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How to Fund Education Capital Projects

To help us better understand funding education capital projects, a look in the annual audits of other County Governments is beneficial. The two audits that have been reviewed are Rhea County and Cumberland County. These counties have consolidated schools and lower tax rates than Roane County. People often reference both Rhea County and Cumberland School County Systems as they discuss the potential school consolidation in Roane County.

First, I hope we can agree that the financial information does not tell the whole story. Financial data does not take into account all social/economic aspects of the county, nor the transportation infrastructure. The financial data does; however, gives us an insight of how other governments operate and prioritize their operations. The financial audits that were reviewed are from 2016.

Here are some highlights about Cumberland County. The total local tax revenue for Education is \$20 million which includes approximately \$2 million of sales tax applied to their school debt retirement. I mention the sales tax because the sales tax is an Education revenue and, if not applied to the debt retirement, the revenue would be earned to the general schools operations.

Roane County's local taxes to education is \$23.4 million with no local education money going to debt retirement. This shows Roane County's support in education of approximately \$5 million more than Cumberland County. One must note, that even with Roane County exceeding contributions greater than Cumberland County, Roane County has 6,583 students in average daily membership compared to Cumberland County's 7,178 students.

Rhea County has local taxes in education of \$8.4 million and from those funds, \$1.4 million is paid for education debt services. Rhea County is a much smaller school system than both Cumberland and Roane County with 4,247 students in average daily membership.

Here are some more interesting numbers, but in my opinion not surprising. Roane County has 17 schools with energy cost (electricity & natural gas) of \$1.9 million. Cumberland County has 12 schools, with almost \$1.6 million in energy cost. Cumberland County realizes \$300,000 less in energy cost even with 600 more students than Roane County. One would anticipate more modern schools experiencing energy efficiency savings. On a per student basis, a savings could exist of maybe \$500,000. However, when a comparison is made with Rhea County, who only has seven (7) schools and energy cost of \$1.1 million with 4,247 average daily membership, the energy efficiency savings drops to a little less than \$200,000. I think we can draw a conclusion that energy savings may not be as significant as one may hope.

What is more surprising is the operation and maintenance of plant costs. These cost do include the energy cost previously discussed. This analysis gives us in my opinion some missed signals.

Cumberland County with less schools than Roane County spends almost \$500,000 more on operation and maintenance; having our cost per student at a \$9 difference, which is not significant. Rhea County spends almost \$100 more per student than Roane County. I am not sure what parallels we can draw from this single analysis review other than comparisons don't always tell the whole story, but we should continue to study the data.

Roane County Schools have for years relied on the County Commission to fund capital, whereas other county school systems often fund capital improvements and debt from within their respective budgets. The Roane County School Board receives roughly \$23.4 million mostly from local taxes consist of property and sales tax, then generates another \$31 million mostly from the State BEP formula including over \$2 million from capital outlay calculations. Any of these funds could be pledged, transferred, or used to pay school debt payments, if the Roane County School Board chooses to invest in their physical plants.

So, here is an option for investment in our education capital project. Roane County could do like Rhea County and Cumberland County have done, and use existing education funds for future capital investments without raising our local property tax. The School Board should make operational and capital decisions based on the existing state and local revenue earned in their operations. If this was the case, Roane County's tax rate would stabilize. (A novel idea of one living within their means?) With the School Board using their own monies, the County Commission would not be as involved in the school systems financial operations. Whether school consolidation should take place or not would be a decision that would rest primarily with the School Board, as additional financial appropriations would not be needed from the County Commission.

This also goes back to previous articles that noted a large amount of education debt being paid off by fiscal year 2022. If education capital improvements are scheduled within the county's financial plan, a lesser impact would be felt by the taxpayers and the Commission, who is required to vote on tax rates. Consolidation of any educational program is challenging. Increasing revenue by any mean is also a challenge. Put both consolidation and increasing revenue together....

Data in this article was taken from the Annual financial reports provided by the Tennessee Comptroller's Office, and other data from the Tennessee Comptroller's Office of Revenue and Education Accountability.