APPENDIX C

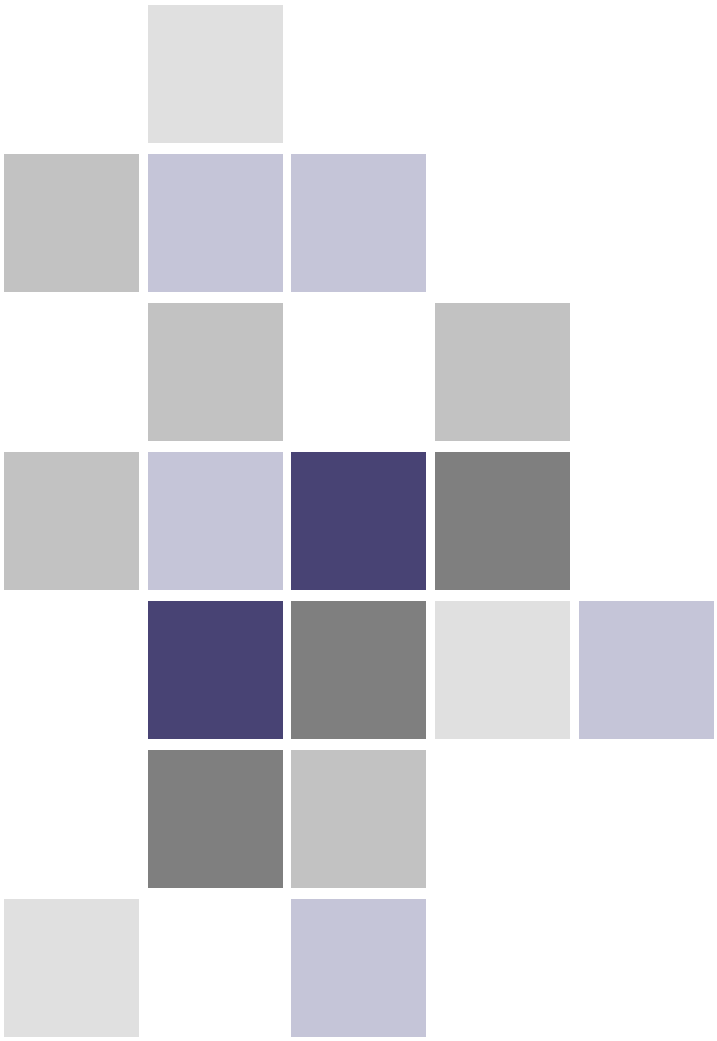
Harnett County Pilot Report

MGT CONSULTING GROUP

HARNETT COUNTY PILOT REPORT

THE LEGISLATIVE SERVICES COMMISSION OF THE NORTH CAROLINA GENERAL ASSEMBLY

January 2017



www.mgtconsulting.com

TABLE OF CONTENTS

1.0 FACILITY ASSESSMENT DESCRIPTIONS

This section describes the facilities assessments that were conducted by MGT and Parsons for the pilot study of Harnett County Schools (HCS). The assessments were conducted using eComet, Parson's facility assessment software for building and site condition, and BASYS®, MGT's facility assessment software program for educational suitability and technology readiness. There are four assessments for each school:

- Building condition
- Site condition
- Educational suitability
- Technology readiness

This assessment methodology has been used extensively in schools across the country including many districts similar to Harnett and the other North Carolina Districts to be included in this study. Examples of similar assessments include:

- Assessment of all schools in the State of Colorado completed for the State Department of Education to assist with determining overall need and the distribution of state grants. As all schools were assessed this review included large and small schools, rural and urban, and low vs. high wealth districts.
- Assessment of category 3 and 5 schools across the State of Kentucky. Category 3 and 5 included facilities that had been deemed to be in need of improvement so many of the schools were in low wealth rural districts similar to those being assessed in North Carolina.

Starting on the next page are descriptions of each of the separate assessments.

BUILDING CONDITION ASSESSMENT

The eComet building condition score measures the amount of deferred maintenance in the building's major systems. Each building has a separate building condition score. The weighted condition score of a school is the average condition score (weighted by building square footage) of all the buildings at a school (excluding portables). The scores are interpreted as follows:

90+	**New or Like New:** The building and/or a majority of its systems are in very good condition and only require preventive maintenance; only a few, if any, systems have reached or exceed their expected service life (life-cycle age), the total replacement cost of these "expired" systems is less than 10% of the current replacement value of the facility.
80-89	**Good:** The building and/or a majority of its systems are in good condition and only require routine maintenance; the total replacement cost of systems that have reached or exceed their expected service life (life-cycle age) is between 10 and 20% of the current replacement cost of the facility.
70-79	**Fair:** The building and/or some of its systems are in fair condition based on age and operations; the total replacement cost of systems that have reached or exceed their expected service life (life-cycle age) is between 20 and 30% of the current replacement cost of the facility.
60-69	**Poor:** The building and/or a significant number of its systems are in poor condition and require major repair, renovation, or replacement; the total replacement cost of systems that have reached or exceed their expected service life (life-cycle age) is between 30 and 40% of the current replacement cost of the facility.
BELOW 60	**Unsatisfactory:** The building and/or a majority of its systems should be replaced due to risk of system failure, inefficient operation and increased maintenance requirements; the total replacement cost of systems that have reached or exceed their expected service life (life-cycle age) is greater than 40% of the current replacement cost of the facility.

The condition assessment rates each system in a building based on the deficiencies or deferred maintenance present. The possible score for each system is based on that system's contribution to the overall cost of building construction. Therefore, the condition score is a measure of that portion of the building that is in good shape.

The capital needs score (created using the formula: 100 minus the condition score) is a measure of the capital needs or deferred maintenance. This score, when presented as a percent, is regularly referred to in the literature as the facility condition index or FCI. For example, a building which has a condition score of 80, has a capital needs score of 20 (100 – 80 = 20). A capital needs score of 20 indicates that 20 percent of the value of the building can be reinvested in the building in order to attain a score of 100 and put the building in a "like new" condition. The condition score and resulting budget calculations for condition do not include the costs of additions, site improvements, improvements for educational suitability, or technology readiness improvements.

SITE CONDITION ASSESSMENT

The site condition assessment score is a measure of the amount of capital needs or deferred maintenance at the site, which includes the driveways and walkways, the parking lots, the playfields, the utilities, fencing, etc. The scores are interpreted as follows:

90+	**New or Like New:** The site and/or a majority of its systems are in very good condition and only require preventive maintenance; only a few, if any, systems have reached or exceed their expected service life (life-cycle age), the total replacement cost of these "expired" systems is less than 10% of the current replacement value of the site systems.
80-89	**Good:** The site and/or a majority of its systems are in good condition and only require routine maintenance; the total replacement cost of systems that have reached or exceed their expected service life (life-cycle age) is between 10 and 20% of the current replacement cost of the site systems.
70-79	**Fair:** The site and/or some of its systems are in fair condition based on age and operations; the total replacement cost of systems that have reached or exceed their expected service life (life-cycle age) is between 20 and 30% of the current replacement cost of the site systems.
60-69	**Poor:** The site and/or a significant number of its systems are in poor condition and require major repair, renovation, or replacement; the total replacement cost of systems that have reached or exceed their expected service life (life-cycle age) is between 30 and 40% of the current replacement cost of the site systems.
BELOW 60	**Unsatisfactory:** The site and/or a majority of its systems should be replaced due to risk of system failure, inefficient operation and increased maintenance requirements; the total replacement cost of systems that have reached or exceed their expected service life (life-cycle age) is greater than 40% of the current replacement cost of the site systems.

The site condition scores were calculated in the same manner as the building condition scores.

