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State Roles in Financing Public School Facilities

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Preface

This report provides information from all 50 states on their practices relating to school facilities funding. The overview section includes a description of the Texas program and a summary of the 50 states' practices in three categories: revenue source, form of state aid, and oversight. The state profiles section describes each state individually and includes special features and contact information. Profiles reflect changes made by state legislatures in 2006.

Overview

Texas Program

Texas school facilities funding is administered by the same Texas Education Agency department that distributes basic aid to schools and is financed by the same revenue source. The Foundation School Program, which is revenue primarily from the general revenue fund, provides approximately $1.5 billion in the FY 2006-2007 biennium for two debt-service components, the Instructional Facilities Allotment and Existing Debt Allotment, and $50 million for the New Instructional Facilities Allotment.

The Instructional Facilities Allotment currently distributed to 406 school districts is a guaranteed yield component of the Foundation School Program that provides assistance to the districts in paying the principal and interest (debt service) on qualifying bonds or lease-purchase agreements for instructional facilities. It is equalized for rich and poor districts based on property wealth, and eligible applications are ranked in order of property wealth per student in average daily attendance and other factors. The program provides a guaranteed yield of at least $35 per pupil per penny of tax effort.

The Existing Debt Allotment is another guaranteed yield component of the Foundation School Program, but it differs from the Instructional Facilities Allotment in that it helps with debt for both instructional and noninstructional purposes and operates without applications and has no award cycles. Instead, it is distributed automatically to every school district with eligible outstanding bonded debt. The equalized distribution formula accounts for tax effort, property values, and number of students; in FY 2006, 523 school districts received a distribution. The Existing Debt Allotment provides a guaranteed yield of at least $35 per pupil per penny of tax effort up to a maximum tax rate of 29 cents per $100 valuation.

The New Instructional Facilities Allotment is an additional allotment to help school districts furnish and equip new school campuses. It is not equalized for property tax wealth. Funding is provided for the first two years of the campus's operation. In the first year of operation, a school district is entitled to an allotment of $250 for each student in average daily attendance at the campus, and in the second year, the district is entitled to an allotment of $250 for each additional student in average daily attendance.

Summary of States' Practices

Only four states—Nebraska, Nevada, Oklahoma, and South Dakota—have no role in helping local school districts pay for public school facilities. The other 46 states, including Texas, have state programs to provide school facilities funding. Some of these states finance construction, and others pay for debt service. Some provide distributions to all school districts, and others support specific projects. Some offer loans, and others guarantee school district loans.

This summary, based on the detailed state profiles provided in the next section of the publication, describes the 50 states' practices in three categories: revenue source, form of state aid, and oversight.

Revenue Source

Texas primarily uses general revenue to provide state assistance for public school facilities. Twelve other states also use general revenue fund appropriations as a primary source of facilities funding. They are Arizona, Arkansas, Colorado, Kansas, Kentucky, Louisiana, Maine, Montana, New Hampshire, New York, Pennsylvania, and Rhode Island. Following are additional revenue sources used by states:

State bond proceeds. Nineteen states currently use general obligation or general revenue bond proceeds, either alone or in conjunction with other sources of funding, to provide school facilities funding. They are Alabama, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New Mexico, New York, Ohio, Vermont, and Washington. Six other states have issued bonds at some point for this purpose. In 1993, Texas voters rejected a constitutional amendment that would have authorized the issuance of $750 million in general obligation bonds to finance school facilities assistance.

- Since 1998, Alabama has issued more than $1 billion in general obligation bonds for school construction. By law, the first priority for bond proceeds is eliminating portable classrooms.
- California voters have approved $27.9 billion in bonding authority for K-12 educational facilities since 1998, and the governor proposes additional bonding authority of $26.3 billion through 2017.
- The Connecticut state treasurer has issued $4.2 billion in general obligation bonds since 2000 for school building project grants. Bonding authority is adjusted annually by the general assembly based on projects that are receiving payments.
- The 2000 legislation that led to creation of the New Jersey Schools Construction Corporation provided $8.6 billion in bonding authority. As of July 2006, the entire $8.6 billion has been committed to school facility projects.
- New Mexico's state-issued bonds for the public school capital outlay fund are backed by revenue from the state severance tax on the extraction of oil, natural gas, and coal. In 2005, state capital outlay for public school construction in New Mexico totaled $274.9 million.

Dedicated lottery proceeds. In Texas, revenue from the state lottery is dedicated to the foundation school fund, which is the source of state facilities funding. Five other states use dedicated or appropriated lottery proceeds to provide school facilities funding. They are Idaho, North Carolina, Virginia, Washington, and West Virginia.

- In North Carolina, $170 million was appropriated to the public school building capital fund from a new state lottery passed by the North Carolina Legislature in 2005. The revenue will provide allocations to each county based on tax rates and average daily membership.
- In Washington, the largest portion of lottery proceeds is earmarked for the education construction account. In 2005, the state lottery generated $102 million for education construction projects. The state's total budget for school construction from all program funds in the 2005-2007 biennium is approximately $850 million.
- The School Building Authority of West Virginia has the authority to issue bonds, and lottery proceeds are used to pay the debt service on the bonds as well as to provide grant funding. The appropriation totaled $50 million in the 2006-2007 biennium.

Dedicated sales tax revenue. Three states use dedicated sales tax revenue to provide school facilities funding. They are Massachusetts, Mississippi, and South Carolina.

- In 2004, Massachusetts dedicated one cent (20 percent) of the state's five-cent state sales tax to finance the waiting list and prior grants from the former school building assistance program and to provide new grants. The revenue is to be phased in by FY 2011 to the newly created school modernization and reconstruction trust fund (SMART fund). The sales tax redirection will provide $675 million in FY 2006.
- Each month, 9.073 percent of the total sales tax revenue collected in Mississippi during the preceding month is deposited into the education enhancement fund. Out of this fund a fixed dollar amount of $16 million is appropriated annually to the Department of Education for distribution to all school districts for school buildings and buses. The state public school building fund has also been financed in part by an annual diversion of state sales tax revenue.
- South Carolina increased the state sales tax rate from four to five cents on the dollar in 1984 to provide funding for education. Education Improvement Act of 1984 funds are allocated to all school districts based on average daily membership and may be used to construct, renovate, or repair instructional facilities or to pay debt service to reduce local property taxes; at least half of the funds must be used to reduce property taxes.

Other. Fourteen states use, or propose to use, another revenue source. They are Alaska, Colorado, Florida, Hawaii, Idaho, Illinois, Iowa, Indiana, Missouri, North Dakota, Ohio, South Carolina, Wisconsin, and Wyoming.

- A portion of cigarette tax proceeds (3.8 cents per cigarette) is dedicated to the Alaska school fund for rehabilitating, constructing, and repairing the state's school facilities and for insuring school buildings. As of July 2006, the tax on a pack of cigarettes in Alaska is $1.80. On July 1, 2007, it will increase to $2.
- In Colorado, an educational reform foundation recommends instituting a statewide real estate transfer tax of four-tenths of one percent to finance a statewide school capital program.
- The Florida Public Education Capital Outlay (PECO) fund is financed by a 2.5 percent tax on gross receipts for utility services, including the transportation, delivery, transmission, and distribution of electricity, natural gas, and manufactured gas, and by a 2.37 percent gross receipts tax on communications services, including the sale of cable and video service, but not cell phone service. The budget for PECO in FY 2006-2007 is $515 million.
- Another source of state funding for educational facilities in Florida is motor vehicle license revenue. The state constitution prescribes by formula a certain amount of this revenue to be used for capital outlay and debt service for public schools and community colleges. The Florida State Board of Education and local school districts can use this revenue to back general revenue bonds for school facilities.
- A 2001 state law allows Hawaiians to indicate on their state income tax form if they would like to donate $2 to the school repair and maintenance program. The Hawaii Department of Education received $111,580 for the program in FY 2005.
- Federal funds are combined with some state funding to provide grants to Hawaii public schools that secure private contributions or donations of professional labor—"sweat equity"—to repair and maintain public schools. Seventy-six grants totaling $2.3 million were awarded in FY 2005. The program administrator estimates that the work would have cost the state $5.1 million to complete.

- The Idaho Legislature considered a bill in 2006 to eliminate the sales tax exemption on the retail sale of natural gas, electricity, and water to create the school district building account. Estimated revenues were $67 million per year.
- In May 2006, the governor of Illinois proposed selling or leasing the state lottery to generate $1.5 billion for school construction in the next four years. Under the proposal, the Illinois Lottery would either enter into a long-term lease with a private entity or conduct an initial public offering that would generate $10 billion in proceeds. Approximately $4 billion of the proceeds would be combined with other revenue sources to produce $6 billion for schools in the next four years, including revenue for school construction and operations as well as universal preschool. The remainder of the proceeds would be invested to replace annual lottery revenue that the state would no longer receive for schools, an amount forecast at approximately $650 million for the budget year that began July 2006. The Illinois General Assembly will consider the proposal during the 2007 legislative session.
- The state wagering tax provides $5 million annually to pay the debt service on bonds issued by the Iowa General Assembly in 2000 to finance the School Infrastructure Program.
- Revenue from criminal fines and unclaimed property is used to provide low-interest loans for school construction in Indiana and Wisconsin.
- A bill passed by the Missouri General Assembly in 2005 transfers certain funds from the gaming proceeds for education fund (excursion gambling boat proceeds) to the newly created classroom trust fund and allows the funds to be used to finance school construction, among other purposes.
- Thirty percent of coal severance taxes in North Dakota are deposited into the coal development trust fund for loans to school districts for school construction. The state lends districts approximately $3 to $5 million per year from this fund.
- The Ohio School Facilities Commission is expected to receive more than $4.5 billion from tobacco settlement funds through FY 2025.
- Tax and fee revenue from the Barnwell commercial low-level radioactive waste disposal facility near Barnwell, South Carolina, was initially viewed as a school facility construction solution for the State of South Carolina, but the facility has produced less revenue than anticipated because of waste volume caps in state law and the facility's declining capacity. The amount of revenue reached a high of $55 million in FY 1995-1996; it was $8.2 million in FY 2005-2006.
- Coal lease bonuses, which are bonus payments made by potential lessees of state land that often determine the winning bid for the lease, and mineral royalties from the lease of state land provide the funding for Wyoming's school construction program. Program funding is $371.5 million in FY 2005-2006.

Form of State Aid

The form of state aid for public school facilities falls into two broad categories: construction aid and debt service aid. Twenty-seven states fund construction; seven states, including Texas, fund debt service; and eleven states fund both. Research on this topic suggests that programs that fund construction provide more oversight of facilities, and programs that fund debt service provide more money for facilities. The construction programs identified in the following subcategories generally require school districts to gain approval from a state-level agency for facility plans, designs, and sites, while the debt service programs generally limit review to determining whether the debt is eligible and the project is qualified. When appropriations are the same, funding debt service leverages more money for projects than funding construction because debt service helps districts access additional financing by issuing bonds.

Within the two categories, aid may be awarded for specific projects, or it may be allocated to all school districts. It may provide a state share or, in some cases, it may provide full funding. It may be distributed along with basic aid, or it may flow from a separate program, including one that ranks projects for funding. It may also be a low-interest loan. Please note that many of the following categories overlap and that states often offer more than one form of assistance.

Project Funding. Twenty-two states, including Texas, award aid for qualified projects and have an application cycle. In Texas, the Instructional Facilities Allotment, a debt service program, is awarded for classrooms, libraries, and other instructional facilities, and an application must be submitted before the proposed bonds are issued. The other states are Alaska, Arkansas, Colorado, Connecticut, Delaware, Florida, Illinois, Maine, Massachusetts, New Jersey, New Mexico, Ohio, Pennsylvania, Rhode Island, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

- Receipt of a construction grant in Illinois is dependent on available state funding, the priority ranking of the district's project, documentation of the required local financing, and the district's compliance with minimum enrollment requirements. As a result of limited appropriations, only projects addressing emergency needs, crowded classrooms, and aging buildings have been funded.
- The Ohio Classroom Facilities Assistance Program is a graduated cost-sharing program that provides assistance for all of the facility projects within a school district. Under this program, districts are ranked according to their adjusted valuation per pupil. Generally, a district's share of project costs is one percent multiplied by its percentile rank.
- When a school district in Pennsylvania undertakes a major construction project and seeks reimbursement from the state, a process known as PlanCon is initiated. A condition of reimbursement is to bring the entire building up to current educational and construction standards. A school district must also conduct a district-wide facility study before submitting a project for reimbursement.

Flat Funding. Nineteen states, including Texas, provide a distribution to all eligible school districts with facilities funding needs. In Texas, the Existing Debt Allotment is distributed to all school districts with eligible outstanding bonded debt. The other states are Alabama, Arizona, California, Florida, Georgia, Hawaii, Idaho, Kentucky, Maryland, Mississippi, Montana, New Hampshire, New Jersey, New York, North Carolina, South Carolina, Virginia, and Wyoming.

- Entitlement funds in the Georgia Regular Entitlement Category are calculated by dividing the dollar amount for the needs of each local system by the dollar amount for the needs of all Georgia school systems and multiplying the quotient by the annual authorization level set by the general assembly. A school system may use these funds each fiscal year as they are received or allow them to accumulate, depending on the size of the next project in the facilities plan. The Regular Entitlement Category is authorized to receive up to $200 million annually from the Georgia General Assembly.
- The Kentucky School Facilities Construction Commission issues Offers of Assistance to districts that have levied a five-cent equalizing tax and still have unmet building

needs. The commission uses the statement of school facility construction needs and local available revenue as certified by the Kentucky Board of Education to determine the allocation for each school district. The Kentucky General Assembly appropriated $100 million for new Offers of Assistance in the 2006-2008 biennium.

- Each year on July 1, the Wyoming School Facilities Commission distributes major building and facility repair and replacement payments to each school district based on square footage computations prescribed by law. State funding for school construction in the 2005-2006 biennium is $371.5 million.

Match Funding. Twenty-two states calculate a state share of school facility funding. In Texas, the state share of the Instructional Facilities Allotment is based on the amount needed to provide a certain guaranteed yield of tax effort. The other states are Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Maryland, Massachusetts, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Vermont, and Washington.

- In 2005, the Arkansas Legislature replaced state funding for debt service assistance with an Immediate Repair Program, Academic Equipment Program, Partnership Program (for new facilities), and Catastrophic Program, as well as state funding for fast-growth districts. The previous bonded debt assistance program continues for all debt in existence on January 1, 2005. The state share is based on a school district's needs as outlined in its 10-year master plan and on a wealth index. Program funding for projects scheduled to begin in FY 2006 is $277 million.
- The new-construction grant in California provides funding on a 50/50 state and local match basis, and the total amount of the grant depends on a district's enrollment projections and existing school building capacity. The modernization grant provides funding on a 60/40 match basis and depends on a building's age and capacity. All funding comes from bond proceeds.
- In Washington, the minimum state matching percentage for local school construction projects is 20 percent, and the average is 50 percent. The percentage is based on a district's valuation per pupil and enrollment growth and is determined annually. A school funding grant is equal to the state matching percentage multiplied by certain cost factors that depend on the type of school facility and the category of assistance. Biennial and supplemental appropriations for school construction assistance total nearly $800 million in the 2005-2007 biennium.

Full Funding. Four states provide full funding of school facility projects in some cases. They are Connecticut, New Jersey, Rhode Island, and West Virginia.

- In Connecticut, the state reimbursement percentage for regional technical (vocational) high school facilities is 100 percent. The reimbursement percentage for regional special education facilities, regional vocational agriculture centers, and interdistrict magnet schools is 95 percent.
- The 10-year school facilities program passed by the New Jersey Legislature in 2000 was set up to guarantee state funding to every school district for at least 40 percent of eligible school facility costs. "Abbott districts," which are low-wealth, primarily urban school districts affected by a series of New Jersey Supreme Court rulings, receive 100 percent of approved school facility costs. The New Jersey Schools Construction Corporation manages all aspects of school construction in the 31 Abbott school districts.

Basic Funding. Eight states, including Texas, provide all or part of school facilities funding as a component of basic aid to schools. In Texas, the New Instructional Facility Allotment is one of several special allotments to which a district is entitled on a per pupil basis, similar to the adjustments made to the basic allotment for special education, bilingual education, and compensatory education programs and for transportation. The other seven states are Kansas, Louisiana, Minnesota, Mississippi, Tennessee, Utah, and Wisconsin.

- The Utah Capital Outlay Foundation Program was established in 1989 during a major reform of the state's school finance program. A school district is eligible to receive capital outlay foundation funds if the amount raised by levying a property tax rate of 24 cents per $100 of taxable value does not generate revenues above a certain amount set by law. To qualify to receive 100 percent of the capital outlay foundation funds available to a district, the district must levy at least 24 cents per $100 of taxable value specifically for capital outlay and debt service.

