

State Role in Funding School Construction



50-State Comparison on K-12 School Construction Funding





Chris Duncombe

PRINCIPAL

Education Commission of the States

WHO WE ARE.

The essential, indispensable member of any team addressing education policy.



WHAT WE DO.

We believe in the power of learning from experience, and we know informed policymakers create better education policy.



HOW WE DO IT.



Research



Report



Convene



Counsel

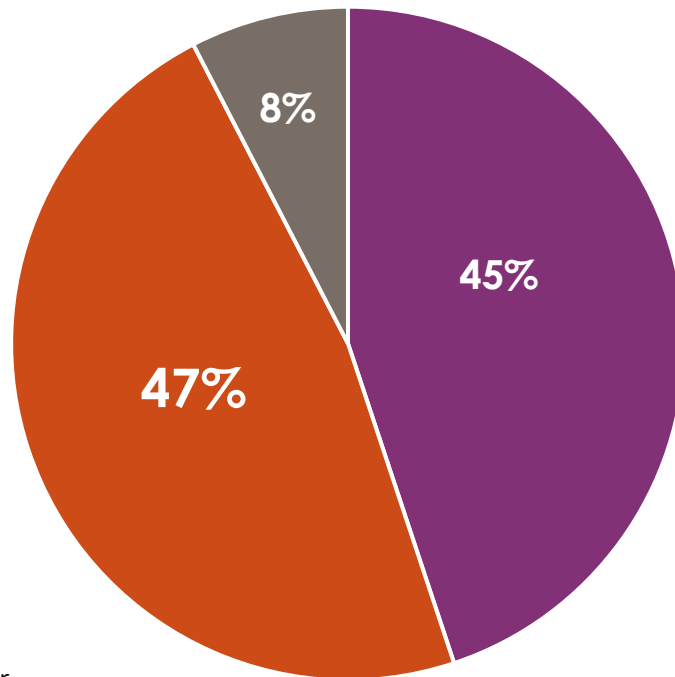
Agenda

- **State Role**
- Types of State Financial Assistance
- Legislative Trends

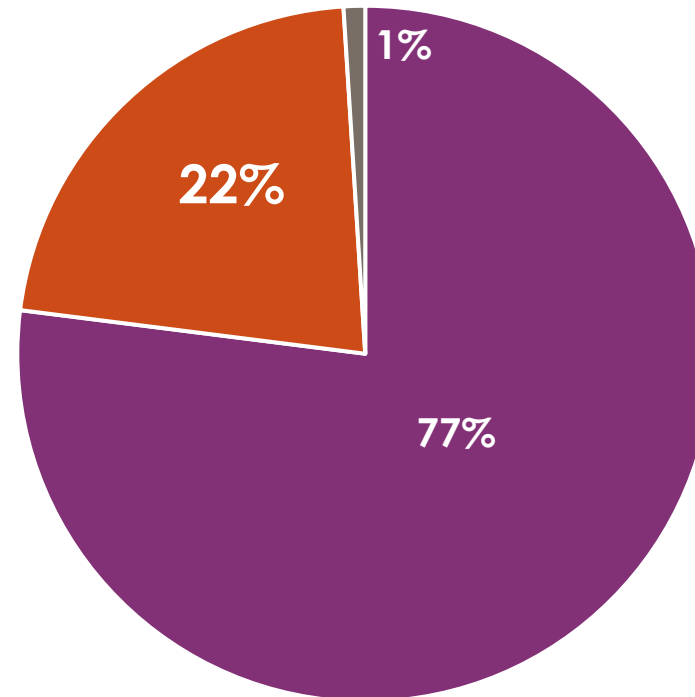


Funding Sources Nationally for Operating and Capital Spending

Operating Expenditures
(2020)



Capital Expenditures
(2009-19)