EDUCATIONAL SUITABILITY ASSESSMENT

The educational suitability assessment evaluates how well the facility supports the educational program that it houses. Each school receives one suitability score that applies to all the buildings at the facility. The educational suitability of each school was assessed with BASYS® using the following categories:

ENVIRONMENT	The overall environment of the schools with respect to creating a safe and positive learning environment.
CIRCULATION	Pedestrian/vehicular circulation and the appropriateness of site facilities and signage.
ENVIRONMENT BY ROOM TYPE	The existence and quality of facilities and spaces to support the educational program being offered. These include general classrooms, special learning spaces (e.g. music rooms, libraries, science labs), and support spaces (e.g. administrative offices, counseling offices, reception areas, kitchens, health clinics).
SIZE	The adequacy of the size of the program spaces.
LOCATION	The appropriateness of adjacencies (e.g., physical education space separated from quiet spaces).
STORAGE & FIXED EQUIPMENT	The appropriateness of fixed equipment, storage, and room surfaces (e.g., flooring, ceiling materials, and wall coverings) and specialized safety or program equipment (e.g., safety shower and eyewash in science labs, kiln and clay traps in art rooms).

Suitability scores are interpreted as follows:

90+	**Excellent:** The facility is designed to provide for and support the educational program offered. It may have a minor suitability issues but overall it meets the needs of the educational program.
80-89	**Good:** The facility is designed to provide for and support a majority of the educational program offered. It may have minor suitability issues but generally meets the needs of the educational program.
70-79	**Fair:** The facility has some problems meeting the needs of the educational program and will require remodeling/renovation.
60-69	**Poor:** The facility has numerous problems meeting the needs of the educational program and needs significant remodeling, additions, or replacement.
BELOW 60	**Unsatisfactory:** The facility is unsuitable in support of the educational program.

TECHNOLOGY READINESS

The BASYS® technology readiness score measures the capability of the building's existing infrastructure to support information technology and associated equipment. It does not assess software or hardware, but examines infrastructure issues such as having sufficient cooling and power outlets for computers. The score can be interpreted as follows:

90+	**Excellent:** The facility has excellent infrastructure to support information technology.
80-89	**Good:** The facility has the infrastructure to support information technology.
70-79	**Fair:** The facility is lacking in some infrastructure to support information technology.
60-69	**Poor:** The facility is lacking significant infrastructure to support information technology.
BELOW 60	**Unsatisfactory:** The facility has little or no infrastructure to support information technology.

COMBINED SCORES

To assist in the task of prioritizing projects, all four assessments – building condition, educational suitability, site condition, and technology readiness – have been combined into one score for each school. Since the building condition score is a measure of the maintenance needs (e.g. leaky roofs, etc.) and the educational suitability score is a measure of how well the building design and configuration supports the educational program, it is possible to have a high score for one assessment and a low score for another assessment. It is the combined score that attempts to give a comprehensive picture of the conditions that exist at each school and how each school compares relative to the other schools in the district.

To create the combined score, the four scores have been weighted, based on which deficiencies the district wants to emphasize and the relative impact on capital costs. For this pilot assessment in Harnett County Schools, the building condition score was weighted 50 percent, the site condition score was weighted 10 percent, the educational suitability score was weighted 30 percent and the technology readiness score was weighted 10 percent.

2.0 FACILITY ASSESSMENT SCORES

Exhibit 2-1 presents all the scores for each facility and the resulting combined score using this weighting formula.

EXHIBIT 2-1
HARNETT COUNTY SCHOOLS
COMBINED SCORES – BY SITE

COMBINED SCORES	DESCRIPTION
> 90	Excellent/Like New
80 - 89	Good
70 - 79	Fair
60 - 69	Poor
< 60	Unsatisfactory

EXHIBIT 2-1
HARNETT COUNTY SCHOOLS
ASSESSMENT SCORES – BY SITE

SITE NAME	ECOMET® GSF	FCI	BUILDING CONDITION SCORE	SITE SCORE	SUITABILITY SCORE	TECHNOLOGY SCORE	COMBINED SCORE (50/10/30/10)
Elementary Schools							
ANDERSON CREEK PRIMARY	90,642	4%	95	100	84	95	**92**
ANGIER ELEMENTARY	89,430	0%	100	100	94	95	**98**
BENHAVEN ELEMENTARY	81,395	36%	66	51	59	72	**63**
BOONE TRAIL ELEMENTARY	125,992	0%	100	100	87	100	**96**
BUIES CREEK ELEMENTARY	39,884	37%	58	100	65	95	**68**
COATS ELEMENTARY	96,425	4%	96	100	90	100	**95**
ERWIN ELEMENTARY	74,147	53%	42	77	53	74	**52**
GENTRY PRIMARY	40,231	46%	54	55	59	63	**56**
HARNETT PRIMARY	94,667	7%	92	100	89	63	**89**
HIGHLAND ELEMENTARY	96,212	6%	93	97	66	83	**84**
JOHNSONVILLE ELEMENTARY	74,194	23%	78	68	63	88	**74**
LAFAYETTE ELEMENTARY	74,152	19%	81	78	61	72	**74**

EXHIBIT 2-1 (CONTINUED)
HARNETT COUNTY SCHOOLS
ASSESSMENT SCORES – BY SITE

SITE NAME	ECOMET® GSF	FCI	BUILDING CONDITION SCORE	SITE SCORE	SUITABILITY SCORE	TECHNOLOGY SCORE	COMBINED SCORE (50/10/30/10)
Elementary Schools							
LILLINGTON-SHAWTOWN ELEMENTARY	94,045	2%	97	100	87	100	**95**
NORTH HARNETT PRIMARY	66,916	12%	86	97	75	95	**85**
OVERHILLS ELEMENTARY	103,553	4%	100	76	82	88	**91**
SOUTH HARNETT ELEMENTARY	75,757	22%	77	86	68	53	**72**
WAYNE AVENUE ELEMENTARY	37,897	25%	71	100	66	98	**75**
ELEMENTARY SCHOOL TOTAL/AVERAGE	**1,355,539**	**18%**	**82**	**87**	**74**	**84**	**80**
Middle Schools							
COATS-ERWIN MIDDLE	138,691	8%	91	98	83	93	**89**
DUNN MIDDLE	120,851	6%	93	98	89	100	**93**
HARNETT CENTRAL MIDDLE	143,390	19%	78	95		84	**78**
HIGHLAND MIDDLE	149,462	0%	100	100	99	100	**100**
OVERHILLS MIDDLE	138,217	6%	93	98	85	94	**91**
WESTERN HARNETT MIDDLE	143,190	11%	86	100	88	95	**89**
MIDDLE SCHOOL TOTAL/AVERAGE	**833,801**	**8%**	**90**	**98**	**86**	**94**	**90**
High Schools							
HARNETT CENTRAL HIGH	208,181	30%	65	95	70	93	**72**
OVERHILLS HIGH	243,034	0%	100	100	68	100	**90**
TRITON HIGH	254,932	25%	73	87	76	100	**78**
WESTERN HARNETT HIGH	204,686	37%	58	86	68	80	**66**
HIGH SCHOOL TOTAL/AVERAGE	**910,833**	**23%**	**74**	**92**	**70**	**93**	**77**

EXHIBIT 2-1 (CONTINUED)
HARNETT COUNTY SCHOOLS
ASSESSMENT SCORES – BY SITE

SITE NAME	ECOMET® GSF	FCI	BUILDING CONDITION SCORE	SITE SCORE	SUITABILITY SCORE	TECHNOLOGY SCORE	COMBINED SCORE (50/10/30/10)
Other Educational							
STAR ACADEMY	37,309	33%	63	93	62	100	**69**
OTHER EDUCATIONAL TOTAL/AVERAGE	**37,309**	**33%**	**63**	**93**	**62**	**100**	**69**
DISTRICT TOTAL/AVERAGE	**3,137,482**	**17%**	**82**	**91**	**75**	**88**	**81**

Source: MGT of America Consulting, LLC, 2016.

