ALTERNATIVE FUNDING MODELS FOR FINANCING CONSTRUCTION OF PUBLIC SCHOOL FACILITIES AND DEBT RETIREMENT

DISSERTATION

Presented to the Graduate Council of the
University of North Texas in Partial
Fulfillment of the Requirements

For the Degree of

DOCTOR OF EDUCATION

By

Jack Rambo, B.S., M.Ed.
Denton, Texas
December, 1992

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The models used by most states to finance construction of public school facilities and for debt service retirement are explored in this study. A review of the historical background for funding of capital projects by states is followed by a review of the historical background of state support for funding education in the State of Texas. These historical analyses reveal that the support for public education in Texas closely parallels state support for public education nationwide. One of the main area of support where the State of Texas does not follow many states in the nation is in the area of facility and debt service funding.

A study of documents regarding most states' funding of capital projects was attempted. All states were contacted, and all but nine responded. The information gathered from the state was qualitatively analyzed to determine if the state participated in the funding of local school district building projects. States that participated in facility

funding were then analyzed to determine the method of funding used. A complete description of the method used for funding construction of public school facilities and debt service by most states is described. The advantages and disadvantages of each model of funding are discussed. The various models used by the states reporting were categorized into six conceptual models of state support for capital outlay and debt service. A taxonomy of the six funding models was developed and a frequency distribution was constructed.

The main purpose of this study was to examine the various finance models that are presently being used to finance facilities and to provide information for the Texas legislature, the Texas Education Agency, and local school districts concerning facilities funding models that might be used in Texas. Based on the information gathered and analyzed, several conclusions are drawn and recommendations regarding state funding of capital projects in the State of Texas are made. The model recommended for Texas is one that provides for an equalized grant and includes formulas for the distribution of state money.

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CHAPTER I

INTRODUCTION

Proposal Six of the Gilmer-Aikin report in 1948 read:

> At least part of the cost of providing adequate school buildings and equipment should be included in a minimum foundation program of education. However, it is proposed that such inclusion be postponed until local reorganization, on a voluntary basis, is further advanced (Gilmer-Aikin Committee 1948, 7).

As early as 1948 the cost of providing adequate school buildings and equipment was recognized as a part of the minimum educational program. According to the Gilmer-Aikin report, voluntary reorganization was to take place before funding of facilities occurred. This voluntary reorganization of school districts has taken place to some degree. In 1936 there were 6,953 districts in the State of Texas, including 5,938 common districts, enrolling an average of 653 students (State Board of Education 1958, 25). By 1948 there were 4,412 school districts in Texas. Today there are 1,045 school districts. Even though substantial consolidation has been completed, the legislature has not seriously considered state aid for new school construction or rehabilitation. As long as the state persists in not taking funds needed for facilities into account as a part of the foundation school program, a huge gap will be left by

any effort to achieve financial equality among Texas school districts.

Equality of educational opportunity has been the basis for attack on the Texas system of public school finance for most of the last half of the twentieth century. Until 1971, these attacks came from political pressures within the legislative confines. In 1971, when the legislature failed to recognize needed reforms in the system of public school finance, the judicial branch entered the scene. Since the introduction of the judicial branch into the public school finance arena, the questions of equality and equity have been bounced back and forth from court to legislature.

In 1971, the plaintiffs in Rodriguez v. San Antonio ISD claimed that the state's method of financing education, which relied mainly on local wealth, discriminated against children living in property-poor school districts and denied these students the equal protection of the laws guaranteed by the Fourteenth Amendment to the United States Constitution. The federal district court agreed, and allowed the state two years to develop a more equitable system (Rodriquez v. San Antonio ISD 1973). This seemed to move the problem out of the judicial court and into the legislative court. The case was appealed in 1972, bringing the problem back to the judicial court. The United States Supreme Court reversed the lower courts' findings. The

reasons were: (1) poor people live in all districts, (2) the goal of providing an adequate education program for each child in the state was accomplished through the minimum foundation program, and (3) education is not viewed as a fundamental interest protected by the federal constitution (Hoffman 1973, 12-13).

Although the constitutionality of the Texas system of public school finance was upheld in the Rodriquez case, many efforts were made during the next ten years to reform the financing of public schools. House Bill 1126 (1975) and House Bill 72 (1984) were two such reform measures.

House Bill 1126 made revisions in the state's financing plan, most notably in the addition of state equalization aid. Aid was allotted to all school districts with property values that were less than 110 percent of the average statewide property values per average daily attendant. The aid was allotted following a formula that provided more money to districts with the lowest property values per average daily attendant.

House Bill 1126 also moved the local fund assignments from the county economic index to an estimated actual market value of taxable property. The small amount of equalization aid ($50 million), plus the fact that a large number of districts qualified for the aid, minimized the equalization impact of this provision.

In a special legislative session in 1984, state legislators were subjected to much pressure with regard to school finance reform. House Bill 72 was the result of this special session of the legislature. House Bill 72 was one of the most grandiose reform movements in Texas history. The major points of House Bill 72, as they relate to school finance, are as follows: (1) retained the foundation program, (2) changed the distribution unit from adjusted personnel units to weighted pupils, (3) established a basic allotment per average daily attendant, (4) implemented a price differential index, (5) adjusted the allotments for small and sparse-area school district, (6) expanded pupil weighting for special education, (7) expanded compensatory education aid, (8) expanded bilingual aid, (9) provided for the weighting of vocational education students, (10) revised the state minimum salary schedule, (11) provided a career ladder program, (12) increased transportation allocations within the same linear density formula, (13) provided a new method of computing local fund assignments based on a statewide local share of 33 percent of foundation school program costs, (14) provided for an experienced teacher allotment, (15) expanded equalization aid monies, (16) provided for equalization transition aid for districts losing state aid per average daily attendant from the prior year, (17) removed from the available school fund all

revenues except those dedicated by the state constitution, (18) provided rollback election protection for school districts losing state aid per average daily attendant, (19) provided for a pre-kindergarten program, (20) initiated a summer bilingual education program for limited English speaking preschoolers, (21) provided class size maximums of twenty-two in grades kindergarten through four, (22) deleted funding for driver education, (23) moved some teacher retirement system payments to local school districts, and (24) required an annual performance report in each school district that included school budget items.

The school finance plan, adopted by the Texas State Board of Education on January 13, 1990, recognized the need for financing school facilities. Concept three of this plan provided a program for the future financing of school facilities and equipment, with a provision for the financing of past debt service. In adopting this plan, the state board recognized the fact that a fully equalized system of school finance must address financing for school facilities.

In 1987, Judge Harley Clark, in the 250th District Court of Travis County, Texas, ruled that education is a fundamental right for each citizen (Edgewood ISD v. Kirby 1987). Judge Clark also found that the system for funding the public schools in the State of Texas was unconstitutional (Edgewood ISD v. Kirby 1987, 11).

This was the first time since the Gilmer-Aikin Committee that the concept of lack of fiscal neutrality in school facilities expenditures was addressed. In its findings, the court stated:

> The Court hereby declares and enters Judgement that the Texas School Financing System (Texas Education Code 16.01, et seq.), implemented in conjunction with local school district boundaries that contain unequal property wealth for the financing of public education, is UNCONSTITUTIONAL AND UNENFORCEABLE IN LAW because it fails to insure that each school district in this state has the same ability as every other district to obtain, by state legislative appropriation or by local taxation, or both, funds for educational expenditures, including facilities and equipment, such that each student, by and through his or her school district, would have the same opportunity to educational funds as every other student in the state, limited only by the discretion given local districts to set local tax rates (Edgewood ISD v. Kirby 1987, 5).

With the court's emphasis on fiscal equity, including facilities, a comprehensive study of alternative programs for financing educational facilities and debt retirement should be very beneficial at this time.

Statement of the Problem

The problem of this study was to examine alternative approaches to funding school district facility costs and debt retirement and to develop a model of funding for Texas.

Purpose of the Study

The main purpose of this study was to examine various finance models used to finance facilities, and to develop a

model that might be used in the State of Texas. A secondary purpose of this study was to provide valuable information to the state legislature, state education agency, and local school districts concerning models that might be used to fund facility costs and debt retirement in Texas.

Definition of Terms

The following terms are defined for this study:

Average daily attendance is the average attendance of pupils per day for a minimum of 175 days of instruction.

Current operating expenses are the expenses incurred by a school district during the current fiscal year for the maintenance and operation of the district. These expenses include salaries, supplies and materials, contracted services, administrative costs, utilities, plant maintenance, instructional support services, transportation, food services, computer processing, public relations, and all other expenditures except debt service payments and capital expenditures.

Debt service expenditures are monies expended for payment of fees, interest, and principal on long-term loans and bonds. In Texas, most facility construction or improvement is presently financed by debt service expenditures (Johns 1983, 274-278).

Capital expenditures are monies expended for the acquisition of fixed assets or additions to fixed assets which have benefits for more than one year.

District wealth is taxable property values per student in average daily attendance after exemptions are deducted.

District effort is the willingness of a district to tax itself for education.

Effective tax rate (ETR) is a rate expressed in dollars per $100 of taxable property values calculated according to the following formula:

$$ETR = \frac{\text{(last year's levy - lost property levy)}}{\text{(current total value - new property value)}}$$

Equalization means reducing the direct relationship between a district's property values and the revenue it has per average daily attendant.

Equity means fairness, providing equal opportunity, allocating equal shares to all, providing the uniformity, efficiency, and adequacy in educational systems, and equalizing school resources.

Expenditures are funds spent for a specific purpose.

Fiscal neutrality is a standard which requires that the level of a district's revenue/expenditures not be related to the district's property values per average daily attendant.

Foundation school program is the state's school finance program which establishes a minimum level of funding to each district through a system jointly financed by state and local districts.

Full state funding (complete state funding) is a funding model in which the state assumes all responsibility for financing education.

House Bill 72 is a bill passed by the Texas legislature in 1984 designed to bring about educational reform.

Local fund assignment is the share of the foundation school program to be provided by the local district.

Percentage equalization allows each local school district to establish its own expenditure level within state limits. The state equalizes the expenditures by providing state funds based on the district's relative fiscal capacity.

Power equalization is a method of equalizing district tax bases whereby a local school district is allowed to levy whatever tax it desires and is fully equalized with other districts on a statewide basis. The very wealthy school districts which raise funds above a certain revenue limit with a prescribed local tax rate have to pay the extra amount into a central state educational fund for redistribution.

Revenue is the funds received by a district.

State property tax board is the state tax board which establishes district property values for use in calculating state aid.

Tax describes the tax rates levied by a school district to cover expenditures for maintenance and operation and debt service.

Significance of the Study

This study has particular significance for the State of Texas at this time. The conclusions drawn from this study can impact decisions to be made in future legislative sessions. The courts have already recognized the need for state funding for capital projects to help bring about fiscal neutrality, which will bring about equity in educational funding, which then will aid in educational equalization.

If this study helps the legislative and judicial branches of Texas government to achieve equalization of funding for education, then it has great significance. Texas' efforts to achieve educational excellence and equity are providing examples for other states.

This study focuses on a comparison of alternative models of funding school facilities and debt retirement used by the fifty states. It provides a comparison of a variety of funding formulas and information which can be used to

bring about needed reform, such as in the Edgewood ISD v. Kirby (1987) case.

This study is significant because it provides information that can be used to compare the strengths and weaknesses of the formulas as they relate to equalization of Texas state funding of facilities. It includes an explanation of the aspects of a variety of methods of funding capital projects used by other states.

Design of Study

A state-by-state survey was conducted to evaluate the degree of state government involvement in financing public school facilities. This information was then classified into six categories: (1) complete state funding, (2) equalized grants, (3) percentage matching grants, (4) flat grants, (5) state loans, and (6) no state funding. The unique aspects of each category are explained. Fiscal neutrality in this study can be verified by examining the formulas used to finance educational facilities and debt retirement.

Population

The fifty states were used as the population from which to gain facility funding formulas.

Data Collection

Data were obtained from the state education agency in each state for the 1989-1990 academic year. These data include funding formulas used in funding capital projects as well as the standards used for funding.

Organization of the Remainder of the Study

The remainder of this study is divided into four chapters. Chapter II contains a review of the literature used in studying the various funding models. Chapter III includes a discussion of the procedures used in the collection of the data and in the analysis of the data. Chapter IV is the actual analysis of the data collected. Chapter V contains a detailed discussion of the findings and includes suggestions for possible related research studies as well as recommendations regarding a possible capital improvement funding model for the State of Texas.

CHAPTER II

REVIEW OF RELATED LITERATURE

The focus of this review of literature is on research concerning the funding of school district facility costs. While a wealth of information exists on the topic of public school finance, the scope of this chapter is focused on the area of public school finance that is directly related to facility funding. The literature review includes the following three areas: (1) a discussion of the historical development of public school facility funding; (2) a description of the historical development of public school finance in Texas as it relates to facility funding; and (3) a review of legislative action, beginning with House Bill 72, as it relates to funding of public school facilities and culminating with Senate Bill 351.

Development of Public School Facility Funding

The need for alternative methods for funding public school facilities was much less important before 1900 than it is today. The percentage of school-age children attending school was smaller than the percentage attending today because many school age children, especially in the rural areas, did not regularly attend public schools.

