greene	\$ 9,098,980.00	\$ 2,925.72	\$ 1,516,496.67	-
Jackson	\$ 5,201,596.00	\$ 1,385.61	\$ 577,955.11	2016
Montgomery	\$ 4,557,160.00	\$ 1,165.51	\$ 414,287.27	2009
Scotland	\$ 4,080,630.00	\$ 701.02	\$ 291,473.57	2010
Haywood	\$ 3,882,413.00	\$ 542.54	\$ 242,650.81	2016
Hyde	\$ 3,201,776.00	\$ 5,435.95	\$ 1,067,258.67	-
Tyrrell	\$ 120,156.00	\$ 200.26	\$ 40,052.00	-
Dare	\$ -	\$ -	\$ -	2016
Bladen	\$ -	\$ -	\$ -	1999

Local Capital Funding History

- By state legislation, lottery funds are to be used to supplement capital needs that are the responsibility of County Governments.
- Evaluation of school system capital requests since FY 03 against funding from the county, lottery and other capital funding such as donations reflect \$961,030 of requested needs not funded over the 13 year period.

	CO Funded	CO Request	Cumulative Difference
FY05	1,325,022	1,498,990	173,968
FY06	1,857,197	1,675,000	(8,229)
FY07	2,218,385	2,241,135	14,521
FY08	1,868,385	3,123,055	1,269,191
FY09	1,868,385	2,317,844	1,718,650
FY10	1,046,963	2,011,533	2,683,220
FY11	1,046,963	2,291,089	3,927,346
FY12	746,963	846,963	4,027,346
FY13	1,000,000	1,868,385	4,895,731
FY14*	1,888,563	1,800,000	4,807,168
FY15	1,600,000	1,600,000	4,807,168
FY16	1,600,000	2,110,824	5,317,992

*Includes \$165,703 loaned to schools for BHS athletic field lighting and \$122,860

Transylvania County is comparable to other jurisdictions on school financing practices but has lower debt

Counties / School System	Most Recent Successful GDO Bond Referendum for Schools	Debt Issued in Most Recent Bond Sale	Most Recent Alternative Financing (COPS, QZAB, QSCB)	Debt Issued in Alt Financing	Immediate Prior Bond Referendum (if applicable) post 1995
Dare	5/20/1997	\$ 59,500,000.00	7/1/2014	\$ 3,073,000.00	---
Wake	10/8/2013	\$ 810,000,000.00	3/2/2017	\$ 96,152,094.00	10/7/2006
Macon	11/6/2007	\$ 42,100,000.00	8/1/2015	\$ 2,985,878.00	---
Mecklenburg	11/5/2013	\$ 290,000,000.00	10/18/2016	\$ 150,000,000.00	11/6/2017
Henderson	---	\$ -	6/3/2010	\$ 24,271,510.00	11/18/1997
Ashe	---	\$ -	11/22/2010	\$ 2,896,202.00	---
Buncombe	10/5/1999	\$ 45,000,000.00	12/16/2010	\$ 3,675,000.00	---
Martin	7/12/2005	\$ 17,100,000.00	5/19/2011	\$ 15,000,000.00	---
Hyde	---	\$ -	10/18/2010	\$ 3,002,692.00	---
Bladen	9/15/1998	\$ 25,000,000.00	9/20/2011	\$ 1,523,700.00	---
Jackson	---	\$ -	11/27/2012	\$ 2,284,380.00	---
Montgomery	---	\$ -	9/1/2012	\$ 3,132,538.00	---
Haywood	5/3/2005	\$ 25,000,000.00	12/1/2013	\$ 1,700,000.00	---
Transylvania	11/4/1997	\$ 24,300,000.00	3/2/2010	\$ 1,297,778.00	---
Scotland	11/5/1996	\$ 18,600,000.00	7/15/2010	\$ 3,000,000.00	---
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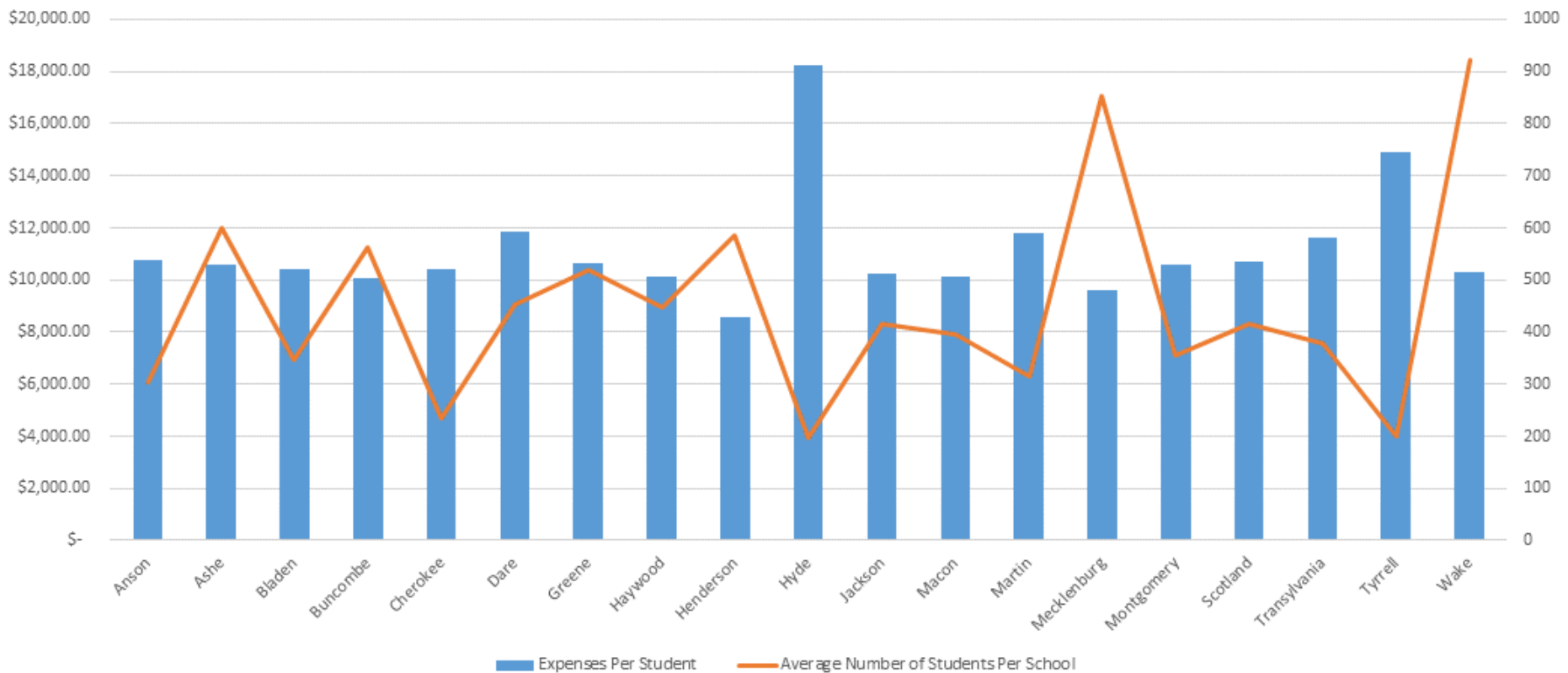
Funding from cash reserves- Fund Balance