Priority Funding. Twelve states use a ranking system to prioritize funding. In Texas, all eligible applications for the Instructional Facilities Allotment are ranked in order of property wealth per student in average daily attendance. The other states are Alaska, Colorado, Connecticut, Illinois, Maine, New Mexico, Ohio, Vermont, Washington, West Virginia, and Wyoming.

- In Alaska, the state provides grants to school districts to fund a portion of the most important projects on the School Construction and Major Maintenance Priority List developed by the Alaska Department of Education and Early Development. The legislature funded 25 projects in FY 2006 at a cost of $58.3 million and another 20 projects in FY 2007 for $25.1 million.
- A statewide database of public school buildings and distinct systems within the buildings (approximately 200,000 specific line items) is used to rank every need in New Mexico from greatest to least based on nine categories, the most important being life, safety, and health. The state's goal is to fund at least the top 100 projects each year. Funding totaled $274.9 million in FY 2005.
- Each December, the Vermont State Board of Education uses a rating system based on enrollment growth, existing school space per student, and building conditions to place voter-approved proposed projects on a list in order of priority. The board submits the list and project costs to the legislature the following January for a determination of funding for the following fiscal year. Funding for the program is $14.8 million in FY 2006 and $24.3 million in FY 2007.

Debt Service Aid. Twenty states help school districts pay the principal and interest on local bonds. In Texas, two staff members administer two relatively large debt service programs. The other states are Alaska, Arkansas, Florida, Idaho, Kansas, Maine, Michigan, Minnesota, Mississippi, Missouri, Montana, New Hampshire, New Jersey, New York, Rhode Island, South Carolina, Tennessee, Virginia, and Wisconsin.

- The Major Capital School Construction Program in Maine provides state subsidies for debt service costs incurred by local school districts in issuing bonds; $90 million is available in FY 2006 for debt service subsidies. Projects are placed on a priority list, and the State Board of Education funds as many projects from the list as available debt limit funds permit.

- New Hampshire's school building aid program provides an annual grant to each school district for debt service. Two formulas, one based on efficiency and the other based on wealth, determine the amount of the grant. Districts receive the higher of the two amounts determined by the two formulas. The efficiency-based formula rewards districts that associate together to administer schools, especially joint high schools. General fund appropriations were $37.7 million in FY 2006 and $40.7 million in FY 2007.
- The Building Aid Program in New York, in place since 1961, reimburses school districts for debt service based on the type of project, eligible costs, and the district's Building Aid Ratio, which ranges from 10 to 98 percent, depending on wealth. Building Aid amounted to $1.5 billion in FY 2005-2006.

State Loans. Seven states currently provide loans to school districts for school facilities. They are Alabama, Indiana, Maine, Michigan, Minnesota, Mississippi, and North Dakota.

- In Indiana, accruals to the constitutionally created common school fund from criminal fines and unclaimed property are used to provide low-interest loans to school districts that sustain disaster losses and that rank in the lowest 40 percent among districts in terms of the assessed valuation per pupil. As of March 2006, the pool of money available for construction loans is $20.5 million, and the interest rate is four percent.
- The Maine School Revolving Renovation Fund is a resource for problems at existing school facilities. School systems can apply for an interest-free loan for up to $1 million with a partial forgiveness of 30 to 70 percent for the principal part of the loan. As of February 22, 2006, applications are no longer accepted because of the fund's low balance.
- If a school district in Minnesota has difficulty paying for school construction because of low tax wealth, it may be eligible to receive a debt service or a capital loan. Each year the commissioner of education certifies the amount needed for the loans to the commissioner of finance, who issues general obligation bonds to pay for them.

Oversight

Department of Education. Two-thirds of states, including Texas, administer school facilities funding within the state department of education. Nearly all of the states that provide facilities funding as basic aid, debt service aid, and state loans administer the programs in this manner. Generally, department of education programs have fewer staff persons and provide less oversight than programs administered by a separate agency for facilities funding. In Texas, two staff members administer three facilities funding programs, and school districts are encouraged, but not required, to have a long-range facilities plan. The Texas State Board of Education is not involved in distributing aid, as is the case in other states where the state department of education administers programs for facilities funding.

Oversight activities identified in the profiles of the 35 states that administer school facilities funding in a state department of education include the following:

- Approving plans for all projects involving alterations, additions, and new construction of schools (Alabama)
- Certifying the necessity of school construction (Delaware)
- Assisting in the development of and approving long-range, comprehensive facilities plans that are updated every five years (Georgia)

- Maintaining a physical and financial analysis report for each public school (Hawaii)
- Conducting on-site reviews of construction (Illinois)
- Approving school sites (Mississippi)
- Providing information and technical advice concerning planning, constructing, and maintaining school facilities (New Hampshire)
- Determining eligibility for state aid (New York)
- Reviewing and commenting on all plans for construction (North Carolina)
- Inspecting all public school buildings before occupancy (South Carolina)
- Publishing the School Building Construction and Inspection Resource Manual (Utah)
- Ensuring that school districts applying for construction aid follow State Board of Education rules as well as the rules of other state agencies (Vermont)
- Providing support for school preservation and facility management (Washington)

Other State Agency. The following seven states use a different or additional state agency to administer school facilities funding:

- The Public School & College Authority, Alabama Building Commission, serves as the contract administrator for state-funded construction of public schools.
- The Office of Public School Construction, California Department of General Services, implements the School Facility Program and verifies that applicant school districts meet the criteria for the type of funding requested and that funds are disbursed properly. The office is directed by an executive officer who is appointed by the governor and has 10 staff members. The Division of the State Architect reviews K-12 and community college construction plans for structural and seismic safety and compliance with state building codes.
- The Illinois Capital Development Board, the state agency responsible for construction management, develops construction standards and awards grants for school construction.
- The Budget Division, Indiana Department of Local Government Finance, approves requests by school corporations (districts) to incur bond indebtedness or enter into a lease rental agreement with a holding corporation to finance a school building project.
- The Maryland Board of Public Works, composed of the governor, state comptroller, and state treasurer, administers the Public School Construction Program and approves the allocation of funds to each county under the program. (Maryland's 23 counties and the City of Baltimore make up the state's 24 school systems.) The board's larger mission is to approve all state capital projects, state procurement contracts, and use of state assets.
- The North Dakota Board of University and School Lands (Land Board) administers the coal development trust fund, which provides loans to school districts for school construction.
- The Virginia Public School Authority, Virginia Department of the Treasury, serves as a bond bank to provide low-cost financing of capital projects for primary and secondary public schools. The authority also offers an interest rate subsidy program for debt service on school construction.

Stand-Alone Agency. These eight states have created a separate state agency to administer school facilities funding. All of the funding is for construction rather than for debt service. The largest program in the nation is at the New Jersey Schools Construction Corporation.

- The Arizona School Facilities Board is composed of eight gubernatorial appointees and the superintendent of public instruction. The board is responsible for the evaluation of school capital needs and the distribution of money 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.
- The Kentucky School Facilities Construction Commission distributes available state funds to eligible school districts and is empowered to act on behalf of local districts to issue general revenue bonds that are repaid by the districts. The commission is a state agency governed by eight public members appointed by the governor plus the secretary of the Finance Cabinet. It has three staff members.
- The seven-member Massachusetts School Building Authority, consisting of the state treasurer, secretary of administration and finance, commissioner of education, and four members appointed by the state treasurer, administers the state's school building assistance program and is empowered to issue bonds for any purpose of the authority. The authority employs a staff of 22.
- The New Jersey Schools Construction Corporation (SCC) is responsible for financing, designing, and constructing school facility projects in the 31 Abbott school districts, which are low-wealth, primarily urban school districts affected by a series of New Jersey Supreme Court rulings. In addition, the SCC funds the state share and manages school facility projects in Level II monitoring districts (districts monitored by the state because of their financial circumstances or governance challenges) and in non-Abbott districts that receive 55 percent or more of their operating costs in state aid. The SCC also funds the state share of approved school building projects in districts receiving less than 55 percent of their operating costs in state aid. These districts may elect to have the SCC manage their building projects. The SCC has a staff of 238.
- The New Mexico Public School Facilities Authority develops criteria for grant assistance, maintains the school facility assessment database, reviews and ranks projects, and promulgates school building standards. All school construction requires review and approval by the authority before issuance of a building permit. The authority also assists school districts in planning, constructing, and maintaining facilities. Field staff live in the school districts in which they work. A total of 51 persons work for the authority.
- The Ohio School Facilities Commission provides funding, management oversight, and technical assistance to Ohio school districts for construction and renovation of school facilities. The commission's three voting members are the director of the Office of Budget and Management, the director of the Department of Administrative Services, and the state superintendent of public instruction. Of the four nonvoting members, two are members of the senate appointed by the president of the senate, and two are members of the house of representatives appointed by the speaker of the house. Each of the appointees of the president and the speaker must be members of different political parties. The commission meets monthly to approve contracts and other project-related policy matters. An executive director appointed by the commission oversees a staff of 55.
- The School Building Authority of West Virginia was created in 1989 by the West Virginia Legislature to administer state funding for the construction and maintenance of school facilities. The 12-member board is chaired by the governor and oversees a staff of 10.

State law requires a school major improvement project, defined as a construction or maintenance project with a cost greater than $50,000 but not exceeding $500,000, to be approved by the authority before the distribution of state funds. An approved 10-year Comprehensive Educational Facilities Plan is also required.

- The Wyoming School Facilities Commission oversees school facilities in Wyoming, including planning, finance, construction, and maintenance. Commission members are the state superintendent of public instruction and six persons with specified expertise appointed by the governor and the superintendent. The executive director, who is selected by the commission and subject to senate confirmation, oversees a staff of 18. An approved district facility plan is required in order to receive state assistance. Construction contracts involving state funds are approved by commission staff and the district. State approval is also required to purchase a site for a project that receives state funds.

Stand-Alone Board. A separate board plays a primary role in administering school facilities funding in five states.

- The Arkansas Commission of Public School Academic Facilities and Transportation approves all projects funded through the Division of Public School Academic Facilities and Transportation, Arkansas Department of Education. Composed of three agency heads, the commission is set to expire on July 1, 2007, when the State Board of Education assumes this role.
- The 10-member California State Allocation Board, which includes six legislators, three agency heads, and a gubernatorial appointee, is the policy body for the Office of Public School Construction and meets monthly to approve school district applications for eligibility and funding.
- The Maryland Interagency Committee on School Construction reviews applications for the Public School Construction Program and makes recommendations for funding to the Maryland Board of Public Works. It also administers the Aging School Program, including expenditure approval. Members are the state superintendent of schools, secretary of the Department of Planning, secretary of the Department of General Services, and two appointees of the presiding officers of the Maryland General Assembly.
- The New Hampshire School Building Authority, composed of the state treasurer, commissioner of education, and three members appointed by the governor, determines whether bonds or notes issued by a school district for construction and renovation projects involving less than $100,000 will be guaranteed by the state.
- The New Mexico Public School Capital Outlay Council approves projects for grant assistance from the public school capital outlay fund. Nine council members represent the governor's office, Department of Finance and Administration, Public Education Commission, Public Education Department, Legislative Education Study Committee, Legislative Finance Committee (permanent joint committees of the New Mexico Legislature), Legislative Council Service, Construction Industries Division (Regulation and Licensing Department), and New Mexico School Boards Association.

Advisory Committees. Advisory committees in five states provide policy and funding recommendations.

- The Colorado Capital Construction Advisory Committee, composed of legislators, school district representatives, and others appointed by the Colorado State Board of Education, reviews applications for the Public School Capital Construction Grant Program and makes funding recommendations to the State Board of Education.

- The statutorily created Massachusetts School Building Advisory Board assists the Massachusetts School Building Authority in policy development. The board consists of the state auditor, inspector general, and representatives of 15 specified nongovernmental organizations.
- The 20 university, legislative, executive, education, and public members of the New Mexico Public School Capital Outlay Oversight Task Force evaluate the effectiveness of state aid for school construction and make recommendations to the legislature.
- The South Carolina Public School Facilities Committee, composed of architects, engineers, administrators, and legislators, annually updates Department of Education rules and regulations regarding school facilities.
- The School Facilities Citizens Advisory Panel was formed in July 2006 to advise the Washington Office of Superintendent of Public Instruction on policy matters related to school facilities and funding for school construction. An existing school facilities advisory board was reconstituted as a technical advisory committee.

Legislative Oversight. Five states involve the legislature in different roles regarding school facilities funding.

- The 15-member Arkansas Academic Facilities Oversight Committee, a joint legislative committee created by the legislature in 2005, oversees implementation of statutory requirements for public school academic facilities and related equipment.
- In Connecticut, a legislative committee appointed by senate and house leaders provides recommendations to the governor and general assembly regarding projects submitted for state school construction grants.
- In Minnesota, each capital construction loan must be approved by the Minnesota Legislature.
- In New Mexico, legislators add specific school construction projects to the state budget. These direct general fund appropriations are administered by the New Mexico Public Education Department rather than the New Mexico Public School Capital Outlay Council.
- The Wyoming Select Committee on School Facilities, composed of five senators and five representatives, reviews Wyoming School Facilities Commission proposals addressing statewide building and facility needs and recommends any necessary legislation. The committee also reviews the commission's proposed rules and regulations.

State Profiles

Alabama

Agencies: Alabama State Department of Education

Public School & College Authority, Alabama Building Commission

Website: http://www.alsde.edu/text/sections/

Contact: Perry Taylor, state architect, 334/242-9731

Oversight: The School Architect & School Facilities Section, Alabama State Department of Education, administers K-12 state bond issues and approves plans for all projects involving alterations, additions, and new construction of schools. The section has five staff members. By law, a local board of education must develop a comprehensive, long-range capital plan addressing the facility, educational technology, and equipment needs of the school system to be eligible for state capital funds.

The Public School & College Authority, Alabama Building Commission, serves as the contract administrator for state-funded construction of public schools.

State Aid: All school systems are eligible for school construction funds financed by a $550 million bond issue approved by the legislature in 1998. Allocations are made to the Public School & College Authority based on a school system's average daily membership (ADM). The first priority for bond proceeds is eliminating portable and substandard classrooms. The legislature has approved five subsequent bond issues of nearly $500 million total to provide loans to local school boards for eliminating portable and substandard classrooms and for other capital expenditures approved by the Public School & College Authority and the state superintendent of education. Loans are secured by a local board's allocation from the public school fund, which is basically revenue from a three-mill state ad valorem tax. Capital funds from the public school fund require a local match based on yield-per-mill and ADM and guarantee the same amount per student in each school system for capital purchases.

Financing: General obligation bonds

Of Note: A "mill" or "mil" is equivalent to 1/1000 of a U.S. dollar. In Alabama and other states, property taxes are expressed in terms of mills per dollar assessed.

Update: A proposal by the governor to use surplus funds from the education trust fund to provide $500 million for K-12 and higher education repairs and construction was not passed by the 2006 Alabama Legislature. The education trust fund is composed of sales tax and other revenue earmarked for public education. The governor has promised to introduce a similar proposal in 2007.

Alaska

Agency: Alaska Department of Education & Early Development

Website: http://www.eed.state.ak.us/facilities/home.html

Contact: Kimberly Andrews, project assistant, 907/465-1858

Oversight: The Facilities Section, Alaska Department of Education & Early Development, reviews school district construction and major maintenance projects and prioritizes them for state funding. Once a grant is awarded, the section approves plans for the project. The section has four staff members.

State Aid: The state provides grants to school districts to fund a portion of the most important projects on the School Construction and Major Maintenance Priority List developed by the Department of Education and Early Development. The legislature funded 25 projects in FY 2006 at a cost of $58.3 million and another 20 projects in FY 2007 for $25.1 million. School districts pay a percentage share of project costs: districts in regional education attendance areas (unorganized areas) provide two percent of the costs, and other districts provide five to 35 percent, depending on the district's taxable value and average daily membership. In addition to general revenue, other sources of revenue for the grants are $168.5 million in state general obligation bonds approved by Alaska voters in 2002 and state capital project bonds issued by the Alaska Housing Finance Corporation in 1999, 2001, and 2002.

A portion of cigarette tax proceeds (3.8 cents per cigarette) is dedicated to the Alaska school fund for rehabilitating, constructing, and repairing the state's school facilities and for insuring school buildings. The money is used to reimburse municipal school districts (many municipalities are also school districts and issue bonds for schools) for debt incurred to pay the cost of major maintenance and construction projects. Generally, 60 to 70 percent of the annual principal and interest incurred by a municipality or borough is reimbursed by the state under this program. General fund revenue is also used for the debt service reimbursement program.

