

STATE ASSISTANCE FOR K-12 SCHOOL FACILITY IMPROVEMENTS

A Report Prepared for the
Legislative Finance Committee

By
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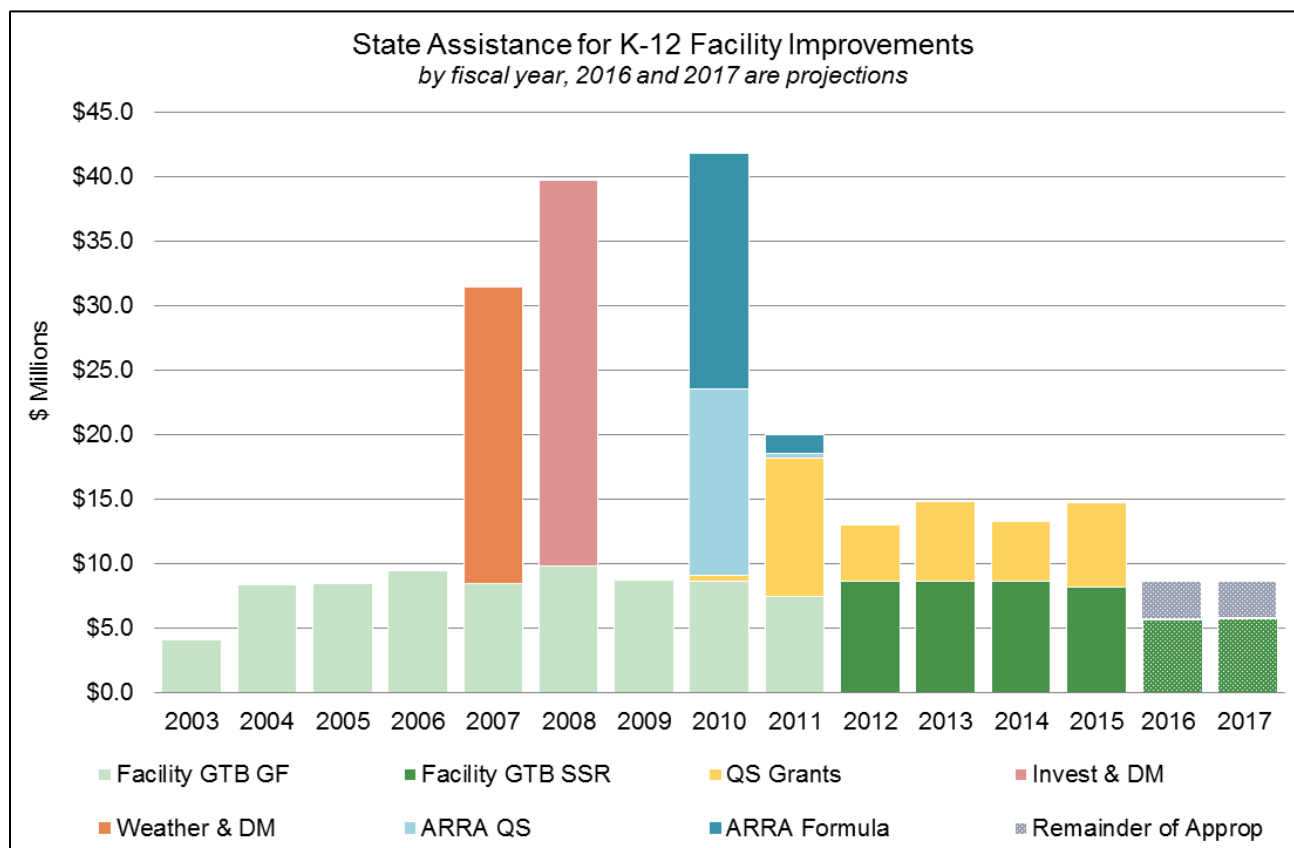


INTRODUCTION

As a result of a shortfall in funding, in the 2017 biennium the state's financial assistance to the maintenance and construction of K-12 school facilities is projected to be at the lowest level since FY 2003. The goal of this December 2015 report is to broaden LFC understanding of past state assistance targeted towards K-12 facility improvements, including the Quality Schools Facilities Grant Program, and how schools finance facility maintenance and capital improvements. Subsequent LFC meetings this interim in March and June will report upon school capital budgets, capital improvement funds and levees, and the roles that financial needs, local effort, and other criteria play in the process of targeting state assistance for K-12 facility maintenance and improvements.

