



EDUCATION COMMISSION OF THE STATES

Capital Funding - A National Overview *Harrisburg, Pennsylvania August, 2016*

Michael Griffith
School Finance Strategist

Education Commission of the States

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Presentation Overview

- What are the components of a high-quality funding system?
- How do other states fund schools?
- What would it take to transition to a high-quality school funding formula?



1. Capital funding issues
 1. Needs assessment
 2. State funding levels
 3. State distribution systems
2. Overview of state funding systems
 1. Promising capital funding practices
 2. Other funding issues



The First Steps in Capital Funding

- **Needs Assessment**
 - What is the current condition of your public schools
 - Most states do this through a survey of schools
- **Determine priorities**
 - Are there any priority areas - such as space for early learning programs or science/computer labs?
- **Identify those things that the state will not fund**
 - Will the state fund auditoriums, gyms, athletic fields or swimming pools?



State Funding Decisions

- **How much funding will be available?**
 - The state needs to determine an affordable level of funding
- **How long will it last for?**
 - A single year, multiple years, indefinitely?
- **Will the state earmark funding or fund year-to-year?**



Total Capital Expenditures

FY 2013-14

	Capital Expenditures	Per Pupil Expenditures
United States	\$47.6 billion	\$984
Pennsylvania	\$1.6 billion	\$976
New York	\$4.1 billion	\$1,550
Delaware	\$171.6 million	\$1,423
Maryland	\$1.1 billion	\$1,307
West Virginia	\$286 million	\$1,020
Ohio	\$1.5 billion	\$965
New Jersey	\$895 million	\$671

Source: U.S. Census



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Spending on Capital FY 1994-2013

	Capital Expenditures	State Funding	State Share
United States	\$1.26 trillion	\$226.8 billion	18%
Pennsylvania	\$48.9 billion	\$7.3 billion	15%
Delaware	\$3.7 billion	\$2.1 billion	57%
New York	\$98.2 billion	\$35.4 billion	36%
New Jersey	\$34.1 billion	\$10.9 billion	32%
Ohio	\$46.4 billion	\$12.5 billion	27%
Maryland	\$21.1 billion	\$5.5 billion	26%
West Virginia	\$5.2 billion	\$468 million	9%

Source: 21st Century School Fund: *“State of our Public Schools – 2016”*



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Spending on Capital FY 1994-2013

	Per Pupil Capital Expenditures	State Per Pupil Expenditures	Average Annual State Expenditures
United States	\$20,157	\$3,628	\$181
Pennsylvania	\$26,077	\$3,912	\$195
Delaware	\$25,430	\$14,495	\$725
New York	\$31,962	\$11,506	\$575
New Jersey	\$20,133	\$6,442	\$322
Ohio	\$21,683	\$5,854	\$293
Maryland	\$18,811	\$4,891	\$245
West Virginia	\$10,687	\$962	\$48

Source: 21st Century School Fund: *“State of our Public Schools – 2016”*



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State Distribution Systems



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State Capital Funding

- 12 states have provided no capital funding to districts over the past 20 years
 - Idaho, Indiana, Louisiana, Michigan, Missouri, Nebraska, Nevada, Oklahoma, Oregon, South Dakota, Tennessee and Wisconsin
- 7 states have provided some capital funding over the past 20 years but do not currently provide funding
 - Arkansas, Illinois, Iowa, Kansas, North Carolina, North Dakota and West Virginia
- 6 states have provided greater than 50% of capital funding over the past 20 years
 - Hawaii (100%), Rhode Island (78%), Massachusetts (67%), Wyoming (63%), Connecticut (57%) and Delaware (57%)



State Capital Funding Grants

- State grants (23 states)
 - Pros:
 - Relatively easy to administer
 - Can be equalized based on a district's wealth
 - Funds can be targeted to types of districts or toward specific educational programs/services
 - Cons:
 - If funding is not sufficient to meet all districts needs then the state must pick winners and losers
 - Funding is not always predictable
 - Grants can be equalized but they tend to favor wealthy districts



Funding Within The State's Primary Formula

- A per- pupil amount in the funding formula (9 states)
 - Pros
 - Funding is usually equalized based on a district's relative wealth
 - Provides districts with flexibility
 - Cons
 - Funding is not targeted – either to districts or to programs
 - Assumes that all districts have the same capital needs