Financing: General revenue fund appropriations, cigarette taxes, general obligation bonds (previous source)

Of Note: As of July 2006, the tax on a pack of cigarettes is $1.80. On July 1, 2007, it will increase to $2.

Arizona

Agencies: Arizona School Facilities Board

Arizona Department of Education

Website: http://www.azsfb.gov/sfb/sfbweb/sfbaays/home.asp

Contact: John Arnold, acting executive director, Arizona School Facilities Board, 602/542-6147

Oversight: The Arizona School Facilities Board is composed of eight gubernatorial appointees and the superintendent of public instruction. 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.

The Arizona Department of Education provides additional funding for facilities through certain capital outlay revenue limit provisions of the state's school finance formulas.

State Aid: Using revenue from a 0.6 cent increase in the state transaction privilege (sales) tax earmarked for education to back them, the state issued $65 million in general revenue bonds in 1998 to provide a one-time fix for the backlog of deficiencies in existing school facilities. The last three projects in the Deficiencies Corrections Program are scheduled for completion by the end of FY 2006. The ongoing programs for new school facilities and building renewal are financed by general revenue appropriations; for FY 2006 the legislature appropriated $250 million for the New School Facilities Program and $70 million for the Building Renewal Program. The School Facilities Board may transfer money from the Deficiencies Correction or New School Facilities funds to pay for certain limited projects under a third ongoing program, the Emergency Deficiencies Program, which replaced the one-time limited Deficiencies Correction Program.

When the Arizona State Legislature increased state spending for school construction in 1998, it also reduced the bonding capacity of local school districts by two-thirds in an effort to bring down property taxes. Consequently, the tax wealth of a district is not a factor in distributing the state funds. Allocations for new school facilities are based on the number of students, square feet per pupil as determined by state standards, and cost per square foot as determined by an inflation index. Districts receive five percent more per square foot for rural schools. Building renewal funds are distributed using a formula based on a building's age and size. Except for FY 2001, the formula has never been fully funded.

Financing: General revenue fund appropriations, general revenue bonds (previous source)

Update: On October 24, 2006, the Joint Legislative Budget Committee approved a 12.2 percent increase to the cost-per-square-foot factors used in the School Facilities Board's New School Facilities and Building Renewal formulas. The adjustment is estimated to have a $38.9 million impact on the New School Facilities Program over the next four years and increase the Building Renewal formula by between $10.5 and $19.7 million.

On October 3, 2006, the Arizona Superior Court issued a summary judgment in favor of the state in a lawsuit filed by four school districts in October 1999, alleging that the state's underfunding of the statutory Building Renewal formula was unconstitutional because it resulted in districts being unable to meet the state's minimum facility guidelines. The court found that the districts' claim was premature as they had not attempted to secure all available sources of facility maintenance funds, including Capital Outlay Revenue Limit money provided by the Arizona Department of Education and Emergency Deficiencies Correction funds provided by the School Facilities Board. The court noted that if the plaintiff school districts are denied Emergency Deficiencies Correction money when they have used all other available funding, their claim may be reinstated.

Arkansas

Agency: Arkansas Department of Education

Website: www.arkansasfacilities.com

Contact: Doug Eaton, director, 501/682-4261

Oversight: The Division of Public School Academic Facilities and Transportation, Arkansas Department of Education, approves school district facility master plans, conducts on-site inspections, and reviews construction plans and change orders.

The Arkansas Commission on Public School Academic Facilities and Transportation approves all projects funded through the division. Composed of three agency heads, the commission is set to expire on July 1, 2007, when the State Board of Education assumes this role.

The Academic Facilities Oversight Committee, created by the Arkansas Legislature in 2005, is a joint legislative committee composed of 15 house and senate members who oversee implementation of statutory requirements for public school academic facilities and related equipment.

State Aid: In 2005, the Arkansas Legislature overhauled the state's role in financing public school facilities when it passed the Arkansas Public School Academic Facilities Funding Act and appropriated $110 million in general revenue to implement it. The act replaces state funding for local bonded debt assistance with an immediate repair program, academic equipment program, transitional program (which provides assistance until July 1, 2006), partnership program (for new facilities), and catastrophic program (for occurrences such as fire), as well as state funding for fast growth districts. The previous bonded debt assistance program continues for all debt in existence on January 1, 2005. The state's share of financial participation is based on a school district's needs as outlined in its 10-year master plan and on a wealth index. The wealth index is computed using a district's total assessed valuation, taxable value per mill, and average daily membership.

Financing: General revenue fund appropriations

Update: On December 15, 2005, the state supreme court ruled, in a school funding case it had closed in 2004, but which it reopened the following year, that the legislature failed to make education spending its top priority during the 2005 regular session and "grossly under funded" school building repairs and construction. In response, the 2006 Arkansas Legislature used a budget surplus to appropriate $266 million for school facility projects scheduled to begin in FY 2006. The legislature will consider an additional facilities appropriation during the 2007 legislative session.

California

Agencies: California Department of General Services

California Department of Education

Website: http://www.opsc.dgs.ca.gov

Contact: Luisa M. Park, executive officer, Office of Public School Construction, 916/445-3377

Oversight: The Office of Public School Construction, California Department of General Services, implements the School Facility Program and verifies that applicant school districts meet the criteria for the type of funding requested and that funds are disbursed properly. The office is directed by an executive officer appointed by the governor and has 10 staff members.

The 10-member California State Allocation Board, which includes six legislators, three agency heads, and a gubernatorial appointee, is the policy body for the Office of Public School Construction and meets monthly to approve school district applications for eligibility and funding.

The Division of the State Architect, California Department of General Services, reviews K-12 and community college construction plans for structural and seismic safety and compliance with state building codes.

The School Facilities Planning Division, California Department of Education, provides guidance to public schools regarding school planning, funding, and health and safety. Applications for state assistance require plans approved by the Division of the State Architect and the School Facilities Planning Division.

State Aid: The School Facility Program, which began in 1998 and continues to evolve through legislative changes, provides per-pupil grants to school districts primarily for new construction and modernization. The program is designed to provide for each pupil a specific dollar amount, depending on the grade level. The new construction grant provides funding on a 50/50 state and local match basis and depends on a district's enrollment projections and existing school building capacity. The modernization grant provides funding on a 60/40 match basis and depends on a building's age and capacity. The State Allocation Board approves funding apportionments based on the recommendations of Office of Public School Construction staff.

Funding for new construction is often made up of a new construction grant (pupil grant) and a number of supplemental grants, two of the most common being for site acquisition and site development. Financial hardship assistance is available for districts that cannot meet the local match requirement because they have used at least 60 percent of their total bonding capacity or have a total bonding capacity of less than $5 million. To be eligible for the Financial Hardship Program, districts must be levying developer fees at the maximum rate. A charter school is eligible for new construction funding if the school is considered financially sound by the California School Finance Authority and meets other program criteria. A charter school or school district filing on behalf of a charter school may receive a preliminary apportionment to reserve funding for a project. Critically overcrowded schools, as determined by the Department of Education, are also eligible for a preliminary apportionment. Both the Charter School and Critically Overcrowded

Schools programs allow a district to take up to five years to complete a funding application and receive an apportionment.

Funding for projects approved in the School Facility Program comes exclusively from statewide general obligation bonds approved by California voters. The first bonds for school facilities were approved in November 1998 with the passage of Proposition 1A, which included $6.7 billion for K-12 public school facilities. Additional funding was included in a November 2002 bond issuance of $13.2 billion, which included $11.2 billion for K-12 schools and was the largest school bond issue in the history of the state. In March 2004, voters approved $10 billion in general obligation bonds for K-12 schools, including $5.3 billion for new construction, $2.3 billion for modernization, and $2.4 billion for critically overcrowded schools.

Financing: General obligation bonds

Of Note: Because the passage of Proposition 13 in 1978 sharply reduced property tax rates, property taxation is not among the options available to school districts for raising local revenue for school construction or to meet the local match requirement for state grants. The available options are issuing general obligation bonds, creating a special taxing district, assessing developer fees, selling surplus property, or applying for federal grant money.

In November 2000, California voters made it easier for school districts to pass general obligation bonds. The passage of Proposition 39 reduced from two-thirds to 55 percent the voting majority that school districts and community colleges need to authorize the bonds.

Update: The governor's 10-year Strategic Growth Plan announced in January 2006 proposes additional bonding authority of $26.3 billion for K-12 educational facilities through 2017. In May 2006, the California Legislature approved placing $10.4 billion of the bonding authority before voters in November 2006, with $3.3 billion in bond proceeds earmarked for modernization, $1.9 billion for new construction, $1 billion to relieve severe overcrowding, and $500 million for charter schools, among other K-12 facility allocations. California voters approved Proposition 1D, the Kindergarten-University Public Education Facilities Bond Act of 2006 at the November general election.

Colorado

Agency: Colorado Department of Education

Website: http://www.cde.state.co.us/cdefinance/CapConstMain.htm

Contact: Ted Hughes, Public Finance Unit, 303/866-6948

Oversight: The Public Finance Unit, Colorado Department of Education, determines eligibility for the Public School Capital Construction Grant Program. One staff person performs this function.

The Colorado Capital Construction Advisory Committee, composed of legislators, school district representatives, and others appointed by the State Board of Education, reviews applications and makes funding recommendations to the State Board.

State Aid: Although the state's Public School Capital Construction Grant Program is authorized to receive general fund revenue, lottery revenue, and state education fund (state income tax) revenue, in practice it is mostly general fund revenue that is used to finance competitive matching grants for school renovation projects and, occasionally, for new school construction. The amount of money is limited; $20 million is available in FY 2006. The general fund authorization is the result of a lawsuit settled in 2000 that required the state to dedicate $190 million over 11 years for the most serious school construction needs. However, because the authorizing legislation did not require an appropriation in years in which state revenues do not meet a specified benchmark, the state has appropriated only a fraction of the settlement amount.

Lottery revenue for school construction is available once the cap on lottery revenue that can be appropriated to the Great Outdoors Colorado Program (land, water, and wildlife protection) is reached.

Projects dealing with health and safety issues rank the highest for funding. Projects dealing with maintenance issues rank second, and projects related to improving the learning environment rank the lowest. School districts are ranked based on the Per Pupil Assessed Value, number of bond proposals defeated by voters in the last 10 years, and the mill (tax) levy in the district.

Charter schools receive a separate annual appropriation through the state education fund for capital construction grants; in FY 2005 the amount was $5 million. A low-interest loan program approved by voters in 1996 to assist local school districts in providing buildings, land, and equipment has never been used. Bonds issued by districts for school building projects are guaranteed by the state, allowing the districts to receive lower interest rates.

Financing: General revenue fund appropriations, lottery revenue (rarely used)

Update: In August 2005, the Donnell-Kay Foundation, an advocate for educational reform in Colorado, issued *Recommendations for a State School Capital Funding Program in Colorado*. The report analyzed the following options for financing a statewide school capital program in Colorado:

—Increasing the state sales tax rate from 2.9 percent to 3.0 percent

—Increasing the severance tax on oil and gas production by two percentage points; the current rate is 2 to 5 percent, depending on the gross income from oil and gas production

—Diverting the state's share of revenue from federal mineral leases that is currently used in the school finance formula

—Instituting a statewide real estate transfer tax of 0.4 percent, which is the national average

Connecticut

Agency: Connecticut State Department of Education

Website: http://www.state.ct.us/sde/dgm/sfu/

Contact: Brian Mahoney, chief financial officer, 860/713-6464

Oversight: The Finance and Internal Operations Division, Connecticut State Department of Education, determines eligibility for school construction grants and is responsible for plan review. Eleven staff members perform these functions.

The commissioner of education or the governor and the Connecticut General Assembly approve school construction grants, depending on the program.

A legislative committee appointed by senate and house leaders provides recommendations on projects to the governor and general assembly.

State Aid: The state administers two types of school building grants financed by state general obligation bonds. The first type is approved by the commissioner of education and is used primarily to correct safety and health code violations and to remedy damage from fire and catastrophe. The second type is approved by the governor and the general assembly from a priority list of expansion, renovation, and improvement projects developed by the commissioner of education. A legislative committee reviews the priority list before it is submitted to the governor and the general assembly.

Eligible applicants for both types of grants are towns (the local board of education submits the application), regional school districts, and regional education service centers, all of which are required to share in project costs. The percentage of school building grant money a local board of education may receive is based on the town's Adjusted Equalized Net Grand List per Capita, which is defined as a combination of property tax base per person and income per person. Generally, the state reimbursement percentage ranges from 20 percent for wealthier districts to 80 percent for less wealthy districts.

Since 2000, the state treasurer has issued $4.2 billion in general obligation bonds for school building project grants. Bonding authority is adjusted annually by the general assembly based on projects that are receiving payment.

Financing: General obligation bonds

Of Note: The state reimbursement percentage for regional technical high schools is 100 percent, and these grants are administered by the Department of Public Works. The reimbursement percentage for regional special education facilities, regional vocational agriculture centers, and interdistrict magnet schools is 95 percent.

Update: The 2006 Connecticut General Assembly authorized $785 million in state grant commitments for school construction projects, including larger grants for reauthorized projects that have changed in cost or scope by at least 10 percent. Senate Bill 636 also:

—limits the legislature's ability to reauthorize a project the scope or cost of which changes;

—reduces by 50 percent the state reimbursement rate for change orders that exceed five percent of a project's authorized cost if that cost is more than $10 million;

—requires the State Department of Education to approve plans and specifications for turnkey projects under which a school district agrees to buy a completed building built by a third party;

—requires the department to develop standard school construction contracts that districts can use as the basis for their own project contracts; and

—restricts the financial relationships between architects and construction managers and the contracts and relationships between school boards and architects and construction managers.

Delaware

Agency: Delaware Department of Education

Website: http://www2.state.de.us/dfm/default.shtml

Contact: John Marinucci, education associate, 302/735-4053

Oversight: The Division of Facilities Management, Delaware Department of Education, certifies the necessity of any school construction and approves preliminary and final plans and specifications. It also administers state aid for school construction.

State Aid: A bill to establish state aid for school construction was passed by the Delaware General Assembly in 2000. Each year since then, the general assembly has approved a bond bill to fund approved projects that are in progress. For FY 2006 the appropriation from bond proceeds is $144 million, which includes a $20 million supplemental appropriation for school districts that are facing dramatically increasing prices for raw materials. The state provides its share of funding for school construction on an equalized basis, ranging from 60 percent of the total costs of school construction for districts with a relatively wealthy tax base to 80 percent for a school district with a relatively low tax base.

The cost of a project is determined by the state's school construction formula, which sets square footage costs and total sizes for various types of schools. If a school district chooses to exceed the costs determined by the standard formula, it must give local voters who support the related bond issue the option of voting for the smaller state-determined amount. If it does not do so, the district is ineligible for state aid.

Financing: General obligation bonds

Update: A proposal to allow some school districts to raise taxes temporarily without voter approval when costs rise for major construction projects was not passed by the 2006 Delaware General Assembly.

Florida

Agency: Florida Department of Education

Website: www.firn.edu/doe/edfacil

Contact: Spessard Boatright, director, 850/245-0495

Oversight: The Office of Educational Facilities, Florida Department of Education, provides technical support and regulations related to planning, funding, constructing, and operating educational facilities throughout Florida's K-20 education system (schools, colleges, and universities). The office has a staff of 30.

State Aid: In a November 1997 special session, the Florida Legislature authorized a $2.7 billion public school construction program that was financed largely by bonds backed by lottery revenue. The bond proceeds were used to fund four programs: the Classrooms First Program to fund school construction, the School Infrastructure Thrift Program to reward districts for savings realized through "functional, frugal construction," the Effort Index Grant Program to assist districts that met certain criteria for tax effort, and the Small County Assistance Program (Florida's 67 school districts share the same boundaries as the state's 67 counties). These programs are still in statute but are not currently funded.

The constitutionally created Public Education Capital Outlay (PECO) fund is the primary source of state funds for construction and renovation of public schools, colleges, and universities. It is financed by a 2.5 percent tax on gross receipts for utility services, including the transportation, delivery, transmission, and distribution of electricity, natural gas, and manufactured gas, and by a 2.37 percent gross receipts tax on communication services, including the sale of cable and video service, but not cell phone service. Available PECO funds for any given year are made up of bond proceeds (see below) and cash proceeds. Districts receive specific allocations of PECO funds based on various statutory factors, and these funds must be encumbered within 31 months of allocation. In addition, the legislature may reserve for special projects amounts that are allocated on a competitive basis. The special facility construction account within the PECO fund is used to provide assistance to districts with urgent construction projects.

The third source of state funding for educational facilities is motor vehicle license revenue. The state constitution prescribes by formula a certain amount of this revenue to be used for capital outlay and debt service for public schools and community colleges. The State Board of Education has the power to issue bonds and revenue anticipation certificates backed by this revenue. Local districts can also use this revenue to back bonds.