HISTORY OF STATE FINANCIAL ASSISTANCE

Prior to the 2005 school funding lawsuit, *Columbia Falls vs. Montana*, state financial assistance with school improvements was funded through a guaranteed base aid component, which consisted of a formula driven reimbursement of the costs of debt issued by school districts for facility improvements. This GTB aid was funded with general fund until FY 2011 (Facility GTB GF), after which funding for this aid was shifted to the School Facility & Technology state special revenue account (Facility GTB SSR). These GTB aid appropriations can be seen in the chart below in green.



In FY 2007 and FY 2008, following resolution of the lawsuit, significant one-time general fund distributions were made for capital improvements to existing K-12 school facilities. The FY 2007 distribution (Weather and DM) was appropriated in SB 1 of the December 2005 Special Session, and the FY 2008 distribution (Invest & DM) was provided through a trigger-dependent language appropriation in HB 2 of the May 2007 Special Session. The May 2007 Special Session also established the School Facility & Technology state special revenue account.

In FY 2010 two additional one-time distributions for capital improvements were made with funds appropriated in HB 645 of the 2009 Regular Session, funds provided through the Federal 2009 American Reinvestment and Recovery Act (ARRA). These funds were for school maintenance and energy improvements and consisted of ARRA “Quick Start” (ARRA QS) funds, allocated through a competitive grant process, and ARRA “Formula” funds, allocated through the quality educator formula. Allocation criteria for both funding distributions were specified in HB 645.

Beginning in FY 2011 the Quality Schools Facility Grant Program (QS Grants), administered by the Department of Commerce, has allocated funds through a competitive grant process for school maintenance and improvements. HB 152 of the 2009 Regular Session created this program to be funded through the School Facility & Technology state special revenue account, which is the same account the school facility GTB aid has been funded from since FY 2012. In subsequent sessions projects under this program have typically been appropriated through HB 15. This program remains in place today.

Beginning in the 2017 biennium, revenues in the School Facility & Technology state special revenue (Facility GTB SSR) account are projected to only cover about two thirds of the school facility GTB aid appropriated during the 2015 Session, and no funds were appropriated for Quality Schools Facility Grants.

K-12 CAPITAL IMPROVEMENT FUNDING

K-12 Public Schools operate and maintain over 2,200 buildings totaling over 32 million square feet of floor space, based upon the state’s 2008 K-12 Public Schools Facility Inventory. The needs of these buildings range from custodial or ongoing maintenance that takes place on a frequent or annual basis, to major repairs and maintenance required less frequently, to additions and new construction required due to growth, changes in delivery of education, or functional obsolescence.

Montana K-12 school district capital expenditures for FY 2011 through FY 2014 averaged just over \$110 million from all sources on an annual basis, based upon Office of Public Instruction Trustee Reports. As shown in the charts on the preceding page, State assistance for capital improvements for the same period of time averaged \$15.2 million annually. And projections for the 2017 biennium are \$5.7 million annually, resulting in a \$2.9 million shortfall in school facility GTB aid from that authorized in HB 2 of the 2015 Session.

In order for committee members to have a better idea of the funding resources schools tap to maintain and improve their physical infrastructure we have assembled a panel of K-12 school representatives to present and discuss their own school experiences. The remainder of this presentation will be the panel presentation, with the associated committee questions and discussion.

For the March 2016 LFC meeting staff will focus on a presentation of school capital improvement budgets and school-related capital improvement levies.