Building costs were much lower because of lower labor costs and lower costs for building materials. In addition, school buildings were generally less complex and were easier to build.

In the latter part of the nineteenth century and the early 1900s tax-supported public education began to spread throughout the nation. Although almost all elementary age children had access to public education in one form or another by the early 1900s, secondary education was not offered in all areas of the country (Mort 1933). It was common for schools in rural areas in the early 1900s to have no secondary schools, and to have elementary schools during only part of the year.

Public education was not a high priority with the general public in the early 1900s. As a result of this lack of emphasis on education by the public, little need existed for sophisticated public school facilities. With simple school programs and low student enrollment, less than elaborate school facilities were needed, and, therefore, specialized school facility funding was not necessary. School facilities were usually funded from current income on the local level. Communities did not build facilities until the money had been raised to pay for them.

As public school enrollment increased and curricula began to expand to include more areas of study, the need

increased for more elaborate facilities to house these students and programs. The need for more specialized equipment and more sophisticated buildings caused the cost of public school facilities to increase. This increase in cost became more difficult to fund from current funds and the wait for enough money to be saved became too long. Alternative methods of financing public school buildings became more popular. Increases in the use of borrowed funds for public school buildings between 1918 and 1936 are shown in Table 1.

Table 1.--School Indebtedness and Interest Payments, 1918 through 1936

Year	Amount of Indebtedness in Thousands	Number of States Reporting	Amount of Interest Payments Reported in Thousands
1918	469,090	36	15,155
1920	651,930	34	18,212
1922	976,503	37	32,352
1926	1,895,871	41	71,901
1928	2,158,149	36	92,025
1930	2,425,706	48	92,536
1932	3,121,538	48	140,235
1934	3,020,511	48	137,037
1936	3,043,125	48	132,983

Source: U.S. Office of Education. 1957. Biennial Survey of Education in the United States, Bulletin 2937, no. 2, vol. 2. Washington, D.C.: Harper and Row. Chapter 2 depicts how the use of borrowed funds for public school buildings grew from 1918-1936.

By 1930, all states had discovered that funding school facilities from current revenues was not feasible. As a result, communities in all states had incurred debt in order to pay for more elaborate facilities.

As time progressed, from the 1920s to the Great Depression of the 1930s, events occurred that affected, and continue to affect, the need for capital expenditures. Rapid increases in student enrollment, more elaborate curricula, and more sophisticated building needs contributed to increased needs for capital expenditures. Both the economic depression of the 1930s and the war years of the 1940s caused postponements of the construction of much-needed educational facilities, as well as other tax funded facilities such as highways, hospitals, and other municipal buildings. These postponements created strong competition for tax dollars (Burke 1957).

For educational institutions, the competition was compounded. School districts were not only competing with highways, hospitals, and cities for tax dollars for facilities, they were competing with themselves because the funding for educational facilities and the funding for educational programs comes from the same source--taxpayers. As needs in both areas grew, so grew the competition for tax dollars.

Walter Hack noted that

> Financing of instructional programs and financing facilities have apparently felt the effects of the economic slowdown, double-digit inflation, and the wrath of the taxpayers' revenge. There is one major difference, however, significantly more recent attention has been given to problems related to financing the current expense programs. This attention is certainly legitimate and logical, given the proportion of school dollars expended between the two programs. It appears now, however, that attention could and should be at least shared with needs to finance capital outlay expenditures. Thus far in the decade, the Serrano and Rodriquez cases have occupied center stage in the educational finance theater. As a consequence of, and sequel to, the original cases, many states have mounted studies and enacted legislation to provide more equity in educational programs and financing. In much of the reform legislation which has been enacted, little or no modification has been made in the system to finance capital outlay (Hack 1976, 156).

This inability to fund both current educational programs and facility needs resulted in unequal educational opportunities for children. As pointed out by Hack, many school districts that had to choose between educational needs and facility needs, chose to spend funds on educational program needs. This choice has been recurring around the country since the late 1930s. By the early 1950s, the need to discover the severity of the facility needs in this country was evident.

Studies by the Committee on Labor and Welfare of the 81st Congress, the Council of State Governments, the New York Times, and the Office of Education culminated in Public Law 815 (Barr 1960). This law provided funds for the

purpose of studying the facility needs around the country and for surveying the availability of state and local resources to fund these needs. Projections from the survey indicated a need for 312,000 additional classrooms to house nearly 7,000,000 students in 1952-1953. Although the estimated cost for additional classrooms was $10.6 billion dollars, only $5.09 billion could be obtained from state and local sources (Barr 1960).

The ad valorem property tax was the predominant source of revenue for capital outlay, and state property tax laws limited the amount of local taxes for capital outlay. State funding for capital projects was not in existence in all states. As a result, proposals were made to Congress to provide federal grants and loans for the purpose of funding capital projects. This legislation was defeated. By 1958 the classroom shortage had reached 140,500, and by 1960 the shortage had reached 476,000 classrooms. This shortage was evidence that the traditional method for funding building projects, the ad valorem property tax, was inadequate.

Percy E. Burrup (1982), in his book Financing Education in a Climate of Change, cites many arrangements for moving away from complete local ad valorem taxation for funding capital projects.

> 1. Since responsibility for education is legally a state function, responsibility for its financing rests firmly at the state level.

> 2. There is no justification for financing capital outlays on a different basis from that of financing current expenditures. If state financing of current operations is defensible and fair, so also is state financing of capital outlays.
> 3. There is no defense for the traditional method of financing school facilities by relying completely on a regressive and unfair local property tax when more equitable tax sources are available at the state level.
> 4. It is false economy to indebt school districts for long periods of time with excessive interest costs.
> 5. It is paradoxical to provide adequate funds for current expenditures for all districts and then deny some districts good educational facilities because low assessed valuations and state-imposed limitations on debt service maximums deny those districts the fiscal ability to provide satisfactory facilities.
> 6. Just as no district, regardless of its wealth, should enjoy pecuniary advantages over another in the obtaining of current operation funds, neither should any district enjoy resource advantages over another in the provision for school facilities (Burrup 1982, 290).

Most states have abandoned the idea of complete local financial support for current educational programs, and many states have abandoned the idea of complete local financial support for capital projects. School districts throughout the nation have had basically four capital outlay funding alternatives from which to choose: (1) pay-as-you-go plan, (2) building-reserve plan, (3) bonding plan, or (4) any combination of the first three.

The common thread among all of the four plans is the fact that all are fully funded by local taxpayers. Each plan has advantages and disadvantages but none does away with the competition for the educational tax dollar (Burrup 1982).

The pay-as-you-go plan has the advantage of being the most economical plan because districts avoid the cost of interest payments. The disadvantage is that this plan requires an extremely high property tax rate in one year to pay for the facility. The pay-as-you-go plan simply means that the tax rate is increased enough in one year to raise the funds necessary to pay for the facility. Districts with high property values do not have to raise their tax rates as much as districts with low property values to raise the same amount. The end result to the taxpayer is the same--an increase in the taxes owed.

The building-reserve plan has the same advantage as the pay-as-you-go plan in that the facility is funded through current funds and districts avoid any interest cost. The disadvantage of the building-reserve plan is the necessity to delay the construction of a facility until the building-reserve is built to a sufficient level to pay for the facility. The building-reserve plan works by depositing an amount of money into a building-reserve account until the reserve fund has enough money to fund the building project. This plan can take years to accumulate enough funds to finance a building project.

Advantages of the bonding plan are low initial costs, maintenance of a relatively stable tax rate, and the provision of a tax leeway for current expenses. The

disadvantage of the bonding plan is that districts must incur interest costs over a period of years. With the bonding plan, districts must sell enough bonds to finance a building project and then pay for the principal and interest over a period of years.

Districts can choose to combine the first three plans when considering the funding of a building program. However, the advantages and disadvantages of the combined plans still remain.

A district can choose to combine the pay-as-you-go plan and the building reserve plan to finance a building program. In this case, the district must raise enough taxes in one year to pay for part of the project, and use some of the building reserves accumulated over the years to pay for the remaining part of the building project. The district enjoys the advantage of avoiding the interest cost but must wait until the building reserve fund has been built to a sufficient level to fund part of the project and must increase the tax rate enough to fund the balance in one year.

A district can choose to combine the pay-as-you-go plan with the bonding plan. In this case, the district raises enough taxes in one year to pay for part of a building project and sells enough bonds to pay for the balance. In this combination plan the district can lower the amount of

interest paid by issuing fewer bonds but must raise taxes enough to pay for part of the project in one year.

A district can choose to combine the building-reserve plan and the bonding plan to finance a building project. In this case, a district sells enough bonds to pay for part of the building project and uses the building-reserve funds to fund the balance. The district must wait until sufficient funds are in the building-reserve account to pay for part of the project and then sell enough bonds to finance the balance. Some interest costs can be avoided by selling fewer bonds.

Because of the increased competition for tax dollars, obtaining funds for public school facilities has become a major problem throughout the State of Texas and the nation. Many school districts do not have adequate property wealth to fund current educational programs in addition to needed facilities through local property taxes (Barr 1960).

In states that still do not participate in funding of capital projects, local funding of capital projects generally follow (1) pay-as-you-go or (2) bonding plans. The pay-as-you-go plan is, as it was at its inception, the least expensive method of financing capital projects. Because the funds must be raised in one year this plan is not immediately affordable in most districts. Therefore,

the most common method for funding capital projects is voter approved bonds.

States that participate in the funding of capital projects follow many plans. These plans range from full state funding of capital projects to state loans (Alexander, Status and impact, 1983). Full state funding is just as its name implies. The state assumes all responsibility for the funding of any capital project. State loans are provided strictly for facility projects at an agreed-upon interest rate.

Another method for funding capital projects is for the state and local school districts to share in the funding of a capital project. In this plan, the state funds an agreed-upon percentage of the cost of the project and the local district funds the balance.

States also participate in the funding of educational facilities by providing grants to local districts. Two methods are used by states to provide these grants: (1) flat grants and (2) equalizing grants. With flat grants, funds are distributed uniformly to districts on a per unit basis. The unit may be per teacher, per square foot/per average daily attendant, or per pupil. Money is distributed to districts regardless of district wealth. The second category of grants, the equalizing grant, takes into consideration a local district's ability to fund capital

projects and, therefore, provides more state funds to districts with lesser wealth per average daily attendant.

Development of Public School Finance in Texas as it Relates to Facility Funding

The Constitution of the Republic of Texas, adopted in 1836, provided that the Congress was "to provide by law, a general system of education" (Gammel 1898, 1079). Congress subsequently set aside land grants to each county and established a method to implement the constitutional mandate through county governance. Land was so abundant in Texas at that time that it had little value; therefore, there existed practically no funds for education. The citizens of Texas, much like the citizens of other rural states, were not greatly concerned with the lack of funds because education was not especially important to them. As a result, no effort was made to bring about taxation as a method of financing schools (Eby 1925, 92).

By the early 1850s, Texans became aware of the need for public education and school facilities. The population of the state was increasing at an enormous rate, and educational needs were expanding at an equal rate. The state, however, had failed to provide a public education system. In the Compromise of 1850, the United States Congress paid Texas $10 million in exchange for claims to

western land. Two million dollars of this money was to be spent for education or public improvements.

The School Law of 1854 used the $2 million to establish a permanent endowment fund for education. The law also required that all counties be divided into school districts and that school buildings be constructed, at local expense, before the per capita apportionment could be received. The districting portion of the bill was repealed in 1856. During the Civil War, the per capital distribution was abandoned and the permanent school fund was lost (Eby 1925, 114).

The Texas Constitution of 1869 provided for a very highly centralized public school system. Among other things, it called for mandatory local taxation to provide for school facilities, and a ten-month school year. Other important provisions included the restitution of the Permanent School Fund and the creation of an Available School Fund to serve as a distribution fund.

In 1875, incorporated cities were granted the right to control schools within their city limits, to build school houses, and to vote bonded indebtedness. There was no provision in the 1875 law, however, for a state ad valorem tax for school support or for local taxation for education outside incorporated cities. This practice mirrored what was taking place in other parts of the country. The net

effect was to grant city school districts a definite educational advantage over rural areas (Eby 1925, 172).

By 1879, expanding enrollments created a need for better financing of public schools. Two remedies became apparent: (1) increasing the permanent school fund and (2) local taxation. In 1883, a constitutional amendment passed which permitted the formation of districts within counties and local taxation in rural common districts. There were no provisions to prohibit expenditures of state aid for school construction. In fact, the Texas Legislature provided that the per capita apportionment could be expended to construct school houses (Bralley 1907, 5-11). Educational development remained slow in rural areas, however, and rural schools continued to operate mainly from funds received from the available school fund.

By 1900 a large disparity in educational expenditures existed between urban schools and rural schools. Approximately 78 percent of the state's school children lived in rural districts, and 65 percent of the school-owned property belonged to urban districts. Rural schools spent an average of $4.97 per pupil and students attended school for 98 days. In urban districts, the average per pupil expenditure was $8.35, and the average school year was 162 days. Urban schools could vote bonded indebtedness and rural schools

could not (Biennial report on the state superintendents of public instruction 1900).