FINDINGS

Building Condition - Overall, the buildings average a "Good" condition score, with more than 50% of the buildings scoring "Good" or "Like New". At the same time, six schools score "Poor" or "Unsatisfactory," with two of these being candidates for replacement based on a condition score of less than 60.

Site – The site assessment scores averaged in the high "Like New" range with the exception of three sites that scored less than "Fair".

Educational Suitability – The scores for educational suitability varied widely, ranging from 53 "Unsatisfactory") to 99 ("Excellent"). The district wide average was 75 ("Good"), which indicates many school buildings are designed to support the delivery of the educational programs.

Technology Readiness – The district-wide technology readiness score was 88 ("Good"). Except for six elementary schools, all other schools scored "Good" or "Like New". This indicates that the district has been keeping up with the demands of Technology Readiness.

Combined Score –The average combined score for all grade levels is 81, which indicates that overall the district's school facilities are in good condition and are meeting the educational needs. Although the average score is high, the review of individual school results highlights the fact that there are schools with serious needs that should be addressed.

The facility assessments provide the data to prioritize projects based on the overall facility needs of the district. These data, combined with the capacity and utilization analysis, the educational goals and programs, capital improvement budgets, and the district's school size goals, will be used to develop master plan scenarios.

3.0 CAPACITY AND UTILIZATION ANALYSIS

This section examines and compares the capacity and utilization rates of Harnett County Schools.

The functional capacity of an educational facility is defined as the number of students the facility can accommodate. More specifically, a school's capacity is the number of students that can be accommodated given the specific educational programs, the class schedules, the student-teacher ratios, and the size of the rooms. The utilization rate of a facility is calculated by dividing the current or projected enrollment of the educational facility by the capacity. The utilization rate is used to determine if the facility has excess space or if it is lacking sufficient space for the given enrollment – current or planned.

FUNCTIONAL CAPACITY

The *functional capacity* used by MGT is calculated using an *Instructional Space Model*. This model counts the number of the various types of instructional rooms and multiplies that number by the maximum students per room or the *loading* factor to identify the gross capacity for the school. The gross capacity is then multiplied by a scheduling factor, which takes into account the realities of how the space is used. Typically, not all classrooms are scheduled for every period at a middle school or high school. For example, high school students move from room to room and enroll in a variety of courses. As a result, some rooms will sit empty or will be less than fully occupied at any given time. Teacher preparation periods can also contribute to rooms not being used for instruction at a particular time if teachers are allowed to stay in the classroom during prep periods. Therefore, MGT uses a 75% scheduling factor at high schools to reduce the gross capacity of the building to reflect the unused rooms. Middle and K-8 schools are assigned an 85% scheduling factor. An elementary school has a much more static and consistent daily use, so MGT uses a 95% scheduling factor for elementary schools.

Exhibit 3-1 on the following page lists the loading factors and scheduling factors used to calculate the functional capacities in Harnett County.

EXHIBIT 3-1
HARNETT COUNTY SCHOOLS
FUNCTIONAL CAPACITY LOADING/SCHEDULING FACTORS

INSTRUCTIONAL SPACE MODEL GUIDELINES	
Room Type	**Loading Factor (Students/Room)**
Pre-Kindergarten	0
Kindergarten	18
ES General Classroom (1-3)	17
ES General Classroom (4-6)	26
MS General Classroom	26
HS General Classroom	22
Science MS/HS	26/18
Vocational MS/HS	0/15
Music MS/HS	0/22
P.E. MS/HS	0/50
Art MS/HS	0/22
Computer Lab	0/22
Elementary Special Education self-contained	10
Secondary Special Education self-contained	10
Elementary Resource (pull-out)	0
Secondary Resource (pull-out)	0
School Type	**Scheduling Factor**
Elementary Schools	95%
Middle Schools	85%
High Schools	75%

Source: Department of Public Instruction, 2016.

For the purpose of this review, MGT has not included any "portable" buildings in the count of instructional spaces at a school. We recommend that portable buildings not be included since they are not part of the permanent structure and students housed in these facilities may not have adequate access to restrooms and/or the library. Many districts, including Harnett County, have added portable buildings when more classroom space has been needed. However, few permanent buildings have added core space to support the additional number of students needed to be housed in the school.

Exhibit 3-2 shows how the model is used to calculate the capacity of a theoretical school. As shown, the number of general classrooms (35) is multiplied by the loading factor of 22 students/room to generate a capacity of 770. This calculation is repeated based on each room type. The gross total capacity of 1,495 is multiplied by the high school scheduling factor of 75% to determine the capacity of Overhills High School of 1,121 students.

EXHIBIT 3-2
HARNETT COUNTY SCHOOLS
EXAMPLE OF CAPACITY CALCULATION

ROOM TYPE	NUMBER OF CLASSROOMS X	STUDENTS/CLASS ROOM	= CAPACITY
HS General Classroom	35	22	770
Science MS/HS	7	18	126
Vocational MS/HS	15	15	225
Music MS/HS	2	22	44
P.E. MS/HS	4	50	200
Art MS/HS	1	22	22
Computer Lab	4	22	88
Secondary Special Education self-contained	2	10	20
Secondary Resource (pull-out)	3	0	0
Total Capacity (w/o scheduling factor) =			***1,495***
x High School scheduling factor			***75%***
Overhills High School Capacity =			***1,121***

Source: MGT of America Consulting, LLC, 2016.

CAPACITY AND UTILIZATION RATES

The effective management of school facilities requires a school's capacity and enrollment to be aligned. When capacity exceeds enrollment (underutilization), operational costs are higher than necessary and facilities may need to be repurposed or the facilities may need to be removed from inventory. When enrollment exceeds capacity (overutilization), the school may be overcrowded and may require capital expenditures or redistricting (adjustment to attendance boundaries) to alleviate the crowding.

For the purpose of determining enrollment, current average daily membership (ADM) was used. The North Carolina Department of Public Instruction (DPI) defines ADM as follows:

- The total number of school days within a given term - usually a school month or school year - that a student's name is on the current roll of a class, regardless of his/her being present or absent, is the "number of days in membership" for that student.
- Average Daily Membership (ADM) for each school month is based on the sum of the number of days in membership for all non-violating (NVIO) students in individual LEAs/Charters, divided by the number of days in the school month (ADM = Member Days (NVIO) / # of days in the school month rounded to nearest whole number).
- The final Average Daily Membership is the total days in membership (NVIO) for all students over the school year divided by the number of days school was in session. Average Daily Membership is a more accurate count of the number of students in a school than enrollment.

Exhibits 3-3 and **3-4** provide information about school utilization in Harnett County. The utilization rates are color coded per the key below in **Exhibit 3-3** to provide the reader with an understanding of best practices for utilization. Schools that are over 110% utilized have inadequate space; those with less than 69% utilized are inefficient and have too much space not being used.

EXHIBIT 3-3
HARNETT COUNTY SCHOOLS
UTILIZATION INTERPRETATION

UTILIZATION	DESCRIPTION
> 110%	**Inadequate space**
95 – 110%	**Approaching Inadequate space**
80 – 95%	**Adequate space**
70 – 80%	**Approaching Inefficient use of space**
< 69.99%	**Inefficient use of space**

Exhibit 3-4 shows the corresponding utilization rates calculated using the *functional capacities* and the current ADM at each school.

