Agency of Education Joint Task Force A National Review of School Construction Funding

July 15, 2023

VERMONT
AGENCY OF EDUCATION

Agenda

- Statistics on school funding nationally
  - Financial Assistance
    - Appropriations
    - Financing
  - Revenue
- A review of the construction aid programs of ten states

Financial Assistance Via

- ***Appropriations***: State sends 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. Debt assistance can be provided by a state or state authorized entity by issuing bonds or by guaranteeing or offering credit enhancements to locally issued bonds. The state does require full or partial repayment from districts.

Financial Assistance Via

- Appropriations 10 states
- Financing 8 (7 states + Wash DC)
- Both the above 28 states
- Neither 5 states (IA, LA, NE, TN, WI)

Data obtained from the Education Commission of the States www.ecs.org

Appropriation

- ***Direct grant aid***: The state appropriates funds for new school construction or major facility improvements. The state sets criteria for awarding funds to districts that may be done by formula or competitively.
- ***Debt reimbursement***: The state reimburses districts for all, or a portion of debt costs based on approved debt retirement schedule.
- ***Hybrid***: The state may have multiple appropriations that use different funding mechanisms or one appropriation that uses multiple funding mechanisms.

Appropriations

- 38 states provide aid to school districts for upfront planning or construction costs through appropriations. (5 states have programs established in the law that are not currently active)
- 28 states incorporate an equity component within their appropriation policy. This means they prioritize or provide more funding for projects for school districts with lower levels of property wealth.
- Payments take the form of direct grant aid to defray the costs incurred by projects or to reimburse locally issued debt, without requiring school districts to repay the state.

Data obtained from the Education Commission of the States www.ecs.org

Financing Via

- ***Bond issuance***: The state or state-authorized entity issues general obligation, special obligation, or revenue bonds to make loans to school districts to finance school construction.
- ***Bond support***: The state or state-authorized entity guarantees locally issued bonds by assuming financial responsibility for the debt or offers credit enhancements to locally issued debt.
- ***State funded loans***: The state lends money to finance school construction projects at a specified interest rate using a state established fund rather than through debt issuance.

Financing Via

- Bond Issuance 31 (30 states + Wash DC)
- Bond Support 5 states
- State Funded Loans 9 states

Data obtained from the Education Commission of the States www.ecs.org

Revenue

Revenue: 19 states have established, designated income sources that are used to support state school construction expenditures. Examples include sales and use taxes; "sin" tax levies on the consumption of alcohol, nicotine products, marijuana, and lottery proceeds; and proceeds generated from state usage like timber logging, oil and gas extraction, and public land sales.

Revenue Sources

Alabama - Uses a portion of its sales and use tax revenues as pledged revenues for payments of bonds held by the Alabama Public School and College Authority.

Arizona - Deposits revenue generated in the sale or lease of state lands for public education purposes into the new school facilities fund.

Colorado - Revenue sources for the Capital Construction Assistance Fund include state land proceeds, state lottery proceeds, and revenues from the state marijuana excise tax on retail marijuana.

Florida - The proceeds of motor vehicle license revenues are deposited into the capital outlay and debt service fund. In addition, lottery revenues are deposited into the Lottery Capital Outlay and Debt Service Trust Fund.

Hawaii - New residential developments within school impact districts are required to pay school impact fee. Certain properties are exempted, including developments that exclude school-aged children. The fees are based on recent school site area averages, student generation rates, and the number of dwelling units in the new residential development.

Revenue Sources Cont'd

Idaho - Starting in FY 2024, 2.25% of sales tax revenue is distributed to the school district facilities fund annually. In addition, starting in FY 2025, 20% of the moneys in the tax relief fund will be transferred to the school district facilities fund.

Massachusetts - While not for new school construction, the state dedicates $16 million from sales tax revenues for the Education Enhancement Fund. The funds are used for repairing, improving, and maintaining school facilities, student transportation, and debt service costs for specified services.

Missouri - A portion of gaming proceeds not to exceed $7 million per year are transferred to the school district bond fund.

Montana - Dedicates a portion of coal severance taxes for the school facilities fund and revenue from timber harvest on common school trust lands and other land income to the school facility and technology account in the state special revenue fund.

New Jersey - Annually appropriates $100 million from the national settlement with tobacco companies for the purposes of the Educational Facilities Construction and Financing Act.

New Mexico - The state board of finance appropriates proceeds from severance tax bonds and supplemental severance tax bonds to the public-school capital outlay fund.