In 1908, a constitutional amendment was passed in an attempt to alleviate the financial problems created by the 1883 law. The new constitutional amendment made the formation of school districts in each county mandatory. Rather than requiring a two-thirds vote for local taxation by school districts, the amendment required only a majority vote. More importantly, the constitutional amendment of 1908 allowed common schools to vote bonded indebtedness. In spite of the reforms, only elementary school education was mandated and elementary school attendance was not compulsory.

After 1908, several reform attempts were made by the Texas Legislature. In 1911, county school boards were created to govern common districts and to form rural high school districts. In 1915, the legislature appropriated $2 million dollars for special rural school equalization aid. A 1918 constitutional amendment provided for free textbooks. In 1920, another constitutional amendment abolished the tax rate limits, leaving the establishment of tax rate caps up to the state legislature (Eby 1925, 317). The education reform measures between 1908 and 1948 did little to address the area of facility funding.

In 1947, the Gilmer-Aikin Committee was formed and charged with the responsibility of formulating a new plan for financing public schools. The committee proposed a foundation program plan that would provide an adequate minimum education in every school district. The proposal had a simple promise that each student would be given an equal opportunity for education, financed by an equalized local tax effort, and supplemented by state aid. The local districts, combined, would fund 20 percent of the minimum foundation program, and the state would fund 80 percent of the program. The proposal recommended by the committee was enacted in 1949 with only minor changes. The Gilmer-Aikin Committee (1948) also recommended that a program of equalized funding for school building construction be implemented. The recommendation was not enacted, however, because of the anticipated widespread consolidation of districts. This recommendation for an equalized funding program for facilities was the first time since 1908 that funding for facilities had been considered.

While the Gilmer-Aikin legislation had many good aspects, it also had several flaws. Many small school districts, rather than consolidate, chose to exist on increased state aid. The economic index in the minimum foundation formula was primarily based on income, while district wealth was based on property values. Additionally,

the amount of state funds injected into the minimum foundation program became a function of the legislative process rather than a function of the actual cost of an adequate educational program (Hooker 1972, 14-21).

In 1965, the need for educational finance reform was so evident that Governor John Connally created the Governor's Committee on Public School Education. The committee, which was charged with developing a long-range school finance plan, conducted extensive research into every aspect of public school finance and published its recommendations in 1968 (Governor's Committee on Public School Education 1968). The committee's recommendations included: (1) consolidation of school districts in an effort to reduce variance in property wealth per student, (2) an expanded foundation program to encourage equalization, (3) substantial salary increases, (4) abandonment of the economic index as a method of calculating local ability to pay, and (5) replacement of the index with measures of property values. Notably missing from the recommendations was a method of financing public school facilities. Most of the committee's recommendations were ignored by the legislature.

In 1971, a new method of demanding reform in the educational finance system came about in Texas. Since the early 1800s, reform had been provided by the legislature as a result of either legislative action or a constitutional

amendment. The new provision for educational reform did not originate in the legislative branch of government, but was demanded by the judicial branch of government. In 1971, the United States District Court for the Western District of Texas accepted the position of the plaintiff that the state must exercise fiscal neutrality in public school finance (Hoffman 1973). The plaintiffs in Rodriquez v. San Antonio ISD (1973) claimed that Texas' method for financing education, which relied heavily on local wealth, discriminated against children living in property-poor school districts. The plaintiffs also contended that it denied students from these districts equal protection of the laws guaranteed by the Fourteenth Amendment to the United States Constitution. The trial court granted the state two years to develop a more equitable system. The state appealed the decision and, in March 1973, the Court of Appeals reversed the lower court's decision. This decision was appealed to the United States Supreme Court and this court agreed with the Court of Appeals, but wrote a lengthy opinion. The court reasoned that the Texas school finance system was constitutional because (1) poor people live in all districts and not necessarily in districts with low property wealth, (2) the goal of providing an adequate education program for each child in the state was accomplished through the Minimum Foundation Program,

(3) educational expenditures are not equated easily to educational quality, and (4) education is not viewed as a fundamental interest protected by the federal constitution. In handing down its decision, the United States Supreme Court urged Texas legislators to develop a more equitable method of state support for education. "We hardly need to add that this court's action today is not viewed as placing its judicial imprimatur on the status quo. . . . the ultimate solution must come from the democratic pressure of those who elect them" (Rodriquez v. San Antonio ISD 1973, 811). In effect, the court was telling the legislature that school finance reform should come from the state legislative branch, and not from the United States judicial branch of government.

In 1975, House Bill 1126 was passed by the Sixty-Fourth Legislature. The bill made many revisions in Texas' school finance plan. The revisions primarily concerned the method for determining the Local Fund Assignment. These reforms were immediately noticeable; however, they did not address the problem of financing public school facilities. Funding of public school facilities still remained a local problem. Most of the reform measures mandated more local property taxes and made it more and more difficult to pass tax rates sufficient to fund the educational program and to fund facilities.

In 1979, the Sixty-Sixth Texas Legislature met and again made revisions to the school finance laws. The most notable of the reforms were (1) the creation of the State Property Tax Board, (2) the creation of county-wide appraisal units to consolidate appraisals for all taxing entities in a county, (3) the provision of uniform appraisals of property in each county along with a mandated 100 percent ratio of assessment, (4) the setting forth of truth-in-taxation standards, and (5) the opening of the possibility of tax rollbacks.

Although none of the reforms from the Sixty-Sixth Texas Legislature directly addressed the area of facility needs, each of the reforms had an indirect effect on the funding of facilities. Facility needs became increasingly in direct competition for funds with current educational needs.

In 1983, the Texas Legislature confronted a problem which was unfamiliar to most legislators at that time--non-increasing state revenues from taxes on oil, natural gas, and the state general sales tax. Legislators were forced to choose between increasing state taxes, which had not been done in over a decade, or cutting state spending. The legislature chose to cut spending. In June 1983, Governor Mark White appointed the Select Committee on Public School Education, chaired by H. Ross Perot, and charged the

committee with the investigation of education finance in Texas, with a view toward reform.

In June 1984, Governor White called a special session to address the reform recommendations of the Select Committee on Public School Education. House Bill 72, which was the result of the special session, was one of the most grandiose education reform bills ever passed in Texas. House Bill 72 touched almost all aspects of public education in Texas. Major points included (1) retention of the foundation program model, with equalization aid distributed in addition to Foundation School Program allocations; (2) a change in the distribution unit from adjusted personnel units to weighted pupils; (3) establishment of a basic allotment per average daily attendant; (4) implementation of a Price Differential Index to adjust the basic allotment, plus a more liberal adjustment in the basic allotment for small and sparse area school districts; (6) expanded pupil weighting by instructional arrangement for special education funding; (7) expansion of compensatory education aid; (8) expansion of bilingual education aid; (9) weighting of vocational education students by full-time equivalents; (10) a vastly revised state minimum salary schedule for teachers; (11) a career ladder program of salary supplements for classroom teachers; (12) increased transportation allocations within the same linear density formulas;

(13) establishment of a "sum certain" ceiling on Foundation School Program costs, with prorations to be made as necessary; (14) a new method of computing Local Fund Assignment based upon a statewide local share of 30 percent of Foundation School Program costs, escalating to 33.3 percent in 1985-1986; (15) implementation of an experienced teacher allotment; (16) expansion of equalization aid; (17) equalization transition aid for districts losing state aid per average daily attendant from the prior year; (18) removal from the Available School Fund all revenues except those dedicated by the state constitution; (19) rollback election protection for school districts losing state aid per average daily attendant; (20) implementation of a pre-kindergarten program for disadvantaged four-year-olds; (21) initiation of summer bilingual education programs for limited English-speaking preschoolers; (22) a class size maximum of 22 in grades kindergarten through two (with grades three and four added in 1988-1989); (23) deletion of funding for driver education, school-community guidance centers, and student teacher supervisors; (24) movement of some Teacher Retirement System payments to local school districts; and (25) a mandate for an annual performance report, including school budget factors, from each school district. However, in spite of the broad scope of the financial reforms, no

mention of facilities funding was provided in House Bill 72. The funding of the reforms was indirectly related to facility funding through the class size maximum (twenty-two to one) requirements for kindergarten through four. Limitations on the number of students per class made it necessary to provide more classrooms. Because only 40.5 percent of public school education is funded by the state (Benchmarks for 1990-1991 1990), and because no state funds were available for the funding of facilities, taxes for facilities were placed in even more direct competition with funds for mandated educational programs.

In 1986-1987, Texas school districts budgeted an average of 16.6 percent of their funds for debt service and capital outlay, with debt service providing 7 percent of the costs (Benchmarks for 1986-1987 1986). The twenty-two-to-one mandate and increases in enrollment created an extreme need for classroom space in Texas schools. As revealed in Table 2, the estimated cost for 1987-1988 classroom space alone was about $15.77 billion (Texas school services foundation report 1990).

Public school system indebtedness in Texas far exceeds that of any other state and is more than twice as much as in New York, the next highest state (Benchmarks for 1987-1988 1987). In 1986, the audit reports of Texas school districts reflected outstanding bonded indebtedness of $6,274,421,982.

Table 2.--Age Distribution of Classroom Facilities in Texas, 1987-1988

Age of Facility (Years)	Estimated Square Feet	Replacement Value
<10	60,882,063	$ 2,993,430,960
10-15	26,676,488	1,298,251,200
15-20	32,199,448	1,582,504,495
20-25	34,179,695	1,689,481,448
25-30	31,691,643	1,593,953,843
30-40	53,483,473	2,599,321,945
40-50	10,112,198	456,591,025
50>	32,070,968	1,552,111,698
Unknown	35,789,663	2,006,220,618
Total	317,085,635	$15,771,867,232

When divided by the 1986-1987 state average daily attendance of 2,967,612, the result is bonded indebtedness of $2,114 per pupil. This compares to a 1990-1991 outstanding bonded indebtedness of $7,107,464,605, or an average of $2,105 per pupil (Benchmarks for 1990-1991 1990).

In 1987, Judge Harley Clark, in the 250th District Court of Travis County, Texas, ruled that education is a fundamental right for each citizen (Edgewood ISD v. Kirby 1987). Judge Clark also found that the system for funding public schools in the state of Texas was unconstitutional.

This was the first time since the Gilmer-Aikin Committee that the concept of lack of fiscal neutrality in

school facilities expenditures was addressed in the State of Texas. In its findings, the court stated:

> The court hereby declares and enters Judgement that the Texas School Finance System (Texas Education Code 16.01, et. seq.), implemented in conjunction with local school districts boundaries that contain unequal property wealth for the financing of public education is UNCONSTITUTIONAL AND UNENFORCEABLE IN LAW because it fails to insure that each school district in this state has the same ability as every other district to obtain, by state legislative appropriations or by local taxation, or both, funds for educational expenditures, including facilities and equipment, such that each student, by and through his or her school district, would have the same opportunity to educational funds as every other student in the state, limited only by the discretion given local districts to set local tax rates (Edgewood ISD v. Kirby 1987, 5).

With the court's emphasis on fiscal equity, including facilities, the Seventy-First Legislature addressed the issue of facility funding in Senate Bill 1019. This bill provided for a Facilities Advisory Committee which was given the following charges:

> 16.401
> (a) The State Board of Education shall establish a statewide inventory of school facilities and shall update the inventory on a periodic basis.
> (b) The inventory shall include information on the condition, use, type, and replacement costs of public school facilities in this state.
>
> 16.402
> The State Board of Education shall establish standards for adequacy of public school facilities. The standards shall include requirements related to space, educational adequacy, and construction quality.
>
> 16.403
> The State Board of Education shall appoint a committee composed of 15 persons knowledgeable of various aspects of school facility planning, construction, renovation,

> and financing. The advisory committee shall provide the board and the commissioner with assistance on the development of the inventory system, the creation of facility standards, and the conduct of facility research related to current and future roles of the state in the provision of financial and technical assistance to school districts (Texas education code 1991, 182-183).

On January 13, 1990, the State Board of Education adopted the School Finance Plan. The eight basic concepts for school finance reform are as follows:

1. a basic educational program for all students;

2. substantially equalized access to funding necessary for a quality education program;

3. an adequate program for the future financing of school facilities and equipment, with an equitable program for the financing of past debt service;

4. implementation and expansion of current accountability provisions to ensure efficiency;

5. improvement in school finance equity and efficiency through the property tax system;

6. improvements in personnel benefits, training, and recruitment;

7. stabilization of the equity systems through adoption of legal guarantees; and

8. flexibility with accountability (State Board of Education School Finance Plan 1990).

By adopting the School Finance Plan, the State Board of Education recognized the need for alternate methods of funding public school facilities in the State of Texas. This was the first such recognition since the Gilmer-Aikin Bill in 1949.

The specific elements regarding future financing of school facilities, as enumerated in the State Board of Education School Finance Plan, are discussed next. The lack of state involvement in facility financing was specifically cited by the court in Edgewood ISD v. Kirby (1987). The absence of a state role has also resulted in a lack of information about school facilities. Senate Bill 1019 directed the board to establish an inventory and standards for school facilities in Texas. This information is to be used by the State Board of Education to make recommendations concerning the financing of school facilities. Concept three of the State Board School Finance Plan covers the financing of facilities, including an emergency facilities grant program, long-term facilities and debt service funding, and incentives for efficient use of existing facilities.

