

# Overview of State Aid for School Construction Projects

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# School Construction Aid Program: Preliminary Application

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- ▶ Program governed by 16 V.S.A. Chapter 123 and State Board rules.
- ▶ Preliminary Application: A district or independent school intending to construct or purchase a new school or make extensive additions or alterations to its existing school can submit for approval a preliminary application to the Secretary of Education for construction aid.
  - ▶ The award is limited in use to eligible project costs, as set forth in 16 V.S.A. § 3448.



# School Construction Aid Program: Priorities

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## ▶ **Priorities:**

- ▶ Following approval by the Secretary and a vote by a district to fund or authorize bonds for the total estimated cost of the project, the State Board places the school on a priority list.
- ▶ Priorities are based on a need-based point system, as set forth in 16 V.S.A. 3448(a)(2)(A).

## ▶ **Priority List:**

- ▶ First priority - emergency projects over \$100,000.
  - ▶ Second priority - projects addressing deterioration of a building or equipment over \$10,000.
  - ▶ Remaining priorities - based on point system.
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# School Construction Aid Program: Final Approval

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## ▶ Legislative Appropriation:

- ▶ By January 15 each year, the State Board submits a funding request to the House Committee on Corrections and Institutions and the Senate Committee on Institutions.
- ▶ The Committees recommend a total school construction appropriation to the General Assembly (to be included in the capital bill).

## ▶ Final Approval:

- ▶ Schools are not permitted to begin construction until they receive final Board approval, unless advance approval by the Secretary is provided for good cause.
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# School Construction Aid Program: Award Amounts

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- ▶ For the majority of projects = 30 percent of the approved cost of the project.
- ▶ For renewable energy projects = 75 percent of the approved cost of those elements of the project specifically related to the renewable fuel source being used.
- ▶ For consolidation projects = 50 percent of the approved cost of a project or applicable portion of a project (if preliminary approval received by June 30, 2013).
- ▶ For career technical centers = 50 percent of the approved cost of the project.



# School Construction Aid Program: Refund Upon Sale Provision

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- ▶ **Repayment obligation (16 V.S.A. 3448(b):**
  - ▶ Upon the sale of a school building, a school district is required to refund to the State a percentage of the sale price of the building that is equal to the percentage of construction aid received., provided that the refunded amount shall not more than the amount of the aid received.
- ▶ **2016 Acts and Resolves No. 93 repealed the refund upon sale requirement until July 1, 2010.**



# Suspension of State Aid for School Construction

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- ▶ In 2007 Acts and Resolves No. 52, Sec. 36, the General Assembly suspended State aid for school construction.
    - ▶ No State aid was authorized for school construction except for emergency aid and certain consolidation projects.
    - ▶ During the suspension period, it was the intent of the General Assembly to use the time to develop a plan for State aid to school construction (based on recommendations by the Secretary of Education and the Commissioner of Finance and Management).
  - ▶ In 2008 Acts and Resolves, No. 45 the suspension was extended and additional terms for school construction projects were outlined.
    - ▶ A school district paying for the cost of a school construction project could request that the Secretary of Education review the project as a preliminary application.
    - ▶ Preliminary approval was to be used solely to calculate whether the district had exceeded the spending threshold (and not for the purpose of receiving State aid).
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# Suspension of State Aid for School Construction

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- ▶ Under the 2009 Acts and Resolves No. 54, Sec. 22, the suspension was extended a third time.
  - ▶ The General Assembly clarified that the preliminary approval process could also be used to enable a district to proceed with projects using other funds besides State aid.
- ▶ Under the 2011 Acts and Resolves No. 40, Sec. 43, the Agency of Education was required to provide a report on the costs of lifting the suspension. The Agency was directed to consider:
  - ▶ the demand for new projects;
  - ▶ how other states fund school construction;
  - ▶ new funding formulas; and
  - ▶ a recommendation about when the moratorium should be lifted.





# Suspension of State Aid for School Construction

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- ▶ In 2013 Acts and Resolves No. 5, the General Assembly declared its intent to maintain the suspension on State aid for school construction and honor its obligation by FY2016 to pay for projects for which state aid had been committed prior to the suspension.
- ▶ In 2016 Acts and Resolves No. 160, the State completed payment on all awards for past school construction projects.