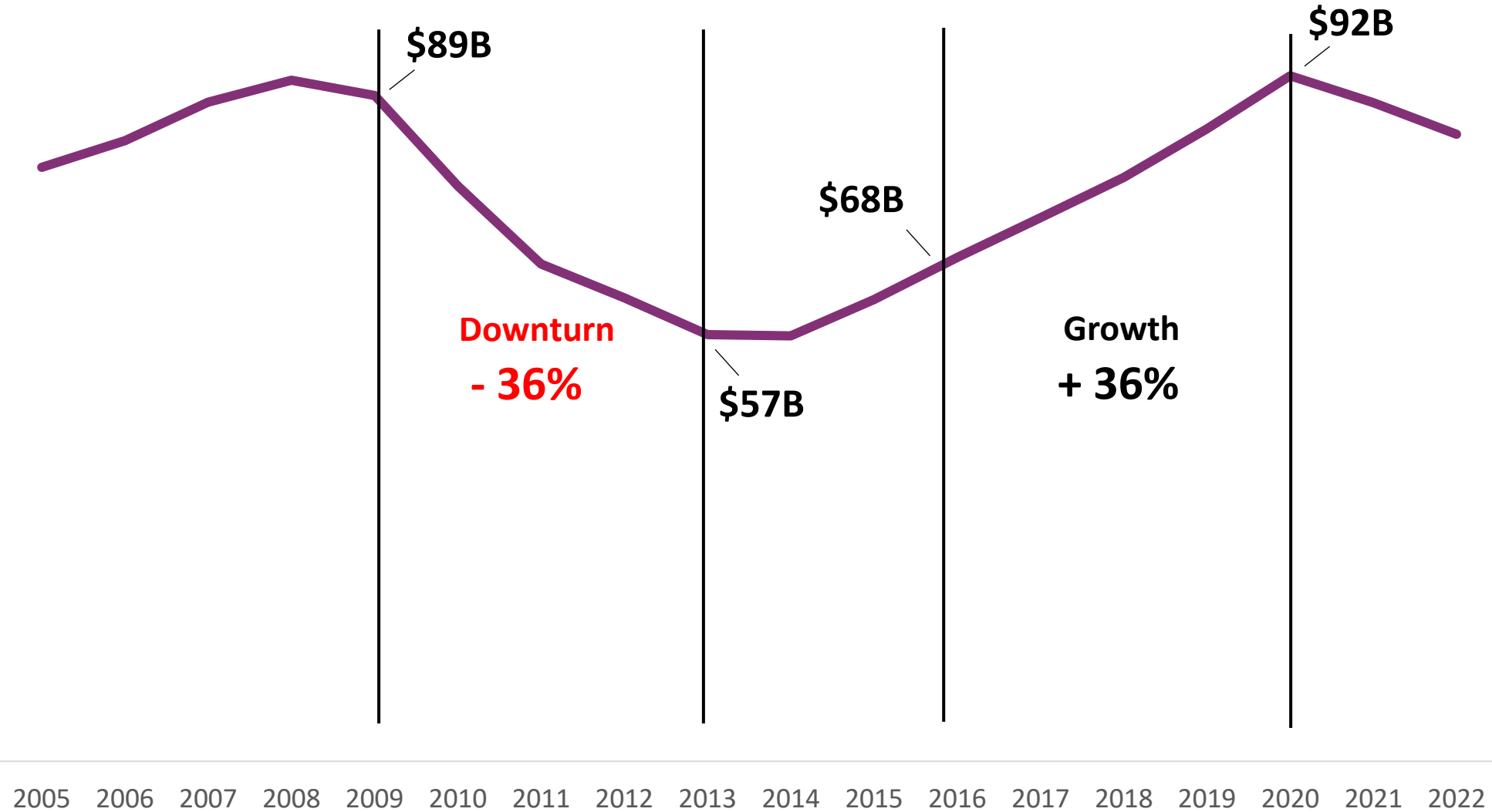
Source: The State of Our Schools 2021, 21st Century School Fund, International WELL Building Institute, National Council on School Facilities and NCES Digest of Education Statistics

