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ABSTRACT

This paper examines the current system of capital finance for education in New Jersey in light of existing disparities in educational facilities throughout the state and the need to equalize educational quality in response to the New Jersey Supreme Court's mandate in Robinson v. Cahill. Separate sections of the report describe and critique New Jersey's current system of capital finance for education, suggest some of the requirements for an optimal capital finance system, evaluate the relative merits of cost sharing and full state assumption of capital outlay costs with several alternative plans for capital finance reform, and offer specific recommendations for reforming New Jersey's system of capital finance for education. (Author/JG)

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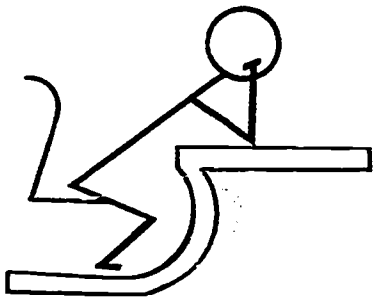

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a report of
The New Jersey Education Reform Project

TOWARD THOROUGH AND EFFICIENT

CAPITAL OUTLAY

by

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TABLE OF CONTENTS

I. Introduction

School buildings and facilities exert an influence over students' lives second in importance only to the teachers. Of course it isn't true that it is impossible for a student to learn to read in a one room school house or that the absence of a high school auditorium might stifle a budding van Cliburn. On the other hand, it is certainly true that the quality of educational facilities has a profound effect on students' attitudes towards learning and teachers' attitudes towards their work.

In New Jersey today, 834 of the State's 2,502 school buildings were built before 1924. Some of these buildings may have been refurbished or remodeled, but others are inadequate or unsafe.[1] The fact that little information is available on the overall condition of the State's educational facilities is another indication that the quality of school buildings has not been a major concern in New Jersey for many years.

The State's response to the Robinson vs. Cahill decision provides a unique opportunity to investigate and change the condition of the State school system's physical plant. The special problems involved in financing capital construction should be considered and, if necessary, special provisions should be incorporated into the final reform package.

Fortunately, it is not necessary for New Jersey to grope in the dark for ways of dealing with capital financing. The issues involved have been live ones on the national school finance scene for several years now. The Fleischmann Commission in New York devoted a chapter to the topic. The National Educational Finance Project has

done a study of the 50 states' capital constuction systems and devised a number of alternative reform proposals. In Maryland in 1971 and in Florida in 1973, major reforms were instituted whereby the State assumed the entire cost of school construction financing. There is no lack of models to follow if the legislature or courts determine that now is the time for a change in this area.

This report will describe and critique the current system of capital financing in New Jersey, suggest some of the requirements for an optimal system, evaluate the relative merits of cost sharing and full state assumption of capital outlay costs with several alternative plans for capital financing reform, and finally make a composite recommendation for directions for reform.

II. Description of the Current System

A. Magnitude

In the 1973-74 school year the total outlay by New Jersey school districts for school debt service was $184,012,932. Of this total $32,282,558 or 17.6% was financed by the State through State Building Aid. An additional $10.9 million or 5.9% came from State aid authorized for 1973-74 under the two $90 million emergency building aid acts of 1968 and 1971. The remaining 76.5% was funded by local school districts. These figures indicate that New Jersey relies predominantly on local funding for capital construction in education.*

B. State Building Aid

State Building Aid is a part of the State's total system of regular aid to local school districts. The amount of the grant is

*State Department of Education figures

calculated as follows:

$$\frac{\text{(\$45 x Weighted enrollment) - (.75 mill. x local equalized value)}}{}$$

The system includes some equalization in that "poorer" school districts receive more per pupil than richer school districts.

The State mandates priorities for use of building aid revenues. Revenues must be used first for debt service, then for construction and finally they may be held in a capital reserve fund for future construction.

C. Emergency Aid

In both 1968 and 1971 $90 million were appropriated for the purpose of financing the full cost of construction of new school facilities in areas where the need was greatest. Calculation of a district's entitlement is a complicated procedure.

