

The background of the slide is a composite image. The top left shows a line of yellow school buses with "SCHOOL BUS" written on their fronts. The bottom left shows a classroom with blue walls, several desks with chairs, and colorful balloons hanging from the ceiling. A white diagonal line separates the top-left image from the bottom-left image.

Inflationary Impact on School Construction Projects

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Agenda

- School District Facility Planning
- Funding
- Financing
- Need/Unmet Need
- Kentucky Facilities Inventory Classification System
- HB 678 (2022 Regular Session)
- Construction
- Questions

School District Facility Planning

- Each school district has a district facility plan (DFP).
- To create a DFP, the district convenes a local planning committee (LPC).
- The LPC is an advisory committee with 10-20 members that includes parents, teachers, building administrators, facilities directors, central office staff, local board members, local planning officials and the school superintendent (non-voting member).
- The committee develops a plan based on the district's buildings, financial capability, demographics and other relevant information to address a district's construction needs based on criteria in the Kentucky Schools Planning Manual.

District Facility Plan

- A minimum of three public meetings.
- A district is required to develop a new District Facility Plan (DFP) every four years. A waiver can be requested to extend a DFP up to four additional years.

DFP Priorities

- Priority 1: Educational projects to begin within the next biennium
- Priority 2: Educational projects not scheduled to start within the next biennium
- Priority 3: Non-Educational Additions or Expansions (may include kitchens, cafeterias, administrative areas, etc.)
- Priority 4: Management Support Areas which may include central offices or bus garages
- Priority 5: Discretionary Construction which may include extracurricular facilities (athletic facilities and excess space added to other facilities)

Funding for School Facilities

- Local taxes restricted for facilities
 - “Nickels”
 - Each district is required to have one nickel which restricts local tax revenue for facilities construction or renovations, but some will have additional nickels.
- State equalization
- School Facilities Construction Commission (SFCC) Offers of Assistance
- SFCC Special Offers of Assistance

Financing

- Districts typically issue bonds to pay for projects or pay cash
- Bonding capacity = borrowing power
 - This is impacted by interest rates, credit rating(s) and existing debt service
- A district may have a gap in funding which may result in a phased project done over a longer time period or a reduction in project scope (i.e. removing items from the project)