 Federal  State  Local

ecs.org | @EdCommission

School Capital Spending Fluctuates

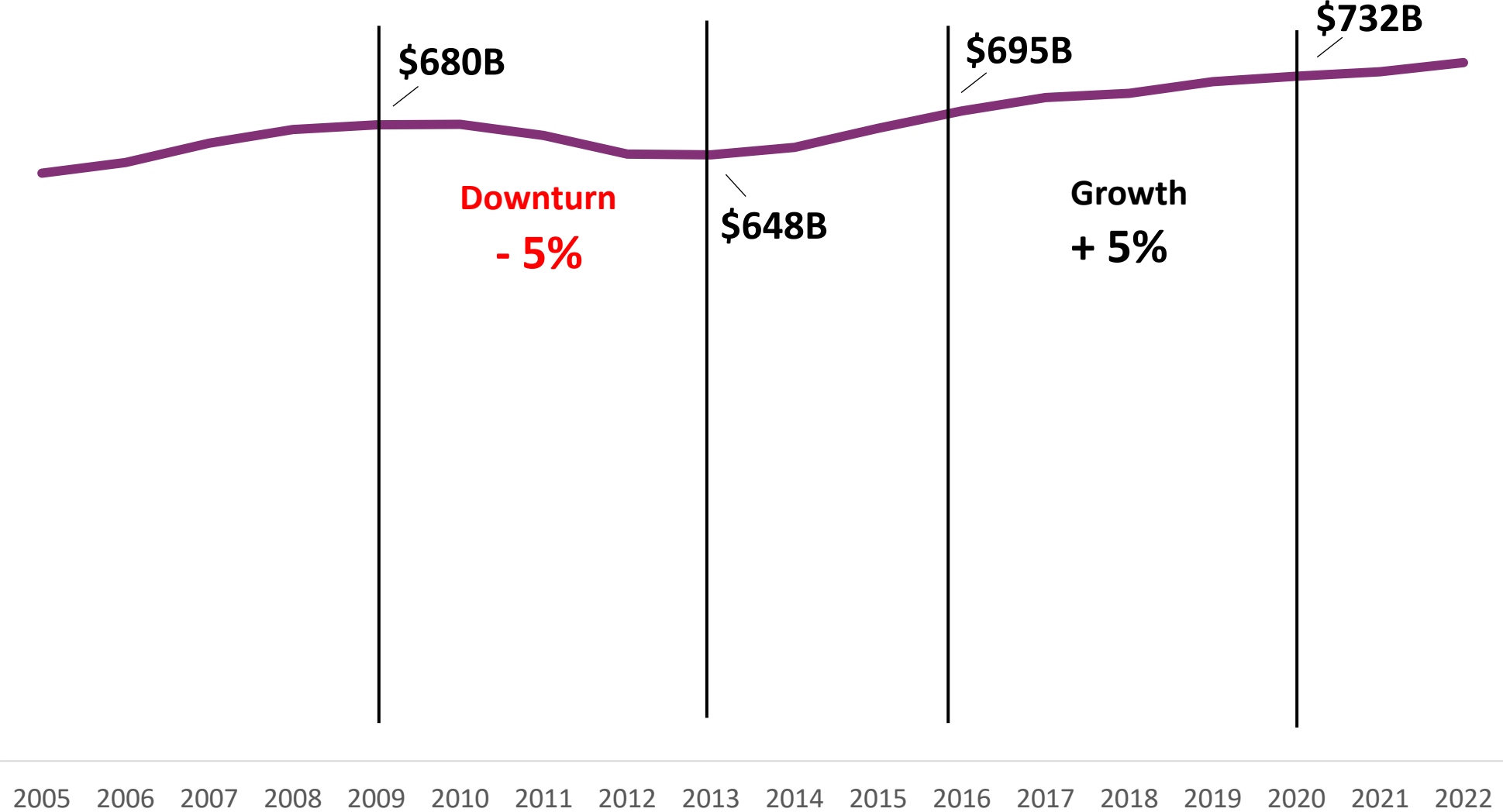
2005 – 2022 Expenditures in 2022 Dollars