"Maximum Entitlement": $25 x on-roll enrollment
x 16.5 years*

Point System: Each district is assigned a number of "points" according to the following criteria:

low equalized valuation per pupil
rate of growth
density of population
AFDC children
Children living in public housing
Classrooms over 50 years old
Total municipal tax rate in excess of median
School tax rate in excess of median
Municipal debt
School debt
Part time enrollment
Other factors.

Actual Entitlement: 50% of maximum for districts with 950 points or more.

40% of maximum for districts with fewer than 950 points.

*Estimated time of debt retirement.

This procedure was applied to each of the two $90 million appropriations. The actual distribution of the funds is illustrated for selected districts on the following chart.

DISTRIBUTION OF EMERGENCY SCHOOL BUILDING AID

District	Points	1968 Entitlement (millions)	1971 Entitlement (millions)	Total (millions)*
Newark	4,169	$18.8	$16.0	$34.8
Hoboken	2,952	1.9	1.6	3.5
Jersey City	2,625	9.2	7.9	17.1
Asbury Park	2,450	.7	.6	1.3
Camden	2,236	5.0	4.2	9.2
East Orange	2,195	2.8	2.4	5.2
Trenton	2,089	4.2	7.0	11.2
Atlantic City	2,077	1.9	1.6	3.5
Orange	2,017	1.1	.8	1.9
Perth Amboy	1,770	1.6	1.4	3.0
Paterson	1,685	6.3	5.4	11.7
Passaic	1,470	2.1	1.8	3.9
New Brunswick	1,460	1.1	1.2	2.3
Long Branch	1,348	1.4	1.2	2.6
Elizabeth	1,315	3.2	3.2	6.4
Bayonne	1,310	-	1.9	1.9
Willingboro	1,260	3.1	2.8	5.9
Clayton	1,231	.3	.3	.6
Irvington	1,180	1.5	1.5	3.0

Source: New Jersey Education Department
*Total amount available for spending over a period of 16.5 years

C. Critique of the System

The first major inadequacy of the current system of capital financing for New Jersey schools is the excessive reliance on local funding. Local funding of construction has all the same faults as local funding of other categories of educational expenditure. Often the need is greatest where the ability to pay is least. It can be expected that reforms ordered by the New Jersey supreme court will go a long way toward correcting this fault, but as was shown in an

earlier report issued by the New Jersey Education Reform Project, equalization of assessed valuation per pupil alone will not do the job.

The second flaw in the current system is the inadequacy of the magnitude of funds spent on capital outlay statewide. While $184 million may seem like a large figure, the following "back-of-the-envelope" calculations indicate that the pace of replacement of out-dated structures is exceedingly slow. Suppose construction planning were perfectly centralized in Trenton, and that the state were committed to replacing school buildings in order of age; the oldest first. Earlier it was noted that fully 33% of the state's school buildings are over 50 years old. Since it may be that older buildings are smaller than newer ones, a reasonable guess might be that 25% of the State's pupils (336,364) attend classrooms which are over 50 years old. Since the average classroom completed in New Jersey in 1973 was designed to serve 25.4 pupils we can guess that there are 13,243 "out moded" classrooms to be replaced. The average cost of building a new classroom in New Jersey was $106,000 in 1973.

Suppose that the State does not wish to increase the annual expenditure on capital outlay. Assuming that interest rates on school bonds remains constant, this would involve maintaining a constant level of aggregate school construction indebtedness. School debt principal retirement amounted to almost $90,000,000, (about one half of the total debt service of $176,000,000 in 1974/75) so that much money would be available for new construction each year under our assumptions. Suppose that construction costs increase 5% each year, and that enrollments decline by a like percentage. Under these assumptions it would take 17 years to replace facilities that are fifty years old right now.

In brief, if present efforts are continued, but organized in a perfectly efficient way to replace old classrooms, we can be sure that by 1991 no child in New Jersey will go to school in a classroom more than 75 years old. These are overly optimistic figures. They assume that new debt will be incurred at the same rate as old debt is retired, but national trends have been toward less school debt. Inflation rates have been well above five percent in recent years, and the State Department of Education estimates an overall enrollment decline of slightly more than 1% per annum.