Revenue Sources Cont'd

North Carolina – Net revenues from the North Carolina State Lottery Fund are transferred to the Education Lottery Fund. A portion of the Education Lottery Fund are appropriated to the Education Lottery Reserve Fund and to the Needs-Based Public-School Capital Fund. In addition, the state dedicates a portion of the 1/2 cent local sales and use tax for public school capital outlay purposes. These revenues can be used to meet the local matching requirement the Public-School Building Capital Fund.

North Dakota - Up to $60 million from the Coal Development Trust Fund is made available for school construction loans, upon approval of the superintendent of public instruction.

Ohio - A portion of the state lottery proceeds are transferred to the lottery profits education fund for elementary, secondary, vocational and special education programs. Funds may be used to pay debt service for capital facilities.

Oklahoma - Dedicates 75% of retail sales tax collections on medical marijuana sales for common education including redbud school grants, which can be used for school construction.

Virginia - Revenues from fines, fees and forfeitures are deposited in the Literary Fund. A portion of casino gaming revenues are deposited in School Construction Fund.

Revenue Sources Cont'd

Washington - The proceeds of lands or property which revert to the state; the proceeds of the sale of stone and minerals; 5% of the proceeds of the sale of public lands; the proceeds of the sale of lands which have been granted to the state for schools.

West Virginia - Revenues deposited in the school construction fund, school building debt service fund, and excess lottery school building debt services fund come from sales and use taxes and excess lottery proceeds.

Wyoming - The school capital construction account derives revenue from the following:
- Federal mineral royalties, or revenue generated from federal payments to the state for mining activity within the state of Wyoming.
- Common Land income from state royalties. Up to 33 and 1/3% of mineral royalties from the lease of school lands is deposited into the School Lands Mineral Royalties Account.
- Pooled interest derived from earnings of the school capital construction account.
- Revenues raised by school districts and recaptured by the school capital construction account for projects.
- Federal coal lease bonus payments.
- Revenue from the School Major Maintenance Subaccount within the Strategic Investments and Projects Account (up to 45% of the maximum amount credited to the Strategic Investments and Projects Account).

Does the state provide appropriations to local school districts to construct facilities?

State	Yes	No	Not specified in state policy
VT	✓		
ME	✓		
NH	✓		
RI	✓		
MA	✓		
CT	✓		
NY	✓		
CO	✓		
ND		✓	
MS		✓	

Does the state provide financial incentive for consolidation?

State	Yes	No	Not specified in state policy
VT	✓		
ME	✓		
NH	✓		
RI	✓		
MA			✓
CT			✓
NY	✓		
CO			✓
ND	✓		
MS			✓

Does the state provide financing support to local school districts to construct facilities?

State	Yes	No	Not specified in state policy
VT	✓		
ME	✓		
NH	✓		
RI	✓		
MA	✓		
CT	✓		
NY	✓		
CO		✓	
ND	✓		
MS	✓		

Annual Investment Standards for School Facilities

- The standard for M&O spending per year is 3% of CRV (1% for facility operations plus 2% for routine maintenance).
- For capital renewals, the annual standard is 4% of CRV when there is evidence of past underinvestment and high levels of deferred maintenance.
- A 2% of CRV level would be appropriate where there is zero existing deferred maintenance.

Categories of K-12 School Facility Expenditures and Annual Investment Standards

Spending Category	Description	Budget Type	Funds Source	Investment Standard
Facility Operations	The services required to keep a facility clean and sanitary, so that its occupants are comfortable, healthy, and productive. Operations include utilities, support services to assist occupants; security; and custodial services	M&O	District Budget	1% CRV
Routine Maintenance	Routine recurring work (preventive, predictive and emergency), including scheduled inspections, record keeping, equipment servicing, patching holes, and repairing furniture and fixtures.	M&O	District Budget	2% CRV
Capital Renewal	Major repair, alteration, and replacement of building systems, equipment, and components that will sustain or extend the useful life of the entire facility campus (school). Work includes roadway and drainage improvements, playing field replacement, roofs, HVAC, windows, doors, structural repairs, building refurbishments, minor additions, modernization projects, and replacement or provision of long-life assets to a facility campus such as portable classrooms and furniture, fixtures, and equipment	Capital	State Aid/ Local Bond	4% CRV
Major Modernization	Major alteration of the entire building(s). Projects typically involve design changes and/or educational suitability alterations of building(s)	Capital	State Aid/ Local Bond	Above and beyond 4% CRV
Building Replacement	Complete or partial building replacement based on determination that it is more cost effective to fully replace building(s) rather than do major modernization	Capital	State Aid/ Local Bond	Above and beyond 4% CRV
New construction for growth	Additional capacity needed to keep up with growth in enrollment	Capital	State Aid/ Local Bond	Above and beyond 4% CRV