Concept three, which addresses an adequate program for the future financing of school facilities and equipment, with an equitable program for the financing of past debt service, includes the following four elements:

> 1. Establish an emergency facilities grant program based on need and ability.
>
> The State Board of Education recommended that an emergency fund be established to provide those districts with the greatest needs, with funds to renovate or construct facilities to meet their needs due to staff requirements, such as reduced class size.
>
> 2. Adopt a long-term capital support program for facilities, equipment, and improved utilization of technology.
>
> 3. Provide a guaranteed yield program for the equalization of existing debt service.
>
> 4. Create financial incentives for the utilization of year-round schools.
>
> Year-round schools could increase costs in many ways. Higher utility costs can be expected. Repair costs will probably increase, possibly 20%-30% per year.
>
> Savings may be achieved with a year-round program. Under such an approach, a portion of the students are always out of school, thereby, avoiding the need for additional construction.
>
> Financial incentives might be in the form of additional state monies to assist in the payment of higher summer utility costs or extra maintenance costs (State Board of Education Finance Plan 1990, 1).

In a recent court case involving equity issues in Texas public school finance, the legislature was given a deadline to develop and pass a law which would bring about equity between and among school districts in the State of Texas. In the summer of 1991, Senate Bill 351 was implemented as the law of the land in Texas School Finance. The law contains many references to alternative methods of funding public school facilities and bonded indebtedness. Subchapter A, General Provisions of Senate Bill 351 states:

> It is the policy of the State of Texas that the provisions of public education is a state responsibility and that a thorough and efficient system be provided and substantially financed through state

> revenue sources so that each student enrolled in the public school system shall have access to programs and services that are appropriate to his or her educational needs and that are substantially equal to those available to any similar student, not withstanding varying local economic factors (Alexander, Johns, and Forbis 1972, 1).

In order to guarantee that each school district in the state has adequate resources to provide each eligible student a basic instructional program and facilities suitable to the student's educational needs, the Foundation School Program was established in the State of Texas. The Foundation School Program consists of two tiers. The first tier attempts to guarantee financing for all school districts to provide a basic program of education. The second tier attempts to provide a guaranteed yield system of financing to provide all school districts with an enriched educational program and funds for facilities. The second tier represents the first time Texas state law has addressed the area of facility funding, other than the bonded indebtedness funded by local taxes.

Some school districts have inadequate tax bases to meet the demands for funds for educational programs and for facility needs, including debt service obligations. Senate Bill 351 provides the state funds necessary to provide grants to those districts. According to Senate Bill 351 (1990), the total amount of grants in 1992-1993 must be at least $50 million.

Senate Bill 351 (1990) also states that the State Board of Education is to establish a state-wide inventory of school facilities and establish standards for adequacy of school facilities. All facilities, regardless of funding source, constructed after September 1, 1992, must meet these standards in order to be financed with state or local tax funds.

Summary

Prior to the early 1900s, most school facility funding was considered to be strictly a local responsibility. The need for alternative methods for funding prior to 1900 was of minor importance because of low enrollment and low building material costs. As enrollments increased and buildings became more complex, however, the cost of school facilities escalated and became more difficult to fund from current funds. As school districts throughout the nation were faced with the problem, they began incurring long-term debt to fund facilities.

The economic depression of the 1930s and the war years of the 1940s caused a postponement of construction of educational facilities. After World War II, school districts were faced with the problem of building more facilities and funding needed educational programs with limited tax dollars. This competition for dollars placed a

heavy burden on school districts. The four funding alternatives for capital outlay used by districts were (1) pay-as-you-go plan, (2) building-reserve plan, (3) bonding plan, and (4) any combination of the first three. The common thread among all four plans was the fact that all plans were funded by the local taxpayer with no assistance at the state level.

Most states have abandoned the idea of complete local financial support for capital projects. The many plans used for funding capital projects now range from full state funding to state loans. Some states' funding plans call for state and local sharing of the funding of capital projects.

The development of the concept of state funding of capital projects in the State of Texas has been very slow in developing. Early constitutions in Texas established a general education system with no funding for facilities (Gammel 1898). The need for school buildings was first recognized in the constitution of 1869. In 1875, cities in Texas were granted the authority to vote bonded indebtedness. Subsequent legislation in Texas did not recognize the need for state funding of school facilities until the Gilmer-Aikin Committee (1948) recommended a program of equalized funding for school building construction in the State of Texas.

No action on the state level after the Gilmer-Aikin Bill addressed the need for facility funding until Judge Harley Clark in the 250th District Court of Travis County, Texas ruled, in 1987, that current methods of funding education were unconstitutional (Edgewood ISD v. Kirby 1987). In his findings, Judge Clark recognized the fact that the state should include in its funding of education, appropriations for facilities and equipment. The subsequent legislative action, Senate Bill 1019 (1989), directed the State Board of Education to establish an inventory of existing facilities and to establish standards for school buildings in Texas, but no state funds were made available for the actual construction of school facilities.

In the summer of 1991, the legislature enacted Senate Bill 351 (1990) as the law of the land for Texas School Finance. This law, which contains many references to alternative methods of funding public school facilities, gives some school districts access to state funds for their facility needs. These funds are in the form of grants to districts with the greatest needs. The total amount of funds available in 1992-1993 is to be at least $50 million.

CHAPTER III

DESIGN AND METHODOLOGY

The research design and methodology employed in gathering and analyzing the data necessary for answering the research question are discussed in this chapter. The focus of this study is on the methods used and the extent to which each state participates in funding capital projects. Exploratory research was used to gather information about what each state is doing.

In order to accurately determine each state's efforts regarding the financing of capital projects, a document study was made for each state. Document study was chosen for the following reasons:

1. Geographical inconvenience of subjects--Due to the inability to visit each state and personally observe the method used to fund capital projects, a study of state documents describing capital projects was used to allow access to the information needed.

2. Sample size--By utilizing a document study, the population was used rather than a representative sample. The use of a larger sample creates greater significance for the results of the study.

3. Relatively low cost--Although some cost was incurred in the document study, it was insignificant when compared to the cost incurred in travel and time to visit each state.

4. High quality--State documents that are written describe a situation that, because of complexity, cannot be trusted to memory (Bailey 1982).

Once the document study was chosen as the method of research, the method of analysis was determined. The information gathered from each state was better suited for qualitative analysis than for quantitative analysis. While qualitative analysis was the primary analysis used, content analysis of the data was also utilized. In content analysis, non-quantitative data, when possible, is transformed into quantitative data and reported in terms of frequencies and percentages (Bailey 1982). A set of six mutually exclusive and exhaustive categories of capital projects funding models was identified and the frequency with which each of these categories was observed in the documents was recorded.

It was considered important to determine not only whether or not a state participates in funding capital projects on the local level, but also how the state participates. Therefore, when studying each document, the mention of the existence of state funding of local school

building projects was recorded and a determination was made as to how the state participates in the funding. The various methods of state funding were then categorized into the models selected. The six models are (1) full state funding, (2) equalized grants, (3) percentage matching grants, (4) flat grants, (5) state loans, and (6) no state support. After the data were collected and categorized into the six models, the frequency with which each method of funding capital projects used was recorded.

In an attempt to assure a response from each state, a letter of explanation was sent which emphasized the importance of the study and why it was necessary to receive a response from each state. A self-addressed, stamped envelope was included with each questionnaire mailed.

To determine which of the models of funding a state used to fund its public school facilities, each state Superintendent of Schools or State Commissioner of Education was sent a letter requesting pertinent information regarding state funding. Each state was asked for a copy of its educational funding formulas (including facility funding) and for any public school facility funding program rules including (1) application procedures, (2) local district qualifications, (3) eligible facility costs, and (4) finance administration.

As the states responded, the facility funding formulas and program rules were studied to determine which methods of funding capital projects the states were using. Each of the states' funding formulas was then classified and categorized into a method of funding public school facilities.

The tables developed for this study provide data related to the school indebtedness and interest payments from 1918 through 1936, the age distribution of classroom facilities in Texas in 1987-1988, the extent to which states participate in funding capital projects, the models used by the states, and percentage of states utilizing each model of funding. An additional table reveals the percentage of states utilizing each model of funding where state participation in funding capital projects exists.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

An important aspect of this study was an investigation of the extent to which each of the states participate in the financing of public school facilities. The data of the study are presented and analyzed in this chapter and are divided into two sections. The first section includes a description of the various conceptual models of state support for public school building financing. The second section provides a description of the extent to which each of the states participate in the funding of school facilities and which of the models is used by each state.

Conceptual Models of State Support

The various conceptual models of state support for financing capital projects and a list of the advantages and disadvantages of each are provided in this section. This information is used to categorize each state's funding procedures.

The conceptual models of state support for capital outlay construction and debt service are (1) full state funding, (2) equalized grants, (3) percentage matching grants, (4) flat grants, (5) state loans, and (6) no state

support. Each state surveyed used one or more of these models in providing state support of capital outlay construction.

Full State Funding

As the name implies, full state funding is the model in which the state assumes all responsibility of construction costs and debt service retirement. States that have full state funding select districts whose facility needs are based on age, adequacy, and size of facility. Three states currently utilize some form of the full state funding model. Those states are Alaska, Florida, and Hawaii. Alaska and Hawaii utilize a true full state funding model. Florida allows a small local contribution to ensure all aspects of construction are funded.

Some advantages of the full state funding model include the following:

1. Fiscal equity is achieved because the quality and quantity of construction is not a function of the wealth of the district.

2. Usually, the variety of tax resources at the state level are greater than those at the local level; therefore, the local property tax is not over burdened for debt service.

3. The state can develop allocation criteria based upon need that should provide a higher level of efficiency.

4. The state can provide savings in terms of interest and bond issuance costs due to the larger volume amount issued at one time.

The disadvantages of the full state funding model include the following:

1. Power and control over public schools is further centralized at the state level.

2. Decisions concerning construction can result in uniformity in construction of schools throughout the state and, therefore, ignore the unique needs of local school districts.

3. Centralization of authority tends to lead to less innovation.

4. The availability of facilities becomes a function of state appropriations rather than local needs.

A description of each state that utilizes the full state funding model for funding capital projects follows:

Alaska

The Alaska School Foundation Funding Program has a funding formula based partly on need. The State of Alaska provides 100 percent funding. The Alaska legislature passed legislation dealing with school planning and construction

entitled House Bill 37. This legislation deals specifically with public school facilities funding.

The State of Alaska has a school construction grant fund which is used to make grants for the costs of school construction. Any school district can submit a grant application. Upon receiving the application, the state verifies that each proposed project qualifies. In order to qualify, the proposed project must (1) avert imminent danger or correct life threatening situations, (2) house students that would otherwise be unhoused, (3) protect the structure of existing school facilities, (4) correct building code deficiencies that require major repair, (5) achieve an operating cost savings, and (6) modify or rehabilitate facilities for the purpose of improving the instructional program (Alaska school foundation funding program 1990).

The state establishes priorities and evaluates each project according to the priorities met. Factors used in this evaluation are (1) emergency requirements, (2) priorities assigned by the district to the project, (3) new local elementary and secondary programs, and (4) existing school facilities and their condition (Alaska school foundation program 1990).

When a school district is awarded a state construction grant, the school must assure the State of Alaska that the facility will be of appropriate size and use, and that it

meets the criteria adopted by the state. The district must also assure the state that the cost of the project is uniform with the most current construction costs in the area. The district must also submit to the state for approval the construction plans, budget, and construction contract.

Florida

Capital outlay funds to the districts in the State of Florida are provided for in the state constitution. Each district annually receives from the state a stated amount of money for capital improvement. This money comes to the state from the proceeds of licensing motor vehicles. In addition, each school district in the State of Florida shares in the proceeds from gross utility taxes as provided by legislative allocation. Specific public school capital outlay projects can also be funded from the Educational Enhancement Trust Fund (lottery).

In addition, local school districts can levy up to 2.0 mills for each bond issue for new construction and remodeling, site acquisition and improvements, auxiliary facilities, maintenance, renovation, and repair of existing school plants. Payments for lease-purchase agreements for educational facilities and sites are authorized in an amount not to exceed one-half the proceeds of the millage levied.

Tax levies for debt services are limited to a total of six mills and twenty years duration. Qualified electors vote on any local bond issue which is to be retired by a millage levy. These school bonds may not be issued in excess of 10 percent of the assessed valuation of the district. The total number of state and local dollars for each school district is determined as shown in Figure 1.

Categorical program funds are provided to assist in development and maintenance activities. The nine categorical programs that can be financed from these funds are (1) comprehensive school construction and debt service, (2) community schools, (3) school lunch, (4) instruction materials, (5) library media materials, (6) transportation, (7) student development service, (8) diagnostic and learning resource centers, and (9) comprehensive health education (Florida education finance program 1989). School districts in the State of Florida have the option of funding all of their facilities with state funds or funding some facilities with state funds and some facilities with local funds.

