SCHOOL FACILITIES FUNDING:

WHAT OTHER STATES DO

SCHOOL FACILITIES FINANCING WORK GROUP October 16, 2013

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Form of State Aid: Two Types

Construction Project Funding

- State agency approves facility plans, designs and sites
- State provides grant or loan for a portion of project costs
- State share may vary depending on local tax base
- State may prioritize funding based on type of project, or a statewide assessment of facilities needs, or make funds available to all districts

Debt Service Aid

- State oversight limited to determining whether the project is qualified and the debt schedule is eligible.
- State aid may vary based on district tax base, debt service tax rate and type of project.



State Oversight

Varies greatly among states

- Some states have very few state-level facilities staff while others have dozens
- State-level staffing is greatest where there is a state school facilities agency overseeing school construction projects and approving project-based funding (e.g., Ohio 70 staff; Wyoming 18; California 157; New Jersey 350)

State oversight tends to be the greatest where:

- There is a high state share of funding, and
- Funding is allocated based on construction project costs, rather than using a formula based on need factors such as enrollment, facility age, tax base, debt service tax rate



State Share of Facilities Funding

- Ranges from 0% to 100%
- National Average for 2005 2008 was 30% state
- Examples:

_	Wyoming	100%
	,	

- Maine 84%
- Kansas61%
- Ohio 50%
- Arizona 32%
- Minnesota: 21%
- Illinois 8%
- South Dakota0%
- Wisconsin0%
- Source: 21st Century School Fund, State Capital Spending on PK-12 School Facilities, 2010



State School Facility Programs

- In most states the majority of funding for school facilities comes from the individual school districts – usually through voter-approved local property tax levies.
- Fiscal studies have shown that funding systems that rely too greatly on local school district funding can result in a vast disparity in the quantity and quality of school facilities between high- and low-wealth school districts.
- In at least 15 states, low-wealth districts have filed lawsuits in an attempt to force the legislature to create a more equalized facility funding program.

Comprehensive State School Facility Programs

- In Arizona, New Mexico, Ohio and Wyoming, lawsuits have resulted in the creation of comprehensive state school facility programs, which:
 - have increased funding levels and attempted to direct more funding toward low-income/low-property-wealth school districts.
 - have resulted in the state taking over many of the construction and maintenance decisions from the local school districts.
- Attributes of these programs include:
 - The state provides all, or nearly all, of the necessary funding to the lowest tax base school districts;
 - Funding priorities for capital projects are based on a combination of district wealth and facilities needs
 - The state provides construction mandates and/or restrictions on school districts that participate in the program.

Source: Education Commission of the States, Comprehensive State Facility Programs, 2007



- Fair and Immediate Resources for Students Today (FIRST) facility program was established in 1999 due to rulings in the Roosevelt Elementary School District No. 66 v. Bishop school facilities court case.
- Arizona School Facilities Board is composed of eight gubernatorial appointees and the state commissioner of education.
 - The board is responsible for the evaluation of school capital needs and the distribution of monies to school districts to cure existing deficiencies, for building renewal, and for the construction of new facilities.
 - The executive director also is a gubernatorial appointee. There are nine additional staff members.



- Each school district must annually undertake a capital development plan that analyzes their facility needs.
- If the district's capital plan finds there will be a need for new or expanded school space in next four years, they are then required to submit the plan to the state's School Facilities Board.
- If the Board agrees there is a need for new or expanded facilities, they work with the district to develop a construction plan.
- The Board with some input from the district decides the size and scope of any building project they provide funding for.

Deficiency Corrections Fund (1999 - 2006)

- State facilities standards adopted in 1999.
- \$1.3 billion expended on 9,000 projects to remedy deficiencies identified in state inspection of facilities by board staff and a contractor (one-time fix)
- The most dramatic changes were in rural schools, where many buildings had to undergo major renovation or outright replacement
- Funded with state bond proceeds

Building Renewal Fund

- \$693 million appropriated between 1999 and 2008 to help maintain quality of existing facilities and extend useful life
- Full funding of program would have provided \$1.3 billion; proration has worsened over time; lawsuit over proration was not successful.

New School Facilities Fund

 \$ 2.6 billion allocated between 1999 and 2008 for 310 projects for new facilities and additions to accommodate student growth



Major Capital School Construction

- School systems seeking State subsidized construction projects
 periodically apply to the Maine Department of Education (MDOE) for a
 major capital school construction project. A team from the MDOE
 reviews the applications and conducts a site visit to each applicant's
 school district.
- Following the site visit, the team rates each potential project. The ratings are done from a matrix developed by rule and adopted by the State Board of Education. The MDOE then creates a list of projects in decreasing order from the project with the greatest need followed by projects with lesser needs in descending order. The Commissioner of the Department of Education presents the list to the State Board of Education. The State Board of Education funds as many projects from the list as available debt limit funds allow.



Major Capital School Construction

- The MDOE working in concert with the State Board of Education establishes both size and financial limits on projects. Local school units may exceed these limits at local expense. Under current state school subsidy formulas, the State bears the major financial burden of capital costs in most school units in Maine.
- In seeking solutions to educational facility issues, the MDOE first looks to the possibility of renovations or renovations with additions. New school construction projects are only considered in those instances where renovation projects are not economically or educationally feasible.
- Some school districts in Maine have opted to finance capital projects at the local level without the assistance of State subsidy. This option remains open to all school districts in Maine.



- School Revolving Renovation Fund (SRRF)
- The SRRF provides assistance where districts have identified needs in the areas of health and safety, building systems, energy and water conservation, and learning space upgrades.
- The Fund has the following priorities:
 - Priority 1: Health, safety and compliance issues
 - Priority 2: Repairs and improvements not related to health, safety and compliance, limited to repairs and improvements to school building structures, windows, doors, and water supply or waste disposal systems.
 - Priority 3: Repairs and improvements related to energy and water conservation.
 - Priority 4: Upgrades of learning spaces.
 - Priority 5: Other projects.



- School Revolving Renovation Fund (SRRF)
- The SRRF is a State and local partnership with each providing a portion of a project's funding.
- The SRRF provides loans to districts to finance project expenditures. A portion of each loan is considered a grant and is forgiven. The forgiveness rate ranges from 30% to 70% and is based on the percentage of State subsidy paid to the local school unit.
- The remaining balance of the loan is paid back over either five or ten years at a zero percent interest rate. The loan repayments revolve back into the SRRF and are then used to fund other approved projects. The maximum loan that can be provided is capped at \$1 million per priority per school building within any 5 year period.



Debt Service Equalization Approach

- For the school district having the median assessed valuation per pupil, the state aid ratio is 5.0 percent for contractual bond and interest obligations incurred prior to July 1, 1992, and 25.0 percent for contractual bond and interest obligations incurred on July 1, 1992, and thereafter.
- This factor increases (or decreases) by 1 percentage point for each \$1,000 of assessed valuation per pupil of a district below (or above) the median.
- (Note: This approach indexes state debt service equalization to the state median tax base per student)