EXHIBIT 3-4
HARNETT COUNTY SCHOOLS
CURRENT UTILIZATION RATES

SITE NAME	GRADE CONFIGURATION	2015-16 K-12 ADM	K-12 CAPACITY	2015-16 CURRENT UTILIZATION
Elementary Schools				
ANDERSON CREEK PRIMARY	K-2	553	508	**109%**
ANGIER ELEMENTARY	3-5	453	660	**69%**
BENHAVEN ELEMENTARY	K-5	495	424	**117%**
BOONE TRAIL ELEMENTARY	K-5	970	807	**120%**
BUIES CREEK ELEMENTARY	K-5	307	283	**108%**
COATS ELEMENTARY	K-5	734	622	**118%**
ERWIN ELEMENTARY	3-5	278	333	**84%**
GENTRY PRIMARY	K-2	273	267	**102%**
HARNETT PRIMARY	K-3	610	536	**114%**
HIGHLAND ELEMENTARY	K-5	986	544	**181%**
JOHNSONVILLE ELEMENTARY	K-5	588	523	**113%**
LAFAYETTE ELEMENTARY	K-5	673	605	**111%**
LILLINGTON-SHAWTOWN ELEMENTARY	K-5	654	645	**101%**
NORTH HARNETT PRIMARY	K-2	439	343	**128%**
OVERHILLS ELEMENTARY	K-5	936	672	**139%**
SOUTH HARNETT ELEMENTARY	3-5	534	515	**104%**
WAYNE AVENUE ELEMENTARY	4-5	241	293	**82%**
ELEMENTARY SCHOOL TOTAL/AVERAGE		**9,724**	**8,579**	**113%**
Middle Schools				
COATS-ERWIN MIDDLE	6-8	656	539	**122%**
DUNN MIDDLE	6-8	391	570	**69%**
HARNETT CENTRAL MIDDLE	6-8	1,151	816	**141%**
HIGHLAND MIDDLE	6-8	884	755	**117%**
OVERHILLS MIDDLE	6-8	739	959	**77%**
WESTERN HARNETT MIDDLE	6-8	678	937	**72%**
MIDDLE SCHOOL TOTAL/AVERAGE		**4,499**	**4,575**	**98%**

EXHIBIT 3-4 (CONTINUED)
HARNETT COUNTY SCHOOLS
CURRENT UTILIZATION RATES

SITE NAME	GRADE CONFIGURATION	2015-16 K-12 ADM	K-12 CAPACITY	2015-16 CURRENT UTILIZATION
High Schools				
HARNETT CENTRAL HIGH	9-12	1,490	1,442	**103%**
OVERHILLS HIGH	9-12	1,770	1,121	**158%**
TRITON HIGH	9-12	1,264	1,087	**116%**
WESTERN HARNETT HIGH	9-12	1,428	1,082	**132%**
HIGH SCHOOL TOTAL/AVERAGE		**5,952**	**4,731**	**126%**
Other Educational				
STAR ACADEMY	6-12	77	161	**48%**
OTHER EDUCATIONAL TOTAL/AVERAGE		**77**	**161**	**48%**
DISTRICT TOTAL/AVERAGE		**20,252**	**18,045**	**112%**

ADM Source: Public Schools of North Carolina, Data & Reports - Student Accounting, Average Daily Membership and Membership Last Day by School (ADM & MLD) (2015-16 Final.xlsx).
Capacity Source: MGT of America Consulting, LLC, 2016.

CAPACITY AND UTILIZATION CONCLUSIONS

ELEMENTARY SCHOOLS

The functional capacity for the elementary schools ranges from a low of 267 to a high of 807. The district's elementary schools are being utilized at an "Inadequate" rate on a district-wide basis of 113%.

The district should examine the specific situation for each of the schools that are projected to have "Inadequate" or "Approaching Inadequate" utilization rates to determine if action is required, and whether the approach will require capital improvements or redistricting.

MIDDLE SCHOOLS

The functional capacity for the middle schools ranges from a low of 539 to a high of 959. As a whole, the district's middle schools are presently being utilized at an "Approaching Inadequate" rate with a current utilization rate of 98% overall.

HIGH SCHOOLS

The functional capacity for the four comprehensive high schools ranges from a low of 1,082 to a high of 1,442. The district's high schools are currently being utilized at an "Inadequate" district-wide rate of 126%.

The district should examine future enrollments to determine if the current overutilization of the high schools is long-term and requires capital improvements to mitigate the issue.

4.0 BUDGET ESTIMATES

This section presents the process utilized to determine budget estimates for each of the identified needs. The presentation of needs is divided into the following three components:

- Budget Calculation Formula, as shown in **Exhibit 4-1.**
- Budget Estimate Detail Comparisons, as shown in **Exhibit 4-2.**
- MGT / Parson's need compared to District self-assessment, as shown in **Exhibit 4-3.**

BUDGET CALCULATIONS

Budgets for remediating deficiencies and deferred maintenance, and the construction of additions or new/replacement schools were developed using the formula presented in the following exhibit.

Construction costs for new construction were identified using current construction data from the region for the three types of facilities, elementary schools, middle schools and high schools. The construction costs, in dollars per gross square foot, were adjusted to create project costs or "Replacement Costs" by adding factors for soft costs including a factor for fixtures, furniture and equipment, a factor for a project contingency, and a factor for architectural/engineering/permit fees. The "Replacement Cost" is used to estimate new construction and is adjusted with a renovation factor to achieve a "Renovation Cost" which is used for remediating deferred maintenance and existing deficiencies.

The building construction cost is adjusted to develop square footage costs to apply to the educational suitability, technology readiness, and site condition deficiencies. These adjustments are based on models developed by MGT and are derived from data from past projects. The educational suitability, technology readiness, and site condition costs are then adjusted like the building condition costs to develop project costs for new construction and renovation projects.

These cost factors are then used to develop budgets for all projects identified in the master plan. The final budgets are escalated for inflation, depending on the year the project is planned for.

BUDGET CALCULATION FORMULA

EXHIBIT 4-1
HARNETT COUNTY SCHOOLS
BUDGET ESTIMATES

BUDGET ESTIMATE FORMULA - ALL SCHOOLS							
PROJECT TYPE	AVERAGE COST PER GSF FOR NEW CONST.	FF&E @ 10%	CONTINGENCY @ 5%	A&E, PERMIT, TESTING, ETC. @10%	REPLACEMENT COST PER GSF	RENOVATION FACTOR @ 10%	RENOVATION COST PER GSF
Building Condition Deficiencies ES	$184.65	$18.47	$10.16	$21.33	$234.60	$23.46	$258.06
Educational Suitability Deficiencies	$64.63	$6.46	$3.55	$7.46	N/A	$8.21	$90.32
Technology Readiness Deficiencies	$3.57	N/A	$0.18	$0.38	N/A	$0.41	$4.54
Site Condition Deficiencies	$29.98	N/A	$1.50	$3.15	$34.63	$3.46	$38.09
Building Condition Deficiencies MS	$191.76	$19.18	$10.55	$22.15	$243.63	$24.36	$268.00
Educational Suitability Deficiencies	$67.12	$6.71	$3.69	$7.75	N/A	$8.53	$93.80
Technology Readiness Deficiencies	$3.71	N/A	$0.19	$0.39	N/A	$0.43	$4.71
Site Condition Deficiencies	$41.01	N/A	$2.05	$4.31	$47.36	$4.74	$52.10
Building Condition Deficiencies HS	$181.37	$18.14	$9.98	$20.95	$230.43	$23.04	$253.47
Educational Suitability Deficiencies	$63.48	$6.35	$3.49	$7.33	N/A	$8.06	$88.71
Technology Readiness Deficiencies	$3.51	N/A	$0.18	$0.37	N/A	$0.41	$4.46
Site Condition Deficiencies	$37.53	N/A	$1.88	$3.94	$43.34	$4.33	$47.68

Source: Parsons and MGT of America Consulting, LLC, 2016.