Hawaii

The State of Hawaii's educational system is fully administered and funded by the state. There are four county governments within the state but the responsibility for public education has been assigned exclusively to the state.

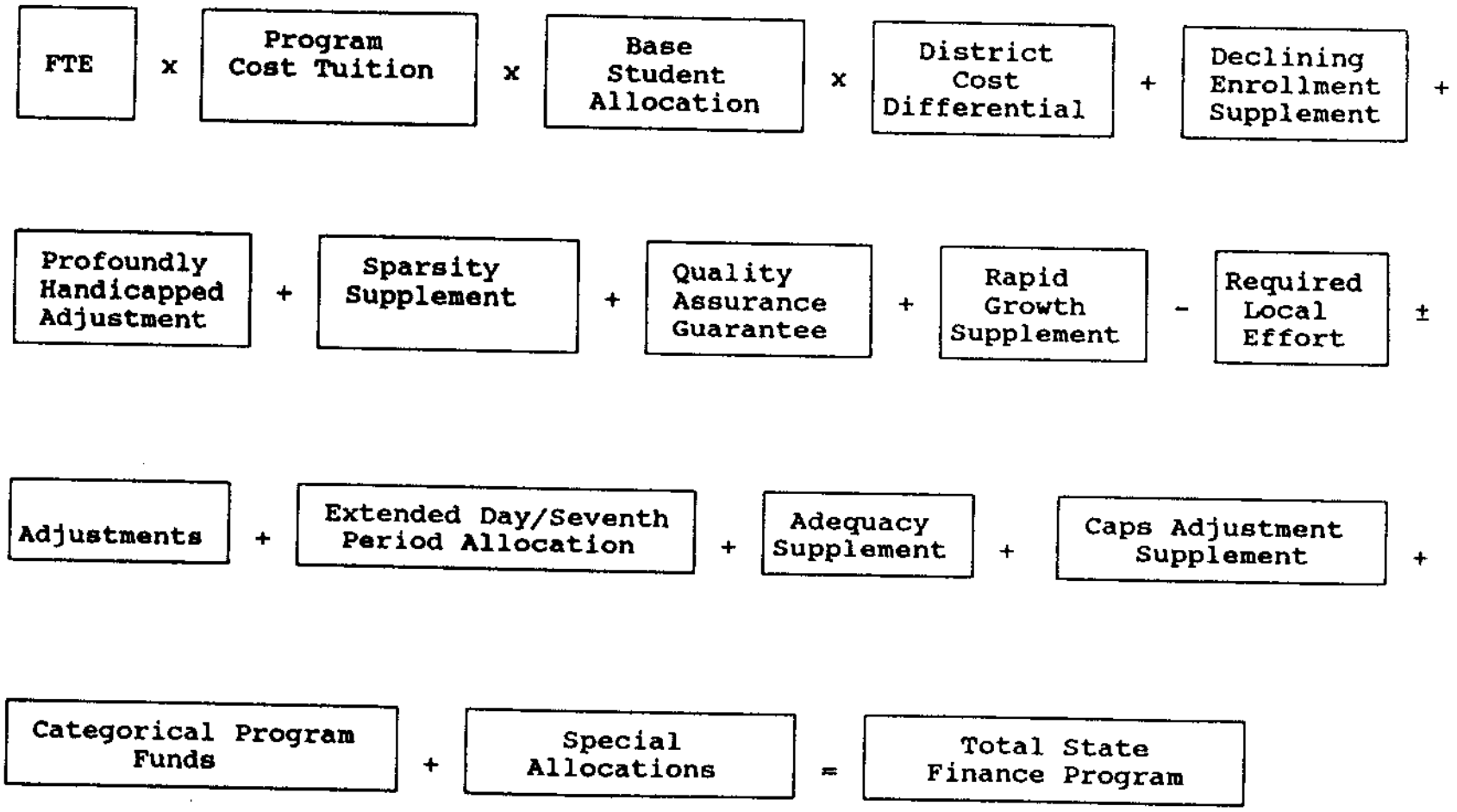

Fig. 1. Method for determining the total number of state and local dollars for each school district. From Florida education finance program. 1989. Tallahassee, FL: Florida Department of Education, 5-6.

Equalized Grants

A second model used by states to fund capital construction costs is the equalized grant model. The purpose of equalized grants for construction is to provide fiscal and taxpayer equity within the state. Without state equalizing grants, taxpayers in low-wealth school districts are forced to make higher tax effort to construct facilities than taxpayers in high wealth school districts. Equalized grants allocate revenues in an inverse relationship to local fiscal ability. Currently, twelve of the states responding utilize the equalizing grant model to provide state funding for capital projects.

Some advantages of the equalized grant model of funding capital projects include the following:

1. School facilities can be constructed throughout the state without the imposition of a heavy tax burden on low-wealth districts.

2. Some local participation in the costs of buildings is required, thereby reducing the likelihood of frivolous spending.

3. Local districts do not have to spend as much local tax dollars on construction and can, therefore, have additional operating tax dollars or have the opportunity for tax relief.

4. The marketability of general obligation bonds is enhanced.

Some disadvantages of the equalized grant model of funding capital projects include the following:

1. In order to guarantee the funds for all districts, a large amount of state resources is required.

2. A statewide system which determines when projects receive assistance can be less responsive to local needs.

3. Local school districts can experience difficulty in meeting immediate construction needs.

The twelve states utilizing the equalizing grant model of funding are Georgia, Idaho, Illinois, Maine, Maryland, Massachusetts, New Jersey, New Mexico, New York, Rhode Island, Pennsylvania, and Washington. A description of each state that utilizes the equalized grant model for funding capital projects follows.

Georgia

Each school district in the State of Georgia is provided an entitlement for facilities funding that is determined by its proportionate share of the total state need. Each local system develops a five-year capital outlay plan which describes its facility needs, including renovation, modernization, and new construction. As each local system's plan is approved by the state board, its cost

requirements are added to those of other local systems, resulting in a total statewide capital outlay need. Each local system pays a share of the cost of facilities based on its ability to pay. The local share is not less than 10 percent but not more than 25 percent (Georgia's quality basic education act 1988). Local systems that will not receive sufficient funds over three years to finance their highest priority capital outlay project can apply for an advance funding project. Once funded, this project is then financed by annual entitlements until the project is paid for.

Idaho

With the exception of lottery dollars, Idaho school districts are responsible for financing their own school facilities and debt retirement. From the state lottery $8,615,000 were available to be distributed on an equalized basis (Idaho's public school support program and public school funding 1988). All money received by the state from the Idaho state lottery is earmarked for public school facilities.

Each school district is entitled to a payment from the state in the proportion that the district receives money from the state and county apportionment. To be eligible for the state entitlement, a local district must have created a

school plant facility reserve fund, either by resolution of the board of trustees or by public referendum.

Illinois

The School Construction Bond Act of the state of Illinois authorized the State Capital Development Board to make grants to local school districts for health and life safety, rehabilitation and renovation, and new construction. The amounts granted are based upon a grant index formula which uses comparisons by district on the basis of the ratio of weighted average daily attendance to the district's equalized assessed valuation per pupil. The amount of the grant index cannot be less than 20 percent nor greater than 70 percent of the recognized project costs. Districts are ranked in priority order based on emergencies, health and life safety hazards, and unhoused students.

School districts that choose to participate must first assess their own needs and possible eligibility according to standards and criteria adopted by the State Board of Education. School districts must then submit a district facility plan and application for a grant. The State Superintendent of Education reviews each application for compliance with the district facility plan and makes recommendations for grant entitlements to the capital development board. Entitlement is then given for specific

projects (State, local, and federal financing for Illinois public schools 1989).

Maine

The State of Maine appropriates money to fund construction projects on an equalized grant formula. The commissioner computes the local share of allocation for debt service based on the same formula used to compute the foundation program. The local share of allocation for debt service is the product of the debt service allocation multiplied by the percentage of the local share, as compared to the total debt service for the state. The state share of allocation for debt service is the difference between the local share of allocation for debt service and the total debt service costs.

Each school district must gain a favorable local vote prior to requesting state board funding approval. The state board considers applications for concept approval twice each year. Upon approval, the department of education includes the appropriate amount of debt service principal and interest in the school district's debt service allocation (School building construction rules state of Maine state board of education 1990).

Maryland

The State of Maryland pays the cost of all public school construction projects and pays all of the annual cost of debt service. These projects are paid for through a statewide bond authorization. Each fall all school districts in Maryland submit annual and five-year capital improvement plans. In order to be eligible for state construction funding, all projects must have state planning approval. All construction costs in excess of the established maximum allocation are the responsibility of the school districts. Local school districts are solely responsible for the selection and payment of all design consultants. Each project approved for planning requires the local board of education to share in the eligible costs of construction. The local share varies from 25 to 50 percent. No project can be bid unless local funding for construction is available for encumbrance at the time of contract award (Public school construction program (1989).

Massachusetts

The Commonwealth of Massachusetts provides money through the legislature for aid to school districts for school building assistance. This aid is distributed on a percentage equalizing basis. The percentage is derived by multiplying the approved costs by a percentage factor which

is calculated by dividing the local property valuation per person by the valuation per person in the commonwealth. This ranges from 50 to 90 percent.

The State Board of Education approves school construction projects in three categories:

Category 1--Projects needed to meet the requirements of a court-ordered desegregation plan and projects needed to reduce or eliminate racial imbalance,

Category 2--Projects that are necessary to enable a district to accommodate projected enrollments, and

Category 3--Other projects to meet significant facilities' needs (Cherry sheet manual 1988).

Within each category, projects are prioritized and ranked. Approved school projects in category 1 include (1) projects required to insure the health and safety of children, (2) projects required to implement court-ordered racial balance plans, and (3) projects required to implement board approved and voluntary racial balance plans. Approved school projects in category 2 include (1) projects to alleviate existing overcrowding, (2) projects to prevent overcrowding from increased enrollment, and (3) projects to provide a full range of educational programs and to maintain full accreditation. Approved school projects in category 3 include projects for all other significant facility needs.

These are ranked using the most recent local aid ranking for total per capita need (Cherry sheet manual 1988).

Eighty-five percent of the total amount of money appropriated by the legislature for facilities is reserved by the State Board of Education for new capital construction projects, as reported in the end-of-year report on school building assistance activities. These are projects for the construction or enlargement of any public school facility, projects for the acquisition and renovation of an existing structure for use as a school facility, or projects for the acquisition of a site. Fifteen percent of the money appropriated by the legislature is reserved by the State Board of Education for major reconstruction projects. A major reconstruction project is defined as a project involving the reconstruction, renovation, or improvement of an existing school building.

No grant to a school district is approved for less than 50 percent or greater than 90 percent of the total construction costs. A project that is part of the Department of Education approved plan to eliminate racial imbalance is reimbursed at a 90 percent rate. All other projects are approved on a percentage equalizing rate of between 50 and 90 percent (Cherry sheet manual 1988).

New Jersey

The State of New Jersey has included in the district's foundation budget an amount per student which provides funds for school facilities. Each year the state establishes a foundation amount, the amount of money needed to provide a quality education for one student. This amount is used to calculate the maximum foundation budget according to the following formula:

1. District base foundation budget

a. student enrollment x foundation pupil weight = foundation aid units

b. foundation aid units x foundation amount = base foundation budget

2. District facilities amount--student enrollment x $110 = facilities amount

3. Maximum foundation budget--base foundation budget + facilities amount = maximum foundation budget (Funding education under the Quality Education Act 1990).

The total state foundation aid is equal to the maximum foundation budget minus the local fair share. The local fair share is calculated on the basis of local fiscal capacity, which is determined by district property wealth and income.

In addition to a facility's amount funded by the State of New Jersey, state aid for debt service is also provided.

Aid for debt service is calculated by multiplying the district's net debt service budget by the percentage of its maximum foundation budget funded by the state. The district's total state aid is calculated by determining the ratio of the district's maximum foundation budget minus its local fair share to its maximum foundation budget. All of these calculations provide an equalized grant for facilities and debt service funding by the state.

New Mexico

State support for capital outlay in the State of New Mexico is distributed as an equalizing grant in two categories:

> 1. Public School Capital Improvements--The state board of education is authorized to distribute an amount for capital improvements to any school district that has imposed a tax for the purpose of capital improvements. The maximum amount guaranteed is $70.00 per weighted pupil unit. This $70.00 is a sum of the local effort in the form of a 2 mill maximum tax levy and a state supplement. This two mill tax levy must be submitted to the voters for approval. If the district generates $70.00 or more, then there is no state supplement.
> 2. Critical Capital Outlay--The purpose of this distribution is to meet the most urgent school district capital outlay needs which cannot be met by the school district after it has exhausted all available resources. To quality for this fund, a school district must be bonded to at least 75% capacity and impose the two-mill tax levy for capital improvements (How schools are financed in New Mexico 1988, 3-4).

New York

The State of New York has funds available for expenses incurred in construction of new buildings, additions,

alterations, or modernization of district owned buildings; for purchase of existing structures for school purposes; and for lease payments under certain conditions. State money is available for (1) principal and interest payments for bonds, bond anticipation notes, and capital notes sold to finance approved building projects; (2) capital expenditures from budgetary appropriations; and (3) expenditures from capital reserve funds. These funds are distributed on an equalized basis (State formula aids and entitlements for elementary and secondary education in New York state 1990).