Financing: The budget for PECO in FY 2006-2007 is $515 million. Past and present financing strategies are gross receipts tax on utility and communication services, lottery revenue, motor vehicle license fees, and general revenue bonds.

Of Note: Florida voters passed the Class Size Reduction Amendment in 2002 to set limits on the maximum number of students allowed in a core class by Fall 2010. The limit for kindergarten through third grade classes is 18 students, the limit for fourth through eighth grade classes is 22 students, and the limit for high school classes is 25 students.

Update: In September 2006, the Florida State Board of Education estimated that $2.88 billion is needed for classrooms during the next four years if the class size requirements approved by voters are to be fully implemented.

Georgia

Agency: Georgia Department of Education

Website: http://www.doe.k12.ga.us/schools/facilities

Contact: Lynn Jackson, director, Facilities Services Unit, 404/656-2454

Oversight: The Facilities Services Unit, Georgia Department of Education, employs six central staff and six regional consultants to assist local school systems in the areas of facility plan development, state funding, architectural review, and school safety. Georgia law requires all school systems to develop and maintain a long-range comprehensive facilities plan that is updated every five years to be eligible to participate in Georgia's Capital Outlay Program, which provides two categories of funding.

State Aid: Under both categories of the Capital Outlay Program, a local school system that has met the statutory requirements regarding minimum school size and system organizational pattern (K-5, 6-8, 9-12 schools) is entitled to receive state funding for identified needs in its local facilities plan.

Entitlement funds in the Regular Entitlement Category are calculated by dividing the dollar amount for the needs of the local system by the dollar amount for the needs of all Georgia school systems and multiplying the quotient by the annual authorization level set by the general assembly. A school system may use these funds each fiscal year as they are received or allow them to accumulate, depending on the size of the next project in its facilities plan. If a school system's needs exceed its expected entitlement earnings in the next three years, it can apply for advance funding in the form of a long-term, no-interest loan to be repaid with future entitlement earnings.

The amount of local matching funds for a project is based on a school system's wealth per full-time-equivalent students. Adjoining school systems that agree to merge operations or schools can receive advance funding without having to provide local matching funds. If a school system uses an approved prototypical design, the required local match is reduced.

In 1993, the Georgia General Assembly added a second tier of funding for school systems experiencing exceptional growth. Entitlement earnings in the Exceptional Growth Category can be used only for new construction and are based on a school system's growth in relationship to the growth experienced by all school systems participating in this category.

The Capital Outlay Program is funded by a general obligation bond package for school construction that is passed by the general assembly each year. The Regular Entitlement Category may be authorized to receive up to $200 million annually and the Exceptional Growth Program up to $100 million annually, plus amounts equal to the accumulated entitlement funds requested by school districts in each category for the fiscal year. The total Capital Outlay Program request for FY 2007 is $383 million.

Financing: General obligation bonds

Of Note: In 1996 Georgia voters approved a constitutional amendment to allow local school systems to impose a one percent sales tax for school construction with voter approval. The local sales tax expires after five years and can be renewed by voters. Typically, these funds are used for the local portion of state Capital Outlay Program projects and for projects that are not eligible to receive state funding.

Hawaii

Agency: Hawaii Department of Education

Website: http://fssb.k12.hi.us

Contact: Sanford Beppu, capital improvements planner, Facilities Development Branch, 808/733-4862

Oversight: The Facilities Development Branch, Hawaii Department of Education, oversees school facilities planning, building inspection, and capital improvement projects. The Facilities Maintenance Branch oversees repair and maintenance projects and operates a year-round, around-the-clock response center to support the repair needs of schools. State law requires the Department of Education to maintain a physical and financial analysis report for each public school.

State Aid: Act 51, The Reinventing Education Act of 2004, shifted school facilities programs from the Department of Accounting and General Services to the Department of Education. Regarding the repair and maintenance program, money for projects that must be funded as required by regulatory laws (e.g., fire alarms) or as a result of statewide initiatives (e.g., Classroom Renovation Program) is taken “off the top” of each year’s appropriation. The remainder is allocated to the state’s single school district based on a formula that takes into account the age, square footage, and student enrollment of each of the 285 public and charter schools in the district. New construction funding is distributed based on need.

A private, nonprofit organization administers Hawaii’s 3R’s Program (Repair, Remodel, Restore Our Schools) to provide grants to public schools that secure private contributions or donations of professional labor—“sweat equity”—of value equal to or greater than the requested grant amount. Grant awards are capped at $50,000. Seventy-six grants totaling $2.3 million were awarded in FY 2005. According to the program administrator, the work would have cost the state $5.1 million to complete. Most of the grant funding is federal money secured by a U.S. senator from Hawaii in the U.S. Department of Defense budget. The state contributed $400,000 in FY 2005.

A 2001 state law allows Hawaiians to indicate on their state income tax form if they would like to donate $2 of their tax refund to the school repair and maintenance program. The Department of Education received $111,580 for the program in FY 2005.

Financing: General obligation bonds, general revenue fund appropriations, income tax contributions, federal funds

Update: The 2006 Hawaii Legislature adjourned May 4 after investing $130.3 million for capital improvement projects and $235 million for repair and maintenance projects at Hawaii public schools. The Fix Hawaii Schools Act appropriates $235 million in bond and cash funding, of which $75 million will go toward major repair and maintenance projects and $160 million will fund classroom renovation projects at some of the oldest schools. The regular budget bill includes $130.3 million for capital improvement projects at specific schools. Another bill provides $5 million to establish energy-saving photovoltaic systems at several public schools.

Idaho

Agency: Idaho Department of Education

Website: http://www.sde.state.id.us/finance

Contact: Timothy Hill, deputy superintendent, School Support Services, 208/332-6840

Oversight: The Bureau of School Support Services, Idaho Department of Education, administers the public school building fund and the bond levy equalization fund.

State Aid: Lottery proceeds have been used to finance a $13.5 million (FY 2006) public school building fund and a $6.5 million (FY 2006) bond levy equalization fund. Each of Idaho's 114 school districts is allotted money from the public school building fund based on prior year average daily attendance. The bond levy equalization fund helps local school districts pay interest on bond debts. Subsidies are based on the property values, unemployment rate, and per capita income of the school district, also known as the bond levy equalization value index. Beginning in FY 2008, the bond levy equalization fund will be financed by cigarette tax proceeds that are forwarded as a general fund appropriation. State funding for bond levy equalization is estimated to reach $12 million in FY 2008.

Financing: Lottery proceeds, cigarette tax proceeds (beginning in FY 2008)

Update: In December 2005, the state supreme court ruled that Idaho's system of funding public school facilities was unconstitutional, concluding a lawsuit filed by a group of school districts 15 years ago. In response, the 2006 Idaho Legislature passed the School Facilities Improvement Act to increase funding for school building projects. The act requires school districts to deposit at least two percent of the replacement value of their school buildings in a deferred maintenance fund each year. The state will provide a portion of the funding, mostly from lottery proceeds, using a sliding scale match based on the bond levy equalization value index (see above); the average state match will be 0.5 percent.

Additionally, $25 million from a general fund surplus was used to create the public school facilities cooperative fund to provide loans (to be repaid by a levy that will be recalculated each year) to school districts that have failed in their attempts to pass a bond for a project. A state panel consisting of the administrator of the Division of Building Safety (a state agency), the administrator of the Division of Public Works in the Idaho Department of Administration, and the executive director of the State Board of Education will approve loan applications. The act also allows the state to assist in paying for the principal of local bond debts in addition to the interest.

Illinois

Agencies: Illinois State Board of Education

Illinois Capital Development Board

Website: http://www.isbe.state.il.us/construction

Contact: Debbie Vespa, division administrator, School Business & Support Services, Illinois State Board of Education, 217/785-8779

Oversight: The School Business & Support Services Division, Illinois State Board of Education, assists the State Board of Education in approving district facility plans, calculating the state share of projects, conducting on-site reviews, and issuing construction grant entitlements.

The Illinois Capital Development Board, the state agency responsible for construction management, develops construction standards and awards grants for school construction.

State Aid: The Illinois General Assembly created the school infrastructure fund in 1997 and earmarked $1.4 billion in bond proceeds over five years for school construction grants. Additional bonding authority of $1.2 billion was approved in 1999, and $500 million in bond proceeds were distributed to schools in FY 2004. To date, all funds authorized for the program by the general assembly have been used.

An entitlement issued by the State Board of Education qualifies the local school district for a construction grant from the Capital Development Board but does not guarantee funding. Receipt of a grant is dependent on available state funding, the priority ranking of the district's project, documentation of the required local financing, and the district's compliance with minimum enrollment requirements. As a result of limited appropriations, only projects addressing emergency needs, crowded classrooms, and aging buildings have been funded. Projects are ranked by category of funding (requests that are due to man-made or natural disasters are the most important category) and the district's needed capacity and current enrollment.

Before any state funds are awarded for a project, districts must raise the required local matching funds. The state share, which ranges from 35 to 75 percent, is determined by an index that is adjusted annually to reflect changes in property tax wealth. Districts with property wealth at or above the 99th percentile are ineligible for state aid. Carryover projects that did not receive an award because of inadequate state funding are placed ahead of new projects for the following year.

Financing: General obligation bonds

Update: In May 2006, the governor proposed to sell or lease the state lottery to generate, among other revenue, $1.5 billion for school construction in the next four years. Under the proposal, the Illinois Lottery would either enter into a long-term lease with a private entity or conduct an initial public offering that would generate $10 billion or more in proceeds. Approximately $4 billion of the proceeds would be combined with other revenue sources to produce $6 billion for schools in the next four years, including revenue for school construction and operations as well as universal preschool. The remainder of the proceeds would be invested to replace annual lottery revenue that the state would no longer receive for schools, an amount that has been forecast at approximately $650 million for the budget year that began July 1, 2006. The Illinois General Assembly will consider the proposal during the 2007 legislative session.

Indiana

Agencies: Indiana State Board of Education

Indiana Department of Local Government Finance

Website: http://www.board-of-education.state.in.us/constguide.html

Contact: Debbie Hineline, director, Division of School Finance, State Board of Education, 317/232-0840

Oversight: The Division of School Finance, Indiana State Board of Education, administers the School Building Construction Program, a limited state loan program. The State Board of Education develops school facility guidelines.

The Budget Division, Indiana Department of Local Government Finance, approves requests by school corporations (districts) to incur bond indebtedness or enter into a lease rental agreement with a holding corporation to finance a school building project.

State Aid: Indiana has two loan funds for school construction, but one of them is no longer funded. Accruals to the constitutionally created common school fund from criminal fines and forfeitures are used to provide low-interest loans to school districts that sustain disaster losses and that rank in the lowest 40 percent among districts in terms of the assessed valuation per pupil. As of March 2006, the pool of money available for construction loans is $20.5 million, and the interest rate is four percent. Loan applications are accepted every six months.

Financing: Criminal fines and forfeitures (unclaimed property and money)

Of Note: A 2005 executive order by the governor imposed a 120-day moratorium on school construction financing until the Department of Local Government Financing could develop guidelines regarding school building size and other factors that the department must consider by law in reviewing proposed bond issues and lease rental agreements.

Update: The 2006 Indiana General Assembly considered, but did not pass, a joint resolution proposing a constitutional amendment to allow the principal and interest of the common school fund to be used for kindergarten, pre-K, and other early childhood education programs. The amendment would have removed language prohibiting diminishment of the principal of the common school fund, which is at $500 million currently.

Iowa

Agency: Iowa Department of Education

Website: http://www.state.ia.us/educate/fis/si

Contact: Gary Schwartz, school facilities consultant, 515/281-4743

Oversight: The School Facilities Unit, Iowa Department of Education, administers several federal school construction grant programs and provides technical assistance to school districts and community colleges regarding facilities.

When funding was available to award competitive grants under the Vision Iowa School Infrastructure Program, the Department of Education administered the program, and the School Budget Review Committee, with help from a task force of individuals knowledgeable in school infrastructure and construction issues, reviewed applications and made recommendations for awarding grants to the Department of Education.

State Aid: The School Infrastructure Program was enacted by the Iowa General Assembly in 2000 to provide competitive grants to Iowa school districts with school infrastructure needs. The state issued $48.6 million in tax-free bonds to fund the program, and the general assembly appropriated $30 million of the bond proceeds for the program in FY 2001-2002, using the remainder to repay a general fund loan from the local option sales tax fund that consists of sales tax revenue that the state collects on behalf of counties for school infrastructure needs or property tax relief. (The maximum rate of the local option sales tax is one percent.) The School Infrastructure Program annually receives a $5 million allocation from the state wagering tax to pay the debt service on the bonds. Since 2002, there have been no state appropriations for school construction grants.

Still in statute though not currently funded, the School Infrastructure Program requires the following allocations to ensure equity between districts of varying size: (1) 25 percent to districts with enrollment of 1,199 students or fewer; (2) 25 percent to districts with enrollment between 1,200 and 4,750 students; (3) 25 percent to districts with enrollment exceeding 4,750 students; and (4) 25 percent to districts of any size enrollment.

Financing: Tax-free bonds (previous source), state wagering tax revenue

Of Note: The year 2006 is the last year of federal appropriations for the Iowa Demonstration Construction Grant Program (also known as the Harkin Grant after Iowa's U.S. senator) to provide competitive grants to school districts for fire safety and construction projects. The School Facilities Unit distributed approximately $15 million in federal grant funds to school districts in 2006.

Kansas

Agency: Kansas State Department of Education

Website: http://www.ksde.org/leaf/Formulas/formulas

Contact: Veryl Peter, director, School Finance Team, 785/296-3871

Oversight: The School Finance Team, Kansas State Department of Education, administers the School District Capital Improvements State Aid Program.

State Aid: A section of the state's 1992 school finance law provides for the authorization of state aid to school districts in making bond and interest payments related to new school construction. Under the program, the state pays up to 75 percent of the principal and interest on construction bonds for school districts in which total assessed property valuation falls below a certain threshold. The precise amount of aid varies with a district's wealth.

The program is funded by a demand transfer from the state general fund to the school district capital improvements fund. Each year, the State Board of Education certifies the school district entitlements under this program to the director of Accounts and Reports, who executes the transfer.

Financing: General revenue fund appropriations

Update: In June 2006, in dismissing a lawsuit that had been filed in 1999, the Kansas Supreme Court approved the legislature's plan to increase education funding by $466 million over three years. Previously, the court had ruled that the school funding system was unconstitutional because it shortchanged students, especially those in low-income districts.

Kentucky

Agencies: Kentucky School Facilities Construction Commission
Kentucky Department of Education

Website: http://finance.ky.gov/ourcabinet/attached+agencies/sfcc.htm

Contact: Lisa Collins, School Facilities Construction Commission, 502/564-5582

Oversight: The Kentucky School Facilities Construction Commission distributes available state funds to eligible school districts and is empowered to act on behalf of local districts to issue general revenue bonds that are repaid by the districts. The commission is a state agency governed by eight public members appointed by the governor plus the secretary of the Finance Cabinet. It has three staff members.

The Division of Facilities Management, Kentucky Department of Education, reviews and approves school district facility plans and construction projects, and the Division of School Finance determines district eligibility for state aid.

State Aid: The first level of state aid for school construction is the capital outlay component of the school funding formula, which provides $100 per student for construction needs. The second level is the Facilities Support Program of Kentucky, which equalizes revenue from the five-cent property tax for debt service that is required for school districts to receive state aid for facilities.

The third level is the School Facilities Construction Commission, which issues Offers of Assistance to districts that have levied the five-cent "equivalent" tax described above and still have unmet building needs. The commission uses the statement of school facility construction needs and local available revenue as certified by the Kentucky Board of Education to determine the rate of participation of each school district. The amount allocated to school districts is based on available state funding and the percentage of a district's unmet facility needs compared to the total statewide needs. Districts can place all or a portion of their allocation in escrow for up to three years. The Kentucky General Assembly appropriated $100 million from the general fund for new Offers of Assistance in the 2006-2008 biennium.

Financing: General revenue fund appropriations

Of Note: The State Intercept Policy ensures that bonds issued by the School Facilities Construction Commission on behalf of local school districts have the highest possible bond rating. Under this policy the state has the authority to intercept any state funds going to a school district that has not paid its bond holder.

Louisiana

Agency: Louisiana Department of Education

Website: www.doe.state.la.us/lde/finance/673.html

Contact: Beth Scioneaux, director, Division of Education Finance, 225/342-4989

Oversight: The Division of Education Finance, Louisiana Department of Education, administers the Minimum Foundation Program to funnel state education funds to local school boards.