State Spending on O&M and Capital Renewal vs Industry Standard of 7% of Current Replacement Value

State	Actual O&M and Capital Spending	7% CRV Annual Spending Standard	Spending GAP	% of Std.	Construction Cost/sq.ft.
VT	$ 170,800,000	$ 569,300,000	$ 398,460,000	30	$465.48
ME	$ 383,590,000	$ 856,470,000	$ 472,880,000	45	$395.00
NH	$ 350,750,000	$ 1,090,000,000	$ 739,460,000	32	$465.48
RI	$ 190,100,000	$ 859,140,000	$ 669,040,000	22	$509.00
MA	$ 2,580,000,000	$ 6,090,000,000	$ 3,510,000,000	42	$479.70
CT	$ 1,460,000,000	$ 3,840,000,000	$ 2,380,000,000	38	$465.48
NY	$10,780,000,000	$16,120,000,000	$ 5,340,000,000	67	$531.74
CO	$ 1,380,000,000	$ 4,030,000,000	$ 2,650,000,000	34	$437.65
ND	$ 229,210,000	$ 559,560,000	$ 330,350,000	44	$304.50
MS	$ 710,290,000	$ 1,330,000,000	$ 619,710,000	53	$221.84

Data as of 2020 obtained from www.StateofourSchools2021.org

Vermont Spending required to meet the 7% of CRV standard

- Vermont schools contain roughly 17,643,000 square feet of space
- At a unit construction cost of $650/sq.ft. that is a CRV of $11,467,950,000
- 3% for annual M&O would be $ 344,038,500
- 4% for annual Capital Renewal would be $458,718,000
- 7% Total annual spending would be $ 802,756,500

Preliminary Cost Projections

System Expenditure Forecast

System	Immediate	Short Term (1-2 yr)	Near Term (3-5 yr)	Med Term (6-10 yr)	Long Term (11-20 yr)	TOTAL
Structure	$780,400	$424,900	$531,400	$2,577,200	$2,646,500	$6,960,300
Facade	$8,516,200	$8,216,500	$13,451,100	$22,320,400	$74,228,900	$126,733,200
Roofing	$14,047,200	$12,117,500	$27,886,100	$38,559,300	$100,190,700	$192,800,900
Interiors	$28,819,500	$26,241,300	$81,887,600	$109,433,600	$262,625,000	$509,007,000
Conveying	$510,000	$1,808,100	$3,305,100	$3,384,400	$6,289,800	$15,297,300
Plumbing	$7,576,700	$11,237,100	$35,545,800	$62,750,600	$136,155,500	$253,265,700
HVAC	$10,853,100	$28,975,000	$68,279,600	$80,974,500	$177,266,200	$366,348,400
Fire Protection	$991,800	$1,955,200	$5,785,500	$13,075,700	$6,038,700	$27,846,900
Electrical	$6,343,900	$12,714,200	$34,457,900	$51,213,600	$134,159,300	$238,888,900
Fire Alarm & Electronic Systems	$4,670,300	$16,141,900	$46,920,900	$72,941,300	$111,983,800	$252,658,100
Equipment & Furnishings	$2,160,700	$5,857,800	$22,522,500	$32,582,600	$53,504,000	$116,627,600
Special Construction & Demo	$1,364,800	$251,300	$425,500	$2,397,900	$15,603,400	$20,042,900
Site Development	$1,571,400	$3,201,300	$8,873,400	$21,004,900	$44,704,200	$79,355,200
Site Pavement	$8,832,300	$8,583,600	$11,807,300	$21,343,200	$52,618,400	$103,184,700
Site Utilities	$176,200	$895,500	$1,820,500	$4,771,900	$12,676,500	$20,340,500
Follow-up Studies	$3,181,600	-	-	$14,900	-	$3,196,500
Energy Savings Opportunity	$5,300	-	-	-	-	$5,300
Accessibility	$588,900	-	-	-	-	$588,900
TOTALS (3% inflation)	$100,990,200	$138,621,200	$363,500,000	$539,346,000	$1,190,690,800	$2,333,148,200
1.04 multiplier to extrapolate	$105,029,808.00	$144,166,048.00	$378,040,000.00	$560,919,840.00	$1,238,318,432.00	$2,426,474,128.00
2.0 times multiplier	$210,059,616.00	$288,332,096.00	$756,080,000.00	$1,121,839,680.00	$2,476,636,864.00	$4,852,948,256.00
2.5 times multiplier	$262,574,520.00	$360,415,120.00	$945,100,000.00	$1,402,299,600.00	$3,095,796,080.00	$6,066,185,320.00