Building plans and specifications for the project must be approved by the State Department of Education. The pupil capacity of the building is determined by the state education department. Estimated construction and incidental costs are determined. Construction costs for major contracts include items such as general construction, heating, ventilation, and plumbing. Incidental costs include such items as site purchase, site development, equipment, and furnishings. The maximum construction cost allowance is computed by multiplying a per-pupil construction cost allowance figure by the pupil capacity. These figures are determined by the state. The maximum incidental cost allowance is 20 percent of the maximum construction cost. If debt is used to finance a project, a bond percentage is computed.

State aid is paid on a building project up to the total approved cost allowance. Total approved cost allowance is the construction cost allowance plus incidental cost allowance. The building aid formula is:

$$\text{Building Aid} = \text{Approved Building Expense} \times \text{Building Aid Ratio}$$

$$\text{Building Aid Ratio} = 1.000 - \frac{\text{District's Full Value/Pupil}}{\text{State Average Value/Pupil}} \times .51;$$

therefore, for districts of average wealth, the state share is .49. For wealthier districts the state share is smaller, and for poorer districts the state share is larger. In no case does the aid ratio exceed .90 (State formula aids and entitlements for elementary and secondary education in New York state 1990).

Pennsylvania

The Commonwealth of Pennsylvania provides a state grant for funding public school buildings. This is not a 100 percent grant, but is a percentage equalizing grant based on a construction-cost-per-pupil basis. When a district needs a new facility, a bond issue must be passed. The state sets limits on the bond issue. The maximum building construction cost cannot exceed the building expenditure standard, which is calculated by multiplying the pupil capacity of a building, set by the state, by the cost of construction per pupil limits in effect, set by the state at the time the

project is submitted for approval. In general, reimbursement from the state is based on the capacity of a building. Reimbursement on elementary and secondary schools is based on a rated capacity. The elementary rated capacity is obtained by multiplying elementary enrollment by 1.4. The secondary rated capacity is obtained by multiplying secondary enrollment by 1.11. When using the rated capacity to determine the reimbursement for elementary schools, the product of the rated pupil capacity times $3,900 equals the reimbursement. For secondary schools the rated pupil capacity is multiplied by $5,100. A calculation for reimbursement for an elementary construction project which has a rated pupil capacity of 500 is outlined in the following example:

Rated pupil capacity	=	$1,950,000
multiplied by $3,900 (500 x 3,900)		
Incidental costs	=	63,000
Reimbursable amount	=	$2,013,000

The reimbursable percentage is obtained by dividing the reimbursable amount by the bond issue.

Reimbursable amount ÷ bond issue = reimbursable %

$2,013,000 ÷ $2,400,000 = 85.59%

(School construction laws, regulations, standards, and procedures 1988).

State reimbursement is based on the semi-annual or annual payment made by the school district to retire the debt of a bond issue. The amount of the state subsidy is determined by multiplying the amount of the payment times the reimbursable percentage times the current market value aid ratio. The current market value aid ratio is a ratio between the district's value and the state average value.

Rhode Island

The State of Rhode Island provides state aid to guarantee what is considered adequate school housing. Approved expenditures are projects such as the (1) purchase of land, (2) buildings, (3) improvements, (4) equipment, (5) furnishings, and (6) retirement of debt. Only bonded projects are eligible for reimbursement, and reimbursement is decided by a percentage equalizing grant. The state's share of the cost of a project is determined using the following formula:

$$S = 1 - \left[.62 \; \frac{\frac{ewav}{radm}}{\frac{EWAV}{RADM}} \right]$$

Note: .62 = factor set by state which represents the approximate average district's share of housing costs, ewav = weighted assessed valuation for each district, radm = local average daily membership, EWAV = state total assessed valuation, RADM = state total average daily membership, Cost = cost of the project, s = state's share or the amount reimbursed to the local district (Descriptions of state aid programs 1990).

Washington

State funds in the State of Washington are available to school districts for assistance in providing school facilities. These funds are distributed on a percentage equalized grant basis. The two basic types of school facility projects which can receive state assistance are (1) new construction and (2) modernization. Eligibility of a local school district for state assistance for providing school building facilities is determined by the State Board of Education on the basis of (1) the availability of state funds, (2) the need for school facilities, (3) the school district's ability to provide capital funds, and (4) evidence that new construction will not create or aggravate racial imbalance (Organizational and financing of the Washington public school system 1990).

The basic support level of state assistance to school districts for funding school facilities is determined by the following factors:

> 1. State Matching Ratio--The percentage of state assistance for which a school district is eligible is determined by a formula which compares each district's value with the statewide average value. In no case is the assistance less than 20 percent of the matchable costs of the project.
> 2. Enrollment Projections--School facility capacity needs are estimated on the basis of information regarding district growth factors which may include, but not be limited to: (a) county live birth rates, (b) new housing starts, (c) utility/telephone hookups, and (d) economic/industrial expansion.
> 3. Space Allocations--State assistance is based upon a space allowance per student.

4. Area Cost Allowances--The maximum area cost allowance used in calculating state financial assistance is determined annually. This allowance is computed using recognized construction cost index averages for six cities in the State of Washington (Organizational and financing of the Washington public school system 1990, 89).

The amount of state aid to which a district is entitled is determined according to an equalized grant formula. The maximum amount of state assistance for building projects ranges from 90 percent of the cost in the least-wealth districts to a minimum of 20 percent in the wealthiest districts. The formula for state assistance is as follows:

$$\text{State Aid} = \frac{3 - \frac{\text{District valuation per pupil}}{\text{Total state valuation per pupil}}}{3 + \frac{\text{District valuation per pupil}}{\text{Total state valuation per pupil}}}$$

(Organizational and financing of the Washington public school system 1990).

Percentage Matching Grants

The percentage grant model used by states in funding public school facilities provides a fixed percentage of state support for funding facilities for each school district. Three states surveyed use this method to fund capital projects at the state level (California, Delaware, Kentucky). Advantages associated with percentage matching grants include the following:

1. Building plans can be designed to meet the needs of local citizens.

2. The state can encourage cost efficiency through an approval process involving the design and location of buildings.

3. State assistance reduces dependency on local resources.

4. The bond ratings at the local level can be improved because the economic capacity is assisted by the state contribution.

Disadvantages associated with percentage matching grants include the following:

1. The state percentage must be extremely high to allow local districts with low fiscal capacity to enjoy the benefits of the matching grant.

2. State costs are substantial in order to guarantee the state share of all qualifying projects.

3. School districts with sufficient capital facilities are not eligible for state assistance.

A description of the plan of each state that uses the percentage matching grant for funding capital projects follows.

California

In California, due to the limited ability of school districts to raise funds at the local level for school construction needs, a majority of the districts rely on the

state school building aid program for funds for capital construction projects. This program is known as the Leroy F. Greene State School Building Lease-Purchase Law (New school facilities legislation package 1987).

If a school district determines that additional school facilities or upgraded facilities are necessary, and all other viable options have been exhausted, an application for a lease-purchase project can be filed. The district's qualifications are then determined by calculating the average daily attendance to estimate the allowable building area which can be constructed. Diagrams of existing facilities must also be submitted. After the enrollment projection and examination of the diagrams of existing facilities have been completed, the district prepares a justification document. As a requirement of project funding under the lease-purchase program, school districts must contribute a local share of project costs. The local share requirement is calculated using the number of building permits issued within the boundaries of the school district. The total amount of the local share is the amount of the maximum fee times the number of square feet for which building permits are issued within the boundaries of the school district. The building permit fee is collected by the school district (New school facilities legislation package 1987).

Whenever a school district has made application for and has received an apportionment from the state for a lease-purchase project, the district enters into a lease-purchase agreement with the state. The lease-purchase agreement binds the district and the state to comply with all conditions stipulated in the agreement. The lease-purchase agreement begins upon approval of the project by the state allocation board. The priority sequence for funding construction projects provides for emergency projects first, then districts with year-round schools, then districts that can pay up to half of the costs. California has recently changed from a full state grant for construction to the matching state grant program explained previously.

Delaware

The State of Delaware currently assumes 60 percent, and the local district 40 percent, of the approved project costs of public elementary and secondary school construction. This program of school construction is regarded as a workable program and is an important method of equalization since such a heavy infusion of state funds does much to alleviate wide variations in local district fiscal capacities. One hundred percent of vocational education facilities and special education facilities are paid from state funds. The Delaware program for financing school

facilities begins at the need stage and progresses through construction (School facilities construction program 1989).

After the need for a project is recognized by a local school district, it is included in a three-year capital improvement request and submitted to the state on an annual basis for approval. Approval of the three-year plan is documented by a certificate of necessity. Upon issuance of the certificate of necessity, a district then holds a referendum to obtain voter approval of the proposed project and to authorize issuance of local district building bonds. The amount of the local share of the project is 40 percent of the approved project cost (School facilities construction program 1989).

With a favorable referendum vote, the line item is included in the capital improvement program for funding by the legislature. When approved by the legislature, the state authorizes the issuance of state bonds to raise funds for the state share of the project and the state's purchase of local district bonds. The local share of the project cost is obtained by issuance of local district bonds which are sold to the State of Delaware. By selling the bonds to the state, all districts are treated fairly.

Design of the facility can then begin and proceed to completion of construction. The state formally approves the preliminary and final plans. About two years elapse from

issuance of the certificate of necessity by the state to the awarding of construction contracts (School facilities construction program 1989).

Kentucky

In 1990, the regular session of the Kentucky General Assembly enacted House Bill 940. House Bill 940 allocates funds for capital expenditures in each district. A base funding level of revenue guaranteed to each district by the state for operating and capital expenditures is determined. From that basic allotment, $100 per average daily attendant is segregated into a separate capital outlay allotment. The funds may be used for any of the following purposes: (1) direct payment of construction costs; (2) debt service on voted and funded bonds; (3) payment of lease-purchase agreements; (4) retirement of any deficit resulting from over-expenditure for emergency capital construction; and (5) as a reserve fund for the previously named purposes, to be carried forward into future budgets.

In addition to this basic allotment, Kentucky has what are known as Kentucky school facilities construction commission funds. In order to qualify for the Kentucky school facilities construction commission funds, a district must levy a tax which produces revenues equivalent to a 5¢ tax per $100 of the total assessed value of all property in

the district. These funds raised, by the 5¢ tax, must be dedicated to capital improvement or debt retirement. Once this tax is levied, Kentucky facilities support funds become available and are appropriated in accordance with the formula which takes into account the amount of outstanding debt service and funds available for payment of the debt (School facilities construction commission 1989).

Flat Grants

The fourth model used by states in funding capital projects falls into the category of flat grants. The flat grant model differs from the percentage matching grant model in that the flat grant model provides a fixed number of dollars to assist in the financing of local construction and the percentage matching grant model provides a fixed percentage. Of the states surveyed, five utilize the flat grant model in funding capital projects (Alabama, New Hampshire, South Carolina, Tennessee, West Virginia). The advantages of utilizing the flat grant model in funding capital projects include the following:

1. Control of the building program remains with the local district.

2. The flat grant provides some degree of equity because state funds are utilized.

3. State assistance reduces local dependency on the property tax.

4. The bond rating at the local level is enhanced because the local economic capacity is enhanced.

5. The flat grant program is easily administered.

The disadvantages associated with the flat grant model include the following:

1. Most programs only supplement the local funds required to finance a building program.

2. Because funds are allocated on an annual basis, some districts have needs that are unfunded, and other districts have unnecessary funds.

3. Local fiscal capacity plays no part in the flat grant.

A description of the plans of each state that use the flat grant model for funding capital projects follows.

Alabama

Four cost factors in the Alabama Minimum Program Law determine the total cost of the minimum program. These four factors are (1) cost of teachers' salaries, (2) cost of transportation, (3) cost of current expenses other than salaries and transportation, and (4) cost of capital outlay. The basic formula for calculating state aid is

State Aid = Cost of Minimum Program - Uniform Local Support

(ABC's of the Alabama minimum program 1972).

The fourth category of the minimum program, capital outlay, includes any expenditure which increases the total assets of a school system. Examples are purchase of a school site, new buildings, and new equipment. The allowable cost for capital outlay in the minimum program is calculated by determining the number of teacher units and multiplying this number by the allotment per unit for capital outlay. This allotment per unit is specified annually.

This funding, which goes to each school district in Alabama, is not enough money to fund all construction in each district. Each district must pass bond issues to pay for any capital outlay not funded by the flat grant from the state.