BUDGET ESTIMATE COMPARISONS

This section compares the budget estimates for renovations, additions, and new construction derived from the state's self-assessment with the estimates developed by MGT/Parsons. Both sets of estimates included costs based on remediating deficiencies and deferred maintenance identified in the self-assessments and the MGT/Parsons facility assessments.

In addition, both assessments identified the costs associated with needed additions and new or replacement schools. The MGT/Parsons process for identifying needed additional classrooms was based on the capacity and utilization analysis. If a school had utilization in excess of 95%, a budget was developed for adding classrooms to house the "excess" students at a rate of one classroom per each 17 students at the elementary level, 26 students at the middle school level, and 22 students at the high school level. The classrooms were sized at 1,000 SF plus 15% for circulation.

The MGT/Parsons process for identifying the need for new or replacement schools was based on the combined score for the assessments. If a school had a combined score of less than 60, a budget was developed for building a new school. The budget was based on the replacement value of the school building(s) and site development at the existing site or a new site. The budget does not include the purchase of a site.

Exhibit 4-2 provides the total budget estimate for each category of need, as determined through the assessment process, the overall need, and the comparison with the self-assessment data.

EXHIBIT 4-2
HARNETT COUNTY SCHOOLS
DETAIL BUDGET ESTIMATE COMPARISON

SITE NAME	FCI BUDGET ESTIMATE	SUITABILITY AND TECHNOLOGY BUDGET ESTIMATE	ADDITIONS BUDGET ESTIMATE	NEW SCHOOL IF CS <60	MGT/PARSONS TOTAL BUDGET ESTIMATE	SELF ASSESSMENT NEW SCHOOL	SELF ASSESSMENT ADDITIONS	SELF ASSESSMENT FURNITURE/ EQUIPMENT	0 TO 5 YEARS 2015-16 FACILITY NEEDS SURVEY TOTAL
Elementary Schools									
ANDERSON CREEK PRIMARY	$858,397	$1,353,800	$1,113,492	$ -	$3,325,689	$ -	$ -	$ -	$ -
ANGIER ELEMENTARY	$13,200	$466,100	$ -	$ -	$479,300	$ -	$ -	$ -	$ -
BENHAVEN ELEMENTARY	$5,906,501	$3,083,200	$1,467,755	$ -	$10,457,456	$16,103,405	$ -	$1,441,821	$17,545,226
BOONE TRAIL ELEMENTARY	$ -	$1,467,000	$3,233,988	$ -	$4,700,988	$ -	$ -	$ -	$ -
BUIES CREEK ELEMENTARY	$3,290,644	$1,261,800	$603,940	$ -	$5,156,384	$7,025,496	$ -	$711,275	$7,736,771
COATS ELEMENTARY	$783,739	$880,700	$2,267,255	$ -	$3,931,694	$ -	$7,175,194	$769,740	$7,944,934
ERWIN ELEMENTARY			$ -	$15,968,815	$15,968,815	$9,777,767	$ -	$931,158	$10,708,925
GENTRY PRIMARY			$307,842	$8,781,178	$9,089,020	$ -	$ -	$ -	$ -
HARNETT PRIMARY	$1,654,288	$1,064,100	$1,602,731	$ -	$4,321,119	$ -	$ -	$ -	$ -
HIGHLAND ELEMENTARY	$1,226,607	$3,038,100	$7,441,017	$ -	$11,705,724	$ -	$9,510,737	$973,097	$10,483,834
JOHNSONVILLE ELEMENTARY	$3,412,494	$2,496,400	$1,454,106	$ -	$7,363,000	$21,058,183	$ -	$1,861,264	$22,919,447
LAFAYETTE ELEMENTARY	$3,016,293	$2,729,500	$1,556,985	$ -	$7,302,778	$ -	$9,855,495	$994,561	$10,850,056
LILLINGTON-SHAWTOWN ELEMENTARY	$505,529	$1,090,200	$653,892	$ -	$2,249,620	$ -	$ -	$ -	$ -
NORTH HARNETT PRIMARY	$1,701,372	$1,507,300	$1,796,466	$ -	$5,005,138	$ -	$ -	$ -	$ -
OVERHILLS ELEMENTARY	$803,117	$1,705,800	$4,728,246	$ -	$7,237,162	$ -	$10,299,593	$1,039,900	$11,339,493
SOUTH HARNETT ELEMENTARY	$3,325,693	$2,363,900	$711,699	$ -	$6,401,292	$ -	$ -	$ -	$ -
WAYNE AVENUE ELEMENTARY	$2,058,130	$1,162,900	$ -	$ -	$3,221,030	$ -	$ -	$ -	$ -
ELEMENTARY SCHOOL TOTAL/AVERAGE	**$28,556,004**	**$25,670,800**	**$28,939,411**	**$24,749,993**	**$107,916,208**	**$53,964,851**	**$36,841,019**	**$8,722,816**	**$99,528,686**

EXHIBIT 4-2 (CONTINUED)
HARNETT COUNTY SCHOOLS
DETAIL BUDGET ESTIMATE COMPARISON

SITE NAME	FCI BUDGET ESTIMATE	SUITABILITY AND TECHNOLOGY BUDGET ESTIMATE	ADDITIONS BUDGET ESTIMATE	NEW SCHOOL IF CS <60	TOTAL BUDGET ESTIMATE	SELF ASSESSMENT NEW SCHOOL	SELF ASSESSMENT ADDITIONS	SELF ASSESSMENT FURNITURE/ EQUIPMENT	0 TO 5 YEARS 2015-16 FACILITY NEEDS SURVEY TOTAL
Middle Schools									
COATS-ERWIN MIDDLE	$2,532,334	$2,221,600	$1,552,243	$ -	$6,306,176	$ -	$ -	$ -	$ -
DUNN MIDDLE	$1,733,064	$1,198,800	$-	$ -	$2,931,864	$ -	$ -	$ -	$ -
HARNETT CENTRAL MIDDLE	$6,753,660	$4,334,300	$4,049,656	$ -	$15,137,617	$ -	$13,649,812	$1,346,401	$14,996,213
HIGHLAND MIDDLE	$ -	$143,500	$1,798,961	$ -	$1,942,461	$ -	$ -	$ -	$ -
OVERHILLS MIDDLE	$1,899,011	$1,982,700	$ -	$ -	$3,881,711	$ -	$8,946,678	$912,927	$9,859,605
WESTERN HARNETT MIDDLE	$3,820,528	$1,677,800	$ -	$ -	$5,498,328	$ -	$10,137,372	$1,046,979	$11,184,351
MIDDLE SCHOOL TOTAL/AVERAGE	**$16,738,597**	**$11,558,700**	**$7,400,860**	**$ -**	**$ 35,698,157**	**$ -**	**$32,733,862**	**$3,306,307**	**$36,040,169**
High Schools									
HARNETT CENTRAL HIGH	$13,679,855	$5,646,000	$1,452,340	$ -	$20,778,195	$ -	$ -	$ -	$ -
OVERHILLS HIGH	$137,812	$6,847,500	$8,489,546	$ -	$15,474,859	$ -	$11,881,022	$1,241,188	$13,122,210
TRITON HIGH	$14,541,595	$5,347,300	$2,789,498	$ -	$22,678,393	$ -	$ -	$ -	$ -
WESTERN HARNETT HIGH	$16,764,921	$6,071,900	$4,824,971	$ -	$27,661,792	$ -	$ -	$ -	$ -
HIGH SCHOOL TOTAL/AVERAGE	**$45,124,183**	**$23,912,700**	**$17,556,355**	**$ -**	**$86,593,238**	**$ -**	**$11,881,022**	**$1,241,188**	**$13,122,210**
Other Education									
STAR ACADEMY	$2,477,577	$1,269,700	$ -	$ -	$3,747,277	$ -	$ -	$ -	$ -
OTHER EDUCATIONAL TOTAL/AVERAGE	**$2,477,577**	**$1,269,700**	**$ -**	**$ -**	**$3,747,277**	**$ -**	**$ -**	**$ -**	**$ -**
District Total/Average	**$92,896,362**	**$62,411,900**	**$53,896,626**	**$24,749,993**	**$233,954,881**	**$53,964,851**	**$81,455,903**	**$13,270,311**	**$148,691,065**

Source: MGT of America Consulting, LLC, 2016.