We have seen that the total magnitude of the State's effort in this area may be inadequate. It is also true that the current system is inefficient in that it does not respond primarily to needs.

There are many measures of need for facilities. The State of Florida has conducted a complex statewide survey of the need for facilities in each district. We have been unable to conduct such a survey for New Jersey,but have taken mean district building age as indicative of overall facilites adequacy. The use of building age is justified since a newer building is more likely to contain modern science and language labs and extensive athletic facilities. This needs measure must necessarily be reduced by a factor representing rate of enrollment decline.

Another measure of need which is relevant to the subject of this report is annual district debt service payments per pupil. Some New Jersey districts have grown rapidly in recent years, or have made extraordinary efforts to replace outdated facilities. These districts are saddled with greater-than-average indebtedness. High annual debt service payments necessarily limit the amount of revenue available to

fund current instructional programs.

These measures of need, average building age and debt service payments per-pupil, must be compared with the district's ability to pay. The ability to pay can be measured in several ways. Under New Jersey's current school finance system, equalized valuation per-pupil is the most important indicator of a local district's ability to raise school revenues. However, the legislature's response to the Supreme Court's order will necessarily reduce the importance of this factor. Nevertheless, in the future such factors as community income level and the level of non-school local taxes will continue to constrain a district's relative ability to raise educational revenues.

Chart I illustrates some of the relationships among these variables for districts selected on the basis of their representativeness. Although urban districts demonstrate the greatest need for new school buildings, as evidenced in Column 1, their ability to pay for those needs is inversely related. Equalized valuation per pupil is lower in urban districts. In 1974/75 it was 67% of the state average.* Non-school taxes which restrain districts from raising school taxes are higher in urban districts. In 1974/75 urban district non-school tax rates were 231% of the state average. Community income levels is lower in urban districts as indicated by the family poverty data shown in Column 4. Even the changing enrollment patterns are less favorable to urban districts than the state as a whole.

*State Department of Education figures

CHART I

District	% Buildings Over 50 years	Equalized Valuation per pupil 10/1/74	Non-School local taxes as % of State Average	% of students from Families below Poverty	% Enrollment change 1973-74	Annual Debt Service per 1972 Enrollment
Atlantic City	71.4%	$46,274	376.1%	26.6%	+ .3%	$ 6.96
Camden	57.6	18,491	397.8	27.9	+1.3	52.76
Eatontown	20.0	47,063	142.4	7.8	-5.4	67.40
Paterson	66.3	28,412	246.7	21.0	-1.1	31.35
Newark	60.2	22,467	317.4	28.7	-1.9	94.59
Clifton	41.2	112,256	119.6	2.8	-4.3	83.39
Willingboro	0	25,416	118.4	6.1	-1.3	59.32
Glen Ridge	60.0	46,666	298.9	3.6	-4.0	130.54
Woodridge	50.0	113,668	73.9	3.2	-2.0	42.66
Clayton	50.0	35,694	128.3	14.0	- .6	65.13

Sources: State Department of Education, 1970 Caucus, New Jersey Education Association

The relationship between annual debt service per-pupil and the other variables is not so clear. There are districts with relatively high proportions of old buildings which have a relatively heavy debt service burden (Newark) and districts with old buildings but small school district debt (Atlantic City). There are districts with relatively new buildings with low debt service (Willingboro) and others with new buildings and high debt (Eatontown). The important point is that there are some districts, like Newark and Glen Ridge which rate high on both measures of need. Since both of these districts have relatively high non-school local taxes, even if per-pupil valuation is equalized, their ability to meet their capital construction and debt service needs will be relatively limited. Districts like Newark may receive occasional financial inputs through emergency measures, but what about districts like Glen Ridge where the problem is also great?

All of this means that from the point of view of the State educational system, the present methcd of financing capital contruction is inefficient. There is no way of assuring that construction will take place first where it is needed the most. In fact, the predominant reliance on local funding, together with a distribution of assessed valuation which leaves the wealthier communities with lower local tax rates, creates a system under which it is easier to build new buildings where the facilities may be already relatively extensive and up to date.

