



AUGENBLICK,
PALAICH AND
ASSOCIATES



Capital Funding

Justin Silverstein, APA

Presentation to the Senate Committee on Education
and the House Committee on Education

Little Rock, Arkansas

October 5, 2020

Presentation Overview

- Examine the types of capital funding programs nationally
- Review the Academic Facilities Partnership Program
- Review the SREB states approach to funding capital
- Review of district survey responses

Approaches to Funding Capital Needs

- All but a handful of states provide some support for capital construction in districts
- The level of support varies widely across states
- There are a few key variables within a state's capital funding system which include:
 - How/if to support districts
 - Determination of need
 - Determination of state level of support

Approaches to Funding Capital Needs: How/If to Support Districts

- **No Support** – states provide no support to districts for capital funding
- **Qualified Projects** – states provide funding for projects that meet state criteria
 - States directly funding specific projects and generally provide a framework for what will be supported/what can be built
- **Support Debt of Districts** – states are not part of designing projects but will support the debt taken on by districts
 - States still prioritize projects
- **Flat Amount** – providing equal amount per student to all districts

Approaches to Funding Capital Needs: Determination of Need

- States generally have limited funding to support capital projects and must determine how to prioritize projects
- Many systems look first to health/safety needs of students
- Some systems take into account the capacity of districts to meet capital needs in the prioritization of projects
- Ranking systems also include enrollment growth of districts, capacity of buildings, the facility condition of each building in the state, or individual needs of districts

Approaches to Funding Capital Needs: Determination of State Level of Support

- **Full Support** – fund all of approved projects for some or all districts
- **Traditional Equalization** – measures local capacity and provides some funding for all districts with a qualifying project
- **Power Equalization** – provides funding only for districts with wealth below a certain level
 - High wealth districts receive no funding
- **Other Calculation of Need**

Capital Funding in SREB States and MA

State	Support for Districts	Determination of Need	State Level of Support
Alabama	Flat Amount	N/A	Distributed based on ADM, adjusted for wealth
Arkansas	Qualified Projects	Varies Based on Year	Wealth Equalized
Delaware	Qualified Projects	Top Priorities are Growth and Safety Needs	Wealth Equalized
Florida	Debt Support and Flat Amount	Square footage and building condition (maintenance), ADM and growth (new construction)	N/A
Georgia	Qualified Projects	Top Priorities are Growth, Damaged Buildings, and Safety Needs	Wealth Equalized
Kentucky	Debt Support and Flat Amount	Based on Unmet Needs of District	Based on Need as Percentage of Available State Funds
Louisiana	N/A	N/A	N/A
Maryland	Qualified Projects	Top Priority: New Construction	District Need, including FRPM Percentage

Capital Funding in SREB States and MA

State	Support for Districts	Determination of Need	State Level of Support
Massachusetts	Qualified Projects	Top priorities include capacity and building condition	District need including Community Income, Property Wealth, and Poverty Factor
Mississippi	Flat Amount	School building projects and buses	Distributed based on ADM
North Carolina	Qualified Projects	New Buildings in High Need Districts	Project Based
Oklahoma	N/A	N/A	N/A
South Carolina	Qualified Projects	Consolidating districts; next priority is shared high school and career technical facilities	Consolidating District Status; and district need as indicated by a poverty index
Tennessee	Flat Funding	N/A	N/A
Texas	Debt Support	N/A	Power Equalized
Virginia	N/A	N/A	N/A
West Virginia	Qualified Projects	Varies by Funding Grant	Matching not Required

Arkansas Capital Funding

- The General Assembly has provided facilities programs, an average of about \$91.8 million annually between FY2005 and FY2020
- Academic Facilities Partnership Program
 - Pays for projects that are part of a district's facilities master plan
 - Projects that meet program requirements are ranked
 - Then available funding is considered to identify the projects that will be funded in a given cycle
 - Districts share project costs based on their Facilities Wealth Index (FWI)
 - This measures the value of one mill of effort for each district
 - FWI are not necessarily correlated with the income wealth of districts, a district may have high property wealth per pupil but low income wealth

