



The Cost of Growth

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- Rutherford County has been growing for decades
- In 1990/91 our ADM was 17,960.
- Our ADM doubled in 18 years.
- It was 35,915 in the 2007/08 school year,
- That's an average growth rate of 4.13%.



- We built 16 schools and 14 additions to handle this growth.
- One year we opened three schools.
- Our peak growth year was 2006/07. ADM was up by 1,863.
- This is ancient history, but these years show that the BEP Capital Component is totally inadequate when it comes to funding the capital cost of the schools needed to accommodate this rate of growth.



Capital Outlay Component of the BEP in Millions of Dollars

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
State Funds	\$ 5.424	\$ 5.987	\$ 6.750	\$ 7.087	\$ 7.960	\$ 9.010	\$ 10,463
Local Match	5.200	5.537	5.924	6.293	7.110	7.841	8.693
BEP Capital Component	\$ 10.624	\$ 11.524	\$ 12.674	\$ 13.380	\$ 15.070	\$ 16.851	\$ 19.156
RCS Capital Expenditures *	\$ 22.976	\$ 27.685	\$ 27.649	\$ 33.670	\$ 35.063	\$ 40.911	\$41.757
Capital Expend in excess of BEP	\$ 12.352	\$ 16.161	\$ 14.975	\$ 20.290	\$ 19.993	\$ 24.060	\$ 22.601
Growth	4.0%	4.2%	5.5%	5.6%	5.5%	5.6%	3.1%

* Debt service and transfers to building fund from general purpose school fund.



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- Our capital expenditures for those 7 years were \$229M or \$130M more than the \$99M in total BEP Capital Outlay funds, State and Local combined.
 - The debt service and the additional operating costs for these schools were a major strain on the county's budget.
 - Low interest rates have helped our debt service expenditures.
 - RC has refinanced much of its debt at these lower rates and saved \$11M in interest.



BEP Capital Component

- When the recession hit, RCS was able to scale back our building program.
- Our growth rate has been 2.31% for the last ten years.
- But it's slowly picking up, and our capital expenditures are picking up.
- We have added six new schools, nine additions, and have a new high school under construction for 2019/20.



- One concern raised at your May meeting was that the BEP Capital Outlay funds are not being spent for Capital Outlay in some systems.
- Rutherford County is one of those systems.
- However, our Capital Outlay expenditures are made entirely from local funds. These funds are above our BEP local match and entirely outside our GPS budget.
- Even after 10 years of lower growth, these expenditures are consistently higher than the total State and Local BEP Capital Outlay component.



Capital Outlay Component of the BEP in Millions of Dollars

	2008/09	2009/10	2010/11	2011/12	2012/13
State Funds	\$ 11.534	\$12.482	\$14.210	\$ 13.529	\$ 14.203
Local Match	9.260	10.131	11.439	10.993	11.398
BEP Capital Component	\$ 20.794	\$22.613	\$25.649	\$24.522	\$25.601
RCS Capital Expenditures *	\$36.339	\$35.412	\$33.993	\$33.180	\$35.119
Capital Expend in excess of BEP	\$15.545	\$12.799	\$ 8.344	\$ 8.658	\$9.518
Growth	2.3%	2.1%	2.4%	1.2%	2.6%

* Debt service and transfers to building fund from general purpose school fund.



Capital Outlay Component of the BEP in Millions of Dollars

	2013/14	2014/15	2015/16	2016/17	2017/18
State Funds	\$ 16.629	\$ 17.466	\$ 17.946	\$ 19.217	\$ 20.122
Local Match	13.039	13.791	14.297	15.075	15.485
BEP Capital Component	\$ 29.668	\$ 31.257	\$ 32.243	\$ 34.292	\$35.607
RCS Capital Expenditures *	\$ 35.123	\$ 35.065	\$ 36.696	\$ 56.580	\$ 47.043
Capital Expend in excess of BEP	\$ 5.455	\$ 3.808	\$ 4.453	\$ 22.288	\$ 11.436
Growth	2.9%	0.9%	3.1%	2.4%	2.9%

* Debt service and transfers to building fund from general purpose school fund.

Operating Expenditures

- The BEP formula generates no funding towards a new school's administrative positions in its opening year. The BEP only covers those positions for last year's schools.
- Since students just don't come in groups of 20, 25, or 30, we cannot transfer enough classroom and non-classroom positions to staff a new school.
- The cost of these positions is especially challenging with a new high school or when you open multiple schools.



BEP Growth Funds

- We are very grateful that the Governor has restored funding for BEP Growth Funds.
- However, at our level of growth, these funds only cover about one-half of the state BEP funding per student.
- They really do not help with the costs of opening that new school.



- Our County Commission understands the need for new schools and has supported our school building needs.
- Our building cost per square foot is at or under what neighboring systems pay.
- Our cost per student is well under the state average on the Report Card.



- The main financial challenge we've faced in my 20 years with Rutherford County Schools has been the cost of growth.