The two emergency building aid acts were steps in the right direction. An attempt was made to assure that the money went where it was needed the most through the point system. However, "emergency" aid is erratic and uncertain, and systematic, long term progress in

school plant modernization will be impossible if emergency aid is to be the only need related State assistance. Also, while a point system is a useful and objective device for distributing aid money, many of the elements of the one in use in New Jersey now, bear little direct relation to the need for school buildings or debt service assistance. Nor does the present point system recognize the differentials in site acquisition and construction costs among different communities.

Finally, the entire current system relies on local bond issues. In general, bonds issued at the State level carry a smaller interest cost than local government or school district bonds.[5] Decentralization of this aspect of capital financing is costly.

D. Conclusions

New Jersey is a State with great needs for new school construction. This need and the burden of debt service payments is more heavily concentrated in some districts than in others.

The system of financing capital construction relies largely on local efforts with two main channels of State aid; State building aid, (a small amount of equalized assistance), and occasional infusions of emergency building aid to multi-problem districts.

There is no overall statewide plan for capital construction, and little assurance that the greatest needs will be met first. The overall magnitude of current building effort is small relative to the age of the state school plant.

Two fundamental changes in state policy are needed, one which would reorganize the state building aid system and another to commit the State to an overall plan for replacing outmoded buildings at a faster rate.

III Rationale and Requirements for an Optimal System

A. Educational Goals and Capital Outlay

The objectives of a system of capital outlay and debt service are, very simply, the goals of education for the State. Unfortunately there is no simple relationship between school facilities and the quality of educational output.

The Coleman report found that once family background has been taken into account, there was no significant relationship between facilities and pupil achievement.[6] This does not mean, of course, that there is no relationship at all between the kind of school building and the education that takes place inside the building. The Coleman data may only reflect the fact that schools with poor facilities are almost always found in districts with many poor people. In fact, we don't know what would happen if disadvantaged children attended the most modern schools with the most up-to-date equipment because that experiment has never been tried on a large scale.

However, performance on achievement tests is not the only objective of education. Schooling also has a number of what educators call "affective goals". These involve children's attitudes towards learning, government, the community and themselves. It is not hard to see the relationship between the quality of educational facilities and these affective goals. A student who attends an old school building is likely to have a much worse attitude toward school, his government[7] and even towards himself.

Furthermore, many school facilities bear no direct relationship to the academic goals of education. Auditoriums, swimming pools, elegant landscaping and so on are simply something the system provides

its children to make them happier and more well rounded. As the system stands now these "resort" services are provided in much greater profusion to pupils in wealthy suburban districts than to those in inner cities or poor suburbs.

The education goals discussed above are general goals, but the Supreme Court has required New Jersey to meet some very specific requirements; that the State provide a "thorough and efficient" system of public education. The Court went on to define "thorough and efficient" to incorporate equality of educational opportunity. Now equality may mean many things, but equal opportunity is certainly not being provided when some children attend new schools with excellent facilities while others go to very old buildings with very minimal facilities.

The mandated goal is, then, at least to equalize basic school facilities across the State. In order to attain this overall objective as efficiently as possible, we can determine a number of subsidiary objectives which may be considered managerial goals.

B. Maximizing Construction Efficiency

First of all, very simply, if our goal is to equalize the quality of school buildings in the State, the best way to proceed is to replace or update the worst and oldest facilities first. This should be obvious, but, as we have seen, the current system makes it easiest to do just the opposite. To do this we must have extensive and reliable information on all school facilities in the State.

Now suppose in addition to the general goal of equalizing facilities, we wish to achieve that goal as quickly as possible within a reasonable budget constraint. If so, we will want to minimize the cost of replacing old facilities.

New York's Fleischmann Commission went into great detail regarding the advantages of the systems approach to the management of school construction. Centralized management can bring about great savings with regard to architectural fees, bulk purchases, managerial expertise and economy in financing costs.[8]

Clearly there is a tradeoff between cost minimization and local control of school construction. The least costly method of replacing old schools would be to mandate a single minimal-cost school design and require all districts receiving state aid to adopt that plan. On the other end of the same continuum would be to finance whatever type of school with whatever facilities each district with old buildings chooses. This clearly is the path of cost maximization. There are many intermediate positions in this system. One would be to mandate a building design, but allow districts to alter it to a greater or lesser extent. Another would be to determine a maximum per-pupil cost and allow districts complete freedom to design a building within that constraint.