- Counties, but not schools, are required by the local government commission to carry a minimum of 8% fund balance reserves.
- However, bond rating agencies require that jurisdictions carry comparative fund balances to like size counties to receive a good rating for lending and to achieve lower rates.
- Transylvania County's fund balance overall has decreased over the years and is at 26% as of FY 16 (currently less); undesignated is at \$12.5 million
- Conversations with LGC reflect it would not be wise to draw down the fund balance significantly if there is any need for loans, COPs or bonds on the horizon.

How can this type of data be used?

- Collaborate with other systems to see how they are operating on less but maintaining or increasing student achievement
- Be able to compare options and have the community conversation so that the public can make priorities known to elected leaders. For instance, maybe we would rather pay more to achieve a community goal.

Total Expenditures by Student VS Average Number of Students Per School



Case Study: Scotland County

- Scotland had 416 students/ school compared to Transylvania at 378 students/ school. They are less economically sound as a county and rank lower on student performance based on DPI scores.
- Scotland County BOE approached Commissioners about a plan
 - ▣ Meet capital needs without a tax increase
 - ▣ Achieve operational savings by consolidating schools from 14-9 over three phases
 - ▣ No layoffs of staff
 - ▣ Achieved \$2.5 million in savings of local property tax funds or \$429 per student
 - By agreement \$500k going to be used for additional current expense needs
 - \$2 million going to annual debt service (\$341 per student)
- Takes the # students /school to 646 students/ school. *Similar to Ashe County at 601 which performs at slightly better than Transylvania County Schools according to DPI*
- To put this in perspective, if Transylvania County were able to save similar in operational spending per student, it would net in \$1.45 million per year or the equivalent of 3 cents on the property tax rate that could be used to pay debt service (roughly 1/4 of the tax increase necessary to pay on a \$93 million bond proposal).

Room to Improve

- The public may prioritize the same number of schools over savings in the current expenses or on new capital investments
- Even without consolidation alternatives, there may be best practices to be learned from other counties

NOTE: By state law, Transylvania County schools must send a portion of local funding to the charter school annually based on the number of students that elect to attend there. The total amount sent in FY 17 was \$890,000. If you remove that amount from the school budget then the total funding per student attending in the school system is \$11,376.

Counties / School System	Expenses Per Student	M-1 ADM FY2017	Rank out of 200 (2017)
Hyde	\$ 18,223.73	589	42
Henderson	\$ 8,562.67	13467	46
Haywood	\$ 10,102.01	7156	52
Dare	\$ 11,853.34	4976	61
Ashe	\$ 10,564.00	3004	63
Transylvania	\$ 11,637.66	3402	68
Wake	\$ 10,307.61	157763	70
Cherokee	\$ 10,389.87	3294	75
Buncombe	\$ 10,067.65	28730	82
Macon	\$ 10,140.09	4341	84
Mecklenburg	\$ 9,623.30	145830	109
Bladen	\$ 10,424.82	4511	139
Jackson	\$ 10,246.52	3754	145
Scotland	\$ 10,694.00	5821	146
Tyrrell	\$ 14,899.89	600	150
Anson	\$ 10,740.00	3329	153
Martin	\$ 11,781.77	3151	163
Montgomery	\$ 10,582.88	3910	166
Greene	\$ 10,630.77	3110	---

Next Steps

- The full data set will be available on the county website and can easily be sorted and analyzed and has already been shared with school leadership with feedback incorporated including tax valuation total and tax rate.
 - ▣ Transylvania County is in the upper 1/3 for % funding to education of county total budget
 - ▣ TC is in the lower 1/3 of tax rates
- Encourage BOE and staff as they evaluate the data findings
 - ▣ Maintain or increase student achievement and scores
 - ▣ Look for best practices in other systems that could lead to savings that do not impact student achievement such as utility savings and other efficiencies
 - ▣ Help facilitate community conversation on priorities for funding schools
 - ▣ Continue to maintain education as a high priority and advocate to maintain or increase funding at state and federal levels.