MGT / PARSONS COMPARISON WITH DISTRICT SELF ASSESSMENT

Exhibit 4-3 shows the MGT/Parsons Budget Estimate compared to the 2015-16 (0-5 years) District Self-Assessment estimates. As shown, some estimates vary significantly; others are fairly small.

EXHIBIT 4-3
HARNETT COUNTY SCHOOLS
TOTAL BUDGET ESTIMATE COMPARISON

SITE NAME	MGT / PARSONS TOTAL BUDGET ESTIMATE	0 TO 5 YEARS 2015-16 FACILITY NEEDS SURVEY TOTAL	DIFFERENCE
Elementary Schools			
ANDERSON CREEK PRIMARY	$3,325,689	$ -	$3,325,689
ANGIER ELEMENTARY	$479,300	$ -	$479,300
BENHAVEN ELEMENTARY	$10,457,456	$17,545,226	-$7,087,770
BOONE TRAIL ELEMENTARY	$4,700,988	$ -	$4,700,988
BUIES CREEK ELEMENTARY	$5,156,384	$7,736,771	-$2,580,387
COATS ELEMENTARY	$3,931,694	$7,944,934	-$4,013,240
ERWIN ELEMENTARY	$15,968,815	$10,708,925	$5,259,890
GENTRY PRIMARY	$9,089,020	$ -	$9,089,020
HARNETT PRIMARY	$4,321,119	$ -	$4,321,119
HIGHLAND ELEMENTARY	$11,705,724	$10,483,834	$1,221,890
JOHNSONVILLE ELEMENTARY	$7,363,000	$22,919,447	-$15,556,447
LAFAYETTE ELEMENTARY	$7,302,778	$10,850,056	-$3,547,278
LILLINGTON-SHAWTOWN ELEMENTARY	$2,249,620	$ -	$2,249,620
NORTH HARNETT PRIMARY	$5,005,138	$ -	$5,005,138
OVERHILLS ELEMENTARY	$7,237,162	$11,339,493	-$4,102,331
SOUTH HARNETT ELEMENTARY	$6,401,292	$ -	$6,401,292
WAYNE AVENUE ELEMENTARY	$3,221,030	$ -	$3,221,030
ELEMENTARY SCHOOL TOTAL/AVERAGE	**$107,916,208**	**$99,528,686**	**$8,387,522**
Middle Schools			
COATS-ERWIN MIDDLE	$6,306,176	$ -	$6,306,176
DUNN MIDDLE	$2,931,864	$ -	$2,931,864
HARNETT CENTRAL MIDDLE	$15,137,617	$14,996,213	$141,404
HIGHLAND MIDDLE	$1,942,461	$ -	$1,942,461
OVERHILLS MIDDLE	$3,881,711	$9,859,605	-$5,977,894
WESTERN HARNETT MIDDLE	$5,498,328	$11,184,351	-$5,686,023
MIDDLE SCHOOL TOTAL/AVERAGE	**$35,698,157**	**$36,040,169**	**-$342,012**

EXHIBIT 4-3 (CONTINUED)
HARNETT COUNTY SCHOOLS
TOTAL BUDGET ESTIMATE COMPARISON

SITE NAME	MGT / PARSONS TOTAL BUDGET ESTIMATE	0 TO 5 YEARS 2015-16 FACILITY NEEDS SURVEY TOTAL	DIFFERENCE
High Schools			
HARNETT CENTRAL HIGH	$20,778,195	$ -	$20,778,195
OVERHILLS HIGH	$15,474,859	$13,122,210	$2,352,649
TRITON HIGH	$22,678,393	$ -	$22,678,393
WESTERN HARNETT HIGH	$27,661,792	$ -	$27,661,792
HIGH SCHOOL TOTAL/AVERAGE	**$86,593,238**	**$13,122,210**	**$73,471,028**
High Schools			
STAR ACADEMY	$3,747,277	$ -	$3,747,277
OTHER EDUCATIONAL TOTAL/AVERAGE	**$3,747,277**	**$ -**	**$3,747,277**
DISTRICT TOTAL/AVERAGE	**$233,954,881**	**$148,691,065**	**$85,263,816**

Source: MGT and Harnett County District Self-Assessment 2015-16.

5.0 CAPITAL FUNDING AND FINANCIAL ANALYSIS

This chapter is outlined in the following subsections:

1. Overview
2. Governance Model
3. Budget Process
4. Revenue Generation
5. Funding Gap
6. Conclusions

OVERVIEW

Many North Carolina school districts have significant challenges in securing the needed capital program funds to address the school building deficiencies within their districts. The revenue shortfall is created by a series of complex and compounding issues related primarily to the district's assessed property values (APV) and how those APVs translate into revenue for capital projects. Secondary issues include the fact that the district is dependent upon the county to secure a strong credit rating and the ability of the county to create revenue via bonding, supplemental taxation, and/or district use of lottery allocations, as well as other revenue-generating opportunities.

Assessed value typically has the most influence on the capability and capacity of a county and the school district within it to raise capital funding. Districts which are in and around major metropolitan and / or urban areas have a significant advantage over counties and districts that are more rural and lack concentrations of large office and commercial shopping complexes. The underlying premise being that the higher in value the APV, the less debt-to-budget impact there will be and the more likely that bond-generated funding will be supported by the county and state. Individual voters living in single family homes in rural counties may be more cautious in approving new indebtedness because they will not benefit from concentration of large commercial properties and must bear a larger portion of expenses than voters living in urban counties.

The maximum amount of indebtedness and the periodic cost of outstanding debt for any county/district is established through a set of state-established protocols and a district may or may not have the ability to finance and service debt for their specific capital needs. North Carolina General Statute 159-55(c) limits outstanding debt for a county to a maximum of 8% of its APV. For instance, a county with an APV of $10,000,000,000 will be limited to a maximum outstanding debt of $800,000,000 after deducting certain types of debt such as enterprise fund indebtedness (financed by user fees) from total indebtedness of all varieties. This outstanding debt limitation further inhibits the district's ability to raise sufficient funds to meet their total deferred maintenance needs. To address the remaining revenue shortfalls, the district may look to state- based allocations (lottery) or local tax (supplemental tax revenue) or may need to sell district assets to raise capital. However, it is still highly unlikely that a district using these alternative revenues streams could raise the additional funds necessary to meet the remaining deferred maintenance needs.

Exhibit 5-1 below demonstrates the various capital program revenue-raising categories.

