

History of State Aid for School Construction Projects

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School Construction Aid Program: Preliminary Application

- ▶ 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 submitted an approval a preliminary application to the Secretary of Education for construction aid.
- ▶ Secretary considered several factors about the project and the needs the project addressed when determining whether to approve.

School Construction Aid Program: Priorities

- ▶ **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 placed the school on a priority list.
 - ▶ Priorities were based on a need-based point system, as set forth in 16 V.S.A. 3448(a)(2)(A).

- ▶ **List of priorities:**
 - ▶ First priority - emergency projects over \$100,000.
 - ▶ Second priority - projects addressing deterioration of a building or equipment over \$10,000.
 - ▶ Remaining priorities – need-based point system.

School Construction Aid Program: Final Approval

▶ Legislative Appropriation:

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

▶ Final Approval:

- ▶ Schools not permitted to begin construction until they received final Board approval, unless advance approval by the Secretary provided for good cause.

School Construction Aid Program: Award Amounts

Award was limited in use to eligible project costs (set by statute and State Board rules)

- ▶ 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

- ▶ **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, 2020.

Suspension of State Aid for School Construction

- ▶ 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).

Suspension of State Aid for School Construction

- ▶ 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

- ▶ 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

- ▶ 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 was repaid.
- ▶ Despite the moratorium, appropriations for emergency aid have continued at approximately \$50,000 per year.

School Construction Report

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

- ▶ 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>

Options for Changing School Construction Aid

2008 study by JFO and LC

► 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>

Impact of Lifting Moratorium and Recommendations for Moving Forward

2012 Report by Department of Education

► 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>

School Planning Grants

- ▶ In 2018 Acts and Resolves, No. 190, the General Assembly authorized the Secretary of Education to accept applications for planning grants for capital construction that would result in the consolidation of student populations and the closure of at least one building.
- ▶ No funds were appropriated in FY 2019 to support planning grants.

Act 72, 2021 - Addressing the Needs and Conditions of Public School Facilities in the State

- ▶ Directed AOE to update school construction facilities standards by January 15, 2023.
- ▶ Directed State Board of Education to update and adopt new rule on Capital Outlay Financing Formula by January 15, 2023.
- ▶ Directed AOE to contract for a statewide school facilities inventory and conditions assessment (assessment to be completed January 15, 2022 and inventory October 15, 2022)
- ▶ Directed AOE to submit a school construction funding report by January 15, 2023