

# **School Construction Aid Taskforce Report**

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# Act 78- Requirements of Taskforce

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- the needs, both programmatic and health and safety, of statewide school construction projects;
- funding options for a statewide school construction program, including any incentive plans;
- a governance structure for the oversight and management of a school construction aid program;
- the appropriate state action level for response to polychlorinated biphenyl contamination in a school; and
- criteria for prioritizing school construction funding.

# Taskforce Membership

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- Mike Pieciak, State Treasurer, Co-Chair
- Heather Bouchey, Interim Secretary of Education, Co-Chair
- Chris Taylor, Representative
- Peter Conlon, Representative
- David Weeks, Senator
- Martine Gulick, Senator
- Jeff Fannon, Vermont National Education Association (VT-NEA)
- Chris Young, Vermont Principals' Association (VPA) Designee
- Jeff Francis, Vermont Superintendents Association
- Michael Gaughan, Vermont Bond Bank
- Bruce MacIntire, Vermont School Custodians and Maintenance Association
- David Epstein, Gubernatorial Appointee
- Jon Wilkinson, Gubernatorial Appointee
- Eric Lafayette, Gubernatorial Appointee
- Ben Doyle, Gubernatorial Appointee
- Sue Ceglowski, Vermont School Boards Association

# Summary of Taskforce Work

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- July flooding delayed first meeting until August 28.
- Met 8 times as a full group; established working group to draft report.
- Presentations on topics including:
  - School Facilities Assessment (AOE);
  - The Vermont Bond Bank, the State Treasurer's Office, and the Joint Fiscal Office on the state of Vermont education funding and municipal bonding;
  - School construction programs in other states (AOE);
  - USDA Rural Development on the Winooski project and opportunities for other school districts;
  - Public Resources Advisory Group (State's financial advisor) on financing scenario modeling;
  - Milton School officials on the status of their school building (including a physical tour);
  - The Department of Environmental Conservation and the Department of Health on Vermont's School PCB testing program; and
  - A panel of superintendents on the challenges districts face navigating the State's School PCB Testing program.

# Background

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- Prior School Construction Aid Program suspended in 2007
  - school budgets in general prioritized student learning and the human resources needed to support those efforts over facilities stewardship and other capital investments
- Act 72 of 2021 outlined critical steps to assess current state (facilities assessment), identify and support quality systems (standards) → aiming towards restart of school construction aid
- COVID, July 2023 flooding and other extreme weather events highlight the criticality of schools as community resources
- Mounting evidence suggests that student outcomes improved by safe, healthy and modernized educational environments

# Framework for Recommendations

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# Vermont Educational Priorities

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- “All Vermont children will be afforded educational opportunities that are substantially equal in quality.”
- Acts 60 and 68: equitable access to education funding (Act 127 a refinement of this goal)
- Act 46
  1. Provide substantial equity in the quality and variety of educational opportunities statewide;
  2. Lead students to achieve or exceed the State’s Education Quality Standards, adopted as rules by the State Board of Education at the direction of the General Assembly;
  3. Maximize operational efficiencies through increased flexibility to manage, share, and transfer resources, with a goal of increasing the district-level ratio of students to full-time equivalent staff;
  4. Promote transparency and accountability; and
  5. Are delivered at a cost that parents, voters, and taxpayers value

# Vermont Educational Priorities (cont)

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- Act 77 (Flexible Pathways): expand access to high quality educational programming
- Act 67: Community Schools grant program
- District Quality Standards (Act 127 and 16 V.S.A. § 165) combines elements of Act 72 and Act 29 to define and measure quality in school systems, including facilities



# Key Foundations

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- Capacity to bond is inconsistent across the state and while not absolutely tied to community resources/capacity, there is a correlation between bond passage and economic resources.
- The future is now: school facilities are in need of improvement and waiting will only exacerbate the issues of deferred maintenance.
- Bold and flexible thinking is needed: the cost to replace all 384 school buildings is beyond our small state's resources. A multitude of construction approaches and financing schemes are necessary
- Funding for schools should align with existing educational priorities (outlined in previous slides).
- Doing nothing is not an option if we want to support equitable access to high quality education.