Source: US Census Annual Survey of School System Finances and Bureau of Labor Statistics Consumer Price Index

School Operating Support Less Volatile

2005 – 2022 Expenditures in 2022 Dollars



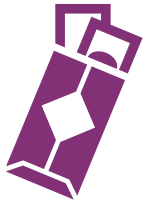
Source: US Census Annual Survey of School System Finances and Bureau of Labor Statistics Consumer Price Index

Agenda

- State Role
- **Types of State Financial Assistance**
- Legislative Trends



Types of Financial Assistance



Appropriations

State aid to school districts to pay for up-front planning or construction costs or for payments on locally issued bonds.

- The state does not require repayment from districts.



Financing

State assistance is provided to districts in the form of debt assistance or loans to districts. Can be provided by a state or state authorized entity.

- The state does require full or partial repayment.

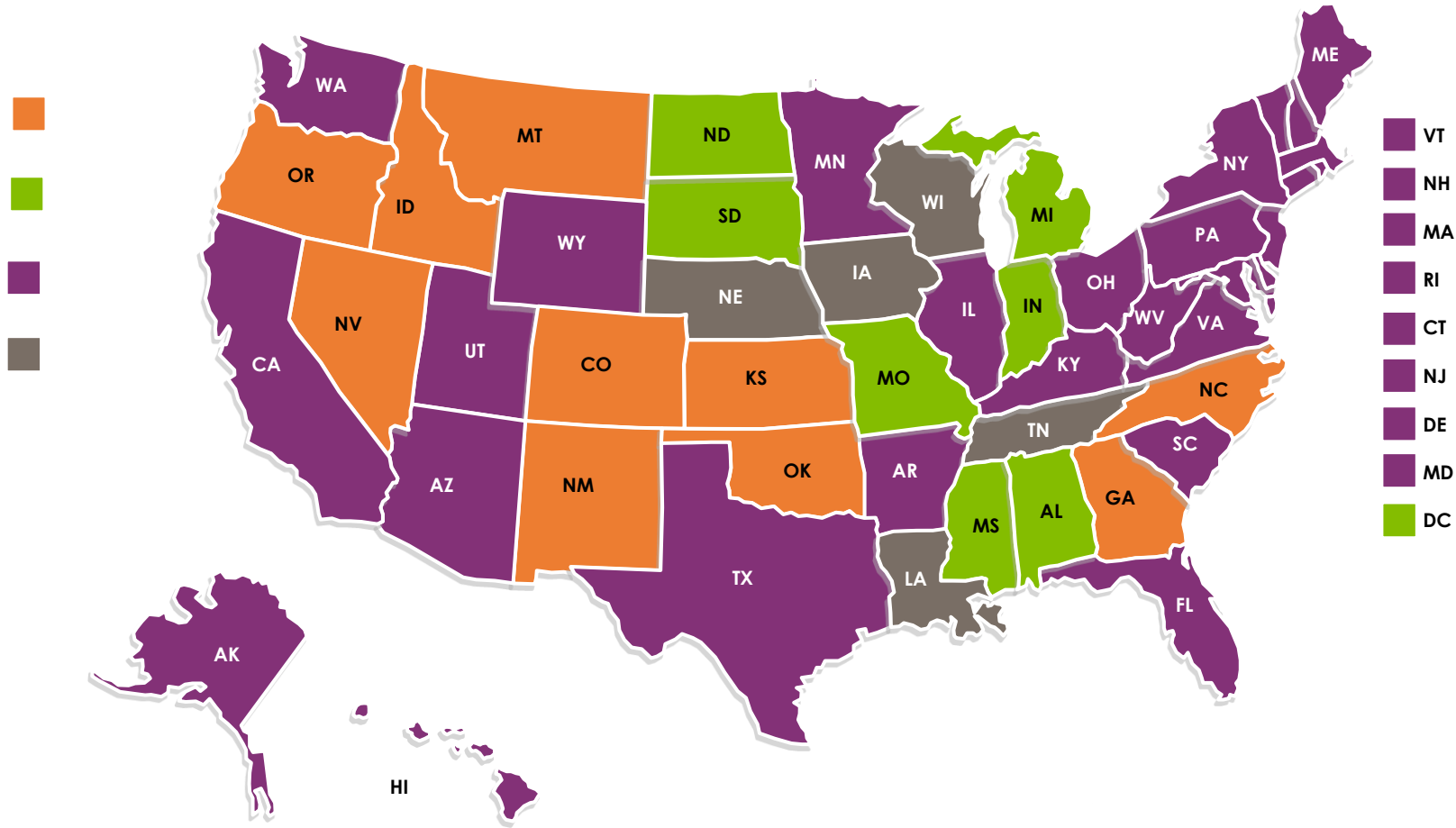
K-12 School Construction Types of Financial Assistance