Prioritization for funding

- The backlog of work is larger than can be funded and/or executed in a short time frame.
- Since it is prohibitive to address everything at once a method of prioritizing the work is required.
- Key decisions need to be made about system replacements, adding space, upgrading space, and replacing buildings entirely.
- Periodic influxes of funding, while helpful, often send the false message that anemic funding over many years can be absolved with periodic infusions.
- Methods of prioritization

State of Maryland Prioritization Schema

Proposed Categories & Weights		
Category #	**Description**	**Weight**
1	**Immediate Code/Life/Health Threat** Used only for critical issues that pose immediate threats to the life, health, or safety of persons within the facility. • Obvious friable asbestos • Unprotected exit corridors • Electrical hazards	3.5
2	**Sufficiency Deficiency – Space** Deficiencies that are related to sufficiency standards for inherent space-based issues in the facility. • Not enough classrooms • Lacking square-footage requirements • Missing mission-critical space	3.0
3	**Mitigate Additional Damage:** Systems or deficiencies that require repairs to mitigate additional damage. • Leaking roof • Poor ventilation causing moisture leaks	2.0
4	**Degraded w/ Potential Mission Impact** Systems or deficiencies that are mission critical and beyond useful life, or most systems beyond 200% expected life. • Fire alarm system beyond 200% • Severely damaged walls • Systems past 200% life expectancy	1.5
5	**Beyond Expected Life:** Systems or deficiencies that are 100% to 200% beyond expected life and show no signs of required repairs. • Expired portable buildings • Many interior finishes without damages	.25 to 1.5
6	**Grandfathered or State/District Standards:** Systems or deficiencies that are "grandfathered" code issues or specific to the local agency. • Fire Sprinklers • Flooring consistent with local architectural standards	.5
7	**Sufficiency Deficiency – Facility** Deficiencies that are related to sufficiency standards for inherent parts of the facility. • ADA Issues • Insufficient Parking • Fixed Equipment (such as serving kitchens)	1.0
8	**Sufficiency Deficiency – Equipment** Deficiencies that a related to sufficiency standards for non-fixed equipment. • Missing playgroup equipment	.5
9	**Normal/Within Life Cycle** Systems that are within the expected life cycle and do not require replacement. • Functioning, new lighting • A 20 year old system with a 25 year life cycle	.25

City of Boston Prioritization Schema

Overall building suitability score for:

Sample High School

Score **48%**

Facilities Condition Score - Facility Assessment is a process that is used to analyze the existing and projected future condition of facilities, and the building systems and assets within those facilities. The assessment evaluates each part of a building's components for age, condition, and operational effectiveness. A "Depleted Value" score is shown, estimating the percentage of remaining life of the school based on the weighted average of its components.

Score 34%

Modernization Upgrade Criteria - is the replacement or restoration of key systems, interior work (such as ceilings, partitions, doors, floor finishes, etc.) and building elements and features. The evaluation summarizes the economic balance of modernizing or replacing the facility based on cost of modernizing to modern standards.

Score 23%

Space Analysis Education Facilities Standards - A space needs analysis, quantifies demand and demonstrates the potential need for new facilities and/or major repurposing of existing space. This section provides an overview of the analytical process, key findings, and implications of the current required standards of existing space by major use categories as well as a guideline for appropriate levels of space based on enrollment, staffing levels, instructional needs, and conditions.

Score 18%

Energy Efficiency Score – The score, rates performance on a percentile basis: buildings with a score of 50 perform better than 50% of their peers; buildings earning a score of 75 or higher are in the top quartile of energy performance. The Energy Audit is to provide Boston Public Schools with a baseline of energy usage, for both renewable and non-renewable Energy Conservation Measures to reduce carbon emissions. This score is the same as the Energy Star Score.

Score 53%

Colorado Prioritization Schema

Priority Group 1 Critical Projects

This group includes those projects that are deemed to be of utmost importance. For this reason, projects in this group need to be accomplished as soon as feasible and preferably within a year, subject to the availability of funds.

1. Projects involving health and safety (water supply that may become contaminated, poor traffic patterns that endanger pupil safety, potential structural failures, installation of emergency systems, etc.)