State Aid: State aid for school renovation and construction is part of the state's public school finance formula, the Minimum Foundation Program, and is not distinguishable or weighted within the formula. Parish and city school districts receive state funds in the form of a block grant to use for educational purposes, including facility acquisition and construction and debt service.

From 2001 to 2005, the Louisiana Department of Education administered $24 million in federal grant funds for emergency school repair and renovation projects.

Financing: General revenue fund appropriations

Of Note: The Louisiana Legislature created the education excellence fund in 1999 as a component of the Millennium Trust derived from tobacco settlement funds. State law prohibits the use of any money from the education excellence fund for maintenance or renovation of buildings and capital improvements.

Update: Following Hurricane Katrina, the Louisiana Legislature took control of New Orleans schools, adding them to the Recovery School District for failing schools administered by the Department of Education. A portion of all revenues available to the New Orleans school system for repair, maintenance, and capital projects was transferred to the Recovery School District, which has all rights and responsibilities of ownership regarding the school facilities.

Maine

Agency: Maine Department of Education

Website: www.state.me.us/education/const/homepage.htm

Contact: Scott Brown, director, School Facilities/Transportation Team, 207/624-6883

Oversight: The five-member School Facilities/Transportation Team, Maine Department of Education, administers all programs relating to school facilities and recommends projects for state funding to the commissioner of education and the State Board of Education.

State Aid: Maine's state aid for school facilities has four components. The Major Capital School Construction Program provides state subsidies for debt service costs incurred by local school districts in issuing bonds; $90 million is available in FY 2006 for debt service subsidies. The School Facilities/Transportation Team reviews applications and conducts a site visit to each applicant's school district. Following the site visit, the team rates each potential project based on building conditions, number of students affected, and building use. Projects are placed on a priority list, and the State Board of Education funds as many projects from the list as available debt limit funds permit.

The school revolving renovation fund is a resource for problems at existing school facilities. School systems can apply for an interest-free loan for up to $1 million with a partial forgiveness of 30 to 70 percent for the principal part of the loan. Health and safety projects, including repairing a roof, bringing a school building into compliance with the ADA, improving air quality, and removing asbestos, receive first priority status. After the fund exceeds $75 million, loans may be provided for other projects with approval of the commissioner of education. Loans from the fund are subject to time limits for repayment: loans of $500,000 or less are due within five years, and loans of $500,001 to $1 million are due within 10 years.

The state subsidizes temporary leased space to relieve overcrowding under the Leased Space Program, which is part of general purpose aid to each school system. The Facilities Maintenance and Capital Asset Management Program is a financial and technical assistance program that receives money from the school revolving renovation fund for a web-based facilities database.

Financing: General revenue fund appropriations

Update: The Department of Education announced on February 22, 2006, that barring an emergency situation, no further applications would be accepted for the school renovation revolving fund because of the fund's low balance. The department intends to seek additional funding from the legislature for this popular program.

Maryland

Agency: Maryland Board of Public Works

Website: http://www.pscp.state.md.us

Contact: David Lever, executive director, Public School Construction Program, 410/767-0610

Oversight: The Maryland Board of Public Works, composed of the governor, state comptroller, and state treasurer, administers the Public School Construction Program and approves the allocation of funds to each county under the program. (Maryland's 23 counties and the City of Baltimore make up the state's 24 school systems.) The board's larger mission is to approve all state capital projects, state procurement contracts, and use of state assets.

The Maryland Interagency Committee on School Construction reviews applications for the Public School Construction Program and makes funding recommendations to the Board of Public Works. It also administers the Aging School Program, including expenditure approval. Members are the state superintendent of schools, secretary of the Department of Planning, secretary of the Department of General Services, and two appointees of the presiding officers of the Maryland General Assembly.

State Aid: Maryland has two major programs for school facilities, and both programs provide allotments to each of the state's 24 school systems. The Public School Construction Program, in existence since 1971, provides funding for capital improvements. Each fall the school systems submit annual and five-year capital improvement programs to the staff, who recommend action to the Interagency Committee on School Construction on each project. The interagency committee holds a special hearing and forwards its recommendations to the Board of Public Works, which approves projects in January and reconvenes in April for adjustments once the general assembly has approved the capital budget for the following fiscal year. The state's share of eligible costs generally ranges from 50 to 97 percent, depending on the tax wealth of the district. Funding is mostly from general obligation bond proceeds; the program received $251 million in 2006.

The other major school facilities program is the Aging School Program administered by the Interagency Committee on School Construction. It provides state funds to all school systems for capital improvements, repairs, and deferred maintenance; these projects typically are smaller in scope than those funded under the Public School Construction Program. Funding allocations for the Aging School Program are based on a school system's share of older space as compared to statewide totals. The affected building or building system must be at least 16 years old at the time the funding request is submitted. The program was appropriated $12 million in FY 2006, mostly from state general funds. The state funds do not require any local matching funds.

Financing: General obligation bonds, general revenue fund appropriations

Of Note: State-funded school construction projects costing $100,000 or more are required to have a prescribed 4' x 8' sign at the site that indicates the state role.

Update: The governor's FY 2007 budget calls for $281 million for the Public School

Construction Program, the largest allowance in the 35-year history of the program. The staff expects that funding for the program in FY 2007 will exceed $322 million.

Massachusetts

Agency: Massachusetts School Building Authority

Website: http://www.mass.gov/msba

Contact: Katherine P. Craven, executive director, 617/720-4466

Oversight: The seven-member Massachusetts School Building Authority, consisting of the state treasurer, secretary of administration and finance, commissioner of education, and four members appointed by the state treasurer, administers the state's school building assistance program and is empowered to issue bonds for any purpose of the authority. The authority employs a staff of 22.

The statutorily created Massachusetts School Building Advisory Board assists the authority in policy development and consists of the state auditor, inspector general, and representatives of 15 specified nongovernmental organizations.

State Aid: The Massachusetts School Building Authority was created by the Massachusetts General Court (state legislature) in 2004 as part of a reform plan to dedicate 20 percent of the state's sales taxes to eliminating $10.6 billion in obligations from the former school building assistance program financed by appropriations. The existing obligations include $5.5 billion for waiting list projects (projects that are approved and awaiting reimbursement) and $5.1 billion for prior grant projects (projects that are receiving payments under the former program).

The dedicated sales tax amount is one cent (20 percent) of the state's five-cent sales tax, and the revenue is to be phased in by FY 2011 to the newly created school modernization and reconstruction trust fund (SMART fund). The sales tax redirection is estimated to provide $675 million in FY 2006. In August 2005, the authority closed a $2.5 billion bond sale, the largest bond issuance in state history, backed by the dedicated sales tax revenue. The authority is authorized to borrow up to $10 billion to meet its obligations. Additionally, the Commonwealth (state) provided start-up funding for the authority through a $150 million appropriation from the FY 2004 state surplus and $1 billion in state general obligation bonds.

In addition to financing the waiting list and prior grants, the revenue will provide new grants for school construction projects, subject to statutory caps. By law, the aggregate amount of total grants approved by the authority cannot exceed $500 million in FY 2008. For each subsequent fiscal year, the cap is the limit for the previous fiscal year plus 4.5 percent. There is a moratorium on new applications until July 1, 2007.

Under the former program, cities, towns, and regional school districts issued bonds or otherwise borrowed the entire amount of project costs and were reimbursed for debt service over a 20-year period. Under the new program, the authority issues "progress payments" for construction on a monthly basis, eliminating the need for the local entities to borrow the state's share of the project costs. Generally, the state's share ranges from 40 to 80 percent; that range was 50 to 90 percent under the former program.

Financing: Dedicated sales tax revenue, general obligation or revenue bonds, general revenue fund appropriations

Of Note: The five percent state sales tax is narrowly applied. Most personal and professional services are tax-exempt as are clothing items costing $175 or less. Food, except for restaurant meals, is tax-exempt. By law, revenue from the state sales tax on restaurant meals is not included in the dedicated state sales tax revenue for school construction in accordance with a precedent established when a portion of the state sales tax was dedicated to public transportation.

Update: In September 2006, the Massachusetts School Building Authority Board unanimously approved final regulations for school construction projects effective July 2007 when the two-year moratorium on new applications is scheduled to end.

Michigan

Agency: Michigan Department of Treasury

Website: http://www.michigan.gov/sblf

Contact: Mary Martin, assistant director, Bureau of Bond Finance, Michigan Department of Treasury, 517/373-3208

Oversight: The Bureau of Bond Finance, Michigan Department of Treasury, administers the School Bond Qualification and Loan Program established by the Michigan Constitution of 1963 and amended by the Michigan Legislature in 2005.

The Michigan Public Educational Facilities Authority, Department of Treasury, created by executive order in 2002, provides financing and technical assistance to public school academies (charter schools) for school facilities. The governing board consists of the state treasurer and four trustees appointed by the governor. Staffing is provided by the Bureau of Bond Finance in the Department of Treasury.

State Aid: Approximately 80 percent of school districts in Michigan participate in the School Bond Qualification and Loan Program, which provides a state credit enhancement and loan mechanism for school bond issues. The program was reformed by the Michigan Legislature in 2005 to ensure that school districts repay state loans for debt service faster than the state repays its debt from issuing general obligation bonds to finance the school bond loan fund. Under the program, a school district is eligible to receive a state loan for debt service if its bonds are qualified by the state treasurer and the required maximum local tax for debt service does not generate sufficient funds.

School districts that issue bonds qualified by the state treasurer receive a bond rating equal to the state's credit rating and a lower interest rate as a result. However, under the reform legislation, the state treasurer is required to determine if issuance of the bonds would prevent the school district from repaying any previous loans on time. If so, the bonds cannot be backed by the state. The legislation replaces the school bond loan fund with a state revolving loan fund, and it sets the interest rate charged to school districts for loans from the fund at the interest rate paid by the state on bonds issued to finance the loan program plus one-eighth of one percent. The crux of the reform legislation is the change in loan repayment schedules. Most loans must be repaid within six years after the date on which the bonds are due and payable.

The Michigan Public Educational Facilities Authority was created to implement the federal Qualified Public Educational Facilities Bond Program passed by Congress in 2001. (Under this program, the authority would issue tax-exempt bonds, and the bond proceeds would be loaned to a private developer to build a school on land owned by the developer. The developer would lease the school to the school district until the end of the lease term, when the facility would be transferred to the district.) Developers were never interested in this financing option. The authority's revised mission is to provide low-interest loans to public school academies (charter schools) for land, facilities, or energy conservation or to refinance existing debt. The loans are financed by general obligation bond proceeds.

Financing: General obligation bonds

Of Note: By law, districts desiring to participate in the School Bond Qualification and Loan Program must pay an application fee of at least $500 to fund the costs of processing the application. The minimum fee for final qualification is $3,000 and is based on a sliding scale. Only school districts that pass an election and actually issue bonds pay this fee.

Update: A proposal by the governor to use the school bond loan fund to provide zero-interest loans to school districts for the construction of new, smaller high schools did not make it into the 2005 bill to reform the School Bond Qualification and Loan Program.

Minnesota

Agency: Minnesota Department of Education

Website: http://education.state.mn.us/mde/Accountability_Programs/Program_Finance/Facilities_Health_Safety/School_Construction/index.html

Contact: Tom Melcher, director, Division of Program Finance, 651/582-8828

Oversight: The Division of Program Finance, Minnesota Department of Education, administers several programs to help school districts with capital outlay needs as part of the Minnesota school finance system. Minnesota law requires the commissioner of education to conduct a review and comment on any school building project estimated to cost $500,000 or higher, a requirement that affects state aid.

The Minnesota State Legislature approves loans for new construction projects under the Maximum Effort School Aid Law.

State Aid: Operating capital revenue replaced two former school finance formulas known as equipment revenue and facilities revenue. Operating capital revenue must be reserved; eligible uses include school construction and repairs. A district with a building problem related to health or safety may apply for health and safety revenue. Health and safety projects with a cost exceeding $500,000 are handled through the Alternative Facilities Bonding Program, which allows eligible large districts to issue general obligation bonds without voter approval.

The Debt Service Equalization Aid Program provides state aid to local school districts to help repay the bonds issued to finance school construction. The amount of state aid depends on the district's total amount of annual debt service and net tax capacity per pupil. Debt service revenue raised locally is divided into tiers, and the second and third tiers of tax levy are equalized by the state.

If a district has difficulty paying for school construction because of low tax wealth, it may be eligible to receive a debt service loan (to reduce the amount that it must levy for debt service on completed projects) and a capital loan (for new construction projects) under the Maximum Effort School Aid Law. Each year the commissioner of education certifies the amount anticipated to be needed for the loans to the commissioner of finance, who issues general obligation bonds to pay for them. Each capital loan must be approved by the legislature.

To encourage school districts to work together to create a new secondary school facility, state law authorizes the issuance of incentive grants to pay up to 75 percent or $5 million of the cost of the facility. The Cooperative Secondary Facility Grants Program has not been funded since 1996.

Financing: General revenue fund appropriations, general obligation bonds

Of Note: Minnesota law requires the commissioner of education to conduct a review and comment on any school building project estimated to cost $500,000 or higher, a requirement that affects state aid. Under this process, the commissioner issues a positive, unfavorable, or negative review of the project. If the commissioner grants the district a positive review, the district may continue with its plans. If the district receives a negative review, it is prohibited from proceeding with its plans. With an unfavorable review, the district may proceed, but the bond sale authorization must be passed by 60 percent of voters.

Update: A bill considered by the 2006 Minnesota State Legislature would have prohibited for one year the commissioner of education from issuing a positive or unfavorable review and comment on any school construction project in a school district that serves fewer than 500 students. This prohibition was proposed to give the legislature an opportunity to study the condition of and need for school buildings in small school districts.

Mississippi

Agency: Mississippi Department of Education

Website: http://www.mde.k12.ms.us/lead/osos/webpage.htm

Contact: Bill Welch, director, Office of School Building, 601/359-1028

Oversight: The Office of School Building, Mississippi Department of Education, reviews school district long-range capital plans and school building projects and approves school sites. The State Board of Education approves financial assistance to school districts for capital improvements.

State Aid: The Capital Improvement Section of the Mississippi Adequate Education Program (MAEP), which provides basic support to schools, allows school districts to use funds for school construction, but most districts use the money for day-to-day operations instead. (Please see "Update" below.) A school district can receive MAEP funds as a cash allotment, an interim pledge from the state to pay debt service on new or existing bonds, or as a long-range pledge from the state to repay the bonds. The State Board of Education must first approve the district's long-range capital expenditure plan and application for the expenditure of MAEP funds for a capital improvement project.

The state public school building fund established in 1953 provides grants and loans to school districts for building projects and is funded by a $1.6 million annual diversion of state sales tax revenue and by general obligation bonds issued by the state. Annual grants of $12 to $24 per student are based on average daily attendance. In addition to the grants, which accrue annually, school districts are authorized to borrow up to 75 percent of grant revenue that is estimated to accrue to the districts within the next 20 years. These loans bear interest at the rate of 2.5 percent per year or the average interest rate on the state's school bonds, whichever is higher. Grants and loans are limited to $40 per square foot for new construction and $15 per square foot for renovations. In FY 2005 the state public school building fund contributed $7.6 million to completed projects. In FY 2006 the Mississippi Legislature declined to appropriate funds for this program.

Each month 9.073 percent of the total sales tax revenue collected during the preceding month is deposited into the education enhancement fund. Out of this fund a fixed dollar amount of $16 million is appropriated annually to the Department of Education for distribution to all school districts for school buildings and buses. A district's allocation is related to its average daily attendance in comparison to the average daily attendance of all school districts in the state. Districts receive the allocation in 12 equal installments.

Financing: General revenue fund appropriations, sales tax diversion, general obligation bonds

Of Note: Approximately 2.3 percent of sales tax revenue is deposited monthly into the school ad valorem tax reduction fund to be used in the succeeding year to reduce school districts' ad valorem tax request to local taxing authorities.

Update: The Mississippi Adequate Education Program of 1997, the basic support that prescribes the level of funding required to provide an adequate education equivalent to that offered by a Level 3 school—Level 1 being the most deficient and Level

5 being the most exemplary—has never been fully funded. (Accordingly, most districts cannot afford to use MAEP funds for school construction.) The Mississippi Legislature is considering proposals to fully fund MAEP in 2007 or, if money is not available, to phase in the funding over the next four years.

Missouri

Agencies: Missouri Department of Elementary and Secondary Education
Missouri Health and Educational Facilities Authority

Website: http://dese.mo.gov/divadm/govern/index.html

Contact: Tom Quinn, interim director, School Finance Section, 573/751-0357

Oversight: The School Governance and Facilities Section, Missouri Department of Elementary and Secondary Education, provides technical assistance to school districts regarding school facilities and school safety. The School Finance Section is responsible for the disbursement of state aid to schools and assists with the general obligation bond Direct Deposit Program.