Appropriations
(10 States)

Financing
(7 States and DC)

Both
(28 States)

Neither
(5 States)



50-State Comparison K-12 School Construction Funding

FINANCIAL ASSISTANCE



Appropriations



Financing



Both

DESIGN CHOICES



Funding
Mechanism



Wealth
Equalization



Voter
Approval



Independent
Building
Authority



Dedicated
Revenue



Incentive for
Consolidation

Types of Wealth Equalization

28 states include local ability-to-pay for appropriations.

- Assessed property values per student (25 states)
- Measures of average household income (5 states – CO, CT, MA, MD, NH)
- % of students living in poverty or qualifying for free or reduced priced meals (4 states – CO, MA, MD, NH)
- Levels of indebtedness compared to property values (2 states – MN, MT)
- Unemployment rate (MD)
- Declining property values (NV)

Sources of Dedicated Revenue for Construction

19 states dedicate revenue for school construction.

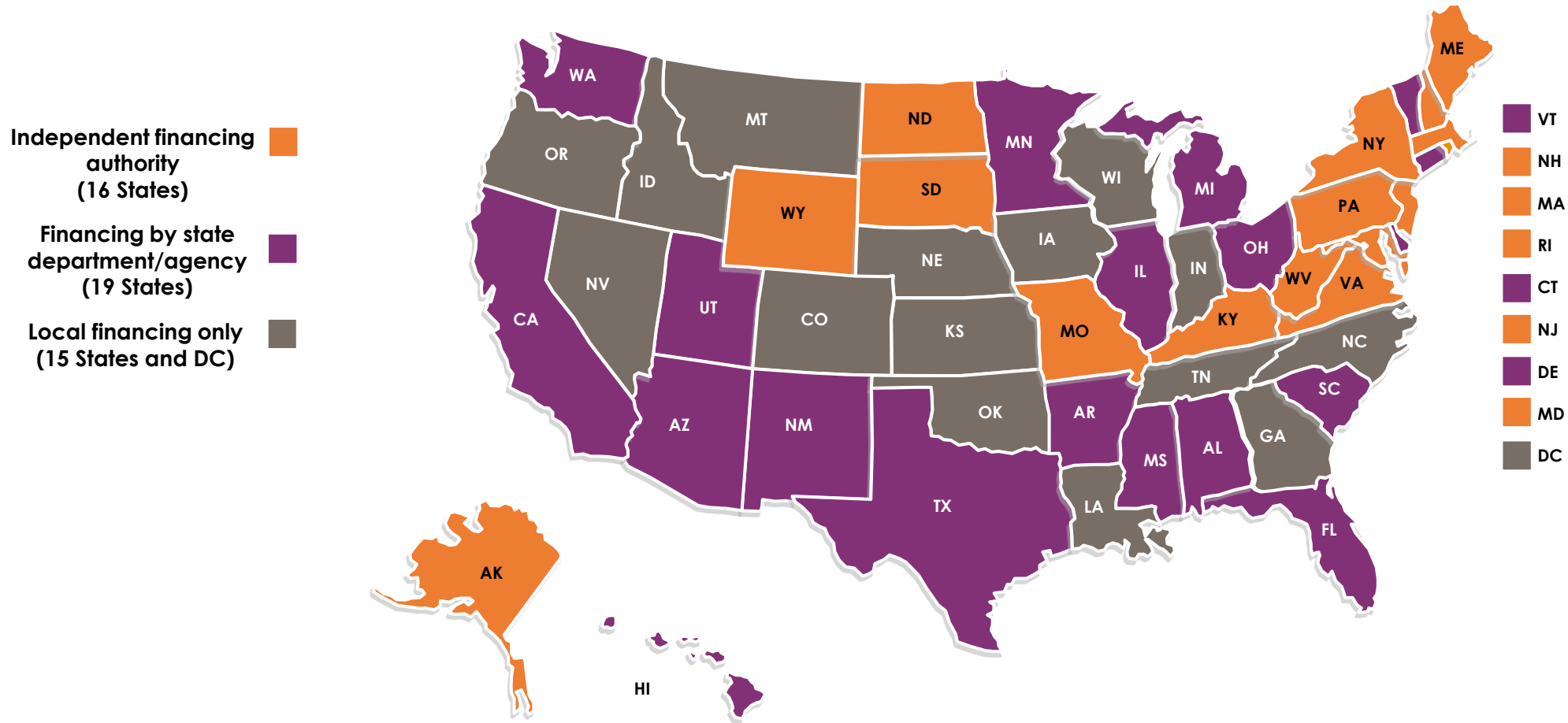
- Lottery and gaming (6 states – CO, MO, NC, OH, VA, WV)
- Sales and use (5 states – AL, ID, MA, NC, WV)
- Severance taxes on natural resources (4 states – MT, NM, ND, WY)
- Sale or lease of state land (4 states – AZ, CO, WA, WY)
- Marijuana sales (2 states – CO, OK)
- Fines and fees (2 states – FL, VA)
- Tobacco settlement (NJ)

Consolidation Incentives

21 states provide financial incentive for school consolidation.

- Hold harmless (6 states – AK, ND, PA, UT, VT, WY)
- State funding priority for construction (5 states – GA, ME, NC, NY, OH)
- Appropriations (5 states – ID, NH, NY, OK, RI)
- Funding weight (2 states – AR, UT)
- Lower of consolidating districts ability-to-pay measure (2 states – KS, VA)
- Different local revenue limits (AZ)

