

Building a Bridge to Our Future: A School Construction Plan for North Carolina

North Carolina is facing a classroom crisis. The State Department of Public Instruction projects almost \$10 billion in public school construction needs over the next five years. The need is spread across all of North Carolina, with eleven school districts, including such counties as Wayne and Cabarrus, facing more than \$200 million in facility needs. The combination of outdated, aging facilities and rapid growth across much of North Carolina have created an unprecedented challenge to our local school systems, counties, and taxpayers. It is time for a fresh approach.

North Carolina's classroom crisis has many negative effects. Lacking adequate space in existing buildings, schools are forced to increase class sizes and move students to trailers or other temporary facilities. More than 178,000 North Carolina children go to school each day, not in a classroom, but in one of more than 7,000 "mobile classrooms." Numerous studies have shown that old, low quality schools hold teachers and students back. Schools with older ventilation, heating and cooling, wiring and plumbing are more likely to have problems that distract students and teachers, as well as suffer from losses of instructional time. Schools without modern classrooms and technology struggle to offer the instruction needed to prepare students for the global economy.

The Cost of Waiting

While our school systems, counties, and state struggle to figure out how to pay for the new and modern schools they need and deserve, the cost of construction continues to spiral higher and higher. School construction costs increased more than 50% between 2001 and 2006. With double-digit annual inflation in construction costs, waiting just a year can cost millions of dollars. Yet it typically takes school systems about two years to build a new school from start to finish. Getting started on projects earlier and completing them faster will save counties and taxpayers millions of dollars that can be used to invest in other worthy projects or to hold down property taxes.

A New Model for School Construction – The North Carolina Future School Partnership

With the need for school construction so clear and pressing, the time for solutions is now. By creating the North Carolina Future School Partnership, we can save significant time and money, building schools faster and more efficiently. The Future School Partnership will be a non-profit organization that is established to help North Carolina's school systems meet their school construction needs. The menu of services offered will include:

- ✓ **Lower cost, higher quality construction of new schools.** Legislation enacted in 2006 allows local school boards to enter into public-private partnerships to build schools. The North Carolina Future School Partnership will use this new tool to achieve significant time and cost savings on new school construction. Local governments will be able to enter into pre-development agreements with The Future School Partnership that allow for land acquisition, the regulatory approval process, and design work to begin immediately. In addition, costly change orders are greatly reduced in the design-build

process because builders work directly with the architects in the design phase rather than bidding on the project after the design is completed. Economists at the UNC-Charlotte School of Business have estimated that North Carolina school systems can realistically achieve construction savings of 20% by taking advantage of this model, while simultaneously reducing construction time by 25%.¹ In fact, much of the cost-savings come from the reduction in time required to complete a school construction project. With double digit annual inflation in school construction costs, saving time means saving money.

- ✓ **Financing for School Construction Projects.** The Future School Partnership will provide a range of financing structures for local governments that wish to make use of the public-private partnership model for school construction. For example, local governments will be able to enter into a lease agreement with The Future School Partnership, in which the local government makes annual payments for a term of 20 to 40 years and takes ownership of the school at the end of the lease. In addition, local governments will be able to use the traditional methods of General Obligation bonds or Certificates of Participation financed at the local level to pay for the school. All financing solutions will require approval from the Local Government Commission, local school board and county commissioners.
- ✓ **Secure School Land in Advance.** The Future School Partnership will offer school systems the ability to purchase or place an option on land in areas of future development where schools will be needed. School systems have lost valuable time and money after they decide the location of a new school because landowners charge higher prices or complicate the negotiations knowing that a school system has chosen the site. School systems will now be able to work with the Future School Partnership to plan for long-term growth that is likely to occur in a community's strategic plan. By allowing school systems the opportunity to secure land in advance, the Future School Partnership will save time and money.
- ✓ **Design and Construction Material Efficiency.** The Future School Partnership will work with architects and contractors to develop energy-efficient standardized school plans. School systems will have the option of using off-the-shelf designs that are tailored to specific sites and local needs. This will:
 - Save money and time on school design. Rather than starting from scratch, architects will be able to adapt existing plans to fit local needs.
 - Save money on materials. If contractors know building plans in advance, they can negotiate better contracts and minimize inflation costs by purchasing materials early. Additionally, The Future School Partnership will seek to negotiate bulk-purchasing contracts as it works on multiple projects using similar designs.

¹ Ott, Steven & Read, Dustin. "Alternative Development Strategies for Public Schools: The Financial Implications of Installment Purchase Contracts and Construct Leaseback Transactions." August, 2006.

- Save time on the construction of new schools. The simple fact is that contractors can build a project faster if they have done similar projects and designs previously.
- Save money over the life of the school on utility costs. Plans developed by The Future School Partnership will take advantage of the latest cost-effective technology in resource efficiency. The Partnership will use advances in such areas as passive solar design, alternative energy, building materials, and water reuse to design modern schools that save money.

Success of the Future School Partnership Model in Other Communities:

Other communities have successfully used models similar to The Future School Partnership to save money and time on school construction. The Houston, Texas Independent School District used this approach to build two high schools in the 1990s. The district created a not-for-profit corporation to issue tax-exempt bonds, manage the construction project, and take title to the facilities once they were finished. The school district now makes annual lease payment to the not-for-profit, which in turn pays off the debt. As a result of this arrangement, Houston now has two new high schools, which can serve 6,000 students.²

The school board in Greenville, South Carolina also followed this approach. Greenville had aging and inadequate school buildings, coupled with a student population that was increasing annually by as much as 1,000 students. In 1998, 9000 students were going to class in 440 “permanent” portable classrooms. The district wanted to update its schools, but could only afford a few schools a year. Initial estimates were that it would take 23 years to complete the building plan under the old model, and given the ever-increasing student population, the district might never catch up with its facility needs. The school district established a non-profit Partnership, which enabled the school district to build needed schools in five years. This model is now projected to save \$1.33 billion compared to the “pay-as-you-build” construction plan, with cost savings coming from an accelerated construction timeline, standardization of school designs, bulk purchase, and cost-effective designs.³

Building Better Schools and Saving Money

By establishing the North Carolina Future School Partnership and improving technical assistance to schools, North Carolina can save hundreds of millions of taxpayer dollars while ensuring that our students and teachers are in the high-quality facilities they deserve. Yet the cost of enacting this plan will be comparatively low. The Future School Partnership will require startup costs of less than \$10 million for staff, school design, and initial finance work. This investment will yield dividends far exceeding its cost.

² Hawkins, Beth. “Building Blocks of Education,” *Facilities Design & Management*, September 1999.

³ *Greenville County Schools*, GCS Facilities Plan.