C. Debt Service and Educational Goals

Here too the relevant objective is equality of educational opportunity. Where debt burdens are unequal, the amount of money available to fund current educational programs will be unequal. This places an unfair burden on districts which have grown rapidly or which have exerted an effort to maintain up-to-date facilities.

It may be that some districts have been extravagant in the past in incurring excessive school debt. But it is unlikely that there are many such districts, and it is no less unfair to penalize students in these districts than to penalize pupils in property-poor districts.

D. Conclusions

The New Jersey Supreme Court has found that the State Constitution requires equality of educational opportunity. Even the most minimal definition of this concept requires equality of educational facilities across the State. The most efficient method of attaining this objective would be to replace the least adequate facilities first according to a system of priorities established for the State as a whole.

In order to reach the objective of equality as quickly as possible within a budget constraint, costs should be minimized through managerial centralization as much as a commitment to local control of education will allow.

In addition the burden of school debt in the State should be equitably distributed.

Alternative systems should be judged as to how well they meet these general and specific objectives.

IV Alternative Proposals

A. Cost Sharing vs. Full State Assumption

Two of the general models of school finance reform frequently discussed in New Jersey are cost sharing and full state assumption. Under the latter, educational finance becomes the sole responsibility of the State government, and funds are distributed among districts on the basis of need. Under a cost sharing model the state pays a different percentage of the cost of education in each district, the specific percentage depending on the districts' property wealth and educational needs. Most pragmatic finance packages contain elements of both approaches with some specific categories of expenditures (eg. transportation, special education, text book purchase, etc.) fully assumed

by the state, and other categories (eg. maintenance, general administration) financed on a cost-sharing basis.

Deciding which type of financing is appropriate for each category involves consideration of a number of factors. For categories under which expenditure is or ought to be fairly uniform among school districts, the cost-sharing mode seems appropriate. However, when district needs differ radically, or when needs vary inversely with ability to pay, a full state assumption model is preferable.

Capital outlay, in New Jersey at least, seems to fall into the latter category. For either measure (building age and school debt) needs differ radically among districts, and the areas least able to pay, the cities, appear to experience the problem most severely.

On the other hand, full state assumption means that the state assumes the entire cost, even in relatively wealthy districts, and this may be deemed unfair.

Choice of an option involves a tradeoff. Full state assumption may violate equity by paying for the schools of rich as well as poor districts but at least it assures that money will go where the specific need is the greatest. Cost sharing, in the area of capital outlay, guarantees equity, but does not guarantee that old buildings will be replaced speedily.

In our recommendations we choose full state funding largely because we find that the needs are heavily concentrated in multi-problem districts and because relative population stability will prevent great construction needs from developing in already wealthy suburban areas.

B. National Educational Finance Project (NEFP)

In 1970 the NEFP issued a report entitled, "Financing Public Elementary and Secondary School Facilities in the United States." While already somewhat dated, the report does provide a number of alter-

native plans for distributing state aid for facilities construction. While it would not be useful to describe each plan, a catalog of some of the elements of all of the plans can provide an idea of what considerations go into devising specific capital outlay legislation.

Each plan includes the following elements:

1. A needs measure: This provides a rule for deciding how much the State will pay for capital construction in each district or for each specific project. Costs of construction, land acquisition costs, district wealth, average age of buildings, district growth rate and so on are taken into consideration to determine how much money goes into each district.

2. Allocation Procedures: If a limited amount of money is available to be divided among many projects, some rule for allocating funds must be devised. This might involve full State assumption of all costs with projects executed according to State priorities, equalized grants, or fixed proportions of all local construction costs.

3. Use of Proceeds: The State might allow the use of State aid funds only for specific State approved projects, or the State might set up a system of priorities for local use of funds or leave local districts free to use the funds in any way related to facilities purchase, construction or rental.