The Health and Educational Facilities Authority administers the general obligation bond Direct Deposit Program, which provides strong credit ratings for Missouri school districts.

State Aid: Some school districts receive state aid for debt service, and school districts can transfer basic state aid from their general fund to a local capital projects fund, but in general, school construction is financed locally.

Under the general obligation bond Direct Deposit Program, the state intercepts a portion of state aid payments in an amount equal to debt service on a school district's bonds and deposits it in a bank that serves as trustee. Securing the bonds by the state results in a credit rating on the bonds equal to the credit rating of the state. A school district participating in the program can choose between issuing the bonds or having the authority do so. The 1995 enabling legislation provided for grants to districts for underwriting fees and other costs of bond issuance, but the grants are no longer funded by the Missouri General Assembly.

Financing: General revenue and special fund appropriations

Of Note: One percent of Missouri's 4.25 percent state sales tax is dedicated to education and distributed to schools on a per-pupil basis separate from state aid. For the 2005-2006 school year, the dedication provided $750 million to schools. When voters approved the dedication in 1982 as Proposition C, half of the revenue allocated to each district was required to finance a property tax rollback. Since then, local voters have given most school districts a waiver from this requirement.

Update: A bill passed by the 2005 General Assembly transfers certain funds from the gaming proceeds for education fund (excursion gambling boat proceeds) to the newly created classroom trust fund and allows the funds to be used to finance school construction among other purposes.

Montana

Agency: Montana Office of Public Instruction

Website: http://www.opi.mt.gov/schoolfinance/index.html

Contact: Denise Ulberg, division administrator, School Finance and Pupil Transportation Division, 406/444-1960

Oversight: The School Finance and Pupil Transportation Division, Montana Office of Public Instruction, administers the distribution of state equalization aid, including school facilities payments.

State Aid: The state reimburses eligible school districts for a portion of annual debt service payments on school bonds. A district's eligibility for school facilities debt service payments is determined by comparing the district's taxable wealth with taxable wealth statewide. In response to a state supreme court ruling on school finance, the 2005 Montana Legislature, meeting in regular and special session, increased funding for school facilities payments to maintain the state's share of debt service at approximately 25 percent. The appropriation for school facilities payments in 2006-2007 is $10.4 million. The legislature also provided one-time funding for a facilities study ($2.5 million) and for weatherization and deferred maintenance ($23 million).

Financing: General revenue fund appropriations

Of Note: For school bonds to be approved, the voter turnout at the bond election must be greater than 30 percent. If the turnout is greater than 30 percent, but less than 40 percent, a supermajority of 60 percent or greater is required for passage of the bond election. If the voter turnout is 40 percent or more, the bonds may be approved by a majority of those voting in the election.

Nebraska

Agency: Nebraska Department of Education

Website: http://ess.nde.state.ne.us/SchoolFinance/

Contact: Russ Inbody, School Finance Section, 402/471-4320

Oversight: The School Finance Section, Nebraska Department of Education, calculates and distributes state aid to school districts.

State Aid: School construction funds are raised locally with minor exceptions.

Financing: None to date

Update: The 2005-2006 Nebraska Legislature considered, but did not pass, LB 304 by Schrock to create the Education Buildings Review Commission, consisting of the commissioner of education and three members appointed by the commissioner and three members appointed by the governor, to review school district building projects costing at least $500,000 or equaling at least 10 percent of a district's general fund spending. Criteria in the bill included whether the district had collaborated with political subdivisions within 15 miles of the project and whether the building could be used by multiple entities. The bill also would have exempted 14 cents of tax levy authority from the current levy cap of $1.05 per $100 valuation and allowed districts to use the revenue for projects approved by the Education Buildings Review Commission.

Nevada

Agency: Nevada Department of Education

Website: http://www.doe.nv.gov/edteam/ndeoffices/financial.html

Contact: Gary Horton, Administrative and Fiscal Services Division, 775/687-9234

Oversight: The Administrative and Fiscal Services Division, Nevada Department of Education, administers the financial aspects of the distributive school account (state aid) and the Class Size Reduction Program, which provides state grants for additional teachers, but not for additional classrooms.

State Aid: In 1995, the Nevada Legislature made a one-time appropriation of $500,000 to cover extraordinary need in two school districts. Other than this appropriation, the state currently does not provide funding assistance for facilities, though the fund to assist school districts in financing capital improvements remains in the State Treasury.

Financing: School construction is considered a local issue.

Of Note: An alternative to local bond financing in Nevada is the "pay-as-you-go" funding mechanism whereby a county, after receiving voter approval, may levy a tax to gradually accumulate sufficient revenue to enable the school district to construct, remodel, repair, or replace school facilities without issuing bonds. (Nevada's 17 school districts are coterminous with county boundaries.) The tax is limited to 75 cents per $100 of valuation in school districts with fewer than 25,000 pupils and to 50 cents per $100 of valuation in districts with 25,000 pupils or more.

New Hampshire

Agency: New Hampshire Department of Education

Website: http://www.ed.state.nh.us/education/doe/organization/programsupport/osba.htm

Contact: Ed Murdough, administrator, Bureau of School Approval and Facility Management, 603/271-2037

Oversight: The Bureau of School Approval and Facility Management, New Hampshire Department of Education, provides financial reimbursement for the cost of constructing or substantially renovating school buildings. The office also provides information and technical advice concerning planning, constructing, and maintaining school facilities.

The New Hampshire School Building Authority, composed of the state treasurer, commissioner of education, and three members appointed by the governor, determines whether bonds or notes issued by a school district for construction and renovation projects involving less than $100,000 will be guaranteed by the state.

State Aid: New Hampshire has had a school building aid program since 1955. The current program provides an annual grant to each school district for the payment of debt service for school buildings and educational administration buildings, including the cost of construction, land acquisition, planning and design, furniture, fixtures, and equipment. Two formulas, one based on efficiency and the other based on wealth, determine the amount of the grant. Districts receive the higher of the two amounts determined by the two formulas.

The efficiency-based formula rewards districts that associate together to administer elementary schools, secondary schools, or both or that provide an education to pupils from one or more sending districts, often at a joint high school. These cooperative and receiving districts receive 40 percent of their annual debt service payment plus five percent for each cooperative district in excess of two and each sending district in excess of one, up to a maximum reimbursement rate of 55 percent. They also are eligible for an additional grant equal to three percent of the total construction costs if projects meet the criteria for designation as a high performance school under the most recent edition of the New England version of standards from the Collaborative for High Performance Schools.

The wealth-based formula became effective on July 1, 2005. It also awards higher amounts to cooperative and receiving districts, but the "building aid factor" is based on equalized valuation per pupil (local property tax wealth compared with the state average), average daily membership in residence (number of students in the district), and median family income. Districts receive a grant to cover 30 to 60 percent of annual debt service, depending on the district's rank.

Financing: General revenue fund appropriations of $37.7 million in 2006 and $40.7 million in 2007

Update: A program that paid 75 percent of the cost of constructing kindergarten classrooms ended on July 1, 2006, when the 2006 New Hampshire General Court (state legislature) did not fund it again. It had been financed by general obligation bond proceeds.

New Jersey

Agencies: New Jersey Schools Construction Corporation
New Jersey Department of Education
New Jersey Department of Community Affairs
New Jersey Economic Development Authority

Website: http://www.njscc.com/Main/index.asp

Contact: Kevin McElroy, senior public information officer, New Jersey Schools Construction Corporation, 609/943-4307

Oversight: The New Jersey Schools Construction Corporation (SCC), created in 2002 as a subsidiary of the New Jersey Economic Development Authority, is responsible for financing, designing, and constructing school facility projects in the 31 "Abbott districts," which are low-wealth, primarily urban school districts affected by a series of New Jersey Supreme Court rulings. In addition, the SCC funds the state share and manages school facility projects in Level II monitoring districts (districts monitored by the state because of their financial circumstances or governance challenges) and in non-Abbott districts that receive 55 percent or more of their operating costs in state aid. The SCC also funds the state share of approved school facility projects in districts receiving less than 55 percent of their operating costs in state aid. These districts may elect to have the SCC manage their facility projects.

The SCC board of directors consists of the commissioner of education, commissioner of labor, commissioner of community affairs, state treasurer, secretary of commerce, and executive director of the New Jersey Economic Development Authority and two members of the governor's executive staff, three public members of the Economic Development Authority board of directors selected by the governor, and four members of the public appointed by the governor. The SCC is headed by a chief executive officer selected by the board of directors. Recent staff additions include a chief financial officer and several representatives of the New Jersey Office of the Inspector General. The SCC has a staff of 238.

The Office of School Facilities, New Jersey Department of Education, is responsible for reviewing and approving each school district's long-range facilities plan and each school facility project for compliance with state space allowances and educational requirements. Department of Education approval is also a prerequisite for preconstruction activities such as land acquisition.

Ensuring that school facility projects comply with mandatory state building standards is the responsibility of the New Jersey Department of Community Affairs.

The New Jersey Economic Development Authority issues bonds to finance state aid for public school construction.

State Aid: The purpose of the 10-year school building program enacted by the New Jersey Legislature in 2000 was to guarantee state funding to every school district for at least 40 percent of the eligible costs of new schools, additions to existing schools, and school rehabilitation. Abbott districts are eligible to receive 100 percent of approved facility costs from the state. Non-Abbott school districts that receive

55 percent or more of their operating costs in state aid are eligible to receive an amount equal to the district's state aid percentage for operating costs multiplied by 115 percent. These districts may be authorized by the SCC to manage a project if the cost of the project is less than or equal to $500,000. Districts that receive less than 55 percent of their operating costs in state aid are eligible to receive an amount equal to the district's state aid percentage for operating costs multiplied by 115 percent or a minimum of 40 percent of eligible project costs, whichever is greater. These districts can opt to receive the state share in the form of a grant distributed as the project is built or as debt service aid issued annually.

Financing: The Educational Facilities Construction and Financing Act of 2000 provided $8.6 billion in bonding authority to the Economic Development Authority to finance the state's share of school facility projects. Of this amount, $6 billion is allocated for the Abbott districts, $2.5 billion is for the remaining districts, and $100 million is for county vocational schools. As of July 2006, nearly $6 billion of the bonds have been issued, and the entire $8.6 billion has been committed to facility projects. The SCC has approximately $1 billion in projects that are included in its current capital plan that will go out to bid over the next several years.

Of Note: Abbott districts do not issue bonds to pay for the local share of a facility project because the state covers 100 percent of approved facility costs. If a non-Abbott district fails to obtain voter approval for a bond issue after two attempts, it may ask the commissioner of education to authorize funding for a particular project. If the commissioner determines that the project is necessary for a "thorough and efficient education," the commissioner will authorize the issuance of bonds to cover the local share of the project. The SCC must construct any project approved in this manner.

Update: The New Jersey Office of the Inspector General identified several internal control deficiencies at the SCC, and new projects were put on hold between April 2005 and January 2006, when the inspector general recommended that the spending freeze be lifted.

In February 2006, the new governor convened the Interagency Working Group on School Construction to develop specific reforms regarding the school construction program. Rather than "first-come, first-served," the working group recommended prioritizing projects that address health and safety concerns, overcrowding, and early childhood capacity. Logistical criteria, including land status, project schedules, and costs incurred to date, would be considered as secondary factors in determining funding priority. The group also recommended $2.5 billion in new funding for Abbott districts and $750 million in new funding for non-Abbott districts.

New Mexico

Agencies: New Mexico Public School Capital Outlay Council; New Mexico Public School Facilities Authority

Capital Outlay Bureau, New Mexico Public Education Department

Website: http://www.nmschoolbuildings.org/index.html

Contact: Tim Berry, deputy director, Public School Facilities Authority, 505/988-5989 x2109

Oversight: The New Mexico Public School Capital Outlay Council approves projects for grant assistance from the public school capital outlay fund. Nine council members represent the governor's office, Department of Finance and Administration, Public Education Commission, Public Education Department, Legislative Education Study Committee, Legislative Finance Committee (permanent joint committees of the New Mexico Legislature), Legislative Council Service, Construction Industries Division (Regulation and Licensing Department), and New Mexico School Boards Association.

The New Mexico Public School Facilities Authority develops criteria for grant assistance, maintains the school facility assessment database, reviews and ranks projects, and promulgates school building standards. All school construction requires review and approval by the authority before issuance of a building permit. The authority also assists school districts in planning, constructing, and maintaining facilities. Field staff live in the school districts in which they work. A total of 51 persons work for the authority.

The Capital Outlay Bureau, New Mexico Public Education Department, administers direct general fund appropriations for capital outlay projects in specific school districts and monitors school district bonding indebtedness. It also calculates and distributes state "matching funds" to equalize revenue generated by local property taxes for capital improvements and maintenance needs.

The 20 university, legislative, executive, education, and public members of the New Mexico Public School Capital Outlay Oversight Task Force evaluate the effectiveness of state aid for school construction and make recommendations to the legislature.

State Aid: A statewide database of public school buildings and distinct systems within the buildings (approximately 200,000 specific line items) is used to rank every need in the state from greatest to least based on nine weighted categories, the most important being life, safety, and health. Once each year, the Public School Capital Outlay Council publishes the ranked list, and the state's goal is to fund at least the top 100 projects each year. Districts must apply for the funds. The state share of each project is determined by a matching distribution formula, and districts can apply for a waiver from the local match requirement. In addition to standards-based capital outlay awards, the state uses bond proceeds in the public school capital outlay fund to finance deficiency correction projects, facilities leasing assistance, and school roofing repair. In FY 2005, state capital outlay for public school construction totaled $274.9 million.

Financing: State-issued bonds backed by revenue from the state severance tax (tax on the extraction of oil, natural gas, and coal) and general revenue fund appropriations

Of Note: If a district receives a direct appropriation for a capital outlay project as well as an award from the public school capital outlay fund, the award is reduced by a percent equal to the district's local match for the award. This offset applies to the district, so if one school in a district receives a direct appropriation, other projects in the district that receive award funding will be subject to the offset.

New York

Agency: New York State Education Department

Website: http://stateaid.nysed.gov/build/building_info.htm

Contact: Andrea Hyary, Office of State Aid, 518/474-2977

Oversight: The Office of Facilities Planning, New York State Education Department, approves plans and specifications for public school capital construction projects and determines eligibility for state aid. The Office of State Aid administers state aid to public schools, including building aid.

State Aid: The Building Aid Program in place since 1961 reimburses school districts for debt service on bonds for school repair and new construction. The level of reimbursement is determined by the type of project, eligible project costs, and the district's Building Aid Ratio. These ratios range from 10 percent for the most property-wealthy districts to 98 percent for those that are the most property-poor. The state provides Building Aid each year on an amortization schedule that is based on approved costs. Building Aid amounted to $1.5 billion in FY 2005-2006, which included special funding for building projects related to school district reorganization.

The EXCEL (Expanding our Children's Education and Learning) Program passed by the New York Legislature in 2006 provides grant funding to each school district for certain types of school construction projects in addition to the district's Building Aid apportionment. The EXCEL apportionment for the New York City Department of Education, the largest school district in the nation, is $1.8 billion, and the apportionment for the remainder of the school districts in the state is $800 million. To qualify for EXCEL funding, at least 75 percent of the cost for a project must qualify under one of five categories: education technology, health and safety, accessibility, physical capacity or expansion, and energy.

Financing: General revenue fund appropriations (Building Aid), general revenue bonds (EXCEL)

Of Note: As part of the new school construction funding approved by the New York Legislature in 2006, New York City is allowed to borrow up to $9.4 billion for school construction and use future Building Aid apportionments to guarantee the new bonds.

North Carolina

Agency: North Carolina Department of Public Instruction

Website: http://www.schoolclearinghouse.org/

Contact: Steve Taynton, chief, School Planning Section, 919/807-3560

Oversight: The School Planning Section, North Carolina Department of Public Instruction, is required by law to review and comment on all plans for construction, including new schools, additions, and renovations. Eight full-time staff also provide technical and financial assistance regarding school facilities.

State Aid: Counties are responsible for the construction, renovation, and maintenance of school facilities in North Carolina. For several years, the North Carolina General Assembly has committed to dedicating approximately 7.25 percent of the state's corporate income tax to the public school building capital average daily membership (ADM) fund, which provides allotments to every county based on ADM. In addition to providing revenue for new construction and renovation, the fund may be used to purchase land, pay planning and design fees, and purchase school technology. Counties may let their allotments accrue until they are ready to use them for a specific project, at which time they must match one-third of the amount from the state. The current fund balance is $97 million.

