



**STATE OF VERMONT**  
OFFICE OF LEGISLATIVE COUNCIL

**MEMORANDUM**

To: Special Committee on School Construction  
From: Becky Wasserman  
Date: February 20, 2014  
Subject: Summary of State Approaches to Funding School Construction

**Connecticut**

The state administers two types of school building grants financed by state general obligation bonds, which is adjusted annually by the General Assembly based on projects that are receiving payments. The first type is approved by the Commissioner of Education and is used primarily to correct safety and health code violations and to remedy damage from fire and catastrophe. The second type is approved by the Governor and the General Assembly from a priority list of expansion, renovation, and improvement projects developed by the Commissioner of Education. A legislative committee reviews the priority list before it is submitted to the governor and the General Assembly.

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

**Maine**

Maine's state aid for school facilities has four components. The Major Capital School Construction Program provides state subsidies for debt service costs incurred by local school districts in issuing bonds. The School Facilities/Transportation Team reviews applications and conducts a site visit to each applicant's school district. Following the site visit, the team rates each potential project based on building conditions, number of students affected, and building use. Projects are placed on a priority list, and the State Board of Education funds as many projects from the list as available debt limit funds permit. The School Revolving Renovation Fund is a resource for problems at existing school facilities. School systems can apply for an interest-free loan for up to \$1 million with a partial forgiveness of 30 to 70 percent for the principal part of the loan. Health and safety projects, including repairing a roof, bringing a school building into compliance with the ADA, improving air quality, and removing asbestos, receive first priority status. After the fund exceeds \$75 million, loans may be provided for other projects with approval of the Commissioner of Education. Loans from the fund are subject to time limits for repayment: loans of \$500,000 or less are due within five years, and loans of \$500,001 to \$1 million are due within 10 years. The state subsidizes temporary leased space to relieve

overcrowding under the Leased Space Program, which is part of general purpose aid to each school system. The Facilities Maintenance and Capital Asset Management Program is a financial and technical assistance program that receives money from the school revolving renovation fund for a web-based facilities database. Financing for school construction is available from General revenue fund appropriations.

### **Massachusetts**

In 2004, the Legislature created the Massachusetts School Building Authority to replace the former school building assistance program administered by the Department of Education. The Massachusetts School Building Authority is a quasi-independent government authority created to reform the process of funding capital improvement projects in Massachusetts' public schools. The Massachusetts School Building Authority issues bonds that have a dedicated revenue stream of 1% of the State's 6.25% sales tax. This 1% generates over \$700 million per year.

### **Rhode Island**

Rhode Island uses a "Funding Formula for Aid to Education" to allocate state funds to local school districts. Districts may apply for allocation of funds for specific purposes, such as school construction. A capital project supported by general obligation bonds, capital leases or capital reserve funds must go through a needs test at the state level to qualify for aid. If the project qualifies, the state reimburses the district for a portion of the cost of the project (minimum of at least 40% share) and capital debt services based on district wealth. As of 2011, the Legislature imposed a three-year moratorium on school construction aid in Rhode Island, except for projects required for health and safety reasons.

### **Alternative Financing Methods**

Some states are exploring alternative financing methods for school construction. For example, in Colorado, 15% of the state's sales and excise tax on recreational marijuana is dedicated to school construction.