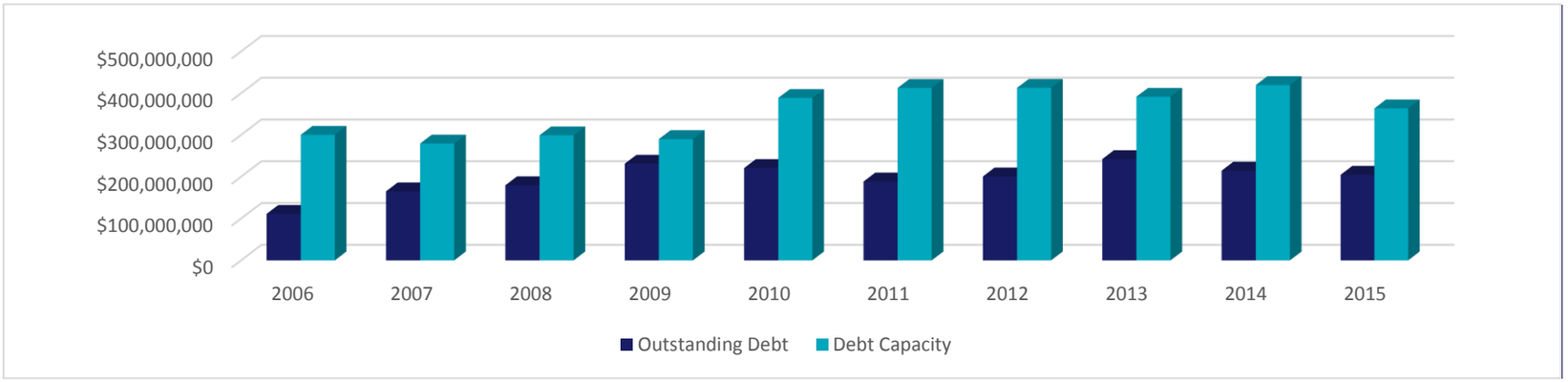
EXHIBIT 5-1
HARNETT COUNTY
CAPITAL PROGRAM REVENUE-RAISING CATEGORIES

LEA NAME	DEPT. OF PUBLIC INSTRUCTION REGION	COUNT OF SCHOOLS	NUMBER OF STUDENTS	AREA IN SQUARE MILES	LOTTERY 2015-16	COUNTY CAPITAL PROGRAM ALLOCATION	SUPPLEMENTAL TAXES	PROCEEDS OF CAPITAL ASSESS	DONATIONS / GRANTS	TOTAL COUNTY CAPITAL REVENUE	TOTAL CAPITAL PROGRAM NEED
Harnett (2016)	3	28	19,931	601	$1,398,369	$947,000	$ -	$ -	$ -	$2,345,369	$ 243,036,617

Source: MGT of America Consulting, LLC, 2016.

In addition, the ability of a district to secure bonding capacity is challenging, given it is directly related to their credit rating which is established in conjunction with the county commissioners and the North Carolina Department of the Treasury. This credit rating affects the rate of interest imposed on the county and may influence the marketability of the bond. A lower rating increases interest costs. In low APV or *low wealth* districts, the outstanding debt amount is often considerably below the debt capacity. See **Exhibit 5-2** and **5-3** for a depiction of the outstanding debt compared to available debt capacity.

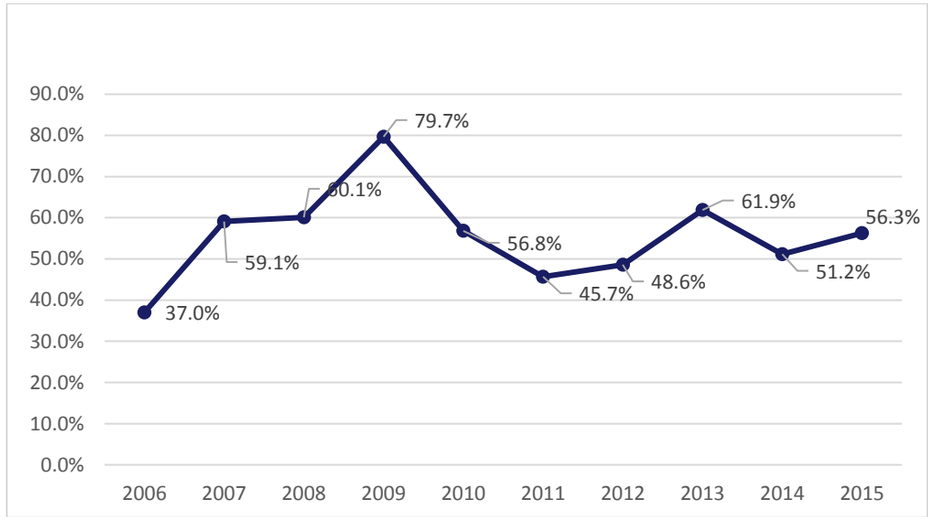
EXHIBIT 5-2
HARNETT COUNTY
OUTSTANDING DEBT COMPARED TO DEBT CAPACITY



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Education Budget	$16,948,707	$18,006,432	$19,928,849	$30,006,255	$22,701,055	$22,239,671	$24,115,765	$30,159,562	$36,423,566	$27,562,131
Outstanding Debt	$111,136,851	$165,071,265	$179,685,321	$231,161,287	$220,795,347	$188,565,359	$200,647,535	$242,264,797	$214,622,675	$204,664,039
Debt Capacity	$300,355,882	$279,394,415	$298,983,203	$290,140,204	$388,628,257	$412,594,583	$412,876,331	$391,512,213	$419,513,081	$363,674,016
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Debt %	37.0%	59.1%	60.1%	79.7%	56.8%	45.7%	48.6%	61.9%	51.2%	56.3%
		2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Tax Rate (County)	0.735	0.735	0.735	0.735	0.725	0.725	0.725	0.725	0.75	0.75
Maintenance							$66,064	$ -	$ -	$1,023,375
CFAR Page Number Reference Key, referenced by year: ***DC for Debt Capacity, OD for Outstanding Debt, TR for Tax Rate***										
	DC=14 OD=14 TR=189	DC=14 OD=14 TR=175	DC=19 OD=19 TR=186	DC=18 OD=18 TR=185	DC=18 OD = 18 TR=188	DC=18 OD=18 TR=184	DC=C16 OD=C16 TR=P11	DC=C16 OD=C16 TR=P11	DC=C-15 OD=C-15 TR=P11	DC=C-15 OD=C-15 TR=P-11

Source: Harnett County, *Comprehensive Annual Financial Repo*rt (CAFR) as of Fiscal Year End.

EXHIBIT 5-3
HARNETT COUNTY
PERCENTAGE OF OUTSTANDING DEBT TO DEBT CAPACITY



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Education Budget	$16,948,707	$18,006,432	$19,928,849	$30,006,255	$22,701,055	$22,239,671	$24,115,765	$30,159,562	$36,423,566	$27,562,131
Outstanding Debt	$111,136,851	$165,071,265	$179,685,321	$231,161,287	$220,795,347	$188,565,359	$200,647,535	$242,264,797	$214,622,675	$204,664,039
Debt Capacity	$300,355,882	$279,394,415	$298,983,203	$290,140,204	$388,628,257	$412,594,583	$412,876,331	$391,512,213	$419,513,081	$363,674,016
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Debt %	37.0%	59.1%	60.1%	79.7%	56.8%	45.7%	48.6%	61.9%	51.2%	56.3%
		2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Tax Rate (County)	0.735	0.735	0.735	0.735	0.725	0.725	0.725	0.725	0.75	0.75
Maintenance							$66,064	$ -	$ -	$1,023,375

Source: Harnett County, *Comprehensive Annual Financial Repo*rts as of Fiscal Year End.

GOVERNANCE MODEL

The governance model for school districts in North Carolina divides the responsibilities between School Boards for operational and academic control and County Commissions, which provide financial oversight. In most instances, this arrangement provides the necessary checks and balances that were intended when this structure was put in place many years ago. However, in some cases, the tension between the two entities can create a difference in approaches to the various capital funding needs of the district.