Another $170 million was appropriated to the ADM fund in 2006 from a new state lottery passed by the North Carolina Legislature in 2005. This fund will be allocated based on county tax rates as well as ADM and will not require a local match. A 1996 statewide bond issue of $1.8 billion for school construction is largely allocated. Portions of two separate half-cent sales taxes levied by every county are earmarked for school capital projects or debt service on qualified bonds.

Financing: Dedicated corporate income, lottery, and local sales tax revenue; general obligation bonds (previous source)

Of Note: The online North Carolina Prototype School Design Clearinghouse provides frequently used school facility designs for access by local education agencies. Architects post the plans and retain ownership of them. If another local education agency is interested in the plans, the agency contacts the architect to adapt the plans for their use.

Update: A bill signed into law on July 19, 2006, allows local education agencies to enter into long-term leases with private developers for the provision of school facilities. The lease may provide that the private developer is responsible for providing, or contracting for, construction, repair, or renovation work. The legislation gives districts another option for obtaining new classrooms without a bond referendum.

North Dakota

Agencies: North Dakota Department of Public Instruction

North Dakota Board of University and School Lands (Land Board)

North Dakota Public Finance Authority

Website: http://www.dpi.state.nd.us/finance/construct/index.shtm

Contact: Tom Decker, director, School Finance and Organization, North Dakota Department of Public Instruction, 701/328-2267

Oversight: The School Construction Unit, North Dakota Department of Public Instruction, assists the superintendent of public instruction in approving all school construction projects estimated to cost more than $25,000.

The North Dakota Land Board administers the coal development trust fund, which provides loans to school districts for school construction, among other uses.

The North Dakota Public Finance Authority administers a very limited program to use bond proceeds to provide loans to school districts in any dollar amount for school construction.

State Aid: Projects approved by the superintendent of public instruction are eligible for a loan from the coal development trust fund established in the state constitution. Approximately 30 percent of coal severance taxes deposited in the fund are available for the school construction fund. The state lends districts approximately $3 to $5 million per year through this program.

The North Dakota Public Finance Authority's bond bank makes loans to school districts for projects for which districts may issue general obligation bonds. The interest rates paid by the authority on its program bonds are the same rates a school district will pay on its bonds sold to the authority for the loan.

Financing: Coal severance taxes, revenue bonds (very limited program)

Ohio

Agency: Ohio School Facilities Commission

Website: http://www.osfc.state.oh.us/

Contact: Richard Hickman, executive director, 614/466-6290

Oversight: Established in 1997, the Ohio School Facilities Commission provides funding, management oversight, and technical assistance to Ohio school districts for construction and renovation of school facilities. The commission's three voting members are the director of the Office of Budget and Management, director of the Department of Administrative Services, and state superintendent of public instruction. Of the four nonvoting members, two are members of the senate appointed by the president of the senate, and two are members of the house of representatives appointed by the speaker of the house. Each of the appointees of the president and the speaker must be members of different political parties. The commission meets monthly to approve contracts and other project-related policy matters. An executive director appointed by the commission oversees a staff of 55 employees.

State Aid: The Classroom Facilities Assistance Program (CFAP) is a graduated cost-sharing program that provides assistance for all of the facility needs within a school district. Under this program, districts are ranked according to their adjusted valuation per pupil. Generally, a district's share of project costs is one percent multiplied by its percentile rank. The Accelerated Urban School Building Assistance Program is currently the largest state school facilities program in terms of the number of buildings approved and the amounts of funding encumbered each year. It provides accelerated funding for six of the state's largest urban districts. Through June 2006, the School Facilities Commission served 159 of 613 school districts through the CFAP and Accelerated Urban programs. Twenty-six additional districts have been offered CFAP funding in FY 2007.

Other programs administered by the commission include:

- Exceptional Needs Program - provides state assistance for the health and safety needs of districts up through the 75th percentile on the commission's wealth eligibility ranking list or those that are more than 300 square miles in size
- Expedited Local Partnership Program - allows districts to receive credit for using local money to fund a portion of their master facilities plan before becoming eligible for state assistance
- Energy Conservation Program - allows districts with older facilities to issue bonds for certain improvements without obtaining voter approval and apply the certified energy cost savings toward payment of the debt service

Financing: As of December 2005, $4.9 billion had been appropriated to the School Facilities Commission since its inception in 1997, and more than $4.6 billion has been disbursed for construction and renovation through FY 2006. The great majority of funding is bond revenue; $3.6 billion in bonding authority has been authorized by the Ohio General Assembly as of September 1, 2006. A portion of lottery profits is used to pay the debt service on the bonds. Additionally, the general assembly has committed a substantial portion of tobacco settlement funds to school construction; the commission is expected to receive more than $4.5 billion from tobacco settlement funds through FY 2025.

Of Note: School facility projects, including those receiving state funding, are exempted from prevailing wage requirements.

Oklahoma

Agency: Oklahoma State Department of Education

Website: http://www.sde.state.ok.us/Finance/default.html

Contact: Dwight Bruss, director, Capital Improvement Section, 405/521-3812

Oversight: The Capital Improvement Section, Oklahoma State Department of Education, reviews school construction plans and provides technical assistance to school districts.

State Aid: The constitutionally created state public common school building equalization fund, approved by voters in 1955, has never been funded by the Oklahoma Legislature.

Financing: None to date

Update: The Oklahoma Education Association filed suit in January 2006 to, among other things, require the legislature to finance the state public common school building equalization fund. The suit was dismissed in July 2006 by a district court judge and is on appeal.

Oregon

Agency: Oregon Department of Education

Website: http://www.ode.state.or.us/search/results/?id=149

Contact: Brian Reeder, assistant superintendent, Office of Analysis and Reporting, Oregon Department of Education, 503/947-5670

Oversight: The Office of Analysis and Reporting, Oregon Department of Education, oversees the state school fund and its component pieces, including facility grants to school districts.

State Aid: There is no state assistance for school facility construction and renovation in Oregon. A facility grant established by the Oregon Legislature in 1997 and implemented in 1999-2000 provides assistance with the costs to equip and furnish a facility and cannot be used for construction. The amount is up to eight percent of the total construction costs of new school buildings, excluding land. New buildings include additions and portable classrooms, but exclude buildings not used for instruction.

Financing: State school fund, which is mainly general revenue fund appropriations and lottery proceeds

Of Note: Oregon Ballot Measure 47, passed statewide by voters in 1996, restricted school districts' ability to equip and furnish a new facility by limiting what can be financed by local school district bonds to costs that are intrinsic to the structure.

Update: The 2005 Oregon Legislature increased the cap on total facility grant funding to $17.5 million in 2005-2007 and $25 million in 2007-2009.

Pennsylvania

Agencies: Pennsylvania Department of Education

Website: http://www.pde.state.pa.us/constr_facil/site

Contact: Carle Dixon, chief, Division of School Facilities, 717/787-5480

Oversight: The Division of School Facilities, Pennsylvania Department of Education, approves plans and specifications for school building projects and calculates and distributes state reimbursement for eligible projects.

State Aid: When a school district undertakes a major construction project and seeks reimbursement from the state, a process known as PlanCon is initiated. PlanCon refers to a set of required forms and procedures. The amount of state reimbursement depends on the number of students, type of facility, construction costs, and relative wealth of the district. A condition of reimbursement is to bring the entire building up to current educational and construction standards. A school district must also conduct a district-wide facility study before submitting a project for reimbursement. Reimbursement begins after the project has been bid and the bids and financing have been approved by the division. The appropriation for school building reimbursement in FY 2005-2006 is $296 million.

Financing: General revenue fund appropriations

Of Note: Buildings may qualify for school construction reimbursement only every 20 years at a minimum unless a variance is requested and approved. An alteration project may not be eligible for reimbursement if the cost is less than 20 percent of the project building's replacement value unless a variance is requested and approved.

Act 34 of 1973, also known as the Taj Mahal Act, requires a public hearing before the construction of a new building or substantial addition. The act requires a second hearing if bid costs exceed the estimated costs presented at the first hearing by eight percent or more. It further requires a referendum if certain costs exceed a calculated limit for that project. The act does not apply to projects in Philadelphia or Pittsburgh.

Update: The Pennsylvania General Assembly increased the school building reimbursement rates in 2005. The applicable per-pupil reimbursement amounts are now $4,700 for elementary capacity, $6,200 for secondary capacity, and $7,600 for vocational capacity. Additional funding is provided for projects constructed and based on an approved school facility design published by the Department of Education's School Design Clearinghouse. School buildings receiving certification for green building design also qualify for additional funding. The general assembly also added a financial incentive for renovations or additions to existing buildings.

Rhode Island

Agency: Rhode Island Department of Education
Rhode Island Health and Educational Building Corporation

Website: http://www.ridoe.net/funding/construction

Contact: Kristen Cole, Office of Finance, Rhode Island Department of Education, 401/222-4681

Oversight: The Board of Regents, Rhode Island Department of Education, approves all school building projects supported by local bond issues. Only approved projects are eligible for state housing aid. An internal review committee reviews applications before review by the commissioner of education, who makes recommendations to the board of regents. The Office of Finance, Rhode Island Department of Education, administers state aid, including housing aid, to school districts.

The Rhode Island Health and Educational Building Corporation provides bond financing for public and private schools.

State Aid: School districts that complete approved school building projects are eligible for state housing aid reimbursement over the term of the bond used to finance the project. The amount of reimbursement is roughly equal to principal and interest payments on the bond. If the Rhode Island Health and Educational Building Corporation issued the bond, the aid is paid directly to the corporation. Projects financed by a district's capital reserve fund are also eligible for state housing aid. The aid is requested for a project the year before the project is expected to be completed. The reimbursement amount is based on a district's ability to pay, which is calculated by comparing the wealth per student in the community to the wealth per student statewide. The minimum state share is set by law at 30 percent. A four percent bonus is given for certain projects, including asbestos abatement, energy conservation, and handicapped access.

Financing: Funding in FY 2006 is $46 million from a general revenue fund appropriation.

Of Note: School districts must obtain enabling legislation from the Rhode Island General Assembly as well as voter approval to issue a bond for school construction.

Update: The 2005 General Assembly revised the way that housing aid is calculated to hold the state share constant at the rate calculated the year the bond is issued instead of recalculating it each year. The 2006 General Assembly mandated that the Department of Education develop new regulations for school construction aid by January 1, 2007.

South Carolina

Agency: South Carolina Department of Education

Website: http://ed.sc.gov/agency/offices/sf/

Contact: Alex James, director, Office of School Facilities, 803/734-4833

Oversight: The Office of School Facilities, South Carolina Department of Education, approves all plans and specifications before bidding and inspects all public school buildings before occupancy as required by state law. It also administers four school building funds and provides assistance to school architects, engineers, contractors, and subcontractors. A staff of nine performs these functions.

The South Carolina Public School Facilities Committee, composed of architects, engineers, administrators, and legislators, annually updates Department of Education rules and regulations regarding school facilities.

State Aid: The 85 school districts in South Carolina receive allocations of four school building funds and apply to the Department of Education to draw down money from the funds as allocated to the districts. South Carolina Education Improvement Act (EIA) of 1984 funds are derived from an increase in the state sales tax (now at five cents on the dollar) that was passed in 1984 to provide funding for education. EIA funds may be used to construct, renovate, or repair instructional facilities or to pay debt service to reduce local property taxes; at least half of the funds must be used to reduce local property taxes. State public school building funds are derived from unspent EIA appropriations and may be used for capital improvements or land acquisition; when all construction needs are met, the funds may be applied to debt service. Allocations of both funds are based on average daily membership.

The Public School Facilities Assistance Act established the Children's Education Endowment in 1996 to increase funding for higher education scholarships (30 percent of funds) and for school construction and renovation (70 percent of funds). Funding comes from taxes and fees on the Barnwell commercial low-level radioactive waste disposal facility near Barnwell, South Carolina. At its peak in 1995-1996, this revenue source provided $55 million for school facilities; in 2005-2006, it provides $8.2 million. Allocations are based on average daily membership, tax base, tax effort, and need. The funds may be used only for permanent school instructional facilities and fixed equipment costs. After all construction and renovation needs identified in a district's school facilities improvement plan have been met, the district may request to use its allocation for payment of debt service. These requirements also govern allocations of funds from the State School Facilities Bonds Act of 1999, which provided $750 million for new construction and renovation projects from a statewide bond issuance.

Financing: Dedicated state sales tax revenue, taxes and fees on the Barnwell commercial low-level radioactive waste disposal facility, statewide general obligation bonds (previous source)

Of Note: Tax and fee revenue from the Barnwell commercial low-level radioactive waste disposal facility was initially viewed as a school facility construction solution for the state, but the facility has produced less revenue than anticipated because of waste volume caps in state law and the facility's declining capacity. In 2008, the facility will no longer accept waste from states outside of the Atlantic Compact.

Update: A bill to provide $300 million in loans to rural school districts for school construction was not passed by the South Carolina Legislature in 2006. The bill would have created the South Carolina School Facilities Infrastructure Authority and a revolving loan fund from state bond proceeds to finance construction of facilities in districts with a high percentage of low-income students and a limited property tax base.

South Dakota

Agency: South Dakota Department of Education

Website: http://doe.sd.gov/

Contact: Rob Huffman, administrator, Grants Management Section, 605/773-4600

Oversight: The Grants Management Section, South Dakota Department of Education, administers the federal Qualified Zone Academy Bonds Program, a tax credit bonds program that may be used for renovating school buildings but cannot be used for new construction.

State Aid: School construction is viewed as a local issue.

Financing: No state funding

Tennessee

Agencies: Tennessee State Board of Education
Tennessee Comptroller of the Treasury

Website: http://www.state.tn.us/sbe/bep.html

Contact: Ethel Detch, director, Office of Education Accountability, Tennessee Comptroller of the Treasury, 615/401-7867

Oversight: The State Board of Education administers the Basic Education Program (BEP) to provide school districts with basic aid, including capital outlay and debt service. The Office of Education Accountability, Comptroller of the Treasury, monitors the performance of the state's elementary and secondary school systems in accordance with statutory performance standards and State Board of Education rules. Local districts are not required to submit long-range facility plans nor to obtain state approval for capital projects using BEP funding.

State Aid: All funding from the BEP, including school building construction funding, is based on average daily membership (ADM). The annual capital outlay component of the BEP formula funding is based also on the actual costs of construction, equipment, fees, and debt service divided by 40, which is the expected usable life of a school building. The state funds 50 percent of overall capital outlay statewide, but each district's actual allotment depends on its fiscal capacity. The fiscal capacity formula includes property and sales tax bases, per capita income, ratio of commercial and industrial property to residential property, and per capita ADM, which is the average daily membership divided by the number of persons in the district. Other components of the BEP can also be used for capital outlay and debt service, and districts are allowed to use capital outlay funding for instructional purposes. Accordingly, it is difficult to determine the exact amount of state funding for actual capital outlay. In FY 2005, the BEP generated total capital outlay funding of $409.5 million, derived equally from state and local revenue sources.

Financing: Education fund consisting primarily of sales tax revenue

Of Note: The BEP provides additional funds for local education agencies experiencing annual growth of at least two percent. The funds may be used for capital outlay or other district needs.

Update: The state recently implemented a credit enhancement program that allows school districts to get more favorable interest rates for local bond issues by using the state's bond rating.

Texas

Agency: Texas Education Agency

Website: http://www.tea.state.tx.us/school.finance/facilities

Contact: Liz Caskey, director, Division of State Funding, 512/463-9238

Oversight: The Division of State Funding, Texas Education Agency (TEA), administers school facilities funding and standards, including the commissioner of education's rules regarding school facilities. School districts are encouraged, but not required, to formulate a long-range facilities plan before applying for state assistance. Districts are not required to gain TEA approval of their facilities projects to be eligible for state assistance. Two staff members administer the three facilities funding programs. The State Board of Education is not involved in distributing facilities aid.

State Aid: The Texas Legislature created the Instructional Facilities Allotment (IFA) in 1997 to help repay debt for classrooms, libraries, and other instructional facilities. The program provides assistance to school districts in making debt service payments on qualifying bonds or lease-purchase agreements. (Lease-purchase agreements do not require voter approval and are meant to be an alternative for districts that have difficulty gaining voter approval to issue debt. Although a district's share of payments under a lease-purchase agreement is paid out of the district's maintenance and operations tax levy and thus is technically not debt service, such payments are considered and treated as payment of principal of and interest on bonds. All bonds and lease-purchase agreements must be approved by the attorney general before any state assistance payments will be made to the district.) Bond or lease-purchase proceeds must be used for the construction or renovation of an instructional facility, and districts must apply for IFA before issuing the proposed debt.