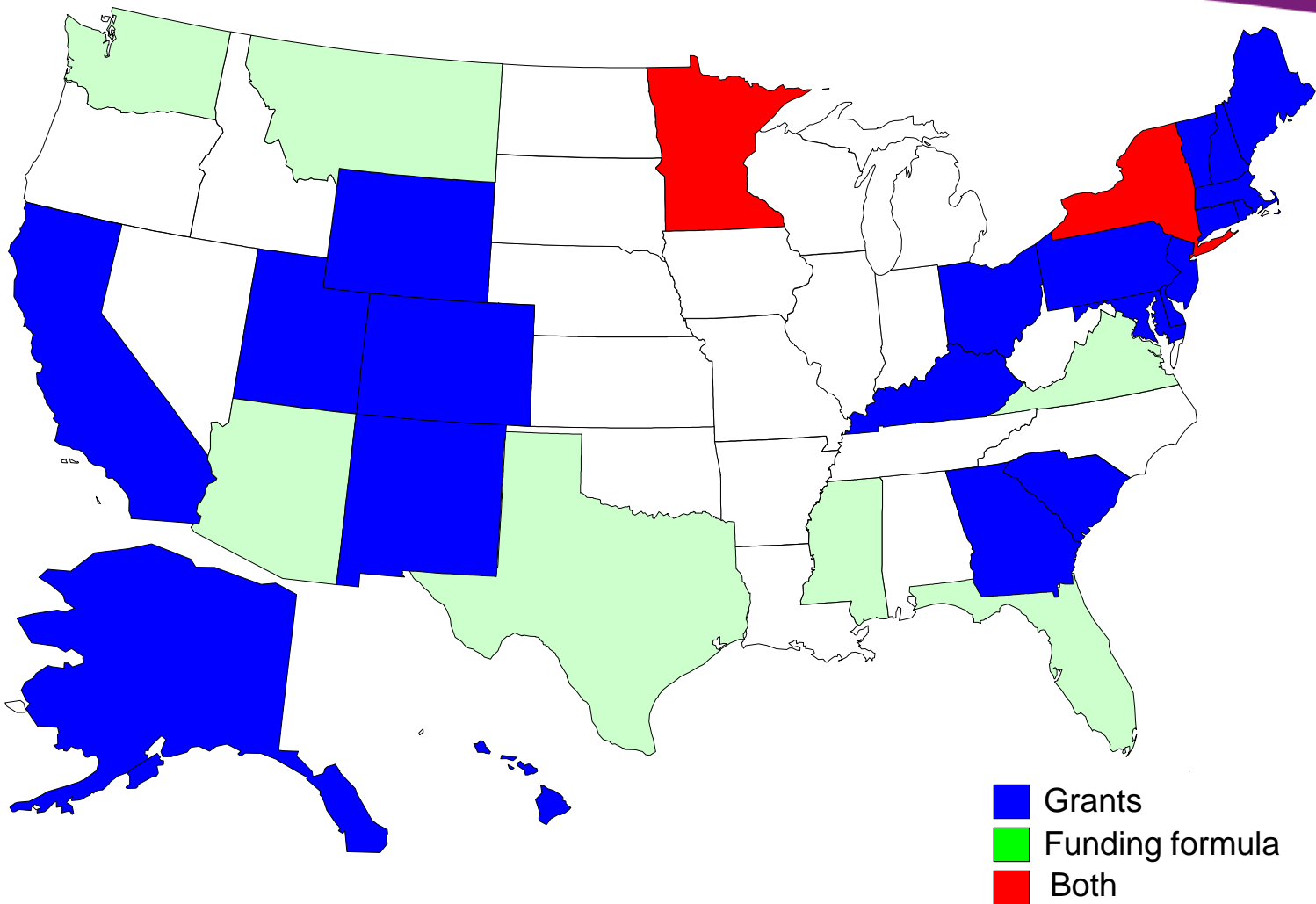
State Programs That Provide Indirect Capital Funding

Subsidizing school district borrowing:

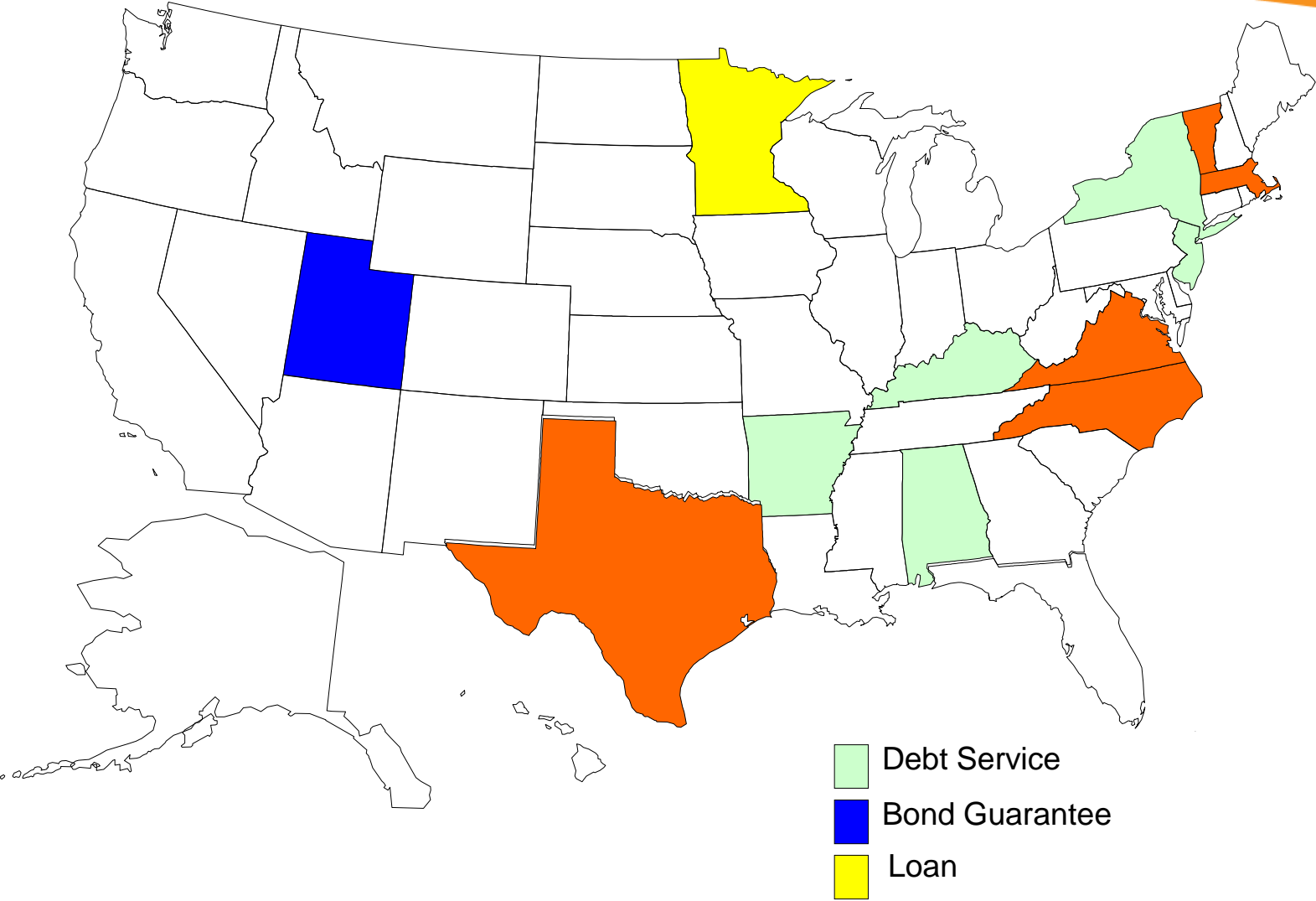
- Debt service grants (8 states)
- Bond guarantees (5 states)
- Loans (4 states)



Direct Capital Funding



Indirect Capital Funding



State Capital Funding Examples



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Connecticut School Construction Grants

- The state surveys districts every three years on their school facility needs
- Districts annually request funding for school facility projects
- The state ranks projects based on health/safety needs, school environment and capacity issues



Connecticut School Construction Grants

- The legislature provides funding for grants from the states general fund
- Funding for the FY 2015-17 biennium is \$382 million (a 60% reduction from past biennium)
- Over the past 20 years the state has provided 57% the funding for capital projects



- **Needs assessment (2010)**
 - On-site assessment of 1,757 school buildings every 5 years
 - Charter school buildings (64) were not part of the study
 - 84% received a highest rating of 1 or 2
 - 2% (23 schools) received lowest ratings
- **Funding priorities**
 - Schools with lowest rating
 - Science labs
 - Vocational/technical program space



- **Commitment to funding**
 - Between 2004-2015 Massachusetts expended \$12.1 billion on school facilities
 - State funding comes from a 20% earmark of the states 5% sales tax
 - Over the past 20 years the state has provided 67% the funding for capital projects



Contact Us

Michael Griffith
School Finance Strategist
Education Commission of the States
700 Broadway, Suite 810
Denver, CO 80203
mgriffith@ecs.org | www.ecs.org

@Edcommission



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