4. Sources of Funds: The State might set up a public authority with power to issue bonds, or rely on local borrowing, reserve funds or current revenues.

5. Operating Procedures: There is a wide variety of ways of having districts apply for funds, or establishing a Statewide construction plan.

C. Maryland and Florida

In 1971 in Maryland and in 1973 in Florida new laws were passed whereby the State assumed the full cost of local capital construction. In both States funds are allocated according to priorities established by the State, but in both areas there is a mixture of State and local planning.

In Florida the State also assumed all outstanding school district indebtedness, and local districts were allowed an option of allocating limited local funds to capital outlay beyond the project costs approved by the State.

Florida conducted a statewide facilities survey to determine needs and priorities. Since Florida is a rapidly growing State, this survey was largely concerned with the need for new facilities. In a State like New Jersey, such a survey could concentrate more on the need for replacing or refurbishing present facilities.

Construction projects in Florida receive funds in order of priority in a statewide plan. Since site acquisition costs vary considerably across Florida counties, each purchase must receive State approval if full State funding is to be received. Local districts have the option of hiring architects at their own expense or of adopting one of several designs on file with the State Education Department. If one of the State's plans is used, the State assumes the full cost of construction. If a local plan is adopted, the district may fund the difference, within narrow limits from local revenues.[9]

The Florida plan has not been in action long enough for the reviews to come in, but the Maryland program has been underway long enough for some reactions and suggestions for revision to be recorded.

Maryland depends more on local planning than Florida does. Each district establishes annual and five year capital improvement plans. These plans are then consolidated by a State level interdepartmental committee, which takes into account Statewide priorities and the availability of funds. The revised local plans are then returned to the school districts which are responsible for their implementation.

School district indebtedness for all projects in progress when the new law went into effect, and the entire cost of interest payments on all outstanding local district indebtedness (usually about one half of total project costs) were assumed by the State. No limit was placed on the amount local districts could add on to the cost of a State approved construction project. Also, the entire cost of site acquisition is borne by the locality.

In an article in Compact magazine in the Spring of 1973, Dr. Homer O. Elseroad, Superintendent of Montgomery County Public Schools (a wealthy suburban area) gave the new plan generally good reviews, but had a number of suggestions. He wanted more time for local planning, sole control of educational facilities by the State educational agency rather than an interdepartmental committee and more explicit commitment to continued local control. He did not, however, find that local involvement in school design and construction was diminished to a significant degree. Among the benefits of the new system he listed an overall improvement in school facilities throughout the State, a more equitable distribution of the burden of financing capital outlay, more money available for emergencies in poorer districts, more statewide emphasis on long-range planning, and readily available technical assistance. Of course, he did note that modernization of older schools in his relatively wealthy district was slower than it would have been under total local funding of facilities outlay.[10] Others also complain that the project approval process takes an inordinately long time.

Maryland and Florida are different from New Jersey in many ways. But the basic idea of full State assumption of capital outlay costs, perhaps with limited local add-on, does meet the objectives mandated by the court. It assures that a priority will be placed on equalization of

facilities and that the State will move systematically and as rapidly as its people can afford toward the chosen objective.

V. Conclusions and Recommendations

It is hard to conceive of a reasonable interpretation of Robinson vs. Cahill which would not require the State to make an effort to insure that school facilities approach equality in all districts. Equality is far from the case now, and progress toward that goal under present programs is very slow. Proposals which merely equalize tax base per-pupil will not insure improvement of facilities in the poorest districts because in many cases the localities with the oldest school buildings are those with the highest proportion of families in poverty, have the highest non-school local tax rates and will still be the least able to finance large capital outlay programs. Finally, occasional infusions of emergency building aid do not reflect a continuing commitment by the State government to facilities equalization. We believe that the Court requires a systematic plan which will insure that inequalities are eliminated as soon as possible.