The amount of state aid under the IFA program is based on property values, number of students, and amount of annual debt service. The allotment limit is calculated first and is the lesser of the following: (1) the district's highest debt service payment due within the biennium in which the application is made; or (2) the district's size factor, which is the district's Average Daily Attendance (ADA) multiplied by $250, or $100,000, whichever is greater. Districts may request assistance up to their allotment limit each biennium. The average district allotment limit in IFA is $767,555, which includes both the state and local shares. Next, the state share is calculated by determining the amount needed to provide a guaranteed yield of $35 per penny of tax effort per unweighted ADA. The average state share under IFA is 57 percent.

Upon the deadline for receipt of applications, all eligible applications are ranked in order of property wealth per ADA. State assistance is awarded beginning with the district with the lowest property wealth and continuing until all available funds have been used. A district's ranking may be adjusted, and its chances of receiving state assistance increased, if it does not have any outstanding debt at the time it applies for assistance, has substantial student enrollment growth in the preceding five-year period, or has not previously received any assistance because of a lack of appropriated funds.

Fifty million dollars was appropriated to the IFA program for new awards in 2006-2007. A total of 41 districts received awards ranging from $88,806 to $7.5 million. The statute guarantees IFA state aid for the life of the qualified debt. To qualify for funding, the debt service must be repaid over at least eight years. The appropriation from the legislature for continuing debt under the IFA program is included with funding for the other debt service program, the Existing Debt Allotment (see below). In FY 2006-2007, this combined appropriation was approximately $1.5 billion. Facilities staff at TEA allocated $261 million for distribution under the IFA program from the amount in FY 2006. The allocation was distributed to 406 school districts.

EDA: In 1999, the legislature created the Existing Debt Allotment (EDA) to provide assistance for debt that was issued before the inception of the IFA program. Because the legislature each session since 1999 has “rolled forward” the eligibility cutoff date to cover two more years of debt, the program currently provides assistance for voter-approved debt for which a district made payments before August 31, 2005. The program operates without applications and has no award cycles. Instead, the allotment is distributed automatically to every school district with eligible outstanding bonded debt. The equalized distribution formula is based on tax effort, property values, and number of students. Similar to IFA, EDA offers a guaranteed yield of $35 per penny of debt service tax effort per pupil up to a maximum tax rate of 29 cents per $100 valuation. Unlike IFA, it helps with debt for both instructional and noninstructional purposes. The number of districts that received EDA distributions in FY 2006 is 523, and the amount allocated for distribution for that year is $504 million.

NIFA: A separate program that provides direct aid to school districts for furnishing and equipping new campuses is the New Instructional Facilities Allotment (NIFA). The program provides reimbursement of up to $250 per student in average daily attendance in the first year of operation of a new campus, plus up to $250 for each additional student in the second year of operation. Allocations are not equalized for property tax wealth. The funding for this program is capped in statute at $25 million per year. It was distributed to 122 districts in FY 2005-2006.

Financing: Funding comes from the Foundation School Program, which is funded primarily from general revenue fund appropriations.

Of Note: In 1993, Texas voters rejected a constitutional amendment that would have authorized the issuance of $750 million in general obligation bonds to finance school facilities assistance.

Utah

Agency: Utah State Office of Education

Website: http://www.schools.utah.gov/finance/facilities

Contact: Cathy Dudley, Minimum School Program budget and property tax specialist, School Finance and Statistics Section, 801/538-7667

Oversight: The School Finance and Statistics Section, Utah State Office of Education, distributes state facility funding under the Minimum School Program. Section staff also publish the School Building Construction and Inspection Resource Manual, administer the School Building Inspection Program, and provide for the review of all new construction and remodel plans for energy code compliance.

State Aid: The Capital Outlay Foundation Program was established in 1989 during a major reform of the state's school finance program, the Minimum School Program. A school district is eligible to receive capital outlay foundation funds if the amount raised by levying a property tax rate of .0024 per dollar of taxable value does not generate revenues above the minimum property tax yield per Average Daily Membership (ADM) set by law. To qualify to receive 100 percent of the capital outlay foundation funds available to a school district, the district must levy at least .0024 per dollar of taxable value specifically for capital outlay and debt service. Districts levying less than this rate for capital outlay and debt service receive proportional funding based on the levy rate.

A district may receive Enrollment Growth Program funds for capital projects if the district's enrollment for the preceding three years is a net increase and the tax yield per ADM is less than two times the preceding year's average yield per ADM for Utah school districts.

Appropriations from the uniform school fund for FY 2006-2007 are $24.3 million for the Capital Outlay Foundation and $2.9 million for the Enrollment Growth Program, plus another one-time funding of $10 million.

A Capital Outlay Loan Program providing short-term assistance to school districts is currently unfunded except for interest repayments by school districts that have received loans under the program.

Financing: Uniform school fund, primarily personal income tax revenue

Of Note: State law prohibits school impact fees on new development to generate funding for public school facilities unless the fees are authorized by the Utah Legislature by statute.

Vermont

Agency: Vermont Department of Education

Website: http://education.vermont.gov/new/html/pgm_construction.html

Contact: Catherine Hilgendorf, school construction coordinator, 802/828-5402

Oversight: The School Construction Team in the Finance and Administration Section, Vermont Department of Education, provides technical assistance to school districts planning construction projects and ensures that school districts applying for construction aid follow State Board of Education rules as well as the rules of other state agencies. When federal money is available for school renovations, repairs, or related uses, the team administers these funds.

State Aid: Each year the Vermont Legislature appropriates funding to the State Board of Education to help school districts with the costs of school construction projects. For most types of construction projects, the state's share of the costs can amount to 30 percent. Allowable costs are set and revised by the board and include maximum square footage allowances. Eligible expenses include actual building costs, site development, infrastructure, and fixed equipment; site acquisition costs and most movable furnishings are not eligible. State law requires school districts seeking state construction aid to submit two applications. The first is a determination of need, and the second is submitted if the proposed project has voter approval and has been deemed eligible and assigned funding priority.

Each December, the board uses a rating system based on enrollment growth, existing school space per student, and building conditions to place voter-approved proposed projects on a list in order of priority. The board submits the list and project costs to the legislature the following January for a determination of funding for the following fiscal year. Projects that are not funded are placed on a subsequent priority list.

Financing: $7 million from the general fund and $7.8 million from the bond fund, for a total appropriation of $14.8 million in FY 2006; $14.2 million from the general fund and $10.1 million from the bond fund, for a total appropriation of $24.3 million in FY 2007

Of Note: Until January 1, 2007, schools incorporating renewable energy sources, such as woodchip, geothermal, wind, or solar power, may be eligible for state aid for up to 90 percent of costs exceeding those of fossil fuel energy sources. After that date, the percentage drops to 75 percent. The staff anticipates that 40 of the largest school buildings in the state will be heated with wood by the end of 2007.

Virginia

Agencies: Virginia Department of Education
Virginia Department of the Treasury

Website: http://www.pen.k12.va.us/VDOE/Finance/Facilities/

Contact: Kent Dickey, budget director, Virginia Department of Education, 804/225-2025

Oversight: The Budget Office, Virginia Department of Education, administers financial assistance to school districts, including the literary fund, state lottery and school construction grants appropriations, a technology equipment program, and the federal Qualified Zone Academy Bond program. The Facilities Services Section provides technical assistance to school architects and engineers.

The Virginia Public School Authority, Virginia Department of the Treasury, serves as a bond bank to provide low-cost financing of capital projects for primary and secondary public schools. The authority also offers an interest rate subsidy program for debt service financed by grants from the literary fund. Additionally, the authority issues five-year notes, the proceeds of which are used to provide grants to public schools for technology equipment.

State Aid: The literary fund is a permanent and perpetual school fund derived primarily from criminal fines, fees, and forfeitures, unclaimed and escheated property, and repayments of prior loans for school construction. As of June 30, 2005, the principal of the literary fund was approximately $481.5 million. Since FY 2002, the majority of literary fund interest revenue has been used to pay teacher retirement costs. No literary fund revenues have been transferred for school construction loans since 2002.

The Virginia Public School Authority offers an interest rate subsidy program for school construction projects on the waiting list for literary fund loans. The subsidies are designed to produce debt service payments on bonds sold to the authority by local school divisions (districts) that would be equivalent to the interest rate on a literary fund loan. They are financed by direct grants from the literary fund authorized in the State Appropriation Act.

From 1999 to 2002, $8 to $10 million from unclaimed lottery prizes was transferred annually to the Virginia Public School Construction Grants Program administered by the Department of Education. These transfers ceased in 2002. Unclaimed lottery proceeds currently are transferred to the literary fund. The state budget appropriates $156.9 million in lottery proceeds directly to school divisions in FY 2007-2008; at least 50 percent of this money must be expended on nonrecurring costs such as school construction and technology. A general fund appropriation of $27.5 million to the School Construction Grants Program is distributed to all school divisions by formula.

Financing: Criminal fines and forfeitures, unclaimed property, general revenue fund appropriations, lottery proceeds

Washington

Agency: Washington Office of Superintendent of Public Instruction

Website: http://www.k12.wa.us/SchFacilities

Contact: William T. Panos, director, Office of School Facilities and Organization, 360/725-6265

Oversight: The Office of School Facilities and Organization, Washington Office of Superintendent of Public Instruction, administers the K-12 Capital Budget, School Construction Assistance Program, and support for school preservation and facility management activities.

The School Facilities Citizens Advisory Panel was formed in July 2006 to advise the Office of Superintendent of Public Instruction on matters related to school facilities and funding for school construction and other related issues. An existing school facilities advisory board was reconstituted as a technical advisory committee.

State Aid: The minimum state matching percentage for local school construction projects is 20 percent, and the statewide average is 50 percent. The percentage is based on a district's assessed value per student and is determined annually. A school construction grant is equal to the state matching percentage multiplied by the area cost allowance of the project and certain other cost factors that depend on the type of school facility and the category of assistance. The three types of school facility projects that may receive state assistance are new construction, including additions to existing facilities; modernization; and replacement of existing facilities. The 10 categories of assistance include, among others, planning, designing, and constructing school facilities; furniture and equipment; and construction management. The cost factors are specified in administrative rules. As an example, a school funding grant for construction management (category of assistance) in a new school (type of facility) is calculated by multiplying the 2-1/2 percent (cost factor) of the area cost allowance by the square footage at the time of bid and then multiplying that product by the state matching percentage.

Only after a district passes its bond or capital levy for a project is it eligible to apply for a matching grant from the state.

If state aid is insufficient to meet all districts' requests, a priority system is imposed that ranks both growth-related projects (new buildings and additions needed to expand capacity) and condition-related projects (modernization and replacement of existing facilities). The maximum number of points that can be received by a growth-related project is 90, while 75 is the maximum number for a condition-related project.

Financing: Biennial and supplemental appropriations for school construction assistance in the 2005-2007 biennium, which covers the 2005-2006 and 2006-2007 school years, total nearly $850 million and will fund the state's share of 212 existing school construction projects and 40 new school construction projects beginning in July 2006.

Sources of revenue in order of magnitude are:

—general obligation bonds

—timber revenue (from timber cut on school and state trust land; this is the main source of funds for the common school construction fund)

—lottery revenue (the largest portion of lottery proceeds is used to fund the education construction account)

—trust land transfer (under this program, lands with special qualities are transferred out of the state trust and into more appropriate conservation status, and state appropriations are used to deposit the timber value of the land—typically 80 to 90 percent of the total appraisal—in the school construction fund and the remaining land value is used to purchase replacement trust lands that will increase income for the trust in the future)

—unspent state agency appropriations (agency savings)

Of Note: If a district that has a racially imbalanced school facility demonstrates that new construction or modernization will eliminate the imbalance, the district may receive an additional 10 percent above the district's regular match. This amount may not exceed 90 percent of the total approved cost of construction.

Update: A bill to create an emergency school repair grant program financed by the common school construction fund was not passed by the 2005 or 2006 Washington State Legislature.

West Virginia

Agency: School Building Authority of West Virginia

Website: http://www.wvs.state.wv.us/wvsba/

Contact: David Sneed, interim executive director, 304/558-2541

Oversight: The School Building Authority (SBA) was created in 1989 by the West Virginia Legislature to administer state funding for the construction and maintenance of school facilities. The 12-member board is chaired by the governor and oversees a staff of 10. State law requires a school major improvement project, defined as a construction or maintenance project with a cost greater than $50,000 but not exceeding $500,000, to be approved by the authority before the distribution of state funds. An approved 10-year Comprehensive Educational Facilities Plan is also required.

State Aid: By law, up to three percent of available state funds in the school building capital improvements fund and other funds are set aside for projects that serve the educational community statewide or, upon application by the state board, for educational programs that are under the jurisdiction of the state board. Up to five percent of these funds (three percent in practice) are used for regional vocational technical centers. Two percent of the funds are set aside for emergency grants. The remaining funds are allocated on the basis of need. These "needs grants" are competitive and are based on eight criteria in statute, including local effort. Each county submits one project and may receive up to 100 percent of the project costs.

The school major improvement fund is a separate fund that is used to address major improvements in existing facilities that are not funded through local maintenance budgets. The Major Improvement Program replaces a program that used to provide flat grants for improvements and additions to every county based on net student enrollment.

Financing: The SBA has the authority to issue bonds and last did so in 2003, when it awarded $188 million to county boards of education for school construction. Lottery revenues are used to pay the debt service on the bonds as well as to provide grant funding and total approximately $50 million in the 2006-2007 biennium.

Of Note: The SBA is prohibited from requiring local matching funds for grants because many districts cannot pass bonds and have low tax bases.

Update: No "needs grants" will be distributed in 2007 as a result of the rising costs of ongoing projects that were funded by previous grants.

Wisconsin

Agency: Wisconsin Department of Public Instruction

Website: http://dpi.wi.gov/sms/index.html

Contact: Gene Fornecker, School Financial Services Team, 608/267-7882

Oversight: The School Management Services Team administers the School Facilities Survey Database of information about the capacity and condition of every school building in the state and provides technical assistance to school districts. The School Financial Services Team distributes basic aid to schools, including SAGE aid.

State Aid: Capital outlay and debt service are included in the basic support program, along with operating expenses, as shared costs. Among a school district's options for financing the local share is a low-interest loan from the state trust fund consisting of revenue from fines and forfeitures and the sale of public lands.

The Student Achievement Guarantee in Education (SAGE) program, financed by general revenue, began in the 1996-1997 school year to target districts with enrollments of low-income students and has been expanded several times to extend eligibility to all school districts, with some exceptions. For an initial period, school districts that issued bonds to build new classrooms to fulfill a SAGE contract with the state were eligible to receive state aid for 20 percent of the annual debt service payments for the SAGE portion of the bonds issued. Eleven school districts qualified for this aid and will continue to receive debt service aid until the debt is retired.

Financing: General revenue fund appropriations, revenue from fines and forfeitures, and the sale of public lands

Of Note: State funding is equalized based on a district's property tax base and level of expenditures. The formula seeks to allow each district to support the same level of per-pupil expenditures, regardless of property tax wealth.

Wyoming

Agency: Wyoming School Facilities Commission

Website: http://sfc.state.wy.us/

Contact: Teresa Kunke, chief financial officer, 307/777-8672

Oversight: The Wyoming School Facilities Commission, established in 2002 in response to a state supreme court ruling, oversees school facilities in Wyoming, including planning, finance, construction, and maintenance. Commission members are the state superintendent of public instruction and six persons with specified expertise appointed by the governor and the superintendent. The executive director, who is selected by the commission and subject to senate confirmation, oversees a staff of 18. An approved district facility plan is required for a district to receive state assistance. Construction contracts involving state funds are approved by commission staff and the district. State approval is also required to purchase a site for a project that receives state funds.

The Wyoming Select Committee on School Facilities, composed of five senators and five representatives, reviews commission proposals addressing statewide building and facility needs and recommends any necessary legislation.

State Aid: The statutory goal of the School Facilities Commission is to bring all buildings and facilities to a condition such that over time, only routine maintenance is required. During even-numbered years, commission staff conduct an assessment of the school buildings and facilities in the state to determine repair and replacement needs. During odd-numbered years, school districts submit facility plans that include proposed projects for the commission to review and approve. Approved projects are included in the commission's budget request developed in conjunction with the Select Committee on School Facilities for approval by the legislature. Each year on July 1, the commission distributes major building and facility repair and replacement payments to each school district based on square footage computations prescribed by law.

Financing: State funding for school construction in the 2005-2006 biennium was $371.5 million. Funding comes from mineral royalties from the lease of state land and from coal lease bonuses, which are bonus payments paid by potential lessees of state land that often determine the winning bid for the lease. The commission is also authorized to issue $100 million in general revenue bonds backed by this revenue.

Update: The governor has proposed using school foundation funding to increase the budget of the School Facilities Commission to $541 million for the 2007-2008 biennium. His recommendations include $60 million for an inflation protection fund to help cover the rising cost of school construction.