“An effective school construction aid program should act as a policy lever so that the state can ensure that smart decisions are made about how money is being spent.”

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# Recommendations of Taskforce

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# General Recommendations

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A school construction aid program should:

1. be centered on the efficient use of public funds to modernize school infrastructure in alignment with current educational models;
2. use the levers of eligibility, prioritization criteria and the assurance/certification process to drive funding towards projects that are aligned to the educational priorities of the state; and
3. include access to funding for CTE centers;

# General Recommendations (cont)

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As the Legislature contemplates a future school construction aid program, they should:

- 1) engage in an in-depth planning process that results in a clearly articulated school construction aid program prior to the commencement of awarding funds to schools (see Final Recommendations); and
- 2) prioritize decisions that, as much as possible, enshrine the continuity of financial and technical resources in law, to ensure that school districts can engage in meaningful planning processes that result in successful projects.

# Specific Recommendations

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1. Programmatic and Health and Safety Needs
2. Funding/Financing Options
3. Governance
4. School PCB Program
5. Prioritization Criteria

# 1. Programmatic and Health and Safety Needs

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- The taskforce utilized the results of the comprehensive school facilities assessment to identify current programmatic and health and safety needs.
- Some districts have also undertaken a more detailed assessment as part of capital improvement planning.
- The Master Planning process is an essential component work to determine the specific programmatic, health and safety needs prior to any construction project. At minimum this planning process should include: the district vision statement, educational needs, enrollment projections, and a clear understanding of the condition of school facilities

# Facilities Assessment Overview

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- The facilities assessment identified:
  - \$228,613,264 in immediate needs. These are failed systems or issues of health, safety or security that should be addressed now;
  - \$341,424,888 in Short Term (1-2 year) needs;
  - \$904,680,288 in Near Term (3-5 year) needs;
  - \$1,426,800,696 in Medium Term (6-10 year) needs; and
  - \$3,450,805,816 in Long Term (10-20 year) needs;
  - \$6,352,324,952 in Total needs over a 21 year time period, with an average need of \$300 million annually to maintain the existing portfolio of buildings.



# Facilities Assessment: Immediate Needs

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Although Immediate Needs spanned across every system category, the top five systems as a percentage of Total Cost for the Immediate Needs are:

- Interiors at 29% (\$67,083,264)
- Roofing at 14% (\$33,066,032)
- HVAC at 10% (\$23,245,008)
- Site Pavement at 9% (\$21,053,768)
- Building Façade at 9% (\$21,204,568)

\* Fire Alarm Systems and Fire Suppression Systems each contribute 5% of overall costs, but are a significant safety issue that could have operational impacts

# Educational Capacity & Programming

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Self-reported STEAM/STEM analysis part of statewide Facilities Assessment

- over 70% of schools have adequate classroom spaces based on their current and near term projected enrollments; but
- half of all schools reported that they lack adequate space to provide the education programming they would like to offer; and
- more than half do not have adequate or appropriate space to provide one on one services that meet standard of HIPPA or FERPA.

These results speak to a key recommendation of the taskforce: **it is not enough to simply repair existing buildings.** State investment should be directed towards projects that will improve student learning.

# 2. Funding/Financing Options

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- State Debt Management Process
- Rhode Island Model/State Subsidy for Debt Service Payments
  - 6 Example Chart
  - \$100M in Perpetuity Chart
- Need for Additional Revenues
- Other Policy Considerations for State Aid

# State Debt Management Process

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- The State Treasurer's Office is statutorily charged with managing the State's bonds and debt obligations.
- Vermont is currently tied with Massachusetts for highest bond ratings in New England.
- Role of Capital Debt Affordability Advisory Committee and Debt Metrics Ratios
- For the FY24-25 biennium, CDAAC recommended a debt authorization of \$108,000,000 (or \$54,000,000 per year). Represents a 12% reduction from prior biennium and a reduction of 37% over the past decade.