New Hampshire

The State of New Hampshire has a finance formula which provides funding for a basic foundation education program and categorical programs. These categorical programs include vocational, transportation, catastrophic aid, and building aid. The process of obtaining a building aid grant is calculated on a different basis than the basic foundation education grant. The basic foundation education grant is

calculated using an equalization factor which is determined for each school district by the following formula:

$$\frac{\text{State average equalized valuation per weighted pupil}}{\text{Local equalized valuation per weighted pupil}} \times \frac{\text{State per capita income}}{\text{Local per capita income}} \times \frac{\text{Local equalized school tax rate}}{\text{Local per capital income}} + \frac{\text{State average equalized school tax rate}}{\text{State per capita income}}$$

$$\frac{\text{State average revenue per weighted pupil}}{\text{Local revenue per weighted pupil}} = \text{Equalization Factor}$$

District Percentage = Equalization Factor x .08

District Foundation Aid = District Percentage + Local Education Program Cost Per Year

(New foundation aid law 1989).

The state distributes a set amount of money each year to each school district to fund a building program approved or to retire any debt previously incurred. A school district desiring a grant for building aid must provide the plans, specifications, and cost estimates for school building construction to the state. The state board approves the plans and specifications of a building if the facility planned adequately meets the education requirements and if the cost estimates are not excessive or unreasonable. Upon approval of the plans and specifications by the State

Board of Education, the school district is entitled to receive an annual grant.

South Carolina

The Educational Improvement Act of South Carolina was designed to improve the quality of the state's public education system. The act provides state funds to

> 1. Raise student performance by increasing academic standards.
> 2. Strengthen the teaching and testing of basic skills.
> 3. Elevate the teaching profession.
> 4. Improve leadership, management, and fiscal efficiency.
> 5. Implement quality controls and reward productivity.
> 6. Create more effective partnerships among schools, parents, community, and business.
> 7. Provide school buildings conducive to improved student learning (Funding manual of the department of education of South Carolina 1990, 30-31).

State funds for school building aid is available for the renovation, capital improvement, or repair of school classrooms, libraries, laboratories, and other instructional facilities, and for the reduction of the tax rate required to pay principal and interest on bonds issued for any capital improvement programs (Funding manual of the department of education of South Carolina 1990).

In order to qualify for funds, a district must maintain at least the level of financial effort per pupil for non-capital programs as in prior years. These funds are

allocated to each school district based on the following formula:

$$\text{State School Building Aid} = \frac{\text{District's 2nd Preceding Year ADM}}{\text{Statewide 2nd Preceding Year ADM}} \times \text{Funds Available}$$

(Funding manual of the department of education of South Carolina 1990).

Upon receipt of state school building aid, if a district has issued bonds during any of the most recent five years, at least 50 percent of the funds must be used to reduce the tax rate required to pay debt service on the bonds. Any funds received must be expended within forty-eight months of the appropriation. If a district has not issued any bonds in the last five years, the district may use these funds to build buildings or to retire bonds issued prior to the most recent five years.

Tennessee

The State of Tennessee holds that facility funding is a local issue; therefore, all decisions regarding construction, debt financing, and related issues are left to local districts. There is, however, included in the state education finance funds an amount to be used exclusively for the purpose of capital outlay, including the purchase and improvement of sites, the construction of buildings, the

remodeling or renovation of buildings, and the purchase of equipment for schools or school buildings. The program for capital outlay and the cost are determined on the basis of a per capita amount per student in average daily attendance. The commissioner of education determines the amount per pupil to be distributed each year. The restrictions on the use of these funds are very liberal; they may be used for construction, retirement of debt, or the purchase of instructional and non-instructional equipment.

If local districts require more funds than the state allotment they can issue a voter-approved bond. Although the state of Tennessee views construction of facilities as a local issue, some funds are provided through the flat grant described (Tennessee 1990).

West Virginia

A total basic foundation program formula provides for funds for capital improvement in the State of West Virginia. The total basic foundation program for the State of West Virginia is the sum of the computed costs for the allowance (1) for professional educators, (2) for service personnel, (3) for fixed charges, (4) for transportation cost, (5) for administration cost, (6) for other current expense and substitute employees, and (7) to improve instructional programs (West Virginia 1989).

Under the seventh allowance, funds are available for school building capital improvements. Beginning in 1990, $15,440,493 were paid into the school building capital improvements fund of the State of West Virginia. Not less than $7,700,000 is to be added to the school building capital improvements fund annually (West Virginia 1989). The state may use this money (1) to meet the requirements of any revenue bond issue authorized, (2) to finance the cost of construction projects on a cash basis (West Virginia 1989).

The West Virginia educational system is organized on a county school district basis. To receive state school building capital improvement funds, each county must have a comprehensive educational facilities plan approved by the State Board of Education and be a part of a regional comprehensive educational facilities plan. This plan must address how proposed facilities meet (1) student health and safety, (2) economies of scale, (3) reasonable travel time, (4) multi-county and regional planning to meet the most effective and efficient instructional delivery, (5) curricular improvement and diversification, (6) innovations in education, and (7) adequate space for projected enrollments.

Each county district is then entitled to receive a $200,000 flat grant, plus $239.27 per net enrolled pupil, plus $239.27 per enrolled pupil times an equalization ratio.

Once these funds are received, they can be used to cover the cost of construction, renovation, repair and safety upgrading of facilities, cost of land, equipment, furnishing, installation of utilities, and profession and other service fees (West Virginia 1989).

State Loans

Another model utilized by states for funding capital projects is the state loan model. With the state loan model, qualifying districts obtain loans from the state to fund capital projects. These loans, unlike the grant models, must be repaid. Four of the states surveyed utilize a state loan model for state participation in funding local building programs (Indiana, Minnesota, North Dakota, Virginia). The advantages of the state loan model include the following:

1. The loan fund provides districts with economical borrowing because of low interest charges.

2. State loans are not considered when a district's debt limits are considered; therefore, bond ratings are protected.

3. The time required to obtain a state loan is shorter than the time involved in the sale of bonds.

4. The state can influence cost effective building practices.

The disadvantages of the state loan model of funding capital projects include the following:

1. State loan programs are very limited and serve only as a minor resource in the total cost of building programs.

2. Fiscal equalization is not enhanced due to the limited funds available at the state level.

3. Local control of building programs is sometimes lessened due to the state loan approval process.

A description of the plan of each state that utilizes the state loan model for funding capital projects follows.

Indiana

The State of Indiana has no funds for capital improvement or the retirement of debt in their Basic Education Program Grant. The State of Indiana participates in the funding of capital projects through a state loan program.

State loans are used by districts to purchase real estate, construct new buildings, equip new buildings, and renovate existing buildings. Loans cannot exceed $4,000 per pupil to be served in the building, less 2 percent of the school district's adjusted assessed valuation. The State Board of Education has established $1,500,000 as the maximum amount of an advancement per project.

Eligibility for loans is based on local financial effort and need. Repayment is made in semi-annual installments over a maximum period of twenty years. School districts must raise and expend, by either a bond issue or current tax levy or a combination of both, a sum equivalent to at least 2 percent of the adjusted assessed valuation of the property within its district boundaries (Digest of public school finance in Indiana 1989).

Minnesota

The State of Minnesota divides capital finance into two categories: (1) major building projects and (2) smaller remodeling projects, equipment purchases, and ongoing capital needs. Major building projects are financed at the local level through the sale of bonds. Smaller remodeling projects, equipment purchases, and ongoing capital needs are normally financed by means of the State Capital Expenditure Revenue Program. In any case, the State Department of Education provides a review and comments on each project.

Some districts cannot finance construction projects through bond sales because their property tax base is too small. These districts can qualify for state assistance. The state borrows money through a state sale of bonds, and lends it to qualifying school districts. Districts can borrow money for either new construction or to reduce the

amount the district must levy for debt service on completed projects.

To provide funds for equipment purchases, ongoing repairs, and maintenance of other capital needs, a district may receive capital expenditure revenue which is an equalized aid. To receive this money a district must adopt a five-year plan for improvements to its facilities. The capital facilities aid, levy, and revenue is computed as follows:

allowance = $130 per pupil

revenue = $130 x number of pupils

levy = taxing capacity of district/number of pupils x capital facilities revenue

aid = capital facilities revenue - capital facilities levy

(Minnesota school finance guide for legislators 1990).

North Dakota

The State of North Dakota has a State School Construction Fund (North Dakota 1989). The state can use these funds to reduce the interest and principal paid by a school district or a school district can apply for a loan from the fund for the purpose of constructing a school facility. School districts must submit general plans in accordance with state standards and regulations. The State Department of Education review all construction projects to

determine the extent to which the general plans conform to state plans. The state also determines the ability of local school districts to amortize the cost of construction and to defray the cost of operation and maintenance. No loans are executed without specific written approval from the State Department of Education.

Virginia

Virginia provides a literary fund, a source of low-interest loans, and the Virginia Public School Authority, a bond bank which provides low-cost financing of capital projects. Virginia does not appropriate funds for financing public school facilities (Role of the commonwealth in financing school construction 1990). The responsibility for the construction of public school facilities is borne by local districts.

The three options available to local school districts for financing public school construction are (1) the sale of bonds (local), (2) the literary fund (state), and (3) the Virginia Public School Authority (state). The first option involves no state participation at all. The second and third options involve state participation to the extent the state funds are used for loans.

Revenues to the literary fund are derived from criminal fines, forfeitures, escheated property, and income from the

investment of monies on deposit in the literary fund. The State Board of Education has set a maximum loan amount available for a single project at $2.5 million. Applications for funding are prioritized for the literary fund waiting list as follows:

Priority 1 is given to school districts that have an outstanding indebtedness to the literary fund of less than $20 million.

Priority 2 is given to school districts that have an outstanding indebtedness to the literary fund of $20 million or more.

Applications on Priority 2 are funded only when the board determines that all applications on Priority 1 can be funded within one year.

The Virginia Public School Authority is a bond bank which provides low-cost financing of capital projects for public schools. The Virginia Public School Authority provides financing to school districts through the sale of bonds. The authority then purchases general obligation bonds from local school districts. The objectives of the Virginia Public School Authority Program are to provide market access to communities that do not have ready access and to provide low cost financing to communities needing assistance.

The State of Virginia plays an important role in the financing of school construction. Through its two loan programs, disparity among local school districts is addressed by ensuring the lowest cost in capital financing to local districts with the least ability to pay (Role of the commonwealth in financing school construction 1990).

No State Funding

Fourteen of the states surveyed do not participate in the funding of capital projects at the local level. In these states, school districts must fund capital projects either by passing bond issues or by paying for building projects with accumulated reserves. This method of funding, while offering the advantage of full local control of building programs, does not allow for any of the advantages listed in the other five models of state funding. The fourteen states are: Arizona, Arkansas, Kansas, Louisiana, Michigan, Missouri, Nebraska, Nevada, North Carolina, Oregon, South Dakota, Texas, Wisconsin, and Wyoming.

Summary

As shown in Table 3, the school facility funding model used most by states that participate in funding is the equalized grant. The funding models used least by states are the full state funding and the matching grant.

Table 3.--Funding Models for Financing Public Facilities by State

Full State Funding	Equalized Grant	% Grant	Flat Grant	State Loan	No State Funding
Alaska	Georgia	California	Alabama	Indiana	Arizona
Florida	Idaho	Delaware	New Hampshire	Minnesota	Arkansas
Hawaii	Illinois	Kentucky	South Carolina	North Dakota	Kansas
	Maine		West Virginia	Virginia	Louisiana
	Maryland		Tennessee		Michigan
	Massachusetts				Missouri
	New Jersey				Nebraska
	New Mexico				Nevada
	New York				North Carolina
	Rhode Island				Oregon
	Pennsylvania				South Dakota
	Washington				Texas
					Wisconsin
					Wyoming

The nine states that did not respond to the research questionnaire concerning their funding for public school facilities were Colorado, Connecticut, Iowa, Mississippi, Montana, Ohio, Oklahoma, Utah, and Vermont.

The purpose of this chapter was to investigate the various models available for states to utilize in the funding of public school facilities and debt retirement. The problem was attacked from two angles. The first approach was to define the various funding models which could be used by a state in funding capital projects. The models available were (1) complete state funding, (2) equalized grants, (3) percentage matching grants, (4) flat grants, (5) state loans, and (6) no state funding. A definition of each model was developed and the advantages and disadvantages of using each of the models was depicted.

The second angle of attack was to study the funding plan used by each state. A description of each plan was then written which allowed the plan to be categorized into one of the six models of funding. Most of the states responding to the survey participated in funding the capital projects of public school districts. Data in Table 4 reveal that 34.15 percent of the states responding do not participate in the funding of capital projects, and that 65.85 percent of the states responding do participate in one form or another. Of the five models used by states

Table 4.--Percentage of States Utilizing Each Model

Model Used	Number of States	Percentage of States
Full state funding	3	7.31
Equalized grant	12	29.27
Flat grant	5	12.20
Matching grant	3	7.31
State loan	4	9.76
No state funding	14	34.15
Total	41	100.00

participating in state funding of capital projects, the equalized grant model is most popular. Data in Table 5

Table 5.--Percentage of States Utilizing Each Model Where State Participation Exists

Model Used	Number of States	Percentage of States
Full state funding	3	11.12
Equalized grant	12	44.44
Flat grant	5	18.52
Matching grant	3	11.12
State loan	4	14.80
Total	27	100.00

indicate that, of the twenty-seven states surveyed that utilize state funding of capital projects, twelve or 44.44 percent use the equalized grant model, five or 18.52 percent utilize the flat grant model, four or 14.80 percent utilize the state loan model, three utilize the full state funding, and three utilize the matching grant model.