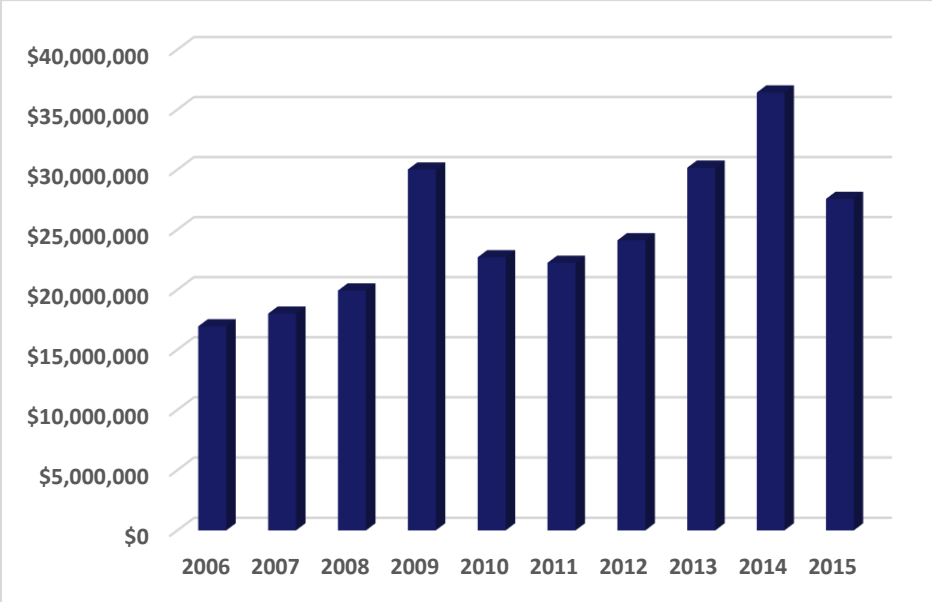
Although districts may be able to garner adequate community support to pass a bond, the Commissioners may not be willing to assume the additional debt load caused by the sale of long term bonds. Commissioners may also be reluctant to fully fund the district's annual capital program requests and instead address each area of need separately as problems arise. Often this makes budgeting and prioritizing more difficult because of the uncertainty in the availability of funds.

From the county perspective, it is also challenging to determine what the district budgets are asking for and what are the most pressing needs regarding capital repairs. The inability of some districts to prepare an accurate and well-supported, data-driven facility plan leaves both parties without the requisite information to make informed and timely decisions.

BUDGET PROCESS

Throughout the budgeting process, districts are expected to provide the necessary information to the county so they can allocate the appropriate amount of capital program funding needed on an annual fiscal year basis. However, in the case of capital projects that cross multiple years, the ability of the district and the county to engage in long range planning is more difficult. Revenue amounts change each year, allocations from the state vary, and project costs fluctuate, making it difficult to develop and manage cash flow scenarios in a predictable fashion. **Exhibit 5-4** examines the school district budget over a 10-year period.

EXHIBIT 5-4
HARNETT COUNTY
10-YEAR TOTAL EDUCATION BUDGET



Source: Harnett County, CAFR Fiscal Year End.

As described in the previous section on Governance, the inability of the districts to create long range facility plans to guide the budgeting process is often constrained by 1) the funds to create the plan; 2) standards at either the state[1] or district levels to guide the process across all districts; and, 3) the lack of expertise, especially in smaller districts which typically have fewer staff to lead an effort of this type.

These variances within the budgeting process at each district are further exacerbated at the state level when trying to compare similarly-sized districts due to the lack of consistency in reporting and presenting this data in a standardized fashion. This leads to the state agencies and legislative bodies lacking critical pieces of data to make informed decisions about funding capital programs.

These issues are not atypical and are often found across the country. Providing detailed capital planning budgets is an arduous and meticulous process that requires expertise in facility design, educational program needs, and financial analysis. The development of a comprehensive facility master plan requires examination of not only the current building condition, but also future enrollment, school

[1] The State of North Carolina does provide building design guidelines for districts.

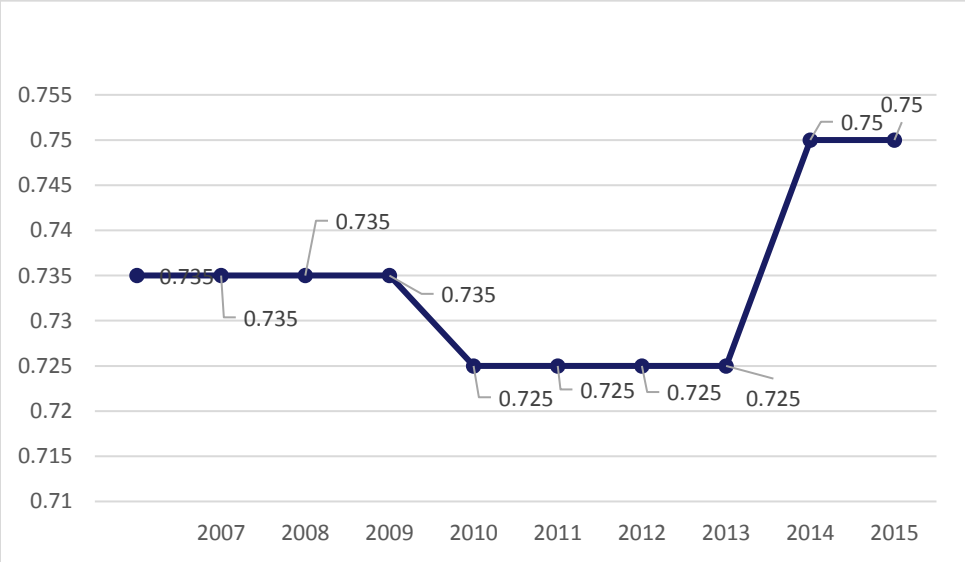
capacity and technology needs. Having all these data allows the district to have a detailed and predictable budget.

REVENUE GENERATION

As is often the case, generating the necessary revenue to achieve even a small percentage of the capital program needs is challenging for all parties. The state provides some level of funding in the form of Lottery allocation dollars but recognizes that this is woefully inadequate in terms of meeting the deferred maintenance needs of the 115 school districts. The county, to the best of its ability, works with the district to supplement state funding with locally-raised revenue to provide support and districts, when possible, can work with their community to pass bond elections which can generate the most significant amount of revenue for new school construction, renovation, and repairs.

All of these revenue sources attempt to address the ever-increasing need of school districts for capital program dollars. However, despite all of these well-intended efforts, the revenue generated is still substantially less than which is needed to meet the increasing demand. Often times the last remaining option for the county is to change the tax rate so as to either increase revenue or to reduce expenses allowing for more potential outstanding debt dollars to be available for capital renewal. See **Exhibit 5-5** for the 10-year tax rate schedule.

EXHIBIT 5-5
HARNETT COUNTY
TAX RATE



Source: Harnett County, CAFR Fiscal Year End. See Table for **Exhibit 5-2** for CFAR Page Numbers related to annual tax rates.

It is important to note that districts do currently have a number of methods to raise additional revenue beyond what is mention above (See **Exhibit 5-1**). These additional revenue categories however do not, especially in low APV or low wealth districts, provide enough additional revenue to close the funding gap. It is necessary that the state, county and district begin to examine additional alternative methods for generating revenue and closing the funding gap.

FUNDING GAP

As school districts continue to re-evaluate their options for securing revenue to address their capital program needs, it becomes apparent that the sources are limited and in some cases less than equitable. Each revenue source – bonding, lottery, supplemental taxes – provides some level of revenue to address new construction, building renovation and / or deferred maintenance projects, but none of them, either as a single funding source or in a cumulative fashion, provides the necessary dollars to create long term revenue streams.

This funding "gap" means that most districts will have significant challenges in meeting their facility needs for future growth, long term maintenance, and system upgrades. In Harnett County Schools, over the next ten-years, the total capital program need is $243,036,617 and the likely available resources (unrestricted education funds, lottery funds, county annual allocation, and capital) are only $168,926,580 to address these needs. Over that ten-year period, the difference equates to a $74,110,037 funding gap.

Given the current available allocation processes, the funds available from the state, county, and local level are limited. Considering these limiting factors, it is unlikely that there will be an adequate capital funding stream to support the demand districts have to provide 21st Century schools to every student in North Carolina.