# Rhode Island Model/State Subsidy for Debt Service Payments

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- RIHEBC issues bonds on behalf of cities and towns for school construction, State pays a subsidy amount (which varies based on a scoring system) for the bond debt service.
  - Provides for a strong credit rating.
  - Bonds issued through the program are not considered to be State net tax supported debt.
  - Pooling of bonds achieves scale and reduces costs.
- RI also issued \$500M of G.O. bonds to provide "pay-as-you-go" funding to school districts. **The Task Force is not recommending this aspect of the program for Vermont.**

# Debt Service Subsidy Models for School Construction Aid

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Please Note:

The models on the following slides are meant to be demonstrative of the order of magnitude of project costs that varying amounts of annual State subsidy commitment could support, as a starting point, for continuing policy discussions around the scale and scope of a new State School Construction Aid Program.

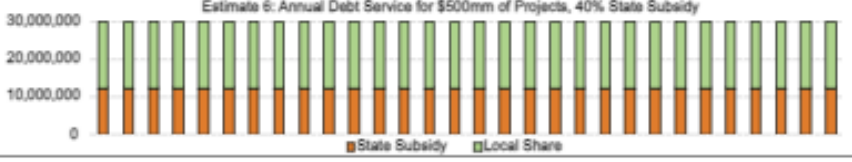
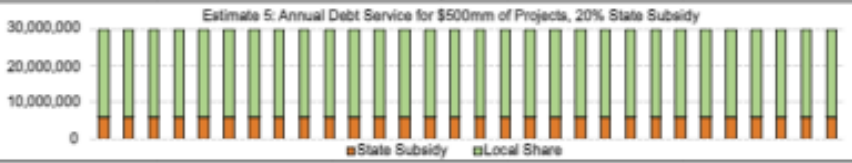
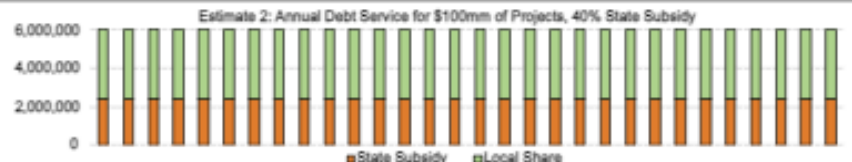
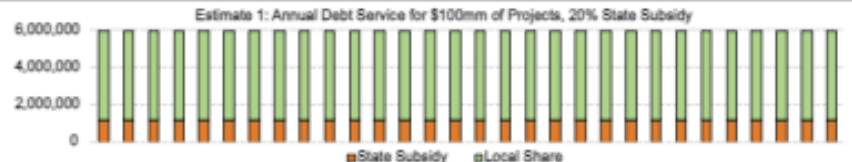
The total project funds contemplated do not reflect a recommendation from the Task Force as to the scale of a future program, but rather were chosen for mathematical ease of reference to facilitate program development.