Since reliance on local districts will not solve the problems, and since federal aid in the amounts required will not be forthcoming, the responsibility belongs to the State government. The most direct and simplest way of meeting this obligation is for the State to assume the full cost of all capital outlay for New Jersey school districts. Such a proposal would be inequitable unless all (or most) outstanding school district indebtedness were also assumed by the State.

In order to implement this proposal we make the following specific recommendations.

A Facilities Survey: The legislature should authorize the State Department of Education to make a thorough survey of all school facilities in the State. This should collect data on the age and condition of school buildings, the presence of such facilities as libraries (including the number of volumes), auditoriums, gymnasiums, athletic fields, swimming pools, language labs, and so on. The information collected in this survey should be made available to the public soon after it is processed.

Emergency Facilities Program: In districts where especially inadequate facilities are discovered (unsafe buildings, no library at all, etc.), the State Department of Education should be able to authorize immediate correction fully funded by the State government.

District Capital Outlay Plan: One year after the public release of the facilities survey, each district in the State will submit one and five year capital outlay plans to the State Department of Education. This plan will list the district's highest priorities for facilities replacement and improvement.

State Capital Outlay Plan: The State Department of Education would consolidate the District plans. State priorities would be determined by the equalization mandate and by the conditions revealed in the facilities survey. Projects would be begun according to their priority in the State plan as funds become available. Only projects authorized under the State Capital Outlay Plan would receive State aid.

Approved Costs: The State Department of Education would have the authority to accept or reject district recommendations regarding school sites, and the State would then pay the entire site acquisition costs. The State Department of Education would make available to the district alternative standard building designs for which it would assume the entire cost. The district would be free to finance an additional 10% of the State approved cost through local funding for special facilities or design features which are desired locally.

Sources of Funds: This would depend on the tax plan that is adopted for school finance. The alternatives are:

i. a specially earmarked statewide property tax
ii. an annual appropriation out of general state revenues
iii. longer term appropriations out of general state revenues
iv. a public authority authorized to issue bonds (within some limits) for school construction. The State would then rent the facility from the authority until the bonds had been retired.

State Assumption of Outstanding Indebtedness: The State would assume responsibility for all outstanding school district indebtedness. This could be accomplished either by refinancing all local bonds or by reimbursing districts for interest and principal payments, whichever is less costly.

Notes

1. Superior Court of New Jersey Law Division - Hudson County Docket No. L-18704-69. p.32.

> "In Paterson, 7 of 26 elementary schools in use were built between 1887 and 1899. Many buildings do not meet state standards for lighting and safety equipment. Only 2 or 3 schools have a library or librarian. Cafeteria and recreation areas are inadequate. Similar conditions can be found in other districts. [in] East Orange... 8 of 12 buildings were built before 1914, including one in 1873 and one in 1893. Instructional space equivalent to 76 classrooms is located in basement and attic areas, and 19 relocatable classrooms are in use. These sub-standard classrooms serve approximately 2,000 pupils. In Plainfield, the Health Room in one school has no sink or toilet.
>
> In the city of Camden, 8 of 34 schools in use (over 20%) were built between 1874 and 1897. Some are 3 story wooden frame structures. In some lighting, ventilation and toilet facilities are inadequate."

2. Gurwitz, "New Jersey Cities and School Finance Reform," New Jersey Education Reform Project, Newark, 1974.

3. "1973 Cost of Building Index," School Management, June, July 1973.

4. Ibid.

5. Barr, et al., "Financing Public Elementary and Secondary School Facilities in the United States," National Educational Finance Project, June, 1970, p.40.

6. Coleman, Equality of Educational Opportunity, U.S. Government Printing Office, 1966.

7. Superior Court of New Jersey Law Division, Hudson County, p.42.

> "Also discussed was the low self esteem of children from poor neighborhoods who begin their first contact with American government by entering ancient, dilapidated buildings. Perhaps they ask themselves, "Is this what my state thinks of me?" "

8. Fleischmann, et al., The Fleischmann Report, Viking, N.Y., 1972, Vol. II, pp. 122ff.

9. Florida Education Finance Program Act of 1973.

10. Elseroad, H.O., "Maryland Shows the Way, Montgomery County....," Compact, May/June, 1973, pp. 41-44.