# Funding of School Construction

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- ▶ Prior to 2007, the General Assembly had been spending approximately 20 percent of the total capital funds available (about \$10 million per year) on school construction and had also appropriated one-time General Fund revenues to help pay down State obligations.
- ▶ In FY 2008, the Joint Fiscal Office and the Office of Legislative Council issued a report revising the State's obligation to \$74 million to account for the suspension of State aid and the fact that no new projects would be approved under the program, except for certain emergency projects and consolidation projects.
- ▶ Since FY 2008 the State has received capital funds ranging between approximately \$7-\$10 million each year to repay its obligations under the school construction aid program. With the FY2016 capital budget of \$4 million, the State's total obligation is repaid.



# Some History of State Aid

VERMONT AGENCY OF EDUCATION						10/15/12	C. Hilgendorf		
Master list of state obligations for school construction aid with potential two-year payoff. Assumes one new major consolidation project.									
Town	priority of fiscal year	School	Type of Project	Estimated Total State Aid for Project	State aid paid through fy13	State Obligation Outstanding, as of 10/15/12:	Request for FY14	Request for FY15	Partial balance remaining FY16
			Emergency- Unanticipated, Imminent Health/Safety Threat				185,000	80,000	
			Asset renewal Projects - Voter-approved Before Suspension:				198,516	0	
			Emergency Shelter / Transfer switch, per 16 VSA §3453a.				13,172	12,000	
			Allowance for bonding assessment (approx. one percent):				68,000	104,000	
Springfield	08	Elm Hill Elementary School	Addition / Renovation	3,657,238	3,075,363	581,875	290,938	290,938	0
Springfield	08	Union Elementary School	Addition / Renovation	3,520,350	2,957,703	562,647	281,324	281,324	0
Weathersfield	08	Weathersfield Elementary and Middle School	Consolidation	4,284,558	3,579,749	704,809	352,405	352,405	0
Newport Town	09	Newport Town School	Addition / Renovation	280,172	236,505	43,667	21,834	21,834	0
Starksboro	09	Robinson School	Renovation	404,984	338,598	66,386	33,193	33,193	0
			<b>Subtotal:</b>			<b>1,959,384</b>	<b>1,444,380</b>	<b>1,175,692</b>	<b>0</b>
Essex Town	07	Center For Technology	Addition / Renovation	3,060,525	2,712,732	347,793	173,897	173,897	0
Hyde Park	08	Green Mtn Technology and Career Center	Addition / Renovation	6,347,349	5,751,129	596,220	298,110	298,110	0
Newport	08	North Country Career Center	Addition / Renovation	14,385,609	12,121,954	2,263,655	1,131,828	1,131,828	0
			<b>Subtotal Technical Education Center Projects:</b>			<b>3,207,668</b>	<b>1,603,834</b>	<b>1,603,834</b>	<b>0</b>
Hyde Park	07	Green Mtn Technology and Career Center	Wood Chip Heating System	1,063,947	414,167	649,780	324,890	324,890	0
Burlington	08	Burlington High School	Wood Chip Heating System	1,866,852	1,852,046	14,806	7,403	7,403	0
Bristol	08	Mt Abraham UHS	Wood Chip Heating System	1,368,068	1,225,304	142,764	71,382	71,382	0
Bennington	08	Mt Anthony UHS	Wood Chip Heating System	1,776,568	1,446,564	330,003	165,002	165,002	0
Jericho	08	Brown's River Middle School	Wood Chip Heating System	64,685	25,129	39,556	19,778	19,778	0
Weathersfield	08	Weathersfield Elementary and Middle School	Wood Chip Heating System	580,717	225,600	355,117	177,559	177,559	0
Whitingham	09	Whitingham Elementary School	Wood Chip Heating System	929,120	360,950	568,170	284,085	284,085	0
Darville	09	Darville School	Wood Chip Heating System	990,845	384,929	605,916	302,958	302,958	0
Derby	09	North Country Union Middle School	Wood Chip Heating System	1,035,543	402,294	633,249	316,625	316,625	0
Norwich	09	Marion Cross School	Solar hot water heating system	22,301	8,664	13,637	6,819	6,819	0
Plainfield	09	Twinfield Union School	Wood Pellet System	63,000	24,475	38,525	19,263	19,263	0
Cabot	09	Cabot School	Wood Chip Heating System	789,184	306,587	482,597	241,299	241,299	0
Richford	09	Richford High School	Wood Chip Heating System	986,023	383,056	602,967	301,484	301,484	0
Duxbury	10	Hanwood UHS	Wood Chip Heating System	1,184,162	460,030	724,132	362,066	362,066	0
Swanton	10	Missisquoi Valley UHS	Wood Chip Heating System	1,077,205	418,479	658,726	329,363	329,363	0
Springfield	11	Elm Hill Elementary School	Wood Pellet System	217,192	84,376	132,816	66,408	66,408	0
Milton	11	Milton High School	Wood Chip Heating System	1,079,354	419,314	660,040	330,020	330,020	0
Milton	11	Milton Elementary School	Wood Chip Heating System	1,079,354	419,314	660,040	330,020	330,020	0
			<b>Subtotal renewable energy projects:</b>			<b>7,312,841</b>	<b>3,656,420</b>	<b>3,656,420</b>	<b>0</b>
Whitingham	2013	Deerfield Valley Elem. School **	Consolidation Project	2,000,000	0	0	0	1,000,000	1,000,000
Wilmington	2013	Twin Valley Middle / High School **	Consolidation Project	5,951,000	0	0	0	2,975,500	2,975,500
			<b>Total:</b>			<b>12,479,893</b>	<b>6,704,634</b>	<b>10,411,446</b>	<b>3,975,500</b>