**State Subsidy Estimates**

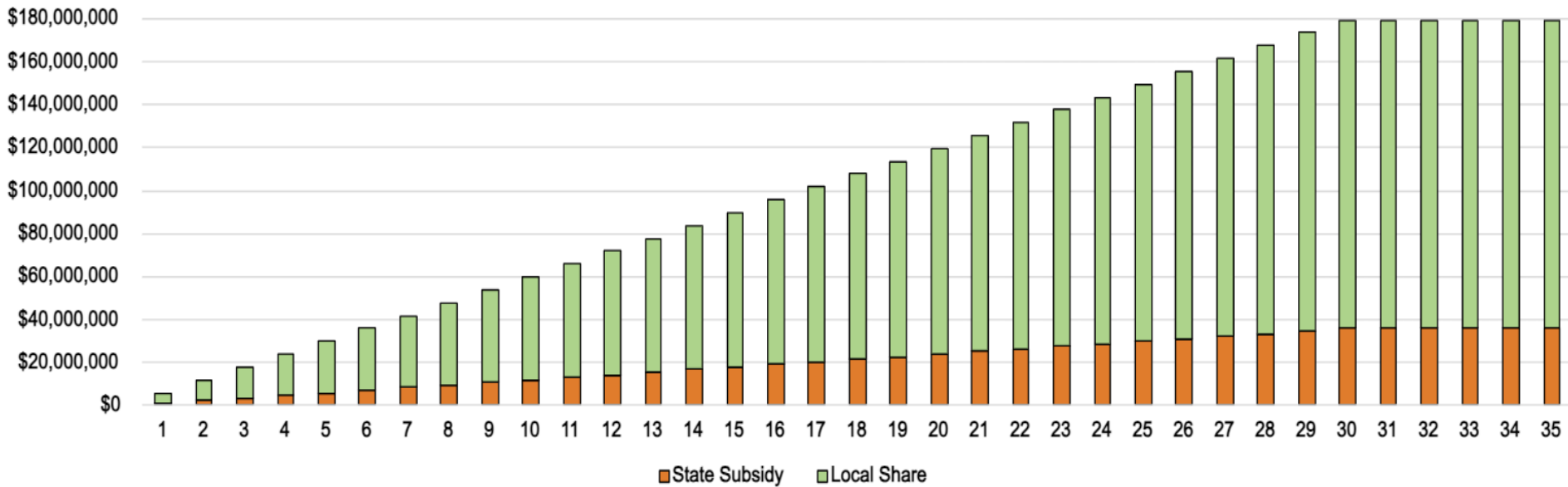
| Estimate #       | 1             | 2             | 3             | 4             | 5             | 6             |
|------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Project Funds    | \$100,000,000 | \$100,000,000 | \$250,000,000 | \$250,000,000 | \$500,000,000 | \$500,000,000 |
| Total Subsidy    | \$35,920,893  | \$71,841,788  | \$89,803,608  | \$179,607,216 | \$179,606,666 | \$359,213,332 |
| Avg Subsidy/Year | \$1,088,512   | \$2,177,024   | \$2,721,321   | \$5,442,643   | \$5,442,628   | \$10,885,252  |
| Subsidy Pct      | 20%           | 40%           | 20%           | 40%           | 20%           | 40%           |