Academic Facilities Partnership Program

- Historically, projects fell into four general categories:
 - Warm, Safe, and Dry (Systems or Space Replacement)
 - New Facilities
 - Add-ons and/or Conversions
 - Consolidation/Annexation Projects
- Approved projects were prioritized by area and within each project category, projects were ranked based upon specific criteria unique to that category (FWI, ADM, age of buildings, enrollment growth)
 - The highest ranking projects were more likely to receive funding based upon available funds

Partnership Program: Prioritization of Capital Projects

- Prioritization by type of project had changed over time

Partnership Program Project Categories and Prioritization				
Priority Ranking	2013-15	2015-17	2017-19	2019-21
1st	Warm, Safe and Dry (All Project Types)	Warm, Safe and Dry (Systems Replacement) (up to \$10M annually)	Warm Safe and Dry (Systems Replacement) (up to \$10M annually)	New Facilities, Add-Ons, Conversions (Space)
2nd	New Facilities and Add-Ons	New Facilities, Add-Ons, Conversions (Space)	New Facilities, Add-Ons, Conversions (Space)	Warm, Safe and Dry (Space Replacement)
3rd	Conversions	Warm, Safe and Dry (Space Replacement)	Warm, Safe and Dry (Space Replacement)	Warm, Safe and Dry (Systems Replacement)
4th	Consolidation/Annexation Projects	Consolidation/Annexation Projects	Consolidation/Annexation Projects	Consolidation/Annexation Projects

Partnership Program by Wealth 2019-21

Wealth Quintiles	Total Funding	Percent of Funding	Percent of Student Population
Wealth Q1 (lowest)	\$26,402,539	18%	29%
Wealth Q2	\$40,378,496	28%	20%
Wealth Q3	\$44,337,294	31%	17%
Wealth Q4	\$24,323,655	17%	22%
Wealth Q5 (highest)	\$8,577,140	6%	12%

Partnership Program by Need 2019-21

Free/Reduced Price Lunch Quintiles	Total Funding	Percent of Funding	Percent of Student Population
FRL Q1 (lowest)	\$40,118,920	28%	33%
FRL Q2	\$14,253,992	10%	19%
FRL Q3	\$19,442,771	14%	16%
FRL Q4	\$51,358,564	36%	23%
FRL Q5 (highest)	\$18,844,876	13%	9%

Partnership Program by Setting 2019-21

Setting	Total Funding	Percent of Funding	Percent of Student Population
Rural	\$65,477,168	45%	49%
Urban/Suburban	\$78,541,956	55%	51%

Partnership Program by Size 2019-21

District Size Quintiles	Total Funding	Percent of Funding	Percent of Student Population
Size Q1 (smallest)	\$3,280,780	2%	4%
Size Q2	\$21,190,285	15%	7%
Size Q3	\$8,602,914	6%	10%
Size Q4	\$35,022,691	24%	17%
Size Q5 (largest)	\$75,922,455	53%	62%

Upcoming Changes to Partnership Program

- The legislatively-required Advisory Committee on Public School Academic Facilities made a series of recommendations for changes to the Partnership Program which will be implemented in the 2023-25 funding cycle:
 - Consolidate projects categories into two: Warm, Safe and Dry (WSD) and Space/Growth, that will be equally funded
 - A statewide priority needs list for each category to allow for prioritization to address the disparity of district facility conditions and design adequacy (state-driven facilities plan vs. district-driven)
 - Projects will be ranked in each list based upon a district's revised FWI, facility condition and other factors such as enrollment trends