Financing School Construction States w/ Independent Authority



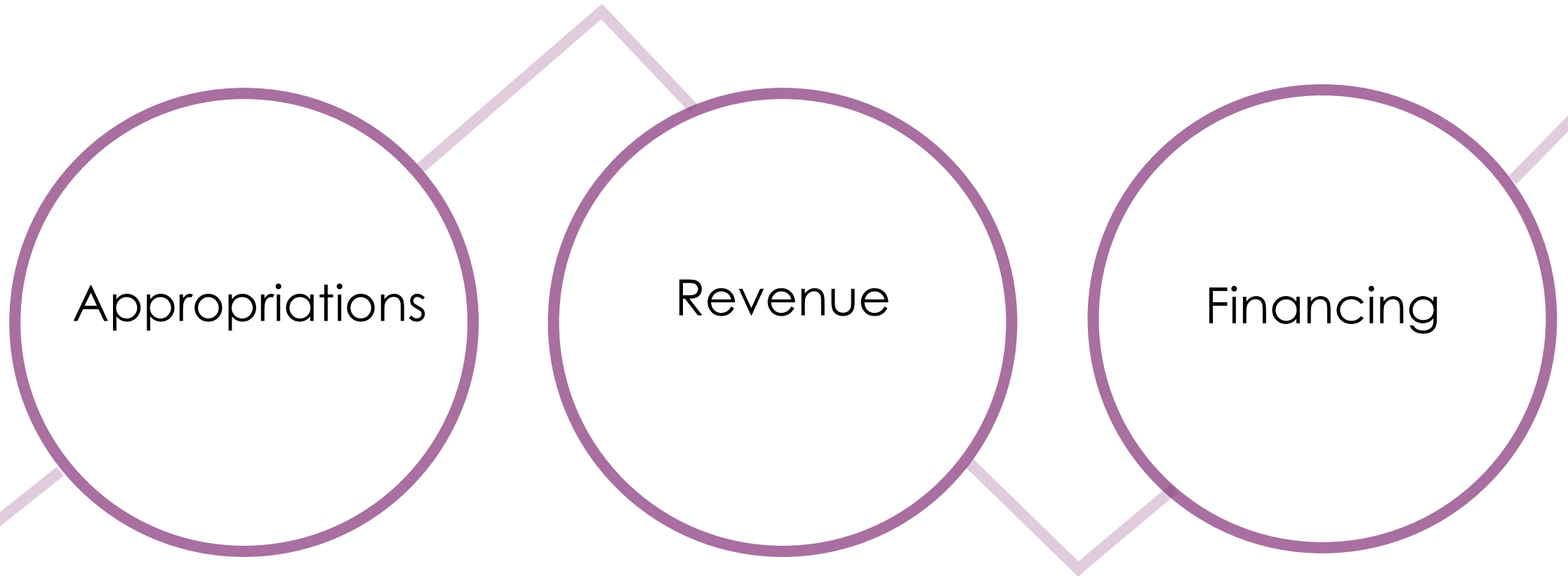
Agenda

- State Role
- Types of State Financial Assistance
- **Legislative Trends**





Legislative Trends



One-time Appropriations

Michigan (SB 173): \$245 million in one-time funds for school consolidation and infrastructure grants to cover initial costs of consolidating services.

Ohio (HB 33): \$600 million for the School Building Program Assistance Fund.

Washington (SB 5200): \$588 million for school construction assistance including funds designated for energy and operational cost savings projects.



Dedicated Revenue Source

Michigan (SB 63): Authorizes school districts to levy taxes to establish a sinking fund to be used for transportation costs in addition to land acquisition, construction, and maintenance.

Virginia (HB 30): Allocates \$50 million in Literary Fund revenues from fines, fees, and forfeitures to a school construction fund.



Financing Support

Mississippi (SB 2430): Establishes Educational Facilities Revolving Loan Fund to provide interest free loans to districts for new construction or repairs and renovations.

North Dakota (HB 33): Increases maximum loans under School Construction Revolving loan Fund and allows districts to refinance existing bonds into the fund.



Innovative Approaches

- **Award funds to meet strategic goals.** Allocate state aid to encourage local projects to achieve desirable outcomes – consolidation, energy efficiency, equitable access to resources.
- **Leverage revenue sources/partners to support projects.** Dedicate state and/or local revenues to support construction projects or consider public private partnerships (P3), where private developer finances, constructs, and maintains school buildings.
- **Pool resources to reduce debt payments.** Establish pay-as-you go opportunities, such as sinking funds, or subsidize revolving loan programs to reduce local bond issuance and reduce reliance on locally financed projects.



**EDUCATION
COMMISSION**
OF THE STATES

Your education policy team.

THANK YOU

Chris Duncombe

cduncombe@ecs.org

Joel Moore

jmoore@ecs.org

Maine State Liaison

RESOURCES

from our presentation.

[50-State Comparison: K-12 Funding](#)

[50-State Comparison: K-12 School Construction Funding](#)

[Student Counts in K-12 Funding Models](#)

[Partnering for Success: Shifting Formulas for Student Success](#)

[21st Century School Fund: State of Our Schools 2021](#)