\*\* The Deerfield Valley Elementary School Project is expected to be presented to the State Board for final approval Dec. 2012. The Twin Valley MS/HS is expected to be ready for SB consideration in spring 2013. The two schools will be the result of the consolidation of what is currently two elementary schools, a middle school, and a high school, at three sites.

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# Estimate of Needs (2014)

Ball-Park Estimates - 10-Year VT Public School Facility Construction and Renovation Needs - informal survey Feb. 2014										
Hilgendorf, VT AOE, 2/13/14 4pm										
		TOTAL	Roof	Envelope	Energy	Systems	Program Space	Security	Abatement	Other Major Renovations
S001	Addison Northeast S.U.	-								
S002	Addison Northwest S.U.	-								
S003	Addison Central S.U.	7,330,000		86,000	4,000,000	844,000	800,000	250,000	150,000	1,200,000
S004	Addison - Rutland S.U.	3,650,000	450,000			200,000				3,000,000
S005	Southwest Vermont S.U.	-								
S006	Bennington - Rutland S.U.	-								
S007	Colchester S.D.	-								
S008	Caledonia North S.U.	-								
S009	Caledonia Central S.U.	-								
S010	Milton S.D.	-								
S011	St.Johnsbury S.D.	-								
S012	Chittenden East S.U.	-								
S013	Chittenden Central S.U.	4,115,600	1,413,400	496,500	-	199,300	1,250,000	446,400	-	310,000
S014	Chittenden South S.U.	-								
S015	Burlington S.D.	31,257,319	4,645,252	7,170,837	4,319,133	14,972,097		150,000		
S016	South Burlington S.D.	3,882,708	871,075	407,000				80,000		
S017	Winooski S.D.	12,760,000				12,500,000	250,000	10,000		
S018	Essex - Caledonia S.U.	-								
S019	Essex North S.U.	-								
S020	Franklin Northeast S.U.	250,000	-	-	-	250,000				
S021	Franklin Northwest S.U.	-								
S022	Franklin West S.U.	-								
S023	Franklin Central S.U.	4,700,000	250,000			500,000		300,000	150,000	3,500,000
S024	Grand Isle S.U.	1,702,500		825,000	35,000	825,000		17,500		
S025	Lamoille North S.U.	12,180,740	277,400	100,000	547,955	450,000		94,000		10,711,385
S026	Lamoille South S.U.	1,320,000	60,000	100,000	250,000	350,000	250,000	150,000	160,000	
S027	Orange East S.U.	-								
S028	Orange Southwest S.U.	-								
S029	Orange North S.U.	530,000	75,000					100,000		355,000
S030	Orange - Windsor S.U.	-								
S031	North Country S.U.	-								
S032	Washington Central S.U.	-								
S033	Rutland South S.U.	1,875,000	405,000	1,175,000	250,000	45,000				
S034	Orleans Central S.U.	1,176,500	910,000	54,000		100,000		57,500	55,000	
S035	Orleans Southwest S.U.	8,640,000	1,210,000	825,000		1,280,000	5,000,000	300,000	25,000	
S036	Rutland Northeast S.U.	-								
S037	Rutland Central S.U.	1,700,000	350,000			1,350,000				
S038	Rutland Southwest S.U.	-								
S040	Rutland City S.D.	11,983,500	1,070,000	807,000	5,500,000	2,838,000	1,132,000	288,500	25,000	323,000
S041	Washington Northeast S.U.	-								
S042	Washington West S.U.	-								
S043	Washington South S.U.	-								
S045	Montpelier S.D.	-								
S046	Windham Central S.U.	-								
S047	Windham Northeast S.U.	-								
S048	Windham Southeast S.U.	-								