**Annual State Subsidy Amount for Each Estimate**

| Year         | 1                   | 2                   | 3                   | 4                    | 5                    | 6                    |
|--------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| 2025         | \$1,198,893         | \$2,393,788         | \$2,993,758         | \$5,987,516          | \$5,985,466          | \$11,970,932         |
| 2026         | 1,197,500           | 2,395,000           | 2,993,200           | 5,986,400            | 5,987,450            | 11,974,900           |
| 2027         | 1,198,950           | 2,393,900           | 2,993,850           | 5,987,700            | 5,986,700            | 11,973,400           |
| 2028         | 1,197,700           | 2,395,400           | 2,993,650           | 5,987,300            | 5,987,350            | 11,974,700           |
| 2029         | 1,197,650           | 2,395,300           | 2,993,550           | 5,987,100            | 5,987,150            | 11,974,300           |
| 2030         | 1,197,800           | 2,395,600           | 2,993,450           | 5,986,900            | 5,986,950            | 11,973,900           |
| 2031         | 1,197,100           | 2,394,200           | 2,993,250           | 5,986,500            | 5,986,550            | 11,973,100           |
| 2032         | 1,197,550           | 2,395,100           | 2,993,850           | 5,987,700            | 5,986,750            | 11,973,500           |
| 2033         | 1,197,050           | 2,394,100           | 2,993,100           | 5,986,200            | 5,987,300            | 11,974,600           |
| 2034         | 1,197,600           | 2,395,200           | 2,992,950           | 5,986,900            | 5,986,950            | 11,973,900           |
| 2035         | 1,197,100           | 2,394,200           | 2,993,250           | 5,986,500            | 5,986,500            | 11,973,000           |
| 2036         | 1,197,550           | 2,395,100           | 2,993,850           | 5,987,700            | 5,986,700            | 11,973,400           |
| 2037         | 1,197,850           | 2,395,700           | 2,993,600           | 5,987,200            | 5,987,250            | 11,974,500           |
| 2038         | 1,198,950           | 2,393,900           | 2,993,400           | 5,986,800            | 5,986,850            | 11,973,700           |
| 2039         | 1,197,850           | 2,395,700           | 2,993,100           | 5,986,200            | 5,987,250            | 11,974,500           |
| 2040         | 1,197,400           | 2,394,800           | 2,993,550           | 5,987,100            | 5,987,100            | 11,974,200           |
| 2041         | 1,197,600           | 2,395,200           | 2,993,550           | 5,987,100            | 5,987,100            | 11,974,200           |
| 2042         | 1,197,350           | 2,394,700           | 2,992,950           | 5,986,900            | 5,986,900            | 11,973,800           |
| 2043         | 1,197,600           | 2,395,200           | 2,993,600           | 5,987,200            | 5,987,150            | 11,974,300           |
| 2044         | 1,197,250           | 2,394,500           | 2,993,250           | 5,986,500            | 5,986,450            | 11,972,900           |
| 2045         | 1,197,250           | 2,394,500           | 2,993,750           | 5,987,500            | 5,986,450            | 11,972,900           |
| 2046         | 1,197,500           | 2,395,000           | 2,993,850           | 5,987,700            | 5,986,700            | 11,973,400           |
| 2047         | 1,198,900           | 2,393,800           | 2,993,350           | 5,986,700            | 5,986,750            | 11,973,500           |
| 2048         | 1,197,400           | 2,394,800           | 2,993,050           | 5,986,100            | 5,987,150            | 11,974,300           |
| 2049         | 1,197,850           | 2,395,700           | 2,993,700           | 5,987,400            | 5,987,400            | 11,974,800           |
| 2050         | 1,197,150           | 2,394,300           | 2,993,000           | 5,986,000            | 5,987,000            | 11,974,000           |
| 2051         | 1,197,250           | 2,394,500           | 2,993,750           | 5,987,500            | 5,986,450            | 11,972,900           |
| 2052         | 1,197,000           | 2,394,000           | 2,993,600           | 5,987,200            | 5,987,200            | 11,974,400           |
| 2053         | 1,197,300           | 2,394,600           | 2,993,300           | 5,986,600            | 5,986,600            | 11,973,200           |
| 2054         | 1,197,000           | 2,394,000           | 2,993,550           | 5,987,100            | 5,987,100            | 11,974,200           |
| <b>Total</b> | <b>\$35,920,893</b> | <b>\$71,841,788</b> | <b>\$89,803,608</b> | <b>\$179,607,216</b> | <b>\$179,606,666</b> | <b>\$359,213,332</b> |



Expanded Estimate 1: Annual Debt Service for \$100mm of Projects Per Year, 20% State Subsidy





# Need for Additional Revenues

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- Task Force recommends that both upfront incentives and annual debt service subsidy aid are best served by an ongoing annual funding source.
- Assumed that the State's school construction aid in the form of debt service subsidy will not be paid from Education Fund.
- Task Force recommends that the General Assembly direct the JFO to model options for an ongoing and specific annual revenue source.
- Treasurer's Office should discuss any prospective major fund and revenue sources with rating agencies to ensure that a debt service subsidy will not be interpreted as State net tax-supported debt.

## **Other Policy Considerations for State Aid**

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- Governance framework must come first.
- Capital plan or annual maintenance budget requirement.
- Optimization of other low-cost funding sources when available.

# 3. Governance

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## Key Principles:

- 1) There should be an independent body whose function and authority is identified through law and who is responsible for the awarding of state funds.
- 2) The school construction aid program must have dedicated staff to manage the funding; support districts in the development and successful completion of projects that align with state priorities; and ensure good stewardship of state funds through the maintenance of facilities and budgeting standards as required by the school construction program and other legal mechanisms (e.g. District Quality Standards, Act 72, etc).

