



AUGENBLICK,
PALAICH AND
ASSOCIATES



Capital Funding Programs

The study team examined the types of capital programs states use nationally, reviewed how the SREB states fund capital, examined the Academic Facilities Partnership Program, and district survey responses on capital.

Types of Capital Funding Programs Nationally and SREB Programs

There is a wide variation in the type of programs states have set up to fund school capital projects. Some states provide no capital funding. While most states provide some level of support, a few states fully fund approved capital projects. The study team identified three factors to state systems including the types of support provided, how states determine which projects to fund (district need), and the level of support provided.

States can provide support for qualified projects, district bonded indebtedness, or provide a flat amount of funding per student. Many states use a combination of these supports. States that fund qualified projects tend to have more oversight over the design of the projects, with states funding debt having less oversight. States vary in the approach to determining need, though many states consider health and safety as one of the highest priorities in determining which projects to fund. Additionally, states often look to fund high growth communities or communities with low capacity to raise funds. Funding for the projects is often based on either a fully equalized or power equalized approach, both of which require local effort (local match) to receive funding.

The SREB states often fund qualified projects, set health and safety and growth as top priorities, and include some measure of local capacity in determining state support.

Arkansas' Academic Facilities Partnership Program

The General Assembly has provided facilities programs an average of about \$91.8 million annually between FY2005 and FY2020. The program pays for projects that are part of a district's facilities master plan. All projects that meet program requirements are ranked and then available funding is considered to identify the projects that will be funded in any given cycle. Districts share in the cost of projects based on their Facilities Wealth Index (FWI), which 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.

Historically, projects fell into four general categories: Warm, Safe, and Dry (Systems or Space Replacement); New Facilities; Add-ons and/or Conversions; and 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.

The state has changed the priorities across the four categories over time with Warm Safe and Dry systems replacement the top priority in the 2015-17 and 2017-19 cycle, but New Facilities, Add-ons and

Conversions take top priority for 2019-21. Consolidation and Annexation projects have always been the lowest priority and to this point no project in this area has been funded.

The study team examined the funding for the Partnership Program in 2019-21 cycle. The program generally provided more funding for lower wealth districts, with nearly 80% of funds going to the lowest three wealth quintiles in the state. There was very little relationship between student need and funding when student need is measured by free and reduced-price meals percentage. As noted above, there is not a strong correlation between local property wealth per student and student need, which may explain this weak relationship. Fifty-five percent program funding went to urban/suburban settings and the majority of program funding went to the highest size quintile. In both cases, the funding is likely going to larger, faster growing districts.

Funding by Wealth Quintile		
Wealth Quintiles	Total Funding	Percent of Funding
Wealth Q1 (lowest)	\$26,402,539	18.3%
Wealth Q2	\$40,378,496	28.0%
Wealth Q3	\$44,337,294	30.8%
Wealth Q4	\$24,323,655	16.9%
Wealth Q5 (highest)	\$8,577,140	6.0%

Funding by District Size		
District Size	Total Funding	Percent of Funding
Size Q1 (Smallest)	\$3,280,780	2%
Size Q2	\$21,190,285	15%
Size Q3	\$8,602,914	6%
Size Q4	\$35,022,691	24%
Size Q5 (Largest)	\$75,922,455	53%

District/Charter Survey

When asked about the capacity to meet capital needs, districts and charters respondents 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. When asked about ability to meet major renovation needs, 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 wealth districts were the most likely to report that they did not have capacity to meet their major renovation capital needs.

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.