District Survey Responses: Capacity to Meet Capital Needs

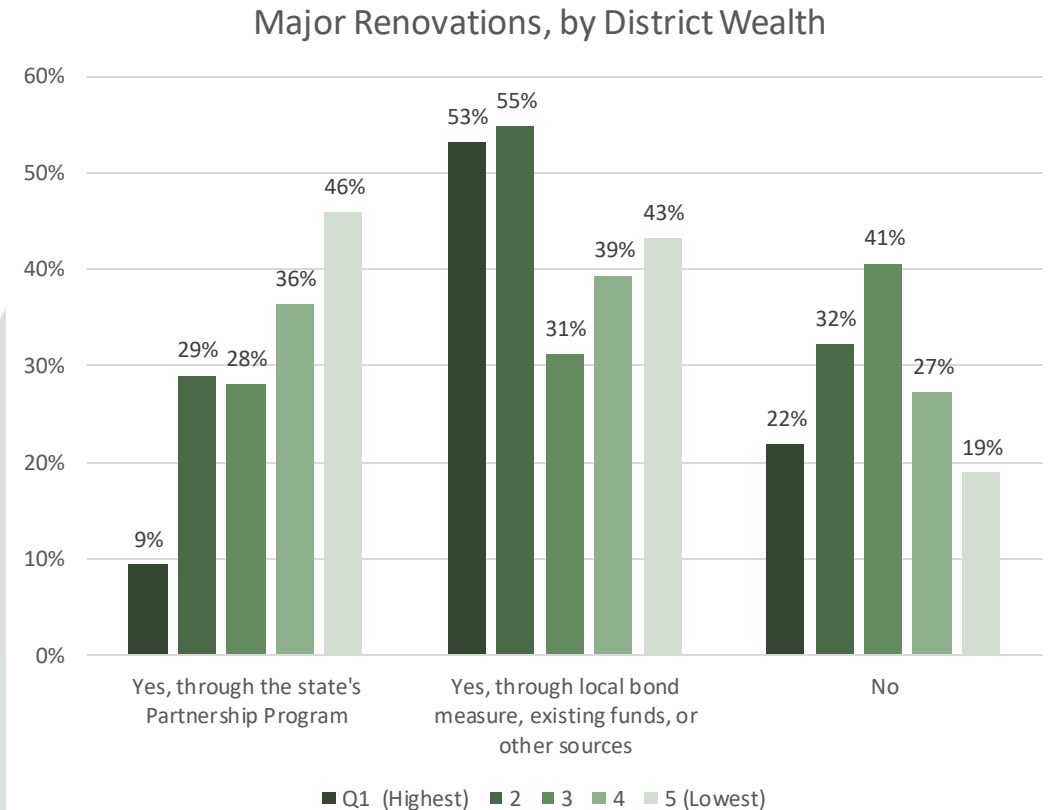
- Does your district or charter system have the capacity to meet your current capital needs?

	Required annual maintenance	Deferred maintenance	System replacement	Major renovations	New construction
Yes, through existing funds	79.01%	51.38%	45.86%	19.89%	11.05%
Yes, through the state's Partnership Program	9.39%	11.05%	25.97%	27.62%	32.60%
Yes, through local bond measure (passed or planned)	16.57%	10.50%	13.26%	25.41%	34.25%
Yes, through other sources	6.08%	6.63%	6.63%	4.42%	4.42%
No	2.76%	15.47%	19.89%	30.39%	28.18%
N/A	1.10%	8.29%	6.63%	6.08%	9.39%

- Districts are more likely to report that they have existing capacity to address maintenance (required and deferred), but less likely to report having capacity to address major renovations or new construction

District Survey Responses: Closer Look at Major Renovations by Wealth

- Lower wealth districts are more likely to report that they have capacity to address their major renovation capital needs through the state's Partnership Program, while wealthier districts were more likely to report they had capacity through a local bond measure, existing funds or other sources
- Middle quartile districts were the most likely to report that they did not have capacity to meet their major renovation capital needs
- A similar pattern is seen for new construction



District Survey Responses: Open Responses

- Is there anything else you would like to share about the capital needs of your district?
 - Districts detailed not being able to afford needed capital projects as their buildings age
 - Many districts noted how crucial Partnership Program funding was for their district's ability to address capital needs
 - However, some districts said they did not qualify for Partnership funding and others said their districts struggle to raise the required match
 - Others noted that the amount of available funding annually is not enough to address the capital needs of all districts
 - Some districts reported issues with carryover limits that hinder their ability to save for capital projects over time



Questions?