2. Projects mandated by law (Americans with Disabilities Act, EPA regulations, state/local health department regulations, code revisions, etc.)

3. Projects necessary to avoid a school from being temporarily closed (leaking boiler, cracked combustion chamber in a furnace, etc.)

4. Projects that are necessary to prevent other damage to a building or site (extensive roof leaks that can cause interior damage, severe erosion along foundations and footings, etc.)

Colorado Prioritization Schema Cont'd

Priority Group 1 Critical Projects

5. Projects which retard deterioration, or which will cause an inordinate increase in scope or cost if delayed beyond one year (roof deterioration that will impact other building components such as deck, insulation, electrical, flooring, wall finishes, if not corrected, extensive deterioration in pavement that could adversely affect subgrade conditions or that creates a safety hazard if not repaired, etc.)

6. Projects which provide permanent additional capacity housing for students (when current enrollment at a school is greater than 125% of permanent program capacity, permanent facilities or other alternatives for housing students should be provided unless projections indicate a declining enrollment trend)

Colorado Prioritization Schema Cont'd

Priority Group 2 Necessary Projects

This group includes those projects that are essential to support the facilities' mission and purpose. Although they are important in nature, they are not as critical and urgent as those projects in Group 1. Group 2 projects should be accomplished within the next five years, subject to availability of funds. Examples include:

1. Necessary preventative repairs and improvements to maintain the integrity of and keep in operation a building or facility (replacement of equipment and systems that have served their useful life, including boilers, electrical panels, roofs, floor replacement, pavement overlay, etc.)

2. Projects which provide permanent housing for students (new schools and additions required to permanently house current or projected enrollment not exceeding 125% of permanent program capacity, etc.)

3. Projects which support existing instructional/auxiliary service programs (additions, renovation of open space classrooms, acoustical treatment in instructional areas, renovation of older schools to meet current program standards, renovation to provide functional facilities, etc.)

Colorado Prioritization Schema Cont'd

Priority Group 2 Necessary Projects

4. Projects which support the expansion of or changes in instructional/auxiliary service programs (computer classrooms, modular technical education laboratories and similar improvements)

5. Projects which provide operational efficiencies and economies (energy conservation projects, pavement sealing/overlays, ditch water irrigation systems, HVAC control automation and automated irrigation systems, and projects that provide a substantial cost avoidance or return on investment)

A large number of capital improvement needs are usually identified as Group 2 priorities. Therefore, this priority group is divided into six sub-groups as follows:

Priority Group 2A

Necessary repairs and improvements to maintain the safety and integrity of the building and avoid imminent failure of a building system that would cause the facility to be shut down and/or result in a substantial loss (roof replacement, boiler replacement, heating pipe and domestic water pipe replacement, etc.)

Colorado Prioritization Schema Cont'd

Priority Group 2B

Projects required to house students in permanent facilities on a regular single track schedule (new schools or additions to existing schools where the projected five-year future enrollment, based on the most current enrollment projection report, exceeds the permanent program capacity by 20% or more)

Priority Group 2C

Projects which support existing instructional/auxiliary service programs and will provide a substantial return on investment, including acoustical improvements, renovation of classroom facilities and renovation/upgrade of facilities 35 years old and older that have had no major remodeling during the last ten years, including mechanical, electrical, core facility and flooring improvements as required

Colorado Prioritization Schema Cont'd

Priority Group 2D

Projects which support existing instructional/auxiliary service programs, renovation/upgrade of facilities 30 years old and older that have had no major remodeling during the last 10 years and site improvement projects required to provide safe and functional site facilities, including mechanical, electrical, core facility and flooring improvements as required

Priority Group 2E

Projects which support existing instructional/auxiliary service programs, renovation/upgrade of facilities 25 years old and older that have had no major improvements during the last 10 years, including mechanical, electrical, core facility and flooring improvements as required

Priority Group 2F

Necessary maintenance or repairs to maintain the site facilities (pavement, drainage and other projects which provide operational efficiencies and economies) and projects that support the expansion of instructional/auxiliary service programs (computer labs, modular technical education laboratories, etc.)

Colorado Prioritization Schema Cont'd

Priority Group 3 Deferrable Necessary Projects

Projects in this group are identical to those in Group 2 except they may be deferred beyond five years.

Priority Group 4 Desirable Projects

Desirable projects are those that improve the environmental qualities of a building or site above adopted district standards (installation of plantings and shrubs, carpet replacement for esthetic reasons, etc.)

Identification of additional information for future meetings