S049	Windham Southwest S.U.	-								
S050	Windsor Northwest S.U.	-								
S051	Windsor Central S.U.	-								
S052	Windsor Southeast S.U.	-								
S054	Hartford S.D.	-								
S055	Dresden Interstate S.D.	-								
S056	Springfield S.D.	-								
S057	Blue Mountain Union S.D.	-								
S059	Essex Town S.D.	-								
S060	Battenkill Valley S.U.	-								
S061	Barre S.U.	5,343,500	1,825,000	127,500	68,000	1,023,000	2,000,000	100,000	-	200,000
S063	Two Rivers S.U.	-								
S064	Rivendell Interstate S.D.	790,000	300,000	75,000	30,000	185,000	-	100,000	-	100,000
	Stawide Total	115,187,367	14,112,127	12,248,837	15,000,088	40,436,030	10,682,000	2,443,985	565,000	19,699,385

# School Construction Report

2001 Report by JFO, LC, Dept. of Ed and Finance & Management

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- ▶ The annual state obligation for school construction expenditures exceeds the amount of capital bill funding that is projected to be available for this use.
- ▶ Current state law reimburses a fixed 30% of allowable costs. Some towns express concerns over adequacy of funding.
- ▶ National trends create opportunities and issues for Vermont; federal funds and equity related court cases.
- ▶ There is no readily available source of funds for long-term school construction needs

<http://www.leg.state.vt.us/jfo/archives/education/School%20Construction%2001-2001.pdf>

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# Options for Changing School Construction Aid

2008 study by JFO and LC

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## ▶ 5 major questions

1. Should aid be paid from education fund instead of capital funds? (Pros and cons)
2. Should state consider revising bonding practices – eg 30 year bonding instead of 20, or pay state aid over lifetime of project? (Pros and Cons)
3. Are energy and operating costs reduced as result of energy performance contracts? What are potential alternative aid systems for energy savings? (complicated)
4. What is fair % for state to pay for biomass projects? (perhaps 50%-75%)
5. How do other states fund school construction aid?

<http://www.leg.state.vt.us/jfo/reports/2008-01%20State%20Aid%20for%20School%20Construction.pdf>

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# Impact of Lifting Moratorium and Recommendations for Moving Forward

## 2012 Report by Department of Education

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### ► Recommendations:

1. Moratorium remain at least through FY15
2. If/when a state level separate funding mechanism is reestablished, such funds should be part of the education fund, not part of long term state debt
3. Incentives to consolidate school facilities should remain in place
4. State involvement in project approval and quality control should be restored

<http://legislature.vermont.gov/assets/Documents/2014/WorkGroups/School%20Construction/Background%20Information/W~Rebecca%20Wasserman~2012%20Report%20per%20Act%2040%20of%202011~1-31-2014.pdf>

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