CHAPTER V

SUMMARY, FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

This final chapter includes a summary of the study, findings, conclusions, and then recommendations are made. In addition, alternatives to consider in funding formulas are reviewed and possible research questions for future study are suggested.

Summary

The problem of this study was to examine alternative approaches for funding school district facility costs and debt retirement and to develop a model for Texas. The advantages and disadvantages of each model were determined and were used to help develop a model that could be used by Texas in funding construction of pubic school facilities and debt retirement. This study has particular significance for the State of Texas. The conclusions drawn from this study can impact decisions to be made in future legislative sessions. The courts have already recognized the need for state funding for capital projects.

While much information exists on the topic of public school finance, this study was focused on the topic of

public school finance as it directly relates to facility funding. The literature reviewed included the following three areas: (1) a discussion of the historical development of public school facility funding, (2) a discussion of the historical development of public school finance in Texas as it relates to facility funding, and (3) a review of legislative action in Texas as it relates to funding public school facilities.

An explanation of the design, the research, and the methodology employed in gathering and analyzing data were provided in Chapter III. This study was a descriptive study and was designed to explore the present conditions of each state, rather than to explain what did or would happen if something changed. A document study was used for gathering information from each state and then methods of qualitative analysis most often found in a case study were employed.

Descriptive information regarding the funding practices of each state as they relate to capital projects on the local level were described in Chapter IV. State documents were analyzed to determine whether or not the state participated in the funding of local public school facilities. When it was determined that a state participated in funding of public school facilities at the local level, information from the state was then analyzed to determine what method of funding capital projects was used.

A taxonomy of six models of funding public school facilities was developed and a frequency distribution was performed. Each of the six funding models was defined and advantages and disadvantages of each funding model were studied.

Findings

A letter (appendix) was sent to all fifty states requesting state documents related to public school funding and funding for financing the construction of public school facilities. Responses were received from all but nine states. Of the forty-one states responding, twenty-seven states provide state funding for public school facilities. Fourteen states provide no state funding for capital projects. Therefore, more than 65 percent of the states responding provide some form of funding for capital projects.

An analysis of the twenty-seven states that do participate in funding of capital projects revealed that five models are utilized. Those five models are as follow:

1. Full State Funding--In this model the state assumes all responsibility of construction costs and debt service retirement. Each state that utilizes full state funding selects districts whose facility needs are based on age, adequacy, and size of facility. Only three states use this model for funding capital projects. These states are Alaska, Florida, and Hawaii.

2. Equalized Grants--States utilizing the equalized grant model for funding capital projects allocate revenues in an inverse relationship to local fiscal ability to fund construction projects. The purpose of equalized grants for construction in each state is to provide fiscal and taxpayer equity within the state. Without equalizing grants from the state, taxpayers in low wealth school districts would be forced to make higher tax effort to construct facilities than taxpayers in high wealth school districts. Currently, twelve states use the equalized grant model for funding school buiding projects. Those twelve states are Georgia, Idaho, Illinois, Maine, Maryland, Massachusetts, New Jersey, New Mexico, New York, Pennsylvania, Rhode Island, and Washington.

3. Percentage Matching Grants--The percentage matching grant provides a fixed percentage of state support for funding facilities for each school district in the state. Only three states responding use this method to fund capital projects at the state level. Those states are California, Delaware, and Kentucky.

4. Flat Grants--A model used by five of the states which responded was the flat grant model. In this model the state provides a fixed number of dollars to assist in the financing of local school building construction. The five

states that use the flat grant model are Alabama, New Hampshire, South Carolina, Tennessee, and West Virginia.

5. State Loans--The final model utilized by states for funding capital projects is the state loan model. In the state loan model, qualifying districts obtain loans from the state to fund capital projects. The loans must then be repaid at a low rate of interest. Four responding states use the state loan model for state participation in funding local building programs. Those states are Indiana, Minnesota, North Dakota, and Virginia.

The advantages and disadvantages of each of the five models are listed in the following paragraphs.

The advantages of full state funding include the following:

1. Fiscal equity is achieved because the quality of construction is not a function of the wealth of the district.

2. The variety of tax resources at the state level are greater than those at the local level; therefore, the local property tax is not over-burdened for debt service.

3. The state can develop allocation criteria, based upon need, that may provide a higher level of efficiency.

4. The state can provide savings in terms of interest and bond issuance costs due to the larger issue at the state level.

The disadvantages of full state funding include the following:

1. Power and control over the public schools is further centralized at the state level.

2. Decisions concerning construction at the state level may result in uniformity in construction of schools throughout the state and, therefore, ignore the unique needs of local school districts.

3. Centralization of authority could lead to less innovation.

4. The availability of facilities becomes a function of state appropriations rather than local needs.

The advantages of equalized grants include the following:

1. School facilities can be constructed throughout the state without the imposition of a heavy tax burden on low-wealth districts.

2. Some local participation in the costs of buildings is required, thereby, reducing the likelihood of frivolous spending.

3. Local districts do not have to spend as many local tax dollars on construction and, therefore, can have additional operating tax dollars or have the opportunity for tax relief.

4. The marketability of general obligation bonds is enhanced.

The disadvantages of equalized grants include the following:

1. In order to guarantee the funds for all districts, a large portion of state resources is required.

2. A statewide system is less responsive to local needs.

3. Local school districts sometimes experience difficulty in meeting immediate construction needs.

The advantages of percentage matching grants include the following:

1. Building plans can be designed to meet the needs of local citizens.

2. The state can encourage cost efficiency through an approval process involving the design and location of buildings.

3. State assistance reduces dependency on local resources.

4. The bond ratings at the local level can be improved because the economic capacity is assisted at the state level.

The disadvantages of percentage matching grants include the following:

1. The state percentage must be extremely high to allow local districts with low fiscal capacities to enjoy the benefits of a matching grant.

2. State costs are substantial in order to guarantee the state share of all qualifying projects.

3. School districts with sufficient capital facilites are not eligible for state assistance.

The advantages of flat grants include the following:

1. Control of the buiding program remains with the local district.

2. Some degree of equity is provided because state funds are utilized.

3. State assistance reduces local dependency upon the property tax.

4. The bond rating at the local level is enhanced because the local economic capacity is enhanced.

5. The flat grant program is easily administered.

The disadvantages of flat grants include the following:

1. Most programs only supplement the local funds required to finance a building program.

2. Because funds are allocated on an annual basis, some districts have needs that are unfunded, and other districts have unnecessary funds.

3. Local fiscal capacity plays no part in the flat grant.

The advantages of state loans include the following:

1. The loan fund provides districts with economical borrowing capacity due to low interest charges.

2. State loans are not considered when a district's debt limits are considered; therefore, bond ratings are protected.

3. The time required to obtain a state loan is shorter than the time involved in the sale of bonds.

4. The state can influence cost effective building practices.

The disadvantages of state loans include the following:

1. State loan programs are very limited and serve only as a minor resource in the total building program.

2. Fiscal equalization is not enhanced due to the limited funds available at the state level.

3. Local control of a building program can be lessened due to the state loan approval process.

The advantage of no state funding is that full local control of the building process is maintained. The disadvantage of no state funding is that this method does not allow for any of the advantages listed in the other five models utilizing state funds for financing construction of public school facilities and debt retirement.

Conclusions

Even though this study used qualitative data instead of quantitative data, it would seem reasonable that the following conclusions can be formulated.

1. Several alternative models for providing state funds to local districts to help, or fully fund, construction of facilities exist and are being utilized by several states to help bring about equity within the states.

2. The need for an alternative method to fund capital projects increases as enrollments grow and more costly school buildings are required by the programs that must be provided for school children now and in the future. Local funds no longer can support this increased demand.

3. The wealth of a school district should not be a factor in the quality of school facilities available to students.

4. Equitable measures of need for school facility funding should be developed.

5. A school district's building program should be carefully planned and projected over a period of years.

6. The Texas school financing system fails to insure that each school district in this state has the same ability as every other district to obtain, by state legislative appropriation or by local taxation or both, funds for educational expenditures, including facilities.

7. Through an examination of the problem and needs of the Texas public school finance system, and a study of each of the alternative methods of funding capital projects, a system could be implemented that would help meet the needs and overcome the problems.

Recommendations

It was made evident in this study that as early as 1948, the cost of providing adequate school buildings was recognized as a part of the minimum educational program by the Gilmer-Aikin report. This need for providing adequate funding of school buildings in the minimum educational program continued through 1991 as recognized in the court case of Edgewood ISD v. Kirby (1987). With the court's emphasis on fiscal equity, including facilities, the following recommendations are made:

1. A closer look at the equalized grant model for funding the construction of public school facilities seems in order.

2. The equalized grants for facilities should be allocated in an inverse relationship to local fiscal ability.

Recommended Model

The following plan is recommended for implementing an equalizing grant for financing construction of public school facilities and debt retirement in Texas.

Capital Improvement

Each fall all school districts in Texas submit annual and five-year capital improvement plans. To be eligible for state construction funding, all projects must have state planning approval. All construction costs in excess of an established maximum allocation per student are the responsibility of the local district. The State of Texas includes in the district's total foundation school program entitlements which provide funds for school facilities. Each year the state establishes the foundation school program entitlement and a foundation facilities entitlement. These amounts are added to calculate the total foundation school program entitlements.

$$TFSP = FSP + FFE + DSA$$

TFSP = Total Foundation School Program Entitlements
FSP = Foundation School Program Entitlements
FFE = Foundation Facilities Entitlement
DSA = Debt Service Aid

The foundation facilities entitlement is calculated using the following formulas:

$$FFE = \left[1 - \left[\frac{DPV/DWADA}{SPV/SWADA} \right] \times \left[\frac{ETR}{DTR} \times E \right] \right] \times C$$

FFE = Foundation Facilities Entitlement
DPV/DWADA = District Property Value/District Weighted Average Daily Attendance

SPV/SWADA = State Property Value/State Weighted Average Daily Attendance
DTR/ETR = District Tax Rate/Equalized Tax Rate
E = Factors set by the state which represents the average district's share of construction costs
C = State approved cost of project

Such an approach not only takes into consideration the district property wealth, but also the district's tax effort.

Debt Service

In addition to the amount funded by the State of Texas for construction of facilities, state aid for debt service retirement is also provided. Aid for debt service retirement is calculated by multiplying a district's net debt service budget by the state's ratio. This is calculated by determining the ratio of the district's maximum foundation budget that is funded by the state. This aid is calculated using the following formulas:

$$DSA = DDSB \times SR$$

DSA = State Debt Service Aid
DDSB = District's Debt Service Budget
SR = State Ratio

$$SR = \frac{DFB - LFA}{DFB}$$

SR = State's Ratio
DFB = District's Maximum Foundation Budget
LFA = Local Fund Assignment

This plan for funding capital projects in the State of Texas addresses the needs and problems of the schools as they relate to construction of school buildings and debt service retirement. This plan allows school facilities to be constructed throughout the state without the imposition of a heavy tax burden on low wealth districts. Some local funds must be spent on constructing facilities, thereby, reducing the likelihood of frivolous spending. However, local districts are not required to spend as much local tax money on construction and, therefore, can have either additional operating tax dollars or an opportunity for tax relief.

Implications for Further Research

The following problem areas concerning state funding of public school facilities in Texas should be addressed in future research.

1. A study is recommended to find suitable alternative tax sources to replace the use of local level property taxes to fund capital projects.

2. A study should be undertaken to determine the extent of the burden now being carried by local districts in providing buildings and capital outlay.

3. A study is needed to determine if disparities in the availability of facility funds correlate with instructional disparities.

4. A study is recommended to determine how much a foundation facility allotment, funded as an add-on to the basic foundation school program, improves or weakens equity.

5. A study is recommended concerning the effects that each of the five models presented in this study would have if they were applied to the State of Texas.

APPENDIX

Dr. Werner Rogers
Superintendent of Schools
State Department of Education
2066 Twin Towers East
205 Butler Street
Atlanta, Georgia 30334-5020

Dear Sir:

My name is Jack Rambo. I am currently serving as Assistant Superintendent of the Irving Independent School District, Irving, Texas and am conducting a study entitled "Alternative Funding Models for Financing Public School Facilities and Debt Retirement."

I am writing each state to gather information to evaluate the degree of state government involvement in financing public school facilities. To accurately evaluate the type and degree of state government involvement in financing public school facilities, I am requesting the following information:

1. A copy of your state's educational funding formulas (including facility funding).

2. The 1990-1991 state budgeted dollars for education.

3. The 1990-1991 state dollars spent for facilities.

4. The Public School Facilities Funding Program Rules including:

    a. application procedures,
    b. local district qualifications,
    c. eligible facility costs, and
    d. finance administration.

It is extremely important that I receive the above information from each of the fifty states.

If you are interested in receiving a copy of the results, please indicate so when returning the information. If you have any questions, please contact me at 214-XXX-XXXX.

Sincerely,

Jack Rambo, Assistant Superintendent
Irving Independent School District
P.O. Box 152637
Irving, Texas 75015-2637

encl: Self-addressed envelope

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