Need/Unmet Need

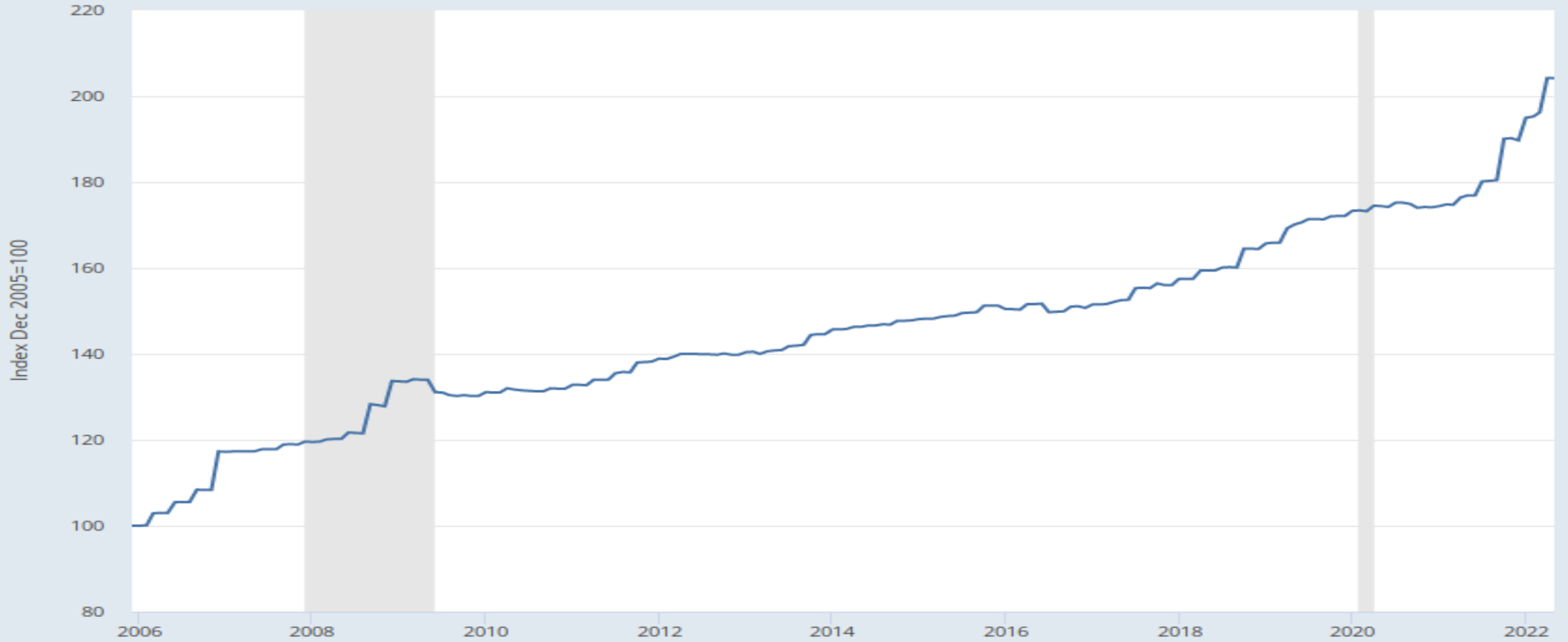
- Biennially, KDE calculates the Need/Unmet Need for each school district.
- Need is identified by using priority projects 1-4 on the DFP as of June 30 of the odd fiscal year.
- Unmet Need is then determined by subtracting any projects which have been initiated and local available revenue from the “Need.”
- SFCC uses the Need/Unmet Need Report to determine each district’s “Offers of Assistance.”

Kentucky Facilities Inventory Classification System (KFICS)

- KFICS consists of four components used in providing a Kentucky School Score. Asset Planner is the software tool that districts use to provide:
 - Audits (age and condition)
 - Space Planner (floor plans and inventory of rooms) Survey
 - CPTED (Crime Prevention Through Environmental Design) Survey
 - Site Survey
- All school buildings receiving a Kentucky School Score are included in the Ranked Report which is provided to the legislature.

HB 678 (2022 Regular Session)

- Until June 30, 2024, a local school board may adopt a resolution which allows them to conduct new construction or renovations under provisions of HB 678.
- If operating under HB 678, a district may commence funding, financing, design, construction, renovation or modification of district facility projects without prior approval from KDE.
- A district may spend restricted funds on extracurricular facilities.
- There are 139 districts currently operating under HB 678.
- Speeds up several processes which can benefit districts.



Source: U.S. Bureau of Labor Statistics

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Menifee County

- Board Office (New Construction)
- Initial estimates in August 2021 were \$2.0-\$2.5 million. Revised estimates in May 2022 were \$3.5 million.
- Basement/storage construction was removed from project to save money.

Rowan County

- Rodburn Elementary Renovation and Addition
- Initial estimates in November of 2021 were \$5.5 million. Revised estimates in March 2022 were \$6.2 million.
- Districts expects future revisions to estimates to increase the costs as well

Christian County Schools

- Consolidated High School Project
- Initial estimate of \$107 million in November 2021, \$117 million in February 2022, and \$137 million in May 2022.
- District expects that the entire project may now exceed \$137 million and reduction in scope of work is possible.

Woodford County

- New high school
- Initial estimates in July 2019 were \$36 million. Three years later, bids came in at \$73 million.

Issues

- Construction costs may exceed bonding potential.
- Districts may reduce the scope of the project, do the project in phases over a longer time or shelve the project all together.
- Districts are putting in significant “local effort” but unable to reach facility-related goals.
- It is important to note that “your mileage may vary.” Not all projects are experiencing the same increases as every project is different. Location, materials, availability of labor and many other factors may impact the project cost.