# Massachusetts School Building Authority

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- A quasi-independent government authority with authority to award funds through the School Modernization Reconstruction Trust Fund (generated through a percentage of the state's sales and use tax)
- 70 full-time staff members, including 10 director-level positions and inclusive of a group of prequalified engineers and architects with expertise in school construction and knowledge the state school construction program

# Rhode Island School Building Authority

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- Housed within Rhode Island Department of Education with five full time staff
- Tasked with management of program, review of proposals, technical assistance and making recommendations for funding of projects
- \* The Taskforce recommends additional study of these and other state models, and that any governance structure be appropriately staffed with subject matter experts and funded through a stable funding source

# 4. School PCB Program

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- Task force was asked to study and make recommendations for setting required action levels of airborne PCBs when detected in school buildings.
- Devoted a full meeting to this topic, but the members did not believe they were qualified, as a whole, to adjust levels determined by the Vermont Department of Health.
- Acknowledges that the current PCB program disrupts long-range facilities planning due to the uncertainties around testing, timelines and funding.
- Recommends revisiting the program in an effort to better align it with the strategic needs of school facilities and construction planning

# PCBs: Other recommendations

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More broadly the taskforce recommends that:

- the state should approach environmental hazards and contaminants in schools in a comprehensive manner and incorporate distinct, existing programs into a state school construction aid program; and
- any funds that districts or the state recoup through pending PCB litigation, beyond the costs that the state has incurred, be directed towards state school construction aid.

# 5. Prioritization Criteria

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- Use levers of eligibility, prioritization and compliance/assurance to direct funds to projects that align with state priorities
- Eligibility criteria (see full report for a list of suggested eligibility criteria)
- The state's "base" share should include some consideration of student or community poverty and set tier levels based upon an agreed upon metric such as local taxing capacity, student poverty data already collected by the state or federal census or other poverty data.
- The state should use incentives or state share bonuses in its funding structure that align with Vermont's educational priorities to drive the use of taxpayer dollars towards outcomes that will improve student learning environments and opportunities (see full report for a list of suggested state share bonuses).



# Prioritization Criteria (Cont)

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- The state should use the assurance and certification process to ensure that projects are completed to standard and that there is good stewardship of state dollars in the ongoing commitment to maintain building projects funded with state dollars (see the full report for a list of recommended assurances).
- The state should approach environmental hazards and contaminants in a comprehensive manner and incorporate distinct, existing programs into a state school construction aid program, wherever possible.
- The state should consider offering some portion of state funding to districts that begin construction projects in the five years prior to the commencement of the school construction aid program.

# Final Recommendations and Considerations for 2024 Legislative Session

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The prepare the groundwork for a school construction aid program, the Legislature, in 2024, should:

Direct the Joint Fiscal Office to model sources of funding, in addition to local bonding and debt subsidy payments, to support a school construction aid program. The JFO should include in its analysis the identification of a separate source of funding to support full-time staff for the program.

- a) The modeling should also consider how the state or school districts could maximize their state and local funds by leveraging federal funding programs including the [Inflation Reduction Act Tax Credit program for schools](#) to reduce energy costs, or the [USDA Rural Community Development programs](#); and
- b) The modeling should consider whether and/or how other state or federal programs or funding sources could be integrated or coordinated with a school construction aid program to encourage and even incentivize the repurposing of schools as social infrastructure, including housing.

# Final Recommendations

## (cont)

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The taskforce recognizes that many districts do not have the resources (technical or financial) to engage in high-level master planning activities that include community stakeholders. To prepare districts for shovel ready projects the Legislature should create a planning grant program, to last five years, so that districts can complete a master planning process and become eligible for future funding.

- a) In order to encourage the passage of local bonds to fund school construction projects, these master planning grants should include as an eligible cost, the consideration of the adaptive reuse of schools for housing or other social infrastructure.

# Final Recommendations

## (cont)

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Establish a working group to build out a plan for a statewide school construction aid program, to be delivered to the Legislature in January 2025. The working group should:

- a) build from the recommendations made in this report and any additional priorities identified by the Legislature;
- b) review and make recommendations on existing statute and regulation that might be impacted by or better aligned to a future school construction aid program (e.g. Act 154);
- c) identify areas where economizations or efficiencies might be gained (e.g. prequalifying consultants with experience in the planning, renovation and construction of schools or consideration of cost containment strategies like the use of building plan templates for new construction);
- d) align with and result from the fiscal modeling produced by the Joint Fiscal Office.